

ECO 7707: International Economic Relations

Syllabus

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Course Description

This course is an introduction to empirical international trade on the graduate level. The course will introduce students to empirical facts and data related to trade, international prices, and firms. We will cover models and techniques that allow researchers to bring trade theory to the data and to evaluate trade policies quantitatively. The final goal is to become familiar with the recent literature in the field.

Course Requirements, Homework, and Grading

The main requirements are a midterm (20 %) and a final exam (30 %) as well as homeworks and presentations (50 %). The homeworks are especially important and will ask you to apply the models and techniques covered in class to trade data in a hands-on fashion. This serves the purpose of enhancing the understanding of the theory and learn how to actually do research in international trade and in general. It will also refresh and improve your coding skills.

In the last three lectures of the course, to give you an additional sense of the frontier in the field, I ask each of you choose and to present a paper related to international trade that has been published in a top 5 journal (American Economic Review, Quarterly Journal of Economics, Journal of Political Economy, Econometrica, Review of Economic Studies) since 2012. The presentations should be about 40-45 minutes long and give an in-depth description of the paper as well as point out its contribution. It cannot be a paper that we covered (in detail) in class.

Topics

Part 1: Course Introduction, Data, and the Gravity Equation

Lectures 1-2

- Course Introduction
- Data Sources in international trade and collecting data with R
- The Gravity Equation

Homework 1: Data Collection and the Gravity Equation

Part 2: New Trade Models, Firms and International Trade

Lectures 3-5

- Technology and International Trade: The Eaton, Kortum model
- Productivity and Imperfect Competition: The Melitz Model
- Introduction to estimating structural trade models

Readings:

1. Eaton, Kortum (2002)
2. Melitz (2003)
3. Eaton, Kortum, Kramartz (2011)

Part 3: Trade, Offshoring, and Labor Markets

Lectures 6 - 8

- Trade and Inequality in the U.S.
- Import Competition and the Labor Market: Autor, Dorn, and Hanson (2013)
- Trade, Unemployment and Inequality: Helpman, Itskhoki, and Redding (2010)

Readings:

1. Autor, Dorn, and Hanson (2013)
2. Autor, Dorn, Hanson, Song (2014)
3. Helpman, Itskhoki, and Redding (2010)

Homework 2 - Simulation in Trade Models: Eaton-Kortum

Part 4: Trade, Competition and Markups

Lectures 9 - 10

- Market Power and Markups
- Trade with endogenous markups: Melitz and Ottaviano
- Measuring Markups and structural production function estimation

Readings:

1. Melitz, Ottaviano (2008)
2. De Loecker and Warzynski (2012)
3. De Loecker, Goldberg, Khandelwal, Pavcnik (2016)

Homework 3 - Simulation in Trade Models: The Melitz-Model

Part 5: Entry, Entry Games, and Selection in Trade

Lectures 11 - 12

- How do firms enter?
- Sequential Entry
- Structural Estimation of Entry Games

Readings:

1. Helpman, Melitz, Rubinstein (2008)
2. Morales, Sheu, Zahler (2017)
3. Antras, Fort, and Tintelnot (2017)
4. Jia (2008)

Midterm: Lecture 13

Part 6: The Gains from Trade

Lectures 14 - 15

- How big are the gains from trade?
- Measuring the gains from trade and variety

Readings:

1. Arkolakis, Costinot, Rodriguez-Clare (2012)
2. Feenstra (1994)
3. Broda and Weinstein (2006)

Homework 4 - Structural Estimation: Feenstra Method and Gains from Trade

Part 7: Vertical and Horizontal Differentiation

Lectures 16 - 17

- Cross-country differences in quality
- Product differentiation, strategy and trade
- Estimating product quality in the data

Readings:

1. Verhoogen (2008)
2. Khandelwal (2010)
3. Cosar, Grieco, Li, and Tintelnot (2015)

Homework 5 - Structural Estimation of Entry Games

Part 8: The political economy of trade

Lectures 18 - 19

- Tariffs and the WTO
- Protection for sale: Bagwell, Staiger (1999)
- New trade and optimal tariffs: Ossa (2014)

Readings

1. Grossman, Helpman (1994)
2. Bagwell, Staiger (1999)
3. Ossa (2014)

Part 9: Economic Geography

Lectures 20 - 21

- How important is transportation infrastructure?
- Where do firms locate and what are the determinants of city structures?

Readings:

1. Donaldson (2015)
2. Ahlfeld, Redding, Sturm, Wolf (2015)

Homework 6: Estimating Product Quality and competition

Part 10: Immigration

Lectures 22 - 23

- How does immigration affect the labor market?

- Immigration and inequality

Readings:

1. Ottaviano, Peri, Wright (2013)
2. Peri, Shih, Sparber (2015)

Part 11: Intermediates and Networks

Lectures 24 - 25

- Firm-to-firm trade in the U.S.
- Global firm-to-firm trade

Readings:

1. Tintelnot (2017)
2. Lim (2015)

Part 12: Student Presentations

Lectures 26-28

Final Exam: Lecture 29

References

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