

EC874.01

TOPICS IN INTERNATIONAL MACROECONOMICS

Syllabus

Spring 2009

Lectures:

Tuesday and Thursday, 12:00 – 1:30 pm; Carney Hall, Room 306

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Office Hours: Tuesday, 2:30 – 4:30 pm, and by appointment

Course Objectives and Description

This course covers topics in international macroeconomics. Its purpose is to expose students to recent developments in the study of international business cycle transmission for industrial and emerging economies, the effect and conduct of macroeconomic policies in open economies, international financial adjustment, and currency and financial crises.

We will first study models of international interdependence under flexible prices, focusing on the role of different assumptions on the structure of financial asset markets in the international propagation of shocks. Exogenous shocks to technology will be the main source of fluctuations in these models. We will then analyze the behavior of international relative prices and introduce nominal rigidity and a role for monetary policy shocks in the models. This will lead us to study the conduct of optimal monetary policy in open economies under different assumptions about the nature of nominal rigidity. (Time permitting we will also consider the interaction of monetary and fiscal policies.) Next, we will turn to pricing to market and the role of distribution sectors in affecting relative prices and exchange rate pass-through. We will then move to models of international macroeconomic and trade dynamics that attribute a role to firm entry and exit and trade costs in explaining outstanding puzzles in international macroeconomics. This will be followed by work on international financial adjustment, the current account, and valuation effects. Time permitting, the last part of the course will focus on the international macroeconomics of emerging market economies, currency and financial crises, and debt repudiation.

A good reference textbook for background reading is Maurice Obstfeld and Kenneth Rogoff's *Foundations of International Macroeconomics*, Cambridge: MIT Press, 1996. I also recommend Nelson Mark's, *International Macroeconomics and Finance: Theory and Econometric Methods*, Blackwell Publishers, 2001. However, lectures will be based mainly on articles from the reading list below.

Course Requirements

Readings: Starting with the second lecture of the course, I will expect you to have read the papers I will cover in advance of the relevant lecture. (At the end of each lecture, I will announce the readings for the following lecture.) There will be no homework for this course, but you must read these papers with pencil and paper, making sure you can reproduce all arguments and derivations whenever feasible. I will expect you to be able to do that for the final exam.

Discussions: We will hold two Course Conferences – on Friday, March 20, and Friday, April 17, time and room TBA. In each of these conferences, you must give a thirty-minute discussion of a paper from the set marked with a smile ☺ in the reading list. You must spend approximately ten minutes explaining the key contribution of the paper and twenty minutes on your comments, focusing on issues of substance. (Papers discussed on March 20 cannot be discussed on April 17. You cannot cooperate in preparing discussions. In each conference, there can be at most two discussions of the same paper, and the choice of paper to be discussed will be on a first-come, first-served basis.)

Short paper: You must write a single-authored, short paper (between 10 and 15 pages, 1.5 spacing, plus appendix and references) on a topic in international macroeconomics. You must discuss your idea with me before starting. Your paper must clearly state the issue of interest, briefly discuss the relevant literature, describe your planned contribution, and develop the latter as far as you can. The paper is due in my mailbox by noon on Wednesday, May 20.

Final exam: There will be a three-hour final exam on a date/time TBA.

Discussions, short paper, and final exam will be graded on a scale 0-100. The weights of these requirements in your final course grade will be as follows:

Discussions: 20 percent;
Short paper: 40 percent;
Final exam: 40 percent.

Course Topics and Readings

1. Asset Markets and the International Transmission of Shocks

Baxter, M., and M. Crucini (1995): “Business Cycles and the Asset Structure of Foreign Trade,” *International Economic Review* 36: 821-853.

☺ Bodenstein, M. (2006): “Closing Open Economy Models,” *mimeo*, Board of Governors of the Federal Reserve System.

Cole, H. L., and M. Obstfeld (1991): “Commodity Trade and International Risk Sharing: How Much Do Financial Markets Matter?” *Journal of Monetary Economics* 28: 3-24.

Ghironi, F. (2006): “Macroeconomic Interdependence under Incomplete Markets,” *Journal of International Economics* 70: 428-450.

