

Winter 2019, Econ 361, International Trade

Time & Place: Tuesday & Thursday, 2p-3:20p; Locy Hall 111

Your Prof: Kiminori Matsuyama@ (KGH 3325). Google me to find my homepage for the contact info. Email me only for making an appointment or for simple administrative inquiries. You must come to see me in person if you have questions about the course material. If you have a few quick questions, you can ask me after the lecture. If you have a big question or many questions, come to my office.

Office Hours:

Weeks 1 to 4 & 6 to 8; Tu3:30p-4:20p@ @Kresge Café & Th1p-1:50p@ Garrett Café or by appointment

Week 5: Monday, February 4, 1p-3p@ (KGH 3325)

Week 9: Wednesday, March 6, 1p-3p@ (KGH 3325)

Your TA: Unfortunately, there is no TA.

Course Description: Policy discussion on foreign trade issues frequently degenerates into rhetorical warfare. In my view, the purpose of studying economics is to acquire the ability to think about critical economic issues logically and systematically, thereby making yourself immune to journalistic and political rhetoric. I believe that this is particularly important in the area of international trade. The goal of this course is to take a small step in that direction, by learning analytical methods, including a series of formal models, which are essential in this area. Keep in mind that this is neither a course on the current economic issues in the world economy, nor a course on foreign economies. This course deals with conceptual problems that arise from the fact that countries interact with others through international trade. Although I discuss some current issues and historical episodes, I do so only to motivate conceptual problems I am introducing.

Prerequisites: Econ 310-1 (281 and 310-2 are desirable, but not essential) or my permission. This course is designed for econ majors and I assume that you are familiar with the basic concepts and tools in economics. The previous exposure to the calculus is, while useful, not essential.

Readings:

Textbooks: I do not follow any textbook closely, because I could not find any that fits well with my teaching. Nevertheless, the following books are recommended if you need a textbook treatment of the core materials.

(KOM) Krugman, Obstfeld, Melitz: International Economics: Theory and Policy, Recent Editions, Addison-Wesley.

(FT) Feenstra & Taylor: International Trade, Recent Editions, Worth.

Recommended Supplementary Reading: *Understanding Global Trade* by Elhanan Helpman 2011. This book is also used for a reading assignment for those who failed to obtain C or better in the two quizzes. See under **Grade** below.

Lecture Slides: Will be regularly updated and posted. I have a mixed feeling about the use of lecture slides. On the positive side, they enable me to cover the materials more efficiently and allow you to pay attention to what I say during the lectures, instead of worrying about copying graphs and equations. On the negative side, you learn less by reading the slides than by writing down on your notebook. Furthermore, they tend to reduce the class attendance. Even worse, they could give you a false sense of security and you might end up procrastinating your study. I cannot emphasize too much that the lecture slides do not show everything I say or cover during the lectures. So, following the lecture slides is not a substitute for attending my lectures. Furthermore, they are quite densely written and rich in content, and you should not expect to be able to absorb them in one quick reading. To digest, you would probably need to go through at least four times (before the lecture, during the lecture, after the lecture, and before the quiz).

Course Outline: (This is a plan, subject to change. I have also listed corresponding chapters of KOM and FT for your reference.)

		KOM	FT
Topic 1	Ricardian Model	Ch.3	Ch.2
Topic 2	Specific Factors Model	Ch.4	Ch.3
Topic 3	Heckscher-Ohlin Model	Ch.5	Ch.4
Topic 4	Two Sector Model of Trade: A General Theory	Ch.6	
Feb 5	Quiz-I		
Topic 5	Trade Balance and Capital Flows	Ch.6	
Topic 6	Increasing Returns, Imperfect Competition, and Trade	Chs.7-8	Ch.6
Topic 7	Trade Policies	Chs.9-10	Chs.8-9
March 7	Quiz-II		
March 19	Final Reading Assignment Due		

Course Schedule:

Week	M	Tu	W	Th	F
1/7-1/11		Lecture #1		Lecture #2	
1/14-1/18		Lecture #3		Lecture #4	
1/21-1/25		Lecture #5		Lecture #6	
1/28-2/1		Lecture #7		Lecture #8	
2/4-2/8	1p-3p, Office Hours	Quiz-I		Lecture #1b	
2/11-2/15		Lecture #2b		Lecture #3b	
2/18-2/22		Lecture #4b		Lecture #5b	
2/25-3/1		Lecture #6b		Lecture #7b	
3/4-3/8		Lecture #8b	1p-3p, Office Hours	Quiz-II	
3/11-3/15	Reading Week				
3/18-3/22		Final Reading Assignment Due			

Grade: Mostly based on the **two in-class quizzes**, scheduled on **Tuesday, February 5** and **Thursday, March 7**, but also **the final exam**. **Quiz-I** covers the materials in the first half (eight lectures) and **Quiz-II** covers those in the second half (eight lectures). Expect the questions to vary in style (graphs, algebra, numericals, essays, and possibly multiple choices). Also, expect them to vary in difficulty, ranging from trivial to very hard. (This is because I want the distribution of *numerical* scores to be diffuse.) The sample questions from the past quizzes will be posted. The two in-class quizzes count equally. More specifically, the grade is based on the distribution of the *simple sum* of the *numerical* scores of the two. Those who have performed well enough in these two quizzes, meaning that they deserve a C or better, would be exempt from **the final exam**. Those who do not perform well enough in these two quizzes are given the opportunity to improve their final grade to a C (but not any better) by taking the final exam, which consists of a reading assignment on Helpman's book, due on **midnight, Tuesday, March 19** (You will submit your writing by email to me.) The reading assignment is personalized, as it depends on how badly the student performed in the two quizzes. That is, you would have to do more to obtain a C if you did worse in the two in-class quizzes.

Attendance: Attendance is not formally a part of the grade. However, I occasionally introduce some "trivia" questions in lectures, which will be asked in the two quizzes, which count about 5% of your scores.