

School of Economics and Finance

## **ECON412: INTERNATIONAL ECONOMICS: TRADE**

Trimester One 2012

### **COURSE OUTLINE**

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#### **Names and Contact Details**

ILAN NOY ([ilan.noy@vuw.ac.nz](mailto:ilan.noy@vuw.ac.nz))

Office: RH 212

Office Hours: Monday 10:00-11:00 and as needed.

#### **Trimester Dates**

Teaching Period: Monday 5 March – Friday 8 June

Study Period: Monday 11 June – Thursday 14 June

Examination Period: Friday 15 June – Wednesday 4 July (inclusive)

#### **Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before Friday 16 March 2012.
2. The standard last date for withdrawal from this course is Friday 18 May 2012. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an ‘*Application for Associate Dean’s Permission to Withdraw Late*’ including supporting documentation. The application form is available from either of the Faculty’s Student Customer Service Desks.

#### **Class Time and Room Number**

Mondays 11:30-13:20

Railway West Wing, Rm. 125

#### **Course Content**

We study advanced international trade theory and empirical research. Topics include the Ricardian and the Heckscher-Ohlin theories of trade, the New Trade Theory, the theory of the multinational firm, and the political economy of trade policy. We also examine empirical models, including the gravity model of trade and the recent heterogeneous firms model.

#### **Course Learning Objectives**

By the end of this course, students should be able to:

- Understand both the classical and the new approaches to economic analysis of trade.
- Apply these approaches to understanding the causes of trade and its implications.
- Evaluate the possible effects of government policies on trade and its economic impact.
- Normatively assess all of the above.

## **Expected Workload**

Time spent will vary by inclination and ability, but students should plan on spending at least 10 hours a week on this course.

## **Readings**

Textbook (available for purchase from the Commerce bookstore):

Feenstra, R.C., *Advanced International Trade: Theory and Evidence*. Princeton University Press, 2003.

All other readings will be provided. We will spend roughly two weeks on each topic.

Krugman, Paul, 2010. The Theory of Interstellar Trade. *Economic Inquiry*, 48(4).

### **1. Ricardian theory and empirics**

Feenstra, chapter 1

Bernhofen, D.M. and J.C. Brown, 2004. A Direct Test of the Theory of Comparative Advantage: The Case of Japan. *Journal of Political Economy* 112(1).

Chor, D. 2010. Unpacking Sources of Comparative Advantage: A Quantitative Approach. *Journal of International Economics*, 82(2).

Costinot, Donaldson, 2012. Ricardo's Theory of Comparative Advantage: Old Idea, New Evidence. *American Economic Review*, forthcoming.

### **2. Factor content of trade**

Feenstra, chapters 2-4

Choi, Y-S. and P. Krishna, 2004. The Factor Content of Bilateral Trade: An Empirical Test. *Journal of Political Economy* 112(4).

### **3. Product varieties, increasing returns, monopolistic competition, gravity equation**

Feenstra, chapter 5

Anderson, J. and E. van Wincoop, 2004. Trade Costs. *Journal of Economic Literature*, 42.

Broda, Christian and David Weinstein, 2006. Globalization and the Gains from Variety. *Quarterly Journal of Economics* 121(2).

Hummels, David and Peter Klenow, 2005. The Variety and Quality of a Nation's Exports. *American Economic Review* 95.

### **4. Firm heterogeneity**

Feenstra, chapter 11

Bernard, Andrew B., J. Bradford Jensen, Stephen J. Redding and Peter K. Schott, 2007. Firms in International Trade. *Journal of Economic Perspectives*, 21(3).

Chaney, Thomas, 2008. Distorted Gravity: The Intensive and Extensive Margins of International Trade. *American Economic Review*.

Helpman, E., 2006. Trade, FDI, and the Organization of Firms. *Journal of Economic Literature*, XLIV.

Helpman, Elhanan, Marc Melitz and Yona Rubinstein, 2008. Estimating Trade Flows: Trading Partners and Trading Volumes. *Quarterly Journal of Economics*, 123.

