

PLIR 4380: America in a World Economy

Instructor: Professor David Leblang, Gibson 281, leblang@virginia.edu

Meeting Time: Tuesdays 2.00-4.30, Gibson 296

Office Hours: Monday 11-12 by zoom (let me know in advance); Tuesday 1-2 in person; and by appointment

COURSE DESCRIPTION

This seminar deconstructs the "America First" international economic agenda by juxtaposing two competing frameworks: **Economic Factor Models** (who wins financially?) and **Nativist Political Theory** (who belongs culturally?). We trace these threads through four policy domains: Trade, Money, Crypto, and Migration.

The Central Question: Is the "America First" coalition a rational economic alliance of scarce laborers (Stolper-Samuelson), or is it an identity-based movement willing to suffer economic losses for cultural sovereignty?

The course combines rigorous academic readings with interactive simulations that place you in the roles of policymakers, forcing them to confront the real-world trade-offs between economic efficiency, electoral politics, and national identity.

This course will make you uncomfortable. You will be forced to argue positions you disagree with. You will discover that smart people reach opposite conclusions from the same data. You will realize that economic policy is not a technocratic exercise - it is a **political choice** about **who wins and who loses**.

By the end of this course, you should be able to:

1. Explain the economic logic of "America First" even if you oppose it politically
 2. Articulate the costs and benefits of any economic policy
 3. Recognize when political rhetoric is masking economic contradictions
 4. Defend a policy position you disagree with
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COURSE POLICIES

Grading

- **Class Participation:** 20%
- **Simulation Performance:** 30% (3 simulations × 10% each)
- **Final Essay:** 30%
- **Weekly Reading Responses:** 20%

Required Texts

All academic papers available via university library or NBER. Policy papers freely available online.

Optional Textbooks:

- Rodrik, D. *Straight Talk on Trade*
- Lighthizer, R. *No Trade Is Free*
- Eichengreen, B. *Exorbitant Privilege*

Academic Integrity

All simulations require original analysis. Collaboration within your team is expected; collaboration across teams is prohibited.

Accessibility

Students requiring accommodations should contact the instructor within the first week of class.

January 13 – Introduction and Overview

PART I: THEORETICAL FRAMEWORK

January 20: From Neoliberalism to Nativism

The Conflict: Market Efficiency vs. National Sovereignty

The Logic: We contrast the post-WWII consensus (global integration increases aggregate wealth) with the Nativist objection (integration dissolves the nation-state). We examine "Nativism" not as a slur, but as a political logic that prioritizes the citizenship premium over economic efficiency. The key insight: free trade creates winners and losers, and the losers can vote.

Readings:

- Rodrik, D. (2018). "Populism and the Economics of Globalization." *Journal of Economic Perspectives*, 32(1), 9-24. <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.32.1.9>
 - Lighthizer, R. (2023). *No Trade Is Free*. Broadside Books. (Chapters 1-2)
 - Brown, T and S Mettler. 2025. "Rural Politics in the United States," *Annual Review of Political Science* 28:291-308
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January 27: Winners, Losers, and the Geography of Resentment

The Conflict: The Rust Belt (Producers) vs. The Sun Belt (Consumers)

The Logic: A deep dive into the Heckscher-Ohlin and Stolper-Samuelson models. If the US is capital-rich and labor-scarce, free trade rewards capital (Tech/Finance) and punishes labor. We map this onto the 2016 and 2024 electoral results. The "China Shock" literature provides empirical evidence that trade exposure directly correlates with political realignment—not just at the state level, but at the precinct level.

