

Outgroup Inflicted Economic Failure Solidifying the Position of the Leader Regardless of Gender: An Experimental Study

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Abstract

Economic punishments and sanctions have been used against the Islamic Revolution of Iran and some other countries. But their efficacy is usually in dispute among politicians and economists. Current research reports a randomized experiment that seeks to identify the cause of the failure of broad political punishments and sanctions. Most sanctions and political punishments are ultimately employed as a psychological-economic device. They are meant to adversely affect the opinion of the people of a country, thereby putting pressure on the government to change course. We propose and empirically test the hypothesis that a reduction of welfare has a different effect when it is attributed to an out-group versus an in-group agent. We find that when economic failure is believed to have been brought about by an outsider, it solidifies the position of the leader. There is, moreover, no statistically significant difference in the reactions across sexes. The study draws on insights from the sociology of group identity to answer an old political economy question.

Keywords: The Islamic Revolution of Iran, Political Sanctions, Gender, Political Economy, Psychological-Economic

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Introduction

The Islamic Revolution of Iran has faced several sanctions and political punishment courses over the past four decades.¹ After about forty years, some of the most influential scholars of the field respect the legitimacy² of this new governance, considering the birth of the Islamic Republic of Iran among the world's original constitutional transitions defining the rise of global constitutionalism. (Ackerman, 2019, 1-53, 166, 295, 324-360, 395; see also: Maftouni, 2019, 4-5).²

The course of the past forty-two years gives rise to the question: 'do political punishments and sanctions work?' 'Have political

1. A brief list of The UN Security Council sanctions on Iran follows (let alone the US sanctions)

a. United Nations Security Council Resolution 1696 – passed on 31 July 2006. Demanded that Iran suspend all enrichment-related and reprocessing activities and threatened sanctions.

b. United Nations Security Council Resolution 1737 – passed on 23 December 2006 in response to the proliferation risks presented by the Iranian nuclear program and, in this context, by Iran's continuing failure to meet the requirements of the International Atomic Energy Agency Board of Governors and to comply with the provisions of Security Council resolution 1696 (2006). Made mandatory for Iran to suspend enrichment-related and reprocessing activities and cooperate with the IAEA, imposed sanctions banning the supply of nuclear-related materials and technology, and froze the assets of key individuals and companies related to the program.

c. United Nations Security Council Resolution 1747 – passed on 24 March 2007. Imposed an arms embargo and expanded the freeze on Iranian assets.

d. United Nations Security Council Resolution 1803 – passed on 3 March 2008. Extended the asset freezes and called upon states to monitor the activities of Iranian banks, inspect Iranian ships and aircraft, and to monitor the movement of individuals involved with the program through their territory.

e. United Nations Security Council Resolution 1835 – Passed in 2008.

f. United Nations Security Council Resolution 1929 – passed on 9 June 2010. Banned Iran from participating in any activities related to ballistic missiles, tightened the arms embargo, travel bans on individuals involved with the program, froze the funds and assets of the Iranian Revolutionary Guard and Islamic Republic of Iran Shipping Lines, and recommended that states inspect Iranian cargo, prohibit the servicing of Iranian vessels involved in prohibited activities, prevent the provision of financial services used for sensitive nuclear activities, closely watch Iranian individuals and entities when dealing with them, prohibit the opening of Iranian banks on their territory and prevent Iranian banks from entering into a relationship with their banks if it might contribute to the nuclear program, and prevent financial institutions operating in their territory from opening offices and accounts in Iran.

g. United Nations Security Council Resolution 1984 – passed on 9 June 2011. This resolution extended the mandate of the panel of experts that supports the Iran Sanctions Committee for one year.

h. United Nations Security Council Resolution 2049 – passed on 7 June 2012. Renewed the mandate of the Iran Sanctions Committee's Panel of Experts for 13 months.

i. United Nations Security Council Resolution 2231 – passed on 20 July 2015. Sets out a schedule for suspending and eventually lifting UN sanctions, with provisions to reimpose UN sanctions in case of non-performance by Iran, in accordance with the Joint Comprehensive Plan of Action.

