

**EC 21: INTERNATIONAL TRADE**  
**Fall 2020**  
**Jindal School of Government and Public Policy**  
**O.P. Jindal Global University**

**Course Synopsis**

Why do countries trade with each other? How much of global trade is explained by factors such as proximity to trading partner, availability of resources, specialization in production or even global production chains? Can older explanations hold ground with newer realities in trade? We tread through the histories of economies and of economic theorists to understand how the ever changing texture of world trade has been understood and explained.

The first part of the course confronts with empirical realities of the global economy and examines classical explanations of 'gains from trade'. We examine the basic comparative advantage model and the factor endowments model to develop explanations of trade. We add to these explanations, new insights from contemporary trade flows to revisit the validity of these explanations - learning new methods of validating classical trade theories.

The second part of the course introduces firm and industry specific explanations to trade and mutual gains. Sourced from these explanations is a relook at the market structure in countries and its implications on trade flows across countries. Do all firms export? Are exporting firms different? We conclude our examination with the effect of trade policies in altering the nature and direction of these trade flows.

This course is a compulsory fourth semester course for Bachelor's in arts with an Honours in Economics but can be taken by students from other discipline as an introductory course on International Trade.

**Class Timing**

TBD

**Instructor and Office Hours**

Subaran Roy (PhD)

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Office Hours: TBD

Office #159, Faculty Office Block

**Readings**Required Textbook:

International Economics

Robert C. Feenstra, Alan M. Taylor

Worth; 3rd ed. 2015 edition (11 March 2014)

ISBN-10: 1429278420

Suggested Textbook

International Macroeconomics

Stephanie Schmitt-Grohe, Marlin Uribe and Michael Woodford

General Readings: Readings marked • are required and go along with the lectures, and the others are supplementary. Additionally, you can read any of the newspapers in order to connect the class

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discussion to the economic activity in our economy. Livemint, Financial Express, The Economic Times, The Economist, Bloomberg Businessweek, Vox (CEPR)

### Assessment

Mid Semester Exam 30%

End Semester Examination 50%

Quiz 20% (Out of 3 quizzes, best 2 will be used for calculation)

Missed excusable reasons Require prior or immediate communication with the instructor, cc-ed to the academic dean and the vice dean of the school. The percentage grade would be proxied with the percentage grade obtained in the remainder of the course, only to be assessed at the end of the semester

### Course Contents

The topics are a part of the course; however, instructor reserves the right to modify resources according to the pace of the class and other factors.

#### 1. A brief overview of stylized international trade facts and explanations

- FT, Chapter 1
- India's experience in the Globalized World: Emerging market trade flows
- Krugman, P. R. (1993). What do undergrads need to know about trade? *The American Economic Review*, 83(2), 23-26.
- Hanson, G. H. (2012). The rise of middle kingdoms: Emerging economies in global trade. *Journal of Economic Perspectives*, 26(2), 41-64.

#### Additional Readings:

- Krueger, A. O. (2010). India's trade with the world: Retrospect and prospect. *India's economy: performances and challenges—essays in honour of Montek Singh Ahluwalia*, 399-429.
- Deardorff, A. V., & Stern, R. M. (2002). What you should know about globalization and the World Trade Organization. *Review of International Economics*, 10(3), 404-423.

#### 2. Comparative Advantage, Ricardian Model and Empirical Evidence

- FT, Chapter 2
- Samuelson, P. A. (1939). The gains from international trade. *Canadian Journal of Economics and Political Science* 5(2), 195-205.
- Krugman, P. (2002). Ricardo's difficult idea: why intellectuals don't understand comparative advantage. In *The economics and politics of international trade* (pp. 40-54). Routledge.
- Costinot, A., & Donaldson, D. (2012). Ricardo's theory of comparative advantage: Old idea, new evidence. *American Economic Review*, 102(3), 453-58.
- Eaton, J., & Kortum, S. (2002). Technology, geography, and trade. *Econometrica*, 70(5), 1741-1779.

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### Additional Readings

- Krugman, P. (1997). In Praise of Cheap Labor, Slate.
- Irwin, Douglas (2017). Ricardo and comparative advantage at 200. Vox, EU
- Costinot, A. (2009). On the origins of comparative advantage. Journal of International Economics, 77(2), 255-264.

### 3. Factor Proportions Theories: Ricardo-Viner and Heckscher-Ohlin Model

- FT, Chapter 3 and 4
- Trade and Income Distributions: (from notes)
- Jones, R. W. (1965). The structure of simple general equilibrium models. Journal of political Economy, 73(6), 557-572.
- Yi, K. M. (2003). Can vertical specialization explain the growth of world trade? Journal of political Economy, 111(1), 52-102.

### 4. Firm and Market Dynamics in Trade

- FT, Chapter 6
- Helpman, E., Melitz, M., & Rubinstein, Y. (2008). Estimating trade flows: Trading partners and trading volumes. The quarterly journal of economics, 123(2), 441-487.
- Bernard, A. B., Jensen, J. B., Redding, S. J., & Schott, P. K. (2007). Firms in international trade. Journal of Economic perspectives, 21(3), 105-130.

### 5. Trade Policy and Welfare

- FT, Chapter 8, 9 and 10
- Grossman, G. M., & Helpman, E. (1994). Protection for Sale. The American Economic Review, 833-850.
- Costinot, A., Donaldson, D., Vogel, J., & Werning, I. (2015). Comparative advantage and optimal trade policy. The Quarterly Journal of Economics, 130(2), 659-702.
- Baldwin, R. E. (1989). The political economy of trade policy. Journal of economic perspectives, 3(4), 119-135.