

Empirical Topics in International Trade and Finance

New Economic School, Module TBA, 2020-2021

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Course Information

Course Website: my.nes.ru

Instructor's Office Hours: by appointment

Class Time: TBA

TA Section: TBA

Course Description

In this course, we'll cover in more depth some classic topics in International Economics including the Balassa-Samuelson model, empirical determinants of exchange rates, impact of exchange rate regimes on trade, and the gravity model of international trade, with more recent topics, such as the impact of the Rise of China, the impact of Sanctions on Russia, and the impact of the Trump Trade War. The overwhelming focus of the course will be on well-identified empirical work in International Economics, complemented with a smaller dose of theory.

Course Requirements, Grading, and Attendance Policies

The course will consist of one final test, one referee report, one empirical homework, one theory homework, and one presentation of a paper on the syllabus (which students may choose). The course grade will be determined 50% from the test, 15% for the referee report, 15% for the empirical assignment and 10% for the class presentation, 10% for the theory homework, and bonus points for class attendance and participation. It is expected that students attend class having read the materials assigned for that class, and that students participate in the class discussion. Also note that, in general, the slides will not be sufficient to prepare for the test. The empirical assignment and the referee report will be graded in part on how independent and creative your work appears. For the class presentation you will ideally present a paper from the syllabus, or perhaps a paper you chose related to the class contents. If your thesis fits the

topic of the course, you can potentially present that as well. Typically, if you do a reasonably competent job on your own presentation, and show up and pay attention for your classmates presentations, then you will get a 5 on this assignment. The best presenter will get a 5+, while if you skip all of your classmates presentations, or come obviously unprepared for your own, you'll be looking at a lower grade.

Required Textbooks and Materials

There is no required textbook. The bulk of the course consists of papers.

Assignments

1. Theory Homework on Balassa-Samuelson (Due 2nd week; 5% of class grade) 2. Empirical Homework on Gravity (due 4th week; 10% of grade) 3. Referee Report (2 pages max; due 6th week; 20% of grade) 4. Presentation (TBA – 1-2 students per week generally, presenting a paper on the syllabus or your thesis if relevant to course material 10%). 5. Final Test (50%)

Course Materials

This course is based more on articles than particular textbooks. The required readings contain *stars and the suggested readings do not. Lastly, I will be working to improve this syllabus as the course goes along.

Topics and Readings

1. The Balassa-Samuelson Model, Theory and Empirics (2 lectures)

*Obstfeld and Rogoff, Chapter 4

*Feenstra, Inklaar and Timmer, "[The Next Generation of the Penn World Tables](#)", (only the short section on Balassa-Samuelson is required, p. 23-33, and the last half of this should be read the most carefully).

*Campbell, Douglas, 2015 (only read the introduction, Section 3.1, and Section 5), "[Measurement Matters: Productivity-Adjusted Weighted Average Relative Price Indexes](#)", Journal of International Money and Finance, 2016.

*Hassan, Fadi, "The Price of Development: The Penn-Balassa-Samuelson Effect Revisited" (2016). Taylor, Bergin, and Glick (JME, 2006)

2.A. Exchange Rate Determinates (2-3 lectures)

*Engel, Charles (2014), Exchange Rates and Interest Parity (only read the beginning, 453-465)

*Andersen, Bollerslev, Diebold, Vega, "[Micro Effects of Macro Announcements: Real-Time Price Discovery in Foreign Exchange](#)"

*Yu-chin Chen, Kenneth Rogoff, Barbara Rossi, "[Can Exchange Rates Forecast Commodity Prices?](#)", QJE, 2010.

*Domenico Ferraro, Kenneth S. Rogoff, Barbara Rossi, "[Can Oil Prices Forecast Exchange Rates?](#)", QJE, 2010.

Bork, Kaltwasser, and Sercu (2014), "[Do Exchange Rates Really Help Forecasting Commodity Prices?](#)"

3. The Gravity Model, with Applications to Exchange Rate Regimes and Trade (2 lectures)

*Head, Mayer, 2013 "[What Separates Us? Sources of Resistance to Globalization](#)"

*Rose, Andrew and Reuven Glick, "[Does a Currency Union Affect Trade? The Time Series Evidence](#)"

*Klein and Shambaugh, "[Fixed Exchange Rates and Trade](#)"

*Campbell, Douglas L., (2012), "[Estimating the Impact of Currency Unions on Trade: Solving the Glick and Rose Puzzle](#) , (ungated version)

*Campbell, Douglas, (2010) "[History, Culture, and Trade: A Dynamic Gravity Approach](#)".

*Rose, Andrew and Reuven Glick, "[Currency Unions and Trade: A Post-EMU Reassessment](#)"

Barro and Tenreyro.

