TOOLS OF ECONOMIC STATECRAFT
MODULE CLUSTER
ECONOMIC STATECRAFT PROGRAM

GENERAL INFORMATION
DESCRIPTION
When crafting an effective economic statecraft policy, leaders have a variety of tools at their disposal, including, but not limited to, sanctions, trade agreements, currency manipulation, and foreign investment. But the underlying strategic logic of such tools is not always clear. This cluster begins by laying out a solid strategic foundation for thinking about the underlying logics behind these sorts of tools before turning attention to the specific types of economic channels states can use to conduct economic statecraft. To understand how economic statecraft is employed, students must develop a recognition of the tools of economic statecraft. By completing this cluster, students will gain an in-depth knowledge of several forms of economic statecraft tools as well as develop an analytical baseline for critically evaluating how a specific type of economic activity links back to national security.

This cluster is organized into three distinct modules. First, students will study economic statecraft that employs transactional logics by examining the theoretical and historical use of sanctions. Second, students will contrast these types of transactional causal logics of economic statecraft with transformative logics that seek not only compliance but a deeper redefinition of how target states think about their own interest. These two modules will provide students with the theoretical foundation to better understand how states use economics in a strategically instrumental way. In the third module, students will examine the three forms of international economic interaction: monetary, trade, and investment—the tools of economic statecraft.

PREREQUISITES
Students should have a familiarity with micro- and macro-economic concepts as well as international political economy. An understanding of comparative politics, comparative political economy, and international relations theory will also be of assistance to those taking this module.

EXPECTATIONS AND GOALS
By the end of this cluster, students should be able to do the following...

- Understand the differences between transactional and transformational economic strategic logics, and how states use both to advance their security interests abroad
- Effectively analyze how a state can employ economic power to advance their security interests
- Deploy various tools of economic power—specifically trade, investment, and monetary tools—to advance a state’s security interests abroad.
READINGS

MODULE 1: TRANSACTIONAL ECONOMIC STATECRAFT

WEEK 1 THE TRANSACTIONAL LOGIC OF ECONOMIC STATECRAFT [157 PAGES]

This week will focus on the use of transactional economic statecraft. Transactional logics of economic statecraft focus on the use of economic incentives or punishments by a sender state in an effort to gain policy concessions. During this week, students will examine several theoretical perspectives, as well as a few case studies to gain insight into how transactional economic statecraft is employed and when it can be successful.


MODULE 2: TRANSFORMATIONAL ECONOMIC STATECRAFT

WEEK 2: THE TRANSFORMATIONAL LOGIC OF ECONOMIC STATECRAFT [144 PAGES]

Transformational economic statecraft logics are quite distinct from the transactional approaches to economic statecraft discussed in the previous module. Transformational strategies leverage economic links to reshape the target state’s definition and views of what is in its own best interests. This week, students will examine a variety of cases of transformational economic statecraft to study how states can shape the interests of target states. After this week, students will be able to craft and implement transformational economic statecraft policies. Students should also be able to compare and contrast transformational as opposed to transactional logics of economic statecraft.


Kahler, Miles and Scott Kastner. “Strategic Uses of Economic Interdependence: Engagement Policies on the Korean Peninsula and Across the Taiwan Strait,” Journal of Peace Research vol. 43 no. 5 (September 2006), 523-541

Module 3: Tools of Economic Statecraft

Week 3: Trade Tools of Economic Statecraft [147 Pages]

Trade is the cross-national movement of goods and services. Access to markets (or exclusion from markets) can be used according to transactional logics of economic statecraft. But, trade can also be used in transformative ways when there is deep integration between economies or when new domestic constituencies are created from the repeated trade patterns. Students will examine a variety of trade tools and how they can be used to advance the security interests of a state.


Kastner, Scott L. “Buying Influence? Assessing the Political Effects of China’s International Trade,” Journal of Conflict Resolution vol. 60 no. 6 (2016), 980-1007


Week 4: Investment Tools of Economic Statecraft (136 Pages)

Investment can also be used as a political act meant to coerce, reward, or incentivize change within a target country. During this week, students will engage with works on foreign investment flows and how they impact a state’s capabilities. Following this week, students will be able to clearly articulate how investment flows between countries can be used as tools of economic statecraft and how to defend against such investment strategies.


Quan Li, “Foreign Direct Investment and Interstate Military Conflict,” Journal of International Affairs vol. 62 no. 1 (Fall/Winter 2008), 53-66


Monetary forms of economic interaction often involve currencies, central banks, and macroeconomic policy decisions. How can states leverage their monetary power to influence the policies of other states? Monetary power can be used in transactional ways to coerce or bribe a target into compliance or it can be used in a transformative capacity. This week will focus on providing students with an understanding of how states can manipulate their monetary power in order to advance their security interests abroad.


Cohen, Benjamin J. *Currency Statecraft: Monetary Rivalry and Geopolitical Ambition*. (Chicago: Chicago University Press, 2019), 44-64


