

International Trade

The objective of this course is to study how international trade affects the workings of national economies. The grade is based on a final exam. There is no formal textbook for the course, but we shall cover a lot of the material in this classic monograph:

Helpman, E. and P.R. Krugman, Market Structure and Foreign Trade, MIT Press, Cambridge, 1985. (HK)

All readings below are required.

1. Factor Trade and Factor Prices

The factor proportions theory. Factor-price equalization and the Heckscher-Ohlin-Vanek equations. Factor content studies. The Rybczynski and Stolper-Samuelson theorems with applications.

HK, Chapters 1-3.

Bowen H., E. Leamer and L. Sveikauskas, "Multicountry, Multifactor Tests of the Factor Abundance Theory," *American Economic Review*, 1987.

Trefler, D., "International Factor Prices: Leontief Was Right!," *Journal of Political Economy*, 1993.

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

Davis, D.R. and D.E. Weinstein, "An Account of Global Factor Trade," *American Economic Review*, 1995.

Davis, D.R., "Does Unemployment in Europe Prop up American Wages? National Labor Markets and Global Trade," *American Economic Review*, 1998.

Acemoglu, D., "Patterns of Skill Premia," *Review of Economic Studies*, forthcoming.

2. Explaining Trade Patterns

The volume, composition and direction of trade flows. Imperfect competition and increasing returns. Cross-country differences in technology. Borders and trade.

HK, chapters 6-11.

Helpman, E., "Imperfect Competition and International Trade: Evidence from Fourteen Industrial Countries," *Journal of the Japanese and International Economies*, 1987.

Hummels, D. and J. Levinsohn, "Monopolistic Competition and International Trade: Reconsidering the Evidence," *Quarterly Journal of Economics*, 1995.

Baier, S.L. and J.H. Bergstrand, "The Growth of World Trade: Tariffs, Transport Costs and Income Similarity," *Journal of International Economics*, 2001.

Romalis, J., "Factor Proportions and Commodity Trade," mimeo, MIT, 2000.

Epifani, P. and G. Gancia, "The Skill Bias of World Trade," mimeo, IIES and MIT, 2002.

Deardorff, A. V., "Determinants of Bilateral Trade: Does Gravity Work in a Neoclassical World?" in J. Frankel ed. The Regionalization of the World Economy, University of Chicago Press, 1997.

Davis, D.R., "Intraindustry Trade: A Heckscher-Ohlin-Ricardo Approach," *Journal of International Economics*, 1995.

Davis, D.R., "Critical Evidence on Comparative Advantage? North-North Trade in a Multilateral World," *Journal of Political Economy*, 1997.

Harrigan, J., "Technology, Factor Supplies, and International Specialization: Estimating the Neoclassical Model," *American Economic Review*, 1997.

McCallum, J., "National Borders Matter: Canada-U.S. Regional Trade Patterns," *American Economic Review*, 1995.

Anderson, J.E. and E. van Wincoop, "Gravity with Gravitas: A Solution to the Border Puzzle," NBER W8079, 2001.

3. Topics

3.1. Multinational Firms and the Product Cycle

Vertical specialization, intrafirm trade and outsourcing. Alternative theories of the multinational firm. The product cycle.

Feenstra, R. C. "Integration of Trade and Disintegration of Production in the Global Economy," *Journal of Economic Perspectives*, 1998.

HK, chapters 12-13.

Markusen, J. R. "The Boundaries of Multinational Enterprises and the Theory of International Trade," *Journal of Economic Perspectives*, 1995.

Grossman, G. and E. Helpman, "Outsourcing vs. FDI in Industry Equilibrium," NBER W9300, 2002.

Antràs, P., "Firms, Contracts and Trade Structure," *Quarterly Journal of Economics*, forthcoming.

Krugman, P.R., "A Model of Innovation, Technology Transfer, and the World Distribution of Income," *Journal of Political Economy*, 1979.

Grossman, G.M. and E. Helpman, "Endogenous Product Cycles," *Economic Journal*, 1991.

Antràs, P., "Incomplete Contracts and the Product Cycle," mimeo, MIT, 2003.

3.2. Models of the World Income Distribution

The historical evolution of the world income distribution. World equilibrium models of why some countries are richer than others, with special emphasis on the role of commodity trade and factor movements.

Pritchett, L., "Divergence, Big Time," *Journal of Economic Perspectives*, 1997.

Jones, C.I., "On the Evolution of the World Income Distribution," *Journal of Economic Perspectives*, 1997.

Caselli, F., "The Missing Input: Accounting for Cross-Country Income Differences," mimeo, Harvard University, 2003.

Ventura, J., "A Global View of Economic Growth," mimeo, CREI-UPF, 2003.

3.3. International Trade Agreements

A brief history of trade policy. The rationale for a world trade organization. Custom unions, free-trade areas and the Kemp-Wan theorem. Will preferential trade agreements undermine or promote the multilateral trading system?

Irwin, D., "Multilateral and Bilateral Trade Policies in the World Trading System: An Historical Perspective," in De Melo, J. and A. Panagariya eds. New Dimensions in Regional Integration, Cambridge University Press, 1993.

Jackson, J. H., The World Trading System, MIT Press, 1997. Chapters 2, 4 and 6.

Bagwell, K. and R.W. Staiger, "Gatt-Think," mimeo, Columbia University and University of Wisconsin, 2000.

Panagariya, A., "Preferential Trade Liberalization: The Traditional Theory and New Developments," *Journal of Economic Literature*, 2000.