

Art of Economic Statecraft: When Pain Matters

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Introduction

When employing economic sanctions, what is the effect of increasing costs (anticipated or implemented) on the target's likelihood of acquiescing/giving in to the demands of the sender(s)? Specifically, what are the best practices for inducing most favorable outcomes for the sending state(s)? Sanctioning is a heavily criticized diplomatic strategy due to its rare effectiveness in delivering desired outcomes.¹ The ineffective nature of sanctions has given rise to the following debate: are sanctions always ineffective or are there instances when sanctions are an appropriate tool in

¹ Richard N. Haass, "Sanctioning Madness" *Foreign Affairs* 76, no. 6 (1997); Gary Clyde Hufbauer, Jeffrey J Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy*, (Washington D.C.: Peterson Institute, 1990); Solomon Major "Timing is everything: Economic sanctions, regime type, and domestic instability" *International Interactions* 38, no. 1 (2012); Robert A. Pape, "Why economic sanctions do not work" *International Security* 22, no. 2 (1997); Robert A. Pape, "Why economic sanctions still do not work" *International Security* 23, no. 1 (1998).

achieving foreign policy objectives? In this context, scholars of international relations have argued for a differentiation between broad and targeted (smart) sanctions.²

Extant literature has offered at least two relevant arguments: (1) timing of economic sanctions is important when targeting non-democratic states; and (2) targeting of specific interests and groups within states can produce better outcomes.³ These scholars have called upon the development of a “smarter” approach to sanctioning. They have argued that indiscriminate sanctioning is ineffective, but sanctions can serve as useful foreign policy tools when applied timely and targeted strategically.

In this paper, I build on a growing literature that examines interactions between various approaches to sanctioning and the effectiveness of these strategies in achieving desired outcomes. Other scholars have written about the efficacy of strategic targeting, and most of those arguments are embedded in the internal drivers of target states: democratic versus autocratic. Specifically, autocratic regimes are believed to be more susceptible to targeted sanctions since autocratic leaders are less concerned with popular domestic opinion. This theory has both logical and political traction. However, little has been done to address responses of target states in terms of state-level strategic interests. In other words, states are seen primarily through the lens of their decision makers and domestic drivers that influence those decision makers. I do not contest those arguments. The goal of this study is to add to those arguments, but through the state-level interests model. The theoretical argument is based on two main assumptions: (1) states are generally rational actors and make decisions strategically and consistent with cost-benefit analysis, (2) decision makers within states have an interest in remaining in power, but their decisions are not solely a function of the need to secure the support of winning coalitions; state survival is also imperative to their ability to remain in power.

² Risa A. Brooks, “Sanctions and regime type: What works, and when?” *Security Studies* 9, no. 1-2 (1999); Major, “Timing is everything”.

³ Major, “Timing is everything”; Bruce Bueno De Mesquita and Randolph M Siverson, “War and the survival of political leaders: A comparative study of regime types and political accountability,” *American Political Science Review* 89, no. 4 (1995).

My main argument is the following: On average, sanctions that inflict large costs on the target have a higher likelihood of success. First, I offer a broad review of the current debate on sanctioning. I briefly discuss the ineffective nature of broad economic sanctions in the context of existing scholarship, which is followed by the examination of more recent literature that has explored the efficacy of “smart” sanctioning and a brief discussion of possible holes that can be filled. In the theory section, I use existing scholarship to support the logical steps that build up the necessary foundation of my theoretical argument, which culminates in a hypothesis. This study utilizes TIES⁴ data on sanctioning (the Threat and Imposition of Sanctions dataset is a result of an extensive data gathering effort carried by the University of North Carolina Chapel Hill. The dataset covers sanction cases that were threatened or imposed from 1945 till 2005) and Polity scores on democracy. I use a combination of ordered logit and ordinary least squares regression to estimate the models and find support for the hypothesis.

Review of Literature

The General Debate on Sanctions Effectiveness

Sanctioning as a diplomatic tool has come under fiery debate both from the scholars of political economy and members of the policy-making community. Scholarship on sanctioning has both its optimists and its pessimists. In their book titled *Economic Sanctions Reconsidered*, Hufbauer, Schott and Elliott (hereafter HSE) offer a number of explanations for why sanctions may not work: (1) sanctions as a tool may not be appropriate or adequate to achieve the task, (2) sanctions can help the target country's leadership to further the message of unification against the "enemy" and by doing so achieve the very opposite effect of the one intended, (3) sanctions may encourage powerful allies of the target to offset the cost imposed, and (4) sender's allies may not support the measure fully or defect from the sanctioning alliance.⁵ After setting up the reasons why sanctions may not work, HSE offer strategies for overcoming these deficiencies. They examine the cases of success and failure and conclude that sanctions

⁴ Morgan, T. Clifton, Navin Bapat, and Yoshi Kobayashi, "The Threat and Imposition of Sanctions: Updating the TIES dataset." *Conflict Management and Peace Science* 31, no. 5 (2014): pp. 541-558.

⁵ Hufbauer, Schott, and Elliott, *Economic Sanctions Reconsidered*.

work more often than believed (about 34 percent of instances).⁶ HSE's theoretical framework and methods are heavily challenged by Robert Pape and David Baldwin, who argue that economic tools are deficient for inducing policy outcomes in cases of strategic importance.⁷ Their argument is basic, but compelling: sanctions cannot achieve ambitious foreign policy goals and are not effective as a standalone tool. According to Pape and Baldwin, evidence of sanctions' effectiveness is largely due to the trade-related nature of those cases where sanctions have worked. Pape and Baldwin argue that sanctions are not an alternative to military tools and are largely not capable of changing the behavior of the target state.

Shifting the Debate: Are Sanctions Always Ineffective?

