Recent Advances in International Trade

Summer 2020

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Important Notice

Due to the Covid-19 outbreak, this lecture and its tutorials will take place online until further notice. Dates and times of the lecture will remain as indicated below. After you have registered for this course, you will be able to access all further information concerning the particulars of online teaching in this course through the JGU Reader (reader.uni-mainz.de).

Organization

Lectures: Monday, 08.30-10.00 am, room 00 141 P2
first session: April 20

Tutorials: Tuesday, 8.30-10.00 am, room 00 141 P2
first session: April 21

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Course Description

In this course, you will be introduced to two important lines of research in international trade that have developed over the past 15 years.

First, with the appearance of firm-level data sets in the mid-90s, researchers noticed that only a small fraction of firms - the largest and most productive ones - participate in international markets through exports. Extending the Krugman (1980) model to allow for firms with heterogeneous productivity, the seminal contribution by Melitz (2003) started an active and innovative literature in which empirical and theoretical work are strongly linked.

Second, Eaton and Kortum (2002) developed a Ricardian model of trade with many goods and many countries that has enabled researchers to analyze trade patterns, complex interactions between countries and welfare effects of globalization in a tractable framework. Models based on this seminal contribution are easily matched to sectoral or country-level trade data and are used today in policy analysis, for example for quantifying the effects of Brexit.

This course is designed to provide you with the technical skills to be able to read and understand current research in international trade that is based on either of the two main papers. The focus is therefore on the analytical derivations of the main results of the Melitz (2003) and Eaton and Kortum (2002) models. In addition, the course covers empirical evidence on the roles of firm heterogeneity and the gravity equation in explaining international trade flows.
Course requirements

Working knowledge of calculus is required and previous contact with trade theory is highly recommended. In particular, knowledge of the Dornbusch, Fischer and Samuelson (1977) and Krugman (1980) models is required.

Literature

These three review articles provide excellent introductions to their respective topics.


The following papers are covered in class.

Recap:


Core papers:


Non-exhaustive list of other papers I cite or refer to in the course of the lecture:
