



TUCK SCHOOL OF BUSINESS AT DARTMOUTH
Leadership in the Global Economy Fall 2019

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Course Setting: The Fusion of Global, Digital, and Social Forces in the World Economy

Here in late 2019, a bit over a decade beyond the trough of the World Financial Crisis, the fusion of digital, global and social forces continues to create immense business and economic opportunities—and yet serious pressures and anxieties as well.

A decade-plus beyond the Crisis, economic recovery continues in most parts of the world—but at a pace far too slow relative to many benchmarks, and in large part with continued historically unprecedented intervention of the world’s major central banks. Even the long-heralded BRIC countries look far different from earlier years, where strong growth and widespread optimism characterized all these countries—and many aspirants. Mired in a deep multi-year recession and an ongoing corruption scandal, Brazil last fall elected the far-right former army captain Jair Bolsonaro, who recently has been battling historic fires in the Amazon. Russia’s economic fortunes continue to be tied closely to the global price of oil, with many inside and outside the country worried about too little broader economic dynamism under President Putin. India’s Prime Minister Modi continues to drive economic reforms, such as loosening restrictions on foreign investment and harmonizing sales taxes across states—yet many wonder whether in the wake of re-election whether these reforms will be sufficiently deep and permanent. And in China, despite slowing economic growth and a worsening trade war with America, President Xi speaks boldly of supporting the “Chinese Dream” of rising standards of living—with a policy agenda centered on building strong Chinese companies in a range of high- innovation industries.

Complicating the macroeconomic environment is, at the level of citizens and policymakers in many countries, fading belief in the dynamic forces of globalization and innovation. Much of this ambivalence and more-general economic anxiety stems from workers and their families not seeing sufficient growth in their wages, jobs, and sense of opportunity. In part in response to the economic pressures as well as gains that digital and global forces create, we live in a time where many societies are being roiled by a historic protectionist backlash.

- Elected on an overtly anti-globalization platform, and with a bleak inaugural address in which he vowed that, “this American carnage stops right here and stops right now,” U.S. President Donald Trump has launched a trade war with China, upended the North American Free Trade Agreement, imposed tariffs on the United States’ closest allies, withdrawn from the Trans-Pacific Partnership, and talked continually about building a wall on the U.S.-Mexican border.
- In the United Kingdom, the Brexit vote was a stark statement of withdrawing from openness. And yet, exactly what will be the terms of Brexit remain very unclear—as markets, business leaders, and citizens alike fret over the damage that a “hard” Brexit might do as newly-ascendant Prime Minister Boris Johnson spreads uncertainty.
- In Germany, ambivalence about immigration has weakened Chancellor Angela Merkel and, many say, fueled the rise of fringe parties that oppose open markets. In late 2018, she stepped down from her party’s leadership, a first step towards a less-certain future for the world’s fourth-largest national economy that today may be in recession.
- France in the past year was shaken by violent protests of the “gilets jaunes”—“yellow vests” worn by drivers—that spontaneously swept across the country to object against fuel-tax increases and other economic pressures on the standard of living of so many French citizens. With the success of his presidency in question, Emmanuel Macron stated that he wants to bring together “all of the political, regional, economic and social forces in this grave moment for the nation, in order to hear their voices, their proposals and with the aim of mobilizing them to act.”
- Mexico’s recently elected president Alberto Manuel Lopez Obrador, has vowed that, “What we are seeking is the purification of Mexico” from “the manifest failure and corruption” of “the neo-liberal regime” in which market forces are central. A long-time activist for the rights of the working class and poor, among his first moves were to sell the presidential private plane—he vows to fly commercial in coach class—and to open to the public the Los Pinos presidential palace—he vows to keep living in his current home. Yet today in late 2019, Mexico teeters on the edge of recession while farther south in Latin America, Argentina is reeling in further electoral and financial turmoil and the humanitarian and economic crisis in Venezuela continues with no end in sight.

Several business-policy questions await the rest of 2019 and beyond. What will happen with Brexit—for the U.K. and the EU alike? Will the U.S.-China trade war worsen or resolve—or both? What kind of policies will Latin America’s new leaders like AMLO pursue? Will central banks like the U.S. Federal Reserve and the European Central Bank continue to unwind their historic stimulus of printing trillions of dollars? More generally, will leaders find voice for how to bring the vast gains of globalization and digital innovation to more workers, communities, and families?

LGE provides us a chance to engage with all these contemporary business and policy issues that are top of mind in C-suites and boardrooms around the world—for newly founded unicorns and generations-old companies alike.

Three Learning Goals of LGE

One learning goal of LGE is to apply some your learnings from the core curriculum—in

particular, from Global Economics for Managers and from Managerial Economics—in fresh, contemporary settings. Core topics including international trade, externalities, and economic growth will be explored in LGE in greater depth and in fresh, current settings that fill many of today’s headlines. Note that Tuck’s recent refinements to the first-year core experience found timeliness to be one of the five biggest enhancement opportunities for the School: “How can Tuck bring contemporary business issues into its curriculum — today’s issues and the ones we have yet to recognize?”

A second learning goal of LGE is to expand your ability to articulate and defend a point of view.

In the wake of the World Financial Crisis and amidst the forces of globalization and innovation, what has become commonplace is leaders of global businesses and national governments struggling to understand each other’s goals, constraints, and methods. Many business leaders are today finding that government leaders—and their citizens as well, per movements like Occupy Wall Street in America—often look askance at them, wary of their motives and consequences. This dynamic presents a central question for LGE: how will you manage and lead global companies through leadership stories that speak to wary governments and societies?

In LGE, each of you is going to work to develop your own answers to this question by practicing articulating and defending points of view on some of the most vexing business-policy questions in our world today. Note that Tuck’s recent refinements to the first-year core experience found this capability to be one of the five biggest enhancement opportunities for the School: “How can Tuck challenge students to be definitive in taking a point of view and supporting it with relevant data, both qualitative and quantitative?”

A third learning goal of LGE is to expand your ability to constructively disagree with others.

