

POLC 6397.01 SPRING 2018  
SPECIAL TOPICS IN PUBLIC POLICY  
POLITICAL ECONOMY OF TRADE AND INVESTMENT  
PABLO M. PINTO

DAY & TIME: WEDNESDAY 5:30–8:30PM  
LOCATION: MCELHINNEY 315  
INSTRUCTOR: PABLO M. PINTO  
OFFICE HOURS: BY APPOINTMENT  
OFFICE: PGH 431; 713-743-2540  
EMAIL: PPINTO@CENTRAL.UH.EDU

**DESCRIPTION:** This course offers an introductory survey to positive political economy analysis, using applications to the trade and investment policymaking. The study of the design, adoption and implementation of policies aimed at regulating the flow of goods and services, and the flow of investment capital requires an analytical framework for understanding the main issues involved in aggregating individual preferences into group choices. Tariffs, non-tariff barriers and regulations are the output of the political system. Individual and group preferences towards openness and protectionism are expressed through voting, mobilization and lobbying; together they are the central features of the demand side of politics. Supply-side conditions are framed by political institutions, namely the structures that shape the aggregation of political preferences into trade policy outcomes.

The course is divided into three blocs that look at the distributive consequences of trade, the political economy of trade politics, and the political economy of regulating foreign investment and the activity of multinational corporations, respectively. In each section we will review briefly the theoretical and empirical explanations of trade and 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.

**REQUIREMENTS:** Formal requirements include:

1. *Final assignments:* for the final assignment students have two options: i) write an original research paper on any of the themes of the course; ii) take a midterm and final exam.
  - i) *Research paper (40 %):* students choosing the research paper assignment will conduct independent research during the semester and submit a final paper at the end of the term. At the seventh meeting of the course (February 28, 2018) students will submit a proposal defining the topic of research, methods, and data sources. In the final meeting students will present their research in progress to get feedback from the class. Research papers are due by 12pm on May 4, 2018.
  - ii) *Midterm exam (15 %) and final exam (25 %):* students choosing the examination route will complete a 24-hour take-home midterm due on first session after the Spring break. The final exam will resemble the written component of a PhD comprehensive examination. It will be administered in the Political Science computer lab at a time and date to be determined during the first week of May.
2. *Review Essays (25 %):* throughout the semester each student will write two short (3–5 pages) *papers* critically reviewing one of the themes of the weekly reading assignments. 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, and should be posted on Blackboard by 2pm on the day of the corresponding session. Students writing a review essay each week will present an introductory summary of the assigned theme for the week. The two essays are jointly worth twenty five percent of the final grade.
3. *Class Participation (30 %):* Students are expected to take an active role in discussing the readings and participate in discussions. Class participation is worth twenty five percent of the final grade. I will evaluate participation as preparedness and

input to discussion. Required readings for each week are marked with a bullet (●) on the reading list. You are also encouraged to explore the recommended readings, which are listed under each section with a star (★), especially when writing your review essays. Each week students will be grouped randomly, two or three to each reading, and asked to prepare a brief presentation of the assigned reading. We will then discuss the readings in class. In the discussion you are expected to compare, contrast and critique the readings, including theory and empirics, introduce other sources and points of view, including your personal insights.

4. *Class Attendance (5 %)*: Students are required to attend class, and to do all the required readings for each week. Attendance will account for five percent of the final grade. Students with more than two unexcused absences during the semester will receive a failing grade. A student who misses a class should submit a one–page long critical summary of the reading he or she has been assigned to prepare for that week and a one-page response paper on the weekly topic covered, by 5pm on the Friday of the corresponding week.

**READINGS:** All readings listed on the syllabus are available in the textbook or through UH Library resources in hard copy or digital form.

**USE OF CELL PHONES, TABLETS AND LAPTOPS:** Since they cause interruptions and distractions, phones should be turned off during class time. Please do not use any Instant Messaging software if you bring your laptop to take notes. In particular, cell phones, portable devices and laptops may not be accessible during exams or quizzes.

**CONTACTING INSTRUCTOR:** Please use email to contact me with any issues. When you email me, please use an informative heading in the subject heading including course number (e.g. POLC 6397–Question about Wednesday’s case). Please do not contact me through Blackboard; I rarely check those messages.

**DISCLAIMER AND ANNOUNCEMENTS:** The information contained in this class syllabus is subject to change without notice. You are expected to be aware of any additional course policies presented during the course. You should also check Blackboard periodically for announcements and updates.

