

Political Science G8826 - Fall 2007

Political Economy of Trade and Investment

Location: 1302 IAB
Day and time: Tuesday, 9.00am-10.50am

Instructor: Pablo M. Pinto
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This course 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, investment and reform.

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.

Requirements: Formal requirements, in addition to participation in class discussion, include:

- i) A *research paper* on any of the themes of the course, worth forty percent of the final grade. A proposal defining the topic of your research, method, and sources is due at the 5th meeting of the course (October 2, 2007). In the final meeting students will present their research in progress to get feedback from the class. Hard copies of research papers are due in my office by 10am on Tuesday, December 12, 2007. Students writing a review of the readings for each week will lead the class discussion.
- ii) Three short (3-5 pages) *papers* critically reviewing the themes of the weekly reading assignments, worth ten percent of the final grade each. Each review paper will summarize and critique the readings for one of the sessions. By the end of the first week I will distribute the assignments for the weekly review papers, based on student choice to the extent possible. Review papers are due in hard copy at the beginning of the class when the readings will be discussed.

Grading: Written work composes seventy percent of the course grade. The remaining thirty percent of your grade is earned by class participation. Students are expected to do all the readings for each week and be prepared to participate actively in class discussions. Late assignments will be penalized at a rate of 1/3 of a letter grade for every day an assignment is late, including weekends. For example a "B+" paper due on Tuesday at 10am will receive a "B" grade if received by 10am on the next day, "B-" by 10am the second day, etc.. I will not grant incompletes for final papers except for documented family or health emergencies.

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 books are also available at Labyrinth Bookstore for purchase. 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.

Course Outline and Weekly Reading List

I. Economics of Trade

Week 1: September 4, 2007

A. Explaining Trade Patterns – Theory

- Krugman, Paul R. and Maurice Obstfeld (2003). *International economics: theory and policy*. Boston, Addison Wesley. Sixth Edition, Chapters: 2-5, 8 (with Appendices).
- * Jones, Ronald W. (1965). The Structure of Simple General Equilibrium Models. *Journal of Political Economy* 73-6: 557-572. (JSTOR)
- * 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 11, 2007

B. Explaining Trade Patterns – Increasing returns to scale

- Helpman, Elhanan and Paul R. Krugman (1985). Market Structure and Foreign Trade. Cambridge, MA: MIT Press. Chapters 1-2 & 14
- Krugman and Obstfeld (2003). Chapter: 6 (with Appendix).
- * Helpman, Elhanan and Paul R. Krugman (1989). Trade Policy and Market Structure. Cambridge, MA: MIT Press.
- * Brander, James. “Rationales for Strategic Trade and Industrial Policy.” In Krugman, ed., *Strategic Trade Policy and the New International Economics* (MIT Press, 1986).
- * Grossman, Gene. “Strategic Export Promotion. A Critique.” In Krugman, ed., *Strategic Trade Policy and the New International Economics* (MIT Press, 1986).
- * Krugman and Obstfeld (2003). Chapter 11.

C. Explaining Trade Patterns – Evidence

- Leamer, E. and J. Levinsohn (1995). International Trade Theory: The Evidence. *Handbook of International Economics* v.III.
- Helpman, Elhanan (1999). The Structure of Foreign Trade. *The Journal of Economic Perspectives*, Vol. 13, No. 2. (Spring, 1999), pp. 121-144. (JSTOR)
- Davis, Donald and David E. Weinstein (2001). What Role for Empirics in International Trade, *NBER Working paper* 8543. (NBER)
- * 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.

