

The nature and the consequences of economic sanctions in the history of economic thought¹

NUREEV RUSTEM MAHMUTOVICH

Honorary employee of Higher School of RF,
Doctor of economic sciences,
Head of the department of economic theory of
Financial University under the Government of
Russian Federation,
Ordinary professor of NRU HSE, Moscow,
email: nureev50@gmail.com

BUSYGIN EVGENIY GEORGIEVICH

PhD student, NRU HSE, Moscow,
email: egbusygin@edu.hse.ru

Economic sanctions have a long history and were first applied in ancient Greece. In Europe in the Middle Ages, the application of sanctions measures was more local and short-term. In the nineteenth century, the main instrument of economic sanctions was the "silent blockade" of seaports (Davis L., 2003). In the period from 1827 to the beginning of the First World War, 21 silent blockades were organized, and from 1910 to 2000 the number of sanctions imposed increased to 174 cases, with total costs exceeding 112 billion dollars (Hufbauer et al, 2007).

Since 1910, there has been a steady increase in publications, including the study of the policy of sanctions. The greatest interest among economists was given to this topic in the 2000s. The share of articles and books including the study of economic sanctions in the total volume of books and articles on economics available in the Google Scholar database was 10.1% for 2016-2017. Two main periods can be distinguished when a fundamentally different approach to the analysis of economic sanctions was applied: from 1925 to 1960 and from 1961 to the present.

Before World War II, the analysis of economic sanctions was widely used in the context of international law and institutional economics: A.E. Taylor (1925), A. Bertram (1931), J. Commons (1932), A. Kun (1935), J. Williams (1936), V. Zaler (1936), W. Welk (1937), and S. Fenwick (1938), A. Miller (1959) etc.

This concept, initially considered within the framework of the institutional economy at the microlevel (Commons, J. R., 1931), was moved to the macro level and became a tool for the analysis of intercountry relations after 1961: Y. Galtung (1967), M. Dauodi (1984), D. Dashti-Gibson (1997), D. Baldwin and R. Pap (1998), R. Hart (2000), G. Hafbauer (2007), Dresner (2011) etc.

One of the key factors on which the success of the sanctions is dependent is the amount of costs that the parties bear - the country that imposed sanctions, and the country against which they are directed, which are expressed in trade dependence. On the one hand, the higher these costs, the more likely that the goal pursued by other states will be achieved, on the other, it is high costs that can lead to a rejection of the decision to impose sanctions or they will be superficial.

In the conclusion we examine the analysis made by Russian and foreign economists of anti-Russian sanctions.

Keywords: economic sanctions, cost-benefit analysis, anti-Russian sanctions

JEL: B15, F14, F51, N10

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1. Historical roots of the emergence of modern sanctions policy

Economic sanctions have a long history and were first applied in ancient Greece (Hufbauer et al, 2007). The most famous case of using the sanctions policy is the imposing in 432 BC. The Athens trade embargo against Megara, which is considered by scientists as one of the causes of the Peloponnesian War (Hufbauer et al, 2007; The Economist). The introduction of sanctions was due to the fierce competition between Athens and Megara - two «rich trading centers in one gulf» (How the sanctions affected ..., <http://historicum.ru/sanctions>). As a result, merchants from Megara «were forbidden to trade with Athens under the threat of death, their transactions could not be registered in Athens, other restrictions were imposed.»

In Europe in the Middle Ages, the application of sanctions measures was more local and short-term, which was due to the "ever-changing configuration of trade and military alliances and changes in the interests of individual rulers and influential persons." (Banking Encyclopedia, http://banks.academic.ru/1096/History_economic_sanctions) Nevertheless, a vivid example of the application of economic sanctions is the convening by the Pope Alexander III of the Third Lateran Cathedral at the end of the 12th century, at which it was decided to ban trade with "Muslims, heretics, Jews and lepers." (Lapteva EV, 2015, p. 23) This decision was supported by the following popes, as a result of which there was a serious impact «on trade routes in the Mediterranean Sea.» (Lapteva EV, 2015, P. 23)

