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International Trade: A Quantitative Approach

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Description This course covers models of international trade, with an emphasis on quantitative applications. We will develop theoretical models, evaluate their ability to capture key stylized facts, show how to estimate their parameters, and demonstrate their use in performing policy experiments. The course involves a mix of theory, data, econometrics, and computation.

Topics The following list summarizes the topics and readings for each of the five days. We may deviate from this schedule if more time is required for a certain topic. The starred (*) readings will be the focus of each lecture.

1. (Monday) **The Ricardian Model**

- *Eaton and Kortum, “Putting Ricardo to Work,” *Journal of Economic Perspectives*, 2012: 65-90.
- Eaton and Kortum, “Online Appendix: Putting Ricardo to Work”, *Journal of Economic Perspectives*.
- *Dornbusch, Fischer, and Samuelson, “Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods,” *American Economic Review*, 1977: 823-839.
- *Eaton and Kortum, “Technology, Geography, and Trade,” *Econometrica*, 2002: 1741-1780.
- Alvarez and Lucas, “General Equilibrium Analysis of the Eaton-Kortum Model of International Trade,” *Journal of Monetary Economics*, 2007: 1726-1768.
- Waugh, “International Trade and Income Differences,” *American Economic Review*, 2010: 2093-2124.

2. (Tuesday) **Quantitative Applications**

- *Dekle, Eaton, and Kortum, “Unbalanced Trade,” *American Economic Review, Papers and Proceedings*, 2007: 351-355 (see appendix to *NBER Working Paper #13035*).
- Dekle, Eaton, and Kortum, “Global Rebalancing with Gravity: Measuring the Burden of Adjustment,” *IMF Staff Papers*, 2008: 511-540.
- Costinot and Rodriguez-Clare, “Trade Theory with Numbers: Quantifying the Consequences of Globalization,” chapter 4, *Handbook of International Economics*, 2014.
- Caliendo and Parro, “Estimates of the Trade and Welfare Effects of NAFTA,” *Review of Economic Studies*, 2014: 1-44.
- *Donaldson, “Railroads and the Raj,” forthcoming *American Economic Review*.
- *Costinot, Donaldson, and Smith, “Evolving Comparative Advantage and the Impact of Climate Change in Agricultural Markets: Evidence from 1.7 Million Fields around the World,” *Journal of Political Economy*, 2016: 205-248.

3. (Wednesday) **Dynamics**

- *Eaton, Kortum, Neiman, and Romalis, “Trade and the Global Recession,” forthcoming *American Economic Review*, 2016.
- *Eaton, Kortum, and Neiman, “Illustrating the Methodology in EKNR (2015),” Kortum’s web page.
- Reyes-Heroles, “The Role of Trade Costs in the Surge of Trade Imbalances,” unpublished, 2016.
- *Eaton, Kortum, and Neiman, “Obstfeld and Rogoff’s International Macro Puzzles: A Quantitative Assessment,” forthcoming *Journal of Economic Dynamics and Control*, 2016.
- *Caliendo, Dvorkin, and Parro, “Trade and Labor Market Dynamics,” unpublished, 2015.

4. (Thursday) **Plants and Firms**

- Krugman, P., “Scale Economies, Product Differentiation, and the Pattern of Trade,” 1980, *American Economic Review*, 70(5), 950-959.
- Bernard and Jensen, “Exporters, Jobs, and Wages in US Manufacturing, 1976-1987,” *Brookings Papers, Microeconomics*, 1995.
- *Bernard, Eaton, Jensen, and Kortum, “Plants and Productivity in International Trade,” *American Economic Review*, 2003: 1268-1290.
- Melitz, “The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity,” *Econometrica*, 2003: 1659-1726.
- Chaney, T., “Distorted Gravity: The Intensive and Extensive Margins of International Trade,” 2008, *American Economic Review*, 98(4), 1707-1721.
- Arkolakis, “Market Penetration Costs and the New Consumers Margin in International Trade,” *Journal of Political Economy*, 2011: 1151-1199.
- *Eaton, Kortum, and Kramarz, “An Anatomy of International Trade: Evidence from French Firms,” *Econometrica*, 2011: 1453-1498.
- *Eaton, Kortum, and Sotelo, “International Trade: Linking Micro and Macro,” *Advances in Economics and Econometrics Tenth World Congress, Volume II: Applied Economics*, 2013
- Arkolakis, “A Unified Theory of Firm Selection and Growth,” forthcoming, *Quarterly Journal of Economics*

5. (Friday) **Growth**

- Romer, “Endogenous Technological Change,” *Journal of Political Economy*, 1990: S71-S102.
- Kortum, “Research, Patenting, and Technological Change,” *Econometrica*, 1997: 1389-1419.
- *Eaton and Kortum, “International Technology Diffusion: Theory and Measurement,” *International Economic Review*, 1999: 537-570.
- *Lucas, “Ideas and Growth,” *Economica*, 2009: 1-19.
- Lucas and Moll, “Knowledge Growth and the Allocation of Time” forthcoming, *Journal of Political Economy*.
- Alvarez, Buera, and Lucas, “Idea Flows, Economic Growth, and Trade,” *NBER Working Paper No. 19667*.
- *Buera and Oberfield, “The Global Diffusion of Ideas,” unpublished, 2015.