**Appendix:**

**Property Rights Regimes, Technological Innovation, and Foreign Direct Investment**

The appendix to the main article provides more details about the control variables and presents several types of supplementary analyses in order to assess the robustness of the relationships identified in the main analysis. We proceed in three parts: first, we provide a more extended discussion of our control variables. We then re-estimating the main analyses using a measure of a country’s general rule of law in place of our property rights variable. Lastly, we conduct a series of analyses changing the model specification—subsetting the data, using different measures for variables, and implementing alternative estimation strategies.

**Control Variables**

We include several control variables to account for other determinants of FDI, such as economic size, level of development, economic growth, trade and financial openness, resource endowments, and physical security. While there are a number of other potentially confounders, most alternative theoretical explanations are accounted for by this set of controls. Control variables are obtained from the World Development Indicators unless otherwise noted.

To control for market features that attract FDI, we include economic size, level of development, and economic growth. Larger markets are likely to produce higher FDI, since they provide greater probability for future returns. Economic sizeis operationalized as GDP in constant 2000 US dollars. The level of development in measured as GDP per capita. Both *GDP* and *GDP/capita* are logged to control for skewness. Economic growth attracts more FDI as investors seek to maximize returns on future markets. High rates of *GDP Growth* demonstrate expanding markets.

Trade and financial openness are expected to increase FDI. While trade may sometimes serve as a substitute to investment—depending on the barriers to investment—it may also increase due to vertical trade as goods move through firms’ supply chains. Increased financial openness makes it easier for firms to invest and to withdraw profits, both of which reduce transaction costs. Trade and financial openness also controls for the shift towards neoliberal policies over the time period in the sample. *Trade/GDP* is measured as trade as a percent of GDP. *Financial openness* data are obtained from Chinn and Ito (2008), who construct a continuous measure based on the IMF reports. These data measure the intensity of capital controls.

*Resource* endowments are thought to attract FDI. *Resource* is the sum of mineral, gas, and oil rents as a percent of GDP. These are logged to control for skewness. Because the measure of *Resource* for a country can be equal to zero, a constant is added before logging. Since this value is a constant, it has no effect on the estimated coefficient.

*Physical Insecurity* is represented by the number of battle deaths within a state’s territorial borders. This variable accounts for instability generated from either intra- or inter-state conflict. The number of battle deaths is logged to control for skewness. A constant is added prior to logging to prevent zero values.

**Alternative Measure for Property Rights**

To demonstrate the robustness of our results, we measure *Property Rights* using the *Latent Judicial Independence* (LJI) (Linzer and Staton 2015) as a robustness check. While *LSSPR* focuses explicitly on property rights, *LJI* is a broader measure of rule of law. *LJI* is a composite measure of various measures of judicial independence, and uses a measurement model to capture the latent score of judicial independence across measures. One advantage of *LJI* is that it is available annually for the period 1970-2009. *LJI* and *LSSPR* are highly correlated (*r*=.72).

We estimate two models using *LJI*: one with and another without time-varying slopes. The results are reported in Table M1. Starting with Model 1, the interaction term is positive and statistically significant when the constitutive terms are held at their mean. The direct effect of *Property Rights* (i.e. *Democracy* is held at its mean) is insignificant, while the direct effect of *Democracy* (i.e. *Property Rights* is held at its mean) is negative.

In order to more fully assess H1, we must look at Figure M1 in order to see the marginal effect of *Property Rights* at varying levels of *Democracy*. At the lowest value of *Democracy*, the marginal effect of *Property Rights* is negative and statistically significant. Between values 2-4, the marginal effect of *Property Rights* is statistically indistinguishable from 0. At values 5 and over, the marginal effect of *Property Rights* is positive and statistically significant. The trend of an increasing marginal effect associated with *Property Rights* at increasing levels of *Democracy* is consistent between the models specified in Table 1 of the main paper.

Model 2 present the results of a model with random slopes on the interaction and *Property Rights* terms over time. As was the case in Table 1 in the primary set of analyses, AIC indicates the model with time-varying effects is a better fit to the data than the fixed model. To assess H2, we display the marginal effect of *Property Rights* in Figure M2. The same trend as earlier is again identified; the marginal effect of *Property Rights* experiences a general increase over time. Moreover, the difference in effect between levels of *Democracy* has also increased over time. Notably, the previously identified change-point in the mid-1990s is again observed. Prior to 1995, autocratic regimes are associated with the greatest marginal effect on *Property Rights*, while after 1995 democratic regimes are associated with the greatest marginal effect on *Property Rights*.

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| --- | --- | --- | --- | --- | --- |
| Table M1. Effects of Property Rights Regime on FDI using a Non-nested Multilevel Model of Country and Year (LJI, all years). | | | | | |
| Property Rights Regime Random Slopes | | None |  | Year |  |
|  |  |  |  |  |  |
| Property Rights Regime | | 0.056\*\*\* |  | see Figure 8  (time-varying) |  |
| (Property Rights \* Democracy) |  | (0.010) |  |  |
| Property Rights | | 0.031 |  | see Figure 8  (time-varying) |  |
|  |  | (0.048) |  |  |
| Democracy | | -0.008\*\* |  | 0.004 |  |
|  |  | (0.004) |  | (0.004) |  |
| GDP |  | 0.046\*\*\* |  | 0.068\*\*\* |  |
|  |  | (0.008) |  | (0.007) |  |
| GDP/capita | | 0.024\*\* |  | -0.009 |  |
|  |  | (0.011) |  | (0.10) |  |
| GDP Growth | | -0.001 |  | -0.001 |  |
|  |  | (0.001) |  | (0.001) |  |
| Trade/GDP | | 0.001\*\*\* |  | 0.001\*\*\* |  |
|  |  | (0.001) |  | (0.001) |  |
| Financial Openness |  | 0.006\*\* |  | -0.001 |  |
|  |  | (0.003) |  | (0.003) |  |
| Resources |  | -0.025\*\*\* |  | -0.022\*\*\* |  |
|  |  | (0.005) |  | (0.005) |  |
| Physical Insecurity | | -0.001 |  | 0.001 |  |
|  |  | (0.001) |  | (0.001) |  |
| Constant |  | 3.394\*\*\* | | 3.403\*\*\* | |
|  |  | (0.017) |  | (0.014) |  |
| Random Effect Parameters | | |  |  |  |
| Country (*σj*) |  | 0.138\*\*\* |  | 0.133\*\*\* |  |
|  |  | (0.010) |  | (0.008) |  |
| Year (*σt*) |  | 0.055\*\*\* |  | 0.001 |  |
|  |  | (0.007) |  | (0.002) |  |
| Individual (*σi*) |  | 0.162\*\*\* |  | 0.149\*\*\* |  |
|  |  | (0.002) |  | (0.002) |  |
| Observations | | 4148 |  | 4148 |  |
| Countries |  | 149 |  | 149 |  |
| Log-Likelihood | | 1386.295 |  | 1783.689 |  |
| AIC | | -2744.590 |  | -3383.378 |  |
| Note: \* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01. Coefficients are displayed above standard errors (in parentheses). Random effects parameters display the estimated standard error associated with each non-nested group variable, where *j* is country-, *t* is year- and *i* is individual-level variation. Coefficients for the Year-level random slopes in model 2 are not displayed in the table and instead are presented graphically in Figure 7, as their effects are time-varying. | | | | | |





