The Daily Dish

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Week in Regulation by Sam Batkins: **“**Regulators were busy this week with 20 notable regulations. Combined, they could impose $312 million in costs and more than 359,000 paperwork burden hours. In addition, the Office of Information and Regulatory Affairs (OIRA) withdrew two energy conservation standards (reflector lamps and manufactured housing) that had been under review for more than two years.”

The Senate published the first draft of their bipartisan housing finance reform. The government could still play a large role in insuring home loans. Introduced by Senate Banking Committee Majority and Minority leaders, Johnson and Crapo, the bill “would construct an elaborate new platform by which a number of private sector entities, together with a government-administered utility, would replace key roles long played by Fannie and Freddie.” AAF polling has shown in the past that the public supports phasing out housing giants (52%).

Eakinomics: Russia and Economic Sanctions

U.S. and other global leaders are calling for economic sanctions against Russia in response for its seizure of the Ukrainian area of Crimea. Sanctions would consist of restrictions or absolute banning of trade and financial transactions for the Russian state, firms, and/or individuals. But would sanctions work?

There is a sizable and contentious literature about the efficacy of economic sanctions. (See, for example, Huffbauer and his coauthors for the case in favor of sanctions, and Pape for a critique.) However, as a starting point the key issue is to define success. What would constitute a foreign policy success? No further incursion by Russia? A continuation of the *status quo* without bloodshed or conflict? A Russian withdrawal and an uncoerced referendum by the Crimean population regarding their future?

If the definition of success is ambitious, it makes sense that the cost (to Russia) of the sanctions must be correspondingly high and *vice versa*. Moreover, since deferred costs are less important than immediate ones, it makes sense to avoid incremental strategies that “turn up the heat.” International diplomats may prefer such a strategy but the economics of an immediate, full-scale imposition is stronger. Finally, a more comprehensive approach — trade plus financial sanctions — will likely have a better impact that trade alone, or targeted sanctions on a particular (e.g., energy) sector.

Economic sanctions seem inevitable. But their efficacy and success are not.