

The Curse of Aid? Re-Examining the Impact of Aid on Regime Change

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Overview

- Large and growing literature looking at the relationship between aid and regime change
- Djankov et al (2008), Morrison (2009) provide most recent evidence that aid may entrench regimes - aid has a larger impact than oil revenue
- This finding is controversial: e.g. Dunning (2004), Wright (2009, 2010)
- I argue that donor intent matters, as does the composition of aid flows
- Conclusion: No evidence that aid entrenches regimes in post-Cold War; some types of aid may never have had this effect

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Causal Pathways

- Non-tax revenue (including aid) decreases accountability, allows government to buy support, repress dissenters, etc.
 - Donors are strategic with their own priorities, which may change over time
- Not all aid becomes revenue for recipient government (heterogenous)
 - Government can't use to repress, directly buy support
 - People may be better off - could dampen desire for political reform or improve welfare enough to make it an option

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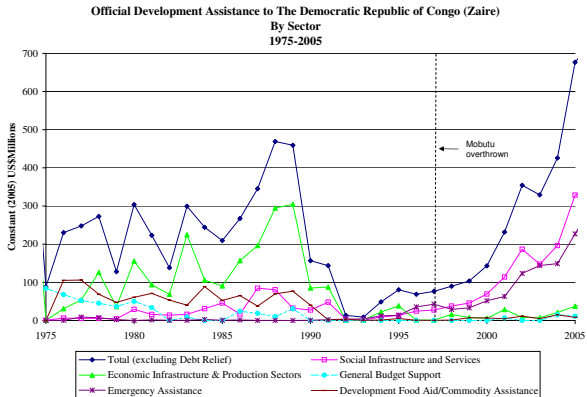
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Foreign Aid to the Democratic Republic of Congo/Zaire



Hypotheses

- **Intent Hypothesis:** The negative relationship between aid receipts and the likelihood of regime transition is strongest during the cold war and diminishes (or disappears) in the post-cold war period
- **Type of Aid Hypotheses:** During the cold war, general budget support had a greater negative impact on likelihood of regime transition than did other (less fungible) forms of aid; some forms of aid do not (on average) entrench authoritarian regimes

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Likelihood of Transition

	All Transitions		
	Morrison Replication (1)	Cold War (2)	Post-Cold War (3)
Grants Per Capita_{t-1}	-0.0175**	-0.0664**	-0.00490
State-Owned Enterprise Rev Per Cap_{t-1}	-0.00155**	-0.000868	-0.0195***
Other Non-Tax Rev Per Capita _{t-1}	-0.00125**	-0.00212**	0.00147
GDP Per Capita Growth	-0.0534*	-0.0447	-0.0826
GDP Per Capita (ln) _{t-1}	0.0497	0.268	0.0952
Change in % Population Urban	0.356	-0.826	1.890***
ELF	0.316	-0.412	-0.0799
Population Density (ln) _{t-1}	-0.0632	-0.00841	-0.264
Past Regime Instability	0.0888	-0.105	0.199**
Regime Age	-0.347***	-0.440***	-0.308**
Spline 1	0.00129***	0.00149***	0.00127**
Spline 2	-6.00e-05**	-1.00e-04	-5.36e-05
Constant	-1.576	-1.147	-1.975
Observations	1307	747	419



Likelihood of Transition to Democracy

	Democratic Transitions	
	Cold War (4)	Post-Cold War (5)
Grants Per Capita_{t-1}	-0.0557*	0.00796
State-Owned Enterprise Rev Per Cap_{t-1}	0.00457*	-0.0195**
Other Non-Tax Rev Per Capita _{t-1}	0.00145	-0.000432
GDP Per Capita Growth	-0.0255	-0.0984
GDP Per Capita (ln) _{t-1}	0.376	0.484
Change in % Population Urban	-1.147*	2.834*
ELF	0.0989	-0.122
Population Density (ln) _{t-1}	0.0982	-0.0622
Past Regime Instability	-0.0532	0.215
Regime Age	-0.475***	-0.481**
Spline 1	0.00174***	0.00192**
Spline 2	-0.000136	-8.18e-05*
Constant	-2.845	-4.774
Observations	383	138

Different Categories of Aid (tentative)

- During the cold war budget support had a negative effect on the likelihood of regime transition; no evidence of a relationship in post-cold war
- No evidence that investment project aid has a negative effect on the likelihood of transition (positive, insignificant effect)
- No evidence that social sector aid has a negative effect on the likelihood of transition (positive, sometimes significant effect)

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Conclusions

- Authoritarian regimes with access to aid were less likely to have a democratic transition during the cold war
- This is not true in the post-cold war (changing donor intent)
- Evidence suggests that it is access to resources, rather than increase in non-government service provision, that can drive a negative relationship between aid and regime change
- Policy implication: aid can be given without entrenching authoritarian regimes, but this depends on donor intent and allocation strategies

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