

18I041 Firms, Technology and the International Economy

Winter Term - 3 ECTS

Elective Course

Prof. Manuel García-Santana

Prerequisites to Enroll

None

Overview and Objectives

The students will learn theoretical tools related to trade, growth and development to rigorously analyze important topics in macroeconomics. In particular, the students will become familiar with the frontier research on development from a macro perspective and trade, with special emphasis on papers analyzing the evolution of productivity both across time and space.

Course Outline

TOPICS

- 1) Models with heterogeneous firms
- 2) Trade:
 - a. The Armington Model
 - b. The Melitz Model
 - c. Welfare gains from trade
 - d. Global value chains
- 3) Development:
 - a. Misallocation across firms and productivity differences across countries
 - b. Misallocation across firms and productivity differences over time
 - c. On the importance of particular distortions: crony capitalism

Required Activities

Analytical Problem Sets

There will be **2** analytical problem sets, which will be handed out in the first lecture of weeks 2 and 4. You have to hand in **handwritten** solutions the following week.

Please note: the problem sets are **very** necessary work. Points will be assigned according to the fraction of the problem sets that you answered in sufficient detail. Solutions must be **handwritten**.

IMPORTANT: Please be aware the probability of passing this course is almost 0 if you do not try and solve the problems yourself. You may work in groups, with a maximum size of 3.

DATA PROBLEM SETS

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Students will be required to prepare 1 data-intensive problem set over the course of the term. Format and details will be distributed in separate documents. You **must** work in groups, with a size of 2 or 3.

Evaluation

The final grade will depend on your performance in a final exam (**80%**), analytical problem sets (**10%**), and data problem sets (**10%**). The final exam is at the end of the term.

Competences

- To (be able to) communicate with determination and in the English Language, the results and implications of the required analytical study using a language that the receiver can relate to.
- To possess and understand the knowledge that provides a basis or opportunity to be original in the development and / or application of ideas, often in a research context.
- That students know how to apply the acquired knowledge and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their field of study.
- That the students be able to communicate their conclusions and the knowledge and the ultimate reasons that sustain them to both, specialized and non-specialized publics in a clear and unambiguous way.
- That students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.
- To identify and apply the insights of the theory, the models, and the analytical tools of modern economy to its global dimension.
- Understand and apply the economics of international trade and finance and economic development
- To evaluate, with theoretical and quantitative instruments, the complex realities of the economy to understand the way it works.

Learning Outcomes

- Deep knowledge of the economics of international trade, finance and development.
- Applies economic concepts to economic pressure policy problems related to growth, economic stability and poverty.

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Analyze economic data rigorously

Materials

All the materials taught in the course will be based on papers published in academic journals.

Some key References:

- Arkolakis, C., A. Costinot, D. Donaldson, and A. Rodríguez-Clare (Forthcoming): "The Elusive Pro-Competitive Effects of Trade," *Review of Economic Studies*.
- Arkolakis, C., A. Costinot, and A. Rodríguez-Clare (2012): "New Trade Models, Same Old Gains?," *American Economic Review*, 102(1), 94–130.
- Hall, R., and C. I. Jones (1999): "Why Do Some Countries Produce So Much More Output per Worker than Others?" *Quarterly Journal of Economics*, 114, 83–116.
- Hsieh, C.-T., and P. Klenow (2009): "Misallocation and Manufacturing TFP in China and India," *Quarterly Journal of Economics*, 124(4), 1403–1448.
- ----- (2014): "The Life Cycle of Plants in India and Mexico," *Quarterly Journal of Economics*, 129(3), 1035–1084.
- Melitz, M. (2003) "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica* 71(6), 1695-1725.
- Melitz, M. J., and G. I. P. Ottaviano (2008): "Market Size, Trade, and Productivity," *The Review of Economic Studies*, 75(1), 295–316.