

Graduate International Trade Theory

Wednesday 9:00-12:00
CCER Small Classroom

Course Description

This course will cover the causes and consequences of international trade, including the determinants of the trade pattern, increasing returns, gains from trade, trade policy, the role of multinational corporations, and the relationship between trade and growth.

Contact Information

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Course Prerequisites

Prerequisites for this course are advanced microeconomics (I and II) or equivalent. For those who didn't take such courses but have strong interest in international trade could contact me directly before registration.

Required Textbook:

Feenstra, Robert C., *Advanced International Trade: Theory and Evidence*, 2003, Princeton University Press.

Recommended Books:

These books are not required but very helpful for future research. Those intending to do research in this field may want to have them in their personal libraries.

- Dixit, Avinash and Victor Norman, *Theory of International Trade*, Cambridge, 1980
- Feenstra, Robert, *Product Variety and the Gains from International Trade*, MIT 2010
- Feenstra, Robert, *Offshoring in the Global Economy*, MIT 2010
- Feenstra, Robert and Wei, Shang-jin, *China's Growing Role in World Trade*, University of Chicago Press, 2011.
- Grossman & Rogoff, *Handbook of International Economics*, Vol. 3, 2002.

- Bagwell & Staiger, *The Economics of the World Trading System*, 2002.
- Eaton & Kortum, *Technology in the Global Economy: A Framework for Quantitative Analysis*
- Grossman & Helpman, *Innovation and Growth in the Global Economy*, 1991, MIT press
- Gopinath, Helpman, and Rogoff, *Handbook of International Economics*, Vol. 4, 2014.

Course Grading:

Presentation	TBA	10%
Homework	TBA	10%
Literature Review	TBA	10%
Final Exam/Term Paper	TBA	70%

Course Outline:

This is tentative and subject to change. Check back at <http://mju.ccer.edu.cn> for periodic updates and direct links to papers. Please read the assigned readings before the lecture. Lectures will follow Feenstra's book quite closely. Papers list here are highly recommended but not required.

1. Ricardian Trade Theory

- ✧ Dornbusch, R., S. Fischer and P.A. Samuelson (1977), "Comparative advantage, trade and payments in a Ricardian model with a continuum of goods", *American Economic Review*, 1977, 823-39.
- ✧ Eaton, J. and S. Kortum (2002), "Technology, Geography, and Trade", *Econometrica*, 70(5), 1741-1779.
- ✧ Bernard Andrew, Jonathan Eaton, and J. Bradford Jenson, Sam Kortum, "[Plants and Productivity in International Trade](#)" *American Economic Review*, 93(4), 2003, 1268-1290.
- ✧ Eaton, J., S. Kortum, and Francis Kramarz (2011), "An Anatomy of International Trade," *Econometrica Vol. 79, No. 5 (September, 2011)*, 1453-1498.
- ✧ Costinot, Arnaud (2009), "An Elementary Theory of Comparative Advantage," *Econometrica*, 77(4), pp. 1165-1192.

2. The Heckscher-Ohlin Model

- ✧ Feenstra, Chapter 1 & 2
 - "Higher Dimensional Issues in Trade Theory", in Jones and Kenen, 1984.
 - Leamer, E.E., "The Leontief Paradox, Reconsidered", *Journal of Political Economy*, 1980, 88(3) 495-503.
 - Trefler, D., "International Factor Price Differences: Leontief was Right!" *Journal of Political Economy*, December, 1993, 101(6), 961-87.
 - Trefler, D., "The Case of the Missing Trade and Other Mysteries", *American Economic Review*, December 1995, 85(5), 1029-46.
 - Helpman, E. "The Structure of Foreign Trade," *Journal of Economic Perspectives*, Spring 1999, 13(2), 121-44.
 - Davis, D.R. and D.W. Weinstein, "An Account of Global Factor Trade," *American Economic Review*, December 2001, 91(5), 1423-53.

