Department of Economics
Course Outline

		Term:	Fall 2014
Course:	Economics 621 [International Trade]	**Section:**	01
Time:	TR 15:30 – 16:45	**Place:**	SS 423
Instructor:	T. Tombe		
Office:	SS 426	**Telephone:**	403 220 8068
Office Hours:	TR 10:00 – 11:00	**E-mail:**	ttombe@ucalgary.ca

Textbook(s): None

Book(s) on Reserve: None

Course Outline:
In this course, we will review recent developments in the field of International Trade. Our particular focus will be current research questions of interest and appropriate research methods (empirics and theory) to answer these questions. Throughout, we will emphasize the strengths and limitations of leading theories. Finally, students will be exposed to empirical and numerical methods using STATA and MATLAB.

The field is, of course, far larger than could possibly be covered in one course (and far far larger than I know), so we will focus on a subset of the following topics (depending on time):

- Comparative Advantage and Gains from Trade

    - Alan Deardorff, 1980. "The General Validity of the Law of Comparative Advantage." *Journal of Political Economy* 88(5): 941-957.

    - ** Daniel Bernhofen and John Brown, 2004. "A Direct Test of the Theory of Comparative Advantage: The Case of Japan." *Journal of Political Economy* 112(1): 48-67.

    - ** Daniel Bernhofen and John Brown, 2005. "An Empirical Assessment of the Comparative Advantage Gains from Trade: Evidence from Japan." *The American Economic Review* 95(1): 208-225.

    - ** Jeffrey Frankel and David Romer, 1999. "Does Trade Cause Growth?" *The American Economic Review* 89(3): 379-399.

- ** James Feyrer, 2009. "Distance, Trade, and Income – The 1967 to 1975 Closing of the Suez Canal as a Natural Experiment." *NBER Working Paper* 15557.

- ** James Feyrer, 2009. "Trade and Income – Exploiting Time Series in Geography," *NBER Working Paper* 14910.

- Ricardian Trade Models

  - ** Jonathan Eaton and Samuel Kortum, 2012. "Putting Ricardo to Work," *Journal of Economic Perspectives* 26(2): 65-90.

  - R. Dornbush and S. Fischer and P. Samuelson, 1977. "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods." *The American Economic Review* 67(5): 823-839.

  - ** Jonathan Eaton and Samuel Kortum, 2002. "Technology, Geography, and Trade," *Econometrica* 70(5): 1741-1779.

  - ** Jonathan Eaton and Samuel Kortum, 2001. "Trade in capital goods," *European Economic Review* 45(7): 1195-1235.

  - Arnaud Costinot, 2009. "An Elementary Theory of Comparative Advantage," *Econometrica* 77(4): 1165-1192.

  - ** Nathan Nunn, 2007. "Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade," *The Quarterly Journal of Economics* 122(2): 569-600.

- Firms in International Trade

  - ** Marc Melitz and Danial Trefler, 2012. "Gains from Trade when Firms Matter," *Journal of Economic Perspectives* 26(2): 91-118.

  - Andrew Bernard and J. Bradford Jensen and Stephen Redding and Peter Schott, 2011. "The Emirics of Firm Heterogeneity and International Trade." *NBER Working Paper* 17627.

  - ** Marc Melitz, 2003. "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica* 71(6): 1695-1725.

  - Andrew B. Bernard and Jonathan Eaton and J. Bradford Jensen and Samuel Kortum, 2003. "Plants and Productivity in International Trade," *American Economic Review* 93(4): 1268-1290.

  - Andrew Bernard and Stephen Redding and Peter Schott, 2007. "Comparative Advantage and Heterogeneous Firms," *Review of Economic Studies* 74: 31-66.

  - ** Jonathan Eaton and Samuel Kortum and Francis Kramarz, 2011. "An Anatomy of International Trade: Evidence From French Firms," *Econometrica* 79(5): 1453-1498, 09.

- ** Paul Segerstrom and Yiochi Sugita, 2013. "The Impact of Trade Liberalization on Industry Productivity." *CESifo Working Paper 4365*

- International Organization or Production

  - ** Koopmans, Robert and Zhi Wang and Shang-Jin Wei, 2014. "Tracing Value-Added and Double Counting in Gross Exports," *American Economic Review* 104 (2): 459-494.

  - ** Kei-Mu Yi, 2010. "Can Multistage Production Explain the Home Bias in Trade?" *American Economic Review* 100(1): 364-393.

