

**Stanford University
Department of Economics**

**International Trade
ECON-166**

Lecture Times: Mon/ Weds, 9:30 - 11:20 am
Office Hour: Weds, 11.00 am - 12 noon

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If you cannot make office hours, please arrange an appointment via e-mail.

Course Prerequisites: ECON 51 (Public Policy majors may take PUBLPOL 51 as a substitute for ECON 51).

The course will use a combination of basic algebra (rearranging equations) and calculus (differentiation), diagrams and economic argument. The lecture notes and problem sets can be viewed over the web to give a sense of the technical level.

Course Description:

This course examines the causes and consequences of international trade. Why do countries trade? What determines the goods that a country exports and imports? Do countries as a whole gain or lose from trade? Is a trade deficit or surplus a cause for concern? Do some people or groups within countries gain or lose from trade? What are the arguments for and against protectionist trade policies such as tariffs? Is there a rationale for a World Trade Organization (WTO)? What are the implications of rapid economic growth in emerging markets (e.g., China) for income and welfare in already-developed countries such as the United States? What were the local labor market consequences of the China shock? Should governments use activist trade and industrial policies? What is the future of the global trading system?

Textbooks

Either of the following two textbooks (one out of two). Old editions often can be bought cheaply through www.amazon.com or www.abebooks.com, and are perfectly adequate, although chapter numbers may differ slightly depending on the edition.

- Krugman, Paul R., Marc J. Melitz and Maurice Obstfeld (2012) *International Economics: Theory and Policy*, 9th Edition, Addison-Wesley. **(KMO)**
- Feenstra, Robert C. and Alan M. Taylor (2008) *International Economics*, 1st Edition, Worth, **(FT)**

Popular Reading

- Irwin, Douglas A. (2005) *Free Trade Under Fire*, 2nd Edition, Princeton University Press (I)

Course Requirements

The grade for this course will be based on problem sets, a midterm, a final and class/precept participation.

There will be four problem sets (see schedule below). Each problem set will be posted on the course web page at least one week before the due date. Each problem set can be submitted *in person in class* or *by email in advance of class*.

We are not responsible for problem sets put in our mailboxes or given to assistants. We will post a list of the students that turned in their problem sets on the due date under assignments. Please note that we will not accept late problem sets. Instead, we will use the grades from your best two problem sets to calculate your course grade, which controls for all reasons why you may miss a problem set, including sickness and other work. Problem set solutions will be posted on Canvas after the submission deadline.

Group work on problem sets is permitted and encouraged. All I ask is that your individual problem set submission reflect your genuine understanding and not merely what a fellow student told you. You should write up the answers to the problem sets in your own words. If you do work as a group, please write the names of the group members on the first page of your problem set answers.

The mid-term will be a 50-minute, in-class exam. The final will be a three-hour exam during the exam period. Both exams are closed-book and subject to Stanford University's Honor Code.

Assignment	Date Due	Percent in Final Grade
Problem set #1		*
Problem set #2		*
Midterm exam		25
Problem set #3		*
Problem set #4		*
Final exam		45
Class/precept participation		5

* 25% weight for problem sets; the best two problem set grades will be used with a 12.5% weight each for the calculation of the overall course grade.

The above table shows how final grades will be calculated. There will be no extra-credit assignments. Any re-grading requests for problem sets and exams must be made within two weeks from the date the graded answers are made available. Please contact the relevant grader first. If you cannot resolve the grading issue directly with the grader, please send me an e-mail detailing how your work has been mis-graded. The

entire assignment will then be (irreversibly) re-graded, so that your grade may go either down or up. Lecture and section participation is 5% of your overall grade.

Lectures and Sections

The sections are complementary to the lectures. Sections discuss problem set solutions and prepare for exams. Lectures and readings are also complementary.

Readings

Textbook readings are essential. Journal articles provide additional motivation and connect with broader economic and public policy debates.

1. Globalization and Deglobalization

- KMO (Chapters 1-2) or FT (Chapter 1).
- I: Chapter 1.
- Feenstra, Robert C. (1998) "[The Integration of Trade and Disintegration of Production in the Global Economy](#)", *Journal of Economic Perspectives*, 12(4), 31-50.
- Antràs, Pol (2021) "[De-Globalisation? Global Value Chains in the Post-COVID-19 Age](#)", *2021 ECB Forum: Central Banks in a Shifting World*, Conference Proceedings.

