

International Economics: Micro- and Macroeconomic Connections

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Class Time:	Daily, 8:00a-11:00a
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1 Course Objectives

This course presents topics in international economics, selected to show both recent advances in the theoretical and empirical foundations of international economics as well as important connections between macroeconomic outcomes, at times set aside in international trade, and microeconomic determinants, at times set aside in international macroeconomics. The course considers the determinants of the trade pattern in goods and services, responses at the firm-level to international economic integration and the global integration of production, and macroeconomic long-term determinants of trade imbalances.

The course is designed to take you from the aggregate evidence and modelling to firm-level microfoundations and then back again to the aggregate. The course will start with a modern theory of sectoral comparative advantage and its relationship to the gravity equation of trade; that theory naturally lends itself to microfoundations based on firm-level innovations. The course will then present novel theories of export participation among diverse firms, theories of multinational production at the firm level, and their relationships to product and factor market outcomes. The course will conclude with a broadening of the analysis to international trade imbalances and current account determination.

2 Prerequisites

A solid command of calculus and economic equilibrium concepts.

3 Readings

All readings are listed in the course schedule, by class date, and collected in the references.

Main readings will become available through the course web page. For each lecture, there are three types of readings. The *theoretical reading* is the main reading on which large parts of a theory lecture will be based. The *empirical reading* is the main reading on which large parts of a predominantly empirical lecture will be based. *Additional readings* offer points of departure for related questions.

Lecture slides will become available for download from the course web page.

4 Problem sets

For your self assessment and to develop your command of theoretical concepts, there are seven problem set questions. The questions are designed so that they should take no longer than an hour-and-a-half to complete, while providing the mathematical tool set to follow the rigorous models and estimation approaches presented in class. The second part of Lectures 4 and 6, on July 30 and August 3, will be dedicated to reviewing lecture material presented up to then and offer an opportunity to discuss select answers to the problem set questions.

5 Assessment

There will be a take-home exam on Friday, August 7. The exam will be handed out at 11am (at the end of the final lecture). The exam is due back either in writing or electronically (location and email to be provided) by 5pm on August 7. You may use any lecture material, online or print resource for your solutions.

No collaboration with classmates or any other person is permitted for the final take-home exam.

6 Class Schedule

Each lecture will be divided into two parts, with the first part taught from 8.00a-9.20a and the second part from 9.30a-10.50a. There will be a 10-minute break between parts at 9.20a and time to discuss material after class at 10.50a. The second part of Lectures 4 and 6, on July 30 and August 3, will be dedicated to reviewing lecture material presented up to then.

1. Mon, July 27, 8.00a-10.50a: Empirical Foundations and the Gravity Equation

Theory reading: Keith Head and Thierry Mayer (2014)

Empirical readings: James E. Anderson and Eric van Wincoop (2003), Jonathan Eaton, Samuel S. Kortum and Sebastian Sotelo (2012)

(Additional readings: Jan Tinbergen 1962, Paul S. Armington 1969, James E. Anderson 1979, James E. Anderson and Eric van Wincoop 2004, Andrew B. Bernard and J. Bradford Jensen 1995, Andrew B. Bernard, J. Bradford Jensen, Stephen J. Redding and Peter K. Schott 2007, Andrew B. Bernard, J. Bradford Jensen and Peter K. Schott 2009, Jonathan Eaton, Samuel Kortum and Francis Kramarz 2004)

2. Tue, July 28, 8.00a-10.50a: Firm Heterogeneity and the Size Distribution

Theory reading: John M. Abowd, Francis Kramarz and Simon Woodcock (2008)

Empirical readings: Robert L. Axtell (2001), Eaton, Kortum and Kramarz (2004), Marc J. Melitz and Daniel Treffler (2012)

(Additional readings: Robert Gibrat 1931, John Sutton 1997; Mark J. Roberts and James R. Tybout 1997, Sofronis K. Clerides, Saul Lach and James R. Tybout 1998; John M. Abowd, Francis Kramarz and David N. Margolis 1999; Luís M. B. Cabral and José Mata 2003; Bernard et al. (2007); Erzo G. J. Luttmer 2007; Marcelo J. Moreira (2009))

3. Wed, July 29, 8.00a-10.50a: Firm Heterogeneity and Trade

Theory reading: Marc J. Melitz (2003), Carsten Eckel and J. Peter Neary (2010)

