

AED ECONOMICS 6200

INTERNATIONAL ECONOMICS AND POLICY

Additional Reading – Autumn 2019

A. Perfect Competition

1. Trade Equilibrium, Gains from Trade; and Comparative Advantage

Deardorff, A. (1980), “The General Validity of the Law of Comparative Advantage,” *Journal of Political Economy*, 88: 941-957.

Bernhofen, D. and J. Brown (2004), “A Direct Test of the Theory of Comparative Advantage: The Case of Japan,” *Journal of Political Economy*, 112: 48-67.

Arkolakis, C., A. Costinot, and A. Rodriguez-Clare (2012), “New Trade Models, Same Old Gains?” *American Economic Review* 102: 94-130.

2. The Ricardian Model

Levchenko, A.A. and J. Zhang (2014), “Ricardian Productivity Differences and the Gains from Trade,” *European Economic Review*, 64: 45-65.

Simonovska, I. and M.E. Waugh (2014), “The Elasticity of Trade: Estimates and Evidence,” *Journal of International Economics*, 92: 34-50.

Waugh, M.E. (2010), “International Trade and Income Differences,” *American Economic Review*, 100: 2093-2124.

Harrigan, J. (1997), “Technology, Factor Supplies and International Specialization: Estimating the Neoclassical Model,” *American Economic Review*, 87: 475-494 (read after the Heckscher-Ohlin Model).

Caliendo, L. and F. Parro (2015), “Estimates of the Trade and Welfare Effects of NAFTA,” *Review of Economic Studies*, 82: 1-44.

Costinot, A. and D. Donaldson (2012), “Ricardo’s Theory of Comparative Advantage: Old Idea, New Evidence,” *American Economic Review*, 102: 453-458.

Costinot, A., D. Donaldson, and I. Komunjer (2012), “What Goods Do Countries Trade? A Quantitative Explanation of Ricardo’s Ideas,” *Review of Economic Studies* 79: 581-608.

3. The Heckscher-Ohlin Model

- Jones, R. (1965), "The Structure of Simple General Equilibrium Models," *Journal of Political Economy*, 73: 557-572.
- Deardorff, A. (1979), "Weak Links in the Chain of Comparative Advantage," *Journal of International Economics*, 9: 197-209.
- Deardorff, A. (1982), "The General Validity of the Heckscher-Ohlin Theorem," *American Economic Review*, 72: 683-694.
- Leamer, E. (1987), "Paths of Development in the Three-Factor, n-Good General Equilibrium Model," *Journal of Political Economy*, 95: 961-999.
- Dornbusch, R., S. Fisher, P. Samuelson (1980), "Heckscher-Ohlin Theory with a Continuum of Goods," *Quarterly Journal of Economics*, 95: 203-224.
- Ethier, W. (1984), "Higher Dimensional Issues in Trade Theory," in Jones, R. and P. Kenen (eds.), *Handbook of International Economics*, Vol. I, North Holland.
- Deardorff, A. (1994), "The Possibility of Factor Price Equalization, Revisited," *Journal of International Economics*, 36: 167-175.

4. Empirical Evidence

- Leamer, E. (1980), "The Leontief Paradox, Reconsidered," *Journal of Political Economy*, 88: 495-503.
- Bowen, H., E. Leamer, and L. Sveikauskas (1987), "Multicountry, Multifactor Tests of the Factor Abundance Theory," *American Economic Review*, 77: 791-809.
- Trefler, D. (1993), "International Factor Price Differences: Leontief Was Right!" *Journal of Political Economy*, 101: 961-987.
- Trefler, D. (1995), "The Case of the Missing Trade and other HOV Mysteries," *American Economic Review*, 85: 1029-1046.
- Davis, D. and D. Weinstein (2001a), "An Account of Global Factor Trade," *American Economic Review*, 85: 1029-1046.
- Debaere, P. (2003), "Relative Factor Abundance and Trade," *Journal of Political Economy*, 111: 589-609.
- Fitzgerald, D. and J. Hallak (2003), "Specialization, Accumulation, and Development," forthcoming, *Journal of International Economics*, 64: 277-302.

- Bernard, A., B. Jensen, and P. Schott (2006), “Survival of the Best Fit: Exposure to Low-Wage Countries and the (Uneven) Growth of U.S. Manufacturing Plants,” *Journal of International Economics*, 68: 219-237.
- Deardorff, A. (1984), “Testing Trade Theories and Predicting Trade Flows,” in Jones, R. and P. Kenen and R. Jones (eds.), *Handbook of International Economics*, Vol. I, North Holland.
- Leamer, E. and J. Levinsohn (1995), “International Trade Theory: The Evidence,” in G. Grossman and K. Rogoff (eds.), *Handbook of International Economics*, Vol. III, North Holland.
- Davis, D., D. Weinstein, S. Bradford, and K. Shimpo (1997), “Using International and Japanese Regional Data to Determine When the Factor Abundance Theory of Trade Works,” *American Economic Review*, 87: 421-46.
- Davis, D. and D. Weinstein (2001), “Do Factor Endowments Matter for North-North Trade?” NBER WP 8516.
- Helpman, E., M. Melitz, and Y. Rubinstein (2008), “Estimating Trade Flows and Trading Volumes,” *Quarterly Journal of Economics* 123: 441-487.
- Head, K. and T. Mayer (2014), “Gravity Equations: Workhorse, Toolkit, and Cookbook,” in G. Gopinath, E. Helpman, and K. Rogoff (eds.) *Handbook of International Economics*, Vol IV, North-Holland.
- Costinot, A. and A. Rodriguez-Clare (2014), Trade Theory with Numbers: Quantifying the Consequences of Globalization,” in G. Gopinath, E. Helpman, and K. Rogoff (eds.) *Handbook of International Economics*, Vol IV, North-Holland.

B. Monopolistic Competition

1. Economies of Scale and Intra-Industry Trade

- Krugman, P. (1980), “Scale Economies, Product Differentiation, and the Pattern of Trade,” *American Economic Review*, 70: 950-959.
- Krugman, P. (1979), “Increasing Returns, Monopolistic Competition, and International Trade,” *Journal of International Economics*, 9: 469-479.
- Davis, D. (1998), “The Home Market, Trade, and Industrial Structure,” *American Economic Review*, 88: 1264-1276.

2. Integrating Heckscher-Ohlin and Economies of Scale. Inter- and Intra-industry Trade

- Romalis, J. (2004), “Factor Proportions and the Structure of Commodity Trade,” *American Economic Review*, 94: 67-97.

3. Empirical Evidence

Hummels, D. and J. Levinsohn (1995), "Monopolistic Competition and International Trade: Reconsidering the Evidence," *Quarterly Journal of Economics* 110, 799-836.

Debaere, P., "Monopolistic Competition and Trade, Revisited: Testing the Model without Testing for Gravity," *Journal of International Economics* 66: 249-266.

C. Firm-level Heterogeneity and Multinationals

1. Firm-Level Heterogeneity, Exporting, and Productivity

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

Bernard, A. and J. B. Jensen (1999), "Exceptional Exporter Performance: Cause, Effect or Both?" *Journal of International Economics*, 47: 1-25.

Bernard, A., J. Eaton, J. B. Jensen, and S. Kortum (2003), "Plants and Productivity in International Trade," *American Economic Review*, 93: 1268-1290.

Bernard, A., S. Redding, and P. Schott (2007), "Comparative Advantage and Heterogeneous Firms," *Review of Economic Studies* 74: 31-66.

Tybout, J. (2001), "Plant- and Firm-level Evidence on New Trade Theories," NBER Working Paper 8418.

Yeaple, S. (2005), "A Simple Model of Firm Heterogeneity, International Trade, and Wages," *Journal of International Economics* 65: 1-20.

Chaney, T. (2008), "Distorted Gravity: The Intensive and Extensive Margins of International Trade," *American Economic Review*, 98: 1707-1721.

Melitz, M. and S.J. Redding (2012), "Heterogeneous Firms and Trade," NBER Working Paper 18652.

2. Multinational Firms and International Sourcing

Markusen, J. (1995), "The Boundaries of Multinational Enterprises and the Theory of International Trade," *Journal of Economic Perspectives* 9, 169-189.

Smarzynska, B. (2004), "Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spillovers through Backward Linkages," *American Economic Review*, 94: 605-627.

Ethier, W. (1986), "The Multinational Firm," *Quarterly Journal of Economics*, 101: 805- 834.

