

Course Overview

Welcome to ECON 106. The objective of this course is to give students an understanding of what international economic agreements means for global leaders. This course examines the reasons for international economic agreements, their design, the strategic interactions that determine implementation and sustainability, and consequences for global welfare and inequality. The course draws on international economics, game theory, law and economics, and political economy. The tools are used to understand multilateral trade and investment agreements, such as NAFTA, international organizations, such as the WTO, and what is implied by tariffs on solar panels, steel or aluminum, for example. The course will combine case studies, group interaction and presentations. In addition, we will watch the documentary “Life and Debt” for discussion in class.

Textbook, Cases and other Materials

Background reading for the theory will be primarily from:

- *International Economics: Theory and Policy*, Maurice Obstfeld, Paul R. Krugman and Marc J. Melitz, Pearson, 10th ed., 2014

Selected readings will be taken from:

- Kyle Bagwell and Robert W. Staiger, “A Theory of Managed Trade”, *American Economic Review* 80 (1) (1990): 779-795
- Gene M. Grossman and Elhanan Helpman, “Protection for Sale”, *American Economic Review* 84 (4) (1994): 833-850
- Gene M. Grossman and Elhanan Helpman, “Trade Wars and Trade Talks”, *Journal of Political Economy* 103 (4) (1995): 675-708
- Kyle Bagwell and Robert W. Staiger, “An Economic Theory of the GATT”, *American Economic Review* 89 (1) (1999): 215-248
- Giovanni Maggi, “The Role of Multilateral Institutions in International Trade Cooperation”, *American Economic Review* 89 (1) (1999): 190-214
- “Self-Enforcing Voting in International Organizations,” *The American Economic Review*, vol. 96(4), pp. 1137-1158, September 2006 (with Massimo Morelli).
- Giovanni Maggi and Andres Rodriguez-Clare, A Political-Economy Theory of Trade Agreements,” *The American Economic Review*, vol. 97(4), pp. 1374-1406, September 2007
- Michael Tomz, Judith L. Goldstein and Douglas Rivers, “Do We Really Know That the WTO Increases Trade? Comment” *American Economic Review* 97 (5) (2007): 2005-2018
- Michael Porter and Mark R. Kramer, “Creating Shared Value”, *Harvard Business Review*, January-February 2011
- Ralph Ossa, “A “New Trade” Theory of GATT/WTO Negotiations” *Journal of Political Economy* 119 (1) (2011): 122-152

- Ralph Ossa, “Trade Wars and Trade Talks with Data” *American Economic Review* 104 (12) (2014): 4104-4146
- Raluca Dragusanu and Nathan Nunn, “The Effects of Fair Trade Certification: Evidence from Coffee Producers in Costa Rica?” *Working Paper* (2018)
- Vincent Anesi and Renee Bowen, “Policy Experimentation, Redistribution and Voting Rules” *Working Paper* (2018)

TritonEd

A website for this course will be maintained on TritonEd and will contain: current announcements; course syllabus and other guidelines; downloadable copies of any handouts or notes distributed in class; links to websites that may be of interest. It is recommended that you consult TritonEd before each class.

Course Requirements

Your course grade will be determined by

- In-class participation (30%)
- 2 Homework Assignments (35%)
- Final (35%)

In-Class Participation (30%)

Preparing for Class

Class participation will be graded on preparedness, relevance and active exploration of the theory and its implications. You are expected to be able to discuss in class everything under the heading “Prepare for discussion in class”. Other “Background readings” for the session are intended to give background for the theory that will be covered. You may wish to prepare these readings to make understanding the theory presented in class. It is recommended that you consult these readings while doing homework.

Attendance

I expect you to be at every class session but I understand that you are adults and have other responsibilities. If you intend to be absent from class please notify me ahead of time with an explanation. I will consider the explanation you offer and decide whether your absence is excused or unexcused. Physical incapacity, significant religious observance, death in the immediate family, and birth of a child are always excused. I will consider other excuses on a case-by-case basis. Excused absences will not adversely affect your grade.

Homework Assignments (35%)

There will be 2 homework assignment. These are intended to give you practice applying the theory. You will be assigned a recent newspaper or magazine article on which theory questions will be based. Homework will be available on the TritonEd website. Reference lecture notes and background readings to help with these. Homework assignments are to be submitted electronically emailing me by 12:00 noon on the day the homework is due. Late homework assignments will be penalized.

Office hours

I will be available in my office, 1407, on Wednesdays between 10:00 am and 12:00 pm. Please email me if you would like to schedule time outside of these hours.