3. The Gravity Equation

- ✧ Feenstra, Chapter 5
- Anderson, James and van Wincoop, Eric (2003), "Gravity with Gravitas: A Solution to the Border Puzzle," *American Economic Review* 93(1), pp. 170-192.
- Baier, Scott L. and Bergstrand, Jeffrey H.(2001), "The Growth of World Trade: Tariffs, Transport Costs, and Income Similarity," *Journal of International Economics* 53, pp. 1-27.
- Rose, Andrew K. (2004), "Do We Really Know That the WTO Increases Trade?" *American Economic Review* 94(1), pp. 98-114.
- ✧ Arkolakis Costas & Arnaud Costinot & Andres Rodriguez-Clare (2012), "[New Trade Models, Same Old Gains?](#)," *American Economic Review*, American Economic Association, vol. 102(1), pages 94-130, February.
- ✧ Chaney: Distorted Gravity: the Intensive and Extensive Margins of International Trade, AER, 2008.
- ✧ Head, Keath and Thierry Mayer, 2013, "Gravity Equations: Workhorse, Toolkit, and Cookbook," In *Handbook of International Economics*, 4th ed. (Preliminary Draft).

4. Trade in Intermediate Inputs and Wages

- ✧ Feenstra, Chapter 4
- ✧ Feenstra, R.C. and Hanson, G.H., "The Impact of Outsourcing and High-Technology Capital on Wages: Estimates for the United States, 1979-1990," *Quarterly Journal of Economics*, August 1999, 114(3), 907-40.
- ✧ Verhoogen, Eric (2008), "Trade, Quality Upgrading and Wage Inequality in the Mexican Manufacturing Sector." *Quarterly Journal of Economics*, vol. 123, no. 2, pp. 489-530.
- Chen Bo, Miaojie Yu, and Zhihao Yu (2013), "Wage Inequality and Input Trade Liberalization: Firm-Level Evidence from China," mimeo, Peking University.
- Grossman Gene and Esteban Rossi-Hansberg (2008), "A Simple Theory of Offshoring," *American Economic Review* 98, pp. 1978-97.
- Halpern, Laszlo, Miklos Koren, Adam Szeidl, "Imported Inputs and Productivity," *American Economic Review*, R&R
- Pinelop Goldberg, Amit Khandelewal, Ninar Pavcnik, and Petia Topalova (2010), "Imported Intermediate Inputs and Domestic Product Growth: Evidence from India," *Quarterly Journal of Economics*, 125(4), 1727-1767
- Yi, K. 2003. "Can Vertical Specialization Explain the Growth of World Trade?" *Journal of Political Economy*, 111, 52-100.

5. Increasing Returns to Scale and Firm Heterogeneity

- ✧ Feenstra, Chapter 5
- ✧ Melitz, Marc and Stephen Redding, "Heterogeneous Firms and Trade," In *Handbook of International Economics*, 4th ed. (Preliminary Draft).
- Helpman and Krugman, 1985, Chapters 3-4.
- Krugman, P.R. (1980), "Scale Economics, Product Differentiation, and the Pattern of Trade", *American Economic Review*, 1980. 70(5): p. 950-959.
- Krugman, P.R. (1981), Intraindustry Specialization and the Gains from Trade. *Journal of Political Economy*, pp. 959-973.
- Krugman, P.R. and A. Venables, "Globalization and the Inequality of Nations", *Quarterly Journal of Economics*, November 1995, CX(4), 857-80.
- Gordon Hanson and Xiang Chong (2004), "The Home Market Effect and Bilateral

- Trade Patterns," *American Economic Review*, 94: 1108-1129.
- Fajgelbaum Pablo, Grossman Gene, Elhanan Helpman, "[Income Distribution, Product Quality, and International Trade](#)", *Journal of Political Economy*, vol. 119 (August 2011)
 - ✧ Melitz, M.J., "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica*, 2003, 1695-1725
 - ✧ Feenstra, Robert (2010), "Measuring the Gains from Trade under Monopolistic Competition," *Canadian Journal of Economics*, 43(1), pp. 1-28.
 - Bernard, Andrew, Redding Stephen, and Peter Schott (2007), "Comparative Advantage and Heterogeneous Firms," *Review of Economic Studies*, 74, pp 31-66.
 - Melitz, Marc and Gianmarco Ottaviano (2008), "Market Size, Trade, and Productivity," *Review of Economics and Studies*, 75(1), 295-316.
 - Bernard, A.B., et al., Firms in International Trade. *Journal of Economic Perspectives*, 2007. 21: p. 105-130.
 - Bernard, A.B., et al., The Empirics of Firm Heterogeneity and International Trade. 2011.
 - Bernard, Andrew, and Stephen Redding, and Peter Schott (2004), "Comparative Advantage and Heterogeneous Firms", NBER Working Paper 10668.
 - Verhoogen, Eric and Maurice Kugler, "Prices, Plant Size, and Product Quality." Forthcoming, *Review of Economic Studies*.
 - Amit Khandelewal (2010), "The Long and Short (of) Quality Ladders," *Review of Economic Studies*, 77(4), 1450-1476.