Our world today contains too much shrill assertion and too little constructive dialogue. One important aspect of the confident humility of wise leaders is comfort with disagreement—no disagreement just for malice, but rather disagreement aimed at analyzing evidence, clarifying perspectives, and strengthening points of view.

Constructive disagreement makes you more adaptable. It is often a vital step in a process of practicing, getting feedback, and reflecting. In LGE, we will harness Tuck’s trusting and supportive culture to enhance our comfort and capabilities at constructively disagreeing with others. Note that Tuck’s recent refinements to the first-year core experience found “deliberately growing wise leaders” to be one of the five biggest enhancement opportunities for the School: “How can Tuck leverage its tight-knit community, small size, and collaborative culture to better prepare students for leadership roles?”

LGE Structure: Congressional Hearings and Testimony

The opening session of LGE will set the stage for the course and for key issues in today’s global economy. Then, each of the next four LGE sessions will be centered around congressional hearings at which you students will deliver testimony imagining that you are CEO of a globally engaged company or other global organization.

In the U.S. Congress, two of the most powerful committees with jurisdiction over matters of global business are the Committee on Ways and Means in the House of Representatives and the Committee on Finance in the Senate. Our LGE topics fall mainly under the purview of these two committees, and so your testimony each day should be directed either to Chair and Representative Richard Neal (Democrat, Massachusetts) or to Chair and Senator Charles Grassley (Republican, Iowa). When members of a Congressional committee are deliberating business and economic policy, they often convene hearings at which they invite witnesses to deliver a statement of testimony and then answer questions—sometimes under oath. Witnesses are often CEOs of companies or other organizations with activity of relevance to the matters at hand. Each witness delivers oral testimony, which almost always is strictly limited to no more than five minutes, and written testimony, which can be longer and which enters the official Congressional record.

In recent years, U.S. Congressional hearings often involve some of the most prominent CEOs on some of the most pressing business issues of the day. Think of the 2018 hearings that grilled tech CEOs such as Mark Zuckerberg of Facebook (his testimony is [here](#), the full hearing is [here](#)) of Facebook and Sundar Pichai of Google (his testimony is [here](#), the full hearing is [here](#)). The most riveting hearing I was ever involved in was in November 2008, in the depths of the World Financial Crisis. After the testimony of the CEOs of Chrysler, Ford, and General Motors all seeking tens of billions of dollars in U.S. government support to avoid bankruptcy, I testified that the U.S. government should *not* try to keep out of bankruptcy these companies—that instead these tens of billions of taxpayer dollars should be used to support workers and communities in new ways (my testimony is [here](#), the full hearing is [here](#)).

Please note that these U.S. practices for how the federal government engages the business community are qualitatively very similar to practices of many other countries throughout the world. Whatever countries you end up leading companies from and in, the ability to articulate compelling points of view to government officials and other stakeholders will be a critical skill. To allow you to tailor LGE to the countries of your interest, on any given day—or, indeed, throughout the entire course—you should feel free to prepare any aspect of the course—general conversation, daily oral testimony, or longer written testimony—from the perspective of any country you like. Thus, for example, in our last week you can evaluate the value (or lack thereof) for the arguments in “How to Save Globalization” from the perspective of any country you choose.

A typical three-hour class session will consist of two halves exploring a broad theme of importance in today’s global economy. The general structure for each session will be as follows.

LGE Session, First Half

- *Around the World*. First, we will revisit any topics that might remain from the previous class session. Next, we will have a conversation about “Around the World”—i.e., LGE-relevant headlines of world current events that you or I have seen. To aggregate class preferences and to allow me to preview your ideas in advance of each class, please use of the on-line Around the World forum provided in Canvas.
- *Oral Statements of Testimony*. I will take a few minutes to introduce the hearing topic—with connections to the world today and to tools and ideas from your core courses last

year. Then about four students will deliver their oral testimony on that day's topic. Each selected student will sit before the room at the witness table and speak. Consistent with the practices of nearly every Congressional committee, you will have no more than five minutes in which to make your statement. No exceptions.

- *Question-and-Answer Period.* The opening statements will lead to a full-class conversation in which anyone can ask questions of the witnesses about their testimony, which witnesses will answer as if under oath. I will loosely serve the role of Committee Chairman as needed, to help maintain an engaging and insightful conversation.

LGE Session, Second Half

- *Summary and Debrief of the Hearing.* We will summarize and debrief the hearing that started this session. People can share their assessments of the testimonies and subsequent discussion—in terms of both substance and style—to assemble perspectives on the business-leadership challenges of the week's topic.
- *Expanded Discussion of Weekly Topic.* This will provide an opportunity to examine the week's theme in a broader context. This discussion will explore international considerations, other industries and different student perspectives. As part of this discussion and for your consideration, I will convey my point of view(s). My thoughts and the overall discussion will be organized around and guided by a PowerPoint deck that contains key data, principles, frameworks, and linkages for you to reflect on and use in the future.

For each LGE session you can pick whatever company, industry, and home country you would like to imagine being CEO of—and you can change across days if you like. Whatever perspective you adopt for a given day, you should be prepared to deliver and deliberate testimony from that perspective. Here are some possibilities.

- The perspective of the company you matched with for your initial post-Tuck placement.
- The perspective of the company you hope to match with initially post-Tuck.
- The perspective of a company you hope to match with at some point in the future.
- The perspective of a company currently involved in the topics we are covering in LGE.

You may *not* write testimony from the perspective of yourself today. Part of my pedagogical motivation for LGE is my concern that too many leaders suffer from too little capacity to imagine and articulate possibilities. In LGE, you will be required to testify in an imagined leadership role.

How Should You Prepare for and Participate in Class?

You are expected to prepare for, attend, and actively participate in every class.

Each week, you can participate three different ways in class conversation. One is offering to read and defend your testimony. Another is speaking in the general flow of the class—especially in the Around the World discussion, and in the post-testimony conversation. And, a third is providing Canvas content by posting and commenting on Around the World items and by commenting on testimony students might post. As stated below, participation in class is one-

third of your course grade, based on both the quantity and quality of interventions.

