

PS 0500: Economic Sanctions

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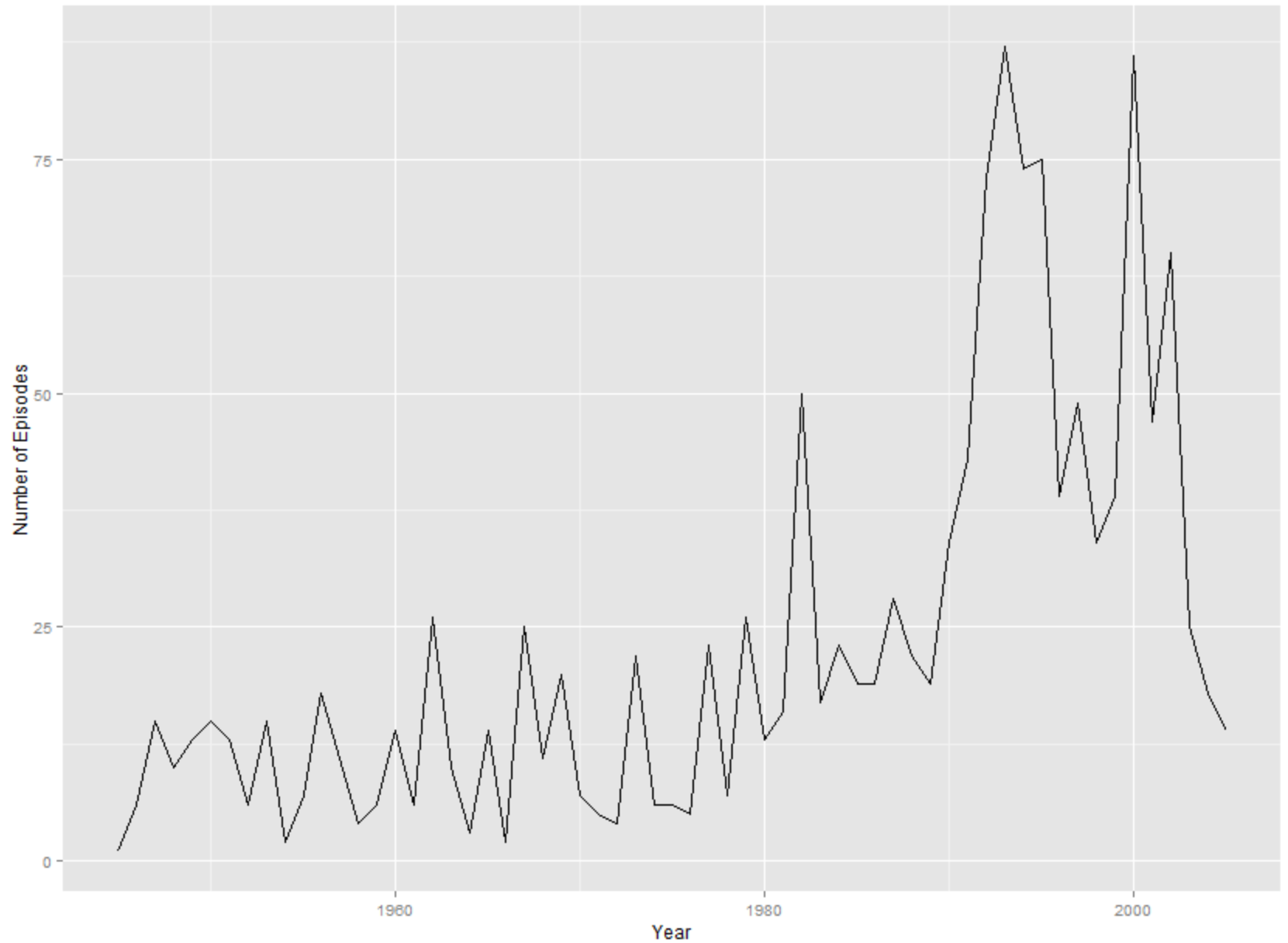
Outline

- What do sanctions do?
- Learning from observation/selection problem
- Data on sanctions
- Costly signaling
- Removing leaders from power

