

# Domestic Aspects of Geoeconomics

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**Claim:** Most recent geoeconomics explains *how* power exists in the international economy. Much less explains how domestic politics creates that power or determines when governments spend it.

*Caveat: Literatures on lobbying and bureaucratic politics, “older” trade-shock literature.*

# Basics: Domestic Politics Must Matter

- 1 Preferences
  - Which domestic actors support or oppose geoeconomic policies? Instrumental or expressive?
- 2 Organization
  - How are those actors organized and how do they influence policy? e.g, Grossman and Helpman 1994
- 3 Capacity (Clayton, Maggiori, and Schreger 2025)
  - Can the government punish or reward domestic firms?
  - Can it make those threats and promises credible?
  - Can it recruit allied governments to pressure their own firms too?

## Putnam (1988): Two-Level Games

Governments negotiate simultaneously at two levels: internationally with foreign counterparts, and domestically with actors whose support is needed for ratification or implementation (Putnam 1988).

- **Level I:** bargaining with other states (“negotiation”).
- **Level II:** bargaining with domestic coalitions, parties, legislatures, firms, and voters (“ratification”).

**Core idea:** international agreements are feasible only if they fall within a domestic *win-set*.

- If Level II win-set is large, international agreement is easier to reach at Level I.
- Relative size of the Level II win-sets determine bargaining power at Level I.

**Connection to geoeconomics:** tariffs, sanctions, export controls, and trade agreements are not chosen by a unitary state alone; they must also survive domestic political constraints.

# Fearon (1998): Two Ways Domestic Politics Matters

Fearon's core point is that claims about “domestic politics” are ambiguous unless we specify the benchmark. He clarifies the distinct ways domestic pressures can enter the story.

## S1 **Domestic politics as distortion of a unitary national interest**

Domestic actors or institutions push policy away from what a coherent, rational state would choose.

## S2 **Domestic politics as constitutive of state preferences**

Domestic institutions, coalitions, and political structure help determine what the state wants in the first place.

# Taking Stock

**Synthesis:** Putnam shows *how* domestic politics enters foreign economic policy. Fearon sharpens the question by asking *what kind* of domestic politics story we are telling: is domestic politics constraining a unitary national strategy, or helping determine the state's preferences in the first place?

# A Typology of Geoeconomics So Far

	w/o domestic politics	w/ domestic politics
<b>Origins of power</b>	<b>Structural geoeconomics</b> Power comes from (external) economic structure: network position, asymmetric dependence, chokepoints (Clayton, Maggiori, and Schreger 2026; Liu and Yang 2025; Farrell and Newman 2019).	<b>Domestic foundations of geoeconomic capacity</b> Domestic coalitions, institutions, and state capacity determine action set (Grossman and Helpman 1994; Bombardini and Trebbi 2012).
<b>Use of power</b>	<b>Unitary-actor statecraft</b> States deploy economic tools in pursuit of exogenously given national objectives (Blackwill and Harris 2016).	<b>Domestic politics of geoeconomic choice</b> Deploying tariffs can create politic gains (Autor et al. 2024; Fernández-Villaverde, Mineyama, and Song 2026).

