Geopolitics, Aid and Growth:
The Impact of UN Security Council Membership on the Effectiveness of Aid (with Axel Dreher and Kai Gehring)

We investigate the effects of short-term political motivations on the effectiveness of foreign aid. Specifically, we test whether the effect of aid on economic growth is reduced by the share of years a country has served on the United Nations Security Council (UNSC) in the period the aid has been committed, which provides quasi-random variation in aid. Our results show that the effect of aid on growth is significantly lower when aid has been committed during a country’s tenure on the UNSC. We derive two conclusions from this. First, short-term political favoritism reduces the effectiveness of aid. Second, results of studies using political interest variables as instruments for overall aid arguably estimate the effect of politically motivated aid and thus a lower bound for the effect of all aid.