

University of Oregon  
Department of Economics

## ECN 607: SEMINAR IN INTERNATIONAL TRADE AND TRADE POLICY

Prof. Bruce Blonigen

Office: 511 PLC

Ph.#: 346-4680

Webpage: <http://darkwing.uoregon.edu/~bruceb>

Office Hrs: U,W 2-3 pm, and by appt.

Email: [bruceb@uoregon.edu](mailto:bruceb@uoregon.edu)

---

### *SYLLABUS - Revised*

---

This seminar will examine international economics from a microeconomic perspective, with its focus largely on trade and trade protection and promotion policies. The first couple weeks will be a quick treatment of traditional trade theory to provide a basic framework. This will be followed by an examination of recent trade theory, including introduction of imperfect competition, and empirical specifications modeling trade flows. The rest of the seminar will focus on trade policies, including tariffs, quotas, export subsidies, and antidumping and countervailing duties.

The seminar will be a mix of lecture material and discussion of papers, with more lecture the first few weeks as we work through trade theories. We will rely on Robert Feenstra's graduate text, *Advanced International Trade: Theory and Evidence*, as our primary source for many of the topics we cover, but supplement with relevant journal articles. We will have weekly or biweekly assignments and quizzes (**20% of your grade for Ph.D. students, 30% for Master's**) and a midterm later in the term (**30% for Ph.D. students, 35% for Master's students**).

The ultimate goal in a field class is to get you working on and writing original research. To achieve this, a paper will be due at the end of the term (**30 % for Ph.D. students, 35% for Master's students**) at 5 pm on Wednesday, March 21. The topic for the presentation and literature review needs to be decided in consultation with me by the third week of class. There will be two options for the paper: 1) a 10-12 page literature review (with at least 15 cites), or 2) a paper that presents a new problem or issue and derives theoretical and/or empirical results (at least 10 pages). I will discuss these options at more length in class. Finally, the Ph.D. students only will present an article to the class (**20% for Ph.D.**) from their literature review in one of the final two weeks of class.

Course readings for each topic will be announced a week in advance. We may or may not cover each of the required articles listed below in topic areas.

#### **Required Text:**

Robert C. Feenstra. *Advanced International Trade: Theory and Evidence*. Princeton, NJ: Princeton University Press, 2004.

## Other Recommended Texts:

- Markusen, Melvin, Kaempfer and Maskus, *International Trade: Theory and Evidence*, McGraw Hill, 1995
- Jones, R.W. and P.B. Kenen (eds.), *Handbook of International Economics, Vol. 1 and 2*, North-Holland, 1984.
- Grossman, G.M. and K. Rogoff (eds.), *Handbook of International Economics, Vol. 3*, North-Holland, 1995.
- Choi and Harrigan, *Handbook of International Trade*, Blackwell, 2003.
- Dixit, A.K. and V. Norman, *Theory of International Trade*, Cambridge University Press, 1980.
- Vousden, N., *The Economics of Protection*, Cambridge University Press, 1990.
- Bagwell, K. and R. Staiger, *The Economics of the World Trading System*, MIT Press, 2002.
- Bhagwati, J.N. (ed.), *International Trade: Selected Readings*, MIT Press, 1985.
- Grossman, G. and E. Helpman, *Interest Groups and Trade Policy*, Princeton and Oxford, UK:Princeton University Press, 2002.
- Grossman, G. and E. Helpman, *Innovation and Growth in the Global Economy*, MIT Press, 1991.
- Helpman, E. and P. Krugman, *Trade Policy and Market Structure*, MIT Press, 1989.
- Vousden, N., *The Economics of Protection*, Cambridge University Press, 1990.

## General Outline of Topics for the Course

Starred (\*) readings are required reading. Unstarred ones are recommended.

### 1) Ricardian Trade Model

\* Feenstra, Robert C. *Advanced International Trade: Theory and Evidence*, chapter 1, pp. 1-4.

R. Dornbusch, S. Fischer, and P. Samuelson. (1977). "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods," *American Economic Review*. 67: 823-39.

### 2) Heckscher-Ohlin Model of Trade

\* Feenstra, Robert C. *Advanced International Trade: Theory and Evidence*, chapter 1-2, pp. 4-39.

