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Abstract

This paper examines the effect of the number of visits of U.S. Presidents and Secretaries of State to a country on the quality of its institutions. To achieve its objective, the paper develops a model that predicts that high level visits are more likely to lead to an improvement in the quality of economic rather than political institutions. To test the predictions of our model, we compile novel variables on the number of official visits during the period 1960-2015 from the archives of the U.S. State Department. To deal with potential endogeneity, we use a Three-Stage-Least-Squares estimation technique. The estimation results show that the visits of U.S. Presidents have a statistically significant positive effect on the rule of law, voice and accountability, regulatory quality and government effectiveness. This implies that these presidential visits are used to promote the quality of economic institutions that are essential to safeguard the interests of American corporations, investors, creditors, and aid donors. The Propensity Score Matching estimation technique also finds that institutional indicators are larger in countries where the number of visits of U.S. Presidents is higher than the sample mean.

JEL Code : H11, P48
Keywords : Executive, Institutions

1. Introduction

This paper examines the effect of official visits on the quality of institutions. To be specific, we investigate whether the official visits by either U.S. Presidents or Secretaries of State induce the country to enhance the quality of its institutions. In this context, we distinguish between political and economic institutions. Political institutions are captured by "political stability and absence of violence" in addition to "voice and accountability." These are institutions that determine the political climate and the constraints on the political actors in a country. On the other hand, economic institutions are captured by government effectiveness, the rule of law, regulatory quality, and control of corruption. These are institutions that determine the incentives for various economic activities. This paper is the first attempt in the literature to consider the number of official visits as a determinant of the quality of institutions. This is a non-trivial contribution considering that institutions have been identified in the literature as one of the deep determinants of economic development (e.g. Acemoglu et al., 2005; Acemoglu and Robinson, 2010; Acemoglu et al., 2014 ; Nunn, 2014 ; Leite et al., 2014 ; Lloyd et al., 2018 ; Kodila-Tedika and Khalifa, 2020), and given that there is a plethora of studies that attempt to explore the roots of current institutions (North, 2005; Acemoglu and Robinson, 2005; North et al., 2010; Baland et al., 2010 ; Kodila-Tedika, 2014 a,b; Roland, 2004, 2020).

To achieve our objective, we develop a simple theoretical framework of a host and a guest country. The model derives the conditions under which an invitation for an official visit is extended by the host, and whether the host will use the visit to pressure or persuade the guest to enhance the quality of its institutions. The theoretical analysis shows that a guest will choose to enhance the quality of its institutions after the visit if the total net benefit from the change is higher than the alternative. The model proposes a testable hypothesis that higher

level visits are more likely to lead to changes in economic institutions rather than political ones.

To test the predictions of our model, the paper uses novel variables that indicate the number of visits by U.S. Presidents and Secretaries of State to the country. These variables are derived from the historical archives of the U.S. Department of State. The paper examines the effect of these variables on a set of institutional quality indicators derived from the World Bank Governance Indicators such as government effectiveness, political stability and absence of violence, regulatory quality, the rule of law, voice and accountability, and control of corruption. The Fixed Effects estimation results show that the visits of U.S. Presidents and the visits of U.S. Secretaries of State have no statistically significant effect on the institutional indicators. These results are robust after the exclusion of observations where the institutional indicator is higher than that of the United States, and after the exclusion of countries whose average institutional indicators during the period under study is higher than that of the United States.

However, the key difficulty in determining a causal effect is the issue of potential endogeneity. As much as the visits of U.S. officials can affect institutional quality, it is also possible that U.S. officials are tempted to visit countries with high quality institutions to strengthen the level of bilateral economic and commercial ties with them, or otherwise are induced to visit countries with low quality institutions to persuade them to bring about an improvement in these aspects. This indicates an issue of reverse causality.

To deal with potential endogeneity, we use a Three-Stage-Least-Squares estimation technique. The estimation results show that the number of visits of U.S. Presidents have a statistically significant positive effect on voice and accountability, the rule of law, regulatory

quality and government effectiveness, while the visits of the U.S. Secretaries of State has a significant positive effect only on regulatory quality. This provides evidence for our model prediction that high level visits induce a change in the quality of economic institutions. This is because theses presidential visits are used as an opportunity to entice or push for improvements in the quality of institutions that will benefit American corporations, investors, creditors, and aid donor agencies. On the other hand, the lack of a significant effect of the visits of U.S. Secretaries of State can be attributed to the possibility that these lower level visits are usually to countries whose governments do not feel the need to improve their institutional framework as long as they prove themselves indispensable to the United States in one specific area or another. Finally, we utilize a Propensity Score Matching technique which shows that institutional indicators are higher in countries where the number of visits of U.S. Presidents is higher than the sample mean. This confirms our previous findings.

The remainder of the paper is organized as follows: section 2 presents the model, section 3 discusses the literature survey, section 4 includes the description of the data, section 5 includes the empirical estimation, and section 6 concludes. References, tables and figures are included thereafter.

2. Model

In this section, we develop a simple theoretical framework of a host country and a guest country. For the host, inviting foreign officials is costly. The direct cost of the visit of foreign dignitaries and their entourage includes accommodations, transportation, security and others. There is also the indirect cost of the visit as the officials of the host country have to engage in activities with the foreign guests during the period of their visit. This will take them away from their daily duties, which accounts for the opportunity cost of the visit. The total direct

and indirect cost is denoted HC. The visits can also serve as a venue for the host to pressure or persuade the guest to enhance the quality of its political or economic institutions. This effort is time consuming and labor intensive. Thus, we add the cost of the host's effort to pressure or persuade the guest to enhance the quality of political institutions and to transition into a democratic system of governance. We denote this cost p. We also add the cost of the host's effort to coax or push the guest to enhance the quality of economic institutions in terms of increasing government effectiveness, maintaining the rule of law, combatting corruption and improving the regulatory environment. We denote this cost q. Thus, the total cost of the visit for the host is $HC + p + q$.

For the guest, official visits are also costly. Leaders travel with a retinue that includes security personnel, policy makers, public officials, expert advisors, private entrepreneurs, staff of the presidential cabinet, members of the press corps and others. Thus, these trips are a burden on the coffers of the state. This includes the cost of travel, lodging, transportation, security, boarding and others. In addition to the direct cost of the trip, longer trips may also take those officials who accompany the leaders away from their other duties for a longer period of time. The total direct and indirect cost to the guest is denoted GC. In addition, the guest may need to offer concessions to the host to secure an invitation. We denote the concessions that are offered to the host k. These concessions can be tangible (supplying the host with products at lower prices, extending preferential treatment to host firms to sell their products in the guest markets, offering concessions to host firms to invest in the guest economy, or buying armaments from the host that may not be vital for defense purposes) or intangible (serving the geostrategic goals of the host, voting with the host in international organizations).

