Globalization, Regime Type and Labor Protest in Developing Countries

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Abstract: How can states best manage the social dislocations associated with rapid economic development and greater exposure to market forces? In this paper, we explore the relationship between foreign direct investment (FDI), regime type and strikes in low-and middle-income countries. We argue that FDI produces social tensions and a higher demand for labor that can result in higher levels of industrial conflict. However, the effect of FDI is moderated by regime type. While democracies tend to have higher levels of protest overall, they are better able to cope with the strains arising from FDI because conflict can be channeled through state institutions or union-party ties. More institutionalized authoritarian regimes or hybrid regimes also perform better than other kinds of authoritarian regimes. We test the argument using a new dataset of labor protest in low- and middle-income countries for the period 1980-2005.

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Among the many changes that came with industrialization to Europe in the 19th and early 20th centuries was the invention of new technologies of political struggle (Tarrow 1998). Perhaps the most salient of these was the birth of the modern strike, in which workers used the strategic withdrawal of labor to force economic concessions out of employers, and, more significantly in the long term, to build organizational and political strength and class consciousness (Cohn 1993). While originally illegal and very risky, over time strikes were legalized and elaborate systems for managing labor relations became institutionalized in the European industrial democracies as employers, workers and the state recognized their common interest in allowing but managing conflict. It is against this historical background that industrialization and urbanization is taking place in many low- and middle-income countries today. Strikes are no longer a new tactic, but the extent to which conflict has been institutionalized varies enormously from country to country. In this paper, we look at contemporary strike patterns in low- and middle- income countries and show how strikes are influenced both by globalization and by the institutions that are in place in particular countries.

Strike patterns in low- and middle-income countries are important not only for the specific enterprises and economies in which they take place, but also have an impact on broader projects such as structural adjustment and for the process of globalization itself (Burgess 2004; Murillo 2001). Moreover, large-scale strikes, or 'general strikes', have important implications for political stability and political development. Waves of strikes have precipitated regime change in many countries, while worker protest has often played a key role in the success or failure of democratic transitions (Collier 1999; Tilly 2004).

Given their economic and political importance, it is no surprise that a vast literature has emerged to analyze the reasons for strikes and to identify better ways for managing industrial conflict. However, this literature provides only a partial understanding of labor protest in the contemporary context of globalization. While existing studies provide a clear picture of strikes in the upper income democracies of Western Europe and North America, we have little systematic cross-national understanding of patterns labor protest in the developing world, and in particular of how strike patterns are likely to be affected by economic globalization.

The few studies that explicitly examine the impact of globalization on working-class organization and protest tend to be structured around the familiar "race-to-the-bottom" versus "race-to-the-top" theme. The dominant perspective holds that the more competitive product markets, footloose capital, and disaggregated production techniques associated with globalization undermine both the capacity of workers to form unions and call out strikes (Kurtz 2004). The opposing view holds that globalization engenders increased resistance to global capital, while just-in-time production may increase employer vulnerability to strikes and increase the bargaining leverage of workers (Silver 2003). Globalization has also driven a wedge between unions and political parties in some countries, allowing workers to protest more aggressively (Moody 1997).

Globalization, however, is not a uni-dimensional phenomenon and different elements of globalization, such as trade and foreign direct investment (FDI), may well have different effects on worker protest because they differ in their impact upon the economic security of workers, and the bargaining environment in which workers find themselves. Consequently, in the interests of developing more fine-grained theory and empirical tests, in this paper we focus on just one

aspect of globalization, FDI, and examine its effects on strikes as mediated by different domestic institutions.

We argue that the primary impact of FDI is to produce a higher incidence of strikes. This occurs through economic, social and political mechanisms, namely the effect of FDI on the demand for labor, its tendency to lead to social dislocation and the political weakness of foreign investors relative to domestic capitalists. However, this direct effect of FDI will, like any other external shock, be modified by the effect of the institutional configuration present in specific countries (Garrett 1998). In particular, we argue that the level of democracy is likely to be an important factor conditioning industrial protest, particularly in low- and middle-income countries, where there is a high degree of variation in the presence and robustness of democratic institutions, the level of party competition and the substantive freedoms required for workers to engage in organized representation of their interests.

The analysis has important implications for the politics of globalization and democratization. Globalization and democratization are frequently viewed as antithetical processes. Authoritarian countries are often assumed to be better at promoting the social stability required for investment and greater exposure to trade because their 'autonomy' from civil society enables them to take a strong hand in dealing with unions (Haggard 1990; Kohli 2004). A related assumption is that globalization undermines the power of unions and other groups in civil society, thereby hindering political development (Kurtz 2004; Tilly 1995).

In this paper, we challenge the argument that democratization and globalization work at cross-purposes. We suggest a more complicated reality in which globalization has non-uniform effects on worker protest across political regimes. On its own, FDI is likely to fuel protest in all countries. However the effect of FDI is modified by the degree to which a country is democratic.

Democratic states, we argue, are likely to have more sophisticated mechanisms for monitoring and managing protest than authoritarian regimes, particularly in the industrial relations arena. This means that any given conflict arising from FDI is more likely to be dealt with institutionally rather than through a strike, and so the effect of a given increase in FDI on protest is likely to be *less* in a democratic regime than the effect of the same increase in FDI in an autocratic regime. Disaggregating authoritarian regimes, we further suggest that for the same reasons that democracies are better than authoritarian regimes at managing protest, competitive, or 'hybrid', authoritarian regimes are more effective at managing protest than less competitive regimes.

The analysis also has significant implications for the study of contentious politics. A central debate among scholars looking at protest outside of the long-standing democracies concerns whether we should expect to see higher levels of protest in partially liberalized regimes or in full-blown democracies. Some scholars argue that protest should be highest where there is the possibility to protest, but where institutional means of pursuing interests are blocked, as in regimes at intermediate stages between democracy and authoritarianism. Others counter that the distinction between institutional and non-institutional politics makes little sense, and that protest should be seen as complementary to other forms of politics (Goldstone 2004). Hence, we should see the highest levels of protest not in intermediate cases but in democracies that provide the highest level of legal protection for protestors. We provide evidence that gives more nuance to this debate. Democracy does indeed have an independent effect in increasing levels of protest, but there are still institutional effects in that democracies are better able to handle exogenous shocks, and so a given shock induces less of an increase in protest than in non-democratic systems.

We test our theory about the relationship between democracy and strikes in a cross-national quantitative framework, using a new database on high profile labor protest. The High Profile Strikes Dataset (HPSD) is an original dataset that documents high profile labor protest reported in the international press from 1980-2005. The HPSD draws on a much broader range of sources than existing datasets, and allows for a disaggregation of strike events based on the stated reasons for the strike and the types of protest tactics used during the strike. This disaggregation allows us to test more fine-grained hypotheses about the ability of governments to contain and institutionalize worker protest. For example, our theory entails that democracy will more strongly condition the relationship between FDI and protest in the industrial relations arena than in the political arena. We also argue that democracy will more strongly condition the relationship between FDI and protest when it comes to violent rather than nonviolent protest. These are hypotheses that can be tested with HPSD that could not be examined with previously existing data sources.

The paper proceeds as follows. In the next section, we discuss why we think FDI generally leads to increases in worker protest. In Section 3, we discuss the effects of regimes, noting why democracies have more protest in general, and how the impact of FDI is expected to vary across regimes. Section 4 discusses the methodology we employ to test our hypotheses and introduces the data, including the HPSD. In Section 5, we present the results of our analysis. In the final section of the paper, we discuss the broader implications of our study for academic as well as policy debates.

