

## **Resilience to Sanctions**

### **A Case Study Regarding Gender**

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#### **Abstract**

This paper reports the results of a randomized experiment that seeks to identify the cause of the failure of sanctions. Most sanctions are ultimately employed as a psychological-economic device. They are meant to adversely affect the opinion of the people of a country, thereby putting pressure on the government to change course. We propose and empirically test the hypothesis that a reduction of welfare has a different effect when it is attributed to an out-group versus an in-group agent. We find that when economic failure is believed to have been brought about by an outsider, it actually solidifies the position of the leader. There is, moreover, no statistically significant difference in the reactions across genders. The study draws on insights from the sociology of group identity to propose an answer to an old question in political economy.

**Keywords:** sanctions, gender, political economy, psychological-economic

## Introduction

Do sanctions work? This question has baffled researchers for decades. Generally it is accepted that sanctions have a history of failure. Support for economic coercion in the literature has vacillated over time, but the highest success rate attributed to the policy is 35% (Hufbauer et al. 2007).

Moreover, even these relatively low rates of success have been the subject of controversy (Pape 1997). Although a wealth of studies have tackled the question of economic coercion, the diagnosis of the failure of sanctions has attracted relatively little attention. Most studies steer clear of the question of why sanctions fail and are instead limited to the questions of whether and to what extent. We assume the generally accepted negative answer to the question of whether sanctions work and investigate the cause.

This paper reports the results of a randomized experiment that seeks to identify the cause of the failure of sanctions. We propose and empirically test the following hypothesis. A reduction of welfare has a different effect when it is attributed to an out-group versus an in-group agent. While in the latter case it tends to decrease support for the leadership of one's group, in the former it is likely to increase support for the leadership. We use the terms out-group and in-group in the sense used in sociology and social psychology (Tajfel 1970; Tajfel et al. 1971a; Tajfel et al. 1971b; Tajfel 1974). Put simply, when economic failure is believed to have been brought about by an outsider, it actually solidifies the position of the leader.

We find that sanctions defeat the purpose. When a group leader's ability to distribute money is blocked by a member of that same group, tendency to oust the leader rises by 0.25. However, when the leader's ability to distribute the same amount of money is blocked by the leader of another group, tendency to oust the leader declines by 0.38. While in the control group economic failure tends to decrease support for the leadership, in the treatment group it solidifies the position of the leader. This finding questions much of the practice and part of the theory of sanctions.

Most sanctions are ultimately employed as a psychological device. They are meant to adversely affect the opinion of the people of a country, and make them less supportive of their government. Even authoritarian leaders cannot rule merely by relying on force (Wang 2015, 5). By decreasing support and putting popular pressure on the governments, the coercer hopes to compel the target to change course. This means that whatever economic effect they may have needs to be translated into a psychological effect in order to bring about the desired political outcome. Thus, most sanctions could be considered an economic independent variable aimed at a psychological dependent variable. An exception is sanctions aimed at military impairment, which are not concerned with popular opinion (McCormack & Pascoe 2017; Monteiro & Debs 2020).

The anatomy of a typical sanction could, therefore, be dissected into three intended causal links. First, sanctions adversely affect the economy. Second, the diminished welfare adversely affects people's opinion of their leaders. And third, popular discontent compels leaders to change course. In short, from sanctions to economy, from economy to psychology, and from psychology to politics.

The first link, i.e. the effect of sanctions on the economy of a country is well researched and more or less known. Economic theory and empirical studies verify that sanctions usually have the assumed effect on the volume of trade and hence welfare (footnote on Yugoslavia). The connection between popular opinion and leaders' rise and fall has also been the subject of considerable scrutiny. The missing link in the literature is the leap of faith from economy to psychology.

The closest that some studies get to this is vague references to a possible "rally round the flag" effect, which is sometimes mentioned as a side note rather than part of the main mechanism through which sanctions are supposed to have the intended effect. Moreover, the amorphous idea of a rally round the flag effect has, to the best of my knowledge, never been formulated as an empirically verifiable hypothesis, much less to be put to test.

