

## **Political Economy of Trade and Investment** **POLS W3961 sec 001 – Fall 2007**

Location: 1302 IAB  
Day and Time: Wed 9am-10.50am

Instructor: Pablo M. Pinto  
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This seminar examines the politics of several major issues in international trade and investment. It is aimed at exploring why and how governments regulate the flow of goods and capital across national borders, and analyzes the distributional impact of globalization in two of its forms: the flow of goods and services, and the flow of investment capital.

The course is divided into four blocs that look at the distributive consequences of trade, the political economy of trade politics, the political economy of trade reform, and the political economy of investment, respectively. In each section we will review briefly the theoretical and empirical explanations of trade, trade reform and direct investment.

The course presumes some familiarity with international economics. Economic theory will help us identify the welfare and distributional implications of alternative policies toward the world economy. We will make extensive use of the insights from economic theory to analyze how political actors (voters, interest groups, political parties, and politicians) interact within political institutions to shape policy outcomes.

**Grading:** Written work composes 65% of the course grade. The remaining 35% of the grade is earned by class participation. There will be no extensions for late submission of assignments. Late assignments will be penalized at a rate of a full letter grade for every day an assignment is late, including weekends. For example an “A” paper due on Wednesday will receive a “B” grade if received by 10am on the next day, a “C” by 10am the second day, etc.. I will not grant incompletes for final papers except for documented family or health emergencies.

### **Requirements:**

#### **Written work:**

*Research paper (45% of grade):* students will write an original *research paper* on any of the themes of the course; A 2-3 page proposal defining the topic of your research, method, and sources is due at the fifth meeting of the course (October 3, 2007). In the final meeting students will present their research in progress to get feedback from the class. Each student will prepare a rough draft report of their research in progress (about 2/3 of the paper), submit it to his/her discussant, and will post a copy on Courseworks by 7pm on Friday, November 30, 2007. The final research papers are due in hard copy in my office by 10am on Wednesday December 12, 2007.

*Two review papers (10% of grade each):* throughout the course students will write two short (3-5 pages) *review papers*. Each review paper will summarize and critique the readings for one of the weekly sessions. At the end of the first week I will distribute the assignment of topics for the review papers, based on student preferences to the extent possible. Review papers should be

posted on Courseworks by Tuesday evening each week, for other students to read before class. A hard copy will be submitted to me at the beginning of the class when the readings will be discussed. Students writing a review of the readings for that week will lead the discussion.

### **Participation:**

*Class participation (25% of grade):* All students are required to have completed the readings before class and to participate in discussion. Students writing a review paper for that week will launch the discussion; the rest of the class must be prepared to discuss the readings as well. In the event that I judge that students are not keeping up with the readings I may throw random pop-up quizzes throughout the semester.

*Discussant (10% of grade):* each student enrolled in the course will be assigned to read and discuss a draft paper submitted by another student. The quality of the comments and performance in class as discussant will count towards your participation grade.

### **Readings:**

Readings marked with the symbol (•) are the main readings for each week; students are encouraged to look at the recommended readings, which are marked with an asterisk (\*) in the syllabus. All the readings are on reserve at Lehman Library, except for Journal articles which are available online through CLIO using services such as JSTOR, Ingenta, etc.. NBER working papers can be downloaded from NBER through CLIO. The syllabus provides the URL links to articles that are only available online. Several of the readings are also available in abridged form in *Jeffrey Frieden & David Lake (2000), International Political Economy. Perspectives on Global Power and Wealth (Wadsworth)*. Several of the books that will be used extensively in the course are also available for purchase at Labyrinth Books (536 W 112<sup>th</sup> Street, New York).

## **Course Outline and Weekly Reading List**

### **I. Economics of Trade**

**Week 1: September 5, 2007**

#### **A. Explaining Trade Patterns – Theory**

- Krugman, Paul R. and Maurice Obstfeld (2003). *International economics: theory and policy*. Boston, Addison Wesley. Sixth Edition, Chapters: 2-4.
- Irwin, Douglas (2005). Trade and Globalization. In *Michael Weinstein, editor. Globalization. What's New?* (Columbia University Press).

#### Recommended Readings:

- \* Jones, Ronald W. (1971). A Three-Factor Model in Theory, Trade, and History. *Trade, Balance of Payments, and Growth. Papers in international economics in honor of Charles P. Kindleberger*, Jagdish Bhagwati et al. (ed). Amsterdam, North-Holland Pub. Co.

