

Graduate International Trade Course – 8413
Thibault Fally, University of Colorado-Boulder
Fall 2010

Course outline (subject to marginal changes)

Economics 8413 is a course on International Trade designed for Ph.D. students in the Economics Department. It will cover theoretical as well as empirical issues, with an emphasis on firms. The prerequisites are first-year graduate courses in microeconomics, macroeconomics and econometrics. Students from other departments are welcome subject to instructor's approval.

First part: General theories (8 lectures)

- 1 lecture: introduction, motivation, data availability
- 3 lectures on traditional models: Ricardo, Heckscher Ohlin (review, empirical tests)
- 2 lectures on recent Ricardian models (Eaton Kortum 2002 and related developments)
- 2 lectures on increasing returns to scale, gravity equations, home market effect

Second part: Firms in Trade (12 lectures)

- 4 lectures on firm heterogeneity and international trade (theory): preliminary evidence on firm heterogeneity (motivation), Melitz 2003 model, endogenous markup models.
- 3 lectures on the empirics of firm heterogeneity, firm-level evidence
- 5 lectures on Multinational Firms: classical models, incomplete contract models.

Third part: Policy (8 lectures)

- 2 lectures on Trade and Institutions, Trade and financial constraints
- 1 lecture on Trade and the 2008 global crisis
- 5 lectures on Trade Policy (tariffs, FTA), political economy of trade policy

Other topics can be discussed, time permitting:

Trade and growth, Technology transfers, Trade and wage inequalities, Networks, Trade and environmental issues, Culture and trade, Quality and product standards, Multi-product firms.

Note: 1 lecture = 1h15.

Contact information

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Office: 11

Office hours: Monday and Wednesday, 2.00 – 3.00 pm and by appointment.

Course requirements and grading

Reading list

Asterisks (*) signal required readings. I won't cover all required readings in class, but I may still ask some broad questions on those that I did not cover in detail. Double asterisks (**) refer to key readings. The reading list may be updated throughout the semester (and posted on the course website).

Main book:

- Feenstra, R.C., *Advanced International Trade: Theory and Evidence* (Princeton, Princeton University Press), 2003.

Other recommended books:

- Helpman, E. and P. Krugman, *Market Structure and Foreign Trade*, (Cambridge, MA, and London, The MIT Press), 1985.
- Grossman, G.M. and E. Helpman, *Innovation and Growth in the Global Economy*,

- Krugman, P., “Increasing Returns and Economic Geography”, Journal of Political Economy 1991.
- Krugman, P.R. and A. Venables, “Globalization and t

- Eaton, Jonathan, Marcela Eslava, Maurice Kugler and James Tybout (2008). "The Margins of Entry into Exports Markets: Evidence from Columbia," in E. Helpman, D. Marin and T. Verdier, eds., *The Organization of Firms in a Global Economy*, forthcoming, Harvard University Press.
- Eaton, Jonathan, Samuel Kortum and Francis Kramarz (2004a). "An Anatomy of International Trade: Evidence from French Firms," New York University mimeo.
- Tybout, James (2001). "Plant- and Firm-level Evidence on the New Trade Theories," in E. Kwan Choi and James Harrigan, ed., *Handbook of International Trade*, Oxford: Basil-Blackwell, 2003, and NBER Working Paper No. 8418.
- Bernard, Andrew and Bradford Jensen (1999). "Exceptional Exporter Performance: Cause, Effect, or Both?" *Journal of International Economics*, 47(1), p.1-25.
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- Ramondo, Natalia (2007). "Size, Geography, and Multinational Production," University of Texas at Austin mimeo.