**ACADEMIC INTEGRITY:** I strictly enforce all of the policies regarding academic integrity such as cheating and plagiarism as determined by University of Houston. A copy of these regulations is available at: <http://catalog.uh.edu/content.php?catoid=6&navoid=1025>; ignorance of these policies is not an excuse for violations. Violations of academic integrity are a very serious matter, and I will pursue the strictest punitive action in the case of a violation. I consider very serious cases of academic dishonesty the following: using and/or submitting as one’s own a paper/project that was written by another student in the past; using and/or submitting as one’s own a paper/project that was obtained through the Internet, or some other source; having someone else write (even partially) or help with the writing of any of the required papers; having someone else do any of the work required for an exam; engaging in plagiarism: using any statements (either in a verbatim or paraphrased form) found in other people’s work as one’s own, and without proper citations; cheating on an exam.

**ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES:** The University of Houston is committed to providing reasonable accommodations for eligible students with disabilities, including students who have learning disabilities, health impairments, psychiatric disabilities, and/or other disabilities. If you believe you have a disability that requires accommodation, please contact the Center for Students with Disabilities (CSD) at 713–743–5400 voice or 713–749–1527 (TTY).

**UNIVERSITY SEXUAL MISCONDUCT POLICY:** The University of Houston is committed to fostering a safe, productive learning environment. Title IX and University policy prohibit discrimination on the basis of sex, which includes sexual misconduct or sexual exploitation. If you are a victim of sexual misconduct, sexual exploitation, or discrimination based on sex, you are encouraged to seek help from a trained professional or law enforcement. At the University of Houston the following personnel are available to assist you: Title IX Coordinator and his assistant coordinators [713–743–8835, [rabaker4@uh.edu](mailto:rabaker4@uh.edu)]; Campus law enforcement and/or security; Campus–based counseling staff; Campus–based student health center staff; Human Resources staff; Dean of Students Office staff; Student Housing and Residence Life professional staff.

## OUTLINE AND WEEKLY READING LIST:

### I. INTRODUCTION

WEEK 1: JANUARY 17, 2018

*Required readings:*

- Milner, Helen (1999). The Political Economy of International Trade. *Annual Review of Political Science* 1999 (2): 91–114.
- Lake, David A. (2006). “International Political Economy: A Maturing Interdiscipline.” In *The Oxford Handbook of Political Economy*, eds. Barry R. Weingast and Donald Wittman. New York: Oxford University Press, , pp: 757–77.

### II. ECONOMICS OF TRADE

WEEK 2: JANUARY 24, 2018

A. EXPLAINING TRADE PATTERNS – THEORY

*Required readings:*

- Krugman, Paul R., Maurice Obstfeld and Mark Melitz (2011). International economics: theory and policy. Boston, Addison Wesley. Ninth Edition, Chapters: 3–7.

*Recommended readings:*

- ★ Krugman, Obstfeld and Melitz (2011). Chapter 12.
- ★ Deardorff, Alan V. (1994). “Overview of the Stolper–Samuelson Theorem.” In Alan V. Deardorff and Robert M. Stern, editors, *The Stolper–Samuelson Theorem: A Golden Jubilee*. University of Michigan Press (pp. 7–34).
- ★ Jones, Ronald W. (1965). “The Structure of Simple General Equilibrium Models.” *Journal of Political Economy* 73 (6): 557–572.
- ★ 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..
- ★ Krugman, Paul R. (1995). Increasing Returns, Imperfect Competition and the Positive Theory of International Trade. *Handbook of International Economics Vol. III*. New York: Elsevier.
- ★ Brander, James (1986). “Rationales for Strategic Trade and Industrial Policy.” In Krugman, ed., *Strategic Trade Policy and the New International Economics*. Cambridge, MA: MIT Press.
- ★ 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, MA: MIT Press.
- ★ Davis, Donald (1995). Intra–industry trade: A Heckscher–Ohlin–Ricardo approach. *Journal of International Economics*. 39: 201–226.
- ★ Helpman, Elhanan and Paul R. Krugman (1989). *Trade Policy and Market Structure*. Cambridge, MA: MIT Press.

WEEK 2 (CONT.):

B. EXPLAINING TRADE PATTERNS – EVIDENCE

*Required readings:*

- Leamer, E. and J. Levinsohn (1995). International Trade Theory: The Evidence. *Handbook of International Economics Vol. III*. New York: Elsevier.
- Helpman, Elhanan (1999). The Structure of Foreign Trade. *The Journal of Economic Perspectives*, 13 (2). (Spring, 1999), pp. 121–144.
- Davis, Donald and David E. Weinstein (2002). What Role for Empirics in International Trade? In Ronald Findlay, Lars Jonung, and Mats Lundahl, editors, *Bertil Ohlin: A Centennial Celebration, 1899–1999*. Cambridge, MA: MIT Press.