**Week 2: September 12, 2007**

#### **B. Explaining Trade Patterns and Trade Policy**

- Krugman and Obstfeld (2003). Chapter: 5, 6, 8.
- Davis, Donald and David E. Weinstein (2001). What Role for Empirics in International Trade, *NBER Working paper 8543*. (NBER)

- Coughlin, Cletus C. K. Alec Chrystal, and Geoffrey Wood (1988). Protectionist Trade Policies: A Survey of Theory, Evidence and Rationale. Federal Reserve Bank of St. Louis, Review (January 1998), 12-29. (Chapter 19 in Frieden & Lake).
- Recommended Readings:
- \* Borrus, Michael, Laura D'Andrea Tyson and John Zysman (1986). "Creating Advantage: How Government Policies Shape International Trade in the Semiconductor Industry." In *Krugman, ed., Strategic Trade Policy and the New International Economics*, Cambridge, Mass.: MIT Press.
- \* Brander, James (1986). "Rationales for Strategic Trade and Industrial Policy." In *Krugman, ed., Strategic Trade Policy and the New International Economics*, Cambridge, Mass.: MIT Press.
- \* Grossman, Gene (1986). "Strategic Export Promotion. A Critique." In *Krugman, ed., Strategic Trade Policy and the New International Economics*, Cambridge, Mass.: MIT Press.
- \* Helpman, Elhanan and Paul R. Krugman (1985). Market Structure and Foreign Trade. Cambridge, MA: MIT Press. Chapters 1-6, 14.
- \* Krugman and Obstfeld (2003). Chapter 11.
- \* Anderson, James, and Eric van Wincoop (2004). Trade Costs. *Journal of Economic Literature* 42:691-751.
- \* Deardorff, A. (1984). Testing Trade Theories and Predicting Trade Flows. *Handbook of International Economics* v.I.
- \* Helpman, Elhanan (1999). The Structure of Foreign Trade. *The Journal of Economic Perspectives*, Vol. 13, No. 2. (Spring, 1999), pp. 121-144. (JSTOR)
- \* Leamer, E. and J. Levinsohn (1995). International Trade Theory: The Evidence. *Handbook of International Economics* v.III.

### **Week 3: September 19, 2007**

#### **C. Distributive Effects of Trade**

- Bhagwati, Jagdish (1995). Trade and Wages: Choosing Among Alternative Explanations. *FRBNY Economic Policy Review* / January 1995. (ABI/INFORM)
- Freeman, Richard B. (1995). Are Your Wages Set in Beijing? *Journal of Economic Perspectives* 9-3: 15-32. (JSTOR) (Chapter 22 in Frieden & Lake)
- Wood, Adrian (1995). How Trade Hurt Unskilled Workers. *Journal of Economic Perspectives*, 9-3:57-80 (JSTOR)
- Slaughter, Matthew J. (1999). Globalization and Wages: A Tale of Two Perspectives. *The World Economy* 22-5: 609-630. (Blackwell-Synergy)
- Recommended Readings:
- \* Borjas, George (2005). Globalization and Immigration. In *Michael Weinstein, editor. Globalization. What's New?* (Columbia University Press).
- \* Davis, David (1996). Trade Liberalization and Income Distribution. *NBER Working Paper* 5693. (NBER)
- \* Dollar, David (2005). Globalization, Poverty and Inequality. In *Michael Weinstein, editor, Globalization. What's New?* New York: Columbia University Press.
- \* Hanson, Gordon H. (2004). What Has Happened to Wages in Mexico since NAFTA? Implications for Hemispheric Free Trade. In *Estevadeordal, Antoni, Dani Rodrik, Alan M. Taylor, and Andrés Velasco, editors, Integrating the Americas. FTAA and Beyond*, Cambridge, Mass.: Harvard University Press.
- \* Lawrence, Robert Z. and Matthew Slaughter (1993). International Trade and American Wages in the 1980s: Giant Sucking Sound or Small Hiccup? *Brookings Papers on Economic Activity. Microeconomics* 1993-2: 162-226. (JSTOR)

