

AGEC 45000  
(and AGEC 59600)

International Agricultural Trade

Spring 2018

SYLLABUS

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**Lectures**

Monday, Wednesday and Friday                      11:30am -12:20pm                      Smith Hall 108

**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 as they relate to trade in food and agricultural products.

**Reading**

The required textbook is

Salvatore, Dominick, International Economics, 12<sup>th</sup> Edition, McGraw-Hill Education, 2016 [ISBN: 978-1-118-95576-5] Earlier editions are also suitable. An electronic version of the text is available at <https://www.wiley.com/en-us>. A hard copy of an earlier edition will be placed on reserve in the Krannert library.

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.

### 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 **March 6**.

The **final examination** will be given the week of **Apr 29 – May 4**, at a time yet to be determined.

Final grades will be given on the following schedule:

A+	97.0-100		C+	78.0 - 80.0
A	92.0 - 97.0		C	72.0 - 78.0
A-	90.0 - 92.0		C-	70.0 - 72.0
B+	88.0 - 90.0		D+	65.0 - 70.0
B	82.0 - 88.0		D	55.0 – 65.0
B-	80.0 - 82.0		F	0 – 55.0

### 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.

### **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. Lecture notes are posted, but we will move at a rapid pace with relatively little repetition. Past experience shows that ongoing engagement with the course is highly correlated with success in it.

### **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](mailto: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](http://www.purdue.edu/report-hate) to submit a complaint to the Office of Institutional Equity. Information may be reported anonymously.

## Lecture Outline

Week 1: Introduction and overview, Historical antecedents, Balance of Payments  
1/7-1/11

### Reading

Textbook, Chs. 1 (Introduction) and 13 (Balance of Payments)

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

Applebaum, Binyamin, 2016, “On Trade, Donald Trump Breaks with 200 Years of Economic Orthodoxy,” *New York Times*, Mar 10.

Lawrence, Robert Z., 2018, “Five Reasons Why the Focus on Trade Deficits is Misleading,” *Petersen Institute for International Economics, Policy Brief 18-6*, pp 1-8.

Week 2: Trade in Partial Equilibrium  
1/14- 1/16

### Reading

Baker, Allen and Stephen Zahniser, 2006, *Ethanol Shapes the Corn Market, Perspectives on Food and Farm Policy*, US Department of Agriculture

1/18 Class cancelled. In lieu of lecture, “Trade Talks” podcast:  
<https://piie.com/experts/peterson-perspectives/trade-talks-episode-66-paul-krugman-talks-trade>

1/21 **Martin Luther King Holiday**

Week 3: Comparative Advantage, Ricardian Model  
1/23-1/25

### Reading

Textbook, Ch. 2

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 February 1.

Week 4: The Standard Theory of International Trade  
1/28 – 2/1

### Reading

Textbook, Ch. 3

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

Week 5: Demand, Supply, Offer Curves and the Terms of Trade  
2/4-2/8

### Reading

Textbook, Ch. 4

Weeks 6-7: Heckscher-Ohlin/Specific Factors  
2/11-2/22

Reading  
Textbook, Ch. 5

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.

### **Homework 2 due in class March 1**

Weeks 8-9: Economies of scale/ Reciprocal dumping/ External economies  
2/25 - 3/4

Reading  
Textbook, Ch. 6

Brander, J. and P. Krugman, 1983, "A Reciprocal Dumping Model of International Trade" *Journal of International Economics* 15, 313-323.

Austin, B, E Glaeser and L Summers, 2018, "Saving the Heartland: Place based policies in 21<sup>st</sup> century America" Brookings Papers on Economic Activity (read the Introduction and section I.)

### **Mid-term exam in class March 6**

**No class on March 8**

### **Spring Break March 11-15**

Week 10: Economic Growth and International Trade  
3/18-3/22

Reading  
Textbook, Ch. 7

Hanson, G. and M. Slaughter, 1999, "The Rybczynski Theorem, Factor-Price Equalization, and Immigration: Evidence from U.S. States" NBER Working Paper 7074.

### **Homework 3 due in class March 25**

Weeks 11-12: Tariffs and other Trade Policy Instruments  
3/25-4/5

Reading  
Textbook Chs. 8 and 9

Krugman, P., 1987, "Is Free Trade Passe?" *Journal of Economic Perspectives*, 1(2) 131-144.

Pogrund, G. 2018 "Pence's hometown in Indiana feels hit from Trump tariffs," *Washington Post*, reprinted in *Chicago Tribune*, July 21.

Doctor, K. 2018 "Newsonomics: Newsprint tariffs are a Black Swan event that could speed up the death of U.S. newspapers." NiemanLab

Irwin, D. 2018, "Trade Under Trump, What He's Done So Far, and What He'll Do Next" *Foreign Affairs*

#### **Homework 4 due in class April 12**

Week 13: Trade Policy Institutions/ Preferential Trade Agreements  
4/8 - 4/12

##### Reading

Textbook Ch. 10

Baldwin, R. 2016. "The World Trade Organization and the Future of Multilateralism." *Journal of Economic Perspectives*, 30(1): 95-116.

Peterson, M. 2018, "The Making of a Trade Warrior", Atlantic Magazine, Dec 29.

Nickel, R and M Hertzler, 2018, "Canada feeds European corn appetite as tariff war shrinks U.S. sales." Reuters, July 24, 2018

Week 14: Trade policy and agriculture  
4/15-4/19

##### Reading

Beckman, J., J. Dyck and K. E.R. Heerman, 2017, "The Global Landscape of Agricultural Trade, 1995-2014" Economic Research Service, Economic Information Bulletin 181, U.S. Department of Agriculture.

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 5 due in class April 22**

Week 15 Trade and the Environment, review  
4/22- 4/26

##### 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.

#### **Disclaimer**

This syllabus is subject to change.