I encourage you to prepare each day with classmates, in whatever forum you find most constructive. However, your Congressional testimony (daily or longer—see grading description below) should be drafted by you alone, to practice developing your points of view.

For each week, the syllabus lists two recommended readings: a blend of contextual readings that explain and frame the week's issues and current-events readings of recent/ongoing examples of these issues. Beyond the syllabus readings, however, you should feel free to prepare for class using any other information you find relevant for your understanding of that week's issues. In particular, you may wish to review references in these readings or to find information specific to the company/organization from which you are providing your testimony (e.g., recent coverage in the financial media or recent regulatory filings).

Course Grading

Your LGE course grade will be determined equally by the following three parts.

Class Participation

- This will be based on the quality and quantity of both your in-class participation and your online participation, which, as noted above, can entail Around the World material or testimony commentary. Offering oral testimony counts towards this part of your grade. More generally, so does your engagement in class conversation and online discussions.

Oral Testimony Hand-Ins

- You will need to submit between one and four oral testimonies into Canvas as a pdf file, due each class session during which we have a hearing. If you plan to deliver your testimony, please bring 2 copies of your presentation to class as well as submit into Canvas. Again, no oral statement should exceed five minutes. Given the pace at which most people speak, this means that the written version of an oral testimony should not exceed about two pages. The more oral testimonies you prepare and hand in, the higher marks you will receive for this part of your grade. To maintain a fair balance, you should not expect to present in class all oral statements you prepare.

Longer Written Testimony Hand-In

- Select one of the four topics we cover in the course, and prepare and submit into Canvas a longer testimony—up to five pages of double-spaced text—of your leadership point of view on this business policy issue. Your long testimony must be submitted into Canvas no later than 5:00 p.m. EST on Friday, November 15.

Overall, I encourage you to engage with this class as much as you can via conversation and testimonies.

The Academic Honor Principle

I take the Academic Honor Principle very seriously and have very clear policies for this course. As a reminder to all of us, here is a statement of Tuck's Academic Honor Principle.

“Integrity and honesty in the performance of academic activities, both in the classroom and outside, are essential to the educational experience for which the Tuck School has always stood. Each member of the Tuck community accepts the personal responsibility to uphold and defend high ethical standards in all academic endeavors, and to promote an atmosphere in which honest and imaginative academic work may flourish.”

Let me articulate how this Academic Honor Principle applies to LGE.

- *Class Conversation*: The goal of each day is to have a spirited yet respectful and fact-based exchange of opinions. To maintain a flourishing classroom atmosphere, your participation in class conversation should *at all times* respect the diversity of opinions being articulated, discussed, and defended. Leadership points of view are, by definition, subjective. This is not to say that you should not engage and challenge the points of view of others—and yourself. It is to say that you should do so recognizing that many of the core questions of this course do not lend themselves to inherently right or wrong answers. It is also to say that a very important leadership skill is being able to respectfully and constructively agree to disagree with others. One important point here: this course is not an exercise in preaching the ideas of Matt Slaughter. I have my own points of view on LGE topics, which I will share to varying degrees to help support your learning. Your course grade in no way depends on how similar or dissimilar your ideas are to mine.
- *Testimony Hand-Ins*: Any testimony hand-ins should be written by yourself only. Any references should be appropriately cited according to Tuck School guidelines. I regard plagiarism of any form, no matter how small or extensive, to constitute a severe violation of the Academic Honor Principle.
- *Longer Testimony Hand-In*: Your one longer testimony hand-in should be written by yourself only. Any references should be appropriately cited according to Tuck School guidelines. I regard plagiarism of any form to constitute a severe violation of the Academic Honor Principle.
- *Use of Laptop Computers and Other Communication Devices*. To provide a first-class learning environment, and out of respect for fellow students and visitors, students shall not use laptop computers, cellular telephones, or any other electronic communication device in any class session unless explicit permission to do so is granted by me. If your active learning is enhanced by using a laptop or other device for note taking, then please just inform me about it so that we agree on how you will use these devices in class.
- Finally, and most importantly, you should recognize that the principle ingredient in the successful operation of the Academic Honor Principle is good faith among all parties. Situations occasionally arise in which the application of the Academic Honor Principle is unclear. In such cases, please just contact me for clarification.

Day One (October 17) Course Introduction and Global Economic Overview

Overview: We will first preview LGE’s structure. We will then survey the current global economic environment as a framework for the range of LGE topics we will cover together. What is the prognosis for near-term growth and inflation in key parts of the world? What medium- and longer-term challenges await? What opportunities are there for leaders to tell new stories to guide the global economy? Imagine that for your country of interest, you were a central business or policy leader. What “To Do List” would you have? Do you think that current leaders in this country are addressing topics on your list? If so, are they succeeding? Why or why not?

Testimony Topics: None.

Readings: There are four items to prepare for class this week.

1. “[How Great Leaders Inspire Action](#),” TEDx talk by Simon Sinek.
One of the most frequently watched TED talks ever, this short piece underscores that compelling leadership points of view—for individuals and organizations alike—answer well the question of “why” rather than “what” or “how.” Your testimonies should aspire to answer “why” for any position you advocate for, not just “what” and “how.”
2. “The Next Recession: How Bad Will It Be,” *The Economist* special report, Oct. 2018. This collection of readings—[the cover leader](#) and then five essays that constitute [the special report](#)—discuss a number of features of today’s global economy, all through the lens of looking ahead to the timing of, nature of, and policy responses to the next global recession. Many central GEM frameworks underpin this special report: long-run speed-limit rates of growth, short-term business cycles, monetary policy, and fiscal policy. In addition, the political policy of policymaking is flagged as especially important—an LGE theme, especially salient our last day. Also, note that this special report lists a number of useful references you can explore.
3. “Breaking Up the Euro Area: The Merkel Memorandum,” *The Economist*, 8/11/12. This hypothetical [memo](#) to Chancellor Angela Merkel from her most trusted advisors outlines how and why Germany might break up of the Eurozone. She is one of the most powerful women leaders in the world today, and it is quite likely she has had to ponder (or is still pondering?) these sorts of options. This piece was written a few years ago, when pressures on the current monetary and fiscal arrangements of the EU were in many ways most acute in the wake of the World Financial Crisis. Though these pressures have abated in since then, due in large part to quantitative easing by the European Central Bank, they are still very present. Were you Chancellor Merkel, what would you do today with this memorandum?
4. “How Business Can Rescue the Economy,” by Peter G. Peterson, *Bloomberg Businessweek*, 11/5/09.

