

COURSE: MACRO AND TRADE POLICY (ECO-723)

SYLLABUS

- I. Trade and Macroeconomic interdependence
 - Capital Account Liberalization
 - Comparative Advantage and Macroeconomic Interdependence
 - International Trade and Macroeconomic Interdependence with Producer Dynamics
 - Firms: **Export Decisions, Outsourcing**
 - FDI, Vertical Linkages, and Global Value Chains
 - Trade, Granularity, and Business Cycles
- II. Trade and Capital & Labor Markets
 - Capital Market Imperfections: **Limited Commitment in International Capital Markets**
 - International Trade and Labor Market Frictions
- III. Trade and Exchange Rates
 - FDI and the Exchange Rate
 - Trade, International Relative Prices, and the Exchange Rate
- IV. Trade Policy
 - The Instruments of Trade Policy
 - The Political Economy of Trade Policy
 - Trade Policy in Developing Countries
 - Trade practices and policies in accordance with WTO rules and regulations
- V. Issues related to Trade Policy
 - Trade Costs, Trade Integration & Free Trade Agreements, and International Macro Puzzles
 - Controversies in Trade Policy
 - Currency Crises and Financial Frictions
 - Trade and Inequality
 - Trade and Gender
 - Trade and Environment

Course Description & Objectives

This is a module on Macroeconomics for the PhD Economics class at the Lahore School of Economics. It focuses on the intersection of international trade and macroeconomics. The module studies how international macroeconomic models with trade microfoundations can shed new light on long-standing and novel questions in international economics. Furthermore, the module also analyzes the academic literature on trade policy, in accordance with World Trade Organization (WTO) rules and regulations and recommended practices. We will confront theories with empirical evidence and pay special attention to the roles of producer entry and exit in domestic and international markets, and firm heterogeneity in shaping aggregate fluctuations and economic policy outcomes. Topics covered will also include, among others: international trade and macroeconomic dynamics with producer entry, exit, and heterogeneity; comparative advantage and macroeconomic interdependence; WTO regulations, WTO recommended trade practices; FDI, offshoring, and international business cycles; global value chains; labor market frictions and the consequences of trade integration; structural reforms and their interaction with trade policy; and various issues related to trade policy.

Teaching Strategy

The teaching strategy followed in the course will comprise of lectures, problem sets, class participation, presentations and exams. There will be several problem sets throughout the semester. Note that class participation points will primarily depend on the ability to solve and explain the questions from the problem set in-class.

Moreover, the students are expected to adhere to the following when class is in session

- a). Mobile/Cell Phones must be switched off or set to silent.
- b). Any action which disturbs the class is prohibited.

Course Learning Objectives

The course has been designed to achieve the following objectives:

CLO1. Demonstrate an ability to understand the theories, models, and empirics behind the interdependence between international trade and macroeconomics; demonstrate the ability to understand the relevance of such theories, models, and empirics in shaping up macro and trade policy for developing countries in general, and Pakistan in particular

CLO2. Demonstrate an ability to understand and analyze the trade practices and policies of developing countries in accordance with WTO, especially for Pakistan

CLO3. Demonstrate an ability to access, comprehend, and critically analyze additional academic literature, particularly theoretical, on topics studied in this course

CLO4. Demonstrate an ability to investigate questions related to capital account liberalization, firm decisions, outsourcing, FDI linkages, global value chains, FTAs, trade policies and issues related to trade policies

CLO5. Demonstrate an ability to formulate policy recommendations by analyzing macroeconomic data with the help of the tools studied in this course

CLO6. Demonstrate an ability to explain economic models and their applications through written and oral presentations.

Program Learning Objectives

PLO1. Knowledge and Understanding

- To introduce students to the historical and contemporary paradigms and theories with a focus on formulating policies for developing countries in general and Pakistan in particular.
- To provide a comprehensive understanding through research and teaching about the processes, policies and practices implemented and to develop a strong foundation for students to engage with economic, political and social dimensions of those processes, policies and practices.

PLO2. Technical Skills

- To equip students with technical knowledge of contemporary research methods and knowledge of appropriate software and applications.

PLO3. Competencies and Interpersonal Skills

- To develop critical thinking and analysis skills to facilitate graduate students in engaging in effortful deliberation.
- To enable a conducive environment for learning and developing communication and interpersonal skills.
- To enable the students to apply the knowledge gained to either pursue advanced studies or practically in professional domains.