In addition to these concessions, the decision by the guest to change the quality of institutions as a consequence of the visit comes with its expenses. On one hand, enhancing the quality of the political system of governance is a process that includes significant changes to the country's constitutions, election laws, and political institutions. We denote this cost *d*. On the other hand, to enhance the quality of economic institutions is costly as it requires reducing red tape and bureaucratic impediments, changing governmental regulations, combatting corruption and ensuring that the laws apply to everyone equally. We denote this cost to change economic institutions *e*. Thus, the total cost of the visit for the guest country is $(GC + k + d + e)$.

On the other hand, the official visits are intended for both countries to reap future benefits. For the host, the benefits can be signing a trade agreement to open markets for the host country's products, facilitating the entry of the host country's firms and investors into the guest's economy, offering aid to the guest in return for political favors, agreeing with the officials of the guest country on how to service their debt to the host's public and private creditors, selling weapons and armaments to the guest, and guaranteeing that the guest serves the geopolitical priorities of the host abroad. For the guest, the benefits include increasing the value and volume of trade with the host, borrowing loans from the host, appealing for aid from the host, attracting the host's capital flows, procuring weapons from the host, or guaranteeing the host's support for the incumbent government.

In this context, we distinguish between tangible benefits in terms of bilateral flows of trade, capital, credit and aid, and intangible benefits that can take the form of promoting political alliances, rendering moral support, recognizing regime legitimacy, and satisfying specific geostrategic goals. For the host, we denote the intangible benefits HB^I and for the guest GB^I. For tangible benefits, we distinguish between those that benefit one country on the

expense of the other, and those that can benefit both countries. For the former, we denote these tangible benefits HB^T for the host and GB^T for the guest, such that $HB^T + GB^T = 1$. For the latter, we denote those tangible benefits HB^{TX} for the host and GB^{TX} for the guest. In this context, if the concessions by the guest are intangible, the intangible benefits of the host increases since $\frac{\partial(HB^I)}{\partial \mathrm{k}} > 0$. If the concessions are tangible, the tangible benefits of the host increases since $\frac{\partial(HB^T)}{\partial \mathrm{k}} > 0$ and/or $\frac{\partial(HB^{TX})}{\partial \mathrm{k}} > 0$.

In this context, the host benefits from enhancing the institutional quality of the guest. Pressuring for better political institutions in the guest country can ensure political stability which may satisfy the geostrategic goals of the host, may promote the image of the host as a champion of political freedoms, or may be used by the host to pressure the guest on some other issues that are more expedient to the host. The host also benefits from better economic institutions in the guest country as they promote the ability of the guest to honor its debt obligations to the host's public and private creditors, ensure the proper use of the host's aid funds, facilitate the host capital flows to the guest without hurdles, allow the host enterprises to invest in the guest without regulatory burdens, allow the host's firms to be confident of the impartiality of the guest's judiciary in any dispute with a guest entity, and allow the host firms to avoid the disadvantage of dealing with a corrupt system in the guest that they cannot navigate given their lack of knowledge of local customs.

Given this framework, we can derive some conclusions as follows:

PROPOSITION 1: *An invitation for a visit by the host to the guest will be extended if and only if the total benefit of the visit is higher than the total cost of the visit to the host, such that* $(HC + p + q) \leq (HB^I + HB^T + HB^{TX})$.

PROPOSITION 2: *The host will extend an invitation to the guest in order to pressure or persuade the guest to enhance the quality of political institutions if and only if* $\frac{\partial(HB^I + HB^T + HB^{TX})}{\partial(\mathrm{p})} > 1$*; and to pressure or persuade the guest to enhance the quality of economic institutions if and only if* $\frac{\partial(HB^I + HB^T + HB^{TX})}{\partial(\mathrm{q})} > 1$.

Proof: The host will extend an invitation to pressure or persuade the guest to improve institutional quality if the increase in total benefits from both the visit and the guest's institutional change is larger than the increase in the total cost of pressuring or persuading the guest. In the case of political institutions, this is more likely if and only if $\frac{\partial(HB^I + HB^T + HB^{TX})}{\partial(\mathrm{p})} > 1$. *In the case of economic institutions, this is more likely if and only if* $\frac{\partial(HB^I + HB^T + HB^{TX})}{\partial(\mathrm{q})} > 1$.

PROPOSITION 3: *The host will extend an invitation to the guest to pressure or persuade the guest to enhance the quality of political institutions rather than those of economic institutions if and only if* $\frac{\partial(HB^I + HB^T + HB^{TX})}{\partial(\mathrm{p})} > \frac{\partial(HB^I + HB^T + HB^{TX})}{\partial(\mathrm{q})} > 1$.

Proof: The host will pressure or persuade the guest to improve the quality of political institutions rather than those of economic institutions if the increase in the total net benefits from the visit due to the former $\frac{\partial(HB^I + HB^T + HB^{TX})}{\partial(\mathrm{p})}$ *is larger than the latter* $\frac{\partial(HB^I + HB^T + HB^{TX})}{\partial(\mathrm{q})}$*. Both derivatives have to be larger than 1 as shown in proposition 2.*

PROPOSITION 4: *The higher the concession k offered by the guest to the host, the more likely that an invitation to a visit will be extended to the guest.*

Proof: The higher the concession k offered by the guest, the higher the host's total benefits given that $\frac{\partial(HB^T)}{\partial \mathrm{k}} > 0$, $\frac{\partial(HB^{TX})}{\partial \mathrm{k}} > 0$, *and* $\frac{\partial(HB^I)}{\partial \mathrm{k}} > 0$. *The higher the host's total benefits the more likely the condition* $(HC + p + q) \leq (HB^I + HB^T + HB^{TX})$ *is satisfied, and the more likely an invitation to visit will be extended to the guest.*

PROPOSITION 5: *The guest will accept the invitation of the host if the total benefit of the visit is more than the total cost of the visit to the guest such that* $(GC + k + d + e) \leq (GB^I + GB^T + GB^{TX})$.

PROPOSITION 6: *A guest who opts not to enhance institutional quality after the visit is more likely to accept an invitation if and only if* $\frac{\partial(GB^I)}{\partial \mathrm{k}} - \frac{\partial(GB^T)}{\partial \mathrm{k}} > 1$.

Proof: If the guest chooses not to enhance institutional quality after the visit, d=e=0 and the guest will offer other concessions k>0 that will increase the host's tangible benefits HB^T *(this comes on the expense of the guest's tangible benefits to confirm the willingness of the guest to serve the interests of the host as a way to eschew the pressure for institutional change) and will increase the host's intangible benefits* HB^I *(the guest will serve the geostrategic goals of the host). These concessions will decrease* GB^T *but will increase* GB^I *(the host recognizing the guest's regime legitimacy and offering moral support against its political opponents). Thus, guests who opt not to change institutional quality are more likely to accept an invitation if and only if* $\frac{\partial(GB^I)}{\partial \mathrm{k}} - \frac{\partial(GB^T)}{\partial \mathrm{k}} > 1$.

