

Geopolitics and the Aiding of Political Violence

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Abstract

Extant studies of civil conflict overwhelmingly attribute their incidence to domestic factors (e.g., economic growth, ethnicity). Yet in the aftermath of the Cold War, the incidence of civil conflict rose substantially and did so in countries that were repressive during the Cold War. This paper formalizes these dynamics and presents causal evidence linking geopolitics, foreign aid, and political institutions for this uptick in conflict in the 1990s. The empirical strategy leverages a differences-in-differences strategy and instrumental variables to confirm the model's prediction that U.S. foreign aid heightened the incidence of conflict in the post-Cold War period in countries with the most repressive regimes during the Cold War (especially in countries that experienced a withdrawal of Soviet influence after 1990). On balance, the paper's findings show that geopolitics and foreign aid can affect the trajectory of political violence in developing countries.

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In the decade following the end of the Cold War the incidence of civil conflict globally rose substantially (see figure 1), accounting for all but three of the wars that broke out and 90 percent of civilian and combatant battle deaths (Lacina 2006). Some scholars characterized this rise in conflict in the 1990s as an era of “coming anarchy” through the eruption of “new wars” (Kaldor 1999; Kaplan 1994).

In explaining this rise in conflict, the overwhelming majority of scholars focus largely on domestic factors (Blattman and Miguel 2010), such as poverty (e.g., Collier and Hoeffler 1998), negative economic growth (e.g., Miguel et 2004), ethnicity (e.g., Esteban et al 2012), geography (e.g., Fearon and Laitin 2003), and natural resources (e.g., Ross 2006).¹ A few scholars associate the end of the Cold War to this uptick in conflict (e.g., Kalyvas and Balcells 2010; Hironaka 2005), but tend to under theorize and provide insufficient evidence demonstrating *how* the “politics” of the Cold War (in particular the rivalry between the United States and the Soviet Union) shaped the trajectory of political violence after the end of the Cold War. For instance, since the end of the Cold War was a “system level” event (according to scholars in international relations), why were certain countries more likely to experience internal conflict in the 1990s? This paper provides an explanation linking geopolitics and superpower assistance (e.g., foreign aid, covert interventions) to varying intensities of political violence (repression and conflict).

< **FIGURE 1 AROUND HERE** >

Table 1 describes this paper’s key insights by deconstructing the plot in figure 1 along three dimensions: political rights, foreign aid, and the incidence of conflict. Looking across all countries, panel A shows the United States allocated less aid (on average) to them after

¹Blattman and Miguel (2010) acknowledge that the omission of international factors is an important limitation in the existing civil war literature. They state: “The empirical salience of these and other international issues in driving domestic civil conflicts (including the role of foreign aid, Cold War interventions, and cross-border raids) highlights an important limitation of the existing theoretical work on armed conflict causes, namely its almost exclusive focus on the internal armed groups’ decision of whether or not to fight. This is an important direction for future formal theoretical work, and will likely draw heavily on the existing international relations literature” (30).

the Cold War; and a higher proportion of these countries experienced conflict in the post-Cold War period. These differences between the Cold War and post-Cold War periods are statistically significant and suggest a negative correlation between U.S. aid disbursements and the incidence of conflict. That is, higher amounts of U.S. aid may have reduced the likelihood of conflict in aid recipients. However, as panels B and C demonstrate, such a view masks the importance of a country's political institutions in mediating the incentives for rival groups (e.g., government versus rebel) to engage in warfare.

Panel B shows that countries that were less politically repressive during the Cold War did not experience an uptick in conflict after the Cold War (the difference is basically zero and not statistically significant), even though average U.S. aid disbursements to these countries declined substantially in the post-Cold War period. For the latter, this suggests that U.S. aid exhibits a weak (or no) correlation with conflict, at least in countries that were less repressive during the Cold War. In contrast, panel C shows that countries that were more repressive during the Cold War were 5 percent more likely to experience conflict after the Cold War. This increase is highly statistically significant. Moreover, for these countries, U.S. aid inflows increased substantially in the post-Cold War period, which suggests a positive relationship between higher amounts of U.S. aid and the incidence of conflict.

< **TABLE 1 AROUND HERE** >

The differences in table 1 suggest two patterns: (1) countries that were repressive during the Cold War were more likely to experience conflict in the post-Cold War period; (2) U.S. aid foreign aid heightened the likelihood of such conflict. The remainder of this paper provides a richer theoretical account and more robust empirical evidence to substantiate these two features of post-Cold War civil conflict.

The theory developed in this paper illuminates the impact of geopolitics (bipolarity versus unipolarity) on the underlying capacities of governments and rebel groups to engage in political violence. In particular, I integrate geopolitics into a parsimonious model of state

capacity and unearned income that strives to explain the incidence (“logic”) and hierarchy of political violence in many developing countries (Besley and Persson 2009, 2010). The model generates several sharp predictions. First, superpower “interventions” during the Cold War helped prop up governments in weak states and enabled these governments to repress their populations. Second, at the end of the Cold War, strategic uncertainty with respect to super-power interventions created opportunities for rebel groups to strike back, especially in states that were the most repressive during the Cold War. Third, during both the Cold War and post-Cold War periods, flows of foreign assistance from the superpowers had the capacity to fund various intensities of political violence: repression during the Cold War and conflict after the Cold War. The latter prediction characterizes the incidence of conflict between a weak state and poorly equipped insurgents. As such, the model describes the rise of symmetric non-conventional warfare (SNC) in the post-Cold War period as argued by Kalyvas and Balcells (2010). However unlike that study, this paper also provides a richer account for *how* the Cold War affected the trajectories of political violence in countries over time (from repression to conflict).

These conjectures are tested in the empirical sections.² Section 3 presents the main results linking geopolitics, repression, and conflict, first with a case study of Angola and then with more substantive cross-national empirical analysis. In particular, I leverage a difference-in-difference research design to demonstrate that the incidence of conflict rose in the post-Cold War period in countries that tended to be more repressive during the Cold War. In section 4, this finding is attributed to two channels associated with superpower influence: foreign aid and covert interventions. With respect to the former, I show that U.S. aid fostered conflict in these “repressive Cold War regimes” and use an instrumental variables strategy

²The paper’s research design is careful with respect to causal identification and competing explanations. The empirical specifications address many of the shortcomings discussed by Blattman and Miguel (2010, p 8) that often plague cross-national studies on civil conflict, such as “convincing” causal identification of key relationships; robustness to alternate specifications or assumptions; non-independence of country-year observations across space (and time); and tests of underlying mechanisms.

to establish a causal relationship. With respect to the latter, I demonstrate that conflict rose in the post-Cold War era in countries that were more likely to experience a withdrawal of Soviet influence. These results are consistent with the conjecture that uncertainty concerning superpower interventions hurt the ability of governments to appeal to external support in the post-Cold War period and increased the incentives for rebel groups to engage in warfare against these weakened governments (Stein and Lobell 1997; Herbst 2004).

The paper makes contributions to several areas in political economy and international relations. It integrates international politics into the study of political violence by specifying how “influence” by major powers can shape the military dimension of political violence through its impact on the relative power of the contestants (e.g., Kalyvas and Balcells 2010; Hironaka 2005). While this paper contributes to this existing literature, it provides a more robust account for how geopolitics has shaped the trajectory of political violence in many developing countries during both the Cold War (i.e., higher incidence of repression) and post-Cold War (i.e., greater propensity for conflict). As a consequence, the paper provides a dynamic (temporal) account for the incidence of both one-sided (repression) and two-sided (conflict) political violence.

In doing so, this paper challenges several existing accounts that the end of the Cold War had no impact on domestic conflict (Collier et al 2003; Fearon and Laitin 2003; Sambanis 2004). For instance, Fearon and Laitin (2003, 77-78) make clear that the “prevalence of civil war in the 1990s was not due to the end of the Cold War and associated changes in the international system.” As a consequence this paper “brings” in the international system, in particular changes in distribution of power among the ‘Great Powers’, as a causal variable in explaining cross-national and within-country variation in political violence.

Moreover, by linking foreign aid to conflict, this paper contributes to that literature (e.g., Collier and Hoeffler 2002; Nielsen et al 2011; Nunn and Qian 2014), but does so by highlighting how variation in superpower rivalry (e.g., associated with bipolarity versus

unipolarity) mediates the impact of aid on the intensity of political violence in recipient countries. Consequently, the paper relates to studies evaluating the effect of aid on governance (e.g. Djankov et al 2008), especially in the post-Cold War era (e.g., Dunning 2004; Kersting and Kilby 2014). The paper’s empirical findings associating U.S. aid with political violence offers insights to on-going policy debates about the effectiveness of U.S. foreign aid policy in promoting democracy abroad (e.g., Finkel et al 2007), super-power interventions on economic and political development (e.g., Easterly et al 2008; Berger et al 2013), and enduring concerns regarding the efficacy of U.S. aid as an instrument of U.S. foreign policy and its potentially nefarious consequences in developing countries (e.g., Friedman 1958; Morgenthau 1962; Ahmed 2013).

The remainder of the paper is organized as follows. The next section lays the theoretical foundation. Section 2 discusses the empirical strategy. Sections 3 and 4 present the empirical findings. Section 5 discusses and concludes.

I. THEORY

A. Sources of political violence

Domestic sources. Most theoretical and empirical studies of political violence privilege the role of domestic political and economic factors. For instance, in their comprehensive review of the current state of the literature on the dynamics of civil war, Blattman and Miguel (2010) discuss a multitude of largely domestic influences of conflict, such as economic development (e.g., Collier and Hoeffler 1998), ethnic fragmentation (e.g., Esteban et al 2012), the quality of political institutions (e.g., Gladstone et al 2010), natural resources (e.g., Ross 2006), geography (e.g., Fearon and Laitin 2003), rebel organizational techniques (e.g., Powell 2007), commodity shocks (Besley and Persson 2008), and foreign aid (e.g., Collier and Hoeffler 2002). As Blattman and Miguel (2010, 30) acknowledge, existing studies rarely

emphasize factors with an “international” dimension, such as the “exporting” of ideology or interventions by external countries as a *causal* variable for the incidence of political violence.

This omission of external factors is present in the leading formal models of civil conflict (see discussion in Blattman and Miguel 2010 for more). For example, perhaps, the most rigorous formalization of group conflict (and state capacity more broadly) that integrates many of the causal variables from existing studies, such as redistributive institutions (that may, for example, stem from differences in ethnic fragmentation and/or political institutions), taxation, and unearned income omits international factors completely (Besley and Persson 2009, 2010, 2011). This theoretical framework shows that conflict arises over control of the “state prize”, in particular access to state revenues. In these models, the level of conflict depends on the quality of political institutions (i.e., how these resources are “shared” with opposition groups), the source of state revenue (e.g., tax and non-tax income, such as natural resource rents and foreign aid), and economic development (e.g., wage rate). These models predict a hierarchy of political violence between a central government and a rebel group(s): peace, repression (one-sided violence) and conflict (two-sided violence). The latter constitutes armed violence between the state (central government) and opposition group(s) and is more likely to occur when countries have inferior political institutions (i.e., more repression) and access to unearned (non-tax) income, such as foreign aid.

Aid and conflict. On the latter, foreign aid constitutes a source of unearned income with an international dimension since it is a transfer of financial resources from an external donor country to a recipient government. This financial transfer can heighten the propensity for conflict in at least two ways. On the one hand, higher amounts aid can strengthen a central government’s capacity to fight and conversely “negative aid shocks” can incentivize rebel groups to attack a weakened government (Nielsen et al 2011). On the other hand, aid (like other forms of non-tax income) can raise the value of capturing the “state prize” and thus

can incite rent-seeking by opposition groups and raise the likelihood of conflict (e.g., Besley and Persson 2010).

While several studies have evaluated the impact of aid on conflict (e.g., Nielsen et al 2011; Savun and Tirone 2012; Ahmed and Werker 2014), other international factors, especially those with a temporal component are typically “assumed” away with the inclusion of a dummy for the Cold War period or with year fixed effects. Yet, as these studies acknowledge and as figure 1 demonstrates there is variation in the incidence of conflict across time. Indeed, the spike in conflict around the end of Cold War and the transition to “unipolarity” suggests that integrating geopolitics - and in particular variation in the distribution of power (and incentives) of Great Powers - into these existing models of political violence offers to sharpen their explanatory power.

B. Geopolitics and “interventions” in domestic politics

From the end of World War II until the collapse of the Soviet Union in 1989, the Cold War dominated international politics (Gaddis 1997). The “bipolar” structure of the international system made competition between the United States and the Soviet Union inevitable (Waltz 1979). The resulting geopolitical rivalry between the two superpowers influenced both the relations among other states (e.g., membership in rival military alliances, voting patterns in the United Nations) and domestic politics within those countries.

On the latter, during the Cold War, rather than directly fighting each other on the battlefield, both superpowers often intervened in the civil wars of other countries (i.e., “proxy wars”), especially in Africa and Asia. The internationalization of these conflicts often escalated the scope and intensity of these conflicts (e.g., Vietnam, Afghanistan). While both the United States and the Soviet Union did provide some economic (and military) assistance to rebel groups during the Cold War, it was more common for each superpower to prop up client states (Gaddis 1997). Such intervention (e.g., covert military operations, foreign

aid disbursements) frequently enabled these governments to repress their population (e.g., Berger et al 2008).

The end of the Cold War transformed the incentives of the superpowers to meddle in the affairs of other countries. The end of the Cold War contributed to multiple, simultaneous processes: the breakup of multi-ethnic empires (e.g., USSR) and states (e.g., Yugoslavia); the emergence of new states with disputed boundaries; the end of a global “ideological” struggle (between communism and capitalism); and the weakening of client states following the reduction or withdrawal of superpower support (Stein and Lobell 1997; Wallensteen and Axell 1993).

The confluence of these processes ushered in a period of strategic uncertainty and political upheaval in many developing countries. On the former, the collapse of the Soviet Union ushered a new period of “unipolarity.” Many scholars contemplated its implications for international politics, especially the United States’ strategic imperatives and incentives to intervene in international disputes (Mearsheimer 2000; Wohlforth 1999). For the United States, unipolarity has offered it greater flexibility in its strategic options as it can act defensively, offensively, or disengage (Montiero 2011). In particular, the flexibility to disengage at the end of the Cold War allowed the United States to make drastic cuts in its military spending and foreign assistance in 1990s.

Without the Soviet threat, the United States re-evaluated its strategic imperatives, often losing interest in propping up client (and frequently repressive) states. As a consequence the United States divested itself from many weak states, thus weakening them further (Hale and Kleine 1997, 5). For Soviet client states the situation was more dire, as the collapse of the USSR erased their external financial support as well as their legitimizing principles (Kanet 2006, 343). And for many states, especially those located in sub-Saharan Africa, that relied on superpower support (often by “playing” one super-power off against the other) to maintain their domestic capacity, the end of the Cold War drastically reduced their government’s

revenues and overall state capacity to thwart armed rebellion (Herbst 2004; Reno 1999). As Kalyvas and Balcells (2010, 422) note, “these low-capacity states faced daunting prospects as they became vulnerable to equally low-capacity rebels who were able to challenge them.”

In short, the geopolitical imperatives of the Cold War often meant that both superpowers intervened in the domestic affairs of other countries, which affected both the incidence of two-sided violence (civil conflict), but more frequently strengthened the central government’s capacity to engage in one-sided violence (repression). Thus, bipolarity tended to strengthen governments and their capacity to repress. The end of the Cold War changed the incentives for the remaining superpower to “intervene” in the domestic affairs of other countries. For these governments, this often meant a reduction in external economic support (e.g., foreign aid) as well as greater uncertainty about whether the United States would support them during crises (and for governments that relied on Soviet support during the Cold War, the prospect of assistance from the new Russian state was dim). For opposition groups, especially those in countries that were repressive during the Cold War, this uncertainty raised the prospects of winning an armed struggle with the government. Thus, the likelihood of conflict in these “repressive Cold War regimes” rose. The following section formalizes this process and derives additional predictions.

C. Formalization

In this section, I integrate geopolitics into Besley and Persson’s (2009, 2010, 2011) now canonical model of state capacity to show how the Cold War shaped the trajectory of political violence in many countries: repression during the Cold War and conflict in the post-Cold War period. In particular, I build on a simple linear formalization from Besley and Persson (2009).

Setup. There are two groups denoted by N : an incumbent (I) and an opposition (O). Each

group constitutes half of the population and can mobilize a fraction of its members into an army, $A^N \in [0, \frac{1}{2}]$. Let $\delta \in [0, A^N]$ be each group's decision to mobilize. A conflict can result in a transition of power from the incumbent to the opposition. Let the following linear conflict technology measure the probability the *opposition* wins office:

$$\frac{1}{2} + \frac{\Gamma}{\mu}(\delta^O - \delta^I)$$

The innovation in this model from Besley and Persson (2009) is the parameter $\Gamma = \frac{1}{n}$, where n measures the number of superpowers the *government* can potentially appeal to for external support. For instance, during the Cold War many countries “played” each superpower off the other. Somalia for instance, received foreign assistance from the Soviet Union in the 1960s and “switched sides” in the 1970s and started receiving aid from the United States (Besteman 1996). As a consequence, during the Cold War (with two superpowers), $\Gamma = \frac{1}{2}$. In contrast, in the post-Cold War period a government could only seek support from one remaining superpower, the United States; thus, $\Gamma = 1$. This means a transition to unipolarity hurts governments and *raises* the opposition's probability of winning in a conflict. I assume that $\frac{A^I}{\mu} \leq \frac{1}{2} \leq (1 - \frac{A^O}{1})$, which holds for large enough μ .³

The winning group has access to a fixed amount of unearned government revenue, R , such as income from natural resource rents and/or foreign aid receipts. The winner is constrained by institutions (θ) in distributing this “prize.” The incumbent keeps $(1-\theta)R$ while the opposition receives θR where $\theta \in [0, \frac{1}{2}]$. With $\theta = \frac{1}{2}$, there is full sharing with each group receiving its per capita share of revenue, while $\theta = 0$ means that institutional constraints are entirely absent (and the opposition therefore receives no revenue from the government). In this regard, a higher value of θ represents “better” or more democratic institutions. It is worth

³This function make the (non-essential) assumption that in the absence of fighting, each group has an equal probability of becoming the incumbent. The parameter, μ , can be interpreted as fixed country specific characteristics that affect conflict (e.g., geographic terrain). A higher value of μ lowers the probability of opposition victory. For example, countries with “tougher” geographic terrains can raise the costs for an opposition to “take the capital” and successfully defeat the incumbent.

noting that θ could also be interpreted as a measure of ethnic, religious, and/or linguistic fractionalization that often shapes the incumbent group's provision of state resource.⁴

In this simple economy, each citizen supplies a unit of labor to a market and earns a real wage of w . The incumbent army is financed by a labor tax on all citizens so that each group only bears half the cost. In contrast, the opposition's army is financed exclusively by members of the opposition, which thus incurs the full per capita cost.⁵

Sequence of play. The timing is as follows:

1. The opposition decides whether to mount an insurgency by using its army to seize power.
2. The incumbent decides whether to use its army, regardless of whether an insurgency is mounted.
3. These choices and the insurrection technology probabilistically determine who is in power (of the state).
4. The winner determines the allocation of the prize, R .

Payoffs. Given this setup, the expected per capita payoff of the incumbent group is:

$$w(1 - \frac{\delta^I}{2}) + [\frac{1}{2} - \frac{\Gamma}{\mu}(\delta^O - \delta^I)(1 - \theta)]R$$

The first term is the net of tax wage. The second term is the expected returning from holding office, given the (endogenous) expected probability of transition (stemming from the conflict technology).

The expected per capita payoff for the opposition group is:

$$w(1 - \delta^O - \frac{\delta^I}{2}) + [\frac{1}{2} + \frac{\Gamma}{\mu}(\delta^O - \delta^I)(1 - \theta)]R$$

⁴For example, in many developing countries, incumbents in more fractionalized societies tend to provide fewer public goods and services.

⁵Given the incumbent's control of the government, this is a natural asymmetry.

Equilibrium. I identify three possible sub-game perfect Nash equilibria in the sequential game where the opposition moves first (see Appendix A for proofs):

Peace: In peace, neither the incumbent nor opposition opts to fight. Specifically, $\delta^I = \delta^O = 0$, which occurs if $\frac{2R\Gamma(1-\theta)}{w} \leq \mu$.

Repression: Under repression, the government uses its army to stay in power (i.e., one-sided political violence). Specifically, $\delta^I = A^I$ and $\delta^O = 0$, which occurs if $\frac{R\Gamma(1-\theta)}{w} \leq \mu \leq \frac{2R\Gamma(1-\theta)}{w}$.

Civil conflict: Under civil conflict, both the incumbent and opposition groups employ their armies (i.e., two-sided political violence). Specifically, $\delta^I = A^I$ and $\delta^O = A^O$, which occurs if $\mu < \frac{R\Gamma(1-\theta)}{w}$.

Interpretation and empirical implications. A crucial determinant of these equilibria is the value of $\frac{R\Gamma(1-\theta)}{w}$, which is the ratio of the prize captured by the winner and the real wage. A higher value of this ratio implies a higher form (intensity) of political violence. For instance, higher wages (w) raise the opportunity of conflict, and thus lower the likelihood of violence.⁶ In contrast, higher levels of foreign aid (R) raise the odds of more intense violence. For instance, aid can strengthen a state's capacity making repression more likely and in the process increase the value of the "prize" so as to incentivize predation and armed insurgency by opposition groups. For more inclusive or democratic political institutions (i.e., θ closer to $\frac{1}{2}$), the outcome will be more peaceful, while more middling values (all else equal) fosters repression. And less-inclusive institutions (i.e., θ closer to zero) are more likely to engender two-sided violence. Finally, moving from bipolarity ($\Gamma = \frac{1}{2}$) to unipolarity ($\Gamma=1$) raises the

⁶This is consistent with existing models and evidence that richer countries and those experiencing positive economic growth are less likely to experience conflict.

prospects of conflict because it reduces the number of superpowers the central government can appeal to for external support and increases the odds of a successful rebel insurgency.

Combining these effects and incorporating the temporal dynamics associated with the transition from bipolarity (Cold War) to unipolarity (post-Cold War) generates the following testable predictions:

***P1.** The bipolar international system (i.e., $\Gamma=\frac{1}{2}$) and in particular, external support superpower support (both in the form of the “interventions” and foreign aid disbursements) strengthened incumbents relative to the opposition and made repression more prevalent during the Cold War.*

***P2.** At the end of Cold War, many of these repressive (i.e., low θ) states were vulnerable to insurgency. As a consequence, the transition to unipolarity ($\Gamma=1$) increased the likelihood of two-sided conflict in “more repressive Cold War regimes.”*

***P3.** Foreign aid (i.e., R), especially from the remaining superpower (i.e., the United States) further elevated the likelihood of such conflict in these countries.*

These predictions are tested in the following sections.

II. EMPIRICAL STRATEGY

A. Baseline specifications

Geopolitics and conflict. To gauge the differential effect of transitioning from bipolarity (Cold War) to unipolarity (post-Cold War) on conflict in more repressive Cold War regimes, I estimate difference-in-difference (DID) specifications of the form:

$$CONFLICT_{it} = \alpha + \beta(POSTCW_t \times \overline{REP}_i) + \gamma X_{it} + Y_t + C_i + \epsilon_{it} \quad (1)$$

where $CONFLICT_{it}$ measures the incidence of conflict in country i in year t , $POSTCW_t$ is an indicator variable for the post Cold War period (1990-2009). In this DID setup, $POSTCW_t$ is the “treatment.” \overline{REP}_i is the proportion of years *during* the Cold War period a country experienced repressive politics and is therefore “pre-treatment.” In any given year, a country is coded as repressive if its quality of political rights is deemed “not free” by Freedom House (Transparency International). X_{it} is a vector of time-varying country characteristics (i.e., per capita GDP, growth, and population). This specification includes country (C_i) and year (Y_t) fixed effects which subsume the main effect of \overline{REP}_i and $POSTCW_t$ (although, the results are robust in specifications that do not include these fixed effects). The inclusion of country fixed effects also accounts for time-invariant country-specific characteristics that can influence the incidence of conflict (e.g., geography, disease burden, ethnicity, colonial legacy and institutions) and implies the estimated effects on the regression coefficients explain the within country variation in conflict. The inclusion of year fixed effect accounts for common shocks (e.g., oil shock, global economic crises) that may impact conflict and also subsumes the main effect of $POSTCW_t$ (from the interaction term).

In these DID specifications, the coefficient of interest is β which measures the differential effect of moving from bipolarity to unipolarity across countries with different levels of repressive Cold War regimes. A positive (and statistically significant) value of β implies that countries with more repressive regimes during the Cold War experienced a greater incidence of conflict in the post-Cold War period.

Aid and conflict. The formal model also predicts that higher amounts of unearned income (sent by the superpower(s)) heighten the intensity of political violence during the post-Cold War period, especially in countries with more repressive Cold War regimes. To test this prediction, I estimate regressions of the form:

$$CONFLICT_{it} = \pi + \theta AID_{it} + \lambda(POSTCW_t \times AID_{it}) + \phi X_{it} + Y_t + C_i + u_{it} \quad (2)$$

where $CONFLICT_{it}$ measures the incidence of conflict, AID_{it} is a country’s receipts of U.S. bilateral economic aid (data on Soviet aid is unavailable), and $POSTCW_t$ is an indicator variable for the post-Cold War period. X_{it} is a vector of recipient characteristics, and C_i and Y_t is a vector of country and year fixed effects. In (2) above, a positive coefficient on $AID_{it} \times POSTCW_t$ (λ) implies U.S. aid increases the likelihood of conflict in the post-Cold War period; and *this interaction effect should be more pronounced in countries with the most repressive Cold War regimes*. This latter effect can be evaluated in samples that stratify countries with the least and most repressive Cold War regimes.

B. Addressing the endogeneity of aid

In addition to promoting economic development, donors (especially “major powers”) allocate aid for geopolitical reasons with the intent to influence the domestic politics in recipient countries (e.g., Alesina and Dollar 2000; Hoeffler and Outram 2011). To mitigate this concern with endogeneity bias, I exploit plausibly exogenous variation on the “supply side” of the aid allocation process to construct an instrumental variable for U.S. aid disbursements.⁷

The identification strategy is based on two features in the allocation of U.S. bilateral economic aid. First, is the role of Congress - and its composition - in determining the U.S. economic aid budget (e.g., Lancaster 2000; Milner and Tingley 2010). Every year, legislators in the House of Representatives vote on the aid budget, and as a consequence their different preferences will influence the level (and types) of aid. Democrats, for example, tend to prefer aid targeted at fostering economic development in recipient countries, while Republicans tend to favor aid geared to promoting U.S. commercial and military interests (Fleck and Kilby 2006). The second feature is based on the empirical regularity that countries that receive

⁷The approach follows Nunn and Qian (2014), but rather than leveraging changes in U.S. weather patterns to explain variation in U.S. food aid disbursements (as Nunn and Qian do), I follow Ahmed (2013) and utilize plausibly exogenous changes in the legislative composition of the U.S. House of Representatives (arising from bi-annual elections) to construct an instrumental variable for U.S. bilateral economic aid.

higher amounts of U.S. aid, receive it more frequently (Ahmed 2013; Nunn and Qian 2014). Building on these two insights, the instrumental variable interacts the Democratic margin in the U.S. House of Representatives ($MARGIN_t$) with the probability a country receives U.S. aid in any given year (\bar{P}_i).⁸

The former term, $MARGIN_t$, is equal to the annual difference in the *number* of House Democrats and Republicans and builds on existing research that more fragmented legislatures tend to spend more due to more political conflict over spending and consequently greater logrolling behaviour (e.g, Roubini and Sachs 1989; Alesina and Tabellini 1990). In the United States, Alesina and Rosenthal (1995) show that greater legislative fragmentation is associated with overall higher government spending and examining the aid budget in particular, Ahmed (2013) shows that greater fragmentation in Congress is associated with higher U.S. aid disbursements to countries.

More importantly, since $MARGIN_t$ represents a change in the composition of the U.S. House of Representatives (which occur bi-annually as a consequence of district level elections), it is a plausibly *exogenous* source of temporal variation in U.S. aid disbursements that is uncorrelated with political (and economic) conditions in U.S. aid recipients (e.g., incidence of conflict).⁹ The latter term in the instrumental variable, \bar{P}_i , captures how temporal changes in Democratic margin ($MARGIN_t$) are propagated to U.S. aid recipients. Countries with a higher value of \bar{P}_i (i.e., receive aid more frequently) are exposed to a greater aid “shock” (see Appendix B for further discussion of the instrumental variable).

⁸Using the annual difference in the number of legislators avoids using partisan or ideological based differences across legislators or political parties (e.g., DW-NOMINATE scores) that are potentially endogenous with legislator’s preferences for foreign aid and economic aid more broadly (e.g., Therein and Noel 2000; Milner and Tingley 2010). \bar{P}_i measures the fraction of years between 1972-2009 country i receives any U.S. aid. Specifically, $\bar{P}_i = \frac{1}{38} \sum_{t=1972}^{2009} P_i$, where P_i is equal to 1 if country i receives U.S. bilateral aid in year t .

⁹Changes in the composition of the U.S. House of Representatives occur bi-annually as a consequence of elections that are largely determined by local and national political and economic conditions, including (but not limited to) federal spending in Congressional districts (Levitt and Synder 1997), Presidential coattails (Campbell and Sumners 1990), midterm elections (Tufte 1975), and retrospective economic voting (Fiorina 1978).

I exploit these two sources of variation in U.S. aid disbursements to construct a powerful cross-national and time-varying instrumental variable. To gauge the effect of instrumented aid on conflict, I estimate 2SLS specifications of the form:

$$\textit{First Stage (a)} : AID_{it} = \alpha + \beta Z_{it} + \gamma X_{it} + Y_t + C_i + \epsilon_{it}$$

$$\textit{First Stage (b)} : POSTCW_t \times AID_{it} = \delta + \kappa(POSTCW_t \times Z_{it}) + \gamma X_{it} + Y_t + C_i + \nu_{it}$$

$$\textit{Second Stage} : CONFLICT_{it} = \pi + \theta AID_{it} + \lambda(POSTCW_t \times AID_{it}) + \phi X_{it} + Y_t + C_i + u_{it}$$

There are two first-stage regressions. They gauge the effect of the instrumental variable ($Z_{it} = MARGIN_t \times \bar{P}_i$) on U.S. aid receipts across all years (in equation a) and any differential effect in the post-Cold War era (in equation b). In the latter regression, the instrument is interacted with a post-Cold War era dummy ($POSTCW_t \times Z_{it}$). Both regressions control for a vector of time-varying recipient characteristics (X_{it}) and include country and year fixed effects. The instrument, which is constructed by interacting a plausibly exogenous term ($MARGIN_t$) with one that is potentially endogenous (\bar{P}_i) can be interpreted as exogenous since the first stage regressions control for the main effect of the endogenous variable (see Angrist and Krueger 1999 for a detailed explanation). In particular, since \bar{P}_i is specific to each country (i) and time-invariant, it is absorbed by the vector of country fixed effects. The inclusion of year fixed effects subsumes the main effect associated with $MARGIN_t$. Both first stage regressions are used in estimating the effect of instrumented AID_{it} and $POSTCW_t \times AID_{it}$ on conflict in the second stage.¹⁰

In the second stage equation, the coefficient of interest is λ where a positive and statistically significant coefficient implies that instrumented U.S. aid increases the likelihood of conflict in the post-Cold War period; and *this interaction effect should be more pronounced in countries with more repressive Cold War regimes.*

¹⁰All three equations are estimated jointly.

C. Data

Measuring political violence. The formal theory models political violence along two dimensions: repression (one-sided) and conflict (two-sided). The core measure of repression is the *POLITICAL RIGHTS* index created by Freedom House (2010).¹¹ A number of studies employ this index to measure repression as it has the largest country (around 150) and temporal (since 1972) coverage (e.g., Finkel et al 2007; Ahmed 2013; Kersting and Kilby 2014). The index lies on a 7 point (1-7) scale, where higher values correspond to less freedom. For instance, according to Freedom House, an index value of 6 or 7 implies a country that is “not free.”

Following a large number of existing studies (e.g., Besley and Persson 2009; Lacina 2006; Kalyvas and Balcells 2010), I identify the incidence of civil conflict using ACD/PRIO’s (Gleditsch et al 2002; updated by Harbom et al 2008) coding of non-internationalized internal conflict. Specifically, I create an indicator variable (*CONFLICT*) equal to 1 for any conflict between a government and opposition group(s) that generates at least 25 battle deaths per year; and zero otherwise. This threshold of battle deaths appropriately captures the intensity of violence predicted by the formal model between a “weak” central government and rebel groups (and which Kalyvas and Balcells (2010) document as the emergence of “symmetric non-conventional warfare” in the post-Cold War period) and has been used in related studies (e.g., Nielsen et al 2011).

< **TABLE 2 AROUND HERE** >

Independent variables. There are two key independent variables: an indicator marking the transition from the Cold War (bipolarity) to the post-Cold War (unipolarity) period and

¹¹Employing the opinions of country experts, this index measures the ability for “people to participate freely in the political process, which is the system by which the polity chooses authoritative policy makers and attempts to make binding decisions affect the national, regional, or local community” (e.g., the right to vote, the capacity of elected officials to have decisive votes on public policies).

foreign aid inflows. The indicator variable for the post-Cold War period (*POSTCW*) is equal to zero prior to 1990 and equal to 1 from 1990 onwards. The availability of reliable (and high quality) bilateral foreign aid data for the United States during both the Cold War and post-Cold War period serves as the principal measure of super-power aid (and “intervention” more broadly). Unfortunately, foreign aid data is unavailable for the Soviet Union (although, section 4 will attempt to measure Soviet “influence” in other ways).

Specifically, *AID* is the United States’ net disbursement of official development assistance (ODA) or official economic aid to over 150 countries.¹² In the estimating sample, there is wide cross-national and temporal variation in U.S. bilateral aid disbursements. Some countries (e.g., Algeria, Bhutan, Maldives) receive very little U.S. aid (i.e., less than \$1 million per year), while some countries receive aid exceeding \$10 million per annum on average (e.g., Bangladesh, El Salvador) and a few near (or over) \$1 billion annually (e.g., Egypt, Israel, Iraq after 2003). Finally, all the regression specifications control for a parsimonious set of controls that existing studies have linked to conflict: log GDP per capita (e.g., Collier and Hoeffler 1998), GDP per capita growth (e.g., Miguel et al 2004), population (e.g., Fearon and Laitin 2003). These variables are drawn from the World Development Indicators (World Bank 2010). Table 2 provides summary statistics for all the variables.

¹²The aid data is available from the OECD. Net disbursements are gross disbursements of grants and loans minus repayments of principal on earlier loans. ODA consists of loans made on concessional terms (with a grant element of at least 25 percent, calculated at a rate of discount at 10 percent) and grants made to promote economic development and welfare in countries and territories in the Development Action Committee (DAC) list of ODA recipients.

III. RESULTS

A. Political violence in Angola

The features and dynamics of the model are strikingly apparent in the political history of Angola during the Cold War and its immediate aftermath: an “internationalized” civil conflict between a (repressive) government and opposition; each supported by a superpower with access to foreign assistance and non-tax revenues (oil, diamonds); and an intensification of violence after the Cold War.

The duration and intensity of Angola’s civil conflict falls along the fault lines of the Cold War: 1975-1991, 1992-2002. The conflict proved to be extremely brutal. Lacina and Gleditsch (2005), for instance, estimate that between 1975 and 2002, the violence amounted to 1.5 million war deaths, of which 11 percent (or around 165,000) were direct battle-related fatalities. During the “first” conflict (1975-1991), which started immediately after the country’s independence, the government (MPLA) ruled repressively. Freedom House, for instance, designated the country as “not free” over the entire period of the Cold War (with an average POLITY score of -7). During the second conflict (1992-2002) in which ideology no longer differentiated the warring parties (i.e., with Soviet support gone, the government abandoned its Marxist-Leninist rhetoric), competition over the “state prize” of oil and diamonds served to catalyse (and escalate) violence further (Hodges 2001, 94).

The conflict had two main domestic actors: the incumbent, People’s Movement for the Liberation of Angola (MPLA) and an opposition, National Union for the Total Independence of Angola (UNITA). Due primarily to its geopolitical rivalry, the Soviet Union and the United States (and their respective allies) supported opposing sides (e.g., Ciment 1997, 134; Spikes 1993, 228; Isaacson 1992, 682). The Soviets (and Cuba) aided the MPLA, while the United States (China, South Africa, and Zaire) backed UNITA. In addition to receiving external assistance (e.g., arms, military training etc.) from their respective patrons, each side also had

access to non-tax domestic revenues. The incumbent (MPLA) funnelled around 70 percent of the state's oil and gas revenue to fight UNITA (Ciment 1997, 130). Since it controlled the diamond region, UNITA in contrast sold diamonds to fund its military operations, especially during the intensification of conflict in the 1990s (Guimaraes 2001, 19; Hodges 2001).

During the 1980s, the conflict reached a relative stalemate with each side inflicting retaliatory strikes with often escalating levels of violence (Ciment 1997, 13). Yet as the Cold War wound down the prospects for a cessation in violence seemed possible, as both United States and, in particular, the Soviet Union increasingly worked together to reduce hostilities in Angola (e.g., Cohen 2000, 105-110). Moreover, in the United States there was renewed bipartisan and Presidential diplomatic and financial support for UNITA (e.g., Windrich 1992, 50; Cohen 2000, 89). In the latter half of the 1980s, the United States channelled tens of millions of dollars annually to UNITA (Ciment 1997, 97).

This renewed support from the United States for UNITA coupled with the pending demise of the MPLA's superpower patron convinced the government to negotiate a settlement. The resulting Bicesse Accords of 1991 set forth a cease-fire, a demobilization of each side's armed forces, and a transition to a multi-party democracy with elections to be held the following year. These U.N. monitored elections resulted in an MPLA victory, which UNITA rejected and cognizant that the MPLA could no longer secure external support from its patrons (Soviet Union, Cuba) renewed its guerrilla war.

Two factors seemingly influenced the founder and leader of UNITA, Jonas Savimbi, to resume the group's warfare with the government: the United States' tacit approval of such violence and unearned (non-tax) revenues generated from diamonds. On the former, despite the United States' public admonishment of UNITA's violence, neither the Bush nor Clinton administration actively opposed Savimbi's ambitions (e.g., Brittain 1994, 50-53; Economist 1993). Ciment (1997, 167) for example, states: "Bush's continuing support of Savimbi, as well as his administration's unwillingness to afford recognition to Luanda, even after

the MPLA agreed to democratic elections and negotiated peace settlement with UNITA, contributed to Savimbi's decision to return after this electoral defeat in 1992.”

On the latter, despite the Clinton administration's decision to cut aid to UNITA, the rebel group continued to fight because it controlled Angola's richest diamond areas. According to Hodges (2001) between 1992 and 1998, UNITA generated about \$2 billion from diamond sales; an amount greater than it ever received from international donors. This diamond wealth allowed UNITA to purchase arms and win favours from regional governments, such as Mobutu in the Democratic Republic of Congo (Le Billon 2000). The second Angolan conflict ended a few months after the death of UNITA's leader, Jonas Savimbi, in August 2002.

In comprehending the dynamics of the Angolan civil war, it is clear that external intervention from the superpowers (and their respective allies) contributed to the hostilities between the MPLA and UNITA. The “second” episode of civil conflict, in particular, fit the dynamics of the model for the post-Cold War period. First, the demise of the Soviet Union and its incapacity to help its client weakened the state (MPLA) in the aftermath of the Cold War. Second, the resumption (and intensification of violence) by UNITA in 1992 stemmed from its tacit approval from its patron (the United States) and the group's access to unearned income in the form of stored aid and weapons from the United States in the late 1980s and revenues from diamonds between 1992 and 2002.

B. Geopolitics and conflict in repressive Cold War regimes

The resurgence of conflict in the immediate aftermath of the Cold War occurred in additional countries. Table 3 presents the differential effect of transitioning from bipolarity (Cold War) to unipolarity (post-Cold War) on conflict in more repressive Cold War regimes. In a specification without any time-varying country characteristics (e.g., log GDP per capita), countries with more repressive regimes during the Cold War are 13 percentage points more

likely to experience conflict in the post-Cold War era relative to countries with less repressive regimes during the Cold War (column 1). Controlling for a set of recipient characteristics (column 2) heightens this differential effect to about 15 percentage points (and becomes more statistically significant, p -value=0.028). In line with existing studies (e.g., Collier and Hoeffler 1998; Miguel et al 2004), countries with higher economic growth, per capita wealth, and larger populations are less likely to experience conflict.

This key finding is robust to alternate specifications. For instance, the *timing* of the Cold War matters. This is apparent in column 3 which shifts the end of the Cold War to 1985 (rather than 1990) and consequently defines a new post-Cold War treatment (*POSTCW85*) as the period 1985-2009. In this placebo specification, $\overline{REP}_i \times POSTCW85$ is not statistically significant. This null finding implies that the end of the Cold War in 1990 marks a “systemic” change in the realization of conflict across many countries. Moreover, using an alternate definition of repression does not affect the substantive finding. Column 4 shows that countries with more repressive “civil liberties” during the Cold War exhibited a higher propensity for conflict in the post-Cold War period.¹³

< **TABLE 3 AROUND HERE** >

The main finding in table 3 is robust to a variety of additional concerns (results reported in table C1). It does not hinge on the inclusion of fixed effects nor baseline controls, as the positive effect of $\overline{REP}_i \times POSTCW$ on conflict holds in specifications that vary the set of fixed effects and time-varying country characteristics. The result also holds in specifications estimated via probit and logistic regression, across alternate samples (e.g., excluding potential outliers based on population size and aid receipts), as well in specifications that account for a variety of potential unobservable and time-varying effects, such as the higher propensity of conflict in Africa (relative to other regions) in the 1990s as well as the “regional” diffusion

¹³In this specification, repression is measured using Freedom House’s 7-point index of “civil liberties”.

of democracy since the 1970s (Huntington 1993). Following Nunn and Qian (2014), in specifications that control for these differential trends using the interaction of region dummies with a time trend, the main finding still holds.

Finally, skeptics may also worry that the findings are spurious given the upward trend in conflict in the years leading up to the end of Cold War (see figure 1). I account for this trend in two ways: including a one-year lag of conflict as an additional control variable, as well as a variable that measures whether a country experienced any conflict in the past 5 years. In both specifications, the substantive positive and robust effect of $\overline{REP}_i \times POSTCW$ on conflict holds (table 3, columns 4 and 5).

Figure 2 provides additional evidence of the trajectory of conflict around the end of the Cold War. The figure plots the path of year effects from specifications that regress conflict on country and year dummies for samples stratified by their intensity of Cold War repression. The dashed line plots the temporal effects from countries that tend to be less repressive during the Cold War ((i.e., \overline{REP}_i less than the sample median of 0.33), while the solid line does so for countries with more repressive Cold War regimes (i.e., \overline{REP}_i greater than the sample median). Figure 2 clearly show that countries with more repressive Cold War regimes experienced a substantial increase in the incidence of civil conflict starting around 1988 and accelerating from 1990 through 1993. In contrast, the temporal dynamics of conflict remained relatively stable during the 1980s and dropped in the 1990s in countries with less repressive Cold War regimes.

< **FIGURE 2 AROUND HERE** >

Discounting competing explanations. The finding linking geopolitics and repression to the rise of conflict in the first decade after the end of the Cold War is rivalled by a variety of competing accounts, such as a country's level of income, degree of ethno-linguistic and religious fractionalization, and type of geography (e.g., percent mountainous). Table 4 evaluates the differential effect of these rival factors on the incidence of conflict in the post-Cold

War period. Column 1, for example, gauges the effect of ethno-linguistic fractionalization (using the measure from Fearon and Laitin 2003) interacted with a post-Cold War dummy. If countries with greater ethno-linguistic fractionalization experienced a significantly higher propensity for conflict in the post-Cold War period, the coefficient on this interaction term should be positive and statistically significant. While this coefficient is positive, the effect is not statistically robust.

< **TABLE 4 AROUND HERE** >

In a similar fashion, columns 2-4 show the respective differential effects of religious fractionalization, mountainous terrain, and per capita on conflict in the post-Cold War era. As expected, more religiously diverse countries are more likely to experience conflict, but the effect is not robust (column 2). Geography tends to have no differential effect (column 3) while countries with higher average incomes are less likely to experience conflict in the post-Cold War era (column 4). This effect goes in the expected direction and the coefficient estimate is statistically significant.¹⁴

Of course, many of these factors are highly correlated. Greater ethnic-linguistic fractionalization, for example, is often positively correlated with repression and more repressive countries tend to be poorer. To get a better sense of which variable is the ‘driving’ factor, column 5 estimates a “racehorse” specification in which the effect of all these explanatory variables (including the measure of Cold War repression) are interacted with a post-Cold War dummy. While the interaction effects go in the expected direction, the clear ‘winner’ is a country’s ‘average’ level (intensity) of repression during the Cold War which exhibits the largest positive (coefficient size) and statistically significant effect on conflict. This implies that a country’s quality of politics during the Cold War represents a strong - if not the strongest - determinant of conflict in the post-Cold War period.

¹⁴Recall, since log GDP per capita is an included control variable in all the specifications, this “income effect” is controlled for in all the baseline results in table 3, as well as in the subsequent analysis that follows.

IV. CHANNELS

A. The impact of U.S. aid on conflict

The formal model shows that aid is a channel for political violence. In particular, table 5 presents evidence in support of prediction $P3$ that bilateral economic assistance from the United States in the post-Cold War period fostered conflict in countries with more repressive regimes during Cold War. As a baseline comparison, columns 1 and 2 show that neither U.S. aid nor its interaction with a post-Cold War dummy exhibit a robust effect on conflict for the full sample of countries. As the findings in table 4 suggest, however, these null findings are likely to mask the role a country’s level (intensity) of repression during the Cold War played in influencing the country’s likelihood of subsequently experiencing conflict in the post-Cold War period.

< TABLE 5 AROUND HERE >

To evaluate this further, I estimate split sample regressions, stratifying by a country’s average level (intensity) of repression during the Cold War.¹⁵ Columns 3 and 4 report the effect of AID and $AID \times POSTCW$ on conflict for a sample of countries that tended to be less repressive during the Cold War (i.e., \overline{REP}_i less than the sample median of 0.33), while columns 5 and 6 do so for a sample of countries with more repressive regimes (i.e., \overline{REP}_i greater than the sample median). For countries with less repression during the Cold War, aid and in particular, its interaction with $POSTCW$ tends to have no meaningful effect on conflict. In both the OLS and 2SLS specifications (columns 3 and 4 respectively), for instance, the coefficient estimate for $AID \times POSTCW$ is practically zero.

In contrast in countries that tended to be more repressive during the Cold War, columns 5 and 6 show that U.S. aid received in the post-Cold War period does exhibit a differential

¹⁵Rather than estimating a triple interaction effect (i.e., $\overline{REP}_i \times AID_{it} \times POSTCW_t$ which is difficult to interpret, the “split sample” is more transparent and easier to interpret.

and statistically significant effect on conflict. For example, for the “typical” country in this sample, the 2SLS estimate in column 5 implies that a one standard deviation increase in U.S. aid raises the incidence of conflict by 10 percentage points. This effect is larger than the effects associated with a one standard increase in the control variables (log GDP per capita, growth in GDP per capita, log population) on conflict.

The 2SLS estimate of $AID \times POSTCW$ (column 6) is slightly larger than the corresponding OLS estimate (column 5), suggesting that the instrumental variable adjusts for attenuation bias in the underlying relationship between aid and conflict.¹⁶ Moreover, across all the 2SLS specifications, the instruments are “strong” as their associated F -statistics exceed the threshold for weak instruments of 9.7 (Stock et al 2002) and their effects in the second stage can be interpreted as causal. As consequence, the 2SLS estimates imply that confluence of U.S. aid and a transition to unipolarity *caused* an increase in the incidence of conflict in countries with the most repressive Cold War regimes.

Additional controls. This key finding does not arise from the omission of a country’s underlying level of political repression (since repression is frequently correlated with conflict) nor other sources of unearned (non-tax) income (results reported in table C2). For example, the effect of $AID \times POSTCW$ on conflict remains unchanged (from columns 5 and 6) while controlling for a country’s quality of political rights.¹⁷ In both the OLS and 2SLS regressions, countries with more repressive political rights are, unsurprisingly, more likely to experience conflict. The robust positive effect of $AID \times POSTCW$ on conflict also holds in specifications that control for domestic sources of unearned income, such as a country’s fuel exports, as well as in specifications that control for other forms of international financial assistance including receipts of U.S. military aid and total bilateral economic aid from other

¹⁶As a matter of stated policy, U.S. aid is targeted to countries pursuing good governance, who are often less conflict prone.

¹⁷See columns 1 and 2 in table C2.

DAC donors.¹⁸

Alternate samples and specifications. The robust, positive effect of $AID \times POSTCW$ on conflict (in the more repressive Cold War regimes) also holds across a variety of alternate specifications (see table C3), including those that: account for regional trends; exclude any controls, including time-varying recipient characteristics, such as economic growth (and thus mitigate potential concerns with post-treatment bias); utilize a probit or logit estimator; and expand and contract the range (sample) of repressive Cold War regimes (i.e., $\overline{REP}_i > 0.23, 0.43$).

Alternate instruments. The results are also robust to alternate construction of the instrumental variable, such as those using fragmentation from the U.S. Senate, *time-varying* measures of \bar{P}_i that take into account the changing geopolitical priorities of the United States (e.g., detente, Reagan arms buildup, etc.), and use a 1, 2, and 5 year lags of whether a country received any U.S. aid (i.e., $P_{i,t-1}, P_{i,t-2}, P_{i,t-5}$). (See Appendix C3 for further details and discussion.)

Evaluating the exclusion restriction. The validity and causal interpretation of the 2SLS estimates relies on whether the exclusion restriction is satisfied. Namely, that the Democratic margin in the House of Representatives interacted with the average probability a country receives U.S. aid affects political violence through U.S. economic aid only. This means the instrumental variable - in particular Congressional preferences - does not affect political violence via other channels.

¹⁸Results reported in table C2.

Existing research suggests two potential channels through which the legislative composition of Congress might affect politics abroad: security and trade policy.¹⁹ The general finding from this research is that Republican legislators tend to favor aid that is used to promote U.S. security and/or commercial interests, while Democrats prefer aid to promote economic development (Fleck and Kilby 2006; Milner and Tingley 2010). Accounting for these potential channels (with controls for a recipient is a U.S. military ally, receives U.S. military aid, and buys U.S. exports) does not affect the core 2SLS results.²⁰

Of course, it is plausible that the constitutive terms of the instrumental variable may affect political violence via other channels. For instance, former colonies (especially, those of U.S. Cold War allies, such as the United Kingdom, France) may be of greater geopolitical interest to the United States. Moreover, the partisanship relationship between the President and the House of Representatives (e.g., ‘divided’ versus ‘unified’ government) may affect aid disbursements (and U.S. foreign more broadly). To account for these potential channels, I control for the interaction of a country’s colonial relationship with a U.S. Cold War ally with the time-varying component of the instrumental variable (i.e., $MARGIN_t$) as well as the interaction of the Democratic margin in the House ($MARGIN_t$) with the party identification of the U.S. President. The latter interactive effect will account for whether “divided” government affects conflict abroad. In these specifications, the main finding linking U.S. aid to increased post Cold War conflict holds (see table C5, columns 2 and 3).

B. The absence of Soviet “influence”

While the results thus far show that U.S. aid fostered conflict in the post-Cold War period in the most repressive Cold War regimes, a complimentary explanation (arising directly from

¹⁹Other potential foreign policy instruments, such as military interventions or sanctions, are generally within the domain of the US President. While Congress votes to authorize such measures, the President initiates them and has greater operational control over these policies.

²⁰Results reported in table C5. Data for U.S. exports and military allies are drawn from the International Monetary Fund (2012) and Gilber and Sturkes (2004), respectively.

prediction $P2$) exists in which the demise of the Soviet Union created a “strategic” vacuum that made it more attractive for opposition groups to initiate violence against the central government in the post-Cold War era, especially in countries where the government repressed the opposition during the Cold War.²¹ As a consequence, countries that were strategically important to the Soviet Union and/or within its potential “influence” during the Cold War were more likely to experience conflict in the post-Cold War period. Table 6 presents such evidence.

< **TABLE 6 AROUND HERE** >

The unavailability of reliable bilateral aid data (or its equivalent) for the Soviet Union during the Cold War poses challenges in measuring Soviet “influence” (or lack thereof in the post-Cold War era). Instead, I employ several proxies to gauge such influence. The first leverages data of CIA and KGB interventions from Berger et al (2013) to measure which countries both superpowers, but in particular the Soviet Union, strived to influence the domestic politics of during the Cold War (e.g., by deploying military assets, and in many instances to prop up client states).²² Column 1 in table 7 shows that countries in which the KGB intervened during the Cold War (i.e., $POSTCW \times KGB$) were 18 percent more likely to experience conflict in the post-Cold War period (when the USSR was no longer a credible intervenor).²³ This effect is statistically significant. In contrast, the effect of CIA interventions on post-Cold War conflict is half as large (around 8 percent) and not statistically significant. Together, the divergent signs on these coefficient estimates imply that the countries that were strategically

²¹Indeed, a central insight of the formal model is that a transition from bipolarity to unipolarity heightens the propensity for two-sided political violence (i.e., conflict) as the absence of a super-power (and/or uncertainty that the other super-power will “intervene”) increases the likelihood that a formerly repressed opposition group(s) will challenge the central government.

²²I create two indicator variables to measure these interventions. “KGB intervened” is an indicator variable equal to 1 if the KGB invaded and/or installed a government in a country during the Cold War; and zero otherwise. “CIA intervened” is defined analogous (but only for CIA interventions during the Cold War). Data on CIA and KGB interventions is drawn from Berger et al 2013.

²³This specification also controls for the years of intervention by the CIA and KGB.

important to the Soviet Union during the Cold War were more likely to experience conflict in the post-Cold War period when the Soviet Union could no longer intervene.

An additional strategy to measure Soviet influence is to restrict the empirical analysis to countries where the Soviet Union could *viably* meddle in the affairs of other countries. During the Cold War, not all countries were equally susceptible to Soviet influence, especially those within the “U.S. security perimeter.” The Monroe Doctrine of 1823 set the perimeter’s initial boundary. The Doctrine made clear that any interventions in the Americas by other powers would be considered unacceptable to the United States. At the end of World War II, additional countries outside the Americas fell within the U.S. security perimeter (and “out of reach” for the Soviet Union).

I follow Easterly et al (2008) and define the U.S. security perimeter as the boundary generated by the Monroe Doctrine of 1823 (the Americas) and the relatively rapid collapse of the Nazi eastern front (which subsequently limited the US sphere of influence in Europe), namely the Americas and Europe west of Germany. Thus, all countries in the Americas and Western Europe (excluding Greece and Finland) are categorized as falling within this perimeter (and receive a value of 1). All remaining countries fall outside the perimeter and could be intervened (potentially) by the Soviet Union.²⁴ The demarcation of the perimeter can be viewed as “pre-treatment”, as historians are in broad agreement that the perimeter emerged as a consequence of factors from the historical past (the Monroe doctrine) and short term military strategies during World War II (e.g., anticipated Axis resistance on the Westerns vs. Eastern fronts in World War II), and not as a consequence of the subsequent geopolitical rivalry during the Cold War (which in earnest began in the early 1950s) nor due

²⁴Countries outside the U.S. security perimeter are assigned a value of zero. This coding scheme follows directly from Berger et al (2008). In particular, “Greece is coded as a zero because it was only included as part of the perimeter with the announcement of the Truman doctrine in 1947. Finland’s status, of course, remained ambiguous for years after the end of World War II and was never entirely resolved until the end of the Cold War. Asian countries are coded as being outside the US security perimeter as of May 1945. This is because there was considerable uncertainty about where the US considered its perimeter to lie in Asia at this time” (Berger et al 2008, p. 18-19).

to domestic political considerations in the countries included within the perimeter (Gaddis 1987).

Column 2 shows that countries *within* the U.S. security perimeter were 20 percent less likely to experience conflict in the post-Cold War era relative to countries outside the perimeter. Or phrased differently, countries within the potential Soviet sphere of influence (and were potentially “up for grabs” for both super-powers during the Cold War) were 20 percent more likely to experience conflict in the post-Cold War period (in which the specter of Soviet influence disappeared). This finding (and interpretation) is consistent with the notion that the absence of a rival superpower reduces a central government’s options to appeal for external support and makes it more attractive for rebel groups to engage and win a conflict (i.e., $\Gamma = 1$).

Columns 3 and 4 examine this further by evaluating the effect of U.S. aid on post-Cold War conflict for a sample restricted to countries that were *outside* the U.S. security perimeter. Column 3 shows that in these countries, U.S. aid exhibits a robust and positive differential effect on conflict in the post-Cold War period. The coefficient on $POSTCW \times AID$ is positive ($=0.006$) and statistically significant. Column 4 shows that this effect is more pronounced in countries that were the most repressive during the Cold War period (coefficient= 0.008 , p-value= 0.057). On balance, these results are consistent with findings in table 5.

V. CONCLUSION

The empirical findings in sections 3 and 4 show that the international politics surrounding the transition from bipolarity to unipolarity (e.g., uncertainty of superpower interventions, strategic vacuum) and U.S. aid inflows heightened the propensity for conflict in the post-Cold War period in the countries that tended to be repressive. These results corroborate the formal model’s empirical implications. Nevertheless, skeptics may be curious about additional factors.

First, with respect to the effect of aid on conflict, how did aid from other bilateral donors affect post-Cold War conflict? After all, U.S. bilateral aid flows tend to be correlated with economic assistance from other donors, especially after the Cold War (Frot and Santiso 2009). In the data, U.S. bilateral aid exhibits a correlation of 0.26 with total bilateral aid from other DAC donors (i.e., largely Western countries, Australia, New Zealand, and Japan) during the Cold War. The correlation nearly doubles to 0.45 in the post-Cold War period. The presence of such “aid herding” by DAC donors during the post-Cold War also raised the likelihood of conflict after 1990 (in the most repressive Cold War regimes). For instance, in a sample restricted to repressive Cold War regimes (following the same cutoff in earlier tables), the interaction of total DAC aid (excluding U.S. aid) with a post-Cold War dummy exhibits a positive ($=0.03$) and statistically significant effect on conflict. In a different specification, the interaction of total DAC aid (that includes U.S. aid) with *POSTCW* also has a robust positive effect on conflict. These findings are consistent with the results in table 4.

Second, figure 1 shows that the incidence of conflict gradually declined in the late 1990s. In part this reflects the general decline in authoritarianism worldwide, as well as the conclusion of conflicts and transitions to less repressive forms of governance. On the former, for example, the typical aid recipient had a POLITY score of -1.2 in 1990.²⁵ By 2000, this had risen to 1.7. On the latter, of the 43 countries that experienced any conflict between 1990 and 1994, only 14 countries (or 33 percent) did so in 2000. In the 27 countries where conflict ceased, the quality of political rights had improved, from a median POLITY score of 1 between 1990-1994 to 4 in 2000.²⁶ This improvement in the quality of democratic governance (a higher θ in the formal model) reduced the likelihood that rival groups in these societies would resort to violence to settle disputes.

²⁵POLITY scores range from -10 to 10, where a higher value corresponds to a form democratic form of governance. In many studies, a negative POLITY score implies an authoritarian regime and a positive score implies a democratic regime.

²⁶The average POLITY and *POLITICALRIGHTS* scores also increased for these countries.

Third, and related to the second point, conflict in certain regions (e.g., Latin America, Southeast Asia) actually declined after the Cold War, a fact recognized by existing scholars (e.g., Kalyvas and Balcells 2010, 418). What explains this regional variation and can this paper’s narrative account for this? A central feature of the theoretical and empirical account is the role of political institutions (repression) in heightening the likelihood of conflict. In both Latin America and Southeast Asia, as part of the “Third Wave” of democratization many countries experienced or were experiencing movements towards greater political liberalization as the Cold War winded down. As a consequence, the capacity to resolve disputes through more democratic means (i.e., higher θ in the formal model) reduced the incentive of the government and rival groups to resort to violence in the post Cold War period. Empirically, the paper’s core findings hold when controlling for these “unobserved” regional effects of democratic diffusion (see “sensitivity analysis”), as well in a sample that excludes the Americas (see table 6, columns 3-4).

On balance, the theory and supporting empirics advanced in this paper offer a dynamic account for the evolution of political violence in many developing countries since their independence: super-power “assisted” repression during Cold War and a subsequent up tick incidence of conflict in these countries in the aftermath of the Cold War’s conclusion. In doing so, this paper integrates geopolitics, in particular variation in great (super) power politics, and its associated foreign interventions as a prominent factor in explaining cross-national and within-country variation in political violence.

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FIGURE

Figure 1: Incidence of civil conflict worldwide

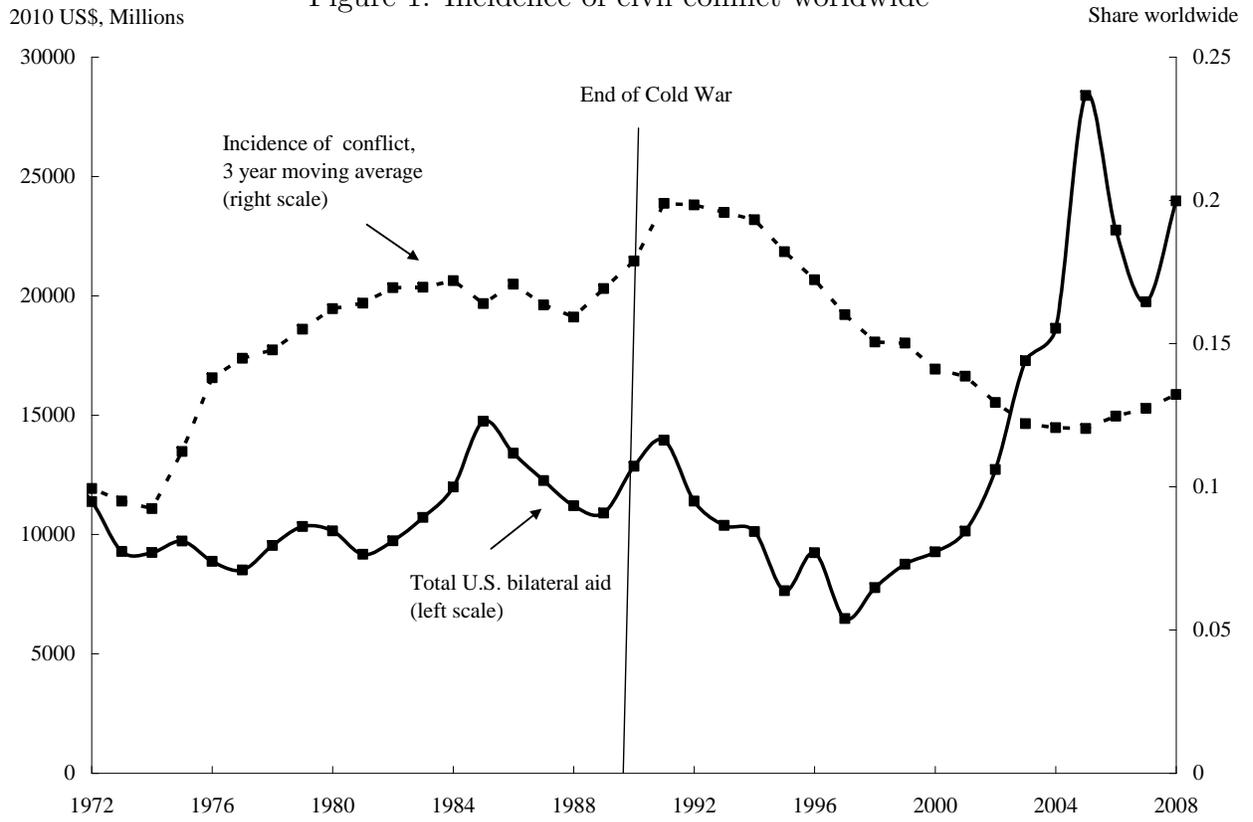
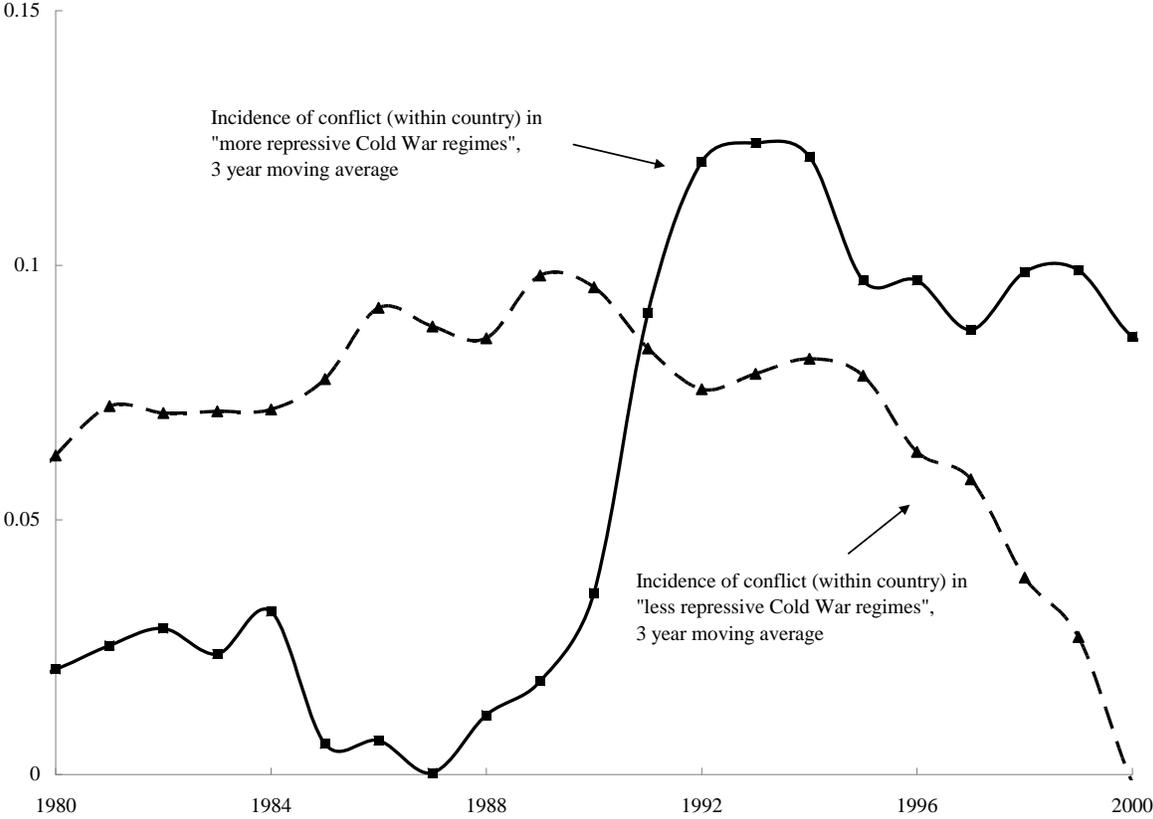


Figure 2: Within country incidence of conflict over time, by level of repression during the Cold War



TABLES

Table 1: Average incidence of conflict and U.S. aid receipts during the Cold War and post-Cold War

	Cold War	Post Cold War	Difference	Standard error	P-value
	<u>All regimes</u>				
US foreign aid (2000 US\$, Million)	81.6	56.6	-25.0	7.6	0.001
Incidence of civil conflict	0.133	0.151	0.019	0.099	0.062
	<u>Less repressive Cold War regimes</u>				
US foreign aid (2000 US\$, Million)	132.0	72.1	-60.1	16.2	0.000
Incidence of civil conflict	0.174	0.165	-0.009	0.017	0.555
	<u>Repressive Cold War regimes</u>				
US foreign aid (2000 US\$, Million)	30.0	50.5	20.6	6.4	0.001
Incidence of civil conflict	0.093	0.145	0.052	0.012	0.000

Notes: Sample of U.S. aid recipients. Countries that were “not free” (on Freedom House’s *POLITICALRIGHTS* index) more than (or equal to) 33 percent of the time during the Cold War period (pre-1990) are classified as “repressive Cold War regimes”; those with less (than 33 percent) are “least repressive Cold War regimes.”

Table 2: Summary statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
<i>Measures of political violence</i>					
Incidence of conflict	3569	0.16	0.37	0.00	1.00
Political rights index	3511	4.16	2.02	1.00	7.00
POLITY index	3001	-0.42	6.79	-10.00	10.00
Executive constraints index	2886	3.65	2.16	1.00	7.00
<i>Independent variables</i>					
Log U.S. aid (2000 US\$)	3569	13.34	6.62	0.00	22.64
Repression (\overline{REP}_i)	3569	0.44	0.40	0.00	1.00
Post Cold War	3569	0.56	0.50	0.00	1.00
Post Cold War x Repression	3569	0.27	0.38	0.00	1.00
Post Cold War x Log U.S. (2000 US\$)	3569	7.87	8.24	0.00	22.64
<i>Instrumental variable</i>					
Democratic margin ($MARGIN_t$)	3569	-50.77	57.94	-29.00	149.00
Prob. of receiving U.S. aid (\bar{P}_i)	3569	0.71	0.28	0.00	0.97
$MARGIN_t \times \bar{P}_i$ (Z_{it})	3569	36.50	46.89	-28.24	145.08
Post Cold War x Z	3569	7.06	29.58	-28.24	97.37
<i>Baseline controls</i>					
Log GDP per capita (2000 US\$)	3569	6.92	1.27	4.13	10.77
GDP per capita growth (% annual)	3569	1.69	6.31	-50.00	90.10
Log population	3569	15.34	2.02	10.61	21.00

Notes: Summary statistics from baseline difference-in-difference specification in table 3.

Table 3: Geopolitics and post-Cold War conflict

Dependent variable:	Incidence of conflict					
	(1)	(2)	(3)	(4)	(5)	(6)
Regression x Post Cold War	0.130 (0.066)*	0.153 (0.069)**		0.086 (0.032)***	0.123 (0.047)**	
Regression x Post 1985			0.026 (0.065)			
Incidence of conflict in t-1				0.567 (0.042)***		
Incidence of any conflict in past 5 years					0.292 (0.041)***	
Civ. Liberties x Post Cold War						0.123 (0.072)*
Log GDP per capita (2000 US\$)		-0.047 (0.039)	-0.066 (0.040)*	-0.001 (0.017)	-0.007 (0.028)	-0.059 (0.041)
Log GDP per capita growth (% annual)		-0.004 (0.001)***	-0.004 (0.001)***	-0.002 (0.0001)***	-0.004 (0.001)***	-0.004 (0.001)***
Log population		-0.219 (0.102)**	-0.141 (0.099)	-0.085 (0.047)*	-0.152 (0.073)**	-0.197 (0.104)*
Constant	0.13 (0.034)***	3.866 (1.699)**	2.841 (1.684)	1.365 (0.753)*	2.475 (1.172)**	3.639 (1.756)**
Country fixed effects	Y	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y	Y
No. observations	3607	3569	3569	3569	3569	3569
R-squared	0.51	0.52	0.51	0.67	0.57	0.51

Notes: Estimation via OLS. Robust standard errors, clustered by country reported in parentheses. * = significant at 10%; ** = significant at 5%; *** = significant at 1%. Regression is the proportion of years a country was “not free” (political rights=6,7) during the Cold War period. Civ. Liberties is the proportion of years a country was “not free” on Freedom House’s “civil liberties” index. Post Cold War is a dummy equal to the year 1990 and thereafter and 0 in any year prior to 1990.

Table 4: Discounting competing explanations

Dependent variable:	Incidence of civil war				
	(1)	(2)	(3)	(4)	(5)
Ethno-linguistic fractionalization x Post CW	0.172 (0.146)				0.173 (0.176)
Religious fractionalization x Post CW		0.145 (0.140)			0.045 (0.147)
Mountainous terrain (%) x Post CW			0.002 (0.002)		0.003 (0.002)*
Log GDP per capita (2000 US\$) x Post CW				-0.049 (0.023)**	-0.008 (0.032)
Regression (CW) x Post CW					0.157 (0.085)*
Recipient characteristics	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y
R-squared	0.5	0.51	0.5	0.5	0.52
Number of observations	3377	3402	3402	3402	3005

Notes: Estimation via OLS. Robust standard errors, clustered by country reported in parentheses. * = significant at 10%; ** = significant at 5%; *** = significant at 1%. Recipient characteristics include: log GDP per capita (2000 US\$), GDP per capita growth (% annual), and log population. These coefficients, country and year fixed effects, and a constant are not reported. Regression (CW) is the proportion of years a country was “not free” (political rights=6,7) during the Cold War period. Ethnic fractionalization is from Easterly and Levine (1997). Religious fractionalization and mountainous terrain (%) is from Fearon and Laitin (2003).

Table 5: The impact of U.S. aid on conflict

Dependent variable:	Incidence of conflict					
	All regimes		Less repressive CW regimes		Repressive CW regimes	
Method of estimation:	OLS (1)	2SLS (2)	OLS (3)	2SLS (4)	OLS (5)	2SLS (6)
<i>Instrumented variables</i>						
Post CW x Log US aid (2000 US\$)	0.004 (0.003)	0.007 (0.004)	0 (0.004)	-0.001 (0.007)	0.008 (0.004)**	0.012 (0.006)*
Log U.S. aid (2000 US\$)	-0.001 (0.003)	0.003 (0.008)	0.002 (0.004)	0.017 (0.012)	-0.004 (0.005)	-0.011 (0.012)
<i>Control variables</i>						
Log GDP per capita (2000 US\$)	-0.065 (0.042)	-0.059 (0.040)	-0.007 (0.074)	0.039 (0.080)	-0.065 (0.040)	-0.056 (0.042)
GDP per capita growth (% annual)	-0.004 (0.001)***	-0.004 (0.001)***	-0.002 (0.002)	-0.003 (0.002)	-0.006 (0.002)***	-0.006 (0.002)***
Log population	-0.134 (0.097)	-0.136 (0.098)	-0.116 (0.126)	-0.1 (0.129)	-0.357 (0.146)**	-0.387 (0.171)**
Year fixed effects	Y	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	Y	Y	Y	Y
R-squared	0.51	0.51	0.61	0.58	0.44	0.45
Number of observations	3569	3569	1625	1625	1944	1944
Number of countries	127	127	59	59	68	68
<i>F-statistics on excluded instrument</i>						
Log US aid (2000 US\$)		34.79		23.12		15.6
Post CW x Log US aid (2000 US\$)		91.85		45.59		40.77

Notes: Estimation via OLS and 2SLS Robust standard errors, clustered by country reported in parentheses. * = significant at 10%; ** = significant at 5%; *** = significant at 1%. All specifications include country and year fixed effects. These coefficients and a constant are not reported. Countries that were “not free” more than (or equal to) 33 percent of the time during the Cold War period (pre-1990) are classified as “repressive Cold War regimes”; those with less (than 33 percent) are “least repressive Cold War regimes.” Columns 3-4 are restricted to the sample of “least repressive Cold War regimes.”

Table 6: Evaluating the “absence” of Soviet influence

Dependent variable:	Incidence of civil war			
	Outside of US security perimeter		Repressive CW regimes	
	All regimes (3)	Outside of US security perimeter (2)	All regimes (3)	Repressive CW regimes (4)
Post Cold War (CW) x CIA intervened	(1) -0.08 (0.073)	(2) -0.201 (0.066)***	(3) -0.003 (0.004)	(4) -0.004 (0.005)
Post CW x KGB intervened	0.184 (0.097)*		0.006 (0.003)*	0.008 (0.004)*
Post CW x US security perimeter				
Log US aid (2000 US\$)				
Post CW x Log US aid (2000 US\$)				
Recipient characteristics	Y	Y	Y	Y
Country fixed effects	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y
R-squared	0.52	0.52	0.52	0.45
Number of observations	3569	3569	3569	3569
Number of countries	127	127	123	59

Notes: Estimation via OLS. Robust standard errors, clustered by country reported in parentheses. * = significant at 10%; ** = significant at 5%; *** = significant at 1%. CIA and KGB intervened indicated whether a country was ever “intervened” by the KGB or CIA during the Cold War. It is time-invariant. Column 1 also controls for CIA and KGB intervention periods (these coefficients are not reported). Specifically, CIA and KGB intervention equals 1 in years when the CIA or KGB is intervening in that country (during the Cold War). They are both time-varying. Recipient characteristics include: log GDP per capita (2000 US\$), GDP per capita growth (% annual), and log population. These coefficients, country and year fixed effects, and a constant are not reported. In columns 3-4, the sample is restricted to countries that are NOT in the U.S. security perimeter. Furthermore, in column 4, the sample is restricted to countries that were “not free” more than (or equal to) 33 percent of the time during the Cold War period.

SUPPLEMENTAL APPENDICES

Appendix A: Proofs

Proof for “peace”: To determine when peace is a better response to peace than fighting, I compare the payoffs for each. The incumbent’s payoff when it and the opposition choose peace (i.e., $\delta^O = \delta^I = 0$) is $w + \frac{R}{2}$. The incumbent’s payoff from fighting when the opposition chooses peace is: $w(1 - \frac{A^I}{2}) + \frac{R}{2} + \frac{R\Gamma A^I(1-\theta)}{\mu}$. The incumbent will choose peace if $w + \frac{R}{2} \geq w(1 - \frac{A^I}{2}) + \frac{R}{2} + \frac{R\Gamma A^I(1-\theta)}{\mu}$. Combining like-terms and simplifying yields: $0 \geq \frac{-wA^I}{2} + \frac{R\Gamma A^I(1-\theta)}{\mu}$. Solving for μ yields the conditions under which the incumbent will choose peace over fighting (given the opposition chooses peace): $\frac{2R\Gamma A^I(1-\theta)}{w} \leq \mu$. The same conditions characterize the opposition’s best response when the incumbent chooses peace.

Thus, peace ($\delta^O = \delta^I = 0$) occurs when $\frac{2R\Gamma A^I(1-\theta)}{w} \leq \mu$.

Proof for “repression”: Under repression ($\delta^I = A^I$, $\delta^O = 0$), the incumbent’s payoff is: $w(1 - \frac{A^I}{2}) + [\frac{1}{2} + \frac{A^I\Gamma(1-\theta)}{\mu}]R$. This is a better response to “peace” ($\delta^O = 0$) when $w(1 - \frac{A^I}{2}) + [\frac{1}{2} + \frac{A^I\Gamma(1-\theta)}{\mu}]R > w + \frac{R}{2}$. Combining like-terms and simplifying yields: $\frac{R\Gamma(1-\theta)}{\mu} > \frac{w}{2}$. Solving for μ yields: $\frac{2R\Gamma(1-\theta)}{w} > \mu$. This provides an upper bound.

To determine the lower bound requires examining the opposition’s best response to the incumbent’s repression. If $\delta^I = A^I$, the opposition’s payoff with $\delta^I = 0$ is: $w(1 - \frac{A^I}{2}) + [\frac{1}{2} - \frac{\Gamma A^I(1-\theta)}{\mu}]R$. If the opposition chooses to fight (i.e., $\delta^O = A^O$), its payoff is: $w(1 - A^O - \frac{A^I}{2}) + [\frac{1}{2} - \frac{\Gamma A^I(1-\theta)}{\mu}]R$. Given these payoffs, the opposition will choose *not* to fight when: $w(1 - \frac{A^I}{2}) + [\frac{1}{2} - \frac{\Gamma A^I(1-\theta)}{\mu}]R > w(1 - A^O - \frac{A^I}{2}) + [\frac{1}{2} + \frac{\Gamma(A^O - A^I)(1-\theta)}{\mu}]R$. Combining like-terms and simplifying yields: $wA^O \geq \frac{R\Gamma A^O(1-2\theta)}{\mu}$. Solving for μ yields the lower bound condition under which an opposition will choose not to fight in response to the incumbent’s decision to fight: $\mu \geq \frac{R\Gamma(1-\theta)}{\mu}$

Thus, repression ($\delta^I = A^I$ and $\delta^O = 0$) occurs if $\frac{R\Gamma(1-\theta)}{w} \leq \mu < \frac{2R\Gamma(1-\theta)}{w}$.

Proof for “conflict”: Under conflict, both the government and the opposition use their armies. It follows from the proof above, that when the incumbent chooses to fight (i.e., $\delta^I = A^I$), the opposition will fight if $\mu < \frac{R\Gamma(1-\theta)}{w}$.

For the incumbent, fighting is a best response to the opposition's decision to fight if: $w(1 - \frac{A^I}{2}) + [\frac{1}{2} - \frac{\Gamma(A^O - A^I)(1-\theta)}{\mu}]R > w + [\frac{1}{2} - \frac{\Gamma A^O(1-\theta)}{\mu}]R$. The former is the incumbent's payoff from fighting, while the latter expression is the incumbent's payoff from not fighting against the opposition. Combining like-terms in this inequality and solving for μ yields the conditions under which the incumbent chooses to fight (when the opposition also chooses to fight): $\frac{2R\Gamma(1-\theta)}{w} > \mu$.

Since $\frac{2R\Gamma(1-\theta)}{w} > \frac{R\Gamma(1-\theta)}{w}$, it follows that both the incumbent and opposition engage in two-sided violence when $\mu < \frac{R\Gamma(1-\theta)}{w}$.

Appendix B: Instrumental variable

Legislative fragmentation and U.S. aid disbursements. The U.S. allocates varying amounts (and types) of bilateral economic aid to recipient countries over time. A large component of this allocative process is influenced by U.S. domestic politics. The majority of U.S. foreign assistance is contained in the international affairs budget requested and allocated through the State, Foreign Operations, and Related Agencies appropriations bill in the U.S. Congress.²⁷ The legislative branch plays a critical role in U.S. foreign assistance, possessing the power both to authorize policy and appropriate funds. In response to the President's budget submission (by February 2nd every year), the House and Senate Budget committees are the first to act, setting funding ceilings for various parts of the budget and guiding the work of both authorizing and appropriations committees.²⁸ Each year, 11-12 appropriations bills, including the State, Foreign Operations, and Related Agencies bill, make their way through a long deliberative process in both the House and the Senate. The appropriations committees, in coordination with the authorizing committees, determine and allocate federal spending each year, including foreign aid. Frequently, the resulting appropriations bills and accompanying reports include numerous detailed directives on how funds should be spent by country and account (Lancaster 2000).

This legislative process frequently reflects the interests of those Congressmen involved (e.g., Therein and Noel 2000; Milner and Tingley 2010, 2011). Milner and Tingley (2010), for example, analyze votes related to U.S. foreign aid from members of the House of Representatives from 1979-2003 and find that members with a more right-leaning political ideology tend to oppose economic aid than do members from more left-leaning districts. In contrast, House members from more right-leaning districts favor *military aid* than do members from less right-leaning district. Partisan affiliation often shapes the types of aid Congressmen support. For instance, analyzing U.S. bilateral aid for 119 countries from 1960-1997, Fleck and Kilby (2006) show that when Congress is more liberal (i.e., higher share of Democratic legislators) aid for economic development receives more weight than when Congress is more

²⁷This is also referred to as Function 150 or the "150 account", and contains spending on global economic, diplomatic and humanitarian programs by the State Department (DOS), the United States Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC) among others. The U.S. Global Leadership Coalition provides thorough updates on the status of 150 Account budget, including a summary of individual program, or "account," allocations.

²⁸Every year, by February 2nd the President submits a budget to the Congress outlining the Administration's spending priorities, including foreign aid outlays. Typically by April 15th, the budget committee sets spending caps for appropriations committees. By the end of May, the relevant sub-committees decide allocations to each function and by October 1st (typically), the full Congress votes on these allocations.

conservative. In contrast, when Congress is more conservative, aid for commercial purposes (e.g., aid that is tied to U.S. exports) has more weight.

The existence of these partisan differences over aid allocation suggests that the legislative composition of Congress (and the sub-committees that reflect this composition) influence aid disbursements. In particular, existing theories and empirical evidence suggests that a more fragmented legislature contributes to higher government spending (Roubini and Sachs 1989; Alesina and Tabellini 1990; Alesina and Perotti 1996), including foreign aid appropriations. The theoretical explanations stem from the well established proposition that higher levels of aggregate political conflict (e.g., stemming from greater ideological/partisan differences in legislatures) will result in equilibrium fiscal outcomes that favor greater spending since politicians will exhibit a greater proclivity in providing voters with program benefits (Alesina and Tabellini 1990; Roubini and Sachs 1989). Moreover, greater heterogeneity in partisan preferences over fiscal policy is likely to require legislative logrolling, thus contributing to higher overall spending to accommodate different spending initiatives and to better ensure the bill's passage in Congress. A number of studies confirm this legislative fragmentation-spending relationship, both cross-nationally (Roubini and Sachs 1989; Alesina and Tabellini 1990) and, in particular for presidential systems, such as the United States (Alesina and Rosenthal 1995; Hankla 2012).

With respect to U.S. bilateral foreign aid disbursements, such a relationship is apparent in the legislative composition of the US House of Representatives. Figure 3 depicts a robust negative correlation between average U.S. aid disbursements to recipients and the Democratic margin (i.e., difference between the number of House Democrats and Republicans) in the U.S. House of Representatives from 1972-2009. A larger Democratic margin implies less legislative contestation (i.e., less fragmentation) and smaller overall bilateral aid disbursements (in general). This logic is consistent with the consistent with the negative relationship depicted in figure 2. Finally, it is worth observing that this relatively simple variable ($MARGIN_t$) avoids using explicit measures of partisanship or ideology (e.g., DW-NOMINATE) which are potentially endogenous with actual preferences for foreign aid.²⁹

Exogeneity. Exploiting the legislative fragmentation from the U.S. House of Representatives (rather than from the Senate) is advantageous for a number of reasons. First, all 435 members of House are subject to re-election every two years as opposed to only one-third of

²⁹DW-NOMINATE, for example, is based on roll-call votes, including those associated with foreign aid bills. To avoid introducing this bias, I use a much simpler measure.

the 100 incumbent senators. Empirically, this means the House $MARGIN_t$ exhibits greater temporal variation than the Senate $MARGIN_t$ and generates a statistically stronger and more precise instrumental variable for U.S. bilateral aid disbursements than using the Senate $MARGIN_t$. Second, and most importantly, $MARGIN_t$ is a plausibly exogenous source of temporal variation in U.S. aid disbursements that is uncorrelated with political (and economic) conditions within U.S. aid recipients. Changes in the composition of U.S. House of Representatives occur bi-annually as a consequence of elections that are largely determined by local and national political and economic conditions, including (but not limited to) federal spending in Congressional districts (Levitt and Synder 1997), Presidential coattails (Campbell and Summers 1990), midterm elections (Tufte 1975), and retrospective economic voting (Fiorina 1978). To the best of my knowledge, political conditions in poor developing countries have not been identified as a determinant for electoral outcomes in the U.S. House of Representatives.

Aid frequency. The sensitivity of any particular country's receipts of aid to $MARGIN_t$ will be affected by probability that particular country actually receives U.S. aid in any given year. In fact, a striking feature of U.S. aid disbursements is that countries that receive U.S. aid more often tend to receive higher amounts of aid. Figure 4 plots a country's average receipts of U.S. aid (over the period 1972-2008) against the country's annual probability of receiving any U.S. aid, (\bar{P}_i) . For instance, Nigeria has a 68 probability of receiving U.S. aid in any given year, with aid disbursements averaging to \$31.3 million per annum. In contrast, Algeria receives U.S. a substantially lower amount of aid (\$41803 on average per annum) about once every three years. The cross-sectional relationship identified in figure 3 is analogous to Nunn and Qian's (2012) observation that U.S. bilateral food aid is higher for countries that receive food aid more frequently from the United States.

Figure 3: The Democratic margin in the House of Representatives and annual average U.S. bilateral aid disbursements

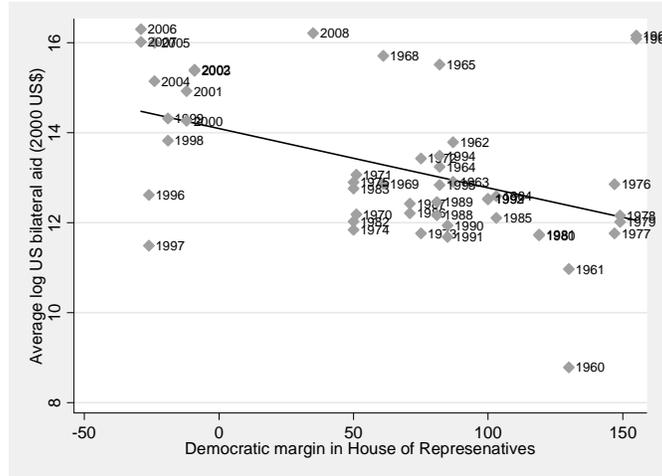
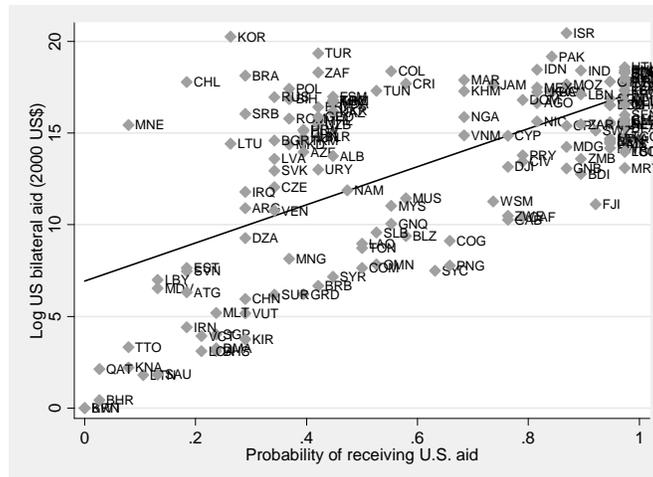


Figure 4: Probability of receiving U.S. bilateral aid and country average U.S. bilateral aid disbursements



Appendix C: Additional results

C1. Geopolitics and post-Cold War conflict

Table C1 shows that the key finding in table 3 is robust to alternate specifications. Columns 1-6 vary the set of recipient characteristics and fixed effects that are included as controls. Column 1, for example, does not include any recipient characteristics or fixed effects, while column 2 only controls for recipients (e.g., log GDP per capita, growth) only. Columns 7 and 8 show the key finding holds in specifications estimated via probit and logistic regression. Columns 9 and 10 evaluate the robustness of the results that exclude potential outliers. Column 9 excludes countries with populations less than 2 million. These ‘smaller’ countries tend to receive disproportionately higher amounts of U.S. aid and are cases where the relative (per capita) costs associated with repression can be lower. Column 10 excludes the top and bottom decile of country-year aid observations. Thus, it excludes cases (observations) with high and low amounts of U.S. disbursements. Column 11 accounts for region specific differential trends (e.g., Africa x Year, S. America x Year, etc.).

Table C1: Geopolitics and post-Cold War conflict - Alternate specifications and samples

Method of estimation:	Incidence of conflict										
	OLS (1)	OLS (2)	OLS (3)	OLS (4)	OLS (5)	OLS (6)	PROBIT (7)	LOGIT (8)	OLS (9)	OLS (10)	OLS (11)
Repression x Post Cold War	0.137 (0.061)**	0.108 (0.061)*	0.128 (0.065)*	0.127 (0.066)*	0.139 (0.061)**	0.111 (0.061)*	1.377 (0.611)**	2.775 (1.136)**	0.235 (0.098)**	0.184 (0.086)**	0.117 (0.067)*
Post Cold War	-0.041 (0.038)	-0.037 (0.038)	-0.027 (0.038)	0.001 (0.043)							
Repression	-0.137 (0.061)**	-0.225 (0.052)**			-0.139 (0.061)**	-0.225 (0.053)***					p=0.086
Recipient characteristics	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y
Country fixed effects	N	N	Y	Y	N	N	Y	Y	Y	Y	Y
Year fixed effects	N	N	N	N	Y	Y	Y	Y	Y	Y	Y
Region FE x Year trend											Y
<i>Sample restriction</i>									Y		
Population > 2 million										Y	
“10/90 trim” by aid											
No. observations	3619	3581	3619	3581	3619	3581	1838	1838	2468	2555	3581
R-squared	0.01	0.15	0.5	0.51	0.02	0.16	0.36	0.37	0.49	0.49	0.52

Notes: Estimation via OLS and 2SLS Robust standard errors, clustered by country reported in parentheses. * = significant at 10%; ** = significant at 5%; *** = significant at 1%. Recipient characteristics include: log GDP per capita (2000 US\$) and GDP per capita growth (% annual). Depending on the specification, these coefficients, country and year fixed effects, and a constant are not reported. In column 9, the sample is restricted to countries with populations exceeding 2 million citizens (on average). In column 10, the sample excludes country-year observations in the top and bottom decile of annual U.S. disbursements. In column 11, the specification controls for the interaction of region fixed effects and a year trend (e.g., Africa x Year, S. America x Year, etc.).

C2. The impact of U.S. aid on conflict

Table C2: The impact of U.S. aid on conflict in repressive Cold War regimes - with additional controls

Dependent variable:	Incidence of conflict							
	Repressive				Cold War regimes			
Sample:	OLS	2SLS	OLS	2SLS	OLS	2SLS	OLS	2SLS
Method of estimation:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Instrumented variables</i>								
Post CW x Log US aid (2000 US\$)	0.008 (0.004)**	0.013 (0.007)*	0.008 (0.004)*	0.012 (0.006)*	0.008 (0.057)*	0.012 (0.006)*	0.008 (0.004)***	0.012 (0.007)*
Log U.S. aid (2000 US\$)	-0.004 (0.005)	-0.014 (0.012)	-0.003 (0.005)	-0.109 (0.013)	-0.003 (0.004)	-0.011 (0.012)	-0.004 (0.004)	-0.001 (0.012)
<i>Additional controls</i>								
Political rights	0.016 (0.010)	0.017 (0.010)*						
Log military aid (2000 US\$)			-0.002 (0.003)	-0.001 (0.004)				
Log DAC aid, excl. US aid (2000 US\$)					-0.026 (0.014)*	-0.018 (0.020)		
Log fuel exports (2000 US\$)							-0.002 (0.002)	-0.388 (0.171)**
Recipient characteristics	Y	Y	Y	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	Y	Y	Y	Y	Y	Y
R-squared	0.44	0.43	0.44	0.44	0.44	0.44	0.44	0.44
Number of observations	1934	1934	1944	1944	1934	1934	1944	1944
Number of countries	68	68	68	68	68	68	68	68
<i>F-statistics on excluded instrument</i>								
Log US aid (2000 US\$)		16.31		13.66		16.56		16.63
Post CW x Log US aid (2000 US\$)		39.46		42.45		46.52		41.16

Table C3: Aid and conflict in repressive Cold War regimes - Alternate specifications and samples

Specification: Method of estimation:	Incidence of conflict									
	Regional trends			No controls			Alternate estimators			$REP_i > 0.23$
	OLS (1)	2SLS (2)	OLS (3)	OLS (4)	2SLS (5)	PROBIT (6)	LOGIT (7)	OLS (8)	2SLS (9)	$REP_i > 0.43$ OLS (10)
Post CW x Log US aid (2000 US\$)	0.007 (0.004)*	0.011 (0.006)*	0.005 (0.002)**	0.006 (0.003)**	0.047 (0.017)**	0.087 (0.031)**	0.006 (0.004)†	0.014 (0.006)**	0.008 (0.005)*	0.012 (0.008)†
Log U.S. aid (2000 US\$)	-0.004 (0.0005)	-0.009 (0.011)	0.002 (0.004)	0.034 (0.027)	-0.014 (0.037)	-0.036 (0.073)	-0.002 (0.005)	0.0002 (0.011)	-0.005 (0.005)	-0.009 (0.010)
Recip. char.	Y	Y	N	N	Y	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	N	N	Y	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	N	N	Y	Y	Y	Y	Y	Y
Region FE x Year trend	Y	Y	N	N	Y	Y	Y	Y	Y	Y
R-squared	1961	1961	0.02	0.02	0.35	0.36	2144	2144	1609	1609
Number of observations	0.45	0.44	1986	1986	1200	1200	0.42	0.42	0.46	0.46
Number of countries	69	69	69	69	39	39	75	75	57	57

Notes: Estimation via OLS and 2SLS. Robust standard errors, clustered by country reported in parentheses. † = significant 12%; * = significant at 10%; ** = significant at 5%; *** = significant at 1%. Recipient characteristics include: log GDP per capita (2000 US\$) and GDP per capita growth (% annual). In columns 1-6, the sample is restricted to “more repressive Cold War regimes” as defined in the main text. In columns 7 and 8, the sample is expanded to include countries that were not “free” more than (or equal to) 23 percent of the time during the Cold War. In columns 9 and 10, the sample is contracted to include countries that were “not free” more than (or equal to) 43 percent of the time during the Cold War period.

C3. Alternate formulations of the instrumental variable

Table C4 shows the core 2SLS results linking U.S. aid to conflict in the repressive Cold War regimes hold in specifications that use alternate formulations of the instrumental variable. Column 1 shows that this core result holds in a specification that instruments using the Democratic margin in the U.S. Senate.

Of course, skeptics may be concerned that the use of \bar{P}_i in the identification strategy is problematic. One such concern is that the probability a country receives U.S. aid is not time-invariant, but does change over time. This changing probability may reflect changes in U.S. domestic politics and changes in foreign policy objectives (Fleck and Kilby 2006) due in large part to evolving geopolitical conditions. To account for this possibility, I use alternate measures of P_i in the construction of the instrumental variable.

I first create a time-varying measure of P_i that captures the changing geopolitical objectives of U.S. foreign aid (and U.S. foreign aid policy more broadly). In particular, I calculate the average probability a country receives U.S. aid over 4 distinct geopolitical periods since 1972. The first is the period of détente (1972-1980) in which the superpower rivalry between the United States and the USSR was relatively calm. The election of Ronald Reagan in November 1980 marked a transition in the superpower rivalry. This second period (1981-1990) had two main features: an expansion of U.S. defense spending under President Reagan and Mikhail Gorbachev's move a gradual opening (glasnost) and restructuring (perestroika) of the USSR. The end of the Cold War in 1989, brought an end to the superpower rivalry and ushered a re-orientation of U.S. foreign policy. For example, under President Clinton in the 1990s U.S. defense spending declined. The third period captures the post-Cold War period until the terrorist events of September 11, 2001 (1991-2001). The fourth period is the post-9/11 period (2002-2009) in which U.S. foreign policy (and foreign aid) objectives changed once again.

Column 2 in table C4 shows U.S. aid fosters conflict in the post Cold War period in the most repressive Cold War regimes. The coefficient estimate (=0.014) is statistically significant and slightly larger than the main estimate reported in Table 5, column 6 (=0.012). Also, observe that this specification properly controls for this time-varying propagation variable (since it is not time-invariant and therefore not subsumed by the country fixed effects).

I also construct a set of alternate instruments which interact $MARGIN_t$ with a dummy variables equal to 1 if a country received any U.S. aid in the past 1, 2, and 5 years (and zero otherwise). These variables are denoted as P_{t-1} , P_{t-2} , and P_{t-5} respectively. The results from these specifications are reported in columns 3-5 of table C4. Across all 3 Across all 3

specifications, instrumented U.S. aid raises the incidence of conflict in post Cold War period (in the most repressive Cold War regimes). The estimated effects (=0.013, 0.015) are similar in magnitude to the baseline estimate reported in table 5, column 6.

Table C4: Aid and conflict in repressive Cold War regimes - Alternate instruments

Dependent variable:	Incidence of conflict				
	Senate margin				
	(1)	(2)	(3)	(4)	(5)
Log U.S. aid (2000 US\$)	-0.025 (0.015)*	0.027 (0.053)	0.001 (0.021)	0.007 (0.020)	-0.007 (0.010)
Post CW x Log U.S. aid (2000 US\$)	0.03 (0.014)**	0.014 (0.006)**	0.013 (0.005)***	0.013 (0.006)**	0.015 (0.006)***
$P_{timevary}$		-0.445 (0.700)			
$P_{i,t-1}$			-0.083 (0.205)		
$P_{i,t-2}$				-0.108 (0.177)	
$P_{i,t-5}$					-0.019 (0.044)
Recipient characteristics	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y
R-squared	0.39	0.37	0.44	0.44	0.46
Number of observations	1961	1961	1925	1908	1873
Number of countries	69	69	69	69	69

Notes: Estimation via 2SLS. Robust standard errors, clustered by country reported in parentheses. * = significant at 10%; ** = significant at 5%; *** = significant at 1%. Recipient characteristics include: log GDP per capita (2000 US\$) and GDP per capita growth (% annual). The sample is restricted to “more repressive Cold War regimes” as defined in the main text. In column 1, aid is instrumented with the Democratic margin in the U.S. Senate. In columns 2-5, aid is instrumented using time-varying measures of $\bar{P}_{i,t}$ as described in this appendix.

C4. Evaluating potential violations of the exclusion restriction

Table C5 controls for the various potential violations of the exclusion restriction, as discussed in the main text. Columns 1 and 3 accounts for three potential channels through which Congressional preferences might affect conflict abroad, independently of U.S. aid disbursements. These channels are: a country’s receipts of U.S. exports; membership in a formal military alliance with the United States; and, receipts of U.S. military aid. Columns 2 and 3 control for possible channels through which the constitutive terms of the instrumental variable may affect the incidence of civil conflict abroad.

Table C5: Evaluating the exclusion restriction

Dependent variable:	Incidence of conflict		
Method of estimation:	2SLS	2SLS	2SLS
	(1)	(2)	(3)
Post CW x Log US aid (2000 US\$)	0.01 (0.006)*	0.012 (0.006)**	0.011 (0.006)*
Log U.S. aid (2000 US\$)	-0.008 (0.012)	-0.013 (0.016)	-0.014 (.018)
<i>Additional controls</i>			
Log U.S. exports (2000 US\$)	-0.004 (0.004)		-0.002 (0.005)
US military ally	0.139 (0.064)**		0.142 (0.065)**
Log U.S. military aid (2000 US\$)	-0.001 (0.004)		-0.0003 (0.005)
$MARGIN_t \times Formercolony$		0.01 (0.001)	0.001 (0.001)
$\bar{P}_i \times PartyofPresident$		-0.108 (0.057)*	-0.115 (0.068)*
Recipient characteristics	Y	Y	Y
Country fixed effects	Y	Y	Y
Year fixed effects	Y	Y	Y
R-squared	0.45	0.44	0.44
Number of observations	1961	1961	1961
Number of countries	69	69	69
<i>F</i> -statistic on instrumented variable			
Log U.S. aid (2000 US\$)	9.27	9.28	7.89
Post CW x Log US aid (2000 US\$)	59.47	58.15	59.51

Notes: Estimation via 2SLS. Robust standard errors, clustered by country reported in parentheses. * = significant at 10%; ** = significant at 5%; *** = significant at 1%. All specifications include recipient characteristics, country and year fixed effects. Recipient characteristics include: log GDP per capita (2000 US\$), GDP per capita growth (% annual), and log population. These coefficients and a constant are not reported. The sample is restricted to “more repressive Cold War regimes” as defined in the main text.