

Lehrstuhl für Internationale wirtschaftliche Beziehungen/Chair for International Economics  
Prof. Dr. Kohler, Dr. Gurbaxani, Dr. Felbermayr, Yalcin  
Wintersemester/Winter 2005/05

**Hauptseminar/Seminar**

**„Monopolistic Competition and International Trade: Theory and Evidence“**

**Overview:**

- Online applications from July 11<sup>th</sup> to July 15<sup>th</sup> at [www.uni-tuebingen.de/uni/wwb/homepage/Seminar.html](http://www.uni-tuebingen.de/uni/wwb/homepage/Seminar.html).
- Only complete and timely online applications can be considered. All communication concerning the seminar will be handled online via this website.
- In the first week of the winter term, topics will be assigned to teams of two students each (see the topics list). Further organizational details can be discussed.
- Students submit a first draft of their paper on January 23<sup>th</sup> at the latest online in pdf format.
- Presentations take place from February 2<sup>nd</sup> to February 3<sup>rd</sup> in a 2-days compact seminar
- Teams jointly present their paper (45 minutes) and answer questions of the audience. Working language of the seminar is English.
- After presentation, students incorporate the feedback into their papers and submit a final version (2 hardcopies) by February 28<sup>th</sup>.
- Successful completion yields 4 credit points (Leistungspunkte). Students may acquire two additional credit points (total of 6) by sitting a short exam (probably towards end of February).
- Your tutor for the seminar is [gabriel.felbermayr@uni-tuebingen.de](mailto:gabriel.felbermayr@uni-tuebingen.de). Please send any inquiries/comments/suggestions to him only.

**Admission:** We admit 24 students for 12 topics; see below for the list of topics. Selection is based on whether students have already completed a trade theory course (preferably “Außenwirtschaftstheorie und –politik I” or “Außenwirtschaftstheorie und –politik II” here in Tübingen, or similar courses elsewhere), and on the grades achieved. Admitted candidates will receive a notification before the end of July. Nota bene: Information will be checked with the examination office (Prüfungsamt). Wrong information automatically leads to your elimination from the admission process.

**Draft submission:** Students submit a draft of their paper before the presentation. A draft is not just a collection of ideas; it is an “almost ready” paper. The draft must have a clear structure, including all data sources to be used and a full list of references used. You will get feedback on the draft to produce a final version which will be graded.

**Grading:** The seminar is meant to foster team work among students. Students receive our feedback at their presentations – not before. After the presentations, students revise their papers, based on our feedback and the discussion. Grading will be based on the written paper (60%), and on how students could handle questions/criticism/etc. during their presentations (40%). Team members receive equal grading on the first part

(written final version), but individual grading on the performance in the presentation sessions. Successful students are awarded 4 credit points. Students may acquire additional 2 points by sitting a written exam of 1 hour length on the topics of the seminar.

**The exam** (towards 6 points) is voluntary. It will contain three review questions, out of which candidates chooses two. The questions will cover the material presented during the seminar. Negative assessment of the exam leads to a negative result for the entire seminar. In case of a positive exam result, the end grade is a weighted average of grades on the paper (40%), the presentation (27%), and the exam (33%).

### **A good paper**

1. has a clear structure: (1) Introduction/Motivation (Why is the topic important? What has the earlier literature said? What is the contribution of the papers reviewed?), (2) Main body of the paper (Derivation of results, clear presentation of what you intend to tell the reader), (3) Summary/Conclusion (State the main results/findings – theoretical/empirical – of your paper in concise form). Your paper should also involve a personal assessment. This is where your opinion comes in: What should people take home from your presentation? What do you like/dislike about the articles you have studied? What are the new questions raised, but not answered in these articles? A concise statement of your own evaluation of the research that you have studied should be found in the Summary/Conclusion.
2. is clean (correct mathematics, neat editing, consistent notation – explaining all symbols appropriately, clean citations). On citations: Please follow standard format found in the literature, for instance *Journal of Economic Literature*, *Journal of Economic Perspectives*, oder *American Economic Review*. You may choose your own style, but pay attention to completeness and consistency
3. has neat and clear table and figures, with clear legend and sources. Please generate your own figures and tables and abstain from “copy & paste”.
4. is around 20 pages in length (including tables and figures)
5. **above all:** contains own comments, thoughts, extensions, presentation of empirical material etc.

