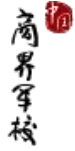




PHBS
北京大学汇丰商学院



ECON 550

International Trade

Module 4, 2022

Course Information

Instructor: Marshall Urias

Office: PHBS Building, Room

Phone: 86-755-2603-5315

Email: murias@phbs.pku.edu.cn

Office Hour: Monday & Thursday 15:30 – 16:30

Teaching Assistant: n/a

Classes:

Lectures: Monday & Thursday, 10:30 – 12:20

Venue: PHBS Building, Room TBA

1. Course Description

1.1 Context

Course overview: This course discusses both classical and new theories of international trade. First, we investigate the classical models of Ricardo and Heckscher-Ohlin which introduces the concepts of comparative advantage, factor price equalization, factor content of trade, and sources of inter- and intra-national differences in income. Second, we discuss “new” trade theories based on Krugman which identifies increasing returns to scale as alternative source of gains from trade. We analyze a variety of such new trade theories including more recent models by Meltiz and Eaton-Kortum to bring you closer the frontier of research in international trade. Finally, we discuss how countries borrow and lend from each other and measure the flow of funds between countries using the balance of payments accounts. We analyze how macroeconomies are affected by global linkages to better understand the function of exchange rates, interest rates, and the current account. If time permits, we may have special topics related to world trade organizations and/or how international trade affects regional labor markets.

Technical Requirements: You are expected to have foundational knowledge in algebra and multivariate calculus which includes: arithmetic with rational expressions, build and interpret real-valued functions, solve equations and inequalities, graphs of functions, differentiation, and integration. Some basic knowledge of probability theory may be useful such as interpreting probability density functions and understanding the law of large numbers. Rudimentary knowledge of statistics, such as OLS, will be useful when we discuss empirical studies related to international trade.

1.2 Textbooks and Reading Materials

There is no required textbook for this class. Recommended textbooks include:

- Krugman, Obstfeld, Melitz (2017). *International Trade: Theory and Policy*, eleventh edition. Pearson.
- Feenstra (2003). *Advanced International Trade: Theory and Evidence*, second edition. Princeton University Press.

Additionally, there are several papers that are optional readings:

- Dornbusch, Fischer, Samuelson (1977). *Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods*. The American Economic Review.
- Eaton and Kortum (2012). *Putting Ricardo to Work*. Journal of Economic Perspectives.
- Krugman (1980). *Scale Economies, Product Differentiation, and the Pattern of Trade*. The American Economic Review.
- Krugman (1991). *Increasing Returns and Economic Geography*. Journal of Political Economy.
- Helpman (1999). *The Structure of Foreign Trade*. Journal of Economic Perspectives.
- Melitz (2003). *The Impact of Trade of Intra-Industry Reallocation and Aggregate Industry Productivity*. Econometrica.
- Melitz and Ottaviano (2008). *Market Size, Trade, and Productivity*. Review of Economic Studies.
- Melitz and Redding (2015). *Heterogenous Firms and Trade*. Handbook of International Economics.
- Krugman (1987). *Is Free Trade Passe?* Journal of Economic Perspectives.
- Antras and Yeaple (2014). *Multinational Firms and the Structure of International Trade*. Handbook of International Economics.

(I'll add more during the module...)

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	YES – submit a final project that demonstrates research oriented analytical thinking and professional presentation
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	YES – exams and the final project requires students to demonstrate analytical skills and defend their conclusions by referring to economic models
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	YES – engage in group work during class which may include worksheets, discussions,

		or presentations
	2.2. Students will be able to apply leadership theories and related skills.	NO
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	NO
	3.2. Our students will practice ethics in the duration of the program.	YES – students are always expected to adhere to high standards of ethics and honesty related to coursework
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	YES – curriculum is international trade
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	YES – students will learn both classical theories and recent work on the frontier of this field
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	YES – discuss the costs/benefits of international trade and the organization of businesses within a global market
	5.3. Our students will demonstrate competency in critical thinking.	YES – problem sets, exams, and in-class learning activities require to students to use the frameworks discussed in class to analyse new problems

2.2 Course specific objectives

1. Identify the primary sources of gains from trade.
2. Predict the pattern of trade and the effect on welfare using standard trade models.
3. Identify the winners and losers from international trade.
4. Evaluate the empirical evidence on theories of international trade.
5. Measure the flow of goods, services, and assets in the global economy using the balance of payments accounts.
6. Describe the trade-offs that countries make when they borrow and lend in international financial markets.
7. Predict long-term exchange rate movements using economic fundamentals.

2.3 Assessment/Grading Details

Your final grade is a weighted average of your performance in the following categories:

Homework 30%
 Learning Activities 30%
 Final Examination 40%

Please refer to the course calendar for due dates and the examination dates.

Attendance: I will not be taking attendance. However, it is very important that you regularly attend lecture for two reasons: (1) the best source of information to study for exams comes from lecture notes and these arrive only twice per week; (2) there are graded in-class learning activities for which you only receive credit if you attend class. When you are in attendance, please be mindful of appropriate class etiquette. Please do not use electronic devices for any purpose unrelated to class work. Please do not work on materials related to other classes. You may not take pictures in class or use any audio/visual recording device.

Learning Activities: Most weeks you are expected to participate in a learning activity. These may include worksheets, group discussion, outside readings, quizzes etc. These activities are intended to help you understand and work with the material presented during lecture. They are meant to be collaborative so please be prepared to engage in group work. Your work will be submitted the same day the activity is completed in class.

Homework: There are two homework assignments throughout the module. Assignments will include both analytical problems and data-driven work. You are expected to collect and analyze trade data procured from publicly available sources. These assignments will be rather lengthy so you should plan accordingly. Homework should be submitted at the beginning of class on the due date. Late submissions delivered before the end class will receive a 10% penalty. Late submissions delivered within 24 hours will receive a 50% penalty. No credit will be given for any submissions delivered after 24 hours.

Exams: There is one final examination composed of both multiple choice and short-answer questions. The exam is cumulative with roughly even weights placed on each part of the course. Please refer to the course schedule below for the exact exam date.

Exam-Makeups: It is your responsibility to observe the scheduled examination date. If you know that you will miss a test, you must email and/or hand me a valid written explanation before the test date. If you do not notify me before the test date, then there will be no makeup opportunity.

Grade Changes: For examinations only, you are allotted one week to submit a written petition for a grade change. In the petition, you must specify the question(s) you are debating, the reason(s) you lost points, and why you think the grade assigned was incorrect. I will not entertain any requests made after the one-week deadline. Final course grades may not be petitioned. Course Communication: Course communication will be conducted mostly through the TA using WeChat and CMS. Any direct correspondence with me should be done via email or during office hours.

Final Grades: Your final grade will be determined by the following percentage scale.

A 90-100 (4.0 GPA)	A- 87-89 (3.7 GPA)	B+ 83-86 (3.3 GPA)	B 80-82 (3.0 GPA)	B- 76-79 (2.7 GPA)	C+ 73-75 (2.3 GPA)
C 70-72 (2.0 GPA)	C- 67-69 (1.7 GPA)	D+ 63-66 (1.3 GPA)	D 60-62 (1.0 GPA)	F 0-59 (0.0 GPA)	

Note that you must earn a grade of D or higher to receive credit.

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

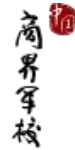
Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.



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Topics, Teaching and Assessment Schedule

<i>Date</i>	<i>Material</i>	<i>Textbook Chapters/Papers</i>	<i>Homework Due Date</i>
Week 1 (5/2)	Introduction	KOB 3; F 1	
	Ricardian Model	Dornbusch, Fischer, Samuelson (1977)	
Week 2 (5/9)	Hecksher-Ohlin Model	KOB 5; F1,2	
	Specific Factors Model	KOB 4; F3	
Week 3 (5/16)	Increasing Returns and Trade	KOB 7, 8; F5	
		Krugman (1979, 1980, 1981)	
Week 4 (5/23)	Inter- and Intra-Industry Trade	KOB 7,8; F 6	Homework 1 Due 5/23
		Melitz (2003)	
Week 5 (5/30)	Intertemporal Trade and Current Account	Obstfeld and Rogoff	
Week 6 (6/6)	Balance of Payments		
Week 7 (6/13)	Small Open Economies and the Current Account	Uribe and Schmitt-Grohe	
Week 8 (6/20)	Dynamics of a Small Open Economy		
Week 9 (6/27)	Introduction to Exchange Rates		Homework 2 Due 6/27
	Final Examination: June 30 or July 1?		