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Excerpt
More Information

Economic Warfare and Sanctions since 1688

An Overview

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What results are to be expected when one country tries to damage another's trade or resources? Why have the results so often disappointed? What options are open to a country under external economic attack? What are the economic stratagems that can mitigate the attack on the economy? What processes can allow the attack to succeed, and on whose side is time? Must civilian lives and interests be the first casualties? Can economic measures be effective if unaccompanied by force or the threat of force? These are questions for which scholars of modern economics, history, and international relations appear to have few generally accepted answers.

Our book makes a team effort to look for clues in three centuries of global history. It provides a companion volume to our previous collections on the economics of the two world wars (Harrison 1998; Broadberry and Harrison 2005), supplemented recently by eBooks featuring research updates to mark the centennial of the end of World War I (Broadberry and Harrison 2018) and the 75th anniversary of the end of World War II (Broadberry and Harrison 2020).

Definitions

Our field is spanned by three ideas: warfare, economic warfare, and economic sanctions. In warfare, one country uses its fighting power to attack the fighting power of another with the purpose of weakening or destroying it. Violence is regulated only, if at all, by the laws of war.

For simplicity we distinguish two aspects of warfare. One is conventional war, when the armed forces of each side attack each other directly. There is a theatre of war in which battles are fought on land, at sea, or in the air. The other aspect is economic warfare, which we define as armed attack on the adversary's economy.

Economic sanctions also impose losses on the adversary's economy but in peacetime, using peaceful means.

Economic Warfare

The terms 'economic warfare' and 'economic sanctions' entered public discourse only in the twentieth century. Considering the frequency of the phrase in printed books in English, Figure 0.1 shows that economic warfare came first, spiking at the time of World War I. Economic sanctions, enshrined in the Covenant of the League of Nations followed quickly, spreading widely in the inter-war period. With World War II, economic warfare took back its first place in literary usage, especially because of the temporary establishment of a British government department, the Ministry of Economic Warfare. After 1945 the usage of economic warfare again declined, while the United Nations Charter once again put sanctions at the disposal of the international community, which turned to them more and more over the post-war decades.

In fact, both economic warfare and sanctions were in use long before the twentieth century. The fact that they were not yet named did not prevent their application.

Economic warfare is the attack on the adversary's economy. Its purpose is the same as of warfare generally: to impair the adversary's fighting power (Vickers 1943: 14; Medlicott 1952: 7). The essential difference is

Figure 0.1 'Economic warfare' and 'economic sanctions': their frequency in printed books, 1860–2019 (per billion bigrams)
Source: A case-sensitive search for 'economic warfare', 1800–2019 (unsmoothed) on the Google Ngram viewer at https://books.google.com/ngrams/, using the English (2019) Google Books corpus. (A case-insensitive search is dominated by the existence of the UK Ministry of Economic Warfare, 1939–1945.)

that the adversary's fighting power is impaired not by direct attack but indirectly, by economic damage. In this sense, economic warfare is simply a specialized aspect of warfare generally.

The opportunity for economic warfare is created by the economic needs of fighting power. Fighting power must be financed by the government and supplied by the economy. This was always the case to some extent, but the industrialization of warfare has made it more so. The finance and supply of war have become the targets of economic warfare.

The finance and supply of war represent two sides of the production of fighting power. Historically this has provided economic warfare with two focal points. There is no established terminology to distinguish them; we call them 'demand-side focused' and 'supply-side focused'. In monetary economies, fighting power must be supplied and demanded. Demand-side-focused economic warfare started from the point at which the government pays for fighting power. To buy fighting services and equipment, the government must have means of payment, in other words gold (in the eighteenth century), sterling (in the nineteenth century), dollars (in the twentieth century), or credit. One way to get means of payment was by selling commodities or by borrowing in foreign markets. During the Napoleonic Wars, the purpose of naval blockades was usually to stop the adversary from getting gold by blocking their ships from export markets and by stealing their cargoes. Deprived of market access, the adversary could not earn gold and would become unable to finance its war.

This policy was justified, in part, by the prevailing economic doctrine of mercantilism which regarded access to export markets and the accumulation of gold as the means and measure of national power.

If fighting power must be supplied and demanded, supply-focused economic warfare started from the point of production and importation. The supply of fighting power was decided by domestic production and access to imports. By the time of the two world wars, the focus of blockade had switched from blocking the adversary's exports to blocking imports, which had the effect of reducing aggregate supply. The advent of long-range air power added a new capability, that of attacking domestic productive capacity directly.

This turn was soon harmonized with the then-new economics of national income accounting associated with J. M. Keynes. A country's national accounts made clear that the ultimate limit on the possible uses of resources was set by aggregate production capacity. If the supply side could be damaged by economic warfare, the adversary could continue to meet the extraordinary demands of military rearmament and war fighting only by imposing new sacrifices on the civilian sphere.

The particular effect of economic warfare is to weaken fighting power tomorrow, not today. Today's fighting power already exists, and it can only be attacked directly. But the production of fighting power takes time and resources. Today's fighting power will still be available tomorrow, only if civilian firms and households are given the time and the resources to make up today's losses. Attacking them makes fighting power less sustainable over time.

When does economic warfare make sense? In a war that can be won today, by direct attack alone, the attacker does not need to worry about the balance of fighting power tomorrow. Economic warfare is generally a feature of protracted conflicts. When today's fighting power is not enough to win a quick victory, and each side can only hold out while trying to wear the other down, targeting the adversary's future fighting power can become as important as fighting today's battles.

Economic warfare is primarily relevant, therefore, to wars of attrition. In a war of attrition, the winner is the side that turns out to have a superior capacity to bear losses. In the example of World War II (based on O'Brien 2015: 67–87), attrition was made up of the sum of losses at successive stages of the production of fighting power, of which the battlefield was only the final stage. Earlier stages involved losses in deployment, losses from stopped production, and losses in 'pre-production' (when production facilities were destroyed or never built). Economic warfare was aimed at the stages of production and pre-production: it contributed to losses by halting the production of equipment directly or by disrupting intermediate supplies, by dispersing the workforce, by destroying production facilities altogether, and by preventing the construction of new facilities.

Economic Sanctions

Like economic warfare, modern sanctions have a prehistory. From time to time in the nineteenth century the great powers practised a 'pacific blockade' or embargo of trade and exchange with a country that broke the international order; the intention was to coerce them by means short of war (Davis and Engerman 2006: 387–390). Later in the nineteenth century, the great powers imposed 'supersanctions' (a modern term, not used then) on smaller countries to enforce sovereign debt obligations when a default was threatened (Mitchener and Weidenmier 2010).

Economic sanctions were first given foundations in international law by the Covenant of the League of Nations after World War I. The experience of World War I suggested that Germany had suffered terribly from wartime blockade and had lost the war partly because of it. If blockade had helped to win the war for the Allies, perhaps the threat of blockade could help to keep the post-war peace (Dehne 2019, Mulder 2022). On similar arguments, sanctions were incorporated into the Charter of the United Nations after World War II and more recently in the European Union's Maastricht Treaty. Such sanctions were to be imposed by legislation and enforced in the courts by civil authorities and, if by armed force, then only in support of the civil power.

The manner of enforcement is a critical difference between economic sanctions and economic warfare. The *raison d'être* of sanctions has always been to resolve conflicts by legal means, without violence. This may seem to set sanctions and economic warfare far apart.

A closer look reveals deep similarities and connections. An obvious similarity is found in the attack on the adversary's economy. Economic sanctions and economic warfare both seek to make the adversary's power less sustainable, not directly, but indirectly by causing economic losses. Economic warfare threatens the adversary's military survival by reducing the resources available for future fighting power. Economic sanctions might undermine an aggressor's military survival in the same way, or they might threaten the adversary's political survival by reducing the resources available to the incumbent regime for co-option and repression. Either way, an incentive is created for the sanctioned regime to comply with the demands of the sanctioning authority.

