Many view globalization as the simultaneous expansion of free markets (proxied by the growth of cross-border trade and investment) and the institutions of political democracy (de Soysa 2003, Held and McGrew 2000, Li and Resnick 2003, Milner and Kubota 2005, Simmons and Elkins 2004). Evidently, the future of globalization itself depends on whether free-market economics and political democracy mutually reinforce each other (Armijo 1999, Gill 1997, Rodrik 1997). For liberals, such as Friedrich Hayek, or current exponents of ‘end of history’ arguments, such as Francis Fukuyama, free markets and democracy ‘go together’ (Bhagwati 1993, Friedman 1999, Fukuyama 1991, Hayek 1944). Many, including some orthodox economists, voice skepticism (Polanyi 1944, Rodrik 1997, Stiglitz 2002). Critical theorists (Cox 1997), those who adhere to neo-marxist, dependency, or world-systems theory, and those groups coalescing around the anti-globalization movement fear that open markets emasculate democracy (Adams, Gupta and Mengisteab 1999, Falk 1999, Mittelman 2000). They contend that free-market capitalism works to empower multinational corporations (MNCs) and constrain the actions of states, labor, and communities, ultimately threatening democracy itself (Barber 1995, Munck and Gills 2002, Williamson, Imbroscio and Alperovitz 2003). The debates are polemical and the empirical evidence on whether or not MNCs prefer democracy is mixed (Jensen 2003, Li and Resnick...
2003). The question, however, is not just ‘academic’. The successful consolidation of democracy requires meeting the economic expectations of people, a task that becomes increasingly dependent upon opening up to trade and international sources of capital and technology (Bhagwati 2004). The present paper improves on previous analyses by critically examining one recent empirical paper, published in one of the premier International Relations journals. These findings, we argue, are largely due to a limited sample size and the use of an untransformed dependent variable. In fact, expanding the sample and transforming the dependent variable yield consistent support for the view that democracy actually increases foreign direct investment (FDI). Our results are robust to estimation technique and several different model specifications.

We begin by challenging the theoretical foundations on which reservations about democracy are made, using Li and Resnick’s (2003) systematic, theoretically and empirically sophisticated analysis. They show that when property rights protection, which is positively associated with democracy, is controlled, developing country democracies are punished by MNCs because remaining features of democracy pose unfavorable conditions for these companies. We argue contrarily, that host-country preferences for FDI should be formed powerfully by factor endowments and that rent-seeking by ‘domestic capital’ will be lower in democracies among the developing countries (LDCs). When making location decisions, international investors can gauge the basis on which the preferences of governments rest, rather than solely try to measure the risks emanating from institutions. For example, a cursory glance at how FDI has responded to former communist dictatorships, such as China and Vietnam, are illustrative of the fact that attitude change is far more conspicuous and effective than any sluggish institutional change. Of course, the attitudes of LDCs have shifted across the world but rent-seeking pressures on keeping out FDI are spread much less uniformly. In short, the preferences of governments, if they truly reflect the national interest, do matter, regardless of institutional factors. For example, the ‘obsolescing bargain’ mechanism, which entails a bargaining power shift from MNC to host country once costs are sunk (Vernon 1971), is not only a function of institutions but also depends upon who controls the policy agenda. We argue thus, that democracies are more likely to be attractive to MNCs than are autocracies, based on theories that predict preferences dictated by the broader populace rather than by narrowly-based groups.

To put it simply, our results support our claims. In strict replications of Li and Resnick (2003), we find that the negative and significant association between democracy and FDI vanishes with the addition of some 46 countries to the sample. Moreover, democracy’s negative effect becomes positive and significant when the dependent variable (FDI inflows) is logged to reduce skewness, a result that is net of property rights protection and sundry control
variables. These results also withstand several tests of sensitivity. Our findings do not suggest a trade-off between democracy and FDI. On the contrary, democratic preferences for imported capital follows the same logic as a democratic public’s preference for free trade (Busse 2004, Harms and Ursprung 2002, Jensen 2003, Milner and Kubota 2005). To further assess the strength of our argument, we demonstrate that larger amounts of FDI actually do flow to states with ‘leftist’ governments than to those deemed ‘centrist’ or ‘rightist’ (net of our measures of democracy and property rights protection), a result somewhat untenable with the view that MNCs first and foremost prefer \textit{ex ante} safe havens for capitalism. Contrarily, leftist governments are less likely to succumb to rent-seeking by domestic capital and more likely to be influenced by what benefits labor – the abundant factor in LDCs.

II. THE THEORETICAL ARGUMENTS

There are many theoretical propositions about the effects of democracy on FDI. Previous work focuses on the role of the preferences of MNCs. These preferences are in particular related to host country potential (or advantages), such as market size and growth, natural resources, and the availability of cheap and/or high-skilled labor, but they are also related to investor perceptions of risk. Most of these risks are political or economic, thus the institutional environment governing the risk of expropriation and other forms of \textit{ex post} government intervention has been of special interest when theorizing about democracy and FDI (Globerman and Shapiro 2002, Henisz 2000, Jensen 2003, Li and Resnick 2003, Schneider and Frey 1985). We argue that, while the institutional environment is surely important, a multinational’s decision on location is governed by issues more encompassing than simply institutional conditions such as corruption or independent courts. Host country preferences for FDI are generally ignored in the literature, and the bases of those preferences are rarely treated theoretically. This is regrettable, especially since negative attitudes toward foreign capital seem to constitute a significant FDI deterrent. A recent study of Africa is illustrative in that it finds that even as many states are actively seeking FDI (for example by instituting investment boards), popular myths about FDI and the activities of powerful organized domestic interests pose massive formal and informal barriers to entry (Moss, Ramachandran and Shah 2004).

Several studies argue that higher levels of democracy increase foreign (and domestic) investment because democracy provides checks and balances on the executive and strengthens the rule of law, thus reducing the potential for arbitrary government intervention in the affairs of MNCs (Henisz 2000, Jensen 2003, Olson 1993, Ramamurti and Doh 2004). Although quite
reasonable, this relationship is not straightforward. Since the rule of law increases with the level of democracy, it is also highly plausible that MNCs can now freely enter into arms-length transactions abroad rather than undertake direct investments, given that the rule of law should reduce the costs of transacting at a distance (Henisz and Williamson 1999, Williamson 1985). If the transaction costs argument is valid, we would generally observe that as institutions of property rights protection improve, FDI declines (and, possibly, trade increases). Moreover, since there is no clear indication that institutions protecting property rights strengthen with democracy, then the issue of democracy and FDI becomes largely an empirical one. Of course, most FDI flows to rich countries where property rights and democracy are deeply rooted and where firms’ profits are determined more by market factors than by political risk considerations. On the other hand, Figure 1 demonstrates that among the LDCs, relatively autocratic China and Singapore receive much more FDI than democratic India. Is this stylized story really all about property rights (institutions) and democracy, or is there also a role for the preferences

Figure 1

Trend in FDI Inflows into China, India, and Singapore, 1970–2002
and attitudes of host nations? Consider also the strong empirical evidence that suggests that higher corruption in East Asia increased FDI while it deterred it elsewhere (Wei 1997ab). Why this should be true from a simple institutional risk argument is not immediately apparent.

