

International Trade 745

Kwan Koo Yun, Fall 2011, OFFICE HOURS TUESDAYS 1:30-3:00 OR BY APPOINTMENT. VER. 1

Course requirements

1 take-home midterm (20 pts), 1 take-home final (30 pts) and 1 presentation (30 pts) and one referee report (20 pts). Normally, I expect you to read all papers that I present in class. In some cases, you can read the corresponding sections in textbooks instead of reading the original paper. (Papers with * are possible choices for your presentations.) A referee report succinctly puts the paper in the context of literature and critically evaluates its contribution. It can be two or three pages. You can select any paper on the syllabus that I or you do not present in class.

Books

Dixit, A. and V. Norman, *Theory of International Trade*, Cambridge University Press, 1980. (required)
Feenstra, Robert, *Advanced International Trade*, Princeton, 2004 (required)
Feenstra, Robert, *Offshoring in the global economy*, MIT 2010.(required)
Bhagwati, Jagdish N., Arvind Panagariya and T. N. Srinivasan, *Lectures on International Trade*, second edition, The MIT Press 1998 (recommended).
Helpman, E. and P. Krugman, *Market Structure and Foreign Trade*, The MIT Press, 1985. (recommended)

Other books Helpman, E. and P. Krugman, *Market Structure and Foreign Trade*, The MIT Press, 1985.
Arndt, S and H. Kierzkowski (edited), *Fragmentation-new production patterns in the world economy*, Oxford 2001
Gomory, R. and W. Baumol, *Global Trade and Conflicting National Interests*, The MIT Press 2000
Grossman, G. and K. Rogoff, edited, *Handbook of International Economics*, vol. 3, North-Holland, 1995.
Grossman, G. M. and E. Helpman, *Innovation and Growth in the Global Economy*, The MIT Press, 1991
Paul Krugman Nobel lecture Fall 2008
<http://nobelprize.org/mediaplayer/index.php?id=1072>

Classical Trade Models

Overview and Mathematical Background Dixit and Norman, Chapter 1.
Dixit and Norman, Chapter 2.

Ricardian Model Dixit and Norman, Chapter 3.
Feenstra, Chapter 1
Dornbusch, R., S. Fischer and P. A. Samuelson, "Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods," *American Economic Review*, 1977, Dec., 823-39.
Eaton, J and S. Kortum, "Technology, Geography and Trade," *Econometrica* 70 2002, 1741-1779.

Heckscher-Ohlin Model and Specific Factors Model Dixit and Norman, Chapter 4.
Feenstra, Chapter 2
Jones, Ronald, "The Structure of Simple General Equilibrium Models," *Journal of Political Economy*, 73, 1965, 557-572.

Higher Dimensional Issues

Feenstra, Chapter 3
Yun, Kwan Koo, Similarity of Endowments and the Factor Price Equalization Condition, *Economic Theory*, vol. 21, Issue 2-3, 605-612, 2003.
Wong, Siu-kee and Kwan Koo Yun, "The Lens Condition with Two Factors," *Review of International Economics*, 11(4), 692-696, 2003.

Demiroglu, Ufuk and Kwan Koo Yun "The Lens Condition for Factor Price Equalization," *Journal of International Economics* 47, 449-456, 1999.

Yun, Kwan Koo, "Relative Prices and Improvement of Real Factor Rewards in Several Sectors," *Economics Letters* 55, 379-382, 1997.

Gains from trade Dixit and Norman, Chapter 3.

Feenstra, Chapter 6

Spector, D., "Is It Possible to Redistribute the Gains from Trade Using Income Taxation?" *Journal of International Economics* 55, 441-460, 2001.

Yun, Kwan Koo, "Pareto Gains from Trade through Income Taxation," mimeo.

Some Empirical Studies Helpman, E., "The Structure of Foreign Trade," *The Journal of Economic Perspectives*, vol 13, issue 2 (Spring 1999), 121-144.

Leamer, E. and James Levinsohn, "International Trade: The Evidence," *Handbook of International Economics*, vol.III, North Holland, 1995.

Trefler, D., "International Factor Price Differences: Leontief was Right!," *Journal of Political Economy*, 1993

Trefler, D., "The Case of Missing Trade and Other Mysteries," *American Economic Review*, December 1995, 85(5), 1029-46.

Davis, D.R., D.W. Weinstein, S. C. Bradford and K. Shimpo, "Using International and Japanese Regional Data to Determine when the factor abundance theory of trade works," *American Economic Review* 87, 1997, 421-46.

