Lecture 9: Politics of Trade - Current Debates

Benjamin Graham
Today’s Plan

• Housekeeping
• Reading quiz
• Tariffs vs. Quotas vs. Subsidies vs. Dumping
• Understanding public opinion
• Group exercise
Housekeeping

- Midterm is next Thursday (October 2)
- Midterm Study Guide goes up tonight (apologies for delay)
Reading Quiz (1)

- According to economists, antidumping duties......
  - A. Protect consumers
  - B. Protect domestic producers
  - C. Are generally small
  - D. A and C
  - E. A and B
The book's presentation of the trade promotion authority (fast track authority) indicates that the legislation:

- A) Is a WTO policy intended to spur action in international leaders' decision by giving them a period of no more than 60 days to respond to trade proposals.
- B) Is a branch of the WTO known as "The Highest Arbitrator," which reviews controversial trade agreements and promptly (in a period of 30 days or less) dispenses judgement over their merits and sections in need of editing.
- C) Is a United States policy that circumvents the arduousness of congressional amending when trade is concerned.
- D) Is a United States policy that takes trade policy away from the president and gives it to congress.
How Tariffs and Quotas Work (review)

(a) Tariff Restriction

(b) Quota Restriction
How Subsidies work (review)
How Dumping Works

(a) Canadian Steel Industry

(b) Canadian Iron Ore Industry—Upstream

(c) Canadian Auto Industry—Downstream
Checking Understanding

• If Chinese producers dump cheap car axels into the U.S. market, which groups are harmed?
  • A. U.S. axel makers
  • B. U.S. car makers
  • C. U.S. car buyers (consumers)
  • D. U.S. taxpayers
  • E. C & D
  • F. A & B
Global Opinion on Trade

According to a report from the Pew Research Center, 66% of people in developing countries say increased trade leads to local job creation and 55% say it increases their wages. Only 20% of Americans say trade creates more jobs at home, and 17% say it leads to bigger paychecks. What could explain this?

- A. Poor people are more optimistic responding to surveys
- B. Governments in developing countries mislead the public
- C. Trade has different effects on employment in poor countries and rich countries
Global Opinion on Trade

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Global Opinion on Trade

• “Similarly, most people in Uganda (79%), Bangladesh (78%) and Lebanon (77%) say trade increases their wages. Even people in some larger economies such as China (61%) see global trade as a way to increase wages.” Why do I consider the phrase “even people in some larger economies…” to be poor journalism?

• A. The size of the economy isn’t what’s relevant here
• B. China has a large population but is not a large economy
• C. China shouldn’t be used as a proxy for all large, developing economies
Global Opinion on Trade

“The poll found that most people around the world (81%) agree when asked if growing trade and business ties with other countries is good for their nation. Even 68% of Americans support that general idea.” Is it consistent for Americans to believe that trade costs jobs but is good for their nation?

• A. Yes
• B. No

Why?
The Great Depression vs. the Great Recession

• The great depression caused (and was made worse by) a tariff war.
• During the global financial crisis, trade barriers increased slightly, but not much.
• Why the difference?
Some big think

• In groups, please write down at least one benefit and at least one cost of each of the following strategies.

• Total trade openness
• Subsidizing/protecting key industries
• Big government safety net
• Small government safety net