PS 0500: Economic Sanctions

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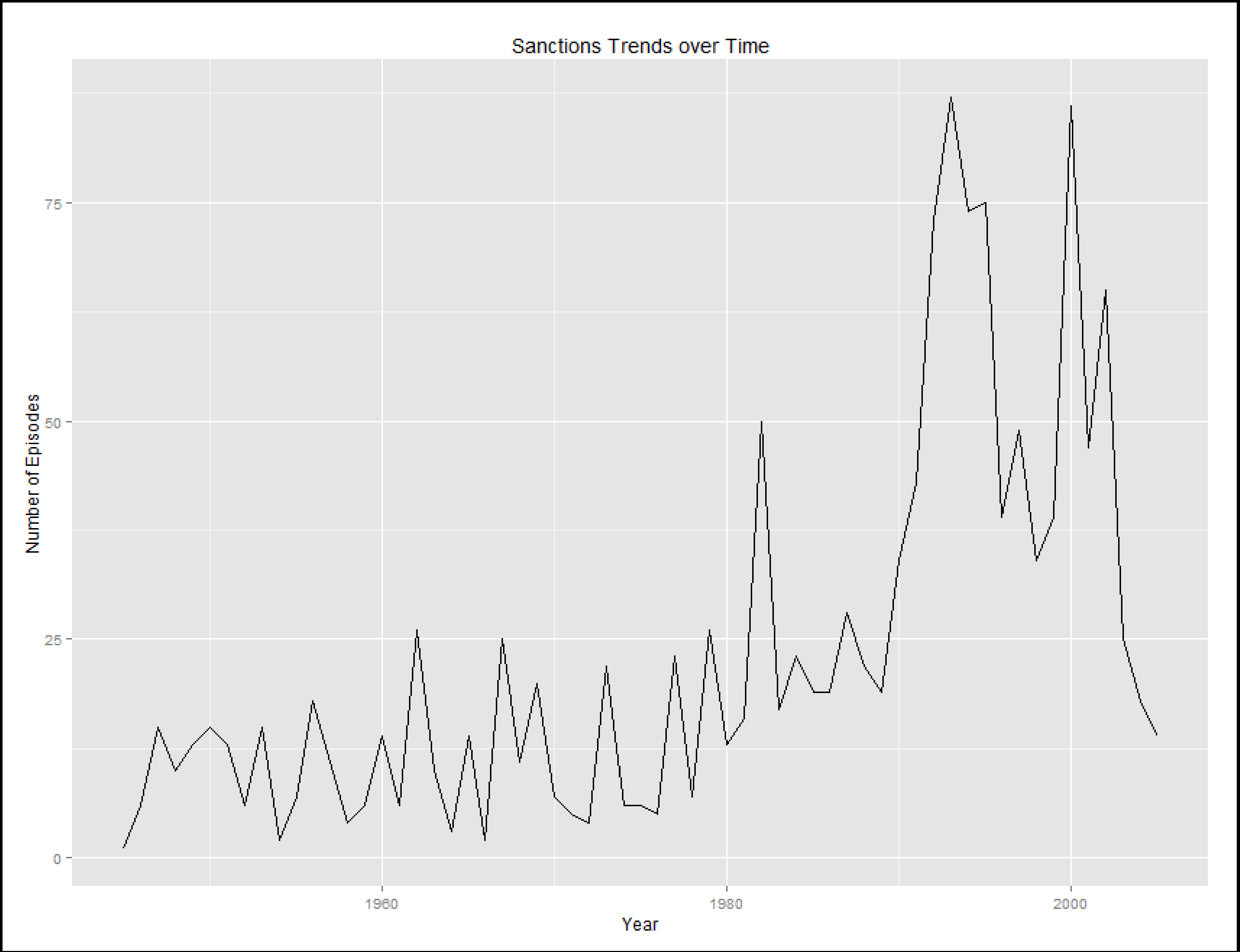
Outline

- 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
Number of Episodes
75
50
25
0
1960
1980
2000
Year

