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US FOREIGN ECONOMIC POLICY

What should the US government do about globalization, energy security, and climate change today? Imagine you are taking this course to prepare yourself to become an adviser to the President or a Senator, with the duty of recommending answers to this question. Each section provides information and ideas you will need on a different dimension of foreign economic policy, and gives you chances to practice making this type of persuasive argument--before you have to do it in the White House. Actually **your learning objectives** will be a bit broader:

- to deepen your knowledge of several issues America faces in the world political economy right now;
- to learn and retain some general ideas you can use to decide about other policy issues that will replace these later; and
- to sharpen your skills in applied analytical writing and speaking--which are valuable in every profession.

Requirements. This course assumes only two years of successful college work. Recommended: two courses in economics, IR, or political science. The requirements are: preparing for and attending class, 5 short assignments, a mid-term examination, and either a final examination or a research paper. A set of 7 possible short assignments is listed. Three are mandatory (#3, 4, and 6) and you must choose any 2 optional ones from the list. While the research paper is optional, each junior or senior who has not perfected this valuable skill is urged to choose it. We do not accept papers by email. We encourage you to print papers on pages that have been used on one side, to save trees.

Final grades will be determined as follows: 25%=short papers; 35%=mid-term exam, 40%=research paper or final exam. If you submit both a final exam and a research paper, then the weights will be 20% short papers, 25% mid term exam, 25% final exam, and 30% research paper. Class attendance will be recorded, and each unexcused absence beginning with the second will cause a deduction of one point from the midterm or final exam grade (but not more than 5 deductions per exam). A late paper will be accepted up to 7 days late and penalized 10 points (one letter grade). Absence from an exam would result in a grade of zero unless the student provided a written excuse and asked for a make-up examination. Completion of the TIRP or JEP program will raise the final course grade average by one point (e.g. from 88 to 89).

All **readings** listed below are required unless labeled otherwise. Please see the note at the end for tips on how to locate them. It will make the most sense to read titles in the order listed. When reading anything, don't be passive. Interrogate the author--"What are your main points?"--and yourself--"do I agree or disagree?" The syllabus includes study questions to start you off. Email is the most efficient way to get a quick response from us. Our messages will go to your USC email account.

I. THE BASICS

2. Thursday 28 August. Ends and means of foreign economic policy.

- C. Kindleberger. 1977. "US Foreign Economic Policy, 1776-1976." *Foreign Affairs* January, 395-418. Optional short paper 1: What were the 3 or 4 most important *changes* in US government foreign economic policy, or in the US economy itself, during this long period? Name your nominees and say why you would give them the Oscars as the most important. Most students will probably not understand all the detailed references in this piece but that is okay. Just let any puzzling detail drop to the floor as you sift for answers to the big question. The paper should be 250 to 500 words (1 to 2 pages) long.

3. Tuesday 2 September. The world political economy seen from the space shuttle.

- Study question: What are the most surprising discoveries you made when reading the following summaries of recent surveys of opinions of and about Americans?
- *Global Views 2006*.
www.thechicagocouncil.org/UserFiles/File/GlobalViews06Final.pdf .
Required: the executive summary plus pp 5-31 on US views.
- M. Pei. May/June 2003. "The Paradoxes of American Nationalism." *Foreign Policy*, 31-37.
- Optional: for the latest surveys see <http://people-press.org> | survey reports, and for a digest of recent polls by topic see www.americans-world.org.

4. Thursday 4 Sep. An Unusual Country

- Prepare to answer these SQs in class discussion: In what senses might the USA seem "unusual" to Europeans? To Japanese? To people from developing countries?
- Vernon and Spar. 1989. "Looking Back," from *Beyond Globalism*, 15-36.
- J. S. Mill. 1848. *Principles of Political Economy*, direct and indirect benefits of international commerce, 578-79, 581-82

II. ECONOMIC MEANS AND SECURITY ENDS

5. Tuesday 9 Sep. Does trade between nations discourage war? Should we use economic sanctions to help achieve military-political ends?

- R. Haass. 1998. *Economic Sanctions and American Diplomacy*, chapters on Haiti (57-84) and Libya (129-156).
- G. Lopez and D. Cortright. July/August 2004. "Containing Iraq: Sanctions Worked." *Foreign Affairs* 83:90-103. SQ: In March 2003, what course of action was best regarding Iraq: to continue containing Iraq with sanctions, inspections and the no-fly zone, or to invade and occupy the country, or some third course?