How FDI Generates Labor Protest

Globalization is a multi-faceted process that can be expected to have different effects on protest in different organizational contexts. For example, existing evidence suggests that foreign

direct investment generally boosts labor rights whereas trade undermines them (Mosley and Uno 2007). At the same time, organizational factors, such as the extent of support from labor-based parties at home and labor rights activists overseas, greatly affect the extent to which labor can secure political protections from greater exposure to market forces (Murillo and Schrank 2005). Similarly, different aspects of globalization are likely to have different effects on patterns of protest, with trade, increased global contacts and FDI all having different effects in different national contexts. Consequently, to ensure a thorough treatment of complex dynamics, in this paper we limit our scope to one element of globalization, FDI.

Before turning to the conditioning effects of regime, in this section we develop our argument that the direct effect of FDI on protest is positive. On a country-by-country basis, there is considerable evidence of this. In recent times, for example, China has struggled to institutionalize the rising tide of labor protest that has accompanied high levels of investment and rapid economic growth (Gallagher 2005). In the 1990s, Southeast Asian countries experienced a surge in social protest, particularly in violent protest on the part of workers engaged in export-oriented production (Kammen 1997). Finally, even in the supposedly quiescent post-Communist space, politically weak foreign investors have recently become a primary target for labor mobilization by independent labor organizers (Greene and Robertson 2009). We argue that these effects are likely to be quite general as a result of three principal mechanisms that connect FDI and strikes: the economic effects of FDI on demand for labor; effects on social dislocation and workers' grievances; and the relative political weakness and exposure of foreign investors.

Economic Conditions and the Demand for Labor

It is generally acknowledged that strike activity is heavily influenced by prevailing economic conditions. One of the most robust and intuitive findings in the vast strike literature is

that strikes become more frequent with economic upturns and less frequent during economic downturns (Kennan 1986; Teitelbaum 2007b).

The key to explaining the procyclical rise in strike frequency lies in how the business cycle affects the demand for labor (Ashenfelter and Johnson 1969). Investment and economic expansion reduce unemployment making labor relatively more scarce, and giving workers more leverage over employers in the collective bargaining process. This leverage in turn increases the incentive for workers to strike in support of higher demands in the hope of translating improved bargaining power into lasting improvements in pay and conditions. At the same time, the opportunity costs of lost work time for employers are higher during expansionary periods, when consumer demand and prices are high, so that they are more likely to give in to worker demands. While neo-classical approaches to strikes suggest that these two effects should lead to an improvement in workers' position without the need to resort to strikes, informational asymmetries mean that, as an empirical matter, increases in workers' bargaining power often lead to strikes (Hicks 1932). Since the direct economic effect of an increase FDI is likely to be similar in this regard to in increase in domestic demand for labor, increasing FDI is likely to contribute directly to increases in strikes.

Social Dislocation and Grievances

Beyond the economic effects, FDI often has significant short- to medium-term social implications that are also likely to lead to an increase in protest activity. While, over the long term, FDI may contribute positively to political stability, leaders of low- and middle-income countries often struggle to contend with the fierce social and political conflicts that arise during periods of rapid economic change (Piore and Schrank 2006). Investment induces labor migration and, with it, social dislocation. Workers who leave their villages and traditional social networks

in far-flung rural areas to work in cities or special economic zones become more vulnerable to abuse by their employers, but being socially isolated have few means to address their grievances.

The grievances associated with social dislocation are most likely to be acted upon by unionized workers whose formal organization enables them to overcome collective action problems; but such grievances are likely to stir wildcat protest among less organized workers as well (Gouldner 1954). Thus, we would expect FDI to lead to more strikes where it contributes to harsher social conditions or dislocation, even where levels of unionization are low.

Political Dynamics of Worker Protest in Foreign Firms

A third mechanism through which FDI increases protest is primarily political. Unions and labor organizers are strategic actors who look for opportunities to build organizational and political strength. Strikes, even unsuccessful ones, can be a key element in that strategy, as they help to build a union's reputation among workers and can illustrate the potential power of collective action (Cohn 1993). In this context, we should expect foreign investors to be a particularly inviting target for labor unions or labor organizers wishing to get a foothold in the relatively unorganized manufacturing sectors in low- and middle- income countries.

This is because foreign firms are often more politically vulnerable compared to domestic employers of the same size. Foreign investors usually are not as close politically to key regime players as large domestic employers. Consequently, foreign investors are less likely than local capitalists to be able to rely on the state to repress striking workers. Moreover, foreign investors are also vulnerable to sanction by their own home country nationals, unions and human rights groups, and so they are less likely to be able to use force or extreme measures to inhibit strikes. Finally, strikes and protests are more common when people have better information on their grievances and who to blame for them (Javeline 2003). Foreign investors often have plants in a

number of different countries, and this can provide workers with better information on the pay and conditions of other workers, making it easier for labor organizers to focus discontent.

Regimes and Labor Protest

Although the effects of FDI on protest described above are quite general, some governments are likely to be better equipped to deal with them than others. In this section, we analyze how regime type is likely to condition the impact of FDI on protest. We argue that democracies are likely to experience higher levels of protest than non-democracies, but that, conversely, democracies will see a smaller effect on protest of a given increase in FDI than authoritarian regimes because of their relative success in institutionalizing conflict. We also make that the case that we should see analogous variation within the category of authoritarian regimes.

There is a large literature in political science and sociology on the forms and role of protest in long-standing democracies, reflecting the fact that protest in democracies is both a normal and a frequent element of political life. In fact, Meyer and Tarrow (1998) consider contemporary liberal democracies to be "movement" societies in which the diffusion, institutionalization and professionalization of protest have made formerly controversial acts by the politically excluded part of the standard repertoire of political participation for many ordinary citizens.

But how should protest in long-standing democracies compare with protest under other kinds of political regime? Broadly, there are two schools of thought. One draws analogies to hybrid regimes from the literature on political opportunity that argued that we should see a curvilinear relationship between protest and the openness of political institutions (Eisinger 1973; Tarrow 1998). When access to political institutions is very limited, protest levels are low since

there is little possibility of success to encourage protesters. When access to institutions is high, this hypothesis suggests, there is also little incentive to protest since politics will work largely through institutions. In the middle, however, where there is some access, there are substantial incentives to invest in protest behavior in order both to influence specific decisions and to expand access. The analogy to regime types goes as follows; we might expect low levels of protest in authoritarian regimes and higher levels in democracies, but we should see the highest levels in hybrids, where there is some access to political institutions but much remaining frustration with institutionalized politics. Support for using this political opportunity structure argument to think about protest patterns in different political regimes can be drawn from a series of recent studies of democratization (Beissinger 2002; Kamenitsa 1998).

Nevertheless, we believe that there are good reasons to think that increases in democracy actually bring with them more protest. Tilly (1978) argued that historically legal protections for elections also provided cover for non-electoral collective action, and so peaceful collective action grew as legal protections for elections grew. If this European experience were repeated elsewhere, then we should expect authoritarian regimes that feature a legal opposition to have greater protection for electoral participation, and hence to have higher levels of protest than other kinds of authoritarian regime. In this case, full-blown liberal democracies would have the highest levels of protection, and the highest levels of protest. We provide evidence that this is indeed the case.

