

Economics 267: Topics in International Trade Spring 2015

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Note: Please put Econ 267 in the subject line

Lecture: Mondays and Wednesdays 3:15-5:05pm in Landau 206

Webpage: <http://coursework.stanford.edu>

Course Description

This course takes a firm-level approach to the study of international trade and investment. The class is structured around topics and papers from the frontier of international trade research in the last 10-15 years. We will first discuss firms' decision to export and link it to firm heterogeneity. We will then explore firms' decision to invest abroad and study different types of foreign direct investment. Next we will examine recent developments at the intersection of the theory of international trade and the theory of the firm, and analyze multinational firms. The last part of the course will focus on institutional frictions and their effects on trade patterns. All topics will be presented through both theoretical and empirical papers.

This course is targeted at second-year (and higher) Ph.D. students in economics. Students are expected to have completed first-year micro and macro theory courses. Students who have taken an introductory graduate course in international trade will benefit more from the class.

Requirements

This course is meant to bring students up to date with current work in international trade and to prepare you for doing research in this or other related fields. The course assignments have accordingly been designed to help you learn to read papers critically, as well as to develop and execute your own independent research ideas. There will be no midterm or final exam.

1. Two referee reports, due April 17 and May 8, 30% of final grade

You must write two referee reports on papers from the syllabus which we have not discussed in class. Please let me know at least a week in advance which paper you have chosen. With my prior approval, you may also review a paper related to the topics covered in class that is not on the reading list – check ITI papers at www.nber.org/~confer for example.

Each referee report should be 3-4 pages double spaced. The first paragraph should summarize the paper and describe its main features. The next paragraph should assess its overall contribution to the existing or subsequent literatures. The report should then discuss the strengths and weaknesses of the paper, contrasting it to others in the literature as necessary. It should provide constructive suggestions for changes that would strengthen or enhance the paper such that the authors could address the weaknesses (if possible).

2. Class participation, 30% of final grade

You are expected to participate in class discussions and should read the paper(s) we will be discussing before coming to class. You do not have to have understood the paper in its entirety but should be familiar with its key elements and ideas. Twice during the quarter you will also be asked to present a paper from the syllabus in class – these dates are marked with ☺.

3. Project presentation and written project proposal (due June 5), 40% of final grade

You must prepare a brief presentation on a new project related to the topics in the course. You are by no means expected to present a finished draft, but rather an idea and a brief outline of how that idea could be worked out. The presentations will take place the last 2 days of class after which you will have a week to write up a 5-page long proposal.

NOTE: If you are taking this class for credit/no credit, you have to complete either the two referee reports, or the project presentation and written proposal. You are of course strongly encouraged to complete all assigned work, and are still expected to read assigned papers and actively participate in class discussions.

NOTE: I will be traveling for work on June 1 and we will re-schedule this class meetings.

Tentative Schedule

1. March 30: Introduction and Basic Facts

Firm Heterogeneity and Trade

2. April 1: The Basic Model. Melitz (2003), Bernard, Redding and Schott (2007), Chaney (2008)

3. April 6: The Endogenous Mark-up Model. Melitz and Ottaviano (2008), Bernard, Eaton, Jensen and Kortum (2003)

4. April 8: Firm Level Evidence I. Bernard, Jensen and Schott (2007), Bernard and Jensen (1995, 1999), Eaton, Kortum and Kramarz (2004, 2011)

5. April 13: Firm Level Evidence II. Pavcnik (2002), Dixit (1989a), Roberts and Tybout (1997), Eaton, Eslava, Kugler and Tybout (2008)

6. April 15 ☉ : Country Level Evidence. Helpman, Melitz and Rubinstein (2008), Broda and Weinstein (2006), Hummels and Klenow (2005)

7. April 20 ☉ : Quality and Trade. Manova and Zhang (2012), Verhoogen (2008), Kugler and Verhoogen (2012)

8. April 22 ☉ : Multiproduct Firms; Gains from Trade.

Foreign Direct Investment

9. Apr 27: Horizontal FDI I. Brainard (1997), Markusen and Venables (2000)

10. April 29: Horizontal FDI II and Vertical FDI I. Helpman, Melitz and Yeaple (2004), Helpman (1984)

11. May 4 ☉ : Vertical FDI II. Brainard (1997), Carr, Markusen, and Maskus (2001), Yeaple (2003 a,b), Hanson, Mataloni and Slaughter (2001)

