

Economics 425 (L01) International Trade

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Lecture Location: MS 319
Lecture Days/Time: TR 12:30-13:45

Office: SS 428
Office Hours: TR 16:00-17:00

Fall 2019

Course Description:

This course provides an introduction to international economics focusing on international trade in goods and services. It is atypical in that I will motivate the material by use of four or five current policy debates. In discussing and evaluating current trade policy disputes, the student will learn about the costs and benefits of international trade, the impact trade policy measures, and develop an understanding of comparative advantage; trade with economies of scale; strategic trade policy in the presence of imperfect competition; trade-related aspects of intellectual property rights; and trade's impact on the environment. Writ large, the course examines the nature, causes and consequences of international trade in order to provide the basis for analyzing aspects of trade policy such as regional preferential trading arrangements such as NAFTA and the European Union, and global trading arrangements such as the World Trade Organization. Writ small, the course will help you make sense of what is happening on the world stage with regard to Trump, trade wars, and what is at stake in the new NAFTA agreement.

Course Outcomes:

Students who successfully complete this course will:

- (i) Understand and appreciate the history, rationale, and functioning of international trade agreements. This involves having some familiarity with the WTO and major international agreements. For example:
 - The role of the WTO in regulating world trade.
 - The rationale and role for environmental side agreements.
 - The purpose of labour standards
 - The purpose and implications of agreements on intellectual property rights protection.
 - The rationale and effects of rules of origin.
- (ii) Understand and appreciate key principles, theories and ideas in the international trade literature including many of the following:
 - The rationale for international trade based on comparative advantage; the implications of comparative advantage-based trade for specialization, consumption and production patterns, and overall national well-being.
 - The rationale for international trade based on increasing returns. The implications for trade based on increasing returns for specialization patterns and overall national well-being.
 - The determinants of national income in an open economy, and the implications of international trade for the distribution of national income across different factor owners.

- The effect of international trade on environmental outcomes.
- The costs and benefits of trade liberalization for different groups in society.
- The costs and benefits of trade and industrial policy interventions in an open economy.
- (iii) Be able to apply the key principles in the international trade to analyse, critique, and craft trade policy interventions.
 - Assess the strengths and weaknesses of employing different trade policy instruments (quotas, tariffs, rules of origin, eco-labelling, etc.)
 - Assess the strengths and weaknesses of different policies for achieving policy goals (employment, income distribution, etc.)
- (iv) Develop skills in writing a cogent analysis of current trade policy debates identifying costs, benefits, and implications for consumers, firms and governments.

Course Outline:

I have organized the material around five very topical trade policy issues. My plan is to spend two and a half weeks discussing and evaluating each issue. Two weeks gives us five lectures to ask and then answer the question under study. I am hoping to stick to this window for each topic, but it is possible we either run out of time (and leave one issue untouched) or world events intervene making us spend more time on one topic than another. If we do complete our discussion of five issues, and then include some time for review sessions and a midterm, we will have pretty well exhausted all the course time. In addition, I have thus far arranged for one guest speaker to visit the class (a Trade Policy expert Dr. Thomas Prusa who regularly consults with the WTO and is a Professor at Rutgers University in New Jersey). See <http://econweb.rutgers.edu/prusa/> for more details. I have already invited one more individual to talk about special protection and the Dairy industry but have yet to get confirmation. I may invite one more if time permits and the speakers agree to come during the appropriate window.

Each of the five sections or modules will proceed in much the same way, and there are four elements to each section.

First, there will be an video from YouTube (or similar) introducing the issue (typically courtesy of Trump), together perhaps with some discussion by others (perhaps a clip from the PBS news hour).

Second, there is the lecture material I will provide that gives us the logical framework with which we can discuss the issue. This material is also presented in the book, although my presentation will differ substantially and will be tailored of course to the issue at hand. You will be responsible not only for the lecture material presented in class, but also the material in the Chapters or Chapter sections I assign in class. So for example, the course starts with a discussion of comparative advantage and the elegant model put forward by David Ricardo over 200 years ago. Ricardo's model is the perfect vehicle with which to discuss how differences in technologies across countries affect trade flows, national incomes, and welfare. It is also perfect for a discussion of how the transfer of technology across countries – perhaps accelerated by weak intellectual property rights – creates winners and losers in the global economy. And hence this is how we will frame a discussion of the current dispute (trade war) between the U.S. and China over intellectual property rights.

Third, trade policy discussions are often full of all kinds of minutiae and detail that the book does not cover and I am not an expert on. To fill this gap, I will typically ask you to listen to one or more podcasts from "Trade Talks" from the Peterson Institute at <https://piie.com/trade-talks>. These are short, very informative, and very detailed discussions of trade policy issues. There are now literally hundreds of these talks, and I will assign specific episodes.

Fourth, with the completion of every section there will be an assignment for you to do that will reinforce the material and hopefully prepare you for the examinations.

