

Economics 247:

Empirical Topics in International Trade Spring 2014

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Class: TuTh 2:00pm-3:20pm (Econ 300), Office hours: W 2-3:30pm (and by appt)

This is the third course in the graduate international economics sequence. The goals of the course are: (i) to introduce students to current topics in international trade, with an 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 a research project, and (iii) to help students identify a 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, and student presentations.

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 give their evaluation in class in a 25-minute presentation. The report should (a) identify the question the paper addresses and the gap in the literature the paper attempts to fill, (b) summarize the paper's research methodology, data sources, identifying or modelling assumptions, and results, (c) evaluate and recommend changes to the components in (b), and (d) state whether the paper should be accepted, rejected or returned for revision.

(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. Other data on trade barriers are available at <http://www.cepii.fr/anglaisgraph/bdd/gravity.htm>. Students will be randomly assigned to groups. Each group will prepare a ten-page writeup of their results. In class, each group will present the findings of the OTHER group in a 25-minute presentation. Writeups will be due and presentations will occur in the 8th 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, list 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.

Journal key: AER (American Economic Rev.), EMA (Econometrica), JDE (Jo. of Development Economics), JEL (Jo. of Econ. Lit.), JEP (Jo. of Econ. Perspectives), JIE (Jo. of Int'l Econ.), 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. Comparative Advantage, Trade Data (4/1, 4/3)

Hanson, G. 2012. The Rise of Middle Kingdoms: Emerging Economies in Global Trade. JEP 26(2): 41-64. (S)

Subramanian, Arvind, and Martin Kessler. 2013. The Hyperglobalization of Trade and Its Future. Peterson Institute for International Economics Working Paper 13-6. <http://www1.iie.com/publications/wp/wp13-6.pdf> (S)

Eaton, J., and S. Kortum. 2002. Technology, Geography, and Trade. EMA 70(5): 1741-1779.

Costinot, A., D. Donaldson, and I. Komunjer. 2012. What Goods do Countries Trade? A Quantitative Exploration of Ricardo's Ideas. ReStud 79(2): 581-608.

(*) Eaton, J., and S. Kortum. 2012. Putting Ricardo to Work. JEP 26(2): 65-90.

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

2. Trade Data, Gravity, and the Gains from Trade (4/8, 4/10)

Djankov, S., and C. Freund. 2010. Trading on Time. ReStat 92(1): 166-173.

Lendle, A., M. Olarreaga, S. Schropp, and P.L. Vezina. 2012. There Goes Gravity: How eBay Reduces Trade Costs. World Bank Policy Research Paper No. 6253. <https://openknowledge.worldbank.org/handle/10986/12107>

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

(*) Disdier, A.C, and K. Head. 2008. The Puzzling Persistence of the Distance Effect on Bilateral Trade. ReStat. 90(1): 37-48.

(*) Ossa, R. 2012. Why Trade Matters after All. NBER Working Paper 18113.

(*) Costinot, A., and A. Rodriguez-Clare. 2013. Trade Theory with Numbers: Quantifying the Consequences of Globalization. NBER Working Paper 18896.

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

3. Trade Costs and Trade Flows (4/15)

- Simonovska, I., and M. Waugh. 2014. The Elasticity of Trade: Estimates and Evidence. JIE 92: 34-50. (S)
- 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 17864.
4. Guest lecture, Kati Souminen (UCLA), "Regional Trade Agreements." (4/16)
 5. No Class (4/17).
 6. Trade Agreements and Gains from Trade (4/22)

Caliendo, L., and F. Parro. 2012. Estimates of the Trade and Welfare Effects of NAFTA. NBER Working Paper 18508. (S)

(*) Romalis, J. 2007. NAFTA's and CUSTA's Impact on International Trade. ReStat 89(3): 416-435.
 7. Referee reports (4/24) – *two of the following papers will be discussed*

Melitz, M., S. Redding. 2013. New Trade Models, New Welfare Implications. NBER Working Paper 18919.

Chaney, T. 2013. The Gravity Model in International Trade: An Explanation. NBER Working Paper 19285.

Levchenko, A. and J. Zhang. 2011. The Evolution of Comparative Advantage: Measurement and Welfare Implications. NBER Working Paper 16806.

