

Economics 101: International Trade

Fall 2008

Syllabus

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|----------------------|---|-------------------|
| Instructor: | Christopher Nekarda | |
| Office: | 103 Marshall College | |
| Office hours: | Wed 9:00–11:00a | |
| Email: | cnekarda@ucsd.edu | |
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| Class room: | 115 Center Hall | |
| Class time: | Tue/Thu 9:30–10:50a | |
| Class web page: | http://chrisnekarda.com/teaching/econ101-2008f | |
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| Teaching assistants: | Oana Hirakawa | Li Zhou |
| Email: | otocoian@ucsd.edu | lzhou@ucsd.edu |
| Office: | 127 Economics | 227 Sequoyah Hall |
| Office hours: | Mon 9:30–11:30a | Wed 3:30–5:30p |

1 Course Objectives

This course examines theories of international trade in goods and services, as well as international flows of labor and capital, and analyzes trade policies. The course presents the principle of comparative advantage and its application to classical and modern trade theory. Focusing on the long-term effects of international economic integration, the course discusses the motives for trade policies and presents the economic effects of trade barriers and trading blocs on industrial competitiveness, income distribution and welfare.

Part I of class is dedicated to classic trade theory in a general equilibrium setting under perfect competition and explains trade among different countries. Part II of class presents recent advances in trade theory under imperfect competition in partial equilibrium and explains trade among similar countries and within multinational enterprises. Part III applies the insights from both partial and general equilibrium models to policy issues related to international economic integration.

2 Prerequisites

You must have taken Economics 1A-B or 2 or 100B or 170B. The Economics department will not allow you to enroll in the course without satisfying these requirements; I have no authority to override this. Having taken Economics 100A-B or 170A-B is strongly recommended.

3 Lectures

You are responsible for all the material and announcements in the lectures. Lecture notes will be posted on the course web page before lecture. They are intended as templates for your note-taking, not as a substitute for attending lecture; they often will not contain all the information presented during lecture.

4 Readings

The textbook for this course is:

- Krugman and Obstfeld, *International Economics*, 8th edition (2009). ISBN 0321488830.

The text has a companion web page for students at http://wps.aw.com/aw_krgmnobstf_interecon_8/. The 6th or 7th edition of the text is also acceptable. Any required material from the 8th edition not in earlier editions will be made available either electronically or on reserve.

5 Problem Sets

There will be 3 problem sets assigned, but they will not be collected. Nevertheless, it is crucial that you work on the problem sets and understand them; they are your best preparation for the exams. You are encouraged to work on the problems with your classmates. Solutions to the problem sets will be posted on the course web page.

6 Assessment

There will be two midterm exams and a final exam. All exams are cumulative. Exams are closed book: you may not use any notes, electronic

devices, books, or consult other classmates. If you must miss an exam for a university-authorized reason (with documentation), the other exams will be re-weighted to compensate. An unexcused absence will result in a zero for the exam. No make-up exams will be given. You **must** take the final exam on 11 Dec 2008 from 8:00–11:00a. There will be no alternate exam time.

Your raw score for the course is the sum of your exam scores:

| | | |
|-----------|------------|--------|
| Midterm 1 | 70 points | (28 %) |
| Midterm 2 | 70 points | (28 %) |
| Final | 110 points | (44 %) |
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| Total | 250 points | |

Your final letter grade will be assigned based on a typical grade distribution in economics classes at UCSD.

6.1 Review Sessions

There will be review sessions before each exam. They provide an opportunity outside of class for you to ask questions about the problem sets and course materials before the exam. The dates and locations will be announced in class and on the course web page.

6.2 Regrading Policy

The teaching assistants work hard to grade your work consistently and fairly. If you feel your midterm grade is unjust you may request to have the exam re-graded. You must make such a request to the professor within 7 days after the exam is returned. Re-grade requests must be made in writing and attached to the exam. The request must include a description of your objection and why you think your exam should have been graded differently. The professor will then re-grade the *entire* exam; the new score is final. This policy does not apply to arithmetic errors.

6.3 Academic Dishonesty

Any student found guilty of academic dishonesty will be given a failing grade for the course. This is in addition to any disciplinary penalties imposed by the Council of Deans of Student Affairs. For a review of UCSD policy, see <http://www-senate.ucsd.edu/manual/appendices/app2.htm>.

7 Class Schedule

| Wk | Days | Topic | Reading |
|--|--------------------|---|--------------------|
| I. Classic Trade Theory | | | |
| 0 | R 9/25 | Introduction to international trade | Chs. 1–2 |
| 1 | T 9/30 R 10/2 | Comparative advantage due to productivity differences | Ch. 3 |
| 2 | T 10/7 R 10/9 | Comparative advantage due to endowment differences | Ch. 4 |
| 3 | T 10/14 | Distributional consequences of trade | Ch. 4 |
| II. Imperfect Competition and Trade Theory | | | |
| | R 10/16 | Imperfect competition and intra-industry trade | Ch. 6 |
| 4 | T 10/21 R 10/23 | MIDTERM 1 Imperfect competition and intra-industry trade | Ch. 6 |
| 5 | T 10/28 R 10/30 | External economies of scale and international integration of production | Chs. 6–7 |
| 6 | T 11/4 R 11/6 | International factor movements MIDTERM 2 | Ch. 7 |
| III. Trade Policies | | | |
| 7 | T 11/11 R 11/13 | VETERAN’S DAY — NO CLASS Instruments of trade policy | Ch. 8 |
| 8 | T 11/18 R 11/20 | Instruments of trade policy (cont’d) / costs and benefits of trade | Ch. 8 |
| 9 | T 11/25 R 11/27 | Political economy of trade policy THANKSGIVING HOLIDAY — NO CLASS | Chs. 9, 11 |
| 10 | T 12/2 R 12/4 | Political economy (cont’d) / trade agreements / trade and growth | Chs. 9–11 |
| | R 12/11 | FINAL EXAM | 8:00–11:00a |