The five modules are, in brief, organized around the following trade policy issues:

1. Intellectual Property Rights and Trade (Chapters 1 and 2)
2. Special Interests, Trade Policy and the CDN dairy industry (Chapter 5)
3. Immigration, factor flows, and rising wage inequality (Chapter 6)
4. Trade wars and Trade talks (Chapter 7)
5. Why Economists and Environmentalists disagree: trade vs the environment (Chapter 13).

Prerequisites/corequisites: ECON 357

Required Textbook(s):

International Trade John McLaren Wiley 2013 ISBN-13: 978-0-470-40879-7. The book comes with a full set of slides, practice questions and some quizzes all which will be made available to the students. My lectures will broadly follow the book, but will include more technical and difficult material and will require a more in depth understanding of the arguments that is present in the book or the slides. The Chapter references above are what is currently planned, but I may alter the order of presentation order somewhat. For example, chapter 13 and 7 may come earlier and 5 and 7 later. Additional materials will be available on D2L. Just reading the book and slides will not be a good strategy to pass the course.

Recommended Textbook(s):

None

Books on Reserve:

None

Desire2Learn:

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

Grade Determination and Final Examination Details:

There will be two examinations. One will be a typical midterm, and the other is a final exam scheduled by the Registrar. The midterm will be on Thursday the 24th of October. In addition, there will be a series of assignments due during the year. I plan on four or five assignments. The midterm and final will have both analytical questions requiring model manipulation to answer, but also essay type longer answer questions. These assignments will have due dates (approximately 10 days from receiving them) and will be marked and returned to the students. Answer keys for the assignments will be provided.

MIDTERM EXAM	30%
FINAL EXAMINATION	40%
ASSIGNMENTS	30%
	100%

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html>.

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

If a student's letter grade on the final exam exceeds their midterm(s) letter grade, the weight of the midterm(s) is (are) transferred to the final exam. The student must have written the midterm(s) or provided supporting documentation for the absence(s) such as a medical note or statutory declaration.

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work. See <https://www.ucalgary.ca/pubs/calendar/current/e-2.html>.

Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during the instructor's office hours.

The final examination will be comprehensive, scheduled by the Registrar, held in a classroom, and last 2 hours. If a student cannot write their final exam on the date assigned by the Registrar's Office, they need to apply for a deferred exam www.ucalgary.ca/registrar/exams/deferred_final. Under no circumstance will this be accommodated by the Department.

Tests and exams WILL NOT involve multiple choice questions.

Non-programmable calculators WILL be allowed during the writing of tests or final examinations.

Programmable calculators, cellphones, textbooks, course notes, and other electronic devices will not be allowed during the writing of tests or final examinations. Students are reminded that simply being able to access their cellphone during an exam is academic misconduct.

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

Reappraisal of Grades and Intellectual Honesty:

For reappraisal of graded term work, see Calendar I.2

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

For reappraisal of final grade, see Calendar I.3

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

Statement of Intellectual Dishonesty, see Calendar K.4

<http://www.ucalgary.ca/pubs/calendar/current/k-4.html>

Plagiarism and Other Academic Misconduct, see Calendar K.5

<http://www.ucalgary.ca/pubs/calendar/current/k-5.html>

Academic Accommodations:

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services; SAS will process the request and issue letters of accommodation to instructors. Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their Instructor. The full policy on Student Accommodations is available at <http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf>.

Freedom of Information and Protection of Privacy (FOIP) Act:

Personal information is collected in accordance with FOIP. Assignments can only be returned to the student and will be accessible only to authorized faculty and staff. For more information, see <http://www.ucalgary.ca/legalservices/files/legalservices/faq-students.pdf> and http://www.ucalgary.ca/legalservices/files/legalservices/faq-faculty_0.pdf.

Internet and Electronic Communication Device information:

The use of cell phones for any purpose in class is prohibited. Computers and tablets may be used for note taking only unless otherwise authorized by the instructor.

Copyright Legislation:

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at www.ucalgary.ca/policies/files/policies/acceptable-use-of-material-protected-by-copyright.pdf. Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

Important Dates:

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>

Student Organizations:

Faculty of Arts Students' Association (F.A.S.A.):

Economics Department Representative

Office: SS 803, E-mail: econrep@fasaucalgary.ca and Web: www.fasaucalgary.ca.

Society of Undergraduates in Economics:

<https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at societyofundergradsineconomics@gmail.com.

Faculty of Arts Program Advising and Student Information Resources:

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580, or email them at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate>, which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Library Block.

Student Support and Resources:

- See <https://www.ucalgary.ca/registrar/registration/course-outlines> for information on campus mental health resources, the Student Ombuds' Office, Student Success Centre, Safewalk, and Emergency Evacuation and Assembly.
- Online writing resources are available at <https://ucalgary.ca/student-services/student-success/writing-support>.

Notes:

1. Students are responsible for all assigned material, e.g., supplementary material posted on D2L, regardless of whether or not the material was covered in class.

MST

2019-07-24