

## **SYLLABUS: BAVARIAN GRADUATE PROGRAM IN ECONOMICS**

**International trade: October 10-15, 2021**

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**Course description:** The aim of the course is to provide participating students with advanced tools for conducting state-of-the-art research on the main issues concerning international trade in the age of globalization and accelerated technological change. The focus is on the firm-level approach originated from “new trade theory”, in particular on the implications of market structure for the gains and losses from trade, with special emphasis on new quantitative trade models.

**Teaching methods:** Presentation and discussion of selected core papers for each topic with an overview of related literature. By the end of the course, students should have acquired a clear understanding of the topics covered and be able to use the taught tools for research on international trade issues.

**Prerequisites:** The course material is self-contained but assumes familiarity with standard microeconomics and macroeconomics at the advanced undergraduate level. Being comfortable with multivariable calculus and mathematical optimization is particularly important.

### **Daily schedule:**

9:00–10:30 First Lecture  
10:30–11:00 Coffee Break  
11:00–12:30 Second Lecture  
12:30–14:00 Lunch  
14:00–16:00 Problem Sets  
16:00–16:30 Coffee Break  
16:30–18:00 Discussion of Problem Sets and Review  
18:00–19:30 Free Time  
19:30 Dinner

Please note that the course will start on Sunday, October 10, in the evening with a welcome meeting at 19:00 followed by dinner. The course will finish at 15:00 on Friday, October 15. On Friday, instead of problem sets there will be a final review session from 14:00 to 15:00.

**Assessment methods:** mandatory open-book exam on Friday, October 29 at the home universities of the participating students.

## Topics:

0. The Backlash of Globalization (Colantone-Ottaviano-Stanig)
1. Microfoundations of Gravity Equations (Head-Mayer)
2. Trade, Scale and Product Variety (Krugman)
3. Trade and Selection (Melitz)
4. Trade and Competition (Melitz-Ottaviano)
5. Technology and Trade (Eaton-Kortum)
6. Gains from Trade and Trade Policy (Arkolakis-Costinot-Rodriguez Clare)

**Course materials:** Participating students are provided with teaching notes ahead of the course. The notes are grouped into topics rather lectures.

## Recommended readings:

Arkolakis, C., A. Costinot and A. Rodriguez-Clare (2012) "New trade models, same old gains?", *American Economic Review* 102, 94-130.

Bernard, A., S. Redding and P. Schott (2007), "Firms in international trade", *Journal of Economic Perspectives*, 21, 105-130.

Bernard, A., J. Eaton, J. Jensen and S. Kortum (2003) Plant productivity in international trade, *American Economic Review* 93, 1268-1290.

Caliendo, L. and F. Parro (2021) "Trade Policy", forthcoming in Helpman Elhanan, Rogoff Kenneth and Gita Gopinath, eds., *Handbook of International Economics*, Vol. 5, Elsevier.

Colantone, I., G. Ottaviano and P. Stanig (2021) "The backlash of globalization" , forthcoming in Helpman Elhanan, Rogoff Kenneth and Gita Gopinath, eds., *Handbook of International Economics*, Vol. 5, Elsevier.

Costinot, A. and A. Rodriguez-Clare (2014) "Trade theory with numbers: Quantifying the consequences of globalization", in Helpman Elhanan, Rogoff Kenneth and Gita Gopinath, eds., *Handbook of International Economics*, Vol. 4, Elsevier.

Eaton, J., and S. Kortum (2002) Technology, geography, and trade, *Econometrica* 70, 1741-1779.

Head, K. and T. Mayer (2014) Gravity equations: Workhorse, toolkit, and cookbook, in: Gopinath G., G. Grossman and K. Rogoff, eds., *Handbook of International Economics* (Amsterdam: North Holland).

Krugman, P. (1980) "Scale economies, product differentiation and the pattern of trade", *American Economic Review* 70, 950-959.

Melitz, M. (2003), "The impact of trade on intra-industry reallocations and aggregate industry productivity", *Econometrica* 71, 1695-1726.

Melitz, M. and G. Ottaviano (2008) "Market size, trade, and productivity", *Review of Economic Studies* 75, 295-316.

**Additional readings (broader overviews):**

Helpman, E. and P. Krugman (1985), "Market Structure and Foreign Trade" (Cambridge MA: MIT Press).

Helpman, E. and P. Krugman (1989). "Trade Policy and Market Structure" (Cambridge MA: MIT Press).

Helpman, E., K. Rogoff and G. Gopinath (2014), "Handbook of International Economics: Vol. 4", (Amsterdam: Elsevier).