Table 2: MOST-CITED JOURNAL ARTICLES BY ERPs, 2010–2025

CC	Article
8	Autor, David H., David Dorn, and Gordon H. Hanson. 2013. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." <i>American Economic Review</i> .
7	Morrissey, Taryn W. 2017. "Child Care and Parent Labor Force Participation: A Review of the Research Literature." <i>Review of Economics of The Household</i> .
7	Piketty, Thomas, and Emmanuel Saez. 2003. "Income Inequality in the United States, 1913-1998." <i>Quarterly Journal of Economics</i> .
6	Ganong, Peter, and Daniel Shoag. 2017. "Why Has Regional Income Convergence in the U.S. Declined?" <i>Journal of Urban Economics</i> .
6	Blau, Francine D., and Lawrence M. Kahn. 2013. "Female Labor Supply: Why Is the United States Falling Behind?" <i>American Economic Review</i> .
6	Autor, David, Frank Levy, and Richard J. Murnane. 2003. "The Skill Content of Recent Technological Change: An Empirical Exploration." <i>Quarterly Journal of Economics</i> .
5	*Finkelstein, Amy, Erzo F. P. Luttmer, and Nathaniel Hendren. 2019. "The Value of Medicaid: Interpreting Results from the Oregon Health Insurance Experiment." <i>Journal of Political Economy</i> .
5	Cohodes, Sarah R., Daniel S. Grossman, Samuel A. Kleiner, and Michael F. Lovenheim. 2016. "The Effect of Child Health Insurance Access on Schooling: Evidence from Public Insurance Expansions." <i>The Journal of Human Resources</i> .
5	Mertens, Karel, and Morten O. Ravn. 2013. "The Dynamic Effects of Personal and Corporate Income Tax Changes in the United States." <i>American Economic Review</i> .
5	Auerbach, Alan J., and Yuriy Gorodnichenko. 2012. "Measuring the Output Responses to Fiscal Policy." <i>American Economic Journal Economic Policy</i> .
5	Dahl, Gordon B., and Lance Lochner. 2012. "The Impact of Family Income on Child Achievement: Evidence from the Earned Income Tax Credit." <i>American Economic Review</i> .
5	Chodorow-Reich, Gabriel, Laura Feiveson, Zachary Liscow, and William Gui Woolston. 2012. "Does State Fiscal Relief During Recessions Increase Employment? Evidence from the American Recovery and Reinvestment Act." <i>American Economic Journal Economic Policy</i> .
5	Romer, Christina D., and David H. Romer. 2010. "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks." <i>American Economic Review</i> .
5	Sullivan, Daniel, and Till von Wachter. 2009. "Job Displacement and Mortality: An Analysis Using Administrative Data." <i>Quarterly Journal of Economics</i> .
5	Deming, David. 2009. "Early Childhood Intervention and Life-Cycle Skill Development: Evidence from Head Start." <i>American Economic Journal Applied Economics</i> .
5	Meyer, Bruce D., and Dan T. Rosenbaum. 2001. "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers." <i>Quarterly Journal of Economics</i> .
5	Akhtar, M. A. 1995. "Monetary Policy and Long-Term Interest Rates: A Survey of Empirical Literature." <i>Contemporary Economic Policy</i> .

Notes: The table lists articles with five or more chapter citations. For brevity, it omits the long tail of less-cited works: 36 articles with 4 citations, 82 with 3, 202 with 2, and 2,321 with a single citation. CC = Chapter Citations; ERP = *Economic Report of the President*. \*This article was first circulated as an NBER working paper in 2015, which may account for its high citation count despite a 2019 publication date.

Source: Burkhauser  
and Ma (2025)

NBER w34597.

# Survey Evidence on Domestic Trade Politics

- **Geopolitics and trade attitudes.** Citizens systematically prefer trade with **allies over adversaries**, in part because they believe trade can strengthen an opponent militarily (Carnegie and Gaikwad 2022).
- **Security rhetoric is malleable.** Public opinion about trading with adversaries responds to rhetoric about whether trade raises or lowers the **risk of war**; these attitudes are not fixed (Beesley and Oak 2025; Gawande, Jensen, and Wellhausen 2025).
- **Economic nationalism is partly exclusionary.** Support for protection can reflect a desire for **relative dominance** and exclusion, not just distributional concerns or standard welfare calculations (Imas, Madarász, and Sarsons 2025).
- **Tariff views rest on weak understanding.** Views on the 2025 US tariffs are shaped by limited factual understanding and by broader perceptions of trade and policy (Stantcheva and Tham 2025).

## Carnegie and Gaikwad: Reasons for Trade with Adversaries

<i>Category</i>	<i>India</i>	<i>US</i>
Security externalities	73	33
Peace	74	70
Trust	17	26
Other geopolitical rationale	4	23
Economic rationale	50	82
Other rationale	4	12
Cannot be determined	12	9

**Source:** Table 1 in Carnegie and Gaikwad (2022).

*Note:* Sample size is 200 American and 200 Indian adults. Responses can fall within more than one category, so columns do not sum to the total number of respondents.

## Carnegie and Gaikwad: Conjoint Choice Task

America is considering increasing trade with other countries in the world. Respondents compare two potential future trading partners and choose the country with which America should increase trade.

