Class meetings: In-person and remote access.

Classes will be held in-person in room KCB 102, Monday and Wednesday 2.30-3.45. Those signed up for in-class participation are required to attend all classes in-person; attendance will be monitored. If you have to miss a class due to illness or a personal crisis, send an email to Professor Lucas (rlucas@bu.edu) noting the fact.

Class meetings will also be available on-line but only for those listed by GRS for remote attendance. To enter a class meeting remotely, go to Blackboard for this course and click on 591 Zoom on the top portion of the left-hand panel.

All class sessions will be recorded for the benefit of registered students who are unable to attend live sessions (either in person or remotely) due to time zone differences, illness, or other special circumstances. Recorded sessions will be made available to registered students only via their password-protected Blackboard account. Students may not share such sessions with anyone not registered in the course and may certainly not repost them in a public platform. Students have the right to opt out of being recorded. If you wish to opt out, send an email to Professor Lucas at the beginning of semester noting this preference. If you are attending in person for the class and have opted out of recording, you will need to sit well to the side of the class to avoid being filmed and should remain silent. If you are live on-line watching the class and have opted out, arrange to have no identification on your Zoom connection and remain muted with video turned off throughout the class meeting. Recordings will be posted on Blackboard with a short delay after the class ends.

Office hours: On-line by appointment.

Email a request for a 15-minute Zoom appointment to Professor Lucas (rlucas@bu.edu).
Your email request should indicate any time constraints within the set office hours.
Only requests received more than 24 hours in advance will be given any priority.
Those in Asian time-zones will be given priority for Monday appointments.
Course content

EC591 addresses the theory of international trade, tests of those theories and policy issues arising from these theories. Topics include comparative advantage and the gains from trade, strategic and other trade interventions, trading blocs, and the political economy of trade reform and development.

Prerequisites

Students entering this course will be assumed to possess a sound background in micro-economics and differential calculus.

Requirements

The requirements for this course are threefold: a literature review, an original paper, and a series of problem sets. Both papers must be no longer than 20 pages, including tables and references, double space, with no smaller than 11-point font.

The grade for this course is divided up as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Literature review</td>
<td>40%</td>
</tr>
<tr>
<td>Original paper</td>
<td>45%</td>
</tr>
<tr>
<td>Problem sets</td>
<td>15%</td>
</tr>
</tbody>
</table>

A few words on each of these components.

The literature review is to be a critical summary of any two or three, connected, items listed below in the readings. This should consider any limitations or strengths of the theory or empirical evidence in each reference, whether and how this is useful to understanding the real world, and any policy implications that you can derive from this set of references. You are certainly welcome to incorporate other material relevant to your review; it need not be confined to the items listed.

The original paper must address some aspect of international trade as covered by this course. Also, it must include some form of data presentation or analysis. Some of you will not yet have taken Econometrics, so we are looking for sensible use of these data, not necessarily involving multivariate regressions. The choice of topic is entirely up to you as is locating appropriate data. The raw data must be submitted at the same time as the paper (preferably zipped), as must your calculations in any excel sheets or other statistical analysis adopted.
Most countries report their own trade statistics. More global data can be obtained from the IMF Direction of Trade Statistics,
The World Bank’s World Development Indicators has more aggregate data.
The WTO Trade and Tariff Data also includes both tariff and non-tariff data.
https://www.wto.org/english/res_e/statis_e/statis_e.htm

All students are strongly encouraged to discuss their plans for the literature review and original paper with Professor Lucas at
an early date, during office hours. All papers will be tested for plagiarism. The Boston University Academic Conduct Code
defines plagiarism as:

“Representing the work or ideas of another as one’s own; and/or using another’s work or ideas without crediting the source. Plagiarism includes, but is not limited to, the following: copying the answers of another student on an examination; copying or restating the work or ideas of another person or persons in any oral or written work (printed or electronic) without citing the appropriate source; using audio or video footage that comes from another source (including work done by another student) without permission and/or acknowledgement of that source; and collaborating with someone else in an academic endeavor without acknowledging their contribution. Plagiarism can consist of acts of commission (appropriating the words or ideas of another as one’s own), or omission (failing to acknowledge/document/credit the source or creator of words or ideas).”

A series of problem sets will be based on the content of recent class material. Each problem set will be placed on Blackboard and
an email will be sent to all registered students announcing the posting.

Submission due dates.
Literature review and original paper submissions should be sent by email to Professor Lucas (rlucas@bu.edu).
The literature review should be sent to arrive no later than 4pm (16.00) US_EST on Monday, November 22.
The original paper (with accompanying data and analysis) should be sent to arrive no later than 4pm (16.00) US_EST on
Wednesday, December 1.

The due date for each problem set will be announced at the time of posting.
All problem set solutions should be sent to the teaching assistant (Yosuke Higashiyama, hiyosuke@bu.edu) no later than 4pm
(16.00) US_EST on the posted date.

Submissions of any materials arriving after these deadlines will receive a grade of zero.
Topics and Readings

There is no textbook assigned for this course. Instead, all readings are on Blackboard.

The purpose of the following list of materials is as a potential guideline for your original paper, as required material for your literature review, and as background to the lectures and hence the problem sets.

1. Comparative Advantage and the Gains from Trade.

   a. **Constant costs and Ricardian theory**
      
      Jagdish N. Bhagwati, Arvind Panagariya and T.N. Srinivasan,

   b. **The general case of increasing costs**
      
      Bhagwati, Panagariya and Srinivasan, 18.1-18.4 and chapter 19.

   c. **Factor endowments and the Heckscher-Ohlin Theorem**
      
      Bhagwati, Panagariya and Srinivasan, sections 5.1-5.3 6.1-6.3

   d. **Specific factors model**
      
      Bhagwati, Panagariya and Srinivasan, chapter 7.
      Wolfgang Mayer, “Short-run and long-run equilibrium for a small open economy”,

   e. **Many goods, many factors**
      
      Bhagwati, Panagariya and Srinivasan, sections 8.1-8.3

   f. **Scale economies and imperfect competition**
      
      Paul Krugman, “Increasing returns, imperfect competition and the positive theory
2. Empirical Explorations and Extensions

a. Empirical tests, factor content and factor intensity reversals
   Bhagwati, Panagariya and Srinivasan, section 8.4

b. Technology gaps, technology transfer and trade

c. Transport costs, distance and geography.
   Leamer and Levinsohn, section 6.

a. Tariffs
   Bhagwati, Panagariya and Srinivasan, sections 12.2-12.4

b. Quotas and other non-tariff barriers
   Bhagwati, Panagariya and Srinivasan, chapter 14.
   Jagdish N. Bhagwati, “On the equivalence of tariffs and quotas”,
   James Levinsohn, “Carwars: trying to make sense of US-Japan trade frictions in

c. Effective protection
   Bhagwati, Panagariya and Srinivasan, chapter 15.

4. Motivating Trade Interventions

a. Market distortions
   Bhagwati, Panagariya and Srinivasan, chapters 21, 25, 26, 27 and section 28.1.

b Strategic trade interventions.
   Santiago Levy and Sean Nolan “Trade and foreign investment policies under

c. Learning and industrial policy.
   Robert E. Baldwin, ”The case against infant industry protection”, *Journal of
5. Trade and the Exchange Rate

a. Basic mechanisms.


b. Dutch disease


6. Trading Blocs

Bhagwati, Panagariya and Srinivasan, chapter 31.

7. Reform, Development and Political Economy