**Robustness: Specification Checks**

We conduct several additional analyses to test the robustness of our results. We run analyses on a subset of the data including only at developing (non-OECD) states. We add a set of models with bilateral investment treaties (BITs), one for all countries and another with only developing states. We then explore an alternative measure of our dependent variable, using *net FDI as a percent of GDP* and a measure of logged net FDI where zero and negative values are set to a just above zero (0.01) prior to logging. Next, we replace our measure of *democracy* with the 21-point scale from the Polity IV project. We also conduct a test using panel corrected standard errors with fixed effects. Next, we run two models that include proxies for the level of technological development in the country receiving FDI: *energy consumption* and *rural population*. Finally, we estimate a model with time-varying constitutive terms—*democracy* and *property rights*—but do not an interaction term.

For each of these robustness checks, we run four regressions. We include both a fixed model with no random slopes, and a model with time-varying parameters for *Property Rights Regime* and *Property Rights*.[[1]](#footnote-1) We analyze each of these models with the *Legal Structure and Security of Property Rights* (LSSPR) and *Latent Judicial Independence* (LJI) measures of property rights. Overall, we find results that are similar to those in the original analysis. While the effects are weaker in the non-OECD only models, we find that the marginal effect of *property rights* consistently varies with the level of *democracy*, specifically over time.

In the sections that follow, we briefly describe the logic of the additional test before moving on the interpreting the results.

**Comparing Developed and Developing States**

It may be the case that developing states attract FDI according to a different data generating process than developed states, and that we may draw incorrect inferences if these distinct processes are conflated (Buthe and Milner 2008). In order to invalidate the substantive claims in the paper, however, the data generating process of developed and developing states must differ in respect to the effect of democracy on property rights, rather than simply in terms the influence of control variables. To explore this potential dynamic, we re-run the previous estimation on a sample of developing countries. We operationalize “developing” as all non-OECD countries. This provides a sample of 1161 observations for 106 countries in the samples using *LSSPR* and 3318 observations and 128 countries in the samples using *LJI*.

Table R.1 displays the results of four models. The primary difference between Table 1 from the main text and Table R1 is that, in the model with no time-varying parameters, the interaction term and its constitutive terms are not statistically significant. Of course, this alone does not tell us about their relations, as it only means the relationship is insignificant when each variable is held at their mean (since the variables are centered). Figure R1 presents the marginal effects of *property rights* at all levels of *democracy*. This figure also indicates a lack of a relationship. There are three possible reasons for this: one, there is in fact no relationship; two, due to the small sample size we simply lack the statistical power to uncover the relationship; and three, that the relationship is obscured by the effect varying over time.

This is explored in the second model, and the results displayed in Figure R2. The figure suggests that, once the time-varying random slopes for *Property Rights Regime* are included, it is clear that the effect of *property rights regimes* changes from having a negative effect on FDI in the early period of the sample to a positive effect in later years. This changing effect explains the null result from model 1 of Table R1, as the estimates are effectively running in contrast to one another. The AIC from the time-varying model outperforms that of the model without any varying-slopes for *Property Rights Regime*, though the values are close. Finally, the effect of control variables are consistent across models.

Turning to models 3 and 4, which use *LJI*, we find a statistically significant relationship between *property rights regimes* and FDI. Figure R3 confirms this finding in the model with fixed parameters, as *property rights* are associated with a negative effect in at lower values of democracy and no effect at high values. Figure R4 reveals that the differences between the levels of democracy increases over time, that only countries with high democracy scores experience a positive marginal effect from strong property rights protections, and that this effect is recent.

In sum, we find that the effect of *Property Rights Regimes* does not differ in any substantively meaningful way between developed and developing countries. While the effects appear stronger in OECD countries (which receive the majority of FDI), the trends are similar in developing countries. The effects of property rights appear to depend on the level of democracy, and the effect of this dependence has increased over time.

**Bilateral Investment Treaties**

BITs are an increasingly used policy tool that, if ignored, may provide an alternative explanation for any changing temporal patterns of the relationship between property rights regimes and FDI (Elkins, Guzman, and Simmons 2006). This is especially true if democratic states with strong property right protections are more likely than others to sign BITs. The empirical record of how influential BITs are on attracting FDI; however, is mixed (cf. Neumayer and Spess 2005; Tobin and Rose-Ackerman 2005). Moreover, data availability on BITs severely restricts the temporal range of our analysis. We run two separate analyses: one for all states and one for only developing states.

We obtain BIT data from Elkins, Guzman, and Simmons (2006). We operationalize *BITS* as the natural log of the total number of BITs that a country is party to. As the case for previous variables, we add a constant to all observations prior to logging.[[2]](#footnote-2)

Table R2 reports the results when adding *BITs* to the basic model from Table 1. Table R3 reports the results with BITs for only non-OECD countries. Beginning with Table R2, the effect of *property rights regimes* is statistically significant using either property rights measure. Figures R5 and R7 demonstrate that the marginal effect of *property rights* on FDI is negative at low values of *democracy* and positive at high values. The AIC indicates that the time-varying slopes model is a better fit to the data. Turning to these models, Figures R6 and R8 show that the effect of *property rights*, increases over time. Notably, the effect of *democracy* changes from exerting the most strongly negative effect at the beginning of the sample to exerting the most strongly positive effect by the end of the sample.

