

Foreign Politics and Economics

- Let's assume that I'm interested in foreign elections and economics.
- Where do we start?

Google Scholar

Let's put "foreign politics and economics" into google scholar:

- "The politics of foreign direct investment into developing countries: increasing FDI through international trade agreements?"
- "Economic and political determinants of foreign direct investment"
- "Domestic politics, foreign interests, and international trade policy"
- "United States development assistance policy: the domestic politics of foreign economic aid."

Looking at the Results

- What trends do you see?
- Are there any papers that we should read from this list?
- What's the next step.

Looking at the Results

- FDI seems to be important.
- Foreign aid is important from the domestic politics side.
- Tariffs also seem to be important for the domestic policy side.

Looking at the Results

Define the three terms. Also, how do they relate to foreign politics?

- FDI
- Foreign aid
- Tariffs

Framing a Question

- "How does FDI affect foreign elections?"
- "How does foreign aid affect foreign elections?"
- "Which is more effective in changing foreign elections: foreign aid or FDI?"
- "Do firms lobby for tariff changes in other countries?"

Which Question to go with?

- To narrow down the questions, you may want to see if anyone has already addressed those specific questions.
- Let's go back to google and just type in each question?



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The politics of **foreign** direct investment into developing countries: increasing **FDI** through international trade agreements?

[T Büthe](#), [HV Milner](#) - American journal of political science, 2008 - Wiley Online Library

... that might explain the annual changes and the overall increase in **FDI**, Figure 1 **does** not allow ...

How might governments reassure **foreign** investors and thus attract **FDI** ... **can** impose costs on such governments who renege on their policy commitments, and they **can do** so more ...

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Political risk, democratic institutions, and **foreign** direct investment

[N Jensen](#) - The Journal of Politics, 2008 - journals.uchicago.edu

... to **influence** policy outcomes, (3) the transparency of policy and politics, and (4) **how** reputation costs ... Although the prices **can** vary according the term of the coverage (5 to 15 years), these ... One potential concern is that, on the surface, this cross-sectional data **does** not allow us to ...

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Foreign direct investment in Africa: The role of natural resources, market size, government policy, institutions and political instability

[E Asiedu](#) - World economy, 2006 - Wiley Online Library

... 3 Asiedu (2004) finds that natural resource availability **does** not have a significant impact ... Section 4 empirically analyses **how** these factors **affect FDI** flows to Africa ... First, regionalism **can** promote political stability by restricting membership to democratically **elected** govern- ments ...

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Do electoral rules matter? Political institutions and **foreign** direct investment in Latin America

[MW Garland](#), [G Biglaiser](#) - Comparative Political Studies, 2009 - journals.sagepub.com

... Most political economic research explores **how** host country regime type **affects FDI** based on a political sys- tem's ... Not only **does** the arrival of **foreign** firms provide them with a conspicuous, targetable political achieve- ment (eg, job creation) that **can** serve **electoral** ...

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Do political institutions **affect foreign** direct investment? A survey of US corporations in Latin America

[G Biglaiser](#), [JL Stebbins](#) - Political Research Quarterly, 2010 - journals.sagepub.com

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How aid targets votes: the impact of electoral incentives on foreign aid distribution

[RS Jablonski](#) - World Politics, 2014 - cambridge.org

... or sectoral spending made after an increase in aid is received **does** not necessarily ... since recipient governments usually have better information than donors about **how aid can** best be ... **do-** nors often lack the ability—or willingness—to distinguish between the neediest and the ...

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Foreign aid, democratization, and civil conflict: how does democracy aid affect civil conflict?

[B Savun](#), [DC Tirone](#) - American Journal of Political Science, 2011 - Wiley Online Library

... That is, even if a state **does** not have strong institutions to manage the democratization ... of a conflict influences donors' decision-making calculus regarding whom to give **aid** and **how** much to ... Second, we need to show that the instruments **can** be omitted from the second-stage ...