Brainard, L. (1997), "An Empirical Assessment of the Proximity-Concentration Trade-off between Multinational Sales and Trade," *American Economic Review*, 87: 520-544.

Markusen, J. and A. Venables (2000), "The Theory of Endowment, Intra-Industry, and Multinational Trade", *Journal of International Economics*, 52: 209-234.

Antras, P. (2003), "Firms, Contracts, and Trade Structure," *Quarterly Journal of Economics*, 118: 1374-1418.

D. Trade Policy

1. Trade Policy under Perfect Competition

Krishna, P. and A. Panagariya (2000), "A Unification of Second Best Results in International Trade," *Journal of International Economics*, 52: 235-257.

2. Trade Policy under Imperfect Competition

Brander, J. and B. Spencer (1984), "Tariff Protection and Imperfect Competition," in H. Kierzkowski (ed.), *Monopolistic Competition and International Trade*, Oxford University Press; also in G. Grossman (ed.), *Imperfect Competition and International Trade*, 1992, The MIT Press.

Krugman, P. (1984), "Import Protection as Export Promotion: International Competition in the Presence of Oligopoly and Economies of Scale," in H. Kierzkowski (ed.), *Monopolistic Competition and International Trade*, Oxford University Press; also in G. Grossman (ed.), *Imperfect Competition and International Trade*, 1992, The MIT Press.

Eaton, J. and G. Grossman (1986), "Optimal Trade and Industrial Policy under Oligopoly," *Quarterly Journal of Economics*, 101: 603-607.

Markusen, J. and A. Venables (1988), "Trade Policy with Imperfect Competition: Contradictory Results from Competing Assumptions," *Journal of International Economics*, 24: 299-316.

E. Additional Topics

1. Trade and Labor Markets in the U.S.

Revenge, A., (1992), "Exporting Jobs: The Impact of Import Competition on Employment and Wages in U.S. Manufacturing," *Quarterly Journal of Economics*, 107: 255-284.

Berman, E., J. Bound, and Z. Griliches (1994), "Changes in the Demand for Skilled Labor within U.S. Manufacturing Industries: Evidence from the Annual Survey of Manufactures," *Quarterly Journal of Economics*, 109: 367-397.

- Bernard, A. and B. Jensen (1997), "Exporters, Skill Upgrading and the Wage Gap." *Journal of International Economics*, 42: 3-32.
- Feenstra, R. and G. Hanson (1999), "The Impact of Outsourcing and High-Technology Capital on Wages: Estimates for the United States, 1979-1990," *Quarterly Journal of Economics*, 114: 907-940.
- Feenstra, R. and G. Hanson (1996), "Globalization, Outsourcing and Wage Inequality," *American Economic Review*, 86: 240-245.
- Slaughter, Matthew J. (2000), "What Are the Results of Product-Price Studies and What Can We Learn From Their Differences?" In Robert C. Feenstra (ed), *International Trade and Wages*, University of Chicago Press, 121-170. (Also NBER Working Paper 6591)
- Slaughter, Matthew J. (2001), "International Trade and Labor-Demand Elasticities," *Journal of International Economics*, 54: 27-56.
- Kandilov, Ivan T. (2009), "The Effects of Trade with Developing Countries on the Regional Demand for Skill in the U.S.: Evidence from County Data" *Journal of Regional Science*, 49: 459-482.

2. Trade and Labor Markets Abroad

- Berman, E., J. Bound, and S. Machin (1998), "Implications of Skill-Biased Technological Change: International Evidence," *Quarterly Journal of Economics*, 113: 1245-1279.
- Feenstra, R.C. and G.H. Hanson (1997), "Foreign Direct Investment and Wage Inequality: Evidence from Mexico's Maquiladoras," *Journal of International Economics*, 42: 371-393.
- Revenge, Anna L (1997), "Employment and Wage Effects of Trade Liberalization: The Case of Mexican Manufacturing," *Journal of Labor Economics* 15: S20-43.
- Currie, Janet, and Ann Harrison (1997), "Trade Reform and Labor Market Adjustment in Morocco." *Journal of Labor Economics*, 15: S44-71.
- Pavcnik, Nina (2003), "What Explains Skill Upgrading in Less Developed Countries?" *Journal of Development Economics*, 71: 311-328.
- Attanasio, Orazio, Pinelopi Goldberg and Nina Pavcnik (2004), "Trade Reforms and Wage Inequality in Colombia," *Journal of Development Economics*, 74: 331-366.
- Robertson, Raymond (2004), "Relative Prices and Wage Inequality: Evidence from Mexico," *Journal of International Economics*, 64: 387-409.

