

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Trade Policy Issues and Empirical Analysis

Volume Author/Editor: Robert E. Baldwin, ed.

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-03607-3

Volume URL: <http://www.nber.org/books/bald88-2>

Publication Date: 1988

Chapter Title: Front matter, table of contents, preface

Chapter Author: Robert E. Baldwin

Chapter URL: <http://www.nber.org/chapters/c5844>

Chapter pages in book: (p. -11 - 0)



National  
Bureau of  
Economic  
Research

---

# Trade Policy Issues and Empirical Analysis

Edited by  
**Robert E. Baldwin**

This Page Intentionally Left Blank

---

# Trade Policy Issues and Empirical Analysis



**A National Bureau  
of Economic Research  
Conference Report**

---

# Trade Policy Issues and Empirical Analysis

Edited by **Robert E. Baldwin**



The University of Chicago Press

*Chicago and London*

---

ROBERT E. BALDWIN is the Hilldale Professor of Economics at the University of Wisconsin–Madison, a research associate of the National Bureau of Economic Research, and director of the NBER’s trade relations project.

The University of Chicago Press, Chicago 60637  
The University of Chicago Press, Ltd., London  
© 1988 by the National Bureau of Economic Research  
All rights reserved. Published 1988  
Printed in the United States of America  
97 96 95 94 93 92 91 90 89 88 5 4 3 2 1

**Library of Congress Cataloging-in-Publication Data**

Trade policy issues and empirical analysis / edited by Robert E. Baldwin.

p. cm. — (A National Bureau of Economic Research conference report)

Papers from a conference held by the National Bureau of Economic Research in Cambridge, Mass., Feb. 13–14, 1987.

Includes indexes.

ISBN 0–226–03607–3

1. Commercial policy—Congresses. 2. Commercial policy—Econometric models—Congresses. I. Baldwin, Robert E.

II. National Bureau of Economic Research. III. Series: Conference report (National Bureau of Economic Research)

HF1411.T7133 1988

382' .3—dc19

88–10346  
CIP

---

## National Bureau of Economic Research

### Officers

Richard N. Rosett, *chairman*  
George T. Conklin, Jr., *vice-chairman*  
Martin Feldstein, *president and chief executive officer*

Geoffrey Carliner, *executive director*  
Charles A. Walworth, *treasurer*  
Sam Parker, *director of finance and administration*

### Directors at Large

|                        |                     |                     |
|------------------------|---------------------|---------------------|
| John H. Biggs          | Martin Feldstein    | Robert T. Parry     |
| Andrew Brimmer         | David L. Grove      | Peter G. Peterson   |
| Carl F. Christ         | George Hatsopoulos  | Robert V. Roosa     |
| George T. Conklin, Jr. | Franklin A. Lindsay | Richard N. Rosett   |
| Kathleen B. Cooper     | Paul W. McCracken   | Bert Seidman        |
| Jean A. Crockett       | Geoffrey H. Moore   | Eli Shapiro         |
| George C. Eads         | Michael H. Moskow   | Harold Shapiro      |
| Morton Ehrlich         | James J. O'Leary    | Donald S. Wasserman |

### Directors by University Appointment

|                                                                   |                                              |
|-------------------------------------------------------------------|----------------------------------------------|
| Charles H. Berry, <i>Princeton</i>                                | Merton J. Peck, <i>Yale</i>                  |
| James Duesenberry, <i>Harvard</i>                                 | James L. Pierce, <i>California, Berkeley</i> |
| Ann F. Friedlaender, <i>Massachusetts Institute of Technology</i> | Andrew Postlewaite, <i>Pennsylvania</i>      |
| Jonathan Hughes, <i>Northwestern</i>                              | Nathan Rosenberg, <i>Stanford</i>            |
| Saul Hymans, <i>Michigan</i>                                      | James Simler, <i>Minnesota</i>               |
| J. C. LaForce, <i>California, Los Angeles</i>                     | William S. Vickrey, <i>Columbia</i>          |
| Marjorie McElroy, <i>Duke</i>                                     | Burton A. Weisbrod, <i>Wisconsin</i>         |
|                                                                   | Arnold Zellner, <i>Chicago</i>               |

### Directors by Appointment of Other Organizations

|                                                                   |                                                                                                 |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Richard Easterlin, <i>Economic History Association</i>            | Eric Kruger, <i>The Conference Board</i>                                                        |
| Edgar Fiedler, <i>National Association of Business Economists</i> | Rudolph A. Oswald, <i>American Federation of Labor and Congress of Industrial Organizations</i> |
| Robert S. Hamada, <i>American Finance Association</i>             | Douglas D. Purvis, <i>Canadian Economics Association</i>                                        |
| Robert C. Holland, <i>Committee for Economic Development</i>      | Dudley Wallace, <i>American Statistical Association</i>                                         |
| James Houck, <i>American Agricultural Economics Association</i>   | Charles A. Walworth, <i>American Institute of Certified Public Accountants</i>                  |
| David Kendrick, <i>American Economic Association</i>              |                                                                                                 |

### Directors Emeriti

|                   |                    |                   |
|-------------------|--------------------|-------------------|
| Moses Abramovitz  | Frank W. Fetter    | George B. Roberts |
| Emilio G. Collado | Thomas D. Flynn    | Willard L. Thorp  |
| Solomon Fabricant | Gottfried Haberler |                   |

Since this volume is a record of conference proceedings, it has been exempted from the rules governing critical review of manuscripts by the Board of Directors of the National Bureau (resolution adopted 8 June 1948, as revised 21 November 1949 and 20 April 1968).

