ECN 765: ADVANCED INTERNATIONAL TRADE:
theory and Evidence
Fall 2009

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131 Eggers Hall
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COURSE DESCRIPTION

Economics 765 presents international trade theory at the Ph.D. level. The course focuses almost entirely on general equilibrium approaches to modeling trading relations and to testing hypotheses derived from these models. Topics covered include models of trade with constant returns and perfect competition, models of trade with variable returns and imperfect competition, positive and normative analyses of commercial policy, the political economy of trade policy, and topics related to offshoring/outsourcing.

To complete the Ph.D. sequence in trade and development, students should follow this course with Economics 865, Topics in International Trade. Lectures, class discussions, and assignments are geared toward developing competency in understanding and creating models of open economic systems. We will also assign a series of empirical exercises using the statistical program STATA. These exercises are a required part of the course. Problem sets, two take-home examinations, and a critical literature review allow students to demonstrate competency.

Course Prerequisites: A working knowledge of multivariate calculus and linear algebra is required, as is completion of a Ph.D.-level course in microeconomic theory (Economics 611 or the equivalent).

Course Requirements and Evaluation Procedures:

1. Take-home examinations. Students are required to take two take-home exams. Each of the two exams accounts for 25 percent of the final grade.

2. Literature Review. The literature review accounts for 20 percent of the final grade. Each student will pick a topic that he or she may wish to develop further. The student will prepare a
bibliography of papers that offer a theoretical basis for further investigation of the topic. From this bibliography, he or she will prepare a paper that surveys (integrates and critiques) the main papers on the topic (typically 3 or 4 papers). THE PAPER IS DUE AT NOON ON DECEMBER 21, 2009. PAPERS SUBMITTED AFTER THIS DATE WILL NOT BE ACCEPTED.

3. **Problem Sets.** Problem sets account for an additional 20 percent of the final grade.

4. **Course Participation.** The remaining 10 percent of the grade will be determined by all aspects of course participation, including in-class and out-of-class discussion and problem sets. We expect all participants to have read (at least) all the assigned material by the first class for which they are assigned. This is a necessary condition for intelligent participation and, thus, for a passing grade. A grade of "A" for this course requires a more active approach to the material involving discussion or writing past the immediate content of the papers being presented.

   *Policy on academic honesty:* In completing all assignments in this course, absolute academic honesty is demanded of you. Plagiarism, in the form of unacknowledged use of another's ideas or expressions, will result in a failing grade for the course. If you are uncertain about the proper way to cite or extend others’ work, please see us before you submit your paper. For more information and the Syracuse University Academic Integrity Policy, see [http://academicintegrity.syr.edu](http://academicintegrity.syr.edu).

**Course Materials:** The reading list contains more material than we can cover in one semester. Required readings are noted with an asterisk and are available through JSTOR or other online resources. Other listed readings may prove useful as supplements or as sources of ideas for further research.

You are required to purchase one text, Robert Feenstra, Advanced International Trade: Theory and Evidence, Princeton University Press, 2004. We will also use empirical exercises from the site. Find datasets and programs for these exercises at: [www.econ.ucdavis.edu/faculty/fzfeens](http://www.econ.ucdavis.edu/faculty/fzfeens).

You may wish to consult the following textbooks and collections of articles.


**Data and Information Sources on Trade and Trade Policies**

World Bank's World Development Indicators (import and export duties, trade volumes, other
cross-national data). Maxwell network users can find this database on the P: drive.


UNCTAD Trade Analysis and Information System (TRAINS):  
http://www.unctad.org/trains/index.htm


Detailed US and Canada imports by source (6-digit HS) from Industry Canada:  
http://strategis.ic.gc.ca/sc_mrkti/tdst/eng/doc/tr_homep.html

Jon Haveman’s International Trade Data:  
http://www.macalester.edu/research/economics/PAGE/HAVEMAN/Trade_Resources/TradeData.html