This closing editorial from Peter G. Peterson, billionaire co-founder of the private-equity firm Blackstone, argues that, “It’s time for corporate leaders to step up with a Marshall Plan-type movement that takes an active role in the public interest.” In 2011 Mr. Peterson visited Tuck; I had the pleasure of moderating his public talk, and when I asked him if he thought business leaders were stepping up he quickly replied, “unfortunately, no.” Mr. Peterson sadly died last year, but the spirit of his exhortation one hears very often and loudly today. Do you agree with his argument? If so, how do you envision answering his call after graduating from Tuck?

Important Note on Today, and on Broad Readings to Support LGE: As discussed earlier in the syllabus, one of the goals of LGE is to extend your understanding and application of many topics from the Tuck core curriculum—especially GEM and Man Ec. If you prepare for and engage with today’s class well, then today will be a day where you build lots of connections from GEM/Man Ec to some of the most important headlines of today.

So: in addition to the syllabus readings for each day, your core materials will occasionally be useful background references for LGE. Also, as we will discuss Day One, to maximize your LGE learning I recommend that you keep abreast of current global economic and financial matters by regularly reading leading publications such as *The Financial Times*, *The New York Times*, *The Wall Street Journal*, and *The Economist*. You are encouraged to suggest articles and issues for our Around the World discussions each day.

Day Two (October 24) The U.S.-China Trade War: Fair or Foul?

Overview: One of the most remarkable features of globalization in the past generation has been the rapid economic growth realized by so many middle and low-income countries, such as the BRIC nations of Brazil, India, China, and Russia.

The single biggest goal of current economic policy in many emerging markets is to foster continued productivity growth—growth in output per worker. Productivity growth is the only way for any country to enjoy sustained increases in living standards. In the past two generations, China in particular has realized the world’s greatest episode of productivity growth. Since the start of the “Open Door” policy economic reforms in 1978, average living standards have risen by a factor of almost 30. India and many other countries have had similar, albeit not quite as dramatic, growth runs. Despite all this growth, per capita income in many fast-growth markets remains a fraction of that in many advanced countries. Their growth may well have far to go.

But this economic integration has already generated massive changes in the global economic landscape on dimensions such as international trade and investment. And it has also generated important political pressures for both companies and countries as well.

The most notable and consequential pressure point of all these changes has become the trade war between the United States and China. Here in September 2019, over the past 18 months the two countries have levied tariffs on hundreds of billions of dollars of their bilateral trade—and, if sufficient progress is not made between now and December 1, even steeper and broader tariffs may follow. For many reasons—including the fact that the United States and China are the two largest national economies in the world—the scope and impact of this disagreement is the most serious the world economy has seen since the Great Depression. U.S. President Donald Trump has made fighting this trade war a central plank of his overall economic policies, declaring that “I am a Tariff Man” who believes that, “When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win.”

Many business and government leaders in advanced countries levy three particular charges of unfair competition at China—and, to some extent, at developing countries more generally. One is unfair efforts to keep currencies “artificially” low; in particular, that that China is a “currency manipulator” whose yuan peg to the U.S. dollar should be somehow offset by retaliatory trade barriers levied against Chinese imports until China changes its currency regime. A second charge is that the China’s trade surpluses—with the world overall, and with the United States in particular—is inherently unfair, for reasons including unfairly low wages. In 2018, the U.S. trade deficit in goods with China reached a record \$420 billion. And a third is that intellectual property is inadequately protected; in particular, that China’s explicit government support of “indigenous innovation” by Chinese companies, as part of the government’s “Made in China 2025” strategy, involves outright theft of IP from western multinationals operating in China.

Testimony Topics: We in the U.S. Congress are trying to understand what unfair advantages, if any, fast-growth emerging markets wield over the United States today and what our government

should do about these advantages. As a global corporate leader, how do you explain the emerging-market success? Is this success driven by unfair advantages like currency manipulation, IP theft, or wage undercutting? How is your company engaging these markets—as a source for new revenue, as a center for reducing costs, or as something else? How does your emerging-market engagement affect your U.S. workers and other stakeholders, like local communities in which you operate? Do you support the U.S. Congress taking a tougher stand against these countries? The Committee is especially interested in hearing explicit answers to whether you agree that developing countries have one of the three unfair advantages cited above, and whether you support Andy Grove’s idea for U.S. tariffs on imports from developing countries to help close the U.S. bilateral trade deficits with these countries.

Contextual Readings: Our discussions this week will draw and build on the GEM framework for what forces drive a country’s long-run “speed limit” rate of economic growth. It will also draw upon many of the policy issues discussed in GEM—in particular, in the book *The Choice: A Fable of Free Trade and Protectionism*. To best prepare for today’s material, invest a bit of time in reviewing the policy topics, arguments, and evidence from *The Choice*.

Current-Events Readings for This Week: The current-events coverage of the U.S.-China trade war is vast, nearly daily, and rapidly changing. On any particular topic, you will likely find many items through a few minutes of searching the publications cited at the end of Day One readings.

For a curated set of readings and resources, here are four suggestions.

First is the excellent coverage of the trade war by the Peterson Institute for International Economics at its site, *Trump’s Trade War Timeline: An Up-to-Date Guide*, which you can find [here](#). The U.S.-China trade war is described as Battle #3; you can scroll through the timeline and click through to a number of PIIE briefs (with many useful references therein) about various aspects of this dispute.

Second is the ongoing series of weekly *Trade Talks* podcasts, which you can find [here](#), by Soumaya Keynes of *The Economist* and Chad Bown of PIIE. You can scroll through the entire catalog and find a number of episodes on the U.S.-China trade war; the most recent of which (at the time of writing) was episode #96.