As Lee Jones notes, the sanctions debate has been heavily focused on *whether* sanctions work, but the trivial question of *what* mechanisms within sanctioning induce desired outcomes has been left largely unanswered.⁸ Some scholars have argued that the effectiveness of sanctions varies based on the level of democracy within a target state.⁹ The theory behind this argument rests on the size of winning coalitions within democracies vis-a-vis autocracies. Democratic leaders have large winning coalitions and need to garner broad support. Economic sanctions can impede these efforts, pressuring democratic leaders to accommodate the sending state. On the other hand, autocratic leaders have small winning coalitions. These coalitions are often not impacted by broad economic sanctions and, therefore, do not create pressure for the leadership of the regime. The distinction between regime type has given rise to the targeted sanctioning literature, which argues for a more nuanced approach. These scholars have argued that it is more effective to target the regime leadership and the elites surrounding the leadership in order to create appropriate amounts of pressure. Targeting of the general

⁶ Ibid.

⁷ Pape, "Why economic sanctions do not work," pp. 90-136; David A. Baldwin and Robert A. Pape, "Evaluating economic sanctions," *International Security* 23, no. 2 (1998).

⁸ Lee Jones, *Societies under siege: exploring how international economic sanctions (do not) work* (USA, Oxford University Press, 2015).

⁹ Risa A. Brooks, "Sanctions and regime type: What works, and when?" *Security Studies* 9, no. 1-2 (1999); Major, "Timing is everything".

population is unhelpful as these broad sanctions hurt only the overall population and in fact can serve as mechanisms for autocrats to rally the domestic population against the perceived enemy, i.e. the sending state. Authoritarian regimes have been known to double-down on aggressive behavior following the threat or imposition of sanctions. The diversionary theory of war argues that authoritarian regimes use conflict to strengthen their hold on power.¹⁰ This makes sanctions counterproductive if targets are not carefully selected.

In addition to smart targeting, scholars have argued that the timing of sanctions is of the essence. Timing the sanctions to coincide with specific domestic events of the target state is argued to make a difference in the efficacy of sanctions.¹¹ Specifically, Solomon Major argues that sanctions imposed on authoritarian regimes at times of domestic turmoil or civil resistance improve the likelihood of success. The reasoning behind this theory is the nature in which authoritarian regimes react to domestic civil resistance. While in democracies, demonstrations and other forms of civil resistance are a typical and expected occurrence, in an autocratic state, these events are a sign of a regime's deteriorating hold on power. Sanctions can exacerbate domestic grievances, and leaders are likely to acquiesce at least temporarily out of fear of larger resistance from the population.¹²

Gaps in Extant Literature

¹⁰ Stephen E. Gent, "Scapegoating Strategically: Reselection, Strategic Interaction, and the Diversionary Theory of War" *International Interactions* 35, no. 1 (2009); Jack S. Levy, "Domestic Politics and War" *The Journal of Interdisciplinary History* 18, no. 4 (1988); Jack S. Levy and Lily I. Vakili, "Diversionary Action by Authoritarian Regimes: Argentina in the Falklands/Malvinas Case" in *The Internationalization of Communal Strife*, ed. Manus I. Midlarsky (London: Routledge, 2014), 118-46; Ross A. Miller, "Domestic Structures and the Diversionary Use of Force" *American Journal of Political Science* 39, no. 3 (1995); Alastair Smith, "Diversionary Foreign Policy in Democratic Systems" *International Studies Quarterly* 40, no. 1 (1996); David Sobek, "Rallying Around the Podesta: Testing Diversionary Theory Across Time" *Journal of Peace Research* 44, no. 1 (2007).

¹¹ Jean-Marc F. Blanchard and Norrin M. Ripsman, "Asking the Right Question: When Do Economic Sanctions Work Best?" *Security Studies* 9, no. 1-2 (1999); John Hovi, Robert Huseby, and Detlef F. Sprinz, "When Do (Imposed) Economic Sanctions Work?" *World Politics* 57, no. 4 (2005); Major, "Timing is everything".

¹² Major, "Timing is everything."

Literature on sanctioning seems to be broken down into two major camps. There are those who believe that sanctions are not effective tools in inducing policy changes, and there are those who believe that sanctions can be useful if applied strategically. What is missing is whether the amount of pressure generated through sanctioning can make an impact on how states react, regardless of their domestic characteristics. Literature that offers hope for sanctioning as a useful tool focuses primarily on individual decision makers and does not offer much perspective on the potential for increasing the efficacy of sanctions through state-level mechanisms.

Theory

When employing economic sanctions, what is the effect of increasing costs (anticipated or implemented) on the target's likelihood of acquiescing/giving in to the demands of the sender(s)? As discussed in the above section, extant literature on sanctioning effectiveness focuses primarily on the domestic drivers of decision-making mechanisms within regimes. The theoretical argument of this paper rests on two assumptions: **(1)** states are generally rational actors and make decisions strategically and consistent with cost-benefit analysis, **(2)** decision makers within states have an interest in remaining in power, but their decisions are not driven solely by the need to secure the support of winning coalitions; state survival is also imperative to their ability to remain in power. However, sanctions are often symbolic in nature and are not able to offset the benefit derived from engaging in "offending behavior." Therefore, in instances when economic sanctions are capable of applying enough pressure on the target to tip the cost-benefit scale, the likelihood of sanction success increases. The logical planks that lead to this hypothesis make up the rest of this section.

Scholars of international relations have used different levels of analysis to understand world events: (a) individual level, (b) state level, and (c) system level. There is no universal approach to understanding most phenomena, and each level has its own strengths and shortcomings. The individual approach focuses on the motivations that drive policy on the individual level. This approach has given rise to scholarship that is able to explain how leaders and individual stakeholders make decisions that influence state-level interactions. This approach has also allowed for the marriage between

domestic issues and foreign policy. Leaders make foreign policy decisions that are likely to bring them legitimacy and secure their hold on power domestically. Contrary to this approach are the state-level and system-level approaches that see states as unitary actors that are not influenced by individual considerations, but are instead units that wish to survive in the international system. Both the individual level approach and the state level approach can be used to understand sanctioning and its effectiveness.

Individual Level Approach to Target Decision Processes

State leaders are rational actors who make decisions consistent with their desire to retain office.¹³ This is true of both democratic and authoritarian leaders. Leaders engage in behaviors that maximize their utility (retention of power). In the case of democratic regimes this may be engaging in certain trade practices that are contrary to international norms or engagement in alliances that are contradictory to the interests of the state that is sending the sanctions. In the case of authoritarian regimes, the behavior may include such actions as repression of the general population, dis-allowance of fair elections, or use of diversionary war tactics to rally the population against the perceived enemy. These actions are often well calculated and come with specific benefits.

As rational actors, leaders do not engage in “bad” behaviors without known benefits. It makes sense then to target the ability of these leaders (both democratic and authoritarian) to remain in power. State A wishes to change the behavior of state B. A says to the leader of B: “If you do not change the behavior of your state, I will make it difficult for you to remain in power. I will target your winning coalition and make you unpopular/unwanted” The leader of state B then weighs the costs of such a threat against the benefits of the behavior that he is engaging in (the behavior that A wants him to change) and makes a calculated decision. This strategy to influence the decision maker makes sense and is backed by academic scholarship. In the case of sanctioning, the challenge of influencing the decision process of B would be addressed through the strategy of smart sanctioning. However, if this was a complete picture of how leaders

¹³ Mark Harrison, “Stalin and Our Times” in *Stalin: His Times and Ours*, ed. Geoffrey Roberts (Dublin: Irish Association for Russian and East European Studies, 2005); Mark Harrison, “The Rational Choice Dictator: A Reply,” *Europe-Asia Studies* 58, no. 7 (2006).

make decisions, we would observe strange outcomes. Authoritarian leaders would never yield to broad sanctions, as they would have no incentive to worry about retaining the support of the population. In fact, authoritarian leaders could use their control of mass media to portray those sanctions in such a way that would make their regime even more popular. Why, then, do we see cases of acquiescence in such instances? Leaders do not base their decisions of political survival solely on dynamics of internal winning coalitions. A state must exist, and it must possess some level of military and economic stability in order for any actor to retain power within that state. Leaders are not preoccupied with just domestic political survival; they are also interested in the survival and well-being of the state as a whole (even authoritarian leaders have a desire to see their state prosper and retain its ability to survive). Therefore, sanctions can be effective not just by virtue of being smart/targeted; they can also be successful by virtue of being costly/painful regardless of whether they are targeted.

State Level Approach to Target Decision Processes

Proponents of realism and neo-realism argue that states are rational actors which function in a global system that is anarchic in nature.¹⁴ Further, these theories tell us that states are unitary actors. In other words, decisions are made on a state level and are designed to perpetuate the survival of the state regardless of domestic politics and

¹⁴ Hedley Bull, "Society and Anarchy in International Relations (1966)" in *International Theory*, ed. J. Der Derian (London: Palgrave Macmillian, 1995); Hedley Bull, "Society and Anarchy in International Relations" in *Essays in the Theory of International Politics*, ed. Herbert Butterfield and Martin Wight (Cambridge: Harvard University Press, 1968). Hedley Bull, *The Anarchical Society: A Study of Order in World Politics* (London: Palgrave Macmillian, 2012); Jonathan Haslam, *No Virtue Like Necessity: Realist Thought in International Relations since Macchiavelli* (New Haven: Yale University Press, 2002); Stephen M. Walt, "International Relations: One World, Many Theories" *Foreign Policy* no. 110 (1998); Kenneth Waltz, *Man, the State, and War: A Theoretical Analysis*. (New York: Columbia University Press, 2001); Kenneth N. Waltz, "Reactions on Theory of International Politics," in *Neorealism and its Critics*, ed. Robert O. Keohane (New York: Columbia University Press, 1986), 327; Kenneth N. Waltz, "Realist Thought And Neorealist Theory." *Journal of International Affairs* 44, no. 1 (1990); Kenneth N. Waltz "The Emerging Structure of International Politics." *International Security* 18, no. 2 (1993); Kenneth N. Waltz, *Theory of International Politics*. (Long Grove: Waveland Press, 2010).

internal power dynamics.¹⁵ In real terms, this means that individual leaders have little influence on the underlying foundations of state behavior. For example, the identity of the President of the United States at any given time has no real effect on whether the United States will prioritize military spending over environmental protection activities. Sure, different administrations may have different views on military spending and the need to protect the environment. However, in the grand view of things, they are still very similar to each other. Security of the state takes precedence for any U.S. administration, and a similar dynamic can be observed in other countries.

Therefore, it is appropriate to look at actions of the target not just as aggregates of individual behaviors inspired by self-interest of their leaders, but also look at the state level thinking. States value security, and large economic shocks aimed at their ability to function are likely to induce a reaction. It is irrelevant whether the economic sanction targets the military, the economy, or specific large businesses. When the costs are high, the incentive to act is also high. Earlier, I discussed the benefits that leaders derive from engaging in “offending behaviors” and how sanctions need to overcome those benefits. One way to do this is through targeted sanctions (covered extensively by existing literature); another way is by creating large scale country-wide costs that threaten the overall stability of the state (covered by earlier discussion of this paper). Yet, if we accept that there is such a thing as “state level” thinking, then we must also accept that states as unitary actors will be susceptible to large-scale costs that threaten their stability. Of course, states as unitary actors can also derive benefits by engaging in “offending behaviors.” For example, Russian annexation of Crimea can be seen both as an individual action undertaken by Vladimir Putin and as a state-level action undertaken by the Russian federation. There are specific benefits that Russia will derive from having Crimea. Similarly, North Korea’s provocative nuclear tests can be seen as diversionary war tactics of Kim Jong Un or state-level actions geared at securing a nuclear capability.

¹⁵ Waltz, “Reactions on Theory,” p. 327; John Mearsheimer, “Anarchy and the Struggle for Power,” in *The Realism Reader*, ed. Colin Elman and Michael A. Jensen (London: Routledge, 2014), p. 179.