6. Thursday 11 Sep.

- G. Hufbauer, J. Schott, K.A. Elliott, B. Oegg. *Economic Sanctions Reconsidered: History and Current Policy*, 3d ed. (2007), pp. 1-9, 155-178.
- Optional short paper 2: In your opinion, should the President and Congress consider using economic sanctions to influence other countries' policies regarding use of force, nuclear weapons development, or human rights? If so, for what purposes and under what conditions? If not, why not? We will be looking for signs of learning from these readings. (3-4 pages)

III. TRADE POLICY, THE WTO, AND JUSTICE

7. Tuesday 16 Sep. US trade policy and the GATT, 1945-1985

- C. Herrick, "International Trade Policy," in *Issues in American Foreign Policy* (2003), 496-522.
- D. Rodrik. March 2001. "Trading In Illusions." *Foreign Policy* 123:55-62
- SQ: How would you describe US trade policy 1945-1965? How did US policy change in the 1960s and 1970s and why? What were Washington's main trade negotiations during the 1980s and early 1990s?

8. Thursday 18 Sep. The theory of comparative advantage and its critics.

- If you have a pocket calculator, take it to class.
- M. Kreinin, *International Economics*, 8th ed., 17-38 (boxes labeled "Additional Insights" are not required). SQ: If a country that was completely closed to international trade lowered its trade barriers to some degree, what would be the economic consequences, in the short term and over the long term? (continued on next page)
- A 1 page digest of US public opinion about trade policy: www.americans-world.org/digest/global_issues/intertrade/trade_general.cfm. Optional: click on the link to "US trade policy" (4 more pages).

9. Tuesday 23 Sep. The 1988 FSX agreement. Economic and security ends.

- S. Otsuki, “The FSX Controversy Revived,” *Japan Quarterly* Oct-Dec 1989, pp. 433-43, and “The FSX Problem Resolved?” *Japan Quarterly* Jan-Mar 1990, 70-83
- L. Ortmyer. 1992. *The US-Japanese FSX Fighter Agreement*. Pew Case Study 350, Parts A and B (B)

SQs: (1) Was the 1988 FSX agreement a good thing for the USA? (Hint: answering requires deciding what our objectives should be.) (2) Should the Bush administration have pressed for additional Japanese concessions in 1989? (3) What lessons should present Japanese and US leaders remember from this experience? Prepare to speak to the class on these questions. Consider the strongest possible objections to your stand and how you would respond to each.

10. Thursday 25 Sep. The World Trade Organization: a good thing or a bad thing?

- At www.wto.org under What is the WTO? click on Introduction. On left margin read “Understanding the WTO,” the first 3 chapters only: The Basics, The Agreements (only sections 1-4, 6 and 7 are required), and Settling Disputes (only sections 1 and 3).
- SQ: What is the most important thing you did not know about the WTO? How well did the legal system work in the 1995 case of Venezuela v. USA?

11. Tuesday 30 September. What is economic justice? Contending views

- María Jimenez and Angela Garza (a 1 page “case” in domestic justice)
- The US conference of bishops of the Catholic Church, 1996, statement on the tenth anniversary of *Economic Justice for All* (3 pages)
- W. Block. 1996. “Libertarian Perspective on Political Economy,” from H. Bouillon, ed. *Libertarians and Liberals*, 16-22, 29-31
- E. Kapstein. 2006. *Economic Justice in an Unfair World*, pp 1-26, 39-44, 83-85
- *Rigged Rules and Double Standards*. Oxfam, 2002.
<http://www.maketradefair.com/en/index.php?file=26032002105549.htm&cat=3&subcat=3&select=13>. In the middle of the page, download and read the executive summary only (160KB). If you can’t understand something, dip into the text of the corresponding chapter for concrete examples.

12. Thursday 2 Oct. What would be a just US trade policy?

- D. Rodrik. Summer 1997. “Sense and Nonsense in the Globalization Debate,” *Foreign Policy*, 107: 19-37
- International Confederation of Free Trade Unions. 1997. *Fighting For Workers’ Human Rights In The Global Economy* (excerpts)
- Mandatory short paper #3, maximum 1500 words. If we cared about justice, what would it require of our government’s trade policy? State your personal principle(s) of justice in general. Then use your principle to choose some main guidelines for a US trade policy that would be fair and just, either for all

Americans or for all nations. You may choose to limit the guidelines to achieving either domestic justice or global justice or cover both. Your memo should make reference to assigned readings (earlier assignments as well as today's) and provide concrete examples of trade-related policies. Tip: arrange your work to finish this memo a day early, do other things, then read it afresh and polish before submitting it. Give a word count.