This Page Intentionally Left Blank

---

# Contents

|                                                                                                                     |     |
|---------------------------------------------------------------------------------------------------------------------|-----|
| Preface                                                                                                             | ix  |
| <b>1. Introduction</b>                                                                                              | 1   |
| Robert E. Baldwin                                                                                                   |     |
| <b>I. MEASURING TRADE POLICY EFFECTS UNDER IMPERFECTLY<br/>COMPETITIVE MARKET CONDITIONS</b>                        |     |
| <b>2. Empirics of Taxes on Differentiated<br/>Products: The Case of Tariffs in the U.S.<br/>Automobile Industry</b> | 11  |
| James Levinsohn                                                                                                     |     |
| <i>Comment:</i> Raymond Riezman                                                                                     |     |
| <i>Comment:</i> James E. Anderson                                                                                   |     |
| <b>3. Industrial Policy and International<br/>Competition in Wide-Bodied Jet Aircraft</b>                           | 45  |
| Richard Baldwin and Paul Krugman                                                                                    |     |
| <i>Comment:</i> Richard Harris                                                                                      |     |
| <i>Comment:</i> Catherine L. Mann                                                                                   |     |
| <b>4. Strategic Models, Market Structure, and<br/>State Trading: An Application to Agriculture</b>                  | 79  |
| Marie Thursby                                                                                                       |     |
| <i>Comment:</i> Kala Krishna                                                                                        |     |
| <b>5. Imperfect Competition, Scale Economies,<br/>and Trade Policy in Developing Countries</b>                      | 109 |
| Dani Rodrik                                                                                                         |     |
| <i>Comment:</i> Harry P. Bowen                                                                                      |     |
| <i>Comment:</i> Beth V. Yarbrough                                                                                   |     |

|                                                                                                   |     |
|---------------------------------------------------------------------------------------------------|-----|
| II. MEASURING THE ECONOMIC EFFECTS OF PROTECTION                                                  |     |
| <b>6. Measures of Openness</b>                                                                    | 147 |
| Edward E. Leamer                                                                                  |     |
| <i>Comment:</i> Drusilla K. Brown                                                                 |     |
| <b>7. The Effects of Protection on Domestic Output</b>                                            | 205 |
| Robert E. Baldwin and Richard K. Green                                                            |     |
| <i>Comment:</i> Robert C. Feenstra                                                                |     |
| <i>Comment:</i> Robert M. Stern                                                                   |     |
| <b>8. Trade Restraints, Intermediate Goods, and World Market Conditions</b>                       | 233 |
| Val Eugene Lambson                                                                                |     |
| <i>Comment:</i> Avinash K. Dixit                                                                  |     |
| <i>Comment:</i> Gene M. Grossman                                                                  |     |
| III. DETERMINING THE RELATIONSHIP BETWEEN FOREIGN DIRECT INVESTMENT AND EXPORTS                   |     |
| <b>9. U.S. and Swedish Direct Investment and Exports</b>                                          | 259 |
| Magnus Blomström, Robert E. Lipsey, and Ksenia Kulchycky                                          |     |
| <i>Comment:</i> Steven J. Matusz                                                                  |     |
| <i>Comment:</i> John Mutti                                                                        |     |
| IV. ASSESSING U.S. BILATERAL TRADE POLICY DISPUTES                                                |     |
| <b>10. United States–Japan Economic Relations</b>                                                 | 305 |
| Rachel McCulloch                                                                                  |     |
| <i>Comment:</i> Robert W. Staiger                                                                 |     |
| <i>Comment:</i> Peter A. Petri                                                                    |     |
| <b>11. The Political Economy of Protectionism: Tariffs and Retaliation in the Timber Industry</b> | 339 |
| Joseph P. Kalt                                                                                    |     |
| <i>Comment:</i> Arye L. Hillman                                                                   |     |
| List of Contributors                                                                              | 369 |
| Author Index                                                                                      | 373 |
| Subject Index                                                                                     | 377 |

---

# Preface

This volume is the result of a conference held by the National Bureau of Economic Research in Cambridge, Massachusetts, on February 13–14, 1987. I would like to thank Kirsten Foss and Ilana Hardesty of the NBER for the efficient manner in which they handled the conference arrangements and Anne Spillane and Mark Fitz-Patrick of the NBER for ensuring that the papers and comments were in the appropriate form for submission to the University of Chicago Press.

Funding for the conference was provided by The Ford Foundation; I am especially grateful to Tom Bayard of The Ford Foundation for his suggestions on issues to analyze and possible authors and commentators. I should also like to thank Nancy Klatt of the University of Wisconsin for editorial assistance.

*Robert E. Baldwin*

This Page Intentionally Left Blank