We find similar results looking at Table R3 and Figures R9 and R11. The marginal effect of *property rights* is most negative at lower levels of *democracy* and strongest at higher levels of *democracy*. The time-varying models show that democratic regimes have the most positive effect at by the end of the sample. This again suggests a surprising degree of sameness in the general trend of increasing marginal effects associated with *Property Rights* between developed and developing countries, even after accounting for the role of BITs. Thus, we find that including BITs has no substantive effect on our primary results of interest.

**Net FDI as a percent of GDP**

As previously noted, the operationalization of FDI can affect the results (cf. Choi 2009, Li 2009). In our main analysis, we measured FDI as the natural log of net FDI inflows. While we agree with Li (2009, 173) that net FDI inflows is the more appropriate measure when analyzing the amount of FDI that a state attracts—the focus of the current study—we use net FDI as a percent of GDP as a robustness check. Data are obtained from the World Development Indicators (World Bank 2011)

Table R4 reports the results of our analysis with this alternative dependent variable. Our results are largely consistent with those from our original analysis. As seen in Figure R13 and R15, the marginal effect of *property rights* on FDI trends upwards as the level of *democracy* increases. Moreover, AIC demonstrates that the time-varying models are a better fit to the data than the fixed models. The time-varying models, along with Figures R14 and R16, show that the marginal effect of *property rights* has a small effect, with little difference across levels of *democracy*, early in the sample, with larger effects, with large differences across levels of *democracy*, later in the sample.

**Censoring net FDI prior to Logging**

Rather than adding a constant to net FDI to make all values positive prior to logging, as we did in the main text, we also employ an alternative method where we set zero or negative net FDI values to $10,000. Net FDI can be less than zero if divestment outpaces investment in a given year. While we prefer the method used in the main text—which maintains the distances in values between observations without altering the interpretation of estimated coefficients (Li 2009, 177)—in this robustness check, we follow previous scholars who use this transformation to censor the data prior to employing the log transformation (Jakobsen and de Soysa 2006). Censoring net FDI at just above zero prior to logging affects approximately 7.7% of the data.

Table R5 reports the results of our analysis with this alternative dependent variable. Our results are largely consistent with those from our original analysis. As seen in Figure R17 and R19, the marginal effect of *property rights* on FDI trends upwards as the level of *democracy* increases. Notably, the marginal effect of *property rights* is positive across all values of *democracy*. AIC demonstrates that the time-varying models are a better fit to the data than the fixed models. The time-varying models, displayed in Figures R18 and R20, show that the marginal effect of *property rights* has a small effect, with little difference across levels of *democracy*, early in the sample, with larger effects, with large differences across levels of *democracy*, later in the sample. Lastly, the control variables do differ from the other robustness checks. This may be due to the censoring of net FDI prior to taking the log transformation.

**Alternative Democracy Measure**

Table R6 presents results using the full 21-point Polity level of democracy scale (Marshall and Jaggers 2008). Figures R21 and R23 find the same previously identified trends in the marginal effect of *property rights* at different levels of *democracy*, while Figures R22 or R24 show the temporal trends of increasing effects for *democracy* over time. Again, AIC indicates that the time-varying models are a better fit to the data than the fixed models. The results are the same across measures and are consistent with the original analysis.

**Panel Corrected Standard Errors**

Panel corrected standard errors (PCSEs) are frequently used when modeling the determinants of FDI. While we argue that a non-nested multi-level approach is more appropriate, we re-examine our data with PCSEs with fixed effects. The results are reported in Table R7 and Figures R25-28. The general trends are the consistent with those from the main analysis. The marginal effect of *property rights* is greater at higher levels of *democracy*, and this effect becomes stronger over time. In addition, the effect of *democracy* changes from negative to positive over the time period in the sample. These results hold for both property rights measures.

**Technological Development**

While technology should spread from the investing state to the recipient of FDI, greater baselines of technological development may be more attractive to investors, all else equal. In addition to the use of random effects—which should capture unobserved unit-level variation—we account for technological heterogeneity with two proxy variables: *energy consumption* and *rural population*. Greater automatization, reliance on electronics, and increased computing power place increasing strain on energy production. As such, higher rates of *energy consumption* should correspond with greater technological development. In addition, technological development is represented by the inverse of *rural percentage of the population*. It is expected that populations that are rurally based are less technologically developed than those with more urban development. *Energy consumption* data are obtained from the Correlates of War’s National Material Capabilities (V3.02) dataset (Singer 1987). *Rural percentage of the population* data are obtained from the World Development Indicators (World Bank 2011).

We add *energy consumption* to our models in Table R8. The marginal effects of *property rights* are visualized in Figures R29 and R31. Each figure shows that the marginal effect increases as the level of *democracy* increases, which is consistent with our original results. AIC indicates that the time-varying models are better fits than the time-invariant models. The time-varying marginal effects of *property rights*, displayed in Figures R30 and R32 are also consistent with our original results, as the coefficient becomes positive over time and the conditional effect of *democracy* changes from exerting the most negative effect to the most positive effect over time.

Table R9 reports models that measure technological development with *rural population*. Again, the results in the table and those displayed in Figures R33-36, are consistent with the original analysis, as the marginal effect of *property rights* increases as the level of *democracy* increases and it increases over time. Again, AIC supports the time-varying models over the fixed models. Moreover, the marginal effect of *property rights* changes from being smallest at high levels of *democracy* to largest at high levels of *democracy* over time.

**Time-varying Democracy and Rule of Law, but No Interaction**

Finally, we estimate two models where we allow the parameters for *democracy* and *property rights* to vary over time, but do not include an interaction. The results are reported in Table R10 and Figures R37-38. The effect of *democracy* on its own has little effect (it fails to reach statistical significance for most years), and hardly changes, while the coefficient on *property rights* changes quite a bit. In fact, Figure R37 has the same basic shape as the marginal effect of *property rights* in model 2 from Table 1 of the main text, but the effects are about twice the size once the interaction is accounted for. The AIC for the model without the interaction (-361.7343) is not as good as the AIC from the model with the interaction (-401.319), suggesting that model 2 from Table 1, with time-varying interaction and constitutive terms, has a better fit to the observed data than one that has time-varying rule of law and democracy terms but no interaction.

