



**McGILL UNIVERSITY**  
**Department of Economics**

**ECON 453**  
*INTERNATIONAL TRADE: HONOURS<sup>1</sup>*  
**FALL 2021**

**Instructor:** Moshe Lander  
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**Lecture Location (Hours):** LEA 927 (TR 08:35 – 09:55)  
**Office Location (Hours):** LEA 506 (T 11:00 – 14:00)

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**Course Overview:**

Economics theories (classical and ‘new trade theories’) that analyse the impact of trade between nations is presented. In addition to the economic analysis of trade policies, other topics such as trade in cultural goods, multilateral trade agreements, free trade and the environment may be covered.

**Prerequisites:**

ECON 250D

**Number of Credits:**

3 credits

**Required Textbook and Materials:**

Krugman, P., M. Obstfeld and M. Melitz. *International Economics: Theory and Policy, 11<sup>th</sup> Edition*. Addison Wesley, 2017.

- The e-text and MyLab can be purchased, using the instructor code lander19666, at [mlm.pearson.com/northamerica](http://mlm.pearson.com/northamerica).
- A copy of this textbook is on reserve at the Humanities and Social Sciences Library.

**Course Assessment:**

COMPONENT	WEIGHT	DESCRIPTION
Labs (12)	20 percent	Due Sundays before 11:59pm starting September 19
Midterm 1	20 percent	Chapters 1 – 4 (Tuesday, October 19, 19:00 – 20:30)
Midterm 2	20 percent	Chapters 5 – 8 (Tuesday, November 23, 19:00 – 20:30)
Final Exam	40 percent	Chapters 1 – 12 (Date and Time To Be Determined)

**Correspondence:**

All correspondence in this class will be directed through McGill email addresses *only*. Any email coming from any other address will be directed to spam immediately and will neither be read nor answered. If you have not activated your account already, please follow the instructions [here](#).

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<sup>1</sup> Every effort has been made to ensure the accuracy of the information contained in this course outline. In the event of extraordinary circumstances beyond the University’s and/or instructor’s control, the University and/or instructor may modify the delivery, content, structure, forum, location and/or evaluation scheme. In such an event, students will be informed.



### Lectures:

- Lectures take place in person. Attendance is not required, but lectures are not recorded so you are responsible for any material covered in class (see *Tentative Lecture Schedule and Assigned Readings* on page 4).
- While the lectures focus overwhelmingly on what is in the textbook, you are ultimately responsible for familiarity with the content covered in the textbook but not in the lectures and the content covered in the lectures but not in the textbook.
- Because of the current state of health and safety protocols and concerns, you may not approach the instructor before and/or after class, regardless of your vaccination and/or masked status. Quick transitions in and out of the classroom are needed to minimise contact and interaction.

### Office Hours:

- Office hours are not recorded, optional and take place online T 11:00 – 14:00 Eastern.
- As with traditional on-campus office hours, you are received on a first-come, first-served basis and not by appointment. You sit in a virtual waiting room until the instructor is ready to admit you.
- If you use the opportunity, you are expected to “arrive” prepared (ie, with their questions ready) and to be efficient so that the maximum number of students can make use of the available time.
- If you cannot attend because of scheduling conflicts, you may email questions with attached audio, video and/or photos. The more precise your question, the faster and more precise the response.

### Labs:

- There are twelve MyLab labs, one for each chapter and each worth 1 2/3 percent. These labs are very similar to more traditional, hardcopy assignments that students would submit to instructors. The purposes of the labs are to: (1) reinforce material covered in class; (2) teach material for which there is insufficient time in class; (3) keep students on track with course learning objectives; and, (4) provide students with immediate evaluation and feedback.
- Labs are accessible at all times (except during exams) at [mlm.pearson.com/northamerica](http://mlm.pearson.com/northamerica) after purchasing the access code (see *Required Textbook and Materials* on page 1).
- The grade on your FIRST attempt for each question (if it is before the deadline) is the one that is recorded. After the deadline, a copy of each lab is available for you to practice as much as you like. Grades from those attempts do not count.
- Labs are due Sundays at 11:59pm Eastern (see *Tentative Lecture Schedule and Assigned Readings* on page 4). The time is based on MyLab’s clock. The best way to avoid missing deadlines is to do the labs ahead of time, not just prior to the deadline.
- You may ask for a 48-hour extension for any ONE of the twelve labs. No documentation and no reason are required, but you should use the extension opportunity judiciously and not use it without legitimate reason because a second extension will not be provided. Technical difficulties on the due date of a lab that are caused by Pearson will not count against you.
- In the event that Pearson makes MyLab unavailable for an unscheduled reason (eg, a technical error on their part) and that this makes it impossible for you to complete your lab by the assigned deadline, then you may request an extension, without penalty, equal to the time that MyLab was unavailable. Note that this does not apply when you experience technical difficulties on your part.
- Each lab consists of some multiple-choice, graphical, numerical and conceptual questions. Evaluation and feedback is provided immediately.
- Some MyLab questions are based on computer algorithms. This means that every time a lab is attempted, some parameters (eg, numbers, wording) of the questions may differ.
- Labs do not have a preset amount of time to finish, but inactivity for extended periods could result in MyLab automatically logging you out.
- Address technical problems and questions directly to Pearson (<https://support.pearson.com/getsupport>).