Readings:

- Autor, D., Dorn, D., & Hanson, G. (2016). "The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade." *Annual Review of Economics*, 8, 205-240. <https://www.nber.org/papers/w21906>
 - Mutz, D. (2018). "Status Threat, Not Economic Hardship, Explains the 2016 Presidential Vote." *Proceedings of the National Academy of Sciences*, 115(19), E4330-E4339. <https://www.pnas.org/doi/10.1073/pnas.1718155115>
 - Fajgelbaum, P., Goldberg, P., Kennedy, P., & Khandelwal, A. (2020). "The Return to Protectionism." *Quarterly Journal of Economics*, 135(1), 1-55. <https://www.nber.org/papers/w25638>
 - Amiti, M., Redding, S., & Weinstein, D. (2019). "The Impact of the 2018 Tariffs on Prices and Welfare." *Journal of Political Economy*, 127(4), 2041-2083. <https://www.nber.org/papers/w25672>
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February 3: No Class

February 10: TRADE WARFARE SIMULATION

The Conflict: National Security vs. Supply Chain Reality vs. Electoral Politics

The Logic: Tariffs are not just about economics—they're about power. Section 232 of the Trade Expansion Act allows the President to impose tariffs for "national security" reasons, effectively bypassing Congress. But once tariffs are in place, businesses lobby intensively for exemptions. This simulation forces students to adjudicate between competing claims of "national security."

Pre-Simulation Readings:

- Review all Week 1-3 readings

- U.S. Trade Representative. (2025). "[2025 Trade Policy Agenda and Annual Report.](#)"

Simulation Activity: Students are divided into teams (White House Office of Trade and Manufacturing Policy vs. National Economic Council) and must adjudicate 15 exemption requests from companies seeking relief from a blanket 60% tariff on Chinese imports. Teams must balance national security claims, electoral politics, and economic reality.

Deliverables:

1. Exemption Decision Matrix (15 cases with justifications)
 2. Strategic Memo to the President (2 pages)
 3. Individual Reflection (1 page)
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PART II: MONEY & THE FED

February 17: The Battle for the Fed — "The Deep State Bank"

The Conflict: Populist Executives vs. Unelected Experts

The Logic: The nativist view that the Federal Reserve cares more about the Global Bond Market than the employment rate in Ohio. The attack on "Independence" as a cover for elitism. We ask: Is Fed independence a technocratic necessity or an anti-democratic anomaly?

The key tension: Trump wants **low interest rates** to goose GDP before elections, but the Fed's mandate is **price stability**. This is not a new conflict (Nixon vs. Burns), but Trump made it explicit and public.

Readings:

- Conti-Brown, P. (2016). *The Power and Independence of the Federal Reserve*. Princeton University Press. (Chapters 1-2)
- Binder, S. & Spindel, M. (2017). *The Myth of Independence: How Congress Governs the Federal Reserve*. Princeton University Press. (Introduction + Chapter 1)
- Romer, C. & Romer, D. (2004). "Choosing the Federal Reserve Chair: Lessons from History." *Journal of Economic Perspectives*, 18(1), 129-162.
https://eml.berkeley.edu/~dromer/papers/AER_September04.pdf
- Alesina, A. & Summers, L. (1993). "Central Bank Independence and Macroeconomic Performance: Some Comparative Evidence." *Journal of Money, Credit and Banking*, 25(2), 151-162.
- Federal Reserve. "Monetary Policy Report to Congress" (Latest semi-annual edition).
https://www.federalreserve.gov/monetarypolicy/mpr_default.htm
- Congressional Research Service. (2024). "The Federal Reserve: Overview and Issues for Congress." <https://crsreports.congress.gov/>

February 24: The Strong Dollar Paradox

The Conflict: Florida Retirees (Strong Dollar tourists) vs. Michigan Exporters (Weak Dollar workers)

The Logic: Trump wants a **Weak Dollar** to help factories (The Producer Class), but his policies (tariffs + deficit spending) create a **Strong Dollar** (The Asset Class). This is the internal fracture of the coalition.

The Mechanism:

- Tariffs → Higher prices → Fed raises rates → Dollar strengthens
- Dollar strengthens → Exports become expensive → Factories lose anyway

This is the "America First" policy eating itself.

