

## Syllabus

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**Course:** International Trade

**Professor:**

### 2016 FIRST SEMESTER

#### PROGRAM

The course will cover the main issues related to international trade. The initial part will include the main theories of international trade, which seek to explain why countries trade, what countries trade, who gains and who loses from trade, as well as empirical analyses of those theories. The later part of the course will address issues of current and ongoing concern, including firm heterogeneity, gains from trade and trade and labor markets.

There are three course requirements: (i) problem set(s) and paper presentation (40 points); (ii) a final empirical assignment based on one topic seen in class (40 points); (iii) participation in class discussions (20 points).

#### BIBLIOGRAPHY

Feenstra, R.C. *Advanced International Trade: Theory and Evidence*, Princeton University Press, 2004. (F)  
 - Helpman, E. and P. Krugman. *Market Structure and Foreign Trade*, MIT Press, 1985. (H&K)  
 - E. Helpman, K. Rogoff and G. Gopinath (eds.). *Handbook of International Economics v.4*, Elsevier: North Holland, 2014. (Hv4)

In the following list, the readings marked with a "\*" are the most likely to be covered in class.

#### COURSE OUTLINE AND READING LIST

##### I. Standard Trade Models

###### A. Factor Endowments

\* F, ch. 1, 2.

Romalis, J. "Factor Proportions and the Structure of Commodity Trade," *AER* 94: 67-97, 2004.

Trefler, D. "The Case of the Missing Trade and other HOV Mysteries," *AER* 85: 1029-1046, 1995.

###### B. Specific Factors

\* F, ch. 3.

Neary, J. "Short-Run Capital Specificity and the Pure Theory of International Trade," *EJ* 88: 488-510, 1978.

###### C. Technological Differences

\* F, ch. 1.

\* Eaton, J. and S. Kortum. "Technology, geography, and trade," *Econometrica* 70(5), 1741-1779, 2002.

R. Dornbusch, S. Fischer and P. Samuelson. "Comparative advantage, trade, and payments in a Ricardian model with a continuum of goods," AER 67: 823-839, 1977.

Eaton, J., S. Kortum and F. Kramarz. "An Anatomy of International Trade: Evidence from French Firms," Econometrica 79: 1453-1498, 2011.

Costinot, A., D. Donaldson and I. Komunjer. "What Goods Do Countries Trade? A Quantitative Exploration of Ricardo's Ideas," Review of Economic Studies 79(2): 581-608, 2012.

#### **D. Monopolistic Competition**

F, ch. 5.

**H&K**, Chapters 6-11.

Dixit, A. and J. Stiglitz. "Monopolistic Competition and Optimum Product Diversity," AER 67(3), 297-308, 1977.

\* Krugman, P. "Increasing returns, monopolistic competition, and international trade," Journal of International Economics 9(4), 469-479, 1979.

Krugman, P. "Scale Economies, Product Differentiation, and the Pattern of Trade," AER 70: 950-959, 1980.

#### **II. Firm Heterogeneity and Trade**

**Hv4 (ch. 1, 1-54)**: M. Melitz & S. Redding, "Heterogeneous Firms and Trade."

\* Bernard, A., S. Redding and P. Schott. "Firms in International Trade," Journal of Economic Perspectives, 21(3), 105-130, 2007.

\* Melitz, M. "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," Econometrica 1695-1725, 2003.

Mayer, T. and G. Ottaviano. "The Happy Few: the Internationalisation of European Firms – New facts based on firm-level evidence." Bruegel blueprint series, vol. 3, 2007.

Melitz, M. and G. Ottaviano. "Market Size, Trade, and Productivity," Review of Economic Studies, 75(1), 295-316, 2008.

Helpman, E., M. Melitz and S. Yeaple. "Export versus FDI with Heterogeneous Firms," AER 94, 300-316, 2004.

Bernard, A., S. Redding and P. Schott. "Comparative Advantage and Heterogeneous Firms," Review of Economic Studies 74: 31-66, 2007.

Chaney, T. "Distorted Gravity: The Intensive and Extensive Margins of International Trade," American Economic Review 98(4), 1707-1721, 2008.

Arkolakis, C. "Market Penetration Costs and the New Consumers Margin in International Trade," JPE 118(6): 1151-1199, 2010.

Trefler, D. "The Long and Short of the Canada-U.S. Free Trade Agreement", American Economic Review 94, 870-895, 2004.

#### **III. The Gravity Equation**

F, ch. 5.

\* **Hv4 (ch. 3, 131-195)**: K. Head and T. Mayer, "Gravity Equations: Workhorse, Toolkit, and Cookbook."

#### **IV. Gains from Trade**

F, pp.179-188

**Hv4** (ch. 4, 197-264): A. Costinot and A. Rodríguez-Clare, "Trade Theory with Numbers: Quantifying the Consequences of Globalization."

\* C. Arkolakis, A. Costinot and A. Rodríguez-Claré. "New Trade Model, Same Old Gains?" AER 94-130, 2012.

Donaldson, D. "Railroads of the Raj: Estimating the Impact of Transportation Infrastructure" AER, forthcoming.

Melitz, M. and S. Redding. "Firm Heterogeneity and Aggregate Welfare," NBER Working Paper No. 18919, 2013.

D. Bernhofen and J. Brown. "An Empirical Assessment of the Comparative Advantage Gains from Trade: Evidence from Japan," AER 95(1): 208-225, 2005.

## **V. Other Topics**

### **V.1. Trade and Labor Markets**

\*Helpman, Elhanan and Oleg Itskhoki & Stephen Redding. "Inequality and Unemployment in a Global Economy," *Econometrica*, Econometric Society, vol. 78(4), pages 1239-1283, 07, 2010.

\*Autor, David H. and David Dorn and Gordon H. Hanson. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," *American Economic Review*, American Economic Association, vol. 103(6), pages 2121-68, October, 2013.

Autor, David H. and David Dorn and Gordon H. Hanson and Jae Song. "Trade Adjustment: Worker-Level Evidence," *The Quarterly Journal of Economics*, Oxford University Press, vol. 129(4), pages 1799-1860, 2014. 2016

Costa, Francisco and Jason Garred and Joao Paulo Pessoa. "Winners and Losers from a Commodities-for-Manufactures Trade Boom," *Journal of International Economics* (forthcoming), 2016.

Pessoa, João Paulo. "International Competition and Labor Market Adjustment," mimeo, 2016.

### **V.2. Trade and Uncertainty**

\*Handley, Kyle and Nuno Limão. "Policy Uncertainty, Trade and Welfare: Theory and Evidence for China and the U.S," NBER Working Papers 19376, 2013.

Pierce, Justin R. and Peter K. Schott. "The Surprisingly Swift Decline of U.S. Manufacturing Employment," NBER Working Papers 18655, 2012.

### **V.3. Trade and Innovation**

\*Bloom, Nicholas and Mirko Draca and John Van Reenen. "Trade Induced Technical Change? The Impact of Chinese Imports on Innovation, IT and Productivity," *Review of Economic Studies*, Oxford University Press, vol. 83(1), pages 87-117, 2016.

## **GRADING**

Problem Sets: 30% of the final grade.

Final Assignment: 70% of the final grade.

## **PROFESSOR – EMAILS**

