

Politics of International Trade
Poli144 E
HSS 2305B
Summer Session II, 2015

Instructor: Aditya Ranganath

Email: arangana@ucsd.edu

Office Hours: Mondays from 3:00-5:00@ Perks Coffee (Bookstore coffee shop), or by appointment

Course Description: International trade doesn't merely affect the price, range, and quality of the goods and services that we purchase; it has implications for everything from our employment prospects and job security, to the quality of the air we breathe, the wealth and poverty of nations, the world's cultural diversity, social justice, national sovereignty, and even war and peace. Analyzing international trade therefore offers us the opportunity to deepen our understanding of some of the world's most pressing problems, and to debate the extent to which freer international trade may ameliorate, or exacerbate, those problems.

In addition, by bringing together insights from both political science and economics, we will tackle questions about why trade policy choices and trends look the way they do in the real world. Virtually all economists believe that restrictions on cross-border flows of goods and services diminish aggregate social welfare. Given the costs of protectionism, we might expect all countries to consistently adhere to a policy of free trade. Yet this is not the case; there is considerable temporal, sectoral, and cross-national variation in trade policy choices. We will therefore spend time analyzing how political dynamics across time and space shape these choices.

Prerequisites: While this course introduces some basic economic ideas (with a view towards considering the political causes and consequences of cross-border exchange) it does not presuppose any prior background in economics. The necessary ideas and analytic concepts will be introduced as we go. In addition, some of the assigned papers contain extensive statistical analyses. Often, I have cut out the statistical portions of papers from the required reading. In doing so, I have sacrificed depth for breadth, which I believe is appropriate in a survey course that is keyed to substantive (rather than methodological) concerns. However, the statistical sections should be accessible to those of you who have completed Poli30, and I encourage you to read them if you are considering applying to graduate school in the social sciences, or if you are considering writing a senior honors thesis.

Assessment

1. *Mid-term (40%):* We will have an in-class mid-term on August 25th (our seventh class). It will consist of 10-15 short answer questions based on the readings, as well as 2 essay questions. The essay questions for the exam will be distributed in advance, so you will know exactly what questions to prepare for. You will not have the short-answer questions in advance of the midterm, but I will distribute a study guide that will help to direct your studying for that portion of the exam. The essay questions and the study guide will be distributed at the end of the sixth

class session (August 20). The exam will be closed book. However, you will be permitted to write notes (by hand) on a small index card (front and back) and bring it to the exam.

2. *Short-response paper (30%)*: You must turn in at least **ONE** “response paper”, which is a 5-6 page paper that addresses a question related to a particular class’s readings. Below, you will find the paper topics for each class. Even if you do not write an essay for a particular class, you should still review the paper topics. Thinking about these questions will help you to actively engage the material and prepare for class discussions. They are also an example of how you might structure your own discussion questions.
 - a. How to approach these papers: Make sure that response papers are not simply reading summaries; they must take a concrete position on the readings, and defend that position with logic and evidence. In other words, the paper must put forward an *argument* about the readings. A good test to see if you are making an argument is to read your thesis, and ask yourself if an intelligent person who has done the same readings could plausibly disagree with it; if so, you probably have an argument. If not, you are probably simply making an observation. Come talk to me if you are having trouble approaching these papers.
 - b. Due dates: If you are writing a paper on the readings for a particular class, the paper is due at the beginning of that class. You are free to write a response paper for any class you wish. You are also free to write more than one paper; if you do write more than one paper, only the highest grade will count towards your final grade. **Also, please note that there are no papers for the last day of class. The last day to turn in a paper is September 1.**
 - c. If you would like to write a paper that engages the readings for that class, but do not want to respond to one of the questions I have suggested, that is fine. If you would like to create your own question or prompt, though, you must clear it with me in advance. I will try to return graded papers with comments within a week.
 - d. Once again, if you’re having trouble with these papers, come talk to me. I’m here to help.
3. *Attendance (10%)*: Given the compressed summer session schedule, attendance at every class is important. To calculate your attendance grade, I will count the number of times you were present in class, and divide it by 9. More than one absence will harm your attendance grade. Perfect attendance will result in a bit of extra credit.
4. *Participation (10%)*: As this is a fairly small class, we will have the opportunity to have several class discussions. It is important for you to share your ideas with the class, which will make for more enlightening conversations about the topics we are addressing. In addition, prior to every class (by 8:00 AM on the day of class at the very latest), I would like you to send me two questions about the reading for that class. The readings should be sent to my email address (arangana@ucsd.edu); in the subject heading, please write your name, the date, and “Poli144 Questions”.
 - a. The first question should be a clarifying question. You might ask for clarification about a particular concept, term, idea, or theory that seems confusing or unclear. If I notice that many of you are having similar difficulties with the material for that day, I will try to address it at some point during class (if don’t address your question, though, feel free to talk to me after class or during office hours).
 - b. The second question should be a discussion question. What interesting issues do the readings bring up, which you would like to discuss with your classmates? It should be open-ended, and aim to stimulate debate (i.e. no yes/no questions). Instead of submitting a question, you may also submit a short (2-4 sentence) critique of one of the

