

Economics 101: International Trade
Fall 2012
MWF 1:00-1:50, Center 214

James Rauch
Office: TMC Econ 220
Hours: Tu 1:30-3:30
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 economic welfare. International financial issues are covered in Economics 103.

Lectures and Problem Sets: You are responsible for all the material and announcements in the lectures. If you miss one, borrow someone's notes. There will be seven problem sets. Their purpose is to deepen your understanding of the material and help you practice for the exams. Answers to the problem sets will be available on the class web site (<http://ted.ucsd.edu>) after each due date.

Grading: Your grade will be determined on the basis of two midterm exams (25% each) and a final exam (50%). The first and second midterms will be held October 15 and November 9, respectively. The midterms will cover the first half of the course and the final will cover the second half. All exams will be open book and open notes. No makeup exams will be given. Problem sets will not be graded.

The text for this course is:

Feenstra, Robert C. and Taylor, Alan M., *International Trade*, 2nd ed., 2011, hereafter called FT.

There are a small number of additional readings. These will be on e-reserve; password jr101.

Course Outline

0. Introduction

FT, Ch. 1

I. The Ricardian Model of Trade

FT, Ch. 2

II. The Heckscher-Ohlin Model of Trade

FT, Ch. 4

FIRST MIDTERM EXAMINATION

III. Applications and Extensions of the Ricardian and Heckscher-Ohlin Models

A. Foreign Outsourcing

FT, Ch. 7, sections 1 and 3

B. The Product Cycle

Appleyard, Dennis R.; Field, Alfred J.; and Cobb, Steven L. *International Economics*, 7th ed., 2010, pp. 177-181

IV. International Movement of Labor

FT, Ch. 5, pp. 137-146

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

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

SECOND MIDTERM EXAMINATION

V. International Movement of Capital

Krugman, Paul R.; Obstfeld, Maurice; and Melitz, Marc J. *International Economics: Theory and Policy*, 9th ed., 2012, pp. 128-130 and 134-136

VI. Firms with Market Power

A. Monopolistic Competition and Intraindustry Trade

FT, Ch. 6

B. Heterogeneous Firms and Multinationals

Krugman, Paul R.; Obstfeld, Maurice; and Melitz, Marc J. *International Economics: Theory and Policy*, 9th ed., 2012, pp. 176-187

VII. Import Tariffs and Quotas

FT, Ch. 8

Caves, Richard E.; Frankel, Jeffrey A.; and Jones, Ronald W. *World Trade and Payments*, 9th ed., 2001, Ch. 10

VIII. International Agreements: Trade, Labor, and the Environment

FT, Ch. 11

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.

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

FINAL EXAMINATION