

ECONOMICS 39F1
International Trade

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Fall 2023-24
Classroom: Rockefeller 003
Time: 8:50-9:55 MWF
x-hour: Th 9:05-9:55

Course Outline

This course explores the theoretical and empirical foundations of international trade, focusing on why nations export what they export, and in what sense international trade is beneficial to trading countries. Emphasis will also be placed on how trade policies can be used to pursue national or global objectives, and the role of trade agreements in the world trading system. Current policy issues will be examined to explore the usefulness as well as the limitations of the theory.

Prerequisites: Economics 1.

Books:

Required: Robert C. Feenstra and Alan M Taylor, International Trade, Fifth Edition (Macmillan Publishers 2021).

Recommended: Robert W. Staiger, A World Trading System for the Twenty-First Century (MIT Press, 2022).

Grading: There will be two midterms, a paper and 6 problems sets. The grading will be as follows:

- 10% - 6 graded problems sets.
- 35% - first midterm exam in class on Friday October 13
- 20% - paper due Friday November 3
- 35% - second midterm exam in class on Monday November 6

More information on the paper will be distributed later in the course. No papers will be accepted after the end of class on Friday November 3.

All students are expected to adhere to Dartmouth's [Academic Honor Principle](#). Students requesting disability-related accommodations and services for this course are required to register with Student Accessibility Services (SAS; [Apply for Services webpage](#); student.accessibility.services@dartmouth.edu; 1-603-646-9900) and to request that an accommodation email be sent to me in advance of the need for an accommodation. Then, students should schedule a follow-up meeting with me to determine relevant details such as what role SAS or its [Testing Center](#) may play in accommodation implementation. This process works best for everyone when completed as early in the quarter as possible. If students have questions about whether they are eligible for accommodations or have concerns about the implementation of their accommodations, they should contact the SAS office. All inquiries and discussions will remain confidential.

Reading List

I. Introduction

Feenstra-Taylor Chapter 1.
Staiger Chapter 1.

II. The Law of Comparative Advantage

1. Pure Exchange

“Exchange Model” C_J_CH2 Notes on [Canvas](#).

2. Production, Consumption, and Trade in the Basic Trade Model

“The Basic Trade Model” C_J_CH3 Notes on [Canvas](#).

3. Tariffs and Commercial Policy in the Basic Trade Model

“Tariff” C_J_CH11 Notes on [Canvas](#).

4. Applications

Bernhofen, D. and J. C. Brown, “[An Empirical Assessment of the Comparative Advantage Gains from Trade](#)” *AER* (March 2005), pp. 208-225.

Arkolakis, Costas, Costinot, Arnaud and Andres Rodriguez-Clare, “[New Trade Models, Same Old Gains?](#)” *AER* (Feb. 2012), pp. 94-130.

Broda, C., Limao, N. and D. Weinstein, “[Optimal Tariffs and Market Power: The Evidence](#)” *AER* (Dec. 2008), pp. 2032-2065.

Acemoglu, D. and J. Ventura, “[The World Income Distribution](#),” *QJE* (May 2002), pp. 659-694.

III. Theories of Comparative Advantage

1. Who Trades What with Whom? An Overview.

Feenstra-Taylor, Chapter 1.

2. The Ricardian Model: The 2-Good Model and the Continuum-of-Goods Model.

Feenstra-Taylor, Chapter 2.

Dornbusch, R., Fischer, S. and P. Samuelson, "[Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods](#)," *AER* (Dec. 1977), pp. 823-839.

3. The Specific Factors Model and The Heckscher-Ohlin Model

Feenstra-Taylor, Chapters 3, 4, 5.

Trefler, D., "[The Case of the Missing Trade and Other Mysteries](#)," *AER* (Dec. 1995), pp. 1029-1046.

IV. Alternative Explanations of International Trade

1. Increasing Returns and Imperfect Competition

Feenstra-Taylor, Chapter 6.

V. Protection, Industrial Policy and the Economics of Trade Agreements

1. Import Protection: A Partial Equilibrium Analysis

Feenstra-Taylor, Chapter 8.

2. Tariffs and Trade Agreements

Feenstra-Taylor, Chapter 11.
Staiger, Chapters 2-5.

Mattoo, A. and R.W. Staiger, "[Trade Wars: What do they mean? Why are they happening now? What are the costs?](#)," *EP* (July 2020), pp. 561-584.

Bagwell, K. and R.W. Staiger, "[What Do Trade Negotiators Negotiate About? Empirical Evidence from the World Trade Organization](#)," *AER* (June 2011), pp. 1238-1273.

Bagwell, K., Staiger, R.W. and A. Yurukoglu, "[Multilateral Trade Bargaining: A First Look at the GATT Bargaining Records](#)," *AEJ: Applied* (July 2020), pp. 72-105.

Bagwell, K., Staiger, R.W. and A. Yurukoglu, "[Quantitative Analysis of Multiparty Tariff Negotiations](#)," *Econometrica* (July 2021), pp. 1595-1631.