readings (or multiple readings); perhaps you disagree with an argument, or think that an author's claims are analytically or empirically problematic. If so, tell me why. I will try to incorporate some of your critiques and discussion questions into the day's class. The purpose of this exercise is to encourage you to think actively and critically about the day's reading. In addition, it gives you some say in what we discuss in class, and will allow us to approach the material in a way that interests or excites you.

5. In-class assignments (10%): There will be several in-class assignments throughout the term, designed to help you actively engage the information you have read in preparing for class. In general, these assignments will be completed in groups. I do not like to give "reading check" quizzes, and do not plan to quiz you on assigned reading. However, if I sense that people are not completing the reading or falling behind, I will begin to give quizzes (which will become part of your grade for this section of the course).

Extra Credit

If you encounter a newspaper or magazine article (it doesn't necessarily have to be current; older articles can also be valuable) that brings up issues relevant to a particular class, you will receive extra credit for giving a short 2-3 minute presentation about that article in class (tell your classmates what the article is about and why it is relevant to the day's topic). If you plan to present an article, please inform me before class (8:00 AM on the day of class at the latest), and send me a copy of the article. For every article you present, I will add one percentage point to your mid-term grade. You may present up to four articles over the course of the term.

Academic Honesty

I will report cases of academic dishonesty (plagiarism, cheating etc.) to UCSD's Academic Integrity Coordinator. On your papers, please cite all of your sources, and give other people credit for their ideas. If you are not sure about what constitutes plagiarism, please come talk to me. Additionally, if you are not familiar with UCSD's policy on academic integrity, please refer to this site: <http://www-senate.ucsd.edu/manual/appendices/app2.htm>.

Course Materials

Unless otherwise noted (in some cases, readings will be available as a link off the syllabus) all readings will be available electronically via TED. There is no required text for purchase.

Other Resources

Student Counseling, Health, and Well-Being Central Office & Urgent Care: 858-534-3755

Writing Center: 127 Mandeville Telephone: 858-534-4911

Course Schedule

Please pay attention to assigned pages for journal articles. The list of readings looks long, but you are often only required to read small excerpts from these readings. Also, please note that readings are subject to revision. Changes to the schedule or assigned readings will be announced in class, and via email. Finally, please make sure that you do the readings in the order in which they are assigned. This will help you to organize the readings thematically, and make connections across them.

Class 1: August 4

Topic: Introduction and the Economic Case for Free Trade

Introduction: In this class, we will discuss the economic rationale for free trade by exploring the logic of specialization according to comparative advantage. The economic case for trade is simple and elegant, but can nonetheless be challenging. The excerpt from Frieden, Lake, and Schultz, as well as the article from the Economist present these ideas using an elementary model of Ricardian trade. This model can be complicated considerably, but its implications generalize to these more complex models. The article by Frieden provides a quick survey of the history of the global economy over the past several centuries, and provides historical context that will be useful in subsequent classes. It also raises a puzzle; if trade openness is unambiguously a good thing, as suggested by economists, why does trade openness vary across time? Why might countries pursue trade policies that maximize social welfare in some periods, but not others? Economic theory by itself cannot account for the variation that Frieden's article highlights. However, by combining the insights of economics with political science, we can gain some purchase on these sorts of questions. The final article in today's reading, by Lake and Frieden, introduces the interdisciplinary field of international political economy, which brings together international relations and economics. The politics of international trade is an area of study within this broader field.

Readings:

1. Frieden, Jeffrey A, David Lake and Kenneth Schultz. 2013. *World Politics: Interests, Interactions, and Institutions*. New York: WW Norton and Company. **Pages 306-307.**
2. "The Miracle of Trade." *The Economist*.
3. Frieden, Jeffrey. "The Modern Capitalist World Economy: A Historical Overview." **Pages 17-35.**
4. Frieden, Jeffrey and David Lake. 1995. "Introduction: International Politics and International Economics." In Frieden, Jeffrey and David Lake eds. *International Political Economy: Perspectives on Global Wealth and Power*. New York: St. Martin's Press. **Pages 1-4.**

Essay Questions:

No essay questions for the first day of class.

