

Economics 101: International Trade
Winter 2021
TTh 5:00-6:20 pm
Zoom through Canvas

James Rauch, jrauch@ucsd.edu
Office: Economics 220
Hours: Zoom meetings
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. All lectures will be recorded using Zoom and posted on Canvas. 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. Problem sets will not be graded.

Timeline and grading:

Weekly: Reflection notes 20% of grade
February 2: First midterm (covers sections I-III A) 25% of grade
February 25: Second midterm (covers IIIB-V) 25% of grade
March 18: Final exam (covers VI-VIII) 30% of grade

All exams will be open notes. They will be proctored via Zoom. You will not be able to use more than one electronic device, including the one you use to take the exam. Any printed matter is acceptable, or if you prefer you can read any class materials including your notes, the class slides, the textbook and other readings on the electronic device you use to take the exam. No communication with other students or outsiders will be permitted. No makeup exams will be given.

Discussion sections: Lack of in-person lectures makes it more difficult for me to interact with students as much as I would like. To promote greater engagement, I will personally conduct a weekly discussion section that is required for all students (the session will be recorded for those who cannot make it). The section will answer questions based on your reflections that you will submit after every week's lectures (see below). Discussion sections will be held every Monday from 5:00 – 6:00pm starting January 11.

Reflection notes: There will be a short graded assignment each week that will be due by Friday at 5pm, starting January 8. After each week's lectures you will be expected to submit answers to a Canvas quiz containing the question, "What were 1-2 points discussed in lectures/readings that you are still confused/unclear about and would like some further clarification on?"

Reflection notes will be lightly graded as “check” (thoughtful response that engaged with the content of the lectures/readings), “check minus” (cursory responses that meet a minimum standard) and “zero” (did not turn anything in). We will drop your lowest grade. These responses will contribute to group learning in two important ways. First, though the responses will be private, we will collect all responses, anonymize them and share them in a class discussion board – one for each week. This way, you benefit from your peers’ reading and reflections on the materials as well as your own. Second, I will review all these materials before the discussion section on Monday and focus the discussion on answering the most commonly asked questions that are posed in the reflection notes.

COURSE OUTLINE

The text for this course is

Feenstra, Robert C. and Taylor, Alan M., *International Trade*, 5th ed., 2021, hereafter called FT.

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

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 (October). <http://www.nber.org/papers/w24886>

C. The Product Cycle

- Appleyard, Dennis R.; Field, Alfred J.; and Cobb, Steven L. *International Economics*, 7th 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. 132-148
- ILO Global Estimates on Migrant Workers*. 2015. Chapter 2. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_436343.pdf
- 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>
- Glennon, Brita. 2020. “How Do Restrictions on High-Skilled Immigration Affect Offshoring? Evidence from the H-1B Program.” <http://www.nber.org/papers/w27538>

V. International Movement of Capital

- Krugman, Paul R.; Obstfeld, Maurice; and Melitz, Marc J. *International Economics: Theory and Policy*, 10th ed., 2015, pp. 135-138 and 142-144
- Housel, Morgan. 2020. “Who Pays for This?” <https://www.collaborativefund.com/blog/who-pays-for-this/>

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*, 10th ed., 2015, pp. 185-188, 190-197

VII. Import Tariffs and Quotas

FT, Ch. 8 and pp. 285-288, 290-292

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

VIII. International Agreements: The WTO, PTAs, and the Environment

FT, Ch. 11, and pp. 187-190

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. 2020. “The Return to Protectionism.” *Quarterly Journal of Economics* 135(1): Figures V and VII.

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*, 8th edition, 2005, pp. 599-602.

Kortum, Samuel and Weisbach, David. 2017. “The Design of Border Adjustments for Carbon Prices.” *National Tax Journal* 70(2): 421-446.

FINAL EXAMINATION