

International Trade & International Macroeconomics

ECTS : 3

Description du contenu de l'enseignement :

The course is a topics course on international trade and macroeconomics, which covers the recent advances in international trade and macroeconomics with an emphasis on the role of firm heterogeneity. Starting from recent models of international trade with heterogeneous firms (Melitz 2003; Chaney 2008) and its effects on the labor market, the course will rely on the theoretical modelling of the New Open Economy Macroeconomy framework (Obstfeld & Rogoff, 1995), which embeds explicit microfoundations in a dynamic general equilibrium perspective. The first part of the course will provide students with the essential tools to study the optimal international strategy of firms with different levels of productivity. The second part of the course studies the recent advances in international macroeconomics that incorporate these elements from the international trade literature, by modeling the role of the extensive margin of trade à la Melitz (2003) in an international macroeconomic setting.

Course Schedule

Part 1 – The New New Trade Theory and the Heterogeneity of firms

1. International Trade with Heterogeneous Firms (Melitz 2003)
2. FDI with Heterogeneous Firms: Helpman, Melitz and Yeaple (2004)
3. Trade Liberalization, Labor Market, Homogeneous Firms (Trefler 2003, Kovak 2013)
4. Liberalization, Labor Market, Heterogeneous firms (Helpman and Itskhoki 2010)

Part 2 – International Macroeconomics

5. The canonical model of international business cycles (1)
6. The canonical model of international business cycles (2)
7. Firm heterogeneity, firm dynamics and international fluctuations
8. Trade, granularity and international business cycles

Compétence à acquérir :

The objective of the course is to introduce some key topics of interest in the field of international trade and international macroeconomics and to provide students with the modelling framework to address them. A specific focus will be made on the role of firm heterogeneity in shaping international trade flows as well as macroeconomic fluctuations in an international set-up. The students will be trained to read leading research articles on these issues.

After attending the classes, the students will have a sharp understanding of the optimal international strategy of firms, and how such trade microfoundations shed new light on long-standing or novel questions in international macroeconomics. They will also master the cutting-edge research at the frontier between international macroeconomics and international trade, and how to think about economic policy in this global framework.

Mode de contrôle des connaissances :

Mid Term : 40% Final exam: 60%

The final grade will be based on two mid-term exams (one for each part) and a written final exam, covering both parts of the course.

Bibliographie, lectures recommandées :

There is no textbook for this course. We will base entirely on published academic papers, based on the (yet non-definitive) list of papers.

Common core paper - compulsory reading

· Melitz, M. (2003) "[The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity](#)", *Econometrica* 71: 1695-1725

Part I: International trade

Chapter I: Trade models with heterogeneous firms

- Brainard, S.L. (1997) "An Empirical Assessment of the Proximity- Concentration Trade-off Between Multinational Sales and Trade," *American Economic Review*, 87(4), pages 520-544 (suggested reading)
- Melitz, M., Helpman, H. and S. Yeaple (2004) "Export Versus FDI with Heterogeneous Firms", *American Economic Review* 94: 300-316 (compulsory reading).
- Pavcnik (2002) "Trade Liberalization, Exit, and Productivity Improvements: Evidence from Chilean Plants", *The Review of Economic Studies* 69, January 2002, pp. 245-76 (suggested reading).

Chapter II: The Labour market effect of trade

- Trefler D. (2004) "The Long and Short of the Canada-U.S. Free Trade Agreement", *American Economic Review* 94: 870-895 (compulsory reading).
- Helpman H. and Itzhoki (2010) "Labour Market Rigidities, Trade and Unemployment", *Review of Economic Studies*, 77(3): 1100-1137 (compulsory reading).
- Kovak, B. (2013) "Regional Effects of Trade Reform: What is the Correct Measure of Liberalization", *American Economic Review*, 103(5): 1960-1976 (compulsory reading).
- Autor D., Dorn D., and G. Hanson (2013) "The China Syndrome: Local Labor Market Effects of Import Competition in the United States", *American Economic Review*, 2013, 103(6), 2121–2168 (compulsory reading).
- Kovak, B and R. Dix-Carneiro (2017) "Trade Liberalization and Regional Dynamics", *American Economic Review*, 107(10): 1908-2946 (suggested reading).

Part II: International Macroeconomics

Chapter I: The canonical model of international business cycles

- Backus, David K.; Kehoe, Patrick J.; Kydland, Finn E. (1995), "International Business Cycles: Theory and Evidence", in Cooley, Tom (ed.), *Frontiers of Business Cycle Research*, Princeton University Press
- Obstfeld, M. and Rogoff, K. "The Six Major Puzzles in International Macroeconomics: Is There a Common Cause?", in *NBER Macroeconomics Annual 2000*, Volume 15, Bernanke and Rogoff. 2001

Chapter II: Firm heterogeneity, firm dynamics and international fluctuations

- Ghironi, Fabio, and Marc Melitz. 2005. "International Trade and Macroeconomic Dynamics with Heterogeneous Firms." *Quarterly Journal of Economics* 120: 865-915

Chapter III: Trade, granularity and business cycles

- di Giovanni, J., Levchenko, A. and I. Mejean (2018) "The Micro Origins of International Business-Cycle Comovement", *American Economic Review*, Vol 108, 2018
- di Giovanni, J., Levchenko, A. and I. Mejean (2017) "Large Firms and International Business Cycle Comovement", 2017, *American Economic Review P&P*, 107(5):598-602.
- Acemoglu, D., Carvalho, V.M., Ozdaglar, A. and Tahbaz-Salehi, A. (2012) "The network origins of aggregate fluctuations", *Econometrica*, Vol. 80, n°5
- Gabaix, X., 2011, The granular origins of aggregate fluctuations, *Econometrica*, Vol. 79, n°3

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