Week 3: September 18, 2007

D. Distributive Effects of Trade

- 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. (ABI/INFORM)

- 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* Vol. 9, No.3, pp 15-32. (JSTOR)
- Wood, Adrian (1995). “How Trade Hurt Unskilled Workers,” in *Journal of Economic Perspectives*, Vol. 9, No.3, pp. 57-80. (JSTOR)
- 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.cid.harvard.edu/hiid/557.pdf>
- Slaughter, Matthew J. (1999). Globalization and Wages: A Tale of Two Perspectives. *The World Economy* 22-5: 609-630. (Blackwell-Synergy)
- * Bhagwati, Jagdish and Vivek Dehejia (1994) “Free Trade and Wages of the Unskilled: Is Marx Striking Again?” in Bhagwati, J. and Kusters, M., eds. “Trade and Wages: Leveling Wages Down? Washington, DC: AEI 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.
- * Ravallion, Martin (2003). The Debate on Globalization, Poverty and Inequality: Why Measurement Matters. World Bank Development Research Group Working Paper 3038. Download: http://econ.worldbank.org/files/26010_wps3038.pdf
- * 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)
- * Wood, Adrian (1994). *North South Trade: Employment and Inequality*, Oxford: Clarendon. Chapters 1-4, 7 & 8.

Week 4: September 25, 2007

E. 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).
- Beaulieu, Eugene (2002). The Stolper-Samuelson Theorem Faces Congress. *Review of International Economics* 10-2: 343-360. (Blackwell-Synergy)
- Rogowski, R. (1987). Political Cleavages and Changing Exposure to Trade. *American Political Science Review* 81(4). (JSTOR)
- Irwin, D. (1995). Industry or Class Cleavages over Trade Policy? Evidence from the British General Election of 1923. *NBER Working Paper* 5170. (NBER)
- Hiscox, Michael J. (2002). *International Trade and Political Conflict: Commerce, Coalitions, and Mobility*. Princeton, NJ: Princeton University Press. Chapter 1 and Appendix.

- * 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.
- * Alt, James, Fredrik Carlsen, Per Heum and K ere Johansen (1999). Asset Specificity and the Political Behavior of Firms: Lobbying for Subsidies in Norway. *International Organization* 53-1: 99-116. (Ingenta)
- * 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)
- * 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)
- * Mayer, Wolfgang (1974). Short-Run and Long-Run Equilibrium for a Small Open Economy. *Journal of Political Economy*, Vol. 82, No. 5 (Sep/Oct): 955-967. (JSTOR)
- * Midford, Paul (1993). International Trade and Domestic Politics: Improving on Rogowski's Model of Political Alignments. *International Organization*, Vol. 47, No. 4. (Autumn, 1993), pp. 535-564. (JSTOR)
- * Mussa, Michael (1974). Tariffs and the Distribution of Income: The Importance of Factor Specificity, Substitutability, and Intensity in the Short and Long Run. *Journal of Political Economy*, Vol. 82, No. 6 (Nov/Dec):1191-1203. (JSTOR)

Week 5: October 2, 2007 (Submit research paper outline)

F. Deriving Actors' Preferences

- 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)
- Scheve, Kenneth and Matthew Slaughter (2001). What Determines Individual Trade Policy Preferences. *Journal of International Economics* 54-2: 267-292. (Elsevier/Science Direct)
- 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)
- 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)
- 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).
- * 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..
- * 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)
- * Cassing, James, Timothy J, McKeown, and Jack Ochs (1986). The Political Economy of the Tariff Cycle. *American Political Science Review* 80-3: 843- 62. (JSTOR)
- * 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).

- * Milner, Helen. "Trading Places: Industries for Free Trade." *World Politics*, Vol. 40, No. 3 (April 1988), pp. 350-376. (JSTOR)
- * Milner, Helen (1988). *Resisting Protectionism: Global Industries and the Politics of International Trade*. Princeton, NJ: Princeton University Press.

G. 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)
- * Marks, G., C. Wilson, and L. Ray (2002) National Political Parties and European Integration. *American Journal of Political Science* 46(3):585-594. (JSTOR)
- * 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 (2006). 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*.