PROPOSITION 7: A *guest who opts to enhance the quality of political institutions after the visit is more likely to accept an invitation if and only if* $\frac{\partial(GB^{TX})}{\partial \mathrm{d}} - \frac{\partial(GB^I)}{\partial \mathrm{d}} > 1$.

Proof: If a guest chooses to enhance the quality of political institutions after the visit, d>0 and e=k=0 since the decision to improve the quality of democratic governance is considered a sufficient concession. That will increase the host's tangible benefits HB^{TX}*(democracies are more likely to engage in mutually beneficial transactions) and intangible benefits* HB^{I}*(if improvements in democratic governance is a component of the host's foreign policy, and if democratic improvements ensure the political stability of the guest which may satisfy some strategic objectives of the host). This may increase* GB^{TX} *but may decrease or not change* GB^{I}*. Thus, a guest who opts to enhance the quality of political institutions after the visit are more likely to accept an invitation if and only if* $\frac{\partial(GB^{TX})}{\partial \mathrm{d}} - \frac{\partial(GB^{I})}{\partial \mathrm{d}} > 1.$

In terms of political institutions, some American administrations attempt to pressure or entice countries around the world to embrace democratic practices. Thus, official visits by U.S. Presidents and Secretaries of State can be taken as an opportunity to coax or pressure the country's officials to embrace more democratic practices. If the visit leads to such transition, it would have a favorable effect on voice and accountability since democracy allows for freedom of expression and emphasizes the accountability of the elected officials before the electorate. This also ensures political stability as democracy allows for a smooth, transparent and peaceful transition of power.

PROPOSITION 8: A *guest who opts to enhance the quality of economic institutions after a visit is more likely to accept an invitation if and only if* $\frac{\partial(GB^{TX})}{\partial \mathrm{e}} > 1.$

Proof: *If the guest chooses to enhance economic institutions after the visit, e>0 and d=k=0 since the decision to improve institutional quality is considered a sufficient*

concession. That will increase the host's tangible benefits HB^{TX}(countries with better quality economic institutions are more likely to service their debt to the host, allow host firms to invest in their economies without hurdles, and use host's aid funds properly). This will also increase GB^{TX} since these institutional changes will benefit the guest's economy. Thus, guests who opt to enhance the quality of economic institutions after a visit are more likely to accept an invitation if and only if $\frac{\partial(GB^{TX})}{\partial \mathrm{e}} > 1$.

In terms of economic institutions, some American administrations are concerned about the quality of institutions that have consequences on economic activities. This is because better quality institutions promote the ability of the country to honor its debt obligations to American public and private creditors, ensure the proper use of U.S. aid funds by government agencies, facilitate American capital flows to the country without hurdles, allow American enterprises to invest in the country without regulatory burdens, ensure American firms of the impartiality of the judicial system in case of disputes with local entities, and allow American firms to avoid the disadvantage of dealing with a corrupt system that they cannot navigate given their lack of knowledge of local customs. This would improve the indicators for government effectiveness, rule of law, regulatory quality and control of corruption.

PROPOSITION 9: *A guest will choose to enhance political institutions after the visit if the increase in total net benefits to the guest from this change is higher than the increase in total net benefits from the alternative. This is more likely if and only if* $1 < \frac{\partial(GB^{I})}{\partial \mathrm{k}} - \frac{\partial(GB^{T})}{\partial \mathrm{k}} < \frac{\partial(GB^{TX})}{\partial \mathrm{d}} - \frac{\partial(GB^{I})}{\partial \mathrm{d}}$.

PROPOSITION 10: *A guest will choose to enhance economic institutions after the visit if the increase in total net benefits to the guest from this change is higher than the increase in*

total net benefits from the alternative. This is more likely if and only if $1 < \frac{\partial(GB^I)}{\partial \mathrm{k}} - \frac{\partial(GB^T)}{\partial \mathrm{k}} < \frac{\partial(GB^{TX})}{\partial \mathrm{e}}$.

This framework allows us to develop a hypothesis that can be tested empirically.

HYPOTHESIS: *Higher level visits are more likely to lead to an improvement in the quality of economic institutions rather than in the quality of political institutions.*

Proof : On one hand, an improvement in the quality of political institutions of the guest will increase the host's tangible benefits HB^{TX}*(democracies are more likely to engage in mutually beneficial transactions) and intangible benefits* HB^{I}*(if improvements in democratic governance is a component of the host's foreign policy, and if democracy enhancement ensures the political stability of the guest which may satisfy some strategic goals of the host). On the other hand, an improvement in the quality of economic institutions of the guest will increase the host's tangible benefits* HB^{TX}*(countries with better quality institutions are more likely to service their debt to the host, allow host firms to invest in their economies without hurdles, and use host's aid funds properly). Thus, the host is likely reap more tangible benefits that are critical for the host's electorate, lobbies and interest groups with improvements in economic institutions, compared to political ones, in the guest country. Thus, a higher level visit is more likely to focus on the enhancement of economic institutions rather than political ones in the guest country. The visit is likely to lead to such change since the tangible benefits to the guest from better quality economic institutions is typically higher than those of political institutions (the effect of democracy on economic outcomes is ambiguous in the pertinent literature). This will make it more likely that the guest enhances the quality of economic institutions as long as the cost of doing so is not too high.*

3. Literature

This paper contributes to the literature on the determinants of institutional quality. Some studies in this literature attempt to explore the impact of foreign influence, foreign interference, foreign aid and foreign legal transplants on the evolution of institutions in developing countries. Our paper contributes to this literature since visits by foreign officials can be considered as another form of foreign intervention.

In this context, some studies explore the colonial roots of current institutions, since colonialism is considered as a form of direct foreign intervention. For instance, Acemoglu et al. (2001) find a high correlation between settler mortality rates, the decision by Europeans to settle, and current institutions. Using settler mortality as an instrument, the authors find that institutions have a positive effect on economic development. Seidler (2018) examines the relationship between the presence of British colonial officers after independence and copying British institutions. The author shows that the extended presence of British personnel after independence promoted the acceptance of imported British institutions among local officers.

Other studies examine the effect of post-colonial interference on the quality of current institutions. For instance, Easterly et al. (2008) find that superpower interventions to install leaders in other countries are followed by significant declines in democracy, and that American and Soviet interventions have equally detrimental effects on the subsequent level of democracy. Aidt and Albornoz (2011) find that in countries where foreign direct investment is profitable and the domestic elite are weak, foreign intervention tends to be aimed at strengthening dictatorships. Albornoz and Hauk (2014) find that foreign influence is a significant driver of civil conflict around the world. Magesan and Swee (2018) find that U.S. weapon purchases decrease the probability of political repression but increase the likelihood of civil conflict in purchasing countries.

