

Economics 101: International Trade
Winter 2002
TuTh 8:00-9:20, York 2622

James Rauch
Office: TMC Econ 220
Hours: TuTh 10:00-11:30
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 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. I will be available to help with problem sets during office hours. Answers will be available from the class web site (<http://econ.ucsd.edu/classes/101>) after each due date. Although the problem sets will not be graded, I strongly suggest that you try to do them *before* looking at the answers. You will learn more this way and better prepare yourself for the problems on the exams.

Grading: Your grade will be determined on the basis of a midterm exam (50%) and a final exam (50%). 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 midterm will be given on the evening of Tuesday, February 12 from 7:30-10:00 pm in a room to be announced.

The text for this course is:

Appleyard, Dennis R. and Alfred J. Field, Jr., *International Economics*, 4th edition, 2001, hereafter called AF.

A number of readings will be assigned from:

Caves, R. E., J. A. Frankel, and R. W. Jones, *World Trade and Payments*, 9th edition, 2002, hereafter called CJ

King, P., *International Economics and International Economic Policy: A Reader*, 2nd edition, 1995

Krugman, Paul R. and Maurice Obstfeld, *International Economics*, 5th edition, 2000, hereafter called KO.

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

Course Outline

0. Introduction

AF, Ch. 1

I. Gains From Trade

AF, Ch. 5, pp. 59-67

CJ, Ch. 2, especially 2.1 and 2.4; Supplement to Ch. 2

II. The Ricardian Model of Trade

KO, Ch. 2

AF, Ch. 3; Ch. 4, pp. 49-51

III. The Heckscher-Ohlin Model of Trade

AF, Ch. 5, pp. 67-78; Ch. 6; Ch. 8, pp. 117-132; and Ch. 9, pp. 150-155

IV. Other Models of Trade

A. Other Explanations of the Pattern of Interindustry Trade

AF, Ch. 10, pp. 159-163

B. Models of Intraindustry Trade

KO, Ch. 6, pp. 122-141

MIDTERM EXAMINATION

V. International Movement of Labor

KO, Ch. 7, pp. 159-166

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. 167-171 and Appendix

VII. Trade Policy

A. Effects of Tariffs

CJ, Ch. 10

B. "Managed" Trade

AF, Ch. 13

KO, Ch. 8, pp. 197-206

C. Trading Blocs

AF, Ch. 18

KO, Ch. 9, pp. 241-245

VIII. The WTO and Concerns about "Globalization"

A. From the GATT to the WTO

AF, Ch. 17, pp. 329-346

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 Related Intellectual Property Rights (TRIPs)

King, Ch. 4

IX. Trade and the Environment

King, Ch. 16

Chichilnisky, Graciela, "North-South Trade and the Global Environment," selection X.2 in *Leading Issues in Economic Development*, 7th edition, 2000.

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

FINAL EXAMINATION