

**INTS 4310**  
**INTERNATIONAL TRADE**  
**Winter, 2011**

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### **Course Description**

The subject of this course is the theory, policy, political economy and history of the international organization of trade. Mainstream international trade theory is based mainly on microeconomic tools of analysis. For this reason, a familiarity with Microeconomic Theory is a prerequisite for this course. At the least, all students must have successfully completed at the undergraduate level a course in Introductory Microeconomics or International Economics.

The field of international trade ranges from abstract theoretical modeling to policy controversies. In this course we will examine both—we will take care to explore neoclassical and heterodox trade theory, while also paying attention to important empirical, political economy and policy-issues.

Following the examination of trade theory we will explore four contemporary debates in international trade. I have provided readings for eight topics here, for your future reference. The four issues are: 1. the debate over free vs. fair trade; 2. trade and gender; 3. trade, growth, poverty and inequality; and one of the following: trade and the environment; wages and outsourcing; China and global trade; the political economy of the WTO; and terms of trade and unequal exchange vis-à-vis developing countries.

### **Course Materials**

The following book will be used extensively in the course and is available at the bookstore:

Paul Krugman and Maurice Obstfeld, *International Economics*, Addison Wesley, 6<sup>th</sup> edition, 2003, 7<sup>th</sup> edition, 2005, 8<sup>th</sup> edition, 2009. (Note: you may also use older editions of the text. We will not be using the ‘access kit’ that is sold with newer editions of the text. Chapter numbers below refer to the 2009 edition; if you’re using an older edition, be sure that you are reading the correct chapters.)

You can find the other required readings for the course in a few different venues. Most readings are in Blackboard (these are in the “Course Documents” folder and are marked on the syllabus with BB). You can also find many of the readings on your own by using Jstor, Goldrush, Google, or Google Scholar. Note that optional readings are not available through Blackboard.

## Data Sources on International Trade

World Bank's World Development Indicators (import and export duties, trade volumes, other cross-national data).

<http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:21725423~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html>

NBER Data Sets, including detailed trade statistics

- <http://www.nber.org/data/>

The Center for International Data at UC Davis.

- <http://cid.econ.ucdavis.edu/>

World Bank Trade Data, including the international trade and production database.

- <http://go.worldbank.org/K2LPHKB0M0>

United Nations COMTRADE data base

- <http://comtrade.un.org/>

UNCTAD Trade Analysis and Information System (TRAINS):

- <http://www.unctad.org/trains/index.htm>

US Census Bureau Foreign Trade Statistics:

- <http://www.census.gov/foreign-trade/www/>

Detailed US and Canada imports by source (6-digit HS) from Industry Canada:

- [http://strategis.ic.gc.ca/sc\\_mrkti/tdst/engdoc/tr\\_homep.html](http://strategis.ic.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html)

Jon Haveman's International Trade Data:

<http://www.macalester.edu/research/economics/page/haveman/trade.resources/tradedata.html>

Office of the United States Trade Representative National Trade Estimate Report on Foreign Trade Barriers:

- [http://www.ustr.gov/Document\\_Library/Reports\\_Publications/Section\\_Index.html](http://www.ustr.gov/Document_Library/Reports_Publications/Section_Index.html)

Inter-American Development Bank's Trade and Integration Databases:

- <http://www.iadb.org/research/index.cfm?language=english>

U.S. Department of State Country Commercial Guides:

Link: [www.state.gov/r/pa/ei/bgn/](http://www.state.gov/r/pa/ei/bgn/)

World Trade Organization's Trade Policy Reviews. These are up-to-date reviews of commercial policies in member countries.

- [http://www.wto.org/english/tratop\\_E/tpr\\_e/tpr\\_e.htm](http://www.wto.org/english/tratop_E/tpr_e/tpr_e.htm)

Tuck Trade Agreements Data Base. Comprehensive, searchable collection of the text of RTAs.

- <http://www.dartmouth.edu/~tradedb/index.php>

Trade polls. Conveniently collected results from recent polls covering globalization-related questions.

- <http://www.pollingreport.com/trade.htm>

WorldTradeLaw.net. An online source for world trade law, including WTO dispute settlement.

- <http://www.worldtradelaw.net/>

## Grading

Course grades will be determined as follows: two take-home exams (85% of grade) and participation in class discussions (15% of grade). The exams will be distributed in class (see course outline below for dates). Extensions will not be given. You may use your own notes in preparing this exam, but you may not talk with any of your colleagues (or others) about the exam. Assessment of class participation will depend on your demonstrated preparation for class each week, and on the quality (and not primarily the quantity) of your contributions to class discussion.

## Preparation for class each week

Please read the required materials in the order presented on the syllabus. I will expect that you have completed all assigned readings prior to the class meeting. Many of the materials are demanding; be sure to allocate sufficient time to read them carefully and, if necessary, repeatedly.

## COURSE OUTLINE

### INTRODUCTION TO THE GLOBAL TRADE SYSTEM: AN OVERVIEW OF THE KEY ISSUES, DEBATES, AND PROBLEMS

(Jan. 4)

There are no required readings for the first meeting of the course. In order to set the context for our study this term, I will present an overview of the key challenges confronting the global trade system. The Coughlin piece listed below presents a wonderful summary of many of the themes that will appear in this course.

