Instructor: Harvey Lapan
283 Heady Hall; 294-5917

My home page: http://www.econ.iastate.edu/faculty/lapan/
The course page: http://www.econ.iastate.edu/classes/econ655/Lapan/

Class Hours: Tuesday and Thursday 11:00-12:15, 274 Heady Hall
Office Hours: MW 1:30-3:30 and anytime I am in my office. Feel free to come by.

Prerequisites: Economics 603

Course Requirements:
The course grade will be based on a midterm exam, a final exam, and a paper. The paper is worth 35% of the grade. The midterm will be worth 25% and the final 40% of the grade. The paper topic must be discussed with me and a detailed outline must be given to me before the end of classes.

Required Text:

Recommended Text & Readings:
Jones & Kenen, eds., Handbook of International Economics, North-Holland, 1988 (paper); Vol. 1. [JK]
Helpman & Krugman, Market Structure and Foreign Trade, MIT Press, 1985, [HK1]
Krugman, Rethinking International Trade, MIT Press, 1990 [K]

Note: For those wishing more details on a topic, the two Handbooks contain extensive references in each chapter.

Finding Readings: The required and recommended texts for the course are on reserve at the main library. The readings can be found through e-journals online through the ISU library. I have inserted links on the online reading list for articles that can be found on JSTOR or for articles that I have put online for you. If the links do not work, let me know – but also try to get the readings through e-journals, as mentioned above.

Purpose of the Course:
The purpose of this course is to acquaint students with the basic tools and propositions of international trade theory. It is not possible to cover all of the material of the discipline in a single semester (many schools have a two semester sequence).

Disability Statement
“Any student who feels s/he may need an accommodation based on the impact of a disability should contact me privately to discuss your specific needs. Please contact the Disability Resources Office at 515-294-6624 in room 1076, Student Services Building to coordinate reasonable accommodations for students with documented disabilities.”
(Starred readings are required; at least some of the others should be read).

I. Introduction
* [DN], Chs. 1-2

II. Trade and Welfare: The Gains from Trade
* [DN], Chs. 3
* [F], pp. 174-88.

Recommended:

III. Trade Theory under Perfect Competition

A. The Ricardian Model of Comparative Advantage
* [BPS] Chs. 2-4

Recommended:

B. The Heckscher-Ohlin-Samuelson Model: Trade and Factor Endowments
* [DN], Chs. 4-5
* [F], Chs. 1-2

Recommended:
HK1, Ch. 1.

C. Extensions of the H-O Model and Alternative Trade Theories

1. Specific Factors
* BPS, Ch. 7

2. Technological Differences
3. **Higher Dimensional Issues**

* [JK], Handbook of International Economics, Vol. 1, Ch. 3. (W. Ethier)
* [F], Ch. 3

**Recommended:**

BPS, Ch.8


4. **Nontraded Goods and Intermediate Inputs**


IV. **Empirical Tests of Trade Models**

* [F], Chs. 2-4
* Baldwin (2009), The Development and Testing of Heckscher-Ohlin Trade Models: A Review (Ohlin Lectures), MIT Press (on e-reserve)

**Recommended**


[JK] Deardorff, Ch. 10 (Handbook Vol. 1)


Leamer, E.E., Sources of Comparative Advantage, MIT Press, 1984 [L]- Chs 4 & 6, online at: [http://www.anderson.ucla.edu/faculty/edward.leamer/books/leamer_sources_chapters_feb03/sources.htm](http://www.anderson.ucla.edu/faculty/edward.leamer/books/leamer_sources_chapters_feb03/sources.htm)


V. **Trade Patterns: Scale Economies and Imperfect Competition**

A. **External Economies**

* [HK1] - Market Structure & Foreign Trade - Ch 3
* [JK] Helpman, E., Ch. 7 in Handbook, Vol. 1
B. Oligopoly
*HK1, Ch 5  Market Structure and Foreign Trade.
*Brander, J. & P. Krugman, “A Reciprocally dumping model of international trade,” JIE 11/83, 313-21; Ch 1 in [G].