IV. POLICY REGARDING US FIRMS' BEHAVIOR ABROAD

13. Tuesday 7 October.

- SQ: What is the best US policy--promoting US owners' interests, promoting enforceable international codes of conduct regulating business, or laissez faire?
- M. Clancy. 2000. *Sweating the Swoosh: Nike, the Globalization of Sneakers, and the Question of Sweatshop Labor*, parts A and B. Georgetown Case Study 239 (B)
- "Two Cheers for Sweatshops." *New York Times Magazine*, 24 September 2000, 70-71
- A. Florini. Spring 2003. "Business and Global Governance: The Growing Role of Corporate Codes of Conduct." *Brookings Review* 21:4-8
- Read 4 pages on US public opinion about this question: http://www.americans-world.org/digest/global_issues/globalization/laborlaw.cfm#top, and ...[globalization/envlaw.cfm#top](http://www.americans-world.org/digest/global_issues/globalization/envlaw.cfm#top).

14. Thursday 9 Oct.

- B. Manby. 2000. *Shell in Nigeria: Corporate Social Responsibility and the Ogoni Crisis*. Georgetown Case Study 520 (B). SQ: Bring your personal answers to the questions listed at the end of the case.

15. Tuesday 14 Oct. Mid term exam. The best way to prepare is to complete each assignment on schedule. You will receive exam questions during class 14, and you can use them to review. The exam will be a subset of these questions, answered as usual without any notes.

V. IMMIGRATION POLICY

16. Thursday 16 Oct. Preparing for a Great Debate. Resolved: the United States should take new steps to reduce substantially the number of legal and illegal immigrants entering the country each year. You will be assigned to speak either for or against this proposition. Those on the pro side should prepare to defend *some specific proposal* of their choice to reduce the flow of migrants. Those on the negative side should prepare to convince a judge to vote against the proposition and specific proposal. Additional

guidance will be provided well in advance. Judges will assign grades for performance and these grades will count as a mandatory short assignment #4. * means on print reserve in Leavey Library.

- Guidelines for a classroom debate (Blackboard)
- F. Dickey. 7/20/03. "Undermining American Workers: Record Numbers of Illegal Immigrants are Pulling Wages Down for the Poor and Pushing Taxes Higher." *Los Angeles Times Magazine*.
- *G. Borjas. 1999. *Heaven's Door*, 3-18. Optional: his proposals 174-210.
- M. Krikorian. 2003. *Fewer Immigrants, a Warmer Welcome: Fixing a Broken Immigration Policy*. www.cis.org/articles/2003/back1503.html
- Immigration update handout (Blackboard)

17. Tuesday 21 Oct. No class meeting.

- T. Jacoby. Nov 2006. "Immigration Nation," *Foreign Affairs*, 50-65
- G. Hanson. 2007. *The Economic Logic of Illegal Immigration*: pp 3-13 (convenient summary of current policy and data on immigration) and 19-26 (data on the fiscal and total benefits and costs of immigration); the rest of the analysis is also recommended.
- Recommended: R. Lowenstein. "The Immigration Equation." *New York Times Magazine*, 9 July 2006. Helps lay persons sort out the arguments of economists who disagree about the economic effects of immigration.
- Prepare your presentations with your teammate.

SUPPLEMENTARY (not required; for periodical articles, see memo on Blackboard on how to find them on line):

Material supporting restrictions

Center for Immigration Studies. <http://www.cis.org>

FAIR: www.fairus.org/

*The Federation for Immigration Reform (FAIR). 1997. *How to Win the Immigration Debate*

*G. Borjas 1999. *Heaven's Door*

Material opposing restrictions or favoring increases in immigration

National Immigration Forum. <http://www.immigrationforum.org/>. Short pieces and recent data on diverse dimensions; click on "The Debate."

*S. Moore, "Give Us Your Best, Your Brightest," from *Taking Sides*, ed. J. T. Rourke.

*D. Topolnicki. 1995. "The Real Immigrant Story: Making it Big in America," *Money*, January, 129-138

*G. Vernez. October 2003. *The New Melting Pot: Changing Faces of International Migration and Policy Implications for Southern California*. Pacific Council on International Policy.

Massey, D. March-April 1998. "March of folly: U.S. immigration policy after NAFTA." *The American Prospect*, 22-33.

