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Rewarding the introduction of multiparty elections



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ABSTRACT

Do aid donors reward the adoption of multiparty elections? Are multiparty elections rewarded in both democracies and electoral authoritarian regimes? How do the rewards for institutional reforms compare to the rewards for substantive improvements in governance and political rights? These questions are of particular interest given both the spread of democracy and the emergence of autocracies with multiparty elections for the executive and legislature as the modal form of authoritarianism. To answer these questions, we examine temporal dynamics in aid flows before and after transitions to multiparty elections and the strategic allocation of aid rewards to specific sectors depending upon electoral competition and substantive improvements in governance and political rights. We find that, in the post-Cold War era, bilateral and multilateral donors reward the adoption of multiparty elections in both democracies and electoral authoritarian regimes while also rewarding substantive improvements in governance and political rights. Sector specific analyses reveal that multiparty elections are rewarded with greater democracy aid and economic aid in both democratic and electoral authoritarian regimes. Nevertheless, the quality of elections matters: the adoption of democratic elections receives greater aid gains than the adoption of authoritarian elections.

1. Introduction

The literature on foreign aid and democracy promotion has established that donors reward political liberalization with increased aid flows (Alesina and Dollar, 2000; Dollar and Levin, 2006; Hariri, 2015; Kersting and Kilby, 2014; Reinsberg, 2015). However, existing research relies on composite indexes of democracy from the Polity IV Project or Freedom House that are constructed by aggregating various component scores of political institutions and political rights. These measures of liberalization conflate transitions to alternative autocratic regimes with democratization and prevent the identification of the specific institutional changes driving aid increases. Conflating these distinct transitions is problematic given the rise and resilience of electoral authoritarian regimes, which combine democratic institutions and authoritarian practices, in the post-Cold War period (Levitsky and Way, 2010; Schedler, 2013). Consequently, we do not know whether donors reward the adoption of multiparty elections regardless of whether elections are minimally competitive or whether democratization results in greater rewards than political liberalization that only results in the establishment of authoritarian elections.

The lack of studies on the effect of multiparty elections on aid allocation is surprising given that aid critics frequently deride donor “electoralism.” As Zakaria (1997, 40) claims, for instance, “In the end,..., elections trump everything. If a country holds elections, Washington and the World will tolerate a great deal from the resulting government.” Similarly, the OECD (2014a, 20)

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states that “Inevitably, donors have tended to design programmes and projects that replicate institutions and processes characteristic of more developed countries, rather than provide support which builds on local realities to substantially improve accountability.” Consequently, many autocracies have established multiparty elections to “position their countries favorably in the international contest for scarce development resources” (Bratton and Van de Walle, 1997, 182-3). These critical accounts portray donors as ambivalent toward the actual quality of democracy and suggest that merit-based rewards are provided primarily for the mere establishment of multiparty elections.

This article directly addresses critiques of donor electoralism by distinguishing between transitions to electoral authoritarianism and democracy. These transitions are broken down further to distinguish between the rewards for institutional reforms and the rewards for substantive improvements in political rights and governance. We examine temporal dynamics in aid flows before and after the various transitions to multiparty elections to determine whether and how aid rewards change over the short-, medium- and long-term. As recent scholarship shows that examining total aid flows can mask significant variation in the type of aid given (Bermeo, 2016; Dietrich and Wright, 2015; Nielsen, 2013), we focus primarily on the influence of transitions to multiparty elections on sector specific aid for democracy promotion, economic assistance, and other aid consisting primarily of humanitarian and social assistance and environmental protection. Finally, we conduct a series of additional tests to determine whether OECD donors more actively reward institutional reforms in the post-Cold War period, whether the bilateral rewards for institutional reform are unique to democratic OECD donors, and whether multilateral donors reward institutional reforms.

Our statistical analyses reveal that, in the post-Cold War period, bilateral donors from the OECD Development Assistance Committee (DAC) and multilateral donors consistently reward transitions to both democratic and electoral authoritarian regimes. We show that the rewards for regime transitions continue through the short-, medium-, and long-term. This corroborates claims that political conditionality has begun to play a larger role in democratic bilateral and multilateral donors’ aid allocation in the post-Cold War period, something we verify through our supplementary analyses of aid rewards for political transitions during the Cold War and of aid flows from authoritarian donors in response to post-Cold War political transitions.

However, we also show that donors are not blindly electoralist. Donor rewards are conditioned on both the institutions and the substance of democracy, with the rewards for transitions to democracy being greater than those for transitions to multiparty electoral authoritarianism. Furthermore, the rewards for institutional reforms vary by aid sector. We find that aid for humanitarian and social sectors is less responsive to the adoption of multiparty elections than are democracy aid and economic aid. The establishment of multiparty elections in both democratic and electoral authoritarian regimes is rewarded with increased democracy aid and economic aid, and transitions to democratic multiparty elections are rewarded with significantly more aid than transitions to multiparty electoral authoritarianism. This finding corroborates previous research suggesting that donors reward democratic regimes with the more fungible types of aid such as economic aid (e.g., Bermeo, 2011; Dietrich, 2013), but also shows that more fungible rewards are associated with both institutional reforms and improvements in the substance of democracy. More broadly, our results suggest that donors exert greater effort to promote democracy where it is fledgling than where it is most lacking.

This study contributes to the existing literature on foreign aid and democracy promotion in several ways. Contrary to criticisms of electoralism, we demonstrate that donors are interested in both the institutions and substance of democracy. Critics are correct that international donors reward the establishment of formal democratic institutions. Yet the rewards for political reform are conditional on the performance of these institutions. Donors distribute greater rewards to countries that transition to democracy than those who transition to electoral authoritarian regimes. We also find that democracy aid intends not only to promote political opening in closed autocracies but also to further democratic consolidation in countries that have experienced political opening. Moreover, we join several other recent studies by conveying the importance of disaggregating measures of aid and democratization to gain better leverage on longstanding aid debates (Bermeo, 2016; Dietrich and Wright, 2015; Nielsen, 2013). We show that sector specific aid flows respond differently to the introduction of multiparty politics, exhibiting distinct temporal patterns.

Our research also has implications for aid allocation. Our findings add to the growing evidence that donors are more generous toward democracies and democratizing countries (Dollar and Levin, 2006; Hariri, 2015; Kersting and Kilby, 2014; Reinsberg, 2015). Yet our research goes beyond previous studies by distinguishing between transitions to democracy and electoral authoritarianism and by directly exploring the effect of adopting multiparty elections on aid. These extensions provide a more nuanced understanding of donor responses to political reforms in recipient countries, which is necessary given the rise of electoral authoritarian regimes.

2. Democratic governance and aid allocation

The influence of democratic governance on aid allocation has produced much debate in the literature on foreign aid. Many studies stress that the strategic political and economic interests of donors, often measured through trade flows, UN voting records, and former colonial ties, outweigh other factors such as good governance and recipient merit in aid allocation decisions (Alesina and Dollar, 2000; Hoeffler and Outram, 2011; Neumayer, 2003). The importance of strategic interests appears to have been particularly strong during the Cold War. For example, although the United States has emphasized the importance of democracy since the 1961 Foreign Assistance Act, it continued to support dictatorships that held anti-communist ideologies throughout the Cold War (Brown, 2005). Cold War strategic interests also reduced the importance of aid conditionality measures for other Western donors and the International Monetary Fund (Dunning, 2004) and undermined the credibility of donor threats to condition aid on democratic governance, thereby discouraging anti-communist allies from undergoing democratic transitions (Bearce and Tirone, 2010; Dunning, 2004).

Although strategic interests are important determinants of aid flows, the question of whether donors condition aid based on democratic governance remains an important one, particularly in the post-Cold War period. Scholars such as Bueno de Mesquita and

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