

ECO230Y INTERNATIONAL ECONOMIC INSTITUTIONS & POLICY 2010-11

Lectures: Wednesdays 2-4 pm; Victoria College VC 323
Tutorials: Fridays 2-3 pm, Victoria College VC 323

Instructor for the Fall: Professor S Howson
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Objectives: The main objective of this course is to introduce the key concepts of international trade and international finance, especially as they apply to contemporary issues and policies. The empirical assessment of alternative trade theories and broader international relations issues will also be discussed. The first part of the course (Fall Term) will deal with international trade and commercial policy. The second part (Spring Term) will focus on international trade and macroeconomics.

Prerequisites: ECO100Y(67%)/ECO105Y(80%)/enrolment in the International Relations Specialist or Major Programs or the IR/Peace & Conflict Studies Joint Specialist Program.

Exclusions: ECO328Y/364H/365H

Textbook: The main textbook for the course is Paul R. Krugman and Maurice Obstfeld, *International Economics: Theory & Policy*, 8th edition, Addison Wesley, 2008 (henceforth **K&O**). The book is available for purchase at the U of T Bookstore. It is also available at the Short-Term Loan Service at the Robarts Library (3rd Floor) in very limited numbers.

We shall be following **K&O** closely. If you can obtain the 7th edition at a much reduced price, go ahead. The differences between the 7th and 8th editions are not significant. You will also be recommended to read some articles from time to time, as indicated in the course outline.

Marking scheme: A midterm test, to be held during regular lecture hours, will be worth 16 2/3 per cent of the final grade for the course, an end-of-term examination, held within the December 2010 final examination period, 33 1/3 per cent of the final grade for the course; similarly, a midterm test, to be held during regular lecture hours, will be worth 16 2/3 per cent of the final grade for the course, an end-of-term examination, held within the April 2011 final examination period, 33 2/3 per cent of the final grade for the course.

Important Dates in the Fall Term:

First class: Wednesday 15th September
Thanksgiving: Monday 11th October:
Midterm test: Wednesday 20th October
Fall break: Monday-Tuesday 8th-9th November
Last class: Wednesday 1st December
December examination period: 10th-21st December

Administrative details:

1. Missing exams:

If you miss the Fall midterm for health reasons and present a medical note *within one week* of the date of the test, the weight of the midterm will be shifted to the December end-of-term exam (making the December examination worth 50 per cent of the final grade for the course). Failure to produce a medical note in time will result in a mark of 0 on the midterm.

If you miss the December end-of-term exam for health reasons and present a medical note *within one week* of the date of the exam, the weight of the exam will be transferred to the Spring term's exams, making the Spring midterm worth 27 per cent and the Spring end-of-term exam worth 56 per cent of the final grade for the course. Failure to produce a medical note in time will result in a mark of 0 on the end-of-term exam.

If you miss the Spring midterm for health reasons and present a medical note *within one week* of the date of the test, the weight of the midterm will be shifted to the April end-of-term exam (making the April exam worth 50 per cent of the final grade for the course). Failure to produce a medical note in time will result in a mark of 0 on the midterm.

If you miss the April end-of-term exam for health reasons, you must petition your College Registrar for permission to write a deferred exam in the summer.

[Note that *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).]

2. Academic misconduct:

We shall not tolerate any form of academic misconduct. Punishment for such an offence could range from failing the course to suspension or dismissal from the university. Please review the University's Code of Behaviour on Academic Matters regarding what constitutes an academic offence. You should also take a look at the website of the Academic Success Centre (<http://www/asc.utoronto.ca>).

3. Appealing an exam:

Appeals regarding the grading of a test must be submitted to the instructor or to the TA in writing, within one week of your receipt of the graded work. If the instructor finds the

complaint justified, the instructor (not the TA) will regrade *the whole exam*. Note that this could lead to your grade going up *or down*.

4. email policy:

emails to the instructor must include the course number, ECO230Y, on the subject line. Please use emails for appointments, administrative or urgent matters - *not* for requesting information that can be found on the syllabus or website. We shall try to respond within 48 hours on a weekday, 72 hours on a weekend. For clarification regarding course material, please see the instructor or the TA during our office hours.

5. Accessibility:

The University of Toronto is committed to accessibility. If you require accommodation for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: disability.services@utoronto.ca or <http://studentlife.utoronto.ca/accessibility>.

Course Outline for Fall Term

1. Introduction and overview: facts and models

K&O, chapters 1-2

2. Comparative advantage and the Ricardian model of trade

K&O, chapter 3

3. The standard trade model

K&O, chapter 4 and chapter 5 up to page 97

4. Economies of scale, imperfect competition and international trade

K&O, chapter 6

J.R. Markusen and J.R. Melvin, *The Theory of International Trade and its Canadian Applications* (1984), chapter 10, OR James R. Markusen, 'Canadian gains from trade in the presence of scale economies and imperfect competition', in John Whalley (ed), *Canada-United States Free Trade* (1985), chapter 7, pp. 113-26

5. International factor movements

K&O, chapter 7

6. Tariffs and nontariff barriers to trade

K&O, chapter 5 pp 103-113; chapter 8; and chapter 9 pp 218-19

7. Trade policy: free trade vs protection; GATT and WTO; free trade areas and customs unions

K&O, chapters 9, 10 and 11

H.G. Johnson, 'The economic theory of customs union', in H.G. Johnson, *Money, Trade and Economic Growth* (1962), pp 46-62