However, democracies enjoy at least two institutional advantages over authoritarian regimes when it comes to managing protest, and industrial protest in particular. First, since Hicks (1932) it has been well understood that strikes are costly to both sides and, as a result, democracies have put considerable effort into developing institutional solutions that help to

address informational asymmetries that can lead to bargaining failures and strikes. These institutions include labor review boards, independent conciliation services and routinized bargaining that, while far from entirely eliminating strikes, have markedly reduced their occurrence, as well as shaping their incidence (Card 1988).[1]

Second, competitive electoral politics encourages political parties to compete over the working-class vote. In most democracies, this competition has given rise to strong, synergistic (i.e. mutually beneficial) ties between unions and labor-based parties. Democracies can harness such synergistic union-party ties to ameliorate industrial conflict in the interest of rapid economic development. Murillo (2001), for example, argues that union political ties have dampened labor opposition to liberal economic reforms in Latin America. Similarly, studies of India show how political unions have helped to forge class compromise and reduce wage militancy in the industrial relations arena (Heller 1999). Teitelbaum (n.d.) explains this dynamic through the encompassing nature of political parties which in a democracy, internalize the externalities associated with the militancy of affiliated organizations, including unions.

Given these institutional and political advantages, while we would expect protest in general to be higher in democracies, it seems likely that those who argue that better institutions lead to lower protest levels also have a point. While overall levels of protest are higher, the institutions for conflict management present in democracies mean that the impact of any given exogenous influence (in this case an increase in FDI) on industrial protest should be less than they would be in non-democracies. Thus, in the context of greater exposure to market forces, industrial protest, which is costly to employers and workers alike, is likely to be better institutionalized and managed in democracies. On the other hand, when strikes are politically

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[1] For a review of the strike literature in advanced industrial economies see Franzosi (1995).

motivated, the better institutions in democracies are likely to have little or no effect. Consequently, the effect of FDI on industrial strikes should be less in democracies than it is in authoritarian regimes, though there we would expect there to be little difference in the effects on political strikes. Further, since protest in democracies tends to be more about making claims, verbalizing challenges and demonstrating worthiness, unity, numbers and commitment, than about taking direct action (McAdam, Tarrow and Tilly 2001; 269), we should expect that democracy more strongly conditions the relationship between FDI and protest when it comes to violent protest than when it comes to nonviolent protest.

Varieties of Authoritarian Regime and Labor Protest

The converse of our predictions for democracies is that FDI should produce more industrial protest and more violence in authoritarian countries. So far we have only considered broad differences between democratic and authoritarian regimes, but we can apply a similar logic to analyze variations among authoritarian regimes, which are quite heterogeneous with respect to their strategies of governance.[2] Authoritarian regimes have been extremely active in their efforts to control not just political protest directly focused on the regime, but also economic protest, in an effort both to protect investors' profits, and as a prophylactic measure born of fear that economic protests and disturbances can rapidly turn political in nature. As a result, techniques of protest management in authoritarian regimes are well developed and have evolved substantially

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[2] We use the terms non-democratic and "authoritarian" interchangeably for ease of reference, while noting that in Linz's seminal discussion (2000) "authoritarian" regimes were conceived as just one kind of non-democratic regime that included totalitarian and sultanistic regimes among others.

over time. These innovations are likely to lead to differentiation across different kinds of non-democratic regime in the ways in which they manage protest and conflict.

At its most literal, labor repression can involve the use of extreme force, violence and intimidation. Labor activists have long been a primary target for arrest and murder in military regimes, such as those in Chile and Argentina, Communist regimes, like Poland in the 1980s, and other regimes like contemporary Uzbekistan or Colombia. Beyond brute violence, authoritarians have also developed more sophisticated techniques designed to co-opt and monitor labor and channel activity in "safe" directions. Post-World War II authoritarian and Communist regimes developed a system for managing labor and preventing protest though "authoritarian corporatism" in which unions were compulsory, non-competitive, hierarchically ordered and functionally differentiated with the purpose of ensuring state control over labor (Schmitter 1974). Examples included the Leninist "transmission belt" labor unions of the USSR, and authoritarian corporatist unions, such as the Organizacion Sindical Española in Franco's Spain. Such unions had little or no independence from the authoritarian regimes in question and were created with a view to imposing hierarchical control over workers' organization. These systems are still alive and well and to be found in countries like Vietnam and China.

Since the passing of the Cold War, many countries abandoned explicitly authoritarian political systems, in favor of mixed, or "hybrid" political regimes that introduced elements of open political competition alongside elements of authoritarianism (Diamond 2002). Such hybrid regimes have often retained or tinkered with systems of authoritarian corporatism to introduce a more open legal framework, while at the same time retaining the capacity to manage industrial (or political) unrest. In these hybrid or partially liberalized regimes, official unions often no longer enjoy a state-sponsored monopoly but have to compete for survival, relying either on

elites and the state or reaching out to their membership base. This creates the possibility for now openly competing elites to use the existing union apparatus to influence the extent to which the public is mobilized around a political issue. Examples of such unions include Russia's largest union confederation, the Federation of Independent Trade Unions of Russia (FNPR), and Mexico's largest confederation the *Confederacion de Trabajadores de Mexico* (CTM) (Robertson 2007).

A slightly different version also common in partially liberalized regimes is where employers, usually with the blessing of the state, take most of the initiative in organizing company unions designed to ensure labor discipline and prevent the emergence of representative and potentially troublesome unions. This is the case with the official unions in Malaysia's electronics sector, and with the so-called *sindicatos de protección* in Mexico. In both instances workers struggle to overcome substantial obstacles to collective action as they face the combined weight and coercive potential of employers, the state and, often, organized crime.

In the presence of a mobilized workforce, we would expect these contemporary systems designed to co-opt rather than "crush" labor to be more successful. While they too can have unintended consequences, these techniques do seem to be having a real impact on generating stable forms of partially liberalized autocracy.

By contrast, repression can, and often does, backfire (Davenport, Johnston and Mueller 2005). Specifically, there is evidence to suggest that labor repressive countries actually experience more labor market distortions than non-repressive countries (Ghanem, et. al. 1995), while a number of country studies show that repression might generate more disruptive patterns of industrial protest. Teitelbaum (2007a) shows how labor repression in Sri Lanka radically destabilized that country's once placid industrial relations. Freeman (1993) argues that the East

Asian "crush strategy" of the 1970s led to a sudden "burst" of labor discontent and unionization in East Asian countries in later periods. Similarly, Evans (1995) suggests that repression in South Korea led to a surge of industrial protest in the late 1980s. Seidman (1994) shows how state-led efforts to deepen industrialization "manufactured militance" among industrial workers in Brazil and South Africa. Here we generalize from these cases and test the hypothesis that, for a given increase in FDI, more repressive regimes are likely in fact to encounter higher levels of protest than less repressive countries.

This analysis of authoritarian techniques for protest management suggests an intra-authoritarian corollary of the idea that democracy conditions the level and type of protest in low and middle-income countries. This is that within the universe of authoritarian regimes, while less repressive countries will generally witness higher levels of protest than more repressive countries, less repressive countries are likely to experience less of an increase in protest in response to FDI than their more repressive authoritarian counterparts.

Summary of Expectations

Our expectations regarding the conditioning effects of regime type on worker protest can be summarized as follows:

1) Increases in FDI lead to increases in labor protest.

2) Increases in democracy lead to increases in protest.