Sanctions Basics

- Sanctions restrict trade in some way
 - Broadly (North Korea)
 - Narrowly (Russia)
- Aimed to win some policy concession, often completely unrelated to the sanctions
- More effective with more sanctioners
 - But harder to keep everyone together
- Have become more popular over time

Sanctions Trends over Time



Sanctions Basics

- Shrink budget constraint
- They are inefficient
 - Trade is efficient
 - If they weren't, we'd always impose them
 - So why sanction and not resolve the problem through efficient bargaining?
- Are difficult to appreciate observationally

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Data Problems

- IR data do not come from randomized experiments
- We (usually) only have observational data
- Makes it way to easy to reach unjustifiable conclusions

Lies My Cable News Channel Told Me

- Economic sanctions never, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, work
 - North Korea
 - Iraq
 - Cuba

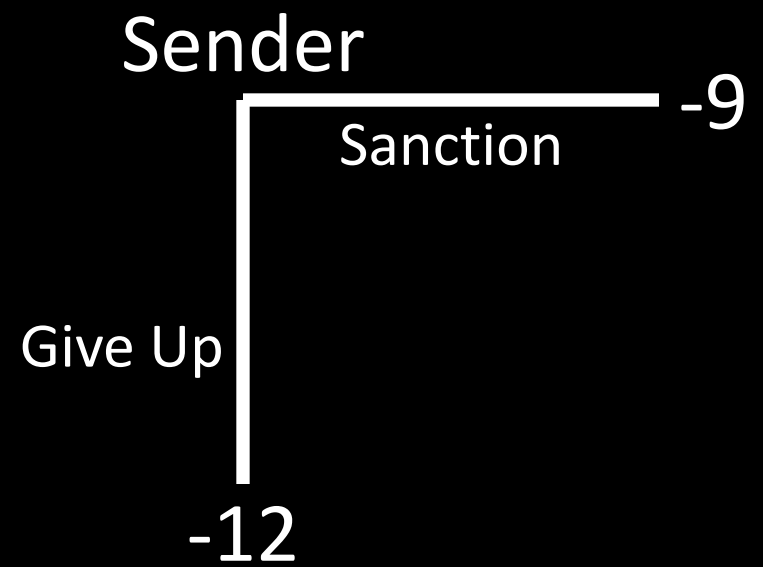
Awful Research Methodology

- *Selecting on the dependent variable*
 - Inferring the effect of x by looking exclusively at instances of x
- Proper comparison: What happens if we impose x ? What would happen if we didn't impose x ?

A recent study discovered that virtually everyone who died in the city of Pittsburgh last year had consumed large quantities of dihydrogen monoxide. Mayor Peduto has convened a panel to investigate banning it from all foods and beverages.

