

ECON 9427 Topics in International Trade
Syllabus SPRING 2009

Department of Economics
University of Missouri, Columbia

Meeting: Tue 3-5.30 pm

Location: A&S 113

Instructor: Gunjan Sharma, 228 Prof. Bldg.

Office hours TBA

Objectives

The course is intended to familiarize students with recent research in International Trade and to encourage critical, academic analysis of important theoretical and empirical issues related to the impact of trade on economic growth and development. This course is intended for Masters and PhD students and the structure of the course is set so as to help students identify potential dissertation topics.

Pre-requisites

Though there are no formal pre-requisites, students are expected to be familiar with Microeconomics and Econometrics at the graduate level. A good grounding in applied econometrics is highly recommended.

Requirements

In order to facilitate a good understanding of the many different issues and techniques used in recent research in international trade, this course will use a variety of methods. The final grade will be a weighted average of the following:

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|---|------------|
| 1. Referee reports on unpublished articles | 35% |
| 2. Take home final exam | 35% |
| 3. Presentation | 20% |
| 4. Class participation | 10% |

Each student will choose one topic/paper of their interest (from the ones given in this syllabus) and present on that topic. Each presentation will last approx. 20-25 minutes and should provide a critical review of the main article and an overview of the broad topic. All allocations of slots and papers will be on first come- first serve basis. A sheet with dates for presentations and will be circulated in class.

The usefulness of this class to you depends on your regular reading of assigned papers and active class participation.

Readings

Main textbook: Feenstra, Robert C., *Advanced International Trade*, Princeton University Press, 2003.

Moreover, the course will rely **heavily** on recently published articles and working papers. However, the list of books given below contains background material that may be useful. For students interested in pursuing International Trade after graduate school, some of these books might be good additions to their library.

- Aghion, Philippe and Howitt, Peter, *Endogenous Growth Theory*, MIT Press, 1998.
- Bhagwati, Jagdish, Arvind Panagariya and T.N. Srinivasan, *Lectures on International Trade*, 2nd Edition, MIT Press, 1998.
- Choi, E. Kwan and James Harrigan, *Handbook of International Trade*, Basil Blackwell, 2003.
- Dixit, Avinash and Victor Norman, *Theory of International Trade*, Cambridge University Press, 1980.
- Helpman, Elhanan and Paul Krugman, *Market Structure and Foreign Trade*, MIT Press, 1985.
- Grossman, Gene M. and Kenneth Rogoff (eds.), *Handbook of International Economics*, Vol. III, North Holland, 1995.
- Jones, Ronald W. and Peter B. Kenen (eds.), *Handbook of International Economics*, Vol. I, North Holland, 1984.

Course Outline:

1. Trade and Growth: Basic Issues and Some Evidence
2. New trade theory: Evidence and techniques
3. Trade with heterogeneous firms
4. Trade, technology and diffusion theory
5. Trade, competition and domestic conditions
6. Trade, Poverty, Inequality and Development
7. Miscellaneous

Course Details

New Trade theory and Empirics

Note: In the course details below,

“ ** ” denotes papers that will be discussed in detail in class presentations by me.

Topic 1: Trade and Growth: Basic Issues and Some Evidence

- **Sach, J. and A. Warner. [Economic Reform and the Process of Global Integration](#). Brookings Papers on Economic Activity, 1995: 1-115.
- **Francisco Rodriguez and Dani Rodrik. [Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence](#). In Ben Bernanke and Kenneth Rogoff eds. NBER Macroeconomics Annual 2000.
- **Frankel, J. and D. Romer. [Does Trade Cause Growth?](#) American Economic Review; 89(3), 379-399, 1999.
- Harrison, A. Openness and Growth: [A Time-Series, Cross-Country Analysis for Developing Countries](#). JDE March 1996.
- Cambridge MA: MIT Press, 2001. (The link leads to the NBER working paper version).
- Edwards, S. [Openness, Productivity and Growth: What Do We Really Know?](#) Economic Journal, 108, 383-398, 1998.
- Ben-David, D. [Trade and Convergence among Countries](#). Journal of International Economics; 40 (3/4), 279-298, 1996.
- Moreno, Ramon, Trehan, Bharat. [Location and the Growth of Nations](#). Journal of Economic Growth, 2(4), 399-418, 1997.

Topic 2: New Trade Theory: Evidence and Techniques

- **Meyer, Bruce D. [Natural and quasi-experiments in economics](#). Journal of Business and Economic Statistics, 13 (2), pp. 151-161, 1995. (<http://papers.nber.org/papers/t0170.pdf>)
- **Tybout, J. [Plant- and Firm-level Evidence on the 'New' Trade Theories](#). In E. Kwan Choi and James Harrigan, ed., Handbook of International Trade, Oxford: Basil- Blackwell, 2003, and NBER Working Paper No. 8418.
- Angrist, J., and A. Krueger. [Empirical Strategies in Labor Economics](#). In Orley Ashenfelter and David Card eds. Handbook of Labor Economics, v. 3. Amsterdam: Elsevier Science. Ch. 23, 1999.
- Angrist, J. and Alan Krueger. [Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments](#). Journal of Economic Perspectives, Vol. 15 (4), pp. 69-87, 2001.
- Holland, Paul. [Statistics and Causal Inference](#). Journal of the American Statistical Association, Vol. 81 (396), 945-960, 1986.

