

Economics 247: International Trade

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Class: TuTh 12:30-1:50

Office hours: M 1:30-3:00 (and by appointment)

This is the third course in the graduate international economics sequence. We will strive to achieve a balance between theory, empirical literature, and current work on international trade. The course requirements are a research paper (worth 85% of the grade) due on the last day of class (there will be no extensions of this deadline) and participation in class activities (worth 15% of the grade). The paper may be empirical or theoretical in nature. We will discuss the paper requirement (and sources for data) in the second week of class. Attendance of the Tuesday International/Development is required.

Required readings are indicated by an asterisk (*). The text for the course is,

Feenstra, R.C. Advanced International Trade: Theory and Evidence. Princeton University Press, 2004.

Additional readings are optional, but recommended for those interested in the field. I will make required readings available electronically. 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), 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).

I. The Causes of Trade

A. Integrated Theories of Trade (3/31, 4/2)

(*) Feenstra, chapters 2, 3, and 5.

(*) Helpman, E. and P. Krugman. 1985. Market Structure and Foreign Trade. MIT Press, chapters 1, 7, and 8.

B. Empirics of Comparative Advantage (4/7, 4/9)

(*) Feenstra, chapters 2 and 3.

(*) Bernhofen, D. and J. Brown. 2004. A Direct Test of the Theory of Comparative Advantage: The Case of Japan. JPE 112(1): 48-67.

(*) Costinot, A. and I. Komunjer. 2008. What Goods do Countries Trade? A Structural Ricardian Model. Mimeo, UCSD.

(*) Romalis, J. 2004. Factor Proportions and the Structure of Commodity Trade. AER, 94(1): 67-97.

Bernhofen, D. and J. Brown. 2005. An Empirical Assessment of the Comparative Advantage Gains from Trade: Evidence from Japan. AER. 95(1): 208-25.

C. The Gravity Model of Trade (4/14)

(*) Feenstra, chapter 5.

Anderson, J.E. and E. van Wincoop. 2003. Gravity with Gravitas: A Solution to the Border Puzzle. AER, 93(1): 170-92. (Also NBER Working Paper 8079.)

Hummels, D. and P. Klenow. 2005. The Variety and Quality of a Nation's Exports. AER, 95(3): 704-723.

Baldwin, R. and D. Taglioni. 2006. Gravity for Dummies and Dummies for Gravity Equations. NBER Working Paper No. 12516.

D. Trade Costs (4/16, 4/21)

(*) Anderson, J.E. and E. van Wincoop. 2005. Trade Costs. JEL, 42(3): 691-751. (Also NBER Working Paper 10480.)

(*) Hummels, D. and A. Skiba. 2004. Shipping the Good Apples Out? An Empirical Confirmation of the Alchian-Allen Conjecture. JPE: 1384-1402.

(*) Baier, S. and J. Bergstrand. 2001. The Growth of World Trade: Tariffs, Transport Costs, and Income Similarity. JIE 53(1): 1-27.

(*) Romalis, J. NAFTA's and CUSTA's Impact on International Trade. ReStat, 89(3): 416-435.

Hummels, D. and R. Hillberry. 2008. Trade Responses to Geographic Frictions: A Decomposition Using Micro Data. EER 52: 527-550.

Hummels, D. 2007. Transportation Costs and International Trade in the Second Era of Globalization. JEP, 21: 131-154.

Frankel, J. 2008. The Estimated Effects of the Euro on Trade. NBER Working Paper 14542.

E. The Home Market Effect and Gains from Trade (4/23)

(*) Hanson, G.H. and C. Xiang. 2004. The Home Market Effect and Bilateral Trade Patterns. AER, 94: 1108-1129.

(*) Broda, C., and D.E. Weinstein. 2006. Globalization and the Gains from Variety. QJE, 121(2): 541-585.

II. The Consequences of Trade

A. Trade and the Structure of Wages (4/28)

(*) Feenstra, chapter 4.

(*) Becker, S., and M. Muendler. 2009. Margins of Multinational Substitution. Mimeo, UCSD.

