Topics in International Trade and Growth, Winter 2017

This course discusses topics in international trade and growth. Topics discussed in class include: Foreign Direct investment, Quantitative models of foreign production, Incomplete contracting, Offshoring, Trade and growth, Economic geography and internal trade, Why do firms sell more at home than abroad?, Trade and labor markets

Instructor: Felix Tintelnot
Office: Saieh Hall 323
Email: tintelnot@uchicago.edu
Office hours: Wednesday 1:00-2:30pm or email for an appointment

Teaching Assistant: Ken Kikkawa
Email: ayumukikkawa@uchicago.edu
Office hours: email for an appointment

Books

Trade, macro, and IO, all have become quite demanding fields for the researcher. Many successful researchers are both good applied theorists and empiricists and have also a good understanding of computational methods.

For a second year PhD student interested in International Trade I recommend the following books:

Computational stuff:

- Miranda and Faeckler (2002): Applied Computational Economics and Finance, MIT press [highly recommended for second year PhD students; it requires very little initial knowledge and takes you quite far]

Industrial Organization:


Statistics / Distributions:

Econometrics:

Trade:
- Helpman (2011): Understanding Global Trade
- See also the excellent lecture notes by Allen and Arkolakis:
  http://www.econ.yale.edu/~ka265/teaching/GradTrade/notes/ClassNotes.pdf

Online lecture
Michael Keane gave an excellent lecture on practical issues in structural estimation at UChicago in November 2015. There are many very important suggestions contained in his lecture. Following these can save you months of your research time. They also help to ensure that you produce a good piece of research: https://bfi.uchicago.edu/video/practical-issues-structural-estimation

Topics

1. Counterfactual Predictions in simple trade models
   Main Readings:

   Additional Readings:
   (Empirics)
   (Theory)
2. Multinational Firms: An introduction
   Main Readings:

   Additional Readings:
   Navaretti and Venables: Multinational Firms in the World Economy

3. Horizontal FDI
   Main Readings:
   Helpman, Melitz, and Yeaple (2004): “Export Versus FDI with Heterogeneous Firms,” AER

   Additional Readings:
   Irarrazabal, Moxnes, Opromolla (2013): “The Margins of Multinational Production and the Role of Intrafirm Trade,” JPE

4. Vertical FDI
   Main Readings:
   Alfaro and Charlton (2009): “Intra-industry Foreign Direct Investment,” AER

5. Incomplete Contracts and Firms' Integration Strategies
   Main Readings:
   Antras and Helpman (2004): “Global Sourcing,” JPE

   Additional Readings:
   Coase (1937): “The Nature of the Firms,” Economica
Antras and Chor (2013): “Organizing the global value chain,” Econometrica
Nunn (2007): “Relationship-Specificity, Incomplete Contracts and the Pattern of Trade,” QJE

6. Multi-country models of trade and multinational production
Main Readings:
Ramondo and Rodriguez-Clare (2013): “Trade, Multinational Production, and the Gains from Openness,” JPE

Additional Readings:

7. Multinational firms – Various topics (spillovers, production costs across plants within the firm, relation between local and foreign plants, etc)
Main Readings:

Additional Readings:
Bloom, Schankermann, and Van Reenen (2013): “Identifying technology spillovers and product market rivalry,” Econometrica
Muendler and Becker (2010): “Margins of multinational labor substitution,” AER

8. Offshoring
Main Readings:
Yi (2003): “Can Vertical Specialization Explain the Growth of World Trade?” JPE

Additional Readings:
Rodriguez-Clare (2010): “Offshoring in a Ricardian World,” *AEJ Macro*

9. Economic Geography and internal trade
Main Readings:
Desmet and Rossi-Hansberg (2014): “Spatial Development,” *AER*

Additional Readings:
Rossi-Hansberg (2005): “A Spatial Theory of Trade,” *AER*

10. Trade and Labor market effects
Main Readings:

Additional Readings:
Autor, Dorn, Hanson, and Song (2014): “Trade Adjustment: Worker-level Evidence,” *QJE*
Helpman and Itskhoki (2010): “Labor market rigidities, trade and unemployment,” *ReStud*
Helpman, Itskhoki, and Redding (2010): “Inequality and unemployment in a global economy”, *Econometrica*

11. Home Market Advantage and Border effects

Main Readings:


Additional Readings:

Yi (2010): “Can Multistage Production Explain the Home Bias in Trade?” *AER*
Atkin (2013): “Trade, Tastes and Nutrition in India,” *AER*

12. Trade, Search, and Networks

Eaton, Jinkins, Tybout, and Xu (2016): “Two Sided Search in International Markets,” WP
Acemoglu, Carvalho, Ozdaglar, and Tahbaz-Salehi: “The network origins of aggregate fluctuations,” *Econometrica*

13. Trade Dynamics

Gaubert and Itskshoki (2016): “Granual Comparative Advantage,” WP
Di Giovanni, Levchenko, and Mejean (2014): “Firms, Destinations, and Aggregate Fluctuations,” *Econometrica*
14. Trade and Growth

15. Trade Finance
Kalina Manova (2013): “Credit Constraints, Heterogeneous Firms, and International Trade,” ReStud

Assignments

1. Referee report: (due Friday after week 4, January 27)
   Write a referee report on one of the following papers by candidates on this year’s job market. Your report should include: a summary of the main features of the paper; a description of its contribution to the literature; its main strengths and weaknesses; and your recommendations to improve it. See also the sample of 2 referee reports on chalk for an example of how to write such a report.

   2. Meredith Startz: “The Value of Face-to-face: Search and Contracting Problems in Nigerian Trade”
   5. Ernest Liu: “Industrial Policies and Economic Development” (note: this paper is more development than trade, however related to some of the network papers we will talk about in class)

2. Empirical project (first part due after week 6 [February 14], second part due beginning of finals week [March 14])
I am providing you with a data set on cross-country trade and MP flows, as well as determinants of the standard gravity trade and MP barriers (such as distance, language, and contiguity). The class is going to be split into three groups. Each group is given one particular economic model, and needs to try to calibrate the parameters of the model such that they best fit the observable data.

The three economic models are:

(i) Tintelnot (2015) (but with no fixed costs of establishing foreign plants)
(ii) Arkolakis e.a. (2014) (with exogenous entry)
(iii) Ramondo and Rodriguez-Clare (2013)

The first part is to code up the model and solve for the equilibrium of the model for a fixed (arbitrary) set of parameters. This part is due after week 6.

The second part is then to estimate the model’s parameters. This part is due at the beginning of final’s week.

3. Research proposal: (due Friday at the end of finals week [March 17])

Write a research proposal on a topic in international economics or economic growth. Expected length of the proposal is 4-7 pages. Please include a bibliography. You can add an Appendix if you want to display additional figures / results / etc.