<http://www.prospect.org/print/V9/37/massey-d.html>

*Isbister, John. 1996. *The Immigration Debate: Remaking America*, esp. last chapter

M. Fix and J. Passel. 1994. *Immigration and Immigrants: Setting the Record Straight*, 1-75. www.urban.org/publications/305184.html.

Evidence that could be used by either side:

Pew Hispanic Center (pewhispanic.org)

Katel, P. "Illegal Immigration." CQ Researcher, May 2005. Recent data.

Masci, D. "Debate over Immigration." CQ Researcher, 14 July 2000.

Smith, J. and Edmonston, B., eds. National Research Council, National Academy of Sciences. 1997. *The New Americans*.

Smith, J. and Edmonston, B., eds. 1998. *The Immigration Debate*.

McCarthy, Kevin F. and Georges Vernez. 1997. *Immigration in a Changing Economy: California's Experience*. RAND.

US Commission on Immigration Reform. <http://www.utexas.edu/lbj/uscir/>
1994. *US Immigration Policy: Restoring Credibility*. Interim Report.
1995. *Legal Immigration: Setting Priorities*. Interim Report.
1997. *Becoming An American: Immigration And Immigrant Policy*. Final report.

18. Thursday 23 Oct. Debate and de-brief

VI. ENVIRONMENTAL AND ENERGY POLICY

19. Tuesday 28 Oct. The overlap of trade and environment policies

- *Environment and International Trade*. 1994. Harvard Business School Case 9-794-018 (B). SQ: What are the strongest arguments to make for the Mexican side in the dispute over tuna and dolphins? What are the strongest arguments for the US side? Did the GATT dispute settlement panel do the right thing or not, in your opinion? Should the international rules be changed?

20. Thursday 30 Oct. Global climate change. What is the problem?

- D. Victor. 2004. *Climate Change: Debating America's Policy Options*, 1-45. Optional: text of President Bush's speech pp 150-57. [ordered at the bookstore]
- Optional short paper 5: Compare the policies advocated by the Democratic and Republican presidential candidates on any two of these issues: international trade, social justice, immigration, and environmental or energy policy. Read each sides' proposals (their full texts, not just bullet points). E.g. www.johnmccain.com, www.barackobama.com). Ask the hard questions: what would he do specifically, and what would the effects be? Search for

some independent assessments to help you reach your own judgments. On each issue, does either side persuade you (3-4 pages)?

21. Tuesday 4 Nov. SQ: Should the President and Congress do anything new today?

- D. Victor. 2004. *Climate Change*, 46-75
- “Rebuffing Bush, 132 Mayors Embrace Kyoto Rules, *New York Times*, 14 May 2005, 9
- “A Shift to Green: Major Corporations Backing Stronger Measures,” *Los Angeles Times*, 12 June 2005, C1
- “Bush Signs Landmark fuel economy, biofuels bill.” *Planning*, February 2008, 54
- “Global warming measure defeated, seen as milestone.” *Washington Times*, 8 June 2008, A01.

Optional:

- American College & University Presidents Climate Commitment, June 2007. A concrete plan by more than 290 presidents to lead their institutions toward climate neutrality. Has USC’s President signed up?
<http://www.presidentsclimatecommitment.org/html/commitment.php>
- For more current information: www.pewclimate.org; www.epa.gov/globalwarming; www.cei.org; www.climatehotmap.org.

22. Thursday 6 Nov. Energy security. SQ: Should the President and Congress do anything new because of US dependence on foreign oil?

- “President Focuses on Energy Security in Radio Address.” 2/23/2002.
www.whitehouse.gov/news/releases/2002/02/20020223.html.
- Brookings Review, Spring 2002: “International Oil Security,” 20-23; “The Persian Gulf: Understanding the American Oil Strategy,” 32-35; “Whistling in the Wind?” 36-39; “Terrorism and Nuclear Energy” 40-44
- “Taming the Oil Beast,” *Business Week*, 24 February 2003
- “Ensuring Energy Security,” *Foreign Affairs*, March 2006
- “Gasoline is Cheap,” *Slate*, 15 May 2008
- Optional: National Commission on Energy Policy, *Ending the Energy Stalemate* 2004 (www.energycommission.org)

23. Tuesday 11 Nov. “Oil Shockwave” simulation. Mandatory short paper 6 to prepare for your role in this simulation. Instructions will be circulated in advance.

24. Thursday 13 Nov. Watch senior experts play the Shockwave simulation and assess how they did. Reach your own policy conclusions.