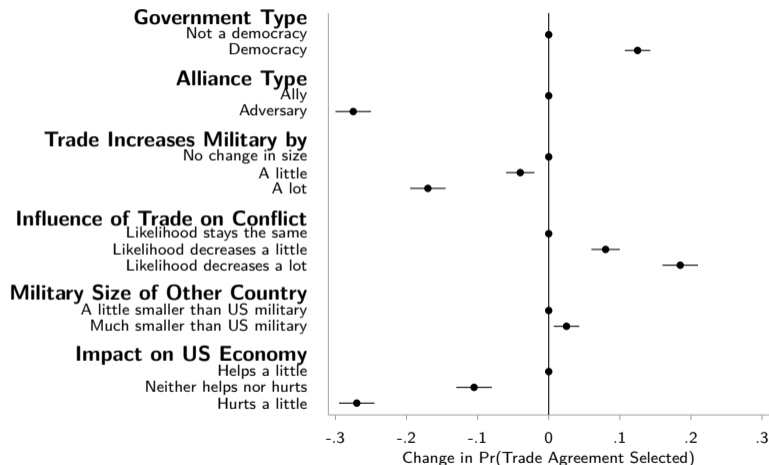
Attributes	Country A	Country B
Country government type	Democracy	Not a democracy
Country alliance with America	Ally of America	Adversary of America
Country current military size	A little smaller than the American military	Much smaller than the American military
Trade will increase the size of the military of the other country by	A little	A lot
Trade will change the likelihood the other country engages in conflict with the US by	Likelihood stays the same	Likelihood decreases a little
Impact of trade on the US economy	Neither helps nor hurts	Hurts a little

**Choice prompt:** Which country should America increase trade with?

- Country A
- Country B

**Source:** Example conjoint profile in Carnegie and Gaikwad (2022).

# Carnegie and Gaikwad: Partner Attributes and Trade Support



**Source:** Figure 4 in Carnegie and Gaikwad (2022). *Note:*  $n = 12,080$  trade partners.

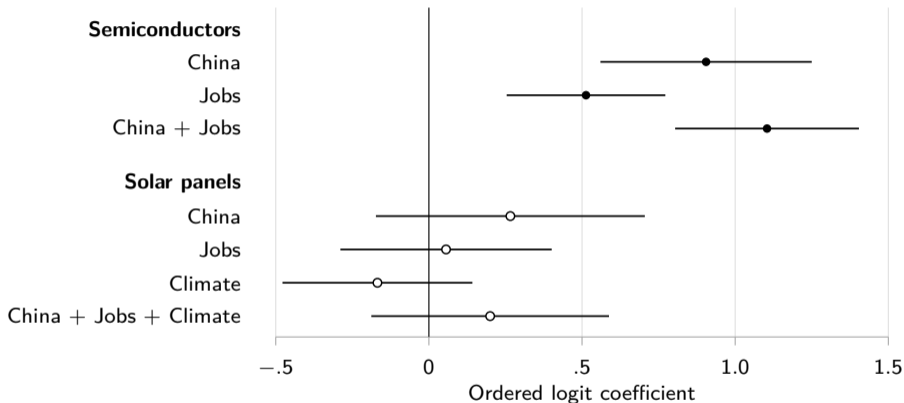
# Gawande, Jensen, and Wellhausen: Biden-Era Experiment

**Question:** can economic nationalism move support for Biden-era industrial policy?

- **Sample:** nationally representative Civitas/YouGov survey of 1,200 US citizens, fielded March 5–11, 2024.
- **Policies:** semiconductor manufacturing policy from the CHIPS Act and solar panel manufacturing policy from the Inflation Reduction Act.
- **Treatments:** frames emphasized reducing dependence on **China**, creating **jobs**, or both; the solar experiment also included a **climate** frame. Control group received no frame.
- **Outcome:** support for “these types of policies” on a six-point support/oppose scale, including “don’t know/unsure.”

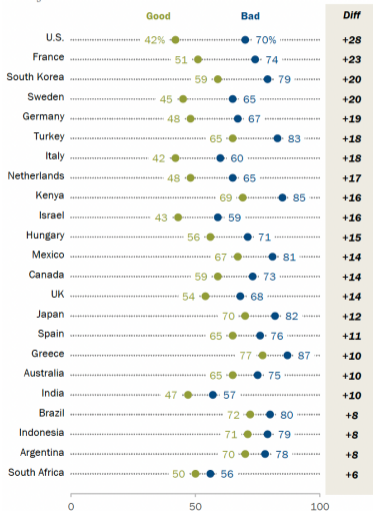
**Source:** Gawande, Jensen, and Wellhausen (2025).

