

Department of Economics
ECON 450 – Seminar in International Economics
Spring 2015

Class Schedule: Tuesday 7:00-9:30 PM
Class Room: Persson 226
Office Hours: T/U 10-11 AM
Tuesday 3-4 PM
Wednesday 4-5 PM or by appointment

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COURSE DESCRIPTION

This course introduces students to a number of important topics in international economics. Special emphasis is put on international trade theory and policy. The course intends to transform students from “consumers” to “producers” of international economics research. To this end, this course will familiarize you with appropriate tools, both theoretical and empirical, used by economists in the field. This course will also introduce history and recent development in the literature of each topic covered. As a capstone course in the Colgate Economics curriculum, the following skills that you have acquired in the last few years will be tested: analytical and/or mathematical skills, data analysis, formulating research questions, discussing your ideas, performing literature/background review, presenting your findings, and writing. The class structure will consist lectures (by the instructor), occasional homework, group discussions, student presentations, and most importantly a final and comprehensive research project.

PREREQUISITES

Core Economics Classes:

- ECON151 Introduction to Economics
- ECON251 Intermediate Microeconomics
- ECON252 Intermediate Macroeconomics
- ECON375 Applied Econometrics

And at least one of the following:

- ECON249 International Economics
- ECON349 Topics in International Trade
- ECON394 International Finance and Open-Economy Macroeconomics

TEXTBOOKS

There is no required textbook for this class. Course materials are articles from leading economics journals and relevant handbooks. However, a textbook on international trade or international economics from ECON249 or ECON349 will serve as a good background reading and help you as a reference throughout the semester.

WHAT IS INTERNATIONAL ECONOMICS?

The first important task you will face this semester is to choose a topic for your final project. More details about requirements and deadlines will follow. Since students come from different backgrounds and branches of “international economics”, keep in mind that a topic of international economics must involve the cross-border movements of one of the following kinds: (1) goods and services such as international trade, tourism, and out-sourcing, (2) capital/money such as FDI, international finance, and international aids, or (3) people such as immigration. A study of a foreign country is a “country-wide” study rather than international economics. A study involving multiple countries but none of the above “cross-border movements” is a comparative study but not international economics. You are free to choose any of those cross-border movements as the subject of your final paper although the course will focus on only international trade plus a little bit of FDI.

COURSE REQUIREMENTS AND STRUCTURE

Class Attendance and Participation

I expect that students will attend and actively participate in all class meetings. You should have read the assigned and/or required readings before coming to the class and be prepared to answer if called upon. There are also occasional homework assignments.

Presentation and Written Summary

Each of you will present one of the assigned readings to the class during the semester. We will sort out the presentation schedule in the first regular meeting of class. The presentation should be no less than 20 minutes but no more than 25. The presentations will be followed by a class discussion on the

topic of roughly 20 minutes. I expect everyone to come in to the room after having read the paper to be presented and prepared with at least one question/comment/suggestion. In addition, every student is required to turn in a written referee report of the presented paper. If you are the presenter, your report should be at least 4 pages long but no more 5 pages. Referee reports from other students should be at least 2 pages long but no more than 3 pages. The reports should be in 12 point times new roman fonts, with double line spacing and no spacing before or after paragraphs. The presentation and the referee reports should contain the following sections:

1. The paper's main research question
2. Its contribution to the literature (required only for presenter of the paper)
3. Details of their analysis (required only for presenter of the paper)
4. Any relevant policy issues
5. Comments (e.g., what you liked and disliked about the paper and possible extensions)

Research Paper (Proposal + Draft + Peer Review)

You are required to write an independent research paper examining an aspect of international economics. As stated under the section "What is International Economics?" your topic should cover cross-border movements of commodity, capital and money, or people. Specific details will be forthcoming, but you should begin examining topics immediately. You may choose to approach the topic either theoretically or empirically, or both. However, satisfactory results are usually easier to achieve with empirical studies, i.e., when your analysis consist of some form of regression analysis, an important skill you acquired in your ECON375 classes. The overall length of the paper should be between 10-12 pages. This does not include the bibliography, any charts, figures, tables or appendices. I expect the paper to be professionally written and in an economics journal style. I will post a more detailed guideline about the research paper later.