Selection Problem

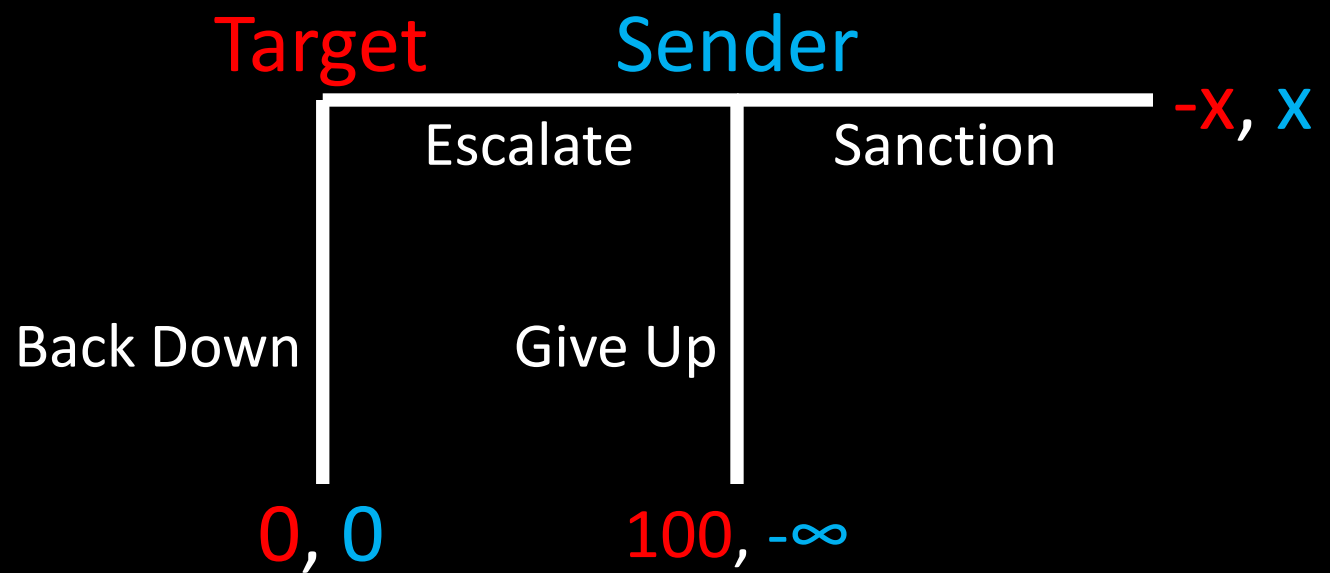
- When strategic actions determine whether outcomes appear in a dataset
 - Target's strategic decision whether to back down determines whether we observe sanctions
- Biases estimates on causal relationships
- Despite name, different from selecting on the dependent variable



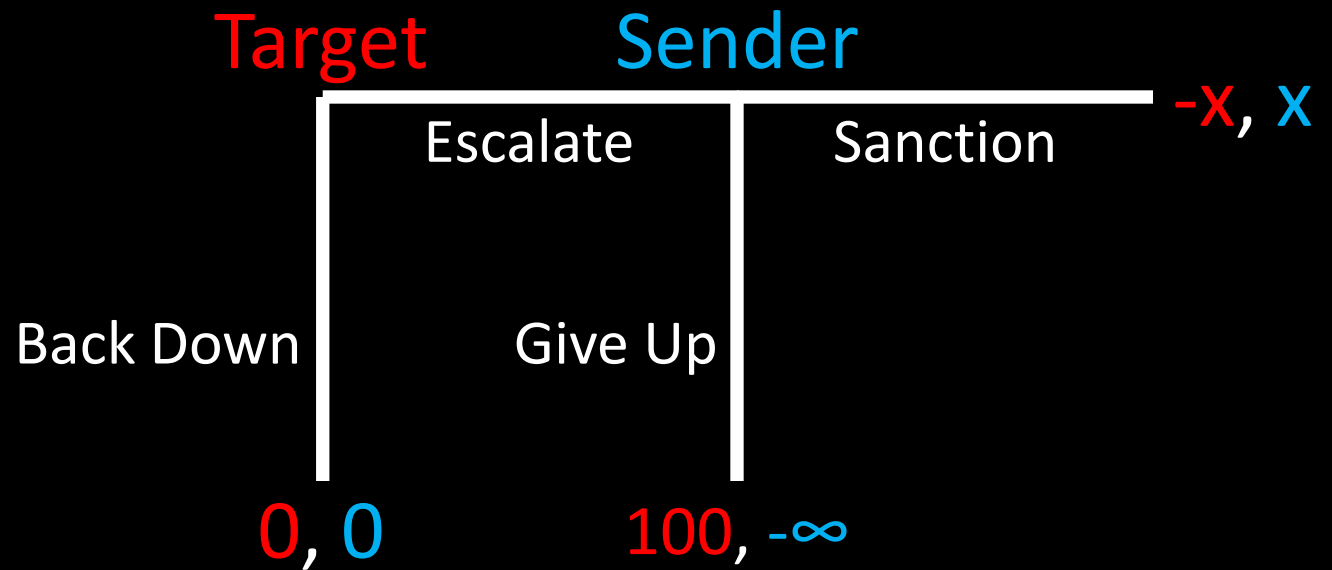
Target Acquiesces	Sender Capitulates	Stalemate	Negotiated Settlement
33.1%	30.1%	12.8%	24.0%

