

Civil War and Foreign Influence*

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Abstract

We study a symmetric information bargaining model of civil war where a third (foreign) party can affect the probabilities of winning the conflict and the size of the post conflict spoils. We show that the possible alliance with a third party makes peaceful agreements difficult to reach and might lead to new commitment problems that trigger war. Also, we argue that the foreign party is likely to induce persistent informational asymmetries which might explain long lasting civil wars. We explore both political and economic incentives for a third party to intervene. The explicit consideration of political incentives leads to two predictions that allow for identifying the influence of foreign intervention on civil war incidence. Both predictions are confirmed for the case of the U.S. as a potential intervening nation: (i) civil wars around the world are more likely under Republican governments and (ii) the probability of civil wars decreases with U.S. presidential approval rates.

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1 Introduction

There is a large and growing recent economics literature on the motives and consequences of civil wars. The empirical research has focused on diverse domestic determinants ranging from per-capita income, economic shocks, political institutions and poverty to religion, ethnicity or even diseases. The theory has concentrated on understanding why costly conflicts are not deterred. The emergence and the effects of information asymmetries, uncertainty and lack of commitment are therefore intensively studied. Yet, a key feature of civil war is the involvement of foreign governments taking sides for one of the parts in conflict. The examples are many, even after the end of the cold war.¹ The possibility of foreign influence has typically been overlooked; as a reflection, foreign involvement is not mentioned in the recent literature reviews on the economic analysis of civil wars (Collier and Hoeffler, 2007; Blattman and Miguel, 2009). In this paper, we investigate how third party interventions (a potential alliance with a foreign state) can generate intra-state conflict that could otherwise be deterred and provide evidence that foreign involvement has indeed generated civil war around the world.

We formalize foreign involvement in a simple way which nevertheless provides clear-cut predictions that allow for identifying the influence of foreign governments on the incidence of civil war. In the model we investigate, there are two domestic groups, to be interpreted as the incumbent government and the opposition. The domestic motive for conflict is the allocation of

¹Historical examples include U.S support to factions in war in Angola (1972-1980s), Nicaragua (1980s), Afghanistan (1979-1992), Peru (1980-2000), Congo (1996-1997) or Liberia (1999-2003), among other examples; France involvement in the Algerian (1991-2002) or Rwandan Civil Wars; or the Arab revolt against the Ottoman Empire (1916-1918) instigated by the U.K. Regan (2000) identifies 89 unilateral foreign intervention into civil wars between 1944 and 1994; a period where 138 intrastate conflicts took place. In a recent paper on the economic effects of U.S. interventions, Berger, Easterly, Nunn, and Satyanath (2010) find that more than 30 % of countries were subject to CIA "successful" covert interventions between 1947 and 1989. The interventions were "successful" in the sense that they installed a new leader or preserved the power of an existing one.

resources. In situations with no information or commitment problems, the government can always propose an allocation that would deter the opposition from involving in a conflict. The fundamental assumption for the emergence or continuation of civil war is the existence of a third party which we identify as a foreign government who can affect the probability of winning the conflict via, for example, monetary transfers or fighting operations in favor of the opposition. We assume that the post-conflict value of the society (the size of the pie / spoils) increases after a successful foreign intervention. This assumption captures situations where the victory of a foreign sponsored party is followed by foreign investment, aid, access to international financial institutions, opening of the economy, international trade or any other measure seen as enhancing economic growth. Since the alliance with a foreign government creates the expectation of an economic benefit, the possibility of such an alliance reduces the ex ante bargaining range for peace and hence might trigger conflict even in the absence of any commitment or information problems. But the effects of foreign intervention are far reaching. We show that the presence of a potentially intervening foreign party leads to a new commitment problem. Furthermore, potential foreign interventions cause uncertainties and information asymmetries reinforcing the possibility of foreign-influenced civil wars. More importantly, these information asymmetries are persistent over time and hence might be part of an explanation for long-lasting civil wars.

The model contains an explicit analysis of the cost and benefits for the foreign government to be involved in civil wars abroad. The economic benefit is represented by a share of post-conflict resources, provided the supported faction wins and opens the economy. This involves, for example, corporation returns to investment or access to unexploited natural resources or increased gains from trade.² The economic cost is basically that of supporting a fight-

²Dube, Kaplan, and Naidu (Forthcoming) show how CIA regime change operations raise profits of U.S. multinational corporations. Berger, Easterly, Nunn, and Satyanath (2010) show that after successful CIA interventions the US used its influence to create

ing group, for instance, the costs of sending war assistance, guns or even soldiers. We also model the political incentives to intervene. The political costs and benefits for the government of the foreign (intervening) country have two components. First, there is an ideological cost which captures how war prone the government is. Second, there are political costs and benefits. Funding civil wars are operations that do not receive full support from society. In fact, these operations are generally secret and organized by intelligence agencies like the CIA in the U.S. They involve diverting resources from other public goods like education or health. And also, these operations imply that the intervening country contributes with spread of civilian casualties and suffering. Thus, it is costly for the government to be perceived as spreading civil wars. However, successful interventions are accompanied with political benefits: supporting winning factions in conflict expands the influence of the country in foreign affairs and permits the head of the government to be seen as a global leader, which in turns spurs support among the population. The present analysis shows that civil wars may exist as a consequence of changes in the domestic political affairs in the potential intervening country by changing the political incentives to intervene. First, the existence of a foreign influenced civil war depends on the ideological cost of the government in office in the intervening nation. If this cost varies across political parties then the incidence of civil war has to be influenced by what political party holds the foreign government. Second, as the incentives to intervene abroad depend on the need for the intervening government to gain political support then civil war incidence should depend on the level of approval received by the intervening government. Hence, our model predicts that ideology and approval of the government of the potential intervening country matters for the likelihood of civil war.

Importantly, the political situation in the intervening country is an ex-

a larger foreign market for American products. These increased imports of US products mainly arose through direct government purchases.

ogenous source of variation for the potential civil war in a country abroad. Thus, estimating the influence of the political party in office and the government approval in the potentially intervening country provides a strategy for identification of the effect of foreign influence on civil war. The need of an identification strategy is due to the fact that foreign interventions are typically secretive and not directly observable in the data.³

To test our predictions we need to identify an intervening country. As we concentrate on civil wars during the 20th century, we associate the intervening country to the U.S.. The reasons are various. First, the U.S. has extensively intervened in foreign civil wars.⁴ Second, the U.S. is characterized by a two-party system and, importantly, the two parties, Republican and Democratic, have different views on the role of the U.S. in the international arenas. These differences are epitomized by diverse Republican approaches to foreign policy like the Roosevelt corollary of the Monroe's doctrine, and principles present in the Truman, Eisenhower or Bush doctrines.⁵ This framework for foreign policy is rooted in the Republican ideology which differs from the general approach of the Democratic Party. As a consequence, the two parties systematically differ in their propensities to intervene in foreign affairs. For

³For example, CIA operations are typically classified as top secret and declassification - if it occurs at all - only happens a long time after these operations took place. Moreover, it is likely that the declassification is incomplete.

⁴We mention a examples in footnote 1.

⁵These doctrines basically justify interventions abroad by emphasizing the defense of American values and the moral mandate of preserving (and installing) freedom around the world. The doctrine elaborated by Monroe, and amended under Roosevelt's presidency, was more oriented to preserve American interests in the western hemisphere (Sexton, Forthcoming); Truman and Eisenhower's were typically reflections of the Cold War as they justified the right to intervene abroad as a measure to halt communism. In Truman's words "*..it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or outside pressures.*" Truman (1947). Eisenhower was more precise on the goals of the U.S foreign policy. The United States would give economic and military aid to Middle Eastern Nation as it was essential to preserve this region from communism. As he put it U.S. intervention would "*include the employment of the armed forces of the United States to protect and secure the territorial integrity and political independence of such nations requesting such aid, against overt armed aggression from any nation controlled by International Communism.*" Eisenhower (1957).

example, all (known) CIA regime change operations (sponsoring of a military coup) took place under Republican presidency (Kinzer, 2006).⁶ Also, there is accurate data on presidential approval for the case of the U.S..

Following recent empirical studies, we exploit panel data to identify a causal link between the politics in the U.S. and the incidence of civil war relying on within-country variation. We adopt the empirical strategy developed in Besley and Persson (2009) and estimate the effect of a Republican government in office and the level of presidential approval. The results are striking and support our predictions. The incidence of civil war increases under Republican governments and decreases with U.S. presidential approval. Overall our results suggest that foreign influence is a sizable driver of conflict around the world. The Republican and approval effects withstand several robustness checks.

The remainder of the paper is organized as follows. In section 2, we discuss the related literature. The model is proposed and studied in section 3. Section 4 contains the explicit cost and benefit analysis of the foreign government to intervene abroad and derives our main predictions for endogenous foreign interventions. Section 5 reports the empirical exercises conducted to test the predictions of the model. Section 6 concludes.

2 Related Literature

We clearly emphasize a novel motive for civil war, namely politically / economically motivated foreign interventions. This adds to the empirical literature that mainly concentrated on domestic determinants like slow income growth, proportion of natural resources, secondary school attainment (Collier and Hoeffler, 2004; Collier, Hoeffler, and Sambanis, 2005), income inequality (Sambanis, 2005), poverty (Djankov and Reynal-Querol, 2008), ethnic po-

⁶In many of these cases, these regimes changes involved civil conflicts like in Iran (1953), Guatemala (1954), Nicaragua (1936).

larization (Montalvo and Reynal-Querol, 2005) or even the effect of diseases (Cervellati, Sunde, and Valmori, 2010).

As discussed in Blattman and Miguel (2009), most of the empirical civil war literature uses cross-sectional data and fails to exploit within-country variation in panel data, which leads to biased estimates by replacing time-varying explanatory variables by their cross-sectional mean. Consequently, cross-country variation in these explanatory observable variables are confounded with cross-country averages in unobserved parameters. To avoid this problem, we only exploit within-country variations. This way, we follow a new series of papers using panel data, mainly concerned by the effect of different economic shocks on civil conflicts. This literature proposes different instruments to capture income growth or wage shocks in order to address potential endogeneity problems. Miguel, Satyanath, and Sergenti (2004) use rainfall variation to show a negative relationship between income and civil war in Africa.⁷ Brückner and Ciccone (2010) and Dube and Vargas (2008) study the effect of changes in commodity prices in Sub-Saharan countries and Colombia, respectively. Besley and Persson (2009) use both instruments in a more general study on the determinants of political violence, which includes civil war and state repression. They also show how the effect of income shocks depend on political institutions. Our paper builds on this last paper, albeit our focus on civil war, and includes the dimension of foreign intervention.

We contribute to the theoretical literature on civil war by identifying a novel reason why bargaining breaks down in costly fighting, namely the possibility of a third party intervention. This possibility can lead to war even under symmetric and certain information due to commitment problems.⁸ On

⁷In a recent paper, Ciccone (2010) contends that this result is incorrect and finds that rainfall increases the incidence and onset of civil war.

⁸Fearon (1995) proposes three broad explanations for war: informational problems, bargaining indivisibilities and commitment problems. See for example, Esteban and Ray (2008) who investigate a contest where there is imperfect information about the opponents' cost of conflict, Padró i Miquel and Chassang (Forthcoming) study conflict under strategic

the one hand, the unfriendly attitude of the incumbent towards the foreign country leads to bargaining indivisibilities.⁹ On the other hand, the foreign country's alliance with the opposition implies a shift in the distribution of power which is lost once the alliance does not take place. This is similar to Powell (2004, 2006), who identifies rapid shifts in the distribution of power as lying at the heart of war resulting from commitment problems. We also show how the possibility of foreign intervention may introduce uncertainties over resources involved in war or/and post conflict spoils, which contribute in turn to the incidence of civil war.

Our paper adds to the open controversy on whether the U.S. foreign policy is based on a bipartisan foreign policy consensus or is partisan (that is, conditioned on whether the government is Republican or Democrat)¹⁰ by providing support for the latter.

Our paper is also related to the "Diversionary theory of war" literature. A "diversionary war" is a war instigated by a country's leader in order to distract its population from their own domestic strife. This option is especially attractive to leaders facing a near inevitable removal from office since exercising the war option might enable them to signal a high military or foreign policy ability.¹¹ This incentive to gamble for resurrection is also present in our model, however, the risk of the gamble is considerably reduced due to the secretive nature of a foreign intervention. Since the public is unlikely to observe a failed foreign intervention but can be made aware of (or perceive the effects of) successful ones, one might expect that domestic problems have a stronger effect on interventions in civil wars than on open aggressions to-

risk; Dal Bo and Powell (2009) explores the possibility of asymmetric information.

⁹Powell (2004, 2006) argues that bargaining indivisibilities should really be seen as commitment problems. As we will explain in the model section this is indeed the case with the bargaining indivisibility present in our model.

¹⁰See, for example, Rourke (1984); Wittkopf and McCormick (1998); McCormick and Wittkopf (1990); Meernik (1993); Souva and Rohde (2007); Gowa (1998).

¹¹For theoretical models on the diversionary theory of war see e.g. Hess and Orphanides (1995); Smith (1996); Tarar (2006).

wards other countries. Indeed, we provide very robust empirical evidence of a positive link between low presidential approval rates in the U.S. and incidences of civil wars around the world while the enormous body of empirical studies on the diversionary theory of war provides rather mixed evidence.¹²

A recent economics literature emphasizes the influence of foreign countries in the dynamics of domestic political institutions. Aidt and Albornoz (Forthcoming) argue that foreign countries may have an economic interest in sponsoring coups, stabilizing dictatorships and facilitating constrained democratization abroad in order to protect their foreign direct investment.¹³ In Bonfatti (2010) a key trading partner may be interested to keep an incumbent in power because the incumbent can be controlled more easily from the exterior than the challenger using the threat of trade sanction. Aidt, Albornoz, and Gassebner (2010) show the influence of IMF and World Bank programmes on political regime transitions. More generally, our paper is also related to a literature on foreign influence on domestic policy choices (Anràs and Padró i Miquel (2008); Aidt and Hwang (2008)). Our paper clearly contributes to this line of research by focusing on civil war instead.

3 The model

In this section we will develop a very stylized model of civil wars that are either initiated or prolonged by a foreign country. We will take a complete information approach and follow a long standing tradition in assuming that “conflict situations are essentially bargaining situations” (Schelling (1960)). In our setup an incumbent government has to decide how to divide the spoils -

¹²For example, Ostrom and Job (1986); Morgan and Bickers (1992); Hess and Orphanides (1995); Miller (1995, 1999) find evidence for the diversionary theory while Meernik and Waterman (1996); Gowa (1998); Mitchell and Moore (2002) find evidence against it. Many of these papers look also at empirical evidence of acts short of war.

¹³Easterly, Satyanath, and Berger (2008) estimate that (declassified) US and Soviet interventions abroad have caused a decline in democracy across the world of about 33 percent.

the country's pie - with the opposition. In the absence of foreign intervention the size of the pie is commonly known to be Π_I . The incumbent makes a take it or leave it offer $y\Pi_I$ to the opposition. If the opposition accepts, the game ends and the incumbent and opposition receive $(1 - y)\Pi_I$ and $y\Pi_I$ respectively. If the opposition does not accept, there will be civil war. This might be a new war or the continuation of an existing war after a failed peace agreement. A civil war is costly. Fighting destroys $1 - \sigma$ of the initial pie. If the civil war is purely domestic, the opposition wins with probability p_d and the winner gets all the surviving spoils. Payoffs from fighting for the incumbent and for the opposition are $(1 - p_d)\sigma\Pi_I$ and $p_d\sigma\Pi_I$ respectively.

The following standard argument shows that domestic civil war will always be deterred.¹⁴ The incumbent is willing to deter if $(1 - y)\Pi_I \geq (1 - p_d)\sigma\Pi_I$ hence if $y \leq (1 - (1 - p_d)\sigma)$. The opposition is willing to accept if it is offered at least its certainty equivalent payoff from war, namely $p_d\sigma\Pi_I$. Hence the opposition accepts any offer such that $y\Pi_I \geq p_d\sigma\Pi_I$. Since fighting is costly, $p_d\sigma \leq y < (1 - (1 - p_d)\sigma)$ and the opposition can always be bought off. Offering the opposition exactly its certainty equivalent payoff allows the government to keep whatever is saved by avoiding the war.

We now introduce a third party, a foreign country with economic interests in the domestic country. These economic interests can take many different forms e.g. foreign direct investment, trading opportunities, interest in natural resources, or interests grounded in geopolitical motives. We assume that the incumbent government has a somewhat unfriendly attitude towards this foreign state¹⁵ either due to ideological reasons or because it fears that the influence of a foreign state may shift the distribution of domestic political and/or economic power.¹⁶ The foreign government attempts to strike a deal

¹⁴Our purely domestic civil war corresponds to the certainty version of Dal Bo and Powell (2009).

¹⁵Or at least less friendly than the opposition.

¹⁶The possibility of an alliance between the domestic and the foreign governments is discussed in Appendix A.

with the opposition offering foreign support in the civil war (which might be initiated or already ongoing) in exchange for certain economic favors like, for example, opening the economy to foreign investment. These economic favors are assumed to be growth enhancing, hence the post-conflict value of society increases to Π_F after a successful foreign intervention. For simplicity we assume that $\Pi_F \sim U[\sigma\Pi_I, \bar{\Pi}]$ such that

$$E[\Pi_F] = \frac{\sigma\Pi_I + \bar{\Pi}}{2} > \Pi_I,$$

which is common knowledge. Moreover, foreign intervention will increase the win probability of the opposition to $p_F \geq p_d$. In exchange, the opposition gives the share $1 - \lambda_O$ of the increased pie to the foreign country, where λ_O is the share that the opposition keeps to itself in case of victory.

Under these assumptions,

Proposition 1 *The domestic government cannot deter the opposition from a foreign initiated civil war if*

$$\lambda_O > \lambda_{O \min} = \frac{2(1 - (1 - p_F)\sigma)\Pi_I}{p_F(\sigma\Pi_I + \bar{\Pi})} \quad (1)$$

Proof. The domestic government is willing to deter the opposition from taking part in a foreign initiated civil war if $(1 - y)\Pi_I \geq (1 - p_F)\sigma\Pi_I$, hence $y \leq (1 - (1 - p_F)\sigma)$. However, the opposition will not be deterred if

$$y\Pi_I < p_F\lambda_O \frac{\sigma\Pi_I + \bar{\Pi}}{2}$$

Hence deterrence fails if

$$(1 - (1 - p_F)\sigma)\Pi_I < p_F\lambda_O \frac{\sigma\Pi_I + \bar{\Pi}}{2}$$

■

This result shows that if the alliance with a foreign government increases the expected ex-post conflict spoils of a society the foreign third party forces a situation where peaceful agreements are more difficult to reach and might trigger conflict even in the absence of the typical motives of conflict between rational parties. However, as we will show now, the presence of a foreign third party also involves situations where commitment problems, information asymmetries and uncertainty naturally emerge, leading to additional reasons for a civil war.

3.1 Foreign-caused commitment problems

In a more realistic setting the result that the possibility of an alliance with a foreign government makes peaceful agreements are more difficult to reach is reinforced by the inability of the domestic government to credibly commit to a peaceful allocation of resources under these circumstances. To see this, assume that the foreign government offers a λ_O such that

$$\frac{p_d}{p_F} \frac{2\sigma\Pi_I}{\sigma\Pi_I + \bar{\Pi}} < \lambda_O < \lambda_{O \min}$$

thus the offer can be matched (and even improved) by the domestic government.

Will the opposition be willing to accept this deal with the domestic government? This crucially depends on the nature of the potential alliance with the foreign government. If the foreign government is invariant in its interest in forming an alliance with the opposition, then the domestic government will deter conflict as long as $\lambda_O < \lambda_{O \min}$ and we are back to proposition 1. However, it is unlikely that the foreign government is invariant in its interest in forming an alliance with the opposition. First, the presence of a potentially intervening foreign country is exogenous to the domestic economy. Furthermore, the interests associated with interventions abroad change over time and are determined by factors that are not related to the country

in conflict.¹⁷ Moreover, the benefits of intervention are contingent to what the opposition will do once in office and clearly being rejected by the opposition deteriorates the foreign interest in intervention in that country because it reduces the possibility of future agreements. Therefore, it is reasonable to assume that there are situations in which the possibility of an alliance is restricted to the moment it takes place and rejecting an alliance with a foreign government makes any future alliance with the opposition unlikely. In this case, if the opposition accepts the appeasement offer from the domestic government, the opposition constitutes less of a threat to the domestic government since its probability of winning the conflict drops from p_F to p_d . As a consequence, the domestic government will renege on any earlier agreement higher than $p_d\sigma$. This establishes the following result:

Proposition 2 *Due to commitment problems, any offer by the foreign government higher than $p_d\sigma$ will trigger a civil war.*

Two different forces are at play here. On the one hand, a successful foreign intervention increases the pie, which reduces the ex ante bargaining range for peace. On the other hand, the foreign intervention induces a power shift in the domestic country by increasing the win probability of the opposition. This allows us to link our occurrence of war to Powell (2004, 2006)'s argument that inefficient conflict is due to a commitment problem, which results from large, rapid shifts in the distribution of power. Accepting the government's appeasement attempt requires foregoing this power shift by giving up the possible alliance with the foreign country. Hence, the government cannot credibly offer the opposition a peaceful allocation of pre-civil war resources because the government would have incentives to renege on any early agreement once the alliance did not take place. This is a new type of commitment problem our analysis uncovers.¹⁸

¹⁷This will be shown in section 4.

¹⁸One might wonder why there is no credibility issue concerning the foreign government.

Another commitment problem prevents the possibility of the opposition together with the foreign government from buying off the incumbent government. We assumed that the incumbent government has a somehow unfriendly attitude towards the foreign state. This could be due to ideological reasons or the attempt to preserve the status of being the main political and economic elite. Hence, keeping the foreign state out of the country implies some indivisible rents.¹⁹ Still, indivisibilities alone don't explain the occurrence of war because of the destruction it implies. Indeed, the following mechanism which is based on a mechanism proposed by Powell (2006) would seem to dominate the war. With probability p_F the opposition gets control over the country and implements the allocation of the pie agreed with the foreign country while with the opposite probability the incumbent government gets control over the country and keeps the pie without opening the economy to the foreign country. However, the loser of the gamble always has an incentive to renege because the returns from starting a civil war are higher than the returns from the ex post allocation. The real impediment to agreement is not the indivisibility itself but the commitment problem that the indivisibility entails.

3.2 Foreign-caused information asymmetries

Our model has abstracted from information asymmetries, which are a central theme in the literature on rationalist explanations of war. It is generally accepted that informational asymmetries can cause civil wars,²⁰ however, asymmetric information about relative power and the willingness to fight

Notice that the opposition will be in charge after winning the conflict, hence the real issue is why the opposition is credible. The opposition has an incentive to stick to the deal because otherwise there will be no investments or aid which are necessary to increase the pie. The foreign government will stick to the deal to avoid expropriation.

¹⁹The unfriendly attitude and bargaining indivisibilities might also be due to an alliance of the government with another foreign country.

²⁰E.g. Esteban and Ray (2008) show that asymmetric information about the fighting resources involved may initiate a conflict.

cannot fully explain long lasting conflicts because both sides will learn each other's capability, tactics and resolve over time (Fearon (2004)). In what follows we will argue that the existence of a potential intervening country destroys this insight: the possibility of foreign interventions is likely to lead to asymmetric information which might not only cause but also explain long lasting civil wars.

It is likely that an alliance with a foreign country causes asymmetric information about the win probabilities between the domestic parties. Moreover, and more importantly, the exact amount of foreign resources depend on political factors in the foreign country that are highly uncertain and better understood by the alliance since they are not directly observable from the domestic country.²¹ These fluctuations are exogenous to the domestic parties in conflict and might lead to long lasting information asymmetries, which change over time and cannot (rapidly and evenly) be learned. This way, foreign interventions generate *persistent* uncertainty over the fighting resources available for each party in conflict which might explain even long-lasting conflicts.

The foreign country might not only create uncertainty and information asymmetries about the win probabilities in the conflict, it is also likely to create uncertainty about the domestic spoils, namely the size of the domestic pie to be shared by the government and the opposition. This way, potential foreign interventions generates uncertainty over the environment (payoffs associated with each strategy) inducing strategic risk, which, as shown by Padró i Miquel and Chassang (Forthcoming) difficulties the deterrence of conflict.

Furthermore, it is not unreasonable to assume that the group that has reached an agreement with the foreign country has a better idea about the

²¹This will be shown in Section 4 where we identify two important potential variations. The head of government in the foreign country might change and hence also the personal costs of going to war. Approval rates vary over time and change the incentives to intervene abroad.

actual size of the spoils, since it learns about the investment plans, technology and other factors of the foreign country. In this case, civil war becomes more likely.²² In short, foreign influence and the possibility of a foreign intervention aggravates the effects of asymmetric information on civil war incidence.

We now turn to the cost benefit analysis of the foreign intervention to investigate the condition under which the foreign government is will to create/prolong a civil war abroad.

4 Endogenous foreign intervention

The head of government of a foreign country is willing to take part in a civil war abroad if the total benefits outweigh the costs. Both benefits and costs have an economic and personal/ideological component. We analyze the economic component first. The economic costs of the intervention are given by $f(r)$ where r are the resources dedicated to the intervention. Let $f(0) = 0$ and $f'(r) > 0$, $f''(r) \leq 0$. The amount of resources affects the win probability p_F . We assume that $p'_F(r) > 0$ and that $p_F(r) \leq 1$ for $\forall r$. Also $p_F(r = 0) = p_d$. The economic benefits of the intervention are simply

$$p_F(1 - \lambda_O) \frac{\sigma \Pi_I + \bar{\Pi}}{2},$$

where λ_O is the share of the pie given to the opposition. We consider the case where full commitment of the domestic government is possible.²³ Therefore $\lambda_O > \lambda_{O \min}$, as defined by equation (1). Hence, the maximum benefit the foreign government can get is by offering the opposition $\lambda_{O \min} + \varepsilon$. For

²²Dal Bo and Powell (2009) have shown that if the party in power has better information about the spoils then the opposition, the opposition will fight with positive probability even when offered the same amount of spoils than under symmetric information. The opposition will learn the private information of the government because the positive probability of fighting disciplines the government to reveal the truth.

²³The analysis in the absence of full commitment (available upon request) is similar and does not change the predictions of the model.

expositional purposes we will let $\varepsilon \rightarrow 0$ and analyze everything in terms of the maximum share of the foreign pie that can be kept by the foreign government, namely

$$\begin{aligned} 1 - \lambda_O &= \frac{p_F(\sigma\Pi_I + \bar{\Pi}) - 2(1 - (1 - p_F)\sigma)\Pi_I}{p_F(\sigma\Pi_I + \bar{\Pi})} \\ &= \frac{p_F(\bar{\Pi} - \sigma\Pi_I) - 2\Pi_I(1 - \sigma)}{p_F(\sigma\Pi_I + \bar{\Pi})} \end{aligned}$$

Therefore the maximum economic benefits from supporting a civil war abroad are given by

$$\frac{p_F(\bar{\Pi} - \sigma\Pi_I) - 2\Pi_I(1 - \sigma)}{2} \quad (2)$$

We now turn to the personal costs and benefits of causing a civil war abroad. These have two components:

- An ideological component capturing the strictly personal cost c_i of provoking a civil war.
- The level of approval enjoyed by the government.

We assume that the head of government cares about his approval because he derives personal rents from being popular: these rents can be interpreted as future rents due to re-election possibility or simply as ego-rents. We will denote the rents resulting from the head of government's popularity before deciding whether or not to finance an intervention in another country by u .²⁴ A successful ending of the war will spurt the head of government's popularity

²⁴Alternatively, we can interpret c_i and u as determined by lobbying from corporations. c_i may capture differences in how sensitive political parties are to lobbying or care about corporation business opportunities. A more pro-corporation party should be associated with a lower (or even a negative) c_i . Indeed, there is evidence that this is the case for the U.S. where the Republican Party seems to be more influenceable by lobbies than the Democratic Party (see, for example, Jayachandran (2006)). Similarly, if the probability of re-election is associated with campaign contributions, then a government with low approval will increase its re-election probabilities by relying more on the support from corporations. This in turns makes the government more likely to intervene abroad to

because of the possibility of signaling (e.g. by a state visit) global leadership and the new economic benefits associated with friendlier governments around the world.

To keep the model simple we assume that after a successful civil war the popularity jumps up to $\bar{u} > u$. An unsuccessful foreign intervention will only affect the head of government's approval if discovered by the public resulting in a drop in approval to a minimum level $\underline{u} < u$. We assume a fixed probability δ that the public discovers the covert support for an unsuccessful civil war. With these assumptions sponsoring a civil war can improve the head of government's ego-rents if

$$p_F \bar{u} + (1 - p_F) \delta \underline{u} + (1 - p_F)(1 - \delta)u > u$$

or equivalently

$$p_F(\bar{u} - u) - \delta(1 - p_F)(u - \underline{u}) > 0 \quad (3)$$

Proposition 3 For $p_F > \frac{\delta}{1+\delta}$ condition (3) is easier to satisfy the lower is u .

Proof. The left hand side of (3) is decreasing in u if $p_F > \frac{\delta}{1+\delta}$ ■

Hence, if the probability to be discovered is sufficiently small relative to the probability of success in the civil war, initiating a civil war abroad serves unpopular politicians as a way to gamble for resurrection at home. The lower their initial popularity, the less there is to lose in case of a failed intervention and the more there is to gain in case of a successful intervention.

Joining economic and personal incentives the head of government in the foreign country will be willing to go to war if and only if

$$\frac{p_F(\sigma \Pi_I + \bar{\Pi}) - 2\Pi_I(1 - \sigma)}{2} + p_F(\bar{u} - u) - \delta(1 - p_F)(u - \underline{u}) > c_i + f(r) \quad (4)$$

improve corporations business opportunities. For example, Dube, Kaplan, and Naidu (2008) show that CIA operations to depose leaders abroad increase stock market values of corporations benefiting from the perspective of a new friendlier government in the foreign country.

or equivalently collecting all terms multiplying p_F as

$$p_F \left(\frac{(\sigma\Pi_I + \bar{\Pi})}{2} + (\bar{u} - u) + \delta(u - \underline{u}) \right) - f(r) > c_i + \Pi_I(1 - \sigma) + \delta(u - \underline{u})$$

Any interior r has to satisfy the following first order condition:

$$p'_F \left(\frac{(\sigma\Pi_I + \bar{\Pi})}{2} + (\bar{u} - u) + \delta(u - \underline{u}) \right) = f'(r) \quad (5)$$

The politician will choose this interior r if and only if it satisfies (4). Otherwise he will refrain from the intervention.

For illustrative purposes we use the following particular functional forms for p_F and $f(r)$ in the remainder of the section. Let

$$p_F = \frac{r_o + r}{r_I + r_o + r}$$

where r_I and r_o are the resources devoted to fighting by the incumbent and the opposition respectively and

$$f(r) = r$$

Under these assumptions (5) becomes

$$\frac{r_I}{(r_o + r_I + r)^2} \left(\frac{(\sigma\Pi_I + \bar{\Pi})}{2} + (\bar{u} - u) + \delta(u - \underline{u}) \right) = 1$$

So the optimal resources r dedicated by the foreign government towards the civil war are

$$r = \sqrt{r_I \left(\frac{(\sigma\Pi_I + \bar{\Pi})}{2} + (\bar{u} - u) + \delta(u - \underline{u}) \right) - r_o - r_I}$$

and

$$p_F = 1 - \frac{\sqrt{r_I}}{\sqrt{\left(\frac{(\sigma\Pi_I + \bar{\Pi})}{2} + (\bar{u} - u) + \delta(u - \underline{u})\right)}}$$

Substituting the resulting expressions for $f(r)$ and p_F into equation 4 and simplifying yield

$$\Psi = \left(\sqrt{\left(\frac{(\sigma\Pi_I + \bar{\Pi})}{2} + (\bar{u} - u) + \delta(u - \underline{u})\right)} - \sqrt{r_I} \right)^2 + r_o - \Pi_I(1 - \sigma) - \delta(u - \underline{u}) > c_i \quad (6)$$

After inspection of Ψ , we obtain the following result:

Proposition 4 *The foreign politicians willingness to sponsor a civil war abroad is increasing in r_o and decreasing in δ , r_I , c_i and u .*

Proof. The comparative static results for r_o , r_I and c_i are immediate from condition (6). Simple calculations show that the left hand side of (6) decreases in δ . The change with respect to u is given as

$$\frac{\partial \Psi}{\partial u} = (-1 + \delta) \frac{\sqrt{\left(\frac{(\sigma\Pi_I + \bar{\Pi})}{2} + (\bar{u} - u) + \delta(u - \underline{u})\right)} - \sqrt{r_I}}{\sqrt{\left(\frac{(\sigma\Pi_I + \bar{\Pi})}{2} + (\bar{u} - u) + \delta(u - \underline{u})\right)}} - \delta < 0$$

■

This result implies two testable predictions of our model:

Prediction 1 *Ideology matters: the probability of civil war should increase if the head of the foreign government has a more pro-war ideology and hence lower personal costs c_i to initiate a civil war.*

Prediction 2 *Approval matters: The probability of civil war decreases with the approval of the foreign government within its own country.*

Prediction 2 might be surprising. Since involvement in civil wars is secretive, how can this depend on presidential approval rates? It is exactly this secretive nature of foreign interventions that make them a safe bet. An unsuccessful involvement in a civil war is likely to go unnoticed by the public, while the president always has ways and means to get credit for new economic opportunities after a successful intervention even if the public does not know whether or not their country was involved. The downside is low risk and is smaller for governments with low approval than for popular governments while the upside is bigger. The secretive nature of the intervention encourages the gamble.

These predictions are important since they relate politics in the foreign country to the probability of civil wars around the world. Obviously, this depends on the actual foreign country we consider. We turn to this in the implementation of the empirical analysis.

5 Empirical Exercises

As foreign military operations in domestic conflicts abroad are generally covert, the effect of foreign intervention on civil war incidence is difficult to observe directly. Yet, our previous analysis provides two different strategies for identification based on the political situation in the foreign country which changes the incentives to intervene. Empirical support for predictions 1 and 2 also constitutes indirect support for the relevance of foreign influence in civil wars. An attractive characteristic of this strategy is that party swings in office and government approval in the intervening country are exogenous variations in the determinants of civil war from the perspective of the country potentially in conflict.

5.1 Implementation Strategy

To test our predictions, we focus on the case of the U.S. as a source of foreign intervention. As discussed in the introduction, there are numerous episodes of civil war where one of the sides was supported by the U.S. Also, the Democrat and Republic government may differ in their foreign policy and willingness to intervene in foreign affairs. Last, as civil war foreign operations are mainly secret, U.S. citizens vote without these interventions in mind.

As a proxy for personal costs and benefits from supporting a civil war abroad we use the president's party affiliation and his approval rates (PA_t).

To illustrate the plausibility of a Republican effect on civil war, we define a dichotomic variable indicating whether the U.S. incumbent party is Republican or not. That is,

$$REP_t = \begin{cases} 1, & \text{if U.S. government is Republican in year } t \\ 0, & \text{Otherwise} \end{cases}$$

Just to give some preliminary evidence of the Republican effect, we have estimated that the number of civil wars (as defined below) in the world is more than 50% larger in years where the U.S. is under a Republican government. To be more precise, from 1816 to 1996 the mean of civil war conflicts under Republican office in the U.S. is 5.62, while the same figure for the years under Democrats is 2.97. The number of civil wars is larger when we focus on the period 1946-2005 (about 15 per year) and the Republican effect shrinks but remains suggestively higher (13 under Democrats and 17 under Republicans). Naturally these figures, while consistent with U.S. influenced civil wars, may reflect other factors playing a role. Therefore, we now investigate our predictions in more detail.

5.2 The main estimation

We estimate the incidence of civil war; that is, the probability of observing civil war in country j in year t ($conflict_{jt}$).

To put our results in context, we replicate the empirical strategy developed in Besley and Persson (2009). Consequently, we use a variable of natural disasters ($Natural\ Disaster_{j,t}$) as an instrument for wage or income shocks.²⁵ As discussed above, most of the empirical civil war literature fails to exploit within-country variation in panel data, which leads to biased estimates. To avoid this problem, we only exploit within country variations. Thus, country fixed effects (γ_j) are used in all of our main estimations as in Besley and Persson (2009), Brückner and Ciccone (2010) or Miguel, Satyanath, and Sergenti (2004). To this specification, we include our REP_t and PA_t variables.

The main difficulty with our empirical strategy is that both REP and PA are year (country-invariant) variables, which makes it difficult to distinguish the effects of Republican governments or presidential approval from any other country invariant year effect, like, for example, aggregate shocks taking place at the world level in a given year. In principle, this should not be a serious source of concern as long as the processes followed by the political cycle or the evolution of preferential approval in the U.S. are independent from the process governing the evolution of the other relevant year fixed effects, like global productivity or demand shocks. In any case, to mitigate this unlikely but potential problem, we include the growth of gross world ($\Delta\log GWP_t$) product to capture aggregate demand or productivity shocks. Furthermore, we also include in some specifications the U.S. gross domestic product to control for economic shocks specific to the U.S. ($\Delta\log GWP_{US,t}$). This way we control for potential sources of civil war that can be hiding behind our REP_t or PA_t variables.

To summarize, we test estimations of the following type:

²⁵Arguably, these constitute exogenous variation in the evolution of the wage/income rate.

$$conflict_{jt} = \alpha_1 \text{Natural Disaster}_{jt} + \alpha_2 \text{REP}_t + \alpha_3 \text{PA}_t + x'_t \beta + \gamma_j + \mu_{jt},$$

where x' is a vector of additional (country invariant) year variables like the mentioned $\Delta \log \text{GWP}_t$ or $\Delta \log \text{GWP}_{US,t}$.

As we follow Besley and Persson (2009) we expect α_1 to be significantly negative. More importantly for our purposes, Predictions 1 and 2 imply a positive α_2 and negative α_3 .

5.3 Data

Our basic data set is taken from Besley and Persson (2009). This data is in panel form for 181 countries and years from 1950 to 2005. It uses the UCDP/PRIO civil-war incidence measure taking a value of 1 if a given country in a given year was involved in civil war - defined by a cumulated death toll of more than 1000 people. Alternatively, we use a measure of civil war based on the Correlates of War (COW) database, which runs up to 1997 but has the advantage of providing information that goes back to 1816.

The measure of natural disasters is constructed by Besley and Persson (2009) from the EM-DAT data set and includes the number of extreme temperature events, floods, slides and tidal-waves in a given country and year.

The presidential approval rates, our PA variable, are taken from Gallup. We use the total percentage of positive presidential approval per year.

Last, statistics on World Population, GDP and Per Capita GDP are taken from Angus Maddison's dataset.²⁶

²⁶<http://www.ggd.net/maddison/>

5.4 Results on the Republican Effect

We report the results of our basic specification in Table 1. To allow for country fixed effects, we estimate conditional logits. In column 1 we report the most basic specification. Reassuringly, negative shocks in the wage rate or income triggered by a natural disaster raise the probability of observing civil war in a similar way and order of magnitude than Besley and Persson (2009). Importantly, the coefficient associated with REP_t is positive and significant. The magnitude of the estimated effect is far from trivial: the coefficient implies an odd ratio of 1.56, which indicates that the probability of observing a civil war in a country is 56 % higher when the U.S. is under a Republican presidency.

The effects of these two variables are robust to any modification we perform on the basic specification. In the remaining specifications we include $\Delta \log GWP_t$. This way we control for aggregate productivity or demand shocks, which may be correlated with the U.S. political party in office. The associated coefficient is negative but insignificant. In the following estimation (columns 3), we add $\Delta \log GWP_{US,t}$, which controls for GDP growth in the U.S. Interestingly, this variable appears to have a negative effect on civil war incidence, which suggests that U.S. sponsored civil war might be likelier during recessions. Including these additional country invariant year variables has no qualitatively effect on neither the way in which Natural Disaster (as a proxy of wage rate or income shocks) or REP_t affect the probability of a civil war. In column 4, we include a variable indicating years under cold war. This way we control for foreign wars motivated by the confrontation between the U.S. and the Soviet Union. As expected, the effect of the cold war is to increase the incidence of civil war.²⁷ Importantly, including this additional variable adds additional year specific effects. Although lower, the coefficient of REP_t is still positive and significant, which suggests that the Republican

²⁷Notice that this effect is not uncovered by an analysis based on cross-country regressions. See for example, Collier, Hoeffler, and Sambanis (2005).

effect goes beyond the cold war.

Table 1: The Republican Effect on Civil War

	(1)	(2)	(3)	(4)
Natural Disaster $_{j,t}$	0.445*** (0.063)	0.443*** (0.063)	0.432*** (0.063)	0.447*** (0.064)
REP $_t$	0.528*** (0.112)	0.535*** (0.112)	0.515*** (0.114)	0.472*** (0.116)
$\Delta \log \text{GWP}_t$		-0.382 (0.344)	2.640** (1.312)	-0.440 (0.369)
$\Delta \log \text{GDP}_{US,t}$			-2.337* (1.363)	
Cold War				0.256** (0.120)
Sample	All	All	All	All
Observations	3,046	3,046	3,040	3,046

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

5.5 Results on Presidential Approval

We investigate now whether the level of approval for the U.S. president has an impact on the probability of observing a civil war. We build on the previous results to undertake our second test. As discussed above, we expect U.S. presidents to be keener to intervene abroad under low level of approval. Thus, if foreign intervention is a determinant of civil wars we should expect a significantly negative coefficient associated with our U.S presidential approval variable (PA_t). And that is what we observe in all our specifications. The coefficient of PA_t is always negative and significant. The implied odd ratio is .96, This indicates that a decrease of PA_t in 1 percentage point raises the probability of civil war by 4%. Observe that the coefficient associated with REP_t is even bigger once PA_t is controlled for. This further reinforces

the idea that the effect of Republican government is rather ideological (i.e. intrinsic to Republican ethos).

Table 2: Basic Specification with Preferential Approval

	(1)	(2)	(3)	(4)
Natural Disaster _{<i>j,t</i>}	0.340*** (0.067)	0.336*** (0.067)	0.324*** (0.068)	0.309*** (0.068)
REP _{<i>t</i>}	0.769*** (0.123)	0.780*** (0.123)	0.795*** (0.126)	0.898*** (0.134)
PA _{<i>t</i>}	-0.026*** (0.005)	-0.026*** (0.005)	-0.026*** (0.005)	-0.028*** (0.005)
$\Delta \log GWP_t$		-0.519 (0.409)	1.835 (1.642)	-0.454 (0.375)
$\Delta \log GDP_{US,t}$			-0.856 (1.741)	
Cold War				-0.338** (0.142)
Sample	All	All	All	All
Observations	2,177	2,177	2,171	2,177

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

5.6 Robustness

We perform a multiplicity of robustness checks. In table 3 we report a series of variations on the samples we considered previously. In column 1, we restrict the sample to non-OECD countries. If any, the effect is to increase the coefficients associated with REP_t and PA_t . As a check, we focus on OECD countries in column 2. Reassuringly, the key coefficients lose significance. In columns 3 and 4, we concentrate on South-Saharan countries and Commodity Exporters, respectively. Both of our key results hold. In column 4, we explore further the possibility that REP is capturing something else rather than variation in the propensity of the U.S. to intervene abroad. We can

argue that party ideology of a foreign government should be more important for the case of the U.S. than for other countries. That is, we should not observe that the probability of civil war is determined by which party is in office in countries like, for example, Sweden or even in the U.K. Interestingly, politics in those countries are also characterized by alternating political parties with different ideology so we can create variables like $SOCIALIST_t^{SW}$ or $CONSERVATIVE_t^{UK}$. These new variables take the value of 1 if the government is conservative in the U.K. and socialist in Sweden respectively, and 0 otherwise. Once we include these variables, only the coefficient associated with REP is significant (and still positive). This reinforces the view that civil wars are influenced by the U.S., specially under Republican terms. Notice as well that the inclusion of $SOCIALIST_t^{SW}$ or $CONSERVATIVE_t^{UK}$ does not affect the effect of PA_t .

Table 3: Robustness Checks, different samples

	(1)	(2)	(3)	(4)	(5)
Natural Disaster $_{j,t}$	0.322*** (0.0675)	1.076** (0.486)	0.864*** (0.261)	0.147 (0.154)	0.334*** (0.0676)
REP $_t$	0.820*** (0.126)	0.0348 (0.617)	0.800*** (0.225)	0.824*** (0.195)	0.673*** (0.131)
SOCIALIST $_t^{SW}$					0.150 (0.141)
CONSERVATIVE $_t^{UK}$					0.215 (0.165)
PA $_t$	-0.0273*** (0.00553)	-0.000676 (0.0254)	-0.0243** (0.0101)	-0.0287*** (0.00816)	-0.0184*** (0.00535)
$\Delta\log GWP_t$	-0.482 (0.372)	-12.93** (6.396)	-1.130 (2.343)	2.716 (2.008)	-0.458 (0.374)
Sample	Non-OECD countries	OECD countries	South-Saharan countries	Commodity Exporters	All
Observations	2,055	122	501	940	2,153

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

We explore different specifications in Table 4. In column 1, we include a time trend, which turns out to be positive and significant. In column 2, we report an estimation with decade fixed effects. Column 3 displays the estimation where we replaced $NaturalDisaster_{j,t}$ by the $\Delta\log GDP_{j,t}$ as in, for example, Collier and Hoeffler (2004). In column 4, we add a new variable

that takes the value of 1 for democratic countries defined using the Polity IV measures of democracy. This way we add more time variant domestic determinants. This has no effect on the relevance of REP and PA on the incidence of civil war. In column 5, we explore the possibility of our results being influenced by the timing between the moment the decision is made and the actual implementation of the intervention. We do so by lagging PA by 1 year and disaggregating REP in the first, second, third and fourth year of a Republican term. All the coefficients associated with REP_t^{Y1} , REP_t^{Y2} , REP_t^{Y3} , REP_t^{Y4} and PA_{t-1} have the sign and significance we expected.

Finally, in column 5 we report our basic specification but using an alternative variable of civil war instead, built on the Correlates of War (COW) database. Clearly, our results on the effect of the ideology and the support of a U.S. government are robust to any of these variations.²⁸

Last, we estimate a linear probability model using OLS instead of conditional logit. As shown in table 5, the results are similar and if anything of a smaller magnitude. For example, the coefficient associated with REP indicates that the unconditional probability of observing a civil war, which is around 15 %, raises about 20 % when Republicans are in office.

6 Concluding Remarks

In this paper we show that civil wars might be triggered by foreign intervention. In our model, the existence of a third party with the capacity of increasing the probability of victory and the expectations over post-conflict economic benefits implies a new type of commitment problem that induces civil war in situations where otherwise a conflict could have been deterred. These foreign interventions are typically secretively in nature and therefore difficult to observe directly. We develop a very stylized model to analyze

²⁸In fact, we have run the same regressions reported in tables 1, 2, 3 and 4 but on a measure of civil war incidence based on COW and all the results hold.

Table 4: Robustness Checks, different specifications

	(1)	(2)	(3)	(4)	(5)	(6)
Natural Disaster $_{j,t}$	-0.00394 (0.0732)	0.119* (0.0708)			0.344*** (0.0671)	0.478*** (0.0727)
REP $_t$	0.462*** (0.129)	0.855*** (0.135)	.488*** (0.117)	0.472*** (0.118)		0.439*** (0.121)
REP $_t^{Y1}$					0.519*** (0.176)	
REP $_t^{Y2}$					0.731*** (0.182)	
REP $_t^{Y3}$					0.811*** (0.177)	
REP $_t^{Y4}$					0.729*** (0.178)	
PA $_t$	-0.0124** (0.00602)	-0.0271*** (0.00590)	-0.0154*** (0.00479)	-0.0142*** (0.00489)		-0.0237*** (0.00537)
PA $_{t-1}$					-0.0181*** (0.00538)	
$\Delta \log \text{GWP}_t$	-0.268 (0.403)	-0.326 (0.351)	-0.652 (.509)	-0.625 (0.496)	-0.431 (0.366)	-1.549 (1.475)
$\Delta \log \text{GDP}_{j,t}$			-0.077*** (.00985)	-0.0733*** (0.00987)		
Democracy $_{j,t}$				-0.729*** (0.148)		
year Trend	yes					
Decade Fixed Effects		yes				
Observations	2,177	2,177	2,561	2,519	2,153	1,860

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

the incentives for a third party to intervene. From this model, we derive two clear-cut predictions that allow for identifying the relevance of foreign intervention on the incidence of civil war. Both predictions are confirmed for the case of the U.S as a potential intervening country: (i) civil wars are more likely to take place when the U.S. is under a Republican government and (ii) the probability of civil wars decrease with U.S. presidential approval rates.

While this paper shows that the U.S. politics influences the possibility of peace in the rest of the world, it is silent on whether this is actually good or bad. In fact, a successful intervention in our model could lead to economic booms in both the intervened and intervening countries. We do not investigate the welfare effects of these interventions which are left as an open question for future research.

Table 5: Basic Specification with Preferential Approval Linear Probability Model

	(1)	(2)	(3)	(4)	(5)	(6)
Natural Disaster $_{j,t}$	0.031*** (0.004)	0.031*** (0.004)	0.029*** (0.004)	0.030*** (0.004)	0.040*** (0.005)	0.010 (0.007)
REP $_t$	0.033*** (0.005)	0.034*** (0.005)	0.034*** (0.005)	0.038*** (0.006)	0.041*** (0.006)	0.024*** (0.006)
PA $_t$	-0.001*** (0.0002)	-0.001*** (0.0002)	-0.001*** (0.0002)	-0.001*** (0.0002)	-0.001*** (0.0003)	-0.001*** (0.0002)
$\Delta \log \text{GWP}_t$		-0.077*** (0.024)	0.056 (0.072)	-0.072*** (0.024)	-0.075*** (0.026)	0.060 (0.060)
$\Delta \log \text{GDP}_{US,t}$			-0.018 (0.069)			
Cold War				-0.014** (0.006)		
Sample	All	All	All	All	Non-OECD countries	Commodity exporters
Observations	6,750	6,750	6,744	6,744	5,502	4,115
R-squared	0.302	0.303	0.298	0.299	0.299	0.304

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Appendix A: Foreign intervention in favor of the domestic government

Our model can explain the onset of a civil war but also the continuation of a civil war in which the presence of a foreign country destroys a possible peace agreement. In order to ensure the returns to its investment, the foreign country will only be willing to add to the growth of the domestic country if the party in power - his ally - is sufficiently strong. In other words, it is reasonable to assume that the foreign country only increases the home country's pie after the faction it supported won the war. This is reflected in our previous model where the foreign country would choose to support the opposition. But if the foreign country intervenes in an on-going war supporting the party in power might also lead to the continuation of war. To see this, suppose that the present value of the spoils is Π_I as before and

the domestic government has to decide whether to appease the opposition by offering a share y of these spoils. Alternatively, it could make an alliance with the foreign country exchanging certain economic favors against support in the civil war and total benefits x of the new economic opportunities arising from the investment of the foreign country. Let $(1 - p_x) \geq (1 - p_d)$ be the win probability of the incumbent government resulting from a successful alliance with a foreign country. Then

Proposition 5 *The incumbent government will prefer the alliance with the foreign country to appeasing the opposition if $\frac{(1-\sigma)}{1-p_x}\Pi_I < x$*

Proof. The incumbent government is willing to appease the opposition if

$$(1 - y)\Pi_I \geq (1 - p_x)(\sigma\Pi_I + x)$$

or equivalently if

$$y \leq 1 - \sigma + p_x\sigma - (1 - p_x)\frac{x}{\Pi_I}$$

On the other hand the opposition is willing to accept if

$$y\Pi_I > p_x\sigma\Pi_I$$

The bargaining range is empty if

$$1 - \sigma - (1 - p_x)\frac{x}{\Pi_I} < 0$$

■

The intuition is as follows. The government continues the war if what is destroyed by the war, namely $(1 - \sigma)\Pi_I$, is less than the expected new economic opportunities for the government created by the war, namely $(1 - p_x)x$. The cost benefit analysis of the foreign government of the previous section applies with the economic benefits being $(1 - p_x)(E(\Pi_F) - x) - f(r)$

and the personal costs being unmodified. Clearly, our empirical predictions 1 and 2 also follow in this case.

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