Li and Resnick (2003) suggest a negative relationship between democracy and FDI inflows in three basic ways. First, monopoly profits of MNCs are likely to be hampered by democracy because the electorate will be able to exert control over politicians – who grant such favors to MNCs – thereby deterring monopoly-seeking FDI. On closer examination, however, this argument may be self-defeating. If MNCs are allowed monopoly profits, then these companies can be expected to powerfully curtail further investments, thus lowering FDI inflows. Hence, monopoly-seeking MNCs and autocrats should go together with less – not more – FDI. Clearly, the rivalry between MNCs should not be disregarded. Such competition has apparently played a major role in spurring the growth of FDI in recent years (UNCTAD 1995). Taking as a point of departure John Dunning’s (1988) eclectic view on why firms invest abroad, the ownership advantages of MNCs, which can be derived from specific technological and managerial skills, would likely be challenged by other MNCs with similar endowments. However, MNCs should be far less concerned about competition from domestic firms in poor countries. The supposition that monopolists and autocrats increase FDI flow is counter-intuitive – monopolists should erect barriers to entry to keep out similarly endowed economic rivals.

Secondly, Li and Resnick (2003) contend that democracy reduces the propensity for governments to offer ‘sweet deals’ to FDI (at the expense of taxpayers), something which diminishes the incentives for MNCs to pick democratic investment locations. A democratic public will, according to this argument, monitor the actions of elected officials more closely than will autocracies. However, to our knowledge there is little if any evidence to suggest that FDI going to poor countries is attracted by incentive packages, despite that fact that most LDCs are instituting special investment promotion agencies to signal their desire for FDI (Beyer 2002, Graham 2000). Neither do states seem to engage in any significant tax competition to attract FDI (Garrett 1998, Graham 2000), nor do multinationals seem to prefer lower labor standards (Graham 2000, Neumayer and de Soysa 2005, 2006). In other words, even if democracies were less likely to ‘race to the bottom’, it seems to be largely an irrelevant consideration for MNCs, who evidently prefer to locate in relatively rich, high-tax countries rather than in the weak states in the Global South. Moreover, we are inclined to think that ‘sweet’ incentive packages are far more common within the rich countries that compete for high-technology FDI than among cash-strapped LDC governments, which are much more likely to give incentive packages to domestic capitalists.
Thirdly, Li and Resnick (2003) argue that indigenous business groups, who see FDI as a threat to their profits, are likelier under democracy to lobby their governments for protection, thus spurning FDI. In our view, this last point does not conform to general theories explaining why democracies among the LDCs would favor FDI based on who controls the policy process. Specifically, it does not fit very well with factor-endowment theories that account for why governments have particular attitudes toward free trade. Simply put, we suggest that the rent-seeking power of indigenous business will be lower under democratic conditions. Clearly, rent-seeking domestic firms will not represent the national interest in poor countries. In democracies, the power of domestic capital will be diminished, leading to higher capabilities for states to implement better conditions for FDI, formally and informally.

Recent research on democracy and trade openness indicates that democracies prefer free trade because the abundant factor—labor—benefits from open markets. This is a staple view on economic integration based on Heckscher-Ohlin-Samuelson, Ricardo-Viner type models of international trade. Milner and Kubota (2005), for example, argue that since the size of the ‘selectorate’ (i.e., those who have a say in policy formation) increases with democracy, a majority will prefer open markets. In authoritarian countries, the policy process is heavily dominated by capital (a powerful but narrowly-based selectorate). Since capital is the scarce factor in poor countries, control of policy can mean supernormal profits for local capitalists (Acemoglu and Robinson 2000, Buchanan 1980, Olson 1965). Under open-economy conditions, the scarce factor within poor countries will lose as local capitalists (industrialists) are forced to compete with both vertical and horizontal FDI for domestic markets and for labor (Bhagwati 1999). New entrants, particularly MNCs, which generally offer higher wages than domestic firms, are likely to alter labor market conditions in a way that works against monopoly-seeking domestic firms (Brown, Deardorff and Stern 2003). As these countries democratize, the monopoly positions of state firms and domestic industrialists are likely to erode, to the benefit of labor and larger segments of domestic society, or those who make up the ‘selectorate’ (Milner and Kubota 2005).

To argue that MNCs are the only monopoly-seeking actors amounts to a rather constrained view of ‘rent-seeking’ which the specialized literature on the subject does not support (Buchanan, Tollison and Tullock 1980, Krueger 1974, Olson 1982). Neither does the empirical record of import substitution industrialization (ISI), or other forms of infant industry protection, which dominated the policy environments of most LDCs in the 1960s and 1970s, suggest that FDI had inordinate power over states and local capital. Rather, the contrary was often true (Krueger 1990). Keeping in mind that the ratio of FDI inflows to GDP among the LDCs is slightly less than 2 percent and that total accumulated FDI stock is only about 17 percent of GDP, one wonders
DO FOREIGN INVESTORS PUNISH DEMOCRACY?

how domestic industrialists can lose policy battles and how social losses from rent-seeking based on 17 percent of the economy can be greater than the social losses stemming from 100–17 percent\(^1\). The view that corporations dominate states often follows from a comparison of corporations’ sales income with the GDP of states. The ‘right’ comparison, of course, is between GDP and value added, a likening that places General Motors on the list somewhere below Bangladesh (De Grauwe and Camerman 2003). States still rule the world and, presumably, in democratic societies the majority determines the state’s preferences. Democratic conditions should therefore work to loosen the grip of domestic monopolists given that larger segments of the population – particularly labor – will benefit from the opening up of markets and the importation of capital. Hence the plethora of LDC market reform programs in the wake of democratization in places like Bolivia (in 1985), South Korea, the Philippines (in the post-Marcos period), and – not least – Central and Eastern Europe (Milner and Kubota 2005).

Despite controlling for other political and economic determinants, any positive effect of democracy on FDI inflows could, of course, be driven by other plausible explanations, including such factors as concerns among MNCs for their global image and loss of markets from bad publicity. To assess our contention that host country attitudes or preferences matter, we also test the proposition that MNCs will not seek to avoid governments that are ‘leftist’ in orientation, all other things being equal. Leftist governments among democracies, we contend, are inclined to prefer FDI due to the implications for labor from capital imports. In particular, we suspect this mechanism to be valid in the post-Cold War era, during which time foreign policy-related FDI has become less common. The literature on the political economy of policy change is also salient to our argument. Leftist governments and labor are likely not to engage in any major struggles over policy change, thus offering FDI more credible guarantees against policy reversals (Rodrik 1996). Recent evidence from Brazil contributes to substantiate these claims. After having won the 2002 presidential elections, Luiz Inácio Lula da Silva – a former trade union leader and left winger – did not hesitate to announce that solving Brazil’s social problems of unemployment and inequality depended on the country being able to attract FDI, a task that required convincing investors ‘that we have stability and democracy and assure them that the rules are well-defined and that no-one will be taken by surprise by a sudden new regulation’\(^2\).

\(^1\) The FDI flow and stock data (in current U.S. dollars) used in these calculations are from UNCTAD (www.unctad.org). The GDP data are current dollar estimates in international prices from the World Bank (2004).

III. THE EMPIRICAL DETERMINANTS OF FDI

Several recent studies have tried to estimate democracy’s effects on foreign direct investment. Li and Resnick (2003) provide evidence suggesting that democracy has conflicting effects on the inflow of FDI to LDCs. On the one hand, well-established democracies with independent judiciaries and effective executive constraints are generally better equipped to protect foreign investors’ assets from expropriation, contract repudiation, and corruption than are autocracies (or fledgling democracies). On the other hand, Li and Resnick’s results indicate that once property rights are controlled for, the relationship between democracy and FDI in fact becomes negative and significant. As they put it, democratization among the LDCs causes a ‘reversal of fortune’. However, the balance of empirical evidence seems to suggest a complementary relationship between MNCs and democracy.

Using data from 114 developed and developing countries over the period 1970–1997, Jensen (2003) finds that democratic governments attract higher levels of FDI (relative to GDP). Others, too, find little support for the view that MNCs are more attracted to authoritarian conditions as proxied by measures of civil and political rights (Busse 2004, Harms and Ursprung 2002). In addition, there is scant evidence to suggest that MNCs find autocratic environments more attractive for reasons of profitability, or because of restrictive conditions imposed on labor (Neumayer and de Soysa 2005, Oneal 1988, 1994). In any case, the novelty of Li and Resnick’s study is that they contrast democracy with environments that respect property rights, the latter variable being solidly linked to risks facing foreign investors. Thus, we closely follow their specifications and empirical details.

IV. DATA AND METHODS

Like others, we employ time-series, cross-section (TSCS) data over the period 1984–2001. The data on FDI inflows (FDI) are obtained from the United Nations Conference on Trade and Development (UNCTAD) website, which constantly updates figures based on the balance of payments accounts published by the International Monetary Fund (IMF) and national sources (for summary statistics, see Appendix A). Like others, we utilize the latest available data from the Polity IV Project (DEMOCRACY) which also codes democracy scores for interregnum years previously reported as missing (Gurr and Jaggers 1995). We add 11 points to the Polity index so as to create an index stretching from 1 (most autocratic) to 21 (most democratic). In addition to

DEMONSTRATION, we use Freedom House’s aggregate political and civil rights index (Freedom House Democracy)\(^4\) as well as the only available objectively measured indicator of democracy based on electoral data (Vanhanen 2000)\(^5\). This latter measure of polyarchy (Vanhanen Democracy) gauges the narrowness of victory for the largest party winning any given election for executive office. The resulting variable is then interacted with the percentage of the population that participates in the election so that the level of democracy is affected by any of the two indicators.

The variable property rights protection is based on expert-generated data from the International Country Risk Guide (ICRG) and closely resembles the index calculated by Knack and Keefer (1995) and utilized by Li and Resnick (2003). However, since the weighting and naming of the individual variables included in ICRG’s political risk index have changed slightly over the last few years, we were not able to replicate Knack and Keefer (1995) exactly. Our property rights protection measure runs from 0 to 60 and is a weighted average of four of the 12 variables included in ICRG’s political risk index: investment profile (which makes up 40 percent of property rights protection and which consists of three subcomponents, namely contract variability/expropriation, profit repatriation, and payment delays); quality of bureaucracy (20 percent); corruption (20 percent); and law and order (20 percent). Despite the changes in the ICRG definitions, our construction of property rights protection is correlated at \(r=0.91\) with Li and Resnick’s and thus also with the original index (Knack and Keefer 1995). We also consulted the property rights protection measure used by the Fraser Institute’s ‘Economic Freedom in the World Index’, which is slightly different definitionally since it only measures legal security\(^6\). Reassuringly, our measure correlates at \(r=0.86\) with the property rights (legal security) indicator of the Economic Freedom Index, while Li and Resnick’s only does so at \(r=0.79\).

In later model specifications, we test the proposition that leftist governments do not constitute a deterrent to FDI inflows. For this purpose, we utilize a dummy variable (leftist executive) drawn from the World Bank’s ‘Database on Political Institutions’ (DPI) which codes the ‘economic policy orientation’ of the ruling party or coalition. The coders deem a government ‘rightist’ if ruling parties are defined as conservative, Christian democratic, or right wing, and ‘leftist’ if ruling parties are communist, socialist, social democratic, or left-wing (Beck et al. 2002). We do understand that the hostility of communist regimes towards FDI was great and should affect our results, but most of these

\(^4\) Freedom House’s political and civil rights indexes can be downloaded from http://www.freedomhouse.org/
\(^5\) The Polyarchy data are available from http://www.prio.no/cwp/vanhanen/ (January 2005).
\(^6\) The data are available at: http://www.freetheworld.com/
states would also be coded as autocratic. The bulk of the time-period we test, however, saw a massive decline of states deemed communist.

Our models strictly follow Li and Resnick (2003). The only variable used by them that we do not account for as a control is ‘change in labor costs’, which was neither significant in any of their models nor in our preliminary analyses. In any case, we firmly believe that the development variables – level of per capita income and the rate of growth – suitably capture aspects of the costs of labor. Following others, we include PPP-adjusted GDP per capita (ECONOMIC DEVELOPMENT) taken from the World Development Indicators (World Bank 2004). This variable is logged to reduce skewness.