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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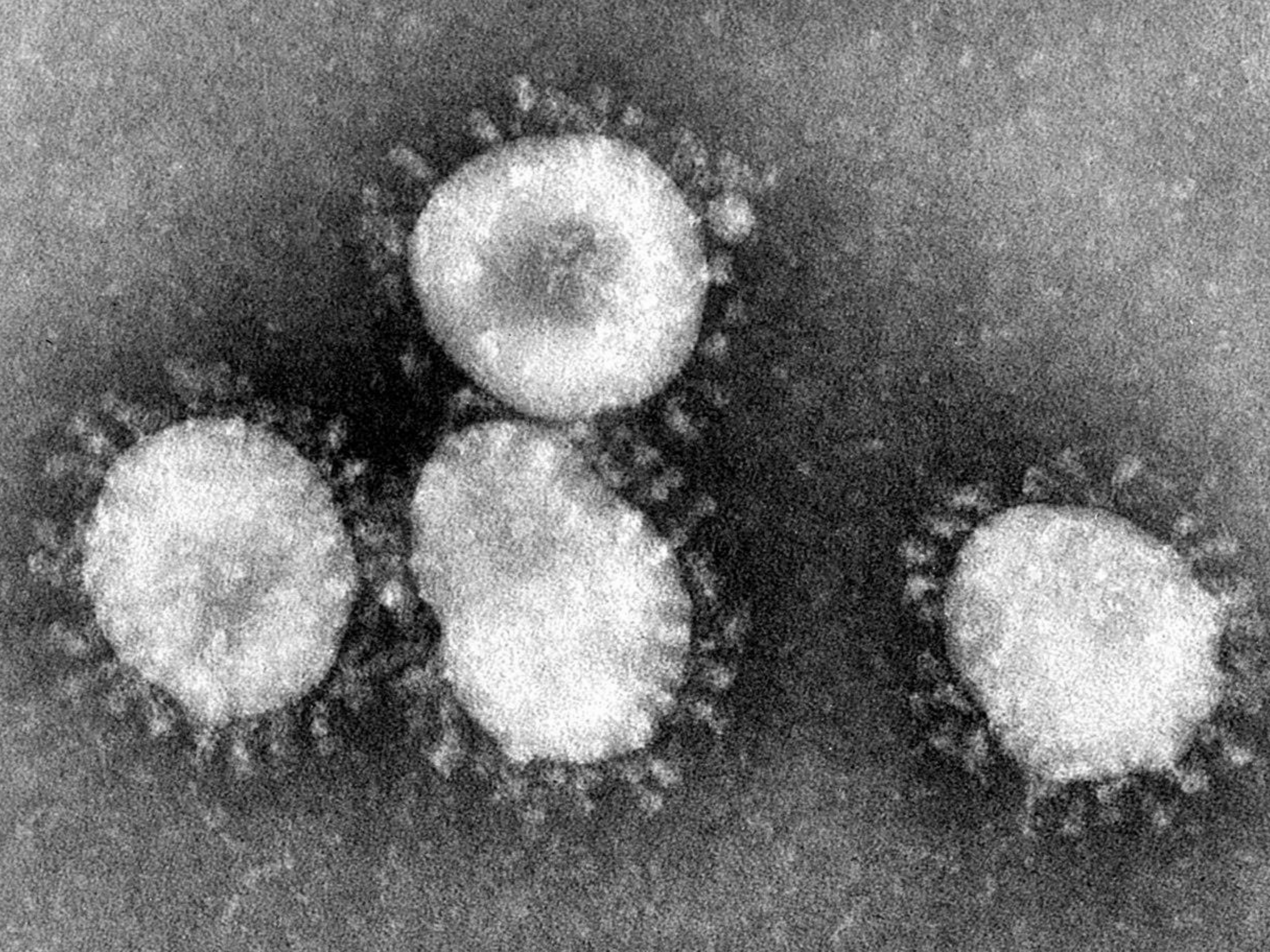
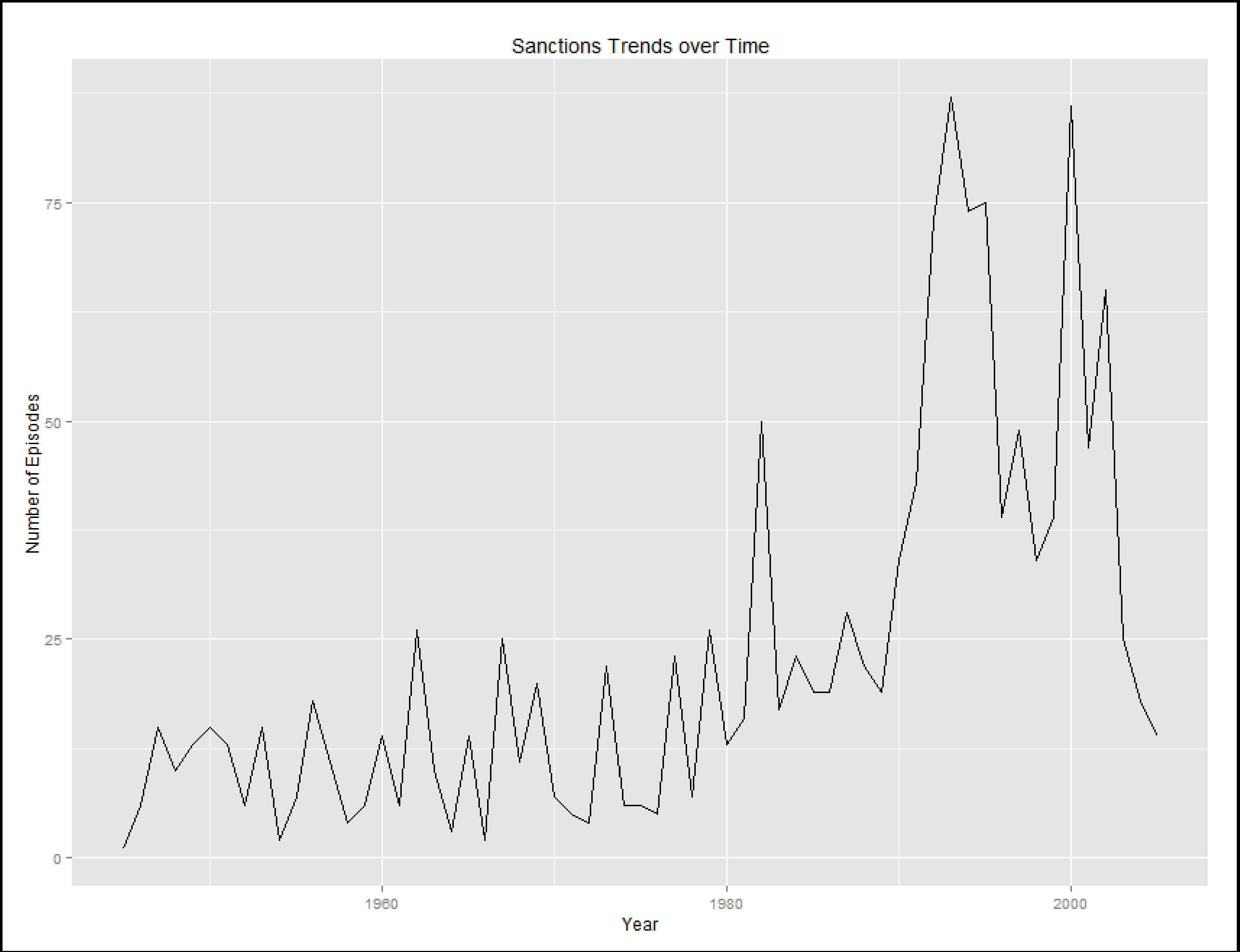
Data Problems

