Department of Economics

ECON0023: International Trade

Term 1 (Fall 2025)

Amid a rising tide of protectionist policies, trade has recently returned to the forefront of policy discussions in the UK, Europe, and the US. In this module, we will develop the tools to rigorously understand these debates: we will discuss a series of influential theories, starting with the classic Ricardian model of *comparative advantage* and ending with the benefits of industry scale and clustering in space. We will also cover why and how governments might use trade policy, e.g. tariffs and quotas, to achieve certain objectives. Finally, we will discuss recent applications of trade models to spatial and urban topics such as transport.

Lecturer

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This Module

Content

In this course, you will develop a systematic understanding of both the causes and consequences of international trade. You will explore some fundamental questions about the aims and tools of trade policy. You will develop the ability to analyse and understand key issues in this field using standard tools of theoretic and empirical economic analysis, corresponding to the level taught in core third-year economics modules. Specifically, we will aim to understand

- the motivations for and patterns of trade;
- the welfare “gains from trade” and its distributional effects;
- the costs and benefits of alternative trade policies; and
- the causes and consequences of the within-country or -city distribution of economic activity.

Aims

This course will provide you with a framework for understanding modern ideas in the theory of international trade and enable you to use this framework to analyse the major policy issues of world trade. In particular, you will

- explain, using economic tools and empirical evidence, the benefits and potential costs of trade;
- independently investigate and critically comment on a range of current debates relating to trade policy;

- consolidate and deepen your critical thinking abilities, creativity, communication, teamwork, and time management skills;
- write clear and well-structured economic essays; and
- confidently discuss economic ideas with your peers.

Prerequisites
Completion of ECON0013 Microeconomics and ECON0019 Quantitative Economic & Econometrics modules or any of POLS0008: Introduction to Quantitative Research Methods, POLS0010: Data Analysis, POLS0012: Causal Analysis in Data Science or POLS0013: Measurements in Data Science.

Structure

Weekly Lectures
Thursdays, 9:00-11:00 in Birkbeck Clore Management Centre, Room B01 (Clore Lecture Theatre)

In lecture, I will present key concepts and models as well as real-world applications. Assessments will build on concepts discussed in lecture, and your in-person attendance is vital to producing an insightful, and thus highly-marked, research project!

Tutorials
Check Moodle or the UCL Timetable for your assigned tutorial.

The four one-hour tutorials give students hands-on opportunities to engage more deeply with the models discussed in lecture and develop problem-solving skills. You will work in small groups to practice answering exam-style questions as well as writing skills – exactly those you will need to succeed on the assessments. Attendance in tutorials is expected. Your active participation is vital to the success of the course; to that end, we will post details of "pre-work" required to be completed before each tutorial on Moodle. You do not submit the work prepared for marking, but it is in your own interest to complete it. *Please contact the module administrator, Rich Maskell (r.maskell@ucl.ac.uk), with any queries related to tutorial group allocation.*

Weekly Quizzes
After each lecture, a revision quiz will be made available on Moodle. These quizzes will allow you to self-assess your knowledge and may help generate ideas for your research project. Quizzes are not formally assessed but you are strongly encouraged to participate.

Contacting Us
Your teaching team is here to help! Your two best avenues for clarifying course logistics or catching up on course material are:

Student Forum [via Moodle]
Please use the Moodle forum for logistical questions as well as comments and clarifications regarding course content. The teaching team will regularly check Moodle and respond. This format allows the *entire class* to benefit from our responses, so we do ask that you please *avoid email* for logistical and content-related questions. Email should be reserved for personal matters.

Office Hours

For more in-depth conversations, each member of the teaching will hold weekly office hours as follows.[1]

Lucas [Lecturer]: Wednesdays, 17:30-18:30 [Bentham House, Room LG10]

Nikita Goncharov [PGTA]: Mondays, 18:15-19:15 [Drayton House, Room G13]

Sina Ziaee [PGTA]: Tuesdays, 11:00-12:00 [Drayton House, Room G13].

Davide Zufacchi [PGTA]: Mondays, 14:00-15:00 [Zoom: https://ucl.zoom.us/j/93005021450].

Assessment

Final marks will depend on two assessments:

Exam [January Exam Period, 12-18 Jan., 70%]

In-person, closed-book 2-hour written exam covering the full term, to be held during the new UCL January Exam Period. Exact date and time to be announced later in term. Any material covered during lectures, in the lecture slides, required readings, weekly revision quizzes, or tutorials is fair game. The exam will feature a range of question types, such as true or false, multiple choice, free-response questions requiring 1-3 sentence explanations, and multi-part questions requiring calculations as well as brief explanations.

Group Project [Due Fri., 5 Dec. at 17:00, 30%]

1,500-word group research report (not including tables, graphs, and references) on a topic in international trade, migration, or spatial economics, to be written in groups of 4-5 students. Successful projects will draw on models as well as original data analysis. The marking scheme and detailed instructions will be released by *Thurs., 2 Oct. at 17:00*, and projects will be submitted via Moodle. You may choose your own group, and group selections are due by *Thurs., 23 Oct. at 17:00*. We will assist students in forming groups such that no one is left without a group.

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[1] Lecturer office hours begin the week of 29 Sept., and PGTA office hours begin the week of 6 Oct. *No* office hours will be held during reading week (3-7 Nov.).

