

Master in Economics --- International Economics

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EVALUATION. Problem sets (50%) and final examination (50%).

REFERENCES

Readings below and frequent citations from the following textbook:

Handbook of International Economics, Volume 4 1st Edition, 2014, by Gita Gopinath, Elhanan Helpman, Kenneth Rogoff

Part I. International Trade (Thierry Mayer)

1. Modern approaches to Ricardo

R. Dornbusch, S. Fischer and P. A. Samuelson, Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods, *The American Economic Review*, Vol. 67, No. 5 (Dec., 1977), pp. 823-839

Bernhofen, Daniel M. and John C. Brown (2004) 'A Direct Test of the Theory of Comparative Advantage: The Case of Japan', *Journal of Political Economy* 112(1): 48-67.

J. Eaton and S. Kortum, Putting Ricardo to Work, *Journal of Economic Perspectives*—Volume 26, Number 2—Spring 2012—Pages 65–90

J. Eaton and S. Kortum, 2002, Technology, Geography, and Trade, *Econometrica* 70(5): 1741–80.

2. Trade with increasing returns, monopolistic competition and the Home Market Effect

a) New Trade Theory (Krugman, 1979)

P. Krugman, Increasing returns, monopolistic competition, and international trade, *Journal of International Economics*, Pages 469-479

b) Monopolistic competition à la Dixit-Stiglitz

Dixit, A. K., and J. E. Stiglitz (1977): Monopolistic Competition and Optimum Product Diversity, *American Economic Review*, 67(3), 297–308

Baldwin et al. *Economic Geography and Public Policy* (2002), Princeton University Press, Appendix A: All you wanted to know about Stiglitz but were afraid to ask.

c) The Dixit-Stiglitz-Krugman model of international trade, the Home Market Effect and an introduction to firm heterogeneity and trade

Krugman, P.R. (1980): Scale Economies, Product Differentiation, and the Pattern of Trade, *American Economic Review*, 70: 950-959.

Baldwin et al., *Economic Geography and Public Policy* (2002), Princeton University Press, Chapter 3, The Footloose Capital Model

Head, K. and J. Ries, Increasing Returns versus National Product Differentiation as an Explanation for the Pattern of U.S.-Canada Trade, *American Economic Review*, 2001, 91 (4), 858–876

Costinot et al., The More We Die, The More We Sell? A Simple Test of the Home-Market Effect, 2016. working paper

d) Variable markups in international trade (and macro) (Atkeson-Burstein, 2008)

Atkeson, A., and A. Burstein, “Pricing-to-Market, Trade Costs, and International Relative Prices, *American Economic Review*, 98 (2008), 1998–2031

3. Gravity and the welfare consequences of trade

Costinot A. and A. Rodrigues-Clare, Trade Theory with Numbers: Quantifying the Consequences of Globalization, 2014, *Handbook of International Economics*, vol. 4.

Part II. International Macroeconomics (Nicolas Coeurdacier)

1. Financial integration, growth and capital flows

a) Capital flows and gains from financial integration

M. Ayhan Kose, Eswar Prasad, Kenneth S. Rogoff, Shang-Jin Wei, 2006, *Financial Globalization: A Reappraisal*, NBER Working Paper No. 12484

Peter Blair Henry, 2007. Capital Account Liberalization: Theory, Evidence, and Speculation, *Journal of Economic Literature*, vol. 45(4), pages 887-935, December

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

P.-O. Gourinchas and O. Jeanne, 2006, The Elusive Gains of International Financial Integration, *Review of Economic Studies* 73, pp. 715-741

b) The intertemporal approach to the current account

Obstfeld M. and K. Rogoff, *Intertemporal Trade and the Current Account Balance*, Chapter 1

Nason and Rogers, The Present-Value Model of the Current Has Been Rejected: Round up the Usual Suspects, *Journal of International Economics* 68, 159-187, 2006

A. Kraay et J. Ventura, Current Accounts in Debtor and Creditor Countries, *Quarterly Journal of Economics*, November 2000

c) International adjustment and valuation effects

Gourinchas, P. O., Rey, H., 2013, External Adjustment, Global Imbalances and Valuation Effects, *Handbook of International Economics*, 585-640 Gopinath, Helpman and Rogoff eds.

