Supplementary File

"Moral Hazard and Financial Crisis"

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A1 Overview

This document contains the supplementary appendix for:
Aklin, Michaël and Andreas Kern. Forthcoming. "Moral Hazard and Financial Crises: Evidence from American Troop Deployments," *International Studies Quarterly*.

The tables and figures include:

- Table A1 provides an overview of selected country cases to illustrate the interaction between US strategic interests, financial crises, and bailouts.
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A2 Theory

In recent years, scholars across a variety of disciplines have intensified their efforts to identify the causes of financial crises. Although the triggering factors behind the onset of a financial crisis vary, the consensus in the literature is that most crises can be attributed to overly expansionary macroeconomic and financial policies. These policies foster high levels of leverage and enable the over-accumulation of public or private debt.[1]

We assume that governments have an incentive to encourage short run economic growth, a common claim in the political economy literature.[2] There are various possible reasons for this behavior, one of which is that governments that fail to generate growth tend to be replaced at a higher rate.[3] Of course, this will not apply equally to all countries, and we flesh out the scope conditions of our theory below.

To boost short-term output, governments can adopt an expansionary monetary policy, an aggressive fiscal policy, or risk-inducing financial regulations. A lax monetary policy can be used to increase private credit for firms and consumers, which is another way to keep stake-

[1] Fisher (1933); Minsky (2008); Reinhart and Rogoff (2008); Schularick and Taylor (2012); Laeven and Valencia (2013).
[2] Rajan (2010); Steinberg, Koesel, and Thompson (2013).
[3] Singer (2011).

holders happy.[4] Enhanced fiscal spending can be used to build infrastructures or to fund pet projects for cronies.[5] Financial regulations can also be weakened to spur growth in the short run by encouraging risky investments.[6] We are agnostic about the policy mix that governments prefer and ultimately adopt.

Regardless of the macrofinancial policies that are actually implemented, they each require fresh capital. Both private and public spending must be funded by debt, which makes an economy more vulnerable to financial shocks. Financial and macrofinancial imbalances often grow beyond a country's control and materialize in full fledged financial crisis. Governments may be unable to shoulder ballooning public debt or to bail out their financial sector because of the sheer amount of capital needed. In some cases, governments need to provide liquidity to failing banks and accumulate excessive amounts of debt in the process (such as in the Eurozone crisis).

However, given unpleasant consequences of financial crises – ranging from a contraction of output to social unrest, public health issues, in some cases to the sacking of a finance minister, and in some cases a loss of access to international financial funds[7] – policymakers are likely to be cautious in allowing the excessive build-up of macrofinancial vulnerabilities. Also investors are not likely to lend if they anticipate that their investment is not safe and repayment subject to lengthy 'foreclosure' procedures.[8] Potential investors must carefully consider the risks attached to the provision of capital to governments and their citizens. Unfortunately, they do not know with certainty that they will be repaid. Instead, investors face a typical principal-agent problem. Theoretically, the principal-agent problem can be solved because repeated cheaters (governments and private agents) are easy to identify and blacklist.[9] In such a situation, investors have a strong incentive (1) to detect cheaters *ex ante*, and (2) to punish cheating *ex post*.[10]

[4] Rajan (2010).
[5] Bueno de Mesquita et al. (2003).
[6] Keefer (2007).
[7] Barr et al. (2012); Ponticelli and Voth (2011); Hall (2010).
[8] The saga following Argentina's 2002 default is a typical example (Ahmed, Alfaro, and Maurer, 2010).
[9] Tomz (2007).
[10] Stiglitz and Weiss (1983).

Given that countries need fresh capital on a regular basis, it is thus likely in this two-agent world that financial crises remain rare. Investors and governments will be cautious. The former do not want to lose their invested capital and the latter their reputation. Governments will also have an incentive to restrain their country's private borrowers because they may have to rescue them if the economy takes a turn for the worse. Therefore, in such a setup, we expect crises to be rare because underlying macroeconomic policies are conservative. (Of course, we realize that there may be domestic market and institutional failures, such as poor management of the banking sector and domestic moral hazard, but we set these aside for now.[11])

The situation changes when an international lender of last resort emerges. Sometimes, a crisis is so crippling that a government needs to turn to a sympathetic foreign country or an international organization to provide liquidity. Lenders of last resort make it possible for a country to be bailed out if needed. This bailout can be used to meet immediate spending needs and to reimburse investors. Therefore, lenders of last resort weaken the incentives for debtors to act prudently and for creditors to monitor their investments. In the presence of a lender of last resort, one would expect governments to implement riskier financial policies and adopt more expansive monetary, fiscal and financial regulatory policies. Capital markets would also be more willing to lend to these countries. This is the problem of moral hazard.

The ties between moral hazard and financial instability have long been studied from a domestic perspective.[12] For instance, some commentators have worried that the $700 billion US bailout of large banks through the Troubled Asset Relief Program reassured banks that they were not at risk.[13] In a *Washington Post* column, Simon Johnson and James Kwak claimed that by bailing out banks in 2008, "*the government created moral hazard on an epic scale.*"[14] Similarly, the non-rescue of Lehman Brothers is often perceived as a decision designed to reduce moral hazard.

On an international level, most studies have focused on the role played by the IMF in

[11] Winecoff (2013).
[12] Dam and Koetter (2012).
[13] "US Bailout Program Increased Moral Hazard: Watchdog," *Reuters*, October 21, 2009.
[14] "Lehman Brothers and the Persistence of Moral Hazard" *Washington Post*, September 15, 2009.

contributing to the emergence of moral hazard.[15] In fact, one of the first theoretical contributions to analyze borrower moral hazard, related to IMF programs, has been the work of Vaubel.[16] According to this view, IMF bail-outs fulfill the same function as a subsidized insurance scheme for countries. This leads to a reduction in precautionary macroeconomic measures to prevent the build-up of macrofinancial imbalances. Evrensel examines the introduction of new IMF lending facilities (Structural Adjustment Facility and the Enhanced Structural Adjustment Facility) and finds that these programs encouraged countries to adopt riskier macroeconomic policies, suggesting a moral hazard issue.[17] Moreover, Dreher and Vaubel, analyzing 106 countries in the time span between 1971 to 1997, find that an exhaustion of the IMF quota or a lower level of borrowing potential with the IMF leads to a drop in budget deficits and a slowing of the monetary growth rate which indicates the prevalence of moral hazard.[18] Although several commentators acknowledge the importance of moral hazard,[19] they argue that this effect is small and cannot be accurately measured.[20] Especially, IMF bailouts are believed to be too small to compensate for the economic losses and political consequences of a crisis.[21]

Theoretically, international moral hazard occurs when three conditions are met. First, the lender of last resort must have enough resources and the instruments to bail out debtors or creditors. Second, the lender of last resort must have an interest in the well-being of the borrowing country or the financial institutions that loaned capital to it. Third, the borrowers and the investors must have strong reasons to believe that the lender of last resort has an incentive to bail them out. The lender of last resort must credibly – though not necessarily willingly – signal to markets that it there is a positive likelihood that it would help borrowers and lenders.[22]

[15] Evrensel (2002); Dreher (2004); Fischer (2005).
[16] Vaubel (1983).
[17] Evrensel (2002).
[18] Dreher and Vaubel (2004).
[19] Gai and Taylor (2004); Ghosal and Miller (2003); Dreher (2005)
[20] Fischer (2005).
[21] Nunnenkamp (1999); Lane and Phillips (2000); Mussa (2004); Jeanne and Zettelmeyer (2005).
[22] An important aspect to consider is that the third party itself has *no* incentive to provide this credible signal. Otherwise, it would willingly promote moral hazard. Thus, on an empirical level, the signal must be provided because the party has some other overwhelming reasons to send it.

Since World War II, there have been few third parties that met all three conditions. While the majority of scholarly research focuses on the role of the IMF, we believe that the main lender of last resort has been, in recent decades, the US. There are two reasons for making this claim. There exists a large literature showing that countries are more likely to be bailed out by the IMF if they are important to its main shareholder, the US. Second, controlling the most important reserve currency in the world, the US is one of the few countries that has been able to bypass the IMF altogether and directly provide relief to countries in distress.[23] Indeed, during the 1960s and 1970s, the US has actively bailed out allies such as Italy (1962, 1963, 1977), the UK (1977), and Portugal (1977).[24] The American government was also active in Latin America, with extensive interventions in Mexico ($3 billion in 1982 and a $20 billion loan in 1995), Brazil ($1.23 billion), Argentina, and elsewhere.[25]

The US can draw on a multitude of additional bilateral bailout instruments. In many instances, the US provided support through disbursements from the Exchange Stabilization Fund (e.g., Portugal in 1977), enhanced commodity imports (e.g., South Korea in 1998) in combination with different forms of bilateral and multilateral foreign and military aid (e.g., Pakistan in 2008). Besides these instruments, the US regularly extends additional credits from the Commodity Credit Corporation Fund, bank guarantees from the EX-IM Bank and the Overseas Private Investment Corporation's credit insurance schemes, and the Federal Reserves' bilateral bridge loans (Kahler, 1985). Such loans were extended to Mexico, Argentina, and Brazil during the 1980s. The Fed also signed several swap agreements during the recent crisis, showing that it is still playing an important role in stabilizing financial markets in crisis ridden economies.[26]

However, not every country enjoys access to US support and funding. For instance, Drury and colleagues analyze US aid contributions for disaster relief for a large sample of countries in the time span between 1964 and 1995.[27] They find that "*the probability that allies would*

[23] McDowell (2012).
[24] Kindleberger (1977); Neu (1978).
[25] Wellons (1985); Broz (2005, 2012). For example, in 1995, the US used its Exchange Stabilization Fund to provide Mexico with a $20 billion loan (Broz, 2005).
[26] Kahler (1985); Broz (2012).
[27] Drury, Olson, and Belle (2005, 466).

receive aid is 78% but only 11% for non-allies." In the context of financial crisis, it is well established that countries are more likely to be bailed out by the IMF if they are important to the US.[28] Many empirical studies suggest that countries that are important to the US also benefit from more generous rescue packages from the IMF;[29] softer conditionality;[30] laxer enforcement of conditionality clauses;[31] and lower probability of program suspension, even if program conditions are violated.[32]

