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Boycotting a dictatorship: who does it really hurt?

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Abstract

Consumer boycotts and international economic sanctions represent a frequent tool to protest against countries for their violation of human rights. This paper questions if such a kind of action hurts more the populations it is supposed to defend than governing classes it is targeting. Overall, boycotts of more rapacious regimes may decrease more the well-being of the population than the one of the governing class.

1   Introduction

The international community frequently assists to consumer boycotts of countries, for their estimated violation of human rights. In 1959, a group of South African exiles and their British supporters called for a boycott of fruits, cigarettes and other goods imported from South Africa to oppose apartheid. Recently, Myanmar has been boycotted for its violent repression of people manifestations. Finally, China is boycotted for the occupation in Tibet. In the same manner, international economic sanctions (like embargoes) usually represent a first step used by the international community to protest against a country's political misbehavior.

However, one can wonder who does such a kind of action really hurt[1]? The targeted governing class or local populations? Different papers already mentioned potential adverse effects of consumer boycotts. For instance, several papers mentioned potential negative impact of boycotting child labor on children well-being (Edmonds, 2003; Basu and Zarghamee, 2009). The traditional literature on economic sanctions (Kaempfer et al., 2004; Kaempfer and Lowenberg, 2007) show that their effectiveness depends on their differential impacts between interest groups: they need to alter regime supporters' well-being more than the opponents' one. To our knowledge, no study focusses on the fact that this differential impact is likely to depend on the type of regime.

The aim of this paper is precisely to give a second thought on the opportunity to use consumer boycotts or embargoes as a tool against autocratic regimes and to underline potential counter-productive effects of consumer activism. We argue that the differential impact is likely to depend on three main characteristics of the boycotted regime: its level of openness, its degree of voracity and its rising or declining trend.

Using a simple partial analysis framework, and relaying of the concavity of utility functions, we show that consumer boycotts of very rapacious regimes are likely to hurt more local (and poorer) citizens than the targeted political power of the boycotted country, especially in the case of a rising regime. Conversely, boycotting a less rapacious regime is likely to be more effective to influence politicians behavior. Finally, economic openness is a key element determining the overall boycott importance.

2   Boycotting a dictatorship or its local population?

Consider a country that is boycotted for an estimated violation of human rights. The aim of the boycott is to hurt the governing class in power, so that it changes its behavior towards human rights.

The governing class is assumed to only consider its own income in its utility function. Thus only dictatorships are considered, and not democracies, in the sense that the governing class does not care about the citizens well-being. The governing class may be more or less rapacious. In particular, the political power captures a share α of the country resources (say GDP), and local citizens only get a share $(1-\alpha)$ of those resources. α is then an indicator of voracity . Assuming the utility of the governing class and of individual citizens is increasing

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[1]When mentioning well-being, we refer here to income variation. Although income only represents a partial factor of well-being (see Sen, 1979; 1980), we assume that income decrease is *ceteris paribus* always related to a decrease in welfare.

and concave in perceived income $I_i(\alpha)$: $U_i(I_i)$, $\frac{\partial U_i(I_i(\alpha))}{\partial I_i(\alpha)} > 0$, $\frac{\partial U_i(I_i(\alpha))}{\partial I_i(\alpha)^2} < 0$; $\frac{\partial I_G(\alpha)}{\partial \alpha} > 0$, $\frac{\partial I_C(\alpha)}{\partial \alpha} < 0$. Subscript $i = G, C$ represents the governing class and local citizens, respectively.

2.1   The income impact of the boycott

The consumer boycott reduces the country's resources by an amount B. B thus represents the *global income impact* of the boycott on the targeted country. B is likely to be directly related to economic openness. An open country will have a large share of its resources coming from exports (and thus large B), and *vice versa*. The global income impact is thus tends to be more important in more open countries.

