Advanced international economics

Introduction

UW – Madison // Fall 2019

Before we get started...

- Me: Kim Ruhl
- School: B.S. Bowling Green (OH), Ph.D. U. Minnesota
- Work: Minn. FRB; U. Texas; NYU Stern Bus. School; Penn State
- Research: International finance and macro, trade, multinationals
  - Data + computational models
  - If you are curious: kimjruhl.com/research
- Not work: Fishing, hiking, robots, computers, beer

Question of the day

You: Name + year + research interest

International trade? macro? finance?

- Traditionally, people used words like
  - Trade: static, many goods, industries, countries
  - Macro: dynamic, few goods, often two-country
  - Finance: often partial equilibrium
- In general, not a very useful taxonomy

This course

- This course will mix many of these “fields”
  - Firm-level dynamic models (PE and GE)
  - Aggregate models with many goods
  - Unbalanced trade & international lending
- Lots of overlap with “trade,” industrial organization, money. . .
- Stress models and their relation to the data
  - What are the facts?
  - What mechanisms might explain the facts?
  - Can the models quantitatively explain the facts?
- Will need computers — consider programming a prerequisite (MATLAB? Julia? Python? Something else?)

Outline

1. Workhorse “trade” (static) models
   - Gravity, Ricardian, & Melitz, models
   - Why do we trade?
   - How big are the gains from trade?

2. Dynamic heterogeneous firm models
   - Why do only a small number of firms export?
   - What is the exporter life cycle?
   - How big are the barriers to trade?

Outline

3. Unbalanced trade

- How do agents smooth country-level shocks?
- How much cross-country risk sharing is there?
- Intertemporal consumption smoothing = borrowing and lending
- Start with partial equilibrium models “small open economy”
- If time: two-country general equilibrium models

The course

- Course web page is the place to be http://kimjruhl.com/adv-international-econ-2019f-econ-871
- Required reading and expanded reading list
- No text book; some occasional notes from me

Grading

1. (20%) Problem sets. Three or four problem sets, mostly solving models and studying data. Not meant to ruin your week, but coding can take time.
2. (20%) Short presentation. Five slides / 20 minutes on a paper you and I agree on. First half of class.
3. (50%) Research proposal. Five pages that poses a **question**, discusses the novelty of the proposed research, presents a research plan, and some preliminary research (sketch of a model, some data analysis). More details later.
4. (10%) Proposal presentation. 10 slides / 30 minutes. Ideally, this is your own work, work in progress, or research proposal.

- Parts 1 & 3 meant to get practice doing research
- Parts 2 & 4 meant to get practice presenting research

Expectations

- Attend class and participate. Class is small, so we have a lot of room for interaction.
- Attend the international seminars. I will point them out each week and try to place them into the context of the course.