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United States Economic Aid and Repression:

The Opportunity Cost Argument*

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ABSTRACT: The United States explicitly ties its foreign economic aid to respect for human rights by recipient countries. The United States is also the world's largest aid donor. It is therefore surprising that no link has been established between US economic aid and greater respect for human rights abroad. I change this by arguing that US aid policies do affect human rights records but in an indirect way. Repressive leaders foregoing substantial amounts of US aid because of their human rights policies are also the leaders most likely to increase their respect for human rights in the future. I calculate the opportunity costs of human rights abuse, in part, by estimating a two-stage model with selection that simultaneously assesses the decision to grant aid and the amount of aid disbursed to each country. By modeling the process this way, I am able to demonstrate that human rights concerns affect only the decision to grant aid; need determines the amount of aid given after recipients are selected. I then use predicted aid amounts from the selection model to determine the likelihood and amount of aid for each country-year that was not selected to receive aid. These estimated opportunity costs correlate strongly with increases in human rights for "partly free" states.

The United States explicitly ties its foreign economic aid to respect for human rights by recipient countries. The United States is also the world's largest aid donor; for example, US development assistance totaled almost US\$19 billion in 2004, more than double the aid given by Japan, the next highest donor.¹ Though not by any means a large portion of the US gross domestic product or even the annual US national budget, development assistance from the United States does matter globally and does reflect a sizeable share of the annual budget for many developing countries. It is therefore surprising that no link has been established between US economic aid and greater respect for human rights abroad. Indeed, the few systematic examinations of the effects of US economic aid on human rights have generated either statistically insignificant results or results that were substantively insignificant when compared with other factors (Regan, 1996; Meyer, 1997; Goldsmith, 2001; Dunning, 2004).

Part of the problem establishing a link between US aid and repression has been a question of research design. The language of US legislation preventing aid flows to repressive countries affects the decision to grant aid, not the overall amount given, so studies focusing on changes in the amount of aid have already missed the effects of US gate-keeping. But this selection effect only emphasizes a more important, underlying way in which US aid policy affects the decision making of foreign leaders – the availability of US aid for non-repressive countries makes repressive policies more costly for non-recipient countries too.

The opportunity cost logic is simple. Since the amount of US economic aid to all countries is published annually, foreign leaders are quite aware of the monies lost due to repressive human rights practices. With this information so readily available, it seems

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likely that foreign leaders will also consider the possibility of lost aid when evaluating various policies for maintaining or strengthening their hold on power. In fact, foreign leaders are probably fairly sensitive to these costs of repression, so when any leader believes that the total amount of lost US monies outweighs the benefits of repressing human rights, positive changes in human rights policies are likely to occur.

To assess this logic, I use the largest dataset of potential recipient countries to date, with a sample that includes 152 countries over 29 years. This study is also novel since it is the first time that the effects of human rights abuse on US decisions to grant aid and the overall amount of support are assessed jointly. By modeling the process this way, I find that human rights policies of potential recipient countries do matter, but only in the selection of which countries receive aid. Once a decision to grant aid has been made, the total amount of monies disbursed is based almost exclusively on need. These findings may therefore help resolve the ongoing debate over whether the United States takes human rights concerns seriously in its foreign economic aid policy (see Schoultz 1981a, 1981b, 1982; Stohl, et al 1984; Cingranelli and Pasquarello 1985; Carleton and Stohl 1987; McCormick and Mitchell 1988, 1989; Poe 1991, 1992; Poe and Sirirangsi 1994; Apodaca and Stohl 1999; Neumayer 2003). More directly for my argument, I find that US aid does positively affect human rights policies abroad.

I begin in the next section with a discussion of the literature on US economic aid and its connection to human rights abuses abroad. I then describe why the opportunity cost of abuse is such an important concept for this literature. Finally, I describe the construction of a measure of opportunity costs in this context, and I use this measure to demonstrate the effects of US economic aid on respect for human rights.

US ECONOMIC AID POLICIES AND CONCERN FOR HUMAN RIGHTS

Gradual amendments to the 1961 Foreign Assistance Act have overtly and increasingly linked United States foreign economic aid policy to the observation of human rights norms by recipient countries. Congressional oversight probably reached its peak in response to American involvement in the 1973 military overthrow of the president of Chile and other US foreign policy actions during the mid-1970s. Indeed, over 20 pieces of legislation specifying human rights concerns as determinants of foreign aid policy were passed in the three years between 1976 and 1979 alone (Cingranelli and Pasquarello, 1985). Strong oversight of aid disbursements continued in the 1980s and 1990s as executive branch policies became associated with the training and support of repressive dictatorships in Central and South America, covert operations in Africa, and most notably, the Iran-Contra Affair.

The explicit linkage of US aid policy and human rights is probably best represented in the language of the 2003 Millennium Challenge Act. This law conditioned the distribution of US aid to a host of specific indicators for human rights in potential recipient countries, and chief among these indicators were scores on Freedom House measures of civil liberties and political rights (see Section 102 of Millennium Challenge Act of 2003).² Implementation of the law is relatively straightforward. The Millennium Corporation, which was created by the act, sets aside monies to be distributed by the US Agency for International Development (USAID) to select “threshold” countries, once those countries pass agreed upon requirements for civil liberties and political rights. For example, six threshold countries were named for 2005: Burkina Faso, Guyana, Malawi,

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Paraguay, Philippines and Zambia. These countries entered into bilateral agreements with the United States that use “concept papers” to detail specific reforms necessary to receive the allocated aid, and then the progress on the reforms outlined by the concept papers is tracked until the human rights targets are reached. Throughout the reform process, USAID disburses monies in a designated sequence, timed to match the achievement of each reform target.

This legislation and these policies are consistent with the most recent joint strategic plans of the US State Department and the USAID. According to these goals, the United States remains committed to promoting basic human rights such as “the rule of law, limits on the absolute power of the state, free speech, freedom of worship, freedom of association, equal justice, respect for women, and respect for private property” – for the inherent value of human rights and for how human rights service American interests in a more stable world.³

But while the United States explicitly links foreign economic aid disbursements to concerns for human rights, scholars have not been able to demonstrate this linkage in practice (see Schoultz 1981a; 1981b; 1982; Stohl, et al., 1984; Cingranelli and Pasquarello, 1985; Carleton and Stohl, 1987; McCormick and Mitchell, 1988; 1989; Poe 1991; 1992; Poe and Sirirangsi, 1994; Apodaca and Stohl, 1999; Neumayer, 2003).

The dominant approach in this literature has focused on differences across presidential administrations, but these analyses often generate indeterminate results, finding no significant differences between the Nixon, Carter, and Reagan administrations, presidencies that obviously vary widely in both ideological and foreign policy preferences. Even the most recent research reveals little, if any, consistent role for

human rights concerns in United States economic aid disbursements. Neumayer (2003), for example, demonstrates that human rights concerns only marginally influence United States policymakers in bilateral aid decisions, and even in multilateral distributions, the overall effects of human rights concerns are negligible. It would seem, then, that the United States does not appear to weigh human rights concerns in its decision-making processes, but this conclusion may be unwarranted for at least two reasons.

First, most studies of human rights and US foreign economic aid analyze only a subset of potential recipient countries. The earliest work was often limited due to data availability and attended primarily to aid disbursement to Latin American countries (Schultz 1980; 1981a; 1981b; Stohl et al., 1984; Cingranelli and Pasquarello, 1985; Carleton and Stohl, 1987; McCormick and Mitchell, 1988). Since these early efforts, there has been a conscientious attempt to expand samples to include all recipient and potential recipient countries. For example, Poe (1991; 1992) compared Latin American countries with a random sample of all countries in the international system, and this trend has continued with the most recent study examining 140 countries over 19 years (Apodaca and Stohl, 1999). However, no study has analyzed a dataset as large as the 152-country, 29-year sample employed here.

A second concern for this literature is that, while many recognize that aid distributions follow a two-step process – the decision to grant aid followed by decisions over the amount disbursed – few studies actually model these processes separately, and none, at least to my knowledge, considers the possibility of interdependence across these processes. Instead, many studies examine either the gate-keeping stage or the disbursement stage (Schultz 1980, 1981a, 1981b; Stohl et al 1984; Poe 1991), while

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those who examine both stages estimate the effects of aid predictors with two independent equations (Cingranelli and Pasquarello 1985; Carleton and Stohl 1987; McCormick and Mitchell 1988; Poe 1992; Poe and Sirirangsi 1994; Apodaca and Stohl 1999). These approaches can be problematic if the two processes are linked, and it seems reasonable to think that the decisions are indeed interdependent. For example, the poorest countries may need and often receive aid regardless of the repressive policies of their leaders, so there may be instances when the amount of aid needed would dominate any concerns over repression at the selection stage (see Apodaca and Stohl, 1999: 188).

Of course, even if the two processes are indeed independent, a selection model would still be more efficient. Analyses that include an abundance of non-recipient states with aid distributions as the dependent variable introduce a large number of cases that are non-randomly set at zero aid dollars. This type of model misspecification produces biased variances and inflates the standard errors, which could be one reason why many studies find no statistically significant effect for human rights on disbursed aid.⁴

THE EFFECTS OF US ECONOMIC AID POLICIES ON REPRESSIVE COUNTRIES

While many have examined whether the US considers human rights abuses in the distribution of its economic aid, little attention has been given to the effectiveness of this policy on raising levels of human rights respect abroad. In one of the first systematic investigations into this question, Regan (1995: 624) found that “the effectiveness of U.S. economic aid as a tool to shape the human rights policies of the recipient countries has been virtually nil.” Using a sample of 32 developing countries from Asia and Latin

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America, Regan's study demonstrated no relationship between changes in US economic aid levels and changes in human rights.

