



**KENNESAW STATE  
UNIVERSITY**

COLES COLLEGE OF BUSINESS  
*Bagwell Center for the Study of Markets  
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# Commentary

**Title:**

*"Measuring the Impact of  
Economic Sanctions: Does a Better  
Quality of the Dependent Variable  
Matter?"*

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“(If any member of the League breaks or ignores these promises with regard to arbitration and discussion), then what happens? War? No, not war. Something more terrible than war, –absolute boycott of the nation in question. The doors are closed upon her, so that she cannot ship anything out or receive anything in...She is absolutely closed, and all the fighting nations of the world agree to join in the boycott.”<sup>1</sup>

President Woodrow Wilson  
September 5, 1919

We start this commentary with a small passage from a speech by President Woodrow Wilson in support of founding the League of Nations. The Allied Powers, signing the Treaty of Versailles on June 28, 1919, were not only officially ending World War I, which claimed the lives of 23 million soldiers and civilians, but were also considering to found institutions and concepts that would contribute to long-lasting peace.<sup>2</sup> At the time the League of Nations was viewed as the necessary guarantor of lasting peace among the nations of the world. President Wilson won the Nobel Peace Prize in 1919 as one of the leading architects of the League of Nations, the coalition of nations intended to foster peace and protect the sovereignty of countries around the world.

In the passage above President Wilson outlines two criteria that remain typical of sanctions to the present day – they are multilateral in nature and they are a powerful tool of constrain that also allows to mitigate possibilities of starting new wars. At later dates, we find different views by other US politicians about sanctions. Thus, in 1932 John Foster Dulles, a diplomat and later a US Secretary of State, wrote: “*The great advantage of economic sanctions is that on the one hand they can be very potent, while on the other hand they do not involve that resort to force which is repugnant to our objective of peace.*”<sup>3</sup>

Scholarly work on sanctions emerged in the 1960s. This includes the studies conducted by Hoffmann (1967), Galtung (1967) and Wallensteen (1968).<sup>4</sup> Since then, the research on sanctions has been an active field gaining in impact with every year.

The opinion of scholars about the impact of sanctions has been divided. The assessed results on whether particular episodes of sanctions achieved a successful outcome were frequently challenged, as well. Thus, the earlier research on sanctions took the form of case studies. They

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<sup>1</sup> An excerpt from a speech by President Woodrow Wilson in support of the League of Nations, September 5, 1919. <https://dp.la/primary-source-sets/treaty-of-versailles-and-the-end-of-world-war-i/sources/1892>.

<sup>2</sup> Treaty of Versailles and the End of World War I. <https://dp.la/primary-source-sets/treaty-of-versailles-and-the-end-of-world-war-i>.

<sup>3</sup> Clark, E.: Boycotts and Peace. A Report by the Committee on Economic Sanctions, p. 21, (1932).

<sup>4</sup> Hoffmann, F., 1967. The Functions of Economic Sanctions: A Comparative Analysis. *Journal of Peace Research*, 4 (2), 140–160.; Galtung, J., 1967. On the Effects of International Economic Sanctions: With Examples from the Case of Rhodesia. *World Politics*, 19 (3), 378–416.; Wallensteen, P., 1968. Characteristics of Economic Sanctions. *Journal of Peace Research*, 5 (3), 248–267.

focused on the League of Nations sanctions against Italy for invading Ethiopia and the US sanctions against Cuba.<sup>5,6</sup> In both cases it was concluded that the sanctions were not effective.

Later researchers agreed that these conclusions were derived partly due to not having a consensus on how to estimate a sanction variable.<sup>7</sup> Hufbauer et al. (1990) introduced the first large-*N* dataset (HSE) of 115 sanctions for the period from 1914 to 2002.<sup>8,9</sup> With the incorporated dataset, their work suggested that, due to the availability of a better quality of the “dependent variable,” about one-third of imposed sanctions produced a significant policy outcome. The HSE dataset also gave an opportunity to other scholars for more systemized studies of sanctions. In 2009 a new dataset of sanctions was introduced by Morgan et al. (2009).<sup>10</sup> The Threat and Imposition of Economic Sanctions (TIES) dataset in addition to compiling a broader spectrum of sanctions also included information on the threats of sanctions imposed by countries, in total 888 cases covering the period from 1971 to 2000. They also compared the episodes of sanctions included in HSE vs. TIES and estimated a considerable divergence achieving 604 more cases in favor of the latter dataset. More recently, the work of Biersteker et al. (2018) introduced the Targeted Sanctions Consortium (TSC) dataset with both qualitative and quantitative data, covering all episodes of UN sanctions for the period from 1991 to 2013.

Lastly, Weber and Schneider (2020) produced the EUSANCT dataset with 326 sanctions’ threats and impositions by the European Union, the United Nations, and the United States, covering the period from 1989 to 2015 (including sanctions which had been imposed earlier but remained unrevoked by senders in 1989). This dataset was particularly directed to promote the studies of sanctions imposed by the European Union, which, according to the authors, had established its role as the second most influential sender of sanctions after the US and before the UN. Another interesting observation stated in this article was that, despite several existing datasets of sanctions covering 1989 to 2015, they defined 49 additional episodes of sanctions that had not been previously included in any other widely used dataset.<sup>11</sup> This conclusion also suggests that the information sources on sanctions are broad and, sometimes, hard to find. On the one hand, this may limit a scholar’s capacity to collect data in a systemized manner, but, on the other hand, it may scale down the quality of the “dependent variable” and, therefore, the research outcomes.