There will be two preliminary stages of your research paper before the final paper is submitted at the end of the semester. In the first step you will submit your research proposal. The research proposal is due at noon on February 3, 2015 and will be discussed in class that night. It should be 1-2 pages long and include:

1. Tentative title of the paper
2. Statement of the research
3. Motivation and contribution to the literature

4. Sketch of tools and methods to be used
5. Expected results
6. At least 3 references

In the second stage, you should submit your draft. The draft is due at 5pm on March 17, 2015. Your draft is then read and comment by one of your peers, who will also provide a referee report in the same spirit as those to journal articles (4-5 pages). The main reason for this step is so that you can identify weaknesses of your paper and make it stronger before you submit the final version. You will present your research project in the final weeks of the semester. Your final presentation should be no less than 45 minutes but no more than 55 minutes. Comments from your referee (discussant) will follow immediately. Discussant comments should be no less than 3 minutes but not more than 5 minutes. Each member of the rest of the class, including myself, is required to write down at least 2 comments or suggestions and these comments and suggestions should be submitted to me immediately after the presentation has finished before comments from the discussant are presented. These comments and suggestions will also be passed to the presenter after I read and organize them.

You can “overlap” this paper with another class, but it must be unique from any other paper (i.e. honors, papers for other classes, etc.) that you are writing this semester or have written in the past.

GRADE STRUCTURE

Attendance, class participation, and homework	10%
First presentation and referee report	20%
Referee reports of all other articles	11%
Research proposal	4%
Peer referee report	5%
Research paper (All components other than research proposal)	50%

CLASSROOM ETIQUETTE AND HONOR CODE

All of us are expected to stay in class for the entire class period. There are 10-15 minutes of rest time in each meeting time. Interrupting the class with a ringtone of cell phone, snoring, and other noises is strictly prohibited. In addition, no texting, no facebooking, and no twittering during class.

In case when you have special circumstance that prevents you from following these rules, please feel free to discuss with me.

Cheating and academic dishonesty are serious offenses and will be reported to the concerned authorities promptly. Please refer to The Colgate University Academic Honor Code for class policies on matters such as cheating, plagiarism and academic misconduct.

ACADEMIC ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES

If you feel you may need an accommodation based on the impact of a disability, you should contact me privately to discuss your specific needs. If you have not already done so, please contact **Lynn Waldman at the Office of Academic Support and Disability Services in the Center for Learning, Teaching, and Research (x7375)**. Ms. Waldman is responsible for determining reasonable and appropriate accommodations for students with disabilities on a case-by-case basis, and more generally, for ensuring that members of the community with disabilities have access to Colgate's programs and services. She also assists students in identifying and managing the factors that may interfere with learning and in developing strategies to enhance learning. *Her services are available to all students.*

SOME USEFUL WEBSITES

Andrew K. Rose: <http://faculty.haas.berkeley.edu/arose/RecRes.htm>

The Center for International Data: <http://cid.econ.ucdavis.edu/>

World Bank Enterprise Survey: <https://www.enterprisesurveys.org/portal/elibrary.aspx?libid=14>

International Trade Center: <http://www.intracen.org/itc/market-info-tools/trade-statistics/>

Penn World Table: <http://www.rug.nl/research/ggdc/data/penn-world-table>

LIST OF TOPICS AND READINGS

##: Required readings not for presentation

#: Required readings for presentation

Note: Colgate University has subscription to most journals in the list. For those required readings that Colgate does not subscribe to (for example, articles on *Annual Review of Economics*), I will request Interlibrary loan and post them on Moodle.

