Geopolitics and the Aiding of Political Violence

Faisal Z. Ahmed*
Princeton University

June 2016

Abstract

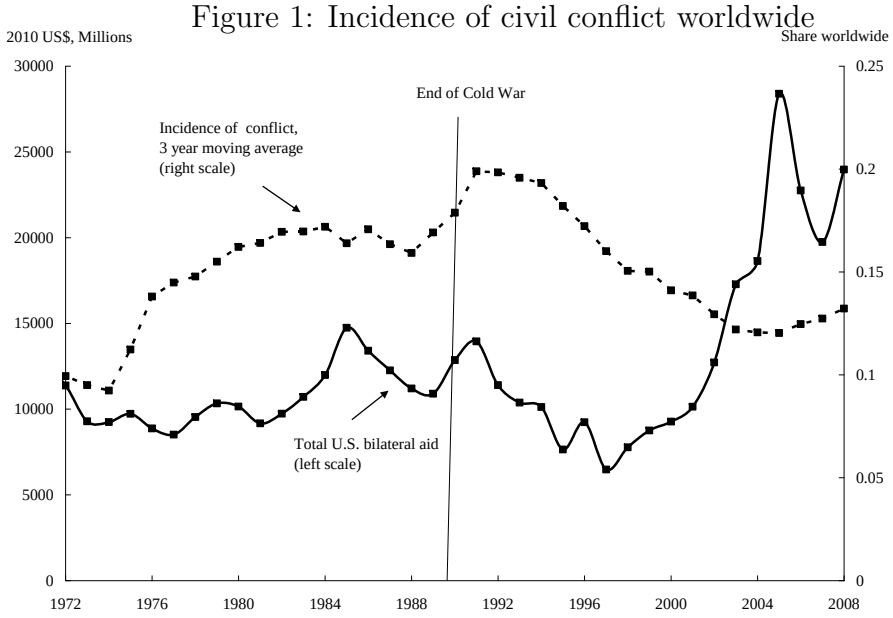
Extant studies of civil conflict overwhelmingly attribute its incidence to domestic factors (e.g., economic growth, ethnicity). However, in the period surrounding the end of the Cold War the incidence of civil conflict rose substantially, especially in countries that had been repressive during the Cold War. This paper presents causal evidence linking geopolitics, foreign aid, and political institutions for this uptick in conflict in the 1990s. The empirical strategy leverages both a differences-in-differences strategy and instrumental variables to demonstrate that U.S. foreign aid increased the relative likelihood of conflict in the post-Cold War period in countries with the "most repressive Cold War regimes." On balance, the paper shows that geopolitics and foreign aid can affect political violence in developing countries.

Key words: Civil war, Cold War, foreign aid, political economy

*E-mail: fzahmed@princeton.edu. I would like to thank Elias Dinas, Florian Foos, Leander Hendring, Isaac Hock, Melissa Lee, Adeel Malik, Kyung Park, Frutuoso Santana, Henning Tamm, and seminar participants at Chicago, SPSA, Nuffield College, OxCarre (Oxford), and Princeton for helpful suggestions.

In the period surrounding the end of the Cold War the global incidence of civil conflict rose substantially (see figure 1), accounting for all but three of the wars that broke out and 90 percent of civilian and combatant battle deaths.[1] Some scholars characterized this rise in conflict as an era of "coming anarchy" through the eruption of "new wars."[2]

Figure 1: Incidence of civil conflict worldwide



In explaining this uptick in conflict, existing scholarship tends to relegate the importance of international factors. Rather, many scholars focus largely on domestic factors, such as poverty, negative economic growth, ethnicity, geography, and natural resources.[3] Admittedly, a few scholars link the end of the Cold War to this uptick in conflict.[4] However, they tend to under theorize and provide insufficient evidence of *how* the Soviet-American rivalry during the Cold War shaped the pattern of political violence after that period. For instance, since the end of the Cold War was a "systemic" event (according to scholars in international

[1] Lacina 2006

[2] Kaldor 1999; Kaplan 1994

[3] Collier and Hoeffler 1998; Miguel et al 2004; Esteban et al 2012; Fearon and Laitin 2003; Ross 2006. Blattman and Miguel (2010) acknowledge that the omission of international factors is an important limitation in the existing civil war literature and state that an "important direction for future formal theoretical work ... will likely draw heavily on the existing international relations literature" (30).

[4] e.g., Kalyvas and Balcells 2010; Hironaka 2005

relations), why were certain countries more likely to experience internal conflict in the 1990s? This paper presents evidence that regimes that were more repressive during the Cold War experienced a relatively higher incidence of conflict after the Cold War and that U.S. aid helped fuel this conflict. In doing so, this paper provides an explanation linking geopolitics, foreign assistance, and political institutions, to varying intensities of political violence (repression and conflict).

The paper argues that during the Cold War, superpower support helped prop up politically repressive governments in poor countries. When this external support waned at the end of this period, rebel groups had incentives to mount insurgencies in "repressive Cold War regimes." U.S. aid exacerbated this trend, since it increased both the state's ability to repress (during the Cold War) and the rewards of successful rebellion (after the Cold War). The latter prediction characterizes the incidence of conflict between a weak state and poorly equipped insurgents. As such, this paper describes the rise of symmetric non-conventional warfare in the post-Cold War period as argued by Kalyvas and Balcells (2010). However, unlike that study, this paper also provides a richer account for *how* the Cold War affected the patterns of political violence in countries over time (from repression to conflict).

I test these conjectures cross-nationally. In section 3, I use a difference-in-difference research design to demonstrate that the incidence of conflict rose in the post-Cold War period in countries that tended to be more repressive during the Cold War. In section 4, I identify foreign aid as one potential channel and use instrumental variables analysis to establish a causal relationship that U.S. aid increased the relative likelihood of conflict after the Cold War in "repressive Cold War regimes." The 2SLS strategy leverages plausibly exogenous variation in the legislative composition of the U.S. House of Representatives as the basis of a time-varying instrumental variable for bilateral U.S. aid disbursements.

The relationship between superpower rivalry, foreign aid, and political violence is starkly apparent in the case of Angola. During the Cold War, both superpowers vied for influence

in that country. The Soviets supported the MPLA's highly repressive regime (with massive amounts of aid), while the U.S. backed the government's main opposition, UNITA.[5] As the Cold War waned, tensions between MPLA and UNITA subsided and a negotiated peace seemed possible.[6] However, the sudden collapse of the Soviet Union (and its support for the MPLA) coupled with increased U.S. economic assistance to UNITA in the late 1980s (and tacit approval of UNITA's eventual armed tactics), provided the opportunity for Savimbi (UNITA's leader) to renege on the peace accord and intensify violence in the 1990s. Similar dynamics unfolded in other "repressive Cold War regimes", as I show in the empirical sections. (**See Appendix A for a detailed case study of Angola.**)

In doing so, the empirical findings in this paper help refine several analytical frameworks in political economy and international relations. First, it integrates international politics into the study of political violence by specifying how major powers can shape the military dimension of political violence through its impact on the relative power of the contestants.[7] Second, it provides a more robust account for how geopolitics shaped the trajectory of political violence in many developing countries during both the Cold War (e.g., by fostering repression) and the post-Cold War (e.g., heightening conflict). Consequently, these findings challenge several existing accounts that the end of the Cold War had no impact on domestic conflict.[8] For instance, Fearon and Laitin (2003, 77-78) make clear that the "prevalence of civil war in the 1990s was not due to the end of the Cold War and associated changes in the international system." Thus, this paper turns the international system, in particular changes in distribution of power among the "Great Powers", into a causal variable to explain cross-national and within-country variation in political violence.

Third, by linking foreign aid to conflict[9] this paper highlights how variation in superpower

[5] Ciment 1997
[6] Cohen 2000
[7] e.g., Kalyvas and Balcells 2010; Hironaka 2005
[8] Collier et al 2003; Fearon and Laitin 2003; Sambanis 2004
[9] e.g., Collier and Hoeffler 2002; Nielsen et al 2011

rivalry and the quality of a country's political institutions mediate the impact of aid on political violence. In doing so, the paper relates to studies evaluating the effect of aid on governance, especially in the post-Cold War era.[10] The results also offer insights to enduring policy debates about the effectiveness of U.S. foreign aid in promoting democracy abroad[11] and the impact of "superpower politics" on economic and political development.[12]

I. THEORY

Sources of political violence

Domestic sources. Most theoretical and empirical studies of political violence privilege the role of domestic political and economic factors, such as economic development[13], ethnic fragmentation[14], the quality of political institutions[15], natural resources[16], geography[17], rebel organizational techniques[18], commodity shocks[19], and foreign aid[20]. As Blattman and Miguel (2010, 30) acknowledge in their comphrensive overview of the political economy of civil war, existing studies rarely emphasize factors with an "international" dimension such as foreign ideology (e.g., revolutionary Marxism) or interventions as a *causal* variable for political violence.[21]

[10] Dunning 2004; Bermeo 2011; Kersting and Kilby 2014
[11] e.g., Friedman 1958; Finkel et al 2007
[12] e.g., Easterly et al 2008; Berger et al 2013
[13] e.g., Collier and Hoeffler 1998
[14] e.g., Esteban et al 2012
[15] e.g., Gladstone et al 2010
[16] e.g., Ross 2006
[17] e.g., Fearon and Laitin 2003
[18] e.g., Powell 2007
[19] Besley and Persson 2011
[20] e.g., Collier and Hoeffler 2002
[21] Blattman and Miguel state explicitly: "The empirical salience of these and other international issues in driving domestic civil conflicts (including the role of foreign aid, Cold War interventions, and cross-border raids) highlights an important limitation of the existing theoretical work on armed conflict causes, namely its almost exclusive focus on the internal armed groups' decision of whether or not to fight. This is an important direction for future formal theoretical work, and will likely draw heavily on the existing international relations literature" (30).

This omission of external factors permeates the leading formal models of civil conflict (see the discussion in Blattman and Miguel 2010 for more). Even the most rigorous formalization of group conflict today omits international factors completely, although it integrates many causal variables such as redistributive institutions (that may arise due to differences in ethnic fragmentation and/or political institutions), taxation, and unearned income.[22] These models show that conflict arises over control of the "state prize", in particular access to state revenues, where the intensity of political violence depends on the quality of political institutions (i.e., how state resources are "shared" with opposition groups), the source of state revenue (e.g., tax and non-tax income, such as natural resource rents), and economic development.

These models predict a hierarchy of political violence between a central government and a rebel group(s): peace, repression (government initiated one-sided violence) and conflict (two-sided violence). The latter constitutes armed violence between the government and opposition group(s) and is *more likely to occur in countries with more repressive political institutions and access to unearned income*, such as foreign aid.

Aid and conflict. Foreign aid constitutes a source of unearned *foreign* income that can serve affect both a state's repressive capacity and propensity for conflict. It is a transfer of financial resources from a foreign donor to a recipient government that can strengthen a state's capacity.[23] Of course, as a source of government (and in particular unearned) income, aid can heighten the propensity for conflict in at least two ways. On the one hand, higher amounts of aid can strengthen a central government's capacity to fight, while "negative aid shocks" can incentivize rebel groups to attack a weakened government.[24] On the other hand, aid (like other forms of non-tax income) can raise the value of capturing the "state prize",

[22]Besley and Persson 2009, 2010, 2011
[23]Bueno de Mesquita and Smith 2010
[24]Nielsen et al 2011; Ahmed and Werker 2015

incite rent-seeking by opposition groups, and thus raise the likelihood of conflict.[25]

While several studies have evaluated the impact of aid on conflict[26], they rarely explore the "interaction" of aid and geopolitics on conflict.[27] More broadly, other international factors, especially those with a temporal component are typically disregarded with the inclusion of a dummy for the Cold War period or with year fixed effects. Yet, as these studies acknowledge and as figure 1 demonstrates there is variation in the incidence of conflict across time. Indeed, the spike in conflict around the end of Cold War and the transition to "unipolarity" suggest that integrating geopolitics into these existing models might sharpen their explanatory power.