Multinational Corporations

12. May 6: Firm Structure and Contractual Imperfection. Antràs (2003)

13. May 11: Global Sourcing with Contractual Imperfection. Antràs (2005), Antràs and Helpman (2004, 2008)

14. May 13 ☉ : Evidence on the Property Rights Approach; Global Supply Chains.

Trade, Institutional Frictions and Market Frictions

15. May 18: Credit Constraints and Trade. Manova (2013)

16. May 20: Credit Constraints and FDI. Manova (2008), Antràs, Desai and Foley (2009), Bilir, Chor, and Manova (2014), Desai, Foley and Forbes (2008)

17. May 25 ☉ : Trade and Institutions. Nunn (2007), Acemoglu, Antràs and Helpman (2007), Helpman and Itskhoki (2010), Cuñat and Melitz (2012)

18. May 27 ☉ : Project Proposals

19. June 1* ☉ : Project Proposals

* class to be rescheduled

☉ in-class presentations

Reading List

Starred articles (*) will be covered at length.

1 Firms and the Decision to Export

1.1 Theoretical Models with Firm Heterogeneity

- * Melitz, M. (2003). "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity." *Econometrica* 71(6), p.1695-725.
- * Bernard, A., Redding, S. and P. Schott (2007). "Comparative Advantage and Heterogeneous Firms." *Review of Economic Studies* 74(1), p. 31-66.
- * Chaney, T. (2008). "Distorted Gravity: The Intensive and Extensive Margins of International Trade." *American Economic Review* 98(4), p.1707-21.
- * Melitz, M. and G. Ottaviano (2008). "Market Size, Trade and Productivity." *Review of Economic Studies* 75(1), p.295-316.
- * Bernard, A., Eaton, J., Jensen, B. and S. Kortum (2003). "Plants and Productivity in International Trade." *American Economic Review* 93(4), p.1268-90.
- Arkolakis, C. (2010). "Market Penetration Costs and the New Consumers Margin in International Trade." *Journal of Political Economy* 118(6), p.1151-99.
- * Arkolakis, C., Costinot, A. and A. Rodriguez-Clare (2012). "New Trade Models, Same Old Gains?" *American Economic Review* 102(1), p.94-130.
- * Melitz, M. and S. Redding (2014). "New Trade Models, New Welfare Implications." *Harvard University mimeo*.

1.2 Empirical Evidence on Firm Heterogeneity

- * Bernard, A., Jensen, B. and P. Schott (2007). "Importers, Exporters, and Multinationals: A Portrait of Firms in the U.S. that Trade Goods." In Dunne, T., Jensen, B. and M. Roberts (eds). *Producer Dynamics: New Evidence from Micro Data*. University of Chicago Press, 2009.
- * Bernard, A. and B. Jensen (1995). "Exporters, Jobs and Wages in U.S. Manufacturing, 1976-1987." *Brookings Papers on Economic Activity: Microeconomics* p.67-119.
- * Eaton, J., Kortum, S. and F. Kramarz (2011). "An Anatomy of International Trade: Evidence from French Firms." *Econometrica* 79(5), p.1453-98.
- * Eaton, J., Kortum, S. and F. Kramarz (2004). "Dissecting Trade: Firms, Industries, and Export Destinations." *American Economic Review P&P* 94, p.150-4.
- * Helpman, E., Melitz, M. and Y. Rubinstein (2008). "Estimating Trade Flows: Trading Partners and Trading Volumes." *Quarterly Journal of Economics* 123, p.441-87.
- * Broda, C. and D. Weinstein (2006). "Globalization and the Gains from Variety." *Quarterly Journal of Economics* 121(2), p.541-85.
- * Hummels, D. and P. Klenow (2005). "The Variety and Quality of a Nation's Exports." *American Economic Review* 95, p.704-23.

* Eaton, J., Eslava, M., Kugler, M. and J. Tybout (2008). "The Margins of Entry into Exports Markets: Evidence from Columbia." In Helpman, E., Marin, D. and T. Verdier (eds). *The Organization of Firms in a Global Economy*. Cambridge, MA: Harvard University Press, 2008.