**Exams:**

- There are two 90-minute midterms written outside of class time (Tuesday, October 19 and Tuesday, November 23) that cover the first- and second-thirds of the course, respectively, and a cumulative 2.5-hour exam written during the final exam period. (See *Course Assessment* on page 1 and *Tentative Lecture Schedule and Assigned Readings* on page 4 for more details about the contents and weights.)
- All exams are closed-book and written in person.
- While the instructor will announce the date, time and location of the December exam, you are ultimately responsible for ensuring the accuracy of the information.
- The weight of a midterm, if missed for any reason (eg, illness, technical, religious, work obligation, exam scheduling conflict, etc.), is shifted automatically to the final. There are NO MAKEUP, ALTERNATE OR DEFERRED MIDTERMS under any circumstances, nor may they be written early.
- If you miss, or cannot write, the December exam, you must request a deferred exam according to the process described [here](#). December exam accommodations are almost never approved for reasons relating to personal vacation/travel or family events.
- You may use a non-programmable calculator and scrap paper to assist you, but you may NOT use any other additional materials, including but not limited to notes, slides, online or offline materials, external websites, formula sheets, previous exams, dictionaries, your phone/tablet or any other electronic device or anything else that would normally fall within the GENERALLY-ACCEPTED definition of cheating. Statistical tables, where appropriate, will be provided to you with the exam.
- Academic misconduct is pursued vigorously in accordance with McGill's [Code of Student Conduct and Disciplinary Procedures](#). If you are aware of somebody else committing academic misconduct and do not report them, then you are committing academic misconduct. If you are unsure if what you are doing is acceptable, ask first.
- Exams involve a mix of multiple-choice questions and short-answer problems involving algebra, definitions, interpretations and multi-part questions where the answer to one question may lead to another.
- If you require university-approved special accommodations (eg, 30 min/hr extra writing time), you must secure the necessary approval from McGill's [Office for Students with Disabilities](#) (OSD) and notify me at least one week prior to the exam to receive it.
- You may review your exam (rather than take notes or copy the exam contents) during TA office hours. Intellectual property laws protect the contents of the exam.

**Lecture Style and Student Expectations:**

I have been told that my lecture style is fast-paced and intense but engaging and humorous. Although students often find that this style makes the concepts easier to understand, they are often disappointed when they fail to perform to the level to which they are accustomed on my exams. My exams tend to reward those that are sufficiently knowledgeable of the underlying concepts and have developed an intuitive approach to the material. **Memorisation is almost never rewarded.**

To give you the best chance for success in my course, I strongly encourage you to come prepared and on time, avoid absences, participate regularly with a positive attitude, read the relevant materials before class and do the relevant lab exercises before the subsequent class, dress appropriately and identify problems and seek help as soon as they occur.