- \* Robbins, Donald J. (1996). HOS Hits Facts: Facts Win; Evidence on Trade and Wages in the Developing World. *Harvard Institute of International Development*, Development Discussion Paper No. 557. Download: <http://www.hiid.harvard.edu/pub/ddps/557abs.html>
- \* Rodrik, Dani (1997). Sense and Nonsense in the Globalization Debate. *Foreign Policy*, 107:19-37. (JSTOR) (Chapter 31 in Frieden & Lake)
- \* Rodrik, Dani (2005). Feasible Globalizations. In Michael Weinstein, editor, *Globalization. What's New?* New York: Columbia University Press.
- \* Sala-i-Martin, Xavier (2002). The Disturbing 'Rise' of Global Income Inequality. *NBER Working Paper 8904*. (NBER)
- \* Williamson, Jeffrey A. (1997). Globalization and Inequality, Past and Present. *World Bank Research Observer* 12-2:117-35. (ABI/INFORM) (Chapter 27 in Frieden & Lake)
- \* Wood, Adrian (1991). "How Much Does Trade with the South Affect Workers in the North?" *World Bank Research Observer* Vol. 6 (January 1991), pp. 19-36.
- \* Wood, Adrian (1994). *North South Trade: Employment and Inequality*, Oxford: Clarendon (Chapters 1-4).

#### **Week 4: September 26, 2007**

##### **D. Class or Industry Cleavages?**

- Stolper, Wolfgang F. and Paul A. Samuelson (1941). Protection and Real Wages. *The Review of Economic Studies* 9(1): 58-73. (JSTOR)
  - Magee, Stephen P. (1989). Three Simple Tests of the Stolper-Samuelson Theorem. *Black Hole Tariffs and Endogenous Policy Theory*. Magee, Stephen P., William A. Brock, and Leslie Young. New York: Cambridge University Press. (pages 101-110).
  - Rogowski, R. (1989). *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton: Princeton University Press. Chapter 1 (skim chapter 6). (Chapter 20 in Frieden & Lake).
  - Alt, James and Michael Gilligan (1994). "The Political Economy of Trading States: Factor Specificity, Collective Action Problems and Domestic Political Institutions." *Journal of Political Philosophy*, 2 (1994): 165-192. (Chapter 21 in Frieden & Lake).
  - Hiscox, Michael J. (2002). *International Trade and Political Conflict: Commerce, Coalitions, and Mobility*. Princeton, NJ: Princeton University Press. Chapter 1 and Appendix.
- Recommended Readings:
- \* Alt, James, Fredrik Carlsen, Per Heum and Kære Johansen (1999). Asset Specificity and the Political Behavior of Firms: Lobbying for Subsidies in Norway. *International Organization* 53-1: 99-116. (Ingenta)
  - \* Beaulieu, Eugene (2002). The Stolper-Samuelson Theorem Faces Congress. *Review of International Economics* 10-2: 343-360. (Blackwell-Synergy)
  - \* Gourevitch, Peter Alexis (1977). International Trade, Domestic Politics and Liberty: Comparative Responses to the Crises of 1873-1886. *Journal of Interdisciplinary History*, 8-2:281-313. (JSTOR) (Chapter 6 in Frieden & Lake)
  - \* Gourevitch, Peter Alexis (1984). Breaking with Orthodoxy: The Politics of Economic Policy Responses to the Depression of the 1930s. *International Organization* 38-1:95-129. (JSTOR)
  - \* Gourevitch, Peter Alexis (1986). Politics in Hard Times. Comparative Responses to International Economic Crises. Ithaca, NY: Cornell University Press. Chapters 1 and 2.
  - \* Hiscox, Michael J. (2002). Commerce, Coalitions, and Factor Mobility: Evidence from Congressional Votes on Trade Legislation. *American Political Science Review* 96, 3:593-608. (Cambridge Journals Online)
  - \* Irwin, D. (1995). Industry or Class Cleavages over Trade Policy? Evidence from the British General Election of 1923. *NBER Working Paper 5170*. (NBER)

