

THE UNIVERSITY OF MICHIGAN
Gerald R. Ford School of Public Policy
and
Department of Economics

PubPol/Econ 541
INTERNATIONAL TRADE POLICY

SYLLABUS
Fall 2014, Alan Deardorff

Text	Requirements	Schedule	Disabilities	Contacts	Readings
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PURPOSE: The aim of this course is to teach you a lot about the economics -- and a little about the institutions -- of international trade and trade policy. The course is companion to SPP/Econ 542, International Finance Policy, which deals with international macroeconomic topics such as the balance of trade and balance of payments, determination of exchange rates, and international macroeconomic policies. Each course will also include the bare essentials of the other course so that if you take only one of them, you won't be lost in the world economy.

The course is mainly about trade policy. You will learn what trade policies are, how they are used by the United States and other countries, and how their use is restricted by international agreements. More importantly you will learn how to use economic modeling to understand the effects of trade policies and to quantify these effects. Along the way you will also learn about the institutions of the world economy, especially those that have to do with trade. And you will learn a little bit about the economic theories of why nations trade, and why they gain from trade.

Prerequisite: PubPol/Econ 555 or equivalent course in intermediate microeconomics

Organization: The course meets twice a week, Mondays and Wednesdays, 8:30-10:00 AM, in room 1230 Weill.

TEXTS

The textbooks for the course are

Krugman, Paul R., Maurice Obstfeld, and Marc Melitz ("KOM" below), *International Economics: Theory and Policy*, 9th Edition, Addison Wesley, 2012, isbn-13 #978-0-13-801896-2; isbn-10 #0-13-801896-0. An 8th edition, without added co-author Melitz, can be used instead, although a few things may be missing that you'll need to find somehow from the new edition. Page numbers are given below for both.

Jackson, John H., *The World Trading System: Law and Policy of International Economic Relations*, Second Edition, MIT Press, 1997, isbn #0-262-60027-7.

There will also be a number of additional readings that are required. All are available under Resources on CTools. Most of the readings are also available free to the public on the web, through links included on this syllabus. A few readings are available through subscription sites, including ones subscribed to by U of M (e.g., JSTOR, Proquest). And a few are available only on CTools.

Because of the speed with which issues evolve, readings selected in advance can never cover all of the latest developments. We will therefore spend some time each week discussing recent news related to trade and trade policy. You should follow current issues of international trade policy by reading daily periodicals such as the *Wall Street Journal*, *New York Times*, or *Financial Times* or weekly publications such as *Business Week*, or *The Economist*. Student subscriptions to these publications are available at reduced prices. I also post links to relevant news items on my personal website.

REQUIREMENTS

Requirements for the course consist of a series of problem sets that will *not* be graded, three short papers that will be handed in during the term and graded, and two exams. The weights on each of these requirements, as well as class participation, in determining your grade will be as follows:

Problem Sets	0%
Class participation	10%
Papers	30%
Exam #1	30%
Exam #2	30%

SCHEDULE

Paper #1	Wednesday, October 8	8:40 AM
Exam #1	Wednesday, October 29	in class
Paper #2	Wednesday, November 12	8:40 AM
Paper #3	Wednesday, December 3	8:40 AM
Exam #2:	Friday, December 19	8:00-10:00 AM

WRITING ASSISTANCE

Your papers will be graded on both content and presentation, which means you should take full advantage of the Ford School resources for helping you with your writing. See <http://fordschool.umich.edu/writing-center/> for more information, including links to the websites for signing up for advising appointments.



STUDENTS WITH DISABILITIES

If you believe you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of this course may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for

Students with Disabilities to help us determine appropriate accommodations. I will treat any information you provide as private and confidential.

WHERE AND WHEN TO FIND ME

Alan Deardorff:

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Course Home Page:

<http://www-personal.umich.edu/~alandear/courses/541/541.html>

COURSE OUTLINE AND READING LIST

NOTES:	<p>1. Click title for citation; click <u>Online</u> for item if on the web, or see <u>CTools</u>; for the few items not on the web, see <u>CTools</u>.</p> <p>2. All readings are required, but those marked with a tilde, ~, represent views that are not necessarily justified by economic analysis. They contain useful factual information, but I disagree with some of their interpretations, and they are here so that you will be aware of a range of views.</p>
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0. Introduction to the Course (Sep 3)

No readings for today. For all subsequent classes, you should read everything assigned **before** the class meets.

