

Official Visits and Economic Freedom

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Abstract This study examines the effect of U.S. Presidents and Secretaries of State visits to a country on institutional quality, particularly on economic freedom. Hence, the study develops a model that predicts the conditions under which official visits can enhance the quality of institutions. We compile variables on official visits from 1960 to 2019 from the archives of the U.S. State Department to test the predictions of our model. In addition, we use the endogenous treatment model estimation to deal with potential endogeneity. The estimation results show that the official visits have a statistically significant negative effect on economic freedom, particularly in non-democratic countries with less political freedom. The estimation results are robust with different types of visits and samples. The study presents multiple explanations for these results, including the possibility of the following: First, some American administrations adopt a pragmatic approach aimed at achieving strategic objectives while overlooking practices that do not enhance institutional quality. Second, these official visits may improve other aspects of institutional quality that are more observable to the international community than economic freedoms. Third, American policymakers care more about achieving short-term objectives from their visits that can be presented as accomplishments to their electorate rather than institutional reforms that will only yield benefits to the United States in the long run. Finally, economic freedoms are associated with political freedoms per the Hayek-Friedman hypothesis.

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I. Introduction

This study examines the effect of the official visits of U.S. Presidents or Secretaries of State on the quality of institutions. Specifically, we investigate whether such official visits induce the country to enhance the quality of its economic institutions, particularly on economic freedom. This study contributes to the novel literature that considered official visits a determinant of the quality of institutions. This contribution is non-trivial, considering that the literature identified institutions 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

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et al., 2018; Kodila-Tedika and Khalifa, 2020). Moreover, a plethora of studies attempted to explore the roots of current institutions (North, 2005; Acemoglu and Robinson, 2005; North et al., 2010; Baland et al., 2010; Kodila-Tedika, 2014a, b; Roland, 2004, 2020).

We develop a simple theoretical framework of a host and a guest country to achieve our objective. The model derives the conditions under which the host extends an invitation for an official visit 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 improve 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 improve economic institutions.

This study uses variables that indicate the occurrence of official visits by U.S. Presidents and Secretaries of State to the country to test the predictions of our model. These variables are derived from the historical archives of the U.S. Department of State. The study examines the effect of these variables on the economic freedom indicators derived from the Fraser Institute. The baseline fixed effects estimation results show that the visits of U.S. Presidents and Secretaries of State do not statistically affect the institutional indicator.

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, U.S. officials may also be tempted to visit countries with high-quality institutions to strengthen the level of bilateral economic and commercial ties with them. Alternatively, they are induced to visit countries with low-quality institutions to persuade them to bring about an improvement in these aspects. This case indicates an issue of reverse causality.

We use the endogenous treatment model (ETM) to deal with potential endogeneity. The estimation results show that the official visits have a statistically significant adverse effect on the quality of institutions, particularly in non-democratic countries with less political freedom. This negative effect has multiple explanations, including the following: First, some American administrations adopt a more pragmatic foreign policy approach to achieve strategic objectives while overlooking practices that do not enhance institutional quality. Second, these official visits may improve other aspects of institutional quality that are more marketable to the international community compared with economic freedoms. Third, American policymakers care more about achieving short-term goals from their visits that can be presented as accomplishments to their electorate rather than institutional reforms that will only yield benefits to the United States in the long run. Finally, economic freedoms are associated with political freedoms per the Hayek-Friedman hypothesis.

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

II. Model

In this section, we develop a simple theoretical framework of a host and a guest country. For the host, inviting foreign officials is costly. The direct cost of foreign dignitaries' visits and their entourage includes accommodations, transportation, security, and others. The visit also has an indirect cost as the host country's officials have to engage in activities with foreign guests during their visit. Such activities will take them away from their daily duties, which account for the opportunity cost of the visit. The total direct and indirect cost for the host is denoted HC . The visit 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 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 the effectiveness of government agencies, maintaining the rule of law, expanding economic freedoms, combating corruption, and improving the regulatory environment. We denote this cost q . Thus, the total cost of the visit for the host is $HC + p + q$.

In this context, the host benefits from enhancing the institutional quality of the guest. Putting pressure on the guest country to create better political institutions can ensure political stability. This case may satisfy the host's geostrategic goals, promote the host's image 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. That is, they promote the ability of the guest to honor its debt obligations to the host's public and private creditors. Then, they ensure the proper use of the host's aid funds, facilitate the host capital flows to the guest without hurdles, and allow the host enterprises to invest in the guest without regulatory burdens. They also allow the host's firms to be confident of the impartiality of the guest's judiciary in any dispute with a guest entity. Furthermore, they allow the host firms to avoid the disadvantage of being unable to navigate the guest's corrupt system, given their lack of knowledge of local customs.

For the guest, official visits are also costly. Leaders travel with a retinue that includes security personnel, policymakers, public officials, expert advisors, private entrepreneurs, presidential cabinet staff, press corps members, and others. Thus, these trips burden the coffers of the state, including 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. The total direct and indirect cost to the guest is denoted GC . Moreover, the guest may need to offer concessions to the host to secure an invitation. We denote the concessions that are offered to the host as k . These

concessions can be tangible (e.g., 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, and buying armaments from the host that may not be vital for defense purposes) or intangible (e.g., serving the geostrategic goals of the host and 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 the one hand, enhancing the quality of the political system of governance is a process that includes significant changes to the country's constitutions, electoral laws, and political institutions. We denote this cost d . On the other hand, enhancing the quality of economic institutions is costly as it requires reducing bureaucratic red tape, changing governmental regulations, combating corruption, and ensuring that the laws apply to everyone equally. We denote this cost to change economic institutions as e . Thus, the total visit cost for the guest country is $(GC + k + d + e)$.