The size of the domestic market, proxied by total GDP, is a strong predictor of FDI (Globerman and Shapiro 2002, Li and Resnick 2003). We use the logged values of total gross domestic product reported by the WDI data (ECONOMIC SIZE). In addition, most empirical studies also include the growth rate of income (Busse 2004, Schneider and Frey 1985), as growth proxies a beneficial climate for future profitability, not to mention a policy environment favorable to entrepreneurs (ECONOMIC GROWTH). Like Li and Resnick (2003), we also employ a measure of exchange rate volatility, measured as the mean absolute deviation from the mean of the official exchange rate of local currency units vis-à-vis U.S. dollars (EXCHANGE RATE VOLATILITY). In addition, we control for annual world FDI inflows (WORLD FDI), which is similar to modelling year dummies or measuring a country’s share of world FDI inflows (Neumayer and Spess 2005).

We also account for the political stability and durability of regimes. Li and Resnick (2003) use an event count measure of political instability that aggregates coups, revolutions, assassinations, riots, and strikes into a single index. This variable was generally fragile in their estimated results. Political risk analysts have consistently questioned the value of focusing too heavily on political instability on the grounds that such instability happens infrequently, does not necessarily lead to policy changes of relevance to foreign investors, and hence does not always pose a significant risk to MNCs (Kobrin 1979, Oseghale 1993, Poynter 1985, Schneider and Frey 1985). We use instead a measure of civil war (CIVIL WAR) with over 25 battle-related deaths (Gleditsch et al. 2002). Civil war measured at a low threshold of violence indicates that there is physical threat to property and that a government’s capacity to maintain law and order has failed. In addition, this measure is based on news reports of violence, which are likely to bring bad publicity that further affects the location decisions of MNCs. Following Li and Resnick (2003), we also use a proxy for regime durability (REGIME DURABILITY), extracted from the Polity IV dataset. This variable is measured as the number of years since the last regime transition (i.e., a three-point or greater shift in the main Polity index).
Following Li and Resnick (2003) we utilize the ‘panel corrected standard error’ (PCSE) method for time-series, cross-section (TSCS) data (Beck and Katz 1995, 1996). TSCS data contain complicated correlation structures that bias estimates. We deal with autocorrelation using the AR1 correction with the PCSE method. Beck and Katz (1995, 1996) note that PCSEs are ideal only when $T$ is relatively large and approaches 20. In some tests, therefore, we also use the regress cluster method with a lagged dependent variable, which provides correct coverage in the presence of any pattern of correlation among errors within units, including serial correlation and correlation due to unit-specific components. In other words, it provides standard errors that are robust to heteroskedasticity and serial correlation (Wiggins 1999). To assess robustness further, we also employ the ‘Generalized Estimation Equation’, (GEE), which is another suitable way to estimate TSCS data with complicated error structures (Zorn 2001). Given the theories discussed above, we only test a sample of LDCs. All the independent variables – except world FDI – are lagged one year.

V. RESULTS

In their basic model, Li and Resnick (2003, p. 195) find that level of democracy is negatively and highly significantly associated with an untransformed FDI measure in a sample of 53 countries. This result is net of a number of control variables, including PROPERTY RIGHTS PROTECTION, whose coefficient is positive and highly significant. In the present study, however, preliminary tests revealed that China profoundly affects some of these results. In fact, dropping just China from the estimation renders PROPERTY RIGHTS PROTECTION insignificant and reduces the negative influence of DEMOCRACY, thereby indicating that China acts as a strong leverage point pulling the line up for property rights while simultaneously leveraging the line down for level of democracy. Moreover, Li and Resnick’s property rights measure becomes insignificant when we estimate their model with the robust-cluster and GEE methods (results not shown but available from authors). Democracy, however, remains negative and statistically significant.

In Table 1, column 1, therefore, we include a dummy for China in a re-estimation of Li and Resnick (2003), using our variables. As seen there, a slight change in the sample size (24 data points) makes PROPERTY RIGHTS PROTECTION insignificant, using their estimation technique and the untransformed dependent variable. DEMOCRACY on the other hand, retains the statistically significant, negative effect. It is impossible for us to ascertain whether these results are due

7. We use the statistical software package STATAv9 for estimations.
Table 1

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<th>Independent variables</th>
<th>(1) PCSE(ar1)</th>
<th>(2) PCSE(ar1)</th>
<th>(3) Reg. cluster</th>
<th>(4) PCSE(ar1)</th>
<th>(5) PCSE(ar1)</th>
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R²: 0.957***

Note: t-statistics in parentheses. ***p < 0.01, **p < 0.05, *p < 0.1.
Table 1. (Contd)

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<th>Independent variables</th>
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Notes: z-statistics in parentheses; levels of statistical significance are indicated by asterisks: *significant at 10%, **significant at 5%, and ***significant at 1%.
to our property rights protection measures diverging, but given their high
correlation and the fact that their measure is also sensitive to testing procedure,
we doubt it. These results remain exactly the same when we use the property
rights measure of the Economic Freedom in the World Index (results not
shown). In column 2, we extend the sample size substantially by dropping
CAPITAL FLOW RESTRICTIONS (which is highly negatively correlated with PROPERTY
RIGHTS PROTECTION) and replacing POLITICAL INSTABILITY with CIVIL WAR. The
number of countries in the analysis now increases from 53 to 99 developing
countries and the number of observations increases to 1357 (for a country list,
see Appendix C). Using this extended sample, DEMOCRACY’s statistical signifi-
cance vanishes. The results on ECONOMIC SIZE and ECONOMIC DEVELOPMENT
uphold, EXCHANGE RATE VOLATILITY and WORLD FDI cease to matter, while CIVIL
WAR is negative and statistically significant at the 10 percent level. In column 3,
we run the same model with regression cluster and a lagged dependent variable.
In this specification, DEMOCRACY becomes positive and significant at the 10
percent level. Evidently, it seems that the initial results, which showed a nega-
tive association between democracy and FDI, were driven largely by a limited
sample size.