Class 2: August 6

Topic: Cui Bono? Who wins and who loses from free trade? What are its implications for patterns in public support, or opposition to trade openness? Should we compensate people that "lose" from free trade? If so, how?

Introduction: The previous class's readings suggested that trade raises aggregate welfare, and that everyone benefits from economic openness. This of course raises an obvious question. If trade increases aggregate social welfare by increasing the purchasing power of consumers, why is trade liberalization such a controversial issue? While many people favor trade openness, we can also find many social groups that are against it. But if free trade is good for everyone, we wouldn't expect to see such a cleavage; we would expect *everyone* to favor open trade. In this class, we will try to explain why some groups favor economic openness, while others oppose it. To do so, we will extend the analysis from last class. Today's excerpt from Frieden, Lake, and Schultz use some simple diagrams to make the point that while trade does in fact increase aggregate social welfare, those social welfare gains are distributed unevenly between consumers (who benefit from free trade) and producers (some of whom are actually

harmed by free trade).¹ In the next reading, Rodrik, a particularly thoughtful economist, develops some of these ideas further, and criticizes his colleagues for potentially overselling the case for trade liberalization, given its dramatic distributional effects. Next, the excerpt from Oatley takes the analysis one step further than Frieden, Lake, and Schultz. At the coarsest level of analysis, it is the case that consumers benefit from free trade and producers lose. But it is actually the case that *some* producers benefit from open trade, and tend to favor it, while others are harmed by free trade, and tend to oppose it. Oatley outlines two different frameworks for thinking about which actors on the producer side of the economy materially benefit from trade and which ones are harmed. Several studies in political science have used these two theories to derive predictions about which actors (on the economy's producer side) will support free trade and which ones will oppose it. In general, these studies are a mixed bag; some suggest that the Ricardo Viner (or specific-factors) approach better predicts patterns in support for economic openness, while others show that predictions rooted in the Stolper-Samuelson theorem fare better. In the next reading, Hiscox makes a valuable contribution by specifying the conditions under which one approach makes more accurate predictions about who supports and who opposes free trade than the other. One model is not universally "better" than the other; each seems to work better at different times, based on the conditions that Hiscox identifies.

In light of free trade's potential to harm certain groups in society, how should society as a whole respond to the dislocations caused by trade? The next two papers argue for two different approaches to dealing with this issue. Consider the strengths and benefits of the respective approaches. Which one do you favor, and why?

Finally, Hiscox and Hainmueller critique studies that use economic models of how trade redistributes income to make predictions about which groups in society tend to favor free trade and which groups tend to oppose it. They argue that it is not the material (distributive) effects of trade openness that shape whether people support or favor free trade, but rather, the economic literacy that comes with higher education. Consider their critique, and whether you think public support or opposition to trade openness is driven by material factors, or ideational ones.

Readings:

1. Frieden, Jeffrey A, David Lake and Kenneth Schultz. 2013. *World Politics: Interests, Interactions, and Institutions*. New York: WW Norton and Company. **Pages 308-311**
2. Rodrik, Dani. 2012. "Why doesn't everyone get the case for free trade?" in *The Globalization Paradox*. WW Norton. **Pages 47-66**
3. Oatley, Thomas. 2008. *International Political Economy: Interests and Institutions in the Global Economy*. New York: Pearson and Longman. **Pages 73-80**
4. Hiscox, Michael. 2001. Class vs Industry Cleavages: Inter-Industry Factor Mobility and the Politics of Trade. *International Organization* 55(1): **1-20**
5. Scheve, Kenneth and Matthew Slaughter. 2007. "A New Deal For Globalization." *Foreign Affairs*. Available at <https://www.foreignaffairs.com/articles/2007-07-01/new-deal-globalization>.
6. Rosen, Howard. 2008. "Policy Brief: Strengthening Trade Adjustment Assistance." Peterson Institute for International Economics
7. Hainmueller, Jens and Michael Hiscox. 2006. Learning to Love Globalization: Education and Individual Attitudes Towards International Trade." *International Organization* 60(2): **469-474 and 491-492.**

¹ In principle, the surplus created by free trade is so large that the gains from trade can be redistributed such that everyone is made better off by trade. In the absence of such redistribution, however, free trade does create winners and losers.

