The Course Outline given below lists the major topics we will deal with in this course. Attached to each topic is a list of the major references. Additional references, particularly to journal articles, will be given out as the course progresses.

Assessment in the course will consist of two problem sets (15% each) a mid-term exam (30%) and a final exam (40%). For anyone interested, I will consider and discuss with you an alternative assessment scheme based partly on a paper using applied general-equilibrium analysis. If there are a few people interested, I am willing to give a couple of extra lectures on this technique and software.

MAJOR REFERENCES


Dixit and Norman, Theory of International Trade, Cambridge.


Helpman and Krugman, Market Structure and Foreign Trade, MIT Press.


OTHER


PART I: TECHNICAL CONCEPTS

1. The Production Set

*MMKM Chapter 2
*Dixit and Norman, Chapter 1
Chacholiades, Chapter 4

2. The National Product Function

*Dixit and Norman, Chapter 2
*Mussa, "The Two-Sector Model in Terms of Its Dual", in Bhagwati Readings. Woodland, Chapters 2, 3

3. Demand and National Utility

*MMKM, Chapter 3, Appendix 1.
Chacholiades, Chapter 5, Part A
Chipman, Part II, pp. 685-698.

4. The Expenditure Function, the Indirect Utility Function

*Dixit and Norman, Chapter 2
Woodland, Chapters 2, 6
5. Equilibrium in the Closed versus Open Economy

*MMKM, Chapter 5.1, 5.2
Chacholiades, Chapter 5, Part B.

6. Offer Curves, Stability of Trading Equilibria

*MMKM, Chapter 4, Appendix 2.
Chacholiades, Chapters 3, 6.
Meade, Chapters 1-4.

7. The Direct and Indirect Trade Utility Functions

*Dixit and Norman, Chapter 3.1.
Woodland, Chapter 6.

PART II: THE GAINS FROM TRADE

1. Sources of Gains from Trade, Comparative and Absolute Advantage

*MMKM, Chapter 5.
*Corden, "The Normative Theory of International Trade", in Jones and Kenen.
*Dixit and Norman, Chapter 3, parts 2-4.
*Kemp, Chapter 11, Sections 1-6.
Chacholiades, Chapters 2, 16.

2. The Gains from Trade Theorem

*Corden, "The Normative Theory of International Trade", in Jones and Kenen.
*Dixit and Norman, Chapter 3.
*Kemp, Chapter 11, Sections 7, 11.
Woodland, Chapter 9.

3. Failure of the GFT Theorem: Non-Tangencies, Non-Convexities

*Markusen and Melvin, "The Gains From Trade Theorem with Increasing Returns to Scale", in Kierzkowski, Chapter 2.
Corden, "The Normative Theory of International Trade", in Jones and Kenen.

4. The Distribution of Gains Among Individuals

*MMKM, Chapter 5.
Dixit and Norman, Chapter 3.2.
Chacholiades, Chapter 16.
PART III: BASES FOR TRADE

1. Technology and the Ricardian Trade Model

*MMKM, Chapters 6, 7.
*Jones and Neary, "The Positive Theory of International Trade", in Jones and Kenen.

2. Factor Endowments

*MMKM, Chapters 8, 9.
*Jones and Neary, "The Positive Theory of International Trade", in Jones and Kenen.
*Dixit and Norman, Chapter 4.
*Jones, "A Three Factor Model in Trade, Theory and History", in Bhagwati et. al. (editors), Trade, Balance of Payments and Growth, North Holland, 1971.
Ethier, "Higher Dimensional Trade Theory," in Jones and Kenen.
Ohlin, International and Interregional Trade, Harvard.

3. Commodity Market Distortions

*MMKM, Chapter 10, 11

4. Increasing Returns to Scale

*MMKM, Chapter 12.
*Markusen and Venables, "Multinational Firms and the New Trade Theory", manuscript.
Helpman and Krugman, All
Kemp, Chapter 8.