U.S. Department of State Country Summaries: http://www.state.gov/r/pa/ei/bgn/

The Global Trade Negotiations Home Page: This Harvard-based web site contains extensive links to further material:  http://www.cid.harvard.edu/cidtrade
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<thead>
<tr>
<th>Class</th>
<th>DATE</th>
<th>TOPIC</th>
<th>NOTES</th>
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<tbody>
<tr>
<td>1</td>
<td>Aug. 31</td>
<td>Introduction to Course</td>
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<tr>
<td>2</td>
<td>Sept. 2</td>
<td>The GNP Function and the Four-Equation System</td>
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<td>3</td>
<td>Sept. 7</td>
<td>Rybczynski Theorem and Magnification Effect</td>
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<td>4</td>
<td>Sept. 9</td>
<td>Stolper-Samuelson</td>
<td>PS #1 Due</td>
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<td>5</td>
<td>Sept. 14</td>
<td>Ricardian Model - theory</td>
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<td>6</td>
<td>Sept. 16</td>
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<td>7</td>
<td>Sept. 23</td>
<td>Ricardian Model – empirical</td>
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<td>8</td>
<td>Sept. 30</td>
<td>The Heckscher-Ohlin Model</td>
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<td>Oct. 5</td>
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<td>10</td>
<td>Oct. 7</td>
<td>Testing and Estimating the Neoclassical Model</td>
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<td>Oct. 12</td>
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<td>12</td>
<td>Oct. 14</td>
<td>Ricardo-Viner Model</td>
<td>PS #2 Due</td>
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<td>13</td>
<td>Oct. 19</td>
<td>Many Goods and Factors</td>
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<td>14</td>
<td>Oct. 21</td>
<td>Trade in Intermediate Inputs and Wages</td>
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<td>Oct. 23</td>
<td>Take-Home Exam Due</td>
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<td>15</td>
<td>Oct. 26</td>
<td>Trade and the Environment</td>
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<td>16</td>
<td>Oct. 28</td>
<td>Gains from Trade</td>
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<td>Nov. 2</td>
<td>Gains from Trade</td>
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<td>18</td>
<td>Nov. 4</td>
<td>Increasing Returns and International Trade</td>
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<td>19</td>
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<td>Nov. 16</td>
<td>Increasing Returns and International Trade</td>
<td>PS #3 Due</td>
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<td>Nov. 18</td>
<td>Trade Policy: Welfare Effects</td>
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<td>Trade Policy: Political Economy</td>
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<td>25</td>
<td>Dec. 2</td>
<td>Trade Policy: Political Economy</td>
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<td>26</td>
<td>Dec. 7</td>
<td>Firm Heterogeneity and Trade</td>
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<td>27</td>
<td>Dec. 9</td>
<td>Firm Heterogeneity and Trade</td>
<td>PS #4 Due</td>
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<td>28</td>
<td>Dec. 14</td>
<td>Gravity Approaches</td>
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<td>Dec. 16</td>
<td>Take-Home Exam Due by 5pm</td>
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<td>Dec. 21</td>
<td>Critical Literature Review Due by Noon</td>
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SCHEDULE OF CLASSES

Class 1: Introduction to the Course

Class 2: The GNP (or Revenue) Function


Class 3 and 4: Comparative Statics of the Production Sector


Classes 5 and 6: The Ricardian Model and the Theory of Comparative Advantage


Class 7: Empirical Tests of Comparative Advantage


**Class 8 and 9: The Heckscher-Ohlin Model**

* Chapter 2 in Robert Feenstra, *Advanced International Trade*.


**Classes 10-11: Testing and Estimating the Neoclassical Model**


**Class 12: The Ricardo-Viner Model**


Classes 13: Many Goods and Factors

*Chapter 3 in Advanced International Trade by Robert Feenstra.


Class 14: Trade in Intermediate Inputs and Wages

*Chapter 4 in Advanced International Trade by Robert Feenstra.


Class 15: Applications of the Theory: Trade and the Environment


Classes 16-17: Gains from Trade

*Chapter 6 in Advanced International Trade by Robert Feenstra.

*Chapters 18 and 19 in Lectures on International Trade by Bhagwati, Panagariya and Srinivasan.

Classes 18-21: Increasing Returns and International Trade: Theory and Empirics


*Chapter 5 in Advanced International Trade by Robert Feenstra.


Chapter 11 in Lectures on International Trade by Bhagwati, Panagariya and Srinivasan.


*Chapters 7, 8 and 9 in Advanced International Trade by Robert Feenstra.


Classes 26-27: Firm Heterogeneity and Trade


Class 28: Gravity Approaches

