

**Federal State Educational Government-financed Institution of Higher Professional
Education
“Lomonosov Moscow State University”**

Moscow School of Economics

The syllabus confirmed by the
Scientific Council of the MSE MSU

« ____ » _____ 2019

SYLLABUS OF THE COURSE

Advanced International Economics

Specialization

38.04.01 “Economics”
(code and name of direction of preparation)

Qualification (degree) of the graduate student
Master of Science in

General Economic Theory

Global Economics and Finance

Tuition

Full-time

The syllabus is confirmed by the decision of the
Chair of Economic Theory of the MSE MSU
_____, 2019

The author of the program is Yochanan Shachmurove

Moscow
2019

TITLE: ADVANCED INTERNATIONAL ECONOMICS

Professor

Yochanan Shachmurove

Administrative Assistant

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Course Description

The course introduces Master students to theoretical and quantitative analysis of international trade. The presentation of the workhorse models of Ricardo, Heckscher-Ohlin and monopolistic competition follow roughly the same order: the basic theory provides key economic insights; it is extended to allow for quantitative analysis, and various extensions and applications are presented. This is a foundational Ph.D. level course in international trade. It is intended to familiarize the students with the main analytical frameworks that have been developed over the last decade. We will also study some of the applications of these new tools.

Prerequisite: international macroeconomics, macroeconomics III.

General Course Objectives and Learning Outcomes (LOS)

During the process of education students will develop the following professional competences:

M-IC-1- command of a foreign language in the oral and written form to enable communication in the scientific, professional and socio-cultural intercourse, knowledge of professional terminology in the foreign language: a capacity to prepare publications, conduct presentations, to have discussions and defend the submitted work in the foreign language;

M-IC-2-knowledge of modern methods and instruments of research into socio-economic processes, a comparative analysis of the national models of the economy;

M-SC-4- a capacity to analyze economic processes within the country and in the contemporary world;

M-SC-5- a capacity for evaluating institutional changes, the dynamics of socio-economic indicators and indices of society's development.

Upon successful completion of the course, the students

Will know and demonstrate:

- their understanding the main concepts of Advanced International Economics
- the application of the main tools of theoretical and quantitative analysis of international trade.

Will be able to:

- identify the main tools to apply for international trade analysis
- construct the economic models describing international trade.

Will possess skills to:

- demonstrate the ability to clearly describe and discuss current tendencies in international trade
- demonstrate the appropriate level of competence in written expression as demanded by the discipline.

Teaching and Learning Strategy

Teaching and instruction methods include lectures, interactive teaching methods in the forms of question discussions. Time allocation between teaching methods is outlined in the table below.

Type of study		Total hours				
		Total	Semester			
			1	2	3	4
Classes		28		28		
Including	Lectures	14		14		
	Practical training	14		14		
Self-study		44		44		
In Total	Hours	72		72		
	Credits	2		2		
Type of control:				pass/non pass		

This is interactive course and most part of it students are working on the proposed questions. The theoretical basics are delivered through lectures prepared with modern multimedia tools such as power point presentations.

Curriculum content

Section: I. Empirical Foundations

Section: II. Gravity and Trade Volume

Section: III. The Ricardian Model 1: The Theory of Comparative Advantage. Country Differences in Technologies: Dornbusch, Fischer and Samuelson

Section: IV. The Ricardian Model 2: Some Extension to the Eaton and Kortum Model

Section: V. Factor Proportion Theory: The Theory of Comparative Advantage. The Relative Abundances of Labor and Capital. Heckscher – Ohlin Model and Modern Remakes

Section: VI. The Monopolistic Competition Modal 1: Imperfect Competitions, Increasing Returns to Scale, The Krugman Model

Section: VII. The Monopolistic Competition Modal 2: Imperfect Competitions, The Melitz Model and Some Extensions

Section: VIII. Trade Policy under Competitive and Non-competitive Markets. The Role of Tariffs, Quotas and Other Trade Impediments

Section: IX. Risk Aversion and International Portfolio Diversification

Section: X. Free Trade Zone and Diversification and Specialization Paradox

Section: XI. Forthcoming New Papers in Advanced International Economics

Bibliography

The books are useful, but not required for purchase. Feenstra combines theory and evidence well. Eaton and Kortum is a unified account of their influential writings on technological innovation and international trade. Grossman and Helpman is a major reference for trade and growth to this day. Students may find helpful Dixit and Norman's exposition of the Heckscher-Ohlin model. Choi and Harrigan is a compendium of international trade, and Grossman and Helpman, of international economics. They are useful reads for graduate students searching for research topics.

Section I.

Section II.

Anderson, J. and E. van Wincoop (2003), "Gravity and Gravititas: A Solution to the Border Puzzle," *American Economic Review*, 93, 170-192.

Arkolakis, Costas, Arnaud Costinot, and Andrés Rodríguez-Clare (2012), "New Trade Models, Same Old Gains?" *American Economic Review*, 102(1): 94-130.

