ECON 721: International Trade II
Yale University, Spring Semester, 2014 (M/W 1:15 - 2:30pm)

Instructor: Samuel Kortum
Office: 37HH, rm 06
Phone: SK: (203) 432-6217
Office Hours: SK: 3-5 Mon. and Tues, rm 305, 28 HH or by apt.

Instructor: Costas Arkolakis
Office: 28HH, rm 312
Phone: CA: (203) 432 3527
Office Hours: CA: Mon 10:30-11:30 or by apt.

Description This course is the second part of International Trade and is jointly taught by Professors Costas Arkolakis and Samuel Kortum throughout the Spring Semester. It covers basic theories of international trade, with an emphasis on quantitative models. Topics include the behavior of individual producers in international markets, trade flows between nations, trade imbalances, welfare gains from trade, trade dynamics, networks and trade, and aggregate growth. We will develop theoretical models, evaluate their ability to capture key stylized facts, show how to estimate their parameters, and demonstrate their use in performing policy experiments. The course involves a mix of theory, data, econometrics, and computation.

Grading We will assign 6 problem sets (be prepared to use STATA and MATLAB). Your course grade will be based on our evaluation of the problem sets (60%), class participation (20%, keep up with the reading!), and a final class presentation (20%).

Academic Integrity The following statement, which we endorse, was composed at the Yale Graduate School: “Academic integrity is a core institutional value at Yale. It means, among other things, truth in presentation, diligence and precision in citing works and ideas we have used, and acknowledging our collaborations with others. In view of our commitment to maintaining the highest standards of academic integrity, the Graduate School Code of Conduct specifically prohibits the following forms of behavior: cheating on examinations, problem sets and all other forms of assessment; falsification and/or fabrication of data; plagiarism, that is, the failure in a dissertation, essay or other written exercise to acknowledge ideas, research, or language taken from others; and multiple submission of the same work without obtaining explicit written permission from both instructors before the material is submitted. Students found guilty of violations of academic integrity are subject to one or more of the following penalties: written reprimand, probation, suspension (noted on a student’s transcript) or dismissal (noted on a student’s transcript).”

Readings Most of the readings are journal articles and working papers. We will also use major sections from a book prepared by Jonathan Eaton and Samuel Kortum: Tech-
Topics The following list summarizes the topics and readings by week. We may deviate from this schedule if more time is required for a certain topic. The starred (*) readings will be the focus of the lecture.

1. (1/13, 1/15) Basic Armington Setup
   - *Problem set 1 assigned
   - *AA, Chapters 2 and 4.
   - *EK, Chapters 4-6.

2. (MLK, 1/22) The Monopolistic Competition Setup
   - *AA, Chapters 2 and 3.

3. (1/27, 1/29) Closing the Model
   - *Problem set 2 assigned
   - *AA, Chapter 4.
   - *Allen and Arkolakis, “Trade and the Topography of the Spatial Economy,” 2013, NBER working paper, 19181

4. (2/3, 2/5) Solving for Equilibrium and Welfare
5. (2/10, 2/12) Ricardian Models

- *AA, Chapters 4 and 5.

- EK, Chapters 3 and 4.

6. (2/17, 2/19) Applications and Extensions

- *Problem set 3 assigned
- EK, Chapters 5 and 6.

7. (2/24, 2/26) Incorporating Dynamics

8. (3/3, 3/5) Imperfect Competition and Producer-Level Models

*Problem set 4 assigned


Continuum Models:


Finite Firm Models:


- *Problem set 5 assigned*


10. (3/31, 4/2) Heckscher-Ohlin Applications


11. (4/7, 4/9) Dynamic Models

- *Problem set 6 assigned*

  - Models of Firm Entry and Growth:

• *Arkolakis, “A Unified Theory of Firm Selection and Growth,” mimeo, Yale University

Ideas and Technology:

Capital Accumulation Models:
12. (4/14, 4/16) Task Trade and Networks
   - Artuc and McLaren, “Trade Policy and Wage Inequality: A Structural Analysis with Occupational and Sectoral Mobility,” mimeo, University of Virginia.

13. (4/21, 4/23) Multinational Production and Geography
   - *Multinationals:
   - *Geography:
     - Hsu, Wen-Tai, “Central Place Theory and City Size Distribution,” unpublished, Chinese University of Hong Kong.
• Costinot, Donaldson, and Smith, “Evolving Comparative Advantage and the Impact of Climate Change in Agricultural Markets: Evidence from and 9 Million-Field Partition of the Earth,” 2013, mimeo, MIT.