

PUAF 700: U. S. Trade: Policy and Politics
Midterm Examination
April 19, 2001

GENERAL INSTRUCTIONS:

Please identify yourself by your *social security* number, not your name.
Use separate books Parts A and B.
You have a total of two (2) hours to complete the exam.

PART A (60 Points): Identify ten of the following, discussing in a short paragraph the significance of each for international trade and/or U.S. policy.

Cartegena protocol	precautionary principle
consumer cost of protection (vs. efficiency [“deadweight”] loss)	“protection for Congress”
DSU of the WTO	savings-investment imbalance
dumping	Section 201
GATS	Section 301
ILO	“symbolic politics”
NAFTA Chapter 11	USTR
quota rents	wage insurance

PART B (40 Points): Write an essay (or memo) in response to one of the following.

1. Between 1981 and 1986, the federal budget deficit¹ rose from \$79 to \$221 billion, and the current account balance moved from a surplus of \$5 billion to a deficit of \$147 billion. These parallel changes caused many analysts to speak of “the twin deficits,” and see the former as responsible for the latter. Between 1992 and 1999, however, the current account deficit grew from \$48 to \$331 billion, though the budget balance went from a deficit of \$290 billion to a surplus of \$124 billion.

What happened? What was the macroeconomic logic of the “twin deficits” diagnosis of the 1980s, and why did it not apply in the 1990s? (You may wish to refer to the attached tables, but you are not required to do so.)

2. Bush administration leaders have renamed “fast track,” calling it “trade promotion authority.” They have stated a commitment to win this authority from Congress. The question is how.

Write a memo to US Trade Representative Robert Zoellick setting forth the rationale for such legislation and the problems he and his colleagues currently face in getting Congress to enact it.

¹Budget deficit numbers are by fiscal year, current account deficits by calendar year.

Part B, continued. . . .

Conclude the memo by proposing a strategy for overcoming these problems. (And don't blow your cover by using your name instead of your SSN!)