We do not, however, place too much faith in the results reported in columns
1–3; we merely display them to demonstrate the fragile nature of the findings
from an analysis of only 53 countries. Notably, DEMOCRACY’s effect on FDI
goes from negative and statistically significant, to not significant, and finally to
positive and significant! In addition, the strong, statistically significant results
on PROPERTY RIGHTS PROTECTION found by Li and Resnick (2003) simply
disintegrate. Notwithstanding the effects of increasing the sample size, we believe
that these results are largely due to the dependent variable – which is highly
skewed – violating a basic OLS regression assumption, leading to biased
estimates (Hamilton 1992, Rabe-Hesketh and Everitt 2004). Unsurprisingly,
histograms revealed that the untransformed measure is highly positively skewed.
We also performed diagnostic tests on the basic model with the untransformed
dependent measure. A residual plot exhibited a ‘fan’ pattern whereby residuals
increased as fitted values increased. This also suggests that transforming the
dependent variable is warranted (Rabe-Hesketh and Everitt 2004).

We follow several others by taking the natural log of FDI flows (Globerman
and Shapiro 2002, Neumayer and Spess 2005). Transforming variables,
however, present a few minor problems, such as how to treat zero and negative
values (i.e., disinvestment or reverse investment)? In our model, such values
are set to a very small number – namely, 10,000 U.S. dollars – relative to the
lowest positive annual values in our dataset. The negative values make up
about 9 percent (327/3636) of the total country-years among the LDCs.

8. The UNCTAD data do not contain any zero FDI values in the relevant time period.
Moreover, out of a total of 287 country-years (for which we have democracy data) exhibiting negative values, only 47 are predominantly democratic (i.e., scoring above 16 on DEMOCRACY), compared to 236 autocratic country-years. Thus, the democratic country-years with negative values make up just 16 percent of the total. Furthermore, a $t$-test between the two means yields no statistically significant difference. Therefore, we proceed with our transformed variable – ln(FDI) – which seems to approach a normal distribution despite some granularity due to our artificial coding of negative values.

In Table 1, column 4, we report results for the extended model with 99 countries, using the transformed response variable. Now, both DEMOCRACY and PROPERTY RIGHTS PROTECTION become positive and statistically significant, even without controlling for autocratic China. Furthermore, these results hold when we run PCSE with a lagged dependent variable (column 5). Note that the marked difference in results between the small and the large samples are not due to the variable substitutions, because we get the same results if we run the 53 countries in Table 2, column 1, with CIVIL WAR instead of POLITICAL INSTABILITY and leave out CAPITAL FLOW RESTRICTIONS (not shown). In other words, it is the specific sample – not the control variables – that matter. The rest of the results in columns 4–5 are also quite reasonable. Not surprisingly, FDI inflows increase with the size of the economy but the flow of FDI is unambiguously reduced under civil war conditions. ECONOMIC DEVELOPMENT loses significance in these specifications. This should come as little surprise; while GDP per capita is a proxy for wealth and hence for the purchasing power of the host-country population (and, in effect, also for physical infrastructure), it is also an implicit measure of wages and should thus be negatively correlated with efficiency-seeking foreign investment. Others, too, report a nonsignificant effect of income (Neumayer and Spess 2005). Nevertheless, the main point is that the transformed dependent variable yields much better results for DEMOCRACY and PROPERTY RIGHTS PROTECTION in an extended sample of countries, and the controls also behave reasonably. These results, unlike Li and Resnick’s, are robust to testing procedure since the results do not vary between the PCSE, regress-cluster, and the GEE methods.

Table 2 reports results for alternative measures of democracy using the PCSE method with a lagged dependent variable (LDV). One might say that this method is quite restrictive given that the lagged dependent variable can soak up variance and mask or reduce other possible causal effects of the independent variables (Achen 2000). However, using an LDV is valuable since it should capture the effects of omitted variables in the model (Beck and Katz 1995). Column 1 reports the results when the Polity index is replaced by Freedom House’s aggregate index (FREEDOM HOUSE DEMOCRACY). Again, democracy – now measured slightly differently – has positive and significant effects on FDI inflows. This is also true when we employ Vanhanen’s measure of polyarchy.
(column 2) and when we utilize the dummy variable based on the Polity index, where DEMOCRACY DUMMY takes the value 1 if a country’s Polity score is higher or equal to 16, and 0 if it is smaller than 16 (column 3). It seems that the positive and significant effect of democracy is highly robust to the measure of democracy used. It is also robust to the testing procedure employed, as we obtained similar results when we used the regress-cluster method with an LDV (not shown). In short, democracy promotes FDI, as does property rights protection. Once again, ECONOMIC SIZE, ECONOMIC GROWTH, CIVIL WAR, and WORLD FDI are all robustly significant with the expected signs. To further assess the robustness of these results, we ran the PCSE model with an LDV on a
sample where country-years with negative FDI values were excluded. The results on democracy and property rights did not change, however, suggesting that these results are not sensitive to our artificial coding of small positive values for all country-years with net disinvestment\(^9\).

In Table 3, we add a variable (LEFTIST EXECUTIVE) that takes the value 1 if a country has a leftist government and 0 if the executive is centrist or rightist (Beck et al. 2001). In other words, we want to see how FDI behaves toward governments that may, in general, be hostile to private property and thus more likely – at the outset – to pose an expropriation or ‘creeping expropriation’ threat to foreign investors. Contrarily, we contend that even socialist governments in developing countries may encourage FDI since these governments will be pro-labor and, consequently, relatively unconstrained by the narrow interests of domestic industrialists. In columns 1–2, we run the basic model but with the untransformed dependent variable. We also include a China dummy in all tests since we want to avoid this so-called ‘leftist’ government from unduly influencing the results. Interestingly, with an untransformed dependent variable LEFTIST EXECUTIVE is positive and significant but DEMOCRACY is not (and neither is PROPERTY RIGHTS PROTECTION). With our preferred dependent variable (columns 3–4), however, DEMOCRACY and LEFTIST EXECUTIVE both matter and are positive and significant in the PCSE as well as in the regress cluster version, while PROPERTY RIGHTS PROTECTION is positive in both versions but significant only in the PCSE model. Moreover, these results are net of the lagged dependent variable\(^{10}\) and the China dummy (which is positive and significant). The rest of the controls show results similar to those previously reported.

What about substantive effects? Holding all other variables at their mean values, we varied each of our variables of interest (i.e., PROPERTY RIGHTS PROTECTION, DEMOCRACY, and LEFTIST EXECUTIVE) one by one from their minimum values to their maximum values to gauge the impact of this change on the dependent variable\(^{11}\). Alternatively, we could also have varied values

---

9. We ran the usual barrage of diagnostics on the regress cluster models. VIF scores did not show a problem with multicollinearity. Several (139) country-years had Cook’s-D values greater than the recommended cutoff of 4/n (Rabe-Hesketh and Everitt 2004, Stata 2003). Interestingly, many of these countries are rich in oil and others are chronically unstable (e.g., Sierra Leone). Dropping these country-years and re-running the basic models had little effect on the results on democracy and property rights, but the fit of the model improved substantially: over 80 percent of the variance was explained.

10. To check the robustness of these results, we also ran the models without a lagged dependent variable. While the results generally stayed the same, the level of significance for LEFTIST EXECUTIVE was slightly reduced when we employed a transformed dependent variable.

11. We employed the software package ‘Clarify’, which is available for download from Gary King’s website at http://gking.harvard.edu/. In order to increase our confidence in interpreting the estimated coefficients, Clarify draws 1000 sets of simulated parameters from the estimated model and converts them into substantively interesting quantities, such as expected values (as in this case). This increases our confidence in assessing the ‘estimation’ uncertainty and ‘fundamental’ uncertainty reflected in
from \textit{mean} to maximum, but the results generally show a similar picture. As Figure 2 demonstrates, the largest impact is displayed by \textsc{property rights protection} (2.2) – with a mean of 1.06 – but it also varies the most because it also has the lowest impact (0.18) within a 95 percent confidence interval. In other words, it shows the greatest variability. On the other hand, \textsc{democracy}’s

\begin{table}[h]
\centering
\caption{Estimates of the Effects of a Leftist Executive Dummy on FDI Inflows, 1984–2001}
\begin{tabular}{lcccc}
\hline
Independent variables & (1) PCSE(ar1) & (2) Reg. cluster & (3) PCSE(ar1) & (4) Reg. cluster \\
\hline
LAGGED DEPENDENT VARIABLE & 0.904*** & 0.952*** & 0.315*** & 0.498*** \\
LEFTIST EXECUTIVE & 0.267*** & 0.237*** & 0.403*** & 0.346** \\
DEMOCRACY & 0.003 & 0.003 & 0.068*** & 0.052*** \\
PROPERTY RIGHTS & 0.002 & 0.001 & 0.031*** & 0.021 \\
PROTECTION & 0.000 & 0.21** & 0.386** & 1.64 \\
REGIME DURABILITY & -0.004 & -0.004** & -0.008 & 0.007 \\
CIVIL WAR & -0.196** & -0.165* & -0.650*** & -0.496** \\
ECONOMIC SIZE & 0.147*** & 0.119*** & 0.544*** & 0.400*** \\
ECONOMIC GROWTH & 0.001 & 0.006 & 0.028 & 0.035** \\
ECONOMIC DEVELOPMENT & 0.046 & 0.036 & -0.102 & -0.092 \\
EXCHANGE RATE & -0.000 & -0.000 & 0.000 & 0.000 \\
VOLATILITY & 0.45 & 0.17 & 0.80 & 0.64 \\
WORLD FDI & -0.000 & -0.000 & 0.000*** & 0.000** \\
CHINA DUMMY & 3.850** & 2.978*** & 1.534*** & 1.025** \\
Constant & -1.624*** & -1.276*** & -3.271*** & -2.210*** \\
\hline
Observations & 1246 & 1246 & 1246 & 1246 \\
Countries & 98 & 98 & 98 & 98 \\
R² & 0.86 & 0.91 & 0.37 & 0.52 \\
Wald \text{chi}² & 1669.66 & 4636.88 & & \\
Prob > \text{chi}² & 0.000 & 0.000 & & \\
Rho & 0.195 & 0.202 & & \\
\hline
\end{tabular}
\end{table}

Notes: \text{z}-statistics in parentheses; levels of statistical significance are indicated by asterisks: * significant at 10\%, ** significant at 5\%, and *** significant at 1\%.

the data and models that we test. We set all X’s to their means and vary our X’s of interest to simulate the expected change in impact on Y. For further details, see Tomz, Wittenberg and King (2003).
effect varies within a narrower positive band with only a slightly lower average (1.03). LEFTIST EXECUTIVE exhibits the smallest impact with a mean of 0.34 (roughly 33 percent of the impact of DEMOCRACY), but it, too, varies within a positive band. These effects are substantively quite large given that the simulated global average value of the dependent variable is 4.4 points. If a country moves from strict autocracy, thus, to full democracy, the global FDI average increases by 19 percent, whereas a shift from the minimum value of PROPERTY RIGHTS PROTECTION to its maximum value would increase inflows by about the same amount. In real-world terms, Ghana in 2000 is a good example. This country was at the mean value of PROPERTY RIGHTS PROTECTION (32 points) and DEMOCRACY (13 on Polity scale). It received 114.9 million U.S. dollars in 2000. Assuming that this level of FDI is typical over time, if Ghana remains at the current property rights protection level and democratizes to the maximum level (i.e., moves from 13 to 21 on the Polity scale) it could receive up to 137 million dollars, which amounts to an increase of 2.45 dollars per labor-force participant in total investment (the World Bank estimates Ghana’s labor force at 9 million in 2000). This is possibly a substantial increase given that global FDI inflows are, on average, a paltry 2 percent of global GDP, and Ghana is
situated in a region which shows a net outflow of capital. In any case, the main point is that democracies are rewarded by international capital.

VI. SENSITIVITY TESTS

In order to check for the sensitivity of the results, we enter total stock of FDI to GDP, to capture the overall accumulated influence of MNCs within the economy, with data from UNCTAD (due to space constraints, results are not shown). This variable is positive and significant but the results on LEFTIST EXECUTIVE and DEMOCRACY do not change, whereas PROPERTY RIGHTS PROTECTION now becomes only marginally significant at the 10 percent level. When trade (i.e., exports plus imports; data are from World Bank (2004)) to GDP is entered into the basic model, this variable also turns out positive and highly significant, yet now PROPERTY RIGHTS PROTECTION becomes far from statistically significant. These results might very well suggest that trade openness and the historical value of MNC investments actually proxy a long-term institutional climate favorable to property rights protection. To be sure, some studies include a measure of trade openness (Bevan, Estrin and Mayer 2004, Busse 2004). The same, however, is not true for stock-to-GDP. The fact that UNCTAD (2005, pp. 297–8), and most others, define foreign direct investment as equity capital plus reinvested earnings plus intra-company loans or intra-company debt transactions leads us to believe that studies of the determinants of FDI should include the level of ‘penetration’ by MNCs, since already-established subsidiaries often almost automatically receive further capital injections from the parent company. Having said this, our main focus has been to replicate Li and Resnick’s (2003) study, which incidentally does not include such a measure.

