

Alliances, Arms Exports, and Electoral Trade Cycles

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

U.S. Monetary Policy Near Elections

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Arms Sales



My Argument in Brief

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

The Contribution

International security consequences of political budget cycles.

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3. Identifying general trade cycles is also a marginal contribution.

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Argument

Political Budget Cycles

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2. Also employ more targeted policies (Conconi et al. 2017; Ahlquist 2010, Philips 2020).

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2. Price effects of monetary expansion increase exports. Likely weaker effect (Clark and Hallerberg 2000).
3. Imports to all other countries rise. Exports increase somewhat.

Defense Contracting and Arms Exports

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4. Some defense goods will be exported.

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3. Exports double as a commitment signal for U.S. leaders (Yarhi-Milo et al 2018).
4. Allies gain security and establish a cooperative reputation.

Argument Summary

Budget Cycles

Argument Summary



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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.

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

Electoral Trade Cycles

Research Design

Analyze changes in US trade with all other states, 1951 to 2014.

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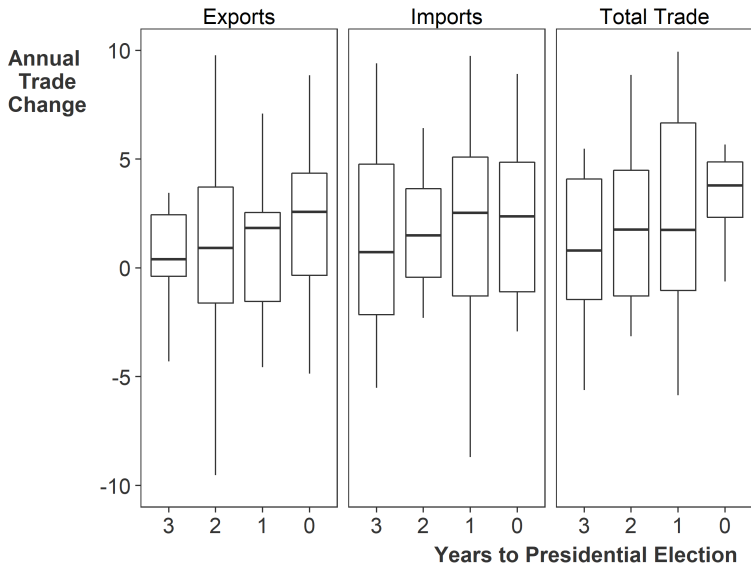
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3. Estimator: Robust regression.

Research Design

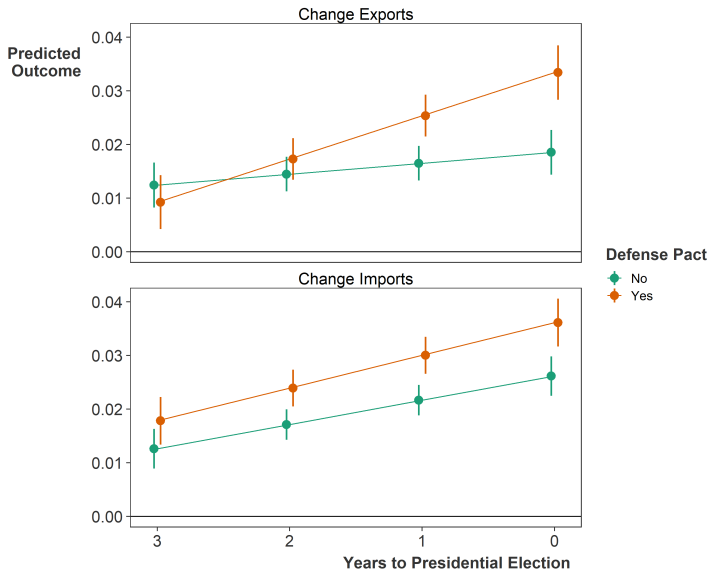
Analyze changes in US trade with all other states, 1951 to 2014.

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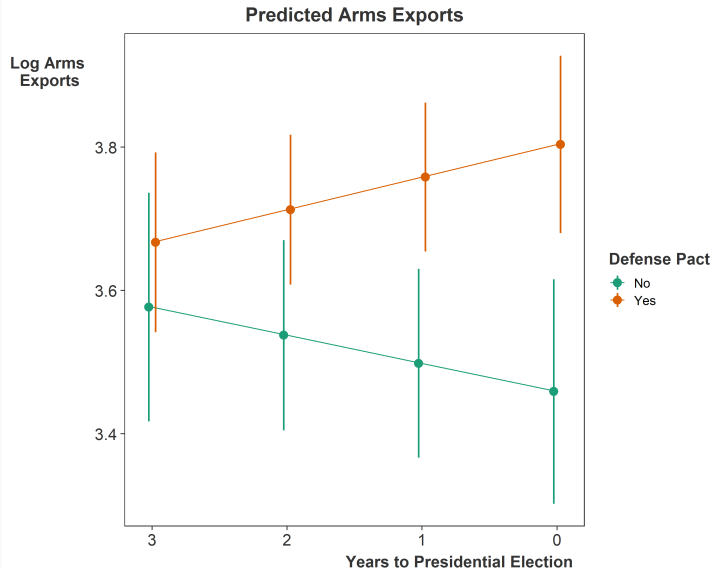
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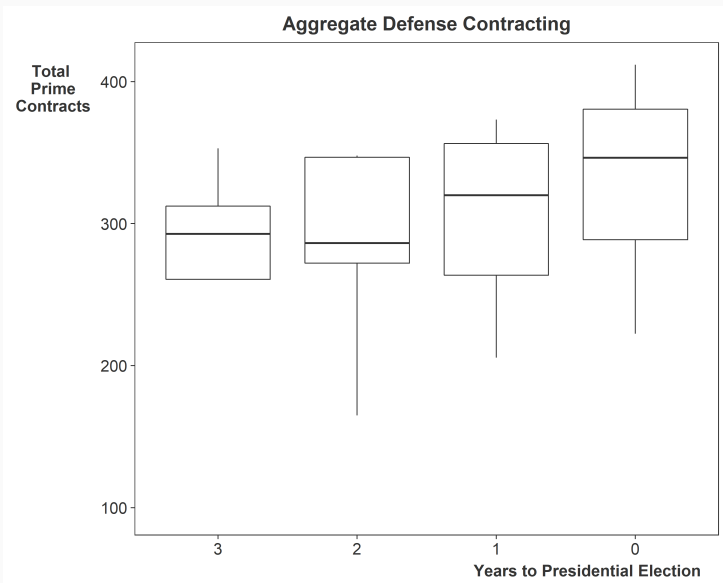
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2. Independent Variables: Dummy indicator of defense alliance, years to presidential election, interaction.
3. Estimator: Linear regression (OLS) with hurdle.
4. Adjust for trade model controls, lagged arms transfers, and non-zero arms transfer probability.

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.

Discussion

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.

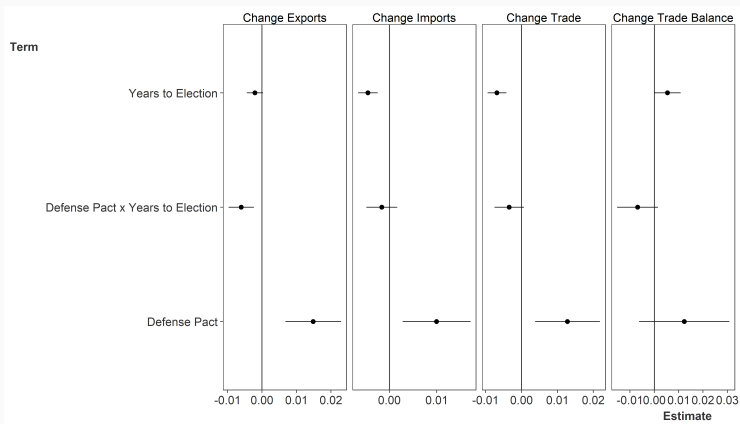
Civil Conflict

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.

