

## TOPICS IN INTERNATIONAL ECONOMIC POLICY

EC 876  
online Zoom

Spring 2021  
TTh 9:00-10:15

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Office Hours: T 4:30-5:30, W 12:00-1:00 Zoom

The course has three objectives. One objective is to cover aspects of international trade policy, a set of topics that are important in international trade theory literacy. This objective comprises Sections I-III of the reading list.

The second objective is to read some papers in areas of trade and trade policy that appear likely to lead to more research. This necessarily reflects my personal biases, but at least some others in the field find the papers promising too. Sections IV-VII are a forecast of papers to be covered, details may change.

The third and most important objective of this course is to begin to learn how to do original research. We will approach reading and expositing articles and chapters looking to see why the topic was significant, how successful was the modeling, how convincing or intuitive were the results, where the next research line might go.

Students will be expected to work through the assigned reading before the class period in which it is discussed. Class discussion is important. The \* readings are required.

The course grade will be based on a midterm exam (based on Sections I-III covering trade policy) and 3 papers (alongside participation in class discussion). Two papers will be critical reviews of a paper selected from the reading list or from consultation with the professor; with a class presentation is to be based on that critical review. Optimally the review will contain original work either extending or critiquing the model. As a guideline, think of writing a referee report for a journal, or presenting commentary on a paper at a professional conference (both activities expected of professional economists).

The third paper is an original research idea, with presentation in class.

Grading:

Midterm exam: 25%

Each paper / assignment 25%

## READING LIST

### I. TRADE POLICY IN THE PUBLIC INTEREST

#### A. Theory

##### Readings

\*Anderson, JE and JP Neary, Measuring Trade Restrictiveness, (2004) chs. 3,6,7.

\*Anderson, JE and JP Neary (2007) "Welfare vs. Market Access: Implications of Tariff Structure for Trade Reform", *Journal of International Economics*, 71 (1), 187-205.

\*Anderson, JE and JP Neary, "Sufficient Statistics for Trade Reform when Revenue Matters" (2016), *Journal of International Economics* (www2.bc.edu/james-anderson/RevenueTarReform.pdf).

A. Dixit, "Taxation in Open Economies," Chapter in Handbook of Public Finance

#### B. Empirical work on Trade Policy

##### readings:

\*Feenstra, ch. 7

\*The Production Relocation and Price Effects of US Trade Policy: The Case of Washing Machines, with Aaron Flaaen and Ali Hortacsu, *American Economic Review*, July 2020  
*Antidumping*

Blonigen, Bruce A., and Stephen E. Haynes. "Antidumping Investigations and the Pass-Through of Exchange Rates and Antidumping Duties." *American Economic Review*, Vol. 92(September 2002), pp. 1044-1061.

Blonigen's anti-dumping webpage: <http://pages.uoregon.edu/bruceb/adpage.html>

\*Blonigen, Bruce A. and Jee-Hyeong Park. "Dynamic Pricing in the Presence of Antidumping Policy: Theory and Evidence." *American Economic Review*, Vol. 94 (March 2004): pp. 134-154.

\*T. J. Prusa, "Why Are So Many Antidumping Petitions Withdrawn?", *Journal of International Economics* 33:1-2, August 1992, pp. 1-20.

M. Zanardi, "Antidumping Law as a Collusive Device," (2004), *Canadian Journal of Economics* 37(1), 95-122.

### *Policy Uncertainty*

\*Kyle Handley and Nuno Limao, "Policy Uncertainty, Trade and Welfare: Theory and Evidence for China and the United States", *American Economic Review*, (2017), 107(9), 2731-2783.

### C. Strategic Trade Policy

Readings:

\*J. Brander, "Strategic Trade Policies" in Handbook, vol. 3.

J. McLaren 1997, "Size, Sunk Cost and Judge Bowker's Objection to Free Trade", *AER*, 400-420.

## **II. POLITICAL ECONOMIC MODELS OF POLICY-MAKING**

### *Median Voter Models:*

\*W. Mayer, "Endogenous Tariff Formation," *American Economic Review* 74:5, December 1984, pp. 970-985.

\*R. Fernandez and D. Rodrik, "Resistance to Reform: Status Quo Bias in the Presence of Individual-Specific Uncertainty," *American Economic Review* 81:5, December 1991, pp. 1146-1155.

C. Davidson, S. Matusz and D. Nelson (2007), "Can Compensation Save Free Trade?", *Journal of International Economics*, 71, 167-86.

### *Lobbies and Information*

Grossman and Helpman, *Special Interest Politics*, chs. 4,5.

S. Esteban and D. Ray (2006), "Inequality, Lobbying and Resource Allocation", *American Economic Review*, 96, 257-79.

### *Lobbies as Principals, Government as Agent:*

\*G. Grossman and E. Helpman, "Protection for Sale," *American Economic Review* 84:4, September 1994, pp. 833-850; Grossman-Helpman, *Special Interest Politics*, Ch. 8.

\*G. Maggi and P. Goldberg, "Protection for Sale: an Empirical Investigation," *American Economic Review* 89:5, December 1999, pp. 1135-1155.

\*K. Gawande and U. Bandyopadhyay, "Is Protection for Sale? Evidence on the Grossman-Helpman Theory of Endogenous Protection," *Review of Economics and Statistics* 82:1, February 2000, pp. 139-152.

