

Spring 2023, Econ 325, International Trade, Northwestern University

Your Prof: Kiminori Matsuyama; k-matsuyama@northwestern.edu. Just google me to find my homepage. You can email me only for simple administrative inquiries or making an appointment. But, if you have questions about the course materials, it would be more efficient if we talk in real time. If you have a few small questions, you can ask me after the lectures. If you have many and/or big questions, we should do so by zoom or in my office.

Office Hours: Fr 2pm-3pm by zoom. Or by appointment (either in my office or by zoom).

Course Description: Policy discussion on foreign trade issues frequently degenerates into rhetorical warfare. In my view, the purpose of studying economics is to acquire the ability to think about important economic issues logically and systematically, thereby making yourself immune to journalistic and political rhetoric. I believe that this is particularly important in the area of international trade. The goal of this course is to take a small step in that direction, by learning analytical methods, including a series of formal models, each of which captures the key ideas. Note that this is neither a course on the current economic issues in the world economy, nor a course on foreign economies. This course deals with conceptual problems that arise from the fact that countries interact with others through international trade. Although I discuss some current issues and historical episodes, I do so only to motivate conceptual problems I am introducing.

Prerequisites: Econ 310-1 or my permission. This course is designed for econ majors and I assume that you are familiar with the basic concepts and tools in economics. The previous exposure to the calculus is not essential.

Readings:

Lecture Slides: Will be regularly updated and posted. I have a mixed feeling about the use of lecture slides. On the positive side, they enable me to cover the materials more efficiently and allow you to pay attention to what I say during the lectures, instead of worrying about copying graphs and equations. On the negative side, you learn less by reading the slides than by writing down on your notebook. Furthermore, they tend to reduce the class attendance. Even worse, they could give you a false sense of security and you might end up procrastinating your study. I cannot emphasize too much that the lecture slides do not show everything I say or cover during the lectures. So, following the lecture slides is not a substitute for attending my lectures. Furthermore, they are quite densely written and rich in content, and you should not expect to be able to absorb them in one quick reading. To digest, a typical student would need to go through four times (before the lecture, during the lecture, after the lecture, and before the interview).

No required textbook. But, if you need a textbook treatment of the core materials, I recommend the following:
(KOM) Krugman, Obstfeld, Melitz: International Economics: Theory and Policy, Recent Editions, Addison-Wesley.
(FT) Feenstra & Taylor: International Trade, Recent Editions, Worth.

Course Schedule: 2pm-3:20pm, TECH L150 on Monday & Wednesday; Zoom on Friday

Week	Monday (2p-3:20p)	Tuesday	Wednesday (2p-3:20p)	Th	Friday (2p-3p)
3/27-3/31		Lecture #1	Lecture #2		Zoom Office Hours
4/3-4/7	Lecture #3		Lecture #4		Zoom Office Hours
4/10-4/14	Lecture #5		Lecture #6		Zoom Office Hours
4/17-4/21	Lecture #7		Lecture #8		Zoom Office Hours
4/24-4/28	Interview (Part I)	back up slots	Lecture #1b		Zoom Office Hours
5/1-5/5	Lecture #2b		Lecture #3b		Zoom Office Hours
5/8-5/12	Lecture #4b		Lecture #5b		Zoom Office Hours
5/15-5/19	Lecture #6b		Lecture #7b		Zoom Office Hours
5/22-5/26	Lecture #8b		Interview (Part II)	back up slots	
5/29-6/2	Reading Period				
6/5-6/9					

Course Outline: (This is a plan, subject to change. I have also listed corresponding chapters of KOM and FT for your reference, although you do not need to read them.)

		KOM	FT
Topic 1	Ricardian Model	Ch.3	Ch.2
Topic 2	Specific Factors Model	Ch.4	Ch.3
Topic 3	Heckscher-Ohlin Model	Ch.5	Ch.4
Topic 4	Two Sector Model of Trade: A General Theory	Ch.6	
April 24	<i>Interview on Part-I (with possible backup slots on April 25)</i>		
Topic 5	Trade Balance and Capital Flows	Ch.6	
Topic 6	Increasing Returns, Imperfect Competition, and Trade	Chs.7-8	Ch.6
Topic 7	Trade Policies	Chs.9-10	Chs.8-9
May 24	<i>Interview on Part-II (with possible backup slots on May 25)</i>		

Grade: In the past, I have almost always evaluated the students' performances by giving written exams proctored in class. And I have always graded the students based on the distribution of their scores, so that each student's grade would be determined by his or her performance in these exams relative to the other students in the class.

This quarter, however, considering the exceptionally small class size, I have decided to do it differently, as we discussed during the first meeting on March 28.

In short, I will treat this class as if it were a tutoring class. I still give lectures, but

1. Instead of making you answer the written exams under the pressure of the time constraint, I will evaluate your understanding of the material with **two one-to-one interviews**. Each interview should take no more than 20 minutes.
2. The class size is too small to evaluate your performance relative to your classmates. It makes no sense to follow the usual grade distribution guideline by the College. As long as each of you demonstrate your understanding of the material during these interviews, I do not see any reason why I should not give all of you an A. (In case I identify during the interviews some weaknesses in your understanding of some parts of the material, I may ask you to review your weaknesses and come back for a follow-up interview, so that I could give you an A.)

For the moment, I plan to schedule these interviews as much as possible during the usual class time on April 24 (on the material in Part-I) and on May 24 (on the material in Part-II). However, some interviews may need to be scheduled on the following days. We will start signing up for a slot about a week before the interviews.

Attendance: Considering the small class size, the attendance is required. (Since this class is effectively a tutoring class, your presence is essential.) In case you must miss a class for a valid reason (sickness, family emergency, etc.), email me in advance so that your classmates and I would not have to wait for you to arrive in vain.