

Collegio Carlo Alberto

Spring 2016

International Economics

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Course Description: This is an 11 weeks, 22 hours course in international economics. We will start with an introduction to some key international trade models, and then move on to international macro models. We will also explore some topics related to the rising field of international trade and macroeconomics, as well as to the macroeconomics of Europe.

Evaluation: There will be 2 problem sets, both worth 25% of the final grade, and a final exam, worth 50% of the final grade.

Material: these three books will prove to be useful. We will also use some articles.

- Ostfeld, Maurice and Kenneth Rogoff. *Foundation of International Macroeconomics*. MIT press, 1996. (OR)
- Krugman, Paul R., Maurice Obstfeld, et Marc Melitz. *International Economics: Theory and Policy*, 10th edition, Pearson Addison-Wesley, 2014. (KOM)
- Feenstra, Robert E., *Advanced International Trade: Theory and Evidence*, Princeton University Press, 2004. (FE)

Course outline (very preliminary!!!):

First Part: International Trade

1) Intro + Ricardian Models of Trade

KOM Ch. 3
FE pp 2-4

Dornbusch, R., S. Fisher and P.A. Samuelson (1977) Comparative advantage, trade, and payments in a Ricardian model with a continuum of goods, *AER* 67, 823-839

2) Hecsker-Ohlin Models of Trade

KOM Ch. 5
FE pp 4-26, 31-61

3) Krugman and the New Trade Theory

KOM Ch. 8.1-8.2
FE 137-144, 163-167

Krugman, P.R. (1979) Increasing returns, monopolistic competition, and international trade, *JIE*, 9, 469-479.

4) Firms Heterogeneity : the New-New trade Theory (2 weeks)

Melitz, M.J. (2003) The impact of trade on intra-industry reallocations and aggregate industry productivity, *ECMA* 71, 1695-1725.

Bernard, A.B., S. Redding and P. Schott, (2007) “Comparative Advantage and Heterogeneous Firms,” *RES* 74: 31-66.

Helpman, E., M. Melitz and Y. Rubinstein, (2008) “Trading Partners and Trading Volumes,” *QJE* 123: 441-487.

Helpman, E., M.J. Melitz and S.R. Yeaple (2004), “Export versus FDI with Heterogeneous Firms,” *AER*, 300-316.

Melitz, M.J. et G.I.P. Ottaviano (2008) “Market size, trade, and productivity”, *RES* 75, 295-316.

Second Part: International Macroeconomics

5) Current Account Dynamics

Obstfeld, M., and K. Rogoff , 1996, Ch. 1

Barattieri, A. (2014): “Comparative Advantage, Service Trade, and Global Imbalances”, *JIE*, Vol. 92, 2014, pages 1-13.

6) International Real Business Cycle

Backus, D. K., P. J. Kehoe, and F. E. Kydland (1992): “International Real Business Cycles,” *JPE* 100: 745-775.

Backus, D. K., P. J. Kehoe, and F. E. Kydland (1994): “Dynamics of the Trade Balance and the Terms of Trade: The J Curve?” *AER* 84: 84-103.

7) Exchange Rate Dynamics

KOM Ch 14, 15, 16

Engel, C. M., and West, K. (2005) : “Exchange Rates and Fundamentals”, *JPE*, 113(3) : 485 :517

8) Macroeconomic Interdependence Under Sticky Prices

KOM, Ch. 17

OR Ch. 10

9) International Trade and Macroeconomics

Ghironi, F., and M. J. Melitz (2005): “International Trade and Macroeconomic Dynamics with Heterogeneous Firms,” *QJE* 120: 865-915.

10) Interactions between fiscal and monetary policy

KOM, Ch 21.

Farhi, E., G. Gopinath and O. Itskhoki (2014): "Fiscal Devaluations," *RES*, 81(2): 725-760.

Journals Legend

AER: American Economic Review

QJE: Quarterly Journal of Economics

JPE: Journal of Political Economy

ECMA: Econometrica

RES: Review of Economic Studies

JIE: Journal of International Economics

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