

Political Economy of International Trade

POSC 214 | Winter 2022 | Mon. 2:00 – 4:50 PM | Classroom: WAT 2145

Steven Liao

Syllabus Version: June 15, 2022

Contact Information

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Office Hours

Wednesday

3–5pm

(Email to set up Zoom meeting)

Description

This course is a PhD-level introduction to the International Political Economy (IPE) of trade. The primary objective of the course is to teach students to conduct original research on IPE-related topics. To that end the course covers basic theories and reviews cutting-edge research. The course is organized by substantive topic area. The first half of the course covers sources of trade policy preferences, preference aggregation by domestic institutions, electoral effects, and interstate cooperation in trade. The remainder of the course covers multinational corporations, foreign direct investment, and trade in services. Overall, the course covers the most prominent areas of IPE research in trade, leaving other, equally interesting topics, for students to pursue in other courses and independently in their research projects.

Prerequisite

Students are expected to have taken (or be concurrently taking) an introductory methods courses, and have a basic familiarity with economics (at the level of an undergraduate introductory economics course). Even with this background students will encounter unfamiliar economic concepts and are encouraged to consult an international economic textbook for clarification. Recommended references on basic international economics:

Paul R. Krugman, Maurice Obstfeld, Marc J. Melitz. 2015. *International Economics: Theory and Policy*. Pearson Education.

Caves, Richard E., Jeffrey A. Frankel, and Ronald W. Jones. 2007. *World Trade and Payments: An Introduction*. Pearson Addison Wesley.

Requirements and Evaluation

Research Design Paper (50%), Presentation (10%), Comments (10%)

The is the most important component of the course. The goal is to help students develop a proposal that can lead to a high-quality publishable paper.

- Each student will write one 12–15 page (double-spaced) paper, due on *June 6 (11:59 PM)*. The paper needs to clearly articulate an original research question, synthesize existing related research, present theoretically-grounded testable hypotheses, describe plausible empirical strategies, and show some preliminary data. When writing the paper, you should constantly ask yourself the following questions: Who is your audience? Why should they care? Can your project convince them to change their way of thinking?
- Beginning in Session 6, each student will receive 30 minutes of class time to discuss their proposal. Prior to the presentation the presenter will circulate a draft proposal. The proposal needs to be emailed to the entire class by *the Wednesday (11:59 PM) before the presentation*. Students will prepare a formal 15 minute presentation of their project and class members will ask questions and give feedback for the remainder of the time.
- To ensure presenters receive adequate feedback, each student will provide written comments (around 1-page long, bullet-points are fine) to *two* presenters during the course. The comments should be sent to the entire class by *the Saturday (11:59 PM) before presentations*.

Critical Review Papers (10% each)

Each student will complete two critical review papers (5-page double-spaced). Papers should be distributed to all class members via e-mail by *the Saturday (11:59pm) before class*. The papers should synthesize the week's readings, distilling them down their main arguments and findings. They will also identify shortcomings, omissions, and give constructive suggestions for how the literature can be improved. You may choose which weeks to write papers with the condition that the first paper must be written by Session 5.

Participation (10%)

In addition to class participation, each student will lead one class discussions during the course. The discussion leader will circulate a minimum of three discussion questions that draw out significant unifying themes among the readings and/or contrast with previous weeks. Again, discussion questions should be distributed to all class members via e-mail by *the Saturday (11:59 PM) before class*.

We will coordinate presentation slots, critical review papers, and discussion leaderships during the first session.

Readings

All readings are available online through standard online journal databases unless otherwise noted.

COVID-19 Adjustments

If you are encountering any challenges during the pandemic (e.g., the need for remote participation, deadline extensions, etc.), please do not hesitate to let me know so that I can help.

Non-Discrimination Policy

The ultimate goal of this seminar is to use it as an opportunity to help each other improve their research. All participants should treat each other with respect. Comments and feedback should always be constructive. I will not tolerate any discriminatory speech or behavior.