Topic 0. Introduction

Background 1: General Introduction to International Trade

Ethier, W. J. (1998). The New Regionalism. *Economic Journal*, 108:1149–1161

Helpman, E. (1999). The Structure of Foreign Trade. *Journal of Economic Perspectives*, 13:121–144

##Hanson, G. H. (2012). The Rise of Middle Kingdoms: Emerging Economies in Global Trade. *Journal of Economic Perspectives*, 26:41–64

Background 2: Introduction to Trade Policy

##Miner, W. M. (2007). Modern History of Trade Policy. In Kerr, W. A. and Gaisford, J. D., editors, *Handbook of International Trade Policy*, pages 29–43. Edward Elgar Publishing Limited

Gawande, K. and Krishna, P. (2003). The Political Economy of Trade Policy: Empirical Approaches. In Choi, E. K. and Harrigan, J., editors, *Handbook of International Trade*, pages 213–250. Blackwell Publishing Limited

Background 3: Introduction to GATT/WTO

##Bagwell, K. and Staiger, R. W. (2010). The World Trade Organization: Theory and Practice. *Annual Review of Economics*, 2:223–256

Raff, H. (2004). Preferential Trade Agreements and Tax Competition for Foreign Direct Investment. *Journal of Public Economics*, 88:2745–2763

Michael Tomz, J. L. G. and Rivers, D. (2007). Do We Really Know That the WTO Increases Trade? Comment. *American Economic Review*, 97:2005–2018

Rose, A. K. (2007). Do We Really Know That the WTO Increases Trade? Reply. *American Economic Review*, 97:2019–2025

Subramanian, A. and Wei, S.-J. (2007). The WTO Promotes Trade, Strongly but Unevenly. *Journal of International Economics*, 72:151–175

Topic 1. Theories of International Trade

Dornbusch, R., Fischer, S., and Samuelson, P. A. (1977). Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods. *American Economic Review*, 67:823–839

##Dornbusch, R., Fischer, S., and Samuelson, P. A. (1980). Heckscher-Ohlin Trade Theory with a Continuum of Goods. *Quarterly Journal of Economics*, 95:203–224

Dixit, A. K. and Stiglitz, J. E. (1977). Monopolistic Competition and Optimum Product Diversity. *American Economic Review*, 67:297–308

Krugman, P. R. (1979). Increasing Returns, Monopolistic Competition, and International Trade. *Journal of International Economics*, 9:469–479

##Krugman, P. (1980). Scale Economies, Product Differentiation, and the Pattern of Trade. *American Economic Review*, 70:950–959

Krugman, P. (1991). Increasing Returns and Economic Geography. *Journal of Political Economy*, 99:483–499

Melitz, M. J. (2003). The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity. *Econometrica*, 71:1695–1725

Demidova, S. and Rodríguez-Clare, A. (2009). Trade Policy under Firm-level Heterogeneity in a Small Economy. *Journal of International Economics*, 78:100–112

Topic 2. Empirical Methods of International Trade

##Anderson, J. E. (2011). The Gravity Model. *Annual Review of Economics*, 3:133–160

Bernard, A. B., Jensen, J. B., Redding, S. J., and Schott, P. K. (2012). The Empirics of Firm Heterogeneity and International Trade. *Annual Review of Economics*, 4:283–313

Anderson, J. E. (1979). A Theoretical Foundation for the Gravity Equation. *American Economic Review*, 69:106–116

Bergstrand, J. H. (1985). The Gravity Equation in International Trade: Some Microeconomic Foundations and Empirical Evidence. *Review of Economics and Statistics*, 67:474–481

Berry, S., Levinsohn, J., and Pakes, A. (1999). Voluntary Export Restraints on Automobiles: Evaluating a Trade Policy. *American Economic Review*, 89:400–430

Silva, J. M. C. S. and Tenreyro, S. (2006). The Log of Gravity. *Review of Economics and Statistics*, 88:641–658

