SYLLABUS

This course covers the determinants of the pattern and volume of trade in goods and services, the interaction of trade with income distribution and economic growth, and commercial policy. The emphasis is on theory, with some empirical illustration and motivation. The empirical side of international trade will be covered in Economics 247, taught by Prof. Gordon Hanson.

There will be three or four problem sets in the course, each of which will count for 10 percent of the course grade. The remainder of the grade will be determined by a two-three hour final examination. The course may be taken for a grade or on an S/U basis.

There is no text for this course. However, there will be a number of readings from:


You do not need to buy this text because I will put photocopies of the relevant chapters on reserve.

There will also be a few readings from another graduate text:


Students who have not studied international trade before may find it helpful to get an overview of the field from an undergraduate text. I can recommend:


In the following outline and reading list, items marked with an asterisk (*) are required; unmarked items are recommended.

I. Trade in Models with Constant Returns to Scale

A. The Ricardian theory of comparative advantage

*B-P-S, chapters 2-4.


B. The Ricardian model and the product cycle

*Vernon, R., 1966, International investment and international trade in the product cycle, Quarterly Journal of Economics 80, 190-207.


*Grossman, Gene and Elhanan Helpman, 1991,  
Imitation (Chapter 11 in their book *Innovation and Growth in the Global Economy*.)

Lai, Edwin L. C., 1995,  

*Antràs, Pol, 2005,  
Incomplete contracts and the product cycle, American Economic Review 95 (September): 1054-1073.

C. The Heckscher-Ohlin-Samuelson (H-O-S) theory of comparative advantage

*B-P-S, chapters 5-6 and Appendix B.

*Helpman, E. and P. Krugman, 1985,  
*Market Structure and Foreign Trade*, chapter 1.

*Findlay, Ronald and Henryk Kierzkowski, 1983,  

Bhagwati, J., 1972,  

*Deardorff, A., 1979,  

*Deardorff, A., 1980,  

Deardorff, A., 1982,  

Dornbusch, R., S. Fischer and P. Samuelson, 1980,  
Heckscher-Ohlin trade theory with a continuum of goods, Quarterly Journal of Economics, September.
II. Trade in Models with Increasing Returns to Scale and Monopolistic Competition

A. Gains from intra-industry trade and agglomeration

Ethier, Wilfred J., 1982,
National and international returns to scale in the modern theory of international trade, American Economic Review, June.

Krugman, P., 1981,
Intra-industry specialization and the gains from trade, Journal of Political Economy, November.

Rivera-Batiz, Francisco L., 1988,

Rauch, James E., 1989,

Rauch, James E., 1993,
Does history matter only when it matters little? The case of city-industry location, Quarterly Journal of Economics 108 (August): 843-867.

B. The ideal product approach to intra-industry trade

*Helpman, E., 1981,

Hummels, David and Lugovskyy, Volodymyr, 2009,

C. Trade barriers

1. The home market effect

*Helpman, E. and P. Krugman, 1985,
Rauch, James E. and Trindade, Vitor, 2009,  
Neckties in the tropics: A model of international trade and cultural diversity,  

Krugman, P., 1980,  

2. Determination of bilateral trade

*F, pp. 152-3, 156-161

*Romalis, John, 2004,  

Anderson, James E. and van Wincoop, Eric, 2003,  

3. Fixed cost trade barriers and heterogeneous firms

*Bernard, Andrew B.; Redding, Stephen J.; and Schott, Peter K., 2007,  

*Arkolakis, Costas, 2008,  

Yeaple, Stephen R., 2005,  

Rauch, James E., 2010,  

Melitz, Marc J., 2003,  
The impact of trade on intra-industry reallocations and aggregate industry productivity, Econometrica 71 (November): 1695-1725.
4. Informal trade barriers and networks

*Moenius, Johannes; Rauch, James E.; and Trindade, Vitor, 2010, 
Gravity, matching, and importing firms, UCSD working paper.

Rauch, James E., 2001, 
Business and social networks in international trade, Journal of Economic 
Literature 39 (December): 1177-1203.

Rauch, James E. and Alessandra Casella, 2003, 
Overcoming informational barriers to international resource allocation: Prices 
and ties, Economic Journal 113: 21-42.

F, pp. 399-406.

Rauch, James E. and Vitor Trindade, 2003, 
Information, international substitutability, and globalization, American Economic 
Review 93: 775-791.

III. Putting it All Together: How Much is Trade Worth?

*Frankel, Jeffrey A. and Romer, David, 1999, 

Arkolakis, Costas; Costinot, Arnaud; and Rodriguez-Clare, Andres, 2009, 

Feenstra, Robert C., 2009, 
Measuring the gains from trade under monopolistic competition, National Bureau of 

IV. Commercial Policy

*B-P-S, Chapters 17-18, 20-21

B-P-S, Chapters 13-14, 28, 31

Krishna, Pravin and Arvind Panagariya, 2000, 
A unification of second best results in international trade, Journal of International 
Economics 52 (December): 235-257.
Bagwell, Kyle and Robert W. Staiger, 2001,
Domestic policies, national sovereignty, and international economic institutions, Quarterly

Grossman, Gene and Lai, Edwin, 2004,
International protection of intellectual property, American Economic Review 94
(December): 1635-1653.