- Bound, John, D. Jaeger and R. Baker. [Problems with Instrumental Variables Estimation when the Correlation between the Instruments and the Endogenous Explanatory Variable is Weak](#). Journal of the American Statistical Association, 90 (430): 443-450, June 1995.
- Bertrand, M., E. Duflo and S. Mullainathan. [How Much Should We Trust Differences-in-Differences Estimates?](#) Quarterly Journal of Economics, 119(1), 249-75, 2004.

Topic 3: Trade and Heterogeneous firms

- **Feenstra, pp. 137-144.
- ** P. Krugman, “Increasing Returns, Monopolistic Competition, and International Trade.” JIE 1979.
- P. Krugman, “Scale Economies, Product Differentiation, and the Pattern of Trade.” AER 1980.
- **Melitz, M. [The Impact of Trade on Aggregate Industry Productivity and Intra-Industry Reallocations](#). Econometrica 71(6), pp. 1695-1726, 2003.
- **Roberts, M. and J. Tybout. [The Decision to Export in Colombia](#). American Economic Review 87, pp. 545-65, 1997.
- Das, S., M. Roberts and J. Tybout. [Market Entry Costs, Producer Heterogeneity and Export Dynamics](#). NBER Working Paper No. 8629, 2002.
- Eaton, J., S. Kortum and F. Kramarz. [An Anatomy of International Trade: Evidence from French Firms](#). New York University, Department of Economics Working Paper.
- Aw, B., S. Chung and M. Roberts. [Productivity and Turnover in the Export Market: Micro-level Evidence from the Republic of Korea and Taiwan \(China\)](#). World Bank Economic Review 14, pp. 65-90, 2000.
- Pacvnik, N. [Trade Liberalization, Exit and Productivity Improvements: Evidence from Chilean Plants](#). Review of Economic Studies 69, pp. 245-76, 2002.
- Fernandes, A. [Trade Policy, Trade Volumes and Plant-Level Productivity in Colombian Manufacturing Industries](#). World Bank Working Paper no.3064.
- Muendler, M. [Trade, Technology and Productivity: a Study of Brazilian Manufacturers, 1986-1998](#). University of California, San Diego, Working Paper, 2002.

Topic 4: Trade, Technology and Diffusion Theory

- **Grossman, G. and E. Helpman. [Quality Ladders and Product Cycles](#). Quarterly Journal of Economics 106: 557-
- **Clerides, S., S. Lach and J. Tybout. [Is Learning by Exporting Important? Microdynamic Evidence from Colombia, Mexico and Morocco](#). The Quarterly Journal of Economics 113, pp. 903-47, 1998.
- **Keller, W. [Are International R&D Spillovers Trade-Related? Analyzing Spillovers Among Randomly Matched Trade Partners](#). European Economic Review, 42 (8), 1469-81, 1998.
- Young, A. [Learning by Doing and the Dynamic Effects of International Trade](#). Quarterly Journal of Economics. 106: 369-405, 1991.

- Grossman, G. and E. Helpman. **Innovation and Growth in the Global Economy**. Cambridge, MA: MIT Press, 1991, Chapters 3, 6, 12.
- Keller, W. **International Technology Diffusion**. *Journal of Economic Literature* 42, pp. 752-82, 2004.
- Keller, W. **Geographic Localization of International Technology Diffusion**. *American Economic Review*; 92(1), 120-142, 2002.
- Hu, A. and Adam B. Jaffe. **Patent Citations and International Knowledge Flow: The Cases of Korea and Taiwan**. NBER WP 8528, 2001.
- Coe, D. and E. Helpman, **International R&D Spillovers**. *EER*, 1995: 859-887.
- Irwin, D. and P. Klenow. **Learning by Doing Spillovers in the Semiconductor Industry**. *Journal of Political Economy*. 102: 1200-1227, 1994.
- Thorton, R. and P. Thompson. **Learning from Experience and Learning from Others: An Exploration of Learning and Spillovers in Wartime Shipbuilding**. *American Economic Review*. 91: 1350-1368, 2001.

Topic 5: Trade, Competition and Institutions

- **Aghion, P. and Howitt, P. A **model of growth through creative destruction**. *Econometrica*, 60(2):323-351, 1992.
- **Sharma, G. **Competing or Collaborating Siblings: Industrial and Trade Policies in India**. Mimeo. University of Maryland, 2005.
- **Rodrik, D. **Getting Interventions Right: How South Korea and Taiwan Grew Rich**. *Economic Policy* v. 20, pp. 55-107, April 1995.
- Rodrik, D. **Industrial Development: Stylized facts and policies**. Mimeo. Harvard University. August 2006. Rodrik, D. **Getting Institutions Right**. Mimeo. Harvard University. April 2004.
- Schmidt, K. **Managerial incentives and product market competition**. *The Review of Economic Studies*, 64(2):191-214, 1997.
- Aghion, P., Bloom, N., Blundel, R., Griffith, R., and Howitt, P. **Competition and innovation: An inverted U-relationship**. *QJE*, Volume 120 Issue 2, pp. 701-728, May 2005.
- Aghion, P., Dewatripont, M., and Rey, P. **Competition, financial discipline and growth**. *Review of Economic Studies*, 66:825-852, 1999.
- Djankov, S. and Murrell, P. **Enterprise restructuring in transition: A quantitative survey**. *Journal of Economic Literature*, XL:739-792, September 2002.
- Nickell, S. **Competition and corporate performance**. *Journal of Political Economy*, 104(4):724-746, 1996.
- Aghion, P., Burgess, R., Redding, S., and Zilibotti, F. Entry liberalization and inequality in industrial performance. *Journal of the European Economic Association*, 2(2-3):291-302, April 2005.
- Schwieger, H. **The Impact of State Aid for Restructuring on the Allocation of Resources**. Mimeo. University of Maryland, College Park, 2005.
- Kolovich, L. and Rodriguez-Tejedo, I. 2005. **Trading under Uncertainty: Legal Institutions Matter**. Mimeo. University of Maryland, College Park 2005.

Topic 6: Trade, Poverty, Inequality and Development

- **Berman E., Somanathan, R., Tan, H. (2006). *Is skill-biased technological change here yet? Evidence from Indian Manufacturing in the 1990s*. Get copy from me.
- **Pavcnik, N. (2003). *What explains skill upgrading in less developed countries?* Journal of Development Economics 71 (January), pp. 311-328
- **Black, S. and Brainerd, E., (2004). *Importing Inequality? Globalization on Gender Discrimination*. Industrial and Labor Relations Review, Volume 57 No. 4 (July 2004).
- **Chamarbagwala, R. "[Economic Liberalization & Wage Inequality in India](#)," *World Development*, Volume 34, Number 12, December, 2006.
- Jacob, M. *Impact of Trade Liberalization on the Wage Gap of Gender and Caste Groups in India*. Mimeo. University of Maryland, 2005.
- Basu, K. *Globalization, Poverty and Inequality: What is the Relationship? What can be Done?* World Development (forthcoming), 2006.
- Verhoogen, E. *Trade, Quality Upgrading and Wage Inequality in the Mexican Manufacturing Sector: Theory and Evidence from an Exchange-Rate Shock*. Working paper, Columbia University, 2004.
- Topalova, P. *Factor Immobility and Regional Impacts of Trade Liberalization: Evidence on Poverty and Inequality from India*.
- Bernard, A.B. and J.B. Jensen. *Exporters, skill upgrading, and the wage gap*. Journal of International Economics, vol. 42, pp. 3–31, 1997.
- Robbins, D.J. *Evidence on Trade and Wages in the Developing World*. OECD Development Centre Technical Paper no. 119, 1996.
- Wood. A. and E. Anderson. *Does Heckscher–Ohlin Theory Explain Why the Decline in Demand for Unskilled Labor in the North First Accelerated and Then Decelerated?* Institute of Development Studies, University of Sussex, 1998.
- Wood. A. and C. Rodao-Cano. *Skill, trade, and international inequality*." Oxford Economic Papers, vol. 51, no. 1, pp. 89–119, 1999.
- Berman E., Somanathan, R., Tan, H. (2006). *Is skill-biased technological change here yet? Evidence from Indian Manufacturing in the 1990s*. Get copy from me.
- Pavcnik, N. (2003). *What explains skill upgrading in less developed countries?* Journal of Development Economics 71 (January), pp. 311-328
- Black, S. and Brainerd, E., (2004). *Importing Inequality? Globalization on Gender Discrimination*. Industrial and Labor Relations Review, Volume 57 No. 4 (July 2004).

Topic 7: Trade, domestic policy and firm location

- **"Local protectionism and regional specialization: evidence from China's industries", *Journal of International Economics* 63 (2004) 397– 417.
- **Fujita and Hu (2001) "Regional disparity in China 1985-1994: The effects of globalization and economic liberalization". *The Annals of Regional Science* (2001), 35:3-37.
- **Head, Keith and Thierry Mayer, "The empirics of agglomeration and trade," *Handbook of Regional and Urban Economics: Cities and Geography*, Volume 4, Amsterdam: North-Holland, 2004.
- Hummels, D. (1999), "Toward a Geography of Trade Costs", mimeo, University of Chicago.
- Krugman, P. (1979), "Increasing Returns, Monopolistic Competition, and International Trade", *Journal of International Economics*, 9(4) : 469–479.
- Krugman, P. (1980), "Scale Economies, Product Differentiation, and the Pattern of Trade", *American Economic Review* 70:950–959.
- Hanson, G. (1997), "Increasing Returns, Trade and the Regional Structure of Wages", *Economic Journal* 107(440):113–133.
- Dumais, G., G. Ellison and E. Glaeser (2002), "Geographic Concentration as a Dynamic Process", *Review of Economics and Statistics*, 84(2):193–204.