

# Comments on Sanctions & Lending

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## Timing the Impact of Sanctions on Trade

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## Political Cycles and Bank Lending in Russia

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# Overall opinion

Two excellent papers

Both well-written on important topics

I learned a lot from each

# One Common Comment

Mamonov, M, A Pestova, and S Ongena (2021),  
“‘Crime and Punishment?’ How Russian Banks  
Anticipated and Dealt with Global Financial  
Sanctions”, CEPR Discussion Paper no. 16075.

<https://voxeu.org/article/how-russian-banks-anticipated-and-dealt-global-financial-sanctions>

# Timing the Impact of Sanctions on Trade

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Engaging research question

Do sanctions work?  
Timing aspects

Solid econometric approach

Structural gravity

Amazing data set

GSDB (Global Sanctions Data Base)

Insightful findings (academic & policy)

Sanctions work and  
we know how to make them work better

# What do (I think) they do?

- GSDB, 1950 to 2016
- PPML structural gravity model
- Introduce lags and leads

- Find that sanctions are 17% more effective once we account for timing
- Find that lags matter: *threat* of sanctions!!
- Find impact lasts for 7 to 8 years
- *Longer* sanctions are more effective
- Americans do it better (than EU or UN)



# Some very harsh comments

- GSDB: Is this the most complete sanctions data base? Is it unique? Say so! If others exist: how does it compare?
- Main finding is hiding ... in page 18: 17% more of what? Sanctions lower trade by a whopping 76.8%

