Econ 360a
INTERNATIONAL TRADE THEORY

SPRING 2018
DRAFT Syllabus
(subject to change)

COURSE DESCRIPTION
This course provides a survey of the major contributions to the theory of international trade. Part I explores the seminar models explaining the pattern, volume and gains from trade. We begin with models focused on technology differences, mobility of factors, relative factor supply differences, and relative factor intensity differences in production. We then consider models explaining intra-industry trade with economies of scale and imperfect competition. Next we examine the new literature explaining firm heterogeneity, and global production fragmentation. Part II explores trade policy. Using the models from Part I, we study the consequences of trade policies that are at the center of the current global debate. This includes import tariffs, quotas, and temporary trade barriers, strategic trade policy under oligopoly, political economy, and trade policy in a world of global value chains. If time permits, additional special topics in trade policy will be included. This course will focus mainly on theory, but will also give students the opportunity to study important empirical contributions that test the relevance of the models and test the implications of policy choices.

LEARNING OBJECTIVES
1. Understand the relevance and importance of models of trade under perfect competition and imperfect competition, and new models of trade with firm heterogeneity and global production fragmentation.
2. Analyze the positive and normative impact of different types of trade policy, under perfect and imperfect competition, and accounting for firm heterogeneity and global production fragmentation.
3. Understand and apply general equilibrium approaches to modeling trading relations.
4. Know how to derive theoretically grounded econometric specifications to test hypotheses.

PREREQUISITES
ECON 301a Advanced Microeconomics I
Working knowledge of multivariate calculus and linear algebra

TEXTBOOK AND READINGS
Readings will consist of textbook chapters and scholarly papers. The list of readings is below and includes more material than can be covered in one semester. Required readings are designated with an asterisk. Required scholarly papers will be available on our LATTE page. These and other papers are accessible to Brandeis students through Brandeis Scholar, EconLit, JSTOR, and other online resources. Optional readings will be valuable resources for future research.

Required textbook
Strongly recommended


Undergraduate Textbooks


COURSE REQUIREMENTS
1. Take-home midterm exam (25%) (date to be announced in class)
2. Take-home final exam (25%) (date to be announced in class)
3. Literature review (25%)
4. Problem sets (15%)
5. Class participation (10%)

Literature review. Each student will choose a topic, and prepare a bibliography of papers that offer a theoretical basis for further investigation of the topic. From this bibliography, the student will prepare a paper that surveys, integrates, and critiques the main papers on the topic (typically 4-5 papers). The due date will be announced in class. Late papers will not be accepted.

Problem sets. There will be 4 problem sets during the semester. These are direct applications of the material covered in lectures and readings. You may discuss the assignments with your classmates, but you must submit your own answers.

SYLLABUS STATEMENT ON ACADEMIC HONESTY
You are expected to be honest in all of your academic work. Please consult Brandeis University Rights and Responsibilities for all policies and procedures related to academic integrity. Students may be required to submit work to TurnItIn.com software to verify originality. Allegations of alleged academic dishonesty will be forwarded to the Director of Academic Integrity. Sanctions for academic dishonesty—such as plagiarism—can include failing grades and/or suspension from the university. *It is your responsibility* to accurately cite any words, ideas, data, charts, etc., from any sources you use in your work. Citation and research assistance can be found at LTS - Library guides.

SYLLABUS STATEMENT ON DISABILITIES
If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see me immediately.
DATA AND INFORMATION SOURCES ON TRADE AND TRADE POLICIES
You now have free access to many detailed trade databases, and other trade resources. Links to these and additional resources will be available on our LATTE page.

1. World Bank, World Integrated Trade System (WITS). Detailed trade, tariff and non-tariff barrier data by country, over time, in multiple classification systems. Access to COMTRADE, TRAINS, WTO-IDB databases and more.
2. World Bank, World Development Indicators. Aggregate country indicators on trade flows and many development variables, over time.
5. OECDStat, especially the OECD-WTO Trade in Value-Added data (TIVA).
6. World Bank, Exporter Dynamics Database
7. World Bank, Temporary Trade Barriers Database (including Antidumping, CVD and Safeguards)
8. CEPII, gravity model data
9. UN classification and correspondence tables

RECENT LITERATURE SURVEYS [to be completed]

USEFUL HANDBOOK CHAPTERS [to be completed]

ADDITIONAL USEFUL BOOKS [to be completed]
# APPROXIMATE SCHEDULE OF TOPICS*

(*We may move more quickly or more slowly through some material.
I will announce any changes in this schedule in class)