  - ** Chang-Tai Hsieh and Keong Woo, 2005. "The Impact of Outsourcing to China on Hong Kong's Labor Market," *American Economic Review* 95(5): 397-405.

  - David Hummels and Jun Ishii and Kei-Mu Yi, 2001. "The Nature and Growth of Vertical Specialization in World Trade," *Journal of International Economics* 54(1): 75-96.

  - Kei-Mu Yi, 2003. "Can Vertical Specialization Explain the Growth of World Trade?" *Journal of Political Economy* 111(1): 52-102.

- Miscellaneous Papers We Will Cover (Time Permitting)

  - ** Michael Waugh, 2010. "International Trade and Income Differences," *American Economic Review* 100(5): 2093-2124.

  - Costas Arkolakis and Arnaud Costinot and Andres Rodriguez-Clare, 2012. "New Trade Models, Same Old Gains?" *American Economic Review* 102(1): 94-130.

Grade Determination and Final Examination Details:

MA Students:	PhD Students:
Midterm Exam: 30%	Midterm Exam: 20%
Referee Report 1: 10%	Referee Report 1: 7.5%
Referee Report 2: 10%	Referee Report 2: 7.5%
STATA Assignment: 15%	STATA Assignment: 15%
Participation: 5%	MATLAB Assignment: 15%
	Presentation: 10%
Final Exam: 30%	
_OR_ (with explicit permission)	Final Exam: 25%
Research Proposal: 30%	**_OR_** Research Proposal: 25%

Students who are unable to write the midterm because of an illness, family emergency or religious observance will have the opportunity to write a make-up midterm at the earliest possible time not to exceed one week after the originally schedule midterm. Should a student not be available for the make-up, the weight will be transferred to the final exam, which will become

mandatory. Students in this situation wishing to complete a Research Proposal can still do so but must also write the final exam to make-up the missed midterm and make-up midterm.

The essential elements of a successful Research Proposal will be an extensive literature review that clearly outlines a gap in current knowledge and where the Proposal will contribute. The proposal *must* utilize empirical analysis at the level of descriptive statistics and clearly propose a more sophisticated approach empirical strategy that will (hopefully) form the basis of future work following the completion of this course. The Research Proposal must also demonstrate solid theoretical understanding of the issues relevant to the Proposal through explicit model derivations (may not necessarily represent an original theoretical contribution). Theory and data must be clearly linked. The importance of the potential contribution must also be clear. Research Proposals will be graded on the quality of the literature review, the appropriateness of the data, the relevance of theory, the importance of the contribution, and the feasibility of the project. ***Important: MA students wishing to complete the research proposal must get explicit permission to do so by November 1st.***

The STATA Assignment will be a simple replication exercise of Frankel and Romer (1999). The MATLAB Assignment will be to numerically solve a simple Eaton-Kortum model of trade and explore various counterfactual exercises.

Participation grades for MA students are all-or-nothing. These grades are earned by completed a brief comment (1 paragraph of a few sentences) describing the content of the PhD presentations late in the term. Details will be provided in class before the presentations.

Tests and final exams are marked on a numerical (percentage) basis, and then converted to letter grades. The course grade is then calculated using the weights indicated above. As a guide to determining standing, these letter grade equivalences will generally apply:

A+	95 – 100	B	73 - 76	C-	60 - 62
A	85 - 94	B-	70 - 72	D+	56 - 59
A-	80 - 84	C+	67 - 69	D	50 - 55
B+	77 - 79	C	63 - 66	F	0 - 49

Non-programmable calculators **will** be allowed during the writing of tests or final examinations (they will not be helpful anyway).

Desire2Learn: This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at http://d2l.ucalgary.ca. Please note that D2L features a class e-mail list that may be used to distribute course-related information. It is your responsibility to ensure that D2L uses the e-mail address of your choice. The default is your University of Calgary e-mail address.

General Information:

- Online writing resources are available at http:// /writing-support/online-writing-resources

- It is the student's responsibility to request academic accommodations. If ucalgary.ca/ssc you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.

- Students seeking reappraisal of a piece of graded term work should discuss their work with the instructor *within fifteen days* of work being returned to class. However, the earliest that grades will be discussed will be two days after the return of an assignment or examination.

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Safewalk / Campus Security: 220-5333

Emergency Assembly Point: Professional Faculties Food Court

Alternative Assembly Point: Education Block Food Court

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