

International Trade

(This version: September 10, 2014)

Yao Tang, Fall 2014

Department of Economics

Bowdoin College

Lecture time: Monday 10:00 - 11:25, Wednesday 10:00 - 11:25

Place: Druckenmiller 024

Contact Information

office: Hubbard 106

office hours: Monday 3:30-5:00 pm, Thursday 2:30-4:00 pm or by appointment.

phone: 207-798-4260

email: ytang@bowdoin.edu

Please note, I may not check emails frequently during evenings and weekends.

Course Description and Objectives

Seminar. Offers a theoretical and empirical analysis of international trade. Addresses the globalization debate; and the relation between trade, growth, and productivity. Particular attention is given to the standard models of trade: the Ricardian model, the Heckscher-Ohlin model, the specific factors model, the monopolistic competition model, and the model of heterogeneous firms and trade. Data analysis is used in order to evaluate the success or shortcomings of the theoretical models.

This course also provides opportunity for students to further develop skills in original research, writing, and presentation.

Key dates

- midterm: October 1, 2014
- take-home final (not cumulative): November 24, 2014
- research paper due: December 21, 2014

Evaluation

Your course grade is based on

- (10%) homework assignments.
- (5%) 1- to 2-paragraph summaries for reading materials assigned for the “Topics” section (see page 5).
- (10%) class participation
- (15%) one midterm exam
- (20%) one take-home final exam (not cumulative)
- (5%) in-class presentation of your research
- (35%) one research paper
- (3%) wildcard article presentation (optional)

Summaries of reading materials. For reading materials assigned for the “Topics” section (see page 5), students should hand in a 1- to 2-paragraph summary of the reading materials at the beginning of the corresponding classes. These summaries will be useful for both in-class discussion and the exam preparation.

Research paper and presentation. The last two assignments of the course are designed to help students with their research papers. In the second to last assignment, each student will write a two-page short literature review of three academic papers which can be student-specific, and propose a research question based on the understanding of the literature. In the last assignment, with the help of the instructor, students will look for and use data to answer the research question identified in the second to last assignment. The work done in the last two assignments should serve as the foundation for your presentation and research paper. Each student should go over her/his presentation slides with the instructor at least one day before the scheduled presentation.

While all of you have written numerous term papers by this time, I recommend that you have a look at “Writing tips for Ph.D. students”, a 13-page short paper by John Cochrane, for some tips on writing economics papers. His tips on writing and presentation are originally intended for Ph.D. students, but most of them are useful to undergraduate students as well.

For those who are interested, Deirdre McCloskey’s “Economical Writing” is a longer but still enjoyable read. The article “How to give a killer presentation” by Chris Anderson in the Harvard Business Review provides additional guidance for presentation.

Wildcard articles. To encourage students to connect learning in this course to real-world issues, each student has the option of bringing into class a wildcard article from newspapers, magazines or similar media outlets. Some examples of media outlets are *The Economist*, the *New York Times*, the *Wall Street Journal*, and *Fortune Magazine*. The articles must be recent, i.e. published within three months, and related to the content of the course. We will have at most one wildcard article per lecture and each student can choose to bring in at most one article. A student who brings in an article should email the instructor the day before the lecture. The class will spend the first 15 minutes of the lecture reading and discussing the article. The student who brings in the article should prepare two questions to facilitate discussion. Students will be graded based on the relevance of the articles and quality of questions.

Academic Honesty

Students should be familiar with the Bowdoin College Academic Honor Code, available at <http://www.bowdoin.edu/studentaffairs/student-handbook/college-policies/index.shtml>. In particular, for the assignments, students are encouraged to work together but they must each hand in their own copy of answers.

Textbook and reading materials

Robert Feenstra and Alan Taylor, *International Trade*, 3rd edition, Worth MacMillan, and papers listed below (available on Blackboard).

Tentative Schedule of Topics

Please note I reserve the right to change the order of topics, or to drop topics from the list. However, I will not add new topics.

1. September 8, Course introduction
2. Three seminal trade models
 - September 10, productivity differences: the Ricardian model, chapter 2
 - September 15, productivity differences: the Ricardian model, chapter 2
 - September 17, the specific factor model, chapter 3

- September 22, factor endowments: the HeckscherOhlin model, chapter 4
 - September 24, factor endowments: the HeckscherOhlin model, chapter 4
 - September 29, factor endowments: the HeckscherOhlin model
 Bernhofen, D.M. and Brown J.C., 2004, “A direct test of the theory of comparative advantage: the case of Japan”, *Journal of Political Economy*, Vol. 112, No. 1, pp. 48-67.
 Morrow, P.M., 2010, “Ricardian-Heckscher-Ohlin Comparative Advantage: Theory and Evidence”, *Journal of International Economics*, Volume 82, Issue 2, pp. 137-151.
3. October 1, in-class midterm
4. October 2 (4-5:30 pm), seminar by Anthony Landry: “IKEA: Products, Pricing, and Pass-through” (optional)
5. Imperfect competition and offshoring
- October 6, imperfect competition, chapter 6
 - October 8, imperfect competition, chapter 6
 - October 15, offshoring, chapter 7
 Feenstra, R. 2004, *Advanced International Trade: Theory and Evidence*, chapter 4.
 - October 20, offshoring, chapter 7
 Feenstra, R. 2004, *Advanced International Trade: Theory and Evidence*, chapter 4.
6. Trade policies
- October 22, tariff and quota, chapter 8
 - October 27, tariff and quota, chapter 9
 - October 29, tariff and quota, chapter 9
7. Theory of trade based on heterogeneous firms
- November 3, The Melitz model
 Redding, S.J., 2010, “Theories of Heterogeneous Firms and Trade”, NBER Working Paper No. 16562

8. Topics

- November 5, trade and growth
Frankel, J. and D. Romer (1999), “Does Trade Cause Growth?” *American Economic Review*, 89 (3), pp. 379-399.
- November 10, trade and growth
Rodriguez F. and D. Rodrik (2000), “Trade Policy and Economic Growth: A Skeptics Guide to the Cross-national Evidence”, *NBER Macro Annual*.
- November 12, trade and income inequality
Harrison, A., McLaren, J., and McMillan M.S., 2011, “Recent Perspectives on Trade and Inequality”, *Annual Review of Economics*, 2011, 3, pp. 261-289.
Dragusanu R.E., Giovannucci D., and Nunn, N. 2014, “The Economics of Fair Trade”, NBER Working Paper No. 20357.
- November 17, trade and employment
Hoekman, B. and Winters A., 2005, “Trade and Employment: Stylized Facts and Research Findings”, World Bank Policy Research Working Paper 3676.
- November 19, trade and environment
Copeland, B.R., and Taylor, M.S., 2004, “Trade, Growth, and the Environment”, *Journal of Economic Literature*, Vol. 42, No. 1, pp. 7-71
- November 24, take-home final

9. Student presentations

- December 1, up to 4 student presentations
- December 3, up to 4 student presentations
- December 8, up to 4 student presentations
- December 10, up to 4 student presentations
- December 12, up to 4 student presentations