



Course Outline Approval Form

(A separate form must be completed for each course)

Course Outline Approval Forms for the Second Trimester are due at the Faculty's Student & Academic Services Office by Monday 13 July 2009, and should be sent in PDF format to the Administrator, Anthea O'Sullivan: anthea.osullivan@vuw.ac.nz

Course Code (not CRN) <u>ECON 309</u>	Trimester / Year <u>2/2009</u>
Course Title <u>International Economics</u>	
Course Coordinator <u>P. Tompkinson</u>	Extn <u>5737</u>
Scrutineer <u>Serry MUSHIN</u>	<i>This person must be a member of Academic Staff</i>

We confirm that the outline for the above course meets Faculty requirements (as set out in the Course Outline Template), or indicates links to where relevant information is to be found, in respect of the following:

(please tick)

COURSE ORGANISATION

1. Name of School, course code and title, trimester and year ✓
The correct full title of the course, including all parts such as "Special Topic:" must be given. Please ensure that the trimester given in your outline matches that listed in the Banner system.
2. Staff names & contact details
3. Trimester dates (covering the full assessment period and withdrawal dates)
4. Class times and locations

LEARNING OBJECTIVES & CONTENT

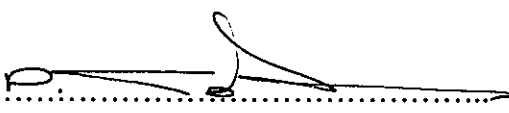
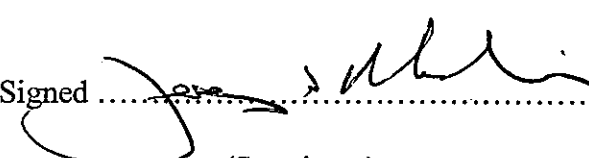
5. Course content
6. Course Learning objectives
7. Course delivery
8. Expected workload
9. Group work (if applicable)
10. Readings, key texts or equivalent materials
11. Any other materials and/or equipment students should obtain

ASSESSMENT & MANDATORY COURSE REQUIREMENTS

- 12. A clear statement of all assessment requirements, including:
 - (a) Weighting of each assessment task and corresponding learning objectives
 - (b) Critical dates of each piece of work
 - (c) Word limits for larger written pieces of work
 - (d) Duration of examination including dates of examination period or N/A
 - ~~(e) Word limits for larger written pieces of work~~
- 13. Note re: use of assessed work for quality assurance purposes
- 14. Statement on penalties
- 15. Practicum arrangements (if applicable) N/A
- 16. Details of mandatory course requirements
- 17. Statement on the use of Turnitin (if applicable) or N/A

LINKS FOR COMMON MATERIAL

- 18. Academic Integrity
- 19. Details of where to find additional information
- 20. Statement on General University Policies and Statutes
- 21. Manaaki Pihipihinga Programme

Signed  (Course Coordinator) Date <u>7/7/09</u>	Signed  (Scrutineer) Date <u>7/7/09</u> Note: this person MUST be a member of Academic Staff
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SCHOOL OF ECONOMICS AND FINANCE

ECON 309 INTERNATIONAL ECONOMICS

Trimester Two 2009

COURSE OUTLINE

Names and Contact Details

Paul Tompkinson (Coordinator/Lecturer), Room RH 403, Extension 5737, Email Paul.Tompkinson@vuw.ac.nz

Trimester Dates

Teaching Period: Monday 13 July to Friday 16 October 2009

End of Year Study Period: Monday 19 October to Monday 26 October 2009

Examination Period: Tuesday 27 October to Saturday 14 November 2009 (inclusive)

Note: Students who enrol in courses with examinations should be able to attend an examination at the University at any time during the formal examination period.

