Economics 101 — Fall 2009

International Trade

September 24, 2009

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Class Time:	TueThu 12:30p-1:50p
Class Web Page:	*econ.ucsd.edu/muendler/teach/09f/101*
Section ID	659900

Teaching Assistants:	Kristy Buzard	Aaron Schroeder
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1   Course Objectives

This course examines theories of international trade in goods and services and analyzes the consequences of trade policies. The course presents the principle of comparative advantage and its application to classical and modern trade theory. Focusing on the long-term effects of international economic integration, the course discusses the motives for trade policies and presents the economic effects of trade barriers and trading blocs on industrial competitiveness, income distribution and welfare.

Compared to other classes on international economic integration, such as International Capital Markets or International Monetary Relations, this International Trade class focuses on the long-term patterns of balanced trade in merchandize and services. Part I of class is dedicated to classic trade theory in a general equilibrium setting under perfect competition and explains trade among different countries. Part II of class presents recent advances in trade theory under imperfect competition in partial equilibrium and explains trade among similar countries and within multinational enterprises. Part III applies the insights from both partial and general equilibrium models to policy issues related to international economic integration.

2 Prerequisites

Economics 1A-B or 2, or 100B or 170B.

3 Readings

Required textbook: Krugman and Obstfeld (2008)

Required readings: Krugman and Obstfeld (2003)/Ch. 3;
 Feenstra (1998);
 Horlick and Palmer (2001);Stiglitz and Charlton (2005)/Ch. 2;
 Grossman and Helpman (1995); Rodrik (1992), Freeman (1995);
 Rodrik (1998), Williamson (1998)

Advanced reading (beyond class): Melitz (2003)

The textbook is available for purchase from the bookstore, both in its full version and it a so-called loose-leave version that covers the relevant chapters. Several library copies are on reserve.

The readings (articles) help you review the lecture material beyond the textbook. They are available through the class web page (see link above). Web links to copyrighted readings only work from on-campus domains.

Lecture notes will be posted on the class web page (see link above) before lecture. The notes are zipped and password protected.

4 Problem Sets

There will be three problem sets, due on scheduled dates throughout the quarter. You are encouraged to work on the problems with your classmates. Your teaching assistants Kristy Buzard, Aaron Schroeder and Albert Yoon will hold sections over the course of the quarter to help you approach the problems. Your solutions to the problem sets will be checked (check/no check) and your performance on them will be a part of the final grade. Problem sets have to be handed in *before* 12:30p on the due date. You may bring them to class and hand them in *before* class begins.

Problem sets 1 through 3 will contain five exam-like but more elaborate questions, each counting three points. Problem set 3 will have one essay question in addition, counting five points.

5 Assessment

There will be two midterm exams and a final exam. The two midterm exams will take 70 minutes each and the final exam will take 110 minutes. All exams are cumulative.

Your final raw score will be your total points from the three exams and the three problem sets:

Problem sets:	50 points (15+15+20 points)	10/15, 11/3, 12/1
Midterm 1 (70 minutes):	70 points	10/20
Midterm 2 (70 minutes):	70 points	11/5
Final (110 minutes):	110 points	12/11
Total:	300 points	

Your final *letter grade* will be inferred from the typical grade distribution (curve) in *economics* classes at UCSD. You can find this grade distribution at *econ.ucsd.edu/muendler/teach/09f/101*. So the difficulty or simplicity of problem sets and exams will not matter, whereas your relative performance in comparison to your classmates will determine your final letter grade.

We will offer review sessions to prepare you for the exams.

