

Economics 101: International Trade
Fall 2006
TTh 8:00-9:20, WLH 2005

James Rauch
Office: TMC Econ 220
Hours: TTh 9:30-10:50
or by appointment

SYLLABUS

The purpose of this course is to provide an understanding of issues in economic relations among countries and to develop a framework for analyzing these issues. Major topics to be covered include the determinants of trade in goods and services, international flows of labor and capital, and the effects of trade policy on welfare and income distribution. International financial issues will not be covered.

Lectures and Problem Sets: You are responsible for all the material and announcements in the lectures. If you miss one, borrow someone's notes. Weekly problem sets will be given to help prepare for midterm and final exams. Problem sets will not be graded; answers will be available from the class web site before each due date. In order for the problem sets to be most helpful, it is best that you attempt to solve them before looking at the answers.

Grading: Your grade will be determined on the basis of a midterm exam (40%) and a final exam (60%). The midterm will cover the first half of the course and the final will cover the second half. No makeup exams will be given. The address of the class web site is <http://www.econ.ucsd.edu/ugradprog/classwebpages.shtml>.

The text for this course is:

Krugman, Paul R. and Obstfeld, Maurice, *International Economics*, 7th edition, 2005, hereafter called KO.

A number of readings will be assigned from:

Caves, R. E., J. A. Frankel, and R. W. Jones, *World Trade and Payments*, 10th edition, 2007, hereafter called CJ

Appleyard, Dennis R., Field Alfred J., Jr., and Cobb, Steven L., *International Economics*, 5th edition, 2006, hereafter called AF.

These readings will be on reserve at the Social Science and Humanities Library.

Course Outline

0. Introduction

KO, Ch. 2

I. Gains From Trade

AF, Ch. 5, pp. 63-70

CJ, Ch. 2, pp. 14-17, 20-21, 27-28 and Appendix A

II. The Ricardian Model of Trade

KO, Ch. 3

III. The Heckscher-Ohlin Model of Trade

AF, Ch. 5, pp. 70-81; Ch. 8, pp. 125-136; and Ch. 9, pp. 160-164

KO, Ch. 4, pp. 50-68 and Appendix

IV. Other Models of Trade

A. Other Explanations of the Pattern of Interindustry Trade

AF, Ch. 10, pp. 170-174

B. Models of Intraindustry Trade

KO, Ch. 6, pp. 113-131

MIDTERM EXAMINATION

V. International Movement of Labor

AF, Ch. 12, 234-245

Borjas, George J. *Heaven's Door*, 1999, pp. 6-18

Reich, Robert B. *The Work of Nations*, 1991, Chs. 14, 24

VI. International Movement of Capital

KO, Ch. 7, pp. 155-157 and Appendix 2

VII. Trade Policy

A. Effects of Tariffs

CJ, Ch. 10

B. “Managed” Trade

AF, Ch. 13

KO, Ch. 8, pp. 186-195

C. Trading Blocs

AF, Ch. 17

KO, Ch. 9, pp. 232-236

VIII. The WTO and Concerns about “Globalization”

A. From the GATT to the WTO

KO, Ch. 9, pp. 223-232

AF, Ch. 16, pp. 351-365

Bagwell, Kyle and Robert W. Staiger, “The WTO as a Mechanism for Securing Market Access Property Rights: Implications for Global Labor and Environmental Issues,” *Journal of Economic Perspectives* 15 (Summer 2001): 69-88.

B. Labor Standards

Brown, Drusilla K., “Labor Standards: Where Do They Belong on the International Trade Agenda?” *Journal of Economic Perspectives* 15 (Summer 2001): 89-112.

C. Trade and Cultural Diversity

Rauch, James E. and Trindade, Vitor, “Neckties in the Tropics: A Model of International Trade and Cultural Diversity,” <http://www.nber.org/papers/w11890>, pp. 1-5, 31-33.

IX. Trade and the Environment

Meier, Gerald M. and Rauch, James E. *Leading Issues in Economic Development*, 8th edition, 2005, pp. 599-602.

Esty, Daniel C., “Bridging the Trade-Environment Divide,” *Journal of Economic Perspectives* 15 (Summer 2001): 113-130.

FINAL EXAMINATION