Lies (By Omission) My Cable News Channel Told Me

- The sanctions crisis that never occurred

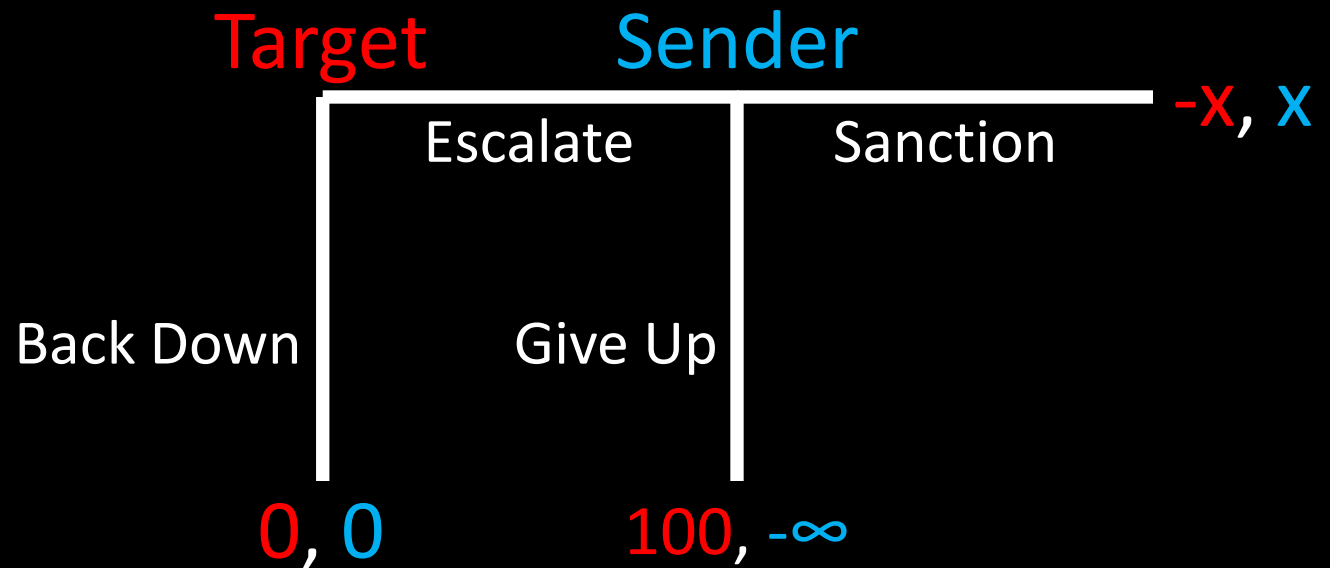


$x < 0 \Rightarrow$ Escalate, Sanction



$x < 0 \Rightarrow$ Escalate, Sanction

$x > 0 \Rightarrow$ Back Down, Sanction



It's Super Effective

- How does target respond to super effective sanctions?
- Are the sanctions that we observe the strongest sanctions in theory?

It's super
effective!

