

THE UNIVERSITY OF
NEW SOUTH WALES



School of Economics

Econ3116
International Economics

Course Outline
Session 2, 2008

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1. COURSE STAFF

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Consultation Times – Tuesday 11-12 and Friday 10-12 (or by appointment).

1.1 Communication with Staff

I am happy to be contacted initially by email with course specific inquiries.

2. INFORMATION ABOUT THE COURSE

2.1 Teaching Times and Locations

Lecture: Tuesday 4-6 pm (Quad 1027)

Tutorials: Tuesday 1-2 pm (ASB 130)

Wednesday 10-11 am (Quad G032)

Wednesday 11-12 (Quad G032)

2.2 Units of Credit

The course is worth 6 units of credit.

2.3 Parallel Teaching in the Course

There is no parallel teaching (UG/PG students together) in this course.

2.4 Relationship of This Course to Other Course Offerings

The pre-requisites for this course are either Econ2101 and Econ2102 (or Econ2103 and Econ2104). Students who have taken Econ2101 Microeconomics 2 will be better prepared to handle the material covered in the course. The course covers the main theories of international trade and international trade policy. The course has a microeconomic focus and is complementary to Econ3104 International Macroeconomics which focuses on the international aspects of macroeconomics.

3. COURSE AIMS AND LEARNING OUTCOMES

3.1 Course Aims

This course examines models and issues in international trade theory and policy. The first part covers the main theories of international trade; the Ricardian-model of comparative advantage, the Heckscher-Ohlin model of factor proportions and recent developments in trade theory based on imperfect competition and economics of scale. The second part examines issues and models of international trade policy. In addition to examining various theoretical models, empirical evidence and policy issues will be discussed. Evidence and data on trade theories will be the main focus of the project.

3.2 Student Learning Outcomes

On completion of the course, students should be able to:

- Understand and explain the assumptions and structure of standard models of international trade theory and policy
- Analyze and manipulate simple versions of these models

- Apply the models to interpret and analyze real problems in international economics
- Have knowledge of key institutions and important policy issues in the international economy

3.3 Approach to Learning and Teaching

In the movie *Shrek*, Shrek compares himself to an onion, claiming that he has “layers.” Economics is also like an onion because it has layers. The central layer consists of the basic economic theories and models that are the core of the subject. These models are the framework or toolbox that economists use to interpret the economic world. Economic models typically have a formal mathematical structure and are often presented using a combination of equations and diagrams. In this course we focus on models that are designed to explain international trade flows.

Since understanding and using economic models is such a fundamental component of economics a considerable part of this course is devoted to systematically working through key models of international trade. The best (only) way to gain a deep understanding of these models is by working through the models yourself using a pen and paper. Look at the equations and write them out (or draw the diagrams). Note what variables enter into the models and make sure you can provide an intuitive explanation as to why they are there. Think about the assumptions used in the model and ask why they are used. Look at how the model is solved and then look at the solution and see if it makes economic sense. It usually takes time to build-up these skills so it is good practice to begin early in the session and do a little at a time. In the lectures I will work through key models, however the tutorial exercises will give you practice at working with economic models and help you acquire the necessary skills.

Once you have a good understanding the important core models in international trade theory we can consider testing the predictions of these models against real world data. How well do the theories we have considered do at explaining key aspects of international trade flows. These are the outer layers of economics. Sometimes we will consider the results of formal econometric tests of models (eg. in the case of the gravity model of trade flows), but often we will look more informally at the ability of a model to explain some economic phenomenon.

3.4 Teaching Strategies

The examinable content of the course is defined by the references given in the Lecture Schedule, the content of lectures, and the content of the tutorial program.

Lectures

The purpose of lectures is to provide a logical structure for the topics that make up the course; to emphasize the important concepts, models and methods of each topic, and to provide relevant examples to which the concepts and methods are applied. Lecture slides can be downloaded from WebCT Vista prior to each lecture.

Tutorials

Tutorials are an integral part of the course. They will be devoted to examining the structure of standard trade theory models and to learning how to analyze and interpret

such models. Tutorial problem sets will be provided for each week's tutorial via WebCT Vista.

Out-of-Class Study

While students may have preferred individual learning strategies, it is important to note that most learning will be achieved outside of class time. Lectures can only provide a structure to assist your study, and tutorial time is limited.

