

Economic Sanctions & Democratic Backsliding

Tylir Fowler¹

¹PhD Candidate
Yale University

APSA 2025

Outline

- 1 Motivation
- 2 Related Literature
- 3 The Model
- 4 Conclusion

Outline

- 1 Motivation
- 2 Related Literature
- 3 The Model
- 4 Conclusion

EU Commission proposes blocking billions in funds to Hungary



Hungary, Poland & the EU

- Since Viktor Orbán's return to power in 2010, Hungary has experienced severe democratic backsliding ranging from electoral manipulation to eroding media independence

- Since Viktor Orbán's return to power in 2010, Hungary has experienced severe democratic backsliding ranging from electoral manipulation to eroding media independence
- From 2015-2023, the Polish Law and Justice Party (PiS) eroded checks and balances—one way is by establishing a new disciplinary system in 2017, which would make judges susceptible to disciplinary proceedings

Hungary, Poland & the EU

- Since Viktor Orbán's return to power in 2010, Hungary has experienced severe democratic backsliding ranging from electoral manipulation to eroding media independence
- From 2015-2023, the Polish Law and Justice Party (PiS) eroded checks and balances—one way is by establishing a new disciplinary system in 2017, which would make judges susceptible to disciplinary proceedings
- Both Hungary and Poland had avoided being sanctioned by the EU for several years despite backsliding being incompatible with EU norms

Hungary, Poland & the EU

- In 2021, the EU Commission imposed daily fines against Poland until the judiciary reforms were undone
 - PiS would not make any real attempt to stop backsliding, and the EU would only release funds for Poland after PiS was ousted from power

Hungary, Poland & the EU

- In 2021, the EU Commission imposed daily fines against Poland until the judiciary reforms were undone
 - PiS would not make any real attempt to stop backsliding, and the EU would only release funds for Poland after PiS was ousted from power
- In 2022, Hungary's funding from the EU budget was suspended and its COVID relief funds were not dispersed
 - Defiant of the EU, Orbán has not yielded on his backsliding project even in the face of a weakening economy in Hungary

Research Question

- Why do sanctioners and international organizations such as the EU sanction regimes that engage in democratic backsliding?

Research Question

- Why do sanctioners and international organizations such as the EU sanction regimes that engage in democratic backsliding?
- And when do the threats of sanctions deter backsliders from trying to accumulate more power?

Preview of Results

- Sanctions will occur when a sanctioner places a high weight on promoting democracy relative to the costs of imposing sanctions

Preview of Results

- Sanctions will occur when a sanctioner places a high weight on promoting democracy relative to the costs of imposing sanctions
- The costs associated with sanctions could backfire in the sense that backsliders will be more inclined to erode democracy in order to hold onto power

Preview of Results

- Sanctions will occur when a sanctioner places a high weight on promoting democracy relative to the costs of imposing sanctions
- The costs associated with sanctions could backfire in the sense that backsliders will be more inclined to erode democracy in order to hold onto power
- Uncertainty about a backslider's utility from backsliding can lead to sanctions without an incumbent backtracking on the erosion of democracy

Outline

- 1 Motivation
- 2 Related Literature
- 3 The Model
- 4 Conclusion

- Political Economy of democratic backsliding (Luo and Przeworski 2023; Svolik 2020)

- Political Economy of democratic backsliding (Luo and Przeworski 2023; Svoboda 2020)
- Economic sanctions and democratization (Marinov 2005; Oechslin 2014)

- Political Economy of democratic backsliding (Luo and Przeworski 2023; Svobik 2020)
- Economic sanctions and democratization (Marinov 2005; Oechslin 2014)
- Membership in IOs and its consequences for autocratization and democratization (Meyerrose 2020; Pevehouse 2005)

Outline

- 1 Motivation
- 2 Related Literature
- 3 The Model**
- 4 Conclusion

Model Setup

- The players
 - An authoritarian-minded incumbent
 - An international sanctioner
 - An electorate modeled as a representative voter
 - A non-strategic democratic challenger

Model Setup

- The players
 - An authoritarian-minded incumbent
 - An international sanctioner
 - An electorate modeled as a representative voter
 - A non-strategic democratic challenger
- The incumbent and sanctioner have preferences over the level of democracy in the country where the former prefers less democracy while the latter wants more democracy

Model Setup

- The players
 - An authoritarian-minded incumbent
 - An international sanctioner
 - An electorate modeled as a representative voter
 - A non-strategic democratic challenger
- The incumbent and sanctioner have preferences over the level of democracy in the country where the former prefers less democracy while the latter wants more democracy
- The voter cares about the incumbent behaving democratically insofar as it helps the country avoid economic sanctions

Model Setup

- The sanctioner and voter have uncertainty about how much the incumbent values power grabs

Model Setup

- The sanctioner and voter have uncertainty about how much the incumbent values power grabs
- The sanctioner may use sanctions to try and deter backsliding, but this may not work on an incumbent that is sufficiently motivated to gain more power

Summary of the Game

- 1 Nature determines the incumbent's weight on power grabs
- 2 The incumbent decides whether or not to erode democracy
- 3 The voter votes for either the incumbent or challenger
- 4 If the challenger assumes office, the game proceeds to 7 while if the incumbent is reelected, proceed to 5
- 5 The sanctioner decides to impose sanctions or not
- 6 If the incumbent eroded democracy, the incumbent decides to reverse her backsliding decision or maintain it; if she reverses then sanctions are lifted (if imposed), and if not they are maintained (if imposed)
- 7 All actors realise their utility and the game ends

Partially Separating Equilibrium

- In this equilibrium, strongly authoritarian incumbents decide to always backslide without reversing the backsliding decision while weakly authoritarian incumbents sometimes backslide while always reversing a decision to backslide under the threat of sanctions