Other studies explore the effect of foreign aid on institutions. For instance, Brautigam and Knack (2004) find that there is a robust relationship between high aid levels in Africa and deterioration in governance. Knack (2001) shows that aid dependence undermines the quality of governance and public sector institutions, captured by bureaucratic quality, control of corruption, and the rule of law. Djankov et al. (2008) find that foreign aid has an adverse effect on political institutions. Svensson (2000) provides some preliminary empirical evidence that foreign aid is on average associated with higher corruption. Other studies examine the effect of how legal institutions were transplanted into developing countries. Berkowitz (2003) show that countries that have adapted the transplanted law, and had a population that was familiar with the basic principles of the law, have more effective legal institutions than countries that adopted foreign laws without any similar predispositions.

The paper also contributes to the literature on the political and economic consequences of official visits. For instance, Nitsch (2007) finds that state and official visits are positively correlated with exports, and that there is a strong short-lived effect of visits on bilateral exports growth. Goldsmith and Horiuchi (2009) examine whether U.S. high-level visits to foreign countries affect public opinion in those countries. The authors find that the effect of these visits is initially large and positive, but eventually "exhibit a backlash effect." Malis and Smith (20121) propose a setup in which a foreign leader visits an incumbent in order to reap future concessions, which is guaranteed only if the incumbent remains in power long enough to deliver. Thus, the diplomatic visit serves as a strong signal of the visitor's confidence in the incumbent's stability in office. The authors find empirical support that a visit of the U.S. President substantially diminishes the likelihood of a leader's removal from office. Malis and Smith (2019) argue that the foreign leader chooses to visit incumbents who are secure in office, and given this signal citizens are discouraged from any act of defiance. The authors

conclude that their findings explain why leaders are so eager to receive state visits from major world powers.

Our paper contributes to the literature by examining the effect of foreign interference in developing countries in the form of official visits by U.S. Presidents and Secretaries of State, which are usually taken as an opportunity for U.S. administrations to intervene in these countries to promote U.S. interests.

4. Data

The analysis covers the period from 1960 to 2015 for a panel of developing countries. The list of countries included in the analysis is in the Appendix. We use 5-year averages in our estimation.

The dependent variables in our analysis are the institutional quality indices derived from the World Bank Governance Indicators (WBGI): voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. Voice and accountability captures "perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media." Political Stability and Absence of Violence/Terrorism measures "perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism." Government effectiveness captures "perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies." Regulatory quality captures "perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector

development." Rule of law captures "perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence." Control of corruption captures "perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests."

The variables of interest are the number of visits by U.S. Presidents and Secretaries of State to a country during the period 1960-2015. These include state visits, official working visits, summits, private visits, informal visits, meetings, and working visits. This data is derived from the Office of the Historian, which is affiliated to the Department of Sate of the United States of America.[1] Figures 1-2 show world maps of the total number of visits of U.S. Presidents to each country, and the total number of visits of U.S. Secretaries of state to each country, respectively.

We also include some control variables that are identified in the literature as factors that affect the quality of institutions. The first variable is the level of economic development measured by Gross Domestic Product per capita, PPP (constant 2011 international $) which is derived from the World Development Indicators. Countries with a high level of development can afford to improve the quality of their institutions, and also have the incentive to do so to continue enjoying higher living standards.

We include the legal origin indicators which are compiled by La Porta et al. (1999). The list includes the British common law, the French civil law, the Socialist law, the German civil law, and the Scandinavian law. The authors argue that the legal tradition in countries

[1] https://history.state.gov/departmenthistory.

implanted by colonial powers has profoundly shaped national approaches to property rights protection and the degree to which the state intervenes in the economy. Accordingly, the legal origin is expected to have a significant influence on institutional quality.

We also control for an indicator of democratic governance, the Polity score, which is extracted from the Polity IV Project. The Polity score captures a country's political regime on a 21-point scale ranging from -10 (strongly autocratic) to +10 (strongly democratic). The paper uses the Polity2 variable which is a modified version of the Polity variable by applying a simple treatment to convert instances of "standardized authority scores" (-66,-77,-88) to conventional polity scores within the range -10 to +10. Democratic governance can have positive effects on political stability, voice and accountability and the rule of law.

We include total resource rent as a percentage of GDP, which is derived from the World Development Indicators. Some scholars argue that the reliance on natural resources can have an adverse effect on political institutions, such as Tsui (2011) and Brückner and Arezki (2011). Another control variable included in the analysis is the degree of openness which is captured by (Exports + Imports)/GDP derived from the World Development Indicators. Dollar and Kraay (2003) argue that the effect of trade openness and institutions on economic outcomes is uninformative because of the high correlation between these two variables. We also include the logarithm of population, which is derived from the World Development Indicators. This variable indicates the size of the country which may have an impact on its institutional quality and level of economic development. Table 1 presents the descriptive statistics for all the variables used in the analysis.

5. Estimation

5.1. Baseline Results

This section conducts an empirical estimation of the effect of the number of official visits of U.S. Presidents and Secretaries of State on the quality of institutions in the country during the period 1960-2015. Figures 3-5 show the relationship between the total number of visits of U.S. Presidents and the average institutional scores during the period understudy, the total number of visits of U.S. Secretaries of State and the average institutional scores during the period under study, and the total number of visits of U.S. officials and the average institutional scores during the period under study, respectively. To estimate this relationship empirically, we use the following equation

$$Institutions_{it} = \theta + \delta Visits_{it} + \aleph_{it}\gamma + \mu_i + \sigma_t + e_{it} \qquad (1)$$

Where $Institutions_{it}$ is one of the institutional indicators in country *i* in year *t*. $Visits_{it}$ is the number of visits by U.S. officials to country *i* in year *t*. These can be either the number of visits of U.S. Presidents or Secretaries of State. $\aleph_{it}$ is a vector of control variables in country *i* in year *t*. The vector of control variables includes those commonly identified in the literature as determinants of institutions. The μ_i denotes a full set of country dummies, the σ_t denotes a full set of time effects that capture common shocks to institutions of all countries, and e_{it} is an error term capturing all other omitted factors such that $E(e_{it}) = 0$ for all *i* and *t*.

The results of the Fixed Effects estimation with robust standard errors clustered by country are included in table 2. The top part of the table shows the effect of the visits of U.S. Presidents. The middle part of the table shows the effect of the visits of U.S. Secretaries of State. The bottom part of the table shows the effect of the total visits by both U.S. Presidents and Secretaries of State. The Fixed Effects estimates show that the number of visits of U.S. Presidents, the number of visits of U.S. Secretaries of State, and the total number of official visits of both U.S. Presidents and U.S. Secretaries of States do not have a statistically significant effect in most specifications.

5.2. Robustness

This paper attempts to provide evidence on the effect of the number of visits of U.S. officials to a country on the quality of its institutions. However, the sample includes some countries which have a higher level of institutional quality compared to the United States. Therefore, including these countries in the sample may bias our results. To take this issue into account, we first exclude the observations where the institutional quality indicators are higher than that of the United States. The results are included in table 3. Second, we eliminate the countries whose average institutional quality indicators during the period under study are higher than those of the United States. The results are included in table 4.