Third, for a (largely) non-U.S. perspective, I encourage you to browse a collection of ten columns that ran in 2018 on this topic in *The Financial Times*, which that publication has helpfully assembled [here](#).

Finally, for a non-Western perspective, I encourage you to at least browse some of the articles on the trade war published by [China Daily](#), which is the English-language newspaper published by the Communist Party of China. On September 16, a search on “trade war” in its on-line browser yielded 10,508 items.

Finally, here are three more pieces that, though older, I think still have value for today’s topics.

“[How the U.S. Lost Out on iPhone Work](#),” and “[In China, Human Costs Are Built into an iPad](#),” *The New York Times*, 1/21/12 and 1/25/12.

This pair of Pulitzer-Prize-winning articles that garnered a great deal of attention examines the nuanced interactions that one of the world's leading companies, Apple, has with China. Who gains and who loses from these interactions?

[“China and IP Protection,”](#) *The Financial Times*, 3/22/11.

This piece cites a recent survey of thousands of businesses operating in China on the IP problems they face, and discusses the recent trends in Chinese IP policy. Although now nearly eight years old, I have kept this piece because it illustrates the length of time that foreign companies have perceived threats to their IP in China. This 2011 survey found this concern to be at the top of companies' list “every year for the past 13 years.”

And, here is an op-ed column I recently wrote to highlight some of the investment dimensions of the U.S.-China trade war.

[“Trade Wars Are Sending Jobs Elsewhere,”](#) *The Wall Street Journal*, 7/24/19.

Day Three (October 31) Global Warming and Climate Change

Overview: There is now a strong consensus among scientists that the world's average temperature is rising and that a major force causing this rise is carbon dioxide emitted through human industrial activity. [2018 was the earth's fourth warmest year on record](#)—with the five warmest years on record all having occurred since 2010. Similarly, initial estimates are that [the Northern hemisphere's 2019 summer was the warmest ever on record](#)—with a mean temperature that was 2.03 degrees Fahrenheit (1.13 degrees Celsius) above the 20th-century average.

In one of our contextual readings for today, the U.S. Congressional Budget Office summarized the policy challenge of global warming and climate change.

“The amount of damage associated with [global] warming remains uncertain, but there is some risk that it could be large and perhaps even catastrophic. Reducing that risk would require restraining the growth of CO₂ emissions—and ultimately limiting those emissions to a level that would stabilize atmospheric concentrations—which would involve costs that are also uncertain but that could be substantial.”

It is now well documented that three main fuel sources account for almost all human CO₂ emissions: coal, oil, and natural gas. Stated slightly differently, the two main activities that emit CO₂ are electricity generation (where globally the predominant power sources are coal and, increasingly, natural gas and renewables) and transportation (where globally the predominant power source is petroleum derivatives).

Leaders and citizens of scores of countries are increasingly alarmed about global warming and climate change. For example, in December 2018 the U.S. government issued its [Fourth National Climate Assessment](#), with the foreboding overview finding that, “Climate change creates new risks and exacerbates existing vulnerabilities in communities across the United States, presenting growing challenges to human health and safety, quality of life, and the rate of economic growth.” In a December 2018 NBC News/*Wall Street Journal* [survey](#), 66% of Americans say that either “some action should be taken” (21%) or “immediate action is necessary” (45%) to address global climate change.

World governments remain far apart on how (and, in some cases, whether) to control CO₂ emissions. On June 1 of 2017, President Trump announced that the United States intends to withdraw from its 2015 commitments to the [Paris Agreement](#) of the United Nations, the goal of which “is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.”

A fundamental reason for world governments remaining far apart on whether and how to control CO₂ emissions is that these emissions are a *global externality*: firms and consumers around the world do not price the cost of these emissions into their consumption and production choices, and emissions in one country do not stay within its borders but rather pollute the entire world.

And, there is a large unanswered question of international distributive justice. The *stock* of most old pollutants already in the atmosphere today was produced by today's high-income countries. But, today and for any foreseeable future, the *flow* of most new pollutants going into the atmosphere is and will be produced by today's low-income countries because today and for any foreseeable future, global demand for carbon-based energy—for both electricity generation and transportation—will be accounted for by low-income countries.

This week we will analyze the policy challenges of global warming and CO₂ emissions. Part of the challenge here is that citizens in different countries hold different attitudes and policy preferences here: about which stakeholders are most responsible for climate change, about how serious a problem climate change is, and about what to do about it – as this [new survey published last month of 30,000 people in 28 countries](#) revealed. In the United States, climate change has become a major issue being debated among the Democratic presidential aspirants – with sharply different policy plans among them, and even starker differences among them and President Trump.

And while much of the policy discussion around global warming and climate change focuses on citizens and countries, these topics are increasingly salient for businesses and business leaders. Indeed, last month in *Fortune* magazine, McKinsey's global managing partner and global head of the firm's sustainability practice [penned a column](#) arguing that companies should treat climate change as a current priority, not as a far-off possibility.

Testimony Topics: We in the U.S. Congress are trying to understand what how, if at all, national governments should address global warming and climate change in an increasingly global economy. Please share with the Committee the views of you and your company regarding a climate change. Do you agree that CO₂ emissions create a global externality? If so, should governments try to limit these emissions? What are the efficiency (and other?) trade-offs among the three main policy options to limit CO₂ emissions: command-and-control regulations, a cap-and-trade system, or taxation? Might different countries rationally differ in what policies they prefer for addressing CO₂ emissions? For example, does the intuition of a tax on CO₂ emissions mean that every firm in every country should pay the same tax? Should low-income countries somehow face a smaller burden to reduce CO₂ emissions than high-income countries?

Contextual Readings: Global warming and climate change can be usefully framed in two somewhat distinct lines: the underlying science—on the effects to date of human CO₂ emissions and on the possible future effects of CO₂ emissions—and the possible public-policy options towards changing market-driven CO₂ emissions. This week we will focus on the public-policy questions; thus, the set of contextual readings below. Of course, you should feel free to bring into discussion as you like issues of the underlying science.

