

## Economics 621(L01) (International Trade)

Instructor:	Trevor Tombe	Lecture Location:	SS 423
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Office Hours:	TR 10:00-11:00	FALL 2015	

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**Textbook(s):** None

**Book(s) on Reserve:** None

**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> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. The default is your University of Calgary e-mail address.

**Course Outline:** In this course, we will review recent developments in the field of International Trade, with a particular focus on bridging the gap between models and data. Throughout, we will explore the strengths and weaknesses of leading international trade theories. Finally, we will study empirical and numerical methods using STATA and other programs .

We will focus on the following topics, with relevant paper citations provided. A rough timeline of when topics will be covered throughout the semester is also provided below.

- **Weeks 1-2:** Empirical Analysis of Comparative Advantage and Gains from Trade
  - 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.
  - Nathan Nunn, 2007. "Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade," *The Quarterly Journal of Economics* 122(2): 569-600.
  - 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.
- **Weeks 3-4: Firms in International Trade**
  - Marc Melitz and Danial Trefler, 2012. "Gains from Trade when Firms Matter," *Journal of Economic Perspectives* 26(2): 91-118.
  - Marc Melitz, 2003. "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica* 71(6): 1695-1725.
  - Andrew Bernard and Stephen Redding and Peter Schott, 2007. "Comparative Advantage and Heterogeneous Firms," *Review of Economic Studies* 74: 31-66.
  - Paul Segerstrom and Yiochi Sugita, 2013. "The Impact of Trade Liberalization on Industry Productivity." *CESifo Working Paper* 4365
  - Jonathan Eaton and Samuel Kortum and Francis Kramarz, 2011. "An Anatomy of International Trade: Evidence From French Firms," *Econometrica* 79(5): 1453-1498, 09.
- **Weeks 5-7: 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.
  - Lorenzo Calidendo and Fernando Parro, 2015. "Estimates of the Trade and Welfare Effects of NAFTA," *The Review of Economic Studies* 82 (1): 1-44.
- **Weeks 8-10: Model-Based Quantitative Analysis – Trade Theory with Numbers**
  - Costas Arkolakis and Arnaud Costinot and Andres Rodriguez-Clare, 2012. "New Trade Models, Same Old Gains?" *American Economic Review* 102(1): 94-130.
  - Arnaud Costinot and Andres Rodriguez-Clare, 2013. "Trade Theory with Numbers: Quantifying the Consequences of Globalization," *NBER Working Paper* 18896.
  - Michael Waugh, 2010. "International Trade and Income Differences," *American Economic Review* 100(5): 2093-2124.
  - Julian diGiovanni, Andrei Levchenko, and Jing Zhang, 2014. "The Global Welfare Impact of China: Trade Integration and Technological Change," *American Economic Journal: Macroeconomics* 6 (3): 153-183.

- **Weeks 11-12:** International Organization or Production
  - Pol Antras, David Chor, Thibault Fally, and Russel Hillberry, 2012. "Measuring the Upstreamness of Production and Trade Flows," *NBER Working Paper* 17819.
  - 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.
  - 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)
  - Ina Simonovska and Michael Waugh, 2013. "The Elasticity of Trade: Estimates and Evidence," *Journal of International Economics* 92 (1): 34-50.
  - Rapha Ossa, 2014. "Trade Wars and Trade Talks with Data," *American Economic Review* 104 (12): 4104-4146.

#### Grade Determination and Final Examination Details:

- Midterm Exam: 20%
- Referee Report 1: 7.5%
- Referee Report 2: 7.5%
- STATA Assignment: 15%
- Quantitative Analysis Assignment: 15%
- Presentation: 10%
- Final Exam **OR** Research Proposal (with permission): 25%

Students who are unable to write the midterm because of an illness, family emergency or religious observance will have the weight transferred to the final exam. 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.

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 empirical strategy that will (hopefully) form the basis of future work. The Research Proposal must also demonstrate solid theoretical understanding of the issues relevant to the Proposal. 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: students wishing to complete the proposal must get explicit permission to do so by November 1<sup>st</sup>.***

The STATA Assignment will be a simple replication exercise of Frankel and Romer (1999). The Quantitative Analysis Assignment will be to use the tools developed in class to evaluate the consequences of some trade policy experiment.

Important dates:

- Referee Report 1: Due October 27, 2015
- Referee Report 2: Due November 24, 2015
- Mid-Term 1: October 29, 2015 (subject to change)
- STATA Assignment: Due October 1, 2015
- Quantitative Analysis Assignment: Due December 3, 2015

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, these letter grade equivalences will 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

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

Non-programmable calculators will be allowed during the writing of tests or final examinations.

There will be a final examination, at a date to be determined during the December examination period. The exam will last 2 hours.

Tests and exams will not involve multiple choice questions.

**Notes:**

- All students must comply with the regulations published in the University Calendar concerning “Intellectual Honesty,” “Examinations,” etc.
- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor *within fifteen days* of the work being returned to the class.
- It is the student's responsibility to request academic accommodations. If 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 403-220-8237. 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 who are unable to write the midterm because of an illness, family emergency or religious observance will have the midterm weight shifted to the final examination. Documentation **MUST** be provided.

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