International intervention and the limits of coercion: The redistributive implications of foreign policy alignment

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Outline

- How do hierarchies form?
  - Move from *why* and *where* asymmetrical relationships form
  - Key insight: hierarchical cooperation is *domestically redistributive*
- Present model of hierarchical intervention
- Explore patterns of
  1. aid allocation
  2. democratization

Why do hierarchies form?

- For hierarch...
  1. Increased trade
  2. Benefits of reserve currency
  3. Military coordination – basing rights, troop deployments

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- For hierarch...
  1. Increased trade
  2. Benefits of reserve currency
  3. Military coordination – basing rights, troop deployments
- For subordinate states...
  1. Currency stability
  2. Decreased military spending
  3. Multilateralism (inclusion of extra veto points)

Where do hierarchies form?

Gains from cooperation distributed unequally within countries

1. For hierarch, as cooperation becomes more redistributive:
   - Cooperation becomes more difficult to ensure
   - Costs of *not* cooperating become greater
2. Wealth exacerbates redistributive component of cooperation

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  1. Abstention

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  2. Intervention
     (a) Subsidization (guns or butter)
     (b) Coercion

Externally-driven redistribution

Economic

- Exchange rate regimes
- Trade agreements

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- Civil liberties
- Domestic conflict

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Democratization and economic growth

EITM framework

1. Theoretical and statistical concepts:
   - Decision-making shaped by character/availability of bargains
   - Discrete choice

Theoretical goals

A model of hierarchy formation should...

- map international strategies to domestic political outcomes
  - allow for domestic negotiation process
- account for redistribution resulting from alignment
- incorporate three strategies of intervention

Model

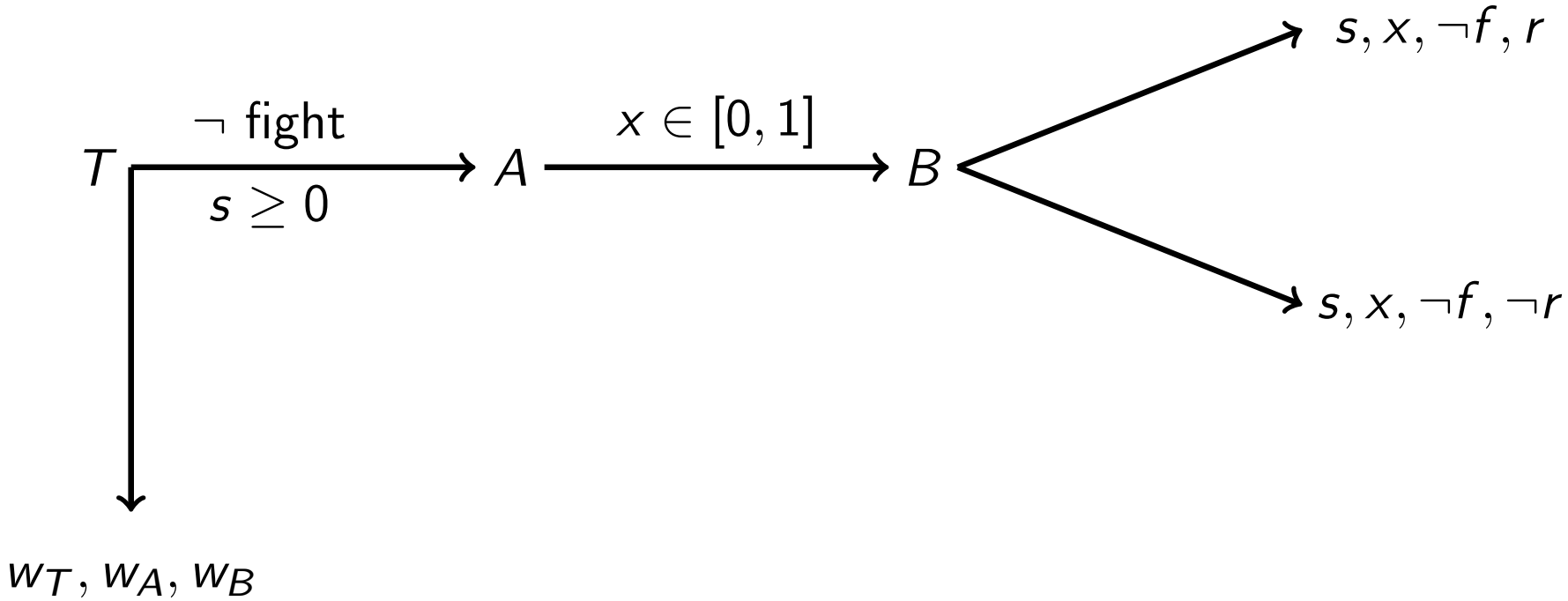
- Actors: Third party, T, negotiates with two domestic groups, $D_i \in A, B$ over alignment with T
- In every period:
  1. T fights a war or provides some level of subsidies $s \in [0, \infty)$
  2. $D_{i=G}$ proposes alignment $x \in [0, 1]$
  3. $D_{i=\neg G}$ accepts or rejects
- War ends game with payoffs w_i where $\sum W_{T,A,B} < 1$

Modeling distributive politics

- A and B have aggregate resources y
- A controls $\phi y = \iota_A$, B $(1 - \phi)y = \iota_B$

Modeling distributive politics

- A and B have aggregate resources y
- A controls $\phi y = \iota_A$, B $(1-\phi)y = \iota_B$
- B loses income from alignment at marginal rate πx
- $u_{A=G}(x) = \rho\iota_A + x(\alpha\iota_A + g) + s(1-\theta)$
- $u_{B=\neg G}(x) = \iota_B - x(\pi\iota_B - g) + s\theta$


$s, x, \neg f, r$
$\neg$ fight
$x \in [0, 1]$
T
A
B
$s \geq 0$
$s, x, \neg f, \neg r$
w_T, w_A, w_B

Other parameters/payoffs

- ρ: benefit of holding office
- θ: democracy
- g: marginal public good
- τ: marginal cost of s
- δ: common discount factor

- If $D_{i=\neg G}$ rejects x, receive $\rho\iota_i - s$
- If $D_{i=G}$ accepts x^*, T receives $x^* - s\tau$
- If D_B rejects x, T receives $1 - \pi$

Equilibria

Subgame perfect Nash in stationary strategies

When $D_{A=G}$...

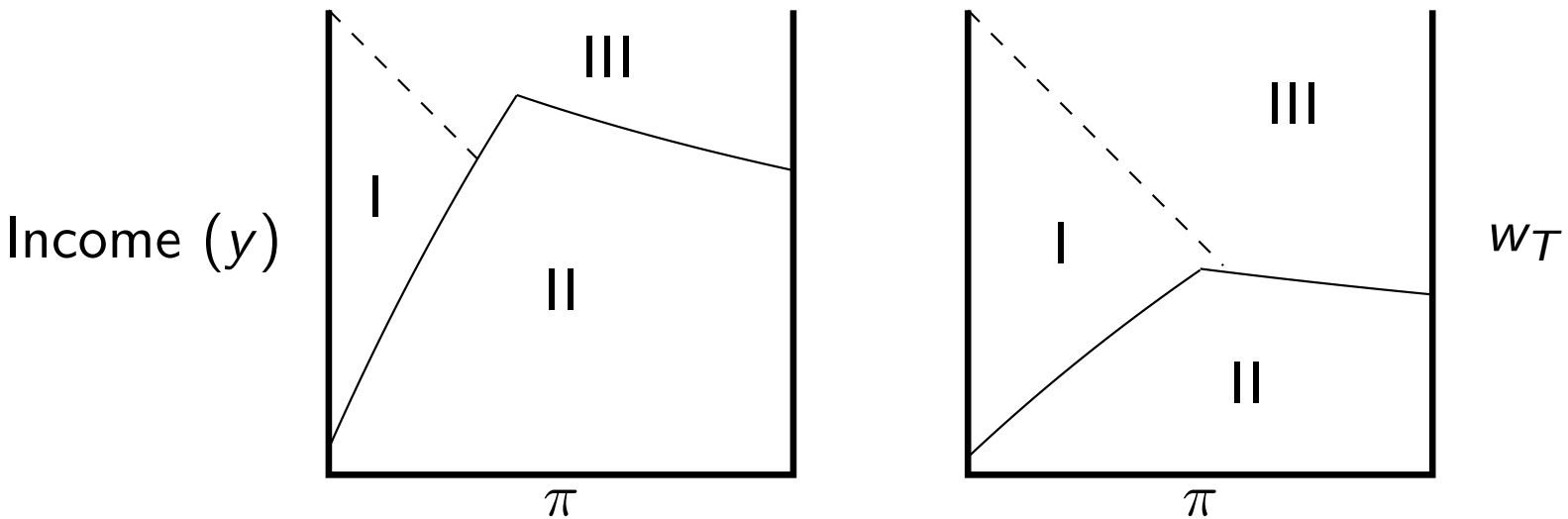
1. Aid:
   - $y \leq \min\{y_1, y_2\}$
2. Coercion:
   - $y > \min\{y_1, y_2\} \wedge w_T \geq 1 - \pi$
3. Abstention
   - $y > \min\{y_1, y_2\} \wedge w_T < 1 - \pi$

When $D_{B=G}$...

1. Aid:
   - Nope
2. Coercion:
   - If constraint 1 holds
3. Abstention
   - Else

▸ Cutpoints and comparative statics

$\theta = 0.6, \phi = .65, \rho = 3$ $\theta = 0.3, \phi = .75, \rho = 4$



EITM framework

1. Theoretical and statistical concepts:
   - Decision-making shaped by character/availability of bargains
   - Discrete choice
2. Theoretical and statistical analogues:
   - Game-theroetic bargaining model
   - Logistic regression

Who gets aid?

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- Aid more likely as inequality increases

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- Aid less likely as wealth increases
- Aid more likely as democracy increases
- Aid more likely as inequality increases
- Aid less likely as benefits of holding office grow

Data and Measurement

Data: Dyad-year observations

- U.S. first member in each dyad
- Income inequality from University of Texas Inequality Project
  - Estimates inter-sectoral inequality using UN Industrial Development data
- Natural resource data from Michael Ross
- U.S. foreign aid data from State Department Greenbook
  - 1995 constant US dollars
- Alliance data from Alliance Treaty Obligations and Provisions Project

Logit analysis

DV: $Pr(aid = 1)$

$$Pr(y = 1) = \beta_0 + \beta_1 \theta_{it} + \beta_2 y_{it} + \beta_3 \phi_{it} + \beta_4 \rho_{it} + \epsilon_{it}$$

Hypotheses

- $\beta_1 > 0$
- $\beta_2 < 0$
- $\beta_3 > 0$
- $\beta_4 < 0$

	Estimate	Std. Error	z value	Pr(>|z|)
(Intercept)	6.9403	1.0367	6.69	0.0000
Polity	0.1280	0.0155	8.25	0.0000
Log(gdp)	-1.5879	0.0997	-15.92	0.0000
Inequality	0.2079	0.0162	12.86	0.0000
Log(oil)	-0.1976	0.0326	-6.06	0.0000

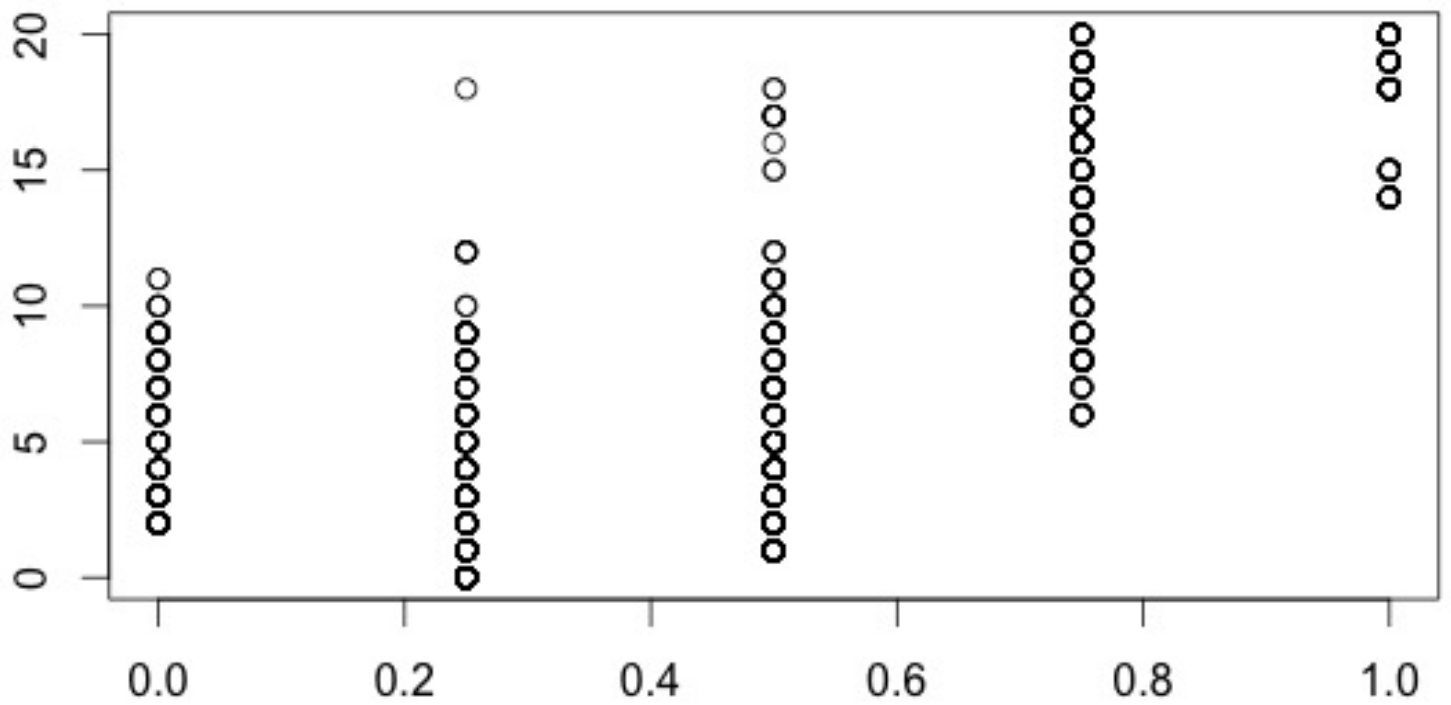
Table: Original Data[1]

With some controls... (look, I know)

[1] Polity, GDP, and inequality all robust to fixed-effects logit and analysis on imputed data

	Estimate	Std. Error	z value	Pr(>|z|)
(Intercept)	18.2194	3.1032	5.87	0.0000
Polity	0.3539	0.0633	5.59	0.0000
Log(gdp)	-1.3954	0.2194	-6.36	0.0000
Inequality	0.1078	0.0246	4.39	0.0000
Log(oil)	-0.2390	0.0559	-4.27	0.0000
W	-6.1123	1.4203	-4.30	0.0000
Life Expectancy	-0.0994	0.0386	-2.58	0.0100
U.S. ally	0.0475	0.3282	0.14	0.8850
Freedom House	0.0140	0.1027	0.14	0.8918

	Estimate	Std. Error	z value	Pr(>|z|)
Polity	0.3539	0.0633	5.59	0.0000
W	-6.1123	1.4203	-4.30	0.0000



Issue-specific allocation

π defined by issue

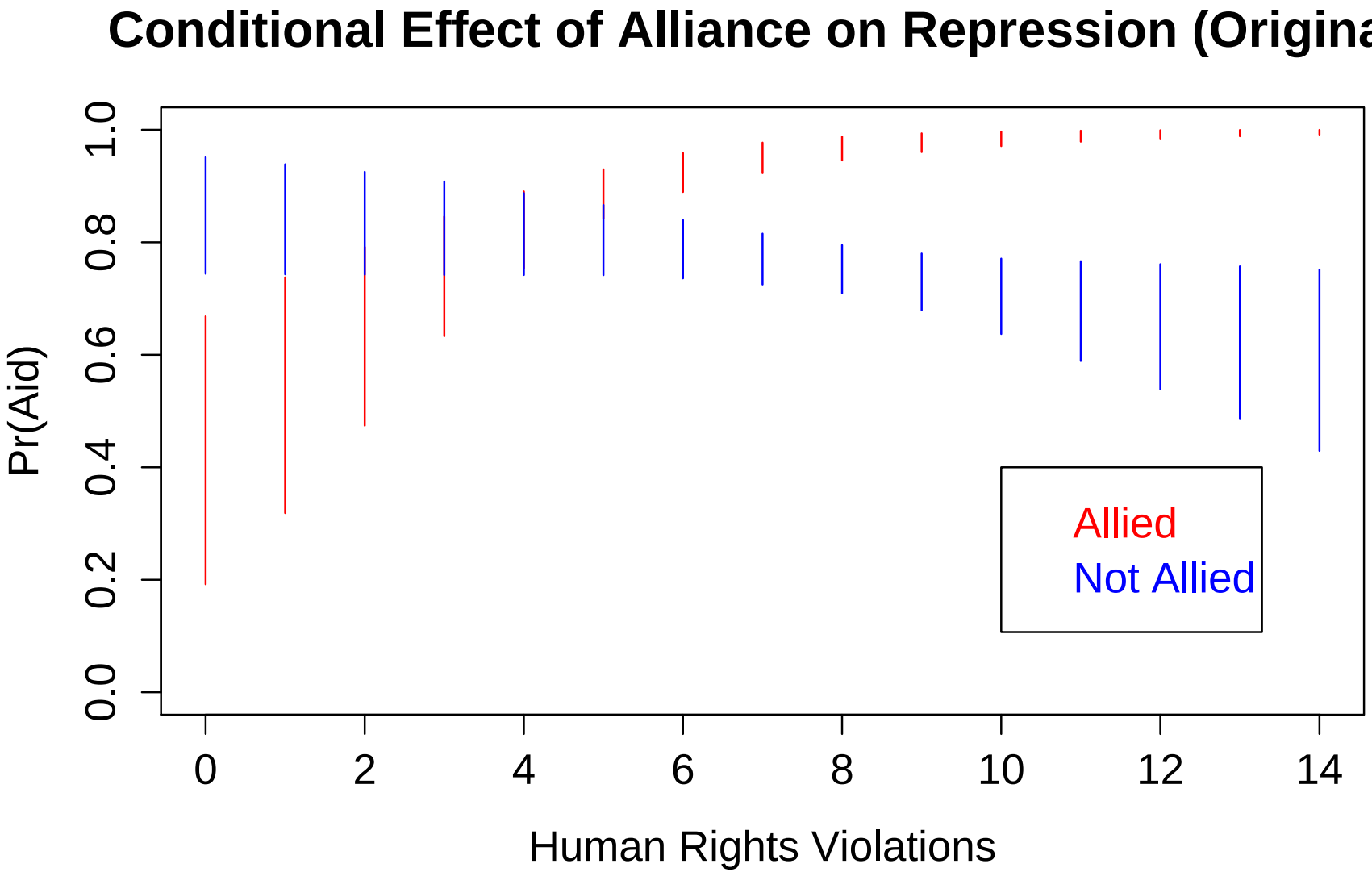
- Need to operationalize policy concessions with redistributive consequences
- Need measure of regime preference to opposition

Domestic consequences: Repression

Assumptions

- Domestic repression is domestically redistributive
- Being U.S. ally is sufficient proof that U.S. prefers current regime to alternatives
  - Sufficiency means falsification possible
- Estimate identical model with interaction between repression and alliance status

	Estimate	Std. Error	z value	Pr(>|z|)
(Intercept)	16.7842	3.0927	5.43	0.0000
Polity	0.3034	0.0665	4.56	0.0000
Log(gdp)	-1.3435	0.2199	-6.11	0.0000
Inequality	0.0930	0.0249	3.73	0.0002
Log(oil)	-0.2049	0.0576	-3.56	0.0004
W	-4.2520	1.5249	-2.79	0.0053
Life Expectancy	-0.0858	0.0377	-2.28	0.0227
U.S. ally	-2.6080	0.6668	-3.91	0.0001
Freedom House	-0.0549	0.1045	-0.53	0.5989
U.S. ally*Freedom House	**0.5838**	0.1455	4.01	0.0001


Conditional Effect of Alliance on Repression (Original)
Pr(Aid)
0.0
0.2
0.4
0.6
0.8
1.0
0
2
4
6
8
10
12
14
Human Rights Violations
Allied
Not Allied

Next steps

Comparative literature suggests democratization conditioned on

- Income inequality
- Natural resource wealth

But...

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- Aid *allocation* positively correlated with inequality
- Aid *levels* positively correlated with resource wealth