In a similar study focused on changes in human rights, Meyer (1996) confirmed Regan's findings. For two years of data, Meyer found that US economic aid was either statistically insignificant (1985) or inconsistent and weak (1990) in predicting human rights levels in approximately 50 recipient countries. In both the Regan and the Meyer studies, economic development proved to be the only consistently strong predictor of respect for human rights in each sample of countries. Of course, the level of development could be an intervening variable linking aid to changes in human rights, but there exists scant evidence that US aid, or even foreign aid more generally, can consistently increase economic development (Easterly, 2001).

While instructive, these studies miss an important way in which US economic aid can affect the behavior of foreign leaders. If political repression is a rational decision made by leaders wishing to remain in power (Duvall and Stohl, 1988; Gurr, 1986; Davenport, 1997; 1999; Poe, 2004), then any factor that increases the relative cost of oppression should have an effect on the decision calculi of the leader. The opportunity cost of lost US economic aid is one such factor.

The opportunity cost of any decision is the cost of foregoing the next best choice. In the international relations literature, opportunity costs are often explained using the trade-off between guns and butter – producing more guns necessitates a reduction in the production and benefits of butter. In an example more relevant to the human rights literature, consider a leader who has a choice between repressing a separatist group of citizens and placating the same separatists with a grant of limited autonomy. The

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opportunity costs of repression in this situation would then include the lost benefits of a policy of limited autonomy. Since the United States considers repression in decisions to grant aid, lost US aid monies would be one of the opportunity costs associated with repression of the separatists.

It follows that, *ceteris paribus*, potentially repressive leaders have strong monetary incentives to find measures other than repression to maintain their hold on power; however, the likelihood of receiving US economic aid is not evenly distributed across all countries. Strategic interest, proximity to the United States and overall need are among the factors that control the likelihood of receiving aid (Apodaca and Stohl, 1999), and foreign leaders should discount any potential aid gains consistent with these indicators. Thus, countries outside American strategic and geographic interests, and the wealthier of the developing countries, are less likely to receive US aid, rendering these countries less prone to the opportunity costs of repression. Costs are highest, and human rights changes are most likely, in poorer countries nearer the United States, both geographically and politically.

Note that this framework can easily incorporate recent arguments that aid conditionality is the primary mechanism controlling state-level change. For example, Dunning (2004) demonstrates that the modest, statistically significant relationship between official developmental assistance and democratization in sub-Saharan Africa since 1977 (Goldsmith, 2001) is primarily relegated to changes that took place in the years following the dissolution of the Soviet Union. Dunning contends that bipolarity during the Cold War diminished the ability of US leaders to credibly condition aid

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disbursements on liberalization since client states in the region were actively courted by both superpowers.

This credible commitment story can also be understood as an opportunity cost argument. The credibility of any commitment is a probability, and Cold War geo-strategic positioning is but one factor affecting that probability function. Leaders of Soviet client states would heavily discount the likelihood of receiving US economic aid, just as West-leaning leaders would question the ability US leaders have to withdraw their support. As strategic interests in a region increase, leaders of other countries will appropriately alter their expected probabilities of receiving US economic aid, and this, in turn, will condition their domestic-level policies. The opportunity cost argument thus subsumes geo-strategic interests within a broader framework of aid likelihoods, and I discuss all these factors in the next section as I develop the opportunity cost measure.

MEASURING THE OPPORTUNITY COSTS OF REPRESSION

I calculate this cost of human rights abuse in a relatively straightforward manner.⁵ First, I estimate the probability of receiving aid from the United States, given the current human rights record of each state and conditional on several factors previously linked to US foreign economic aid decisions. I then compare this probability to the increased probability of each state receiving US aid if repression were to decrease in that particular state. The difference in these probabilities multiplied by the net

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expected US aid, based solely on economic need, is the total opportunity cost of human rights abuses. This relationship is described in Figure 1.

*****FIGURE 1 ABOUT HERE*****

US foreign economic aid is highly correlated with the overall need of the recipient states; this is represented by the straight line graph of expected aid (Y_{Expected}) in Figure 1. However, the link to respect for human rights may suppress the total amount of aid disbursed, even to the point of eliminating aid disbursements entirely. Therefore, the difference between actual monies disbursed, which is observed (Y_{Observed}), and the expected monies disbursed (Y_{Expected}), is the opportunity cost in lost aid of human rights abuse, controlling for other factors. Large differences between expected and actual US foreign economic aid disbursements should strongly and positively affect human rights behavior, if my argument holds.

Of course, I also argue above that the decision to grant aid and the total amount of aid disbursed are governed by related but not completely similar processes. In other words, the factors that control the decision to grant aid to a state can also dampen or inflate the total monies eventually disbursed. I control for this possibility by estimating aid disbursements in two stages. First, the decision to grant aid by the United States is a dichotomous decision of either granting or withholding aid; this stage is then linked in the second stage to a continuous (from zero to infinity) function of total monies disbursed. I use a Heckman model with selection to estimate these stages jointly, with the first stage fitted to a probit function while the level of aid for selected countries is estimated using Ordinary Least Squares (OLS). I describe these calculations in detail below.

The Decision to Grant Aid

I measure economic aid disbursements using the United States Agency for International Development's (USAID) *Greenbook* data. For the selection model, I also create a dummy variable for all states given aid in each year. This dataset yields a sample that includes yearly data for 160 countries in the international system from 1971-2000, and I estimate the model on all non-G8 countries (152 countries in all).

Human Rights Record. The key variable of interest for this study is obviously the human rights record of each country, and I operationalize this concept using Freedom House's *Freedom in the World* reports. I use a composite index of two ordinal scales for political rights and civil liberties given by Freedom House.⁶ The index captures participation rights and individual autonomy from the state – concepts such as intellectual sovereignty and freedom of conscience – and the composite scale ranges from 2 to 14. Higher values reflect higher degrees of repression of both political participation and civil liberties, while lower scores reflect greater respect for human rights. I invert this scale in the analyses that follow to ease the interpretation of the results.

Several criticisms of the Freedom House scores should be mentioned. Munck and Werkuilen (2002: 20-21) note that the scores often suffer from problems of cross-country validity and an inappropriate use of ordinal scaling. More importantly, a lack of transparency in the scoring procedures and outcomes has made it necessary for scholars to rely on Freedom House measures “largely on faith”. While some of this has been corrected with a change in coding procedures after 1989 (see Ryan, 1994), questions of internal consistency may persist. I therefore replicated all analyses using the updated Political Terror Scale (PTS), and multiple tests using the PTS dataset (available from the

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author) are substantively similar for the variables of interest, which makes sense considering the Freedom House data is highly correlated with the PTS dataset ($p=.51$; $p=.58$ with the State Department data only).⁷

Finally, I should also note that, while many scholars continue to use the Freedom House scores as indicators of democracy (see Dunning, 2004, for example), this use deviates substantially from the intention of the original coders, who envisioned their work as a scorecard comparable to the work of Amnesty International and not as an identifier of regime type. Indeed, as Davenport (2004: footnote 15) nicely describes, Freedom House scores capture, “an outcome of a political process and allows one to evaluate whether or not a particular nation is ‘free’ (i.e., not repressed in a negative rights manner). This does not capture the process by which one could achieve freedom, i.e., political democracy as conceived by Dahl, Schumpeter and others.”

Economic Need. I estimate the economic need of each country using two variables common to the economic aid literature. First, I use the GDP of each country, in millions of constant (1996) US dollars (Gleditsch, 2002), and I control for population size using the total population component of the Composite Index of National Capabilities dataset from the Correlates of War Project. Consistent with the literature on aid, I expect US economic assistance to generally flow to the poorest countries, holding security interests and other concerns constant.

Second, I include a variable from the World Bank that captures the average life expectancy of each country. Average life expectancy should serve as an accurate proxy for the health infrastructure and overall development of each country. I expect US aid to target low-life expectancy countries.

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National Security Interests. US aid decisions do not occur in a vacuum. Instead, decisions based on need are likely to be weighed against the geopolitical importance of a country and its overall relationship with the United States. Therefore, I include two controls to approximate the importance of each country to US near-term and long-term security interests.

First, I include the similarity of alliance portfolios as a proxy for the common long-term security interests of the United States and potential recipient countries. The S-measure accomplishes this by providing a correlation statistic that compares US alliance patterns to the alliance portfolios of each state in the sample. The S measure varies from -1 to 1, with -1 representing perfect portfolio dissimilarity and 1 representing perfect similarity. I expect that, the more similar the long-term security preferences of a state to those of the United States, the more likely that state is to receive US aid.

One advantage of the S measure is that it can measure the policy similarity between pairs of states using different types of data (Signorino and Ritter, 1999). Thus, my second measure also uses an S measure but substitutes Gartzke and Jo's (2002) UN voting records as the dataset used to calculate S. UN voting probably represents the most widely available data we have on the short-term interest similarities of states. Once again, I expect that, the more similar the preferences of a state to those of the United States, the more likely that state is to receive US aid.

Economic Concerns. I use the work of Gleditsch (2002) to measure the total volume of trade per year between the United States and each country in the sample. I include the sum total of all imports and exports shared between the United States and all other countries in the sample in millions of current US dollars. While poorer countries are

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unlikely to have large trading volumes with the United States, some level of trade may be necessary for the United States to take an interest in development. Extremely low levels of trade indicate isolation from US economic interests.

The trade volume variable is highly correlated with GDP, but its inclusion in the models does not alter the results of the human rights variable, the GDP variable or any other independent variable in the model. Inclusion of the GDP variable in each model also makes this variable, in effect, a proxy for the percentage share of each country's GDP attributable to the United States.

Other control variables. I include the total value of all development assistance granted to a country per year (in current US dollar values) as reported by the World Bank Group in *World Development Indicators*. Excluding the aid given by the United States provides the total non-US aid flows to each country. Multilateral assistance may have two possible effects. Either multilateral assistance could crowd out US monies, or other developmental assistance could highlight the need for additional US economic aid.

The second control is a lag variable for whether US aid was given in the previous year. Inertia is strong in any governmental process, but here it is especially important because initial decisions to grant aid are likely to receive closer scrutiny than decisions to renew aid disbursements.

The final set of control variables includes corrections for possible duration dependence. Included in each analysis is a variable for the years since US aid was last given to the country and the three splines of this count variable (Beck, Katz, and Tucker, 1998). The count variable is set to zero in 1970 for all states then in the international system. The count is also set to zero for the year each new state enters the system.⁸

The Decision of How Much Aid to Grant

In the outcome equation, I expect results similar to the selection model. All else equal, poor countries, those with low life expectancies, and those countries with close political and economic ties to the US, should receive larger amounts of US aid, and multilateral assistance will again either crowd out US monies or demonstrate need. The variable of interest, the human rights record of each state, is likely to be correlated with total monies disbursed; countries demonstrating greater respect for human rights should receive larger amounts of aid. Finally, to correct for problems of autocorrelation in the outcome equation, I add a one-year lag of US economic aid to the predictions of current US aid amounts; last year's aid amount is likely to be the best predictor of this year's aid.

The Effects of Human Rights Abuse on US Economic Aid Monies

Table 1 presents the results of the Heckman model estimating the total monies received by each country per annum. After missing data, the sample includes 1473 country years, of which 978 received economic aid from the United States.

*****TABLE 1 ABOUT HERE*****

The selection model of the aid equation suggests that my expectations were generally correct. The key variable of interest is the respect for human rights witnessed in each country, and consistent with its stated foreign policy, US aid is more likely to be disbursed to countries with positive human rights records. Also consistent with expectations, receiving US aid in the previous year strongly affects the likelihood of receiving aid in the current year. Poorer countries tend to receive aid, as do countries

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with lower life expectancy rates, and countries sharing similar long-term security interests to the United States also increase their chances of US aid. UN voting patterns do not affect the decision to grant aid in this model, but US aid decisions are consistent with multilateral decisions regarding developmental assistance.⁹

Quite interestingly, only three variables are statistically significant in the outcome model of the aid equation. Aside from the lagged dependent variable (amount of aid received in the last year), the per capita GDP of each country and the amount of multilateral developmental assistance are both positively related to total US aid monies disbursed. This suggests that while the selection of aid recipient countries is, in part, a strategic decision based on long-term foreign policy interests, human rights and economic need, once the selection of recipient countries is made, the total monies given by the United States is based on need alone. Of those countries selected to receive aid, poorer countries receive the most US economic aid.

These findings make sense since the US law forcing the consideration of human rights abuses in aid distribution controls whether a country receives aid, not how much aid the country receives. Therefore, repression has an effect only on the selection stage of the question. These results also provide some clues as to why previous studies have not been able to connect US economic aid policy with changes in the level of repression abroad. By focusing on how much US aid each country receives, or on changes in the amount of aid, researchers have missed the role of human rights at the selection stage. A country that receives aid has already passed all human rights policy conditions for receiving aid, therefore biasing the estimates of any connection between the amount of aid and human rights.

The *rho* for the joint estimation is almost 8 times its standard error and is therefore statistically significant at $p < 0.01$. This and the positive sign for *rho* imply that the processes affecting the selection of a recipient country are influenced by the amount of US aid likely to be disbursed. The two processes should be modeled jointly.

Measuring the Amount of Lost US Economic Aid Due to Human Rights Abuse

In the remaining sections I analyze the effects of lost US economic aid on the respect for human rights in potential recipient countries. If my argument is correct, increases in these lost monies should make it more costly for leaders to continue to abuse the human rights of their citizens. Thus, human rights records should improve when opportunity costs are high.

I use the results in the outcome model of the Heckman estimation to approximate the total amount of money lost by countries that did not receive US aid. The formula is straightforward. For every country that did not receive US aid, I multiply the actual per capita GDP of each country-year by the coefficient for per capita GDP (from Table 1). I then add this product to the products of the multilateral assistance received in each country-year multiplied by its coefficient and the lag of US aid received multiplied by its coefficient (also from Table 1). These three variables are the only statistically significant predictors of total US aid received, and the sum of the three products therefore constitute my estimate of the total amount of US aid a country would generally expect to receive, had it actually been selected by the United States to receive aid in that year.

The next step in calculating the opportunity cost of human rights abuse is the estimation of the change in probability of receiving US aid that would occur if the human

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rights record of the country improves. Suppose, for example, that country A had a 30% probability of receiving US aid in a given year. Since country A also had a spotty human rights record, the probability of receiving US aid would improve to 80% if the country's human rights record were instead unblemished. Improving the country's human rights record thus more than doubles the likelihood of receiving aid. The probable money lost from not improving human rights takes an additional calculation, however. The total money lost amounts to the probability of receiving aid given a perfect human rights score, minus the current probability of receiving aid, multiplied by the total monies that would be received if the US would have granted economic aid (i.e., the country's overall need).¹⁰ I reproduce this formula here:

$$\text{Opportunity Cost of Abusing Human Rights} = [\text{Prob}(\text{US aid with perfect HR}) - \text{Prob}(\text{Current US aid level})] \times \text{Expected US aid disbursement based on country need}$$

The summary statistics for this cost measure are interesting. The number of those countries experiencing substantial economic costs due to human rights abuse is quite small. In fact, almost 40% of the country years (1,505 out of 3,826) suffer no opportunity cost whatsoever, even though many of these country-years have poor human rights records. For example, almost 13% of the no opportunity cost cases have the worst human rights record possible on the Freedom House scale, but because of their other attributes – security interests, life expectancy, GDP, and so on – these countries are unlikely to receive economic aid from the United States. Of the country-years that do have opportunity costs from repression, the actual opportunity cost remains low as a percentage of overall US economic aid.

*****TABLE 2 ABOUT HERE*****

To better demonstrate the distribution of opportunity costs across countries, Table 2 lists the highest opportunity cost year for 50 countries and ranks these as a percentage of the total GDP of each country.¹¹ The opportunity costs here range from over 8% to 0.01% of each GDP. Note that only 18 of the countries have maximum opportunity costs that are greater than 1% of GDP, and for all country-years in the sample, the mean opportunity cost is only 0.25% of the GDP.

While the cost of human rights abuse appears to be focused and relatively small, the cost is only slightly smaller than the cost of deviating from US foreign policy interests. I applied the same technique described above to possible changes in the alliance portfolio of each state. Interestingly, the cost figures associated with this measure of security interests demonstrate that there is little difference, in terms of opportunity cost, between changing human rights policies and changing foreign policy placement. Leaders who have a choice between changing their foreign policies to match those of the United States gain less than 0.01% of GDP in lost aid versus changing their human rights policies. Put another way, a repressive dictator, with policies in direct opposition to those of the United States, will gain almost equally from either ceasing repression at home or matching US policies abroad.¹² And since human rights moves are unilateral, it may be easier to effect these changes.

DOES LOST US AID AFFECT HUMAN RIGHTS POLICIES?

The human rights record of each country, as measured by the Freedom House scores, is now the dependent variable in the final set of analyses. My argument assesses changes in human rights, and I therefore code each country as to whether it experienced a

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positive change in human rights in each year. In 3,947 country-years, a positive change in human rights was observed 747 times.

The key explanatory variable is the cost indicator described in the last section. If human rights abuse is costly, then, *ceteris paribus*, leaders should change their policies to receive US aid. I compare the effects of lost US aid monies to the observed disbursements from the United States by using both variables in each human rights model. However, the exclusion of either variable does not affect the statistical significance or sign of either variable in any model. Both US aid variables are lagged one year in the analyses that follow, but experimentation with 2 and 3 year lags does not alter the substance of the results.

Controls for International and Civil Conflict. Opportunity cost is obviously only one of several variables leaders will consider when deciding upon repressive policies. The literature on state sanction suggests that leaders will turn repressive as a response to mass protest, when institutions built for repression already exist within the state, when centralized authority makes repressive policies less costly, and when non-democratic states prevent leaders an opportunity to return to future office. Within the rational cost logic, mass protests provide an opening for leaders to defend their control of the state, with policies often couched as necessary for the maintenance of order so as to deflate the political costs of suddenly stricter controls on civil liberties. Previous repression further lowers the cost of continuing repression by providing easily accessible tools capable of quelling unrest, and finally, with centralized authority, leaders need only protect a minimum number of governmental access points. The diffusion of power within a democracy or following a democratic transition increases the number of powerful actors

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within the state and, hence, the cost of repression. Meanwhile, the possibility of parties returning to power through future democratic elections also decreases the attractiveness of repression in order to maintain office (see Davenport, 2004: 541-542, for a discussion).

