

Portland State University
Department of Economics

EC440/540: International Trade

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Literature Review Project

The goal of this project is twofold. First, the literature review portion of this project is intended to make you somewhat of an expert on a small focused area of international microeconomics. Your review of the literature must be tightly written, 8-10 pages, double-spaced, in length. Second, at the end of the literature review I want you to write a final section giving relevant details of a potential viable research paper idea (maximum 2 pages, double-spaced). Below you will find some general guidelines¹ for writing a literature review and a list of common literature sources.

I. What is a literature review?

A literature review is a compilation, classification, and evaluation of what other researchers have written on a particular topic. A literature review normally forms part of a research thesis but it can also stand alone as a self-contained review of writings on a subject. In either case, its purpose is to:

- Place each work in the context of its contribution to the subject under review;
- Describe the relationship of each work to the others under consideration;
- Identify new ways to interpret, and shed light on any gaps in, previous research;
- Resolve conflicts amongst seemingly contradictory previous studies;
- Identify areas of prior scholarship to prevent duplication of effort;
- Point the way forward for further research;
- Place an original piece of research in the context of existing literature.

You can think of the above points as goals to be achieved in the process of writing a literature review. Before you can achieve any of these goals, however, you need to narrow down the possible subject areas into a relatively well-defined problem/issue, research question, or research objective.

II. Selecting the topic and the literature

A. *Pick a topic*

Picking a topic for the project tends to be a daunting task for many students because it is difficult to pick a topic in an area that you don't know much about. A common mistake is spending too much time trying to pick the perfect topic. It is therefore best to do some exploring, than pick a topic and go with it. In the end, the worst that can happen is that you have picked up some valuable research skills, but realize the topic you chose is not one you wish to pursue in the future. That is information you did not have at the beginning of the semester, so it is not a loss at all!

To help yourself with the topic selection here are some things you should definitely do before the first midterm:

1. Read through the "Tentative Outline" section of the syllabus and consider the topics we will be covering in class. These will be a good starting place but keep in mind that topics in the syllabus are very broad and within each there is a wealth of literature to pick from. If you see something interesting at this stage, you will have to narrow down your topic further.

¹ Helpful materials in preparing these guidelines have been obtained from course handouts by Prof. Bruce Blonigen, and the links <http://education.fce.unsw.edu.au/undergraduate/onlineresources.html> , <http://library.ucsc.edu/ref/howto/literaturereview.html> , and http://tlu.ecom.unimelb.edu.au/pdfs/lit_review.pdf

2. Go to the library and look at the main field journal in international trade, *Journal of international Economics* (PSU library location: HF1.J65). Each issue of this journal will have several articles in potential areas of interest. Note that this journal also publishes international finance articles which are not appropriate for this project as I would like you to focus on international trade issues.
3. Browse through some of the links to international organizations and data sources on my website.
4. Once you have selected a topic, your main challenge is to formulate a research question or thesis statement that will help guide you through the process of writing the literature review. This is the part where you really narrow down your topic. The more well-defined your research question (topic, problem/issue) is, the easier it will be to select the papers or texts to be reviewed. In the end, a well-defined topic will allow you to write a literature review that forms a ***focused*** and carefully structured outline of what others have done in the area. Without a well-defined topic your literature review is in danger of becoming a useless “shopping list” of previous research.
5. After you have gone through the above steps, schedule a 15-20 minute appointment with me during which we can discuss your topic, your research question, and any other questions you may have. This needs to happen within the first three weeks of this class.

B. Selecting the literature

Since a literature review itself, does not constitute *new primary scholarship* you might be wondering what exactly you are being graded on. To receive a good grade on your literature review you must demonstrate that you are able to:

- determine what has already been written on a topic
- identify previous approaches to the topic
- identify central issues in the field
- integrate what previous researchers have found
- identify important issues still unresolved

Carefully selecting your papers for review will both necessitate and demonstrate the first three skills mentioned above. Once you have a topic the main way to find related papers is to follow references in the papers you already have. Another way is to do a search on *Econlit* available under the “Databases and Full-Text Resources Link” at <http://www.pdx.edu/library>. Undergraduate texts often have important references in their bibliographies too. If after all these steps you still cannot find more than a handful of articles on your topic, talk to me and we can discuss whether your topic is too narrow.

