Class Location and Time:  Mon. 1:30-4:20 PM, Hamburg 2503

Professor:
Lee Branstetter  
Office Hours:  Mon. 4:30-5:30 PM or by appointment
Hamburg Hall 3018
268-4689
branstet@andrew.cmu.edu

Teaching Assistant:
Mr. Guangwei Li  
guangwei@andrew.cmu.edu
Office Hours:  Friday, 10 AM - 12 PM, Hamburg Hall 3013

Required Materials:  Students will be required to use the Blackboard website to access course materials, including lecture notes and some of the required readings.

Course Objectives:  This course will introduce students to both the theory and the practice of international trade and trade policy. We will do so by first reviewing the basic economics of international commerce, then by examining the complex structure of federal government agencies working on trade and international investment issues. It will outline some of the major trade conflicts, negotiations, and international economic policy debates in which the U.S. federal government is currently engaged. Most importantly, the course will involve students directly in the work of at least one of these agencies by allowing Carnegie Mellon students to work on analyses and background research connected to a current policy issue. This undertaking will involve direct connection with U.S. federal policymakers.

Pre-requisites:  The only pre-requisite for this course is an introduction to applied microeconomics at the level of Applied Microeconomic Analysis, the required course for Heinz College MSPPM students. However, students should be prepared to make extra effort to acquire understanding of such basic international economics frameworks and analytical tools as the course, and the tasks provided to our students by federal trade agencies, may require. Students with prior exposure to the basics of international economics may have an advantage in this course, but this knowledge is not required as a prerequisite.

Who should take this course:  Heinz College public policy students and advanced undergraduates desiring a much more direct connection to the federal policy process than is achievable in a regular academic course.

Course Structure:  The course can be divided into four distinct content modules, but some of these will be pursued concurrently rather than sequentially.
Part 1 – Theory: The basic theory of international trade and commercial policy
This section of the course will present the basic economic theory of international trade. Topics covered in this section will include the concept of comparative advantage, the Ricardian model of trade, the Heckscher-Ohlin model of trade, and more recent trade theory developments. We will examine how well classical and more recent theoretical models of international trade fit real world trade data. We will also use theoretical tools to examine how the instruments of trade policy -- tariffs, quotas, subsidies, and other non-tariff measures -- impact trade flows, industrial development, and national economic well-being. This material will be reviewed at an advanced undergraduate/masters level. An in-class exam will given early in the term will test student mastery of this material. Undergraduate level treatments of this material will be placed on-line for those students seeking additional background and review.

Part 2 – International Trade and Investment Policy in the United States, 1930-2012: The Cast of Characters and Where They Came From
This section of the course will review the history of U.S. trade policy and politics, starting with the infamous Smoot-Hawley Tariff and proceeding all the way through to the first term of the Obama Administration. It will describe the major federal agencies, trade laws, and interest groups that have shaped U.S. trade policy over the last eighty years, and how the various pieces of America's trade policymaking procedure fit together (or not) in the Obama Administration. We will also spend some time examining the role of the IMF, the World Bank, some of the major D.C.-based economic policy "think tanks" that also influence U.S. international economic policymaking. In this section, we will review the proposal President Obama put forward at the end of his first term for a substantial reorganization of U.S. trade policy agencies, an initiative the instructor worked on while he was at the CEA. This section of the course will rely quite heavily on I. M. Destler's classic treatise, American Trade Politics, now in its fourth edition. Students are not required to purchase this textbook for the course, but those with a strong interest in this policy domain are strongly encouraged to acquire their own personal copy from the usual online booksellers.

Part 3 – U.S. Trade Policy Today: The View from the Trenches
Starting with the first class meeting, we will make use of internet videoconferencing technology to bring into our course D.C.-based policy practitioners from some of the major federal trade agencies, D.C. based multilateral policy organizations like the World Bank or the IMF, and some of the major D.C.-based think tanks, so that students get a current sense of what is going on inside these agencies from staff "on the ground." These interviews will draw on the array of connections the instructor made during his tenure as the Senior Economist for International Trade and Investment on the Council of Economic Advisers.