*Recommended readings:*

- ★ Anderson, James, and Eric van Wincoop (2004). Trade Costs. *Journal of Economic Literature* 42:691–751.
- ★ Burstein, Ariel, and Jonathan Vogel (2011). “Factor Prices and International Trade: A Unifying Perspective.” NBER Working Paper No. 16904.
- ★ Bordo, Michael, Barry Eichengreen, and Douglas Irwin (1999). “Is Globalization Today Really Different than Globalization a Hundred Years Ago?” NBER Working Paper No. 7195.
- ★ Deardorff, A. (1984). Testing Trade Theories and Predicting Trade Flows. *Handbook of International Economics vol. I*. New York: Elsevier.
- ★ Findlay, Ronald, and Kevin H. O’Rourke (2003). “Commodity Market Integration, 1500–2000.” In Michael D. Bordo, Alan M. Taylor and Jeffrey G. Williamson, editors, *Globalization in Historical Perspectives*. Chicago, IL: The University of Chicago Press and NBER.

- ★ Trefler, Daniel (1993). “International Factor Price Differences: Leontief was right!” *Journal of Political Economy*. 101(6): 961–87.

WEEK 3: JANUARY 31, 2018

#### C. DISTRIBUTIVE EFFECTS OF TRADE

*Required readings:*

- Freeman, Richard B. (1995). Are Your Wages Set in Beijing? *Journal of Economic Perspectives* 9 (3): 15–32.
- Wood, Adrian (1995). “How Trade Hurt Unskilled Workers,” in *Journal of Economic Perspectives*, 9 (3): 57–80.
- Slaughter, Matthew J. (1999). Globalization and Wages: A Tale of Two Perspectives. *The World Economy* 22 (5): 609–630.
- Goldberg, Pinelopi K. and Nina Pavcnik (2007). “Distributional Effects of Globalization in Developing Countries.” *Journal of Economic Literature*, 45 (2007): 39–82.
- Autor, David H., David Dorn and Gordon H. Hanson (2015). “Untangling Trade and Technology: Evidence from local labor markets.” *The Economic Journal*, Vol. 125, No. 584 (May 2015), pp. 621–646.
- Autor, David H., David Dorn, and Gordon H. Hanson (2013). “The China Syndrome: Local labor market effects of import competition in the United States.” *American Economic Review* 2013, 103(6): 2121–2168.

*Recommended readings:*

- ★ Autor, David H., Lawrence F. Katz, and Melissa S. Kearney (2008). “Trends in U.S. Wage Inequality: Revising the Revisionists.” *Review of Economics and Statistics*, 90 (2): 300–323.
- ★ Bhagwati, Jagdish (1995). Trade and Wages: Choosing Among Alternative Explanations. FRBNY Economic Policy Review / January 1995.
- ★ Bhagwati, Jagdish and Vivek Dehejia (1994) “Free Trade and Wages of the Unskilled: Is Marx Striking Again?” in Bhagwati, J. and Koster, M., eds. “Trade and Wages: Leveling Wages Down? Washington, DC: AEI Press.
- ★ Davis, Donald (1996). Trade Liberalization and Income Distribution. NBER Working Paper 5693.
- ★ Deardorff, Alan V., and Robert W. Staiger (1988). “An Interpretation of the Factor Content of Trade.” *Journal of International Economics* 24: 93–107.
- ★ Deardorff, Alan V. (2000). “Factor Prices and the Factor Content of Trade Revisited: What’s the Use?” *Journal of International Economics* 50: 73–90.
- ★ Dollar, David (2005). Globalization, Poverty and Inequality. In Michael Weinstein, editor, *Globalization. What’s New?* New York: Columbia University Press.
- ★ Krugman, Paul (2008). “Trade and Wages, Reconsidered.” *Brookings Papers on Economic Activity*, 1, 103–154.
- ★ 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.
- ★ 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>
- ★ Verhoogen, Eric A. (2008). “Trade, Quality Upgrading, and Wage Inequality in the Mexican Manufacturing Sector.” in *Quarterly Journal of Economics*, 123 (2): 489–530.
- ★ Wood, Adrian (1991). “How Much Does Trade with the South Affect Workers in the North?” *World Bank Research Observer* 6 (January 1991): 19–36.
- ★ Wood, Adrian (1994). *North South Trade: Employment and Inequality*. Oxford: Clarendon.

WEEK 4: FEBRUARY 7, 2018

#### D. CLASS OR INDUSTRY CLEAVAGES?

*Required readings:*

- Stolper, Wolfgang F. and Paul A. Samuelson (1941). “Protection and Real Wages.” *The Review of Economic Studies* 9(1): 58–73.
- 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).
- Douglas Irwin (1996). Industry or Class Cleavages over Trade Policy? Evidence from the British General Election of 1923. In Robert Feenstra, Gene Grossman and Douglas Irwin, eds., *Political Economy of Trade Policy: Essays in Honor of Jagdish Bhagwati*, Cambridge, MA: MIT Press.
- Gourevitch, Peter Alexis (1986). Politics in Hard Times. Comparative Responses to International Economic Crises. Ithaca, NY: Cornell University Press. Chapters 1 and 2.
- Rogowski, R. (1987). “Political Cleavages and Changing Exposure to Trade.” *American Political Science Review* 81(4).

