

Syllabus for lecture: Trade Policy

Spring term 2018 – subject to slight changes

Lecture: Prof. Dr. Philip Sauré
Time: Monday 12:15 – 13:45
Room: 00 235 RW 4

Tutorial: Victor Gimenez-Perales
Time: Tuesday 8:30 – 10:00
Room: 00 235 RW 4

Textbooks

Feenstra, Robert C. Advanced international trade: theory and evidence. Princeton university press, 2016.

[Mas-Colell, Andreu, Michael Dennis Whinston, and Jerry R. Green. 1995 Microeconomic theory. Vol. 1.]

I. Preliminaries [Motivation and analytical tools]

Required readings

MWG: Chapter 15 (pp. 515 – 521)

Dornbusch, Rudiger, Stanley Fischer, and Paul Anthony Samuelson. "Comparative advantage, trade, and payments in a Ricardian model with a continuum of goods." American Economic Review 67.5 (1977): 823-839.

Optional readings

Anderson, James E., and Eric Van Wincoop. "Gravity with gravitas: a solution to the border puzzle." American Economic Review 93.1 (2003): 170-192.

Krugman, Paul. "Scale economies, product differentiation, and the pattern of trade." American Economic Review 70.5 (1980): 950-959.

II. Import Tariffs and Optimal Trade Policy [The central rationale for trade policy]

Required readings

Feenstra, p 137 - 147

Broda, Christian, Nuno Limao, and David E. Weinstein. "Optimal tariffs and market power: the evidence." American Economic Review 98.5 (2008): 2032-65.

Optional readings

Broda, Christian, and David E. Weinstein. "Globalization and the Gains from Variety." The Quarterly journal of economics 121.2 (2006): 541-585

III. Trade Policy in General Equilibrium

Required readings

Kennan, John, and Raymond Riezman. "Do big countries win tariff wars?." *International Economic Review* (1988): 81-85.

McLaren, John. "Size, sunk costs, and Judge Bowker's objection to free trade." *The American Economic Review* (1997): 400-420

Optional readings

Lerner, Abba P. "The symmetry between import and export taxes." *Economica* 3.11 (1936): 306-313.

Lindé, Jesper, and Andrea Pescatori. "The Macroeconomic Effects of Trade Tariffs: Revisiting the Lerner Symmetry Result." *IMF Working Paper* (2017).

Maggi, Giovanni, and Andres Rodriguez-Clare. "The value of trade agreements in the presence of political pressures." *Journal of Political Economy* 106.3 (1998): 574-601.

IV. Trade Policy and Market Structure [Trade policy in non-competitive settings]

Required readings

Feenstra pp. 224 - 239

V. Dynamic Aspects of Trade Policy [Dynamically optimal trade policy]

Required readings

Krugman, Paul 1987. "The narrow moving band, the Dutch disease, and the competitive consequences of Mrs. Thatcher: Notes on trade in the presence of dynamic scale economies." *Journal of Development Economics* 27.1-2 41-55.

Sauré, Philip 2007. "Revisiting the infant industry argument." *Journal of Development Economics* 84.1 104-117.

Luzio, Eduardo, and Shane Greenstein 1995. "Measuring the performance of a protected infant industry: the case of Brazilian microcomputers." *The Review of Economics and Statistics* 622-633.

Optional readings

Syropoulos, C. 2002. Optimum tariffs and retaliation revisited: how country size matters. *The Review of Economic Studies*, 69(3), 707-727.

Ossa, Ralph 2011. "A "new trade" theory of GATT/WTO negotiations." *Journal of Political Economy* 119.1 122-152.

VI. Political Pressure and Trade Policy [Trade policy with lobby groups]

Required readings

Grossman, Gene M., and Elhanan Helpman: "Protection for Sale." *The American Economic Review* 84.4 (1994): 833-850.

Goldberg, Pinelopi Koujianou, and Giovanni Maggi. "Protection for sale: An empirical investigation." *American Economic Review* 89.5 (1999): 1135-1155.

