

MA, CITD: WINTER SEMESTER, 2011

COURSE: INTERNATIONAL TRADE THEORY (IE 407)

CREDIT: 3

COURSE INSTRUCTOR: ALOKESH BARUA

This is a basic graduate level course and students are expected to have a honours level knowledge of basic microeconomic theory and mathematics. For the application of mathematical tools, a basic reading would be A.C. Chiang—Mathematical Methods for Economists.

The course is divided into three modules.

Module 1: Positive Theories of Trade

In this we shall cover the fundamentals of the basic classical and neo – classical propositions in positive trade theories as well as some introduction to the refinements/modifications that had taken place in these theories over the years within the competitive analytical framework.

References:

1. Jagdish N. Bhagwati, Arvind Panagariya:
and T. N. Srinivasan Lectures on International Trade
Introduction, Ch. 1 -6, Ch. 10
2. R N. Batra Pure theory of International Trade
Ch. 1 -3;

Class Assignments:

1. Reviews of Surveys of the theories of international trade:

Readings:

- J. N. Bhagwati: The Pure Theory of International Trade, A Survey, EJ, 1964.
R. E. Caves: Trade and Economic Structure, 1960
J. S. Chipman: A Survey of the Theory of International Trade: Part 1, The
Classical Theory, Econometrica, July 1965 (Number 3), PP. 477
Part 2, The Neo-Classical Economy, October, 1965, PP. 685 – 760

Module 2: Normative Theories of Trade

Normative issues of welfare, implications various policies such as tariffs, taxes and subsidies and of economic growth are also included in this section.

References:

1. Jagdish N. Bhagwati, Arvind Panagariya
and T. N. Srinivasan: Lectures on International Trade
Ch. 12, Ch. 17 – 19; Ch. 29

2. R. N. Batra Pure theory of International Trade
Ch. 4 – 6;
3. M. C. Kemp: The Pure theory of international trade
and investment
- Three Topics in the Theory of
International Trade: Distribution,
Welfare and Uncertainty, 1976, Ch.8

Class Assignments;

- P. A. Samuelson The Collected Scientific Papers of P. A. Samuelson, Volume II,
Edited by J. E. Stiglitz: Ch. 60 -61 and Ch.78

Module 3: Empirical Verification of Trade Theory: The Need for Alternatives

References:

Module 4: Market Imperfections:

In this we introduce factor market imperfections to achieve greater realism in understanding the complexities of international trade and investment.

References:

1. Jagdish N. Bhagwati, Arvind Panagariya Lectures on International Trade
and T. N. Srinivasan: Ch. 20-28;
2. R. N. Batra

Module 5: Alternative Approaches:

Alternatives to the standard trade theories – the product cycle and technology gap models, availability hypothesis, preference similarity model a la Linder, intra-industry trade. The rise of new theories of trade under monopolistic competition and oligopoly and analysis of gains from trade

References:

- Raymond Vernon:
S. B. Linder: An Essay on trade and transformation
J. N. Bhagwati: The pure theory of international trade: A survey, E. J., 1964.

Module 6: Imperfect Competition and Trade Policy

- P. Krugman: “Increasing Returns, Imperfect Competition and International Trade”,
Journal of International Economics, 1979;
P. Krugman: “Scale economies, product differentiation and the pattern of trade, AER,
1980

Brander, J. A. and B. J. Spencer, Export Subsidies and Market Share Rivalry, JIE 18 (1985): 83 – 100.