## 5. Trade and finance

Antràs, Pol, Mihir Desai, and Fritz Foley, 2009. Multinational Firms, FDI Flows and Imperfect Capital Markets. *Quarterly Journal of Economics*.

Chor, Davin and Kalina Manova, 2011. Off the cliff and back? Credit conditions and international trade during the global financial crisis. *Journal of International Economics*, forthcoming.

Harding, Torfinn and Beata Smarzynska Javorcik, 2011. Foreign Direct Investment and Export Upgrading. *The Review of Economics and Statistics*, forthcoming.

Helpman, Elhanan, Marc Melitz, and Stephen Yeaple, 2004. Exports versus FDI with Heterogeneous Firms. *American Economic Review*, 94(1).

Keller, Wolfgang and Stephen R. Yeaple, 2009. Multinational Enterprises, International Trade, and Productivity Growth: Firm Level Evidence From The United States. *Review of Economics and Statistics*, 91(4).

Manova, Kalina, 2008. Credit Constraints, Equity Market Liberalizations and International Trade. *Journal of International Economics*, 76.

Yeaple, S.R., 2006. Offshoring, Foreign Direct Investment, and the Structure of U.S. Trade. *Journal of the European Economic Association*, 4(2-3).

## 6. Institutions and policies

Feenstra, chapters 6-9

Aghion, Philippe, Pol Antràs, Elhanan Helpman, 2007. Negotiating free trade. *Journal of International Economics* 73.

Costinot, Arnaud, 2009. On the origins of comparative advantage. *Journal of International Economics* 77.

Davis, Donald R. and Mary Amiti, 2011. Trade, Firms, and Wages: Theory and Evidence.

Levchenko, Andrei, 2007. Institutional Quality and International Trade. *Review of Economic Studies*, 74(3).

## Assessment Requirements

Your course grade will be assessed according to the following:

- 2 presentations of articles (from reading list) 30%
- Mid-term test (Week 7) 20%
- Final examination 40%
- Attendance and active participation 10%

## Quality Assurance Note

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

## **Examinations**

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period. The final examination for this course will be scheduled at some time during the period from Friday 15 June – Wednesday 4 July (inclusive).

## **Penalties**

No late submissions of any work will be accepted without a documented reason and pre-approval. The penalties for unexcused late submissions will be 5% per day of delay, up to a cumulative 40%.

## **Class Representative**

A class representative will be elected in the first class, and that person's name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

## **Communication of Additional Information**

I will communicate with you via email. You should do the same; please do not leave voice messages on my office phone (I rarely listen to them). If the university's email system is down, and you need to contact me urgently, you can use [roy@hawaii.edu](mailto:roy@hawaii.edu), or [ilannoy@yahoo.com](mailto:ilannoy@yahoo.com).

## **Use of Turnitin**

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

All your work should be submitted in hard-copy and emailed to me.

**For the following important information follow the links provided:**

### **Academic Integrity and Plagiarism**

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

### **General University Policies and Statutes**

Find key dates, explanations of grades and other useful information at [www.victoria.ac.nz/home/study](http://www.victoria.ac.nz/home/study)

Find out about academic progress and restricted enrolment at <http://www.victoria.ac.nz/home/study/academic-progress.aspx>

The University's statutes and policies are available at [www.victoria.ac.nz/home/about/policy](http://www.victoria.ac.nz/home/about/policy), except qualification statutes, which are available via the Calendar webpage at <http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at [www.victoria.ac.nz/home/about\\_victoria/avcademic/default.aspx](http://www.victoria.ac.nz/home/about_victoria/avcademic/default.aspx)

**AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support**

[http://www.victoria.ac.nz/home/about\\_victoria/avcademic/Publications.aspx](http://www.victoria.ac.nz/home/about_victoria/avcademic/Publications.aspx)

**Faculty of Commerce and Administration Offices**

<http://www.victoria.ac.nz/fca/studenthelp/>

**Te Putahi Atawhai**

**Maori and Pacific Mentoring Programme**

[http://www.victoria.ac.nz/st\\_services/tpa/index.aspx](http://www.victoria.ac.nz/st_services/tpa/index.aspx)