

Part IIA Paper 4

Trade and Inequality

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The course covers the theoretical models of international trade, global production structures, and associated policies. The course places a heavy emphasis on applications to current problems in a globalized world economy.

The main textbook for this lecture course is: McLaren, *International Trade*, 2013.

Lecture 1. World trade flows

- McLaren, Chapter 1.
- WTO, “World Trade Report, 2014: Trade and development: recent trends and the role of the WTO,” Section II.A. Introduction, pp. 40-51. (Download from: <https://www.wto.org/>)

Lecture 2. Ricardian Comparative Advantage I

- McLaren, Chapter 2.
- Rivoli, *The Travels of a T-shirt in the Global Economy*, Chapter 6, “Sisters in Time.”

Lecture 3. Ricardian Comparative Advantage II

- Dornbusch, Fischer, Samulson, “Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods,” *American Economic Review*, 67(5): 823-839, (Dec. 1977).
- Head, K., T. Mayer, and J. Ries, 2010, “The erosion of colonial trade linkages after independence”, *Journal of International Economics* 81(1):1-14.

Lecture 4: Rising Wage Inequality Around the World

- Goldberg, P. and Pavcnik, N. “Distributional Effects of Globalization in Developing Countries,” *Journal of Economic Literature*, Vol. 45, No. 1 (Mar., 2007), pp. 39-82.

- Teulings, Coen. “Why does inequality grow? Can we do something about it?” at VoxEU.org, 15 June 2014.

#### Lecture 5: The Specific Factors Model

- McLaren, Chapters 5.
- Collier, *The Bottom Billion*, 2007, Chapter 3.

#### Lecture 6: The Heckscher-Ohlin Model with Leontief Technology

- McLaren, Chapter 6.

#### Lecture 7: The Heckscher-Ohlin Model with substitutable factors

- Lecture notes.
- Attanasio, Goldberg, and Pavcnik. “Trade reforms and wage inequality in Colombia,” *Journal of Development Economics*, 74 (2004) 331-366.

#### Lecture 8: Empirical Evidence on Trade Liberalizations and Wages

- Attanasio, Goldberg, and Pavcnik. “Trade reforms and wage inequality in Colombia,” *Journal of Development Economics*, 74 (2004) 331-366.
- Autor, Dorn and Hanson. “The China Syndrome: Local Labor Market Effects of Import Competition in the United States,” *American Economic Review*, 2013, 103(6): 2121-2168.

#### Lecture 9: Immigration

- McLaren, chapter 12 (SF model)
- Feenstra, chapter 5 (HO model)
- Card, David. “The impact of the Mariel Boatlift on the Miami Labor Market,” *Industrial and Labor Relations Review*, 43(2): 245-257, (1990).
- Borjas, G. “The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market,” *Quarterly Journal of Economics*, 118(4): 1335-1374, November 2003.
- Ottaviano, G. and Peri, G. “Rethinking the Effect of Immigration on Wages,” *Journal of the European Economic Association*, 10(1):152-197, February 2012.

### Lecture 10: Outsourcing

- Feenstra, International Trade, Ch. 7.
- Samuelson, Paul A. “Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization,” *The Journal of Economic Perspectives* , Vol. 18, No. 3 (Summer, 2004) , pp. 135-146.
- Dixit, Avinash and Gene Grossman and Paul A. Samuelson “The Limits of Free Trade,” *The Journal of Economic Perspectives* , Vol. 19, No. 3 (Summer, 2005) , pp. 241-244.

### Lecture 11. Multinationals I

- Reading: Head, Chapter 7.
- Brainard, Lael. “An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade.” *The American Economic Review* , Vol. 87, No. 4 (Sep., 1997) , pp. 520-544

### Lecture 12. Multinationals II

- Reading: Head, *Elements of Multinational Strategy*, Chapter 12.
- Hindriks and Myles, *Intermediate Public Economics*, Chapter 21.3-4.
- Desai, Foley and Hines. “A Multinational Perspective on Capital Structure Choice and Internal Capital Markets,” *The Journal of Finance*, LIX, (6) 2451-2487, December 2004.
- Hines, James R. Jr. “Do Tax Havens Flourish?” *Tax Policy and the Economy*, 19 (2005) 65-99.

### Lecture 13. Import Tariffs and trade policy I

- Readings: Bown and Crowley, “The empirical landscape of trade policy,” mimeo at <http://meredithcrowley.weebly.com/research-papers.html>.
- Goldberg, Pinelopi Koujianou and Giovanni Maggi “Protection for Sale: An Empirical Investigation.” *The American Economic Review*, Vol. 89, No. 5 (Dec., 1999), pp. 1135-1155
- Bown, Chad P. and Patricia Tovar. “Trade liberalization, antidumping, and safeguards: Evidence from India’s tariff reform,” *Journal of Development Economics* 96 (2011) 115125

#### Lecture 14. Import Tariffs and trade policy II

- Readings: McLaren, Chapter 7.
- Broda, Christian and Nuno Limao and David E. Weinstein. "Optimal Tariffs and Market Power: The Evidence." *The American Economic Review*, Vol. 98, No. 5 (Dec., 2008), pp. 2032-2065

#### Lecture 15. Trade agreements I

- McLaren, Chapter 8.
- Bagwell, Kyle and Staiger, Robert W. "An Economic Theory of GATT," *American Economic Review*, Vol. 89, No. 1 (March, 1999), pp. 215-248.
- Bown and Crowley. "Self-Enforcing Trade Agreements: Evidence from Time-Varying Trade Policy," *The American Economic Review* 2013, 103(2): 1071 - 1090
- Ludema and Mayda. "DO TERMS-OF-TRADE EFFECTS MATTER FOR TRADE AGREEMENTS? THEORY AND EVIDENCE FROM WTO COUNTRIES," *Quarterly Journal of Economics*, (2013), 18371893.

#### Lecture 16. Trade agreements II

- McLaren, Chapter 15.
- Tang, Man-Keung and Shang-Jin Wei. "The value of making commitments externally: Evidence from WTO accessions," *Journal of International Economics* 78 (2009) 216229.
- Maggi and Rodriguez-Clare. "A Political-Economy Theory of Trade Agreements," *The American Economic Review*, Vol. 97, No. 4 (Sep., 2007), pp. 1374-1406.