Moreover, the same trends are identified in Figure R38, which uses LJI in place of LSSPR to measure *property rights*. Looking at Table R10, we again find that AIC favors model 2 from Table M1—which includes the time-varying interaction—(-3383.378) over the model with only time-varying *democracy* and *property rights*, but no interaction (-3220.96).

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| Table R1. Property Rights Regimes and FDI using a Non-nested Multi-level Model, Non-OECD Countries. | | | | |
|  | LSSPR | | LJI | |
| Property Rights Regime Random Slopes | None | Year | None | Year |
| Property Rights Regime | 0.002 | see Figure R2  (time-varying) | 0.014\*\*\* | see Figure R4  (time-varying) |
| (Property Rights \* Democracy) | (0.001) | (0.005) |
| Property Rights | -0.002 | see Figure R2  (time-varying) | -0.072\*\*\* | see Figure R4  (time-varying) |
|  | (0.003) | (0.025) |
| Democracy | -0.003 | -0.001 | 0.004\* | 0.005\*\*\* |
|  | (0.003) | (0.002) | (0.002) | (0.002) |
| GDP | 0.079\*\*\* | 0.079\*\*\* | 0.047\*\*\* | 0.046\*\*\* |
|  | (0.012) | (0.009) | (0.005) | (0.005) |
| GDP/capita | 0.018 | 0.005 | 0.011\* | 0.012\* |
|  | (0.012) | (0.012) | (0.007) | (0.007) |
| GDP Growth | 0.001 | 0.001 | -0.001 | 0.001 |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Trade/GDP | 0.001\*\*\* | 0.001\*\*\* | 0.001\*\*\* | 0.001\*\*\* |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Financial Openness | 0.004 | 0.003 | 0.003\*\* | 0.003\*\* |
|  | (0.003) | (0.003) | (0.002) | (0.002) |
| Resources | -0.020\*\*\* | -0.018\*\*\* | -0.007\*\*\* | -0.006\*\* |
|  | (0.006) | (0.006) | (0.003) | (0.003) |
| Physical Insecurity | 0.001 | 0.002 | 0.002\*\*\* | 0.001\*\*\* |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Constant | 3.412\*\*\* | 3.404\*\*\* | 3.412\*\*\* | 3.409\*\*\* |
|  | (0.016) | (0.016) | (0.011) | (0.011) |
| Random Effect Parameters |  |  |  |  |
| Country (*σj*) | 0.131\*\*\* | 0.128\*\*\* | 0.108\*\*\* | 0.108\*\*\* |
|  | (0.010) | (0.010) | (0.007) | (0.007) |
| Year (*σt*) | 0.014\*\*\* | 0.021\*\*\* | 0.010\*\*\* | 0.001 |
|  | (0.004) | (0.006) | (0.002) | (0.001) |
| Individual (*σi*) | 0.084\*\*\* | 0.082\*\*\* | 0.074\*\*\* | 0.073\*\*\* |
|  | (0.002) | (0.002) | (0.001) | (0.001) |
| Observations | 1161 | 1161 | 3318 | 3318 |
| Countries | 106 | 106 | 128 | 128 |
| Log-Likelihood | 1049.644 | 1079.919 | 3678.865 | 3713.048 |
| AIC | -2071.289 | -2071.838 | -7329.729 | -7242.096 |
|  | | | | |









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| --- | --- | --- | --- | --- |
| Table R2. Property Rights Regimes and FDI using a Non-nested Multi-level Model, BITs, All Countries. | | | | |
|  | LSSPR | | LJI | |
| Property Rights Regime Random Slopes | None | Year | None | Year |
| Property Rights Regime | 0.013\*\*\* | see Figure R6  (time-varying) | 0.048\*\*\* | see Figure R8  (time-varying) |
| (Property Rights \* Democracy) | (0.002) | (0.008) |
| Property Rights | 0.008 | see Figure R6  (time-varying) | -0.01 | see Figure R8  (time-varying) |
|  | (0.008) | (0.039) |
| Democracy | 0.001 | 0.003 | -0.001 | 0.003 |
|  | (0.006) | (0.005) | (0.003) | (0.003) |
| BITs | 0.003 | 0.006\* | 0.003\*\*\* | 0.003\*\*\* |
|  | (0.004) | (0.003) | (0.001) | (0.001) |
| GDP | 0.064\*\*\* | 0.067\*\*\* | 0.033\*\*\* | 0.042\*\*\* |
|  | (0.010) | (0.009) | (0.006) | (0.006) |
| GDP/capita | -0.023\* | -0.033\*\* | 0.012 | -0.006 |
|  | (0.014) | (0.013) | (0.009) | (0.009) |
| GDP Growth | 0.001 | 0.001 | -0.001 | -0.001 |
|  | (0.002) | (0.001) | (0.001) | (0.001) |
| Trade/GDP | 0.001 | 0.001\* | 0.001\*\* | 0.001\*\*\* |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Financial Openness | 0.016\*\* | 0.013\*\* | 0.008\*\*\* | 0.001 |
|  | (0.008) | (0.007) | (0.003) | (0.003) |
| Resources | -0.011 | -0.010 | -0.017\*\*\* | -0.018\*\*\* |
|  | (0.010) | (0.009) | (0.005) | (0.004) |
| Physical Insecurity | -0.004 | -0.001 | -0.003\*\*\* | -0.001 |
|  | (0.003) | (0.002) | (0.001) | (0.001) |
| Constant | 3.367\*\*\* | 3.377\*\*\* | 3.387\*\*\* | 3.403\*\*\* |
|  | (0.028) | (0.020) | (0.013) | (0.011) |
| Random Effect Parameters |  |  |  |  |
| Country (*σj*) | 0.093\*\*\* | 0.107\*\*\* | 0.098\*\*\* | 0.100\*\*\* |
|  | (0.010) | (0.010) | (0.007) | (0.006) |
| Year (*σt*) | 0.050\*\*\* | 0.020 | 0.035\*\*\* | 0.001 |
|  | (0.017) | (0.016) | (0.006) | (0.001) |
| Individual (*σi*) | 0.158\*\*\* | 0.126\*\*\* | 0.111\*\*\* | 0.101\*\*\* |
|  | (0.006) | (0.005) | (0.002) | (0.001) |
| Observations | 505 | 505 | 2898 | 2898 |
| Countries | 111 | 111 | 142 | 142 |
| Log-Likelihood | 159.207 | 251.136 | 2029.176 | 2340.890 |
| AIC | -288.414 | -448.273 | -4028.352 | -4531.780 |
|  | | | | |









