

Roma Tre University
PhD Programs in Economics

International Trade Lectures 2017

Syllabus

The course will be divided into two parts: 1) international trade theories; 2) trade policy measurement, ex post and ex ante analysis and data. The second part provides also some additional hands-on sessions.

Students need to read some basic material in advance and download specific econometric software packages and data to be prepared for lectures and hands-on sessions.

Organisers

Luca De Benedictis, Università di Macerata

Silvia Nenci, Università Roma Tre

Luca Salvatici, Università Roma Tre

Reference Books

Self-study: Basic knowledge of the theory of international trade is required. To this aim, students can refer to one of the following books:

BCO Basevi, G., G. Calzolari, G. Ottaviano (2001), *Economia Politic3333a degli Scambi Internazionali*, Carocci Editore.

BHV98 Bowen Harry P., Abraham Hollander and Jean-Marie Viaene (1998), *Applied International Trade Analysis*, MacMillan.

RF04 Feenstra Robert (2004), *Advanced International Trade: Theory and Evidence*, Princeton, NJ.: Princeton University Press.

FT Feenstra, Robert C. and Alan M. Taylor (2014), *International Economics*, Worth Publisher, 3rd edition

GGIT Gandolfo, G. (1998), *International Trade: Theory and Policy*, Springer Verlag

EH11 Helpman Elhanan (2011), *Understanding Global Trade*, Cambridge, MA.: Harvard University Press.

Topics and Readings

➤ Introduction

Introduction to the Gains from Trade.

- FT Ch. 8

Trade facts, changes and the history of globalization

- Davis D. and D. Weinstein (2002), “What Role for Empirics in International Trade?”, in Ronald Findlay, Lars Jonung, Mats Lundahl, eds., Bertil Ohlin: A Centennial Celebration, 1899-1999, Cambridge: MIT Press, 2002.
- Krugman P. (1998), “What do Undergrads Need to Know About Trade”, American Economic Review, 83(2), 23-26.
- O’Rourke K. H. and J. G. Williamson (2000), Globalization and History, Cambridge, MA.: MIT Press.
- Steger Manfred B. (2003) Globalization. A Very Short Introduction, Oxford, Oxford University Press.

➤ **The Ricardian Model**

The basic Ricardian model (2 goods and 2 countries); extensions to more countries and more goods: the Ricardian model with a continuum of goods (Dornbusch, Fisher, Samuelson, 1977); comparative advantages and distance (Eaton and Kortum, 2002)

- FT (chap. 2)
- GGIT (Appendix to chap. 2), BCO (pp. 58-71)
- Dornbusch, R., Fisher, S. and P. Samuelson (1977), “Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods”, American Economic Review, Vol. 67, No. 5 (Dec., 1977), pp. 823-839.
- Eaton, J. and S. Kortum (2002), “Trade, Geography and Trade”, Econometrica, 70, 5, pp. 1741-79.
- Eaton, J. and S. Kortum (2012), “Putting Ricardo to Work”, Journal of Economic Perspectives—Volume 26, Number 2—Spring 2012—Pages 65–90.

➤ **Increasing Returns to Scale**

Increasing returns to scale in international trade; two Krugman’s models (1979 and 1980)

- BCO (chap. 4 and 5)
- FT (chap. 6)
- Krugman, P. (1979), “Increasing Returns, Monopolistic Competition, and International Trade”, Journal of International Economics, vol. 9, pp. 469-79.
- Krugman, P. (1980), “Scale Economies, Product Differentiation, and the Pattern of Trade”, American Economic Review, Vol. 70, No. 5 (Dec., 1980), pp. 950-959

➤ **The New-New Trade Theories**

The importance of firms’ heterogeneity. The Melitz (2003) model

- Bernard, Andrew B., J. Bradford Jensen, Stephen J. Redding, and Peter K. Schott (2007), “Firms in International Trade”, Journal of Economic Perspectives, 21(3): 105–130.
- Bernard, A.B., Jensen, J.B., (1995), “Exporters, jobs and wages in U.S. manufacturing, 1976-1987”, Brookings Papers on Economic Activity: Microeconomics, pp. 67-118.

- Helpman, Elhanan (2006), “Trade, FDI, and the Organization of Firms”, *Journal of Economic Literature*, 44(3): 589–630.
- Melitz, M. (2003), “The impact of trade on intraindustry reallocations and aggregate industry productivity”, *Econometrica*, vol. 71, pp. 1695-725.
- Marc J. Melitz & Daniel Trefler, (2012), “Gains from Trade When Firms Matter”, *Journal of Economic Perspectives*, vol. 26(2), pages 91-118, Spring.

