Boston University
Department of Economics

Economics 791 – International Trade
Fall 2009

Syllabus

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Classes meet on Tuesday and Thursday, 11-12.30, in the International Relations Building, 154 Bay State Road, room 101.

Course Overview

This course is an advanced course in International Trade. It is targeted to second year PhD students. The class will meet on Tuesday-Thursday from 11am to 12.30pm. This course introduces students to the theories of international trade, with a special emphasis on the role of firms and of multinational production. We will start by introducing the main facts about international trade and the empirical relationship known as the “gravity equation”. After the introduction, we will cover the traditional theories of international trade (factor endowments, comparative advantage, increasing returns), and explore their most recent developments, particularly focusing on explaining trade from the point of view of individual firms. From this perspective, we will first try and understand 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. The analysis is going to be both theoretical and empirical. In the second part of the course, we will introduce multinational production as an additional/alternative possibility for firms to serve foreign markets. We will 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 will then move to more recent theory of the international organization of the firm, vertical specialization, outsourcing, and offshoring. We will explore the effects of multinational production on trade patterns and welfare, from both a theoretical and an empirical perspective. The last part of the course will be devoted to understand the relationships between international trade, technology diffusion, growth and innovation, and the interactions between trade and the labor markets.
Grading

The course grade will be based on three separate components. Class participation and occasional homework will count for 20% of the grade. A closed-book final exam will take place on the last day of classes, Thursday December 10th, and will account for 30% of the grade. The remaining 50% will be based on an individual research project, to be discussed with me early in the semester, and to be handed in by Friday, December 18th. 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 extensively covered 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, that 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.)
I. Trade patterns and the gravity equation (Sept. 3rd)


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


II. Trade Theories

1. Factor endowments: the Heckscher-Ohlin model (Sept. 8th-10th)

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


2. Comparative advantage: Ricardian Trade Theory (Sept. 15th-24th)

F, Chapter 1.

3. Monopolistic Competition and Increasing Returns

a) With Homogeneous Firms (Sept. 29th)


F, Chapter 5. HK, Chapters 6-9.

b) With Heterogeneous Firms (Oct. 1st-6th)


III. Empirical Evidence

1. The Extensive Margin of Trade (Oct. 8\textsuperscript{th}-13\textsuperscript{th})


2. Firm-level Productivity (Oct. 15\textsuperscript{th})


IV. Multinational production.

1. Introduction and classical theory (Oct. 20th-22nd)


HK, Chapters 12-13.

2. The proximity-concentration trade-off (Oct. 27th-29th)


3. Vertical Specialization (Nov 3rd)


**4. Firm Organization and Trade (Nov. 5th-10th)**


**5. Offshoring and Outsourcing (Nov. 12th-17th)**


6. Other papers (Nov. 19th)


V. Additional topics.

1. Trade, Innovation and Growth (Nov. 24th-Dec. 1st)


2. Trade and the Labor Markets (Dec. 3rd-8th)


**Final Exam: Thursday, Dec. 10th, 11.00-12.30**