Another similarity with economic warfare is that economic sanctions seem to have similar focal points, which we call demand (or finance) and supply. Discussing the period between the two world wars Mulder (2022: 203) contrasts the 'Treasury theory' of 'finance-based' or 'currency draining' measures (such as an embargo on the adversary's exports) with the more established 'Admiralty theory' of 'resource-based' or 'resource draining' measures that would throttle an aggressor's imports. Our own usage, and that of other authors in this book, will vary with the context. But the distinctions involved are roughly interchangeable with a focus on demand versus supply.[1]

Table 0.1 summarises our view of the similarities and differences of conventional warfare, economic warfare, and economic sanctions. Sanctions are applied in peacetime; war is the time for conventional warfare and economic warfare. In the first row, the similarities among

[1] Our distinction is foreign to the wider literature on sanctions (e.g. van Bergeijk 2021: 6–7; Jentleson 2022: 10), which typically distinguishes the main types as on trade (combining sanctions on exports with those on imports under one heading), on finance (combining lending with borrowing), and on various 'other' headings such as on non-state actors or on travel and so forth.

Table 0.1 *Combat, economic warfare, and sanctions: how they work*

	Wartime:		Peacetime:
	Conventional warfare	Economic warfare	Economic sanctions
Purpose:	Destroy or weaken power to resist	Destroy or weaken power to resist	Weaken power to resist
Means:	Campaigns and battles on land, at sea, and in the air	Commerce raiding, blockade, bombing, sabotage	Legal embargoes on foreign transactions
Transmission of effects:	Direct attack on armed forces	Indirect through finance and supply	Indirect through finance and supply

Source: See the text.

all three begin with purpose, which has always been to overcome an adversary's power to resist. A difference is that, while the goals of combat and economic warfare may be limited or unlimited, ranging from renegotiation to surrender, the goal of sanctions has generally been limited to shifting the balance rather than destroying it.

The table's next row shows the different means employed in each case. In conventional warfare, armed forces are directed against each other in combat. In economic warfare armed force is directed against the economy of the other side. The attack on the economy can take various forms from commerce raiding and blockade to bombing and sabotage. Conventional and economic warfare are both violent, regulated only by the laws of war, whereas economic sanctions take the form of legal embargoes appropriate to peacetime.

The final row of the table shows the transmission from cause to effect. In the case of conventional war, the transmission is direct: the adversary's power is impaired by losses in combat. In economic warfare and sanctions, the impairment is achieved indirectly by the damage caused to the adversary's finances or supplies.

This framework is simplified, not only because it omits such aspects of war as political or psychological warfare and nuclear war. It also ignores the many possible spillovers among the categories that we do consider. As discussed below, a sanction adopted as a step short of war on one side may look like an act of war on the other. The expectation of sanctions and economic warfare can decide which battles are fought, while the conduct of the attack on the economy can decide who wins them. Defending against the attack on the economy is an extension of conventional war. But the pace of conventional war can also be so rapid as to make economic warfare irrelevant. Unravelling such complexities in history has made our work both demanding and rewarding.

The simultaneous consideration of economic warfare with economic sanctions is a distinctive feature of our project. Our rationale is not only the similarities between economic sanctions and warfare, but also their historical connections, which are many and deep. As already noted, the modern idea of sanctions arose out of the great powers' experience of economic warfare against each other in the two world wars. Less well known is that in the American Civil War (Chapter 2) and both world wars (Chapters 3 and 6), while practising economic warfare against each other, the warring sides struggled simultaneously to monopolise access to the markets and supplies of the neutral powers by varying combinations of inducement and threat – in other words, by sanctions.

Most importantly, even if sanctions were always tried as a step short of war, this was not always how things turned out. When sanctions proved ineffective, and the sanctioning powers were too far committed to draw back, sanctions became a precursor of war (e.g. Lektzian and Sprecher 2007). Or the threat of sanctions could be too effective, posing an existential threat to which the sanctioned power responded by escalating violence. In that case, sanctions were a precipitant of war. 'These sanctions that are being imposed are akin to a declaration of war', Vladimir Putin said (on 5 March 2022) of the first Western responses to Russia's invasion of Ukraine.[2]

Therefore, we think it sensible to cover a wide range of adversarial uses of economic action, whether these were peacetime sanctions or acts of war.

Case Studies

In the field of economic warfare and sanctions, the bedrock of scholarship is made of case studies and historical narratives. For research on economic warfare there is no alternative method, because instances are too few and too varied to be studied in any other way than by the method of case studies.

Research on sanctions differs in that the number of cases available for study is now very large, with sanctions uses numbered in the hundreds in all decades from the 1970s. For that reason there are now several large-*N* sanctions datasets, coded numerically to enable quantitative analysis (van

[2] 'Putin says Western sanctions are akin to declaration of war', Reuters, 5 March 2022, available at www.reuters.com/world/europe/putin-says-western-sanctions-are-akin-declaration-war-2022-03-05/ (last accessed 23 August 2024).

Bergeleijk 2021: 1–2, 7). But while the number of cases is large, the problem of heterogeneity remains. The apparent clarity of numerical coding, for example, may be subverted by the wide range of roles available to the 'sender' (the sanctioning authority) and the even greater variety of adaptive responses of the 'target', which we discuss further below. As a result, scholars must continue to return to narratives and case studies because these may be the only way to capture the continuous interaction of sender and target and the rich array of choices available to both.

For that reason, in this introduction, we avoid the terminology of sender and target where possible. Depending on the context, we use the 'sanctioning power' (or 'authority') or the 'attacker' on one side and, on the other, the 'adversary' as the country that is under sanction or attack.

Similar considerations have made it a simple choice for us to base our project on case studies. Arranged chronologically, these form the chapters of our book. The chapters were selected to include well-known cases alongside others that are less well known. By this means we aimed to overcome a bias in the existing scholarship on economic warfare. The political scientist Paul Poast (2024) argues that the study of international security suffers from a 'Russia bias': it has drawn excessively on Russia's experiences of war over the twentieth century. In a similar spirit, we realised, the study of economic warfare has been characterised by a 'Germany bias': it is based largely on the experiences of a single country in the two world wars.[3]

To be sure, Germany's experiences are very important, and they are covered here in two of our eight chapters. But there should be more than Germany and more than two world wars, and we have included other cases to reflect this. Table 0.2 maps them chapter by chapter onto our field as we have described it above.

Chapter 1 ('The Second Hundred Years War: France vs Britain (1688–1815)', by Charles and Daudin) reviews a century of conflict in which two powers clashed repeatedly at sea, raiding each other's shipping

[3] Most of what we think we know about economic warfare can be traced back in some form to investigations conducted immediately after both world wars by the victorious powers as they tried to account for their victories over Germany: USSBS (1945), Medlicott (1952, 1959), Bell (1961, completed in 1937), and BBSU (1998, completed in 1946). These provided a foundation for later studies by historians and, more rarely, economists including Webster and Frankland (1961), Olson (1962, 1963), Milward (1977), Overy (1980, 1994, 2014), Hardach (1987), Mierzejewski (1988), Davis and Engerman (2006), Tooze (2006), Brauer and van Tuyll (2008), Kramer (2013), Biddle (2015), and Kramer et al. (2024).

Table 0.2 *Three centuries of economic warfare and sanctions: a subject map*

	Demand (market access) focus		Supply (capacity) focus	
Military actions:	Raiding trade and treasure	Chapters 1, 2	Naval blockade	Chapters 1, 2, 3, 5, 6
			Aerial bombing	Chapters 3, 5, 6
Economic sanctions:	Export embargo	Chapters 2, 4, 7, 8	Import embargo	Chapters 4, 7, 8

Source: see the text.

in order to seize cargoes and treasure. At stake was the market access of each side. The existence of neither side was threatened, and both could make concessions to the other if compelled, so each period of conflict typically ended in a new treaty that held for a while until the desire arose to renegotiate through renewed conflict. Towards the end of the period, however, both sides raised the stakes, having concluded that all-out war was a practical way to achieve their aims. Correspondingly the spasmodic raiding of trade and treasure gave way to a more comprehensive supply-focused blockade, which aimed to degrade the enemy's overall capacities.

