

YALE UNIVERSITY
ECONOMICS 300, FALL 2008
INTERNATIONAL TRADE THEORY AND POLICY

General Information:

Instructor: Costas Arkolakis

Lecture: MW 09:00 pm – 10:15 pm

Place: WLH 113

Office number: 37 Hillhouse, Room 35

Office Hours: M 10:30-11:30, W 2:30-3:30

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Teaching Assistant: Olga Timoshenko, olga.timoshenko@yale.edu

Section: **TBA**

Office Hours: **TBA**

Course Objective:

This course is designed to develop your understanding of international trade. It will also provide you with theoretical tools and skills that will be helpful in analyzing economic problems. This course follows a structured and mathematical approach to international trade theory and policy. Areas covered by the course include the investigation of why nations trade using theories of comparative advantage, factor abundance and product differentiation. Also, we will examine which goods countries trade and who gains from trade. Finally, students will be introduced to contemporary facts on which firms exports and how much.

Background:

The prerequisite for the class is Intermediate Micro econ 150. **We will rely heavily on formal economic modeling; thus we will use make extensive use of microeconomic tools that you have learned in previous courses. It is very important that you be familiar with these tools, and feel comfortable using and manipulating them.** If you are taking this class, I will assume this to be the case. I strongly encourage you to review the material from your previous calculus and microeconomics courses. Exposure with introductory macroeconomics is helpful.

Textbook:

The textbook for this course is: **International Economics, 2008, by Robert Feenstra and Alan Taylor (FT), Worth Publishers.**

Additionally, on occasion we will look at some of the empirical facts presented by the book of Douglas Irwin, *Free Trade Under Fire*, 2005, 2nd edition, Princeton University Press.

Other useful textbooks (available on the library reserve)

Bhagwati, Jagdish, Arvind Panagari and T.N. Srinivasan, *Lectures on International Trade*, 1998, the MIT Press.

Krugman, Paul and Maurice Obstfeld, *International Economics: Theory and Policy*, 2005, 7th edition, Addison Wesley.

Class Web Page

A web page has been set up for this class on my personal webpage. I may also add additional reading material on the classes server (<http://classesv2.yale.edu>).

Class Debates

We will hold a series of debates over the last few classes. Students will be divided into pro- and con- positions and asked to debate the issue. Possible topics for debate: TBA.

Assignments and Grading:

There will be three Homework assignments, some class debates, a midterm and a final exam. The assignments will be posted on the web and will be due at the beginning of the class. LATE ASSIGNMENTS will receive NO credit. Only documented special circumstances can exempt you from this rule. The assignments must be typed and submitted in print, though diagrams and equations can be (neatly) handwritten.

You are encouraged to work in groups but you must write down the assignments on your own and acknowledge the contribution of others. There will be no make up for the mid-term exam. If you miss it and you have a documented excuse, its weight will be shifted to the final exam.

Grading Criteria:

The weights for the final score will be as follows:

Final Exam:	40%
Midterm:	30%
Problem Sets and class debates:	30%

Public Lectures

Students are encouraged to attend some public lectures on trade-relevant topics which will take place on campus during the semester. The information for these lectures will be announced in class.

Tentative course outline

Date	Lecture	Source
Week 1	Introduction to International Trade, definitions and measurement of main economic variables	Class Notes FT chapter 1
Week 2	Comparative Advantages, and the Gains from Trade	Class Notes FT chapter 2,3
Week 3	Technology Differences, and the Ricardian Model of Trade	Class Notes FT chapter 2,3 <i>Dornbush, Firscher & Samuelson, 1977, "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods," American Economic Review</i>
Week 4	Factor Endowment Differences, and the Heckscher-Ohlin Model of Trade	Class Notes FT chapter 4
Week 5	Factor Endowment Differences, and the Heckscher-Ohlin Model of Trade	Class Notes FT chapter 4
Week 6	Increasing Returns to Scale and Imperfect Competition	Class Notes FT chapter 6 <i>Krugman, 1980, Scale Economics Product Differentiation and the Pattern of Trade, American Economic Review</i>
Week 7	Increasing Returns to Scale and Imperfect Competition, the gravity model	Class Notes FT chapter 6
Week 8	Trade Policy	Class Notes FT chapter 8,9,10
Week 9	Trade Policy	Class Notes FT chapter 8,9,10
Week 10	Firms and International Trade: the Facts	Class Notes <i>Eaton, Kortum & Kramarz, 2007, "An anatomy of international trade: evidence from French firms"</i>
Week 11	Firms and International Trade: the Theory	Class Notes <i>Eaton & Kortum, 2002, Technology, Geography and Trade, Econometrica</i> <i>Melitz M., 2003, "The Impact of Intra-Industry Reallocations and aggregate industry productivity", Econometrica</i>
Week 12	Welfare Gains from Trade	<i>Arkolakis, Demidova, Klenow & Rodriguez, "Endogenous Variety and the Gains from Trade"</i>
Week 13	Revision Final exam: time and place TBA	