

International Trade (ECO364)

Kunal Dasgupta
University of Toronto
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Office : Max Gluskin House, 150 St George Street, Room 328.

E-mail : kunal.dasgupta@utoronto.ca

Website : <https://sites.google.com/site/dasguptakunal/teaching>

Lecture: Tuesday 5:10 pm – 7:00 pm in SS 2118

Office hour : Friday, 10 am – 11 am.

Teaching assistant : Gaelan McKenzie

E-mail : gaelan.mackenzie@mail.utoronto.ca

Office hours: Monday, 2 pm – 3 pm in GE213.

Teaching assistant : Swapnika Rachapalli

E-mail : s.rachapalli@mail.utoronto.ca

Office hours: Wednesday, 10 am – 11 am in GE40.

Objective

This course is an introduction to international trade. The core objective of the course is to develop microeconomic models of open economies that can be applied towards answering questions such as why do different countries specialize in producing and exporting different goods, who gains and who loses from trade and what are the most effective trade policies available to national governments for raising aggregate welfare.

Important dates

9th January	First lecture
13th February	Midterm (during regular lecture hours)
20th February	Reading week – no lecture
14th March	Last day to drop course
3rd April	Last lecture

Textbook

The main textbook for the course is Robert C. Feenstra and Alan M. Taylor's, *International*

Trade (FT), Worth Publishers, fourth edition. This book is available for purchase at the UofT bookstore. FT is available in both bound as well as loose leaf versions. Earlier editions of FT can also be used. An e-book version of the book, compatible with tablets and smart phones, is available here: <https://store.macmillanlearning.com/ca/>.

Other readings

From time to time, I shall also post articles from other sources like The Economist, The New York Times, The Globe and Mail, etc. For the interested reader, the following books carry insightful but non-technical analysis of some of the issues that we shall be studying in this course:

1. *Pop Internationalism*, Paul Krugman
2. *Free Trade Under Fire*, Douglas Irwin
3. *In Defense of Globalization*, Jagdish Bhagwati

The course is math-intensive. It might be a good idea to brush up your math skills. An excellent online math tutorial is provided [here](#)¹ by Prof. Martin Osborne.

Marking scheme

Assessment consists of weekly online quizzes (15%), a mid-term (25%) and a final exam (60%). There will be 10 on-line quizzes, each worth 1.5 percent of the total grade.

Administrative details

1. (Missing the midterm): If you miss the midterm for any reason, you must send me an e-mail *before* the test. You must then meet with me at the earliest opportunity and provide relevant documents. If I agree that your absence from the test was justified, I will allow you to write a make-up test, which will be held within 2 weeks of the original test. If you fail to inform me of your absence before the test or fail to provide supporting documents or miss the make-up test, you will get a 0 on the midterm. *No exceptions*.
2. (Medical notes): The only acceptable medical note is the [University of Toronto Verification of Student Illness or Injury form](#). You must provide me with the original note and not photocopies. Furthermore, retro-active notes (those that say “the student claimed to have been sick on this day...”) are not acceptable. Submitting a fake medical note is a serious academic offence.

¹<http://www.economics.utoronto.ca/osborne/MathTutorial/index.html>

3. (Missing quiz): There will not be any make-up quiz.
4. (Appealing the midterm): If you are unsatisfied with your grade, you should get in touch with the TA who graded your test within one week after the return of the graded work. If the issue is not resolved, you can appeal to me. Appeals must be submitted to me in writing. If I find the complaint justified, I (and not the TA) shall re-grade the entire exam. Since I am a less lenient grader than the TA, this could lead to your grade going up or down. So, think twice before you appeal your grades. *Exams written in pencil will not be re-graded.*
5. (E-mail policy): I shall try my best to respond to e-mail within 48 hours. When you send me an e-mail, always write the course number on the Subject line, i.e., ECO364. Every day I receive numerous e-mails, and if the subject line is not informative, I might inadvertently delete your e-mail. Please use e-mails for appointments, administrative or urgent matters. I shall not reply to e-mails requesting information that can be found on the website or the syllabus; so if you have a question, you should check those places first. For clarification regarding course material, please see me or the TA during office hours.
6. (Academic misconduct): All students, faculty and staff are expected to follow the University's guidelines and policies on academic integrity. For students, this means following the standards of academic honesty when writing assignments, citing and using source material appropriately, collaborating with fellow students, and writing tests and exams. Ensure that the work you submit for grading represents your own honest efforts. Plagiarism representing someone else's words as your own or submitting work that you have previously submitted for marks in another class or program is a serious offence that can result in sanctions. Speak to me or your TA for advice on anything that you find unclear. Also, see the U of T writing support website at www.utoronto.ca/writing. Consult the Code of Behaviour on Academic Matters for a complete outline of the University's policy and expectations.
7. (Accessibility needs): Students with diverse learning styles and needs are welcome in this course. If you have an ongoing disability issue or accommodation need, you should register with Accessibility Services (AS) (accessibility.utoronto.ca) at the beginning of the academic year. Without registration, you will not be able to verify your situation with your instructors, and instructors will not be advised about your accommodation needs. AS will then assess your medical situation, develop an accommodation plan with you,

and support you in requesting accommodation for your course work. Remember that the process of accommodation is private: AS will not share details of your condition with any instructor, and your instructors will not reveal that you are registered with AS.

8. (Cell phones and laptop usage): Technology can support student learning, but it can also become a distraction. Out of respect for your fellow learners in this class, please refrain from using laptops or mobile phones for entertainment during class and do not display any material on a laptop which may be distracting or offensive to your fellow students. Laptops may be used only for legitimate classroom purposes; checking social media, email, texting, games, and surfing the Web are not legitimate classroom purposes. Such inappropriate laptop and mobile phone use is distracting to those seated around you and is unprofessional.

Course outline

Introduction

Week 1

1. Trade and Productivity

Week 2, 3

- FT Chapter 2
- Paul Krugman, “In praise of cheap labor”, *Slate*, March 20, 1997.
- “Finding your niche”, *The Economist*, February 27, 2003.

2. Trade and Wages

Week 4, 5

- FT Chapter 4
- “Sticking it to China”, *The Economist*, August 13, 2011.
- “With flights grounded, Kenya’s produce wilts”, *The New York Times*, April 19, 2010.

3. Offshoring

Week 6

- FT Chapter 7
- “The great unbundling”, *The Economist*, January 18, 2007.
- Alan Blinder, “Offshoring: The Next Industrial Revolution?”, *Foreign Affairs*, March/April, 2006.

4. Trade and Increasing Returns

Week 8, 9

- Paul Krugman, Maurice Obstfeld and Marc Melitz, *International Economics: Theory and Policy*, Chapter 8.

- “Flaherty calls for clarity on higher prices in Canada”, *The Globe and Mail*, September 7, 2011.
- “Canada’s wood firms cluster for survival and growth”, *The Globe and Mail*, March 31, 2012.

5. Trade Policy

Week 10, 11

- FT Chapters 8, 9
- “Fowl play: How supply management is thwarting Canada’s agri-food industry”, *The Globe and Mail*, March 23, 2013.
- “Canadian solar industry divided on Chinese import tariff”, *The Globe and Mail*, December 8, 2014.
- “Canada seeks \$3-billion in tariffs on U.S. products in step toward trade war”, *The Globe and Mail*, June 4, 2015.
- “Japan to End Restraints on Auto Exports to U.S.”, *The New York Times*, March 29, 1994.

6. Trade Costs

Week 12

- Head, Keith, and Thierry Mayer. “What separates us? Sources of resistance to globalization.” *Canadian Journal of Economics* 46, no. 4 (2013): 1196-1231.