# Economic Nationalism Moves CHIPS Support, Not Solar



**Source:** Tables 2 and 4 in Gawande, Jensen, and Wellhausen (2025). *Note:* Full-sample models with controls; bars are 95% confidence intervals.

# Finally: Meshing Domestic and Global Concerns (Pew Research, 2025)



# Quantitative Evidence on Domestic Trade Politics

- **Tariffs can generate local political gains.** The Trump tariffs had little effect on employment in more protected local labor markets, but improved Republican electoral performance (Autor et al. 2024).
- **Trade policy can endogenously unravel globalization.** With trade policy as a political outcome, adverse shocks shift the domestic distribution of gains from trade, which raises protectionist pressure and can trigger a broader retreat from openness (Colantone and Stanig 2018; Fernández-Villaverde, Mineyama, and Song 2026).
- **Reduced redistribution leads to trade backlash.** Exposure to government austerity programs increased support for UKIP and Brexit in the UK (Fetzer 2019).

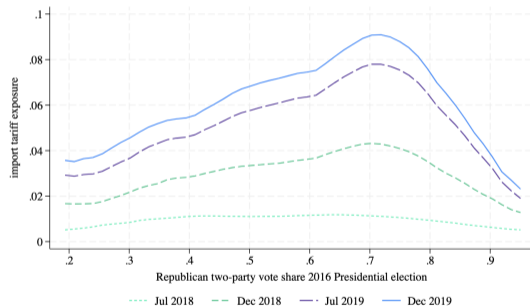
**Main question:** Did the Trump tariffs deliver local material benefits, and did those benefits explain political support?

- **Method:** county- and commuting-zone-level variation in exposure to 2018–19 U.S. import tariffs, foreign retaliation, and federal farm subsidies; outcomes include employment and Republican vote share.
- **Result:** protection raised neither employment nor wages in newly protected places, while retaliation reduced employment, especially in agriculture.
- **Political result:** despite weak local economic gains, more tariff-exposed places shifted toward Republicans.

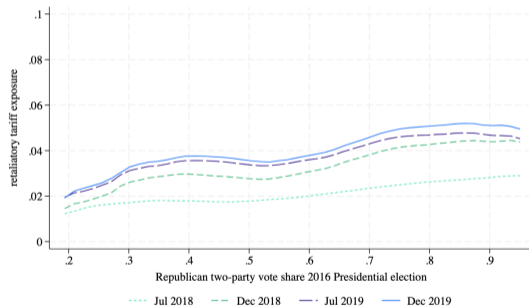
**Takeaway:** the paper is hard to square with a narrow ex post material-payoff story of protectionist support.

# Autor et al. (2024): Tariff Exposure and Republican Vote Share

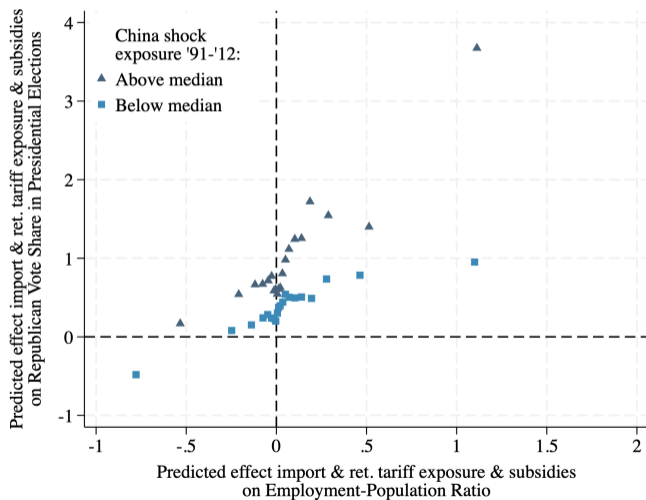
(b) Import Tariff Exposure by CZ Political Orientation



(c) Ret. Tariff Exposure by CZ Political Orientation



# Autor et al. (2024): Tariff Effects and China Shock



## Fernández-Villaverde et al. (2026)

**Main question:** How can globalization itself generate the political conditions for protectionism and eventual retreat from openness?

