

Econ 3HH3/Winter 2018: International Trade

Monday, Wednesday and Thursday, 10:30 – 11:20

Location: HH-302

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

TA: TBA

Office: TBA

E-mail: TBA

Office Hours: TBA

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).

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 problem sets, one midterm exam and one final exam. Grades will be based on

- Max (problem sets, final exam) (30%),
- Max (in-class midterm, final exam) (30%),
- Final exam (40%).
- There is only one way to get extra credit: 1/100 points will be given in class to students that make interesting contributions. The instructor determines whether or not a contribution is worthy of this extra point on spot. Contributing to the solution of the problem set also grants points, if the instructor determines that it is appropriate. Attend the first class to learn about the exact mechanism for which this takes place

Note 1: There is no need to do an MSAF for problem sets or the mid-term. Doing an MSAF would imply getting all the weight from the assigned problem set or mid-term from the final exam. Not submitting a problem set implies getting all the grade from the final exam.

Note 2: Some students may believe this system implies that not working in this course is fine. However, this is not quite true. It is extremely recommended that you do all the homework and submit them in order to pass the course. Read “Homework Assignments,” section 6) for a careful explanation of why, as well as “Risk in your grade.”

Homework Assignments:

- 1) You will have no less than one week to work on them and turn them in.
- 2) All homework assignments will be due during the end of lecture unless notified otherwise. If you submit an early assignment, place it in the TA’s box outside his office. Do not slip it under the TA’s office door. Do not send attachments with e-mail messages.
- 3) LATE homeworks will NOT be accepted under ANY circumstances.
- 4) All homework assignments will be posted on the course web site.
- 5) The solutions will be given in class ONLY some class after the problem sets are due. Do not expect to get the solutions to the problem sets if you do not attend the classes.
- 6) Before deciding not to submit the homework, take into account the effects of doing a homework:
 - A) Direct effect: Each homework is worth 5% of the final grade. You get at least a week to do it. It is easy to secure all the points if you work sincerely on it for a week, rather than gambling in the final exam.
 - B) Indirect effect 1: Each homework is a very good indicator of how well you know the material covered.
 - C) Indirect effect 2: The exams will be easier if you work the problem sets well.
 - D) Indirect effect 3: Problem sets are a good indicator of what to expect in the mid-term and in the final exams.
- 7) The grade of each homework will be replaced by the grade in the final exam if the latter is higher. No need to submit an MSAF for the homework.

Exams:

The exams will be a mixture of short questions and analytical questions, as well as numerical problems. The mid-term weights 30% of the final grade. The grade of the mid-term will be replaced by the grade in the final exam if the latter is higher. No need to submit an MSAF for the midterm.

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.

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.