

Empirical Topics in International Economics

April 3, 2017

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Class Time: Mon 1:00p - 3:50p
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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, labor-market outcomes, and the current account. 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 (2015); Eaton and Kortum (2010);
partly Bhagwati, Panagariya, and Srinivasan (1998)

Readings: See Class schedule and References.

The Eaton and Kortum textbook draft and readings are available through the class web page (see above). For each lecture, there are up to three types of readings. The *basic reading* is the textbook reference, or the classic article, on which a large part of the lecture notes will be based; you are *not* asked to write your weekly report on those. The *main* readings include original papers or book chapters, on which you are asked to write your weekly report; the main reading is a recent academic publication (rarely more than one) for you to understand and discuss. *Additional readings* are points of departure for related research questions; you may choose to write your weekly report on an additional reading.

Lecture slides are available for download from the course web page.

4 Paper reports

There are two lectures per week (an early lecture and a late lecture), and each lecture has designated *main readings* as well as *additional readings* on this syllabus (unless the additional reading is a survey

article).

You are asked to send me *one* paper report by e-mail per week, starting in week 2, on the readings of either the early lecture or the late lecture. You can pick among the main and the additional readings for your report. Please paste your report into the *body of the e-mail*. No report is due for lectures 1 and 2. Starting with lecture 3 on April 10, there are two lectures per week; one report is due for each of these eight weeks. On lecture days when the main readings are followed by the remark “cumulatively” the report for the main readings is meant to be based on all the (short) main readings, when followed by the remark “you choose” there are two alternative (mutually exclusive) main readings and you pick.

Your report should be no longer than two (2) 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 hypothesis and building blocks of the model, recount the main steps of the reasoning in the derivation, and assess the novelty and generality of the model. For empirical papers, the summary should describe the main features of the data source, explain the empirical procedure and identification strategy, and assess the robustness and generality 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 paper report e-mail is due *before* the respective class, at 10:00a on Monday of the lecture week. For example, for the late lecture on Monday, April 10, the report is due at 10:00a on Monday, April 10.

5 Problem sets

Three problem sets will be distributed for the first three blocks of the quarter. The problem sets ask you derive key aspects of trade models that typically inform and discipline empirical work on related topics. Problem set 1 will cover Industry-level Trade Theory, problem set 2 Firm-level Trade Theory and problem set 3 Global Production. Each problem set is posted online already but may be considered as “given out” close to the beginning of the according topic block (April 10, April 24 and May 8) and due upon conclusion of the according topic block (April 24, May 8, June 5). Also see the Class Schedule for dates.

6 Project presentation

In lieu of a final exam, you will give student presentations on June 12, 2017 (during regular class time 1:00p to 3:50p). By yourself or in groups of two or three, you will choose a recent research paper at the frontier of research in international trade and use work of your own to replicate or go beyond the paper you present. For this purpose, you will propose a paper of your choice by Friday, May 19 at 5pm. In rare cases, I may ask you to select another paper by Monday, May 22. The paper presentation should explain the paper’s main insights in a style similar to a seminar and emphasize your own (envisaged) research work beyond the paper you present. Ideally, you will conclude with ideas for serious own follow-up research. The presentation should be based on slides.

7 Assessment

There are three components of assessment: eight paper reports (due in weeks 2-8 and 10 of the quarter), three problem sets (throughout the quarter), and the oral presentation (during finals week). Given Memorial Day Observance, there is no class in week 9. The paper reports will count for 25

percent and the oral presentation for 30 percent of the final letter grade; the problem sets will count 45 percent (15 percent each). Strong class room participation throughout the quarter will be counted towards performance.

8 Class Schedule

I. Foundations

1. Mon, April 3: Empirical Foundations

Basic reading: 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. Mon, April 3: Analytic Foundations and the Gravity Equation

Basic readings: Eaton and Kortum (2010)/Ch. 3, Feenstra (2015)/Ch. 5-6, Head and Mayer (2014)

Main reading: Anderson and van Wincoop (2003)

(Additional readings: Armington 1969, Anderson 1979, Anderson and van Wincoop 2004)

II. Industry-level Trade Theory and Empirics

3. Mon, April 10: Classic Productivity Differences and Trade

Basic readings: Eaton and Kortum (2010)/Ch. 3, Feenstra (2015)/Ch. 1

Main reading: Dornbusch, Fischer, and Samuelson (1977)

(Additional readings: Eaton and Kortum 2012, Ricardo 1821, Obstfeld and Rogoff 1996/Ch. 4.5)
PROBLEM SET 1 OUT

4. Mon, April 10: Technology and Geography in the Global Economy

Basic reading: 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 2011, Armenter and Koren 2014)

5. Mon, April 17: Endowment Differences and Trade

Basic readings: Feenstra (2015)/Ch. 1-2, Bhagwati, Panagariya, and Srinivasan (1998)/Ch. 5-6