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



Vaccinated	Not Vaccinated
	


Ukraine
France
Austria
Italy
Serbia
Black Sea
Kazakhstan
Spain
Greece
You Get A Sanction!
Turkey
Turkmenistan
Tunisia
Mediterranean Sea
Syria
North Atlantic Ocean
Morocco
Iraq
Jordan
Iran
Algeria
Libya
Egypt
Persian Gulf
Pakistan
You Get A Sanction!
Western Sahara
Saudi Arabia
Nepal
You Get A Sanction!
Oman
India
Red Sea
Mauritania
Mali
Niger
You Get A Sanction!
Sudan
Chad
Eritrea
Yemen
Senegal
You Get A Sanction!
The Gambia
Burkina Faso
Djibouti
Arabian Sea
You Get A Sanction!
Guinea
You Get A Sanction!
Nigeria
Togo
Ethiopia
Sierra Leone
You Get A Sanction!
Central African Republic
South Sudan
Sri Lanka
Liberia
You Get A Sanction!
Cameroon
Gulf of Guinea
Somalia
Equatorial Guinea
Uganda
Kenya
You Get A Sanction!
Gabon
DRC
Rwanda
Burundi
You Get A Sanction!
Tanzania
Angola
Zambia
Malawi
Indian Ocean
You Get A Sanction!
Zimbabwe
Madagascar
Botswana
South Atlantic Ocean
Eswatini
South Africa
3D
Google
100%
Google Data SIO, NOAA, U.S. Navy, NGA, GEBCO Landsat / Copernicus...
1,000 km
Camera: 13,613 km 1°53'36"N 19°38'25"E


Sanctions Trends over Time
Number of Episodes
0
25
50
75
1960
1980
2000
Year


Austria
Ukraine
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Greece
Spain
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Google Data SIO, NOAA, U.S. Navy, NGA, GEBCO Landsat / Copernicus...
1,000 km
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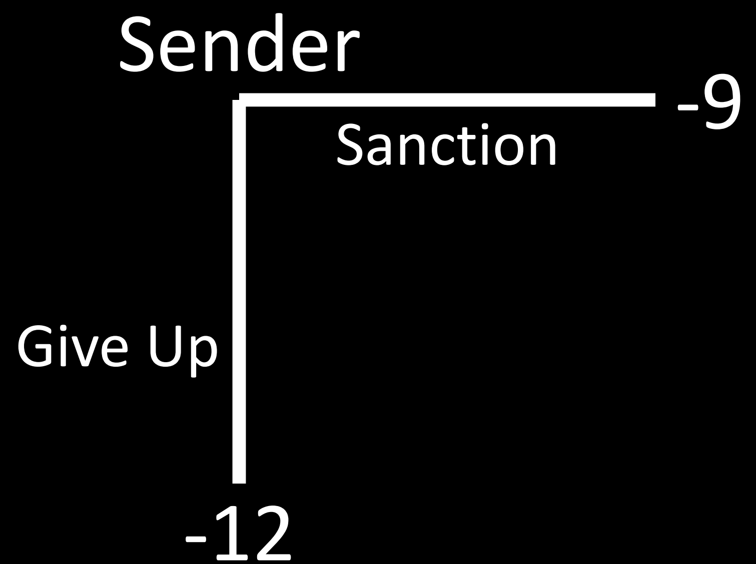
Selection Problem

