

Alliances, Arms Exports, and Electoral Trade Cycles

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**How do U.S. political budget cycles
affect international economic and
security cooperation?**

U.S. Monetary Policy Near Elections

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Arms Sales



My Argument in Brief

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1. U.S. political budget cycles increase trade.
2. Defense contracting has a critical role in budget cycles.
3. Contracting cycles lead to arms exports, especially to allies.
4. **Outcome:** General trade increase, and allies receive more U.S. exports through arms.

Outline

1. Argument: Budget Cycles, Defense Contracting, Arms Transfers, and Trade.

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2. Results: Electoral Trade Cycles.

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2. Results: Electoral Trade Cycles.
3. Results: Defense Contracting and Arms Trade Cycles.

Argument

Political Budget Cycles

In order to win elections:

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1. Leaders use fiscal and monetary policy to increase economic growth.

Political Budget Cycles

In order to win elections:

1. Leaders use fiscal and monetary policy to increase economic growth.
2. Also employ more targeted policies.

Economic Consequences of Budget Cycles

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2. Price effects of monetary expansion increase exports. Likely weaker effect.
3. Imports to all other countries rise. Exports increase somewhat.

Defense Contracting and Arms Exports

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1. Presidents control contract allocation.
2. Use this for targeted stimulus.
3. Creates additional defense goods.
4. Some defense goods will be exported.

Arms Exports to Allies

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1. Allies provide a market for additional defense goods.
2. Result of common security interests, defense industry integration.
3. Exports double as a commitment signal for U.S. leaders.
4. Allies gain security and establish a cooperative reputation.

Argument Summary

Budget Cycles

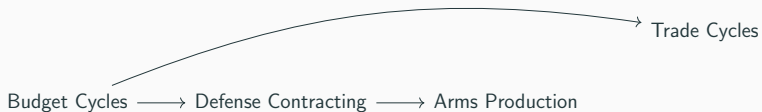
Argument Summary



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TRADE CYCLES HYPOTHESIS: *As time to a presidential election decreases, U.S. imports and exports will increase, and exports to allies will increase more than other trade flows.*

Hypotheses

TRADE CYCLES HYPOTHESIS: *As time to a presidential election decreases, U.S. imports and exports will increase, and exports to allies will increase more than other trade flows.*

ARMS EXPORTS HYPOTHESIS: *As time to a presidential election decreases, U.S. arms exports to allies will increase.*

Electoral Trade Cycles

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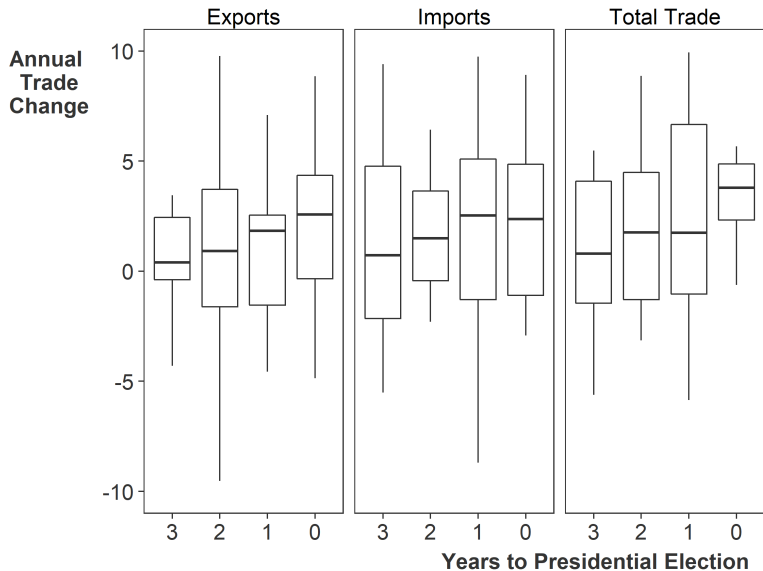
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3. Estimator: Robust regression.

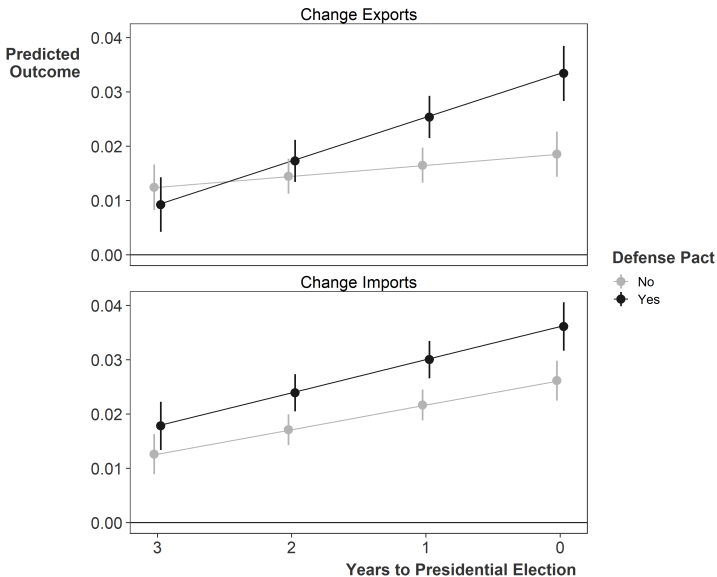
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1. Outcome: Changes in log exports, imports, and total trade.
2. Independent Variables: Dummy indicator of defense alliance, years to presidential election, interaction.
3. Estimator: Robust regression.
4. Adjust for gravity model factors, security threats, common interests, presidential partisanship.