Lee, Jong-Wha, and Phillip Swagel. "Trade barriers and trade flows across countries and industries." *Review of Economics and Statistics* 79.3 (1997): 372-382.

Optional readings

Gawande, Kishore, and Usree Bandyopadhyay. "Is protection for sale? Evidence on the Grossman-Helpman theory of endogenous protection." *Review of Economics and statistics* 82.1 (2000): 139-152.

Mitra, Devashish. "Endogenous lobby formation and endogenous protection: a long-run model of trade policy determination." *American Economic Review* 89.5 (1999): 1116-1134.

VII. Trade Agreements I [Basic features of trade agreements]

Required readings

Baier, Scott L., and Jeffrey H. Bergstrand 2007. "Do free trade agreements actually increase members' international trade?." *Journal of international Economics* 71.1 72-95.

Handley, Kyle, and Nuno Limão 2013. *Policy uncertainty, trade and welfare: theory and evidence for China and the US*. No. w19376. National Bureau of Economic Research

Optional readings

Rose, Andrew K 2004. "Do We Really Know That the WTO Increases Trade?." *American Economic Review* 98-114.

Carrere, Céline 2006. "Revisiting the effects of regional trade agreements on trade flows with proper specification of the gravity model." *European Economic Review* 50.2 223-247.

Tomz, Michael, Judith L. Goldstein, and Douglas Rivers 2007. "Do we really know that the WTO increases trade? Comment." *The American Economic Review* 97.5 2005-2018.

Rose, Andrew K. 2007 "Do we really know that the WTO increases trade? Reply." *The American Economic Review* 97.5 2019-2025.

Subramanian, Arvind, and Shang-Jin Wei 2007. "The WTO promotes trade, strongly but unevenly." *Journal of International Economics* 72.1 151-175.

Magee, Christopher 2008. "New measures of trade creation and trade diversion." *Journal of International Economics* 75.2 349-362.

Bloom, Nicholas, Mirko Draca, and John Van Reenen 2016. "Trade induced technical change? The impact of Chinese imports on innovation, IT and productivity." *The Review of Economic Studies* 83.1

VIII. Trade Agreements II [Efficiency and enforcement]

Required readings

Bagwell, Kyle, and Robert W. Staiger 2001. "Domestic policies, national sovereignty, and international economic institutions." *Quarterly Journal of Economics* 116.2 519-562.

Sauré, Philip 2014. "Domestic policies in self-enforcing trade agreements." *European Economic Review* 68 19-30.

Optional readings

Yarbrough, Beth V., and Robert M. Yarbrough 1986. "Reciprocity, bilateralism, and economic 'hostages': Self-enforcing agreements in international trade." *International Studies Quarterly* 30.1 7-21.

Bagwell, Kyle, and Robert W. Staiger 2006. "Will international rules on subsidies disrupt the world trading system?." *The American Economic Review* 96.3 877-895.

Ederington, Josh 2001. "International coordination of trade and domestic policies." *The American Economic Review* 91.5 1580-1593.

Brou, Daniel, and Michele Ruta 2013. "A commitment theory of subsidy agreements." *The BE Journal of Economic Analysis & Policy* 13.1 239-270.

IX. Current topics [If time permits]

Amiti, Mary, Oleg Itskhoki and Jozef Konings 2017 Why the Proposed Border Tax Adjustment Is Unlikely to Promote U.S. Exports, Liberty Street Economics Blog

Gagnon, Joseph 2017: "We Know What Causes Trade Deficits" PIIE Working Paper

Hoekman, B. (ed.) 2015, *The Global Trade Slowdown: A New Normal?* A VoxEU.org eBook, London: CEPR Press.

Useful links:

<http://gatt.stanford.edu/page/home>

<https://pie.com/experts/peterson-perspectives>

<https://pie.com/research/topics-regions>

www.economist.com