I. Overview of the International Economy

A. The State of Play in International Trade and Trade Policy (Sep 8)

KOM, Chs. 1, 2 [21 pp]

Hoekman and Kostecki, "[The Trading System in Perspective: Trade, Growth, and Global Integration](#)" pp. 7-22 | CTools [16 pp]

Bhagwati, "[The Wrong Way to Free Trade](#)" | Online-NYT | Online-Proquest [3 pp]

Hoekman et al., "[Conclude Doha: It Matters!](#)" | CTools [26 pp]

Rodrik, "[Death of the Globalization Consensus](#)" | CTools [3 pp]

Zhong & Kenny, "[WTO Fails](#)" | CTools [2 pp]

Buttonwood, "[Russian Sanctions](#)" | CTools [2 pp]

B. International Transactions and the Trade Balance (Sep 10):

KOM, Ch 13 (8th ed. Ch. 12) [23 pp]

BEA, "[International Transactions](#)" | Online [8 pp]

~EPI, "[Trade deficit with Mexico...](#)" | [Online](#) [1 pp]

~Buffett, "[Selling the Nation](#)" | [Online](#) [5 pp]

WTO, "[World Trade Developments 2012](#)" | [Online](#) [8 pp] (See also [Excel Tables](#))

C. Exchange Rates (Sep 15) - Kathryn Dominguez substitutes for Deardorff:

KOM, Ch. 14, pp. 320-328 (8th ed. Ch. 13, pp. 317-327) [10 pp]

Tyson, "[The Outlook for China's Currency](#)" | [Online](#) [3 pp]

Reddy & Stein, "[Rising Currencies Bedevil World Economies](#)" | [Online-WSJ](#) | [Online-Proquest](#) [2 pp]

D. Tariffs and Quotas (Sep 17, 22):

KOM, Ch. 9, pp. 192-202, 205-207 (8th ed. Ch. 8, pp. 182-192, 195-96) [12 pp]

Deardorff, "[Nontariff Barriers and Domestic Regulation](#)", pp. 1-12 | [Online](#) [12 pp]

E. Policies and Institutions: International (Sep 24, 29)

KOM, Ch. 10, pp. 234-244 (8th ed. Ch 9, pp. 227-238) [11 pp]

Jackson, Ch. 1 pp. 1-11, Ch. 2 [59 pp]

Evenett, "[Beggary-thy-poor-neighbour](#)" | [Online](#) [10 pp]

Bouët and Laborde, "[Cost of a Failed Doha Round](#)" | [Online](#) [8 pp]

F. Policies and Institutions: National (Oct 1, 6)

Jackson, Ch. 3 [26 pp]

United States:

Verrill, "[U.S. Trade Remedies](#)" | [Online](#) [3 pp]

USTR, "[The President's Trade Policy Agenda](#)" | [Online](#) [17 pp]

Donnan, "[Obama's fast-track hopes remain stuck](#)" [CTools](#) [2 pp]

~Wallach, "[Rise and Fall of Fast Track](#)" | [Online](#) [1 pp]

European Union:

EU, "[How the EU works](#)" | [Online](#) [1 pp]

EC DG-Trade, "[Policy Making](#)" | [Online](#) [2 pp]

Charlemagne, "[The Trade War Within](#)" [Online-Economist](#) | [Online-Proquest](#) [3 pp]

Japan:

Solis, "[Japan's Trade Policy](#)" | [Online](#) [6 pp]

China:

MOFCOM, "[Mission](#)" of the Ministry of Commerce, People's Republic of China | [CTools](#) [3 pp]

II. Trade Barriers

A. Non-tariff Barriers (Oct 8)

KOM, Ch. 9, pp. 202-205, 208-211, 215-218 (8th ed. Ch. 8, pp. 192-194, 197-200, 208-211) [8 pp]

Jackson, Ch. 5, pp. 153-156 [3 pp]

Deardorff, "[Nontariff Barriers and Domestic Regulation](#)", pp. 12-16 | [Online](#) [5 pp]