Recommended

C. Monopolistic Competition
*HK1, Ch. 6-11
*[G], Ch.13; Helpman, E., "International Trade in the Presence of Product Differentiation, Economies of Scale and Monopolistic Competition: A Chamberlain-Heckscher-Ohlin Approach" JIE, 8/81, 305-40.

Recommended
[G], Ch. 14; Ethier, W., “National and international returns to scale and the modern theory of international trade,” AER, 1982, 950-59.

D. Monopolistic Competition (Empirical)


Recommended

E. Heterogenous Firms, Productivity and Trade


Recommended
Bernard, Jensen, Redding and Schott, “Firms in International Trade,” JEP, Summer 2007, 105-130.

F. Gravity Equation, Trade Costs and Empirical Work on Trade under Imperfect Competition

*[F] Feenstra, 5
VI. The Theory of Commercial Policy - Perfect Competition

A. Tariffs, Commodity and Factor Prices, and Welfare

* [DN] Ch. 5-6.
* [F], pp. 209-220
* [JK] Corden, W.M. Ch. 2 and R.E. Baldwin, Ch. 12

Recommended

[BPS], Chs. 12-16.

[HK2] Helpman & Krugman, Chs. 1-4


B. Empirical Studies

*Feenstra, Ch. 30, in Handbook, Vol. 3., [GR]

Recommended


C. Optimal Tariffs and Retaliation: Large Country Case

*[BPS], Chs. 20-21

Recommended

D. The (Non-)Equivalence of Tariffs and Quotas: Deterministic Models
*[BPS], Ch. 13.

Recommended
Rodriquez, C., "The Non-Equivalence of Tariffs and Quotas under Retaliation," JIE, 8/74, 295-98.
Krishna, K., "Tariffs vs. Quotas with Endogeneous Quality," JIE, 8/87, 97-112.

E. Quotas, Tariffs and Uncertainty

Recommended
Young, L., "Ranking Optimal Tariffs and Quotas for a Large Country under Uncertainty," JIE 5/79, 249-64.

VII. Theory of Effective Protection
*[BPS], Ch. 15.

VIII. Domestic Distortions and Commercial Policy
*[BPS], Chs. 22-28.

Recommended

A. Infant Industry Argument for Protection

Recommended

B. Piecemeal Policy Reform
*Anderson, J. and J.P. Neary, “Trade Reform with Quotas, Partial Rent Retention and Tariffs”, EMA, Vol. 60, No. 1, Jan 1992, 57-76
*[BPS], Chs. 31 & 39

Recommended
Falvey, R., "Tariffs, Quotas and Piecemeal Policy Reform", JIE, 8/88, 177-83
IX. Preferential Trading Arrangements
*[F] pp. 192-200

Recommended

X. Strategic Trade Policy
*[HK2]Helpman & Krugman, Trade Policy and Market Structure, Ch. 3-9.
*[F], 220-251.
*[GR] Brander, J. Ch. 27 in Handbook, Vol. 3

Recommended
Krishna, K. “Trade Restrictions as Facilitating Practices,” JIE, May 1989, 251-70 {also in [G], ch. 5}
Krugman, P. “Import Protection as Export Promotion: International Competition in the Presence of Oligopoly and Economies of Scale,” Ch. 4 in [G].

Journal Abbreviations:

AER  - American Economic Review
BPEA - Brookings Papers on Economic Activity
CJE  - Canadian Journal of Economics
EER  - European Economic Review
EJ   - Economic Journal
EMA  - Econometrica
IER  - International Economic Review
JEL  - Journal of Economic Literature
JDE  - Journal of Development Economics
JEP  - Journal of Economic Perspectives
JIE  - Journal of International Economics
JJIE - Journal of the Japanese and International Economies
JPE  - Journal of Political Economy
OEP  - Oxford Economic Papers
QJE  - Quarterly Journal of Economics
RES  - Review of Economic Studies
RE Stat - Review of Economics and Statistics

Some Additional Topics not covered due to time (many departments have a 2 semester international trade class), but certainly permissible research topics for your papers:

- Political Economy of Protectionism
- Multinational Corporations
- Outsourcing
- Factor Movements, Trade and Welfare
- Trade and Trade Policy Under Uncertainty
- Trade and Growth
- R&D, Trade and Growth
- Trade, Natural Resources and the Environment