6. Trade and Credit Constraints

- ✧ Feenstra, Robert, Zhiyuan Li and Miaojie Yu (2013), "Export and Credit Constraint under Private Information: Theory and Application to China," *Review of Economics and Statistics*, forthcoming.
- Channey, Thomas (2005), "Liquidity Constrained Exporters", mimeo, University of Chicago.
- Manova, Kalina (2013), "Credit Constraints, Heterogeneous Firms and International Trade," *Review of Economic Studies* 80, p.711-744.
- Amiti, Mary and David Weinstein (2011), "Exports and Financial Shocks", *Quarterly Journal of Economics*, 126 (4), 1841-1877.

7. Multiple Products and Firm Heterogeneity

- Baldwin, J. and W. Gu (2009), "The impact of trade on plant scale, production-run length and diversification", in *Producer Dynamics: New Evidence from Micro Data*, ed. T. Dunne, J. B. Jensen and M. J. Roberts, University of Chicago Press.
- Bernard, Andrew, Bradford Jensen, and Peter Scott (2009), "Importers, Exporters, and Multinationals: A Portrait of Firms in the U.S. that Trade Goods," in *Producer Dynamics: New Evidence from Micro Data*, edited by Timothy Dunne, Bradford Jensen, and Mark Roberts, University of Chicago Press.
- ✧ Bernard, Andrew, Stephen J. Redding, and Peter K. Schott (2010), "Multiple-Product Firms and Product Switching," *American Economic Review*, 100(1), pp. 70-97.
- ✧ Bernard, Andrew, Stephen J. Redding, and Peter K. Schott (2011), "Multiple-Product Firms and Trade Liberalization," *Quarterly Journal of Economics*, 126(1), pp. 70-97.
- ✧ Caliendo Lorenzo and Esteban Rossi-Hansberg (2012), "The Impact of Trade on Organization and Productivity," *Quarterly Journal of Economics*, 27(3), 1393-1464.
- Feenstra, Robert and Hong Ma (2008), "Optimal choice of product scope for multiproduct firms", in *The Organization of Firms in a Global Economy*, ed. E.

- Helpman, D. Marin and T. Verdier, Harvard University Press.
- Qiu, D. Larry and Wen Zhou (2013), "Multiproduct Firms and Scope Adjustment in Globalization," *Journal of International Economics*, forthcoming.
- Qiu, D. Larry and Miaojie Yu (2014), "Managerial Efficiency and Firm Export Decision" mimeo, Peking University.
- Melitz, Marc, Thierry Mayer, and Gianmarco IP Ottaviano (2013), "Market Size, Competition, and the Product Mix of Exporters," mimeo.

