



International Trade and the Macroeconomy (GSEFM, Summer Semester 2011)

Course information

Course Contents and Objectives

For a long time, macroeconomic theory and the theory of international trade have been leading separate lives, with the former field elaborating dynamic models of business cycle fluctuations and growth and the latter focusing on a sophisticated goods structure and the implications of alternative market structures. Quite recently, however, the two areas have started to converge. This allows to confront a whole set of interesting questions: through which channels does international trade affect growth and macroeconomic volatility? How do trade and international capital flows interact? What are the growth and business cycle effects of the recent trend towards international production networks? The goal of this course is to introduce students to some classic and some more recent contributions in this field, and to discuss how further research might advance our understanding of international goods and asset markets.

Course Structure and Selected Literature

The topics covered as well as a selective list of references are given below:

1. International Trade and Economic Growth
 - Acemoglu (2009), Chapters 18, 19
 - Feenstra (2004), Chapter 10
 - Eaton and Khortum (2001)

2. International Trade and International Capital Flows

- Antras and Caballero (2009)

3. International Trade and Business Cycles

- Baxter (1992)
- Baxter and Kouparitsas (2003)
- Ghironi and Melitz (2007)
- Ghironi and Melitz: (2005)

4. The Macroeconomic Implications of International Production

- Burstein et al. (2008)
- Bergin et al. (2008)
- Rodriguez-Clare (2010)

Note that this list may be subject to changes. A definite syllabus will be handed out at the beginning of the course.

Grading:

Grades will be based on the following contributions:

1. Students' presentations of selected problems/proofs (depending on class size: individually or as a group).
2. A 10-15 page term paper giving a more comprehensive overview of the literature on a specific topic covered in this course, outlining contributions and shortcomings as well as possible directions for future research.

The course may be assigned to the fields *Development and International Economics* and *Macroeconomics*.

Times and places:

First lecture: Tuesday, May 31, 2011; 10.15 - 1.15 p.m.

Last lecture: Tuesday, July 12, 2011; 10.15 – 1.15 p.m.

Room: To be announced.

Literature

Acemoglu, D. (2009): *Introduction to Modern Economic Growth*, Princeton University Press.

Antras, P. and R.J. Caballero (2009): "Trade and Capital Flows: A Financial Frictions Perspective", *Journal of Political Economy* 117, 701-744.

Baxter, M. (1992): "Fiscal Policy, Specialization, and Trade in the Two-Sector Model: The Return of Ricardo?", *Journal of Political Economy* 100, 713-744.

Baxter, M. and M.A. Kouparitsas (2003): "Trade Structure, Industrial Structure, and International Business Cycles", *American Economic Review* 93, 51-56.

Bergin, P.R., R.C. Feenstra, and G. Hanson (2009): "Offshoring and Volatility: Evidence from Mexico's Maquiladora Industry", *American Economic Review* 99, 1664-1671.

Burstein, A., C. Kurz and L. Tesar (2008): "Trade, production sharing, and the international of business cycles", *Journal of Monetary Economics* 55, 775-795.

Cunat, A. and M. Maffezzoli (2004): "Heckscher-Ohlin business cycles", *Review of Economic Dynamics* 7, 555-585.

Eaton, J. and S. Kortum (2001): "Technology, trade and growth: A unified framework", *European Economic Review* 45, 742-755.

Feenstra, R. (2004): *Advanced International Trade: Theory and Evidence*, Princeton University Press

Ghironi, F. and M.J. Melitz (2005): "International Trade and Macroeconomic Dynamics with Heterogeneous Firms", *Quarterly Journal of Economics*, 865-915.

Ghironi, F. and M.J. Melitz (2007): "Trade Flow Dynamics with Heterogeneous Firms", *American Economic Review* 97, 356-361.

Rodriguez-Clare, A. (2010): "Offshoring in a Ricardian World", *American Economic Journal: Macroeconomics* 2, 227-258.