

**Economics 101: International Trade**  
**Winter 2017**  
**TTh 9:30-10:50, Center 216**

**James Rauch**  
**Office: Economics 220**  
**Hours: TTh 11:00-12:00**  
**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 TritonEd after each due date.

**Grading:** Your grade will be determined on the basis of two midterm exams (30% each) and a final exam (40%). The first and second midterms will be held February 2 and February 28, respectively. The first midterm covers sections I-III A, the second midterm covers sections IIIB-V, and the final covers sections VI-VIII. All exams will be open book and open notes. Any printed matter is acceptable, including lecture slides. Electronic devices other than calculators are forbidden. 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*, 4<sup>th</sup> ed., 2017, hereafter called FT. The 3<sup>rd</sup> edition is also acceptable.

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

### **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

### **FIRST MIDTERM EXAMINATION**

#### B. Adjustment Costs

Autor, David et al. 2016. “The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade.” <http://www.nber.org/papers/w21906>

#### C. 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. 134-144 (3<sup>rd</sup> edition) or pp. 136-148 (4<sup>th</sup> edition)

Hanson, Gordon and Slaughter, Matthew. 2016. “High-Skilled Immigration and the Rise of STEM Occupations in U.S. Employment.” <http://www.nber.org/papers/w22623>

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

### V. International Movement of Capital

Krugman, Paul R.; Obstfeld, Maurice; and Melitz, Marc J. *International Economics: Theory and Policy*, 10<sup>th</sup> ed., 2015, pp. 135-138 and 142-144

### **SECOND MIDTERM EXAMINATION**

### 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*, 10<sup>th</sup> ed., 2015, pp. 185-188, 190-197

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**