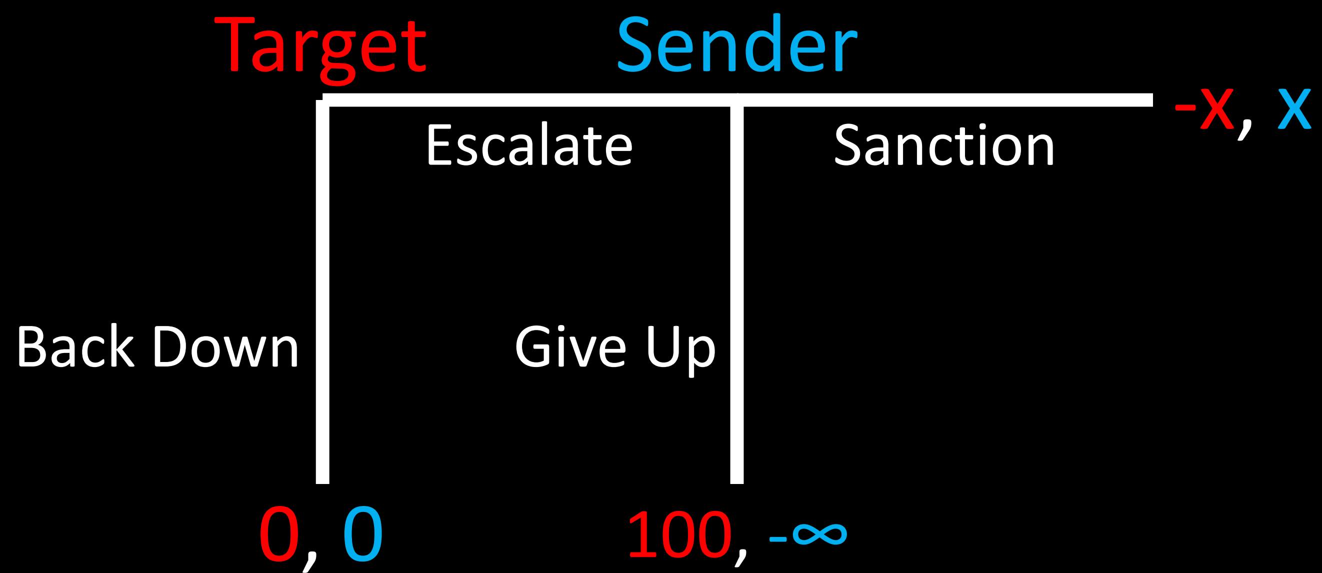
- When strategic actions determine whether outcomes appear in a dataset
  - Target's strategic decision whether to back down determines whether we observe sanctions
- Biases estimates on causal relationships


Sender
-9
Sanction
Give Up
-12

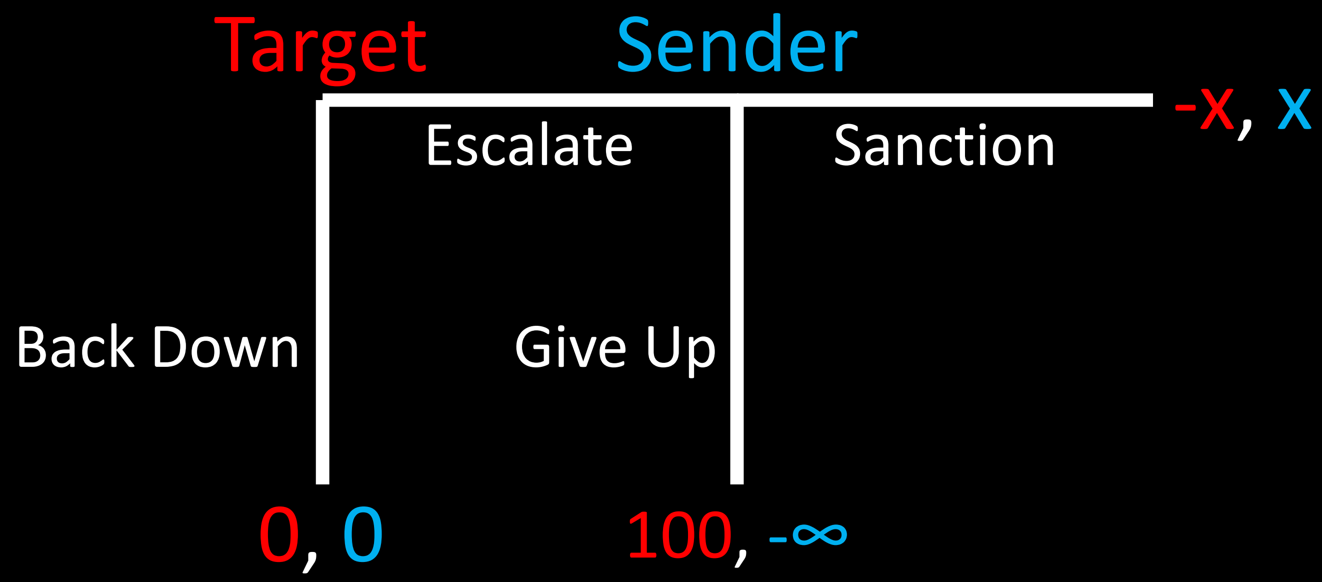
Target Acquiesces	Sender Capitulates	Stalemate	Negotiated Settlement
33.1%	30.1%	12.8%	24.0%