Acknowledging the tight connection between autocracy, political instability, and the ‘resource curse’ on the one hand and the inflow of natural resource-seeking FDI on the other (de Soysa 2002, Jensen and Wantchekon 2004, Ross 2001), in further sensitivity tests we include a dummy variable taking the value 1 if oil exports exceed 1/3 of GDP and 0 if they do not (Fearon and Laitin 2003). This variable, too, turns out statistically insignificant, yet its inclusion does not change the other results, and neither does a variable measuring the importance of resource rents (Kunte et al. 1998). Given that Africa has lower-than-average democracy scores and only receives a small fraction of world FDI flows, in additional tests we enter a regional dummy for Sub-Saharan Africa. As expected, this dummy is negative and significant but the other results generally remain unaltered. We also enter DEMOCRACY interacted with Latin America and Sub-Saharan Africa. Interestingly, Latin American democracies, such as Chile, seem to increase FDI whereas the effect for Africa is not significantly different from zero.
Our main variables of interest – democracy and leftist governments – may relate to sound public goods provision and human capital formation, i.e. factors which could be important predictors of foreign investment inflows (Boix 1997). Therefore, we enter into our sensitivity model data on secondary school enrollment rates (World Bank 2004). Despite a 50 percent drop in sample size, the basic results do not change. We also include the logged value of telephone lines per 1000 people (World Bank 2004), a variable that proves to be highly significant, suggesting that FDI is attracted to physical infrastructure net of per capita wealth (with which it is highly correlated). The basic results, however, stay the same. Finally, we add a regional dummy variable for transition economies, many of which are coded ‘leftist’, have recently democratized, and may – geographically or otherwise – be attractive to MNCs12. This variable, however, is positive and statistically significant only at the 10 percent level, and its inclusion fails to alter the results reported above. It does not seem that the so-called ‘New Europe’ is unduly compensated by MNCs relative to the others. In any case, it seems clear that democracies – net of property rights protection – and leftist governments enjoy higher flows of inward FDI, a result that withstands alternative model specifications, variations in sample size, different testing methods, and alternative measurements.

VII. CONCLUSION

Despite the near universal appeal of democracy as an organizing principle of government, some scholars raise doubts about how well it meets the economic expectations of people (Shapiro and Hacker-Cordón 2002). Many claim that democracy may be a luxury good, after economic development has been achieved (Barro 2000). On the other hand, democracies tend to enhance human capital formation and they may constitute more sustainable modes of governing, socially, politically, and economically. In addition, democracies are thought to be less susceptible to ‘large-ups’ and ‘large-downs’ (Lake and Baum 2001, Przeworski et al. 2000). Yet, democratization does take place within the confines of globalization and things would indeed look bleak for democrats if they were punished by international capital. In this paper, we have addressed just this narrow, yet crucial, concern that links globalization to a gloomy future for democracy.

We argue that some of the theoretical propositions upon which the pessimistic expectations about how FDI responds to democracy are based, are built on a somewhat shaky foundation. Contrarily, theories that explain why democracy would promote the opening up of markets and curtail rent-seeking by narrow economic and state elites would also predict higher FDI inflows to democratic LDCs, particularly since most developing states have gradually changed their opinion about the expected benefits from FDI (Narula and Dunning 1999). The fact that some countries seem to erect both formal and informal barriers to FDI can often be explained with reference to rent-seeking elites and attitudes (Moss, Ramachandran, and Shah 2004). Importantly, the overall attractiveness of an investment site is not only a function of institutional quality or market or natural resource potential, but also of host country preferences.

To prove our case, we focus on one prominently published article that provides empirical evidence showing that democracies receive less FDI than autocracies. In a carefully constructed analysis, we demonstrate that these results are largely due to a limited sample size; adding 46 countries changes the results drastically. We also show why transforming a highly skewed dependent variable can yield results that are far more sensible and decidedly less fragile to small changes in specification and testing method. Consistent with theoretical notions about what motivates MNCs, which mechanisms contribute to forming the preferences of governments toward FDI, and what factors constrain rent-seeking of domestic capitalists (which ultimately results in barriers to MNC entry), we find strong, robust evidence showing democracy to be the far more attractive political system for FDI. Following a similar line of theoretical reasoning, we also find that leftist governments among democracies attract larger amounts of FDI than their centrist and rightist counterparts.

Future studies might examine FDI inflows in relation to a variety of democratic institutions, to assess further the rent-seeking propensities of domestic capital under differing institutional environments (Persson, Roland and Tabellini 2003). The fact that flows of FDI to developing countries have increased significantly in recent years is testament to the supposition that preferences are changing and that democracy empowers majorities. In fact, globalization and democracy do seem to be compatible, despite sundry voices in the public discourse claiming differently. As some point out, there has been a ‘reversal of fears’ between the rich and poor countries in recent decades regarding the effects of open trade and FDI; to a certain extent, it is now the rich who worry about the loss of benefits, social welfare, and jobs stemming from globalization (Bhagwati 1999). Then again, labor is the scarce factor in rich countries and convenient myths are propagated based on political power, just as they once were among the poor countries (Bhagwati 1999, Krasner 1985, Moss, Ramachandran and Shah 2004).
DO FOREIGN INVESTORS PUNISH DEMOCRACY?

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Li, Quan and Adam Resnick (2003). Reversal of Fortunes: Democratic Institutions and Foreign Direct Investment Inflows to Developing Countries, *International Organization*. 57: 175–211.


DO FOREIGN INVESTORS PUNISH DEMOCRACY?

