Course Outline

Main Texts:


John Fialka, *War by Other Means: Economic Espionage in America*, 1997


Supplemental Texts:


James Tritten, Non-Traditional Forms of Intelligence (Monterey: Naval Postgraduate School, 1993).


Albert O. Hirschman, National Power and the Structure of Foreign Trade (Berkeley: University of California, 1969).
Overview
The focus and content of economic intelligence is continually changing. Based on past classes and feedback from students it is apparent that instruction should provide a basic understanding of macroeconomics, an introduction to a number of analytical techniques, a basic familiarity with the general literature in the area and experience in data gathering and analysis. As such the first part of the course will focus on macroeconomics, country analysis and forecasting. Along the way a number of relevant quantitative techniques will be examined and discussed. With this background we will start looking at some on-going research – the economics of Naval Forward Presence. The latter part of the course will focus on a series of issues involving various aspects of economic intelligence—vulnerability assessment, sanctions and projections of economic power and capabilities.

Main Areas:
- Macroeconomics/Economic Data Analysis
- Analytical Techniques and Procedures
- Regional Economic Assessment
- Globalization and its Implications for Economic Security
- Country Analysis/Risk Assessment
- Economic Security Issues
- Military Expenditures and Defense Budgeting
- Strategic Minerals
- Economic Espionage
- Sanctions

Quantitative Techniques
- Trend Analysis
- Regression Analysis
- Factor Analysis
- Discriminate Analysis
- Probabilistic Forecasting
- Bayesian Forecasting
- Content Analysis
- Macroeconomic Modeling and Simulation

Assignments:

Introduction – Class Overview (April 2)

Macroeconomic Overview (April 4)
- Overview (Hall and Taylor, Chapter 1)
- Measuring an Economy’s Performance (Hall and Taylor Chapter 2)
- Papers on the Underground Economy

Factors Responsible for Economic Growth (April 9)
- Economic Growth (Hall and Taylor, Chapter 3)
- Fiscal and Monetary Policy and Growth (Hall and Taylor, Chapter 4)

Macroeconomic Applications I – Long Run Forecasting (April 11)
CIA Estimates of Soviet Reform Outcomes

Basic Theory of Income and Employment (April 15)
Unemployment (Hall and Taylor, Chapter 5)
Short Run Fluctuations (Hall and Taylor, Chapter 6)
Financial Markets and Aggregate Demand (Hall and Taylor, Chapter 7)
Teigen, Theory of Income Determination – development of forecasting model

Student Briefings (1) Introduction to Economic Intelligence (April 18)
Potter Intelligence Gathering Canada and Various Countries
James Brander, The Economics of Economic Intelligence
Samuel D. Porteous, Economic and Commercial Interests and Intelligence Services in Potter,

Macroeconomic Adjustments and Policy (April 23)
The Adjustment Process (Hall and Taylor Chapter 8)
Macroeconomic Policy (Hall and Taylor, Chapter 9)

Student Briefings (2) (April 25)
Jeffrey Wright, “Intelligence and Economic Security” International Journal of Intelligence and Counterintelligence (Summer 1991)
Simon Dalby “Security, Intelligence, the National Interest and the Global Environment” Intelligence and National Security (October 1995).
Peter Charles Unsinger, Meeting a Commercial Need for Intelligence: The International Maritime Bureau (International Journal of Intelligence and Counterintelligence (vol 12, no1)

Macroeconomic Applications II Economics of Naval Forward Presence (April 25)
Oil Markets and Shocks
Martha Harris, The Globalization of Energy Markets in Kugler and Frost
Patrick Clawson, Oil Resources, Markets, Politics, and Policies in Kugler and Frost
Interfaces paper
Pakistan Defense Expenditure Paper

**Macroeconomic Foundations – The International Economy (April 30)**
Foreign Trade and The Exchange Rate (Hall and Taylor, chapter 12)
The World Economy (Hall and Taylor, chapter 18).