Electoral Trade Cycles



Alliances and Trade Regression Results



Arms Export Cycles

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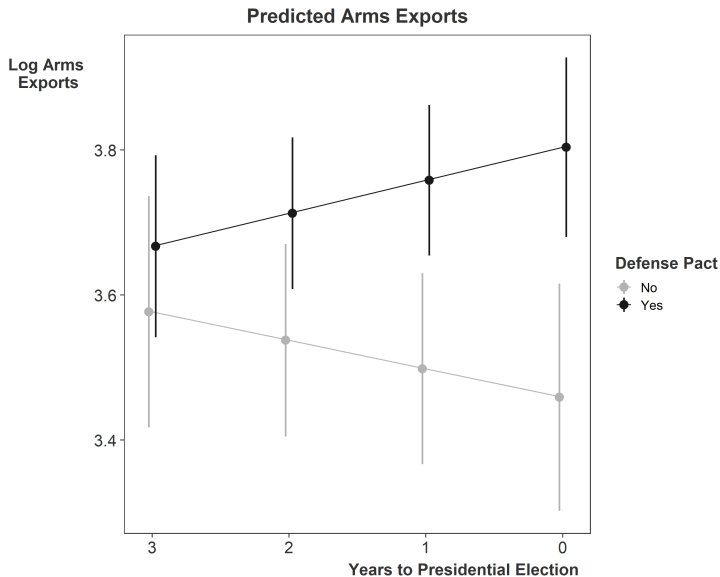
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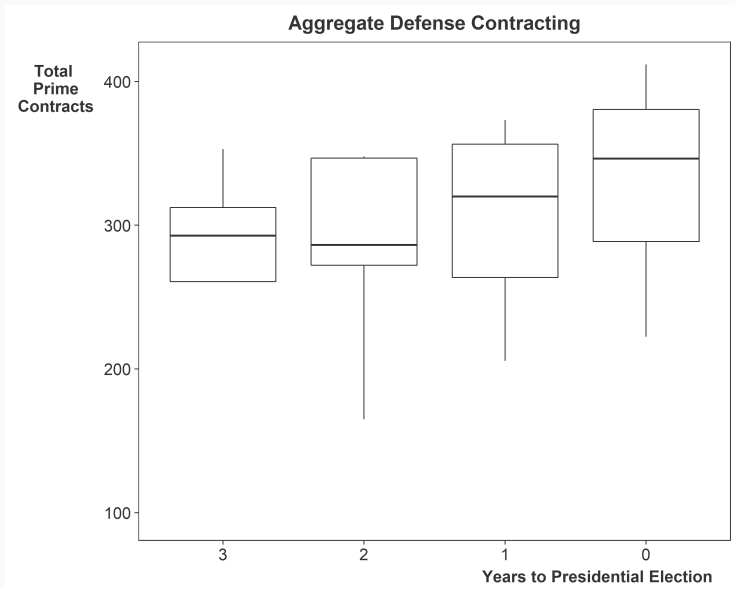
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2. Independent Variables: Dummy indicator of defense alliance, years to presidential election, interaction.
3. Estimator: Linear regression (OLS) with hurdle.
4. Adjust for trade model controls, lagged arms transfers, and non-zero arms transfer probability.

Arms Exports, Alliances, and Elections



Defense Contracting Cycles

Defense Contracting Cycles: 2000-2020



Discussion and Conclusion

U.S. political budget cycles expand international trade, especially arms exports to allies.

Some limitations.

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1. Collecting more detailed trade and arms data.

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2. Generalizing beyond the United States.

My Research Agenda: Alliance Politics and Political Economy of Security

Alliance Politics

1. Alliances and Military Spending: *International Studies Quarterly*, *Research & Politics* and *Security Studies*.
2. Economic Benefits of US Alliances.
3. Democratic Alliance Durability.

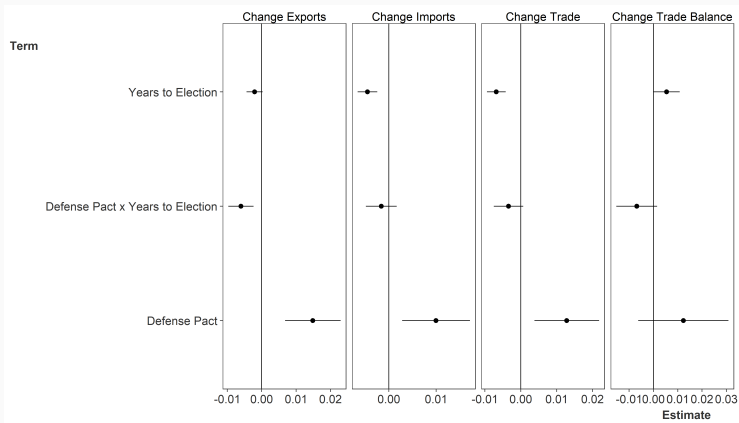
Civil Conflict

1. U.S. Foreign Terrorist Organization (FTO) List and Terrorist Attacks
2. Conflict Management Institutions and FDI in Post-Conflict States
3. Media and Support for Militant Right-Wing Extremism in the U.S.

