8403
International Trade
Spring 2019
TuTh 9.15-11.00am, HMH 4-190

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International Trade

Course Outline: This is a second-year graduate class for Econ PhD students, the sequel to 8401 and 8402. The focus is on international trade rather than open economy macro. Relative to Tim's class (8401), there is some thematic overlap, but we cover different papers, and it will be run more like a reading group. Most classes are structured around a single paper which is at the frontier of what is being done in the field. The goal of the class is twofold: to build skills in reading and evaluating papers, and to help get you started on your own research.

Textbook: I will not follow any textbook closely.

Reading: The list of assigned readings for each class is provided below. The Background Reading section does what it says on the tin.

Assessment: There are three parts to the assessment. (I) I will divide you into groups, and assign each group to two or three of the assigned readings. The assigned group will prepare slides on the reading, which will be the starting point for class discussions on the relevant day. Slides should be e-mailed to me. (II) Starting in the second class, you are required to prepare a half-page summary of the required reading for each class, due at the beginning of class. You can print the summaries and bring them to class, or e-mail them to me before class. (III) Finally, you will have to write a referee report on a job market paper in trade from last year (assignment of papers to be decided in class). You will present your reports in the last classes of the semester. Referee reports and slides for your presentation should be e-mailed to me.

Office Hours: By appointment.

Schedule and Assigned Reading

Stars indicate classes where students may be assigned to present.

1. Tuesday 22nd January. Gravity and the gains from trade. **Reading:** Arkolakis, Costinot & Rodriguez-Clare (2012).

2. Thursday 24th January. Increasing returns. **Reading:** Edmond, Midrigan & Xu (2015).

3. *Tuesday 29th January. Ricardian differences. **Reading:** Antras and de Gortari (2017).

4. *Thursday 31st January. Factor differences. **Reading:** Lee (2018).

5. *Tuesday 5th February. Trade, innovation & growth. **Reading:** Akcigit, Ates and Impullitti (2018)

6. *Thursday 7th February. Economic Geography. **Reading:** Gaubert (2018).

7. Tuesday 12th February. Evidence on exporter dynamics. **Reading:** Ruhl and Willis (2017).

8. Thursday 14th February. Firm responses to trade (de)liberalizations. **Reading:** Pierce (2011) and Lu, Tao and Zhang (2013).

9. *Tuesday 19th February. Labor dynamics. **Reading:** Caliendo, Opromolla, Parro and Sforza (2018).

10. *Tuesday 21st February. China Shock. **Reading:** Autor, Dorn and Hanson (2013).

11. *Thursday 26th February. Trade and consumer welfare. **Reading:** Fajgelbaum and Khandelwal (2016).

12. Tuesday 28th February. In-class presentation of referee reports.

13. Thursday 5th March. In-class presentation of referee reports.

14. Tuesday 7th March. In-class presentation of referee reports.

Job market papers

1. Kirill Borusyak, "The Distributional Effects of Trade: Theory and Evidence from the United States."

2. Shoumitro Chatterjee, "Market Power and Spatial Competition in Rural India."

3. Alonso de Gortari, "Disentangling Global Value Chains."

4. Lin Tian, "Division of Labor and Productivity Advantage of Cities: Theory and Evidence from Brazil."

5. Monica Morlacco, "Market Power in Input Markets: Theory and Evidence from French Manufacturing."

6. Nick Tsivanidis, "The Aggregate and Distributional Effects of Urban Transit Infrastructure: Evidence from Bogota's TransMilenio."

Background Reading

1 Gravity and the gains from trade

1. *Arkolakis, Costinot and Rodriguez Clare (2012), "New Trade Models, Same Old Gains," AER.

2. Ossa, R. (2015), "Why Trade Matters After All," JIE forthcoming.

3. Simonovska, I. and M. Waugh (2014), "Trade Models, Trade Elasticities and the Gains from Trade," NBER Working Paper 20495.

4. Anderson and van Wincoop (2003), "Gravity with Gravitas: A Solution to the Border Puzzle," AER

5. Head, K. and T. Mayer (2014), "Gravity Equations: Workhorse, Toolkit and Cookbook," Handbook of International Economics, Volume 4, (eds Elhanan Helpman, Gita Gopinath and Kenneth Rogoff), Elsevier: North Holland, Chapter 3, 131-195.

2 Increasing returns

1. Arkolakis, C. (2010), "Market Penetration Costs and the New Consumers Margin in International Trade," JPE.

2. Atkeson and Burstein (2008), "Pricing-to-Market, Trade Costs, and International Relative Prices" AER.

3. Baldwin, R. and J. Harrigan (2011), "Zeros, Quality and Space: Trade Theory and Trade Evidence," AEJ-Micro.

4. Chaney (2008), "Distorted Gravity: Heterogeneous Firms, Market Structure and the Geography of International Trade," AER.