➤ **Factors’ mobility: labor and migration**

Migration and international trade. Migration and outsourcing. Skilled vs. unskilled migration: the brain drain. The Economics of Remittances.

- FT (chap. 5 and 7)

Migration and Trade

- Ortega, F., and Peri, G. (2014), “Openness and income: The roles of trade and migration”, *Journal of International Economics*, 92(2), 231-251.
- Bratti M., L. De Benedictis and G. Santoni (2014), “On the pro-trade effects of immigrants”, *Review of World Economics*, 150 (3), 557-594

Effects on the destination countries: wages and the production structure

- D'Amuri, F. and Peri, G. (2014), “Immigration, jobs and employment protection: evidence from Europe before and during the Great Recession”, *Journal of European Economic Association*.
- De Arcangelis, G., E. Di Porto and G. Santoni (2015), “Migration, Labor Tasks and Production Structure”, *Regional Science and Urban Economics*, July 2015, vol. 53, pp. 156-169.
- Docquier, F, C. Ozden and G. Peri (2010), “The Wage Effect of Emigration and Immigration”, NBER Working Paper n. 16646.
- Ottaviano, Peri and Wright (2014), “Immigration, Outsourcing and the American Jobs”, *American Economic Review*

➤ **Trade Policy**

Measures and impacts

- Anderson, J. E., & Neary, J. P. (2005). *Measuring the Restrictiveness of International Trade Policy*, MIT Press.
- Cipollina M.P e Salvatici L., “Measuring protection: mission impossible?”, *Journal of Economic Surveys*, Vol. 22, Issue 3, pp. 577-616, July 2008.
- Chang, P.L., Lee, M.J. 2011. The WTO trade effect. *Journal of International Economics*, 85, 53-71
- Dutt, P. Mihov, I., Van Zandt, T. 2013. The effect of WTO on the extensive and the intensive margins of trade. *Journal of International Economics*, 91, 2, 204–219 .
- Fugazza, M., & Nicita, A. (2013). The direct and relative effects of preferential market access. *Journal of International Economics*, 89(2), 357-368.
- Liu, X., 2009. GATT/WTO promotes trade strongly. Sample selection and model specification. *Review of International Economics*, 17, 428-46.

- Nenci, S. 2011. Tariff liberalization and the growth of world trade: a comparative historical analysis to evaluate the multilateral trading system, in *The World Economy*, n. 34, pp.1809–1835;

➤ **The Gravity model**

Theory, empirical evidence and applications

Self-study: Gravity Model (<http://www.agrodep.org/model/gravity>)

- RF04 (ch. 5)
- Anderson J.E. and van Wincoop E. (2003), “Gravity with Gravititas: A Solution to the Border Puzzle”, *American Economic Review*, 93(1), 170-192.
- Anderson, J.E., (2011) The Gravity Model, *Annual Review of Economics*, Vol. 3, pp. 133-160.
- Baldwin, R., Taglioni, D., (2007), Trade effects of the euro: A comparison of estimators. *Journal of Economic Integration* 22 (4), 780–818.
- Cipollina, M., Salvatici, L., (2010), Reciprocal Trade Agreements in Gravity Models: A Meta-Analysis. *Review of International Economics* 18 (1), 63–80.
- De Benedictis L. and D.Taglioni (2011), “The Gravity model in international trade”, in L.De Benedictis and L.Salvatici (ed.), *The Trade Impact of European Union Preferential Policies. An Analysis Through Gravity Models*, Springer.
- De Benedictis L. and L. Salvatici (2011), “Introduction”, in L.De Benedictis and L.Salvatici (ed.), *The Trade Impact of European Union Preferential Policies. An Analysis Through Gravity Models*, Springer.
- Gabaix, X. (2015), “Power Laws in Economics”, *Journal of Economic Perspectives* forthcoming.
- Head, K. and T. Mayer (2014), “Gravity Equations: Workhorse, Toolkit, and Cookbook” chapter 3 in Gopinath, G, E. Helpman and K. Rogo_ (eds), vol. 4 of the *Handbook of International Economics*, Elsevier: 131-195.
- Rose A. K. 2004. Do We Really Know that the WTO Increases Trade?, *The American Economic Review*, 94, 1, 98-147.
- Subramanian, A., Wei, S-W., 2007. The WTO promotes trade, strongly but unevenly. *Journal of International Economics* 72, 151-175.
- Tomz, M., Goldstein, J. L., Rivers, D. 2007. Do we really know that the WTO increases trade? Comment. *American Economic Review* 97, 2005-2018.

