

Economics 247:
Empirical Topics in International Trade
Spring 2012

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Class: TuTh 11:00am-12:20pm (Econ 300)
Office hours: M 12:30-2:00pm (and by appointment)

This is the third course in the graduate international economics sequence. The goals of the course are: (i) to introduce students to current topics of interest in international trade, with a heavy emphasis on empirical work, (ii) to help students develop skills for a research career, including evaluating existing research, presenting their work, working collaboratively, and defining and organizing a research project, and (iii) to help students identify the topic for a research paper that will be part of their dissertation.

Class meetings will be a combination of traditional lectures, discussion sections led by students (which will be concentrated in the first half of the term), and formal student presentations (which will be concentrated toward the end of the term).

Requirements: There are three graded assignments for the course.

(1) A two-page referee report, evaluating a paper that we read for class. Students will present their evaluation in class in a 20-minute Powerpoint presentation. The report should (a) identify the question the paper addresses and the gap in the literature the paper attempts to fill, (b) briefly summarize the paper's research methodology, data sources, identifying assumptions, and results, (c) critically evaluate the components listed in (b), and (d) make recommendations for how the paper can be improved. I will present the first referee report in the first week of class to provide a template that can be emulated. Following the presentation we will have a class discussion about the paper.

(2) A collaborative econometric project in which students use data on bilateral trade flows, bilateral tariffs, and other barriers to trade to estimate the elasticity of trade with respect to trade costs. I will provide the trade and tariff data. The other trade barrier data are available at <http://www.cepii.fr/anglaisgraph/bdd/gravity.htm>. Students will be organized into two randomly assigned groups. Each group will prepare a ten-page writeup of their estimation and results. In class, each group will present the findings of the OTHER group in a 25-minute Powerpoint presentation. Writeups will be due and presentations will take place in the eighth week of class.

(3) A research proposal in which students present a detailed plan for a research paper that is substantial enough to count as a dissertation chapter. The proposal should be eight to ten pages in length. It should state the question to be answered, briefly summarize relevant literature, identify gaps in the literature that the paper will fill, outline the research methodology to be employed, identify data sources to be used, present an

econometric specification, discuss identifying assumptions, and if possible present preliminary results. Students will present their proposals during the last week of class.

Key for journals: AER (American Economic Rev.), EMA (Econometrica), EER (European Economic Rev.), EJ (The Economic Jo.), IER (International Economic Rev.), JDE (Jo. of Development Economics), JEL (Jo. of Econ. Lit.), JEP (Jo. of Econ. Perspectives), JIE (Jo. of Interntnl Economics), JPE (Jo. of Political Economy), QJE (Quarterly Jo. of Economics), ReStud (Rev. of Economic Studies), ReStat (Rev. of Economics and Statistics).

(*) Indicates optional reading that will not be discussed in class (or at least not at length).

1. The Gravity Model and the Causes of Trade

(a) Theory (4/3)

Eaton, J., and S. Kortum. 2009. Technology in the Global Economy: A Framework for Quantitative Analysis. Section 3.1.

Arkolakis, C., A. Costinot, and A. Rodriguez-Clare. 2012. New Trade Models, Same Old Gains? AER. 102(1): 94-130.

(*) Anderson, J. 2010. The Gravity Model. NBER Working Paper No. 16576.

(b) Discussion-GH (4/5)

Baier, S., and J. Bergstrand. 2009. JIE. 77: 77-85.

Anderson, J., and Y. Yotov. 2012. Gold Standard Gravity. NBER Working Paper No. 17835.

(*) Disdier, A.C, and K. Head. 2008. ReStat. 90(1): 37-48.

(c) Zero Trade Flows (4/10)

Santos Silva, J. M. C., and S. Tenreyro. 2006. The Log of Gravity. ReStat, 88 (4): 641-58.

Helpman, E., M. J. Melitz, and Y. Rubinstein. 2008. Estimating Trade Flows: Trading Partners and Trading Volumes. QJE, 123: 441-448.

(*) Eaton, Jonathan, Samuel Kortum, S. Sotelo. 2012. International Trade: Linking Micro and Macro. NBER Working Paper No. 17864.

(d) Discussion/Referee Reports (4/12)

Simonovska, I., and M. Waugh. 2011. The Elasticity of Trade: Estimates and Evidence. NBER Working Paper No. 16796.

Baldwin, R., and J. Harrigan. 2011. Zeros, Quality and Space: Trade Theory and Trade Evidence. *AEJ: Microeconomics*, 3(2): 60-88.

Hummels, D., and G. Schaur. 2012. Time as a Trade Barrier. NBER Working Paper No. 17758.

Armenter, R. and M. Koren. 2010. A Balls and Bins Model of Trade. Mimeo, Central European University.

2. Comparative Advantage

(a) Theory and Estimation (4/17)

Hanson, G. 2012. The Rise of Middle Kingdoms: Emerging Economies in Global Trade. *JEP*, forthcoming.

Costinot, A. and I. Komunjer. 2012. What Goods do Countries Trade? A Quantitative Exploration of Ricardo's Ideas. *ReStud*, forthcoming.

(b) Discussion/Referee reports (4/19)

Chor, D. 2009. Unpacking Sources of Comparative Advantage: A Quantitative Approach. *JIE*. 82: 152-167.

Eastery, W., and A. Reshef. 2009. Big Hits in Manufacturing Exports and Development. Mimeo, NYU.