Withdrawal dates: Information available via

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

Class Times and Room Numbers

The lecture times are T, R, F 16-40 TO 17-30 in GBLT3

The tutorial times are T, R, F, 15-40 to 16-30 in RWW125

Course Content

This course will consider the answers that trade theorists have provided to questions concerning the role and nature of international trade. For example, what determines trade flows? Is trade desirable for a country? for the World? What are the effects of protection? How are exchange rates determined? Are fixed exchange rates superior to floating rates? Use will be made of calculus and diagrammatic techniques.

Course Learning Objectives

By the end of this course students should be able to

1. use the standard models to explain international trade
2. use models of imperfect competition to explain trade
3. explain and apply models of factor migration
4. apply the economic models to evaluate government trade policies
5. explain and use a short run model of exchange rate determination
6. use a short run model of the exchange rate incorporating money
7. use a long run model of the exchange rate

Course Delivery

Some tutorials will involve discussion of selected papers, others will require the solution to particular problems. It is expected that students will participate fully in these **sessions**

Expected Workload

A brief statement of the number of hours of work expected from students. One point should equate to 10 hours of work, which means a total of 150 hours for a 15-point course, which will typically be spread over a 15 week period (the 12 teaching weeks, mid-trimester break, study week and the examination period). Time spent on work outside class has to be an estimate for an average student.

Readings

P. R. Krugman and M. Obstfeld *International Economics*, EIGHTH Edition, Harper Collins, 2009.

The second reference given for each topic are my lecture notes on Blackboard.

References to other material that are underlined can be found in the ECON 309 Course Handbook. Students should purchase a copy of this Handbook from Student Notes.

Lecture Topics

A REAL TRADE THEORY AND POLICY

1 Introduction

Krugman and Obstfeld, Chs. 1 and 2

1PE MODELS

2 The Ricardian Model

Krugman and Obstfeld, Ch. 3

2 RICARDIAN MODEL

3 The Specific Factors or Three Factor model

Krugman and Obstfeld do not cover this topic

3 SPEC FACT

4 The Heckscher-Ohlin Model

Krugman and Obstfeld, Ch. 4

4 HOM

5 The Standard Trade Model

Krugman and Obstfeld Ch. 5

5 STM

6 Economies of Scale, Imperfect Competition and International Trade

Krugman and Obstfeld, Ch. 6

6 INC RETURNS & IMP COMP

J. R. Tybout, 1993, "Internal Returns to Scale as a Source of Comparative Advantage: The Evidence.", *American Economic Review, Papers and Proceedings*, 83, 440-444.

7 International Factor Movements

Krugman and Obstfeld, Ch. 7

7 FACTOR MOBILITY

8 The Instruments of Trade Policy

Krugman and Obstfeld, Ch. 8

8 GAINS FROM TRADE

9 POLICY

6) The Political Economy of Trade Policy

Krugman and Obstfeld, Ch. 9

No Blackboard notes

P. R. Krugman, (2), 1987, "Is Free Trade Passe?", *Journal of Economic Perspectives*, 1, pp.131-144.

7 Controversies in Trade Policy.

Krugman and Obstfeld, Ch. 11

No blackboard notes

Daly, H. E., 1993, "The Perils of Free Trade, *Scientific American*, November, 24-29.

P. R. Krugman, (2), 1987, "Is Free Trade Passe?", *Journal of Economic Perspectives*, 1, pp.131-144.

J. Komlos, 1988, "Comment on 'Is Free Trade Passé'", *Journal of Economic Perspectives*, 2, pp.207-209.

D. Rodrik, 1997, chapter 2, "Consequences of Trade for Labour Markets and the Employment Relationship.", 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.

B EXCHANGE RATES AND OPEN-ECONOMY MACROECONOMICS

1 National Income Accounting and the Balance of Payments

Krugman and Obstfeld, Ch. 12

No Blackboard notes

2 Exchange Rates and the Foreign Exchange Market: An Asset Approach

Krugman and Obstfeld, Ch. 13 and appendix

2 FEM

K. Froot and R. Thaler, "Anomalies: Foreign Exchange," *Journal of Economic Perspectives*, Summer 1990, pp. 179-192.

"Exchange rates and interest rate differentials: recent developments since the introduction of the euro," Deutsche Bundesbank Monthly Report July 2005.

