El Colegio de México

International Trade (Comercio Internacional)

August – December 2021

Instructors:
Kaniṣka Dam (kaniska.dam@cide.edu)
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Class hours and dates: Friday, 09:30-13:00 (Microsoft Teams)
August 20, 27; September 3, 10, 14, 17, 24; October 1, 8, 15, 22 (Kaniṣka)
October 29; November 5, 12, 19, 26 (Alexander)
Office hours: by appointment

Prerequisites: Econometrics, Microeconomics, Mathematics.

Course description: The objective of this course is to introduce to the students the theory of international trade. We shall focus on two main issues—(a) are there gains from trade, i.e., why do countries would engage in international trade? Moreover, what explains the patterns of international trade, i.e., who exports (imports) what to (from) whom? and (b) related empirical issues.

Grading: The course will be graded on the basis of exams (classroom or take-home), presentations and a term paper. The exact weights are 60% (Kaniṣka) and 40% (Alexander).

Readings

Richard E. Caves, Jeffrey A. Frankel and Ronald W. Jones (2002), *World Trade and Payments: An Introduction*, 9th edition, Addison-Wesley.

Jonathan Eaton and Samuel Kortum (2012), "Putting Ricardo to work", *The Journal of Economic Perspectives*, 26: 65-89.

Robert C. Feenstra (2004), *Advanced International Trade: Theory and Evidence*, Princeton University Press.

Robert C. Feenstra and Alan M. Taylor (2017), *International Trade*, 4th edition, Worth Publishers.

Paul R. Krugman and Maurice Obstfeld (2009), *International Economics: Theory and Policy*, 8th edition, Pearson Addison-Wesley.

Paul R. Krugman (2010), "The theory of interstellar trade", *Economic Inquiry*, 48:1119-1123.

Marc Melitz (2003), "The impact of trade on intra-industry reallocations and aggregate industry productivity", *Econometrica*, 71:1695-1725.

Syllabus

1. Gains from Trade.
2. Differences in technology – the Ricardian trade model.
3. Differences in endowments (long run) – the Heckscher-Ohlin model.
4. Differences in endowments (short run) – The specific factors model.
5. Imperfect competition as a determinant of trade.
6. Trade under increasing returns to scale and monopolistic competition – the Krugman model.
7. The Gravity Equation.
8. Heterogenous firms and international trade – the Melitz model.
9. Ricardo with many countries and many goods – the Eaton-Kortum model.
10. Tariffs.
11. Interstellar trade.