

International Economics

This course covers the basic models of international economics with applications. The main goal is to develop the theoretical foundations of the different models and learn how to use them to think about real world problems. All readings are required.

1. Models of international trade

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

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

Brezis, E., P.R. Krugman, and D. Tsiddon, "Leapfrogging in International Competition," *American Economic Review*, 1993.

Dornbusch, R., S. Fischer and P.A. Samuelson, "Heckscher-Ohlin Theory with a Continuum of Goods," *Quarterly Journal of Economics*, 1980.

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

Stiglitz, J., "Factor-Price Equalization in a Dynamic Economy," *Journal of Political Economy*, 1970.

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

Krugman, P.R., "Increasing Returns, Monopolistic Competition, and International Trade," *Journal of International Economics*, 1979.

Krugman, P.R., "Intra-Industry Specialization and the Gains from Trade," *Journal of Political Economy*, 1981.

Helpman, E., "International Trade in the Presence of Product Differentiation, Economies of Scale and Monopolistic Competition: A Chamberlain-Heckscher-Ohlin Approach," *Journal of International Economics*, 1981.

Davis, D.R., "The Home Market, Trade and Industrial Structure," *American Economic Review*, 1998.

Krugman, P.R., and A.J. Venables, "Globalization and the Inequality of Nations," *Quarterly Journal of Economics*, 1995.

Krugman, P.R., "A Model of Innovation, Technology Transfer, and the World Distribution of Income," *Journal of Political Economy*, 1979.

Grossman, G.M. and E. Helpman, "Endogenous Product Cycles," *Economic Journal*, 1991.

Antràs, P., "Incomplete Contracts and the Product Cycle," mimeo, MIT, 2003.

2. Empirics and policy issues

Helpman, E. "The Structure of Foreign Trade," *Journal of Economic Perspectives*, 1999.

Romalis, J., "Factor Proportions and Commodity Trade," *American Economic Review*, forthcoming.

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

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

Helpman, E. and P.R. Krugman, Trade Policy and Market Structure, MIT Press, 1989. (Selected chapters)

Irwin, D., "Multilateral and Bilateral Trade Policies in the World Trading System: An Historical Perspective," in De Melo, J. and A. Panagariya eds. New Dimensions in Regional Integration, Cambridge University Press, 1993.

Jackson, J. H., The World Trading System, MIT Press, 1997. Chapters 2, 4 and 6.

Bagwell, K. and R.W. Staiger, The Economics of the World Trading System, MIT Press, 2002. (Selected chapters)

Panagariya, A., "Preferential Trade Liberalization: The Traditional Theory and New Developments," *Journal of Economic Literature*, 2000.

3. Models of international finance

Obstfeld, M. and K. Rogoff, "The Intertemporal Approach to the Current Account," in G. Grossman and K. Rogoff, eds. Handbook of International Economics, Elsevier, 1995.

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

Kraay, A. and J. Ventura, "Current Accounts in the Long and the Short Run," in M. Gertler and K. Rogoff eds. Macroeconomics Annual 2002, NBER, forthcoming.

Athanosoulis, S and E. van Wincoop, "Growth Uncertainty and Risk-Sharing," *Journal of Monetary Economics*, 2000.

Obstfeld, M., "Risk-taking, Global Diversification and Growth," *American Economic Review*, 1994.

Pesenti, P. and E. van Wincoop, "Can Nontradables Generate Substantial Home Bias?" *Journal of Money, Credit and Banking*, 2000.

Bottazzi, L., P. Pesenti and E. van Wincoop, "Wages, Profits and the International Portfolio Puzzle," *European Economic Review*, 1996.

Kraay, A., N. Loayza, L. Servén, and J. Ventura, "Country Portfolios," NBER WP7795 and CEPR DP2974, 2000.

4. Exchange rates and inflation

Obstfeld, M., "International Economics: Beyond the Mundell-Fleming model," *International Monetary Fund Staff Papers*, 2001.

Lane, P., "The New Open Economy Macroeconomics: A Survey," *Journal of International Economics*, 1999.

Flood, R. P. and P. M. Garber, "Collapsing Exchange-Rate Regimes: Some Linear examples," *Journal of International Economics*, 1984.

Obstfeld, M., "Models of Currency Crises with Self-Fulfilling Features," *European Economic Review*, 1996.

Morris, S. and H. S. Shin, "Unique Equilibrium in a Model of Self-Fulfilling Currency Attacks," *American Economic Review*, 1998 (A correction to Theorem 2 of this paper is provided by Frank Heinemann, "Unique Equilibrium in a Model of Self-Fulfilling Currency Attacks: Comment," *American Economic Review*, 2000).

Angeletos, G., C. Hellwig and A. Pavan, "Coordination and Policy Traps," mimeo, MIT, UCLA and Northwestern University, 2002.

Broner, F., "Discrete Devaluations and Multiple Equilibria in a First Generation Model of Currency Crises," mimeo, University of Maryland and CREI-UPF, 2003.

5. Sovereign debt, default and restructuring

Eichengreen, B., "Historical Research on International Lending and Debt," *Journal of Economic Perspectives*, 1991.

Fernandez, R. and J. Eaton, "Sovereign Debt," in G. Grossman and K. Rogoff, eds. Handbook of International Economics, Elsevier, 1995.

Rogoff, K. and J. Zettelmeyer, "Bankruptcy Proceedings for Sovereigns: A History of Ideas, 1976-2001" IMF WP/02/133, 2002.

Rogoff, K., "International Institutions for Reducing Global Financial Instability," *Journal of Economic Perspectives*, 1999.

Fischer, S., "On the Need of an International Lender of Last Resort," *Journal of Economic Perspectives*, 1999.