3) However, as countries become more democratic, methods of containing worker protest become more sophisticated and effective, thus mitigating the adverse effects of FDI on worker protest. Thus, *ceteris paribus*, the marginal effect of FDI on protest will be less as the level of democracy increases.

4) Among authoritarian regimes, more competitive (i.e. multiparty) regimes will be more likely to adopt sophisticated methods of managing labor than less competitive (i.e. single party) regimes. Thus, *ceteris paribus*, the marginal effect of FDI on protest will be less in multiparty than in single party regimes.

5) The conditioning effect of democracy on protest will be greater for industrial protest than for political protest, and greater violent protest than routine protest.

Data and Method

Measuring Labor Protest: High Profile Strikes Dataset

Comparative studies of the causes and effects of protest have been hampered by the absence of reliable, cross-national datasets of protest that have extensive coverage. Gathering reliable data on protest is extremely time-consuming and difficult and requires enormous investment that tends to put broad comparative research out of reach.[3] Cross-national studies that are careful about measuring protest are of necessity limited to a relatively small number of carefully selected countries, achieving validity of measurement at the expense of generalizability (Ekiert and Kubik 1998).

The most commonly used dataset for cross-national studies that include "instability" is the CNTS data set established by Arthur S. Banks. CNTS offers data on an impressive range of different items across a broad sweep of both space and time, but the data are of limited utility for the study of strikes. While CNTS includes a measure of general strikes, it does not include other important strikes that might be limited to one or two key sectors of the economy. Furthermore, the CNTS data provide no information on the nature of the strike, just that it happened. Lastly,

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[3] On gathering and analyzing event data see among others Franzosi (1995), Mueller (1997), White (1993).

the CNTS date are compiled from a single source, the *New York Times*, reducing the chances of even major strikes in low- and middle-income countries being included.

Instead, we use data from the High Profile Strikes Dataset (HPSD) (Teitelbaum n.d.), which provides a more theoretically relevant and valid measure of strikes and labor protest. The data for the HPSD come from press reports, which were gathered using broad search terms (e.g. 'labor' and 'strikes') to gather all articles in the 'World Publications' section of the Nexis database documenting political or economic trade union protest in all countries that could be categorized as 'non-OECD countries' as of 1980. This process yielded 1108 protest events in 84 countries from 1980 to 2005, 621 of which can be clearly defined as industrial disputes and 367 of which are political strikes.[4] Two coders independently coded the events on a number of dimensions (some of which are discussed below), and the codings were compared for reliability and consistency.[5]

The HPSD provides a picture not only of general strikes, but of a broader range of high profile strikes relevant to our analysis. Another key advantage is that the dataset also allows for a disaggregation of types of strike events, such as distinctions based on the types of protest tactics (e.g. violent versus routine protest) and the stated reasons for the strike (e.g. political versus industrial protest). Finally, in terms of coverage, while obviously not a complete record of strikes, the HPSD offers a more valid measure than existing sources in that it draws on a broader

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[4] A further 99 cases are classified as both industrial and political in nature and 15 are classified as other types of protest.

[5] The comparison showed a high degree of agreement: of the 53 variables coded, there was at least 98% agreement on the coding of 45 variables, between 95% and 97.99% agreement for another six variables, and about 90% agreement for the final two variables.

range of sources of information to compile its measures than other datasets. The Nexis database includes nearly 700 news sources with international, regional, and country-specific coverage.

In this paper, we employ event counts of five primary types of protest events. The first is simply the total number of protest events in a given country in a given year. The remaining four are counts of four protest sub-types, including the number of industrial protest events, the number political protest events, the number of violent protest events, and the number of nonviolent protest events. 'Industrial protest' is protest motivated by a narrow economic grievance (industrial disputes).[6] 'Political protest' is strike protest directed at the government demanding some type of policy change or an ouster of the incumbent government.[7] In addition,

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[6] A strike was coded as 'industrial protest' if it was carried out to dispute one of the following issues: 1) the reduction or increase of wages, bonuses, or other forms of compensation not including or pertaining to health or medical benefits; 2) the reduction or increase of health or medical benefits provided to employees; 3) the length of the workday, or other disputes pertaining to hours of work; 4) a matter pertaining to the discipline of a worker or group of workers; 5) occupational health and safety issues other issues pertaining to the conditions of work; 6) the termination ('retrenchment') or layoff of a *group* of workers due to downsizing of the workforce, outsourcing of production, or closure of a company; 7) the use of 'casual' or temporary employment to perform tasks typically handled by permanent employees; 8) productivity norms; 9) some other issue related to the terms and/or conditions of employment.

[7] A strike was coded a 'political strike' if it was carried out for one or more of the following purposes: 1) to bring down the government; 2) to protest in favor of pro-worker labor regulations; 3) to oppose policies relating to economic liberalization or reform; 4) to protest

we use the number of violent protest events and the number of nonviolent protest events in a given/state year.[8]

Independent Variables: Regime Type and Globalization

We take a two-pronged approach to testing our hypotheses about differences in regimes. As a first cut, to show the effect of democracy we analyze how a regime's performance on the most widely used indicator of democracy and authoritarianism, the Polity2 score from the Polity IV dataset, affects the interaction between protest and investment in low and middle income countries.[9] This enables us to establish the effect of an increase in democracy or repression on labor protest directly.

Second, we look at the effects of different types of authoritarian regime using Hadenius and Teorell's (2007) classification scheme to code for three types of authoritarian regimes (monarchy/military, single party, and multiparty), and use these codings to test our hypothesis about the relative effectiveness of multiparty authoritarian regimes in managing protest.

We measure the level of foreign direct investment using the natural log of FDI flows into a given country/year. We use this measure because we think it is the most relevant to testing our theory. Some studies on human labor rights have normalized FDI by global FDI flows or GDP (Cingranelli and Abouharb 2007). Normalizing by global FDI flows assumes a fixed global

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against globalization and/or Western influence; 5) to protest in favor or against some other political issue.

[8] A 'violent' protest event is one that included any of the following protest actions: threats to management; damage to company property; assault on a manager; assault on other workers; or clashes with police.

[9] Results are the same if we use the Freedom House index.

investment pie, which we think is not realistic. Normalizing by GDP makes sense when testing for the effects on some variables but not others. For example, when analyzing the effects of FDI on the level of labor rights in an economy, it makes sense to normalize FDI by GDP since the same level of FDI is likely to have greater effects on overall levels of human rights in a small economy than in a large economy. Normalizing FDI by GDP makes less sense when analyzing the likelihood of high profile protest events. Because FDI generates *new employment*, we anticipate that the effects of an additional dollar of FDI will have similar effects on the number of protest events in large and small economies. At the same time, since we anticipate that countries and large economies will experience higher levels of protest overall, we include population as a control variable in our regressions. In any case, normalizing by GDP does not change the results.

Control Variables: Organization, Business Cycles and Hardship

In analyzing the effects of investment and regime on protest, we control for a range of existing theories of strike patterns related to bargaining power, business cycles and hardship. The essential insight of bargaining power theories is that we should expect to see more mobilization in regions where workers' *capacity to self-organize* is high (Snyder 1977). Capturing the capacity for self-organization of workers is tremendously difficult, particularly in a broad cross-national analysis. Standard approaches using union density are largely useless outside of the OECD because where data do exist we have no general way of telling whether unions reflect workers' self-organization, or efforts by the state to control workers (Robertson 2007). In the absence of better data, we are limited to controlling for the level of urbanization, a factor that has been consistently shown to be related to organizational capacity (Haimson and Petrusha 1989;

Javeline 2003).[10]

As noted earlier, bargaining power is also related to *business cycles*. In advanced industrial economies the expectation is that the best time to strike is when labor markets are tightening, unemployment is falling and workers are in shorter supply, and so are relatively stronger. We use GDP growth and inflation as proxies for the economic cycle.

