Boston University  
Department of Economics  

Economics 791 – International Trade  
Fall 2021  

Syllabus

Stefania Garetto (September 3 - October 8)  
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Office hours: Tuesdays, 2-3.30pm and Fridays 9.30-11am – sign up here  
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Yuhei Miyauchi (October 15 – November 19)  
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Office hours: Tuesdays, 11-12.30pm – sign up here  
Course Website: Blackboard

Lectures take place on Fridays, 11.15-2.00 in room 546.

Course Overview

This course is an advanced course in International Trade, targeted to second year PhD students. The course introduces students to the main theories of international trade, with a special emphasis on the role of firms. In the first part of the course, Stefania Garetto covers the traditional theories of international trade (factor endowments, productivity-based comparative advantage, increasing returns to scale), and explore their most recent developments, particularly focusing on explaining trade from the point of view of individual firms. In the second part of the course, Yuhei Miyauchi will continue by covering the various empirical approaches to estimate average and heterogeneous gains of trade. He will then cover several recent topics of international trade including economic geography and production networks.
Grading and Assignments

A second-year topic class should introduce students to independent research and facilitate the transition from coursework to writing a PhD Thesis. For this reason, the course grade is based on four separate components:

- Six problem sets (15%)
- A referee report (15%)
- An individual research project, to be presented in class in December (25%) and handed in at the end of the semester (45%)

Problem Sets. The goal of this assignment is to promote an active, hands-on approach to learning the main methodologies used in the field of international trade. The first three problem sets are based on the knowledge of workhorse trade models. The second three problem sets are empirical implementation of key concepts covered in the second part of the class. These assignments must be completed individually. Each student must submit all the problem sets to pass the course. Late assignments will not be accepted.

Referee Report. The goal of this assignment is to introduce students to think critically about the literature in the field. Each student will choose a paper to referee on a topic of their choice (subject to instructors’ approval). We encourage students to choose a topic related to their research project. The referee report is due on October 22. A sample referee report will be provided close to the deadline.

Individual Research Project Presentation and Write-up. The goal of this assignment is to introduce students to the process of developing a research project in international trade. The assignment is meant to be contained within the Fall semester, but we will be happy to advise students who want to extend it into their second-year paper. Students will choose a topic of their choice (subject to instructors’ approval) as early as possible into the semester and will work on it under our supervision. Each student will present their research progress at the end of the semester and hand-in a written version of their project. The presentations are tentatively scheduled for December 3 and December 10. Each student will give a 20’ presentation of their work. All students are required to attend all presentations.

The final submission of the written research project will be due on December 17. A successful research project should include (1) an original research question, (2) a survey of the relevant literature and a statement of the contribution of the project, (3) a detailed plan of the body of the paper. For theoretical papers, this means developing a baseline model and making some conjectures about its predictions. For empirical papers, this means describing the data, empirical framework, and preliminary empirical results. When developing a research project, it is crucial to receive feedback from other people. For this purpose, we mandate each student to meet with both Stefania and Yuhei at least twice prior to the final submission. We will coordinate the meeting time outside the lecture slots in mid-October and mid-November (precise dates and times TBA). Prior to
each meeting, students will have to submit a one-page summary of the status of the three points above.

**Reading list**

There is no required textbook for this course. However, we will sometimes draw from the following:


**Academic Conduct**

It is your responsibility to know and understand the provisions of the CAS Academic Conduct Code (copies are available in room CAS 105). Cases of suspected academic misconduct will be referred to the Dean's Office.

**COVID-19 Health Protocol Compliance**

We expect all students to comply with all of the commitments they have made with regard to COVID-19 health protocols, such as wearing an appropriate mask and, on request, producing the badge that indicates the student is up-to-date with testing and attestation. We reserve the right to make the final judgement as to whether a student is in compliance with the health protocols.
Course Outline (Tentative: may be subject to changes)

Items marked with (**) are essential and will be covered extensively in class. Items marked with (*) are required readings. We will briefly talk about them in class, but you are required to go through them on your own. The remaining items are suggested readings, which you should be familiar with if you plan to do research in this area. Finally, items marked with (R) are papers that review a particular aspect of the field. These papers are particularly useful to frame the discussion in class and to start research projects on a topic.

I. Trade patterns and the gravity equation (Sept. 3rd)


(**) F, Chapter 5, pp. 132-144.


II. Trade Theories

1. Factor endowments: the Heckscher-Ohlin model (Sept. 10th)

(**) F, Chapters 1-2. HK, Chapters 1-2.


2. Comparative advantage: Ricardian Trade Theory (Sept. 17th- 24th)

F, Chapter 1.
3. Monopolistic Competition and Increasing Returns

a) With Homogeneous Firms (Oct. 1st)


F, Chapter 5. HK, Chapters 6-9.

b) With Heterogeneous Firms (Oct. 8th)


### 4. Gains from Trade (Oct. 8th)


### III. Trade Empirics

#### 5. Empirics of Gains from Trade

**Reduced-form approach (Oct 15th)**


**Sufficient statistics approach (Oct 15th)**


**Structural estimation approach (Oct 22th)**


6. **Heterogeneous Gains from Trade**

**Factor content approach and Heckscher-Ohlin model (Oct 22th)**


**Regional incidence and shift-share design (Oct 29th)**


**Market access approach (Oct 29th)**


III. TRADE TOPICS

7. Economic geography

**Spatial Equilibrium Models (Nov. 5th)**


**Quantitative Urban Models (Nov. 12th)**


8. **Global Value Chains and Production Networks (Nov. 19th)**


**Student presentations: December 3rd-10th**

**Final research project due December 17th**