- 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 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.
- ★ Beaulieu, Eugene (2002). “The Stolper–Samuelson Theorem Faces Congress.” *Review of International Economics* 10 (2): 343–360.
- ★ 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.
- ★ 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.
- ★ Mayer, Wolfgang (1974). Short–Run and Long–Run Equilibrium for a Small Open Economy. *Journal of Political Economy*, 82 (5): 955–967.
- ★ Mussa, Michael (1974). Tariffs and the Distribution of Income: The Importance of Factor Specificity, Sstitutability, and Intensity in the Short and Long Run. *Journal of Political Economy*, 82 (6): 1191–1203.

WEEK 5: FEBRUARY 14, 2018

E. DERIVING ACTORS’ PREFERENCES

*Required readings:*

- Mayda, Anna Maria and Dani Rodrik (2005), Why Are Some People (and Countries) More Protectionist Than Others? *European Economic Review*, 49(6), pages 1393–1430 .
- Scheve, Kenneth and Matthew Slaughter (2001). What Determines Individual Trade Policy Preferences. *Journal of International Economics* 54 (2): 267–292.
- Baker, Andy (2006). Who Wants to Globalize? Consumer Tastes and Labor Markets in a Theory of Trade Policy Beliefs. *American Journal of Political Science* 49 (4): 925–939.
- Hiscox, Michael J. (2006). Through a Glass and Darkly: Framing Effects and Individuals’ Attitudes Towards International Trade. *International Organization* 60 (3): 755–780.
- Ardanaz, Martin, M. Victoria Murillo and Pablo M. Pinto (2013). “Sensitivity to Issue Framing on Trade Policy Preferences: evidence from a survey experiment.” *International Organization*, Vol. 67, No. 2 (Spring 2013), 411–437.
- Mansfield, Edward D., and Diana C. Mutz (2009). “Support for Free Trade: Self–Interest, Sociotropic Politics, and Out–Group Anxiety.” *International Organization* 63 (3): 425–57.

*Recommended readings:*

- ★ Cassing, James, Timothy J, McKeown, and Jack Ochs (1986). The Political Economy of the Tariff Cycle. *American Political Science Review* 80 (3): 843–62.
- ★ Guisinger, Alexandra (2009) “Determining Trade Policy: Do Voters Hold Politicians Accountable?” *International Organization* 63 (3) (July 2009) 533–557.
- ★ 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* 60 (2): 469–498.
- ★ Hays, Jude C., Sean D. Ehrlich, and Clint Peinhardt (2005). “Government Spending and Public Support for Trade in the OECD: An Empirical Test of the Embedded Liberalism Thesis,” *International Organization* 59 (2005), 473–494.
- ★ Milner, Helen. “Trading Places: Industries for Free Trade.” *World Politics*, 40 (3): 350–376.
- ★ O’Rourke, Kevin, and R. Sinnott (2001). The Determinants of Individual Trade Policy Preferences: International Survey Evidence. *Brookings Trade Policy Forum* 2001: 157–206.

WEEK 6: FEBRUARY 21, 2018

F. PARTISANSHIP, IDEOLOGY AND TRADE POLITICS

*Required readings:*

- Dutt, Pushan and Devashish Mitra (2002). Political Ideology and Endogenous Trade Policy: An Empirical Investigation. *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.
- Hiscox, Michael J. (2002). “Commerce, Coalitions, and Factor Mobility: Evidence from Congressional Votes on Trade

Legislation.” *American Political Science Review* 96, 3:593–608.

- 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 & Economics*, October 1999: 643–73.
- Pinto, Pablo M., and Stephen Weyouth (2013). “Partisan Cycles in Offshore Outsourcing: Evidence from U.S. Imports.” *Economics & Politics* 38(3) (November 2016): 233–261.

*Recommended readings:*

- ★ Marks, G., C. Wilson, and L. Ray (2002) National Political Parties and European Integration. *American Journal of Political Science* 46(3):585–594.
- ★ Boix, Carles (2000) Partisan Government, International Economy and Macroeconomic Policies. *World Politics* 53(1):38–73.
- ★ Epstein, David, and Sharyn O’Halloran (1996) The Partisan Paradox and the US Tariff, 1877–1934. *International Organization* 50:301–324.
- ★ Gabel, Matthew (1998) Interests and Integration. Ann Arbor: University of Michigan Press.
- ★ McGillivray, Fionna (1997). “Party Discipline as a Determinant of the Endogenous Formation of Tariffs.” *American Journal of Political Science* 41 (2): 584–607.
- ★ Weymouth, Stephen, and J. Lawrence Broz (2013). “Government Partisanship and Property Rights: Cross–Country Firm–Level Evidence.” *Economics & Politics* 25 (2): 229–256.