Feenstra, R.C. and G.H. Hanson. 1999. The Impact of Outsourcing and High-Technology Capital on Wages. QJE 114: 907-940.

Feenstra, R.C. and G.H. Hanson. 2002. Global Production and Inequality: A Survey of Trade and Wages. In James Harrigan, ed., Handbook of International Trade, Basil Blackwell. (Also NBER working paper 8372.)

B. Globalization and Developing Economies (4/30)

(*) Edmonds, E. and N. Pavcnik. 2005. The Effect of Trade Liberalization on Child Labor. JIE, 65(2): 401-41.

(*) Topalova, P. 2005. Trade Liberalization, Poverty, and Inequality: Evidence from Indian Districts. NBER Worker Paper 11614.

(*) Filho, N. and M. Muendler. 2007. Labor Reallocation in Response to Trade Reform. Mimeo, UCSD.

Goldberg, P. and N. Pavcnik. 2007. Distributional Effects of Globalization in Developing Countries. JEL, 45(1): 39-82. (Also NBER Working Paper 12885).

C. International Migration (5/5, 5/7)

(*) Hanson, G. 2009. The Economic Consequences of the International Migration of Labor. Annual Review of Economics, forthcoming.

(*) Aydemir, A. and G.J. Borjas. 2007. A Comparative Analysis of the Labor Market Impact of International Migration. JEEA,

(*) Grogger, J. and G. Hanson. 2008. Income Maximization and the Selection and Sorting of International Migrants. Mimeo, UCSD.

Card, D. 2001. Immigrant Inflows, Native Outflows, and the Local Labor Market Impacts of Higher Immigration. JOLE, 22-64.

Borjas, G. 2003. The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market. QJE 118 (4): 1335-1374.

Chiquiar, D., G. Hanson. 2005. International Migration, Self-Selection, and the Distribution of Wages: Evidence from Mexico and the US. JPE, 113(2): 239-281

III. International Trade and Firm Structure

A. Who Exports? (5/12)

(*) Bernard, A., S. Redding, and P. Schott. 2007. Firms in International Trade. JEP, 21(3): 105-130. (Also NBER Working Paper 13054.)

(*) Eaton, J., S. Kortum, and F. Kramarz. 2008. An Anatomy of International Trade: Evidence from French Firms. NBER Working Paper 14610.

B. Firm Heterogeneity and Trade (5/14, 5/19)

(*) Helpman, E.. 2006. Trade, FDI, and the Organization of Firms. JEL, 44: 589-630. (Also NBER Working Paper 12091.)

(*) Chaney, T. 2005. Distorted Gravity: The Extensive and Intensive Margins of International Trade. AER, 98(4): 1707-1721.

Melitz, M. J. 2003. "The Impact of Trade on Intra-industry Reallocations and Aggregate Industry Productivity," EMA, 71(6): 1695-1725.

Helpman, E., M. J. Melitz, and Y. Rubinstein. 2008. Estimating Trade Flows: Trading Partners and Trading Volumes. QJE, 123: 441-448. (Also NBER Working Paper 12927.)

C. Multinational Firms (5/21, 5/26)

(*) Feenstra, chapter 11.

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

(*) Hanson, G., R. Mataloni, and M. Slaughter. 2005. Vertical Production Networks in Multinational Firms. ReStat, 87: 664-678.

(*) Bernard, A., S. Redding, and P. Schott. 2009. Multi-Product Firms and Product Switching. AER, forthcoming.

Rauch, J. and V. Trindade. 2002. Ethnic Chinese Networks in International Trade." ReStat, 84: 116-130.

D. Trade and the Ownership Structure of Firms (5/28, 6/2)

(*) Antras, Pol. 2003. Firms, Contracts, and Trade Structure. QJE, 118(4): 1375-1418. (Also NBER Working Paper 9740.)

(*) Feenstra, R. and G. Hanson 2005. Ownership and Control in Outsourcing to China: Estimating the Property Rights Theory of the Firm. QJE, 120(2): 729-762.