

Topics in International Trade and Growth, Winter 2019

Topics discussed in class include: Production Networks, Foreign Direct investment, Boundary of the firm and incomplete contracts, Trade and labor markets, Global value chains, Trade Policy, Border effects and home market advantage

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Location: This class meets Tuesday and Thursday from 3:30-4:50pm in Saieh Hall for Economics 103

Books

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

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

Computational stuff:

- Judd (1998): Numerical Methods in Economics, MIT press
- 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:

- Train (2009): Discrete Choice Methods with Simulation, Cambridge University press [**highly recommended**]
- Anderson, De Palma, and Thisse (1992): Discrete Choice Theory of Product Differentiation, MIT press

Statistics / Distributions:

- Kotz and Nadarajah (2000): Extreme Value Distributions: Theory and Applications, ICP

- Feller (1986): An Introduction to Probability Theory and Its Applications, Vol. I & II, Wiley

Econometrics:

- Cameron and Trivedi (2005): Microeconometrics: Methods and Applications, Cambridge University Press
- Hayashi (2000): Econometrics, Princeton University Press

Trade:

- Antras (2015): Global Production: Firms, Contracts, and Trade Structure
- Feenstra (2015): Advanced International Trade, Princeton University Press
- 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. Production Networks – an Introduction

Main Readings:

Carvalho and Tahbaz-Salehi (forthcoming): "Production Networks: A Primer," *Annual Review of Economics*

Gabaix (2011): "The Granular Origins of Aggregate Fluctuations," *Econometrica*

Acemoglu, Carvalho, Ozdaglar, and Tahbaz-Salehi (2012): "The network origins of aggregate fluctuations," *Econometrica*

Hulten (1978): "Growth Accounting With Intermediate Inputs," *Review of Economic Studies*

Additional Readings:

Eaton, Jinkins, Tybout, and Xu (2016): "Two Sided Search in International Markets," WP

Bernard, Moxnes, and Saito (forthcoming): "Production Networks, Geography and Firm Performance," *JPE*

Barrot and Sauvagnat (2016): "Input Specificity and the Propagation of Idiosyncratic Shocks in Production," *QJE*

Boehm, Flaaen, and Pandalai-Nayar (forthcoming): "Input Linkages and the Transmission of Shocks: Firm-Level Evidence from the 2011 Tohoku Earthquake," *ReStat*

Carvalho, Nirei, Saito, and Tahbaz-Salehi (2016): "Supply Chain Disruptions: Evidence from the Great East Japan Earthquake," Working Paper

2. Endogenous production networks

Main Readings:

Lim (2018): "Endogenous Production Networks and the Business Cycle," WP

Tintelnot, Kikkawa, Mogstad, Dhyne (2018): "Trade and Domestic Production Networks," WP

Additional Readings:

Kikkawa, Magerman, and Dhyne (2018): "Imperfect Competition in Firm-to-Firm Trade," WP

Oberfield (2018): "A Theory of Input-Output Architecture," *Econometrica*

Eaton, Kortum, and Kramarz (2017): "Firm-to-Firm Trade: Imports, Exports and the Labor Market," WP

Taschereau-Dumouchel (2018): "Cascades and Fluctuations in an Economy with an Endogenous Production Network," WP

3. Theories of the firm, Incomplete Contracts and Firms' Integration Strategies

Main Readings:

Gibbons (2005): "Four formal(izable) theories of the firm?" *JEBO*

Grossman and Helpman (2002): "Integration versus outsourcing in industry equilibrium," *QJE*

Pol Antras (2003): "Firms, Contracts, and Trade Structure," *Quarterly Journal of Economics*

Additional Readings:

Antras and Helpman (2004): "Global Sourcing," *JPE*

Antras (2015): "Global Production: Firms, Contracts, and Trade Structure," *Princeton University Press*

Coase (1937): "The Nature of the Firms," *Economica*

Williamson (1985): "The Economic Institutions of Capitalism," Monograph

Grossman and Hart (1986): "The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration," *JPE*

Nunn (2007): "Relationship-Specificity, Incomplete Contracts and the Pattern of Trade," *QJE*

4. Multinational Firms: An introduction

Main Readings:

Antras and Yeaple (2014): "Multinational Firms and the Structure of International Trade,"

Handbook of International Economics, Volume 4

Brainard (1997): "An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade," *AER*

Helpman, Melitz, and Yeaple (2004): "Export Versus FDI with Heterogeneous Firms," *AER*

Helpman (1984): "A Simple Theory of International Trade with Multinational Corporations," *JPE*

Alfaro and Charlton (2009): "Intra-industry Foreign Direct Investment," *AER*

Ramondo, Ruhl, and Rappaport (2016): "Intrafirm Trade and Vertical Fragmentation in U.S. Multinational Corporations," *JIE*

Additional Readings:

Ramondo, Rodriguez-Clare, and Tintelnot (2015): "Multinational Production: Data and Stylized Facts," *AER P&P*

Navaretti and Venables: *Multinational Firms in the World Economy*

Yeaple (2009): "Firm heterogeneity and the structure of U.S. multinational activity," *JIE*