From another aspect, the official visits are intended for both countries to reap future benefits. The benefits for the host can be the following: 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. Then, the benefits for the guest include the following: 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 and intangible benefits. The former refers to benefits in terms of bilateral flows of trade, capital, credit, and aid. By contrast, the latter can promote political alliances, render moral support, recognize regime legitimacy, and satisfy specific geostrategic goals. We denote the intangible benefits HB^I for the host and GB^I for the guest. For tangible benefits, we distinguish between those that benefit one country at 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, then the intangible benefits of the host increase, given that $\frac{\partial(HB^I)}{\partial k} > 0$. If the concessions are tangible, then the tangible benefits of the host increase as $\frac{\partial(HB^T)}{\partial k} > 0$ and/or $\frac{\partial(HB^{TX})}{\partial k} > 0$. 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 to pressure or persuade the guest to enhance the quality of political institutions if and only if $\frac{\partial(HB^I+ HB^T+ HB^{TX})}{\partial(p)} > 1$; and to pressure or persuade the guest to enhance the quality of economic institutions if and only if $\frac{\partial(HB^I+ HB^T+ HB^{TX})}{\partial(q)} > 1$.*

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 visitor's 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 case is more likely if and only if $\frac{\partial(HB^I+ HB^T+ HB^{TX})}{\partial(p)} > 1$. In the case of economic institutions, this is more likely if and only if $\frac{\partial(HB^I+ HB^T+ HB^{TX})}{\partial(q)} > 1$.

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 $\frac{\partial(HB^I+ HB^T+ HB^{TX})}{\partial(p)} > \frac{\partial(HB^I+ HB^T+ HB^{TX})}{\partial(q)} > 1$.*

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 owing to the former $\frac{\partial(HB^I+ HB^T+ HB^{TX})}{\partial(p)}$ is larger than the latter $\frac{\partial(HB^I+ HB^T+ HB^{TX})}{\partial(q)}$. 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 $\frac{\partial(HB^T)}{\partial k} > 0$, $\frac{\partial(HB^{TX})}{\partial k} > 0$, and $\frac{\partial(HB^I)}{\partial k} > 0$. 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 $\frac{\partial(GB^I)}{\partial k} - \frac{\partial(GB^T)}{\partial k} > 1$.

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 at 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 an 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 $\frac{\partial(GB^I)}{\partial k} - \frac{\partial(GB^T)}{\partial k} > 1$.

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 $\frac{\partial(GB^{TX})}{\partial d} - \frac{\partial(GB^I)}{\partial d} > 1$.

Proof: If the guest chooses to enhance the quality of political institutions after the visit, $d > 0$ and $e = k = 0$, given that the decision to improve the quality of democratic governance is considered a sufficient concession. This case 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 are a component of the host's foreign policy, and if democratic improvements ensure the political stability of the guest that may satisfy some strategic objectives of the host). This case 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 is more likely to accept an invitation if and only if $\frac{\partial(GB^{TX})}{\partial d} - \frac{\partial(GB^I)}{\partial d} > 1$.

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 $\frac{\partial(GB^{TX})}{\partial e} > 1$.

Proof: If the guest chooses to enhance economic institutions after the visit, $e > 0$, and $d = k = 0$, given that the decision to improve institutional quality is considered a sufficient concession. This case 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 the host's aid funds properly). This case will also increase GB^{TX} given that 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 $\frac{\partial(GB^{TX})}{\partial e} > 1$.

In the context of this study, some American administrations are concerned about the quality of institutions that have consequences on economic activities. The reason is that better-quality institutions promote the ability of the country to honor its debt obligations to American public and private creditors. In addition, they ensure the proper use of U.S. aid funds by government agencies, facilitate American capital flows to the country without hurdles, and allow American enterprises to invest in the country without regulatory burdens. They also ensure American firms of the judicial system's impartiality 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 case would improve the indicators of economic institutions.

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

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

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 the quality of political institutions.*

Proof: On the one hand, an improvement in the quality of the political institutions of the guest will increase the host's tangible benefits HB^{TX} and intangible benefits HB^I . In the former, democracies are more likely to engage in mutually beneficial transactions, and the latter is if improvements in democratic governance are 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 the 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 the host's aid funds properly). Thus, the host is likely to reap more tangible benefits critical for the host's electorate, lobbies, and interest groups with improvements in economic institutions, compared with political ones,

in the guest country. Thus, a higher-level visit is more likely to focus on enhancing economic institutions rather than political ones in the guest country, mainly if these benefits can be reaped fast enough to be presented to the electorate. The visit is likely to lead to such change considering that the tangible benefits to the guest from better-quality economic institutions are typically higher than those of political institutions (the effect of democracy on economic outcomes is ambiguous in the pertinent literature). In this case, the guest is more likely to enhance the quality of economic institutions as long as the cost of doing so is not too high.

III. Literature

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

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

Other studies examined the effect of post-colonial interference on the quality of current institutions. For instance, Easterly et al. (2008) found 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) found 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) found that foreign influence significantly drives civil conflict worldwide. Magesan and Swee (2018) found that U.S. weapon purchases decrease the probability of political repression but increase the likelihood of civil conflict in purchasing countries.

Other studies explored the effect of foreign aid on institutions. For instance, Brautigam and Knack (2004) found a robust relationship between high aid levels in Africa and deterioration in governance. Knack (2001) showed 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) found that foreign aid has an adverse effect on political institutions. Svensson (2000) provided some preliminary empirical evidence that foreign aid is associated with higher corruption on average. Other studies examined the effect of how legal institutions were transplanted into developing countries. Berkowitz (2003) showed that countries that have adopted the transplanted law and had a population familiar with the basic principles of the law have more effective legal institutions than those that adopted foreign laws without any similar predispositions.

Existing papers also contribute to the literature on official visits' political and economic consequences. For instance, Nitsch (2007) found that state and official visits are positively correlated with exports and that visits have a strong short-lived effect on bilateral export growth. Kodila-Tedika and Khalifa (2022) showed that the leaders' trips to the United States positively affect the country's ability to secure foreign loans. Hoshiro (2020) showed that "diplomatic visits to Japan by political leaders from aid recipient countries resulted in said countries receiving increased bilateral ODA from Japan." Kodila-Tedika and Khalifa (2021) showed that official visits have a positive effect on the level of democratic governance. Goldsmith and Horiuchi (2009) examined whether U.S. high level visits to foreign countries affect public opinion in those countries. The authors found that the effect of these visits is initially large and positive but eventually "exhibit a backlash effect."

Malis and Smith (2012) proposed a setup in which a foreign leader visits an incumbent 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 found 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) argued that the foreign leader chooses to visit incumbents who are secure in office, given that these signal citizens are discouraged from any act of defiance. The authors concluded that their findings explain why leaders are eager to receive state visits from major world powers.

The present study contributes to the literature by examining the effect of foreign interference in developing countries through official visits by U.S. Presidents and Secretaries of State. These visits are usually taken as an opportunity for U.S. administrations to intervene in these countries to promote U.S. interests.