Campbell, Douglas L. and Aleksandr Chentsov, "[Breaking Badly: The Currency Union Effect on Trade](#)"

4. The Impact of Trade Costs

*Atkin and Donaldson, 2015, "[Who is Getting Globalized? The Size and Implications of Intra-national Trade Costs](#)"

5. The Impact of the Rise of the People's Republic of China

*Acemoglu et al. (2014) "[Import Competition and the Great Employment Sag of the 2000s](#)" ; VoxEU Ebook, "[Secular stagnation: Facts, causes, and cures](#)"

*Autor, Dorn, Hanson, 2013, "[The China Syndrome: Local Labor Market Effects of Import Competition in the United States](#)"

*Schott, Pierce, 2015, "[The Surprisingly Swift Decline in American Manufacturing Employment](#)"

*Bloom, Draca, Van Reenen, 2016, [“Trade Induced Technical Change? The Impact of Chinese Imports on Innovation, IT and Productivity”](#)

Campbell & Mau, 2020, [Trade Induced Technological Change: Did Chinese Competition Increase Innovation in Europe?](#) *Dauth, Findeisen, Suedekum, 2014, [“The Rise of the East and Far East: German Labor Markets and Trade Integration”](#)

David H. Autor, David Dorn, Gordon H. Hanson #21906 (ITI LS) [“The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade”](#)

6. Impact of Real Exchange Rate Movements on the Real Economy ; (2 lectures)

*Campbell, Douglas L. [“Relative Prices, Hysteresis, and the Decline of American Manufacturing”](#)

*Campbell, Douglas L. Guest Contribution: [“The Cause of Secular Stagnation? Relative Prices, Trade, and the People’s Republic of China”](#) ; Campbell, Douglas L. [“On the Causes of Secular Stagnation: China, Relative Prices, and the Collapse of Manufacturing”](#) ;

*Chen, Milesi-Ferretti, and Tressel, [“External Imbalances in the Euro Area”](#)

7. The Impact of FTAs

Romalis 2007, [NAFTA’s and CUSFTA’s Impact on International Trade](#)

Greenland, Ion, Lopesti, Schott, [Using Equity Market Reactions to Infer Exposure to Trade Liberalization](#)

8. The Impact of Sanctions on Trade

Crozet and Hinz, [Friendly Fire: The Trade Impact of the Russia Sanctions and Counter-Sanctions](#)

9. The Resource Curse, RERs and Economic Growth (Ch. 7 of Obstfeld-Rogoff)

*Rodrik, Dani, [“The Real Exchange Rate and Economic Growth”](#)

*Smith, Brock, [“Dutch Disease and the Oil Boom and Bust”](#) (published version on my.nes)

10. The Trade War

*Fajgelbaum, Goldberg, Kennedy, Khandelwal, 2020, [“The Return to Protectionism”](#)

*Kong, Weinstein, 2020, [“The Effect of the U.S.-China Trade War on U.S. Investment”](#)

Description of Course Methodology

While this course is intended to be somewhat more relaxed than Macro 6, with just one pure writing assignment, there will be a focus on empirics, with several empirical exercises. It is also expected that students come to class prepared and participate in the class discussion of research.

Sample Tasks for Course Evaluation

One assignment, as mentioned above, will be for students to pick a recent paper in the literature that they are interested in and to write a referee report on it. Another assignment will be for students to replicate and extend an empirical paper from the literature. A short answer question for the final exam might be something like: “Discuss the strengths and weaknesses of the Brock Smith paper on Dutch Disease.” A theoretical question might be to have students prove the key Balassa-Samuelson result that the price level will be a function of the ratio between tradable and non-tradable sector productivities.

Other Recommended Readings

Economics Blogs

<http://www.econbrowser.com> (Menzie Chinn’s posts) <http://krugman.blogs.nytimes.com/> (has slowed considerably)

<http://economistsview.typepad.com/timduy/>

<http://gregmankiw.blogspot.ru/>

<http://johnhcochrane.blogspot.ru/>

<http://www.vox.com/authors/matthew-yglesias>

<http://www.economist.com/blogs/freeexchange>

<http://blogs.ft.com/martin-wolf-exchange/>

<http://douglaslcampbell.blogspot.ru/>

The golden age of economics blogs was actually from 2003 to the period just after the financial crisis. With Krugman getting older, and semi-retired from blogging, Econ blogs aren’t as good as they used to be. Now #Econtwitter is the place to be. All academics now need a social media strategy.

Academic Integrity Policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated. The home writing assignment is not meant to be a collaborative exercise – think of it as a take-home exam. Having said that, if you do discuss with a classmate, there is no way for me to police this. If you cut and paste from a colleagues essay, then you likely be kicked out of NES (do not do that!). If your essay merely happens to make all the same points as your friend’s essay, but with no direct copying, then you’ll probably just both receive low marks, and I’ll be disappointed in you. On a theory homework, however, if you are stuck, you are permitted and even encouraged to get help from classmates or the TA. However, you must write up your own solutions.