

**Department of Economics**  
**University of California - Davis**  
**160A: International Trade**  
**Summer Session I – 2013**

Lecture: M,T,W: 12:10-1:50 pm, Wellman 230

**Instructor**

Name: Philip Luck  
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Office hours: Mon 2:00-3:30, Wed 2:00-3:30  
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**Teaching Assistant**

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***IMPORTANT: Only 2 units of credit allowed to students who have completed ECN 162.***

**Objectives:** International trade and investment have grown dramatically in recent years, while international institutions such as the WTO have expanded to include new members. Economics 160A develops a number of analytical tools and methods for analyzing international trade, and its related policy issues. After studying the explanations for trade, the class will move to trade policy. Here, the course will cover not only the tools nations commonly used for protection, but will also cover the political economy of trade, regional agreements, immigration and international trade institutions.

**Prerequisites:** The course will be taught at an intermediate level. Prerequisites are intermediate microeconomics (100) and intermediate macroeconomics (101).

**Text:** *International Macroeconomics* by R. Feenstra and A. Taylor, second edition.

**Evaluation:** The course grade is based on 5 homework's assignments (5 % each) with the lowest score dropped, 2 quizzes (5% each), 2 midterms (18% each) and a comprehensive final exam (34%). In the event of academic misconduct I reserve the right to alter any student's grade. For details regarding acceptable academic conduct see the UC Davis Code of Academic Conduct (<http://sja.ucdavis.edu/cac.html>)

### ASSIGNMENT AND TEST DATES<sup>1</sup>

DATE	TOPIC	ASSIGNMENT
Mon 6/24	Intro to international economy.	HW 1 Distributed
Tues 6/25	Ricardian Model	
Wed 6/26	Specific Factors Model	
Thurs 6/27	Section Review Ricardian & SF models	
Mon 7/1	Heckscher-Ohlin Model	HW 1 Due HW 2 Distributed
Tues 7/2	Factor movement H-O and SF Model	Quiz 1 (Ch. 1-3)
Wed 7/3	Heckscher-Ohlin Model: The Trade and Wages Debate Review: SF and H-O model	
Thur 7/4	HOLIDAY NO CLASS	
Fri 7/5		HW 2 Due (by 5 pm)
Mon 7/8	<b>MIDTERM 1 covering Ch. 1-5</b>	HW 3 Distributed
Tues 7/9	Increasing Returns to Scale (IRS) and Monopolistic Competition (MC)	
Wed 7/10	IRS and MC with firm heterogeneity	
Thur 7/11	Section Review IRS	
Mon 7/15	Finish increasing returns Increasing Returns begin offshoring	HW 3 Due HW 4 Distributed
Tues 7/16	Offshoring of Goods and Services	Quiz 2 (Chap 6)
Wed 7/17	Offshoring and MNE	
Thur 7/18	Section Review (Chap 6-7)	
Fri 7/19		HW 5 Distributed HW 4 Due (by 5 pm)
Mon 7/22	<b>MIDTERM 2 covering Ch. 6-7</b>	
Tues 7/23	Import Tariffs and Quotas under perfect competition	
Wed 7/24	Import Tariffs and Quotas under imperfect competition	
Thur 7/25	Review Trade policy	
Mon 7/29	Export Subsidies	
Tues 7/30	International Agreements: Trade, Labor, and the Environment. Review Trade policy	HW 5 Due
Wed 7/31	<b>FINAL EXAM</b>	

<sup>1</sup> This schedule is tentative and is subject to change. Any change in due dates or exam dates will be announced in class.

## DETAILED COURSE OUTLINE<sup>2</sup>

- **Lecture 1: Intro to international economics**
  - FT: Ch. 1 & Ch. 2.1-2.2
  - Paul Krugman: “What do Undergrads Need to Know about Trade?” *AER*, May 1993, p. 23-26 (in Pop Internationalism).
  - **(optional)** Alan Deardorff and Robert Stern: “What the Public Should Know about Globalization and the World Trade Organization,” July 2000, Part I and II.
  - **(supplemental)** Markusen et al. Chapter 7.
  
- **Lecture 2: Ricardian Model**
  - FT: Ch. 2
  - Paul Samuelson: “Why Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization”, *Journal of Economic Perspectives* (Summer 2004), pp. 135-146.
  - **(optional)** Paul Krugman: “Ricardo’s Difficult Idea,” in *The Economics and Politics of International Trade* <http://web.mit.edu/krugman/www/ricardo.htm>
  - **(supplemental)** Markusen et al. Chapter 7.
  
