



UPPSALA
UNIVERSITET

Department of Economics
Uppsala University

Uppsala Workshop: Trade, Technology and Heterogeneous Firms

19-20 June 2010 Uppsala, Sweden

Trade liberalization has long drawn the attention of theoretical and applied economists, particularly concerning its welfare and growth implications. With the availability of the latest rich firm level data, which has triggered the investigation on the effects of trade liberalization on productivity and innovation through selection of heterogeneous firms, this interest has revived again. Which are the channels of impact on productivity and growth, what are the labor market implications, and what is the role of product quality dimension of firms' heterogeneity? – these are just some of the still open questions

Organizers

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Topic

Motivated by the observation of large heterogeneity in export behavior across firms even within narrowly defined sectors, the theoretical analysis in international trade has started modeling comparative advantage as an attribute of the firm, a firm specific factor that determines its profit opportunities and the partitioning into exporters and non-exporters.

In this context, a recent wave of empirical investigation has provided evidence that trade liberalization has an effect on productivity at the firm level and at the aggregate level of the economy. One channel through which this effect occurs has been identified: selection of firms, based on their heterogeneity in productivity. Opening to trade or a reduction in the trade costs forces the lower productivity firms to operate only locally, and the least productive firms to exit the market. This leads to reallocation of resources towards more productive, surviving, firms, and the result is an increase in the aggregate productivity 'level' of the economy.

Further studies have attempted to investigate how the expanded opportunities for international trade influence firms' incentives to engage in innovative activities. Our understanding of the eventual impact of trade liberalization on R&D and innovation of the firms and, thus, on the aggregate growth rate of the economy, leads to important implications for trade and R&D investment policies.

Another line of research within this framework focuses on labor market implications of trade liberalization, particularly how it affects countries at different levels of development and aggregate productivity. The heterogeneous agents framework allows for the analysis of trade induced wage inequality not only across countries but within a country or a sector, depending on the specific productivity level of the employed labor. This sheds new light on the mechanisms through which the income differences and development gaps are sustained or even increased over time.

The most recent field of investigations considers different types of innovation and stresses the role of product quality upgrading and firm heterogeneity in quality produced. Empirical findings justify the introduction of a quality dimension in the theoretical modeling as a potential explanatory factor for the observed distribution of trade prices and patterns across the world.

Goal

Those above are still open questions on the research agenda for international trade, firm heterogeneity, industry dynamics and growth. The Workshop intends to provide a panel of presentations on recent theoretical and empirical contributions as an overview of the frontier in this growing research field. Moreover, it would offer a forum for the discussion among academic and institutional researchers along the lines of recently debated topics in this new area. This meeting is designed to benefit the academic interaction of researchers at foreign and Swedish institutions through its international scope. We intend to promote and enlarge the network of researchers in the field, with an expectation of their closer communication and potential co-authorships in the future.

The Workshop will take place on 19-20 June 2010 at the Economics Department, Uppsala University.