

Seminar on Trade and Development (Econ 4230)
Department of Economics, University of Virginia
Spring 2014

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Office hours: Tuesday 2:00-3:30.

This course will examine various topics related to either international trade, Third World development, or interactions between the two. Examples include effects of trade policy on growth; effects of the North American Free Trade Agreement; the effects of trade liberalization on workers, both in rich and poor countries; the effects of multinational firms; child labor; and the role of the World Trade Organization. The course will be structured on student presentations and directed research projects. Prerequisites are Intermediate Microeconomics and either International Trade or Economic Development. Some background in econometrics will be extremely helpful.

Grading will be based on in-class presentations (20%), participation in class discussion (10%), a term paper proposal due on Thursday, March 6 (10%), a term paper (50%) due on Tuesday, April 29, and a brief exam on Friday, May 9 at 9:00am (10%).

Class presentations in the first half of the course will be based on papers selected from the list below (although if a student is very interested in something not on the list, I am open to suggestion). Those readings below that are listed as 'background' are not intended for presentations, but merely as helpful additional reading on the topic at hand.

Students who are not presenting on a given day are *required* to familiarize themselves with the readings for that class, to attend class, and to participate in class discussion. Students will submit questions or comments on the papers to the discussion thread on the class collab page. Questions or comments on each paper scheduled for presentation need to be submitted *before* the presentation, and these submissions or comments will be evaluated as part of class participation.

This course puts high demands on the students, and each member of the class needs to understand his/her responsibility for keeping the class running well. Please make sure that you know for which dates and papers you are responsible (double-check on the calendar). The onus is on you to make sure that you have not signed up for a paper already taken by another student. If you miss your day without a good reason, you are liable to forfeiture of your grade for that presentation. If everyone does his or her part, the class should be invigorating and instructive for each one of us.

1. Growth strategies: Trade policy and beyond.

Feyrer, James (2009). "Trade and Income -- Exploiting Time Series in Geography." NBER Working Paper #14910 (April).

Rodrik, Dani (1995). "Getting Interventions Right: How South Korea and Taiwan Grew Rich." *Economic Policy: A European Forum*, 20, April 1995, pp. 53-97.

_____ (1998). "Trade Policy and Economic Performance in Sub-Saharan Africa." National Bureau of Economic Research Working Paper 6562.

Kotwal, Ashok, Bharat Ramaswami, and Wilima Wadhwa (2011). "Economic Liberalization and Indian Economic Growth: What's the Evidence?" *Journal of Economic Literature* 49:4 (December), pp. 1152-1199.

Young, Alwyn (1992). "A Tale of Two Cities: Factor Accumulation and Technical Change in Hong Kong and Singapore," *NBER Macroeconomics Annual*.

_____ (2009). "The African Growth Miracle." Working Paper, London School of Economics.

Head, Keith (1994). "Infant Industry Protection in the Steel Rail Industry." *Journal of International Economics* 37, pp. 141-65.

Rodrik, Dani, Arvind Subramanian and Francesco Trebbi (2004). "Institutions Rule: the Primacy of Institutions over Geography And Integration in Economic Development." *Journal of Economic Growth* 9:2, pp. 131-165.

Duflo, Esther (2001). "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment." *The American Economic Review*, Volume 91, Number 4 (September 2001).

Background: McLaren chapter 9.

Baldwin, Robert E. (1969). "The Case Against Infant Industry Protection," *Journal of Political Economy* 77, pp. 295-305.

2. Effects of Globalization on Workers.

McMillan, Margaret, Karen Horn Welch, and Dani Rodrik (2003). "When Economic Reform Goes Wrong: Cashew in Mozambique." *Brookings Trade Forum* 2003, pp. 97-151

Pavcnik, Nina and Penny Goldberg (2004). "Trade, Inequality, and Poverty: What Do We Know? Evidence from Recent Trade Liberalization Episodes in Developing Countries."

Brookings Trade Forum 2004.

McCaig, Brian (2008). Exporting Out of Poverty: Provincial Poverty in Vietnam and U.S. Market Access.” Mimeo: University of Toronto.

Autor, David H., David Dorn, and Gordon H. Hanson (2012). “The China Syndrome: Local Labor Market Effects of Import Competition in the United States.” NBER Working Paper #18054 (May).

Wood, Adrian (1997). “Openness and Wage Inequality in Developing Countries: The Latin American Challenge to East Asian Conventional Wisdom,” *World Bank Economic Review* 11:1 (January), pp. 33-57.

Kovak, Brian K. (2009). “Regional Labor Market Effects of Trade Policy: Evidence from Brazilian Liberalization.” Working paper, University of Michigan.

Background: McLaren Chapter 6.

Harrison, Ann, Margaret McMillan, and John McLaren (2010). “Recent Perspectives on Trade and Inequality.” Forthcoming, *Annual Reviews of Economics*.