Take, for instance, Turkey. Up to 2001, the IMF had provided a total of eighteen bailouts to Turkey. The one in 2001 stands out. While the Bush Administration was openly opposing US and IMF interventions in the resolution of financial crises to reduce moral hazard,[33] it intervened several times and was pushing the IMF to roll out several bail-out packages between 2001 and 2002 to rescue the Turkish economy.[34] Even the *Economist* in 2001 remarked that "*Turkish politicians get away with behaviour that would be unthinkable elsewhere.*"[35] In contrast, Argentina's hopes for an IMF bailout in 2002 were dashed as the US refused its support for a new IMF loan commitment. Why were Argentina and Turkey treated differently? Commentators have suggested that "*Argentina's geopolitical significance paled by comparison with Turkey's*".[36]

In such a setting, moral hazard emerges when investors and foreign governments believe that they are likely to be bailed-out. These two conditions need to be met to reduce the two sides' (investors and borrowers) incentives to reduce monitoring and punishment. Drawing on the literature on financial crises, we find many cases in which investors' actions were shaped by their belief in a lender of last resort. Take, for instance, the case of CalEnergy. Initially a small geothermal firm based in the US, it aggressively expanded into new territories in

[28]Thacker (1999); Oatley and Yackee (2004); Stone (2004); Reynaud and Vauday (2008); Dreher, Sturm, and Vreeland (2014).
[29]Dreher, Sturm, and Vreeland (2014).
[30]Dreher and Jensen (2007)
[31]Steinwand and Stone (2008).
[32]Steinwand and Stone (2008); Dreher, Sturm, and Vreeland (2014).
[33]Helleiner (2009).
[34]Roubini and Setser (2004). For example, in 2002, Turkey secured a $12 billion loan from the IMF, which was approximately 960% of its quota (Haldane and Scheibe, 2004).
[35]See "Turkey's Real Crisis", *The Economist*, May 15, 2001.
[36]Blustein (2005, 146).

the 1990s under the leadership of David Sokol.[37] CalEnergy invested in places such as Indonesia on the even of the 1997 Southeast Asian crisis. As troubles started to mount, the cash-strapped Indonesian government canceled the projects for which it had hired CalEnergy, triggering a lengthy legal battle. What is interesting for us are the reasons that pushed CalEnergy into investing in Indonesia in the first place. In 1998, David Sokol exposed his rationale during a hearing in Congress on the Asian Financial Crisis. He stressed the importance of OPIC insurance, a US government-backed insurance scheme against political risk for American firms that want to invest abroad. Sokol bluntly stated that:

> "And I can tell you, we would have not invested in Indonesia if we'd not been able to attain OPIC insurance, because the transparency issues were clear to us."[38]

This claim is backed by many analysts and even OPIC officials who connect OPIC's insurance to moral hazard and argue that CalEnergy did not do its due diligence before and during the crisis because it knew it was not at risk.[39]

For moral hazard to affect outcomes, US support has to be believed by foreign governments as well. Several classified US documents provide historical evidence that administrations in politically important countries expect the US to intervene.[40] Often, these expectations are met, as the evidence from the IMF literature mentioned above shows. In the odd cases when they are not met, partners are likely to voice their disappointment. An illustrative case is Kyrgyzstan where the US operated Manas Airbase since 2001. This base was particularly useful for American operations in central Asia. In early 2008, in the wake of the global financial crises, Kyrgyzstan's government faced severe economic pressures and approached the US to seek additional support. Although Kyrgyzstan received an IMF support package to counter the economic downturn, seemingly disappointed high ranking Kyrgyz government representatives told the US Ambassador in early 2009:

[37] Wells and Ahmed (2007).

[38] Hearing before the Subcommittee on Asia and the Pacific and International Economic Policy and Trade of the Committee on International Relations, House of Representatives, 105th Congress, Second Session, February, 4, 1998.

[39] Martin (2001); Wells and Ahmed (2007, 227).

[40] For a detailed description, see Table A1.

> "[...] for Kyrgyzstan, the US relationship was like a 'wedding without a bride' – the promised economic investment and compensation has never come. The US could help 'with the IMF and World Bank' to increase their support to Kyrgyzstan."[41]

This country case is not an exception and it illustrates a systemic pattern that we explore in more detail in the empirical section of the paper.

Let us now sketch our theory. Its general argument is summarized in Figure A1. Our starting point is the US. We assume that it has well-defined foreign policy preferences. We are agnostic about what drives these preferences. We do not, however, that the literature generally assumes that the key drivers are generally geopolitical and influential domestic constituencies.[42] These preferences mean that the US has an interest in the stability of a set of countries. For instance, during the Cold War, the US engaged in many operations to support countries at risk while undermining unsympathetic regime.[43]

Occasionally, the US has to intervene abroad either to maintain the status quo or to respond to new challenges. For instance, the 2003 Iraq war forced the US to find new bases and routes for its army. The value of third countries may therefore raise and fall with time. In any case, the US sometimes has to reveal its preferences. Using the same example, it was soon pretty clear to all stakeholders that Turkey played a particularly important role in the US Middle Eastern plans – and the Turkish government was certainly aware of that.

This has consequences. When the US credibly signals its support to another country, it enables the latter's government to follow riskier macroeconomic policies. This is because US behavior strengthens the beliefs that it will use its resources (including the IMF) to prevent or reduce the full impact of a potential crisis. The government's supporters will benefit either by being the direct recipient of additional public spending or by borrowing at lower cost. This in turn will generate growth in the short run, bolstering an incumbents' popularity among key constituencies. In fact, governments that do not take advantage of US support may well risk being replaced early on by a more risk-seeking alternative.

[41] "Russia Offers Kyrgyzstan $2.5 Billion to Shut Down Manas Air Base," *WikiLeaks*, Cable Reference ID: 09BISHKEK47, September, 1, 2011.
[42] Jacobs and Page (2005).
[43] Berger et al. (2013).

At the same time, American support incentivizes capital markets to direct their funds towards the country in question. Investors, especially when they are based in the US, know that the returns will exceed the risks, because they are implicitly insured. In fact, when investors take advantage of tools such as OPIC or the Ex-Im Bank, they are *explicitly* insured against potential political threats.

In sum, we make three sets of predictions. (1) We believe that US support increases the risk of financial crisis. This is caused by moral hazard, since it encourages (2) host governments to adopt risky policies, and (3) capital markets to direct capital flows to this country. Empirically, we test two sets of hypotheses. First, we estimate the reduced form model $\text{Pr(Crisis)}_i = f(\text{US Support to } i)$ (Table 1). We expect the relation to be positive.

Second, we quantify the effect of US support to country i on i's fiscal, monetary, and financial policies (Table 3, Panel A). We also examine capital markets because American support is expected to lead to more private debt and capital inflows. We study private sector debt, total foreign liabilities, investments from US banks, and the strength of i's exchange rate (Table 3, Panel B). These tests are important because they allow us to rule out alternative explanations for a positive correlation between US troops and financial crises. We discuss this in greater details in the next section.[44]

What are the scope conditions for these hypotheses to hold? We believe that we are more likely to find an effect among developing countries; particularly, those that have a somewhat developed financial market may be more likely to be vulnerable to moral hazard. The reason is that a country needs at least some degree of financial sophistication to be tied to global capital markets. The poorest countries and those with underdeveloped financial sectors are unlikely to be able to take advantage of a US commitment. On the opposite end of the spectrum, the moral hazard effect is unlikely to be detectable in countries that are highly developed and have easy access to capital. We analyze all countries first, and then reduce the sample to non-OECD countries and to countries with a private credit-to-GDP ratio between 20 and 80%, a

[44]We additionally examine how US support increases the chances of receiving a bailout (Table A6). Since this last set of tests has important data limitations, we leave more detailed analyses to future research. See also Oatley and Yackee (2004) and Thacker (1999) for evidence suggesting that countries closer to the US are more likely to receive IMF bailouts.

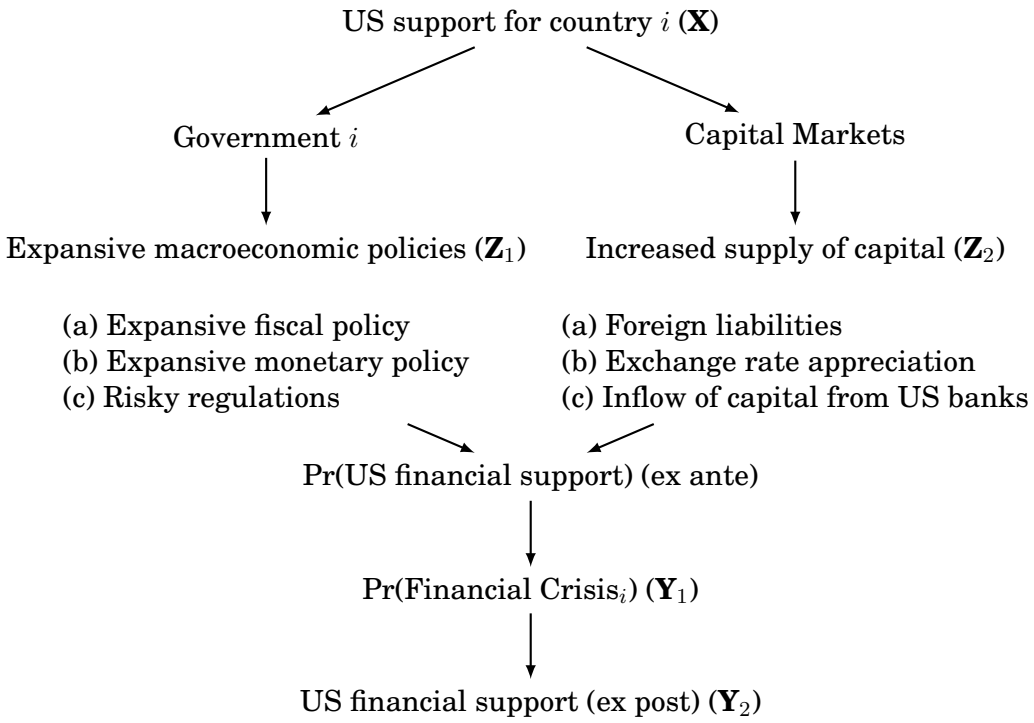

Figure A1: Stylized and simplified illustration of the causal path. We report the (reduced form) main results $Y_1 = f(X)$ in Table 1 and the mechanism path $Z_1 = f(X)$ and $Z_2 = f(X)$ in Table 3 (Panel A and B, respectively). Notice that there could be additional causal paths (e.g., between Z_1 and Z_2) that we do not list here. In the appendix, we report the results on the rationality of bailout expectations $Y_2 = f(X)$ (Table A6). US financial support (Y_2) includes support by debtors or creditors; it can be partial or complete; and it can be direct or indirect (e.g. through IMF).

typical measure of intermediate financial development.[45]

A3 Qualitative Evidence

Below, we provide qualitative evidence for moral hazard, US foreign policy interest, and domestic macroeconomic policies. Some of these notes are drawn verbatim from the article. They are organized by geographical region.

