FEATURE REVIEW

Both Sticks and Carrots

Alan P. Dobson. *U.S. Economic Statecraft for Survival, 1933–1991: Of Sanctions, Embargoes, and Economic Warfare*. London: Routledge, 2002. 368 pp. $129.95 (cloth).

The United States has displayed a schizophrenic attitude toward economic statecraft during its history. On the one hand, America fought two costly wars in order to maintain its right as a neutral to conduct unimpeded commerce with any belligerent without restriction. This stance emerged from the American mythology that the "open door," or liberal trading order, was not only morally superior to realpolitik, but would eliminate the Hobbesian competition between states that led to war if embraced by the world community. At the same time, however, the United States ruthlessly exploited economic tools to reward friends and punish adversaries whenever it saw fit, and has rarely hesitated to subordinate financial gain to achieve perceived geopolitical goals.

International relations scholars have had a hard time disentangling this confusing mixture of mercantilism and laissez-faire policy and have failed to explain the wide gap between soaring rhetoric and hard-nosed policy. Most works of strategic and diplomatic history ignore economic statecraft altogether, while economic historians rarely discuss power politics. This divide even affects theory. Many American scholars of international political economy believe that increasing economic integration through commerce lessens the chance of conflict, since states that practice mutually profitable trade have little to gain from war with each other. Scholars who focus on international security, however, often see economic relations as a zero-sum game. Wealth is the basis of military power, and unfettered trade can enrich a future adversary.

These are important issues, and understanding both the history of and the theory behind U.S. economic statecraft has important policy implications for the future. For example, does increasing our trade with the People's Republic of China weaken authoritarian rule and make the PRC less likely to use force to achieve its goals? Or is the United States simply providing a future enemy more wealth and greater latent military power? In other words, can the United States engage China through the rewards of economic integration, or is economic denial a more appropriate policy against a likely geopolitical rival?

Diplomatic History, Vol. 28, No. 4 (September 2004). © 2004 The Society for Historians of American Foreign Relations (SHAFR). Published by Blackwell Publishing, Inc., 350 Main Street, Malden, MA, 02148, USA and 9600 Garsington Road, Oxford OX4 2DQ, UK.

Downloaded from https://academic.oup.com/dh/article-abstract/28/4/607/342472 by Johns Hopkins University user on 08 June 2020

Alan Dobson confronts these complex issues in his dense, impressively researched book, *U.S. Economic Statecraft for Survival, 1933–1991: Of Sanctions, Embargoes, and Economic Warfare*. Dobson reveals how the United States used economic tools in order to further U.S. interests during a period when policymakers believed America faced grave threats to its existence. In the process, he takes on the controversial debates among political scientists and policymakers about the *effectiveness* of sanctions, embargoes, and economic warfare. Dobson convincingly demonstrates that these issues can only be resolved through careful historical reconstruction of particular policies, and not a priori theory alone. Furthermore, he proves that the effectiveness of economic statecraft cannot simply be measured in quantitative terms, as many of these policies were crafted to signal to adversaries and carried important symbolic meanings.

U.S. foreign policy always utilized some measure of economic statecraft, even eschewing its own high-minded neutrality principles during the Mexican War and the Civil War. But Dobson reveals that the United States did not fully articulate an economic defense policy until the 1930s, when "ideological, economic and military power were welded together, successively, by Japan and Germany, and then by the Soviet Union," such that American policymakers feared for the "survival of the state" (p. 304). Neutrality and isolationism rendered economic statecraft ineffective before the Second World War, but these failures convinced the United States that it must "never again supply material to strengthen an aggressor" (p. 304). Economic leverage was applied during the war against Germany and Japan, with great success, and even Great Britain, a treasured ally, was compelled by U.S. economic statecraft to reluctantly yield to American policy desires.

These wartime successes convinced the Truman administration that it could construct an economic defense policy to compel changes in the Soviet Union's geopolitical behavior. Moving in fits and starts, the United States adopted increasingly intrusive export controls against the Communist world. Economic statecraft was at the heart of the new containment doctrine, and negative tools such as sanctions and the "strategic embargo" against the Soviet Union were the flip side of positive economic tools such as the Marshall Plan and Truman Doctrine. But it soon became clear that waging economic Cold War might not be as effective against the relatively autarkic Soviet economy. Furthermore, America's allies did not always share U.S. attitudes as to how extensive any strategic embargo should be. Finally, bureaucratic divisions within the U.S. government and conflicting pressures from Congress often prevented a coherent, unified policy from emerging. President Dwight D. Eisenhower sought to relax export controls, and Allied pressure combined with skepticism over the embargo's effectiveness to slowly chip away at its support throughout the 1950s.