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How foreign aid can foster democratization in authoritarian regimes

[J Wright](#) - American journal of political science, 2009 - Wiley Online Library

... between two players and concentrate on the recipient dictator's utility function to highlight **how** the costs ... to one, then the amount of **aid** the donor gives to the dictator (when he **does** not liberalize ... We **can** interpret a small α as a world where political conditionality induces a large ...

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Political aid cycles

[M Faye](#), [P Niehaus](#) - American Economic Review, 2012 - aeaweb.org

... year fixed effects (column 2), or macroeconomic controls (column 3). Moreover, this **does** not seem ... that is two standard deviations more politically aligned with the donor **can** expect to ... We next differentiate **elections** by **how** readily a donor could **influence** them, proxying for ease ...

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To invest or insure? How authoritarian time horizons impact foreign aid effectiveness

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Do corrupt governments receive less foreign aid?

A Alesina, [B Weder](#) - American Economic Review, 2002 - [pubs.aeaweb.org](#)

... In fact, our measure of corruption shows only small amount of within-country variation, **which** is consistent with the ... Regardless of **what** (rea- sonable) set of controls is included in the right-hand side of the regressions, we never find any evidence **that more** corrupt countries ...

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Foreign direct investment in the United States

EM Graham, [P Krugman](#) - Washington, DC, 1995 - [books.google.com](#)

... so. Had there been such pressure, it is not clear **what** would have come of it. By ... the war? One cannot **help** but surmise **that** it was, although there is scant surviving evidence on **which** to base a firm judgment. Any adverse ...

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[PDF] [stlouisfed.org](#)

Who gives foreign aid to whom and why?

A Alesina, [D Dollar](#) - Journal of economic growth, 2000 - Springer

... In **what** follows we will continue to call this an index of "openness" as a short cut, keeping ... of column (1) on the coefficient on "other religions." In the next column we investigate **which** of the ... One reason why this is interesting is **that** the results on this point are quite different in the ...

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Liberalizing electoral outcomes in competitive authoritarian regimes

MM Howard, [PG Roessler](#) - American Journal of Political ..., 2006 - Wiley Online Library

... In our conception, **what** is important is the ability of these political elites to come together ... of the Cold War, along with the globalization of finance and production, **which** shies away ... In competitive authoritarian regimes, one would therefore expect **that** greater contact with the West ...

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Does foreign aid promote democracy?

S Knack - International Studies Quarterly, 2004 - [academic.oup.com](#)

... about claiming credit for the spread of democracy, as one of many examples "of **what** the one ... Therefore, the empirical work below, **which** includes **aid** from all donors, not only the US, explicitly ... **That** data set provides a 10-point scale of democracy based on evaluations of how ...

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How Foreign Aid Can Foster Democratization in Authoritarian Regimes

Joseph Wright Pennsylvania State University

Donors in recent years have made some foreign aid conditional on progress toward democracy. This study investigates whether and how such conditionality works in practice. The promise of higher aid if the country democratizes only provides an incentive for democratization for political leaders who expect to remain in office after democratization occurs. I show that dictators with large distributional coalitions, who have a good chance of winning fair elections, tend to respond to aid by democratizing. In contrast, aid helps dictators with the smallest distributional coalitions hang on to power. I present a model that shows a dictator's decision calculus, given different a priori support coalitions and varying degrees of aid conditionality, and test the model implications with data from 190 authoritarian regimes in 101 countries from 1960 to 2002.

HOW AID TARGETS VOTES

The Impact of Electoral Incentives on Foreign Aid Distribution

By RYAN S. JABLONSKI*

INTRODUCTION

“People are told if they don’t vote EPRDF, then no fertilizers, [and] clinics. If you get sick, they don’t get a referral note from the kebele official for hospital in Addis Ababa.”

—*Ethiopian OFDM candidate Bulcha Demeske*¹

GOVERNMENTS often use aid for political purposes. The quote above refers to Ethiopia shortly before the 2010 election, when the government of Prime Minister Meles Zenawi reportedly withheld the distribution of foreign aid, including agricultural supplies and food, from families that failed to vote for his party, the Ethiopian People’s Revolutionary Democratic Front (EPRDF). Despite this abuse, the Zenawi government continued to receive over \$3 billion in aid distribution each year from 2009 to 2011.² Similar incidents are common in aid-dependent states, and there is a growing recognition among development scholars that politically motivated capture and corruption plays a significant role in aid effectiveness. Yet surprisingly little is known about how political incentives shape how, where, and whether foreign aid benefits are distributed.

use aid as a way to improve their electoral chances, if possible. These regime changes also provide plausibly exogenous variation in the distribution of political support for the ruling regime, which allows me to plausibly estimate causal effects.

I find support for a political model of aid allocation in Kenya and observe a strong bias in the allocation of aid toward constituencies with high vote shares for the incumbent. This bias is also confirmed when looking at the ethnicity of voters: constituencies that share the ethnicity of the incumbent receive consistently higher shares of foreign aid. I rule out alternative explanations by taking advantage of changes in the geographic distribution of regimes' political supporters over time. I use a difference-in-differences empirical strategy to establish that when a new regime comes to power in Kenya, the geographic distribution of aid spending shifts toward the new regime's support base and frequently away from supporters of the losing regime. I also evaluate whether aid alters election outcomes in Kenya. The results imply that foreign aid helps incumbent governments win elections.

This research contributes to the large and growing debate over the role that corruption and governance play in the effectiveness of foreign aid.⁵ Existing literature generally concludes that democratic governance and accountability contribute to the effectiveness of foreign aid—a position that donors are increasingly taking to heart.⁶ Yet, despite this conclusion, little is known about how democratic institutions, such as elections, influence aid spending. Given the growing norm of elections in much of the developing world and the extent to which the donor community supports these institutions, understanding the effect of electoral institutions on aid seems paramount.

My research contributes to the literature on aid effectiveness and builds upon the literature on patronage and government spending incentives in developing states. While studies have shown that ethnicity



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Why a free trade area? The tariff also rises

M Richardson - *Economics & Politics*, 1994 - Wiley Online Library

... a model of endogenous policy is discussed in Richardson (1993a) and we **do** not pursue it ... will maintain differences in consumer prices; while re-exporting of external goods **can** be prohibited ... **does** not, attempting to free-ride." In all cases, when an industry **does lobby** its optimal ...

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Foreign lobbying and the political economy of protection

SP Das - *Japan and the world economy*, 1990 - Elsevier

... 1 equilibrium outputs equal the free-trade outputs x_i and x_i^* , because the current outputs **do** not influence ... that the **foreign firm** has a plant located in the home **country** (but the home **firm does** not have ... 11) + Assuming linear demand, the equilibrium **lobbying** ratio **can** be solved as ...

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[PDF] A mixed oligopoly in the presence of foreign private firms

K Fjell, D Pal - *Canadian Journal of economics*, 1996 - JSTOR

... Previous articles on mixed oligopoly **did** not include **foreign private firms** ... When a comparison is made with their results, it **can** also be seen that the equilibrium involves a lower **price** ... In the absence of a public **firm**, **foreign** acquisitions **do** not affect profits and consumer surplus ...

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The political market for protection in industrial countries

K Anderson, RE Baldwin - *Protection, cooperation, integration and ...*, 1987 - Springer

... eg, it is a 'necessity', the political costs are likely to rise more rapidly than if consumers **can** easily shift to substitute products or if the burden of the **price** increase **did** not fall ... that the various influences on the demand for and supply of protection discussed above **do** not, of ...

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Foreign lobbies and US trade policy

K Gawande, P Krishna, MJ Robbins - *The review of Economics and ...*, 2006 - MIT Press

... in as much as our study is set in the 1970s, soft money contributors and contributions (which **did** not really ... After the introduction of an (additive) error term ϵ_i , it **can** be expressed as ... their

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NOTES

FOREIGN LOBBIES AND U.S. TRADE POLICY*

Kishore Gawande, Pravin Krishna, and Michael J. Robbins*

Abstract—In popular discussion, much has been made of the susceptibility of government policies to lobbying by foreigners—the general presumption being that this is harmful to the home economy. However, in a trade policy context this may not be the case. If the policy outcome absent any foreign lobbying is characterized by welfare-reducing trade barriers, foreign lobbying may reduce such barriers and possibly raise welfare. Using a new data set on foreign political activity in the United States, this paper investigates this question empirically. Tariffs and nontariff barriers are both found to be negatively related with foreign lobbying activity.

