

Syllabus for *International Trade: Theory and Policy*

Winter term 2024/25

Lecture: Prof. Philip Sauré
Location: HS III
Time: Wednesday 8:30 - 10:00 am
Tutorial: Yen Nhi Nguyen
Location: HS II
Time: Friday 10:15-11:45 am (every second week, starting Oct. 31)

The course provides a thorough introduction to the field of international trade. In a first part, it reviews standard theories of international trade, assessing the welfare consequences of trade liberalization and the determinants and patterns of trade flows. Starting with classical theories based on perfect competition, the course also covers recent theories involving imperfect competition and heterogeneous firms. Theory blocks will be complemented by empirical work and real-world examples, with special attention on the according 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 Marc J. Melitz. 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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