

**Economics 101: International Trade**  
**Winter 2020**  
**TTh 11:00-12:20, Center 214**

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**Office: Economics 220**  
**Hours: TTh 3:30-4:30 pm**  
**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 Canvas 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 4 and February 27, 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.

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

### **Course Outline**

#### **0. Introduction**

FT, Ch. 1

Mankiw, N. Gregory. 2018. "Surprising Truths About Trade Deficits." *New York Times*.

<https://www.nytimes.com/2018/10/05/business/surprising-truths-about-trade-deficits.html>

#### **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. Offshoring of Goods and Services

FT, Ch. 7, sections 1, 2, and 4

Ozimek, Adam. 2019. "Report: Overboard on Offshore Fears."

<https://www.upwork.com/press/economics/report-overboard-on-offshore-fears/>

## FIRST MIDTERM EXAMINATION

#### B. Adjustment Costs

Autor, David et al. 2016. "The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade." *Annual Review of Economics* 8: 205-240. <https://doi.org/10.1146/annurev-economics-080315-015041>

Wang, Zhi et al. 2018. "Re-examining the Effects of Trading With China on Local Labor Markets: A Supply Chain Perspective." National Bureau of Economic Research Working Paper No. 24886 (August). <http://www.nber.org/papers/w24886>

#### 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

Maskus, Keith E. 2016. "China's Uneasy Engagement with Intellectual Property Reforms During Its Globalization." *Brown Journal of World Affairs* 22: 137-159.

### IV. International Movement of Labor

FT, Ch. 5, pp. 136-148

Margalit, Yotam. 2019. "Economic Insecurity and the Causes of Populism, Reconsidered." *Journal of Economic Perspectives* 33(4): pp. 159-163.

Hanson, Gordon and Slaughter, Matthew. 2019. "High-Skilled Immigration and the Rise of STEM Occupations in U.S. Employment." In Hulten and Ramey, eds., *Education, Skills, and Technical Change*. <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

Amiti, Mary et al. 2019. “The Impact of the 2018 Tariffs on Prices and Welfare.” *Journal of Economic Perspectives* 33(4): pp. 192-195.

Fajgelbaum, Pablo et al. 2019. “The Return to Protectionism.” *Quarterly Journal of Economics*, accepted: Figures V and VII.  
<http://www.econ.ucla.edu/pfajgelbaum/RTP.pdf>

Cavallo et al. 2019. “Tariff Passthrough at the Border and at the Store: Evidence from U.S. Trade Policy.” National Bureau of Economic Research Working Paper No. 26396 (October): Introduction. <https://www.nber.org/papers/w26396>

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

**FINAL EXAMINATION**