2. Major Muslim philosophers like Abu Nasr Farabi regard revelation as the main source of political legitimacy though. (Farabi, 1991, 44; 1968, 133-134; 2004, 55; 2003, 116-121; 1987, 259; 1997, 195; also see: Maftouni and Baharluyi, 2011, 57-74)

2. Yale's Professor Bruce Ackerman works on a variety of issues around constitutionalism in the United States. (Ackerman, 1991, 1995, 1998, 1999, 2002, 2005, 2007, 2010, 2014)

sanctions exerted crucial influences in Iranian communities?' This question has baffled researchers for decades. Generally, it is accepted that sanctions and political punishments have a history of failure. Support for economic coercion in the literature has vacillated over time; however, the highest success rate attributed to the policy is just 35% (Hufbauer et al. 2007; see also: Alt et al. 1996; Baldwin 1985; Baldwin and Kapstein 2020).

Moreover, even these relatively low rates of success have been the subject of controversy (Pape 1997). Although many studies have tackled the question of economic coercion, the diagnosis of the failure of sanctions and political punishments has attracted relatively little attention. Most studies steer clear of why political sentences fail and are instead limited to the questions of whether and to what extent. We assume the generally accepted negative answer to whether political punishments work and investigate the cause. As mentioned, the highest success rate assigned to the economic sanctions is only 35% (Hufbauer et al., 2007).

This paper reports the results of a randomized experiment that seeks to identify the cause of the failure of political punishments. We propose and empirically test the following hypothesis. A reduction of welfare has a significantly different effect when it is attributed to an out-group versus an in-group agent. While in the latter case, it tends to decrease support for the leadership of one's group, in the former, it is likely to increase support for the administration.³ We use

3. Administered by OFAC, the Office of Foreign Assets Control, The US sanctions against Islamic Republic of Iran include the family and relatives of the Supreme Leader as well as a variety of economic, trade, scientific and military sanctions against Iran. It is clear from the selected list of these sanctions:

a. Carter sanctions: imposed against Iran in November 1979 after the seizure of the US Embassy in Tehran, after the US permitted the exiled Shah of Iran to enter the US for medical treatment. Executive Order 12170 froze about US\$8.1 billion in Iranian assets, including bank deposits, gold and other properties. It also imposed a trade embargo.

b. Reagan sanctions: an arms embargo in 1984 on both Iran and Iraq, ceasing all US assistance during the Iraq-Iran War (1981-1988). And an embargo on Iranian goods and services was imposed in 1987.

c. Clinton sanctions was some of the toughest sanctions against Iran in March 1995, during the presidency of Hashemi Rafsanjani, prohibiting US trade in Iran's oil industry. Clinton also issued Executive Order 12959 in May 1995 to prohibit all US trade with Iran. Trade with the United States totally stopped while it had been growing after the Iraq-Iran War.

d. Bush sanctions: In February 2004, the U.S. Department of the Treasury in the presidency of George W. Bush ruled against editing or publishing scientific manuscripts from Iran, and stated that U.S. scientists collaborating with Iranians could be prosecuted. In June 2005, Bush issued Executive Order 13382 freezing the assets of individuals connected with Iran's nuclear program. In June 2007, the U.S. state of Florida enacted a boycott on companies trading with Iran, while New Jersey's state legislature was considering similar action. In September 2006, the U.S. imposed sanctions on Bank Saderat Iran, barring it from dealing with U.S. financial institutions, even indirectly. As of November 2007, Iranian banks: Sepah, Saderat, Melli, Kargoshaee, and Arian were prohibited from transferring money to or from United States banks. In 2008 the US Treasury ordered Citigroup Inc. to freeze over

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the terms out-group and in-group in a sense used in sociology and social psychology (Tajfel 1970; Tajfel et al. 1971a; Tajfel et al. 1971b; Tajfel 1974).

Put simply, when economic failure is believed to have been brought about by an outsider, it solidifies the position of the leader. We find that political punishments defeat the purpose. When a group leader's ability to distribute money is blocked by a member of that same group, the tendency to oust the leader rises by 0.25. However, when the leader's ability to distribute the same amount of money is blocked by the leader of another group, the tendency to oust the leader declines by 0.38. While in the control group, economic failure tends to decrease support for the leadership, it solidifies the leader's position in the treatment group. This finding questions much of the practice and part of the theory of political punishments.

Most political punishments are ultimately employed as a psychological device. They are meant to adversely affect the people's opinion of a country and make them less supportive of their government. Even authoritarian leaders cannot rule merely by relying on force (Wang 2015, 5). By decreasing support and putting popular pressure on the governments, the coercer hopes to compel the target to change course. It means that whatever economic effect they may have needs to be translated into a psychological impact to bring about the desired political outcome. Thus, most political punishments could be considered an independent economic variable aimed at a psychological dependent variable. An exception is political punishments aimed at military impairment, which are not concerned with popular opinion (McCormack & Pascoe 2017; Monteiro & Debs 2020).

The anatomy of a typical sanction could, therefore, be dissected into three intended causal links. First, political punishments adversely affect the economy. Second, the diminished welfare adversely affects people's opinion of their leaders. And third, popular discontent compels leaders to change course. In short, this is a movement from political punishments to the economy, from economy to psychology, and from psychology to politics.

\$2 billion held for Iran in Citigroup accounts, while the total assets frozen in Britain under the EU and UN sanctions against Iran were nearly \$1.64 billion.

e.Obama sanctions: on July 1, 2010, Obama signed into law the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA), which the United States Senate and House of Representatives have passed on June 24, 2010. On 31 July 2013, the United States House of Representatives voted 400 to 20 in favor of new sanctions. Effective first July 2013, imposed additional financial sanctions against Iran. According to an administration official, under the new Executive Order significant transactions in the rial will expose anyone to sanctions, and predicted it should cause banks and exchanges to dump their rial holdings.

The first link, i.e., the effect of political punishments on a country's economy, is well researched and more or less known. Economic theory and empirical studies verify that political disciplines usually assume the volume of trade and hence welfare (Lindsay 1986; Kaempfer 2007; Konstantin & Aleksei 2019).

The connection between popular opinion and leaders' rise and fall has also been considerable scrutiny. The missing link in the literature is the leap of faith from economy to psychology.

The closest that some studies get to this is vague references to a possible "Rally Round the Flag" effect, which is sometimes mentioned as a side note rather than part of the primary mechanism through which political punishments are supposed to have the intended impact. Moreover, the amorphous idea of a rally round the flag effect has, to the best of our knowledge, never been formulated as an empirically verifiable hypothesis, much less to be put to the test.

It is essential to clarify a rally around the flag to know what it is not. There are a few other reasons to suspect that political punishments may not have the intended effect.⁴ Some argue that rulers can isolate themselves from the adverse effects, shifting the suffering to ordinary people (Hufbauer 2007, 29).

Others contend that even if economic pressure is successfully transferred to governments, modern states are too resilient to be overthrown by financial stress (Pape 1997; see Olson 2000).

These arguments effectively say that political punishments may not be sufficient to compel a government to change behavior.

We are not concerned with these cases. Regardless of whether it generates enough pressure to change the government's behavior, widespread opposition is considered by most researchers and policymakers to be an intended outcome of many political punishments. It is the causal link that we examine. This study investigates the question of whether political disciplines succeed at least in the sense of getting a population to oppose its government.

4. Economic decline in Iran is another issue that must differentiate from the current research. Personally, I believe in philosophical roots of economic decline. I mean the introduction of a dichotomy in the taxonomy of philosophical areas of specialization in Iran has resulted in the relegation of what would elsewhere be considered the majority of philosophical disciplines. Most philosophical fields have, accordingly, not begun to gain a foothold in domestic academia. Crucially, one such area is economic philosophy, which due to its vital role in the daily livelihood of the average person is abnormally popular among the populace in industrialized countries. The uniquely pervasive influence of this philosophical discipline is, in turn, a consequence of its make-or-break impact on economic development in a country. Indeed, no country has had a successful economic overhaul without a philosophical one beforehand. Having arisen as the empirical implications of various theories of economic philosophy, schools of economics themselves have all been founded by philosophers. Thus, what we have been trying to do in Iran to no avail, as in many other stagnant models of development, is to upend the edifice of civilization, erecting the superstructure of economics before forging its philosophical bedrock.

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This study contributes to the literature on political punishments by investigating the causal link between political sentences and decline in government support. The finding that a reduction in welfare caused by an out-group agent is unlikely to reduce support for leadership casts doubt on the policy and theory of political punishments. Although many studies have pointed to the failure of political penalties, the cause is not identified. We seek to hypothesize a cause and empirically test it.