APPENDIX A

Table A1

Summary Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Observ.</th>
<th>Mean</th>
<th>St. dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI</td>
<td>3636</td>
<td>0.55</td>
<td>2.8</td>
<td>-4.6</td>
<td>52.7</td>
</tr>
<tr>
<td>ln(FDI)</td>
<td>3636</td>
<td>3.3</td>
<td>3.2</td>
<td>-4.6</td>
<td>10.9</td>
</tr>
<tr>
<td>DEMOCRACY</td>
<td>3871</td>
<td>9.3</td>
<td>6.9</td>
<td>1</td>
<td>21</td>
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<tr>
<td>FREEDOM HOUSE DEMOCRACY</td>
<td>4074</td>
<td>3.4</td>
<td>1.8</td>
<td>1</td>
<td>7</td>
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<tr>
<td>VANAHANEN DEMOCRACY</td>
<td>2917</td>
<td>8.7</td>
<td>10.0</td>
<td>0</td>
<td>43.6</td>
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<tr>
<td>LEFTIST EXECUTIVE</td>
<td>3215</td>
<td>0.33</td>
<td>0.47</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>REGIME DURABILITY</td>
<td>3947</td>
<td>15.2</td>
<td>17.0</td>
<td>0</td>
<td>105</td>
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<tr>
<td>POLITICAL INSTABILITY</td>
<td>716</td>
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<td>5.9</td>
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<tr>
<td>CIVIL WAR</td>
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<td>0.20</td>
<td>0.40</td>
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<td>1</td>
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<tr>
<td>ECONOMIC SIZE</td>
<td>3653</td>
<td>8.6</td>
<td>1.9</td>
<td>3.7</td>
<td>14.1</td>
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<tr>
<td>ECONOMIC GROWTH</td>
<td>3590</td>
<td>1.2</td>
<td>7.2</td>
<td>-52.1</td>
<td>100.8</td>
</tr>
<tr>
<td>ECONOMIC DEVELOPMENT</td>
<td>2979</td>
<td>7.7</td>
<td>0.98</td>
<td>5.2</td>
<td>10.3</td>
</tr>
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<td>EXCHANGE RATE VOLATILITY</td>
<td>2670</td>
<td>3519.5</td>
<td>36702.2</td>
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<td>436695.9</td>
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<tr>
<td>CAPITAL FLOW RESTRICTIONS</td>
<td>691</td>
<td>4.2</td>
<td>2.0</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>WORLD FDI</td>
<td>2731</td>
<td>411.8</td>
<td>365.8</td>
<td>58.1</td>
<td>1388</td>
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<tr>
<td>FDI STOCK/GDP</td>
<td>2629</td>
<td>16.9</td>
<td>19.7</td>
<td>0</td>
<td>170.3</td>
</tr>
<tr>
<td>TRADE OPENNESS</td>
<td>3471</td>
<td>69.2</td>
<td>38.2</td>
<td>1.5</td>
<td>282.4</td>
</tr>
<tr>
<td>OIL EXPORTS DUMMY</td>
<td>3869</td>
<td>0.17</td>
<td>0.38</td>
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<td>1</td>
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<td>RESOURCE RENTS</td>
<td>3051</td>
<td>9.9</td>
<td>20.8</td>
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<td>1593</td>
<td>61.0</td>
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<td>3.0</td>
<td>1.7</td>
<td>-2.1</td>
<td>6.5</td>
</tr>
</tbody>
</table>

APPENDIX B

Table B1

Correlation between New Data and Li & Resnick’s Replication Data for the Period 1984–1995

<table>
<thead>
<tr>
<th>Variable</th>
<th>Correlation</th>
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<tr>
<td>FDI</td>
<td>0.95</td>
</tr>
<tr>
<td>DEMOCRACY</td>
<td>0.99</td>
</tr>
<tr>
<td>PROPERTY RIGHTS PROTECTION</td>
<td>0.91</td>
</tr>
<tr>
<td>REGIME DURABILITY</td>
<td>0.99</td>
</tr>
<tr>
<td>POLITICAL INSTABILITY / CIVIL WAR</td>
<td>0.32</td>
</tr>
<tr>
<td>ECONOMIC SIZE</td>
<td>0.97</td>
</tr>
<tr>
<td>ECONOMIC GROWTH</td>
<td>0.94</td>
</tr>
<tr>
<td>ECONOMIC DEVELOPMENT</td>
<td>0.97</td>
</tr>
<tr>
<td>EXCHANGE RATE VOLATILITY</td>
<td>0.99</td>
</tr>
<tr>
<td>WORLD FDI</td>
<td>0.92</td>
</tr>
</tbody>
</table>

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Some claim that when level of property rights protection is controlled, democracy lowers foreign direct investment (FDI) to developing countries (Li and Resnick 2003). We critically examine the theoretical claims of the pessimistic arguments and show that FDI responds to preferences of countries and that democracies have a clear preference for FDI given that the scarce factor – capital – will find it harder under democracy to seek rents by raising barriers to entry. On the other hand, labor (the abundant factor in developing countries) should profit from lower barriers to capital importation. We demonstrate conclusively that the most prominent pessimistic result on democracy in the literature is simply an artefact of sample size and testing procedure. We establish robust evidence suggesting that developing country democracies actually receive higher inflows of FDI, net of a number of control variables. Consistent with our view that host nations’ attitudes are shaped by factor endowments, which in turn determine rent-seeking, we demonstrate that governments controlled by ‘leftist’ political parties also receive more FDI than ‘centrist’ or ‘rightist’ governments among democracies. Why this should be true is not obvious from a theory based on property rights risk alone. An extended sample of LDCs and a better operationalization show that property rights and democracy positively affect FDI. Our results suggest that globalization advances the fortunes of democracies in the developing world.

Note: The asterisk denotes Li and Resnick’s (2003) sample of 53 countries.

### APPENDIX C

#### Table C1

Country Sample

<table>
<thead>
<tr>
<th>Country Sample</th>
</tr>
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<tbody>
<tr>
<td>Haiti, Dominican Rep.,* Jamaica,* Trinidad &amp; Tobago,* Mexico,* Guatemala,* Honduras,* El Salvador,* Nicaragua,* Costa Rica,* Panama,* Colombia,* Venezuela,* Guyana, Ecuador,* Peru,* Brazil,* Bolivia,* Paraguay,* Chile,* Argentina,* Uruguay,* Poland,* Hungary,* Czech Republic,* Slovak Republic,* Albania,* Croatia, Slovenia, Cyprus, Bulgaria,* Moldova, Romania,* Russian Federation,* Estonia, Latvia, Lithuania, Ukraine, Belarus, Armenia, Azerbaijan, Guinea-Bissau, Gambia, Mali, Senegal, Niger, Ivory Coast,* Guinea,* Burkina Faso, Sierra Leone, Ghana,* Togo, Cameroon, Nigeria, Gabon, Congo Rep., Democratic Rep of Congo (DRC), Uganda,* Kenya,* Tanzania, Ethiopia, Angola, Mozambique, Zambia, Zimbabwe,* Malawi,* South Africa,* Namibia, Botswana,* Madagascar, Morocco, Algeria,* Tunisia, Sudan, Iran, Turkey,* Egypt,* Syria, Jordan,* Saudi Arabia, Kuwait, Bahrain,* UAE, Oman, Kazakhstan, China,* Mongolia, Korea Rep.,* India,* Pakistan,* Bangladesh,* Sri Lanka,* Thailand,* Malaysia,* Singapore,* Philippines,* Indonesia,* Papua New Guinea. (N=98).</td>
</tr>
</tbody>
</table>

Note: The asterisk denotes Li and Resnick’s (2003) sample of 53 countries.