

ACCELERATED INTERNATIONAL TRADE THEORY

300.851.01 – Spring 2008

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Course Description:

In this class, we will examine some basic theoretical models of international trade and discuss their empirical relevance in explaining the observed patterns of trade between nations. The second half of the course will discuss a variety of trade policy issues – the gains from trade, the use of alternative trade policy instruments and the organization of the international trade system.

The topics covered in this class are very similar to those covered in the regular first year international trade theory course. This course differs in its reliance on calculus and other advanced analytical techniques, allowing for a more rigorous and comprehensive treatment of the subject material.

Readings:

Two books will be used for this course:

Krugman, P. and Obstfeld, M., 2003, *International Economics Theory and Policy*, 7th Edition, Addison Wesley

and

Bhagwati, J., Panagariya, A., and Srinivasan, T.N., 1998, *Lectures on International Trade*, 2nd Edition, MIT Press

Both books will be placed on reserve in the library. Additional readings will be placed on the library's electronic reserves

Exams:

There will be one mid-term (accounting for forty percent of the grade) and a final examination (accounting for sixty percent of the grade). Alternatively, the final exam may also be used for the hundred percent of the grade, as will be explained in class. There will be no make-up exams except for medical emergencies confirmed by a doctor and the Dean.

Problem Sets:

Practice problem sets (i.e. not graded) will be regularly posted on the class webpage. While these problem sets will not be graded you are expected to complete them. We strongly encourage you to work on them thoroughly since they will provide good (and necessary) practice for the exams.

Course Support:

There will be a teaching assistant who will hold weekly tutorials and office hours.

Announcements: We will use e-mail for important class-related announcements. Please make sure you check your JHU e-mail account or have your e-mails forwarded to an account that you check frequently.

COURSE OUTLINE AND REQUIRED READINGS (Tentative)

1. Ricardian Trade Model (1 lecture)
 - K &O Chapter 3
 - Krugman, P., 1996, "Ricardo's Difficult Idea." Mimeo, March 1996. <http://web.mit.edu/krugman/ww/Ricardo.htm>; **ERes.**
4. Specific factors Model (1 lecture)
 - Krugman, P. and Obstfeld, M., 2003. *International Economics Theory and Policy*, 6th edition. Chapter 3 and Appendix, **ERes.**
5. Neoclassical Trade Theory (3 lectures)
 - K & O Chapters 4 & 5
 - Krugman, P., 1993. "What Do Undergrads Need to Know About Trade?" *The American Economic Review* 83(2), Papers and Proceedings of the Hundred and Fifth Annual Meeting of the American Economics Association. **ERes.**
6. Economies of Scale and Imperfect Competition (1 lecture)
 - Krugman and Obstfeld, Chapter 6
 - Tybout, J.R. 1993. "Internal Returns to Scale as a Source of Comparative Advantage: The Evidence" *The American Economic Review* 83(2), Paper and Proceedings of the Hundred and Fifth Annual Meeting of the American Economics Association. **ERes.**
7. Midterm
8. Duality – Production and Consumption in General Equilibrium (1.5 lecture)
 - Bhagwati, Panagariya and Srinivasan, Chapter 9, 18
 - Krugman and Obstfeld, Chapter 8.
9. Gains from Trade and Trade Policy Instruments (1.5 lecture)
 - Bhagwati, Panagariya and Srinivasan, Chapter 9, 18
 - Krugman and Obstfeld, Chapter 8.
10. Distortions: Departures from Free Trade Optimality (1 lecture)
 - Bhagwati, Panagariya and Srinivasan, Chapters 21, 23
11. Empirical Analysis (1 lecture)
12. The International Trade System (1 lecture)