

Alliances, Arms Exports, and Electoral Trade Cycles

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Monetary Policy Pressure

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Donald J. Trump ✓

@realDonaldTrump



China is adding great stimulus to its economy while at the same time keeping interest rates low. Our Federal Reserve has incessantly lifted interest rates, even though inflation is very low, and instituted a very big dose of quantitative tightening. We have the potential to go...

♡ 48.5K 1:56 PM - Apr 30, 2019



💬 16.9K people are talking about this



Donald J. Trump ✓

@realDonaldTrump



....up like a rocket if we did some lowering of rates, like one point, and some quantitative easing. Yes, we are doing very well at 3.2% GDP, but with our wonderfully low inflation, we could be setting major records &, at the same time, make our National Debt start to look small!

♡ 54.3K 2:05 PM - Apr 30, 2019



💬 20.4K people are talking about this



Arms Sales



My Argument in Brief

1. Political budget cycles increase trade.

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1. 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.

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

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2. Results: Electoral Trade Cycles.

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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.
2. Includes more targeted policies, such as defense contracting.

Economic Consequences of Budget Cycles

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2. Price effects of monetary expansion increase exports.
3. Imports and exports to all other countries rise.

Defense Contracting and Arms Exports

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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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2. Common security interests, defense industry integration.
3. Doubles as commitment signal for U.S. leaders.
4. Allies gain security and establish a cooperative reputation.

Argument Summary



Electoral Trade Cycles

Analyze changes in US trade with all other states, 1951 to 2019.

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2. Independent Variables: Dummy indicator of defense alliance, years to presidential election.

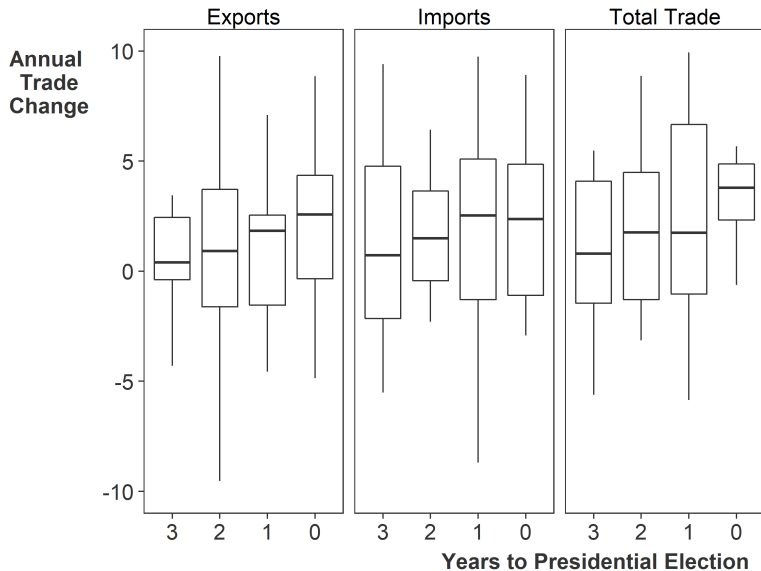
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3. Estimator: Robust regression.

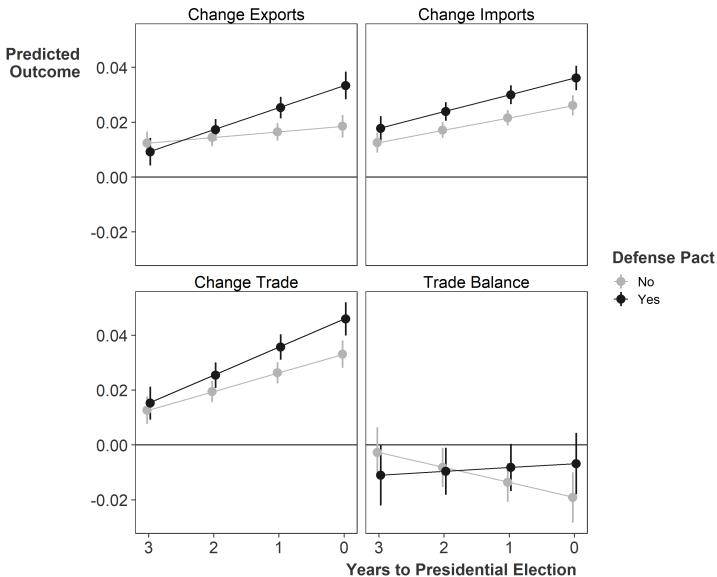
Analyze changes in US trade with all other states, 1951 to 2019.

1. Outcome: Changes in log exports, imports, and total trade. Changes in trade balance.
2. Independent Variables: Dummy indicator of defense alliance, years to presidential election.
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

Analyze US arms exports to all other states, 1951 to 2019.

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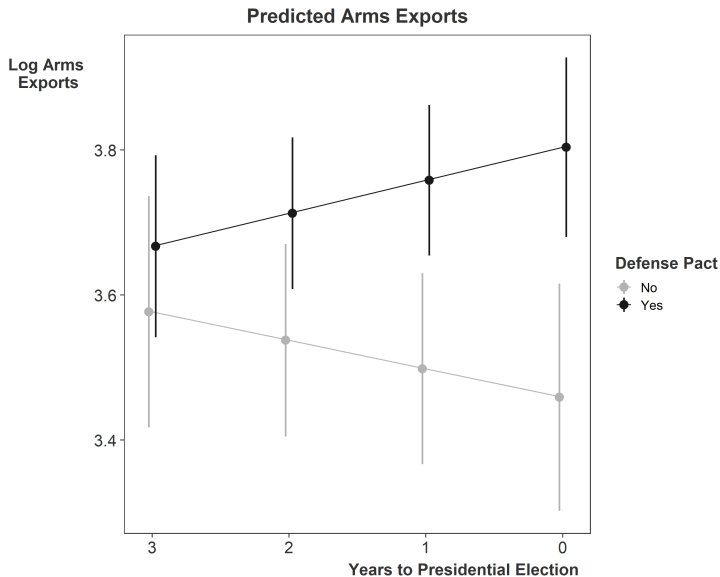
Analyze US arms exports to all other states, 1951 to 2019.

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2. Independent Variables: Dummy indicator of defense alliance, years to presidential election.
3. Estimator: Linear regression (OLS) with hurdle.

Analyze US arms exports to all other states, 1951 to 2019.

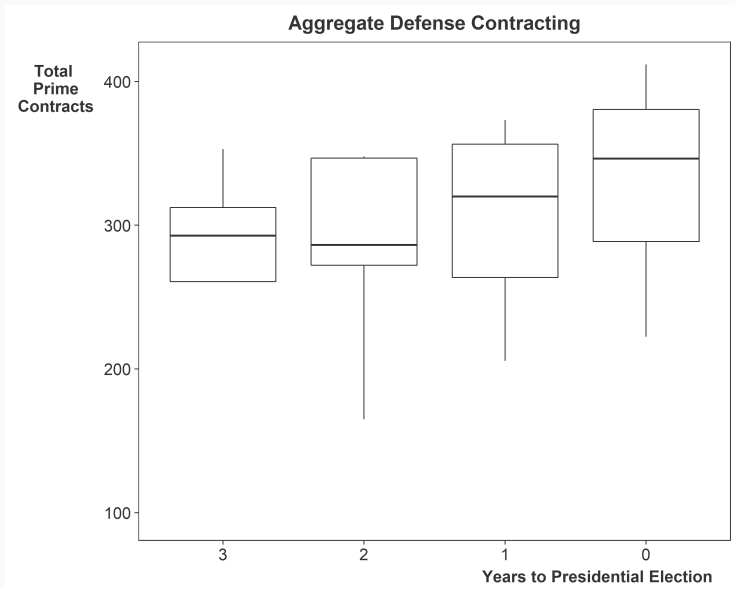
1. Outcome: Log Arms Transfers (SIPRI), non-zero values.
2. Independent Variables: Dummy indicator of defense alliance, years to presidential election.
3. Estimator: Linear regression (OLS) with hurdle.
4. Adjust for trade model controls, lagged arms transfers, and non-zero arms transfer probability.

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.

