

Contents

Preface	v
1 International Trade and Trade Theory	1
1.1 A Brief Introduction to International Trade Theory	2
1.2 The Purpose and the Structure of the Book	15
2 Classical International Trade Theories	23
2.1 Adam Smith and Absolute Advantage	24
2.2 The Ricardian Trade Theory	25
2.3 The $2 \times 2 \times 2$ Trade Model and the Core Theorems in Trade Theory	33
2.4 The Dual Approach to the Two-Good, Two-Factor Model	42
2.5 The Heckscher-Ohlin Theory	45
2.6 The Neoclassical Trade Theory	52
2.7 A General Two-Country Two-Good Two-Factor Trade Model	56
2.8 Public Goods and International Trade	63
2.9 Concluding Remarks	71
Appendix	73
A.2.1 A Ricardian Model with a Continuum of Goods	73
3 Trade with Imperfect Competition	77
3.1 A Trade Model with Monopolistic Competition	78
3.2 The Ricardian Theory with Monopolistic Competition	82
3.3 The Heckscher-Ohlin Theory with Monopolistic Competition	85
3.4 Oligopoly and Intraindustry Trade	90
3.5 Trade Pattern and Variable Returns to Scale	95
3.6 Transboundary Pollution and Trade	103
4 Trade with Factor Mobility	107
4.1 A Two-Good, Three-Factor Model with Capital Mobility	108
4.2 Variable Returns to Scale and Immiserizing Growth	117

4.3	A Trade Model with Emigration	125
4.4	Human Capital Mobility and Chamberlinian Agglomeration	129
4.5	Trade and Factor Mobility	133
5	Money, Exchange Rate, and Trade	135
5.1	Measurement and Accounting Relations of Economies	136
5.2	The IS-LM Analysis for an Open Economy	140
5.3	A Gold Standard Model	161
5.4	Exchange Rates and the Terms of Trade in a Two-Country Model	163
5.5	On Money and Trade	173
6	Growth of Small Open-Economies with Capital Accumulation	175
6.1	The One-Sector Growth (OSG) Model of a Closed Economy	178
6.2	The Ramsey Growth Model and the OSG Approach	185
6.3	A Small Open Economy with Capital Accumulation	192
6.4	Growth and Agglomeration of a Small-Open Multi-Regional Economy	203
6.5	On the Alternative Utility Function	227
	Appendix	229
A.6.1	Growth of a Small Overlapping-Generations Economy	229
A.6.2	Habits and Current Account Dynamics	231
A.6.3	Proving Lemma 6.4.1	234
A.6.4	The Keynesian Consumption Function and the OSG Approach	235
A.6.5	The Solow Growth Model and the OSG Approach	238
7	One-Sector Global Growth Models with Capital Accumulation	241
7.1	A Growth Model with Trade Between North and South	243
7.2	A Two-Country Trade Model with Capital Accumulation	245
7.3	A Multi-Country Growth Model with Labor Supply and Capital	255
8	Growth, Trade Pattern and Structure	285
8.1	Oniki-Uzawa's Trade Model with Capital Accumulation	286
8.2	Economic Structure, Trade and Capital Accumulation	296
8.3	Trade and Growth with Non-Traded Services	305

Appendix	314
A.8.1 Capital Accumulation and Services in a Multi-Country Economy	314
A.8.2 A Two-Country Model of Optimal Growth	319
9 Growth and Trade with Capital and Knowledge	323
9.1 A National Growth Model	326
9.2 Trade and Growth with Learning-by-Doing and Research	338
9.3 Conclusions	368
Appendix	369
A.9.2.1 Proving Lemma 9.2.2	369
10 Trade Dynamics with Innovation and Monopolistic Competition	373
10.1 Comparative Advantage with Endogenous Technological Change	375
10.2 Intellectual Property Rights (IPRs) and Trade	381
10.3 Trade Costs and Trade Patterns	388
10.4 Growth and Innovation of a Small Open Country	391
10.5 Growth and Trade with Externalities	395
10.6 On Innovation and Monopolistic Competition	398
Appendix	399
A.10.1 Variety of Consumer Goods and Growth	399
A.10.2 The Schumpeterian Creative Destruction	403
A.10.3 Growth with Improvements in Quality of Products	407
11 Growth, Money and Trade	417
11.1 A Monetary Growth Model for a Small Open Economy	419
11.2 A Small Open-Country Economy with the MIUF Approach	421
11.3 A Small Open-Country Economy with the CIA Approach	429
11.4 A Multi-Country Growth Model with the MIUF Approach	438
11.5 A Heterogeneous Households Model with the CIA Approach	446
11.6 Global Economy with Money, Capital, and Knowledge	467
Appendix	470
A.11 A Monetary Growth Model of a Small Open Economy with the Ramsey Approach	470

12 Trade Patterns and Dynamics	475
References	483
Index	507