

TENTH SUMMER SCHOOL IN INTERNATIONAL AND DEVELOPMENT ECONOMICS

The Political Economy of Trade in Services

Sunday 18 to Wednesday 21 September 2011
University of Milan, Palazzo Feltrinelli, Gargnano (BS), Italy

Syllabus: *Political Economy Trade in Services: Theory and Empirics*

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The purpose of the course is to explore the application of political economy models to trade in services. Trade in services is distinct from trade in goods in some ways, and similar in others. What does that imply for applying existing political economy models to trade in services? I will take a special-interest view of regulation of services trade, both theoretically and empirically. I will empirically apply a special-interest model (Grossman-Helpman 1994) to explaining barriers to trade in services, so we can appreciate some theoretical and empirical issues. We will sum up with directions for policy.

Sunday 18 September

16.00 – 17.30

Introduction

1. Service Trade

- a. Francois, Joseph and Bernard Hoekman. 2010. "[Services Trade and Policy](#)". *Journal of Economic Literature* 48: 642-692.
- b. Dee, Philippa, Kevin Hanslow and Tien Phamduc 2003, "[Measuring the Costs of Barriers to Trade in Services](#)," in Takatoshi Ito and Anne Krueger (eds.), *Trade in Services in the Asia-Pacific Region*, Chicago: University of Chicago Press
- a. Hoekman, Bernard. 2006. [Liberalizing Trade in Services: A Survey](#). World Bank Policy Research Working Paper 4030.

2. Theories of Regulation
 - a. Stiglitz, J. 2009. "[Government Failure vs. Market Failure: Principles of Regulation](#)". In *Government and Markets: Toward a New Theory of Regulation (The Tobin Project)*. Edward Balleisen and David Moss (eds.) New York, NY: Cambridge University Press.
 - b. Simeon Djankov, Simeon, Rafael La Porta, Florencio Lopez de Silanes and Andrei Shleifer, 2002. "[The Regulation of Entry](#)", *Quarterly Journal of Economics* 117: 1-37.

Monday 19 September

9.0 – 10.30

Political Economy Models: Theory and Evidence

1. Protection for Sale
 - a. Grossman, Gene and Elhanan Helpman 1994. "[Protection for Sale](#)" *American Economic Review* 4: 833-850
 - b. Goldberg, Pinelopi and Giovanni Maggi. 1999. "[Protection for Sale: An Empirical Investigation](#)". *American Economic Review* 89: 1135-1155.
 - c. Gawande, Kishore and Usree Bandyopadhyay. 2000. "Is Protection for Sale? A Test of the Grossman-Helpman Theory of Endogenous Protection." *Review of Economics and Statistics* 89:139-152.
2. Extensions: Intermediate Goods
 - a. Gawande, Kishore, Pravin Krishna and Marcelo Olarreaga. 2011. "Lobbying Competition and Trade Policy". Forthcoming in *International Economic Review*.
3. Extensions: FDI
 - a. Feenstra, Robert and Lee Branstetter. 2002. "Trade and Foreign Direct Investment in China: A Political Economy Approach." *Journal of International Economics* 58: 335-358.

13.30 – 15.15

Political Institutions

4. Policy as Institutional Outcomes
 - a. Grossman, Gene M., and Elhanan Helpman. 1995. "[Electoral Competition and Special Interest Politics](#)", *Review of Economic Studies* 63: 265-286.
 - b. Gawande, Kishore and Bernard Hoekman. 2010. "Institutions and Agricultural Policy." Manuscript.

Tuesday 20 September

11.00 – 12.30

Trade in Services

5. Issues with Trade in Services
 - a. Are services different from goods?
 - i. Tariffs versus regulation
 - ii. Firms
 - iii. Political motives

- b. Protection for Sale applied to Services: Issues
 - i. Facchini, Giovanni, Johannes Van Biesebroeck and Gerald Willmann. 2006. "[Protection for Sale with Imperfect Rent Capturing](#)" *Canadian Journal of Economics* 39(3): 845-873.
 - ii. Gawande, Kishore, Pravin Krishna and Marcelo Olarreaga. 2010. "A Political Economic Account of Global Protection." Manuscript.

16.30 – 18.00

Empirically implementing Protection for Sale in Services

- 6. Data
 - a. Older databases
 - i. Dee, Philippa. 2005. "[A Compendium of Barriers to Trade in Services](#)," Australian National University.
 - b. OECD STRI database (in process)
 - i. Handout
 - c. World Bank (Mattoo etc):
- 7. Estimating a Protection for Sale Model for Services using preliminary OECD STRI data.

11.00 – 12.30

Conclusion

- 8. Research Directions
 - a. Intermediates Use
 - b. Vertical Specialization
 - c. Market structure
 - d. Extending PfS model in a way that combines domestic regulation with entry barriers.
 - e. Institutions and Policy