To clarify what a rally around the flag is, it is essential to know what it is not. There are a few other reasons to suspect that sanctions may not have the intended effect.

Some argue that rulers can isolate themselves from the adverse effects, shifting the suffering to ordinary people (Hufbauer 2007, 29). Others contend that even if economic pressure is successfully transferred to governments, modern states are too resilient to be overthrown by economic pressure (Pape 1997). What these arguments effectively say is that sanctions may not be sufficient to compel a government to change behavior.

We are not concerned with these cases. Regardless of whether it generates enough pressure to change the government's behavior, popular opposition is considered by most researchers and policy makers to be an intended outcome of many sanctions. This is the causal link that we examine. This study investigates the question of whether sanctions succeed at least in the sense of getting a population to oppose its government.

This study contributes to the literature on sanctions by investigating the causal link between sanctions and support for governments. The finding that a reduction in welfare caused by an out-group agent is unlikely to reduce support for leadership casts doubt on the policy and theory of sanctions. Although many studies have pointed to the failure of sanctions, the cause of this failure is not identified. We seek to hypothesize a cause and empirically test it.

The study also contributes to the literature on opinion formation and persuasion (e.g. Monroe et al. 2000; Transue 2007; Akerlof & Kranton 2010, Kinder & Kam 2010, Bolsen et al. 2014). While this is among the most extensively researched subjects, little work has been done on whether in-group and out-group sources of economic change have a different effect on opinion formation. My findings contribute to this body of work by bridging the gap between studies of economic coercion and the literature on identity.

The findings also speak to the literature in behavioral economics that empirically studies the assumptions of neo-classical economics. We show that preference satisfaction is not merely a function of shifts in the budget constraint. Who is believed to be the source of that shift plays a significant role in determining whether people support the status quo.

The results, moreover, relate to the literature in evolutionary sociology. The question of whether traits like loyalty and resistance to

out-group pressure differ across sexes remains unsettled. The most recent and large-scale study on the subject finds that sex differences in loyalty and authority are small in size and highly variable across cultural contexts (Atari et al. 2020). My laboratory results confirm this observational study. We find no statistically significant difference in the reactions across genders.

The paper continues as follows. Section I briefly reviews what the literature on economic coercion has so far found. Section II explains the design of the experiment and presents the results. Section III critiques the limitations of the study and concludes.

## I. What We Know

Research on economic coercion began with pessimism. In the 1960s and 70s, it was generally agreed that sanctions are ineffective (Galtung 1967; Doxey 1971; Knorr 1975; Losman 1979). The next decade of scholarship was critical of this assessment. Critics argued that the failure of a few major cases, e.g. Cuba or Ethiopia, had reflected on scholars' opinion of all sanctions (Rogers 1996, p. 72; Daoudi 1983; Carter 1988; Martin 1992, p. 250; Kirschner 1995, p. 166). Yet even these studies did not claim that sanctions were successful in most cases.

Given the continued use of sanctions in the face of failure, some sought to propose alternative motives. Kaempfer and Lowenberg (1988) argue that sanctions are meant to appease domestic interest groups. Others proposed that sanctions play a signaling role, communicating resolve (Dorussen and Mo 2001; Lektzian and Sprecher 2007).

With the advent of the age of information, some started to use large data sets to decipher the riddle of sanctions. Hufbauer et al (2007) conducted a major study of post-war sanctions which ascribed a 35% success rate to the policy. Some argue that they have exaggerated the role of sanctions in eliciting the demands of countries that imposed them (Pape 1997). Marinov (2005) used one of these large-N datasets to question the methodology of all prior studies.

Finally, another strand of the literature has used formal models to analyze sanctions and their effectiveness. This is a heterogeneous set of studies that are only united by their game-theoretic method. While some take up the question of the effectiveness of sanctions per se, others concern a specific group of sanctions (Drezner 1999). Sanctions aimed at military impairment are an example of these studies (McCormack & Pascoe 2017; Monteiro & Debs 2020; Bapat & Kwon 2014).

For all their merits, none of these works have examined the psychological effect of economic coercion on the people it is meant to motivate to oppose their government.

