

International Economics

Master Management of European Affairs - Fall 2016

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Course description

This graduate class in international economics focuses on international trade. The course is divided in two parts. The first part presents the standard and recent theories of trade between countries and firms. The second part of the class investigates the topics and issues related to trade mainly in developed countries. The second part of the class uses the tools presented in the first part.

The course is intended for students in economics with basic knowledge in standard theories of trade and with an introductory knowledge in empirical methods. A large part of the class is made of empirical investigation of trade theories using real-world data. Although it is not an econometrics class, students are expected to understand the basic principles of regression analysis and inference methods.

Class objectives

The objectives of the class are the following.

- Studying a number of theories of international trade
- Assessing the consequences of trade and globalization
- Understand recent policy debates and use trade theory to shed new light upon them.

Pre-requisites

- Economie Internationale (L3) : standard concepts of international trade.
- Microéconomie 1, 2, 3
- Macroéconomie 1, 2, 3
- Econometrics : introduction of standard concepts

Reference textbook

Paul Krugman, Maurice Obstfeld, Marc Melitz (2012), International Economics : Theory and Policy (denoted KOM hereafter) [\[PDF\]](#)

Grading

The grading is made of a **Closed-book final exam**. Details also presented during the first class (100% of the grade).

Schedule and topics covered

1 Introduction : World trade overview

Readings

- KOM - Chapter 2
- John McCallum (1995) "National Borders Matter : Canada-U.S. Regional Trade Patterns", *The American Economic Review*, Vol. 85, No. 3, pp. 615-623 [\[PDF\]](#)
- Anne-Célia Disdier & Keith Head (2008) "The Puzzling Persistence of the Distance Effect on Bilateral Trade," *The Review of Economics and Statistics*, MIT Press, vol. 90(1), pages 37-48, February. [\[PDF\]](#)
- Douglas A. Irwin, *Free Trade under Fire*, Princeton University Press, 2015

Part 1 – Trade Theories and Empirical Validation

2 Standard Trade Models

Readings

- KOM - Chapter 3
- KOM - Chapter 5
- Trefler, Daniel, (1993) "International Factor Price Differences : Leontief Was Right!," *Journal of Political Economy*, University of Chicago Press, vol. 101(6), pages 961-87, December. [\[PDF\]](#)
- Trefler, Daniel, (1995) "The Case of the Missing Trade and Other Mysteries," *American Economic Review*, American Economic Association, vol. 85(5), pages 1029-46, December. [\[PDF\]](#)
- Bernhofen, D., & Brown, J. (2004). A Direct Test of the Theory of Comparative Advantage : The Case of Japan. *Journal of Political Economy*, 112(1), 48-67. [\[PDF\]](#)

3 New Trade Models

Readings

- KOM - Chapter 7

4 New New Trade Models

Readings

- KOM - Chapter 8

- Marc J. Melitz, (2003) "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica*, Econometric Society, vol. 71(6), pages 1695-1725, November [\[PDF\]](#)
- Bernard, Andrew B. & Jensen, J. Bradford & Schott, Peter K., (2006) "Survival of the best fit : Exposure to low-wage countries and the (uneven) growth of U.S. manufacturing plants," *Journal of International Economics*, Elsevier, vol. 68(1), pages 219-237, January. [\[PDF\]](#)

Part 2 – Topics and Issues

5 New Economic Geography

Readings

- Davis, Donald R. and David E. Weinstein. (2002) "Bones, Bombs, and Break Points : The Geography of Economic Activity ." *American Economic Review*, 92(5) : 1269-1289. [\[PDF\]](#)
- Redding, Stephen J. and Anthony J. Venables. (2004) "Economic geography and international inequality". *Journal of International Economics*, 62 :53-82 [\[PDF\]](#)
- Redding, Stephen J. and Daniel M. Sturm. (2008) "The Costs of Remoteness : Evidence from German Division and Reunification." *American Economic Review*, 98(5) : 1766-97. [\[PDF\]](#)
- Keith Head & Thierry Mayer, (2011). "Gravity, market potential and economic development," *Journal of Economic Geography*, Oxford University Press, vol. 11(2), pages 281-294, March. [\[PDF\]](#)

6 Trade and Growth

Readings

- Christian Broda & Joshua Greenfield & David Weinstein, (2006). "From Groundnuts to Globalization : A Structural Estimate of Trade and Growth," NBER Working Papers 12512, National Bureau of Economic Research, Inc. [\[PDF\]](#)
- De Loecker, Jan, (2007). "Do exports generate higher productivity? Evidence from Slovenia," *Journal of International Economics*, Elsevier, vol. 73(1), pages 69-98, September. [\[PDF\]](#)
- James Feyrer (2011). "Distance, Trade, and Income – The 1967 to 1975 Closing of the Suez Canal as a Natural Experiment," 2011 Meeting Papers 1438, Society for Economic Dynamics. [\[PDF\]](#)
- Paula Bustos, (2011). "Trade Liberalization, Exports, and Technology Upgrading : Evidence on the Impact of MERCOSUR on Argentinian Firms," *American Economic Review*, American Economic Association, vol. 101(1), pages 304-40, February. [\[PDF\]](#)

- Nicholas Bloom & Mirko Draca & John Van Reenen, (2016). "Trade Induced Technical Change? The Impact of Chinese Imports on Innovation, IT and Productivity," *Review of Economic Studies*, Oxford University Press, vol. 83(1), pages 87-117. [\[PDF\]](#)

7 Trade and Labor

Readings

- Attanasio, Orazio & Goldberg, Pinelopi K. & Pavcnik, Nina, (2004). "Trade reforms and wage inequality in Colombia," *Journal of Development Economics*, Elsevier, vol. 74(2), pages 331-366, August. [\[PDF\]](#)
- Biscourp, Pierre & Kramarz, Francis, (2007). "Employment, skill structure and international trade : Firm-level evidence for France," *Journal of International Economics*, Elsevier, vol. 72(1), pages 22-51, May. [\[PDF\]](#)
- David H. Autor & David Dorn & Gordon H. Hanson, (2013) "The China Syndrome : Local Labor Market Effects of Import Competition in the United States," *American Economic Review*, American Economic Association, vol. 103(6), pages 2121-68, October. [\[PDF\]](#)
- David H. Autor & David Dorn & Gordon H. Hanson & Jae Song, (2014). "Trade Adjustment : Worker-Level Evidence," *The Quarterly Journal of Economics*, Oxford University Press, vol. 129(4), pages 1799-1860. [\[PDF\]](#)

8 Trade, FDI and multinational firms

Readings

- Brainard, S Lael, (1997) "An Empirical Assessment of the Proximity-Concentration Trade-off between Multinational Sales and Trade," *American Economic Review*, American Economic Association, vol. 87(4), pages 520-44, September. [\[PDF\]](#)
- Andrew B Bernard & J. Bradford Jensen, (2007) "Firm Structure, Multinationals, and Manufacturing Plant Deaths," *The Review of Economics and Statistics*, MIT Press, vol. 89(2), pages 193-204, May. [\[PDF\]](#)