### III. POLITICAL ECONOMY OF TRADE

WEEK 7: FEBRUARY 28, 2018 – SUBMIT RESEARCH PAPER OUTLINE

#### A. MODELS OF TRADE POLITICS

*Required readings:*

- Rodrik, D. (1995). Political Economy of Trade Policy. *Handbook of International Economics Vol. III*, Chapter 28: 1457–1494. New York: Elsevier.
- Findlay, R. and S. Wellisz (1982). Endogenous Tariffs, the Political Economy of Trade Restrictions, and Welfare. In J. Bhagwati (ed) *Import Competition and Response*. Chicago: University of Chicago Press.
- Mayer, Wolfgang (1984). Endogenous Tariff Formation. *American Economic Review* 74 (5): 970–985.
- Hillman, Arye L. (1982). Declining Industries and Political–Support Protectionist Motives. *American Economic Review* 72 (5): 1180–1187.
- Grossman, G. and E. Helpman (1994). Protection for Sale. *American Economic Review* 84 (4): 833–850.

*Recommended readings:*

- ★ Krugman, Obstfeld and Melitz (2011). Chapters 9–10.
- ★ 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.
- ★ Baldwin, Robert and Christopher Magee (1998). Is Trade Policy for Sale? Congressional Voting on Recent Trade Bills. NBER Working Paper No. 6376.
- ★ Brainard, S. Lael, and Thierry Verdier (1993). “The Political Economy of Declining Industries: Senescent industry collapse revisited.” *Journal of International Economics* 42 (1–2): 221–237.

WEEK 8: MARCH 7, 2018

#### B. PATTERNS OF PROTECTION ACROSS COUNTRIES AND INDUSTRIES

*Required readings:*

- Anderson, Kym and R. Tyers (1989). Agricultural Protection in Advanced and Newly Industrialized Countries. In Allen Maumder and Alberto Valdes, editor, *Agriculture and Governments in an Interdependent World*. Aldershot: Dartmouth.
- Caves, Richard (1976). “Economic Models of Political Choice: Canada’s Tariff Structure.” *Canadian Journal of Economics* 9 (2): 278–300.
- Baldwin, R. (1985). *The Political Economy of U.S. Import Policy*. Cambridge: MIT Press. Chapter 4 (pp. 115–174).
- Treffer, Daniel (1993). Trade Liberalization and the Theory of Endogenous Protection. *Journal of Political Economy* 101(1): 138–160.
- Goldberg, Pinelopi K. and Giovanni Maggi (1999). Protection for Sale: An Empirical Investigation. *American Economic Review*, 89 (5): 1135–1155.
- Gawande, Kishore and Pravin Krishna (2003). *The Political Economy of Trade Policy: Empirical Approaches*. James Harrigan, ed., *Handbook of International Trade*, Malden, MA: Basil Blackwell.

*Recommended readings:*

- ★ Anderson, Kym (1980). The Political Market for Government Assistance to Australian Manufacturing Industries. *The*

*Economic Record* 56: 132–144.

- ★ 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.
- ★ Gawande, Kishore and Bernard Hoekman (2006). Lobbying and Agricultural Trade Policy in the United States. *International Organization* 60, 3 (Summer 2006), 527–561.
- ★ 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.
- ★ Lindert, P. (1991). Historical Patterns of Agricultural Policy. Agriculture and the State. Peter Timmer, ed.. Ithaca: Cornell University Press (pages 29–83).
- ★ 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.
- ★ Nelson, Douglas (1988). Endogenous Tariff Theory: A Critical Survey. *American Journal of Political Science* 32 (3): 796–837.
- ★ Ray, Edward (1981). The Determinants of Tariff and Non–Tariff Trade Restrictions in the U.S. *Journal of Political Economy* 89 (1): 105–121.

WEEK 9: MARCH 14, 2018 – NO CLASS (SPRING BREAK)

WEEK 10: MARCH 21, 2018

#### C. MODELS WITH INSTITUTIONS

*Required readings:*

- 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.
- Dutt, Pushan and Devashish Mitra (2002). Endogenous Trade Policy Through Majority Voting: An Empirical Investigation. *Journal of International Economics*, 58 (1): 107–133.
- Kono, Daniel Y. (2006). Optimal Obfuscation: Democracy and Trade Policy Transparency. *American Political Science Review* 100–3 (August 2006):369–384.
- Bailey, Michael A., Judith Goldstein, and Barry. Weingast (1997). The Institutional Roots of American Trade Policy. *World Politics* 49 (3): 309–338.
- Hiscox, Michael J. (1999). The Magic Bullet? The RTAA, Institutional Reform and Trade Liberalization. *International Organization* 53, 4: 669–698.
- McGillivray, Fiona (2004). Privileging Industry. The Comparative Politics of Trade and Industrial Policy. Princeton, NJ: Princeton University Press, chapters 1–3.

