CONTENTS ART IV. POLITICS AND POLISMENTING THE NEDRINGMENTION 5. WHY DID THE NOTH WANT A TABUE, AND WHY DID THE SOUTH CALL

5.1-A Cold War before the HoteWath of Mathew An Insufficient of Index and a war block of the

5.4 A.Constitutional Error, and the Lemer Symmetry Theoreman??

5.6 Specific Factors in Trade More Generally all notes

Is FREE TRADE A EDP FOR FOR AMERICAN WORKERS?

6.4 Trade and the Distribution of Income

5.5 Allowing Substitutability and the Te

13

30 SCOLODA

Vistany Columbany

Break Down

48

8.3. Problem: In an Interconnected World

8.5 The WTO's Wobbly Tightiope Walk

8.4 The Sham Froblem 148

xvii

677 The Upshot-with an Important Qualification

IT AN ABOMINATIONS

5.3 The Tariff 71

V

vii

ABOUT THE AUTHOR

PREFACE

PART I ENGINES OF GLOBALIZATION

9.1 A Silver Bullet?

- A SECOND WAVE OF GLOBALIZATION
 - 1.1 The First Wave 2
 - 1.2 The Second Wave 3
 - 1.3 Crisis, Peak Oil, Pirates—and De-Globalization? 8

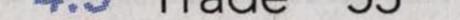
Child Hannahian?

The internation Aroundat Park another

1.4 The Forces at Work 9

SHOULD NIGERIA STRIVE FOR SELF-SUFFICIENCY IN FOOD? 2

- 2.1 A Presidential Agenda 14
- 2.2 The Comparative Advantage Argument Formalized: Introducing the Ricardian Model 15
- 2.3 Autarky in the Ricardian Model 17
- 2.4 Free Trade in the Ricardian Model 20
- 2.5 So What Actually Happened? 24
- 2.6 Additional Insights from Ricardo's Model 26
- WHY DO AMERICANS GET THEIR IMPALAS FROM CANADA? 3
 - 3.1 Impalas on the Horizon 30 3.2 Increasing Returns More Generally 33
 - 3.3 How to Tackle Europe: Trade versus FDI 35
 - 3.4 On a Smaller Scale: Trade and Increasing Returns in Furniture 36
 - 3.5 Adding Heterogeneity: The Melitz Effect 41
- 4 TRADE AND LARGE CORPORATIONS: KODAK VERSUS FUJI
 - 4.1 Big Players in the Game of Trade 48
 - WHO ARE THE WTO, AND WHAT 4.2 Background on Kodak, Fuji, and the War 49 8.1 The Dolphin Fiasco and Other Sto
 - 4.3 Introducing Oligopoly 51
 - 8.2. The Trade War Problem and the Need for 4.4 Autarky 52 4.5 Trade 53



4.6 Winners and Losers 56

4.7 Some Other Possibilities 58

xviii CONTENTS

PART II POLITICS AND POLICY IN THE WORLD ECONOMY

5 WHY DID THE NORTH WANT A TARIFF, AND WHY DID THE SOUTH CALL IT AN ABOMINATION? 64

5.1 A Cold War before the Hot War 64
5.2 A Pure Specific-Factors Model 68
5.3 The Tariff 71
5.4 A Constitutional Error, and the Lerner Symmetry Theorem 73
5.5 A Mixed Model 74
5.6 Specific Factors in Trade More Generally 79

86

108

Licher Other Possibil

6 IS FREE TRADE A RIP-OFF FOR AMERICAN WORKERS?

6.1 The Charges 86
6.2 The Model with Fixed Coefficients 89
6.3 Supply, Demand, and Equilibrium 90
6.4 Trade and the Distribution of Income 93
6.5 Allowing Substitutability—and the Telltale Signs 97
6.6 Testing the Theory 100
6.7 The Upshot—with an Important Qualification 103

7 WHY DOESN'T OUR GOVERNMENT WANT US TO IMPORT SUGAR?

7.1 Sinking LifeSavers 108 7.2 Hypothesis I: The Terms-of-Trade Motive 110 Introducing the Ricardi 7.2.1 A Partial-Equilibrium Model 110 2.3 Autarky in the Ricardian N 7.2.2 The Effects of a Tariff 112 A Free Trade in the Ricardia 7.2.3 The Effects of a Quota 118 7.2.4 Evaluation: Is the Terms-of-Trade Motive Sufficient? 121 7.3 Hypothesis II: Interest Groups 122 7.4 Additional Observations 124 3 WHY DO AMERICANS GET THEFT INPALA 7.4.1 The Optimal Tariff 124 7.4.2 The Optimal Tariff for a Small Country Is Zero 125 7.4.3 Voluntary Export Restraints 126 7.4.4 Equivalence of Tariffs and Quotas (and How It Can Break Down) 126 7.4.5 Nonoptimality of Export Subsidies 128 7.4.6 The Argument in General Equilibrium 129 7.4.7 The Effective Rate of Protection 131

8 WHO ARE THE WTO, AND WHAT DO THEY HAVE AGAINST DOLPHINS? 135

8.1 The Dolphin Fiasco and Other Stories 135
8.2 The Trade War Problem and the Need for Coordination in Trade Policy 137

8.3 Problem: In an Interconnected World, All Policies Are Trade Policies 143

8.4 The Sham Problem 146

8.5 The WTO's Wobbly Tightrope Walk 148

Contents

173

15.7 Conclusion 282

226

16.3 Why Would a Country Run a Tr

16.4 Can the Trade Deficit Ever Be à

xix

SHOULD DEVELOPING-COUNTRY GOVERNMENTS USE TARIFFS 9 TO JUMP-START GROWTH? 152 blido bas goitssilsdol?)