Program Learning Objectives	Course Learning Objectives	Course Assessment Item
<p>PLO1. Knowledge and Understanding</p> <p>To introduce students to the historical and contemporary paradigms and theories with a focus on formulating policies for developing countries in general and Pakistan in particular.</p> <p>To provide a comprehensive understanding through research and teaching about the processes, policies and practices implemented and to develop a strong foundation for students to engage with economic, political and social dimensions of those processes, policies and practices.</p>	<p>CLO1. Demonstrate an ability to understand the theories, models, and empirics behind the interdependence between international trade and macroeconomics; demonstrate the ability to understand the relevance of such theories, models, and empirics in shaping up macro and trade policy for developing countries in general, and Pakistan in particular</p> <p>CLO2. Demonstrate an ability to understand and analyze the trade practices and policies of developing countries in accordance with WTO, especially for Pakistan</p> <p>CLO3. Demonstrate an ability to access, comprehend, and critically analyze additional academic literature, particularly theoretical, on topics studied in this course</p> <p>CLO4. Demonstrate an ability to investigate questions related to capital account liberalization, firm decisions, outsourcing, FDI linkages, global value chains, FTAs, trade policies and issues related to trade policies</p> <p>CLO5. Demonstrate an ability to formulate policy recommendations by analyzing macroeconomic data with the help of the tools studied in this course</p>	<p>Problem Sets, Presentations, Quizzes and Exams</p>

Program Learning Objectives	Course Learning Objectives	Course Assessment Item
<p>PLO2. Technical Skills</p> <p>To equip students with technical knowledge of contemporary research methods and knowledge of appropriate software and applications.</p>	<p>CLO1. Demonstrate an ability to understand the theories, models, and empirics behind the interdependence between international trade and macroeconomics; demonstrate the ability to understand the relevance of such theories, models, and empirics in shaping up macro and trade policy for developing countries in general, and Pakistan in particular</p> <p>CLO5. Demonstrate an ability to formulate policy recommendations by analyzing macroeconomic data with the help of the tools studied in this course</p> <p>CLO6. Demonstrate an ability to explain economic models and their applications through written and oral presentations</p>	<p>Problem Sets, Quizzes, Presentations and Exams</p>

Program Learning Objectives	Course Learning Objectives	Course Assessment Item
<p>PLO3. Competencies and Interpersonal Skills</p> <p>To develop critical thinking and analysis skills to facilitate graduate students in engaging in effortful deliberation.</p> <p>To enable a conducive environment for learning and developing communication and interpersonal skills.</p> <p>To enable the students to apply the knowledge gained to either pursue advanced studies or practically in professional domains.</p>	<p>CLO1. Demonstrate an ability to understand the theories, models, and empirics behind the interdependence between international trade and macroeconomics; demonstrate the ability to understand the relevance of such theories, models, and empirics in shaping up macro and trade policy for developing countries in general, and Pakistan in particular</p> <p>CLO3. Demonstrate an ability to access, comprehend, and critically analyze additional academic literature, particularly theoretical, on topics studied in this course</p> <p>CLO5. Demonstrate an ability to formulate policy recommendations by analyzing macroeconomic data with the help of the tools studied in this course</p> <p>CLO6. Demonstrate an ability to explain economic models and their applications through written and oral presentations</p>	<p>Problem Sets, Quizzes and Presentations</p>

Recommended textbooks:

- Paul Krugman, Maurice Obstfeld and Marc Melitz International Economics: Theory and Policy 10th Edition (Global Edition), Pearson Education. The new 11th edition or the 9th and earlier editions of this textbook cover very similar material. (Referred to as KOM in the detailed syllabus)
- Bowen, H., Hollander, A. and Viaene, J.-M. , Applied International Trade Analysis. University of Michigan Press, 1998. (Referred to as BHV in the detailed syllabus)
- Handbook of International Economics, Volume 1 (eds: R. Jones and P. Kenen) and Volume 3 (eds: G. M. Grossman and K. Rogoff), North Holland, Amsterdam. (Referred to as HB in the detailed syllabus)
- Feenstra, R., Advanced International Trade: Theory and Evidence. Princeton Univ Press, first or second edition. (Referred to as F in the detailed syllabus)

The course is also based on academic literature and articles. These are mentioned in the syllabus below and also uploaded on the student portal: student.lahoreschool.edu.pk

MAKE-UP /MISSED EXAM POLICY:

The controller of examinations must determine that a valid excuse has been accepted. If a mid-term is missed with a valid excuse, the make-up will be given with the final exam. Unexcused missed mid-terms will receive a grade of zero. Students who miss the final will have to take it the following year (i.e. the next time the course is offered). Students without a valid excuse for the final exam will have to re-take the course.