*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.
- ★ Goldstein, Judith, and Robert Gulotty (2014). “America and Trade Liberalization: The Limits of Institutional Reform.” *International Organization* 68(2): 263–295.
- ★ Hall, H. Keith and Douglas Nelson (1992). Institutional Structure in the Political Economy of Protection. *Economics & Politics* 4 (1): 61–77.
- ★ Irwin, Douglas (1997). *Against the Tide: An Intellectual History of Free Trade*. Princeton University Press.
- ★ Lohmann, Susanne and Sharyn O’Halloran (1994). Divided Government and U.S. Trade Policy. *International Organization* 48 (4): 595–632.
- ★ Mansfield, Edward D., and Marc L. Busch (1995). The Political Economy of Nontariff Barriers: A Cross–National Analysis. *International Organization* 49 (4): 723–749.
- ★ Mansfield, Edward D. , Helen V. Milner, and B. Peter Rosendorff (2002). “Why Democracies Cooperate More: Electoral Control and International Trade Agreements.” *International Organization* 56 (3): 477–513.
- ★ 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 & Politics* 2 (1): 1–23.
- ★ 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.
- ★ Nunn, Nathan, and Daniel Treffer (2013). “Domestic institutions as a source of comparative advantage.” NBER Working Paper No. 18851, National Bureau of Economic Research, February 2013.

- ★ Park, Jong Hee and Nathan Jensen (2007). “Electoral Competition and Agricultural Support in OECD Countries.” *American Journal of Political Science* 51 (2): 314–29
- ★ Rogowski, Ronald (1987). “Trade and the Variety of Democratic Institutions,” *International Organization* 41 (2): 203–223.
- ★ 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.

WEEK 11: MARCH 28, 2018

#### D. MODELS WITH INTERNATIONAL INSTITUTIONS

*Required readings:*

- Ruggie, John (1982). “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Order.” *International Organization* 36 (2): 379–415.
- Dearnorff, Alan V. and Robert M. Stern (2002). What You Should Know About Globalization and the WTO. *Review of International Economics* 10 (3): 400–423.
- Maggi, Giovanni (1999). The Role of Multilateral Institutions in International Trade Cooperation. *American Economic Review* 89 (1): 190–214.
- Bagwell, Kyle and Robert W. Staiger (1999). An Economic Theory of GATT. *American Economic Review* 89 (1): 215–248.
- Staiger, Robert W., and Guido Tabellini (1999). Do GATT Rules Help Governments Make Domestic Commitments? *Economics & Politics* 11 (2): 109–144.

*Recommended readings:*

- ★ Bagwell, Kyle, and Robert W. Staiger (2002). *The economics of the world trading system*. Cambridge, MA: MIT Press.
- ★ Bagwell, Kyle, and Robert W. Staiger (2004). “Multilateral Trade Negotiations, Bilateral Opportunism, and the Rules of GATT/WTO.” *Journal of International Economics* 63 (2004), 1–29.
- ★ Barton, J. J. Goldstein, T. Josling, and R. Steinberg (2006). *“The Evolution of the Trade Regime: Politics, Law, and Economics of the GATT and WTO.”* Princeton, NJ: Princeton University Press.
- ★ Mansfield, Edward D, and Helen V Milner (2012). “Votes, Vetoes, and the Political Economy of International Trade Agreements.” Princeton, NJ: Princeton University Press.

WEEK 12: APRIL 4, 2018

#### E. THE EFFECTS OF INTERNATIONAL INSTITUTIONS

*Required readings:*

- Gowa, Joanne and Soo Yeon Kim (2005). An Exclusive Country Club. The Effects of the GATT on Trade, 1950–994. *World Politics* 57 (4): 453–478.
- Goldstein, Judith, Douglas Rivers, and Michael Tomz (2007). “Institutions in International Relations: Understanding the Effects of the GATT and the WTO on World Trade.” *International Organization* 61 (Winter): 37–67.
- Rose, Andrew K. (2004). Do WTO Members Have a More Liberal Trade Policy? *Journal of International Economics*, 63(2): 209–235.
- Pelc, Krzysztof (2011). “Why do Some Countries Get Better WTO Accession Terms than Others?” *International Organization*, 65(4): 639–672.
- Baccini, Leonardo, Pablo M. Pinto and Stephen Weymouth (2017). “The Distributional Consequences of Preferential Trade Liberalization: Firm–Level Evidence.” *International Organization* 71(2) (Spring 2017): 373–395.

