



School of Economics and Finance

ECON 412 INTERNATIONAL ECONOMICS A

Trimester One 2011

COURSE OUTLINE

Paul Tompkinson, RH 212, extn: 5737 email: Paul.Tompkinson@vuw.ac.nz
Office hours 1-30 to 2-30pm Friday and by prior arrangement

Trimester Dates

Teaching Period: Monday 28 February – Friday 3 June 2010

Study Period: Monday 6 June - Thursday 9 June

Examination Period: Friday 10 June-Saturday 2 July (inclusive)

Withdrawal from Courses:

1. Your fees will be refunded if you withdraw from this course on or before 11 March 2011.
2. The standard last date for withdrawal from this course is 14 May. After this date students forced to withdraw by circumstances beyond their control must apply for permission on an "Application for Associate Dean's Permission to Withdraw Late" including supporting documentation. The application form is available from either of the Faculty's Student Customer Desks.

Class Times and Room Numbers

Lectures 2-40 to 4-30, Friday, RWW 128

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 Delivery

Class times will consist of a mixture of lectures, discussion and student presentations

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.

Two folders of notes to be found on Blackboard. The folder ECON 309 REAL contains notes produced for students taking ECON 309 International Economics A. The second set labelled ECON 412 LECT NOTES contains lectures notes for some of the ECON 412 course topics.

If a reference is underlined but is not on Blackboard then it can be found in the Course Handbook.

Week beginning 28 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.

E412 LECT 1 in E412 LECT NOTES FOL

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 E309 REAL FOL

Week beginning 7 Mar: Standard trade theory 2

The main trade theorems

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

LECT 2 in E412 LECT NOTES FOL

4HOM in E309 REAL FOL

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

Week beginning 14 Mar: Standard trade theory 3

Specific factors/Three factor model

Gains from trade

Theory of domestic distortions

E412 LECT 3 in E412 LECT NOTES FOL

3SPEC FACT in E309 REAL FOL

7GAINS FROM TRADE IN E309 REAL FOL

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

Week beginning 21 Mar: Imperfect Competition and Trade

P. R. Krugman, "Increasing Returns and the Theory of International Trade, Ch. 5 in [RIT].
E412 LECT 4 in E412 LECT NOTES FOL

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".

SINC RETURNS & IMP COMP in E309 REAL FOL

Week beginning 28 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.

E412 LECT 4 in E412 LECT NOTES FOL

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].

SINC RETURNS & IMP COMP in E309 REAL FOL

Week beginning 4 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 E309 REAL FOL

Week beginning 2 May: 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 E309 REAL FOL

Week beginning 3 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 9 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 16 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 23 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 30 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.

Reading: Reprints

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. Jacobsson (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

Student Presentations	15%
Essay	35%
Exam	50%

Depending on the numbers enrolled in the class students will make 1 or 2 class presentations. The required number will be announced during the first class. The essay is due on Friday 3 June. The word limit for the essay is 2000 words. Further details of what is required for the essay and class presentations will be provided on a separate sheet. The examination is of two hours duration

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

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

The final examination for this course will be scheduled at some time during the period from Friday 10 June – Saturday 2 July.

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

Class Representative

A class representative will be elected in the first lecture and that person's name and contact details will be available to VUWSA, the Course Coordinator and the class.

Communication of Additional Information

Additional information will be conveyed on Blackboard.

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

Find key dates, explanations of grades and other useful information at www.victoria.ac.nz/home/study

Find out about academic progress and restricted enrolment at <http://www.victoria.ac.nz/home/study/academic-progress.aspx>

The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy, except qualification statutes, which are available via the Calendar webpage at <http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

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

Manaaki Pihipihinga Programme

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