Boston University  
Department of Economics  

Economics 791 – International Trade  
Fall 2017  

Syllabus

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Classes meet on Friday, 11.15-2.00, in 270 Bay State Road, room 546.

Course Overview

This course is an advanced course in International Trade, targeted to second year PhD students.  
The course introduces students to the main theories of international trade, with a special emphasis on the role of firms and of multinational production. We start by introducing the main facts about international trade and the empirical relationship known as the “gravity equation”. Then we cover the traditional theories of international trade (factor endowments, productivity-based comparative advantage, increasing returns to scale), and explore their most recent developments, particularly focusing on explaining trade from the point of view of individual firms. From this perspective, we study the determinants of the decision of firms to export or not, which foreign markets to enter, and more generally the role of firms’ heterogeneity in shaping export decisions. This analysis is both theoretical and empirical. In the second part of the course, we introduce multinational production as an additional/alternative possibility for firms to serve foreign markets. We study the classical theory of multinational firms, based on the proximity-concentration trade-off, and the firm-level decision between trade and multinational production. We also cover the most recent quantitative models of multinational production, which allow a close fit between theory and data. After this, we move to recent theories of the international organization of the firm, vertical specialization, outsourcing, and offshoring. If time allows, the last part of the course is devoted to understand the relationships between international trade, technology diffusion, growth and innovation, and the interactions between firms’ international activities, labor markets, and financial markets.
**Grading**

A second-year topic class should introduce students to independent research, and facilitate the transition from coursework to writing a PhD Thesis. For this reason, the course grade is based on three separate components:

- A referee report of a paper of your interest, not necessarily among the ones in the syllabus, to be decided with me in advance (20% of the grade).
- A 30-minutes presentation of a paper of your interest, not necessarily among the ones in the syllabus, to be decided with me in advance (30% of the grade).
- An individual research project, to be discussed with me by October 31st, and to be handed in by Friday, December 15th (50% of the grade).

All assignments must be completed individually, and late assignments will not be accepted.

**Academic Conduct**

It is your responsibility to know and understand the provisions of the CAS Academic Conduct Code (copies are available in room CAS 105). Cases of suspected academic misconduct will be referred to the Dean's Office.

**Reading list**

There is no required textbook for this course. However, I will sometimes draw from the following:


Course Outline (Tentative: may be subject to changes)

Items marked with (**) are essential and will be covered extensively in class. Items marked with (*) are required readings. I will briefly talk about them in class, but you are required to go through them on your own. The remaining items are suggested readings, which you should be familiar with if you plan to do research in this area. Finally, items marked with (R) are papers that review a particular aspect of the field. These papers are particularly useful to frame the discussion in class and to start research projects on a topic.

Note: the lectures of September 22nd, October 6th, 27th, November 3rd, 10th, and December 8th will need to be rescheduled to an alternative time, convenient for all students.

I. Trade patterns and the gravity equation (Sept. 8th)


(**) F, Chapter 5, pp.144-173.


II. Trade Theories

1. Factor endowments: the Heckscher-Ohlin model (Sept. 15th)

(**) F, Chapters 1-3. HK, Chapters 1-2.


2. **Comparative advantage: Ricardian Trade Theory (Sept. 22rd- Oct.6th)**

F, Chapter 1.


3. **Monopolistic Competition and Increasing Returns**

a) **With Homogeneous Firms (Oct. 13th)**


F, Chapter 5. HK, Chapters 6-9.
b) With Heterogeneous Firms (Oct. 20th-27th)


4. Gains from Trade (Oct. 27th)


III. Empirical Evidence

1. The Extensive Margin of Trade (Nov. 3rd)


2. Firm-level Productivity (Nov. 3rd)


IV. Multinational production.

1. Introduction and classical theory (Nov 10th)


HK, Chapters 12-13

2. **The proximity-concentration trade-off (Nov. 10**<sup>th</sup>**)**


3. **Quantitative Models of Multinational Production (Nov. 17)**


4. **Vertical Specialization (Nov 17**<sup>th</sup>**)**


5. **Firm Organization and Trade (Dec. 1st)**


6. **Offshoring and Outsourcing (Dec 8th)**

V. Other topics (if time allows).

1. Trade, Innovation and Growth


2. Trade and the Labor Markets


3. Trade and Asset Pricing


4. **Trade and Multi-Product Firms**

