



Financial Globalization and Geopolitics

Matteo Maggiori

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Panel at NBER Asset Pricing



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Geopolitics and Economic Coercion

NOBEL REVENGE

Norway wants China to forget about the human rights thing and eat salmon instead



G7 leaders agree to new initiative to fight economic coercion

Reuters

May 20, 2023 1:56 AM EDT · Updated 3 months ago



DIPLOMACY A HAND MAID OF COMMERCIAL INTERESTS

The diplomacy of the present administration has sought to promote commercial intercourse. This policy has been characterized by a lack of sound policy and strategy, and to legitimate commercial intercourse directed to the increase of American trade upon the axiom that the Government of the United States shall extend all proper facilities to the most beneficial American enterprise abroad. How great have been the results coupled with the maximum and minimum provision of 1



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Press release | 6 June 2023 | Brussels

Political agreement on new Anti-Coercion Instrument to better defend EU interests on global stage

The European Parliament and the Council have today reached a final political agreement on the Anti-Coercion Instrument (ACI). This new tool will enable the EU to respond to economic coercion, and therefore to better defend its interests and those of its Member States on the global stage.



Ukraine conflict: What is Swift and why is banning Russia so significant?

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Goldman Sachs bought UK and US companies using Chinese state funds

Deals tapped private equity 'partnership fund' that the bank set up with China's CIC

National Power and the Structure of Foreign Trade

Deny, Deflect, Deter

Countering China's Economic Coercion

Matthew Reynolds
Matthew P. Goodman

A Report of the CSIS Economics Program

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US hits all of Iran's financial sector with sanctions



The CHIPS Act Is About More Than Just Chips: Here's What's in It

A sprawling new program for the semiconductor industry is foremost about national security, but it will try to address other priorities as well.

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Russia-Ukraine war

DIPLOMACY A HAND MAID OF COMMERCIAL INTERCOURSE AND PEACE

The diplomacy of the present administration has sought to respond to modern ideas of commercial intercourse. This policy has been characterized as substituting dollars for bullets. It is one that appeals alike to idealistic humanitarian sentiments, to the dictates of sound policy and strategy, and to legitimate commercial aims. It is an effort frankly directed to the increase of American trade upon the axiomatic principle that the Government of the United States shall extend all proper support to every legitimate and beneficial American enterprise abroad. How great have been the results of this diplomacy, coupled with the maximum and minimum provision of the tariff law, will be seen by some consideration of the wonderful increase in the export trade of the United States. Because

National Power and the Structure of Foreign Trade

ALBERT O. HIRSCHMAN

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IPS Act Is About More Than What's in It

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Geopolitics and Economic Coercion

NOBEL REVENGE

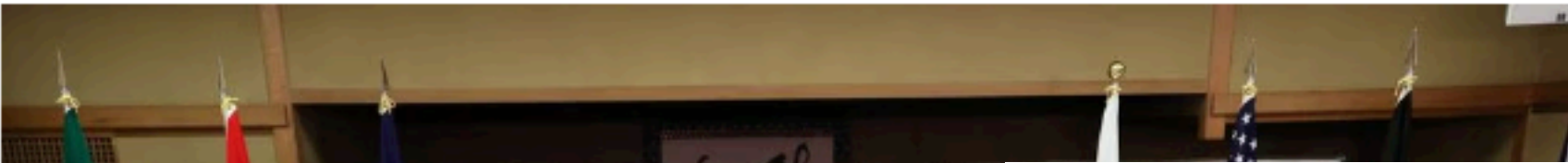
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Geoeconomics: Questions

Governments use their countries' economic strength from existing financial and trade relationships to achieve geopolitical and economic goals

Fundamental questions:

- Is geoeconomic power effective? In which dimensions?
- Is it a global zero-sum game or positive sum?
- Which goods/industries are strategic? What is a theory-based definition of “strategic”, can it be measured?
- Are finance and the role of the dollar strategic for the US?
- Geoeconomic externalities: national security, economic stability and resilience to shocks
- Government role: coercion and anti-coercion policy tools

Geoeconomics: Theory

The modern theory toolkit can shed light on these questions:

- Input-output and network structures
- Limited enforceability and commitment problems
- Threats to induce good behavior
- Market power arising from strategic industries and dominant positions
- Sanctions, capital controls, banking regulation, tariffs: toolkit from optimal policy in international macro and trade
- Increasing return to scale and natural world hegemony

Geoeconomics: Empirics

A need for facts and careful empirical evaluation:

- Who owns what around the world?
- Who trades with whom and in which goods/industries
- How does the US weaponize the Dollar? How do investors rebalance in response?
- Offshore finance and opaque ownership
- Payment systems and financial markets clearing
- How to measure “strategic” content of an economic or financial activity
- How to evaluate effectiveness of threats: the power of substitution

Geoeconomics: Policy Impact

- Huge policy interest, but many unanswered questions
- Many countries, not just US and China, are implementing related policies
- Role of international organizations and reforming the global financial architecture
- Modern economics has good advice to offer...but we are at the beginning of the work

Own work on this:

Clayton C., Maggiori M., Schreger J., *A Framework for Geoeconomics*, working paper