Empirical reading: Sanghamitra Das, Mark J. Roberts and James R. Tybout (2007)

(Additional reading: Marc J. Melitz and Stephen J. Redding 2014; Thomas Chaney 2008; Andrew B. Bernard, Stephen J. Redding and Peter K. Schott 2011; Costas Arkolakis, Sharat Ganapati and Marc-Andreas Muendler 2014)

- 4. Thu, July 30, 8.00a-10.50a:** Horizontal Foreign Direct Investment
Theory readings: S. Lael Brainard (1997), Elhanan Helpman, Marc J. Melitz and Stephen R. Yeaple (2004)
Empirical reading: Elhanan Helpman, Marc Melitz and Yona Rubinstein (2008)
(Additional readings: Pol Antràs and Stephen R. Yeaple 2014; Karolina Ekholm, Rikard Forslid and James R. Markusen 2007; James R. Markusen and Anthony J. Venables 2000)
- 5. Fri, July 31, 8.00a-10.50a:** Firm Boundaries and Vertical Foreign Direct Investment
Theory reading: Pol Antràs (2003)
Empirical readings: Robert C. Feenstra and Gordon H. Hanson (1999), Nathan Nunn and Daniel Trefler (2008)
(Additional readings: Pol Antràs and Elhanan Helpman 2004; Gordon H. Hanson, Raymond J. Mataloni and Matthew J. Slaughter 2005; Gene M. Grossman and Esteban Rossi-Hansberg 2008; Robert Koopman, Zhi Wang and Shang Jin Wei 2014)
- 6. Mon, August 3, 8.00a-10.50a:** Multinational Activity and Employment
Empirical reading: Marc-Andreas Muendler and Sascha O. Becker (2010)
Theory readings: Elhanan Helpman (2006)
(Additional readings: David L. Carr, James R. Markusen and Keith E. Maskus 2001, Bruce A. Blonigen, Ronald B. Davies and Keith Head 2003, David L. Carr, James R. Markusen and Keith E. Maskus 2003; Mihir A. Desai, C. Fritz Foley and James R. Hines 2009)
- 7. Tue, August 4, 8.00a-10.50a:** Trade and Employment
Theory reading: Stephen R. Yeaple (2005), Elhanan Helpman, Oleg Itskhoki and Stephen Redding (2010)
Empirical reading: Elhanan Helpman, Oleg Itskhoki, Marc-Andreas Muendler and Stephen Redding (2012)
(Additional readings: Carl Davidson and Steven J. Matusz 2004; Erhan Artuç, Shubham Chaudhuri and John McLaren 2010; Mary Amiti and Donald R. Davis 2011; Matilde Bombardini, Giovanni Gallipoli and German Pupato 2012; Samuel Bazzi, Naércio Aquino Menezes-Filho and Marc-Andreas Muendler 2014)
- 8. Wed, August 5, 8.00a-10.50a:** Intertemporal Trade and Open-economy Puzzles
Theory reading: Maurice Obstfeld and Kenneth Rogoff (1996)/Ch. 1
Empirical readings: Karen K. Lewis (1995), Maurice Obstfeld and Kenneth Rogoff (2001)
(Additional reading: Robert E. Jr. Lucas 1982)
- 9. Thu, August 6, 8.00a-10.50a:** Current Account Dynamics
Theory reading: Obstfeld and Rogoff (1996)/Ch. 2
Empirical reading: James M. Nason and John H. Rogers (2006)
(Additional readings: David K. Backus, Patrick J. Kehoe and Finn E. Kydland 1992; Pinelopi K. Goldberg and Michael M. Knetter 1997; V. V. Chari, Patrick J. Kehoe and Ellen R. McGrattan 2002; Fabio Ghironi and Marc J. Melitz 2005)
- 10. Fri, August 7, 8.00a-10.50a:** The Real Exchange Rate, Terms of Trade and Nontraded Goods
Theory reading: Rudiger Dornbusch, Stanley Fischer and Paul A. Samuelson (1977), Obstfeld and Rogoff (1996)/Ch. 4
(Additional readings: Jonathan Eaton and Samuel Kortum 2002, Robert Dekle, Jonathan Eaton and Samuel Kortum 2007, Jonathan Eaton and Samuel Kortum 2012)
- Take-home Exam. Fri, August 7, 11.00a: Due Fri, August 7, 5.00p,** in writing or electronically (location and email to be provided).

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