

# IR 326: US Foreign Economic Policy

Dr. Timothy Turnbull

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## Course Description

This course will examine the role of the United States in the global economy. Aside from possessing a preponderance of military power, the US derives a significant portion of its power and global influence from its structural position in the world's economic system. The US not only reaps significant benefits from the international trade and financial regimes it established in the wake of WWII, but, given that it also possesses the world's largest and most dynamic economy, it is able to use its economic might to further its political goals.

Throughout the semester, we will cover US foreign economic policy from several angles, exploring the US's structural power in the international economy, its historical development from an isolationist to a hegemonic power, its role in establishing and maintaining the post-war liberal world order, the growing use of economic coercion to further US political goals, and the various domestic and international challenges the US faces in maintaining its influence over the global economy. In particular, we will explore the ways in which the 2008 financial crisis, US industrial decline and concomitant demographic shifts, the rise of China, and the growth of protectionism will affect US power in the 21st century. All the while, we will pay special attention to the complex and multi-directional relationship between economics, security, and US grand strategy.

## Learning Objectives

By participating in this course, you will be able to:

- Understand and explain the importance of the economic power of the United States as it relates to world politics.
- Describe the creation of the liberal world order and offer an informed opinion as to the future of the order.
- Comprehend and elaborate on the complex drivers, both international and domestic, of foreign economic policy, including the domestic distributional effects of foreign economic policy decisions.

## Assignments and Grading

Grades for this course will be based on:

- Participation: 15%
- Midterm Exam (March 11th): 25%
- Paper (Due March 30th): 25%
- Final Exam (May 6th - 4:30-6:30) 35%

## Late Paper Policy

If you are unable to turn your assigned work in on time, you will be penalized one half grade per day on that assignment. For example, an otherwise A+ (100%) paper would be marked as 95% if it were to be turned in a day late, and 90% if turned in two days late. This penalty will be applied after the paper has been graded.

## Absence Policy

Attendance is mandatory. If you must be absent from a class meeting, you must contact me beforehand with your reasoning and/or a relevant doctor's note. Failure to do so will result in a reduction of your participation score by 1 point (10%).

## Policy on Electronic Devices

You are allowed to use a laptop computer to take notes only. Any misuse of a computer during class (perusing social media, for example) will result in a 1 point (10%) reduction in your participation score. The use of cellphones is strictly prohibited during class time.

## Accommodations

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. The phone number for DSP is 213-740-0776. If you need assistance with the process, please contact me.

## Academic Honesty

Any student violating USC's Academic Dishonesty or Student Conduct policies will earn an F in the course and will be reported to the appropriate administrators for investigation. You are responsible for reviewing the Trojan Integrity Guide:

- <https://sjacs.usc.edu/students/academic-integrity/>

## Course Materials:

All readings will be available on Blackboard. You will not need to purchase any books for this class.

## Course Schedule:

### Week 1: Introduction - US Economic Power

- **January 13 - Course Introduction and Overview of the Syllabus**
- **January 15 - The Sources of US Power**

#### *Readings*

- Mastanduno, Michael, “Economics and Security in Statecraft and Scholarship,” *International Organization* 52:4 (1998)
- Wolforth, William C., “The Stability of a Unipolar World,” *International Security* 24:1 (2006)
- Gelb, Leslie H., “GDP Now Matters More Than Force: A U.S. Foreign Policy for the Age of Economic Power,” *Foreign Affairs* 89:6 (2010)
- Hormats, Robert D., “The Roots of American Power,” *Foreign Affairs* 70:3 (1991)

### Week 2: Theoretical Foundations

- **January 20 - MLK Day - No Class**
- **January 22 - Structural and Domestic Theories**

#### *Readings*

- Krasner, Stephen D., “State Power and the Structure of Foreign Trade,” *World Politics* 28:3 (1976)
- Mastanduno, Michael, “Do Relative Gains Matter? America’s Response to Japanese Industrial Policy,” *International Security* 16:1 (1991)
- Kirshner, Jonathan, “Realist Political Economy: Traditional Themes and Contemporary Challenges,” in Mark Blyth, ed., *Routledge Handbook of International Political Economy: IPE as a Global Conversation* (New York: Routledge, 2009)
- Oatley, Thomas, “Open Economy Politics and Trade Policy,” *Review of International Political Economy* 24:4 (2017)

### Week 3: Early America: Isolationism and Infant Industry Policy

- **January 27 - Alexander Hamilton and Early American Protectionism**
- **January 29 - American Growth Under the *Pax Britannica***