The global impact is decomposed between the governing class and the population: the *political income impact* is denoted $\Delta I_G(\alpha)$ and the *citizens income impact* is denoted $\Delta I_C(\alpha)$. Two allocation rules can be made considering the decomposition of the *global income impact*. First, the *linearity rule* states that the two income impacts are directly related to the share of income captured by the governing class: $\Delta I_G(\alpha) = \alpha B$ and $\Delta I_C(\alpha) = (1 - \alpha)B$. Second, the *inverse allocation rule* states that more rapacious regimes have the capacity to shift the largest part of the boycott burden on their citizens: $\Delta I_G(\alpha) = s(\alpha)B$ and $\Delta I_C(\alpha) = (1 - s(\alpha))B$, with $s(\alpha) \in [0, 1]$, and $\partial s(\alpha)/\partial \alpha < 0$.

As will be shown, the allocation rule of the boycott losses is a crucial element, and we thus need to understand which one is the most accurate. Actually, although providing evidence that economic sanctions may impact both citizens and the governing class (Hoskins and Nutt, 1997; United Nations, 2000), the literature does not provide evidence about the way those losses are allocated. We argue here that the regime trend is the main element determining the regime capacity to allocate the boycott losses. Indeed, it is reasonable to think that rising regimes, with declining political opposition, are more able to allocate the boycott losses according to the inverse allocation rule. Conversely, declining regimes, with rising opposition, tend to be less able to enforce this rule, and thus allocate losses according to the linearity rule. For the remaining of the paper, we will then consider that rising regimes apply the inverse allocation rule, while declining regimes apply the linearity rule.

Consider now two dictatorships, that only differ in their voracity: $\overline{\alpha} > \underline{\alpha}$. Focusing on declining regimes, the *political income impact* tends to be larger in the $\overline{\alpha}$-regime than in the $\underline{\alpha}$-regime, since the latter diverts a smaller share of the countries resources. In that sense, in the case of declining regimes, consumer boycotts hurt more very privative dictatorships than less privative ones: $\Delta I_G(\underline{\alpha}) = \underline{\alpha}B < \Delta I_G(\overline{\alpha}) = \overline{\alpha}B$. Conversely, focusing on rising regimes, it is clear that the $\overline{\alpha}$-regime experience a lower income decrease that the $\underline{\alpha}$-regime: $\Delta I_G(\underline{\alpha}) = s(\underline{\alpha})B > \Delta I_G(\overline{\alpha}) = s(\overline{\alpha})B$. Then, in the case of rising regimes, consumer boycotts hurt more less privative dictatorships than more privative ones.

The exact opposite relationship applies for the *citizens income impact*. Table 1 sums up the income impact of this kind of boycotts, crossing openness, voracity, and the rising or declining trend of the regime.

2.2   Regime voracity and the utilitarian impact of the boycott

However, economists usually prefer reasoning in terms of utility. A more privative regime diverts *ceteris paribus* a larger amount of the countries resources: $I_G(\overline{\alpha}) > I_G(\underline{\alpha})$. Recalling

Table 1: Income impact of consumer boycotts depends on openness, voracity and the regime trend

Openness	Open Economy Large B		Closed Economy Low B	
Voracity	$\overline{\alpha}$-regime	$\underline{\alpha}$-regime	$\overline{\alpha}$-regime	$\underline{\alpha}$-regime
Global Impact	Large		Small	
Declining regime				
Political Impact	Large	Intermediate	Intermediate	Small
Citizens Impact	Intermediate	Large	Small	Intermediate
Rising regime				
Political Impact	Intermediate	Large	Small	Intermediate
Citizens Impact	Large	Intermediate	Intermediate	Small

the fact that the governing class utility is concave, it follows that marginal utility is smaller for the $\overline{\alpha}$-regime: $\frac{\partial U_G(I_G(\overline{\alpha}))}{\partial I_G(\overline{\alpha})} < \frac{\partial U_G(I_G(\underline{\alpha}))}{\partial I_G(\underline{\alpha})}$. Then a same decrease in perceived income is less costly in terms of utility for an $\overline{\alpha}$-regime than for an $\underline{\alpha}$-regime (see figure 1): income decreases are usually perceived less costly to individuals with higher income. Overall, when focusing on utilities, a consumer boycott potentially hurts more the governing class of an $\underline{\alpha}$ dictatorship, than the one of an $\overline{\alpha}$-regime, in the case of a rising regime.

