

ECONOMICS 425
International Trade Theory and Policy
Fall 2011

Instructor and Teaching Assistant

Instructor:

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and by appointment.

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Course Website

The Econ 425 website is accessible to students registered in the course through Moodle @ Queen's at <https://moodle.queensu.ca/>

Please note that the material on the Econ 425 website is copyrighted and is for the sole use of students registered in Economics 425. The material on this website may be downloaded for a registered student's personal use, but shall not be distributed or disseminated to anyone other than students registered in Economics 425. Failure to abide by these conditions is a breach of copyright, and may also constitute a breach of academic integrity under the University Senate's Academic Integrity Policy Statement.

Class Times and Location:

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

MacDonald Hall, Room 002

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 trade with heterogeneous firms. 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):**

International Trade by Robert C. Feenstra and Alan M. Taylor, Second Edition, Worth Publishers, New York, 2011.

- **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 R. Krugman, Maurice Obstfeld, and Marc J. Melitz, Ninth Edition, Pearson/Addison Wesley, Boston 2012.

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.
- Students are encouraged to work together on assignments but each student must submit their own completed assignment (no photocopies!)
- 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 334.

Examinations

- The midterm is scheduled for Tuesday, October 25, 2011; 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 Cassio 991 or a calculator with a Gold Applied Science Approval Sticker or a calculator with a Blue Commerce Approval Sticker.
- Some previous exams are available from the course website. Please note that written answers to previous exams will not be provided.

Brief Course Outline

A Detailed Course Outline is available from the Econ 425 website.

(The 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. **Heterogeneous Firms, Productivity, and Trade**

Academic Integrity:

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/>)

Students are responsible for familiarizing themselves with the regulations concerning academic integrity and for ensuring that their assignments conform to the principles of academic integrity. Information on academic integrity is available in the Arts and Science Calendar (see Academic Regulation 1) on the Arts and Science website: <http://www.queensu.ca/artsci>

Departures from academic integrity include plagiarism, use of unauthorized materials, facilitation, forgery and falsification, and are antithetical to the development of an academic community at Queen's. Given the seriousness of these matters, actions which contravene the regulation on academic integrity carry sanctions that can range from a warning or the loss of grades on an assignment to the failure of a course to a requirement to withdraw from the university.