In the Fall semester of the trade course, we intend to introduce students to the main theories and modeling techniques used in international trade. The first part will cover the basic theory of international trade, spanning from neoclassical theory where trade is the result of comparative advantage (Ricardo, Hecksher-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. We finally discuss how these models can be taken to the data in order to assess spatial policies and the impact of infrastructure investments.

Semester offered: Fall