Calendar

Week	Week Starting	Lecture	Tutorial	Deadlines
1	29 Sept.	*Lecture 1:* Introduction to International Trade		Group Project instructions + scheme posted, 2 Oct., 17:00
2	6 Oct.	*Lecture 2:* Research Workshop		
3	13 Oct.	*Lecture 3:* Labour Productivity and Comparative Advantage	1. Ricardian Model	
4	20 Oct.	*Lecture 4:* Specific Factors and Income Distribution		Project group selections due, 23 Oct., 17:00
5	27 Oct.	*Lecture 5:* Resources and Trade	2. Specific Factors and Heckscher-Ohlin	
	3 Nov.	*Reading week*		
6	10 Nov.	*Lecture 6:* The Standard Trade Model		
7	17 Nov.	*Lecture 7:* External Economies of Scale and the International Location of Production	3. Standard Trade Model and External Economies	
8	24 Nov.	*Lecture 8:* Instruments of Trade Policy		
9	1 Dec.	*Lecture 9:* Spatial Economics I: Cities	4. Trade Policy and Spatial Economics	Group Project due 5 Dec., 17:00
10	8 Dec.	*Lecture 10:* Spatial Economics II: Migration and Inequality		
Jan. Exam Period	12 Jan.			*Exam* [2 hrs.] during 12-18 Jan.

Policies: Adjustments, Exceptions, Technical Issues

Should you require any academic or exam adjustments, please contact UCL's Student Support and Wellbeing team in order to set up a *Reasonable Academic Adjustment* as soon as possible, and well in advance of the corresponding assessment deadline (see Academic Manual Ch. 2.4). For short-term illness and other extenuating circumstances, please submit claims as outlined in Academic Manual Ch. 2.3. Note that claims must be submitted as soon as possible and no later than one week after an assessment deadline. For late submissions without an approved extenuating circumstance, standard late submission penalties outlined in the Student Regulations for Exams and Assessments will apply. Late arrivals and illness during the exam are subject to the standard policies also outlined in the Student Regulations for Exams and Assessments.

Readings

The **primary textbook** for this class is

- Krugman, Paul R., Maurice Obstfeld, and Marc J. Melitz.. *International Economics: Theory and Policy.* 12th ed. Harlow: Pearson, 2022. ***Available online via UCL Library.***

You are expected to read the chapters from this textbook as well as any other readings listed as "*required"* for each week. Given the timings of tutorials this year, we *strongly recommend* completing the corresponding readings in advance of any tutorials/lectures scheduled a given week. Any readings not available online via the UCL Library will be posted on Moodle.

Week 1. Introduction to International Trade
Required:

- Krugman et al. Ch. 2, "World Trade: An Overview"

Week 2. Research Workshop
Required:

- Yoto V. Yotov, *Gravity for Undergrads*.
- "Research Tips," posted on Moodle under Summative Assessment/Group Project (30%).

Week 3. Labour Productivity and Comparative Advantage: The Ricardian Model
Required:

- Krugman et al. Ch. 3, "Labor Productivity and Comparative Advantage: The Ricardian Model"

Optional:

- Costinot, Arnaud, Dave Donaldson, and Ivana Komunjer. "What Goods Do Countries Trade? A Quantitative Exploration of Ricardo's Ideas," *The Review of Economic Studies* 79 (2012): 581–608.

Week 4. Specific Factors and Income Distribution
Required:

- Krugman et al. Ch. 4, "Specific Factors and Income Distribution"

Optional:

- Autor, David H., David Dorn, and Gordon H. Hanson. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," *American Economic Review* 103, no. 6 (2013): 2121–2168.

Week 5. Resources and Trade: The Heckscher-Ohlin Model
Required:

- Krugman et al. Ch. 5, "Resources and Trade: The Heckscher-Ohlin Model"

Week 6. The Standard Trade Model

Required:

- Krugman et al. Ch. 6, "The Standard Trade Model"

Week 7. External Economies of Scale and the International Location of Production

Required:

- Krugman et al. Ch. 7, "External Economies of Scale and the International Location of Production"

Optional:

- Atkin, David, Keith Chen, and Anton Popov. "The Returns to Face-to-Face Interactions: Knowledge Spillovers in Silicon Valley." *Working Paper* (June 2022).
- Gervais, Antoine and J. Bradford Jensen. "The tradability of services: Geographic concentration and trade costs." *Journal of International Economics* 118 (2019): 331–350.

Week 8. Instruments of Trade Policy

Required:

- Krugman et al. Ch. 9, "The Instruments of Trade Policy"

Optional:

- Fajgelbaum, Pablo D., Pinelopi K. Goldberg, Patrick J. Kennedy, and Amit K. Khandelwal. "The Return to Protectionism." *The Quarterly Journal of Economics* 135, no. 1 (2020): 1-55.

Week 9. Spatial Economics I: Cities

Required:

- Ahlfeldt, Gabriel M., Stephen J. Redding, Daniel M. Sturm, and Nikolaus Wolf. "The Economics of Density: Evidence from the Berlin Wall." *Econometrica* 83, no. 6 (2015): 2127-2189.
- Heblich, Stephan, Stephen J. Redding, and Daniel M. Sturm. "The Making of the Modern Metropolis: Evidence from London." *The Quarterly Journal of Economics* 135, no. 4 (2020): 2059-2133.

Week 10. Spatial Economics II: Migration and Inequality

Required:

- Brueckner, Jan K. *Lectures on Urban Economics*. Cambridge: The MIT Press, 2011, Ch. 11, "Urban Quality-of-Life Measurement."

Optional:

- Overman, Henry G. and Xiaowei Xu. *Spatial disparities across labour markets.* London: The Institute for Fiscal Studies, 2023. https://ifs.org.uk/inequality/spatial-disparities-across-labour-markets/.