Readings:

- Eichengreen, B. (2011). *Exorbitant Privilege: The Rise and Fall of the Dollar*. Oxford University Press. (Chapters 1-3)
- Prasad, E. (2014). *The Dollar Trap: How the U.S. Dollar Tightened Its Grip on Global Finance*. Princeton University Press. (Introduction)

- Farrell, H. & Newman, A. (2019). "Weaponized Interdependence: How Global Economic Networks Shape State Coercion." *International Security*, 44(1), 42-79.
<https://direct.mit.edu/isec/article-abstract/44/1/42/12237/Weaponized-Interdependence-How-Global-Economic>
 - Henning, C.R. (2008). "Accountability and Oversight of US Exchange Rate Policy." Peterson Institute for International Economics.
 - U.S. Treasury. "Report to Congress on International Economic and Exchange Rate Policies" (Latest semi-annual).
<https://home.treasury.gov/policy-issues/international/macroeconomic-and-foreign-exchange-policies>
 - Congressional Research Service. (2023). "Currency Manipulation: The IMF and WTO."
<https://crsreports.congress.gov/>
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March 3 SPRING BREAK – No Class

March 10: Political Business Cycles — Juicing the Economy

The Conflict: Short-term Elections vs. Long-term Stability

The Logic: The **Nordhaus PBC Model** posits that politicians manipulate the economy to peak right before elections. Do Presidents juice the economy (lower rates/stimulus) before elections even if it causes long-term damage?

We analyze Trump's **intense pressure on the Fed** in 2019-2020 to lower rates despite low unemployment. Was this:

- (A) Rational pre-election stimulus, or
- (B) Dangerous political interference?

The key insight: If the Fed gives in to political pressure, it **validates the pressure**, creating a precedent for future political capture.

Readings:

- Nordhaus, W. (1975). "The Political Business Cycle." *Review of Economic Studies*, 42(2), 169-190.
- Abrams, B. & Iossifov, P. (2006). "How Richard Nixon Pressured Arthur Burns: Evidence from the Nixon Tapes." *Journal of Economic Perspectives*, 20(4), 177-188.
<https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.20.4.177>
- Drazen, A. (2001). "The Political Business Cycle After 25 Years." *NBER Macroeconomics Annual*, 15, 75-138.

- Alesina, A., Roubini, N., & Cohen, G. (1997). *Political Cycles and the Macroeconomy*. MIT Press. (Selected chapters)
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March 17: THE FOMC UNDER FIRE SIMULATION

The Conflict: The Fed's Dual Mandate (Price Stability + Employment) Under Electoral Pressure

The Logic: The Federal Open Market Committee must make interest rate decisions based on economic data, not political considerations. But what happens when economic data is ambiguous and political pressure is intense?

Pre-Simulation Readings:

- Review all Week 5-7 materials

Simulation Activity: Students role-play as FOMC members facing a difficult decision in October 2026 (4 weeks before midterm elections). With inflation at 4.5% and unemployment rising to 5.8%, they must decide whether to raise rates, hold steady, or lower rates while the President publicly attacks the Fed.

Deliverable: Individual Reflection Paper (3 pages) analyzing their vote, the outcome, and whether the Fed can maintain independence in a hyper-partisan environment.

PART III: THE CRYPTO REVOLT

March 24: Bitcoin & The Anti-Establishment

The Conflict: "Deplorables" vs. The Surveillance State

The Logic: Cryptocurrency is not just finance—it's "Freedom Tech." The nativist/populist fear of "de-banking" (e.g., Canadian Truckers whose accounts were frozen, NRA payment processors

cut off) drives the embrace of Bitcoin as censorship-resistant money. Trump's pivot from crypto skeptic (2019: "Bitcoin is a scam") to crypto advocate (2024: "I will be the crypto president") reflects the political realignment of the anti-establishment coalition. Crypto becomes a signaling device: are you with the elite (Gensler, Warren, big banks) or with the people?