## **Week 5: October 3, 2007 (Submit Research Paper Outline)**

### **E. Deriving Actors' Preferences**

- Scheve, Kenneth and Matthew Slaughter (2001). What Determines Individual Trade Policy Preferences. *Journal of International Economics* 54-2: 267-292. (Elsevier/Science Direct)
  - Mayda, Anna Maria and Dani Rodrik (2005), Why Are Some People (and Countries) More Protectionist Than Others? *European Economic Review*, vol. 49(6), pages 1393-1430 (Elsevier/Science Direct).
  - Hiscox, Michael J. (2006). Through a Glass and Darkly: Framing Effects and Individuals' Attitudes Towards International Trade. *International Organization* Vol. 60, No. 3 (July): 755 - 780. (Cambridge Journals Online)
  - Baker, Andy (2006). Who Wants to Globalize? Consumer Tastes and Labor Markets in a Theory of Trade Policy Beliefs. *American Journal of Political Science* Vol. 49, No. 4: 925-939. (Blackwell-Synergy)
  - Hainmueller, Jens and Michael J. Hiscox (2006). Learning to Love Globalization: The Effects of Education on Individual Attitudes Toward International Trade. *International Organization* Vol. 60, No. 2 (April 2006): pp 469-498. (Cambridge Journals Online)
- Recommended Readings:
- \* Frieden, Jeffrey A. (1991). Invested Interests: The Politics of National Economic Policies in a World of Global Finance. *International Organization*, Vol. 45, Issue 4, pp. 425-51. (JSTOR).
  - \* Hall, H. Keith, and Douglas R. Nelson (2004). The Peculiar Political Economy of NAFTA: Complexity, Uncertainty and Footloose Policy Preferences. In *D. Mitra and A. Panagariya, editors, The Political Economy of Trade, Aid and Foreign Investment Policies*. Amsterdam: Elsevier B.V..
  - \* Milner, Helen. "Trading Places: Industries for Free Trade." *World Politics*, Vol. 40, No. 3 (April 1988), pp. 350-376. (JSTOR)
  - \* O'Rourke, Kevin, and R. Sinnott (2001). The Determinants of Individual Trade Policy Preferences: International Survey Evidence. *Brookings Trade Policy Forum* 2001: 157-206. (Project Muse)

## **Week 6: October 10, 2007**

**Discussion of research paper proposals:** each student will give a short presentation of his/her research paper proposal.

### **F. Partisanship, Ideology and Trade Politics**

- Dutt, Pushan and Devashish Mitra (2002). Political Ideology and Endogenous Trade Policy: An Empirical Investigation. *The Review of Economics and Statistics*, February 2005, 87-1:59-72.
  - Milner, Helen and Benjamin Judkins (2004). Partisanship, Trade Policy, and Globalization: Is There a Left-Right Divide on Trade Policy? *International Studies Quarterly*, Vol.48, No.1, March 2004, 95-119. (Ingenta)
- Recommended Readings:
- \* Boix, Carles (2000) Partisan Government, International Economy and Macroeconomic Policies. *World Politics* 53(1):38-73. (Project Muse)
  - \* Epstein, David, and Sharyn O'Halloran (1996) The Partisan Paradox and the US Tariff, 1877-1934. *International Organization* 50:301-324. (JSTOR)
  - \* Gabel, Matthew (1998) *Interests and Integration*. Ann Arbor: University of Michigan Press.
  - \* Hiscox, Michael (2007). Will Trade be a Partisan Issue Again (and Why Isn't it Already)? Trade and the American Political Parties in the 1890s and 1990s. *Legislative Studies Quarterly*. (forthcoming)
  - \* Marks, G., C. Wilson, and L. Ray (2002) National Political Parties and European Integration. *American Journal of Political Science* 46(3):585-594. (JSTOR)

## II. Political Economy of Trade

**Week 7: October 17, 2007**

### A. Models of Trade Politics

- Krugman and Obstfeld (2003). Chapter 9 (with appendix).
- Rodrik, D. (1995). Political Economy of Trade Policy. *Handbook of International Economics* v.III.

Recommended Readings:

- \* Brainard, S. Lael, and Thierry Verdier (1993). The Political Economy of Declining Industries: Senescent industry collapse revisited. *Journal of International Economics* Vol. 42, Issues 1-2: 221-237. (JSTOR)
- \* Findlay, R. and S. Wellisz (1982). Endogenous Tariffs, the Political Economy of Trade Restrictions, and Welfare. In J. Bhagwati (ed) *Import Competition and Response*.
- \* Grossman, G. and E. Helpman (1994). Protection for Sale. *American Economic Review* 84-4: 833-850. (JSTOR)
- \* Hillman, Arye L. (1982). Declining Industries and Political-Support Protectionist Motives. *American Economic Review* 72-5: 1180-1187. (JSTOR)
- \* Magee, Stephen P., William A. Brock, and Leslie Young (1989). *Black Hole Tariffs and Endogenous Policy Theory*. New York: Cambridge University Press. Chapters 3 & 9.
- \* Mayer, Wolfgang (1984). Endogenous Tariff Formation. *American Economic Review* 74-5: 970-985. (JSTOR)