Tybout, J. (2001). "Plant- and Firm-level Evidence on the 'New' Trade Theories." NBER Working Paper No. 8418. In Choi, E. and J. Harrigan (eds). *Handbook of International Trade*. Oxford: Basil-Blackwell, 2003.

Costinot, A., Donaldson, D. and I. Komunjer (2012). "What Goods Do Countries Trade? A Quantitative Exploration of Ricardo's ideas." *Review of Economic Studies* 79, p.581-608.

1.3 Learning by Exporting

De Loecker, J. (2007). "Do Exports Generate Higher Productivity? Evidence from Slovenia." *Journal of International Economics* 73, p.69-98.

Bernard, A. and B. Jensen (1999). "Exceptional Exporter Performance: Cause, Effect, or Both?" *Journal of International Economics* 47(1), p.1-25.

Aw, B., Chung, S. and M. Roberts (2000). "Productivity and Turnover in the Export Market: Micro-level Evidence from the Republic of Korea and Taiwan(China)." *World Bank Economic Review* 14(1), p.65-90.

Clerides, S., Lach, S. and J. Tybout (1998). "Is Learning by Exporting Important? Micro-dynamic Evidence from Colombia, Mexico, and Morocco." *Quarterly Journal of Economics* 113(3), p.903-47.

Bai, X, Krishna, K. and H. Ma (2013) "How You Export Matters: Export Mode, Learning and Productivity in China." *Penn State University mimeo*.

1.4 Trade Liberalization and Wage Inequality

* Pavcnik, N. (2002). "Trade Liberalization, Exit, and Productivity Improvements: Evidence from Chilean Plants." *Review of Economic Studies* 69, p.245-76.

Bernard, A., Jensen, B. and P. Schott (2006). "Trade Costs, Firms and Productivity." *Journal of Monetary Economics* 53(5), p.917-37.

Bustos, P. (2011). "The Impact of Trade Liberalization on Skill Upgrading: Evidence from Argentina." *CREI mimeo*.

* Bustos, P. (2011). "Trade Liberalization, Exports, and Technology Upgrading: Evidence on the Impact of MERCOSUR on Argentinian Firms." *American Economic Review* 101, p.304-40.

Muendler, M. (2004). "Trade, Technology and Productivity: A Study of Brazilian Manufacturers, 1968-1998." *UCSD mimeo*.

Atkin, D. (2012) "Endogenous Skill Acquisition and Export Manufacturing in Mexico." NBER Working Paper 18266.

Autor, D., Dorn, D. and G. Hanson (2013). "Adjustment to Trade: Worker Level Evidence." *Quarterly Journal of Economics* 129(4), p.1799-1860.

Autor, D., Dorn, D. and G. Hanson (2013). "Untangling Trade and Technology: Evidence from Local Labor Markets." *MIT mimeo*.

Yeaple, S. (2005). "A Simple Model of Firm Heterogeneity, International Trade, and Wages." *Journal of International Economics* 65(1), p.1-20.

1.5 The Relevance of Sunk Costs

* Roberts, M. and J. Tybout (1997). "The Decision to Export in Colombia: An Empirical Model of Entry with Sunk Costs." *American Economic Review* 87(4), p.545-64.

* Dixit, A. (1989a). "Entry and Exit Decision under Uncertainty." *Journal of Political Economy* 97(3), p.620-38.

Dixit, A. (1989b). "Hysteresis, Import Penetration, and Exchange Rate Pass-Through." *Quarterly Journal of Economics* 104(2), p.205-28.

Das, M., Roberts, M. and J. Tybout (2007). "Market Entry Costs, Producer Heterogeneity and Export Dynamics." *Econometrica* 75(3), p.837-73.

Albornoz, F., Calvo Pardo, H., Corcos, G. and E. Ornelas (2012). "Sequential Exporting." *Journal of International Economics* 88(1), p.17-31.

Bernard, A. and B. Jensen (2004). "Why Some Firms Export." *The Review of Economics and Statistics* 86(2), p.561-9.

1.6 Quality and Trade

* Verhoogen, E. (2008). "Trade, Quality Upgrading and Wage Inequality in the Mexican Manufacturing Sector." *Quarterly Journal of Economics* 123 (2), p. 489-530.

