

International Trade

Dr. Anna Ignatenko

Summer Semester 2020/2021

Wednesday (lecture), Thursday (tutorial)
10 am to 12 pm, starting on April 21, 2021
Zoom classroom

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Overview

This course analyzes the causes and consequences of international trade and investment. It covers the main questions international trade economists often ask:

- Why do countries trade?
- What are the consequences of globalization for consumers and social welfare?
- How international trade is and should be regulated?

In this course, we will study the answers to these questions first from the countries-level and then from the firm-level perspectives. You will be introduced to a number of models that are useful in thinking about various topics such as free-trade agreements, trade wars, cross-border mergers and acquisitions and other forms of foreign direct investment, trade wars, international competition, the role of market-power in global markets, etc. My goal is to help train you in the process of solving and thinking through models to develop insights about the real world.

The exams in this class are designed to test how well you *understand* these models and can *apply* them to the real world situations. Memorization will not help you much on your exams because memorization will not help you in the real world.

Prerequisites

Algebra and basic calculus are required in this source. The second half of the course extensively uses basic differentiation rules to solve various optimization problems (finding the maximum of a function). I will explain the math as we go, but you are expected to know these rules and understand optimization already.

Course Policies

Academic Honesty

It is expected that you write the exam independently, without help of or coordination with your classmates. The exams will be designed to ensure that.

Attendance

Lectures: It is your choice whether to attend lectures or not. Attendance will not be taken and it will not be factored into your grade. Lecture slides as well as the recorded lectures themselves will be posted on-line, but parts of the lecture notes may be missing, especially any additional derivations we will do in class. For your convenience, I will stop recording lectures to welcome and answer your questions off-record.

Tutorials: Although your attendance is not taken, tutorials are designed to become an invaluable resource for you. These sections will be used to go over practice problems relevant to the week's lecture notes and/or go over problems you are likely to see in your exam.

E-mail policy

I will respond to questions over e-mail. However, these questions must be asked in such a way that I can provide a quick answer. This especially means that I do not have to type any algebra or draw any graphs. I will try my best to respond within 24 hours, but I cannot guarantee it over the weekend.

Course Structure

Telescope view on International Trade

1. Comparative advantage (the Ricardo model)
2. Factor intensities and endowments (the Heckscher-Ohlin model)
3. Intra-industry trade theories
4. Horizontal and vertical foreign direct investment (FDI)
5. International trade policy

Microscope view on International Trade

1. Firms and market power in global economy
2. Monopoly pricing and price discrimination
3. Introduction to game theory
4. Competition in quantities (Cournot oligopoly) and horizontal mergers

5. Competition in prices (Bertrand oligopoly) and vertical mergers

Textbooks

You will be evaluated based on material covered in the lecture notes and in problem sets discussed in tutorials.

Lecture notes in the first half of the course will be based on the following textbooks:

Paul Krugman, Maurice Obstfeld and Marc Melitz (2015) "International Economics", 10/E Pearson Higher Education

Robert Feenstra, Alan Taylor (2017) or (2020) "International Trade", 4th or 5th edition, Worth Palgrave Macmillan

As auxiliary resource for the second half of the course I recommend the following textbook:

Jeffrey R Church, Roger Ware (2000) "Industrial Organization: a Strategic Approach", University of Calgary

This textbook is available for free on-line: <http://works.bepress.com/jeffreychurch/23>

Assessments

The course grade is determined solely based on your exam score. It will take place online, on the last week of the Summer Semester 2021 during the normal lecture time.