

15I027

6 ECTS

International Trade and Finance

Overview and Objectives

This course examines the basic models of international trade and finance, emphasizing both their theoretical foundations and their empirical relevance. It also includes applications of these models to some of the problems facing the world economy.

All readings below are required. Background readings will not be covered in lectures explicitly, but students are expected to read them on their own during the course.

Background Readings

Findlay, R. and K. O'Rourke, *Power and Plenty: Trade, War and the World Economy in the Second Millennium*, Princeton University Press, 2007.

Helpman, E., *Understanding Global Trade*, MIT Press, 2011.

Maddison, A., *The World Economy: A Millennial Perspective*, OECD Development Center, 2001.

Obstfeld, M. and A. Taylor, *Global Capital Markets: Integration, Crisis and Growth*, Cambridge University Press, 2004.

Reinhart, C. and K. Rogoff, *This Time is Different: Eight Centuries of Financial Folly*, Princeton University Press, 2009.

Course Structure

1. International finance

Lecture notes 1.

Ventura, J., "Towards a Theory of Current Accounts," *The World Economy*, 2003.

Kose, A., E. Prasad, K. Rogoff, and S. Wei, "Financial Globalization: A Reappraisal," *IMF Staff Papers*, 2009.

Henry, P.B., "Capital Account Liberalization: Theory, Evidence and Speculation," *Journal of Economic Literature*, 2007.

Broner, F. and J. Ventura, "Rethinking the Effects of Financial Globalization," *Quarterly Journal of Economics*, 2016.

Caselli, F. and J. Feyrer, "The Marginal Product of Capital," *Quarterly Journal of Economics*, 2007.

Alfaro, L., S. Kalemli-Ozcan and V. Volosovych, "Sovereigns, Upstream Capital Flows and Global Imbalances," *Journal of the European Economic Association*, 2014.

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2. International trade

Lecture notes 2.

Dornbusch, R., S. Fischer and P. Samuelson, "Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods," *American Economic Review*, 1977.

Eaton, J. and S. Kortum, "Putting Ricardo to Work," *Journal of Economic Perspectives*, 2012.

Head, K. And T. Mayer, "Gravity Equations: Workhorse, Toolkit, and Cookbook," in *Handbook of International Economics*, Elsevier, 2014.

Chor, Davin, "Unpacking the Sources of Comparative Advantage: A Quantitative Approach," *Journal of International Economics*, 2010.

Ventura, J., "Growth and Interdependence," *Quarterly Journal of Economics*, 1997.

Acemoglu, D. and J. Ventura, "The World Income Distribution," *Quarterly Journal of Economics*, 2002.

Krugman, P., "Scale Economies, Product Differentiation, and the Pattern of Trade," *American Economic Review*, 1980.

Matsuyama, Kiminori, "The Home Market Effect and Patterns of Trade Between Rich and Poor Countries," working paper, 2015.

Broda, C. and D. Weinstein, "Globalization and the Gains from Variety," *Quarterly Journal of Economics*, 2006.

Hummels, D., and P. Klenow, "The Variety and Quality of a Nation's Exports," *American Economic Review*, 2005.

3. Borders and trade

McCallum, J., "National Borders Matter: Canada-US Regional Trade Patterns," *American Economic Review*, 1995.

Engel, C. and J. Rogers, "How Wide is the Border?" *American Economic Review*, 1996.

Anderson, J. and E. van Wincoop, "Gravity with Gravitas: A Solution to the Border Puzzle," *American Economic Review*, 2003.

Gorodnichenko, Y., and L. Tesar, "Border Effect or Country Effect? Seattle might not be so Far from Vancouver After All," *American Economic Journal: Macroeconomics*, 2009.

Alesina, A., E. Spolaore and R. Wacziarg, "Economic Integration and Political Disintegration," *American Economic Review*, 2000.

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Gancia, G., G. Ponzetto and J. Ventura, "Globalization and Political Structure," working paper, 2016

Required Activities

The course will be structured into 20 lectures. Problem sets will be handed out for practice. Students are encouraged to work in teams to solve these problem sets. There will be weekly TA sessions to review the material discussed in the lectures and to explain the solutions to the problem sets.

Evaluation

The course grade is based on a final exam.