

Topics in Applied Microeconomics: Core Models in International Trade
Spring 2016

Thursdays 3.05pm to 5.35pm
Social Sciences 327

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Office Hours: By Appointment

Objective

The objective of this module is to learn the core models in international trade. The following module (Advanced Topics in International Trade) aims to present students with the research that is being done at the frontier of international trade.

Requirements

- (1) Turning in short summaries (less than one page) of selected papers before the class.
- (2) Active participation is essential and is required.
- (3) There will be three problem sets throughout the course.

The final grade will consist of class participation (20%), problem sets (80%).

Textbooks

The course will mostly rely on research papers, but many of the course readings come from Robert Feenstra's *Advanced International Trade* (Princeton University Press). Other recommended books if you intend to conduct research in international trade are:

Helpman and Krugman (1985) "Market Structure and Foreign Trade," MIT Press
Dixit and Norman (1980) "Theory of International Trade," Cambridge Economic Handbooks

If this is the first time you are taking an international trade course, I highly recommend the following books in order to become acquainted with the main issues in the debate surrounding international trade topics.

McLaren, J. (2012) "International Trade," Wiley
Roberts, R. (2006) "The Choice: A Fable of Free Trade and Protection," Prentice Hall
Irwin, D. (2009) "Free Trade Under Fire," Princeton University Press

Topic 1: The Ricardian Model (Technological Differences)

Required:

Feenstra, Chapter 1

Dornbusch, R.; Fischer, S.; and Samuelson, P. (1977) "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods," *American Economic Review*.

Eaton, J. and Kortum, S. (2002) "Technology, Geography and Trade," *Econometrica*.

Recommended:

Alvarez, F. and Lucas, R. (2007) "General equilibrium analysis of the Eaton–Kortum model of international trade," *Journal of Monetary Economics*

Caliendo, L. and Parro, F. (2011) "Estimates of the Trade and Welfare Effects of NAFTA," Working Paper

Costinot, A. and Donaldson, D. (2011) "How Large Are the Gains from Economic Integration? Theory and Evidence from U.S. Agriculture, 1880-2002," Working Paper.

Dekle, R.; Eaton, J. and Kortum, S. (2007) "Unbalanced Trade," *American Economic Review Papers and Proceedings*

Eaton, J. and Kortum, S. (2012) "Putting Ricardo to Work," *Journal of Economic Perspectives*

Topic 2: The Heckscher-Ohlin Model (Factor Endowment Differences)

Required:

Feenstra, Chapters 1 and 2

Helpman and Krugman, Chapter 1

Leamer, E. and Levinsohn, J. (1995) "International trade theory: The evidence," *Handbook of International Economics* Vol. 3

Recommended:

Dornbusch, Fischer and Samuelson (1980) "Heckscher-Ohlin Trade Theory with a Continuum of Goods," Quarterly Journal of Economics

Schott, P. (2003) "One Size Fits All? Heckscher-Ohlin Specialization in Global Production", American Economic Review

Trefler, D. (1993) "International Factor Price Differences: Leontief was Right!," Journal of Political Economy

Trefler, D. (1995) "The Case of the Missing Trade and Other Mysteries," American Economic Review

Topic 3: Increasing Returns, Intra-Industry Trade and Heterogeneous Firms

Required:

Feenstra, Chapter 5

Krugman, P. (1979) "Increasing Returns, Monopolistic Competition, and International Trade," Journal of International Economics.

Krugman, P. (1980) "Scale Economies, Product Differentiation, and the Pattern of Trade," American Economic Review

Bernard, Jensen, Redding and Schott (2007) "Firms in International Trade," Journal of Economic Perspectives.

Melitz, M. (2003) "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," Econometrica

Melitz, M. and Ottaviano, G. (2008) "Market Size, Trade, and Productivity," Review of Economic Studies

Bernard, A.; Eaton, J.; Jensen, B. and Kortum, S. (2003) "Plants and Productivity in International Trade," American Economic Review.

Recommended:

Bernard, Redding and Schott (2007) "Comparative Advantage and Heterogeneous Firms," Review of Economic Studies.

Eaton, J.; Kortum, S. and Kramarz, F. (2011) "An Anatomy of International Trade: Evidence from French Firms," Econometrica

Melitz, M. and Redding, S. (2014) “Heterogeneous Firms and Trade,” Handbook of International Economics Vol. 4

Topic 4: The Gravity Equation

Required:

Feenstra, Chapter 5

Anderson, J., and van Wincoop, E. (2003) “Gravity with Gravitas: A Solution to the Border Puzzle,” American Economic Review

Head, K. and Mayer, T. (2014) “Gravity Equations: Workhorse, Toolkit, and Cookbook,” Handbook of International Economics Vol. 4

Helpman, E., Melitz, M. and Rubinstein, Y. (2008) “Estimating Trade Flows: Trading Partners and Trading Volumes,” Quarterly Journal of Economics.

Recommended:

Anderson, J. (1979) “A Theoretical Foundation for the Gravity Equation,” American Economic Review

Chaney, T. (2008) “Distorted Gravity: the Intensive and Extensive Margins of International Trade,” American Economic Review