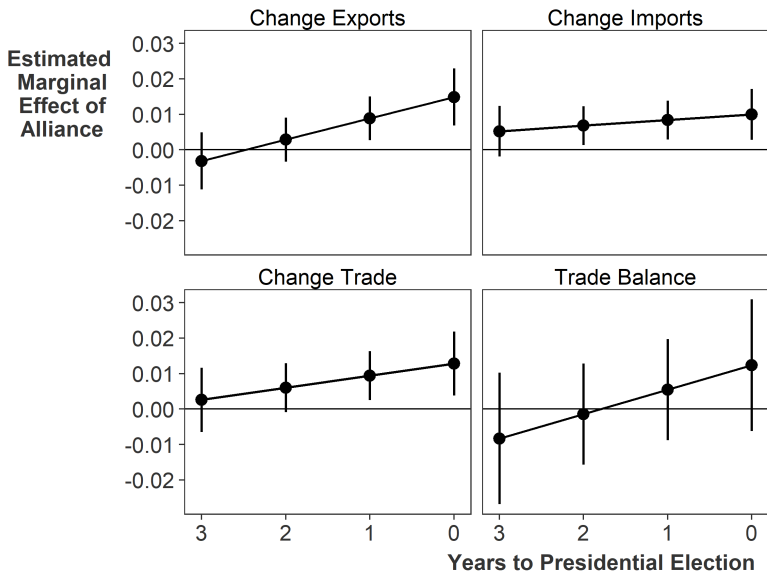
Thank you!

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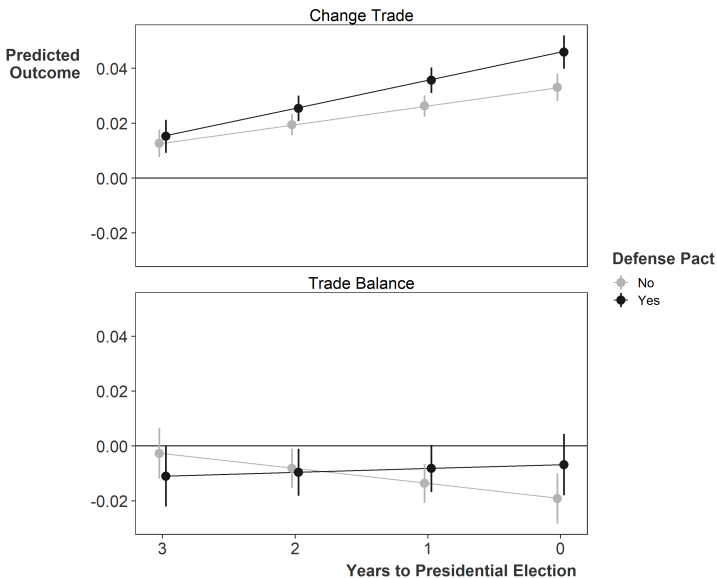
Interaction Terms: Alliances and Trade



Marginal Effects: Alliances and Trade

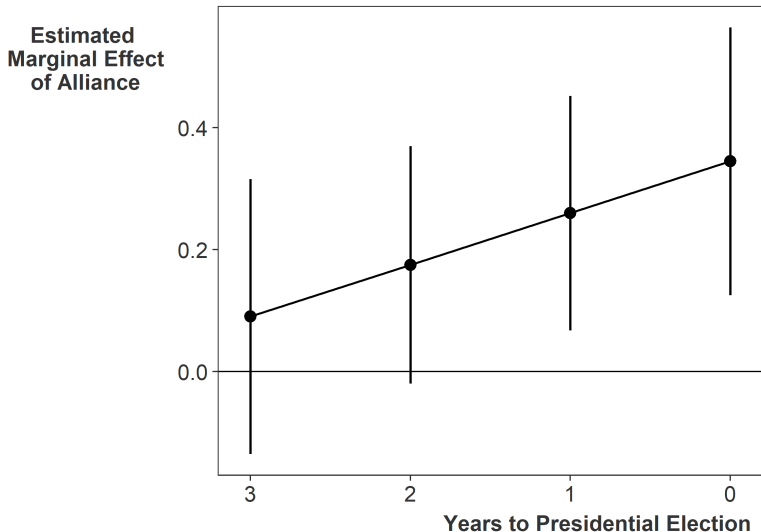


Net Trade Outcomes



Marginal Effects: Alliances and Arms Exports

Marginal Impact of Alliance on Arms Transfers



Defense Contracting by Sector