Lies (By Omission) My Cable News Channel Told Me

- The sanctions crisis that never occurred

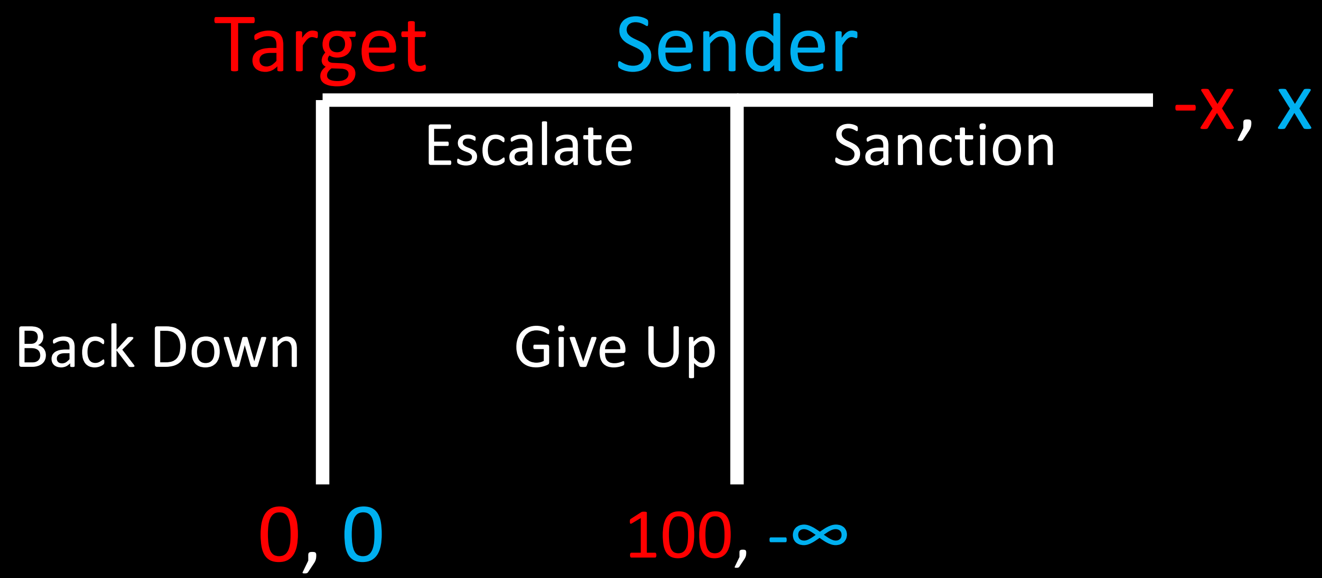

Target
Sender
-x, x
Escalate
Sanction
Back Down
Give Up
0, 0
100, -∞

$x < 0 \Rightarrow$ Escalate, Sanction



$x < 0$ => Escalate, Sanction

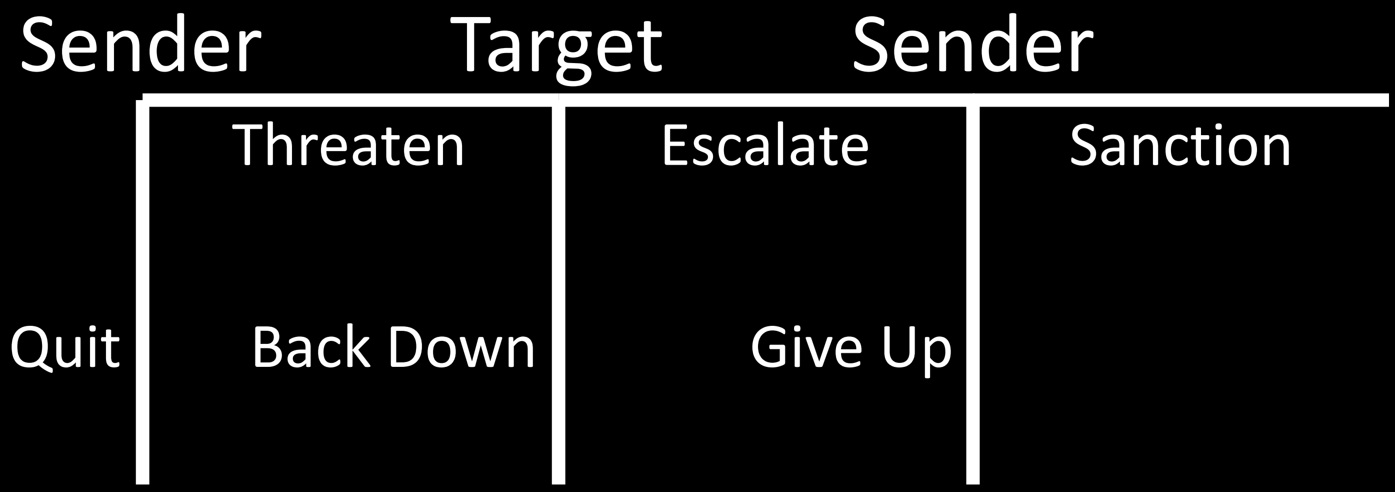
$x > 0$ => Back Down, Sanction



It’s Super Effective

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

Escalation Game



