INTERNATIONAL TRADE THEORY

Course requirements:
This is the second course in the three-quarter sequence in international economics. The comprehensive field consists of 265, offered last quarter, and 266. Economics 267, Special topics, is focussed on international trade and payments in relation to economic development and may be taken as a third quarter.
For those using international as a comprehensive field, a term paper is due (on a topic form any one of the three quarters) two weeks before the end of classes in the spring term.
If you did not take an undergraduate course covering international trade theory, you would be wise to find one of the good undergraduate textbooks and go over the relevant material before we get to it in class. Krugman and Obstfeld is perhaps the best choice, although Caves et al. and a number of others would be perfectly adequate for the purpose.
I will hold office hours from 2:00 to 3:00 PM, in Landau 150. See my TAU home page at http://www.tau.ac.il/~razin for readings, handouts, and syllabus.
The following list puts required readings at the top for each topic, and then puts recommended readings. It is expected that students will read at least some of the recommended readings.

Course Readings
There are no required texts. However, there are a number of books that will be valuable references for some time and you may wish to buy them. If there is enough interest in any of them, we can arrange to place a class order for (usually fairly rapid delivery). They include: 2
Books
Books


Jagdish Bhagwati, editor, *International Trade: Selected Readings*, MIT Press. There are two editions; each has some good readings that are not in the other.


Syllabus

1. Ricardian Trade Theory

*Required:*

Dornbusch, R., S. Fischer and P. A. Samuelson, “Comparative Advantage, Trade and Payments in


Recommended:


1.1 Testing the Ricardian Theory
Required:

Recommended:

2. Heckscher-Ohlin Trade Theory
Required:

Helpman and Krugman, 1985, Chapter 1.

Recommended:
Ohlin, B., “The Theory of Trade”, in Flam and Flanders.


**Factor Price Equalization**

*Required:*
Dixit and Norman, Chapter 4.

*Recommended:*

**2.1 Prices and Quantities**

*Required:*

*Recommended:*
2.2 Testing the Heckscher-Ohlin Theory

**Required**

**Recommended**
Leamer, Chapters 4 and 6 (plus as much as you can).

---

**Welfare and Trade Policy**

**TENTATIVE**

*Welfare 1: First-Best Considerations*

**Required:**

**Recommended:**

Recommended:
Baldwin, R. E. “The New Welfare Economics and the Gains in International Trade” in Caves and Johnson, Ch. L2
Corden, W. M. Trade and Welfare, Oxford University Press 1974-8
Dixit and Norman, Chapter 3.

Welfare 2: Second-Best

Required:

Recommended:

**Welfare 3: Preferential Trading Arrangements**

*Required:*

*Recommended:*
- Baldwin, R. E. and Venables, A. J., “Regional Economic Integration” in Grossman and Rogoff.

**International Factor Movements**

Razin and Sadka(2001), Chapters 1-6, chapter12

**Political Economy of Trade Policy**

*Required:*

**Recommended:**


Final Examination: March, 2000