

ECON 412 INTERNATIONAL ECONOMICS A 2005

Timetable: Thursday 9-30 to 11-20, RH MZ06

Co-ordinator/Lecturer: Paul Tompkinson, RH 403, Extension 5737, Email P.Tompkinson@vuw.ac.nz

Course Information

Notices relating to the course will be posted on Blackboard

Course Content

This course will build on and extend the topics covered in the first half of ECON 309. The topics covered will include the causes of trade and the positive and normative effects of trade under a variety of industrial structures. The normative and positive effects of protection and the political economy of protection will also be covered.

Course Objectives: By the end of the course students should

1. Have an understanding of recent developments in trade theory
2. Be able to apply this understanding to current issues and debates in international economics.
3. Have demonstrated this understanding and its application with well-argued discussion and formal analysis, particularly in writing but also in tutorial discussion.

Assessment

One in term essay	40%
Two hour Registry examination	60%

All pieces of assessment will contribute to and test the three objectives, with the balance varying.

Essay Due Date: 26 May 2005. Late work will be accepted without penalty with good reason (e.g. a medical certificate) and prior permission. In other cases 5 marks will be deducted from the student's mark (out of 100) for each day, or part day, the assignment is late.

Students will be asked to make at least one class presentation. The presentation should be about twenty minutes in length; further details will be given in the lectures.

The exam will be held during the mid year exam period. Its date and time will be notified on official university exam timetables. No materials or calculators may be taken into the final exam.

Study Time: It is expected that students will devote 10 to 15 hours per week of independent study time to this course.

COURSE OUTLINE

The readings given below that are underlined are those which you should have read before attending the relevant session. This material is reprinted in the Course Handbook which can be purchased from the Pipitea Bookstore. For complete details of those references which end [JK], [GW] etc. see the section below titled, **Reading: Surveys**.

The sessions will consist in part of lectured material in which certain issues in the prescribed reading will be amplified and in part of a class discussion of the prescribed reading.

As not all students have done an undergraduate course in pure trade theory the first three weeks will be devoted to reviewing the material covered in such courses. Any student who has not already taken a course in trade theory should use these weeks to read the relevant chapters of one of the following texts.

R. E. Caves and R. W. Jones, 1996, *World Trade and Payments*, Seventh Edition, Little Brown, CHs. 1 to 7, 11, 12.

P. R. Krugman and M. Obstfeld, 1997, *International economics*, Fourth Edition., Harper Collins, CHs. 1 to 5, 8, 9.

J. R. Markusen and J. R. Melvin, 1988, *The Theory of International Trade*, Harper and Row, CHs 1-9, 14, 15.

Course Documents 1 to 9 [Course Documents can be found on Blackboard]

Week beginning 21 Feb: Standard trade theory 1

Partial equilibrium trade models.

A GE model of (1) a closed economy, (2) a small open economy and (3) a two country trading model.

Some analytical tools: cost functions, expenditure functions, revenue functions, the properties of constant returns production functions.

W. J. Ethier, 1995. Appendix I "A Survey of the Pure Theory of International Trade".

R. Findlay, 1970, "The General Equilibrium of Resource Allocation, Production and Trade" from *Trade and Specialisation*, Harmondsworth, Penguin.

IPE MODELS in Course Documents

E412 LECT 1 in Course Documents

Week beginning 28 Feb: Standard trade theory 2

The main trade theorems

W. J. Ethier, 1995. Appendix I "A Survey of the Pure Theory of International Trade".

4HOM in Course Documents

E412 LECT 2 in Course Documents

R. E. Falvey, "The Theory of International Trade", Ch. 2 in [GW].

Week 7 Mar: Standard trade theory 3

Specific factors/Three factor model

Gains from trade

Theory of domestic distortions

3SPEC FACT in Course Documents

7GAINS FROM TRADE in Course Documents

E412 LECT 3 in Course Documents

W. M. Corden, "The Normative Theory of International Trade", p. 65-100, Ch. 2 in [JK].

Week beginning 14 Mar: Imperfect Competition and Trade

P. R. Krugman, "Increasing Returns and the Theory of International Trade, Ch. 5 in [RIT].

P. R. Krugman, Part I of [RIT].

P. R. Krugman, 1995, "Increasing Returns, Imperfect Competition and the Positive Theory of International Trade", Ch. 24 in [GR].

A. Smith, "Imperfect Competition and Trade, Ch. 3 in [GW].

Vousden, Ch 6 "Oligopoly" and Ch. 7 "Monopolistic Competition".