The study also contributes to opinion formation and persuasion (e.g., Monroe et al. 2000; Transue 2007; Akerlof & Kranton 2010, Kinder & Kam 2010, Bolsen et al. 2014).

While this is among the most extensively researched subjects, little work has been done on whether in-group and out-group sources of economic change have a different effect on opinion formation. Our findings contribute to this body of work by bridging the gap between studies of economic coercion and the literature on identity.

The findings also speak to the literature in behavioral economics that empirically studies the assumptions of neo-classical economics. We show that preference satisfaction is not merely a function of shifts in the budget constraint. Who is believed to be the source of that shift plays a significant role in determining whether people support the status quo.

The results, moreover, relate to the literature in evolutionary sociology. The question of whether traits like loyalty and resistance to out-group pressure differ across sexes remains unsettled.⁵ The most recent and large-scale study on the subject finds that sex differences in loyalty and authority are slight in size and highly variable across cultural contexts (Atari et al. 2020). Our laboratory results confirm this observational study. We find no statistically significant difference in the reactions across genders.⁶

5. The issue continues in other fields of humanities. Stan (2015) points out “Regarding gender, even if this variable is often perceived as a main predictor of differential outcomes in social psychology literature, it is not yet clear how these differences impact customer loyalty and the relationship between consumer loyalty and its antecedents. The findings of this study demonstrate that women are more loyal to store than men. In addition to this, it can be noted that gender does not moderate any of the relationships between loyalty and its antecedents” (See also Rogowski 1987; Rogowski and MacRae 2003).

6. I am working on other relevant issues in terms of gender, probably proving that prejudice against women is not an inherent feature of Islam and is rather a function of the descriptive beliefs that prevail in some Islamic societies regarding women’s capabilities. So far, my research reports what is probably the first scientific study of the effect of music on a precise extreme mood. Using a randomized experiment, I measure how a music affects sexism. More specifically, the experiment measures the extent to which a piece of music that we have created weakens the belief among some Muslims that women are not as suitable as men for positions of chairmanship. We find that the music reduces sexism by 22.48 percent, compared to a control treatment that presents the same argument and story verbally. Another experiment in which we remain in touch with subjects and survey them after longer periods of time can measure how the effect develops across time.

The paper continues as follows. Section I briefly reviews what the literature on economic coercion has so far found. Section II explains the design of the experiment and presents the results. Section III critiques the limitations of the study and offers a conclusion.

1. Economic Coercion: The State of Current Academic Findings

Research on economic coercion began with pessimism. In the 1960s and 70s, it was generally agreed that political punishments are ineffective (Galtung 1967; Doxey 1971; Knorr 1975; Losman 1979). The next decade of scholarship was critical of this assessment. Critics argued that the failure of a few significant cases, e.g., Cuba or Ethiopia, had affected scholars' opinion of all political punishments (Rogers 1996, p. 72; Daoudi 1983; Carter 1988; Martin 1992, p. 250; Kirschner 1995, p. 166).

Yet even these studies did not claim that political punishments were successful in most cases.

Given the continued use of political punishments in the face of failure, some sought to propose alternative motives. Kaempfer and Lowenberg (1988) argue that political punishments are meant to appease domestic interest groups. Others suggested that political punishments play a signaling role, communicating resolve (Dorussen and Mo 2001; Lektzian and Sprecher 2007).

With the advent of the Information Age, some started to use large data sets to decipher the riddle of political punishments. Hufbauer et al. (2007) conducted a significant study of post-war political punishments, which ascribed a 35% success rate to the policy. Some argue that they have exaggerated the role of political punishments in eliciting countries' demands that imposed them (Pape 1997). Marinov (2005) used one of these large-N datasets to question the methodology of all prior studies.

Finally, another strand of the literature has used formal models to analyze political punishments and their effectiveness. It is a heterogeneous set of studies that are only united by their game-theoretic method. While some take up the efficacy of political punishments per se, others concern a specific group of political punishments (Drezner 1999). Political punishments aimed at military impairment are examples of these studies (McCormack & Pascoe 2017; Monteiro & Debs 2020; Bapat & Kwon 2014).

For all their merits, none of these works have examined the psychological effect of economic coercion on the people it is meant to motivate to oppose their government.

2. The Current Experiment

One hundred eighty-nine subjects took part in the study. Seventy-seven of them were male, and 112 were female. Some aspects of the experiment were revealed to be issues, and some were not. The

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subjects were told that the investigation was a multiple-shot game with an unknown number of rounds. Subjects were divided into two groups. This division did not have anything to do with the division into the treatment and control groups.

Subjects were, furthermore, told that in each round, every participant could be given 500,000 IRR (~ \$2) by the randomized leader of the group. The money was more than 1% of the estimated per capita income of the average Iranian per year.

No tasks needed to be performed to receive the money. However, the subjects were informed that could block the leader's attempt to distribute the funds to them. The leader of each of the two groups has the option to prevent the other from spreading resources. A randomly selected member of one's group also has this option. That is, she can block the distribution of money to their group. If the blocking option is exercised, participants will receive nothing. Subjects were indeed divided into two groups, but which group each person fell into was inconsequential. One might as well conduct the same experiment without the division. However, since participants were told they were divided into two groups as part of the prompt, the division was done merely to maintain honesty and minimize deception.

Did not reveal part of the structure of the experiment to subjects. Although the number of rounds was not known, in reality, there were only two rounds. And only the first round was relevant to the study. The second round was there to reward subjects for their participation. Moreover, the two groups' leaders and the group member who could block their own leaders' attempts were dummies. The decisions were already made. At the end of the first round, all subjects were told that the leader's attempt was blocked. And at the end of the second round, they were all given the money. Note that none of this is inconsistent with the information provided to subjects. The information available to participants was incomplete but not incorrect.

The single-shot nature of the game was kept secret to avoid game-theoretic unraveling. In the real world, individuals' reaction to political punishments is in part shaped by their expectations of future actions of their leaders and their enemies (Drezner 1999). To simulate such expectations, it was essential to conceal the number of rounds.

Subjects in both the active and control treatments were given two prompts. The first prompt was given before the treatment was administered. That is, the same prompt was given to both. This pretreatment prompt was meant to measure subjects' baseline tendency to oppose the leadership when facing the risk of welfare loss. It recorded their tendency to oust the leader when her failure to deliver resources was known, but before, it was attributed to either

in-group or out-group sources. Afterward the treatment prompt was administered. The active and control treatments revealed the source of the leader's failure as the pressure of an out-group and an in-group agent, respectively.

The active treatment was the following prompt. The leader of the other group has decided to block the distribution of resources to you. If you change the leader, it is more likely that she agrees with the distribution. 'Would you vote to maintain the leader or change her?'

The control treatment was the following prompt. One of your group members has decided to block the distribution of resources to you. If you change the leader, it is more likely that she agrees with the distribution. 'Would you vote to maintain the leader or change her?'

The use of gender-specific English pronouns may admittedly trigger specific reactions, positive or negative, in some people. It should be noted, however, that prompts were in Persian, and Persian is a gender-neutral language.

Votes were recorded as a binary variable indicating whether each subject chose to change the leadership before the source of failure was revealed and afterward.

3. Results

Responses to the pretreatment prompt suggest that the position of the leader was insecure, to begin with, due to her failure to deliver the promised money. In the control and treatment groups, 0.57 and 0.65 of the subjects opposed the leader, respectively.

	Control	Treatment
Opposition Pre-Treatment	0.57 (0.095)	0.65 (0.095)
Opposition Post-Treatment	0.82 (0.073)	0.27 (0.088)
Change in Opposition	0.25 (0.110)	- 0.38 (0.124)
Average Treatment Effect	- 0.63 (0.032)	

There is, however, a statistically significant difference between subjects' reactions to the active and control treatments. While in the control group, it tends to decrease support for the leadership of one's group, it solidifies the leader's position in the treatment group. Opposition in the control group rose by 0.25, whereas in the treatment group, it fell by 0.38. Thus, the average treatment effect is - 0.63. More importantly, the exact economic change has a more negligible effect on a leader's popularity but the result is also flipped.

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Results confirm that the same economic pressure has different psychological effects depending on whether it is administered by a member of one's group or the leader of an out-group. Reduced welfare caused by an in-group agent is likely to create opposition to the group's leadership. By contrast, the reduced interest of equal size caused by an out-group agent does not produce significant opposition. Indeed, it reinforces support for the leader.

Below is the breakdown of results by sex.

	Control		Treatment	
	Male	Female	Male	Female
Opposition Pre-Treatment	0.60 (0.163)	0.55 (0.120)	0.83 (0.112)	0.50 (0.138)
Opposition Post-Treatment	0.8 (0.133)	0.83 (0.090)	0.16 (0.112)	0.35 (0.132)
Change in Opposition	0.20 (0.200)	0.27 (0.135)	- 0.66 (0.142)	- 0.14 (0.177)

There is no statistically significant difference across sexes. The performance of both male and female subjects more or less mirrors the results for the whole sample. The only sizable difference is that the treatment effect is more significant in males. Females appear to be slightly more likely to oppose the leader regardless of the source of the threat to their welfare.

	Male	Female
Average Treatment Effect	- 0.86 (0.075)	- 0.42 (0.057)
Change in Opposition in All Treatment & Ctrl Aggregated	- 0.272 (0.149)	0.093 (0.113)

The only finding that is significantly different across sexes is that there is a higher tendency amongst females to oppose the leader if we lump the control and treatment groups together. It is the only statistic that has different signs for the two. The revelation that the source of the threat to their welfare is an out-group member appears to be less effective in garnering support for the leader among females.

4. Analysis

A common concern in all experimental studies is the extent of generalizability. Strictly speaking, the experiment confirms that individuals in the laboratory exhibit the hypothesized effect. But ‘do citizens in countries under political punishments react similarly?’ We argue that people in the real world are more likely to respond this way than laboratory subjects.

First, group identity is usually stronger in nations than in a temporary lab team.

Research shows that identities affect people's opinions even if they are newly formed and are whimsical (Tajfel 1970). Our findings confirm these results. But the depth and history of identity play a role in its effect. If such a shallow and newly formed lab identity creates a "Rally Around the Flag" effect, then it will be safe to conclude that nationality is more likely to have such an effect.

In addition to the effects of nationality, a leader's popularity is often an essential factor. National leaders usually use propaganda and the education system to inculcate a sense of loyalty in citizens. No such means were employed in the experiment. It is, therefore, safe to assume that the observed effect would be more substantial in the real world.

A significant limitation is the consequences of changing the leader. In the experiment, there are no real consequences except for the possibility of economic gain. There are no negative consequences involved, for example, the disintegration of the country or perhaps a takeover of the country by the enemy or other opposition groups. In the real world, these factors make the situation much more complicated.

Another limitation that it is hard to see how an experiment can overcome is choosing the leader. In this study, subjects were told that leaders were selected at random. Randomization is meant to rule out any correlation between observed and unobserved variables, including the treatment and potential outcomes. Yet, in such an experiment, randomization might be considered a treatment in its own right. Instead of ruling out any mechanism of succession, randomized leadership could itself be considered a succession mechanism. A randomized leader probably enjoys a different measure of popularity than one who is democratically elected or who has assumed power in a coup. It might be safely assumed that specific methods of the assumption of control can make a leader more or less popular than a randomized one.

In the language of causal identification theory, the assumption of consistency is thrown into question. However, “despite the sophistication of causal identification theory, estimators based on simple covariate adjustment remain the most common strategy for evaluating the ACE from data” (Nabi 2021).

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A series of experiments in which different modes of succession are tested can be helpful to avoid this problem. A large sample can be divided into subsamples in each of which the leader can be chosen using a different method. Even in such an experiment, however, it is hard to see how a coup, for example, can be simulated. One way to get as close as possible to a natural experiment would be to sample subjects from populations that have recently undergone the modes of succession in question. For instance, Egypt can be considered a suitable candidate for testing people's reaction to political punishments imposed on a leader who has assumed power in a coup.

In sum, however, given the conformity of the results with the theoretical expectations garnered from the sociology and political science pieces of literature on identity, it is safe to conclude that the experiment verifies the hypothesis that a reduction of welfare has a different effect when it is attributed to an out-group versus an in-group agent. When economic failure is believed to have been brought about by an outsider, it solidifies the position of the leader. This finding questions much of the practice and part of the theory of political punishments.

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