In the nineteenth century, the main tool of economic sanctions was a «silent blockade», its main idea was to violate the sea trade ties of target countries by overlapping sea routes to certain ports and coastal lines with its fleet. (Davis L., 2003) The main difference between the "silent blockade" and the simple naval blockade was that this instrument was used without the deployment of hostilities, but the goal was to compel "repulsive" countries to repay their debts or reparations, as well as settle other international disputes. More often such blockades were organized by the states, whose military power exceeded the military forces of the target countries several times. (Davis, 2003) The first quiet blockade documented was the British-French-Russian blockade of the coasts of Greece during the Greek war with Turkey for its independence in 1827. The goal of this blockade was to prevent the strengthening of Turkish and Egyptian forces due to the inflow of new military personnel, although none of the three countries were in a military conflict with Turkey. (Davis L., 2003)

Table 1. Countries against which quiet blockades were organized from 1827 to 1903

Country	Year(s) of blockade	Country	Year(s) of blockade	Country	Year(s) of blockade
Turkey	1827	San Salvador	1842	Bolivia	1879
Portugal	1831	Nicaragua	1842	China	1884-1885
Holland	1832-1833	Nicaragua	1844	Greece	1886
Colombia	1834	Argentina	1845-1850	Zanzibar	1888-1889
Panama	1837	Greece	1850	Siam	1893
Mexico	1838	Sicily	1860-1861	Greece	1897
Argentina	1838-1840	Brazil	1862-1863	Venezuela	1902-1903

Compiled according to the data given in the article *History lessons: sanctions-neither war nor peace*

Источник: (Davis L., Engerman S. *History lessons: sanctions-neither war nor peace* // *The Journal of Economic Perspectives*. – 2003. – T. 17. – №. 2. – P. 189)

In the period from 1827 to the beginning of the First World War, 21 quiet blockades were organized (Table 1). For countries that introduced this type of economic sanctions, they include the UK, which applied the practice of a silent blockade 12 times over the period from 1827 to 1903, France 11 times, Italy and Germany 3 times (each country), Russia and Austria - 2 times (each of the countries), Chile - 1; most states acted independently, only in 7 of 21 cases of quiet blockade the number of countries was more than one. (Davis L., 2003)

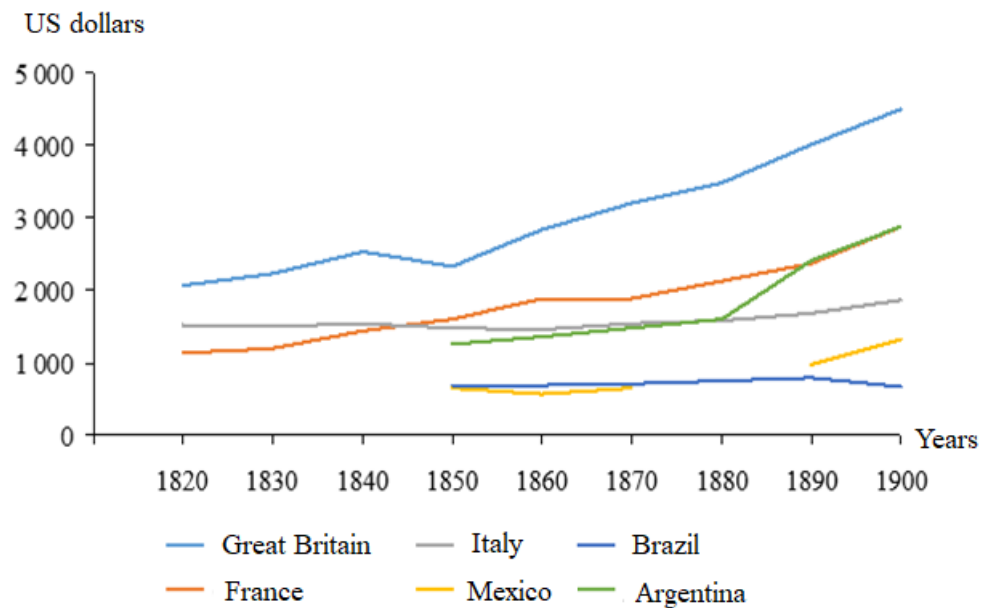


Figure 1. GDP per capita in some countries is 1820-1900 (dollars, in 1990 prices for PPP). Compiled by the authors according to the data from the chapter GDP per capita since 1820, published in *How Was Life? Global Well-being since 1820*

Figure 1 shows data on GDP per capita in some of the target countries and countries using silent blockades from 1820 to 1900. Despite the fact that for some countries data are not available for the entire period (for example, Mexico), you can see that the per capita GDP in the UK or France was significantly higher than in Mexico or Brazil in 1850, but Argentina had high enough values of the indicator (at least on the available time interval). In 1820, China's GDP in dollar terms in 1990 prices for PPPs was \$ 600, in 1900 the same figure was equal to \$ 545, for Turkey, GDP in 1990 prices for PPP in 1820 was \$ 740.

Table 2. Number of imposed sanctions, costs for target countries, world exports in the period 1910-2000

Years	Number of sanctions imposed over five years	Total costs (\$ billion)	World exports (billions of dollars)
1910-1915	1	0.84	15
1916-1920	2	0.45	n.a.
1921-1925	2	0	25
1926-1930	0	0	30
1931-1935	3	0.09	n.a.
1936-1940	3	0.40	25
1941-1945	1	0.72	50
1946-1950	8	1.09	65
1951-1955	5	1.11	90
1956-1960	10	1.74	125
1961-1965	15	2.28	180
1966-1970	4	2.44	300
1971-1975	13	2.41	820
1976-1980	25	6.81	1880
1981-1985	15	4.97	1840
1986-1990	20	28.90	3330
1991-1995	34	30.75	4945
1996-2000	13	27.21	6375

Source: (Hufbauer et al, 2007, P. 18)

Based on the data in question, Argentina's highest per capita GDP was 2.07 times less than the per capita GDP of the United Kingdom. As a result, it can be concluded that economically developed countries that possessed considerable military might organized quiet blockades against economically less developed countries, which also enriched themselves.

In the twentieth century, countries are beginning to actively use such an instrument as sanctions to achieve their political and economic goals. They were used both by individual states and by international organizations, for example, the League of Nations, which achieved certain successes in cases of imposing sanctions on Greece, Paraguay, Bolivia. (Hufbauer G., 1998) After the liquidation of the League of Nations, the policy of imposing sanctions continued to be implemented in the person of the United Nations. After the Second World War, the imposition of sanctions becomes an extremely widespread instrument for regulating foreign economic and foreign policy relations between countries.

Table 2 shows the number of sanctions imposed from 1910 to 2000, the total costs of countries against which the sanctions policy was applied. Based on figure 2, compiled from Table 2, the increase in the number of imposed sanctions, which was observed between 1910 and 2000, is graphically shown.