3 Money, Interest Rates and the Exchange Rate

Krugman and Obstfeld, Ch. 14.

3 MR-ER

4 Price Levels and the Exchange Rate in the Long Run

Krugman and Obstfeld, Ch. 15

4 RER

R. Dornbusch, "Purchasing Power Parity" in *The New Palgrave Dictionary of Economics*, Vol. 3, New York, 1987, pp. 1075-1085.

K. Rogoff, "The Purchasing Power Parity Puzzle", *Journal of Economic Literature*, Vol. 34, June 1996, pp. 647-668.

Michael R. Pakko and Patricia S. Pollard, "Burgernomics: A Big Mac™ Guide to Purchasing Power Parity", Federal Reserve Bank of St. Louis *Review*, November/December 2003, 85(6), pp. 9-28.

5 Output and the Exchange Rate in the Short Run

Krugman and Obstfeld, Ch. 16 and appendices

5 AADD

6 Fixed Exchange Rates and Foreign Exchange Intervention

Krugman and Obstfeld, Ch. 17

6 FER

7 The International Monetary System 1870-1973

Krugman and Obstfeld, Ch. 18

7 IMS

B. Eichengreen, 1992, "The Origins and Nature of the Great Slump Revisited". *Economic History Review*, XLV, 213-239. P14

B. Eichengreen and P. Temin, 1997, "The Gold Standard and the Great Depression, Working Paper 6060 National Bureau of Economic Research. P28

8 Macroeconomic Policy and Coordination under Floating Exchange Rates

Krugman and Obstfeld, Ch. 19

8TWO COUNTRY AADD MODEL

9 Optimum Currency Areas and the European Experience

Krugman and Obstfeld, Ch. 20

M. Feldstein, "The Case Against EMU," *The Economist*, June 13, 1992, pp. 19-22.

10 The Global Capital Market
Krugman and Obstfeld Ch. 21

Tutorial Topics

Week beginning 20 July

1. For LPE if H imposes an import tariff what are the effects on
 - i. the price of the good in H and F
 - ii. consumption of the good in H and F,
 - iii. production of the good in H and F
 - iv. consumption of the good in H and F,
 - v. imports of the good into H.
2. For SPE show that the effects of a tax on a good differ depending on whether the tax is imposed on producers or consumers.
3. For SPE show that a tax on a good can be a cause of trade.

Week beginning 27 July

Read the textbook from page 273, beginning after the section headed "Globalisation and Low-Wage Labour" to the end of the chapter and answer the following questions

1. What questions do Krugman and Obstfeld raise?
2. What answers do they provide?
3. Are their answers convincing?

Week beginning 3 August

Discussion of, D. Rodrik, 1997, chapter 2, "Consequences of Trade for Labour Markets and the Employment Relationship", from, *Has Globalisation Gone Too Far?*, Institute for International Economics, Washington.

Week beginning 10 August

Discussion of, J. R. Tybout, 1993, "Internal Returns to Scale as a Source of Comparative Advantage: The Evidence", *American Economic Review, Papers and Proceedings*, 83, 440-444.

Week beginning 17 August

Discussion of, P. R. Krugman, 1987, "Is Free Trade Passé?", *Journal of Economic Perspectives*, 1, pp.131-144, and J. Komlos, 1988, "Comment on 'Is Free Trade Passé?'", *Journal of Economic Perspectives*, 2, pp.207-209.