Accommodation

Every effort will be made to accommodate students with disabilities. Please contact me as early as possible about your needs, and I will treat the matter confidentially, within university policy, and with the resources provided by Student Special Services (<http://specialservices.ucr.edu/disabilities/>).

Meeting and Reading Schedule

Session 1: Introduction (March 28)

Required:

Lake, David. 2009. "Open Economy Politics: A Critical Review." *The Review of International Organizations* 4(3): 219–44.

Optional:

Frieden, Jeffry, and Lisa Martin. 2002. "International Political Economy: Global and Domestic Interactions." In *Political Science: The State of the Discipline*, eds. Ira Katznelson and Helen Milner. 118-46. New York: W.W. Norton.

Cohen, Benjamin J. 2008. *International Political Economy: An Intellectual History*. Princeton: Princeton University Press.

Oatley, Thomas. 2011. "The Reductionist Gamble: Open Economy Politics in the Global Economy," *International Organization* 65(2): 311–41.

Session 2: Sources of Trade Policy Preferences (April 4)

Required:

Mansfield, Edward D., and Diana C. Mutz. 2009. "Support for Free Trade: Self-Interest, Sociotropic Politics, and Out-Group Anxiety." *International Organization* 63(3): 425–457.

Naoi, Megumi, and Ikuo Kume. 2011. "Explaining Mass Support for Agricultural Protectionism: Evidence from a Survey Experiment During the Global Recession." *International Organization* 65(04): 771–795.

Johnston, Noel, and Erica Owen. 2017. "Occupation and the Political Economy of Trade: Job Routineness, Offshorability and Protectionist Sentiment." *International Organization* 71(4): 665–699.

Rho, Sungmin, and Michael Tomz. 2017. "Why Don't Trade Preferences Reflect Economic Self-Interest?" *International Organization*, 71(S1), S85–S108.

Optional:

- Hainmueller, Jens, and Michael J. Hiscox. 2006. "Learning to Love Globalization: Education and Individual Attitudes Toward International Trade." *International Organization*, 60(2), 469–498.
- Lu, Xiaobo, Kenneth Scheve, and Matthew J. Slaughter. 2012. "Inequity Aversion and the International Distribution of Trade Protection." *American Journal of Political Science* 56(3)July, 638–654.
- Ahlquist, John S., Amanda B. Clayton, and Margaret Levi. 2014. "Provoking Preferences: Unionization, Trade Policy, and the ILWU Puzzle." *International Organization* 68(01): 33–75.
- Guisinger, Alexandra. 2017. *American Opinion on Trade: Preferences without Politics*. New York, NY: Oxford University Press.
- Mutz, Diana, and Eunji Kim. 2017. "The Impact of In-group Favoritism on Trade Preferences." *International Organization*, 71(4), 827–850.
- Schaffer, Lena Maria, and Gabriele Spilker. 2019. "Self-Interest Versus Sociotropic considerations: An Information-based Perspective to Understanding Individuals' Trade Preferences." *Review of International Political Economy*, 26:6, 1266–1292.
- Jamal, Amaney, and Helen V. Milner. 2019. "Economic Self-Interest, Information, and Trade Policy Preferences: Evidence From an Experiment in Tunisia." *Review of International Political Economy*, 26:4, 545–572.
- Brutger, Ryan, and Brian Rathbun. 2021. "Fair Share? Equality and Equity in American Attitudes Toward Trade." *International Organization*, 75(3), 880–900.

