

Economics 101: International Trade
Winter 2022
TTh 8:00-9:20 pm
CSB 002

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Hours: 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 podcast. 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 1: First midterm (covers sections I-III A)	25% of grade
February 24: Second midterm (covers IIIB-V)	25% of grade
March 16: Final exam (covers VI-VIII)	30% of grade

All exams will be open notes. Any printed matter is acceptable—for example, you can print out the lecture slides. No makeup exams will be given. *If we need to administer exams online, you will be given additional instructions.*

Discussion sections: I will personally conduct a weekly discussion section via Zoom 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 8:00 – 9:00pm starting January 10.

Reflection notes: There will be a short graded assignment each week that will be due by Friday at 5pm, starting January 7. 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>

Gamio, Lazaro and Goodman, Peter S. 2021. “How the Supply Chain Crisis Unfolded.”

<https://www.nytimes.com/interactive/2021/12/05/business/economy/supply-chain.html>

I. The Ricardian Model of Trade

FT, Ch. 2

II. The Heckscher-Ohlin Model of Trade

FT, Ch. 4

(For a review of marginal products, isoquants, and cost minimization, see IMVH D1a-m and D2a-g)

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.
- Aghion, Philippe et al. 2021. “Exporting Ideas: Knowledge Flows from Expanding Trade in Goods.” https://conference.nber.org/conf_papers/f154069.pdf

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, 12th ed.*, 2022, pp. 192-194, 197-210

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, Alberto et al. 2021. “Tariff Pass-Through at the Border and at the Store: Evidence from U.S. Trade Policy.” *AER: Insights* 3(1): pp. 19-22.

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

Rauch, James E. 2021. “Border Carbon Adjustments.” In Lawrence Broz, ed., *The Role of Trade in Addressing Climate Change*. https://ccd.ucsd.edu/_files/2021-report_role-of-trade-in-addressing-climate-change.pdf (pp. 26-31).

Tanaka, Shinsuke et al. 2021. “North-South Displacement Effects of Environmental Regulation: The Case of Battery Recycling.” <http://www.nber.org/papers/w29146>

FINAL EXAMINATION