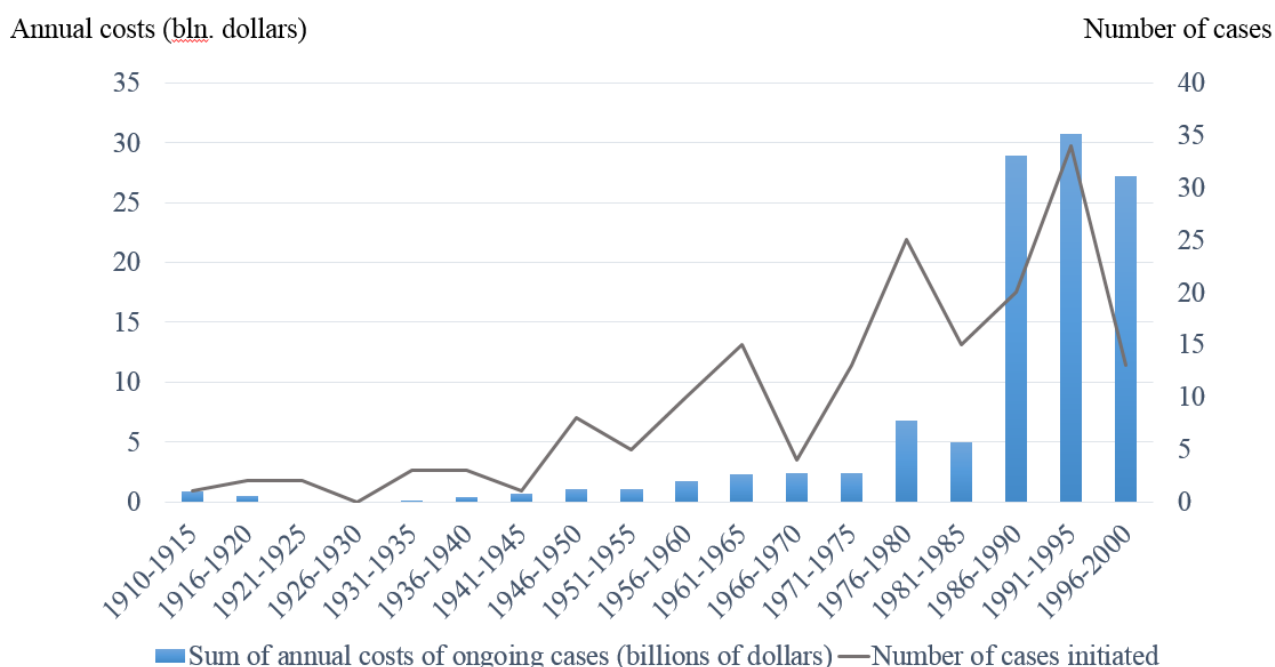


Figure 2. The number of imposed sanctions and the total costs of target countries in the period from 1910 to 2000
Compiled by the authors according to the table 1

Most of the imposed sanctions were applied by the US to other countries, including the USSR, and their main goal was the deterioration of the military potential of countries that were subject to sanctions, as well as the destabilization of national regimes of some states (including the USSR, North Korea, Cuba, Iran and others). (Hufbauer et al, 2007)

Based on the data presented in Table 2, we calculated that, after the Second World War, an average of almost 14 sanctions cases were initiated over a five-year period, whereas before 1945 the average number of sanctions imposed was approximately 2. In the work «Trade and Economic Sanctions: efficiency, price, problems of use». Bratersky mentions that the use of sanctions has become widespread, as they allow «to resolve international conflicts and disagreements with less cost and human sacrifice» (Bratersky M.V., 2009, p. 335-336).

2. Analysis of research activities on sanctions policy issues

In the twentieth century, issues related to sanctions policy were studied in detail by economists. This is evidenced by the data from Table 3: since 1910 there has been a steady increase in publications, including the study of the policy of sanctions. The greatest interest among economists was given to this topic in the 2000s. The share of articles and books including the study of economic sanctions in the total volume of books and articles on economics available in the Google Scholar database was 11.3% and 10.5% for the five-year periods from 2001 to 2010, respectively.

Table 3. The number of economic books and books, including the theme of economic sanctions, from 1910 to 2017*

Years	Articles and books, including the study of economic sanctions	Articles and books on economics	The share of articles and books, including the study of economic sanctions, in the total volume of books and articles on economics
1910-1915	607	14600	4,2%
1916-1920	658	18400	3,6%
1921-1925	691	17400	4,0%
1926-1930	737	18100	4,1%
1931-1935	1310	18800	7,0%
1936-1940	1970	37600	5,2%
1941-1945	1910	38100	5,0%
1946-1950	2150	31000	6,9%
1951-1955	2660	54200	4,9%
1956-1960	3490	129000	2,7%
1961-1965	5190	145000	3,6%
1966-1970	9900	183000	5,4%
1971-1975	14400	271000	5,3%
1976-1980	16400	354000	4,6%
1981-1985	18400	325000	5,7%
1986-1990	22300	384000	5,8%
1991-1995	39500	762000	5,2%
1996-2000	64500	856000	7,5%
2001-2005	80600	713000	11,3%
2006-2010	99000	946000	10,5%
2011-2015	73300	1150000	6,4%
2016-2017	41700	414000	10,1%

Compiled by the authors according to the data of Google Scholar

** The search was conducted separately by the word "economy" and the phrase "economic sanctions"*

This is also shown by data on the increase in articles and books on sanctions, presented in Figure 3. From 2000 to 2010, its rates were much faster than the growth rates of articles and books on the economy. In addition, it is worth noting, and both are prone to cyclicality.

If we talk about the increase in the volume of books and articles that include the subject of sanctions, we should emphasize the direct relationship between the active use of this mechanism of influence on other countries and the number of publications (Figure 4).

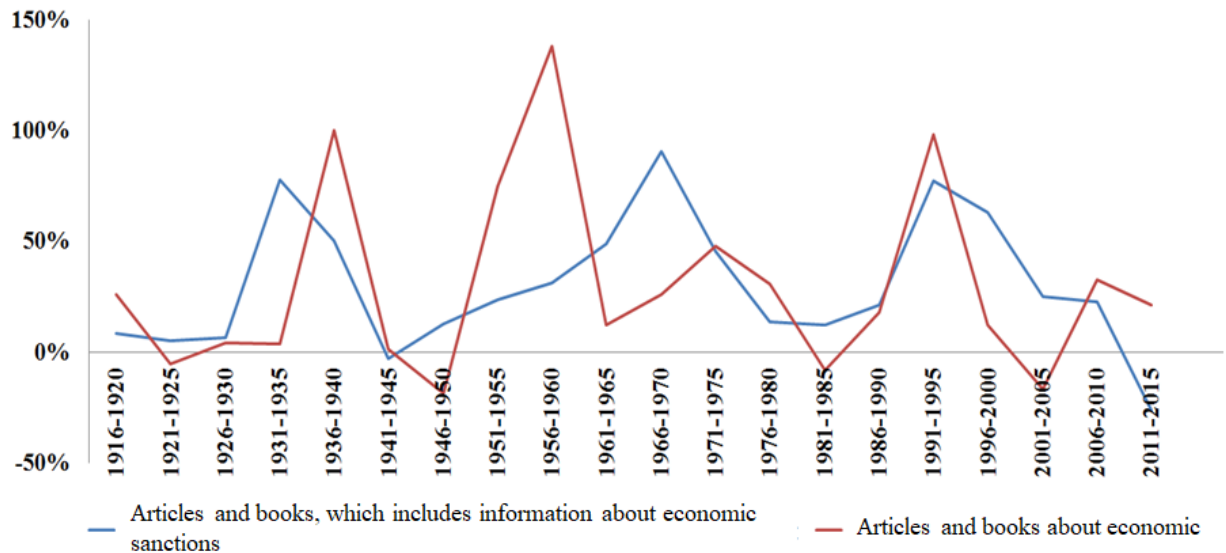


Figure 3. The increase in the number of articles and books to the previous five-year period from 1916 to 2015 (%)

Compiled by the authors according to Table 4

Two main periods can be distinguished when a fundamentally different approach to the analysis of economic sanctions was applied: from 1930 to 1960 and from 1961 to the present.

Prior to World War II, economic sanctions were widely used in the context of international law and institutional economics. Among the main authors who devoted their works to this subject, one can single out S.J. Fenwick (1938), A.K. Kuhn (1935), J. R. Commons (1932), V.R. Zalera (1936), A.T. Kulvik (1935), JF Williams (1936), A. Bertram (1931), JL Kunz (1935), M.O. Handson (1935), WJ Welk (1937), A.E. Taylor (1925).

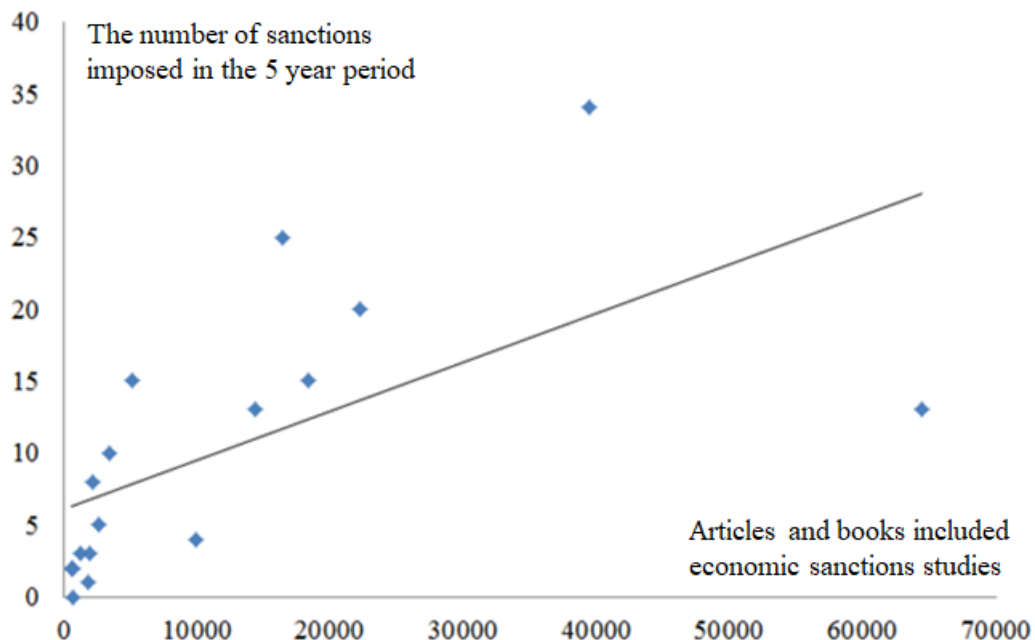


Figure 4. Dependence of the volume of published works on the number of imposed sanctions from 1916 to 2015 (%)