* Kugler, M. and E. Verhoogen (2012). "Prices, Plant Size and Product Quality." *Review of Economics Studies* 79(1), p.307-39.

* Manova, K. and Z. Zhang (2012). "Export Prices across Firms and Destinations." *Quarterly Journal of Economics* 127(1), p.379-436.

Baldwin, R. & J. Harrigan (2011). "Zeros, Quality and Space: Trade Theory and Trade Evidence," *American Economic Journal: Microeconomics* 3, p.60-88.

Hallak, J.-C. and J. Sivadasan (2013). "Product and process productivity: Implications for quality choice and conditional exporter premia." *Journal of International Economics* 91(1), p. 53-67.

Hummels, D. and P. Klenow (2005). "The Variety and Quality of a Nation's Exports." *American Economic Review* 95(3), p. 704-723.

Johnson, R. (2012). "Trade and Prices with Heterogeneous Firms." *Journal of International Economics* 86(1), p.43-56.

Khandelwal, A. (2010). "The Long and Short (of) Quality Ladders." *Review of Economics Studies* 77, p.1450-76.

Dragusanu, R., Giovannucci, D. and N. Nunn (2014). "The Economics of Fair Trade." *Journal of Economic Perspective* 28(3), p.217-36.

1.7 Multi-Product Firms

* Bernard, A., Redding, S. and P. Schott (2010). "Multi-Product Firms and Product Switching." *American Economic Review* 100, p.70-97.

* Bernard, A., Redding, S. and P. Schott (2011). "Multi-Product Firms and Trade Liberalization." *Quarterly Journal of Economics* 126(3), p.1271-318.

Bernard, A., Redding, S. and P. Schott (2009). "Products and Productivity." *Scandinavian Journal of Economics* 111, p.681-709.

Dhingra, S. (2013) "Trading Away Wide Brands for Cheap Brands." *American Economic Review* 103, p.2554-84.

Eckel, C. and P. Neary (2010). "Multi-Product Firms and Flexible Manufacturing in the Global Economy." *Review of Economics Studies* 77, p.188-217.

Eckel, C., Iacovone, L., Javorcik, B. and P. Neary (2015). "Multi-Product Firms at Home and Away: Cost- versus Quality-Based Competence." *Journal of International Economics* 95(2), p.216-32.

Manova, K. and Z. Zhang (2013). "Multi-Product Firms and Product Quality." NBER Working Paper 18637.

Atkin, D. (2013). "Trade, Tastes and Nutrition in India." *American Economic Review* 103(5), p.1629-63.

2 Firms and the Decision to Invest Abroad

2.1 Horizontal FDI and the Proximity-Concentration Hypothesis

* Brainard, L. (1997). "An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade." *American Economic Review* 87(4), p.520-44.

* Markusen, J. and A. Venables (2000). "The Theory of Endowment, Intra-industry and Multi-national Trade." *Journal of International Economics* 52, p.209-34.

* Helpman, E., Melitz, M. and S. Yeaple (2004). "Exports versus FDI with Heterogeneous Firms." *American Economic Review* 94(1), p.300-16.

Markusen, J. (1984). "Multinationals, Multi-Plant Economies, and the Gains from Trade." *Journal of International Economics* 16, p.205-26.

Markusen, J. (1995). "The Boundaries of Multinational Enterprises and the Theory of International Trade." *Journal of Economic Perspectives* 9(2), p.169-89.

Markusen, J. and A. Venables (1998). "Multinational Firms and the New Trade Theory." *Journal of International Economics* 46(2), p.183-203.

Markusen, J. (2002). *Multinational Firms and the Theory of International Trade*. Cambridge, MA: MIT Press.

Ramondo, N. (2013). "A Quantitative Approach to Multinational Production." *Journal of International Economics* 93(1), p.108-22.

2.2 Vertical FDI

* Helpman, E. (1984). "A Simple Theory of International Trade with Multinational Corporations." *Journal of Political Economy* 92(3), p.451-71.

* Carr, D., Markusen, J. and K. Maskus (2001). "Estimating the Knowledge-Capital Model of the Multinational Enterprise." *American Economic Review* 91(3), p.693-708.

* Yeaple, S. (2003a). "The Role of Skill Endowments in the Structure of U.S. Outward FDI." *Review of Economics and Statistics* 85(3), p.726-34.