5. Factor Market Distortions

*MMKM, Chapter 10.
*Jones and Neary, "The Positive Theory of International Trade", in Jones and Kenen.
Bhagwati and Srinivasan, Chapters 20-22.
Chacholiades, Chapter 20.
Johnson, "Factor Market Distortions and the Shape of the Transformation Curve,"
6. Demand, the Product Cycle

*MMKM, Chapter 13.
PART IV: THE THEORY OF PROTECTION

1. Tariffs

*MMKM, Chapter 15.
*Corden, "The Normative Theory", in Jones and Kenen, Chapter 2.
*Dixit and Norman, Chapters 4, 5.
Woodland, Chapters 10, 11.
Bhagwati and Srinivasan, Chapter 9.
Chacholiades, Chapters 17-19.

2. Effective Protection

*MMKM, Chapter 15.
*Corden, "The Normative Theory", in Jones and Kenen, Chapter 2.
Woodland, Chapter 10.
Bhagwati and Srinivasan, Chapter 11.

3. Quotas

*MMKM, Chapter 16.
*Corden, "The Normative Theory", in Jones and Kenen, Chapter 2.
Woodland, Chapter 11.
Bhagwati and Srinivasan, Chapter 10.

4. Strategic Trade Policy

*MMKM, Chapter 17.
*Eaton and Grossman, "Optimal Trade and Industrial Policy under Oligopoly"


*Krugman, "Import Protection as Export Promotion", in Kierzkowski (editor). In Grossman, Readings.


5. Political Economy of Trade Policy

*MMKM, Chapter 17


Trefler,

6. Contingent Protection

*MMKM, Chapter 20


7. Preferential Trade Areas

*MMKM, Chapter 18.

*Corden, "The Normative Theory", in Jones and Kenen, Chapter 2.

Chacholiades, Chapters 22, 23.

Kemp and Wan, "An Elementary Proposition Concerning the Formation of Customs
PART V: FACTOR MOVEMENTS

1. Factor Mobility in Factor-Proportions Models

*MMKM Chapter 21.
*Jones and Neary, "The Positive Theory of International Trade," in Jones and Kenen
Bhagwati and Srinivasan, Chapters 28, 29.

2. Factor Movements in Non-Factor Proportions Models

*MMKM, Chapter 21.

PART VIII: THE THEORY OF DIRECT FOREIGN INVESTMENT

*MMKM, Chapter 22.
Markusen and Venables, "The General Theory of Inter-Industry-, Intra-Industry-, and
Multinational Trade”, manuscript.
Helpman and Krugman, Chapters 12, 13.
Markusen, "The Multinationals, Multi-Plant Economies, and the Gains from Trade", 
Horstmann and Markusen," Strategic Investments and the Development of 
Horstmann and Markusen, "Licensing versus Direct Investment: A Model of 
Internalization by the Multinational Enterprise," Canadian Journal of Economics, 
1987.
Horstmann and Markusen, "Endogenous Market Structures in International Trade", 
Helpman, "A Simple Theory of International Trade with Multinational Corporations," 
Dunning, International Production and the Multinational Enterprise, George 
Allen and Unwin, 1981.

PART IX: GROWTH AND DYNAMIC ADJUSTMENT

*MKMM, Chapter 23.
Findlay, in Jones and Kenen.
Smith, in Jones and Kenen.
Grossman and Helpman, Innovation and Growth in the Global Economy, MIT Press.
Woodland, Chapters 13-15.
Bhagwati and Srinivasan, Chapters 25, 31.
PART VI: WELFARE AND COMMERCIAL POLICY IN THE PRESENCE OF EXTERNALITIES, TAXES, AND NON-TARIFF DISTORTIONS

1. Distortions and the Theory of the Second Best

Bhagwati and Srinivasan, Chapters 23, 24, 30 and 32.
Corden, "The Normative Theory", in Jones and Kenen, Chapter 2.
Chacholiades, Chapters 20, 21.
Markusen and Melvin, Chapter 14.
In Bhagwati Readings.

2. International Externalities