A common problem at this stage is that students become overwhelmed by the amount of literature they uncover even with a narrowly defined topic. In deciding which papers are important in the literature, one signal, (though not a perfect one by any means) is the quality of the journal in which a paper was published. Top general interest journals that publish a decent amount of trade articles include (in alphabetical order with PSU library call numbers in parentheses):

- American Economic Review (HB1.E26)
- Economic Journal (HB1.E3)
- International Economic Review (HC10.I46)
- Journal of Political Economy (HB1.J7)
- Quarterly Journal of Economics (HB1.Q3)
- Review of Economics and Statistics (HA1.R35 and online through EBSCO Host)
- Review of Economic Studies (HB1.R4 and online through JSTOR)

Other general interest journals with a decent amount of trade articles include:

- Canadian Journal of Economics (HB1.C255)
- *Economica* (HB1.E5 and online through EBSCO Host)
- European Economic Review (HB1.E94 and online through Science Direct)
- Economic Inquiry (HB1.W45 and online through Highwire)
- Southern Economic Journal (HC107.A13 A67 and online through EBSCO Host)
- Other international trade field journals may also be appropriate. Please consult with me if you are not sure whether a given publication or journal is an appropriate source for your review.

At this point it may be useful to have a checklist of the steps you must take in preparing to write a literature review. You need to:

- formulate a problem in your field of study
- familiarize yourself with a broad range of texts that deal with that problem
- decide on the texts you wish to include in your review
- decide on the most appropriate way to classify the texts
- identify the key issues
- critically analyze what you have read
- identify important issues that are still unresolved
- write a draft of the review
- read and think about what you have written and then rewrite.

III. What is the structure of a literature review?

In writing a literature review you need to demonstrate your intellectual ability to recognize relevant information and to synthesize and evaluate it according to the tentative guiding research question/thesis statement you have developed. Your reader wants to know: a) what literature exists, but also b) your informed evaluation of the literature. While reviewing the literature, you need to be answering questions such as:

1. What are the main ideas and contributions that form the core of the literature?
2. Which papers are important and which ones are not?
3. Have there been controversies and how have they been resolved?
4. What are the common assumptions made in the papers you are reviewing?
5. What are the current deficiencies/mistakes and unresolved issues as you see them?
6. Are there important connections to other topics?
7. Has the emphasis been more empirical or theoretical? Why?

In terms of structure, a literature review has an introduction, a body and a conclusion. A brief and very general outline of what each section should contain is given below.

A. Introduction

In the introduction you should:

- define or identify the general topic, issue or area of concern
- point out overall trends in what has already been published
- establish your point of view for reviewing the literature
- indicate the organization of the review.

B. Body

In the body you should:

- group research studies and other relevant literature according to a common theme
- summarize each item of the literature appropriately according to its significance
- compare and evaluate each item of the literature
- provide topic sentences at the beginning of paragraphs and summary sentences at the end of sections to help the reader understand what the main issues are.

Some students find that the most difficult part at this stage is to group the papers they have chosen for review so that their analysis weaves a logical story of how the literature fits together and has progressed over time. For this reason, I have provided below some general guidelines on how you might classify different writings on your topic. You may use the following sub-headings to classify what you have read, or you may narrow the focus of your review to deal with some of these categories only. Or there may be still other categories that are more appropriate for your research. For example:

- research outcomes
- research methods
- theories
- applications
- integration of the works of others
- criticism of previous work
- building of bridges between related topics
- identification of central issue(s).

C. Conclusion

In the conclusion you should:

- summarize the literature maintaining the focus presented in the introduction
- evaluate the current "state of the art", pointing out gaps in the literature, inconsistencies and issues that are important for future study
- conclude by giving some insight into the relationship between your topic and a larger area of study or area of professional practice.

IV. Avoid these mistakes

- Remember that your literature review is a highly considered list and that you make reference to published literature only where necessary. Therefore, your objective in writing a literature review is NOT to do the following:
 - list as many articles and names as possible;
 - try to refer to every piece of literature in the area (this is not possible anyway).
- Remember that, when writing the literature review, you need to demonstrate that you can scan the literature efficiently and appraise information critically. It is, therefore, a bad sign when every paragraph begins with the names of the researchers: "Smith (1992) said...", "Jones (1995) claims...", etc. Instead, organize your review into useful, informative sections that present themes or identify trends (for more information on this see Taylor, D. (2001) "Writing a Literature Review" at <http://www.utoronto.ca/writing/litrev.html>).

V. What makes a good literature review?

A good literature review:

- clearly delimits the subject matter to be reviewed
- covers all important relevant literature
- is up-to-date
- provides an insightful analysis of the ideas and conclusions in the literature
- points out similarities and differences, strengths and weaknesses in the literature
- identifies gaps in the literature for future research
- identifies the context for which the literature is important.

Literature Review Project: Timeline

To aid you in your completion of the literature review project within ten weeks, I suggest the following timeline:

1. Choose your topic by Thursday, February 1st, 2007.

This step involves some preliminary exploration of topics in your general area of interest and formulation of your research question (or statement of your research question). I highly recommend that you set up a 15 – 20 minute appointment with me to discuss your topic during Week 3 (January 22nd – 26th, 2007).

2. Choose the literature you will review by Tuesday, February 13th, 2007.

By Week 6, you must have a fairly good idea of the papers you will review. In this step, you must pick a maximum of 15 journal articles to review (but no fewer than 10 articles). On Tuesday, February 13th, 2007 you need to submit a reference list of the articles you have chosen to review along with a title (statement of the topic) for your literature review.

3. You must submit your final draft of the literature review project in class on Thursday, March 15th, 2007.

Write up your literature review. Your paper must include your proposal for a viable research idea that can be pursued based on the issues in the literature you have considered. I would be happy to meet with you during weeks 9 or 10 to discuss any questions you may have regarding completion of your review.

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Literature Review Project: Sample Grade Sheet

1. Student Name: _____

2. Topic Selection: _____

3. Literature Selection: _____

A. Number of articles: _____

B. Relevance: _____

4. Literature Review: _____

A. Structure _____

B. Language _____

C. Logical Organization _____

5. Discussion of original research idea: _____

6. Comments: _____

6. Overall Grade: _____

Selected Literature Review Topics

1. Regionalism versus Globalization

Multilateral trade negotiations between countries in the World Trade Organization that began as part of the Doha round in 2001, reached a stalemate in July 2006. The collapse in global trade talks was accompanied with a renewed emphasis on regional trade integration (for example the European Union is looking to strengthen trading relations with countries in Asia; India is in the process of signing trade agreements with Japan and the European union; and Asian countries such as China, Japan and South Korea are discussing a regional free trade area with Southeast Asia). This new wave of regionalism comes at a time when the concern over the proliferation of regional trade agreements (RTAs) is already high. While increased openness (albeit regional) has positive effects on growth in per capita income, the preferential nature of RTAs may actually impede the global process of trade liberalization, or even reduce global welfare through inefficient trade flows that divert, rather than create, trade. In addition, there is also a risk that the proliferation of RTAs will lead to web of overlapping agreements that could make the trading system unnecessarily complex.

2. International Technology Transfer through Trade and Foreign Direct Investment (Intellectual Property Rights and Technology Spillover Effects)

Trade plays an important role in economic development through the channel of technology transfer, approximated by total factor productivity. Three strains of factors influence the process of technology transfer; direct effort that is taken to transfer technologies, the capacity to adopt technologies, and differences in the underlying conditions between donor- and receiving countries. In this context, trade in (capital) goods allows technology import and improved input decisions. Second, trade opens export markets, allowing learning-by-doing. Third and most importantly, trade increases the set of accessible technologies, increasing the scope for imitation. Real world data shows that openness to trade and human capital formation have a positive influence on the transfer of technology. Yet methodological problems with the data weaken the practical significance of the results, especially as the precise and fundamental mechanism of spillovers and the factors that condition the degree of technology transfer are not profoundly illuminated. These underlying processes have to be better understood in order to be able to give valuable policy recommendations that will go beyond the general advice of increasing openness and human capital formation.