Response Paper essay questions:

1. Scheve and Slaughter and Rosen put forward different blueprints for how society should manage the distributive consequences of trade openness. How are they different, and what are the benefits and drawbacks of each? Which blueprint do you find more compelling? Why? Can you think of alternative blueprints? Make sure that your essay is not simply a summary; it should have a thesis statement, in which you take a stance on this debate.
2. Hiscox and Hainmueller argue that the positive link between education and support for economic openness doesn't necessarily offer support for the Stolper-Samuelson theorem as a model of trade preferences. What is their critique of the previous literature? Do you find their critique convincing? Why or why not? Is this debate merely academic, or does it have concrete policy implications? Does it have implications for the long-term viability of continued trade liberalization?
3. Supporters of free trade tend to argue that even though trade creates "losers" whose incomes decline with liberalization, the surplus created by free trade is so large that the "winners" can redistribute income to the losers to the point that everyone will still come out ahead when free trade is implemented. What political obstacles might prevent such redistribution from actually taking place? What incentives might "winners" have to compensate losers?

Class 3: August 11

Topic: Trade and collective action; Dynamic variation in the trade policy choices of the United States and Great Britain

Introduction: Today, we will consider two main questions. First, why do some comparative-disadvantage sectors in the economy receive protection from foreign competition (for instance, through tariffs or quotas), while other sectors vulnerable to foreign competition are left by the government to their own devices? Why do governments seem to embrace the logic of free trade in such a selective fashion? One possibility is that some protectionist interests may be better able to overcome collective action problems that get in the way of lobbying for sector-specific protection than others. The first reading, an excerpt from Olson's *Logic of Collective Action*, articulates what a collective action problem is, and why coordinated group activity is so difficult for rational agents. The second article, by Reinhardt and Busch, suggests one condition under which industries may be able to overcome their collective action problems. Consider what implications Reinhardt and Busch's argument may have for cross-sectoral variation in trade protection.

The second set of articles considers the question of why trade policy might vary dynamically within countries. For instance, the United States had a long history of protectionism prior to the early 1930s. Since then, however, American trade policy has been marked by a steady liberalizing trend (at least when it comes to tariff protection). Many scholars highlight the importance of the Reciprocal Trade Agreements Act (RTAA) in engineering this shift. Irwin provides a brief primer on the RTAA, and is useful background. Bailey, Goldstein, and Weingast provide a political and institutional analysis of the RTAA that examines just how the RTAA was able to reorient American trade policy. This article contains a few graphs that might be somewhat difficult to interpret. Do your best to understand them, but don't get bogged down. Focus on the intuition of their argument. Hiscox offers a critique of the Bailey, Goldstein

and Weingast thesis, which he argues cannot actually account for the sustained post-war liberalization trend.

The final article, by Schonhardt-Bailey, examines Great Britain's shift to free trade, with the repeal of the Corn Laws in the 19th century. This domestic policy shift is an epochal event in the history of trade politics (since it ushered in the first great wave of international trade liberalization); understanding it is important in its own right, but you should also think about how Schonhardt-Bailey's analytical approach to explaining an important domestic policy shift over international trade is similar or different to Bailey, Goldstein and Weingast, and Hiscox.

Readings

1. Olson, Mancur. 1965. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge: Harvard University Press. **Pages 5-17.**
2. Busch, Marc and Eric Reinhardt. 2000. Geography, International Trade, and Political Mobilization in US Industries. *American Journal of Political Science* 44(4): **Pages 703-707 and 714-717**
3. Irwin, Douglas. 2009. *Free Trade Under Fire*. Princeton: Princeton University Press. **Pages 219-223**
4. Bailey, Michael, Judith Goldstein, and Barry Weingast. 1997. The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade. *World Politics* 49(3): 309-338
5. Hiscox, Michael. 1999. The Magic Bullet? The RTAA, Institutional Reform, and Trade Liberalization. *International Organization* 53(4): 669-698
6. "Free Trade: The Repeal of the Corn Laws" by Cheryl Schonhardt-Bailey. **Pages 87-97.**

Response Paper Essay Questions

1. Consumers benefit from trade liberalization, but their influence over trade politics tends to be weak. Apply Olson's framework to explain why politicians may be less sensitive to consumer interests than the interests of protectionist producers. Are there conditions under which consumers may actually be able to overcome their collective action problems, and meaningfully affect trade policy? What might those conditions be?
2. After reviewing the debate between Bailey, Goldstein, and Weingast and Hiscox, make an argument about whose account of American trade liberalization in the post-RTAA world is more convincing. Why do you find one view more convincing than the other? If you believe that Hiscox's account is more convincing, be sure to consider how Bailey, Goldstein, and Weingast may defend their approach against Hiscox's criticisms, and articulate why you don't find that hypothetical defense convincing. If you believe that Bailey, Goldstein, and Weingast are more convincing, be sure to explain why you don't find Hiscox's criticisms of their argument convincing.
3. Busch and Reinhardt suggest that geographic concentration is one mechanism by which protectionist industries may overcome their collective action problem. Identify another mechanism by which such industries may overcome their collective action problem, and make an argument about how and why it does so.

