

Endogenous Markups in International Trade

The objective of this course is to discuss theoretical and empirical contributions on the importance of endogenous markups for international trade. First we will look at modeling alternatives of endogenous markups in both monopolistic competition and Ricardian models of trade. Then we will discuss how variable markups affect the gains from trade, and we will conclude with applications for exchange rate pass-through analysis.

Contact info: My e-mail is jantonio@uci.edu. Please send me an email if you would like to schedule an office meeting.

Reading List:

1 Models of Trade with Endogenous Markups

BERNARD, A. B., J. EATON, J. B. JENSEN, AND S. KORTUM (2003): “Plants and Productivity in International Trade,” *American Economic Review*, 93(4), pp. 1268–1290.

DE BLAS, B., AND K. N. RUSS (2015): “Understanding Markups in the Open Economy,” *American Economic Journal: Macroeconomics*, 7(2), 157–80.

MELITZ, M. J., AND G. I. P. OTTAVIANO (2008): “Market Size, Trade, and Productivity,” *Review of Economic Studies*, 75(1), 295–316.

2 Endogenous Markups and Gains from Trade

ARKOLAKIS, C., A. COSTINOT, D. DONALDSON, AND A. RODRIGUEZ-CLARE (2018): “The Elusive Pro-Competitive Effects of Trade,” *Review of Economic Studies*.

EDMOND, C., V. MIDRIGAN, AND D. Y. XU (2015): “Competition, Markups, and the Gains from International Trade,” *American Economic Review*, 105(10), 3183–3221.

FEENSTRA, R. C., AND D. E. WEINSTEIN (2017): “Globalization, Markups, and US Welfare,” *Journal of Political Economy*, 125(4), 1040–1074.

3 Exchange Rate Pass-Through with Endogenous Markups

AMITI, M., O. ITSKHOKI, AND J. KONINGS (2014): “Importers, Exporters, and Exchange Rate Disconnect,” *American Economic Review*, 104(7), 1942–78.

KRUGMAN, P. (1987): “Pricing to Market when the Exchange Rate Changes,” in *Real-Financial Linkages Among Open Economies*, ed. by S. W. Arndt, and J. D. Richardson. MIT Press, Cambridge, MA.

RODRIGUEZ-LOPEZ, J. A. (2011): “Prices and Exchange Rates: A Theory of Disconnect,” *Review of Economic Studies*, 78(3), 1135–1177.