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Spring 2-1-2022

### ECNS 431.01: International Trade

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**Class Syllabus  
for  
International Trade--ECNS 431  
The University of Montana  
Spring 2022**

**Instructor:** Professor Kellenberg  
**Class Time:** T Th from 11:00AM - 12:20 PM  
**Class Location:** JRH 205  
**Office:** LA 404  
**Phone:** 243-5612  
**Email:** [Derek.Kellenberg@umontana.edu](mailto:Derek.Kellenberg@umontana.edu)  
**Office Hours:** W, 1:00 - 2:30 PM or by appointment

**CLASS TA:** Alison Monroe  
**TA Email:** Alison.Monroe@umconnect.umt.edu  
**TA Office:** LA 408A  
**TA Office Hours:** M, 10:00AM – 12:00 PM, T, 2:00-4:00PM, Th, 10:00-11:00AM

Note: The following syllabus defines the rules and important dates for the semester. However, I reserve the right to make changes if the need arises.

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**Course Prerequisite: ECNS 201**

**Course Description:** This course addresses a variety of issues in international trade. The first part of the course will be devoted to concepts in international trade theory, including topics such as comparative advantage, the classical model of trade, the Heckscher-Ohlin Model, tariffs, non-tariff barriers, the effects of trade on wages, and commercial trade policy. Along the way we will explore the empirical validity of various trade theories. The second part of the course will be devoted to issues such as foreign direct investment, multinational corporations, outsourcing, free trade agreements and customs unions.

**Learning Outcomes:** Students who successfully complete this course will:

1. Understand the difference between comparative advantage and absolute advantage and their importance for trade.
2. Be able to distinguish between various sources of comparative advantage and the impacts on trade flows using different models of trade.
3. Understand the effects of trade on wages.
4. Develop a solid understanding of the impacts of migration and capital flows on international trade, wages, and capital returns.

5. Learn the welfare effects on foreign and domestic firms, consumers, and governments associated with a variety of forms of trade policy, including tariffs, quotas, subsidies, and nontariff barriers.
6. Recognize the importance, impact, and challenges associated with a variety of bilateral, preferential, and multilateral trade agreements and organizations.

## **Course Text**

The required text for the course is International Economics, 5th ed., by Feenstra and Taylor. Over the course of the semester we will cover a great deal of information, and I *strongly* urge you to keep up with reading the chapters as we cover them in class. There will be times during lecture when we will move quickly through topics and it will be paramount that you use the book and accompanying notes to help you solidify the concepts that we cover in class. You will automatically be registered for the class Achieve website when you enroll in the course. On this website you will have access to the full e-text and will complete your homework assignments. To complete your registration, click on the “Achieve Access for Feenstra and Taylor’s International Trade” link on our class Moodle page. Once you are registered you will be able to access Achieve through our class Moodle page.

## **Class Notes**

Incomplete lecture notes will be posted on the Moodle class website before each lecture. Lecture notes will typically be available at least 24 hours in advance of lecture. I encourage you to print them out before each class and bring them to class to fill in the missing sections. I will NOT give out the completed notes if you miss class. If you miss lecture for any reason, it is YOUR responsibility to get the completed notes from someone else in class.

## **Grading**

Grading for the course will consist of a participation/attendance grade, between 9 and 11 online homework assignments, and four exams. The breakdown of the grades are as follows:

### **Grade Percentages for Undergraduate students:**

Participation/Attendance	10%
Homework Score	30%
Exam Scores	60%

## **Participation and Homework**

During the term I will occasionally present in-class problems or quizzes for you to work on. These will typically be problems that you can work on in groups. Your participation grade will be based on your presence and performance on these problems and quizzes. Your participation/attendance grade will make up 10% of your overall class grade.

We may also take a break from our lecture format and have a few alternative class assignment days. On these days we will not have lecture but will have alternative assignments designed to get you thinking more deeply about the theory we are learning in class. These assignments will typically involve writing a 1-2 page summary or analysis piece on an in-class or online video, newspaper, magazine or journal article, or may come in the form of completing assignments on the Achieve class page. Dates for the alternative class assignments will be announced in class and posted on the class Moodle page at least 1 week prior to their due dates. Each alternative class assignment will be included in your participation score.

There will also be between 9 and 11 homework assignments over the course of the semester. Homework assignments will be completed on the Achieve class website and will be announced in class and posted on the class website at least one week prior to the due date of each assignment. Homework assignments are based on completion by correctly answering a specified number of questions on the topics of a chapter. Thus, for each homework assignment you will earn a score of 0% or 100%. Late homework assignments will NOT be accepted. If you cannot complete your homework on the respective due dates then you should plan to complete them early. Homework assignments will constitute 30% of your overall class grade. Each homework assignment will be weighted equally in your overall homework score.