STUDENT PORTAL:

All lecture slides, solution to quizzes and assignments will be uploaded on the student portal: student.lahoreschool.edu.pk

EXAMS:

There will be a total of two examinations. Mid-term exam (20%) in the middle of semester and a final exam (35%) at the end of the semester. The exams will consist of problems and theory questions based on assignments, class lectures, and class discussions. All lectures will be included in final exam.

No make-up exam will be given except for medical emergencies. The make-up exam will only be administered if the request is approved by Lahore School administration.

QUIZZES:

There will be a total of 4 quizzes based on required readings, presentations and problem sets. CELL PHONES MAY NOT BE USED AS CALCULATORS. Two quizzes will be before the mid-term examination and two quizzes will be after the mid-term examination. Students will not be allowed to retake the quiz. If the student misses one quiz during the semester, then an average of the 3 quizzes with a 20% deduction will be calculated in lieu of the missed quiz.

PROBLEM SETS:

There will be 4 problem sets for you to solve throughout the semester. These problem sets will test your understanding of the material covered in class. Problem sets are to be submitted at the beginning of class on the day they are due. We will not accept any late problem sets. 2 problem sets will be assigned before the mid-term examination and 2 will be assigned after the mid-term examination.

ATTENDANCE POLICY:

In order to maximize learning in this course, attendance is emphasized. The lecture will involve real-world examples and interactive discussions which cannot be covered in the text

Your attendance is required to understand the material that is to be covered. You may be allowed five (5) unexcused absences. Each unexcused absence over 5 will be sufficient reason for reducing your final grade. (5 points for attendance). Lastly, if a student is absent for more than 8 classes in the course, then the student will be dropped from the course and given an I (incomplete) grade in the course.

POLICY ON PLAGARISM/ CHEATING:

The plagiarism in group project/presentation or cheating during exam will result in a 0 on the presentation or exam. The students must note that plagiarism include the submission/ presentation of a report/article that has been previously used for another course (even by the same author) or using the graded material of this course for some other course. Lahore School adheres strictly to HEC plagiarism policies which are available on the HEC website and Lahore School handbook on plagiarism policy. The policy can be found at:

<http://hec.gov.pk/english/services/faculty/Documents/Plagiarism/Plagiarism%20Policy.pdf>

ASSESSMENT CRITERIA

The following will be the assessment criterion for the course

Presentations/Problem Sets	20%
Quizzes	15%
Class Participation	10%
Mid Term	20%
Final Exam	35%

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CALENDAR OF ACTIVITIES

PLEASE NOTE: READINGS ARE YET TO BE ASSIGNED IN THE CALENDAR. THEY WILL, HOWEVER, BE CHOSEN FROM THE LIST GIVEN IN THE DETAILED SYLLABUS BELOW.

Week #	Lecture #	TOPIC	Discussion Topics
<u>1 & 2</u>	1	<ul style="list-style-type: none">• Course Overview:• Introduction to the course• Standard Trade Models and their macroeconomic implications	KOM (Chapters 3 and 4) Academic Literature (To be assigned)
	2		KOM (Chapters 5 and 6) Academic Literature (To be assigned)
	3	<ul style="list-style-type: none">• Trade and Macroeconomic interdependence:• Capital Account Liberalization	Academic Literature (To be assigned)
	4	<ul style="list-style-type: none">• Comparative Advantage and Macroeconomic Interdependence	Academic Literature (To be assigned)
<u>3 & 4</u>	5	<ul style="list-style-type: none">• International Trade and Macroeconomic Interdependence with Producer Dynamics	Academic Literature (To be assigned)
	6		Academic Literature (To be assigned)
	7	<ul style="list-style-type: none">• Firms: Export Decisions, Outsourcing	KOM (Chapter 8) Problem Set 1 Due
	8	QUIZ 1	