**Week 8: October 24, 2007**

### B. Patterns of Protection — Across Nations and Industries

- Gawande, Kishore and Pravin Krishna (2003). The Political Economy of Trade Policy: Empirical Approaches. *Handbook of International Trade*, James Harrigan, ed., Basil Blackwell.
- Mansfield, Edward D., and Marc L. Busch (1995). The Political Economy of Nontariff Barriers: A Cross-National Analysis. *International Organization* 49-4: 723-749. (JSTOR) (Chater 23 in Frieden & Lake)
- Lee, Jong-Wha, and Phillip Swagel (1997). Trade Barriers and Trade Flows across Countries and Industries. *Review of Economics and Statistics* 79-3: 372-382. (JSTOR)
- Goldberg, Pinelopi K. and Giovanni Maggi (1999). Protection for Sale: An Empirical Investigation. *The American Economic Review*, 89-5: 1135-1155. (JSTOR)

Recommended Readings:

- \* Anderson, Kym (1980). The Political Market for Government Assistance to Australian Manufacturing Industries. *The Economic Record* 56: 132-144.
- \* Anderson, Kym and R. Tyers (1989). Agricultural Protection in Advanced and Newly Industrialized Countries. *Agriculture and Governments in an Interdependent World*. A. Maunder, ed.. Aldershot: Dartmouth.
- \* Baldwin, R. (1985). *The Political Economy of U.S. Import Policy*. Cambridge: MIT Press. Chapter 4 (pp. 115-174).
- Baldwin, Robert and Christopher Magee (1998). Is Trade Policy for Sale? Congressional Voting on Recent Trade Bills. *NBER Working Paper 6376*. (NBER)
- \* Beason, Richard, and David E. Weinstein (1996). Growth, economies of scale, and targeting in Japan (1955-1990). *Review of Economics and Statistics* 78-2: 286-295. (JSTOR)
- \* Caves, Richard (1976). Economic Models of Political Choice: Canada's Tariff Structure. *Canadian Journal of Economics* 9-2: 278-300. (JSTOR)
- \* Lindert, P. (1991). Historical Patterns of Agricultural Policy. *Agriculture and the State*. Peter Timmer, ed.. Ithaca: Cornell University Press.

- \* Magee, Stephen P., William A. Brock, and Leslie Young (1989). *Black Hole Tariffs and Endogenous Policy Theory*. New York: Cambridge University Press. Chapter 16.
- \* Marvel, Howard P., and Edward Ray (1983). The Kennedy Round: Evidence on the Regulation of International Trade in the United States. *American Economic Review* 73-1: 190-197. (JSTOR)
- \* Nelson, Douglas (1988). Endogenous Tariff Theory: A Critical Survey. *American Journal of Political Science* 32-3: 796-837. (JSTOR)
- \* Trefler, Daniel (1993). Trade Liberalization and the Theory of Endogenous Protection. *Journal of Political Economy* 101-1: 138-160. (JSTOR)

## **Week 9:       October 31, 2007**

### **D. Models with Institutions**

- Lohmann, Susanne and Sharyn O'Halloran (1994). Divided Government and U.S. Trade Policy. *International Organization* 48-4: 595-632. (JSTOR)
- Bailey, Michael A., Judith Goldstein, and Barry. Weingast (1997). The Institutional Roots of American Trade Policy. *World Politics* 49-3: 309-338. (Project Muse)
- McGillivray, Fionna (2004). Privileging Industry. The Comparative Politics of Trade and Industrial Policy. Princeton, NJ: Princeton University Press, chapters 1-3.
- Hiscox, Michael J. (1999). The Magic Bullet? The RTAA, Institutional Reform and Trade Liberalization. *International Organization* 53, 4: 669-698. (Ingenta)
- Rogowski, Ronald and Mark Kayser (2002). Majoritarian Electoral Systems and Consumer Power: Price-Level Evidence from the OECD Countries. *American Journal of Political Science* 46-3 :526-539. (JSTOR)