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<thead>
<tr>
<th>Class</th>
<th>DATE</th>
<th>TOPIC</th>
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<tbody>
<tr>
<td>1</td>
<td>Jan. 11</td>
<td>Introduction to Course</td>
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<tr>
<td>2</td>
<td>Jan. 16</td>
<td>Introduction to Two-Sector Trade Models</td>
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<td>Jan. 18</td>
<td><strong>BRANDEIS MONDAY: NO CLASS</strong></td>
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<tr>
<td>3</td>
<td>Jan. 23</td>
<td>Introduction to Two-Sector Trade Models (continued)</td>
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<td>4</td>
<td>Jan. 25</td>
<td>Introduction to Two-Sector Trade Models (continued)</td>
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<td>5</td>
<td>Jan. 30</td>
<td>Generalizations of the Ricardian Model &amp; the Theory of Comparative Advantage</td>
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<td>6</td>
<td>Feb. 1</td>
<td>Specific Factors Model (Ricardo-Viner Model)</td>
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<td>7</td>
<td>Feb. 6</td>
<td>Generalizations of The Heckscher-Ohlin Model and its Empirical Verification (continued)</td>
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<tr>
<td>8</td>
<td>Feb. 8</td>
<td>Generalizations of The Heckscher-Ohlin Model and its Empirical Verification (continued)</td>
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<td>9</td>
<td>Feb. 13</td>
<td>Increasing Returns and International Trade</td>
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<td>10</td>
<td>Feb. 15</td>
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<td>11</td>
<td>Feb. 27</td>
<td>Firm Heterogeneity</td>
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<td>13</td>
<td>Mar. 6</td>
<td>Trade in Intermediate Inputs, Offshoring and GVCs</td>
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<td>14</td>
<td>Mar. 8</td>
<td>Trade in Intermediate Inputs, Offshoring and GVCs</td>
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<td>15</td>
<td>Mar. 13</td>
<td>Tariffs, Quotas, and Optimal Protection</td>
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<td>Mar. 20</td>
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<td>18</td>
<td>Mar. 22</td>
<td>Strategic Trade Policy</td>
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## PART I. Explaining the Pattern, Volume and Gains from Trade

## PART II. Analyzing Trade Policy

[topics and readings are tentative and to be completed]
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<thead>
<tr>
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<th>Topic</th>
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<tr>
<td>19</td>
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<td>Political Economy of Protection</td>
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<tr>
<td>20</td>
<td>Mar. 29</td>
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<td><strong>MAR. 30-APR. 6 SPRING BREAK: NO CLASS</strong></td>
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<td>21</td>
<td>Apr. 10</td>
<td>Regional Trade Agreements</td>
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<td>22</td>
<td>Apr. 12</td>
<td>Regional Trade Agreements</td>
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<td>23</td>
<td>Apr. 17</td>
<td>Trade Policy and Global Value Chains</td>
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<tr>
<td>24</td>
<td>Apr. 19</td>
<td>Trade Policy and Global Value Chains</td>
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<td>25</td>
<td>Apr. 24</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>26</td>
<td>Apr. 26</td>
<td>Trade and Growth</td>
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COURSE OUTLINE AND READINGS  
Required readings are designated by an asterisk (*)

PART I. EXPLAINING THE PATTERN, VOLUME AND GAINS FROM TRADE

I. Introduction to Two-Sector Trade Models: Ricardian and Heckscher-Ohlin

*Feenstra, Chapter 1 and Chapter 2, pp. 31-35

BPS, Chapters 2, 3, 5 and 6
DN, Chapters 1 and 2


II. Generalizations of the Ricardian Model

*Feenstra, Chapter 3

BPS, Chapter 4
DN, Chapter 2


III. The Ricardo-Viner (Specific Factors) Model

*Feenstra, Chapter 3

BPS, Chapter 7
DN, Chapter 2


IV. Generalizations of The Heckscher-Ohlin Model and its Empirical Verification

A. Theory

*Chapters 2-3 in Feenstra

Chapter 8 in BPS
Chapters 2-4 in DN


B. Evidence

*Feenstra, Chapter 2

BPS, Chapter 8


V. Increasing Returns and Trade

*Feenstra, Chapter 5

BPS, Chapter 11
DN, Chapter 9


VI. Firm Heterogeneity and Trade

*Feenstra, Chapter 6


VII. Trade in Intermediate Inputs, Offshoring and Global Value Chains

*Feenstra, Chapters 4 and 12


*Baldwin, R. [READING TO BE ANNOUNCED]


**PART II. ANALYZING TRADE POLICY**

**I. Tariffs, Quotas, and Optimal Protection [to be completed]**

*Feenstra, Chapters 8 and 9

BPS, check the chapters


**II. Strategic Trade Policy [to be completed]**

*Feenstra, Chapters 8 and 9


III. Political Economy [to be completed]

*Feenstra, Chapter 10


IV. Regional Trade Agreements [to be completed]

*Feenstra, Chapter 7

V. Trade Policy with Global Value Chains [to be completed]


VI. Foreign Direct Investment [to be completed]

VII. Trade and Growth [to be completed]