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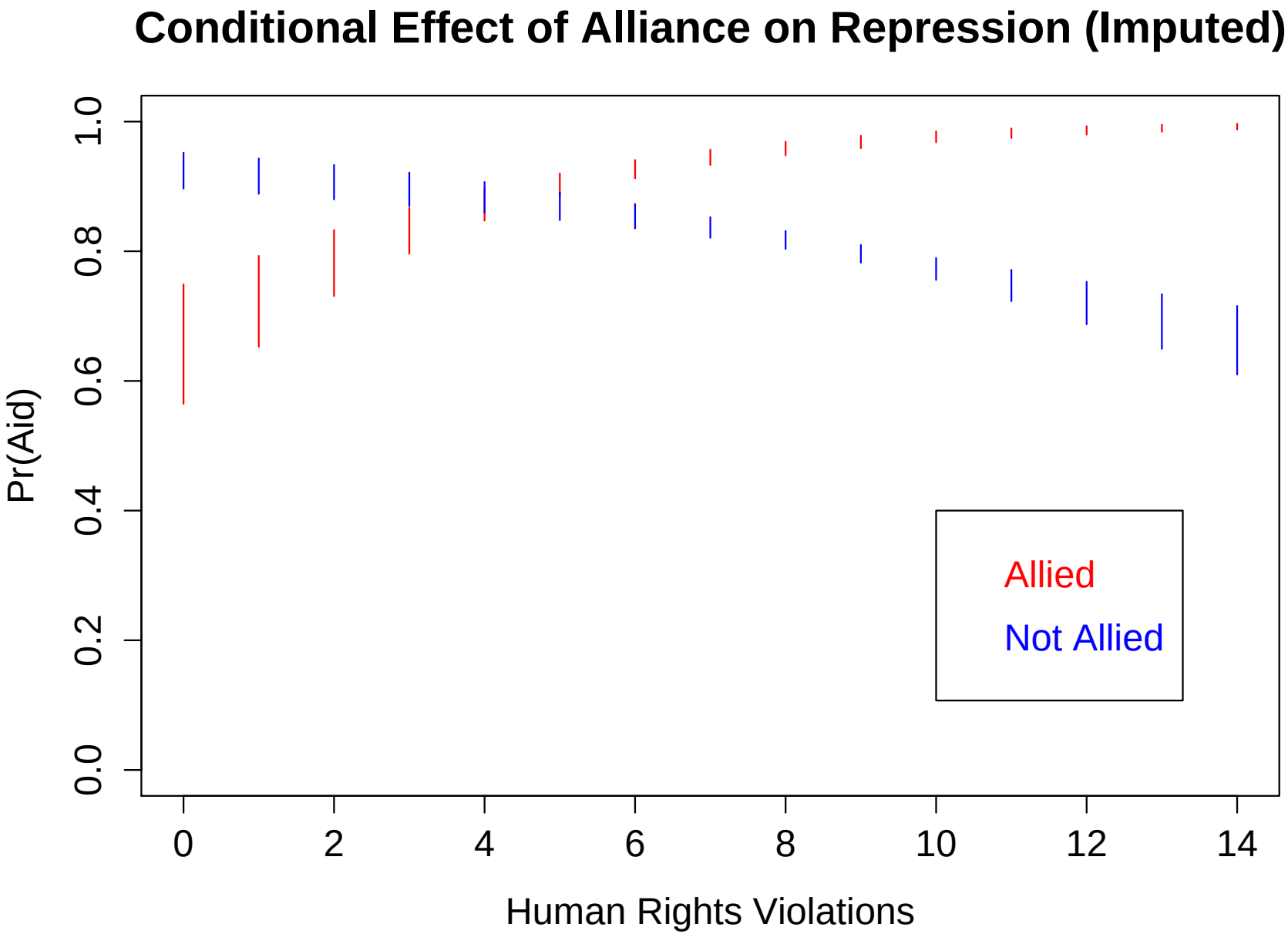
Other ways to measure aid:

- Aid expands domestic pie
- Unenforcement of conditionality, favorable trade agreements

- $y_1 = \frac{\pi(1+\frac{\theta}{1-\delta})+g\tau}{\tau(1-\phi)(\pi+\rho-1)}$
- $y_2 = \frac{(1+\frac{\theta}{1-\delta})+g\tau-w_T}{\tau(1-\phi)(\pi+\rho-1)}$
- $y_3 = \frac{(1+\theta-\delta)[1-(1-\pi)(1-\delta)-\delta w_T]-\tau(g-\delta w_B)}{\tau(1-\phi)[\pi-(1-\rho(1-\delta))]}$
- $y_4 = \frac{(1+\theta-\delta)-\tau(g-\delta w_B)}{\tau(1-\phi)[\pi-(1-\rho(1-\delta))]}$
- Constraint 1:
  $(\alpha y\phi+g)[y(1-\phi)(1-\delta)-\delta w_B] \geq (\pi y(1-\phi)-g)(y\phi[\rho(1-\delta)-1]+\delta w_A)$


Conditional Effect of Alliance on Repression (Imputed)
Pr(Aid)
0.0
0.2
0.4
0.6
0.8
1.0
0
2
4
6
8
10
12
14
Human Rights Violations
Allied
Not Allied