International Trade - Economics 240A

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Overview of the course

This is the first module in the graduate trade sequence, which is currently a sequence of one course. We will cover the "basics" of international trade theory. I will do my best to cover both the classic models, along with the new classics, especially as they relate to the theory of the firm. Your goals should be two fold. First, learn the classic models and why they are classic. Second, learn to be creative with these models. This is probably more important. They are classic because they are insightful, and that they are adaptable as our knowledge of the world economy progresses.

I understand that many people in class will not be interested in trade as a research topic, or even international economics. However, I hope that everybody leaves this class with an appreciation of three aspects of modern economic research. First, I hope that everybody understands how to use a model to describe mechanisms that form hypotheses to be estimated with data. For example, we will cover trade and investment, but if you "relabel" the profit function as utility and investment as education (for example) the intuition you gain will be applicable to research on educational attainment. This is particularly important when thinking about selection issues - why do certain firms or individuals take certain actions and others do not? This is central to the literature on trade and firm heterogeneity (eg. only a minority of firms export), but the intuition is crucial for thinking of other topics (eg. entering the labor force). Second, I want everybody to understand how to use a model to think about unobserved factors, how to control for them, and if you're lucky, how to substitute for things that are observed. Finally, I hope everybody gains an appreciation of using models to run counterfactuals. Not every empirical topic can be tested using tight identification, but in cases like this, much can be done to think about large policy changes through the lens of a model. Even better, a well-identified empirical strategy can be complimented by an insightful model-based counterfactual to quantify the question's importance.

Grading and Expectations

The breakdown of grading is as follows:

- Homework - 50

- Exam - 50

Homeworks will be assigned during and/or after core parts of the reading list, and are listed on the course schedule. The exam will be during the final exam period, or another mutually agreed-upon time (if there are conflicts). Finally, I expect everybody to attend class and contribute during discussions. Ask questions whenever you have them. Make comments whenever you have them. If I'm wrong, bring it up. Also, I will ask questions, sometimes to specific students (hopefully at random), and expect answers that leave no doubt that you've attempted the reading.

Office hours and Final Thoughts

Office hours are 10AM-12PM on Monday. My office is 459 Engineering 2.

Finally, relax and enjoy the class. If you have any questions, concerns, or suggestions for the course, do not hesitate to bring them up. This course is for you to learn more than it is for me to teach. If it is not working for you, let me know, and I'll make every effort to make things better.