Part 4 – Student Projects
The U.S. Department of Commerce has identified 3-4 projects that students will work on during the spring semester. The instructor is also in conversations with the U.S. Agency for International Development and the U.S. Department of Agriculture regarding additional projects that may emerge between now and the beginning of the semester. These projects will be discussed in detail starting the second or third week of class. Each enrolled student will have to accept an assignment to one of these projects, and the greatest part of each student's grade will be based on evaluations of the student teams' project reports.
Part 5 – Building Out the Analytical Toolkit / New Frontiers in Trade Policy

If time allows, we will spend the latter weeks of the course reviewing recent/frontier developments in trade policy and, possibly, teaching new analytical techniques and frameworks that are required for successful completion of the projects. To the extent that we do require further grounding in more advanced analytical techniques, a useful reference is *Applied Methods for Trade Policy Analysis* by Joseph Francois and Kenneth Reinert. However, this will not be a required text for the class.

Requirements and Grading:

**Class participation – 10%:** Class discussions are an integral part of the course, and class participation will account for 10% of the total grade. Unexcused absences from class or persistent tardiness in coming to class are grounds for reductions (50% or more) in this component of the grade. To receive full credit for this portion of the grade, students must consistently demonstrate through participation in class discussions that they have completed the required readings and thought through the issues in advance of the class. To make progress on the student projects, representatives from each student project team will need to meet with the instructor or the teaching assistant on a weekly basis outside of regular class time, starting the second or third week of class. *Any* unexcused absence from these regular project meetings will result in a class participation grade of zero (0) for the semester.

**In Class Exam – 20%**. Early in the semester, there will be a short (80 minute) in-class examination designed to test student mastery of the basic theoretical models and analytical frameworks reviewed in the first few weeks of class. This material will serve as the intellectual foundation of the course and of the projects students undertake later in the semester. The exam will be open-book and open-note, but no collaboration will be permitted.

**Preliminary Presentation - 25%**. At a time to be determined later, each student team will make a virtual presentation (via internet videoconferencing) of the early results of their project to the instructor, teaching assistant, and client agency staff. Each student will be asked to evaluate the performance of other team members, the instructor will evaluate the overall performance of the team, and the client agency staff will also make an evaluation. The total grade for the preliminary presentation will place 30% of the weight on the evaluation issued by client agency staff, 40% on the evaluation given by the instructor, and 30% on the evaluation students give each other.

**Final Presentation – 45%**. There will be a final presentation, worth 45% of the total grade, which will be given by each student project team to their client agency. The exact timing of this presentation will be subject to the scheduling of client agency staff, but it is likely to come during the last two weeks of class, just before the final examination period. To the extent that it is possible, student groups will be encouraged to present in D.C., in the offices of the client agency. Evaluation of the final presentation will consist of three components. Each student will be asked to evaluate the performance of other team members, the instructor will evaluate the overall performance of the team, and the client agency staff will also make an evaluation. The total grade for the preliminary presentation will place 60% of the weight on the evaluation issued
by client agency staff, 20% on the evaluation given by the instructor, and 20% on the evaluation students give each other.

**Warning Label:** The participation of guest speakers is subject to change with little notice or no notice -- these busy professionals do not, in most cases, control their own schedules and can be redeployed to urgent projects or tasks with little warning.