Compiled by authors

One of the most striking researchers of the time, concerned with the problem of sanctions at the micro level, is JR R. Commons. In his works he developed the principle of collective

action and collective sanctions that are applied within the society, to control individual actions (Commons, J. R., 1931). Commons did not disclose which measures should be applied to the compliance of consumers and companies with business ethics, which implies the absence of a conflict of interest, making reference to the Supreme Court as an institution that performs the role of an authority to make such decisions. The main idea, in our opinion, is revealed in the fact that the introduction of certain restrictions is a guarantee of following the created rules by all market participants.

This concept, initially considered within the framework of the institutional economy at the micro level, was moved to a macro level and became a tool for the analysis of intercountry relations after the 1960s. To date, many studies have been devoted to assessing their role as an instrument for resolving international conflicts. Among the works of foreign authors devoted to this subject, it is possible to distinguish first of all the articles of Yu. Galtung (1967), M.S. Daouodi (1984), D. Dashti-Gibson (1997), D. Baldwin and R. Pap (1998), G. Hafbauer (2007), R. Hart (2000), D. Leccian and M. Sowa (2007).

For a more complete picture of the evolution of research on economic sanctions, their causes and consequences, we will consider one of the fundamental works written by the Norwegian sociologist and mathematician, the founder of the discipline on peace and conflict, Johan Galtung.

He studied in detail the case of Rhodesia, against which the United Kingdom imposed economic sanctions in 1965 (Shepherd G. W., 1968, P. 8), and concluded that the restrictive measures adopted were ineffective (Galtung, J., 1967). This was facilitated by the realization of the hidden potential of the Rhodesian economic system (for example, the rise of agricultural activities), as well as the ideological beginning in the opposition of the Rhodesians to the Western world. In our opinion, the main goal of the sanctions policy as an alternative to military action is the attempt of one or several parties applying restrictive measures to exert pressure on the society of the target country for subsequent inertial impact on the decision of the ruling elite that is beneficial to the exporters of sanctions. Obviously, if society is ready to defend those interests that served as the starting point for disagreements between states, even with serious damage caused by economic sanctions, it is unlikely that planned goals for changing previously adopted political decisions will be achieved. But the level of international pressure that society is prepared to bear, in turn, depends on the political regime in the target country, which was analyzed later and which is also one of the factors contributing to the effective implementation of the sanctions policy.

Galtung singled out the following reasons for the ineffectiveness of sanctions against Rhodesia: imposing restrictions on several groups of exported goods (Rhodesians solved this problem by diversifying the economy), the more countries impose sanctions, the more serious damage is being incurred to the economy of the target country. In the case of Rhodesia, sanctions were imposed only by Great Britain.

Deep empirical studies devoted to the analysis of the effectiveness of the application of sanctions began in the late XX - early XXI century. This conclusion follows from the analysis of works, the results of which are presented in Table 4. It can be noted that the opinion of economists on the effectiveness of sanctions was divided in the early 2000s. To a large extent this can be explained by the fact that, despite the significant costs incurred by the target country as a result of the restrictive measures introduced, the main objectives of the sanctions policy (changing the political regime, weakening military capabilities, major changes in policy) are not achieved.

Table 5 presents the factors that can contribute to the successful implementation of sanctions. D. Dashti-Gibson, P. Davis and B. Radcliffe attempted to determine what factors determine the success of imposed sanctions. For the analysis of data that included all episodes of the sanctions policy from 1914 to 1989, a logistic regression was used, including such exogenous variables as costs for the target country (in% of GNP), trade dependence, stability in the country against which sanctions are imposed, duration of sanctions (in years), restrictions in the financial sphere (dummy variable). (Dashti-Gibson J. et al, 1997).

