Course Objectives and Description

This course focuses on the intersection of international trade and macroeconomics. Its purpose is to expose students to recent developments in this research area, to develop understanding of the interaction of micro and macro dynamics in international interdependence, and to stimulate ideas for dissertation research.

The course studies how international macroeconomic models with trade microfoundations can shed new light on long-standing and novel questions in international macroeconomics. We will confront theories with empirical evidence and pay special attention to the roles of producer entry and exit in domestic and export markets, and firm heterogeneity, in shaping aggregate fluctuations and economic policy outcomes. Topics we will cover include, among others: international trade and macroeconomic dynamics with producer entry, exit, and heterogeneity; comparative advantage and macroeconomic interdependence; FDI, offshoring, and international business cycles; global value chains; labor market frictions and the consequences of trade integration; financial frictions, banks, and trade; monetary policy and trade; structural reforms and their interaction with monetary policy; and the Great Trade Collapse.

There is no textbook for this course. Lectures will be based on journal articles and working papers as outlined below.

Course Requirements

Readings: Starting with the second lecture of the course, I will expect you to have read the papers I will cover in advance of the relevant lecture. (At the end of each lecture, I will announce the readings for the following lecture. All the readings we will cover can be found easily online.) There will be no homework for this course, but you must read the papers with pencil and paper,
making sure you can reproduce all arguments and derivations whenever feasible. I will expect you to be able to do that for the final exam.

Discussion: We will hold a Course Conference in mid-May—on a day/time to be determined. In this conference, you must give a thirty-minute discussion of an unpublished working paper. The goal of this exercise is for you to develop your discussant skills, which will be very important in your career after graduate school. Papers that you can discuss are listed at the end of this Syllabus, but you can also discuss a paper that you find on your own outside this list (and even a paper on a topic that we do not cover), subject to my approval. You must spend approximately ten minutes explaining the key contribution of the paper and twenty minutes on your comments, focusing on issues of substance. You cannot cooperate in preparing discussions. The Conference can feature at most two discussions of the same paper, and the choice of paper to be discussed will be on a first-come, first-served basis.

Research proposal: You must write a single-authored, research proposal on a topic of relevance to the course. You proposal should begin by clearly stating the question of interest and why it is important. You should then explain how you plan to study the question in your research, and how your work would contribute to the existing literature. (If you have already obtained any result, you should briefly summarize them and the intuitions before explaining how you contribute to the literature.) Your proposal must be at most three pages long (1.5 spacing), excluding references, figures, and/or tables. The proposal must be e-mailed to me as a pdf file by noon on Friday, June 15, 2018.

Final exam: There will be a closed-books, closed-notes final exam on Thursday, June 7, 2018, 2:30-4:20 p.m. in Savery Hall, Room 157. The exam will test your technical proficiency and knowledge of the literature studied during the quarter.

Discussion, research proposal, and final exam will be graded on a scale 0-100. The weights of these requirements in your final course grade will be as follows:
Discussion: 20 percent;
Research proposal: 30 percent;
Final exam: 50 percent.

Academic Integrity

You can find the Department’s Policy on Academic Conduct at http://econ.washington.edu/undergrad/academic_conduct. Although this page is in the Undergraduate Program section of the Department’s website, the policy applies also to graduate students.

Course Topics and Readings

1. International Trade and Macroeconomic Interdependence with Producer Dynamics


2. **A Step Back: Trade Costs, Trade Integration and International Macro Puzzles**


3. **Comparative Advantage and Macroeconomic Interdependence**


4. **Trade, Granularity, and Business Cycles**


5. **Trade, International Relative Prices, and the Exchange Rate**


6. **FDI, Vertical Linkages, and Global Value Chains**


7. **FDI and the Exchange Rate**


8. **Extensive-Margin Risk and International Portfolios**


9. **International Trade and Labor Market Frictions**


10. **Financial Frictions and Banks**


11. **International Trade and Monetary Policy**


12. **Structural Reforms and Monetary Policy**


13. **The Great Trade Collapse**


**Papers for Discussion**


For other interesting recent papers for possible discussion, see these conference programs (you should not choose papers in these programs if I listed them in sections of this syllabus other than “Papers for Discussion”):


NBER Summer Institute Workshop on “International Trade and Macroeconomics,” Cambridge, MA:
July 2017: http://papers.nber.org/sched/SI17ITM