McGill University  
DEPARTMENT OF ECONOMICS  
INTERNATIONAL ECONOMICS (ECON-624-001)  

Fall 2020 (3rd September to 3rd December)  
COURSE OUTLINE  

Professor N.V. Long  
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CLASS TIMES: Tuesday and Thursday, 2:35 pm to 3:55 pm. (First lecture: Thursday, September 3, 2020, at 2:35 pm; via ZOOM. To attend ZOOM lectures, you must log on to Mycourses2@mcgill.ca.)  

(I) COURSE DESCRIPTION  
Objectives: This course aims at providing students with (a) an overview of major theoretical and policy issues in international trade, (b) analytical concepts and techniques that are necessary for understanding existing models and for constructing new models that address those issues, (c) a review of selected empirical studies and empirical tests of trade models. The core of this course is theoretical, because it is believed that students who have a critical understanding of good theories will be able to analyze new situations that will inevitably arise in the international economic environment. We cover topics such as determinants of trade patterns, the effects of trade on income inequalities, trade policy instruments, the roles of pressure groups in the determination of trade policies, international oligopolies and strategic trade policies, the roles of the World Trade Organization, the benefits and costs of joining a free trade area (such as NAFTA) or a customs union, the effects of trade on the environment.  

Mathematical requirements: Students are assumed to be familiar with standard calculus techniques.  

Lectures: Lectures will be presented at (remote) Zoom Meetings, via Mycourses2@mcgill.ca. (Tuesday and Thursday, 2:35 pm- 3:55 pm). To attend these lectures, you must log on to Mycourses2@mcgill.ca. Each lecture will be automatically recorded and can be accessed one day after the lecture, and can be downloaded anytime afterwards, until the course ends. At the end of each lectures, students can ask questions using Zoom’s chat feature.  

Lecture notes and lecture slides: These can be downloaded from the website mycourses2@mcgill.ca one day after each lecture.  
The recorded lectures, the lecture notes, and the lecture slides must not be made available to anyone who is not enrolled in this course.  

(II) ASSESSMENT METHOD  
Your final grade is a weighted average of your grades in the following three components: Assignments, Midterm Exam, and Essay. There will be no final exam.  

Assignments: 20% . There will be 4 assignments, each of which is worth 5%. Assignment due dates are: Monday 28 September for Assignment 1; Monday 12 October for Assignment 2; Monday 26 October for Assignment 3; and Monday 9
November, for Assignment 4. Assignment questions are available on Mycourses2@mcgill.ca TWO WEEKS before the due date.

**Midterm exam:** 30%. This will be a take-home exam. The questions will be made available on 15 October 2020 on Mycourses2@mcgill.ca. You must upload your answers to mycourses2@mcgill.ca before Monday 19 October 2020.

**Essay:** 50%. Due date of essay: Monday 30 November 2020. Essay topics will be made available on Monday, 2nd November 2020.

Your essay must be typed (double spaced) and must not exceed 10 pages.

**Notes on the essay:** You will be asked to write a commentary on a specific research paper (in international trade) written by a team of economists. In your essay, you should address the following questions. What are the research questions that the authors investigate in their paper? Are they important questions? What are the key assumptions of the model and the main results? Are the results novel and significant discoveries? Are you aware of any alternative models that explore the same (or similar) issues? Do you have any suggestions that you think the authors should take up in their future revision of the paper under review? (The research paper that you comment on must be chosen from set of five research papers that I will upload to Mycourses2@mcgill.ca on 2nd November 2020.)

**(III) READING LIST**

This list includes important journal articles, and chapters in the reference books listed below. (There is no prescribed book.)

**Reference Books:**


**SECTION A:** The Three Basic Trade Models in the Perfect Competition Setting.

**Topic 1:** The Ricardian Model: Trade Driven by International Differences in Technology,


**Topic 2:** The Heckscher-Ohlin Model: Trade Driven by International Differences in Relative Factor Endowments.

(V): Chapter 1; (BHV): Chapters 4; (W): 23-50; (F): Chapter 2.


**Topic 3:** The Specific Factor Model: Short-Run Immobility of Capital.

(V): Chapter 1, (W):54-58, (F): Chapter 3.

(BHV): Chapters 6.


**SECTION B:** Subsidies, Tariffs and Quotas in the Perfect Competition Setting.

**Topic 4:** Import Quotas, Tariffs and Subsidies.

(V): Chapter 2 (Sections 2.1, 2.2, 2.8), Ch.4, (Sections 4.1-4.3).

(BHV): Chapter 5.


**Topic 5:** Tariffs versus Quotas under Uncertainty.

(V): Chapter 3 (Sections 3.2, 3)

**Topic 6:** Tariffs and Quotas with Rent Seeking.

(V): Chapter 3 (Section 3.4)


**SECTION C:** Departures from Perfect Competition: Monopoly, Strategic Trade Policies under Cournot and Bertrand Oligopoly, and Monopolistic Competition.