6 Class Schedule

I. Classic Trade Theory

1. Thu, September 24: Introduction to International Trade
(Krugman and Obstfeld 2008/Ch. 2)

2. Tue, September 29: Comparative Advantage due to Productivity Differences
(Krugman and Obstfeld 2008/Ch. 3)
PROBLEM SET 1 OUT

3. Thu, October 1: Multiple Goods and Multiple Factors of Production
(Krugman and Obstfeld 2008/Ch. 4, and Krugman and Obstfeld 2003/Ch. 3)

4. Tue, October 6: Comparative Advantage due to Endowment Differences
(Krugman and Obstfeld 2008/Ch. 4, and Krugman and Obstfeld 2003/Ch. 3)

5. Thu, October 8: Mobile Factors and Endowment Differences
(Krugman and Obstfeld 2008/Ch. 4)

6. Tue, October 13: An Overview of Classic Trade Theory
(Krugman and Obstfeld 2008/Ch. 3 through 5)
room and time TBA

Wed, October 14: *Problem set 1 review section*
Albert Yoon, room and time TBA

7. Thu, October 15: Distributional Consequences of Trade
(Krugman and Obstfeld 2008/Ch. 4)
PROBLEM SET 1 DUE

Mon, October 19: *Midterm 1 review section* (problem set 1 back)
Albert Yoon, room and time TBA

Tue, October 20: MIDTERM 1
covering lectures 1 through 7 and Krugman and Obstfeld (2008)/Ch. 2 through 5

II. Imperfect Competition and Trade Theory

8. Thu, October 22: Imperfect Competition and Market Segmentation
(Krugman and Obstfeld 2008/Ch. 6)
PROBLEM SET 2 OUT

9. Tue, October 27: Intra-industry Trade
(Krugman and Obstfeld 2008/Ch. 6)

10. Thu, October 29: Trade under External Economies of Scale
(Krugman and Obstfeld 2008/Ch. 6)

Mon, November 2: *Problem set 2 review section*
Aaron Schroeder, room and time TBA

11. Tue, November 3: International Integration of Production
(Krugman and Obstfeld 2008/Ch. 7 and Feenstra 1998)
PROBLEM SET 2 DUE

Wed, November 4: *Midterm 2 review section* (problem set 2 back)
Aaron Schroeder, room and time TBA

Thu, November 5: MIDTERM 2
covering lectures 1 through 11, Krugman and Obstfeld (2008)/Ch. 1 through 6 and Feenstra (1998)

12. Tue, November 10: Trade, Exporters, and Firm Dynamics
(advanced reading: Melitz 2003)

III. Trade Policies

13. Thu, November 12: Instruments of Trade Policy
(Krugman and Obstfeld 2008/Ch. 5&8)
PROBLEM SET 3 OUT

14. Tue, November 17: Costs and Benefits of Trade Restrictions
(Krugman and Obstfeld 2008/Ch. 5&8)

15. Thu, November 19: Aspects of Trade and Growth
(Krugman and Obstfeld 2008/Ch. 6&10, and Grossman and Helpman 1995)

16. Tue, November 24: Political Economy of Trade Policies
(Krugman and Obstfeld 2008/Ch. 9&11, Rodrik 1992, and Freeman 1995)

Mon, November 30: *Problem set 3 review section*
Kristy Buzard, room and time TBA

17. Tue, December 1: Trade Agreements
(Krugman and Obstfeld 2008/Ch. 9 through 11, Horlick and Palmer 2001,
and Stiglitz and Charlton 2005)/Ch. 2
PROBLEM SET 3 DUE

18. Thu, December 3: Economic Integration: Past and Present
(Rodrik 1998 and Williamson 1998)

Fri, December 4: *Final review section* (problem set 3 back)
Kristy Buzard, room and time TBA

Fri, December 11 (Finals Week): 11:30am-1:30pm FINAL EXAM
covering lectures 1 through 18, Krugman and Obstfeld (2008)/Ch. 1
through 10;
Feenstra (1998), Freeman (1995); Grossman and Helpman (1995), Horlick
and Palmer (2001), Stiglitz and Charlton (2005)/Ch. 2, Rodrik (1992), Ro-
drik (1998), and Williamson (1998)

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