## **Exams**

There will be four exams, each worth 20% of your overall class grade. The lowest exam score of the first three exams will be dropped. Thus, your exam score will be based on the three highest scores of the first three exams and exam 4. Exam 4 cannot be dropped. THERE WILL BE NO MAKE-UP EXAMS. If you miss an exam or are unsatisfied with an exam performance, for whatever reason, that will be the exam that is dropped among the first three exams.

### **Exam Replacement Policy**

Please be aware that I do not allow you to drop one of your first three exams simply to be “nice”. Over the course of the semester, there are always people who will unfortunately experience some sort of illness or personal or family hardship. As such, I allow each of you to replace one of the first three exams as a form of insurance policy against unforeseen events so that you can tend to any personal or family matters without it affecting your overall grade. DO NOT make the mistake of slacking off early in the semester thinking you can simply drop that exam. If something comes up later in the

semester that causes you to miss one of the other exams, then you will have to accept the poor performance on the midterm you missed/failed as part of your overall class score.

<b><u>Exam</u></b>	<b><u>Date</u></b>
Exam 1	<i>Thursday, February 17</i>
Exam 2	<i>Thursday, March 17</i>
Exam 3	<i>Tuesday, April 26</i>
Exam 4	<i>Friday, May 13</i> <i>(8:00 – 10:00AM)</i>

### **Graduate Student Increment (*For Graduate Students only*)**

Graduate Students taking the course are required to complete an additional assignment for successful completion of the course. Each graduate student must choose a current international trade topic of their choice for my approval. Upon my approval, each student will write a literature review paper that fully describes the international trade topic and the literature to date. Successful completion of this project will constitute a polished paper complete with references. The final paper is due to me by the last day of class (May 5, 2022). The literature review will constitute 10% of the students overall class grade such that for a graduate student, the following overall class grade percentages will apply:

#### **Grade Percentages For Graduate Students:**

Participation/Attendance	10%
Homework Score	20%
Literature Review	10%
Exam Scores	60%

**Covid Policies:** All students must wear a face mask in class in compliance with the University of Montana face mask policies. If you are experiencing any Covid symptoms then do not come to class.

- Proper mask use (covering both the mouth and nose) is required within the classroom.
- If you feel sick and/or are exhibiting COVID-19 symptoms, please don't come to class and contact the Curry Health Center at (406) 243-4330.
- If you are required to isolate or quarantine, you will receive support in the class to ensure continued academic progress. Please contact me immediately to discuss a quarantine plan.
- UM recommends students get the COVID-19 vaccine. Please direct your questions or concerns about vaccines to Curry Health Center.
- Class attendance and seating will be recorded to support contact tracing efforts. This may involve taking a still picture daily to document student location on that day. Please do your best to sit in the same seat each day of the semester.

- Drinking liquids and eating food is discouraged within the classroom.

**Course Drop and Grade Change Policy:** Course drops and grade changes are subject to the policies and official dates set by the Office of the Registrar. Course drop and grade change dates can be found at the [Office of the registrar website](#).

**A Word on Cheating and Plagiarism:** Do not do it! All students are expected to abide by the University of Montana Student Conduct Code. Any violators of the Student Code of Conduct will be subject to punishment as outlined in the Student Code. For more information, please consult the [Student Code of Conduct](#).

**Students with Disabilities:** If you are a student with a disability who will require reasonable program modifications in this course, please meet with Office for Disability Equity for Students in Lommasson 154 for assistance in developing a plan to address program modifications. If you are already working with the Office for Disability Equity, please arrange to meet with me during my office hours to discuss reasonable modifications that may be necessary. For more information, visit the [Office for Disability Equity website](#).

**Classroom Policies:** I reserve the right to ask you to leave the classroom for the day if I perceive that you are being disruptive in any way to me or others in class. I view disruptive behavior to include things like talking on a cell phone, texting, tweeting, emailing, surfing the web, reading a newspaper or doing crosswords puzzles during class time. *Cell phones must be put away (out of sight and ringers turned off) at all times.*

**Course Outline:** The following is an approximate roadmap of where we are headed. How far and how fast we proceed through each topic will depend on how quickly the class is picking up the material. As mentioned above, there will be journal articles assigned to complement the book chapters outlined below. The exam dates are set but the material covered on each exam will depend on our pace. I will let you know at least one week prior to each exam exactly which topics will be covered.

