

SIMON FRASER UNIVERSITY
DEPARTMENT OF ECONOMICS

Course: Economics 443

Title: Seminar in International Trade

Semester: Fall 2013

Instructor: S. Easton

Description: This is a class that discusses both theory and empirical analysis. The first half of the course develops some familiar models from an advanced perspective. In the second half of the course students will present term papers and write critiques of their colleagues' papers.

Grading: Midterm: 30%, Final Paper 50%, Critiques 20%.

Required Text: None but students are expected to have access to their 342 texts or comparable trade books for reference.

Topics: This is a class that discusses both theory and empirical analysis. The first half of the course develops some familiar models from an advanced perspective including the Ricardian, the specific factors (Ricardo-Viner) and Heckscher-Ohlin models, as well as the general three-factor two-sector model. Students will choose from a number of different topics for their papers. In the second half of the course students will present term papers and write critiques of their colleagues' papers.

Papers topics will be chosen in the first weeks of class. They may be theoretical and/or empirical.

Textbook: There is no text for this course except that each student is expected to have at least the textbook they used for Economics 342. However, it is entirely for your own reference. You may want to look at a number of standard references to guide your study including texts like: Richard Caves, Jeffrey Frenkel and Ronald W. Jones, World Trade and Payments: An Introduction (Little Brown/Pearson, any edition); Paul Krugman and Maurice Obstfeld, International Economics: Theory and Policy (Addison-Wesley/Pearson, any edition); Markusen, James R. and James R. Melvin, The Theory of International Trade and Its Canadian Applications (Toronto: Butterworths, any edition), among many others.

Exams: there will be a mid-term exam in about the 6th week on the models that have been discussed. There will not be a final exam.

Grading: The midterm is worth 30 percent, the paper is worth 50 percent, and comments written about other student papers are worth 20 percent.

Ricardo

Read your textbook (of choice) about the Ricardian model

Gary Becker, "A Note on Multi Commodity Trade," American Economic Review 42 (Sept. 1952): 558-66.

George Elliott, "The Theory of International Values," Journal of Political Economy 58. (Feb. 1950): 16-29.

Ronald W. Jones, "Comparative Advantage and the Theory of Tariffs," Review of Economic Studies, 28 (June 1961): 161-175.

David Ricardo, The Principles of Political Economy and Taxation (New York: Penguin, 1971) Chapter 7.

R. Dornbusch, S. Fischer and P.A. Samuelson, "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods," American Economic Review 67 No 5 (Dec. 1977): 823-839.

Ruffin, Roy J., "The Ricardian Factor Endowment Theory of International Trade" International Economic Journal; 4(4), Winter 1990: 1-19.

Ruffin, Roy J., "The Missing Link: The Ricardian Approach to the Factor Endowments Theory of Trade", American Economic Review; 78(4), September 1988: 759-72.

Specific Factors Model

Read your textbook (of choice) about the Specific Factors model

R.W. Jones, "A Three Factor Model in Theory, Trade and History," Chapter 1 in Bhagwati, Jones, Mundell, Vanek, (eds), Trade, Balance of Payments and Growth, (Amsterdam: North Holland, 1971): 3-21.

Mayer, "Short Run and Long Run Equilibrium for a Small Open Economy," Journal of Political Economy 82(5) (September/October, 1974): 955-67.

Clarke, Richard N.; Summers, Lawrence H., "The Labour Scarcity Controversy Reconsidered", Economic Journal 90(357), March 1980: 129-39.

M. Mussa, "Dynamic Adjustment in the Heckscher Ohlin Samuelson Model," Journal of Political Economy 86(5) (October 1978): 775-791.

Mussa, M, "Tariffs and the Distribution of Income: The Importance of Factor Specificity, Substitutability, and Intensity in the Short and Long Run", Journal of Political Economy 82(6), (November-December 1974): 1191-1203.

The Heckscher-Ohlin Model

Read your textbook (of choice) about the Heckscher-Ohlin model

Heckscher, Eli, "The Effect of Foreign Trade on the Distribution of Income" reprinted American Economics Association Readings in the Theory of International Trade (Philadelphia: Blakston, 1949) Chapter 13.

R.W. Jones, "Factor Proportions and the Heckscher-Ohlin Theorem" Review of Economic Studies, 24 (Oct. 1956): 1-10

R.W. Jones, "The Structure of Simple General Equilibrium Models", Journal of Political Economy (December, 1965): 557-72.

Bertil Ohlin, Interregional and International Trade, (Cambridge: Harvard University Press, 1932)

T.M. Rybczynski, "Factor Endowment and Relative Commodity Prices," Economica, N.S. 22 (November, 1955): 336-41. (Reprinted in Caves and Johnson, Chapter 4).

Paul A. Samuelson, "International Factor Price Equalization Once Again," Economic Journal Vol LIX No. 234 (June 1949): pp. 181-97, reprinted (Caves and Johnson, 3)

W.F. Stolper and P.A. Samuelson, "Protection and Real Wages," Review of Economic Studies, 9 (Nov., 1941): 58-73 reprinted in Stiglitz, The Collected Scientific Papers of Paul A. Samuelson Vol. 2 (Cambridge: MIT Press, 1966) Chapter 66.

