Fall 2016
Princeton University
Department of Economics

ECONOMICS 551: INTERNATIONAL TRADE I

TTh: 10:40 – 12:10
317 Bendheim Hall

Instructor:
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Content:
This 12-week segment will cover competitive trade theory, including the gains from trade, the sources of comparative advantage, the effects of trade on income distribution, and the theory of trade policy. We will then turn trade under imperfect competition and trade and growth. If time permits, we will begin to discuss the role of (heterogeneous) firms in international trade.

Books:
There are no required textbooks. The following books are cited in the reading list by the abbreviations indicated. Some copies of these books are available for purchase in Labyrinth; those intending to do research in this field may want to have them in their personal libraries.

Avinash Dixit and Victor Norman, *Theory of International Trade* (DN)

COURSE OUTLINE AND READING LIST

Essential items are overviews/introductions and should be read before the lecture on the topic. Required items should be read shortly thereafter.

I. GAINS FROM COMPETITIVE TRADE

Essential:
DN pp. 65-79
F, pp. 187-196

Required:
A. Dixit and V. Norman, “Gains from trade without lump-sum compensation,” JIE 1986, 111-122

II. TRADE EQUILIBRIUM: PERFECT COMPETITION

A. Factor Endowments: Special Models

Essential:
F, pp. 4-23, 25-33, 75-79

Required:

B. Factor Endowments: General Theory

Essential:
F, pp. 51-60, 67-70.

Required:
DN, chs. 2,4.
HK, ch. 1

C. Technological Differences

Essential:
F 1-3, 70-75, 172-174

Required:
D. Empirical Studies of the Trade Pattern

Essential:
F 33-48, 60-66, 78-79

Required:
D. Trefler, “The case of the missing trade and other HOV mysteries,” AER 1995, 1029-1046

E. Sorting: Heterogeneous Workers

Essential:

Required:

III EXTERNAL ECONOMIES AND TRADE

Essential:
HK, chapter 3.

Required:
IV. THEORY OF TRADE POLICY

A. First and Second Best Trade Policy

Essential:
F 217-224,

Required:
DN, chapter 5 (pp.149-163), 6 (pp.165-175)

B. The Political Economy of Trade Policy

Essential:
F, 299-310

Required:

C. Trade Agreements

Essential:
F 311-322

Required:
V. IMPERFECT COMPETITION AND TRADE

A. Monopolistic Competition

Essential:

F 119-123, 125-133, 144-147

Required:

HK, chs. 1, 6-8
E. Helpman, “International trade in the presence of product differentiation, economies of scale, and monopolistic competition,” JIE 1981

B. Oligopoly

Essential:

HK, chapter 5

Required:


VI. TRADE AND GROWTH

A. Factor Accumulation

Required:


B. Exogenous Technological Progress

Essential:


Required:

C. Learning by Doing

**Essential:**


**Required:**


D. Endogenous Innovation

**Essential:**


**Required:**

GH, chs. 3 (skim), 4 (skim), 7, 8, 9
A. Atkeson and A. Burstein, “Innovation, firm dynamics, and international trade,” JJE 2010.

E. North-South Trade and the Product Cycle

**Required:**

GH, ch. 11.

VII. HETEROGENEOUS FIRMS IN TRADE

(If time allows)

A. Reduced-Form Evidence

**Essential:**


**Required:**

B. Theory of Heterogeneous Firms

Essential:

F 157-177

Required: