

## **Cutting Off America's Nose... The Failure of Sanctions Against Cuba and Iran**

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### Abstract

*Recent, dramatic changes in American foreign policy have raised inevitable questions about the success or failure of the old policies, now abandoned. The Obama Administration has restored full diplomatic relations with Cuba after more than 50 years of enmity. Is the policy of isolating Castro's Cuba being abandoned due to failure or was it so successful it is now obsolete? Similarly, the Obama Administration has negotiated a deal with Iran to lift American economic sanctions in return for increased nuclear inspections and safeguards on Iran. Is this breakthrough in the nuclear standoff with Iran evidence that the sanctions worked on Iran or evidence that the P5 +1 threw in the towel in recognition that they weren't working? This paper will try to answer these questions by applying the predictions of a novel model of strategic coercion. It will challenge the conventional views of economic sanctions and will introduce a prospect theory approach to the analysis of these kinds of diplomatic encounters.*

### Introduction and Literature Review

The study of international coercion and influence has recently been divided into two camps: those who advocate rational models of behavior and prescribe action based on its deductions and those who have found psychological and cognitive shortcomings in statesmen which prevent them from behaving rationally. The contributions of the rational theories of deterrence and compellence have the strengths of being powerful, logical, parsimonious and seemingly practical.<sup>1</sup> Coming out of the tradition of realism or *realpolitik*, the modern versions

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<sup>1</sup> While "rational deterrence theory" falls under the broad umbrella of rational choice, the two are not synonymous. The most significant difference, which bears directly on this study, is that rational deterrence theory prescribes the use of threats whereas a strict rational choice examination would not necessarily recommend exclusive use of sticks over carrots. The focus of this study will be the implications of rationality derived from rational deterrence theory. Additionally, even though these implications come directly from rational deterrence theory, the logic has also been extended to compellence mostly by Thomas Schelling who coined the term and defined it, but more recently by the work of Alexander George. Even though George is not a rational deterrence theorist himself, his logical analysis of the theory of "coercive diplomacy" and of its practical applications to strategy are the most complete. See, Alexander L. George, David K. Hall, and William E. Simons, *The Limits of*

of these theories can trace their roots as far back as Thucydides and certainly to Hobbes and Hans Morgenthau. The models assumed that one’s opponents, like oneself, are rational actors and behave based on calculations of their best interests — thus they can be understood on a basic level. Given the power and logic of classical deterrence and compellence arguments, it is no wonder that they have become the conventional wisdom and have influenced such diverse groups as statesmen, lawmakers, as well as theorists. The classic formulations of such theories, such as those by Bernard Brodie<sup>2</sup>, William W. Kaufmann<sup>3</sup> and Thomas C. Schelling,<sup>4</sup> deductively laid out the basics of adversarial interaction. While there are a large number of different formulations of these strategies, the classical approaches to deterrence and compellence share the same fundamental components. They suggest that the sure way to influence an adversary is to make the option one prefers more favorable or the option one objects to less favorable for the other. Mostly, however, they have concentrated on the latter: dissuading the opponent from a course of action by imposing costs for choosing that avenue. Moreover, the key to ensuring the success of an influence strategy is to apply a sufficient cost, have the capability to carry out the threats, and communicate credibility by committing to the execution of the threats should it be required. These “C”s are the cornerstones of the “decision-theoretic” branch of deterrence and compellence theories.

### **Classical Deterrence and Compellence**

Conditions for Success:

1. Influencing state draws a clear line: gives indications of what is considered unacceptable action and communications of a sufficiently costly threat of punishment in event of violation;
2. Some action to bolster commitment to the threat;
3. Balance of interests favors the influencer;
4. Balance of forces favors the influencer;
5. Challenging state does not cross line.

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*Coercive Diplomacy*, (Boston, MA: Little, Brown, 1971), Alexander L. George, *Forceful Persuasion: Coercive Diplomacy as an Alternative to War*, (Washington, DC: United States Institute of Peace Press, 1991) and Alexander L. George and William E. Simons, eds., *The Limits of Coercive Diplomacy*, 2<sup>nd</sup> ed., (Boulder, CO: Westview Press, 1994).

<sup>2</sup> Bernard Brodie, “The Anatomy of Deterrence,” *World Politics* 11 (January 1959): 173-192.

<sup>3</sup> William W. Kaufmann, *Requirements of Deterrence*, (Princeton, NJ: Center for International Studies, 1954).

<sup>4</sup> Thomas C. Schelling, *The Strategy of Conflict*, (Cambridge, MA: Harvard University Press, 1960) and *Arms and Influence* (New Haven, CT: Yale University Press, 1966).

If all of these elements were sufficiently applied by the influencing state, then the theory would predict success.

This emphasis on the variables surrounding the threat was extrapolated from the theoretical level to the practical. Empirical analysis of whether and under what conditions deterrence and compellence would succeed were performed by such notables as George Quester<sup>5</sup>, Oran Young<sup>6</sup>, Paul Huth and Bruce Russett<sup>7</sup>, Lawrence Freedman<sup>8</sup>, Richard Smoke<sup>9</sup>, Alexander George<sup>10</sup>, Walter Petersen<sup>11</sup>, Richard Ned Lebow and Janice Gross Stein<sup>12</sup>. While there are disagreements on the interpretations of the results of these studies, some issues which have been tested include the timing and sequence of events and signals, the progression of threats and inducements and their effects on deepening or resolving crises, and the methodological problems of recognizing valid examples of successes and failures of deterrence and compellence.

Advocates of psychological approaches have criticized expected utility theories of state behavior, mostly because the assumption of actor rationality is often violated in real life. Many of these analysts have concentrated on the ways in which the behaviors of parties have contradicted the dictates of expected utility models. For example, Susan Fiske and Shelley Taylor argue that people make shortcuts in cognition which can prevent a full analysis of options and thus prevent the maximization of utilities. They have put together a number of these generalizations of human cognitive limitations into a framework they call “the cognitive

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<sup>5</sup> George H. Quester, *Deterrence Before Hiroshima: The Airpower Background of Modern Strategy*, (New York: John Wiley & Sons, 1966).

<sup>6</sup> Oran R. Young, *The Politics of Force: Bargaining During International Crises*, (Princeton, NJ: Princeton University Press, 1968).

<sup>7</sup> Paul K. Huth and Bruce M. Russett, “What Makes Deterrence Work? Cases from 1900 to 1980,” *World Politics* 36 (July 1984): 496-526; Huth and Russett, “Testing Deterrence Theory: Rigor Makes a Difference,” *World Politics* 42 (July 1990): 466-501.

<sup>8</sup> Lawrence Freedman, ed., *Strategic Coercion: Concepts and Cases*, (Oxford: Oxford University Press, 1998).

<sup>9</sup> Alexander L. George and Richard Smoke, *Deterrence in American Foreign Policy*, (New York: Columbia University Press, 1974).

<sup>10</sup> See works cited in footnotes 1 and 18.

<sup>11</sup> Walter J. Petersen, “Deterrence and Compellence: A Critical Assessment of Conventional Wisdom,” *International Studies Quarterly* 30, no.3 (September 1986): 269-294.

<sup>12</sup> Richard N. Lebow and Janice Gross Stein, “Rational Deterrence Theory: I Think , Therefore I Deter,” *World Politics* 41 (January 1989): 208-224; Lebow and Stein, “Deterrence: The Elusive Dependent Variable,” *World Politics* 42 (April 1990): 336-369.

miser.”<sup>13</sup> Additionally, students of international crises have applied similar methods to uncover the shortcomings of rational theories of crisis interaction. They have variously argued that “cognition failures, fear or time and stress pressures disrupt rational calculations assumed by...”<sup>14</sup> rational deterrence and compellence theory.<sup>15</sup> Chief among them is John Steinbruner, whose theory of “cybernetic decisionmaking” hypothesizes that tradeoffs of values between options are not always rationally compared, but are instead discounted.<sup>16</sup> Another prolific psychological critique of rationality is in the area of misperception, mostly represented by Robert Jervis, and joined by Richard Ned Lebow and Janice Gross Stein, among others.<sup>17</sup> Miscalculating the resolve of the opponent and the probability that the opponent will continue to resist can cause lapses in judgment. These alternatives to rational deterrence and compellence models make some good points about their failure to apply to real-life cases. A problem of rational deterrence theory, and by extension, of rational compellence theory is that they can revert to tautologies. If failures of the practice of deterrence and compellence can always be explained as insufficient or incredible threats, then the theory can never be falsified. These criticisms begun by the psychological school have led to greater analysis of the role of threats in influence strategies and to question whether rewards and promises can be more productive and help avoid cognitive failures.<sup>18</sup> Yet, despite their impact on providing ample alternatives to rationality, there is little cohesion and parsimony in these alternatives. The richness of the analysis has led to an array of identifications of lapses in rationality and to a number of methods to handle such lapses, but only some attempts at editing and improving the models.

But, this has been taken up by more systematic and middle-range studies of Alexander George and more recently by Lawrence Freedman, et al. George’s “structured-focused

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<sup>13</sup> Susan T. Fiske and Shelley E. Taylor, *Social Cognition*, 2<sup>nd</sup> ed. (Reading, MA: Addison-Wesley, 1991).

<sup>14</sup> Christopher H. Achen and Duncan Snidal, “Rational Deterrence Theory and Comparative Case Studies,” *World Politics* 41, no. 2, (January 1989): 148.

<sup>15</sup> For example, see Irving L. Janis, *Victims of Groupthink*, (Boston, MA: Houghton Mifflin, 1972) and John Steinbruner, “Beyond Rational Deterrence: The Struggle for New Conceptions,” in *Power, Strategy and Security: A World Politics Reader*, ed. Klaus Knorr, (Princeton, NJ: Princeton University Press, 1983).

<sup>16</sup> The implications of this argument will become especially relevant to this study when considering compellence where decisionmakers may tend not to recognize the value of capitulation. John D. Steinbruner, *Cybernetic Theory of Decision: New Dimensions of Political Analysis*, (Princeton, NJ: Princeton University Press, 1974).

<sup>17</sup> Robert Jervis, Richard Ned Lebow and Janice Gross Stein, *Psychology and Deterrence*, (Baltimore, MD: Johns Hopkins University Press, 1985).

<sup>18</sup> Lebow and Stein, *We All Lost the Cold War*, (Princeton, NJ: Princeton University Press, 1994).

comparison” analysis<sup>19</sup> mostly of deterrence and Lawrence Freedman’s edited work<sup>20</sup> on compellence have an advantage over the psychological arguments in that they offer a coherent set of propositions which contribute to the success of the strategies while showing that the original rational-based models were too simplistic. Using a mixture of inductive reasoning and deductive testing they have been able to identify specific variables which have been shown to be empirically effective. Thus, the scrutiny of the rational models of deterrence and compellence has been taken one step further by not just concentrating on the failures of deterrence and compellence as strategies. However, one problem with George’s method of analysis is that it makes direct comparison with the rational models of the strategies difficult. The variables he measures and sheds light upon are not easily quantifiable. Often it requires detailed examination of sources to determine how a variable should be coded in a given case. And since rational deterrence and compellence models are still the default models to be beaten, a middle-range theory that is also amenable to large-n analysis might be a better alternative model of prescription.

The goal of this paper will be to offer an alternative middle-range model with practical implications for statesmen trying to compel an adversary using economic sanctions. It will draw upon prospect theory’s powerful inductive finding that “losses loom larger than gains” but will then deductively generate hypotheses about the use of positive and negative sanctions to manipulate the differential between losses and gains. As Jack Levy has pointed out, prospect theory’s similarity to rational choice means that it can be analyzed in very similar ways.<sup>21</sup> After all, prospect theory still provides a utility function and still involves cost-benefit calculations, only the shape of the function differs and costs and benefits are not so comparable. It has the advantage of lending itself to large-n, statistical analysis but also to intensive small-n case studies. Thus, this paper will bridge much of the gap between these perspectives by correcting

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<sup>19</sup> In addition to the coercive diplomacy works cited in footnote 1, see George and Smoke, cited in footnote 18.

<sup>20</sup> Lawrence Freedman, ed., *Strategic Coercion: Concepts and Cases*, (Oxford: Oxford University Press, 1998).

<sup>21</sup> Jack Levy, “Prospect Theory, Rational Choice and International Relations”, *International Studies Quarterly* 41, no. 1, (March 1997): 87-112.

the omission of rewards and promises as means of influence<sup>22</sup>, and by providing a comprehensive, parsimonious and rigorous theory of coercive behavior under risk.

### Deterrence v. Compellence

Deterrence is the attempt by *A* to prevent *B* from taking a specific action.<sup>23</sup> By contrast, compellence is the attempt by *A* to induce *B* to take a specific action.<sup>24</sup> Both of these influence attempt methods assume that actors (i.e., states) are rational-choice, unitary actors. They are also similar in that they propose altering state *B*'s choice structure by making the outcome preferred by state *A* more attractive to *B* than the alternative outcome. The key difference between deterrence and compellence is clearly between the nature of the preferred outcomes: wanting the other to do nothing and wanting the other to take a step.

In the case of compellence, the operational definition will be similar to Alexander George and William Simons's "coercive diplomacy," but also differ from it in significant ways. Coercive diplomacy, is a "non-military strategy which can be resorted to ... to change an existing situation to [one's] own advantage."<sup>25</sup> One important distinction between their definition of coercive diplomacy and the definition of compellence to be used here is the question of military action. Their definition explicitly excludes the use of force; coercion through violence will be considered failed compellence if the threatened actions must be carried out. This is because they believe that once one resorts to the violent execution of the threat, one is no longer employing *influence*. However, even they suggest that this insistence on the exclusion of war in the definition does not preclude *A* from making military gestures or using the threat of violence to affect the change in *B*. In this study, compellence will include the application of punishments up to and including severe military punishments.

Similarly, there has been a schism between those who think that the occurrence of war signals a failure of deterrence and those who think that war avoidance is not necessarily a

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<sup>22</sup> See B. F. Skinner, *Science and Human Behavior*, (New York: Macmillan, 1953); B. F. Skinner, *Beyond Freedom and Dignity*, (New York: Alfred A. Knopf, 1972), 60-100; and J. K. Chadwick-Jones, *Social Exchange Theory: Its Structure and Influence in Social Psychology*, (London: Academic Press, 1976), 10-20.

<sup>23</sup> Patrick Morgan, *Deterrence: A Conceptual Analysis*, (Beverly Hills, CA: Sage, 1983), 11.

<sup>24</sup> Both of these definitions are clear derivatives of Harold Lasswell, Abraham Kaplan and Robert Dahl's relational notion of power/influence, etc. They are conceived as "getting another to do something he/she would not otherwise do."

<sup>25</sup> Alexander L. George and William E. Simons, eds., *The Limits of Coercive Diplomacy*, 2<sup>nd</sup> ed. (Boulder, CO: Westview Press, 1994), 8.

condition for successful deterrence.<sup>26</sup> For instance, Glenn Snyder makes a distinction between deterrence and defense, where deterrence is a peace-time strategy of dissuasion that employs the *threat* of war as one of its components, but defense is the strategy of dissuasion during war.<sup>27</sup> Thus, as Richard Ned Lebow and Janice Gross Stein would argue, deterrence that results in war can be thought to have been a failed use of deterrence. However, Paul Huth and Bruce Russett's rejoinder is that the mere presence of war is an unfair indicator of deterrence failure. They argue for a more nuanced examination of the types of force used. Some punishments and limited military actions are consistent with deterrence theory as they can communicate state A's resolve and commitment to enacting the threats and they bolster A's credibility. The operational definition adopted in this study will be closer to that of the classical theorists and will not discount examples of deterrence or compellence which resort to force. It will occupy some of the middle ground in that it will concentrate on the various means to *peacefully* persuade the adversary as a generally preferential and more economical approach to war. Yet, it will also address the conditions under which the limited and more general application of military means are appropriate.

As mentioned earlier, the belief that compellence is a more difficult proposition is based upon the intuitive belief that getting one to continue the same behavior is easier to accomplish than effecting a change in the behavior. The precarious nature of this assumption is evident by the forms of evidence utilized to support it. For instance, Thomas Schelling uses an anecdote to illustrate how "it is easier to deter than to compel."<sup>28</sup> He envisions a cocktail party of arthritics. Since contact between guests is painful to both, it is very difficult for one guest to physically expel another from his comfortable chair near the bar. However, by the same token, if someone chooses to block the doorway, he may well prevent other ailing guests from entering or exiting. To Schelling this is a case of the superiority of deterrence over compellence.

Unfortunately, the intuitive attractiveness of a hypothesis does not prove it to be true. Borrowing from physics, the laws of inertia can be used to cast doubt on the conventional wisdom that changes in the status quo require greater effort than maintenance of the status quo. Since every action has an equal but opposite reaction, it is posited that an equal amount

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<sup>26</sup> See the debate over the operationalization of deterrence between Huth & Russett and Lebow & Stein.

<sup>27</sup> Glenn Snyder, *Deterrence and Defense: Toward a Theory of National Security*, (Princeton, NJ: Princeton University Press, 1961).

<sup>28</sup> Thomas C. Schelling, *Arms and Influence*, (New Haven, CT: Yale University Press, 1966), 100.

of energy will be required to move an object as will be needed to stop the object.<sup>29</sup> Thus, pushing a nation into accepting a new policy direction should be as costly as stopping it from making a move it was preparing to make.

What is needed is to get beyond intuition by systematic comparison of each strategy's performance. An empirical test of deterrence and compellence was conducted by Walter Petersen.<sup>30</sup> Petersen categorized 135 crisis situations into deterrence or compellence cases and looked to see if the result of each was compliance or conflict. His results were that of the 67 attempts to change the status quo 46 escalated to war, while only 17 of 68 deterrent cases resulted in violence.<sup>31</sup> These results suggest that compellence is indeed more difficult to achieve peacefully than deterrence. However, Petersen probes further to find if circumstantial differences between the two forms of interaction can account for this performance disparity. His further tests reveal that there are different calculus structures for each. He concludes that compellent threats are more prone to failure than deterrent threats because both actors tend to come to compellent situations with greater willingness of resorting to violence. We will explore why it may be the case that compellence is so much more difficult a task to achieve than deterrence.

### Positive v. Negative Sanctions

Prior to exploring the logic and the implications of the distinction between positive and negative sanctions, we need to define them clearly. These two methods of coercion have been likened in common parlance to the carrot and the stick. Of course, positive coercive instruments, such as promises and rewards are equated with the carrot. Their role in the target's (state *B*'s) expected utility calculation are to increase the expected value of complying with the option advocated by the influencer (state *A*). Conversely, threats and punishments, called negative sanctions here, are analogous with the stick. They affect state *B*'s cost-benefit calculus by increasing the potential costs of the policy which is objectionable to state *A*. The

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<sup>29</sup> Of course, no energy is necessary to prevent movement if no movement is intended or attempted. But "deterrence" is a policy which strives to counteract a possibly formed intention to breach the status quo.

<sup>30</sup> For example, Walter J. Petersen, "Deterrence and Compellence: A Critical Assessment of Conventional Wisdom," *International Studies Quarterly* 30, no. 3 (September 1986): 269-294.

<sup>31</sup> *Ibid.*, 279.



net effect of both of these methods is to increase the likelihood that *B* will opt for the choice favored by *A*.

Influence attempts, in either deterrent or compellent form, consist of altering the expected utility calculus of the target to make one’s preferred alternative more attractive to the target. Success in influencing someone can come either from increasing the costs of non-compliance, increasing the benefits of compliance or a combination of both. From a mathematical perspective, it should not matter which end of the balance sheet is affected, as long as the overall result remains the same. However, if this is the case, why have political scientists focused so heavily on the effectiveness of threats?

As David Baldwin points out, many international relations thinkers forget about positive sanctions because they implicitly assume that they are conceptually identical to threats and simultaneously hold that threats are more salient because they must be somehow superior.<sup>32</sup> Of course, these two assumptions are antithetical, but together they explain why the focus on threats dominates. By accepting the first assumption, that threats and promises are essentially the same phenomena, one can understand how a distinction between them would be irrelevant. As noted above, the ultimate goal of either tactic is to create an expected utility which is higher for the option preferred by *A* and lower for the option disliked by *A*. Additionally, when seen in opportunity cost terms, the distinction between them blurs further. “Regardless of whether *A* promises *B* a reward of \$100 for compliance or threatens him with a penalty of \$100 for failure to comply, the opportunity costs to *B* of non-compliance are the same \$100.”<sup>33</sup> Thus, from an economics perspective, positive and negative sanctions have identical effects on state *B*’s decisionmaking process. If so, studying one should suffice, and the negative form is studied more frequently simply because it is thought to occur more frequently.

However, if they are identical in effect, why are threats thought to be more common in the first place? Realist conceptions of international relations suggest that negative sanctions are the primary and preferred method of coercion in a system which was characterized by Hobbes as “nasty” and “brutish.” The anarchic nature of the interstate world made the survival

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<sup>32</sup>David A. Baldwin, “Thinking about Threats,” *Journal of Conflict Resolution* 15, no. 1, (1971): 71-78; David A. Baldwin, “The Power of Positive Sanctions,” *World Politics* 24, (October 1971): 19-38.

<sup>33</sup>*Ibid.*, 20.

of the state its primary concern in any interaction with others. As a result, security aspects were seen as central, and the surest way to affect the cost-benefit calculus of a nation was to manipulate its sense of security.<sup>34</sup> Threats have the advantage in this manner over promised rewards because they reach the heart of state *B*'s security concerns more directly. It is important to keep in mind that such a conclusion about the greater efficacy of threats may not necessarily contradict the previous logic about the similarity of positive and negative sanctions for *B*.<sup>35</sup> Realists do not doubt that for every negative sanction chosen there is a corresponding positive inducement which may just as reliably elicit the desired reaction from *B*. For them, where the stick has the advantage over the carrot is in their respective costs to *A*.

The asymmetry of costs to the influencing state when comparing positive and negative power maneuvers is the key to their difference.<sup>36</sup> State *A* must consider the costs of each type of influence strategy and how these costs relate to the probable outcome of the interaction. For example, *A* must pay for a threat only if he fails to draw *B* into a compliant posture. In a successful encounter, *A* would have gotten his way essentially for free (i.e., without having to ante up). On the other hand, when offering rewards, *A* will have to pay up upon *B*'s

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<sup>34</sup>It is presumably also for this reason that economic sanctions have long been considered less effective than military threats. There is a vast body of literature on the distinctions between economic sanctions and other forms of negative coercion: David A. Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985); Albert O. Hirschmann, *National Power and the Structure of Foreign Trade*, revised ed. (Berkeley, CA: University of California Press, 1980); Kim Richard Nossal, "International Sanctions as International Punishment," *International Organization* 43 (Spring 1989): 301-322; Gary Clyde Hufbauer, Jeffrey T. Schott, Kimberly Ann Elliott and Barbara Oegg, *Economic Sanctions Reconsidered*, 3rd ed. (Washington, DC: Peterson Institute for International Economics, 2007); Lisa Martin, *Coercive Cooperation: Explaining Multilateral Economic Sanctions* (Princeton, NJ: Princeton University Press, 1992); Jonathan Kirshner, *Currency and Coercion* (Princeton, NJ: Princeton University Press, 1995); David Cortright and George A. Lopez, eds., *Economic Sanctions: Panacea or Peacebuilding in a Post-Cold War World?* (Boulder, CO: Westview Press, 1993); and Bruce W. Jentleson, "Economic Sanctions: Post-Cold War Policy Challenges" (Working Paper prepared for the Committee on International Conflict Resolution, Commission on Behavioral and Social Sciences, National Research Council, National Academy of Sciences, June 17, 1996). However, for the purposes of this essay, all types of punishment will be examined as one. More detailed study of the differences in impact between various types of threats was not possible here. Similarly, this essay will not differentiate between economic forms of inducement and other types of positive incentives.

<sup>35</sup>But, it also may indicate that *B*'s cost-benefit calculus is differently affected by these two different forms of influence. For example, in "Reward, Punishment, and Interdependence," *Journal of Conflict Resolution* 25, no. 1, (March 1981): 31-46, Richard Rosecrance points out that threats and promises are different from both parties' perspectives. He suggests that threats have a longer time horizon than promises and thus may be more effective. Alternatively as Prospect Theory suggests, this may be the case because 'losses loom larger than gains' and losses are associated with threats not promises. However, an acceptance of this last point would contradict Realism's assumption that states are rational in the standard, utility-maximizing way. This alternative explanation of the separate effects of threats and promises on state *B* will be discussed in later sections.

<sup>36</sup>Baldwin, "The Power of Positive Sanctions," 28.

cooperation, but not if *B* defects. To further aggravate this asymmetry of cost, offering positive sanctions can have the added drawback of encouraging extortion by *B* because it suggests a weakness on the part of *A*.<sup>37</sup> Thus, when expecting or needing to succeed at an endeavor, the coercer will prefer to utilize a negative form of coercion to economize. One would tend not to offer a big prize when one can get the same result with a big threat which need never be carried out.

Studies on the actual strategic patterns of statesmen confirms much of this deduction. For example, Russell Leng has found that statesmen tend to change unsuccessful policies by increasing the level of negative coercion in subsequent rounds, not by reconfiguring the mix of positive and negative inducements.<sup>38</sup> He finds that “experiential learning” does explain how statesmen will alter strategy, but only inasmuch as they consider heightened negative tactics. The other prediction made by experiential learning models — that changed policies are just as often more positive as more negative — was discredited by Leng’s research. This suggests that decisionmakers do prefer threats and punishments to promises and rewards, most probably because of the asymmetry of costs to the coercer. But, it is important to remember that such studies focus upon the grand strategies of nations and not upon situation-specific tactical decisionmaking, as we are concerned with here. This is because once one accepts that positive and negative sanctions have the same effect on the target but one of them is preferable to the influencer, then regardless of the circumstances that tactic will always dominate. If two instruments will garner the same outcome, why not choose the cheaper one? Because, despite rationality, prospect theory says that *B* does react differently to threats than to promises. We will now turn to this challenge to the previous assumption.

### Prospect Theory

Much experimental data indicates that human cognitive limitations circumscribe rationality in decisionmaking. In recent years, these findings have coalesced into psychological

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<sup>37</sup>This negative side effect of positive sanctions has been predicted by rational deterrence theory. It is discussed in Robert Jervis, *Perception and Misperception in International Politics* (Princeton, NJ: Princeton University Press, 1976), 101; and in Martin Patchen, *Resolving Disputes Between Nations: Coercion or Conciliation?* (Durham, NC: Duke University Press, 1988), 263.

<sup>38</sup>Russell J. Leng, “When Will They Ever Learn?” *Journal of Conflict Resolution* 27, no. 3 (September 1983): 379-419; see also: Russell J. Leng and Hugh G. Wheeler, “Influence Strategies, Success, and War,” *Journal of Conflict Resolution* 23, no. 4 (December 1979): 655-684.

theories that alter many of the expected-utility assumptions about human behavior. One leading alternative to the standard rationality approach is prospect theory, chiefly developed and championed by Daniel Kahneman and Amos Tversky.<sup>39</sup> Ultimately, this theory modifies the axiom that rational actors will always try to maximize expected utility. While other studies reached similar conclusions about the shortcomings of rational choice, prospect theory was able to provide a comprehensive model which explains but also predicts behavior.

Basically, prospect theory posits that losses and gains factor differently into cost-benefit calculations. Whereas standard rationality would predict that the option with the highest product of value and probability would be chosen,<sup>40</sup> prospect theory adds an additional variable to the calculation. According to this new perspective, known as *reflection*, the values of the options are often weighted according to how and how far they deviate from one’s status quo reference point. The key differential in this weighting process is between gains and losses in relation to one’s current position. People will tend to be much more conservative when dealing with gains, but will be much more risk-acceptant in the case of losses.<sup>41</sup> This is because “losses loom larger than gains,” which means that decisionmakers will try harder to avoid a loss than to secure a commensurate gain. An illustration is in order:

When faced with a choice between a double-or-nothing bet for \$100 and a sure gain of \$45, prospect theory claims that more people will lean towards the sure thing. This is despite the fact that the expected-utility<sup>42</sup> of the bet is \$5 higher than that of the definite gift:

Bet:	$.5 * \$100 = \$50$	This is the outcome rational choice would predict.
Gift:	$1 * \$45 = \$45$	This is the outcome prospect theory would predict.

<sup>39</sup>Daniel Kahneman and Amos Tversky, “Prospect Theory: An Analysis of Decision Under Risk,” *Econometrica* 47, no. 2 (March 1979): 263-91; and George Quattrone and Amos Tversky, “Contrasting Rational and Psychological Analysis of Political Choice,” *American Political Science Review* 82, no. 3 (September 1988): 719-736.

<sup>40</sup> It must be noted that expected utility functions do not have to necessarily be linear. They can be concave or convex. For example, it is perfectly consistent with economic models of expected utility for a certain type of person to be characterized as risk-acceptant with small values but risk-averse with larger values. For a more thorough discussion of these possibilities, see: Jack Hirshleifer and John G. Riley, “Elements of Decision under Uncertainty” in *The Analytics of Uncertainty and Information* (Cambridge, UK: Cambridge University Press, 1992), 7-42; and Bruce Bueno de Mesquita, “The Contribution of Expected Utility Theory to the Study of International Conflict,” *Journal of Interdisciplinary History* 18, no. 4 (Spring 1988): 629-652, esp. 638-639.

<sup>41</sup> This is the main contribution of prospect theory that differentiates it from subjective expected utility analysis that allows for loss-acceptance/risk-acceptance and loss-aversion/risk-aversion.

<sup>42</sup> Here, the expected utility function used is a simple linear one. It is not being argued that this is the only way to calculate the expected utility of an option, just the most straightforward one. Refer to footnote 49 for a more comprehensive discussion of other possible expected utility preference curves.

The bias in prospect theory is toward the lower valued choice with the greatest probability of success.

Conversely, when faced with an identical construct of fines, the predicted outcomes are reversed. Prospect theory finds that people will prefer to take the longer-shot risk in order to avoid certain loss.

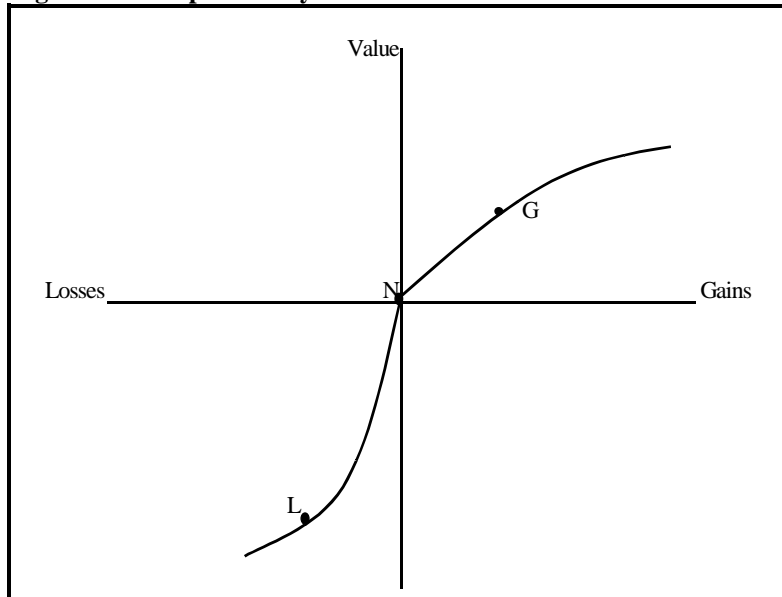
Bet:  $.5 * \$100 = \$50$                       This is the outcome prospect theory would predict.

Fine:  $1 * \$45 = \$45$                          This is the outcome rational choice would predict.

Even though the choice of the fine would minimize potential losses more, the ironic effect of loss aversion is the propensity to choose the bet.

Figure 1.1 visually represents this difference in values of losses and gains. Point N represents the neutral baseline; it is the reference point. Note that the slope and curve of the value function in the upper right quadrant are significantly different than those of the function in the lower left quadrant. The slope is steeper in the loss quadrant than in the gain quadrant meaning that the value of one unit of loss (point L) is greater than the value of an equal unit

**Figure 1.1 Prospect Theory Value**



of gain (point G). Clearly then, prospect theory shows that the options are not commensurate if the costs of the loss are perceived to be higher than the benefits from an equal-sized gain.

In addition to distinguishing between gains and losses in ways unforeseen by standard rationality models, people also display cognitive dissonance in their assessments of ratios and differences in size. In corroboration of the “ratio-difference principle,” Quattrone and Tversky’s experiments have revealed that humans will tend to calculate the size of an alteration not by its value but by its order of magnitude as compared with the baseline. For instance, the perceived difference between \$200 and \$100 is greater at a ratio of 2 than the difference between \$300 and \$200 which only yields a difference of 1.5. This occurs despite the fact that the difference in both cases is the same \$100.<sup>43</sup> This element is clearly of vital importance in understanding how variability in the size of a change will influence people’s propensities for action.

Derived from these findings on the distortion in comparisons of size is the cognitive dissonance in assessments of probabilities. Referred to as the *certainty or pseudocertainty effect*, prospect theory has found that people overweight probabilities near zero or one; but will underweight those in the middle of the probability range. Related to this is the incongruent treatment of changes in probabilities at different ends of the probability spectrum. Changes in probability which are closer to zero or certainty are inflated in value compared to changes of equal size in the middle. Kahneman and Tversky’s example is that a player of Russian roulette will pay more to reduce the number of bullets by one from 1 to 0, than from 4 to 3. This is in spite of the fact that both changes are proportionally identical. Thus distortions in probability assessments factor into decisionmaking.

By now, it is clear that the perceived prospect of change — its direction, likelihood and size — is the central focus of this model of human behavior. It is interesting to note that these hypotheses stress the tendency of humans to measure most things relationally; the common feature between assessments of loss and gain and of degree of flux is that the status quo plays a large part in the calculus. This means that one’s position determines how one will evaluate the choices. However, Kahneman and Tversky have discovered that this element is not always objectively fixed. An example of how the perceptual position of one’s baseline often differs from the real status quo is called the *endowment effect*. This hypothesis suggests that temporal lags occur in adjustments of the reference point. For instance, when expecting or receiving an increase, one’s asset position instantaneously and perhaps even prematurely

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<sup>43</sup>Quattrone and Tversky, 727-730.

adjusts to include that gain. The speed is so great that sometimes even gains which have not been realized will be assumed to be gained already. On the contrary, when dealt with a loss, one's baseline will continue to be viewed as it was before the reduction until the unavoidability of the loss is impressed on the actor. Adjustments to loss are more difficult to make, and therefore may lag behind the objective change in status quo. Thus, the perception of the status quo is somewhat malleable. We will return to this matter in the empirical section of this paper and seriously question whether such temporal lags and premature incorporations occur in deterrence and compellence decisionmaking.

As the opponent's baseline is the most important element in strategic interaction, fixing it accurately, manipulating its position and framing options appropriately around it become vital tasks. A comprehensive framework of how this can be done is presented next.

## HYPOTHESES

### Preliminary Hypotheses

Despite a growing body of literature on prospect theory and its increasing popularity with regards to international relations, this paper will put forth a novel application of prospect theory to understand the relationships between strategic circumstances and coercive tactics.<sup>44</sup> The elements mentioned earlier —those of deterrence, compellence, punishments, and rewards — combined with the lessons of prospect theory provides the framework for a new model of preferred behavior in interstate relations.

Care must be taken, however, in extrapolating the findings of prospect theory to situations beyond the strict experimental world devised by Kahneman and Tversky. Many enthusiasts of the crossover applicability of prospect theory to international relations have, nonetheless, identified difficulties. First among the problems is that the experiments which generated the results of the theory contained fixed and comparable probabilities of the risks of each option and similarly straightforward utilities for each option. In real-world interstate

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<sup>44</sup> There have been recent projects which have systematically explored the implications of prospect theory in specific historical episodes. The focus of these works has been to show how the outcomes of some cases can be better explained using prospect theory than using rational choice theories. While these analyses provide valuable insight into the past, they provide few practical recommendations for statesmen and policymakers. See, Barbara Farnham, ed., *Avoiding Losses/Taking Risks: Prospect Theory and International Conflict* (Ann Arbor, MI: University of Michigan Press, 1994); and Rose McDermott, *Risk-Taking in International Politics: Prospect Theory in American Foreign Policy* (Ann Arbor, MI: University of Michigan Press, 1998).

situations such values are much vaguer. Levy has pointed out that prospect theory is a theory of decision under *risk*, while foreign policy decisions are often made under conditions of *uncertainty*. To test whether the principles of prospect theory still hold when probabilities are not mathematically labeled but are rather expressed in verbal terms, William Boettcher duplicated Kahneman and Tversky's experiments with military and economic scenarios.<sup>45</sup> The results generally supported the outcomes predicted by classical prospect theory, but generated weaker trends than those obtained by Kahneman and Tversky. Still, Boettcher's study is significant in that it shows that violations of expected utility principles, as generalized by prospect theory, do take place with political scenarios and with vaguer values of risk and payoffs.

An additional problem in applying prospect theory to real foreign policy examples is that the framing and reference point are not clear as they are in the laboratory tests. While the test scenarios (including Boettcher's) have the reference point assigned, in decisionmaking circumstances the statesmen themselves determine the framing perspective. Thus, the empirical challenge to IR analysts of prospect theory is to uncover the decisionmaker's reference point, but to do so separate from the behavior that is later observed. Independent evidence of the actor's perceptions is necessary otherwise the behavior and the perspective will tautologically confirm each other. Significant attention must be paid to the diary entries, speeches and exchanges of principal actors prior to the completion of the decision process.

However, this brings us to the final significant problem: prospect theory is a theory of *individual* decisionmaking while international policy-making is often a group process.<sup>46</sup> This problem applies to both models of behavior that are of concern here; the rational deterrence/compellence model and the prospect theory one are each unitary actor approaches. Also, both approaches deal with loss and gain calculations, individual perceptions of loss and gain for prospect theory and aggregated country-level assessments of loss and gain for the classical deterrence and compellence theories. Yet, because both have the same problem, one cannot conclude that the problem affects the validity of the theories in the same

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<sup>45</sup> William A. Boettcher III, "Context, Methods, Numbers, Words," *Journal of Conflict Resolution* 39, no. 3 (September 1995): 561-583.

<sup>46</sup> This problem has been most notably and thoroughly examined by Eldar Shafir in "Prospect Theory and Political Analysis: A Psychological Perspective," *Political Psychology* 13, no. 2 (1992): 311-321.



way. For example, some group dynamics have been found to eliminate the non-rational tendencies and reinforce rational outcomes<sup>47</sup> whereas others have suggested that groups increase the probability of choosing among extreme options and thus irrationally neglect moderate options.<sup>48</sup> With respect to prospect theory and groups, much less research has been done to explore whether groups neutralize non-rational outcomes or whether they heighten the tendencies which prospect theory predicts. Laboratory studies have received mixed results<sup>49</sup> and to date only one other historical analysis has examined the impact of framing on group decisionmaking<sup>50</sup>. Thus, one of the primary goals of this study will be to empirically analyze the difference in prospect theory's performance in cases where approximations of unitary actors hold (as with Kim Il-Sung in the case of North Korea) and where decisions were made by more than one participant (such as in the Japanese decision to attack Pearl Harbor). The following hypotheses will be examined to see if they are equally applicable to both types of historical cases.

First focusing upon the situational alternatives, what does prospect theory reveal? As the concern is to find the best manner in which to secure party *B*'s compliance, a large measure of how *B* will perceive *A*'s influence attempts depends upon the environmental circumstances in which they exist. Prospect theory has shown that the first clue about how someone will act comes from how he pictures the status quo and whether the proposed changes to the status quo will benefit or harm his position. Placing deterrence into this context, would the target be more inclined to see the circumstances as one of predominant future gain or loss? Since the alternatives open to the state are to move forward with a policy that will improve its position, or forego the advance and hold to the status quo as state *A* requests, deterrence seems to be a dilemma between a possible gain and the baseline. In the language of prospect theory, state *B* would be in the domain of gain. In the case of compellence, prospect theory's application

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<sup>47</sup> For instance, there are the bureaucratic models of rationality recently represented by Andrew Farkas, "Evolutionary Models in Foreign Policy Analysis," *International Studies Quarterly* 40, no. 3 (September 1996): 343-361.

<sup>48</sup> Groupthink and group polarization theories have suggested this. See, Irving Janis, *Victims of Groupthink* (Boston, MA: Houghton-Mifflin, 1972); and Paul t'Hart, et. al., *Beyond Groupthink: Political Group Dynamic and Foreign Policy Making* (Ann Arbor, MI: University of Michigan Press, 1997).

<sup>49</sup> Norbert Kerr, Robert MacCoun and Geoffrey Kramer, "Bias in Judgment: Comparing Individuals and Groups," *Psychological Review* 103, no. 4 (October 1996): 687-719.

<sup>50</sup> Ariel S. Levi and Glen Whyte, "A Cross-Cultural Exploration of the Reference Dependence of Crucial Group Decisions under Risk: Japan's 1941 Decision for War," *Journal of Conflict Resolution* 41, no. 6 (December 1997): 792-813.

provides a different conclusion. In compellence, state *B* perceives the situation as a choice between staying the current course or of following state *A*’s edict and take a step back. The alternative payoffs are either a continuation of the status quo net assets or a loss in total assets, respectively. Thus, compellence would be characterized as an interaction within the domain of loss for *B*.

Turning now to the question of coercive instruments, prospect theory’s hypotheses on risk-aversion and risk-acceptance have much utility in deciding which tool will most likely induce the preferred reaction. Contrary to the previously outlined arguments that positive and negative sanctions are not different from the point of view of the target, prospect theory shows how they are. Since the direction of movement from the status quo — towards improvement or towards demotion — and the degree to which it will move from the baseline are critical to *B*, the choice of applying a negative or positive coercive measure can have significant effect on the direction and severity of the change.

Take, as an example, a decisionmaking dilemma in the domain of gain —deterrence. To state *B*, it appears as if *A* is asking her to remain at the status quo rather than follow the course she was planning to take. By aborting the plan, *B* is giving up a gain she could have gotten with some probability. The gain is not certain because the probability of success depends on whether she was successful in the plan and whether *A* decides to penalize her for following through with it. The alternative is to do nothing and neither gain nor lose by complying with *A*’s demands. Prospect theory suggests that people will be risk-averse when faced with conditions such as these; actors will be willing to forego some gains in order to avoid the chance of losses. To capitalize on this tendency, *A* should make the risky option (*B*’s planned action) even riskier. If the gain is made inconsequential by the application of negative sanctions and the potential exists of turning the gains into losses, then *B* will more than likely be satisfied with protecting her current position.

However, why not offer rewards instead of punishments in this situation?<sup>51</sup> For example, it may be argued that the cooperative result can be achieved if state *A* offers a small

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<sup>51</sup>For the sake of simplicity in analyzing the implications of this model, the application of type of sanction will be considered separately. It is important to explore the effects of different combinations of threats and promises, which will need to be examined more fully in my future work on this subject.

concession to state *B* for choosing to maintain the status quo. Would prospect theory predict that *B* would opt for *A*'s package of gains over her own, or that she would choose to be self-sufficient? Actually, the answer is unclear. While realists stress self-sufficiency, it is quite possible that state *A*'s package of rewards may be too attractive for state *B* to ignore. Prospect theory alone is insufficient to answer this question, finding an answer requires deductive reasoning from both the classical deterrence/compellence approaches and from prospect theory. It will be addressed in the next section.

Then there is the domain of loss (i.e., compellence), where *B* can either give up some territory or stay put. *B* calculates the first alternative to be a certain loss and the second as either the status quo or an unknown loss, depending upon the resolve of state *A* to retaliate. Keeping in mind that in such situations prospect theory predicts high risk-taking on the part of *B*, *A*'s brand of coercion will be critical to exacerbating or alleviating the balance of risk in *B*'s options. If rewards are offered in the event of *B*'s withdrawal from the disputed territory, *A* is reducing the measure of loss which *B* will incur by cooperating and may even turn it into a measure of gain. In so doing, state *A* is manipulating *B*'s perception of the game, and taking advantage of *B*'s desperation to avoid loss. On the other hand, issuing threats of punishment if she opts for the status quo will probably fail to garner *B*'s compliance more certainly because it only succeeds in placing the interaction squarely within the domain of loss. By this action, state *A* has made *B*'s choices appear as follows: either go along with *A*'s policy and handle the costs, or defy *A* and perhaps receive a larger blow. In this case prospect theory clearly suggests that *B* just may take her (riskier) chances with defiance, in the hopes that state *A* was bluffing about the consequences. This is not the outcome *A* would have wished and he would have been better off trying promises. Thus, the reason why positive sanctions are recommended for compellence over negative ones is that even though positive sanctions will have limited utility in coercing the target state, negative ones are even more severely handicapped.

To summarize, applying prospect theory to each situation would generate the following predictions:

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**The Prospect Theory View of Deterrence and Compellence**

- Deterrence + Positive Sanctions = No prediction by prospect theory
- Deterrence + Negative Sanctions = Cooperation
- Compellence + Positive Sanctions = Cooperation
- Compellence + Negative Sanctions = Defection

Given that the prospect theory model above cannot predict target's response in cases of deterrence with positive sanctions, we must turn now to the more conventional arguments to glean a recommendation. Since no definite difference in effect on the target can be claimed, let us consider the advantages and disadvantages to state *A* of each tactic. We have shown above that the threat of negative sanctions in the case of state *B*'s defection can be highly effective. While we cannot show that the use of negative sanctions may be necessarily more effective than positive ones, we can show that in deterrence cases positive sanctions have more drawbacks than negative sanctions. The problem with the temporal nature of deterrence is that defection is threatened for the future and compliance means no change in the status quo. Thus, state *B* may simply bluff about her future intentions in hopes of cashing in on state *A*'s generosity. If the strategic relationship between these two actors is long-term, then setting such a precedent may lead to a pattern of appeasement or extortion. Thus, offering positive sanctions as a matter of course in cases of deterrence cannot be recommended.

**Deduction of Classical Arguments on Deterrence and Inducements**

- Deterrence + Positive Sanctions = Instability, may lead to pattern of appeasement and extortion

To achieve a complete picture of the role of positive and negative tactics in deterrence and compellence circumstances, these two strains must be combined. Such a combined model leads to several predictions about the use of deterrence and compellence which can be compared to their historical records. First, looking at deterrence cases, this model would predict that the incidence of the use of positive sanctions to be low. Inducements seem to have been marginalized by theorists and statesmen alike. According, the avoidance of positive sanctions is reasonable in deterrence circumstances because rewards have a particular problem

in the domain of gain. States do not like to offer bribes to challengers in fear of setting a precedent for appeasement, or future extortion by would-be challengers. If positive sanctions were the norm with deterrence, then initiators might be tempted to create such situations to see if they could get something out of deterrers. Such opportunity for extortion does not present itself so easily in the domain of loss. This is because promises are used by compellers to offset expected losses the target would garner if it were to comply. The target of compellence would not be getting something for nothing, as the target of deterrence could. Secondly, in those few cases where rewards and promises were present, this model would expect a greater likelihood for failure. Thirdly, even a combined use of positive and negative sanctions will fall short of reliance on negative tactics alone.

Now, turning to compellence cases, what might a prospect theorist expect to find? First, coercive diplomacy should turn out to be successful more frequently than conventionally thought. Once one includes the cases in which carrots were used, the performance of compellence should improve dramatically. Secondly, it is precisely this use of positive sanctions which will prove to be the key to the improvement in compliance rates for coercive diplomacy. Wherever positive tactics replaced negative ones, there should be a greater likelihood of success. Additionally, even a combined use of positive and negative sanctions should outperform reliance on negative tactics alone. And finally, since the target is so sensitive to loss, it is theorized that positive sanctions will be most effective at the extreme ends of the cost spectrum. So, in incidents where the target is faced with low loss, the use of positive inducement will result in more successful outcomes than the use of threatened punishment. This is because offering moderately large positive sanctions may have the effect of moving the compellence target's domain of choices from two that were wholly within the domain of loss to one of loss and one of gain.<sup>52</sup> Such would also be the case in high priority circumstances. The reasoning behind this is that even though prospect theory suggests risk-acceptance with losses, it does not necessitate a proportionally greater propensity for risk as the value and size of the loss increases. Thus, there must be some point at which the costs of defiance are too great to risk and so the offer of a concession takes on greater significance as a face-saving measure.

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<sup>52</sup> There has been little experimental data on this kind of decision structure. Most of the experiments are on two choices within the same domain of calculus. However, prospect theory is not essential to understanding the outcome of such a situation; standard utility functions suffice in showing that an actor would prefer gains to losses.

However, in situations associated with moderately high costs for the target state, positive sanctions will have little or no advantage over negative ones.

### Secondary Hypotheses

However, the model outlined above is not wholly sufficient to explain what occurs in the international arena when conditions are not so clear-cut. Additionally, the argument that compellence strategies will succeed when coupled with exclusive use of rewards and promises is highly questionable. The analysis must be complicated further because the crucial issue in understanding an adversary's perspective is to accurately peg the adversary's point of reference. As explained above, the baseline determines whether the situation is in the domain of gain or the domain of loss. The problem with gauging the position of the baseline is that it is fluid and not objectively fixed, but also that perfect information does not exist. Thus, while deterrence circumstances are by definition domain of gain situations for actor *B*, there have been instances in history where *B* considered the threatened change of status quo necessary to regain her former position. In other words, the circumstances had been recast into the domain of loss. This was the case for Iraq in 1990. Some have argued that Saddam Hussein's refusal to stand down on Kuwait was irrational or based on systematic miscalculation— that he stood to lose more by changing the status quo than if he had just stayed with his status quo policy.<sup>53</sup> Behavior in such circumstances is predicted to be conservative: staying with the sure thing in the status quo rather than taking the highly risky option of invading Kuwait. Yet, Iraq did not behave in a risk-averse fashion. Some have suggested that this was because Saddam Hussein did not perceive himself to be within the domain of gain; he viewed Kuwait's (and other Arab nations') oil and regional policy to be detrimental to Iraq and thus placing Iraq on a constant trajectory of loss.<sup>54</sup> By his calculation, Iraq could either face continued and certain loss or act boldly to possibly restore Iraq to a more favorable status quo. In the domain of loss, risk-

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<sup>53</sup> This is one of the possibilities examined by Richard Hermann, "Coercive Diplomacy and the Crisis over Kuwait, 1990-1991" in *The Limits of Coercive Diplomacy*, ed. Alexander L. George and William E. Simons (Boulder, CO: Westview Press, 1994), 229-264; and Janice Gross Stein, "Deterrence and Compellence in the Gulf, 1990-91: A Failed or Impossible Task?" *International Security* 17, no. 2 (Fall 1992): 147-179.

<sup>54</sup> See Janice Gross Stein, "Deterrence and Compellence in the Gulf, 1990-91: A Failed or Impossible Task?" *International Security* 17, no. 2, (Fall 1992): 147-179; and Janice Gross Stein, "Threat-Based Strategies of Conflict Management: Why Did They Fail in the Gulf" in *The Political Psychology of the Gulf War: Leaders Publics and the Process of Conflict*, ed. Stanley A. Renshon (Pittsburgh, PA: University of Pittsburgh Press, 1993), 121-154; and Paul K. Davis and John Arquilla, *Deterring or Coercing Opponents in Crisis: Lessons from the War with Saddam Hussein* (Santa Monica, CA: RAND, 1991).

acceptance is more common. Naturally, such a fundamental shift in state *B*'s view of the status quo has a great impact on the outcome of state *A*'s attempts at influencing *B*.

Now, instead of simply recognizing a deterrence or compellence situation and acting according to the formula, state *A* must expend more effort to ensure that the circumstances are really what he believes them to be. After making certain of the type of situation, state *A* may proceed with the appropriate measures as suggested by the model. Such strategic interactions must be considered two-stage encounters instead of single-step interactions. These two stages may be neatly categorized as present-oriented coercion and future-oriented coercion respectively.<sup>55</sup> The temporal nature of these two stages corresponds with the temporal differences in the instruments of coercion. For example, within the category of negative sanctions there are punishments and there are threats. Punishments are present-oriented means of coercion and threats are future-oriented. Similarly, within the subtype of positive sanctions, rewards are present-oriented and promises are future-oriented.

The first task for the influencing state (state *A*) is to be certain of state *B*'s reference point. This does not only involve testing the waters and listening to the adversary. Since an actor's perception of the baseline is malleable, state *A* can attempt to shape state *B*'s view of the status quo. The most important part of this stage is to understand the opponent's perception of his own circumstances. Often, this is a dynamic process that involves testing to determine if *A* and *B* are on the same page. Small encounters of a deterrent or compellent nature and the strategic use of sanctions or reinforcements can help orient one to the nature of the larger game.<sup>56</sup> The adversary's responses to specific punishments or rewards can help clarify whether he is operating in the domain of gain or of loss. For example, the western powers had sufficient opportunity to gauge Hitler's degree of ambition as he demanded concession after concession in the 1930s. The three possibilities that can result from this diagnosis phase are:

- 1) *B* is in domain of gain,
- 2) *B* is in domain of loss,

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<sup>55</sup> J. David Singer, "Inter-Nation Influence: A Formal Model," *American Political Science Review* 57, no. 2 (June 1963): 420-430.

<sup>56</sup> A variant of this, the "limited probe," is analyzed in deterrence cases by George and Smoke, 540-543.

- 3) *B* is in *de facto* domain of loss because he has revised his baseline to include a gain he does not really possess.

It would have been very useful for the allies to have been aware that Hitler was in a scenario #3 frame of mind. His belief in Germany's entitlement to more territory and to the unification of all Germanic people would have put him in a *de facto* domain of loss.<sup>57</sup>

Upon discovery of the opponent's position, what are state *A*'s alternatives at this pre-crisis stage? Early manipulation of the adversary's view of the status quo is possible if one considers the status quo as a continuum and not static. For example, prior to the outbreak of war in Europe, Britain, France and Germany were engaged in a grand game of deterrence but within that game were smaller encounters of compellence and deterrence.<sup>58</sup> The outcomes of these smaller clashes helped both sides define the trends in their respective baselines which were then used to determine their behavior in the larger end-game.<sup>59</sup> What the influencing state can do to influence the outcome of the end-game is to take some short-term, intermediate steps to begin to alter the status quo, thereby changing the opponent's calculus of his final options. So, giving in to Hitler's demands reinforced his sense of entitlement to more gains.

Taking each of the possible scenarios in turn, what would *A* want to do? In the first case where *B* is in the domain of gain, *A* should be confident. This means that the situation is more akin to deterrence than compellence and that *B* would not be so averse to returning to the status quo ante or to complying with *A*'s demands. Because *B*'s propensity to risk is lower than in the other domain scenarios, *A* does not need to manipulate *B*'s current view of the status quo and can concentrate on future-oriented coercive tactics. Also negative sanctions will be

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<sup>57</sup> Eberhard Jackel, *Hitler's World View: A Blueprint for Power*, trans. Herbert Arnold (Cambridge, MA: Harvard University Press, 1981).

<sup>58</sup> Britain and France were trying to deter Germany from expanding first its military capability and then its territory. Simultaneously, Hitler was trying to see how far he could push Britain, France and Russia. Thus, there were deterrence and compellence elements in this ongoing relationship. To trace it to its source one must consider the preceding interactions between these parties, starting with the 1935 issue of German rearmament and of the remilitarization of the Rhineland. Refer to David W. Ziegler, *War and Peace and International Politics*, 5th ed. (New York: Harper Collins, 1990), 32-37; Rene Albrecht-Carrie, *A Diplomatic History of Europe Since the Congress of Vienna* (New York: Harper and Row, 1973), 491-540.

<sup>59</sup> There are two opposing perspectives on this issue. Many have found that showing the adversary there is a longer-term relationship and longer time horizon can make the adversary more amenable to cooperation. [For example Robert Axelrod, *The Evolution of Cooperation*, (New York: Basic Books, 1984).] Conversely, others have shown that "limited probes" that are reversible and non-committal can cause a state to harden its stance. [Refer to George and Smoke, 540-3.]



effective under these circumstances, but positive sanctions can be offered in combination with negative ones, if need be. One can be in the domain of gain and still in a compellence situation if, like in the Cuban Missile Crisis, the challenger has tried to change the status quo but has not quite achieved it and a return to the status quo ante is still tolerable. A detailed analysis of this case follows in the empirical section.

If *B* is found to be in a loss domain, on the other hand, *A*'s job is more complicated. To minimize *B*'s risk propensity, *A* must try to change *B*'s current view of the status quo. For example, prior to the occupation of Kuwait, Saddam Hussein's presumable estimation of the situation was that he was on a downward spiral. The challenge for the United States was to make him see that his situation was not as dire as he thought and thus his options were not so desperate. By acknowledging that debts, the low price of oil and the dispute over the Rumailah oil fields were unfair burdens for Iraq to bear, the United States might have been able to show Iraq that other solutions were available besides the invasion of Kuwait.<sup>60</sup> Had the U.S. begun the process of alleviating these stressors rather than vaguely promising to do so later, it could have begun to alter Iraq's baseline. Thus, using present-oriented positive sanctions would be important in ensuring that the opponent's perception of the status quo was neutral or gaining rather than losing.

The third possible scenario, another that *A* would want to alter, would be *B*'s premature incorporation of a gain into its baseline. Cognitive psychology has claimed that gains tend to be incorporated into one's view of the status quo more quickly than losses, but this incorporation need not always be automatic and instantaneous. As a result of the accommodation effect, state *B* may be prematurely calculating a potential gain as already achieved. This is dangerous because while *A* may consider a certain situation within the domain of gain, *B* views it as one of a potential loss and thus will be much more risk-prone. Can state *A* utilize sticks or carrots to influence *B*'s framing of the situation? The prevention of the premature incorporation of a gain is one of the most significant ways in which state *A* can alter state *B*'s perception of its baseline. In the very early stages of *B*'s analysis of the circumstances, *A* must make credible commitments to defend against *B*'s encroachment. This can be considered general deterrence, in that an *a priori* clarification of the commitments is made. This way, one prevents unrealistic

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<sup>60</sup> For a preliminary assessment of the counterfactual role of concessions see Davis and Arquilla, 72.

assessments of the ease with which a task can be accomplished and thus avoids assumptions that the goal is already achieved. Returning to the prelude to the Second World War, firm denials to Hitler's demands beginning in 1935 might have prevented Hitler from assuming that his future goals were necessarily attainable.<sup>61</sup>

The conclusion in the last two examples is that one wants to ensure that one's opponent does not perceive his situation to be in the domain of loss. In the first instance, to prevent the premature incorporation of a gain, conditional negative sanctions may be issued at the very early stages of the interaction. Preferably, this is a standing policy that is in place prior to any indication of a crisis. This involves determining what types of gains are of such value to the opponent that there may be a sense of entitlement. In the second scenario, one suspects that one's adversary considers the situation to be bad and is becoming more determined to rectify it. The challenge for state *A* is to convince *B* that circumstances are not so desperate. Rather than making it more unpleasant for *B* to maintain the current course, *A* would want to reassure *B* that its situation was stable. This would involve the application of present-oriented positive sanctions to begin to shift *B*'s baseline out of the domain of loss.

Once the opportunity for understanding and changing the opponent's perception of the status quo is gone, *A*'s task is to apply future-oriented means of coercion to ensure *B*'s compliance. While, this portion of the interaction may appear to follow the first task, it is often necessary to carry out these techniques simultaneously. For example, as soon as it became clear that Saddam Hussein was contemplating an act of aggression against Kuwait, it was appropriate for the defenders of Kuwait to immediately warn of future harm to Iraq should it invade. The communication of this threat need not have waited until after attempts were made to address Iraq's grievances. Still, doing present- and future-oriented signaling simultaneously can be difficult and confusing. But, the problems can be minimized in two ways. The first method is to keep the temporal orientation of the coercive instruments in mind as one uses them. In the Iraq case, the deterring states did not take steps to *immediately* improve Iraq's baseline but instead made *vague promises* to do so in the *future*. This conflicted with the

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<sup>61</sup> For analysis of the role of appeasement in encouraging German aggression see Rene Albrecht-Carrie, *A Diplomatic History of Europe Since the Congress of Vienna* (New York: Harper and Row, 1973); F.S. Northedge and M.J. Grieve, *A Hundred Years of International Relations* (New York: Praeger, 1971); A.J.P. Taylor, *The Origins of the Second World War* (Greenwich, CT: Fawcett Publications, 1961).

*threats* of future harm if Iraq invaded Kuwait. Thus, present-oriented reassurances mixed with future-oriented threats might have been more successful. The next method to reduce confusion is for state *A* to be very clear about the conditionality of the carrots or sticks. Current efforts to alter *B*'s status quo position should not imply that future defiance is acceptable. So, recognizing Iraq's financial difficulties need not have condoned Iraq's invasion of Kuwait.

Of course, success in deterrence or compellence is not always achievable without recourse to force. Up until now, *A*'s strategy has been to make *B*'s compliance more attractive while highlighting and increasing the costs to *B* of defecting. However, there are times when *A* cannot eliminate *B*'s interests in defiance and confrontation. For example, it has been said that Saddam Hussein was not persuaded to leave Kuwait because the price of being kicked out militarily, though high, was lower than the humiliation of leaving voluntarily. Moreover, he anticipated some potential gain from drawing Israel into the resulting war. In the case of World War II, Hitler's racist concept of *lebensraum* led him to aim for the reunification of all ethnic Germans and to accumulate sufficient landmass and resources for them to thrive. He was so dedicated to this notion that he took it to be the German people's natural right. This was an obvious circumstance of premature incorporation of an unrealized gain. By 1938 Hitler was too wedded to the "*Anschluss*" with Austria and to the reunification of the ethnic Germans of Sudetenland to be dissuaded, even by the prospects of war with Britain and France. Thus, there are occasions when *B*'s perceived benefits of defection cannot be neutralized.

On the other side of the equation, state *A* must be willing to incur the costs of gaining *B*'s compliance; oftentimes she is not. As discussed earlier, one way that Britain and France could have deterred German aggression in 1939 was to have been firm with Hitler much earlier, perhaps as early as 1934 or 1935. But, at that early date, they were not able to anticipate their eventual interest in doing so. Similarly, in 1990 the United States did not want to expend the diplomatic capital of negotiating with Saddam Hussein. The Bush administration was confident in its ability to maintain an international coalition and sustain a successful military action against Iraq at relatively little cost. Neither the allies in World War II nor in the Persian Gulf War were sufficiently motivated to take the necessary steps to prevent the outbreak of war.

So, what is the role of force in deterrence and compellence? Many analysts have chosen to separate compellence and deterrence strategies conducted in wartime from those

when war is absent. As mentioned earlier, Glenn Snyder makes a distinction between “deterrence” and “defense,” where deterrence is dissuasion without war and defense is dissuasion during war.<sup>62</sup> Similarly, George and Simons’s definition of “coercive diplomacy” explicitly excludes military action from the strategy.<sup>63</sup> However, the analyses and the hypotheses here will include the violent stages of crisis encounters. The important issue to keep in mind when using military force in these late stages of deterrence and compellence is that the adversary’s perception of its circumstances will determine its response. So, when determining whether a limited military punishment will be effective compared to a more comprehensive attack, it is important to consider *B*’s risk-propensity. Thus, when *B* is in the domain of loss, *A* should limit its application of force because it should be careful not to aggravate *B*’s perception of loss while still reinforcing the credibility of its threats. On the other hand, when *B* is in the domain of gain, *A* has more flexibility in the instruments and degree of violence it can employ.

Thus, the argument in this study is that the choice of tactics, either positive or negative, and the timing and mix of their application can have a great impact on the outcome. Additionally, the correct use of these coercive instruments early in the game can help eliminate misunderstandings and miscommunication. So, prior to the development of a face-off, state *A* must put in place a series of general threats to prevent miscalculation on *B*’s part or offer short-term aid to ensure that *B* is not in desperate straits. Once, the crisis is in effect, however, the first signals from *A* should be firm and negative. This is essential to establish credibility and to prevent false alarms for the purpose of extortion. Only after issuing firm negative sanctions should state *A* consider applying positive sanctions, and then only if sure that *B* is in the domain of loss.<sup>64</sup> Finally, if (in Schelling’s words) the “exploitation of potential force” does not effect the desired outcome, then state *A* may turn to the “application of force” or of the threatened punishment to gain *B*’s compliance.<sup>65</sup>

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<sup>62</sup> Snyder, *Deterrence and Defense*, (1961).

<sup>63</sup> George and Simons, eds., 2<sup>nd</sup> ed., 8.

<sup>64</sup> Others have also hypothesized and some have proven experimentally that “starting tough and then gradually making concessions is a more effective means” of producing agreements. Jeffrey Z. Rubin and Bert R. Brown, *The Social Psychology of Bargaining and Negotiation* (New York: Academic Press, 1975), 275; Daniel Druckman, “Situational Levers of Position Change: Further Explorations,” *The Annals of the American Academy of Political and Social Science* 542 (November 1995): 69-70.

<sup>65</sup> Thomas C. Schelling, *The Strategy of Conflict* (Cambridge, MA: Harvard University Press, 1960), 5.

The final task in building a complete theory of deterrence and compellence is to bring back *A*'s baseline calculation into the equation. Thus far, I have focused only on how *A* can successfully manipulate *B*'s preferences and choices, but in the real world *B* is simultaneously influencing *A*. Also, *B*'s assessment of *A*'s position is relevant to whether *B* will cooperate. So, what does *A* face in deterrence and compellence situations? Taking deterrence first, *A* perceives a situation where *B* wants to alter the status quo to the detriment of *A*. The threatened change by *B* must make *A* worse off or else there would be no incentive for *A* to deter *B* and to defend the status quo. Thus, *A* is in the domain of loss when trying to deter *B*. Next, in compellence circumstances, *A* is trying to get *B* to do something that is not necessarily in *B*'s interests, but that obviously makes *A* better off. *A* would not be trying to coerce *B* to accept a policy if that policy was not in *A*'s best interest. Therefore, in theory, one would think that *A* would be in the domain of gain in a compellence encounter.

Such an analysis of the baselines of the two actors suggests that the two parties will tend to be in different domains in any given situation. In deterrence, *A* is in the domain of loss while *B* is in the domain of gain. Thus, *B* must be wary of *A*'s propensity to risky behavior. Conversely, in compellence, *A* is in the domain of gain and *B* is in the domain of loss; so now *A* must be careful of *B*'s potential desperation.

Deterrence:	<i>A</i> is in domain of loss
	<i>B</i> is in domain of gain
Compellence:	<i>A</i> is in domain of gain
	<i>B</i> is in domain of loss

However, just as it is possible for *B* to think her situation is better or worse than another would see it, *A* may also calculate his baseline in radically different ways than observers would. For example, in the Cuban Missile Crisis the United States did not consider the aim of getting the Soviet Missiles out of Cuba to be a gain. For them, the position of comparison was not the new status quo where Cuba had nuclear capability, but rather the status quo ante. But, failure to return to the status quo would have been a serious loss for the US. The fortunate occurrence in this situation was that Khrushchev was flexible enough to recognize the gravity of the interests to the United States and the potential for the US to be in the domain of loss. He was therefore able to ensure that the USSR's position was framed as being in the domain of gain. Each party's reference point would then appear as such:

Cuban Missile Crisis:            A (US) is in domain of loss  
   (Compellence)                B (USSR) is in domain of gain

Note how this is the exact reversal of what one would expect to see, but it suggests that rigid categorizations of these strategies are of limited value.

This is important because the most unstable situation is when both sides perceive their options to be bad and thus are prepared to take greater risks to avoid losses. When both are in the domain of loss, war is more likely.

Worst-Case Scenario:            A is in domain of loss  
   (War?)                            B is in domain of loss

So, Khrushchev's refusal to characterize the situation as one of loss for the USSR helped avoid this grave circumstance. Kennedy also aided in this framing exercise by avoiding immediate application of punishments, such as the proposed air strikes of the missile bases, and also by being amenable to giving moderate concessions to the Soviets. Framing the situation as one of possible gain for the Soviets, made the interaction a more stable one: where one party is in the domain of gain while the other is in the domain of loss. This is more stable because the one in the domain of gain is able to retain more flexibility than the one in the domain of loss. By extension, when both sides are in the domain of gain, the likelihood of cooperation is increased. This would be the most stable of situations. So, *B* must be careful to consider the motives and risk-propensity of *A* when deciding whether to resist or capitulate.

This paper will begin to apply these hypotheses to two examples of American foreign policy. The case studies of Iran and Cuba will be used to examine the issues of the malleability of baselines, the differences between the use of present-oriented and future-oriented tactics and the complication of studying simultaneous bi-directional coercion. The first case to be presented is American relations with Iran after the 1979 establishment of the Islamic Republic up until the present showdown over Iran's nuclear program. As a current controversial issue, one wonders whether it should be considered an example of American compellence success or of Iranian deception. It also affords the opportunity to examine the role of loss and of positive sanctions. Did the model hold up to scrutiny and which of its findings are relevant to the immediate questions of our day? The second case discussed will be that of U.S. attempts to isolate and neutralize Cuba under the Castro brothers.

## Sanctions Against Iran

American and Western sanctions against Iran have been in place since 1979 and, I would argue, have been ineffective for much of that time, until relatively recently. Why did they fail for most of the period between 1979 and 2007, and what changed in 2007 to improve the effectiveness of the sanctions regime?

The Islamic Revolution of 1979 swept out the regime of the Shah, Mohammad Reza Pahlavi, and brought in the theocratic regime of Ayatollah Ruhollah Khomeini. As a consequence of the loss of an American client state and Iran's transformation into a hostile, oil-rich regional power in the Middle East, the United States felt compelled to express its displeasure. But, beyond the initial period of unpleasant shock in the Carter years, the next American administrations found the new Iran to have more nuanced uses for American interests. Of course, there was the Reagan administration's scandal over the Iran-Contra Affair that revealed the American willingness (or at least of *some* in the government) to have relations with Iran, albeit secretly and illegally. In the late 1980s and early 1990s, Iran occasionally proved useful as a bulwark against other regional threats to U.S. interests. After the end of the Iran-Iraq War, the United States fanned the fires of continued competition between Iran and Iraq, at various times supporting one or the other in the hope of neutralizing both. During all of this time, the official rhetoric of opposition and of trade sanctions continued.

Thus, in the first two decades of sanctions against the Islamic Republic of Iran, it wasn't clear what the goals of the sanctions policy ultimately were. In addition, American opposition to and suspicion of the Khomeini regime did not match that against the Castro regime in Cuba. Much of American opposition to Iran was necessitated by Iran's anti-American rhetoric and was thus largely reactionary. This changed after the Republicans sweep into Congress in the midterm American elections in 1994. A hardening of foreign policy ensued and Congress passed the Iran and Libya Sanctions Act (ILSA)<sup>66</sup> which tightened trade restrictions and applied

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<sup>66</sup> On 30 September 2006 Congress renamed it the Iran Sanctions Act (ISA), as it no longer applied to Libya.

levies against third parties who also traded with Iran. Justification for these sanctions were Iran's support for Islamic terrorism, its opposition to the Arab-Israeli peace process, its domestic human rights abuses and its suspected program to acquire weapons of mass destruction.<sup>67</sup>

Iran made little progress on these fronts despite continued American sanctions. In fact by the early 2000s Iran began to step up its actions in one particular area, that of advancing its nuclear weapons program. After being lumped in with the so-called "Axis of Evil" nations by George W. Bush and witnessing the American military campaign against its neighbors Afghanistan and Iraq in 2001 and 2002, Iran is thought to have accelerated its nuclear program as a means to bolster its own defense. American suspicions of this trend were initially dismissed by the international community when IAEA inspectors failed repeatedly to uncover evidence of Iranian violations of NPT obligations or safeguards. However, this changed in 2006 when the IAEA cited Iran's non-compliance with safeguards related to uranium enrichment. This resulted in a progressive series of United Nations Security Council Resolutions<sup>68</sup> imposing ever harsher and more comprehensive penalties and conditions on Iran. As more nations joined the embargo and measures targeted Iran's international finance and energy sectors, they proved effective. In 2012 and 2013, Iran's GDP shrank by 6.6% and 1.9% respectively.<sup>69</sup> The Iranian economy suffered from a serious recession, unemployment and inflation spiked and foreign assets were frozen. By 2013, Iranian foreign minister Javad Zarif, was signaling to the Obama administration Iran's willingness to negotiate.

So what explains the turn-around in American policy that saw little promise of Iranian compliance between 1979 and 2007, but that brought about the "Iran Nuclear Deal" or *Joint Comprehensive Plan of 2015*?

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<sup>67</sup> For more on these goals see Gitty M. Amini, "Iran: the Failure of Economic Incentives and Disincentives," in Richard Rosecrance, ed., *The New Great Power Coalition* (Lanham, MD: Rowman and Littlefield, 2001).

<sup>68</sup> Here is a partial list of relevant *UN Security Council Resolutions: 1696, 1737, 1747, 1803, 1935, 1929, 1984 and 2049*. There are some more recent ones that I do not include in this list as they are ones adopted since the *Joint Comprehensive Plan of Action of 2015*, or Iran-US Nuclear Deal, was agreed that begins to unwind these sanctions.

<sup>69</sup> World Bank Country Data, <http://data.worldbank.org/country/iran-islamic-republic>, accessed 25 February 2016.



### Applying Hypotheses to American-Iranian Relations

Following the Islamic Revolution in 1979, one could assume that Iran was in the domain of gain and, as the US had just lost its ally in the Shah, the US would have been in the domain of loss. Compounding this scenario was the Hostage Crisis, where American embassy personnel were offered in exchange for the Shah who had been granted medical asylum in the United States. Since the United States had already faced a reputational blow with the overthrow of the Shah and then again with the hostage crisis, it was not willing to compound American losses by conceding to demands by thuggish students. American sanctions were imposed by Executive Order 12170 by Jimmy Carter almost simultaneous to the taking of the hostages.<sup>70</sup> This suggests to me that it was largely a tit-for-tat game of mutual threats and punishments. The sanctions may have initially been applied as pressure to gain the release of the hostages, however, they were not lifted after the hostages were released on 20 January 1981. Thus, I think it was not clear to the Reagan and elder Bush administrations what the purpose of the sanctions was beyond expressing American disapproval of the Iranian regime.

The Iran – Iraq War (1980-1988) followed so quickly upon the heels of the revolution that it seemed to obviate the need for concerted U.S. compellence of Iran. The U.S. hoped that Saddam Hussein’s superior military might reverse the gains of the Islamic Republic, but as Iraq failed in its initial putsch into Iran and the war settled into a bloody stalemate, the U.S. was content to allow each side to weaken (and thus “contain”) the other. As a consequence, not much effort was made to make the sanctions more effective beyond the goal of restricting arms transfers to either party.

The 1990s brought a more hawkish Republican Congress and a ratcheting-up of American sanctions. They targeted third parties and foreign corporations to dissuade others from trading with Iran. While they did penalize French and other European companies who did business with Iran, they did not make Iran any more cooperative toward U.S. interests. So,

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<sup>70</sup> The hostages were taken on 4 November 1979, and ten days later, 14 November 1979 Carter signed Executive Order 12170. The order froze all of Iran’s official assets in the United States.

while they did cost Iran business, Iran continued to conduct its foreign policy as it had before. Why? I would argue that the goals or demands made by the U.S. were not commensurate with the penalties imposed. As I mentioned above, by the 1990s, the United States had settled on 4 conditions for Iran: 1) stop support for terrorism, 2) stop disruption of Arab-Israeli peace process, 3) stop human rights abuses of its own population, and 4) stop WMD program. These were very significant demands which challenged Iran's sense of its own identity and sovereignty. A few tens of millions of dollars of lost income were not sufficient to make the concessions seem worthwhile. Thus, the United States did not put up a decent effort at compellence in this case; traditional theories of compellence would have found the efforts to persuade Iran between 1979 and 2007 lacking.

That situation changed after 2006. As the IAEA referred the case of Iran's suspected nuclear violations to the UN Security Council, other western nations began to join the American call for financial sanctions. The five permanent members of the UN Security Council and Germany began to agree to a series of measures to punish Iran until it could verify its compliance with international NPT norms on uranium enrichment. So, both sides of the coercion equation were strengthened: 1) the UN upped the ante on the costs Iran would pay if it continued to defy, and 2) the UN resolutions were much more explicit about the standards Iran would have to meet to be considered compliant. The United Nations was also much better at offering Iran reassurances that sanctions would be lifted as long as Iran complied. For example, UN Security Council Resolution 2231 lays out a framework and timeframe for how sanctions will be lifted in the event Iran cooperates.<sup>71</sup> This gave Iran specific benchmarks toward progress, making it more confident in the reliability of the process and making it more disposed to accept cooperation over defection. This showed that the positive inducements were almost as significant as the negative sanctions in eliciting Iran's cooperation.

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<sup>71</sup> <http://www.un.org/press/en/2015/sc11974.doc.htm>, accessed 25 February 2016.

## Sanctions Against Cuba

US sanctions against Cuba have lasted even longer than those against Iran. They were first put into place in 1960, shortly after Fidel Castro's overthrow of the Batista regime in 1959. The original rationale for the sanctions was national security, as Cuba became a client state of the USSR during the Cold War. This reasoning seemed to be justified by the 1962 Cuban Missile Crisis which revealed Russian and Cuban plans to expand Soviet missile capability in the Western Hemisphere. Sanctions were supposed to weaken the Castro regime and maintain a favorable balance of power for the US and its allies in Latin America and the Caribbean. This argument received renewed vigor in 1982 when the U.S. State Department placed Cuba on the list of state sponsors of terrorism for its training of rebels in Central America and Africa.<sup>72</sup>

After the end of the Cold War, by 1992, the initial concern about national security became moot. With the demise of the Soviet Union, Cuba was reduced to a poor and patron-less Caribbean nation. A 1997 report by the United States Defense Intelligence Agency declared that Cuba was not considered a military threat to the United States.<sup>73</sup> After this point, those in the U.S. who continued to support the policy of sanctions now focused primarily on the human rights goal. The 2016 World Report of Human Rights Watch claims that the

Cuban government continues to repress dissent and discourage public criticism. It now relies less on long-term prison sentences to punish its critics, but short-term arbitrary arrests of human rights defenders, independent journalists, and others have increased dramatically in recent years. Other repressive tactics employed by the government include beatings, public acts of shaming, and the termination of employment.<sup>74</sup>

Sanctions were used as a means to punctuate American demands for improved treatment for the Cuban population. In 1996, this concern was cited by the Republican Congress as is tightened sanctions against third parties doing business with Cuba in the Helms-Burton Act.<sup>75</sup>

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<sup>72</sup> Cuba was accused of backing the Sandinistas in Nicaragua, the MPLA in Angola and the ANC in South Africa among others.

<sup>73</sup> United States Defense Intelligence Agency, "The Cuban Threat to U.S. National Security," November 18, 1997.

<sup>74</sup> Human Rights Watch, *World Report 2016: Events of 2015* (New York: Seven Stories Press, 2016)

<sup>75</sup> While commonly called the Helms-Burton Act, its official name is the Cuban Liberty and Democratic Solidarity Act of 1996.

There is language in the legislation complaining of “the repression of the Cuban people, including a ban on free and fair democratic elections and continuing violation of human rights.”<sup>76</sup>

The fact is that neither the national security nor human rights justifications were the real goals of the sanctions regime. The true goal throughout all the various stages of Cuban sanctions was regime change. Whether spoken or implied, the American government’s primary concern had been to support a “transition to a democratically elected government in Cuba.”<sup>77</sup> We find plenty of evidence for this from the earliest days of the Castro regime, with the Bay of Pigs fiasco and Operation Mongoose, all the way into the early 2000s with the Bush Doctrine’s neoconservative argument for American primacy. However, as failure to achieve this became increasingly likely, the American public became less convinced of the legitimacy of the regime change goal. As we move further and further away from the Cold War, fewer Americans harbor strong opposition to socialism (as is attested to by the surprising popularity of Bernie Sanders).

Consider the decline of the once-vaunted power of Jorge Mas Canosa and his Cuban American National Foundation (CANF). CANF, which for much of the 1980s and 1990s was a leading Cuban-American voice in Florida politics, continuously demonized the Castro regime and pushed American politicians to demand the return of confiscated private property lost by Cuban-Americans and Cuban exiles and to castigate the Castro regime’s lack of respect for the rule of law. The staunchly anti-communist and pro-G.O.P. leanings of Miami’s Cuban population had an outsized effect on American foreign policy toward Cuba given the pivotal role Florida plays in federal, especially presidential, elections. But, by the late 1990s Mas Canosa and his ilk began to lose standing, even among Miami’s Cuban-Americans. First, there was a generation gap between those who had initially fled Cuba in the early 1960s and those who were either native-born Americans of Cuban descent or who left Cuba in later migration waves. The anti-Castro hardliners were increasingly marginalized and after Mas Canosa’s death in 1997, his organization began to flounder. There is now more pluralism in considering

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<sup>76</sup> *Cuban Liberty and Democratic Solidarity Act of 1996*, Public Law 104-114, *U.S. Statutes at Large* 114 (1996), 110.

<sup>77</sup> *Ibid.*, 110.

alternatives to Cuban foreign policy. Cuban Americans are not a monolithic bloc and some now call for ending the trade embargo.

I would argue that it is this softening of Americans' perceptions of Cuba that accounts for the change in policy: the number of years have softened the blow caused by the "loss" of Cuba in 1959, so it is easier for the United States to accept and to consider changing a continually losing strategy.

#### *Applying Hypotheses to American-Cuban Relations*

In the initial period immediately following the social revolution in 1959, I would argue that the U.S. suddenly found itself in the domain of loss and Cuba was thought by the Americans to be in the domain of gain. This gave Cuba a psychological advantage over the US and made the Americans more desperate than the Cubans. The imposition of trade sanctions was a means for the US to neutralize the perceived gain of the Castro revolution and to immediately punish it for its defection to the Soviet camp. Now, if it were true that Cuba was in the domain of gain, then the trade sanctions should have been more effective than they were. But, I would argue they were not effective because of the dynamic nature of Cuba's baseline calculation of the status quo.

Objectively it may seem that Cuba was in the domain of gain since it had won its revolution and gained Soviet patronage. However, it is important to break those two events apart and to see that from the Cuban perspective things were not so rosy. Immediately after the Castro revolution, Cuba faced capital flight and a brain drain as much of Cuba's upper- and middle-class population fled to the United States. Moreover, Cuba's turn to the USSR for protection was done in response to an American embargo against arms and fear that the Eisenhower administration would follow this up with a trade embargo. Cuba didn't sign a trade treaty with the Soviets until February 13, 1960. Since the initial phase of the sanctions policy was incorrectly read by Eisenhower and Kennedy, it was not set up appropriately.

The main flaw in America's Cold War sanctions approach was that it did not provide any long-term reassurance. By relying exclusively on present-oriented punishments and by making

speeches decrying the legitimacy, legality and morality of the Cuban regime, the US was undermining its reliability as a negotiating partner. This may not have had initial drawbacks for the U.S. position, as the U.S. was not open to considering a compromise, however, as time went on, it harmed American chances to find a middle ground when its own interests began to shift. The implied demand that nothing would satisfy the U.S. short of a change in Cuba's regime was the cause for the U.S.'s inability to reassure. Cubans were suspicious of America's reliability as a strategic adversary. If one suspects one's adversary to seek its complete destruction, it makes one less likely to consider negotiating anything with that adversary.

While offering small gestures that could serve as signals of America's bona fides could have made Cuba's partial compliance with American demands more likely, it was not politically possible for the U.S. to do so. Domestic politics constrained most American administrations ability to have any flexibility with regard to Cuban relations.

### Conclusions

The examples of U.S.-Iranian and U.S.-Cuban relations show how complicated strategic coercion can be. For much of the history of these cases, American foreign policy was not carefully crafted and recalibrated. Blanket demands for sweeping changes were issued and blunt sanctions were imposed to back up the demands. Once in place, they were rarely revisited or questioned. As a consequence, both sides came to accept the stand-offs as normal. Both sides incorporated the ongoing hostility and mutual punishments as the neutral status quo baseline. Even if the status quo policy did not benefit either side, they were loath to re-examine the policy, as though any changes in policy themselves would constitute a loss. I hope this study has shown that successful coercion of adversaries requires knowing and empathizing with them. This way, one is better able to construct a strategy with a more effective mix of threats, punishments, rewards and promises.