## II. Experiment

162 subjects took part in the study. 66 of them were male and 96 were female. Some aspects of the experiment were revealed to subjects and some were not. The subjects were told that the experiment was a multiple shot game with an unknown number of rounds. Subjects were divided into two groups. This division did not have anything to do with the division into the treatment and control groups.

Subjects were, furthermore, told that in each round every participant could be given 500,000 IRR (~ \$2) by the randomized leader of the group. The money was more than 1% of the estimated per capita income of the average Iranian per year (Khandoozi 2020).

No tasks needed to be performed to receive the money. The subjects were informed, however, that the leader's attempt to distribute the money to them could be blocked. The leader of each of the two groups has the option to prevent the other from distributing resources. A randomly-selected member of one's own group also has this option. That is, she can block the distribution of money to their own group. If the blocking option is exercised, participants will receive nothing.

Subjects were indeed divided into two groups, but which group each person fell into was inconsequential. One might as well conduct

the same experiment without the division. However, since as part of the prompt, participants were told that they were divided into two groups, the division was done merely to maintain honesty and minimize deception.

Part of the structure of the experiment was not revealed to subjects. Although the number of rounds was not known, in reality there were only two rounds. And only the first round was relevant to the study. The second round was there to reward subjects for their participation. Moreover, leaders of the two groups, and the group member who could block their own leaders' attempt, were dummies. The decisions were already made. At the end of the first round, all subjects were told that the leader's attempt was blocked. And at the end of the second round, they were all given the money. Note that none of this is inconsistent with the information provided to subjects. The information available to participants was incomplete but not incorrect.

The single-shot nature of the game was kept secret to avoid game-theoretic unraveling. In the real world, individuals' reaction to sanctions is in part shaped by their expectations of future actions of their leaders and their enemies (Drezner 1999). To simulate such expectations, it was essential to conceal the number of rounds.

Subjects in both the active and control treatments were given two prompts. The first prompt was given before the treatment was administered. That is, the same prompt was given to both. This pre-treatment prompt was meant to measure subjects' baseline tendency to oppose the leadership when facing the risk of welfare loss. That is, it recorded their tendency to oust the leader when her failure to deliver resources was known but before it was attributed to either in-group or out-group sources. Afterwards the treatment prompt was administered. The active and control treatments revealed the source of the leader's failure as the pressure of an out-group and an in-group agent respectively.

The active treatment was the following prompt.

The leader of the other group has decided to block the distribution of resources to you. If you change the leader it is more likely that she

agrees with the distribution. Would you vote to maintain the leader or change her?

The control treatment was the following prompt.

One of your group members has decided to block the distribution of resources to you. If you change the leader it is more likely that she agrees with the distribution. Would you vote to maintain the leader or change her?

The use of gender-specific English pronouns may admittedly trigger certain reactions, positive or negative, in some people. It should be noted, however, that prompts were in Persian and Persian is a gender-neutral language.

Votes were recorded as a binary variable indicating whether each subject chose to change the leadership before the source of failure was revealed and afterwards.

### *Results*

Responses to the pretreatment prompt suggest that the position of the leader was insecure to begin with due to her failure to deliver the promised money. In the control and treatment groups 0.57 and 0.65 of the subjects opposed the leader respectively. The difference is negligible given the small sample size.

	Control	Treatment
Opposition Pre-Treatment	0.57 (0.095)	0.65 (0.095)
Opposition Post-Treatment	0.82 (0.073)	0.27 (0.088)
Change in Opposition	0.25 (0.110)	- 0.38 (0.124)
Average Treatment Effect	- 0.63 (0.032)	

There is, however, a statistically significant difference between subjects' reactions to the active and control treatments. While in the control group it tends to decrease support for the leadership of one's group, in the treatment group it solidifies the position of the leader. Opposition in the control group rose by 0.25, whereas in the treatment group it fell by 0.38. Thus the average treatment effect is  $-0.63$ . More importantly, the same economic change not only has less effect on a leader's popularity, the effect is flipped.