Helpman, E., M. Melitz, Y. Rubinstein (2008), "Estimating Trade Flows: Trading Partners and Trading Volumes," *Quarterly Journal of Economics*, 123, 441-487.

Selection III.

Dornbusch, R., S. Fischer, P. Samuelson (1977), "Comparative Advantage, Trade, and Payments with a Continuum of Goods," *American Economic Review*, 67, 823-839.

Eaton J. and S. Kortum (2002), "Technology, Geography, and Trade" *Econometrica*, 70, 1741-1779.

Alvarez, F. and R. Lucas (2007), "General Equilibrium Analysis of the Eaton-Kortum Model of International Trade," *Journal of Monetary Economics*, 54, 1726-1768.

Spiegel, U. and Y. Shachmurove (2013), "Sustainable Effects of Technological Progress and Trade Liberalization," *Economic Modelling*, Volume 33, pp. 956–964.

Spiegel, U. and Y. Shachmurove (2010), "The Welfare of Nations in a Globalized Economy," *International Trade Journal*, (Lead Article), Volume 24, Number 3, July-September, pp. 230-260

Spiegel, U. and Y. Shachmurove (1995), "On Nations' Size and Transportation Costs," *Review of International Economics*, Volume 3, Issue 2, June, pp. 235 -243.

Selection IV.

Costinot, A., D. Donaldson and I. Komunjer, (2012), "What Goods do Countries trade? A Quantitative Exploration of Ricardo's Ideas," *Review of Economic Studies*, s (2012) 79, 581–608.

Fieler, A.C. (2011), “Non-homotheticity and Bilateral Trade: Evidence and a Quantitative Explanation,” *Econometrica*, 79(4), 1069-1101.

Ahlfeldt, G.M., Redding, S., D. Sturm and Niko Wolf (2013), “The Economics of Density: Evidence from the Berlin Wall”, mimeo, Princeton University.

Dekle, Eaton and Kortum (2008) “Global Rebalancing with Gravity: Measuring the Burden of Adjustment,” *IMF Staff Papers*, 55, 511-540.

Ramondo, N. and Rodriguez-Clare (2013), “Trade, Multinational Production, and the Gains from Openness,” *Journal of Political Economy*, 121(2).

Ana Cecilia Fieler, Marcela Eslava and Daniel Yi Xu (2018, forthcoming), “Trade, Quality Upgrading, and Input Linkages: Theory and Evidence from Colombia,” *American Economic Review*, forthcoming.

Selection V.

Feenstra Chapters 1-3.

Costinot, A. and J. Vogel (2010), “Matching and Inequality in the World Economy,” *Journal of Political Economy*, 118(4), 747-785.

Selection VI.

Krugman, P. (1980), “Scale Economies, Product Differentiation, and the Pattern of Trade,” *American Economic Review*, 70(5), 950-959.

Ethier, W. (1982), “National and International Returns to Scale in Modern Theory of International Trade,” *American Economic Review* Vol. 72, No. 3 (Jun., 1982), pp. 389-405.

Ethier, W. (1982), “National and International Returns to Scale in Modern Theory of International Trade,” *American Economic Review*, 72(3), 389-405.

Grossman, G. and E. Rossi-Hansberg (2010), “External Economies and the International Trade Redux” *The Quarterly Journal of Economics*, 125(2), 829-858.

Selection VII.

Melitz, M. (2003), “The Impact of Trade on Intra-industry Reallocations and Aggregate Industry Productivity,” *Econometrica*, 71(6), 1695-1725.

Helpman, E., M. Melitz, S. Yeaple (2004), “Exports Versus FDI with Heterogeneous Firms,” *American Economic Review*, 94(1).

Bernard, A., S. Redding and P. Schott (2011), “Multi-product Firms and Trade Liberalization,” *Quarterly Journal of Economics*, 126(3), 1271-1318.

Bernard, A., S. Redding and P. Schott (2011), “Comparative Advantage and Heterogeneous Firms,” *Review of Economic Studies*, 74, 31-66.

Bustos, P. (2011), “Trade Liberalization, Exports and Technology Upgrading: Evidence on the Impact of MERCOSUR on Argentinian Firms,” *American Economic Review*, 101, 304-340.

Lileeva, A. and D. Trefler (2010), “Improved Access to Foreign Markets Raises Plant-Level Productivity...for some Plants,” *Quarterly Journal of Economics*, 1051-1099.

Eaton, J., S. Kortum, F. Kramarz (2011), “An Anatomy of International Trade: Evidence from French Firms,” *Econometrica*, 79(5), 1453-1498.

Grossman G. and Helpman, E. “Growth, Trade, and Inequality,” Harvard, February 2015

Spiegel, U. and Y. Shachmurove (2005), “A Monopoly Reason Why Autarky Might be Best for a Large Country,” *The Manchester School*, (Lead Article), Volume 73, Number 3, June, pp. 269 - 280.