#### Optional:

Coughlin, Cletus. 2002. "The Controversy Over Free Trade: The Gap Between Economists and the General Public." *The Federal Reserve Bank of St. Louis Review* 84(1): 1-21. Available at [www.research.stlouisfed.org/publications/review/02/01/1-22Coughlin.pdf](http://www.research.stlouisfed.org/publications/review/02/01/1-22Coughlin.pdf).

Krugman, Paul. 2008. "The Great Illusion." *The New York Times* Op-ed page, August 16.

Krugman, Paul. 1993. "What Do Undergrads Need to Know About Trade?" *The American Economic Review*, Papers and Proceedings 83(2): 23-26. (Don't worry: this is also relevant to graduate students, though the reading is nevertheless optional.)

Leamer, Edward. 2007. "A Flat World, a Level Playing Field, a Small World After All, or None of the Above? A Review of Thomas L. Friedman's *The World is Flat*," *Journal of Economic Literature* 45(1): 83-126.

### I. THE EVOLUTION OF THE INTERNATIONAL TRADE SYSTEM: AN HISTORICAL OVERVIEW

(Jan. 11)

#### A. The Pre-GATT World

##### Required:

- Bairoch, P. and Kozul-Wright, R., "Globalization Myths: Some Historical Reflections on Integration, Industrialisation, and Growth in the World Economy," *UNCTAD Discussion Paper Number 113*, 1996. (Note: do not get distracted by the discussion of international financial flows, except when the discussion turns to FDI. A very important piece.)
- Chang, Ha-Joon, "Once Industrialised, Preach Free Trade," *South Bulletin*, July 30 2002, [http://www.southcentre.org/index.php?option=com\\_content&task=view&id=559&Itemid=126](http://www.southcentre.org/index.php?option=com_content&task=view&id=559&Itemid=126). (Note: focus on the historical discussion rather than on the prescriptions that are discussed toward the end of the article. This article draws from Chang's book, *Kicking away the ladder*—see optional readings below for full citation.)
- Arthur Stein, "The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order," *International Organization* 38 (Spring 1984): 355-386.

Optional:

- Baldwin, R., P. Martin. 1999. "Two Waves of Globalization: Superficial Similarities, Fundamental Differences." NBER Working Paper No. 6904. (Note: do not get distracted by the discussion of international financial flows, except when the discussion turns to FDI.)
- Wallerstein, Immanuel. 1980. *Mercantilism and the Consolidation of the European World Economy, 1600-1750*. New York: Academic Press.
- Chang, Ha-Joon, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, London: Anthem Press, 2002. Introduction.
- Antoni Esteveordal, Brian Frantz, Alan M. Taylor, "The Rise and Fall of World Trade, 1870-1939," NBER Working Paper, 2003.
- Michael D. Bordo, Barry Eichengreen, Douglas A. Irwin, "Is Globalization Today Really Different than Globalization a Hundred Years Ago?", NBER Working Paper, 1999.
- Kevin H. O'Rourke, Jeffrey G. Williamson, "From Malthus to Ohlin: Trade, Growth and Distribution Since 1500", NBER Working Paper, 2002
- Alan M. Taylor, "Globalization, Trade, and Development: Some Lessons From History", NBER Working Paper, 2002.
- David Lazer, "The Free Trade Epidemic of the 1860s and Other Outbreaks of Economic Discrimination," *World Politics* 51 (July 1999): 447-483.
- Williamson, Jeffrey, "Winners and Losers Over Two Centuries of Globalization," *WIDER Annual Lecture 6*, World Institute for Development Economics Research, 2002. (This paper is also relevant to the discussion of unequal exchange theory in part III of the course.)
- Irwin, D.A. 1996. "The United States in a New Global Economy? A Century's Perspective." *American Economic Review* 86(May): 41-46.
- Barry Eichengreen, "The Political Economy of the Smoot-Hawley Tariff," NBER Working Paper No. 2001, August 1986. (Note: do not get distracted by the model in section V.)

**B. The Post-GATT World: The WTO and the Rise of Bi- and Multilateral Trade Regimes**

Required:

- John Barton, Judith Goldstein, Timothy Josling, and Richard Steinberg, *The evolution of the trade regime: Politics, law and economics of the GATT and the WTO*, Princeton and Oxford: Princeton University Press, 2006. Read chapters 1-2 (though focus on the big

picture rather than the minute details).

Shadlen, Kenneth. 2005. Exchanging development for market access: Deep integration and industrial policy under multilateral and regional-bilateral trade agreements. *Review of International Political Economy*, 12(5), pp. 750-775. ***This is an important piece, and we will revisit its main themes throughout the course.***

Optional:

Arvind Panagariya, "The Regionalism Debate: An Overview," *World Economy*, June 1999, 477-511. (Note: do not get distracted by the technical discussion in part 2 of the article. This is also a reading where you should focus on the "big picture.")

Susan Ariel Aaronson, *Trade and the American Dream: A Social History of Postwar Trade Policy* (Lexington: University of Kentucky Press, 1996).

Andrew G. Brown, *Reluctant Partners: a History of Multilateral Trade Cooperation, 1850-1900* (Ann Arbor: University of Michigan Press, 2003).

Orin Kirschner, ed., *The Bretton Woods-GATT System: Retrospect and Prospect after Fifty Years* (Armonk, NY: M.E. Sharpe, 1996).