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| --- | --- | --- | --- | --- |
| Table R3. Property Rights Regimes and FDI using a Non-nested Multi-level Model, BITs, Non-OECD. | | | | |
|  | LSSPR | | LJI | |
| Property Rights Regime Random Slopes | None | Year | None | Year |
| Property Rights Regime | 0.003\*\* | see Figure R10  (time-varying) | 0.010\*\* | see Figure R12  (time-varying) |
| (Property Rights \* Democracy) | (0.001) | (0.004) |
| Property Rights | 0.002 | see Figure R10  (time-varying) | -0.057\*\*\* | see Figure R12  (time-varying) |
|  | (0.004) | (0.020) |
| Democracy | 0.001 | -0.001 | 0.004\*\* | 0.004\*\*\* |
|  | (0.003) | (0.002) | (0.002) | (0.002) |
| BITs | 0.002 | 0.003 | 0.003\*\*\* | 0.003\*\*\* |
|  | (0.002) | (0.002) | (0.001) | (0.001) |
| GDP | 0.033\*\*\* | 0.034\*\*\* | 0.028\*\*\* | 0.027\*\*\* |
|  | (0.005) | (0.005) | (0.003) | (0.003) |
| GDP/capita | -0.010 | -0.011 | 0.001 | 0.001 |
|  | (0.007) | (0.007) | (0.005) | (0.005) |
| GDP Growth | 0.001 | 0.001 | -0.001\*\* | -0.001\* |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Trade/GDP | 0.001 | 0.001\* | 0.001\*\*\* | 0.001\*\*\* |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Financial Openness | -0.001 | -0.001 | 0.001 | 0.001 |
|  | (0.001) | (0.004) | (0.001) | (0.001) |
| Resources | -0.008 | -0.008 | -0.008\*\*\* | -0.008\*\*\* |
|  | (0.005) | (0.005) | (0.002) | (0.002) |
| Physical Insecurity | -0.001 | -0.001 | -0.001 | -0.001 |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Constant | 3.391\*\*\* | 3.390\*\*\* | 3.400\*\*\* | 3.399\*\*\* |
|  | (0.010) | (0.010) | (0.006) | (0.006) |
| Random Effect Parameters |  |  |  |  |
| Country (*σj*) | 0.042\*\*\* | 0.043\*\*\* | 0.051\*\*\* | 0.051\*\*\* |
|  | (0.006) | (0.006) | (0.004) | (0.004) |
| Year (*σt*) | 0.006 | 0.007 | 0.003 | 0.001 |
|  | (0.008) | (0.008) | (0.002) | (0.001) |
| Individual (*σi*) | 0.067\*\*\* | 0.066\*\*\* | 0.053\*\*\* | 0.052\*\*\* |
|  | (0.002) | (0.003) | (0.001) | (0.001) |
| Observations | 379 | 379 | 2319 | 2319 |
| Countries | 91 | 91 | 122 | 122 |
| Log-Likelihood | 442.238 | 445.750 | 3359.221 | 3379.018 |
| AIC | -854.475 | -837.500 | -6688.443 | -6608.036 |
|  | | | | |









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| Table R4. Property Rights Regimes and FDI using a Non-nested Multi-level Model, Net FDI as Percent GDP. | | | | |
|  | LSSPR | | LJI | |
| Property Rights Regime Random Slopes | None | Year | None | Year |
| Property Rights Regime | 0.082\* | see Figure R14  (time-varying) | 1.251\*\*\* | see Figure R16  (time-varying) |
| (Property Rights \* Democracy) | (0.046) | (0.276) |
| Property Rights | 0.249\* | see Figure R14  (time-varying) | 0.949 | see Figure R16  (time-varying) |
|  | (0.137) | (1.204) |
| Democracy | 0.083 | 0.049 | 0.185\* | 0.344\*\*\* |
|  | (0.103) | (0.103) | (0.109) | (0.106) |
| GDP | -0.030 | -0.030 | 0.250\* | 0.267\* |
|  | (0.159) | (0.157) | (0.144) | (0.145) |
| GDP/capita | -0.489\* | -0.497\*\* | -1.256\*\*\* | -1.279\*\*\* |
|  | (0.254) | (0.252) | (0.227) | (0.231) |
| GDP Growth | 0.067\*\* | 0.060\*\* | 0.156\*\*\* | 0.151\*\*\* |
|  | (0.029) | (0.029) | (0.015) | (0.015) |
| Trade/GDP | 0.043\*\*\* | 0.043\*\*\* | 0.057\*\*\* | 0.058\*\*\* |
|  | (0.005) | (0.005) | (0.004) | (0.004) |
| Financial Openness | 0.380\*\*\* | 0.405\*\*\* | 0.285\*\*\* | 0.327\*\*\* |
|  | (0.122) | (0.119) | (0.080) | (0.079) |
| Resources | -0.104 | -0.112 | 0.247\*\* | 0.215\* |
|  | (0.157) | (0.156) | (0.123) | (0.123) |
| Physical Insecurity | 0.004 | 0.002 | -0.023 | -0.042 |
|  | (0.004) | (0.044) | (0.029) | (0.028) |
| Constant | 2.779\*\*\* | 2.813\*\*\* | 1.217\*\*\* | 0.972\*\*\* |
|  | (0.372) | (0.345) | (0.335) | (0.313) |
| Random Effect Parameters |  |  |  |  |
| Country (*σj*) | 1.917\*\*\* | 1.909\*\*\* | 2.335\*\*\* | 2.426\*\*\* |
|  | (0.188) | (0.183) | (0.180) | (0.186) |
| Year (*σt*) | 0.815\*\*\* | 0.618\*\*\* | 0.837\*\*\* | 0.001 |
|  | (0.199) | (0.187) | (0.137) | (0.057) |
| Individual (*σi*) | 4.273\*\*\* | 4.158\*\*\* | 4.525\*\*\* | 4.431\*\*\* |
|  | (0.082) | (0.079) | (0.051) | (0.050) |
| Observations | 1528 | 1528 | 4120 | 4120 |
| Countries | 126 | 126 | 147 | 147 |
| Log-Likelihood | -4474.829 | -4432.315 | -12246.439 | -12138.267 |
| AIC | 8977.657 | 8952.631 | 24520.880 | 24460.540 |
|  | | | | |









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| Table R5. Property Rights Regimes and FDI using a Non-nested Multi-level Model, Log of Censored Net FDI. | | | | |
|  | LSSPR | | LJI | |
| Property Rights Regime Random Slopes | None | Year | None | Year |
| Property Rights Regime | 0.015 | see Figure R18  (time-varying) | 0.289\*\*\* | see Figure R20  (time-varying) |
| (Property Rights \* Democracy) | (0.013) | (0.069) |
| Property Rights | 0.191\*\*\* | see Figure R18  (time-varying) | 0.416 | see Figure R20  (time-varying) |
|  | (0.038) | (0.315) |
| Democracy | 0.017 | 0.012 | 0.004 | 0.030 |
|  | (0.030) | (0.030) | (0.027) | (0.027) |
| GDP | 0.875\*\*\* | 0.865\*\*\* | 0.799\*\*\* | 0.841\*\*\* |
|  | (0.055) | (0.055) | (0.045) | (0.045) |
| GDP/capita | -0.145\* | -0.145\* | -0.051 | -0.143\*\* |
|  | (0.083) | (0.083) | (0.066) | (0.066) |
| GDP Growth | 0.038\*\*\* | 0.033\*\*\* | 0.018\*\*\* | 0.017\*\*\* |
|  | (0.008) | (0.008) | (0.003) | (0.003) |
| Trade/GDP | 0.009\*\*\* | 0.008\*\*\* | 0.010\*\*\* | 0.011\*\*\* |
|  | (0.002) | (0.002) | (0.001) | (0.001) |
| Financial Openness | 0.105\*\*\* | 0.098\*\*\* | 0.131\*\*\* | 0.131\*\*\* |
|  | (0.035) | (0.034) | (0.020) | (0.020) |
| Resources | -0.072 | -0.070 | 0.027 | 0.018 |
|  | (0.050) | (0.050) | (0.033) | (0.033) |
| Physical Insecurity | 0.014 | 0.014 | 0.022\*\*\* | 0.030\*\*\* |
|  | (0.012) | (0.012) | (0.007) | (0.007) |
| Constant | -1.609\*\*\* | -1.600\*\*\* | -2.058\*\*\* | -2.058\*\*\* |
|  | (0.161) | (0.165) | (0.117) | (0.105) |
| Random Effect Parameters |  |  |  |  |
| Country (*σj*) | 0.748\*\*\* | 0.751\*\*\* | 0.802\*\*\* | 0.799\*\*\* |
|  | (0.060) | (0.059) | (0.053) | (0.052) |
| Year (*σt*) | 0.496\*\*\* | 0.521\*\*\* | 0.473\*\*\* | 0.341\*\*\* |
|  | (0.099) | (0.106) | (0.059) | (0.060) |
| Individual (*σi*) | 1.107\*\*\* | 1.068\*\*\* | 1.085\*\*\* | 1.062\*\*\* |
|  | (0.021) | (0.020) | (0.012) | (0.012) |
| Observations | 1533 | 1533 | 4148 | 4148 |
| Countries | 127 | 127 | 149 | 149 |
| Log-Likelihood | -2470.162 | -2421.009 | -6483.217 | -6387.370 |
| AIC | 4968.324 | 4930.018 | 12994.430 | 12958.740 |
|  | | | | |









