
Economics 8433 – Seminar in International Economics

Spring 2013, Tuesday & Thursday 9:30 – 10:45 am, Econ 5

Professor Wolfgang Keller, email kellerw@colorado.edu, Econ 206C, Tu & Th 11am-12 noon

Course Outline

Overview

This is the department's international trade topics course. In contrast to the introductory trade course which typically provides an overview, some perspective on how the field has evolved, and an emphasis on theory, this particular course covers a limited number of topics of current research interest and a roughly equal mix between theory and empirics.

A main objective of this class is to help you identify and get started on your own research. To this end, the course will involve students, especially through class presentations.

Course Requirements

Classes will consist of lectures by myself, student presentations, and discussion. For each class meeting, you should read carefully one paper, which is indicated in bold type on the reading list. Roughly from the third week of class on, there will be student presentations in class. The respective papers are labeled "Student's presentation"; these are the papers that everyone should read carefully for each class.

Your grade will be computed based on the following:

1. 35 minute presentations of research papers, totaling 30% of your grade. Students should have an organizational meeting during the first week of class to discuss who will be presenting which paper. Depending on the final enrollment in the class, I expect that most students will present three papers during the term. This may sound like a lot but keep in mind that you will need to carefully read the paper anyway, so the additional work is limited. Plus, it will help you to think about your own research. We will talk about the sequence of the slides, and what to put into the slides. Please email me your presentation 4 days before you are presenting so that I can review your slides and give you feedback to help make the slides clear and of benefit to everyone in the class.
2. Class participation, 20% of your grade. Those who are not presenting should carefully read the paper that will be presented that day and write-up 3 slides for class discussion.
Slide 1: What is good about the paper?
Slide 2: What is a weakness of the paper?
Slide 3: Ideas for further improvement, or ideas for further research.

After the main presentation I will randomly call on someone to present his/her three

slides. This person will act as the discussion leader while everyone shares their own ideas on the topic. The idea is to encourage more discussion and class participation in an environment which is more like a typical econ seminar.

3. A midterm 5-page (double-spaced) draft of your paper proposal and presentation, 20% of grade. The proposal should motivate a question related to the course and discuss existing research that is related to that question. The topic may come from the syllabus, but you may select a topic that is not on the syllabus. The draft should be a minimum of 5 double-spaced pages. Please send me your draft 4 days before your presentation.
4. A final 15-page (double-spaced) draft of your proposal and in-class presentation, 30% of grade. Ideally this will be the same proposal that you worked on for the midterm presentation. You should include in your proposal reference to potential data sources and how these data can be used to address your key questions; aim to be as specific as you can about your strategy and approach. These presentations will take place during the last week of class. I will be happy to give you feedback on your slides if you send them to me in advance.

The final draft is due by Monday, May 6, 1:30pm

Course Outline

This version: January 14, 2013

January 15 - General Introduction; Intro to Foreign Direct Investment (FDI)

Required: Helpman, E., "[A Simple Theory of Trade with Multinational Corporations](#)", JPE 1984
Markusen, J., *Multinationals and the Theory of International Trade*, MIT Press 2002.

January 17 - Horizontal FDI

Brainard, S., "[An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade](#)", AER 1997

Required: Helpman, E., M. Melitz, and S. Yeaple, "[Exports versus FDI with Heterogeneous Firms](#)", AER 2004

January 22 - Offshoring

Required: Keller, W, and S. Yeaple, "The Gravity of Knowledge", forthcoming, AER
Grossman, G., and E. Rossi-Hansberg, "Trading Tasks: A Simple Theory of Offshoring", AER 2008

January 24 - FDI versus International Outsourcing

Required: Antras, P., "[Trade, Contracts, and Trade Structure](#)", QJE 2003
Antras, P., and E. Helpman, "[Global Sourcing](#)", JPE 2004

January 29 - Empirics on Offshoring

Student Presentation: Keller, W., and S. Yeaple, "Multinational Enterprises, International Trade, and Productivity: Evidence from US Firms", ReSTAT 2009
Javorcik, B., Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spillovers Through Backward Linkages, AER 2004

Hanson, G., and R. Feenstra, ["Ownership and Control in Outsourcing to China: Estimating the Property Rights Theory of the Firm,"](#) QJE 2005

January 31 – Trade and Income Gains I: Comparative advantage

Student Presentation: Bernhofen, D., and J. Brown, "An empirical assessment of the comparative advantage gains from trade: evidence from Japan", AER 2005

Bernhofen, D., and J. Brown, ["A Direct Test of the Theory of Comparative Advantage"](#), JPE 2004

February 5 – Trade and Income Gains II: Product variety

Student Presentation: Broda, Christian, and David Weinstein, "Globalization and the Gains from Variety", QJE 2006

Hersh and H. Joachim Voth, "Sweet Diversity: Colonial Goods and the Rise of European Living Standards after 1492", 2009

Keller, W., Ben Li, and Carol Shiue, "China's foreign trade: Perspectives from the past 150 years", World Economy, 2011

February 7: Trade and Scale Economies: Evidence from market access and other studies

Student Presentation: Redding, S., and D. Sturm, "The Costs of Remoteness: Evidence from German Division and Reunification", AER 2008

Redding, S, et al. "The Economics of Density: Evidence from the Berlin Wall" CEP Discussion paper 1154, June 2012

Evenett, S., and W. Keller, "On Theories Explaining the Success of the Gravity Equation", JPE 2002

Hanson, G., and C. Xiang, "The Home Market Effect and Bilateral Trade Patterns", AER 2004

February 12 Increasing Returns and Path Dependence

Student Presentation: Bleakley, H., and J. Lin, "Portage and Path Dependence", QJE 2012

Krugman, P., "Increasing Returns and Economic Geography", JPE 1991

Fujita, M., P. Krugman, and A. Venables, *The Spatial Economy*, MIT Press 2001

February 14 – Increasing Returns and Economic Geography

Student Presentation: Davis, D., and D. Weinstein, "Bones, Bombs, and Breakpoints", AER 2002

Davis, D., and D. Weinstein, "A Search for Multiple Equilibria in Urban Industrial Structure", Journal of Regional Science 2008

February 19 – Elements of Trade Costs

Student Presentation: Guiso, L., P. Sapienza, and L. Zingales, "Cultural Bias in Economic Exchange?", QJE 2009

Anderson, J., and E. van Wincoop, "Gravity with Gravitas", AER 2003

Anderson, J., "Trade Costs", JEL 2004

Head, K., T. Mayer, and J. Ries, "The Erosion of Colonial Ties after Independence", JIE 2010

Bronnenberg, B., S. Dhar, and J-P. Dube, "Brand History, Geography, and the Persistence of Brand Shares", JPE 2009

Crozet, M., and P. Koenig, "Structural gravity equations with intensive and extensive margins", Canadian J Econ 2010

February 21 – Trade gains from firm-level responses I: within vs between

Student Presentation: Trefler, D., “The Long and the Short of the Canada-US Free Trade Agreement”, AER 2004

Pavcnik, N., “Trade Liberalization, Exit, and Productivity Improvement: Evidence from Chilean Plants”, ReStud 2002

Fernandes, A., “Trade Policy, Trade Volumes and Plant-Level Productivity in Colombian Manufacturing Industries”, JIE 2007

Feb 26 – Trade gains from firm-level responses: technology adoption

Student Presentation: Lileeva, A., and D. Trefler, “Improved access to foreign markets raises plant-level productivity...for some plants”, QJE 2010

Bustos, P., [Trade Liberalization, Exports and Technology Upgrading: Evidence on the impact of MERCOSUR on Argentinian Firms](#), American Economic Review, 2011

February 28 – Trade and Growth

Student Presentation: Acemoglu, D., and J. Ventura, “The World Income Distribution”, QJE 2002

Young, A., [Learning by Doing and the Dynamic Effects of International Trade](#), QJE 1991

Rivera-Batiz, L., and P. Romer, “Economic Integration and Endogenous Growth”, QJE 1991

March 5, 7, and 12: Midterm presentations

March 14 – Knowledge Spillovers and Competition Effects

Student Presentation: Aghion, P., N. Bloom, R. Blundell, R. Griffith, and P. Howitt, “Competition and Innovation: an inverted-U relationship”, QJE 2005

Bloom, N., M. Schankerman, and J. van Reenen, Identifying technology spillovers and product market rivalry, Econometrica, forthcoming

Acharya, R., and W. Keller, “Estimating the Productivity Selection and Technology Spillover Effects from Imports”, NBER # 14079

March 19 – Trade and Income Gains III – Trade & Growth

Student Presentation: Feyrer, J., “Trade and Income – the 1967 to 1975 Closing of the Suez Canal as a Natural Experiment”, wp, Dartmouth

Feyrer, J., “Exploiting Time Series in Geography”, wp, Dartmouth

Frankel, J., and D. Romer, “Does Trade Cause Growth?”, AER 1999

Rodriguez, F., and D. Rodrik, “Trade [Policy and Economic Growth: A Skeptic’s Guide to the Cross-National Evidence](#)”, NBER Macro Annual 2000

March 21 – Gains from trade through institutional change

Student Presentation: Acemoglu, D., S. Johnson, and J. Robinson, “The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth”, AER 2005

Puga, D., and D. Trefler, “International Trade and Institutional Change: Medieval Venice’s Response to Globalization”, NBER # 18288

March 26, 28: Spring Break

April 2: Trade vs Fundamental Sources of Growth

Student Presentation: Rodrik, D., A. Subramaniam, and F. Trebbi, “Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development”, J Econ Growth 2004

Keller, W., and C. Shiue, "The Link between Fundamentals and Proximate Growth Causes in Development", mimeo, 2013

April 4: Trade and Growth with Firms

Student Presentation: Baldwin, R., and F. Robert-Nicoud, "Trade and Growth with Heterogeneous Firms", JIE 2008

Burstein, A., and A. Atkeson, "Innovation, Firm Dynamics, and International Trade", JPE 2010
Costantini, J., and M. Melitz, "The Dynamics of Firm Level Adjustment to Trade Liberalization", in The Organization of Firms in a Global Economy, ed. Helpman, Marin, and Verdier, Harvard UP, 2008

April 9 – Gains and Losses from trade liberalization for specific individuals

Student Presentation: Bloom, N., M. Draca, and J. van Reenen, "Trade induced technical change? The impact of Chinese imports on innovation, IT and productivity", Stanford, 2012
Michaels, G., "The Effect of Trade on the Demand for Skill – Evidence from the Interstate Highway System", ReSTAT 2009

April 11 – No meeting

April 16 – Gains and losses from outsourcing for specific individuals

Student Presentation: Hsieh, Chang-tai, and K.T. Woo, "The Impact of Outsourcing to China on Hong Kong's Labor Market.", AER 2005

Hummels, D., et al., [The Wage Effects of Offshoring: Evidence from Danish Matched Worker-Firm Data](#), NBER # 17496

April 18 – Trade and Income Gains within Countries

Student Presentation: Donaldson, D., "Railroads of the Raj: Estimating the Impact of Transportation Infrastructure", working paper, MIT

Duranton, G., P. Morrow, and M. Turner, "Roads and Trade: Evidence from the U.S.", working paper, University of Toronto

April 23, 25, 30, and May 2: Catch-up meeting and student presentations of own research

University policies

All policies

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