II. Political Economy of Trade

Week 6: October 9, 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.
- Findlay, R. and S. Wellisz (1982). Endogenous Tariffs, the Political Economy of Trade Restrictions, and Welfare. In J. Bhagwati (ed) *Import Competition and Response*.
- Mayer, Wolfgang (1984). Endogenous Tariff Formation. *American Economic Review* 74-5: 970-985. (JSTOR)
- Hillman, Arye L. (1982). Declining Industries and Political-Support Protectionist Motives. *American Economic Review* 72-5: 1180-1187. (JSTOR)
- Grossman, G. and E. Helpman (1994). Protection for Sale. *American Economic Review* 84-4: 833-850. (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.
- * 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)

Week 7: October 16, 2007

B. Patterns of Protection Across Nations

- Nelson, Douglas (1988). Endogenous Tariff Theory: A Critical Survey. *American Journal of Political Science* 32-3: 796-837. (JSTOR)
- 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)

- 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.
- Lindert, P. (1991). Historical Patterns of Agricultural Policy. *Agriculture and the State*. Peter Timmer, ed.. Ithaca: Cornell University Press.
- 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)
- Magee, Stephen P., William A. Brock, and Leslie Young (1989). *Black Hole Tariffs and Endogenous Policy Theory*. New York: Cambridge University Press. Chapter 16.

Week 8: October 23, 2007

C. Patterns of Protection Across Sectors

- Caves, Richard (1976). Economic Models of Political Choice: Canada's Tariff Structure. *Canadian Journal of Economics* 9-2: 278-300. (JSTOR)
- Baldwin, R. (1985). *The Political Economy of U.S. Import Policy*. Cambridge: MIT Press. Chapter 4 (pp. 115-174).
- Ray, Edward (1981). The Determinants of Tariff and Non-Tariff Trade Restrictions in the U.S. *Journal of Political Economy* 89-1: 105-121. (JSTOR)
- 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)
- Goldberg, Pinelopi K. and Giovanni Maggi (1999). Protection for Sale: An Empirical Investigation. *The American Economic Review*, 89-5: 1135-1155. (JSTOR)
- Trefler, Daniel (1993). Trade Liberalization and the Theory of Endogenous Protection. *Journal of Political Economy* 101-1: 138-160. (JSTOR)
- 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)
- * Anderson, Kym (1980). The Political Market for Government Assistance to Australian Manufacturing Industries. *The Economic Record* 56: 132-144.
- * Baldwin, Robert and Christopher Magee (1998). Is Trade Policy for Sale? Congressional Voting on Recent Trade Bills. *NBER Working Paper 6376*. (NBER)
- * Gawande, Kishore and Bernard Hoekman (2006). Lobbying and Agricultural Trade Policy in the United States. *International Organization* 60, 3 (Summer 2006), 527-561. (Cambridge Journals Online)
- * Kurth, James (1979). The Political Consequences of the Product Cycle: Industrial History and Political Outcomes. *International Organization*, 33-1: 1-34. (JSTOR)
- * 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*. MIT Press.

Week 9: October 30, 2007

D. Models with Institutions

- Milner, Helen V. and Keiko Kubota (2005). "Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries." *International Organization* 59(1):157-193. (Cambridge Journals Online)
- Kono, Daniel Y. (2006). Optimal Obfuscation: Democracy and Trade Policy Transparency. *American Political Science Review* 100, 3 (August 2006):369-384. (Cambridge Journals Online)
- 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, Fiona (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)
- * Alt, James E. and Michael Gilligan (1994). The Political Economy of Trading States: Factor Specificity, Collective Action Problems, and Domestic Political Institutions. *Journal of Political Philosophy* 2, 2 (1994):165-92.
- * 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.
- * Hall, H. Keith and Douglas Nelson (1992). Institutional Structure in the Political Economy of Protection. *Economics and Politics* 4-1:61-77.
- * Irwin, Douglas (1997). *Against the Tide: An Intellectual History of Free Trade*. Princeton University Press.
- * 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, Fiona (1997). Party Discipline as a Determinant of the Endogenous Formation of Tariffs. *American Journal of Political Science* 41-2: 584-607.
- * Milgrom, Paul, Douglas C. North, and Barry Weingast (1990). The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs. *Economics and Politics* 2, no. 1 (1990): 1-23.
- * O'Halloran, Sharyn (1993). Congress and Foreign Trade Policy. In Ripley, Randall B. & James M. Lindsay, editors, *Congress Resurgent. Foreign and Defense Policy on Capitol Hill*, Ann Arbor, Mich.: University of Michigan Press.
- * O'Halloran, Sharyn (1994). *Politics, Process, and American Trade Policy*, Ann Arbor, Mich.: University of Michigan Press.
- * Rogowski, Ronald (1987). "Trade and the Variety of Democratic Institutions," *International Organization* 41-2:203-223. (JSTOR)
- * 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)

