

**CARLETON UNIVERSITY**  
**Department of Economics**

**ECON 5603 – Topics in International Economics (Winter 2018)**

**Instructor:** Prof. Z. Yu  
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**Lectures:** Fridays (11:35am-2:25pm)  
**Instructor's Office Hours:** Mondays (1:05pm-2:05pm) in A810 Loeb

**OBJECTIVES:**

The purpose of this course is to get students conversant with current topics in International Economics. We will study in depth a number of recent papers on several important topics. Students taking the course will learn how to analyze journal articles and gain the ability in doing their own research in international economics.

This course targets graduate students in economics and other related programs. Students who have taken an introductory course in international trade will benefit more from the class.

**Prerequisites:** None.

**EVALUATION (two options to choose):**

Option A: Take-home Midterm (40%); One Assignment (15% each); in-class Final (45%).

Option B: Take-home Midterm (40%); One Assignment (15% each); Term Paper (45%).

**Plagiarism**

Please be aware that plagiarism is serious offence at Carleton and should be recognized and avoided. For further information on how to do so, please see "Pammett on Plagiarism and Paraphrasing" at [www.carleton.ca/economics/courses/writing-preliminaries/](http://www.carleton.ca/economics/courses/writing-preliminaries/).

**Paul Menton Centre Students**

Students with disabilities requiring academic accommodations in the course are encouraged to contact a coordinator at the Paul Menton Centre for Students with Disabilities to complete the necessary letters of accommodation. After registering with the PMC, make an appointment to meet and discuss your needs with the instructor at least two weeks prior to the midterm exam. This is necessary in order to ensure sufficient time to make the necessary arrangements. Please check with University and Faculty regulations for deadlines for submitting completed forms to the PMC for formally scheduled exam accommodations.

**COURSE OUTLINE AND READING LIST**

**Note:** Articles with asterisk (i.e. \*) will be discussed.

**1. Introduction**

Ricardian Model and Heckscher-Ohlin Model.

## **2. Trade and Renewable Natural Resources**

\*Brander, James and Scott Taylor, "International trade and open access renewable resources: the small open economy case," *Canadian Journal of Economics*, August 1997, 526-552.

## **3. Trade, Wages, Unemployment, and Economic Growth**

Krueger, Anne, "Trade policy and economic development: how we learn," *American Economic Review* vol.87 No.1, March 1997, pp. 1-22.

\*Eswaran, M. and A. Kotwal (1993), "Export led development: primary vs. industrial exports", *Journal of Development Economics* 41, 163-72.

\*Brezis, E.S., Paul R. Krugman, and D. Tsiddon 1993, "Leapfrogging in international competition: a theory of cycles in national technological leadership," *American Economic Review* 83 (5), 1211-19.

\*Davis, Donald (1998), "Does European unemployment prop up American wages? – National labor markets and global trade", *American Economic Review* v 88, 478-94.

Chen, Bo, Miaojie Yu and Zhihao Yu, (2017), "Measured skill premium and input trade liberalization: evidence from Chinese firms." Mimeo.

## **4. Strategic Trade Policy, and national and international environmental policy**

Brander, J.A. and B.J. Spencer, 1985, Export subsidies and international market share rivalry, *Journal of International Economics* 18, 83-100.

\*Barrett, Scott 1994, "Strategic environmental policy and international trade", S. Barrett, *Journal of Public Economics*, Vol. 54, 325-38.

\*Yu, Zhihao (2007). "Strategic trade policy aspect of the Kyoto Protocol: extracting oil rents", *Asian Pacific Journal of Accounting and Economics*, December 2007.

## **5. Trade and the Environment**

Dornbusch, Rudiger, Stanley Fischer, and Paul A. Samuelson, "Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods," *American Economic Review*, LXVII (1977), 823-39.

\*Copeland, Brian and M. Scott Taylor, "North-South Trade and the Environment," *Quarterly Journal of Economics*, (August, 1994), 755-787.

## **6. Monopolistic Competition in international trade, Trade costs, the home market effects, and New Economic Geography**

Krugman, P. 1979, "Increasing returns, monopolistic competition, and international trade," *Journal of International Economics*, v9, 469-480.

\*Krugman, P., 1980, "Scale economies, product differentiation, and pattern of trade." *American Economic Review*, v70(5), pp. 950-59.

\*Davis, D.R., 1998, "The home market effect, trade, and industrial structure." *American Economic Review*, v88(5), pp. 1264-76.

