This thesis consists of three chapters. The first two are regarding the political economy of international trade, the third is about empirical banking. I am an applied economist working mainly in international trade and political economy. Two fundamental questions drive my research agenda. First, what are the institutional and political determinants of trade policy? Second, how can trade policy mitigate the effects of trade liberalization? Besides my main fields of interest, I have also been working on financial economics, examining the impact of bank loan supply shocks on firm credit and the role of economic policy in smoothing financial crises. This thesis reflects my research interests and, in what follows, I briefly summarize the contents of the thesis.

Chapter 1 is titled “Suspiciously Timed Trade Disputes” and it is the result a joint work with Paola Conconi, David DeRemer, Georg Kirchsteiger, and Maurzio Zanardi. This Chapter is already published in the Volume 105 of the Journal of International Economics and it shows that electoral incentives crucially affect the initiation of trade disputes. Focusing on WTO disputes filed by the United States during the 1995-2014 period, we find that U.S. presidents are more likely to initiate a dispute in the year preceding their re-election. Moreover, U.S. trade disputes are more likely to involve industries that are important in swing states. To explain these regularities, we develop a theoretical model in which re-election motives can lead an incumbent politician to file trade disputes to appeal to voters motivated by reciprocity.

The second chapter, titled “Trade Policy and the China Syndrome”, analyzes how trade policy can be used to smooth the effects of trade liberalizations. The recent backlash against free trade is partially motivated by the decline in manufacturing employment due to rising import competition from China. Politicians in high-income countries have extensively used antidumping (AD) measures and other temporary trade barriers to protect their economies from rising Chinese imports. To estimate the causal effect of trade protection on industry outcomes, I construct a new instrument for AD measures based on the importance of an industry in swing states and the industry’s experience at filing AD petitions. In this paper, I first show that trade policy contained the rise of Chinese imports in protected sectors, decreasing the annual growth rate of US imports from China in a range between 3% and 14% compared to the non-protected sectors. Second, I show that these protectionist measures have contained the “China Syndrome”. In manufacturing sectors protected by AD measures, the annual growth rate of employment was between 2% and 24% higher compared to non-protected sectors. I find that previous studies that neglect the moderating impact of AD have underestimated the negative effects of Chinese import competition on US manufacturing employment by between 5% and 15%.
The third chapter, titled “Bank Lending Standards and Credit to Firms during the Great Recession”, is a joint work with Lorenzo Ricci6 and Giovanni Soggia7. This chapter investigates the impact of unforeseen shifts in lending standards on firm credit in Italy on the onset of the Great Recession, using data from the Regional Bank Lending Survey to disentangle the effects of loan supply and demand. We combine our measure of change in bank supply with bank-firm loans retrieved from the credit register. Our proposed empirical strategy presents several benefits: it allows us to (i) estimate the impact of credit supply in the absence of an exogenous shock to banks, (ii) analyze credit policy throughout the sample period, and (iii) disentangle the effect of geographical heterogeneity within Italy using the rich information from our survey data. The effect of supply shocks differs across types of loans. A firm with a revocable credit line from a bank that tightens its lending standards suffers a reduction in credit growth more than if it had borrowed from a bank with unchanged lending standard. On the extensive margin, a supply shock decreases the acceptance probability of a new loan with a pronounced effect for term loans.