Course Description

This course takes a theoretical and empirical approach to the study of international trade and investment. The class is structured around research papers, primarily recent contributions to the frontier of international trade research. We will first discuss core trade theories and empirical applications based on these theories. Next, we will turn to more recent theories that focus on the firm’s decision to export, investigating the role of heterogeneity in firm productivity on patterns of trade. This will be followed by an exploration of multinational activity and investment abroad, including different types of foreign direct investment and theories of the multinational firm. The last part of the course will touch on recent developments evaluating the effects of trade openness on the domestic economy.

This course is targeted at second-year (and higher) Ph.D. students in economics. Students are expected to have completed first-year micro and macro theory courses.

Requirements

This course is meant to bring students up to date with current work in international trade and to prepare you for doing research in this or other related fields. The course assignments have accordingly been designed to help you learn to read papers critically, as well as to develop and execute your own independent research ideas. There will be no midterm or final exam.

1. Two referee reports, due October 13th and November 10th, 30% of final grade

You must write two referee reports. Your first report should be on a paper of your choice from the syllabus that we have not discussed at length in class. Please let me know a week in advance which paper you would like to write about. If you feel strongly about a paper that falls into the topics covered in class but is not on the reading list, you may write a report on that paper with my prior approval. Your second report should be on Gaubert, Cecile and Benjamin Faber (2016), “Tourism and Economic Development: Evidence from Mexico’s Coastline.”

Each referee report should be 2 pages double spaced. The first 1/2 page should summarize the paper for the editor and describe the main features of the paper and its contribution to the existing or subsequent literatures. The other 2 ½ pages should discuss the strengths and
weaknesses of the paper, contrasting it to others in the literature as necessary. You should describe how the authors could address the weaknesses (if possible) and give your recommendations for changes that would strengthen or enhance the paper.

2. Class participation, 30% of final grade
You are expected to participate in class discussions and should read the paper(s) we will be discussing before coming to class. You don't have to have understood the paper in its entirety but should be familiar with its key elements and ideas. Once or twice during the semester you will also be asked to present a paper from the syllabus in class (40-50 minutes). Also, during our last class on November 10th, you will be asked to present a brief, early proposal of the idea you plan to develop into your written project proposal (10-15 minutes).

3. Written project proposal (due December 15th), 40% of final grade
You must prepare a written proposal of a new project related to the topics in the course. You are by no means expected to present a finished draft, but rather an idea and a brief outline of how that idea could be worked out. Project proposals are due December 15th.

NOTE: If you are taking this class for credit/no credit, you have to complete either the two referee reports or the written project proposal. You are of course strongly encouraged to complete all assigned work, and are still expected to read assigned papers and actively participate in class discussions.

NOTE: This class meets in two-hour sessions for ten weeks (September 6th – November 10th). One class (Tuesday, November 8th) will need to be rescheduled, date TBA.
Tentative Schedule

Technology, Factors, and Trade: Theory and Evidence
1. September 6: Introduction

Firm Productivity and Trade: Firm Level Evidence

The Multinational Firm: Theory and Evidence

Trade and the Domestic Economy
20. Date TBA: In-class research presentations
Reading List

Recommended textbooks:


Starred articles (*) will be covered at length.

1. Comparative Advantage, Gains from Trade, International Equilibrium and Ricardo

Dixit, Avinash and Victor Norman, Ch. 1, p. 1-8, Ch. 3, p. 65-85, Ch. 4, p. 93-96

Feenstra, Robert, Ch. 1, p. 1-4


2. Factor Endowment Models

A. Heckscher-Ohlin

Dixit, Avinash and Victor Norman, Ch. 1, p. 8-19, Ch. 2, Ch. 4 p. 96-102, 106-122

Feenstra, Robert, Ch. 1-4


B. Ricardo-Viner
Dixit, Avinash and Victor Norman, Ch. 4, p. 102-106, 122-125
Feenstra, Robert, p. 72-75

C. Variations

3. Monopolistic Competition and Trade
* Helpman, Elhanan and Paul Krugman, Ch. 6-11
Krugman, Paul, “Increasing Returns, Imperfect Competition and the Positive Theory of International Trade,” in Grossman and Rogoff, Ch. 24

4. Firms and the Decision to Export: Theoretical Models with Firm Heterogeneity
Bernard, Andrew, Jonathan Eaton, Bradford Jensen and Samuel Kortum (2003). "Plants and

5. Empirical Evidence on Firm Heterogeneity


6. Trade Liberalization and Wage Inequality

Bustos, Paula (2006). "Rising Wage Inequality in the Argentinian Manufacturing Sector: The
Impact of Trade and Foreign Investment on Technology and Skill Upgrading," CREI mimeo.

7. The Relevance of Sunk Costs


8. Multi-Product Firms


9. Trade and Imperfect Contract Enforceability


10. Trade and Labor Market Frictions

11. Horizontal FDI and the Proximity-Concentration Hypothesis

* Helpman, Elhanan and Paul Krugman, Ch. 12-14
Ramondo, Natalia (2007). "Size, Geography, and Multinational Production," University of Texas at Austin mimeo

12. Vertical FDI

* Hanson, Gordon, Raymond Mataloni and Matthew Slaughter (2005). "Vertical Production

13. The Boundaries of the Multinational Firm


15. Trade, FDI, and Capital Market Frictions

16. Organization of Production Within Firms

17. Trade and Productivity

De Loecker, Jan, Penny Goldberg, and Amit Khandelwal (2012). “Prices, Markups, and Trade Reform,” Yale University mimeo.

18. Trade and Structural Transformation


19. Domestic Effects of Import Competition

Kovak, Brian (2013). “Regional Effects of Trade Reform: What is the Correct Measure of Liberalization?” American Economic Review