There is an older tradition in comparative politics that associates protest with hardship (Gurr 1970). Economic hardship might be expected to affect protest levels in at least two ways. First there is the effect of hardship itself. One view holds that the greater the hardship experienced, the more strikes we should see. Second, theories of wildcat strikes, that is protest without the sanction of officially recognized labor unions, suggest that such action is more likely when hardship provokes a sense of moral outrage or injustice (Gouldner 1954, Zetka 1992). Without individual level data this is hard to test. As a measure of absolute and relative hardship we control for GDP per capita and changes in GDP. We also look at exchange rate changes to control for financial crises.

Finally, to control for the effects of other aspects of globalization, we include controls for trade openness, measured as the sum of imports and exports divided by GDP, and a time counter.

Models and Results

We test the hypotheses presented above using two sets of models of labor protest. The first set compares the relationship between regime type and protest at varying levels of

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[10] We also reran the analysis using union membership data from the International Confederation of Free Trade Unions. These data represent a potential improvement over the inadequate existing measures that merits further exploration. Including the ICFTU data, normalized by population, in our regressions makes no difference to the results.

democracy and non-democracy, while the second uses categorical measures of regime type. In each set of models, we look at the effects of investment and democracy on overall levels of protest, as well as their effects on four specific sub-types of strike protest. Specifically, we compare industrial protest with political protest, and violent protest with non-violent protest.

The analysis treats the dependent variable as a time-series cross-section of annual counts, modeled using a negative binomial distribution. This approach is preferred to account for the discrete, non-negative nature of the dependent variable, and because it models directly overdispersion (contagion) in the observed counts (Hausman et al. 1984). We control for population size separately on the right-hand side, as we are interested in testing the effect of a country's population directly. Since the number of countries is relatively large we estimate random effects models.[11] We also take into account time trends by including an annual time trend variable. The models include a one period lagged dependent variable.[12]

Models of Democracy and Protest

The models in Table 1 test our theories regarding the effects of globalization on protest. To recap, we hypothesized that the effect of FDI and democracy on strikes would be positive, but that democracy would condition the effects of FDI on protest. Further, we predicted that the conditional effect of democracy on protest would be stronger for industrial protest than political

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[11] Using fixed effects produces similar results.

[12] This lag structure is appropriate due to the fact that strikes in reality occur continuously rather than in separate observations, and so strike counts in a given year are directly affected by continuing strikes from the previous year, in addition to the indirect effect on the number of events engendered by previous experience of protesting. Dropping the lagged dependent variable does not affect the main results.

protest, and stronger for violent than routine protest.

Model (1) presents the direct effects of FDI and democracy on protest. As predicted, the signs on the coefficients for the direct effects are positive, but they are not statistically significantly significant. As model (2) suggests, this is because the model is mis-specified without the interaction term. When the interaction term is included, the direct effects of FDI and democracy on protest events becomes significant, while the interaction effect is significant and negative. This set of results provides strong support in favor of our hypotheses that FDI and democracy lead to increases in strikes, and that the effect of FDI on protest is conditioned by the level of democracy.

--TABLE 1 ABOUT HERE—

To illustrate the combined result of the direct and indirect effects of democracy, Figure 1 shows the total marginal effects of FDI and democracy on protest. Figure 1A illustrates what happens to labor protest at different levels of democracy as the result of a given increase in FDI flows. In the most repressive regimes, an increase in FDI leads to a quite large and statistically significant increase in protest. However, as regimes become more democratic, that effect is reduced until it is no longer statistically significant. In fact, the overall effect of an increase in FDI on protest is only positive and significant in countries with Polity2 scores below zero – about 54 percent of our country years.

Similarly, Figure 1B illustrates what happens at different levels of FDI as the result of a given increase in democracy. At the lowest levels of FDI flows, increases in democracy have a positive and significant effect on protest. However, as the level of FDI increases, the net effect of increased democracy on protest falls until at log FDI flows of about 5 or greater (about 42 percent of our country years) the direct boost to protest given by increases in democracy is

balanced by the improvements in conflict management.. Indeed, the graph suggests that at the very highest levels of FDI, the institutionalizing effect of experience with FDI may actually outweigh the liberalizing effect of democracy.

--FIGURE 1 ABOUT HERE--

In the rest of Table 1, we break down protest into different kinds. Models (3) and (4) explore the conditional effects of investment and democracy on industrial protest and political-oriented union protest. As we predicted, the effects of FDI are stronger for industrial than for political protest. There are positive direct effects of democracy and FDI flows on industrial protest, and a larger and negative interaction effect of the two. These effects are all statistically significant at the 1 percent level.

Figure 2 again illustrates the total marginal effects. In Figure 2A we see that the overall effect of an increase in investment on protest is positive and significant at almost all levels of democracy. However, even though increases in investment have a strong effect on industrial protest specifically, this is most marked in authoritarian regimes. The effect of a given increase in investment is about one-third as strong at a Polity2 score of 6 as it is at a Polity2 score of -6. Furthermore, at the highest levels of democracy (around Polity2 of 8), investment flows no longer lead to higher levels of industrial protest. However, as we suggested in our discussion, the conditional effect of investment on protest is specific to industrial protest, and is never statistically significant for political protest (Figure 2B), reflecting the effect of institutionalization on reducing industrial disputes but not politically motivated protests.

Similarly, Figure 2C shows the marginal effect of democracy on industrial protest at different levels of FDI flows. The effects are similar to those for labor protest overall, in that the direct effect of an increase in democracy dominates at lower levels of FDI, but that as FDI flows

increase, the moderating effect of democratic institutions becomes more important. Again, at the very highest levels of FDI, the effect of an increase in democracy is actually to reduce the incidence of industrial protest; but as figure 2D demonstrates, the effect is does not apply to political protest.

<div align="center">--FIGURE 2 ABOUT HERE—</div>

Models (5) and (6) examine the effects of investment and democracy on violent and nonviolent protest. The counts of violent and nonviolent protest include both industrial and political protest events. The results for both models are similar, and as before show that democracy directly leads to increases in both violent and non-violent protest, but that it also moderates these effects depending on the level of FDI flows. The effects plots displayed in Figure 3 show, however, that the moderating effect of increasing democracy on violent protest is stronger than its effect on non-violent protest. In Figures 3A and 3B we can compare the effect of investment on violent and non-violent protest at different levels of democracy. At the lowest level of democracy, the effect of a given increase in investment on violent events is nearly twice as large as the effect on non-violent protest events. However, as the level of democracy increases, the moderating effect of democratic institutions comes rapidly into play. For both violent and non-violent protest, the net effect of an increase in investment is no longer statistically significant at around a Polity2 score of about -2, and the sign on the net effect for violent events becomes negative around a Polity2 score of 4 which is faster than the sign change for non-violent events (Polity 2 about 7). Figures 3C and 3D show very similar patterns for an increase in democracy at different levels of FDI flows.

<div align="center">--FIGURE 3 ABOUT HERE--</div>

The results presented in this section provide strong support for our hypotheses about the

conditional effects of investment on labor protest. The regression results and the marginal effects plots confirm a direct effect on protest, especially industrial protest, of increases in both FDI and democracy. However, they also show a strong interaction effect that illustrates the capacity of democracy to moderate the stresses of development.

Models of Regime Type and Protest

In Table 2, we go beyond looking only at the effect of the degree of democracy present in a given regime to consider what happens if we distinguish directly between the ways in which different authoritarian regimes are actually governed. Following Geddes (1991) and Hadenius and Teorell (2007), we distinguish between authoritarian regimes that include some element of multi-party competition, those that are based on single party rule, and those that are based not on parties but on military or monarchical rule. To recap briefly, we argued above while multi-party authoritarians might have fewer events overall than democracies, single party authoritarians and military/monarchial regimes being much more repressive should have considerably fewer. On the other hand, protest in these latter two regime types should increase more in response to investment than it does in multi-party regimes, since multi-party authoritarians can be expected to have more sophisticated and better-institutionalized means of dealing with disputes. Furthermore, we also argued that single-party regimes and military/monarchial regimes should experience more violence associated with disputes than multi-party authoritarians. These expectations are largely confirmed in Table 2, where the default category is democracy.

--TABLE 2 ABOUT HERE--

Model 7 demonstrates the effect of both investment flows and political regimes on the number of labor disputes. The positive effect of investment flows on disputes overall found in Table 1 is confirmed here. Model 7 shows that military/monarchial regimes and single party

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authoritarians do indeed, as the contentious politics literature would suggest, experience lower levels of labor disputes *ceteris paribus*. The effects are substantively very large. According to the model, military and monarchial regimes have, on average, 82.5 percent fewer labor disputes than democracies. Single party regimes have 74 percent fewer labor disputes than democracies. By contrast, it appears that the incidence of labor disputes in multi-party authoritarian regimes is statistically indistinguishable from that in democracies. In this specification, however, we do not see a direct effect of FDI flows.

Model 8 shows how labor protest is affected by investment flows in different regime contexts. The key variables are the interaction terms between investment flows and regime type, and the direct effect of investment flows. We find strong evidence that, although single party autocracies experience fewer protest events overall, the rate at which protest occurs in these regimes is many times more sensitive to investment flows than it is in democracies or multi-party autocracies. This can be seen by comparing the coefficient on the single-party/investment interaction with the direct effect of investment flows in model 8. The direct effect here has a natural interpretation as the average effect of flows on protest in democracies. While log FDI flows have no statistically significant effect in democracies, according to Model 8, the effect is strongly positive and statistically significant in single party autocracies and, as expected, to a smaller extent, in multi-party autocracies. Specifically, the model suggests that a one standard deviation increase in log FDI flows leads to an increase in protest events by a factor of 5.5 in single party autocracies, compared to only 1.5 in multi-party autocracies.

Model 9 shows similar effects for industrial protests specifically. Again the effects of investment on democracy are much larger in single party autocracies, while the coefficient in the multi-party cases is positive but not statistically significant. Model 10 again looks at the effects

on political protest alone, and once more we find the results are not as strong or consistent as for industrial disputes. There is some evidence of greater political protest in multi-party autocracies, but not for effects in other regime types.

Models 11 and 12 repeat the analysis for violent and non-violent protest. Here we find that investment leads to more violent protest in both single party and multi-party authoritarian regimes, with a much larger (though only marginally significant) effect in single party regimes. Non-violent protest also increases in these authoritarian regimes but by a smaller amount and the effect is not significant in multi-party autocracies.

These results strongly confirm our expectations for both single party and multi-party authoritarian regimes. While these results are especially strong for single party regimes, there is no consistent effect of FDI flows in military or monarchial regimes. This result is puzzling since we might expect these to be the least institutionalized of authoritarian regimes and so to be the most sensitive to the disruptions of investment. The result deserves further attention, but we think it is likely because military and monarchical regimes are successful in banning unions altogether.

For the control variables, we find a consistent relationship between falling GDP and increases in violent disputes, consistent with theories suggesting violence may be associated with desperation. We do not find much support for business cycle theories that would suggest disputes should be positively correlated with growth, though there is a positive association between disputes and inflation rates. Similar to most studies of collective protest we find a positive relationship between labor disputes and the degree of urbanization. Both measures of events were also positively correlated with population.

6**. Conclusion**

In this paper we used a new dataset to investigate the relationship between globalization and labor protest in non-OECD countries. We have shown that both FDI and democracy are positively associated with labor protest, but that the positive effect of FDI on labor protest is conditioned by regime type. Moreover, we disaggregated protest to show the effects of globalization on different types of protest. We found that the evidence of a positive effect of FDI on protest was particularly strong for industrial and violent disputes. The effects also hold when we look at different type of authoritarianism, with authoritarian regimes that allow some open political competition being better able to manage the strains of development than single party autocracies.

These results have implications for long-standing debates in the comparative and international political economy of development, between those who think a strong authoritarian hand is needed to manage economic development in low and middle income countries and those who believe that democracy provides better results. While we have expressly not compared economic outcomes under different regime types, we have compared how authoritarian and democratic strategies condition the effect of economic flows on protest. We have shown that advocates of a 'strong hand' are mostly wrong and when they are partly right, it is for the wrong reasons. It is true that democracy in less developed countries does in fact lead to higher levels of social protest, but as we have shown that effect is largely a product of the liberalizing effects of democracy itself and has little to do with economic development. In fact, democracy helps low and middle income countries deal with the inevitable stresses associated with development, improving their capacity to process conflicts that arise from development with lower additional levels of protest than authoritarians.

Further research is required to determine the precise ways in which democracies mitigate

conflict. We have demonstrated a general set of relationships and proposed a range of potential mechanisms that underlie those relationships. We have not, however, directly tested which mechanisms for the institutionalization of conflict are most effective. Nor have we addressed the important issue of whether democratic institutions actually solve the problems of working people in a context of globalization, or whether they simply provide safety valves through which elites can manage protest and avoid making real concessions. These questions constitute an important research agenda.

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Table 1: Democracy, FDI Flows and Labor Protest

Explanatory Variable	All Protest	All Protest	Industrial Protest	Political Protest	Violent Protest	Nonviolent Protest
	(1)	(2)	(3)	(4)	(5)	(6)
Democracy$_{t-1}$	0.024	0.105***	0.274***	0.06	0.152***	0.094***
	(0.015)	(0.032)	(0.060)	(0.040)	(0.051)	(0.034)
Log FDI Flows$_{t-1}$	0.039	0.087*	0.396***	0.055	0.107	0.082
	(0.046)	(0.049)	(0.084)	(0.062)	(0.075)	(0.052)
Democracy*		-0.015***	-0.032***	-0.012*	-0.026***	-0.011**