Designing Sanctions that Hurt the State Level Interests

Extant literature focuses on domestic politics of decision making and its effects on sanctioning. I do not dispute those assertions and findings. However, (1) leaders are concerned not just with domestic politics, but are also preoccupied with state survival as it affects their ability to remain in power and (2) decision making occurs not only on the individual/leader level, but also on a state level, and states pursue their interests with rationality. Regardless of whether we examine “offending behavior” as a result of individual or state-level calculation, these behaviors are not easy to change as they come with specific benefits. One of the ways to do so is by creating large-scale economic costs with a promise that those costs will be lifted if the target cooperates. **(H1)**: When the costs of sanctions are very high, the target will be more likely to acquiesce to the demands of the sender(s).

Research Design

To test my hypothesis, I use (1) data on sanctions strategy and sanctioning outcomes and (2) country polity scores on levels of democracy. Information on sanctions comes from a data-set titled Threat and Imposition of Sanctions – TIES.¹⁶ This data-set was collected as part of a research project by a team of political scientists at the University of North Carolina Chapel Hill. The version of the TIES data-set that I use (Version 4.0) examines sanctions that were threatened or imposed from 1945 and until 2005.

TIES defines sanctions as actions that one or more countries take to limit or end their economic relations with a target country in an effort to persuade that country to change one or more of its policies. By definition, a sanction must: 1. Involve at least one sender state and a target state. 2. Be implemented by the sender in order to change the behavior of the target state. The sanctions cases are assumed to begin when the sender either

¹⁶ Morgan Clifton, Navin Bapat, and Yoshi Kobayashi, “The Threat and Imposition of Sanctions: Updating the TIES dataset. Technical report,” *Conflict Management and Peace Science* 31, no. 5 (2014): pp. 541-58.

makes a threat about the possibility of sanctions or imposes sanctions with no previous threat.¹⁷

The TIES data-set includes a number of helpful variables that look at the strategies adopted by the sending state(s). These variables are described below. I have re-coded some of the variables in ways that make them easier to analyze for the purposes of this paper. Below, I explain how I re-coded those variables and the rationale for doing so.

Dependent Variables and Estimating Models

The main dependent variable is the outcome of the sanction for the sending side. In other words, how well did the sending side fare as a result of the sanction threat or imposition? There are two types of the outcome variable: settlement nature score for the sender and final outcome type. First, I use the settlement nature score. "This variable is designed to capture how the sanctions episode was settled. On a scale of 1-10, how did the sender fare as a result of the threat/imposition of sanctions?"¹⁸ I use this variable in OLS regression to measure the impact of independent variables on the quality of the outcome for the sending state. Because a 0-10 scale straddles the line of appropriate aggregation, I have also created a new variable that collapses these scores into three categories: Failure, Neutral, Success. Where the settlement score is between 0 and 4, the value of Failure was assigned in the new settlement-category variable. Where the settlement score was 5, the value of Neutral was assigned in the settlement-category variable. Finally, where the score was between 6 and 10, the value of Success was assigned in the settlement-category variable. Since there is an ordered quality to this new variable, Failure was coded as 1, Neutral was coded as 2 and Success was coded as 3. Doing so allowed me to estimate an ordered logit model in addition to the OLS regression mode using the nature of settlement as the dependent variable.

Not all cases have a settlement score, however. Some cases, for example, have come to a stalemate, and a settlement score cannot be measured appropriately. The data-set includes a "Final Outcome" variable for all cases (both threatened and

¹⁷ Ibid.

¹⁸ Ibid.

imposed). The data-set differentiates between 10 different final outcome types. These are: (1) partial acquiescence by target to threat; (2) complete acquiescence by target to threat; (3) capitulation by the sender(s) in threat stage; (4) stalemate in the threat stage; (5) negotiated settlement—the target state agrees to alter some of its behavior in exchange for actions taken by the sender(s) prior to the imposition of sanctions; (6) partial acquiescence by the target state following sanctions imposition; (7) total acquiescence by target state following sanctions imposition; (8) capitulation by sender after imposition; (9) stalemate after sanctions imposition; and (10) negotiated settlement following sanctions imposition. I break down this variable into two distinct variables: final outcome during the threat stage and final outcome during the imposition stage. Within each of those variables, I collapse stalemate and capitulation by the sender(s) values into one: stalemate. I titled it stalemate because in both instances, the sender(s) did not get any return on their investment. I have then re-coded both the threat stage and imposition stage outcomes so that the outcome that would be considered best for the sender was coded as 4 (complete acquiescence) and the outcome that would be considered as the poorest for the sender(s) was coded as 1 (stalemate). This permitted me to estimate two separate ordered logit models: one using the final outcome type for the threat stage and another model using the final outcome type for the imposition stage.

Independent Variables

The main independent variable of interest is **costs to target**. The TIES data-set has two variables that measure the costs to target: (1) anticipated costs to target and (2) costs to target ex post. I have collapsed these two variables into one: costs to target. This is appropriate because sanctioning that matured into the imposition stage does not have a settlement score for the threat stage. Similarly, sanctions that ended in the threat stage do not have a settlement score for the imposition stage. This variable can take on three distinct values. (1) Minor: An episode is coded as minor if no evidence exists that the health of the target's economy would be or was impacted by the actions of the sender, (2) major: An episode is coded as major if evidence exists that the sender's sanctions could result or resulted in significant macroeconomic difficulties on the health of the

target economy, (3) severe: An episode is coded as severe if evidence exists that the sender's sanctions halted the ability of the target's economy to function.¹⁹

The data-set also accounts for the type of interest that the sanction threatens. This is a categorical variable, and I break it into multiple dummy variables: targeting of military, targeting of leadership, and broad economic sanctions. This allows me to estimate models using each of those characteristics as a separate control variable. Targeting of military tells us whether the military capabilities of the country were the specific target of sanctions. Targeting of leadership tells us whether the sanctions were designed to specifically target the leadership of the state (the leader and those with close ties to the leader), while not having an impact on the overall economy of the state. Finally, the **institution** variable tells us whether the sanctions were threatened to be executed or were executed through an international institution. Table 1 outlines all of the variables, their operational definitions and range.