<u>5 & 6</u>	9	• FDI, Vertical Linkages, and Global Value Chains	Academic Literature (To be assigned)
	10	• Trade, Granularity, and Business Cycles	Academic Literature (To be assigned)
	11	Trade and Exchange Rates	Academic Literature (To be assigned)
		• FDI and the Exchange Rate	
	12		Academic Literature (To be assigned)
<u>7, 8 & 9</u>	13	• Trade, International Relative Prices, and the Exchange Rate	Academic Literature (To be assigned) Problem Set 2 Due
	14	QUIZ 2	
	15	MID TERM EXAMINATION	
	16	Trade and Capital & Labour Markets	Academic Literature (To be assigned)
		• Capital Market Imperfections: Limited Commitment in International Capital Markets	
<u>10 & 11</u>	17	• International Trade and Labor Market Frictions	Academic Literature (To be assigned)
	18	Trade Policy	KOM<, Chapter 9
		• The Instruments of Trade Policy	Academic Literature (To be assigned)
	19	• WTO Recommended Trade Practices and Policies	Academic Literature (To be assigned)
	20	• The Political Economy of Trade Policy	KOM, Chapter 10 Academic Literature (To be assigned)

<u>12 & 13</u>	21 • Trade Policy in Developing Countries	KOM, Chapter 11 Academic Literature (To be assigned) Problem Set 3 Due
	22 QUIZ 3	
	23 Issues related to Trade Policy • Trade Costs, Trade Integration & FTA and International Macro Puzzles	Academic Literature (To be assigned)
	24 • Controversies in Trade Policy	Academic Literature (To be assigned)
<u>14, 15 & 16</u>	25 • Currency Crises and Financial Frictions	Academic Literature (To be assigned)
	26 • Trade and Inequality	Academic Literature (To be assigned)
	27 • Trade and Gender	Academic Literature (To be assigned)
	28 • Trade and Environment	Academic Literature (To be assigned) Problem Set 4 Due
	29 QUIZ 4	
<u>17 & 18</u>	30 FINAL TERM EXAMINATION	

Topics and Articles to be covered:

We will cover *on average* one topic every two weeks. Of course, some topics will require more time, while others can be covered more quickly.

Course Overview:

- Introduction to the course
- Standard Trade Models and their macroeconomic implications

Readings:

- KOM, Chapters 3 – 6
- Kikuchi, T. and Long, N. V. (2012). A Decomposition of Ricardian Trade Gains. *International Review of Economics and Finance*, Vol. 21:173-176.
- Costinot, A. (2009), An Elementary Theory of Comparative Advantage. *Econometrica*, Vol. 77(4), 1165-1192.
- Costinot, A., and Donalson, D. (2012). Ricardo's Theory of Comparative Advantage: Old Idea, New Evidence. *American Economic Review*, Vol. 103(2): 453-58

- Krugman, P. (1995). Growing World Trade: Causes and Consequences. Brookings Papers on Economic Activity, Vol. 1: 327-77
- Borjas, G. J., R. B. Freeman and L. F. Katz, (1997). How much do Immigration and Trade Affect Labor Market Outcomes? Brookings Papers on Economic Activity, 1:1- 90.
- Oslington, P. (2002). Trade, Wages and Unemployment in the Presence of Hiring and Firing Costs. Economic Record Vol. 78(241): 195-206.
- Nakanishi, N., and Long, N. V. (2015). The Distributional and Allocative Impacts of Virtual Labor Mobility across Time Zones through Communication Networks. Review of International Economics, Vol. 23(3), pp. 638-662.
- Corden, W. M. and Neary J. P. (1982). Booming Sector and De-industrialization in a Small Open Economy. Economic Journal Vol. 82 (368): 825-48.

Trade and Macroeconomic interdependence

- Capital Account Liberalization

Readings:

- ur Rehman, M. A., & Hayat, M. A. (2017). Capital account liberalization and economic growth. *Pakistan Economic and Social Review*, 55(1), 299-313.
- Jiang, C.; Feng, A.; Xiao, C. Does Capital Account Liberalization Spur Entrepreneurship: The Role of Financial Development. *Sustainability* 2021, 13, 9238.
- “The IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil”, IMF and IMF Independent Evaluation Office, 2003.
- Schmukler, S., 2003. “Financial Globalization: Gain and Pain for Developing Countries”, World Bank Working Paper 30141.
- Gourinchas, P.O. and O. Jeanne, “Capital Flows to Developing Countries: The Allocation Puzzle,” Mimemo UCB, September 2006-10-06
- Matsuyama, K. “Financial Market Globalization and the Endogenous Inequality of Nations,” *Econometrica*, May 2004.
- Comparative Advantage and Macroeconomic Interdependence