Class 4: August 13

Topic: Why are some countries more open to international trade than others? What affects a country's choice of trade policy instruments?

Introduction: As we have discussed, *all* countries regardless of their factor endowments or productivity, stand to benefit by specializing according to their comparative advantage and engaging in international trade. Yet while some countries maintain relatively open commercial policies, others tend to protect their markets from foreign competition. Today's readings are concerned with explaining why. The first reading, by Milner and Kubota, suggest one basis for cross-national variation in trade policy: regime type. That is, they argue that amongst developing countries, democracies tend to have more open trade policies than autocracies. Pay attention to their argument about why this is the case, which draws on the logic of the Stolper-Samuelson theorem, which we explored before. The next article, by Kono, suggests that the relationship between democracy and trade protection is not a simple one; while democracies do tend to have lower tariffs, they tend to have *higher* non-tariff barriers to trade. Regime type may have ambiguous effects on overall levels of protection, but may have a more systematic relationship on the *type* of protection that is chosen.

The first two articles explore how differences in regime type (i.e. whether countries are democracies or autocracies) affects cross-national variation in trade policy; the next two articles, by Ehrlich, and Nielson, explore variation in trade policy amongst democracies. They trace how different institutional features of democratic countries (such as party systems and the size of electoral districts) can increase or decrease the influence of protectionist interests, and give rise to trade policies that are more or less protectionist. You are not required to read both of these articles; reading only one is sufficient to appreciate the general analytical approach of these sorts of institutional arguments.

The next article, by Rogowski, flips the causal arrow; while the previous articles use domestic institutional or regime-type variables (independent variables) to explain trade policy (the dependent variable), Rogowski argues that international trade (his independent variable) might actually affect domestic institutions (his dependent variable). This suggests that the relationship between domestic institutions and international trade may not be unidirectional; it could be reciprocal. What might be the methodological and substantive implications of this bi-directional relationship?

Finally, while all of the previous papers have emphasized political institutions, Ranganath and Kuo emphasize the ideas and beliefs of political elites as a source of cross-national variation in trade policy. What are the relative strengths and weaknesses of institutional versus ideational explanations for trade policy?

Readings

1. Milner, Helen and Keiko Kubota. 2005. Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries. *International Organization* 59(1): **Pages 107-119 and 137-138.**
2. Kono, Daniel. 2006. Optimal Obfuscation: Democracy and Trade Policy Transparency. *American Political Science Review* 100(3): **369-371 and 381-382.**
3. Read **ONE** of the following: Ehrlich, Sean. 2007. Access to Protection: Domestic Institutions and Trade Policy in Democracies. *International Organization* 61((3): **Pages 571-587 OR** Nielson, Daniel. 2003. Supplying Trade Reform: Political Institutions and Liberalization in Middle-Income Presidential Democracies. *American Journal of Political Science* 47(3): **Pages 470-475**

4. Rogowski, Ronald. 1987. Trade and the Variety of Democratic Institutions. *International Organization* 41(2): **Pages 203-223**
5. Kuo, Jason and Aditya Ranganath. 2015. Political Preferences, Leaders, and Trade Policymaking in Democracies: Does the First Image Matter for IPE?" Unpublished manuscript. **Pages 1-9 and 13-14.**

Response Paper Essay Questions

1. Rogowski suggests that democratic institutions may be shaped by a country's external trade. Milner and Kubota suggest that for developing countries, democratization has led to free trade. In light of Rogowski, do you think a reverse relationship may have been at work? Could free trade have spurred democratization, rather than the other way around? Milner and Kubota admit the possibility, but dismiss it on empirical grounds (p.130). Nevertheless, such a link seems conceptually feasible. Using what we have learned so far in this class about the effects of international trade, develop an argument about how free trade may spur or reinforce democratization in developing countries.
2. Today's readings bring up several potential sources of cross-national variation in trade policy. After briefly summarizing these readings, identify a potential source of variation in trade policy that is not mentioned, and develop an argument about how it may give rise to such variation. What are the strengths and weaknesses of your variable, compared to the ones mentioned in our readings for today?
3. What might be the relative strengths and weaknesses of institutional versus ideational explanations for trade policy? Which approach to explaining trade policy do you find more compelling or convincing? Why? Are these approaches complementary (as Kuo and Ranganath seem to suggest)? Or are they actually mutually incompatible?