Partially Separating Equilibrium

- In this equilibrium, strongly authoritarian incumbents decide to always backslide without reversing the backsliding decision while weakly authoritarian incumbents sometimes backslide while always reversing a decision to backslide under the threat of sanctions
- The sanctioner can credibly commit to sanctioning the incumbent if she chooses to erode democracy

Partially Separating Equilibrium

- In this equilibrium, strongly authoritarian incumbents decide to always backslide without reversing the backsliding decision while weakly authoritarian incumbents sometimes backslide while always reversing a decision to backslide under the threat of sanctions
- The sanctioner can credibly commit to sanctioning the incumbent if she chooses to erode democracy
- The posterior belief that the incumbent is strongly authoritarian conditional on the decision to backslide is given by

$$\hat{\mu}_E = \frac{\mu}{\mu + q(1 - \mu)} > \mu$$

Partially Separating Equilibrium

- In this equilibrium, strongly authoritarian incumbents decide to always backslide without reversing the backsliding decision while weakly authoritarian incumbents sometimes backslide while always reversing a decision to backslide under the threat of sanctions
- The sanctioner can credibly commit to sanctioning the incumbent if she chooses to erode democracy
- The posterior belief that the incumbent is strongly authoritarian conditional on the decision to backslide is given by

$$\hat{\mu}_E = \frac{\mu}{\mu + q(1 - \mu)} > \mu$$

- Where μ is the prior belief that the incumbent is strongly authoritarian and q is the probability that the weakly authoritarian type chooses to backslide

Partially Separating Equilibrium

- The equilibrium probability that the weakly authoritarian incumbent erodes democracy is given by

$$q^* = \frac{\mu(k - b'k + (b_0 - b')\hat{\alpha})}{\hat{\alpha}(b' - b_0)(\mu - 1)}$$

Partially Separating Equilibrium

- The equilibrium probability that the weakly authoritarian incumbent erodes democracy is given by

$$q^* = \frac{\mu(k - b'k + (b_0 - b')\hat{\alpha})}{\hat{\alpha}(b' - b_0)(\mu - 1)}$$

Partially Separating Equilibrium

- The equilibrium probability that the weakly authoritarian incumbent erodes democracy is given by

$$q^* = \frac{\mu(k - b'k + (b_0 - b')\hat{\alpha})}{\hat{\alpha}(b' - b_0)(\mu - 1)}$$

- $k > 0$ is the cost that the voter and incumbent would incur if the incumbent does not reverse the decision to backslide

Partially Separating Equilibrium

- The equilibrium probability that the weakly authoritarian incumbent erodes democracy is given by

$$q^* = \frac{\mu(k - b'k + (b_0 - b')\hat{\alpha})}{\hat{\alpha}(b' - b_0)(\mu - 1)}$$

- $k > 0$ is the cost that the voter and incumbent would incur if the incumbent does not reverse the decision to backslide

$$\frac{\partial q^*}{\partial \mu} > 0 \text{ and } \frac{\partial q^*}{\partial k} > 0$$

Partially Separating Equilibrium

- The equilibrium probability that the weakly authoritarian incumbent erodes democracy is given by

$$q^* = \frac{\mu(k - b'k + (b_0 - b')\hat{\alpha})}{\hat{\alpha}(b' - b_0)(\mu - 1)}$$

- $k > 0$ is the cost that the voter and incumbent would incur if the incumbent does not reverse the decision to backslide

$$\frac{\partial q^*}{\partial \mu} > 0 \text{ and } \frac{\partial q^*}{\partial k} > 0$$

- The more likely that the incumbent is strongly authoritarian ex-ante and the higher the cost associated with sanctions, the higher the probability that the incumbent erodes democracy in equilibrium

Outline

- 1 Motivation
- 2 Related Literature
- 3 The Model
- 4 Conclusion**

Conclusion

- Sanctions will occur when a sanctioner places a high weight on promoting democracy relative to the costs of imposing sanctions

Conclusion

- Sanctions will occur when a sanctioner places a high weight on promoting democracy relative to the costs of imposing sanctions
- The costs associated with sanctions could backfire in the sense that backsliders will be more inclined to erode democracy in order to hold onto power

Conclusion

- Sanctions will occur when a sanctioner places a high weight on promoting democracy relative to the costs of imposing sanctions
- The costs associated with sanctions could backfire in the sense that backsliders will be more inclined to erode democracy in order to hold onto power
- Uncertainty about a backslider's utility from backsliding can lead to sanctions without an incumbent backtracking on the erosion of democracy

Thanks!

Contact information:

Tylir Fowler

E-mail: tylir.fowler@yale.edu

PhD Candidate

Yale University
New Haven, CT

-  Luo, Zhaotian and Adam Przeworski (2023). "Democracy and its vulnerabilities: Dynamics of democratic backsliding". In: *The Quarterly Journal of Political Science*.
-  Marinov, Nikolay (2005). "Do economic sanctions destabilize country leaders?" In: *American Journal of Political Science* 49.3, pp. 564–576.
-  Meyerrose, Anna M (2020). "The unintended consequences of democracy promotion: International organizations and democratic backsliding". In: *Comparative Political Studies* 53.10-11, pp. 1547–1581.
-  Oechslin, Manuel (2014). "Targeting autocrats: Economic sanctions and regime change". In: *European Journal of Political Economy* 36, pp. 24–40.
-  Pevehouse, Jon C (2005). *Democracy from above: Regional organizations and democratization*. Cambridge University Press.
-  Svolik, Milan W (2020). "When Polarization Trumps Civic Virtue: Partisan Conflict and the Subversion of Democracy by Incumbents". In: *The Quarterly Journal of Political Science* 15.1, pp. 3–31.