

261A Winter 2011

Room SSPA 3132

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Theory of International Trade

The grade for this course will be based on occasional problem sets, a referee report, and a term paper.

The main references for this course is going to be

Robert Feenstra, *Advanced International Trade: Theory and Evidence*, Princeton University Press, 2004.

Other useful textbooks are

Bhagwati, J.N., A. Panagariya, and T.N. Srinivasan, *Lectures on International Trade*, 2nd edition, MIT Press, 1998.

Dixit, A.K. and V. Norman, *Theory of International Trade*, Cambridge University Press, 1980.

1. Theory of Comparative Advantage

(A) Ricardian Model

*Feenstra, Chapter 1

*Dornbusch, Fischer, and Samuelson, "Comparative advantage, trade, and payments in a Ricardian model with a continuum of goods", *American Economic Review*, Dec 1977.

Bhagwati et al. Chapters 2 and 4

Dixit and Norman, chapter pp. 36-38.

(B) Heckscher-Ohlin Model

*Feenstra, chapters 2 and 3

*Findlay, R. *Factor Proportions, Trade and Growth*, MIT Press, 1995. Chapter 1

Bhagwati et al. Chapters 5 and 6.

Dixit and Norman, 1-19, 85-86, 93-122, 133-137.

Dornbusch, Fischer, and Samuelson, 1980. "Heckscher-Ohlin Trade theory with a continuum of goods", *Quarterly Journal of Economics*, 95(2).

(C) Specific Factors Model

*Feenstra, chapter 3, pp 71-75

Bhagwati et al. Chapter 7

Dixit and Norman, pp. 38-43, 122-125

Jones, R.W. "A three factor model in theory, trade, and history", in *Trade, growth and the balance of payments: Essays in Honor of C.P. Kindleberger*, (eds) Bhagwati et al. North Holland, 1971

(D) Gains from Trade

*Feenstra, chapter 6

*Bhagwati et al. Chapter 18

*Dixit and Norman, Chapter 3

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

2. Empirical Tests of Trade Theory

*Feenstra, chapters 2 and 3

*Leamer and Levinsohn, "International Trade Theory: The Evidence", in *Handbook of International Economics*, vol III, (eds.) Grossman and Rogoff, Elsevier, 1995.

*Davis, D. and David E. Weinstein . "An Account of Global Factor Trade", *American Economic Review*, December, 2001.

*Davis, D. and David E. Weinstein, Scott Bradford, and Kazushige Shimpo. "Using International and Japanese Regional Data to Determine When the Factor Abundance Theory of Trade Works", *American Economic Review*, June 1997.

*Trefler, D. "International factor price differences: Leontief was right!" *Journal of Political Economy*, 101(6), 1993.

*Trefler, D. "The case of missing trade and other HOV mysteries", *American Economic Review*, December, 1995.

John Romalis. "Factor Proportions and the Structure of Commodity Trade", *American Economic Review*, 94(1), pp. 67-97, 2004.

P. Ranjan and Jae Young Lee. "Contract Enforcement and International Trade", *Economics and Politics*, 19(2), July, 2007.

3. Trade Policy

(A) Instruments of Trade Policy

*Feenstra, chapters 7, 8

Dixit and Norman, chapter 5

*Bhagwati et al. Chapters 12, 13

(B) Political Economy of Trade Policy

*Feenstra, chapter 9

*Rodrik, D. "Political Economy of Trade Policy" in *Handbook of International Economics*, vol III, (eds.) Grossman and Rogoff, Elsevier, 1995.

Grossman and Helpman, *Interest groups and trade policy*, Princeton University Press, 2002.

Fernandez, R. and D. Rodrik. 1991. "Resistance to Reform: Status Quo bias in the presence of individual specific uncertainty", *American Economic Review*, 81(5).

Goldberg, P. and G. Maggi. 1999. "Protection for Sale: An empirical investigation", *American Economic Review*, 89(5), December.

Gawande, K. and P. Krishna, 2003. "The Political Economy of Trade Policy: Empirical Approaches", forthcoming in Kwan Choi and James Harrigan, eds, *Handbook of International Trade*, Basil Blackwell.