ECON 106 – International Economic Agreements – Course Outline

Part I - Economic Reasons for Trade Agreements

Introduction

Session 1 - April 3

Discussion of: “*To Trade or Not to Trade: NAFTA and the Prospects for Free Trade in the Americas*” case study

- Background reading: Krugman, Obstfeld, Melitz, Chapter 1 and Chapter 3.

Setting the Stage

Session 2 - April 5

Discussion of: “*The World Trade Organization*” case study

- Background reading: Krugman, Obstfeld, Melitz, Chapter 2, and 252-254

Session 3 - April 10

- Kyle Bagwell and Robert W. Staiger, “An Economic Theory of the GATT”, *American Economic Review* 89 (1) (1999): 215-248
- Giovanni Maggi, “The Role of Multilateral Institutions in International Trade Cooperation”, *American Economic Review* 89 (1) (1999): 190-214
- Michael Tomz, Judith L. Goldstein and Douglas Rivers, “Do We Really Know That the WTO Increases Trade? Comment” *American Economic Review* 97 (5) (2007): 2005-2018

Picking Sides: Part I

Session 4 - April 12

Discussion of: “*Common Agricultural Policy and the Future of French Farming*” case study

- Background reading: Krugman, Obstfeld, Melitz, Chapter 4

Session 5 - April 17

- Gene M. Grossman and Elhanan Helpman, “Protection for Sale”, *American Economic Review* 84 (4) (1994): 833-850
- Gene M. Grossman and Elhanan Helpman, “Trade Wars and Trade Talks”, *Journal of Political Economy* 103 (4) (1995): 675-708

Picking Sides: Part II

Session 6 - April 19

Discussion of: “*Restructuring the U.S. Steel Industry*” case study

- Background reading: Krugman, Obstfeld, Melitz, pages 164-188

Session 7 - April 24

- Ralph Ossa, “A “New Trade” Theory of GATT/WTO Negotiations” *Journal of Political Economy* 119 (1) (2011): 122-152
- Ralph Ossa, “Trade Wars and Trade Talks with Data” *American Economic Review* 104 (12) (2014): 4104-4146

Part II: Economic Agreements and Developing Countries

Win-win or 'Winners and Losers'?

Session 8 – April 26

Discussion of: “*China and the WTO: What Price Membership?*” case study

- Background reading: Krugman, Obstfeld, Melitz, pages 84-94

Preferences as a Path to Free Trade?

Session 9 – May 1

Discussion of: “*Chiquita Brands International (A)*” case study

- Background reading: Krugman, Obstfeld, Melitz, pages 263-267

Heal the World??

Session 10 - May 3

View documentary for class: “*Life and Debt*”

- Background reading: Krugman, Obstfeld, Melitz Chapter 11

Doing FDI right

Session 11 - May 8

Discussion of: “*Building a Cluster: Electronics and Information Technology in Costa Rica*”

- Background reading: Krugman, Obstfeld, Melitz Chapter 7, and page 190-200

Creating Shared Value

Session 12 - May 10

Discussion of: “*The Global Coffee Trade*” case study

- Background reading: Porter and Kramer, “Creating Shared Value”, *HBR Jan-Feb 2011*
- Raluca Dragusanu and Nathan Nunn, “The Effects of Fair Trade Certification: Evidence from Coffee Producers in Costa Rica?” *Working Paper* (2018)

BRICS

Session 13 - May 15

Discussion of: “*Brazil: Leading the BRICs?*” case study

- Background reading: Krugman, Obstfeld, Melitz Chapter 11

Part III: Designing Better Trade Agreements

Fishy Publicity

Session 14 - May 17

Discussion of: “*The Delta Blues: U.S.-Vietnam Catfish Trade (A)*” case study

- Background reading: Krugman, Obstfeld, Melitz, pages 188-190

Session 15 - May 22

- Kyle Bagwell and Robert W. Staiger, “A Theory of Managed Trade”, *American Economic Review* 80 (1) (1990): 779-795

The Devil is in the Details

Session 16 - May 24

Discussion of: “Bombardier: Canada vs. Brazil at the WTO”

- Background reading: Krugman, Obstfeld, Melitz pages 243-246, 291-299

Session 17 - May 29

- Giovanni Maggi and Andres Rodriguez-Clare, A Political-Economy Theory of Trade Agreements,” *The American Economic Review*, vol. 97(4), pp. 1374-1406, September 2007

Session 18 - May 31

- "Self-Enforcing Voting in International Organizations," *The American Economic Review*, vol. 96(4), pp. 1137-1158, September 2006 (with Massimo Morelli).

Session 19 - June 5

- Vincent Anesi and Renee Bowen, “Policy Experimentation, Redistribution and Voting Rules” *Working Paper* (2018)

Session 20 - June 7 - Course Recap