Goldberg, Pinelopi and Nina Pavcnik (2004), "Trade, Inequality, and Poverty: What Do We Know? Evidence from Recent Trade Liberalization Episodes in Developing Countries," NBER Working Paper 10593.

Verhoogen, Eric (2008), "Trade, Quality Upgrading and Wage Inequality in the Mexican Manufacturing Sector: Theory and Evidence from an Exchange-Rate Shock," *Quarterly Journal of Economics* 123: 489-530.

Kandilov, Ivan T. (2009), "Do Exporters Pay Higher Wages? Evidence from an Export Refund Policy in Chile," *World Bank Economic Review* 23: 269-294.

3. Trade and the Environment

Frankel, J. and A. Rose, (2005) "Is Trade Good or Bad for the Environment? Sorting Out the Causality," *Review of Economics and Statistics*, 87: 85-91.

Copeland, Brian and M. Scott Taylor, (2003) *Trade and the Environment: Theory and Evidence*, Princeton University Press.

Eskeland G. and A. Harrison, (2003) "Moving to Greener Pastures? Multinationals and the Pollution Haven Hypothesis," *Journal of Development Economics*, 70: 1-23.

Beata Smarzynska Javorcik and Shang-Jin Wei, (2004), "Pollution Havens and Foreign Direct Investment: Dirty Secret or Popular Myth?" *Contributions to Economic Analysis and Policy* 3: 1244-1278.

Cherniwchan, J., B.R. Copeland, and M. Scott Taylor (2017), "Trade and the Environment: New Methods, Measurements, and Results," *Annual Review of Economics*, 1-29.

4. Political Economy of Trade

Goldberg, Pinelopi Koujianou and Giovanni Maggi (1999), "Protection for Sale: An Empirical Investigation," *American Economic Review* 89: 1135-55.

Rodrik, Dani. 1995. "Political Economy of Trade Policy," in Gene Grossman and Kenneth Rogoff, eds., *Handbook of International Economics*, vol. III. Amsterdam: Elsevier Science.

Matschke, X., Sherlund, S. (2006), "Do labor issues matter in the determination of U.S. trade policy? An empirical reevaluation," *American Economic Review* 96: 405-421.

6. Distance and Trade Costs

Rauch, James (1999), "Networks vs. Markets in International Trade," *Journal of International Economics* 48: 7-37.

Rauch, J., Trindade, V. (2002), "Ethnic Chinese networks in international trade," *Review of Economics and Statistics* 84: 116--130.

Engel, Charles and John H. Rogers. 1996. "How Wide Is the Border?" *American Economic Review*, 86: 1112-1125.

Anderson, James E. and Eric van Wincoop. 2000. "Gravity with Gravitas: A Solution to the Border Puzzle," *American Economic Review* 932: 170-193.

Goodwin B., Grennes, T. and M. Wohlgenant (1990), "A Revised Test of the Law of One Price Using Rational Price Expectations," *American Journal of Agricultural Economics*, 72:682-693.

7. Bilateral and Multilateral Trade Agreements

G. Grossman and E. Helpman (1995), "The Politics of Free Trade Agreements," *American Economic Review* 85: 667-690.

P. Krishna (1998), "Regionalism and Multilateralism: A Political Economy Approach," *Quarterly Journal of Economics* 113: 227-51.

Limao, N. (2006), "Preferential Trade Agreements as Stumbling Blocks for Multilateral Trade Liberalization: Evidence for the U.S," *American Economic Review* 96: 896-914.

Bagwell, K, C.P. Bown, and R.W. Staiger (2016), "Is the WTO Passé?" *Journal of Economic Literature* 54: 1125-1231.

8. International Trade and Financial Constraints

Weinstein, D and M. Amiti (2011), "Exports and Financial Shocks," *Quarterly Journal of Economics* 126: 1841–1877.

Chor, D. and K. Manova (2012), "Off the Cliff and Back: Credit Conditions and International Trade during the Global Financial Crisis," *Journal of International Economics* 87: 117-133.