¹⁹ Ibid.

Table 1: Operational Definitions

Variable Name	Operational Definition
Final Outcome Type Threat Stage (Y ₁)	1: Stalemate 2: Negotiated Settlement 3: Partial Acquiescence 4: Complete Acquiescence
Final Outcome Type Imposition State (Y ₂)	1: Stalemate 2: Negotiated Settlement 3: Partial Acquiescence 4: Complete Acquiescence
Settlement Outcome Quality for Sender (Y ₃)	Quality of Outcome for the sending State(s) on 0-10 Scale
Settlement Category For Sender (Y ₄)	1: Settlement Failure 2: Settlement Neutral 3: Settlement Success
Costs to Target (X ₁)	1: Major 2: Minor 3: Severe
Target of Military (X ₂)	Whether the Military was targeted
Target Polity Score (X ₃)	Democracy Level of the Targeted State
Targeting of Leadership (X ₃)	Whether the Leadership was targeted
Institution (X ₄)	Whether Sender and Target are Members of Same Institution
Broad Sanctions (X ₄)	Whether the Overall Economy was targeted

Discussion and Conclusions

I look at the effects of independent variables on two sets of dependent variables: (1) settlement outcome for the sender and (2) the type of final outcome. Those cases that are settled in some way or another have a settlement outcome score for the sender on a scale of 0-10. Not all cases have been settled, however. Therefore, I also look at the type of final outcome.

Settlement Outcome Scores

I first estimated ordinary least squares regression model using the settlement outcome score as the dependent variable. The results are presented in Table 2.

Table 2: Ordinary Level Square Model

Independent Variable	Betta Coefficient	Standard Errors	T Statistic
Costs to Target [+]	1.468***	0.2065	7.11
Targeting of Military [+]	.848***	0.3092	2.74
Target Polity Score [-]	0.015	0.0157	-0.96
Targeting of Leadership [-]	1.085*	0.5535	-1.96
Institution [+]	.866***	0.2919	3.31
Broad Sanctions [-]	.838***	0.2456	-3.41
Constant	3.365	0.3213	10.47
Number of Operations		702	
Probablity		0	
R-Squared		0.1039	
Adjusted R-Squared		0.0961	

Notes:

- a. Symbols in brackets represent the expected direction of the coefficient.
- b. *** indicates $p < .01$ ** indicates $p < .05$ * indicates $p < .10$
- c. This model was estimated using settlement outcomes from both threat stage and imposition stage cases. In the data set, this joint outcome is coded as "settlementnaturesender". For robustness purposes, separate models were estimated for threat stage and imposition stage cases. For the sake of brevity, the results of those models are not provided but are consistent with my findings in this model.

Costs to target has a highly significant effect on the quality of the settlement outcome for the sender. Statistical significance remains when controlled for all other independent variables. The Beta coefficient suggests that there is a sizable likelihood of seeing higher scores of settlement success for the sending state when sanctions threat or inflict large economic costs on the target. This effect survives when controlling for variables that are associated with smart sanctions. In other words, regardless of whether sanctions are targeted or not, threatening or imposing sanctions that hurt has a significant effect on the outcome.

Targeting of the military also has a positive and statistically significant effect on the outcome of the settlement. Although the extant literature discusses smart targeting, its focus is primarily on the leadership of the regime. Smart targeting scholarship is mostly silent on the effects of targeting the military of another state through economic means. Here, we see a pretty sizable correlation between targeting the military and the outcome. There could be a number of explanations for this. (1) The military plays a special role in most regimes. It has a very strong voice in democracies and cannot be ignored even by most powerful autocrats. Especially in the case of autocratic leaders, the military is often the only constituency that is capable of overthrowing the leadership, and, therefore, leaders pay special attention to the needs of their armed forces. (2) States are especially sensitive to instances when their military capabilities are threatened as opposed to their financial interests. More research is necessary to explore targeting of various coalitions within states and within that umbrella the targeting of military interests.

In order to test the robustness of the OLS model, I also estimate an ordered logit model using the settlement outcome as a dependent variable. The results are presented in Table 3.

Table 3: Ordinary Logit Model Using Levels of Settlement Scores as the Dependent Variable