A3.1 General

Brooks, Ikenberry, and Wohlforth (2013, 5) define moral hazard in international politics (in the context of security issues) as follows:

> *securing smaller allies (...) emboldens those states to take risks they would not otherwise accept (...).*

Machain and Morgan (2013) analyze a large sample of countries in the time span between 1950 and 2005 and conclude that hosting nations tend to reduce their military personnel and budget by free-riding on the US military. Machain and Morgan (2013) also find empirical evidence supporting that these host countries follow a "hazardous" foreign policy stance, as they are more likely to engage in small-scale interstate disputes.

A3.2 Southeast Asia

Posen (2013, 3) notes a general tendency of smaller Southeast Asian powers to use the American foreign policy umbrella when dealing with China:

> *[Taiwan and the Philippines] can needle China... and then seek shelter under the US umbrella when China inevitably reacts* (Posen, 2013, 3).

[45] In addition, the main sample does not include countries in years in which they are at war, but as Table A39 and A40 show, the results are almost exactly the same when we include all countries and control for the presence of a violent conflict.

The 1997 crisis is particularly instructive. President Clinton's 1998 State of the Union address referred to the strategic importance of its Asian allies and that *"they are our strategic partners. Their stability bolsters our security."* Stuart Eizenstat (State Department) notes the links between US security policy and the expectations its allies have for financial support in case of crises (here during the 1997 Southeast Asian crisis):

> "Our engagement at this time in the financial problems of our friends and allies will speak volumes about our capacity to mobilize their support in the future for a whole range of issues important to us in our security (...). We have 100,000 troops in the Asia-Pacific area; 37,000 in South Korea, 40,000 in Japan, and another 30,000 at sea...The countries hardest hit are among our closest and most vital friends and allies (...). *In conclusion, leadership is not divisible. We can't lead on critical security issues or on opening markets, while at the same time thinking we can abdicate our lead in maintaining the international financial system*."[46] (Emphasis added.)

This interplay of security interests and financial stability considerations is also reflected in the position of the Department of Defense. To give an example, we included excerpts from a Congressional Hearing on May 7th, 1998 on the topic "Tradition and Transformation: U.S. Security Interests in Asia." Putting the Asian Financial Crisis into context Under Secretary Walter B. Slocombe outlines that:

> *The security that has been provided in large part by our presence in that region and our security relationships in the region has been a necessary, not a sufficient, but a necessary condition of that economic development. That security is even more important in times when nations must take tough decisions to surmount economic problems than it is in times of easy prosperity [...] we need to maintain our forward presence, both to serve as a symbol of our concern, to provide deterrence, and most fundamentally to provide an immediately available powerful military force as*

[46] Hearing before the Subcommittee on Asia and the Pacific and International Economic Policy and Trade of the Committee on International Relations, House of Representatives, 105th Congress, Second Session, February 4, 1998.

needed [...]. (Congress, 1998)

As these pieces of evidence indicate, the actual number of troops deployed can be regarded as a proxy for the critical importance of a country on the US security agenda. In this respect, Admiral Prueher further elaborates and argues that:

> *The last thing that is very much on our plate is trying to deal with the impact of the East Asian economic crisis on security matters, and those things, as have also been pointed out, are very closely intertwined [...] It is, then, with Indonesia where we look where they are under heavy stress both politically and economically with the decrease of the Rupia. This puts the Indonesian Armed Forces (ABRI) in an extremely sensitive situation, and we are trying to stay in close touch with the Indonesian military in a constructive way to be as helpful as we can as they work to maintain order.*[47]

This statement underscores the importance of military cooperation beyond security concerns and hints to the importance of the US Department of Defense responding to financial crisis situations. In addition to these concerns, the US Department of Defense was worried about the consequences of fiscal austerity in the region and the ability of governments to uphold their weapon purchase agreements, which reached approximately $3billion. In response to the onset of the crisis "*Secretary of Defense William Cohen pledged that the United States would do what it could to help the countries weather the storm, using its leverage with American manufacturers to help salvage weapons purchases*"(Myers, 1998, 1).

Beyond these considerations, also the private sector had expectations about US support too: David Sokol's, former Chairman and CEO of CalEnergy Inc., testified during a hearing in Congress on the Asian Financial Crisis:

> *And I can tell you, we would have not invested in Indonesia if we'd not been able to attain OPIC [US government's development finance institution] insurance, because*

[47] Hearing before the Committee on Armed Services, United States Senate, Posture Hearing, March, 5, 1998.

the transparency issues were clear to us.[48]

The Southeast Asian financial crisis in 1997 also allows us to test another prediction of our theoretical considerations. If governments pursue more risky policies once they host US troops, a removal of US troops should be associated with more prudent financial policies. The case of the Philippines nicely illustrates such a pattern. In 1991 – with the closure of Clark Air Base – the US *de facto* removed its military presence from the Philippines (De Castro, 2003). Interestingly, Noland (2000, 401), assessing the crisis experience across several countries in the region, points out that "*the Philippines's contraction was considerably less severe than those experienced by its neighbor.*" There are several reasons for this observation. First, in the course of the financial reforms during the 1990s, banks were forced to hold substantial capital buffers. Second, prudential oversight and regulation were strengthened during the mid 1990s (Noland, 2000). Most prominently, the Central Bank Act of 1993 established political independence of monetary authorities in the Philippines (Gochoco-Bautista, 1999). Finally, also foreign capital inflows – especially hot money inflows – were substantially smaller in comparison to regional peers (Haggard, 2000). As a result, Noland (2000, 407) finds that:

> *The quality of bank lending appears to have been higher as well: exposure to the real estate sector was lower, collateral valuations were lower, and capital adequacy was higher. Non-performing loans were lower going into the crisis and increased less once the crisis was underway.*

Overall, according to several observers the financial system of the Philippines appeared to be stronger and less vulnerable to sudden capital inflow reversals (Haggard, 2000). Although commentators do not attribute the shift towards strengthening financial regulation and a smaller exposure to international capital markets to US troops removals, we believe the case of the Philippines nicely illustrates the rationale of governments and investors to become more risk averse once close political ties with the US are interrupted.

[48] Hearing before the Subcommittee on Asia and the Pacific and International Economic Policy and Trade of the Committee on International Relations, House of Representatives, 105th Congress, Second Session, February, 4, 1998.

A3.3 Turkey

Turkey became an important ally of the US for all operations in the Near and Middle East, both before and after the beginning of the 2003 Iraq War. Right before the war, in 2002, US representatives offered a generous support package to Turkey in exchange for military cooperation. According to this arrangement, Turkey was offered $2 billion per year in cash, $1 billion in oil to be donated by other nations, and, up to $500 million in local procurement by US defense forces' in case the US went to war with Iraq. In case war was not a viable option, Turkey was offered about $500 million in additional foreign aid that would be disbursed through various channels.[49].

Later, a private US memo mentioned the need for:

> *early and substantial US financial support in the form of a 'standby' arrangement, mentioning a figure of $20 billion...to positively influence the perception of the markets that the US would "not let Turkey go down the drain" and that the Turkish economy would 'stay afloat'.*[50]

This had an effect on Turkish policymakers; as another US memo noted,

> *Turkey believes that we cannot divorce the security cooperation program from broader concepts of economic support/strategic alliance. The Turkish view is that modernization and related programs are not just business, but are critical investments in the common strategic interest. Turkish expectations about US economic support remain high.*[51]

Adding to this conversation, several additional cables reinforce this impression. Summarizing the economic policy stance to tackle a widening the fiscal gap, the US Embassy in Ankara notes that,

[49] "Wolfowitz and Grossman Press Turks for Support on Iraq," *WikiLeaks*, Cable Reference ID:02ANKARA9058, September, 1, 2011.

[50] "Wolfowitz and Grossman Press Turks for Support on Iraq," *WikiLeaks*, Cable Reference ID:02ANKARA9058, September, 1, 2011.

[51] "Scenesetter for SACEUR General Jones's January 24th Visit to Ankara," *WikiLeaks*, Cable Reference ID: 03ANKARA548, September, 1, 2011.

"*will continue to deliver the economic reform message to senior officials, party members and parliamentarians in the days ahead. We note some positive developments in recent days, such as new fiscal measures and an ambitious privatization program, but do not yet see any signs of a turnaround on other problem areas such as the procurement law and tax truce. Also, there remains a disturbing gap between AK's "all is well, we are committed to reform" rhetoric and its actions.*"[52]

Unsurprisingly, the US embassy in 2003 concludes that

"*this government has clearly demonstrated that it will only implement sound policies and structural reforms when it is under clear pressure from its debt structure, the markets, the IFIs or the international authorities.*"[53]

This was thought to generate moral hazard:

"Moral Hazard: Other banking and market analysts shared Citibank's belief that the expectation of U.S. assistance has created a moral hazard to one degree or another, and is encouraging the markets to look beyond such key issues as the sustainability of real interest rates. *There was a general consensus from our interlocutors that the markets believe that the U.S. and IMF will take a more charitable view of Turkey's actions in the event of an Iraq operation*."[54] (Emphasis added)

Showing that a country can benefit for from direct and indirect US support, Turkey's budgetary pressures and corresponding difficulties in international bond markets in 2003 nicely capture this effect. According to an US government official's assessment:

[...] while some may argue that Turkey needs a larger up-front disbursement to calm financial markets, our sense from talking to the investment community is that it is sound government policy – much more than additional international borrowing – that is key to short-term stability. Moreover, *investors tell us that it is the*

[52]"Latest Embassy meetings on economic reform," *WikiLeaks*, Cable Reference 03ANKARA301, 03ANKARA326, September, 1, 2011.

[53]"Tranching and Conditioning of U.S. Assistance to Turkey," *WikiLeaks*, September, 1, 2011.

[54]"Istanbul Markets "Wait and See" on Government Policy and Iraq: Betting on U.S. Aid." *WikiLeaks*, Cable Reference ID:03ISTANBUL113, September, 1, 2011.

fact of US support, not the absolute amounts, that has bolstered confidence in recent days[55] (Emphasis added)

We can contrast this case with Argentina in 2002. Argentina's hopes for an IMF bailout were dashed as the US refused to support it. Commentators have suggested that this was because (Blustein, 2005, 146):

Argentina's geopolitical significance paled by comparison with Turkey's.

Although even then, the State Department and the National Security Council both supported the position to continue providing funds to Argentina.

A3.4 Kyrgyzstan

Kyrgyzstan is another case in which US troops have been seen as an explicit country insurance. Since 2001, the US operated Manas Air Force Base supporting its operations in Afghanistan, but seemingly did not pursue other economic interests in the country. In early 2008, in the wake of the global financial crises, Kyrgyzstan's government faced severe economic pressure and approached the US to seek additional support. Although Kyrgyzstan received an IMF support package to counter the economic downturn, seemingly disappointed high ranking Kyrgyz government representatives told the US Ambassador in early 2009:

[...] for Kyrgyzstan, the US relationship was like a 'wedding without a bride' – the promised economic investment and compensation has never come. Everything is in the military framework... with no help to Kyrgyz banks or the stock exchange. The US could help 'with the IMF and World Bank' to increase their support to Kyrgyzstan."[56]

[55] "Tranching and Conditioning of US Assistance to Turkey," *WikiLeaks*, Cable Reference ID:03ANKARA2243, September, 1, 2011.

[56] "Russia Offers Kyrgyzstan $2.5 Billion to Shut Down Manas Air Base," *WikiLeaks*, Cable Reference ID: 09BISHKEK47, September, 1, 2011.

A3.5 Ecuador

Ecuador's suffered from repeated sovereign debt crises. Calomiris (2000, 88) notes that the IMF and the US were willing to step in. The reason is the following:

> "Ecuador has been suffering a deepening financial crisis for several years caused by the combination of an unresolved internal policy struggle, adverse economic shocks to its terms of trade, and a poorly regulated banking system... As yet, there is no consensus for reform in Ecuador, and there is no reason to believe that reforms will be produced by a few hundreds of millions of IMF dollars. Why in the world is the IMF sending money to Ecuador? *Some observes claim that IMF aid to Ecuador is best understood as a means of sending political payola to the Ecuadorian government at a time when the United States wishes to ensure continuing use of its military bases there monitoring drug trafficking*." (Emphasis added)

A3.6 Pakistan

The case of Pakistan around 2008 illustrates the influence of the US government on IMF bailout practices. At the time, Pakistan was suffering from acute financial needs. At the outset of the crisis, the Pakistani administration unsuccessfully approached several countries among the so-called "Friends of Pakistan," an informal group of eleven countries (including the US) and delegates from the UN and the IMF, to organize a bailout. Being convinced of the fraudulent management behavior of the Pakistani government, the IMF initially declined Pakistan's bailout request in October 2008 (Martin and Kronstadt, 2008).[57]

In light of looming macrofinancial imbalances, the Head of the IMF mission to Pakistan, Mohsin Khan, notes in a conversation with US government officials that "*[...] the GOP [Government of Pakistan] is relying too heavily on their geo-strategic importance and still believes that, in the end, international assistance will come to help overcome the current budget shortfalls.*"[58] In a separate cable, the Governor of the State Bank of Pakistan, Shamshad Akhtar,

[57] "IMF Considers Pakistan Economic Managers Deceitful," *The Express Tribune*, April 26, 2011.

[58] "GOP still lacks plan to tackle economic issues," *WikiLeaks*, Cable Reference 07ISLAMABAD2960, 08ISLAM-

acknowledges the difficulties of raising interest rates because of substantial special interest group interference. At the same time she notes that "*despite the constant discussion and public announcements of plans A, B, and C, the government has only one plan– to get money.*"[59] The Bush administration, on the other hand, sought to expand support to Pakistan. Eventually, after several White House interventions at the IMF, Pakistan finally gained access to a $15.8 billion loan in November 2008 (Cohen and Chollet, 2007).

ABAD2935, September, 1, 2011.

[59]"DCM meets with Stata Bank Governor Akhtar," *WikiLeaks*, Cable Reference 08ISLAMABAD3699, September, 1, 2011.

Table A1: Strategic Importance and US Bailouts

Year	Country	Military Presence?	US Interest	Crisis Type	Crisis Origin	Bailout
1964	Italy	✓	Military logistics hub; Securing critical sea lanes for military and economic purposes; Containing Soviet interference in Western Europe.	Speculative Pressure on Currency	Fiscal Imbalances	ESF
1964	United Kingdom	✓	Military logistics hub; Military support (SE Asia) and deterrence of Soviet influence in Western Europe. Suez Channel security cooperation	Speculative Pressure on Currency	Fiscal Imbalances	ESF
1978	Portugal	✓ (Azores)	Containing Soviet interference in Western Europe; Democracy promotion	Currency Crisis	Fiscal Imbalances	ESF; IMF
1979	United Kingdom	✓	Military logistics hub; Containing Soviet interference in Western Europe.	Speculative Pressure on Currency	Fiscal Imbalances	ESF
1997	South Korea	✓	Containing Chinese influence in Asia; Purchase agreements of US defense systems. Purchase agreements of US defense systems.	Banking Crisis; Currency Crisis	Credit-Boom-Bust Cycle, Unsustainable private levels	IMF
1997	Indonesia	✓	Containing Chinese influence in Asia; Securing critical sea lanes for military and economic purposes; Purchase agreements of US defense systems.	Banking Crisis; Currency Crisis	Unsustainable private levels	IMF
1997	Thailand	✓	Containing Chinese influence in Asia; Securing critical sea lanes for military and economic purposes; Purchase agreements of US defense systems.	Banking Crisis; Currency Crisis	Credit-Boom-Bust Cycle; Unsustainable private levels	IMF
1997	Philippines	✓	Containing Chinese influence in Asia; Securing critical sea lanes for military and economic purposes; Purchase agreements of US defense systems.	Currency Crisis	Unsustainable private levels	IMF
1999	Ecuador	✓ (Manta Airbase)	Alliance in the War on Drugs	Banking Crisis; Currency Crisis; Sovereign Default	Unsustainable private and public debt levels	IMF
2001	Turkey	✓	Logistic hub for military operations in Afghanistan and Iraq; Purchase agreements of US defense systems.	Banking Crisis; Currency Crisis	Credit-Boom-Bust Cycle; Excessive private debt; Fiscal Imbalances.	IMF
2002	Argentina	–	–	Banking Crisis, Currency Crisis, Sovereign Default	Unsustainable private and public debt levels.	None.
2008	Kyrgyzstan	✓	Logistic hub for military operations in Afghanistan (US Air Force)	Inflation Crisis	Unsustainable monetary expansion.	IMF
2008	Pakistan	✓	Logistic hub for military operations in Afghanistan; Support on the War on Global Terrorism.	Sovereign Default	Unsustainable public debt levels	IMF

This list of cases is not exhaustive and reflects case studies that are presented in the main text. The assessments are based on various sources and references, which we used constructing our case studies in Section A3. *US interest* refers to the presence of American military installations and bases. *Crisis* refers to the type of financial crisis. *Bailout* indicates the source of bailout; ESF indicates whether the Exchange Stabilization Fund was used.

A4 Descriptive and Summary Statistics

This section presents the variables and the data source that we have used.

Our main independent variable is the (log) number of US troops located in a given country-year.[60] The summary statistics of all variables are reported in Table A2. By taking the log, we follow the literature for two reasons (Biglaiser and DeRouen, 2007). First, theoretically we expect the effect of troops to decrease at the margin; increasing troops from zero to 100 should have a stronger effect than increasing them from 1,000 to 1,100. Second, the data are extremely right-skewed. Taking the log reduces the influence of extreme outliers. Because we control for population separately and focus on within-country variation (by including country fixed effects), we do not further normalize the variable.[61]

The data are compiled by the Department of Defense and are available from 1950 until 2012 (Kane, 2004, 2012).[62] Data limitations on other variables reduce the actual sample to the 1960-2009 period. These troops are mostly deployed in peaceful locations. Reynaud and Vauday (2008) note that *"most troop deployments occur in noncombat situations that have little to do with immediate conflict and signify amicable relations between the US and the developing country."* In the robustness section below, we discuss how we dealt with possible measurement issues. Notably, we verify that the results are not driven by embassy security personnel.

We claim that the presence of American troops increases moral hazard because it provides a credible signal to markets that the US is committed to the stability and welfare of this country. We argue that this encourages riskier expansionary macroeconomic policies. We test these hypotheses in three steps. First, we examine whether countries that have more American troops on their soil are more likely to suffer from financial distress. This is our main hypothesis. Second, we analyze whether these same countries are more likely to implement

[60] All countries used in the analysis are listed in Table A4. Missingness is treated by casewise

[61] We also show that the results remain similar if we use troops per capita (Table A12) or the log of troops per capita (Table A11).

[62] Figure A3 reports the general trends in troop deployment over the past decades. Notice that there a non-trivial number of country-years with no troops. We verify that these are not driving the results by removing them from the sample (Table A27); this has no bearing on our findings.

risky domestic policies and are more likely to receive international capital. Finally, we briefly discuss the rationality of bailout expectations.

To test the first hypothesis, we draw on data on financial crises from Reinhart and Rogoff (2009). Reinhart and Rogoff collected data on six different kinds of crises: banking crises, currency crises, inflation crises, domestic public debt crises, and external public debt crises. Banking crises are marked by either bank runs or by *"the closure, merging, takeover, or large-scale government assistance of an important financial institution (or group of institutions) that marks the start of a string of similar outcomes for other financial institutions"* (Reinhart and Rogoff, 2010, 1680).[63] A currency crisis happens when a country's currency depreciates by over 15% in one year. Inflation crises occur when a country suffers from more than 20% of inflation in a given year. Finally, public debt crises happen when a country defaults on its domestic or its external debt. Initially, we pool these crises together and create a dummy variable that takes the value 1 if any crisis occurs in a given country-year, and zero otherwise.[64]

In Table A9, we explore the *onset* of crises instead of their occurrence in any given year. We code the outcome variable as 1 the year in which a crisis starts and zero otherwise. To account for possible bias, we include a lagged dependent variable (McGrath, 2015).[65] We discuss these results below.

Second, we investigate the channels through which the effect of troops materializes. We focus on nine outcomes. Five are related to domestic policies and four to international capital flows. At the domestic level, we examine whether US troops increase government consumption. If troops create moral hazard, governments might be inclined to curry favor to their supporters by following an expansive fiscal policy (Bueno de Mesquita et al., 2003). We measure government spending as its logged consumption expenditure; the data come from the *World*

[63] In Table A7, we combine the Reinhart and Rogoff data with Laeven and Valencia (2013), with very similar results.

[64] We replicate our main results using external sovereign debt crises as the sole dependent variable (Table A8). Since it is the type of crisis that is most tied to the behavior of governments, we expect to obtain results in strong support for our initial hypothesis. This is indeed what we find.

[65] The other options suggested by McGrath (2015) – dropping the years after a crisis starts for the entire duration of the crisis or using a Markov transition model – are impractical because of important data losses and the number of parameters that would need to be estimated.

Development Indicators. We also examine whether American troops are positively correlated with sovereign debt (logged). This would demonstrate greater access to capital markets. The data are from the IMF's *International Financial Statistics*. We then look at monetary policy. We measure the effect of troops on interest rates. For the former, we look at the difference between bank lending interest rate and the Federal Reserve's three-month T-bill rate.[66] By using the spread, we control by construction for changes in US monetary policy and global fluctuations in macroeconomic conditions. We expect the spread to decrease as the number of troops increases.

The next two outcomes relate to domestic financial policy-making. Governments may feel empowered to soften regulations if they expect the backing of the US. The third outcome is the introduction of a deposit insurance system. Deposit insurance is a useful instrument to alleviate the risk of bank runs, but it can create the problem of excessive risk taking (Diamond and Dybvig, 1983). Customers and creditors have little reason to scrutinize their banks if they know that their deposits are safe. This allows banks to venture into riskier investments that may be very lucrative in the short run (Dam and Koetter, 2012). Deposit insurances are thus a transfer of liability from the private sector to the government. If the US operates as a lender of last resort, however, the weight of this liability to third governments is reduced. This may incentivize them to take advantage of the increased financial activity that comes with deposit insurance. The data come from Demirgüç-Kunt, Karacaovali, and Laeven (2005).

Next, we analyze whether the presence of US troops increases the degree of capital account openness. Governments benefit from capital influx, but in the absence of a lender of last resort they are left vulnerable to sudden shifts of investors' sentiments. This volatility in international capital flows is often associated with financial crises in emerging market economies, especially in the Southeast Asian crisis context in the late 1990s (Haggard, 2000; Satyanath, 2005). Again, the backing of the US may reduce these concerns and encourage local policymakers to weaken safeguards. The data come from Karcher and Steinberg (2013) (based on data from Chinn and Ito 2008) and range from -2 to 2, with higher values denoting

[66] Few developing countries report interest rates on their treasuries, which is why we rely on bank lending.

more openness.

The last four outcomes are related to international capital flows. The sixth outcome is private debt. A positive correlation suggests that households and firms are more willing and more able to access private credit when the US is more supportive. The next outcome is US banks exposure to the host country. If American lenders expect their government to help if their investments turn sour, then they may be more willing to invest in these countries. Exposure is measured in the log of the claims by US banks in the host country (measured in millions of dollars). For similar reasons, we estimate the total amount of foreign liabilities of the country (logged) as a function of US troops. If our notion of moral hazard story holds, then we would expect a positive correlation between the two. Foreign liability data are from Lane and Milesi-Ferretti (2007) (expanded to 2011) and bank exposure data come from the BIS.[67] The same rationale holds for our last outcome: a country's exchange rate. We expect the influx of capital to strengthen the host country's exchange rate. We use the *World Bank*'s exchange rate index which is based on a weighted combination of a country's exchange rate with various trade partners divided by a cost index. The series is normalized to equal 100 in 2010.

[67] More precisely, the data come from BIS's consolidated banking statistics, Form 9B, which reports the foreign claims by nationality of reporting bank. See `http://www.bis.org/statistics/consstats.htm`. See also McDowell (2014).

Summary Statistics

	Mean	Median	S.D.	Min.	Max	Obs.
Financial Crisis	0.36	0	0.48	0	1	2835
Governmental Consumption (log)	23.20	23	2.02	18	27	2389
Government Debt (log)	23.82	24	5.62	0	51	2304
Deposit Insurance	0.44	0	0.50	0	1	2188
Capital Openness	0.34	-0	1.61	-2	2	2287
Private Debt (log)	26.54	26	3.41	13	57	2322
Total Liabilities (log)	10.36	10	2.22	4	17	2156
US Bank Exposure (log)	7.19	7	2.42	0	13	1245
Exchange Rate Index	152.19	100	1379.39	38	51627	1401
US Troops (log)	4.46	3	2.81	0	13	2904
GDP/Cap (log)	8.42	8	1.48	4	11	2638
Population (log)	16.37	16	1.42	12	21	2836
GDP Growth (%)	3.94	4	4.27	-27	42	2576
Service Sector (% of GDP)	53.77	55	12.03	18	79	2171
Distance to US Ideal Point	2.15	2	1.08	0	5	2678
Democracy	0.62	1	0.49	0	1	2740

Table A2: Summary statistics of the variables used in the main estimates.

Expanded Summary Statistics

	Mean	S.D.	Min.	Max.	Obs.
Financial Crisis	0.38	0.49	0	1	3394
US Troops (log)	4.37	2.78	0	13	3463
US Troops per Million Inhabitant (log)	2.22	2.28	0	10	3395
Troops per Million Inhabitant	318.42	1581.55	0	22196	3395
GDP per Capita (USD)	9861.67	12664.59	86	67805	3126
Population (log)	16.53	1.45	12	21	3395
GDP Growth (%)	3.89	4.47	-27	42	3103
Service Sector (% of GDP)	52.57	11.90	18	79	2615
Distance to US Ideal Point	2.24	1.08	0	5	3187
US Bank Exposure (log)	7.06	2.42	0	13	1544
Exports to US (log)	5.93	2.32	0	12	2761
UN Security Council Member	0.10	0.30	0	1	3178
Distance to USSR/Russia Ideal Point	1.78	1.24	0	5	3187
War	0.16	0.37	0	1	3463
Bank Z-Score	14.98	10.90	-7	65	800

Table A3: Summary statistics of the variables used in the appendix.

Table A4: List of countries used in the main analysis.

Country	**Obs**
Algeria	30
Angola	7
Argentina	46
Australia	51
Austria	51
Belgium	51
Bolivia	50
Brazil	51
Canada	51
Central African Republic	46
Chile	50
China	51
Colombia	6
Costa Rica	51
Cote d'Ivoire	48
Denmark	51
Dominican Republic	50
Ecuador	51
Egypt, Arab Rep.	45
El Salvador	37
Finland	51
France	49
Germany	51
Ghana	48
Greece	51
Guatemala	20
Honduras	51
Hungary	51
Iceland	50
India	8
Indonesia	18
Ireland	51
Italy	51
Japan	51
Kenya	50
Korea, Rep.	51
Malaysia	43
Mauritius	51
Mexico	49
Morocco	35
Myanmar	2
Netherlands	51
New Zealand	51
Nicaragua	40
Nigeria	45
Norway	51
Panama	50
Paraguay	50

Peru	28
Philippines	11
Poland	51
Portugal	51
Romania	50
Russian Federation	34
Singapore	51
South Africa	28
Spain	46
Sri Lanka	27
Sweden	51
Switzerland	51
Thailand	36
Tunisia	50
Turkey	26
United Kingdom	29
Uruguay	50
Venezuela, RB	48
Zambia	51
Zimbabwe	41
N	2904

List of countries used in the main analysis.

Table A5: List of countries that never hosted troops.

Country
Gambia
Guinea-Bissau
Lesotho
Namibia

List of countries that never hosted troops in our sample.

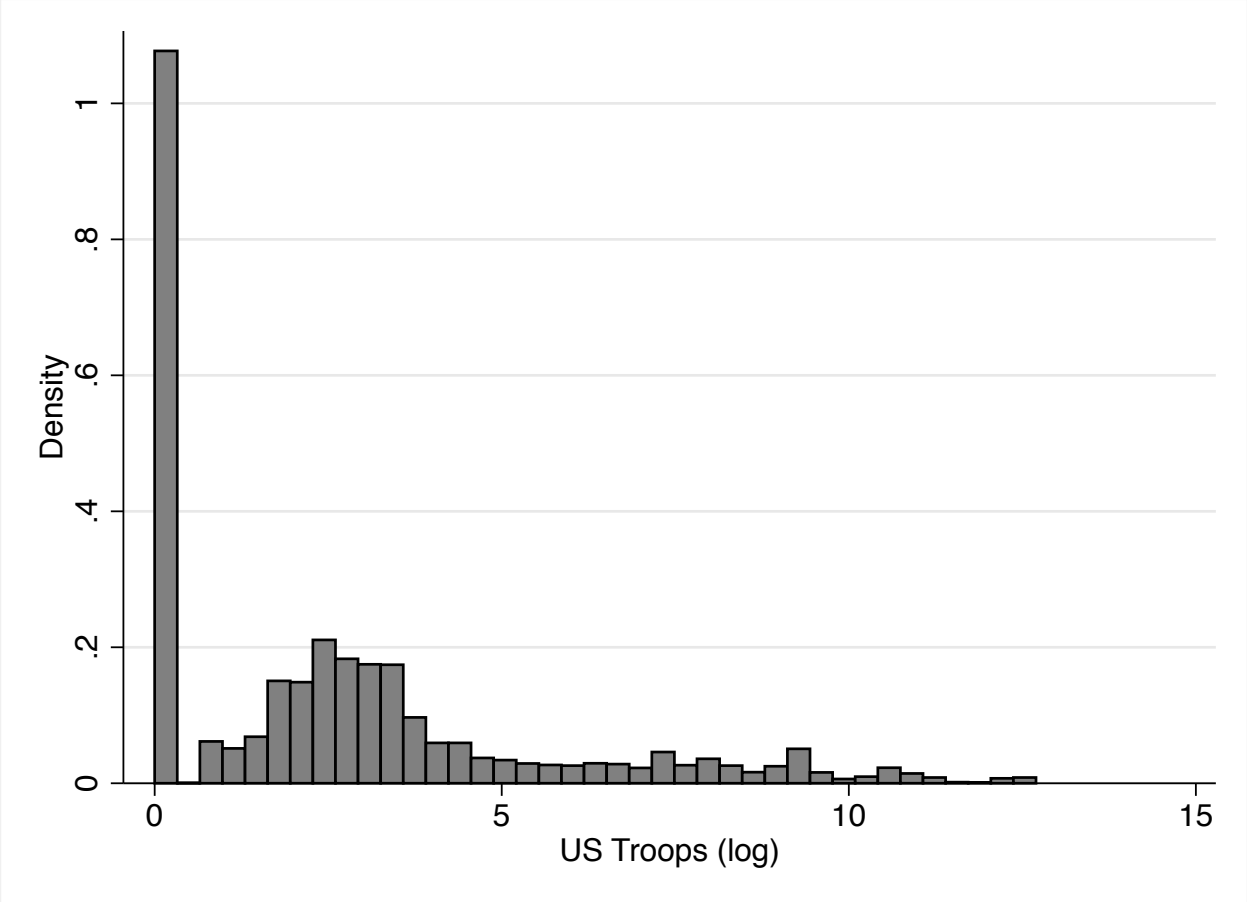

Figure A2: Histogram of the log of US troops.

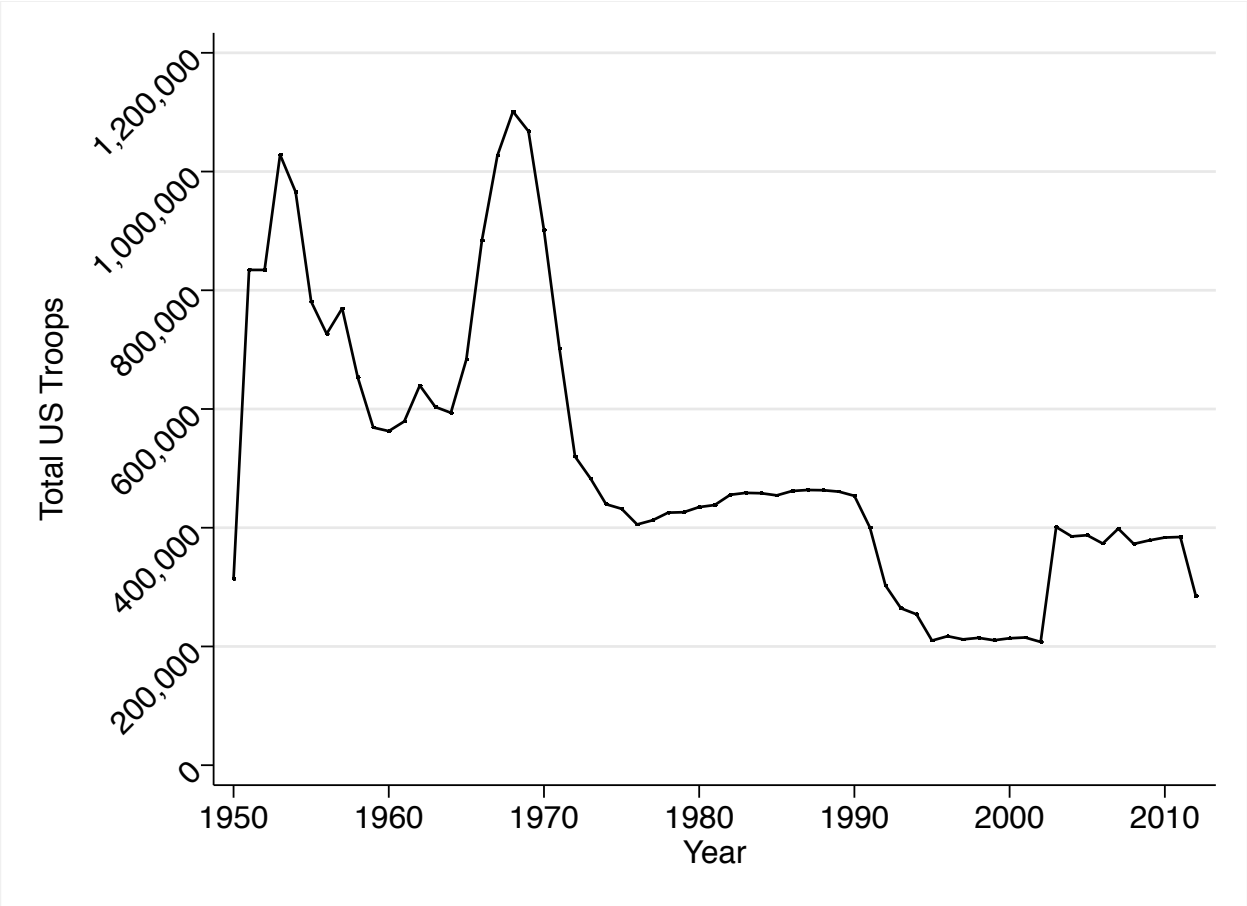

Figure A3: Troops deployment 1950-2012. The data includes all troops stationed abroad, including military personnel in embassies. The data includes troops deployed in war zones (e.g., Vietnam, Iraq, Afghanistan).

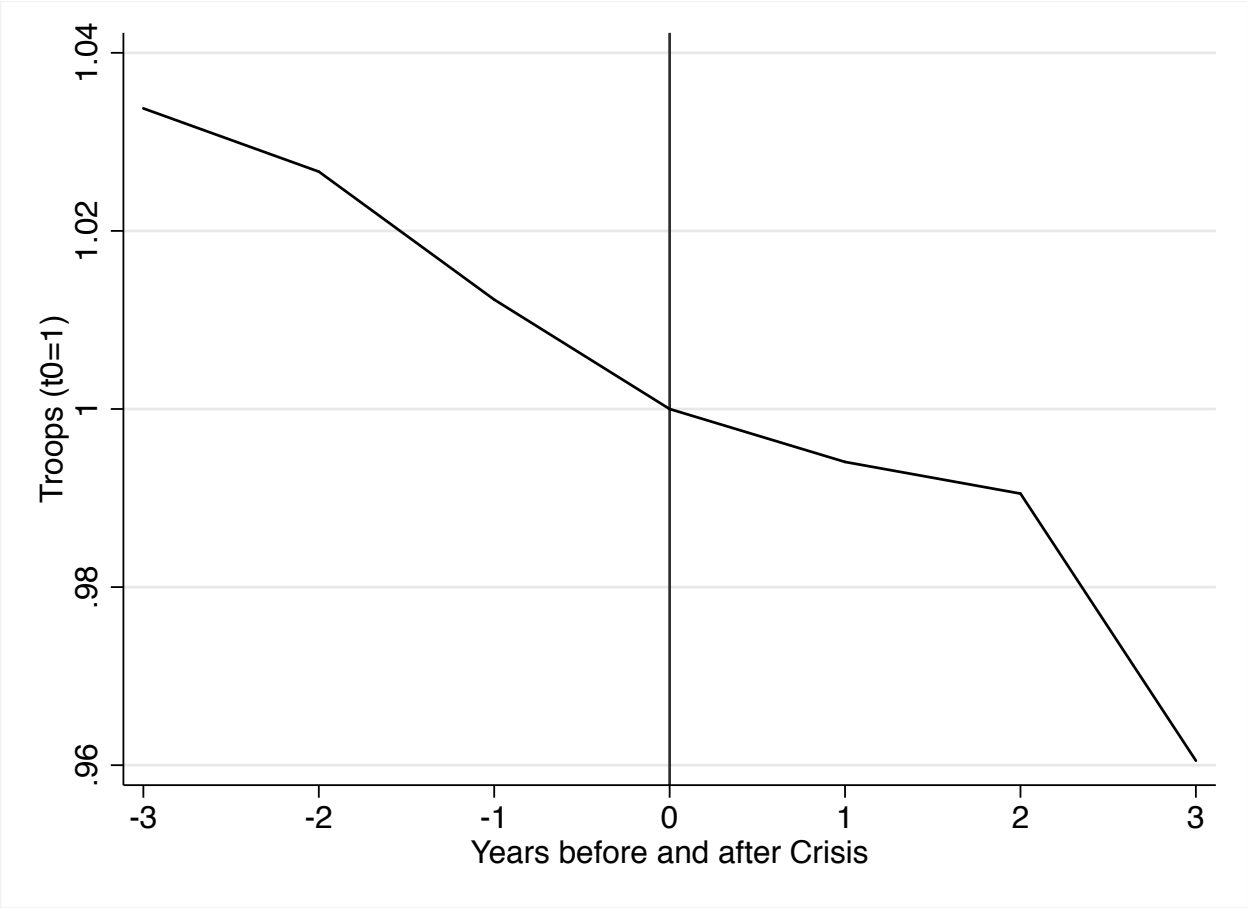

Figure A4: Total US troops (normalized) in countries before and after a financial crisis. The number of troops is normalized such as it equals 1 in the year during which a financial crisis occurs.

A5 Bailout Expectations

Here, we ask whether policy-makers are right to expect bailouts when they are hosting American troops. Our argument rests on the rationality of bailout expectations. If these expectations have never been met in the past, then it is unclear why governments would expect a financial rescue and therefore modify their policies based on the presence of US troops. To be sure, the US has, on occasion, disappointed its partners. An example is Thailand and its perception of the US in the aftermath of the 1997 financial crisis. As Cronin points out "Thais still tend to see the United States, a treaty ally, as failing them in their moment of greatest need," suggesting that the Thai administration was counting on US support (Cronin, 2000, 14).

This is a very difficult hypothesis to test because data on direct US bailouts is not systematically available yet. We are thus left with partial observations such as IMF decisions. Numerous scholars have shown that alignment with the US increases the likelihood of receiving an IMF bailout (Oatley and Yackee, 2004; Thacker, 1999). In order to underscore this point, and without replicating the literature on bailouts, we provide some evidence that US troops reduce the severity of a crisis. We do so in two ways. First, we examine whether troops increase the likelihood of receiving an IMF bailout, conditional on a financial crisis occurring. The data come from Copelovitch (2010). Second, we examine whether these troops reduce the severity of an economic crisis. US help may take various forms, so at the very least we expect the violence of the economic downturn to be lower in countries that host a high number of troops. In other words, troops may alleviate the effect of a financial crisis. The dependent variable is measured as the first difference of GDP per capita right after a financial crisis.

Since this is not the main part of our paper, we limit ourselves to simple correlations and leave more detailed studies to future research. These models contain, on the right hand side, the logged number of troops and both country and year fixed effects. The two main findings are that a doubling of the number of US troops increases the chance of an IMF bailout (conditional on a financial crisis) by about 2 to 4%. The effect does not depend on country or year fixed effects. Regarding our second set of results, we find that the same increase in troops reduces

the depth of the downturn by about $39 to $115 per capita. In aggregate, a country that has a population of 50 million will therefore have an output loss reduced by about $1.9 to $5.75 billion. That is, a crisis in a country that has more US troops on its soil will be slightly less painful in terms of output loss. Put bluntly, countries which are politically important to the US face less severe income drops during a financial crisis.

Bailout Expectations: Troops (log)

	IMF Loan				Δ GPD per Capita (t to t+1)			
	(1) OLS	(2) FE	(3) FE	(4) FE	(5) OLS	(6) FE	(7) FE	(8) FE
US Troops (log) (t-1)	0.02***	0.04***	0.04***		39.48***	115.63***	93.87***	
	(0.01)	(0.01)	(0.01)		(5.78)	(18.38)	(17.30)	
US Troops (log) (t-2)				0.04***				78.97***
				(0.01)				(17.91)
Constant	0.12***	0.07**	0.02	0.02	-94.90***	-412.36***	-307.30	-235.52
	(0.02)	(0.03)	(0.06)	(0.06)	(28.11)	(77.95)	(201.06)	(202.30)
Country FE		✓	✓	✓		✓	✓	✓
Year FE			✓	✓			✓	✓
Observations	1011	1011	1011	1011	972	972	972	972
R^2	0.01	0.02	0.04	0.04	0.05	0.04	0.30	0.29
$\hat{\sigma}$	0.37	0.36	0.36	0.36	452.49	443.40	390.46	392.68
# Countries		56	56	56		67	67	67

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A6: Outcomes are listed at the top of each column. Unit of analysis is a country-year. All explanatory variables are lagged by one year, except when otherwise stated. For Columns (5) to (8): the dependent variable is the first difference of GDP per capita at time $t+1$ and t, conditional on a crisis occurring at t.

A6 Robustness Tests

We subjected our results to a battery of robustness tests, all of which are reported in this appendix. To begin with, troops data include embassy security staff. These are unlikely to have much signaling effect for markets. To check our results we conducted the following additional tests. First, we removed troops from the Marine Corps because these are often used to secure embassies (Table A19).[68] Second, we subtracted 20% from each contingent in

[68]See "Marine Security Guards," *US Department of State*, `http://www.state.gov/m/ds/rls/c17244.htm` (accessed on March 7, 2015).

every country-year (Table A20). Finally, we dropped from the sample all countries that had less than the median number of American troops on their soil (Table A28). In each case, our main results hold.

The next issue is whether troops should be expected to have a effect with a one year lag. To ensure that our results are not driven by the choice of a particular lag, we complete the following tests. First, we use different lags (contemporaneous in Table A16, two-year lag in Table A17, and three-year lag in Table A18). Second, we use a decaying version of our variable (Table A14). The decay is computed as follows: troops in each year $t-i$ are weighted by the ratio $1/i$ for up to five years. The variable is thus: $\sum_{i=1}^{5} \frac{1}{i} \cdot \text{Troops}_{t-i}$. Third, we take the moving average of US troops over the period $t-1$ to $t-3$ (Table A15). To account for different dynamics, we also include a lagged dependent variable (Table A21). All these results show that our findings are not affected by the choice of a specific lag.

Next, we include additional control variables. Our results could, for instance, be driven by real shocks from the US, such as a drop in exports to the US or a banking crisis. Drawing on trade data from Gleditsch,[69] including exports to the US does not affect our results (Table A43). We can also confidently say that our results are not driven by US economic crises, since removing years in which the US is in a recession does not change our findings (Table A32).

We also control for a country's membership of the UN Security Council (Table A42). The data come from Dreher and colleagues.[70] Membership itself does not have a significant effect on the likelihood of a crisis; this is not surprising given that the benefits of a UNSC seat are limited in time.[71] Besides controlling for alignment to the US, we also account for resemblance to the Soviet Union and Russia (Table A41). Our findings do not change.

Furthermore, we examine whether the results hold when we use different subsamples. We begin by changing the time frame. In order to exclude the possibility that our results are driven by events before 1970, we limit the data to the post-1970 period. This way of proceeding avoids periods that were strongly affected by the Cold War and the Bretton Woods

[69] Gleditsch (2002).
[70] Dreher, Sturm, and Vreeland (2009).
[71] Kuziemko and Werker (2006).

system of fixed exchange rates. The results, reported in Table A30, show that this is not the case. We also verify that our results are similar before 1996, when Congress recovered control over some of the country's bailout mechanisms (Table A31).

We then vary the geographical scope of the dataset. We begin by dividing the sample by continent (Table A33) to check whether our results might be driven by a specific geographic region. We do not include fixed effects (though we keep a time trend) because the sample and number of countries in each group becomes very small. The effect of US troops is positive in all cases, although – unsurprisingly – smaller in Europe. As we stated earlier, the signaling power of American troops is unlikely to have a strong effect on wealthy economies.

Finally, we divide the sample between countries by income group. In every year, we allocate countries based on their income to one of three groups: low income (lowest quartile), middle income (between P25 and P75), and high income (highest quartile) and run our regressions on each group. We expect that the effect of troops will be highest for the middle income group. This is indeed the case, as shown in Tables A36, A37, and A38.

A7 Additional Results

A7.1 Different Dependent Variables

Different Crisis Variable; Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.01*	0.04***	0.03*	0.02***	0.01*	0.02*	0.05***	0.04***	0.21***	0.03*	0.05***	0.04**
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)
GDP per Capita (USD)		0.00**	0.00*			-0.00	0.00***	0.00	-0.00***		0.00**	0.00
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.32**	0.25*				0.17	-0.02	0.25***		0.71**	0.58**
		(0.15)	(0.15)				(0.14)	(0.12)	(0.02)		(0.29)	(0.28)
GDP Growth (%)		-0.01***	-0.01***				-0.01***	-0.01***	-0.03***		-0.01***	-0.01***
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.00)
FDI Inflows (% of GDP)		0.00*	0.00*				0.00	0.00**	0.00		0.00	0.01
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.00)
Service Sector (% of GDP)		-0.00	-0.00				-0.00*	-0.00*	-0.00		-0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Democracy		-0.16**	-0.18**				-0.09	-0.13**	0.56***		-0.09	-0.10
		(0.07)	(0.07)				(0.06)	(0.06)	(0.07)		(0.08)	(0.08)
Distance to US Ideal Point		0.18***	0.08				0.17***	0.02	0.10*		0.22***	0.19**
		(0.04)	(0.05)				(0.04)	(0.05)	(0.05)		(0.07)	(0.09)
Time		-0.02***					-0.01***		-0.02***		-0.03***	
		(0.00)					(0.00)		(0.00)		(0.01)	
Constant	0.39***	-4.60**	-3.54	0.13***	0.35***	0.02	-2.35	0.42	-4.40***	0.33***	-9.96**	-9.45**
	(0.05)	(2.29)	(2.32)	(0.02)	(0.04)	(0.05)	(1.97)	(1.80)	(0.41)	(0.13)	(4.24)	(4.56)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	7058	3409	3409	5481	5481	4137	2618	2618	2618	2110	1500	1500
R^2	0.09	0.05	0.11	0.01	0.13	0.15	0.07	0.14		0.10	0.09	0.15
$\hat{\sigma}$	0.37	0.42	0.41	0.32	0.30	0.33	0.36	0.35		0.40	0.41	0.40
# Countries	161	147	147	128	128	127	118	118		125	108	108

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A7: Likelihood of a financial crisis in a country-year depending on the number of US troops per million inhabitant (log) stationed in a country since 1960. All explanatory variables are lagged by one year. The dependent variable combines the financial crisis variable from Reinhart and Rogoff with the systematic banking crisis variable from Laeven and Valencia.

Different Crisis Variable; Sovereign Debt Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.01	0.05**	0.03	0.04*	0.02	0.02	0.07***	0.05**	0.23***	0.04	0.05***	0.04*
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.03)	(0.02)	(0.02)
GDP per Capita (USD)		0.00	0.00			-0.00*	-0.00	-0.00	-0.00***		0.00**	0.00
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		-0.03	-0.02				-0.08	-0.30	-0.19***		0.53	0.46
		(0.22)	(0.21)				(0.36)	(0.38)	(0.05)		(0.33)	(0.31)
GDP Growth (%)		-0.01***	-0.01***				-0.01***	-0.01***	-0.08***		-0.02***	-0.02***
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.00)
FDI Inflows (% of GDP)		-0.00	-0.00				-0.01**	-0.01*	-0.08***		-0.00	-0.00
		(0.00)	(0.00)				(0.01)	(0.01)	(0.03)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.01*	-0.01**				-0.01	-0.01**	-0.01		-0.01	-0.01
		(0.00)	(0.00)				(0.01)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		0.02	0.01				0.13	0.11*	0.48***		0.11	0.10
		(0.09)	(0.08)				(0.08)	(0.06)	(0.11)		(0.08)	(0.08)
Distance to US Ideal Point		0.25***	0.17***				0.29***	0.17***	0.14		0.16**	0.09
		(0.06)	(0.06)				(0.07)	(0.05)	(0.11)		(0.08)	(0.08)
Time		-0.01					-0.01		-0.00		-0.02*	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.26***	0.63	0.41	0.10	0.44***	0.32***	1.25	5.11	2.48***	-0.09	-8.29	-7.59
	(0.09)	(3.51)	(3.35)	(0.07)	(0.11)	(0.12)	(5.56)	(6.39)	(0.85)	(0.14)	(5.27)	(5.25)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2907	1656	1656	1587	1587	1464	933	933	933	1196	835	835
R^2	0.12	0.15	0.22	0.01	0.21	0.24	0.21	0.30		0.16	0.20	0.26
$\hat{\sigma}$	0.28	0.27	0.26	0.36	0.33	0.33	0.32	0.31		0.23	0.24	0.23
# Countries	68	62	62	41	41	40	38	38		58	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A8: Likelihood of an external sovereign debt crisis in a country-year depending on the number of US troops per million inhabitant (log) stationed in a country since 1960. All explanatory variables are lagged by one year.

	Crisis Onset											
	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.01***	0.02***	0.02***	0.02**	0.02***	0.02***	0.02*	0.02***	0.05	0.02**	0.03***	0.02***
	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)	(0.01)	(0.01)	(0.01)
Financial Crisis (LDV)	-0.19***	-0.20***	-0.21***	-0.18***	-0.25***	-0.26***	-0.25***	-0.29***	0.00	-0.22***	-0.25***	-0.24***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(.)	(0.03)	(0.03)	(0.03)
GDP per Capita (USD)		0.00*	0.00**			-0.00***	-0.00**	-0.00	-0.00		0.00*	0.00
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.22**	0.18**				0.49***	0.29***	0.08		0.43*	0.42**
		(0.10)	(0.09)				(0.08)	(0.08)	(0.06)		(0.23)	(0.20)
GDP Growth (%)		-0.00	-0.00				-0.00	-0.00	-0.02		-0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.02)		(0.00)	(0.00)
Service Sector (% of GDP)		0.00	0.00				0.00*	0.00	-0.00		0.00	0.01
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.00)
Democracy		-0.04*	-0.01				-0.03	-0.01	-0.01		-0.04	-0.03
		(0.02)	(0.02)				(0.03)	(0.02)	(0.16)		(0.03)	(0.03)
Distance to US Ideal Point		0.00	-0.01				0.02	-0.03	-0.04		0.05	0.03
		(0.02)	(0.02)				(0.02)	(0.03)	(0.12)		(0.03)	(0.03)
Time		-0.00					-0.01***		0.01		-0.01**	
		(0.00)					(0.00)		(0.01)		(0.01)	
Constant	0.20***	-3.54**	-2.97**	0.10***	0.13***	0.21***	-7.70***	-4.59***	-2.18**	0.24**	-6.82*	-7.47**
	(0.05)	(1.67)	(1.45)	(0.02)	(0.02)	(0.05)	(1.29)	(1.34)	(1.06)	(0.12)	(3.73)	(3.57)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2835	1941	1941	1544	1544	1463	1117	1117	547	1193	892	892
R^2	0.16	0.10	0.18	0.09	0.19	0.20	0.15	0.24		0.17	0.12	0.20
$\hat{\sigma}$	0.25	0.26	0.25	0.25	0.24	0.24	0.25	0.24		0.25	0.25	0.24
# Countries	68	63	63	41	41	40	39	39		57	52	52

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A9: Likelihood of the onset of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. All explanatory variables are lagged by one year. No country-specific fixed effects included.