5. Eaton, J., S. Kortum and F. Kramarz (2011), "An Anatomy of International Trade: Evidence from French Firms," ECMA.

6. Head, K., T. Mayer and M. Thoenig (2014), "Welfare and Trade Without Pareto," AER P&P.

7. Helpman, E., M. Melitz and Y. Rubinstein (2008), "Estimating Trade Flows: Trading Partners and Trading Volumes," QJE 123, 441-487.

8. Krugman (1979), "Increasing Returns, Monopolistic Competition, and International Trade," JIE.

9. Krugman (1980), "Scale Economies, Product Differentiation, and the Pattern of Trade," AER.

10. Melitz (2003), "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," Econometrica.

11. Melitz and Ottaviano (2008), "Market Size, Trade, and Productivity." REStud.

12. Melitz, M. and S. Redding (2014), "Heterogeneous Firms and Trade," Handbook of International Economics, Volume 4, (eds Elhanan Helpman, Gita Gopinath and Kenneth Rogoff), Elsevier: North Holland, Chapter 1, 1-54.

13. Melitz, M. and S. Redding (2015), "New Trade Models, New Welfare Implications," AER.

14. *Midrigan, Edmond, and Xu (2015), "Competition, Markups, and the Gains from International Trade," AER.

3 Ricardian differences

1. Alvarez and Lucas (2007), "General Equilibrium Analysis of the Eaton-Kortum Model of International Trade," JME.

2. *Antras, P. and A. de Gortari (2017), "On the Geography of Global Value Chains."

3. Bernard, A., J. Eaton, B. Jensen and S. Kortum (2003), "Plants and Productivity in International Trade," AER .

4. Caliendo, L. and F. Parro (2015), "Estimates of the Trade and Welfare Effects of NAFTA," REStud.

5. Costinot, A., D. Donaldson and I. Komunjer (2012), "What Goods Do Countries Trade? A Quantitative Exploration of Ricardo's Ideas," REStud.

6. Eaton and Kortum (2002), "Technology, Geography and Trade," ECMA.

7. Levchenko, A. and J. Zhang (2014), "Ricardian Productivity Differences and the Gains from Trade," EER.

8. Lind, N. and N. Ramondo (2018), "Trade With Correlation."

9. Ramondo, N. and A. Rodriguez-Clare (2013), "Trade, Multinational Production, and the Gains from Openness," JPE.

4 Different endowments

1. Adao, R., A. Costinot and D. Donaldson (2015), "Nonparametric Counterfactual Predictions in Neoclassical Models of International Trade," mimeo.

2. Bernard, Redding, and Schott (2007), "Comparative Advantage and Heterogeneous Firms," Review of Economic Studies, 31-66

3. Burstein, A., E. Morales and J. Vogel (2018), "Changes in Between-Group Inequality: Computers, Occupations and International Trade," AEJ-Macro.

4. Burstein, A. and J. Vogel (2017), "International Trade, Technology, and the Skill Premium," JPE.

5. Costinot, A. and J. Vogel (2010), "Matching and Inequality in the World Economy," JPE 118 (4) 747-786.

6. Davis, D. and D. Weinstein (2002), "The Factor Content of Trade," *Handbook of International Trade*, E. Choi and J. Harrigan eds.

7. *Lee, E. (2018), "Trade, Inequality, and the Endogenous Sorting of Heterogeneous Workers."

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

5 Trade, innovation, and growth

1. *Akcigit, U., S. Ates and G. Impullitti (2018), "Innovation and Trade Policy in a Globalized World."

2. Atkeson, A. and A. Burstein (2010), "Innovation, Firm Dynamics, and International Trade," JPE.

3. Coelli, F., A. Moxnes and K. Ulltveit-Moe (2018), "Better, Faster, Stronger: Global Innovation and Trade Liberalization."

4. Eaton, J. and S. Kortum (2001), "Technology, Trade, and Growth," EER.

5. Perla, J., C. Tonetti and M. Waugh (2015), "Equilibrium Technology Diffusion, Trade, and Growth."

6 Economic geography

1. Ahlfeldt, G. M., Redding, S. J., Sturm, D. M., & Wolf, N. (2015). The Economics of Density: Evidence from the Berlin Wall. ECMA.
2. Allen, T. and C. Arkolakis (2014), "Trade and the Topography of the Spatial Economy," QJE.
3. Brancaccio, G., M. Kalouptsidi and T. Papageorgiou (2018), "Geography, Search Frictions and Endogenous Trade Costs," ECMA.
4. Donaldson, D. and R. Hornbeck (2016), "Railroads and American Economic Growth: A "Market Access" Approach," QJE
5. Davis, D. (1998), "The Home Market, Trade and Industrial Structure," AER.
6. Fajgelbaum, P., E. Morales, J.-C. Suarez Serrato and O. Zidar (2018), "State Taxes and Spatial Misallocation," REStud.
7. *Gaubert, C. (2018), "Firm Sorting and Agglomeration," AER.
8. Krugman (1991), "Increasing Returns and Economic Geography," JPE
9. Krugman and Venables (1995), "Globalization and the Inequality of Nations," QJE.
10. Nagy, D. (2018), "Trade and Urbanization: Evidence from Hungary."
11. Redding, S. (2011), "Economic Geography: a Review of the Theoretical and Empirical Literature," Chapter 16 in The Palgrave Handbook of International Trade.
12. Redding, S. and D. Sturm (2008), "The Costs of Remoteness: Evidence from German Division and Reunification," AER.
13. Redding, S. and E. Rossi-Hansberg (2017), "Quantitative Spatial Economics," ARE.

