

CARLETON UNIVERSITY, Department of Economics

Instructor: Professor: Z. Yu (Email: zhihao.yu@carleton.ca Please allow 24-36 hours to respond. In addition, please use office hours for obtaining helps to understand course materials and homework).

Lecture Time: Wednesdays 11:35am-2:25pm

Office hours: TAB in B852 (LA)

Course Format: Lectures/Seminars

Objectives

This is an advanced course in international trade theory and policy. In the first part of the course, several general equilibrium models will be developed. The second part of the course will use this framework to analyse several policy issues, including the effects of tariffs and quotas, and trade liberalisation. Recent topics, such as political economy of trade policy, will also be discussed.

PREREQUISITE

ECON 2030 (or Econ 2003 – no longer offered) with a grade of C- or higher.

Technical Content

This course makes extensive use of theoretical and mathematical techniques from ECON 2020, ECON 2030, ECON/MATH 1401 and ECON/MATH 1402. (Students who do not have a strong background in the above courses are advised to take Econ 3601 -- a similar course that requires less mathematical skills)

Homework

1. Students are required to preview the textbook materials and will be asked to discuss them at the beginning of each class (in particular, in Module 3)
2. Students are required to submit their homework of each chapter (selected problems from the end of each chapter) after the discussion of that chapter is finished. No written answers will be provided to the problems of the homework, but you are welcome to ask questions and discuss them with the instructor during the weekly office hours (the instructor may also select some questions to discuss during the class). These exercises are for your own practice to better understand the materials of each chapter (they are not for formal marking, but each submission will be graded on a scale of 1-10 based on your effort).

Evaluation

Chapter Previews and Class Participation ¹	15%
Weekly Homework submission ²	10%
In-class Test 1 (October 29th)	35%
Major Assignment	25%
In-class Test 2 (December 3rd)	15%

Test Rules

- (i) A student will receive a zero mark for missing an in-class test unless he/she informs the instructor via email (either before the test or within 24 hours after).
- (ii) A deferred test will be scheduled within-a-week by the Department of Economics.

¹ Students who miss more than half of the classes will not be allowed to write the in-class tests/exam (if written, their exams will not be graded).

² The deduction for late homework/assignment submissions is 25% (50%, 100% - i.e. zero marks) of your total mark for the first 0h-24h (the second 0h-24h, the third 0h-24h and afterwards) after the deadline, respectively.

N.B.: the scheduled time might not be convenient for you due to potential multiple cases. Students who miss more than one test (including a deferred one) will receive a grade of F.

- (iii) This course has the above two formative tests and no final exam. The feedback on the two tests will be provided either in person or via Brightspace.

REQUIRED TEXTBOOK

Paul R. Krugman, Maurice Obstfeld, and Marc Melitz, *International Economics* (Pearson) 12th edition C\$67 (ISBN-13: 9780137465699) – check with CU bookstore.

<https://www.pearson.com/en-ca/subject-catalog/p/international-economics-theory-and-policy/P200000005956/9780137465699>)

Optional: Additional study materials are available via MyLab Economics with Pearson eText (**Course ID:** TBA).

Important: If you use a different edition (e.g. a previous edition, or the 12th Global Edition), please make sure to do the homework according to the edition we use.

A useful reference/advanced textbook (not required): Robert C. Feenstra, *Advanced International Trade: Theory and Evidence*, Princeton University Press, 1st edition, available online at CU Library

Plagiarism

Please be aware that plagiarism is serious offence at Carleton and should be recognized and avoided. For further information on how to do so, please see [HERE](#).

Academic Accommodation:

You may need special arrangements to meet your academic obligations during the term. For accommodation requests, please visit: students.carleton.ca/course-outline

COURSE OUTLINE

(The problems listed below can be found at the end of each chapter)

0. Math review (0.5)

Linear algebra, unit cost function, Duopoly Nash-Cournot Model (pages 501-505 in Perloff – your Econ 2020 textbook).

A useful link for refreshing Math skills in Economics:

https://www.economicsnetwork.ac.uk/math_refresh/

Module 1. Neoclassical International Trade Theory

1.1 Labour Productivity and Comparative Advantage: The Ricardian Model (1.5)

Readings: Ch. 3; Ch 1 in Feenstra (related to the Ricardian model)

Suggested problems for self-practice and understanding the textbook materials: **Problems #1, 2, 3, 4 and 5** (pages 48-49 in the textbook).

1.2. The Specific Factor Model and Income Distribution (0.5)

Readings: Ch. 4 and its appendix.

Suggested problems for self-practice and understanding the textbook materials: **Problems #2, 3, and 4.**

1.3. Resource and Trade: The Heckscher-Ohlin Model (1.5)

Readings: Ch. 5 and its appendix; Ch 1 in Feenstra (related to the H-O model).

Suggested problems for self-practice and understanding the textbook materials: **Problem #1.**

1.4. Terms of Trade and Gains from Trade (0.5)

Readings: Ch. 6 (excl. p138-144) and its appendix.

Suggested problems for self-practice and understanding the textbook materials: **Problems #1, 2 and 7.**

Module 2. New Trade Theory

2.1. Trade Policy: Perfect Competition (1.5)

Readings: Ch. 9 and its appendix; **Chapter 6 (p138-141).**

Suggested problems for self-practice and understanding the textbook materials: **Problems #1, 2, 3, 4, 9, and 11 in Chapter 9; Problem #10 in Chapter 6.**

2.2. Trade Policy: Imperfect Competition (Strategic Trade Policy) (0.5)

Readings: Chapter 12 (pp305-309); Additional ppts on strategic policy (from Perloff - Econ2020 textbook)

Module 3. New Trade Theory and Policy Political Economy of Trade Policy

3.1 External Economies of Scale, and International Location of Production

Readings: Ch. 7.

Suggested problems for self-practice and understanding the textbook materials: **Problems #1, and 5.**

3.2. Intra-industry Trade, Monopolistic Competition, and Heterogeneous Firms

Readings: Ch. 8.

Suggested problems for self-practice and understanding the textbook materials: **Problems #2, 3, and 5.**

3.3. Political Economy of Trade Policy

Readings: Ch. 10; Appendix.

Suggested problems for self-practice and understanding the textbook materials: **Problems #3 and 4.**

“Is China’s High-Tech ‘Overproduction’ Killing Jobs In The West?” | When Titans Clash
(https://youtu.be/BQ23sgi_mgw?si=03dJXziSjgtJ8ASc)

3.4. Trade Policy in Developing (and Developed) Countries

Readings: Ch. 11

Suggested problems for self-practice and understanding the textbook materials: **Problem #5.**

Fareed’s Take: Trump’s misguided push for a ‘manufacturing comeback’

(<https://www.youtube.com/watch?v=DDtZLShib2E>)