Escalation Game

Sender	Target	Sender
	Threaten	Escalate
Quit	Back Down	Give Up
		Sanction

Outline

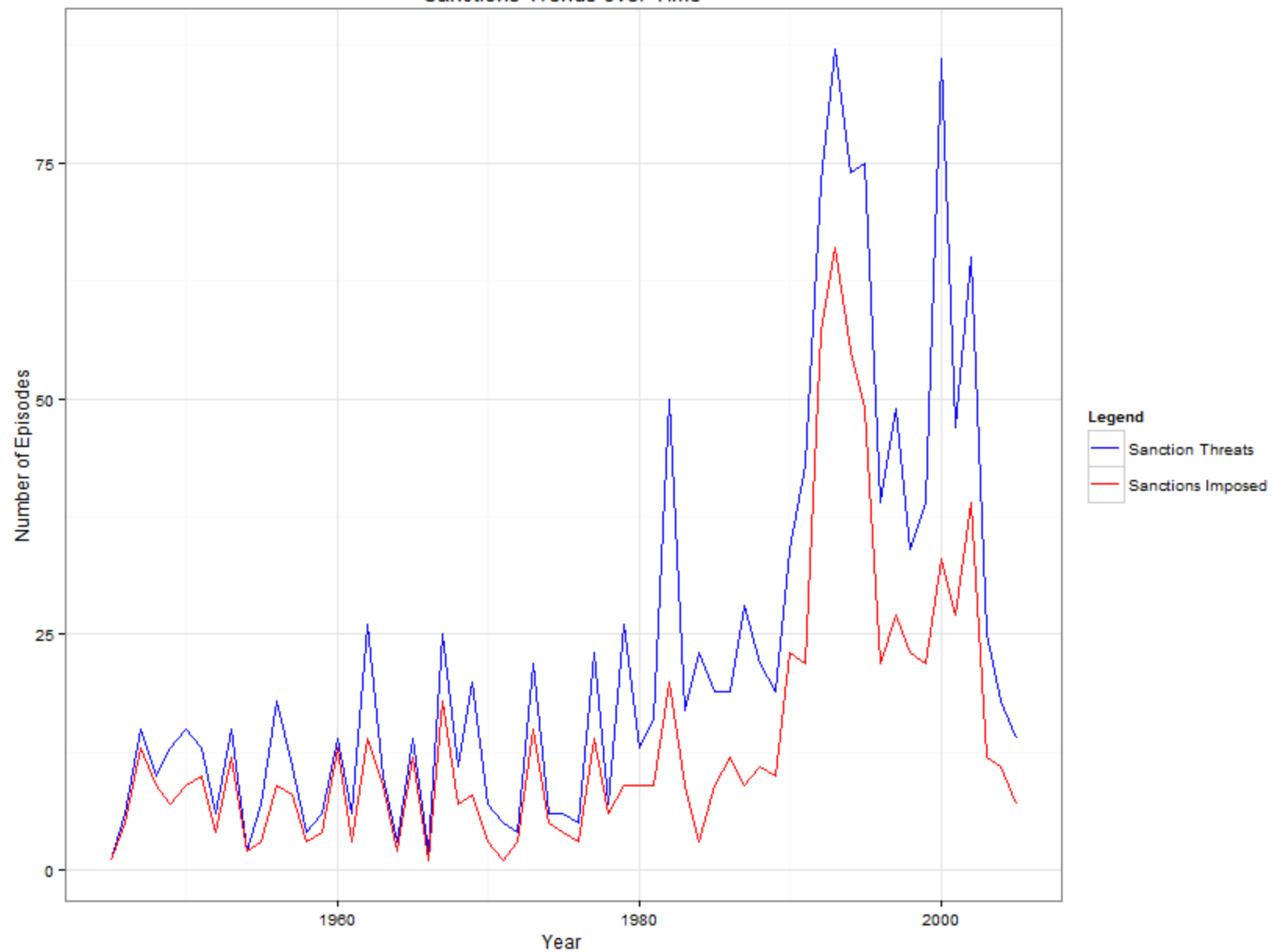
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TIES

- Threat and Imposition of Economic Sanctions database
- Created to address the selection problem
 - **Threat** and imposition
- Covers 1412 cases from 1945-2005

	Target Acquiesces	Sender Capitulates	Stalemate	Negotiated Settlement	Totals
During Threat Stage					???
During Sanctions Stage					???
Totals					

Sanctions Trends over Time



	Target Acquiesces	Sender Capitulates	Stalemate	Negotiated Settlement	Totals
During Threat Stage	19.7%	18.4%	2.2%	5.9%	46.2%
During Sanctions Stage	17.8%	16.2%	6.9%	12.9%	53.8%
Totals	37.5%	34.6%	9.2%	18.8%	100.0%