Chapter 2 ('Economic Warfare: The American Civil War', by Hanlon, Rhode, and Rockoff) opens with an exercise in supply-focused sanctions. The Southern rebels sought to withhold cotton exports in the belief that the resulting shortage of cotton would create unemployment in the North and force the Union states to recognise the Confederacy. At the same time, the Confederate leaders hoped that the threat of a cotton famine would coerce Britain into neutrality or, better still, into favourable intervention on the Confederate side. In a curious parallel, the Union began the war with a demand-focused blockade of Southern exports, with the opposite expectation that this would undermine the war finances of the Confederacy. As the conflict dragged on and became a war of attrition, however, the Union switched the focus of blockade to supply, aiming to stop Confederate imports of munitions, ships, and other manufactured goods. It is not possible to identify the marginal contribution of the blockade to the defeat of the Confederacy; rather, the effects were merged with those arising from defeat on the battlefield. We will suggest below that this was typical of success in economic warfare.

The conflict described in Chapter 3 ('Blockading Britain and Germany during World War I: Preparations, Conduct, and Consequences of Economic Warfare', by Broadberry and Vonyo) became a war of attrition within weeks. Britain used its naval superiority to stop German shipping and maritime trade; Germany developed a powerful submarine fleet to do the same to Britain. The focus of both blockades was the adversary's supplies of imported food and war materials. The British economy, seemingly far more exposed to blockade, survived, drawing on a wide range of countermeasures to maintain shipping capacity, economise on the use of shipping, reduce consumption of importable goods, and boost agricultural production. The German economy eventually succumbed – but blockade was not the greatest of the pressures on supply. The single largest factor in the food shortage was the decline of supplies from domestic agriculture. This was a result of the excessive military mobilisation, which reallocated too many men and horses from Germany's farms into the military and diverted machinery and nitrate fertilisers into war industries.

Based on the experience of World War I, the victorious powers developed the idea of economic sanctions as a way of war prevention: an aggressor state could be deterred from going to war by the threat of economic isolation. Chapter 4 ('Can Economic Sanctions Work in a Smaller Conflict? The Italo-Ethiopian War of 1935–1936', by Bertazzini, Eloranta, and Kuorelahti) considers one of the notorious cases of the inter-war period when sanctions were tried and failed. In principle, the sanctions on Italy were far-reaching. Although this distinction was not made at the time, they were focused on both demand (embargoes on Italy's foreign exports and earnings, foreign credit, and borrowings) and supply (restrictions on Italy's imports of munitions and war materials). The problem, when Italy was threatened, was threefold. Mussolini's invasion of Ethiopia was part of a larger economic design to which he appeared to be committed and unwilling to concede. Fearing a wider conflict, the sanctioning powers were less than resolute; the prohibitions went largely unenforced and were quickly abandoned. And Italy retained other options, the most straightforward being closer commercial and military ties with Germany. Half-hearted sanctions were a double-edged sword, contributing to the increasing political alignment between the two countries from 1936.

The story of Chapter 5 ('Economic Warfare against Japan, 1931–1945', by Okazaki and Okubo) begins, like Chapter 4, with an aggressor state threatened by sanctions. In the 1930s, Japan, like Italy, became committed to a war of conquest, but against China. Germany's experience of Allied blockade in World War I had made Japanese leaders acutely aware of their dependence on imported supplies of war materials. They determined to secure a self-sufficient colonial empire in East Asia. Japanese aggression was met by talk of League sanctions against Japan's exports (of textiles, for example) and imports (of scrap iron, oil, and