Overview and Objectives

The growth of long-distance trade and international economic integration have been accompanied by an equally unparalleled level of prosperity for the global economy. Yet, as the downward spiral of world trade between the two world wars vividly testifies, globalization and growth are not immediate and automatic consequences of technological progress. On the contrary, a flourishing interconnected world economy relies crucially on political institutions. Governments need to create the physical and regulatory infrastructure that underpins commerce and market integration, and to refrain instead from destructive protectionist policies. Globalization thus represents a governance challenge.

The goal of this course is to use the tools of trade theory and political economics to understand this challenge and the development of international institutions and rules for policy coordination. We will consider first trade policy in the narrow sense of protectionist trade barriers. We will examine the political motives driving their adoption, both internationally to manipulate the terms of trade and domestically to redistribute the gains from trade to politically favored groups. We will then study the role of the World Trade Organization as a mechanism to achieve Pareto-improving multilateral trade liberalization. We will move on to consider how globalization has spurred political integration in a broader sense, from the formation of large countries and colonial empires after the Industrial Revolution to the creation of international unions during the last few decades. We will analyze the political determinants of membership in international unions and of union-wide policy, with a particular focus on monetary and fiscal union. Finally, we will discuss the problem of joint decision-making by sovereign entities with limited supra-national enforcement mechanisms.

Course Outline

1. The basic theory of trade policy
2. The political economy of trade policy
3. Trade agreements and the World Trade Organization
4. Trade and political geography: the rise of international unions
5. Monetary unions and fiscal unions
6. International decision-making: organizations and treaties
Trade Policy and International Policy Coordination

3 ECTS

Required Activities
Class participation.

Evaluation
Students will be evaluated through a written exam at the end of the course.

Materials
For all topics, class slides are the main reading. The following list of suggested further readings is preliminary.

1. The Basic Theory of Trade Policy
This topic is covered in the slides and in any textbook. The following textbook is freely available online:
http://spot.colorado.edu/~markusen/textbook.html
A useful introductory reference to international trade and trade policy is the following:
The following readings are cited in the slides, but only as background information:
Trade, Balance of Payments and Growth (North-Holland).
(Cambridge University Press).

2. The Political Economy of Trade Policy
The class slides cover extensively four papers:
833–850.
Trade Policy and International Policy Coordination


Note: An earlier version of this paper circulated as CEPR Discussion Paper 8726 “Heterogeneous Information and Trade Policy.” However, the empirical section of this Discussion Paper is superseded and is not recommended reading.

Two more articles are briefly summarized in the class slides:


The following readings are cited in the slides, but only as background information:


3. Trade Agreements and the World Trade Organization

The class slides follow closely a seminal article and its book-length extension:


The following readings are cited in the slides, but only as background information:


4. Trade and Political Geography: The Rise of International Unions

The class slides are expected to cover extensively two articles:


The following is a preliminary list of readings that provide background information of interest:


5. Monetary Unions and Fiscal Unions

The class slides are expected to cover extensively three articles:


The following is a preliminary list of readings that provide background information of interest:


6. International decision-making: organizations and treaties

The class slides are expected to cover extensively three articles:


The following is a preliminary list of readings that provide background information of interest:


