Syllabus and Reading List

This course covers advanced topics in international trade theory, the theory of trade policy, empirical work in international trade, and factor mobility. While an attempt is made to be comprehensive, time pressures dictate a judicious choice of materials for in-class coverage. However, the reading list provides a wide range of supplementary materials to consult on specific applications of theoretical materials, which should be useful in thinking about research topics. The objectives of the course are to expose students deeply to frontier issues in international trade and to provide an analytical framework within which to pursue individual research.

REQUIRED MATERIALS:
The first two books listed here will serve as texts for particular issues in trade theory and policy. The MMKM book will be treated as an important background supplement. While it will not be a source of technical lecture material, students specializing in trade theory are strongly advised to understand that book thoroughly.


MAJOR REFERENCES:
These books are useful resources for particular articles and conceptual material. Their purchase is not necessary, though they would appear in the personal collections of trade specialists. I have marked particularly important volumes with an asterisk.


**CLASSICS:**
These were the articles and books that formed the basis of trade theory about 25 years ago. We won’t read them but they might be worth a glance.


**UNDERGRADUATE TEXTS:**
You might find it useful to get one of these in order to find straightforward treatments of basic issues. These are all good books.


**BOOKS ON POLICY:**
For good reasons, this course emphasized theory (including theory of trade policy) and spends little time on practical issues of trade policy and international relations. However, some books on the latter subjects are noteworthy.

ASSIGNMENTS:

There will be one midterm examination (March 15), a final examination (Wednesday, May 9, 10:30 AM), two homework assignments, and a research paper (details discussed below). These tasks will be assigned the following weights in the overall grade:

- Midterm examination: 35%
- Final examination: 35%
- Assignments: 16%
- Paper: 14%

The research paper should be an up-to-date, critical review of the available literature on a particular aspect of trade theory or trade policy (consult with me for likely topics), not exceeding 15 double-spaced pages. The goal of the paper is to move you into a research topic that could lead to a journal submission and/or a start on your dissertation.

READINGS:

Required readings are marked with an asterisk (*). Other readings may also provide material for lectures, which I will indicate in class.

PART I: BASIC CONCEPTS

1. Introductory Material
   * BHV, Ch. 1
   * MMKM, Ch. 1

2. Production Technologies, Cost, and Duality
   * BPS, Ch. 9.
   * Dixit and Norman, Ch. 1 and Ch. 2.1-2.3
   * Wong, Ch. 2.1-2.4.
   * MMKM, Ch. 2.
   * Alan Woodland, Chs. 2 and 3.

3. Demand and National Welfare
   * Wong, Ch. 2.7
   * MMKM, Ch. 3 and Appendix I.
   * DN, Chapter 2 part 4.

4. Equilibrium and Reciprocal Demand: The Trade Utility Function
   * Wong, Ch. 2.8-2.11.
   * Vousden, Chapter 1, parts 1.1 and 1.5.
   * MMKM, Ch. 4.
   * DN, Ch. 3, part 1.
   * Meade, Chapters 1-4.

5. The Gains from Trade
   * DN, Ch.3, parts 2-4.
   * HK, Ch. 1.
   * MMKM, Chapter 5.
PART II: INTERNATIONAL TRADE THEORIES

6. Ricardian Trade Theory
*BHV, Ch. 3.
MMKM, Chapters 6-7.
BPS, Chapters 2-4.

7. The Factor-Proportions Model and Specific-Factors Model
*BHV, Ch. 4
*Vousden, Ch. 1, parts 1.2-1.4, Appendix 1.
*HK, Ch. 1
*BHV, Ch. 8
*BHV, Ch. 6.1,
*BHV, Ch. 7.
MMKM, Chapters 8-9, 14.
DN, Chapter 4, Chapter 5 parts 2 and 3.
BPS, Chapters 5-8.

8. Product and Factor Market Distortions
*BPS, Ch. 22-23, 25-27.
*BHV, Ch. 6.3.
MMKM, Ch. 10.


9. Increasing Returns and Imperfect Competition
   a. External Economies of Scale
   *HK, Chapter 2-3.

   b. Internal Economies of Scale and Imperfect Competition
   *BHV, Ch. 9.
   MMKM, Ch. 11-12.
   DN, Ch. 9.
   HK, Ch. 4-9.
   R. Feenstra, “Gains from Trade in Differentiated Products: Japanese Compact Trucks”, in Feenstra, Ch. 5.

10. Demand Patterns and Trade
    MMKM, Ch. 13.

11. Technology, Growth, and Trade
    *BHV, Ch. 14.
PART III: THE THEORY OF COMMERCIAL POLICY

12. Tariffs, Effective Protection, and Quotas

* BHV, Ch. 2, 5.
* Vousden, Chapters 2-4.
MMKM, Chapters 15-16.
DN, Ch. 5, parts 5-7.
BPS, Chapters 12-15, 21.

13. Distortions and Optimal Intervention

* BPS, Chapters 28-29.
DN, Ch. 6, parts 1-3.

14. Commercial Policy in Imperfectly Competitive Markets

* BHV, Ch. 10.
* Vousden, Chapters 5-7.
K. Krishna, “Trade Restrictions as Facilitating Practices”, in Grossman, Ch. 5.

MMKM, Ch. 17.


R. Harris, “Trade and Industrial Policy for a Declining Industry: the Case of the U.S. Steel Industry”, in Krugman-Smith.


15. Preferential Trade Areas
*Vousden, Ch. 10.
*BHV, Ch. 12.
*R. Baldwin and A. Venables, “Regional Economic Integration”, in GR, Ch. 31.

MMKM, Ch. 18.


16. Trade Reform, Trade Policymaking, and Institutions
*Vousden, Ch. 9.


MMKM, Ch. 20.

R. Baldwin, “Trade Policies in Developed Countries”, in JK, Ch. 12.

A.O. Krueger, “Trade Policies in Developing Countries”, in JK, Ch. 11.


17. Political Economy of Protectionism
*Vousden, Ch. 8.

MMKM, Ch. 19.


**PART IV: INTERNATIONAL FACTOR MOVEMENTS**

18. Portfolio Capital and Labor

*BHV, Ch. 6.2.


MMKM, Ch. 21.

BPS, Chapters 32-33.


19. Foreign Direct Investment and the Multinational Enterprise

*BHV, Ch. 11.


MMKM, Ch. 22.

HK, Chapters 12-13.


**PART V: OTHER TOPICS**

20. International Trade and the Environment


W. Antweiler, B. Copeland, and S. Taylor, “Is Free Trade Good for the Environment?” manuscript,
1999.

21. Trade and Labor Markets
J.D. Richardson, "Income Inequality and Trade: How to Think, What to Conclude", Journal of Economic Perspectives, Summer 1995.

22. Trade Under Uncertainty
BPS, Ch. 39.

23. Trade and International Price Setting
BHV, Ch. 13.