

BAHÇEŞEHİR UNIVERSITY
FACULTY OF ECONOMICS, ADMINISTRATIVE AND SOCIAL SCIENCES
DEPARTMENT OF INTERNATIONAL TRADE & BUSINESS

FALL SEMESTER (2015/2016)

IB 3413 INTERNATIONAL TRADE THEORY

Instructor: Dr. Altay Atli (altay.atli@boun.edu.tr)
Lecture hours: Tuesday 12:30 – 15:30
Office hours: Tuesday 10:00 – 12:00 (or by appointment)

Course description: This course aims to provide the students with a theoretical understanding of trade relations between countries, which will enable them to analyze trade-related issues with greater depth and rigor. For this purpose the course will cover the development of international trade theory from Adam Smith and David Ricardo to the modern day in order to understand why nations trade, how they trade, how and why trade patterns shift, and what macroeconomic and microeconomic effects trade has on the economy of a country. Various theoretical approaches will be examined to that end and tested against empirical evidence. The course will also introduce the students to the fundamental economic factors that influence international trade, such as technology, institutions, natural resources, demographics and transportation.

Assessment: Assessment is based on a mid-term exam (25% of total mark), assignment (15%), class participation (10%) and a final exam (50%). The exams will cover lectures and readings, and they will consist of different question types, including essays, definitions, fill-in-the-blank, true/false, multiple choice and short answers. Make-up exams are given only if approved by the department and instructor prior to the exam. Make-up exams may not be in the same format as the regular examination. The assignments will be prepared individually by students and will require them to write a short essay on a subject related to the contents of the course. More information on the assignment will be provided by the instructor during the class.

Academic honesty: Students are expected to *strictly* adhere to the following rules and regulations regarding academic honesty:

- Copying work from others or giving and receiving answers/information during exams either in written or oral form constitutes cheating.
- Submitting take-home exams, assignments and papers of others as your own, using sentences or paragraphs from another author without the proper acknowledgement of the original author, insufficient acknowledgement of the consulted works in the bibliography, all constitute plagiarism.
- Plagiarism and cheating are serious offenses and will result in:
 - an automatic “0” for the assignment or the exam.
 - an oral explanation before the Ethics Committee.
 - losing the opportunity to request and receive any references from the entire faculty.

Required text:

Krugman, P., Obstfeld, M. and Melitz, M., "International Economics: Theory and Policy", 9th edition, Addison-Wesley, 2012.

Recommended readings:

- Husted, S. and Melvin, M., "International Economics", Pearson, 2013.
- Dunn, R.M. and Mutti, J.H., "International Economics", Routledge, 2004.
- McLaren, J., "International Trade", Wiley, 2013.
- World Trade Organization, "World Trade Report: Factors Shaping the Future of World Trade", WTO, 2013.
- World Trade Organization, "World Trade Report: Trade and Development", WTO, 2014.
- Rivoli, P., "The Travels of a T-shirt in the Global Economy", Wiley, 2009.
- (TURKISH) Karluk, R., "Uluslararası Ekonomi: Teori - Politika", Beta Yayınları, 2009.
- (TURKISH) Seyidoğlu, H., "Uluslararası İktisat", Seçkin Yayıncılık, 2013.

Course synopsis:**Week 1 (September 15): Introduction**

- International trade theory as an extension of economics.
- Methodological issues.
- Trends in international trade.

No class on September 22.

Week 2 (September 29): Historical progress of international trade theory

- Mercantilism.
- Specie-flow mechanism.
- International trade theory from Adam Smith to Marshall.
- Tools of analysis for international trade models.

Week 3 (October 6): The classical model of international trade (I)

- Trade based on absolute advantage.
- Trade based on comparative advantage.

Week 4 (October 13): The classical model of international trade (II)

- Specific factors model.
- Income distribution and gains from trade.

Week 5 (October 20): The neo-classical model of international trade (I)

- The Heckscher-Ohlin Model.
- The factor-proportions theorem.

Week 6 (October 27): The neo-classical model of international trade (II)

- The Stolper-Samuelson theorem.
- The factor-price equalization theorem.
- The Rybczynski theorem.

Week 7 (November 3): *MID-TERM EXAM*

Week 8 (November 10): **Testing the trade models and alternative theories**

- Tests of the classical model.
- Tests of the neo-classical model.
- Leontief paradox.
- Alternative theories of comparative advantage.

Week 9 (November 17): **External economies of scale**

- Economies of scale and market structure.
- Theory of external economies.
- Economic geography.

Week 10 (November 24): **Imperfect competition and firms in the global economy**

- Theory of imperfect competition.
- Monopolistic competition and trade.
- Multinational enterprises.
- Firm responses to trade.

Week 11 (December 1): **International trade and economic growth**

- Trade and development.
- Growth theories.
- International flows of factors.
- Free trade versus fair trade.

Week 12 (December 8): **Fundamental economic factors affecting international trade**

- Demographic change.
- Institutions.
- Investment.
- Technology.
- Transportation costs.

Week 13 (December 15): **Trade in services**

Week 14 (December 22): *Wrap-up session*
ASSIGNMENTS DUE

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