

# Topics in International Trade

## Summer 2017

### Organization:

#### *Lectures:*

Tuesday, 12.00–16.00 c.t.,

Library at the Chair of International Economics, Ludwigstr. 28, VG 221

#### *Tutorials:*

Friday, 10.00–12.00 c.t.,

Library at the Chair of International Economics, Ludwigstr. 28, VG 221

#### *Instructors:*

Prof. Dr. Dalia Marin

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Dr. Jan Schymik

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### Course Requirements:

This course covers topics of international trade theory at a graduate level. It is assumed that students have taken a graduate course in microeconomics or have an equivalent background. A working knowledge of calculus is required. Students who have any doubts about their ability to deal with the course should see the instructor. Please note that the course will be taught in English.

### Books:

*The main textbooks are:*

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

Helpman, E., Marin D. and Verdier T., **The Organization of Firms in a Global Economy**, Harvard University Press, 2008.

*The following books can be helpful but are not required:*

Helpman, E. and P. Krugman, Market Structure and Foreign Trade, MIT Press, 1985.

Helpman, E. and P. Krugman, Trade Policy and Market Structure, MIT Press, 1989.

Grossman, Gene M., Imperfect Competition and International Trade, MIT Press, 1992.

## Course Outline and Readings:

Papers and chapters marked with \* will be extensively covered in class. The remaining items are suggested readings.

### Ricardian Trade Theory

- *Ricardo with a goods continuum (lecture April 25th Marin, tutorial April 28th Schymik)*
  - \* Dornbusch, R., S. Fischer and P.A. Samuelson, 'Comparative Advantages, Trade and Payments in a Ricardian Model with a Continuum of Goods,' American Economic Review, 1977, Vol. 67(5), pp. 823-39.
- *generalization of the Ricardian model: Eaton-Kortum (lecture April 28th Schymik, tutorial May 2nd Schymik)*
  - \* Eaton, J. and S. Kortum (2002), 'Technology, Geography and Trade,' Econometrica, 70(5), 1741-1779.

### Monopolistic Competition and Increasing Returns to Scale

- *the Krugman model (lecture May 9th Marin, tutorial May 12th Schymik)*
  - \* Krugman, P. (1980), 'Scale Economies, Product Differentiation and the Pattern of Trade,' American Economic Review, Vol. 70(5), pp. 950-59.

### Firm Heterogeneity

- *the Melitz model (lectures May 9th and May 16th Schymik, tutorials May 19th and May 26th Schymik)*
  - \* Melitz, M.J. (2003), 'The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity,' Econometrica, Vol. 71(6), pp. 1695-1725.
  - Chaney, T. (2008), 'Distorted Gravity: the Intensive and Extensive Margins of

International Trade,' American Economic Review, Vol. 98(4), pp. 1707-1721.  
Melitz, M.J. and Redding, S. (2013), 'Firm Heterogeneity and Aggregate Welfare,' NBER Working Paper 18919.

- *the Melitz-Ottaviano model (student presentation May 23rd)*
  - \* Melitz, M.J. and G.I.P. Ottaviano (2008), 'Market Size, Trade, and Productivity,' Review of Economic Studies, Vol. 75(1), pp. 295-316.
- *firm heterogeneity: empirical evidence (student presentations May 23rd)*
  - \* Mayer, T., G. Ottaviano (2007), 'The Happy Few: The Internationalisation of European Firms New Facts Based on Firm-Level Evidence' mimeo.
  - \* Bernard, A.B., J.B. Jensen, S.J. Redding and P.K. Schott (2007), 'Firms in International Trade,' Journal of Economic Perspectives, Vol. 21(3), 105-130.
- *trade, firm heterogeneity and wage inequality (lecture July 25th Schymik)*
  - \* Monte (2011), 'Skill Bias, Trade, and Wage Dispersion,' Journal of International Economics, Vol. 83(2), pp. 202-218.