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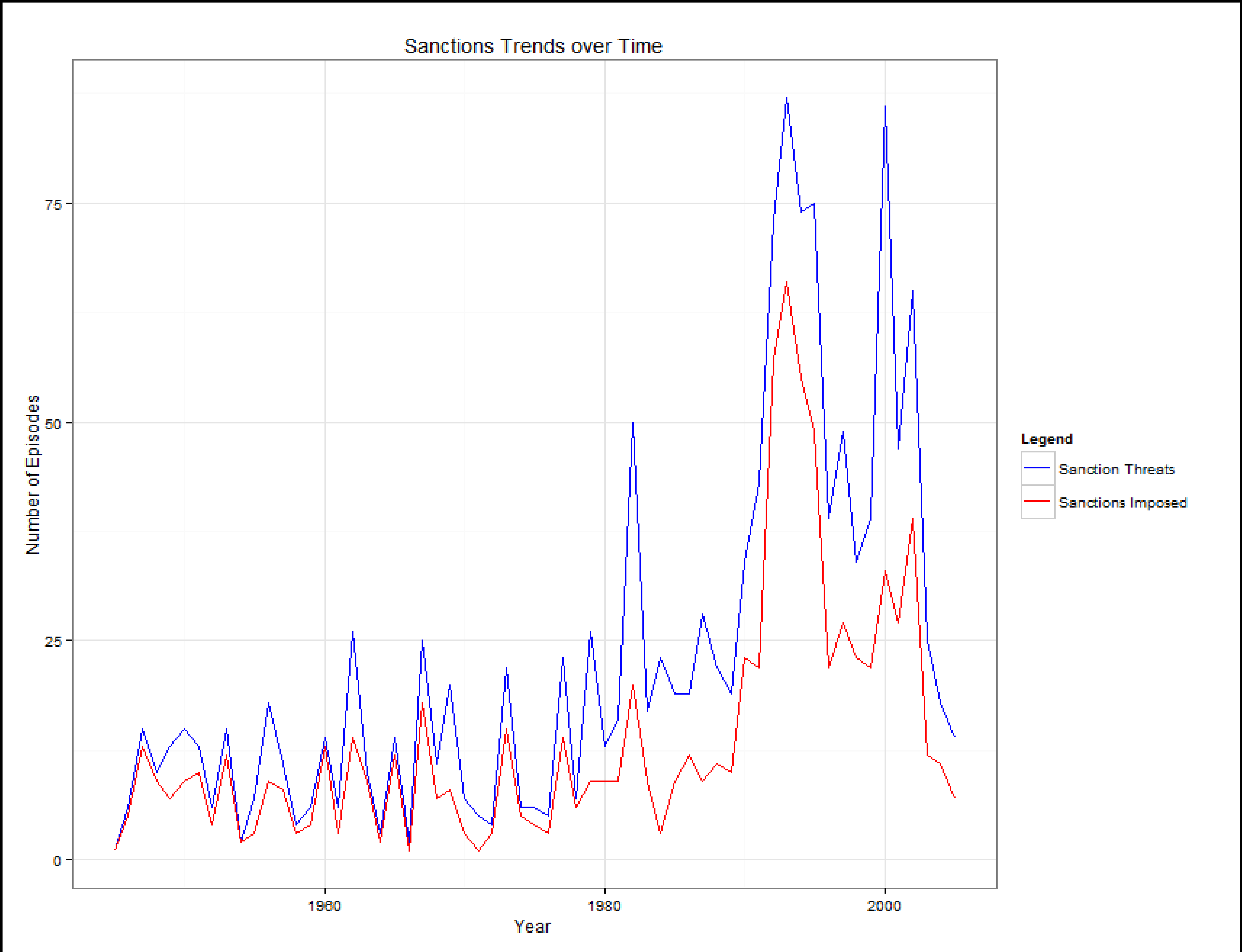
TIES

- 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
Number of Episodes
75
50
25
0
1960
1980
2000
Year
Legend
Sanction Threats
Sanctions Imposed

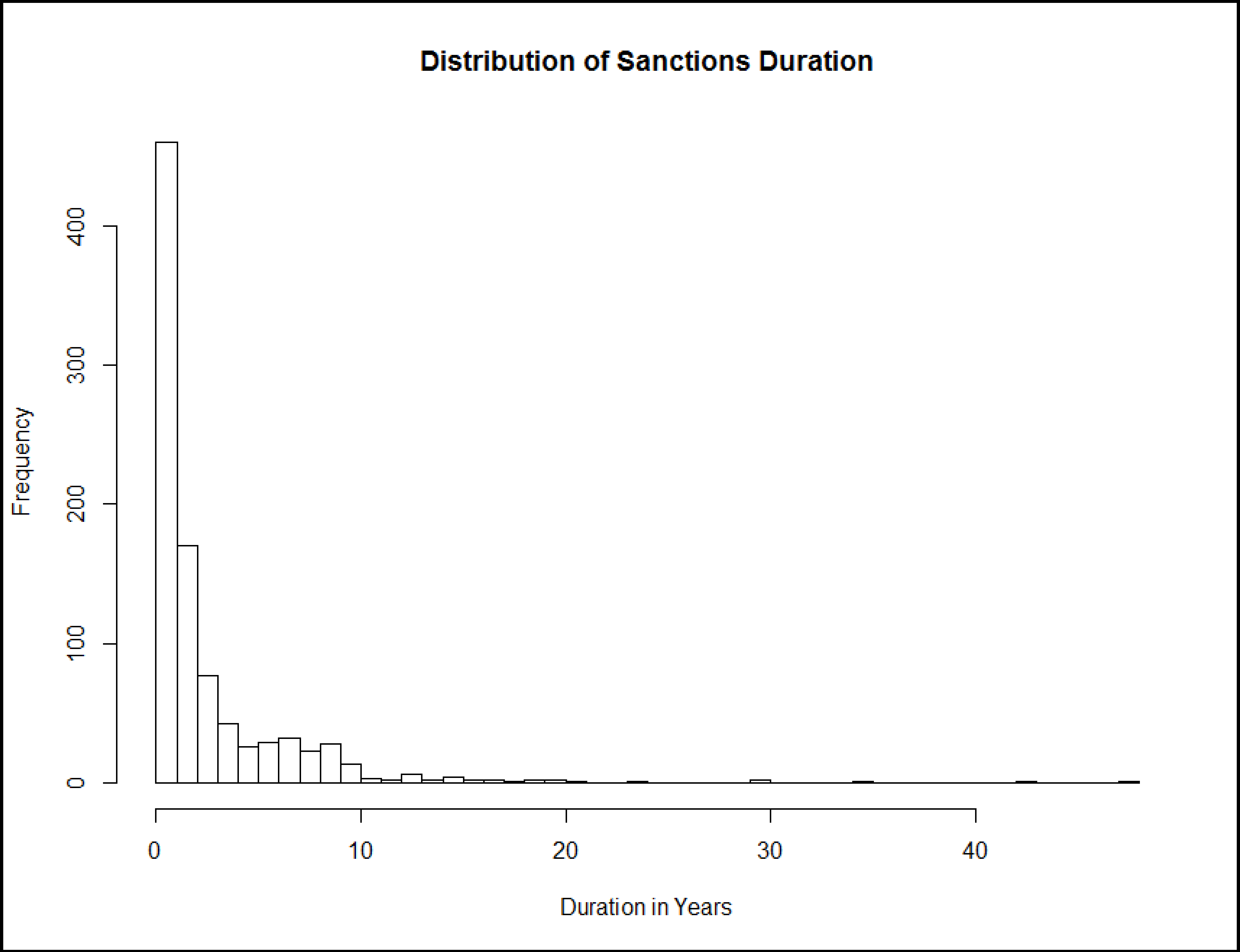
	Target Acquiesces	Sender Capitulates	Stalemate	Negotiated Settlement	Totals
During Threat Stage	19.7%	18.4%	2.2%	5.9%	46.2%
During Sanctions Stage	17.8%	16.2%	6.9%	12.9%	53.8%
Totals	37.5%	34.6%	9.2%	18.8%	100.0%