Offshoring, vertical FDI,

- * Grossman, G., and E. Rossi-Hansberg, "Trading Tasks: A Simple Theory of Offshoring", AER, forthcoming
- * Antràs, Pol, Luis Garicano and Esteban Rossi-Hansberg (2006). "Offshoring in a Knowledge Economy," Quarterly Journal of Economics, 121(1), p.31-77.
- * Hanson, Gordon, Raymond Mataloni and Matthew Slaughter (2001). "Expansion Strategies of U.S. Multinational Firms," in Dani Rodrik and Susan Collins, eds.,

Host economy effect of FDI

- Aitken, B. and Harrison, A. (1999), "Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela", *American Economic Review*, Vol. 89.
- Carluccio, J. and T. Fally (2010), "Multinationals and Spillovers with Technological Incompatibilities in the Supply Chain", CEPR Discussion Paper 7866
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Trade and the 2008 global crisis

- The Great Trade Collapse: Causes, Consequences, and Prospects”, ed. by R. Baldwin., VoxEU.org. In particular: chapters 8, 9, 11
<http://www.voxeu.org/index.php?q=node/4297>
- Manova, K. and D. Chor, "Off the Cliff and Back: Credit Conditions and International Trade during the Global Financial Crisis", mimeo
- Eaton, J., S. Kortum, B. Neiman, and J. Romalis (2010): “Trade and the Great Recession”, mimeo

Trade policy

- ** Feenstra, 2003, chapters 7 and 9
- ** Bagwell, Kyle, and Robert W. Staiger. 1999. “An Economic Theory of GATT.” American Economic Review, 89(1): 215–48.
- ** Broda, C, N Limao and D. Weinstein, “Optimal Tariffs and Market Power: The Evidence” American Economic Review, 2008
- * Koujianou Goldberg, P. and G. Maggi, “Protection for Sale: An Empirical Investigation,” American Economic Review 89(5): 1135-55, December 1999.
- * Grossman, G.M. and E. Helpman, “Protection for Sale,” American Economic Review, September 1994, 84(4), 833-50.
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- Arkolakis, Costas and Marc Muendler (2007). "The Extensive Margin of Exporting Goods: A Firm-Level Analysis," UCSD mimeo.
- Bernard, Andrew, Stephen Redding and Peter Schott (2006a). "Multi-Product Firms and Product Switching," Dartmouth Tuck mimeo.
- Bernard, Andrew, Stephen Redding and Peter Schott (2006b). "Multi-Product Firms and Trade Liberalization," Dartmouth Tuck mimeo.
- Bernard, Andrew, Stephen Redding and Peter Schott (2006c). "Products and Productivity," Dartmouth Tuck mimeo.
- Eckel, C. and P. Neary, ""Multi-Product Firms and Flexible Manufacturing in the Global Economy," Review of Economic Studies, forthcoming.

Trade, Innovation and Growth:

- Grossman, G.M. and E. Helpman, 1991
- Feenstra, 2003, Chapter 10.
- Baldwin, R and F. Robert-Nicoud "Trade and growth with heterogenous firms", Journal of International Economics 74(1), pp.21-34 (January 2008).
- Frankel, Jeffrey A. and Romer, David, "Does Trade Cause Growth?" American Economic Review, June 1999, 89(3), 379-399.
- Keller, W., "International Technology Diffusion", Journal of Economic Literature 2004.
- Rodriguez, Francisco and Rodrik, Dani, "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence," NBER Macroeconomics Annual, Vol. 15, 2001.

Labor markets and trade

- ** Cuñat, Alejandro and Marc Melitz (2007). "Volatility, Labor Market Flexibility and Comparative Advantage," NBER Working Paper #13062.
- * Helpman, Elhanan and Oleg Itskhoki (2007). "Labor Market Rif0221(e)-3.66219(1)0.874347(2.58011(,

University policies

- All policies:
<http://www.colorado.edu/policies/>
- Class behavior:
<http://www.colorado.edu/policies/classbehavior.html>
http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code
- Honor code:
<http://www.colorado.edu/academics/honorcode/>
<http://www.colorado.edu/policies/honor.html>
- Disabilities:
<http://www.colorado.edu/disabilityservices/>
- Religious practices:
http://www.colorado.edu/policies/fac_relig.html
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