IV. Data

The analysis covers the period from 1960 to 2019 for a panel of developing countries. The sample is determined to a large extent by the availability of official visits and economic freedom data. The list of countries included in the analysis is presented in the Appendix. Table 1 presents

the descriptive statistics for all the variables used in the analysis.

Table 1. *Descriptive Statistics*

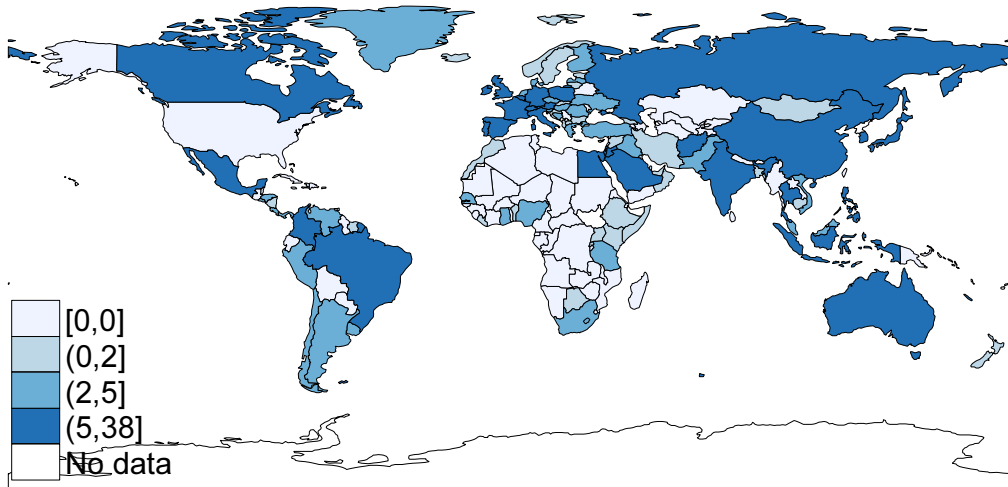
Variable	Obs	Mean	Std. Dev.
Resource rents (% of GDP)	7,715	6.939147	10.89988
Trade (% of GDP)	7,490	76.2036	52.13628
GDP per capita (log)	10,399	8.865671	1.230269
Hospitalized	12,810	0.1	.3000117
NATO	12,810	0.147541	.3546582
Second term	12,810	0.3142857	.4642489
Trump	12,810	0.0428571	.2025429
Obama	12,810	0.1142857	.3181704
GW bush	12,810	0.1142857	.3181704
Clinton	12,810	0.1142857	.3181704
GHW bush	12,810	0.0571429	.2321244
Reagan	12,810	0.1142857	.3181704
Carter	12,810	0.0571429	.2321244
Johnson	12,810	0.0714286	.2575494
British Legal origin	9,660	0.2826087	.450291
French Legal origin	9,660	0.4492754	.4974461
Socialist Legal origin	9,660	0.1884058	.3910561
German Legal origin	9,660	0.0434783	.2039417
President	6,211	0.0983739	.2978435
Ford	12,810	0.0285714	.1666051
Nixon	12,810	0.0857143	.2799526
Kennedy	12,810	0.0428571	.2025429
Eisenhower	12,810	0.1142857	.3181704
President: Incidental travel	6,211	0.00161	.0400963
President: Bilateral meeting	6,211	0.0750282	.263458
President: Multilateral meeting	6,211	0.0325229	.1773986
President: Pure ceremonial	6,211	0.0115923	.1070505
President: Others	6,211	0.000483	.021974
Secretary of state	8,772	0.2040584	.4030348
Secretary of State: Incidental travel	8,772	0.00513	.0714439
Secretary of State: Bilateral meeting	8,772	0.1723666	.3777203
Secretary of State: Multilateral meeting	8,772	0.0461696	.2098643
Secretary of State: Pure ceremonial	8,772	0.0115139	.1066894
Secretary of State: Others	8,772	0.001254	.0353915
Economic institution	3,461	6.596215	1.148131
Scandinavian Legal origin	9,660	.0362319	.1868763
No colonizer	12,040	.1918605	.3937803
Origin of the colonizer: British	11,340	.3580247	.4794406
Origin of the colonizer: French	11,830	.1860355	.402553
Origin of the colonizer: Spanish	11,830	.1775148	.4260535
Origin of the colonizer: Other	11,830	.183432	.3870366

The dependent variables in our analysis are the economic freedom index derived by the Fraser Institute. In this context, "The cornerstones of economic freedom are (1) personal choice, (2) voluntary exchange coordinated by markets, (3) freedom to enter and compete in markets, and (4) protection of persons and their property from aggression by others. Individuals have economic freedom when property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others. Individuals are free to choose, trade, and cooperate with others, and compete as they see fit."

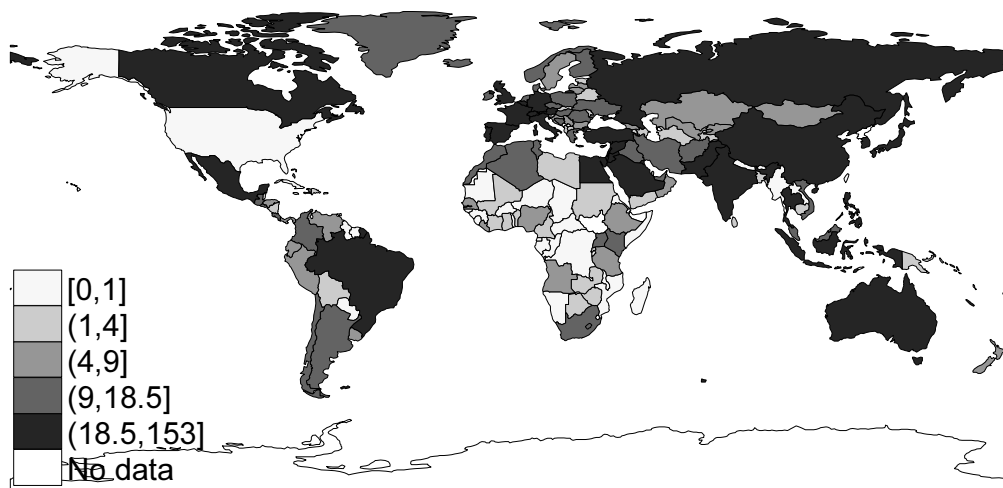
The variables of interest are dummy variables for U.S. Presidents and Secretaries of State visits to a country from 1960 to 2019. These variables include state visits, official working visits, summits, private visits, informal visits, meetings, and working visits. The data are derived from the Office of the Historian, affiliated with the Department of State of the United States of America.¹⁾ Figures 1-2 show world maps of U.S. Presidents' total number of visits 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 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 (GDP) per capita, PPP (constant 2011 international \$) derived from the World Development Indicators. Countries with a high level of economic development can afford to improve the quality of their institutions and have the incentive to continue enjoying higher living standards.

