

ECON 8401
INTERNATIONAL TRADE AND PAYMENTS THEORY
SOME IDEAS FOR RESEARCH PROJECTS

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- 1. Self-fulfilling crises:** Could the sort of financial crisis that is currently threatening some countries in the Eurozone threaten the United States? Does it make a difference that the United States can easily inflate away some of its debt?
- 2. Crises and the drop in world trade:** World trade fell sharply during the 2008–2009 financial crisis, although it now seems to be recovering. What countries experienced the sharpest declines? What goods? Propose a model to account for these patterns.
- 3. International transmission and contagion:** The recent financial crisis has impacted economies around the globe. What theories explain how negative shocks transmitted from country to country? How do these theories fit the data from the current crisis?
- 4. Sudden stops and the U.S. economy:** What would be the impact on the U.S. economy and the world economy if foreigners stopped lending to the United States? Propose a model. Look at the data relevant to this model.
- 5. Antiglobalization:** Look at the economic arguments made by the antiglobalization movement. Construct a model that formalizes some of these arguments. Look at the data relevant to this model.
- 6. World trade patterns:** Who trades with whom and how much? Investigate how the gravity “model” fits world trade flows. Investigate what are the goods that countries trade.
- 7. World capital flows:** Who invests where and how much? Look at the patterns of foreign investment, both direct and portfolio investment. Re-examine Lucas’s famous question, “Why doesn’t capital flow from rich countries to poor countries?” in the wake of the explosion of “emerging markets” investment over the past two decades.
- 8. Industrial organization and trade liberalization:** Look at a country that has gone through trade liberalization, for which there is good industrial organization data available, such as industrial census data. What do models say should have happened to things like average firm size and the number of firms? What happened?
- 9. Transnational corporations and intraindustry trade:** Study models of transnational corporations. Find data on trade within such corporations. Propose a new model.
- 10. International trade and the wage gap:** Study models of the impact of international trade on income inequality. Compare the experiences of different countries. Propose a new model.

- 11. International trade and the environment:** Study models of the impact of international trade on the environment. Compare the experiences of different countries. Propose a new model.
- 12. Trade and growth:** What do models say should happen to developing countries that decide to liberalize their foreign trade and investment policies? Study the experiences of one or more countries.

There is a graduate textbook, R. C. Feenstra, *Advanced International Trade: Theory and Evidence*. Princeton University Press, 2003, that contains some interesting exercises matching trade theory with data. The exercises and the data are available on Feenstra's web site: <http://www.econ.ucdavis.edu/faculty/fzfeens/textbook.html>.