* Yeaple, S. (2003b). "The Complex Integration Strategies of Multinationals and Cross Country Dependencies in the Structure of FDI." *Journal of International Economics* 60, p.293-314.

* Hanson, G., Mataloni, R. and M. Slaughter (2001). "Expansion Strategies of U.S. Multinational Firms." In Rodrik, D. and S. Collins (eds). *Brookings Trade Forum*, p.245-82.

Antràs, P., Garicano, L. and E. Rossi-Hansberg (2006). "Offshoring in a Knowledge Economy." *Quarterly Journal of Economics* 121(1), p.31-77.

Helpman, E. and P. Krugman (1985). *Market Structure and Foreign Trade*, Chapter 12. Cambridge, MA: MIT Press.

Yi, K. (2003). "Can Vertical Specialization Explain the Growth of World Trade?" *Journal of Political Economy* 111(1), p.52-102.

Tintelnot, F. (2013). "Global Production with Export Platforms." *Chicago University mimeo*.

Alviarez, V. (2013). "Multinational Production and Comparative Advantage." *University of Michigan mimeo*.

2.3 The Boundaries of the Multinational Firm

* Antràs, P. (2003). "Firms, Contracts, and Trade Structure." *Quarterly Journal of Economics* 118(4), p.1375-418.

* Antràs, P. (2005). "Incomplete Contracts and the Product Cycle," *American Economic Review* 95(4), p.1054-73.

* Antràs, P. and E. Helpman (2004). "Global Sourcing." *Journal of Political Economy* 112, p.552-80.

* Antràs, P. and E. Helpman (2008). "Contractual Frictions and Global Sourcing." In Helpman, E., Marin, D. and T. Verdier (eds). *The Organization of Firms in a Global Economy*. Cambridge, MA: Harvard University Press, 2008.

* Yeaple, S. (2006). "Offshoring, Foreign Direct Investment, and the Structure of U.S. Trade." *Journal of the European Economic Association* 4, p.602-11.

* Nunn, N. and D. Trefler (2008). "The Boundaries of the Multinational Firm: An Empirical Analysis." In Helpman, E., Marin, D. and T. Verdier (eds). *The Organization of Firms in a Global Economy*. Cambridge, MA: Harvard University Press, 2008.

* Bernard, A., Jensen, B., Redding, S. and P. Schott (2008). "Intra-Firm Trade and Product Contractibility." *American Economic Review P&P* 100, p.444-8. (longer version on Bernard's website)

* Feenstra, R. and G. Hanson (2005). "Ownership and Control in Outsourcing to China: Estimating the Property-Rights Theory of the Firm." *Quarterly Journal of Economics* 120(2), p.729-61.

Branstetter, L., Fisman, R. and F. Foley (2006). "Do Stronger Intellectual Property Rights Increase International Technology Transfer? Empirical Evidence from U.S. Firm-Level Panel Data." *Quarterly Journal of Economics* 121(1), p. 321-49

Helpman, E. (2006). "Trade, FDI and the Organization of Firms." *Journal of Economic Literature* 44, p.589-630.

Grossman, G. and E. Helpman (2002). "Integration vs. Outsourcing in Industry Equilibrium." *Quarterly Journal of Economics* 117(1), p.85-120.

Desai, M., Foley, F. and J. Hines (2004). "Foreign Direct Investment in a World of Multiple Taxes." *Journal of Public Economics* 88(12), p.2727-44.

2.4 Global Supply Chains

Antràs, P. and D. Chor (2013). "Organizing the Global Value Chain." *Econometrica* 81, p.2127-204.

Johnson, R. and G. Noguera (2012). "Accounting for Intermediates: Production Sharing and Trade in Value Added." *Journal of International Economics* 86, p.224-36.

Johnson, R. and A. Moxnes (2013). "Technology, Trade, and the Pattern of Trade with Multi-Stage Production." *Dartmouth College mimeo*.

Manova, K. and Z. Yu (2013). "Firms and Credit Constraints along the Global Value Chain: Processing Trade in China." NBER Working Paper 18561.

Goldberg, P., Khandelwal, A., Pavcnik, N. and P. Topalova (2010). "Imported Intermediate Inputs and Domestic Product Growth: Evidence from India." *Quarterly Journal of Economics* 125, p.1727-67.

