

Syllabus for *International Trade: Theory and Policy*

Winter term 2022/23

Lecture: Prof. Dr. Philip Sauré
Location: 00231 HS III
Time: Wednesday 10:15-11:45 am

Tutorial: Nhi Nguyen
Location: 00 231 HS III
Time: Wednesday 4:15-5:45 pm

The course gives an overview of international trade relations and policies. It provides an introduction of standard theories analyzing international trade flows, trade liberalization and the welfare consequences. Starting with classical theories based on perfect competition, the course also covers more recent trade theory involving imperfect competition and heterogeneous firms. Theory blocks will be complemented by empirical work and real-world examples, with special attention on the accompanying empirical tools. Some of the institutional components of trade agreements will be discussed in light of the theories.

Main Course Material

[FT] Feenstra, Robert C. and Taylor, Alan M. *International economics*, 2nd edition. New York, NY: Worth Publishers, 2011

[KOM] Krugman, Paul R.; Obstfeld, Maurice and Melitz, Marc J. *International economics: theory and policy*, 10th edition. Addison-Wesley, 2015

Lecture slides and problems sets will be made available for registered students through JGU-LMS

(<https://lms.uni-mainz.de/moodle/my/>).

Course Structure

Introduction: Motivation and course outline / organization

Stylized facts about international trade (FT, Ch. 1.1, pp. 1-17 & Ch. 2.1, pp. 29-32)

Part I: Trade theory

A. Standard (Neo-)Classical Trade Theory

The Ricardian model and the idea of comparative advantage (KOM Ch. 3, pp. 56-82)

The Heckscher-Ohlin model and the role of factor proportions (FT Ch. 4, pp. 87-109)

Distributional implications of standard trade theory:

Ricardo-Viner and the specific-factors model (FT Ch. 3, pp. 59-83)

Stolper-Samuelson and the idea of factor prize equalization (FT Ch. 4, pp. 109-124; KOM Ch. 5, pp. 122-135)

B. New Trade Theory

Monopolistic competition and increasing returns to scale

(KOM Ch. 7, pp. 177-195; Krugman 1979; FT, Ch. 6, 178-193)

Heterogeneous firms in international trade

(Melitz and Trefler 2012; KOM Ch. 8, pp. 205-220; Bernard et al. 2007)

C. Extensions and Applications

Bilateral Trade – the Gravity Equation

Trade and the environment (KOM Ch. 12 pp. 337-342)

Part II: Trade policy

Political economy of trade policy

(FT Ch. 7, pp. 199-236; Mayda and Rodrik 2005; Grossman and Helpman 1994)

Trade policy under perfect competition (FT Ch. 8, pp. 237-278)

Trade policy under imperfect competition (FT Ch. 9, pp. 279-324)

International trade agreements (FT Ch. 11 pp. 359-372)

Institutions in international trade (KOM, ch. 10 pp. 266-275)

References

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- Melitz, Marc J. and Daniel Trefler (2012): "Gains from Trade when Firms Matter." *Journal of Economic Perspectives* 26(2): 91-118
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