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| Table R6. Property Rights Regimes and FDI using a Non-nested Multi-level Model, 21-point Democracy Scale. | | | | |
|  | LSSPR | | LJI | |
| Property Rights Regime Random Slopes | None | Year | None | Year |
| Property Rights Regime | 0.003\*\*\* | see Figure R22  (time-varying) | 0.050\*\*\* | see Figure R24  (time-varying) |
| (Property Rights \* Democracy) | (0.001) | (0.010) |
| Property Rights | -0.016\*\* | see Figure R22  (time-varying) | 0.075\* | see Figure R24  (time-varying) |
|  | (0.007) | (0.042) |
| Democracy | -0.004\*\* | -0.002 | -0.005\*\*\* | 0.001 |
|  | (0.002) | (0.002) | (0.001) | (0.001) |
| GDP | 0.107\*\*\* | 0.113\*\*\* | 0.046\*\*\* | 0.068\*\*\* |
|  | (0.012) | (0.012) | (0.008) | (0.007) |
| GDP/capita | 0.008 | -0.022 | 0.021\*\* | -0.010 |
|  | (0.017) | (0.017) | (0.011) | (0.010) |
| GDP Growth | -0.001 | 0.001 | -0.001 | -0.001 |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Trade/GDP | 0.001\*\*\* | 0.001\*\*\* | 0.001\*\*\* | 0.001\*\*\* |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Financial Openness | 0.006 | 0.006 | 0.005\* | -0.001 |
|  | (0.006) | (0.006) | (0.003) | (0.003) |
| Resources | -0.043\*\*\* | -0.034\*\*\* | -0.026\*\*\* | -0.022\*\*\* |
|  | (0.010) | (0.010) | (0.005) | (0.005) |
| Physical Insecurity | -0.004 | -0.001 | -0.001 | 0.001 |
|  | (0.002) | (0.002) | (0.001) | (0.001) |
| Constant | 3.394\*\*\* | 3.378\*\*\* | 3.403\*\*\* | 3.405\*\*\* |
|  | (0.030) | (0.027) | (0.017) | (0.014) |
| Random Effect Parameters |  |  |  |  |
| Country (*σj*) | 0.172\*\*\* | 0.177\*\*\* | 0.138\*\*\* | 0.133\*\*\* |
|  | (0.013) | (0.012) | (0.010) | (0.008) |
| Year (*σt*) | 0.079\*\*\* | 0.0627\*\*\* | 0.058\*\*\* | 0.001 |
|  | (0.017) | (0.016) | (0.008) | (0.002) |
| Individual (*σi*) | 0.204\*\*\* | 0.182\*\*\* | 0.162\*\*\* | 0.149\*\*\* |
|  | (0.004) | (0.003) | (0.002) | (0.002) |
| Observations | 1566 | 1566 | 4148 | 4148 |
| Countries | 127 | 127 | 149 | 149 |
| Log-Likelihood | 106.445 | 267.358 | 1392.583 | 1783.249 |
| AIC | -184.890 | -446.715 | -2757.166 | -3382.499 |
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| Table R7. Property Rights Regimes and FDI using Panel Corrected Standard Errors with Fixed Effects. | | | | |
|  | LSSPR | | LJI | |
| Property Rights Regime Random Slopes | None | Year | None | Year |
| Property Rights Regime | 0.004\* | see Figure R26  (time-varying) | 0.043\*\*\* | see Figure R28  (time-varying) |
| (Property Rights \* Democracy) | (0.002) | (0.006) |
| Property Rights | -0.010\* | see Figure R26  (time-varying) | -0.001 | see Figure R28  (time-varying) |
|  | (0.006) | (0.039) |
| Democracy | -0.006 | -0.003 | -0.002 | 0.006\*\* |
|  | (0.004) | (0.004) | (0.003) | (0.003) |
| GDP | 0.0048\*\* | 0.143\*\*\* | 0.072\*\*\* | 0.022\*\* |
|  | (0.022) | (0.027) | (0.009) | (0.011) |
| GDP/capita | 0.299\*\*\* | 0.080\*\* | 0.087\*\*\* | 0.052\*\*\* |
|  | (0.039) | (0.040) | (0.015) | (0.017) |
| GDP Growth | 0.001 | 0.001 | -0.001\* | -0.001 |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Trade/GDP | 0.002\*\*\* | 0.002\*\*\* | 0.001\*\*\* | 0.001\*\*\* |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Financial Openness | 0.006 | 0.005 | 0.014\*\*\* | -0.002 |
|  | (0.006) | (0.005) | (0.003) | (0.003) |
| Resources | -0.042\*\*\* | -0.039\*\*\* | -0.027\*\*\* | -0.023\*\*\* |
|  | (0.012) | (0.010) | (0.006) | (0.004) |
| Physical Insecurity | -0.002 | 0.001 | 0.001 | 0.001 |
|  | (0.002) | (0.002) | (0.001) | (0.001) |
| Constant | 3.967\*\*\* | 3.841\*\*\* | 3.846\*\*\* | 4.349\*\*\* |
|  | (0.200) | (0.202) | (0.120) | (0.099) |
| Observations | 1533 | 1533 | 4148 | 4148 |
| Countries | 127 | 127 | 149 | 149 |
| R-squared | 0.692 | 0.756 | 0.607 | 0.687 |
| Note: Fixed Effects not reported. | | | | |









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| Table R8. Property Rights Regimes and FDI using a Non-nested Multi-level Model, Energy Consumption. | | | | |
|  | LSSPR | | LJI | |
| Property Rights Regime Random Slopes | None | Year | None | Year |
| Property Rights Regime | 0.009\*\*\* | see Figure R30  (time-varying) | 0.055\*\*\* | see Figure R32  (time-varying) |
| (Property Rights \* Democracy) | (0.003) | (0.010) |
| Property Rights | -0.017\*\* | see Figure R30  (time-varying) | 0.011 | see Figure R32  (time-varying) |
|  | (0.008) | (0.048) |
| Democracy | -0.010\* | -0.003 | -0.007 | 0.005 |
|  | (0.006) | (0.006) | (0.004) | (0.004) |
| Energy Consumption | 0.025 | 0.019 | 0.004 | 0.005 |
|  | (0.016) | (0.016) | (0.007) | (0.006) |
| GDP | 0.078\*\*\* | 0.089\*\*\* | 0.040\*\*\* | 0.059\*\*\* |
|  | (0.023) | (0.022) | (0.011) | (0.010) |
| GDP/capita | 0.011 | -0.019 | 0.022\*\* | -0.007 |
|  | (0.018) | (0.019) | (0.011) | (0.010) |
| GDP Growth | 0.001 | 0.001 | -0.001 | -0.001 |
|  | (0.002) | (0.001) | (0.001) | (0.001) |
| Trade/GDP | 0.001\*\*\* | 0.001\*\*\* | 0.001\*\*\* | 0.001\*\*\* |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Financial Openness | 0.011 | 0.009 | 0.008\*\*\* | 0.001 |
|  | (0.007) | (0.006) | (0.003) | (0.003) |
| Resources | -0.046\*\*\* | -0.038\*\*\* | -0.026\*\*\* | -0.023\*\*\* |
|  | (0.011) | (0.010) | (0.005) | (0.005) |
| Physical Insecurity | -0.005\*\* | -0.003 | -0.002\* | -0.001 |
|  | (0.003) | (0.002) | (0.001) | (0.001) |
| Constant | 3.375\*\*\* | 3.368\*\*\* | 3.389\*\*\* | 3.402\*\*\* |
|  | (0.030) | (0.026) | (0.016) | (0.013) |
| Random Effect Parameters |  |  |  |  |
| Country (*σj*) | 0.161\*\*\* | 0.167\*\*\* | 0.129\*\*\* | 0.125\*\*\* |
|  | (0.012) | (0.012) | (0.009) | (0.008) |
| Year (*σt*) | 0.077\*\*\* | 0.058\*\*\* | 0.053\*\*\* | 0.001 |
|  | (0.018) | (0.016) | (0.007) | (0.002) |
| Individual (*σi*) | 0.206\*\*\* | 0.184\*\*\* | 0.157\*\*\* | 0.144\*\*\* |
|  | (0.004) | (0.004) | (0.002) | (0.002) |
| Observations | 1312 | 1312 | 3893 | 3893 |
| Countries | 127 | 127 | 149 | 149 |
| Log-Likelihood | 69.791 | 208.062 | 1422.074 | 1808.486 |
| AIC | -109.582 | -334.124 | -2814.149 | -3438.972 |
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| Table R9. Property Rights Regimes and FDI using a Non-nested Multi-level Model, Proportion Rural Population. | | | | |
|  | LSSPR | | LJI | |
| Property Rights Regime Random Slopes | None | Year | None | Year |
| Property Rights Regime | 0.008\*\*\* | see Figure R34  (time-varying) | 0.055\*\*\* | see Figure R36  (time-varying) |
| (Property Rights \* Democracy) | (0.002) | (0.010) |
| Property Rights | -0.017\*\* | see Figure R34  (time-varying) | 0.031 | see Figure R36  (time-varying) |
|  | (0.007) | (0.048) |
| Democracy | -0.012\*\* | -0.004 | -0.009\*\* | 0.004 |
|  | (0.006) | (0.005) | (0.004) | (0.004) |
| Rural Population | 0.001\* | 0.001 | 0.001\*\*\* | 0.001 |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| GDP | 0.097\*\*\* | 0.105\*\*\* | 0.038\*\*\* | 0.065\*\*\* |
|  | (0.013) | (0.013) | (0.008) | (0.007) |
| GDP/capita | 0.021 | -0.013 | 0.033\*\*\* | -0.006 |
|  | (0.019) | (0.019) | (0.011) | (0.011) |
| GDP Growth | -0.001 | -0.001 | -0.001\* | -0.001 |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Trade/GDP | 0.001\*\*\* | 0.001\*\*\* | 0.001\*\*\* | 0.001\*\*\* |
|  | (0.001) | (0.001) | (0.001) | (0.001) |
| Financial Openness | 0.007 | 0.006 | 0.006\*\* | -0.001 |
|  | (0.007) | (0.006) | (0.003) | (0.003) |
| Resources | -0.041\*\*\* | -0.034\*\*\* | -0.026\*\*\* | -0.022\*\*\* |
|  | (0.010) | (0.010) | (0.005) | (0.004) |
| Physical Insecurity | -0.004\* | -0.001 | -0.002 | 0.001 |
|  | (0.002) | (0.002) | (0.001) | (0.001) |
| Constant | 3.390\*\*\* | 3.378\*\*\* | 3.398\*\*\* | 3.404\*\*\* |
|  | (0.029) | (0.026) | (0.017) | (0.014) |
| Random Effect Parameters |  |  |  |  |
| Country (*σj*) | 0.169\*\*\* | 0.176\*\*\* | 0.135\*\*\* | 0.131\*\*\* |
|  | (0.012) | (0.012) | (0.009) | (0.008) |
| Year (*σt*) | 0.078\*\*\* | 0.059\*\*\* | 0.056\*\*\* | 0.001 |
|  | (0.017) | (0.016) | (0.008) | (0.001) |
| Individual (*σi*) | 0.206\*\*\* | 0.0184\*\*\* | 0.162\*\*\* | 0.149\*\*\* |
|  | (0.004) | (0.004) | (0.002) | (0.002) |
| Observations | 1533 | 1533 | 4148 | 4148 |
| Countries | 127 | 127 | 149 | 149 |
| Log-Likelihood | 90.833 | 245.650 | 1389.841 | 1794.056 |
| AIC | -151.667 | -401.3001 | -2749.682 | -3382.112 |
|  | | | | |