1. “The Climate Issue,” *The Economist*, September 21, 2019. *The Economist* devoted almost this [entire issue](#) to the topic of climate change and how to deal with it. Please read at least the [cover leader](#) (entitled, “The Climate Issue”) and the [opening briefing essay](#) (entitled, “What Goes Up”). Throughout the entire issue are sprinkled 24 essays total, including these two, that examine climate issues from perspectives including several countries, business, economics, and science. It's a comprehensive collection.

2. “Why Is Climate Change So Hard to Tackle: A Special Report,” *The Economist*, December 1, 2018. This collection of readings—[the cover leader](#) and then eight essays that constitute [the special report](#)—discuss a number of features of today’s topics. There is a section of [sources and references](#) that you can browse for additional information on particular topics you might want to pursue.
3. *The Green New Deal*. This [resolution](#) was introduced into the U.S. House of Representatives on February 7, 2019, “Recognizing the duty of the Federal Government to create a Green New Deal.” It was submitted by newly elected Representative Alexandria Ocasio-Cortez, on behalf of herself and dozens of other Members of Congress. Among other goals of the Green New Deal are “to achieve net-zero greenhouse gas emissions through a fair and just transition for all communities and workers” and “to create millions of good, high-wage jobs and ensure prosperity and economic security for all people of the United States.” Several Democratic presidential candidates have publicly supported the Green New Deal. Do you find its goals and/or overall frame to be persuasive?
4. *Policy Options for Reducing CO₂ Emissions*, U.S. Congressional Budget Office, February 2008. This executive summary nicely consolidates the main points of the overall report (which, if you like, you can locate online [here](#) and read in its entirety). This piece remains one of the clearest expositions of the public-policy questions at hand.
5. *Risky Business: A Climate Risk Assessment for the United States*. June 2014. The executive summary of this report (which, if you like, you can locate online and read in its entirety [here](#)) frames climate change in the finance perspective of risk management. Leading this report are three prominent private and public sector leaders: Michael Bloomberg, Hank Paulson, and Thomas Steyer. Do you find persuasive this point of view of these three global business and public-policy leaders?
6. [Testimony](#) before the U.S. Senate Committee on Energy and Natural Resources by Sam Alexander T’14 and CEO of Latitude six-six, November 2, 2017. In this course in Fall of 2013, Sam delivered riveting testimony about climate change. Fast forward four years, and on behalf of the Gwich’in Nation Sam delivered riveting testimony for real—in which he argues against opening the Arctic National Wildlife Refuge to drill for oil and natural gas. You can watch his testimony [here](#), and/or read it [here](#).

Current-Events Readings: As with last week’s topic, here, too, almost daily there are new items on various aspects of the topic of global warming and climate change. Below are two such examples from *The New York Times*. You might want to browse the compendium of climate-change writings by *The Financial Times*, conveniently curated [here](#). And, again, “The Climate Issue” of *The Economist*, discussed above, contains 24 current essays altogether.

1. “[The Story of 2018 Was Climate Change](#),” *The New York Times*, 12/30/18. This op-ed column offers a number of vivid examples from 2018 (and links to a number of other studies and reports) on the rising costs, human and otherwise, of climate change.
2. “[The World Needs to Quit Coal. Why Is It So Hard?](#)” *The New York Times*, 11/24/18. This column examines the forces that still drive extensive reliance on coal to generate electricity around the world—with a particular focus on its prevalence in Asia.

Day Four (November 7) What to Do with Immigration Policy?

Overview: Immigration policy is an important dimension of globalization with which countries grapple. Two economic concerns are commonly voiced about freer immigration: that sending countries suffer a “brain drain” loss of key individuals’ talent and taxes; and that natives in receiving countries suffer downward wage pressure via stiffer labor-market conditions. Beyond these economic concerns, immigration often raises even larger questions about national sovereignty, ethics, and legality.

Where immigration policy is a very live issue today is the United States. For several years running, there has been ongoing effort to reform America’s immigration laws and regulations. Two main areas of focus have been high-skilled immigrants and undocumented immigrants.

The closest that the U.S. Congress came to changing U.S. laws was in summer and fall of 2013. On June 27, 2013, by a 68-32 vote the U.S. Senate approved passage of the Border Security, Economic Opportunity, and Immigration Modernization Act. This 1,198-page piece of legislation (which you can examine [here](#)) would have dramatically overhauled U.S. immigration law on all essential dimensions including high-skilled immigration, less-skilled immigration, and a path to citizenship for the estimated 11 million undocumented immigrants currently in America illegally. Despite the bipartisan support this bill enjoyed in the Senate, the House of Representatives did not manage to pass a version of it. At the same time, America’s immigration stall has also been fostered by the ongoing crisis of undocumented immigrants arriving mainly on the country’s southern border from mainly Latin American countries. This crisis has raised deep questions about the ethical responsibility towards migrants driven by safety and political, rather than economic, concerns. President Donald Trump was elected in part on his pledge to build a physical wall running the entire length of the U.S.-Mexico border. Earlier in 2019, the U.S. government endured a partial shutdown because the President and Congress could not agree on whether to fund this wall.

In Europe, immigration remains an extremely contentious issue as well. German Chancellor Angela Merkel has been [weakened](#) by domestic opposition to the country welcoming in recent years over one million immigrants from Syria and other Middle East countries. In the United Kingdom, a major reason many voted to leave the EU rather than remain was opposition to the free flow of EU workers into the U.K.—and with Brexit fast approaching, many business leaders have been voicing [grave concerns](#) that post-Brexit the U.K. will suffer a shortage of skilled workers in the wake of the country “pulling up the drawbridge.” Sweden and other Nordic countries have seen a surge in anti-immigration right-leaning political parties.

More broadly, immigration policy connects with countries’ overall demographic considerations. Dozens of countries today confront populations and labor forces that are growing much more slowly than they used to—or, indeed, that are already or are soon to start shrinking in absolute terms: Japan, Russia, and China are three such examples. These demographic patterns are driven largely by birth rates and death rates; beyond these slow-moving forces, immigration is the main policy lever countries might pull to alter these overall patterns.

