Fall 2012
Princeton University
Department of Economics

ECONOMICS 551: INTERNATIONAL TRADE I
TTh: 10:40 – 12:10
317 Bendheim Hall

Instructor:
Gene Grossman
300 Fisher Hall, ext. 4823
e-mail: grossman@princeton.edu

Content:
This course will cover competitive trade theory, including the gains from trade, the sources of comparative advantage,
the effects of trade on income distribution, trade with external economies, trade with imperfect competition, trade and growth,
and the theory of trade policy.

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)
Robert Feenstra, Advanced International Trade: Theory and Evidence (F)
Elhanan Helpman and Paul R. Krugman, Market Structure and Foreign Trade (HK)
Gene Grossman and Elhanan Helpman, Innovation and Growth in the Global Economy (GH)

COURSE OUTLINE AND READING LIST

Essential items 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.179-188

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. 31-41, 88-93

Required:


B. Factor Endowments: General Theory

Essential:

F, pp. 64-75, 83-88,

Required:

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

C. Technological Differences

Essential:


Required:

D. Trefler, “International factor price differences: Leontief was right!” JPE 1993, 961-987, secs. II and III.
D. Empirical Studies of the Trade Pattern

Essential:
F 41-60, 76-83, 93-97.

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

E. Competitive Theory of Offshoring

Required:

F. Sorting: Heterogeneous Workers

Essential:

Required:
F. Ohnsorge and D. Trefer, “Sorting it out: International trade with heterogeneous works,” JPE 2007

III Increasing Returns to Scale and Monopolistic Competition

A. External Economies

Essential:
HK, chapter 3.

Required:

B. Oligopoly

Essential:
HK, chapter 5

Required:

C. Monopolistic Competition

Essential:
HK, chs. 1, 6-8

Required:
F, ch. 5
E. Helpman, “International trade in the presence of product differentiation, economies of scale, and monopolistic competition,” JIE 1981

IV. TRADE AND GROWTH

A. Factor Accumulation

Required:

B. Exogenous Technological Progress

Essential:

Required:
P. Krugman, “A 'Technology Gap' model of international trade,” in Krugman, Rethinking International Trade, MIT
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,” JPE 2010.

E. North-South Trade and the Product Cycle

Required:
GH, ch. 11.

V. THEORY OF TRADE POLICY

A. First and Second Best Trade Policy

Essential:

Required:
DN, chapter 5 (pp.149-163), 6 (pp.165-175)
C. Magee and S. Magee, “The United States is a small country in world trade,” Review of Intl. Economics, 2008, 990-

**B. The Political Economy of Trade Policy**

**Essential:**
F, ch. 9

**Required:**

**C. Trade Agreements**

**Essential:**

**Required:**