

# Aiding Repression: The impact of U.S. aid on political rights

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# Aim of aid

- Promote economic and political development, achieve strategic goals
- Large literature gauging their effects; economic effects vary across regimes (e.g., Burnside & Dollar 2000)

## Governance

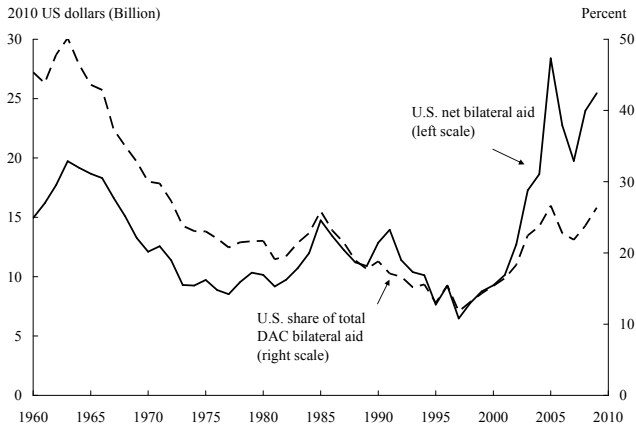
- Autocrats survive via repression and loyalty (Wintrobe 1998; Bueno de Mesquita et al 2003)
- Aid can finance repression (negative for social welfare)
- ... But aid often tied to economic and political reforms
  
- **Question: Does aid foster repression?**
- **Problematic: Aid disbursements are endogenous**

# Contribution

- **Identification**
- Endogeneity problem: Aid is given for economic and political reasons (e.g., Alesina & Dollar 2000): “Need”, “Merit”, “Strategic”
- Instrumental variable: Partisan composition of House of Representatives  $\times$  Probability country receives US aid
  
- **Findings**
- Reduced form: U.S. aid diminishes political participation, political and civil liberties. Extends durability of autocrats
- Mechanisms: U.S. aid reduces government taxation; no effect on discontent (rent-seeking)

# Importance of U.S. aid

- U.S. is the *largest* Development Assistance Committee (DAC) bilateral donor
- U.S. aid is more volatile than other DAC members (Desai and Kharis 2010; Tingley 2010)

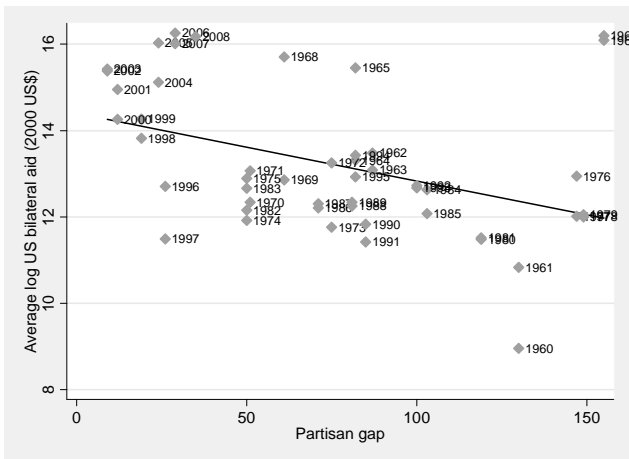


# Partisan preferences for aid

- Congress (House) votes on foreign aid bills annually
- State, Foreign Operations, and Related Program Subcommittee (in House of Rep.) allocates aid
- Partisan differences exist (e.g., Fleck & Kilby 2006; Tingley 2010; Bermeo et al 2011)
- Democrats prefer aid for development
- Republicans prefer military/security and commercial aid
- **This paper: Agnostic to the expected partisan direction**
- **Partisan composition of Congress is likely to affect movements in U.S. bilateral aid**

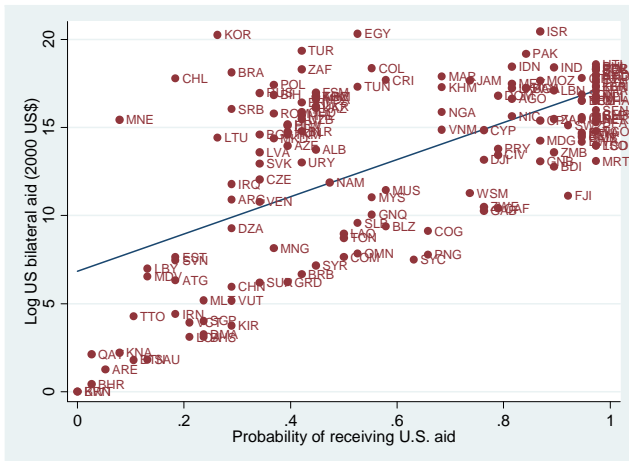
# Temporal variation

- $$GAP_t = | HouseRepublicans_t - HouseDemocrats_t |$$



# Cross-sectional variation

- Frequent U.S. aid recipients receive more U.S. aid



# Specification

- 2SLS:

$$\text{First Stage : } AID_{it} = \alpha + \beta(GAP_t \times \bar{P}_i) + \gamma X_{it} + \delta Y_t + \kappa C_i + \epsilon_{it}$$

$$\text{Second Stage : } REPRESSION_{it} = a + b \times AID_{it} + c \times X_{it} + d \times Y_t + f \times C_i + u_{it}$$

- $\bar{P}_i = \frac{1}{38} \sum_{t=1972}^{2009} P_i$ , where  $P_i$  is equal to 1 if country  $i$  receives U.S. bilateral aid in year  $t$   
(Fraction of years between 1972-2009 country  $i$  receives U.S. aid)
- $\bar{P}_i$  proxies for U.S. interests in a country (geopolitical, need, and merit)
- $GAP_t = | HouseRepublicans_t - HouseDemocrats_t |$
- Exogeneity: Interaction of exogenous ( $GAP_t$ ) and plausibly endogenous ( $P_i$ ) is exogenous since 2SLS controls for the main effect of the endogenous variable with the country fixed effect (see Angrist and Krueger 1999)



# Data

- Sample: Around 150 countries, 1972-2009
- Data sources: Freedom House, POLITY, WDI
  
- Baseline controls: Aid allocation (Hoeffler & Outram 2011)
- “Need”: Log GDP per capita, log population
- “Merit”: GDP per capita growth
- “Strategic”: Country and year fixed effects
  
- Measuring the *incidence* of repression:
  - Competitiveness of political participation (*PARCOMP*): 1=repressed (1) or suppressed (2);
  - Political rights: 1= 6 or 7 (least rights); 0=otherwise
  - Civil liberties (Freedom House): 1=6 or 7 (least liberties); 0=otherwise

# Baseline results

Dependent variable:	First stage regression (OLS)		2SLS		
	Log US bilateral aid (2000 US\$)		Participation	Political rights	Civil liberties
	(1)	(2)	(3)	(4)	(5)
Partisan gap x Probability of receiving U.S. aid	<b>0.090</b> <b>(0.014)***</b>	<b>0.084</b> <b>(0.016)***</b>			
Partisan gap	<b>-0.093</b> <b>(0.012)***</b>				
Prob. of receiving U.S. aid	<b>7.862</b> <b>(1.226)***</b>				
Log U.S. bilateral aid (2000 US\$)			<b>0.043</b> <b>(0.021)**</b>	<b>0.039</b> <b>(0.014)***</b>	<b>0.023</b> <b>(0.011)**</b>
Baseline controls	N	Y	Y	Y	Y
Country fixed effects	N	Y	Y	Y	Y
Year fixed effects	N	Y	Y	Y	Y
R-squared	0.39	0.64	0.58	0.48	0.49
Number of observations	4094	4052	3241	3915	3915
Number of countries	157	157	129	153	153
<i>F</i> -statistic on instrument	<b>42.01</b>	<b>32.77</b>			

Notes: Sample, 1972-2009. Robust standard errors, clustered at the country level reported in parentheses. \* = significant at 10%; \*\* = significant at 5%; \*\*\* = significant at 1%. All regressions include baseline controls (specifications 2-5 only), country and year fixed effects. The baseline specifications control for the following additional aid recipient characteristics: log GDP per capita (2000 US\$), GDP per capita growth (% annual), and log population. These coefficients and a constant are not reported.

# Robustness

- Influential countries: Egypt, Israel, exclude if  $\bar{P} > 0.90$
- Alternate specifications: Without fixed effects, IV Probit
- Alternate dependent variable: “Raw” index values (e.g., *PARCOMP*)
- Acts of repression: Political motivated imprisonment, physical integrity (“CIRI” human rights data)
- Alternate instrument: Democratic party margin

# Extensions

- **Unobserved heterogeneity**
- Geographic: Region  $\times$  Year, Country  $\times$  Year
- Temporal: Cold War, Cold War  $\times$  Region
  
- **Heterogenous effects**
- Income: Effects lower in richer countries (more costly to repress)
- Ethnicity: Effects pronounced in more fractionalized countries
- Regime type: Aid lowers rights in autocracies, no effect in democracies
  
- **U.S. aid and authoritarian survival**
- U.S. aid fosters “suppressive” dictators ( $XCONST=1,2$ )
- U.S. aid lowers democracy ( $POLITY$ )
- U.S. aid extends durability of authoritarian regimes, weaker for democracies

# Concerns

- **“Crowding in/out”**
- *If* U.S. aid is correlated with non-U.S. aid, omission may contaminate findings
- U.S. aid does not crowd out other bilateral aid
- Exogeneity: Composition of Congress is uncorrelated with non-U.S. aid (2SLS)
  
- **Exclusion restriction**
- UNSC membership (Werker & Kuziemko 2006), U.S. military ally (Alesina & Dollar 2000), “aid for trade” (Younas 2008)
- Results are robust to the inclusion of variables that capture these effects

# Mechanisms

- Aid  $\Rightarrow$  Lower taxes  $\Rightarrow$  Less accountability (more repressive)
- Aid  $\Rightarrow$  Rent-seeking  $\Rightarrow$  Repress population

## Evidence

- Aid reduces (shifts) taxes collected from individual income
- Aid does not induce rent-seeking

Dependent variable:	Income tax (share of revenue)		Riots	Anti-government demonstrations	Assassinations
Method of estimation:	OLS (1)	2SLS (2)	2SLS (3)	2SLS (4)	2SLS (5)
Log U.S. bilateral aid (2000 US\$)	-0.313 (0.208)†	-1.884 (0.907)**	0.01 (0.029)	-0.003 (0.026)	0.034 (0.030)
Number of observations	924	924	3698	3698	3699
Number of countries	113	113	147	147	147
R-squared	0.83	0.69	0.29	0.28	0.21

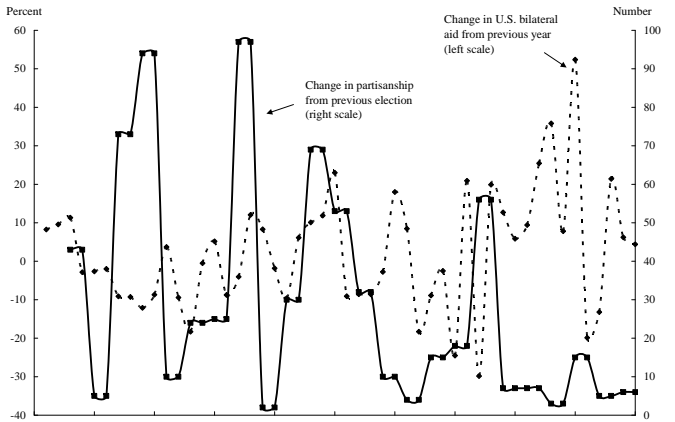
Notes: Robust standard errors, clustered by country reported in parentheses. † = significant at 15%; \* = significant at 10%; \*\* = significant at 5%; \*\*\* = significant at 1%. All regressions control for log GDP per capita (2000 US\$), GDP per capita growth (% annual), log population, and include country and year fixed effects. These coefficients and a constant are not reported.

# Conclusion

- Foreign aid can “insulate” governments, fostering less accountability and higher repression
- A large share of aid disbursements originate from the United States
- Exploit plausibly exogenous variation in the composition of the U.S. House of Representatives as an instrumental variable for U.S. bilateral aid disbursements
- Interpretation: U.S. aid fosters repression and authoritarian stability

# Partisanship and U.S. bilateral aid

- Major swings in partisan composition of U.S. House of Representatives correlated with decline in U.S. bilateral aid
- Weaker correlation and less variation with Senate





# U.S. foreign aid represses

Dep. variable:	Participation (1)	Pol. rights (2)	Civ. liberties (3)	Participation (4)	Pol. rights (5)	Civ. liberties (6)
	Parsimonious specification			Baseline specification		
	<u>A. OLS</u>					
Log US bilateral aid (2000 US\$)	0.002 (0.003)	-0.001 (0.003)	-0.002 (0.002)	0.003 (0.003)	0 (0.002)	-0.002 (0.002)
R-squared	0.64	0.59	0.55	0.66	0.59	0.55
	<u>B. Reduced form</u>					
GAP × $\bar{P}$	0.005 (0.001)***	0.004 (0.001)***	0.003 (0.001)***	0.004 (0.001)***	0.004 (0.001)***	0.002 (0.001)**
R-squared	0.65	0.6	0.55	0.67	0.6	0.56
	<u>C. 2SLS</u>					
Log US bilateral aid (2000 US\$)	0.058 (0.023)**	0.047 (0.015)***	0.032 (0.012)***	0.043 (0.021)**	0.039 (0.014)***	0.023 (0.011)**
R-squared	0.47	0.42	0.44	0.58	0.48	0.49
No. of observations	3269	3950	3950	3241	3915	3915
No. of countries	130	153	153	129	153	153

Notes: Sample, 1972-2009. Robust standard errors, clustered at the country level reported in parentheses. \* = significant at 10%; \*\* = significant at 5%; \*\*\* = significant at 1%. All regressions include country and year fixed effects. The baseline specifications control for the following additional aid recipient characteristics: log GDP per capita (2000 US\$), GDP per capita growth (% annual), and log population. These coefficients and a constant are not reported.

# Unobserved Heterogeneity

- Geographic: Region × Year, Country × Year
- Temporal: Cold War, Cold War × Region

Dependent variable:	Political rights			
	(1)	(2)	(3)	(4)
Log U.S. bilateral aid (2000 US\$)	0.025 (0.009)***	0.041 (0.024)*	0.034 (0.013)***	0.024 (0.009)***
Partisan gap			0.001 (0.000)*	0 (0.000)
Cold War			0.028 (0.044)	1.311 (0.131)***
Region × Year trend	Y			
Country × Year trend		Y		
Cold War			Y	Y
Region × Cold War				Y
Number of observations	3915	3915	3915	3915
R-squared	0.55	0.48	0.49	0.55

Notes: Estimation via 2SLS. Robust standard errors, clustered by country reported in parentheses. All specifications control for log GDP per capita (% annual), GDP per capita growth (% annual), and log population, and country fixed effects. Specifications 1 and 2 also include year fixed effects.

# Heterogenous effects: Income and ethnic fragmentation

- Income: Effects lower in richer countries (more costly to repress)
- Ethnicity: Effects pronounced in more fractionalized countries

Dependent variable:	Below median			Above median		
	(1)	(2)	(3)	(4)	(5)	(6)
	<u>Panel A. Income</u>					
Log U.S. bilateral aid (2000 US\$)	0.029 (0.014)**	0.032 (0.015)**	0.016 (0.012)	0.01 (0.028)	0.035 (0.019)*	0.025 (0.015)
Number of obs.	1814	1939	1939	1427	1976	1976
R-squared	0.6	0.52	0.47	0.75	0.44	0.54
	<u>Panel B. Ethnic fractionalization</u>					
Log U.S. bilateral aid (2000 US\$)	0.031 (0.026)	0.035 (0.020)*	0.015 (0.012)	0.038 (0.022)*	0.033 (0.013)**	0.024 (0.018)
Number of obs.	1578	1781	2134	1663	2134	1781
R-squared	0.7	0.55	0.44	0.55	0.49	0.6

Notes: Estimation via 2SLS. Robust standard errors, clustered at the country level. \* = significant at 10%; \*\* = significant at 5%; \*\*\* = significant at 1%. All regressions control for log GDP per capita, GDP per capita growth (% annual), country and year fixed effects. These coefficients and a constant are not reported. U.S. bilateral aid is instrumented with Partisan Gap  $\times$  Frequency of aid.

# Heterogenous effects: Regime type

- Aid lowers rights in autocracies, no effect in democracies

Dependent variable:	Regression	Pol. rights	Civ. Lib.	Regression	Pol. rights	Civ. Lib.
		<u>Autocracies</u>			<u>Democracies</u>	
	(1)	(2)	(3)	(4)	(5)	(6)
Log U.S. bilateral aid (2000 US\$)	0.107 (0.053)**	0.111 (0.054)**	0.069 (0.042)†	-0.006 (0.016)	-0.012 (0.011)	-0.011 (0.010)
Number of observations	1757	1841	1841	1484	1528	1528

Notes: Estimation via 2SLS. Robust standard errors, clustered at the country level. † = significant at 11%; \* = significant at 10%; \*\* = significant at 5%; \*\*\* = significant at 1%. Countries with an average POLITY score less than or equal to zero are classified as an autocracy. Countries with an average POLITY greater than zero are classified as a democracy. All regressions control for log GDP per capita, GDP per capita growth (% annual), country and year fixed effects. These coefficients and a constant are not reported.

