

THE UNIVERSITY OF COLORADO  
DEPARTMENT OF ECONOMICS

Economics 8413  
International Trade  
Fall, 2015

Keith Maskus

Economics 107, 492-7588, [Keith.Maskus@colorado.edu](mailto:Keith.Maskus@colorado.edu)

Hours: Monday 3:00 – 5:00; Wednesday 2:00 – 3:00 and by appointment

Course D2L site: <https://learn.colorado.edu/d2l/le/content/132868/Home>

**Syllabus and Reading List**

This course covers advanced topics in international trade, including classical comparative advantage, the theory of heterogeneous firms in trade, basics of trade policy, empirical work in international trade, and factor mobility. While an attempt is made to be comprehensive, time pressures dictate a judicious choice of materials to cover. However,

The following older books are useful resources for foundational material. They are listed here solely for your reference. I have marked particularly important volumes with an asterisk.

\*P. Aghion and P. Howitt, *Endogenous Growth Theory*, MIT Press, 1999.







- (B) Davis and Weinstein, "Market Access, Economic Geography and Comparative Advantage: An Empirical Test," JIE 2003, 1-23.
- (B) Davis, "Critical Evidence on Comparative Advantage? North-North Trade in a Multilateral World," JPE 1997, 1051-1060.
- HK, Ch. 6-9
- Lancaster, "Intra-Industry Trade under Perfect Monopolistic Competition," JIE 1980

**8. Gravity Models, Geography and Trade Costs:** October 12-14

- (R) Anderson and van Wincoop, "Gravity with Gravitas: A Solution to the Border Puzzle," AER 2003, 170-92  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/000282803321455214>
- (R) Head and Mayer, "Gravity Equations: Workhorse, Toolkit, and Cookbook," in GHR, Ch. 3
- (R) Redding and Sturm, "The Costs of Remoteness: Evidence from German Division and Reunification," AER 2008, 1766-97  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.98.5.1766>
- (B) Donaldson, "Railroads of the Raj: Estimating the Impact of Transportation Infrastructure," AER forthcoming <http://economics.mit.edu/files/6038>
- (B) Anderson and van Wincoop, "Trade Costs," Journal of Economic Literature 2004, 691-751 <http://pubs.aeaweb.org/doi/pdfplus/10.1257/0022051042177649>
- (B) Hummels, "Transportation Costs and International Trade in the Second Era of Globalization," Journal of Economic Perspectives 2007, 131-54  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.21.3.131>
- (B) Baier and Bergstrand, "Bonus Vetus OLS: A Simple Method for Estimating International Trade Cost Effects Using the Gravity Equation," JIE 2009, 77-85.

**9. Heterogeneous Firms and Trade: Background and Theory:** October 19-26

- (R) Bernard, Jensen, Redding and Schott, "Firms in International Trade," Journal of Economic Perspectives 2007, 105-30  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.21.3.105>
- (R) Melitz and Redding, "Heterogeneous Firms and Trade," in GHR, Ch. 1
- (R) Bernard, Redding, and Schott, "Comparative Advantage and Heterogeneous Firms," REStud 2007, 31-66  
<http://restud.oxfordjournals.org/content/74/1/31.full.pdf+html>
- (R) Chaney, "Distorted Gravity: Heterogeneous Firms, Market Structure, and the Geography of International Trade," AER 2008, 1707-21  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.98.4.1707>
- (B) Arkolakis, Costinot and Rodriguez-Clare, "New Trade Models, Same Old Gains?" AER 2012, 94-130  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.102.1.94>
- (B) Melitz, "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," ECA 2003, 1695-1725  
<http://onlinelibrary.wiley.com/doi/10.1111/1468-0262.00467/pdf>
- (B) Nocke and Yeaple, "Globalization and Multiproduct Firms," NBER working paper 19409, 2013 <http://www.nber.org/papers/w19409.pdf>
- (B) Demidova and Rodriguez-Clare, "The Simple Analytics of the Melitz Model in a

Small Open Economy,” JIE 2013, 266-72  
<http://www.sciencedirect.com/science/journal/00221996/90>  
Melitz and Ottaviano, “Market Size, Trade and Productivity,” REStud 2003  
Bernard, Redding, and Schott “Multiproduct Firms and Trade Liberalization,” QJE  
2011

**10. Heterogeneous Firms and Trade: Empirical Studies:** October 26-28

- (R) Helpman, Melitz and Rubinstein, “Estimating Trade Flows: Trading Partners and Trading Volumes,” QJE 2008, 441-87  
<http://qje.oxfordjournals.org/content/123/2/441.full.pdf+html>
  - (R) Bustos, “Trade Liberalization, Exports and Technology Upgrading: Evidence on the Impact of MERCOSUR on Argentinian Firms,” AER 2011, 304-340  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.101.1.304>
  - (R) Pavcnik, “Trade Liberalization, Exit and Productivity Improvements: Evidence From Chilean Plants” REStud 2002, 245-276  
<http://restud.oxfordjournals.org/content/69/1/245.full.pdf+html>
  - (B) Tybout, “Plant- and Firm-Level Evidence on ‘New’ Trade Theories,” in CH, Ch. 13
  - (B) Das, Roberts and Tybout, “Market Entry Costs, Producer Heterogeneity, and Export Dynamics,” ECA 2007, 837-73  
<http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0262.2007.00769.x/pdf>
  - (B) Lileeva and Trefler, “Improved Access to Foreign Markets Raises Plant-Level Productivity..for some Plants,” QJE 2010, 1051-1099,  
<http://qje.oxfordjournals.org/content/125/3/1051.full.pdf>
- Roberts and Tybout, “The Decision to Export in Colombia: An Empirical Model of Entry with Sunk Costs,” AER 1997  
Balistreri, Hillberry and Rutherford, "Structural Estimation and Solution of International Trade Models with Heterogeneous Firms," JIE 2011

