International Economics
Development Economics

Academic year 2021-2022

Advanced International Trade B: Advanced Topics in International Trade

EI089 - Printemps - 3 ECTS

> **PROFESSOR**

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Office hours

> **ASSISTANT**

Office hours

Course Description

This is the second course in a two-part sequence. We study recent developments in empirical international trade and focus on estimation methods drawn from the field of empirical industrial organization. The reading materials include a mix of trade theory papers, empirical trade papers and industrial organization applications. The sessions will combine expositions by the lecturer, presentations by students and hands-on coding, mostly in Matlab and Stata.

We will discuss demand-side heterogeneity and quality, and study discrete-choice models for demand estimation. We will discuss models with demand-side driven heterogeneous markups. The final section of the course will focus on information frictions and the estimation of discrete choice problems with adverse selection and moral hazard.

Syllabus

Assessment: The grade will be based on the presentation and discussion of a paper in class (50%) and a take-home, individual applied exercise sheet (50%).

Tentative Reading List:

0) Refresher on Estimation (Stata and Matlab).

In class material (Instrumental Variables, Seemingly Unrelated Regressions and Maximum Likelihood).
Matlab "Get Started": https://www.mathworks.com/help/pdf_doc/matlab/getstart.pdf

1) Firm Heterogeneity: Empirical Patterns and Quantification.

Redding, Stephen J. "Theories of Heterogeneous Firms and Trade." Annual Review of Economics, vol. 3, 2011, pp. 77–105. JSTOR, www.jstor.org/stable/42940181. Accessed 8 May 2021.

Bernard, A. B., Jensen, J. B., Redding, S. J., and Schott, P. K. (2007). Firms in International Trade. Journal of Economic Perspectives, 21(3):105–130.

Bernard, A., Jensen, J. B., Redding, S. J., and Schott, P (2012). "The Empirics of Firm Heterogeneity and International Trade", Annual Review of Economics, 4, 283-313.

Manova, K. and Zhang, Z. (2012). Export Prices across Firms and Destinations. The Quarterly Journal of Economics, 127(1):379–436.

Melitz, M. J. and Trefler, D. (2012). Gains from Trade when Firms Matter. The Journal of Economic Perspectives, 26(2):91–118.

Hottman, C., Redding, S., and Weinstein, D. (2016). Quantifying the Sources of Frim's Heterogeneity. QJE.

2) Productivity and Production Function Estimation.

Trade

Eaton, Jonathan, Samuel Kortum, and Francis Kramarz, "An Anatomy of International Trade: Evidence From French Firms," Econometrica, 2011, 79 (5), 1453–1498. (Does not estimate productivities in the way the other papers listed here do, but we will start here discussing structural work in trade)

Haskel, Jonathan, Sonia Pereira, and Matthew J. Slaughter, "Does Inward Foreign Direct Investment Boost the Productivity of Domestic Firms?," Review of Economics and Statistics, 2007, 89 (3), 482-496.

Javorcik, Beata Smarzynska, "Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spillovers Through Backward Linkages," American Economic Review, 2004, 94 (3), 605-627.

Pavcnik, Nina, "Trade Liberalization, Exit, and Productivity Improvements: Evidence from Chilean Plants," Review of Economic Studies, 2002, 69 (1), 245–276.

De Loecker, J. (2013) "Detecting Learning by Exporting", American Economic Journal: Microeconomics. (Endogenous productivity)

Estimation

Blundell, R. and Bond, S. (2000) "GMM Estimation with Persistent Panel Data: An Application to Production Functions", Econometric Reviews, 19(3), 321-340.

Olley, G.S. and Pakes, A. (1996) "The Dynamics of Productivity in the Telecommunications Industry", Econometrica, 64(6), 1263-1297.

Levinsohn, J. and Petrin, A. (2003) "Estimating Production Functions Using Inputs to Control for Unobservables", Review of Economic Studies, 70, 317-341

Ackerberg, D.A., Caves, K., and Frazer, G. (2015) " Identification Properties of Recent Production Function Estimators", Econometrica.

3) Heterogeneous Markups (supply).

Costas Arkolakis, Arnaud Costinot, Dave Donaldson, Andrés Rodríguez-Clare; The Elusive Pro-Competitive Effects of Trade, The Review of Economic Studies, Volume 86, Issue 1, 1 January 2019, Pages 46–80.

De Loecker, J. and Warzynski, F. (2012) "Markups and Firm-level Export Status", American Economic Review, Vol. 102, No. 6, 2437-2471.

De Loecker, J., Goldberg, P., Khandelwal A., and Pavcnik, N. (2016) "Prices, Markups and Trade Reform", Econometrica, 84(2).

Garcia-Marin, A., Voigtlander, N. (2016) "Exporting and Plant-Level Efficiency Gains: It's in the Measure", NBER Working Paper No. 19033.

Forlani, E., Martin, R., Mion, R., Muuls, M. (2016) "Unraveling Firms: Demand, Productivity and Markups Heterogeneity", unpublisehd.