

THE EFFECTS OF U.S. FOREIGN ASSISTANCE ON DEMOCRACY BUILDING, 1990-2003

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Introduction

Does democracy promotion work? That is, do the millions of dollars spent each year by the United States and other western donors on programs designed to facilitate free and fair elections, encourage independent civil society organizations, and promote respect for human rights, the rule of law and good governance, result in any measurable impact on either the extent of democracy or on the pace of democratic change in recipient countries? Despite the enormous growth in democracy assistance programs from the U.S. in recent decades, and despite the emphasis given to democracy promotion as a core priority of U.S. foreign policy by George W. Bush and his immediate predecessors, we know very little about whether, how, and under what conditions such programs achieve their goals of facilitating democratic transitions among authoritarian regimes or furthering democracy in transitional states around the world.

To be sure, there is a growing literature that describes the origins and growth of democracy promotion in the U.S. and other western democracies, and that critically analyzes the motives, assumptions and implementation of democracy assistance programs in a variety of country contexts (Burnell 2000; Carothers 1999; Diamond 1999; Capacio 2000; Hearn 2000). Much of this literature, however, relies on case studies of democracy promotion in specific countries or regions, and hence cannot provide a general assessment of the global effectiveness of such programs on democratic outcomes. The handful of quantitative studies on the topic are limited as well, either by focusing on democracy promotion in particular regions at particular times (Goldsmith 2001), or by using highly aggregated measures of foreign assistance as independent variables as opposed to specific donor allocations for democracy assistance (Knack 2004). Thus there is at present no systematic analysis of the “bottom line” impact of democracy promotion programs on recipient countries across a broad range of countries over an extended period of time.

In this paper, we overcome the limitations of previous work by analyzing a unique data set containing the budget appropriations, or “obligations,” for the U.S. Agency for International Development’s (USAID) democracy assistance programs world-wide for nearly the entire post-Cold War period (1990-2003). The data were collected in cooperation with USAID personnel over the past two years from original USAID budgetary and program records. We separate all USAID obligations in the democracy sector from those in areas such as education, health, and economic development, and include expenditures in each of these areas, as well as a wide range of control variables, in statistical models predicting countries’ level and change in democratic development – as gauged by both the Freedom House and Polity IV indices -- over time. This is the first comprehensive examination, then, of the specific effects of U.S. *democracy* assistance on overall democracy outcomes in recipient countries.¹ Moreover, we separate the amount of assistance in each of the specific sub-sectors in the USAID democracy portfolio --- Elections and Political Processes, Rule of Law, Civil Society, and Governance --- and assess the effects of each on countries’ general levels of democracy, as well as their effects on additional dependent variables that represent countries’ levels of democratic development *on those specific sub-*

¹ Paxton and Morishima (2005) conducted analyses on a preliminary version of the data set that we utilize here.

sectoral dimensions. Thus, we show the impact of elections assistance on countries' level of free and competitive electoral processes, the impact of civil society assistance on the freedom and independence of countries' civil society sector, the impact of governance assistance on governance-related democratic outcomes, and so forth. None of these kinds of analyses for the overall assessment of democracy promotions efforts have been conducted previously.

Expectations from Prior Research

How effective is democracy assistance likely to be? Based on traditional accounts of the determinants of democratization, as well as much previous empirical work on the economic and political impacts of foreign aid, there are compelling reasons to expect weak or minimal effects of democracy promotion efforts on recipient countries. Theoretically, scholars of democratization have tended to emphasize domestic-level factors as primarily responsible for a country's democratic development, leaving little theoretical role for external actions, stimuli or pressures to influence democratic transitions or breakdowns. While there is intense controversy over the specific domestic factors thought to be most strongly associated with democratic change --- be it a country's colonial traditions (Bernhard, Reenock and Nordstrom 2004; Bratton, Mattes and Gyimah-Boadi 2005), class structures (O'Donnell 1973; Rueschemeyer, Stephens and Stephens 1992), constitutional designs (Linz and Valenzuela 1994; Mainwaring 1993), elite pacts (O'Donnell and Schmitter 1986), economic inequality and short-term economic performance (Przeworski *et al.* 2000), or the strength of civil society and civic culture (Putnam 1993, Muller and Seligson 1994; Inglehart 1997), the relative importance of domestic variables to the exclusion of global, regional or bilateral factors such as external democracy assistance, for many years relatively unquestioned in the democratization literature.

Nor has the nascent case-oriented empirical literature that focuses explicitly on democracy promotion been especially sanguine about its beneficial effects on recipient countries. Early work by Lowenthal (1991a; 1991b; 1991c), for example, tended to express deep skepticism about the motivations of the United States in attempting to "export" democracy, given its checkered history of supporting numerous dictatorial and authoritarian regimes for most of the 20th century and even earlier. Diamond (1992) echoes the problem of "exporting" rather than "promoting" democracy by the United States, and argues that USAID is often not flexible enough, and not powerful enough vis-à-vis the rest of the U.S. foreign policy establishment, to program assistance where it is needed most, and presumably where it could have the strongest impacts. Carothers and his colleagues (1991; 1996; 1999; 2004; Newberg and Carothers 1996; Ottoway and Carothers 2000; Carothers and Ottoway 2005) in the most extensive body of evaluative work on the topic, suggest that, at best, democracy promotion *can* work when done well, but that much of the time, political blinders, misguided beliefs in the "inevitability" of democratic transitions, and a "one size fits all" mentality of how foreign assistance can promote democracy all serve to undermine USAID's effectiveness.

Even more negative assessments are found in recent work. Burnell (1997; 2000), Sogge (2002), Hearn (2000), and Capacio (2000), for example, all excoriate donors for placing greater emphasis on stability in recipient countries than on democratization, with the results that, at worst, stifle the creation of an effective opposition, produce conflict between government and the non-governmental organizations (NGOs) that receive democracy assistance, and ultimately fail

to further the democratization process. Given such harsh appraisals, it is perhaps unsurprising that the only quantitative, multi-year study to examine the impact of foreign assistance on democratization across a large number of countries (Knack 2004) finds no impact of total OECD aid on recipient country democracy (as measured by the Freedom House and Polity IV indices) from 1975-2000, nor in subsequent analyses that limit the time frame to the post-Cold War period.

Despite these pessimistic findings, we believe it is premature to conclude that democracy promotion efforts by the U.S. and other western donors have been largely ineffective. Part of this reluctance stems from a recent increased emphasis among students of democratization on the role of international and external variables in promoting or inhibiting democratic development. This work, much of it from scholars in international relations, shows that democratization need not be a purely internally driven phenomenon, and that factors such as regional diffusion (Coppedge and Brinks 2006; Gleditsch 2002; Mainwaring and Pérez-Liñán 2005), pressures from international organizations (Pevehouse 2002; 2005), and even military interventions, when they explicitly aim to promote democracy (Meernik 1996) or are followed by pro-liberalization policies (Peceny 1999), can facilitate democratic development (but see Bueno de Mesquita 2006). From these perspectives, there is growing theoretical room for targeted democracy assistance to represent another potential external influence on the democratization process in recipient countries.

Even more importantly, previous empirical work has been deficient in one simple but fundamental way: it has relied on measures of overall (OECD) foreign assistance as the independent variable as opposed to specific expenditures related to democracy promotion (Ok; Goldsmith 2001). Thus neither Goldsmith's (2001) analysis of foreign aid in sub-Saharan Africa in the 1990s, nor Knack's (2004) more comprehensive analysis of some 100 countries receiving foreign aid since 1975 provide decisive evidence regarding the impact of foreign democracy assistance on indicators of the level or change in democracy in recipient countries. As is becoming increasingly clear in the literature linking foreign assistance to economic growth that different kinds of assistance (e.g. infrastructure investment versus humanitarian aid versus technical assistance) have different kinds of economic effects (Clemens, Radelet, and Bhavnani 2004; Radelet et al. 2005), there is likewise every reason to expect that components of foreign assistance specifically targeted for democracy promotion should have stronger effects on democratic outcomes as well. Yet no study conducted to date has been able to test such a hypothesis with appropriate data.

In the analyses that follow, we make use of a newly-constructed data set that contains more exact measures of USAID democracy and governance obligations, as distinct from other kinds of US foreign assistance, for 165 countries over nearly the entire post-Cold War period, 1990-2003. We estimate the impact of these variables not only on overall measures of recipient country's level of democracy, as gauged by the Freedom House and Polity IV indices, but also on a wide range of additional variables that correspond to the specific sub-sectors in the USAID democracy portfolio --- Elections and Political Processes, Rule of Law, Civil Society, and Governance. The effects are estimated in the context of hierarchical or "mixed" longitudinal growth models, a statistical procedure that allow us to test with greater rigor the hypothesis that democracy assistance leads to positive democratic outcomes, controlling for the confounding

effects of many other variables and controlling as well for each country's own specific democratic trajectory over time. The results indicate that, contrary to the generally negative conclusions from previous research, there are clear and consistent impacts of USAID democracy assistance on democratization in recipient countries. The results hold under a variety of alternative specifications of the AID effect and other model-based assumptions. Moreover, the pattern of effects suggests that with one notable exception – obligations in the area of human rights promotion – USAID expenditures targeted for specific democratic sub-sectors tend to have the largest impact on variables corresponding to their respective dimensions of democratic performance.

Data and Methods

Countries Included in the Analysis

The data cover 195 countries between 1990 and 2003, with the time frame corresponding to availability of data on USAID democracy programs. As we discuss below, only 165 countries were included in the analysis because the remaining 30 cases are advanced industrial democracies. The relevant set of countries therefore includes all sovereign states considered to be eligible for foreign assistance. Standard academic criteria for the inclusion of territorial units into the “universe” of sovereign states proved to be too restrictive for our analytical purposes. For instance, the Small-Singer “gold standard” adopted by the Correlates of War project requires country membership in the United Nations, or a population of at least 500,000 and presence of diplomatic missions from two major international powers (Small and Singer 1982). Because several countries in the USAID investment database would be excluded using the Small-Singer criteria, we considered to be part the universe all territorial units that matched two criteria: (1) they were recognized (i.e., assigned a numeric code) by the United Nations Statistical Division; and (2) were independent states (we excluded overseas territories like Martinique, islands in free association with a larger country like the Cook Islands or Puerto Rico, autonomous regions like the Aland Islands, or occupied territories like Tibet; when in doubt we adopted the “date of independence” stated by the CIA’s World Factbook).²

We did not focus on formal criteria of eligibility for foreign assistance (which are hard to pinpoint and often do not reflect underlying assumptions in USAID policy) but on functional principles. Countries were included in the analysis of the impact of U.S. democracy assistance when they met any of the following criteria: (1) they were recipients of USAID funds at any point during 1990-2003; (2) they were classified by the World Bank as low or middle-income countries; (3) historically they were rated by Freedom House as a “partially free” or “not free” (i.e., had an average combined score equal to or greater than 3 over the period 1972-2003); or (4) they were newly independent countries (i.e., states created after 1990, typically in Eastern

² The only exceptions to this rule were the inclusion of Palestine (the West Bank and Gaza); since it is possible that Palestine will become an independent state in the future, it is treated as distinct territorial unit in the USAID investment database, and it is covered by comparative datasets (e.g., the World Bank and Penn World Tables) as a distinct entity, and our inability to include information from standard comparative data sets about Kosovo and Northern Ireland as distinct from their “parent” entities of Serbia-Montenegro and the United Kingdom.

Europe or the former Soviet Union). In total, 165 countries met at least one of the above criteria. In contrast, there were 29 countries that failed to meet any of these criteria (i.e., those that never received funds and were high-income, “free” by Freedom House standards and independent prior to 1991) were excluded from the analysis. We considered them virtually “ineligible” for USAID Democracy and Governance programs because they were too wealthy, too democratic, and too stable. We show all countries included in the analysis in Appendix 1.

The Independent Variables: USAID Obligations

USAID investment was estimated based on a database on USAID obligations at the activity level compiled by John Richter and Andrew Green. The database comprises 41,355 records that capture the composition of USAID budgets for specific activities in all sectors between 1990 and 2003 (and sometimes traces spending information back as far as 1973). In consultation with Andrew Green, we developed a series of aggregation routines to generate yearly totals for: (a) Democracy and Governance (DG) spending at the country level; (b) DG sub-sectors (Elections, Rule of Law, Civil Society, and Governance) at the country level; (c) Non-DG Sectors (Agriculture and Economic Growth, Education, Environment, Health, Humanitarian Assistance, Human Rights, and Conflict Management and Mitigation) at the country level; (d) Programs that operate at the regional level (in any of the fields just described); and (e) Programs that operate at the sub-regional level (in any of the fields). In addition, we used USAID’s Overseas Loans and Grants congressional reports (the so-called “Greenbook”) to document U.S. official development assistance and aid not channeled through USAID. All AID-related variables were standardized to constant 1995 millions of U.S. dollars, using the GDP deflator employed by the World Bank.³

For AID obligations, the primary variables were general summary measures of DG and non-DG obligations expenditures in the country, along with the summary measures of the “available” DG and non-DG funding from regional programs for the average country in the region and sub-region. Based on our analysis of the nature of the AID obligation and expenditure process, we determined that the most accurate value of AID activity in a given year is a two-year rolling average of the expenditures in that calendar year and the previous year (i.e., times t and $t-1$).⁴ Thus, AID activity for 1994 would be the average of 1993 and 1994 obligations; activity for 1998 would be the average of 1997 and 1998 obligations, and so forth.