#### Recommended Readings:

- \* Fordham, Benjamin O. and Timothy J. McKeown, (2003). Selection and Influence: Interest Groups and Congressional Voting on Trade Policy. *International Organization* 57, 3:519-49. (Cambridge Journals Online)
- \* Hall, H. Keith and Douglas Nelson (1992). Institutional Structure in the Political Economy of Protection. *Economics and Politics* 4-1:61-77.
- \* Irwin, Douglas and Randall Kroszner (1999). Interests, Institutions, and Ideology in Securing Policy Change: The Republican Conversion to Trade Liberalization after Smoot-Hawley. *Journal of Law and Economics*, October 1999: 643-73. (JSTOR)
- \* Mansfield, Edward, Helen Milner and B. Peter Rosendorff (2000). Free to Trade: Democracies, Autocracies and International Trade. *American Political Science Review*, 94 2: 305-322. (JSTOR)
- \* McGillivray, Fionna (1997). Party Discipline as a Determinant of the Endogenous Formation of Tariffs. *American Journal of Political Science* 41-2: 584-607. (JSTOR)
- \* Rogowski, Ronald (1987). "Trade and the Variety of Democratic Institutions," *International Organization* 41-2:203-223. (JSTOR)

## **Week 10:     November 7, 2007**

### **E. International Institutions**

- Maggi, Giovanni (1999). The Role of Multilateral Institutions in International Trade Cooperation. *American Economic Review* 89-1: 190-214. (JSTOR)
- Bagwell, Kyle and Robert W. Staiger (1999). An Economic Theory of GATT. *American Economic Review* 89-1: 215-248. (JSTOR)
- Deardorff, Alan V. and Robert M. Stern (2002). What You Should Know About Globalization and the WTO. *Review of International Economics* 10-3: 400-423. (Ingenta)
- Rose, Andrew K. (2004). Do We Really Know That the WTO Increases Trade? *American Economic Review*, 94-1: 98-114. (Ingenta)

- Gowa, Joanne and Soo Yeon Kim (2005). An Exclusive Country Club. The Effects of the GATT on Trade, 1950-994. *World Politics*, Vol. 57, No. 4: 453-478. (Project Muse)
- Recommended Readings:
- \* Eichengreen, Barry and Peter Kenen. "Managing the World Economy Under the Bretton Woods System: An Overview," in *Peter Kenen, editor, Managing the World Economy: Fifty Years After Bretton Woods* (Institute for International Economics, 1994).
- \* Estevadeordal, Antoni, Dani Rodrik, Alan M. Taylor, and Andrés Velasco, editors (2004). *Integrating the Americas. FTAA and Beyond*, Cambridge, Mass.: Harvard University Press.
- \* Gowa, Joanne and Soo Yeon Kim (2005). An Exclusive Country Club. The Effects of the GATT on Trade, 1950-994. *World Politics*, Vol. 57, No. 4: 453-478. (Project Muse)
- \* Mansfield, Edward and Eric Reinhardt (2003). Multilateral Determinants of Regionalism: The Effects of GATT/WTO on the Formation of Regional Trading Arrangements. *International Organization* 57-4 :829-862. (Cambridge Journals Online)
- \* Mayer, Frederick W. (1998). *Interpreting NAFTA: the science and art of political analysis*. New York: Columbia University Press.
- \* Mayer, Frederick W. (2001). Negotiating NAFTA: Political Lessons for the FTAA. *Duke University, Terry Sanford Institute of Public Policy Working Paper* 01-17. Download: <http://www.pubpol.duke.edu/people/faculty/mayer/SAN01-17.pdf>
- \* Olarreaga, Marcelo, & Isidro Soloaga (1998). Endogenous Tariff formation: The case of Mercosur. *The World Bank Economic Review*. Vol. 12- 2: 297-320. (ABI/Inform)
- \* Rose, Andrew K. (2004). Do WTO Members Have a More Liberal Trade Policy? *Journal of International Economics*, vol. 63(2), pages 209-235. (Elsevier/Science Direct)
- \* Rose, Andrew K. (2005). Response to Tomz, Goldstein, and Rivers' "Membership has Its Privileges: The Impact of GATT on International Trade." Download: [faculty.haas.berkeley.edu/arose/Tomz.pdf](http://faculty.haas.berkeley.edu/arose/Tomz.pdf)
- \* Staiger, Robert W., and Guido Tabellini (1999). Do GATT Rules Help Governments Make Domestic Commitments? *Economics and Politics* 11-2: 109-144. (Ingenta)
- \* Tomz, Michael, Judith Goldstein and Douglas Rivers (2007). Membership Has its Privileges: Understanding the Effects of GATT and the WTO on World Trade. *American Economic Review* (forthcoming). Download: [http://www.stanford.edu/~tomz/pubs/TGR\\_AER2007.pdf](http://www.stanford.edu/~tomz/pubs/TGR_AER2007.pdf)