Class 5: August 18th

Topic: Why is free trade more prevalent in some historical eras than in others?

Introduction: Thinking back to one of our first readings, Frieden's brief history of global capitalism, recall that the global economy as a whole has been marked by different levels of trade integration over time. The period from the late 1900s to the start of the First World War was marked by remarkable levels of global trade integration. By some measures, our own era of globalization only surpassed the pre-WWI levels of integration relatively recently. Despite attempts to resurrect the global economy after WWI, these attempts proved to be a failure, and the post WWI era is remembered as an era of economic nationalism and collapsing international exchange. After WWII, this trend reversed, and under the leadership of the United States, trade integration once again began an upward march. What accounts for such trends? Why does free trade prevail in some historical eras, but not in others? The logic of specialization according to comparative advantage is always true, so simple trade theory cannot explain this variation. Once again, we turn to politics for answers.

Milner, and Grieco and Ikenberry, introduce an idea known as "hegemonic stability theory", which posits that a dominant political power in the international system is needed to support a global regime of free trade. This theory posits that in the pre-WWI era, free trade prevailed under the leadership of Great Britain, while in the post-WWII era, it was supported by the leadership of the United States; international trade (and the global economy more generally) collapsed in the interwar years, when

Great Britain was no longer able to offer the requisite leadership, and the United States was unwilling to. In the next article, Lake explores the implications of this argument for the future of the world economy. To the extent that American hegemony is declining, does it portend troubled times for global trade integration? Lake analyzes differences between British and American hegemony, and makes the case that the global economy will take the relative decline of the United States in stride.

One possibility is that even if American hegemony declines, the multilateral trade institutions that the United States helped to create will persist, and help to preserve and extend global trade integration into the future. Crowley, Irwin, and Deardorff provide big picture overviews of the evolution of postwar multilateral trade institutions, from the GATT to the WTO. As you read these articles, think about what purpose these institutions serve, and how they help states maintain an open international economy.

The previous sets of readings posit international, system-level explanations for the growth of global trade in the postwar era, compared to the interwar years. The final set of readings highlights a domestic explanation. In particular, it points to an interesting trend: the increase in international trade integration after World War II coincided with an increase of in the sizes of (developed country) welfare states. “Embedded liberalism” is the idea that this was no accident; governments expanded their roles in the economy to compensate the losers from trade openness, and thereby maintain political support for continued trade integration. Hayes, Ehrlich, and Peinhardt provide a useful overview of the “embedded liberalism” thesis, while Rodrik is one of the classic papers that develops the idea of a positive link between the size of the welfare state and trade openness.

Readings

1. Milner, Helen. 1998. International Political Economy: Beyond Hegemonic Stability. *Foreign Policy* 110: **Pages 113-116**
2. Grieco, Joseph and G. John Ikenberry. 2003. State Power and World Markets: The International Political Economy. New York: WW Norton and Company. **Pages 110-115.**
3. Lake, David. 1995. “British and American Hegemony Compared: Lessons for the Current Era of Decline.” In Frieden, Jeffrey and David Lake eds. *International Political Economy: Perspectives on Global Wealth and Power*. New York: St. Martin’s Press. **Pages 120-133.**
4. Crowley, Meredith. An Introduction to the WTO and GATT. **Pages 42-54**
5. Irwin, Douglas. 2009. *Free Trade Under Fire*. Princeton: Princeton University Press. **Pages 222-245.**
6. Deardorff, Alan and Robert Stern. 2001. What You Should Know About the World Trade Organization. *Review of International Economics*. **Pages 12-25.**
7. Hays, Jude, Sean 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(2): **Pages 473-475**
8. Rodrik, Dani. 1998. Why do more open economies have bigger governments? **Pages 28-30.**

Response Paper Essay Question

1. “With the decline of American hegemony, prospects for continued trade integration are bleak.” Based on the readings for this class, argue for or against this proposition. Be sure to consider

both sides of the argument, and explain why you think your position is more convincing or compelling.