Jacob Viner, "Conflicts of Principle in Drafting a Trade Charter," *Foreign Affairs* 25, no. 4 (July 1947).

Thomas W. Zeiler, *Free Trade, Free World : The Advent of GATT* (Chapel Hill : U. of North Carolina Pr., 1999).

Wade, Robert. 2003. What strategies are viable for developing countries today? The WTO today and the shrinking of the 'development space.' *Review of International Political Economy*. 10(4), pp. 621-44.

## **II. CORE TRADE THEORIES AND EMPIRICAL TESTS THEREOF (4 sessions)**

### **A. Ricardian/Classical Model of Trade**

(Jan. 18)

Required:

Ricardo, David. 1821. Chapter 7 "On Foreign Trade" in *On the Principles of Political Economy and Taxation*. London: John Murray, Third Edition. Focus only on paragraphs 7.11-7.19 (the rest of the chapter is optional, but may be of interest to those of you who have already studied IMR).

- Available at: <http://www.econlib.org/library/Ricardo/ricP2a.html>.

Krugman and Obstfeld, *International Economics*, chapters 2-3. (Note: you can skip the discussion of the gravity model in chapter 2-we will discuss that in a few weeks.)

Krugman, Paul. "Ricardo's Difficult Idea," 1996, unpublished paper. Focus only on pp. 1-7 The important ideas appear in section 3, pp. 5-7, where he summarizes and debunks what he takes to be misguided critiques of trade theory).

Prasch, Robert. 1996. "Reassessing the Theory of Comparative Advantage," *Review of Political Economy* 8(1): 37-55. NB: we have not yet studied the Heckscher-Ohlin model of trade (we do that next week), which he discusses in section 9 of the paper. But I think you can begin to make sense of his critique based on what you see here. This section will make more sense to

you after next week's readings. For the rest, keep Krugman's arguments in mind as you read Prasch. Is Prasch susceptible to Krugman's critique?

Optional:

- Deardorff, Alan. 1979. "Weak Links in the Chain of Comparative Advantage." *Journal of International Economics* 9(2): 197-209.
- Cohen, Stephen, Joel Paul and Robert Blecker. 1996. *Fundamentals of U.S. Foreign Trade Policy*. Boulder: Westview Press. Chapter 3, "Economic Theories of International Trade"
- Maneschi, Andrea. 1992. "Ricardo's International Trade Theory: Beyond the Comparative Cost Example." *Cambridge Journal of Economics* 16: 421-437.
- Milberg, W. 2002. "Keynes' Rejection of Comparative Advantage: Say's Law in the Open Economy," in S. Dow and J. Hillard, *Keynes, Uncertainty and the Global Economy*, Aldershot: Edward Elgar.

**B. Heckscher-Ohlin, Specific Factors & Empirical Tests**

(Jan. 25)

Required:

- Krugman and Obstfeld, *International Economics*, chapter 4 (skip appendix).
- Subasat, Turan. 2003. "What Does the Heckscher-Ohlin Model Contribute to International Trade Theory? A Critical Assessment." *Review of Radical Political Economics* 35(2): 148-165.
- Wood, Adrian. June 2008. "Heckscher-Ohlin in theory and reality." *QEH Working Paper* No. 157. Available at: <http://www3.geh.ox.ac.uk/pdf/gehwp/gehwp157r1.pdf> (Please read sections 1-4, and the first paragraph only of section 5. Then read section 6. (So, essentially, you're reading the whole thing but for most of section 5).

Optional:

- Bhagwati, Jagdish. 1964. "The Pure Theory of International Trade." *Economic Journal* 74(293): 1-84.
- Bowen, Harry, Edward Leamer and Leo Sveikauskas. 1987. "Multicountry, Multifactor Tests of the Factor Abundance Theory." *The American Economic Review* 77(5): 791-809.
- Jones, R.W. 1956-57. "Factor Proportions and Heckscher-Ohlin Theorem." *The Review of Economic Studies* 24(1): 1-10.
- Neary, Peter. 1978. "Short-run Capital Specificity and the Pure Theory of International Trade." *Economic Journal* 88(351): 488-510.
- Samuelson, Paul. 1948. "International Trade and the Equalization of Factor Prices." *Economic Journal* 58(230): 163-184.
- Trefler, Daniel. 1995. "The Case of Missing Trade and Other Mysteries." *The American Economic Review* 85(5): 1029-1046.
- Trefler, Daniel. 1993. "International Factor Price Differences: Leontief Was Right!" *Journal of Political Economy* 101(6): 961-987.

**C. New Trade Theories #1: Strategic Trade Theory: Does it Matter What You Export?**

(Feb. 1)

Required:

- Krugman and Obstfeld, *International Economics*, pp. 267-73.
- Krugman, Paul. 1987. "Is Free Trade Passé?" *Journal of Economic Perspectives*, Vol. 1, pp. 131-144.
- Cowling, Keith and Roger Sugden. 1998. "Strategic Trade Policy Reconsidered: National Rivalry vs. Free Trade vs. International Cooperation." *Kyklos* 51(3): 339-57.
- Shafaeddin, Mehdi. 1998. "How Did Developed Countries Industrialize? The History of Trade and Industrial Policy: The Cases of Great Britain and the USA." *UNCTAD Discussion Paper* 139.