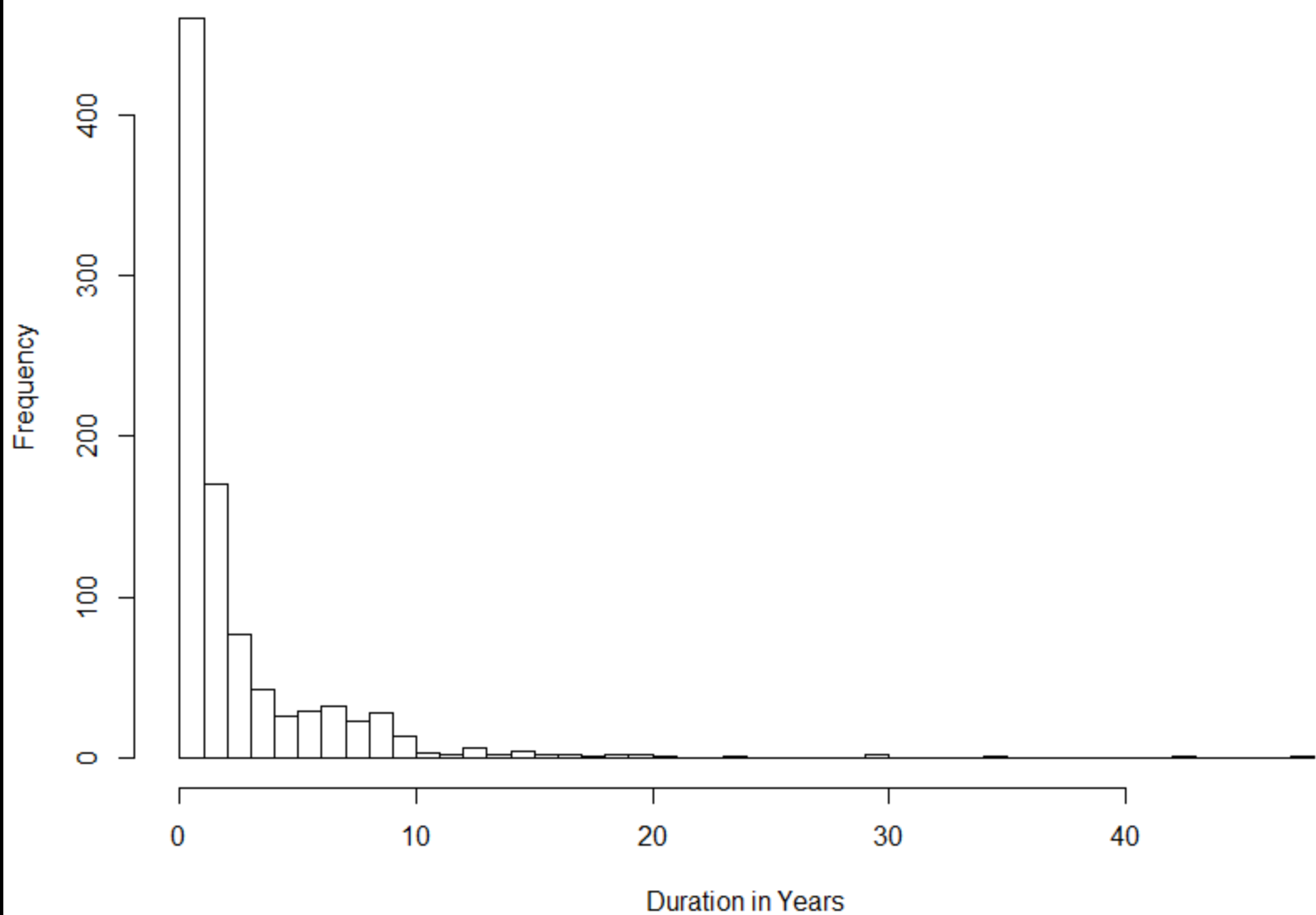
Takeaway

- Sanctions sometimes work
 - They sometimes don't
 - But no foreign policy tool that is actually implemented is completely effective
 - Certainly cheaper than other (not perfectly effective) alternatives

Lies My Cable News Channel Told Me

- Economic sanctions never, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, ever, end
 - North Korea
 - Iraq
 - Cuba

Distribution of Sanctions Duration



Takeaway

- Do not generalize from the salient cases
 - North Korea, Cuba, and Iraq are in American consciousness precisely because they are so abnormal
 - All the cases where they work don't last as long
 - Same reason we shouldn't base all our foreign policy strategy on World War I or World War II