**Course Outline:**

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<th>Class Mtg.</th>
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<td><strong>International Trade Theory</strong></td>
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<td>Jan. 13</td>
<td>Course Overview; The Fall and Rise of the Global Economy, 1865-2012</td>
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<td><em>Guest Lecture:</em> Dr. Sue Helper, Chief Economist, U.S. Department of Commerce</td>
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<td>Jan. 20</td>
<td>Class Cancelled -- MLK Day</td>
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<td>Jan. 27</td>
<td>The Ricardian Model of Trade</td>
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<td>Feb. 3</td>
<td>The Heckscher-Ohlin Model of Trade</td>
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<td>Feb. 10</td>
<td>Trade Policy 1: Tariffs and Quotas</td>
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<td>Feb. 17</td>
<td>Modern Developments in International Trade Theory</td>
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<td>Feb. 24</td>
<td>Trade Policy 2: Subsidies and Industrial Policy</td>
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<td><em>Guest Lecture:</em> Dr. Chad Bown, the World Bank</td>
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<td><strong>U.S. Trade Policy and Politics</strong></td>
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<td>March 3</td>
<td>In-Class Exam on Trade Theory</td>
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<td>The &quot;1934 System&quot; -- It's Origins and Evolution</td>
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<td>March 10-14</td>
<td>CARNEGIE MELLON SPRING BREAK - NO CLASS</td>
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<td>March 17</td>
<td>American Trade Policy and Politics, Truman through Reagan</td>
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<td><em>Guest Lecture:</em> Paul O'Neill, Former Secretary of the Treasury</td>
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<td>March 24</td>
<td>American Trade Policy and Politics under Bush, Clinton, Bush, and Obama; The Current Cast of Players</td>
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<td>March 31</td>
<td>Modern Trade Policy and Politics: Who Does What to Whom in the 2000s?</td>
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<td><em>Guest Lecture:</em> Dr. Ken Kang, IMF</td>
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<td><strong>New Frontiers in Trade Policy</strong></td>
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<td>April 1</td>
<td>Immigration Policy and Trade Policy: New Linkages?</td>
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<td><em>Guest Lecture (1):</em> Professor Brian Kovak, Heinz College</td>
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<td><em>Guest Lecture (2):</em> Jacob Kirkegaard, Peterson Institute for International Economics</td>
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<td>April 7</td>
<td>Global Trade in Services: A New Frontier?</td>
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<td><em>Guest Lecture:</em> Professor Brad Jensen, Georgetown University</td>
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<td>April 14</td>
<td>China and the Global Trading System</td>
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<td><em>Guest Lecture:</em> Rory MacFarquhar, National Security Council</td>
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<td>April 21</td>
<td>Final Lecture: Course Wrap-Up</td>
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<td><em>Guest Lecture:</em> Dr. Bill Shpiece, United States Trade Representative</td>
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<td>April 28 - May 2</td>
<td>Final Presentations (Exact Times, Locations TBD)</td>
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Class 1 – Course Overview
January 13

Required Reading

World Bank Issue Brief: Globalization


Supplemental Reading


Guest Lecture: Dr. Sue Helper, Chief Economist, the U.S. Department of Commerce

January 20 – Class Cancelled (MLK Day)

Class 2 – The Ricardian Model: Labor productivity, technology, and comparative advantage
January 27

Required Reading


Optional Reading


Class 3 – Heckscher-Ohlin: Factor endowments, losses from trade, and firms
Feb. 3

Required Reading


Optional Reading

Class 4 – Trade Policy 1: Analysis of Tariffs and Quotas  
Feb. 10

*Required Reading*

“Sweet Deal, why are these men smiling? The reason is your sugar bowl,” *Time*, Nov. 23, 1998.

*Optional Reading*


Class 5 -- Modern Trade Theories  
Feb. 17

“Taiwan: Silicon Valley (East)” The Economist, 11/7/98, Survey, pp. 14-16.

*Optional Reading*


Class 6 – Trade Policy 2: Analysis of Subsidies and Industrial Policy  
Feb. 24

*No Additional Reading*

**Guest Lecture:** *Dr. Chad Bown, the World Bank*

Class 7 – In-Class Exam / The "1934 System"  
March 3

The first 80 minutes of class will be devoted to an in-class exam.

After a ten minute intermission, the second 80 minutes will be devoted to a review of the WWII-era and early post-WWII trade policymaking structure of the U.S. This is a structure I. M. Destler refers to as the "1934 System."

*Required Reading*


**MARCH 10-14 CARNEGIE MELLON SPRING BREAK -- NO CLASS**

Class 8 – American Trade Policy and Politics, Truman Through Reagan  
March 17
Required Reading


**Guest Lecture:** *Paul O'Neill, Former Secretary of the Treasury*

**Class 9 – American Trade Policy and Politics under Bush, Clinton, Bush, and Obama; The Current Cast of Players**  
**March 24**

Recquired Reading


**Class 10 – Modern Trade Policy and Politics: Who Does What to Whom in the 2000s**  
**March 31**

Recquired Reading


**Guest Lecture:** *Dr. Ken Kang, IMF*

**Class 11 – Immigration Policy and Trade Policy**  
**April 1**

**Guest Lecture (1):** *Professor Brian Kovak, Heinz College*

Required Reading


**Supplemental Reading**


**Guest Lecture (2):** *Jacob Kirkegaard, Peterson Institute for International Economics*

**Class 12 – Global Trade in Services: A New Frontier?**  
**April 7**

**Guest Lecture:** *Professor Brad Jensen, Georgetown University*
Required Reading


Class 13 – China in the Global Trading System
April 14

Guest Lecture: Rory MacFarquhar, China Desk, National Security Council

Required Reading


Class 14 – Wrap-Up Class
April 21

Guest Lecture: Dr. Bill Shpiece, United States Trade Representative

April 28 -- May 2 Final Presentations (Exact Time, Location TBD)