

GLOBAL TRADE AND COMMERCIAL POLICY

9:00 -10:20 MW 410 Cashion

This course provides a deep understanding of international trade, trade policy and selected related issues. The course covers international trade theory, instruments of trade policy, trade policy intervention, and topical issues such as preferential trading arrangements, immigration, and the purpose and role of international economic institutions such as the World Trade Organization. Beginning with a framework to measure the gains from trade, we consider the different sources of benefits from trade including traditional comparative advantage from technological differences, comparative advantage from endowment differences, increasing returns to scale internal and external to the firm, and trade in intermediate goods. The course then investigates the tools and theory of trade policy intervention.

The lecture notes are self-contained and will be posted. Consequently, there is no text, though *International Economics* by Krugman and Obstfeld is complementary in outlook. It is particularly recommended for its coverage of trade policy for developed and developing countries.

Regular quizzes will count 20% of the grade, a mid-semester exam 30%, and the final 50%. Graduate credit requires a summary and presentation to the class of two readings from posted material. This is a check-off assignment.

Regular class attendance is expected, and I comply with Baylor University's policy that the student must attend at least 75% of the class periods to receive credit for the course. In borderline cases, class attendance and participation may be taken into account in determining the course grade.

READINGS

Globalization

0. Friedrich Hayek, Road to Serfdom and Commanding Heights Excerpts.
1. Hale, David D. and Lyric Hughes, "Reconsidering Revaluation," *Foreign Affairs*, January/February 2008.
2. David Dollar and Aart Kray, "Spreading the Wealth," *Foreign Affairs*, January/February 2002.
3. Jagdish Bhagwati, "Coping with Globalization: A Trilogy of Discontents," *Foreign Affairs*, January/February 2002, pp. 2-7.

The Case for Trade

4. Mary Amiti and Shang-Jin Wei "Fear of Service Outsourcing," *Economic Policy*, April 2005
5. Grinols, Earl, "Measuring Gains from Trade," *Essential International Trade and the Theory of Policy*, manuscript.
6. Irwin, Douglas, "The Welfare Cost of Autarky: Evidence from the Jeffersonian Trade Embargo, 1807-09," *Review of International Economics*, 13, 4, 2005, 631-645.

Ricardian Model

7. Samuelson, Paul, "Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization," *Journal of Economic Perspectives*, 18, 3, Summer 2004, 135-146.

Preferential Trading Arrangements

8. Grinols, Earl and Peri Silva, "An Enhancement of Modern Free Trade Area Theory," *Oxford Economic Papers*, 59, 2006, 219-225.
9. Grinols, Earl and Peri Silva, "Industrial Targeting in Free Trade Areas with Policy Independence," *Canadian Journal of Economics* (forthcoming).

The 3-Factor and Heckscher-Ohlin Models

10. Jones, R. W., "A Three Factor Model in Theory, Trade and History," in Bhagwati, J., R.W. Jones, R. Mundell and J. Vank, eds. *Trade, Balance of Payments and Growth: Essays in Honor of Charles P. Kindleberger*, Amsterdam: North-Holland, 1971, 3-21.
11. Jones, R.W., "The Structure of Simple General Equilibrium Model," *Journal of Political Economy*, 73, 6, December 1965, 557-572.
12. Elhanan Helpman, "The Structure of Foreign Trade," *Journal of Economic Perspectives*, Vol. 13, No.2, Spring 1999. The Case for Trade

Policy Tools Intervention Tools

13. Bastiat, Frederic, "Petition of the Candlemakers," in *Fallacies of Protection*, Cassell and Company Ltd. 1909, ch. 7.
14. Hagen, Everett, "An Economic Justification of Protectionism," *Quarterly Journal of Economics*, 1958, 496-514.

Modern Theory of Trade Intervention

15. Grinols, Earl, "The Intervention Principle," *Review of International Economics*, 2006.
16. Bhagwati, Jagdish N., "The Generalized Theory of Distortions and Welfare," in *Trade, Balance of Payments and Growth*, J. Bhagwati, et. al., eds., North Holland, 1971, 69-90.
17. Dixit, A., "Tax Policy in Open Economies," in A. Auerbach and M. Feldstein (eds.) *Handbook of Public Economics*, North-Holland, 1986.

Migration and Factor Trade

18. Borjas, George J., "The Economic Benefits from Immigration," *Journal of Economic Perspectives*, Spring 1995, 2-22.
19. _____, "The Economics of Immigration," *Journal of Economic Literature*, December 1994, 1667-1717.

Alternate Theories of Trade: Increasing Returns to Scale and Variety

20. Krugman, P., "Increasing Returns Monopolistic Competition, and International Trade," *Journal of International Economics*, 9, 4, November 1979, 469-479.

Strategic Trade Policy

21. Irwin, Douglas, "Mercantilism as Strategic Trade Policy: the Anglo-Dutch Rivalry for the East India Trade," *Journal of Political Economy*, 99, 1296-1314.

22. Brander, James A., "Strategic Trade Policy," in Gene Grossman and Kenneth Rogoff (eds.) *Handbook of International Economics*, Volume III. New York: Elsevier, 1995, 1395-1455.
23. Eaton, Jonathan and Gene M. Grossman, "Optimal Trade and Industrial Policy Under Oligopoly," *Quarterly Journal of Economics*, 101 May 1986, 383-406.
24. Grossman, Gene, "Strategic Export Promotion: A Critique," in *Strategic Trade Policy and the New International Economics*, P. Krugman, ed., (Cambridge, MA: The MIT Press), 1986, 47-68.
25. Krugman, Paul R., "Is Free Trade Passe?" *The Journal of Economic Perspectives*, 1, 2, Fall 1987, 131-144.
26. Bhagwati, Jagdish N., "Is Free Trade Passe After All?" *Weltwirtschaftliches Archiv*, 125, 1, 1989, 17-144.