

ECONOMICS 425

International Trade Theory and Policy

Fall 2009

General Information

Instructor:

Beverly Lapham

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Office Hours: Thursdays, 2:00-3:30

and by appointment (send me an email message to make an appointment).

Teaching Assistant:

Karl Skogstad

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Office Hours: Tuesdays, 10:30-12:00

Course Website:

<http://www.econ.queensu.ca/pub/faculty/lapham/425>

Class Times and Location:

Tuesdays: 1:00-2:20 and Thursdays: 11:30-12:50

Watson Hall, Room 217

Course Objectives

This course deals with the theory of international trade. It explores theories that offer explanations for why countries trade, determinants of the pattern of trade, and an examination of the normative and positive effects of trade. These theories include the classical theory of trade, the specific-factors model of trade, the factor-proportions theory of trade, increasing returns to scale and imperfect competition as determinants of trade, and the links between trade and measures of productivity. We will also explore issues concerning the movement of labour across countries (migration) and the movement of capital across countries (foreign direct investment). The course also examines empirical studies in international trade and how the results of that research relate to the theoretical models that we study. Finally, within the various theoretical approaches in the trade literature, we examine the effects of different types of trade policies such as import tariffs and quotas and export subsidies.

Course Material

- **Required Material (Available from the Campus Bookstore):**

Our primary reference will be *International Economics* by Robert C. Feenstra and Alan M. Taylor, Worth Publishers, New York, 2008 or *International Trade* by Robert C. Feenstra, Worth Publishers, New York, 2008.

If you are planning to enroll in *both* Econ 425 and Econ 426, you should purchase *International Economics* by Feenstra and Taylor.

If you are planning to enroll in Econ 425 but not in Econ 426, you should purchase *International Trade* by Feenstra.

- **Reference Material (Available from Stauffer Reserve):**

International Trade, by James R. Markusen, James R. Melvin, William H. Kaempfer, and Keith E. Maskus, McGraw-Hill, New York, 1995.

International Trade Theory and Policy, by Paul Krugman and Maurice Obstfeld, Seventh Edition, Pearson/Addison Wesley, Boston 2006.

International Economics, by Dennis Appleyard, Alfred Field, and Steven Cobb, Fifth Edition, McGraw-Hill/Irwin, New York, 2006.

Evaluation

Students' performance is evaluated through assignments, a midterm exam, and a final exam. Each student will receive the course mark which is the maximum of the following two weighting methods:

	<u>Weighting Method I</u>	<u>Weighting Method II</u>
Assignments:	20 %	20 %
Midterm:	30 %	20 %
Final:	50 %	60 %

There will be no changes to these weighting methods.

Assignments

- Late assignments will not be accepted.
- Suggested answers to assignments will be available from the course website after the due date.
- Assignments should be handed in using the collection box located on the 2nd floor of Dunning Hall in front of the elevator.
- Please complete and attach the Economics Assignment Cover Page to the front of your assignments when you hand them in. Cover page forms are available from the course website and from the collection box sites.
- Marked assignments should be picked up from the Economics Distribution Centre located in Dunning Hall, Room 311. The hours of the Distribution Centre are available from the following website:

<http://www.econ.queensu.ca/pub/undergrad/DistributionCentre.html>

Examinations

- The midterm is scheduled for Thursday, October 22, 11:30-12:50 (in class).
- The final exam date is determined by a university-wide final examination schedule and will be announced at a later date.
- Students need a calculator for examinations. Permitted calculators are a Casio 991 or a calculator with a Gold Applied Science Approval Sticker or a calculator with a Blue Commerce Approval Sticker.

Brief Course Outline

A Detailed Course Outline is available from the Course Webpage.

Course Outline is subject to change.

- I. Introduction
- II. Classical (Ricardian) Model of Trade
- III. Specific-Factors Model of Trade
- IV. Factor Proportions Models of Trade
- V. International Factor Movements
- VI. Increasing Returns to Scale and Imperfect Competition
- VII. Trade Policy under Constant Returns to Scale and Perfect Competition
- VIII. Trade Policy under Imperfect Competition
- IX. Export Subsidies
- X. Heterogeneous Firms, Productivity, and Trade

Other Information

Please read the following statements by the University on academic integrity:

Academic integrity is constituted by the five core fundamental values of honesty, trust, fairness, respect and responsibility (see <http://www.academicintegrity.org>). These values are central to the building, nurturing and sustaining of an academic community in which all members of the community will thrive. Adherence to the values expressed through academic integrity forms a foundation for the "freedom of inquiry and exchange of ideas" essential to the intellectual life of the University (see the Senate Report on Principles and Priorities at <http://www.queensu.ca/secretariat/senate/policies/princpri/>)

Additional information can be found at the Academic Integrity Queen's web site:
<http://www.queensu.ca/academicintegrity/>