

Economics 6252  
Fall 2006

Professor W. Milberg  
milbergw@newschool.edu

## International Trade

This course will survey alternative theories of international trade and discuss the relation of international trade and trade policy to income distribution, employment, economic growth, foreign direct investment, and the organization of production. We conclude with a discussion of some contemporary issues in trade and investment policy. Grades will be based on class participation, a midterm exam and a final exam. There will be no make-up exams.

### Course Outline and Readings

#### **1. Trade in context**

Krugman, P. (1993) "What Do Undergrads Need to Know About Trade?" American Economic Review, May.

Milberg, W. (2002) "Keynes's Rejection of Comparative Advantage: Say's Law in the Open Economy" in S. Dow and J. Hillard, *Keynes, Uncertainty and the Global Economy*, Aldershot: Edward Elgar.

#### **2. The Pure Theory of International Trade: Ricardo**

Ricardo, D. (1817) "On Foreign Trade," Chapter 7 in The Principles of Political Economy and Taxation.

Pasinetti, L. (1981) Structural Change and Economic Growth, chapter 11.

Maneschi, A. (1985) "Ricardo's Theory of Trade and Growth," Cambridge Journal of Economics.

#### **3. Factor Endowments Approach**

Feenstra, R. (2004) Advanced International Trade: Theory and Evidence, Princeton: Princeton University Press, chapter 2.

Chacholiades, M. (1978), International Trade Theory and Policy, McGraw-Hill, selection.

#### **4. Intra-Industry Trade and Strategic Trade Policy**

Linder, S. (1961) An Essay on Trade and Transformation, Wiley, selected chapters.

Krugman, P., (1981), "Intraindustry Specialization and the Gains from Trade," reprinted in P. Krugman, Rethinking International Trade.

Krugman, P., (1984), "Import Protection as Export Promotion: International Competition in the Presence of Oligopoly and Economies of Scale," reprinted in P. Krugman, Rethinking International Trade.

Feenstra, R. (2004) Advanced International Trade: Theory and Evidence, Princeton: Princeton University Press, chapter 5.

### **5. Empirical Tests of Trade Theories**

Leamer, E. and J. Levinsohn (1994) "Testing Trade Theories," in Handbook of International Economics, Volume 3, Chapter 30.

Leontief, W. (1953) "Domestic Production and Foreign Trade: the American Capital Position Examined," Proceedings of the American Philosophical Society, Vol. 97.

Bowen, H., Leamer, E. and Sveikauskas, L. (1987) "Multicountry, Multifactor Tests of the Factor Abundance Theory," American Economic Review, Vol. 7, No. 5, December.

Trefler, D. (1993) "International Factor Price Differences: Leontief Was Right!," Journal of Political Economy, V. 101, No. 6.

Trefler, D. (1995) "The Case of the Missing Trade and Other Mysteries," American Economic Review, December.

Davis, D. (1998) "Heckscher-Ohlin in the Tropics," NBER Working Paper.

Wood, A. (1995) "Give Heckscher-Ohlin a Chance," Weltwirtschaftliches Archiv.

### **6. Trade, FDI and wages**

Borjas, G. and V. Ramey (1994) "Rising Wage Inequality in the United States: Causes and Consequences," American Economic Review, V. 84, No. 2, pp. 10-16.

Leamer, E. (1998) "In Search of Stolper-Samuelson Linkages between International Trade and Lower Wages," in Collins, S., editor, Imports, Exports and the American Worker, Washington: Brookings Institution.

Robbins, D. (1996) "Evidence on Trade and Wages in the Developing Countries," OECD Research Paper.

Gunseli Berik, G., Y. Rodgers and J. Zveglic, Jr., "Does Trade Promote Gender Wage Equity? Evidence from East Asia," in W. Milberg, editor (2004) Labor and the Globalization of Production, London: Palgrave Macmillan.

Feenstra, R. and G. Hanson, (1997) "Foreign Direct Investment and Relative Wages: Evidence from Mexico's Maquiladoras," Journal of International Economics, Vol. 42, No.3/4, May, pp. 371-39.