Readings:

- Makarov, I. & Schoar, A. (2022). "Cryptocurrencies and Decentralized Finance (DeFi)." NBER Working Paper No. 30006. <https://www.nber.org/papers/w30006>
- Raskin, M. & Yermack, D. (2016). "Digital Currencies, Decentralized Ledgers, and the Future of Central Banking." NBER Working Paper No. 22238. <https://www.nber.org/papers/w22238>
- Nakamoto, S. (2008). "Bitcoin: A Peer-to-Peer Electronic Cash System." <https://bitcoin.org/bitcoin.pdf>
- Griffin, J. & Shams, A. (2020). "Is Bitcoin Really Untethered?" *Journal of Finance*, 75(4), 1913-1964. <https://www.nber.org/papers/w24928>
- White House. (2022). "Comprehensive Framework for Responsible Development of Digital Assets" (September 16, 2022). <https://www.whitehouse.gov/briefing-room/presidential-actions/2022/09/16/executive-order-on-ensuring-responsible-development-of-digital-assets/>
- Congressional Research Service. (2024). "Digital Assets: Fundamentals and Policy Issues." <https://crsreports.congress.gov/>

March 31: DeFi vs. TradFi — Who Loses?

The Conflict: Fintech Startups vs. Wall Street

The Logic: If "America First" populism hates Wall Street (Globalists, Bailouts, Elitism), does it love DeFi (Decentralized Finance)? The tension: DeFi promises to disintermediate banks, giving ordinary people access to financial services without gatekeepers. But DeFi also enabled massive fraud (FTX, Celsius, Luna). The regulatory question becomes: Do we protect consumers (SEC/Warren) or destroy the banking cartel (CFTC/pro-crypto Republicans)?

Readings:

- Schär, F. (2021). "Decentralized Finance: On Blockchain- and Smart Contract-Based Financial Markets." *Federal Reserve Bank of St. Louis Review*, 103(2), 153-174. <https://research.stlouisfed.org/publications/review/2021/02/05/decentralized-finance-on-blockchain-and-smart-contract-based-financial-markets>
- Gorton, G. & Zhang, J. (2021). "Taming Wildcat Stablecoins." *University of Chicago Law Review*, 90(5), 909-960. <https://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=13538&context=uclrev>

- Lyons, R. & Viswanath-Natraj, G. (2023). "What Keeps Stablecoins Stable?" *Journal of International Money and Finance*, 131, 102777.
 - Philippon, T. (2016). "The Fintech Opportunity." NBER Working Paper No. 22476. <https://www.nber.org/papers/w22476>
 - President's Working Group on Financial Markets. (2021). "Report on Stablecoins" (November 2021). <https://home.treasury.gov/news/press-releases/jy0454>
 - Federal Reserve. (2022). "Money and Payments: The U.S. Dollar in the Age of Digital Transformation" (January 2022). <https://www.federalreserve.gov/publications/money-and-payments-discussion-paper.htm>
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April 7: THE REGULATORY TURF WAR – SIMULATION

The Conflict: SEC (Investor Protection) vs. CFTC (Innovation) vs. White House (Jobs/Votes)

The Logic: Cryptocurrency regulation in the US is a jurisdictional mess. The SEC claims most crypto tokens are securities. The CFTC claims Bitcoin and Ethereum are commodities. Meanwhile, crypto companies threaten to move to Dubai or Singapore if the US doesn't clarify rules.

Pre-Simulation Readings:

- Review all Week 9-10 readings
- Congressional Research Service. (2024). "Central Bank Digital Currencies: Policy Issues." <https://crsreports.congress.gov/>

Simulation Activity: Students are divided into three factions (SEC, CFTC, White House) and must negotiate a unified regulatory framework under political pressure. A major US cryptocurrency exchange threatens to relocate to Dubai unless the US provides regulatory clarity within 60 days.

Deliverable: Team Memo analyzing initial position, final position, what was gained/lost, and whether the outcome represents good policy or political theater.

PART V: MIGRATION & LABOR

April 14: The High-Skill War — H-1B Visas and Tech Labor

The Conflict: Native Grads vs. Tech Oligarchs

The Logic: The "America First" argument that H-1B visas **suppress wages** for American computer science graduates. The clash between:

- **"Merit-based immigration"** (Trump's stated preference)
- **"Buy American, Hire American"** (actual policy)

The Paradox: Tech CEOs (Trump allies) need foreign talent, but Trump's base hates immigration. How do you reconcile this?

