

**GEORGETOWN UNIVERSITY**  
**Department of Economics**

**Econ 651: Topics in International Trade**  
**Spring 2005**

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Lectures: Tuesdays, 9:45-12:15 pm in ICC 550

Office Hours: Fridays, 9:00-11:00 am, or by appointment (to make an appointment outside office hours, please send me an email beforehand)

This is the introductory graduate course in international trade theory and is intended to give a broad coverage of the field. The prerequisites for this course are graduate micro theory and econometrics. Assessment will be on the basis of class participation (20%) and two exams: a midterm (30%), scheduled for March 15, and a final (50%), scheduled for May 3. As part of class participation, each student will give a class presentation, summarizing one of the articles denoted by \* in the reading list.

**Class Participation Requirements**

- Actively participate in class.
- Presentations: Each student is required to present once during the semester. Each presentation will last approximately 30 minutes and will focus on one of the articles denoted by \* in the reading list. Presentations will take place throughout the semester.

Note: Attendance of trade seminars at the International Economics Workshop is strongly encouraged (but not required).

**Required Text**

Feenstra, R., *Advanced International Trade: Theory and Evidence* (Princeton University Press, 2004).

**Other Useful Texts**

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

HK1 - Helpman, E. and P. Krugman, *Market Structure and Foreign Trade* (MIT Press, 1985).

HIE1 - Jones, R.W. and P. Kenen, (eds.) *Handbook of International Economics*, Vol. 1 (North-Holland, 1984).

HIE3 - Grossman, G.M. and K. Rogoff, (eds.) *Handbook of International Economics*, Vol. 3 (North-Holland, 1995).

MM- Markusen, J., J. Melvin, W. Kaempfer and K. Maskus, *International Trade: Theory and Evidence* (McGraw-Hill, 1995).

## COURSE OUTLINE

### *Part I: International Trade*

#### A. Neoclassical Models

##### **1. Basic General Equilibrium Theory**

- MM, Chs. 1 - 4
- DN, Chs. 1 - 2

##### **2. Ricardian model**

- Feenstra, Ch. 1 (pp. 1 - 4)
- MM, Chs. 6 and 7
- Dornbusch, R., S. Fischer and P. Samuelson, 1977. "[Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods](#)," *American Economic Review*.

##### **3. Heckscher-Ohlin model**

- Feenstra, Ch. 1 (4 – 30), 2 (pp. 31 – 41)
- MM, Ch 8
- DN, Ch. 4.
- HK1, Ch. 1
- Jones, R. W., and P. Neary, "The Positive Theory," in HIE1, Ch. 1.
- Jones, R. W., 1965. "[The Structure of Simple General Equilibrium Models](#)," *Journal of Political Economy*.
- Rybczynski, T., 1955. "[Factor Endowment and Relative Commodity Prices](#)," *Economica*, pp. 336-341.
- Stolper, W. and P. A. Samuelson, 1941. "[Protection and Real Wages](#)," *Review of Economic Studies*, pp. 58-73.
- Samuelson, P. A., 1948. "[International Trade and the Equalization of Factor Prices](#)," *Economic Journal*.
- Samuelson, P. A., 1949. "[International Factor Price Equalization Once Again](#)," *Economic Journal*.

##### **4. Specific-Factors Model**

- Feenstra, Ch. 3 (pp. 71 - 75)
- MM, Ch. 9
- DN, Ch. 4

##### **5. Empirical Evidence on Neoclassical Models**

- Feenstra, Ch. 2 (pp. 41 – 63)
- MM, Ch 14
- Helpman, E., 1999. "[The Structure of Foreign Trade](#)," *Journal of Economic Perspectives*, 13, 121-144.

