AGEC 64400: Agricultural Trade Theory  
Spring 2018  

SYLLABUS

Instructor: Russell Hillberry  
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Office Hours: Tuesday 3-4 PM, or by appointment

Lectures  
Tuesday, Thursday  
1:30pm -2:45pm  
KRAN G005

Course Description  
This course is designed to improve your understanding of the microeconomic theory of  
general equilibrium, to develop your knowledge of the theory of international trade, and to  
 improve your capacity to represent theories of international trade and international trade  
policy interventions in computational models.

Prerequisites  
Students should have be familiar with constrained optimization problems (as in AGEC 552).  
Graduate level training in Microeconomic theory is also expected.  Producer and consumer  
theory as well as the general equilibrium are the microeconomic topics that are most relevant.

Learning Outcomes  
On successful completion of this subject you should be able to derive from first principles the  
basic textbook models of international trade in algebraic form, to represent the models  
computationally and manipulate them with policy and other shocks.  You should also be able  
to critically assess the models in terms of their assumptions and implications, and to discuss  
supplementary research that qualifies and extends the basic models.

Reading  
The required textbook (denoted “MMKM” in the schedule below) is  
  Markusen, James, James Melvin, William Kaempfer and Keith Maskus, International  
  textbook is available for free download at: https://mpra.ub.uni- 
muenchen.de/21989/1/MPRA_paper_21989.pdf.

We shall make considerable use of microeconomic theory tools, especially those related to  
duality. The level of rigor is approximately that which is contained in the recommended text  
(denoted “NS” in the schedule below). The recommended text is for purposes of review or  
remediation. Any edition of the recommended text is suitable. I will be working from  
  Nicholson, Walter and Christopher Snyder, Microeconomic Theory, 10th edition,  

A useful reference for improving your understanding of GAMS models is James Markusen’s  
web site. See in particular the slides marked “old version” at the link:  
http://spot.colorado.edu/~markusen/teaching.html. These are denoted “JM notes” in the  
slides below.
Supplementary readings will also be assigned. These are generally obtainable via Google Scholar.

Copies of the two textbooks have been made available at the reserve desk in the Parrish Library in the Krannert building.

**Academic Integrity**

Students are reminded of the Purdue Honors Pledge:

*As a Boilermaker pursuing academic excellence, I pledge to be honest and true in all that I do. Accountable together - we are Purdue.*

The University policy on academic dishonesty is as follows:

*Purdue prohibits "dishonesty in connection with any University activity. Cheating, plagiarism, or knowingly furnishing false information to the University are examples of dishonesty." [Part 5, Section III-B-2-a, Student Regulations] Furthermore, the University Senate has stipulated that "the commitment of acts of cheating, lying, and deceit in any of their diverse forms (such as the use of substitutes for taking examinations, the use of illegal cribs, plagiarism, and copying during examinations) is dishonest and must not be tolerated. Moreover, knowingly to aid and abet, directly or indirectly, other parties in committing dishonest acts is in itself dishonest." [University Senate Document 72-18, December 15, 1972]*

Acts of academic dishonesty will not be tolerated in this class.

**Grading**

60% homework.
40% final examination

Students will be assigned five homework assignments during the term, each equally weighted in their final grade.

The final examination will be given the week of April 29-May 4, at a time yet to be determined. This will be a take-home examination.

**Grades:** It is my first time teaching this course, so I will curve (generously). The material can be mastered so it is possible that everyone will get an A. PhD students will be held to a somewhat higher standard than Masters students.

**General Course Policies**

As a general courtesy to me and to the other students in the class, please put your cell phones on silent mode. As a matter of courtesy to others you are also encouraged to avoid entering late or exiting early.

**Attendance**

You are encouraged to attend every lecture.
Counseling and Psychological Services
Purdue University is committed to advancing the mental health and well-being of its students. If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, services are available. For help, such individuals should contact Counseling and Psychological Services (CAPS) at (765)494-6995 and http://www.purdue.edu/caps/ during and after hours, on weekends and holidays, or through its counselors physically located in the Purdue University Student Health Center (PUSH) during business hours.

Accessibility and Accommodations
Purdue University strives to make learning experiences as accessible as possible. If you anticipate or experience physical or academic barriers based on disability, you are welcome to let me know so that we can discuss options. You are also encouraged to contact the Disability Resource Center at: drc@purdue.edu or by phone: 765-494-1247.

Nondiscrimination
Purdue University prohibits discrimination against any member of the University community on the basis of race, religion, color, sex, age, national origin or ancestry, genetic information, marital status, parental status, sexual orientation, gender identity and expression, disability, or status as a veteran. The University will conduct its programs, services and activities consistent with applicable federal, state and local laws, regulations and orders and in conformance with the procedures and limitations as set forth in Executive Memorandum No. D-1, which provides specific contractual rights and remedies. Any student who believes they have been discriminated against may visit www.purdue.edu/report-hate to submit a complaint to the Office of Institutional Equity. Information may be reported anonymously.
Lecture Outline (tentative)

Week 1
1/8-1/10
Introduction and overview, Consumer theory, Lagrangian optimization, Indirect Utility and Expenditure Functions.

Reading:
NS Ch. 2-6
MMKM Ch 3, Appendix 1

Week 2
1/15-1/17
Kuhn-Tucker conditions; mixed complementarity in partial equilibrium

Reading:
NS Ch. 12
JM notes: Ch. 2

Week 3:
1/22-1/24
Profit, cost and revenue functions

Reading:
MMKM Ch. 2
NS Chs. 9-11

Week 4
1/29-1/31
Single-country general equilibrium and welfare

Reading:
NS Ch. 13
MMKM Ch. 4
JM notes: Ch. 3


Weeks 5-6
2/5-2/7, 2/12-2/14
General equilibrium and the standard model of international trade

Reading
MMKM Chs. 4-5, Appendix 2


Week 7
2/19-2/21
The Ricardian model

Related Reading
MMKM Ch 7

Week 8 2/26-2/28
The Heckscher-Ohlin model

Reading
MMKM Ch 8, Appendix 3


Week 9 3/6-3/8
Specific factors and the Dutch disease

Related Reading
MMKM Ch 9, Appendix 4


Week 10 3/19 - 3/21:
Economies of scale / Reciprocal Dumping / External economies

Related Reading
MMKM Chs 11-12
JM notes: Chs. 5, 7, 9


Week 11: 3/26-3/28
Firm heterogeneity

Reading


Week 12: The gravity and Armington models of international trade  
4/2-4/4

**Reading**

MMKM Ch 21


Week 13: Trade policy instruments  
4/9 - 4/11

**Reading**

MMKM Chs 15, 16, 17, 20  
JM notes: Ch, 6


Week 14: Trade elasticities  
4/16-4/18

**Reading**


Week 15 Trade agreements - multilateral and preferential  
4/23-4/25

**Related Reading**

MMKM 18


**Disclaimer**

This syllabus is subject to change.