

# Improving Governance from the Outside In

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## Abstract

The variation in the efficacy of governance-related authority structures is stunning. The focus among scholars primarily on domestic conditions, and only secondarily on the external environment, to explain patterns of political development conforms to the prevailing assumptions of comparativists, international relations scholars, and international lawyers. Over the past decade, however, some scholars have studied the possibility that political institutions within states can be influenced or determined not only by internal factors and the external environment but also by the explicit policies of foreign actors. An emerging body of scholarship examines the efficacy of different policy tools that external actors might use to change the structure of domestic institutions in target states. We review this literature and reach the following conclusions. First, contracting often works, coercion sometimes works, and imposition rarely works. Second, the motivation of initiators matters: to be effective, intervening states must be committed to institutional change. Third, conditions in the target state are consequential: higher levels of development facilitate institutional change, and elite motivations must be aligned with the goals of external actors.

## INTRODUCTION

In the contemporary world, we observe a stunning breadth of variation in the efficacy of governance-related authority structures—the institutional arrangements that regulate activities within and across a country's borders. Understanding how this variation has arisen is the master question of political science. There is a wide-ranging, albeit inchoate, discussion about the domestic conditions that lead to well-governed states. The most prominent approach is modernization theory, which emphasizes socioeconomic development and associated attitudinal changes (Lipset 1960). Technological change leads to economic growth, higher per capita income, and a larger middle class. This middle class—more educated, engaged, tolerant, and individualistic—not only provides the social foundation for representative democracy but also furnishes political support for more effective governance and better public services.

Modernization theory is, however, only one of several possibly complementary explanatory perspectives. The two other approaches that have been most thoroughly discussed are (a) institutional capacity and (b) elite bargains and path dependency. Institutional capacity arguments begin with the observation that without political order there is no significant economic growth or socioeconomic change. Huntington famously wrote on the first page of *Political Order in Changing Societies* (1968) that the “most important political distinction among countries concerns not their form of government but their degree of government.” Change is not natural or unidirectional. Social mobilization without political institutionalization leads, Huntington argued, to political decay.

Other analysts see elite bargains as the key to political change. Well-ordered polities can only emerge when elites have an incentive to provide benefits for society as a whole, or at least most of its members, rather than for a narrow group of supporters (Acemoglu & Robinson 2006, 2012; North et al. 2009). Such incentives exist only if there is a self-enforcing set of foundational institutions that limit rent-seeking opportunities and constrain the arbitrary use of force. Such institutional arrangements are unusual. They emerge out of bargains among political elites, prompted by idiosyncratic as well as structural conditions, which then become, at least to some extent, locked in through path-dependent processes.

The external environment can play a role in any of these theories. The technological changes that make modernization possible may be generated outside or inside the country. Political leaders may have an incentive to develop national institutional capacity, especially military capacity, because of external threat (Tilly 1985, Fukuyama 2011). Colonialism may leave institutional legacies that alter the incentives of political elites (Acemoglu et al. 2001). Transnational religions may provide legitimating mechanisms and organizational resources that change elite perspectives, or bolster or challenge state institutions (Fukuyama 2011, Woodberry 2012).

Analysts have focused primarily on domestic conditions, and only secondarily on the external environment, to explain patterns of political development. This emphasis conforms to the prevailing assumptions of comparativists, international relations scholars, and international lawyers. The state is understood to be an autonomous actor whose institutions are autochthonously determined. Comparativists have looked primarily at developments within countries, international relations scholars at interactions among states. International lawyers assume that states have Westphalian/Vattelien sovereignty—that they are independent and autonomous with regard to establishing their own authority structures.

During the past decade, however, a number of scholars have torn away, or at least peeked around, the blinders imposed by the unquestioned acceptance of Westphalian/Vattelien sovereignty and have studied the possibility that political institutions within states can be influenced or determined not only by internal factors and the external environment but also by the explicit policies of foreign actors. The distinction between the external environment in general

and the explicit policies of outsiders is critical. Both types of external influence can alter the environment in which domestic actors make policy and institutional choices. However, the policies of foreign actors reflect deliberate choices about how best to leverage external influence to generate desired changes within a domestic polity.

An emerging body of scholarship has examined the efficacy of a number of different policy tools that external actors might use to change how target states govern. These instruments include foreign-imposed regime changes (FIRCs), economic sanctions, election monitors, foreign assistance, international human rights regimes, and bilateral investment treaties (BITs) and preferential trade agreements (PTAs). Our particular interest is in the impact of these instruments on democratic governance broadly understood, such as how they push target countries toward greater political openness, more effective and accountable institutions, a stronger rule of law, freer and fairer elections, and greater protection for human rights. It is, however, obvious that external actors, especially during the Cold War, sometimes used these tools to support more closed or repressive institutions with the goal of securing compliant foreign partners.

Efforts by external actors to alter authority structures in other states are not a new phenomenon. One study identified slightly more than 200 cases of forcible regime change over the past 450 years, many of which resulted from the transnational religious conflicts of the sixteenth century and the struggle between monarchical and liberal conceptions of order that took place during the nineteenth century (Owen 2010). Before World War II, Germany used trade policy, including sanctions, to influence the domestic authority structures of smaller states in Central and Eastern Europe (Hirschman 1945). The use of voluntary arrangements such as human rights treaties, foreign aid, trade and investment agreements, and election monitoring, however, which target specific institutional arrangements and domestic practices, is a more recent development in the international system.

One complication in studying the efficacy of these instruments is that many of them are aimed at the specific foreign policies of target states rather than the institutional structures with which those states govern at home. For example, foreign aid has been used to influence votes in the United Nations, not just to promote democracy or better governance. Some preferential trade agreements have been written to reduce tariffs rather than to alter the underlying domestic institutions, such as the rule of law, which might impede trade and investment. Foreign interventions have been initiated to replace a defiant autocratic ruler with a compliant one, rather than to make the regime itself more democratic. Most sanctions are threatened or imposed to change specific policies, such as the active pursuit of a nuclear weapon, rather than the nature of a country's domestic institutions.

This article does not review studies that have investigated the efficacy of different instruments with regard to changing the specific foreign policies of other countries. Instead, we look into the effectiveness of these instruments in changing how regimes govern. In particular, we are interested in whether, and under what conditions, tools of external pressure can promote improvements in governance, especially democratic governance. These improvements might be accomplished by changing the regime itself, including its political institutions and rules of the game, or by incentivizing changes in the practices and behaviors of the target regime in specific areas, such as elections administration, the protection of civil liberties, and respect for the rule of law.

These policy instruments tend to operate through three distinct mechanisms: contracting, coercion, and imposition. Contracting involves a voluntary, Pareto-improving agreement between parties. The status quo ante remains available. If the parties do not sign, they are no worse off. Examples of contracting mechanisms include election monitors, foreign assistance, international human rights treaties, and trade and investment agreements. Contracting arrangements are generally targeted at specific domestic institutions and practices rather than at the general nature of the regime.

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**FIRC:**

foreign-imposed  
regime change

**BIT:**

bilateral  
investment treaty

**PTA:**

preferential  
trade agreement

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Coercion occurs when one of the parties can unilaterally alter, or credibly threaten to alter, the status quo in ways that make the target state worse off. The parties may then come to an agreement, or the target state may capitulate, but the target is worse off than it was in the status quo ante. Coercion does not involve the use of force.

Economic sanctions are the prime example of coercion. Economic sanctions are usually targeted at a state's foreign policies—for instance, Iran's nuclear activities, which we do not discuss in this article—but they are sometimes also designed to change domestic institutions or practices, or in rare cases the overall nature of the regime, as in Syria and Zimbabwe. Imposition occurs when one party threatens or actually uses force. In the case of threat, political leaders in the target state capitulate before they are attacked; if force is used, new institutional structures will be imposed. The target is always worse off than in the status quo ante. FIRC's are the quintessential example of imposition. Imposition may be a tool enabling outsiders to get rid of defiant leaders who pose a threat to their security, but imposition may also have the more ambitious goal of promoting democratic regime change.

New literature speaks to both scholarly interest and policy concerns about whether and how to promote institutional change in developing countries. There has been disagreement about the effectiveness of various instruments. This article reviews the growing body of evidence for several prominent policy instruments. The next three sections explore what empirical research tells us about the effectiveness of imposition, coercion, and contracting.

Looking across policy instruments, it is clear that some approaches are more effective than others: contracting often works, coercion sometimes works, and imposition rarely works. But it is also apparent that “what works” is conditional and that the conditions relate fundamentally to incentives: the incentives of external actors to use their influence to promote better governance, usually through democratic change, and the incentives of domestic actors to support liberalizing changes to domestic authority structures and practices. If external actors are focused on enhancing their own security by changing leaders or policies, then there will be no institutional change. Even if external actors are focused on institutional change, they will not accomplish their objectives unless their goals are compatible with those of a set of political leaders in target states.

When imposition does work, it works only because external actors have been able to ally with political elites in the target state—either members of the old regime (such as Emperor Hirohito in Japan) or dissidents who could attract substantial domestic support (such as Conrad Adenauer in Germany). Sanctions can work if they have sufficient impact on the incentives facing leaders in target states; these leaders may capitulate to external coercion if they conclude that they are better off implementing institutional changes or improving domestic practices than resisting them. Even though contracts are voluntary, they do not always work: their intent may be frustrated if leaders in target states have no interest in faithfully implementing them. These findings suggest that the most useful theoretical approach for understanding political development is a perspective that focuses first on elite incentives rather than on institutional capacity or modernization theory. We develop these ideas by reviewing each of these literatures in turn, considering a body of research in each case that speaks first to the aggregate impacts of these instruments and then to insights about the conditions under which they are more likely to promote positive changes to democratic institutions and practices.

Of course, any assessment of the efficacy of different policies for achieving institutional change is complicated by the fact that these instruments are not deployed at random. Force is costly and may only be used for ambitious objectives (regime change as opposed to changing specific institutions or policies) when other policies have failed. It is necessary to separate the factors that lead a state to deploy a given policy tool in a given context from the impact of the policy

instrument itself. These issues of selection bedevil the literature on external influences, although creative new approaches to isolating causal effects are being developed. We discuss these issues in more detail after our consideration of imposition, coercion, and contracting. We then conclude with reflections on research design and suggestions for future research.

## IMPOSITION

Efforts to forcibly impose regime change have occurred throughout the several-hundred-year history of the modern state system. In an anarchical system, changing the domestic regime of another state has always been a policy option. It is a topic, however, that until recently has not drawn the attention of many international relations scholars.

The study of FIRC has not coalesced around a single definition or analytic approach. Regime change has been defined in terms of changing the leader or changing the nature of the regime, or both. With regard to the instruments used by intervening states, some studies have looked only at cases of actual invasion and occupation; others have included threats and support for local opposition. With regard to the outcomes of regime change, most studies have focused on democracy, but some have examined the imposition of other regime types and the duration of peace after a foreign intervention. Some authors have focused on the motivations for regime change, and others on whether these efforts were successful.

Regardless of definition, FIRCs are costly. For a threat to be credible, the initiator must invest in or redeploy material resources; if these efforts are successful, the target government and its leaders will be worse off, out of power, or dead. The intervening state may have to provide support to the new regime or leader. In any FIRC, there must also be some complementary bargaining process, since the external actor, who is not engaged in annexation or colonization, must conclude an agreement with some local interlocutors, elements of the old regime, or dissidents.

One empirical issue has been to determine the frequency of efforts to forcibly change regimes. Downes & Montan (2013) identify 96 FIRCs in the period 1816–2008, which they operationalize as a situation in which an external actor is primarily responsible for the removal of the leader of the target state and/or a change in its regime, even if this was achieved through threat or support for opposition groups rather than direct intervention. Examining a longer period, Owen (2010) identifies 209 attempts at FIRC in the period from 1555 to 2010. Lo et al. (2008) find 33 or 37 FIRCs (depending on the underlying database) for the period 1914–2001, but they are only examining FIRCs that are associated with the termination of wars. Some scholars have focused only on great power interventions. For the period 1946–1996, Pickering & Peceny (2006) identify 79 hostile interventions by the United States, United Kingdom, United Nations, and France. Thus, with the exception of Pickering & Peceny, who embrace a broader definition of military intervention than other studies, the empirical literature indicates that on average a FIRC has occurred less than once a year. Given the number of states in the international system this is not a very big number, but it is not trivial either.

A more specific question associated with outcomes is whether external efforts to impose new institutional structures are associated with democratization. Despite the variation in definitions and analytic approaches, there is consistency in the findings across different studies. FIRCs carried out by democratic states do not have a positive impact on democratization unless there is a dedicated effort to support democratic change (e.g., by promoting free and fair elections), as opposed to deposing a specific ruler but leaving preexisting institutions in place. Even where an effort focuses on democratization, however, democratic change is only modest at best (as measured by the Polity scale), and most target states remain autocracies or anocracies. The exception is when target states have already achieved a relatively high per capita income and are ethnically homogenous. In these

cases, intervention has contributed to the creation of consolidated democracy. Germany, Japan, and Panama are the exemplary cases.

These general findings emerge from studies of interventions by democracies in which scholars measure changes in the level of democracy over time and associate it with the presence (or absence) of external intervention of some form. For example, Pei & Kasper (2003) find that the United States was successful in promoting democratic change in only 23% of the cases in which it intervened. Peceny (2010) finds that the United States consistently supported democracy in only 25 of its 93 interventions. He defines a proliberalization policy as active support for free and fair elections plus the promotion of at least one of the following: “centrist political parties, reformist interest groups, reductions in human rights abuses, and/or formal subordination of the military to civilian authority” (p. 15). In these 25 cases, 15 were democracies one year after intervention and most remained so after 10 years. He finds no cases of successful democratic intervention before World War II. Pickering & Peceny (2006) examine all military interventions by major powers and the United Nations since 1946; of the 79 hostile interventions that could be construed as FIRCs, only eight were associated with a positive movement toward democratization. None of the hostile interventions by the United Kingdom were associated with an improvement of the Polity scores of target countries. A hostile intervention by the United States increased the chances that a state would democratize by 18%, but this result is entirely driven by three cases: the Dominican Republic in 1960, Panama in 1989, and Haiti in 2003. Pickering & Kisangani (2006), using the same definition of intervention, find that hostile interventions against autocratic regimes do promote democratization, defined as a two-point movement along the Polity scale (there are 31 cases in their study, which covers the period 1960–2002). They too note that the results are driven by a small number of cases. A two-point improvement still leaves most countries classified as autocratic or anocratic.

One possible reason for the limited aggregate impact of FIRCs on democratization is that some intervening governments are more interested in securing compliant partners than promoting democratic change. Studies that treat all intervening powers as sharing similar motivations may be missing a crucial element of the story. Bueno de Mesquita & Downs (2006) argue that despite the liberal rhetoric accompanying many interventions, political leaders in democracies are primarily interested in putting compliant leaders in place. Compliance is more likely with autocratic rulers than democratic ones because autocrats do not have to be responsive to a large selectorate they cannot control. Using a very broad definition of all interventions for the period 1946–2001, Bueno de Mesquita & Downs find evidence that intervention is associated with an erosion of democracy. Boix (2011) underscores the importance of these international dimensions of democratization, demonstrating that democratic waves are spurred during periods in which all of the major powers in the international system are democratic and thus great power politics does not foster interventions to install or protect compliant, autocratic regimes.

The success of efforts to impose a democratic regime may also depend on conditions in the target country. Downes & Montan (2013) examine all FIRCs by democratic states from 1816 to 2008. In their definition, a FIRC can be the result of an invasion, a threat, or support for dissident groups that overthrow the regime. They find that conditions in the target state are a critical determinant of outcomes. Countries with per capita incomes below \$1,200 experience a reduction in their Polity scores after a FIRC, whereas those with incomes above \$2,500 experience an improvement. Measures of democracy also improve in countries that are ethnically homogenous. As in the other studies, FIRCs have led to consolidated democracy only in a small number of cases, all relatively wealthy and ethnically homogenous states.

Although this is a relatively new literature, the recent studies of the impact of FIRCs on democratization suggest that imposition creates consolidated democracies only if very specific



conditions are in place. Higher levels of wealth and a more homogenous social landscape make it more likely that external interveners will be able to identify local actors with which they can cooperate. Also, motivations matter: democracy promotion must be a motive of the intervening state. This conclusion is supported by Boix's powerful finding that the conventional predictions of modernization theory—more development, more democracy—were frustrated during the Cold War by American support for anticommunist autocracies.

## COERCION

Economic sanctions are the prime example of coercion. If the target government capitulates to threats, it will be worse off. If sanctions are implemented, both the target and the implementer will be worse off, at least along some dimensions. (Usually the initiator will have to bear some economic costs, although these are counterbalanced by changes in the target's policies or institutions or by weakening of the target's capabilities.) As Hirschman (1945) pointed out in his classic work, *National Power and the Structure of Foreign Trade*, a threat to impose sanctions will only be credible if the relative opportunity costs of change are highly asymmetrical—if the target would suffer much more than the initiator, and the initiator can make the target believe that it is willing to suffer, at least a little. Most of this literature on sanctions has focused on whether sanctions impact the international political goals of a target government; however, some work explores the impact of coercive pressure on the stability of autocratic regimes and the prospects for democratic governance.

The conventional wisdom on sanctions, which emerged in the 1980s, was that sanctions are usually ineffective. Two important studies framed subsequent discussions. Baldwin (1985) concluded that what he called negative sanctions might be the best of a bad set of policy choices. Given no better options, policy makers might impose negative economic sanctions to mollify political sentiment within their own country even if they had little expectation that sanctions would achieve their stated goal. Hufbauer et al. (1990) analyzed about 100 cases of sanctions that occurred after 1914 and concluded that sanctions achieved their objectives about 34% of the time, but success was more likely when the demands were modest. Both Baldwin and Hufbauer et al. included efforts to change the international political goals of target countries as well as their patterns of domestic governance. A reanalysis by Pape (1997) of the Hufbauer et al. data concluded that the success rate was much lower (less than 5%), if cases where success was influenced by other factors were discounted.

More recent studies have continued to draw negative conclusions about the utility of sanctions. Sanctions may have unintended negative consequences. They may worsen economic conditions and basic human rights without weakening the position of the regime. Sanctions against Iraq in the 1990s hurt the population but did not change the policies or institutions of the regime (Drezner 2011). Wood (2008), using a database covering 157 countries for the period 1976–2001, concludes that economic sanctions led to increased political repression in nondemocratic regimes: confronted with external threats and reduced resources, nondemocratic leaders harden their grip. Peksen (2010), examining the same period, finds that sanctions, especially broad-ranging multilateral sanctions, result in a decline in press freedom and allow autocratic regimes to more easily limit exchange with the outside world.

However, a number of studies challenge the prevailing view and reach more positive conclusions about the efficacy of economic sanctions. Marinov (2005) focuses on regime duration and finds that sanctions increase the baseline risk that a leader would lose power by 28%. The risk is higher for democratic states. Importantly, Marinov points out that the threat of sanctions, even a tacit threat, may prompt at least policy changes in target countries. (Sanctions are less effective if they are targeted at wholesale institutional changes, which are more costly for political leaders in target

states to implement.) Studies that look only at the actual application of sanctions completely miss the possibility that if the initiator can make a credible threat with full information, the target will capitulate without sanctions having ever been imposed (see also Drezner 2003). Marinov concludes that “the cases of Cuba, Iraq, and North Korea are anything but typical. Long-run sanctions against some of the world’s most vicious regimes have done much to obscure the average effect of economic sanctions. Such cases constitute highly atypical outliers in a set of pressure episodes which are, typically, associated with greater government instability” (Marinov 2005, p. 575).

As in research on FIRC, studies that have differentiated across domestic conditions in target states have reached more positive conclusions about the efficacy of sanctions. Kirshner (1997) argues that it is necessary to look at the impact of sanctions on specific groups within countries; if the sanctions hurt groups on which the ruler depended, they could be effective. Wood’s (2008) very negative overall assessment of sanctions is limited to nondemocratic states. Marinov (2005) argues that democratic political leaders are more likely to lose power as a result of sanctions because of the broader base of support to which they must appeal. Using the Hufbauer et al. dataset, Lektzian & Souva (2007) also conclude that costly sanctions are more likely to succeed against democracies, with regard to policy but not institutional changes. When such sanctions are imposed against autocracies, they increase rent-seeking opportunities and the costs are pushed on to the broader population. Thus, ironically, sanctions appear to strengthen the institutional foundations of autocratic regimes by enhancing the regime’s ability to extract resources, whereas in democracies they are more likely to influence specific policies or a leader’s tenure in office.

Regime type matters, but simply distinguishing between democratic and autocratic regimes may be too crude. It is also necessary to distinguish among autocratic regimes (Escribà-Folch & Wright 2010, 2013). Using a typology of autocratic regimes drawn from Geddes (2003), Escribà-Folch & Wright argue that the efficacy of foreign economic pressure depends on whether it is directed against a personalistic, military, or party-based autocratic regime. They examine all sanctions against autocratic regimes for the time period 1960–1997 and find that only personalistic rulers are vulnerable. Personalistic autocrats depend on trade taxes, foreign aid, and raw materials rents that can be targeted by economic sanctions, and repression is not an attractive option because it increases their dependence on the military. Even if sanctions are more likely to lead to the overthrow of a personalistic autocratic ruler, they are not associated with a transition to democracy. Consistent with other studies, Escribà-Folch & Wright find that sanctions against personalistic autocratic regimes cause significant harm to the general population. Sanctions do not work against nonpersonalistic autocratic regimes. Military and party-based autocratic regimes are able to increase repression and raise domestic revenue. They can target expenditures to their own domestic supporters, safely ignoring and impoverishing the rest of the population.

In summary, economic sanctions appear largely ineffective in promoting democratic change. Again, however, the most powerful insights come from exploring the conditional effects of outside pressure. Democracies are more vulnerable to pressure because sanctions can weaken electoral support for incumbents; in contrast, sanctions designed to change authority structures in autocratic states have not been successful against military or party-based autocracies. Sanctions may even reinforce repressive structures. Sanctions can lead to the removal of personalistic autocratic rulers, but even then they are not associated with a sustained transition to democracy.

## CONTRACTING

Institutional change can also be accomplished by contracting, which can take a wide variety of forms. This section reviews some of the most prominent instruments: election monitoring, foreign aid, human rights agreements, and BITs and PTAs. Unlike FIRC, contracting arrangements are



generally targeted at specific domestic institutions and practices, and are not designed to alter the nature of the regime as a whole.

## Election Monitoring

The institutional arrangements associated with elections are a key aspect of any democratic system, and although elections are entirely under domestic jurisdiction, there has been a growing trend toward greater international involvement in the elections process (Kelley 2012a). Election monitoring has received more attention in the literature than any of the other practices associated with improving elections. Monitors use international standards as a benchmark in their reporting and generally issue a public verdict of election quality, including specific documentation of fraud and other concerns along with recommendations for improvement. Advocates for election monitoring hope that independent, objective assessments of election quality will prevent fraud, spur domestic mobilization and facilitate international action when violations of electoral rights occur, and reinforce the institutional structures that underpin credible elections (Hyde 2007, Fearon 2011, Kelley 2012b).

A burgeoning empirical literature on election monitoring and observation looks for evidence that the presence of electoral monitors improves the conduct of elections. Selection has been an important concern: it is unlikely that the presence of election monitors is randomly assigned. Going forward, however, selection may be less of a concern. Nearly all countries now invite monitors to observe their elections, although the characteristics and intentions of these observers vary. Most governments now realize that they are better off bearing the potential costs of an unfavorable report from observers than sending an unambiguous signal of their intention to commit fraud by refusing to have observers (Hyde 2011).

Scholars are exploiting two forms of variation to identify the effect of election monitors. First, historically, some countries have welcomed observers and others have not. Kelley (2012b) uses this cross-national variation, and genetic matching techniques to approximate random assignment, to show that monitored elections are of higher quality and result in greater rates of turnover, although the effects are conditional: countries in transition, without winner-take-all systems, are the most likely to exhibit improvements. Kelley also shows that greater impacts are likely if monitoring bodies can credibly threaten punishment or promise rewards. The quality of elections in autocracies is largely unaffected by election monitoring, especially when the regimes have strong external support.

Other scholars have turned to subnational variation in an effort to isolate the impact of monitoring. Hyde (2007) reports on the results of a natural experiment in Armenia in which the assignment of monitors to polling stations approximated random assignment. Her dependent variable is the vote share of the incumbent presidential candidate. The data suggest a substantial, positive impact of election monitoring. The presence of international monitors reduced the vote share for the incumbent by 5.9% in the first round and more than 2% in the second round. Similar results have now been found elsewhere. For example, Callen & Long (2013) ran an experiment in Afghanistan in which a random sample of 235 polling centers were informed that a new fraud-detection technology would be deployed. The technology was actually deployed in all polling stations. The results are even stronger than in Armenia: Callen & Long observed a 25% reduction in vote share for the dominant candidate and a 60% reduction in the theft of election materials in polling stations forewarned of the new fraud-detection technology.

An obvious challenge for the subnational research is external validity. If we want to know the conditions under which monitoring works, isolated studies of single countries offer us little leverage.

It is possible that monitors displace fraud rather than deterring it. Ichino & Schündeln (2012) designed an experiment as part of Ghana's voter registration process to assess the degree of displacement. Their study, like the others, finds a positive effect of monitoring: increases in registration are smaller in constituencies with observers, and these effects spill over to neighboring constituencies within the same electoral areas. However, Ichino & Schündeln also find that some of the deterred registration is displaced to nearby electoral areas. Beaulieu & Hyde (2009) argue that the rise of election monitors has provided an incentive for electoral autocrats to shift from blatant rigging to other forms of electoral manipulation, leading to more frequent opposition boycotts. In subsequent work, Kelley (2011) challenges this finding, suggesting that when one properly accounts for selection effects and conditions on the credibility of the monitoring organization, election monitors are associated with a lower likelihood of boycotts. Hyde & O'Mahony (2010), also in a cross-national context, provide evidence of greater pre-election fiscal manipulation in countries with monitored elections, suggesting that governments shift away from electoral fraud toward other means of increasing their vote share when monitors are present.

In summary, it is too early to tell whether the rise of election monitoring is likely to result in a sustained increase in the quality of domestic elections. There is some evidence of its initial efficacy, especially in transitional countries where the costs of a fraudulent election are high in terms of continued donor support or accession to regional and international bodies. However, now that almost all countries with elections invite monitors, and have their choice from among monitoring bodies of highly variable quality, concerns about the displacement of fraud and the risk of legitimizing low-quality elections are likely to increase.

## Foreign Assistance

Foreign aid might have a positive impact on the quality of democratic governance for several reasons. Technical assistance might increase the capacity of state institutions. To the extent that donor governments use their leverage and influence to secure reforms, foreign aid (or the threat of its withdrawal) can also affect the incentives of domestic elites with regard to institutional arrangements as well as specific policies and practices. Finally, democratic institutions might be indirectly strengthened by support for civil society, including the media and watchdog groups.

A number of scholars are skeptical, however, and identify ways in which foreign assistance might weaken institutional capacity. One set of arguments emphasizes that foreign assistance can lead directly to inefficient public spending, bloated and corrupt bureaucracies, and increased rent-seeking (Burnside & Dollar 2000, Remmer 2004). Others emphasize the parallels between foreign assistance and natural resources, suggesting that nontax revenue weakens the accountability relationship between governments and citizens, thereby undermining institutions and rights protections (Bräutigam & Knack 2004; Morrison 2007, 2009; Djankov et al. 2008; Bueno de Mesquita & Smith 2009). A final set of arguments underscores the political motivations of donors, highlighting that donor governments might explicitly seek to prolong the rule of poorly functioning or autocratic governments (Dunning 2004, Dreher et al. 2011).

It is difficult to find consistent effects of aid on governance in the aggregate. The first major study of the aid–governance relationship found little impact (Knack 2004). Some subsequent work has identified harmful effects of aid on institutional quality (Bräutigam & Knack 2004) and democratization (Djankov et al. 2008), whereas other studies suggest a positive linkage between aid and democratization (Goldsmith 2001, Dunning 2004, Wright 2009). Finkel et al. (2007), focusing on US investments in democracy assistance, find a moderate positive effect on democratization.

As with efforts to gauge the impact of other tools of international pressure, the mixed findings on the effect of foreign aid are not surprising. Studies seek to uncover the average impact of a particular

form of intervention, but we have strong reasons to believe that the average effect is not very informative. Given the diversity of motivations of donors and the heterogeneity across recipient countries, the impact of foreign aid on governance is likely to vary across contexts and countries.

For example, the literature that takes seriously questions of donor motivation generates more optimistic findings about the impact of aid. If donor governments care about the quality of governance or the openness of a political system, they can direct resources to support those ends and use their leverage to incentivize institutional reforms. However, if donors care more about using assistance to secure cooperation on geopolitical priorities, they may simply bolster rent-extracting autocratic rulers.

Earlier findings in the literature showed that recipient country need and other government characteristics were often not the most important determinants of aid flows (Alesina & Dollar 2000, Neumayer 2003, Easterly & Pfutze 2008). But it appears that donors are becoming “smarter,” distributing different types of aid depending on the environment they encounter. Specifically, there is evidence that donor countries have more rigorously adhered to conditionalities in the post–Cold War period (Boulding & Hyde 2008, Claessens et al. 2009, Bearce & Tirone 2010) and are now allocating aid in ways consistent with a greater priority on policies and governance (Dollar & Levin 2006, Winters 2010, Wright & Winters 2010).

New research is also demonstrating that aid has a more positive impact on governance structures when and where donors are willing to use conditionality. For example, several papers suggest that aid is associated with a positive impact on outcomes in the post–Cold War period, including democratization (Dunning 2004) and economic reform (Heckelman & Knack 2008, Bearce & Tirone 2010). Girod (2008) exploits the difference between multilateral and bilateral aid to show that multilateral aid is more likely to strengthen institutions and spur growth in postconflict countries because strategic interests are less likely to be at play (see also Montinola 2008). Finally, a survey of 640 policy makers and practitioners working in 100 developing countries found that the eligibility criteria for the Millennium Challenge Account have encouraged institutional reform, most strongly in states designated as threshold countries (Parks & Rice 2013).

The efficacy of aid as a tool for strengthening governance depends not only on donor motivations but also on the interests of elites in recipient countries. Wright (2008, 2009, 2010) examines how the impact of aid differs across types of authoritarian regimes (see also Kono & Montinola 2009, Licht 2010). Although much of Wright’s work focuses on economic growth, the channel of impact is through policy choices that have implications for institutional change. In this sense, it speaks to the question of whether aid flows can be an incentive to reform. Focusing on the importance of time horizons, Wright (2008) argues that the impact of aid depends on how the regime is likely to use the resources. Dictators with short time horizons are more likely to consume resources whereas those with long time horizons are more likely to invest them. Wright demonstrates a correlation between foreign aid and economic growth for leaders with long time horizons, suggesting that aid prolongs stable authoritarian regimes. Likewise, in an examination of democracies, Wright (2010) shows that foreign aid effectiveness depends on the degree to which electoral rules create incentives to cultivate a personal vote. In these environments, aid is associated with a reduction in spending on public goods and a negative effect on growth. Wright interprets this as evidence that aid is fostering particularistic spending and perhaps corruption. Wright (2009) also demonstrates that, for a certain class of autocracies, aid is associated with democratization. Specifically, he highlights the importance of understanding the distributional coalition that supports authoritarian regimes. Where it is large, and regime leaders can reasonably expect to win a democratic election (e.g., in single-party regimes), foreign aid provides an incentive for democratization. These results are even stronger in the post–Cold War period, when conditionality becomes more meaningful.

Finally, Girod & Tobin (2011) demonstrate that governments that depend on donors to maintain their power are likely to comply with aid agreements, whereas those with sufficient sources of nonaid revenue are not. Compliance, in their analysis, involves adherence to World Bank conditionalities, which only sometimes include governance. Relatedly, Johnson & Zajonc (2006) show that aid can trigger governance reforms when offered as an incentive. Exploiting a threshold for access to aid funding through the Millennium Challenge Corporation, they show that countries just below the threshold are significantly more likely to improve their performance on a range of indicators, including the quality of governance, than those just above the threshold.

In the aggregate, there is no strong evidence that aid is beneficial or corrupting for governance. However, the aid–governance relationship appears to be conditional. It depends on the motivations of donors and on the interaction between nontax revenues and domestic authority structures. There are conditions under which aid promotes institutional capacity and even democratization, but they are narrow: donors must prioritize governance outcomes, and, for greater political openness, recipient governments must not face too much risk in liberalizing their political systems.

### **International Human Rights Regimes**

In recent decades, the vast majority of states have agreed to a complex web of interlocking legal regimes, both universal and regional, designed to promote and protect universal human rights. These treaties stipulate norms and rules for genocide, torture, civil and political rights, and the rights of various protected groups.

As with other policy instruments reviewed in this article, the goal of the international human rights regime is to change domestic authority structures by establishing specific standards. Monitoring, however, varies across treaties and there are no global enforcement mechanisms. States that ignore their obligations may go unpunished. This stark reality raises important questions about efficacy (Hafner-Burton 2012).

The first statistical studies of treaty impact found no relationship between ratification and human rights protections. For example, Keith (1999) examined the International Covenant on Civil and Political Rights and found that ratifiers were just as likely to restrict political freedoms as were governments that did not sign the treaty. In an analysis of a wide range of treaties and conventions, Hathaway (2002) concluded that “treaty ratification often appears to be associated with worse human rights practices than otherwise expected” (Hathaway 2002, p. 2,004).

Countries join human rights treaties for many different reasons. Unsurprisingly, countries that have a deep commitment to democracy and that hold Western values consistent with those enshrined in the various treaties are more likely to ratify (Simmons 2009). Newly democratizing states are also more likely to participate, supporting the view that treaty accession or membership may be supportive of or even facilitate legal and institutional reforms and associated policy changes (Moravcsik 2000, Cole 2005, Simmons 2009, Hafner-Burton et al. 2013). At the same time, there is evidence of strategic or insincere ratification. Hathaway (2002) found that nondemocratic states were just as likely to ratify, a finding reinforced by Hafner-Burton & Tsutsui (2007). Authoritarian and repressive leaders tend to join treaties later in their rule, when the likely consequences of membership are weaker (Simmons 2009). Some repressive governments may even join to signal their resolve. Hollyer & Rosendorff (2011) suggest that dictators diminish the resistance of the opposition by sending a costly signal of their intention to remain in power through the use of international treaty commitments and the willful violation of their provisions.

These heterogeneous motivations have been a focus of much of the literature for good reason. In the absence of an understanding of who participates and why, it is hard to disentangle the

impact of treaty membership from the characteristics of countries that choose to become members. Recent research has taken the selection problem seriously and employs more sophisticated statistical models to discern whether these regimes actually improve human rights protections. A key finding is that the impact of international legal instruments depends on domestic political conditions. In particular, Simmons (2009) identifies improvements in specific human rights practices among a set of partially democratic transitional states that joined human rights treaties. This is in contrast to postratification practices in the rest of the world, which exhibit little change. Simmons suggests that these positive impacts are a consequence of the ways in which treaty membership changes domestic politics: by influencing elite agendas, provoking litigation in national courts, facilitating political mobilization, and creating new coalitions that push for the protection of these rights.

Her findings are consistent with earlier studies that show greater improvements in human rights in ratifying countries with a robust civil society that can push for policy change and prevent treaties from becoming empty promises (Hafner-Burton & Tsutsui 2005, Neumayer 2005). New work extends this focus on domestic politics to the judicial branch. Lupu (2013a), for example, argues that the impact of the judiciary depends not only on its independence but also on the legal standards of evidence needed for prosecution. Where admissible evidence is readily available and standards of proof are lower, as for violations of civil and political rights, the judiciary plays a critical role in ensuring government compliance. Of course, governments cognizant of the fact that courts can play this role may be resistant to treaty ratification (Powell & Staton 2009).

Although there is some disagreement about the conditions under which human rights treaties improve human rights practices among democracies, there is a consensus that legal instruments do not improve (and may even worsen) behavior among autocracies. Hafner-Burton & Tsutsui (2007) undertook the most systematic study of international law and human rights practices among autocracies. They find that “treaty commitments to the pursuit of justice have no clear or independent effects on most very repressive states’ behaviors, either immediately or, more importantly, long into the future” (p. 409). However, differences in political structures across authoritarian regimes have not yet figured into most empirical work.

In short, participation in the international human rights regime does not universally correlate with improvements in domestic practices. Participation is now so widespread—and enforcement mechanisms so weak—that a given treaty’s membership includes a wide diversity of governments, some committed to compliance and others ratifying with no intent to implement. That said, the literature reveals that the impact of the international human rights regime depends on domestic conditions. In particular, in newly democratizing countries, the decision to sign treaties can facilitate governmental efforts to reform human rights institutions, laws, and associated practices; empower the courts to lock in improvements; and generate political pressure for implementation.

## **Trade and Investment Agreements**

States enter into trade and investment agreements for various reasons, including a desire to increase their economic potential, strengthen domestic institutions and practices, and conform with international logics of appropriateness. Over the past 50 years, thousands of treaties related to international investment and trade have been concluded. The most prominent forms are BITs, of which there are approximately 2700; PTAs, of which there are more than 300; and international and regional agreements such as the World Trade Organization (WTO) (Jandhyala et al. 2011).

BITs are legally binding accords that address three issues: first, the rules under which foreign direct investments can flow into a country; second, treatment of those investments; and third, provisions for dispute settlement. BITs generally solve a market failure problem by creating new

institutional arrangements. They make it possible for political leaders in countries with weak rule of law to make credible commitments to foreign investors. Governance is essentially outsourced when arbitration by international panels, whose findings are enforceable in third-party courts, is obligatory.

In this context, BITs might or might not have a positive impact on the quality of domestic institutions. On the one hand, the practices of international panels or foreign courts might provide a model for domestic institutions; reformers in developing countries might see BITs as a mechanism that could strengthen governance more generally. On the other hand, BITs might allow political leaders to perpetuate rent-seeking institutions by walling off questions related to foreign investment from the rest of the legal system. Because they are so widespread and routinized, BITs might also conform with a logic of appropriateness: leaders might sign them because that is something states do, regardless of their impact on investment.

There is a rich empirical literature on BITs, although much of it focuses on the direct impact of treaties on investment flows, not institutions or governance (e.g., Bütte & Milner 2008). With regard to economic activity, BITs, and trade agreements with investment clauses, have led to an increase in direct foreign investment. However, the impact of BITs on the quality of national institutions has only begun to be investigated, and much of the work is unpublished. Rosendorff & Shin (2011) focus on why some countries choose to sign BITs and demonstrate that countries with a weak rule of law are much more likely to accede to a BIT, consistent with the need to import credible legal protections. Also, when controlling for this endogenous selection, they find that BIT accession increases the inflows of foreign direct investment for those countries with the weakest rule of law. This kind of evidence, however, does not directly reveal how domestic and foreign investors might be affected differently by a BIT. Tobin (2007) argues that outsourcing property rights protection has corrosive effects on the domestic rule of law. By insulating foreign investors from national legal processes, BITs effectively weaken the constituency for meaningful changes to domestic structures. The result, she suggests, is that foreign investors have their property rights protected, and domestic investors are no better off. She provides evidence of this relationship by demonstrating that BITs positively impact foreign investors' perceptions of property rights protection but negatively impact the perceptions of domestic investors.

Like BITs, international and preferential trade agreements (PTAs) involve commitments to liberal economic policies. These commitments are public. They often require changes in national law. In some cases, actions are subject to international review, as is the case for members of the WTO. PTAs have included provisions for dispute settlement and direct foreign investment. As with BITs, the decision to enter into trade agreements may be motivated by a desire to increase trade and investment, to change or insulate domestic institutions, or to conform with international logics of appropriateness.

International trade agreements do increase international trade (Tomz et al. 2007). But we know of almost no research on the impact of PTAs on the structure of domestic institutions. The closest research agenda explores the impact of PTAs on states' human rights practices. Hafner-Burton (2005, 2009) argues that PTAs that lock in hard human rights standards, and offer meaningful material benefits to participating states conditional on meeting those standards, change the incentives of repressive actors and lead them to implement reforms that would not otherwise be implemented. She provides qualitative and statistical evidence that binding trade agreements—with human rights conditions—lead to decreases in state repression. The evidence does not point to changes in institutional structures per se, but rather to changes in state practices. It is clear that BITs and trade agreements can outsource governance to third parties and provide incentives for behavior change, but whether this improves or weakens institutional structures in signatory states requires more thorough investigation.



## PRELIMINARY CONCLUSIONS

The literatures on specific policy instruments provide at least a preliminary foundation for a more general assessment of external efforts to influence how regimes govern domestically. First, it is apparent that some approaches are (in general) more effective than others: contracting often works, coercion sometimes works, and imposition rarely works. Second, the motivation of initiators matters: to be effective, intervening states must be committed to promoting changes in institutions and practices as a primary objective. Third, conditions in the target state are consequential: higher levels of development facilitate institutional change, and elite motivations, at least among a subset, must be aligned with the goals of external actors.

Contracts, which are focused on specific domestic institutions and practices—not broader regime change—are more likely to achieve their objectives because all parties can benefit. The empirical evidence indicates that some political leaders in target states are using contracting mechanisms to strengthen their own democratic practices and/or improve governance structures. For example, countries are inviting election monitors to signal their commitment to free and fair electoral processes and to engage outsiders in monitoring their performance; governments are joining international human rights treaties to lock in policy changes; and political leaders are using aid dollars to strengthen domestic political institutions. When the incentives of external actors and target governments are aligned, contracting provides mechanisms that enable both to realize the institutional changes that they seek.

Where there is no clear win-set that can be achieved through voluntary contracting, coercion or imposition are the only options for external actors interested in altering the nature of domestic institutions in target states. It is not surprising that these tools, especially imposition, are less effective. They require greater investment from external actors; they may pursue very ambitious objectives, including regime change; and their ends are often in direct conflict with the interests of dominant local elites.

Contracts, however, are not always consequential; they may reflect logics of appropriateness rather than logics of consequences. Governments may sign treaties and adopt standards because they want to appear modern, to do what other modern states do (Meyer et al. 1997). Governments receive a variety of signals from other states, international and regional organizations, nongovernmental organizations, and professional organizations about what constitutes appropriate state organization and behavior. For example, because nearly all governments that hold elections invite external monitors, this mechanism has become a part of what constitutes appropriate state behavior, regardless of whether it produces better outcomes. Many developing countries signed BITs even though they had no capital to invest. Almost all nondemocratic countries are signatories to international human rights treaties, even though they have no commitment to improving human rights. Contracts with no credible enforcement mechanism make it possible for governments to sign onto the right standards without being held accountable for failing to meet them. In short, the success of contracting mechanisms cannot be assumed; direct evidence of impact on the outcomes of interest is essential.

Over time, the literature has moved from examining average effects (e.g., Does aid promote democracy? Do human rights treaties reduce repression? Do economic sanctions undermine autocracy?) to elucidating what factors condition the impact of various tools of international pressure. Two factors have emerged as particularly important: the intentions of initiating states and the interests and capabilities of target states.

The first relates to the objectives of the initiating state. Does the initiator want to change domestic governance institutions? Many instruments are deployed with multiple objectives in mind, or in environments in which achieving policy compliance—on an external issue important

to the initiating state—and improvements in governance may conflict. For example, when in competition with powerful autocracies, democracies are more likely to prioritize the pursuit of compliant allies over the growth and strengthening of democratic institutions (Boix 2011). When there is international competition between democratic and autocratic states, democracies may block democratic transitions that would otherwise have taken place, if autocratic rulers are seen as being more reliable allies. This kind of dynamic plays out in the empirical findings on different policy instruments as well. Peceny (1999) provides evidence that FIRCAs are more likely to improve democratic governance when that is a primary objective of the intervening state. And the very mixed findings on the impact of aid on democracy and governance are easier to understand when one accounts for the different motivations that drive assistance; with a shift in donor motivations after the Cold War, there is stronger evidence that aid improves democratic governance.

The second factor relates to the capacity or incentives of political elites in the target state to promote meaningful democratic reform or improve governance in specific areas. Broadly, scholars have adopted two implicit models for thinking about how domestic factors shape the impact of external action: modernization theory, which emphasizes the link between socioeconomic conditions and democratization, and theories that emphasize the incentives of political elites. Scholars who work on the impact of FIRCAs have identified economic development as a key determinant of outcomes. For example, Downes & Monten (2013) point to the level of a country's development as the critical determinant of whether an external intervention generates movement along the Polity scale toward the democratic pole. Poor countries become more autocratic when outsiders impose a regime change, and richer countries become less autocratic. Beyond the statistical evidence, important historical cases figure centrally in these claims, especially Germany and Japan. Gross domestic product per capita could proxy for a larger middle class, one of the social foundations for democracy; it could also represent a measure of the state's institutional capacity.

A second approach focuses on national elites. The behavior of elites is determined by their domestic support coalition and by the incentives offered by external actors. These support coalitions, in turn, are a function of the targeted states' regime type. The literature on sanctions is illustrative. For example, Marinov (2005) emphasizes that economic sanctions are more effective against democratic leaders because they are more dependent on a broader support base that can be vulnerable to external pressures.

Geddes' (2003) distinction among single-party, personalistic, and military autocracies has led to a more refined understanding of the impact of economic sanctions on nondemocratic states. Escribà-Folch & Wright (2013) apply this framework to various tools, including economic sanctions, to understand the conditions under which external actors can most effectively undermine authoritarian regimes and promote democratization. Foreign economic sanctions are particularly dangerous for personalistic rulers. They are dependent on financial flows that can be constricted by external actors, and they cannot turn to the military, which they do not fully control. By contrast, autocratic rulers in single-party and military regimes can insulate their supporters from the costs of sanctions, effectively deploy coercion, and raise domestic revenues when access to external flows is cut off.

Similarly, in the literature on the international human rights regime, the distinction between democratic and autocratic regimes is salient, as are differences among democratic regimes. Treaty adherence does not change the behavior of autocratic regimes. In contrast, Simmons (2009) demonstrates that in partially democratic transitional states, treaty ratification can reinforce institutional arrangements that protect human rights by putting new issues on elite agendas, provoking legal action by individuals or groups in national courts, and spurring political mobilization and coalition formation by nongovernmental groups. Ratification of human rights treaties has less impact on mature democracies that have already instantiated such norms in their domestic

legal systems. New research is focusing in an even more refined way on the mechanisms through which international obligations can be used by plaintiffs and the courts to bring about institutional changes (Lupu 2013a).

These new approaches to thinking about the impact of external policy instruments all share a common thread: improving governance from the outside in requires understanding the incentives of domestic elites and the nature of their support coalition. Initiating states have a variety of tools at their disposal to change or influence the choices of local actors, but their effectiveness depends on leveraging those instruments that alter incentives in powerful and lasting ways. Recent scholarly work is consistent with a general model of domestic governance that hinges on self-enforcing agreements among domestic elites and with the masses. Slow-moving processes of modernization and institutional change are consequential because of their impact on elite structures and incentives. Further progress on this agenda will require a deeper engagement with the scholarship on the domestic politics of regime transition, just as scholars of comparative politics increasingly recognize the influence of external forces.

## FRONTIERS OF RESEARCH DESIGN

Just as the theoretical landscape is changing, so too are empirical approaches. Rich datasets are now widely available that provide a comprehensive record of military interventions, coercive sanctions, foreign assistance, organizational membership, and treaty participation. Scholars have used this documentary record to explore associations in the data and to draw inferences about the conditions under which these external influences prove consequential in changing institutions.

Even with better data, however, selection bias remains a fundamental challenge. It is clear that countries do not decide whether to use economic sanctions or provide foreign assistance on the basis of a flip of a coin. What intervening governments do, and how much effort they exert, is shaped by a wide range of factors, including their expectations about the likely impact of the policy instrument. Also, no one believes that countries sort into human rights treaties or election monitoring organizations at random, which is why so much attention has been given to examining the determinants of participation in contracting mechanisms.

A few examples serve to make the point. Downes & Monten (2013) challenge the finding that interventions by democratic states, which make robust institutional changes in target states, are more likely to lead to democratization. In trying to replicate earlier work with new data, especially the findings of Peceny (1999), they show that the previous conclusions were likely a consequence of selection bias: more robust, prodemocratic interventions may have produced better outcomes because they were carried out in countries that were predisposed, because of other background conditions, to democratize. Taking these issues into account, through a more sophisticated matching method, reveals the importance of domestic preconditions—an omitted variable that was not accounted for in analyses that focused on the motivations and behaviors of intervening states alone.