Of greatest relevance to global business leaders—and Tuck MBA candidates—may be America’s high-skilled immigration policy. For many years, April 1 has been the day the U.S. Citizenship and Immigration Services begins accepting new H-1B visa petitions for the subsequent fiscal year, which started a few weeks ago on October 1. Established by the Immigration Act of 1990, each H-1B visa allows a company to sponsor a highly educated foreigner—typical occupations include architects, doctors, engineers, and scientists—to work in the United States for at least three years. The H-1B program, which accounts for nearly all skilled immigrants admitted to work here each year, is currently capped annually at 65,000 with a bachelor’s degree or higher plus an additional 20,000 with a master’s degree or higher. As was the case in many earlier years, for fiscal 2020 demand for H-1B visas was so high that within five days of April 1, 2019 U.S. CIS closed the visa-application window and allocated the visas via lottery among the much-larger number of applications (this year again about 200,000).

The 2013 Senate bill would have greatly expanded skilled immigration into the United States. It would boost the annual H-1B cap to 110,000, plus another 25,000 per year for advanced-degree graduates in science, technology, engineering, and mathematics from U.S. schools, and with the possibility of raising the annual cap to 180,000 should demand warrant it. The Senate bill would also create a new merit visa that would each year allow up to 250,000 skilled immigrants based on a points system based on educational attainment and employment history. There would also be a visa category for foreign entrepreneurs looking to start businesses in America, akin to the current EB-5 program. However, the bill would sharply restrict the ability to sponsor and deploy skilled immigrants for companies that employ a sufficiently large number of immigrants in their workforce. Many immigrant-intensive IT companies have voiced strong concerns that these restrictions would severely impair their competitiveness.

Testimony Topics: Please share with the Committee the views of you and your company regarding immigration policy for the United States (or for the country of your choice).

- In terms of high-skilled immigration: What criteria should guide U.S. immigration policy towards highly skilled workers? Should it be trying to balance market supply and demand? Should it be some broader economic or non-economic goal? Do all Americans benefit from skilled immigrants, or do some Americans feel wage pressure due to greater labor-market competition? Should the answer to this question matter for U.S. immigration policy—or that of any other country in the world? Do highly skilled immigrants contribute to your company? Are there any downside costs to your colleagues? Should there be any restrictions on how reliant any single company in American can be on skilled immigrants? All things considered, what limits—if any—should there be on skilled immigration into America?
- In terms of less-skilled immigration: What criteria should guide U.S. immigration policy towards low-skilled workers? Should it be trying to balance market supply and demand? Should it be some broader economic or non-economic goal? Do all Americans benefit from less-skilled immigrants, or do some Americans feel wage pressure due to greater labor-market competition? Should the answer to this question matter for U.S. immigration policy—or that of any other country in the world? Do less-skilled immigrants contribute to your company? Are there any downside costs to your colleagues? All things considered, what reforms to less-skilled-immigration policy do you recommend to this Committee?

- In terms of policy towards undocumented immigrants: Should there be a path to citizenship for undocumented immigrants in America? If so, what should that path look like? If not, why not? Would you opt for a path to legal status without citizenship? Should the treatment of undocumented immigrants be somehow linked to border security or to other parts of overall immigration reform? Please also share your views on children: how should these most-vulnerable migrants be addressed?

Contextual Readings: The three contextual readings survey both the research on the economics of high-skilled immigration and also the current policy discussion of high-skilled immigration. The first reading addresses what we know about how skilled immigrants shape important economic outcomes including productivity growth and wages. Read at least its two-page executive summary; the more-detailed analysis is in the following three sections. It focuses on the United States, but the economic linkages discussed here apply more generally. The second reading focuses on the contribution of high-talent immigrants to start-ups. The third piece is an analysis of the U.S. Congressional Budget Office of how that 2013 Senate bill would have altered fiscal revenues, fiscal outlays, and several key economic outcomes such as GDP and wages. All three framing readings contain numerous references to other studies that you can pursue as you like.

1. [Talent, Immigration, and U.S. Economic Competitiveness](#), June 2013 white paper, Gordon H. Hanson and Matthew J. Slaughter.
2. [Immigrants and Billion-Dollar Start-Up Companies](#), October 2018 policy brief, National Foundation for American Policy.
3. [The Economic Impact of S.744](#), June 2013, U.S. Congressional Budget Office.

Current-Events Readings: There are eight short current-events readings for class this week. The first five explore the current immigrant debates in several advanced countries. The second three are Congressional testimonies, including one by Bill Gates, which offer contrasting points of view. Which do you find compelling? Why?

1. [“Immigrants for the Heartland”](#) *The Wall Street Journal*, 4/28/19.
This op-ed column by Tuck dean Matt Slaughter argues that the United States should create a new high-talent visa for immigrants who agree to live and work in struggling communities. Do you agree with this leadership point of view?
2. [“Chinese Students Help America Innovate,”](#) *The Wall Street Journal*, 11/12/18.
This op-ed column by Dartmouth president Phil Hanlon and Tuck dean Matt Slaughter argues that Chinese students help America innovate. Do you agree with this leadership point of view?
3. [“The Great Immigration Experiment: Can a Country Let People In Without Stirring Backlash?”](#) *The Wall Street Journal*, September 11, 2019.
This article examines recent efforts by Japan, which on many measures is the world’s most rapidly aging country, to expand immigration inflows without sparking a populist backlash against foreign workers.
4. [“The Way Forward on Immigration for the West,”](#) *The Economist*, August 25, 2018.
This lead essay argues for why and how Western countries need to improve their immigration policies in the face of rising voter backlash.

5. "[Governments Need Better Ways to Manage Migration.](#)" *The Economist*, August 25, 2018.

