

# International Trade

## PhD in Economics, University of Padova

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### Draft syllabus

This course introduces students to the core theories of international trade, and to some of their most recent applications. We begin by reviewing workhorse models of international trade, such as the Ricardian model, the Heckscher-Ohlin model, the increasing returns model, models of oligopoly and trade, and heterogeneous firms models. The second part of the course reviews the most recent applications of the core theory, zooming in on two applications: gravity models, and the new quantitative models studying the impact of transport infrastructure on welfare.

The course consists of 10 2-hour lectures.

Method of assessment: 2-hour written exam.

Office hours: by appointment (email: roberto.bonfatti@unipd.it)

### Textbooks

There is no specific textbook for this course. The main references are journal articles that will be covered in details in class and the lecture notes (slides). Here is a list of textbooks for general reference.

- Dixit, Avinash and Victor Norman (1980). *Theory of International Trade - A dual, general equilibrium approach*, Cambridge, Cambridge University Press. (Henceforth DN)
- Feenstra, R.C. *Advanced International Economics: Theory and Evidence*, second edition. (Princeton University Press: 2016) (Feenstra).
- Grossman, G.M. and E. Helpman (1991), *Innovation and Growth in the Global Economy* (MIT Press). (GH)
- Helpman, H. and P. Krugman (1995), *Market Structure and Foreign Trade*, Cambridge, MIT Press. (ELK)
- Elhanan Helpman, *Understanding Global Trade*, Cambridge, MA: Harvard University Press, forthcoming. (EH)
- Krugman P., M. Obstfeld and M. Melitz (2010) *International Economics*, Pearson. (KOM)

Below you can find a detailed syllabus. The double starred references are required readings, the single starred are recommended reading.

# PART I: CORE MATERIAL

## Lecture 1 and 2

### General comparative advantage model and the Ricardian framework

- (\*) DN, Chapters 1-4.
- (\*\*) Dornbusch, R., S. Fischer, and P.A. Samuelson (1977), "Comparative Advantage, Trade, and Payments with a Continuum of Goods," *American Economic Review*, 67: 823-839.
- (\*\*) Jonathan Eaton & Samuel Kortum, 2002. "Technology, Geography, and Trade," *Econometrica*, *Econometric Society*, vol. 70(5), pages 1741-1779, September.
- Costinot, Arnaud, Dave Donaldson and Ivana Komunjer (2012). "What Goods do Countries Trade? A Quantitative Exploration of Ricardos Ideas", *Review of Economics Studies*, Vol. 79, pp. 581-608.
- Jonathan Eaton & Samuel Kortum, 2012. "Putting Ricardo to Work," *Journal of Economic Perspectives*, vol. 26(2), pages 65-90, Spring.

## Lecture 3 and 4

### The Heckscher-Ohlin and specific factor (Ricardo-Viner) frameworks

- (\*) DN, Chapters 1-4.
- (\*\*) Feenstra, Chapters 1-3.

## Lecture 5

### Trade and monopolistic competition

- (\*\*) Krugman, P.R. (1980): "Scale Economies, Product Differentiation, and the Pattern of Trade," *American Economic Review*, 70: 950-959.
- (\*\*) Krugman, Paul (1981). "Intra-industry Specialization and the Gains from Trade" in *Journal of Political Economy*, Vol. 89, No. 5, pp. 959-973.
- Broda, Christian, and David E. Weinstein (2007). "Globalization and the Gains from Variety", *Quarterly Journal of Economics*, Vol. 121, No. 2, pp. 541-585.
- Neary, Peter (2009). "Putting the "New" into New Trade Theory: Paul Krugman's Nobel Memorial Prize in Economics", *Scandinavian Journal of Economics*.
- Balassa, B. (1967). *Trade Liberalization among Industrial Countries*, McGraw-Hill, New York.

## Lecture 6

### Oligopoly and Trade

- (\*\*) Brander, J.A., and Krugman, P.R., "A Reciprocal Dumping Model of International Trade," *Journal of International Economics*, November 1983, 15(3/4), 313-21.
- (\*) Peter Neary (2010) "Two and a Half Theories of Trade," *The World Economy*, 33:1, January 2010, 1-19
- Chris Edmond and Virgiliu Midrigan, and Daniel Xu, (2012). "Competition, Markups, and the Gains from International Trade", with Chris Edmond and Virgiliu Midrigan, mimeo.
- Brander, J.A., "Intra-Industry Trade in Identical Commodities", *Journal of International Economics*, 1981.

## Lecture 7

### Heterogeneous firms models

- Reading list TBA.

# PART II: APPLICATIONS

## Lecture 8

### Current directions in international trade

- TBA.

## Lecture 9

### Application focus 1: Gravity models

- (\*\*) Head, Keith and Thierry Mayer (2013). “Gravity Equations: Workhorse, Toolkit, and Cookbook”, in Gopinath, G., E. Helpman, and K. Rogoff (Eds), *Handbook of International Economics*, Vol. 4, Elsevier (forthcoming).
- (\*\*) Anderson, James and Eric van Wincoop (2003). “Gravity with Gravitas: A Solution to the Border Puzzle”, *American Economic Review*, Vol. 93, No. 1, pp. 170-192.
- (\*) Anderson, James E. (1979). “A Theoretical Foundation for the Gravity Equation”, in *American Economic Review*, Vol. 69, No. 1, pp. 106-116.
- Armington, Paul (1969). “A Theory of Demand for Products Distinguished by Place of Production”, *International Monetary Fund Staff Papers*, Vol. 16, pp. 159-78.

## Lecture 10

### Application focus 2: Transport infrastructure, trade costs and welfare

- TBA.