The Geographic Split:

- **Silicon Valley:** Needs H-1Bs (labor shortage)
- **Rust Belt:** Hates H-1Bs (job theft narrative)

Readings:

- Kerr, S., Kerr, W., & Lincoln, W. (2015). "Skilled Immigration and the Employment Structures of US Firms." *Journal of Labor Economics*, 33(S1), S147-S186. <https://www.nber.org/papers/w19658>
- Borjas, G. (2016). *We Wanted Workers: Unraveling the Immigration Narrative*. W.W. Norton & Company. (Selected chapters)
- Mayda, A.M., Peri, G., & Steingress, W. (2022). "The Political Impact of Immigration: Evidence from the United States." *American Economic Journal: Applied Economics*, 14(1), 358-389.
- Hainmueller, J. & Hopkins, D. (2014). "Public Attitudes Toward Immigration." *Annual Review of Political Science*, 17, 225-249.
- Congressional Research Service. "H-1B Visa Program: Overview and Issues for Congress" (Updated regularly). <https://crsreports.congress.gov/>
- National Academies of Sciences, Engineering, and Medicine. (2017). "The Economic and Fiscal Consequences of Immigration" (Executive Summary, September 2017). <https://www.nationalacademies.org/our-work/the-economic-and-fiscal-consequences-of-immigration>
- Department of Homeland Security. "Entry/Exit Overstay Report" (Annual report, Fiscal Year 2023). <https://www.dhs.gov/publication/entryexit-overstay-report>

April 21: Unskilled Labor & The Deportation Economy

The Conflict: Construction/Ag Business Owners vs. Nativist Ideologues

The Logic: The reliance of the US housing and food supply on **undocumented labor**. We analyze the inflationary impact of mass deportation (supply shock) vs. the wage gains for low-skill native workers.

The Economic Question: If we deport 11 million people:

- Housing costs rise (construction labor shortage)
- Food costs rise (agricultural labor shortage)
- Low-skill native wages rise (less competition)
- **Net effect:** Who wins?

The Political Question: Trump promises deportation, but can he deliver without crashing the economy?

Readings:

- Card, D. (1990). "The Impact of the Mariel Boatlift on the Miami Labor Market." *Industrial and Labor Relations Review*, 43(2), 245-257.
- Clemens, M., Lewis, E., & Postel, H. (2018). "Immigration Restrictions as Active Labor Market Policy: Evidence from the Mexican Bracero Exclusion." *American Economic Review*, 108(6), 1468-1487.
- Borjas, G. & Katz, L. (2007). "The Evolution of the Mexican-Born Workforce in the United States." In *Mexican Immigration to the United States*.
- Dustmann, C., Schönberg, U., & Stuhler, J. (2017). "Labor Supply Shocks, Native Wages, and the Adjustment of Local Employment." *Quarterly Journal of Economics*, 132(1), 435-483.

Discussion Questions:

1. Is it hypocritical for Red State businesses to employ undocumented workers while Red State voters demand deportation?
2. Can you design an immigration policy that reduces illegal immigration WITHOUT causing economic disruption?
3. The Clemens et al. paper on the Bracero exclusion suggests mass deportation doesn't help native workers. Why not?

April 26: FINAL SIMULATION — The 2028 Platform

The Grand Synthesis: Students draft the Economic Platform for either the Nationalist-Populist Party or the Neoliberal-Centrist Party. The platform must be internally consistent across all four policy domains studied (Trade, Money, Crypto, Migration).

The Challenge: Both coalitions have promised policies that contradict each other:

- Nationalists promised high tariffs AND low interest rates AND mass deportation AND crypto deregulation—but these create incompatible economic effects

- Centrists promised free trade AND immigration reform AND crypto regulation—but these alienate key voter blocs

Simulation Activity: Teams draft a 2-page "Pledge to America," deliver convention speeches, and debate. Students vote on which platform is most economically coherent, politically viable, and intellectually honest.

Deliverable: Individual Post-Simulation Essay (5 pages) reflecting on:

1. Why can't the "America First" coalition deliver on its promises?
2. The electoral tradeoff between economic efficiency and political victory
3. Personal assessment of "America First" economics after 14 weeks