Main Topic: Explore the role of UN peacekeeping, globalization, trade theory, and the puzzle of protectionism.

1 Key Terms

- neotrusteeship
- globalization
- comparative advantage
- factor endowment
- protectionism
- tariff
- Heckscher-Ohlin-Samuelson theory
- Ricardo-Viner (specific-factors) theory

2 Key Themes/Ideas

Q. What is the role of peace-keeping in civil wars?

Answer: Peace-keeping serves two roles: (1) it can help parties reach a peace and agree to negotiate and (2) it can enforce ceasefires and keep the peace. That is, they are a third-party enforcer who can help parties overcome the commitment problem inherent in ending civil wars.

Q. What is globalization?

Answer: Globalization is the massive increase in economic and cultural transactions between countries over time.

Q. How does globalization help explain the Long Peace?

Answer: Globalization may reduce the probability of war by raising the opportunity costs for going to war through new trade and capital flows.

Q. Why are some countries rich and some are poor?

Answer: This is up for debate, but Professor Fearon argues it arises due to differences in productivity. Alternate explanations discounted in class include (1) mercantilism, (2) natural resource wealth, and (3) extractive economic structures (neocolonialism).

Q. What are the two strategies of industrialization designed to help increase productivity in capital-poor countries?

Answer: The two strategies of industrialization are (1) import substitution industrialization (ISI) and (2) export-oriented industrialization.

Q. What are the four main factor endowments?

Answer: The four main factor endowments are (1) land, (2) capital (i.e. the machinery with which goods are produced and the financial assets necessary to employ this machinery), (3) skilled labor (“human capital”), and (4) unskilled labor.

Q. What are the three main theories and models governing international trade?

Answer: The three theories discussed in reading and lecture are (1) Heckscher-Ohlin trade theory, (2) Ricardo-Viner (sectoral) theory, and (3) “new” trade theory.

Q. What is the puzzle of protectionism?

Answer: If countries specialize in the production of goods in which they have comparative advantage, more goods can be produced world-wide. That is, trading with others is more Pareto efficient than under isolationism.

Iris Malone 2016.

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3 Key Readings

- FLS Chp. 7 “International Trade”
- Frankel, “Brexit, Trump, and Globalization’s Have-Notes”
- Autor et al., “Importing Political Polarization”
- Autor et al., “The China Shock”

4 Review Questions

Check your understanding of this week’s material and key ideas with the following questions.

- If trade produces more Pareto efficient outcomes, then why do states ever impose tariffs and other protectionist barriers to trade?
- How does factor price equalization arise in Donald Trump and Bernie Sanders’s rhetoric about the harmful effects of globalization?
- Ross Perot famously said that NAFTA, if approved, would create a ‘giant sucking sound’ as factories were shipped to Mexico. What would Heckscher-Olin and Ricardo-Viner trade theory say about this prediction? Is it correct and, if not, why?
- Traditionally, labor movements have backed left-wing political parties and capitalists back right-wing political parties. Given this, how should factor endowment within a country theoretically affect political preferences towards trade? What do Autor et al. find?
- Why does a political system grant trade protection to some groups but not to others? In the United States, which competing trade groups receive protection and which ones do not? In a democracy, should not everyone be able to get the same amount of trade protection?
- In U.S. politics today, do debates over trade divide society according to factors of production (by class, or Stolper-Samuelson) or specific factors (by sector, or Ricardo-Viner)? Consider the debate over the Trans-Pacific Partnership during the election.
- During 2011 and 2012, President Obama praised firms that moved jobs from overseas to the United States, referring to this shift as “insourcing.” His administration proposed policies that would encourage such insourcing. Is this not another form of protectionism?
- An important criticism of the WTO, and of trade liberalization more generally, is that it hurts the poor. Some sectors in some countries have clearly seen their income decline due to trade liberalization. What criteria should we use when assessing the impact of trade liberalization on the poor? How do the criteria of Pareto efficiency and distributive justice affect redistributive policies?