An "ideal" strategy (on which the provision of the course materials is based) might include:

1. Reading of the relevant chapter(s) of the textbook and accessing the lecture slides from WebCT Vista before the lecture. This will give you a general idea of the topic area.
2. Attendance at lectures. Here the context of the topic in the course and the important elements of the topic are identified. The relevance of the topic will be explained.
3. Attending tutorials and attempting the tutorial questions.

4. CONTINUAL COURSE EVALUATION AND IMPROVEMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process is one of the ways in which student evaluative feedback is gathered.

5. LEARNING ASSESSMENT

5.1 Formal Requirements

In order to pass this course, you must:

- achieve a composite mark of at least 50; and
- make a satisfactory attempt at the following assessment tasks;

Project	30%
Final Exam	70%
TOTAL	100%

5.2 Assessment Details

Project

The aim of the project is to provide practical experience with the application and testing of the theories of international trade that are covered in lectures. Details of the project will be provided in Week 1 tutorials.

The project is worth 30% of the total marks, but various parts of it must be completed and submitted during the semester.

Part 1 is due Week 4

Part 2 is due Week 8

Part 3 is due Week 11

While students may work together in undertaking the work required for the project, each student must submit their own answers to each part of the project.

Final Exam

The final exam will be held during the University examination period with the date and time determined by the University. It will cover materials covered in lectures and tutorials during Weeks 1-12 (inclusive), and will have the following structure;

Part A: short-answer questions (1/2)

Part B: longer essay type questions and/or problems (1/2)

The final exam will test the ability of students to explain the assumptions and structure of standard models in international trade theory and policy and to analyze simple versions of these models. In addition students will need to be able to apply these models to interpret and analyze real problems in international economics. The questions will also test knowledge of important policy issues in the international trade.

5.3 Assessment Format

There is no special format for the project although answers should be neatly set out and legible if handwritten.

5.4 Assignment Submission Procedure

The various parts of the project should be submitted during the lecture in the relevant week. Students should keep a copy of all work submitted for assessment and keep any returned marked assessments.

5.5 Late Submission

Late projects will have one mark deducted for each day they are late.

5.6 Special Consideration and Supplementary Examinations

UNSW Policy and Process for Special Consideration

(see <https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>)

- Applications for special consideration (including supplementary examinations) must go through UNSW Central administration (within 3 working days of the assessment to which it refers) – applications will **not** be accepted by teaching staff;
- Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge;

- Please note that a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

ASB Policy and Process for Special Consideration and Supplementary Exams

In the ASB, requests for special consideration are determined by a Faculty wide panel which will advise the Lecturer in Charge of appropriate action.

If the Faculty panel (see above) grants a special consideration request, this may entitle the student to sit a supplementary examination. In such cases the following procedures will apply:

- Supplementary exams will be scheduled centrally and will be held approximately two weeks after the formal examination period. Actual date will be advised by mid-semester.
- Where a student is granted a supplementary examination as a result of a request for special consideration, the student's original exam (if completed) will not be marked and only the mark achieved in the supplementary examination will count towards the final grade.

Further information concerning supplementary examinations is available on the ASB website.

6. ACADEMIC HONESTY AND PLAGIARISM

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see:

<http://www.lc.unsw.edu.au/plagiarism/index.html>

Plagiarism is the presentation of the thoughts or work of another as one's own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person's assignment without appropriate acknowledgement;
- paraphrasing another person's work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does *not* amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle

† Adapted with kind permission from the University of Melbourne.

7. STUDENT RESPONSIBILITIES AND CONDUCT

7.1 Workload

It is expected that you will spend at least **ten hours** per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

7.2 Attendance

Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

7.3 General Conduct and Behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: www.my.unsw.edu.au

7.4 Keeping Informed

You should take note of all announcements made in lectures, tutorials or on the course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information. It is also your responsibility to keep the University informed of all changes to your contact details.

8. STUDENT RESOURCES

8.1 Course Resource

The prescribed textbook for this subject (available at the UNSW Bookshop) is

Krugman, P. and M. Obstfeld, *International Economics Theory and Policy*, 7th edition, Addison and Wesley, 2006.

The 5th and 6th editions of the book are also suitable.

The examinable content of the textbook is defined by the lecture schedule and the tutorial program.

Additional References

Students may find the following textbooks (available in the UNSW library) useful for some parts of the course.