- Leamer, E. and J. Levinsohn, 1995. "International Trade Theory: The Evidence," Chapter 26 in HIE3.
- Eaton, J. and S. Kortum, 2002. "[Technology, Geography, and Trade](#)," *Econometrica*, 70(5), 1741-1779.
- Trefler, D., 1995. "[The Case of the Missing Trade and Other HOV Mysteries](#)," *American Economic Review*, 85(5), 1029-1047. \*
- Trefler, D., 1993. "[International Factor Price Differences: Leontief was Right!](#)," *Journal of Political Economy*, 101(6), 961-987. \*
- Davis, D. and D. Weinstein, 2001. "[An Account of Global Factor Trade](#)," *American Economic Review*, 91(5).\*

## **6. Extension: Many Goods and Factors**

- Feenstra, Ch. 3.

## **7. Gains from Trade**

- Feenstra, Ch. 6
- MM, Ch. 5
- DN, Ch. 3

## **8. Trade and Wages**

- Feenstra, Ch. 4

## **B. Increasing Returns and Imperfect Competition**

### **1. External Increasing Returns**

- Krugman, P., 1995. "Increasing Returns, Imperfect Competition and the Positive Theory of International Trade," Ch. 24 in HIE3.
- HK1, Ch. 2-3
- MM, Ch. 12.2

### **2. Monopolistic Competition**

- Feenstra, Ch. 5
- HK1, Chs. 6-8
- MM, 12.6
- Helpman, E., 1981. "International Trade in the Presence of Product Differentiation, Economies of Scale and Monopolistic Competition: A Chamberlinian-Heckscher-Ohlin Approach," *Journal of International Economics*, pp. 304-340.
- Krugman, P., 1979. "Increasing Returns, Monopolistic Competition and International Trade," *Journal of International Economics*.

### **3. Economic Geography**

- Krugman, P., 1991. "[Increasing Returns and Economic Geography](#)," *Journal of Political Economy* 99, 483-499.

- Krugman, P. and A. Venables, 1995. "[Globalization and the Inequality of Nations](#)," *Quarterly Journal of Economics*, 110, 857-880.
- Fujita, M, P. Krugman, and A. Venables, 1999. *The Spatial Economy: Cities, Regions and International Trade*, MIT Press.

#### 4. Empirical Evidence on Intra-industry Trade (Gravity Equation)

- Feenstra, Ch. 5
- MM, Ch. 14
- Harrigan, J., 2001. "[Specialization and the Volume of Trade: Do the Data Obey the Laws?](#)," NBER WP 8675.
- Helpman, E., 1987. "Imperfect Competition and International Trade: Evidence from Fourteen Industrialized Countries," *Journal of the Japanese and International Economies*, 1, pp. 62-81. \*
- Hummels, D. and J. Levinsohn, 1995. "[Monopolistic Competition and International Trade: Reconsidering the Evidence](#)," *Quarterly Journal of Economics*, 110, 799-836. \*
- Rose, A. K., 2004. "Do We Really Know that the WTO Increases Trade?" *American Economic Review*, 94(1), pp. 98-114.\*
- Anderson, J. and Eric Van Wincoop, 2003. "[Gravity with Gravitas: A Solution to the Border Puzzle](#)," *American Economic Review*, 93(1), pp. 170-192 (working paper version - NBER WP 8079 –in the hyperlink).

### Part II: Commercial Policy

#### A. Tariffs

- Feenstra, Ch. 7
- MM, Ch. 15
- Corden, W. Max, 1997. *Trade Policy and Economic Welfare*, 2<sup>nd</sup> edition, Oxford, Clarendon Press, Chs. 2, 3, 4, 5, and 8.

#### B. Quotas and Non-Tariff Barriers

- Feenstra, Ch. 8
- MM, Ch. 16

#### C. Political Economy of Protection: Theory

- Feenstra, Ch. 9
- Rodrik, D., 1995. " Political Economy of Trade Policy," Ch. 28 in HIE3
- Helpman, E., 1995. "[Politics and Trade Policy](#)," NBER WP 5309.
- Mayer, W., 1984. "[Endogenous Tariff Formation](#)," *American Economic Review*.
- Grossman, G. and E. Helpman, 1994. "[Protection for Sale](#)," *American Economic Review*, 84(4), 833-850.
- Bagwell and Staiger, 1999. "[An Economic Theory of GATT](#)," *American Economic Review*.