Readings:

- Barattieri, A. (2014): “Comparative Advantage, Service Trade, and Global Imbalances,” *Journal of International Economics* 92: 1-13.
- Baxter, M. (1992): “Fiscal Policy, Specialization, and Trade in the Two-Sector Model: The Return of Ricardo?” *Journal of Political Economy* 100: 713-744.
- Cuñat, A., and M. Maffezzoli (2004): “Heckscher-Ohlin Business Cycles,” *Review of Economic Dynamics* 7: 555-585.
- di Giovanni, J., A. A. Levchenko, and J. Zhang (2014): “The Global Welfare Impact of China: Trade Integration and Technological Change,” *American Economic Journal: Macroeconomics* 6: 153-183.
- Juvenal, L., and P. S. Monteiro (2010): “Trade and Synchronization in a Multi-Country Economy,” Federal Reserve Bank of St. Louis Working Paper 2013-015A.
- International Trade and Macroeconomic Interdependence with Producer Dynamics

Readings:

- Alessandria, G., and H. Choi (2007): “Do Sunk Costs of Exporting Matter for Net Export Dynamics?” *Quarterly Journal of Economics* 122: 289-336.
- Alessandria, G., and H. Choi (2014): “Establishment Heterogeneity, Exporter Dynamics, and the Effects of Trade Liberalization,” *Journal of International Economics* 94: 207-223.
- Alessandria, G., H. Choi, J. P. Kaboski, and V. Midrigan (2015): “Microeconomic Uncertainty, International Trade, and Aggregate Fluctuations,” *Journal of Monetary Economics* 69: 20-38.
- Bergin, P. R., and R. Glick (2007): “Tradability, Productivity, and International Economic Integration,” *Journal of International Economics* 73: 128-151.
- Bergin, P. R., and R. Glick (2009): “Endogenous Tradability and Some Macroeconomic Implications,” *Journal of Monetary Economics* 56: 1086-1095.
- Bergin, P. R., R. Glick, and A. M. Taylor (2006): “Productivity, Tradability, and the Long-Run Price Puzzle,” *Journal of Monetary Economics* 53: 2041-2066.
- Comin, D., N. Loayza, F. Pasha, and L. Servén (2014): “Medium Term Business Cycles in Developing Countries,” *American Economic Journal: Macroeconomics* 6: 209-245.
- Corsetti, G., P. Martin, and P. Pesenti (2007): “Productivity Spillovers, Terms of Trade, and the ‘Home Market Effect’,” *Journal of International Economics* 73: 99-127.
- Corsetti, G., P. Martin, and P. Pesenti (2013): “Varieties and the Transfer Problem,” *Journal of International Economics* 89: 1-12.
- Devereux, M. B., and V. Hnatkovska (2012): “The Extensive Margin, Sectoral Shares and International Business Cycles,” *Canadian Journal of Economics* 45: 509-534.
- Eaton, J., S. S. Kortum, and S. Sotelo (2012): “International Trade: Linking Micro and Macro,” NBER WP 17864.
- Fattal Jaef, R. N., and J. I. Lopez (2014): “Entry, Trade Costs, and International Business Cycles,” *Journal of International Economics* 94: 224-238.
- Gibson, M. J., and T. A. Graciano (2011): “The Decision to Import,” *American Journal of Agricultural Economics* 93: 444-449.
- Ghironi, F., and M. J. Melitz (2005): “International Trade and Macroeconomic Dynamics with Heterogeneous Firms,” *Quarterly Journal of Economics* 120: 865-915.
- Ghironi, F., and M. J. Melitz (2007): “Trade Flow Dynamics with Heterogeneous Firms,” *American Economic Review (Papers and Proceedings)* 97: 356-361.
- Gopinath, G., and B. Neiman (2014): “Trade Adjustment and Productivity in Large Crises,” *American Economic Review* 104: 793-831.
- Hamano, M. (2013): “The Consumption-Real Exchange Rate Anomaly with Extensive Margins,” *Journal of International Money and Finance* 36: 26-46.
- Hamano, M. (2014): “The Harrod-Balassa-Samuelson Effect and Endogenous Extensive Margins,” *Journal of the Japanese and International Economies* 31: 98-113.
- Impullitti, G., A. A. Irarrazabal, and L. D. Oromolla (2013): “A Theory of Entry Into and Exit From Export Markets,” *Journal of International Economics* 90: 75-90.
- Kehoe, T. J., and K. J. Ruhl (2013): “How Important is the New Goods Margin in International Trade?” *Journal of Political Economy* 121: 358-392.

