

Introduction to International Trade

ECON 17100 • Spring 2026

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Office Hours:	TBD
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Class Time:	TTh 3:30pm-4:50pm
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Discussion Section Time:	Friday, 3:30pm-4:20pm
Classroom:	Stuart Hall 102

Course Description

This course provides an understanding of the key theories in international economics and prepares students to analyze the pattern of trade and conduct qualitative policy analysis. We will cover Ricardian and factor-endowment based trade theory, trade under increasing returns and imperfect competition, trade and industrial policy, economic geography, the main empirical patterns of international trade, and international investment. All topics covered will be presented alongside historical and contemporary case studies.

Materials

- **Lecture slides and notes** (posted on Canvas)
- **Textbook:** Krugman, Melitz, Obstfeld (KMO). *International Economics: Theory and Policy* (Krugman et al.) (Optional)

Grading Policy

Problem Sets: There will be six problem sets during the quarter. You **must** submit your work in groups of two or three. Please attempt each problem on your own before discussing with others. Each problem set will be posted on Canvas on Friday and will be due the following Friday by 3:30 p.m. Problem sets must be typed or handwritten (clearly scanned or photographed) and submitted on Gradescope as a single PDF file by one group member. When submitting to Gradescope, select the names of all group members and assign the question numbers accordingly. Incomplete submissions will be graded as submitted, and missed questions will receive zero points. Late submissions will be penalized 20 points per hour. The lowest problem set score will be dropped. If you have questions about grading, please discuss them with the TA first.

Midterm Exam: An in-class midterm exam will be held on **Thursday, April 30th**. This will be a closed-book, closed-notes exam.

Final Exam: A comprehensive final exam will be administered during the final exam week. The exact date and time will be determined later in the quarter by the university registrar. This will be a closed-book, closed-notes exam.

Your final numeric grade will be determined by:

$$\text{Numeric grade} = \max\{[20\% \text{ PSets}, 40\% \text{ Midterm}, 40\% \text{ Final}], [20\% \text{ PSets}, 20\% \text{ Midterm}, 60\% \text{ Final}], [20\% \text{ PSets}, 80\% \text{ Final}, \text{Bonus: Midterm score}/10]\}.$$

Note: The 3rd option is available only if you miss the midterm or get less than the median grade on the midterm.

The final is cumulative. Grade conversion will be determined at the end of the course.

Course Policies

Pass/Fail Policy: If you wish to take the course for P/F, you must send me a request via email at least one hour before the start of the final exam. Please note that the P/F grade will not count towards the major requirements. You will have to take the class again for a quality grade.

Academic Integrity: Students are expected to abide by the university's academic honesty policy. Students caught cheating in the exams will receive a failing grade for the course and will be reported to the Dean of Students for further disciplinary actions. While grades are important, please do not let your concerns about grades lead you to behaviors that would tarnish your character and integrity.

Accommodations: I am committed to creating an inclusive learning environment for all students. If there are circumstances that make our learning environment difficult, please let me know. I will not inquire about your reasons. I will ask only about your learning needs. Please work with Student Disability Services to acquire specific accommodations due to a disability. You can reach them at 773-702-6000 or disabilities@uchicago.edu.

Title IX (Sexual misconduct)

All University of Chicago faculty and TAs are classified as “responsible employees.” Responsible employees are required to report all details of any reported sexual misconduct (including the identities of the student making the complaint and the alleged perpetrator) to either the University's Title IX Coordinator, Deputy Title IX Coordinator for Students, or the Associate Dean of Students for Disciplinary Affairs.

Course Outline

- Week 1** Introduction, trade in endowments and review of utility maximization
- Week 2** Ricardian Theory
- Week 3** Specific factors model
- Week 4** Hecksher-Ohlin theory
- Week 5** Trade policy under perfect competition
- Week 6** Midterm review and Midterm
- Week 7** Trade under increasing returns and imperfect competition
- Week 8** Multinational firms and global supply chains
- Week 9** International trade agreements and economic integration; final review

03/24-03/27, Week 1: Introduction, trade in endowments and review of utility maximization

- **Key concepts:** Representative consumer, equilibrium, Pareto efficiency
- **Analysis/Skills:** Edgeworth box analysis

03/31-04/03, Week 2: Ricardian Theory

- **Key concepts:** Comparative vs. absolute advantage
- **Analysis/Skills:** Derivation of the Ricardian trading equilibrium

Deliverables: Assignment 1 due Friday, 3:30pm

Readings and links:

- Krugman et al. (Ch. 3)
- Krugman, Paul. *Ricardo's Difficult Idea*. 1996, <https://web.mit.edu/krugman/www/ricardo.htm>
- *Knitting Pretty*. The Economist, 16 Aug. 2007, <https://www.economist.com/business/2007/08/16/knitting-pretty>