#### *Readings*

- Mead, Walter Russel, “Hamilton’s Way,” *World Policy Journal*, 13:3 (1996)
- Ince, Onur, “Friedrich List and the Imperial Origins of the National Economy,” *New Political Economy* 21:4 (2016)
- Lake, David, “International Economic Structures and American Foreign Economic Policy, 1887-1934,” *World Politics* 35:4 (1983)
- Zakaria, Fareed, *From Wealth to Power: The Unusual Origins of America’s World Role* (Princeton: Princeton University Press, 1998), ch. 1-2

#### **Week 4: The Depression, the Tariff, and the War**

- **February 3 - The Depression and the Smoot-Hawley Tariff**
- **February 5 - The Lend-Lease Act and Domestic Production During WWII**

##### *Readings*

- Eichengreen, Barry, “The Political Economy of the Smoot-Hawley Tariff,” *NBER Working Paper Series: Working Paper No. 2001*, 1986
- Irwin, Douglas A., “From Smoot-Hawley to Reciprocal Trade Agreements: Changing the Course of U.S. Trade Policy in the 1930s,” *NBER Working Paper Series: Working Paper No. 5895*, 1997
- Bailey, Michael A., Judith Goldstein, and Barry R. Weingast “The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade,” *World Politics* 49:3 (1997)
- Kindleberger, Charles, *The World in Depression: 1929-1939* (Berkeley: University of California Press, 1986), ch. 14

#### **Week 5: Structuring the World Economy: From Bretton Woods to the Washington Consensus**

- **February 10 - The Creation of the Post-War World Order**
- **February 12 - Institutional Change and the Neoliberal Era**

##### *Readings*

- Bordo, Michael D., “The Operation and Demise of the Bretton Woods System: 1958 to 1971,” *Hoover Institution Economics Working Paper 16116* (2017)
- Ruggie, John Gerard, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” *International Organization* 36:2 (1982)
- Helleiner, Eric, “The Life and Times of Embedded Liberalism: Legacies and Innovations Since Bretton Woods,” *Review of International Political Economy* 26:6 (2019)
- Williamson, John, “A Short History of the Washington Consensus,” *Law and Business Review of the Americas* 15:1 (2009)

## Week 6: The Power of the Dollar

- **February 17 - President's Day - No Class**
- **February 19 - The Power of the Dollar**

### *Readings*

- Kirshner, Jonathan, “The Study of Money,” *World Politics* 52:3 (2000)
- Odell, John S., “The U.S. and the Emergence of Flexible Exchange Rates: An Analysis of Foreign Policy Change,” *International Organization* 33:1 (1979)
- Kirshner, Jonathan, “Dollar Primacy and American Power: What’s at Stake?” *Review of International Political Economy* 15:3 (2008)
- Kirshner, Jonathan, “Bringing Them All Back Home? Dollar Diminution and U.S. Power,” *The Washington Quarterly* 36:3 (2013)

## Week 7: The US and the Global Trading Regime

- **February 24 - From the GATT to the WTO**
- **February 25 - Trade Disputes and the Dispute Resolution Mechanism**

### *Readings*

- Crowley, Meredith A., “An Introduction to the WTO and GATT,” *Economic Perspectives – Federal Reserve Bank of Chicago* (2003)
- Alter, Karen J., “Resolving or Exacerbating Disputes? The WTO’s New Dispute Resolution System,” *International Affairs* 79:4 (2003)
- Broz, J. Lawrence, “Congressional Voting on Funding the International Financial Institutions,” *Review of International Organizations* 3:4 (2008)
- Zeng, Ka, “High Stakes: United States-China Trade Disputes Under the World Trade Organization,” *International Relations of the Asia-Pacific* 13:1 (2013)

## Week 8: Economic Coercion

- **March 9 - US Economic Sanctions**
- **March 11 - Midterm Exam**

### *Readings*

- David A. Baldwin, “The Power of Positive Sanctions,” *World Politics* 24:1 (1971)
- Robert A. Pape, “Why Economic Sanctions Do Not Work,” *International Security* 22:2 (1997)
- Kimberly Ann Elliott, “The Sanctions Glass: Half Full or Completely Empty,” *International Security* 23:1 (1998)
- Daniel W. Drezner, “The Hidden Hand of Economic Coercion,” *International Organization* 57:3 (2003)

## Week 9: Spring Recess - No Class

## Week 10: Geopolitics

- **March 23 - Oil, Rare Earth Metals, Uranium, and Water: The Material Basis of US Power**
- **March 25 - No Class - Professor at Conference**

### *Readings*

- Toprani, Anand, “Germany’s Answer to Standard Oil: The Continental Oil Company and Nazi Grand Strategy, 1940-1942,” *Journal of Strategic Studies*, 37:6-7 (2014)
- Le Billon, Philippe, and Fouad El Khatib, “From Free Oil to ‘Freedom Oil’: Terrorism, War and US Geopolitics in the Persian Gulf,” *Geopolitics* 9:1 (2004)
- Stern, Roger J., “Oil Scarcity Ideology in US Foreign Policy, 1908-97,” *Security Studies* 25:2 (2016)
- Cooper, Mary, “Oil Diplomacy: Does the Need for Oil Drive US Foreign Policy?” *CQ Researcher* 13:3 (2003)

