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:
- 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](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](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*

   **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*

2. **Endogenous production networks**
   **Main Readings:**
   Tintelnot, Kikkawa, Mogstad, Dhyne (2018): “Trade and Domestic Production Networks,” WP

   **Additional Readings:**

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*

   **Additional Readings:**
   Antras and Helpman (2004): “Global Sourcing,” *JPE*
   Coase (1937): “The Nature of the Firms,” *Economica*
   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
Helpman, Melitz, and Yeaple (2004): “Export Versus FDI with Heterogeneous Firms,” *AER*
Alfaro and Charlton (2009): “Intra-industry Foreign Direct Investment,” *AER*

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

Additional Readings:

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:**
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*

**Additional Readings:**
Antras and Chor (2013): “Organizing the global value chain,” *Econometrica*

### 8. 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*

9. **Trade Policy**
   **Main Readings:**
   Ossa (2014): `“Trade Wars and Trade Talks with Data,” AER`

   **Additional Readings:**

10. **Home Market Advantage and Border effects**
   **Main Readings:**
   Head and Mayer (2018): “Brands in Motion: How frictions shape multinational production,” *AER*

   **Additional Readings:**
   Yi (2010): “Can Multistage Production Explain the Home Bias in Trade?” *AER*
   Atkin (2013): “Trade, Tastes and Nutrition in India,” *AER*
Other Topics (most likely we won’t have time to cover these)

11. 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*

12. Trade Dynamics

- Gaubert and Itskhoki (2016): “Granual Comparative Advantage,” WP
- Di Giovanni, Levchenko, and Mejean (2014): “Firms, Destinations, and Aggregate Fluctuations,” *Econometrica*

13. Trade and Growth


14. 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*

15. Counterfactual Predictions in simple trade models
Main Readings:

Additional Readings:
(Empirics)
Berry and Haile (2015): “Identification in Differentiated Product Markets,” *NBER WP*
(Theory)

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

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”
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.