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Columbia University
Department of Economics
Economics G6903: International Trade

This is a graduate course in positive international trade – that is, understanding patterns and volumes of trade (not trade policy). The prerequisite is knowledge of the first year PhD economics core material. Familiarity with international trade at an undergraduate level is helpful, although not required.

The readings have been divided, with two ** indicating the most important, one * indicating the next most important, and no stars indicating that the reading is for pleasure or adventure!

I am revising the material in this course (always) and so you should expect revisions as we move along (which will be posted in an online version).

The course will have the following requirements:

- A referee report on a *microeconomic* paper in this term's International Economics Workshop, to be submitted one week before the speaker arrives (10 percent of the grade). No more than three students can choose the same paper, so consult the schedule early and let me know your preferred paper (all work on this, of course, must be done individually).
- A midterm on October 19 (20 percent of the grade);
- A final TBA that covers material from the entire term (30 percent of the grade);
- A paper (40 percent of the grade).

The paper will be a *critical* review of literature in an area appropriate for this class. By this I mean that you should not only provide an exposition of the main issues in that area, but also provide your own assessment of where the literature stands, strengths, weaknesses, and possible paths forward. If you are in doubt about whether your topic is appropriate for the paper, talk to me at an early moment. A reasonable target is approximately 18-20 pages of crisp analysis.

There are **deadlines** for the paper as follows:

September 22: e-mail me a paragraph describing what you want to study as well as a proposed set of related papers for the study.

November 1: I want a complete first draft of the paper.

December 5: Final draft of the paper is due.

Electronic Resources

A very large proportion of the papers and resources listed here are viewable online. Some of the key sites:

Econlit provides searchable records by many fields and includes e-links to the papers where available:

[EconLit](#)

SSCI (Social Science Citation Index) allows you to trace from classic papers to recent contributions in the same area. It also gives you a hint of whether the profession is paying some attention to a paper.
[SSCI](#)

JSTOR (Journal Storage) has primarily papers in journals that are more than a few years old. *American Economic Review*, *Journal of Political Economy*, and others are included.
<http://www.jstor.org/jstor/>

A number of useful journals, including the *Journal of International Economics* and *European Economic Review* can be found at Science Direct, which also has the series of Handbooks in Economics:
[ScienceDirect](#)

The publications of the American Economic Association, including the *AER*, are available at:
[AEA e-Publications](#)

A larger list of journals available with your uni ID are at:
[E-Journals: Online Journals](#)

Remember: “*It is false economy to stint on books.*” — Paul Samuelson

All books should also be on reserve at the Columbia Business and Economics Library.

Strongly Recommended Books

Recent years have seen a wealth of excellent books directed at the PhD student and professional economists. Many are now available in inexpensive paper editions at outlets such as [Amazon.com](#) , [Barnes & Noble.com](#) , or [BookFinder.com](#) (and others).

Dixit, Avinash and Victor Norman *Theory of International Trade* Oxford U. Pr. 1980. (DN)
 Feenstra, Robert C., *Advanced International Trade: Theory and Evidence*, Princeton U. Pr. 2004.
 Fujita, M. Krugman, P., and Venables, A. *The Spatial Economy*, MIT Press (2001). (FKV)
 Grossman, Gene and E. Helpman, [Innovation and Growth in the Global Economy \(do search\)](#), 1991 MIT.
 (GH)
 Helpman, Elhanan and Krugman, Paul, *Market Structure and Foreign Trade*, MIT 1985. (HK)
 Leamer, E., ed., *International Economics* (Worth Series in Outstanding Contributions), Worth 2001. (L-ed.)

Recommended Books

Richard Baldwin, Philippe Martin, Frederic Robert-Nicoud, Gianmarco Ottaviano, Rikard Forslid,
[Economic Geography and Public Policy](#), Princeton U. Pr., 2005.
 Bhagwati, Jagdish; Panagariya, Arvind; and Srinivasan, T.N. [Lectures on International Trade](#), 2nd edition,
 MIT 1998. (BPS)
 Bhagwati, Jagdish ed. 2nd edition *International Trade: Selected Readings* MIT 1987. (B-ed)
 Choi, E.K. and James Harrigan, eds. *Handbook of International Trade*, Malden, MA: Blackwell, 2003.
 Davis, Donald R., *Notes on Competitive Trade Theory*
 Grossman, Gene, *Imperfect Competition and International Trade* MIT 1992. (G-ed)

- Grossman, Gene and Rogoff, Ken, eds. [Handbook of International Economics, Volume 3](#) , Elsevier 1995. (HIE3)
- Jones, Ronald W. and Kenen, Peter, eds. [Handbook of International Economics, Volume 1](#) , Elsevier 1984. (HIE)
- Markusen, J., *Multinational Firms and the Theory of International Trade*, Cambridge: MIT Pr. 2002.
- Rivera-Batiz, Luis A. and Oliva, Maria-Angels, *International Trade: Theory, Strategies, and Evidence*, Oxford U. Pr. 2003
- Wong, Kar Yiu, *International Trade in Goods and Factor Mobility*, MIT Pr. 1995.

I. Perfect Competition

A. Equilibrium in a Trading World and the Gains From Trade

Davis, Donald R., *Notes on Competitive Trade Theory*, Ch. 2

Dixit, A. "[Tax policy in open economies](#)," *Handbook of Public Economics*, Volume 1, 1985, Pages 313-374.

B. Comparative Advantage

Theory

** DN. pp. 1-8 and "Mathematical Appendix."

* Ethier, W. "[Higher Dimensional Issues in Trade Theory](#)," sections 1 and 2, HIE

* Deardorff, A., "[The General Validity of the Law of Comparative Advantage](#)," JPE 88 1980. Reprint in L-ed.

Data

** Bernhofen, Daniel M; Brown, John C, "[A Direct Test of the Theory of Comparative Advantage: The Case of Japan](#)," *Journal of Political Economy*, vol. 112, no. 1, Part 1 Feb. 2004, pp. 48-67

** Davis, Donald R; Weinstein, David E, "[What Role for Empirics in International Trade?](#)" *Bertil Ohlin: A centennial celebration (1899-1999)*. 2002, pp. 363-87

C. An Exchange Economy

** Jones, Ronald W. and Peter Neary, "[The Positive Theory of International Trade](#)," in *HIE* Section 2.1

D. Ricardo

** Dornbusch, Fischer, and Samuelson "[Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods](#)," *AER*, (67) 1977

* Jones, R. and P. Neary, "[The Positive Theory of International Trade](#)," HIE Section 2.2

* Jones, Ronald "Technical Progress and Real Incomes in a Ricardian Trade Model," in Jones, Ronald, *International Trade: Essays in Theory*, North-Holland 1979.

DN pp. 36-38.

E. Heckscher-Ohlin

Theory

** DN pp. 1-19, 85-86, 93-122, 133-137.

** HK1 Ch. 1.

* Feenstra, Ch. 1

* Rivera-Batiz and Oliva, Ch. 1

** Jones, R.W. "[The Structure of Simple General Equilibrium Models](#)," JPE 73 Dec. 1965, 557-72. Reprint in L-ed.

* Jones, R. and P. Neary, "[The Positive Theory of International Trade](#)," HIE Section 2.3

* Davis, D. "[Critical Evidence on Comparative Advantage? North-North Trade in a Multilateral World](#)" *Journal of Political Economy*, vol. 105, no. 5, October 1997, pp. 1051-60

* Mussa, M. "[The Two-Sector Model in terms of its Dual](#)," in B-ed

Ethier, W. "[Higher Dimensional Issues in Trade Theory](#)," in HIE.

Data

- * Bowen, Leamer and Sveikauskas, "[Multicountry, Multifactor Tests of the Factor Abundance Theory](#)," *American Economic Review* 77:5, 1987, 791-809. Reprint in L-ed.
- ** Davis, Donald R; Weinstein, David E, "[An Account of Global Factor Trade](#)," *American Economic Review*, vol. 91, no. 5, December 2001, pp. 1423-53
- ** Davis, Donald R; Weinstein, David E, "[The Factor Content of Trade](#)," National Bureau of Economic Research, Inc, NBER Working Papers: 8637, 2001, also in Choi, E.K. and James Harrigan, eds. *Handbook of International Trade*, Malden, MA: Blackwell, 2003.
- ** Harrigan, James, "[Technology, Factor Supplies, and International Specialization: Estimating the Neoclassical Model](#)," *American Economic Review*, vol. 87, no. 4, September 1997, pp. 475-94
- ** Trefler, Daniel, "[The Case of the Missing Trade and Other Mysteries](#)," *American Economic Review*, vol. 85, no. 5, December 1995, pp. 1029-46. Reprint in L-ed.
- ** Feenstra Chs. 2-3
- Davis, Donald R; Weinstein, David E, et al, "[Using International and Japanese Regional Data to Determine When the Factor Abundance Theory of Trade Works](#)," *American Economic Review*, vol. 87, no. 3, June 1997, pp. 421-46
- Leamer, E., Chs. 2 and 6 in *Sources of International Comparative Advantage: Theory and Evidence* MIT 1984.
- Rivera-Batiz and Oliva, Ch. 3
- Trefler, Daniel, "[International Factor Price Differences: Leontief Was Right!](#)" *Journal of Political Economy*, vol. 101, no. 6, December 1993, pp. 961-87

F. Specific Factors (Ricardo-Viner) Model

- * DN pp. 38-43, 122-125.
- ** Jones, R. and P. Neary, "[The Positive Theory of International Trade](#)," HIE Section 2.4
- * Jones, R., "A Three Factor Model in Theory, Trade, and History," in Jones, R., *International Trade: Essays in Theory*, North-Holland 1979.
- Corden, W. and P. Neary, "[Booming Sectors and Deindustrialization in a Small Open Economy](#)" *Economic Journal*, 92 1982.
- * Neary, J.P. "[Short Run Capital Specificity and the Pure Theory of International Trade](#)" L-ed.

G. Unemployment

- * Brecher, Richard A. "[Optimal Commercial Policy for a Minimum-Wage Economy](#)," *JIE* (4) 1974, pp. 139-149.
- * Davis, Donald R. "[Does European Unemployment Prop Up American Wages?](#)" *American Economic Review*, vol. 88, no. 3, June 1998, pp. 478-94. Reprint in L-ed.

H. Immigration

- ** Borjas, George J, "[The Labor Demand Curve Is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market](#)," *Quarterly Journal of Economics*, vol. 118, no. 4, November 2003, pp. 1335-74
- ** Card, David, "[The Impact of the Mariel Boatlift on the Miami Labor Market](#)," *Industrial and Labor Relations Review*, vol. 43, no. 2, January 1990, pp. 245-57
- ** Davis, Donald R; Weinstein, David E, "Technological Superiority and the Losses from Migration," National Bureau of Economic Research, Inc, *NBER Working Papers*: 8971, 2002
- Hatton, T. and Williamson, J., *The Age of Mass Migration*, U. of Chicago Pr. 1998.
- Hendricks, Lutz, "[How Important Is Human Capital for Development? Evidence from Immigrant Earnings](#)," *American Economic Review*, vol. 92, no. 1, March 2002, pp. 198-219
- Mishra, Prachi, "[Emigration and Wages in Source Countries: Evidence From Mexico](#)," forthcoming *JIE*.
- Rivera-Batiz and Oliva, Ch. 5.1-5.4
- Stalker, Peter, *The Work of Strangers: A Survey of International Labour Migration*, Geneva: ILO, 1994.

I. External Increasing Returns

- * Bhagwati, Panagariya, and Srinivasan, Section 1 of Chapter 11 (Economies of Scale) of **new Lectures on International Trade**.

II. Imperfect Competition Theory (static)

A. Monopoly

BPS Chapters

B. Monopolistic Competition

- ** Krugman, Paul "[Increasing Returns, Monopolistic Competition and International Trade](#)," JIE 9 1979, Reprint in L-ed.
- ** HK1 Chs. 7-8, 9.5, 10.4, 11.4.
- ** Bhagwati, Panagariya, and Srinivasan, Section 2 of Chapter 11 (Economies of Scale) of **new Lectures on International Trade**.
- Krugman, P., "Growth, Trade and Income Distribution Under Increasing Returns," mimeo 1984. DN Ch. 9.
- Ethier, W. "[National and International Returns to Scale in the Modern Theory of International Trade](#)" AER 72 June 1982. Also in G-ed
- HK1 Chs. 6, 9-11.
- * Davis, D. "[Intraindustry Trade: A Heckscher-Ohlin-Ricardo Approach](#)." *Journal of International Economics*, vol. 39, no. 3-4, November 1995, pp. 201-26
- Rivera-Batiz and Oliva, Ch. 2.

C. Oligopoly

- * Brander, James, "Strategic Trade Policy," NBER # 5020, Feb. 1995.
- ** Brander, James and Krugman, Paul "[A Reciprocal Dumping Model of International Trade](#)" Reprint in L-ed.
- ** HK1 Ch. 5
- ** Bhagwati, Panagariya, and Srinivasan, Section 2 of Chapter 11 of new *Lectures on International Trade*.
- Markusen, J. "[Trade and Gains From Trade with Imperfect Competition](#)," JIE 11 1981, also in G-ed.

D. Firms and Trade

- ** Pol Antras's notes for Ec 2535 at Harvard. See [Antras Lectures](#) .
- ** Antras, Pol, "[Firms, Contracts, and Trade Structure](#)," *Quarterly Journal of Economics*, vol. 118, no. 4, November 2003, pp. 1375-1418
- Bernard, Andrew B; Redding, Stephen; Schott, Peter K, "Comparative Advantage and Heterogeneous Firms," National Bureau of Economic Research, Inc, *NBER Working Papers*: 10668, 2004
- ** Melitz, Marc J, "[The Impact of Trade on Intra-industry Reallocations and Aggregate Industry Productivity](#)," *Econometrica*, vol. 71, no. 6, November 2003, pp. 1695-1725

E. Multinational Corporations

- ** Feenstra, Ch. 11
- ** HK1 Chs. 12.1-12.4, 13.1-13.3
- * Markusen, J., *Multinational Firms and the Theory of International Trade*, Cambridge: MIT Pr. 2002. Chs. 2-4, 13.
- * Markusen, J. "[The Boundaries of Multinational Enterprises and the Theory of International Trade](#)," *JEP*, Spring 1995.

- * Brainard, S. Lael, "[An Empirical Assessment of the Proximity-Concentration Trade-off between Multinational Sales and Trade](#)," *American Economic Review*, vol. 87, no. 4, September 1997, pp. 520-44
- * Helpman, E. "[A Simple Theory of International Trade with Multinational Corporations](#)," JPE 92 No. 3 1984. Also in B-ed.

III. Economic Geography

A. Gravity and the Volume of Trade

- ** Anderson, James E; van Wincoop, Eric, "[Gravity with Gravitas: A Solution to the Border Puzzle](#)," *American Economic Review*, vol. 93, no. 1, March 2003, pp. 170-92
- * Anderson, James E; van Wincoop, Eric, "[Trade Costs](#)," *Journal of Economic Literature*, vol. 42, no. 3, September 2004, pp. 691-751
- ** Eaton, Jonathan; Kortum, Samuel, "[Technology, Geography, and Trade](#)," *Econometrica*, vol. 70, no. 5, September 2002, pp. 1741-79
- ** Feenstra Ch. 5
- * Harrigan, James, "[Specialization and the Volume of Trade: Do the Data Obey the Laws?](#)" in Choi, E.K. and James Harrigan, eds., *Handbook of International Trade*, Malden, MA: Blackwell, 2003.
- Helpman, E. "Imperfect Competition and International Trade: Evidence From Fourteen Industrialized Countries," *Journal of the Japanese and International Economies*, 1 (1987): 62-81.
- * Hummels, D. and Klenow, P., "The Variety and Quality of a Nation's Exports," *AER*, June 2005.
- * Hummels, David, and Levinsohn, James, "[Monopolistic Competition and International Trade: Reconsidering the Evidence](#)," *QJE*, Vol. CX, August 1995, pp. 799-836. Reprint in L-ed.
- * Krugman, P., "[Growing World Trade: Causes and Consequences](#)," *Brookings Papers on Economic Activity*, vol. 0, no. 1, 1995, pp. 327-62
- * Schott, Peter K, "Across-Product versus Within-Product Specialization in International Trade," *Quarterly Journal of Economics*, vol. 119, no. 2, May 2004, pp. 647-78
- ** Yi, Kei-Mu, "[Can Vertical Specialization Explain the Growth of World Trade?](#)" *Journal of Political Economy*, vol. 111, no. 1, February 2003, pp. 52-102

B. Economic Geography

Theory

- * Krugman, Paul, "[Scale Economies, Product Differentiation, and the Pattern of Trade](#)," *AER* 70 Dec. 1980 950-959. Also in G-ed.
- * Krugman, Paul, "Increasing Returns and Economic Geography," *JPE* 99:3, 1991, pp. 483-499. Reprint in L-ed.
- * Krugman and Venables, "[Globalization and the Inequality of Nations](#)," *QJE*, Nov. 1995.
- ** Fujita, Krugman and Venables Chapters 4,5, 14
- Krugman, P., *Geography and Trade*, Cambridge: MIT Pr. 1992.
- Fujita, M. and Thisse, J. *Economics of Agglomeration*, Cambridge U. Pr., 2002.
- * Chs. 2-8 in Richard Baldwin, Philippe Martin, Frederic Robert-Nicoud, Gianmarco Ottaviano, Rikard Forslid, *Economic Geography and Public Policy*, Princeton U. Pr., 2005.
- Rivera-Batiz and Oliva, Ch. 4

Data

- ** Davis, Donald R; Weinstein, David E, "[Bones, Bombs, and Break Points: The Geography of Economic Activity](#)," *American Economic Review*, vol. 92, no. 5, December 2002, pp. 1269-89
- Davis, Donald R; Weinstein, David E, "[A Search for Multiple Equilibria in Urban Industrial Structure](#)," National Bureau of Economic Research, Inc, NBER Working Papers: 10252, 2004

- * Davis, Donald R; Weinstein, David E, "[Economic Geography and Regional Production Structure: An Empirical Investigation](#)," *European Economic Review*, vol. 43, no. 2, February 1999, pp. 379-407
- ** Hanson, G., Xiang, C. "[The Home Market Effect and Bilateral Trade Patterns.](#)" *American Economic Review*, September 2004, 94: 1108-1129
- Head, K., Mayer, T. [The Empirics of Agglomeration and Trade](#) , *Handbook of Regional and Urban Economics*, vol. 4, 2004.
- Overman, H., Redding, S., and Venables, A.J. "[The Economic Geography of Trade, Production and Income: A Survey of Empirics](#)", in Choi, E.K. and James Harrigan, eds. *Handbook of International Trade*, Malden, MA: Blackwell, 2003.
- * Rappaport, Jordan; Sachs, Jeffrey D, "[The United States as a Coastal Nation](#)," *Journal of Economic Growth*, vol. 8, no. 1, March 2003, pp. 5-46

IV. Dynamic Models of Trade and Growth

A. Perfectly Competitive Framework

- * Lucas, Robert "[On the Mechanics of Economic Development](#)," *Journal of Monetary Economics* 22, July 1988. (Model of learning by doing).
- * Young, Alwyn, "[Learning by Doing and the Dynamic Effects of International Trade](#)," *QJE* 106 May 1991.
- * Findlay, Ronald, "Capital, Trade and the Rate of Interest," Chapter 2 in *Factor Proportions, Trade and Growth*, Cambridge: MIT Pr., 1995.
- * Findlay, Ronald and H. Kierzkowski, "[International Trade and Human Capital: A Simple General Equilibrium Model](#)," *JPE* 1983.
- ** Ventura, J. "[Growth and Interdependence](#)," *Quarterly Journal of Economics*, vol. 112, no. 1, February 1997, pp. 57-84
- * Stiglitz, J. "[Factor Price Equalization in a Dynamic Economy](#)," *JPE* 1970.

B. Research and Development

- ** Grossman, Gene and E. Helpman, "[Technology and Trade](#)," NBER Working Paper # 4926, Nov. 1994.
- ** GH Chs. 3, 6, 13.
- ** Krugman, P., "[A Model Of Innovation, Technology Transfer, and the World Distribution of Income](#)," *JPE* 87 1979.
- * Rivera Batiz, Luis A. and Paul Romer, "[Economic Integration and Endogenous Growth](#)," *QJE* 106 May 1991, and in G-ed.

C. Empirics

- Feenstra Ch. 10
- ** Frankel, Jeffrey A; Romer, David, "[Does Trade Cause Growth?](#)" *American Economic Review*, vol. 89, no. 3, June 1999, pp. 379-99
- Rivera-Batiz and Oliva Ch. 6
- Rodriguez F, Rodrik D, Hsieh CT, et al. "[Trade policy and economic growth: A skeptic's guide to the cross-national evidence](#)," *NBER MACROECONOMICS ANNUAL* 15: 261+ 2001