

International Trade Theory

Instructors: Karolina Ekholm and Rikard Forslid

Textbook: Advanced International Trade: Theory and Evidence, by Robert C. Feenstra, 2004, Princeton University Press.

Course Description: This course provides an introduction to international trade theory at the graduate level. The course will be mainly textbook based and we will start at the beginning and cover about half of the Feenstra textbook, which contains a thorough treatment of trade theory. The latter part of the book covers trade policy, which we will touch upon if time allows. We will cover two-sector models, the Heckscher-Ohlin model, many goods and factors, trade in intermediate inputs, increasing returns, and the gravity equation.

Examination: Written test or assignments.

Course Literature: Here is a preliminary tentative schedule.

1. Preliminaries: Two Sector Models

Feenstra, chapter 1

Ronald Jones, (1965), "The Structure of Simple General Equilibrium Models," Journal of Political Economy, 73, 557-72.

Wolfgang Stolper and Paul Samuelson, (1941), "Protection and Real Wages," Review of Economic Studies, 9, 58-73.

T.N. Rybczynski, (1955), "Factor Endowments and Relative Commodity Prices," Economica, 22, 336-41.

Paul Samuelson, (1949), "International Factor Price Equalization Once Again," Economic Journal, 59, 181-97.

2. The Heckscher-Ohlin Model

Feenstra, chapter 2

Jaroslav Vanek, (1968), "The Factor Proportions Theory: The N-Factor Case," Kyklos, 21, 749-54.

Wassily Leontief, (1953), "Domestic Production and Foreign Trade: The American Capital Position Re-examined," Proceedings of the American Philosophical Society, 97, 332-49.

Edward Leamer, (1980), "The Leontief Paradox, Reconsidered," Journal of Political Economy, 88, 495-503.

Daniel Trefler, (1995), "The Case of Missing Trade and Other Mysteries," American Economic Review, 85, 1029-46.

Peter Debaere, (2003), "Relative Factor Abundance and Trade," Journal of Political Economy, 111, 589-610.

3. Many Goods and Factors

Feenstra, chapter 3

Ronald Jones, (1971), "A Three-Factor Model in Theory, Trade and History." In Jagdish Bhagwati et al., eds., *Trade, Balance of Payments, and Growth: Papers in International Economics in Honor of Charles P. Kindleberger*. Amsterdam: North-Holland.

Rudiger Dornbusch, Stanley Fischer and Paul Samuelson, (1980), "Heckscher-Ohlin Trade Theory with a Continuum of Goods," Quarterly Journal of Economics, 95, 203-24.

Donald Davis and David Weinstein, (2001), "An Account of Global Factor Trade," American Economic Review, 91, 1423-53.

4. Trade in Intermediate Inputs and Wages

Feenstra, chapter 4

Andrew Bernard and J. Bradford Jensen, (1997), "Exporters, Skill Upgrading, and the Wage Gap," Journal of International Economics, 42, 3-32.

Robert Feenstra and Gordon Hanson, (1996), "Foreign Investment, Outsourcing, and Relative Wages." In Robert Feenstra, Gene Grossman and Douglas Irwin, eds., *The Political Economy of Trade Policy: Papers in Honor of Jagdish Bhagwati*. Cambridge: MIT Press.

5. Increasing Returns and the Gravity Equation

Feenstra, chapter 5

Paul Krugman, (1979), "Increasing Returns, Monopolistic Competition, and International Trade," Journal of International Economics, 9, 469-79.

James Andersson and Eric van Wincoop, (2003), "Gravity with Gravitas: A Solution to the Border Puzzle," American Economic Review, 93, 170-92.

Paul Krugman, (1980), "Scale Economies, Product Differentiation, and the Pattern of Trade," American Economic Review, 70, 950-59.