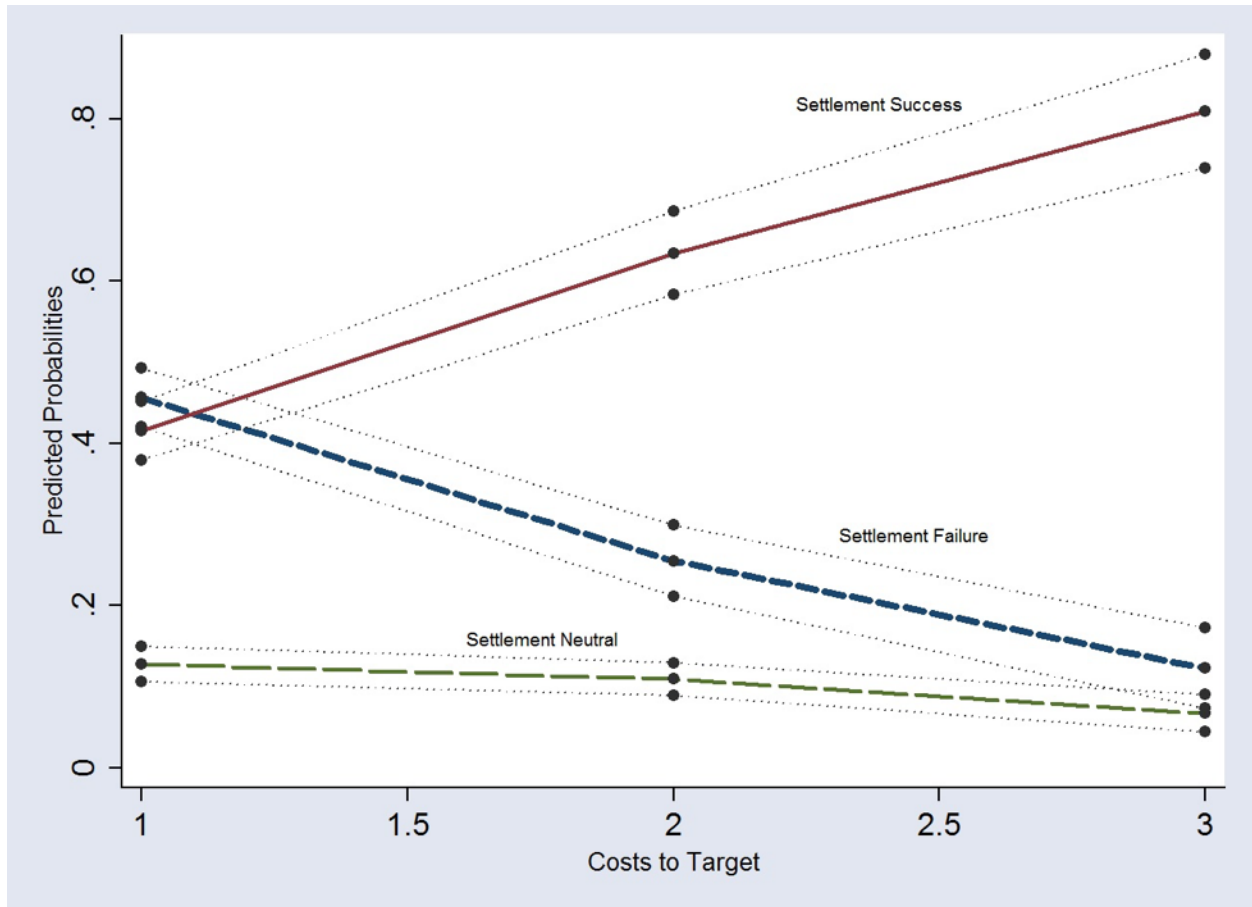
Independent Variable	Betta Coefficient	Standard Errors	Z Statistic
Costs to Target [+]	.895***	0.1539	5.81
Targeting of Military [+]	0.071	0.2112	0.33
Target Polity Score [-]	0	0.0104	0.01
Targeting of Leadership [-]	.542*	0.3923	-1.38
Institution [+]	.617***	0.1787	3.45
Broad Sanctions [-]	.621***	0.1676	-3.71
Number of Operations		702	
Probability > Chi-Squared		0	
Pseudo R-Squared		0.0432	

Notes:

- a. Symbols in brackets represent the expected direction of the coefficient.
- b. *** indicates $p < .01$ ** indicates $p < .05$ * indicates $p < .10$
- c. This model was estimated using categories of success for the sender as the dependent variable. This model serves as a robustness check on the OLS model presented above. The success of the settlement nature (for the sender) was coded on a 0-10 scale. This variable was re-coded for this ordinary logit model in the following manner: cases with a value of 1-4 were re-coded as a 1 or failure, cases with a value of 5 were variable is presented in the data-set as "categoryoutcome"
- d. Results of this model are visually presented in Figure 1.

The results are consistent with the outcome of the OLS model. One significant difference is the effect of targeting the military on the outcome; its statistical significance disappears. The effect of institutional sanctions is still positive and statistically significant. Finally, costs to target (out main IV of interest) still has a sizable positive effect that is highly statistically significant. Looking at Figure 1, we can see that costs to target does an excellent job predicting the probabilities of Success and Failure.

Figure 1



Final Outcome Type

Sanctions do not always end in a settlement. I estimate ordered logit models using final outcome type as the dependent variable. Table 4 summarizes the results of ordered logit model at the threat stage, and table 5 summarizes the results of a similar model for the imposition stage. At the threat stage, the effect of costs to target is sizable and highly statistically significant. Targeting of the military, also has a sizable and statistically significant effect. The significance of institutional effect disappears. The effect of targeting the leadership is actually negative, which is somewhat unexpected. This could be the case due to the fact that sanctions often threaten specific leaders but rarely create real costs for the leadership.