Results confirm that the same economic pressure has different psychological effects depending on whether it is administered by a member of one's own group or the leader of an out-group. Reduced welfare caused by an in-group agent is likely to create opposition to the group's leadership. By contrast, reduced welfare of equal size caused by an out-group agent does not create significant opposition. Indeed it reinforces support for the leader.

Below is the breakdown of results by gender.

	Control		Treatment	
	Male	Female	Male	Female
Opposition Pre-Treatment	0.60 (0.163)	0.55 (0.120)	0.83 (0.112)	0.50 (0.138)
Opposition Post-Treatment	0.8 (0.133)	0.83 (0.090)	0.16 (0.112)	0.35 (0.132)
Change in Opposition	0.20 (0.200)	0.27 (0.135)	$-0.66$ (0.142)	$-0.14$ (0.177)

There is no statistically significant difference across genders. The performance of both male and female subjects more or less mirrors the results for the whole sample. The only sizable difference is that the treatment effect is larger in males. Females appear to be slightly more likely to oppose the leader regardless of the source of the threat to their welfare. But the sample size is too small and the standard errors too large to allow for such conclusions about covariates.

Male	Female
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Average Treatment Effect	- 0.86 (0.075)	- 0.42 (0.057)
Change in Opposition in All Treatment & Ctrl Aggregated	- 0.272 (0.149)	0.093 (0.113)

The only finding that is significantly different across genders is that there is a higher tendency amongst females to oppose the leader if we lump the control and treatment groups together. This is the only statistic that has different signs for the two. The revelation that the source of the threat to their welfare is an out-group member appears to be less effective in garnering support for the leader among females.

### III. Analysis

A common concern in all experimental studies is the extent of generalizability. Strictly speaking, the experiment confirms that individuals in the laboratory exhibit the hypothesized effect. But do citizens in countries under sanctions react in a similar manner? We argue that people in the real world are in fact more likely to react this way than laboratory subjects.

First, group identity is usually stronger in nations than in a temporary lab team.

Research shows that identities have an effect on people's opinion even if they are newly formed and are whimsical (Tajfel 1970). My findings confirm these results. But the depth and history of an identity plays a role in its effect. If such a shallow and newly formed lab identity creates a “rally around the flag” effect, then it will be safe to conclude that nationality is more likely to have such an effect.

In addition to the effects of nationality, a leader's own popularity is often an important factor. National leaders usually use instruments of propaganda and the education system to inculcate a sense of loyalty in citizens. No such means were employed in the experiment. It is,

therefore, safe to assume that the observed effect would be stronger in the real world.

Another limitation that it is hard to see how any experiment can overcome is the way the leader is chosen. In this study, subjects were told that leaders were chosen at random. Randomization is meant to rule out any correlation between observed and unobserved variables, including the treatment, and potential outcomes. Yet in such an experiment randomization might be considered a treatment in its own right. Instead of ruling out any mechanism of succession, randomized leadership could itself be considered a succession mechanism. A leader who is randomized probably enjoys a different measure of popularity than one who is democratically elected or who has assumed power in a coup. It might be safely assumed that certain methods of the assumption of power can make a leader more or less popular than a randomized one.

In the language of causal identification theory, the assumption of consistency is thrown into question.

To avoid this problem perhaps a series of experiments in which different modes of succession are tested can be helpful. A large sample can be divided into subsamples can you sub sample the leader can be chosen using a different method. Even in such an experiment, however, it is hard to see how a coup, for example, can be simulated. One way to get as close as possible to a realistic experiment would be to sample subjects from populations that have recently undergone the modes of succession in question. For instance, Egypt can be considered a suitable candidate for testing people's reaction to sanctions imposed on a leader who has assumed power in a coup.

In sum, however, given the conformity of the results with the theoretical expectations garnered from the sociology and political science literatures on identity, it is safe to conclude that the experiment verifies the hypothesis that a reduction of welfare has a different effect when it is attributed to an out-group versus an in-group agent. When economic failure is believed to have been brought about by an outsider, it actually solidifies the position of the leader. This finding questions much of the practice and part of the theory of sanctions.



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