A Course on International Trade

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Advanced Studies in International Economic Policy Research
August 2007
[Preliminary]

The premise for all policy work concerning international trade is an understanding of the causes and consequences of this trade. That is the focus of this course. We consider here not only the conventional exchange of goods, but also elements of international investment and migration.

The lectures will introduce the most important models of the international economy, from the classical models through the most recent, influential theoretical work. A primary emphasis in this course will be on theoretical underpinnings, although with a strong reference to recent empirical work that helps to make precise which models are most relevant.

Readings will be of four types. I will provide some handouts covering basic elements. The core of the course will be in the two to three required readings per lecture, indicated by *. There will be additional readings suggested for those who want to pursue a topic in greater depth. And I provide a number of reference books that you can use as background.

Reference Books for Background Reading

Avinash Dixit and Victor Norman, *Theory of International Trade*, Cambridge U. Pr. 1980.

Robert Feenstra, *Advanced International Trade*, Princeton University Pr., 2004.

Elhanan Helpman and Paul R. Krugman, *Market Structure and Foreign Trade*, MIT Press, 1985.

Masahisa Fujita, Paul R. Krugman, and Anthony Venables, *The Spatial Economy*, MIT PR. 1999.

Davis, Donald R., *Notes on Competitive Trade Theory*.

I. Basic Models

A. Ricardo and Specific Factors

* “Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods”, Dornbusch, Rudiger; Fischer, Stanley; Samuelson, Paul A.; *American Economic Review*, December 1977, v. 67, iss. 5, pp. 823-39

* “Technology, Geography, and Trade”, Eaton, Jonathan; Kortum, Samuel; *Econometrica*, September 2002, v. 70, iss. 5, pp. 1741-79

Corden, W. and P. Neary, “Booming Sectors and Deindustrialization in a Small Open Economy” *Economic Journal*, 92 1982.

B. Heckscher-Ohlin

* Davis, Donald R; Weinstein, David E, “The Factor Content of Trade,” National Bureau of Economic Research, Inc, NBER Working Papers: 8637, 2001, also in Choi, E.K. and James Harrigan, eds. Handbook of International Trade, Malden, MA: Blackwell, 2003.

* Trefler, Daniel, “The Case of the Missing Trade and Other Mysteries,” *American Economic Review*, vol. 85, no. 5, December 1995, pp. 1029-46.

* An Account of Global Factor Trade Davis, Donald R.; Weinstein, David E.; *American Economic Review*, December 2001, v. 91, iss. 5, pp. 1423-53

Elhanan Helpman and Paul R. Krugman, *Market Structure and Foreign Trade*, MIT Press, 1985, Chapter 1.

C. Monopolistic Competition

* Elhanan Helpman and Paul R. Krugman, *Market Structure and Foreign Trade*, MIT Press, 1985, Chapters 6-8.

* “Globalization and the Gains from Variety” Broda, Christian; Weinstein, David E.; *Quarterly Journal of Economics*, May 2006, v. 121, iss. 2, pp. 541-85

D. Economic Geography

* *The Spatial Economy: Cities, Regions, and International Trade*, Fujita, Masahisa; Krugman, Paul; Venables, Anthony J., 1999, pp. xiii, 367, Cambridge and London: MIT Press, Appendix to Chapter 3 plus Chapters 4,5, and 14.

* “Bones, Bombs, and Break Points: The Geography of Economic Activity”, Davis, Donald R.; Weinstein, David E.; *American Economic Review*, December 2002, v. 92, iss. 5, pp. 1269-89

Richard Baldwin, Philippe Martin, Frederic Robert-Nicoud, Gianmarco Ottaviano, Rikard Forslid, *Economic Geography and Public Policy*, Princeton U. Pr., 2005.

“Globalization and the Inequality of Nations,” Krugman, Paul R.; Venables, Anthony J.; *Quarterly Journal of Economics*, November 1995, v. 110, iss. 4, pp. 857-80

E. Firm Based Approach

* “The Impact of Trade on Intra-industry Reallocations and Aggregate Industry Productivity” Melitz, Marc J.; *Econometrica*, November 2003, v. 71, iss. 6, pp. 1695-1725

* “Comparative Advantage and Heterogeneous Firms” Bernard, Andrew B.; Redding, Stephen; Schott, Peter K., *Review of Economic Studies*, 74 (1): 31-66 JAN 2007

“Trade, Quality Upgrading and Wage Inequality in the Mexican Manufacturing Sector.” Eric Verhoogen, Columbia University Working Paper, Feb. 2007.