Heathcote, J., and F. Perri (2002): “Financial Autarky and International Business Cycles,” *Journal of Monetary Economics* 49: 601-627.

Kehoe, P. J., and F. Perri (2002): "International Business Cycles with Endogenous Incomplete Markets," *Econometrica* 70: 907-928.

Kim, J., and S. H. Kim (2003): "Spurious Welfare Reversals in International Business Cycle Models," *Journal of International Economics* 60: 471-500.

Schmitt-Grohé, S., and M. Uribe (2003): "Closing Small Open Economy Models," *Journal of International Economics* 61: 163-185.

2. International Real Business Cycles

Backus, D. K., P. J. Kehoe, and F. E. Kydland (1992): "International Real Business Cycles," *Journal of Political Economy* 100: 745-775.

Backus, D. K., P. J. Kehoe, and F. E. Kydland (1994): "Dynamics of the Trade Balance and the Terms of Trade: The J Curve?" *American Economic Review* 84: 84-103.

Backus, D. K., and G. W. Smith (1993): "Consumption and Real Exchange Rates in Dynamic Economies with Non-Traded Goods," *Journal of International Economics* 35: 297-316.

Baxter, M. (1995): "International Trade and Business Cycles," in G. M. Grossman and K. Rogoff (eds.), *Handbook of International Economics*, vol. 3, pp. 1801-1864, Amsterdam: Elsevier.

Baxter, M., and M. J. Crucini (1993): "Explaining Saving-Investment Correlations," *American Economic Review* 83: 416-436.

Benigno, G., and C. Thoenissen (2008): "Consumption and Real Exchange Rates with Incomplete Markets and Non-Traded Goods," *Journal of International Money and Finance* 27: 926-948.

Corsetti, G., L. Dedola, and S. Leduc (2008a): "International Risk-Sharing and the Transmission of Productivity Shocks," *Review of Economic Studies* 75: 443-473.

Corsetti, G., L. Dedola, and S. Leduc (2008b): "Productivity, External Balance, and Exchange Rates: Evidence on the Transmission Mechanism among the G7 Countries," in Reichlin, L., and K. West (eds.), *NBER International Seminar on Macroeconomics 2006*, Cambridge: MIT Press, 117-178.

© Enders, Z., and G. J. Müller (2007): "On the International Transmission of Technology Shocks," *mimeo*, European University Institute.

© Engel, C., and J. Wang (2007): "International Trade in Durable Goods: Understanding Volatility, Cyclicalities, and Elasticities," *mimeo*, University of Wisconsin, Madison.

Mendoza, E. G. (1991): "Real Business Cycles in a Small Open Economy," *American Economic Review* 81: 797-818.

© Perri, F., and V. Quadrini (2008): "Understanding the International Great Moderation," *mimeo*, University of Minnesota and University of Southern California.

Raffo, A. (2008): "Net Exports, Consumption Volatility and International Business Cycle Models," *Journal of International Economics* 75: 14-29.

Stockman, A. C., and L. L. Tesar (1995): "Tastes and Technology in a Two-Country Model of the Business Cycle: Explaining International Co-Movements," *American Economic Review* 85: 168-185.

3. The Law of One Price, Purchasing Power Parity, and the Real Exchange Rate

Broda, C., and D. E. Weinstein (2008): "Understanding International Price Differences Using Barcode Data," NBER WP 14017.

Burstein, A. T., M. Eichenbaum, and S. Rebelo (2005): "Large Devaluations and the Real Exchange Rate," *Journal of Political Economy* 113: 742-784.

© Burstein, A. T., and N. Jaimovich (2008): "Understanding Movements in Aggregate and Product-Level Real Exchange Rates," *mimeo*, UCLA and Stanford University.

Engel, C. M. (1993): "Real Exchange Rates and Relative Prices: An Empirical Investigation," *Journal of Monetary Economics* 32: 35-50.

Engel, C. M. (1999): "Accounting for U.S. Real Exchange Rate Changes," *Journal of Political Economy* 107: 507-538.

Engel, C. M. (2000): "Long Run PPP May Not Hold After All," *Journal of International Economics* 51: 243-273.

