

15I027

## International Trade and Finance

Fall Term - 6 ECTS

Mandatory Course

Prof. Jaume Ventura

### Overview and Objectives

This course examines the basic models of international trade and finance, emphasizing both their theoretical foundations and their empirical relevance. It also includes applications of these models to some of the problems facing the world economy.

All readings below are required. Background readings will not be covered in lectures explicitly, but students are expected to read them on their own during the course.

### Background Readings

Findlay, R. and K. O'Rourke, *Power and Plenty: Trade, War and the World Economy in the Second Millennium*, Princeton University Press, 2007.

Maddison, A., *The World Economy: A Millennial Perspective*, OECD Development Center, 2001.

Obstfeld, M. and A. Taylor, *Global Capital Markets: Integration, Crisis and Growth*, Cambridge University Press, 2004.

Reinhart, C. and K. Rogoff, *This Time is Different: Eight Centuries of Financial Folly*, Princeton University Press, 2009.

### Course Structure

#### 1. Models of international trade in assets

Lecture notes 1.

Ventura, J., "Towards a Theory of Current Accounts," *The World Economy*, 2003.

Kose, A., E. Prasad, K. Rogoff, and S. Wei, "Financial Globalization: A Reappraisal," *IMF Staff Papers*, 2009.

Henry, P.B., "Capital Account Liberalization: Theory, Evidence and Speculation," *Journal of Economic Literature*, 2007.

Broner, F. and J. Ventura, "Rethinking the Effects of Financial Globalization," *Quarterly Journal of Economics*, 2016.

Caselli, F. and J. Feyrer, "The Marginal Product of Capital," *Quarterly Journal of Economics*, 2007.

Alfaro, L., S. Kalemli-Ozcan and V. Volosovych, "Sovereigns, Upstream Capital Flows and Global Imbalances," *Journal of the European Economic Association*, 2014.

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### 2. Models of international trade in goods

Lecture notes 2.

Dornbusch, R., S. Fischer and P. Samuelson, "Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods," *American Economic Review*, 1977.

Krugman, P., "Scale Economies, Product Differentiation, and the Pattern of Trade," *American Economic Review*, 1980.

Head, K. and T. Mayer, "Gravity Equations: Workhorse, Toolkit and Cookbook" in *Handbook of International Economics, Vol. 4*, 2014.

Helpman, E., *Understanding Global Trade*, MIT Press, 2011.

### 3. Globalization, borders and the state

McCallum, J., "National Borders Matter: Canada-US Regional Trade Patterns," *American Economic Review*, 1995.

Anderson, J. and E. van Wincoop, "Gravity with Gravitas: A Solution to the Border Puzzle," *American Economic Review*, 2003.

Santamaria, M., J. Ventura and U. Yesilbayraktar, "Measuring Borders within Europe," working paper, 2019.

Alesina, A., E. Spolaore and R. Wacziarg, "Economic Integration and Political Disintegration," *American Economic Review*, 2000.

Gancia, G., G. Ponzetto and J. Ventura, "Globalization and Political Structure," working paper, 2018.

### Required Activities

The course will be structured into 20 lectures. Problem sets will be handed out for practice. Students are encouraged to work in teams to solve these problem sets. There will be weekly TA sessions to review the material discussed in the lectures and to explain the solutions to the problem sets.

### Evaluation

The course grade is based on a final exam.

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### 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 work within a heterogeneous team of researchers as economic analyst using specific group techniques.
- To fit in diverse professional environments and varied types of collaborations in different professional projects
- 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 integrate knowledge and face the complexity of making judgments based on information that, being incomplete or limited, include reflections on the social and ethical responsibilities linked to the application of their knowledge and judgments.
- 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 economic theory related to the regulation of markets and competition policy.
- Understand and apply the economics of international trade and finance and economic Development.
- To understand and apply the quantitative methods used to solve complex problems of the economy.
- To evaluate, with theoretical and quantitative instruments, the complex realities of the economy to understand the way it works.

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### 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.
- Analyze economic data rigorously