Veto players and foreign aid provision

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Abstract This study investigates how the political institutions of developed economies influence their foreign assistance. Specifically, we argue that the number of effective veto players has a negative effect on the volume of aid provision. To provide foreign assistance, the incumbent government in a donor country must have unanimous support from all effective veto players in policy making. Thus, it has more barriers to overcome when the polity is characterized by many and preference-wise heterogeneous veto players. By examining the official development assistance outflows of 27 OECD countries for the period of 1977–2006, we find empirical patterns that corroborate our argument.

Keywords Veto players · Political institutions · Aid provision · Policy making · Political economy

JEL Classification D72 · F35 · C23

1 Introduction

The foreign assistance of developed economies has significant consequences in the developing world. So far the economics literature on aid has devoted considerable effort to examining the development implications of aid inflows for the recipient countries (Burnside and Dollar 2000; Collier and Dollar 2002; Easterly 2003; Easterly et al. 2004 for instance). Since findings of the literature are mixed, the debate over the aid-development linkage is largely inconclusive (Dalgaard et al. 2004; McGillivray et al. 2006 for review and summary). In comparison with the effort made on the topic of

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aid effectiveness, very little has been done recently to examine how donor countries shape their foreign assistance policies in the first place. For some scholars, the silence on this research front is not surprising because the existing literature has offered a satisfactory answer. That is, foreign assistance is motivated by two seemingly discordant concerns—advancing the self-interest of the donors and helping the recipients to meet their needs for development (Maizels and Nissanke 1984; Raffer and Singer 1996; Alesina and Dollar 2000). According to the literature, the self-interest motivation includes maintaining power balance, expanding trade, safeguarding investment and promoting ideologies for the donor countries, while the altruistic motivation includes filling the financial gaps in investment, eliminating extreme poverty and supplying public services on the aid-recipient side. If we are satisfied with this established wisdom of aid determinants, little research remains to be done.

Despite its merits, we contend that the state-centric paradigm dominating the current literature on aid determinants oversimplifies the process of foreign policy making. Of course, we observe only a single policy outcome of foreign assistance for each donor country. However, the policy outcome is formed not because of any unique national preference on the issue of aid provision, which the state-centric approach implicitly assumes as a given. From recent survey studies, we have learned that people in developed economies have highly diversified positions on whether and how much foreign assistance should be offered to developing countries (World Values Survey Association 2009). Thus, it is inappropriate to describe the aid policies of donor countries as the result of a unitary rational state trying to maximize its own utility function. Instead, national policy on foreign assistance is likely to be the result of domestic competition between politically organized interest groups characterized by diversified preference on the issue. Without looking deeply into the domestic politics of donor countries, our understanding of aid determinants could be highly incomplete.

As a caveat of modern political economy, political institutions are believed to function as a key parameter in mapping domestic competition onto national policy outcome. Thus, studying political institutions on the donor side is likely to yield new knowledge on the provision of foreign assistance if aid decisions are mainly the result of domestic competition among interest groups. Unfortunately, the nexus between political institutions and foreign aid from the perspective of donors is currently under-investigated. Thus, we devote this study to examining the relationship between the political institutions of donor countries and the foreign assistance they provide. Building on the theory of veto players, we argue that the number of effective veto players within donor countries has a negative effect on their aid provision. To provide foreign assistance, the incumbent government in a donor country must have the blessing of all political actors who are enfranchised with veto power in policy making. When there are many and preference-wise heterogeneous veto players, the incumbent government has to overcome more barriers before any assistance can be delivered to developing countries. By examining the foreign aid provided by 27 OECD countries for the period of 1977–2006, we find empirical patterns that are consistent with our theoretical expectation. Countries with more effective veto players provide considerably less official development assistance (ODA) than countries with fewer effective veto players.

