

International Trade and Factor Mobility

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OHs: Tuesday 2-4

Course Content: International Trade and Factor Mobility are the main components of global economic integration. We want to understand the nexus between these two and then explore interesting issues revolving around International Factor Mobility. Whereas International Trade is an established field of research, International Factor Mobility is a relatively recent exciting new area. There is no set curriculum for such a class and the course outline below is meant as a rough roadmap. The class will greatly benefit from, and to some extent be shaped by, your interests and suggestions.

Prerequisites: Intermediate Micro plus some exposure to International Economics, in particular Trade.

Format: We shall meet every Wednesday from 2:15 - 3:45 PM and Fridays from 10:15 - 11:45 AM in room 506, WSP 1. First class is May 31.

Literature: Paul R. Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, 5th edition, Addison Wesley Longman
Assaf Razin and Efraim Sadka, *Cross-Border Flows: Labor, Capital and Finance*, to be published by Cambridge University Press, available from www.tau.ac.il/~razin
Journal articles as we go along - to be made available by the instructor.

Grading: two optional midterms (on June 12 and June 28) offer you the opportunity to answer two questions (one on each midterm) early on during the course. The final (tentatively scheduled for July 12) then consists of three questions.

You are responsible for answering **three out of these five** questions.

It is highly recommended (though not required) that you take the midterms in order to be less time constrained on the final. If you choose to answer more than three questions only the three best answers will count towards your grade.

Course Outline:

1. Trade and/or Factor Mobility
 - 1.1. Classical Trade Models
 - 1.2. Factor Price Equalization
 - 1.3. Integrated Economy
 - 1.4. Gains from Trade and Factor Mobility
 - 1.5. Extensions
2. Migration
 - 1.1. History and Facts
 - 1.2. Models of Migration
 - 1.3. Impact on Welfare State
 - 1.4. Political Economy Approaches
 - 1.5. Migration Debate in Germany
3. Foreign Direct Investment
 - 3.1. Models of FDI
 - 3.2. Competition for FDI
4. Capital Flows
 - 4.1. Facts and Figures
 - 4.2. Policy Proposals
 - 4.3. Let's speculate against the Dollar

Class Material: There will be weekly hand-outs specifying what we will cover each week, the assigned readings for the week, and providing a few practice questions to help you prepare for the exams. All class material will be available on the web at <http://willmann.bwl.uni-kiel.de/econ/~gerald/facmobil> in portable document format (PDF). You need to have Acrobat Reader (available for free from www.adobe.com) or an alternative pdf viewer such as ghostview or xpdf installed to read/print PDF.

Important Dates: first class Friday May 31
midterms on June 12 and 28
final date and time to be announced

enjoy the class, *Gerald Willmann*