

**Clowns to the Left of Me, Jokers to the Right: How Donor
Partisanship Shapes the Allocation of Foreign Aid¹**

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Abstract

Recent research emphasizes the role of domestic politics in donor countries in determining foreign aid policy. However, such studies have neglected differences between powerful donors that pursue strategic priorities with aid - often generating positive externalities - and smaller donors that free-ride on the public goods created by major power aid. This paper argues that the variation in donor power is particularly important for evaluating the impact of ideology on aid flows. We find that in major powers, where strategic goals are disproportionately important in aid policy, right and left governments give similar amounts of total aid. In other donors, where aid represents more of a welfare transfer from donor to recipient, right governments cut aid budgets. We also find that the right and left do allocate aid differently in major powers, with right governments reallocating aid toward more strategically important recipients - the difference between parties is in cross-recipient allocation rather than in the overall amount of aid flows in major power donors.

1 Introduction

The relative power of states influences their foreign policy agendas. A well established literature on alliances suggests that weaker countries can free ride on the security externalities provided by major powers, thus changing their preferences for their own military spending and activities (Goldstein, 1995; Olson and Zeckhauser, 1966; Oneal, 1990). Less studied, however, is the role of a state's relative power in determining its preferences over foreign aid policy.

We apply the concept of free riding to help reconcile the arguments and findings in two strands of foreign aid research that have evolved largely separately. The first body of scholarship examines dyadic characteristics of aid flows. Multiple scholars conclude that cross-recipient aid allocation reflects donors' pursuit of strategic interests at the expense of development (Alesina and Dollar, 2000; Alesina and Weder, 2002; Bueno de Mesquita and Smith, 2007, 2009; Burnside and Dollar, 2000; Collier and Dollar, 2002; Dollar and Levin, 2006; Easterly, 2007; Neumayer, 2003). A different set of studies hypothesizes that left-leaning donor governments are more inclined to promote welfare-enhancing programs at home and abroad, leading left governments to support more generous foreign aid budgets than right governments (Lumsdaine, 1993; Noel and Therien, 2002; Therien and Noel, 2000; Tingley, 2010). There is an obvious tension between these two bodies of foreign aid research: if the first strand is correct, and strategic interests are driving aid, then there is no *prima facie* reason to expect right governments to give less aid. Indeed, this might explain why the ideology-aid link has been less robust, with multiple scholars finding mixed or no evidence of an increase in aid under left-leaning governments (Breuning, 1995; Chong and Gradstein, 2008; Goldstein and Moss, 2005; Imbeau, 1989; Lundsgaarde *et al.*, 2007; Moss, 2007; Round and Odedokun, 2004)

While the strategic interest literature is compelling, the hypotheses advanced regarding social welfare projection abroad are also appealing. Aid can serve multiple purposes, both strategic and developmental. When aid is driven relatively more by development concerns, we might expect donors with left governments to approve more generous aid budgets. When aid is used mainly as a tool for a broader strategic agenda, there is no reason to expect this pattern. The novelty of our theory is that we introduce the overall geo-political importance of a donor in the international community - as a major or minor power - to help explain when strategic interests are likely to trump development concerns in determining aid flows. This, in turn, has an impact on the influence of government ideology on aid.

We formulate a theory in which the importance of government ideology in a policy area - foreign aid - is influenced by the relative power of the state in the international system. Major powers have the ability to undertake large scale strategic projects with aid, and they cannot free-ride off of smaller donor countries that lack the diplomatic and financial capacity to act in a similar manner over a wide range of recipients. The national interest driving aid from major powers suggests that ideology may play a smaller role in determining aid budgets in these donors: right and left both benefit from preventing state failure and civil war, or buying military bases overseas. On the other hand, non-major power donor countries can free-ride on the externalities provided by these larger donors. Because of this, their aid can focus more on purely development concerns - for instance the projection of a “welfare” system abroad - as has been found for several smaller donor states. This suggests that differences between the way right and left political parties view the role of government financing for development abroad will affect the aid budgets for the group of minor power countries.

Our analysis examines aid flows from twenty-two OECD donors to more than 150

recipients for the period 1980-2007. In doing so, we make two significant contributions to existing empirical literature. First, we separately analyze the role of government ideology in major and minor powers. We find that in non-major powers, left governments give more aid than do right governments. However, in major powers we find the opposite pattern: right governments give more aid. These results are robust to different measures of donor government partisanship/ideology. They suggest that failure to account for differences between major and non-major powers helps explain the disparate findings to date on the role of ideology in aid allocation.

A second contribution is to analyze the role of ideology across donors in a dyadic analysis. Most studies of the role of donor government ideology on aid look at overall donor generosity: do left governments give more aid than right governments? Instead, we examine how the ideology of the donor government influences the amount of aid given to specific countries, controlling for recipient characteristics (such as need) which may change over time. In doing this, we also examine the interaction between government ideology and dyadic considerations linking a donor and recipient. This allows us to study whether donor political variables influence the flow of aid to particular types of recipient countries more than others. The analysis is similar to that done by Fleck and Kilby (2006) for the United States; we expand this to look at twenty-two OECD donor states and incorporate new variables in the analysis. The results suggest that major powers with a right government do have different aid allocation than under a left government. However, rather than altering the *amount* of aid flows, as happens in other donors, right parties in major powers reallocate aid toward recipients of greater geo-strategic significance. Interestingly, this result does not hold for non-major powers. This finding also supports the free-riding hypothesis: the right in minor donors can focus on fiscal austerity and cut aid, while free-riding on externalities provided by major powers.

Our arguments and evidence linking donor ideology to the allocation of foreign aid are developed in the following four sections. Section 2 develops the causal linkage between ideology and foreign aid allocation, explains why this may vary for major powers and non-major powers, and derives testable hypotheses. Section 3 details the sample, data, measures and methods used to test the hypotheses and Section 4 presents the empirical results. We conclude and provide some thoughts about future research in Section 5.

2 Donor Ideology, Free Riding, and Dyadic Aid

Our theory suggests that the position of a donor state in the international system is important for understanding its overall foreign policy objectives with foreign aid. Additionally, we argue that left-right divisions in donors are important in foreign aid, but will manifest themselves differently based on the donor's international position. In this section we address each of these in turn and develop hypotheses that allow us to test observable implications of this theoretical construction.