This briefing focuses on three case studies of Sweden, the United Arab Emirates, and the United States; it highlights academic research on the benefits and costs of greater immigration, and outlines research-informed policy options.
6. Congressional [testimony](#) by William H. Gates, Chairman of Microsoft, March 12, 2008, before the U.S. House Committee on Science and Technology. Do you agree with this point of view in support of skilled immigration?
7. Congressional [testimony](#) by Ronil Hira, Rochester Institute of Technology, April 22, 2013, before the U.S. Senate Committee on Judiciary. Do you agree with this point of view in opposition to skilled immigration?
8. Congressional [testimony](#) by Brad Smith, General Counsel of Microsoft, April 22, 2013, before the U.S. Senate Committee on Judiciary. Do you agree with this point of view in support of skilled immigration?

Day Five (November 10) How to Save Globalization?

Overview: Political pressure for a more protectionist tilt to economic policy has risen significantly in recent years in many countries. These pressures were rising even before the World Financial Crisis: thus did *The Financial Times* run a set of front-page stories in July 2007 entitled, “Protectionist Backlash Sweeping Rich Nations.” The past decade since the trough of the Crisis has—thanks to slow and uneven cyclical recovery, and ongoing secular pressures on jobs and wages—brought only more such pressure around the world. In many countries, this policy drift reflects a sharp drop in voters’ support for more open borders. The outcome is rising support for barriers to trade, investment, and immigration—and to market forces more generally—in many countries. Vivid examples of this protectionist backlash include the June 2016 U.K. vote to leave the European Union, the November 2016 U.S. election of President Donald Trump, and today’s roiling debates among the U.S. Democratic Presidential candidates for policies such as sharply higher taxes on the wealthy and extensive debt forgiveness.

Why this protectionist backlash? The pair of Scheve/Slaughter essays in *Foreign Affairs* offers an explanation: policy has become more protectionist because voter attitudes have become more protectionist, and this shift in attitudes is a result of stagnant or falling incomes for so many workers—often juxtaposed against sharply rising incomes for those near the top.

For a period in 2014, the best-selling non-fiction book in America was, unexpectedly to nearly all, the dense economics tome *Capital in the 21st Century*, by French economist Thomas Piketty (a short summary of which you can find from *The Economist* [here](#)). This impressive work documents rising income and wealth inequality around the world in recent decades; it then discusses why capitalism is likely to perpetuate widening inequalities except during times of massive economic and social disruption such as wars. *Capital* generated great attention and controversy in many countries, both because of poor income growth and related rising inequality in so many countries—and because of the radical nature of the policy proposals.

The sobering empirical reality in many (but not all) countries cannot be disputed at this point: income inequality on most conventional measures has been rising, often sharply, and in many countries this skewness of income growth has been accompanied by flat to falling real incomes for a sizable share of workers. Justly or not, many who feel threatened by globalization argue that governments should do more to curtail—not expand—the forces of the global economy and technological change. Thus, for example, the ongoing civil and sometimes violent protests even in fast-growth countries including India (per the vow of Prime Minister Modi to oversee a new government “dedicated to the poor—the poorest of the poor sent me here, and our dream is to fulfill their dreams”) and China (per the voice President Xi is giving to the “China dream” of the burgeoning Chinese middle class) and Mexico (where President Andres Manuel Lopez Obrador took office last December vowing, “We will respect everyone, but we will give preference to the most humble and forgotten”).

Are globalization and innovation unfairly favoring the elite one-percenters? And, if so, what is to be done to save globalization?

Testimony Topics: The Committee is interested to hear whether you care about recent earnings trends in the United States and many other countries, with poor real and relative earnings growth for most workers. Please feel free to answer from the perspectives of you as a citizen, as a taxpayer, and as a successful business leader. Do you agree with the idea that addressing falling earnings via tax redistribution will work? More generally, what responsibility, if any, do those stakeholders who benefit from economic forces like globalization—in particular, multinational firms and high-skill, high-income individuals—bear for helping share those gains more broadly?

Contextual Readings: The literature on widening income and wealth inequalities in countries around the world has become vast in recent years; these contextual readings try to offer a concise overview. The four readings below summarize recent cross-country evidence on the skewness of income growth—often with falling incomes for many.

1. [*Poorer Than Their Parents? A New Perspective on Income Inequality*](#), McKinsey Global Institute, June 2015. This white paper documents that “the real incomes of about two-thirds of households in 25 advanced economies were flat or fell between 2005 and 2014,” which was a dramatic shift from the earlier 10-15 years when only about three percent of households in these countries saw flat or falling real incomes. You can read the executive summary or the entire report—or examine in detail a country of your choice.
2. “An Open and Shut Case: A Special Report on the World Economy,” *The Economist*, October 1, 2016. This collection of readings—[the cover leader](#), “Anti-Globalists: Why They’re Wrong”—and then six essays that constitute [the special report](#)—discuss the academic research on the forces contributing to income inequality, all in the context of what (if anything) leaders should do about the protectionist backlash.
3. “[A New Deal for Globalization](#),” by Kenneth F. Scheve and Matt Slaughter, *Foreign Affairs*, July/August 2007. In this essay, we argued that further trade and investment liberalization need to be linked to fiscal progressivity. Do you agree with this point of view?
4. “[How to Save Globalization](#),” by Kenneth F. Scheve and Matt Slaughter, *Foreign Affairs*, November/December 2018. In this essay, we argued that a new deal for globalization never materialized, that as a result America (and many other countries) face a protectionist backlash, and that to save globalization America needs to build a new lifelong ladder of opportunity that makes human-capital investments in every U.S. citizen and key life stages. Do you agree with this point of view?

Current-Events Readings: As with much earlier in this course, the current-events coverage of the protectionist backlash against globalization is vast, nearly daily, and rapidly changing. On any particular aspect of this broad topic, you will likely find many items through a few minutes of searching the publications cited at the end of Day One readings. That said, here are two op-ed columns I wrote about these topics nearly a decade ago. Given the gravity that I perceive in these issues, I would write them again today. Do you agree with their point of view?

1. “[Time to Tackle America’s Widening Inequality](#),” *The Financial Times*, 10/7/09.
2. “[Hope for the Disillusioned U.S. Heartland](#),” *The Financial Times*, 10/3/12.