## Week 11: US Power and the Financial Crisis

- **March 30 - The US Subprime Crisis and Its International Effects**
  - **Paper Due**
- **April 1 - Governing the Post-Crisis Financial World**

### *Readings*

- Kirshner, Jonathan, *American Power After the Financial Crisis* (Ithaca: Cornell University Press, 2014), ch. 5-7
- Helleiner, Eric, “Understanding the 2007-08 Global Financial Crisis: Lessons for Scholars of International Political Economy,” *Annual Review of Political Science* 14 (2011)
- Friedberg, Aaron L., “Implications of the Financial Crisis for the US-China Rivalry” *Survival* 52:4 (2010)
- Chwieroth, Jeffrey M., “Shrinking the State: Neoliberal Economists and Social Spending in Latin America,” in Rawi Abdelal, Mark Blyth, and Craig Parsons, eds., *Constructing the International Economy* (Ithaca: Cornell University Press, 2010)

## Week 12: The Rise of China

- **April 6 - China Rising: Investments Abroad and ‘One Belt, One Road’**
- **April 8 - The US-China Economic and Strategic Balance**

### *Readings*

- Drezner, Daniel W. “Bad Debts: Assessing China’s Financial Influence in Great Power Politics,” *International Security* 34: 2 (2009)
- Xiaotong, Zhang, and James Keith, “From Wealth to Power: China’s New Economic Statecraft,” *The Washington Quarterly* 40:1 (2017)
- Williams, Brock R., Ben Dolven, Ian F. Fergusson, Mark E. Manyin, and Michael F. Martin, “The Trans-Pacific Partnership: Strategic Implications,” *Congressional Research Service Report 7-5700* (2016)
- Gordon, Bernard K., “Trading Up in Asia: Why the United States Needs the Trans-Pacific Partnership,” *Foreign Affairs* 91:4 (2012)

### **Week 13: Domestic Structural Changes**

- **April 13 - Industrial Decline and Protectionism - 1970s - Present**
- **April 15 - Outsourcing, Offshoring, and Demographic Change**

#### *Readings*

- Walt, Stephen M., “The United States Will Be Shocked by Its Future,” *Foreign Policy* (April 16, 2019)
- Ahmed, Salman, ed., *U.S. Foreign Policy for the Middle Class: Perspectives From Ohio*, Carnegie Endowment for International Peace (2018), *all*
- McQuarrie, Michael, “The Revolt of the Rust Belt: Place and Politics in the Age of Anger,” *British Journal of Sociology* 68:1 (2017)
- Margalit, Yotam, “Economic Insecurity and the Causes of Populism, Reconsidered,” *Journal of Economic Perspectives* 33:4 (2019)

### **Week 14: Trump’s Trade War(s)**

- **April 20 - International and Domestic Motivations**
- **April 22 - Retaliation and Escalation: Is Anyone Winning?**

#### *Readings*

- Bown, Chad P., and Melina Kolb, “Trump’s Trade War Timeline: An Up-to-Date Guide,” Peterson Institute for International Economics - Updated October 11, 2019
- Rho, Sungmin, and Michael Tomz, “Why Don’t Trade Preferences Reflect Economic Self-Interest?” *International Organization* 71 Supplement S1 (2017)
- Blinder, Alan S, “The Free-Trade Paradox: The Bad Politics of a Good Idea,” *Foreign Affairs* 98:1 (2019)
- Irwin, Douglas A, “The False Promise of Protectionism: Why Trump’s Trade Policy Could Backfire,” *Foreign Affairs* 96:3 (2017)

**Week 15: The Future of US Economic Power**

- **April 27 - Secular Decline or Messy Resilience?**
- **April 29 - What Will Become of the Liberal World Order?**

*Readings*

- Posen, Adam S., “The Post-American World Economy: Globalization in the Trump Era,” *Foreign Affairs* 97:2 (2018)
- Mearshimer, John J., “Bound to Fail: The Rise and Fall of the Liberal International Order,” *International Security* 43:4 (2019)
- Haass, Richard, “How a World Order Ends: And What Comes in Its Wake,” *Foreign Affairs* 98:1 (2018)
- Lind, Jennifer, and William C. Wohlforth, “The Future of the Liberal Order Is Conservative: A Strategy to Save the System,” *Foreign Affairs* 98:2 (2019)

**Final Exam: Wednesday, May 6 - 4:30-6:30**