### III. Trade Policy Reform

**Week 11: November 14, 2007**

#### A. Issues in Trade Policy Reform

- Milner, Helen (1999). The Political Economy of International Trade. *Annual Review of Political Science* 1999-2: 91-114. (Annual Reviews)
- Rodrik, Dani (1996). Understanding Economic Policy Reform. *Journal of Economic Literature* 34-1: 9-41. (JSTOR)
- Cardoso, Eliana and Ann Helwege (1993). *Latin America's Economy: Diversity, Trends, and Conflicts*, Cambridge: MIT Press. Chapter 4: From Import Substitution to Trade Liberalization.
- Hellman, Joel (1998). Winners Take All: The Politics of Partial Reform in Postcommunist Transitions. *World Politics*, 50 (2). (Project Muse)
- Murillo, Maria Victoria (2002). Political Bias in Policy Convergence. Privatization Choices in Latin America. *World Politics* (July 2002) Vol. 54 (4): 462-493. (Project Muse)
- Recommended Readings:
- \* Cukierman, Alex, and Mariano Tommasi (1998). When Does it Take a Nixon to Go to China? *American Economic Review* 88-1: 180-197. (JSTOR)
- \* Drazen, Allan, and Vittorio Grilli (1993). The Benefit of Crises for Economic Reforms. *American Economic Review* 83-3: 598-607. (JSTOR)

- \* Fernandez, Raquel and Dani Rodrik (1991). Resistance to Reform. *American Economic Review* 81-5: 1146-1155. (JSTOR)
- \* Martinelli, Cesar and Mariano Tommasi (1997). Sequencing of Economic Reforms in the Presence of Political Constraints. *Economics and Politics* 9-2: 115-131. (Ingenta; EBSCO).
- \* Tornell, A. (1995). Are Economic Crises Necessary for Trade Liberalization and Fiscal Reform? *Reform, Recovery, and Growth* R. Dornbusch and S. Edwards, eds.. Chicago: University of Chicago Press.