\*Yu, Z. 2005, "Trade, Market Size, and Industrial Structure: Revisiting the Home Market Effect" *Canadian Journal of Economics* 38(1), pp. 255-272.

## **7. Recent Investigation of Trade Patterns and Monopolistic competition with heterogeneous firms**

Schmitt, Nicolas and Zhihao Yu, 2002, "Horizontal Intra-industry Trade and the Growth of International Trade", chapter 3 in *Frontiers of Research on Intra-industry Trade*, edited by P. Lloyd and H. Lee, Palgrave.

\*Schmitt, Nicolas and Zhihao Yu, 2001, "Economies of scales and the volume of intra-industry trade", *Economics Letters* v74, 1069-1090.

\*Baldwin, Richard (2005), "Heterogeneous firms and trade: testable and untestable properties of the Melitz model," NBER Working Paper No. 11471.

\*Melitz, Marc J. (2003), "The Impact of Trade on Intra-industry Reallocations and Aggregate Industry Productivity", *Econometrica*, Vol. 71 (6), pp. 1695-1725.

Montagna, Catia (2001), "Efficiency Gaps, Love of Variety and International Trade", *Economica*, Vol. 68, pp. 27-44.

\*Girma, S. and Yu, Z. (2002) "The link between immigration and trade: evidence from the United Kingdom." *Review of World Economy* v138(1), 2002, pp. 115-130.

## **8. International Outsourcing and Firm organization**

\*Grossman, Gene and Elhanan Helpman, 2005, "Outsourcing in a global economy", *Review of Economic Studies*, 72(1), pp. 135-159.

\*Antràs and Helpman, (2004), "Global sourcing", *Journal of Political Economy*, 112: 552-580.

He, Huanlang and Zhihao Yu (2015), "The Evolving Patterns of Global Production of Multi-Product Firms." *Canadian Journal of Economics*, 2015 August.

\*Chen, Yongmin, Jota Ishikawa, and Zhihao Yu (2004) "Trade liberalisation and strategic outsourcing", *Journal of International Economics*, 62(2), 2004, pp. 419-436.

\*Yu, Zhihao (2012). "Economies of Scope and Patterns of Global Outsourcing", *Review of International Economics*. 20(4), 854-868.

## **9. Political Economy of Protection**

Dutt, Pushan and Mitra, Devashish. 2002. "Endogenous Trade Policy through Majority Voting: An Empirical Investigation," *Journal of International Economics*, 58(1): 107- 133.

Goldberg, Pinelopi Koujianou and Giovanni Maggi. 1999. "Protection for Sale: An Empirical Investigation." *American Economic Review*, 89(5): 1135-1155.

Hillman, A.L. 1982, "Declining industries and political-support protectionist motives," *American Economic Review*, 72(5), 1180-1187.

Hillman, A.L., 1989. *The Political Economy of Protection*, Harwood Academic Press, New York.

Magee, S.P., W.A. Brock and L. Young 1989. *Black Hole Tariffs and Endogenous Policy Theory*, Cambridge University Press, New York.

Mayer, Wolfgang (1984), "Endogenous Tariff formation" *American Economic Review*, 1984, vol. 74, issue 5, pages 970-85

Mitra, Devashish. 1999. "Endogenous Lobby Formation and Endogenous Protection: A ... *American Economic Review*, 89(5): 1116-1134.

Rodrik, D. "Political economy of trade policy", in *Handbook of International Economics*, Vol III, edited by G. Grossman and K. Rogoff, 1995, 1458-94, North Holland, Amsterdam.

\*Grossman, G. M. and Helpman, E. "Protection for Sale," *American Economic Review* 84, 1994, 833-850

Yu, Zhihao (2005) "Environmental Protection: A Theory of Direct and Indirect Competition for Political Influence" *Review of Economic Studies* 72(1), 269-286.

Yu, Zhihao (2011). "Understanding the Fear for Globalization," *The World Economy*, v34, 1168-1180.

## **10. Capital Flow and Financial Constraints**

Antras, Pol and Ricardo Caballero 2009, "Trade and Capital Flow: A Financial Frictions Perspective." *Journal of Political Economy*, 117(4), 701-744.

Jin K. 2012, "Industrial Structure and Financial Capital Flows." *American Economic Review* 102(5), 211-2146

\*Ju, Jiandong and Shang-Jin Wei 2011, "When is quality of financial system a source of comparative advantage?" *Journal of International Economics*, 178-187

Ju, Jiandong and Shang-Jin Wei 2014, "On the connection between intra-temporal and intertemporal trade."  
Journal of International Economics, 92(s), s36-s51