Session 3: Domestic Interests and Trade Policy (April 11)

Required:

- Hiscox, Michael J. 2002. "Commerce, Coalitions, and Factor Mobility: Evidence from Congressional Votes on Trade Legislation." *American Political Science Review* 96(03): 593–608.
- Kim, In Song. 2017. "Political Cleavages within Industry: Firm Level Lobbying for Trade Liberalization." *American Political Science Review* 111(01): 1–20.
- Blanchard, Emily J., and Xenia Matschke. 2015. "U.S. Multinationals and Preferential Market Access." *The Review of Economics and Statistics* 97(4):839–854.
- Baccini, Leonardo, Iain Osgood, and Stephen Weymouth. 2019. "The Service Economy: U.S. Trade Coalitions in an Era of Deindustrialization." *The Review of International Organizations* 14, 261–296.

Optional:

- Rogowski, Ronald. 1987. "Political Cleavages and Changing Exposure to Trade." *The American Political Science Review* 81(4): 1121–1137.
- Alt, James E., and Michael Gilligan. 1994. "The Political Economy of Trading States: Factor Specificity, Collective Action Problems, and Domestic Political Institutions." *Journal of Political Philosophy* 2 (2):165–192.

Grossman, Gene M., and Elhanan Helpman. 1994. "Protection for Sale." *American Economic Review* 84(4): 833–50.

Autor, David H., Frank Levy, and Richard J. Murnane. 2003. "The Skill Content of Recent Technological Change: An Empirical Exploration." *The Quarterly Journal of Economics* 118 (4): 1279–1333.

Goldberg, Pinelopi Koujianou, and Nina Pavcnik. 2007. "Distributional Effects of Globalization in Developing Countries." *Journal of Economic Literature* 45(1): 39–82.

Helpman, Elhanan, Oleg Itskhoki, and Stephen Redding. 2010. "Inequality and Unemployment in a Global Economy." *Econometrica* 78(4): 1239–83.

Kim, In Song, and Iain Osgood. 2019. "Firms in Trade and Trade Politics." *Annual Review of Political Science* 22(1): 399–417

Session 4: Domestic Institutions and Trade Policy (April 18)

Required:

Milner, Helen V., and Keiko Kubota. 2005. "Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries". *International Organization* 59(1), 107–143.

Kono, Daniel Y. 2006. "Optimal Obfuscation: Democracy and Trade Policy Transparency." *American Political Science Review* 100(03): 369–84.

Gawande, Kishore, Pravin Krishna, and Marcelo Olarreaga. 2009. "What Governments Maximize and Why: The View from Trade." *International Organization* 63(03): 491–532.

Betz, Timm. 2017. "Trading Interests: Domestic Institutions, International Negotiations, and the Politics of Trade". *The Journal of Politics* 79(4), 1237–1252.

Optional:

Bailey, Michael A., Judith Goldstein, and Barry R. Weingast. 1997. "The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade." *World Politics* 49(3): 309–38.

Lohmann, Susanne, and Sharyn O'Halloran. 1994. "Divided Government and U.S. Trade Policy: Theory and Evidence." *International Organization* 48(04): 595–632.

Hiscox, Michael J. 1999. "The Magic Bullet? The RTAA, Institutional Reform, and Trade Liberalization." *International Organization* 53(04): 669–98.

Milner, Helen V., and Bumba Mukherjee. 2009. "Democratization and Economic Globalization." *Annual Review of Political Science* 12 (1):163–81.

Betz, Timm and Amy Pond. 2019. "The Absence of Consumer Interests in Trade Policy". *The Journal of Politics* 81(2), 585–600.

Session 5: Trade and Elections (April 25)

Required:

Margalit, Yotam. 2011. "Costly Jobs: Trade-Related Layoffs, Government Compensation, and Voting in U.S. Elections." *American Political Science Review* 105(01): 166–188.

Jensen, J. Bradford, Dennis P. Quinn, and Stephen Weymouth. 2017. "Winners and Losers in International Trade: The Effects on US Presidential Voting." *International Organization* 71(3), 423–457.

Autor, David H., David Dorn, Gordon H. Hanson, and Kaveh Majlesi. 2020. "Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure." *American Economic Review* 110(10), 3139–83.