**Topic 7:** Tariffs versus Quotas under Monopoly.
(V) Chapter 5, Section 5.1.

**Topic 8:** Oligopoly and Strategic Trade Policies.
(V): Ch. 6.
(BHV): Chapters 9&10.


**Topic 9:** Monopolistic Competition, Product Differentiation, and Intra-industry Trade. (And Trade Theory with Heterogeneous Firms.)
(V): Ch. 7.
(BHV): Chapters 9&10.


For empirical papers:

**SECTION D: Special Topics (only some of these topics will be covered in class)**

**Topic 10:** Political Markets and Endogenous Protection.

(V), Ch. 8.

(F), Chapter 9.


**Topic 11:** Economic Integration, Trade Liberalization, Offshoring, and North-South Trade.

(BHV), Chapter 12.

(V): Chapters 9-10.


**Topic 12:** Trade and Cultural Diversity


**Topic 13:** Dynamics, Growth and Trade.

(BHV), Chapter 14.


**Topic 14:** Trade, Natural Resources, and Imperfect Property Rights


**Topic 15:** Trade and Pollution


(IV) TWO STATEMENTS REQUIRED BY THE UNIVERSITY IN ALL COURSE OUTLINES

1. Language Statement

   In accord with McGill University’s Charter of Students’ Rights, students in this course have the right to submit in English or in French any written work that is to be graded. This right applies to all written work that is to be graded, from one-word answers to dissertations.

2. Academic Integrity Statement [approved by Senate on 29 January 2003]:

   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 (see www.mcgill.ca/students/srr<http://www.mcgill.ca/integrity/> for more information).

(V) SOME ADDITIONAL NOTES ON PLAGIARISM

TO PLAGIARIZE OR NOT TO PLAGIARIZE?

The dividing line between borrowing and plagiarism is not a sharp one. My advice is that to be on the safe side, you should always cite your sources.

Below is an anecdote about borrowing versus plagiarism.
In the late 1580s, the French essayist Michel de Montaigne wrote, in an essay titled Of the Cannibals (Sur les cannibales, in Les Essais, Livre I, Chapitre 30), about the quality of a society of the noble savages. As Montaigne put it, it is a nation that "hath no kind of traffic, no knowledge of letters, no intelligence of numbers, no name of magistrate, nor of politic superiority; no use of service, of riches, or of poverty; no contracts, no successions, no dividences, no occupation but idle; no respect of kindred, but common; no apparel, but natural; no manuring of lands, no use of wine, corn, or metal. The very words that import lying, falsehood, treason, dissimulations, covetousness, envy, detraction, and pardon were never heard of among them."

Montaigne’s essays were translated into English in 1603 by John Florio, who, under King James I, worked as a private tutor to the Crown Prince and the Queen Consort. This translation was published in 1603 in London in a handsome folio edition.

Around 1610-1611, Shakespeare wrote a play titled The Tempest, in which the good councillor Gonzalo articulated his dream about what he would do if he were in charge of the island on which he was stranded:

"....no kind of traffic
Would I admit, no name of magistrate;
Letters should not be known; riches, poverty,
And use of service, none; contract, succession;
Bourn, bound by land, tilth, vineyard, none;
No use of metal, corn, or wine, or oil;
No occupation, all men idle, all;
And women too -- but innocent and pure;
No sovereignty --

All things in common nature should produce
Without sweat or endeavour. Treason, felony,
Sword, pike, knife, gun, or need of any engine,
Would I not have; but nature should bring forth
Of its own kind of foison, all abundance,
To feed my innocent people. (II.i.148-64)

If you were to rate the similarity between Montaigne’s paragraph and Shakespeare’s lines, using an anti-plagiarism software, what do you think would be the score?

Note that whereas Montaigne painted an ideal picture of a society of noble savages, Shakespeare, using very similar phrases, had an entirely different intention: he was mocking Montaigne’s naïve view (even though he never mentioned Montaigne’s name). As Stephen Greenblatt (the editor of The Florio Translation of the Essays) put it, "...the `natural’ social order borrowed from Montaigne for Gonzalo’s speech is grossly at odds with anything actually represented on Shakespeare’s ocean island."

The French counterpart of the italicized paragraph cited above can be found in: Guy de Pernon, Montaigne, Les Essais (Google Books). Book I, Chapter 30, section 16. (In Modern French):

"C’est un peuple, dirais-je à Platon, qui ne connaît aucune sorte de commerce; qui n’a aucune connaissance des lettres ni aucune science des nombres; qui ne connaît même pas le terme de magistrat, et qui ignore la hiérarchie; qui ne fait pas usage de serviteurs et ne connaît ni la richesse, ni la pauvreté, qui ignore les contrats, les successions, les partages; qui n’a pas d’autre occupation que l’oisiveté, ne respecte pas la parenté qu’immédiate, qui ne porte pas de vêtements, n’as pas d’agriculture, ne connaît pas le métal, pas plus que l’usage du vin ou du blé. Les mots eux-mêmes de mensonge, de trahison, dissimulation, avarice, envie, médiasance, pardon y sont inconnus."