³ In previous research, two other methods of standardization have been tested as well, aid per some dollar measure of GDP, and aid per capita (Burnside and Dollar 2000; Knack 2004). These methods correspond to alternative ways of conceptualizing the impact of a given amount of AID expenditure; in the former it is assumed that the same absolute amount of AID obligations would have larger effects in smaller national economies, in the latter the same absolute amount of AID would have larger effects in countries with smaller populations. We explore each of these possibilities in the analyses to follow.

⁴ We arrived at this decision in part through discussions with AID personnel, where it was suggested that obligations in one year may sometimes be spent in that year and sometimes up to one year later. Similarly, it was suggested that, for some countries in some years, AID expenditures drops to zero, not because of a termination of funding but because obligations in the previous year were high and had not yet been fully expended. Thus the AID reading in any given year may be unreliable, and a two-year average will provide more accurate information on what AID is actually doing in a given country at a given point in time.

In subsequent models we disaggregated the AID expenditure variables so that the effects of obligations corresponding to different DG sectors --- Elections and Political Processes, Rule of Law, Civil Society, and Governance, could be estimated separately. As with the other AID measures, all of these variables represent two-year rolling averages for obligations, scaled in millions of 1995 constant dollars. To estimate the impact of democracy assistance programs in the areas of human rights compliance and the promotion of free and independent mass media, we finally disaggregated two specific activity areas within the sub-sectoral analyses: Human Rights, a sub-sector within the Rule of Law sector, and Mass Media, a sub-sector within the Civil Society sector.

We show two graphs to provide an overall perspective of the democracy assistance provided by USAID in the period between 1990-2003. Figure 1 shows that overall democracy assistance has been steadily increasing over the years. Measured in 1995 dollars, it escalated from \$121 million in 1990 to \$722 million in 2003. In current dollars, the expansion represented an increase from \$106 million in 1990 to \$830 million in 2003.

Figure 2 shows the sub-sectoral distribution of funds over the period of the study. Throughout the period, important shifts have occurred. While Civil Society has been a steady leader, Governance has expanded dramatically, largely reflecting the recent concern over control of corruption (the activities geared towards curbing corruption are categorized by USAID as part of the more general Governance category).

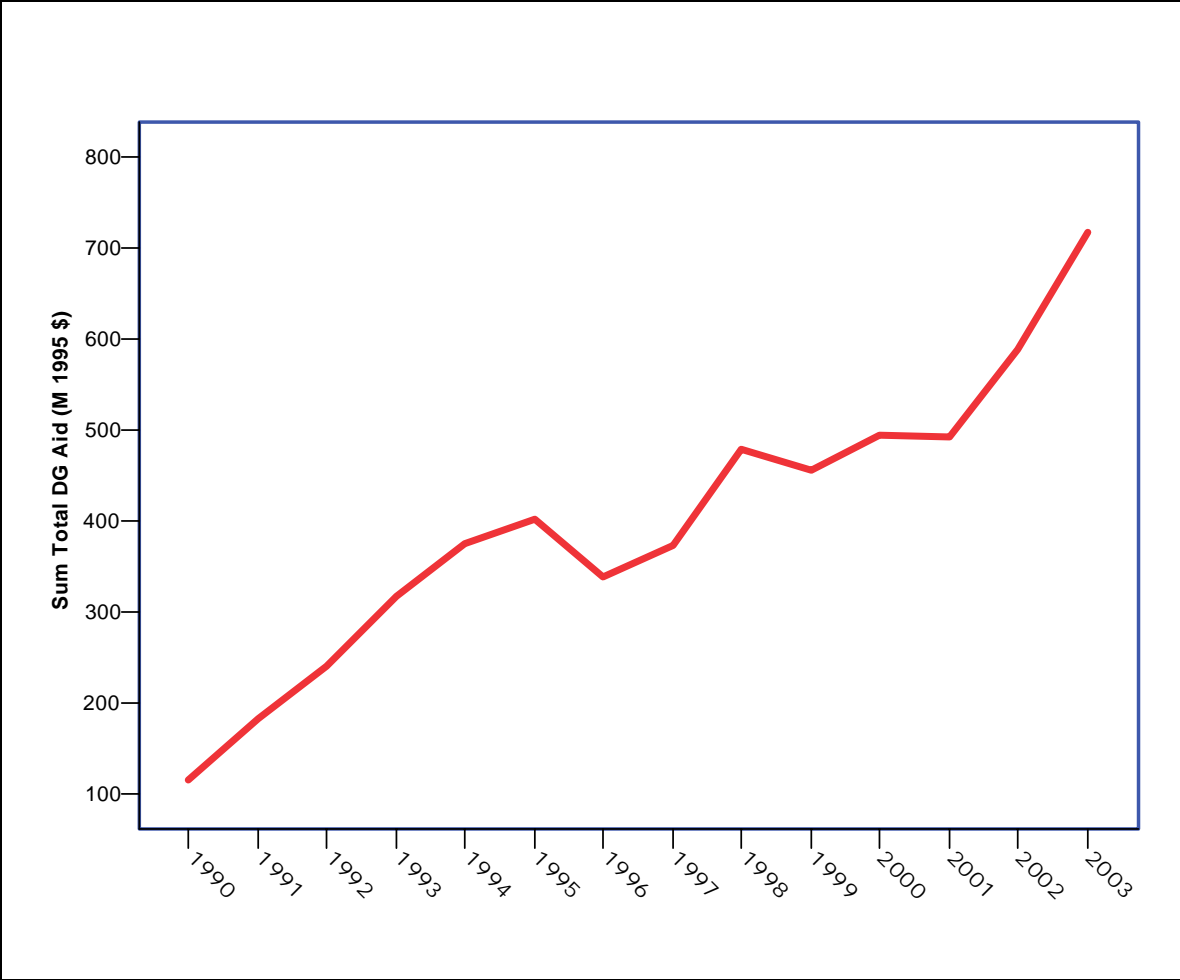


Figure 1. World-Wide USAID Democracy Assistance, 1990-2003 (in millions of 1995 dollars)

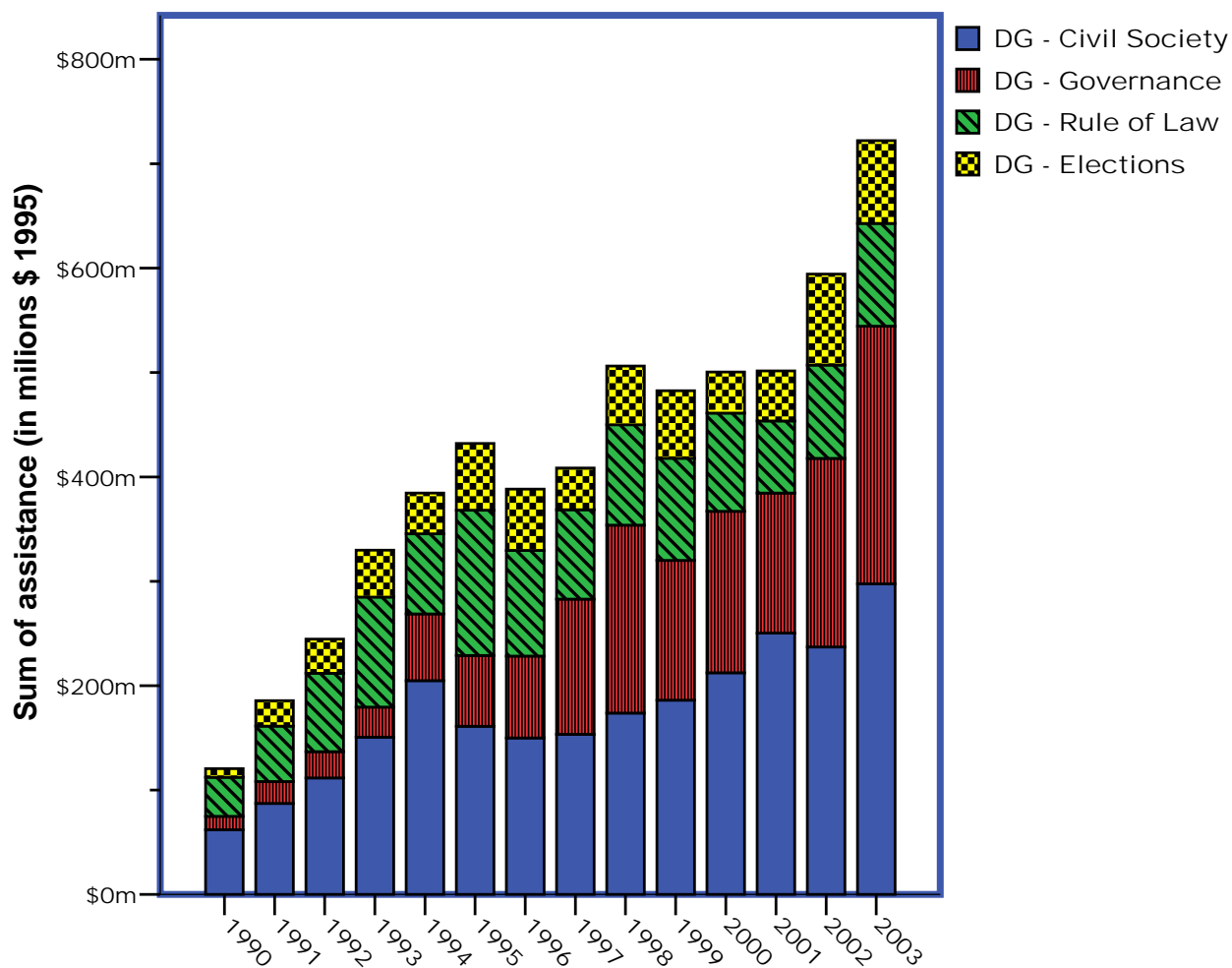


Figure 2. USAID Democracy Assistance by Sub-Sector and Year, 1990-2003

The Dependent Variables: Democracy Outcomes

We estimated the impact of AID obligations on a variety of these democratic outcomes. We focused first on the *Freedom House Index*, a summary scale ranging from 1-13 that represents the extent of political rights and civil liberties in a given country.⁵ This measure is widely used in the literature as a general indicator of the extent to which the country is

⁵ The original Freedom House indices (measuring Political Rights and Civil Liberties) range from 1 to 7, with 7 being the least democratic outcome. Following the conventional procedure, we added the two scores, modified the scale to obtain a range between 1 and 13 (rather than between 2 and 14), and inverted the scores so that highest values would correspond to the most democratic cases.

characterized by a free, fair and competitive electoral process, along with protections for the freedom of expression, individual rights, personal autonomy and the presence of a “generally equitable” rule of law (Freedom House 2004). We also estimate initial models with the Polity IV measure of overall democracy described in (Marshall and Jaggers 2002). These scores range from -10 on the low side to +10 on the high side, and reflect the competitiveness and openness of executive recruitment, the competitiveness and regulation of political participation, and the constraints on the chief executive. It is also widely used in the democratization literature and has been employed in other recent tests of the impact of foreign assistance (Ok).

Using these two measures, it is clear from the results presented in Figure 3 that in this 14-year period, democracy has been on the increase among the countries “eligible” to receive USAID assistance. It can be observed that the non-eligible countries, which are generally advanced democracies, have maintained a high level of democracy throughout the period under study. The eligible countries, in sharp contrast, begin the period at significantly lower levels on both indices, and show small but steady increases of about 1 point on the 13-point Freedom House index and about 3 points on the 21 point Polity IV scale.

We utilized five different measures to correspond to the USAID DG sub-sectors mentioned above. Four of them were obtained through the statistical procedure known as “factor analysis,” which extracts (when possible) a common latent factor, or dimension, from disparate variables that are presumed to represent imperfect indicators of the overall latent construct. We began with nearly fifty indicators of democratic development dealing with four general dimensions: Elections and Electoral Processes (including Voting Rights, Participation, and Electoral Competitiveness); the Rule of Law (Human Rights and Civil Liberties); Civil Society; and Governance (including Decentralization and Governance proper). The information originated in more than ten different sources and country coverage varied according to the source. We then conducted an *exploratory factor analysis* on the variables that comprised each set of sectoral or sub-sectoral outcomes (Elections, Rule of Law, Civil Society, etc.), and constructed an overall factor score from the variables that “loaded” most strongly on the given factor. We finally standardized the scale of the factor to run from 0 to 100, with the “average” country constrained to have a value of 50. Lower values on these factors mean *less* of the democratic outcome in question, and higher values mean *more*. This procedure yielded “clean” factors for *Free and Fair Elections*, *Conditions for Civil Society*, *Respect for Human Integrity* (Human Rights), and *Free Media*. Appendix 2 contains the full results of the factor analyses, along with information about the “reliability,” or the proportion of “true score” variation in each of the summary scales that were constructed from the factor analyses. Reliabilities of .8 or more (indicating 80% “true score” versus 20% “error” variation in the scale) are considered desirable; all of our scales register values of at least .84.

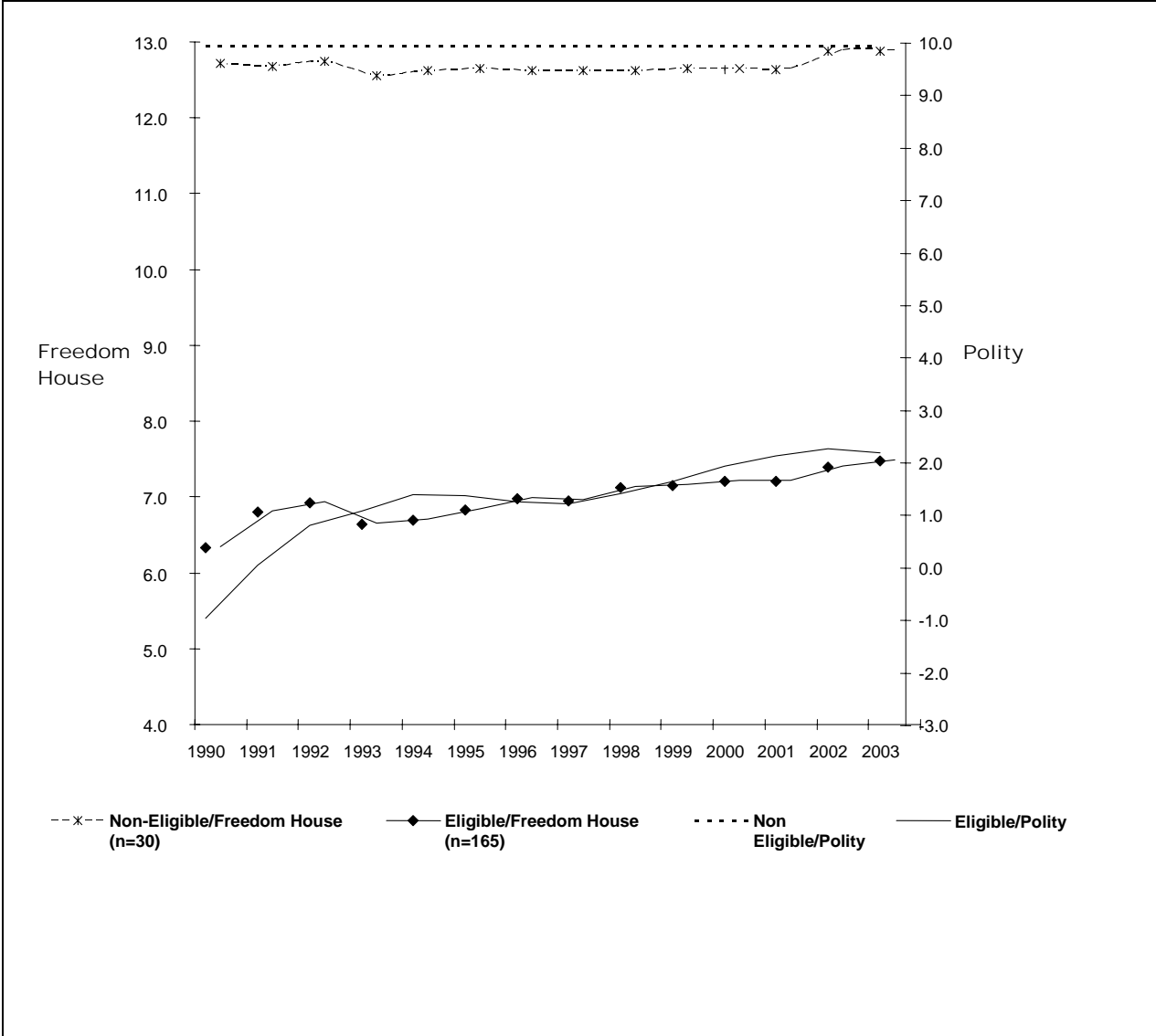


Figure 3. The Growth of Democracy in the World: Averages for Eligible vs. Non-Eligible Countries

It is important to emphasize that we were unable to create aggregate indices of general rule of law (given the lack of systematic information on aspects other than human rights violations) and of governance. The large number of missing values for most indicators related to the Governance sub-sector prevented the use of factor analysis (see discussion of missing data below). As an imperfect alternative, we utilized an index of *Government Effectiveness* developed by the World Bank Institute (Kaufmann, Kraay and Mastruzzi 2005), which is an index combining some 37 different sources of information to reflect “the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures, and the credibility of the government’s commitment to policies” (Kaufmann, *et al.* 2005). The measure is scored on a Z-Score scale, with z-scores representing the number of standard deviations a country ranks above or below the population average. Although this index has a very broad geographic coverage, we could not eliminate the problem of missing data for the governance indicators because the series do not

include the full range of years we are covering in our study. The problem is discussed in more detail in the following section.

The Statistical Method: Hierarchical Longitudinal Growth Modeling

We utilize a statistical technique known as “hierarchical longitudinal growth modeling” or “individual growth curves” in order to assess the impact of AID obligations on countries’ democratic outcomes over time. The goals of the analysis are to estimate parameters that determine an individual unit’s (in our case, country) developmental trajectory (or “growth”) over time, and then to estimate the effects of independent variables on that trajectory. In terms of the concerns of this project, we seek to estimate the parameters that govern a given country’s democratic trajectory throughout the 1990-2003 period, and then to estimate how USAID funding may contribute to democratic outcomes at particular points in time, controlling for the country’s general trends in democratic growth. These effects are estimated while also controlling for the effects of other variables that may also influence the process, variables related to a country’s prior experience with democracy, its socio-economic development, ethnic composition, colonial legacies, non-U.S. economic and political assistance, and other factors derived from previous research and from the scholarly literature on democratization.

As an example, consider the graphs of four countries’ average combined Freedom House scores from 1990-2003 in Figures 12-15 below. It can be seen that Venezuela began the period with a relatively high democratic value of just over 11 on the 13 point scale (using the reversed Freedom House scale, so that the highest values indicate the highest level of democracy), and declined in a more or less steady way until leveling off at approximately 8 in the post-2000 period. Mali, in contrast, started the period as highly undemocratic (value of 3.7), and increased relatively steadily to a democratic score just over 10 by the end of the period. Thus Mali’s growth trajectory *intercept* (starting point) was considerably lower than Venezuela’s, but its growth trajectory *slope* (rate of change per year) was strongly positive compared to a *negative* or decreasing value for Venezuela. The graphs of Belarus and Mexico’s trajectories show similar intercepts, or starting point, of approximately 7, though Belarus’ *slope* is strongly negative until leveling off as highly undemocratic by the year 1997, while Mexico makes steady upward progress on the democracy scale until reaching a value of about 10.5 by 2004.

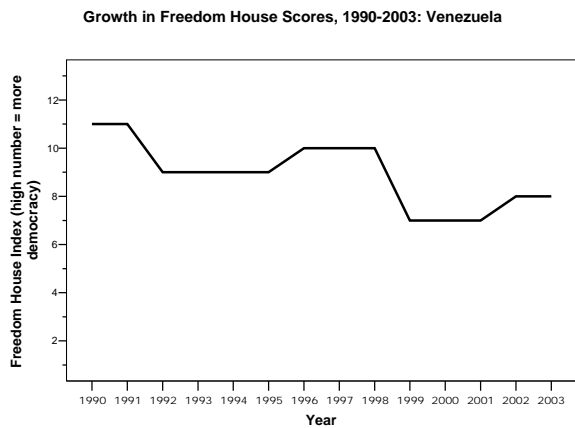


Figure 41. Growth in Freedom House Scores, 1990-2003: Venezuela

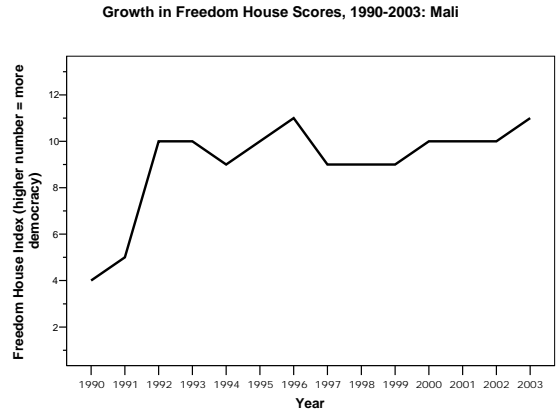


Figure 5. Growth in Freedom House Scores, 1990-2003, Mali

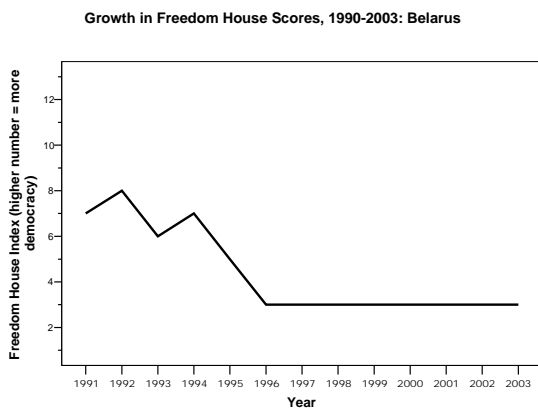


Figure 6. Growth in Freedom House Scores, 1990-2003: Belarus

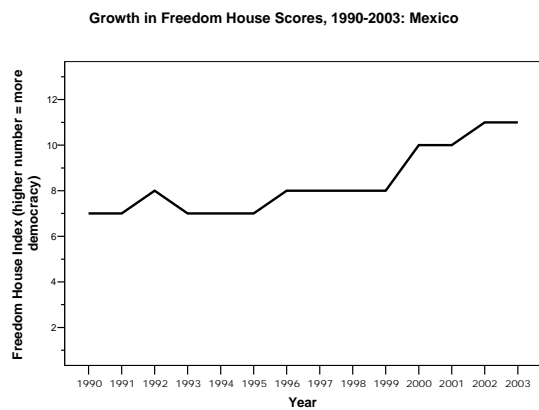


Figure 7. Growth in Freedom House Scores, 1990-2003: Mexico

More formally, growth modeling proceeds by specifying processes that take place at two different “levels” -- one corresponding to (“Level 1”) *intra-country* growth over time, and the other corresponding to (“Level 2”) *inter-country* differences in the Level 1 growth parameters. At Level 1, we specify the general type of change --- linear, quadratic, log-linear, etc. -- that we expect countries *in general* to exhibit in a particular democratic outcome, along with a series of variables that we also expect to influence the value of the given democratic outcome at each specific time point. We begin with a linear growth model taking the form:

Level 1: Intra-country Growth

$$(1) \quad y_{it} = \pi_{0i} + \pi_{1i}a_{it} + \pi_{ki}v_{k_{it}} + \varepsilon_{it}$$

where a is a time-related variable, in this case the year of observation (1990, 1991, 1992...2003), ε_{it} is a random error term, and π_{0i} and π_{1i} are regression coefficients that represent the individual

country's (linear) growth trajectory.⁶ The v_{kti} represent additional time-varying "covariates," i.e., factors that have potentially different values for a given country at each year, and which may influence the given democratic outcome at a specific time. The π_{ki} then represent regression coefficients linking the k^{th} time-varying covariate to y_{it} . Importantly, *all AID-related variables, including U.S. Democracy and Governance (DG) obligations, non-DG obligations, regional and sub-regional DG and non-DG obligations, and non-U.S. donor obligations are all treated in this study as "time-varying covariates."* These variables take on different values at different points in time for different countries; hence we seek to model how they impact the country's democratic outcomes, *over and above the value predicted by the country's general growth trajectory intercept and slope*. The set of time-varying covariates also includes other time-specific control variables such as economic performance, regional democratic diffusion, extent of political violence, and the like.

The second portion of the growth model attempts to explain *why* certain countries have higher or lower π_k coefficients, i.e., why some countries begin the period at higher or lower levels of democratization, why some countries change more rapidly than others, and why some countries may have higher or lower effects on democratic outcomes from particular time-varying covariates. In equation form, we estimate:

Level 2: Inter-Country Differences

$$(2a) \quad \pi_{0i} = B_{00} + B_{0m}X_{mi} + r_{0i}$$

$$(2b) \quad \pi_{1i} = B_{10} + B_{1m}X_{mi} + r_{1i}$$

$$(2c) \quad \pi_{ki} = B_{k00}$$

where

B_{00} is the average ("fixed") population intercept or starting point for the growth trajectory;

B_{10} is the average ("fixed") population slope;

B_{0m} is the average ("fixed") effect of some country characteristic X_m on the country's growth trajectory intercept;

B_{1m} is the average ("fixed") effect of some country characteristic X_m on the country's growth trajectory slope;

B_{k00} is the average ("fixed") population slope for the k^{th} time-varying covariate v ;

r_{0i} is the deviation, or residual, of country i 's growth trajectory intercept from the value predicted by the population average B_{00} and all of the $B_{0m}X_m$; and

r_{1i} is the deviation, or residual, of country i 's growth trajectory slope from the population average B_{10} and all of the $B_{1m}X_m$;

Equations (2a) to (2c) thus predict the *magnitude* of the Level 1 coefficients in equation (1) with country-level characteristics, which include relatively stable factors such as level of economic development, past political and democratic history, colonial experiences, and the like. Equations (2a) and (2b) also express the growth curve intercepts and slopes as random coefficients, predicted imperfectly from the stable country-level characteristics with residual random variation captured in the r disturbances. Equation (2c) predicts the effects of the k time-varying covariates as fixed across countries; this is the normal specification for time-varying

⁶ Other growth-related terms such as quadratic and cubic (a_{ii}^2 and a_{ii}^3) were tested as well, with their effects being insignificant.

covariates in the absence of strong expectations to the contrary, or concerns that there might be significant unit-level variation around the coefficient's fixed population mean.

