ECON-651 INTERNATIONAL TRADE

Lectures: Mondays and Wednesdays 10:15-11:30 am at ICC 119
Office Hours: Mondays 4:45-6:15 pm
Tuesdays 4:45-6:15 pm
or by appointment
Office: ICC 554, 687-5894

Requirements:

Presentation: 20% of grade
Midterm Exam: 30% of grade
date: to be announced
Final Exam: 50% of grade
date: Thursday, Dec. 14, 4:00pm

Prerequisites:

- 1st Year graduate economics sequence, or equivalent
- undergraduate level knowledge of international trade theory
- math (Dixit-Norman's appendix)

Required Texts:

Markusen, Melvin, Kaempfer and Maskus (MMKM)
International Trade: Theory and Evidence
McGraw-Hill, 1995

Helpman and Krugman (HK II)
Trade Policy and Market Structure
MIT Press, 1989
Recommended Books:

Wong, Kar-yiu (W)
*International Trade in Goods and Factor Mobility*
MIT Press, 1995

Helpman and Krugman (HK I)
*Market Structure and Foreign Trade*
MIT Press, 1985

Dixit and Norman (DN)
*Theory of International Trade*
Cambridge University Press, 1980

Grossman, ed.
*Imperfect Competition and International Trade*
MIT Press, 1992

Jones and Kenen, eds.
*Handbook of International Economics, Volume 1: International Trade*
North-Holland, 1984

Grossman and Rogoff, eds.
*Handbook of International Economics, Volume 3: International Trade Theory and Policy, and Open Economy Macroeconomics and International Finance*
North-Holland, 1995

Undergraduate Level Texts:

Paul Krugman and Maurice Obstfeld
*International Economics: Theory and Policy*
HarperCollins Publishers, 1994

Wilfred Ethier
*Modern International Economics*
Norton, 1988, 1995
PRESENTATION

This requirement is to give a 30-minute presentation of a paper chosen from a list which is to be distributed at a later date. The presentation should include a general summary, the paper’s motivations, the model and results, and your critique of the paper.

COURSE OBJECTIVE

1. To attain the understanding the most sophisticated arguments in the positive and normative theories of international trade.
2. To become capable of reading and understanding papers.
3. To become a good presenter.
4. To become capable of writing and publishing papers.

COURSE OUTLINE

A. Trade Theory and Policy: Perfect Competition (Neoclassical Models)

1. Basics
   MMKM, Chapters 1 to 5
   DN, Chapter 3

2. Causes and Effects of Trade
   MMKM, Chapters 6 to 9
   DN, Chapter 1
   W, Chapters 2, 3

3. Trade Policy Under Perfect Competition
   MMKM, Chapters 15, 16
   HK II, Chapter 2

4. External Economies of Scale
   MMKM, Chapter 12
   HK I, Chapter 3
   W, Chapter 5

Keywords: comparative advantage, gains from trade, pattern of trade, Ricardian model, Heckscher-Ohlin model, specific factors model, comparative statics, factor price equalization, optimum tariff, quotas, NTBs
B. Trade Theory and Policy: Imperfect Competition

1. Non-Differentiated (Homogeneous) Goods

HK II, Chapters 3 to 6
MMKM, Chapters 11, 12, 17
HK I, Chapter 5
W, Chapter 7, 12

Keywords: monopoly, oligopoly, market segmentation, intraindustry trade, strategic trade policy

2. Differentiated Goods

MMKM, Chapter 12.6
HK I, Chapters 6, 7
HK II, Chapter 7
W, Chapter 6

Keywords: product differentiation, intraindustry trade

C. Topics (depending on time available)

1. Direct Foreign Investment and Multinational Corporations

HK I, Chapters 12, 13
MMKM, Chapter 22
W, Chapter 13

2. International Economic Integration

MMKM, Chapter 18
Greenaway and Winters, Chapter 9

3. Political Economy of Trade Policy

MMKM, Chapter 19
Greenaway and Winters, Chapter 6

4. Trade and Growth

Grossman and Helpman

5. Empirical Studies of Trade Models

MMKM, Chapter 14
Greenaway and Winters, Chapter 4
LITERATURE LIST

Books/Volumes:

Bhagwati, ed.  
*International Trade: Selected Readings*, 2nd Edition  
MIT Press, 1987

Chacholiades  
*International Trade Theory and Policy*, Revised Ed  
McGraw-Hill, 1978  
(neo-classical theory only)

Greenaway and Winters, eds.  
*Surveys in International Trade*  
Blackwell, 1994

Krugman, ed.  
*Strategic Trade Policy and the New International Economics*  
MIT Press, 1986

Grossman and Helpman  
*Innovation and Growth in the Global Economy*  
MIT Press, 1991

Helpman and Razin  
*A Theory of International Trade Under Uncertainty*  
Academic Press, 1978

Vousden  
*The Economics of Trade Protection*  
Cambridge University Press, 1990

Leamer  
*Sources of International Comparative Advantage*  
MIT Press, 1984

Papers:  
(\(\ast\) = in Grossman, ed., Imperfect Competition and International Trade, 1992)

1. **Milestone Papers in the Neo-Classical Trade Theory**


2. Scale Economies and Imperfect Competition


3. Strategic Trade Policy


4. **Trade and Uncertainty**


5. **Direct Foreign Investment and Multinational Firms**


6. Trade, Technology and Growth


7. Geography and Trade


8. **Strategic Trade Policy, Regionalism, and International Trade Agreements**


9. **Political Economy of Trade Policy**


Ozden, Cagler, 2000, "Coordination of Trade and Competition Policies," *Emory University Department of Economics Working Paper #00-03*.


10. **Trade and the Environment: Global Public Goods**