- 9.1 A Silver Bullet? 152
- 9.2 The Infant-Industry Argument: Background 153
- 9.3 Learning by Doing: An Insufficient Argument 156
- 9.4 Market-Failure Arguments for Infant-Industry 14:2 Sweatshops and Multinationals 247 Protection 159
 - 9.4.1 Credit-Market Failures 159 of early agonateev?
 - 9.4.2 Learning Spillovers 160
 - 9.4.3 Agglomeration Externalities and Trade 162

9.5 What Has Actually Happened? 166 14.3.7 The Effect on Democracy: The Political Influence lof Multikational

10 Was Ronald Reagan Punked by Japanese Automakers?

10.1 A Paradox of Aggressive Trade Policy 174 10.2 A First Attempt: A Competitive Model 174 10.3 Does a Cournot Interpretation Work? 175 10.4 Trying on a Bertrand Model 176 10.5 A Closer Look: Trade Policy with Cournot Oligopoly 180 10.6 Trade Policy with Bertrand Oligopoly 183

15.2 Preferential Trade Agreements: Background and Key Principles 265

CURRENT CONTROVERSIES PART III

SHOULD THE IPOD BE MADE IN THE UNITED STATES? 188

- 11.1 Made All Over 189 11.2 Offshoring and Inequality: The Feenstra-Hanson
- Theory 190
- 195 Uponotol I of T 2.21 11.3 Offshoring and Productivity: An Alternative Model
- 11.4 How Do These Theories Stand Up to the Data? 197
- 11.5 Another Approach: Evidence from Aggregate Employment 198
- 11.6 A Bottom Line, Open Questions, and the Obama Critique 205

210 DISTRA DIMORODIORDAM VITE **12** SHOULD WE BUILD A BORDER FENCE?

12.1 Calls for a Crackdown, and Calls for Compassion 211 12.2 Three Theories, and One Thing They Agree On 212 12.3 Three Key Pieces of Evidence 217 12.4 The Upshot 221 16.2.1 Definitions, and Why It Hasn't Shown

16.2.2 The National Income Identity. 288

TRADE AND THE ENVIRONMENT: IS GLOBALIZATION GREEN?

13.1 A Disaster on a Global Scale? 227

13.2 Two Theories (but One Model) 227

13.3 The Evidence 232

XX	CONTENTS
----	----------

14 SWEATSHOPS AND CHILD LABOR: GLOBALIZATION AND HUMAN RIGHTS 239

14.1 Globalization and Child Labor 240

14.1.1 Did a Child Slave Pick the Cocoa for My Chocolate Bar? 240

14.1.2 Globalization and Child Labor — Some Theory 241

14.1.3 Evidence and Implications for Policy 244

14.1.4 Bottom Line on the Child Labor Question 247

14.2 Sweatshops and Multinationals 247

14.2.1 Sweatshops Arise from Poverty 248

14.2.2 Multinationals May Be Part of the Solution 250

14.2.3 But There May Still Be Good Reason to Keep the Pressure On 250

14.3 Globalization and Human Rights More Generally 254

14.3.1 The Effect on Democracy: The Political Influence of Multinational Firms 254
14.3.2 The Effect on Democracy: The Effect of Trade 255
14.3.3 Globalization and Civil War 256
14.3.4 A Note on Women's Rights 257
14.4 Conclusion: Getting the Globalization You Want 258

15 IS NAFTA A BETRAYAL OF THE POOR OR A PATH TO PROSPERITY? 263

15.1 A Competition: Who Hates NAFTA the Most? 263
15.2 Preferential Trade Agreements: Background and Key Principles 265
15.2.1 Types of Agreement 265
15.2.2 Article XXIV 266
15.3 The Classic Trade-off: Trade Creation and Trade Diversion 267
15.4 Distributional Concerns 271
15.4.1 U.S. Workers 271
15.4.2 The Mexican Poor 273
15.5 The Notorious Chapter 11 275
15.6 Some Issues That Affect PTAs More Broadly 277
15.6.1 Counting Lost Jobs: A Popular Mismeasurement 277
15.6.2 National Bargaining-Power Issues 278
15.6.3 Preferential Agreements and the Multilateral Process 279
15.7 Conclusion 282

12 SHOULD WE BUILD

13.1 A Disaster on a

PART IV MACROECONOMIC ASPECTS OF GLOBALIZATION

16 Is the Trade Deficit a Time Bomb?

16.1 Not a Subtle Change 286
16.2 What Is a Trade Deficit? 287
16.2.1 Definitions, and Why It Hasn't Shown Up Before 287
16.2.2 The National Income Identity 288
16.2.3 The Current Account and the Financial Account 290

16.2.4 Bilateral versus Multilateral Deficits 292

16.3 Why Would a Country Run a Trade Deficit? 293

16.4 Can the Trade Deficit Ever Be a Problem? 299

17 TRADE AND EXCHANGE RATES: IS THE RENMINBI THE CULPRIT?
304
17.1 The Ultimatum 304
17.2 Basic Facts about Foreign-Exchange Markets 305
17.3 A Dynamic, General-Equilibrium Model of Exchange-Rate Determination 308
17.3.1 The Setup 308
17.3.2 Equilibrium 311
17.4 Equilibrium Responses 314
17.4.1 What Happens If the Value of the Renminbi Is Raised? 315

xxi

327

17.4.2 Anticipated Devaluation 315
17.4.3 Productivity Effects 317
17.4.4 Anticipated Productivity Changes 318
17.4.5 A Fiscal Interpretation 318
17.5 Adding Nominal Rigidity 321

INDEX