Nocke and Yeaple (2008): "An Assignment Theory of Foreign Direct Investment," *ReStud*

Irrazabal, Moxnes, Opromolla (2013): "The Margins of Multinational Production and the Role of Intrafirm Trade," *JPE*

Keller and Yeaple (2013): "The Gravity of Knowledge," *AER*

5. Multi-country models of trade and multinational production

Main Readings:

Ramondo and Rodriguez-Clare (2013): "Trade, Multinational Production, and the Gains from Openness," *JPE*

Arkolakis, Ramondo, Rodriguez-Clare, and Yeaple (2018): "Innovation and Production in the Global Economy," *American Economic Review*

Tintelnot (2017): "Global Production with Export Platforms," *Quarterly Journal of Economics*

Additional Readings:

Burstein and Monge (2009): "Foreign Know-How, Firm Control, and the Income of Developing Countries," *QJE*

6. Miscellaneous topics: Barriers to knowledge transfers, Spillovers, Multiple equilibria in spatial economic models

Main Readings:

Greenstone, Hornbeck, and Moretti (2010): "Identifying Agglomeration Spillovers: Evidence from Winners and Losers of Large Plant Openings," *JPE*

Giroud (2013): "Proximity and investment: Evidence from plant-level data," *QJE*

Aitken and Harrison (1999): "Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela," *AER*

Javorcik (2004): "Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spillovers Through Backward Linkages," *AER*

Additional Readings:

Bilir and Morales (2015): "The Impact of Innovation in the Multinational Firm," Working Paper
Bloom, Schankermann, and Van Reenen (2013): "Identifying technology spillovers and product market rivalry," *Econometrica*

Muendler and Becker (2010): "Margins of multinational labor substitution," *AER*

7. Global Value Chains

Main Readings:

Johnson and Noguera (2012): "Accounting for Intermediates: Production Sharing and Trade in Value Added," *JIE*

Johnson (2018): "Measuring Global Value Chains," *Annual Review of Economics*

Antras and De Gortari (2017): "On the Geography of Global Value Chains," Working Paper

Caliendo and Parro (2015): "Estimates of the Trade and Welfare Effects of NAFTA," *ReStud*

Additional Readings:

Antras and Chor (2013): "Organizing the global value chain," *Econometrica*

8. Trade and Labor market effects

Main Readings:

Goldberg and Pavcnik (2007): "Distributional Effects of Globalization in Developing Countries," *Journal of Economic Literature*

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

David Hummels, Rasmus Jørgensen, Jakob Munch, and Chong Xiang (2014): "The Wage Effects of Offshoring: Evidence from Danish Matched Worker-Firm Data," *AER*

Lorenzo Caliendo, Maximilian Dvorkin, and Fernando Parro (forthcoming): "Trade and Labor Market Dynamics: General Equilibrium Analysis of the China Trade Shock," *Econometrica*

Additional Readings:

Autor, Dorn, Hanson, and Song (2014): "Trade Adjustment: Worker-level Evidence," *QJE*

Acemoglu, Autor, Dorn, and Hanson (2014): "Import Competition and the Great U.S. Employment Sag of the 2000s," *Journal of Labor Economics*

Rob Feenstra (2007), Globalization and its Impact on Labor, Global Economy Lecture, lecture available [here](#)

Cosar, Guner, and Tybout (2015): "Firm Dynamics, Job Turnover, and Wage Distributions in an Open Economy," accepted at *American Economic Review*

Cosar (2013): "Adjusting to Trade Liberalization: Reallocation and Labor Market Policies," Working Paper
Dix-Carneiro (2014): Trade Liberalization and Labor Market Dynamics," *Econometrica*
Helpman and Itskhoki (2010): "Labor market rigidities, trade and unemployment," *ReStud*
Helpman, Itskhoki, and Redding (2010): "Inequality and unemployment in a global economy", *Econometrica*
Helpman, Itskhoki, Muendler, and Redding (2015): "Trade and Inequality: From Theory to Estimation," Working Paper

9. Trade Policy

Main Readings:

Ossa (2014): "Trade Wars and Trade Talks with Data," *AER*
Handley and Limao (2017): "Policy Uncertainty, Trade, and Welfare: Theory and Evidence for China and the U.S." *AER*

Additional Readings:

Bagwell and Staiger (1999): "An Economic Theory of GATT," *AER*

10. Home Market Advantage and Border effects

Main Readings:

Cosar, Grieco, Li, and Tintelnot (2018): "What Drives Home Market Advantage?" *JIE*
Bronnenberg, Dube, and Gentzkow (2012): "The Evolution of Brand Preferences: Evidence from Consumer Migration," *AER*
Head and Mayer (2018): "Brands in Motion: How frictions shape multinational production," *AER*

Additional Readings:

Zi Wang (2017): "Headquarters' Gravity," Working Paper
McCallum (1995): "National Borders Matter: Canada-U.S. Regional Trade Patterns," *AER*
Yi (2010): "Can Multistage Production Explain the Home Bias in Trade?" *AER*
Atkin (2013): "Trade, Tastes and Nutrition in India," *AER*
Bronnenberg, Dhar, and Dube (2008): "Brand History, Geography, and the Persistence of Brand Shares," *JPE*
Cosar, Grieco, and Tintelnot (2015): "Borders, Geography, and Oligopoly: Evidence from the Wind Turbine Industry," *ReStat*

Other Topics (most likely we won't have time to cover these)

11. Economic Geography and internal trade

Main Readings:

Allen and Arkolakis (2014): "Trade and the Topography of the Spatial Economy," *QJE*

Desmet and Rossi-Hansberg (2014): "Spatial Development," *AER*

Ahlfeldt, Redding, Sturm, and Wolf (2015): "The Economics of Density: Evidence from the Berlin Wall," *Econometrica*

Additional Readings:

Rossi-Hansberg (2005): "A Spatial Theory of Trade," *AER*

Krugman (1991): "Increasing Returns and Economic Geography," *JPE*

12. Trade Dynamics

Eaton, Kortum, Neiman, and Romalis (2016): "Trade and the Global Recession," *American Economics Review*

Alessandria, Kaboski, and Midrigan (2013): "US Trade and Inventory Dynamics," *American Economic Review*

Gaubert and Itskhoki (2016): "Granular Comparative Advantage," *WP*

Di Giovanni, Levchenko, and Mejean (2014): "Firms, Destinations, and Aggregate Fluctuations," *Econometrica*

13. Trade and Growth

Grossman and Helpman (1991): "Innovation and Growth in the Global Economy," MIT press

Grossman and Helpman (1995): "Technology and Trade", *Handbook of International Economics*

Frankel and Romer (1999): "Does Trade Cause Growth?" *American Economics Review*

Keller (2001): "International Technology Diffusion," *NBER WP*

Lucas (2009): "Trade and the Diffusion of the Industrial Revolution," *AEJ Macroeconomics*

Sampson (2015): "Dynamic Selection: An Idea Flows Theory of Entry, Trade and Growth," *QJE*

Buera and Oberfield (2015): "The Global Diffusion of Ideas," Working Paper

Perla, Tonetti, and Waugh (2015): "Equilibrium Technology Diffusion, Trade, and Growth," Working Paper

14. Offshoring

Main Readings:

Yi (2003): "Can Vertical Specialization Explain the Growth of World Trade?" *JPE*

Grossman and Rossi-Hansberg (2008): "Trading Tasks: A Simple Theory of Offshoring," *AER*

Antras, Fort, and Tintelnot (2014): "The Margins of Global Sourcing," Working Paper

Additional Readings:

Rodriguez-Clare (2010): "Offshoring in a Ricardian World," *AEJ Macro*

Grossman and Rossi-Hansberg (2012): "Task Trade between Similar countries," *Econometrica*

Blaum, Peters, and Lelarge (2015): "The Gains from Input Trade in Firm-Based Models of Importing," Working Paper

15. Counterfactual Predictions in simple trade models

Main Readings:

Dekle, Eaton, and Kortum (2008): "Global Rebalancing with Gravity: Measuring the Burden of Adjustment," *NBER WP*

Adao, Costinot, and Donaldson (2016): "Nonparametric Counterfactual Predictions in Neoclassical Models of International Trade," *American Economic Review*

Additional Readings:

(Empirics)

Berry, Levinson, and Pakes (1995): "Automobile Prices in Market Equilibrium," *Econometrica*

Berry and Haile (2015): "Identification in Differentiated Product Markets," *NBER WP*

(Theory)

Wilson (1980): "On the General Structure of Ricardian Models with a Continuum of Goods: Applications to Growth, Tariff Theory, and Technical Change," *Econometrica*

16. Trade Finance

Kalina Manova (2013): "Credit Constraints, Heterogeneous Firms, and International Trade," *ReStud*

Antras and Foley (2015): "Poultry in Motion: A Study of International Trade Finance Practices," *JPE*

Assignments

1. Referee report: *(due Friday after week 3, January 25)*

20% of grade

Write a referee report on one of the following papers. These are job market papers from this or recent years. 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.

1. Fabian Eckert (Yale): "Growing Apart: Tradable Services and the Fragmentation of the U.S. Economy" [alternatively you could also review the combinatorial discrete choice paper with Arkolakis]
2. Federico Heneous (Princeton): "Production Network Dynamics and the Propagation of Shocks"
3. Wenzhuo Lu (Penn State): "Trade Liberalization and Innovation Incentives"
4. Yingyan Zhao (Penn State): "Your (Country's) Reputation Precedes You: Information Asymmetry, Externalities and the Quality of Exports"
5. Alonso de Gortari (Harvard, now Dartmouth): "Disentangling Global Value Chains"
6. Meredith Startz (Yale, now Stanford): "The Value of Face-to-face: Search and Contracting Problems in Nigerian Trade"

2. Empirical project on production networks (*first part (question 1.) due after week 4 [February 1], questions (2-4) due after week 8 [March 1]*) 40% of grade

See separate file.

3. Research proposal: (due Monday of finals week [March 18]) 40% of grade

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.