Class 6: August 20

Topic: Regionalism

Introduction: In the previous class, we considered the multilateral trade regime and the institutions overseeing it. The GATT/WTO is not the only game in town, however. The global economy has also seen the proliferation of regional trade institutions; NAFTA and the European Union are prominent examples (though the EU is of course about much more than trade). The Trans-Pacific Partnership, which has been in the news lately, is also an example of a regionally organized trade institution.

Irwin, and Milner and Mansfield, provide an overview of this trend (with Milner and Mansfield emphasizing the political drivers of regionalism). Perhaps the central debate in this area of trade policy is whether regional trade institutions undermine, or actually strengthen the multilateral trade order. Bhagwati and Griswold provide different perspectives on this debate.

Readings

1. Irwin, Douglas. 2009. *Free Trade Under Fire*. Princeton: Princeton University Press. **Pages 260-269**
2. Mansfield, Edward and Helen Milner. 1999. The New Wave of Regionalism. *International Organization* 53(3): 590-622
3. Griswold, Daniel. 2003. Free Trade Agreements: Stepping Stones to a More Open World. *Cato Institute: Center for Trade Policy Studies*.
4. Bhagwati, Jagdish. Excerpt from *Termites in the Trading System: How Preferential Trading Agreements Undermine Free Trade*.

Response Paper Essay Questions

1. Assess the debate between Griswold and Bhagwati about whether regional trade agreements promote or undermine the multilateral system of free trade. Whose view do you find more convincing? Why?
2. Do a bit of background research on the Trans Pacific Partnership (TPP), which has been in the news for the past several months. Present the arguments for and against the TPP (from the standpoint of the United States). Based on your analysis of these arguments, make a recommendation about whether you believe the TPP should be adopted.

Class 7: August 25: IN-CLASS MIDTERM

Class 8: August 27

Topic: Trade and Society: Environment, Social Justice, and Culture

Introduction: Today's readings address different topics, but are united by a concern with how international trade affects outcomes beyond the political or economic realms. Frankel offers a comprehensive assessment of the relationship between international trade and the environment. Articles by Krugman and Miller consider whether free trade leads to the exploitation of workers in poor countries. Krugman suggests that free trade is good for poor-country workers, and that claims to the

contrary are ill-informed; Miller is much more skeptical of this view, and thinks that “sweatshops” are a real problem in the global economy. Finally, Grieco and Ikenberry discuss fears that free trade and globalization may act as homogenizing forces, and undermine distinctive national cultures. They present the efforts of some national governments to protect their national cultures in a world of trade liberalization. The article by Cowen, however, suggests that trade actually enriches national cultures; people that care about a nation’s cultural vitality should embrace trade, rather than fear it.

Readings

1. Frankel, Jeffrey. 2009. Environmental Effects of International Trade. Pages 6-66
2. Krugman, Paul. “In Praise of Cheap Labor.” In Slate Magazine. Available at http://www.slate.com/articles/business/the_dismal_science/1997/03/in_praise_of_cheap_labor.html
3. Miller, John. Why Economists are Wrong About Sweatshops and the Anti-Sweatshop Movement. *Challenge* 46(1): **93-116**
4. Grieco, Joseph and G. John Ikenberry. 2003. State Power and World Markets: The International Political Economy. New York: WW Norton and Company. **Pages 230-232**
5. Cowen, Tyler. Does Globalization Kill Ethos and Diversity? **17-19**

Discussion Questions

1. Assess Krugman and Miller’s arguments about the possibility that free trade leads to the exploitation of workers in poor countries. After briefly summarizing their views, discuss whose views you find more convincing. Do you think that fears of exploitation are overdrawn (as Krugman does)? Or do you believe Miller’s position that such fears are justified? Why? If you take Krugman’s side, be sure to explain why Miller is unconvincing. If you take Miller’s side, be sure to consider how Krugman might respond to Miller’s arguments in the course of arguing that Krugman’s position is untenable.
2. Do you believe that protectionist measures to defend a nation’s cultural autonomy are justified? In making your case, draw on discussions in Grieco and Ikenberry, as well as Cowen. What are the benefits and drawbacks of such policies?

Class 9: September 1

Topic: Trade and Economic Development

Introduction: In today’s class, we consider the relationship between trade and economic development. What sorts of trade policies should the world’s poor countries choose in their pursuit of development? Are deviations from the principle of specialization according to comparative advantage in fact justified for such countries? If so, under what circumstances?

