

Advanced Empirical Economics II: Empirical International Trade

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1 General Issues

The course “Advanced Empirical Economics II: Empirical International Trade” addresses master students of Business Administration, Economics, Internationale Wirtschaft und Governance, and Philosophy & Economics. Advanced interested bachelor students may also participate.

The course will focus on empirical international trade. The aim is to introduce state-of-the art empirical methods which are used to i) evaluate the determinants of trade flows, and ii) to quantify the effects of international policies, such as the effects of regional trade agreements and currency unions. The course consists of three parts:

1. Student presentations will cover recent methods of empirical international trade. We provide the topics for the presentation (including the respective reading material) as well as an introductory article via the e-learning for download. Therefore, please register in the e-learning for the course. Our first **compulsory introductory meeting** will be on **October 24th, 2017, 10am-12am** (the room will be announced in the e-learning), where we will discuss organizational issues and allocate presentation topics. The dates for the **presentation** of your topics are **November 24th and 25th, 2017, 9am-6pm** (depending on the

number of participants). Please send us your **presentation slides** the latest on **November 22nd, 2017**.

2. We will introduce you to the implementation and actual estimation of structural gravity in the computer lab. The dates for the **computer classes** are **December 14th and 15th, 2017, 2pm-6pm**.
3. To practice the learned methods, you will in the end evaluate one specific international policy at your own and write a seminar thesis about it. The topics for your seminar thesis will be allocated at the end of the computer class on December 15th, 2017.

Interested students are asked to **sign up** by sending an email to Joschka Wanner (joschka.wanner@uni-bayreuth.de) before **October 21st, 2017**, indicating your previous knowledge in statistics, empirical economics, and international trade. Further please give three preferences for topics, including at least one from the list of core topics.

For further questions concerning course details please contact Mario Larch (mario.larch@uni-bayreuth.de) or Joschka Wanner (joschka.wanner@uni-bayreuth.de).

2 Requirements and Assessed Course Work

Requirements

In order to participate in the course, interest in and good knowledge of empirical economics at the level of Advanced Empirical Economics I is expected. Ideally, this includes knowledge of Stata, the program to be used in this course. Further, knowledge of international trade theory, for example at the level of Advanced Trade Theory (Theorie und Empirie internationalen Handels), is helpful.

Assessed Course Work

The assessed course work consists of:

- Active course participation during the presentations and computer lab classes (20%).
- The presentation of your allocated topic (ca. 45 minutes) (30%).
- A term paper at the end about one possible empirical, ex-ante analysis, such as TTIP, EU-Mercosur agreement, GREXIT, or BREXIT. In the term paper, you should on the one hand introduce thoroughly into the topic and on the other hand explain in detail the methods used and specifically show how the specific ex-ante evaluation is conducted and carefully interpret your results. The term paper should consist of about 20,000 characters (including spaces) (50%).

After the presentations and the computer lab classes you write your term paper based on the knowledge you gained in the course. The specific topics for the term papers are discussed at the end of the computer class on December 15th, 2017. The date of submission of the term paper will be March 31th, 2018 (of course an earlier submission is possible at any time).

Language and Formal Requirements

The language of the course (and hence your presentation and presentation slides) is English. Hence, all the literature is in English. Your term paper can be written in German or in English, even though we suggest to write it in English. For more details concerning the formal requirements of the written assignments please see the style sheet available in German (Hinweis zur Formatierung von Seminar- und Abschlussarbeiten) and in English (Formal requirements for seminar papers and bachelor's/master's theses at the Chair of Economics VI: Empirical Economics).

3 Target Group

The course addresses students from the following degree courses:

- Betriebswirtschaftslehre (MA): as “Advanced Empirical Economics II” (as part of the bloc “B 1 Forschungsmethoden” or as part of the bloc

“V Empirische Wirtschaftsforschung”) or as substitute for “Empirische Probleme der Globalisierung” (which is part of the bloc “V Empirische Wirtschaftsforschung”).

- Economics (MA): as “Advanced Empirical Economics II” (which is part of the specialization “Modelltheorie”) or as substitute for “International Labor Markets” (which is part of the specialization “Internationale Wirtschaft”) or as “Individueller Schwerpunkt”.
- Internationale Wirtschaft und Governance (MA): as “Advanced Empirical Economics II” (which is part of the specialization “Ökonomische Modellbildung und empirische Analyse”) or as substitute for “International Labor Markets” (which is part of the bloc “Internationale Wirtschaft”) or as “Individueller Schwerpunkt”.
- Philosophy and Economics (MA): as electives course.
- History and Economics (MA): as specialization.

Additionally, interested bachelor students may participate.

4 Reading List

In order to have a common base for discussion in class, you are all required to read the *Advanced Guide to Trade Policy Analysis* by Yotov, Larch, Monteiro, and Piermartini (2016).

As further useful general background, we provide the following reading list:

- Anderson, Larch, and Yotov (2015a).
- Head and Mayer (2014).

5 Presentation Topics

Please note that when you indicate your preferences for topics, you have to choose at least one from the list of core topics. Depending on the number of

participants, topics may be allocated to teams of two. You are therefore also free to indicate potential partners for the presentation topic.

5.1 Core Topics

1. General idea and an early application (main paper: Tinbergen, 1962, Appendix VI).
2. Theoretical foundation I (main paper: Anderson and van Wincoop, 2003).
3. Theory-consistent estimation: fixed effects (main paper: Head and Mayer, 2014).
4. Zero trade flows and heteroskedasticity (main paper: Santos Silva and Tenreyro, 2006).
5. Taking endogeneity into account: estimating the effect of trade policy (main papers: Baier and Bergstrand, 2007; Bergstrand, Larch, and Yotov, 2015).
6. Trade and welfare effects in general equilibrium (main papers: Anderson, Larch, and Yotov, 2015a; Fally, 2015).
7. Theoretical foundation II: structural gravity (main paper: Costinot and Rodríguez-Clare, 2014).

5.2 Further Topics

1. Gravity for trade and growth (main paper: Anderson, Larch, and Yotov, 2015b)
2. Gravity for cross-border financial holdings (main paper: Okawa and van Wincoop, 2012)
3. Gravity for mergers and acquisitions (main paper: Head and Ries, 2008)
4. Gravity and migration (main paper: Grogger and Hanson, 2011)

5. Gravity with CO₂ emissions (main paper: Larch and Wanner, 2014)
6. Gravity with multiple sectors (main paper: Caliendo and Parro, 2015)
7. Gravity with extensive margin (main paper: Egger and Larch, 2011)
8. Gravity with unemployment (main paper: Heid and Larch, 2016)

6 Overview of Important Dates

- October 21st, 2017: registration deadline.
- October 24th, 2017, 10am-12am: compulsory introductory meeting, allocation of presentation topics.
- November 22nd, 2017: submission deadline for presentation slides.
- November 24th and 25th, 2017, 9am-6pm: student presentations.
- December 14th and 15th, 2017, 2pm-6pm: computer class, allocation of seminar paper topics.
- March 31st, 2018: submission deadline for seminar papers.

References

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- ANDERSON, J., AND E. VAN WINCOOP (2003): “Gravity with Gravitas: A Solution to the Border Puzzle,” *American Economic Review*, 93(1), 170–192.
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