Broz, J. Lawrence, Jeffrey Frieden, and Stephen Weymouth. 2021. "Populism in Place: The Economic Geography of the Globalization Backlash." *International Organization*, 1–31.

Optional:

Autor, David H., David Dorn, and Gordon H. Hanson. 2013. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." *American Economic Review* 103(6): 2121–2168.

Kim, Sung Eun, and Yotam Margalit. 2021. "Tariffs As Electoral Weapons: The Political Geography of the US-China Trade War." *International Organization*, 75(1), 1–38.

Session 6: Interstate/International Trade Cooperation (May 2)

Required:

Goldstein, Judith L., Douglas Rivers, and Michael Tomz. 2007. "Institutions in International Relations: Understanding the Effects of the GATT and the WTO on World Trade." *International Organization* 61(01): 37–67.

Mansfield, Edward D, Helen V Milner, and B Peter Rosendorff. 2002. "Why Democracies Cooperate More: Electoral Control and International Trade Agreements." *International Organization* 56(03): 477–513.

Manger, Mark S. 2012. "Vertical Trade Specialization and the Formation of North-South PTAs." *World Politics* 64(04): 622–58.

Lauren Peritz. 2020. "When are International Institutions Effective? The Impact of Domestic Veto Players on Compliance with WTO Rulings." *International Studies Quarterly*, 64(1):220–234.

Optional:

Baccini, Leonardo. 2010. "Explaining Formation and Design of EU Trade Agreements: The Role of Transparency and Flexibility." *European Union Politics* 11(2): 195–217.

Session 7: The Effects of Trade Competition (May 9)

Required:

Elkins, Zachary, Andrew T. Guzman, and Beth A. Simmons. 2006. "Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960-2000." *International Organization* 60(04): 811-46.

Chatagnier, J. Tyson, and Kerim Can Kavaklı. 2017. "From Economic Competition to Military Combat: Export Similarity and International Conflict." *Journal of Conflict Resolution* 61(7): 1510-1536.

Kim, In Song, Steven Liao, and Kosuke Imai. 2020. "Measuring Trade Profile with Granular Product-level Data." *American Journal of Political Science* 64(1): 102-117.

Optional:

Cao, Xun, and Aseem Prakash. 2012. "Trade Competition and Environmental Regulations: Domestic Political Constraints and Issue Visibility." *The Journal of Politics* 74(01): 66-82.

Cao, Xun, and Aseem Prakash. 2010. "Trade Competition and Domestic Pollution: A Panel Study, 1980-2003." *International Organization* 64(03): 481-503.

Greenhill, Brian, Layna Mosley, and Aseem Prakash. 2009. "Trade-based Diffusion of Labor Rights: A Panel Study, 1986-2002." *American Political Science Review* 103(04): 669-690.

Session 8: Economics of Global Production (May 16)

Helpman, Elhanan. 2006. "Trade, FDI, and the Organization of Firms." *Journal of Economic Literature* 44(3): 589-630.

Alfaro, Laura, and Andrew Charlton. 2009. "Intra-Industry Foreign Direct Investment." *The American Economic Review* 99(5): 2096-2119.

Antràs, Pol and Stephen R. Yeaple. 2014. "Multinational Firms and the Structure of International Trade" *Handbook of International Economics* Volume 4: 55-130

Optional:

Nunn, Nathan. 2007. "Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade." *The Quarterly Journal of Economics* 122 (2): 569-600.

Oldenski, Lindsay. 2012. "Export Versus FDI and the Communication of Complex Information." *Journal of International Economics* 87(2): 312-22.

Nunn, Nathan, and Daniel Treffer. 2013. "Incomplete Contracts and the Boundaries of the Multinational Firm." *Journal of Economic Behavior & Organization* 94: 330-44.