The exact opposite reasoning applies for citizens. Since they have a lower income, citizens of an $\overline{\alpha}$-regime have a larger marginal utility than those of an $\underline{\alpha}$-regime: $\frac{\partial U_C(I_C(\overline{\alpha}))}{\partial I_G(\overline{\alpha})} > \frac{\partial U_C(I_C(\underline{\alpha}))}{\partial I_G(\underline{\alpha})}$ (see figure 2). In the case of rising regimes, a consumer boycott thus hurts more local citizens if it takes place in an $\overline{\alpha}$-regime.

Moreover, those results also apply in the case of declining regimes, if the utilitarian impact (described in this section) dominates the income impact (described in section 2.1).

3   Discussion

Is boycotting a country for its violations of human rights a good idea? The answer depends crucially on the type of dictatorship that is considered. Do we consider a rising regime, able to keep its opponents under control, or a declining regime that has to deal with more influent political opposition? Is the regime very privative, or does it let a relatively large share of its resources to its population? Is it an open or a closed economy?

When looking at income impacts, the allocation of the boycott burden is crucial. Moreover, this costs allocation crucially depends on the fact that the boycott takes place in a rising or declining regime. In the case of a declining regime, i.e. if the political power allocates the costs linearly according to its degree of voracity, the income impact to the governing class is stronger in more rapacious regimes. Conversely, in the case of a rising regime, this income impact on the governing class is stronger in less rapacious regimes.
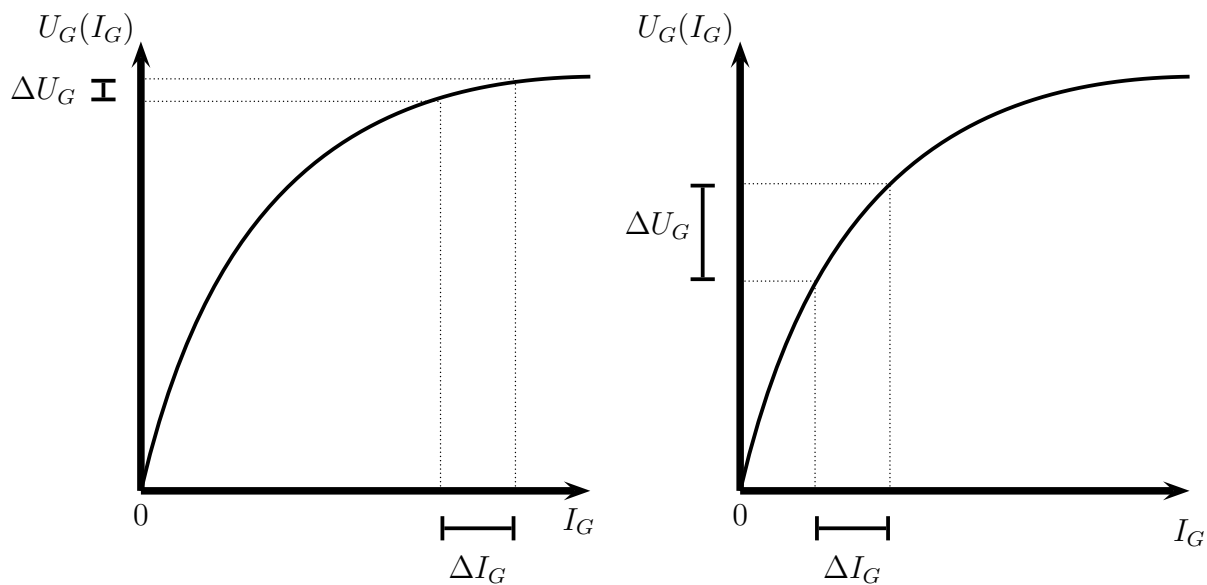
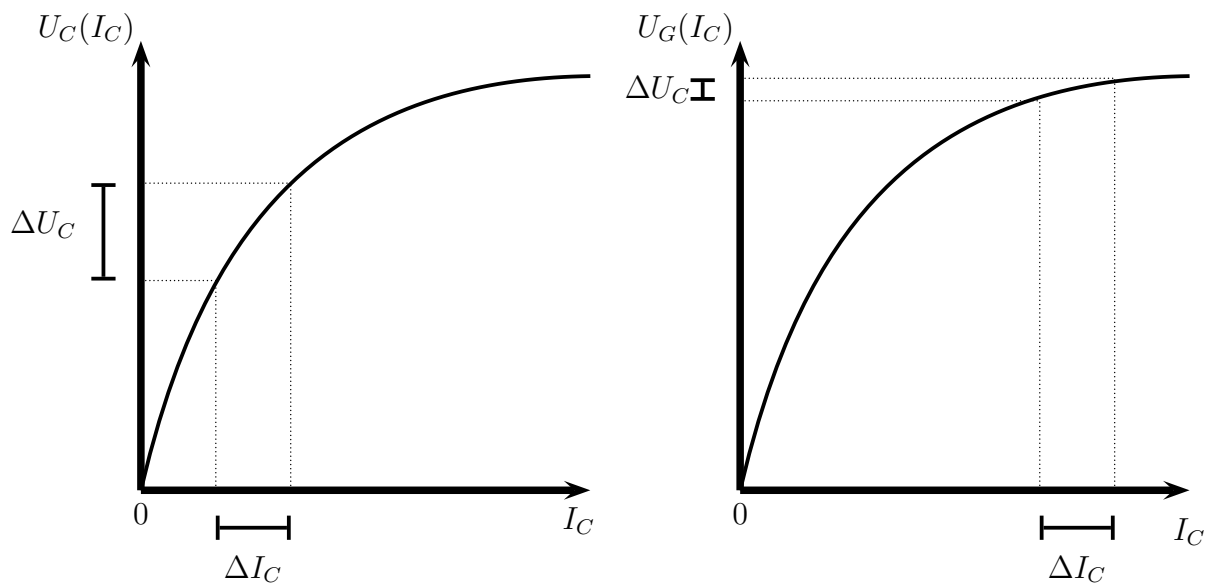Figure 1: **A same decrease in income is less costly in terms of utility for a more privative regime**

