This course is the second part of International Trade and is jointly taught by Professors Cecilia Fieler and Costas Arkolakis through the Fall Semester. We intend to introduce students to the main theories and modeling techniques used in international trade and Spatial economics as a whole. The first part will cover the basic theory of international trade, spanning from Neoclassical Theory where trade is the result of comparative advantage (Ricardo, Heckscher-Ohlin), to the New Trade Theory where trade is generated by imperfect competition and increasing returns to scale. Particular emphasis will be placed on the implications of the different theories concerning the aggregate gains or losses from trade and the distributional implications of trade liberalization. The second part of the course will cover recent advancement in spatial models. The material will cover a basic structure that includes and generalizes gravity models of trade, multi-region quantitative models of geography, urban models, under a unified setup. We will discuss solution methods, positive analysis of the existence and uniqueness of equilibria, analysis of the comparative statics, and welfare implications. Further implications of openness and exposure to global shocks in local labor markets will be analyzed. The last part of the course focuses on aspects of international trade in developing countries. We modify standard trade models to account for such differences and study their implications for the welfare gains from trade. Micro evidence links international trade to the adoption of technologies and demand for skilled workers in developing countries. We model and quantify several mechanisms through which trade influences firms’ incentives to adopt new technologies: Increasing returns to scale, export expansion, higher-quality intermediate inputs and capital. Adoption decisions are intertwined across firms linked through production chains. Technology adoption may also influence markups, which in turn lead to an inefficient allocation of factors.

Semester offered: Fall