### **Trade and Resources: Heckscher-Ohlin Trade Theory**

- *the Heckscher-Ohlin model in a small open economy (lecture May 30th Schymik, tutorial June 2nd Schymik)*
  - \* Feenstra (2003), 'Advanced International Trade: Theory and Evidence,' Chapters 1-2
  - Leamer (1980), E. 'The Leontief Paradox, Reconsidered', Journal of Political Economy, Vol. 88(3), pp. 495-503.
  - Trefler, D. (1995), 'The Case of the Missing Trade and Other Mysteries,' American Economic Review, Vol. 85(5), pp. 1029-46.
  - Davis, D. and D. Weinstein (2001), 'An Account of Global Factor Trade,' American Economic Review, Vol. 91(5), pp. 1423-1453.

### **Trade and Firm Organization**

- *trade and the new enterprise (lecture June 13th Marin, tutorial June 16th Schymik)*
  - \* Marin D. and Verdier Th. (2012), 'Globalization and the Empowerment of Talent,' Journal of International Economics, 86 (2), 209-223.

Marin (2015), 'The theory of the firm goes global,' in: Aghion, P., Legros, P. and Zingales, L. (Eds.): *Grossman and Hart at 25*, Cambridge University Press.

- *globalization and corporate hierarchies (lecture or student presentations July 18th)*

\* Marin D. and Verdier Th. (2014), 'Corporate Hierarchies and International Trade: Theory and Evidence,' *Journal of International Economics*, 94(2), 295-310.

Marin D. and Verdier Th. (2008), 'Power Inside the Firm and the Market: A General Equilibrium Approach,' *Journal of the European Economic Association*, 6(4), 752-788.

Marin D. and Verdier Th. (2008), 'Competing in Organizations: Firm Heterogeneity and International Trade,' in: E. Helpman, D. Marin, Th. Verdier (Eds.): *The Organization of Firms in a Global Economy*, 142-172, Harvard University Press.

## Multinational Firms

- *the emergence of multinational firms (student presentations June 20th)*

\* Helpman, E. and P. Krugman (1985), 'Market Structure and Foreign Trade,' Chapters 12-13

Helpman, E. (1984), 'A Simple Theory of International Trade and Multinational Corporations,' *Journal of Political Economy*, 92(3), 451-471.

Helpman, E. (1985), 'Multinational Corporations and Trade Structure,' *Review of Economic Studies*, 52(3), 443-457.

\* Brainard, L. (1993), 'A Simple Theory of Multinational Corporations and Trade with a Trade-Off Between Proximity and Concentration,' NBER Working Paper 4269.

- *organization of the multinational firm (student presentations June 27th, July 4th)*

\* Antràs P. and E. Helpman (2004), 'Global Sourcing,' *Journal of Political Economy*, 112(3), 552-80.

\* Nunn, N. and D. Trefler (2013), 'Incomplete Contracts and the Boundaries of the Multinational Firm,' *Journal of Economic Behavior & Organization*, 94(C), 330-344.

- *offshoring in a knowledge economy (student presentation July 4th)*

\* Antràs, P., L. Garicano and E. Rossi-Hansberg (2006), 'Offshoring in a Know-

ledge Economy', Quarterly Journal of Economics, 121(1), 31-77.

Antràs, P., L. Garicano and E. Rossi-Hansberg (2008), Organizing Offshoring: Middle Managers and Communication Costs, In: Helpman, E., D. Marin, and T. Verdier, The Organization of Firms in a Global Economy, Harvard University Press.

- *trade in tasks and firm organization (lecture July 11th Schymik, tutorial July 14th Schymik)*

\* Marin, Schymik, and Tarasov (2016), 'Trade in Tasks and the Organization of Firms,' CEPR Discussion Paper 10626, revised version.

Marin, Rousova, and Verdier (2016), 'Do Multinationals Transplant their Business Model? ', SFB/TR 15 Discussion Paper No. 398, revised version.