

**University of Waterloo**  
**Department of Economics**  
**Econ 231 - Introduction to International Economics**  
**Winter 2019**

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**Office Hours:** Tuesdays and Thursdays from 11.45 am pm to 2.00 pm  
(Other times by appointment only)

**Lecture Hours and Location:** Tuesdays and Thursdays from 2.30 pm to  
3.50 pm in RCH 105

**Course Description**

The primary concern of international economics is to describe and predict the patterns of production, trade and investment among independent countries of the world. The two broad subfields of international economics are international trade and international finance. International trade analysis focuses on interaction among countries through real transactions of physical commodities. The focus of international finance, on the other hand, is the monetary side of the international economics. The main objective of this course is to help students understand the basic economic principles and theories that apply to both international trade and international finance. This course will highlight topics such as sources of comparative advantage, gains from trade, the pattern of trade, effects of trade policy interventions and the argument for and against free trade. Topics on international finance will include balance of payments, determination of exchange rates and international capital markets. After completion of this course, the students will be able to understand the

structure and functioning of the modern international and global economy. They will be better equipped to form critical judgements and opinions about issues such as protectionism, globalization and the impact of trade on economic growth and development for countries of the world.

### **Course Objectives**

- Learn the basic international trade models and their applications.
- Study the methods and objectives of trade instruments (tariffs, quotas, subsidies etc).
- Explore the role of various international institutions in global economy (WB, IMF and WTO).
- Evaluate arguments for and against free trade and “political economy” views of trade policy.
- Investigate the trade policy issues of developed and developing countries.
- Study national income accounts and determination of exchange rates.

**Prerequisites:** Econ 101 and Econ 102.

### **Required Textbook**

Krugman, R. Paul, Maurice Obstfeld & Marc J. Melitz, *International Economics: Theory and Policy*, 11th Edition, Pearson Wesley Publishers Limited, 2018. ( e-text)

Students can also use the earlier edition of the textbook, however it is your responsibility to cover the new materials included in the eleventh edition. My EconLab that accompanies this textbook is optional.

### **Useful References**

Feenstra, C. Robert & Alan M. Taylor, *International Trade*, Second Edition, Worth Publishers, 2011

Salvatore, Dominick, *International Economics*, Eighth Edition, John Wiley & Sons, Inc, 2004

James Markusen, Melvin, Kaempfer & Maskus, *International Trade : Theory and Evidence* at <http://spot.colorado.edu/~markusen/textbook.html>

### **Important Websites**

Countries and Regions (<http://www.worldbank.org/en/where-we-work>)  
World Bank Development Data and Statistics ([www.worldbank.org/data/](http://www.worldbank.org/data/))  
International Monetary Fund ([www.imf.org](http://www.imf.org))  
IMF World Economic Outlook  
(<https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017>)  
United Nations Economic and Social Development  
(<http://www.un.org/esa/sitemap.html>)  
United Nations Statistics Division ([unstats.un.org/unsd/](http://unstats.un.org/unsd/))  
United Nations Development Program ([www.undp.org](http://www.undp.org))  
Human Development Report ([hdr.undp.org](http://hdr.undp.org))

### **Resources**

Course related materials including lecture notes are posted on Learn at:  
**ECON 231 - Winter 2019**

The content of the exams will be announced in class and on Learn. Students are responsible for visiting this site frequently. It is highly recommended that students attend the lectures and read the textbook. Lecture notes are provided as a supplement to the text book.

### **Course Evaluation**

Student evaluation for this course will consist of two in-class midterm exams and a final exam. The exams will include both multiple choice questions and short questions. The rooms assigned for the midterm exams will be announced later in class and on Learn. Final exam will be comprehensive; it will comprise of all materials covered in this course. The final exam date will be announced by the Registrar's Office. The final exam

period for Winter 2019 term will be from April 12 to April 27. Students are expected to be available during this time. An alternative final exam time is not allowed on the ground of travel plans.