Optional:

- Anna Maria Mayda and Dani Rodrik, "Why are Some People (and Countries) More Protectionist than Others?" *European Economic Review* 49, no. 6 (2005), pp. 1393-1430.
- Chang, Ha-Joon. 2002. *Kicking Away the Ladder: Development Strategy in Historical Perspective*. London: Anthem Press. Read chapter 2.
- Paul R. Krugman, ed., *Strategic Trade Policy and the New International Economics* (Cambridge, MA, MIT, 1986).
- Baldwin, Robert E. 1989. "The Political Economy of Trade Policy." *Journal of Economic Perspectives* 3(4): 119-135.
- Feenstra, Robert. 1992. "How Costly is Protectionism?" *Journal of Economic Perspectives* 6(3): 159-178.
- Harrison, Ann and Ana Revenga. 1995. "The Effects of Trade Policy Reform: What Do We Really Know?" NBER Working Paper No. 5225.
- Irwin, Douglas, "Mercantilism as Strategic Trade Policy: The Anglo-Dutch Rivalry for the East India Trade," *Journal of Political Economy*, 99(6), 1296-1314, 1991.
- Redding, Stephen. 1999. "Dynamic Comparative Advantage and the Welfare Effects of Trade." *Oxford Economic Papers* 51: 15-39.
- Rodrik, Dani. 1995. "Taking Trade Policy Seriously: Export Subsidization as a Case Study in Policy Effectiveness," in *New Directions in Trade Policy*. Jim Levinsohn, Alan Deardoff and Robert Stern (eds.) Ann Arbor: University of Michigan Press.
- Hausmann, Ricardo, Jason Hwang, and Dani Rodrik. 2007. "What You Export Matters." *Journal of Economic Growth*, 12(1): 1-25.
- Karl C. Kaltenthaler, Ronald D. Gelleny and Stephen J. Ceccoli, "Explaining Citizen Support for Trade Liberalization," *International Studies Quarterly* 48, no. 4 (December 2004): 829-51.
- Schott, Peter K. 2004. "Across-Product versus Within-Product Specialization in International Trade." *Quarterly Journal of Economics* 119(2):647-678.
- Shaikh, Anwar. 2003. "Globalization and the Myth of Free Trade." Paper for the Conference on Globalization and the Myths of Free Trade, New School University.

**D. New Trade Theories, #2: Increasing Returns, Geography, Intra-industry Trade, Monopolistic Competition, Technology Gaps & the Gravity Model**  
(Feb. 8)

Required:

- Krugman & Obstfeld, *International Economics*, ch. 6 (skip appendix—and see specific assignment, below) and sub-section of chapter 2 on the gravity model, pp. 15-18.

NB: the "monopolistic competition model" presented in Krugman and Obstfeld is not worth the effort. I won't take you through this section, and won't expect you to have mastered it. If, however, you have an unquenchable thirst for neoclassical modeling, or if you just don't have a life, feel free to read it carefully and come see me to discuss any parts that are confusing to you.

***FOR THE REST OF YOU: Here's what I'd like you to do:***

1. Read pp. 114-120 top. This will take you through the basic ideas that we discussed last week. Have your lecture notes from last week on hand as you go through this. Stop reading when you get to the heading "Monopolistic Competition."

2. Resume reading on p. 129, at the heading "Economies of Scale and Comparative Advantage." Pay close attention to the lessons (the four enumerated points) on p 131, where Krugman summarizes the findings of the preceding pages. Read the rest of the chapter (129-149). Pay particular attention to the intuition behind "dumping," "external economies" (QUICK: what is the difference between internal economies and external economies? Is the clustering of firms in one industry--say, software development in Silicon Valley, an example of the former or the latter?); external economies and trade, and interregional trade and geography. All of this is intuitively accessible, thankfully, but also important in understanding how economists make sense of contemporary trade patterns.

Palley, Tom. 2006. "Rethinking Trade and Trade Policy: Gomory, Baumol, and Samuelson on Comparative Advantage." *Levy Economics Institute Public Policy Brief* No. 86. (As you read the Palley essay I want to draw your attention to one particularly important argument: it concerns the DYNAMIC and ENDURING effects of strategic trade policy (such as currency devaluation). The relevant arguments appear from about p. 17 through pp. 20-21. Emphasis is placed on the long-run effects of even temporary strategic trade policy. In Palley's view, the arguments relate directly to the situation facing US-China conflict today.

Cagatay, Nilufer. 1994. "Themes in Marxian and Post-Keynesian theories of International Trade: A Consideration with Respect to New Trade Theory," in Mark Glick (ed.) *Competition, Technology and Money*. London: Edward Elgar. (Be prepared to raise any questions you might have about Marxian concepts and approach in class).

Optional:

Deraniyagala, S., and Fine B. 2001. "New Trade Theory Versus Old Trade policy; A Continuing Enigma." *Cambridge Journal of Economics* 25: 809-825.

Elmslie, Bruce and Antoine James. 1993. "The Renaissance of Adam Smith in Modern Theories of International Trade," in R.F. Hebert (ed.) *Perspectives in the History of Economic Thought*, Vol. IX.

Helpman, Elhanan and Paul Krugman. 1985. *Market Structure and Foreign Trade*. Cambridge: MIT Press.

Gomory, R. and W. Baumol. 2000. *Global Trade and Conflicting National Interests*. Cambridge: MIT Press.