2. Is International Trade Zero-Sum or Positive Sum?

- KMO (Chapter 3) or FT (Chapter 2).
- I (Chapter 2).
- Bernhofen, Daniel and John Brown (2005) "[An Empirical Assessment of the Comparative Advantage Gains from Trade: Evidence from Japan](#)", *American Economic Review*, 208-225.
- Irwin, Douglas A. (2005) "[The Welfare Cost of Autarky: Evidence from the Jeffersonian Trade Embargo, 1807–09](#)", *Review of International Economics*, 13(4), 631-645.

3. Within Countries, Who Wins and Loses From Trade? (Part 1)

- KMO (Chapter 4 and Appendices) or FT (Chapter 3).
- Autor, David H., David Dorn and Gordon H. Hanson (2016) "[The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade](#)", *Annual Review of Economics*, 8, 205-240.
- Hakobyan, Shushanik and John McLaren (2016) "[Looking for Local Labor Market Effects of NAFTA](#)", *Review of Economics and Statistics*, 98(4), 728-741.

4. Within Countries, Who Wins and Loses From Trade? (Part 2)

- KMO (Chapters 5-6 and Appendices) or FT (Chapter 4).
- Freeman, Richard (1995) “[Are Your Wages Set in Beijing?](#)”, *Journal of Economic Perspectives*, 9(3), 15-32.
- O'Rourke, Kevin and Jeffrey G. Williamson (1994) “[Late Nineteenth-Century Anglo-American Factor-Price Convergence: Were Heckscher and Ohlin Right?](#)” *Journal of Economic History*, 54(4), 892-916.

5. Intra-Industry Trade and the Gravity Equation

- KMO (Chapter 8) or FT (Chapter 6).
- Krugman, P. (1979) “[Increasing Returns, Monopolistic Competition, and International Trade](#)”, *Journal of International Economics*, 9(4), 469-79. (B)
- Nobel Prize Committee (2008) “[International Trade and Economic Geography](#),” The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2008.

6. Heterogeneous Firms in the Global Economy

- KMO (Chapter 8).
- Bernard, A., Jensen, J., Redding, S. and Schott, P. (2007) “[Firms in International Trade](#),” *Journal of Economic Perspectives*, 21(3), 105–130.
- Melitz, Marc J. and Daniel Trefler (2012) “[Gains from Trade when Firms Matter](#),” *Journal of Economic Perspectives*, 26(2), 91-118.

7. Effects of Tariffs and Other Trade Policies in Partial Equilibrium

- KMO (Chapter 9 and Appendices) or FT (Chapter 8).
- Amiti, Mary, Stephen J. Redding and David Weinstein (2019) “[The Impact of the 2018 Trade War on U.S. Prices and Welfare](#),” *Journal of Economic Perspectives*, 33(4), 187-210.
- Sampson, Thomas (2017) “[Brexit: The Economics of International Disintegration](#),” *Journal of Economic Perspectives*, 31(4), 163-84.

8. Effects of Tariffs and Other Trade Policies in General Equilibrium

- KMO (Chapter 9 and Appendices) or FT (Chapter 8).
- I (Chapter 3).
- Fajgelbaum, Pablo D. and Amit K. Khandelwal (2022) “[The Economic Impacts of the US-China Trade War](#),” *Annual Review of Economics*, 14, 205-28.
- Juhász, Réka (2018) “[Temporary Protection and Technology Adoption: Evidence from the Napoleonic Blockade](#),” *American Economic Review*, 108(11), 3339-76.

9. Activist Trade and Industrial Policies

- KMO (Chapters 11-12) or FT (Chapters 9-10).
- I (Chapters 6-7).

- Irwin, Douglas A. and Nina Pavcnik (2004) “[Airbus Versus Boeing Revisited: International Competition in the Aircraft Market](#),” *Journal of International Economics*, 64(2), 223-245.
- Lane, Nathan (2025) “[Manufacturing Revolutions: Industrial Policy and Industrialization in South Korea](#),” *Quarterly Journal of Economics*, 140(3), 1683–1741,

10. Economic Integration and Economic Geography

- KMO (Chapter 7) or FT (Chapter 9).
- Krugman, P. (1991) *Geography and Trade*, MIT Press, Chapter 1.
- Krugman, P. (1991) “[Increasing Returns and Economic Geography](#),” *Journal of Political Economy*, 99(3), 483-99.