Princeton University  
Department of Economics

ECONOMICS 551: INTERNATIONAL TRADE I

T-Th: 10:40–12:10 am  
317 Bendheim Hall

Instructors:

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Content:

This course will cover the causes and consequences of international trade, including the determinants of the trade pattern, the role of multinational corporations, and the relationship between trade and growth. Economics 552: International Trade II, a six-week course that will be offered in the Spring Term, will deal with trade policy.

Books:

There are no required textbooks. The following books are cited in the reading list by the abbreviations indicated. All are available on reserve in the library. Some copies of the starred books are available for purchase in the University Store; those intending to do research in this field may want to have them in their personal libraries.

Jagdish Bhagwati (ed.), International Trade: Selected Readings, second edition 1987 (B)  
*Avinash Dixit and Victor Norman, Theory of International Trade (DN)  
Gene Grossman (ed.), Imperfect Competition and International Trade (G)  
*Gene Grossman and Elhanan Helpman, Innovation and Growth in the Global Economy (GH)  
*Elhanan Helpman and Paul Krugman, Market Structure and Foreign Trade (HK)  
Ronald Jones and Peter Kenen, Handbook of International Economics, vol.1 (JK)  
Paul Krugman, Rethinking International Trade (K)  
Edward Leamer, Sources of International Comparative Advantage (L1)  
*Edward Leamer (ed.), International Economics (L2)
COURSE OUTLINE AND READING LIST

The readings are divided into essential, required and recommended. The essential items should be read before the lecture on the topic. The required items should be read sometime during the term. The recommended list contains more specialized or advanced material as well as classics. Those planning to do research in the area should read these as well. The essential and required items (and many of the recommended) have been placed on reserve in Firestone library. The online version of this list contains hyperlinks to working papers and papers available from JSTOR.

I. INTRODUCTION: CAUSES OF TRADE AND GAINS FROM TRADE

Essential:

K, chapter 5.
DN, chapter 3, pp.65-80.

Required:


Recommended:


II. TRADE EQUILIBRIUM: PERFECT COMPETITION

A. Factor Endowments: Special Models

Essential:

R. Jones and P. Neary, “The positive theory of international trade,” in JK.
L1, chapter 1.

Required:

DN, chapter 2 (pp.30-59), 3 (pp.80-88).

Recommended:

M. Musa, “The two-sector model in terms of its dual,” JIE 1980, reprinted in B.
J.P. Neary, “Short-run capital specificity and the pure theory of international trade,” AER 1978, reprinted in B.

B. Factor Endowments: General Theory

Essential:
HK, chapter 1.

Required:
W. Ethier, “Higher dimensional trade theory,” in JK.

C. Technological Differences

Essential:

Required:
D. Trefler, “International factor price differences: Leontief was right!” JPE 1993, 961-987, secs. II and III.

Recommended:

D. Empirical Studies: Pattern of Trade

Essential:
L, chapters 2, 6.
E. Leamer and J. Levinsohn, “International trade theory: The evidence,” in GR.

Required:

**Recommended:**

L., chapters 3, 4, and 5.
A. Deardorff, “Testing trade theories and predicting trade flows,” in JK.
D. Trefler, “International factor price differences: Leontief was right!” JPE 1993.

**E. Empirical Studies: Factor Prices**

**Required:**


**Recommended:**


**III. TRADE EQUILIBRIUM: SCALE ECONOMIES AND IMPERFECT COMPETITION**

**A. External Economies**

**Essential:**

HK, chapter 3.

**Required:**


**Recommended:**

**B. Oligopoly**

**Essential:**

HK, chapter 5

**Required:**


**Recommended:**


**C. Monopolistic Competition: Theory**

**Essential:**

E. Helpman, “Monopolistic competition in trade theory,” IFS Special Paper No.16.

HK, chapters 6-9.

**Required:**


**Recommended:**

DN, chapter 9, section 3, reprinted in G

P. Krugman, “Increasing returns, monopolistic competition, and international trade,” JIE 1979, reprinted in B, L2 and K

P. Krugman, “Intraindustry specialization and the gains from trade,” JPE 1981, reprinted in K.


E. Helpman, “International trade in the presence of product differentiation, economies of scale, and monopolistic competition,” JIE 1981, reprinted in G.


**D. Monopolistic Competition: Empirics**

**Required:**


Recommended:


**E. Multinational Corporations**

Essential:


Required:

HK, chapters 12, 13.

Recommended:

E. Helpman, “Multinational corporations and trade structure,” RES, 1985, reprinted in G.

**IV. TRADE DYNAMICS**

**A. Factor Accumulation**

Required:

A. Smith, “Capital theory and trade theory,” in JK.

Recommended:

M.A.M. Smith, “Capital accumulation in the open two-sector economy,” EJ 1977, reprinted in B.
B. Exogenous Technological Progress

Essential:

Required:
P. Krugman, “A 'Technology Gap' model of international trade,” in K.

Recommended:
R. Findlay and H. Grubert, “Factor intensities, technological progress and the terms of trade,” reprinted in B1
P. Krugman, “A model of innovation, technology transfer, and the world distribution of income,” JPE 1979, reprinted in K.

C. Learning by Doing

Essential:

Required:

D. Endogenous Innovation

Essential:
G. Grossman and E. Helpman, “Technology and trade,” sec.4, in GR.

Required:
GH, chs. 3 (skim), 4 (skim), 7, 8, 9

Recommended:

E. North-South Trade and the Product Cycle

Required:
GH, chapter 11.

Recommended:


GH, chapter 12.

F. Trade and Growth: Empirics

Required:


Recommended:


V. OTHER DETERMINANTS OF TRADE PATTERNS

A. Location and Trading Costs

Required:


Recommended:

B. Trade and Environment

Required:


Recommended:


C. Trade and Labor Markets

Required:


Recommended: