

AGEC 45000: International Agricultural Trade
Fall 2017

SYLLABUS

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Lectures

Monday, Wednesday and Friday 10:30am -11:20am Krannert G016

Course Description

The central questions addressed in this course are: 1) Why is there trade between nations?, 2) How does international trade affect the domestic economy? and 3) Can governments intervene in international trade in ways that benefit their citizens? The course develops formal economic models of international trade that provide answers to these and related questions. The course also develops an understanding of the main international trade policies and institutions, especially those that are important for trade in food and agricultural products.

Prerequisites

Students should have an understanding of introductory micro- and macro-economic theory. Skills that will be useful in this subject include algebra, an ability to read and interpret graphs, and an ability to write clearly and concisely in English.

Learning Outcomes

On successful completion of this subject you should be able to: explain the rationale for international trade in a variety of economic models, critically assess the models in terms of their assumptions and implications, discuss supplementary research that qualifies and extends the basic models, critically discuss the implications of international trade policies, institutions and agreements for international trade, especially trade in food and agricultural products.

Reading

The required textbook is

Pugel, Thomas, International Economics, 16th Edition, McGraw-Hill Education, 2016 [ISBN:978-0-07-802177] Earlier editions are also suitable. An electronic version of the text is available at <http://www.mheducation.com/highered/product.M0078021774.html>

Supplementary readings will be posted to the class Blackboard page. All of these readings are required. Many of the supplementary readings are formal academic articles that either test the theories we are learning or extend them. The purpose of such reading in this course is to understand the research question and the outcome, not the specifics of the scientific methods employed. We will discuss all of the readings in class, though a thorough understanding will benefit from reading the texts.

Academic Integrity

Students are reminded of the Purdue Honors Pledge:

As a Boilermaker pursuing academic excellence, I pledge to be honest and true in all that I do. Accountable together - we are Purdue.

The University policy on academic dishonesty is as follows:

Purdue prohibits "dishonesty in connection with any University activity. Cheating, plagiarism, or knowingly furnishing false information to the University are examples of dishonesty." [Part 5, Section III-B-2-a, Student Regulations] Furthermore, the University Senate has stipulated that "the commitment of acts of cheating, lying, and deceit in any of their diverse forms (such as the use of substitutes for taking examinations, the use of illegal cribs, plagiarism, and copying during examinations) is dishonest and must not be tolerated. Moreover, knowingly to aid and abet, directly or indirectly, other parties in committing dishonest acts is in itself dishonest." [University Senate Document 72-18, December 15, 1972]

Acts of academic dishonesty will not be tolerated in this class.

Grading

20% homework.

30% midterm examination.

50% final examination.

Students will be assigned five homework assignments during the term. The lowest one of these five scores will be dropped and the remaining four will each count for 5% of the total grade in the course.

Late assignments will be accepted subject to a 20% per day penalty, unless prior arrangements have been made with the instructor. Make-up exams will be given only under exceptional circumstances, and require prior approval of the instructor. Unexcused missing assignments will receive a zero.

The **mid-term examination** will be given in class on October 4.

The **final examination** will be given the week of Dec 11-16, at a time yet to be determined.

Final grades will be given on a curve with the rough aim of a 3.0 class GPA containing 25% A's, 50% B's and 25% C's. I will use +/- grades and assign grades lower than C- as earned. This distribution is subject to change in either direction if the class as a whole does particularly well or particularly poorly.

General Course Policies

As a general courtesy to me and to the other students in the class, please put your cell phones on silent mode. As a matter of courtesy to others you are also encouraged to avoid entering late or exiting early.

Attendance

You are encouraged to attend every lecture. The lectures will contain information not in the textbook, and this material is testable.

Counseling and Psychological Services

Purdue University is committed to advancing the mental health and well-being of its students. If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, services are available. For help, such individuals should contact Counseling and Psychological Services (CAPS) at (765)494-6995 and <http://www.purdue.edu/caps/> during and after hours, on weekends and holidays, or through its counselors physically located in the Purdue University Student Health Center (PUSH) during business hours.

Accessibility and Accommodations

Purdue University strives to make learning experiences as accessible as possible. If you anticipate or experience physical or academic barriers based on disability, you are welcome to let me know so that we can discuss options. You are also encouraged to contact the Disability Resource Center at: drc@purdue.edu or by phone: 765-494-1247.

Nondiscrimination

Purdue University prohibits discrimination against any member of the University community on the basis of race, religion, color, sex, age, national origin or ancestry, genetic information, marital status, parental status, sexual orientation, gender identity and expression, disability, or status as a veteran. The University will conduct its programs, services and activities consistent with applicable federal, state and local laws, regulations and orders and in conformance with the procedures and limitations as set forth in [Executive Memorandum No. D-1](#), which provides specific contractual rights and remedies. Any student who believes they have been discriminated against may visit www.purdue.edu/report-hate to submit a complaint to the Office of Institutional Equity. Information may be reported anonymously.

Lecture Outline (tentative)

Week 1: Introduction and overview, historical antecedents [Ch 1 and pp. 375-380]
8/21-8/25

Related Reading

Irwin, Douglas, 1996, *Against the Tide: An Intellectual History of Free Trade*, "Chapter 1: Early Foreign Trade Doctrines."

Week 2: International trade in partial equilibrium [Ch 2]
8/28-9/1

Related Reading

Baker, A. and S. Zahniser, 2006, "Ethanol Reshapes the Corn Market," *Amber Waves*, U.S. Department of Agriculture, Economic Research Service

9/4 Labor Day Holiday

Weeks 3-4: Comparative advantage, Ricardian Model [Ch 3]
9/6-9/11

Related Reading

Daniel M. Bernhofen and John C. Brown (2004), "A direct test of the theory of comparative advantage: the case of Japan", *Journal of Political Economy* 112(1), 48-67.

Homework 1 due September 11.

Week 4: The Standard Theory of International Trade [Ch 4 and pp. 313-319]
9/13-9/15

Related Reading

Cuddington, J., S. Jayasuriya, and R. Ludema, 2002. "Prebisch-Singer Redux"

Week 5: Offer Curves and the Terms of Trade [Appendix C]
9/18-20

Weeks 5-6: Heckscher-Ohlin/Specific Factors [Ch 5]
9/22-9/29

Related Reading

Schott, P. 2004. "Across-Product versus Within-Product Specialization in International Trade," *Quarterly Journal of Economics* 119(2):647-678.

Bernard A., S. Redding, P. Schott, and H. Simpson. 2002. "Factor Price Equalization in the UK?" NBER Working Paper 9052.

Corden, W. M. and J. P. Neary 1982, "Booming Sector and De-Industrialisation" *The Economic Journal* 92, pp. 825-848.

Homework 2 due in class October 2

Mid-term exam in class October 4

October break: No class on October 9

- Weeks 7-8: Economies of scale/External economies/Reciprocal dumping [Ch 6]
10/2, 10/6,
10/11, 10/13
- Related Reading
Brander, J. and P. Krugman, 1983, "A Reciprocal Dumping Model of International Trade" *Journal of International Economics* 15, 313-323.
- Week 9: Economic Growth and International Trade [Ch 7]
10/16-10/20
- Related Reading
Hanson, G. and M. Slaughter, "The Rybczynski Theorem, Factor-Price Equalization, and Immigration: Evidence from U.S. States" NBER Working Paper 7074.

Homework 3 due in class October 27

- Week 10: Analysis of a tariff [Ch. 8]
10/23-10/27
- Related Reading
Gresser, E. 2002. "Toughest on the Poor: America's Flawed Tariff System" *Foreign Affairs*, 81(6) pp. 9-14.
- Week 11: Non-tariff barriers/Trade institutions [Ch 9 and Appendix D]
10/30 – 11/3
- Related Reading
Athukorala, P.-C. and Jayasuriya, S. (2003), Food Safety Issues, Trade and WTO Rules: A Developing Country Perspective. *World Economy*, 26, pp. 1395–1416.
- Baldwin, R. 2016. "The World Trade Organization and the Future of Multilateralism." *Journal of Economic Perspectives*, 30(1): 95-116.
- Week 12: Arguments for and against protection [Ch 10]
11/6-11/10
- Related Reading
Krugman, P., 1987, "Is Free Trade Passe?" *Journal of Economic Perspectives*, 1(2) 131-144.
- Week 13: Trade policy and agriculture
11/13-11/17
- Related Reading
Bureau, J.-C. and S. Jean. 2014. "Do Yesterday's Disciplines Fit Today's Farm Trade? Challenges and Policy Options." E15Initiative. Geneva: International Centre for Trade and Sustainable Development (ICTSD) and World Economic Forum. www.e15initiative.org/
- ICTSD. 2017. "How do Trade Distortions Affect Markets for Farm Goods?" Geneva: International Centre for Trade and Sustainable Development (ICTSD).
- Laborde, D. and W. Martin. 2013. Agricultural Trade: What Matters in the Doha Round?, *IFPRI Discussion Paper 01251*, IFPRI, Washington DC.
- Wright, B. 2011. "The Economics of Grain Price Volatility," *Applied Economic Perspectives and Policy*, 33(1) pp. 32-58.

Homework 4 due in class November 17

Weeks 14-15: Preferential Trading arrangements [Ch 12]
11/20, 11/27

Related Reading

Behsudi, A. 2017. "Trump's Trade Pullout Roils Rural America." *Politico* August 07, <http://www.politico.com/magazine/story/2017/08/07/trump-tpp-deal-withdrawal-trade-effects-215459>

MacCharles, T. and B. Campion-Smith 2017, "Here's what to expect as crucial NAFTA talks between U.S., Canada and Mexico begin this week" *Toronto Star*, August 14, <https://www.thestar.com/news/canada/2017/08/14/heres-what-to-expect-as-crucial-nafta-talks-between-us-canada-and-mexico-begin-this-week.html>

Thanksgiving Break: No class on Nov. 22 or Nov 24.

Week 15 Trade and the Environment [Ch 13]
11/29- 12/1

Related Reading

Taylor, M. S. 2011. "Buffalo Hunt: International Trade and the Virtual Extinction of the North American Bison." *American Economic Review*, 101(7): 3162-95.

Homework 5 due in class December 8

Week 16 Review
12/4-12/9

Disclaimer

This syllabus is subject to change.