## List of Topics:

- 1) Monopolistic competition and international trade with and without transportation costs
- 2) Agglomeration and international inequality
- 3) On the importance of market access for economic outcomes
- 4) The home market effect
- 5) Testing the imperfect competition model
- 6) Decomposing trade costs: tariffs, transport costs, etc.
- 7) The importance of borders for bilateral trade
- 8) Migration and trade
- 9) Trade growth along the extensive and the intensive margin
- 10) Dixit-Stiglitz love for variety vs. Lancaster ideal variety: Theory and Empirics
- 11) Firm heterogeneity and trade at the intensive and extensive margin: Theory and Evidence
- 12) Delivery time and the costs of trade

## Literature:

### *General Background:*

- [1] Choi/Harrigan, eds. (2003). Handbook of International Trade. Blackwell Economics Handbooks, Part IV.
- [2] Feenstra, R. (2004). Advanced International Trade. Theory and Evidence.
- [3] Fujita, Krugman, Venables (1999). Spatial Economics. MIT Press.
- [4] Grossman/Rogoff, eds. (1995). Handbook of International Economics, Chapter 1 (by P. Krugman).

### *Special references for the topics:*

- ad 1) Fujita, M., P. Krugman and A.J. Venables (1999). *The Spatial Economy*. Cambridge, MA: MIT Press.
- ad 2) Redding, S., and T. Venables (2004). Economic Geography and International Inequality. *Journal of International Economics* **62**(1): 53-82.
- ad 3) Overman, H., S. Redding, and A.J. Venables (2003). Trade and Geography: A Survey of Empirics. In E.K. Choi and J. Harrigan (eds.), *Handbook of International Trade*. Oxford: Blackwell.
- ad 4) Fujita, M., P. Krugman and A.J. Venables (1999). *The Spatial Economy*. Cambridge, MA: MIT Press. Chapter 4.  
Davis, D.R. and D.E. Weinstein (1999). Economic Geography and Regional Production Structure: An Empirical Investigation. *European Economic Review* **43**(2): 379-407.

- ad 5) Helpman, E. (1987). Imperfect Competition and International Trade: Evidence from Fourteen Industrial Countries. *Journal of the Japanese and International Economies* **1**: 62-81.  
Debaere, P. (2005). Monopolistic Competition and Trade, Revisited: Testing the Model without Testing for Gravity. *Journal of International Economics* **66**: 249-266.
- ad 6) Baier, S. and J.H. Bergstrand (2001). The Growth of World Trade: Tariffs, Transport Costs, and Income Similarity. *Journal of International Economics* **53**: 1-27.  
Andersen, J.E. and E. van Wincoop (2003). Gravity with Gravitas: A Solution to the Border Puzzle. *The American Economic Review* **93**(1): 170-192.
- ad 7) McCallum, J. (1995). National Borders Matter. *American Economic Review* **85**: 615-23.  
Andersen, J.E. and E. van Wincoop (2003). Gravity with Gravitas: A Solution to the Border Puzzle. *The American Economic Review* **93**(1): 170-192.
- ad 8) Head, K. and J. Ries (1998). Immigration and Trade Creation: Econometric Evidence from Canada. *Canadian Journal of Economics* **31**(1): 47-62.  
Godart O. and F. Toubal (2005). Cross the Border and Close the Gap. How Do Migrants Enhance Trade? *Tübinger Diskussionsbeitrag* 289.
- ad 9) Felbermayr, G. and W. Kohler (2005). On the Two Margins of Globalization. In Whalley, J. (ed.), *Dissecting Globalization*. Cambridge: MIT Press. (forthcoming).  
Helpman, E., M. Melitz and Y. Rubinstein (2005). Trading Partners and Trading Volumes. Mimeo, Harvard University.
- ad 10) Hummels, D. and P. J. Klenow (2005). The Variety and Quality of a Nation's Exports. *American Economic Review* (forthcoming), longer NBER Working Paper version available.  
Hummels, D. and V. Lugovskyy (2004). Trade in Ideal Variety: Theory and Evidence. Mimeo Purdue University.
- ad 11) Melitz, M. (2003). The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity. *Econometrica* **71**: 1695-1725.  
Chaney, T. (2005). Distorted gravity: Heterogeneous Firms, Market Structure and the Geography of International Trade. Mimeo MIT.
- ad 12) Harrigan, J. and A.J. Venables (2005). Timliness, Trade, and Agglomeration. *NBER Working Paper 10404*.