### **The Exam Schedule**

<b>Exams</b>	<b>Date</b>	<b>Syllabus</b>	<b>Weight</b>
<b>Midterm 1</b>	<b>Thursday, February 14, 2019</b>	<b>Chapters 2, 3, 4 &amp; 5</b>	<b>25%</b>
<b>Midterm 2</b>	<b>Thursday, March 21, 2019</b>	<b>Chapters 6, 7, 8 &amp; 9</b>	<b>25%</b>
<b>Final</b>	<b>TBA</b>	<b>Comprehensive</b>	<b>50%</b>

### **Policy for Missed Exams**

No make-up midterm exam will be provided for this course. Students who do not have a relevant medical certificate will receive a mark of zero on any missed exam and their final grade will be assigned in accordance with the formula specified above. For students who have valid medical certificate (approved by the instructor), the weight of the missed exam will be transferred to the final exam.

Students are advised to notify the instructor in person about the missed exam as soon as they are better. E-mail notification about the missed exam is not accepted.

### **Policy for Missed Final Exam**

For detailed instruction regarding missed final exam, visit the following webpage:

<https://uwaterloo.ca/economics/undergraduate/resources-and-policies/deferred-final-exam-policy>

## **Grades**

Exam marks will be posted on Learn. Posting grades in public places or sending grades by e-mail are prohibited by university regulations.

## **Remarking Policy**

If any student feels that the exam is not marked properly, he/she must inform the instructor within 6 days of the date on which the grades are posted on Learn. Please be advised that the entire test will be remarked and the grade may improve, remain unchanged or perhaps even decrease as a result of the remarking process.

## **Topics covered**

### **(I).Part 1: International Trade Theory (Chapters 2, 3, 4, 5, 6, 7 & 8)**

Chapter 2: World Trade: An Overview

Chapter 3: Labor Productivity and Comparative Advantage: The Ricardian Model

Chapter 4: Specific factors and Income Distribution

Chapter 5: Resources and Trade: The Heckscher-Ohlin Model

Chapter 6: The Standard Trade Model

Chapter 7: External Economies of Scale and International Location of Production

Chapter 8: Firms in Global Economy: Export Decisions, Outsourcing and Multinational Enterprises

### **(II). Part 2: International Trade Policy (Chapters 9, 10 & 11)**

Chapter 9: The Instruments of Trade Policy

Chapter 10: The Political Economy of Trade Policy

Chapter 11: Trade Policy in Developing Countries

**(III) Part 3: Exchange Rates and Open-Economy Macroeconomics**  
**(Chapters 14)**

Chapter 14: Exchange Rates and Foreign Exchange Market: An Asset Approach (time permitting)

**Tentative Class Schedule and Reading List**

<b>Week</b>	<b>Date</b>	<b>Lecture Topics and Related Readings</b>
1	January 8 January 10	Course Outline & World Trade: An Overview (Chapter 2)
2	January 15 January 17	Labor Productivity and Comparative Advantage: The Ricardian Model (Chapter 3)
3	January 22 January 24	Labor Productivity and Comparative Advantage: The Ricardian Model (Chapter 3) & Specific factors and Income Distribution (Chapter 4)
4	January 29 January 31	Specific factors and Income Distribution (Chapter 4) & Resources and Trade: The Heckscher-Ohlin Model (Chapter 5)
5	February 5 February 7	The Heckscher-Ohlin Model (Chapter 5) & The Standard Trade Model (Chapter 6)
6	February 12 <b>February 14</b>	The Standard Trade Model (Chapter 6) <b>Midterm Exam 1</b>
7	<b>February 19</b> <b>February 21</b>	<b>Reading Week - No Class</b>
8	February 26 February 28	External Economies of Scale and International Location of Production (Chapter 7)
9	March 5 Mach 7	Firms in Global Economy: Export Decisions, Outsourcing and Multinational Enterprises (Chapter 8) & The Instruments of Trade Policy (Chapter 9)

10	March 12 March 14	The Instruments of Trade Policy (Chapter 9), The Political Economy of Trade Policy (Chapter 10)
11	March 19 <b>March 21</b>	The Political Economy of Trade Policy (Chapter 10) <b>Midterm Exam 2</b>
12	March 26 March 28	Trade Policy in Developing Countries (Chapter 11) & Exchange Rate and the Foreign Exchange Market: An Asset Approach (Chapter 14)
13	April 2 April 4	Exchange rate and the Foreign Exchange Market: An Asset Approach (Chapter 14) & <b>Review for Final Exam</b>