##Bergstrand, J. H., Eggar, P., and Larch, M. (2013). Gravity Redux: Estimation of Gravity-equation Coefficients, Elasticities of Substitution, and General Equilibrium Comparative Statics under Asymmetric Bilateral Trade Costs. *Journal of International Economics*, 89:110–121

Topic 3. Trade Barriers and Protectionism

Feenstra, R. C. (1992). How Costly is Protectionism? *Journal of Economic Perspectives*, 6:159–178

Marvel, H. P. and Ray, E. J. (1983). The Kennedy Round: Evidence on the Regulation of International Trade in the United States. *American Economic Review*, 73:190–197

##Trefler, D. (1993). Trade Liberalization and the Theory of Endogenous Protection: An Econometric Study of U.S. Import Policy. *Journal of Political Economy*, 101:138–160

Topic 4. Trade Agreements

Freund, C. and Ornelas, E. (2010). Regional Trade Agreements. *Annual Review of Economics*, 2:139–166

#Raff, H. (2004). Preferential Trade Agreements and Tax Competition for Foreign Direct Investment. *Journal of Public Economics*, 88:2745–2763

#Bergstrand, J. H. and Egger, P. (2013). What determines bits? *Journal of International Economics*, 90:107–122

Braymen, C., Chang, Y.-M., and Luo, Z. (2015). Tax Policies, Regional Trade Agreements and Foreign Direct Investment: A Welfare Analysis. *Pacific Economic Review*, forthcoming

Topic 5. Firms in International Trade

Redding, S. J. (2011). Theories of Heterogeneous Firms and Trade. *Annual Review of Economics*, 3:77–105

Yeaple, S. R. (2013). The Multinational Firm. *Annual Review of Economics*, 5:193–217

#Roberts, M. J. and Tybout, J. R. (1997). The Decision to Export in Colombia: An Empirical Model of Entry with Sunk Costs. *American Economic Review*, 87:545–564

Bernard, A. B. and Jensen, J. B. (1999). Exceptional Exporter Performance: Cause, Effect, or Both? *Journal of International Economics*, 47:1–25

Pavcnik, N. (2002). Trade Liberalization, Exit, and Productivity Improvements: Evidence from Chilean Plants. *Review of Economic Studies*, 69:245–276

Bernard, A. B., Eaton, J., Jensen, J. B., and Kortum, S. (2003). Plants and Productivity in International Trade. *American Economic Review*, 93:1268–1290

Melitz, M. J. and Trefler, D. (2012). Gains from Trade when Firms Matter. *Journal of Economic Perspectives*, 26:91–118

Chandra, P. and Long, C. (2013). VAT Rebates and Export Performance in China: Firm-level Evidence. *Journal of Public Economics*, 102:13–22

Topic 6. FDI and Outsourcing

Samuelson, P. A. (2004). Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization. *Journal of Economic Perspectives*, 18:135–146

Dixit, A. (2011). International Trade, Foreign Direct Investment, and Security. *Annual Review of Economics*, 3:191–213

Bhagwati, J., Panagariya, A., and Srinivasan, T. N. (2004). The Muddles over Outsourcing. *Journal of Economic Perspectives*, 18:93–114

#Feenstra, R. C. and Hanson, G. H. (1996). Globalization, Outsourcing, and Wage Inequality. *American Economic Review Papers and Proceedings*, 86:240–245

Helpman, E., Melitz, M. J., and Yeaple, S. R. (2004). Export versus FDI with Heterogeneous Firms. *American Economic Review*, 94:300–316

#Ekholm, K., Forslid, R., and Markusen, J. R. (2007). Export-Platform Foreign Direct Investment. *Journal of the European Economic Association*, 5:776–795

Topic 7. Trade and Growth

Harrison, A. (1996). Openness and Growth: A Time-series, Cross-country Analysis for Developing Countries. *Journal of Development Economics*, 48:419–447

Edwards, S. (1998). Openness, Productivity and Growth: What do We Really Know? *Economic Journal*, 447:383–398