- **Method:** a quantitative Ricardian political-economy model with heterogeneous households, input-output linkages, voting, and lobbying; regional exposure to import competition and political responses.
- **Result:** adverse trade shocks redistribute gains from trade, shift low-wealth voters and organized interests against openness, and can make protectionism an equilibrium political response.
- **Interpretation:** the paper explains how a material constituency for protection can emerge.

**Takeaway:** this is a broader ex ante distributional account of why globalization can politically unravel.

# Fernández-Villaverde et al. (2026): Impacts and Preferences

Table 2: Individuals' attitude toward foreign trade (opportunity=1, threat=0) in the Gallup Poll Social Series

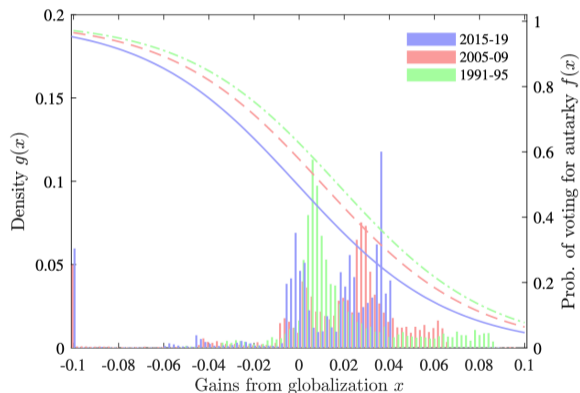
	(1)	(2)	(3)	(4)	(5)	(6)
Import penetration	-2.01*** (0.60)	-2.00*** (0.59)				
ln(Wealth)	10.61*** (1.46)	10.79*** (1.43)				
Import penetration × 1(Wealth 1st quantile)			-3.39*** (0.67)	-3.41*** (0.66)	-2.07** (1.00)	-2.02** (0.99)
× 1(Wealth 2nd quantile)			-2.43*** (0.79)	-2.40*** (0.78)	-2.25** (0.92)	-2.24** (0.90)
× 1(Wealth 3rd quantile)			-1.26 (1.36)	-1.20 (1.33)	-1.34 (0.1.73)	-1.30 (1.72)
× 1(Wealth 4th quantile)			2.00** (0.88)	2.03** (0.88)	-1.02 (1.74)	-1.10 (1.75)
N of obs.	17,716	17,679	17,716	17,679	17,716	17,679
Wealth quantile controls	—	—	No	No	Yes	Yes
Full controls	No	Yes	No	Yes	No	Yes
ID FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

## Fernández-Villaverde et al. (2026): Impacts and Lobbying

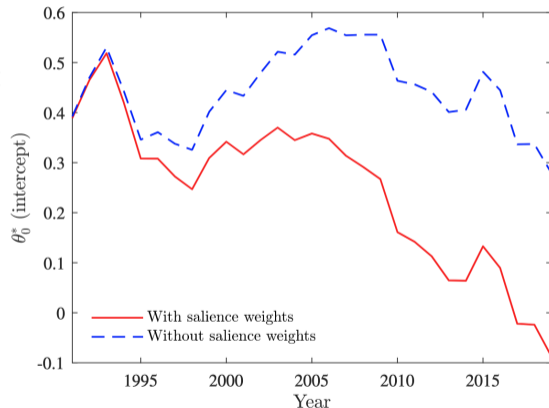
Dependent var:	ln(lobbying expenditure on trade)		1 for lobbying on trade	
	(1)	(2)	(3)	(4)
Import penetration – own	0.268*** (0.063)	0.484*** (0.075)	0.053*** (0.010)	0.082*** (0.012)
Import penetration – upstream		0.155*** (0.049)		0.040*** (0.008)
Import penetration – downstream		-0.498** (0.065)		-0.081*** (0.010)
N of obs.	2,775	2,775	2,775	2,775
Full controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