Feenstra, "[How Costly Is Protectionism?](#)" | [Online-JSTOR](#) [20 pp]

***** FALL STUDY BREAK, Oct 13-14 *****

B. Multi-Market Analysis (Oct 15)

Deardorff, "[Trade Policy with Interacting Markets](#)" | [Online](#) [7 pp]

C. Cost-Benefit Analysis of Trade Policies (Oct 20)

Fetzer, "[U.S. Flat Rolled Steel](#)" | [CTools](#) [26 pp]

Fetzer, "[Tires from China](#)" | [CTools](#) [15 pp]

D. Why Countries Restrict Trade (Oct 22)

KOM, Ch. 10, pp. 219-234 (8th ed. Ch. 9, pp. 212-227) [15 pp]

Hoekman and Kostecki, "[The Trading System in Perspective: Functions of the Multilateral Trading System](#)" pp. 27-40 | [CTools](#) [14 pp]

Baldwin and Magee, "[Is Trade Policy For Sale?](#)" | [Online-Springer](#) [22 pp]

Deardorff and Stern, "[Introduction](#)" | [CTools](#) [20 pp]

Magee, "[Why Are Trade Barriers So Low?](#)" | [Online-Wiley](#) [6 pp]

III. The Theory of International Specialization and Exchange

A. The Standard Trade Model (Oct 27, Nov 3)

KOM, Ch. 6 (8th ed. Ch 5) [19 pp]

***** EXAM #1, in class, Wednesday Oct 29 *****
(Covers through assignments for Oct 22, Why Countries Restrict Trade.)

B. Behind the Standard Trade Model: Comp. Adv., Inc. Dist. (Nov 5)

KOM, Ch. 3 on comparative advantage, pp. 24-40 (8th ed. pp. 27-42) [15 pp]

KOM, Ch. 5 on effects of trade, pp. 89-98 (8th ed. Ch. 4 pp. 64-71) [7 pp]

Deardorff, "[Intro to Comparative Advantage](#)" | [Online](#) [7 pp]

Freeman, "[Are Your Wages Set in Beijing?](#)" | [Online-JSTOR](#) [19 pp]

C. Scale Economies and Imperfect Competition (Nov 10)

KOM, Ch. 7, pp. 137-148; Ch. 8, pp. 155-166 (8th ed. Ch.6, pp. 114-127, 140-145) [22 pp]

IV. Uses and Abuses of Trade Policy

A. Preferential Trading Arrangements (Nov 12, 17)

KOM, Ch. 10, pp. 245-249 (8th ed. Ch.9 pp. 239-243) [4 pp]

WTO, "[Causes and Effects of PTAs](#)" | [Online](#) [30 pp]

Posen, "[The case for trade](#)" | [CTools](#) [2 pp]

Deardorff, "[Trade Implications of the TPP](#)" | [CTools](#) [20 pp]

Donnan, "[Europeans urge US on Trade Deal](#)" | [CTools](#) [2 pp]

B. Safeguards and Trade Adjustment Assistance (Nov 19, 24)

Jackson, Ch. 7 [37 pp]

Brainard et al., "[Insuring America's Workers](#)" | [Online](#) [8 pp]

~James, "[Maladjusted](#)" | [Online](#) [13 pp]

Rosen, "[Strengthening Trade Adjustment Assistance](#)" | [Online](#) [10 pp]

C. Dumping and Anti-Dumping Policy (Nov 26, Dec 1)

Jackson, Ch. 10 [33 pp]

Deardorff, "[Economic Perspectives on Anti-Dumping Law](#)" | [Online](#) [15 pp]

~Jakob, "[Lesser Duty Rule and Community Interest in Anti-dumping](#)" | [Online](#) [5 pp]

D. Subsidies and Countervailing Duties (Dec 3)

KOM, Ch. 9, pp. 203-204, Ch. 12 pp. 274-277 (8th ed. Ch. 8 pp. 1920193, Ch. 11 pp. 268-272)
[6 pp]

Jackson, Ch. 11 [25 pp]

***** NO CLASS, Dec 8 *****
(I'm away)



***** EXAM #2 (Semi-cumulative) *****
Friday, Dec 19, 8:00-10:00 AM