

**Economics 101: International Trade**  
**Spring 2010**  
**TTh 12:30-1:50, Solís 107**

**James Rauch**  
**Office: TMC Econ 220**  
**Hours: TTh 11:00-12:20**  
**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://webct.ucsd.edu>) after each due date.

**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. Problem sets will not be graded.

The text for this course is:

Feenstra, Robert C. and Taylor, Alan M., *International Trade*, 2009, hereafter called FT.

There are also a small number of additional readings. These will be on reserve at the Social Science and Humanities Library.

### **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

### 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*, 7<sup>th</sup> ed., 2010, pp. 177-181

### IV. International Movement of Labor

FT, Ch. 5, pp. 152-160

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

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

## MIDTERM EXAMINATION

### V. International Movement of Capital

Krugman, Paul R. and Obstfeld, Maurice, *International Economics*, 8<sup>th</sup> ed., 2009, pp. 160-163 and 176-178

### VI. Monopolistic Competition and Intraindustry Trade

FT, Ch. 6

### VII. Import Tariffs and Quotas

FT, Ch. 8

Caves, Richard E.; Frankel, Jeffrey A.; and Jones, Ronald W. *World Trade and Payments*, 9<sup>th</sup> 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*, 8<sup>th</sup> edition, 2005, pp. 599-602.

## FINAL EXAMINATION