\* Silberberg, Eugene. (1990). *The Structure of Economics: A Mathematical Analysis*. pp. 544-570.

\* Rybczynski, T. M. (1955). "Factor Endowments and Relative Commodity Price," *Economica*. 22: 336-341.

Jones, Ronald, and J. Peter Neary. (1984). "The Positive Theory of International Trade," chapter 1 in *Handbook of International Economics*. Amsterdam: Elsevier Science Publishers, pp. 2-31.

## 2) Heckscher-Ohlin Model of Trade continued

Dixit, A.K. and V. Norman. (1980) *Theory of International Trade*. Chapters 1-4.

Samuelson, Paul A. (1949) "International Factor-Price Equalisation Once Again," *The Economic Journal*, pp. 181-197.

Stolper, Wolfgang F. and Paul A. Samuelson. (1941) "Protection and Real Wages," *Review of Economic Studies*. 9: 58-73.

## 3) Testing Traditional Trade Theories

\* Feenstra, Robert C. *Advanced International Trade: Theory and Evidence*, chapter 2, pp. 39-61.

\* Leamer, Edward E. (1980). "The Leontief Paradox, Reconsidered," *Journal of Political Economy*. 88: 495-503.

\* Trefler, Daniel. (1995). "The Case of the Missing Trade and Other Mysteries," *American Economic Review*. 85(5): 1029-1046.

Davis, Donald R. and David E. Weinstein. (2001). "An Account of Global Factor Trade," *American Economic Review*. 90(5): 1423-1453.

Deardorff, Alan V. (1984). "Testing Trade Theories and Predicting Trade Flows," chapter 10 in *Handbook of International Economics*. Amsterdam: Elsevier Science Publishers.

Harrigan, James (1997). "Technology, Factor Supplies, and International Specialization: Estimating the Neoclassical Model," *American Economic Review*. 87(4): 475-494.

Hanson, Gordon H. and Matthew J. Slaughter. (2002) "Labor-Market Adjustment in Open Economies: Evidence from US States," *Journal of International Economics*. 57(1): 3-29.

## 4) Increasing Returns and the Gravity Equation

\* Feenstra, Robert C. *Advanced International Trade: Theory and Evidence*, chapter 5, pp. 137-173.

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

\* Hummels, David, and James Levinsohn. (1995). "Monopolistic Competition and International Trade: Reconsidering the Evidence," *Quarterly Journal of Economics*. 110: 799-835.

\* Anderson, James E. and Eric van Wincoop. (2001). "Gravity with Gravitas: A Solution to the Border Puzzle," *American Economic Review*, 93: 170-92.

Head, Keith and John Ries. (2001). "Increasing Returns Versus National Product Differentiation as an Explanation for the Pattern of U.S.-Canada Trade," *American Economic Review*. 90(4): 858-876.

## 5) Trade Policy: Tariffs

\* Feenstra, Robert C. *Advanced International Trade: Theory and Evidence*, chapter 7, pp. 209-241.

\* Feenstra, Robert C. (1989). "Symmetric Pass-Through of Tariffs and Exchange Rates Under Imperfect Competition: An Empirical Test," *Journal of International Economics*. 27: 25-45.

Goldberg, Pinelopi K. and Nina Pavcnik. (2005). "Trade, Wages, and the Political Economy of Trade Protection: Evidence from Colombian Trade Reforms," *Journal of International Economics*. 66(1): 75-105.

Melitz, Marc J. (2003) "The Impact of Trade on Intra-industry Reallocations and Aggregate Industry Productivity," *Econometrica*, 71(6): 1695-1725.

Bernard, Andrew B., J. Bradford Jensen, and Peter K. Schott. (2006) "Trade Costs, Firms, and Productivity," *Journal of Monetary Economics*, 53(5): 917-37.

## 6) Trade Policy: Import Quotas and Export Subsidies

\* Feenstra, Robert C. *Advanced International Trade: Theory and Evidence*, chapter 8, pp. 254-298.

\* Feenstra, Robert C. (1988). "Quality Change Under Trade Restraints in Japanese Autos," *Quarterly Journal of Economics*. 103: 131-146.

\* Brander, James and Barbara Spencer. (1985). "Export Subsidies and International Market Share Rivalry," *Journal of International Economics*. 16: 227-242.