Superpowers and political violence

From the end of World War II until the collapse of the Soviet Union in 1989, the Cold War dominated international politics[28] The bipolar structure of the international system made competition between the United States and the Soviet Union inevitable.[29] The resulting geopolitical rivalry between the two superpowers influenced both the relations among other states (e.g., membership in rival military alliances, voting patterns in the United Nations) and domestic politics within those countries.

During that period, rather than confronting each other on the battlefield, both superpowers often intervened in the conflicts of other countries (i.e., "proxy wars"), especially in Africa and Asia. The internationalization of these conflicts often escalated their scope (e.g., Vietnam, Afghanistan). While both the United States and the Soviet Union did provide some economic (and military) assistance to rebel groups during the Cold War, it was

[25]Besley and Persson 2010

[26]e.g., Nielsen et al 2011; Savun and Tirone 2012

[27]There are some exceptions. Dunning (2004) evaluates the effect on aid on *regime type* in Africa in the post Cold War period. Bearce and Tirone (2010) evaluate the role geopolitics in aid "conditionalities" associated with economic reform in recipients.

[28]Gaddis 1997

[29]Waltz 1979

more common for each superpower to prop up client governments.[30] Such intervention (e.g., covert military operations, foreign aid disbursements) frequently enabled these governments to repress their population.[31] Developing countries (especially those in Africa and the Middle East) could appeal to *either* superpower for "assistance."[32] In some instances, countries switched allegiances. For example, during the 1960s Somalia secured support from the USSR. In the 1970s, it switched allegiance to the US and its allies.[33] Thus, during the Cold War, superpower rivalry heightened the available sources of international assistance to incumbent governments and tended to strengthen their repressive capacities (as I demonstrate in Table D5).

The end of the Cold War transformed the incentives of the superpowers to meddle in the affairs of other countries and tended to weaken the capacities of incumbent governments in client states. The end of the Cold War contributed to multiple, simultaneous processes: the breakup of multi-ethnic empires (e.g., USSR) and states (e.g., Yugoslavia); the emergence of new states with disputed boundaries; the end of a global "ideological" struggle (between communism and capitalism); and the weakening of client states following the reduction or withdrawal of superpower support.[34]

The confluence of these processes ushered in a period of strategic uncertainty and political upheaval in many developing countries. The collapse of the Soviet Union led to a new period of "unipolarity." Many scholars contemplated its implications for international politics, especially the United States' strategic imperatives and incentives to intervene abroad.[35] For the United States, unipolarity has offered it greater flexibility in its strategic options. It can act defensively, offensively, or disengage.[36]

[30]Gaddis 1997
[31]Easterly et al 2008
[32]Gaddis 1997
[33]Bestesman 1991
[34]Stein and Lobell 1997; Wallensteen and Axell 1993
[35]Mearsheimer 2000; Wohlforth 1999
[36]Monteiro 2011

Without the Soviet threat, the United States re-evaluated its strategic imperatives, often losing interest in propping up client (and frequently repressive) states. As a consequence the United States divested itself from many weak states, thus weakening them further.[37] For Soviet client states the situation was more dire. The collapse of the USSR erased their external financial support and their legitimizing principles.[38] For many states that relied on superpower support (e.g., countries in sub-Saharan Africa), the end of the Cold War drastically reduced their government's revenues and overall state capacity to thwart armed rebellion.[39] As Kalyvas and Balcells (2010, 422) note, "these low-capacity states faced daunting prospects as they became vulnerable to equally low-capacity rebels who were able to challenge them."

Hypotheses

In short, the geopolitical imperatives of the Cold War often meant that both superpowers intervened in the domestic affairs of other countries. This affected the incidence of two-sided violence (civil conflict) and strengthened the central government's capacity to engage in one-sided violence (repression). In this context, the argument that conflict is heightened in countries with repressive politics[40] underlies the paper's main hypotheses:

Hypothesis 1: During the Cold War, the availability of international patronage from the superpowers tended to strengthen the capacities of incumbent governments, especially to engage in repression (one-sided violence).

The end of the Cold War changed the incentives for the remaining superpower to "inter-

[37] Hale and Kleine 1997, 5
[38] Kanet 2006, 343
[39] Herbst 2004; Reno 1999
[40] e.g., Besley and Persson 2011

vene" in the domestic affairs of other countries. For these governments, this often meant a reduction in external economic support (e.g., foreign aid) as well as greater uncertainty about whether the United States would support them during crises (and for governments that relied on Soviet support during the Cold War, the prospect of assistance from the new Russian state was dim). For opposition groups, especially those in countries that were repressive during the Cold War, this uncertainty raised the prospects of winning an armed struggle with the government. This underlies the second hypothesis.

Hypothesis 2: In the aftermath of the Cold War, the relative capabilities between the government and rebel groups tended to equalize whereby the likelihood of conflict rose especially in countries with "repressive Cold War regimes."

Finally, superpower assistance, in particular foreign aid, served as a channel to influence political violence in recipient countries. Thus, the last hypothesis is:

Hypothesis 3: During the Cold War, U.S. foreign aid strengthened a government's capacity to repress, while in the post Cold War period, U.S. foreign aid heightened conflict.

The remaining sections evaluate these hypotheses. (**Referees, for greater theoretical clarity, in Appendix B I formally derive these hypotheses.**)

II. EMPIRICAL STRATEGY

Baseline specifications

Geopolitics and conflict. To gauge the differential effect of transitioning from bipolarity (Cold War) to unipolaritiy (post-Cold War) on conflict in more repressive Cold War regimes,

I estimate difference-in-difference (DID) specifications of the form:

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

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

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

Aid and conflict. Hypothesis 3 stipulates that higher amounts of aid (sent by the superpower(s)) fostered conflict in the post-Cold War period, especially in countries with more repressive Cold War regimes. To test this prediction, I estimate regressions of the form:

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

where $CONFLICT_{it}$ measures the incidence of conflict, AID_{it} is a country's receipts of U.S. bilateral economic aid and $POSTCW_t$ is an indicator variable for the post-Cold War period.[41] X_{it} is a vector of recipient characteristics, and C_i and Y_t is a vector of country and year fixed effects. In (2) above, a positive coefficient on $AID_{it} \times POSTCW_t$ (λ) implies that U.S. aid increases the likelihood of conflict in the post-Cold War period. And, given the findings related to "geopolitics and conflict", *this interaction effect should be more pronounced in countries with the most repressive Cold War regimes.* This latter effect can be evaluated in samples that stratify countries with the least and most repressive Cold War regimes.

Addressing the endogeneity of aid

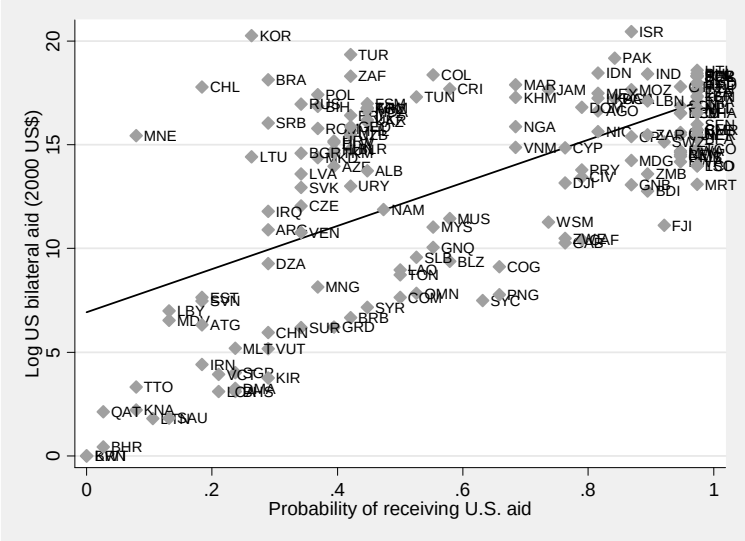
In addition to promoting economic development, donors (especially "major powers") allocate aid with the intent to influence domestic politics in recipient countries.[42] To mitigate this concern with endogeneity bias, I exploit plausibly exogenous variation on the 'supply side' of the aid allocation process to construct an instrumental variable for U.S. aid disbursements (aid data for the USSR is unavailable). This identification strategy follows the approach in several recent papers in the foreign aid literature.[43] (**See Appendix C for an expanded discussion.**)

The identification strategy is based on two features in the allocation of U.S. bilateral economic aid. First, the composition of Congress and its role in determining the U.S. economic aid budget.[44] Every year, legislators in the House of Representatives vote on the aid budget, and as a consequence their different preferences will influence the level (and types) of aid.

[41] Data on Soviet aid is unavailable.
[42] Alesina and Dollar 2000; Hoeffler and Outram 2011
[43] e.g., Nunn and Qian 2014; Ahmed and Werker 2015
[44] Lancaster 2000; Milner and Tingley 2010

Democrats, for example, tend to prefer aid targeted at fostering economic development in recipient countries, while Republicans tend to favor aid geared to promoting U.S. commercial and military interests.[45] Second, the empirical regularity that countries that receive higher amounts of U.S. aid, receive it more frequently. Nunn and Qian (2014) show that this is the case for food aid, and figure 2 shows that this relationship holds more broadly for each country's receipts of total bilateral U.S. economic aid. Building on these two insights, the instrumental variable interacts the Democratic margin in the U.S. House of Representatives ($MARGIN_t$) with the probability that a country receives U.S. aid in any given year ($\bar{P}_i$).[46]

Figure 2: Probability of receiving U.S. bilateral aid and country average U.S. bilateral aid disbursements

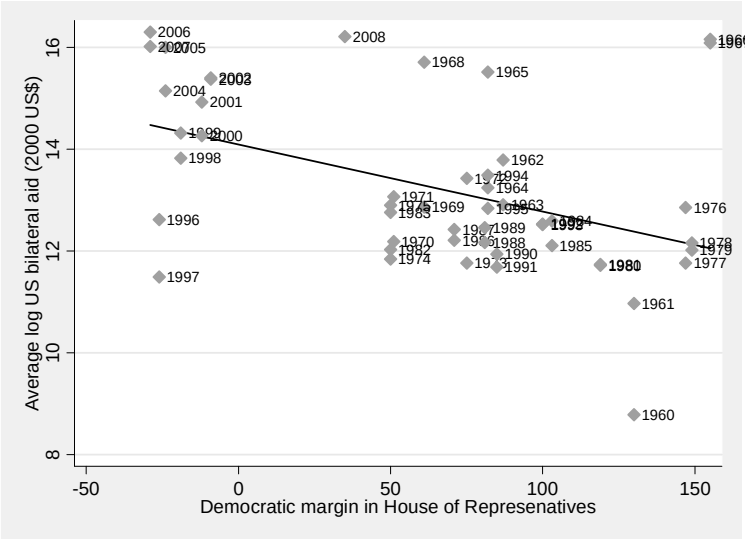


The former term, $MARGIN_t$, is equal to the annual difference in the *number* of House

[45] Fleck and Kilby 2006

[46] Using the annual difference in the number of legislators avoids using partisan or ideological based differences across legislators or political parties (e.g., DW-NOMINATE scores) that are potentially endogenous with legislator's preferences for foreign aid and economic aid more broadly.[47] $\bar{P}_i$ measures the fraction of years between 1972-2009 country i receives any U.S. aid. Specifically, $\bar{P}_i = \frac{1}{38} \sum_{t=1972}^{2009} P_i$, where P_i is equal to 1 if country i receives U.S. bilateral aid in year t.

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



Democrats and Republicans and builds on existing research that more fragmented legislatures tend to spend more due to more political conflict over spending and consequently greater logrolling behavior.[48] In the United States, Alesina and Rosenthal (1995) show that greater legislative fragmentation is associated with overall higher government spending and examining the aid budget in particular, Ahmed (2013) shows that greater fragmentation in Congress is associated with higher amounts of U.S. bilateral aid.

Figure 3 shows a robust negative relationship between $MARGIN_t$ and average annual disbursements of U.S. bilateral aid. In years in which the Democrats dominated the House of Representatives (e.g., 1970s and 1980s), legislative fragmentation was low (i.e., less contestation from House Republicans and thus a *larger* value of $MARGIN_t$) and bilateral U.S. aid disbursements tended to be lower. Following the "Republican Revolution" of 1994, there was

[48]Roubini and Sachs 1989; Alesina and Tabellini 1990. In this context, a smaller value of $MARGIN_t$ implies *greater parity* in the number of House Republicans and Democrats and thus implies greater potential legislative fragmentation (contestation).

greater parity in the number of the number of House Republicans and Democrats (i.e., corresponding to a smaller value of $MARGIN_t$). Consequently, legislative contestation surged in the 1990s (as well as in the 2000s) and with it average bilateral U.S. aid to disbursements increased.

More importantly, since $MARGIN_t$ represents a change in the composition of the U.S. House of Representatives (which occur bi-annually as a consequence of district level elections), it is a plausibly *exogenous* source of temporal variation in U.S. aid disbursements that is uncorrelated with political (and economic) conditions in U.S. aid recipients (e.g., incidence of conflict).[49] The latter term in the instrumental variable, $\bar{P}_i$, captures how temporal changes in Democratic margin ($MARGIN_t$) are propagated to U.S. aid recipients. Countries with a higher value of $\bar{P}_i$ (i.e., receive aid more frequently) are exposed to a greater aid "shock." (**See Appendix C for further discussion of the instrumental variable.**)

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

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

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

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

There are two first-stage regressions. They gauge the effect of the instrumental variable (Z_{it} = $MARGIN_t \times \bar{P}_i$) on U.S. aid receipts across all years (in equation a) and any differential effect in the post-Cold War era (in equation b). In the latter regression, the instrument is interacted with a post-Cold War era dummy ($POSTCW_t \times Z_{it}$). Both regressions control for a vector of time-varying recipient characteristics (X_{it}) and include country and year fixed

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

effects. In particular, since $\bar{P}_i$ is specific to each country (i) and time-invariant, it is absorbed by the vector of country fixed effects. The inclusion of year fixed effects subsumes the main effect associated with $MARGIN_t$. Both first stage regressions are used in estimating the effect of instrumented AID_{it} and $POSTCW_t \times AID_{it}$ on conflict in the second stage.[50]

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

Additional controls for the exclusion restriction. The validity the 2SLS estimates relies on whether the exclusion restriction is satisfied. Namely, that the instrumental variable - in particular Congressional preferences - affects political violence through U.S. economic aid and not via other channels.

Existing research suggests two potential channels through which the legislative composition of Congress might affect politics abroad: security and trade policy.[51] The general finding is that Republican legislators tend to favor aid aimed to promote U.S. security and/or commercial interests, while Democrats prefer aid to promote economic development.[52] I account for these potential channels by controlling for whether an aid recipient is a U.S. military ally, receives U.S. military aid, and its consumption (level) of U.S. exports in both the first and second stage regressions.[53]

Of course, it is plausible that the constitutive terms of the instrumental variable may affect conflict via other less direct channels. For instance, former colonies (especially, those of

[50] All three equations are estimated jointly.

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

[52] Fleck and Kilby 2006; Milner and Tingley 2010

[53] 'Development' is already accounted for with per capita GDP as a baseline control.

U.S. Cold War allies, such as the United Kingdom and France) may be of greater geopolitical interest to the United States. Moreover, the partisan relationship between the President and the House of Representatives (e.g., 'divided' versus 'unified' government) may affect aid disbursements. To account for these potential channels, I control for the interaction of a country's colonial relationship with a U.S. Cold War ally (e.g., UK, France, etc.) with the time-varying component of the instrumental variable (i.e., $MARGIN_t$) as well as the interaction of $\bar{P}_i$ with the party identification of the U.S. President. The latter interactive effect will account for whether "divided" government is "propagated" abroad.

Data

Measuring political violence. Political violence can be conceptualized along two dimensions: repression (one-sided) and conflict (two-sided).[54] The core measure of repression is the *POLITICAL RIGHTS* index created by Freedom House (2010).[55] A number of studies employ this index to measure repression as it has the largest country (around 150) and temporal (since 1972) coverage.[56] The index lies on a 7 point (1-7) scale, where higher values correspond to less freedom. For instance, according to Freedom House, an index value of 6 or 7 implies a country that is "not free."

Following a large number of existing studies[57], I identify the incidence of civil conflict using ACD/PRIO's coding of non-internationalized internal conflict.[58] Specifically, I create an indicator variable ($CONFLICT$) equal to 1 for any conflict between a government and

[54]Besley and Persson 2009. Moreover, the model in Appendix B also conceptualizes political violence this way.

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

[56]e.g., Finkel et al 2007; Ahmed 2013; Kersting and Kilby 2014

[57]E.g., Besley and Persson 2009; Lacina 2006; Kalyvas and Balcells 2010

[58]Gledistch et al 2002; Harbom et al 2008

opposition group(s) that generates at least 25 battle deaths per year; and zero otherwise. This threshold of battle deaths appropriately captures the intensity of violence between a "weak" central government and rebel groups (which Kalyvas and Balcells (2010) attribute to the emergence of symmetric non-conventional warfare in the post-Cold War period) and has been used in related studies.[59]

Independent variables. There are two key independent variables: an indicator marking the transition from the Cold War (bipolarity) to the post-Cold War (unipolarity) period, and foreign aid inflows. The indicator variable for the post-Cold War period ($POSTCW$) is equal to zero prior to 1990 and equal to 1 from 1990 onwards. The availability of reliable bilateral foreign aid data for the United States during both the Cold War and post-Cold War period serves as the principal measure of superpower aid. Unfortunately, bilateral aid data is unavailable for the Soviet Union.

Specifically, AID is the United States' net disbursement of official development assistance (ODA) or official economic aid to over 150 countries.[60] In the estimating sample, there is wide cross-national and temporal variation in U.S. bilateral aid disbursements. Some countries (e.g., Algeria, Bhutan, Maldives) receive very little U.S. aid (i.e., less than $1 million per year), while some countries receive aid exceeding $10 million per annum on average (e.g, Bangladesh, El Salvador) and a few near (or over) $1 billion annually (e.g, Egypt, Israel, Iraq after 2003).

Finally, all the regression specifications control for a parsimonious set of controls that existing studies have linked to conflict, including one year lags of log GDP per capita, GDP

[59] e.g., Nielsen et al 2011

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

per capita growth, log fuel exports and population. These variables are drawn from the World Development Indicators.[61] Data on U.S. exports and military allies are drawn from the International Monetary Fund (2012) and Gilber and Sturkes (2004), respectively. Table 1 provides summary statistics for all the variables.

Table 1: Summary statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Measures of political violence					
Incidence of conflict	3528	0.16	0.37	0.00	1.00
Political rights index	3472	4.17	2.01	1.00	7.00
Independent variables					
Log U.S. aid (2000 US$)	3528	13.43	6.57	0.00	22.64
Repression ($\overline{REP_i}$)	3528	0.45	0.40	0.00	1.00
Post Cold War ($POSTCW_t$)	3528	0.56	0.49	0.00	1.00
Post Cold War x Repression	3528	0.27	0.38	0.00	1.00
Post Cold War x Log U.S. aid (2000 U.S.)	3528	7.90	8.24	0.00	22.64
Instrumental variable					
Democratic margin ($MARGIN_t$)	3528	-50.54	57.88	-29.00	149.00
Prob. of receiving U.S. aid ($\bar{P}_i$)	3528	0.71	0.28	0.00	0.97
$MARGIN_t \times \bar{P}_i$ (Z_{it})	3528	36.65	46.98	-28.24	145.08
$PostCW_t \times Z_{it}$	3528	7.05	29.63	-28.24	97.37
Baseline recipient characteristics					
Log GDP per capita (2000 US$), 1 year lag	3528	6.90	1.26	4.13	10.77
GDP per capita growth (% annual), 1 year lag	3528	1.64	6.45	-50.00	90.10
Log population	3528	15.37	2.01	10.61	21.00
Log fuel exports (2000 US$)	3528	13.7	9.01	0.00	24.52
Additional controls: Exclusion restriction					
Log U.S. exports (2000 US$)	3528	17.87	4.23	0.00	25.41
U.S. ally	3528	0.2	0.39	0.00	1.00
Log U.S. military aid (2000 US$)	3528	9.47	6.67	0.00	23.09
$\bar{P}_i \times$ Party of President	3528	0.23	0.37	0.00	0.97
$MARGIN_t \times$ Former colony	3528	44.69	57.06	-29.00	149.00

Notes: Summary statistics based on sample in Table 3, column 2.

[61] World Bank 2010

Table 2: Geopolitics and conflict

Dependent variable:	Incidence of conflict									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Repression x Post Cold War	**0.132**	**0.167**	**0.092**	**0.137**						**0.169**
	(0.066)**	**(0.069)****	**(0.031)*****	**(0.049)*****						**(0.084)****
Conflict in previous year			0.575							
			(0.041)***							
Any conflict in past 5 years				0.298						
				(0.041)***						
Civ. Liberties x Post CW					0.132					
					(0.072)*					
Ethno-linguistic fractionalization						0.188				0.182
x Post CW						(0.148)				(0.184)
Religious fractionalization							0.142			0.017
x Post CW							(0.144)			(0.152)
Mountainous terrain (%)								0.003		0.003
x Post CW								(0.002)		(0.002)
Log GDP per capita, 1 year lag									-0.054	-0.013
x Post CW									(0.023)**	(0.033)
Recipient characteristics	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
No. observations	3619	3546	3546	3546	3546	3352	3377	3377	3377	2990
R-squared	0.51	0.51	0.67	0.57	0.51	0.49	0.49	0.49	0.5	0.51

Notes: Robust standard errors, clustered by country reported in parentheses. *, **, *** = significant at 10%, 5%, and 1% respectively. Recipient characteristics include: 1 year lag of log GDP per capita (2000 US$), 1 year lag of GDP per capita growth (% annual), log fuel exports (2000 US$), and log population. Repression is the proportion of years a country was "not free" (political rights=6,7) during the Cold War period. Civ. Liberties is the proportion of years a country was "not free" on Freedom House's "civil liberties" index. Post Cold War is a dummy equal to the year 1990 and thereafter and 0 in any year prior to 1990. Ethnic fractionalization is from Easterly and Levine (1997). Religous fractionalization and mountainous terrain (%) is from Fearon and Laitin (2003).

III. GEOPOLITICS AND CONFLICT

Geopolitics and conflict in repressive Cold War regimes

Table 2 presents the differential effect of the transition from bipolarity to unipolarity on conflict in more repressive Cold War regimes. In a specification without any time-varying country characteristics (e.g., income per capita), countries with more repressive regimes during the Cold War are 13 percentage points more likely to experience conflict in the post-Cold War era relative to countries with less repressive regimes during the Cold War (column 1). Controlling for a set of recipient characteristics (column 2) heightens this differential effect to about 17 percentage points (and becomes more statistically significant, p-value=0.017). In line with existing studies[62], countries with higher economic growth, per capita wealth, and larger populations are less likely to experience conflict, while fuel exports have no effect on conflict.[63]

Figure 4 disaggregates the interactive effect from columns 1 and 2 by plotting the interaction of Cold War repression ($\overline{REP_i}$) and a dummy variable for each year on conflict.[64] Figure 4 shows that the difference-in-difference effect increases as the Cold War wanes. In the 1980s, the effects are negative but become positive in 1990s. Substantively, the temporal dynamics in figure 4 show that countries with more repressive regimes (during the Cold War period) exhibit a higher propensity for conflict in the immediate aftermath of the Cold War.

Figure 5 examines these dynamics in a slightly different way. This figure plots the path of year effects from specifications that regress conflict on country and year dummies for samples *stratified* by their intensity of Cold War repression (this stratification approach underlies the method to evaluate the impact of aid on conflict in the next section). The dashed line plots the temporal effects from countries that tend to be less repressive during the Cold War ((i.e.,

[62]Collier and Hoeffler 1998; Miguel et al 2004

[63]To keep Table 2 less cluttered, these coefficients are not reported, but are available upon request.

[64]The specifications in figures 4 and 5 include country fixed effects; thus, the respective "year" effects gauge the within country effect on conflict.

