

Modern Trade Theory (F000678)

Course size (nominal values; actual values may depend on programme)
 Credits 6.0 Study time 180 h Contact hrs 45.0 h

Course offerings in academic year 2018-2019

Lecturers in academic year 2018-2019

Offered in the following programmes in 2018-2019 crdts offering

Teaching languages

English

Keywords

Imperfect competition, international trade, trade and growth, foreign direct investments, international migration, migration effects in host and sending countries

Position of the course

The course intends to give students an overview of the theoretical developments in international economics, with a particular focus on trade and migration. It consists of two parts. The first part will look at international trade and investment theory since the end of the seventies and in particular the extension of the theory to situations of scale economies and imperfect competition. This allows the students to become familiar with the actual state of the art in international trade in addition to the Heckscher Ohlin model of international trade and its policy implications, which were considered in the course International Economics of the Bachelor programme in economic sciences. The second part of the course will look into theories of international migration and its implications for the economies of host and sending countries.

The recent developments in international trade and migration theory are explained using representative original contributions published in leading economic journals, which allows students to get accustomed with the reading of formal scientific economic articles.

Contents

As regards international trade and investment, the course will deal with the insights of a.o. P. Krugman, P. Romer and M. Melitz. in :

- international trade theory when commodity markets are characterised by product differentiation and increasing returns to scale
- firm heterogeneity and internationalisation strategy
- the influence of trade liberalisation on innovation and growth.
- the choice between local foreign production and exports and the emergence of multinational firms.

As regards international migration, the insights of a.o. G. Borjas, F. Docquier, L. Sjaastad are considered on :

- international migration theory, i.e. modelling the individual migration decision (costs and returns of human migration) and self-selection among migrants
- macro models of migration determinants
- spatial dependence in migration flows
- the labor market impact of immigration in host countries' economies
- the impact of emigration on sending countries' economies (brain drain).

The course consists of the following parts :

- 1 International trade and investment:
 - 1 international trade with market imperfections: economies of scale, imperfect competition and product differentiation as motives for trade between countries and the validity of the Heckscher Ohlin theorem;
 - 2 firm heterogeneity and entry in foreign markets;
 - 3 the dynamic gains of international trade : economic integration and endogenous growth;
 - 4 the determinants of foreign direct investment and multinational firms.
- 2 International migration:
 - 1 modelling the international migration decision and self-selection among migrants;
 - 2 the determinants of international migration and spatial dependence in migration flows;
 - 3 labor market implications of immigration in host countries;
 - 4 implications of emigration on sending countries' economies (brain drain).

Initial competences

International Economics of the Bachelor programme in economic sciences or equivalent.

Final competences

- 1 The ability to read and to understand contributions in the top scientific journals in the field.
- 2 The ability to understand the determinants of international trade, foreign direct investment and migration flows in a non-textbook economic framework and their welfare implications.
- 3 The ability to draw policy relevant conclusions concerning international trade, foreign direct investment and international migration in a non-textbook economic framework.
- 4 The ability to understand the determinants of economic specialisation patterns, factor mobility and economic growth in a non-textbook economic framework and their welfare implications.
- 5 The ability to draw policy relevant conclusions concerning regional economic specialisation and regional economic growth, iforeign direct investements and immigration in particular as regards regional economic development in the EU and in knowledge intensive economies.

Conditions for credit contract

Access to this course unit via a credit contract is determined after successful competences assessment

Conditions for exam contract

Access to this course unit via an exam contract is unrestricted

Teaching methods

Guided self-study, lecture, self-reliant study activities

Extra information on the teaching methods

In the lectures, topic by topic, the main theoretical and methodological results are explained, followed by a presentation by a group of studens and a critical discussion of relevant empirical research

Learning materials and price

A syllabus with the major contributions in each of the considered fields is available from the teacher.

References

- Bhagwati J., Panagariya A., T.N. Srinivasan, Lectures on International Trade, MIT Press 1998.
- G. Grossman, Imperfect Competition and International Trade, MIT Press1992.
- Helpman E., P. Krugman, Market Structure and Foreign Trade, MIT Press, 1985.
- Helpman E., P. Krugman, Trade Policy and Market Structure, MIT Press 1989.
- Krugman P., Rethinking International Trade, MIT Press 1990.
- Fujita M., Krugman P., Venables A., The Spatial Economy. Cities, Regions, and International Trade, 2001, MIT Press
- R. Baldwin,R. Forslid,P. Martin,G. Ottaviano,F. Robert-Nicoud, Economic Geography and Public Policy, 2003, Princeton University Press
- Larry A. Sjaastad (1962). The Costs and Returns of Human Migration. Journal of Political Economy, 70(5), pp. 80-93.

- Borjas, G. J. (1987). Self-selection and the earnings of immigrants. *American Economic Review*, 77(4), 531-53.
- Borjas, G. J. (1989). Economic theory and international migration. *International migration review*, 457-485.
- Karemera, D., Oguledo, V. I., & Davis, B. (2000). A gravity model analysis of international migration to North America. *Applied Economics*, 32(13), 1745-1755.
- Bertoli, S., & Moraga, J. F. H. (2013). Multilateral resistance to migration. *Journal of Development Economics*, 102, 79-100.
- Borjas, G. J. (1994). The Economics of Immigration. *Journal of Economic Literature*, 32, pp. 1667-1717.
- Docquier, F., Ozden, Ç., & Peri, G. (2014). The labour market effects of immigration and emigration in OECD countries. *The Economic Journal*, 124(579), 1106-1145.
- Beine, M., Docquier, F., & Rapoport, H. (2001). Brain drain and economic growth: theory and evidence. *Journal of development economics*, 64(1), 275-289.

Course content-related study coaching

Course related and relevant information additional to the lectures are available from teacher and assistant. In line with the representative paper approach of the subject, the lectures allow for in depth discussion on conceptual as well as policy related issues.

Evaluation methods

end-of-term evaluation and continuous assessment

Examination methods in case of periodic evaluation during the first examination period

Oral examination

Examination methods in case of periodic evaluation during the second examination period

Oral examination

Examination methods in case of permanent evaluation

Participation, assignment

Possibilities of retake in case of permanent evaluation

not applicable

Extra information on the examination methods

The oral examination at the end of the semester consists of reading and understanding 5 scientific journal articles on which the student will be interrogated.

The evaluation during the semester consists of the article presentation and the participation to the discussion.

Calculation of the examination mark

The oral examination at the end of semester will count for 75% of the total score; the article presentation and participation to the discussion for the remaining 25%.