Applied International Economics

ECO 7717 - U01 Syllabus
Florida International University
Department of Economics

Semester: Fall 2022
Meeting Times: Face-to-face at 9:30 am – 12:00 pm on Tuesdays
Meeting Location: Green Library 166
Prerequisites: ECO 7115, ECO 7206, ECO 7705, ECO 7716

Instructor: Hakan Yilmazkuday
Office Hours: Tuesdays 1:00pm – 2:00pm (DM 315A)
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Course Description and Objectives

The main topic of this course will be based on the applications of International Economics. We will start with the determinants of nominal and real exchange rates which will cover the nominal side of International Economics (i.e., International Monetary Economics). We will continue with the determinants of trade patterns which will cover the real side of International Economics (i.e., International Trade). The goal of this Ph.D. course is to address virtually all these core issues within a systematic approach that pays attention to the nuances of microfoundations.

Course Requirements and Grading Policy

The student progress will be evaluated by **presentations** (60%), **a midterm exam** (20%), and **a final exam** (20%). Anyone who misses a scheduled presentation or an exam without prior permission to do so will be awarded an exam grade of zero. Under extraordinary circumstances, a makeup examination can be given to those students who cannot attend the regular exam.

Study and Preparation

Attendance in class is a necessary part of learning this material. Invariably, students who miss classes fall to the bottom of the grading ladder. Reading the assigned papers is not enough to compensate for missing the presentations. The presentations may deviate from the papers, and you can only be aware of the appropriate material if you attend the lectures.

Some material in the papers may be skipped in the presentations, while other material may be focused more on than is presented in the papers. Announcements concerning which material in the notes will be emphasized or ignored, will be made during the class. **Students are responsible for all announcements made. Students are also responsible for all subsequent changes in the syllabus that are announced. Missing a lecture is no excuse.**

OUTLINE

1. **Dynamic Stochastic General Equilibrium Models**
   a. Monetary Policy and Exchange Rate Volatility in a Small Open Economy
       i. Log linearization; finding the steady-state; parameterization
       ii. Dynare; impulse response analysis; variance decomposition
   b. *(Presentation #1) The Great Trade Collapse: An Evaluation of Competing Stories*
   c. *(Presentation #2) Introducing Financial Frictions and Unemployment into a Small Open Economy Model*
   d. *(Presentation #3) Housing Market Spillovers: Evidence from an Estimated DSGE Model*
   e. *(Presentation #4) Real Exchange Rates and Sectoral Productivity in the Eurozone*

2. **Exchange Rates**
   a. *(Presentation #5) Understanding Long-run Price Dispersion*
   b. *(Presentation #6) Persistence in Law of One Price Deviations: Evidence from Micro-data*
   c. *(Presentation #7) Currency Choice and Exchange Rate Pass-Through*
   d. *(Presentation #8) Inflation and Exchange Rate Pass Through*
   e. *(Presentation #9) Price Setting in Online Markets: Basic Facts, International Comparisons, and Cross-Border Integration*

3. **Empirical Trade**
   a. *(Presentation #10) Trade Costs*
   b. *(Presentation #11) Understanding Interstate Trade Patterns*
   c. *(Presentation #12) Railroads of the Raj: Estimating the Impact of Transportation Infrastructure*
   d. *(Presentation #13) New Trade Models, Same Old Gains*
   e. *(Presentation #14) Gains from trade: Does sectoral heterogeneity matter?*

4. **Variable Markups**
   a. *(Presentation #15) International Trade without CES: Estimating Translog Gravity*
   b. *(Presentation #16) Pass-through of Trade Costs to U.S. Import Prices*
   c. *(Presentation #17) Importers, Exporters, and Exchange Rate Disconnect*
   d. *(Presentation #18) Import Competition and Quality Upgrading*

Link for Course Materials:
https://www.dropbox.com/sh/i7d8cvdx2poe4bd/AACAPiwLppB5dUzvmD1hm2Mma?dl=0

Presentations

Presentations constitute 60% of your overall score. Accordingly, please pay close attention to the following details while preparing your presentation file. Your overall performance will not only be determined based on your own presentation but also how ACTIVELY (i.e., by participating in the classroom discussion) you participate in other classmates' presentations.

- Each presentation will be at least 60 minutes.
  - o Rehearsal is the key.
- The presentations will be about *the academic papers listed above in italics*.
- In your presentation, please pay attention to the following details.
  - o What is the question asked? Why is this question important?
  - o Where does this paper stand with respect to the existing literature?
  - o The economic theory/intuition in the paper should be discussed.
  - o The connection between the theory and the empirical part should be discussed.
  - o The empirical part in the paper should be discussed **in details**.
  - o Based on the paper, which further questions can be asked?
    - ▪ List potential questions that you can think of.
    - ▪ Why are these potential questions important?
    - ▪ What would be contribution of these questions with respect to the literature?

TO DO LIST - Presentations
1. Each student will make a certain number of presentations during the semester, depending on the total number of students enrolled.
   a. Each student will be assigned certain papers to present. Please check Canvas and/or your FIU email account to see which chapters you will present.
2. Presentation files should be prepared by **Beamer** (https://www.overleaf.com/learn/latex/Beamer).
3. Not presenting on a scheduled date would result in a presentation score of zero.
4. Presentation #1 will be made right after I will finish talking about "Monetary Policy and Exchange Rate Volatility in a Small Open Economy" which will take about three weeks.
   a. The presenter of Presentation #1 should be ready to present by September 8th, 2021.
   b. Following presentations will be made in order (e.g., Presentation #3 will follow Presentation #2, etc.), hence presenters should be ready to present right after the preceding presentation.