

Economics 4111-FA: International Trade

Fall 2020

Instructor: Dr. Karl Skogstad

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Lectures: Tuesday and Thursday 11:30-1:00 on Zoom

Office Hours: Due to COVID-19 they will be by appointment. See below for more details.

Course Description

International Trade deals with the movement of goods and services across international borders. The questions we are interested in answering include:

- Why do countries trade?
- What are the benefits of international trade?
- Why do countries export and import the goods that they do?
- Who gains and who loses from international trade?
- What role should the government play in limiting or promoting international trade?
- Is international trade good or bad?

We approach these questions by developing models of economies. We then use these models to compare the outcomes when countries are allowed to trade to when they are not allowed to trade. With these theoretical results in hand, we then evaluate our models by seeing how well they fit the available data.

Prerequisites and Necessary Skills

Students must have taken ECON 2017 and 2037 in order to participate in this course. An understanding of the concepts taught in an intermediate microeconomics sequence is required to construct and apply the models that we plan to develop in this course.

We will make heavy use of high school level linear algebra. Additionally, we will make occasional use of high school calculus and basic regression analysis. Exposure to these last two skills is not required (as I will provide the necessary training), however students who have prior knowledge in these areas will be at an advantage.

Learning Outcomes

By the end of this semester students will

- be able to construct and solve models of an economy.
- have the ability to demonstrate economic concepts through the use of graphs.
- understand the many reasons countries may wish to trade with one another.
- be able to identify the aggregate welfare effects that trade has on a country.
- be able to identify the welfare effects that trade has on various groups of people within a country.
- understand the impact of various government trade policies.
- be in a position to discuss the merits of free trade and globalization.

Textbook

Krugman, Obstfeld, and Melitz (2018). *International Trade: Theory and Policy*. 11th Edition Pearson, New York.

Older versions of the textbook will contain most of the necessary information, so students should not feel constrained to purchase this edition. Additionally, there is another version of this textbook that contains all of the chapters in this book plus a series of chapters on international finance. That textbook, titled, “International Economics: Theory and Policy” is also acceptable.

I highly recommend you read the indicated chapters as we go through the material. I am hoping to have time to cover chapters 1 to 3 and 5 to 12 of the textbook. That is over 300 pages of material, which translates into over 25 pages per week of reading. Given this, I recommend that you devote at least 2 to 3 hours a week to reading the textbook for this course, in addition to the 3 hours of classroom time. Additional time for reviewing lecture notes and doing practice problems is recommended.

Grading

Your grade for the fall term will be determined by assignments and a cumulative final exam.

Assignments	(70%)
Final Exam	(30%)

There will be 4 to 5 assignments during this course. Students may consult each other on assignments, but each student must hand in their own assignment. Each assignment will be relatively long, so I suggest you work on them throughout the assigned period. Students may type their assignment, or hand-write them neatly. Feel free to consult with me on any issues you are having with the assignments.

The final exam will be cumulative. The questions will be similar to those on the assignments. It will be a take-home exam that you can complete over a few days. More information about this will be provided as we approach December.

COVID-19

COVID-19 is having an impact on all facets of our lives, including how courses are delivered. Here is some important information regarding this course.

Communications

- You should be checking the course website on MyCourseLink daily. I will be using this site to post lecture notes, assignments, and answer guides. I will also be posting announcements there.
- In order to keep communications as simple as possible, I will be using your @lakeheadu.ca email address to communicate with you as well. All important announcements will be sent by email and posted on the course website.
- The course website has an instant message and email feature. I will NOT be making use of these. If you wish to contact me, use the email address listed above.
- The course website has discussion forums. If you would like to make use of these to discuss things with your classmates, you are welcome to do so. I will monitor them and post comments if I believe they will be helpful to you.
- If you would like to discuss issues with me face-to-face we have two options.
 - If both parties feel comfortable we can meet in my office. Note that this will only be possible if the university permits it. No student will be forced to meet this way if they do not feel comfortable, and I reserve the right to not meet in this way as well if I deem the risks too high.

- We can set up a meeting via Zoom. We will arrange a time and I will send a link that you can use to access a direct one-to-one conference.

General

- Since this is an upper year course, most of you have already developed good study habits. However, this year will be very different. Although we will still be meeting virtually, it will be a very independent learning process. It is up to you to ensure you are keeping up with the material as we progress. By staying on top of your readings you will have much more success in this course.
- Given the little face-to-face time we will have, I highly encourage you to attend every zoom session. Although they will be recorded, it will help you to go through the material in real time with me. Then you can go back and re-watch the parts of the lecture that you had trouble with.
- During our meetings I encourage you to have your webcam on. This will help us develop a sense of community in the classroom. It will also make it easier for me to see if I am going too fast or too slow. Everyone's experience will be improved if we can maintain a visual communication.
- Learning online is a new process for all of us, and there are bound to be difficulties along the way. The key is to be flexible. Changes may have to be made midway through the course to ensure that the learning process continues smoothly.

Recorded Lectures

In this course, in the context of remote instruction and participation, video and audio recordings of class activities will be made to ensure students' and instructors' easy and comprehensive access to those activities. The recordings are confidential and are intended only for the use of the course students and instructors. They may otherwise not be used or disclosed. During recording, to protect others' privacy, each student should ensure that no one else is present in the location where they are being recorded without that non-student's consent. The recordings are made under the authority of sections 3 and 14 of The Lakehead University Act, 1965. Questions about the collection of the images and sounds in the recordings may be directed to Dr. Robert Petrunia, Chair of the Department of Economics, 807-343-8357.

Academic Misconduct

The University and I take a serious view of offences against academic honesty such as plagiarism, cheating and impersonation. Penalties for dealing with such offences will be strictly enforced. If you are unaware of what constitutes academic misconduct, Lakehead has provided a series of self-guided lessons through myCourseLink to help you better understand the

issues. The course is known as Academic Integrity Matters (AIM), and students are free to self-enroll if they desire.

Penalties for those found guilty of attempting to obtain academic credit dishonestly can include receiving a grade of zero for the assignment/essay in question, receiving a grade of zero in the course, and more severe penalties such as removal from their program of study or the university.

The University Regulations regarding academic dishonesty can be found at:

<https://www.lakeheadu.ca/faculty-and-staff/departments/services/provost-vice-president-academic/academic-integrity-plans-policies/academic-dishonesty-regulations>

The Student Code of Conduct can be found at:

<https://www.lakeheadu.ca/students/student-life/student-conduct/academic-integrity>

Outline

We will do our best to get through most of the topics listed below. If we are running out of time, certain topics may be cut. I will inform you of these cuts as the term progresses.

Introduction

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| 1: | Introduction to International Trade | (Chapter 1) |
| 2: | Gravity Model | (Chapter 2) |

Models of International Trade

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| 3: | Ricardian Model | (Chapter 3) |
| 4: | Heckscher-Ohlin Model | (Chapter 5) |
| 5: | Standard Trade Model | (Chapter 6) |
| 6: | External Economies of Scale | (Chapter 7) |
| 7: | Internal Economies of Scale | (Chapter 8) |

Trade Policy

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| 8: | Trade Restrictions | (Chapter 9) |
| 9: | Political Economy of Trade | (Chapter 10) |
| 10: | Trade Policy in Developing Countries | (Chapter 11) |
| 11: | Controversies | (Chapter 12) |