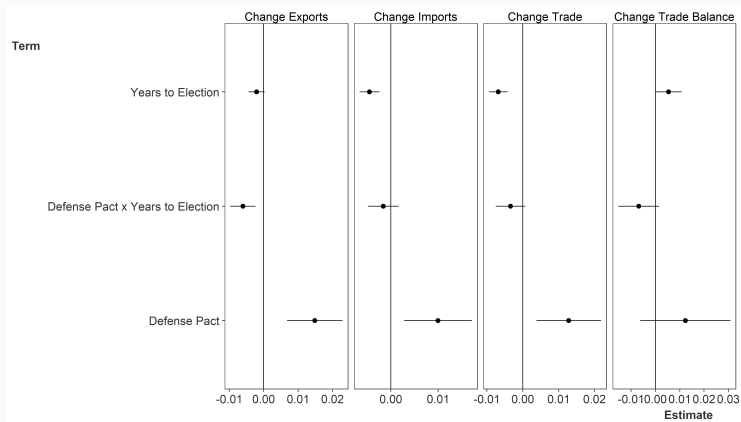
Civil Conflict

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.

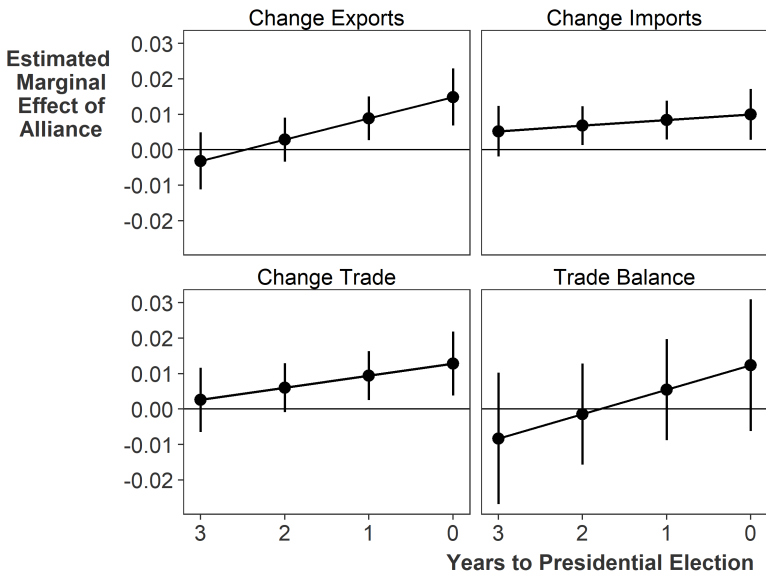
Thank you!

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Interaction Terms: Alliances and Trade

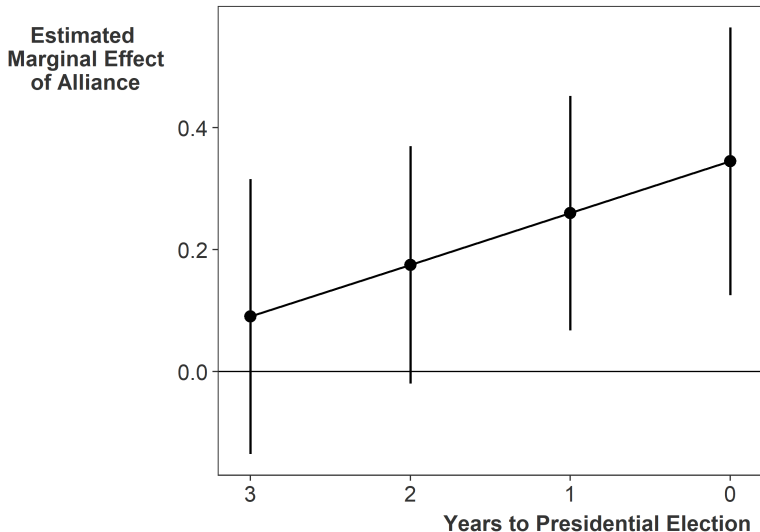


Marginal Effects: Alliances and Trade



Marginal Effects: Alliances and Arms Exports

Marginal Impact of Alliance on Arms Transfers



Defense Contracting by Sector