2.1 Major Powers and Free Riding

The seminal work of Olson and Zeckhauser (1966) lays out an economic theory of alliances based on the concept of public goods and free-riding. In their account, small members of a military alliance free-ride on the expenditures of larger members, who must disproportionately shoulder the costs of providing defense. In this scenario, defense provided by NATO is a public good with larger nations spending a greater proportion of their national income than smaller nations to provide the good. Their work spawned a multitude of papers examining the functioning of NATO (e.g., Boyer, 1989; Fang and Ramsay, 2010; Gates and Terasawa, 1992; Goldstein, 1995; Murdoch and Sandler, 1982; Oneal, 1990; Sandler and Cauley, 1975; Sandler and Hartley, 2001). Much less attention has been paid, however, to their claim that the model is also useful for understanding the

cross-donor dynamics of foreign aid provision, with the work of Dudley (1979) being an important exception. In recent work Steinwand (2010) applies the logic of free riding to aid, in a different context to that advanced here.

Olson and Zeckhauser (1966, pg. 275) argue that foreign aid can be seen as a collective good for aid-giving nations, “at least to the extent that they all value the development of the less developed areas.” We argue that there are two categories of public benefits that aid can provide: those arising from increased security (not directly related to development) and those arising from positive spill-overs from increasing development, to which Olson and Zeckhauser refer. It is important to consider both, since a large literature on foreign aid suggests that geopolitical strategic concerns, rather than development goals, motivate much aid giving (Alesina and Dollar, 2000; Alesina and Weder, 2002; Berthelemy and Tichit, 2004; Bueno de Mesquita and Smith, 2007, 2009; Burnside and Dollar, 2000; Collier and Dollar, 2002; Dollar and Levin, 2006; Easterly, 2007; Maizels and Nissanke, 1984; Neumayer, 2003; Schraeder *et al.*, 1998). The work of Bermeo (2010) finds that development has become an increasingly important, strategic goal of aid, which would also have spill-overs.

When the United States gives aid to broker a peace deal between Israel and Egypt many other states benefit from the lack of fighting as well, creating a positive security externality for other donors. If the large amounts of aid from France, Germany, Japan, and the United States to Guinea help increase development and potentially slow the flood of European-bound cocaine traffickers through that country, then this is an instance of development creating positive security externalities.¹ The United Kingdom gave more than \$88 million to Sierra Leone in 2007, but the benefits from avoiding state failure if

¹For information on the drug transit route from West Africa to Europe, see <http://www.un.org/en/events/tenstories/08/westafrica.shtml>. The four donors listed committed the largest sums of foreign aid to Guinea in 2007.

the aid is successful could be said to accrue to all donors, including Australia, Austria, Canada, Denmark, Finland, Greece, Luxembourg, New Zealand, Norway, Portugal, Spain, and Sweden - each of which gave less than \$5 million to Sierra Leone in the same year.² Given the links between failed states, blood diamonds, and terrorist financing, it is likely that preventing a return to violence in Sierra Leone provides positive externalities for those not heavily involved in the process (Dempsey, 2006).

The reality of both security and development externalities suggests the possibility of free riding. Regarding security externalities, we might expect to see smaller donors free-ride for the same reason that they can do so in military alliances - they know that it is in the self interest of the more powerful states to provide the good, and they simply benefit from the externalities. The sheer difference in size between small and large donors also creates the potential for small donors to benefit more than they contribute. While some small donors are much more generous aid providers in terms of a percent of their own GDP, the impact of this aid abroad will be less than that of larger, “less generous” donors that contribute a much smaller fraction of GDP to aid, but still account for the vast majority of aid expenditures. The cost per person for Denmark or Switzerland to “buy” peace at the Camp David Accords would have been prohibitive - it is not a question of generosity but feasibility. Similarly, there are few donors that have both the size and the motivation to have a real impact on preventing state failure in Sierra Leone or decreasing the drug trade from West Africa to Europe - smaller donors will need to rely on their larger counterparts in many such instances.

There is a limit to free riding even in security alliances. For instance, Goldstein (1995) notes that free-riding with regard to defense is inconsistent with realist expectations that states will be reluctant to depend too heavily on allies for defense. He points out that

²Data are from OECD’s online DAC database.

following World War II England, France, and China spent considerable resources building their own nuclear weapons capability, rather than relying solely on the United States. Notably, however, smaller nations did not follow the same course. Additionally, as Gates and Terasawa (1992) and ONeal (1990) point out with regard to alliances, the existence of a common objective does not preclude the possibility of simultaneously pursuing separate, if complementary, private goals.

With regard to aid, Olson and Zeckhauser (1966) argue that there are private motivations for aid provision which induce donors to focus aid in recipients of particular interest, in addition to the public good of generally improved development. As in security alliances, we would expect this to operate most forcefully in relatively powerful states. Some donor countries have strong overseas interests driven by historical ties or commercial activity. Donors such as England and France - which, as Goldstein (1995) points out, were not content to exclusively free-ride in nuclear weapons either - strive to achieve recognition and influence as regional powers in Europe; the same can be said for Japan in Asia. This quest is enhanced by their status as major aid donors, and the position this affords them in institutions such as the World Bank and IMF. Thus, in addition to the ability of major powers to provide common strategic benefits through aid, the private benefits they receive also suggest that ideology may play a different role for this group of powerful donors.

To operationalize the distinction between donors of different stature in the international arena, we include France, Germany, Japan, the United Kingdom, and the United States as major powers and code all other donors as “non-major powers” or (interchangeably) “minor powers”. While any categorization along such lines is problematic, we believe this is the best one possible. It has the advantage of coinciding with outside classifications, rather than being of our own creation, as these are the five OECD donor countries that are designated as “major power” by the Correlates of War project. Additionally,

they are the five largest aid donors and the only countries to have permanent, appointed directorships at both the World Bank and IMF.³

2.2 Ideology and Aid

Right governments tend to be more skeptical of government involvement in the economy than left governments (Boix, 1997; Garrett, 1998; Bearce, 2003). Extending this argument to aid, Chong and Gradstein (2008) and Lumsdaine (1993) have argued that we should expect left governments to give more aid than right governments, or more left-leaning countries to give more aid than countries that have historically had governments ideologically closer to the right (Therien and Noel, 2000; Noel and Therien, 2002). Yet the empirical record is mixed. Noel and Therien (1995) conclude that the liberal-conservative makeup of a specific government in a donor does not directly affect aid effort, as the effect of ideology is more cumulative within a donor over time. In contrast, Tingley (2010) finds evidence that the ideology of the government in power influences aid generosity, with more left-leaning governments giving more aid. Breuning (1995), Chong and Gradstein (2008), and Imbeau (1989) find mixed results on the relationship between ideology and foreign aid budgets. Lundsgaarde *et al.* (2007) find no relationship between government ideology or domestic welfare expenditures and aid. Round and Odedokun (2004) examine twenty-two aid donors and find no evidence that left governments give more aid, although in certain specifications right governments are more generous. Goldstein and Moss (2005) and Moss

³China, Russia, and Saudi Arabia also have country-specific directors, but these must be elected rather than appointed, a distinction discussed more in Vreeland (forthcoming); these other 3 donors are not part of our OECD donor group and have not signed onto international reporting standards for foreign aid. The Correlates of War project does not include Germany and Japan as major powers until 1991. However, the rationale for this has to do with their military capabilities; the coders claim that they have been economic great powers since the 1960s. Additionally, they cite Japan's large foreign aid program in the 1980s (for many years the largest in the world) as a reason for including it as a great power starting in 1991. Given their economic stature and importance in foreign aid, we include them as great powers for the entire period of our analysis (1980-2007).

(2007) use commitments to Africa from the United States to suggest that Republicans in fact may be more generous than Democrats.

Looking to unpack the domestic political considerations, some scholars have examined support for different types of aid within donors. Milner and Tingley (2010, 2011) present evidence that right parties in the US favor aid policies with a more explicit security orientation. Tingley (2010) finds that donor country ideological changes have an influence on aid effort to low income countries (LDC/OLIC) but not medium income countries (LMIC/UMIC). Fleck and Kilby (2006) use a dyadic analysis for the United States and find that during periods of Republican control of Congress, foreign aid programs are driven more by commercial interests, and Republican presidents favor geopolitical priorities. When Democrats control the presidency and Congress, on the other hand, development concerns receive greater weight in aid allocation decisions. These findings relate to a larger comparative political economy literature on the role of political party ideology in shaping foreign economic policies (Bearce, 2003; Boix, 1998; Broz, 2008; Garrett, 1998; Tavits and Letki, 2009a).

We add to this literature by incorporating differences in aid motivation across groups of donors. We hypothesize that the role of ideology in determining aid allocation may be different in donors considered “major powers” than in other donors. As argued above, major powers are motivated by a desire for enhancing their international status as important regional or global players. As aid can be a key tool in this process, these donors will allocate aid differently than donor states less concerned with such goals. Major powers also give substantially larger sums of aid than other donors, meaning the impact of their aid is greater, whether used for development or non-development purposes. This creates the ability for smaller players to free-ride on the benefits provided by major powers. We argue that these considerations lead to different expectations about the role of donor

government ideology across major powers and other donors.

2.3 Hypotheses

We expect right governments, on average, to give less aid for purely development purposes. A government can decrease welfare-style aid funding in two ways: (1) by cutting the overall aid budget or (2) by pursuing more strategic goals with aid. We argue that the choice between these two alternatives is influenced by the likelihood that aid can be used productively for strategic purposes. The large amount of aid associated with major powers increases the probability that the quantity of aid provided will be enough to “buy” favorable outcomes on non-development priorities or accomplish large, strategically important development goals. Thus, in major powers we should expect a government suspicious of welfare-style aid (such as a right government) to reallocate aid for other purposes, rather than cutting the overall aid budget.

We expect the role of ideology in non-major power aid donors to operate differently. Smaller donors can benefit from security and development externalities delivered by major power aid programs. Donors that are not major powers will have less need and ability to achieve global or regional strategic goals with aid. As a result, when a right government comes to power in these countries and wishes to decrease development spending, it is more likely to slash overall aid budgets rather than re-allocate aid for other purposes. This leads to the following hypothesis:

H1: In non-major power donors, left governments will give more aid; this pattern will be less pronounced (or disappear) for major power donors.

In major powers, we also expect to see right governments provide less aid for purely

development purposes. However, we hypothesize that in major powers right governments will re-allocate aid to serve more strategic purposes, rather than cutting the aid budget. We do not expect that these strategic priorities are unimportant for left governments. Rather, we would expect that strategic priorities matter across the left-right political spectrum, and we include several variables to test for this in the empirical analysis below. We simply hypothesize that right governments are more suspicious of aid for purely development purposes, and the desire to decrease development financing leads to a shift in the observed allocation pattern under right governments in major powers. This results in a greater amount of funding tracking measures of recipient strategic importance. We do not expect this shift in non-major powers, where we think right governments are more likely to react by cutting, rather than reallocating, development financing. We test for the different impact by including interaction terms between government ideology and measures of a recipient's strategic importance to the donor. We expect a positive straight effect of strategic importance on aid flows, but we expect this effect to be magnified in major powers when a right government is in power. Thus we test the following:

H2: For major power donors, the role of the strategic importance of a recipient in determining aid flows is enhanced by the presence of a right government; in non-major powers this effect is not observed.

3 Data

Our analysis includes bilateral aid from twenty-two OECD donor country members of the Development Assistance Committee (DAC) to 151 recipients for the period 1980-2007. The data are dyadic, so that each donor-recipient pair is included for each relevant year.

Donor countries include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.⁴ The universe of potential recipients is defined as all countries that received some aid from some source in any one year from 1960-2007, as reported by the World Bank’s World Development Indicators, and are still countries today.⁵ When this is the case, the country is considered eligible for aid in all years (or years since independence) from all donors, although the value may be zero in some years. In practice this does not exclude any developing countries from the dataset, but it does exclude many high-income countries that are not eligible to receive foreign aid. In a few instances recipients “graduate” from foreign aid eligibility, in which case they are not included in the dataset for years in which they are no longer eligible to receive foreign aid. The result is a dataset of 163 “aid eligible” countries; we are able to include 151 of these that have data available on the independent variables.

3.1 Dependent Variable

For all regressions the dependent variable is the log of (one plus) dyadic aid commitments from each donor to each recipient in a given year. Aid commitment data are from the OECD’s International Development Statistics online database: “DAC3a, ODA Commitments” and are reported in constant (2008) dollars.⁶ The reporting directives for DAC

⁴Not all donors report aid commitment data for all years. Greece began reporting commitments in 1996, Luxembourg in 1992, Portugal in 1991, and Spain 1992. Additionally, Ireland does not report commitment data for the years 1994-1995 and New Zealand reports no data for 1995; in these two cases all other years are reported. For each of these donors only relevant years (with data reported) are included in the analysis.

⁵The OECD does not report data on dyadic aid for countries when they cease to exist (e.g. Yugoslavia); instead, they are dropped from the database and the OECD reports aid for the new entities, but only going forward from the date of independence.