Lupu (2013b) tackles the selection issues that bedevil analyses of the impact of international treaties. Because governments negotiate treaties and then decide whether to opt in, it is very difficult to separate the effects of a state's underlying interests from the impact of the treaty itself on subsequent state behavior. Prior research has attempted to account for these selection effects by introducing controls for omitted variables or using selection models to account for the determinants of treaty membership. Lupu demonstrates that these models still depend heavily on the proper specification of a model of why countries enter into treaties; a failure to account for a key omitted variable makes it difficult to identify the impact of the treaty. He uses the example of two key human rights treaties—the Convention Against Torture and the International Covenant

on Civil and Political Rights—to show how these problems continue to manifest themselves. Recent work has found that participation in these treaties is associated with a worsening in human rights practices (Hafner-Burton & Tsutsui 2005, Neumayer 2005), a puzzling and counterintuitive result. When Lupu (2013b) uses more sophisticated matching methods and includes a key missing variable, namely a state's underlying preference to join treaties, it becomes clear that human rights abusers join these treaties because they expect that they will not be constrained. The puzzling result is not due to any impact of the treaty itself.

Scholars try to account for the selection process in their empirical specifications, but, in this field especially, it is extraordinarily difficult to approximate an experimental design with the observational data available. An additional challenge, identified by Marinov (2005), is that researchers are not even in a position to observe the full set of interactions between initiating states and their targets. It could be that the threat of sanctions, for some countries, generates significant institutional or policy change on the part of domestic elites, but because we observe only the actual use of sanctions, we see one part of the data in which there is no relationship between the policy instrument and our outcome of interest. Researchers are well aware of these limitations, and most carefully describe the empirical strategies they adopt to account for omitted variables and reverse causation. The good news for this field is that creative scholars are finding new ways to study these relationships with research designs that improve our ability to draw causal inferences. Two strategies in particular are proving valuable.

First, a number of scholars have identified ways to leverage arguably exogenous sources of variation in the extent of external engagement and influence to identify reasonable control groups. Aronow et al. (2012) exploit the fact that European countries rotate through the presidency of the Council of the European Union, and that only some countries occupy the rotating presidency during the budget-making process. They find that if a target country's former colonizer is president of the Council when financial commitments are being made, the country is allocated substantially more aid than other countries that were not former colonies. Aronow et al. use this exogenous "bump" in aid to explore the impact of foreign assistance on human rights practices and the quality of governance, finding positive but short-lived effects. A related approach involves searching the historical record for instances in which the assumptions of a comparable treatment and control group can be more readily sustained. Acemoglu et al. (2011) examine the impact of the French Revolution on neighboring countries, as Napoleonic armies brought radical institutional changes in their efforts to conquer various parts of Europe. The authors' initial empirical approach—comparing places that were conquered to those that were not—looks like research designs in the FIRC literature, in that some underlying factors may account for why Napoleon's armies went one place and not another. But there are two crucial differences. First, the design focuses on explaining the impact of a particular form of intervention that is held more or less constant across targeted countries, whereas existing studies look at the average effect of foreign military interventions of all shapes and sizes. Second, the authors show that potential omitted variables that could account for the beneficial effects of French-imposed institutions—such as proxies for the growth potential of different areas—cannot explain where Napoleon's armies went. They also construct more careful treatment and control groups by examining variation within Germany, where some regions were conquered and some were not. Studies of this kind are limited in that they enable us to draw causal inferences only from a specific historical instance, but the precision is a welcome improvement over weak associations from cross-country data.

The second strategy involves the use of field experiments to make causal inferences about the impact of external pressure or policies on domestic institutions. For example, scholars have forged partnerships with international donors, local governments, and implementing agencies to conduct systematic evaluations of whether "community-driven development" projects improve the

quality of democratic institutions. Because these interventions are carried out at the local level, it is possible to randomly select a subset of communities that receive external assistance and to track outcomes in a control group as well. These studies are creative in measuring concepts such as community cohesion and the persistence of democratic norms and practices, often through innovative behavioral outcomes. The early field experiment studies have generated divergent findings. In Sierra Leone, Casey et al. (2012) find no evidence that community-driven development projects designed to support the growth of new democratic institutions changed anything about the social practices of rural communities, although the program they studied had a measurable impact on economic outcomes. In neighboring Liberia, Fearon et al. (2009) find the reverse: a community-driven development program generated greater community cohesion and a greater willingness to embrace democratic norms and procedures, although it had a limited impact on economic outcomes. In the Democratic Republic of Congo, Humphreys et al. (2013) find no appreciable impact of a massive institution-building program on any political or economic outcomes. Making sense of divergent findings across contexts is a challenge for scholarship that uses randomized controlled trials to identify causal effects, but the confidence one has in the specific findings is far higher. Similarly, Hyde (2007) has shown that these experimental approaches can be employed to study the impact of election monitors on the extent of fraud. Her efforts to randomize the assignment of election monitors at a subnational level have been replicated in Afghanistan (Callen & Long 2013), Ghana (Ichino & Schündeln 2012), and elsewhere, generating a series of well-identified empirical findings. Over time, as in other disciplines that cumulate knowledge through the systematic replication and evolution of micro-level studies, it may be possible in a subset of these areas to harness field experiments to better identify the impact of external actors.

## **FUTURE DIRECTIONS**

The work reviewed in this article has allowed us to reach some preliminary conclusions about the efficacy of imposition, coercion, and contracting. Not surprisingly, external actors have more success in altering domestic institutional structures in target states if they can craft agreements that are Pareto improving. But most of the literature on contracting, and not only the issue areas reviewed here (election monitoring, foreign aid, human rights agreements, and BITs and PTAs), focuses on specific institutions.

One major unanswered question is whether improvements in one issue area spill over into others. The neofunctionalist literature of the 1960s and 1970s on the European Union argued that issue areas were functionally connected, and changes in one area would lead to changes in others. Similar arguments can be found in the contemporary literature on international contracting and institutional change; examples include the finding that the dispute settlement mechanisms in BITs may make the domestic legal system in general more effective by introducing new legal norms and procedures, and the finding that in newly democratizing transitional regimes, ratification of human rights treaties can alter domestic political dynamics and institutional trajectories. There is, however, evidence that points in the opposite direction. Contracting may have no causal effect at all and simply reflect logics of appropriateness. It is even possible that successful contracting in one area could have negative overall consequences for institutional development: with some opportunities for theft walled off by international contracting, political elites might become even more rapacious in other areas. Contracting can have a positive impact on a specific area, but the consequences for institutional capacity more generally remain to be investigated.

A second unanswered question relates to the efficacy of strategies of coercion and imposition. It is clear that efforts to transform domestic authority structures always depend on the cooperation or cooptation of local intermediaries and elites, those in and out of power. Reigning elites resist

external intervention because they stand to lose from the changes pushed by outsiders. An initiator might identify dissident elites but need to balance the objectives of policy compliance and domestic institutional change. The critical issue then is under what conditions an intervention can create a coalition of local elites whose interests are consistent with both the policy and institutional reform goals of the external intervener. Some of these conditions may be general; for instance, higher levels of economic development may be associated with a larger cadre of domestic elites supportive of more democratic practices. Others may be idiosyncratic, dependent entirely on particular local circumstances.

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