04/07-04/10, Week 3: Specific factors model

- **Key concepts:** Mobile and immobile factors, average vs. marginal product, winners and losers from trade, incomplete specialization
- **Analysis/Skills:** Derivation of the concave PPF, the effects of changes in technology and factor endowments, labor market effects of trade
- **Case study:** The 'China shock' in the United States

Deliverables: Assignment 2 due Friday, 3:30pm

Readings and links:

- Krugman et al. (Ch. 4)

- Autor, David H., et al. “The China Syndrome: Local Labor Market Effects of Import Competition in the United States.” *American Economic Review*, vol. 103, no. 6, Oct. 2013, pp. 2121–68, <https://doi.org/10.1257/aer.103.6.2121>

04/14-04/17, Week 4: Heckscher-Ohlin theory

- **Key concepts:** Factor intensity in production, Stolper-Samuelson and related 'theorems'
- **Analysis/Skills:** Derivation of the equilibrium allocation and relative prices of factors of production
- **Case study:** Globalization and income inequality in developing countries

Deliverables: Assignment 3 due Friday, 3:30pm

Readings and links:

- Krugman et al. (Ch. 5)
- Larsen, Brad, et al. *Low-Wage Earners Hit Hardest by Trade with China*. SIEPR, Jan. 2020, <https://siepr.stanford.edu/publications/policy-brief/low-wage-earners-hit-hardest-trade-china>
- Siddiqi, Dina M. *What's Happening in Bangladesh's Garment Industry?*. Economics Observatory, 26 Mar. 2025, <https://www.economicsobservatory.com/whats-happening-in-bangladeshs-garment-industry>

04/21-04/24, Week 5: Trade policy under perfect competition

- **Key concepts:** Tariffs, quotas, and subsidies, terms-of-trade gain, quota rents
- **Analysis/Skills:** Analysis of benefits and losses from trade policies

Deliverables: Assignment 4 due Friday, 3:30pm

Readings and links:

- Krugman et al. (Ch. 9)
- Lubik, Thomas A. *When Are Tariffs Optimal?*. Federal Reserve Bank of Richmond, May 2025, https://www.richmondfed.org/publications/research/economic_brief/2025/eb_25-21
- Joffe-Walt, Chana. *Why U.S. Taxpayers Are Paying Brazilian Cotton Growers*. NPR Planet Money, 9 Nov. 2010, <https://www.npr.org/sections/money/2011/01/26/131192182/cotton>

04/28-05/01, Week 6: Midterm review and Midterm

05/05-05/08, Week 7: Trade under increasing returns and imperfect competition

- **Key concepts:** Increasing returns to scale, fixed vs. variable costs, monopolistic competition, markups, pro-competitive and love-of-variety gains to trade, home market effect
- **Analysis/Skills:** Krugman model equilibrium

Readings and links:

- Krugman et al. (Ch. 8)
- Bernard, Andrew B., et al. “Firms in International Trade.” *Journal of Economic Perspectives*, vol. 21, no. 3, Sept. 2007, pp. 105–30, <https://doi.org/10.1257/jep.21.3.105>

05/12-05/15, Week 8: Multinational firms and global supply chains

- **Key concepts:** Concentration-proximity trade-off, cost-coordination trade-off, outsourcing vs in-house production
- **Analysis/Skills:** Effects of trade policy on horizontal FDI, factors influencing the location of input suppliers abroad, determinants of outsourcing decisions
- **Case study:** Supply chain re-optimizations due to climate risk

Deliverables: Assignment 5 due Friday, 3:30pm.

Readings and links:

- Krugman et al. (pp. 197-209)
- Alfaro, Laura, and Davin Chor. "Global Supply Chains: The Looming ``Great Reallocation'". Working Paper. no. 31661, National Bureau of Economic Research, Sept. 2023, <https://doi.org/10.3386/w31661>. Working Paper Series
- Castro-Vincenzi, Juanma. "Climate Hazards and Resilience in the Global Car Industry." 4 June 2024, https://static1.squarespace.com/static/5fbd5c064c271a353f8a9840/t/665f5786fb4f9c15154e912c/1717524359622/castrovincenzi_jmp.pdf

05/19-05/22, Week 9: International trade agreements and economic integration; final review

- **Key concepts:** Preferential trade agreements, trade diversion, trade costs
- **Analysis/Skills:** 3-country analysis of the effects of international trade agreements
- **Case study:** Regionalism vs. globalism in the context of Doha negotiations

Deliverables: Assignment 6 due Friday, 3:30pm

Readings and links:

- Krugman et al. (Ch. 10)
- *Doing Doha down*. The Economist, 3 Sept. 2009, <https://www.economist.com/leaders/2009/09/03/doing-doha-down>
- *A Second-Best Choice*. The Economist, 4 Sept. 2008, <https://www.economist.com/leaders/2008/09/04/a-second-best-choice>

05/25-05/29, Reading Period: Final Review

This syllabus is subject to change. Updates will be announced in class and posted online.