Alfaro, Laura, and Andrew Charlton. 2013. "Growth and the Quality of Foreign Direct Investment: Is All FDI Equal?" In *The Industrial Policy Revolution I: The Role of Government Beyond Ideology*, edited by Joseph E. Stiglitz and Justin Lin Yifu. London: Palgrave Macmillan, 162-204.

Laura Alfaro. 2014. “Foreign Direct Investment: Effects, Complementarities and Promotion.” *Harvard Business School Working Paper* 15-006 (August).

Hart, Oliver. 2017. “Incomplete Contracts and Control.” *American Economic Review* 107(7): 1731–1752.

Session 9: Politics of Global Production (May 23)

Li, Quan, and Adam Resnick. 2003. “Reversal of Fortunes: Democratic Institutions and Foreign Direct Investment Inflows to Developing Countries.” *International Organization* 57(01): 175–211.

Owen, Erica. 2019. “Foreign Direct Investment and Elections: The Impact of Greenfield FDI on Incumbent Party Reelection in Brazil.” *Comparative Political Studies* 52(4): 613–645.

Kim, In Song, Steven Liao, and Sayumi Miyano. 2022. “Why Trade and FDI Should Be Studied Together.” *Working Paper*.

Optional:

Henisz, W. 2000. “The Institutional Environment for Multinational Investment.” *Journal of Law, Economics, and Organization* 16(2): 334–64.

Jensen, Nathan M. 2003. “Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment.” *International Organization* 57(03): 587–616.

Pandya, Sonal S. 2010. “Labor Markets and the Demand for Foreign Direct Investment.” *International Organization*, 64(3), 389–409.

Pandya, Sonal S. 2014. “Democratization and Foreign Direct Investment Liberalization, 1970–2000.” *International Studies Quarterly* 58(3): 475–88.

Pandya, Sonal and David Leblang. 2017. “Risky Business: Institutions vs. Social Networks in FDI.” *Economics & Politics* 29(2): 91–117.

Memorial Day (May. 30) — NO CLASS

Session 10: Final Exams (June 6)

Research design paper due by 11:59 PM.

Additional Topics

Outsourcing and Trade in Services

Required:

Francois, Joseph and Bernard Hoekman. 2010. “Services Trade and Policy.” *Journal of Economic Literature* 48 (September): 642–692.

Scheve, Kenneth, and Matthew J Slaughter. 2004. “Economic Insecurity and the Globalization of Production.” *American Journal of Political Science* 48(4): 662–74.

Grossman, Gene, and Esteban Rossi-Hansberg. 2006. “The Rise of Offshoring: It’s Not Wine for Cloth Anymore.” *The New Economic Geography: Effects and Policy Implications*, Jackson Hole Conference Volume, Federal Reserve Bank of Kansas City.

Oldenski, Lindsay. 2012. “The Task Composition of Offshoring by U.S. Multinationals.” *International Economics* 131: 5–21.

Mansfield, Edward D., and Diana C. Mutz. 2013. “US versus Them: Mass Attitudes toward Offshore Outsourcing.” *World Politics* 65(04): 571–608.

Optional:

WTO. 2010. “Measuring Trade in Services.”

Drake, William J., and Kalypso Nicolaïdis. 1992. “Ideas, Interests, and Institutionalization: ‘Trade in Services’ and the Uruguay Round.” *International Organization* 46(01): 37–100.

Blinder, Alan. 2009. “Offshoring: Big Deal, or Business as Usual?” In *Offshoring of American Jobs: What Response from U.S. Economic Policy?*, ed. Benjamin Friedman. Cambridge University Press, 19–59.

Grossman, Gene M., and Esteban Rossi-Hansberg. 2008. “Trading Tasks: A Simple Theory of Offshoring.” *American Economic Review* 98(5): 1978–97.

Hsieh, Chang-Tai, and Keong T. Woo. 2005. “The Impact of Outsourcing to China on Hong Kong’s Labor Market.” *American Economic Review* 95(5): 1673–1687.