Economics 7122: International Economics II
Spring 2016

Instructor
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Lecture: Tuesday and Thursday 9:35 am – 10:55 am in Old CE 310
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Course Description
This course is targeted at second-year (and higher) Ph.D. students in economics. Students are expected to have completed first-year micro and macro theory courses. Students who have taken graduate International Economics I (ECON 7121) in the fall semester will benefit more from the class. Before the midterm exam, we will go over the details of milestone models in trade literature. After the midterm, we will look at how these international economic theories are applied in analyzing various economic mechanisms. After the midterm, you will be able to understand most trade literature. The course will focus on helping you to start your own research.

Course Outline

I. Theoretical Models with Firm Heterogeneity

Basic CES Model:
Armington (1969)

Ricardian Models:
Dornbusch, Fischer, and Samuelson (1977)
Eaton and Kortum (2002)

Models with Monopolistic Competition:
Melitz (2003)
Bernard, Redding and Schott (2007)
Chaney (2008)

Problem Set 1

Non-CES utility (Endogenous Markup):
Melitz and Ottaviano (2008)

General arguments on trade models with CES preference:
II. The Economics of Trade Agreements
   Bagwell and Staiger (1999)
   Export Subsidy: Bagwell and Staiger (2012)
   Trade Policy under firm heterogeneity: Demidova and Rodriguez-Clare (2009), Bagwell and Lee (2015)

Problem Set 2
Midterm Exam

III. Empirical Evidence on Firm Heterogeneity and Trade

IV. Trade, Institutional Frictions and Market Frictions
   Credit Constraints and Trade. Manova (2007)

V. Foreign Direct Investment
   Vertical FDI: Brainard (1997), Carr, Markusen, and Maskus (2001), Yeaple (2003 a,b), Hanson, Mataloni and Slaughter (2001)

VI. Multinational Corporations

Grading

Your grade will be based on:

1. Midterm exam (30%) will cover up from the beginning to the Economics of Trade Agreements.
2. Two problem sets (10%) will be given before the midterm exam.
3. After the midterm, a referee report (5%) will be assigned.
4. You will be assigned two in-class presentations (10%). Details on referee report and in-class presentations will be announced after Midterm.
5. Project presentation and written project proposal (35%): You must prepare a brief presentation on a new project related to the topics in the course. You are not expected to present a finished draft, but rather an idea and a brief outline of how that idea could be worked out. The presentation will take place the last day of class. After the presentation, you will have a week to write up a 4-5 page-long proposal.
6. Class participation (10%): You are expected to participate in class discussions and should read the paper(s) we will be discussing before coming to class. You don’t have to understand the papers in its entirety but should be familiar with its key elements.

Academic Accommodation

Students who may need an academic accommodation based on the impact of a disability must initiate the request with the Office of Disability Services. Professional staff will evaluate the request with required documentation, recommend reasonable accommodations, and prepare an Accommodation Letter for faculty dated in the current semester in which the request is being made. Students should contact the Office of Disability Services as soon as possible since timely notice is needed to coordinate accommodations. Website: [http://disabilityservices.gatech.edu/](http://disabilityservices.gatech.edu/)

Reading List by Topics

I. Theoretical Models with Firm Heterogeneity


II. The Economics of Trade Agreements


III. Empirical Evidence on Firm Heterogeneity and Trade


IV. Trade, Institutional Frictions and Market Frictions


V. **Foreign Direct Investment**


VI. **Multinational Corporations**