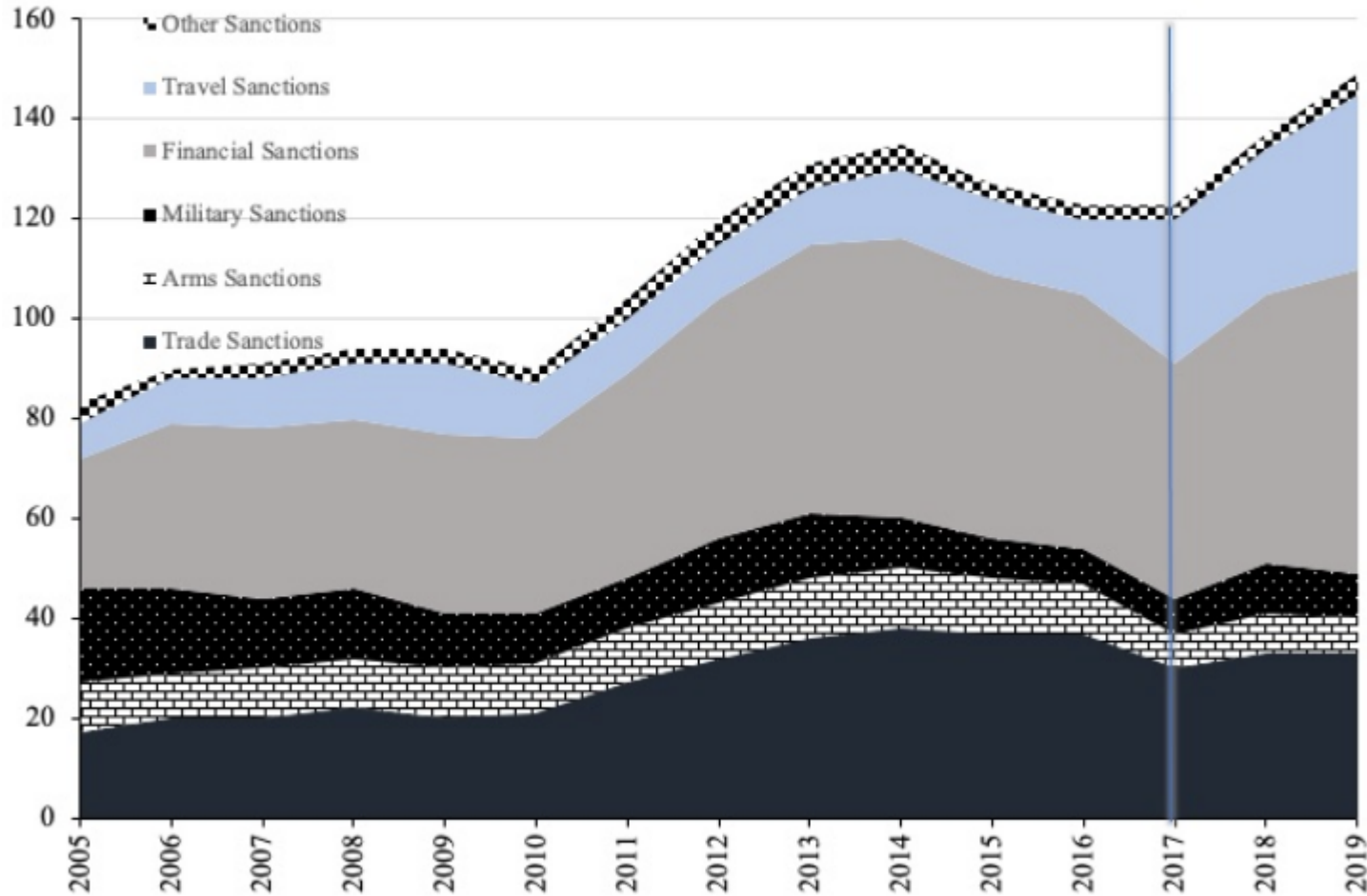
## Some more very harsh comments

- More clarity on duration: what is  $t$  in the econometrics? First year after sanctions are announced? Implemented? Mid-year? First year after sanctions are lifted?  
(I don't think this changes any results but...)
- Pp 22-23: I had difficulty matching your interpretations of the leads and lags with the results you report

1. Why are we so defensive about sanctions? Maybe talking about them as “temporarily raising barriers to trade” would move the dial
2. How costly/effective are sanctions in income terms? TFP?  
Feyrer AEJ 2019
3. Test whether EU sanctions have become more efficient over time, maybe after Maastricht? Lisbon?
4. A handful of case studies... Maybe event studies approach?  
Synthetic counterfactuals?

**Figure 3** Evolution of US Sanctions by Type, 1950-2019

a) US sanctions by type (number)



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Super important research question

Do “electoral autocracies” use  
the financial system for political ends?

Uniquely rich data set

Universe (ie all) Russian banks monthly 2000-now

Insightful findings (academic & policy)

Public as well as private banks do increase lending  
ahead of presidential elections

# What do (I think) they do?

- Monthly data for all Russian banks since
- Huge 130,000 observations
- Combine w prez elections 2004 08 12 18
- Find that not only public banks but private banks also help incumbent

- Contrary to lit, both state-owned and private banks increased lending pre-elec
- Find that pre-elec lending surge followed by deterioration of loan quality (rise bad loans)
- Surge is not driven by higher growth prospects or positive economic shocks
- Find that private banks reward: increase in government deposits after elections



# Some very harsh comments

- My main concern is about economic significance of the effect. How big is it? How costly? How does it compare with DE Turkey BRA others?
- Does the effect change over time? Does the government learn anything? Is the govt better in 2018 than 2004? Event study may help here (Freyaldenhoven et al AER 2019).

# Some more very harsh comments

- What about the 2000 election? What about parliamentary/regional elections? Can you exploit your bank data at regional level?
- The paper tell us why banks go along. But how does the government make them?

## Four small suggestions (for the lending paper, not for the bank failings paper)

- 1) Add a paragraph on findings in the introduction
- 2) Add tables, graphs and references to section 2 on the Russian financial system and elections
- 3) Extend section 3, more data description and provide further justification for random-effects
- 4) I don't think this changes any results but... Why is January never significant?

# Kiitos

Hyvää syntymäpäivää Bofille