Armenter, R. and M. Koren. 2014. A Balls and Bins Model of Trade. AER, forthcoming.
 8. Trade and Labor Markets
 - (a) Theory (4/29)

Harrison, A., J. McLaren, and M. McMillan. . Recent Perspectives on Trade and Inequality. Annual Review of Economics 3: 261-289. (S)

(*) Kovak, B. 2013. Regional Effects of Trade Reform. AER 103(5): 1960-76. Online Appendix.

(*) Acemoglu, D., and D. Autor. 2012. What Does Human Capital Do? A Review of Goldin and Katz's The Race between Technology and Education. JEL 50(2): 426-63.

(b) Firms and Industries (5/1)

Hummels, D., Jorgenson, Munch, C. Xiang. 2014. The Wage Effects of Offshoring: Evidence from Matched Firm-Worker Data. AER, forthcoming. (S)

Ebenstein, A., A. Harrison, M. McMillan, and S. Phillips. 2014. Estimating the Impact of Trade and Offshoring on American Workers Using the Current Population Surveys. ReStat, forthcoming.

(*) 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.

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

(c) Regional Labor Markets (5/6)

Autor, David, David Dorn, Gordon Hanson. 2013. The China Syndrome: Local Labor Market Effects of Import Competition in the US. AER 103(6): 2121-68. (S)

Autor, David, David Dorn, Gordon Hanson. 2013. The Geography of Trade and Technology Shocks in the United States. AER P&P 103(3): 220-25. (S)

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

(d) Worker Level Adjustment (5/8)

Autor, D., D. Dorn, G. Hanson, J. Song. 2014. Adjustment to Trade: Worker Level Evidence. (S)

Atkin, D. 2012. Endogenous Skill Acquisition and Export Manufacturing in Mexico. Yale University. (S)

(*) Menezes-Filho, N., and M. Muendler. 2011. Labor Reallocation in Response to Trade Reform. NBER Working Paper 17372.

(e) Structural Approaches (5/13)

Burstein, A., and J. Vogel. 2013. International Trade, Technology and the Skill Premium. Columbia University. (S)

(*) Dix-Carneiro, R. 2014. Trade Liberalization and Labor Market Dynamics. EMA, forthcoming.

9. Referee Reports (5/15) – *two of the following papers will be discussed*

Caron, J., T. Fally, and J. Markusen. 2012. Skill Premium and Trade Puzzles: A Solution Linking Production and Preferences. NBER Working Paper 18131.

McLaren, J., and S. Hakobyan. 2012. Looking for Local Labor Market Effects of the NAFTA. Working Paper, University of Virginia.

Monte, F. 2013. Local Transmission of Trade Shocks. Johns Hopkins University.

Pierce, J., P. Schott. 2013. The Surprisingly Swift Decline of U.S. Manufacturing Employment. NBER Working Paper 18655.

10. Group Project Presentations (5/20)

11. Trade Policy, Productivity, and Inequality (5/22, 5/27)

Faber, B. 2014. Trade Liberalization, the Price of Quality and Inequality: Evidence from Mexican Store Prices. UC Berkeley.

Khandelwal, A., P. Schott, S. Wei. 2014. Trade Liberalization and Embedded Institutional Reform: Evidence from Chinese Exporters. AER, forthcoming.

Goldberg, P., A. Khandelwal, N. Pavcnik, and P. Topalova. 2010. Imported Intermediates and Domestic Product Growth: Evidence from India. QJE 125(4): 1727-1767.

12. Referee Reports (5/29) – *two of the following papers will be discussed*

Atkin, D., and D. Donaldson. 2013. Who's Getting Globalized? The Size and Implications of Intranational Trade Costs. Yale University.

De Loecker, J., P. Goldberg, A. Khandelwal, N. Pavcnik. 2013. Prices, Markups, and Trade Reform. NBER Working Paper 17925.

Handbury, J., and D. Weinstein. 2011. Is the New Economic Geography Right? Evidence from Price Data. NBER Working Paper 17067.

Waugh, M. 2010. International Trade and Income Differences. AER 100(5): 2093-2124.

13. Project Proposal Presentations (6/3, 6/5)