Figure 1. World map of the number of visits of U.S. presidents



1) <https://history.state.gov/departmenthistory>.

Figure 2. World map of the number of visits of U.S. secretaries of state

We include the legal origin indicators compiled by La Porta et al. (1999). The list includes British common law, French civil law, Socialist law, German civil law, and Scandinavian law. The authors argued that the legal tradition in countries implanted by colonial powers has profoundly shaped national approaches to property rights protection, contract enforcement, the rule of law, and the degree to which the state intervenes in the economy. Accordingly, the legal origin is expected to significantly influence institutional quality. We also include the colonial origins indicator. The data are distinguished among British, French, Portuguese, and other European colonial powers. These data are derived from La Porta et al. (1999). Colonial origins have shaped current institutions, as shown by Acemoglu et al. (2001).

We also include the total resource rent as a percentage of GDP derived from the World Development Indicators. Some scholars argued that reliance on natural resources can adversely affect political institutions such as Tsui (2011) and Brückner and Arezki (2011). Another control variable included in the analysis is the degree of openness captured by $(\text{Exports} + \text{Imports})/\text{GDP}$ derived from the World Development Indicators. Dollar and Kraay (2003) argued that the effect of trade openness and institutions on economic outcomes is uninformative because of the high correlation between these two variables.

V. Estimation

A. Baseline results

This section empirically estimates the effect of the official visits of U.S. Presidents and

Secretaries of State on the quality of institutions in the country from 1960 to 2019. To estimate this relationship empirically, we use the following equation:

$$Institutions_{it} = \theta + \delta Visits_{it} + \mathbf{x}_{it}\gamma + \mu_i + \sigma_t + e_{it}. \tag{1}$$

$Institutions_{it}$ is the institutional indicator in country i in year t . $Visits_{it}$ is the dummy variable for the visits by U.S. officials to country i in year t , which can be either the visits of U.S. Presidents or Secretaries of State. \mathbf{x}_{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. μ_i denotes a full set of country dummies, 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 .

Table 2 shows the results of the fixed effects estimation with robust standard errors clustered by country. The top part of the table shows the effect of the visits of U.S. Presidents, whereas the bottom part of the table shows the effect of the visits of U.S. Secretaries of State. The fixed effects estimates show that the visits of U.S. Presidents and U.S. Secretaries of State have a statistically significant positive effect. However, the coefficient loses its significance in most specifications after including the control variables.

Table 2. *Effect of Official Visits on Institutions (Fixed Effects)*

	I	II	III	IV	V
President	0.294*** (0.111)	0.064 (0.060)	0.041 (0.057)	0.041 (0.057)	-0.008 (0.029)
GDP per capita (log)		0.529*** (0.063)	0.440*** (0.062)	0.440*** (0.062)	0.545*** (0.129)
Total natural resources rents (% of GDP)		-0.016*** (0.005)	-0.011* (0.006)	-0.011* (0.006)	-0.002 (0.009)
Trade (% of GDP)		0.003*** (0.001)	0.002*** (0.001)	0.002*** (0.001)	-0.001 (0.002)
British Legal origin		0.039 (0.207)	0.011 (0.189)	0.011 (0.189)	3.876*** (0.451)
French Legal origin		-0.309 (0.188)	-0.291* (0.155)	-0.291* (0.155)	0.480** (0.189)
Socialist Legal origin		-0.540** (0.214)	-0.693*** (0.184)	-0.693*** (0.184)	3.256*** (0.500)
German Legal origin		(dropped)	0.101 (0.157)	0.101 (0.157)	0.398** (0.177)
No colonizer		-0.484** (0.185)	-0.535*** (0.199)	-0.535*** (0.199)	0.976*** (0.315)
Origin of the colonizer: British		-0.334** (0.148)	-0.301* (0.154)	-0.301* (0.154)	0.525*** (0.167)
Origin of the colonizer: French		-0.194 (0.161)	-0.254 (0.161)	-0.254 (0.161)	2.478*** (0.314)

Table 2. Continued

	I	II	III	IV	V
Origin of the colonizer: Span		-0.346*** (0.123)	-0.421*** (0.123)	-0.421*** (0.123)	-0.433*** (0.086)
Origin of the colonizer: Other		-0.109 (0.165)	-0.172 (0.154)	-0.172 (0.154)	-1.703*** (0.061)
Fixed effects	No	No	Yes	Yes	Yes
Year trend	No	No	No	Yes	Yes
Countries fixed effects	No	No	No	No	Yes
Constant	6.766*** (0.086)	2.185*** (0.632)	2.448*** (0.567)	-34.090*** (5.234)	-37.334*** (6.499)
Number of observations	2 326	2 025	2 025	2 025	2 025
R2	0.008	0.488	0.653	0.653	0.840
	I	II	III	IV	V
Secretary of State	0.349*** (0.098)	0.063 (0.057)	0.014 (0.057)	0.014 (0.057)	0.015 (0.022)
GDP per capita (log)		0.495*** (0.058)	0.443*** (0.060)	0.443*** (0.060)	0.471*** (0.144)
Total natural resources rents (% of GDP)		-0.025*** (0.005)	-0.025*** (0.006)	-0.025*** (0.006)	-0.010 (0.007)
Trade (% of GDP)		0.003*** (0.001)	0.002** (0.001)	0.002** (0.001)	-0.002 (0.002)
British Legal origin		-0.066 (0.188)	-0.101 (0.161)	-0.101 (0.161)	1.107* (0.581)
French Legal origin		-0.295 (0.184)	-0.296** (0.149)	-0.296** (0.149)	-0.632 (0.594)
Socialist Legal origin		-0.219 (0.214)	-0.382** (0.180)	-0.382** (0.180)	-0.437 (0.514)
German Legal origin		(dropped)	0.077 (0.150)	0.077 (0.150)	-0.608*** (0.094)
Scandinavian Legal origin		-0.068 (0.161)			
No colonizer		-0.305* (0.168)	-0.288* (0.165)	-0.288* (0.165)	2.196*** (0.332)
Origin of the colonizer: British		-0.127 (0.124)	-0.101 (0.124)	-0.101 (0.124)	-0.419*** (0.137)
Origin of the colonizer: French		-0.013 (0.124)	-0.081 (0.120)	-0.081 (0.120)	2.675*** (0.264)
Origin of the colonizer: Span		-0.227** (0.112)	-0.269** (0.111)	-0.269** (0.111)	1.009*** (0.067)
Origin of the colonizer: Other		-0.050 (0.145)	-0.078 (0.140)	-0.078 (0.140)	1.194*** (0.254)
Fixed effects	No	No	Yes	Yes	Yes
Year trend	No	No	No	Yes	Yes
Countries fixed effects	No	No	No	No	Yes
Constant	6.542*** (0.085)	2.339*** (0.593)	2.267*** (0.579)	-33.481*** (4.721)	-38.568*** (5.819)
Number of observations	3 103	2 664	2 664	2 664	2 664
R2	0.019	0.514	0.644	0.644	0.849