**Macroeconomic Applications III Globalization/Naval Forward Presence (May 2)**
QDR Globalization paper/Sam Trangredi Paper
David Denoon, Economics and National Security in Kugler and Frost

**Student Briefings on Regional Globalization/Security Issues (May 7, 9)**
Richard Kugler, The European Quest for Unity in Kugler and Frost
Stephen Larrabee, Russia and Its Neighbors in Kugler and Frost
Moises Naim, Latin American Economies in Kugler and Frost
Luis Bitencourt, Latin American Security in Kugler and Frost
Kathleen Ridolfo, The Arab World in Kugler and Frost
Shahram Chubin, The Persian Gulf: Security in Kugler and Frost
Richard Cronin, Asian Economies in Kugler and Frost
Thomas Robinson, Asia Pacific Security Relations in Kugler and Frost
P. F. Hugo, Africa: Troubled Continent in a Globalized World in K&F
Laura Rozen, The Balkans in Kugler and Frost

**Macroeconomic Applications IV -- Country Risk Analysis (May 14)**
Keri Geiger, Waiting for the Dust to Settle (Euromoney, September 2000)
Country Credit Risk Tables


Jerry Theodorou, “Political Risk Reconsidered” International Journal of Intelligence and CounterIntelligence (Summer 1993).


**Student Briefings on Private Sector Issues (May 16)**
Garth Hancock, “US Economic Intelligence Policy and Global Competition”.

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James Burke, *The Role of Capital Markets Intelligence in Corporate Management* (International Journal of Intelligence and Counterintelligence (vol 7, no4))

Joseph Evans, *U.S. Business Competitiveness and the Intelligence Community* (International Journal of Intelligence and Counterintelligence (vol 7, no. 3))

Arthur Hulnick, “The Uneasy Relationship Between Intelligence and Private Industry” International Journal of Intelligence and CounterIntelligence (Spring 1996).


**Quantitative Economic Intelligence – Tend/Regression (May 21)**

Intelligence Methodology Catalogue Section I Problems in Forecasting
Intelligence Methodology Catalogue Section IV Trend Analysis Sections A, B, C
Intelligence Methodology Catalogue Section IV Sections D, E
Susan Koch and Fred Grupp, *Regression Analysis: Impact of Economic Conditions on Left Voting in France* in Richards Heuer, *Quantitative Approaches to Political Intelligence: The CIA Experience*

**Quantitative Economic Intelligence – Factor/Discriminatnt Analysis (May 23)**

SPSS Examples and Manuels
Defense Papers
Economic Freedom
Qdr globalization study

**Quantitative Economic Intelligence – Probabilistic Forecasting (May 28)**

CIA Bayesian Paper
Methodology Catalogue Section V
Decision Trees
Navy Examples
Student Briefings on Chapters from Dick Heuer, *Psychology of Defense Analysis*

**Economic Espionage I (May 30)**

Student Briefings (V) Economic Espionage


Samuel Porteous, “Economic Espionage: Issues Arising from Increased Government Involvement with the Private Sector” Intelligence and National Security (October 1994).


Randall Fort, Economic Espionage: Problems and Prospects.

**Economic Espionage II (June 4)**

Student Briefings (VI) Economic Espionage Contd
Chapters from the John Filaka Book


David Messenger, Economic Intelligence and Special Operations Executive in Spain, 1943-45 (Intelligence and National Security, Autumn 2000)


Talbot Imlay, Allied Economic Intelligence and Strategy During the Phoney War (Intelligence and National Security, Winter 1998)

**Defense Expenditures, Data and Related Analytical Techniques (June 6)**

Aabraham Becker, Intelligence Fiasco or Reasoned Accounting?: CIA Estimates of Soviet GNP (Post-Soviet Affairs 1994)


Robert Looney and Peter Frederiksen “The Economic Determinants of Military Expenditure in Selected East Asian Countries” Contemporary South East Asia (March 1990)


**Economic Vulnerability/Leverage (June 11)**


**Student Briefings (VIII) Economic Vulnerability/Leverage**


Klaus Knorr, “International Economic Leverage and its Uses” in Knorr and Trager.

David Deese, “The Vulnerability of Modern Economies” in McCormick and Bissil


**Economic Coercion/Sanctions (June 13)**


**Student Presentations Individual Sanction Cases**
**Class Grade**

There will be no formal examinations. Instead, there are three main options for a grade:

1. Three in class presentations on economic intelligence papers. These are informal presentations, with the student laying out the main ideas of the paper and its relevance. The Student would then lead the class in a brief discussion following the presentation.

2. A major research paper on globalization/naval forward presence. The last several years the class has been involved in some of the work we have done for the Navy and the QDR – the economics of Naval Forward Presence. However, this work has been completed. There are a number of logical extensions however, for original research relevant to the Navy in its preparation for the next QDR. Those selecting this option would brief the class on their findings.

3. Regional Intel students may want to undertake a major project focused on an issue relevant to their thesis/or next assignment. Students selecting this option should submit a proposal for review and approval fairly soon. Those selecting this option would brief the class on their findings.