# Extensions: U.S aid and authoritarian survival

- U.S. aid fosters “suppressive” dictators ( $XCONST=1,2$ )
- U.S. aid lowers democracy ( $POLITY$ )
- U.S. aid extends durability of authoritarian regimes, weaker for democracies

Dependent variable:	Executive constraints	POLITY	Durable		
	(1)	(2)	(3)	(4)	(5)
Log U.S. bilateral aid (2000 US\$)	0.03 (0.015)**	-0.463 (0.209)**	1.512 (0.754)**	2.344 (1.284)*	1.016 (0.461)**
Number of observations	3241	3357	3391	2061	1330
Number of countries	129	129	130	74	56
R-squared	0.56	0.68	0.61	0.44	0.81
Sample	All	All	All	Autocracies	Democracies

Notes: Estimation via 2SLS. Robust standard errors, clustered at the country level. \* = significant at 10%; \*\* = significant at 5%; \*\*\* = significant at 1%. All regressions control for log GDP per capita (2000 US\$), GDP per capita growth (% annual), log population, and include country and year fixed effects. These coefficients and a constant are not reported. In specification (1) the dependent variable is executive constraints which is equal to 1 if the chief executive has “unlimited” or “near unlimited” political authority ( $XCONST=1, 2$ ). In specification (2) the dependent variable is the POLITY index (-10 to +10), where a higher value corresponds to a higher quality of democratic political institutions. In specifications (3), (4), and (5) the dependent variable is *DURABLE* from POLITY IV (Marshall and Jaggers 2010). Countries with average POLITY scores less than or equal to zero are classified as Autocracies. Countries with average POLITY scores greater than zero are classified as Democracies.

# Concerns: Crowding in/out

- *If* U.S. aid is correlated with non-U.S. aid, omission may contaminate findings
- U.S. aid does not crowd out other bilateral aid
- Exogeneity: Composition of Congress is uncorrelated with non-U.S. aid

Dependent variable:	Log total DAC bilateral aid, excluding U.S. (2000 US\$)	
Method of estimation:	OLS	2SLS
	(1)	(2)
Log U.S. bilateral aid (2000 US\$)	0.027 (0.010)***	0.012 (0.035)
Number of observations	3987	3987
R-squared	0.74	0.74

Notes: Robust standard errors, clustered at the country level. \* = significant at 10%; \*\* = significant at 5%; \*\*\* = significant at 1%. All regressions control for log GDP per capita, GDP per capita growth (% annual), log population, and include country and year fixed effects. These coefficients and a constant are not reported.

# Concerns: Exclusion restriction

- Exclusion restriction: UNSC membership (Werker and Kuziemko 2006), U.S. military ally (Alesina and Dollar 2000), “aid for trade” (Younas 2008)

Dependent variable:	Log U.S. bilateral aid (2000 US\$)			Particip.	Pol. Rights	Civ. Lib.
Method of estimation:	OLS	OLS	OLS	2SLS	2SLS	2SLS
	(1)	(2)	(3)	(4)	(5)	(6)
Log U.S. bilateral aid				0.045 (0.023)**	0.04 (0.015)***	0.025 (0.012)**
UNSC Member	0.322 (0.336)			0.039 (0.027)	0.033 (0.036)	0.033 (0.031)
U.S. military ally		1.062 (0.579)*		-0.135 (0.061)**	-0.024 (0.042)	-0.096 (0.037)**
Log U.S. exports			0.249 (0.047)***	0.003 (0.015)	-0.01 (0.008)	-0.008 (0.006)
Number of observations	4810	4810	4722	3220	3839	3839
R-squared	0.59	0.59	0.61	0.57	0.49	0.5

Notes: Robust standard errors, clustered at the country level. \* = significant at 10%; \*\* = significant at 5%; \*\*\* = significant at 1%. All regressions control for log GDP per capita, GDP per capita growth (% annual), log population, and include country and year fixed effects. These coefficients and a constant are not reported. Log U.S. bilateral aid and log U.S. exports are measured in millions of 2000 US\$