## Tentative Lecture Schedule and Assigned Readings:

DATE	EVENT	COVERAGE
September 2	Introduction	Chapter 1
September 7	World Trade: An Overview	Chapter 2
September 9	Labour Productivity and Comparative Advantage: Ricardian Model	Chapter 3
September 14	Labour Productivity and Comparative Advantage: Ricardian Model	Chapter 3
September 16	Labour Productivity and Comparative Advantage: Ricardian Model	Chapter 3
September 19	LABS 1 AND 2 DUE	Chapters 1 – 2
September 21	Specific Factors and Income Distribution	Chapter 4
September 23	Specific Factors and Income Distribution	Chapter 4
September 26	LAB 3 DUE	Chapter 3
September 28	Specific Factors and Income Distribution	Chapter 4
September 30	Resources and Trade: The Heckscher – Ohlin Model	Chapter 5
October 3	LAB 4 DUE	Chapter 4
October 5	Resources and Trade: The Heckscher – Ohlin Model	Chapter 5
October 7	Resources and Trade: The Heckscher – Ohlin Model	Chapter 5
October 12	CLASS CANCELLED	
October 15	The Standard Trade Model	Chapter 6
October 17	LAB 5 DUE	Chapter 5
October 19	The Standard Trade Model	Chapter 6
October 19	MIDTERM 1 (19:00 – 20:30, BURN 1B24)	Chapters 1 – 4
October 21	The Standard Trade Model	Chapter 6
October 24	LAB 6 DUE	Chapter 6
October 26	External Economies of Scale / International Location of Production	Chapter 7
October 28	External Economies of Scale / International Location of Production	Chapter 7
November 2	Firms in the Global Economy	Chapter 8
November 4	Firms in the Global Economy	Chapter 8
November 7	LAB 7 DUE	Chapter 7
November 9	The Instruments of Trade Policy	Chapter 9
November 11	The Instruments of Trade Policy	Chapter 9
November 14	LAB 8 DUE	Chapter 8
November 16	The Political Economy of Trade Policy	Chapter 10
November 18	The Political Economy of Trade Policy	Chapter 10
November 21	LAB 9 DUE	Chapter 9
November 23	Trade Policy in Developing Countries	Chapter 11
November 23	MIDTERM 1 (19:00 – 20:30, BURN 1B24)	Chapters 5 – 8
November 25	Trade Policy in Developing Countries	Chapter 11
November 28	LAB 10 DUE	Chapter 10
November 30	Controversies in Trade Policy	Chapter 12
December 2	Controversies in Trade Policy	Chapter 12
December 5	LAB 11 DUE	Chapter 11
December 12	LAB 12 DUE	Chapter 12
TBD	FINAL EXAM	Chapters 1 – 12

## Grade Criterion:

Letter	Points	Percent	Letter	Points	Percent	Letter	Points	Percent
A	4.0	85 – 100	B	3.0	70 – 74	C	2.0	55 – 59
A-	3.7	80 – 84	B-	2.7	65 – 69	D	1.0	50 – 54
B+	3.3	75 – 79	C+	2.3	60 – 64	F	0.0	00 – 49

- The official grade in this course is the letter grade. Where appropriate, a class average appears on transcripts expressed as the letter grade most representative of the class performance.
- Consult your department for the minimum grade necessary to fulfill your programme requirements.
- The grade distribution for ECON 453 will be approximately normal, centred around 75 – 79 percent. If, at the end of ECON 453, the distribution differs significantly, the instructor may exercise discretion and adjust the grade thresholds. This will not serve as grounds for grade appeals.

## Copyright of Lectures:

- Course materials, such as course outlines, assignment questions, lectures, lecture notes, presentation slides and exam questions, irrespective of format, are the intellectual property of the instructor.
- If you upload these materials to file sharing sites, or distribute, publish or broadcast or share these materials with others outside the class in any way, in whole or in part, without prior expressed permission of the instructor, then you are in violation of the [Copyright Act of Canada](#) and McGill's [Code of Student Conduct and Disciplinary Procedures](#).
- You must also seek prior expressed permission of the instructor before, for example, photographing, recording or taking screenshots of slides, presentations, lectures and notes on the board. If you are found to be in violation of an instructor's intellectual property rights, you could face serious consequences pursuant to the [Code of Student Conduct and Disciplinary Procedures](#). Additional consequences could involve possible legal action under the [Copyright Act of Canada](#).

## Academic Integrity:

McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the [Code of Student Conduct and Disciplinary Procedures](#).

## Student Assessment Policy:

The [University Student Assessment Policy](#) exists to ensure fair and equitable academic assessment for all students and to protect students from excessive workloads. Students are encouraged to review this Policy, which addresses multiple aspects and methods of student assessment (eg, the timing of evaluation due dates and weighting of final examinations).

## Students' Rights:

Additional policies governing academic issues that affect students can be found in the [Handbook on Student Rights and Responsibilities](#).