➤ **Global Value Chains**

Fragmentation of production and trade in value added

- Antras, P, Chor D., 2013, Organizing the Global Value Chain, *Econometrica* 81(6): 2127-2204.
- Baldwin J., Yan B., (2014), Global Value Chains and the Productivity of Canadian Manufacturing Firms, *Economic Analysis Research Paper Series*, March
- Baldwin R., (2012), Global Supply Chains: Why They Emerged, Why They Matter, and Where They are Going, *CEPR Discussion Paper No. DP9103*

- Hummels, D., Ishii, J., & Yi, K.-M. (2001). The Nature and Growth of Vertical Specialization in World Trade. *Journal of International Economics*, 54(1), 75–96.
[http://doi.org/10.1016/S0022-1996\(00\)00093-3](http://doi.org/10.1016/S0022-1996(00)00093-3)
- Johnson, R. C., & Noguera, G. (2012). Accounting for intermediates: Production sharing and trade in value added. *Journal of International Economics*, 86(2), 224–236.
- Koopman, R., Wang, Z., & Wei, S. J. (2014). Tracing value-added and double counting in gross exports. *American Economic Review*, 104(2), 459–494.
<http://doi.org/10.1257/aer.104.2.459>
- Timmer, M. P., A. A. Erumban, B. Los, R. Stehrer and G. J. de Vries (2014), 'Slicing Up Global Value Chain', *Journal of Economic Perspectives*, vol. 28(2), 99-118.

➤ **Computable general equilibrium (CGE) models**

Selfstudy: Rungtap model (<https://www.gtap.agecon.purdue.edu/products/rungtap/>)

- Antimiani A. e L. Salvatici (2015), "Regionalism versus Multilateralism: the case of the European Union Trade Policy", *Journal of World Trade*, 49:2, 2015, Pages 253–275
- Dixon, Peter, Michael Jerie and Maureen Rimmer (2015), *Modern Trade Theory for CGE Modelling: the Armington, Krugman and Melitz Models*, GTAP Technical Paper, No. 36
- Mary E. Burfisher (2011), "Introduction to General Equilibrium Models", Cambridge University Press, New York, USA.

➤ **Network analysis of international flows**

- De Benedictis L. and L. Tajoli (2011), "The World Trade Network", *The World Economy*, 3(8), 1417-1454
- De Benedictis, L., Nenci, S., Santoni, G., Tajoli, L., & Vicarelli, C. (2014). Network Analysis of World Trade using the BACI-CEPII dataset. *Global Economy Journal*, 14(3-4), 287-343.

Schedule:

	Lecture topic	Instructor	Date	Time
1	<i>Introduction to international trade</i>	Luca De Benedictis Silvia Nenci Luca Salvatici	April, 10	10:30-12:30
2	<i>Theories of International Trade under Monopolistic Competition</i>	Luca Salvatici	April, 21	12:30-14:30
3	<i>New-New Trade Theory: Firms Heterogeneity in International Trade</i>	Lilia Cavallari (Roma Tre)	April, 27	10:30-12:30
4	<i>Firms and international competitiveness in Italy.</i>	Claudio Vicarelli (ISTAT)	April, 27	15:30-17:30
5	<i>Exports and productivity</i>	Andrea Lamorgese (Banca d'Italia)	May 8	15:30-17:30

6	<i>Migration and international trade</i>	Giuseppe De Arcangelis (Sapienza)	May, 31	14:30-16:30
7	<i>Trade policies</i>	Luca Salvatici	April, 21	15:30-17:30
8	<i>The Gravity model: theory, empirical evidence and applications</i>	Nenci Silvia Luca Salvatici	April, 28 June, 1 June, 1	12:30-14:30 12:30-14:30 15:30-17:30
9	<i>Global Value Chains and Trade</i>	Nenci Silvia Michele Mancini (Banca d'Italia)	May, 15	12:30-14:30 15:30-17:30
10	<i>Computable general equilibrium models</i>	Luca Salvatici	May, 8 June, 13	10:30-12:30 12:30-14:30
11	<i>Network analysis</i>	Luca De Benedictis	June, 9	15:30-17:30

Venue:

Department of Economics, University of Roma Tre, Via S. D'Amico 77, Rome.

Exam

Take home exam: i) referee report discussing one of the papers included in the reference list; ii) empirical exercises using suggested techniques and data.