Notes: Standard errors in parentheses. * significant at 10%; ** significant at 5%; *** significant at 1%

|						
FDI$_{t-1}$		(0.005)	(0.009)	(0.007)	(0.009)	(0.005)
Lagged DV	0.043***	0.044***	0.059***	0.124**	-0.03	0.059***
	-0.011	-0.011	(0.019)	(0.054)	-0.095	-0.013
Trade	-0.246	-0.304	0.076	-1.063**	-0.906*	-0.258
	(0.300)	(0.304)	(0.370)	(0.427)	(0.505)	(0.317)
Log GDP Per Capita	0.184	0.229	(0.193)	0.385	0.096	0.311
	(0.202)	(0.204)	(0.234)	(0.264)	(0.301)	(0.201)
GDP Growth	-4.655***	-5.010***	-2.862*	-5.088***	-5.227***	-4.494***
	(1.124)	(1.123)	(1.556)	(1.540)	(1.880)	(1.220)
Inflation	0.006	0.007	0.013*	0.002	-0.001	0.010**
	(0.005)	(0.005)	(0.007)	(0.007)	(0.009)	(0.005)
% Urban	1.733**	1.554*	2.191**	2.040*	1.593	1.998**
	(0.813)	(0.823)	(0.927)	(1.124)	(1.322)	(0.800)
Exchange Rate Change	0.505*	0.361	0.317	0.506	1.034**	0.104
	(0.280)	(0.286)	(0.387)	(0.398)	(0.483)	(0.314)
Log Population	0.347***	0.341***	0.389***	0.518***	0.538***	0.450***
	(0.091)	(0.095)	(0.114)	(0.134)	(0.149)	(0.094)
Time	0.031***	0.039***	0.032**	0.021	0.053***	0.023*
	(0.012)	(0.012)	(0.016)	(0.016)	(0.019)	(0.013)
Constant	-9.228***	-9.614***	-10.226***	-13.077***	-12.089***	-12.413***
	(2.138)	(2.161)	(2.577)	(2.878)	(3.083)	(2.123)
Observations	2348	2348	2348	2348	2348	2348
Number of countries	131	131	131	131	131	131

Table 2: Regime Type, FDI and Labor Protest

| Explanatory Variable	All Protest	All Protest	Industrial Protest	Political Protest	Violent Protest	Nonviolent Protest
	(7)	(8)	(9)	(10)	(11)	(12)
Log FDI Flows$_{t-1}$	0.044	-0.015	0.163**	-0.021	-0.040	-0.019
	(0.045)	(0.047)	(0.074)	(0.059)	(0.075)	(0.052)
Military Regime/ Monarchy	-0.781***	-1.014	-4.093**	0.032	-0.408	-0.941
	(0.244)	(0.618)	(1.690)	(0.606)	(0.726)	(0.690)
Single Party Authoritarian	-1.234***	-5.564***	-9.828**	-3.012*	-34.949*	-4.266***
	(0.455)	(1.789)	(4.023)	(1.684)	(20.308)	(1.650)
Multiparty Authoritarian	0.232	-0.800*	-0.797	-1.050*	-2.249***	-0.285
	(0.163)	(0.467)	(0.688)	(0.634)	(0.824)	(0.514)
Military/Monarchy *FDI$_{t-1}$		0.029	0.385	-0.081	0.001	0.009
		(0.101)	(0.250)	(0.101)	(0.119)	(0.114)
Single Party * FDI$_{t-1}$		0.635**	1.208**	0.258	3.308*	0.529**
		(0.266)	(0.538)	(0.239)	(1.874)	(0.242)
Multiparty *FDI$_{t-1}$		0.163**	0.141	0.249**	0.411***	0.067
		(0.072)	(0.099)	(0.107)	(0.139)	(0.079)
Lagged DV	0.043***	0.041***	0.046**	0.119**	-0.049	0.064***
	(0.011)	(0.011)	(0.019)	(0.054)	(0.100)	(0.016)
Trade	-0.198	-0.358	0.001	-0.013***	-1.081**	-0.392
	(0.293)	(0.305)	(0.004)	(0.004)	(0.551)	(0.321)
Log GDP Per Capita	0.138	0.037	-0.259	0.241	-0.117	0.195
	(0.196)	(0.201)	(0.243)	(0.267)	(0.329)	(0.208)
GDP Growth	-4.368***	-4.951***	-0.030*	-0.053***	-5.940***	-3.535***
	(1.101)	(1.169)	(0.016)	(0.016)	(2.172)	(1.334)
Inflation	0.007	0.008	0.000***	0.000	-0.013	0.005
	-0.005	-0.007	(0.000)	(0.000)	-0.019	-0.009
% Urban	1.873**	2.138***	0.027***	0.026**	1.621	2.599***
	(0.782)	(0.811)	(0.010)	(0.011)	(1.404)	(0.829)
Exchange Rate Chg	0.398	0.196	-0.001	0.004	0.953*	0.200
	(0.278)	(0.294)	(0.004)	(0.004)	(0.530)	(0.345)
Log Population	0.397***	0.369***	0.386***	0.485***	0.511***	0.501***
	(0.090)	(0.096)	(0.120)	(0.136)	(0.163)	(0.100)
Time	0.028**	0.034***	0.028*	0.016	0.044**	0.020
	(0.012)	(0.012)	(0.016)	(0.016)	(0.020)	(0.013)
Constant	-9.559***	-7.918***	-7.730***	-10.964***	-8.619**	-11.786***
	(2.113)	(2.217)	(2.797)	(3.020)	(3.361)	(2.311)
Observations	2340	2206	2206	2206	2206	2206
Number of countries	131	131	131	131	131	131

