

ARGUMENT

The Bad Economics of Bullying

Why the schoolyard tactic doesn't make sense as a foreign-policy strategy.

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FOREIGN POLICY ILLUSTRATION

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U.S. President Donald Trump has threatened a wide range of

countries with punitive measures, especially tariffs, to achieve goals in areas as diverse as gaining more access to foreign markets, controlling flows of people and drugs, and taking over territory. But how widely can this tactic succeed in foreign policy, and can it succeed so well that it can be repeatedly employed? Does bullying, in other words, rise to the level of a strategy? Answering that question requires understanding the economics of bullying.

Bullies may be motivated by sadism and other unseemly psychological motives, but for bullying to form part of a strategy, it must be instrumental—intended to achieve a goal, and specifically to get the bullied to do something differently so that the bully can better realize an objective. Take tariffs, for example. Tariffs may be intended to generate revenue or to create a protective barrier for domestic industries; both aims have been often mentioned by Trump. But does threatening them have a diplomatic use otherwise? The about-face by Colombia (leading to its agreement to take in its deported nationals), or the willingness of Canada and Mexico to announce additional border measures after being threatened with sweeping tariffs, suggests that they do.

Or consider Trump's threat not to come to the aid of other countries if they are invaded unless they take specific measures, such as to increase their defense spending (as he demanded of NATO), or even to invade them himself, unless they withdraw their cooperation with third countries (as he demanded of Panama, which has left the Belt and Road initiative). Here too, threats seem to have been an effective instrument for Trump to achieve his goals (putting aside the question of whether those goals are worthy to attain).

But are threats likely to be an effective instrument of foreign policy if used as the centerpiece of a diplomatic strategy?

Bullying, like any tactic, has potential costs and benefits. The best kind of threat for a bully is often that which generates compliance just by being made, since *actually* exercising a threat usually carries costs. But a bully has to be ready to follow through on a threat in order for it to be credible, and this in turn usually requires that the net cost perceived by the bully of exercising the threat should be small enough.



U.S. President Donald Trump, joined by Commerce Secretary Howard Lutnick, signs an executive order on reciprocal tariffs on Feb. 13. ANDREW HARNIK/GETTY IMAGES

For instance, it seems that Trump favors tariffs as an instrument of economic policy to start with (misguided though that may be). As such, his threat to employ tariffs is credible. A bully who wields such credible threats may expect to get his way without having to carry out threats frequently, or at all. If the concessions made by the bully as a result of such treatment are sizable enough—which is most likely in asymmetrical relationships, like those between the United States and smaller countries—then bullying may appear to be a promising way of delivering on major goals. Trump fans might argue that this is why his tactics go beyond the transactional approach often attributed to him and provide the basis of a long-term strategy.

But this is wrong. Bullying as a strategy is self-limiting.

First, bullying drives the bullied away. The bullied may seek to change their circumstances in such a way that they are less vulnerable to or dependent on the bully by taking actions to reduce their dependence, by forming a common front among the bullied so that the bully faces more punitive countermeasures, or even by seeking other protectors—perhaps bullies too, but more acceptable ones offering less onerous terms. Efforts to cooperate outside of U.S. supervision—in relation to trade, payments, investment, and security—began before Trump. Although he may succeed for a time in deterring such efforts, his own actions give them reason to accelerate. One example is the effort by European countries to raise their defense expenditure and coordination. This could be viewed as a concession to Trump's demands. But it is also an effort to seek an alternative to the U.S. security umbrella. The consequence of diminished reliance on the United States is likely to be a reduced ability to bully effectively using the same tools.

Second, bullying cannot further all aims, and it may damage the ability to attain certain aims at all. Although bullying may generate compliance with specific demands, it may not give rise to, and may even obstruct, forms of cooperation that are less readily defined, which are difficult to observe or monitor, and which depend on the exercise of free will and assurances against opportunistic or capricious behavior. A trusting relationship gives rise to mutual benefits as a result of fruits freely given. The willingness to wield threats even against allies undermines the very basis of trust. Although a bully's demands may extract the concessions demanded, they may lead to the rational withholding of otherwise vital forms of cooperation. Although the bully may not give these losses much weight, they may ultimately be consequential. We can think of a few examples. Accustomed forms of cooperation on intelligence sharing, research and development, epidemiological surveillance, monitoring of financial risks, and many other sensitive and difficult areas in which there are shared interests risk being harmed in the climate of uncertainty created by bullying.

Third, even powerful threats have an inherent limit to their efficacy. A threat in one area (e.g., trade) that has the aim of generating compliance in another (e.g., security) creates an incentive to comply only up to a limit determined by the gain from the threat not being exercised. Whether it makes sense to give in to a threat depends on the balance of the benefit from averting the threat and the cost of concessions. But when the same threat is wielded to extract concessions in multiple areas, the costs rise while the benefit remains the same. The power of enforcement that derives from the

application of a single threat to ensure compliance in many areas at once is therefore limited. And if the threat is actually fully exercised to punish non-compliance in one domain, it becomes unavailable to ensure compliance in another.



Trump speaks while holding a document about immigration trends during a campaign visit in Howell, Michigan, on Aug. 20, 2024. NIC ANTAYA/GETTY IMAGES

The obvious case of this problem is that Trump has used tariffs as a nearly universal threat to ensure compliance in a wide range of areas. But to expect a given country to make concessions on access to its own markets and also on security concerns and territory, action on migrants and criminals, and many other issues may be to overestimate the power of the threat. Such promiscuous use of a single threat may be most effective with smaller countries that are heavily reliant on trade with the United States (Canada and Mexico being such cases) but even there it risks having a blunt edge. Moreover, the more it is actually wielded, the less credible it becomes that it will be used against additional countries, since the United States may not be able to afford to cut off all sources of imports of specific goods. The willingness to endure tariffs and impose countermeasures that has already been signaled by major countries and areas (such as Canada, China, and the European Union) suggests that the threat of tariffs

will ultimately be a weak instrument for bringing about universal and across-the-board compliance.

Finally, the more extreme a threat, the more extreme the situation necessary for it to be credible. This is clearest in the case of threats to the very existence of the bullied (e.g., the threat to use nuclear arms or to cut off all economic transactions). The bully would often be harmed by exercising such a threat, because doing so may remove the possibility of profiting further from the economic or political cooperation or the resources of the bullied, and because extreme actions may generate intense adverse ramifications and blowback. This blowback may take a physical form (nuclear fallout), an economic form (losses of markets), or an institutional form (punishment by third parties for violations of norms that they consider essential to uphold).

Not surprisingly, such extreme measures are usually applied only in isolated cases in which the bullied country is smaller (such as economic sanctions against Cuba and Iran). Employing these measures against larger countries or groups of countries is much less credible. It is clear that even when it is desirable to inflict maximum pain upon the opponent, sanctions are often not applied. European countries have, for instance, continued to purchase gas, oil, and uranium from Russia even after imposing otherwise comprehensive sanctions, because of their own needs.

Even a country with the ability to wield overwhelming force and to impose stringent punishments may not be able to apply that threat credibly, especially with larger countries or groups of countries. The propensity to threaten therefore does not always much change how the bully and the bullied interact, especially when the issues involved do not rise to a threshold that makes extreme threats credible. (The extreme threats regularly made by North Korea against the South provide one good example.) Unfortunately, this analysis is not altogether reassuring. As smaller countries that have been the focus of early and hostile attention by Trump, neither Denmark nor Panama should bet the house on U.S. restraint.

The economics of bullying might have at one time been thought applicable only to select aspects of schoolyard, household, or market interactions. It seems now to have global significance. But some lessons carry over. Bullying is more tactic than strategy. It is unlikely to serve the long-term ends of the United States if used too freely.

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