



International Trade and the Macroeconomy (GSEFM, Summer Semester 2012)

Course information (as of January 4, 2012)

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 space and the implications of alternative market structures. Quite recently, however, the two areas have started to converge. This allows us 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 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:

- **Growth in Open Economies**

Baxter (1992)
Ventura (1997)
Acemoglu and Ventura (2002)

- International Trade and International Capital Flows
Antras and Caballero (2009)
Jin (2011)
- Trade, the Real Exchange Rate, and Macroeconomic Fluctuations
Ghironi and Melitz (2005)
- International Offshoring and Growth
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:

The course awards 4 ECTS.

Grades will be based on a short term paper to be delivered by the end of September. This text should discuss the contribution as well as strengths/shortcomings of one of the papers covered in class. It should provide an overview of the relevant literature and outline possible directions for future research.

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

Times and places:

Start (first lecture): Tuesday, May 29, 2011; 10.15 - 1.15 p.m.

End (last lecture): Tuesday, July 10, 2011; 10.15 – 1.15 p.m.

Room: Shanghai, HoF 1.28
(Exceptions on June 19 and 26: Deutsche Bank, HoF E.01).

Note: Following GSEFM rules, students should register during the first two weeks of the course. An active and regular participation is expected.

Selected Literature

Acemoglu, D. and J. Ventura (2002): „The World Income Distribution“, *Quarterly Journal of Economics* 117, 659-694.

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.

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.

Jin, K. (2011): “Industrial Structure and Capital Flows”, *American Economic Review* forthcoming (available on Keyu Jin’s LSE homepage).

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

Ventura, J. (1997): „Growth and Interdependence“, *Quarterly Journal of Economics* 112, 57-84.

Contact:

For further information on this course, please contact LSharms@uni-mainz.de.