#### *Empirics of Lobbying*

M. Bertrand, M. Bombardini and F. Trebbi, "Is It Whom You Know or What You Know? An Empirical Assessment of the Lobbying Process", *American Economic Review* 104(12), 3885-3920.

M. Blanga-Gubbay, P. Conconi and M. Parenti, "Lobbying for Globalization" (2020) working paper.

### **III. TRADE AGREEMENTS**

#### *Multilateral Frameworks:*

\*Bagwell, K. and R. Staiger, 2002, *The Economics of the World Trading System*, ch. 2, chs. 4-6.

K. Bagwell and R. Staiger, "An Economic Theory of GATT," *American Economic Review* 89:1, March 1999, pp. 215-48.

Antras, P. and R. Staiger, 2012, "Offshoring and the Role of Trade Agreements", *American Economic Review*, 102 (7), 3140-83.

Maggi, G. and R. Ossa (2020) "The Political Economy of Deep Integration", NBER WP 28190.

#### *Enforcement*

\*R. Staiger and K. Bagwell, "A Theory of Managed Trade", *American Economic Review* 80:4, September 1990, pp. 779-795.

R. Staiger and G. Tabellini, "Do GATT Rules Help Governments Make Domestic Commitments?" *Economics and Politics* 11:2, July 1999, pp. 109-144.

G. Maggi, "The Role of Multilateral Institutions in International Trade Cooperation," *American Economic Review* 89:1, March 1999, pp. 190-214.

H. Horn, G. Maggi and R. Staiger, (2010), "Trade Agreements as Endogenously Incomplete Contracts", *American Economic Review*, 100, 394-419.

G. Maggi and R. Staiger, (2011), "The Role of Dispute Settlement Procedures in International Trade Agreements", *Quarterly Journal of Economics*, 126, 475-515.

#### *Commitment vs. Domestic Agents*

\*G. Maggi and A. Rodriguez-Clare, "The Value of Trade Agreements in the Presence of Political Pressures," *Journal of Political Economy* 106:3, June 1998, pp. 574-601.

----- (2007) "A political economy theory of trade agreements", *American Economic Review*, 97, 1374-1406.

#### *Quantifying the Theory*

Ralph Ossa, "Trade Wars and Trade Talks with Data", *American Economic Review*, 104(12), 4104-46.

#### *Empirical Assessment of Trade Agreements*

\*A.Subramanian and S. Wei (2007), "The WTO Promotes Trade Strongly, but Unevenly", *Journal of International Economics*, 72, 151-75.

\*S. Baier and J. Bergstrand (2007), "Do free trade agreements actually increase members' international trade?", *Journal of International Economics*, 71, 72-95.

\*Anderson, JE and Yoto V. Yotov, (2016) "Terms of Trade and Global Efficiency Effects of Free Trade Agreements", *Journal of International Economics*, 2016.

\*Caliendo, L., R.C. Feenstra, J. Romalis and A. M. Taylor, (2015) "Tariff Reductions, Entry and Welfare: Theory and Evidence for the Last Two Decades", NBER WP. 21768.

### **IV. INSTITUTIONS AND TRADE**

#### *Overview*

N. Nunn and D. Trefler, "Domestic Institutions as a Source of Comparative Advantage", *Handbook of International Economics*, vol. 5

#### *Trade Causing Institutions*

Nunn-Trefler, Section 4

Do, Q. and A. Levchenko, "Trade, inequality, and the political economy of institutions," *Journal of Economic Theory*, July 2009, 144 (4), 1489-1520.

### **V. Gravity Model Applications**

#### **1. Networks**

Chaney, Thomas, "The Network Structure of Trade", *American Economic Review*, 2014, 104(11): 3600-3634

Anderson, J.E. and Yoto V. Yotov, "Short Run Gravity", *Journal of International Economics*, 2020.

\_\_\_\_\_ "Pound-for-pound Export Diversification: Quantifying the Extensive margin" (2020) NBER WP 28277.

Tintelnot, Felix, Ayumu Ken Kikkawa, Magne Mogstad and Emmanuel Dhyne, "Trade and Domestic Production Networks", NBER WP 25120 (2018) REStud 2021

## **2. Shock Propagation**

D. Bartelme, T. Lan and A. Levchenko, "Specialization, Market Access and Real Income" (2020), NBER WP 28274.

## **2. General Equilibrium Exercises**

Justin Caron, Thibault Fally and James Markusen, "International Trade Puzzles: A solution linking production and preferences", *Quarterly Journal of Economics*, (2014).

Adao, Rodrigo, Arnaud Costinot and Dave Donaldson, (2017) "Nonparametric Counterfactual Predictions in Neoclassical Models of International Trade", *American Economic Review*, 107(3), 633-89.

Morrow, Peter and Daniel Trefler (2017), "Endowments, Skill-biased Technology and Factor Prices: A Unified Approach to Trade", NBER WP 24078

## **VI. Intra-national Trade Costs**

Ramondo, Natalia, Andres Rodriguez-Clare and Milagro Saborio-Rodriguez, "Trade, Domestic Frictions and Scale Effects", (2016), 106(10), 3159-3184.

Donaldson, Dave (2018), *American Economic Review*, "Railroads of the Raj: Estimating the Impact of Transportation Infrastructure", 108 (4-5), 899-934.

## **VII. Contracts and Trade**

Pol Antras, *Global Production: Firms, Contracts and Trade Structure* (2015)