

## TOPICS IN INTERNATIONAL TRADE

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### Course outline

This course develops the core models that underlie modern trade theory and examines their empirical relevance. After dealing with traditional theories of international trade, we move on to study the most recent work in international trade: trade from the point of view of individual firms. For most of its lengthy history the field of international trade largely ignored the role of the firm in mediating the flow of goods and services. A new theoretical and empirical literature has emerged that examines international trade at the level of individual producers. We will also concentrate our attention on three selected areas of research: international trade and firm productivity; international trade and the labor market; imports at the level of the firm.

### Grading

There will be students presentations.

### Basic reading list

- 1) and 2) **Basic Models of International Trade. The Heckscher-Ohlin model, the Ricardian model, the Ricardo-Viner model**
- Feenstra, R., 2004, "Advanced International Trade. Theory and Evidence".
  - A.K. Dixit and V.Norman, 1980, "The theory of International Trade", Cambridge Economic Handbooks.
  - Treffer, D., 1995, "The Case of the Missing Trade and Other Mysteries," AER.
  - Davis, D. and D. Weinstein, 2001, " An Account of Global Factor Trade," AER
  - Dornbusch, R., S. Fischer and P. Samuelson ,1977, "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods," AER.

### 3) **International Trade and the Labor Market**

- Berman, E., J. Bound, and Z. Griliches, 1994, "Changes in the demand for skilled labour within U.S. manufacturing: evidence from the annual survey of manufactures," *Quarterly Journal of Economics*
- Bernard, A. and J. Jensen, 1995, "Exporters, jobs and wages in U.S. manufacturing: 1976-87," *Brookings Papers on Economic Activity. Microeconomics*.
- Feenstra, R. and G. Hanson, 2004, "Global production and inequality: a survey of trade and wages," In C. E. Kwan and J. Harrigan (Eds.), *Handbook of International Economics*. Basil Blackwell, Oxford.
- Verhoogen, E., 2008, "Trade, quality upgrading and wage inequality in the Mexican manufacturing sector," *Quarterly Journal of Economics*.
- Leamer, E.E., 2000, "What's the Use of Factor Contents?," *Journal of International Economics*.
- Wood, A., 1994, "North-South Trade, Employment, and Inequality," Oxford: Clarendon Press.

### 4) **Trade with Monopolistic Competition and Increasing Returns. The Gravity Equation. Micro-econometric evidence on firm heterogeneity and international trade.**

- Feenstra, R., 2004, "Advanced International Trade. Theory and Evidence".
- Krugman, P., 1979, "Increasing returns, monopolistic competition, and international trade," *Journal of International Economics*
- Helpman, E. and P. Krugman, P., 1985, "Market Structure and Foreign Trade", MIT Press.
- Bernard, Andrew, Jensen, J Bradford, Redding, Stephen J and Schott, Peter, 2009, "The Margins of US Trade (Long Version)," *CEPR Discussion Papers* 7156.
- International Study Group on Exports and Productivity (ISGEP), 2008, "Understanding Cross-Country Differences in Exporter Premia: Comparable Evidence for 14 Countries," *Review of World Economics*.
- Levinsohn, J. and A. Petrin (2003), "Estimating production functions using intermediate inputs to control for unobservables," *ReStud*.

- Castellani, D., F. Serti, and C. Tomasi, 2010, "Firms in international trade: importers and exporters heterogeneity in the Italian manufacturing industry," *The World Economy* (forthcoming).
- Bernard, A. and B. Jensen, 1999, "Exceptional exporter performance: cause, effect, or both?" *Journal of International Economics*
- Bernard, A., B. Jensen, S. Redding, and P. Schott, 2007, "Firms in international trade," *Journal of Economic Perspectives*

5) **Firm Heterogeneity and the Melitz (2003) Model. (Antonio Navas, FAE)**

- Melitz, M. J., 2003, "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica*.
- Bernard, Andrew B., Stephen Redding, Peter K. Schott (2004), "Comparative Advantage and Heterogeneous Firms," NBER Working Paper No. 10668
- Eaton, J. and S. Kortum, 2002, "Technology, Geography and Trade," *Econometrica*
- J.Hallak and P.Schott, 2008, "Estimating Cross-Country Differences in Product Quality," NBER Working Paper 13807.
- Kugler, Maurice and Verhoogen, Eric A., 2009, "The Quality-Complementarity Hypothesis: Theory and Evidence from Colombia," CEPR Discussion Papers 7119.
- Hallak, J. and J. Sivadasan, 2009, "Firm's exporting behaviour under quality constraints," NBER Working Paper 14928.994, "North-South Trade, Employment, and Inequality," Oxford: Clarendon Press.

