

SYLLABUS

Outline:

This course introduces students to four models of international trade. Two of them model trade as driven by comparative advantage. They are models in which countries trade because they are different, either in terms of technologies in the Ricardo model or in terms of endowments of factors of production in the Heckscher-Ohlin model. We also study two models in which trade is driven by increasing returns to scale, taste for variety, and imperfect competition. In one, the Krugman model, all firms have the same production technology. In the other, the Meltiz-Chaney model, firms are heterogeneous in their production technologies.

Webpage:

<http://www.econ.umn.edu/~tkehoe/classes/pku-20.html>

Readings:

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T. Chaney, "Distorted Gravity: Heterogeneous Firms, Market Structure, and the Geography of International Trade," *American Economic Review* 98 (2008), 1707–1721

D. Costa, T. J. Kehoe, and G. Raveendranathan, "The Stages of Economic Growth Revisited, Part I: A General Framework and Take Off," *Federal Reserve Bank of Minneapolis Economic Policy Paper*, March 2016.

D. Costa, T. J. Kehoe, and G. Raveendranathan, "The Stages of Economic Growth Revisited, Part II: Catching Up to and Joining the Economic Leader," *Federal Reserve Bank of Minneapolis Economic Policy Paper*, April 2016

R. Dornbusch, S. Fischer, and P. A. Samuelson, "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods," *American Economic Review*, 67 (1977), 823–839.

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F. Rodriguez and D. Rodrik, "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence," in B. Bernanke and K. Rogoff, editors, *Macroeconomics Annual 2000*, MIT Press, 2001, 261–325.

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T. J. Kehoe and K. J. Ruhl, "Why Have Economic Reforms in Mexico Not Generated Growth?" *Journal of Economic Literature*, 48 (2010), 1005–1027.

T. J. Kehoe, K. J. Ruhl, and J. B. Steinberg, "Global Imbalances and Structural Change in the United States," *Journal of Political Economy*, 126 (2018), 771–796.

P. R. Krugman, "Increasing Returns, Monopolistic Competition, and International Trade," *Journal of International Economics*, 9 (1979), 469-479.

J. Markusen, "Explaining the Volume of Trade: An Eclectic Approach," *American Economic Review*, 76 (1986), 1002–1011.

M. J. Melitz, "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica*, 71 (2003), 1695–1725.

J. Ventura, "Growth and Interdependence," *Quarterly Journal of Economics*, 112 (1997), 57–84.

C. A. Wilson, "On the General Structure of Ricardian Models with a Continuum of Goods: Applications to Growth, Tariff Theory, and Technical Change," *Econometrica*, 48 (1980), 1675–1702.