

INTERNATIONAL TRADE

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September 2010

The aim of the course is to take students to the frontier of theoretical research in international trade. The focus is on the firm-level approach originated from “new trade theory”. Part 1 introduces the *fundamental trade model* with monopolistic competition. The following three parts show how the research based on that model has evolved in recent years. Three main lines of research are presented: “*new economic geography*”, *firm selection with heterogeneity* and *firm organization with incomplete contracts*.

Compulsory readings are labeled by **.

PROGRAM

1. Trade models with imperfect competition: oligopoly and monopolistic competition

Brander, J. and P. Krugman (1983) A ‘reciprocal dumping’ model of international trade, *Journal of International Economics* 15, 313-321.

Helpman, E. and P. Krugman (1985) *Market Structure and Foreign Trade* (Cambridge (Mass.): MIT Press), Chapters 5-10.

Krugman, P. (1980) Scale economies, product differentiation and the pattern of trade, *American Economic Review* 70, 950-959.**

Krugman, P. (1995) Growing world trade: causes and consequences, *Brookings Papers on Economic Activity* 1, 327-362.**

Grossman G. and E. Helpman (1991) *Innovation and Growth in the Global Economy* (Cambridge (Mass.): MIT Press), Chapters 3**, 8.

2. Inter-industry effects of trade: “home market effect” and agglomeration

Baldwin, R.E., Forslid R., Martin P., Ottaviano G.I.P. and F. Robert-Nicoud (2003) *Economic Geography and Public Policy*, (Princeton: Princeton University Press), Chapter 2**, 3**, 5, 8.

Behrens, K., A. Lamorgese, G.I.P. Ottaviano and T. Tabuchi (2009) Beyond the home market effect: Market size and specialization in a multi-country world, *Journal of International Economics* 79, 259-265.

Krugman, P. (1991) Increasing returns and economic geography, *Journal of Political Economy* 99, 483-499.**

Krugman P. and A. Venables (1995) Globalization and the inequality of nations, *Quarterly Journal of Economics* 110, 857-880.**

Ottaviano, G.I.P., T. Tabuchi and J.-F. Thisse (2002) Agglomeration and Trade Revisited, *International Economic Review* 43, 409-436.

3. Intra-industry effects of trade: firm turnover and selection

Bernard, A. and B. Jensen (1999) Exceptional exporter performance: cause, effect, or both?, *Journal of International Economics* 47, 1-25.

Bernard, A., J. Eaton, J. Jensen and S. Kortum (2003) Plant productivity in international trade, *American Economic Review* 93, 1268-1290.

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

Melitz, M. (2003) The impact of trade on intra-industry reallocations and aggregate industry productivity, *Econometrica* 71, 1695-1726.**

Melitz, M. and G. Ottaviano (2005) Market size, trade, and productivity, *Review of Economic Studies*, 2008, Vol. 75, 295-316.**

Tybout, J. (2002) Plant and firm-level evidence on new trade theories. In *Handbook of International Economics*, J. Harrigan (ed.), Vol. 38, Basil-Blackwell.**

4. Intra-firm effects of trade: restructuring and outsourcing

- Antras, P. (2003) Firms, contracts, and trade structure, *Quarterly Journal of Economics* 118, 1375-1418.
- Antras, P. and E. Helpman (2004) Global Sourcing, *Journal of Political Economy* 112, 552-580.**
- Feenstra, R. (1998) Integration of trade and disintegration of production in the global economy, *Journal of Economic Perspectives* 12, 31-50.**
- Grossman, G. and E. Helpman (2002) Integration vs. outsourcing in industry equilibrium, *Quarterly Journal of Economics* 117, 85-120.**
- Hummels, D., J. Ishii, and K.-M. Yi (2001) The nature and growth of vertical specialization in world trade, *Journal of International Economics* 54, 75-96.
- Marin, D. and T. Verdier (2003) Globalization and the new enterprise, *Journal of the European Economic Association* 1, 337-344.