\* Edmonds, Eric V. and Nina Pavcnik. (2005) "The Effect of Trade Liberalization on Child Labor," *Journal of International Economics*. 65(2): 401-19.

Feenstra, Robert C. (1992). "How Costly is Protectionism?" *Journal of Economic Perspectives*. Vol 6: 159-78.

Harris, Richard. (1985). "Why Voluntary Export Restraints are 'Voluntary'" *Canadian Journal of Economics*. 58(4): 799-809.

Eaton, Jonathan, and Gene Grossman. (1986). "Optimal Trade and Industrial Policy Under Oligopoly," *Quarterly Journal of Economics*, 101: 383-406.

Krishna, Kala. (1989). "Trade Restrictions as Facilitating Practices." *Journal of International Economics*. 26: 251-270.

Melitz, Marc J. (2005) "When and How Should Infant Industries Be Protected?" *Journal of International Economics*. 66(1): 177-96.

## **7) Dumping and Administered Protection**

\* Brander, James and Paul Krugman. (1983). "A 'Reciprocal Dumping' Model of International Trade," *Journal of International Economics*. 15: 313-321.

\* Anderson, James E. (1993). "Domino Dumping II: Anti-dumping," *Journal of International Economics*. 35: 133-150.

\* Blonigen, Bruce A. and Stephen E. Haynes. (2002) "Antidumping Investigations and the Pass-Through of Antidumping Duties and Exchange Rates," *American Economic Review*, 92(4): 1044-61.

\* Blonigen, Bruce A. and Jee-Hyeong Park. (2004) "Dynamic Pricing in the Presence of Antidumping Policy: Theory and Evidence," *American Economic Review*, 94(1): 134-54.

\* Blonigen, Bruce A. and Chad Bown. (2003) "Antidumping and Retaliation Threats," *Journal of International Economics*. 60(2): 249-73.

Blonigen, Bruce and Thomas Prusa. (2001) "Antidumping," NBER Working Paper No. 8398.

## **8) Political Economy of Trade and Protection**

\* Feenstra, Robert C. *Advanced International Trade: Theory and Evidence*, chapter 9, pp. 300-335.

\* Grossman, Gene, and Elhanan Helpman. (1994). "Protection for Sale." *American Economic Review*. 84: 833-850.

\* Goldberg, Pinelopi, and Giovanni Maggi. (1999). "Protection for Sale: An Empirical Investigation," *American Economic Review*, 89:1135-1155.

Finger, J.M., H. Keith Hall and Douglas R. Nelson. (1982). "The Political Economy of Administered Protection," *American Economic Review*. 72(3): 452-466.

Krueger, Anne. (1974). "The Political Economy of the Rent-Seeking Society," *American Economic Review*. 64: 291-303.

Trefler, Daniel. (1993). "Trade Liberalization and the Theory of Endogenous Protection: An Econometric Study of U.S. Import Policy," *Journal of Political Economy*. 101(1): 138-160.

Mayer, Wolfgang. (1984). "Endogenous Tariff Formation," *American Economic Review*. 74: 970-985.

## 9) Trade Negotiations and Trade Agreements

\* Feenstra, Robert C. *Advanced International Trade: Theory and Evidence*, chapter 6, pp. 174-206.

Grossman, Gene M. and Elhanan Helpman. (1995) "The Politics of Free-Trade Agreements," *American Economic Review*. 85(4): 667-690.

Levy, Philip I. (1997). "A Political-Economic Analysis of Free-Trade Agreements," *American Economic Review*. 87(4): 506-519.

Maggi, Giovanni. (1997). "The Role of Multilateral Institutions in International Trade Cooperation," *American Economic Review*. 87(1): 190-214.

\* Bagwell, Kyle and Robert W. Staiger. (1997). "An Economic Theory of GATT," *American Economic Review*. 87(1): 215-248.

\* Limao, Nuno. (2006) "Preferential Trade Agreements as Stumbling Blocks for Multilateral Trade Liberalization: Evidence for the U.S.," *American Economic Review*, 96(3): 896-914.

\* Romalis, John. (2005) "NAFTA's and CUSFTA's Impact on International Trade," NBER Working Paper No. 11059.