6) **Imports at the level of the firm**

- Bas M., 2009, "Trade, foreign inputs and firms' decisions: Theory and Evidence", CEPII WP No 2011 – 15
- Castellani, D., F. Serti and C. Tomasi, 2010, "Firms in International Trade: Importers' and Exporters' Heterogeneity in Italian Manufacturing Industry", *The World Economy*, 33(3), 424–457.
- Halpern, L., Koren, M. and A. Szeidl, 2009, "Imported inputs and Productivity", Federal Reserve Bank of New York, mimeo, 2006

- Kasahara H. and J. Rodrigue, 2008, "Does the Use of Imported Intermediates Increase Productivity? Plant-Level Evidence", *Journal of Development Economics*, 87, 106–118..
- Loof, H. and M. Anderson, 2010, "Imports, Productivity and the Origin Markets - The Role of Knowledge-Intensive Economies", *The World Economy*
- Bas M. and Vanessa Strauss-Kahn, 2011, "Does importing more inputs raise exports? Firm level evidence from France"

7) **Propensity Score Matching, firm heterogeneity and international trade empirics**

- Francesco Serti & Chiara Tomasi, 2008, "Self-Selection and Post-Entry Effects of Exports: Evidence from Italian Manufacturing Firms," *Review of World Economics*.
- Sascha O. Becker & Andrea Ichino, 2002, "Estimation of average treatment effects based on propensity scores," *Stata Journal*
- Andrea Ichino (lecture notes), "The problem of causality in microeconomics (old and longer version) ", available at <http://www2.dse.unibo.it/ichino/air10.pdf>

8) 9) 10) **Students' presentations (tentative)**

- Helpman, E., Melitz, M. and Rubinstein, Y. , "Estimating trade flows: Trading partners and trading volumes," *Quarterly Journal of Economics*, 2008.
- Jan De Loecker, "Do Exports Generate Higher Productivity? Evidence from Slovenia", *Journal of International Economics*, 73, September 2007, 69–98.
- Paulo Bastos and Joana Silva, "Networks, firms, and trade", 2010, working paper.
- David H. Autor, David Dorn, G. H. Hanson, "The China Syndrome: Local Labor Market Effects of Import Competition in the United States", 2011, working paper.
- Mary Amiti and Jozef Konings, "Trade Liberalization, Intermediate Inputs and Productivity: Evidence from Indonesia", *American Economic Review*, December vol. 97(05) December 2007, pp.1611-1638.
- Menezes-Filho, Naercio Aquino and Marc-Andreas Muendler, "Labor Reallocation in Response to Trade Reform," *CESifo Working Paper*, March 2007, 1936. under revision for resubmission to *American Economic Review*.

- Melitz, M and Ottaviano, Gianmarco I.P. (2008):“Market Size, Trade, and Productivity” Review of Economic Studies, Vol. 75, January 2008, pp.295-316.
- Atkeson, A., Burstein, A: (2010): "Innovation, Firm dynamics, and International Trade,” Journal of Political Economy, June 2010
- Impulliti , G. and Licandro O. (2011): Trade, Firm Selection and Innovation: The Competition Channel mimeo

<http://www.iae.csic.es/investigatorsMaterial/a91811111308archivoPdf8382.pdf>. This is an extension of Licandro O.and Navas-Ruiz, A.(2011): Trade Liberalization, Competition and Growth.The B.E. Journal of Macroeconomics (forthcoming).

- Chaney, Thomas (2008) “Distorted Gravity: The Intensive and Extensive Margins of International Trade,” American Economic Review, 98(4), 1707–1721.
- Bernard, A. Jensen, J.B.. Eaton J. and Kortum S. "Plants and Productivity in International Trade" American Economic Review 2003, Vol. 93, No. 4, September, 1268-1290
- **Conferences and Research Networks on International Trade** (i.e., where to find data, contacts and novel research)

- <http://www.etsg.org/>

- <http://www.eiit.org/>

- <http://www.gep.org.uk/>

- <http://www.cepii.fr/anglaisgraph/news/accueilengl.htm>

- <http://www.ifw-kiel.de/>

- <http://www.biz.uiowa.edu/econ/seminars/mwieg.html>

- <http://www.dime-eu.org/firm-selection-and-country-competitiveness>

- <http://www.tradenet-it.tk/>

- <http://www.macalester.edu/research/economics/page/haveman/trade.resources/tradedata.html>