4. Economies of Scale and Trade

(A) Monopolistic Competition and Trade

*Feenstra, chapter 5

*Bhagwati et al. Chapter 11

*Dixit and Norman, Chapter 9

*Krugman, P. "Increasing Returns, Imperfect Competition and the Positive Theory of International Trade" in *Handbook of International Economics*, vol III, (eds.) Grossman and Rogoff, Elsevier, 1995.

Helpman and Krugman, *Market Structure and Foreign Trade*, MIT Press, 1985

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

(B) Firm Heterogeneity and Trade

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

*Melitz, Marc J, "The Impact of Trade on Intra-industry Reallocations and Aggregate Industry Productivity," *Econometrica*, vol. 71, no. 6, November 2003, pp. 1695-1725.

Melitz, MJ and GIP Ottaviano, "Market Size, Trade, and Productivity", *Review of Economic Studies*, 2008.

Bernard, Andrew B; Redding, Stephen; Schott, Peter K, "Comparative Advantage and Heterogeneous Firms," *Review of Economic Studies*, 31-66. 2007.

Bernard, A.; Eaton, J.; Jensen, J. B. and Kortum, S., 2003, "Plants and Productivity in International Trade" *American Economic Review* 93(4), 1268-1290.

Ranjan P. and J. Raychaudhuri. "Learning vs self-selection: Evidence from Indian exporting firms", *Indian Growth and Development Review*, 2011.

5. International Factor Mobility

*Feenstra, chapter 11

*Bhagwati et al. Chapters 32 and 33.

*Dixit & Norman, Chapter 5

*Krugman, P. "Increasing Returns, Imperfect Competition and the Positive Theory of International Trade" in *Handbook of International Economics*, vol III, (eds.) Grossman and Rogoff, Elsevier, 1995.

*Markusen, J. 1995. "The Boundaries of Multinational Enterprises and the Theory of International Trade". *Journal of Economic Perspectives*, 9(2), 169-189.

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

Brainard, S. Lael, "An Empirical Assessment of the Proximity-Concentration Trade-off between Multinational Sales and Trade," *American Economic Review*, vol. 87, no. 4, September 1997, pp. 520-44

6. Recent Developments in Trade Theory

(A) Trade, FDI and the Organization of Firms

*Helpman, E. (2006) "Trade, FDI, and the Organization of Firms," *Journal of Economic Literature* 44, 589-630

Antras, P., 2003. "Firms, Contracts, and Trade Structure," *Quarterly Journal of Economics* 118 (4), 1374-1418.

Antras, P. and Helpman, E., 2004. "Global Sourcing," *Journal of Political Economy*, Vol. 112, No. 3, June 2004, pp. 552-580.

Grossman, G. and Helpman, E., 2002, "Integration versus Outsourcing in Industry Equilibrium," *Quarterly Journal of Economics* 117(468).

Grossman, G. and Helpman, E. 2003, "Outsourcing versus FDI in Industry Equilibrium," *Journal of the European Economic Association* 1(2).

Grossman, G. and Helpman, E., 2005, "Outsourcing in a Global Economy," *Review of Economic Studies* 72(1).

Helpman, E.; Melitz, M. and Yeaple, S., 2004, "Export versus FDI with Heterogeneous Firms," *American Economic Review* 94(1), 300-316.

Mitra, D. and Ranjan, P. "Temporary Shocks and Offshoring: The Role of External Economies and Firm Heterogeneity," *Journal of Development Economics*. Volume 87, Issue 1, August, 2008.

(B) Trade and Unemployment

*Moore, M. and P. Ranjan. "Globalization vs. Skill-biased technological Change: Implications for Unemployment and Wage Inequality", *Economic Journal*, April, 2005.

*Davidson, Carl, L. Martin, and S. Matusz, "Trade and Search Generated Unemployment," *Journal of International Economics*, 48 (1999) 271-299.

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

Mitra, D. and P. Ranjan. "Offshoring and Unemployment: The Role of Search Frictions and Labor Mobility", *Journal of International Economics*, 81(2), July, 2010.

Dutt, P., Mitra, D. and Ranjan P. "International Trade and Unemployment: Theory and Cross-National Evidence", *Journal of International Economics*, 78(1), June, 2009.