

International Trade Policy  
Economics 980p  
Junior seminar

Elhanan Helpman

August 31, 2010

**Grade:** Each student will be assigned a paper from this list to present in class; this presentation will count for 1/4 of the course grade. The remaining 3/4 of the grade will be based on a written paper of 15-20 pages.

**Teaching Fellow:** Jan Zilinsky, zilinsky@fas.harvard.edu

**Timeline for paper:**

1. Each student must meet with the Teaching Fellow at least twice during the semester to discuss your paper.
2. Jan will meet with the class on Monday, September 27 at 5:00-6:30 pm, in Littauer Center 219.
3. By October 15 you must email the Instructor and the Teaching Fellow a topic for your paper.
4. On November 8 you must submit an outline of the paper to Jan.
5. The paper is due on December 9.

**Books** (available for purchase at the COOP, and on reserve at Lamont Library):

Helpman, Elhanan and Paul R. Krugman, *Trade Policy and Market Structure* (Cambridge, MA, and London: The MIT Press), 1989.

Irwin, Douglas A., *Free Trade under Fire* (Princeton: Princeton University Press), Third Edition, 2009.

Krugman, Paul R. and Maurice Obstfeld, *International Economics: Theory and Policy* (Boston: Addison Wesley), *Eighth* edition only, 2009.

Helpman, Elhanan, *Understanding Global Trade* (Cambridge, MA: Harvard University Press), forthcoming, manuscript, August 2010.

**Readings:**

**1. Explaining Trade Flows**

Krugman and Obstfeld, chapters 2-6.

Helpman, chapters 1-3.

**2. Competition and Trade Policy**

(a) *Theory*

Krugman and Obstfeld, chapter 8.

Helpman and Krugman, chapter 2.

(b) *Evidence*

Feenstra, Robert C., 1992, "How Costly is Protectionism?" *Journal of Economic Perspectives* 6, 159-178.

Hufbauer, Gary C. and Kimberly A. Elliott, *Measuring the Costs of Protection in the United States* (Washington, D.C.: Institute for International Economics), 1994, chapter 1.

Messerlin, Patrick A., *Measuring the Costs of Protection in Europe: European Commercial Policy in the 2000s* (Washington, D.C.: Institute for International Economics), 2001, chapter 3.

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

Kee, Hiau Looi, Alessandro Nicita and Marcelo Olarreaga, 2009, "Estimating

Trade Restrictiveness Indices,” *Economic Journal* 119, 172-199. Available at <http://www.jstor.org.ezp-prod1.hul.harvard.edu/stable/20485299>, then click "Find it at Harvard."

Irwin, Douglas A., 2010, “Trade Restrictiveness and Deadweight Losses from US Tariffs,” *American Economic Journal: Economic Policy* 2, 111-133.

### 3. The Debate about Free Trade

Krugman and Obstfeld, chapter 11.

Irwin, chapters 2-6.

### 4. Market Power

#### (a) *Domestic or Foreign Market Power*

Helpman and Krugman, chapters 3 (except section 3.3) and 4.

#### (b) *Strategic Trade Policy*

Helpman and Krugman, chapters 5 and 6.

#### (c) *Evidence*

Helpman and Krugman, chapter 8.

Richardson, David J., 1989, "Empirical Research on Trade Liberalization with Imperfect Competition: A Survey," *OECD Economic Studies* 12, 7-50. Available as NBER working paper at <http://www.nber.org/papers/w2883>.

Venables, Anthony J. and Alasdair M. Smith, 1988, “Completing the Internal Market in the European Community: Some Industry Simulations,” *European Economic Review* 32, 1501-1525.

Venables, Anthony J., “Trade Policy under Imperfect Competition: A Numerical Assessment,” in Paul R. Krugman and Alasdair Smith, *Empirical Studies of Strategic Trade Policy* (Chicago and London: The University of Chicago Press), 1994, pp. 41-66.

### 5. Political Economy of Protection

#### (a) *Theory*

Krugman and Obstfeld, chapter 9.

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

Helpman, Elhanan, "Politics and Trade Policy," in David M. Kreps and Kenneth F. Wallis (eds.), *Advances in Economics and Econometrics: Theory and Applications* (New York and Cambridge: Cambridge University Press), 1997, 19-45.

Grossman, Gene M. and Elhanan Helpman, 2005, "A Protectionist Bias in Majoritarian Politics," *Quarterly Journal of Economics* 120, 1239-1282.

(b) *Evidence*

Koujianou Goldberg, P. and Giovanni Maggi, 1999, "Protection for Sale: An Empirical Investigation," *American Economic Review* 89, 1135-55.

Mitra, Daveshin, Dimitrios D. Thomakos and Mehmet A. Ulubasoglu, 2002, "'Protection for Sale' in a Developing Country: Democracy versus Dictatorship," *Review of Economics and Statistics* 84, 497-508.

Dutt, Pushan and Devashish Mitra, 2002, "Endogenous Trade Policy Through Majority Voting: An Empirical Investigation," *Journal of International Economics* 58, 107-134.

Dutt, Pushan and Devashish Mitra, 2005, "Political Ideology and Endogenous Trade Policies: An Empirical Investigation," *Review of Economics and Statistics* 87, 59-72.

O'Rourke, Kevin and Alan M. Taylor, 2007, "Democracy and Protectionism," in Timothy J. Hatton, Kevin H. O'Rourke, and Alan M. Taylor (eds.), *The New Comparative Economic History: Essays in Honor of Jeffrey G. Williamson* (Cambridge, MA: The MIT Press).

Evans, Carolyn L., 2009, "A Protectionist Bias in Majoritarian Politics: An Empirical Investigation," *Economics and Politics* 21, 278-307.

Gawande, Kishore, Pravin Krishna and Marcelo Olarreaga, 2009, "What Governments Maximize and Why: The View from Trade," *International Organization* 63, 491-532.