K.M. Savosnick, "The Box Diagram and the Production Possibility Curve," Ekonomisk Tidskrift, Vol LI, No. 3 (Sept., 1958): 183-97.

Dornbusch, Rudiger; Fischer, Stanley; Samuelson, Paul A. "Heckscher-Ohlin Trade Theory with a Continuum of Goods", The Collected Scientific Papers of Paul A. Samuelson. Volume 5. Edited by Kate Crowley. Cambridge, Mass., and London: MIT Press, 1986, pages 432-53. Previously published: 1980.

Forstner, Helmut, "A Note on the General Validity of the Heckscher-Ohlin Theorem", American Economic Review 75(4), September 1985: 844-49.

Flam, Harry, "A Heckscher-Ohlin Analysis of the Law of Declining International Trade", Canadian Journal of Economics 18(3), August 1985: 602-15.

Clifton, David S., Jr.; Marxsen, William B., "An Empirical Investigation of the Heckscher-Ohlin Theorem", Canadian Journal of Economics 17(1), February 1984, pages 32-38

The General Three Factor Two Sector Model

R.W. Jones and Stephen Easton, "Factor Intensities and Factor Substitution in General Equilibrium", Journal of International Economics 15 (1983): 65-99.

Topics

These topics are only suggestions. Your topic will be chosen *in consultation with the instructor*. You must especially discuss any topic you choose that is not on the list in a timely fashion.

Examine one model of international trade and test its predictions. For example, look at the Heckscher-Ohlin model or the Ricardian model and ask how well they predict the observed pattern of trade.

Replicate Leontief's "paradox". Is there still a paradox?

Compile a set of migration statistics among a group of countries. How well does simple theory characterize the patterns you observe?

Construct a world migration index. Is it consistent with increasing factor price equalization?

Explain the inflow of immigrants to Canada.

Do immigrants improve local income? What are the economic arguments for and against immigration? Evaluate some of them.

Within Canada, explain the flow of people among the provinces. Are Canadians more or less mobile than people in other countries.

Explain the number of tourism visits to Canada or to another country of interest.

Explain the value of tourist expenditures to Canada or from Canada to another country or countries.

Asia has become an important source of tourism to Canada. What accounts for the growth?

We often observe countries developing spectacles to encourage tourism and trade. How successful are these? Take Expo67 or Expo86 as examples and see whether they made a difference to tourism flows to Canada.

A credibility check: What has been the effect of the FTA and/or the NAFTA on Canada? Compare and contrast the predictions made before the FTA with what has actually transpired.

Did the FTA/NAFTA have an effect on: the pattern of wages, the flows of trade between Canada, the US and Mexico, the expansion or contraction of particular industries?

Do countries that trade more internationally grow faster than those that trade less?

Russia traded with Germany right up to the German invasion. Historians have criticized this trade as having significantly aided the German war effort. Are they right?

What explains the pattern of direct foreign investment to Canada?

If we want to explain the flows of direct foreign investment, are countries that are more economically or politically free on average more likely to be recipients of such investment?

When Britain invested abroad in the late 19th and early 20th century, did it cause a slowdown in British growth?

Is investment more efficiently allocated today than it was 10, 20, 30, 40, 50 or 100 years ago?

Is there a “brain drain” from Canada to the US?

Is there a “brain drain” from elsewhere to Canada?

How does technical change influence the pattern of factor rewards and pattern of trade?

What does politics have to do with international trade? How well does the political cycle influence trade policy?

What economic effects do international economic sanctions have upon countries? Draw from any situation you know and analyze the impact on both the proposer of sanctions and/or the recipient of sanctions. [Think of South Africa, Iran, Iraq, or any others.]

What is the effect of the common agricultural policy (CAP) on trade in European Community agricultural goods? Discuss the effects on domestic prices and factor incomes.

What is the effect of Canadian wheat or milk board policy on trade in agricultural products? Discuss the effects on domestic prices and factor incomes.

What was the effect of the transfer by France to Germany of 5 billion francs in the period 1870-1873? Or, what was the effect of German reparations to the Allies after World War I?

How important was the Marshall Plan in stimulating growth in Germany after World War II?

Do financial flows follow trade flows. Is the international financial contagion that we saw in the decline of the Thai baht and the subsequent exchange rate depreciations of the Malaysian, Indonesian, Japanese,.... currencies related by the volume of trade among trading partners?

What accounts for the levels of impediments to trade that we see today. For the past 50 years, tariff levels have been falling. What about other impediments? Has the tariff-equivalent level of protection changed.

Take a model of your choice and add something to it. For example, take the specific factor model and add technical progress. Explain the impact on the endogenous variables.

Add a third factor to the Heckscher-Ohlin model. How do things change? What can be said about such a model?

To illustrate the potential variety: Is there still a Leontief paradox? Explain the number of tourism visits to Canada or to another country of interest. Does tourism complement or substitute for international trade? What has been the effect of the FTA and/or the NAFTA on Canada? How strong is the border effect? Do countries that trade more internationally grow faster than those that trade less? Does foreign investment increase growth more than domestic investment?