3. Political, Legal, Social Institutions and Economics Outcomes in Development.

Nunn, Nathan (2008). “The Long-Term Effects of Africa’s Slave Trades.” *Quarterly Journal of Economics* 123:1 (February), pp. 139-76.

Kudamatsu, Masayuki (2012). “Has Democratization Reduced Infant Mortality in Sub-Saharan Africa? Evidence From Micro Data.” *Journal of the European Economic Association* 10:6 (December), pp. 1294–1317.

Basu, Kaushik (1999). “Child Labor: Cause, Consequence, and Cure, with Remarks on International Labor Standards.” *Journal of Economic Literature* 37:3 (September 1999): pp. 1083-1119.

Eric Edmonds and Nina Pavcnik (2005). “Does Globalization Increase Child Labor? Evidence from Vietnam.” *Journal of International Economics* 65:2 (March), pp. 401-41.

Background: McLaren Chapter 14, section 1.

4. Foreign Direct Investment I: Sweatshops and other host-country effects.

Lipsey, Robert E. and Frederik Sjolholm (2003). “Foreign Firms and Indonesian Manufacturing Wages: An Analysis With Panel Data.” NBER Working Paper No. w9417.

Pandya, Sonal (2014). "Democratization and FDI Liberalization, 1970-2000" *International Studies Quarterly*.

Harrison, Ann and Jason Scorse (2010). "Multinationals and Anti-Sweatshop Activism." *American Economic Review* 100:1 (March), pp. 247-73.

Warren, Cael and Raymond Robertson (2010). "Globalization, Wages, and Working Conditions: A Case Study of Cambodian Garment Factories." Working Paper, Macalester College.

Atkin, David G. (2009). "Working for the Future: Female Factory Work and Child Health in Mexico." Working paper, Yale University.

Background: McLaren Chapter 14, section 2.

Harrison, Ann (1994). "The Role of Multinationals in Economic Development: The Benefits of FDI." *Columbia Journal of World Business* 29:4 (Winter), pp. 6-11.

5. *Foreign Direct Investment II: Outsourcing and other source-country effects.*

Desai, Mihir, C. F. Foley and J. R. Hines Jr. (2009). "Domestic Effects of the Foreign Activities of U.S. Multinationals," *American Economic Journal: Economic Policy* 1:1 (February), pp. 181-203.

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

Harrison, Ann and Margaret McMillan (2006). "Dispelling Some Myths about Offshore Outsourcing." *Academy of Management Perspectives* 20:4, pp. 6-22.

Background: McLaren Chapter 11.

Markusen, James R. (1995). "The Boundaries of Multinational Enterprises and the Theory of International Trade." *Journal of Economic Perspectives* 9:2 (Spring), pp. 169-89.

6. *Immigration.*

Pugatch, Todd and Dean Yang (2011). "The Impact of Mexican Immigration on U.S. Labor Markets: Evidence from Migrant Flows Driven by Rainfall Shocks." Working Paper, University of Michigan (January).

Friedberg, Rachel M. (2001). "The Impact of Mass Migration on the Israeli Labor Market."

Quarterly Journal of Economics 116:4 (November), pp. 1373-1408.

Hong, Gihoon and John McLaren (2013). "Are Immigrants a Shot in the Arm to the Local Economy?" Working Paper, University of Virginia.

Background: McLaren Chapter 12.

Lowenstein, Roger (2006). "The Immigration Equation." *New York Times Magazine* July 9, 2006, p.36.

Peri, Giovanni (2006). "Immigrants, Skills, and Wages: Measuring the Economic Gains from Immigration." *Immigration Policy in Focus* 5:3. Washington, DC: Immigration Policy Center.

7. NAFTA and Other Regional Trade Arrangements.

Trefler, Daniel (2004). "The Long and Short of the Canada-U.S. Free Trade Agreement." *The American Economic Review*, 94:4. (September), pp. 870-895.

Prina, Sylvia (2007). "Agricultural Trade Liberalization in Mexico: Impact on Border Prices and Farmers Income." Mimeo: Boston University.

Hanson, Gordon H. (2003). "What Has Happened to Wages In Mexico since Nafta? Implications for Hemispheric Free Trade." NBER Working Paper 9563 (March).

Oxfam (2003). "Dumping without Borders: How US Agricultural Policies are Destroying the Livelihoods of Mexican Corn Farmers." Oxfam Briefing Paper 50.

Hakobyan, Shushanik and John McLaren (2010). "Looking for Local Labor-Market Effects of the NAFTA." NBER Working Paper #16535.

Garth Frazer & Johannes Van Biesebroeck, 2010. "Trade Growth under the African Growth and Opportunity Act," *The Review of Economics and Statistics*, MIT Press, vol. 92:1 (February), pp. 128-144.

Background: McLaren Chapter 15.