Engel, C. M., and J. H. Rogers (1996): "How Wide Is the Border?" *American Economic Review* 86: 1112-1125.

Finn, M. G. (1999): "An Equilibrium Theory of Nominal and Real Exchange Rate Comovement," *Journal of Monetary Economics* 44: 453-475.

Gopinath, G., P.-O. Gourinchas, and C.-T. Hsieh (2008): "Cross-Border Prices, Costs and Markups," *mimeo*, Harvard University, University of California-Berkeley, and Chicago GSB.

Gorodnichenko, Y., and L. L. Tesar (forthcoming): "Border Effect or Country Effect? Seattle Is 110 Miles from Vancouver After All," *American Economic Journal: Macroeconomics*.

Imbs, J., H. Mumtaz, M. O. Ravn, and H. Rey (2005): "PPP Strikes Back: Aggregation and the Real Exchange Rate," *Quarterly Journal of Economics* 120: 1-43.

Mussa, M. (1986): "Nominal Exchange Rate Regimes and the Behavior of Real Exchange Rates: Evidence and Implications," *Carnegie-Rochester Conference Series on Public Policy* 25: 117-213.

Rogoff, K. (1996): "The Purchasing Power Parity Puzzle," *Journal of Economic Literature* 34: 647-668.

© Strasser, G. (2007): "The Efficiency of the Global Market for Capital Goods," *mimeo*, Boston College.

Taylor, A. M. (2001): "Potential Pitfalls for the Purchasing Power Parity Puzzle? Sampling and Specification Biases in Mean-Reversion Tests of the Law of One Price," *Econometrica* 69: 473-498.

Taylor, A. M. (2002): "A Century of Purchasing Power Parity," *Review of Economic and Statistics* 84: 139-150.

Taylor, M. P., D. A. Peel, and L. Sarno (2001): "Nonlinear Mean Reversion in Real Exchange Rates: Towards a Solution to the Purchasing Power Parity Puzzles," *International Economic Review* 42: 1015-1042.

4. Macroeconomic Interdependence under Sticky Prices

Adolfson, M., S. Laséen, J. Lindé, and M. Villani (2007): "Bayesian Estimation of an Open Economy DSGE Model with Incomplete Pass-Through," *Journal of International Economics* 72: 481-511.

Baxter, M., and A. C. Stockman (1989): "Business Cycles and the Exchange-Rate Regime: Some International Evidence," *Journal of Monetary Economics* 23: 377-400.

Benigno, G., and C. Thoenissen (2003): "Equilibrium Exchange Rates and Supply Side Performance," *Economic Journal* 113: 103-124.

Bergin, P. R. (2003): "Putting the 'New Open Economy Macroeconomics' to a Test," *Journal of International Economics* 60: 3-34.

Betts, C., and M. B. Devereux (2000): "Exchange Rate Dynamics in a Model of Pricing to Market," *Journal of International Economics* 50: 215-244. (Note the Erratum in *Journal of International Economics* 52: 207-208.)

© Carvalho, C., and F. Nechio (2008): "Aggregation and the PPP Puzzle in a Sticky Price Model," *mimeo*, Federal Reserve Bank of New York and Princeton University.

Chari, V. V., P. J. Kehoe, and E. R. McGrattan (2002): "Can Sticky Price Models Generate Volatile and Persistent Real Exchange Rates?" *Review of Economic Studies* 69: 533-563.

Corsetti, G., and P. Pesenti (2001): "Welfare and Macroeconomic Interdependence," *Quarterly Journal of Economics* 116: 421-446.

Corsetti, G., and P. Pesenti (2005): "The Simple Geometry of Transmission and Stabilization in Closed and Open Economies," NBER WP 11341.

Devereux, M. B., C. M. Engel, and P. E. Storgaard (2004): "Endogenous Exchange Rate Pass-Through when Nominal Prices Are Set in Advance," *Journal of International Economics* 63: 263-291.

Dornbusch, R. (1976): "Expectations and Exchange Rate Dynamics," *Journal of Political Economy* 84: 1161-1176.

Engel, C. (2006): “Equivalence Results for Optimal Pass-Through, Optimal Indexing to Exchange Rates, and Optimal Choice of Currency for Export Pricing,” *Journal of the European Economic Association* 4: 1249-1260.