3. Outsourcing in the New Economy

Trade liberalization is often the focal point for anxiety about job insecurity, and job loss is costly for workers displaced from manufacturing industries where import competition is strong. Comprehensive adjustment and skill-building programs are therefore critical for workers hurt by this process. Unless workers can acquire the education and skills needed to succeed in a highly competitive economy, the long-run political support needed to sustain that economy will fail to develop. The current debate on outsourcing of US white-collar jobs in information technology (IT) to low-wage developing countries has picked up remarkable momentum over the last year. Globalization of IT hardware contributed to rapid productivity and job growth in the 1990s, and globalization of software and IT services likely will spur a second wave of US productivity and job growth. Nevertheless, the specter of losing white-collar IT jobs abroad looms large, and frequently cited projections indicate that millions of jobs could be lost to offshore workers. While some jobs will be done abroad, just as in the 1990s, higher-paid jobs demanding IT skills will grow very quickly in the United States. Public policy must be redirected to assure that US workers can both transition to, and upgrade their skills for, the jobs that globalization and technological change are creating.

4. China and the World Economy

Most analysis of China's growing importance focuses on its rising share of global output and exports. That, in turn, fuels fears that China is stealing production and jobs from the rest of the world. But this misses half the story. It is true that China's trade surplus has increased sharply this year—mainly because the government's efforts to cool fixed investment have cut back imports. But over the past decade, China's imports have risen at the same pace as its exports. So China is giving a big

boost to both global supply and demand. China's impact on the world economy can best be understood as what economists call a "positive supply-side shock". Richard Freeman, an economist at Harvard University, suggests that the entry into the world economy of China, India and the former Soviet Union has, in effect, doubled the global labor force (China accounts for more than half of this increase). This has increased the world's potential growth rate, helped to hold down inflation and triggered changes in the relative prices of labor, capital, goods and assets.

5. Globalization and Income Inequality

Opponents of globalization claim that poor countries are losers from global integration. But recent evidence suggests that this view is not accurate. If you divide poor countries into those that are more globalized and those that are less globalized—with globalization measured simply as a rise in the ratio of trade to national income—you find that more globalized poor countries have grown faster than rich countries, while less globalized countries have seen income per person fall.

Yet there is much concern about inequality in an increasingly globalized world. The developing countries face special risks that globalization and the market reforms that reflect and reinforce their integration into the global economy, will exacerbate inequality, at least in the short run, and raise the political costs of inequality and the social tensions associated with it. The risks are likely to be greatest in the next decade or so, as they undergo the difficult transition to more competitive, transparent and rule-based economic systems with more widespread access to the assets, especially education, which ensure equal access to market opportunities. During that transition, more emphasis on minimizing and managing inequality, on making the market game as nearly as possible a fair one, even in the short run, would minimize the real risks of a protectionist and populist backlash. A backlash would be a shame, as in a perverse twist, it would undermine the benefits that more open and more globally integrated economies and politics can deliver to all the people of the developing world.

6. Trade and the Environment

The industrialized countries are the major contributors to many environmental problems, such as stratospheric ozone depletion, and (despite their often extensive environmental protection efforts) have major domestic environmental problems. Moreover, per capita pollution and resource use is generally much higher in developed countries than in developing countries. For several reasons, however, the countries of the North, along with growing numbers of developing country citizens, are seeking stricter environmental regulation by governments in the South. Unless developing countries participate, some global environmental problems (such as ozone depletion or greenhouse gas emissions) will be very difficult to remedy. Developed countries also worry about competitive impacts of lax environmental standards in developing countries.

Many developing country governments see the North's environmental concerns as self-serving or paternalistic and even a potential assault on sovereignty. From their perspective, the North, which has prospered from a development path that has involved extensive environmental degradation, is asking the South to divert resources needed for development to environmental protection. The South also has called for a "supportive international economic environment" to promote developing country growth and development through such means as market access, terms of trade, and transfer of technology on preferential and noncommercial terms.

There has been general agreement that developing countries need financial help to achieve sustainable development. But there is deep division about specific levels and mechanisms. The developed countries vary in their willingness to pick up the costs, or to add to the current preferences given to developing countries. However, the United States and most other countries of the North generally envision gradual or modest increases in assistance, using current bilateral and multilateral funding mechanisms. These sensitivities and issues form part of the context of North-South environment/trade questions.