

Department of Economics  
University of Toronto

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2010-11 WINTER SESSION – Fall Term

## **ECO 364H1F - INTERNATIONAL TRADE THEORY**

Section L0201 R10-1

Section L0301 R 4-7

OFFICE HOURS: R2-3

### **OBJECTIVE:**

The primary objective of this course is to provide a systematic analysis of the causes and the effects of commercial transactions between nations, and the major policy issues raised by these transactions.

### **COURSE PREREQUISITES:**

The prerequisite for this course are ECO200Y/204Y/206Y (full year course in intermediate microeconomics) and ECO220Y/227Y/STA(247H,248H)/(250H,255H)/(257H/261H) (full year course in statistics). The Department of Economics will check that each student enrolled in this course has completed both of these prerequisites and those who do not meet them will be removed. Your instructor cannot waive the prerequisites. Students who believe they have completed equivalent courses at another institution or at UTS must submit a transcript to Ms. Robbie Innes or to Ms. Jenny Fan at the Department of Economics as soon as possible, preferably prior to enrolling. Failure to do so will inevitably result in the student being removed from the course.

### **TEXTBOOK:**

The assigned textbook is a custom version of  
D.R. Appleyard, A.J. Field & S.L. Cobb, International Economics (McGraw-Hill Irwin, 7th ed., 2010).  
This is available at the U of T bookstore.

Additional required reading materials will be available through the course's Blackboard website

### **ADDITIONAL HELP:**

In addition to the instructor's office hours, a teaching assistant will be available (on R12-1 and R6-7 in the classroom) to answer questions and go over sample test questions. Special tutorial (Q&A) sessions will be offered prior to the midterm test and prior to the final exam. Times and locations will be announced in class. Note that it may be necessary to use the R12-1 and R6-7 periods occasionally for makeup lectures. Students should not have a conflict with other courses during those hours since they are included in the course's time schedule.

Lecture summaries will be made available on the course Blackboard site. These are not intended to be substitutes for the required readings or for attendance at lectures.

A test package, which includes a number of past tests and exams, will also be available on the Blackboard site. Solutions to most of the test and exam questions in the package are included. Final exams can be downloaded from the U of T library website (<http://eres.library.utoronto.ca/courses.asp?listby=Department>).

**MARKING SCHEME:**

The final course mark will be determined as follows:

Midterm test (one hour) 1/3\*

Final June exam (two hours) 2/3\*\*

The midterm test will consist mainly of multiple choice questions and possibly some short answer questions. The final exam will be comprehensive but with a slight emphasis on the second half of the course.

If you wish to appeal the term test score, type a short note explaining your grievance and give a copy of this note along with the test to me or the T.A. Note that your mark may be raised or lowered and that the whole test may be reviewed (unless your grade was miscalculated or some questions not marked).

\* If a student misses the midterm test due to illness and presents a medical note within one week of the date of the test, the final exam mark will be the course mark. A student who does not produce a medical note in time will be assigned a mark of 0 for the missed term test. The only medical note that will be accepted is the University of Toronto Student Medical Certificate (see the Registration Handbook & Timetable for a copy of the certificate). The U of T may suspend a student for up to 4 months for submitting a fake or altered medical note.

\*\* Students who miss the final exam will have to petition their College Registrar for permission to write a deferred examination (most likely in late August at the discretion of the Faculty of Arts and Science).

**IMPORTANT DATES:**

Thursday, Sep 16, 2010	Classes begin
Sunday, Sep 26	Final date to add course
Thursday, May 27	Tentative date for midterm test (time and location TBA)
Wednesday, Nov 3	Final date to drop course
Thursday, Dec 2	Classes end
December 10-21	Final examination period‡

Classes start 10 minutes after the hour, with a 5-minute break halfway through the two-hour lecture. Switch off your cell phone and do not text message.

‡Students must not make travel, employment or other plans that may conflict with the date chosen for the final examination in this course and any such conflict will not be accepted as grounds for writing a deferred exam. Instructors cannot make special arrangements with students who miss the final exam.

**Guidelines for use of email:**

I will respond to legitimate email inquiries from students as promptly as possible. If you do not receive a reply within a week, please resubmit your question(s). Please note that some servers (such as hotmail) can at times be unreliable in sending and receiving messages.

Each email message must include in the Subject line the course identifier (ECO364H1F), your name and your student number, otherwise it will be deleted. Please make sure you consult the course outline, other handouts, Blackboard announcements and in-class announcements BEFORE submitting inquiries by email. Do NOT send any attachment.

Where a question cannot briefly be answered by email, I will indicate that you should see me or the T.A. during office hours. Email should NOT be seen as an alternative to meeting with your instructor or teaching assistants or as a mechanism to receive private tutorials (especially prior to tests) or to explain material covered in lectures you missed.

## COURSE OUTLINE AND READING ASSIGNMENTS

(AFC = Appleyard, Field and Cobb textbook)

### 1. The Basis for and the Pattern of International Trade

(a) Technology and the Classical Model

Mercantilism and the Early Classical Challenge: AFC, chap.2

Ricardo and the Theory of Comparative Advantage: AFC, chaps.3, 4(42-50, 52)

(b) Analytical Tools

Indifference Curves and the Production Possibility Curve: AFC, chap.5

General Equilibrium and Offer Curves: AFC, chaps. 6(88-90), 7(104-9, 114-8, 123-3)

(c) Factor Endowments and the Heckscher-Ohlin Model:

AFC, chap.8(126-35)

(d) The Leontief Paradox and Alternative Bases for Trade:

AFC, chaps.6(95-8), 8(140-2), 9(154-60), 10(176-81, 193-7,199-200)

P.T. Ellsworth & J.C. Leith, The International Economy (5th ed., 1975) - pp.107-8, 113-123, 181-4

H.G. Grubel, International Economics (1977) - pp. 71-83

### 2. The Effects of International Trade

(a) Trade and Income Distribution in the short run and in the long run:

AFC, chap.8(135-9, 147-9)

(b) Trade and Aggregate Welfare:

AFC, chap.6(90-95)

(c) The Gains from Trade in the Presence of Market Imperfections:

See Lecture Summary Part 2(c)

### 3. Economic Growth and International Trade

AFC, chap.11

### 4. The Theory of Commercial Policy

(a) Tariff Theory:

AFC, chaps.13,14(281-4,288-97)

P.R. Krugman & M. Obstfeld, International Economics: Theory and Policy (6<sup>th</sup> ed., 2003) - pp. 192-198, 223-4

(b) Other Trade Barriers:

AFC chaps.13(260-4),14(285-6)

M. Chacholiades, Principles of International Economics (1980) - pp. 233-4

Krugman & Obstfeld - pp. 200-3, 214-7

(c) Free Trade Areas and Customs Unions:

AFC, chap.17(393-400)