When the Kennedy administration came into office, a fresh attitude toward the economic cold war took hold. The new framework was laid out in the report drafted by the president-elect's transition task force on foreign economic policy. Chaired by George Ball, the report recommended a policy Dobson calls eco-

Downloaded from https://academic.oup.com/dh/article-abstract/28/4/607/342472 by Johns Hopkins University user on 08 June 2020

nomic "flexible response." In other words, the president must be allowed to use both sticks *and* carrots in his economic statecraft vis-à-vis the Soviet Union. Although official attitudes about the strategic embargo changed dramatically during the 1960s, the actual policies remained largely intact. While it was widely recognized that the embargo was not "effective," the strategy of the economic Cold War had taken on a life of its own. As Walt Rostow pointed out, trade controls had become an "important symbol of our cold war resolve" and "moral disapproval" of the Soviet Union (p. 168). If controls and embargoes were lifted before the Soviets changed their behavior, many believed the psychology behind Cold War containment could be undermined.

The real change in Cold War economic statecraft came with the Nixon administration, where economics became high politics. Nixon and Kissinger "managed to break free from the psychological constraints" that had hindered previous administrations to engineer an "expansion of trade and commercial relations" with the Communist world (p. 182). U.S. economic defense policy was no longer aimed solely at restricting the Communist world's "economic and strategic capabilities," and became more interested in engaging the Soviet Union "into a network of economic cooperation" (p. 214). This was part of their strategy of détente, which sought to stabilize superpower relations. American trade with the Communist world expanded, also improving the U.S. balance of payments. Nixon and Kissinger were less successful in making permanent their practice of "linking" economic concessions to changes in Soviet behavior. And as the Nixon-Kissinger strategy of détente came under fire, Congress increasingly blocked efforts to reward Soviet cooperation on arms control by highlighting Russia's human rights abuses. Senator Henry "Scoop" Jackson's attack on the Nixon administration's trade policy with the Soviet Union weakened the executive branch's ability to pursue a more nuanced, flexible economic statecraft.

America's relative economic decline in the second half of the 1970s meant that domestic concerns dominated economic statecraft under Ford and Carter. The OPEC oil embargo of 1973–74 and the supply shocks after the fall of the Shah in Iran exposed U.S. vulnerability to the economic statecraft of others. But it was the collapse of the last remnants of détente after the Soviet invasion of Afghanistan that brought U.S. economic statecraft nearly full-circle to the days of Truman's strategic embargo. The Carter administration, after fierce internal debate, imposed a grain embargo on the Soviet Union. Demonstrating Dobson's point that the effectiveness of economic statecraft must take into account symbolic messages, Carter was undeterred by the fact that Russia could purchase the grain elsewhere. "Carter's main motives for implementing the changes were to send messages to various actors in the Cold War game" (p. 262). Ironically, Dobson contends that the Reagan administration was less hardline in its economic statecraft, despite its harsh public rhetoric. Dobson discounts those scholars and former policymakers who argue that the Reagan administration pursued something akin to economic warfare. "Despite all the

Downloaded from https://academic.oup.com/dh/article-abstract/28/4/607/342472 by Johns Hopkins University user on 08 June 2020

violent criticisms of détente, in the end, Reagan practiced something similar himself" (p. 264). As the Cold War ended, the first Bush administration eased export controls against the Soviet Union, and by the 1990s, economic statecraft shifted toward *aiding*, not hampering, the Russian economy.

Dobson's book demonstrates how important economic defense policy was during the twentieth century, and convincingly places American economic statecraft within the larger framework of U.S. foreign policy and strategic responses to the threat of totalitarianism, world war, and Cold War. His detailed reconstruction of the policy debates, both within the U.S. government and between allies, demonstrates that historical analysis provides far better insight than international relations theory into the complex, controversial questions surrounding the effectiveness of sanctions and embargoes. In the process, Dobson undermines the Marxist idea that U.S. foreign policy was driven solely by a relentless drive for markets. "[I]f Western states are dominated in the political sphere by capitalist values, how is it that Western governments persistently obstructed profitable trade with the Soviet Union, the People's Republic of China, Eastern Europe, North Korea, Cuba, and North Vietnam?" (p. 27). Nor can international economics be depoliticized, as laissez-faire economists would have us believe. Historically, American policymakers have "evinced little compunction about controlling U.S. exports for the sake of national security and to secure foreign-policy objectives" (p. 29). These observations confirm Dobson's most important point: The history of U.S. economic statecraft demonstrates that the political and economic realms of policy are "inextricably interwoven," and cannot be understood in isolation from each other.

Downloaded from https://academic.oup.com/dh/article-abstract/28/4/607/342472 by Johns Hopkins University user on 08 June 2020