The remainder of this paper is organized as follows: Sect. 2 develops our explanation for the connection between veto players and aid provision and discusses

its merits; Sect. 3 introduces our data sample and operations of variables; Sect. 4 reports the empirical results; and Sect. 5 concludes this paper by discussing valuable directions for future research.

2 Veto players as an institutional determinant of aid provision

Research on aid determinants often rhetorically recognizes the importance of political institutions. Nevertheless, the existing literature on the institution-aid nexus is extremely limited and operates almost exclusively from the angle of recipients with a narrow focus on regime type (Meernik et al. 1998; Alesina and Dollar 2000; Knack 2004; Djankov et al. 2008). In this section, we first offer a theoretical account of the connection between veto players and donor countries' aid decisions. Then we discuss why our veto-player-based explanation can contribute to a better understanding of aid provision from a comparative institutional perspective.

The scholarship of veto players pioneered by Tsebelis has gained considerable prominence in the past decade (Ganghof 2003). Tsebelis (1995, 1999) defines veto players as individual or group actors whose support is necessary in realizing policy changes. In particular, veto players have the ability to block policy changes because of the institutional or partisan positions they hold. Institutional veto players are often empowered by a constitution. Take the United States, for example. Both the House of Representatives and the Senate are veto players, because the Constitution says a law can enter into force only if it receives approval from both legislative bodies. The presence of partisan veto players is more common in parliamentary democracies. For example, when the survival of a coalition government depends on the support of a special member party, that party is a veto player. By threatening to withdraw its support of the coalition government, the party has the ability to block government policies that are not consistent with its preference. Besides institutional and partisan veto players, the calculus of effective veto players is further complicated by the distribution of policy preference among institutional and partisan veto players (Tsebelis 2000). For instance, a higher degree of preference homogeneity might sometimes absorb certain veto players whose preference has been well represented by others. It is thus straightforward that the number of effective veto players will increase if there are many and preference-wise heterogeneous veto players. In that case, the government in office has more barriers to overcome in order to ensure its preferred policy outcome.

Building on the veto player literature, we argue that the number of effective veto players in donor countries has a negative effect on their foreign assistance. The connection between veto players and aid provision can be summarized as follows. To serve its political longevity, the incumbent government often uses policy benefits including those associated with foreign assistance to reward its domestic supporters.[1] Suppose the government plans to provide foreign aid for the purpose of

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[1] In fact, many apparently idealistic foreign aid programs can be explained as the result of rational calculus intended to boost the domestic popularity of the incumbent government. For instance, the impression of pursuing global equality associated with such programs could be an instrument used by an extreme left-wing government to satisfy the ideological demands of its domestic base.

rewarding its domestic supporters and maximizing its chances of political survival. The prospect of such aid provision, nevertheless, might conflict with the interests of certain domestic sectors that hold a significantly different policy position on the aid issue. Naturally, they have an incentive to mobilize politically in order to thwart the foreign assistance plan promoted by the government. It is, however, the effective veto players as an institutional parameter that ultimately determine how the contention over foreign assistance will be transformed into a national policy. When there are many and preference-wise heterogeneous veto players, it is more difficult for the government to gain support from all veto players for its plan. On the contrary, when there are fewer effective veto players domestically, the government has a better chance of winning unanimous support from them. Overall, governments in donor countries are forced to offer less foreign assistance as the number of effective veto players increases.

To better illustrate this mechanism, consider a conservative government of an industrialized economy trying to use aid policy to benefit its key supporters at home—mainly capital owners who strongly prefer the liberalization of the global market. Thus, the conservative government plans to offer foreign assistance to some developing countries in exchange for lower investment barriers for its industries. Since the new business opportunities associated with market openness are most likely to benefit capital owners in the donor country, realization of the aid plan would likely serve the political longevity of the conservative government. The prospect of this foreign assistance nevertheless is at odds with the preferences of certain domestic sectors whose interests are negatively affected by this plan. For instance, new opportunities for trade and investment may lure capital owners in the donor country to relocate their production bases in the aid-recipient countries in order to lower production costs, increase price competitiveness, expand market share and maximize profit. Because the outsourcing of production will certainly bring about unemployment and an income slump for laborers in the donor country, related interest groups such as workers' unions at home have a strong incentive to block such foreign assistance and ask that the money saved be used for domestic social programs.