Note. ***, **, and * indicate significance at the 0.01, 0.05, and 0.1 levels, respectively.

B. Endogeneity

The baseline estimation assumes that the official visits are exogenous to institutions. However, the endogeneity problem cannot be ignored. First, the association may be spurious owing to the failure to account for an unobserved factor, which affects institutional quality and 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. Otherwise, they are induced to visit countries with low-quality institutions to persuade them to improve their institutional framework.

We use the ETM following Endrich and Gutmann (2020) in this context. Thus, we estimate the following equation:

$$FDI_{it} = \delta d_{it} + X_{it}\gamma + e_{it}, \quad (2)$$

where d is a binary indicator that takes a value of 1 if a country is treated or visited by a U.S. President or Secretary of State. This model allows for the identification of causal effects even if the selection into treatment is based on unobservable factors. The identification strategy assumes the availability of variables that affect treatment without being directly associated with the outcome of interest, which is referred to as the outcome model. The outcome model is complemented by a binary choice model that explains the treatment selection to account for the endogeneity of treatment. This case is referred to as the selection model.

$$d^*_{it} = Z_{it-1}\gamma + v_{it}, \quad (3)$$

where d^*_{it} is a latent variable assumed to be standard normally distributed. If this latent variable is above a threshold, then the respective country-year is treated. In this case, Z is a vector of covariates determining the likelihood of being selected for treatment. Vector Z does not have to overlap with the vector of covariates in the outcome model. At least one variable in vector Z that is not included in vector X is required. This variable, or variables, needs to be significantly correlated with the likelihood of being treated but uncorrelated with the error term of the outcome model. This variable is referred to as a treatment instrument.

In our vector Z , we include all variables that are supposed to predict the probability of a country being treated or visited by a U.S. President or Secretary of State in a particular year. We argue that these variables are not directly related to changes in the quality of institutions in a country. The first group of variables includes "Presidential dummies" for U.S. Presidents: Obama, Bush Jr., Clinton, Bush, Reagan, Carter, Ford, Nixon, Johnson, Kennedy, and Eisenhower.

These variables are intended to capture differences in the general propensity to travel owing to unobserved and time-invariant characteristics of the Presidents. We also control for a dummy variable that indicates whether the President was hospitalized in a given year and whether the President is in his second term to account for American officials' changing propensity to travel during their tenure. The second group describes country characteristics that might induce a visit, such as a dummy of whether the country is a NATO member.

Table 3 shows the estimation results for the selected and outcome models, which are estimated simultaneously through maximum likelihood estimation. Columns 1-2 of Table 3 include the results when the variable of interest is the visits of U.S. Presidents. Columns 3-4 of Table 3 include the results when the variable of interest is the visits of U.S. Secretaries of State. The results in Table 3 show that the coefficients of the visits of American officials are statistically significant and negative.

Table 3. *Effect of Official Visits on Institutions (ETM)*

	President		Secretary of State
	Outcome model	Selection model	Outcome model
Official visit	-0.764*** (0.062)		-0.695*** (0.059)
GDP per capita (log)	0.646*** (0.113)		0.479*** (0.132)
Total natural resources rents (% of GDP)	0.001 (0.009)		-0.007 (0.006)
Trade (% of GDP)	-0.002 (0.002)		-0.002 (0.002)
British Legal origin	3.988*** (0.430)		0.951* (0.532)
French Legal origin	0.719*** (0.177)		-0.733 (0.551)
Socialist Legal origin	3.444*** (0.480)		-0.551 (0.477)
German Legal origin	0.633*** (0.169)		-0.487*** (0.106)
Scandinavian Legal origin	(dropped)		(dropped)
No colonizer	0.753** (0.331)		1.948*** (0.297)
Origin of the colonizer: British	0.674*** (0.160)		-0.343*** (0.133)
Origin of the colonizer: French	2.260*** (0.329)		2.231*** (0.284)
Origin of the colonizer: Span	-0.391*** (0.081)		0.922*** (0.066)
Origin of the colonizer: Other	-1.908*** (0.071)		0.931*** (0.224)
Trend time	0.016*** (0.004)		0.020*** (0.003)

Table 3. Continued

	President		Secretary of State
	Outcome model	Selection model	Outcome model
Time fixed effects	Yes		(dropped)
Countries fixed effects	Yes		
Hospitalized		3.407*** (0.430)	
NATO		0.260* (0.144)	
Second term		0.143** (0.060)	
Trump		0.256 (0.239)	
Obama		0.309 (0.246)	
GW bush		0.405* (0.241)	
Clinton		0.121 (0.271)	
GHW bush		-0.308 (0.347)	
Reagan		-4.373*** (0.494)	
Carter		-0.580** (0.277)	
Ford		-0.412* (0.242)	
Nixon		(dropped)	
Johnson		(dropped)	
Kennedy		(dropped)	
Eisenhower		(dropped)	
Constant	-33.822*** (6.054)	-1.314*** (0.238)	-39.830*** (5.774)
Athrho	1.455*** (0.149)		1.263*** (0.125)
Lnsigma	-0.696*** (0.070)		-0.630*** (0.071)
Rho	.896*** (.029)		.8517*** (.034)
Number of observations	2 025		2 664
Wald test of indep. (p-value)	0.000		0.000

Note. ***, **, and * indicate significance at the .01, .05, and .1 levels, respectively.

