

Syllabus for *International Trade: Theory and Policy*

Winter term 2022/23

Lecture: Prof. Dr. Philip Sauré
Location: 00231 HS III
Time: Wednesday 10.15-11:45 am
Tutorial: Nhi Nguyen
Location: 00 231 HS III
Time: Wednesday 4.15-5.45 pm

The course gives an overview of international trade relations and policies. It provides an introduction of standard theories analyzing international trade flows, trade liberalization and the welfare consequences. Starting with classical theories based on perfect competition, the course also covers more recent trade theory involving imperfect competition and heterogeneous firms. Theory blocks will be complemented by empirical work and real-world examples, with special attention on the corresponding empirical tools. Some of the institutional components of trade agreements will be discussed in light of the theories.

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 problem sets will be made available for registered students through JGU-LMS

(<https://lms.uni-mainz.de/moodle/my/>).

Introduction: Motivation and course outline / organization

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

Part I: 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 role 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)

Heterogeneous firms in international trade

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

C. Extensions and Applications

Trade and the environment (KOM Ch. 12 pp. 337-342)

Intertemporal trade (KOM Ch. 6 pp. 167-176)

Part II: Trade policy

Political economy of trade policy

(FT Ch. 7, pp. 199-236; Mayda and Rodrik 2005; Grossman and Helpman 1994)

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)

Institutions in international trade (KOM, ch. 10 pp. 266-275)

References

- Bernard, Andrew B.; Jensen, J. Bradford Jensen; 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