

ECONOMICS 518
International Economics I
Fall 2009

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Grading: Your grade will be based on three in-class presentations. One presentation must cover a theory paper, one must cover an empirical paper, and the third can cover a topic of your choice. Depending upon how many students are registered, the student presentations will cover the last 2-3 weeks of the course. Each presentation should be designed to review/explain the paper within 40-45 minutes.

Basic Texts:

There are no required textbooks. The books are available for purchase in the University bookstore or online at Amazon.com. (The used book section of amazon is an excellent way to purchase textbooks inexpensively.) Those intending to do research in international trade may want to have them in their personal libraries.

Textbooks

Bhagwati, Jagdish N., Arvind Panagariya, and T.N. Srinivasan. 1998. *Lectures on International Trade*, Second edition. Cambridge: MIT Press. (Henceforth BPS)

Chacholiades, M., *International Trade Theory and Policy*, McGraw-Hill, 1978.

Feenstra, Robert C. 2004. *Advanced International Trade: Theory and Evidence*. Princeton: Princeton University Press. (F)

Markusen, James R., James R. Melvin, William H. Kaempfer, and Keith E. Maskus (1995), *International Trade: Theory and Evidence*, McGraw-Hill. (MMKM)

Woodland, A.D., *International Trade and Resource Allocation*, North-Holland, 1982.

Collections of articles

Bhagwati, Jagdish (ed.), *International Trade: Selected Readings*, second edition 1987 (B)

Grossman, Gene (ed.) *Imperfect Competition and International Trade* (MIT Press, 1992) (G).

Grossman, Gene and Kenneth Rogoff (eds). 1995. *Handbook of International Economics*, vol. 3. Amsterdam: Elsevier. (GR)

Choi, E. Kwan and James Harrigan, 2003. *Handbook of International Trade* (Oxford: Basil Blackwell Publishers). (CH)

Jones, Ronald and Peter Kenen, *Handbook of International Economics, vol.1* (JK)

Krugman, Paul, *Rethinking International Trade* (K)

Research Summaries

Dixit, Avinash K. and Victor Norman. 1980. *Theory of International Trade*: Cambridge University Press. (DN)

Fujita, Masahisa, Paul Krugman, and Anthony J. Venables. 1999. *The Spatial Economy: Cities, Regions, and International Trade*. Cambridge: MIT Press. (FKV)

Grossman, Gene and Elhanan Helpman, *Innovation and Growth in the Global Economy* (GH)

Helpman, Elhanan and Paul Krugman, *Market Structure and Foreign Trade* (MIT, 1986) (HK1).

Helpman, Elhanan and Paul Krugman, *Trade Policy and Market Structure* (MIT, 1989) (HK2).

Leamer, Edward, *Sources of International Comparative Advantage* (L1)

1. Ricardian Theories of Trade

Bernard, Andrew, Stephen Redding, and Peter K. Schott (2004), “Comparative Advantage and Heterogeneous Firms,” [NBER Working Paper No. 10668](#).

Bernhofen, Daniel M. and John C. Brown, “An Empirical Assessment of the Comparative Advantage Gains from Trade: Evidence from Japan,” *American Economic Review*, [forthcoming](#)

Bernhofen, Daniel M. and John C. Brown (2004), “A Direct Test of the Theory of Comparative Advantage: the Case of Japan,” *Journal of Political Economy*, 112(1):48- 67. [Working Paper](#).

BPS, Chapters 2-4

(*) [Deardorff, Alan V. \(1980\), “The General Validity of the Law of Comparative Advantage,” *Journal of Political Economy*, 88:941-57.](#)

DN, Chapter 2-4

(*) [Dornbusch, Rudiger, Stanley Fischer, and Paul A. Samuelson \(1977\), “Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods,” *American Economic Review*, 67:823-39.](#)

Eaton, Jonathan and Samuel Kortum (2002), “Technology, Geography, and Trade,” *Econometrica*, 70(5): 1741-1779.

Evenett, S. and B.Y. Yeung (2001) “Decomposing the Growth of OECD Trade During 1970-96,” mimeo.

(*) F, Chapter 1

HK1, Chapter 1

MMKM , Chapters 4 and 5.

2. Heckscher-Ohlin Theories of Trade

(*) [Bowen, H., Edward E. Leamer, and L. Sveikauskas \(1987\), "Multicountry, Multifactor Tests of the Factor Abundance Theory," *American Economic Review*, 77:791-809.](#)

Choi, Yong-Seok, and Pravin Krishna. 2004. "The Factor Content of Bilateral Trade: An Empirical Test." *Journal of Political Economy* 112:887-914.

(*) Davis, Donald and David Weinstein (2001), "An Account of Global Factor Trade," *American Economic Review*, 91:1423-53. [Also useful: Davis, Donald and David Weinstein (2001), "An Account of Global Factor Trade," [NBER Working Paper No. 8637](#).]