Faia, E. (2007): “Finance and International Business Cycles,” *Journal of Monetary Economics* 54: 1018-1034.

Gertler, M. J., S. Gilchrist, and F. M. Natalucci (2007): “External Constraints on Monetary Policy and the Financial Accelerator,” *Journal of Money, Credit and Banking* 39: 295-330.

☺ Gopinath, G., O. Itskhoki, and R. Rigobon (2007): “Currency Choice and Exchange Rate Pass-through,” mimeo, Harvard University.

Gopinath, G., and R. Rigobon (2008): “Sticky Borders,” *Quarterly Journal of Economics* 123: 531-575.

☺ Justiniano, A., and B. Preston (2005): “Can Structural Small Open Economy Models Account for the Influence of Foreign Shocks?” *mimeo*, Federal Reserve Bank of Chicago and Columbia University.

Justiniano, A., and B. Preston (forthcoming): “Monetary Policy and Uncertainty in an Empirical Small Open Economy Model,” *Journal of Applied Econometrics*.

Kollmann, R. (2001a): “Explaining International Comovements of Output and Asset Returns: The Role of Money and Nominal Rigidities,” *Journal of Economic Dynamics and Control* 25:1547-1583.

Kollmann, R. (2001b): “The Exchange Rate in a Dynamic-Optimizing Business Cycle Model with Nominal Rigidities: A Quantitative Investigation,” *Journal of International Economics* 55: 243-262.

McCallum, B. T., and E. Nelson (2000): “Monetary Policy for an Open Economy: An Alternative Framework with Optimizing Agents and Sticky Prices,” *Oxford Review of Economic Policy* 16: 74-91.

Obstfeld, M., and K. Rogoff (1995): “Exchange Rate Dynamics Redux,” *Journal of Political Economy* 103: 624-660.

Obstfeld, M., and K. Rogoff (2000): “New Directions for Stochastic Open Economy Models,” *Journal of International Economics* 50: 117-153.

Patureau, L. (forthcoming): “Pricing to Market, Limited Participation, and Exchange Rate Dynamics,” *Journal of Economic Dynamics and Control*.

Tille, C. (2001): “The Role of Consumption Substitutability in the International Transmission of Monetary Shocks,” *Journal of International Economics* 53: 421-444.

Tille, C. (2005): “The Welfare Effect of International Asset Market Integration under Nominal Rigidities,” *Journal of International Economics* 65: 221-247.

5. Endogenous Interest Rate Setting and Exchange Rate Dynamics

Benigno, G. (2004): “Real Exchange Rate Persistence with Endogenous Monetary Policy,” *Journal of Monetary Economics* 51: 473-502.

Benigno, G., and P. Benigno (2008): “Exchange Rate Determination under Interest Rate Rules,” *Journal of International Money and Finance* 27: 971-993.

Benigno, G., P. Benigno, and F. Ghironi (2007): “Interest Rate Rules for Fixed Exchange Rate Regimes,” *Journal of Economic Dynamics and Control* 31: 2196-2211.

Carlstrom, C. T., T. S. Fuerst, and F. Ghironi (2006): “Does It Matter (for Equilibrium Determinacy) What Price Index the Central Bank Targets?” *Journal of Economic Theory* 128: 214-231.

Cavallo, M., and F. Ghironi (2002): “Net Foreign Assets and the Exchange Rate: Redux Revived,” *Journal of Monetary Economics* 49: 1057-1097.

De Fiore, F., and Z. Liu (2005): “Does Trade Openness Matter for Aggregate Instability?” *Journal of Economic Dynamics and Control* 29: 1165-1192.

Dotsey, M., and M. Duarte (2008): “Nontradable Goods, Market Segmentation, and Exchange Rates,” *Journal of Monetary Economics* 55: 1129-1142.

Engel, C. M., and K. D. West (2005): “Exchange Rates and Fundamentals,” *Journal of Political Economy* 113: 485-517.

© Jääskelä, J., and M. Kulish (2007): “The Butterfly Effect of Small Open Economies,” Reserve Bank of Australia Research Discussion Paper 2007-06.