C. Robustness

We test the robustness of our results by exploring the effect of different types of visits and by examining the effect of these visits in various samples distinguished by the level of democracy or their location on different continents. The reason is that the effect of official

visits on economic freedoms depends on the type of visit or that the relationship is specific to certain countries with specific characteristics.

Tables 4 and 5 include the results of the ETM when we distinguish between the effect of different types of visits such as incidental travel, bilateral meeting, multilateral meeting, pure ceremonial, and others. Incidental travel is defined as "A vacation, stopover in route, etc." Bilateral meeting is defined as "Event/meeting includes just the US and host country." Multilateral meeting is defined as "Event/meeting includes one or more representatives/leaders from non-host country. International conferences, multilateral celebrations/ceremonies/signings." Pure ceremonial visits occur when "The trip involves no meeting with government officials or negotiation. The trip is purely ceremonial to mark an occasion or attend a non-governmental event (perhaps funeral of famous person)." We follow Ostrander et al. (2019) in examining the effects of these different types of visits.

Table 4 shows the results when our variable of interest is the visits of U.S. Presidents to the country. The estimation results show a statistically significant negative coefficient for all types of visits. Table 5 shows the results when our variable of interest is the visits of U.S. Secretaries of State to the country. The estimation results also show a statistically significant negative coefficient for all types of visits except incidental travel.

Table 4. *Effect of Different Types of Official Visits on Institutions (ETM)*

	Incidental travel		Bilateral meeting		Multilateral meeting		Pure ceremonial	
	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model
President	-1.059*** (0.145)		-0.756*** (0.065)		-0.757*** (0.063)		-0.915*** (0.081)	
Control variables	Yes		Yes		Yes		Yes	
Trend time	Yes		Yes		Yes		Yes	
Time fixed effects	Yes		Yes		Yes		Yes	
Countries fixed effects	Yes		Yes		Yes		Yes	
Hospitalized		-0.899		3.150*** (0.408)		2.622*** (0.480)		0.327 (0.307)
NATO		0.413 (0.355)		0.215 (0.134)		0.281** (0.140)		0.170 (0.186)
Second term		3.787		0.096 (0.069)		0.148** (0.071)		0.102 (0.101)
Trump		4.197*** (0.219)		0.146 (0.268)		3.605		0.595 (0.406)
Obama		0.538		0.240 (0.269)		3.502		0.722* (0.392)
GW bush		0.057		0.396 (0.263)		3.505		0.625 (0.395)
Clinton		-1.169*** (0.345)		0.062 (0.301)		2.805		0.107 (0.489)
GHW Bush		-1.454		-0.366 (0.376)		2.447		-3.318*** (0.807)

Table 4. *Continued*

	Incidental travel		Bilateral meeting		Multilateral meeting		Pure ceremonial	
	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model
Reagan		-4.813		-4.052*** (0.448)		-0.692		-3.467*** (0.790)
Carter		-1.373		-0.573* (0.308)		2.360		-1.271*** (0.430)
Ford		-1.085		-0.339 (0.272)		2.380		-2.844*** (0.945)
Nixon		(dropped)		(dropped)		(dropped)		(dropped)
Johnson		(dropped)		(dropped)		(dropped)		(dropped)
Kennedy		(dropped)		(dropped)		(dropped)		(dropped)
Eisenhower		(dropped)		(dropped)		(dropped)		(dropped)
Constant	-37.494	-6.007*** (0.340)	-34.184*** (6.158)	-1.408*** (0.256)	-37.716*** (6.134)	-4.873	-37.464*** (6.405)	-2.418*** (0.362)
Athrho	18.368*** (0.248)		1.337*** (0.158)		1.599*** (0.226)		1.630*** (0.390)	
Lnsigma	-0.868*** (0.063)		-0.735*** (0.070)		-0.783*** (0.067)		-0.839*** (0.065)	
Rho	(1.000) (1.65e-16)		.8708*** (.0380)		.921*** (.034)		.926*** (.055)	
Number of observations	2 025		2 025		2 025		2 025	
Wald test of indep. (p-value)	0.000		0.000		0.000		0.000	

Note. ***, **, and * indicate significance at the .01, .05, and .1 levels, respectively.

Table 5. *Effect of Different Types of Official Visits on Institutions (ETM)*

	Incidental travel		Bilateral meeting		Multilateral meeting		Pure ceremonial	
	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model
Secretary of State	.235** (.105)		-0.711*** (0.059)		-0.681*** (0.089)		-.833*** (0.070)	
Control variables	Yes		Yes		Yes		Yes	
Trend time	Yes		Yes		Yes		Yes	
Time fixed effects	Yes		Yes		Yes		Yes	
Countries fixed effects	Yes		Yes		Yes		Yes	
Hospitalized		-.806 (.662)		.090 (.410)		3.934*** (.672)		-.409 (.592)
NATO		.073 (.233)		.237 (.148)		.646*** (.185)		.169 (.165)
Second term		.0314 (.185)		.012 (.048)		.157** (.072)		.021 (.086)
Trump		-.0248 (46.951)		.151 (.198)		.964** (.385)		.667** (.319)
Obama		-.0412 (37.118)		.130 (.196)		.955** (.392)		.807** (.359)
GW Bush		4.595 (35.860)		.1019 (.202)		.899** (.396)		.674* (.383)

Table 5. Continued

	Incidental travel		Bilateral meeting		Multilateral meeting		Pure ceremonial	
	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model
Clinton		4.756 (45.963)		-2.105 (.236)		.623 (.414)		.137 (.447)
GHW Bush		4.685 (29.541)		-.319 (.286)		.852* (.485)		-.495 (.521)
Reagan		5.552 (44.956)		-.5619 (.407)		-4.140*** (.652)		-.512 (.613)
Carter		4.719 (45.461)		-1.032*** (.274)		-.0141 (.653)		-1.259*** (.456)
Ford		4.756 (33.201)		-.769*** (.257)		.309 (.481)		-3.622*** (.701)
Nixon		(dropped)		(dropped)		(dropped)		(dropped)
Johnson		(dropped)		(dropped)		(dropped)		(dropped)
Kennedy		(dropped)		(dropped)		(dropped)		(dropped)
Eisenhower		(dropped)		(dropped)		(dropped)		(dropped)
Constant	-38.696*** (5.676)	-6.9781 (25.805)	-40.063*** 5.824	-.689*** (.197)	-39.844*** (5.773)	-2.488*** (.382)	-39.242*** (5.770)	-2.410*** (0.346)
Athrho	-.0168 (.022)		1.232*** (.124)		1.067*** (.238)		1.525*** (.254)	
Lnsigma	-.8771*** (.0596)		-.652*** (.070)		-.795*** (.068)		-.829*** (0.060)	
Rho	-.0168 (.0222)		.843*** (.0369)		.788*** (.090)		.909*** (.043)	
Number of observations	2 664		2 664		2 664		2 664	
Wald test of indep. (p-value)	0.4496		0.000		0.000		0.000	

Note. ***, **, and * indicate significance at the .01, .05, and .1 levels, respectively.