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, end
  - North Korea
  - Iraq
  - Cuba



Distribution of Sanctions Duration
Frequency
0
100
200
300
400
0
10
20
30
40
Duration in Years

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					

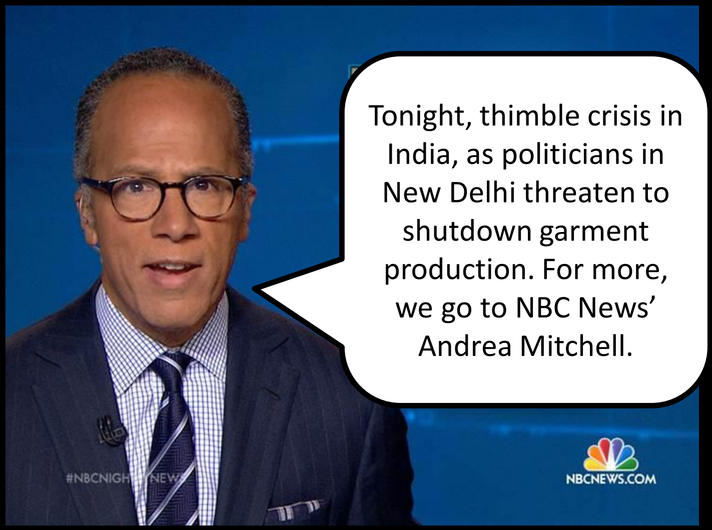
	Portion of All Episodes	Sanctions Imposed	Target Wins	Sender Wins	Negotiated Settlement
Security	27.3%	63.9%	48.5%	39.7%	11.8%
Human Rights	5.9%	54.8%	52.9%	37.1%	10.0%
Economics	55.0%	60.1%	38.6%	32.5%	28.9%
Environment	**???**	**???**		**???**	
Other					

	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 don't often hear about them because trade issues involving thimble production doesn't make for compelling television



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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

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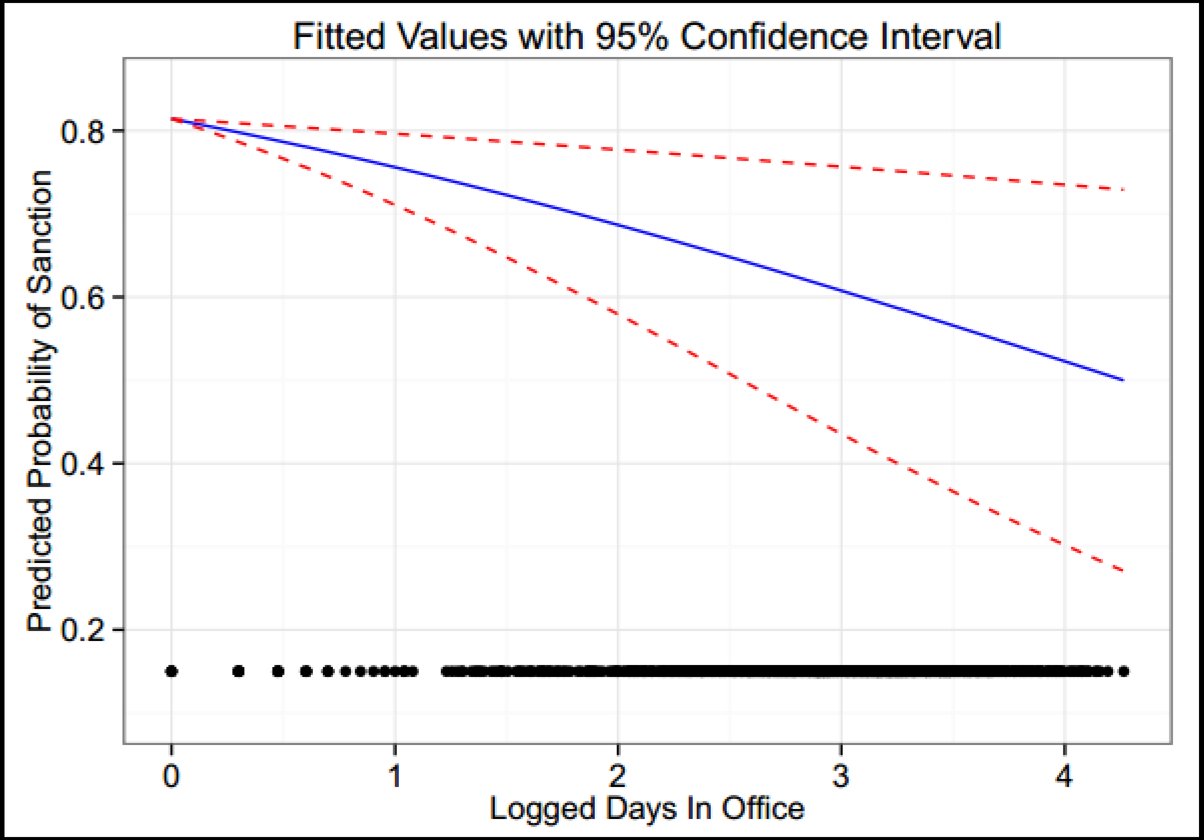
More Uncertainty