Linnemann, L., and A. Schabert (2006): “Monetary Policy and the Taylor Principle in Open Economies,” *International Finance* 9: 343-367.

© Zanna, L. F. (2003): “Interest Rate Rules and Multiple Equilibria in the Small Open Economy,” IFDP 2003-785, Board of Governors of the Federal Reserve System.

6. Optimal Macroeconomic Policy in Open Economies: Non-Microfounded Models

Canzoneri, M. B., and D. W. Henderson (1991): *Monetary Policy in Interdependent Economies: A Game-Theoretic Approach*, Cambridge: MIT Press.

Dixit, A., and L. Lambertini (2003): “Symbiosis of Monetary and Fiscal Policies in a Monetary Union,” *Journal of International Economics* 60: 235-247.

Eichengreen, B., and F. Ghironi (2002): “Transatlantic Trade-Offs in the Age of Balanced Budgets and European Monetary Union,” *Open Economies Review* 13: 381-411.

Ghironi, F., and F. Giavazzi (1998): “Currency Areas, International Monetary Regimes, and the Employment-Inflation Tradeoff,” *Journal of International Economics* 45: 259-296.

Giavazzi, F., and M. Pagano (1988): "The Advantage of Tying One's Hands: EMS Discipline and Central Bank Credibility," *European Economic Review* 32: 1050-1082.

Persson, T., and G. Tabellini (1995): "Double Edged Incentives: Institutions and Policy Coordination," in Grossman, G. and K. Rogoff (eds.), *Handbook of International Economics*, Vol. III, Amsterdam: North-Holland.

Rogoff, K. (1985): "Can International Monetary Cooperation be Counterproductive?" *Journal of International Economics* 18: 199-217.

7. Optimal Monetary Policy in Open Economies

Benigno, G., and P. Benigno (2003): "Price Stability in Open Economies," *Review of Economic Studies* 70: 743-764.

Benigno, G., and P. Benigno (2006): "Designing Targeting Rules for International Monetary Policy Cooperation," *Journal of Monetary Economics* 53: 473-506.

Benigno, G., and P. Benigno (2008): "Implementing International Monetary Cooperation through Inflation Targeting," *Macroeconomic Dynamics* 12: 45-59.

Benigno, P. (forthcoming): "Price Stability with Imperfect Financial Integration," *Journal of Money, Credit and Banking*.

Benigno, P. (2004): "Optimal Monetary Policy in a Currency Area," *Journal of International Economics* 63: 293-320.

Clarida, R., J. Galí, and M. Gertler (2001): "Optimal Monetary Policy in Open versus Closed Economies: An Integrated Approach," *American Economic Review Papers and Proceedings* 91: 248-252.

Corsetti, G., and P. Pesenti (2005): "International Dimensions of Optimal Monetary Policy," *Journal of Monetary Economics* 52: 281-305.

☺ De Paoli, B. (2008): "Monetary Policy under Alternative Asset Market Structures: The Case of a Small Open Economy," *mimeo*, Bank of England.

De Paoli, B. (2009): "Monetary Policy and Welfare in a Small Open Economy," *Journal of International Economics* 77: 11-22.

Devereux, M. B., and C. M. Engel (2003): "Monetary Policy in the Open Economy Revisited: Exchange Rate Flexibility and Price Setting Behavior," *Review of Economic Studies* 70: 765-783.

Duarte, M., and M. Obstfeld (forthcoming): "Monetary Policy in the Open Economy Revisited: The Case for Exchange-Rate Flexibility Restored," *Journal of International Money and Finance*.

☺ Faia, E. (2007): "Optimal Choice of Exchange Rate Regimes with Labour Market Frictions," *mimeo*, University of Rome Tor Vergata.

Faia, E. (forthcoming): “Financial Frictions and the Choice of Exchange Rate Regimes,” *Economic Inquiry*.

Galí, J., and T. Monacelli (2005): “Monetary Policy and Exchange Rate Volatility in a Small Open Economy,” *Review of Economic Studies* 72: 707-734.