Grossman, Gene (ed.) 1992. *Imperfect Competition and International Trade*. Cambridge: MIT.

Krugman, Paul. 1979. "Increasing Returns, Monopolistic Competition, and International Trade." *Journal of International Economics* 9(4): 469-479.

- Krugman, Paul. 1991. "Increasing Returns and Economic Geography." *Journal of Political Economy* 99(3): 483-499.
- Neary, J. Peter. "Of Hype and Hyperbolas: Introducing the New Economic Geography." *Journal of Economic Literature* 39: 536-561, 2001.
- Blecker, Robert. 1997. "The 'Unnatural and Retrograde Order:' Adam Smith's Theories of Trade and Development Reconsidered." *Economica* 64(255): 527-37.
- Milberg, William. 1994. "Is Absolute Advantage Passé? Towards a Post-Keynesian/Marxian Theory of International Trade," in Mark Glick (ed.) *Competition, Technology and Money*. London: Edward Elgar.

**EXAM 1: Distributed on Tuesday, February 8. Exam (hard copy) is due in my office on Monday, October 14th, at 1:00 pm. No Exceptions.**

### III. CONTEMPORARY DEBATES IN TRADE THEORY AND POLICY

**EXAM 2: Exam questions will be distributed weekly, beginning in week 7, immediately following class. Exam (hard copy or email) is due on Friday, March 11th, at Noon. No Exceptions.**

#### **The Debate over Free Trade versus Fair Trade** (Feb. 15)

##### Required:

- Bhagwati, Jagdish. 1995. "Trade Liberalisation and 'Fair Trade' Demands: Addressing the Environmental and Labour Standards Issues." *The World Economy*, vol. 18: 745-59.
- Krugman, Paul. See Blackboard for list of articles and links.
- DeMartino, George. 2000. *Global Economy, Global Justice*, London: Routledge. Chapter 6. (I will lecture in class on the conflict between moral objectivism and cultural relativism that arises in the context of this debate.)
- Dorman, Peter. 2006 (April). "Worker rights and economic development." Presented at the conference on "Economic Rights" Conceptual, Measurement and Policy Issues," University of Connecticut, October. 27-29, 2005.

##### Optional:

- Rodrik, Dani. 1997. *Has Globalization Gone Too Far?* Washington, D.C.: Institute for International Economics, chapters 1-3.
- Esty, Daniel. 2001. "Bridging the Trade-Environment Debate." *Journal of Economic Perspectives* 15(3): 113-130.
- Bhagwati, Jagdish. 2004. *In Defense of Globalization*. Chapter 12. Oxford: Oxford University Press.
- Kabeer, Naila. 2004. "Globalization, labor standards, and women's rights: dilemmas of collective (in)action in an interdependent world." *Feminist Economics* 10(1): 3-35.
- Brown, Drusilla. 2001. "Labor Standards: Where Do They Belong on the International Trade Agenda?" *Journal of Economic Perspectives* 15(3): 89-112.
- Gitterman, Daniel P. A race to the bottom, a race to the top or the march to a minimum floor? 2002. UCIAS Edited volume 1, Dynamics of regulatory change.

- DeMartino, G, Jonathan Moyer and Kate Watkins. "Achieving Ethical Trade through Social Tariffs: A Simulation of a Global SITS Regime."
- Ederington, Josh, Arik Levinson and Jenny Minier. 2005. "Footloose and Pollution-Free." *The Review of Economics and Statistics* 87(1): 92-99.
- Braunstein, E. and Epstein, G., "How Much Bargaining Power Do 1.3 Billion Consumers Have? FDI in China," PERI Working Paper. Working Paper No. 45, 2000.
- Kishor Sharma, Labor standards and WTO rules: Survey of the issues with reference to child labor in South Asia. *Journal of Economic Issues*, March 2009. XLIII(1), pp.. 29-42.
- Bagwell, Kyle and Robert Staiger. 2001. "The WTO as a Mechanism for Securing Market Access Property Rights: Implications for Global Labor and Environmental Issues." *Journal of Economic Perspectives* 15(3): 69-88.
- Galli, Rossana and David Kucera. 2004. "Labor Standards and Informal Employment in Latin America." *World Development* 32(5): 809-828.

## **Trade and Gender**

(Feb. 22)

### Required:

Elson, Diane and Ruth Pearson, 1981. "Nimble Fingers Make Cheap Workers: an analysis of women's employment in the third world export manufacturing."

Elson, Diane, Caren Grown, and Nilufer Cagatay. 2007. "Mainstream, heterodox and feminist trade theory," in Irene van Staveren, Diane Elson, Caren Grown and Nilufer Cagatay (eds.) *The Feminist Economics of Trade*. London and New York: Routledge, pp. 33-52.

Bussmann, Margit. 2009. "The Effect of Trade Openness on Women's Welfare and Work Life," *World Development* 37, 6: 1027-1038.

### Optional:

Elson, Diane. 1996. "Appraising recent developments in the world market for nimble fingers." In Amrita Chhachhi and Renee Pittin (eds.), *Confronting State, Capital and Patriarchy: Women' Organizing in the Process of Industrialization*. St. Martin's Press, Inc., New York.

Elson, Diane and Ruth Pearson. 1981. "Nimble fingers make cheap workers: An analysis of women's employment in Third World export manufacturing." *Feminist Review*, Vol. 7, pp. 87- 107.

