Political Economy of International Trade

POLSCI 3XX • Fall 2023

Overview

WHEN AND WHERE

Mondays and Wednesday
Time and room TBD

INSTRUCTOR

Sjur Hamre
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PhD Candidate
Political Science

OFFICE HOURS

Time and location TBD

Sign up at ham.re/schedule

PREREQUISITES

None; Intro to Political Economy or Microeconomics recommended.

TEXTBOOK

McLaren: International Trade
(Other readings are on Sakai)

ADJUSTMENTS

The syllabus might be amended during the semester; any changes will be announced via email.

WHAT IS THIS COURSE ABOUT?

Since the end of the Cold War, global markets have become unprecedentedly intertwined: smartphones contain parts made in over 40 countries, many supermarkets stock fresh fish flown in from other continents overnight, and over a third of S&P 500 revenue comes from outside the United States. Has this remarkable economic integration lifted millions out of poverty, allowed U.S. consumers to purchase a spectacular variety of goods at previously unheard-of prices, and made the world more peaceful? Alternatively, has it enabled human rights abuses and entrenched authoritarian regimes, destroyed local manufacturing communities, increased inequality, made supply chains riskier, harmed the environment, and fueled political resentment and populism, as others claim?

This course will introduce you to the economic and political causes and consequences of international trade policy. Trade policy – the decisions about what gets traded, between whom, and on what terms – affects national income and how it is shared; international relations and national security; and the regulatory standards that govern how products are made. We will start with a broad overview of the international trade regime and the key instruments in the trade policy toolkit, and then examine how trade policy affects national income and how it is shared; international relations and national security; and regulatory standards. Typically, our Monday classes will be interactive lectures, and our Wednesday classes will serve as discussion days where we apply the week's readings to a contemporary trade policy debate.

WHAT WILL I LEARN?

By the end of this course, you will be able to:

- Find and interpret common trade statistics and use them to explain trade phenomena
- Describe the most frequently used trade policy instruments and evaluate their efficacy and effects
- Discuss how trade affects welfare, national security, and regulatory standards
- Formulate trade policy interventions and evaluate their effects

The course will also improve your ability to:

- Critically evaluate and constructively engage with a diverse range of arguments, supported by qualitative reasoning and statistics
- Effectively formulate and support well-reasoned arguments in writing and class discussion

SHOULD I TAKE THIS COURSE?

This course will provide you with a thorough introduction to international trade issues and teach you how to competently analyze them. We will emphasize the political determinants and effects of trade and spend less time on economic effects beyond firm and household income. Because trade policy mirrors many other policy domains, you will learn concepts and skills that are broadly applicable to other areas of public policy, political science, and economics.

WHERE CAN I LEARN MORE?

This course emphasizes broad domain knowledge, both of major issues in contemporary trade policy and the historical origins of the present trading system. If you are interested in developing your formal modelling skills and examining the models we cover in greater depth, I recommend taking ECON 335 after this course.

HOW AM I GRADED?

Your is based on the following components:

- **A midterm and final exam (40%)** that serve as closed-book tests of the material covered in the readings and our class discussions. Your best exam will constitute 25% of your grade; the other exam will be 15%.
- **Two short papers (40%)**, written alone or with up to two other students, that answer a prompt related to that week's material and serve as the basis for our Wednesday discussion section.
- **Your attendance and participation (20%)**, primarily measured by your preparation for and performance in our Wednesday discussions.

The assignments are described in greater detail below. I will round your overall weighted average up to the closest integer.

WHAT IS THE GRADING SCALE?

Exceptional	A+: 97+	A: 93–96	A–: 90–92
Superior	B+: 87–89	B: 83–86	B–: 80–82
Satisfactory	C+: 77–79	C: 73–76	C–: 70–72
Low pass	D+: 67–69	D: 63–66	D–: 60–62

WHAT IS EXPECTED OF ME?

SHOW UP; PARTICIPATE ACTIVELY AND RESPECTFULLY

Arrive on time and email me ahead of class if you are unable to participate. More than two unexcused absences or late arrivals during the semester will affect your participation grade.

You will gain the most from this course by participating actively in class discussions. Come prepared; do the readings ahead of class; engage thoughtfully and constructively; and emphasize quality over quantity in your contributions. Show respect for the range of views in the reading materials and from your fellow students.

COMPLETE ALL ASSIGNMENTS ON TIME

Plan to submit your assignments on time. You may only reschedule your short papers or miss the midterm exam due to 1) significant illness, 2) personal instances of distress or emergency, 3) religious observance, and 4) varsity athletic participation and 5) required court or legal appearances, in line with Trinity College policies.[1] Email me as soon as possible if any of the above conditions apply to you.

Late assignments are penalized by a letter grade for each (begun) 24-hour period that they are late. Assignments submitted more than 72 hours after they are due receive a score of zero. I will grade and return your assignments within a week of submission.

If you believe I have made a mistake when grading one of your deliverables, submit a written appeal by email within one week of receiving it back. Include the affected question number(s) or page(s) and your rebuttal. I may choose to regrade other parts of your submission at my discretion.