⁶Extracted on July 12, 2010. Where necessary, we summed commitments for official development assistance and official aid, the latter being a category that was broken out for some - but not all - years

define a commitment as “a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country or a multilateral agency.”⁷ We use data for commitments rather than disbursements because commitments adjust more quickly to changes in the donor or recipient. There is a greater lag for disbursements, since these in part represent commitments made in a previous year. For our purposes, we are interested in whether the government at time t influences aid at time t , which is best captured by commitment data. DAC members are required to report annually on their aid commitments.

3.2 Partisanship and Ideology

We separately employ two different measures to capture the partisanship or ideological composition of donor governments. The first measure is from the Comparative Political Data Set (Armingeon *et al.*, 2010). We use the variable “gov_right” which records the percent of government cabinet positions held by right-wing parties in a year, weighted by days. These data are available for each of our donors for all relevant years (*Donor Right Government*). Thus higher values on this variable represent more conservative governments. Party coding as left/right does not generally change over time, so that these can be thought of as the “relative right” within a country, understanding that the positions of right and left governments may be more or less extreme at different points in time.

While right parties generally have a more conservative ideology, the degree of conser-

for economies in transition and some higher income aid recipients.

⁷DAC STATISTICAL REPORTING DIRECTIVES, April 6, 2007, available online at <http://www.oecd.org/dataoecd/28/62/38429349.pdf>.

vatism can change over time. Thus, we also employ an alternative measure that captures this dynamic (*Government Ideology*). The liberal-conservative ideology of governments and others who influence aid spending is latent and not directly observed. To proxy this variable we rely on a common underlying data source: the Comparative Manifestos Project (CMP) (Budge *et al.*, 2001; Klingemann *et al.*, 2006). The CMP coded party manifestos during election years for every donor country election on a number of fields, each based on several components. Some of these fields relate to positions on freedom and democracy and others on policies towards external relations. We focus on the economic field because this most directly captures the economic concept of ideology, i.e., the role of the government in the economy, which seems fundamental to understanding positions on foreign aid. This field scored the importance of free enterprise system, market regulation, government facilitation of productivity, demand management, and other ways governments could be involved with the economy. We use the procedure in Tavits and Letki (2009b). This calculates party ideology scores by taking the difference between a set of “right wing” economic policy fields and “left wing” economic policy fields. Higher scores indicate a more conservative government. The government’s ideology score is then the weighted sum of the ideology scores of parties in government, where weights are determined by percentage of votes received relative to the total votes received by all parties in government.⁸

3.3 Donor Economic Variables

Aid from a donor may be affected by government tax receipts and/or competing claims on government funds. To account for this, we include two measures of domestic economic difficulty in the donor nation. First, we use an indicator variable that takes the value of

⁸This measure is similar to those used in Tingley (2010) but is instead based upon additive scales instead of a factor analysis.

1 if it is the first year of a banking crisis in the donor (*Donor Banking Crisis*). Data on banking crises are drawn from Abiad and Mody (2005). We also include a measure of unemployment in the donor taken from the Comparative Political Data Set, which draws the data from the SourceOECD (*Donor Unemployment*).

3.4 Dyadic variables

Multiple studies have shown that dyadic relationships between donors and recipients influence aid flows. We include a measure of dyadic trade between the donor and recipient based on the IMF's Direction of Trade Statistics and include the log of trade (exports plus imports) between the donor and recipient (*Trade*) This was converted to constant dollars using the US GDP deflator.⁹ We measure the impact of migrant networks by including the natural log of (one plus) the number of foreign born individuals from the recipient living in the donor as an explanatory variable (*Immigrants*). Data on immigration are collected by the OECD.¹⁰ These data are not time series, but represent a single snapshot. For most DAC countries they are based on census data, surveys, or population registers around the year 2000.

Donor countries may use aid to help their neighbors, or to project their influence to distant parts of the world. To account for this, we include the natural log of distance between the donor and recipient based on (in most cases) the distance between capital cities as calculated by EUGene v. 3.2 (Bennett and Stam, 2000); the value of distance between the donor and recipient for 2008 was used for all years.¹¹ We also include an

⁹From International Financial Statistics online database, 2005=100.

¹⁰Available from www.sourceoecd.org. Data are from the "Immigrants and expatriates: Total population by nationality and country of birth" table, Vol. 2006, available under International Migration Statistics. They include both naturalized citizens and "foreigners."

¹¹While these data are reported yearly in the source, there was clearly a coding change in how distance was calculated between contiguous states; to avoid this arbitrary change over time, the value for the most recent year is used for all years as this variable should seldom change.

indicator variable that takes the value 1 if a recipient was ever a colony of the donor (*Colony*). This was coded using information available in the CIA World Factbook and is based on Bermeo (2010); it varies from some other measures in that it captures any former colonial relationship regardless of date of independence. This is important for foreign aid as long-independent countries, such as those in Latin America, are still favored by their former colonizer due to ties such as common language and culture.

3.5 Recipient Variables

Donors may respond to need in a recipient when making aid decisions. Thus, we include average income (*Income*) and population (*Population*) from the Penn World Tables online database. These are logged for the analysis; data for income are in constant dollars adjusted for purchasing power parity. If donors respond to need we should see a negative coefficient on income and a positive coefficient on population. Additionally, we follow Bermeo (2010) and include measures of emergency need in a recipient. The number of people affected by a natural disaster in a recipient are taken from the International Disaster Database,¹² which collects data on the impact of individual natural disasters. We use the natural log of (one plus) the total of the “total affected” category for each country year (*Disaster*).¹³ To capture need caused by refugee populations living in a recipient, we use data from the United Nations High Commissioner on Refugees (UNHCR) Statistical Yearbook for various years.¹⁴ We include the log of (one plus) the number of refugees from other countries living in a recipient in a given year (*Refugees*). The civil war variable

¹²EM-DAT: The OFDA/CRED International Disaster Database - www.em-dat.net - Universite Catholique de Louvain - Brussels - Belgium.

¹³This is the number of people injured, left homeless, or requiring other immediate assistance as a result of natural disasters in a country in a given year. A score of zero was given if no people in a country were recorded as being affected by a natural disaster in this data set.

¹⁴Available online at www.unhcr.org/statistics. The most recent report with statistics for the year under observation were used. For recent years data are available through the WDI.

(*Civil War*) takes on the value of 1 if the UCDP/PRIO Armed Conflict Dataset codes the country as having a civil war. To be included a conflict must cause at least 25 battle related deaths and the state must participate as one of the players (Gleditsch *et al.*, 2002).¹⁵

We include a measure of recipient democracy from the Freedom House, Freedom in the World dataset (*Democracy*). We choose this instead of the other common measure of democracy from the Polity IV dataset simply because it has better country coverage; no findings change if you substitute the polity2 variable from Polity IV for the Freedom House variable reported below. To create this democracy variable we averaged a recipient's score on the civil liberties and political rights variables reported by Freedom House and then inverted the scale so that 1 is least democratic and 7 most democratic.

To measure military importance we include the (log of one plus) military assistance a recipient receives from the United States taken from the USAID Greenbook (*US military*).¹⁶ We would like to include this as a dyadic measure, however military assistance data are only available for the United States. As a proxy for overall military importance, we include these figures for US military aid as a control for all donors, given the alliance ties between OECD donor countries. However, we recognize that this is an imperfect measure for donors other than the United States.

4 Statistical Analysis

Our results are reported in Tables 1, 2, 3, and 4. All equations are estimated using a Tobit modeling specification with left censoring at zero and robust standard errors clustered on dyad. A Tobit model was chosen because about one-third of the observations on foreign

¹⁵Most recent version of the data and the codebook are available at <http://www.prio.no/CSCW/Datasets/Armed-Conflict/>. Version 4-2007 was used for coding in this analysis; civil wars are defined as a type 3 or 4 war in the data.

¹⁶Available online at www.usaid.gov; data are in constant dollars and were extracted November 2009.

aid commitments (the dependent variable) have a value of zero. This is mainly driven by smaller aid donors, such as Portugal or Norway, which tend to focus their aid on relatively few recipients. Large aid donors such as the United States or Japan tend to give aid to almost every recipient in almost every year.¹⁷ We include an indicator variable for the cold war that is one before 1990 and a time trend variable (*Year*) to ensure that any observed pattern between aid and the independent variables is not caused by a common trend over time. We also include a set of donor specific dummy variables to control for unmeasured and time-invariant factors—such as political culture or historical experiences—in donor countries that may influence the allocation of foreign aid.¹⁸

We begin the analysis in Table 1 which presents models estimated including all donors, and separately for major powers and other donors (minor powers). In models one through three of Table 1 we use the measure of donor government partisanship from the Comparative Political Data Set (Donor Right Government) while in models four through six we use a measure based on the Comparative Manifestos Project (Government Ideology). In each case higher values are associated with more conservative positions. When looking at all donors (Models 1 and 4) it appears that right governments give less aid, consistent with some existing empirical work.

In our first hypothesis we argue that the impact of ideology on aid flows will be different in major powers than in other donors. To test this, we run separate analyses in Models 2 and 3. The results of these models show that the role of ideology in foreign aid

¹⁷It is possible to view these zeros as either censored values or corner solutions. In either case, standard ordinary least squares estimation will lead to inconsistent estimates of the parameter values (Wooldridge, 2002).

¹⁸The use of fixed-effects in non-linear models, such as Tobit, can lead to incidental parameter problems resulting in bias and incorrectly estimated standard errors. However, in the case of Tobit models, Greene (2004) uses Monte-Carlo simulations to show that the bias problem is surprisingly negligible and problems with precision estimates decline rapidly with panels longer than $T=5$ and with the frequency of censored observations.

differs based on donor characteristics. More conservative governments in major donors, all else equal, commit to larger amounts of total foreign aid (Model 2). This result is not driven by the US: when the US is dropped from the analysis (not shown) the result holds (coefficient on Right Government is 0.005; $p=0.07$). The pattern is not sensitive to excluding Japan and Germany as major powers before 1991 (the date at which the COW begins coding them as major powers; coefficient is 0.006; $p < 0.01$). The relationship between right government and aid in major powers also holds in Model 5 using our alternative measure of government ideology. The opposite is true, on average, for non-major power donors: more conservative governments give less aid in both Model 3 and Model 6. This suggests that failure to account for the difference between major powers and other aid donors has contributed to the disparate findings in the literature regarding the role of ideology in determining aid flows, as various studies analyze different donors or sets of donors.

It is interesting to note that recipient characteristics also play a significant role in explaining dyadic patterns of aid allocation. For all donors dyadic aid is increasing in bilateral trade and colonial heritage. Democratic recipients receive more foreign aid as do those that are poorer, have experienced natural disasters or that have large populations. The impact of distance on aid varies across major powers and other donors: major powers appear to use aid to project influence in areas further away, whereas other donors focus efforts closer to home.

The results in Table 1 support our hypothesis that the partisan influence on foreign aid commitments differs depending on the standing of the donor in the international community. However, our dyadic analysis is uniquely situated to investigate whether parties respond differently to dyadic considerations when allocating foreign aid. To that end, in Tables 2 through 4 we estimate a series of models interacting government partisanship

	All Donors Model 1	Major Powers Model 2	Other Donors Model 3	All Donors Model 4	Major Powers Model 5	Other Donors Model 6
Donor Right Government	-0.004*** (0.01)	0.007*** (0.00)	-0.013*** (0.00)			
Government Ideology (Tavits)				-0.011* (0.07)	0.022*** (0.00)	-0.030*** (0.00)
Income	-3.211*** (0.00)	-1.668*** (0.00)	-4.073*** (0.00)	-3.301*** (0.00)	-1.727*** (0.00)	-4.220*** (0.00)
Population	0.270*** (0.00)	0.323*** (0.00)	0.333*** (0.00)	0.208** (0.02)	0.253** (0.02)	0.269** (0.03)
Disaster	0.154*** (0.00)	0.084*** (0.00)	0.193*** (0.00)	0.161*** (0.00)	0.091*** (0.00)	0.200*** (0.00)
Refugees	0.118*** (0.00)	0.107*** (0.00)	0.138*** (0.00)	0.121*** (0.00)	0.118*** (0.00)	0.139*** (0.00)
Civil War	-0.069 (0.71)	-0.191 (0.44)	-0.161 (0.50)	-0.039 (0.84)	-0.119 (0.64)	-0.147 (0.56)
Trade	0.368*** (0.00)	0.283*** (0.00)	0.353*** (0.00)	0.374*** (0.00)	0.293*** (0.00)	0.360*** (0.00)
Immigrants	0.789*** (0.00)	0.090 (0.22)	1.159*** (0.00)	0.792*** (0.00)	0.088 (0.25)	1.175*** (0.00)
Distance	-0.290 (0.12)	0.803*** (0.00)	-0.825*** (0.00)	-0.209 (0.28)	0.882*** (0.00)	-0.754*** (0.00)
Democracy	0.172*** (0.00)	0.100 (0.19)	0.259*** (0.00)	0.163*** (0.01)	0.092 (0.25)	0.253*** (0.00)
US Military	0.164*** (0.00)	0.197*** (0.00)	0.159*** (0.00)	0.178*** (0.00)	0.208*** (0.00)	0.175*** (0.00)
Colony	2.667*** (0.00)	2.990*** (0.00)	5.176*** (0.00)	2.660*** (0.00)	2.986*** (0.00)	5.298*** (0.00)
Cold War	1.447*** (0.00)	0.105 (0.53)	2.271*** (0.00)	1.437*** (0.00)	0.153 (0.37)	2.139*** (0.00)
Donor Banking Crisis	-0.369** (0.01)	-0.112 (0.53)	-0.236 (0.25)	-0.361** (0.01)	-0.209 (0.29)	-0.197 (0.33)
Donor Unemployment	-0.141*** (0.00)	-0.112** (0.01)	-0.147*** (0.00)	-0.136*** (0.00)	-0.111** (0.01)	-0.139*** (0.00)
Year	0.205*** (0.00)	0.057*** (0.00)	0.301*** (0.00)	0.211*** (0.00)	0.058*** (0.00)	0.295*** (0.00)
Constant	-392.214*** (0.00)	-103.015*** (0.00)	-575.967*** (0.00)	-404.518*** (0.00)	-106.231*** (0.00)	-565.571*** (0.00)
Sigma	7.768*** (0.00)	4.971*** (0.00)	8.954*** (0.00)	7.858*** (0.00)	5.048*** (0.00)	9.090*** (0.00)
N	76646	19655	56991	70777	18322	52455

Table 1: **Donor Ideology and Dyadic Aid Flows, 1980-2007.** The dependent variable is the log of (one plus) aid commitments from the donor to the recipient; the unit of analysis is a dyad-year. Tobit estimation with standard errors clustered on dyad; p-values in parentheses. Donor indicator variables included but not shown. *Significant at the 10 percent level. **Significant at the 5 percent level. ***Significant at the 1 percent level.

with various measures of dyadic relationships between donor and recipient. We then show the substantive effects of these interaction terms graphically for both major powers and other donors.

In Table 2 we add an interaction term between Donor Right Government and the log of US military assistance and estimate the model for all donors, major powers, and other donors. In each model the straight effect of US military assistance on aid flows is positive, meaning that when there are no cabinet members from right-wing political parties there is still an important role for US military assistance in determining aid flows. This suggests that to some extent military importance is a key factor in understanding aid flows with any type of government in power. However, in major powers the interaction effect between US military assistance and Right Government is positive and significant, suggesting that these militarily important recipients receive even more aid when a right party holds more cabinet positions. The same is not true for other donors, where the interaction has no effect. This is consistent with right governments in major powers reallocating aid toward strategically important states; right governments in other donors do not need to reallocate aid - they cut it as seen in Table 1 above.

The results in Table 3 show a similar pattern. Again we include an interaction between a variable of interest, Colony, and Donor Right Government. The effect of colonial status on aid flows when left parties control all cabinet seats (Donor Right Government equals zero) is positive and significant in all models. However, only for major powers is there an extra boost for colonies as the cabinet becomes more right-wing.

Table 4 shows the results for a similar exercise performed by interacting distance with right government. In this case, the impact of distance with all left governments (Donor Right Government equals zero) is not the same across sub-samples: major power governments controlled by the left do not respond to distance, whereas other donors give

	All Donors	Major Powers	Other Donors
	b/p	b/p	b/p
Donor Right Government	-0.004 (0.16)	-0.003 (0.49)	-0.008** (0.02)
Right*US Military	0.000 (0.89)	0.001*** (0.00)	-0.000* (0.09)
Income	-3.211*** (0.00)	-1.662*** (0.00)	-4.073*** (0.00)
Population	0.270*** (0.00)	0.329*** (0.00)	0.332*** (0.00)
Disaster	0.154*** (0.00)	0.084*** (0.00)	0.193*** (0.00)
Refugees	0.118*** (0.00)	0.104*** (0.00)	0.138*** (0.00)
Civil War	-0.069 (0.71)	-0.193 (0.43)	-0.159 (0.51)
Trade	0.368*** (0.00)	0.282*** (0.00)	0.353*** (0.00)
Immigrants	0.789*** (0.00)	0.084 (0.26)	1.158*** (0.00)
Distance	-0.291 (0.12)	0.761*** (0.00)	-0.826*** (0.00)
Democracy	0.172*** (0.00)	0.110 (0.15)	0.257*** (0.00)
US Military	0.163*** (0.00)	0.145*** (0.00)	0.175*** (0.00)
Colony	2.668*** (0.00)	3.035*** (0.00)	5.175*** (0.00)
Cold War	1.447*** (0.00)	0.121 (0.47)	2.270*** (0.00)
Donor Banking Crisis	-0.370** (0.01)	-0.144 (0.40)	-0.238 (0.25)
Donor Unemployment	-0.141*** (0.00)	-0.104** (0.02)	-0.147*** (0.00)
Year	0.205*** (0.00)	0.056*** (0.00)	0.301*** (0.00)
Constant	-392.171*** (0.00)	-101.679*** (0.00)	-576.243*** (0.00)
Sigma	7.768*** (0.00)	4.963*** (0.00)	8.953*** (0.00)
N	76646	19655	56991

Table 2: **Ideology and Military Importance** The dependent variable is the log of (one plus) aid commitments from the donor to the recipient; the unit of analysis is a dyad-year. Tobit estimation with standard errors clustered on dyad; p-values in parentheses. Donor indicator variables included but not shown. *Significant at the 10 percent level. **Significant at the 5 percent level. ***Significant at the 1 percent level.

	All Donors b/p	Major Powers b/p	Other Donors b/p
Donor Right Government	-0.005*** (0.00)	0.003 (0.17)	-0.013*** (0.00)
Right*Colony	0.026*** (0.00)	0.022*** (0.00)	0.005 (0.74)
Income	-3.209*** (0.00)	-1.674*** (0.00)	-4.072*** (0.00)
Population	0.270*** (0.00)	0.318*** (0.00)	0.333*** (0.00)
Disaster	0.155*** (0.00)	0.084*** (0.00)	0.193*** (0.00)
Refugees	0.120*** (0.00)	0.113*** (0.00)	0.138*** (0.00)
Civil War	-0.075 (0.69)	-0.207 (0.40)	-0.161 (0.50)
Trade	0.366*** (0.00)	0.279*** (0.00)	0.353*** (0.00)
Immigrants	0.794*** (0.00)	0.099 (0.18)	1.158*** (0.00)
Distance	-0.281 (0.13)	0.804*** (0.00)	-0.824*** (0.00)
Democracy	0.167*** (0.00)	0.084 (0.27)	0.259*** (0.00)
US Military	0.165*** (0.00)	0.199*** (0.00)	0.159*** (0.00)
Colony	1.595*** (0.00)	1.892*** (0.00)	5.078*** (0.00)
Cold War	1.460*** (0.00)	0.194 (0.25)	2.272*** (0.00)
Year	0.208*** (0.00)	0.064*** (0.00)	0.301*** (0.00)
Donor Banking Crisis	-0.357** (0.01)	-0.058 (0.74)	-0.236 (0.25)
Donor Unemployment	-0.150*** (0.00)	-0.146*** (0.00)	-0.147*** (0.00)
Constant	-398.071*** (0.00)	-117.576*** (0.00)	-576.094*** (0.00)
sigma	7.765*** (0.00)	4.962*** (0.00)	8.954*** (0.00)
N	76646	19655	56991

Table 3: **Ideology and Former Colonial Status** The dependent variable is the log of (one plus) aid commitments from the donor to the recipient; the unit of analysis is a dyad-year. Tobit estimation with standard errors clustered on dyad; p-values in parentheses. Donor indicator variables included but not shown. *Significant at the 10 percent level. **Significant at the 5 percent level. ***Significant at the 1 percent level.

more aid, on average, to closer countries. This is consistent with the different coefficients on distance in Table 1. However, the interaction between right government and distance is positive and significant for major powers, suggesting that right governments in major powers allocate aid to project influence to more distant areas.

4.1 Substantive Effects Discussion

Because tobit models are not a linear function of regressors the interpretation of interaction effects is not straightforward as in the case of standard Ordinary Least Squares regression. In order to interpret the interactions we calculate substantive effects using the following procedures. First, we set all control variables at their sample means. Second, we generate simulated values of the Donor Right Government variable and the strategic variable of interest: US military assistance, status as a former colony, and distance from donor. For simulated values we select the 5th, 25th, 50th, 75th, and 95th sample percentiles of the Donor Right Government variable and the 10th and 90th percentiles of the strategic variable (or 0 and 1 if a dichotomous variable). Next, the value of the interaction term for these simulated quantities is created. After fixing the donor fixed effects to the omitted category (this is arbitrary) we predict values of the dependent variable conditional on these simulated values of our explanatory variables. We construct 95% confidence intervals based upon each model's clustered standard errors. Each figure plots the predicted (log of) aid commitments (y-axis) as a function of *Donor Right Government* (x-axis) and the high/low values of the strategic variable.¹⁹

Figure 1 present results for the model interacting partisanship with US military aid. The graph for major powers (right-hand side) shows that those countries receiving large

¹⁹We note that the following results are robust to exclusion of the other variables used to measure strategic importance. For example, the strong interactions we observe in major powers for colonial status and right government hold even when we do not control for military assistance and distance.

	All Donors	Major Powers	Other Donors
	b/p	b/p	b/p
Donor Right Government	-0.015 (0.57)	-0.095** (0.02)	0.071** (0.03)
Right*Distance	0.001 (0.66)	0.012** (0.01)	-0.010*** (0.01)
Income	-3.211*** (0.00)	-1.669*** (0.00)	-4.073*** (0.00)
Population	0.270*** (0.00)	0.318*** (0.00)	0.333*** (0.00)
Disaster	0.155*** (0.00)	0.088*** (0.00)	0.193*** (0.00)
Refugees	0.118*** (0.00)	0.103*** (0.00)	0.138*** (0.00)
Civil War	-0.068 (0.72)	-0.185 (0.45)	-0.166 (0.49)
Trade	0.368*** (0.00)	0.283*** (0.00)	0.351*** (0.00)
Immigrants	0.789*** (0.00)	0.093 (0.23)	1.163*** (0.00)
Distance	-0.337 (0.12)	0.274 (0.43)	-0.515* (0.06)
Democracy	0.173*** (0.00)	0.106 (0.17)	0.258*** (0.00)
US Military	0.164*** (0.00)	0.195*** (0.00)	0.159*** (0.00)
Colony	2.670*** (0.00)	2.972*** (0.00)	5.066*** (0.00)
Cold War	1.453*** (0.00)	0.051 (0.76)	2.187*** (0.00)
Donor Banking Crisis	-0.364** (0.01)	-0.081 (0.65)	-0.291 (0.16)
Donor Unemployment	-0.142*** (0.00)	-0.109** (0.01)	-0.144*** (0.00)
year	0.205*** (0.00)	0.053*** (0.00)	0.295*** (0.00)
Constant	-392.523*** (0.00)	-91.304*** (0.00)	-567.719*** (0.00)
Sigma	7.768*** (0.00)	4.964*** (0.00)	8.951*** (0.00)

Table 4: **Ideology and Distance** The dependent variable is the log of (one plus) aid commitments from the donor to the recipient; the unit of analysis is a dyad-year. Tobit estimation with standard errors clustered on dyad; p-values in parentheses. Donor indicator variables included but not shown. *Significant at the 10 percent level. **Significant at the 5 percent level. ***Significant at the 1 percent level.

amounts of US military assistance receive a larger amount of aid as the composition of the government becomes more right-wing (the dark line moving from left to right on the x-axis); countries receiving relatively little US military assistance (at tenth percentile) receive less foreign aid as the right occupies more cabinet positions though this decline is small. This shows the reallocation of aid toward militarily important recipients when the right is in control of government in major powers. The opposite is true for minor powers. For recipients that receive high or low amounts of military aid, an increasingly right government leads to modest declines in aid.

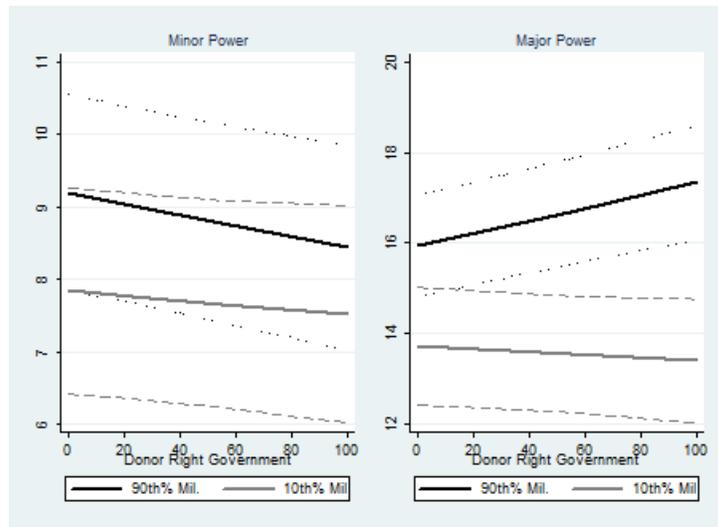


Figure 1: Aid commitments as a function of recipient military aid receipts and donor government partisanship.

Figure 2 present results for the model interacting partisanship with whether a recipient is a former colony. In major power donors (right hand side), there appears to be no difference in the amount of aid left and right donor governments give to non-former colonies (a relatively flat grey line). However, when a recipient is a former colony it receives significantly more aid from the donor as the cabinet composition trends to the right. This increase is quite large moving from the 10th to 90th percentile of the sample's partisanship variable. In minor powers this relationship does not exist. While former

colonies get more aid on average, changes in the donor’s partisan orientation only has a small negative effect on both former colonies and non-former colonies. This negative relationship is slightly stronger for former colonies.

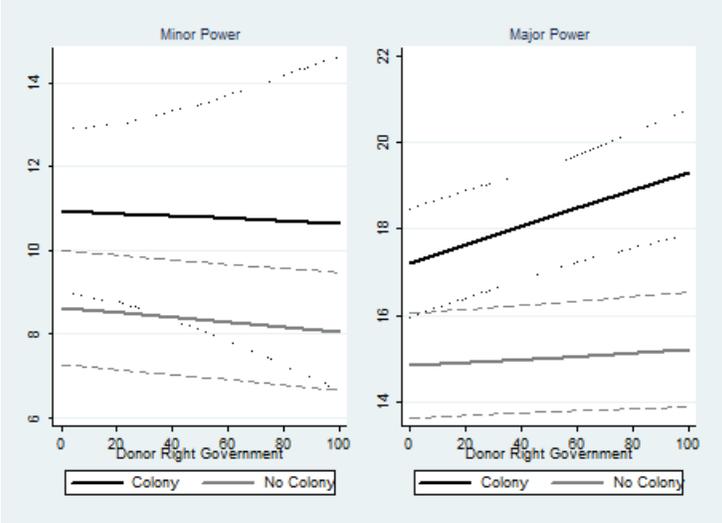


Figure 2: Aid commitments as a function of recipient former colony status and donor government partisanship.

Figure 3 present results for the model interacting partisanship with distance from the donor. In this case right governments in major powers give more aid to recipients that are further away, suggesting that these governments use aid to project influence over long distances. Conversely, for countries closer to the major power donor, increasingly right governments lead to moderate declines in aid. In minor powers, where right governments give less aid overall, they appear to disproportionately cut from more distant recipients, suggesting that the interaction between ideology and distance is in the opposite direction for major and minor powers. Furthermore, aid commitments to countries further away are closer than countries that are further away irrespective of the government’s partisanship.

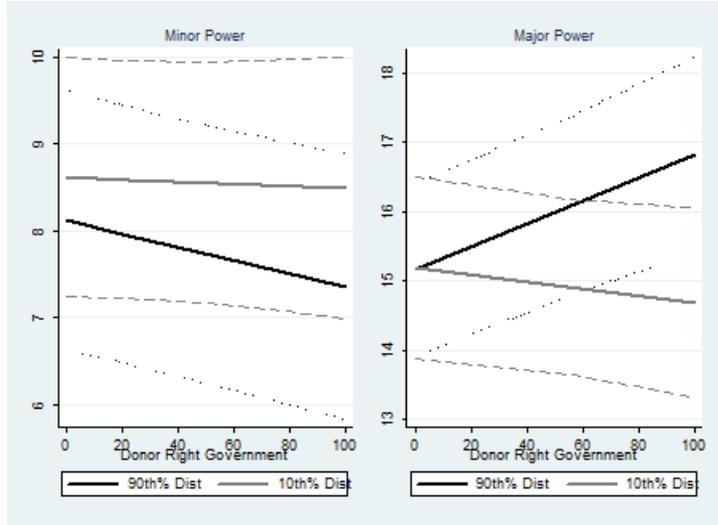


Figure 3: Aid commitments as a function of recipient distance from donor and donor government partisanship.

5 Conclusion

There is considerable reason to believe that a country’s position in the international system has an impact on its foreign policy agenda. We analyze this in the case of foreign aid. Smaller donors can free-ride on the security and development externalities produced by major power donors. This, in turn, frees up smaller countries to pursue more humanitarian and development goals with aid. As the purposes of aid thus vary across donors, we should expect the role of government ideology to operate differently in countries depending on their relative power in the international system.

We provide evidence of significant differences for the role of ideology in determining aid policy that are associated with the donor’s status as a major or minor power. In major powers, where strategic goals are disproportionately important in aid policy, right and left governments give similar amounts of aid. In other donors, where aid represents more of a welfare transfer from donor to recipient, right governments cut aid budgets. However, we also find that the right and left do allocate aid differently in major powers,

with right governments reallocating aid toward more strategically important recipients. Thus, the right is consistent across donors in decreasing the use of aid for development: in minor powers it does so by cutting aid; in major powers by reallocating it for strategic purposes.

Previous studies of the relationship between aid and ideology have focused on domestic politics in individual donor countries or have looked at levels of generosity across multiple donors. While important steps, we believe that it is fundamentally important to recognize that donors as disparate as Japan and Switzerland, or the United States and Denmark, will pursue different foreign policy agendas with aid. This, in turn, influences the preferences of left and right regarding aid within the country.

The theory and evidence presented here might call for a slightly different interpretation of the more “altruistic” orientation often attributed to many small aid donors - such as Sweden, Switzerland, Norway, and Denmark - when compared to major players such as the US, UK, and Japan. This analysis suggests that one reason small donors are free to pursue such goals is because of their ability to free-ride on the externalities provided by more strategic donors. Thus the strategic priorities advanced by the aid of major powers may create the policy space for minor powers to advance a more humanitarian agenda, a promising area for future research.

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