THOMPSON RIVERS UNIVERSITY

Course Outline

Department of Economics

School of Business and Economics

ECON 3550-3
International Economics (3,0,0)

Calendar Description

Students analyze the movement of capital, goods, and services across international boundaries and assess their financial impact. With advances in transportation and communication, greater outsourcing, and increased globalization, trade, and foreign direct investment, the corresponding capital movements are becoming much more important to the global economy. Topics include the theories of absolute and comparative advantage; modern theories of trade, including factor-proportions; tariff and non-tariff barriers; current and capital accounts; exchange rate determination; balance of payments and exchange rate policy; evolution of the international monetarysystem; and trade and economic development.

Educational Objectives/Outcomes

Upon completing this course, students will be able to:

1. Demonstrate that opportunity cost differences across nations give rise to mutually beneficial trade.
2. Explain why relative factor availability determines opportunity costs, and therefore the pattern of trade.
3. Describe the impact of the imposition of a tariff by a nation on that nation's welfare.
4. Assess how tariffs and quotas may differ in their consequences.
5. Analyze the forces that determine the equilibrium value for an exchange rate.
6. Explain how automatic mechanisms tend to eliminate a balance of payments deficit or surplus.

Prerequisites

ECON 1900; ECON 1950

Co-requisites

Texts/Materials

Mordechai E. Kreinin, International Economics: A Policy Approach, Thomson South-Western, 10th Edition, 2006.

Student Evaluation

Participation	0-20%
Assignments/quizzes	0-20%
Project	0-25%
Midterms	30-60%
Final exam	30-50%

Course Topics

1. Introduction

2. Absolute and Comparative Advantage
   - Adam Smith's theory of absolute advantage
   - Labour theory of value
   - David Ricardo's theory of comparative advantage
   - The dynamic gains from international trade

3. Modern Theories of Trade
   - Factor-proportions theory
   - Heckscher-Ohlin, Stolper-Samuelson and factor-price-equalization theorems
   - Sector-specific-factors, product cycle, and similar of preferences models
   - Trade as a consequence of external economies of scale

4. The Regulation of Trade: Tariffs
   - Small country case
   - Possibility of a large country benefiting from the imposition of a tariff
   - Effective rate of protection
   - Traditional arguments in favour of tariffs
   - Customs unions

5. Non-tariff Barriers to Trade
   - Quotas
   - Tariff-quota equivalence
   - Voluntary export restraints
   - Cartels
   - Dumping

6. Balance of payments accounts
   - Current and capital accounts
   - Autonomous and accommodating transactions

7. Foreign exchange markets

- Spot and forward rates
- Demand for and supply of foreign exchange
- Equilibrium in the foreign exchange market
- Currency and covered-interest arbitrage

8. Balance of payments adjustment mechanisms
   - Fixed exchange rates, stabilizing and destabilizing capital movements
   - Automatic income and price adjustment mechanisms
   - Mundell's analysis on internal and external balance
   - Expenditure switching and expenditure changing policies
   - Elasticity approach

9. International Monetary System
   - Gold standard
   - Bretton Woods
   - International Monetary Fund
   - World Bank

10. Trade and Development
    - Import substitution
    - United Nations Conference on Trade and Development
    - Generalized system of preferences

Methods for Prior Learning Assessment and Recognition

As per TRU policy

Attendance Requirements – Include if different from TRU Policy

As per TRU policy

Special Course Activities – Optional

Use of Technology – Optional