- Méjean, I. (2008): “Can Firms’ Location Decisions Counteract the Balassa-Samuelson Effect?” *Journal of International Economics* 76: 139-154.
- Pappada, F. (2010): “Real Adjustment of Current Account Imbalances with Firms’ Heterogeneity,” *IMF Economic Review* 59: 431-454.

Firms: Export Decisions, Outsourcing

Readings:

- KOM, Chapter 8
- Do, V. and Long, N. V. (2008). International Outsourcing under Monopolistic Competition: Winners and Losers. Chapter 18 in S. Marjit & E. Yu (eds.) *Contemporary and Emerging Issues in Trade Theory and Policy*, (Frontiers of Economics and Globalization Volume 4), Emerald Press, UK, 345-366.
- Long, N. V. (2005). Outsourcing and Technology Spillovers. *International Review of Economics and Finance*, Vol. 14 (3): 297-304.
- Nakanishi, N. and Ngo Van Long (2020), A New Impetus for Endogenous Growth: R&D Outsourcing via Virtual Labor Mobility. *Review of International Economics*, 2020. <https://doi.org/10.1111/roie.12473>
- Tomiura, E. (2007). Effects of R&D and networking on the export decision of Japanese firms. *Research Policy*, 36(5), 758-767.
- Fernandes, A. M., Ferro, E., & Wilson, J. S. (2019). Product standards and firms’ export decisions. *The World Bank Economic Review*, 33(2), 353-374.
- Anne O. Krueger. “Are Preferential Trading Arrangements Trade Liberalizing or Protectionist?”, *Journal of Economic Perspectives*, Vol. 13, No. 4 (1999), 105-124.

FDI, Vertical Linkages, and Global Value Chains

Readings:

- Auer, R. A., A. A. Levchenko, P. Sauré (2016): “International Inflation Spillovers through Input Linkages,” *mimeo*, Bank for International Settlements, University of Michigan, and Swiss National Bank.
- Bergin, P. R., R. Feenstra, and G. Hanson (2009): “Offshoring and Volatility: Evidence from Mexico’s Maquiladora Industry,” *American Economic Review* 99: 1664-1671.
- Burstein, A., C. Kurz, and L. Tesar (2008): “Trade, Production Sharing, and the International Transmission of Business Cycles,” *Journal of Monetary Economics* 55: 775-795.
- Cavallari, L. (2007): “A Macroeconomic Model of Entry with Exporters and Multinationals,” *The B.E. Journal of Macroeconomics (Contributions)* 7: Article 32.
- Cavallari, L. (2008): “Macroeconomic Interdependence with Trade and Multinational Activities,” *Review of International Economics* 16
- Contessi, S. (2006): “International Macroeconomic Dynamics, Endogenous Tradedness and FDI with Heterogeneous Firms,” *mimeo*, Federal Reserve Bank of St. Louis.
- Contessi, S. (2015): “Multinational Firms’ Entry and Productivity: Some Aggregate Implications of Firm Level Heterogeneity,” *Journal of Economic Dynamics and Control* 61: 61-80.

