

Economics 245 — Fall 2021
International Trade

September 22, 2021

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Office hours: Mon 2:00p - 3:00p (or by appointment)
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Class Time: TueThu 8:00a - 9:20a
Classroom: Econ 200
Class Web Page: econ.ucsd.edu/muendler/teach/21f/245

1 Course Objectives

This course examines theoretical foundations of international trade and empirical evidence. 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 interrelation of international trade with factor-market outcomes, the income distribution, and commercial policy. The empirical parts of the course present basic assessments of theories of international trade and capital movements, and provide an overview of evidence on 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

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 Tuesday lecture or the Thursday 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 lecture 1. Starting with lecture 2 on September 29, there are two lectures per week (except for the weeks of Veteran's Day Holiday and Thanksgiving Holiday during which you must write the report on the lecture of Tuesday). One report is due for each of the main eight weeks of the course. 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 7:50am.

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.

6 Project presentation

In lieu of a final exam, you will give student presentations on December 7, 2021 (during the reserved finals week time 8:00a to 11:00a). By yourself or in a pairing of two students, 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, November 12 at 5pm. In rare cases, I may ask you to select another paper by Monday, November 15. 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 2-9 of the quarter), three problem sets (throughout the quarter), and the oral presentation (in finals week). 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. Thu, September 23: 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. Tue, September 28: 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, Eric (2003)

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

II. Industry-level Trade Theory and Empirics

3. Thu, September 30: 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 1817, Obstfeld and Rogoff 1996/Ch. 4.5)

PROBLEM SET 1 OUT

4. Tue, October 5: 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. Thu, October 7: 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. Tue, October 12: 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. Thu, October 14: 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. Tue, October 19: 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. Thu, October 21: 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. Tue, October 26: Multi-product Firms
Main reading: Eckel and Neary (2010)
(Additional readings: Arkolakis, Ganapati, and Muendler 2021, Bernard, Redding, and Schott 2011)

IV. Global Production

11. Thu, October 28: 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. Tue, November 2: 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. Thu, November 4: 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. Tue, November 9: 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)

Thu, November 11: Veteran's Day Holiday (no class)

Fri, November 12, 5pm: PROPOSAL FOR PAPER PRESENTATION DUE

V. Local Impacts of Global Markets

15. Tue, November 16: 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. Thu, November 18: Trade and Wage Inequality
Main reading: Davidson, Heyman, Matusz, Sjöholm, and Zhu (2014) or Coşar, Guner, and Tybout (2016), your choice
(Additional readings: Helpman, Itskhoki, and Redding 2010, Helpman, Itskhoki, Muendler, and Redding 2017, Amiti and Davis 2012)

17. Tue, November 23: Trade and Labor-market Outcomes

Main reading: Autor, Dorn, and Hanson (2013) or Caliendo, Dvorkin, and Parro (2015), your choice

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

Thu, November 25: Thanksgiving Holiday (no class)

18. Tue, November 30: Trade under Non-homothetic Preferences

Main reading: Fajgelbaum, Grossman, and Helpman (2011) or Fajgelbaum and Khandelwal (2016), your choice

(Additional readings: Boppart 2014, Comin, Lashkari, and Mestieri 2015)

PROBLEM SET 3 DUE

VI. Intertemporal Trade in the Open Economy

19. Thu, December 2: Intertemporal Trade in a Multi-sector Model

Tue, December 7: STUDENT PRESENTATIONS IN LIEU OF FINAL EXAM 8:00a-11:00a

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