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| Table R10. Effects of Property Rights Regime on FDI using a Non-nested Multilevel Model of Country and Year. | | | | | |
| Property Rights Measure | | LSSPR |  | LJI |  |
| Random Slopes – Property Rights and Democracy | | Year |  | Year |  |
|  | |  |  |  |  |
| Property Rights | | see Figure R37 |  | see Figure R38  (time-varying) |  |
|  |  | (time-varying) |  |  |
| Democracy | | see Figure R37 |  | see Figure R38 |  |
|  |  | (time-varying) |  | (time-varying) |  |
| GDP |  | 0.114\*\*\* |  | 0.043\*\*\* |  |
|  |  | (0.012) |  | (0.008) |  |
| GDP/capita | | -0.018 |  | 0.015 |  |
|  |  | (0.017) |  | (0.11) |  |
| GDP Growth | | -0.001 |  | -0.001 |  |
|  |  | (0.001) |  | (0.001) |  |
| Trade/GDP | | 0.001\*\*\* |  | 0.001\*\*\* |  |
|  |  | (0.001) |  | (0.001) |  |
| Financial Openness |  | 0.001 |  | -0.007\*\* |  |
|  |  | (0.006) |  | (0.003) |  |
| Resources |  | -0.030\*\*\* |  | -0.021\*\*\* |  |
|  |  | (0.010) |  | (0.005) |  |
| Physical Insecurity | | -0.001 |  | -0.001 |  |
|  |  | (0.002) |  | (0.001) |  |
| Constant |  | 3.370\*\*\* | | 3.411\*\*\* | |
|  |  | (0.027) |  | (0.026) |  |
| Random Effect Parameters | | |  |  |  |
| Country (*σj*) |  | 0.181\*\*\* |  | 0.139\*\*\* |  |
|  |  | (0.013) |  | (0.009) |  |
| Year (*σt*) |  | 0.066\*\*\* |  | 0.071\*\*\* |  |
|  |  | (0.016) |  | (0.013) |  |
| Individual (*σi*) |  | 0.187\*\*\* |  | 0.150\*\*\* |  |
|  |  | (0.004) |  | (0.002) |  |
| Observations | | 1533 |  | 4148 |  |
| Countries |  | 127 |  | 149 |  |
| Log-Likelihood | | 223.867 |  | 1701.480 |  |
| AIC | | -361.734 |  | -3220.96 |  |
|  | | | | | |





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1. We do not analyze the data with models including time- and country-varying effects for two reasons. First, the AIC test from Table 1 in the main text indicated that the country-varying effects was far less efficient, with little gain, than the time-varying only models. Second, as noted in fn 6 in the main text, increasing the number of random slopes makes it more difficult for the estimator to converge on the global maximum. This is especially problematic in the models estimated using the annual *LJI* measures. [↑](#footnote-ref-1)
2. We estimated an alternative specification where we included a dummy variable indicating whether a state had a BIT with a G-7 country (Canada, France Germany, Italy, USA, UK). This variable was insignificant in all models. [↑](#footnote-ref-2)