

The Economic Weapon: The Rise of Sanctions as a Tool of Modern War

By Nicholas Mulder (Yale University Press, 2022), 448 pages, illustrations, maps, bibliography, index.

Reviewed by Thomas G. Coffey

“We Russians don’t give a shit about all their sanctions. We are [now] more self-sufficient.” The bravado expressed by the Russian ambassador to Sweden in February 2022 about the threatened use of sanctions to deter an invasion of Ukraine would have been unthinkable in the period covering the world wars of the last century, if *The Economic Weapon* is any guide. World leaders then lived in fear of blockades or embargoes, after the British-led ones during World War I against Germany and ally Austria-Hungary led to the deaths of 300,000–400,000 civilians. Mulder notes that the death toll was just as high against fellow belligerent Turkey in the then “Ottoman provinces of the Middle East.” (5)

Contrary to the Russian ambassador’s suggestion that Western sanctions have only made Russia more independent if not stronger, the League of Nations and its threat or actual use of sanctions was no paper tiger. Fear of the economic weapon unintentionally contributed to the onset of World War II, with Germany, Japan, and Italy striving to protect themselves by becoming autarkic (“self-sufficient”) through the seizure of raw-material-rich territories. *The Economic Weapon* teaches us that sanctions may not always “work” or have “efficacy” in changing aggressors’ behavior but they have an “effect” all the same.

A history of the’ aims, preparations, norms, and effectiveness of sanctions from 1914 to 1945, *The Economic Weapon* holds many rewards for today’s sanction watchers. The “Machinery of Blockade” chapter is the best and most relevant one in the book. To weaken the Central Powers of Germany, Austria-Hungary, and Turkey, the Triple Entente of England, France, and Russia relied on the overwhelming dominance of Britain in the world economy. London financed 60 percent of trade and handled two-thirds of maritime insurance contracts. Britain possessed the world’s largest merchant marine, controlled three-quarters of coking coal that powered ships, and operated 70 percent of global telegraph cable network considered vital for processing financial and trade transactions. (34)

Isolating the Central Powers from this infrastructure involved coordination among diplomats, naval officers, lawyers, economists, and intelligence officers. The latter two groups combed German newspapers, customs records, diplomatic reports, intercepted cables, shipping manifests, neutral merchant firms, and “hearsay from the City of London.” (35)

Even so, economists and intelligence officers had their work cut out for them in trying to pinpoint the vulnerability of targeted countries. Mulder’s discussion of the trade, finance, insurance, energy, and shipping elements behind a single case of German imports of Brazilian manganese ore masterfully displays the intricacies of sanctions targeting. From mine to end user, Mulder notes that this transaction “could easily involve seven parties in six different countries other than the Krupp Corporation and the Itabira Iron Ore Company.” At first glance, it’s a Brazilian-German exchange, but in legal-corporate terms it is an Anglo-German trade because the mine was British-owned. “Trade statistics helped clarify what was going on but only up to a point.... The most knowledgeable people involved were the mining company officials and the bankers in London who made crucial transactions in support of the trade.” (33)

Piecing together this intelligence puzzle was labor intensive and evidentiary, resulting in “pinprick” inspections of ships suspected of carrying contraband. So, the British Ministry of Blockade switched to a more “scientific and statistical” basis of isolating the enemy. (41) Import levels of neutral countries that exceeded estimated prewar consumption levels were considered contraband destined for a Central Power and thus embargoed. “The logic of the blockade switched from a legal to an economic one.” (42) The burden of proof needed to avoid being blacklisted shifted from the British government to companies, ships, and banks. Despite this more aggressive and cost effective approach toward sanctioning, Germany’s food situation actually improved during July–September 1918, and war production was higher than in any preceding year. Indeed, the German military offensive of spring 1918 nearly won

the war for the Central Powers. The fall of Tsar Nicholas in 1917 and the takeover of raw-material-rich Russian territories under the Brest-Litovsk Treaty may have helped the Central Powers weather the exacting sanctions.

Nevertheless, wartime sanctions carried a powerful mystique about them. German nationalists exaggerated their importance to deflect blame for losing the war from the military to politicians, while Weimar politicians did so to try to reduce reparations demands. (81) And sanctions placed to ensure Central European powers signed the Treaty of Versailles helped sow political unrest and invited the rise of Bolshevism. (92) This gave the economic weapon a considerable power of deterrence, successfully discouraging Yugoslav and Greek adventurism in the 1920s. (122–33) But as British economic power waned and that of the United States—which was not a League member—grew, sanctions underwent fine tuning while embracing more diplomatic engagement to get neutral countries to participate.

The “Admiralty way” of blockade and cutting off imports was considered inhumane if not illegal, especially if foodstuffs were denied to populations during peaceful times. As a result, the “Treasury way” of sanctions, aimed at the balance of payments, gained favor. By refusing to buy the target’s exports and therefore worsen the trade balance, foreign exchange reserves in the absence of hard-currency finance would run down and risk bankruptcy. Mulder notes that these financial reserves were conceived of as a commodity to be restricted just as much as food, iron ore, oil, or wool. (209–13)

A proof-of-concept moment for the actual employment of sanctions under Article 16 of the League of Nations covenant arrived when Italy invaded Ethiopia in 1935. (211) League nations calculated that the sanctions would bite hard before the military got to Addis Ababa. (215) However, Rome stockpiled materiel and diverted exports while Italians proved resilient in the face of growing

hardship. They were not as materialistic as sanction planners anticipated and even rallied round the Mussolini government for a time. The Italian Army marched into the Ethiopian capital after attempts at an oil embargo failed. Mussolini later expressed relief that the oil sanctions never materialized. The United States, the largest producer of oil (which was increasingly replacing coal as an energy source), dithered on whether to join a ban on oil sales to Italy. (222) This was a blow to sanction supporters who then lost faith in the League’s ability to deter aggression. Interestingly, the leaders of Germany and Japan were quite alarmed by the near success of League sanctions. Viewing themselves as next on the target list, Berlin made a point of studying Italy’s sanctions-resistance efforts while Tokyo sent a secret mission there for the same purpose. (244–50) They also made preparations to secure alternative sources of commodities and finance.

Mulder does an impressive job weaving together an important story for historians, economists, theorists, and practitioners. His endnotes are first rate; it is reassuring to see so many contemporaneous stabs at making sense of a complicated policy lever. (299–416) The author does not really deliver on the “modern” assessment misleadingly promised in the subtitle, but he takes his own mild stab at it: today’s heavy use of sanctions are mostly ineffective at changing the behavior of targeted countries. “While the use of sanctions has surged, their odds of success have plummeted.” (296)

Still, this reviewer senses, compared with the more destabilizing cyberattacks or the more lethal military levers of today, sanctions are the policy choice by default. Being the least bad option does not mean there is not something unintended and destabilizing going on beneath the surface of sanctions-making. The sanctions bark may be worse than its bite, but targeted countries are taking major long-term steps to avoid their snare.



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