Week Beginning 7 September

Review of Assignment 1

Week beginning 14 September

Chapter Title	Questions
Exchange Rates and the Foreign Exchange Market: An Asset Approach	9, 12
Money, Interest Rates and Exchange Rates	1, 10

Week beginning 21 September

Chapter Title	Questions
Price Levels and the Exchange Rate in the Long Run	3, 5, 11

Week beginning 28 Spetember

Chapter Title	Questions
Output and the Exchange Rate in the Short Run	3, 7, 12

Week beginning 5 October

Chapter Title

Fixed Exchange Rates and Foreign Exchange Intervention
The International Monetary System 1870-1973

Questions

4, 5
5, 6

Week beginning 12 October

Chapter Title

Macroeconomic Policy and Coordination

Questions

1, 5, 7

Papers Reprinted in the ECON 309 Handdbook

- K. Cowling and R. Sugden, 1998, "Strategic Trade Policy Reconsidered: National Rivalry vs Free Trade vs International Competition, *Kyklos*, 51, 339-357. **P1**
- Daly, H. E., 1993, "The Perils of Free Trade, *Scientific American*, November, 24-29. **P11**
- B. Eichengreen, 1992, "The Origins and Nature of the Great Slump Revisited", *Economic History Review*, XLV, 213-239. **P14**
- B. Eichengreen and P. Temin, 1997, "The Gold Standard and the Great Depression, Working Paper 6060 National Bureau of Economic Research. **P28**
- D. A. Irwin, 1991, "Challenges to Free Trade", *Journal of Economic Perspectives*, 5, 201-208. **P51**
- C. Kenny and D. Williams, 2000, "What Do We Know About Economic Growth? Or, Why Don't We Know Very Much? *World Development*, 29, 1-22. **P56**
- J. Komlos, 1988, "Comment on 'Is Free Trade Passé?'" *Journal of Economic Perspectives*, 2, pp.207-209. **P67**
- P. R. Krugman, 1987, "Is Free Trade Passé?" *Journal of Economic Perspectives*, 1, pp.131-144. **P70**
- P. R. Krugman, 1995, "Technological Change in International Trade", from P. Stoneman (ed.) *Handbook of the Economics of Innovation and Technical Change*, Oxford, Blackwell. **P78**
- M. Obstfeld and K. Rogoff, 1995, "The Mirage of Fixed Exchange Rates", *Journal of Economic Perspectives*, 9, 73-96. **P90**
- D. Rodrik, 1992, "The Limits of Trade Reform in Developing Countries", *Journal of Economic Perspectives*, 6, 87-105. **P103**
- D. Rodrik, 1997, chapter 2, "Consequences of Trade for Labour Markets and the Employment Relationship", from, *Has Globalisation Gone Too Far?* Institute for International Economics, Washington. **P113**
- D. Rodrik, 1998, "Sense and Nonsense in the Globalisation Debate", in *Economics 99/99*, McGraw Hill. **P122**
- J. R. Tybout, 1993, "Internal Returns to Scale as a Source of Comparative Advantage: The Evidence." *American Economic Review, Papers and Proceedings*, 83, 440-444. **P132**

Materials and Equipment

No other material is required or permitted for use in tests and the examination

Assessment Requirements

Assignment 1	20% [1, 2, 3, 4]
Assignment 2	20% 5, 6, 7]
Three hour Registry examination	60%

The word limits for the two assignments will be 1500 words. Details of the assignments are given in a separate

The course learning objectives targeted for each assignment is given in brackets

Due Dates for In Term Work [Hand in a hard copy no later than the beginning of the relevant lecture. Assignments sent by email will not be marked.]

Assignment 1	August 20, 2009
Assignment 2	October 15, 2008

The following note should be included in every course outline:

Note: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The

findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Examinations

The final examination for this course will be scheduled at some time during the period from Tuesday 27 October to Saturday 14 November 2009.

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. If assignments exceed the word limit only the first X words will be marked.

Mandatory Course Requirements

Both assignments to be completed before October 15.

Communication of Additional Information

Additional information and information on changes will be posted on Blackboard and in lectures.

Use of Turnitin (if applicable)

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 compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. 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.

For the following important information follow the links provided:

Academic Integrity and Plagiarism

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

General University Policies and Statutes

<http://www.victoria.ac.nz/home/about/policy/academic.aspx>

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/Contactus.aspx>

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/