Table 6 distinguishes between the effect of official visits in democracies and non-democracies. The estimation results show that the impact of official visits is statistically significant and negative only in non-democracies with fewer political freedoms. The result could be evidence that economic freedoms are associated with political freedoms. This result implies that countries with a lower level of democratic governance will not have improvements in economic freedom unless these visits aim to improve both aspects of institutional quality.

Table 6. Effect of Official Visits on Institutions in Democracies and Non-Democracies (ETM)

	Democracy				No Democracy			
	President		Secretary of State		President		Secretary of State	
	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model
Official visit	0.038 (0.064)		0.138 (0.090)		-0.821*** (0.126)		0.622*** (0.119)	

Table 6. Continued

	Democracy				No Democracy			
	President		Secretary of State		President		Secretary of State	
	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model
Control variables	Yes		Yes		Yes		Yes	
Trend time	Yes		Yes		Yes		Yes	
Time fixed effects	Yes		Yes		Yes		Yes	
Countries fixed effects	Yes		Yes		Yes		Yes	
Hospitalized		4.216*** (.391)		-1.030 (.665)		3.527*** (.496)		3.697*** (.738)
NATO		.179 (.176)		.279 (.186)		.484 (.436)		1.054*** (.334)
Second term		.121* (.066)		-.0230 (.062)		.212 (.169)		-.053 (.081)
Trump		-.486* (.272)		.027 (.248)		.557 (.345)		.408 (.325)
Obama		-.315 (.280)		.038 (.234)		.498 (.314)		.561** (.278)
GW Bush		-.142 (.260)		.120 (.233)		.583* (.352)		.439 (.295)
Clinton		-.157 (.266)		.074 (.248)		.504 (.377)		.027 (.366)
GHW bush		-.011 (.386)		.0411 (.287)		-11.350		-.044 (.417)
Reagan		-4.797*** (.376)		1.174* (.604)		-4.331		-3.952*** (.608)
Carter		-.165 (.346)		-.262 (.186)		-.782 (.504)		-.169 (.336)
Ford		-.118 (.367)		-.098 (.259)		-.371 (.421)		-.659 (.417)
Nixon		(dropped)		(dropped)		(dropped)		(dropped)
Johnson		(dropped)		(dropped)		(dropped)		(dropped)
Kennedy		(dropped)		(dropped)		(dropped)		(dropped)
Eisenhower		(dropped)		(dropped)		(dropped)		(dropped)
Constant	-25.536*** (9.285)	-.876*** (.288)	-27.069*** (8.769)	-.604** (.253)	-43.687*** (10.226)	-1.548*** (.286)	-31.320*** (9.904)	-.990*** (.268)
Athrho		-.1021 (.1032)		-.202 (.149)		1.945*** (.308)		-.915*** (.217)
Lnsigma		-1.050*** (.0778)		-1.042*** (.074)		-.641*** (.104)		-.632*** (.105)
Rho		-.1018 (.1021)		-.199 (.143)		.959*** (.024)		-.724*** (.103)
Number of observations	1 515		1 808		510		856	
Wald test of indep. (p-value)	0.3222		0.177		0.000		0.000	

Note. ***, **, and * indicate significance at the .01, .05, and .1 levels, respectively.

We also examine the effect of these official visits on different regions: Africa, Asia, Europe, and America. Table 7 shows the effect of the visits of U.S. Presidents. The estimation results

show that the coefficient of the official visits of U.S. Presidents is statistically significant and negative in all regions. Table 8 shows the effect of the visits of U.S. Secretaries of State. The estimation results show that the coefficient of the official visits of U.S. Secretaries of State is statistically significant and negative in all regions. In this context, we can see that the magnitude of the effect is larger in Africa in Tables 7 and 8 compared with other regions. This result might indicate that the less developed countries might not be able to afford an improvement in their institutional quality even if they are induced to by the visit. Alternately, the United States is not pressuring or persuading for such a change in these countries for lack of faith in their ability to accomplish such a reform. Other expedient issues are usually on the table in discussions with these countries, particularly on humanitarian assistance, nation rebuilding, or containing conflicts.

Table 7. *Effect of Official Visits by U.S. President on Institutions in Continents (ETM)*

	Africa		Americas		Asia		Europe	
	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model
President	-0.771*** (0.152)		-0.839*** (0.099)		-0.550*** (0.069)		-0.636*** (0.093)	
Hospitalized		0.530		-2.226*** (0.285)		3.690*** (0.729)		4.463*** (0.812)
NATO		(dropped)		1.250*** (0.155)		-0.787*** (0.148)		-0.025 (0.254)
Second term		0.068 (0.194)		0.250** (0.119)		0.228* (0.125)		0.134 (0.088)
Trump		(dropped)		1.014** (0.483)		4.808*** (0.486)		-0.632** (0.297)
Obama		4.462*** (0.259)		1.053** (0.497)		4.482*** (0.526)		-0.591* (0.309)
GW Bush		4.570*** (0.262)		1.100** (0.490)		4.452*** (0.570)		-0.401 (0.302)
Clinton		4.430		0.719 (0.684)		4.234*** (0.573)		-0.638* (0.379)
GHW Bush		1.054		1.390* (0.749)		-11.487		-1.425** (0.560)
Reagan		0.489		-2.110*** (0.798)		-0.487		-5.335*** (0.805)
Carter		2.898		-4.011*** (0.653)		2.443		-0.338 (0.379)
Ford		0.987		-2.963*** (0.628)		3.671*** (0.534)		-0.239 (0.458)
Nixon		(dropped)		(dropped)		(dropped)		(dropped)
Johnson		(dropped)		(dropped)		(dropped)		(dropped)
Kennedy		(dropped)		(dropped)		(dropped)		(dropped)
Eisenhower		(dropped)		(dropped)		(dropped)		(dropped)
Constant	-55.090	-5.416*** (0.332)	-31.910*** (9.898)	-2.100*** (0.512)	-49.885*** (13.419)	-5.325*** (0.544)	2.922 (8.435)	-0.342 (0.400)
Athrho	18.368*** (0.244)		1.668*** (0.245)		1.617*** (0.239)		1.291*** (0.249)	

Table 7. Continued

	Africa		Americas		Asia		Europe	
	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model
Lnsigma	-0.700*** (0.123)		-0.590*** (0.116)		-0.934*** (0.098)		-0.880*** (0.111)	
Number of observations	315		435		468		756	

Note. ***, **, and * indicate significance at the .01, .05, and .1 levels, respectively.