Main reading: Ohlin (1931)

(Additional readings: Schott 2004; Dornbusch, Fischer, and Samuelson 1980, Costinot and Vogel 2010), Bernhofen and Brown 2004, Romalis 2004)

6. Mon, April 17: Extensions, Evidence and Trade Policy

Basic readings: Feenstra (2015)/Ch. 3 and 8-10, Bhagwati, Panagariya, and Srinivasan (1998)/Ch. 12, Maggi (2014)

Main reading: Davis and Weinstein (2001) or Broda, Limão, and Weinstein (2008), your choice

(Additional reading: Leontief 1953, Trefler 1995, Bergstrand and Egger 2013)

III. Firm-level Trade Theory and Empirics

7. Mon, April 24: Exporter Heterogeneity and the Size Distribution of Firms

Main readings: Axtell (2001), Eaton, Kortum, and Kramarz (2004), Bernard, Jensen, Redding, and Schott (2007), cumulatively

(Additional readings: Roberts and Tybout 1997, Clerides, Lach, and Tybout 1998, Gibrat 1931, Sutton 1997; Krugman (1980), Helpman and Krugman 1985/Ch. 6-9, Dixit and Stiglitz 1977)

PROBLEM SET 1 DUE

PROBLEM SET 2 OUT

8. Mon, April 24: Intermission on Multidimensional Panel Data
Main reading: Abowd, Kramarz, and Woodcock (2008)
(Additional readings: Abowd, Kramarz, and Margolis 1999, Moreira 2009, Eeckhout and Kircher 2011)

9. Mon, May 1: Heterogeneity with Fixed Costs of Exporting
Basic readings: Melitz (2003), Melitz and Redding (2014)
Main reading: Das, Roberts, and Tybout (2007)
(Additional readings: Melitz and Trefler 2012, Bernard, Redding, and Schott 2007, Chaney 2008)

10. Mon, May 1: Multi-product Firms
Main reading: Eckel and Neary (2010)
(Additional readings: Arkolakis, Ganapati, and Muendler 2015, Bernard, Redding, and Schott 2011)

IV. Global Production

11. Mon, May 8: Trade in Intermediate Inputs and Wages
Basic reading: Feenstra (2015)/Ch. 4
Main reading: Koopman, Wang, and Wei (2014)
(Additional readings: Feenstra and Hanson 1999, Ebenstein, Harrison, McMillan, and Phillips 2014, Johnson and Noguera 2012)

12. Mon, May 8: 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 2010)
PROBLEM SET 2 DUE
PROBLEM SET 3 OUT

13. Mon, May 15: Horizontal Foreign Direct Investment
Basic readings: Feenstra (2015)/Ch. 12, Antràs and Yeaple (2014)
Main reading: Helpman, Melitz, and Yeaple (2004)
(Additional readings: Brainard 1997, Markusen and Venables 2000, Ekholm, Forslid, and Markusen 2007)

14. Mon, May 15: Firm Boundaries and Vertical Foreign Direct Investment
Basic readings: Feenstra (2015)/Ch. 12, Antràs and Yeaple (2014)
Main reading: Antràs (2003)
(Additional readings: Antràs and Helpman 2004, Hanson, Mataloni, and Slaughter 2005)

V. Local Impacts of Global Markets

Fri, May 19, 5pm: PROPOSAL FOR PAPER PRESENTATION DUE

15. Mon, May 22: Determinants and Consequences of Multinational Firm Activity
Basic reading: Feenstra (2015)/Ch. 12
Main readings: Carr, Markusen, and Maskus (2001), Blonigen, Davies, and Head (2003) and Carr, Markusen, and Maskus (2003), cumulatively
(Additional reading: Muendler and Becker 2010, Helpman 2006)

16. Mon, May 22: Trade and Wage Inequality

Main reading: Davidson, Heyman, Matusz, Sjöholm, and Zhu (2014) or Coşar, Guner, and Tybout (2015), your choice

(Additional readings: Helpman, Itskhoki, and Redding 2010, Helpman, Itskhoki, Muendler, and Redding 2017, Amiti and Davis 2012)

Fri, June 2: SCHEDULE OF STUDENT PRESENTATIONS OUT

17. Mon, June 5: Trade and Labor-market Outcomes

Main reading: Autor, Dorn, and Hanson (2013) or ?, your choice

(Additional readings: Artuç, Chaudhuri, and McLaren 2010, Harrison, McLaren, and McMillan 2011, Dix-Carneiro 2014, Menezes-Filho and Muendler 2011)

PROBLEM SET 3 DUE

Mon, June 12: STUDENT PRESENTATIONS IN LIEU OF FINAL EXAM 1:00p-3:50p

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