Given this background, I use several controls in estimating the effects of US aid and opportunity costs.¹³ First, to identify times of domestic dissent and instability, when uncertainty may provide leaders an opportunity to repress, I use two variables, both dichotomous. Using Correlates of War data, I code all countries experiencing either a Militarized Interstate Dispute (MID) or a civil war (Ghosn, Palmer, and Bremer, 2004; Sarkees, 2000).¹⁴

I account for the diffusion of power within the state using three separate variables. First, I use the per capita GDP of each country, as described in the analyses above. Wealthier countries should be able to repress their citizens less often than poorer countries. I control for regime type by using the combined democracy/autocracy measure from Polity IV. This scale ranges from -10 to 10, and countries with scores of 6 and above generally considered democratic. I also include a variable that measures changes in the polity score from the previous year; this variable is calculated by simply subtracting the previous state-year polity score from the current state-year.¹⁵

Finally, since both US aid and the likelihood of domestic repression might exhibit temporal effects consistent with international system structure, I include a dummy variable to account for the presence of the Cold War. All years prior to 1990 are identified as Cold War years.

Estimating the Effects of Lost US Aid on Human Rights Policies

Table 3 presents logit results predicting any positive change in respect for human rights in the country-year. To demonstrate the effects of US aid, I vary the measure from current aid disbursements to aid disbursements lagged by one year. In the final two models, I include the opportunity cost measure with the lagged aid disbursement variable.

*****TABLE 3 ABOUT HERE*****

The results for the control variables are generally consistent across all country types. Higher per capita GDPs correlate with greater respect for human rights. Either there is less need to oppress an economically content citizenry, or the government is less capable of repressing those that have the monetary wherewithal to flee. Higher scores on the democracy measure are of course negatively associated with changes in respect for human rights since these states are least likely to be repressive. This interpretation is confirmed by the estimates that demonstrate an association between positive changes in regime type and decreases in repressive policies.

The conflict variables also demonstrate some interesting relationships. Civil wars tend to decrease the likelihood of respect for human rights, but the presence of a Militarized Interstate Dispute has no statistically significant effect. A much stronger relationship (statistically and substantively) is found in the Cold War variable. As might be expected, the Cold War had a tendency to reduce human rights scores in this sample; nevertheless, the relationship between opportunity costs and human rights persists even after controlling for these system-level effects.

Turning now to the US aid variables, it is clear that the observed US aid disbursements have no effect on human rights. The substantive effect is not only small, but it cannot statistically be separated from zero as a point estimate. Lagged aid

disbursements also have no effect, except in the models that include the opportunity cost measure. In the models with the opportunity cost measure, lagged aid *negatively* predicts changes in human rights policies. In many ways this finding confirms the argument that US aid is most likely to follow states practicing positive human rights policies. Most importantly for the argument made above, the cost indicator has a strong effect in each of the two final models. High opportunity costs in the form of lost US aid correlate strongly with positive changes in human rights records abroad.

These results make sense when considering a strategic leader. Leaders who have relied on repression to maintain control – personalist dictators and other harshly authoritarian regimes – are not going to end repression gradually or perhaps at all because the political threat to their survivability would be too great. However, leaders who consider repression as one of many options for staying in power are more likely to consider well the opportunities provided by US aid monies. Compared to other regimes, gradual changes in human rights are less likely to affect their grip on power, and additional aid monies can be used either for private goods to buy off those formerly repressed or for public goods that improve the state.

In sum, while observed US aid does not correlate with good human rights behavior, US aid does have a positive effect on the human rights record of *non-recipient* countries. The demonstration effects of giving aid to countries that respect human rights lead to positive changes in “partly free” states. These leaders choose to receive US aid money rather than repress their citizens, especially when the cost of monies lost is high.

Moving Forward

Overall, these results provide evidence of a limited tool with which US policymakers can alter the domestic behavior of foreign leaders. This is encouraging news for supporters of US-led change in the world. However, some caveats do apply.

I argue that human rights will change when the cost of lost aid is greater than the benefits of repression, and I assume that human rights changes are going to be more likely after high opportunity cost country-years. While this is not a large assumption for the most rights-abusing states, ignoring the individual incentives for specific leaders could prove troublesome for policies that call for increasing US aid in the hopes of changing the policies of other states. Averages are just that and do not necessarily describe any particular regime. Even the leaders of many mixed regime states could have strong domestic incentives to continue repression in the face of ever-increasing opportunity costs of lost US economic aid.

Finally, one should be particularly aware that the analyses above do not necessarily increase the ability of US policymakers to target the effects of their aid. The opportunity costs argument implies that the only way to increase the number of regimes that respect human rights at home would be to increase US economic aid to *all* states or at least to all states with similar attributes to the targeted states. These policies would raise the likely aid lost by the rights abusing states. Of course, this introduces problems of economic feasibility for the United States, and the question remains open as to whether the increased aid monies would translate into increased change in observances of human rights globally. In the short-term, these analyses suggest that conditionality policies, like

those found in the 2003 Millennium Challenge Act, may be the best alternative for affecting changes in human rights policies abroad.

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¹ The economic aid data for all countries are available at <http://www.oecd.org>.

² A full list of compliance indicators, in order of appearance, includes: "Governing Justly: Civil Liberties (Freedom House); Political Rights (Freedom House); Voice and Accountability (World Bank Institute); Government Effectiveness (World Bank Institute); Rule of Law (World Bank Institute); and Control of Corruption (World Bank Institute). Investing in People: Public Primary Education Spending as Percent of Gross Domestic Product (GDP) (World Bank/national sources); Primary Education Completion Rate (World Bank/national sources); Public Expenditures on Health as Percent of GDP (World Bank/national sources); and Immunization Rates: DPT (diphtheria, pertussis, tetanus) and Measles (World

Bank/UN/national sources). Promoting Economic Freedom: Country Credit Rating (Institutional Investor Magazine); Inflation (International Monetary Fund [IMF]); 3-Year Budget Deficit (IMF/national sources); Trade Policy (Heritage Foundation); Regulatory Quality (World Bank Institute); and Days to Start a Business (World Bank)” (from Section 102 of the Millennium Challenge Act).

³ The full statement for Fiscal Year 2004 reads: “The promotion of democracy and human rights is an expression of our values as a nation. Representative government needs to be built on a culture of democracy that includes the rule of law, limits on the absolute power of the state, free speech, freedom of worship, freedom of association, equal justice, respect for women, and respect for private property. U.S. diplomacy and foreign assistance will be stalwart in support of democracy and human rights, not only because they are worthy of our tradition, but also because a more just world will be a more stable and prosperous world.”

⁴ For the effects of un-modeled selection, see Heckman’s (1976) classic discussion of wage earnings by gender.

⁵ All analyses that follow were computed or estimated using Stata 9.0; replication data and codebook are available for download at: <http://bama.ua.edu/~dmgibler/replication.htm>

⁶ I also used the disaggregated measures of both civil liberties and political rights but found no substantive difference between those results and the results presented in the next section.

⁷ The Freedom House data allow for a broader temporal domain than the PTS dataset, so I present the results for the Freedom House scores. By using this measure, I am implicitly testing the effects of lost foreign aid on negative sanctions rather than on political violence. Freedoms of expression, assembly, religion, and other political rights, are conceptually different from the freedom not to be killed or tortured, and the Freedom House scores thus remain distinct from the political violence measured by the Political Terror Scale (PTS). This latter scale, used in the groundbreaking work of Carleton and Stohl (1985) and Stohl et al (1984), and subsequent work by Poe and Tate (1994), Poe Tate and Keith (1999), Apodaca and Stohl (1999), Keith (2002), and Melander (2005), among others, also reflects ordinal measures of human rights abuse based upon careful content analysis of the country specific human rights abuse reports by both Amnesty International and the United States State Department. However, unlike the Freedom House measure, the PTS focuses on imprisonment, torture, and killings. As Davenport (2004: 543-546) describes,

negative sanctions and political violence are separate strategies leaders can pursue, and each has different cost/benefit functions for the maintenance of power.

⁸ I do not present the count and cubic spline variables in the results that follow; however, the estimates of the full models are available on request.

⁹ It is surprising that the UN voting measure was not statistically significant in this model. I therefore completed some additional bivariate analyses of the relationship between this variable and US aid disbursements, experimenting with various temporal lags. These additional analyses suggest that US aid does not follow UN voting patterns but rather precedes it. States receiving aid are much more likely to vote consistently with the United States in the 2-3 years after being granted aid.

¹⁰ I estimate the cost function using a perfect human rights score, but since the relationship is assumed to be linear, any level of improvement in human rights would produce the results in the models that follow, so long as the improvement level was consistent across all non-recipient states.

¹¹ Most of these countries have multiple country-years with similar opportunity cost estimates. I include only the highest opportunity cost year for each country so that the reader can see the distribution of costs across a larger sample of countries.

¹² An Appendix to this article lists the highest opportunity cost due to differences in security interests for 50 countries. While the opportunity costs for human rights policies are somewhat randomly distributed geographically, that is not the case for the security interest measure. The highest opportunity costs for security interests are felt by the African countries where the US seems to have only minimal interest.

¹³ Since my dependent variable represents *change* in human rights practices, I am already controlling for the existence of repressive institutions within the state.

¹⁴ An anonymous reviewer pointed out that both Davenport (1995) and Gartner and Regan (1996) note that the effects of civil war on repression may be non-linear. I therefore conducted analyses using a civil war variable that controlled for the aims of the insurgent group; instead of a civil war dummy variable, the group aims variable measured 2 for conflict over local issues and 1 for intense government opposition, with 0 denoting no civil war. Analyses using this measure were no different from the results that follow and are available from the author.

¹⁵ Democracy also may exhibit non-linear effects on repression. I therefore conducted separate analyses using Davenport and Armstrong's (2004) three-part indicator of democracy rather than the Polity combined autocracy-democracy measure. Again, analyses using the three-part democracy score were no different from the results that follow and are available from the author.