DO NOT CHEAT

I expect you to adhere to the Duke Community Standard. Assume that all work should be completed individually unless otherwise noted. Any aids allowed during written exams will be explicitly listed on the exam and announced ahead of time. Please familiarize yourself with Duke's academic integrity policies, which are available at **integrity.duke.edu**.

Make sure you cite text and ideas borrowed from others. You should use APA style or Chicago author—date format citations. Please email me if you are unsure about whether or how to reference a source.

HELP ME HELP YOU

Please reach out if you think you are struggling with the material. I want to help you succeed in this course; the sooner you come by my office hours, the better. If you receive a grade below B— on any assignment, please schedule an appointment with me to discuss how to improve your work. You can sign up for my office hours at **ham.re/schedule**. I typically respond to emails within a business day.

I will make every effort to ensure that students are fully able to participate in this course. If you require any academic accommodations due to a documented disability, please contact me by the end of the second week of the course; the information you provide will remain confidential. More information is available from the Student Disability Access office at **access.duke.edu**.

[1] See the full policy here: https://trinity.duke.edu/undergraduate/academic-policies/class-attendance-and-missed-work

Graded components

OCTOBER 18TH AND DURING FINALS WEEK

EXAMS (40%)[2]

The exams test your knowledge of foundational trade concepts and your ability to apply them. You may bring a single letter- or A4-sized, hand-written cheat-sheet to the exams (write on one side only). I will post practice guides and sample exams to Sakai. Your best exam counts 25%, the other exam is 15%.

TWO WEEKS
CHOSEN BY YOU

SHORT PAPERS (40%)

In the short papers, you will answer a prompt related to that week's material. Your papers will serve as the basis for our Friday discussions; you will lead a small group discussion in the weeks you submit papers for.

You can write your papers alone or in groups of up to three students. Please sign up for two weeks that suit your schedule and interests – using the sign-up sheet provided in the first class – by the end of week two of the course. Your best paper counts for 25% of your grade; the second-best paper counts for 15% of your grade. I encourage you to discuss the prompts with me during office hours as you prepare your papers.

Short papers should:

- Demonstrate **knowledge of the issues** raised by the prompt and present a **well-supported argument** using (and citing) in-class and external academic and news sources.
- Use effective **presentation and style**, including appropriate spelling, grammar, diction, and organization (include an introduction with a thesis statement, a conclusion, and a logically organized essay body with appropriate topic sentences).
- Adhere to the following **format requirements**: use a 12pt, double-spaced, standard font, and 1-inch (or ca. 2.5cm) margins; you're your essay 1,000 words or less; number your pages, and include an appropriate title as well as a header containing author names, the date your paper is due, and the word length.

Short papers are due on Sakai at 5:00pm the day before discussion.

EACH CLASS

ATTENDANCE AND PARTICIPATION (20%)

Your participation grade is mainly based on your participation in class discussions, as determined by me and your peers. I will circulate a survey at the end of the semester where you will be given an opportunity to reflect on your participation and evaluate your fellow students.

To maintain a productive classroom environment, I reserve the right to deduct participation points for engaging in classroom behavior that I deem disruptive to other students.

[2] For persuasive evidence on the benefits of test taking, see Karpicke, Jeffrey D. and Blunt, Janell R. (2011). Retrieval Practice Produces More Learning than Elaborative Studying with Concept Mapping. *Science 331*(6018). 772–775.

Schedule

(All readings except the McLaren textbook are on Sakai)

WEEK 1 — INTRODUCTION AND A BRIEF HISTORY OF TRADE

August 28th and 30th

- What are the main arguments for trade?
- How has trade policy evolved?
- What are the main contemporary trade policy debates?

Read for Wednesday McLaren Chapter 1
Irwin, D. (2022). *Globalization is in retreat for the first time since the Second World War.* Peterson Institute for International Economics

WEEK 2 — TOOLS OF (THE) TRADE

September 6th

- How do we measure bilateral trade flows? What do these measures tell us about illicit trade flows, specialization, and bilateral alliances?
- How can countries intervene to restrict trade, and how do these measures affect the economy?

Read WTO (n.d.). A Practical Guide to Trade Policy Analysis: Page 63-78.
Fisman, R. and Miguel, M. (2009). The smuggling of art, and the art of smuggling: Uncovering the illicit trade in cultural property and antiques. *American Economic Journal: Applied.*
Take a look at The Atlas of Economic Complexity, available at atlas.cid.harvard.edu

WEEK 3 — WELFARE: SIZING THE PIE

September 11th and 13th

- Why do countries trade? Scale and comparative advantage

Read McLaren Chapter 2 and 3

WEEK 4 — WELFARE: SPLITTING THE PIE I

September 18th and 20th

- Who gain and lose from trade in the long run?

Read McLaren Chapter 5 and 6

WEEK 5

WELFARE: SPLITTING THE PIE II

September 25th and 27th

- How do economies adjust to changing trade exposure, and how does it affect politics?
- Why are some groups shielded from trade exposure?

