

40028 - INTERNATIONAL TRADE (Theory and Applications)

Instructors: Jan Bakker (10 hours: Applications) and Gianmarco Ottaviano (14 hours: Theory)

A. Overview

Course description: The aim of the course is to provide students with contemporary tools for conducting state-of-the-art research on the main issues concerning international trade in the age of globalization and accelerated technological change. The focus is on the firm-level approach originated from “new trade theory”, in particular on the implications of market structure for the gains and losses from trade. The tools will be both theoretical and empirical with special emphasis on the analysis of firm-level data and new quantitative trade models also from a spatial perspective.

Teaching methods: Presentation and discussion of selected core papers for each topic with an overview of related literature. By the end of the course students should have acquired a clear understanding of the topics covered being able to use the taught tools for research on international trade issues.

Assessment methods: Take-home exam.

Office hours: By appointment.

B. Theory (14 hours: Gianmarco Ottaviano)

Topics:

0. Globalization Backlash (Colantone-Ottaviano-Stanig)
1. Gains from Trade and Trade Policy (Arkolakis-Costinot-Rodriguez Clare)
2. Microfoundations of Gravity Equations (Head-Mayer)
3. Trade, Scale and Product Variety (Krugman)
4. Technology and Trade (Eaton-Kortum)
5. Trade and Selection (Melitz)

Compulsory readings:

Arkolakis, C., A. Costinot and A. Rodriguez-Clare (2012) "New trade models, same old gains?", *American Economic Review* 102, 94-130.

Bernard, A., J. Eaton, J. Jensen and S. Kortum (2003) "Plant productivity in international trade", *American Economic Review* 93, 1268-1290.

Colantone, I., G. Ottaviano and P. Stanig (2022) "The backlash of globalization", in Helpman Elhanan, Rogoff Kenneth and Gita Gopinath, eds., *Handbook of International Economics*, Vol. 5, Elsevier.

Costinot, A. and A. Rodriguez-Clare (2014) "Trade theory with numbers: Quantifying the consequences of globalization", in Helpman Elhanan, Rogoff Kenneth and Gita Gopinath, eds., *Handbook of International Economics*, Vol. 4, Elsevier.

Eaton, J., and S. Kortum (2002) "Technology, geography, and trade", *Econometrica* 70, 1741-1779.

Head, K. and T. Mayer (2014) "Gravity equations: Workhorse, toolkit, and cookbook", in: Gopinath G., G. Grossman and K. Rogoff, eds., *Handbook of International Economics* (Amsterdam: North Holland).

Krugman, P. (1980) "Scale economies, product differentiation and the pattern of trade", *American Economic Review* 70, 950-959.

Melitz, M. (2003), "The impact of trade on intra-industry reallocations and aggregate industry productivity", *Econometrica* 71, 1695-1726.

Melitz, M. and G. Ottaviano (2008) "Market size, trade, and productivity", *Review of Economic Studies* 75, 295-316.

Optional readings (broader overviews):

Helpman, E. and P. Krugman (1985), "Market Structure and Foreign Trade" (Cambridge MA: MIT Press).

Helpman, E., K. Rogoff and G. Gopinath (2014), "Handbook of International Economics: Vol. 4", (Amsterdam: Elsevier).

C. Applications (10 hours: Jan Bakker)

Topics:

1. Trade and labor
2. Geography and agglomeration
3. Multinational firms and global value chains
4. Infrastructure and non-tradables
5. ...

Readings (including recent job market papers)

Almagro, Milena and Tomas Dominguez-lino (2022) "Location sorting and endogenous amenities".

Alonso Alfaro-Urena, Isabella Manelici and José P. Vasquez (2022), The Effects of Joining Multinational Supply Chains: New Evidence from Firm-to-Firm Linkages, Quarterly Journal of Economics. Volume 137, Issue 3, Aug. 2022, 1495-1552.

Treb Allen (2014) "Information Frictions in Trade", Econometrica, Vol. 82, No. 6 (November, 2014), 2041-2083.

Costas Arkolakis (2010) "Market Penetration Costs and the New Consumers Margin in International Trade", Journal of Political Economy, 2010, 118 (6), 1151-1199.

Clare Balboni (2021) "In harm's way? Infrastructure investment and the persistence of coastal cities".

Iain Bamford (2020) "Monopsony Power, Spatial Equilibrium, and Minimum Wages".

Adrien Bilal (2022) "The geography of unemployment".

Jonathan Dingel (2017) "The Determinants of Quality Specialization".

Fabian Eckert (2019) "Growing Apart: Tradable Services and the Fragmentation of the U.S. Economy".

Ben Faber (2014) "Trade Integration, Market Size, and Industrialization: Evidence from China's National Trunk Highway System".

Mayara Felix (2022) "Trade, Labor Market Concentration, and Wages".

Teresa Fort (2017) "Technology and Production Fragmentation: Domestic versus Foreign Sourcing", *Review of Economic Studies*, 2017. 84(2), 650-687.

Cecile Gaubert (2018) "Firm sorting and agglomeration".

Antoine Levy (2021) "Housing Policy with Home-Biased Landlords: Evidence from French Rental Markets".

Federico Huneus (2019) "Production network dynamics and the propagation of shocks".

Kalina Manova (2013) "Credit Constraints, Heterogeneous Firms, and International Trade", *Review of Economic Studies* 80 (2013), 711-744.

Clement Mazet-Sonilhac (2022) "Information Frictions in Credit Markets".

Niclas Moneke (2018) "Can Big Push Infrastructure Unlock Development? Evidence from Ethiopia".

Mathilde Munoz (2021) "Trading Non-Tradables: The Implications of Europe's Job Posting Policy".

Charly Porcher (2014) "Migration with Costly Information".

Claudia Steinwender (2018) "Real Effects of Information Frictions: When the States and the Kingdom became United", *American Economic Review*, 108(3), 657-696.

Felix Tintelnot (2017) "Global Production with Export Platforms", *Quarterly Journal of Economics*, February 2017.

Clemence Tricaud (2022) "Better Alone? Evidence on the Costs of Intermunicipal Cooperation".