Because of the complex nature of the combined ("mixed") model's error term (in this case $r_{0i} + r_{1i} a_{it} + \varepsilon_{it}$), the assumptions necessary for ordinary least squares (OLS) estimation --- errors that are independent, normally distributed and with constant variance --- are inherently inappropriate.⁷ In order to cope with this problem, the model is estimated instead via iterative maximum likelihood procedures, which are implemented in statistical software packages designed for estimating hierarchical linear models. The baseline model includes both *heteroskedastic* error variances, whereby the residual democracy score may vary more at some time periods than others, as well as *autocorrelated* disturbances, which allow for the error term $\varepsilon_{(t-1)i}$ to influence its successive value ε_{it} , as is commonly the case in longitudinal data. The model thus captures the key features of intra-country longitudinal growth, inter-country differences in the growth coefficients, as well as estimating the form of the error term variances and covariances that is most likely to obtain with over-time data on democratic outcomes.⁸

Variables Included in the Analyses

We included as controls variables related to each of the key categories from previous work on the determinants of democratization represented: economic development and performance, economic dependence, social and demographic factors, the country's political history and institutions, indicators of state failure indicators, and regional democratic diffusion. The specific controls were:

Time Varying Covariates: V variables in equation (1)

1. **Economic Growth:** Yearly change in per capita GDP. Data collected from the World Development Indicators, WDI (World Bank 2005).
2. **Inflation:** Annual percentage change in the consumer price index (World Bank 2005).
3. **Unemployment:** Percentage of the labor force without work but seeking employment (World Bank 2005).
4. **Exports:** Value of goods (FOB) exported to the rest of the world valued in current U.S. dollars (World Bank 2005).
5. **Regional Democratic Diffusion:** Average Freedom House score for all countries in the same geographic region (excluding the country in question) during the previous year. Regions were defined followed the classification of the USAID database.

⁷ In this case the errors are dependent because r_{0i} and r_{1i} are common to each individual, and they have unequal variances because r_{0i} and r_{1i} vary across individuals and $r_{1i} a_{it}$ varies across occasions of measurement.

⁸ We estimated the models using HLM 6.0, and SPSS 13.0. In the latter's MIXED module, we specified the error term structure to be (ARH1) in order to model both the heteroskedastic and autocorrelated nature of the disturbances. The Polity IV model, though, attained the best fit through an autocorrelation-only specification (i.e. without the heteroskedasticity option).

6. **U.S. Military Assistance Priority:** Percentage of total U.S. security assistance (military and counter-narcotics grants) allocated to a particular country during the fiscal year.
7. **Non-U.S. Total Donor Assistance:** Official development assistance and official aid supplied to the country by governments other than the United States, in constant 1995 dollars (OECD 2005).
8. **Political Conflict and Violence:** Index summarizing eight forms of conflict: political assassinations, general strikes, guerrilla warfare, government crises, purges, riots, revolutions, and anti-government demonstrations. The Banks dataset codes each form of conflict as a yearly event count (based on The New York Times) and weights each form of conflict before computing an average.

(Relatively) Stable Country Characteristics: X Variables in equations (2a-b)

1. **Years of Democratic Experience, pre-1990:** Number of years between 1972 and 1989 that the country was rated as “Free” by Freedom House.
2. **Average GDP per Capita:** GDP on a purchasing power parity basis divided by total population. Values reflect average of data points collected by the CIA Factbook for 2000-2005. This indicator correlates at .95 with the World Bank data but it offers broader coverage (195 countries vs. 177 in WDI).
3. **Per Cent Urban, 1990-2003:** Percentage of the population living in urban centers (World Bank 2005).
4. **Population:** Average Population for the period 1990-2003, in thousands (World Bank 2005). The figure reflects the average yearly population (all age groups) over the 14-year period.
5. **Country Size:** Land area of the country measured in squared kilometers (Banks 2004).
6. **Income Distribution/Inequality:** Percentage share of income received the top 20 percent of the population. Values reflect average of data points collected by the World Development Indicators for 2000-2003 (World Bank 2005).
7. **Summary Measure of State Failure, pre-1990:** Number of years between 1960 and 1989 that the country suffered political anarchy or foreign intervention (coding based on Marshall, *et al.* 2004)
8. **Ethnic Fragmentation:** Average index of ethno-linguistic fractionalization for 1960-2003. Our measure is the mean of the Annett and the Fearon indices of ethnolinguistic fractionalization, both measured between 0 (perfect homogeneity) and 1 (extreme ethnic fractionalization) (Annett 2001; Fearon 2003; Fearon and Laitin 2003).
9. **British colonial experience:** A dichotomous indicator coded 1 if the country was a British colony (Bernhard, Reenock and Nordstrom 2004; Teorell and Hadenius 2004).
10. **Prior AID Presence, Pre-1990:** A dichotomous variable indicating any U.S. official development assistance or official aid during 1960-1989.

Missing Data

Some of those sources contained incomplete information; we were thus forced to deal with the problem of missing values. Listwise deletion (i.e., dropping cases with missing information on any variable) resulted in a poor solution because it reduced the geographic coverage of the analysis significantly (see also King, *et al.* 2001). We decided to impute missing values for the key variables in the study. Whenever possible, we used alternative sources of information to estimate missing data. For instance, if GDP data from the World Bank database (WDI) was not available for a particular observation, we estimated the missing values using GDP data from the Penn World Tables and the CIA Factbook.

We adopted an expectation-maximization (EM) procedure for the estimation of missing data (McLachlan and Krishnan 1997; Allison 2001).⁹ Appendix 3 summarizes the variables that required imputation, the percentage of missing values, and the variables used to obtain the EM estimates.

Results

The “Baseline” Freedom House and Polity IV Models

We present first the results of the estimation of the “baseline” Freedom House and Polity IV models in Table 1. The top panel in the table shows the impact of time-varying covariates (level 1 variables) on the level of democracy achieved during specific years, given the initial level of democracy and the overall democratization trajectory (or growth curve) determined by the country’s characteristics. The middle panel displays the effect of fixed country attributes (level 2 variables) on the initial level of democracy (Intercept) and on the rate of democratization during the period 1990-2004 (Slope). This model therefore includes the effects of the two-year rolling average of AID Democracy and Governance obligations, other AID and non-U.S. obligations, time-varying covariates such as economic performance and U.S. foreign policy priorities, and the country-level control variables discussed in the previous section as predictors of the “intercepts” and “slopes” in countries’ democratic growth trajectories. Coefficients in boldfaced red (marked with two stars) indicate that they are statistically significant at the .05 level, and coefficients in non-boldfaced red (one star) indicate statistical significance at the .10 level.

Model (1) in the first two columns of the table shows the results of the estimation of the Freedom House Index model including all variables just discussed except for inflation, unemployment, exports, urbanization, and British colonial experience, which were statistically irrelevant in every model estimated and so dropped from further consideration. The results

⁹ EM is a maximum-likelihood procedure that uses the information available on other variables to estimate missing data points: “In simple cases, this involves running regressions to estimate β , imputing the missing values with a predicted value, reestimating β , and iterating until convergence” (King, *et al.* 2001). We considered the option of multiple imputation, but practical reasons (the need to impute at multiple stages of the analysis and the difficulty to implement multiple imputation with some of the hierarchical models we estimated) led us to adopt a more parsimonious EM procedure (Allison 2001).

show, first, that there are significant effects of several variables on the “intercepts” of countries’ growth trajectories. Countries on average start the period with a Freedom House value of approximately 6.67, with an additional increment of .30 for every year of previous democratic experience between 1972 and 1989.¹⁰ Wealthier countries are predicted to start the period at higher democratic levels than poorer countries, as are, somewhat anomalously, countries with higher levels of income inequality.¹¹ Indicators of prior AID presence before 1990, state failure between 1960-1989, population, country size, and ethnic fractionalization all have insignificant growth trajectory intercept effects.

The results also indicate that countries, on average, experience a positive rate of change in the Freedom House index over time. Confirming what Figure 3 had shown previously, the average country increases about .05 points on the 13 point scale each year, such that, by the end of the 14 year period, the average Freedom House score was predicted to be about .7 units higher. The only variable that predicts difference in this “average” rate of change is prior democratic experience, such that countries that began the period at higher democratic levels showed less positive rates of change, while countries at lower levels showed greater rates of positive change. This reflects to a great extent the familiar “floor and ceiling” effects in assessing change over time, that is, countries that are already high on Freedom House have less room to “grow” while countries already low on Freedom House have less room to “fall.” More substantively, the pattern indicates that the 1990-2003 period was not simply one where the “rich got richer,” that is, where formerly democratic countries were the ones that experienced the greatest amounts of positive democratic change. On the contrary, countries with lower levels of prior democracy had greater rates of change over time. The effects of all other variables on countries’ growth trajectory slopes were insignificant.¹²

¹⁰ The “average” country in this context means countries with mean levels of all covariates, including AID obligations, time-varying covariates, and country-level predictors.

¹¹ The scholarly literature suggests that high levels of income inequality are negatively related to democracy, though it may be the case that in some areas (e.g. post-communist Eastern Europe), there were initially low levels of both income inequality and democracy.

¹² We note that, controlling for all variables predicting the growth trajectory intercept and slope, there is still significant variation in those parameters in the overall sample of countries. This is shown in the statistically significant “random intercept” and “random slope” estimates at the bottom of the table. Some countries have higher or lower values than the average starting point of 6.67, and some countries have higher or lower values than the average rate of change of .05, and these deviations are not completely accounted for by the Level 2 variables in our model. Nevertheless, including these random effects allows us to estimate the impact of AID and other time-varying factors, over and above each country’s specific democratic growth trajectory.

Table 1. The Growth Model for Freedom House and Polity IV Democracy Scores

| | Freedom House Model | | Polity IV Model | |
|---|---------------------|------------|-------------------------|-----------------------|
| | Coefficient | Std. Error | Coefficient | Std. Error |
| Level 1 Covariates | | | | |
| Democracy and Other Assistance | | | | |
| <i>USAID DG</i> | .025** | .01 | .044** | .016 |
| <i>USAID Non-DG</i> | .000 | .00 | -.00008 | .001 |
| <i>Non-USAID US</i> | -.000 | -.00 | -.001 | .001 |
| <i>Regional-Subregional DG</i> | -.084 | .14 | .051 | .309 |
| <i>Regional-Subregional Non-DG</i> | -.006 | .01 | .035 | .025 |
| <i>Other Donor Assistance</i> | 5.760E-005 | 5.62E-005 | -.00005 | .0001 |
| Economic and Political Factors | | | | |
| <i>GDP Growth Per Capita</i> | .014** | .00 | .001 | .006 |
| <i>Regional Democracy</i> | .302** | .06 | .929** | .110 |
| <i>U.S. Military Assistance Priority</i> | -.015 | .01 | .008 | .036 |
| <i>Extent of Political Violence</i> | -.001** | .00 | -.001 | .007 |
| Level 2 Variables | | | | |
| Effect on (Level-1) Intercept | | | | |
| <i>Average Intercept</i> | 6.667** | .23 | .656* | .40 |
| <i>Prior Democracy</i> | .296** | .05 | .519** | .08 |
| <i>Pre-1990 USAID</i> | -.801 | .58 | -1.178 | 1.00 |
| <i>Population</i> | -2.52E-006 | 2.21E-006 | -5.7 x 10 ⁻⁷ | -3.7x10 ⁻⁶ |
| <i>Size in Squared Km</i> | -2.59E-005 | .00 | 3.22x10 ⁻⁵ | .0003 |
| <i>Income Per Capita</i> | .096* | .05 | .089 | .08 |
| <i>Ethnic Fractionalization</i> | -1.473 | 1.05 | -2.101 | 1.81 |
| <i>Income Inequality</i> | .064* | .03 | .095* | .06 |
| <i>State Failure, Pre-1990</i> | -.144 | .13 | -.079 | .22 |
| Effect on (Level-1) Slope | | | | |
| <i>Average Slope for Growth Curve</i> | .050** | .01 | .134** | .03 |
| <i>Prior Democracy</i> | -.005** | .00 | -.013** | .006 |
| <i>Pre-1990 USAID</i> | -.037 | .04 | .065 | .076 |
| <i>Population</i> | 1.520E-007 | 1.36E-007 | -1.3x10 ⁻⁷ | 2.9x10 ⁻⁷ |
| <i>Size in Squared Km</i> | -1.775E-005 | 9.67E-006 | 4.2x10 ⁻⁶ | 2.07x10 ⁻⁵ |
| <i>Income Per Capita</i> | .002 | .00 | -.003 | .01 |
| <i>Ethnic Fractionalization</i> | .089 | .06 | .151 | .14 |
| <i>Income Inequality</i> | .002 | .00 | .002 | .005 |
| <i>State Failure, Pre-1990</i> | -.004 | .01 | -.016 | .017 |
| Model Statistics and Variance Parameters | | | | |
| <i>Approx. Level 1 R-squared</i> | .38 | | .45 | |
| <i>Random Variance (Intercept)</i> | 5.082** | .85 | 10.04** | 2.99 |
| <i>Random Variance (Slope)</i> | .011** | .00 | .017 | .016 |
| <i>Autocorrelation (rho)</i> | .806** | | .874** | |
| <i>Model Deviance/AIC</i> | 6281.55 | 6315.554 | 9549.01 | 9557.01 |

Note: ** coefficients (in bold red) are significant at p<.05 (two-tailed); * coefficients (in red) significant at p<.10 (two-tailed). (See footnote 10 for clarification.)

The results for the group of AID-related variables show two clear findings: *AID Democracy and Governance obligations have a significant impact on Freedom House scores, while all other U.S. and non-U.S. assistance variables are statistically insignificant.* The effect of .025 for USAID Democracy and Governance obligations indicates that, for every 10 million additional dollars of U.S. democracy assistance, a country is predicted to be .25 units or one-quarter of a point higher on the Freedom House general democracy index in a given year. This effect occurs, again, over and above the democratization dynamics of the country as reflected by its growth parameter intercept and slope, and occurs controlling for a host of time-varying and country-level invariant economic, social and political attributes. This is a strong initial affirmative answer to the study's core research question.

Interestingly, no other assistance variable is shown to have a direct statistically significant impact. The amount of USAID non-democracy obligations are irrelevant, as are regional and sub regional pools of democracy and non-democracy assistance, as are the amounts of U.S. aid that flow through non-USAID sources. Finally, the aggregate level of non-U.S. foreign assistance is statistically insignificant as well. Thus, the only effect that matters for a country's level of democracy, as measured by the Freedom House index, is the amount of U.S. funding specifically targeted for democracy assistance.

Though the effects of non-democracy assistance variables are found to be insignificant, we caution against interpreting these factors as being completely irrelevant to the dynamics of democratic growth. First, it may be the case that such variables have effects on a country's level of democracy through other economic or other factors such as GDP growth or regional democratic diffusion that we address below. To the extent that, for example, U.S. non-democracy assistance successfully improves economic performance, such assistance may then affect levels of democracy indirectly. The results in Table 1 show only that these variables do not exhibit direct effects on Freedom House ratings in a given year, and we leave to future research the task of sorting out the possible effects of AID obligations on economic or other factors that may in turn affect democracy. Second, the results for the non-U.S. variables are drawn from the OECD data base, which, as we suggested above, contains a reasonable amount of measurement error that limits the usefulness of these indicators. It was for this reason that we combined foreign "democracy" and "non-democracy" obligations into a single variable, as the activity codes in the OECD database were not able to discriminate democracy programs from other obligations with near the amount of precision that the Green-Richter data allow for the United States. It may be the case, then, that better measures of non-U.S. *democracy* assistance would show similar impact as AID obligations, and that the non-effect of our foreign assistance variable reflects mainly the non-effect of foreign economic and development assistance. We therefore make no strong claim about the effects of non-U.S. democracy assistance, and urge that greater attention be paid in the future to measuring these kinds of obligations more precisely, as the Green-Richter data have done for the United States.¹³

¹³ The OECD data on specific U.S. democracy assistance during the 1990-2003 time period correlates with the Green-Richter data at only the .62 level, thus indicating that, at least in the U.S. context, the OECD measure is inherently flawed. If, as seems likely, the same problems beset the indicator in other country settings, the non-finding here should be viewed with caution.

Finally, the results show that three time-varying covariates are also significant predictors of a country's Freedom House level, over and above the country's growth trajectory and over and above U.S. AID democracy obligations. Growth in the country's GDP over the past year has a clear positive effect on the level of democracy, as does the extent of regional democracy in the previous year. These findings reflect long-standing results in the literature, such that short-term economic performance and diffusion processes from neighboring states both contribute to democratic development. The effect of our summary measure of political conflict and violence is significantly negative, indicating that social and political strife exerts a negative short-term impact on the country's level of democracy as well.

We present the corresponding results for the Polity IV measure on the right side of Table 1. The results very closely parallel those seen for the Freedom House variable, and this congruence of results for the two variables gives us much confidence in the robustness of the statistical findings. There are significant differences in countries' democratic starting points and rates of change in democratic growth over time, with country intercepts being influenced by prior levels of democracy, higher levels of income inequality, though in this model income per capita is not statistically significant. The country growth trajectory slopes are also influenced negatively only by prior levels of democracy. Controlling for these country-specific growth processes, the two-year rolling average of AID democracy and governance obligations exerts positive short-term impact on the Polity measure, confirming the main finding from the Freedom House model. In fact, the size of the effect (.044) is *almost exactly the same magnitude*, relative to the length of the scale, as that found in the Freedom House model.¹⁴ Moreover, as in the Freedom House model, none of the other aid-related variables exert significant impact on democratic outcomes indicating that *only* obligations relating to democracy appear to matter for producing democratic change. In this model, however, the only other covariate that exerts impact on overall democracy is the extent of prior levels of regional democracy, while GDP growth, U.S. foreign policy priority and the measure of political and social conflict all have insignificant effects in this model.

U.S. DG assistance is thus shown to have a consistently, and remarkably similar, positive and significant effect on the study's two overall measures of democracy, and it does so in the context of models that are otherwise very similar in terms of the impact of other explanatory variables. This is strong early evidence that U.S. DG assistance contributes positively, at least in the short term, on countries' overall level of democratic development.

¹⁴ That is, .044 is about .002 units on the 21 point Polity scale, while .025 is .0019 units in the 13 point Freedom House scale. So \$1 million (1995) dollars in AID DG obligations moves the overall democracy score by almost exactly the same magnitude, on average, in both models.

The Strength of the AID Democracy Effect

How strong is the impact of AID DG obligations on a country's level of democracy? As noted above, the coefficient of .025 on DG AID obligations in the Freedom House model means that ten million dollars in DG obligations raises the Freedom House index by about .25, or one-quarter of a point. In the Polity IV model, ten million dollars in DG obligations raises the index by about 4/10 to 5/10 of a point. How large are such increases? To put this value in better perspective, consider that the slope of an average country's democratic growth trajectory in the Freedom House model is predicted to be .05, meaning that the average country increases on the index by about 5 one-hundredths of a point per year. This is, of course, a relatively small amount of "baseline" growth for the average country, yet it does reflect the slow but rather steady increase in democratization among the eligible countries in our analysis that was depicted in Figure 3 earlier. Nevertheless, the AID coefficient indicates that each million additional (1995) dollars in democracy assistance obligations would increase that value by .025, or 50%. Or in other words, ten million additional dollars would produce -- by itself -- about a five-fold increase in the amount of democratic change that the average country would be expected to achieve, *ceteris paribus*, in any given year. The corresponding value in the Polity IV model is about a 33% increase in change over the "otherwise average" amount of yearly democratic growth for each one million dollars of assistance.¹⁵ We consider these figures as indicating a very strong *potential* impact of AID DG obligations.¹⁶ At the same time, these *potential* impacts must be viewed in the context of the *actual* current outlays for democracy assistance. The average eligible country received only \$2.07 million per year during the time period, and this figure reached only \$3.66 million in 2003. This latter figure translated into a "total effect" on world-wide Freedom House scores of approximately .09 of a point, or a "total effect" of .16 of a point on the Freedom House scale among the 93 countries that received *any* DG assistance

¹⁵ Again, the average country changes by a small amount per year, .134 units on the 21 point Polity IV scale.

¹⁶ These figures must be interpreted in view of AID DG's role as a *time-varying covariate* in the statistical model, that is, as a factor that adds (or subtracts) from the value of the Freedom House index that is predicted by the country's own growth trajectory. While 10 million dollars of DG assistance produces a .25 unit change in any given year, it is *not* the case those 10 years of 10 million dollars would produce a 2.5 unit change for that period. Rather, each year of \$10 million dollars of DG assistance yields a predicted Freedom House rating that is .25 above whatever value is predicted by the country's growth trajectory for that year. If the growth trajectory predicts that a country's 1995 rating will be 7, then 10 million dollars in 1995 DG obligations will raise that value to 7.25. But 10 million additional dollars in 1996 will not raise the value further to 7.5; rather the value will again be .25 over and above whatever value is predicted by the country's growth trajectory for 1996. For this reason the effects over time of DG obligations (or any other time-varying covariate) in this model are not cumulative. We consider models with longer-term lag effects on democratic outcomes from AID obligations in subsequent analyses below.

during that year.¹⁷ These are certainly modest amounts of absolute democratic change that can be attributed to current DG outlays.¹⁸

Variations of the Baseline Model and Robustness of the AID DG Effect

The baseline model estimated thus far indicates that USAID Democracy and Governance assistance, as measured by the two-year rolling average of DG obligations, has a statistically significant effect on a country's overall Freedom House and Polity IV scores, controlling for the country's specific democratic growth dynamics and a series of time-varying and time-invariant control variables. There are, however, other possible ways to conceptualize and specify the AID DG effect on democratic outcomes, including the possibility of lagged effects of DG and other assistance variables, non-linear effects of AID, and the possibility that AID variables have different effects when standardized on a per capita basis, or to a given country's level of economic development. In this section, we explore these possibilities in order to determine the robustness of the AID DG effect to alternative specifications, and to explore ways of refining the initial conclusion in the baseline model that AID DG obligations mattered for a country's level of democratic development. We focus hereafter on the Freedom House index for ease of presentation.

Table 2 shows the estimated effect of AID DG obligations under a variety of different specifications.¹⁹ In model 2-A, we include AID DG obligations, lagged by one time period, in addition to the contemporaneous level of AID DG assistance. This model thus includes both the rolling average of the current (t) and previous year's (t-1) DG obligations, as well as the prior rolling average (of t-1 and t-2) as time-varying covariates. The reasoning here is that the impact of AID DG expenditures on democracy may be felt at some distance in the future and not immediately, or over the course of a two-year obligation cycle, as the baseline model specified. The results of this re-estimation indicate that, indeed, DG obligations appear to have both contemporaneous and lagged effects on Freedom House scores, with both values being of identical size (.017). Both variables are statistically significant, and taken together, indicate that if AID DG obligations were to increase on average by 10 million dollars over a *three year* obligation period, the total impact on democratic growth would be over one-third of a unit on the Freedom House scale, as opposed to the one-quarter unit estimated in the baseline model. This result suggests that AID DG obligations have a modest impact in the very short-term and an additional impact some two years in the future. The impact of all other U.S. AID and non-U.S. donor variables, lagged by one time period, was still insignificant in this re-estimated model. We

¹⁷ These figures were calculated as: 3.66 (million dollars on average for all countries) multiplied by .025 (the effect per million) =.09, and 6.45 (million dollars on average for the 93 countries that had non-zero obligations in 2003) multiplied by .025=.16).

¹⁸ Another way to assess the "importance" of AID DG expenditures is by comparing its standardized beta coefficient to those of the other time-varying covariates in the model. Here its value of .04 is much weaker than that of regional democratic diffusion (.21) but stronger than GDP growth (.03) and political and social conflict (-.01).

¹⁹ For ease of presentation, we do not show the estimated effects for each and every variable that was included in these models, focusing instead on the effects of our primary variables of interest, AID DG obligations. The full results from each of these models, however, are available on request.

further tested for the effect of USAID obligations lagged twice, and found no significant impact, controlling for the contemporaneous and one-year lag specifications. These findings suggest first, that democracy and governance programs may often take several years to “mature” to generate outcomes, and second, that the effects of DG assistance to some degree are cumulative, with the immediate impact augmented by an additional increment on the country’s level of democracy the following year.

The remaining models in Table 2 show the effects of AID DG obligations under a variety of assumptions about the nature of its effect. In model 2-B, we include the squared value of AID DG obligations in order to test for non-linear impact, such that AID obligations may have diminishing or even negative marginal returns after they reach a certain level.²⁰ The results indicate that the non-squared AID DG effect is exactly equal to its value in the baseline model, with the squared term being statistically irrelevant. We note that the effect of none of the other AID variables appear to follow the curvilinear pattern either, aside from non-U.S. total assistance, where there is suggestive evidence of a very small positive effect with diminishing returns until a negative effect is achieved reach the level of some \$2.3 billion in aid, which occurs at approximately the 99th percentile of the sample data.

²⁰ Logarithmic models are often used to test non-linearities of the sort that we are interested in here, but we chose the AID DG and AID DG-squared specification because of the large number of zero values for AID DG and other assistance variables (nearly ½ the sample). In such case the natural logarithm is undefined, and the customary practice of adding some constant value to AID produces widely diverging results depending on what constant is chosen. Given these difficulties, we test the non-linearity hypothesis with the imperfect assumption in the squared model that AID DG obligations will reach some peak impact and then possibly *decline*, as opposed to leveling off but not actually declining in a logarithmic specification.

Table 2. Alternative Models of the Impact of AID DG Obligations

| | Coefficient | Standard Error |
|--|----------------|----------------|
| Baseline Model <i>USAID-DG</i> | .025** | .007 |
| A. Lag Effects | | |
| <i>USAID-DG</i> | .017** | .007 |
| <i>USAID-DG Lagged</i> | .017** | .008 |
| B. Diminishing Returns Model | | |
| <i>USAID-DG</i> | .028** | .013 |
| <i>USAID-DG Squared</i> | -0.00005 | .0002 |
| C. Per Capita | | |
| <i>USAID-DG Per Capita</i> | .100** | .04 |
| D. Aid dollars per GDP dollars | | |
| <i>USAID-DG over GDP</i> | 8.43 | 13.80 |
| <i>USAID-Non DG over GDP</i> | 12.19** | 5.32 |
| E. DG in Raw Dollars, Non-DG over GDP | | |
| <i>USAID-DG, Raw Dollars</i> | .026** | .006 |
| <i>USAID-Non DG over GDP</i> | 7.35 | 5.08 |

Note: ** coefficients (in bold red) are significant at $p < .05$ (two-tailed); * coefficients (in red) significant at $p < .10$ (two-tailed).

In Models 2-C and 2-D, we examine whether the AID DG effect depends on the way that the variable is standardized. The baseline model included AID assistance in raw millions of dollars, with the assumption that the same amount of democracy assistance in a large or relatively wealthy country would have the same impact as that amount provided to a small or relatively poor country. In the aid and economic growth literature, as we have noted, the effects of aid are often standardized on a per capita or per capita GDP basis, in order to account for the possible differences in how similar amounts of money may influence growth depending on country population or relative wealth. At this point in democratization theory, however, we cannot know which specification is the more accurate one since there are no real models that help us understand how the “democratic seed” grows. A single free and fair election could help start a larger movement toward democracy, independent of the per-capita effect or independent of the size of the economy in which the election occurs. Since we do not know, we replicated the tests using alternative measures.

In Model 2-C, we substitute AID per capita for raw AID dollar obligations, and we do the same for all the DG, non-DG, and non-U.S. assistance variables. The results show that AID DG obligations per capita has a slightly smaller effect on Freedom House scores than it did in the baseline model; for every dollar spent *per capita* in a given country, Freedom House scores are predicted to increase by .1 units. Given that the average AID DG assistance is some .30 dollars

per capita, this translates into an “average” country increase effect of .03 on the Freedom House scale. This compares to an “average” country effect of .05 in the baseline model (coefficient of .025 multiplied by the average AID DG obligations of \$2 million). Nevertheless, AID DG obligations are significant, regardless of whether they are treated in raw or per capita terms. None of the other AID-related variables are significant on a per capita basis. We leave to future research a fuller understanding of the attenuation of the impact of DG assistance when the data are treated on a per capita basis.

The same conclusion is not the case if AID DG obligations are standardized by the size of the country’s GDP. In Model 2-D, it can be seen that the AID over GDP variable is no longer statistically significant, indicating that if the size of the country’s GDP is built into the AID measure, there appears to be no effect of AID DG obligations on Freedom House ratings. We believe that this standardization is the least defensible of the three considered thus far (raw, per capita, per GDP), for the simple reason that democracy assistance, unlike economic development assistance, is not designed in terms of economic investment, nor in terms of influencing macro-economic outcomes or the like. Indicative of that reasoning, we find that in this formulation, *non-democracy* USAID obligations do have a significant impact on Freedom House ratings. As AID non-democracy assistance increase by 1 dollar per unit of GDP, Freedom House ratings increase by 12 points, which translates into an effect on Freedom House scores of approximately .03 units for the “average” country. Thus our earlier conclusion that non-democracy obligations have no effect on overall levels of democracy needs to be tempered somewhat, as economic and other assistance may matter, depending on the size of the contribution relative to the size of the country’s economy. We do not wish to make too strong a claim on this point, as Model 2-E shows that the impact of non-democracy assistance per unit GDP fails to achieve statistical significance in a model with DG assistance in raw terms as controls. The results are suggestive, though; that the proper way to conceptualize the impact of non-democracy assistance may be in terms of GDP units, while this is definitely not the case in the context of democracy assistance.

Controls for the Endogeneity of DG Assistance

We have shown that the AID DG effect found in the baseline model holds under a variety of alternative assumptions about how the effect may operate (linear vs. non-linear), how the AID variables should be standardized (raw dollars versus per capita dollars), and whether AID variables have only contemporaneous effects or both contemporaneous and lagged effects on countries’ level of (Freedom House) democracy. An alternative process, however, is that “democracy causes DG obligations,” that is, that AID DG obligations are themselves endogenous, determined by the country’s level of democracy or “expected” level of democracy in that time period. How could such a process operate? Several plausible hypotheses exist. It may be the case, for example, that countries such as North Korea receive no AID funding precisely *because* they score at the lowest level of Freedom House’s democracy scale. Knack (2004, 259) claims in this regard that “AID currently has an explicit policy of directing more aid to countries that appear to be making greater progress towards democratization.” Leaving aside the factual veracity of this claim, and whether it applies equally to democracy and governance as to economic assistance, it is true that if this process were operating, then as AID spends less on

the least democratic countries and more on those countries “trending” democratic, this would produce the appearance of a spurious positive relationship between DG assistance and democracy. On the other hand, there is ample evidence to suggest that, at times, AID provides assistance to the especially “tough cases” regarding democracy; Haiti, for example, received some \$25-30 million more than the average country in the mid-90s, Egypt consistently receives democracy assistance in the range of \$30-50 million dollars despite Freedom House ratings that hover around 3, and the Russian Federation has received similar amounts in recent years despite consistently declining Freedom House scores. Moreover, countries those reach a certain level of democracy often “graduate” from AID DG assistance or have their AID missions closed altogether, as was the case in countries such as Botswana, Costa Rica, Poland and others in Eastern Europe during the time period under study. In these cases there is a *negative* relationship between democracy and DG assistance, and if this is generally the case, then the potential effect of DG assistance on subsequent levels of democracy may have been *underestimated* in the models thus far.

To some degree, our models may not be as susceptible to these problems as it would appear at first glance. For one thing, we have already shown in Model 6-A that DG assistance *lagged* by one time period has an effect on democracy levels some two years later. While it is possible to explain these results in terms of an endogeneity process, such a finding is *prima facie* evidence that prior levels of DG assistance have some effect on subsequent levels of democracy. Moreover, the variables that we have already included in the baseline model may be able to control for some of the potential effects of democracy on DG assistance. For example, Years of Democratic Experience, pre-1990, and Prior Aid Presence, pre-1990, can control for non-democratic countries such as North Korea and Saudi Arabia, and regional democratic diffusion, a time-varying covariate in the model, may control for a good deal of the “expected trend” thinking of AID in so far as regional developments affect how AID views the likely direction of change in given countries in the region. And finally, given the discussion above, it is not altogether clear *how* the democracy-to-AID linkage will present itself in a given country in any case -- it may be that some AID missions are prone to take on the “tough cases” with increased DG funds while others wish to reinforce what they perceive as a more facilitative democratic environment. And it may be the case that these decisions change over time and across countries as well in idiosyncratic ways. All of this is to suggest that systematic biases from a reciprocal causal process whereby democratic levels or growth *cause* current AID expenditures, over and above the models that we have already estimated and the controls that we already have in place, may not be as severe as anticipated.

Nevertheless, if there are effects from democracy “causing” AID expenditures, the statistical consequence is that the DG assistance variable at a given time point will be correlated with the error term of the Freedom House equation, leading to the inability to estimate the “pure” effect of AID on democracy in the growth model without bias. The solution to this problem is to construct a proxy variable for DG assistance in a given year that is *not* related to the growth equation’s error term. The standard approach to this problem in longitudinal data is to utilize a statistical procedure known as Two-Stage Least Squares, whereby in the “first stage” the proxy variable is created by regressing DG assistance in a given year on a series of other variables (called “instrumental variables”), each of which are assumed a) to have no direct effect on the Freedom House scores in that year, and b) to have some significant influence on the DG

assistance variable. The resulting “predicted” value of DG assistance at time t is our “best guess” of that portion of the variable that is purged of its contemporaneous relationship with the Freedom House error term; hence the effects of the DG proxy on Freedom House can be estimated in the “second stage” without bias.

Following previous work in the aid-economic growth literature, we utilize lagged values of the DG assistance variable as instruments in the first stage equation; in this case we use DG assistance at lag two (i.e. at time $t-2$) because we have already shown that DG assistance at lag one ($t-1$) may have a direct causal impact on Freedom House scores, thus violating the assumptions of the two stage least squares/instrumental variables procedure. We also include as instruments in the first stage the country’s current and lagged inflation and unemployment rates, two variables that have no direct effect on Freedom House scores but may influence AID obligations for the country in a given year. Thus, aside from the “exogenous” country-level variables in the baseline model which are always included in the first stage regression, our proxy for current AID DG obligations is predicted from the twice-lagged AID DG variable and from the country’s current and lagged inflation and unemployment rates.

The results of the “endogeneity” model show that the effect of the DG proxy variable on Freedom House scores is .082, significantly larger than its value in the baseline model. This indicates that controlling for the potential reciprocal causal effects of democracy on DG obligations, the impact of DG obligations on Freedom House remains significant, with an effect of substantially larger magnitude. All other variables in the model show effects of approximate size to the baseline model.²¹ Thus treating DG assistance as potentially endogenous does *not* eliminate the effect found in the study thus far; on the contrary, the finding is strengthened.²² Alternative specifications of the DG proxy that include AID DG lagged by three time periods, or that included lag versions of other time-varying covariates such as foreign policy priority variables or GDP growth per capita, produced essentially similar results.

The Effects of DG Sectoral Obligations

We have shown that the aggregate two-year rolling average of AID DG obligations has a significant impact on both Freedom House and Polity IV democracy measures, and this effect appears to hold under a variety of alternative specifications designed to test the robustness of the

²¹ This model was estimated with Stata 8.0’s “XTIVREG” routine, as the growth modeling packages in HLM and SPSS do not contain modules for instrumental variables/two-stage least squares estimation. Consequently, the model here is not precisely the same as the baseline model because, by necessity, it omits the random effect for the slope of the growth trajectory that is present in the baseline model.

²² The fact that the coefficient in the endogeneity model is larger than in the baseline model suggests that, on balance, the likely effect of contemporaneous Freedom House scores on DG obligations is negative, that is, that AID tends to fund the “tough cases” more than those “trending democratic.” This is an exceedingly complex issue, however, and there is some counter-evidence that lagged Freedom House scores, e.g. have a positive impact on AID obligations. We leave to future research to disentangle the exact nature of the causal relationship between the two factors, and note simply that, taking into account the myriad possible effects from democracy to DG assistance, the effect from DG assistance to subsequent democracy is strengthened from the value estimated in the baseline formulation.

findings. In this section, we extend these analyses by examining the impact of specific AID DG sub-sectors (obligations targeted for elections and political processes, rule of law, civil society, and governance programs) on democratic outcomes on the specific factor scales and indicators that we developed to measure different aspects of democratic development. As discussed in the methods section previously, we include as independent variables the four main sub-sectors of DG assistance: Elections and Political Processes, Rule of Law, Civil Society, and Governance, with certain models including the sub-sub-sectors of Human Rights, and Mass Media obligations within the Rule of Law and Civil Society sub-sectors, respectively. Following the results from Table 2-A above, we include in all models the *current* and the *lagged* (i.e., previous year) values for all of these variables in order to capture the potential longer-term effects on democracy of each of these sub-sectors beyond the current year.

The results of models that predict measures of separate democratic sub-sector outcomes provide a more complete picture of the effects of U.S. DG assistance. We summarize the results for five outcomes corresponding to different dimensions of democratic development in Table 3; the full tables with the effects of all independent variables are available at <http://www.pitt.edu/~politics/democracy/democracy.html>. As in the Freedom House models, we include both current and lagged values for each of the DG assistance variables in order to test for possible cumulative or lagged impact.

We note at the outset of these analyses that these dependent variables are of varying quality in terms of their ability to capture the dimensions of democracy that the DG sub-sectoral and sub-sub-sectoral obligations are designed to affect. There is excellent correspondence between the Elections and the Civil Society factors and their respective DG sub-sectors. Similarly, there is excellent correspondence between the Human Rights and Mass Media factors and their respective DG *sub-sub-sectors*. However, we have no adequate measure to capture *overall* (non-Human Rights) Rule of Law outcomes, nor is the World Bank Governance Index necessarily an adequate measure to capture the kinds of outcomes that DG governance programs are designed to affect. In addition, the WB index is measured in only 4 years of our study, thus limiting its utility in the assessment of the impact of Governance obligations over the entire 1990-2003 period. Thus, our results should be interpreted cautiously, particularly for those areas where no good dependent variables were available for analysis.

Table 3 shows that, for the *Free and Competitive Elections* factor, DG obligations for Elections and Political Process has a significant contemporaneous effect on the dependent variable, indicating that AID obligations in this area are affect *precisely* the dimension of democracy for which they are targeted. Lagged Rule of Law obligations also exert an effect of reasonable magnitude on this dimension as well. In terms of the overall size of the effect, the impact of \$1 million dollars in current Elections obligations is .22, roughly equal to the amount that an “average” country is expected to change on this dimension per year.

The same pattern of DG obligation impact is seen for the *Conditions for Civil Society* factor, as DG assistance in the Civil Society sector exhibits both contemporaneous and lagged effects that are statistically significant and of reasonable magnitude. The cumulative effect is about .36, indicating that an additional \$1 million dollars in current and lagged Civil Society

obligations “buys” a similar increase in the Civil Society democratic outcome as changing the country’s regional level of democracy by roughly half a point on the Freedom House scale.

Somewhat remarkably, almost the same pattern is seen in the model predicting the *Free Media* factor. DG obligations in the media area have a strong significant lagged effect of .506, and a contemporaneous effect of almost equal magnitude that does not quite reach the level of statistical significance. The cumulative impact of \$1 million dollars in Media assistance over two obligation periods is nearly 1 point on the Media Freedom factor, which is about the same size as the diffusion effects of moving the country’s region by a full point on the Freedom House scale. There is an additional effect from non-media Civil Society obligations as well.

The results for our human rights factor, *Respect for Human Integrity*, however, show a strong negative effect of contemporaneous DG obligations in this area (Table 12). That is, for every \$1 million dollars obligated in the specific area of Human Rights, the country’s value on the *Respect for Human Integrity* dimension is predicted to be .85 points *lower*. This finding represents the only strong apparently detrimental effect of AID DG obligations found in the entire study.

How can this effect be understood? We cannot be certain, but there are three plausible explanations for the negative correlation of human rights obligations and respect for human rights. First, it is possible that the contemporaneous relationship between DG Human Rights obligations and the *Respect* factor reflects the same kinds of reciprocal effects causal processes examined earlier, such that AID allocates more assistance to countries that are facing a human rights crisis or that are trending downward on the *Respect* dimension. That is, in this area, perhaps more than with general DG assistance, AID obligates monies to the “tough cases.” Some support for this notion is seen from the significant negative effect of “pre-1990 USAID” in the Table, indicating that AID historically has funded countries with weaker human rights records. In addition, the presence of a contemporaneous negative effect but no negative effect for the lagged variable also suggests the possibility of reverse causality. We had to reject this explanation, however, since the result holds *controlling* for negative effect of pre-1990 assistance, and subsequent Two-Stage Least Squares analyses showed that the strong contemporaneous negative impact was not altered in a model that attempted to deal with the potential endogeneity problems. Second, it is possible that more AID obligations in the area of human rights strengthen the human rights NGOs and other organizations in a particular country, emboldening them to report or publicize the extent of the human rights-related problems in that country to a greater extent. Thus the negative effect seen in the table may be partly an artifact of the measurement process, whereby more DG assistance leads to higher levels of *revealed* human rights abuses, but not necessarily higher levels of actual abuse. Third, there may indeed be a true negative causal effect, such that authoritarian regimes, when they see that the international community is increasing pressures on them, become more zealous in defending their regimes from perceived opponents -- and as a result they increase their efforts against the opposition. Thus, although human rights expenditures probably do worsen *reported* and possibly actual human rights violations, the process is a complex one. We leave to future work to help confirm our thesis; for now we report that it may not be the case that human rights assistance will always lead to positive outcomes in the short run.

The final model in the table shows estimates of the impact of DG obligations on the *Government Effectiveness* variable constructed by the World Bank. The results are ambiguous. On the one hand, there is a positive effect of lagged DG Governance obligations, indicating some success in targeted democracy outcomes similar to those found for other subsectors. On the other hand, this impact is more than offset by the anomalous negative effects of contemporaneous obligations in the area of Elections and Political Processes and a lagged negative effect of Civil Society obligations. We have no clear explanation for this pattern. However, as noted above, we have less confidence in this model, as the indicator itself is available for only 4 years in the entire 1990-2003 period. The model is thus intrinsically less reliable than those estimated for the other sub-sectors. We conclude that DG Governance obligations *may* be effective in bringing about change on its respective democracy dimension, but the evidence is not conclusive due to relatively fewer data points and several anomalous results found for obligations in other democracy sub-sectors. Further research using better indicators of the Governance dimension that cover more time periods is needed to determine the exact nature of the relationship between DG assistance and this aspect of democratic performance.

Table 3. Summary of Effects from Sub-Sector and Sub-Sub-Sector Analyses

| Democracy Assistance | Elections | Civil Society | Free Media | Human Rights | WB Governance |
|-------------------------------|---------------|---------------|---------------|----------------|----------------|
| DG Elections | .220** | n.s. | n.s. | n.s. | -.048** |
| Elections (Lagged) | n.s. | n.s. | n.s. | n.s. | n.s. |
| DG Rule of Law | n.s. | n.s. | n.s. | n.s. | n.s. |
| Rule of Law (Lagged) | .167** | n.s. | n.s. | n.s. | n.s. |
| DG Human Rights | --- | --- | --- | -.850** | --- |
| Human Rights (Lagged) | --- | --- | --- | .191 | --- |
| DG Civil Society | n.s. | .204** | .133** | n.s. | -.020* |
| Civil Society (Lagged) | n.s. | .169** | n.s. | n.s. | n.s. |
| DG Mass Media | --- | --- | .413 | --- | --- |
| Mass Media (Lagged) | --- | --- | .506** | --- | --- |
| DG Governance | n.s. | n.s. | n.s. | n.s. | -.001 |
| Governance (Lagged) | n.s. | n.s. | n.s. | .006** | .017** |

* **Two-tailed tests significant at p<.05 (bold red); *significant at p<.10 (in red)

Conclusions

This study has advanced the analysis of the effects of democracy promotion programs on democratic outcomes in recipient countries in several important ways. Unlike all prior published research, the data set is based upon an exhaustive survey of the entire democracy portfolio of the United States Agency for International Development. Moreover, we cover the entire post Cold War period, beginning in 1990 and continue up through 2003, the most recent year for which data are available. Prior published quantitative research has been based on data sets that were far more limited, either by restricting the analysis to fewer countries, fewer years and, perhaps most importantly, by not cleanly separating democracy assistance from other forms of assistance. Finally, the effects are estimated in the context of models that take into account each country's unique democratic growth trajectory (or decline) during the period, that control for a wide range of theoretically-relevant control variables, and that use techniques to minimize the possibility that the findings are an artifact of "selection bias," that is, that democracy aid may be channeled more intensively to the countries that were likely to have been democratic "winners" and restricted to those that were likely to have been "losers."

The analysis produced four major results. First, contrary to the generally negative conclusions from previous research, there are clear and consistent impacts of USAID democracy assistance on democratization in recipient countries. Ten million additional USAID dollars (measured in constant 1995 dollars, the equivalent of 11.8 million dollars in 2004) would produce — by itself — about a five-fold increase in the amount of democratic change that the average country would be expected to achieve, *ceteris paribus*, in any given year, based on the Freedom House measure of democracy. Second, significant lagged effects of USAID DG obligations were also found, suggesting first, that democracy and governance programs may often take several years to "mature" to generate full outcomes, and second, that the effects of DG assistance to some degree are cumulative, with the immediate impact augmented by an additional increment on the country's level of democracy the following year. Third, the results were found to hold under a variety of specifications of the AID effect and other model-based assumptions, including the possibilities of endogenous USAID obligations, diminishing returns from AID investments, and alternative standardizations of AID variables based on recipient countries' population or GDP. Finally, the pattern of effects suggests that with one notable exception — obligations in the area of human rights promotion — USAID expenditures targeted for specific democratic sub-sectors such as Elections, Civil Society, and Free Media, tended to have the largest impact on variables corresponding to their respective dimensions of democratic performance. All of these findings reinforce the conclusion that U.S. assistance for democracy promotion "worked" to some extent during the 1990-2003 time period

At the same time, these optimistic conclusions must be tempered with several cautionary observations which have important practical as well as theoretical implications. First, the findings must be viewed in the context of the actual current outlays for democracy assistance by the United States. The average eligible country received only \$2.07 million per year during the entire time period, and this figure reached only \$3.66 million in 2003. This latter figure translated into a "total effect" on world-wide Freedom House scores of approximately .09 of a point, or a "total effect" of .16 of a point on the Freedom House scale among the 93 countries

that received any democracy assistance during that year. These are certainly modest amounts of *absolute* democratic change that can be attributed to current USAID outlays. And given the average amount of 2003 assistance, an increase to 10 million a year would thus represent something on the order of a three-fold increase in the overall amount of democracy aid. Although U.S. democracy assistance has increased sharply since 1990 to levels that we suspect would have been unthinkable in 1990, this kind of increase may not necessarily be forthcoming. Democracy assistance is still only a small portion of total USAID assistance, and still only a relatively small proportion of overall GDP when compared to the assistance given by a number of European donor countries. From these perspectives, the results here can serve to remind policy makers that substantially greater outlays than are currently the case are likely to be needed to achieve more than the very modest amount of democratic impact we have demonstrated here.

Second, the negative effect seen for USAID obligations in the area of human rights reminds us that the causal processes involved in the democracy promotion process are extraordinarily complex, and that it is not necessarily the case that increased obligations in all areas automatically translate into positive democratic outcomes. We leave to future research to disentangle the reasons that outlays for human rights apparently exacerbate the short-term human rights situation in recipient countries, be it an issue of increased *reporting* of human rights abuses, crackdowns by authoritarian regimes following international donor attention, or a true negative causal effect. But we note now that it may not always be the case that increased democracy assistance leads to positive impact in the short run.

Third, such an “anomalous” finding highlights the extent to which we do not yet know many of the ways through which democratic assistance may impact democratic outcomes for better, and possibly for worse. We know little about the conditions under which democracy assistance has stronger or weaker effects, little about the characteristics of recipient countries that are most conducive to favorable democratic impacts, little about the times or places where democracy assistance matters most and least, little about the impact of different patterns and sequences over time of democracy funding, and little about how democracy assistance interacts with other bilateral foreign policy relationships between donor and recipient countries. What we have shown here is that there was a direct, consistent, and robust world-wide effect of U.S. democracy promotion efforts over the past 15 years of modest magnitude; we encourage further research to unravel more of the complex causal relationships between democratic assistance and global democratic outcomes.

Appendix 1. Countries Eligible for USAID Assistance: Recipients of DG Aid, 1990-2003

| USAID Regions | Country | Recipient of USAID DG Assistance 1990-2003 | Total Years Of Democracy Assistance |
|-----------------------|--------------------------|--|-------------------------------------|
| Africa | Cape Verde | No | 0 |
| | Chad | No | 0 |
| | Comoros | No | 0 |
| | Djibouti | No | 0 |
| | Equatorial Guinea | No | 0 |
| | Gabon | No | 0 |
| | Mauritania | No | 0 |
| | Mauritius | No | 0 |
| | Seychelles | No | 0 |
| | Angola | Yes | 9 |
| | Benin | Yes | 9 |
| | Botswana | Yes | 3 |
| | Burkina Faso | Yes | 1 |
| | Burundi | Yes | 10 |
| | Cameroon | Yes | 2 |
| | Central African Republic | Yes | 2 |
| | Congo, DR (Zaire) | Yes | 8 |
| | Congo, Republic of the | Yes | 1 |
| | Cote d'Ivoire | Yes | 9 |
| | Eritrea | Yes | 9 |
| | Ethiopia | Yes | 12 |
| | Gambia | Yes | 6 |
| | Ghana | Yes | 10 |
| | Guinea-Bissau | Yes | 6 |
| | Guinea | Yes | 11 |
| | Kenya | Yes | 9 |
| | Lesotho | Yes | 4 |
| | Liberia | Yes | 10 |
| | Madagascar | Yes | 11 |
| | Malawi | Yes | 11 |
| | Mali | Yes | 11 |
| | Mozambique | Yes | 13 |
| | Namibia | Yes | 12 |
| | Niger | Yes | 4 |
| Nigeria | Yes | 11 | |
| Rwanda | Yes | 10 | |
| Sao Tome and Principe | Yes | 1 | |
| Senegal | Yes | 12 | |
| Sierra Leone | Yes | 8 | |
| Somalia | Yes | 7 | |
| South Africa | Yes | 14 | |
| Sudan | Yes | 3 | |
| Swaziland | Yes | 1 | |

| USAID Regions | Country | Recipient of USAID DG Assistance 1990-2003 | Total Years Of Democracy Assistance |
|----------------------|------------------------------------|---|--|
| | Tanzania | Yes | 11 |
| | Togo | Yes | 4 |
| | Uganda | Yes | 10 |
| | Zambia | Yes | 12 |
| | Zimbabwe | Yes | 8 |
| Asia | Bhutan | No | 0 |
| | Brunei Darussalam | No | 0 |
| | Iran | No | 0 |
| | Korea, Democratic People's Rep (N) | No | 0 |
| | Laos | No | 0 |
| | Maldives | No | 0 |
| | Singapore | No | 0 |
| | Taiwan | No | 0 |
| | East Timor | No | 0 |
| | Afghanistan | Yes | 5 |
| | Bangladesh | Yes | 14 |
| | Cambodia | Yes | 13 |
| | China | Yes | 2 |
| | India | Yes | 6 |
| | Indonesia | Yes | 14 |
| | Korea, Republic of | Yes | 2 |
| | Malaysia | Yes | 1 |
| | Mongolia | Yes | 8 |
| | Myanmar (Burma) | Yes | 7 |
| | Nepal | Yes | 12 |
| | Pakistan | Yes | 5 |
| | Philippines | Yes | 14 |
| | Sri Lanka | Yes | 14 |
| | Thailand | Yes | 8 |
| | Vietnam | Yes | 1 |
| Eurasia | Armenia | Yes | 12 |
| | Azerbaijan | Yes | 12 |
| | Belarus | Yes | 12 |
| | Georgia | Yes | 12 |
| | Kazakhstan | Yes | 12 |
| | Kyrgyzstan | Yes | 12 |
| | Moldova | Yes | 12 |
| | Russian Federation | Yes | 12 |
| | Tajikistan | Yes | 12 |
| | Turkmenistan | Yes | 12 |
| | Ukraine | Yes | 12 |
| | Uzbekistan | Yes | 12 |
| Europe | Ireland | No | 0 |
| | Portugal | No | 0 |
| | Albania | Yes | 13 |
| | Bosnia-Herzegovina | Yes | 11 |