Week 10: November 6 (Election Day – No Class)

Week 11: November 13, 2007

E. Models with International Institutions

- Staiger, Robert W., and Guido Tabellini (1999). Do GATT Rules Help Governments Make Domestic Commitments? *Economics and Politics* 11-2: 109-144. (Ingenta)
- 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)

- 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
- 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)
- * Busch, Marc (2007). Overlapping Institutions, Forum Shopping, and Dispute Settlement in International Trade. *International Organization* 61 (4) 2007: 735-76
- * Chase, Kerry (2003). "Economic Interests and Regional Trading Arrangements: The Case of NAFTA." *International Organization* 57, 1 (Winter 2003):137-174.
- * Estevadeordal, Antoni, Dani Rodrik, Alan M. Taylor, and Andrés Velasco, editors (2004). Integrating the Americas. FTAA and Beyond, Cambridge, Mass.: Harvard University Press.
- * 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/aroze/Tomz.pdf

III. Trade Policy Reform

Week 12: November 20, 2007

A. Issues in Trade Policy Reform

- Rodrik, Dani (1996). Understanding Economic Policy Reform. *Journal of Economic Literature* 34-1: 9-41. (JSTOR)
- Milner, Helen (1999). The Political Economy of International Trade. *Annual Review of Political Science* 1999-2: 91-114. (Annual Reviews)

B. Models of Trade Policy Reform

- Fernandez, Raquel and Dani Rodrik (1991). Resistance to Reform. *American Economic Review* 81-5: 1146-1155. (JSTOR)
- Drazen, Allan, and Vittorio Grilli (1993). The Benefit of Crises for Economic Reforms. *American Economic Review* 83-3: 598-607. (JSTOR)
- 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.
- Martinelli, Cesar and Mariano Tommasi (1997). Sequencing of Economic Reforms in the Presence of Political Constraints. *Economics and Politics* 9-2: 115-131. (Blackwell-Synergy).
- Cukierman, Alex, and Mariano Tommasi (1998). When Does it Take a Nixon to Go to China? *American Economic Review* 88-1: 180-197. (JSTOR)
- Hellman, Joel (1998). Winners Take All: The Politics of Partial Reform in Postcommunist Transitions. *World Politics*, 50 (2). (Project Muse)
- 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.

IV. Multinational Corporations and FDI

Week 13: November 27, 2007

A. FDI & MNCs – Theory and Models

- Krugman and Obstfeld (2003). Chapter 7.
- Mundell, Robert A. (1957). International Trade and Factor Mobility. *The American Economic Review* 47 (3): 321-335. (JSTOR)
- 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)
- Alfaro, Laura (2004). Capital Controls: A Political Economy Approach. *Review of International Economics*, 12-4:571-590. (Blackwell-Synergy)
- * Markusen, James R (2002). *Multinational Firms and the Theory of International Trade*. Cambridge, MA: Cambridge University Press.
- * 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)

B. FDI and MNCs

- Mody, Ashoka (2004). Is FDI integrating the World Economy? *The World Economy*, 27-8: 1195-1222. (Blackwell-Synergy)
- 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.
- Hanson, Gordon H., Raymond Mataloni, and Matthew J. Slaughter (2001). Expansion Strategies of U.S. Multinational Firms. *NBER Working Paper* 8433. (NBER)
- * Caves, Richard (1996). *Multinational Enterprise and Economic Analysis*, 2nd Edition, Cambridge University Press. Chapters 5 & 9.
- * 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.
- * 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
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