As outlined above, the scholarly work which recognizes the need for a good quality dataset reflective of sanction episodes and addressing various ways of constructing the variable goes back to the 1990s. However, it is a retrospective effort, meaning the scholars can create datasets only after the episode of imposing a sanction has occurred. Therefore, frequently, researchers may individually work through the circumstances when no systemized datasets have yet become

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<sup>5</sup> Baer, George W., 1973. Sanctions and security: The League of Nations and the Italian–Ethiopian War, 1935–1936. *International Organization*, 27, 165–179.

<sup>6</sup> Schreiber, Anna P., 1973. Economic coercion as an instrument of foreign policy: U.S. economic measures against Cuba and the Dominican Republic. *World Politics*, 25, 387–413.

<sup>7</sup> Marinov, N., 2005. Do economic sanctions destabilize country leaders? *American Journal of Political Science*, 49(3), 564–576.

<sup>8</sup> Hufbauer, G.C., Schott J.J., and Elliott, K.A., 1990. Economic sanctions reconsidered: History and current policy, 2nd edn. Washington, DC: *Institute for International Economics*.

<sup>9</sup> Updated list of sanctions of 1914-2002 assessed according to Hufbauer et al. (1990); <https://www.piie.com/summary-economic-sanctions-episodes-1914-2006>.

<sup>10</sup> Morgan, C.T., Bapat, N., and Krustev, V., 2009. The Threat and Imposition of Economic Sanctions, 1971–2000. *Conflict Management and Peace Science*, 26(1), 92-110.

<sup>11</sup> Weber, P.M. and Schneider, G., 2020. Post-Cold War sanctioning by the EU, the UN, and the US: Introducing the EUSANCT Dataset. *Conflict Management and Peace Science*, 1–18.

available to conduct studies. Here, the scholars are facing choices either to treat the sanction variable as binary (assigning 1 when an event has occurred and 0 otherwise) or to consider estimating the sanctions data themselves, using the information available at the time of their study.

Although, various studies use the sanction variable as a binary determinant, we believe that approach may diminish some of the essential characteristics that define sanctions. Therefore, in our work, we took the second approach to construct the dataset of the Western sanctions against Russia for 2014-2018 and from there disaggregated a variable of the US sanctions against Russia.<sup>12</sup> This dataset was essential in evaluating the impact of sanctions not on the target economy, as usually observed in studies, but on the spillovers into the third-party countries. The focal point of our research became transition economies, the twenty-seven small open countries of the Former Soviet Union, and Central and Eastern Europe, and the impact of sanctions on their social-economic stability in terms of trade, direct investments, migration, and remittances for the outlined time frame.

While constructing our sanctions dataset, in addition to the aforementioned difficulty in terms of availability of the systemized sources of information, we also observed some divergence in the literature in terms of which criteria to consider when evaluating these data. We eventually used an approach outlined in Dreger et al. (2016) for the choice of criteria applied to sanctions, which included the pre-indictment economic integration of the target and sanction imposing (source) country; the type of sanction, whether it is imposed against an individual, an entity, or a sector; and the time frame.<sup>13</sup> The newly constructed dataset was used in our initial analysis applied to trade and direct investments; however, the produced outcomes did not seem robust enough and supported by the literature. Thus, as an example, due to the information on US imposed sanctions being more systemized – and publicly and timely available on the website of the US Treasury – our first outcomes were biased and suggestive that US imposed sanctions had a stronger impact than multilaterally imposed ones.

This conclusion, although driven by the available data at the time and respective analysis, was challenged by the existing literature, which infers that multilaterally imposed sanctions have a much stronger impact than unilateral ones imposed by one country. That initial outcome was also in disagreement with the essence of sanctions as being a multilateral tool for all nations boycotting one country, which had neglected universally accepted rules of peace and sovereignty rights of others. Later, with the availability of more systemized sources on sanctions imposed by the European Union and other countries, we were able to incorporate them in our sanctions dataset, improving the results of our analysis which became authentically reflective of economic spillovers produced by sanctions and in-line with the literature.

In conclusion, having better quality “dependent variables” on sanctions is essential to producing comprehensive research that sheds accurate light on their implications, not only on the target country but the whole scope of impact they may produce on third-party economies. Better dependent variables also help in assessing and shaping practical policies for source countries when making sanction related decisions.

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<sup>12</sup> Sedrakyan, G.S., 2021. Spillovers of Western Economic Sanctions against Russia into Transition Economies.

<sup>13</sup> Dreger, C., Kholodilin, K., Ulbricht, D., and Fidrmuc, J., 2016. Between the hammer and the anvil: The impact of economic sanctions and oil prices on Russia’s ruble. *Journal of Comparative Economics*, 44 (2), 295–308.