

Empirical Topics in International Economics

September 27, 2010

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Office hours: Wed 9:30a - 11:00a (or by appointment)
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Class Time: MonWed 1:30p - 2:50p
Classroom: Econ 300
Class Web Page: econ.ucsd.edu/muendler/teach/10f/247

1 Course Objectives

This course examines empirical work in international trade and its theoretical foundations. On the theory side, the course considers the determinants of the trade pattern in goods and services, explanations of export-market participation and multinational activity at the firm level, as well as the interaction of international trade with the income distribution and commercial policy. The empirical part of the course presents tests of theories of international trade and international capital movements, and the analysis of their consequences for economic outcomes.

2 Prerequisites

Instructor's consent.

3 Readings

Textbooks: Feenstra (2004); Eaton and Kortum (2010);
partly Bhagwati, Panagariya, and Srinivasan (1998)

Readings: See Class schedule and References.

The Eaton and Kortum textbook and the readings will become available through the class web page <http://econ.ucsd.edu/muendler/teach/10f/247>.

For each lecture, there is a main reading and there are additional readings. The main reading is an important paper in its original form.

Lecture slides will be available for download from the class web page before each class.

4 Paper reports

For each lecture's main paper, students are asked to send me a report by e-mail. The comment should be no longer than two paragraphs and provide a summary of the paper's main insights and lessons. For theoretical papers, and the occasional historic conceptual paper, the summary should describe the main building blocks of the model, the main steps of the reasoning in the derivation, and the generality of the model. For empirical papers, the summary should describe the main features of the

data source, the empirical procedure and identification strategy, and the robustness of the results. For each paper, the summary concludes with a brief assessment of the role and relevance of the paper in the literature. The e-mail is due before each class, at 10am of the day of class.

5 Oral presentation

The last week of class will be devoted to student presentations. In groups of two, students will choose a recent research paper at the frontier of research in international economics. For this purpose, students will propose a paper of their choice by Monday, November 22 at 5pm. In the rare case of a poorly fitting paper, students may be asked to select another paper by Wednesday, November 24. The paper presentation should explain the paper's main insights in a style similar to a seminar. Ideally, students will conclude with ideas for own follow-up research. A presentation will be 40 minutes long and should be based on slides as if the students were presenting their own work.

6 Assessment

Class participation will count for 20 percent of the final letter grade, the paper reports and the oral presentation for 40 percent each.

7 Class Schedule

I. Foundations

- 1. Mon, Sep 27:** Empirical Foundations
Eaton and Kortum (2010)/Ch. 2
(*Additional readings:* Bernard and Jensen 1995, Bernard, Jensen, Redding, and Schott 2007, Bernard, Jensen, and Schott 2009, Eaton, Kortum, and Kramarz 2004)
- 2. Wed, Sep 29:** Analytic Foundations and the Gravity Equation
Eaton and Kortum (2010)/Ch. 3, Feenstra (2004)/Ch. 5
Main reading: Anderson and van Wincoop (2003)
(*Additional readings:* Armington 1969, Anderson 1979, Anderson and van Wincoop 2004)

II. Industry-level Trade Theory

- 3. Mon, Oct 4:** Productivity Differences and Trade
Eaton and Kortum (2010)/Ch. 3, Feenstra (2004)/Ch. 1
Main reading: Dornbusch, Fischer, and Samuelson (1977)
(*Additional readings:* Ricardo 1821, Costinot 2009, Obstfeld and Rogoff 1996/Ch. 4.5)
- 4. Wed, Oct 6:** Endowment Differences and Trade
Feenstra (2004)/Ch. 1-2, Bhagwati, Panagariya, and Srinivasan (1998)/Ch. 5-6
Main reading: Ohlin (1931)
- 6. Wed, Oct 13:** Many Goods, Many Factors and Some Evidence
Feenstra (2004)/Ch. 3, Bhagwati, Panagariya, and Srinivasan (1998)/Ch. 8
Main reading: Davis and Weinstein (2001)
(*Additional readings:* Dornbusch, Fischer, and Samuelson 1980, Costinot and Vogel forthcoming)
- 5. Mon, Oct 11:** Endowment Differences, Trade, and Trade Policy
Feenstra (2004)/Ch. 2-3, Bhagwati, Panagariya, and Srinivasan (1998)/Ch. 12
Main reading: Romalis (2004)
(*Additional reading:* Leontief 1953, Leamer and Levinsohn 1995)