Table 8. Effect of Official Visits of U.S. Secretary of State on Institutions in Continents (ETM)

	Africa		Americas		Asia		Europe	
	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model	Outcome model	Selection model
Secretary of State	-0.766*** (0,085)		-0.691*** (0,078)		-0.511*** (0,054)		0.457*** (0,103)	
Hospitalized		1,327** (0,541)		4,555*** (0,695)		3,899*** (0,726)		-1,151 (0,988)
NATO		(dropped)		1,432*** (0,136)		0,918*** (0,160)		-0,031 (0,268)
Second term		-0,033 (0,093)		0,003 (0,108)		0,017 (0,110)		0,012 (0,085)
Trump		-0,500 (0,385)		1,588*** (0,391)		1,598*** (0,551)		-0,289 (0,362)
Obama		-0,422 (0,379)		1,469*** (0,421)		1,677*** (0,522)		-0,293 (0,329)
GW Bush		-0,551 (0,406)		1,516*** (0,398)		1,667*** (0,523)		-0,239 (0,314)
Clinton		-1,250** (0,552)		1,072** (0,513)		1,576*** (0,517)		-0,181 (0,342)
GHW Bush		-1,467*** (0,489)		0,956* (0,525)		1,215 (0,802)		0,383 (0,496)
Reagan		(dropped)		(dropped)		(dropped)		0,672 (0,752)
Carter		-2,445*** (0,671)		0,108 (0,273)		1,162* (0,647)		-0,405 (0,316)
Ford		-1,640*** (0,556)		-0,693* (0,371)		0,751 (0,719)		-0,423 (0,419)
Nixon		(dropped)		(dropped)		(dropped)		(dropped)
Johnson		(dropped)		(dropped)		(dropped)		(dropped)
Kennedy		(dropped)		(dropped)		(dropped)		(dropped)
Eisenhower		(dropped)		(dropped)		(dropped)		(dropped)
Constant	-47,207*** (10,199)	-0,202 (0,364)	-40,389*** (9,539)	-1,992*** (0,425)	-42,466*** (13,969)	-1,853*** (0,558)	-7,094 (11,558)	-0,064 (0,403)
Athrho	1,721*** (0,219)		1,561*** (0,208)		1,142*** (0,130)		-0,905*** (0,201)	
Lnsigma	-0,563*** (0,128)		-0,545*** (0,114)		-0,923*** (0,092)		-0,856*** (0,116)	
Number of observations	655		537		606		791	

Note. ***, **, and * indicate significance at the .01, .05, and .1 levels, respectively.

D. Discussion

The estimation results have multiple potential explanations. First, these visits are usually more frequent to countries that can deliver some services to the United States without pressuring them to enhance their institutional framework. In this context, some American administrations adopt a more pragmatic foreign policy approach to achieve strategic objectives and ensure economic interests while overlooking practices that are either non-democratic or do not improve institutional quality. 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 case may not lead to any improvement in institutional quality after these official visits.

A second potential explanation is that most of these visits are for developing countries that are incapable of improving the quality of their economic institutions, even if they are induced to do so during the visit. The reason could be that the cost of reforms is so high that it is not affordable for them or because they do not have the human capital needed to design the reforms required for the existing institutional structures.

A third explanation is that the official visits could positively affect other aspects of institutional quality in addition to economic freedom. These official visits may improve certain aspects of institutional quality that are more evident and can easily be observed and praised by the international community. These aspects might include improving the regulatory environment, cutting red tape, or combating corruption, which have been more of a priority to the international community than economic freedom.

A fourth possible explanation is that these official visits could be focused on other issues of immediate concern, such as improving economic and commercial ties, even if the weak institutional structures persist. This case could be essential for the electorate in the United States, compared with long-term goals aiming at improving institutional structures that might yield benefits to the United States only in the long run. This result implies that the discussions in these visits will be geared toward more practical ways of achieving these short-term objectives rather than attempting to reform the institutional features that may take longer to materialize.

Finally, economic freedoms are associated with political freedoms, as per the Hayek-Friedman hypothesis. For instance, Lawson and Clark (2010) found "relatively few instances of societies combining relatively high political freedom without relatively high levels of economic freedom." This result implies that countries with a lower level of political freedoms will not have improvements in economic freedoms, unless these visits aim to improve both aspects of institutional quality simultaneously.

VI. Conclusion

This study examines the effect of the official visits by U.S. Presidents and Secretaries of State to a country on the quality of its institutions, particularly on economic freedoms. 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. We test the predictions of our model. We use the ETM to deal with potential endogeneity. The estimation results show that the official visits have a statistically significant adverse effect on the quality of institutions, particularly in non-democratic countries with fewer political freedoms.

The negative effect has multiple explanations, including the following: First, some American administrations adopt a more pragmatic foreign policy approach to achieve strategic objectives while overlooking practices that do not enhance institutional quality. Second, these official visits may improve other aspects of institutional quality that are more observable to the international community than economic freedom. Third, American policymakers care more about achieving short-term objectives from their visits that can be presented as accomplishments to their electorate rather than institutional reforms that will only benefit the United States in the long run. Finally, economic freedoms are associated with political freedoms such that official visits cannot improve both simultaneously.

One main limitation of our study is the lack of data for official visits to different countries. Our hypothesis can be better tested with such data. The other limitation is the lack of information on the purpose of the official visits. In this context, visits to advance economic interests may likely overlook good governance issues. Conversely, visits to promote democracy and good governance may improve institutional quality. Future research can address these shortcomings as better data become available. Future studies can also focus on the effect of official visits on other aspects of institutional quality, in addition to economic freedom, such as the rule of law, lack of corruption, the regulatory environment, and bureaucratic red tape.

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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.