The contention over the proposed aid plan then needs to be transformed into a national policy outcome, in the process of which effective veto players have a decisive say. In most cases, the government in office can be a veto player itself. However, passing the proposed plan also requires at least the tacit consent of other effective veto players. Thus, the incumbent government has to negotiate a deal with each such actor for support. When there are many and preference-wise heteroge- neous veto players, the cost of forging such a universal coalition can be extremely high. Due to limited resources, it becomes more and more difficult for the government to ensure its preferred plan of foreign assistance as the number of effective veto players increases. On the other hand, the contending interest groups need only one veto player to side with them. An increase in the number of effective veto players easily promotes their chances of blocking the proposed aid plan. This hypothetical case of aid-for-openness can be extended to other possible aid plans that are preferred by the incumbent government but at the same time give rise to domestic debate. The ultimate fate of those plans then aggregates to the observable

pattern that the volume of aid provision decreases as the number of effective veto players increases.

Studying aid determinants from the perspective of veto players is valuable for a better understanding of the institution-aid linkage for two reasons. First, the veto-player explanation of foreign assistance enables cross-national institutional comparisons regardless of the categorical complexities inherited from the traditional literature of comparative politics. The traditional literature approaches the issue of institutions by adopting a variety of criteria to identify the key institutional facets. For example, government types are divided into presidential and parliamentary, party systems into two-party and multiparty, electoral systems into plurality, proportional representation and mixed method, and organizational systems into centralist and federalist. However, little has been done by this scholarship to explain the relationships among the different dimensions. As a result, the sociopolitical consequences of the combination of different institutional dimensions are largely unknown. Such an approach is especially troublesome when we are analyzing real-world cases in which a variety of political institutions are embodied in a single polity. By focusing on the property of inclination to policy change, the veto-player theory offers a useful way to understand the policy consequences associated with the combination of different political institutions in a single polity. For instance, by applying the veto-player theory we are better able to compare Japan, a centralist parliamentary democracy with multiple parties and a mixed electoral system, with the United States, a federalist presidential democracy with two major parties and a plurality electoral system, and make predictions as to differences in their policy making.

Second, the veto-player explanation of foreign assistance offers a new causal mechanism between political institutions and foreign assistance whose function is independent from that offered by the more traditional regime-type analysis. Regime-type analysis is primarily interested in the varied ability of the populace to change the government via open and competitive elections. As a whole, this approach argues that the ability of voters to effectively punish irresponsible politicians makes the political elite in modern democracies more accountable to the wishes of the public than are their counterparts in non-democracies. Such a difference between democracies and non-democracies could then be observed in a variety of policy outcomes such as foreign assistance. The veto-player theory has a different research focus. Unlike regime-type analysis, which focuses on the ability of the populace to constrain the behavior of political elites, the literature of veto players views the checks and balances within the political elite as the key determinant of policy outcome. It is important to note that the concepts of veto players and regime type are also practically discernible. On the one hand, two countries that enjoy the same level of democracy may differ significantly in terms of effective veto players due to the overarching constitution, coalition formation, changes in partisan preference, or a combination of the three. On the other hand, even the same country with a constant level of democracy can change greatly over time with respect to the number of effective veto players for the same reasons.

3 Data and variables

To test the hypothesis that veto players in donor countries have a negative effect on foreign assistance, we constructed a panel data set that includes 27 OECD countries for the period of 1977–2006. Information on foreign aid provision comes from the Development Assistance Committee's report on the ODA of OECD economies (OECD 2010). In our data sample, ODA is measured in millions of 2005 international dollars and takes a log transformation.[2]

The number of effective veto players is taken from the Henisz data set (2010), which has been widely used in exploring the impact of veto players on foreign policy making (Mansfield et al. 2007, 2008). This measure is constructed roughly in three steps. First, by using various resources (mainly Gurr 1996 and Derbyshire and Derbyshire1996), three types of institutional veto players are identified. They are the executive, the lower legislative house, and the upper legislative house. By assuming the preferences of these veto players and the policy status quo to be independently and identically drawn from a uniform distribution within a single-unit issue space, Henisz constructs a spatial model where a veto player's utility is defined as the negative value of the distance between its ideal point and the proposed policy. Thus, a veto player would offer his support to a policy change only if the change left him better off compared with the status quo. Henisz further defines the political constraint due to veto power as one minus the expected range of policy changes that could win support from all veto players. Because the preferences of veto players are drawn independently and identically from a uniform distribution, the average constraint introduced by the de jure veto players given different preference orderings can be calculated. Second, to deal with the issue of preference homogeneity, Henisz uses supplementary information (various issues of *Political Handbook of the World* and *Statesman's Yearbook*) about the political alignment among the de jure veto players and improves his calculation of the constraining effect of veto players accordingly. Finally, the overall constraining effect of veto players is also a function of the fractionalization of collective political actors. For instance, to what extent a legislature can work as an effective veto player is largely determined by the concentration of seats under the name of the majority party or coalition. To accommodate this concern, the Rae and Taylor (1970) formula for the viability of coalition formation and maintenance is applied. The ultimate Henisz measure is a continuous variable that ranges from zero to one—the larger this value, the more effective veto players exist within a donor country.[3]

We included two groups of control variables to explain the variance in aid provision that is unrelated to veto players. The first group contains domestic

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[2] To facilitate cross-national and over-time comparisons, currency-related variables are PPP- and inflation-adjusted in the present study. The corresponding convertor and deflator are from the Penn World Table Version 7.0 (Heston et al. 2011).

[3] Henisz (2000, 2002) elaborates on all the technical nuances involved in gauging the constraining effect of veto players on policy outcome. In particular, Table 2 of Henisz (2000) lists every five-year average value of veto players for 157 countries for the period 1960–1994. Table A2 of Henisz (2002) further lists every 10-year average value of veto players for the same pool of nations back to 1800. Thus, readers might take a look at these articles for how the measure varies both across and within nations.

Table 1 Descriptive statistics

Variable	Mean	Standard deviation	Minimum	Maximum
Ln(ODA)				
Overall	7.336	1.449	2.753	10.26
Between		1.565		
Within		0.461		
Veto players				
Overall	0.466	0.089	0.148	0.718
Between		0.082		
Within		0.054		
Polity				
Overall	9.732	1.020	−5	10
Between		0.957		
Within		0.571		
Ln(GDP)				
Overall	13.10	1.262	10.89	16.35
Between		1.195		
Within		0.230		
Ln(GDP_PC)				
Overall	10.08	0.318	8.929	10.81
Between		0.339		
Within		0.186		
Growth rate				
Overall	2.889	2.259	−6.854	11.50
Between		1.319		
Within		1.977		
Ln(FDI_OUT)				
Overall	8.510	1.829	3.517	12.63
Between		1.529		
Within		1.186		
CINC				
Overall	0.019	0.031	0.0005	0.153
Between		0.028		
Within		0.002		

political and economic factors that could influence donor countries' policies on aid provision. First, given the dominant role of regime-type analysis in comparative political literature, we include the 21-point polity score to gauge the donor country's level of democracy where a higher score indicates a higher level of democracy (Marshall and Jaggers 2009). It is important to note, however, that existing research on the democracy-aid linkage focuses exclusively on aid-recipient countries. Thus, we have no clue how the variance in democracy across donors might influence their policies on aid provision. Second, we include GDP in millions of 2005 international

dollars, GDP per capita in 2005 international dollars and the annual growth rate as a percentage to monitor how the state of the economy might influence foreign assistance. All the variables are collected from the World Development Indicators (WDI), and we take log transformation for both GDP and GDP per capita (World Bank 2010).

The second group of control variables monitors strategic factors that might influence donor countries' policies on aid provision. First, some existing research claims that certain donor countries may use foreign assistance as leverage to safeguard their overseas investments (Kimura and Todo 2010, Kang et al. 2011). Thus, we include log transformed FDI outflow in millions of 2005 international dollars, again collected from the WDI, to control for this possibility. Second, we include the composite index of national capacity (CINC) from the Correlates of War (COW) project as a proxy for donor countries' global strategic interests (Singer 1987).[4] Since powerful countries on average have more strategic interests to consider, they might be inclined to provide more aid for that purpose.

Finally, in order to model the time-lag effect of our explanatory variables on aid provision, a 1-year rule is applied in coding the above-mentioned explanatory variables. In other words, when analyzing the aid provision in year t, measures of explanatory variables in year $t - 1$ are supplied in making statistical inferences. Table 1 summarizes the descriptive statistics of the above-mentioned variables.

4 Empirical results and discussion

In order to test the nexus between veto players and aid provision, we estimate country random effects, country fixed effects, and country fixed effects with year dummies. The results are reported in Table 2. For the entire period under investigation, veto players consistently show a negative effect on foreign assistance. According to the country random-effects estimation, a one-unit increase in veto players on average decreases ODA outflow by 76 % ($e^{-1.424} - 1$). According to the country fixed-effects estimation, over time a one-unit increase in veto players within a donor country will decrease its aid provision by 68 % ($e^{-1.152} - 1$). Finally, the two-way fixed-effects model reports a 54-% ($e^{-0.780} - 1$) decrease associated with the same change in the number of effective veto players.

It is important to note that the effect magnitude of veto players varies considerably across different estimation methods. If we are interested in the accurate impact scale of veto players on foreign assistance other than a qualitative conclusion regarding the relationship between them, we need some statistical tests to navigate through these results based on different estimation strategies. In addition, the effect of GDP on aid provision, though always statistically significant, shows opposite coefficient signs under random- and fixed-effects assumptions. Specifically, the random-effects model reports that larger economies on average

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[4] It is calculated based on the countries' iron and steel production, military expenditure, military personnel, primary energy consumption, total population and urban population, which is measured as the population living in cities of more than 100,000 people.

Table 2 Veto players and aid provision, 1977–2006

	Country random effects	Country fixed effects	Country and year fixed effects	Country and year fixed effects beta
Veto players	−1.424**	−1.152**	−0.780**	−0.069**
	(0.263)	(0.249)	(0.242)	(0.022)
Polity	0.105**	0.090**	0.068**	0.070**
	(0.026)	(0.024)	(0.024)	(0.024)
Ln(GDP)	0.507**	−2.717**	−1.475**	−1.863**
	(0.116)	(0.398)	(0.445)	(0.056)
Ln(GDP_PC)	0.769**	4.638**	4.027**	1.280**
	(0.171)	(0.500)	(0.485)	(0.154)
Growth rate	−0.009	−0.007	−0.007	−0.015
	(0.007)	(0.007)	(0.007)	(0.016)
Ln(FDI_OUT)	0.084**	0.082**	0.137**	0.251**
	(0.020)	(0.018)	(0.019)	(0.035)
CINC	5.924	−0.662	−7.999	−0.248
	(4.484)	(6.806)	(7.203)	(0.223)
Number of observations	586	586	586	586
AIC	491.83	266.46	221.69	
Hausman		97.52**		
LR test			102.77**	

* Significant at 0.05; ** Significant at 0.01

provide more foreign aid than smaller economies. However, the fixed-effects specifications suggest that when a country's economic scale grows bigger, the country tends to offer less foreign aid to the developing world. This obvious conflict in qualitative conclusion again calls for some means by which to judge the credibility of different specifications.

For these reasons, we first run the Hausman test (1978) to evaluate the necessity of treating cross-national differences as fixed effects rather than random effects. Then we run a likelihood ratio (LR) test to evaluate the appropriateness of including year dummy variables. The test results are provided at the bottom of Table 2. According to the Hausman test, the country fixed-effects assumption is preferable to the country random-effects assumption. According to the LR test, the practice of including dummies for each individual year is necessary. In addition, these test results are consistent with the conclusion based on minimizing the Akaike information criterion (AIC). Thus, the two-way fixed-effects specification is more likely to be the right model and we should place more confidence in the qualitative conclusions and effect magnitude it reports.

Because we measure effective veto players as a continuous variable ranging from zero to one, the one-unit-change interpretation tends for some readers to be unrealistic and exaggerate the impact scale of the variable. To address that concern, we report the standardized coefficients of the two-way fixed-effects specification in the last column of Table 2. The interpretation of the standardized coefficients is straightforward. It is

simply the variance in aid outflows given one standard deviation change in the corresponding explanatory variables. Based on such a setting, we can see that an increase of one standard deviation in the variable of veto players decreases foreign aid provision by 6.7 % ($e^{-0.069} - 1$). Furthermore, the application of standardized coefficients also helps us to compare the relative importance of different determinants of aid provision. For instance, a one-standard-deviation increase in the variable of democracy increases aid provision by 7.3 % ($e^{-0.070} - 1$). Thus, veto players and democracy have the opposite effect on foreign assistance, but their impact scale is quite comparable. In light of this result, two points are worth emphasizing here. First, it has been confirmed that veto players and democracy are two concepts that are theoretically different and empirically discernible. Second, institutional analysis of aid provision can be highly incomplete if the variable of veto players is excluded.

Findings on the control variables are also worth noting. Among domestic political and economic factors, both democracy and GDP per capita consistently show a positive influence on aid provision, while the growth rates of donor countries fail to show any significant effect. The empirical connection between the wealth of a nation and its foreign assistance is easily understandable and the current result is nothing but a replication of previous studies (Chong and Gradstein 2008). The positive impact of regime type nevertheless calls for further research, for it is not theoretically clear why the level of democracy in a donor country would have any influence on its foreign assistance. Finally, the confirmation of a negative impact of GDP on aid provision highlights the importance of using statistical tests to guide us through contradictory results. Among variables calibrating strategic factors, FDI outflow shows considerable impact on foreign assistance, but the CINC score fails to show any effect that is statistically significant. The connection between FDI outflow and aid provision is important, for it contributes to ongoing research on whether developed economies are inclined to use foreign aid as leverage to safeguard their overseas investments in less developed economies (Harms and Lutz 2006; Kimura and Todo 2010; Kang et al. 2011). Our results here seem to support a positive relationship between them.

Empirical studies of foreign aid are often criticized for their sensitivity to different choices in sample selection (Roodman 2007; Headey 2008). In order to address this concern, we do two experiments with our data sample (both reported in Table 3). First, as a global hegemonic power, the United States might have a very different pattern of behavior in its foreign assistance. Thus, in order to rule out the possibility that our empirical results are driven by the inclusion of such an outlier unit, we re-examine the connection between veto players and aid provision by eliminating all observations about US aid. We then re-estimate the country and year fixed-effects model with this non-US sample. The estimates show that a one-unit increase in veto players can decrease foreign assistance by 56 % ($e^{-0.823} - 1$). This figure is obviously bigger than the predicted 54 % decrease with the full sample. Thus, if the inclusion of US foreign aid does anything, it systematically underestimates the effect of veto players on aid provision—good news for the robustness of our results.

As shown by previous studies, the end of Cold War competition represents an epochal change in the global strategic environment and has brought a considerable

Table 3 The US and cold-war effects

	Country and year fixed effects non-US	Country and year fixed effects 1977–1991	Country and year fixed effects 1992–2006
Veto players	−0.823**	−0.282	−0.877**
	(0.244)	(0.360)	(0.263)
Polity	0.064**	−0.009	0.284**
	(0.024)	(0.030)	(0.058)
Ln(GDP)	−1.221**	−2.656*	−0.011
	(0.472)	(1.043)	(0.888)
Ln(GDP_PC)	3.723**	5.428**	2.048*
	(0.511)	(1.100)	(1.020)
Growth rate	−0.005	−0.002	0.001
	(0.007)	(0.011)	(0.008)
Ln(FDI_OUT)	0.147**	0.047	0.058**
	(0.020)	(0.033)	(0.021)
CINC	0.753	5.524	5.643
	(10.236)	(13.26)	(7.935)
Number of observations	556	264	322

* Significant at 0.05; ** Significant at 0.01

decrease in donor countries' aid provision (Griffin 1991; Lundborg 1998). Thus, our second experiment in sample selection is to split the data sample according to the end of the Cold War and run the two-way fixed-effects analysis separately for each subsample. According to the results, the coefficient of veto players has the hypothesized negative sign for each subsample. However, the variable is statistically significant only for the post-Cold War period. One possible explanation is that the high security pressure on donor countries during the Cold War forced them to provide a huge amount of aid for strategic purposes such as forging alliances with developing countries of geopolitical significance or maintaining regional balance of power. Aid provision was so important for the security of donor countries that the role of many aid determinants including veto players was dwarfed.[5] As a result, our argument about the negative impact of veto players on aid provision tends to be more relevant for the post-Cold War game of foreign aid.

5 Conclusion

The existing research on aid determinants often conceptualizes donor countries as rational unitary actors trying to maximize their own utility function. As a result, the intricacy of domestic politics and its considerable influence on foreign aid decision-

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[5] It is important to note that veto players, regime type, and FDI outflows are all significant for the post-Cold War subsample but not for the Cold War subsample. This is a piece of evidence in support of our argument.

making have been entirely overlooked. To address this shortcoming, in this study we investigate the connection between the political institutions of donor countries and the foreign assistance they provide. Specifically, we find that donor countries with more effective veto players provide considerably less ODA than those with fewer effective veto players. Based on this understanding, we believe future research in the following directions would be valuable.

First, this study examines the connection between veto players and foreign aid from the donors' perspective. However, the logic behind the connection could easily be extended to the aid-recipient side. Put simply, since foreign aid often involves the self-interest of aid donors, aid-recipient countries have to make some policy concessions in exchange for foreign assistance (McKinlay and Little 1979; Hook and Guang 1998; Schraeder et al. 1998; Bueno de Mesquita and Smith 2007). Nevertheless, aid-recipient countries' ability to meet such aid-for-policy demands varies with respect to the constraints that effective veto players impose. Because policy changes require the consent of all effective veto players, such aid-for-policy deals are more difficult to get approved as the number of effective veto players increases. Thus, it might be interesting to test whether veto players in aid-recipient countries have any negative effect on aid inflows.

Second, further research could be done on the varied effects of veto players across different types of aid provision. Conceivably, the influence of veto players on aid provision could be limited when the potential policy consequences are not fully perceived by domestic interest groups. For instance, multilateral aid programs are often initiated, managed and monitored by a group of nations as well as international organizations. As a result, the policy consequences of participating in a multilateral aid program would be less predictable than those of a bilateral aid program. Thus, interest groups within donor countries might be less sensitive to the incumbent government's decisions on providing multilateral aid than on providing bilateral aid. Consequently, the impact of veto players would be less significant for aid provision in the form of multilateral assistance than in the form of bilateral assistance.

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