5INC RETURNS & IMP COMP in Course Documents

E412 LECT 4 in Course Documents

Week beginning 21 Mar: Trade Policy under Imperfect Competition

P. R. Krugman, 1989, "Industrial Organisation and Industrial Trade", from R. Schmalensee and R. D. Willig (eds.), *Handbook of Industrial Organisation, Volume II*, Amsterdam, North Holland.

K. Cowling and R. Sugden, 1998, "Strategic Trade Policy Reconsidered: National Rivalry vs Free Trade vs International Competition, *Kyklos*, 51, 339-357.

J. A. Brander, "Strategic Trade Policy", Ch. 27 in [GR].

D. Laussier and C. Montet, "Strategic Trade Policies, Ch. 7 in [GW].

P. R. Krugman, Part IV of [RIT].

5INC RETURNS & IMP COMP in Course Documents

E412 LECT 4 in Course Documents

Week beginning 11 Apr: Trade and the Environment

H. Daly, 1997, "Reconciling Internal and External Policies for Sustainable Development", Ch. 2 in A. K. Dragun and K. M. Jacobsson (eds.) *Sustainability and Global Environmental Policy*, Edward Elgar, Cheltenham.

P. Brenton, H. Scott, and P. Sinclair, 1997, "Trade and the Environment", from *International Trade*, Oxford, Oxford University Press.

K. Anderson and R. Blackhurst, 1992, Chs. 1 and 2, *The Greening of World Trade Issues*, Harvester Wheatsheaf, Hemel Hempstead.

Esty, D. C., 1994, *Greening the GATT: Trade Environment and the Future*, Institute for International Economics, Washington DC.

P. Uimonen and J. Whalley, 1997, Ch. 1, *Environmental Issues in the New World Trading System*, Macmillan, London.

9TRADE & ENVIRON in Course Documents

Week beginning 18 Apr: Factor Mobility and International Trade

J. Bhagwati, 1979, "International Factor Movements and National Advantage", *Indian Economic Review*, 14, 73-100. Reprinted in *International Factor Mobility*, 1987, Cambridge, Massachusetts, MIT Press.

A. Razin and E. Sadka, "International Migration and International Trade", Ch. 15 in M. R. Rozenweig and O. Stark (eds.) *Handbook of Population Economics*, North Holland, Amsterdam.

6FACTOR MOBILITY in Course Documents

Week beginning 25 Apr: The Impact of Globalisation

D. Rodrik, 1997, Ch 2 from, *Has Globalisation Gone Too Far?*, Institute for International Economics, Washington

D. Rodrik, 1998, "Sense and Nonsense in the Globalisation Debate", in *Economics 99/99*, McGraw Hill.

D. Rodrik, 2000, "How Far Will International Economic Integration Go?", *Journal of Economic Perspectives*, 14, 177-186.

Week beginning 2 May: The Political Economy of Trade Policy

D. Rodrik, "Political Economy of Trade Policy", Ch. 28 in [GR].

R. E. Baldwin, 1989, "The Political Economy of Trade Policy", *Journal of Economic Perspectives*, 3, pp.119-135.

J. Gibson and R. Lattimore, 1991, "Causes of the Pattern of Manufacturing Industry Assistance in New Zealand 1981/2", *New Zealand Economic Papers*, 25, 100-122.

D. Mabbett, 1995, *Trade Employment and Welfare*, Clarendon Press, Oxford.

S. P. Magee, "The Political Economy of Trade Policy", Ch. 6 in [GW].

Week beginning 9 May: International Trade and Technological Change

- S. Dowrick, 1997, "Trade and Growth a Survey", from J. Fagerberg, P. Hansson, L. Lundberg and A. Melchior (eds), *Technology and International Trade*, Cheltenham, Edward Elgar.
- G. M. Grossman and E. Helpman, 1990, "Trade Innovation and Growth", *American Economic Review, Papers and Proceedings*, 80, 86-91
- G. Dosi, K. Pavitt and L. Soete, 1990, *The Economics of Technical Change*, Harvester Wheatsheaf, New York.
- G. M. Grossman and E. Helpman, 1991, CHs. 1 and 13 in *Innovation and Growth in the Global Economy*, MIT Press, Cambridge Mass.
- G. M. Grossman and E. Helpman, "Technology and Trade". Ch. 25 in [GR].
- P. R. Krugman, "Technological Change in International Trade", in P. Stoneman (ed.) *Handbook of the Economics of Innovation and Technical Change*, 1995, Blackwell, Oxford.
- P. R. Krugman, Parts II and III of [RIT].
- G. D. Snooks, 1993, *Economics Without Time*, London, MacMillan.

