

Syllabus (v.1a)

ECON 6110F: International Trade

Master of Science in Economics

Spring Semester 2020

Credit hours: 2

Class sessions: 24, 31 March and 7, 14, 21, 28 April and 5 May 2020 (Total 7 sessions)

Each session would be 3 hours 50 minutes long (Tue 3:00-6:50pm)

Classroom location: LSK

Instructor: Professor Edwin LAI, Department of Economics

Office location: LSK 6079

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Course Description

International trade has become more and more important, as transportation costs and artificial trade barriers keep falling over time. The world is more and more integrated through trade. Trade also plays a very important role in the development of many emerging economies, such as China. This course provides theories and models to help you understand the determinants of the pattern of international trade, geography and trade, why nations trade, what they trade, the gains from trade, the distributional effects of trade, and trade policy (including trade war).

Course Objectives

This course will help you understand theories of international trade. The theories can help you understand gains from trade, the determinants of trade pattern, geography and trade, the income distribution effects of trade, and effects of trade policy.

Learning outcomes

At the end of this course, students are expected to be able to

1. Understand the theories behind gains from trade, comparative advantage and trade, economies of scale and trade, distributional effects of trade, and trade policy. In some cases, you would be guided to understand how to take the theory to the data and estimate the model empirically.
2. Apply the theory to analyze gains from trade, what determines comparative advantage, how comparative advantage determines trade pattern, how increasing returns to scale determines trade pattern, how trade affects factor returns and the effects of trade policy.

Teaching Approach

This course is primarily delivered through lectures, class discussion, and homework

Teaching and Learning Activities	Roles in the Course	Course Learning Outcome addressed
Lectures with in-class discussions	Explain key concepts and models to students; apply models to explain the real world	1, 2
Homework assignments	Practice applying the theory to analyze problems	2

Reading Material

Reference textbook:

Krugman, Obstfeld and Melitz, *International Trade: Theory and Policy*, 10th or 11th edition (abbreviated as KOM) (Only chapters 3, 5, 6 and part of 10 will be covered)

Papers:

R. Dornbusch, S. Fischer and P. Samuelson, "[Comparative advantage, trade, and payments in a Ricardian model with a continuum of goods](#)," *American Economic Review* 1977, 823-839 (Abbreviated as DFS 1977) (Only part of the paper will be covered.)

Anderson, James and Eric Van Wincoop, "[Gravity with Gravitas: A Solution to the Border Puzzle](#)," *American Economic Review* 2003, 93: pp.170-192 (abbreviated as AVW 2003) (Only pp. 170-176 of the paper will be covered.)

Paul Krugman, "[Increasing returns, monopolistic competition, and international trade](#)," *Journal of International Economics* 1979 (abbreviated as Krugman 1979 JIE)

Supplementary textbook (you can find them in the library):

Robert C. Feenstra, *Advanced International Trade*, Princeton University Press, first edition, 2004 (abbreviated as Feenstra 2004)

Feenstra, Robert C. and Alan M. Taylor, *International Economics*, 2nd edition, Worth Publishers (abbreviated as Feenstra and Taylor)

Assessment

Assessment Activities	Weighting	Relevant information	Course learning outcomes assessed
Final Examination	50%	Date: 5 May	1, 2
Test	25%	Date: 14 April	1, 2
Homework assignments (about four)	20%	Need to submit, and will be graded	1, 2
Participation	5%	Attendance, asking and answering questions in class and tutorial	1, 2

There will be a test in the middle of the term. It is in-class, and lasts for about 1 hour 45 minutes. The final examination is about 3 hours 50 minutes long, and will cover all the material taught in the course, with an emphasis on the part of the course that has not been covered by the Test. The final examination will be held in the last class.

About four problem sets (homework assignments) will be given. When a problem set is due and submitted, the answers would be disclosed. Thus, no late submission will be accepted.

Student participation is taken seriously. Attendance will be taken in each class. Students are expected to have read the relevant material before coming to class, and to come prepared with questions. It must be emphasized that participation is not simply being there but also asking and answering questions.

Plagiarism and cheating

Plagiarism and cheating in exams, tests and assignments are serious offences. The university takes these cases seriously. If you are found guilty, you can be failed for the class and even expelled from the university.

If there is evidence that you copy problem set answers from each other or some leaked answer key, that is considered cheating as well.

Topics

1. The Ricardian Model: The 2-Good 2-Country Model.

- KOM Chapter 3

2. The Heckscher-Ohlin Model

- KOM Chapter 5 (including the appendix)

3. The Standard Trade Model and Trade policy

- KOM Chapter 6

- part of KOM Chapter 10

4. Multi-Good, Two-Country Ricardian Model

- DFS 1977 and notes from instructor

5. Gravity Model

- AVW 2003 and notes from instructor

6. Increasing Returns and Imperfect Competition

- Krugman 1979 JIE and notes from instructor

Econ6110F Spring 2020 Schedule

<u>Session</u>	<u>Month</u>	<u>Day of month</u>	<u>Day of week</u>	<u>Topic</u>	<u>Problem set due</u>
1	March	24	Tue	Topics 1, 2	
2		31	Tue	Topics 2, 3	PS1 due on 31 March
3	April	7	Tue	Topics 3, 4	
4		14	Tue	Test, Topic 4	PS2 due on 10 April
5		21	Tue	Topics 4, 5	
6		28	Tue	Topic 6	PS3 due on 24 April
7	May	5	Tue	Final Exam	PS4 due on 1 May

PS1: Topic 1

PS2: Topics 2 and 3

PS3: Topic 4

PS4: Topic 5, 6

Test: Topics 1, 2, 3

Final exam: All topics (but with emphasis on Topics 4, 5 and 6)