## **Week 1 & 2 Topics**

### **Feenstra and Taylor Chapters 1-2**

- Introduction – Definitions of Trade and Characteristics of National Economies
- Assumptions of the Basic Trade Model
- National Supply and National Demand
- Labor Theory of Value
- Absolute vs. Comparative Advantage
- Specialization in Production and Gains from Trade
- Relative Wage Determination

### **Week 3 & 4 Topics**

#### **Feenstra and Taylor Chapters 3-4**

- The Ricardo-Viner (Specific-Factors) Model
- The Heckscher-Ohlin Model
- The Rybczynski Theorem
- The Factor Price Equalization Theorem
- The Stolper-Samuelson Theorem
- Tests of the HO Model
- The Leontief Paradox

### **Week 5 & 6**

#### **Feenstra and Taylor Chapter 6**

- Intraindustry Trade
- Increasing Returns to Scale and International Trade

### **Week 7 & 8**

#### **Feenstra and Taylor Chapter 5 & 7**

- Migration and wages
- Capital Flows and the returns to capital
- Multinational corporations
- Outsourcing

### **Week 9 & 10**

#### **Feenstra and Taylor Chapters 8-9**

- Commercial Policy
- Tariffs
- Welfare Analysis
- Deadweight Losses
- Optimal Tariffs
- Nontariff Barriers to Trade
- Quotas
- Strategic Trade Policy
- Tariffs and Imperfect Competition

### **Week 11 & 12**

#### **Feenstra and Taylor Chapter 10**

- Export Subsidies
- Production Subsidies
- Applications to Agriculture
- Applications to Technology Industries

### **Week 13 & 14**

#### **Feenstra and Taylor Chapter 11**

- Preferential Trade Arrangements
- North American Free Trade Agreement (NAFTA)
- The Creation of the WTO
- Regionalism vs. Multilateralism
- Trade and Labor

	<b>Tuesday</b>	<b>Thursday</b>
<b>Week 1:</b> <b>1/18 &amp; 1/20</b>	Introduction	Feenstra and Taylor Chapter 1
<b>Week 2:</b> <b>1/25 &amp; 1/27</b>	Feenstra and Taylor Chapter 2	Feenstra and Taylor Chapter 2
<b>Week 3:</b> <b>2/1 &amp; 2/3</b>	Feenstra and Taylor Chapter 3	Feenstra and Taylor Chapter 3
<b>Week 4:</b> <b>2/8 &amp; 2/10</b>	Feenstra and Taylor Chapter 4	Feenstra and Taylor Chapter 4
<b>Week 5:</b> <b>2/15 &amp; 2/17</b>	Feenstra and Taylor Chapter 6	<b>EXAM 1</b>
<b>Week 6:</b> <b>2/22 &amp; 2/24</b>	Feenstra and Taylor Chapter 6	Feenstra and Taylor Chapter 6
<b>Week 7:</b> <b>3/1 &amp; 3/3</b>	Feenstra and Taylor Chapter 5	Feenstra and Taylor Chapter 5
<b>Week 8:</b> <b>3/8 &amp; 3/10</b>	Feenstra and Taylor Chapter 7	Feenstra and Taylor Chapter 7
<b>Week 9:</b> <b>3/15 &amp; 3/17</b>	Feenstra and Taylor Chapter 7	<b>EXAM 2</b>
<b>Week 10:</b> <b>3/22 &amp; 3/24</b>	<b>SPRING BREAK</b>	<b>SPRING BREAK</b>
<b>Week 11:</b> <b>3/29 &amp; 3/31</b>	Feenstra and Taylor Chapter 8	<b>No Class</b> <b>Online Assignment Day</b>
<b>Week 12:</b> <b>4/5 &amp; 4/7</b>	Feenstra and Taylor Chapter 8	Feenstra and Taylor Chapter 9
<b>Week 13:</b> <b>4/12 &amp; 4/14</b>	Feenstra and Taylor Chapter 9	Feenstra and Taylor Chapter 10
<b>Week 14:</b> <b>4/19 &amp; 4/21</b>	Feenstra and Taylor Chapter 10	Feenstra and Taylor Chapter 10
<b>Week 15:</b> <b>4/26 &amp; 4/28</b>	<b>EXAM 3</b>	Feenstra and Taylor Chapter 11
<b>Week 16:</b> <b>5/3 &amp; 5/5</b>	Feenstra and Taylor Chapter 11	Feenstra and Taylor Chapter 11
<b>Week 16:</b> <b>5/13</b>	<b>EXAM 4, Friday May 13, 2022 from 8:00 -10:00AM</b>	