

Econ 3HH3 Fall 2019: International Trade

Tuesday 7:00 – 10:00

Location: BSB 120

Instructor: Pau S. Pujolas

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Office Hours: Tuesday, 13:30 – 14:30, and by appointment.

Course Web Page: avenue to learn (<http://avenue.mcmaster.ca/>)

TA: Ionut (Johnny) Cotoc

Office: Grad students room in KTH fourth floor.

E-mail: cotoci@mcmaster.ca

Office Hours:

In person: 10:30 to 12:30 the following Mondays: September 18th, October 7th, October 23rd, November 6th, November 20th and one extra session in December, to be scheduled once the Final Exam date is known.

By email: Any time. He replies quickly and effectively.

Course Description

This course provides an introduction to the basis, consequences and policies of international trade and to the multilateral trading system and institutions such as the World Trade Organization. This course develops basic theories of international trade. These theories will help understand the reasons why countries trade goods and services and firms invest abroad; the determinants of trade patterns; and the impact of (gains and losses from) trade on welfare and economic development. The insights of these theories will help as well to address policy issues, such as trade and investment policies. We are interested to answer questions such as: Do countries gain from trade? How much? Are there losers from trade? Why do countries implement protectionist trade policies? What is the role of the WTO? Why do countries sign preferential trade agreements? What are the political forces that shape trade policies?

Course Outline

- Part One: Introduction
- Part Two: Patterns of International Trade
 - Trade and Technology: The Ricardian Model
 - Gains and Losses from Trade in the Specific-Factors Model
 - Trade and Resources
 - Movement of Labor and Capital Between Countries
- Part Three: New Explanations for International Trade
 - Increasing Returns to Scale and Imperfect Competition
 - Foreign Outsourcing of Goods and Services
- Part Four: International Trade Policies
 - Import Tariffs and Quotas under Perfect Competition
 - Import Tariffs and Quotas under Imperfect Competition
 - Export Subsidies in Agriculture and High Technology Industries
 - International Agreements: Trade, Labor and the Environment
- Part Five: Advanced Topics in International Trade (depending on timing)

Required Text:

We will follow closely the following book

- Robert C. Feenstra and Alan M. Taylor, “International Trade,” McMillan

Note 1: I have used the second, the third, and the fourth edition of this book. I will use the fourth edition, but if you have another edition, feel free to use it—at your own risk (which I believe is not very large).

Note 2: Cheaper copies may be available on the internet. Also, this textbook is available in electronic format (check out <http://www.coursesmart.com/>). Also, you may use the book “International Economics” by the same authors. (It contains additional chapters on International Macroeconomics, which is used in 3H03).

If you are particularly interested in a topic, you are invited to explore the recommended books.

Recommended Books

- Krugman, P.R., M. Obstfeld and M.J. Melitz, (ninth edition, 2012) “International Economics, Trade and Policy”. Addison-Wesley, ISBN: 978-0-019-214665-4
- James Markusen et al. as a secondary textbook. It is out of print but is available online at: <http://spot.colorado.edu/~markusen/textbook.html>

Grading:

There will be six assignments, one midterm exam and one final exam. Grades will be based on

- Assignments due the following dates:
 - a) Assignment 1 (5%) on September 16th
 - b) Assignment 2 (5%) on September 30th
 - c) Assignment 3 (5%) on October 21st
 - d) Assignment 4 (5%) on November 4th
 - e) Assignment 5 (5%) on November 18th
 - f) Assignment 6 (5%) on December 2nd

Each assignment grade is going to be replaced by the final exam grade if the latter is larger. If the assignment is not submitted, its 5% weight will automatically go to the final.
- Midterm (30%), on Tuesday, October 7th in the classroom

The midterm grade is going to be replaced by the final exam grade if the latter is larger. If you do not take the midterm exam, its 30% weight will automatically go to the final.
- Final exam (40%).

There is no need to do an MSAF. Doing an MSAF would imply getting all the weight from the midterm from the final exam. Not submitting a problem set implies getting all the grade from the final exam.

Exams:

The exams will be a mixture of short questions and analytical questions, as well as numerical problems.

Risk in your grade:

The problem sets, the mid-term and attending to classes are not compulsory. However, it is strongly advised to hand in the problem sets, do the mid-term, and to attend to classes. Take the decisions appropriately: gambling the whole grade on the final exam is really risky. The format of the tests will involve solving models similar to ones discussed in class. They will involve mathematical derivations of key relationships as well as a discussion of the meaning of these relationships. The questions may ask you to discuss the positive and negative features of the models that are being developed as well as think about possible improvements. There will be few

if any multiple choice questions and few if any true/false type questions. I only plan to teach material that I think is important to know. As a result, you should expect that questions can come from any of the topics covered. Don't gamble by leaving out certain topics in the hope that there will be choice. All questions will be required and coverage of topics on the test will not be uniform.

Calculators:

Only university approved calculators will be permitted in tests and the exam.

Cell phones:

Cell phones are not permitted in the classes, the tests or the exams. **Using cell phones during the test or the exams implies a fail in this course.**

Photo ID:

You will be required to show your university photo ID at all tests and the exam.

Avenue to learn (ATL): Everything you need to know will be posted on ATL. Course outline, information on assignment, tests, and exam, and any important announcements will be posted there. It is your responsibility to check ATL regularly. **No solutions to problem sets or mid-term will be posted on Avenue to Learn. These will only be given in class.**

Academic Ethics:

Please be aware of the "Statement on Academic Ethics" and "Senate Resolutions on Academic Dishonesty" as found in the Senate Policy Statements distributed at registration and available in the Senate Office.

Other Rules and Policies:

- 1) I reserve the right to adjust marks upwards in order to standardize the median score. Marks will never be adjusted down for this procedure.
- 2) You are responsible for keeping up to date with any information provided in class by me or the TA including any revisions to the schedule or the relocation of a test to a different time or location due to unforeseen circumstances.
- 3) If you have to miss a class, make alternative arrangements to find out what was discussed in class and to get the notes. They will not be available from me.
- 4) You are responsible for checking the course page on ATL regularly (at least once a week) to keep abreast of any new information provided there.
- 5) Please make sure to set up email forwarding in ATL so that you receive any communications from me in a timely way.

Requests for Relief for Missed Academic Term

McMaster Student Absence Form (MSAF)

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar "Requests for Relief for Missed Academic Term Work".

Extreme Circumstances

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

Academic Accommodation of Students With Disabilities Language

Students with disabilities who require academic accommodation must contact [Student Accessibility Services \(SAS\)](#) to make arrangements with a Program Coordinator. [Student Accessibility Services](#) can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca. For further information, consult McMaster University's *Academic Accommodation of Students with Disabilities* policy.

Academic Accommodation for Religious, Indigenous Or Spiritual Observances (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request to their Faculty Office normally within 10 working days of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

E-mails:

Replies to your e-mails will take up to 48 hours except for weekends, when you might have to wait until Monday. Effective September 1, 2010, it is the policy of the Faculty of Social Sciences that all e-mail communication sent from students to instructors (including TAs) must originate from the student's own McMaster University e-mail account. This policy protects confidentiality and confirms the student's identity. It is the student's responsibility to ensure that communication is sent to the university from a McMaster account. If an instructor (or TA) becomes aware that an e-mail has come from an alternate address, the instructor (or TA) will ignore it.