M. Williams. 2007. Gender issues in the multilateral trading system, in Irene van Staveren, Diane Elson, Caren Grown and Nilufer Cagatay (eds.) *The Feminist Economics of Trade*. London and New York: Routledge, pp. 277-91.

Seguino, Stephanie. 2000. "Gender Inequality and Economic Growth: A Cross-Country Analysis." *World Development* 28(7): 1211-1230.

van Staveren, Irene. 2007. Gender indicators for monitoring trade agreements, in Irene van Staveren, Diane Elson, Caren Grown and Nilufer Cagatay (eds.) *The Feminist Economics of Trade*. London and New York: Routledge, pp. 257-276.

Braunstein, Elissa and Mark Brenner. 2007. "Foreign Direct Investment and Gendered Wages in Urban China." *Feminist Economics* 13(3&4): 213-238.

- Braunstein, Elissa. 2006. *Foreign Direct Investment, Development and Gender Equity: A Review of Research and Policy*. Geneva: United Nations Research Institute for Social Development.
- Benería, Lourdes. 2003. "Economic Rationality and Globalization: A Feminist Perspective," in Marianne Ferber and Julie Nelson (eds.) *Feminist Economics Today: Beyond Economic Man*. Chicago & London: The University of Chicago Press.
- Cagatay, Nilufer. 2001. *Trade Gender and Poverty*. Background Paper for the United Nations Development Programme. Available at: [www.undp.org/poverty/docs/pov\\_tradegenderpoverty\\_doc.pdf](http://www.undp.org/poverty/docs/pov_tradegenderpoverty_doc.pdf)
- Kucera, David and William Milberg. 2000. "Gender Segregation and Gender Bias in Manufacturing Trade Expansion: Revisiting the 'Wood Asymmetry.'" *World Development* 28(7): 1191-1210.
- Fontana, Marzia and Adrian Wood. 2000. "Modeling the Effects of Trade on Women, at Work and at Home." *World Development* 28(7): 1173-1190.
- Seguino, Stephanie. 2007. "Is More Mobility Good? Mobile Capital and the Low-wage Low-Productivity Trap." *Structural Change and Economic Dynamics* 18(1): 27-51.
- Standing, Guy. 1999. "Global Feminization Through Flexible Labor: A Theme Revisited." *World Development* 27(3): 583-602.
- Caren Grown, Elissa Braunstein, and Anju Malhotra, eds., *Trading women's health and rights: Trade liberalization and reproductive health in developing countries*, London: Zed Books, 2006.

### **Trade Liberalization, Growth, Poverty and Inequality**

(March 1)

#### Required:

Rodrik, Dani. 2001. *The Global Governance of Trade as if Development Really Mattered*. UNDP Background Paper. (Rodrik provides a very nice Executive Summary at the beginning of this article. Read that first, and then re-read it as you move from section to section of the paper since he provides a nice summary in the ES of each section of the paper.)

Koujianou Goldberg, Pinelopi and Nina Pavcnik, "Distributional Effects of Globalization in Developing Countries," *Journal of Economic Literature* 45, no. 1 (March 2007), pp. 39-82. (You can skip section 2 entirely—it focuses on definitional and measurement issues which, though important, are not directly relevant for this course. Focus in particular on section 3 (the empirical findings on the connection between trade and inequality); and sections 5-6 (you can just skim section 4). Section 5 includes the authors' attempts to explain the empirical findings of section 3. And in a magnanimous gesture, the authors then summarize the central points of the paper in section 6.

#### Optional:

Akyuz, Yilmaz, William Milberg, and Robert Wade. 2006. "Developing Countries and the Collapse of the Doha Round." *Challenge* 49(6): 6-19.

Bivens, Josh. 2007. "The Gains from Trade: How Big and Who Gets Them?" *Economic Policy Institute Working Paper #280*.

- Rodríguez, Francisco and Dani Rodrik. 1999. "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence." *NBER Working Paper*, No. 7081.
- Baker, Dean. 2008 (January) Trade and inequality: The role of economists. Center for Economic and Policy Research, Washington DC.
- Dornbusch, Rudiger. 1992. "The Case for Trade Liberalization in Developing Countries." *Journal of Economic Perspectives* 6(1): 69-85.
- Joseph Stiglitz and Andrew Charlton, Fair Trade for all: How trade can promote development, Oxford: Oxford University Press, 2005.
- Baldwin, Robert E.. 2000. "Trade and Growth: Still Disagreement about the Relationships." OECD Economics Department Working Papers No. 264.
- Bardhan, Pranab. 2004. "The Impact of Globalization on the Poor," in *Brookings Trade Forum*. Washington, D.C.: Brookings Institution.
- Frankel, Jeffrey and David Romer. 1999. "Does Trade Cause Growth?" *The American Economic Review* 89(3): 379-399.
- Hallak, Juan Carlos and James Levinsohn. 2004. "Fooling Ourselves: Evaluating the Globalization and Growth Debate." NBER Working Paper No. 10244.
- Rodrik, Dani. 2005. "Why We Learn Nothing from Regressing Economic Growth on Policies." Harvard University.
- Sachs, Jeffrey and Andrew Warner. 1995. "Economic Reform and the Process of Global Integration." *Brookings Papers on Economic Activity* 1: 1-118.
- Winters, L. Alan, Neil McCulloch, and Andrew McKay. 2004. "Trade Liberalization and Poverty: The Evidence So Far." *Journal of Economic Literature* 42(1): 72-115.
- Samuelson, Paul. 2006. The pros and cons of globalization. *Japan and the world economy*. 18, pp. 592-94.