Lies (By Omission) My Cable News Channel Told Me

- Sanctions are only about military matters

	Portion of All Episodes	Sanctions Imposed	Target Wins	Sender Wins	Negotiated Settlement
Security	???	???		???	
Human Rights	???	???		???	
Economics	???	???		???	
Environment	???	???		???	
Other					

	Portion of All Episodes	Sanctions Imposed	Target Wins	Sender Wins	Negotiated Settlement
Security	27.3%	63.9%	48.5%	39.7%	11.8%
Human Rights	???	???		???	
Economics	???	???		???	
Environment	???	???		???	
Other					

	Portion of All Episodes	Sanctions Imposed	Target Wins	Sender Wins	Negotiated Settlement
Security	27.3%	63.9%	48.5%	39.7%	11.8%
Human Rights	5.9%	54.8%	52.9%	37.1%	10.0%
Economics	???	???		???	
Environment	???	???		???	
Other					

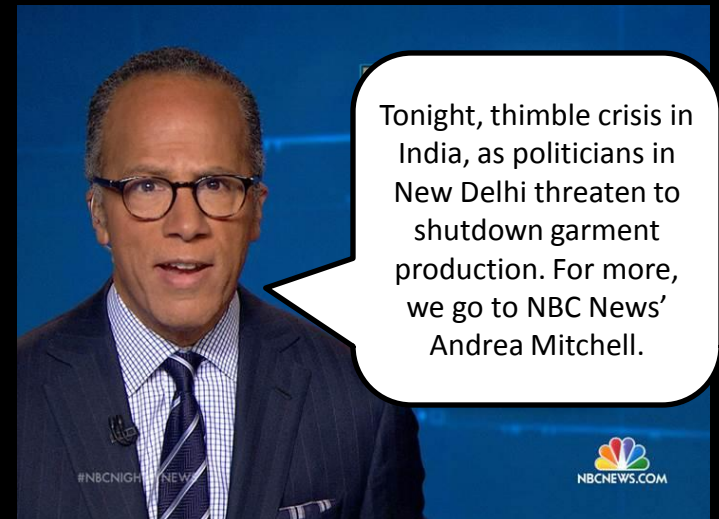
	Portion of All Episodes	Sanctions Imposed	Target Wins	Sender Wins	Negotiated Settlement
Security	27.3%	63.9%	48.5%	39.7%	11.8%
Human Rights	5.9%	54.8%	52.9%	37.1%	10.0%
Economics	55.0%	60.1%	38.6%	32.5%	28.9%
Environment	???	???		???	
Other					

	Portion of All Episodes	Sanctions Imposed	Target Wins	Sender Wins	Negotiated Settlement
Security	27.3%	63.9%	48.5%	39.7%	11.8%
Human Rights	5.9%	54.8%	52.9%	37.1%	10.0%
Economics	55.0%	60.1%	38.6%	32.5%	28.9%
Environment	3.3%	53.2%	11.6%	55.8%	32.6%
Other					

	Portion of All Episodes	Sanctions Imposed	Target Wins	Sender Wins	Negotiated Settlement
Security	27.3%	63.9%	48.5%	39.7%	11.8%
Human Rights	5.9%	54.8%	52.9%	37.1%	10.0%
Economics	55.0%	60.1%	38.6%	32.5%	28.9%
Environment	3.3%	53.2%	11.6%	55.8%	32.6%
Other	8.5%	51.7%	57.8%	42.2%	0.0%

Takeaway

- Sanctions usually aren't about security issues
- Economic disagreements account for a majority of sanctions episodes
 - We never hear about them because trade issues involving thimble production isn't sexy enough to make it on the evening news



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Incentives to Misrepresent

- Weak actors want to pretend they are strong
- If easy to do, impossible to communicate actual preferences
 - Talk is cheap
- Leads to inefficient behavior
 - Good outcomes for weaker types
 - Bad outcomes for stronger types
 - Bad outcomes for opponents

Costly Signals

- Not all means of communication are easy





Costly Signals

- Not all means of communication are easy
- A *costly signal* is a signal that some types can't or are unwilling to pay
 - Credibly reveals types
 - Allows opponent to properly calibrate its decision
 - Only useful when there is incomplete information