## IV. Multinational Corporations and FDI

**Week 12: November 21, 2007**

### A. FDI & MNCs – Theory and Models

- Krugman and Obstfeld (2003). Chapter 7.
  - Caves, Richard (1996). *Multinational Enterprise and Economic Analysis*, 2nd Edition, Cambridge University Press. Chapters 1 & 2.
  - Markusen, James R. (1995). The Boundaries of Multinational Enterprises and the Theory of International Trade. *Journal of Economic Perspectives* 9-2: 169-89. (JSTOR)
  - Loungani, Prakash and Razim Assaf (2001). “How Beneficial Is Foreign Direct Investment for Developing Countries?” In *Finance & Development*, Vol. 38, No 2, pp. 6-9. (ProQuest)
- Recommended Readings:
- \* Alfaro, Laura (2004). Capital Controls: A Political Economy Approach. *Review of International Economics*, 12-4:571-590. (Blackwell-Synergy)
  - \* Mundell, Robert A. (1957). International Trade and Factor Mobility. *The American Economic Review* 47 (3): 321-335. (JSTOR)
  - \* Markusen, James R (2002). *Multinational Firms and the Theory of International Trade*. Cambridge, MA: Cambridge University Press.
  - \* Bhagwati, Jagdish, Arvind Panagariya and T. N. Srinivasan (2004). “The Muddles over Outsourcing.” *Journal of Economic Perspectives*, Vol. 18, No. 4, pp. 93 - 114. (Ingenta)
  - \* Blonigen, B. and R. Feenstra (1996). Protectionist Threats and Foreign Direct Investment. *NBER Working Paper* 5475. (NBER)
  - \* Caves, Richard (1996). *Multinational Enterprise and Economic Analysis*, 2nd Edition, Cambridge University Press. Chapters 5 & 9.
  - \* Graham, Edward and Paul R. Krugman (1995). *Foreign Direct Investment in the United States*. 3rd ed. Washington DC: Institute for International Economics. Chapters 1, 3-7.
  - \* Grossman, G. and E. Helpman (1996). Foreign Investment with Endogenous Protection. In *The Political Economy of Trade Policy*, R. Feenstra et. al., eds.. Cambridge: MIT Press.
  - \* Hanson, Gordon H., Raymond Mataloni, and Matthew J. Slaughter (2001). Expansion Strategies of U.S. Multinational Firms. *NBER Working Paper* 8433. (NBER)
  - \* Lipsey, Robert E. (2001). Foreign direct investment and the operations of multinational firms: concepts, history, and data. *NBER Working Paper* 8665. (NBER)
  - \* Loungani, Prakash, Ashoka Mody and Assaf Razin (2002). The Global Disconnect. The Role of Transactional Distance and Scale Economies in Gravity Equations. Download: [www.tau.ac.il/~razin/lmrglobaldisconnect.pdf](http://www.tau.ac.il/~razin/lmrglobaldisconnect.pdf)
  - \* Mody, Ashoka (2004). Is FDI integrating the World Economy? *The World Economy*, 27-8: 1195-1222. (Blackwell-Synergy)
  - \* O’Rourke, Kevin and Jeffrey G. Williamson (2000). *Globalization and History. The Evolution of a Nineteenth-Century Atlantic Economy*. Cambridge, MA: MIT Press. Chapters 12 & 13.
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**Week 13: November 28, 2007**

**B. FDI and Politics**

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  - Guillen, Mauro F. (2000). Organized labor's images of multinational enterprise: Divergent foreign investment ideologies in Argentina, South Korea, and Spain. *Industrial & Labor Relations Review* 53-3: 419-442. (ABI/Inform)
  - Frieden, Jeffry A. (1994). International Investment and Colonial Control: A New Interpretation. *International Organization* 48-4: 559-93. (JSTOR)
  - Jensen, Nathan (2003). Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment. *International Organization* 57-3: 587-616. (Cambridge Journals Online)
  - Henisz, Withold (2000). The Institutional Environment for Multinational Investment. *Journal of Law, Economics, and Organization*, 2000, 16:2, 334-364. (Oxford Journals Online)
- Recommended Readings:
- \* Dominguez, Jorge I. (1982). Business Nationalism: Latin American National Business Attitudes and Behavior toward Multinational Enterprises. In *Economic issues and political conflict: US-Latin American relations*, Jorge I. Dominguez, editor. Boston: Butterworth Scientific.
  - \* Evans, Peter (1979). *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil*. Princeton: Princeton University Press; 274-329.
  - \* Kobrin, Stephen J, (1987). Testing the Bargaining Hypothesis in the Manufacturing Sector in Developing Countries. *International Organization* 41-4: 609-38. (JSTOR)
  - \* Li, Quan (2006). "Democracy, Autocracy, and Tax Incentives to Foreign Direct Investors: A Cross-National Analysis." *Journal of Politics* Vol. 68, Issue 1 (February 2006). [http://polisci.la.psu.edu/faculty/li/research\\_papers/paper\\_files/fdi\\_incentive66.pdf](http://polisci.la.psu.edu/faculty/li/research_papers/paper_files/fdi_incentive66.pdf)
  - \* Li, Quan and Adam Resnick (2003). "Reversal of Fortunes: Democracy, Property Rights and Foreign Direct Investment Inflows in Developing Countries," *International Organization* 57(1):1-37. (Cambridge Journals Online)
  - \* Oneal, John R. (1994). The affinity of foreign investors for authoritarian regimes. *Political Research Quarterly* 47-3: 565-588. (JSTOR)
  - \* Scheve, Kenneth & Matthew J. Slaughter (2004). Economic Insecurity and the Globalization of Production. *American Journal of Political Science* Vol. 48 No. 4 (October):662-674. (Blackwell-Synergy)
  - \* Vernon, Raymond (1971). *Sovereignty at bay; the multinational spread of U.S. enterprises*. New York, N.Y.: Basic Books. Selection: pages 46-59; 65-77 + skim over rest of chapters 2 and 3.

**Week 14: December 5, 2007 – Students' presentations**