Table 4. Analysis of key findings of studies on the effects of sanctions policy from 1960 to 2017 *

Main characteristics of works / Period	1960-1970	1971-1980	1981-1990	1991-2000	2001-2010	2011-2017
Kind of work						
Theoretical	•					
Analytical		•	•			
Empirical				•	•	•
Effectiveness of the application of sanctions						
Sanctions have an impact on the target country		•	•	•	•	•
Do not have any significant influence / promote the realization of hidden potential	•				•	•
The party in question	•	•	•	•	•	•
Destination country				•	•	

Compiled by authors

** The analysis was carried out for at least 3 of the most cited works of the period*

Among the main advantages of the work are the fact that the authors divided the sanctions for the purposes of their application: the destabilization of the political situation in the target country (as US sanctions against Cuba), all other goals, a specific political decision (sanctions against South Africa aimed at ending apartheid). (Dashti-Gibson J. et al, 1997) The main conclusion of the work under consideration is that the factors contributing to the success of the imposed sanctions depend on the goal pursued by the initiating country. So, the main factor determining the success of the sanctions being implemented in order to weaken the political regime in the target country is stability, for any other purposes, restrictions in the financial sector. In the article, the authors suggest that a further step to deepen the study could be to study not the costs incurred by the country from imposing sanctions, but those that the elite of that state will suffer. (Dashti-Gibson J. et al, 1997)

It should be noted that the work does not take into account the economic scale of the country (which also implies military power), against which the sanctions policy is directed. So, the US could not apply to all countries with the communist regime the same set of restrictive measures. There is also no separation of costs for those that the target country directly suffered from sanctions, and those that were manifested as a result of the negative economic situation associated with regional, world crises. Since this division is extremely difficult to perform, most likely, it was not incorporated into the basis of the developed model.

Another work devoted to the analysis of the success of the policy of the Sinking policy is the study of R. Hart. The author took the same data that was used in the work of D. Dashti-Gibson, which included the sanction episodes from 1914 to 1989. (Hart, R. A., 2000). The main hypothesis of the study was the premise that the success of imposing sanctions is influenced by the political regime in the initiating country. The author managed to prove this assumption by constructing probit models, where the variable responsible for the democratic regime in the country imposing sanctions turned out to be significant at any reasonable level of significance. (Hart, R. A., 2000)

The author believes that the result can be justified by the greater economic power of democratic countries. (Hart R. A., 2000) They also give other explanations, in particular, that democracies more often use sanctions, and also introduce them against those target countries where the probability of success of such a policy is high. In general, this study could also include a variable that reflects the level of economic development of the initiating country and the target country.

Table 5. Factors influencing the success of the sanctions ("+" - positive impact on the success of sanctions, "-" - negative impact on the success of sanctions, "U" - an ambiguous impact on the success of the sanctions policy)

Factors/Authors	J. Dashti-Gibson (1997)	R. Hart (2000)	Irfan Nooradin (2002)	Mayers and Morgan (2002)	Kampfer and Lovenberg (2007)	Hufbauer et al. (2007)	Drezner (2011)	Meydjour (2012)	Bapat et al. (2013)
Economic factors									
Trade dependence	-	+			U		U	+	+
Duration	+					-			
sanctions				U		-		-	-
Several countries that apply sanctions against another country			U			-			
Policy factors									
Political regime in the target country		U	-					-	
The political regime in the country that exports sanctions		+							
Stable political environment									
Importance of the cause of the conflict for the country against which sanctions are directed		U							-

Table compiled by the authors on the materials of Oxenstierna S., Olsson P.

Based on the data in Table 4, one can conclude that one of the key factors on which the success of ongoing sanctions depends is the amount of costs incurred by the parties - the country that imposed the sanctions, and the country against which they are directed, which are expressed in trade dependence. On the one hand, the higher these costs, the more likely that the goal pursued by other states will be achieved, on the other, it is high costs that can lead to a rejection of the decision to impose sanctions or they will be superficial. In the scientific environment, opinions were also divided - in his work Bapat, in collaboration with other researchers, showed that trade dependence, which ultimately affects the costs of imposing sanctions, has a positive effect on the success of the sanctions policy, whereas Drezner, K  mfer and Lovenberg believe that it is this dependence that can restrain the country that was going to impose sanctions, since this measure will affect its economy.

The duration of sanctions, on the one hand, should positively affect the success of imposing sanctions: the longer they operate, the more significant the costs. Nevertheless, Hafbauer in the book showed that the duration of sanctions adversely affects their ultimate success, as the country gradually adapts to new realities. Another interesting, albeit controversial, point is the number of countries taking part in imposing sanctions has a negative impact on the success of their application. Bapat showed that with a large number of countries imposing sanctions, conditions are appearing that smooth out the overall effect (the countries that imposed sanctions, but least of all are interested in it, will look for ways to lift sanctions or continue cooperation with the target country bypassing them). In addition, between the countries that imposed sanctions, there may be further disagreements, which, in consequence, may lead to the failure of the sanctions policy.