**11. Demand Patterns and Trade:** November 2

- (R) Markusen, “Putting Per-Capita Income Back into Trade Theory,” JIE 2013, 255-65 <http://www.sciencedirect.com/science/journal/00221996/90>
  - (B) Caron, Fally and Markusen, “International Trade Puzzles: A Solution Linking Production and Preferences,” working paper 2013, QJE 2014  
[http://spot.colorado.edu/~markusen/publications\\_files/0314\\_CFM\\_QJE.pdf](http://spot.colorado.edu/~markusen/publications_files/0314_CFM_QJE.pdf)
  - (B) Markusen, “Explaining the Volume of Trade: an Eclectic Approach,” AER 1986, 1002-1011
  - (B) MM, Ch. 14
- Hunter, “The Contribution of Nonhomothetic Preferences to Trade,” JIE 1991  
Bergstrand, “The Heckscher-Ohlin Theorem, the Linder Hypothesis, and the Volume and Pattern of International Trade,” EJ 1990

**PROBLEM SET TWO DUE NOVEMBER 4**

**12. Foreign Direct Investment and the Multinational Firm:** November 4-9

- (R) BHV, Ch. 11
- (R) Carr, Markusen and Maskus, “Estimating the Knowledge-Capital Model of the Multinational Enterprise,” AER 2001, 693-708  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.91.3.693>
- (R) Helpman, Melitz and Yeaple, “Export versus FDI with Heterogeneous Firms”  
AER 2004, 300-16  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/000282804322970814>
- (B) MM, Ch. 15-16
- (B) Markusen and Maskus, “General Equilibrium Approaches to the Multinational Firm: A Review of Theory and Evidence,” in GH, Ch. 11

**13. Offshoring, Fragmentation and Technology Diffusion:** November 11-16

- (R) Grossman and Rossi-Hansberg, “Trading Tasks: A Simple Theory of Offshoring,” AER 2008, 1978-1997



## **18. Trade, Innovation and Endogenous Growth**

- Krugman, "A Model of Innovation, Technology Transfer, and the World Distribution of Income," JPE 1979
- Dollar, "Technological Innovation, Capital Mobility, and the Product Cycle in North-South Trade," AER 1986
- Grossman and E. Helpman, *Innovation and Growth in the Global Economy*, MIT Press 1991
- Helpman, "Innovation, Imitation, and Intellectual Property Rights," ECA, 1993
- He and Maskus, "Southern Innovation and Reverse Knowledge Spillovers," IER 2012.
- Howitt, "Endogenous Growth and Cross-Country Income Differences," AER 2000, 829-846

## **19. Trade, Labor Markets and Immigration**

- Costinot and Vogel, "Matching and Inequality in the World Economy," JPE 2010
- Grossman, "The Distribution of Talent and the Pattern and Consequences of International Trade," JPE 2004
- Helpman, Itshoki, Redding and Muendler, "Trade and Inequality: from Theory to Estimation," NBER working paper 17991, 2012
- Ohnsorge and Trefler, "Sorting it Out: International Trade with Heterogeneous Workers," JPE 2007
- Davidson, Martin and Matusz, "Trade and Search-Generated Unemployment," JIE 1999
- Ottaviano, Peri and Wright, "Immigration, Offshoring and American Jobs," AER 2014
- Peri, "The Effect of Immigration on Productivity: Evidence from US States," REStat 2013
- G. Hanson and M. Slaughter, "The Rybczynski Theorem, Factor-Price Equalization, and Immigration: Evidence from U.S. States," NBER working paper 7074, 1999

## **20. Product Quality and Trade**

- Hallak, "Product Quality and the Direction of Trade," JIE 2006
- Hummels and Klenow, "The Variety and Quality of a Nation's Exports," AER 2005
- Hummels and Skiba, "Shipping the Good Apples Out? An Empirical Confirmation of the Alchian-Allen Hypothesis," JPE 2004
- Schott, "Across-Product versus Within-Product Specialization and Trade," QJE 2004

## **21. Trade in Intermediates and Vertical Specialization**

- F, Ch.4
- Antras and Chor, "Organizing the Global Value Chain," NBER working paper 18163, 2012
- Kohler, "International Outsourcing and Factor Prices with Multistage Production," EJ

## **22. International Trade and the Environment**

Copeland and Taylor, "Trade and Trans-boundary Pollution," AER 1995

Antweiler, Copeland, and Taylor, "Is Free Trade Good for the Environment?" AER 2001

Copeland and Taylor, "Trade, Growth and the Environment," Journal of Economic Literature 2004

Bohringer, Carbone, and Rutherford, "Embodied Carbon Tariffs," NBER working paper 17376, 2011

Bohringer and Rutherford, "Carbon Abatement and International Spillovers," Environmental