Alfaro, L. and A. Charlton (2009). "Intra-Industry Foreign Direct Investment." *American Economic Review* 99, p.2096-119.

Boler, E.A., Moxnes, A. and K.H. Ulttveit-Moe (2014). "Technological Change, International Sourcing, and the Joint Impact on Productivity." *Dartmouth College mimeo*.

3 Institutional and Market Frictions

3.1 Capital Market Frictions

* Manova, K. (2013). "Credit Constraints, Heterogeneous Firms and International Trade." *Review of Economic Studies* 80, p.711-44.

* Manova, K. (2008). "Credit Constraints, Equity Market Liberalizations and International Trade." *Journal of International Economics* 76, p.33-47.

* Antràs, P., Desai, M. and F. Foley (2009). "Multinational Firms, FDI Flows and Imperfect Capital Markets." *Quarterly Journal of Economics* 124, p.1171-219.

* Manova, K., Wei, S.-J. and Z. Zhang (2011). "Firm Exports and Multinational Activity under Credit Constraints." NBER Working Paper 16905.

* Bilir, K., Chor, D., and K. Manova (2014). "Host Country Financial Development and Multinational Activity." *Stanford University mimeo*.

* Desai, M., Foley, F. and K. Forbes (2008). "Financial Constraints and Growth: Multinational and Local; Firm Responses to Currency Depreciations." *Review of Financial Studies* 21(6), p.2857-88.

Foley, F. and K. Manova (2015). "International Trade, Multinational Activity, and Corporate Finance." *Annual Review of Economics* (forthcoming).

Antràs, P. and R. Caballero (2007). "Trade and Capital Flows: A Financial Frictions Perspective." *Journal of Political Economy* 117, p.701-44.

Do, Q. and A. Levchenko (2007). "Comparative Advantage, Demand for External Finance, and Financial Development." *Journal of Financial Economics* 86(3), p.796-834.

3.2 Labor Market Frictions

* Helpman, E. and O. Itskhoki (2010). "Labor Market Rigidities, Trade and Unemployment." *Review of Economic Studies* 77(3), p.1100-37.

* Cuñat, A. and M. Melitz (2012). "Volatility, Labor Market Flexibility and Comparative Advantage." *Journal of the European Economic Association* 10(2), p.225-54.

Helpman, E., Itskhoki, O. and S. Redding (2010). "Inequality and Unemployment in a Global Economy." *Econometrica* 78, p.1239-83.

Helpman, E., Itskhoki, O., Muendler, M. and S. Redding (2013). "Trade and Inequality: From Theort to Estimation." NBER Working Paper 17991.

Davis, D. (1998). "Does European Unemployment Prop Up American Wages? National Labor Markets and Global Trade." *American Economic Review* 88, p.478-94.

Davis, D. and J. Harrigan (2011). "Good Jobs, Bad Jobs, and Trade Liberalization." *Journal of International Economics* 84, p.26-36.

Frias, J., Kaplan, D. and E. Verhoogen (2012). "Exports and Within-Plant Wage Distributions: Evidence from Mexico." *American Economic Review P&P* 102(3): 435-40.

3.3 Imperfect Contract Enforceability

* Nunn, N. (2007). "Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade." *Quarterly Journal of Economics* 122(2), p.569-600.

* Acemoglu, D., Antràs, P. and E. Helpman (2007). "Contracts and Technology Adoption." *American Economic Review* 97(3), p.916-43.

Antràs, P. (2005). "Incomplete Contracts and the Product Cycle." *American Economic Review* 95(4), p.1054-73.

Berkowitz, D., Moenius, J. and K. Pistor (2006). "Trade, Law and Product Complexity." *Review of Economics and Statistics* 88(2), p.363-73.

Levchenko, A. (2007). "Institutional Quality and International Trade." *Review of Economic Studies* 74(3), p.791-819.

Levchenko, A. (2013). "International Trade and Institutional Change." *Journal of Law, Economics, and Organization* 29(5), p.1145-81.

Chor, D. (2010). "Unpacking Sources of Comparative Advantage: A Quantitative Approach." *Journal of International Economics* 82, p.152-67.

Costinot, A. (2007). "On the Origins of Comparative Advantage." *Journal of International Economics* 77(2), p.255-64.