Frankel, J. A. and Romer, D. (1999). Does Trade Cause Growth? *American Economic Review*, 89:379–399

Rodriguez, F. and Rodrik, D. (2001). Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence. In Bernanke, B. S. and Rogoff, K., editors, *NBER Macroeconomics Annual 2000*, volume 15, pages 261–338

#Dollar, D. and Kraay, A. (2002). Growth is Good for the Poor. *Journal of Economic Growth*, 7:195–225

Topic 8. Transportation Costs and International Trade

Hummels, D. (2007). Transportation Costs and International Trade in the Second Era of Globalization. *Journal of Economic Perspectives*, 21:131–154

#Clark, X., Dollar, D., and Micco, A. (2004). Port Efficiency, Maritime Transport Costs, and Bilateral Trade. *Journal of Development Economics*, 75:417–450

#Hummels, D., Luggovskyy, V., and Skiba, A. (2009). The Trade Reducing Effects of Market Power in International Shipping. *Journal of Development Economics*, 89:84–97

Behrens, K. and Picard, P. M. (2011). Transportation, Freight Rates, and Economic Geography. *Journal of International Economics*, 85:280–291

Krauthaim, S. (2012). Heterogeneous Firms, Exporter Networks and the Effect of Distance on International Trade. *Journal of International Economics*, 87:27–35

Topic 9. International Trade and Environment

Esty, D. C. (2001). Bridging the Trade-Environment Divide. *Journal of Economic Perspectives*, 15:113–130

Antweiler, W., Copeland, B. R., and Taylor, M. S. (2001). Is Free Trade Good for the Environment? *American Economic Review*, 91:877–908

#Eskeland, G. S. and Harrison, A. E. (2003). Moving to Greener Pastures? Multinationals and the Pollution Haven Hypothesis. *Journal of Development Economics*, 70:1–23

#Frankel, J. A. and Rose, A. K. (2005). Is Trade Good or Bad for the Environment? Sorting out the Causality. *Review of Economics and Statistics*, 87:85–91

TENTATIVE COURSE SCHEDULE

1/19/2015: First day schedule, discuss syllabus, assign readings for next class

1/20/2015: Lecture, discuss research topics and presentation schedule

Required Readings (##) in “0. Introduction”

1/27/2015: Lecture

Required Readings (##) in “1. Theories of International Trade” and “2. Empirical Methods of International Trade”

2/3/2015: Research proposal due at noon. Discussion of research topics and proposals

2/10/2015: Presentations

Bergstrand, Egger, and Larch (2013) [by Person A]

Trefler (1993) [by Person B]

Raff (2004) [by Person C]

2/17/2015: Presentations

Bergstrand and Egger (2013) [by Person D]

Roberts and Tybout (1997) [by Person E]

Feenstra and Hanson (1996) [by Person F]

2/24/2015: Presentations

Ekholm, Forslid, and Markusen (2007) [by Person G]

Dollar and Kraay (2002) [by Person H]

Clark, Dollar, and Micco (2004) [by Person I]

3/3/2015: Presentations

Hummels, Lugovskyy, and Skiba (2009) [by Person J]

Eskeland and Harrison (2003) [by Person K]

Frankel and Rose (2005) [by Person L]

3/10/2015: Meeting, discuss research project progress

3/17/2015: Draft due by 5pm, 3/20/2015

3/24/2015: Presentations

Person K and Discussant L; Person J and Discussant H

3/31/2015: Presentations

Person G and Discussant I; Person I and Discussant K

4/7/2015: Presentations

Person A and Discussant F; Person H and Discussant J

4/14/2015: Presentations

Person L and Discussant G; Person B and Discussant E

4/21/2015: Presentations

Person C and Discussant B; Person E and Discussant C

4/28/2015: Presentations

Person D and Discussant A; Person F and Discussant D

5/8/2015: Final paper due at noon