Caves, R., J. Frankel and R. Jones, *World Trade and Payments: An Introduction*, Harper Collins, 1993 (I have the 6th edition, but later editions are available).

8.2 Other Resources, Support and Information

The University and the ASB provide a wide range of support services for students, including:

Learning and Study Support:

- **ASB Education Development Unit**

The Education Development Unit (EDU) provides learning support and assistance to all students in the ASB, to enable them to enhance the quality of their learning. The EDU services are free, and tailored to meet the academic needs of students in the Australian School of Business.

The role of the EDU is to provide

- A range of support initiatives for students from the Australian School of Business in relation to their transition to university;

- Learning skills development, resources and activities for Business students
- Academic writing and skills workshops throughout the session;
- Printed and online study skills resources, such as referencing guides, report writing and exam preparation;
- A drop-in EDU Office containing books and resources that can be borrowed;
- A limited consultation service for students with individual or small group learning needs.

The EDU website www.business.unsw.edu.au/edu contains information, online resources and useful links as well as providing information and dates for workshops. More information about the EDU services including resources, workshop details and registration, and consultation request forms are available from the EDU Office.

EDU Contact Details

Location Room GO7 Ground Floor,
 West Wing, Australian School of Business Building
 Telephone: 02 9385 5584
 Email: Edu@unsw.edu.au
 Website www.business.unsw.edu.au/edu

UNSW Learning Centre (<http://www.lc.unsw.edu.au>)

In addition to the EDU services, the UNSW Learning Centre provides academic skills support services for all UNSW students. The Learning Centre is located on Level 2 of the Library and can be contacted by phone: 9385 3890 or through their website.

Technical support:

For any technical support issues (difficulty logging in to websites, problems downloading documents, etc) you can contact the UNSW IT Service Desk at: (02) 9385 1333 ; Email: servicedesk@unsw.edu.au

Counselling support - <http://www.counselling.unsw.edu.au>

Students experiencing problems of a personal or academic nature are encouraged to contact the Counselling Service at UNSW. This consultation service is free and confidential and run by professional counsellors. The Counselling Service also conducts workshops on topics such as 'Coping With Stress' and 'Procrastination'. The Counselling Service is located on Level 2, Quadrangle East Wing, and can be contacted on 9385 5418.

Library training and support services - <http://info.library.unsw.edu.au>

Disability Support Services – Those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the Course Coordinator or the Equity Officer (<http://www.studentequity.unsw.edu.au/disabil.html>). Early notification is essential to enable any necessary adjustments to be made.

In addition, it is important that all students are familiar with University policies and procedures in relation to such issues as:

- **Examination procedures** and advice concerning illness or misadventure
<https://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html>
- **Occupational Health and Safety** policies and student responsibilities;
<https://my.unsw.edu.au/student/atoz/OccupationalHealth.html>

9. COURSE SCHEDULE

Lecture Schedule

Standard Models of International Trade

Week 1 (28 July – 1 August):

Labour productivity and Comparative Advantage – Ricardian Model

Krugman and Obstfeld - Ch. 2

Week 2 (4-8 August):

Specific Factors and Income Distribution

Krugman and Obstfeld - Ch. 3

Week 3 (11-15 August):

Specific Factors and Income Distribution (Continued)

Krugman and Obstfeld - Ch. 3

Week 4 (18-22 August):

Resources and Trade – Heckscher-Ohlin Model

Krugman and Obstfeld – Ch. 4

Week 5 (25-29 August):

A Standard Trade Model

Krugman and Obstfeld – Ch. 5

Week 6 (1-5 September):

A Standard Trade Model (Continued)

Krugman and Obstfeld – Ch. 5

Week 7 (6-12 September):

New Trade Theory – Economies of Scale and Imperfect Competition

Krugman and Obstfeld - Ch. 6

Week 8 (15-19 September):

New Trade Theory – Economies of Scale and Imperfect Competition (Continued)

Krugman and Obstfeld - Ch. 6

Week 9 (22-26 September):

International Factor Movements

Krugman and Obstfeld - Ch. 7

International Trade Policy

Week 10 (6-10 October):

Trade Policy Instruments

Krugman and Obstfeld – Ch. 8

Week 11 (13-17 October):

Trade Policy Instruments (Continued)

Krugman and Obstfeld – Ch. 8

Week 12 (20-24 October):

Political Economy of Trade Policy

Krugman and Obstfeld – Ch. 9 & 10