- di Giovanni, J., and A. A. Levchenko (2010): “Putting the Parts Together: Trade, Vertical Linkages, and Business Cycle Comovement,” *American Economic Journal: Macroeconomics* 2: 95-124.
- di Giovanni, J., A. A. Levchenko, and I. Méjean (2016): “The Micro-Origins of International Business Cycle Comovement,” NBER WP 21885.
- Fillat, J. L., and S. Garetto (2015): “Risk, Returns, and Multinational Production,” *Quarterly Journal of Economics* 130: 2027-2073.
- Fillat, J. L., S. Garetto, and L. Oldenski (2015): “Diversification, Cost Structure, and the Risk Premium of Multinational Corporations,” *Journal of International Economics* 96: 37-54.
- Foley, C. F., and K. Manova (2015): “International Trade, Multinational Activity, and Corporate Finance,” *Annual Review of Economics* 7: 119-146.
- Irarrazabal, A., A. Moxnes, and L. D. Oromolla (2013): “The Margins of Multinational Production and the Role of Intrafirm Trade,” *Journal of Political Economy* 121: 74-126.
- Johnson, R. C. (2014a): “Trade in Intermediate Inputs and Business Cycle Comovement,” *American Economic Journal: Macroeconomics* 6: 39-83.
- Johnson, R. C. (2014b): “Five Facts about Value Added-Exports and Implications for Macroeconomics and Trade Research,” *Journal of Economic Perspectives* 28: 119-142.
- Johnson, R. C., and G. Noguera (2012): “Accounting for Intermediates: Production Sharing and Trade in Value Added,” *Journal of International Economics* 86: 224-236.
- Liao, W., and A. M. Santacreu (2015): “The Trade Comovement Puzzle and the Margins of International Trade,” *Journal of International Economics* 96: 266-288.
- Ramondo, N., and V. Rappoport (2010): “The Role of Multinational Production in a Risky Environment,” *Journal of International Economics* 81: 240-252.
- Ramondo, N., V. Rappoport, and K. J. Ruhl (2013): “The Proximity-Concentration Tradeoff under Uncertainty,” *Review of Economic Studies* 80: 1582-1621.
- Rodriguez-Lopez, J. A. (2014): “What Drives Offshoring Decisions? Selection and Escape-Competition Mechanisms,” *mimeo*, University of California, Irvine.
- Wong, C.Y., and Y.-K. Eng (2013): “International Business Cycle Co-movement and Vertical Specialization Reconsidered in Multistage Bayesian DSGE Model,” *International Review of Economics & Finance* 26: 109-124.
- Zlate, A. (2016): “Offshore Production and Business Cycle Dynamics with Heterogeneous Firms,” *Journal of International Economics* 100: 34-49.

Trade, Granularity, and Business Cycles

Readings:

- di Giovanni, J., and A. A. Levchenko (2009): “Trade Openness and Volatility,” *Review of Economics and Statistics* 91: 558-585.
- di Giovanni, J., and A. A. Levchenko (2012): “Country Size, International Trade, and Aggregate Fluctuations in Granular Economies,” *Journal of Political Economy* 120: 1083-1132.
- di Giovanni, J., A. A. Levchenko, and I. Méjean (2014): “Firms, Destinations, and Aggregate Fluctuations,” *Econometrica* 82: 1303-1340.

- di Giovanni, J., A. A. Levchenko, and I. Méjean (2018): “The Micro Origins of International Business Cycle Comovement,” *American Economic Review* 108: 82-108.

Trade and Exchange Rates

FDI and the Exchange Rate

Readings:

- Lubik, T. A., and K. N. Russ (2012): “Exchange Rate Volatility in a Simple Model of Firm Entry and FDI,” *Economic Quarterly* 98: 51-76.
- Russ, K. N. (2007): “The Endogeneity of the Exchange Rate as a Determinant of FDI: A Model of Entry and Multinational Firms,” *Journal of International Economics* 71: 344-372.
- Russ, K. N. (2012): “Exchange Rate Volatility and First-Time Entry by Multinational Firms,” *Review of World Economics* 148: 269-295.
- Xing, Y., & Wan, G. (2006). Exchange rates and competition for FDI in Asia. *World Economy*, 29(4), 419-434.
- Warren, M., Seetanah, B., & Sookia, N. (2023). An investigation of exchange rate, exchange rate volatility and FDI nexus in a gravity model approach. *International Review of Applied Economics*, 1-21.
- Sasana, H. (2022). EFFECT ANALYSIS OF FDI, EXPORTS, EXCHANGE RATES, ON INDONESIA'S ECONOMIC GROWTH 1991-2020. *JOURNAL OF HUMANITIES, SOCIAL SCIENCES AND BUSINESS*, 2(1), 1-17.
- Feng, F., Lin, F. Q., & Wang, T. Y. (2022). Exchange rate appreciation and outward FDI in China. *The Journal of International Trade & Economic Development*, 31(7), 995-1016.
- Trade, International Relative Prices, and the Exchange Rate

Readings:

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