Week beginning 16 May: Is Free Trade Passé?

- K. Cowling and R. Sugden, 1998, "Strategic Trade Policy Reconsidered: National Rivalry vs Free Trade vs International Competition, *Kyklos*, 51, 339-357.
- J. Komlos, 1988, "Comment on 'Is Free Trade Passé?'" , *Journal of Economic Perspectives*, 2, pp.207-209.
- P. R. Krugman, (2), 1987, "Is Free Trade Passé?" , *Journal of Economic Perspectives*, 1, pp.131-144.

Week beginning 23 May: Review of Course Material

Reading: Texts

- R. N. Batra, 1973, *Studies in the Pure Theory of International Trade*, London, Macmillan.
- J. Bhagwati and T. N. Srinivasan, 1983, *Lectures on International Trade*, MIT Press.
- P. Brenton, H. Scott and P. Sinclair, 1997, *International Trade: A European Text*, Oxford, Oxford University Press.
- M. Chacholiades, 1978, *International Trade Theory and Policy*, Tokyo, McGraw Hill.
- A. K. Dixit and V. Norman, 1980, *Theory of International Trade*, Cambridge University Press.
- W. J. Ethier, 1995, *Modern International Economics*, Third Edition, Norton.
- E. Helpman and P. R. Krugman, 1992, *Trade Policy and Market Structure*, MIT Press.
- J. R. Markusen and J. R. Melvin, 1988, *The Theory of International Trade*, Harper and Row.
- M. Mikic, 1998, *International Trade*, Basingstoke, Macmillan. [3DL]
- Vousden, N., 1990, *The Economics of Trade Protection*, Cambridge University Press.

Reading: Surveys

- D. Greenaway (ed.), 1985, *Current Issues in International Trade Theory*, MacMillan.
- D. Greenaway and L. A. Winters, 1994, *Surveys in International Trade*, Blackwell. [GW]
- G. M. Grossman and K. Rogoff, 1995, *Handbook of International Economics Vol. 3*, North Holland, Amsterdam. [GR].
- R. W. Jones and P. B. Kenen, *Handbook of International Economics Vol. 1*, North Holland, Amsterdam. [JK].
- P. R. Krugman, 1990, *Rethinking International Trade*, MIT Press, Cambridge Mass. [RIT].
- P. R. Krugman (ed.), 1988, *Strategic Trade Policy and the New International Economics*, MIT Press.

ESSAY

Write a review essay of

- J. Bhagwati, 1989, "Is Free Trade Passé after All", *Weltwirtschaftliches Archiv*, 125, 17-44.

This reference is reprinted in the ECON 412 Course Handbook. Your essay should satisfy the following conditions

1. It should contain a clear summary of the material. A clear summary is one such that a reader who had not read the work you are reviewing but who had read your summary would have an accurate idea of the contents of the work being reviewed.
2. It should present those arguments/explanations which you consider to be the most important ones
3. It should present an evaluation of these central arguments/explanations.
4. It should state clearly why you do or do not or not you accept the central conclusion.

Also note

5. Essays should be typed and written in good English, that is not in note form, and should include a properly referenced bibliography
6. Essays should not exceed 2000 words. Only the first 2000 words of an essay will be marked.
7. You should, as far as is possible, express the ideas in your own words. Extensive quoting or near quoting usually indicates a lack of comprehension

You should find Ch. 11 “Reflective Analysis of Longer Works”, in T. Govier, 1992, *A Practical Study of Argument*, Wadsworth, Belmont, helpful for writing your essay, but ignore items 8, 9, and 10 on her features list

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

Student Conduct and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at:

www.vuw.ac.nz/policy/StudentConduct.

The policy on Staff Conduct can be found on the VUW website at:

www.vuw.ac.nz/policy/StaffConduct.

Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

www.vuw.ac.nz/policy/AcademicGrievances.

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.

Plagiarism is not worth the risk.

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct (www.vuw.ac.nz/policy/studentconduct) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

Find out more about plagiarism and how to avoid it, on the University's website at: www.vuw.ac.nz/home/studying/plagiarism.html.

Students with Disabilities

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: disability@vuw.ac.nz. The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/ or email student-services@vuw.ac.nz.

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email education@vuwsa.org.nz.