“Market Size, Trade, and Productivity”, Marc J. Melitz, Gianmarco I.P. Ottaviano, NBER Working Paper No. 11393, 2005

“Trade Costs, Firms and Productivity” Bernard, Andrew B.; Jensen, J. Bradford; Schott, Peter K.; *Journal of Monetary Economics*, July 2006, v. 53, iss. 5, pp. 917-37

“Exceptional Exporter Performance: Cause, Effect, or Both?” Bernard, Andrew B.; Jensen, J. Bradford; *Journal of International Economics*, February 1999, v. 47, iss. 1, pp. 1-25

II. Applications

A. Patterns and Volumes of Trade

Handout.

* “Zeros, Quality and Space: Trade Theory and Trade Evidence”, by Richard Baldwin and James Harrigan. *Working Paper*, 2007.

* “Trade Costs” Anderson, James E.; van Wincoop, Eric; *Journal of Economic Literature*, September 2004, v. 42, iss. 3, pp. 691-751

Anderson, James E; van Wincoop, Eric, “Gravity with Gravitas: A Solution to the Border Puzzle,” *American Economic Review*, vol. 93, no. 1, March 2003, pp. 170-92

B. Outsourcing/Trade in Intermediates

* “Trading Tasks: A Simple Theory of Offshoring” Grossman, Gene M.; Rossi-Hansberg, Esteban, 2006, *NBER Working Papers*: 12721

* “Offshoring in a Knowledge Economy”, Antras, Pol; Garicano, Luis; Rossi-Hansberg, Esteban; *Quarterly Journal of Economics*, February 2006, v. 121, iss. 1, pp. 31-77

“A Flat World, A Level Playing Field, a Small World After All, or None of the Above?” Edward Leamer, *Journal of Economic Literature*.

C. Multinationals

* “Export versus FDI with Heterogeneous Firms” Helpman, Elhanan; Melitz, Marc J.; Yeaple, Stephen R.; *American Economic Review*, March 2004, v. 94, iss. 1, pp. 300-316

* “Global Sourcing” Antras, Pol; Helpman, Elhanan; *Journal of Political Economy*, June 2004, v. 112, iss. 3, pp. 552-80

“Trade, FDI, and the Organization of Firms” Helpman, Elhanan; *Journal of Economic Literature*, September 2006, v. 44, iss. 3, pp. 589-630.

Elhanan Helpman and Paul R. Krugman, *Market Structure and Foreign Trade*, MIT Press, 1985, Chapters 12-13.

James R. Markusen, *Multinational Firms and the Theory of International Trade*, MIT Pr. 2002.

D. Factor Markets and Trade

* “A Simple Model of Firm Heterogeneity, International Trade, and Wages” Yeaple, Stephen Ross; *Journal of International Economics*, January 2005, v. 65, iss. 1, pp. 1-20

* “Good Jobs, Bad Jobs, and Trade Liberalization”, Donald R. Davis and James Harrigan, Working Paper, Columbia University, (2007).

Davis, Donald R. “Does European Unemployment Prop Up American Wages?” *American Economic Review*, vol. 88, no. 3, June 1998, pp. 478-94.

The Theory of International Trade and Unemployment, Paul Oslington, Edward Elgar, 2006.

E. Immigration

* Davis, Donald R; Weinstein, David E, "Technological Superiority and the Losses from Migration," NBER Working Papers: 8971, 2002

* Lant Pritchett, "Boom Towns and Ghost Countries: Geography and Population Mobility" *Brookings Trade Forum 2006*.

Hendricks, Lutz, "How Important Is Human Capital for Development? Evidence from Immigrant Earnings," *American Economic Review*, vol. 92, no. 1, March 2002, pp. 198-219

Hatton, T. and Williamson, J., *The Age of Mass Migration*, U. of Chicago Pr. 1998.

Let Their People Come: Breaking the Gridlock on Global Labor Mobility, Lant Pritchett, Center for Global Development, 2006.