

MSc Economics for Development 2021-2022

International Trade Theory

Syllabus

Jin Ho Kim*

Lecturers

- Lecturer: Jin Ho Kim (Jin)
- Teaching Assistant: Luke Milsom (Luke)

Requirements

- This course covers material examined in the International Trade Theory Paper in Finals. Students are required to complete three problem sets during the course.

Objective

- The objective of this course is to provide a graduate-level introduction to the International Trade Theory.

Textbooks

- Feenstra, Robert (2004), *Advanced International Trade: Theory and Evidence* (Princeton University Press).
- Krugman, Paul, Maurice Obstfeld and Marc Melitz (KOM), *International Economics: Theory and Policy* (11th edition, Pearson). [Many editions, but content has been pretty much the same].

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Additional Readings

- Ricardian Model of Comparative Advantage
 - **KOM(Ch.3) Labor Productivity and Comparative Advantage: The Ricardian Model**
 - **Rudiger Dornbusch, Stanley Fisher and Paul Samuelson (1977), “Comparative advantage, trade and payments in a Ricardian model with a continuum of goods”, American Economic Review.**
- Specific Factor Model (Ricardo-Viner)
 - **Feenstra (pp.57-60)**
 - **KOM(Ch.4) Specific Factors and Income Distribution**
 - Petia Topalova (2010) “Factor Immobility and Regional Impacts of Trade Liberalization: Evidence on Poverty from India” IMF Working Paper 10/218 and American Economic Journal: Applied Economics 2(4).
 - Mayda, A. and D.Rodrik (2005) “Why are some people (and countries) more protectionist than others?” European Economic Review 49(6)
- Heckscher-Ohlin Model
 - **Feenstra (pp.1-33)**
 - **KOM(Ch.5) Resources and Trade: The Heckscher-Ohlin Model**
- Monopolistic competition
 - **Neary, P (2009), ‘Putting the “new” into new trade theory: Paul Krugman’s Nobel memorial prize in economics’, Scandinavian Journal of Economics, 111/2.**
 - **KOM(Ch.7) External Economies of Scale and the International Location of Production**
 - **KOM(Ch.8) Firms in the Global Economy: Export Decisions, Outsourcing: pp.192-209**
- Heterogeneous Firm Model
 - **Melitz, Marc J. (2003). ‘The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity.’ Econometrica, 71, 1695-1725**
 - **Melitz, Marc and Stephen Redding (2015) “Heterogeneous Firms and Trade”, Chapter 1 of North Holland Handbook of International Economics, Volume 4 (editors: Gita Gopinath, Elhanan Helpman, Kenneth Rogoff).**
 - Redding, Stephen (2011), ‘Theories of heterogeneous firms and trade’, Annual Review of Economics, vol 3: read pp 78-87. Survey of the literature precipitated by the seminal article of Marc Melitz in 2003
 - **KOM(Ch.8) Firms in the Global Economy: Export Decisions, Outsourcing: pp.210-230**
- Gravity Equation in International Trade
 - **Anderson, J and E. Van Wincoop (2003) “Gravity with Gravitas: A solution to the border puzzle” American Economic Review vol 93: 170-92.**
- Instruments of Trade Policy
 - **Feenstra (pp.214-224)**
 - **KOM(Ch.9) The Instruments of Trade Policy**
- Topics on Trade Policy
 - **KOM(Ch.10) The Political Economy of Trade Policy**
 - **KOM(Ch.11) Trade Policy in Developing Countries**
 - **KOM(Ch.12) Controversies in Trade Policy**

Course Schedule

- Week 1

Thu Lecture 1: Ricardian Model of Comparative Advantage

- Week 2

Thu Lecture 2: Specific Factor Model, Heckscher-Ohlin Model

- Week 3

Tue/Wed Class 3: Exercise Problems

Thu Lecture 3: New Trade Theory

- Week 4

Thu Lecture 4: Heterogeneous Firm Model

- Week 5

Thu Lecture 5: Gravity Model, Topics on Trade Policy I

- Week 6

Thu Lecture 6: Topics on Trade policy II

- Week 7

Tue/Wed Class 2: Exercise Problems

- Week 8

Tue/Wed Class 3: Exercise Problems