## **Course Objectives / Learning Outcomes:**

### Chapter 1

- Distinguish between international and domestic economic issues.
- Explain why seven themes recur in international economics and discuss their significance.
- Distinguish between the trade and monetary aspects of international economics.

### Chapter 2

- Describe how the value of trade between any two countries depends on the size of these countries' economies and explain the reasons for that relationship.
- Discuss how distance and borders reduce trade.
- Describe how the share of international production that is traded has fluctuated over time and why there have been two ages of globalisation.
- Explain how the mix of goods and services that are traded internationally has changed over time.

### Chapter 3

- Explain how the Ricardian model, the most basic model of international trade, works and how it illustrates the principle of comparative advantage.
- Demonstrate gains from trade and refute common fallacies about international trade.
- Describe the empirical evidence that wages reflect productivity and that trade patterns reflect relative productivity.

### Chapter 4

- Understand how a mobile factor will respond to price changes by moving across sectors.
- Explain why trade will generate both winners and losers in the short run.
- Understand the meaning of gains from trade when there are losers.
- Discuss the reasons why trade is a politically contentious issue.
- Explain the arguments in favour of free trade despite the existence of losers.

### Chapter 5

- Explain how differences in resources generate a specific pattern of trade.
- Discuss why the gains from trade are not equally spread even in the long run and identify the likely winners and losers.
- Understand possible links between increased trade and rising wage inequality in the developed world.
- See how empirical patterns of trade and factor prices support some (but not all) of the predictions of the factor-proportions theory.

### Chapter 6

- Understand how the components of the standard trade model, productions possibilities frontiers, isovalue lines and indifference curves fit together to illustrate how trade patterns are established by a combination of supply-side and demand-side factors.
- Recognise how changes in the terms of trade and economic growth affect the welfare of nations engaged in international trade.
- Understand the effects of tariffs and subsidies on trade patterns and the welfare of trading nations and on the distribution of income within countries.
- Relate international borrowing and lending to the standard trade model.

## Chapter 7

- Recognise why international trade often occurs from increasing returns to scale.
- Understand the differences between internal and external economies of scale and their sources.
- Discuss the roles of external economies and knowledge spillovers in shaping comparative advantage and international trade patterns.

## Chapter 8

- Understand how internal economies of scale and product differentiation lead to international trade and intra-industry trade.
- Recognise the new types of welfare gains from intra-industry trade.
- Describe how economic integration can lead to winners and losers among firms in the same industry.
- Explain why economists believe that “dumping” should not be singled out as an unfair trade practice, and why the enforcement of antidumping laws leads to protectionism.
- Explain why firms that engage in the global economy (exporters, outsourcers, multinationals) are substantially larger and perform better than firms that do not interact with foreign markets.
- Understand theories that explain the existence of multinationals and the motivation for foreign direct investment across countries.

## Chapter 9

- Evaluate the costs and benefits of tariffs, their welfare effects and winners and losers of tariff policies.
- Discuss what export subsidies and agricultural subsidies are and explain how they affect trade in agriculture in the US and the EU.
- Recognise the effect of voluntary export restraints (VERs) on both importing and exporting countries and describe how the welfare effects of these VERs compare with tariff and quota policies.

## Chapter 10

- Articulate arguments for free trade that go beyond the conventional gains from trade.
- Evaluate national welfare arguments against free trade.
- Relate the theory and evidence behind “political economy” views of trade policy.
- Explain how international negotiations and agreements have promoted world trade.
- Discuss the special issues raised by preferential trade agreements.

## Chapter 11

- Recapitulate the case for protectionism as it has been historically practiced in developing countries and discuss import-substitution-led industrialisation and the “infant industry” argument.
- Summarise the basic ideas behind “economic dualism” and its relationship to international trade.
- Discuss the recent economic history of the Asian countries, such as China and India, and detail the relationship between their rapid economic growth and their participation in international trade.

## Chapter 12

- Summarise the more sophisticated arguments for interventionist trade policy, especially those related to externalities and economies of scale.
- Evaluate the claims of the anti-globalisation movement related to trade effects on workers, labour standards and the environment in light of the counterarguments.
- Discuss the role of the World Trade Organisation (WTO) as a forum for resolving trade disputes and the tension between the ruling of the WTO and individual national interests.