

**SYLLABUS**  
**Economics 295: Economics of US Trade Policy**  
**Spring 2009**

**Professor Michael Moore**  
**Department of Economics/Elliott School**  
**Suite 502, 1957 E St. NW**  
**email: [mom@gwu.edu](mailto:mom@gwu.edu)**  
**phone: 202.370.1806**  
**Available without appointment on Thursday 3:45-4:45 in my office.**  
**By appointment on other days.**

We will examine the economics of US trade policy in this course. Topics will include the patterns and explanations for US trade flows, the effect of trade on the American economy, critical trade policy institutions, and the trade policy choices facing the United States. Particular attention will be paid to how economic analysis can help inform the debates surrounding trade policies. Another critical aspect of the course will be to improve students' writing as well as their use of simple spreadsheet and presentation programs. It is particularly appropriate for students interested in the mechanics of trade policy and not just academic approaches.

The course will begin by reviewing arguments about US trade policy history and then move onto an analysis of current US trading relationships as well as the economic effects of trade intervention on the US economy. We will also discuss some of the economic tools commonly used to analyze trade. We then turn to a discussion about the legal and bureaucratic institutions that are so important to the conduct of US trade policy. The final section of the course will consider some of the current multilateral and bilateral trade challenges facing the US.

The format of the course will include lectures, class discussion, and occasional guests from the US trade policy community.

I will base student grades on a final examination, short data assignments, class discussion, and a policy paper (15 pages—double-sided, Times Roman 12 pt) with an accompanying (optional) class presentation. Please note that both the data assignments and policy paper will not be standard academic exercises but instead try to mimic the style and approach used in professional settings. The final examination will be of a more traditional academic nature and will be comprehensive.

Students must have Econ 283 (International Trade Theory) or the equivalent in order to take the course. In some cases, students who have only had Econ 280 may be permitted to stay in the course but only with prior permission.

There will be no required textbooks but required readings throughout. A copy of International Economics by Appleyard and Field will be on reserve at Gelman Library. Readings from that book will be denoted by AF in the syllabus. Other international economics textbooks should provide similarly useful background

Some exposure to basic statistical analysis including regression analysis will also be helpful but not formally required.

**PLEASE NOTE THAT THERE WILL BE NO CLASS ON 2 APRIL. THERE WILL BE A MAKEUP CLASS ON THURSDAY, 30 APRIL.**



## Outline



### Globalization, Patterns of US trade, and Trade Theory

[What you should know about globalization and the WTO](#) (129.257 Kb)

We will discuss the broad requirements of the class as well as discuss some of the basic facts of current US trade patterns.

Before coming to class, please review basic trade models (especially Heckscher-Ohlin and models of monopolistic competition) and partial equilibrium analyses of trade intervention (tariffs/quotas/export subsidies).

Please read sections 1 and 2 of the Deardorff and Stern paper. We will not be discussing it in class however.

AF (Appleyard and Field textbook on reserve) Ch. 1, 8, and 10



### US Trade Policy History

[Two centuries of tariffs](#) (1.83 Mb)

[Eckes US Trade Policy History.pdf](#) (1.839 Mb)

[Tariffs and growth in 19th Century America](#) (61.943 Kb)

We will discuss the US trade policy history in this lecture.

Quickly read Dobson first to get the broad outlines of the history

Read the Irwin and Eckes pieces more carefully. Be sure to understand the analysis set forth by Eckes and Irwin's response to it.



### Patterns of current US protection

[Executive summary---Economic Effects of Significant US Import Restraints](#) (174.972 Kb)

[Measuring the cost of US protection](#) (1.244 Mb)

[Toughest on the Poor: Americas Tariff System](#) (942.332 Kb)

We will discuss the impact of trade restrictions in the US.

The "Executive Summary" and "Measuring the costs" readings are applications of the IIE and ITC models discussed last week.

The third paper by Gresser looks more narrowly at the impact of current US tariffs on the poor.

The entire US Tariff Schedule is available at this [link](#)

See also AF Chs. 13 and 14



### Tools used to analyze US trade

[ITC report \(Chs 1 and 3\)](#) (229.188 Kb)

We will discuss three different approaches to analyzing the impact of trade.

Computable general equilibrium models are often used by the International Trade Commission, one of the primary trade agencies in the United States. These models attempt to analyze all sectors of the entire economy simultaneously. A summary of such a study is included in the reading.

A final version is called the "gravity equation." More on this in the lecture.



### Trade and US jobs/wages/incomes

[Are your wages set in Beijing?](#) (1.934 Mb)

[Bernard and Jensen \(Exports and wages\)](#) (1.244 Mb)

One of the most controversial issues surrounding trade is the impact of trade on wages and jobs. Before coming to class, review the specific factors model and Stolper-Samuelson results to remind you about trade theory's predictions about these impacts.

Various proposals (including "trade adjustment assistance") have been proposed to deal some of the dislocations surrounding trade.

Read the Freeman paper on "China" and wages. Think about how these arguments relate to standard trade theory.