Read Autor, D.H. (2018). Trade and labor markets: Lessons from China's rise. *IZA World of Labor.*
Map on Chinashock.info
Acemoglu, D. and Robinson, J. (2001). Inefficient Redistribution. *American Political Science Review.*
Perry, M. J. (2017). 2009 Tire Tariffs Cost US Consumers $926K per Job Saved and Led to the Loss of 3 Retail Jobs per Factory Job Saved. *American Enterprise Institute.*
Bown, C. (2020). Trump's steel and aluminum tariffs are cascading out of control. *Peterson Institute for International Economics*

WEEK 6

WELFARE III: TRADE & ECONOMIC DEVELOPMENT

October 2nd and 4th

- Why have some poor countries gained from economic openness while others have been harmed by it? Will countries be able to use trade as a growth strategy in the future?
- When does trade entrench incumbent leaders, and when does it promote political pluralism and accountability?

Read McLaren Chapter 9
Rodrik, D. (2013). The Perils of Premature Deindustrialization. *Project Syndicate.*
Mansfield, E. D., Milner, H. V., & Rosendorff, B. P. (2000). Free to trade: Democracies, autocracies, and international trade. *American Political Science Review*

WEEK 7

APPLICATIONS AND REVIEW

October 9th and 11th

- What have we learned so far?
- What should we know for the midterm?

Read McLaren Chapter 7
Case study packet

WEEK 8

IN-CLASS MIDTERM

October 18th

WEEK 9 — SECURITY I: ALLIANCES AND DEEP INTEGRATION

October 23rd and 25th

- What countries trade on preferential terms with one another; why?
- Does economic openness require pollical harmonization, and does it cause a "democratic deficit?"
- Does economic openness make domestic economies more resilient or vulnerable?

Read McLaren Chapter 15

WEEK 9 — SECURITY II: TRADE (AND) CONFLICTS

October 30th and November 1st

- How do countries resolve trade disputes?
- What are trade wars and what are their consequences?

Read McLaren Chapter 8
Irwin, D. *Free Trade Under Fire.* Princeton University Press. Chapter 5.
McBride, J. and Siripurapu, A. (2022). What's next for the WTO? *Council on Foreign Relations*
Caporal, J. (2019). The WTO at a Crossroad: Three Scenarios. *Center for Strategic and International Studies.*

WEEK 10 — STANDARDS I: LABOR AND THE ENVIRONMENT

November 6th and 8th

- Does trade improve or threaten labor conditions?
- Does trade harm the environment?
- More broadly, does trade lead to a regulatory "race to the top" or a "race to the bottom?"

Read McLaren Chapter 13 and 14

WEEK 11 — STANDARDS II: NTBS AND IP

November 13th and 15th

- Does international trade undermine intellectual property rights? Does it force poor countries to abide by overly onerous regulations?
- When are non-tariff barriers legitimate, and when are they used as veiled protectionism?

Read UNESCAP. (2019) The rise of non-tariff measures.
Tribe, D. (2012). Frankenfood or crops of the future? Gaps in the perception of GM food safety. *The Conversation*.
Branstetter, L. (2018). China's Forced Technology Transfer Problem—and What to Do About It.

WEEK 12 AND 13

TRADE BEYOND GOODS

November 20th, 27th, and 29th

- What are the effects of moving production abroad?
- How does immigration affect income distributions?

Read McLaren Chapter 11 and 12
Clausing, K. (2019). Open. Harvard University Press. Chapter 8

Read for Wednesday Peters, M. E. (2015). Open trade, closed borders: immigration in the era of globalization. *World Politics*

WEEK 14

BACK TO THE BIG PICTURE

December 4th and 6th

- What have we learned this semester?
- What does the future hold?

Read Clausing, K. (2019). Open. Harvard University Press. Chapter 12
Rodrik, D. (2000). How far will international economic integration go? *Journal of Economic Perspectives*.
Irwin, D. (2016). The truth about trade. *Foreign Affairs*.

Resources

CAMPUS RESOURCES

WRITING AND LEARNING

- TWP Writing Studio
- Duke's Academic Resource Center

DISABILITIES

- Duke's Disability Management System
- Trinity College policies on academic accommodations

MENTAL HEALTH

- Counselling and Psychological Services

ADDITIONAL TEXTS

FOUNDATIONAL TEXTS

- McLaren: International Trade
- Helpman: Understanding Global Trade

TEMPORAL AND SPATIAL CONTEXT

- Davies: Extreme Economies: What Life at the World's Margins Can Teach Us About Our Own Future
- Bernstein: A Splendid Exchange: How Trade Shaped the World Paperback

POLICY TEXTS

- Irwin: Free Trade Under Fire
- Rodrik: Straight Talk on Trade
- Stiglitz: Globalization and Its Discontents
- Clausing: Open

MORE ADVANCED TEXTS

- Krugman et al.: International Economics: Theory and Policy
- Feenstra: Advanced International Trade: Theory and Evidence