Feenstra, R. and G. Hanson (1996) "Foreign Investment, Outsourcing and Relative Wages," in Feenstra, R. et al., editors, The Political Economy of Trade Policy: Papers in Honor of Jagdish Bhagwati, Cambridge: MIT Press, pp. 89-127. (summarized in Feenstra (2004), ch. 4)

Slaughter, M. (2000) "Production transfer within multinational enterprises and American wages," Journal of International Economics, V. 50, pp. 449-472.

Slaughter, M. (2002) "Skill-Upgrading in Developing Countries: Has Inward Foreign Direct Investment Played a Role?" in W. Milberg, editor (2004) Labor and the Globalization of Production, London: Palgrave Macmillan.

TeVelde, D. and C. Morrison (2000) "FDI and Wages: Evidence from Five African Countries," DFID Working Paper.

## **7. Absolute Advantage**

Brewer, A. (1985) "Trade With Fixed Real Wages and Mobile Capital", Journal of International Economics.

Shaikh, A. (1981) "The Laws of International Exchange," reprinted in Nell, E., Editor, Growth, Profits and Property: Essays in the Revival of Political Economy, Cambridge University Press, 1980.

Milberg, W. (1994) "Is Absolute Advantage Passe?: Towards a Post Keynesian/Marxian Theory of International Trade," in M. Glick, editor, Competition, Technology and Money: Classical and Post Keynesian Perspectives, Aldershot: Edward Elgar.

Jones, R. (2000) Globalization and the Theory of Input Trade, Cambridge: MIT Press, selection.

Baumol, W. and R. Gomory (2000) Global Trade and Conflicting National Interests, Cambridge: MIT Press, selection.

## **8. Technology gaps, social gaps and international competitiveness**

Vernon, R., (1966) "International Investment and International Trade in the Product Life Cycle," Quarterly Journal of Economics, May.

Dosi, G., Pavitt, K. and Soete, L. (1990) The Economics of Technical Change and International Trade, NYU Press. (chapters 2,6,).

Fagerberg, J., (1996) "Technology and Competitiveness," Oxford Review of Economic Policy.

Porter, M. (1990) The Competitive Advantage of Nations, selected chapters.

Amsden, A. (2001) The Rise of the Rest: Challenges to the West from the Late-Industrializing Nations, New York: Oxford University Press, Chapter 1.

Piore, M. (1998) "Trade and the Social Structure of Economic Activity" in Collins, S., editor, Imports, Exports and the American Worker, Washington: Brookings Institution.

Milberg, W. and E. Houston (2004) "The High Road and the Low Road to International Competitiveness," International Review of Applied Economics.

Elbaum, R. (1994) "Cumulative versus Comparative Advantage," Journal of Economic History.

Joekes, S. (1999) "A Gender-Analytical Perspective on Trade and Sustainable Development," in UNCTAD, Trade, Sustainable Development and Gender, New York and Geneva: UNCTAD

Berg, J. (2004) "Technology versus Trade versus Social Institutions: Explaining Rising Wage Inequality in the Chilean Cosmetics Industry.," in W. Milberg, editor (2004) Labor and the Globalization of Production, London: Palgrave Macmillan.

## **9. Welfare Analysis of Tariffs**

Johnson, H.G., "Optimal Trade Intervention in the Presence of Domestic Distortions," reprinted in Bhagwati, J. (1981) International Trade: Selected Readings, MIT Press.

de Melo, J. and Tarr, D. (1990) "Welfare Costs of U.S. Quotas in Textiles, Steel and Autos," Review of Economics and Statistics, August.

Edmonds, E. and N. Pavcnik (2006) "Trade Liberalization and the allocation of labor between households and markets in a poor country," Journal of International Economics, V. 69.

Chang, H. (2002) Kicking Away the Ladder, chapter 2.

## **10. Trade and Employment**

Wood, A. (1995) "How Trade Hurt Unskilled Workers," Journal of Economic Perspectives, Vol. 9, No. 3, Summer.

Sachs, J. and H. Schatz (1994) "Trade and Jobs in U.S. Manufacturing," Brookings Papers in Economic Activity, Vol. 1.