Third countries are countries whose cooperation with them can reach a new level as a result of the imposition of sanctions. They can become an alternative in the field of the market, as well as financial resources for the country against which sanctions are imposed, which will negatively affect the success of the sanctions policy. The same effect is borne by the authoritarian regime in the target country: the controlled media, the lack of strong opposition - all this leads to a reduction in the effects of the imposition of sanctions. In particular, it is necessary to assess the importance of the cause of the conflict for the target country: it is possible that it will be more economically and politically advantageous for it to remain under the imposed sanctions than to change a decision made earlier.

David Leccian and Mark Soove are analyzing how the political regime is linked to the success of the sanctions policy. The main conclusion of the authors is that the success of imposing sanctions depends not so much on the political regime in the target country as on the political costs incurred by the ruling government. (Lektzian D., Souva M, 2007) If the target country has a democratic regime, then sanctions that have a wide impact on society can lead to a change in the political decision. If the country is not democratic, then the probability of success, even with significant costs, may be minimal. In fact, the authors approached a study of the issue of the costs of ruling elites in the countries against which sanctions are imposed and divide states according to the political regime, thereby integrating the issue raised in the study of Jaleh Dashti-Gibson, Patricia Davis and Benjamin Radcliffe, with the results of Robert Hart's article. A logical continuation of this work would be an analysis of tools and factors that are optimal for influencing the ruling elite of a non-democratic target country, in the context of imposing sanctions.

3. Anti-Russian sanctions and their analysis by Russian economists

Among the Russian authors who devoted their work to the study of issues related to sanctions, one can single out the works of M.V. Bratersky (2009), V. Zagashvili (2015), R.M. Nureev (2015-2017), E.G. Busygina (2017), D.S. Chusovlyanova (2016), P.K. Petrokov (2015-2016), V. Simonov (2015), A. Tsygankov (2015) who were used in writing this work.

Professor M.V. Bratersky writes the following about the contradictory nature of the sanctions policy: "The concept of sanctions is based on the idea of causing the people of the target country to suffer as much suffering as possible so that the people act on their government." (Bratersky MV, 2009, p. 346-347) In addition, the consequences from the introduction of sanctions continue to operate even after their withdrawal. The author cites sanctions against Iraq, the imposition of which «more than doubled the deaths of children under five years of age, and resulted in the death of more than 500,000 children between 1991 and 1998» from malnutrition, lack of medicines, clean water and so on (Bratersky MV, 2009, p. 347-348). Ultimately, the question of who is responsible for the consequences of sanctions policy remains open. After all, even if the sanctions were successful, no one compensates for the economic and social costs that the target country has suffered from the sanctions policy. In this case, the consequences can extend even after the removal of restrictions, but to confirm this hypothesis it is necessary to conduct a separate study.

Professor Zagashvili's article "Western sanctions and the Russian economy" examines the impact that anti-Russian sanctions have made. The author comes to the conclusion that at the moment the sanctions did not have any decisive influence, nevertheless the consequences of their introduction did not pass without a trace. The author stresses in the article that "the fundamental causes of the recession that have come about are of a deep nature and are caused by the continuing imperfection of the institutional structure of the Russian Federation's economy." (Zagashvili V., 2015, p. 74) This issue can be studied in a study on the reaction of countries against which sanctions were imposed. Can the target country, by its actions within existing constraints, aggravate the situation or neutralize the negative effects through certain steps? It is possible that the imperfection of institutions just the same is a threat to the economy of the country as a whole, to which sanctions are only being pushed.

A more detailed analysis of how sanctions affect society is presented in the article by Professor R.M. Nureev and Ph.D. Petrakov. The authors give a detailed analysis of the consequences that ordinary citizens faced: rising prices for food and non-food products, a drop in demand, a reduction in trips abroad, a crisis in small business (Nureev R.M., Petrakov P.K., 2015). In the work of Professor R.M. Nureyev and E.G. Busygin analyzed the situation in the banking and food sectors (Nureev R.M., Busygin E.G., 2016). The authors come to the conclusion that the banking sector "is in a crisis, despite the measures taken by the Central Bank," while in the food sector "there have been some improvements - growth in output, a decrease in the number of bankruptcies" (Nureev R.M., Busygin E.G., 2016, P. 24).

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