Carnegie Mellon University
Heinz College

90-860 Policy in a Global Economy
Course Syllabus, Fall 2016 (Mini 1)

INSTRUCTOR

Brian Kovak
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LECTURE

Location: 2003 Hamburg Hall
Time: 1:30-2:50
Dates: Tuesdays and Thursdays Aug 30-Oct 18

TEACHING ASSISTANT

Namho Kwon
E-Mail: nkwon@andrew.cmu.edu
Office Hours: Monday 4:30-6:00, 3022 Hamburg Hall

OBJECTIVES

As global economic integration reaches historically unprecedented levels, international trade exerts an ever greater influence on national economies. In this environment, international trade affects the challenges faced by nearly all policy makers and managers, including those addressing poverty, development, labor, education, inequality, and the environment. By the end of this course, students will i) be fluent in the terminology of international trade and trade policy; ii) understand the foundational economic models of international trade and use them to analyze past changes to the economic environment or make predictions about the future; iii) understand the rules governing global trade and the process by which they are developed; and iv) understand the evidence on how increased international trade affects various economic outcomes, from inequality to pollution levels.

COURSE ORGANIZATION

Web site: This course will use the Blackboard system (http://www.cmu.edu/blackboard/). As of the first day of class, all registered students should have complete access to the course web site.

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1 Thanks are due to Lee Branstetter for providing much of the material for this course
Important class information, including readings and copies of the lecture notes will be distributed regularly via this web site.

**Reading materials:** No textbook is required for this course. All non-case **readings for the course will be placed on the blackboard website.** See below for readings relevant to each lecture. We will use a few HBS case studies during the course. The **fee for these cases will be charged directly to the student accounts** of all enrolled students, and printed cases will be handed out at least one week prior to the relevant lecture.

**Exams:** There will be two exams. A **midterm, held in class on September 29,** will account for **35%** of the total grade. This exam will primarily test the student’s mastery of the analytical tools developed in the first half of the course. A **final exam, on October 18** (during the regular exam period), will account for **45%** of the total grade. Both exams are open-notes.

**Class participation:** Class discussions are an integral part of the course, and class participation will account for **10%** of the total 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.

**Case summaries:** There will be two written case summaries due in class the day the case in question is to be reviewed. These summaries should be no more than 5 double-spaced pages long. They should specifically address the questions posed for that case, which will be posted on blackboard. Each case summary counts for 5% of the total grade, so the two collectively account for **10%** of the total grade. Students may work on case summaries in groups of three or fewer. Ensure that the names of all students involved are clearly presented on the front page of the summary. Case summaries must be handed in at the beginning of class on the due date. No late case summaries will be accepted.

**Grading Summary:**
- Midterm 35%
- Final 45%
- Participation 10%
- Cases 10%

**POLICIES**

Please be courteous to your fellow students by coming to class on time. We have a lot of material to cover in a short amount of time, and I plan to start and end class on time. This requires you to be on time. Attendance is required, and students are expected to have completed the relevant readings and to be engaged in class discussions (see above regarding class participation in grading). If you must miss class, consult one of your classmates to get whatever material you missed. Please write down the contact information for two students in class in the following spaces.

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2 For students with a particular interest in international economics, I recommend Krugman and Obstfeld, *International Economics: Theory and Policy* and/or Feenstra and Taylor *International Economics.*
Students are discouraged from using laptops in class, except for the purposes of taking notes or referring to the assigned readings. Please do not use class time to check e-mail, trade stocks, or play video games. Similarly, turn off cell phones during class. If you have a special situation that requires constant communication, please let me know.

All sources used for written assignments must be appropriately cited based on standard citation guidelines and CMU policies. Students are responsible for knowing how to cite sources appropriately. For official CMU definitions of cheating and plagiarism, and academic disciplinary procedures that will be followed in the case of a violation, see: [http://www.cmu.edu/policies/student-and-student-life/academic-integrity.html](http://www.cmu.edu/policies/student-and-student-life/academic-integrity.html)

Plagiarism is a serious offense that can result in the student failing the course. Note that all academic integrity violations will be reported to the Associate Dean. Additional penalties may be imposed. See me if you have any questions about appropriate citation before handing in an assignment.

