15U032 Topics in Macro IV: International Trade, Growth and Business Cycles

3 ECTS

Introduction

This course discusses how international trade in goods affects macroeconomic and financial phenomena. Some emphasis will be placed on how to model international trade features into otherwise standard macro models, and how the former change the insights and predictions of the latter. However, this is not a theory course only: whenever possible we will discuss the link between theory and empirics.

Contents

Required readings are marked with a *. Other readings should be considered background.

Topic 1: Background

Backus, D., P. Kehoe, and F. Kydland (1992): "International Real Business Cycles," Journal of Political Economy, 101, pp. 745-775.

Barro, R.J. and X. Sala-i-Martin (1999): Economic Growth, 2nd Edition, MIT Press, chapters 1-4 and 6.

Obstfeld, M. and K. Rogoff (1996): Foundations of International Macroeconomics, MIT Press, chapters 1-3, 5-7.

Topic 2: Factor Endowments

Caselli, F. and J. Coleman (2006): "The World Technology Frontier," American Economic Review, June 2006.

*Cuñat, A. and M. Maffezzoli (2004): "Neoclassical Growth and Commodity Trade," Review of Economic Dynamics, July.

*Cuñat, A. and M. Maffezzoli (2007): "Can Comparative Advantage Explain the Growth of US Trade?" Economic Journal, April.

Cuñat, A. and M. Maffezzoli (2007): "Specialization Patterns and the Factor Bias of Technology," B.E. Journal of Macroeconomics (Contributions), July 2007, Vol. 7(1), Art. 16.

*Fadinger, H. (2011):"Productivity Differences in an Interdependent World," Journal of International Economics, 84(2), pp. 221-232.

Rodríguez, F. and D. Rodrik (2000): "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-national Evidence," NBER Macroeconomics Annual.

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*Trefler, D. (1993): "International Factor Price Differences: Leontief Was Right!" Journal of Political Economy, Dec, 101 (6), 961-987.

*Ventura, J. (1997): "Growth and Interdependence," Quarterly Journal of Economics, May.

Topic 3: Technology differences

*Brezis, E.S., P.R. Krugman and D. Tsiddon (1993): "Leapfrogging in International Competition: A Theory of Cycles in National Technological Leadership," American Economic Review, Vol. 83(5), pp. 1211-1219.

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

*Krugman, P.R. (1987): "The Narrow Moving Band, the Dutch Disease, and the Competitive Consequences of Mrs. Thatcher: Notes on Trade in the Presence of Dynamic Scale Economies," Journal of Development Economics, Vol. 27, pp. 41-55.

Topic 4: Endogenous Growth and Economic Geography

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

*Grossman, G. and E. Helpman (1991): Innovation and Growth in the Global Economy, MIT Press, several chapters.

*Krugman, P.R. and A.J. Venables (1995): "Globalization and the Inequality of Nations," Quarterly Journal of Economics, Vol. 110(4), pp. 857-880.

*Rivera-Batiz, L.A. and P.M. Romer (1991): "Economic Integration and Endogenous Growth," Quarterly Journal of Economics, Vol. 106(2), pp. 531-555.

Topic 5: Non-homotheticities

*Breinlich, H. and A. Cuñat (2013): "Geography, Non-homotheticity, and Industrialization: A Quantitative Analysis," Journal of Development Economics, Vol. 103, pp. 133-153.

*Matsuyama, K. (1992): "Agricultural Productivity, Comparative Advantage, and Economic Growth," Journal of Economic Theory, 58, pp. 317-334.

*Matsuyama, K. (2000): "A Ricardian Model with a Continuum of Goods under Nonhomothetic Preferences: Demand Complementarities, Income Distribution, and North-South Trade," Journal of Political Economy, 108, 6, pp. 1093-1120.

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Topic 6: Financial Flows

Cole, H.L. and M. Obstfeld (1991): "Commodity Trade and International Risk Sharing: How Much Do Financial Markets Matter?" Journal of Monetary Economics, vol. 28(1), pp. 3-24.

*Cuñat, A. and C. Fons-Rosen (2013): "Relative Factor Endowments and International Portfolio Choice," joint with Christian Fons-Rosen, Journal of the European Economic Association, Vol. 11(1), pp. 166-200.

*Jin, K. (2012): "Industrial Structure and Financial Capital Flows," American Economic Review, 102(5).

*Lane, P. and G.M. Milesi-Ferretti (2008): "International Investment Patterns," Review of Economics and Statistics, 90(3), pp. 538-549.

Obstfeld, M. and K. Rogoff (2001): "The Six Major Puzzles in International Macroeconomics. Is There a Common Cause?" NBER Macroeconomics Annual 2000.

*Ventura, J. (2012): "Bubbles and Capital Flows," Journal of Economic Theory, 147(2).

Topic 7: Imperfections in Capital Markets

*Alfaro, L., A. Cuñat and H. Fadinger (2015): "Real Depreciations and Productivity Growth: A Cross-country Firm-level Analysis," manuscript.

*Antràs, P. and R. Caballero (2009): "Trade and Capital Flows: A Financial Frictions Perspective," Journal of Political Economy, 117(4), pp. 701-744.

*Matsuyama, K. (2004): "Financial Market Globalization, Symmetry-Breaking and Endogenous Inequality of Nations," Econometrica.

Topic 8: Business Cycles

*Bilbii, F., F. Ghironi and M.J. Melitz (2012): "Endogenous Entry, Product Variety, and Business Cycles," Journal of Political Economy, Vol. 120, No. 2, pp. 304-345.

*Cuñat, A. and R. Zymek (2015): "Global Value Chains and International Business Cycle Correlations," manuscript.

Ghironi, F. and M.J. Melitz (2005): "International Trade and Macroeconomic Dynamics with Heterogeneous Firms," Quarterly Journal of Economics, Vol. 120, August, pp. 865-915.

*Kraay, A. and J. Ventura (2007): "Comparative Advantage and the Cross-section of Business Cycles," Journal of the European Economic Association, December.

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Assessment and Grading System

There will be a final exam.