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- ★ 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.
- ★ Davis, Christina (2004). “International Institutions and Issue Linkage: Building Support for Agricultural Trade Liberalization.” *American Political Science Review* 98 (1) (February): 153–69.
- ★ Estevadeordal, Antoni, Dani Rodrik, Alan M. Taylor, and Andrés Velasco, editors (2004). *Integrating the Americas. FTAA and Beyond*, Cambridge, Mass.: Harvard University Press.
- ★ Maggi, Giovanni, and Andres Rodriguez–Clare (2005). “A Political–Economy Theory of Trade Agreements.” *American Economic Review*, 97(4): 1374–1406.
- ★ Mayer, Frederick W. (2001). *Negotiating NAFTA: Political Lessons for the FTAA*. Duke University, Terry Sanford Institute of Public Policy Working Paper 01–17.
- ★ Olarreaga, Marcelo, & Isidro Soloaga (1998). “Endogenous Tariff formation: The case of Mercosur.” *The World Bank Economic Review* 12 (2): 297–320.

- ★ Tomz, Michael, Judith Goldstein and Douglas Rivers (2007). “Do we really know that the WTO increases trade Commitment.” *American Economic Review* 97 (5):2005–2018.
- ★ Rose, Andrew K. (2004). Do We Really Know That the WTO Increases Trade? *American Economic Review*, 94 (1): 98–114.
- ★ Rose, Andrew K. (2005). Response to Tomz, Goldstein, and Rivers’ “Membership has Its Privileges: The Impact of GATT on International Trade.” *American Economic Review* (December 2007) 97 (5):2019–25.

### III. MULTINATIONAL CORPORATIONS AND FDI

WEEK 13: APRIL 11, 2018

#### A. FDI & MNCs – THEORY AND MODELS

*Required readings:*

- 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.
- Helpman, Elhanan (2006). “Trade, FDI, and the Organization of Firms.” *Journal of Economic Literature* 44 (Sept 2006), 589–630.
- Melitz, Marc J. and Daniel Treffer (2012). “Gains from Trade when Firms Matter.” *Journal of Economic Perspectives* 26 (2), Spring 2012: 91–118.
- Lipsey, Robert E. (2002). Home-and Host-Country Effects of Foreign Direct Investment. In Robert E. Baldwin and L. Alan Winters, editors, *Challenges to Globalization: Analyzing the Economics*, Chicago, IL: University of Chicago Press. <http://www.nber.org/chapters/c9543>
- Bernard, Andrew B. , J. Bradford Jensen, Stephen J. Redding, Peter K. Schott (2010). “Intra–firm Trade and Product Contractibility.” *American Economic Review Papers and Proceedings* 100 (2) (May 2010): 444–48.

*Recommended readings:*

- ★ Loungani, Prakash and Razim Assaf (2001). “How Beneficial Is Foreign Direct Investment for Developing Countries?” *Finance & Development*, 38, No 2, pp. 6–9.
- ★ Krugman, Obstfeld and Melitz (2011). Chapter 8.
- ★ Aitken, Brian J. and Ann E. Harrison (1999). “Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela.” *American Economic Review*, 89 (3): 605–618.
- ★ Berliner, Daniel, Anne Regan Greenleaf, Milli Lake, Margaret Levi, and Jennifer Noveck (2015). “Governing Global Supply Chains: What We Know (and Don’t) About Improving Labor Rights and Working Conditions.” *Annual Review of Law and Social Science*, Vol.11: 193–209.
- ★ Bhagwati, Jagdish, Arvind Panagariya and T. N. Srinivasan (2004). “The Muddles over Outsourcing.” *Journal of Economic Perspectives*, 18 (4): 93–114.
- ★ Blonigen, B. and R. Feenstra (1997). Protectionist Threats and Foreign Direct Investment. in Robert C. Feenstra, editor, *The Effects of U.S. Trade Protection and Promotion Policies*: 55–80.
- ★ Brown, Drusilla K., Alan V. Deardorff, and Robert M. Stern (2003). The Effects of Multinational Production on Wages and Working Conditions in Developing Countries. In *Challenges to Globalization: Analyzing the Economics*, Robert E. Baldwin and L. Alan Winters, editors. Chicago, IL: University of Chicago Press. <http://www.nber.org/chapters/c9541>
- ★ Caves, Richard (1996). *Multinational Enterprise and Economic Analysis*, 2nd Edition, Cambridge University Press. Chapters 5 & 9.
- ★ Feenstra, Robert C. and Gordon H. Hanson (1997). “Foreign direct investment and relative wages: Evidence from Mexico’s maquiladoras.” *Journal of International Economics* 42 (3–4): 371–393.
- ★ Graham, Edward and Paul R. Krugman (1995). *Foreign Direct Investment in the United States*. 3rd ed. Washington DC: Institute for International Economics.
- ★ Hanson, Gordon H., Raymond Mataloni, and Matthew J. Slaughter (2001). Expansion Strategies of U.S. Multinational Firms. *Brookings Trade Forum* Vol. 2001:245–294.
- ★ Lipsey, Robert E. (2001). Foreign direct investment and the operations of multinational firms: concepts, history, and data. NBER Working Paper 8665.
- ★ Loungani, Prakash, Ashoka Mody and Assaf Razin (2002). “The Global Disconnect. The Role of Transactional Distance and Scale Economies in Gravity Equations.” *Scottish Journal of Political Economy*, 49–5:526–543.
- ★ Markusen, James R (2002). *Multinational Firms and the Theory of International Trade*. Cambridge, MA: Cambridge University Press.
- ★ Mundell, Robert A. (1957). “International Trade and Factor Mobility.” *American Economic Review* 47 (3): 321–335.
- ★ Mody, Ashoka (2004). “Is FDI integrating the World Economy?” *The World Economy*, 27–8: 1195–1222.