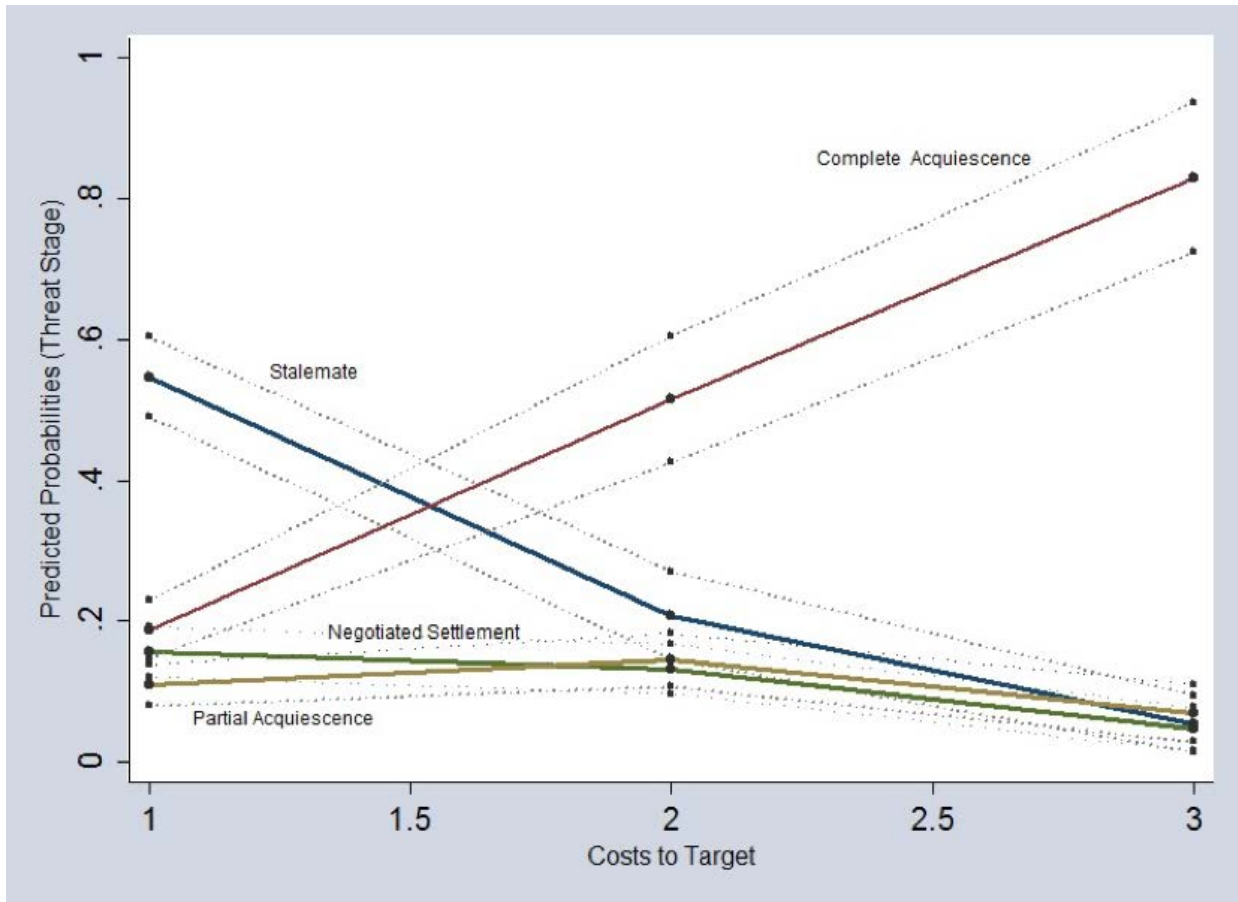
Table 4: Ordinary Logit Model (Threat Stage) Usinsg Outcome Categories as the Dependent Variable

Independent Variable	Betta Coefficient	Standard Errors	Z Statistic
Costs to Target [+]	1.522***	0.2634	5.78
Targeting of Military [+]	1.195***	0.3651	3.27
Target Polity Score [-]	0.012	0.0159	-0.78
Targeting of Leadership [-]	1.769***	0.3923	-1.38
Institution [+]	0.168	0.248	0.68
Broad Sanctions [-]	0.374	0.2500	-1.50
Number of Operations		311	
Probablity > Chi-Squared		0.000	
Pseudo R-Squared		0.0663	

Notes:

- a. Symbols in brackets represent the expected direction of the coefficient.
- b. *** indicates $p < .01$ ** indicates $p < .05$ * indicates $p < .10$
- c. Unlike the OLS and the Ordinary Logit Models above (based on settlement success levels), this model uses categories/types of outcomes as the dependent variable. TIES data-set, in addition to settlement scores, also provides categories of how sanctions case was resolved (if at all resolved). There are 5 possibilities: Complete Acquiescence by the Target, Partial Acquiescence by the Target, Negotiated Settlement, Stalemate and Capitulation by the Sender. Stalemate and Capitulation by the Sender were collapsed into one category: Stalemate, resulting in 4 distinct categories. These categories were re-coded from 1 to 4, with categories that benefit the sender most being coded as 4 and those benefiting the sender the least being coded as 1. Threat stage cases are coded separately from imposition stage cases. Therefore, two separate models are estimated.
- d. Results of this model are visually presented in Figure 2

Figure 2



At the imposition stage, costs to target is again highly statistically significant. Institutional sanctions regain their statistical significance when looking at the actual imposition of sanctions. This means that threats through an institution are often seen as cheap talk, but sanctions that can create real costs through institutions are taken more seriously once they are imposed. Broad sanctions are not statistically significant at the threat stage, but are significant once the sanctions are imposed.