The first reading, by Grieco and Ikenberry, provides a brief introduction to two different strategies that developing countries have pursued with respect to the international economy: import-substituting industrialization (ISI) and export-led growth (ELG).

The next reading, by Krugman, discusses relatively recent innovations in international trade theory that suggest that protectionism can actually promote economic development, and increase overall welfare. However, he suggests that while deviations from free trade may be welfare-enhancing in theory, they

probably wouldn't be in practice. Instead of Krugman, you may also read Oatley, who discusses the same ideas. What implications (if any) do these ideas have for how developing countries should engage the international economy?

The next reading, by Chang, is a historical study that argues that while the United States has taken the lead in arguing that free trade promotes economic development, it didn't follow its own advice; the United States actually developed by following protectionist policies, rather than free trade (as did Britain). Irwin's article is a review of a book written by Chang that made a similar argument. Consider Irwin's critique of Chang's analysis, and whether you find it compelling. The reading from Ross is a discussion of the well-documented "resource curse." Consider the extent to which the existence of a resource curse may undermine the standard advice that specialization according to a country's comparative advantage is the optimal policy.

Finally, Rodrik considers the relationship between developing countries and international trade institutions, and how these institutions can better serve the needs of such countries.

Readings

1. Grieco, Joseph and G. John Ikenberry. 2003. *State Power and World Markets: The International Political Economy*. New York: WW Norton and Company. **Pages 254-257**
2. **EITHER** Krugman, Paul. 1987. Is Free Trade Pasa? *Journal of Economic Perspectives* 1(2): **Pages 131-134** **OR** Oatley, Thomas. 2008. *International Political Economy: Interests and Institutions in the Global Economy*. New York: Pearson and Longman. **Pages 96-107**
3. Chang, Ha-Joon. 2002. Kicking Away the Ladder: An Unofficial History of Capitalism, Especially in Britain and the United States. *Challenge* 45(5): **Entire Article**
4. Irwin, Douglas. 2004. Book Review of Chang. Available at: http://eh.net/book_reviews/kicking-away-the-ladder-development-strategy-in-historical-perspective/
5. Ross, Michael. 1999. The Political Economy of the Resource Curse. *World Politics* 51: **Pages 297-300**
6. Rodrik, Dani. 2001. The Global Governance of Trade as if Development Really Mattered. *United Nations Development Program*. **Pages 21-35.**

Response Paper Questions

1. "Free trade is good for economic development and should be adopted by developing countries." Based on today's readings, argue for or against this proposition. You may wish to take a more nuanced position (though you certainly don't have to). For instance, you may think that free trade benefits developing countries in some circumstances, but not others. In that case, discuss what those circumstances might be.
2. Krugman argues that while deviations from free trade may be welfare-enhancing in theory, free trade remains the best policy in practice. Do you find his arguments to this effect convincing? If so, consider possible objections to his argument, and make the case that they are unconvincing. If you don't find his arguments convincing, discuss their weaknesses.
3. Assess the validity of Chang's argument. Is Irwin's critique of his argument compelling? Why or why not? Can you think of criticisms of Chang's arguments that Irwin doesn't make? How might Chang respond to these criticisms, as well as Irwin's?

Class 10: September 3

Topic: The Future of International Trade

Introduction: There are many things we could discuss in considering the future of international trade. In this class, we focus on two topics. First, we consider the relationship between international trade and international security. Liberman considers how security concerns might affect the willingness of states to engage in international trade. This question may be particularly relevant in coming years; if the United States sees China as a security threat, might it seek to cut back on trade with China? Copeland considers the opposite relationship; how does international trade and interdependence affect the likelihood of conflict between states? These articles are long; it is okay to skim them to get the gist of the key concepts and arguments.

The next article, by Blinder, discusses the rise of offshoring, which he argues is poised to initiate a “new industrial revolution.” Do you think that offshoring is in fact a trend with potentially revolutionary implications? Drezner’s article seems more skeptical. Whose argument is more compelling, and what effects do you think outsourcing will have on the politics of trade? Will high-skilled worker in the United States continue to support free trade?

Readings

1. Liberman, Peter. 1996. Trading with the Enemy: Security and Relative Economic Gains. *International Security* 21(1)
2. Copeland, Dale. 1996. Economic interdependence and War: A Theory of Trade Expectations. 1996. *International Security* 20(4).
3. Blinder, Alan. 2006. Offshoring: The Next Industrial Revolution? *Foreign Affairs* 85(2): **113-128**
4. Drezner, Daniel. 2004. The Outsourcing Bogeyman. 83(3): **Pages 22-34**