# Fernández-Villaverde et al. (2026): Impacts and Voting

(A) Dist. of gains from globalization



(B) Evolution of  $\theta_0^*$  at  $\theta_1^* = 30$



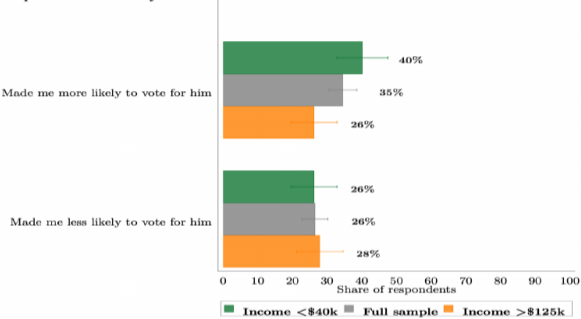
$$\Pr(\text{Vote Autarky}) \equiv f(x) = \frac{1}{1 + \exp(-\theta_0 + \theta_1 x)}, \quad x = d \ln C_t^{jh} \sim g(x)$$

## Two Materialist Accounts of Protectionism

	Autor et al. (2024)	Fernández-Villaverde et al. (2026)
<b>Object</b>	Trump tariffs as an <b>exogenous policy shock</b>	Trade policy as an <b>endogenous political equilibrium</b>
<b>Politics</b>	<b>Outcome:</b> electoral response to tariff exposure	<b>Mechanism:</b> voting and lobbying generate protectionism
<b>Material story</b>	Tests a <b>narrow ex post payoff</b> account	Builds a <b>broader ex ante distributional</b> account
<b>Main result</b>	Weak local employment gains, but clear Republican gains	Import competition shifts preferences and lobbying against openness
<b>Limitation</b>	Hard to explain support via realized local gains alone	Better at explaining <i>why</i> a constituency exists than <i>why now</i>

# Aside: Stantcheva and Tham 2025

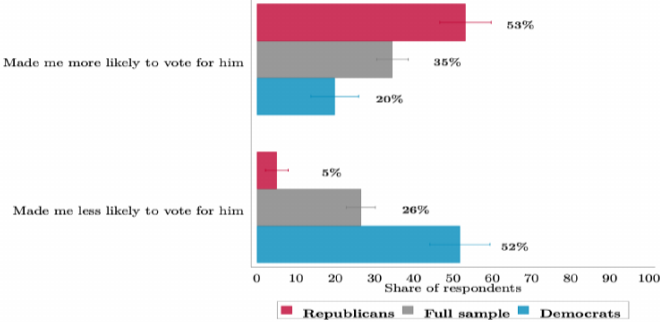
Did Trump's trade and tariffs promises influence your vote



Notes: The figure reports the share of respondents whose answers are reflected by the statement listed alongside 90% confidence intervals. It shows how Donald Trump's promises about trade and tariffs influence respondents' vote: the first row shows those answering 'It made me strongly more likely to vote for him' or 'It made me slightly more likely to vote for him', and the second row those answering 'It made me slightly less likely to vote for him' or 'It made me strongly less likely to vote for him'. For more details on the questionnaire, see online appendix A.2.

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## Geoeconomics Beyond Tariffs: Capacity

For non-tariff geoeconomic tools, domestic politics often enters less through preferences and more through **state capacity**: whether governments can monitor, enforce, and sustain restrictions despite evasion incentives.

- **Sanctions work only with domestic enforcement.** Their effects depend on whether states can induce firms, banks, and intermediaries to comply (Morgan, Syropoulos, and Yotov 2023).
- **Circumvention is endogenous.** Trade and finance can be rerouted through third countries and intermediaries, so the bite of sanctions depends on enforcement capacity rather than formal policy alone (Chupilkin et al. 2025; Egorov et al. 2025).
- **Implication:** economic coercion is not just about choosing sanctions or export controls, but about having/building the administrative and legal capacity to make them credible.
- **More broadly:** Industrial policy is a capacity problem (Juhász and Lane 2024)

# Geoeconomics Beyond Tariffs: Other Domestic Dynamics

Why is the non-tariff case going to be different?

- Narrower affected actors
- Capacity matters more
- Costs may not show up in consumer prices
- Security framing is more central
- Allies and leakage matter

# Conclusion

Some open questions:

- How important are material concerns (local and national) vs. symbolic or partisan ones in shaping support for geoeconomic policies?
- Which domestic institutions and coalitions are most influential in shaping geoeconomic capacity and choice?
- How do geoeconomic policies interact with the domestic aspects in shaping preferences and institutions?
  - Does China take advantage of domestic political dynamics in its geoeconomic strategy? (Kim and Margalit 2021)
  - Do autocracies or democracies have an advantage in geoeconomic statecraft?

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