

Evaluating the impact of Trade on Industry.

In this course, we will cover methods used to evaluate the effect of trade on Industry through the lens of firms and products. In particular we will look at the effect of trade liberalization on (a) firm level productivity, (b) average productivity at the Industry level (which may be affected by the reallocation of output towards more productive firms) and (c) changing mix of products within firms.

To delve into these issues, the course will provide a background on standard methods to measure firm productivity. There-after, with a general overview on the literature that links trade to firm behaviour, we will move to some recent research that looks at the evidence in the context on India.

A. Lecture 1: Background on Productivity Estimation & Trade-Firm Link

(i) Productivity Estimation:

[1] Olley, S. and Pakes, A. (1996). "The Dynamics Of Productivity In The Telecommunications Equipment Industry", *Econometrica*, Vol. 64, No.6, 1263-1298. [Read pages 1270-1279]

[2] Levinsohn, J. and Petrin, A. (2003). "Estimating Production Functions using Inputs to Control for Unobservables", *Review of Economic Studies*, Vol. 70, No.2, 317-341 [Read pages 318-323]

(ii) Plant and Firm Level Analysis in the Context of Trade

1. [1] James Tybout (2001) "Plant and Firm Level Evidence on "New" Trade Theories", NBER Working Paper No. 8418, (a more edited version appears as Chapter 13, *Handbook of International Trade* (edited by E. Kwan Choi, James Harrigan) 2003)

2.

B. Lecture 2: Empirical Methods in the context of India

[1] Goldberg, P., A. Khandelwal, N. Pavcnik and P. Topolova (2010), "Multi-product Firms and Product Turnover in Developing World: Evidence from India", *Review of Economics and Statistics*, Vol. 92, No. 4, 1042-1049.

[2] Goldberg, P., A. Khandelwal, N. Pavcnik and P. Topolova (2010), "Imported Intermediate Inputs and Domestic Product Growth: Evidence from India", *Quarterly Journal of Economics*, Vol. 125, No.4, 1727-1767.

[3] Topolova, P. & A. Khandelwal (2011), "Trade Liberalization and Firm Productivity: The case of India", *Review of Economics and Statistics*, Vol. 93, No. 3, 995-1009