

GEORGETOWN UNIVERSITY
Department of Economics

Econ 652: Topics in International Trade
Spring 2009

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Office Hours: Tuesdays, 1:15 – 3:15 pm in ICC 552, or by appointment (to make an appointment outside office hours, please send me an email beforehand)

Lectures: Tuesdays 8:50-11:30 am in ICC 550

Course Description

Econ 652 – Topics in International Trade is a PhD-level class. The course is designed primarily for students planning to write dissertations on a topic related to international trade or international migration. In order to take this class, you must have taken Econ 651 (International Trade) and Econ 613 (Econometrics) or you need the instructor's permission.

The main focus of this course will be on empirical trade and migration papers and on the political-economy literature of trade and migration policies. This course will cover selected topics of international trade and international migration, including: empirical evidence on trade patterns, volumes and composition; the impact of trade on growth and productivity; political economy models of international trade; international political economy and the world trading system; the impact of international migration on destination countries; political economy models of international migration.

Books

The following books contain background and supplemental material that may be useful. Some of them also contain specific readings under each topic.

Feenstra, R., *Advanced International Trade: Theory and Evidence*, Princeton University Press, 2004.

Dixit, A. and V. Norman, *Theory of International Trade*, Cambridge University Press, 1980.

Jones, R.W. and P. Kenen, (eds.) *Handbook of International Economics*, Vol.1, North-Holland, 1984.

Grossman, G. M. and K. Rogoff, (eds.) *Handbook of International Economics*, Vol.3, North-Holland, 1995 (HIE3).

Leamer, E., *Sources of International Comparative Advantage: Theory and Evidence*, MIT Press, 1984.

Helpman, E. and P. Krugman, *Market Structure and Foreign Trade*, MIT Press, 1985.

Grossman, G.M. and E. Helpman, *Interest Groups and Trade Policy*, Princeton University Press, 2002.

Bagwell, K. and R. W. Staiger, *The Economics of the World Trading System*, MIT Press, 2002.

Hoekman, B. M. and M. M. Kostecki, *The Political Economy of the World Trading System*, Oxford University Press, 2001.

Requirements

- *Email before each class*: On the evening before each class (Monday evening), you should send me an email with some comments on the paper(s) that will be covered in detail during the class, denoted by *. (Please write Econ 652 on the subject of the email.) The email can be short and should briefly address the following points:
 - Why is the paper important (or why not)?
 - A short description of the main features of the paper
 - What you liked – or did not like – about the paper
 - What parts of the paper were not clear or need further explanation
- *Final paper*: Each student is required to write a double spaced (no-more-than) 25-pages empirical trade/migration paper on a topic of your choice among those covered in the class. The paper will include the following sections: Introduction, Literature Survey, Data Section, Empirical Results and Conclusions. More details about the paper will be provided throughout the semester.
- *Presentations*: Each student is required to present twice during the semester. Each presentation will last approximately 30 minutes and will focus on one of the articles denoted ** in the reading list. Presentations will take place throughout the semester and are meant to help you develop both a critical eye – each presentation will include a summary and a critical assessment of the paper – and presentation skills.

Each presentation will be accompanied by a referee report on the article presented. The referee report should be approximately 3-4 pages double spaced. Each referee report will include both a summary and a critical assessment of the paper. In particular, the first paragraph(s) should summarize the paper for the editor and describe its main results. Next, the report should discuss the strengths and weaknesses of the paper – contrasting it to other papers in the literature as necessary. You should describe how the authors could address the weaknesses (if possible) and give your recommendations for changes that would improve the paper. Finally, you should comment on the contributions of the paper to the existing literature (you may refer to papers that were published subsequently).

Note: Attendance of trade/migration seminars at the International Economics Workshop is strongly encouraged. You should read the papers before the seminar takes place.

Grading and deadlines

The final grade will be a weighted average of your presentations (30%), final paper (40%), emails (20%) and class participation (10%). You may skip 1 email during the semester without affecting this part of your grade. The referee reports are due on the day of the presentation. The final paper is due on Monday, May 4.

Some data and Information Sources on Trade, Trade Policies, Migration and Migration Policies

[World Bank's World Development Indicators](#) (import and export duties, trade volumes, other cross-national data).

[Jon Haveman's International Trade Data](#)

[Jon Haveman's Industry Concordances](#)

[UNCTAD Trade Analysis and Information System \(TRAINS\)](#)

[The Global Trade Negotiations Home Page](#)

[WTO trade policy reviews](#)

[Reports Issued by the Office of the United States Trade Representative and Related Entities, 2006](#)

[US Census Bureau Foreign Trade Statistics](#)

[Detailed US and Canada imports by source \(6-digit HS\) from Industry Canada](#)

[World Integrated Trade Solution \(WITS\)](#)

[U.S. Antidumping Database](#)

[World Bank Trade and Production Database](#)

[Classification of SITC Rev. 2 commodities into organized exchange, reference priced, and differentiated](#)

[SourceOECD International Migration Statistics](#)

[US Census data](#) (where you can find information at the individual level on immigrants and natives) through IPUMS

[US CPS data](#) (where you can find information at the individual level on immigrants – from 1994 – and natives) through IPUMS

COURSE OUTLINE (all readings in the course outline are required)

January 13 Introductions and some review of econometrics concepts and tools

Angrist, J.D. and A.B. Krueger, 1999. "[Empirical strategies in labor economics](#)," Chapter 23 in O. Ashenfelter and D. Card (eds.), *Handbook of Labor Economics*, vol.3, Amsterdam, North Holland (working paper version in the hyperlink). *

January 20 No Class: Inauguration

Trade patterns, volume and composition

January 27 An Overview

Helpman, E., 1999. "[The Structure of Foreign Trade](#)," *Journal of Economic Perspectives*, 13, 121-144. *

Leamer, E. and J. Levinsohn, 1995. "International Trade Theory: The Evidence," Chapter 26 in HIE3. *

Feenstra, Ch. 2 (pp. 41 – 63)

Romalis, J., 2004. "[Factor Proportions and the Structure of Commodity Trade](#)," *American Economic Review*, 94(1), 67-97. **

February 3 Tests of the Ricardian theory and of the HOV theory

Trefler, D., 1995. "[The Case of the Missing Trade and Other HOV Mysteries](#)," *American Economic Review*, 85(5), 1029-1047. *

Trefler, D., 1993. "[International Factor Price Differences: Leontief was Right!](#)," *Journal of Political Economy*, 101(6), 961-987. *

Davis, D. and D. Weinstein, 2001. "[An Account of Global Factor Trade](#)," *American Economic Review*, 91(5), 1423-1453. **

Eaton, J. and S. Kortum, 2002. "[Technology, Geography, and Trade](#)," *Econometrica*, 70(5), 1741-1779.

February 10 Empirical Evidence on Intra-industry Trade (Gravity Equation)

Helpman, E., 1987. "Imperfect Competition and International Trade: Evidence from Fourteen Industrialized Countries," *Journal of the Japanese and International Economies*, 1, 62-81. *

Hummels, D. and J. Levinsohn, 1995. "[Monopolistic Competition and International Trade: Reconsidering the Evidence](#)," *Quarterly Journal of Economics*, 110, 799-836. *

Rose, A. K., 2004. "[Do We Really Know that the WTO Increases Trade?](#)" *American Economic Review*, 94(1), pp. 98-114.**

Feenstra, Ch. 5.

Harrigan, J., 2003. "[Specialization and the Volume of Trade: Do the Data Obey the Laws?](#)," in *Handbook of International Trade*, Harrigan J. and K. Choi (eds.), Basil Blackwell (also NBER WP 8675).

February 17 Effects of trade costs on the composition and volume of trade

McCallum, J., 1995. "[National Borders Matter: Canada-US Regional Trade Patterns](#)," *American Economic Review*, 85(3), 615-623. *

Anderson, J. and Eric Van Wincoop, 2003. "[Gravity with Gravitas: A Solution to the Border Puzzle](#)," *American Economic Review*, 93(1), 170-192. *

Rauch, James, 1999. "[Networks Versus Markets in International Trade](#)," *Journal of International Economics*, 48(1), 7-35. **

Rauch, James and Vitor Trindade. 2002. "[Ethnic Chinese Networks in International Trade](#)," *Review of Economics and Statistics*, 84(1), 116-130.**

Political economy of trade policy

February 24 Political economy models of trade policy: Theory

Rodrik, D., 1995. "Political Economy of Trade Policy," Ch. 28 in HIE3. *

Helpman, E., 1995. "[Politics and Trade Policy](#)," NBER WP 5309 (Chapter 6 in Grossman, G.M. and E. Helpman, *Interest Groups and Trade Policy*, 2002.) *

Feenstra, Ch. 9

Mayer, W., 1984. "[Endogenous Tariff Formation](#)," *American Economic Review*, 74(5), 970-985.

Grossman, G. and E. Helpman, 1994. "[Protection for Sale](#)," *American Economic Review*, 84(4), 833-850.

Grossman, G. and E. Helpman, 1995. "[Trade Wars and Trade Talks](#)," *Journal of Political Economy*, 103, 675-708.

March 3 Empirical evidence on the political economy of trade policy

Gawande, K. and P. Krishna, 2002. "[The Political Economy of Trade Policy: Empirical Approaches](#)," in J. Harrigan and K. Choi (eds.), *Handbook of International Trade*, Basil Blackwell. *

Dutt, P. and D. Mitra, 2002. "[Endogenous Trade Policy through Majority Voting: An Empirical Investigation](#)," *Journal of International Economics*, 58, 107-133. *

Mayda, A.M. and D. Rodrik, 2003. "[Why Are Some People and Countries More Protectionist than Others?](#)" *European Economic Review*, August 2005, 49(6), pp.1393-1691. **

March 17 Empirical evidence on the political economy of trade policy (cont.)

Trefler, D. 1993. "[Trade Liberalization and the Theory of Endogenous Protection - an Econometric Study of United-States Import Policy](#)," *Journal of Political Economy*, 101(1), 138-160. *

Goldberg, P.K. and G. Maggi, 1999. "[Protection for Sale: An Empirical Investigation](#)," *American Economic Review* 89(5), 1135-1155. *

Bandyopadhyay, U. and K. Gawande, 2000. "[Is Protection for Sale? Evidence on the Grossman-Helpman Theory of Endogenous Protection](#)," *Review of Economics and Statistics*, 82(1), 139-152. *

March 24 The Economics of the World Trading System

Bagwell and Staiger, 1999. "[An Economic Theory of GATT](#)," *American Economic Review*, 89(1), 215-248.

Bagwell, K. and R.W. Staiger, 2000. "[GATT-Think](#)," Department of Economics WP, University of Wisconsin-Madison (this paper covers material in the following chapters of Bagwell and Staiger's book: Chapters 1 (Introduction), 2 (The Theory of Trade Agreements), 3 (History and Design of GATT and WTO), Chapters 4 (Reciprocity), 5 (MFN), 6 (Enforcement))

Staiger, R., 1995. "International Rules and Institutions for Trade Policy," Chapter 29 in G. Grossman and K. Rogoff (eds.), *Handbook of International Economics*, vol.3, Amsterdam, North-Holland (photocopy)

Limao, N, C. Broda and D. Weinstein, 2006. "[Optimal Tariffs: The Evidence](#)," NBER WP 12033. *

Ludema, R. and A. M. Mayda, 2008. "[Do Countries Free Ride on MFN?](#)," forthcoming *Journal of International Economics*. *

Ludema, R. and A. M. Mayda, 2009. "[The free-riding effect of the MFN clause: Evidence across countries](#)," Georgetown University. **

Hoekman and Kostecki, Introduction, Part I, Part II, Part IV-Chapter10.

March 31 Exceptions to the MFN clause: Preferential Trade Agreements

Romalis, J., 2005. "[NAFTA's and CUSFTA's Impact on North American Trade](#)," NBER WP 11059.

Mayda, A. M. and C. Steinberg, 2008. "[Do South-South trade agreements increase trade? Commodity-level evidence from COMESA](#)," forthcoming at the *Canadian Journal of Economics*. *

Limao, N., 2006. "[Preferential Trade Agreements as Stumbling Blocks for Multilateral Trade Liberalization: Evidence for the U.S.](#)," *American Economic Review*, 96(3), 896-914. *

Limao, N., 2007. "[Are Preferential Trade Agreements with Non-trade Objectives a Stumbling Block for Multilateral Liberalization?](#)" *Review of Economic Studies*, 74(3), 821-855. **

Panagariya, A., 1999. "[The Regionalism Debate: An Overview](#)," *World Economy*, pp. 477-511 (working paper version in the hyperlink).

Feenstra, Ch. 6

Bagwell and Staiger, Chapter 7.

International Migration

April 7 International Migration

Borjas, G. J., 1999a. "The Economic Analysis of Immigration," Chapter 28 in *Handbook of Labor Economics*, eds. O. Ashenfelter and D. Card. Amsterdam: North-Holland, 1687-1760.

Card, D., 1990. "[The Impact of the Mariel Boatlift on the Miami Labor Market](#)," *Industrial and Labor Relations Review*, 43(2), 245-257. *

Borjas, G. J., 2003. "[The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market](#)," *Quarterly Journal of Economics*, 118(4), 1335-1374. *

Borjas, G. J. 2005. "[The Labor-Market Impact of High-Skill Immigration](#)," *American Economic Review*, 95(2), 56-60. *

Borjas, G. J., 2006. "[Native Internal Migration and the Labor Market Impact of Immigration](#)," *Journal of Human Resources*, 41(2), 221-258. **

Peri, G. and C. Sparber, 2008. "[Task Specialization, Immigration and Wages](#)." **

Trefler, D., 1997. "[Immigrants and Natives in General Equilibrium Trade Models](#)," in *The Immigration Debate: Studies on the Economic, Demographic, and Fiscal Effects of Immigration*, Smith, J. P. (ed.), Washington, D.C.: National Academy Press, 1998, pp. 206-238.

April 14 Political economy of migration policy

Benhabib, J., 1996. "[On the Political Economy of Immigration](#)" *European Economic Review* 40, 9, pp. 1737-1743.*

Facchini, G., and G. Willmann, 2005. "[The Political Economy of International Factor Mobility](#)," *Journal of International Economics* 67, 1, pp. 201-219.*

Ortega, F., 2005. "[Immigration Quotas and Skill Upgrading](#)" *Journal of Public Economics*, 89, 9-10, pp. 1841-1863.

Mayda, A.M., 2005. "[Who is against immigration? A cross-country investigation of individual attitudes toward immigrants](#)," *Review of Economics and Statistics*, August 2006, 88(3), 510-530. **

Facchini, G. and A. M. Mayda, 2008. [From individual attitudes towards migrants to migration policy outcomes: Theory and Evidence](#), *Economic Policy*, 56, pp. 651 – 713.

Facchini, G., A. M. Mayda and P. Mishra, 2008. [Do interest groups affect U.S. immigration policy?](#) **

Trade, productivity and growth

April 21, (April 28) Trade, growth and productivity

Frankel, J. and D. Romer, 1999. "[Does Trade Cause Growth?](#)" *American Economic Review*, 89(3), 379-399. *

Rodriguez, F. and D. Rodrik, 2001. "[Trade Policy and Economic Growth: A Skeptic's Guide to Cross-National Evidence](#)," in B.S. Bernanke and K. Rogoff (eds.), *NBER Macroeconomics Annual 2000*, Cambridge, MA, MIT Press. *

Feenstra, Ch. 10

Melitz, M., 2003 "[The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity](#)," *Econometrica*, 71(6), 1695-1725.

Pavcnik, N., 2002. "[Trade Liberalization, Exit, and Productivity Improvements: Evidence from Chilean Plants](#)," *The Review of Economic Studies*, 69, 245-276. *

Amiti, M. and Jozef Konings, 2007. "[Trade Liberalization, Intermediate Inputs and Productivity: Evidence from Indonesia](#)," forthcoming in *American Economic Review*. **

Konings, J. and H. Vandenbussche, 2008. "[Heterogeneous Responses of Firms to Trade Protection](#)," forthcoming in *Journal of International Economics*. **