- **Lecture 3: Specific Factors Model**
  - Feenstra Taylor: Ch. 3
  - **(optional)** David Card, “The Impact of the Mariel Boatlift on the Miami Labor Market,” *Industrial and Labor Relations Review*, January 1990.
  - **(optional)** Elhanan Helpman: *Understanding Global Trade*, Chapter 3
  - **(supplemental)** Markusen et al. Chapter 9.
  
- **Lecture 4: Heckscher-Ohlin Model**
  - Feenstra Taylor: Ch. 4
  - **(optional)** Markusen et al. Chapter 8.
  
- **Lecture 5: Heckscher-Ohlin Model**
  - Feenstra Taylor: Ch. 5
  - **(optional)** Markusen et al. Chapter 8.
  
- **Lecture 6: Heckscher-Ohlin Model: The Trade and Wages Debate Review: H-O model**
  - Paul Krugman: “Does Third World Growth Hurt First World Prosperity?,” *Harvard Business Review*, July-August 1994 (in Pop Internationalism)
  - **(optional)** Paul Krugman and Robert Lawrence: “Trade, Jobs, and Wages,” *Scientific American*, April 1994. <http://www.scientificamerican.com/article.cfm?id=krugman-trade-jobs-wages>
  
- **Lecture 7: Increasing Returns to Scale and Monopolistic Competition and Gravity**
  - Feenstra Taylor: Ch. 6 S.1-3
  - **(supplemental)** Markusen et al. Chapter 7.

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<sup>2</sup> This schedule is tentative and is subject to change at any point.

- **Lecture 8-9: Increasing Returns to Scale and Monopolistic Competition and Firm Heterogeneity**
  - Ch. 6 S.4
  - Handout 1
  - **(optional)** Elhanan Helpman: *Understanding Global Trade*, Chapter 5.
  - **(optional)** Andrew Bernard, J. Bradford Jensen, Stephen Redding, and Peter Schott: “Firms in International Trade,” *Journal of Economic Perspectives*, Summer 2007.
  
- **Lecture 9 -10: Offshoring of Goods and Services**
  - Ch. 7 S. 1-4
  - Tempest, R. (1996). “Barbie and the World Economy”. *Los Angeles Times*, September 22. [http://articles.latimes.com/1996-09-22/news/mn-46610\\_1\\_hong-kong](http://articles.latimes.com/1996-09-22/news/mn-46610_1_hong-kong)
  - **(optional)** Linden, G., K. Kraemer, and J. Dedrick. (2007). “Who Captures Value in a Global Innovation System? The case of Apple’s iPod.” Unpublished Manuscript, Personal Computing Industry Center, UC Irvine.
  - **(optional)** Robert Feenstra: “Integration of Trade and Disintegration of Production in the Global Economy,” *Journal of Economic Perspectives*, Fall 1998.
  
- **Lecture 11: Offshoring and Multinational Firms**
  - Handout 2
  - James Markusen: “The Boundaries of Multinational Enterprises and the Theory of International Trade”, *Journal of Economic Perspectives*, Spring 1995.
  - **(optional)** Antràs, Pol, and Stephen R Yeaple. Forthcoming. Multinational Firms and the Structure of International Trade. In *Handbook of International Economics*. Vol. 4. (Sections 1&2, p.1-9)
  - **(optional)** Bernard, A.B., J.B. Jensen, and P.K. Schott (2009). “Importers, Exporters, and Multinationals: A Portrait of Firms in the U.S. that Trade Goods”. In T. Dunne, J.B. Jensen and M.J. Roberts (eds.), *Producer Dynamics: New Evidence from Micro Data*. Chicago: University of Chicago Press.
  - **(optional)** Elhanan Helpman: *Understanding Global Trade*, Chapter 6.
  
- **Lecture 12: Import Tariffs and Quotas under perfect competition**
  - FT: Ch. 8
  - Robert Feenstra: “How Costly is Protectionism?” *Journal of Economic Perspectives*, Summer 1992.
  - **(optional)** Robert Baldwin: “The Political Economy of Trade Policy,” *Journal of Economic Perspectives*, Fall 1989.
  
- **Lecture 13: Import Tariffs and Quotas under imperfect competition**
  - FT: Ch. 9
  
- **Lecture 14: Export Subsidies**
  - FT: Ch. 10
  - **(optional)** McMillan, Margaret, Dani Rodrik and Karen Welch. “When Economic Reform Goes Wrong: Cashew in Mozambique.” *Brookings Trade Forum* 2003. <http://www.nber.org/papers/w9117>
  
- **Lecture 15: International Agreements: Trade, Labor, and the Environment.**
  - FT: Ch.11