

Syllabus for lecture: International Trade

Winter Term 2019/20

Lecture: Prof. Dr. Philip Sauré
Room: -1 341 HS VIII
Time: Monday 10:15 – 11:45
Tutorial: Victor Gimenez Perales
Room: 00 424 (Container - Übungsraum 2)
Time: Wednesday 12:15 – 13:45

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.

- Jones, R. W., and S. T. Easton (1983): "Factor Intensities and Factor Substitution in General Equilibrium," *Journal of International Economics*, 15, 65–99.
- 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
- Ruhl, K. J., and Willis, J. L. (2017). New exporter dynamics. *International Economic Review*, 58(3), 703-726.
- 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.
- Verhoogen, Eric (2008): "Trade, Quality Upgrading and Wage Inequality in the Mexican Manufacturing Sector." *Quarterly Journal of Economics* 123(2): 489-530
- Yanikkaya, H. (2003) "Trade Openness and Economic Growth: A Cross-country Empirical Investigation." *Journal of Development Economics* 72(1): 57-89