Kollmann, R. (2002): “Monetary Policy Rules in the Open Economy: Effects on Welfare and Business Cycles,” *Journal of Monetary Economics* 49: 989-1015.

Lombardo, G., and A. Sutherland (2006): “Policy Instrument Choice and Non-Coordinated Monetary Policy in Interdependent Economies,” *Journal of International Money and Finance* 25: 855-873.

Obstfeld, M. (2002): “Inflation Targeting, Exchange-Rate Pass-Through, and Volatility,” *American Economic Review Papers and Proceedings* 92: 102-107.

Obstfeld, Maurice, and Kenneth Rogoff (2002): “Global Implications of Self-Oriented National Monetary Rules,” *Quarterly Journal of Economics* 117: 503-536.

© Sutherland, A. (2002): “A Simple Second-Order Solution Method for Dynamic General Equilibrium Models,” CEPR DP 3554.

☺ Sutherland, A. (2004): “International Monetary Policy Coordination and Financial Market Integration,” CEPR DP 4251.

Sutherland, A. (2005): “Incomplete Pass-Through and the Welfare Effects of Exchange Rate Variability,” *Journal of International Economics* 65: 375-399.

Sutherland, A. (2006): “The Expenditure Switching Effect, Welfare and Monetary Policy in a Small Open Economy,” *Journal of Economic Dynamics and Control* 30: 1159-1182.

8. Monetary and Fiscal Policy

Beetsma, R. M. W. J., and H. Jensen (2005): “Monetary and Fiscal Policy Interactions in a Micro-Founded Model of a Monetary Union,” *Journal of International Economics* 67: 320-352.

© Benigno, G., and B. De Paoli (2005): “Optimal Monetary and Fiscal Policy for a Small Open Economy,” *mimeo*, London School of Economics and Bank of England.

Galí, J., and T. Monacelli (2008): “Optimal Monetary and Fiscal Policy in a Currency Union,” *Journal of International Economics* 76: 116-132..

Lombardo, G., and A. Sutherland (2004): “Monetary and Fiscal Interactions in Open Economies,” *Journal of Macroeconomics* 26: 319-348.

☺ Schabert, A., and S. van Wijnbergen (2006): “Debt, Deficits, and Destabilizing Monetary Policy in Open Economies,” CEPR DP 5590.

9. Pricing-to-Market and Imperfect Pass-Through

Bergin, P. R., and R. C. Feenstra (2001): “Pricing-to-Market, Staggered Contracts, and Real Exchange Rate Persistence,” *Journal of International Economics* 54: 333-359.

Bacchetta, P., and E. van Wincoop (2003): “Why Do Consumer Prices React Less Than Import Prices to Exchange Rates?” *Journal of the European Economic Association* 1: 662-670.

Bacchetta, P., and E. van Wincoop (2005): “A Theory of the Currency Denomination of International Trade,” *Journal of International Economics* 67: 295-319.

Burstein, A. T., J. C. Neves, and S. Rebelo (2003): “Distribution Costs and Real Exchange Rate Dynamics during Exchange-Rate-Based Stabilizations,” *Journal of Monetary Economics* 50: 1189-1214.

Burstein, A. T., M. Eichenbaum, and S. Rebelo (2007): “Modeling Exchange Rate Pass-Through after Large Devaluations,” *Journal of Monetary Economics* 54: 346-368.

Corsetti, G., and L. Dedola (2005): “A Macroeconomic Model of International Price Discrimination,” *Journal of International Economics* 67: 129-155.

Corsetti, G., L. Dedola, and S. Leduc (2008): “High Exchange-Rate Volatility and Low Pass-Through,” *Journal of Monetary Economics* 55: 1113-1128.

Corsetti, G., L. Dedola, and S. Leduc (forthcoming): “Optimal Monetary Policy and Sources of Local-Currency Price Stability,” in Galí, J., and M. J. Gertler (eds.), *International Dimensions of Monetary Policy*, Chicago: University of Chicago Press.

Devereux, M. B., and C. M. Engel (2002): “Exchange Rate Pass-Through, Exchange Rate Volatility, and Exchange Rate Disconnect,” *Journal of Monetary Economics* 49: 913-940.