#### **D. Political Economy of Protection: Empirical Evidence**

- Gawande, K. and P. Krishna, 2002. "[The Political Economy of Trade Policy: Empirical Approaches](#)," in J. Harrigan and K. Choi (eds.), *Handbook of International Trade*, Basil Blackwell.
- Dutt, P. and D. Mitra, 2002. "[Endogenous Trade Policy through Majority Voting: An Empirical Investigation](#)," *Journal of International Economics*, 58, 107-133. \*
- Goldberg, P.K. and G. Maggi, 1999. "[Protection for Sale: An Empirical Investigation](#)," *American Economic Review* 89(5), 1135-1155.
- Bandyopadhyay, U. and K. Gawande, 2000. "[Is Protection for Sale? Evidence on the Grossman-Helpman Theory of Endogenous Protection](#)," *Review of Economics and Statistics*, 82(1), 139-152. \*
- Trefler, D. 1993. "[Trade Liberalization and the Theory of Endogenous Protection - an Econometric Study of United-States Import Policy](#)," *Journal of Political Economy*, 101(1), 138-160. \*

#### **E. MFN and Regionalism**

- Feenstra, Ch. 6
- MM, Ch. 18
- Kemp, M. and H. Wan, 1976. "An Elementary Proposition Concerning the Formation of Customs Unions," *Journal of International Economics*, pp. 95-97.
- Wooton, I., 1986. "Preferential Trading Agreements: An Investigation," *Journal of International Economics*, pp. 81-97.
- Ludema, Rodney and Anna Maria Mayda, "Do Countries Free Ride on MFN?" mimeo, 2004.

#### **F. Trade Policy and Growth**

- Feenstra, Ch. 10
- Frankel, J. and D. Romer, 1999. "[Does Trade Cause Growth?](#)" *American Economic Review*, 89(3), 379-399.
- Rodriguez, F. and D. Rodrik, 2001. "[Trade Policy and Economic Growth: A Skeptic's Guide to Cross-National Evidence](#)," in B.S. Bernanke and K. Rogoff (eds.), *NBER Macroeconomics Annual 2000*, Cambridge, MA, MIT Press.
- Noguer, M. and Marc Siscart, 2003. "[Trade Raises Income: A Precise and Robust Result](#)," forthcoming in *Journal of International Economics* (also see [Supplementary Results](#)). \*
- K. Matsuyama, 1992. "Agricultural Productivity, Comparative Advantage, and Economic Growth," *Journal of Economic Theory*, 317-334 (photocopy). \*

### ***Part III: Factor Mobility***

#### **A. Factor Mobility in Neoclassical Models**

- MM, Ch. 21
- Bhagwati, J. N. and R. A. Brecher, 1980. "National Welfare in the Open Economy in the Presence of Foreign Owned Factors of Production," *Journal of International Economics*, pp. 103-115.

- Brecher, R. A. and J. Bhagwati, 1981. "Foreign Ownership and the Theory of Trade and Welfare," *Journal of Political Economy*, pp. 497-511.
- Markusen, J. R., 1983. "Factor Movements and Commodity Trade as Complements," *Journal of International Economics*, pp. 341-356.
- Mundell, R., 1957. "[International Trade and Factor Mobility](#)," *American Economic Review*, pp. 321-335.
- Trefler, D., 1997. "Immigrants and Natives in General Equilibrium Trade Models," in *The Immigration Debate: Studies on the Economic, Demographic, and Fiscal Effects of Immigration*, Smith, J. P. (ed.), Washington, D.C.: National Academy Press, 1998, pp. 206-238.