

# ECO-3301-1: International Trade

Abhishek Rai

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E-mail: [abhishek.raia@ashoka.edu.in](mailto:abhishek.raia@ashoka.edu.in)

Office Hours: TBA

Office: AC04 - 830

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## Course Description

Why do countries trade? Who gains and who loses from international trade? How have the global trade patterns evolved in the last three decades? What is the relation between international trade and Economic growth?

We will study these questions both **empirically and theoretically**. In particular, we will cover the Ricardian theory of comparative advantage, the Heckscher-Ohlin Model of factor endowments, and trade driven by Economies of scale. Next, we will study the welfare consequences of trade, including empirical literature from the last decade and the role of trade policy. We will briefly cover different exchange rate regimes and the nature of trade imbalances. Finally, we will study the relationship between trade and economic development.

A tentative timeline for the course is given below:

Week	Topic
1	Motivation, Basic facts, Main Questions
2	Ricardian Theory of Comparative Advantage
3	Modern Theory of comparative Advantage
4	Comparative Advantage (Empirics)
5	Who gains and who loses from trade? (Theory)
6	Who gains and who loses from trade? (Empirics)
7-8	The Heckscher-Ohlin model
9-10	New Trade Theory
11-13	Trade and Economic growth

A lot of exciting work has happened in Quantitative Trade Theory in last two decades. I will do my best to relate the standard models of Trade to this recent quantitative work.

## Required Materials

International trade : Theory and Policy by Krugman, Obstfeld and Melitz 10th edition  
(required)

I will use **Lecture Slides** for the class. I will try my best to share the slides on moodle before each class.

## Prerequisites/Corequisites

Prerequisites: ECO-2101 (Microeconomic I), ECO-2400 (Econometrics)

## Assessments

2 home-works worth 5 percent each (The primary goal of Home-works is to help students learn)

2 in-class exams worth 30 percent each (1 midterm and 1 final exam)

1 empirical project/write-up (with possible presentation) worth 30 percent (to be done in a group of no more than **two students**)

Based on the weight-age given to home-works, mid-term and final, each student will receive an aggregate score. The aggregate score will be converted into a grade as follows:

Aggregate Score	Letter grade
90 and above	A
85 to below 90	A-
80 to below 85	B+
75 to below 80	B
70 to below 75	B-
65 to below 70	C+
60 to below 65	C
55 to below 60	C-
60 to below 65	C
55 to below 60	C-
50 to below 55	D+
45 to below 50	D
40 to below 45	D-
Below 40	F

**Important announcement on make-up exam:** If you miss first exam for any reason, you will take a final-exam which will be cumulative. Hence, there will be two versions for the final (or second) exam one which will be cumulative and will be taken **only** by the students who missed the first exam while another version will be non-cumulative and will be taken by **everyone else**. **You do not have to give any reason for missing the mid-term.**

If a student misses the final exam, then a make-up exam will be arranged. The final exam can be missed **only for medical reasons or due to a family emergency**. The stated reason for missing an exam must be substantiated with appropriate documentary evidence. The professor will have discretion regarding whether to accept such evidence.

### **Attendance policy**

Attendance is not mandatory.