ECON 745 Advanced Topics in International Trade  
Spring 2017

Instructor:  
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Overview

This course focuses on a firm-level approach to the study of international trade and on selected topics in trade. The course is intended to consolidate the tools and models learned in ECON 742, and train students in frontier research methods. The course will cover topics related to trade and heterogeneous firms, quantitative trade models, multinationals and vertical specialization, trade and firm productivity, trade costs, and distributional effects of trade. Students will learn empirical and quantitative skills to bring theoretical models to data. Successful students should be ready to start exploring potential dissertation topics in international trade by the end of the semester.

Students are expected to know the materials covered in ECON 742. If you want to take this course but did not take ECON 742, you need to talk with the instructor prior to registration.

Course Requirements and Grades

The main course requirements are: (a) problem sets and referee reports (30%); (b) in-class presentations (30%); and (c) paper proposal (40%). These requirements are important to develop skills required to work on a dissertation in international trade. Class participation is very important. Students are expected to read assigned materials before they come to the class and actively participate in class discussion.

(a) Problem sets and summary papers (30%)

There will be four problem sets over the semester. They include both analytic and quantitative exercises. For quantitative exercises, students should be familiar with Matlab. Students can work together, but each one should write own answer. Problem sets are due a week from the assigned date. I will assign problem sets tentatively on the following dates: 1/30, 2/8, 2/20, 3/15.
Before every class, you should prepare a short summary paper (up to two pages with at least 1.5 spacing) for all papers marked (*) on the reading list of that class. This paper should summarize and critically assess research question, contribution, main theoretic and quantitative findings of the assigned papers. It also needs to relate the assigned papers with one another. You can make suggestions for the papers, if any. Reports are due at the beginning of every class.

(b) In-class presentations (30%)

Students will present twice over the course. The first presentation will be scheduled in late-April. In the first presentation, students will present one of recent NBER working papers or recent job market papers in the field of international trade. Before the presentation, you should bring your own reading list of papers (up to 10 papers) that you are interested in by Apr 5. Then, you will talk with me to decide which paper to present. You are expected to read and understand the papers on your own list before a discussion with me.

The second presentation will be scheduled in early-May, and students will present their own research proposal. The reading list that you have made for the first presentation should motivate the research idea presented in the second presentation and the research proposal. The length of each presentation will depend on the class size.

(c) Paper proposal (40%)

This research proposal should be concise (up to 5 pages with at least 1.5 spacing) but include all of these elements: (1) your research question; (2) motivating evidence; (3) why we should care about it; (4) literature review; (5) what you want to add to the literature; and (6) tentative plan to further develop your idea. This is a semester-long assignment. That being said, handing in a proposal at the end of the semester without any prior discussion with me will never work. It is important to discuss your idea with me and keep me updated about your progress over the semester. You should meet me at least once a month to keep me updated. (not required in Jan) A successful proposal will be ideally a great start point for your third-year paper. The proposal is due on May 26.

Course Outline and Readings

There is no required textbook for this course. Classes will be based on lecture notes which will be posted after each class. For those who need some reference, I recommend the following manuscripts:


(*) Prepare a summary paper on these articles

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**A. Quantitative Framework for Gravity Trade Models**

**Wed, 1/25/16 – Course overview, empirical evidence, and basic tools**

- J. Tinbergen (Jan), and Erasmus School of Economics (ESE). *Shaping the World Economy; Suggestions for an International Economic Policy.* Twentieth Century Fund, New York, 1962.

**Mon, 1/30/16 – Armington model and Ricardian model: Love of variety and technological difference**

  - Online appendix: [https://assets.aeaweb.org/assets/production/articles-attachments/jep/app/2602_Eaton_Kortum_app.pdf](https://assets.aeaweb.org/assets/production/articles-attachments/jep/app/2602_Eaton_Kortum_app.pdf)

**Wed, 2/1/16 – Quantifying multi-industry extensions of the Ricardian model**

Mon, 2/6/16 – Monopolistic competition models


Wed, 2/8/16 – Models with a variable markup

Mon, 2/13/16 – Extensions to imperfect competition models and quantification


Wed, 2/15/16 – General equilibrium of trade models: existence and uniqueness of equilibrium, and quantitative strategies


**Mon, 2/20/16 – Taking model to the data: counterfactual experiments to quantify various trade effects**

• (*) Adao, Rodrigo, Arnaud Costinot, and Dave Donaldson. “Nonparametric Counterfactual Predictions in Neoclassical Models of International Trade.” *American Economic Review (Forthcoming).*

**Wed, 2/22/16 – Quantifying welfare gains from trade**


**Mon, 2/27/16 – Estimation of trade cost and trade elasticity**


### B. Distributional Effects of International Trade

**Wed, 3/1/16 – Basic theory: generalized Heckscher-Ohlin model**


**Mon, 3/6/16 – Distributional effects of trade in developed countries: traditional mechanism and factor contents story**


**Wed, 3/8/16 - Distributional effects of trade in developed countries: relative gains from trade across industries, regions, and occupations**

Mon, 3/20/16 – Distributional effects of trade in developed countries: product- and firm-level analyses


Wed, 3/22/16 – Distributional effects of trade in developing countries: are we living in the Heckscher-Ohlin world?


Mon, 3/27/16 – New explanation on the distributional effects of trade in developed countries: quality upgrading, regional variation, etc.


**Wed, 3/29/16 – Distributional effects of trade and the role of labor mobility**


**Mon, 4/3/16 – Assignment models for the distributional effect of trade**


**Wed, 4/5/16 - Search and matching models for the distributional effect of trade**


**Mon, 4/10/16 - Skill-biased trade or technical change?**


C. Multinational Production, Firm Organization, and Productivity

**Wed, 4/12/16 – Multinationals**


**Mon, 4/17/16 – Vertical specialization and offshoring**


**Wed, 4/19/16 – Trade, firm organization, and productivity**


Week of 4/24/16 – Students’ presentation of selected papers

Week of 5/1/16 and week of 5/8/16– Students’ presentation of research proposal