III. Firm-level Trade Theory

- 7. Mon, Oct 18:** Monopolistic Competition and Increasing Returns
Bhagwati, Panagariya, and Srinivasan (1998)/Ch. 11
Main reading: Krugman (1980)
(*Additional readings:* Helpman and Krugman 1985/Ch. 6-9, Dixit and Stiglitz 1977)
- 8. Wed, Oct 20:** Exporter Heterogeneity and the Size Distribution of Firms
Main readings: Bernard, Jensen, Redding, and Schott (2007), Eaton, Kortum, and Kramarz (2004)
(*Additional readings:* Roberts and Tybout 1997, Clerides, Lach, and Tybout 1998; Gibrat 1931, Sutton 1997, Axtell 2001)
- 9. Mon, Oct 25:** Intermission on Multidimensional Panel Data
Main reading: Abowd, Kramarz, and Woodcock (2008)
(*Additional readings:* Abowd, Kramarz, and Margolis 1999, Moreira 2008)
- 10. Wed, Oct 27:** Heterogeneity with Fixed Costs of Exporting
Melitz (2003)
Main reading: Das, Roberts, and Tybout (2007)
(*Additional readings:* Yeaple 2005, Bernard, Redding, and Schott 2007, Chaney 2008)

- 11. Mon, Nov 1:** Technology in the Global Economy
 Eaton and Kortum (2010)/Ch. 4-6 (sections 4.1, 4.4, 5.1-5.4, 6.1-6.5)
Main reading: Eaton and Kortum (2002)
(Additional readings: Alvarez and Lucas 2007, Eaton, Kortum, and Kramarz 2008)
- 12. Wed, Nov 3:** Multi-product Firms
Main reading: Eckel and Neary (2010)
(Additional readings: Arkolakis and Muendler 2010, Bernard, Redding, and Schott 2009)
- IV. Global Production**
- 13. Mon, Nov 8:** Offshoring and Trade in Intermediate Inputs
 Feenstra (2004)/Ch. 5
Main reading: Feenstra and Hanson (1999)
(Additional reading: Ebenstein, Harrison, McMillan, and Phillips 2009)
- 14. Wed, Nov 10:** Trade in Tasks
Main reading: Grossman and Rossi-Hansberg (2008)
(Additional readings: Leamer and Storper 2001, Levy and Murnane 2004, Blinder 2009, Jensen and Kletzer forthcoming)
- 15. Mon, Nov 15:** Horizontal Foreign Direct Investment
 Feenstra (2004)/Ch. 11
Main reading: Brainard (1997)
(Additional readings: Markusen and Venables 2000, Helpman, Melitz, and Yeaple 2004, Ekholm, Forslid, and Markusen 2007)
- 16. Wed, Nov 17:** Firm Boundaries and Vertical Foreign Direct Investment
 Feenstra (2004)/Ch. 11
Main reading: Antràs (2003)
(Additional reading: Antràs and Helpman 2004, Hanson, Mataloni, and Slaughter 2005)
- 17. Mon, Nov 22:** Incentives and Consequences of Multinational Firm Activity
 Feenstra (2004)/Ch. 11
Main reading: Carr, Markusen, and Maskus (2001)
(Additional reading: Muendler and Becker 2009; Helpman 2006)
 PROPOSAL FOR PAPER PRESENTATION DUE
- 18. Wed, Nov 24:** Trade and Employment Outcomes
 Helpman, Itskhoki, and Redding (2010)
Main reading: Artuç, Chaudhuri, and McLaren (2010)
(Additional readings: Amiti and Davis 2008, Menezes-Filho and Muendler 2007; Davidson and Matusz 2004)
 SCHEDULE OF STUDENT PRESENTATIONS OUT
- 19. Mon, Nov 29:** STUDENT PRESENTATIONS
- 20. Wed, Dec 1:** STUDENT PRESENTATIONS

References

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