7 Exporter dynamics

1. Alessandria, G., C. Choi and K. Ruhl (2018), "Trade Adjustment Dynamics and the Welfare Gains from Trade."
2. Das, Roberts and Tybout (2007), "Market Entry Costs, Producer Heterogeneity, and Export Dynamics," ECMA.
3. Eaton, J., M. Eslava, D. Jinkins, C. Krizan and J. Tybout (2014), "A Search and Learning Model of Export Dynamics."

4. Fitzgerald, D., S. Haller and Y. Yedid-Levi (2017), "How Exporters Grow."

5. Roberts M. and J. Tybout (1997), The Decision to Export in Colombia: An Empirical Model of Entry with Sunk Costs, AER.

6. Ruhl, K. (2008), "The International Elasticity Puzzle."

7. *Ruhl, K. and J. Willis (2017), "New Exporter Dynamics," IER.

8 Firm responses to trade (de)liberalizations

1. Bustos, P. (2011), "Trade Liberalization, Exports and Technology Upgrading: Evidence on the Impact of MERCOSUR on Argentinean Firms," AER.

2. Fitzgerald, D. and S. Haller (2018), "Exporters and Shocks," JIE.

3. Goldberg, P., J. de Loecker, A. Khandelwal and N. Pavcnik (2016), "Prices, Markups and Trade Reform," ECMA.

4. Kehoe, T. and K. Ruhl (2013), "How Important is the New Goods Margin in International Trade," JPE.

5. Khandelwal, A., P. Schott and S.-J. Wei (2013), "Trade Liberalization and Embedded Institutional Reform: Evidence from Chinese Exporters," AER.

6. Lileeva, A. and D. Trefler (2010), "Improved Access to Foreign Markets Raises Plant-Level Productivity ... for Some Plants," QJE.

7. *Lu, Y., Z. Tao and Y. Zhang (2013), "How Do Exporters Respond to Antidumping Investigations?" JIE.

8. Pavcnik, N. (2002), "Trade Liberalization, Exit, and Productivity Improvements: Evidence from Chilean Plants," REStud.

9. *Pierce, J. (2011), "Plant-level Responses to Antidumping Duties: Evidence from U.S. Manufacturers," JIE.

10. Trefler, D. (2004), "The Long and Short of the Canada-US Free Trade Agreement," AER.

11. de Loecker, J. (2011), "Product Differentiation, Multi-Product Firms and Estimating the Impact of Trade Liberalization on Productivity," ECMA.

9 Labor dynamics

1. Burstein, A., G. Hanson, L. Tian and J. Vogel (2018), "Tradability and the Labor-Market Impact of Immigration: Theory and Evidence from the U.S."

2. Colas, M. (2018), "Dynamic Responses to Immigration."

3. Caliendo, L., M. Dvorkin and F. Parro (2018), "Trade and Labor Market Dynamics: General Equilibrium Analysis of the China Trade Shock," ECMA.

4. *Caliendo, C., L. Opromolla, F. Parro and A. Sforza (2018), "Goods and Factor Market Integration: A Quantitative Assessment of the EU Enlargement."

5. Dix-Carneiro, R. (2014), "Trade Liberalization and Labor Market Dynamics," ECMA.

6. Dix-Carneiro, R. and B. Kovak (2017), "Trade Liberalization and Regional Dynamics," AER.

7. Monras, J. (2018), "Immigration and Wage Dynamics: Evidence from the Mexican Peso Crisis."

8. Traiberman, S. (2018), "Occupations and Import Competition: Evidence from Denmark."

10 China shock

1. *Autor, Dorn and Hanson (2013), "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," AER.

2. Caliendo, L., M. Dvorkin and F. Parro (2018), "Trade and Labor Market Dynamics: General Equilibrium Analysis of the China Trade Shock," ECMA.

3. Fort, T., J. Pierce and P. Schott (2018), "New Perspectives on the Decline of U.S. Manufacturing Employment," JEP.

4. Pierce, J. and P. Schott (2016), "The Surprisingly Swift Decline of U.S. Manufacturing Employment," AER.

11 Trade and consumer welfare

1. Atkin, D., B. Faber and M. Gonzalez-Navarro (2018), "Retail Globalization and Household Welfare: Evidence from Mexico," JPE.

2. Borusyak, K., and X. Jaravel (2018), "The Distributional Effects of Trade: Theory and Evidence from the United States."

3. Broda, C. and D. Weinstein (2006), “Globalization and the Gains from Variety,” QJE.

4. *Fajgelbaum and Khandelwal (2016), "Measuring the Unequal Gains From Trade," QJE.