Course description

Empirical International Economics

1. Course name, ECTS, quarter / semester, contact hours

Empirical International Economics, quarter 4, semester 2, 42 contact Hours, 3 ECTS

2. Author:

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3. Outline

The main purpose of the course is that students get the first idea of what modern international economics is. In order to achieve this purpose, a discussion of the key concepts of the discipline, which are also essential for modern economics as a whole (love for variety, gravity, pricing-to-market, gains from trade, purchasing power parity), will be provided. It is also expected that the students will learn how to apply these concepts to better understand the problems international economists study: the structure of trade flows, gains from trade, trade policy issues, exchange rates formation. Finally, the course will briefly explain how the basic models of international economics are developed and used to study the relevant economic questions.
A novelty of this course compared to most of the others (including a masterful treatment by Krugman and Obstfeldt) is that the former stresses the role of demand side in international trade, while the latter focus mainly on the supply side. Another essential feature of the course is that students are supposed to read research papers in international economics and present them at the seminars in groups of 2 - 4 people.
The course relies on economic intuition rather than formal models. However, it requires from the students some knowledge in microeconomics, especially demand theory. Knowledge of some basic calculus and basic optimization is also strongly appreciated, though not absolutely necessary.

4. Structure and content

1. Understanding global trade: stylized facts and competing theories;
2. Variable markups;
3. Gravity in trade;
4. Gains from trade: measurement issues;
5. Exchange rate and pass-through.

5. Prerequisites

Microeconomics (especially demand theory) – intermediate
Calculus, optimization – basic

6. Assessment

- Coursework (40%):
    - Individual assignment: a referee report (10%)
    - A team project including two presentations of research papers (20%)
    - Class participation mark (10%)
- Intermediate written exam (30%): 2-hour exam
- Final written exam (30%): 2-hour exam