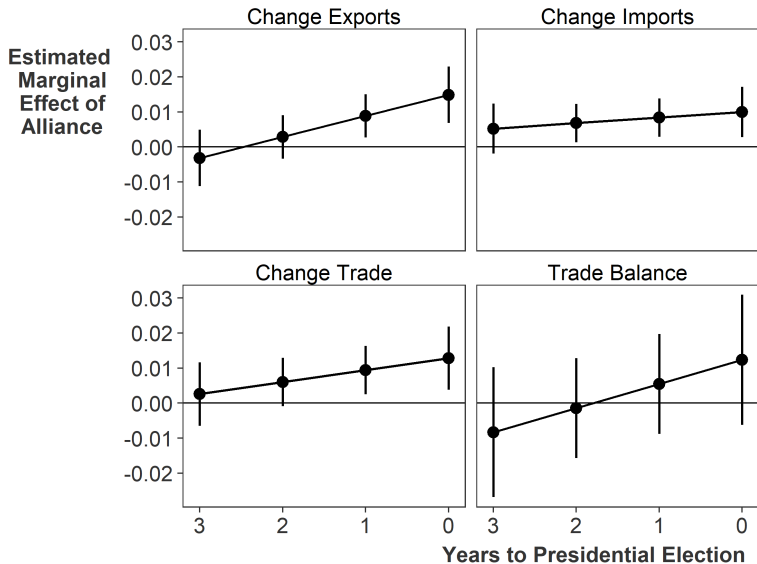
Thank you!

jkalley@virginia.edu

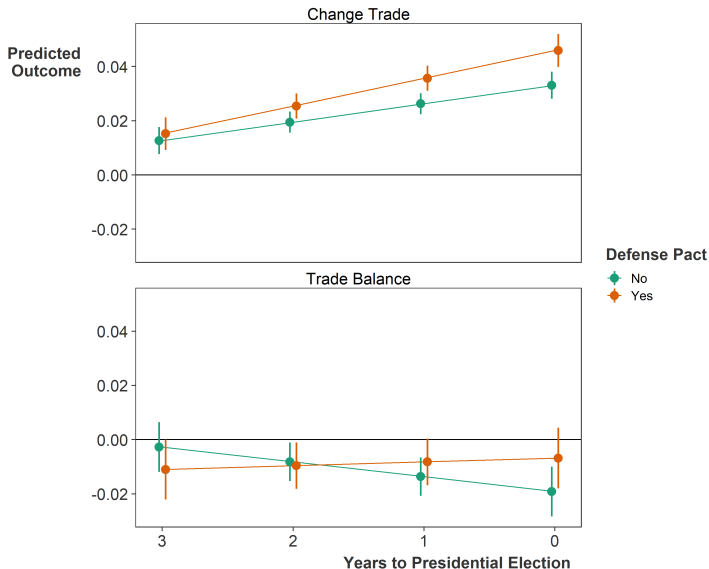
Interaction Terms: Alliances and Trade



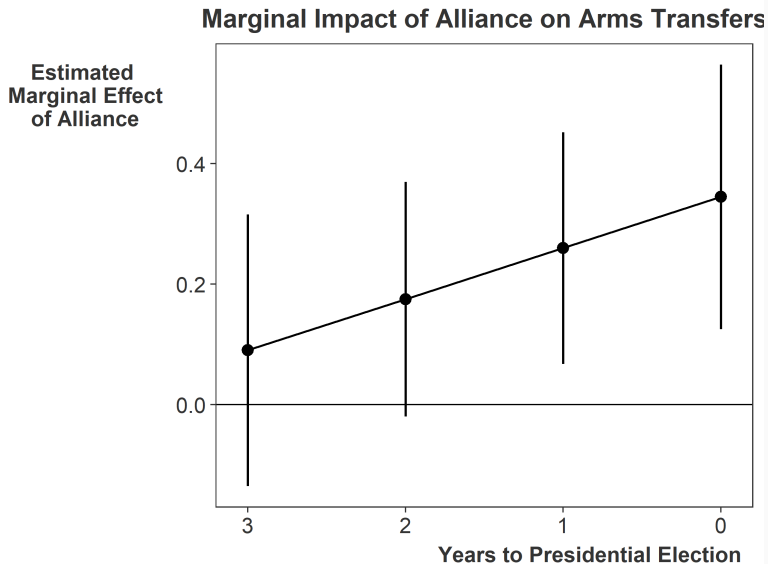
Marginal Effects: Alliances and Trade



Net Trade Outcomes



Marginal Effects: Alliances and Arms Exports



Defense Contracting by Sector

