ECN 765: Advanced International Trade I  
Fall 2011

Professor Mary E. Lovely  
225 Eggers Hall  
Office Hours: Mon 3-4,  
Wed. 11-12:00, and by appt.  
Office Phone: 443-9048  
melovely@maxwell.syr.edu

Professor Devashish Mitra  
133 Eggers Hall  
Office Hours: Mon, Wed.  
11-12:00, and by appt.  
Phone: 443-6143  
dmitra@maxwell.syr.edu

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. 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 wishes 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 19, 2011. 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. I 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 me before you submit your paper. For more information, see [http://academicintegrity.syr.edu](http://academicintegrity.syr.edu).

   **Students with Disability:** If you need academic accommodation because of disability, please see me at the beginning of the semester to discuss your needs. In order to obtain authorized accommodations, students must register with the Office of Disability Services, 804 University Ave., Room 309, 315-443-4498.

   **Religious Observances Policy:** SU’s religious observances policy, found at [http://supolicies.syr.edu/emp_ben/religious_observance.htm](http://supolicies.syr.edu/emp_ben/religious_observance.htm), recognizes the diversity of faiths represented among the campus community and protects the rights of students, faculty, and staff to observe religious holy days according to their tradition. An online notification process is available through MySlice/Student Services/Enrollment/My Religious Observances from the first day of class until the end of the second week of class. Because exams and papers for ECN 765 are available for students to complete prior to the due date, students should follow SU notification procedures using MySlice and discuss any needed arrangements with the instructors.

**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 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.**

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


Wong, Kar-yiu, **International Trade in Goods and Factor Mobility, MIT Press, 1995.**

Choi, E. Kwan and James Harrigan, **Handbook of International Trade, Blackwell Publishing, 2003.**

(This book is currently out of print. The library has it.)

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). SU students can find this database through the Bird Library portal.

United Nations COMTRADE data base: SU students can find this database through the Bird Library portal.


Jon Haveman’s International Trade Data: [http://www.macalester.edu/research/economics/PAGE/HAVEMAN/Trade.Resources/TradeData.html](http://www.macalester.edu/research/economics/PAGE/HAVEMAN/Trade.Resources/TradeData.html)


World Trade Organization: What the WTO is, what is does, documents from trade disputes, and country trade policy reviews. [http://www.wto.org](http://www.wto.org)
# A Handy Table of Topics and Due Dates

<table>
<thead>
<tr>
<th>Class</th>
<th>DATE</th>
<th>TOPIC</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aug. 29</td>
<td>Introduction to Course</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Aug. 31</td>
<td>The GNP Function and the Four-Equation System</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Sept. 7</td>
<td>Rybczynski Theorem and Magnification Effect</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Sept. 12</td>
<td>Stolper-Samuelson</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Sept. 19</td>
<td>Ricardian Model &amp; Comp. Adv. (continued)</td>
<td>PS #1 Due</td>
</tr>
<tr>
<td>7</td>
<td>Sept. 21</td>
<td>Ricardian Model – empirical</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Sept. 26</td>
<td>The Heckscher-Ohlin Model</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Sept. 28</td>
<td>Testing and Estimating the Neoclassical Model</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Oct. 3</td>
<td>Testing and Estimating (continued)</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Oct. 5</td>
<td>Ricardo-Viner Model</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Oct. 10</td>
<td>Many Goods and Factors</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Oct. 12</td>
<td>Trade in Intermediate Inputs</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Oct. 17</td>
<td>Increasing Returns and International Trade</td>
<td>PS #2 Due</td>
</tr>
<tr>
<td>15</td>
<td>Oct. 19</td>
<td>Increasing Returns (continued)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Oct. 21</td>
<td>Take-Home Exam Due</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Oct. 24</td>
<td>Gravity Approaches</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Oct. 26</td>
<td>Gains from Trade</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Oct. 31</td>
<td>Trade Policy: Welfare Effects; Equivalence and Non-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>equivalence; Optimal Protection; Strategic Trade</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Policy</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Nov. 2</td>
<td>Trade Policy (continued)</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Nov. 7</td>
<td>Trade Policy (continued)</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Nov. 9</td>
<td>Trade Policy (continued)</td>
<td>PS #3 Due</td>
</tr>
<tr>
<td>22</td>
<td>Nov. 14</td>
<td>Political Economy of Trade Policy</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Nov. 16</td>
<td>Political Economy (continued)</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Nov. 28</td>
<td>Political Economy (continued)</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Nov. 30</td>
<td>Offshoring</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Dec. 5</td>
<td>Offshoring (continued)</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Dec. 7</td>
<td>Offshoring (continued)</td>
<td>PS #4 Due</td>
</tr>
<tr>
<td></td>
<td>Dec. 15</td>
<td>Take-Home Exam Due by 5pm</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dec. 19</td>
<td>Critical Literature Review Due by Noon</td>
<td></td>
</tr>
</tbody>
</table>
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: The Heckscher-Ohlin Model

* Chapter 2 in Robert Feenstra, Advanced International Trade.


Classes 9 and 10: Testing and Estimating the Neoclassical Model


Class 11: The Ricardo-Viner Model


Classes 12: Many Goods and Factors

*Chapter 3 in *Advanced International Trade* by Robert Feenstra.


Class 13: Trade in Intermediate Inputs

*Chapter 4 in *Advanced International Trade* by Robert Feenstra.


Class 14 and 15: Increasing Returns and International Trade

*Chapter 5 in *Advanced International Trade* by Robert Feenstra.


Classes 16: Gravity Approaches


Class 17: Gains from Trade

*Chapter 6 in *Advanced International Trade* by Robert Feenstra.

* Chapters 18 & 19 in Lectures on International Trade, 2nd Edition by Bhagwati, J.N., Arvind Panagariya, and T. N. Srinivasan,


Classes 18, 19, 20 and 21: Trade Policy: Welfare Effects; Equivalence and Non-equivalence; Optimal Protection; Strategic Trade Policy

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


Classes 22, 23 and 24: Political Economy of Trade Policy

*Chapter 9 in *Advanced International Trade* by Robert Feenstra


Classes 25, 26 and 27: Offshoring


*Chapter 10 in Advanced International Trade by Robert Feenstra.