Dornbusch, R. (1987): “Exchange Rates and Prices,” *American Economic Review* 77: 93-106.

Goldberg, L., and C. Tille (2005): “Vehicle Currency Use in International Trade,” NBER WP 11127.

© Hernández, K., and A. Leblebicioğlu (2007): “A Regime Switching Analysis of the Exchange Rate Pass-through,” *mimeo*, University of Delaware and North Carolina State University.

Krugman, P. (1986): “Pricing to Market when the Exchange Rate Changes”, NBER WP 1926.

© Nakamura, E., and J. Steinsson (2008): “Lost in Transit: Product Replacement Bias and Pricing to Market,” *mimeo*, Columbia University.

Ravn, M., S. Schmitt-Grohé, and M. Uribe (2007): “Pricing to Habits and the Law of One Price,” *American Economic Review (Papers and Proceedings)* 97: 232-238.

10. International Trade and Macroeconomic Dynamics

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 (2008): “The Role of Exporting and Trade for Entry over the Business Cycle,” *mimeo*, Federal Reserve Bank of Philadelphia and University of Auckland.

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

Bergin, P. R., and R. Glick (2003): “Endogenous Nontradability and Macroeconomic Implications,” NBER WP 9739.

Bergin, P. R., and R. Glick (2007): “Tradability, Productivity, and International Economic Integration,” *Journal of International Economics* 73: 128-151.

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.

© Bergin, P. R. and C.-Y. Lin (2008): “Exchange Rate Regimes and the Extensive Margin of Trade,” NBER WP 14126.

© Brůha, J., and J. Podpiera (2006): “Transition Economy Convergence in a Two-Country Model: Implications for Monetary Integration,” *mimeo*, Czech National Bank.

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 Tradability and FDI with Heterogeneous Firms,” *mimeo*, Federal Reserve Bank of St. Louis.

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 (2008): “Varieties and the Transfer Problem: The Extensive Margin of Current Account Adjustment,” NBER WP 13795.

Dornbusch, R., S. Fischer, and P. A. Samuelson (1977): “Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods,” *American Economic Review* 67: 823-839.

© Dvir, E. (2007): “Globalization, Optimal Auctions, and Exchange Rate Pass-Through,” *mimeo*, Boston College.

- 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.
- Ghironi, F., and V. Stebunovs (2008): “The Domestic and International Effects of Interstate U.S. Banking,” *mimeo*, Boston College and Board of Governors of the Federal Reserve System.
- © Johnson, R. C. (2007): “Trade and Prices with Heterogeneous Firms,” *mimeo*, Dartmouth College/Princeton University.
- © Lubik, T. A., and K. N. Russ (2006): “Entry, Multinational Firms and Exchange Rate Volatility,” *mimeo*, Federal Reserve Bank of Richmond and University of California-Davis.
- Naknoi, K. (2008): “Real Exchange Rate Fluctuations, Endogenous Tradability and Exchange Rate Regimes,” *Journal of Monetary Economics* 55: 645-663.
- © Neiman, B. (2008): “Multinationals, Intrafirm Trades, and International Macro Dynamics,” *mimeo*, Harvard University.
- Obstfeld, M., and K. Rogoff (2001): “The Six Major Puzzles in International Macroeconomics: Is There a Common Cause?” in B. Bernanke and K. Rogoff (eds.), *NBER Macroeconomics Annual 2000*, pp. 339-390, Cambridge: MIT Press.
- © Pappada, F. (2008): “Real Adjustment of Current Account Imbalances with Firms’ Heterogeneity,” *mimeo*, Paris School of Economics.
- Ramondo, N., and V. Rappoport (2007): “The Role of Multinational Production in Cross-Country Risk Sharing,” *mimeo*, University of Texas, Austin.
- © Rodriguez-Lopez, J. A. (2008): “Prices and Exchange Rates: A Theory of Disconnection,” *mimeo*, University of California, Irvine.
- © Ruhl, K. (2008): “The International Elasticity Puzzle,” *mimeo*, University of Texas.
- Russ, K. N. (2007a): “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. (2007b): “Exchange Rate Volatility and First-Time Entry by Multinational Firms,” NBER WP 13659.
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