Levchenko, A. and J. Zhang. 2011. The Evolution of Comparative Advantage: Measurement and Welfare Implications. NBER Working Paper No. 16806.

Cadot, O., C. Carrere, and V. Strauss-Kahn. 2011. *ReStat*. 93(2): 590-605.

3. Trade and Wages

(a) Firms and Industries (4/24)

Bernard, A., B. Jensen, P. Schott. 2006. Survival of the Best Fit: Exposure to Low-Wage Countries and Growth of US Manufacturing Plants. *JIE* 68(1): 219-37.

Hummels, D., Jorgenson, Munch, C. Xiang. 2011. The Wage Effects of Offshoring: Evidence from Matched Firm-Worker Data. NBER Working Paper No. 17496.

(*) Harrison, A., J. McLaren, M. McMillan. 2010. Recent Findings on Trade and Inequality. NBER Working Paper No. 16425.

(b) Regional Labor Markets (4/26)

Autor, David, David Dorn, Gordon Hanson. 2012. The China Syndrome: Local Labor Market Effects of Import Competition in the United States. Mimeo, UCSD.

(c) Discussion/Referee Reports (5/1)

Kovak, B. 2011. Local Labor Market Effects of Trade Policy: Evidence from Brazilian Liberalization. Mimeo, Carnegie-Mellon University.

Topalova, P. 2010. Factor Immobility and Regional Impacts of Trade Liberalization: Evidence on Poverty from India. *AEJ: Applied*, 2: 1-41.

Amiti, M., and D. Davis. 2012. Trade, Firms, and Wages: Theory and Evidence. *ReStud*, forthcoming.

Ebenstein, A., A. Harrison, M. McMillan, S. Phillips. 2010. Estimating the Impact of Trade and Offshoring on American Workers. NBER Working Paper. No. 15107.

Burstein, A., and J. Vogel. Factor Prices and International Trade: A Unifying Perspective. NBER Working Paper No. 16904.

4. Heterogeneous Firms

(a) Estimation (5/3)

Bernard, A., B. Jensen, S. Redding, P. Schott. 2011. The Empirics of Firm Heterogeneity and International Trade. NBER Working Paper No. 17627.

Goldberg, P., N. Pavcnik, and P. Topalova. 2009. Imported Intermediate Inputs and Domestic Product Growth: Evidence from India. *QJE*. 125(4): 1727-1767.

(b) Discussion/Referee Reports (5/8)

Manova, K., and Z. Zhang. 2011. Export Prices across Firms and Destinations. *QJE*, 127: 379-436.

Johnson, R. 2011. Trade and Prices with Heterogeneous Firms. JIE, forthcoming.

Manova, K. 2012. Credit Constraints, Heterogeneous Firms, and International Trade. ReStud, forthcoming.

Yeaple, S. 2008. Firm Heterogeneity and the Structure of US Multinational Activity: An Empirical Analysis. NBER Working Paper No. 14072.

5. Multinational Firms

(a) Export versus FDI Decision (5/10)

Helpman, E., M.J. Melitz, and S.R. Yeaple. 2004. Export versus FDI with Heterogeneous Firms. AER 94(1): 300-316.

Becker, S., and M. Muendler. 2011. Margins of Multinational Substitution. AER.

(*) Yeaple, S. 2008. Firm Heterogeneity and the Structure of US Multinational Activity: An Empirical Analysis. NBER Working Paper No. 14072.

(b) Production Sharing (5/15)

Johnson, R. and Noguera. 2012. Accounting for Intermediates: Production Sharing and Trade in Value Added. JIE, forthcoming.

Johnson, R. and Noguera. 2012. Fragmentation in Trade over Four Decades. Mimeo, Dartmouth College.

(c) White Collar Occupations and Trade (5/17)

Head, K., T. Maier, and J. Ries. 2009. How Remote Is the Offshoring Threat? EER.

Crino, R. 2010. Service Offshoring and White Collar Employment. ReStud. 77: 595-632.

Liu, R., and D. Trefler. 2011. A Sorted Tale of Globalization: White Collar Jobs and the Rise of Service Offshoring. NBER Working Paper No. 17559.

6. Group Project Presentations (5/22)

7. Innovation and Trade: The Case of China

(a) Quantifying Trade Shocks (5/24)

Hsieh, C., and R. Ossa. 2012. A Global View of Productivity Growth with China. AER, forthcoming.

(*) Hsieh, C.T., P. Klenow. 2009. Misallocation and Manufacturing TFP in China and India. QJE, 124(4): 1403-1448.

(b) Trade Liberalization, Innovation and Productivity Growth (5/29)

Khandelwal, A., P. Schott, S. Wei. 2011. Trade Liberalization and Embedded Institutional Reform: Evidence from Chinese Exporters. NBER Working Paper No. 17524.

Boom, N., Draca, and J. Van Reenen. 2011. Trade Induced Technical Change? The Impact of Chinese Imports on Innovation, IT, and Productivity. Mimeo, Stanford University.

8. Trade and Finance (5/31)

Antras, P., and F. Foley. 2011. Poultry in Motion: A Study of International Trade Finance Practice. NBER Working Paper No. 17091.

(*) Manova, K. 2012. Credit Constraints, Heterogeneous Firms, and International Trade. ReStud, forthcoming.

9. Project Proposals (6/5, 6/7)