Professor: Stefania Garetto  
E-mail: garettos@bu.edu  
Office address: 270 Bay State Road, room 415B  
Phone number: 617-358-5887  
Office hours: by appointment  
Course Website: http://people.bu.edu/garettos/teaching.html

Classes meet on Friday, 9.30-12.30, 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 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 theories 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. If time allows, 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

A second-year topic class should introduce you to independent research, and facilitate the transition from coursework to writing your PhD Thesis. For this reason, the course grade will be 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 19th (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 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, 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.

I. Trade patterns and the gravity equation (Sept. 5th)


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


II. Trade Theories

1. Factor endowments: the Heckscher-Ohlin model (Sept. 5th-12th)

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


2. **Comparative advantage: Ricardian Trade Theory (Sept. 19th- Oct. 3rd)**

F, Chapter 1.


3. **Monopolistic Competition and Increasing Returns**

   a) **With Homogeneous Firms (Oct. 10th)**


b) With Heterogeneous Firms (Oct. 10th-17th)


4. Gains from Trade (Oct. 24th)


III. Empirical Evidence

1. The Extensive Margin of Trade (Oct. 24th)


2. Firm-level Productivity (Oct. 31st)


IV. Multinational production.

1. Introduction and classical theory (Nov 7th)


2. The proximity-concentration trade-off (Nov. 7th)


3. Vertical Specialization (Nov 14th)


4. Firm Organization and Trade (Nov. 14th- Dec 5th)


5. Offshoring and Outsourcing (Dec 5th)


V. Other topics (if time allows).

1. Trade, Innovation and Growth


2. Trade and the Labor Markets


3. Trade and Multi-Product Firms

