

# Syllabus for lecture: International Trade

Winter Term 2018/19

Lecture: Prof. Dr. Philip Sauré  
Room: HS VIII  
Time: Monday 10:15 am  
Tutorial: Victor Gimenez Perales  
Room: HS VIII  
Time: Wednesday, 10:15 am

## Overview and objectives:

The course gives an introduction to the basic theories of international trade. Its main part highlights the reasons for trade and its benefits and effects as well as the global trade patterns. The second part covers trade policies, including the role of trade agreements. In addition to standard trade model, recent models are reviewed, which emphasize the role of firms in international trade. Theory is supplemented with empirical evidence and applications to current policy issues.

Some of the course's central questions are:

- Why does trade take place? What are the welfare implications?
- Why do different countries export different products?
- Why do some countries trade similar products?
- What are the distributional effects of trade?
- What role do firms, migration, and foreign direct investment play?
- Are trade liberalizations always good?
- (How) do interest groups lobby for certain trade policies?

Students learn the key features of international trade relations and become familiar with the basic models of international trade and their empirical validity. Students will be able to address current policy questions related to international trade with theoretically grounded arguments.

The concepts introduced in the lecture are reviewed and deepened in problem sets which are discussed in a biweekly tutorial.

## Prerequisites:

The course addresses Bachelor students in economics. Students should have attended classes in intermediate microeconomics. The course language is English.

## Main Course Material

[FT] Feenstra, Robert C. and Taylor, Alan M. International economics, 2nd edition. New York, NY: Worth Publishers, 2011

[KOM] Krugman, Paul R.; Obstfeld, Maurice and Marc J. Melitz. International economics: theory and policy, 10th edition. Addison-Wesley, 2015

Lecture slides and problems sets will be made available for registered students through the Reader (<https://reader.uni-mainz.de/SitePages/Homepage.aspx>).

## **Part I: Motivation and course outline / organization**

Stylized facts about international trade (FT, ch. 1.1, pp. 1-17 & ch. 2.1, pp. 29-32)

## **Part II: Trade theory**

### **A. Standard (Neo-)Classical Trade Theory**

The Ricardian model and the idea of comparative advantage (KOM Ch. 3, pp. 56-82)

The Heckscher-Ohlin model and the idea of factor proportions (FT Ch. 4, pp. 87-109)

Distributional implications of standard trade theory:

Ricardo-Viner and the specific-factors model (FT Ch. 3, pp. 59-83)

Stolper-Samuelson and the idea of factor price equalization (FT Ch. 4, pp. 109-124; KOM Ch. 5, pp. 122-135)

Empirical evidence (Goldberg and Pavcnik 2007)

Factor movements: the example of immigration and its effects (FT Ch. 5, pp. 127-146)

### **B. New Trade Theory**

New explanations for international trade:

Monopolistic competition and increasing returns to scale

(KOM Ch. 7, pp. 177-195; Krugman 1979; FT, Ch. 6, 178-193)

The Melitz model and the role of firms in international trade

(Melitz and Trefler 2012; KOM Ch. 8, pp. 205-220; Bernard et al. 2007)

Multinational firms and international trade (27.11.)

(FT Ch. 1, pp. 20-23; Markusen 2008; Barba Navaretti and Venables 2006, ch. 2)

### **C. Extensions, Applications, Recap**

Extensions and Applications

Trade in tasks, offshoring and outsourcing	(FT, ch. 7, pp. 199-236, Timmer et al. 2014; Blinder 2006)
Trade and the environment	(KOM Ch. 12 pp. 337-342)
Intertemporal trade	(KOM Ch. 6 pp. 167-176)
Trade theory: recap, evidence, and perspectives	

### **Part III: Trade policy**

Political economy of trade policy	(FT Ch. 7, pp. 199-236; Mayda and Rodrik 2005; Grossman and Helpman 1994)
Institutional environment	(KOM, ch. 10 pp. 266-275)
Trade policy under perfect competition	(FT Ch. 8, pp. 237-278)
Trade policy under imperfect competition	(FT Ch. 9, pp. 279-324)
International trade agreements	(FT Ch. 11 pp. 359-372)

### **Further references**

- Bernard, Andrew B.; Jensen, J. Bradford; Redding, Stephen J. and Peter K. Schott (2007): "Firms in International Trade." *Journal of Economic Perspectives*, 2007, vol. 21(3), pp. 105–130.
- Copeland, Brian R. and M. Scott Taylor (2004): "Trade, Growth, and the Environment." *Journal of Economic Literature* 42(1): 7-71
- Dollar, David and Aart Kraay (2004): "Trade, Growth, and Poverty." *Economic Journal* 114: F22-F49.
- Frankel, Jeffrey A. and David Romer (1999): "Does Trade Cause Growth?" *American Economic Review* 89(3): 379-399
- Frankel, Jeffrey A. and Andrew K. Rose (2005): "Is Trade Good or Bad for the Environment? Sorting Out the Causality." *Review of Economics and Statistics* 87(1): 85-91
- Gawade, Kishore and Usree Bandyopadhyay (2000): "Is Protection for Sale? Evidence on the Grossman-Helpman Theory of Endogenous Protection." *Review of Economics and Statistics* 82(1): 139-152
- Goldberg, Pinelopi Koujianou and Maggi, Giovanni (1999): "Protection for Sale: An Empirical Investigation." *American Economic Review* 89(5): 1135-1155
- Goldberg, Pinelopi Koujianou and Nina Pavcnik (2007): "Distributional Effects of Globalization in Developing Countries." *Journal of Economic Literature* 45(1): 39-82
- Grossman, Gene and Elhanan Helpman (1994): "Protection for Sale." *American Economic Review*, 84(4): 833 – 850.
- Kropf, Andreas, and Philip Sauré (2014). "Fixed costs per shipment." *Journal of International Economics* 92.1: 166-184.
- Krugman, Paul (1979): "Increasing Returns, Monopolistic Competition, and International Trade." *Journal of International Economics*, Vol. 9, pp. 469-479.

- Mayda, Anna Maria and Dani Rodrik (2005): "Why are some people (and countries) more protectionist than others?" *European Economic Review* 49: 1393-1430
- Melitz, Marc J. and Daniel Trefler (2012): "Gains from Trade when Firms Matter." *Journal of Economic Perspectives* 26(2): 91-118
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- Sauré, P. (2012). Bounded love of variety and patterns of trade. *Open Economies Review*, 23(4), 645-674.
- Simonovska, I. (2015). Income differences and prices of tradables: Insights from an online retailer. *The Review of Economic Studies*, 82(4), 1612-1656.
- Timmer, Marcel P., Abdul Azeez Erumban, Bart Los, Robert Stehrer and Gaaitzen J. de Vries. 2014. "Slicing Up Global Value Chains." *Journal of Economic Perspectives*, 28(2): 99-118.
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- Yanikkaya, H. (2003) "Trade Openness and Economic Growth: A Cross-country Empirical Investigation." *Journal of Development Economics* 72(1): 57-89