In both tables 3 and 4, the results show that the number of visits of U.S. Presidents, the number of visits of U.S. Secretaries of State, and the total number of visits of U.S. Presidents and Secretaries of State do not have a statistically significant effect. This confirms the robustness of our baseline results.

5.3. Endogeneity

The Fixed Effects estimation assumes that the official visits are exogenous to institutions. However, the problem of endogeneity cannot be ignored. First, the association may be spurious due to the failure to account for an unobserved factor which is affecting both institutional quality and the official visits. Second, as much as the official visits of American dignitaries can affect institutional quality as discussed in the theoretical framework, U.S. officials are tempted to visit countries with high quality institutions to enhance the level of economic and commercial cooperation with them, or otherwise are induced to visit countries with low quality institutions to persuade them to bring about an improvement in their institutional framework.

To deal with potential endogeneity, we use a system of simultaneous equations that can be jointly estimated using Three-Stage-Least-Squares (3SLS). Simultaneous equations are a statistical model in which the dependent variables are functions of other dependent variables, rather than just independent variables. In our context, both the institutions and the official visits indicators can be determined jointly as follows

$$Institutions_{it} = \theta + \delta Visits_{it-1} + X_{it-1}\gamma + \mu_{it} \quad (1)$$

$$Visits_i = \alpha + \beta Institutions_{it-1} + Z_{it-1}\sigma \quad + e_{it} \ (2)$$

Z_{it} is a vector of determinants of official visits to country *i* in year *t*. This vector includes a dummy if the country has a free trade agreement with the United States[2]. Countries that are major trading partners of the United States are more likely to have more bilateral visits than others. Another variable is a dummy that equals to 1 if the country has a common language with the United States, or if the country's official language is English. Common language and cultural proximity facilitate communication and diplomatic interactions. We also include capital distance, which is the distance in kilometers from Washington D.C. to the official place of the leader's residence in every country around the world. We use different sources for the distance calculations[3] to ensure robustness, reliability, and to check the conformity of the observations. The inclusion of this variable is based on the intuition that American officials are more likely to visit countries whose capital cities are closer to that of the United States. This proximity usually implies that the country is more likely to be within the American sphere of influence and to be particularly of strategic significance to the United States. For instance, Latin America in closest proximity to the United States has been labeled

[2] https://ustr.gov/trade-agreements/free-trade-agreements
[3] https://www.nhc.noaa.gov/gccalc.shtml, and https://gps-coordinates.org/distance-between-coordinates.php; https://www.movable-type.co.uk/scripts/latlong.html

“America's Backyard” and was off limits to other powers. In this context, the “Monroe doctrine” stated that any efforts by European powers to take control of any state in North or South America would be viewed as "the manifestation of an unfriendly disposition toward the United States."

The close distance between the country and the United States also reflects lower transportation costs and thus a higher level of bilateral trade and commercial exchange. These factors cause the United States to be more interested in strengthening bilateral ties with these countries through frequent official visits. We also include a continental dummy since the location of the country determines its geostrategic significance to U.S. administrations. Finally, we include the logarithm of GDP per capita as the level of economic development in a country determines whether the U.S. will benefit from strengthening bilateral economic ties through official visits.

Table 5 shows the 3SLS estimation results of the effect of the official visits on the quality of institutions. The results show that the number of visits of U.S. Presidents has a statistically significant positive effect on the quality of institutions, especially the rule of law, voice and accountability, regulatory quality and government effectiveness. This provides empirical evidence of the theoretical prediction of our model that high level official visits are more likely to lead to a change in economic rather than in political institutions. The results also show that the number of visits of U.S. Secretaries of States have a statistically significant positive effect on regulatory quality only, but an insignificant effect on other institutional indicators.

This could be attributed to the possibility that countries that welcome American Presidents are usually of a high level of strategic significance to the United States. This would induce American administrations to have a political interest in improving the quality of these

countries' institutions to the benefit of American creditors, investors, corporations and aid donors. In this context, the significant effect of the number of visits on the rule of law can be attributed to the need for an impartial application of the law especially in disputes between American firms and local entities. Similarly, government effectiveness and regulatory quality ensure that government agencies are able to service their debt to American creditors, to properly use U.S. aid funds, and to have a friendly climate to American firms investing in the country.

On the other hand, the lack of significance of effect of the number of visits of U.S. Secretaries of State can be attributed to the fact that these visits are usually more frequent to countries of less strategic significance but can deliver some services to the United States without the need to pressure them to enhance their institutional framework. In this context, some American administrations adopt a more pragmatic foreign policy approach aimed at achieving strategic objectives and ensuring economic interests while overlooking practices that are either non-democratic or that do not reflect good governance. In these cases, the governments of these countries feel emboldened to continue with their current institutional practices as long as they can prove themselves indispensable to the United States, which can be assured during these visits. This may not lead to any improvement in institutional quality after these official visits.

5.4. Propensity Score Matching

We also conduct a Propensity Score Matching estimation which is a statistical technique used to determine the average effect of the treatment (in our case countries with the number of official visits higher than the sample mean) on the indicators of institutional quality. This technique addresses potential endogeneity and allows us to draw a causal inference about the effect of official visits on the quality of institutions with non-experimental data, as shown in

Dehejia and Wahba (2002). To achieve this objective using this technique, we address the following question: What is the outcome (in terms of institutional quality) for a country that is treated (who has official visits higher than the sample mean) relative to the hypothetical outcome that would have prevailed if the same country has visits lower than the sample mean. We estimate the average treatment effect as follows

$$\tau = E\{O_1 - O_0|B = 1\}$$

$$= E\{E\{O_1 - O_0|B = 1, p(W)\}\}$$

$$= E\{E\{O_1|B = 1, p(W) - E\{O_0|B = 0, p(W)\}|B = 1\} \qquad (3)$$

Where τ is the average effect of the treatment, B is a dichotomous variable equals to one for a country with official visits higher than the sample mean and zero otherwise, O represents institutional outcomes, and W is a vector of pre-treatment characteristics captured by the covariates in our models. The propensity score, $p(W)$, is the probability of having official visits higher than the sample mean given pre-treatment characteristics (W). Table 6 shows that, on average, institutional indices are higher in countries where the number of visits of U.S. Presidents is higher than the sample mean compared to others. This is not the case in countries where the number of visits of U.S. Secretaries of State is higher than the sample means. Thus, overall, these results suggest that visits by U.S. Presidents increases the quality of institutions consistently with our previous findings.

6. Conclusion

This paper examines the effect of the number of visits by U.S. Presidents and Secretaries of State to a country on the quality of its political and economic institutions. We develop a simple theoretical framework to derive the conditions under which the visit by an official guest can lead to an institutional change in the host country. The model predicts that high level visits are more likely to lead to changes in economic institutions rather than in

political ones. We test the predictions of our model using panel estimation techniques. To deal with potential endogeneity, we use a Three-Stage-Least-Squares estimation. The estimation results show that the number of visits of U.S. Presidents have a statistically significant positive effect on the quality of institutions, especially those of the rule of law, voice and accountability, regulatory quality and government effectiveness. This implies that these presidential visits are used to enhance the economic institutions that are essential to promote the interests of American corporations, creditors, investors, and aid agencies. The Propensity Score Matching estimation techniques also finds that institutional indicators are higher in countries whose number of visits by U.S. Presidents is higher than the sample mean.

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Appendix:

The countries included in the analysis are: Albania, Algeria, Angola, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belgium, Belize, Benin, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Burkina Faso, Burundi, Cameroon, Canada, Central African Republic, Chad, Chile, Colombia, Congo. Dem. Rep., Congo. Rep., Costa Rica, Cote d'Ivoire, Croatia, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt. Arab Rep., El Salvador, Estonia, Finland, France, Gabon, Georgia, Germany, Ghana, Greece, Guatemala, Guinea-Bissau, Guyana, Haiti, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Korea. Rep., Kuwait, Kyrgyz Republic, Latvia, Lebanon, Lesotho, Lithuania, Luxembourg, Madagascar, Malawi, Malaysia, Mali, Malta, Mauritania, Mauritius, Mexico, Mongolia, Montenegro, Morocco, Mozambique, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Puerto Rico, Republic of Moldova, Romania, Russian Federation, Rwanda, Senegal, Serbia, Sierra Leone, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Tanzania, Thailand, Togo, Tunisia, Turkey, Uganda, Ukraine, United Kingdom, Uruguay, Venezuela, Vietnam, Zambia, and Zimbabwe.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Resource rents (% of GDP)	1,638	7.388	11.262	0	67.669
Openness	1,577	38.044	24.523	0.239	211.042
Log of GDP per capita	1,698	8.223	1.486	5.032	11.575
Regulatory Quality	754	-0.032	0.971	-2.533	2.183
Rule of Law	760	-0.070	0.982	-2.441	2.000
Control of Corruption	757	-.0470246	0.9907184	-1.762	2.422
Voice and Accountability	760	-0.053	0.979	-2.225	1.692
Political Stability and Absence of Violence	752	-0.061	0.967	-2.139	1.664
Government Effectiveness	756	-0.040	0.973	-2.251	2.307
Africa	2,101	0.282	0.450	0	1
Americas	2,101	0.178	0.382	0	1
Asia	2,101	0.246	0.430	0	1
Europa	2,101	0.225	0.418	0	1
Visits of U.S. Secretary of State	2,101	1.107	2.536	0	25
British Legal origin	1,551	0.283	0.450	0	1
French Legal origin	1,551	0.439	0.496	0	1
Socialist Legal origin	1,551	0.184	0.387	0	1
German Legal origin	1,551	0.042	0.201	0	1
Common language dummy	2,101	0.3089005	0.46215	0	1
Log of population	2,074	15.25498	2.059588	9.263635	21.02894
Democracy	1,605	.9680685	7.182261	-10	10
Distance with US Capital	2,068	8875.135	3651.443	734.4	16360
Visits of the U.S. President	2,101	0.267	0.071	0	5

Table 2. Fixed Effects

	Government Effectiveness	Political Stability	Regulatory Quality	Rule of Law	Voice and Accountability	Control of Corruption
Visits of U.S. President	0.019	-0.020	0.015	0.009	0.001	0.014
	(0.014)	(0.025)	(0.014)	(0.013)	(0.011)	(0.015)
Constant	2.673	5.118	4.159*	1.435	4.006***	2.857
	(2.293)	(3.969)	(2.214)	(1.846)	(1.496)	(1.922)
Number of observations	500	499	499	500	500	500
R2	0.979	0.919	0.969	0.982	0.978	0.981

	Government Effectiveness	Political Stability	Regulatory Quality	Rule of Law	Voice and Accountability	Control of Corruption
Visits of U.S. Secretary of State	0.003	-0.005	0.012**	0.007	0.010*	0.008
	(0.006)	(0.012)	(0.005)	(0.006)	(0.006)	(0.006)
Constant	2.668	5.109	4.230*	1.473	4.079***	2.900
	(2.300)	(3.980)	(2.207)	(1.847)	(1.496)	(1.931)
Number of observations	500	499	499	500	500	500
R2	0.979	0.919	0.969	0.982	0.978	0.981

	Government Effectiveness	Political Stability	Regulatory Quality	Rule of Law	Voice and Accountability	Control of Corruption
Visits of U.S. Secretary of State + Visits of U.S. President	0.004	-0.005	0.010**	0.006	0.007	0.008
	(0.005)	(0.009)	(0.004)	(0.005)	(0.005)	(0.005)
Constant	2.682	5.096	4.230*	1.475	4.069***	2.905
	(2.292)	(3.976)	(2.201)	(1.842)	(1.498)	(1.922)
Number of observations	500	499	499	500	500	500
R2	0.979	0.919	0.969	0.982	0.978	0.981

note: 0.01 - ***; 0.05 - **; 0.1 - *; Fixed effects OLS regression in all columns estimated with robust standard errors clustered by country in parentheses. All estimates control for all of our control variables with country fixed effects.

Table 3. Fixed Effects with Exclusion of Observations

	Government Effectiveness	Political Stability	Regulatory Quality	Rule of Law	Voice and Accountability	Control of Corruption
Visits of U.S. President $_{t-1}$	0.022	-0.049	0.012	0.009	0.001	0.021
	(0.019)	(0.042)	(0.018)	(0.017)	(0.015)	(0.020)
Constant	2.246	5.419	4.216*	1.706	4.163***	2.959
	(2.330)	(4.373)	(2.288)	(1.910)	(1.542)	(1.996)
Number of observations	437	351	450	443	435	434
R2	0.964	0.846	0.956	0.969	0.966	0.960

	Government Effectiveness	Political Stability	Regulatory Quality	Rule of Law	Voice and Accountability	Control of Corruption
Visits of U.S. Secretary of State $_{t-1}$	0.004	-0.007	0.013**	0.006	0.013*	0.012
	(0.008)	(0.020)	(0.006)	(0.007)	(0.007)	(0.008)
Constant	2.225	5.459	4.271*	1.724	4.271***	2.992
	(2.338)	(4.400)	(2.280)	(1.916)	(1.538)	(2.015)
Number of observations	437	351	450	443	435	434
R2	0.964	0.846	0.956	0.969	0.966	0.960

	Government Effectiveness	Political Stability	Regulatory Quality	Rule of Law	Voice and Accountability	Control of Corruption
Visits of U.S. Secretary of State + Visits of U.S. President $_{t-1}$	0.005	-0.010	0.011**	0.006	0.010*	0.011*
	(0.007)	(0.017)	(0.005)	(0.006)	(0.006)	(0.006)
Constant	2.245	5.422	4.283*	1.732	4.279***	3.017
	(2.330)	(4.391)	(2.274)	(1.912)	(1.543)	(2.004)
Number of observations	437	351	450	443	435	434
R2	0.964	0.846	0.956	0.969	0.966	0.960

note: 0.01 - ***; 0.05 - **; 0.1 - *; Fixed effects OLS regression in all columns estimated with robust standard errors clustered by country in parentheses. All estimates control for all of our control variables with country fixed effects.

Table 4. Fixed Effects with Exclusion of Countries

	Government Effectiveness	Political Stability	Regulatory Quality	Rule of Law	Voice and Accountability	Control of Corruption
Visits of U.S. President $_{t-1}$	0.020	-0.040	0.015	0.012	0.002	0.017
	(0.018)	(0.039)	(0.018)	(0.017)	(0.016)	(0.020)
Constant	2.454	6.083	4.183*	1.598	4.189***	2.856
	(2.327)	(4.448)	(2.267)	(1.894)	(1.533)	(1.981)
Number of observations	444	360	447	444	432	440
R2	0.966	0.837	0.955	0.969	0.965	0.962

	Government Effectiveness	Political Stability	Regulatory Quality	Rule of Law	Voice and Accountability	Control of Corruption
Visits of U.S. Secretary of State $_{t-1}$	0.005	-0.008	0.013**	0.007	0.013*	0.010
	(0.007)	(0.018)	(0.006)	(0.007)	(0.007)	(0.007)
Constant	2.447	6.151	4.232*	1.609	4.287***	2.877
	(2.331)	(4.479)	(2.262)	(1.903)	(1.529)	(1.993)
Number of observations	444	360	447	444	432	440
R2	0.966	0.836	0.955	0.969	0.965	0.962

	Government Effectiveness	Political Stability	Regulatory Quality	Rule of Law	Voice and Accountability	Control of Corruption
Visits of U.S. Secretary of State + Visits of U.S. President $_{t-1}$	0.006	-0.010	0.011**	0.006	0.010	0.009
	(0.006)	(0.015)	(0.005)	(0.006)	(0.006)	(0.006)
Constant	2.463	6.119	4.246*	1.623	4.294***	2.892
	(2.322)	(4.471)	(2.256)	(1.897)	(1.533)	(1.985)
Number of observations	444	360	447	444	432	440
R2	0.966	0.837	0.955	0.969	0.965	0.962

note: 0.01 - ***; 0.05 - **; 0.1 - *; Fixed effects OLS regression in all columns estimated with robust standard errors clustered by country in parentheses. All estimates control for all of our control variables with country fixed effects.

Table 5. Three-Stage-Least-Squares

	Government effectiveness	Political stability	Regulatory quality	Rule of law	Voice and accountability	Control of corruption
Visits of U.S. President$_{t-1}$	.020*	-.006	.022*	.024**	.021*	.005
	(.011)	(.024)	(.013)	(.011)	(.011)	(.013)
Constant	3.886***	6.598***	4.187***	2.006*	3.976***	5.036***
	(1.161)	(2.334)	(1.316)	(1.154)	(.9572)	(1.278)
Number of observations	371	370	370	372	493	372
Visits of U.S. Secretary of State$_{t-1}$	.007	-.016	.0178***	.006	.004	.008
	(.004)	(.009)	(.005)	(.004)	(.004)	(.005)
Constant	4.001***	6.639***	4.273***	2.148*	3.928***	5.034***
	(1.157)	(2.322)	(1.300)	(1.153)	(1.068)	(1.271)
Number of observations	371	370	370	372	372	372
Visits of the President +Visits of the Secretary of State$_{t-1}$	.007*	-.0115	.014***	.006*	.004	.006
	(.004)	(.008)	(.004)	(.004)	(.003)	(.004)
Constant	3.956***	6.699***	4.191***	2.098**	3.901***	5.004***
	(1.157)	(2.324)	(1.303)	(1.153)	(1.069)	(1.273)
Number of observations	371	370	527	372	372	372

note: 0.01 - ***; 0.05 - **; 0.1 - *;

All control variables in table 2 are included. For the second equation of the simultaneous system of equations, where the dependent variable is the number of visits, we control for the openness of the country, the log GDP per capita, the common language dummy, capital distance capital, log of population, democracy, country dummy and a continental dummy.

Table 6. Propensity score matching

	Government effectiveness	Political stability	Regulatory quality	Rule of law	Voice and accountability	Control of corruption
Treated (President)	0.298***	0.281***	0.294***	0.316***	0.154***	0.345***
	(0.054)	(0.094)	(0.069)	(0.079)	(0.058)	(0.068)
Number of observations	500	499	499	500	500	500
Treated (Secretary)	-0.039	-0.032	0.092	0.075	0.055	-0.051
	(0.079)	(0.227)	(0.063)	(0.067)	(0.094)	(0.068)
Number of observations	500	499	499	500	500	500
Treated (President and Secretary)	0.066	-0.110	0.098	0.039	-0.014	0.053
	(0.061)	(0.179)	(0.070)	(0.098)	(0.102)	(0.065)
Number of observations	500	499	499	500	500	500