endogenous policy determination (Corman (1994)—which is altered here by the presence of foreign lobbies. This framework allows for the possibility that off its desire to deliver a higher level of welfare, the government's desire for political contributions (which, in turn, provide political cover) may move policy in a direction that is not in the merit of this framework, from a theoretical perspective, is that despite its rigor, the model is predicted to be a simple function of

I. Introduction

What's an Interesting Question?

- No single paper has directly addressed your question.
- There should be some information on the topic at hand.
- That is, it should be specific but not too specific.

What's an Interesting Question?

- The best question to ask is then either "How does FDI affect foreign elections?" or "Which is more effective in changing foreign elections: foreign aid or FDI?"
- Is one better than the other?
- Could we still ask "How does foreign aid affect foreign elections?" in a way that makes the question novel.

How does FDI affect foreign elections?

- Now, we move into gathering information.
- First, it may help to search for FDI in general.
- Second, we should look at the effects of incoming FDI or the presence of MNEs on the political economy of a host country.

FDI

- FDI has been associated with increases in economic growth in host economies.
- These investments can enhance the transfer of technology and increase competition, while potentially increasing the quality of firms.
- Bevan and Estrin (2004) find that host countries' labor costs, market size, and distance from the home country predict FDI.

Political Effects

- Henisz and Mansfield (2006) determine that domestic factors, specifically the unemployment rate and the veto power of individuals in government, influence a country's international trade policy. The authors find that deteriorating macroeconomic conditions contribute to a worsening trade policy unless the government has a large amount of veto power to prevent domestic lobbying from pushing trade restrictions.
- The determinants of trade related policy have been explored in the past (Bown and Tovar, 2011; Gawande, Hoekman, and Cui, 2011)

Political Effects

- Foreign firms' influence of public policy has also been attributed to bribery (Hellman and Kaufman, 2002).
- Gawande, Krishna, and Robbins (2004) use data on foreign political activity in the US and find that foreign lobbying can influence trade policy by lowering trade barriers for the sector that the lobby represents.

Political Effects

- Desborder and Vauday (2007) further explore the relationship between domestic and foreign firms' political influence. Using cross-sectional data from developing countries, they find that MNEs are able to obtain fiscal and regulatory advantages that result in favorable entry conditions such as lower taxes.
- Cole, Elliot, and Fredriksson (2006) use the degree of public infrastructure and the market size as instrumental variables to show FDI's effect on environmental regulation.

What did we learn?

- Firms will lobby and bribe foreign governments.
- No one has looked at elections directly.
- FDI encourages economic growth.

Thesis

- Through an increase in employment, available products, and political contributions, increased multinational activity in a host country helps that countries political parties that are already in power, especially if they are pro-trade.

Introduction

- countries are becoming increasingly connected with one each other (explain FDI)
- it is essential to study the influence multinational firms have on political outcomes in the countries where they locate (why the reader should care)
- THESIS

Main Point 1: FDI brings a lot of positive benefits that are seen by the voting population.

subsections:

- Employment
- Products
- Growth and technology change
- People will be happier as FDI occurs

Main Point 2: Some parties enact policies that are more beneficial to MNEs

subsections:

- differences across political parties can result in different policy outcomes
- left-wing governments disbursed more funds for public service, transportation, housing, and health
- Right leaning political parties have been seen to enact more trade friendly legislation than their left leaning counterparts.

Main Point 3: Multinational firms can lobby political parties, which gives them more money to use in elections.

subsections:

- Parties that are pro-trade will have more funds to use.
- Right wing parties benefit
- current major parties would benefit as well

Conclusion

- FDI makes people in a host country happier.
- Multinational companies have an incentive to lobby governments for their interest.
- Countries with more FDI should see right wing parties and parties already in power see higher vote shares in elections.