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

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2013 EITM Summer Institute

June 27, 2013
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
Why do hierarchies form?

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 \textit{not} cooperating become greater

2. Wealth exacerbates redistributive component of cooperation
How do hierarchies form?

For hierarch, three strategies:
1. Abstention
How do hierarchies form?

For hierarch, three strategies:

1. Abstention
2. Intervention
How do hierarchies form?

For hierarch, three strategies:

1. Abstention
2. Intervention
   (a) Subsidization (guns or butter)
   (b) Coercion
Externally-driven redistribution

Economic

- Exchange rate regimes
- Trade agreements
Externally-driven redistribution

### Economic
- Exchange rate regimes
- Trade agreements

### Political
- Civil liberties
- Domestic conflict
Externally-driven redistribution

**Economic**
- Exchange rate regimes
- Trade agreements

**Political**
- Civil liberties
- Domestic conflict

**Hybrid**
- Structural adjustment loans
- Military spending
Externally-driven redistribution

**Economic**
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**Hybrid**
- Structural adjustment loans
- Military spending

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 \( \pi x \)
- \( u_A = G(x) = \rho\iota_A + x(\alpha\iota_A + g) + s(1 - \theta) \)
- \( u_B = \neg G(x) = \iota_B - x(\pi\iota_B - g) + s\theta \)
\[ x \in [0, 1] \]

\[ T \rightarrow \neg \text{fight} \]

\[ s \geq 0 \]

\[ W_T, W_A, W_B \]
Other parameters/payoffs

- $\rho$: benefit of holding office
- $\theta$: democracy
- $g$: marginal public good
- $\tau$: marginal cost of $s$
- $\delta$: common discount factor

- If $D_i \neq G$ rejects $x$, receive $\rho \nu_i - s$
- 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:
   - $y > \min\{y_1, y_2\} \land w_T \geq 1 - \pi$

3. Abstention
   - $y > \min\{y_1, y_2\} \land w_T < 1 - \pi$

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

1. Aid:
   - Nope

2. Coercion:
   - If constraint 1 holds

3. Abstention
   - Else

» Cutpoints and comparative statics
\[ \theta = 0.6, \phi = 0.65, \rho = 3 \]

\[ \theta = 0.3, \phi = 0.75, \rho = 4 \]
EITM framework

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

2. Theoretical and statistical analogues:
   - Game-theoretic bargaining model
   - Logistic regression
Who gets aid?

- Only regimes preferred to domestic opposition \((D_A = G)\)
Who gets aid?

- Only regimes preferred to domestic opposition \((D_A = G)\)
- Aid less likely as wealth increases
Who gets aid?

- Only regimes preferred to domestic opposition \((D_A = G)\)
- Aid less likely as wealth increases
- Aid more likely as democracy increases
Who gets aid?

- Only regimes preferred to domestic opposition \((D_{A=G})\)
- Aid less likely as wealth increases
- Aid more likely as democracy increases
- Aid more likely as inequality increases
Who gets aid?

- Only regimes preferred to domestic opposition ($D_{A=G}$)
- 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: $Pr(\text{aid} = 1)$

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

Hypotheses

- $\beta_1 > 0$
- $\beta_2 < 0$
- $\beta_3 > 0$
- $\beta_4 < 0$
Table: Original Data

|                | 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   |

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

1Polity, 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   |

- **Estimate:** The estimated coefficient values for Polity and W.
- **Std. Error:** The standard error for each estimate.
- **z value:** The z-score associated with each estimate.
- **Pr(>|z|):** The p-value for the absolute value of the z-score, indicating the significance of the estimate.
From theory to empirics

**Issue-specific allocation**

\[ \pi \text{ defined by issue} \]

- 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
### Empirical Implications

From theory to empirics:

| Term                      | 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)

Human Rights Violations

Allied
Not Allied
Next steps

Comparative literature suggests democratization conditioned on
- Income inequality
- Natural resource wealth

But...
Comparative literature suggests democratization conditioned on

- Income inequality
- Natural resource wealth

But...

- Aid *allocation* positively correlated with inequality
- Aid *levels* positively correlated with resource wealth
Comparative literature suggests democratization conditioned on
- Income inequality
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But...
- Aid *allocation* positively correlated with inequality
- Aid *levels* positively correlated with resource wealth

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)

Human Rights Violations

Pr(Aid)

Allied
Not Allied