8. Empirical Evidence from Firm and Plant Data

- ✧ Bernard, Andrew B, Redding, Stephen J and Schott, Peter K (2007) "Firms in International Trade," *Journal of Economic Perspectives*, 21(3), 105–130.
- ✧ Lileeva Alla and Daniuel Trefler (2010), "Improved Access to Foreign Markets Raises Plant-Level Productivity ... for Some Plants," *Quarterly Journal of Economics*, 125(3) (August 2010):1051-1099.
- ✧ Melitz, Marc J., and Daniel Trefler. 2012. "Gains from Trade When Firms Matter." *Journal of Economic Perspectives*, 26(2): 91-118.
- ✧ Melitz, Marc J., and Stephen Redding, 2012, "Heterogeneous Firms and Trade", *Handbook of International Economics (IV)*
- Pavcnik, Nina (2002) "Trade Liberalization, Exit, and Productivity Improvement: Evidence from Chilean Plants," *Review of Economic Studies*, 69(1), 245-76.
- Trefler, Daniel (2004) "The Long and Short of the Canada-U.S. Free Trade Agreement", *American Economic Review*, 94, 870-895.
- Amit Khandelewal and J. Ahn, and Wei, Shang-jin (2011), "The Role of Intermediary Firms in Facilitating Trade," *Journal of International Economics*, 84(1), 73-85.
- Verhoogen, Eric and Maurice Kugler (2009), "Plants and Imported Inputs: New Facts and an Interpretation." *American Economic Review Papers and Proceedings*, 99 (2), pp. 501-507.

8. Trade Liberalization and Firm Productivity

- ✧ Feenstra, Chapter 7, 8
- Pavcnik, Nina (2002), "Trade Liberalization, Exit, and Productivity Improvements: Evidence from Chilean Plants," *Review of Economic Studies*, pp. 245-276.
- Amity, Mary, and Jozef Konings (2007), "Trade Liberalization, Intermediate Inputs, and Productivity: Evidence from Indonesia," *American Economic Review* 93, pp. 1611-1638.
- Amit Khandelewal and Petia Topalova (2010), "Trade Liberalization and Firm Productivity: The Case of India," *Review of Economics and Statistics*, 93(3), 995-1009, 2011.
- Olley, Steven and Ariel Pakes (1996), "The Dynamics of Productivity in the Telecommunications Equipment Industry," *Econometrica* 64(6), pp. 1263-1297.
- Blundell, Richard and Stephen Bond (1998), "Initial Conditions and Moment Restrictions in Dynamic Panel Data Models," *Journal of Econometrics* 87, pp. 11-143.
- Levinsohn, James and Amil Petrin (2003), "Estimating Production Functions Using Inputs to Control for Unobservable," *Review of Economic Studies* 70(2), pp. 317-341.
- Bustos, Paula (2011), "Trade Liberalization, Exports and Technology Upgrading: Evidence on the Impact of MERCOSUR on Argentinean Firms," *American Economic Review*, 101(1), pp. 304-340.
- ✧ Yu, Miaojie (2013), "Processing Trade, Tariff Reductions, and Firm Productivity: Evidence from Chinese Firms", *Economic Journal*, forthcoming.

- ✧ Melitz, Marc, and Saso Polanec (2012), "[Dynamic Olley-Pakes Productivity Decomposition with Entry and Exit](#)," Mimeo, Harvard University.

9. International Political Economy

- ✧ Feenstra, Chapter 9
- ✧ Grossman, G.M. and E. Helpman, "Protection for Sale," *American Economic Review*, September 1994, 84(4), 833-50.
- Grossman, G.M. and E. Helpman, "The Politics of Free Trade Agreements," *American Economic Review*, September 1995, 84(4), 667-90.
- Koujianou Goldberg, P. and G. Maggi, "Protection for Sale: An Empirical Investigation," *American Economic Review* 89(5): 1135-55, December 1999.
- Brestetter, Lee and Robert Feenstra (2002), "Trade and Foreign Direct Investment in China: A Political Economy Approach," *Journal of International Economics* 53: 53-79.
- Yu, Miaojie (2009), "Trade Protectionism and Electoral Outcome," *CATO Journal*, vol. 29(3), pp. 523-557.
- Yu, Miaojie (2010), "Trade, Democracy, and the Gravity Equation," *Journal of Development Economics*, 91(2), pp. 289-300
- Kyle Bagwell and Robert Staiger (2011), What Do Trade Negotiators Negotiate About? Empirical Evidence from the World Trade Organization, *American Economic Review*, 101(June), pp. 1238-1273.
- Giovanni Maggi and Robert Staiger (2011), The Role of Dispute Settlement Procedures in International Trade Agreements, *Quarterly Journal of Economics*, pp. 475-515.
- Antras, Pol and Robert Staiger (2012), Offshoring and the Role of Trade Agreements, *American Economic Review*, forthcoming.
- Bown Chad and Meredith Crowley (2013), "Self-Enforcing Trade Agreements: Evidence from Time-Varying Trade Policy," *American Economic Review*, 103(2): 1071–1090.
- Bown Chad and Meredith Crowley (2007), "Trade Deflection and Trade Depression," *Journal of International Economics*, 72, pp. 176-201.
- Khandewal, Amit, Peter K. Schott, and Shang-Jin, Wei (2013), "Trade Liberalization and Embedded Institutional Reform: Evidence from Chinese Exporters," *American Economic Review*, forthcoming