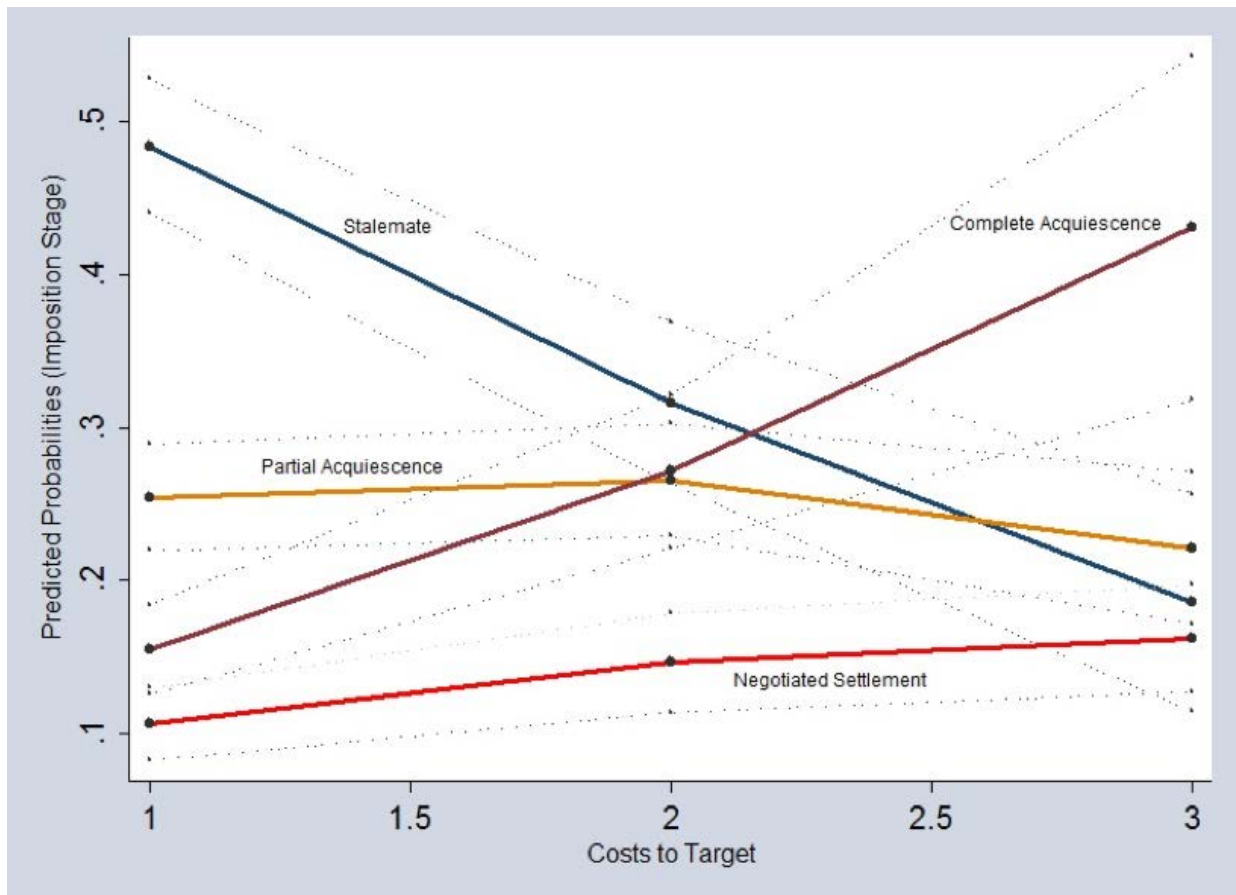
Table 5: Ordinary Logit Model (Imposition Stage) Using Outcome Categories as the Dependent Variable

Independent Variable	Betta Coefficient	Standard Errors	Z Statistic
Costs to Target [+]	.708***	0.1562	4.54
Targeting of Military [+]	.4388*	0.2579	1.70
Target Polity Score [-]	0.002	0.0125	0.18
Targeting of Leadership [-]	0.325	0.4409	-0.74
Institution [+]	1.273***	0.2249	5.66
Broad Sanctions [-]	.6383***	0.2219	-2.88
Number of Operations		464	
Probablity > Chi-Squared		0.000	
Pseudo R-Squared		0.051	

Notes:

- a. Symbols in brackets represent the expected direction of the coefficient.
- b. *** indicates $p < .01$ ** indicates $p < .05$ * indicates $p < .10$
- c. Unlike the OLS and the Ordinary Logit Models above (based on settlement success levels), this model uses categories/types of outcomes as the dependent variable. TIES data-set, in addition to settlement scores, also provides categories of how sanctions case was resolved (if at all resolved). There are 5 possibilities: Complete Acquiescence by the Target, Partial Acquiescence by the Target, Negotiated Settlement, Stalemate and Capitulation by the Sender. Stalemate and Capitulation by the Sender were collapsed into one category: Stalemate, resulting in 4 distinct categories. These categories were re-coded from 1 to 4, with categories that benefit the sender most being coded as 4 and those benefiting the sender the least being coded as 1. Threat stage cases are coded separately from imposition stage cases. Therefore, two separate models are estimated.
- d. Results of this model are visually presented in Figure 3.

Figure 3



Both Figure 2 (threat stage) and Figure 3 (imposition stage) tell us a similar story about the effect of costs to target. Costs to target does a good job of predicting the probability of complete acquiescence (best outcome for the sender) and stalemate (poorest outcome for the sender). Its ability is diminished at predicting the middle-ground outcomes: partial acquiescence and negotiated settlement.

Goodness of Fit for Logit Models

To make sure the effects were not random, goodness fit tests were run on the models. *McFadden's adjusted pseudo-R²* is a measure used to understand the quality of fit

for logit models. The *McFadden's adjusted pseudo-R²* measures in our models were slightly low at around 0.05. However, *McFadden's adjusted pseudo-R²* penalizes the model for including independent variables that do not add to the predictive power of the overall model. Since we know that some of the independent variables were not statistically significant (and were included mostly for control purposes), low scores on this measure were expected. The measure improves when some of the less significant independent variables are dropped from the models.

Conclusion

Scholars argue that all sanctions are limited in their ability to produce policy changes within foreign regimes. Sanctioning literature has made the case for smart sanctions, arguing that sanctions are relatively more effective when targeted at the regime leadership as opposed to broad economic sanctions. This is especially true when the regime being targeted is autocratic in nature. This paper looks at the problem from a slightly different angle. Sanctions are largely ineffective not because they fail to be targeted; they are ineffective because economic sanctions are often incapable of producing necessary costs (threatened or imposed) on the targeted state. Behaviors that senders wish to correct are often of great benefit to the target. In order to succeed, sanctions need to be serious both at the threat stage and the imposition stage. They need to produce real, large-scale costs to the target's economy. When the sending side is capable of achieving this, sanctions have a higher likelihood of success regardless of whether they are targeted, and there are two reasons for this: (1) Rational leaders care about the overall economy of the country even if they are authoritarian. Painful sanctions can destabilize the country, and leaders strive for internal stability; and (2) States have a capacity to function as unitary actors. There is a limit to what a leader can and cannot do. States being unitary and rational actors are more likely to acquiesce when the costs of threatened or imposed by sanctions are high.

Further research is necessary. Some questions that are left unanswered are the following. Within targeted sanctioning, what are the best targets? Does the military have a special role? How do leaders balance domestic winning coalitions with state survival and state level interests? Finally, how often do sanctions aim to hurt as

opposed to simply appeasing the domestic audience of the sender(s)? Are sanctions largely ineffective because of resistance from the target or are they ineffective because of the lack of commitment on the part of the sender(s)?

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