The following represents a tentative schedule that is subject to change. Any changes will be announced in class and through the blackboard system.

COURSE OUTLINE

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<tr>
<th>Date</th>
<th>Topic</th>
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<tr>
<td>Aug 30</td>
<td>Course overview</td>
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<tr>
<td>Sep 1</td>
<td>Labor productivity, technology, and comparative advantage</td>
</tr>
<tr>
<td>Sep 6, 8</td>
<td>Factor endowments, income distribution, and losses from trade</td>
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<td>Sept 13</td>
<td>Trade policy analysis</td>
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<td>Sept 15</td>
<td>Specific factors and the politics of protection</td>
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<td>Sept 20</td>
<td>Imperfect competition, increasing returns, and trade</td>
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<td>Sept 22</td>
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<td>Sept 27</td>
<td>Midterm review</td>
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<td>Sept 29</td>
<td>Midterm Exam (in class)</td>
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<td>Oct 4</td>
<td>GATT and WTO: Global trading rules and institutions</td>
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<td>Oct 6</td>
<td>WTO Negotiations and the Doha Round</td>
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<td>* Case summary due – WTO Disputes</td>
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<tr>
<td>Oct 11</td>
<td>Evidence on trade and wages, inequality, and poverty</td>
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<td>Oct 13</td>
<td>Trade and the environment</td>
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<tr>
<td>* Case summary due - Environment and Trade</td>
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<td>Oct 18</td>
<td>Final Exam (during regular class time)</td>
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WEEKLY SCHEDULE

Class 1 – Course overview
August 30

Required Reading

World Bank Issue Brief: Globalization

Supplemental Reading


Class 2 - Labor productivity, technology, and comparative advantage
September 1

Required Reading

“Trade Winds,” The Economist, 11/8/97
“The Miracle of Trade,” The Economist 1/27/96

Supplemental Reading

Krugman and Obstfeld, International Economics: Theory and Policy, Chapter 3

Class 3, 4 - Factor endowments, income distribution, and losses from trade
September 6, 8

Required Reading

“Workers of the world, compete,” The Economist, 4/2/94
“More pain than gain,” The Economist, 9/14/06
“Tariffs and wages,” The Economist, 8/6/16

Supplemental Reading

Krugman and Obstfeld, International Economics: Theory and Policy, Chapter 4

Class 5 – Trade policy analysis
September 13

Required Reading

“Sweet deal,” Time, 11/16/98

Supplemental Reading

Krugman and Obstfeld, International Economics: Theory and Policy, Chapter 8
Class 6 - Specific factors model and politics of protection  
September 15

Required Reading

Supplemental Reading

Class 7 - Imperfect competition, increasing returns, and trade  
September 20

Required Reading
“Why trade is good for you,” *The Economist*, 10/1/98

Supplemental Reading
“Silicon Valley (East)” *The Economist*, 11/5/98

Class 8 – Midterm review  
September 27

MIDTERM EXAM  
September 29

Class 9 - GATT and WTO: Global trading rules and institutions  
October 4

Required Reading
“Picking a fight,” *The Economist*, 3/9/10
“U.S. and Brazil Reach Agreement on Cotton Dispute,” *New York Times*, 4/6/2010
“Note on WTO Disputes: Five Major Cases” *HBS Case* 9-703-016

Supplemental Reading
Class 10 – WTO Negotiations and the Doha Round
October 6

Required Reading

WTO Disputes case summary due at the beginning of class

Supplemental Reading

Class 11 - Evidence on trade and wages, inequality, and poverty
October 11

Required Reading
Krugman and Lawrence “Trade, Jobs, and Wages,” Scientific American, April 1994
“Krugman’s conundrum,” The Economist, 4/17/08

Supplemental Reading
“Globalization and the rise of inequality,” The Economist, 1/18/07

Class 12 – Trade and environment
October 13

Required Reading
“Environment and International Trade” HBS Case 9-794-018

Case summary due at the beginning of class
Irwin, Free Trade Under Fire, p.48-54

FINAL EXAM
October 18