Notes: Standard errors in parentheses. * significant at 10%; ** significant at 5%; *** significant at 1%
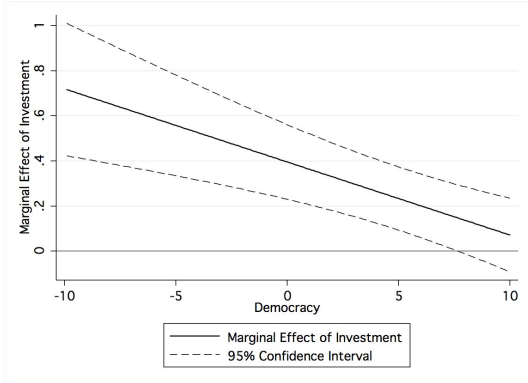
Figure 1: Marginal Effects for All Protest Events
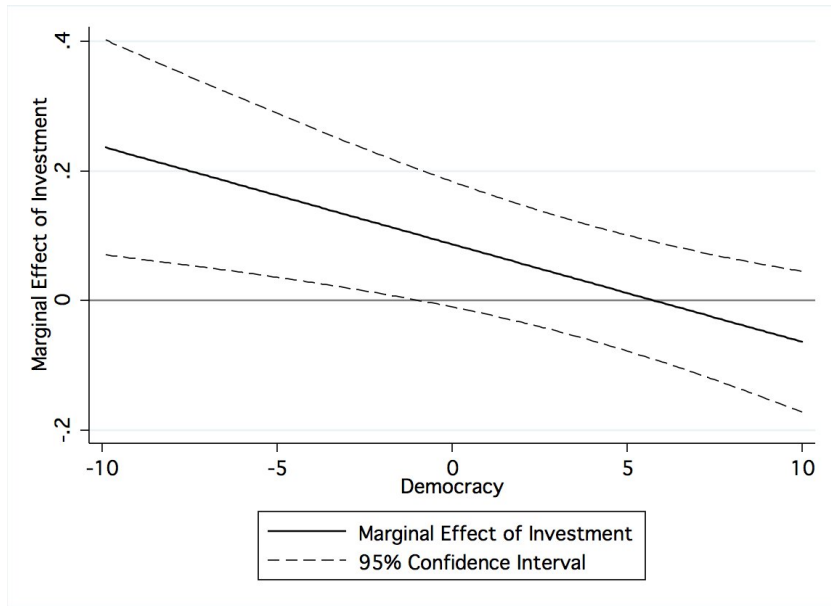
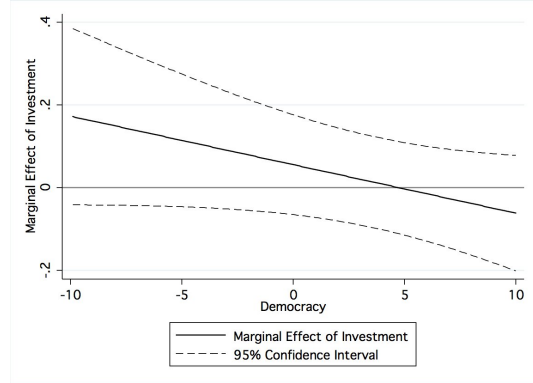A. Marginal Effect of FDI on Protest
at Various Levels of Democracy
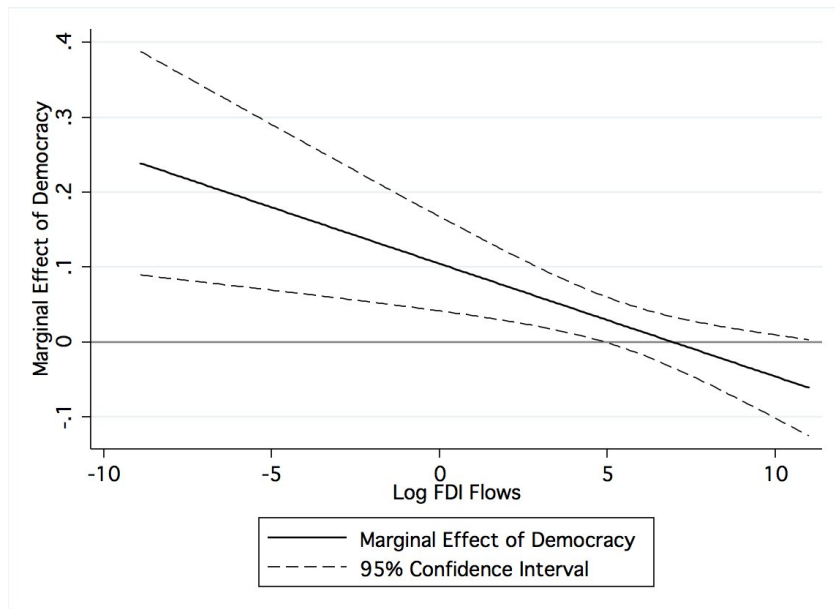
B. Marginal Effect of Democracy on Protest
at Various Levels of FDI
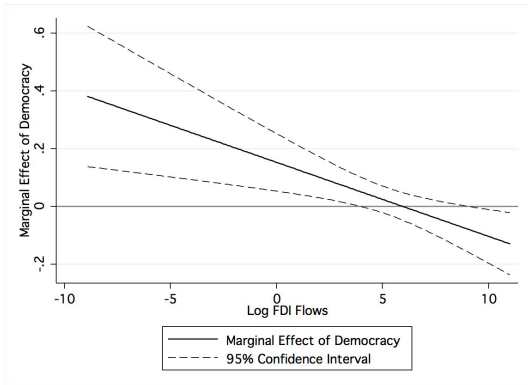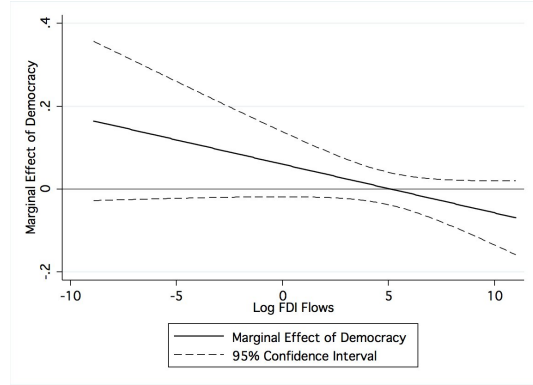
Figure 2: Marginal Effects for Industrial Protest

A. Marginal Effect of Investment on Industrial Protest as Democracy Changes

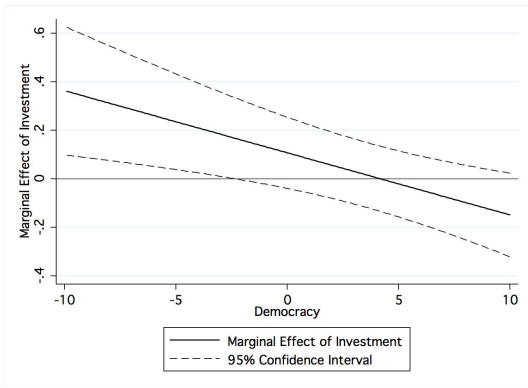B. Marginal Effect of Investment on Political Protest as Democracy Changes

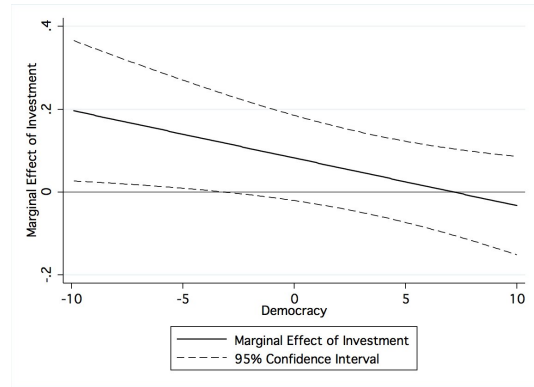C. Marginal Effect of Democracy on Industrial Protest as FDI Changes

D. Marginal Effect of Democracy on Political Protest as FDI Changes

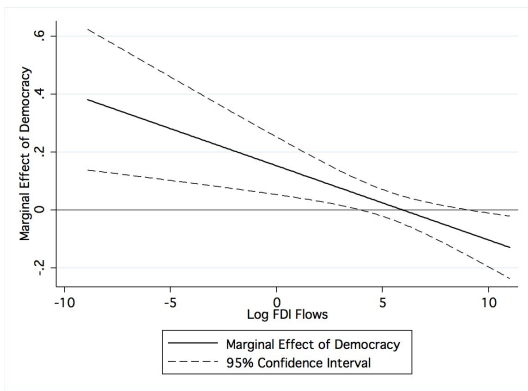# Figure 3: Marginal Effects for Violent and Nonviolent Protest
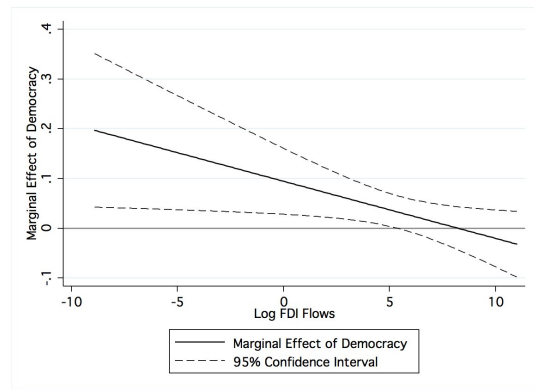

A. Marginal Effect of FDI on Violent Protest at Various Levels of Democracy

B. Marginal Effect of FDI on Nonviolent Protest at Various Levels of Democracy

C. Marginal Effect of Democracy on Violent Protest at Various Levels of FDI

D. Marginal Effect of Democracy on Nonviolent Protest at Various Levels of FDI