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

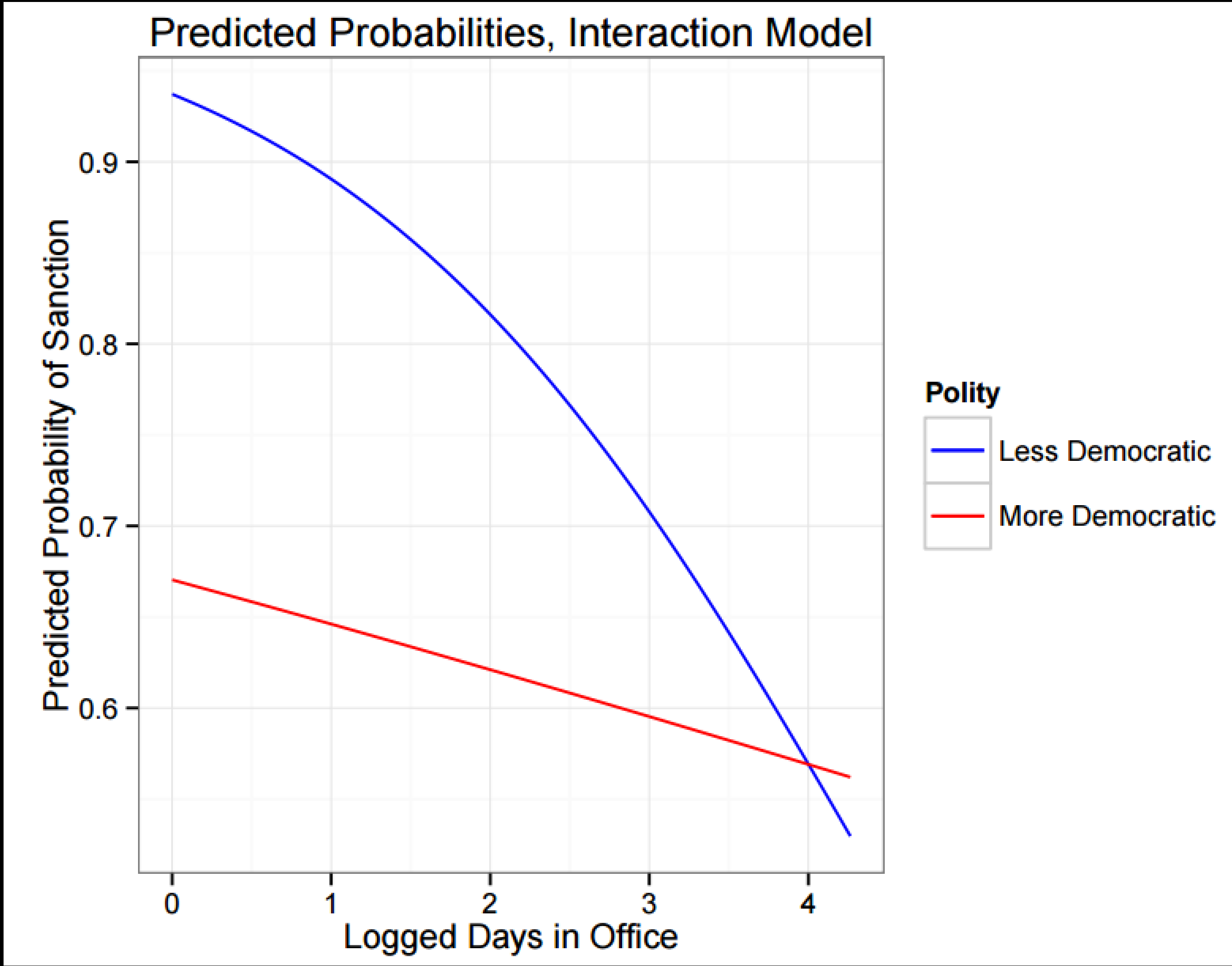
Targeting Leaders

- 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?


Fitted Values with 95% Confidence Interval
Predicted Probability of Sanction
0.8
0.6
0.4
0.2
0
1
2
3
4
Logged Days In Office

Targeting Leaders

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



Predicted Probabilities, Interaction Model
Predicted Probability of Sanction
0.9
0.8
0.7
0.6
0
1
2
3
4
Logged Days in Office
Polity
Less Democratic
More Democratic