10. Trade and Endogenous Growth

- ✧ Feenstra, Chapter 10
- Brezis, E., P.R. Krugman and D. Tsiddon, "Leapfrogging in International Competition", *American Economic Review*, December 1993, 83(5), 1211-19.
- Bayoumi, Tamim, Coe, David T. and Helpman, Elhanan, "R&D Spillovers and Global Growth", *Journal of International Economics*, April 1999, 47(2), 399-428.
- Hsieh, Chang-Tai, and Peter Klenow (2009), "Misallocation and Manufacturing TFP in China and India," *Quarterly Journal of Economics*, August 2009, 124(4), 1403-48.
- De Loecker, Jan (2010), "Product Differentiation, Multi-product Firms and Estimating the Impact of Trade Liberalization on Productivity," *Econometrica*,

11. Trade and Environment

- ✧ Copeland Brian and M. Scott Taylor (1994), "North-South Trade and the Environment", *Quarterly Journal of Economics*, 755-787.

- Copeland Brian and M. Scott Taylor (1995), “Trade and Transboundary Pollution”, *American Economic Review*, 716-737
- Copeland Brian and M. Scott Taylor (2009), “Trade, Tragedy, and the Commons,” *American Economic Review*, 725-749

12. Index Number and Imported Variety

- ✧ Feenstra, Robert (1994), “New Product Varieties and the Measurement of International Prices,” *American Economic Review* 84(1), 157-77.
- ✧ Broda, Christian and David Weinstein (2006), “Globalization and the Gains from Variety,” *Quarterly Journal of Economics*, 121(2), 541-85.
- ✧ Feenstra, Robert and David Weinstein (2010), “Globalization, Competition, and the U.S. Price Level,” NBER Working Paper 15749, Cambridge, MA.
- ✧ Feenstra & Romalis (2014), QJE

13. Firms, Contracts and Trade

- Antras, Pol (2004), *Advanced Topics in International Trade: Firms and International Trade*, Harvard University.
- Antras, Pol (2003) "Firms, Contracts and Trade Structure", *Quarterly Journal of Economics*, 118, 1375-418.
- Antras, Pol and Helpman, Elhanan (2004) "Global Sourcing," *Journal of Political Economy*, Vol. 112, No. 3, June 2004, pp. 552-580.
- Feenstra Robert and Gordon Hanson (2005), "Ownership and Control in Outsourcing to China: Estimating the Property Rights Theory of the Firm," *Quarterly Journal of Economics*, 120(2): 729-762.
- Nunn, Nathan and Dan Trefler (2008) “The Boundaries of the Multinational Firm: An Empirical Analysis,” in E. Helpman, D. Marin, and T. Verdier (eds.), *The Organization of Firms in a Global Economy*, Harvard University Press: Cambridge MA.

14. Trade and Labor Market Frictions

- Davidson, Carl, Lawrence Martin and Steven Matusz (1988) “The Structure of Simple General Equilibrium Models with Frictional Unemployment,” *Journal of Political Economy*, 96, 1267-1293.
- Helpman, Elhanan and Oleg Itskhoki (2007) “Labor Market Rigidities, Trade and Unemployment,” *NBER Working Paper*, 13365.
- Jose Luis Groizard, Priya Ranjan, and Jose Antonio Rodriguez-Lopez, “Offshoring and Job Flows”, mimeo, UC-Irvine
- Autor, David, David Dorn, and Gordon Hanson (2013), “The China Syndrome: The Impact of Import Competition on US Labor Markets.” *American Economic Review*,