

School of Economics and Finance

## **ECON 412 INTERNATIONAL ECONOMICS A**

Trimester One 2009

### **COURSE OUTLINE**

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Office hours 9-00am to 11-30am.**

#### **Trimester Dates**

Monday 2 March to Wednesday 1 July, 2009.

#### **Class Times and Room Numbers**

Lectures 12-40 to 14-30 Thursday in RWW 129

**Withdrawal dates:** Information available via

<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawlsrefunds.aspx>

#### **Course Learning Objectives**

By the end of this course students should be able to

- understand both the traditional and modern approaches to the analysis of international trade.
- apply this analysis to understanding the causes of international trade.
- evaluate the positive effects of government policies relating to international trade.
- assess the normative implications of policies relating to international trade.

#### **Course Content**

**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.

### **Week beginning 2 Mar: 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.

1PE MODELS in Course Documents

E412 LECT 1 in Course Documents

### **Week beginning 9 Mar: 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 beginning 16 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 23 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 30 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 6 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. Jacobson (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 27 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 4 May: 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 11 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 18 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 25 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 1 June: 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.

### Reading: Reprints

#### ECON 412 INTERNATIONAL ECONOMICS A 2009 REPRINTED READINGS [In alphabetical order]

1. 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.
2. J. Bhagwati, 1989, "Is Free Trade Passé after All", *Weltwirtschaftliches Archiv*, 125, 17-44.
3. P. Brenton, H. Scott, and P. Sinclair, 1997, "Trade and the Environment", from *International Trade*, Oxford, Oxford University Press.
4. K. Cowling and R. Sugden, 1998, "Strategic Trade Policy Reconsidered: National Rivalry vs Free Trade vs. International Competition", *Kyklos*, 51, 339-357.
5. H. Daly, 1997, "Reconciling Internal and External Policies for Sustainable Development", from A. K. Dragun and K. M. Jacobson (eds.) *Sustainability and Global Environmental Policy*, Edward Elgar, Cheltenham.
6. 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.
7. W. J. Ethier, 1995. "Appendix I", from "A Survey of the Pure Theory of International Trade".
8. R. C. Feenstra, 1992, "How Costly is Protectionism?", *Journal of Economic Perspectives*, 6, 159-178.
9. R. Findlay, 1970, "The General Equilibrium of Resource Allocation, Production and Trade" from *Trade and Specialisation*, Harmondsworth, Penguin.
10. G. M. Grossman and E. Helpman, 1990, "Trade Innovation and Growth", *American Economic Review*, Papers and Proceedings, 80, 86-91.
11. J. Komlos, 1988, "Comment on Is Free Trade Passé", *Journal of Economic Perspectives*, 2, 207-209
12. P. R. Krugman, 1987, "Is Free Trade Passé", *Journal of Economic Perspectives*, 1, 131-144.
13. 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.
14. P. R. Krugman, 1990, "Increasing Returns and the Theory of International Trade", from *Rethinking International Trade*, Cambridge Massachusetts, MIT, Press.
15. D. Rodrik, 1997, "Consequences of Trade for Labour Markets and the Employment Relationship", from *Has Globalisation Gone Too Far?*, Institute for International Economics, Washington
16. D. Rodrik, 1995, "Political Economy of Trade Policy", from G. M. Grossman and K. Rogoff, 1995, *Handbook of International Economics Vol. 3*, North Holland, Amsterdam.

**Expected Workload**

Students are expected to do 10 hours study per week. This comprises two hours of lectures, four hours of reading prescribed material and two hours for preparing essays. Some students may find they have to do more than this.

**Readings**

Students will have to purchase the Handbook for this course which is available from Student Notes

**Materials and Equipment**

Students are not allowed to use machines, such as, computers or calculators in tests and exams.

**Assessment Requirements**

Lecture Presentation	15%
Essay	35%
Exam	50%

The essay is due on Wednesday 3 June. Further details of what is required for the essay and class presentations will be provided on a separate sheet

**Examinations**

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

Examination dates for trimester one: Friday 12 June to Wednesday 1 July 2009 (inclusive)

**Penalties**

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.

**Mandatory Course Requirements**

None

**Communication of Additional Information**

Additional information will be conveyed on Blackboard

**Faculty of Commerce and Administration Offices****Railway West Wing (RWW) - FCA Student and Academic Services Office**

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

### Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building on the ground floor (EA005). This counter is the first point of contact for:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

### **Use of Turnitin**

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>. Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting mis-referencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. *At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin.* You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

### **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to [www.victoria.ac.nz/home/about/policy/students.aspx](http://www.victoria.ac.nz/home/about/policy/students.aspx)

For information on the following topics, go to the Faculty's website [www.victoria.ac.nz/fca](http://www.victoria.ac.nz/fca) under Important Information for Students:

- Academic Grievances
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

### **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.