Instructor:
Prof. Dr. Andrea Lassmann
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Office Hours: by appointment.

Prerequisites: Students should possess econometric skills and be familiar with international trade theory.

Content and objectives: This course evolves around the *gravity model of trade.* After this course, you will be able to understand and explain patterns in international trade. You should also be able to analyze how they are affected by trade policy.

We will review fundamental contributions related to the model and applications of it, which focus on trade policy. We will also engage in lab sessions in order to estimate model applications by ourselves. Please be equipped with a license of Stata, or feel free to alternatively work with R.

The course relies largely on the book *An Advanced Guide to Trade Policy Analysis: The Structural Gravity Model*: `https://vi.unctad.org/tpa/web/vol2/vol2home.html`.

Grading: Grading is based on a policy note on one of the topics discussed in class. The deadline for submission is March 15, 2022. Active participation in all lectures is highly encouraged and will affect your grade in a uniquely positive direction.

Academic Honesty: I expect you to abide by the University's Examination Code and a culture of honesty. Lack of knowledge thereof is not a reasonable explanation for violation. Questions related to course exams and the Disciplinary Code should be directed to the program office.

Extra Help: I will make the slides and materials available to all enrolled students. Dot not hesitate to get in touch (by appointment) to discuss your questions concerning the course.

General Support: Students with disabilities can refer to `https://www.uni-frankfurt.de/83577918`. If you are in need of support regarding psychological and other issues, please consult `https://www.uni-frankfurt.de/70278277/Kontakte_f%C3%BCr_Unterst%C3%BCtzung` or `https://www.uni-frankfurt.de/94689228/%C3%9Cber_die_PBS`.

Course Outline *(indicative)*:

Papers reviewed in this course:

Anderson, J.E. 1979. *A Theoretical Foundation for the Gravity Equation.* American Economic Review, 69(1): 106-116, `https://www.jstor.org/stable/1802501`.

Anderson, J.E., and E. van Wincoop. 2003. *Gravity with Gravitas: A Solution to the Border Puzzle.* American Economic Review, 93(1): 170-192, DOI: `https://doi.org/10.1257/000282803321455214`.

Anderson, J.E. and E. van Wincoop. 2004. *Trade Costs.* Journal of Economic Literature, 42(3): 691-751.

Baier, S.L., and J.H. Bergstrand. 2007. *Do Free Trade Agreements Actually Increase Members' International Trade?* Journal of International Economics 71(1): 72-95.

Bergstrand, J.H., M. Larch and Y.V. Yotov. 2015. *Economic Integration Agreements, Border Effects, and Distance Elasticities in the Gravity Equation.* European Economic Review, 78(C): 307-327. DOI: `https://doi.org/10.1016/j.euroecorev.2015.06.003`.

Eaton, J. and S. Kortum. 2004. *Technology, Geography, and Trade.* Econometrica, 70(5): 1741-1779. DOI: `https://doi.org/10.1111/1468-0262.00352`.

Larch, M. and Y.V. Yotov. 2016. *General Equilibrium Trade Policy Analysis with Structural Gravity.* WTO Staff Working Papers ERSD-2016-08, World Trade Organization (WTO), Economic Research and Statistics Division. DOI: `https://doi.org/10.30875/469bcb13-en`.

Piermartini, R. and Y.V. Yotov. 2016. *Estimating Trade Policy Effects with Structural Gravity.* WTO Staff Working Paper, No. ERSD-2016-10. DOI: `http://dx.doi.org/10.30875/2d235948-en`.

Santos Silva, J.M.C. and S. Tenreyro. 2006. *The Log of Gravity.* The Review of Economics and Statistics, 88(4): 641-658. DOI: `https://doi.org/10.1162/rest.88.4.641`.

Yotov, Y.V., R. Piermartini, J.A. Monteiro, and M. Larch. 2016. *An Advanced Guide to Trade Policy Analysis: The Structural Gravity Model.* Co-published by UNCTAD and WTO: `https://vi.unctad.org/tpa/web/vol2/vol2home.html`.

Further reading:

Anderson, J.E. 2011. *The Gravity Model*. Annual Review of Economics, 3: 133–60.

Anderson, J.E. and Y.V. Yotov. 2016. *Terms of Trade and Global Efficiency Effects of Free Trade Agreements, 1990–2002*. Journal of International Economics, 99(C): 279-298. DOI: `https://doi.org/10.1016/j.jinteco.2015.10.006`.

Arkolakis, C., Arnaud C., and A. Rodríguez-Clare. 2012. *New Trade Models, Same Old Gains?* American Economic Review, 102(1): 94-130, DOI: `https://doi.org/10.1257/aer.102.1.94`.

Costinot, A., and A. Rodríguez-Clare. 2014. *Trade Theory with Numbers: Quantifying the Consequences of Globalization*. In: Gopinath, G., E. Helpman, and K. Rogoff (ed.), Handbook of International Economics, 4(1): 197-261.

Egger, P.H., Larch, M., Staub, K. and R. Winkelmann. 2011. *The Trade Effects of Endogenous Preferential Trade Agreements*. American Economic Journal: Economic Policy 3(3): 113–143.

Head, K. and T. Mayer. 2014. *Gravity Equations: Workhorse, Toolkit, and Cookbook*. In: Gopinath, G., E. Helpman, and K. Rogoff (ed.), Handbook of International Economics, 4(1): 131-195. DOI: `https://doi.org/10.1016/B978-0-444-54314-1.00003-3`.

Weidner, M. and T. Zylkin. 2021. *Bias and consistency in three-way gravity models*. Journal of International Economics, 132, 103513. DOI: `https://doi.org/10.1016/j.jinteco.2021.103513`.