



UNIVERSITY OF IOANNINA
DEPARTMENT OF ECONOMICS
University Campus, 45 110 Ioannina / Greece

International Trade *Syllabus*

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Course description:

The purpose of this course is to present an introduction to the theory of International Trade. We develop a general framework for understanding why countries trade, how trade affects the allocation of resources and the distribution of income and the implications of commercial policy. Lectures will focus on the key topics that are at the center of the policy debate: why do countries open to trade? What are the effects of free trade on the process of economic development and inequality? Why do countries restrict the exchange of goods, and what can we say about the effects of protectionism on trade and welfare? At the end of the course, students are expected to have a good knowledge of the mechanisms and predictions from the traditional models of trade and from the New Trade Theory. Students will also be able to read simple research articles that can be used for the writing of policy notes.

Prerequisites:

The prerequisites for the course are intermediate microeconomics and principles of macroeconomics.

Course type

Elective, 4th year BSc, Advanced level, 6 ECTS

Evaluation:

Grades will be based on the final exam (100% of the final grade).

Course Textbook:

- *International Economics: Theory and Policy*, by Krugman Paul, Melitz Marc, Obstfeld Maurice, Addison-Wesley (**KO**)

Supplemental Texts:

- *International Trade*, by John McLaren, Wiley.
- *World Trade and Payments*, by Caves R., Frankel J., and Jones R., Harper Collins (**CFJ**)
- *International Trade: Theory and Evidence*, by Markusen J., Melvin J., Kaempfer W., and Maskus K., McGraw Hill, 1995 (**MMKM**)
- *International Economics* by Husted S., and Melvin M., Harper Collins 1995 (**HM**)
- *Macroeconomics*, by Mankiw G., Worth Publishers 2004 (**GM**)

- *International Money and Finance* by Melvin M., Addison-Wesley 2000 (MM)
- *Pop Internationalism* by Krugman P., MIT Press 1996 (PK)
- *Vox* and *Project Syndicate* are two blogs that publish research-based policy articles from leading economists. A lot of the articles cover trade-related topics.

Course Outline

I. World Trade and Overview

(KO) chapter 2.

Baldwin, R. And Martin, P. (1999): “*Two waves of globalization: superficial similarities, fundamental differences*”, NBER 6904.

II. Gravity as a tool for measuring Integration

(KO) chapter 2.

III. The Ricardian Model

(KO) chapter 3, (MMKM) chapter 7, (CFJ) chap.5, (PK) chap.I.4

Ricardo’s difficult idea, by Paul Krugman.

The End of Cheap China, *Economist* March 2012

IV. The Neoclassical Trade Theory:

- Specific Factors Model
(KO) chapter 4, (MMKM) chap. 9, (CFJ) chap.6
- Heckscher-Ohlin Model
(KO) chap.5,6, (MMKM) chap.8, (CFJ) chap.7
P. Krugman: “*Trade and inequality, revisited*”, Vox 15th June 2007
A. S. Blinder : “*On the measurability of offshoring*”, Vox 9 October 2009.
A. Ebenstein, A. Harrison, M. McMillan and S. Phillips, “*International trade, offshoring and US wages*”, Vox 31 August 2009.
Freeman, R., “Are your wages set in Beijing, *Journal of Economic Perspectives*, 15-32, 1995.

V. Economies of Scale, Imperfect Competition, and International Trade

(KO) chap.7,8, (MMKM) chap.11,12,17, (CFJ) chap.13

Martin, P., Mayer, T. and Mayneris, F., “*Natural clusters: why policies promoting agglomeration are unnecessary?*”, Vox 4th July 2008.

VI. The Instruments of Trade Policy

(KO) chap.9, (CFJ) chap.11, (MMKM) chap.15

VIII. Preferential Trading Agreements

(KO) chap.10, (CFJ) chap.15, (MMKM) chap.18, (HM) chap.9