Figure 2: **A same decrease in income is more costly for citizens in a more privative regime**

4

When focusing on utilitarian impacts, consumer boycotts tends to hurt more local citizens than the governing class in more privative regimes. The choice of such a type of instrument is then questionable as it may miss its real target, i.e. the political power, while hurting more the people it is supposed to defend.

Moreover, as mentioned before, the global income impact of the boycott is directly related to openness: an open economy that is boycotted is likely to experience larger income decrease (larger B) than a closed economy. Following the literature on institutions and openness (Eichengreen, 2006), more stringent dictatorships tend to be less open to international trade, and thus to have lower resource reduction than less stringent dictatorships: $B(\overline{\alpha}) < B(\underline{\alpha})$. Considering this relationship between institutions and economic openness, it is also likely that more privative regimes experience smaller scale boycotts than less privative regimes.

This analysis is valid in the short run, with no structural change in institutions (α) or openness (B). If the boycott continues in the long run, the boycott may either enhance revolt against the people in power or increase resentment against the boycotting countries. The direction of this reaction depends on the type of dictatorship that is considered, but is not straightforward. First, local populations are more hurt in very privative dictatorships, anger against the cause of the boycott is likely to be higher. However, if the regime is very strong and privative, it is likely to be very authoritarian, with efficient propaganda, and then able to contain eventual protests from the population and turning it toward the boycotting countries.

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