- ★ Sjöholm, Fredrik, and Robert E. Lipsey (2006). "Foreign Firms and Indonesian Manufacturing Wages: An Analysis with Panel Data." *Economic Development and Cultural Change* 55(1): 201–221.

WEEK 14: APRIL 18, 2018

B. MNCs, FDI AND POLITICS

*Required readings:*

- Jensen, Nathan (2003). Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment. *International Organization* 57 (3): 587–616.
- 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.
- Henisz, Withold (2000). "The Institutional Environment for Multinational Investment." *Journal of Law, Economics, and Organization* 16 (2): 334–364.
- Alfaro, Laura (2004). Capital Controls: A Political Economy Approach. *Review of International Economics*, 12–4:571–590.
- Pinto, Pablo M., and Santiago M. Pinto (2008). "The Politics of Investment: Partisanship and the Sectoral Allocation of Foreign Direct Investment" in *Economics & Politics* 20, (2): 216–254.
- Scheve, Kenneth & Matthew J. Slaughter (2004). Economic Insecurity and the Globalization of Production. *American Journal of Political Science* 48 (4): 662–674.

*Recommended readings:*

- ★ Buthe, Tim and Helen Milner (2008). "The Politics of Foreign Direct Investment into Developing Countries: Increasing FDI through International Trade Agreements?" *American Journal of Political Science* 52, no.4 (October): 741–62.
- ★ 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.
- ★ Elkins, Zachary, Andrew T. Guzman, and Beth A. Simmons (2006). Competing for capital: The Diffusion of Bilateral Investment Treaties 1960–2000. *International Organization*, 60 (4): 811–846.
- ★ Evans, Peter (1979). *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil*. Princeton: Princeton University Press; 274–329.
- ★ Frieden, Jeffrey A. (1994). International Investment and Colonial Control: A New Interpretation. *International Organization* 48 (4): 559–93.
- ★ 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.
- ★ Hajzler, Christopher (2012). "Expropriation of foreign direct investments: sectoral patterns from 1993 to 2006." *Review of World Economics* Vol. 148:119–149.
- ★ Jensen, Nathan M. (2008). "Political Regimes and Political Risk: Democratic Institutions and Expropriation Risk for Multinational Investors." *Journal of Politics* 70 (4): 1040–1052.
- ★ Jensen et. al (2012). "Politics and Foreign Direct Investment. What makes a country attractive to multinational corporations?" Ann Arbor, MI: Michigan University Press. Chapter 4: Partisan Governments and the Distributive Effects of Foreign Direct Investment.
- ★ Kim, In Song (2017). "Political Cleavages within Industry: Firm-level Lobbying for Trade Liberalization." *American Political Science Review* 111 (1): 1–20.
- ★ Kobrin, Stephen J. (1987). Testing the Bargaining Hypothesis in the Manufacturing Sector in Developing Countries. *International Organization* 41 (4): 609–38.
- ★ Li, Quan (2009). "Democracy, Autocracy, and Expropriation of Foreign Direct Investment." *Comparative Political Studies*, 42, No. 8, pp. 1098–1127.
- ★ Moran, Theodore (1978). Multinational Corporations and Dependency. *International Organization* 32: 79–100.
- ★ Oneal, John R. (1994). The affinity of foreign investors for authoritarian regimes. *Political Research Quarterly* 47 (3): 565–588.
- ★ Pandya, Sonal S. (2010). "Labor Markets and the Demand for Foreign Direct Investment." *International Organization* (Summer 2010) 64 (3): 389–409.
- ★ Pinto, Pablo M. (2013). "Partisan Investment in the Global Economy: Why the Left loves foreign direct investment and FDI loves the Left." New York, NY: Cambridge University Press.
- ★ 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.

WEEK 15: APRIL 25, 2018 – PRESENTATION OF RESEARCH PAPER DRAFTS