Gourinchas PO and H. Rey, International Financial Adjustment, *Journal of Political Economy*, 115(4), August 2007.

Lane, P. and G.M Milesi-Feretti, 2007, The External Wealth of Nations Mark II, *Journal of International Economics*, 73

P-O Gourinchas, Valuation effect and external adjustment: a review, 2009

d) Capital flows: assessing long-run efficiency

Lucas R., 1990. Why Doesn't Capital Flow from Rich to Poor Countries? *American Economic Review*, 80(2), 92-96.

Heathcote, J. and Perri, F., 2013, Assessing International Efficiency. Sections 2 and 3. *Handbook of International Economics*

Gourinchas, P-O, and Jeanne, O., 2013. Capital Flows to Developing Countries: The Allocation Puzzle, *Review of Economic Studies*.

Alfaro, L., Kalemli-Ozcan S., and Volosovych V., 2014. Sovereigns, Upstream Capital Flows and Global Imbalances. *Journal of the European Economic Association*, vol. 12(5).

2. Risk-sharing and the international transmission of shocks

a) Baseline one-good model

Complete markets

Backus, D., P. Kehoe and F. Kydland, "International Business Cycles: Theory and Evidence", *quarterly review*, fall 1993 (1st part)

Backus, D., P. Kehoe and F. Kydland, "International Real Business Cycles", *Journal of Political Economy*, Aug. 1992, 100(4), 745-775

Incomplete markets: risk-free bond-only economy

Kollmann, R., 1996, Incomplete Asset Markets and the Cross-Country Consumption Correlation Puzzle, *Journal of Economic Dynamics and Control*, Vol.20, pp.945-962.

Baxter, M. and Crucini, M., 1995. Business Cycles and the Asset Structure of Foreign Trade, *International Economic Review*

Empirical evidence

Kalemli-Ozcan, Papaioannou and Peydro, 2013. Financial Regulation, Financial Globalization and the Synchronization of Economic Activity, *Journal of Finance*.

Kalemli-Ozcan, Papaioannou and Perri, 2012. Global banks and crisis transmission, *Journal of International Economics*.

b) Multiple goods

Heathcote, J. and Perri, F., 2013, Assessing International Efficiency. Sections 4. *Hanbook of International Economics*.

Terms-of-trade and risk-sharing with complete markets

Backus, D., P. Kehoe and F. Kydland, "International Business Cycles: Theory and Evidence", *quarterly review*, fall 1993 (2nd part)

Backus, D., P. Kehoe and F. Kydland, "Dynamics of the trade balance and the terms of trade: the J curve ?", *American Economic Review*, Mar 1994, 84(1), 84-103

Incomplete markets

Cole H. and M. Obstfeld, 1991. Commodity Trade and International Risk Sharing: How much do Financial Markets Matter?, *Journal of Monetary Economics* 28 (August): 3-24.

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Kollmann, R., 1995, Consumption, Real Exchange Rates and the Structure of International Asset Markets, *Journal of International Money and Finance*, 1995, Vol. 14, pp.191-211.

Corsetti G., Dedola L. and Leduc S., 2007, International Risk Sharing and the transmission of productivity shocks, *Review of Economic Studies*

Devereux , M.B. and Hnatkovska, V., 2013. Borders and Nominal Exchange Rates in Risk-Sharing. Mimeo UBC

c) Price rigidities and the international transmission of monetary shocks [if time permits]

Obstfeld M. and K. Rogoff, 1995, "Exchange Rate Dynamics Redux", *Journal of Political Economy*, 103 (3), 624-660.

Corsetti, G., and P. Pesenti, 2001, "Welfare and Macroeconomic Interdependence", *Quarterly Journal of Economics*, 116 (2), 421-445.

Lane, P., 2003, The New Open Economy Macroeconomics: a Survey, *Journal of International Economics*, 54 (2), 235-266.