

International Trade

PhD in Economics, University of Padua

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This course introduces students to the core theories of international trade, and some of their most recent applications. We begin by reviewing the workhorse models of international trade, such as the Ricardian model, the Heckscher-Ohlin model, and increasing returns model. The second part of the course reviews some applications of these models at the intersection of the trade and political economy/development literature.

Office hours: by appointment.

Course web site: on Moodle.

Exam: students will have to write a referee report of a paper, and present it to the group.

Reading list

What follows is a indicative list of references. The list will be updated in preparation for classes. The following textbooks are recommended:

- Dixit, Avinash and Victor Norman (1980, henceforth “DN”). *Theory of International Trade - A dual, general equilibrium approach*, Cambridge, Cambridge University Press.
- Feenstra, R.C (2016, henceforth “Feenstra”). *Advanced International Economics: Theory and Evidence*, second edition, Princeton University Press.

PART I: CORE MATERIAL

General comparative advantage model

- DN, Chapters 1-4.

The Ricardian framework

- Dornbusch, R., S. Fischer, and P.A. Samuelson (1977), “Comparative Advantage, Trade, and Payments with a Continuum of Goods,” *American Economic Review*, 67: 823-839.
- Jonathan Eaton & Samuel Kortum, 2002. “Technology, Geography, and Trade,” *Econometrica*, Econometric Society, vol. 70(5), pages 1741-1779, September.
- Costinot, Arnaud, Dave Donaldson and Ivana Komunjer (2012). “What Goods do Countries Trade? A Quantitative Exploration of Ricardo’s Ideas”, *Review of Economics Studies*, Vol. 79, pp. 581-608.
- Jonathan Eaton & Samuel Kortum, 2012. “Putting Ricardo to Work,” *Journal of Economic Perspectives*, vol. 26(2), pages 65-90, Spring.

The Heckscher-Ohlin framework

- DN, Chapters 1-4.
- Feenstra, Chapters 1-3.

Trade and monopolistic competition

- Balassa, B. (1967). *Trade Liberalization among Industrial Countries*, McGraw-Hill, New York.
- Broda, Christian, and David E. Weinstein (2007). "Globalization and the Gains from Variety", *Quarterly Journal of Economics*, Vol. 121, No. 2, pp. 541-585.
- Krugman, P.R. (1980): "Scale Economies, Product Differentiation, and the Pattern of Trade," *American Economic Review*, 70: 950-959.
- Krugman, Paul (1981). "Intra-industry Specialization and the Gains from Trade" in *Journal of Political Economy*, Vol. 89, No. 5, pp. 959-973.
- Neary, Peter (2009). "Putting the "New" into New Trade Theory: Paul Krugman's Nobel Memorial Prize in Economics", *Scandinavian Journal of Economics*.

Gravity and quantitative trade models

- Anderson, James and Eric van Wincoop (2003). "Gravity with Gravitas: A Solution to the Border Puzzle", *American Economic Review*, Vol. 93, No. 1, pp. 170-192.
- Anderson, James E. (1979). "A Theoretical Foundation for the Gravity Equation", in *American Economic Review*, Vol. 69, No. 1, pp. 106-116.
- Armington, Paul (1969). "A Theory of Demand for Products Distinguished by Place of Production", *International Monetary Fund Staff Papers*, Vol. 16, pp. 159-78.
- Head, Keith and Thierry Mayer (2013). "Gravity Equations: Workhorse, Toolkit, and Cookbook", in Gopinath, G., E. Helpman, and K. Rogoff (Eds), *Handbook of International Economics*, Vol. 4, Elsevier (forthcoming).

PART II: APPLICATIONS

Trade and growth

We introduce the basic theoretical notions on the link between trade and growth. We then review a recently-emerged causal literature on this.

- Bonfatti, R., & Brey, B. (2024). "Trade disruption, industrialisation, and the setting sun of British colonial rule in India", forthcoming in the *Journal of the European Economic Association*.
- Grossman, G. M., & Helpman, E. (1993). *Innovation and growth in the global economy*, MIT press.
- Juhász, R. (2018). "Temporary protection and technology adoption: Evidence from the napoleonic blockade", *American Economic Review*, 108(11), 3339-3376.
- Pascali, L. (2017). "The wind of change: Maritime technology, trade, and economic development", *American Economic Review*, 107(9), 2821-2854.

Trade and domestic politics

We review the literature on the impact of globalisation (or deglobalisation) on domestic politics, looking at both economics and political science.

- Autor, D., Dorn, D., Hanson, G., & Majlesi, K. (2020). “Importing political polarization? The electoral consequences of rising trade exposure”, *American Economic Review*, 110(10), 3139-3183.
- Berger, S. (2000). “Globalization and politics”, *Annual Review of Political Science*, 3(1), 43-62.
- Colantone, I., & Stanig, P. (2018). “The trade origins of economic nationalism: Import competition and voting behavior in Western Europe”, *American Journal of Political Science*, 62(4), 936-953.
- Rogowski, R. (1987). “Political cleavages and changing exposure to trade”, *American Political Science Review*, 81(4), 1121-1137.
- Bonfatti, R., & Brey, B. (2024). “Trade disruption, industrialisation, and the setting sun of British colonial rule in India”, forthcoming in the *Journal of the European Economic Association*.

Trade and international politics

How does trade shape international relations, and vice versa? We review the literature on the impact of trade on border location, and on the link between geopolitical alliances and trade.

- Alesina, A., Spolaore, E., & Wacziarg, R. (2000). “Economic integration and political disintegration”, *American economic review*, 90(5), 1276-1296.
- Berger, D., Easterly, W., Nunn, N., & Satyanath, S. (2013). “Commercial imperialism? Political influence and trade during the Cold War”, *American Economic Review*, 103(2), 863-896.
- Bonfatti, R. (2017). “The sustainability of empire in a global perspective: the role of international trade patterns”, *Journal of International Economics*, 108, 137-156.
- Bonfatti, R., & Coşar, K. (2022). “Rise and fall of empires in the industrial era: A story of shifting comparative advantages”, *National Bureau of Economic Research Working Papers*, n. 30295.

Trade and conflict

We review the literature on the impact of trade on conflict, both domestic and international.

- Bonfatti, R., & O’Rourke, K. H. (2018). “Growth, import dependence, and war”, *The Economic Journal*, 128(614), 2222-2257.
- Dube, O., & Vargas, J. F. (2013). “Commodity price shocks and civil conflict: Evidence from Colombia”, *Review of Economic studies*, 80(4), 1384-1421.
- Martin, P., Mayer, T., & Thoenig, M. (2008). “Make trade not war?” *The Review of Economic Studies*, 75(3), 865-900.