Davis, D.R. and D.W. Weinstein, "An Account of Global Factor Trade," *American Economic Review*, December 2001, 91(5), 1423-53.

Technology and Trade and Inequalities of Income

Scheve, Kenneth F. and Matthew J. Slaughter, "A New Deal for Globalization," *Foreign Affairs*, July/August 2007

Feenstra, Chapter 4.

Feenstra, Robert, *Offshoring*, lecture 1, MIT, 2010

Dixit and Norman, Chapter 5.

Grossman, G. and E. Helpman, "Technology and Trade," in *Handbook of International Economics*, vol.III, North Holland, 1995.

Krugman, P., "Technology, Trade and Factor Prices," *Journal of International Economics*, February 2000, 50, 51-71.

Leamer, E. Edward, "What is the use of factor Contents?," *Journal of International Economics*, February 2000, 50 17-49.

Xu, Bin, "Factor Bias, sector bias and the effects of technical progress on relative factor prices," *Journal of International Economics*, 2001, 54:5-26.

Feenstra, Robert and Gordon Hanson, "Foreign direct investment and relative wages: evidence from Mexico's maquiladoras," *J. of International Economics*, 42: 371-93.

Feenstra, Robert and Gordon Hanson, "The impact of outsourcing and high technology capital on wages: Estimates for the U.S. 1979-1990," *Quarterly Journal of Economics*, 114: 907-40.

*Burstein, Ariel and Jonathan Vogel, "Factor prices and international trade: a unifying perspective," NBER Working Paper 16904, <http://www.nber.org/papers/w16904>

Bhagwati, Jagdish, Arvind Panagariya and T. N. Srinivasan, *Lectures on International Trade*, p. 151-154.

Jones, Ronald, "The Role of Technology in the Theory of International Trade," in *The Technology Factor in International Trade*, NBER, 1970, 73-92.

Yun, Kwan Koo, "Outsourcing and Factor Price Equalization," mimeo.

Yun, Kwan Koo, "Technological Comparative Advantage and Behavior of Factor Prices with Trade," mimeo.

Monopolistic Competition and Trade

Dixit and Norman, Chapter 9.

Feenstra, Chapter 5

Krugman, P., "Increasing Returns, Imperfect Competition and the Positive Theory of International Trade,"

in *Handbook of International Economics*, vol.III, North Holland, 1995.

Helpman and Krugman, Chapters 6-11.

Dixit, A. and J. Stiglitz, "Monopolistic Competition and Optimum Product Diversity," *American Economic Review*, June 1977.

Oligopoly and Trade and Trade Policy

Helpman and Krugman, Chapter 5.

Brander, James, "Strategic Trade Policy," in *Handbook of International Economics*, vol.III, North Holland, 1995.

Brander, James and Krugman, Paul, "A Reciprocal Dumping Model of International Trade," *Journal of International Economics* 15, 1983:313-321.

Gomory, Ralph and William Baumol, *Global Trade and Conflicting National Interest*, MIT Press, 2000.

Feenstra, Chapter 9.

Fragmentations of Trade, Outsourcing and Multinational Companies

Blinder, Alan S., "Offshoring: the next Industrial Revolution?," *Foreign Affairs*, March/April 2006.

Antras Pol and Esteban Rossi-Hansberg, "Organizations and Trade," *Annual Reviews*, vol. 1, 43-64, 2009

Grossman, Gene and Esteban Rossi-Hansberg, "Trading Tasks: A Simple Theory of Offshoring," *American Economic Review*, 2008, Grossman, Gene and Esteban Rossi-Hansberg, "Task trade between similar countries," NBER Working Paper 14554, <http://www.nber.org/papers/w14554>

*Grossman, Gene and Esteban Rossi-Hansberg, "Task trade between similar countries," NBER working paper 14554, 2008.

Deardorff, Allan, "Fragmentation Across Cones," in *Fragmentation*, edited by Arndt and Kierzkowski, Oxford 2001.

Jones, R. and H. Kierzkowski, "Globalization and the Consequences of International Fragmentation," in *Money, Capital Mobility and Trade: Essays in Honor of Robert Mundell*, edited by Guillermo Calvo, Rudiger Dornbusch and Maurice Obstfeld, 365-83. MIT Press 2001.

*Kohler, W., "International Outsourcing and Factor Prices with Multistage Production," *Economic Journal*, 114:C166-85, 2004.