Sanctions as Signals

- Uncertainty about sender's resolve?
- Sanctions are costly for sender
- Reveals that sender cares about the issue
 - An actor that does not care about the issue would not be willing to pay the cost
 - Allows opponent to update its belief about opponent's resolve
- Sanctions are inefficient but *less* inefficient

Outline

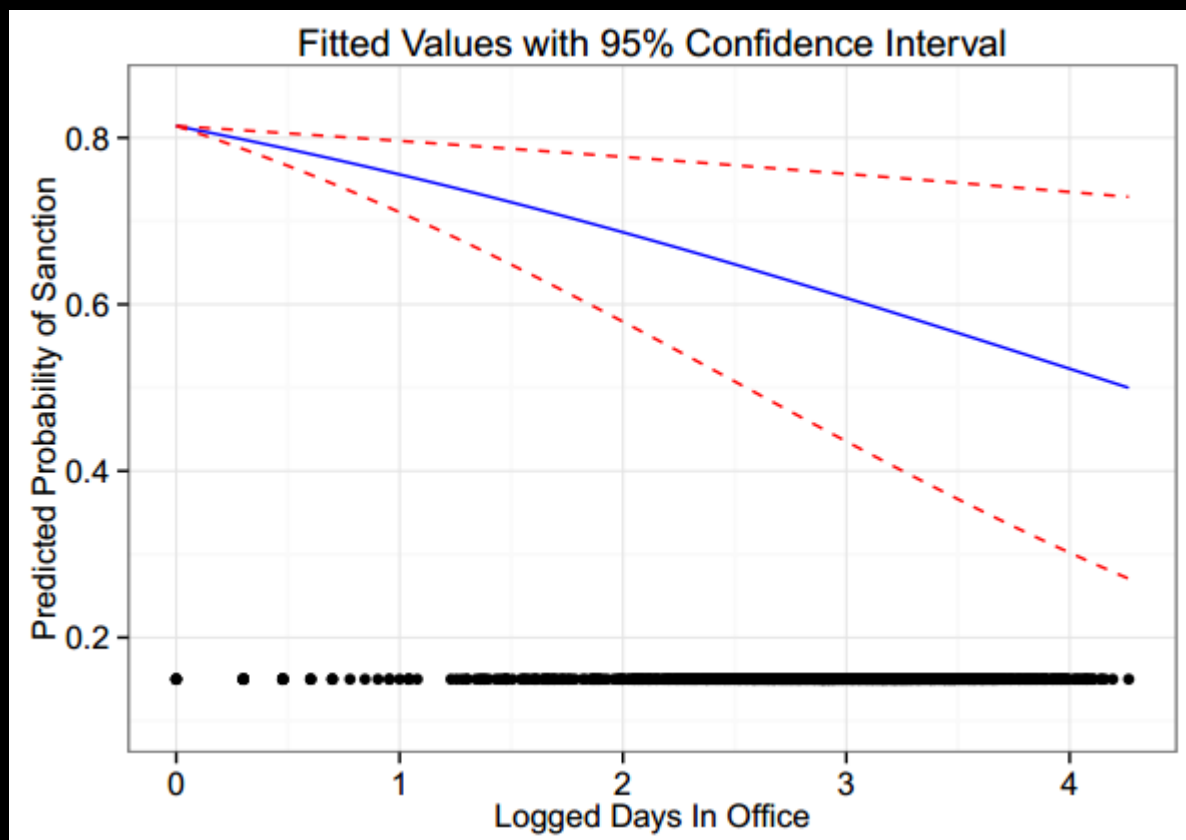
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More Uncertainty

- Uncertainty goes both ways
 - Sender's resolve?
 - Target's ability to weather sanctions?

Targeting Leaders

- Sanctions often target leader's winning coalition
 - Switch loyalties, topple from power
 - Assassinate?
 - Pressure leader to give up before those outcomes
- When do we know more about a leader's winning coalition and vulnerabilities?



Targeting Leaders

- Is it easier to identify winning coalitions and vulnerabilities in democracies or autocracies?

Predicted Probabilities, Interaction Model