$\overline{REP_i}$ less than the sample median of 0.33), while the solid line does so for countries with more repressive Cold War regimes (i.e., $\overline{REP_i}$ greater than the sample median). Figure 5 clearly shows that countries with more repressive Cold War regimes experienced a substantial increase in the incidence of civil conflict starting around 1988 and accelerating from 1990 through 1993. In contrast, in less repressive Cold War regimes, the temporal dynamics of conflict remained relatively stable during the 1980s and dropped in the 1990s.

Skeptics, of course, may worry that these findings are spurious, potentially due to an upward trend in the underlying propensity of conflict in the years leading up to the end of the Cold War. I account for these potential pre-trends in two ways. I include a one-year lag of conflict as an additional control variable (table 2, column 3) as well as a variable that measures whether a country experienced any conflict in the past 5 years (table 2, column 4). In both specifications, the substantive robust positive effect of $\overline{REP_i} \times POSTCW$ on conflict holds. Finally, the results are not affected by the measurement of repression using political rights. Column 5 shows that countries that with more repressive "civil liberties" during the Cold War exhibited a higher propensity for conflict after the Cold War.[65]

[65]In this specification, repression is measured using Freedom House's 7-point index of "civil liberties".

Figure 4: Disaggregating the difference-in-difference effect of Cold War repression ($\overline{REP_i}$) on conflict, 1985-1995

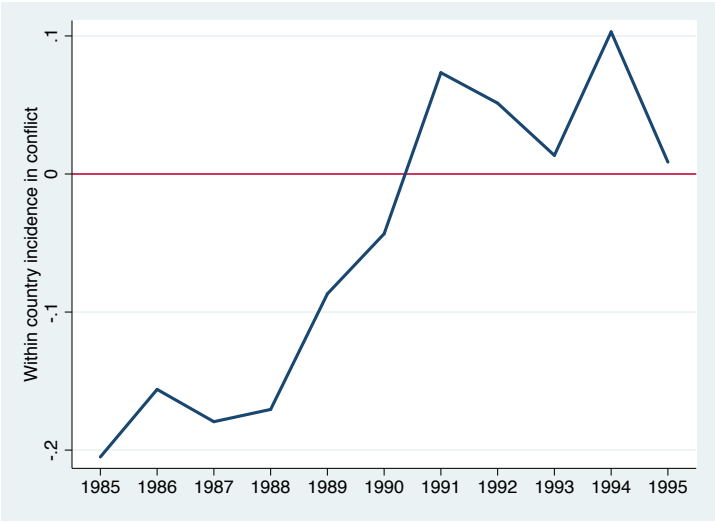
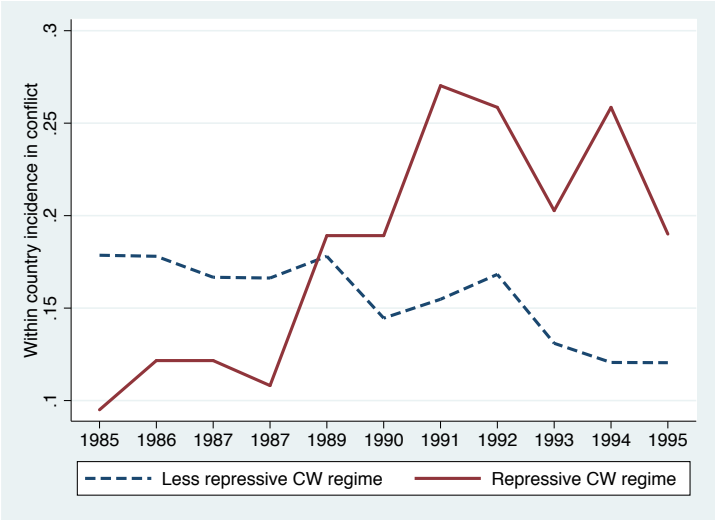


Figure 5: Incidence of conflict over time (1985-1995) across "repressive" and "less repressive Cold War regimes."



Robustness

Alternate specifications. The main finding in table 2 is robust to a variety of additional concerns. It does not hinge on the inclusion of fixed effects nor baseline controls, as the positive effect of $\overline{REP_i} \times POSTCW$ on conflict holds in specifications that vary the set of fixed effects and time-varying country characteristics. The result also holds in specifications estimated via probit and logistic regression, across alternate samples (e.g., excluding potential outliers based on population size and aid receipts), and in specifications that account for a variety of potential unobservable and time-varying effects, such as the higher propensity of conflict in Africa (relative to other regions) in the 1990s and the "regional" diffusion of democracy since the 1970s. (**Results reported in Tables D1 and D2.**)

Discounting competing explanations. It is plausible that factors correlated with "repressive regimes" (e.g, ethnic fractionalization, geography, per capita income) may be driving the results. For instance, perhaps more ethnically fragmented societies were prone to conflict after the Cold War. In specifications that interact these alternate factors with a Cold War dummy, the differential ("interactive") effects are not robust determinants of conflict (Table 2, columns 6-10).[66] Moreover, in a racehorse specification that includes the differential effects of these variables (including $\overline{REP_i}$) with a Cold War dummy, only $\overline{REP_i} \times POSTCW$ remains positive and statistically significant (column 10). This implies that a country's quality of politics during the Cold War represents a strong - if not the strongest - determinant of conflict in the post-Cold War period. These results are fully discussed and presented in Appendix D.

[66]Since geography and the measures of fractionalization are time-invariant, their main effects (from their respective interaction terms) are subsumed by the country fixed effects. The coefficient on per capita income goes in the expected direction and the coefficient estimate is statistically significant. Recall, since lag log GDP per capita is an included control variable in all the specifications, this "income effect" is controlled for in all the baseline results in table 2, as well as in the subsequent analysis that follows (Tables 3-5).

IV. AID AND CONFLICT

Aiding conflict after the Cold War

Hypothesis 3 posits that aid is a potential channel for political violence. Table 3 shows that bilateral economic assistance from the United States in the post-Cold War period fostered conflict in countries with more repressive Cold War regimes. Panels A and B present OLS and 2SLS estimates of the effect of AID and $AID \times POSTCW$ on conflict, while panel C shows the corresponding first stage regression estimates. *All* the regressions control for baseline recipient characteristics (e.g., growth, per capita income, fuel exports, population), additional factors associated with the exclusion restriction (e.g., US military aid, US exports, US ally, etc.), as well as country and year fixed effects.[67]

As a baseline comparison, column 1a shows that neither U.S. aid nor its interaction with a post-Cold War dummy exhibit a robust effect on conflict for the full sample of countries. As the findings in table 2 suggest, however, these null findings are likely to mask the role a country's level (intensity) of repression during the Cold War played in influencing the country's likelihood of subsequently experiencing conflict in the post-Cold War period. To evaluate this further, I estimate split sample regressions, stratifying by a country's average level (intensity) of repression during the Cold War.[68]

Column 2 reports the effect of AID and $AID \times POSTCW$ on conflict for a sample of countries that tended to be less repressive during the Cold War (i.e., $\overline{REP_i}$ less than the sample median of 0.33), while column 3 does so for a sample of countries with more repressive regimes (i.e., $\overline{REP_i}$ greater than the sample median). In countries with "less repressive Cold War regimes", aid and its interaction with $POSTCW$ tends to have no meaningful effect on conflict. In both the OLS and 2SLS specifications (columns 2a and 2b respectively) the

[67] To keep Table 3 less cluttered, these coefficients are not reported but are available upon request.

[68] Rather than estimating a triple interaction effect (i.e., $\overline{REP_i} \times AID_{it} \times POSTCW_t$ which is different interpret (see Brambor et al 2006), the "split sample" is more transparent and easier to interpret.

coefficient estimate for $AID \times POSTCW$ is practically zero.

Table 3: The impact of U.S. aid on conflict

Type of Cold War regime	**All**		**Less repressive**		**Repressive**	
			Panel A: OLS			
	(1a)		(2a)		(3a)	
Dependent variable:			Incidence of conflict			
Log U.S. aid	-0.001		0.001		-0.004	
	(0.003)		(0.004)		(0.005)	
Post CW x Log US aid	0.004		0.001		**0.008**	
	(0.003)		(0.004)		**(0.004)****	
No. observations	3528		1588		1931	
R-squared	0.51		0.6		0.44	
			Panel B: 2SLS			
Dependent variable:			Incidence of conflict			
	(1b)		(2b)		(3b)	
Instrumented variables						
Log U.S. aid	0.003		0.02		-0.010	
	(0.009)		(0.012)		(0.018)	
Post CW x Log US aid	0.007		-0.002		**0.012**	
	(0.004)*		(0.008)		**(0.006)****	
No. observations	3528		1588		1931	
R-squared	0.51		0.57		0.43	
			Panel C: First stage regression			
Dependent variable:	Log US aid	Post CW x Log US aid	Log US aid	Post CW x Log US aid	Log US aid	Post CW x Log US aid
	(1c)	(1c')	(2c)	(2c')	(3c)	(3c')
$MARGIN_t \times P_i$	**0.059**	-0.101	**0.066**	-0.086	**0.064**	-0.116
	(0.014)***	(0.008)***	**(0.016)*****	(0.012)***	**(0.023)*****	(0.016)***
$PostCW \times MARGIN_t \times P_i$	0.006	**0.167**	0.011	**0.162**	-0.019	**0.169**
	(0.015)	**(0.012)*****	(0.020)	**(0.019)*****	(0.024)	**(0.016)*****
No. observations	3528	3528	1588	1588	1931	1931
R-squared	0.67	0.89	0.7	0.88	0.66	0.9
F-statistic on excl. instruments						
$MARGIN_t \times P_i$	16.54 (p-value=0.000)		10.88 (p-value=0.001)		9.46 (p-value=0.002)	
$PostCW \times MARGIN_t \times P_i$	121.01 (p-value=0.000)		61.36 (p-value=0.000)		65.48 (p-value=0.000)	
Inst. + $PostCW \times Inst$ =0	26.62	26.71	13.41	12.46	13.43	16.97
... P-value	0.000	0.000	0.0006	0.0008	0.0005	0.0001
			Controls across all panels			
Baseline recipient characteristics		Y		Y		Y
Add'l controls: Excl. restriction		Y		Y		Y
Country and year fixed effects		Y		Y		Y
No. observations		3528		1588		1931
No. countries		127		58		69

Notes: Robust standard errors, clustered by country reported in parentheses. *, **, *** = significant at 10%, 5%, and 1% respectively. Log U.S. aid measured in 2000 US$. Baseline recipient characteristics include: 1 year lag of log GDP per capita (2000 US$), 1 year lag of GDP per capita growth (% annual), log fuel exports (2000 US$), and log population. Additional controls include: political rights index (Freedom House), log US military aid (2000 US$), log US exports (2000 US$), US ally, P_i x Party of the sitting President, $MARGIN_t \times$ Former colony. These coefficients, country and year fixed effects, and a constant

are not reported. In column 3, countries that were "not free" more than (or equal to) 33 percent of the time during the Cold War period (pre-1990) are classified as "repressive Cold War regimes"; those with less (than 33 percent) are "least repressive Cold War regime" (column 2).

In contrast in countries that tended to be more repressive during the Cold War, columns 3a and 3b show that U.S. aid received in the post-Cold War period raises the relatively likelihood of conflict. This statistically significant effect in 3b implies that for the "typical" country in this sample, implies that a one standard deviation increase in U.S. aid raises the relative likelihood of conflict by 10 percent (in the post Cold War period). This effect is larger than the effects associated with a one standard deviation increase in the baseline recipient characteristics (e.g., log GDP per capita) on conflict. The 2SLS estimate of $AID \times POSTCW$ (column 3b) is slighter larger than the corresponding OLS estimate (column 3a), suggesting that the instrumental variable adjusts for attenuation bias in the underlying relationship between aid and conflict.[69]

Turning to the first state regressions (panel C), the coefficient estimates are informative. In predicting each country's receipts of U.S. aid during the Cold War *and* post Cold War periods (columns 1c, 2c, 3c), the instrumental variable is positive (coefficients range from 0.059 to 0.066) and statistically significant, while the interaction of the instrumental variable with the post Cold War is not a strong predictor. However, when predicting the "differential" effect of aid received in the post Cold War period (columns 1c', 2c', and 3c') the interacted instrumental variable (i.e., $(MARGIN_t \times \bar{P}_i) \times POSTCW$) exhibits a positive and highly statistically significant effect (coefficients around 0.16, p-values=0.000) on $POSTCW_t \times AID_{it}$. Finally, across all the 2SLS models, the instruments are "strong" since their associated F-statistics exceed the threshold for weak instruments of 9.7 (Stock et al 2002).

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

Alternate samples, specifications, and instrumental variables. The main finding that U.S. aid increases the relative likelihood of conflict in the post Cold War period in "repressive Cold War regimes" is robust to alternate specifications and samples. These include models that account for regional trends; utilize a probit or logit estimator; and expand and contract the range (sample) of repressive Cold War regimes. (**Results reported in Table D3.)** The results are also robust in specifications that instrument for U.S. aid using the Democratic margin in the U.S. Senate as well as several *time-varying* measures of $\bar{P}_i$. (**These results are discussed in Appendix D4**.)

Additional results. In Appendix D, I provide additional evidence in support of hypothesis 3, in particular of the effect of U.S. aid *during* the Cold War. I show that U.S. aid heightened the propensity for regimes to repress their populations. Finally, the greater coordination of donor aid after the Cold War[70] suggests that aid from other donors may also heighten conflict in the most repressive Cold War regimes. (**This seems to be the case as I document in Appendix D4.**)

V. CONCLUSION

In many countries, the period surrounding the end of the Cold War was the bloodiest in their national histories. In explaining this uptick in political violence, however, several prominent studies have de-emphasized the significance of the Cold War.[71] This paper casts doubts on those claims. First, using a difference-in-differences strategy I demonstrate that the incidence of conflict rose in the post Cold War period in countries that were repressive during the Cold War. Building on this insight, I show that U.S. foreign aid increased the relative likelihood of conflict in these "repressive Cold War regimes" after the Cold War. Thus, this paper

[70] Frot and Santiso 2009

[71] e.g., Collier and Hoeffler 2002; Fearon and Laitin 2003

connects geopolitics, foreign aid, and political institutions to the spike in conflict after the Cold War.

The role of political institutions is particularly important to understand when and why geopolitics and aid incite conflict. Only in "repressive Cold War regimes" does the 'interaction' of geopolitics and aid exacerbate conflict. In "less repressive Cold War regimes" this is not the case. This insight helps explain the gradual decline in conflict (as evident in figure 1) in the late 1990s. This reduction in political violence, in part reflects the general decline in authoritarianism worldwide, as well as the the cessation of conflicts and transitions to less repressive forms of governance (that were "encouraged" by the United States and its allies and not opposed by the defunct Soviet Union).[72] Consistent with the paper's argument this improvement in the quality of democratic governance reduced the likelihood of rebellion against the state.[73] Thus, given the expansion and consolidation of democratic governance since the Cold War, it is *less* likely that *future* transitions in great power politics (e.g., possible "intensification" of a Sino-American rivalry) will affect political violence in other countries.

[72]On the former, for example, the typical aid recipient had a POLITY score of -1.2 in 1990. By 2000, this had risen to 1.7 (and an increase in POLITY implies a movement towards greater democracy). On the latter, of the 43 countries that experienced any conflict between 1990 and 1994, only 14 countries (or 33 percent) did so in 2000. In the 27 countries where conflict ceased, the quality of political rights had improved, from a median POLITY score of 1 between 1990-1994 to 4 in 2000.

[73]Such an explanation also accounts for why conflict in regions (e.g., Latin America, Southeast Asia) declined after the Cold War; a fact recognized by existing scholars (e.g., Kalyvas and Balcells 2010, 418). In both Latin America and Southeast Asia, as part of the "Third Wave" of democratization many countries experienced or were experiencing movements towards greater political liberalization as the Cold War winded down. As a consequence, the capacity to resolve disputes through more democratic means reduced the incentive of the government and rival groups to resort to violence in the post Cold War period.

BIBLIOGRAPHY

Ahmed, Faisal Z. 2013. "Aiding Repression: The impact of U.S. economic aid on political rights", Mimeo.

Ahmed, Faisal Z. and Eric Werker 2015. "Aid and the Rise and Fall of Conflict in the Muslim World", *Quarterly Journal of Political Science*, 10(2): 155-186.

Alesina, Alberto and David Dollar. 2000. "Who gives aid to whom and why?" *Journal of Economic Growth*, 5 (1): 33-63.

Alesina, Alberto and Howard Rosenthal. 1995. *Partisan Politics, Divided Government and the Economy*, New York, NY: Cambridge University Press.

Alesina, Alberto and Guido Tabellini. 1990. "A Positive Theory of Fiscal Deficits and Government Debt", *Review of Economic Studies*, 57(July): 403-414.

Angrist, Joshua D. and Alan B. Krueger. 1999. "Empirical Strategies in Labor Economics", In *Handbook of Labor Economics*, ed. Orley Ashenfelter and David Card. 1277-1366. Elsevier.

Bearce, David H. and Daniel C. Tirone. 2010. "Foreign Aid Effectiveness and the Strategic Goals of Donor Governments", *Journal of Politics*, 72(3): 837-851.

Berger, Daniel, William Easterly, Nathan Nunn, and Shanker Satyanath. 2013. "Commercial Imperialism? Political Influence and Trade During the Cold War", *American Economic Review*, 103(2): 863-896.

Bermeo, Sarah B. 2011. "Foreign aid and regime change: A role for donor intent", *World Development*, 39(11): 2021-2031.

Besley, Timothy J. and Torsten Persson. 2011. "The Logic of Political Violence", *Quarterly Journal of Economics*, 126: 1411-1445.

Besley Timothy J. and Torsten Persson. 2009. "Repression or Civil War?", *American Economic Review: Papers and Proceedings*, 99(2): 292-297.

Besley, Timothy J. and Torsten Persson. 2010. "State capacity, conflict, and development", *Econometrica*, 78: 1-34.

Blattman, Christopher and Edward Miguel. 2010. "Civil War", *Journal of Economic Literature*, 48(1): 3-57.

Brambor, Thomas, William Clark, and Matt Golder. 2006. "Understanding Interaction Models: Improving Empirical Analyses", *Political Analysis*, 14(1): 63-82.

Bueno de Mesquita, Bruce and Alastair Smith. 2010. "Leader Survival, Revolutions, and the Nature of Government Finance", *American Journal of Political Science*, 54(4): 936-950.

Campbell, James E. and Joe A. Sumners. 1990. "Presidential Coattails in Senate Elections", *American Political Science Review*, 84(2): 513-524.

Collier, Paul and Anke Hoeffler. 1998. "On Economic Causes of Civil War", *Oxford Economic Papers*, 50(4): 563-573.

Collier, Paul and Anke Hoeffler. 2002. "Aid, Policy, and Peace: Reducing the risks of civil conflict", *Defense and Peace Economics*, 13(6): 435-450.

Collier, Paul, V.L. Elliot, Havard Hegre, Anke Hoeffler, Marta Reynal-Querol, and Nicholas Sambanis. 2003. *Breaking the Conflict Trap: Civil War and Development Policy*, Washington, DC: World Bank and Oxford University Press.

Dunning, Thad. 2004. "Conditioning the Effects of Aid: Cold War Politics, Donor Credibility, and Democracy in Africa", *International Organization*, 58(Spring): 409423.

Easterly, William, Shanker Satyanath, and Daniel Berger. 2008. "Superpower Interventions and their consequences for democracy: An empirical inquiry", NBER Working Paper 13992

Esteban, Joan, Laura Mayoral, and Debraj Ray. 2012. "Ethnicity and Conflict: An Empirical Study", *American Economic Review*, 102(4): 1310-1342.

Fearon, James and David Laitin. 2003. "Ethnicity, Insurgency, and Civil War", *American Political Science Review*, 97(1): 75-86.

Finkel, Steven E., Anibal Perez-Linan, and Mitchell A. Seligson. 2007. "The Effects of U.S. Foreign Assistance on Democracy Building, 1990-2003", *World Politics*, 59(3): 404-438.

Fiorina, Morris P. 1978. "Economic Retrospective Voting in American National Elections: A Micro-Analysis", *American Journal of Political Science*, 22(2): 426-443.

Fleck, Robert K. and Christopher Kilby. 2006. "How Do Political Changes Influence U.S. bilateral Aid Allocations?: Evidence from Panel Data", *Review of Development Economics*, 10(2): 210-223.

Freedom House. 2010. "Freedom in the World Comparative and Historical Data", Available: http://www.freedomhouse.org/report-types/freedom-world

Friedman, Milton. 1958. "Foreign Economic Aid: Means an Objectives", *Yale Review*, 47(4): 500-516.

Frot, Emanuel and Javier Santiso. 2009. "Herding in Aid Allocation", OECD Working Paper No. 279

Gaddis, Lewis. 1997. *We Know Now: Rethinking Cold War History.* Oxford: Clarendon.

Gibler, Douglas M. and Meredith Sarkes. 2004. "Measuring Alliances: The Correlates of War, Formal Interstate Alliance Data Set, 1816-2000" (updated through 2009), *Journal of Peace Research*, 41(2): 211-222.

Gleditsch, Nils Petter, Peter Wallensteen, Mikael Eriksson, Margareta Sollenberg, and Havard Strand. 2002. "Armed Conflict 1946-2001: A New Dataset", *Journal of Peace Research*, 39(5): 615-637.

Goldstone, Jack A., Roberts H. Bates, David L. Epstein, Ted Robert Gurr, Michael Lustik, Monty G. Marshall, Jay Ulfelder, and Mark Woodward. 2010. "A Global Model for Forecasting Political Instability", *American Journal of Political Science*, 54(1): 190-208.

Hale, William and Eberhard Kienle. 1997. "Introduction." In After the Cold War: Security and Democracy in Africa and Asia, eds. William Hale and Eberhard Kienle. London: I.B. Tauris, 1-12.

Harbom, Lotta, Eric Melander and Peter Wallensteen. 2008. "Dyadic Dimensions of Armed Conflict, 1946-2008", *Journal of Peace Research*, 45(5): 697-710.

Herbst, Jeffrey. 2004. "African Militaries and Rebellion: The Political Economy of Threat and Combat Effectiveness." *Journal of Peace Research*, 41(3): 357-69.

Hironaka, Ann. 2005. *Neverending Wars: The International Community, Weak States, and the Perpetuation of Civil War*, Cambridge, MA: Harvard University Press.

Hoeffler, Anke and Verity Outram. 2011. "Need, Merit or Self-Interest - What Determines the Allocation of Aid?", *Review of Development Economics*, 15(2): 237-250

International Monetary Fund (IMF). 2012. *Direction of Trade Statistics*, Washington DC: IMF.

Kaldor, Mary. 1999. *New and Old Wars: Organized Violence in a Global Era.* Cambridge: POLITY.

Kalyvas, Stathis and Laia Balcells. 2010. "International System and Technologies of Rebellion: How the End of the Cold War Shaped Internal Conflict", *American Political Science Review*, 104(3): 415-429.

Kanet, Roger E. 2006. "The Superpower Quest for Empire: The Cold War and Soviet Support for 'Wars of National Liberation'" *Cold War History*, 6(3): 331-352

Kaplan, Robert D. 1994. "The Coming Anarchy: How Scarcity, Crime, Overpopulation, and Disease Are Rapidly Destroying the Social Fabric of Our Planet." *Atlantic Monthly*, 273(2): 44-76.

Kersting, Erasmus and Christopher Kilby. 2014. "Aid and democracy redux", *European Economic Review*, 67: 125-143

Lacina, Bethany. 2006. "Explaining the Severity of Civil Wars", *Journal of Conflict Resolution*, 50(2): 276-289.

Lancaster, Carol. 2000. *Transforming Foreign Aid: United States Assistance in the 21st Century*, Washington D.C. : Peterson Institute.

Levitt, Steven D. and James M. Synder. 1997. "The Impact of Federal Spending on House Election Outcomes", *The Journal of Political Economy*, 105(1): 30-53.

Milner, Helen V. and Dustin H. Tingley. 2010. "The Political Economy of US Foreign Aid: American Legislators and the Domestic Politics of Aid", *Economics and Politics*, 22(2): 200-232.

Nielsen, Richard, Michael Findlay, Zach Davis, Tara Candland, and Daniel Nielsen. 2011. "Foreign Aid Shocks as a Cause of Violent Armed Conflict", *American Journal of Political Science*, 55(2): 219-232.

Nunn, Nathan and Nancy Qian. 2014. "Aiding Conflict: The impact of U.S. Food Aid on Civil War", *American Economic Review*, 104(6): 630-66.

Mearsheimer, John J. 1990. "Back to the Future: Instability in Europe after the Cold War", *International Security*, 15(1): 5-56.

Miguel, Edward, Shanker Satyanath, and Ernest Sergenti. 2004. "Economic Shocks and Civil Conflict: An Instrumental Variables Approach", *Journal of Political Economy*, 112(4): 725-53.

Monteiro, Nuno P. 2011. "Unrest Assured: Why Unipolarity Is Not Peaceful", *International Security*, 36(3): 9-40.

Powell, Robert. 2007. "Allocating Defensive Resources with Private Information About Vulnerability." *American Political Science Review*, 101(4): 799-809.

Reno, William. 1999. *Warlord Politics and African States.* Boulder, CO: Lynne Rienner.

Ross, Michael. 2006. "A Closer Look at Oil, Diamonds, and Civil War." *Annual Review of Political Science*, 9: 265-300.

Roubini, Nouriel and Jeffrey Sachs. 1989. "Political and Economic Determinants of Budget Deficits in the Industrial Economies", *European Economic Review*, 33: 903-938.

Sambanis, Nicholas. 2004. "What is Civil War?", *Journal of Conflict Resolution*, 48(6): 814-858.

Savun, Burcu and Daniel C. Tirone. 2012. "Exogenous Shocks, Foreign Aid, and Civil War", *International Organization*, 66(Summer): 363-393.

Stein, Arthur A. and Steven E. Lobell. 1997. "Geostructuralism and International Politics: The End of the Cold War and the Regionalization of International Security." In *Regional Orders: Building Security in a New World*, eds. David A. Lake and Patrick M. Morgan. University Park: Pennsylvania State University Press, 101-122.

Stock, James. H., Jonathan H. Wright and Motohiro Yogo. 2002. "A Survey of Weak Instruments and Weak Identification in Generalized Method of Moments", *Journal of Business and Economic Statistics*, 20(4), 518-529.

Tufte, Edward R. 1975. "Determinants of the Outcomes of Midterm Congressional Elections", *American Political Science Review*, 69(3): 812-826.

Wallensteen, Peter and Karin Axell. 1993. "Armed Conflict at the End of the Cold War, 1989-92", *Journal of Peace Research*, 30(3): 331-346.

Waltz, Kenneth N. 1979. *Theory of International Politics*, New York: McGraw Hill.

Wohlforth, William C. 1999. "The Stability of a Unipolar World", *International Security*, 24(1): 5-41.

World Bank. 2010. *World Development Indicators, 2010.* Washington D.C.

SUPPLEMENTAL APPENDICES: NOT FOR PRINT PUBLICATION

Appendix A: Political violence in Angola

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

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

The conflict had two main domestic actors: the incumbent, People's Movement for the Liberation of Angola (MPLA) and an opposition, National Union for the Total Independence of Angola (UNITA). Due primarily to its geopolitical rivalry, the Soviet Union and the United States (and their respective allies) supported opposing sides (e.g., Ciment 1997, 134; Spikes 1993, 228; Isaacson 1992, 682). The Soviets (and Cuba) aided the MPLA, while the United States (China, South Africa, and Zaire) backed UNITA. In addition to receiving external assistance (e.g., arms, military training etc.) from their respective patrons, each side also had access to non-tax domestic revenues. The incumbent (MPLA) funnelled around 70 percent of the state's oil and gas revenue to fight UNITA (Ciment 1997, 130). Since it controlled the diamond region, UNITA in contrast sold diamonds to fund its military operations, especially during the intensification of conflict in the 1990s (Guimaraes 2001, 19; Hodges 2001).

During the 1980s, the conflict reached a relative stalemate with each side inflicting retaliatory strikes with often escalating levels of violence (Ciment 1997, 13). Yet as the Cold

War wound down the prospects for a cessation in violence seemed possible, as both United States and, in particular, the Soviet Union increasingly worked together to reduce hostilities in Angola (e.g., Cohen 2000, 105-110). Moreover, in the United States there was renewed bi-partisan and Presidential diplomatic and financial support for UNITA (e.g., Windrich 1992, 50; Cohen 2000, 89). In the latter half of the 1980s, the United States channelled tens of millions of dollars annually to UNITA (Ciment 1997, 97).

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

Two factors seemingly influenced the founder and leader of UNITA, Jonas Savimbi, to resume the group's warfare with the government: the United States' tacit approval of such violence and unearned (non-tax) revenues generated from diamonds. On the former, despite the United States' public admonishment of UNITA's violence, neither the Bush nor Clinton administration actively opposed Savimbi's ambitions (e.g., Brittain 1994, 50-53; Economist 1993). Ciment (1997, 167) for example, states: "Bush's continuing support of Savimbi, as well as his administration's unwillingness to afford recognition to Luanda, even after the MPLA agreed to democratic elections and negotiated peace settlement with UNITA, contributed to Savimbi's decision to return after this electoral defeat in 1992."

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

In comprehending the dynamics of the Angolan civil war, it is clear that external intervention from the superpowers (and their respective allies) contributed to the hostilities between the MPLA and UNITA. The "second" episode of civil conflict, in particular, fit the dynamics of the model for the post-Cold War period. First, the demise of the Soviet

Union and its incapacity to help its client weakened the state (MPLA) in the aftermath of the Cold War. Second, the resumption (and intensification of violence) by UNITA in 1992 stemmed from its tacit approval from its patron (the United States) and the group's access to unearned income in the form of stored aid and weapons from the United States in the late 1980s and revenues from diamonds between 1992 and 2002.

Bibliography for case study

Brittain, Victoria. 1994. "Angolan Democracy: The International Betrayal", *Southern Africa Report*, January.

Ciment, James. 1997. *Angola and Mozambique: Postcolonial wars in Southern Africa*, New York: Facts on File.

Cohen, Herman J. 2000. *Intervening in Africa: Superpower Peacemaking in a Troubled Continent*, London: MacMillan Press.

Guimaraes, Fernando A. 2001. *The Origins of the Angolan Civil War: Foreign Intervention and Domestic Political Conflict*, London: MacMillan Press.

Hodges, Tony. 2001. *Angola from Afro-Stalinism to Petro-Diamond Capitalism*, Bloomington: Indiana University Press.

Lacina, Bethany and Nils Peter Gleditsch. 2005. "Monitoring Trends in Global Combat: A New Dataset of Battle Deaths", *European Journal of Population*, 21: 145- 166.

Le Billon, Philippe. 2000. "Political Economy of Resource Wars? in *Angola?s War Economy ? The Role of Oil and Diamonds*, Ed. Cillers, J and C. Dietrick, Institute for Security Studies.

Windrich, Elaine. 1992. *The Cold War Guerilla: Jonas Savimbi, the U.S. Media, and the Angolan War*, New York: Greenwood Press.

Appendix B: Model

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

A. Setup

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

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

The innovation in this model from Besley and Persson (2009) is the parameter $\Gamma = \frac{1}{n}$, where n measures the number of superpowers the *government* can potentially appeal to for external support. For instance, during the Cold War many countries "played" each superpower off the other. Somalia for instance, received foreign assistance from the Soviet Union in the 1960s and "switched sides" in the 1970s and started receiving aid from the United States. As a consequence, during the Cold War (with two superpowers), Γ=$\frac{1}{2}$. In contrast, in the post-Cold War period a government could only seek support from one remaining superpower, the United States; thus, Γ=1. This means a transition to unipolarity hurts governments and *raises* the opposition's probability of winning in a conflict. I assume that $\frac{A^I}{\mu} \leq \frac{1}{2} \leq (1 - \frac{A^O}{1})$, which holds for large enough μ.[74]

The winning group has access to a fixed amount of unearned government revenue, R, such as income from natural resource rents and/or foreign aid receipts. The winner is constrained by institutions (θ) in distributing this "prize." The incumbent keeps (1-θ)R while the opposition receives θR where $\theta \in [0, \frac{1}{2}]$. With θ=$\frac{1}{2}$, there is full sharing with each group receiving

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

its per capita share of revenue, while θ=0 means that institutional constraints are entirely absent (and the opposition therefore receives no revenue from the government). In this regard, a higher value of θ represents "better" or more democratic institutions. It is worth noting that θ could also be interpreted as a measure of ethnic, religious, and/or linguistic fractionalization that often shapes the incumbent group's provision of state resource.[75]

In this simple economy, each citizen supplies a unit of labor to a market and earns a real wage of w. The incumbent army is financed by a labor tax on all citizens so that each group only bears half the cost. In contrast, the opposition's army is financed exclusively by members of the opposition, which thus incurs the full per capita cost.[76]

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

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

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

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

The expected per capita payoff for the opposition group is:

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

B. Equilibrium

I identify three possible sub-game perfect Nash equilibria in the sequential game where the opposition moves first. They are "peace", "repression", and "conflict". Specifically:

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

[76]Given the incumbent's control of the government, this is a natural asymmetry.

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

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

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

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

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

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

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

Civil conflict: Under civil conflict, both the incumbent and opposition groups employ their

armies (i.e., two-sided political violence). Specifically, $\delta^I = A^I$ and $\delta^O = A^O$, which occurs if $\mu < \frac{R\Gamma(1-\theta)}{w}$.

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

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

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

C. Interpretation and empirical implications

A crucial determinant of these equilibria is the value of $\frac{R\Gamma(1-\theta)}{w}$, which is the ratio of the prize captured by the winner and the real wage. A higher value of this ratio implies a higher form (intensity) of political violence. For instance, higher wages (w) raise the opportunity of conflict, and thus lower the likelihood of violence.[77] In contrast, higher levels of foreign aid (R) raise the odds of more intense violence. For instance, aid can strengthen a state's capacity making repression more likely and in the process increase the value of the "prize" so as to incentivize predation and armed insurgency by opposition groups. For more inclusive or democratic political institutions (i.e., θ closer to $\frac{1}{2}$), the outcome will be more peaceful, while more middling values (all else equal) fosters repression. And less-inclusive institutions (i.e., θ closer to zero) are more likely to engender two-sided violence. Finally, moving from bipolarity ($\Gamma = \frac{1}{2}$) to unipolarity (Γ=1) raises the prospects of conflict because it reduces the number of superpowers the central government can appeal to for external support and increases the odds of a successful rebel insurgency.

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

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

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

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

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

These predictions underlie hypothesis 1, 2, and 3 in the paper.

Appendix C: Instrumental variable

A. Logic of the identification strategy

As noted in the main text, the instrumental variable interacts a plausibly exogenous term ($MARGIN_t$) with a potentially endogenous term (P_i). The instrumental variable can be interpreted as since the first stage and second stage regressions control for main effect of the endogenous variable (for a more technical discussion, see section 2.3.4 in Angrist and Krueger 1999).

Constructing an instrumental variable for aid in this fashion underlies the identification strategy of several prominent articles in the foreign aid literature. For example, in their study of the impact of food aid on civil conflict, Nunn and Qian (2014) interact plausibly exogenous variation in annual U.S. weather conditions with the probability a country receives U.S. food in any particular year as an instrumental variable for U.S. food aid allocations. The latter term in their instrumental variable (probability of receiving U.S. food aid) is country-specific, time-invariant and is identical to the construction of P_i employed in this article.

A similar construction for an instrumental variable underlies Ahmed and Werker's (2015) analysis of the effect of aid on conflict. They interact plausibly exogenous variation in world prices with a dummy variable for whether a country is Muslim as an instrumental variable for aid received in Muslim-majority countries. In their formulation, the "Muslim dummy" in the instrument is potentially endogenous with poor economic performance, but this potentially endogenous component is controlled for in their specifications with country fixed effects (since the Muslim dummy is country-specific and time invariant). Indeed, similar to the baseline specifications employed in this article, Nunn and Qian (2014) and Ahmed and Werker (2015) control for the potentially endogenous component of their instrumental variables with country fixed effects (since the endogenous component is country-specific and time-invariant).

Among the exhaustive robustness checks, the results in this article also hold in specifications that do not include fixed effects, but do include the relevant constituent terms of the instrumental variable. The 2SLS aid on conflict results also hold in specifications with time-varying measures of P. These results are presented in Appendix D.

B. Expanded discussion of the instrumental variable

Legislative fragmentation and U.S. aid disbursements. The U.S. allocates varying amounts (and types) of bilateral economic aid to recipient countries over time. A large component of this allocative process is influenced by U.S. domestic politics. The majority of U.S. foreign assistance is contained in the international affairs budget requested and allocated through the State, Foreign Operations, and Related Agencies appropriations bill in the U.S. Congress.[78] The legislative branch plays a critical role in U.S. foreign assistance, possessing the power both to authorize policy and appropriate funds. In response to the President's budget submission (by February 2nd every year), the House and Senate Budget committees are the first to act, setting funding ceilings for various parts of the budget and guiding the work of both authorizing and appropriations committees.[79] Each year, 11-12 appropriations bills, including the State, Foreign Operations, and Related Agencies bill, make their way through a long deliberative process in both the House and the Senate. The appropriations committees, in coordination with the authorizing committees, determine and allocate federal spending each year, including foreign aid. Frequently, the resulting appropriations bills and accompanying reports include numerous detailed directives on how funds should be spent by country and account (Lancaster 2000).

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

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

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

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

The existence of these partisan differences over aid allocation suggests that the legislative composition of Congress (and the sub-committees that reflect this composition) influence aid disbursements. In particular, existing theories and empirical evidence suggests that a more fragmented legislature contributes to higher government spending (Roubini and Sachs 1989; Alesina and Tabellini 1990), including foreign aid appropriations (Ahmed 2013). The theoretical explanations stem from the well established proposition that higher levels of aggregate political conflict (e.g., stemming from greater ideological/partisan differences in legislatures) will result in equilibrium fiscal outcomes that favor greater spending since politicians will exhibit a greater proclivity in providing voters with program benefits (Alesina and Tabellini 1990; Roubini and Sachs 1989). Moreover, greater heterogeneity in partisan preferences over fiscal policy is likely to require legislative logrolling, thus contributing to higher overall spending to accommodate different spending initiatives and to better ensure the bill's passage in Congress. A number of studies confirm this legislative fragmentation-spending relationship, both cross-nationally (Roubini and Sachs 1989; Alesina and Tabellini 1990) and, in particular for presidential systems, such as the United States (Alesina and Rosenthal 1995).

With respect to U.S. bilateral foreign aid disbursements, such a relationship is apparent in the legislative composition of the US House of Representatives. As figure 3 (in the main text) depicts a robust negative correlation between average U.S. aid disbursements to recipients and the Democratic margin (i.e., difference between the number of House Democrats and Republicans) in the U.S. House of Representatives from 1972-2009. A larger Democratic margin implies less legislative contestation (i.e., less fragmentation) and smaller overall bilateral aid disbursements (in general). This logic is consistent with the consistent with the negative relationship depicted in figure 3. Finally, it is worth observing that this relatively simple variable ($MARGIN_t$) avoids using explicit measures of partisanship or ideology (e.g., DW-NOMINATE) which are potentially endogenous with actual preferences for foreign aid.[80]

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

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

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

Aid frequency. The sensitivity of any particular country's receipts of aid to $MARGIN_t$ will be affected by probability that particular country actually receives U.S. aid in any given year. In fact, a striking feature of U.S. aid disbursements is that countries that receive U.S. aid more often tend to receive higher amounts of aid. Figure 2 in the main text plots a country's average receipts of U.S. aid (over the period 1972-2008) against the country's annual probability of receiving any U.S. aid, ($\bar{P}_i$). For instance, Nigeria has a 68 probability of receiving U.S. aid in any given year, with aid disbursements averaging to $31.3 million per annum. In contrast, Algeria receives U.S. a substantially lower amount of aid ($41803 on average per annum) about once every three years. The cross-sectional relationship in figure 2 is analogous to Nunn and Qian's (2014) observation that U.S. bilateral food aid is higher for countries that receive food aid more frequently from the United States.

Thus, I use these two sources of variation ($MARGIN_t$, $\bar{P}_i$) as the basis for the instrumental variable analysis in the main text.

Appendix D: Additional results

A. Geopolitics and conflict - Robustness

Table D1 shows that the key finding in Table 2 is robust to alternate specifications. Columns 1-6 vary the set of recipient characteristics and fixed effects that are included as controls. Column 5, for example, does not include any recipient characteristics or fixed effects. Moreover, this key finding holds in specifications estimated via probit and logistic regression (columns 7-10).

Table D1. Geopolitics and conflict - Alternate specifications and estimators

Dependent variable:	Incidence of conflict									
	Vary fixed effects						**Alternate estimators**			
Method of estimation:	OLS	OLS	OLS	OLS	OLS	OLS	Probit	Probit	Logit	Logit
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Repression	0.128	0.144	0.139	0.113	0.137	0.112	1.164	1.545	2.323	3.098
x Post CW	(0.065)*	(0.066)**	(0.061)**	(0.061)*	(0.061)**	(0.061)*	(0.557)**	(0.599)**	(1.031)**	(1.105)***
Recipient characteristics	N	Y	N	Y	N	Y	N	Y	N	Y
Country fixed effects	Y	Y	**N**	**N**	**N**	**N**	Y	Y	Y	Y
Year fixed effects	**N**	**N**	Y	Y	**N**	**N**	Y	Y	Y	Y
No. observations	3619	3546	3619	3546	3619	3546	1847	1828	1847	1828
R-squared	0.5	0.5	0.02	0.15	0.01	0.14	0.34	0.35	0.35	0.36

Notes: Robust standard errors, clustered by country reported in parentheses. *, **, *** = significant at 10%, 5%, and 1% respectively. Log U.S. aid measured in 2000 US$. Baseline characteristics include: 1 year lag of log GDP per capita (2000 US$), 1 year lag of GDP per capita growth (% annual), log fuel exports (2000 US$), and log population. These coefficients, country and year fixed effects, and a constant are not reported.

Table D2 evaluates the robustness of the core findings in Table 2 across alternate samples and with the inclusion of regional differential trends. Columns 1-4 exclude potential outliers. Columns 1 and 2 exclude "small" countries with populations less than 2 million. These 'smaller' countries tend to receive disproportionately higher amounts of U.S. aid and are cases where the relative (per capita) costs associated with repression can be lower. Columns 3 and 4 exclude the top and bottom decile of country-year aid observations. Thus, it excludes cases (observations) with high and low amounts of U.S. disbursements.

Finally, columns 5 and 6 account for region specific differential trends (e.g., Africa x Year, S. America x Year, etc.). In doing so, these specifications control for any unobserved regional trends that may affect conflict, such as the regional "diffusion" of democracy since the 1970s. Moreover, these differential trends control for any specific "continent-specific" effect that may affect conflict, such as the (purported) higher propensity for African countries to experience conflict after the Cold War.

Table D2: Geopolitics and conflict - Alternate samples and differential trends

Dependent variable:	Incidence of conflict					
	Outliers				Regional trends	
Sample:	Exclude pop< 2 Million		90/10 Trim of aid			
	(1)	(2)	(3)	(4)	(5)	(6)
Repression x Post Cold War	0.202	0.254	0.155	0.193	0.107	0.125
	(0.099)**	(0.099)**	(0.081)*	(0.085)**	(0.067)*	(0.069)*
Europe x Year					-0.0004	0.001
					(0.003)	(0.003)
Africa x Year					-0.001	0.006
					(0.002)	(0.004)
Asia x Year					0.0002	0.007
					(0.004)	(0.005)
MidEast x Year					-0.004	0.006
					(0.003)	(0.006)
N. America x Year					0.001	0.006
					(0.003)	(0.004)
S. America x Year					-0.006	-0.002
					(0.003)*	(0.003)
Year					-0.009	-0.008
					(0.018)	(0.017)
Recipient characteristics	N	Y	N	Y	N	Y
Country fixed effects	Y	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y	Y
No. observations	2483	2454	2570	2540	3619	3546
R-squared	0.48	0.49	0.48	0.48	0.51	0.52

Notes: Robust standard errors, clustered by country reported in parentheses. *, **, *** = significant at 10%, 5%, and 1% respectively. Log U.S. aid measured in 2000 US$. Baseline characteristics include: 1 year lag of log GDP per capita (2000 US$), 1 year lag of GDP per capita growth (% annual), log fuel exports (2000 US$), and log population. These coefficients, country and year fixed effects, and a constant are not reported. In columns 1 and 2, the sample excludes countries with populations than 2 million. In columns 3 and 4, the sample excludes the top and bottom decile values of U.S. aid disbursements.

B. Aid and conflict - Robustness

Table D3 shows "aid on conflict" results (in particular, the preferred *causal* 2SLS effects) in Table 3 are robust in alternate samples and across different econometric specifications.

Alternate specifications. Columns 1 and 2 shows that the interaction of $POSTCW_t \times AID_{it}$ exhibits a positive and statistically significant on conflict in specifications that control for regional differential trends. The specifications in columns 3-6 vary the set of fixed effects. Columns 3 and 4 do not include any country fixed effects and does correctly control for the time-invariant country characteristics ($\bar{P}_i$, indicator variable for being a "former colony"). The coefficient on $\bar{P}_i$ is especially informative as it reveals that a country's probability of receiving U.S. aid is *not* a robust determinant of conflict, which reduces worries that $\bar{P}_i$ is endogenous with conflict. In contrast, columns 5 and 6 do not include any year fixed effects and does correctly control for time-varying characteristics that can affect (potentially) *all* countries ($MARGIN_t$, the $POSTCW_t$ dummy variable, and the partisanship of the sitting President). In these specifications, these time-varying characteristics do not seem to affect conflict at all. In particular, the composition of the U.S. House of Representatives (using $MARGIN_t$) does not have a direct effect on conflict. Moreover, the null effects associated with $POSTCW_t$ imply that there was not necessarily a "system wide" secular decline in conflict across all countries. The "aid on conflict" results also do hinge on estimation via least squares. Columns 7-8 show that $POSTCW_t \times AID_{it}$ exhibits a positive and statistically significant effect on conflict when estimated via logit and probit.

Alternate samples. Finally, in columns 9-12 the sample of "repressive Cold War regimes" is varied (from the sample median cutoff used in Tables 3 and 4). Columns 9 and 10, *expand* the definition of "repressive" regimes to those where the government repressed the populations for at least 23% of the years during the Cold War. In contrast, columns 11 and 12 *contract* the range to 43%. Expanding the cutoff for Cold War repressive regimes (columns 9 and 10) increases the statistical significance of $POSTCW_t \times AID_{it}$ (relative to the estimates in Table 3). Contracting the range (columns 11 and 12) decreases the estimating sample (by about 20% from the baseline sample in Table 3, column 3) and tends to slightly decrease the statistical significance, although the effect of $POSTCW_t \times AID_{it}$ remains robust. On balance, shifting the range of repressive regimes does not seem to affect the substantive implications from Table 3.

Table D3: The impact of U.S. aid on conflict in repressive Cold War regimes - Alternate specifications

Dependent variable:	Incidence of conflict (in repressive CW regimes)											
			Vary fixed effects						Expand sample: $\overline{REP_i} > 0.23$		Contract sample: $\overline{REP_i} > 0.43$	
Method of estimation:	OLS	2SLS	OLS	2SLS	OLS	2SLS	LOGIT	PROBIT	OLS	2SLS	OLS	2SLS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Log U.S aid	-0.003	-0.015	-0.003	-0.01	-0.003	-0.002	-0.069	-0.028	-0.003	-0.007	-0.004	-0.01
	(0.005)	(0.015)	(0.004)	(0.017)	(0.005)	(0.010)	(0.075)	(0.039)	(0.005)	(0.016)	(0.005)	(0.012)
Post CW x	**0.007**	**0.012**	**0.007**	**0.017**	**0.009**	**0.017**	**0.142**	**0.077**	**0.008**	**0.015**	**0.008**	**0.013**
x Log U.S. aid	**(0.004)***	**(0.006)****	**(0.004)***	**(0.008)****	**(0.004)****	**(0.007)****	**(0.064)****	**(0.034)****	**(0.004)****	**(0.006)*****	**(0.004)***	**(0.008)***
Europe x Year	0.008	0.002										
	(0.006)	(0.012)										
Africa x Year	0.005	0.002										
	(0.007)	(0.010)										
Asia x Year	0.011	0.008										
	(0.006)*	(0.007)										
Mideast x Year	0.002	0.001										
	(0.008)	(0.010)										
S. America x Year	0.004	0										
	(0.007)	(0.009)										
Year	-0.042	-0.051										
	(0.065)	(0.068)										
P_i			0.094	0.134								
			(0.141)	(0.228)								
Former colony			-0.191	-0.198								
			(0.113)*	(0.110)*								
$PostCW_t$					0.012	-0.18						
					(0.060)	(0.152)						
President's party					0.07	0.088						
					(0.043)	(0.097)						
$MARGIN_t$					-0.001	0.0002						
					(0.001)	(0.001)						
No. obs.	1931	1931	1931	1931	1931	1931	1190	1190	2112	2112	1583	1583
R-squared	0.44	0.43	0.12	0.11	0.43	0.09	0.39	0.38	0.42	0.42	0.46	0.46
F-stat. on instrument												
Log U.S. aid		9.86		7.53		15.9				10.32		6.6
Post CW x Log US aid		85.51		63.93		34.24				73.65		24.35
Baseline characteristics	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Add'l controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	**N**	**N**	Y	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	**N**	**N**	Y	Y	Y	Y	Y	Y	Y	Y

Notes: Robust standard errors, clustered by country reported in parentheses. *, **, *** = significant at 10%, 5%, and 1% respectively. Log U.S. aid measured in 2000 US$. Baseline characteristics include: 1 year lag of log GDP per capita (2000 US$), 1 year lag of GDP per capita growth (% annual), log fuel exports (2000 US$), and log population. Additional controls include: political rights index (Freedom House), log US military aid (2000 US$), log US exports (2000 US$), US ally, P_i x Party of the sitting President, $MARGIN_t \times$ Former colony. These coefficients, country and year fixed effects, and a constant are not reported.

C. Alternate instrumental variables

Table D4 shows that the core 2SLS results are robust to alternate constructions of the instrumental variable. For instance, the U.S. Senate can also influence the aid budget. When instrumenting for U.S. aid using the Democratic margin from the U.S. Senate, the core 2SLS result also holds (column 1). Turning to the other component of the instrument, skeptics may claim that the probability a country receives U.S. aid is not time-invariant, but does change over time. This changing probability may reflect changes in U.S. domestic politics and changes in foreign policy objectives due to evolving geopolitical conditions. To account for this possibility, I use alternate measures of $\bar{P}_i$ in the construction of the instrumental variable.

I first create a time-varying measure of $\bar{P}_i$ that captures the changing geopolitical objectives of U.S. foreign policy. In particular, I calculate the average probability that a country receives U.S. aid over 4 distinct geopolitical periods since 1972: detente (1972-1980), the "Reagan buildup" (1981-1990), post Cold War/Clinton (1991-2001), and the post 9/11 period (2002-2009).[81] Instrumenting with this time-varying measure does not change the core 2SLS result (column 2). In fact, the estimated effect of $POSTCW_t \times AID_{it}$ is slightly larger than that reported in table 3, column 3b.

I also construct a set of alternate instruments which interact $MARGIN_t$ with a dummy variable equal to 1 if a country received any U.S. aid in the past 1, 2, and 5 years (and zero otherwise). These variables are denoted as $P_{i,t-1}$, $P_{i,t-2}$, and $P_{i,t-5}$ respectively. Across all 3 specifications, instrumented $POSTCW_t \times AID_{it}$ has a positive and significant effect on conflict (columns 3-5). In the first stage regression, all these time-varying instrumental variables are "strong" (since the corresponding F-statistics exceed 9.6).

Finally, observe that these time-varying measures of $\bar{P}_i$ do *not* exhibit statistically significant direct effects on conflict. Neither does the core 2SLS result with $\bar{P}_i$ as a control (column 6).[82] These null effects imply that the propensity for a country to receive U.S. aid

[81] The first is the period of detente (1972-1980) in which the superpower rivalry between the United States and the USSR was relatively calm. The election of Ronald Reagan in November 1980 marked a transition in the superpower rivalry. This second period (1981-1990) had two main features: an expansion of U.S. defense spending under President Reagan and Mikhail Gorbachev's move a gradual opening (glasnost) and restructuring (perestroika) of the USSR. The end of the Cold War in 1989 bought an end to the superpower rivalry and ushered a re-orientation of U.S. foreign policy. For example, under President Clinton in the 1990s U.S. defense spending declined. The third period captures the post-Cold War period until the terrorist events of September 11, 2001 (1991-2001). The fourth period is the post-9/11 period (2002-2009) in which U.S. foreign policy (and foreign aid) objectives changed once again.

[82] Since this regression includes the time-invariant constituent term of the instrument (i.e., $\bar{P}_i$), it does not include country fixed effects.

is not empirically correlated to conflict. As such, these probabilities are less likely to be endogenous with conflict.

Table D4: Impact of aid on conflict, with alternate instrumental variables

Dependent variable:	Incidence of conflict					
	Senate Margin					
	(1)	(2)	(3)	(4)	(5)	(6)
Log US aid	-0.036	-0.007	-0.024	-0.012	-0.02	-0.01
	(0.022)	(0.067)	(0.029)	(0.024)	(0.015)	(0.017)
Post CW x Log US aid	**0.025**	**0.015**	**0.011**	**0.012**	**0.016**	**0.017**
	(0.014)*	**(0.005)*****	**(0.005)****	**(0.005)****	**(0.006)****	**(0.008)****
Additional controls						
$P_{i,geopolitics}$		0.007				
		(0.846)				
$P_{i,t-1}$			0.165			
			(0.264)			
$P_{i,t-2}$				0.056		
				(0.189)		
$P_{i,t-5}$					0.014	
					(0.049)	
$\bar{P}_i$						0.134
						(0.228)
Baseline characteristics	Y	Y	Y	Y	Y	Y
Add'l controls: Excl. restriction	Y	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	Y	Y	Y	**N**
F-statistic on excl. instrument						
Log US aid	7.39	1.02	6.48	6.26	9.01	7.53
Post CW x Log US aid	**17.58**	**84.64**	**98.71**	**50.49**	**23.64**	**63.93**
No. observations	1931	1931	1897	1881	1848	1931
R-squared	0.36	0.44	0.43	0.45	0.44	0.11

Notes: Estimation via 2SLS. Robust standard errors, clustered by country reported in parentheses. *, **, *** = significant at 10%, 5%, and 1% respectively. Log U.S. aid measured in 2000 US$. In columns 1-6, the sample is restricted to "repressive Cold War" regimes. Specifically, countries that were "not free" more than (or equal to) 33 percent of the time during the Cold War period (pre-1990) are classified as "repressive Cold War regimes". Baseline recipient characteristics include: 1 year lag of log GDP per capita (2000 US$), 1 year lag of GDP per capita growth (% annual), log fuel exports (2000 US$), and log population. Additional controls include: political rights index (Freedom House), log US military aid (2000 US$), log US exports (2000 US$), US ally, P_i x Party of the sitting President, $MARGIN_t\times$ Former colony. These coefficients, country and year fixed effects, and a constant are not reported. In column 1, the instrumental variable (IV) uses fragmentation from the U.S. Senate. In column 2, the instrumental variable interacts fragmentation from the House of Representatives ($FRAG_t$) with a time-varying measure of P based on changing geopolitical conditions (as discussed in the main text). In columns 3-5, the instrumental variable interacts $FRAG_t$ with an indicator variable equal to 1 if the country received any aid in the previous year (column 3), past 2 years (column 4), and past 5 years (column 5).

D. Additional results

Aid and repression during the Cold War. Hypothesis 3 also posits that during the Cold War, U.S. aid heightened the propensity for regimes to repress their populations. To evaluate the this prediction, I regress the interaction of U.S. aid with a Cold War dummy on repression (columns 1 and 2 in table D5). This interactive term "isolates" the differential effect of "Cold War U.S. aid" on repression. In these specifications, the dependent variable is the Freedom House 7-point index of "political rights", where a higher value implies greater repression (i.e., less freedom). In both the OLS and 2SLS specifications, the positive and statistically significant coefficient on $COLDWAR_t \times AID_{it}$ implies that U.S. aid received during the Cold War fostered repression.

Other donors While the United States is the world's largest bilateral donor, it is not the only donor (Ahmed 2013). Moreover, while the effect of U.S. aid on conflict in the post Cold War period is not "crowded out" by aid from other donors (see columns 3 and 4 in table D5), there has been greater "coordination" in economic assistance among Western aid donors after the Cold War (Frot and Santiso 2009).[83] The presence of such "aid herding" by these donors suggests that their aid may have also heightened conflict after the Cold War. This seems to be the case. For example, column 5 in table 5 shows that while total DAC aid (excluding U.S. aid) seems to exhibit a pacifying effect, in the post Cold War period such aid tends to increase conflict. The interaction effect is positive (=0.03) and statistically significant. Column 6 shows that total DAC aid (which includes U.S. disbursements) also tends to increase conflict in the post Cold War period. Together the results in columns 5 and 6 are consistent with the substantive implications from Tables 3 and D4 that aid heightened the relative likelihood of conflict after the Cold War in the "most repressive Cold War regimes."

[83] In the data, U.S. bilateral aid exhibits a correlation of 0.26 with total bilateral aid from other DAC donors (i.e., largely Western countries, Australia, New Zealand, and Japan) during the Cold War. The correlation nearly doubles to 0.45 in the post-Cold War period.

Table D5: Extended results

	Mechanism		**Other donors**			
Dependent variable:	Political rights		Incidence of conflict (in repressive CW regimes)			
Method of estimation:	OLS	2SLS	OLS	2SLS	OLS	OLS
	(1)	(2)	(3)	(4)	(5)	(6)
Log US aid	-0.016	0.094	-0.002	-0.009		
	(0.011)	(0.042)**	(0.004)	(0.017)		
Cold War x Log US aid	**0.027**	**0.047**				
	(0.014)**	**(0.028)***				
Post CW x Log US aid			**0.009**	**0.015**		
			(0.004)**	**(0.006)****		
Log non-US DAC aid			-0.025	-0.023	-0.041	
			(0.013)*	(0.019)	(0.017)**	
Post CW x Log non-US DAC aid					**0.028**	
					(0.017)*	
Log total DAC aid						-0.037
						(0.018)**
Post CW x Log total DAC aid						**0.031**
						(0.016)*
F-statistics on excl. instrument						
Log US aid		16.43		9.06		
Cold War x Log US aid		129.15				
Post CW x Log US aid				52.99		
Baseline characteristics	Y	Y	Y	Y	Y	Y
Add'l controls: Excl. restriction	Y	Y	Y	Y	Y	Y
Country and year fixed effects	Y	Y	Y	Y	Y	Y
No. observations	3811	3811	1926	1926	2048	2042
R-squared	0.75	0.69	0.44	0.43	0.42	0.42

Notes: Robust standard errors, clustered by country reported in parentheses. *, **, *** = significant at 10%, 5%, and 1% respectively. Log U.S. aid measured in 2000 US$. Baseline recipient characteristics include: 1 year lag of log GDP per capita (2000 US$), 1 year lag of GDP per capita growth (% annual), log fuel exports (2000 US$), and log population. Additional controls include: political rights index (Freedom House), log US military aid (2000 US$), log US exports (2000 US$), US ally, P_i x Party of the sitting President, $MARGIN_t\times$ Former colony. These coefficients, country and year fixed effects, and a constant are not reported. In column 3-6, countries that were "not free" more than (or equal to) 33 percent of the time during the Cold War period (pre-1990) are classified as "repressive Cold War regimes".