**OTHER ISSUES (We'll choose one of the following for the March 8 Class):**

**Trade, Wages & Outsourcing: Empirical Evidence. Is Outsourcing Different From Regular Trade?**

Required:

- Krugman and Obstfeld, *International Economics*, p. 23 and pp. 273-76. [Students should purchase this book.]
- Bhagwati, Jagdish, Arvind Panagariya and T.N. Srinivasan. 2004. "The Muddles over Outsourcing." *Journal of Economic Perspectives* 18(4): 93-114.
- Drezner, Daniel. 2004. "The Outsourcing Bogeyman." *Foreign Affairs*. 83, May/June. pp. 22-34.
- Freeman, Richard. 2003. "Trade Wars: The Exaggerated Impact of Trade in Economic Debate." NBER Working Paper 10000.
- Blinder, Alan. 2006. "Offshoring: The Next industrial revolution." *Foreign Affairs*. 85(2), pp. 113-128.
- Wood, Adrian. 1995. "How Trade Hurt Unskilled Workers." *Journal of Economic Perspectives* 9(3): 57-80.
- Bivens, Josh. 2007. "Globalization, American Wages and Inequality: Past, Present and Future." Economic Policy Institute Working Paper No. 279.

### Optional:

- Samuelson, Paul. 2004. "Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization." *Journal of Economic Perspectives* 18(3): 135-146.
- Freeman, Richard. 1995. "Are Your Wages Set in Beijing?" *The Journal of Economic Perspectives* 9(3): 15-32.
- Mankiw, Greg and Philip Swagel. 2006. "The Politics and Economics of Offshore Outsourcing." NBER Working Paper, 12398, July.
- David Wessel and Bob Davis. 2007 (March 28). "Prospects: Pain From Free Trade Spurs Second Thoughts; Mr. Blinder's Shift Spotlights Warnings Of Deeper Downside." *Wall Street Journal*, p. A.1.
- Hanson, Gordon and Ann Harrison. 1995. "Trade, Technology and Wage Inequality." *NBER Working Paper* 5110.
- Leamer, Edward. 1998. "In Search of Stolper-Samuelson Linkages between International Trade and Lower Wages," in Susan Collins (ed.) *Imports, Exports and the American Worker*. Washington, D.C.: Brookings Institution.
- Rodrik, Dani. 1997. *Has Globalization Gone Too Far?* Washington, D.C.: Institute for International Economics, chapters 1-3.
- Slaughter, Matthew. 1999. "Globalization and Wages: A Tale of Two Perspectives." *World Economy* 22: 609-630.
- Wood, Adrian. 1997. "Openness and Wage Inequality in Developing Countries: The Latin American Challenge to East Asian Conventional Wisdom." *The World Bank Economic Review* 11(1): 33-57.
- Milanovic, B. and Squire, L., "Does Tariff Liberalization Increase Wage Inequality? Some Empirical Evidence," *NBER Working Paper Number 11046*, Washington DC, 2005.

### **Trade and the Environment**

- Kevin P. Gallagher. "International Trade and Sustainable Development," in *Handbook of Sustainable Development*, ed. Neumayer, Eric. London: Edward Elgar, 2007: 413-430.
- Kevin P. Gallagher. *Free trade and the environment*. Stanford University Press, 2004. Chapters 1-3 and 7.
- Bhagwati, Jagdish. 1993 (November). "The case for free trade." *Scientific American*. pp. 41-57 (these pages include the Daly article below).
- Daly, Herman, 1993 (November). "The perils of free trade" in *Scientific American*.
- French, Hilary. 1993 (March) Costly tradeoffs: reconciling trade and the environment. *Worldwatch* paper, No. 113.
- Shrybman, Steven. 1991 (Winter). Trading away the environment. *World Policy Journal*. 9(1), pp. 93-110.
- Chapman, Duane. 1991 (Summer). Environmental standards and international trade in automobiles and copper: The case for a social tariff. *Natural resources journal* 3(3), pp. 449-61.

### **China and Global Trade**

- Robert Lawrence, "China and the Multilateral Trading System," NBER Working Paper No. 12759, December 2006.

- Rodrik, Dani. 2006. "What's so special about China's exports?"
- Barry Eichengreen, Yeongseop Rhee, and Hui Tong, "The Impact of China on the Exports of Other Asian Countries," WP no. w10768, September 2004.
- Gallagher, Kevin P., Juan Carlos Moreno-Brid, and Roberto Porzecanski, 2008, "The Dynamism of Mexican Exports: Lost in (Chinese) Translation?" *World Development*, 36(8), pp. 1365-80.
- Richard B. Freeman, "Does Globalization of the Scientific/Engineering Workforce Threaten US Economic Leadership?" NBER Working Paper 11457, June 2005.

Optional:

- Peter K. Schott, "The Relative Sophistication of Chinese Exports," NBER Working Paper, No. W12173, April 2006.
- Robert Dekle, Jonathan Eaton and Samuel Kortum, "Unbalanced Trade," NBER Working Paper No. 13035, 2007.

