

ECO364H1S: [International Trade Theory](#)

University of Toronto

Spring 2019

This course will study the causes and consequences of international trade. The first half develops traditional models of comparative advantage. The second half examines trade policy, as well as more recent theoretical and empirical work on imperfect competition and firm heterogeneity.

Instructor Contact Information

- Palermo Penano
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 - Slack Channel: eco-364-s2019.slack.com (see **Slack Channel Access** section below for details)
 - Office Hours: By appointment
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Teaching Assistant Contact Information

- Swapnika Reddy Rachapalli
 - Email: s.rachapalli@mail.utoronto.ca
 - Office Hours:
 - * Monday, 10am & Thursday, 3pm
 - * Max Gluskin House, GE40
 - Nazli Billur Gorgulu
 - Email: billur.gorgulu@mail.utoronto.ca
 - Office Hours:
 - * Wednesday, 5pm & Friday, 10am
 - * Max Gluskin House, GE40
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Course Schedule and Location

- Tuesday from 6-9 PM
 - On some day, 8-9 PM will be reserved for tutorials
 - Room [SS2135](#)
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Additional Course Information

- Term: Winter 2019
- Course Code: ECO364H1S
- Section: L5101
- Campus: St. George Campus

Exclusion:

- ECO230Y1

Prerequisites:

- ECO200Y1/ECO204Y1/ECO206Y1,
- ECO220Y1/ECO227Y1/(STA220H1,STA255H1)/(STA257H1,STA261H1)

Note: The course requires basic calculus (e.g. partial and total derivatives), which will be reviewed by a TA in the first tutorial. You might find the following useful:

- [Faculty of Arts & Science Calendar for Economics](#)
 - [Department of Economics' policy regarding prerequisites](#)
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Textbook

The recommended text book is [International Economics: Theory and Policy by Krugman, Obstfeld, and Melitz](#) (Henceforth, KOM). It is not required as exam and problem set questions will be based on the lecture materials.

If you wish to purchase the textbook (which is only available as an on-line copy for around \$95), [follow this link](#).

Access codes may also be purchased from the UofT Bookstore.

Tentative Course Outline (Split by Topics, not Lectures)

Note: Readings marked with an asterisk (*) are advanced readings for students who are interested in learning more about the subject.

1. Introduction: Facts about Trade, Globalization and the Ricardian Model

- KOM ch. 1,2, and 3

2. The Ricardian Model

- KOM ch. 3

3. The Heckscher-Ohlin Model

- KOM ch. 5

4. The Specific Factors Model

- KOM ch. 4

MIDTERM: Tuesday, February 26, 2019

5. Trade Policy

- KOM ch. 9 (Instruments)
- KOM ch. 10 (Politics)
- (*) Bagwell, Kyle and Robert W. Staiger (2010) "The World Trade Organization: Theory and Practice" Annual Review of Economics 2(1): 223- 256.

6. Trade with Increasing Returns and Imperfect Competition

- KOM ch.7 (External Economies of Scale)
- KOM ch.8 (Internal Economies of Scale and Imperfect Competition)

- (*) Krugman, Paul (1979) “Increasing Returns, Monopolistic Competition, and International Trade” *Journal of International Economics* 9(4): 469 – 480.

7. Firm Heterogeneity and Trade

- KOM ch. 8
- (*) Melitz, Marc and Daniel Trefler (2012) “Gains from Trade When Firms Matter” *Journal of Economic Perspectives* 26(2): 91 – 118.
- (**) (More advanced) Melitz, Marc (2003) “The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity” *Econometrica* 71(6): 1675 - 1725.

Evaluation and Deadlines

- Problem sets (due in class) - 20%
 - 29 January, 2019
 - 12 February, 2019
 - 12 March, 2019
 - 26 March, 2019
- In-Class Midterm - 30% (**February 26**)
- Final exam - 50% (**Some day after April 5—TBA**)

Problem Set: There will be a total of 4 problem sets, each worth 5% of your total grade. They will be due at the beginning of class at each of the aforementioned dates, and will be handed back during tutorials or TA office hours. Scans or photos of the problem sets are not accepted. Each problem set will be graded on a 0-5 scale based on the correctness of answer and effort in solving the questions. You are encouraged to work in groups. However, duplicate problem sets will not be given any marks. Problem sets submitted one day late will be docked 50% of the grade. Problem sets submitted more than one day late will receive 0%.

Midterm Exam: The midterm will be held in-class on February 26. Please bring a nonprogrammable calculator to the exam. There will not be any extra calculators in the exam room.

Final Exam: The final exam will be 3 hours long. It will take place during the final exam period some time in Saturday, Apr 06, 2019 - Tuesday, Apr 30, 2019.

Other Administrative Matters:

Sessional Dates: When is the last day to drop the course? When is reading week? When will final exam dates be posted? [All of these questions are answered here](#)

Tutorials: Swapnika / Nazli will hold in-class tutorials on Tuesday after the lecture from 8-9pm. They will mainly cover solutions to the problem sets. Although tutorial attendance is optional, the problem set solutions will only be posted after the last tutorial of the course.

The schedule is as follows:

1. Math Review: Tuesday, January 15, 2019
2. Take-up PS1 Solutions: Tuesday, February 5, 2019
3. Take-up PS2 Solutions: Tuesday, February 12, 2019
4. Take-up PS3 Solutions: Tuesday, March 19, 2019
5. Take-up PS4 Solutions: Tuesday, April 2, 2019

Slack Channel Access: For sign-up details, see the [accessing_slack.pdf](#) document in the Other Materials page on Quercus.

Email Policy: Here is our email policy:

- Administrative and **short** course-related questions:
 - Expect a reply within 24 hours on weekdays and 48 hours on weekends
- Course-related question requiring **long** explanations:
 - See us during offices hours, before class, or after class!

Test Score Appeals: Please type a short paragraph explaining the grievance and why you should obtain additional points. Give a hard copy of this document to your TA. You must turn in this appeal by the end of class the week following the week in which exams are first handed back. This holds regardless of whether you are in class when exams are returned. Picking up your exam is your responsibility. Conditional on this argument being found persuasive by the course instructors, the entire exam will be re-graded. Your score can go up or down. This does not apply to trivial appeals such as points being added incorrectly- if you find such a mistake, we will make adjustments on the spot.

Absence from Exams: The Faculty of Arts and Science select the dates for examinations within the final exam period. You must not make travel, employment or other plans that may conflict with the date chosen for the examination in this course and any such conflict will not be accepted as grounds for writing a deferred exam. Instructors cannot make special arrangements with students who miss the final exam for any reason. If you miss the midterm due to medical reasons, email one of the Instructors on the day of (or before) the midterm exam. In addition, provide the University of Toronto Verification of Student Illness or Injury form. This form must satisfy the following requirements:

- It is signed on or before the date of the midterm exam. Retroactive notes will not be accepted.
- It is original (not scanned, copied, or emailed).
- It is completed and signed by a qualified medical doctor.
- The doctor's OHIP registration number must be provided.

Other excuses for missing the midterm exam (e.g. funerals and car accidents) must be accompanied by a note from the responsible authority that I can verify. Again, only original notes (not scanned, copied, or emailed) on or before the date of the midterm exam will be considered.

Please note: The office of academic misconduct imposes a punishment of suspension for 4 months for passing on fake notes. If your note satisfies the above requirements, a makeup midterm test will be provided outside the normal class time.

Academic Misconduct: Students should note that we do not tolerate any form of academic misconduct. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero to dismissal from the university as outlined in the academic handbook. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties.

- [What is Academic Misconduct?](#)