Antràs, Pol, Luis Garicano and Esteban Rossi-Hansberg (2006), "Offshoring in a Knowledge Economy," *Quarterly Journal of Economics*, vol. 121, No. 1, pp. 31-77

Baldwin, Richard and Frederic Robert-Nicoud, (2007), "Offshoring: General Equilibrium Effects on Wages, Production and Trade," NBER Working Paper No. 12991.

Antras Pol and Nathan Nunn, Lecture notes- Advanced Topics in International Trade, Department of Economics, Harvard University.

*Melitz, M.J., "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica*, 2003, 1695-1725.

Melitz, M.J. and Gianmarco I.P. Ottaviano, "Market size, trade, and productivity," *Review of Economic Studies* 75:295-316, 2008.

Yi, Kei-Mu, "Can vertical specialization explain the growth of world trade?" *Journal of Political Economy*, 111, 52-102.

*Bernard, A.B., S. Redding and P. Schott, "Comparative Advantage and Heterogeneous Firms," *Review of Economic Studies*, 74(1), 2007, 31-66

Antras, P. and E. Helpman, "Global Sourcing," *Journal of Political Economy* 112(3), 2004, 552-580

Antras, P., "Firms, Contracts and Trade Structure," *Quarterly Journal of Economics*, 2003, 1375-1418.

Bernard, A.B., J. Eaton, J.B. Jensen and S. Kortum (2003), "Plants and Productivity in International Trade," *American Economic Review*, Vol. 93, No. 4, September, pp. 1268-1290

Jones, Ronald and Henryk Kierzkowski, A Framework for Fragmentation, in *Fragmentation*, edited by Arndt and Kierzkowski, Oxford 2001.

Grossman, G. and Elhanan Helpman, Integration versus Outsourcing in Industry Equilibrium," *Quarterly Journal of Economics*, vol.117, no. 468, February 2002.

*Grossman, G. and E. Helpman, "Outsourcing in a Global Economy," *Review of Economic Studies* 72(1), 2005, 135-159.

*Helpman, E., M.J. Melitz and S.R. Yeaple, "Export versus FDI with Heterogeneous Firms," *AER* 2004, 300-316.

Acemoglu, D., P. Antras and E. Helpman, "Contracts and Technology Adoption," *American Economic Review*, **97** (3), 2007, 916-943.

Markusen, J.R. and A.J. Venables, "The Theory of Endowment, Intra-Industry and Multinational Trade," *Journal of International Economics*, December 2000, 52, 209-234.

Hsieh, Chang-Tai, "The Impact of Outsourcing to China on Hong Kong's Labor Market," *American Economic Review*, December 2005.

tariffs and quota and Piecemeal Reforms

Feenstra, Chapter 7, Chapter 8.

Dixit, Avinash, "On Pareto-improving Redistributions of Aggregate Economic Gains," *Journal of Economic Theory*, 41, 1987, 133-153.

Trunen-Red, Arja H. and Alan D. Woodland, "Strict Pareto-Improving Multilateral Reforms of Tariffs," *Econometrica* 59, July 1991.

Yun, Kwan Koo, "Efficient and Pareto Improving Changes," Mimeo.

Yun, Kwan Koo, "Structure of Distortion Equilibria and Welfare in a Multiregional Economy," *Economic Theory* 5, 491-512, 1995.

Free Trade Agreements

Feenstra, Chapter 6.

G. Grossman, "The Politics of Free Trade Agreements," (with Elhanan Helpman), *American Economic Review*, September 1995.

G. Grossman "Trade Wars and Trade Talks," (with Elhanan Helpman), *Journal of Political Economy*, August 1995.

Trade and Growth

Feenstra, Chapter 10

Dixit and Norman, 1980, Chapter 5.

Frankel, Jeffrey A. and Romer, David, "Does Trade Cause Growth?" *American Economic Review*, June 1999, 89(3), 379-399.

Bayoumi, Tamim, Coe, David T. and E. Helpman, "R&D Spillovers and Global Growth," *Journal of International Economics*, April 1999, 47(2), 399-428.

Hsieh, Chang-Tai, "What explains the industrial revolution in East Asia? Evidence from the factor markets," *American Economic Review*, June 2002.

*Hsieh, Chang-Tai, "Factor Prices and Productivity Growth in East Asia," *American Economic Review*, May 1999. (Richa)

Other Topics

Costinot, Arnaud, "An Elementary Theory of Comparative Advantage," *Econometrica* vol. 77, no. 4 2009.

Costinot, Arnaud and Jonathan Vogel, "Matching and Inequality in the World Economy," NBER Working Paper No. 14672, 2009.