Kucera, D. and W. Milberg (2003) "Trade Expansion and Employment in the OECD: New Factor Content Calculations for 1978-1995," Weltwirtschaftliches Archiv.

Kucera, D. and W. Milberg (2000) "Gender Segregation and Gender Bias in Manufacturing Trade:

Revisiting the Wood Asymmetry,” World Development, July.

Brainard and Riker (1997) “Are U.S. Multinationals Exporting U.S. Jobs?” NBER Working Paper no. 5958.

Groshen, E. et al. (2005) “U.S. Jobs Gained and Lost through Trade: A Net Measure,” FRBNY Current Issues, V. 11, No. 8, August.

## **11. Trade and Growth**

Blecker, R. (1989) “International Competition, Income Distribution and Economic Growth,” Cambridge Journal of Economics.

Thirlwall, A. (1979) “The Balance of Payments Constraint as an Explanation of International Growth Rate Differences,” Banca Nazionale del Lavoro Quarterly Review, March.

McCombie, J. and A. Thirlwall (1997) “The dynamic Harrod foreign trade multiplier and the demand oriented approach to economic growth: an evaluation, International Review of Applied Economics, V. 11, pp. 5-26.

Palma, G. (2002) “Mexican Exports and Economic Growth,” mimeo, Geneva: UNCTAD.

Grossman, G. and Helpman, E. (1990) “Comparative Advantage and Long-Run Growth,” American Economic Review, September.

Krugman, P. and A. Venables (1995) “Globalization and Divergence,” Quarterly Journal of Economics.

Frankel, J. and D. Romer (1999) “Does Trade Cause Growth?” American Economic Review, V. 89, No. 3, pp. 379-399.

Sachs, J. (1995) “Trade Liberalization and Growth,” Brookings Papers on Economic Activity.

Rodrik, D. and Rodriguez (1999) “Trade Liberalization and Growth: A Skeptic’s Guide,” NBER macroeconomics annual.

## **12. The Firm and Global Value Chains**

Feenstra, R. (1998) “Integration of Trade, Disintegration of Production,” Journal of Economic Perspectives.

Hymer, S. “The Multinational Corporation and the Law of Uneven Development,” J. Bhagwati, editor, Economics and the World Order: From the 1970s to the 1990s, New York: The Free Press, pp. 436-463.

Shapiro, N. and T. Mott (1995) “Firm-Determined Prices: The Post-Keynesian Conception,” Chapter 3 in Paul Wells, editor, Post-Keynesian Economic Theory, Boston: Kluwer Academic Publishers, pp. 35-

48.

Arestis and Milberg (1994-5) “Flexible Exchange Rates and the Degree of Monoploy,” Journal of Post Keynesian Economics.

Campa and Goldberg (2002) “Exchange rate pass-through; macro or micro phenomenon?” FRBNY Working Paper.

Gereffi, G. (1994) “The organization of buyer-driven global commodity chains” in Gereffi, G. and Korzeniewicz, editors (1994) Commodity Chains and Global Capitalism, Westport, CT: Greenwood Press.

Bair, J. and G. Gereffi (2001) “Local Clusters in Global Chains: The Causes and Consequences of Export Dynamism in Torreon’s Blue Jeans Industry,” World Development, V. 29, No. 11, pp. 1885-1903.

Milberg, W. (2004) “The Changing Structure of International Trade in Global Production Systems: What are the policy implications?” International Labor Review.

Gereffi, Sturgeon and Humphrey (2004) “The Governance of Global Supply Chains,” Review of International Political Economy.

### **13. Selected Trade Policy Issues**

Kregel, J. (2005) “The Sustainability of Current Payments Imbalances,” mimeo.

Milberg, W. and B. Elmslie (1997) “Harder than You Think: Labor Standards in International Trade,” New Labor Forum, V.1, No. 1.

Milberg, W (2002) “Trade and Competition Policy,” mimeo, New York: UNDP.

Chang, H. (2001) “Intellectual Property Rights and Economic Development—Historical Lessons and Emerging Issues,” Journal of Human Development, V. 2, No. 2.