Read "A Prescription to Relieve Worker Anxiety" is available at this [link](#)

Skim the Bernard and Jensen paper for the basic results. The statistical analysis may be a bit complicated for most.

For two views of the US Trade Adjustment Assistance program:

[1 Rosen \(IIE\)](#)

[2 Froning \(Heritage\)](#)



### WTO and US trade institutions

[CRS report on TPA IB10084.pdf](#) (91.971 Kb)

[Noland Political Economy of USTR](#) (2.016 Mb)

[USTR report on Trade Enforcement Activities](#) (154.548 Kb)

[US trade laws](#) (28.965 Kb)

We will turn next to U.S. trade policy institutions, with special attention to the Congress, the President, the International Trade Commission, and the Department of Commerce. An extremely useful source to understand these relations is American Trade Politics, IM Destler, pp. 3-103. (On reserve).



### 7 US trade law: Antidumping

[Antidumping 101](#) (245.054 Kb)

[Antidumping justification \(Greg Master\).pdf](#) (124.713 Kb)

[Moore Zanardi IIEPWP1.pdf](#) (376.438 Kb)

[On the spread and impact of anti-dumping](#) (1.645 Mb)



### 9 Case study: US steel industry

[CITAC steel study on safeguards](#) (185.376 Kb)

[ITC steel study](#) (417.782 Kb)

[Steel study by steel industry analyst](#) (231.533 Kb)

[Next move on steel \(Hufbauer\)](#) (359.131 Kb)

[Steel protection in the 1980s](#) (4.248 Mb)



### **US-China Trade**

[Broda TradeInequality.pdf](#) (1.046 Mb)

[US China commission \(Chapter 1\).pdf](#) (137.529 Kb)

Please read the following version of Broda's work as well.

<http://www.voxeu.org/index.php?q=node/1353>



### **12 FDI and Outsourcing**

[Blinder on future of offshoring](#) (130.443 Kb)

[Globalization of IT Sevices and White Collar Jobs.pdf](#) (388.281 Kb)

[Mankiw and Swagel on outsourcing](#) (437.391 Kb)

Read the IIE paper on patterns of off-shore outsourcing. Read Blinder's (formerly of the Fed) piece and think about the future of outssourcing. Mankiw and Swagel (formerly of the CEA) write about the politics and language of talking about outsourcing.



### **10 US FTAs: Policies and Effects**

[CRS study on FTA effects \(RL31932\).pdf](#) (104.931 Kb)

[NAFTA critic \(Economic Policy Institute\)](#) (528.36 Kb)

[NAFTA's effects: A preliminary assessment](#) (51.775 Kb)

[USTR on US FTA policies](#) (379.965 Kb)

[World Bank on FTAs](#) (111.985 Kb)

AF Ch. 18



### **11 US and the Doha Round**

[USTR on US positions in WTO negotiations](#) (514.531 Kb)



### **13 Environmental and labor standards**

[Labor standards: Where do they belong on the international trade agenda?](#) (2.686 Mb)

[Labor standards and the Free Trade Area of the Americas](#) (455.717 Kb)

[Bridging the trade-environment divide](#) (2.215 Mb)

**Evaluation of Student Performance:**

1. The final exam (worth 30% of the final grade) will take place on Monday, May 4<sup>th</sup>. This exam (in-class, closed book) will be comprehensive.
2. A policy paper (worth 40% of the final grade) will be due on the last day of class (April 23). A draft will be due in my office by 5 pm on April 2<sup>nd</sup> (though no class will be held that day). The subject will be announced later but it will involve a contemporary US trade policy issue. **(15 pages maximum exclusive of tables, Times-Roman 12 point, double-spaced.)** Figures, references, and title page will be included in the page limit.
3. An optional 10 minute class presentation will take place on the last day of class. Students who choose this option will have 10% of the final grade allotted to the presentation and 30% to the final paper. (Note that this might mean that we may go over the allotted time for that class. If you have a class immediately after this one, let me know as soon as possible.) **You will be required to use PowerPoint.**
4. Four data memos will be assigned (representing a total of 20% of the final grade). They will be due on January 29, February 26, March 26, and April 16. Each will involve presenting data in a compelling fashion along with analysis. You will be required to use a spreadsheet program (e.g., Excel, Google Docs, or Numbers) in these assignments. None of the memos may be longer than one page, including any chart or table **(Courier 10 point, single-spaced, with one line between paragraphs with standard margins.)**
5. Class participation (including attendance and effective discussion) will represent 10% of the final grade.

Please note that good writing is critical in this course and in your professional life. I expect no grammatical or spelling mistakes in these assignments. You should avoid passive voice and ensure that there are no undergraduate writing mistakes such as run-on sentences or sentences without verbs. Approach these as if your “job” depended on it; your grade certainly will.

***The policy memoranda and paper are due at the beginning of class on the due date. No electronic submission is allowed. Any late papers/assignments will be lowered one letter grade. If you have any doubts about meeting the deadline because of circumstances beyond your control, turn it in one day ahead in my office.***