

**Economics 181, Spring 2004
International Trade**

**Instructor: Professor Ann Harrison
GSIs: Emma Aisbett and Ethan Kaplan**

Tuesday and Thursday, 12:30 to 2 pm, 22 Warren

Course Website address: Go to <http://are.berkeley.edu/~harrison> and click on econ181

This is a four unit course with three hours of lecture and one hour of discussion per week. You need to sign up in one section during the first week of class to remain in the class. Attendance to one discussion section is mandatory. Sections are scheduled as follows;

Section 101, Wednesday 12-1, 395 Leconte
Section 102, Wednesday 1-2, 433 Latimer
Section 103, Tuesday 8-9, 3105 Etcheverry
Section 104, Monday 2-3, B51 Hildebrand
Section 105, Monday 3-4, 425 Latimer

Adding the Course

If you are not in the course but wish to add, you should consult the Economics Department. Neither the instructor nor the GSIs have the power to get you registered in the class.

Textbook and reader

Paul Krugman and Maurice Obstfeld (K & O), *International Economics: Theory and Policy*, Addison-Wesley, Sixth Edition, 2003. There is also an Economics 181 reader. Although both the textbook and reader are required, I also encourage you to purchase the study guide, which is only recommended. The Study Guide, written by Linda Goldberg and Michael Klein, contains sample problems for each chapter and is quite useful as a guide for exams. Although the study guide was written to accompany an earlier version of K & O, it is still very useful and up-to-date. There are multiple copies of the text and the study guide available on reserve in Moffitt Library.

Course Description

This course covers the microeconomics of international trade, and related issues of US trade policy, developing country trade policies and multinational corporations. We begin with a brief introduction and then develop a theoretical framework to help us understand (1) why countries trade with each other and what determines trade patterns (2) whether trade is beneficial for a country and (3) how trade affects the distribution of income within a country. We then analyze the effects of commercial policy (ie tariffs) on trade and economic welfare. We conclude with a discussion of recent issues, including the World Trade Organization (WTO), regional trade agreements such as NAFTA, and the impact of trade policy on growth. Since I feel that there is not enough data analysis conducted in most classes, I will supplement the readings and the text with handouts whenever possible. I will expect you to become proficient in reading tables, graphs, and figures. An understanding of basic regression analysis, although helpful, is not required.

Prerequisites

This course uses microeconomic tools extensively, and therefore requires a solid understanding of price theory. Economics 100 A & B, or Economics 101 A & B, or PENR100, are the prerequisites.

Requirements

1. **Assignments** There will be four assignments during the semester, but only your three best assignments will count for your final grade. Assignments are due at the beginning of class on the following dates:

Thursday, February 5, Assignment #1

Tuesday, March 2, Assignment #2

Thursday, April 15, Assignment #3

Tuesday, May 4, Assignment #4

All homework assignments will be graded and recorded by your TA. Late homeworks lose 1 point (out of 4) per day. Note that assignments are late whenever submitted later than 12:45 on the due date. Late homework must be handed directly to your TA or to Professor Harrison. DO NOT submit homework in the form of e-mail attachments or fax your homework to Professor Harrison!

2. **Examinations**

There will be a mid-term and a final examination on the following dates:

Mid-term examination: Tuesday, March 9, 12:30-2:00

Final Examination: Wednesday, May 19, 5-8 p.m.

Policy on missed midterm or final exam:

There is no scheduled make-up midterm or final exam. Students who miss an exam for any reason must communicate with Professor Harrison by e-mail or phone by 6:00 pm on the day of the exam (email: harrison@are.berkeley.edu; telephone 643-9676). Students need to have a written certificate from a medical or legal authority justifying the reason for having missed the examination.

For a missed mid-term, the student will take the mid-term as an open book take-home examination. If the answers are of A quality, the final examination will count for 88 % of the grade instead of 50 %. Failure of the above will result in a 0 score for the examination.

For a missed final exam, an “incomplete” grade will be given for the class. The student will have to take the final exam at another session. Econ 181 classes are regularly offered in summer and fall sessions every year. Please DO NOT take the course if you cannot attend the final; I do not give make-up exams for either the midterm or the final.