**The Political Economy of the WTO**

- John H. Barton et al., *The Evolution of the Trade Regime: Politics, Law, and Economics of the GATT and the WTO* (Princeton University Press, 2006), chapter 7, pp. 61-90.
- Gallagher, Kevin P. "Understanding Developing Country Resistance to the Doha Round." *Review of International Political Economy*, 15:1, February, 2008, 62-85.
- Alice Amsden, "Promoting industry under WTO law, in Kevin Gallagher (ed.) *Putting development first: the importance of policy space in the WTO and IFIs*, 2005, London: Zed Books, pp. 216-232.
- Ajit Singh, "Special and differentiated treatment: The multilateral trading system and economic development in the twenty-first century, in Kevin Gallagher (ed.) *Putting development first: the importance of policy space in the WTO and IFIs*, 2005, London: Zed Books, pp. 233-263.
- Susan Ariel Aaronson, "Seeping in Slowly: How Human Rights Concerns are Penetrating the WTO," *World Trade Review* 6, no. 3 (November 2007), pp. 413-49.
- Dani Rodrik, "The Global Governance of Trade as if Development Really Mattered," UNDP, New York, 2001.
- Rose, A.K., 2002, "Do WTO Members have More Liberal Trade Policy?" NBER Working Paper No. 9347, Cambridge, MA: NBER.

Optional:

- Aadity Mattoo and Arvind Subramanian, "The WTO and the Poorest Countries: The Stark Reality," *World Trade Review* 3, no. 3, November 2004, pp. 385-407.
- Donald MacLaren, "The Role of the WTO in Achieving Equity and Efficiency in International Markets for Agricultural Products," *World Trade Review* 4, no. 2 (July 2005), pp. 229-47.
- Gilbert R. Winham, "International Regime Conflict in Trade and Environment: The Biosafety Protocol and the WTO," *World Trade Review* 2, no. 2 (July 2003), pp 131-155.
- Arvind Subramanian, Shang-Jin Wei, "The WTO Promotes Trade, Strongly But Unevenly," NBER Working Paper, No. \_\_, 2003.
- Robert E. Hudec, "Free Trade, Sovereignty, Democracy: The Future of the World Trade

- Organization,” *World Trade Review* 1, no. 2 (July 2002): 211-22.
- Ernst-Ulrich Petersmann, “Human Rights, Cosmopolitan Democracy and the Law of the World Trade Organization,” in Ian Fletcher et al., eds., *Foundations and Perspectives of International Trade Law* (London: Sweet & Maxwell, 2001), chap. 8, pp. 79-96.
- Sabrina Shaw and Risa Schwartz, “Trade and Environment in the WTO: State of Play,” *Journal of World Trade* 36, no. 1 (February 2002), pp. 129-154.

### **Terms of Trade and Unequal Exchange vis-à-vis Developing Countries**

#### Required:

- Singer, H.W. 1950. “The Distribution of Gains Between Investing and Borrowing Countries.” *American Economic Review* 40(2): 473-485. (This is a “classic” article.)
- Sarkar, P. and H.W. Singer. 1991. “Manufactured Exports of Developing Countries and Their Terms of Trade Since 1965.” *World Development* 19(4): 1991.
- Heintz, James. 2006. “Low-wage manufacturing and global commodity chains: a model in the unequal exchange tradition.” *Cambridge Journal of Economics* 30(4): 507-520. Focus on sections 1 and 3 (you can skip the model in section 2, and the appendix).

#### Optional:

- Emmanuel, Arighiri. 1972. *Unequal Exchange. A Study of the Imperialism of Free Trade*. New York: Monthly Review Press. [Read entire book—the book is on reserve (hard copy) at Penrose Library.]
- Darity, William and Lewis Davis. 2005. “Growth, Trade and Uneven Development.” *Cambridge Journal of Economics* 29(1): 141-170.
- Prebisch, R. 1962. “The Economic Development of Latin America and Its Principal Problems.” *Economic Bulletin for Latin America*. (This is a “classic” article.)
- Bacha, Edmar. 1978. “An Interpretation of Unequal Exchange from Prebisch-Singer to Emmanuel.” *Journal of Development Economics* 5(4): 319-330.
- Milberg, W. 1994. “Is Absolute Advantage Passe? Towards a Keynesian /Marxian Theory of International Trade”, in *Competition, Technology and Money, Classical and Post-Keynesian Perspectives*, ed. Mark Glick, Edward Elgar, Great Britain.
- Lucke, M. 1993. “Developing Countries Terms of Trade in Manufactures, 1967-87: A Note.” *Journal of Development Studies* 29(3):
- Sapsford, D. and Chen, John-ren, “The Prebisch-Singer Terms of Trade Hypothesis: Some (Very) New Evidence,” in *Development Economics and Policy*, ed. Sapsford and Chen, NY: St. Martin’s Press, 1998.
- Zanias, George, “Testing for trends in the terms of trade between primary commodities and manufactured goods,” *Journal of Development Economics*, 78, pp. 49-59, 2005.
- Diakosavvas, D and Scandizzo, P., “Trends in the Terms of Trade of Primary Commodities, 1900- 1982: The Controversy and its Origins,” *Economic Development and Cultural Change*, 39(2), pp. 231-264, Jan. 1991.

**\*Note: PhD students planning to take the comprehensive exam in International Political Economy should be sure to read the material on this topic.**