Selection VIII.

Feenstra, Chapters 7-8.

Krugman, Obstfeld and Melitz (2015, Chapters 9) *International economics: Theory and Policy*, Pearson.

Douglas Irwin, Tariff Incidence: Evidence from U.S. Sugar Duties, 1890-1930, NBER Working Paper No. 20635, 2014.

Selection IX.

Krugman, Obstfeld and Melitz (2015, Chapter 22), *International Economics: Theory and Policy*, Pearson.

Y. Shachmurove (handout)

Selection X.

Spiegel, U. and Y. Shachmurove (handout)

Kellman M. and Y. Shachmurove (2011), “Diversification and Specialization Paradox in Developing Country Trade,” *Review of Development Economics*, Volume 15, Number 2, May, pp. 212-222.

Selection XI.

Paulo Bastos, Joana Silva and Eric Verhoogen, “Export Destinations and Input Prices,” *American Economic Review*, volume 108, issue 2, pages 353-92, February 2018.

Fabrizio Perri and Vincenzo Quadrini, “International Recessions,” *American Economic Review*, volume 108, issue 4-5, pages 935-84, April 2018

Costas Arkolakis, Natalia Ramondo, Andrés Rodríguez-Clare and Stephen Yeaple, (forthcoming, 2018), “Innovation and Production in the Global Economy,” *American Economic Review*, volume 108(8), pages 2128-2173, August 2018.

Data sources:

UNComtrade: bilateral trade and statistics

Feenstra’s website: Same as UNComtrade for a longer time frame; US imports and exports at more disaggregated level than UNComtrade

World Bank Development Indicators: country-level statistics

Penn World Tables: National accounts data

OECD data: country-level statistics, particularly strong on science and technology indicators

GTAP: 90+ countries. Income levels, employment, input-output matrices and factor endowments.

Semi-proprietary firm-level data: Chile, Colombia (1977-1991), Mexico (1984-1990)

Gordon Hanson's website:

Apprehensions and enforcement at the US-Mexico border by the U.S. Border Patrol, 1963-2004

Foreign outsourcing by US manufacturing industries, 1979-1990

WTO- Trade and Tariff Data: https://www.wto.org/english/res_e/statis_e/statis_e.htm

International Trade Administration- US Trade Data: <http://www.trade.gov/mas/ian/tradestatistics/>

World Bank- Trade Data: <http://data.worldbank.org/topic/trade>

International Trade Center- Interactive Trade Map: <http://www.trademap.org/Index.aspx>

UN- Comtrade Database: <http://comtrade.un.org/>

Census Bureau- US International Trade Statistics: <http://www.census.gov/foreign-trade/data/index.html>

Organization for Economic Co-operation and Development- Interactive Data:

<https://data.oecd.org/economy.htm>

US Bureau of Economic Analysis- Trade Report:

<http://www.bea.gov/newsreleases/international/trade/2015/pdf/trad1214.pdf>

UN- Conference on Trade and Development: <http://unctad.org/en/Pages/Statistics.aspx>

US- Arab Trade Data: <http://www.nusacc.org/content/english-pid=112.php.html>

World Export Data- 1948-1983: <http://www.icpsr.umich.edu/icpsrweb/ICPSR/studies/09116>

ITC- Market Analysis Tools: <http://www.intracen.org/itc/market-info-tools/market-analysis-tools/>

UN- International Merchandise Trade Statistics: http://unstats.un.org/unsd/trade/imts/imts_default.htm

Federation of International Trade Associations- International Trade Statistics:

http://www.fita.org/webindex/browse.cgi/International_Trade_Statistics

Princeton- World Trade Statistics:

http://www.princeton.edu/~dixitak/Teaching/InternationalTrade/Slides/ECO352_02.pdf

International Update (covers recent developments in foreign public and private pensions):

http://www.ssa.gov/policy/docs/progdesc/intl_update/

Assessment Strategy

Final examination (multiple-choice and open-end questions): 30 points, attendance: 5 points for each class., PowerPoint Presentation (PPP) of a journal article: 35 points. **Total: 100 points.**

The student will pass the course if he accumulates 50 points and more. Students, who gained below 50 points will fail the course. To pass the course both final exam and PPP presentation are needed.

- The exam retake policy is: A student will retake the exam if her/his total score was below 50 points.
- Only a justified absence entitles to an additional quiz (no retakes are allowed).

Academic Integrity

Academic honesty is non-negotiable All assignments submitted in fulfillment of course requirements must be the student's own work Plagiarism and/or any other form of academic dishonesty will not be tolerated and will result in a grade of zero on the assignment

Questions and Topics for Exams and Other Assignments

During the course You should prepare one PowerPoint Presentation (PPP) of a journal article. The final examination will be a mix of Multiple-Choice and open-end questions.