Fire Alarm Policy:

A truly annoying bad habit at UCB is the pulling of fire alarms by ill-prepared and selfish students. If the alarm is pulled during an exam, the examination will not be rescheduled. The class will move outside and finish the exam in the allotted time.

3. **Grades**

The grade for the course will be based on the following components:

Exercises: three times 4 percent = 12 percent

Mid-term: 38 percent

Final: 50 percent

Office hours and e-mail addresses: (you are welcome to contact either TA if you have questions)

Ann Harrison: 329 Giannini Hall, Tuesday 10:00-11:30; harrison@are.berkeley.edu

Emma Aisbett: aisbett@are.berkeley.edu, office hours and location TBA

Ethan Kaplan: ekaplan@econ.berkeley.edu, office hours Tuesday, 9:30-11AM, and Wednesday, 2:30-4PM. Location TBA

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Class Number	Topic	Assigned Readings
Class #1 (1/20)	Overview. Introduction to Ricardian Model	Chapter 1, Chapter 2 10-16
Class #2 (1/22)	International Technology Differences And Trade—Ricardian Model	Chapter 2, 16-23 Practice problem 1 in K&O, Chapter 2 Reader, pages 1-4
Class #3 (1/27)	Ricardian model, continued	Chapter 2, 23-34 Practice problems 2,3,4 in K&O, Chapter 2 Reader, pages 4-8
Class #4 (1/29)	Factor Endowment Differences and Trade: Specific Factors Model	Chapter 3, pp. 38-46. Practice problem 2 in K&O, Chapter 3
Class #5 (2/3)	Factor Endowment Differences and Trade: Specific Factors Model	Chapter 3, pp 46-54. Practice problems 3 & 4 in K&O, Chapter 3
Class #6 (2/5)	Factor Endowment Differences:	Chapter 3, pp. 54-60 plus Appendix
Class #7 (2/10)	Factor Endowments Differences and Trade: Heckscher-Ohlin Model	Chapter 4, 67-75, plus appendix
Class #8 (2/12)	Heckscher-Ohlin Model, continued	Chapter 4, 75-86.
Class #9 (2/17)	No Class	
Class #10 (2/19)	Guest Lecture	TBA
Class #11 (2/24)	The Standard Trade Model	Chapter 5
Class #12 (2/26)	Trade, Wages, and Income Inequality	Reader, pages 9-47
Class #13 (3/2)	Globalization and Poverty	Reader, pages 38-68
Class #14 (3/4)	Discussion and Overview	
Class #15 (3/9)	MIDTERM	
Class #16 (3/11)	Trade in Industries with Imperfect Competition and Increasing Returns To Scale	Chapter 6, 120-131

Class Number	Topic	Assigned Readings
Class #17 (3/16)	“	Chapter 6, 132-142, 147-155
Class #18 (3/18)	Foreign Direct Investment	Chapter 7, pp. 169-178 Reader, pages 69-71
Class #19 (3/30)	Foreign Direct Investment, Continued	
Class #20 (4/1)	Immigration	Chapter 7, pp. 160-166 Reader, pages 72-73
Class #21 (4/6)	Tariffs	Chapter 8, pp. 186-196 Appendix to chapter 9, figures only. Reader, pages 74-96
Class #22 (4/8)	Other Trade Policy Instruments	Chapter 8, pp. 196 to the end
Class #23 (4/13)	Dumping and International Price Discrimination	Chapter 6, pp. 142-147 Reader, Page 97
Class #24 (4/15)	Trade agreements: Regionalism versus Multilateralism	Chapter 9, 234 to the end Reader, pages 98-114
Class #25 (4/20)	Regional Trade Agreements, Continued The World Trade Organization (WTO)	Reader, pages 115-178
Class #26 (4/22)	Trade Policy in Developing Countries (India, China, Colombia)	Chapter 9, pages 218-234, Chapter 10.
Class #27 (4/27)	Child Labor and Labor Standards	Reader, pages 180-187
Class #28 (4/29)	Trade Policy in Developed Countries: Strategic Trade Policy	Chapter 11
Class #29 (5/4)	The Impact of Trade Policy on Growth : the Evidence.	Reader, pages 188-213
Class #30 (5/6)	The Anti-Sweatshop Movement: a Focus on Indonesia	
Class #31 (5/11)	Final Review	