VII. DEVELOPMENT POLICY AND FOREIGN AID

25. Tuesday, 18 Nov. Development goals and strategies. SQ: How are developing countries doing in reaching the Millennium Development Goal of cutting in half the

proportion of people living on less than \$1 a day by 2015? What are the main reasons for shortfalls?

- Read *Global Monitoring Report 2005*, executive summary including the MDGs, plus chapter 2, 17-65.

Wednesday, 19 Nov. Paper authors meet with Professor Odell to propose a topic or two and receive help.

26. Thursday 20 Nov. Development for the rural poor and foreign aid

- *India Milk*. 1986. Harvard Kennedy School Cases C15-86-693.0 and . . . 694.0 (2 documents) (B) sQ: 1) In 1969, Mr. Kurien had not spread cooperatives in many more villages. Why not? 2) What 2 effects did foreign aid have on development in this case? 3) What lessons about development should we remember from this case?
- M. Cooper. 4/26/02. "Foreign Aid After Sept.11." *The CQ Researcher*. (Hint: Don't miss the box on "US Generosity.")
- Optional paper 7 (the last option). Answer the 3 questions about *India Milk*.

27. Tuesday 25 Nov. What should the US do about foreign aid?

- SQ: How much of our money goes to development assistance? Who gets most of it? Is it effective? Are we as generous as other rich countries? Should we reduce it, increase it, or change its emphasis?
- M. O'Hanlon and C. Graham. 1997. *A Half Penny on the Federal Dollar: The Future of Development Aid*, 42-55
- J. Sachs. March 2005. "The Development Challenge." *Foreign Affairs* 84: 78-90.
- N. Birdsall, D. Rodrik, A. Subramanian. July 2005. "How to Help Poor Countries." *Foreign Affairs* 84: 136-152.
- L. Garrett. May 2008. "Food Failures and Futures." Council on Foreign Relations Working Paper.
- Optional: www.usaid.gov/fani/ (the overview) for an officially approved statement about current US policy.

Wednesday 26 Nov. Paper authors meet with Professor Odell to report on preliminary research and receive help.

VII. THE BIG PICTURE

28. Tuesday, 2 December. The U.S. external deficit, China's surplus, exchange rate policy, and the IMF. SQ: Should the President or Congress do anything different today with international monetary policy or fiscal policy?

- Glossary of terms found in the following assignments (see Blackboard)
- The US balance of payments 2006-2007 (see Blackboard)

- C. F. Bergsten. 1 Feb 2007. "The Current Account Deficit and the U.S. Economy." Testimony before the US Senate Budget Committee.
- C. F. Bergsten. 31 January 2007. "The Chinese Exchange Rate and the US Economy." Testimony before US Senate Committee on Banking.
- "China Warns IMF over Renminbi," *Financial Times*, 27 June 2007
- D. Hale and L. H. Hale. January 2008. Reconsidering Revaluation: The Wrong Approach to the U.S.-Chinese Trade Imbalance. *Foreign Affairs*, 57-66
- What Is the IMF? <http://www.imf.org/external/pubs/ft/exrp/what.htm>. Required are sections titled What Does the IMF Do? Why Was It Created? How Does it Serve its Member Countries? And Who Runs the IMF? No boxes are required.
- Optional: N. Roubini. March 2008. "The Coming Financial Pandemic." *Foreign Policy*, 44-48.

Wednesday 3 Dec. Paper author meetings to report on tentative thesis and outline.

29. Thursday 4 Dec. Pulling it All Together. What is to be done?

Research paper due at VKC 42C or 330 by Wednesday, 10 December, 3:00pm.

Final Examination, Tuesday 16 December, 11:00 to 1:00.

One book has been ordered. Also 3 volumes are for sale at USC Custom Publishing. One is a set of 5 cases (marked B in the syllabus) that are not available electronically because publishers would not give permission. The other 2 volumes include everything else required except the book, the cases marked B, and a few items on Blackboard. We submitted this reader early enough to get you a discount. But everything in the latter 2 volumes is also available for free on Blackboard or in some cases directly from the publisher. Try Blackboard first.

Many periodical articles can be found in full text on line. Use your USC account to view the USC home page. At the bottom click Library; on the left margin click ejournals. In the search box enter the periodical title, and it should show databases where you can search for the article.

Students requesting academic accommodations based on disability must register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP when adequate documentation is filed. Deliver the letter to your teacher as early in the semester as possible and accommodation will be provided. DSP is open Monday-Friday, 8:30-5:00. The office is in Student Union 301 and their phone number is (213) 740-0776.