| USAID Regions | Country | Recipient of USAID DG Assistance 1990-2003 | Total Years Of Democracy Assistance |
|--------------------------------------|--------------------------------|---|--|
| | Bulgaria | Yes | 14 |
| | Croatia | Yes | 12 |
| | Czech Republic | Yes | 4 |
| | Czechoslovakia | Yes | 3 |
| | Estonia | Yes | 5 |
| | Hungary | Yes | 9 |
| | Latvia | Yes | 7 |
| | Lithuania | Yes | 9 |
| | Macedonia | Yes | 12 |
| | Poland | Yes | 10 |
| | Romania | Yes | 14 |
| | Serbia and Montenegro | Yes | 10 |
| | Slovakia | Yes | 8 |
| | Slovenia | Yes | 4 |
| Latin America and the Caribbean | Antigua and Barbuda | No | 0 |
| | Argentina | No | 0 |
| | Dominica | No | 0 |
| | Grenada | No | 0 |
| | Saint Lucia | No | 0 |
| | St. Kitts and Nevis | No | 0 |
| | St. Vincent and the Grenadines | No | 0 |
| | Suriname | No | 0 |
| | Trinidad and Tobago | No | 0 |
| | Belize | Yes | 4 |
| | Bolivia | Yes | 14 |
| | Brazil | Yes | 8 |
| | Chile | Yes | 6 |
| | Colombia | Yes | 10 |
| | Costa Rica | Yes | 7 |
| | Cuba | Yes | 4 |
| | Dominican Republic | Yes | 13 |
| | Ecuador | Yes | 14 |
| | El Salvador | Yes | 14 |
| | Guatemala | Yes | 14 |
| | Guyana | Yes | 13 |
| | Haiti | Yes | 14 |
| | Honduras | Yes | 14 |
| | Jamaica | Yes | 10 |
| | Mexico | Yes | 9 |
| | Nicaragua | Yes | 14 |
| | Panama | Yes | 13 |
| | Paraguay | Yes | 9 |
| | Peru | Yes | 14 |
| | Uruguay | Yes | 1 |
| | Venezuela | Yes | 3 |
| Middle East and the Mediterranean | Israel | No | 0 |
| | Kuwait | No | 0 |

| USAID Regions | Country | Recipient of USAID DG Assistance 1990-2003 | Total Years Of Democracy Assistance |
|---------------------------|------------------------------|---|--|
| | Libya | No | 0 |
| | Syria | No | 0 |
| | United Arab Emirates | No | 0 |
| | Algeria | Yes | 7 |
| | Bahrain | Yes | 2 |
| | Egypt | Yes | 13 |
| | Iraq | Yes | 2 |
| | Jordan | Yes | 4 |
| | Lebanon | Yes | 10 |
| | Morocco | Yes | 6 |
| | Oman | Yes | 2 |
| | Qatar | Yes | 2 |
| | Saudi Arabia | Yes | 1 |
| | Tunisia | Yes | 5 |
| | Turkey | Yes | 4 |
| | West Bank and Gaza | Yes | 10 |
| | Yemen | Yes | 7 |
| Oceania (Pacific Islands) | Fiji | No | 0 |
| | Kiribati | No | 0 |
| | Marshall Islands | No | 0 |
| | Micronesia, Federated States | No | 0 |
| | Nauru | No | 0 |
| | Palau | No | 0 |
| | Samoa | No | 0 |
| | Solomon Islands | No | 0 |
| | Tonga | No | 0 |
| | Tuvalu | No | 0 |
| | Vanuatu | No | 0 |
| | Papua New Guinea | Yes | 1 |

Note: Some of the above nations had USAID missions, but no DG assistance was given during the time frame covered (e.g., Chad)

Appendix 2. Components of the Factor Analysis for the Aggregate Indices of Democracy

| <i>Item</i> | <i>Description</i> | <i>Factor Loadings</i> |
|-------------|---|------------------------|
| EL15 | Free and Fair Elections | |
| EL01 | Political Rights (Freedom House) | -.940 |
| EL02 | Index of Electoral Competition (Vanhanen 2003) | .906 |
| EL08 | Women's Political Rights (Cingranelli and Richards 2004) | .631 |
| EL12 | Competitiveness of Participation (Polity IV 2004) | .947 |
| CS08 | Conditions for Civil Society | |
| CS01 | Restrictions on the Organization of Minorities (Minorities at Risk, 2004) | -.558 |
| CS02 | Freedom of Assembly and Association (Cingranelli and Richards 2004) | .843 |
| CS03 | Favorable Conditions for Non-Profit Sector (Green 2004) | .779 |
| CS04 | Religious Freedom (Cingranelli and Richards 2004) | .758 |
| CS05 | Respect for Worker's Rights (Cingranelli and Richards 2004) | .781 |
| CS06 | Freedom of Movement (Cingranelli and Richards 2004) | .746 |
| CS07 | Respect for Women's Economic Rights (Cingranelli and Richards 2004) | .572 |
| RL15 | Respect for Human Integrity (Human Rights) | |
| RL08 | Political or Extrajudicial Killings (Cingranelli and Richards 2004) | .856 |
| RL09 | Disappearances (Cingranelli and Richards 2004) | .781 |
| RL10 | Torture (Cingranelli and Richards 2004) | .775 |
| RL11 | Political Imprisonment (Cingranelli and Richards 2004) | .750 |
| RL12 | Political Terror Scale (Gibney 2004) | -.925 |
| RL16 | Free Media | |
| RL02 | Freedom of the Press (Freedom House 2004c; three-point scale) | .928 |
| RL03 | Freedom of the Press (Freedom House 2004c; 100-point scale) | -.955 |
| RL04 | Freedom of Speech and Press (Cingranelli and Richards 2004) | .871 |
| RL14 | Restrictions on Freedom of Expression (Minorities at Risk, 2004) | -.635 |

Note: EFA conducted for complete sample (eligible and non-eligible countries). N= 2672. Extraction method was principal component analysis.

Cronbach's Alpha for Standardized, Non-Weighted Items

| Index | Items | Non-Imputed | Imputed |
|---------------|--------------|--------------------|----------------|
| Elections | 4 | 0.880 | 0.881 |
| Civil Society | 7 | 0.648 | 0.846 |
| Human Rights | 5 | 0.854 | 0.876 |
| Free Media | 4 | 0.845 | 0.871 |

Note: some items were inverted to preserve consistency in the direction of the scaling.

Communalities

| | |
|--|-------------|
| Elections | |
| Political Rights (Freedom House) | .884 |
| Index of Competition (Vanhanen) | .821 |
| Women's Political Rights (CIRI) | .398 |
| Competitiveness of Participation (Polity) | .896 |
| Total variance explained (%) | 75.0 |
| Civil Society | |
| Restrictions on Organization of Minorities (MAR) | .312 |
| Freedom of Assembly And Association (CIRI) | .710 |
| Non-Profit Sector (Green) | .607 |
| Freedom of Religion (CIRI) | .575 |
| Worker Rights (CIRI) | .611 |
| Freedom of Movement (CIRI) | .556 |
| Women's Economic Rights (CIRI) | .327 |
| Total variance explained (%) | 52.8 |
| Human Rights | |
| Disappearances (CIRI) | .610 |
| Political / Extrajudicial Killings (CIRI) | .732 |
| Political Imprisonment (CIRI) | .563 |
| Torture (CIRI) | .600 |
| Political Terror Scale (Gibney, Average) | .856 |
| Total variance explained (%) | 67.2 |
| Free Media | |
| Freedom of the Press (FH, 3-point) | .861 |
| Freedom of the Press (FH, 100-point) | .912 |
| Freedom of Speech & Press (CIRI) | .758 |
| Freedom of Expression for Minorities (MAR) | .403 |
| Total variance explained (%) | 73.3 |

Appendix 3. Missing Values Imputation: Target Variables and Predictors

| <i>Variable</i> | <i>Missing (% all)</i> | <i>EM Predictors</i> |
|---|----------------------------|---|
| A. Imputation for Measurement Models | | |
| A.1. Free and Fair Elections (EL15) | | |
| Political Rights (EL01) | 1.2 | Political Rights (EL01) |
| Index of Competition (EL02) | 11.1 | Index of Competition (EL02) |
| Women's Political Rights (EL08) | 21.1 | Women's Political Rights (EL08) |
| Competitive Participation (EL12) | 22.6 | Competitive Participation (EL12) Sub-regional dummies |
| A.2. Civil Society Index (CS08) | | |
| Restrictions Org. Minorities (CS01) | 42.1 | Freedom House Index (DG02) |
| Freedom of Association (CS02) | 18.5 | Restrictions Org. Minorities (CS01) |
| Non-Profit Sector (CS03) | 89.7 | Freedom of Association (CS02) |
| Freedom of Religion (CS04) | 20.7 | Non-Profit Sector (CS03) |
| Worker Rights (CS05) | 20.7 | Freedom of Religion (CS04) |
| Freedom of Movement (CS06) | 20.7 | Worker Rights (CS05) |
| Women's Economic Rights (CS07) | 21.7 | Freedom of Movement (CS06) |
| | | Women's Economic Rights (CS07) Sub-regional dummies |
| A.3. Human Rights Index (RL15) | | |
| Extrajudicial Killings (RL08) | 20.7 | Freedom House Index (DG02) |
| Disappearances (RL09) | 20.9 | Political / Extrajudicial Killings (RL08) |
| Torture (RL10) | 20.7 | Disappearances (RL09) |
| Political Imprisonment (RL11) | 20.8 | Torture (RL10) |
| Political Terror Scale (RL12) | 10.3 | Political Imprisonment (RL11) |
| | | Political Terror Scale (RL12) Sub-regional dummies |
| A.4. Free Media Index (RL16) | | |
| Freedom of the Press (RL02) | 4.6 | Freedom House Index (DG02) |
| Freedom of the Press (RL03) | 23.2 | Freedom of the Press (RL02) |
| Freedom of Speech & Press (RL04) | 20.7 | Freedom of the Press, 3-point (RL03) |
| Freedom for Minorities (RL14) | 42.3 | Freedom of Speech & Press (RL04) |
| | | Freedom of Expression for Minorities (RL14) Sub-regional dummies |

| <i>Variable</i> | <i>Missing (% all)</i> | <i>EM Predictors</i> |
|---------------------------------------|----------------------------|---|
| B. Imputation for Causal Model | | |
| Polity IV Score (DG01I) | 18.4 | Polity IV Score (DG01) |
| Freedom House Index (DG02I) | 1.2 | Freedom House Index (DG02) |
| GDP Growth (PRF01I) | 10.4 | Coups D'Etat (POL01) T |
| Inflation (PRF02I) | 22.2 | Number of Legislative Elections (POL02) |
| Income Share Top 20% (SOC06I) | 35.4 | Religious Fragmentation (SOC09) |
| Unemployment (SOC07I) | 59.5 | Ethnolinguistic Fractionalization (SOC10) |
| Merchandise Exports (DEP01I) | 6.8 | GDP, current U.S. dollars (DEV01) T |
| Exports as % GDP (DEP02I) | 11.3 | GDP per capita, 1995 U.S. dollars (DEV03) T |
| | | GDP per capita, 1995 U.S. dollars (sub-regional mean DEV03) |
| | | GDP per capita, 1996 U.S. dollars (PWT) S |
| | | GDP per capita, PPP (DEV04) T |
| | | GDP per capita, PPP (sub-regional mean DEV04) |
| | | Telephone Lines PTI (DEV05) T |
| | | Annual Growth in GDP Per Capita (PRF01) |
| | | Annual Growth in GDP Per Capita (yearly, sub-regional mean PRF01) |
| | | Annual Growth in GDP Per Capita (PWT) S |
| | | Inflation, Consumer Prices (PRF02) T |
| | | Inflation, based on GDP Deflator (PRF04) T |
| | | Inflation, based on GDP Deflator (yearly, sub-regional mean PRF04) |
| | | Income Distribution, Share of top 20% (SOC06) T |
| | | Unemployment (SOC07) T |
| | | Unemployment (sub-regional mean SOC07) |
| | | Merchandise Exports (DEP01) T |
| | | Merchandise Exports as Percentage of GDP (sub-regional mean, DEP02) |
| | | Population (SOC01) |
| | | Non-U.S. DG Assistance (ODA100) |
| | | Non-US, Non-DG Assistance (ODA000) |
| | | Democracy in the International System (DIF01) |
| | | Democracy in the Region (DIF02) |
| | | Pending Application for European Union Membership (DIF03) |
| | | Military Assistance Priority (FPP01) |
| | | DG Aid – Elections (AID110) |
| | | DG Aid – Rule of Law (AID120) |
| | | DG Aid – Civil Society (AID130) |
| | | DG Aid – Governance (AID140) |
| | | Non DG Aid (AID000) |
| | | Non USAID Assistance (AID_2) |
| | | Regional DG Aid (RSAID100) |
| | | Time trend (YEARNUM) |

Note: Imputation conducted for complete sample (eligible and non-eligible countries). N= 2672

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