**\*\*\*\*This course schedule is tentative. There may be addition or slight modification in this schedule given the pace of the class.\*\*\*\***

**Relevant Journal Articles: (time permitting - will be discussed in class)**

1. Paul Krugman (1998), "Two Cheers for Formalism," *The Economic Journal*, vol. 108 (451), p. 1829-36.
2. Paul Krugman (1993), "What Do Undergrads Need to Know About Trade?," *American Economic Review Papers and Proceedings*, p. 23-26.
3. Paul Krugman, "Ricardo's Difficult Idea," can be retrieved from web: [mit.edu/krugman/www/ricardo.htm](http://mit.edu/krugman/www/ricardo.htm)
4. Freeman, Richard B (1995), "Are Your Wages Set in Beijing?," *Journal of Economic Perspectives*, American Economic Association, vol. 9(3), p. 15-32.
5. Williamson & O'Rourke, "The Heckscher-Ohlin Model Between 1400 and 2000: When It Explained Factor Price Convergence, When It Did Not, and Why," *National Bureau of Economic Research (NBER), Working Papers 7411*.
6. Donald R. Davis & David E. Weinstein (2001), "An Account of Global Factor

Trade," *American Economic Review*, American Economic Association, vol. 91(5), p. 1423-1453.

7. Paul Krugman (1979), "Increasing returns, monopolistic competition, and international trade", *Journal of International Economics*, vol. 9 (4), p. 469-479.

### **Notes**

Although it is not mandatory, attendance is highly recommended. Some of the materials covered in the class will not be included in the lecture notes so it is strongly advised that students attend classes regularly. Student participation in class is also highly encouraged. Since, the course contents are technical in nature; a person to person communication is preferred to answer questions. Students are welcome to ask any questions during the regular office hours. Regarding e-mail communication, students should use the university e-mail address. When sending an e-mail, write **Econ 231** on the subject line and include your name and student ID number.

### **Institutional-required statements for undergraduate course outlines approved by Senate Undergraduate Council, April 14, 2009**

*Academic Integrity:* In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity](#) webpage and the [Arts Academic Integrity](#) webpage for more information.

*Discipline:* A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes

an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](#). For typical penalties check [Guidelines for the Assessment of Penalties](#).

**Grievance:** A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. [Read Policy 70 - Student Petitions and Grievances](#), Section 4. When in doubt, please be certain to contact the department’s administrative assistant who will provide further assistance.

**Appeals:** A decision made or penalty imposed under Policy 70 - Student Petitions and Grievances (other than a petition) or Policy 71 - Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72 - Student Appeals](#).

### **Accommodation for Students with Disabilities**

**Note for students with disabilities:** [The AccessAbility Services office](#), located on the first floor of the Needles Hall extension (1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.

## Mental Health Support

All of us need a support system. The faculty and staff in Arts encourage students to seek out mental health supports if they are needed.

### On Campus

- Counselling Services: [counselling.services@uwaterloo.ca](mailto:counselling.services@uwaterloo.ca) / 519-888-4567 xt 32655
- [MATES](#): one-to-one peer support program offered by Federation of Students (FEDS) and Counselling Services
- Health Services Emergency service: located across the creek from Student Life Centre

### Off campus, 24/7

- [Good2Talk](#): Free confidential help line for post-secondary students. Phone: 1-866-925-5454
- Grand River Hospital: Emergency care for mental health crisis. Phone: 519-749-433 ext. 6880
- [Here 24/7](#): Mental Health and Crisis Service Team. Phone: 1-844-437-3247
- [OK2BME](#): set of support services for lesbian, gay, bisexual, transgender or questioning teens in Waterloo. Phone: 519-884-0000 extension 213

Full details can be found online at the Faculty of ARTS [website](#)

Download [UWaterloo and regional mental health resources \(PDF\)](#)

Download the [WatSafe](#) app to your phone to quickly access mental health support information

## Territorial Acknowledgement

We acknowledge that we are living and working on the traditional territory of the Attawandaron (also known as Neutral), Anishinaabe and Haudenosaunee peoples. The University of Waterloo is situated on the Haldimand Tract, the land promised to the Six Nations that includes six miles on each side of the Grand River.