[Davis, Donald R., David E. Weinstein, Scott C. Bradford, and Kazushige Shimpo. \(1997\). "Using International and Japanese Regional Data to Determine When the Factor Abundance Theory of Trade Works," *American Economic Review*, 87\(3\): 421-446.](#)

Deardorff, Alan. 1979. "Weak Links in the Chain of Comparative Advantage." *Journal of International Economics* 9:197-209.

Deardorff, Alan V. (1984), "Testing Trade Theories and Predicting Trade Flows," in JK.

Deardorff, Alan V. (1994). "The Possibility of Factor Price equalization, Revisited." *Journal of International Economics*. 36: 167-175.

(*) [Deardorff, Alan V. \(1982\), "The General Validity of the Heckscher-Ohlin Theorem," *American Economic Review*, 72: 683-94.](#)

[Dornbusch, Rudiger, Stanley Fischer, and Paul A. Samuelson. 1980. "Heckscher-Ohlin Trade Theory with a Continuum of Goods." *Quarterly Journal of Economics* 95:203-24.](#)

Ethier, W.J. (1984), "Higher Dimensional Issues in Trade Theory," in JK.

F, Chapters 2, 3

[Harrigan, James \(1997\). "Technology, Factor Supplies, and International Specialization: Estimating the Neoclassical Model," *American Economic Review*, 87\(4\): 475-494.](#)

Helpman, Elhanan (1998), "Explaining the Structure of Foreign Trade: Where do We Stand?" *Weltwirtschaftliches-Archiv*, 134:573-89. [Also NBER Working Paper No. 6752](#).

(*) [Helpman, Elhanan \(1984\), "The Factor Content of Foreign Trade," *The Economic Journal*, 94:84-94.](#)

- (*) [Jones, Ronald. \(1965\). "The Structure of Simple General Equilibrium Models," *Journal of Political Economy*. 73: 557-572.](#)
- Jones, Ronald, and J. Peter Neary. (1984). "The Positive Theory of International Trade," chapter 1 in JK.
- (*) [Leamer, Edward E. \(1980\). "The Leontief Paradox, Reconsidered," *Journal of Political Economy*. 88: 495-503.](#)
- [Leamer, Edward E. and H. Bowen \(1981\), "Cross-Section Tests of the Heckscher-Ohlin Theorem: Comment," *American Economic Review*, 71\(5\):1040-1043.](#)
- (*) Leamer, Edward E. and Jim Levinsohn (1997), "International Trade Theory: The Evidence," in GR. Also [NBER Working Paper , No. 4940.](#)
- MMKM, Chapters 8 and 9
- [Neary, J.P. \(1978\), "Short-Run Capital Specificity and the Pure Theory of International Trade," *Economic Journal*, 88: 488-510.](#)
- Romalis, J. (2004), "Factor Proportions and the Structure of Commodity Trade," *American Economic Review*, 94(1):67-97.
- (*) [Rybczynski, T. M. \(1955\). "Factor Endowments and Relative Commodity Price," *Economica*. 22: 336-341.](#)
- [Samuelson, Paul A. \(1949\) "International Factor-Price Equalisation Once Again," *The Economic Journal*, pp. 181- 197.](#)
- (*) Schott, Peter K. (2003), "One Size Fits All? Heckscher-Ohlin Specialization in Global Production," *American Economic Review*, 93:686-708.
- [Stolper, Wolfgang F. and Paul A. Samuelson. \(1941\) "Protection and Real Wages," *Review of Economic Studies*. 9: 58-73.](#)
- (*) [Trefler, Daniel. \(1995\). "The Case of the Missing Trade and Other Mysteries," *American Economic Review*. 85\(5\): 1029-1046.](#)
- (*) [Trefler, Daniel \(1993\), "International Factor Price Differences: Leontief Was Right!" *Journal of Political Economy*, 101:961-87.](#)
- Vanek, Jaroslav. 1968. "The Factor Proportions Theory: The N-Factor Case." *Kyklos* 21:749-54.

3. Strategic Trade Policy

- (*) Brander, J.A., "Strategic Trade Policy," in G&R. Also [NBER Working Paper, No. 5020.](#)
- (*) Brander, J.A. and B.J. Spencer, "Export Subsidies and International Market Share Rivalry," *Journal of International Economics* (February 1985).
- (*) [Spencer, B.J. and J.A. Brander, "International R&D Rivalry and Industrial Strategy," *REStud* \(1983\).](#)

[Eaton, Jonathan and Gene Grossman, "Optimal Trade Policy Under Oligopoly" *Quarterly Journal of Economics* 1986](#)

[Maggi, Giovanni, "Strategic Trade Policies with Endogenous Mode of Competition" *American Economic Review* 1996](#)

Feenstra, Robert C. "Estimating the Effects of Trade Policy" in GR. Also [NBER Working Paper 5051](#).

4. Monopolistic competition models and gravity equation

[Anderson, J. \(1979\), "A theoretical foundation for the gravity equation," *American Economic Review*, 69:106-116.](#)

Anderson, J. and E. van Wincoop (2003), "Gravity with Gravitas: A Solution to the Border Puzzle," *American Economic Review*, 93:170-192. Also [NBER Working Paper 8079](#).

Antweiler, Werner and Daniel Trefler (2002), "Increasing Returns and All That: A View from Trade," *American Economic Review*, 92(1): 93-119. Also [NBER Working Paper 7941](#).

Bernard, A.B., J. Eaton, J.B. Jensen and S. Kortum (2003), "Plants and Productivity in International Trade," *American Economic Review*, 93:1268-1290. Also [NBER Working Paper 7688](#).

Davis, Donald R. (1995). "Intra-Industry Trade: A Heckscher-Ohlin-Ricardo Approach." *Journal of International Economics*. 39: 201-226.

[Davis, Donald \(1998\), "The Home Market, Trade, and Industrial Structure," *American Economic Review*, 88:1264-76.](#)

Davis, Donald R. and David E. Weinstein (2003), "Market Access, Economic Geography and Comparative Advantage: An Empirical Assessment," *Journal of International Economics*, 59(1): 1-24.

Davis, Donald R., and David E. Weinstein. (1999). "Economic Geography and Regional Production Structure: An Empirical Investigation," *European Economic Review*, 43(2): 379-407.

(*) [Ethier, W. \(1982\), "National and International Returns to Scale in the Modern Theory of International Trade," *American Economic Review*, 72:389-405.](#)

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(*) Ethier, W.J. (1979), "Internationally Decreasing Costs and World Trade," *Journal of International Economics*, 9:1-24.

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- Feenstra, Robert C., James R. Markusen, and Andrew Rose (1998), "Using the Gravity Equation to Differentiate Among Alternative Theories of Trade," *Canadian Journal of Economics*, 34(2), May 2001, 430-447. Also [NBER Working Paper No. 6804](#).
- Hanson, Gordon H. and Chong Xiang (2002), "The Home Market Effect and Bilateral Trade Patterns," Forthcoming, *American Economic Review*.
- Head, Keith C., and John C. Ries. 2002. "Increasing Returns versus National Product Differentiation as an Explanation for the Pattern of US-Canada Trade." *American Economic Review* 91:858-76.
- Head, Keith, and Thierry Mayer (2003), "The Empirics of Agglomeration and Trade," mimeo, University of British Columbia.
- Helpman, Elhanan (1999), "The Structure of Foreign Trade," *Journal of Economic Perspectives*, 13(2):121-44.
- Helpman, Elhanan (1987), "Imperfect Competition and International Trade: Evidence from Fourteen Industrial Countries," *Journal of the Japanese and International Economics*, 1:62-81.
- (*) HK1, Chapters 2–3, 6–9, 10–11
- (*) [Hummels, David, and James Levinsohn. \(1995\). "Monopolistic Competition and International Trade: Reconsidering the Evidence," *Quarterly Journal of Economics*. 110: 799-835.](#)
- (*) Krugman, Paul R. (1979). "Increasing Returns, Monopolistic Competition, and International Trade," *Journal of International Economics*. 9(4): 469-479.
- (*) [Krugman, Paul \(1980\), "Scale economies, product differentiation, and the pattern of trade," *American Economic Review*, 70: 950-59.](#)
- (*) [Krugman, Paul \(1981\), "Intraindustry specialization and the gains from trade," *Journal of Political Economy*, 89:959-73.](#)
- (*) Krugman, Paul (1981), "Trade, accumulation, and uneven development," *Journal of Development Economics*, 8:149-61.
- Krugman, Paul (1995) "Increasing returns, imperfect competition and the positive theory of international trade," Chapter 24 in GR.
- Lancaster, K. (1980). "Intra-Industry Trade under Perfect Monopolistic Competition," *Journal of International Economics*. 10: 151-175.
- McCallum, John. 1995. "National Borders Matter." *American Economic Review* 85:615-23.
- Smith, A. (1994), "Imperfect competition and international trade," Chapter 3 in *Surveys in International Trade*, D. Greenaway and L. Winters (eds), Oxford: Basil Blackwell Ltd.

Yi, Kei-Mu. 2003. "Can Vertical Specialization Explain the Growth of World Trade?" *Journal of Political Economy* 111:52-102.

5. Multinationals and organization of the firm

Blonigen, Bruce A. (1997). "Firm-specific Assets and the Link Between Exchange Rates and Foreign Direct Investment," *American Economic Review*. 87(3): 447-465.

Blonigen, Bruce A., Ronald B. Davies and Keith Head (2003), "Estimating the Knowledge-Capital Model of the Multinational Enterprise: Comment," *American Economic Review*, 93(3), pp. 980-994.

Brainard, L. (1997), "An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade," *American Economic Review*, 87(4):520-544.

Brainard, S.L. (1997), "An empirical assessment of the factor proportions explanation of multinational sales," NBER Working Paper No. 4583.

Carr, David, James Markusen, and Keith Maskus (2001), "Estimating the Knowledge-Capital Model of the Multinational Enterprise," *American Economic Review*, 91(3):995- 1001.

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Ethier, W. and J. Markusen (1996), "Multinational Firms, Technology Diffusion, and Trade," *Journal of International Economics*, 41(1-2):1-28.

(*) F, Chapter 11

Graham, Edward M. and Paul R. Krugman. (1995). *Foreign Direct Investment in the United States*. Washington, D.C.: Institute for International Economics.

(*) Helpman, Elhanan. (1984). "A Simple Theory of International Trade with Multinational Corporations," *Journal of Political Economy*. 92(3): 451-471.

Helpman, Elhanan. (1985), "Multinational Corporations and Trade Structure," *Review of Economic Studies*, 52:443-457.

(*) HK1, Chapters 12-13

(*) Markusen, James R. (1984). "Multinationals, Multi-Plant Economies, and the Gains from Trade," *Journal of International Economics*. 16: 205-226.

(*) Markusen, James R. (1995). "Boundaries of Multinational Enterprises and the Theory of International Trade," *Journal of Economic Perspectives*, Vol. 9(2): 169-189.

- Markusen, J. and K. Maskus (1999), "Discriminating Among Alternative Theories of Multinational Enterprise," NBER Working Paper No. 7164.
- Markusen, J. and K. Maskus (1999), "Multinational Firms: Reconciling Theory and Evidence," NBER Working Paper 7163.
- Markusen, J. and K. Maskus (2001), "General-Equilibrium Approaches to the Multinational Firm: A Review of Theory and Evidence," NBER Working Paper No. 8334.
- Markusen, J. and A.J. Venables (1998), "Multinational Firms and the New Trade Theory," *Journal of International Economics*, 46:183-203.
- Markusen, J. and A.J. Venables (2000), "The Theory of Endowment, Intra-Industry and Multinational Trade," *Journal of International Economics*, 52:209-234.

6. Trade and growth

- Coe, David T. and Elhanan Helpman (1995), "International R&D Spillovers," *European Economic Review*, 39(5):859-887.
- Frankel, Jeffrey A. and David Romer (1999), "Does Trade Cause Growth?" *American Economic Review*, 89(3):379-399.

(*) F, Chapter 10

GH

Grossman, Gene and Elhanan Helpman (1995), "Technology and Trade," in GR.

7. Import tariffs and dumping

Anderson, James E. (1993), "Domino Dumping II: Anti-dumping," *Journal of International Economics*, 35: 133-150.

(*) Blonigen, Bruce A. and Thomas J. Prusa (2001), "Antidumping," in CH.

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

(*) F, Chapter 7

Prusa, Thomas J. (1992), "Why Are So Many Antidumping Petitions Withdrawn?" *Journal of International Economics*, 33:1-20.

(*) Prusa, Thomas J. (2001), "On the Spread and Impact of Antidumping," *Canadian Journal of Economics*, 34(3):591-611.

Staiger, Robert, and Frank Wolak (1994), "Measuring Industry Specific Protection: Anti-dumping in the United States," *Brookings Papers on Economic Activity, Microeconomics*, pp. 51-103.

8. Economic Geography

FKV, Chapters 14-19

[Krugman, Paul \(1991\), "Increasing Returns and Economic Geography," *Journal of Political Economy*, 99:483-499.](#)

[Krugman, Paul and Anthony J. Venables \(1995\), "Globalization and the Inequality of Nations," *Quarterly Journal of Economics*, 110:857-880.](#)

Overman, Henry G., Stephen Redding, and Anthony J. Venables (2003), "The Economic Geography of Trade, Production, and Income: A Survey of Empirics," in CH.

9. New Explorations

"Ins, Outs, and the Duration of Trade," (joint with Tibor Besedes) *Canadian Journal of Economics*, 39(1): 266-295, 2006.

"Product Differentiation and Duration of U.S. Import Trade?" (joint with Tibor Besedes), 2004, *Journal of International Economics*, December 2006, 70(2), 339-58 (lead article).

"The Role of Extensive and Intensive Margins and Export Growth," (joint with Tibor Besedes), NBER Working Paper No. 13628, October 2007.

"Protection Reduction and Diversion: PTAs and the Incidence of Antidumping Disputes," (joint with Robert Teh), working paper.