Figure 1. World Map of the number of Visits of U.S. Presidents

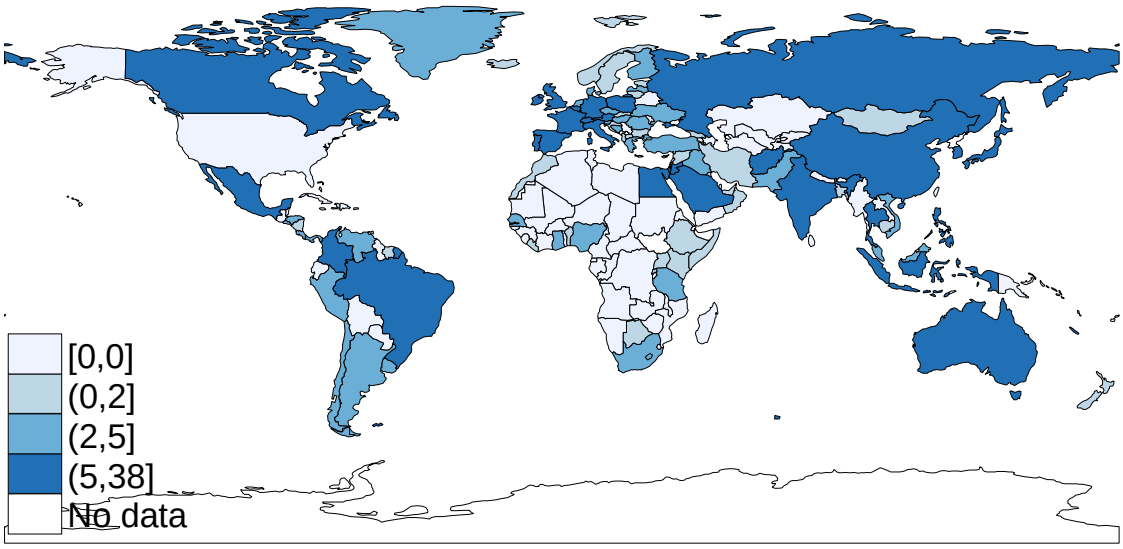

Figure 2. World Map of the number of Visits of U.S. Secretaries of State

Figure 3 : Visits of U.S. Presidents and Institutions

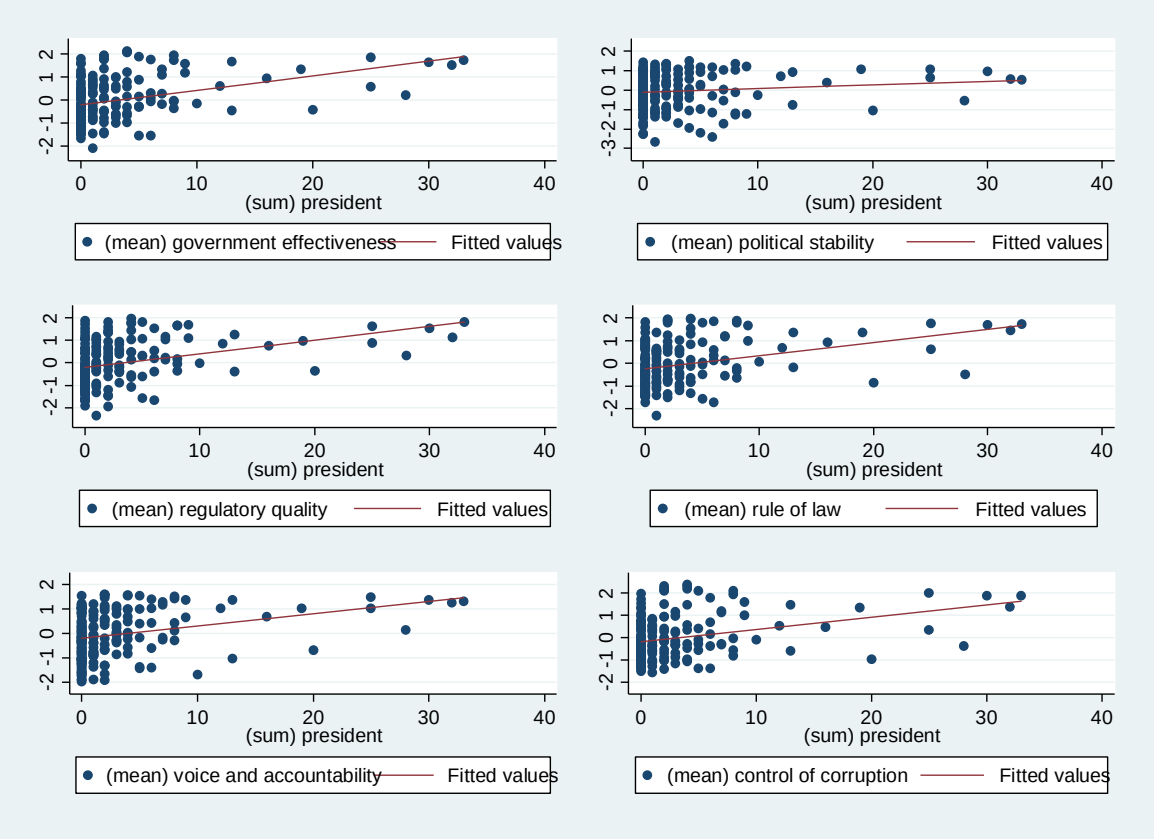

Figure 4 : Visits of U.S. Secretaries of State and Institutions

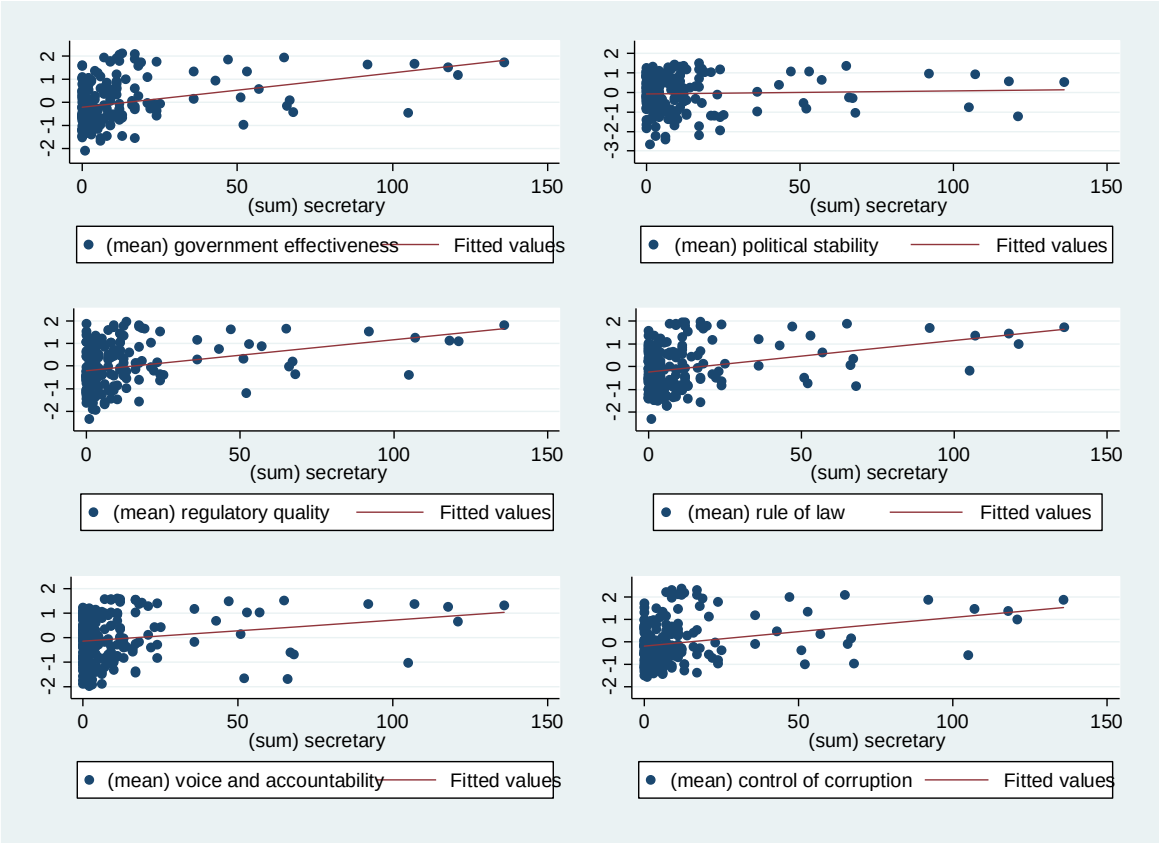

Figure 5 : Total Visits of U.S. Officials and Institutions