Various Types of Financial Crises

	External Debt		Banking		Currency		Inflation		Dom. Debt	
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) FE	(10) FE
US Troops (log)	0.038*	0.066***	0.009***	0.012**	0.029**	0.018	0.030**	0.026	-0.004	-0.002
	(0.021)	(0.016)	(0.003)	(0.005)	(0.012)	(0.017)	(0.014)	(0.018)	(0.006)	(0.009)
GDP/Cap (log)		-0.162		-0.016		0.056		-0.014		-0.027
		(0.104)		(0.027)		(0.075)		(0.117)		(0.046)
Population (log)		0.269		-0.062		0.747***		0.615**		-0.128
		(0.392)		(0.048)		(0.261)		(0.272)		(0.224)
GDP Growth (%)		-0.015***		-0.004***		-0.009***		-0.012***		-0.004
		(0.003)		(0.001)		(0.003)		(0.003)		(0.002)
Service Sector (% of GDP)		-0.006		-0.000		-0.004		-0.013**		-0.001
		(0.005)		(0.001)		(0.005)		(0.005)		(0.001)
Democracy		0.090		-0.019		0.020		-0.056		0.002
		(0.070)		(0.031)		(0.067)		(0.073)		(0.022)
Distance to US Ideal Point		0.274***		0.042**		0.213***		0.098		0.051***
		(0.058)		(0.017)		(0.061)		(0.062)		(0.017)
Time		-0.011		0.002		-0.027***		-0.016**		0.002
		(0.010)		(0.001)		(0.007)		(0.007)		(0.007)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Observations	1587	1117	5481	3089	1585	1117	1587	1117	1587	1117
R^2	0.01	0.24	0.00	0.03	0.01	0.11	0.01	0.13	0.00	0.03
# Countries	41	39	128	119	41	39	41	39	41	39

Table A10: Likelihood of the onset of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. All explanatory variables are lagged by one year. The dependent variable varies by column. We examine external sovereign default, banking crisis, currency crisis, inflation crisis, and domestic sovereign default.

A7.2 Different Independent Variables

Financial Crisis: Troops per Million Inhabitant (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops/m. inhab. (log)	0.02	0.06***	0.04**	0.02	0.04**	0.05***	0.08***	0.07***	0.24***	0.04	0.08***	0.06***
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.03)	(0.02)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	-0.00*	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.66*	0.64**				1.57***	0.95***	0.07*		1.31***	1.34***
		(0.35)	(0.27)				(0.30)	(0.25)	(0.04)		(0.40)	(0.37)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	-0.03		0.01	0.01*
		(0.01)	(0.00)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.03***		0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.14	-0.15*				-0.08	-0.08	0.36***		0.02	-0.01
		(0.09)	(0.08)				(0.07)	(0.06)	(0.10)		(0.09)	(0.07)
Distance to US Ideal Point		0.29***	0.11				0.23***	0.06	0.02		0.33***	0.16
		(0.05)	(0.08)				(0.06)	(0.10)	(0.09)		(0.09)	(0.11)
Time		-0.03***					-0.05***		-0.01		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.53***	-10.15*	-10.29**	0.42***	0.61***	0.70***	-23.74***	-15.21***	0.90	0.28*	-20.45***	-22.86***
	(0.08)	(5.71)	(4.55)	(0.04)	(0.07)	(0.08)	(4.78)	(4.31)	(0.71)	(0.15)	(6.33)	(6.35)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2836	1655	1655	1544	1544	1463	933	933	933	1194	834	834
R^2	0.18	0.14	0.23	0.00	0.30	0.31	0.23	0.32		0.20	0.20	0.27
$\hat{\sigma}$	0.39	0.40	0.38	0.44	0.37	0.38	0.38	0.36		0.36	0.36	0.35
# Countries	68	62	62	41	41	40	38	38		57	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A11: Likelihood of a financial crisis in a country-year depending on the number of US troops per million inhabitant (log) stationed in a country since 1960. All explanatory variables are lagged by one year.

Financial Crisis: Troops per Million Inhabitant (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
Troops per Million Inhabitant	0.00	0.00***	0.00***	-0.00	0.00**	0.00**	0.00***	0.00***	0.00***	0.00	0.00***	0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
GDP per Capita (USD)		0.00**	0.00**			-0.00*	-0.00	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.80**	0.75**				1.72***	1.04***	0.02		1.43***	1.42***
		(0.37)	(0.29)				(0.32)	(0.27)	(0.04)		(0.43)	(0.40)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.01	0.00				0.01	0.01	-0.01		0.01	0.01*
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.02***		0.00	0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.13	-0.15*				-0.05	-0.07	0.42***		0.06	0.02
		(0.09)	(0.08)				(0.08)	(0.07)	(0.10)		(0.10)	(0.08)
Distance to US Ideal Point		0.29***	0.10				0.23***	0.04	0.04		0.35***	0.16
		(0.05)	(0.08)				(0.07)	(0.10)	(0.09)		(0.09)	(0.11)
Time		-0.03***					-0.05***		-0.01**		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.58***	-12.31**	-11.91**	0.45***	0.67***	0.76***	-25.98***	-16.64***	1.60**	0.37***	-22.38***	-24.13***
	(0.06)	(6.06)	(4.93)	(0.00)	(0.07)	(0.08)	(5.03)	(4.68)	(0.70)	(0.12)	(6.90)	(7.02)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2836	1655	1655	1544	1544	1463	933	933	933	1194	834	834
R^2	0.18	0.14	0.23	0.00	0.29	0.31	0.22	0.32		0.19	0.21	0.28
$\hat{\sigma}$	0.39	0.40	0.38	0.44	0.38	0.38	0.38	0.36		0.36	0.36	0.35
# Countries	68	62	62	41	41	40	38	38		57	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A12: Likelihood of a financial crisis in a country-year depending on the number of US troops per million inhabitant (not logged) stationed in a country since 1960. All explanatory variables are lagged by one year.

Financial Crisis: Troops Dummy

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (dummy)	0.12*	0.27***	0.11	0.34***	0.16**	0.15**	0.26**	0.15*	0.57***	0.31***	0.29***	0.28**
	(0.07)	(0.09)	(0.10)	(0.07)	(0.07)	(0.07)	(0.11)	(0.08)	(0.11)	(0.07)	(0.10)	(0.11)
GDP per Capita (USD)		0.00*	0.00**			-0.00	-0.00*	-0.00	-0.00***		0.00**	0.00
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.79***	0.78***				1.46***	0.88***	-0.05		1.25**	1.07**
		(0.25)	(0.23)				(0.28)	(0.25)	(0.03)		(0.48)	(0.43)
GDP Growth (%)		-0.02***	-0.02***				-0.01***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Service Sector (% of GDP)		0.00	0.00				-0.00	-0.00	-0.02***		0.01	0.00
		(0.00)	(0.00)				(0.00)	(0.01)	(0.00)		(0.01)	(0.01)
Democracy		-0.07	-0.08				-0.07	-0.08	0.34***		0.11	0.07
		(0.09)	(0.06)				(0.08)	(0.07)	(0.09)		(0.11)	(0.10)
Distance to US Ideal Point		0.11	-0.03				0.21***	0.00	0.16**		0.25**	0.08
		(0.09)	(0.08)				(0.07)	(0.08)	(0.08)		(0.12)	(0.13)
Time		-0.02***					-0.04***		0.00		-0.04***	
		(0.01)					(0.01)		(0.00)		(0.01)	
Constant	0.20**	-12.58***	-12.96***	0.18***	0.09	0.16	-22.59***	-14.35***	1.20*	-0.34***	-19.76**	-18.69**
	(0.09)	(4.13)	(4.02)	(0.05)	(0.09)	(0.12)	(4.40)	(4.29)	(0.63)	(0.11)	(7.78)	(7.44)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2904	1942	1942	1585	1585	1463	1117	1117	1117	1194	893	893
R^2	0.18	0.10	0.23	0.04	0.30	0.31	0.22	0.36		0.21	0.17	0.25
$\hat{\sigma}$	0.39	0.41	0.39	0.43	0.37	0.38	0.39	0.37		0.36	0.37	0.36
# Countries	68	63	63	41	41	40	39	39		57	52	52

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A13: Likelihood of a financial crisis in a country-year depending on the number of US troops stationed in a country since 1960. The independent variable takes value 1 if there are more than 10 US soldiers stationed in the country. All explanatory variables are lagged by one year.

Financial Crisis: Decaying Troops (5 Years Period) (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (see note) (log)	0.04**	0.05**	0.03*	0.07***	0.04**	0.05***	0.06**	0.05*	0.19***	0.04	0.06***	0.04*
	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	-0.00	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.55*	0.58**				1.43***	0.87***	-0.08**		1.20***	1.27***
		(0.33)	(0.26)				(0.31)	(0.27)	(0.04)		(0.42)	(0.39)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	-0.02		0.01	0.01
		(0.01)	(0.00)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.03***		0.00	0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.14	-0.15*				-0.07	-0.08	0.34***		0.03	0.01
		(0.09)	(0.08)				(0.07)	(0.06)	(0.10)		(0.08)	(0.08)
Distance to US Ideal Point		0.29***	0.11				0.24***	0.06	0.04		0.34***	0.16
		(0.05)	(0.08)				(0.06)	(0.10)	(0.09)		(0.09)	(0.11)
Time		-0.03***					-0.05***		-0.01**		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.35***	-8.53	-9.23**	0.16	0.48***	0.59***	-21.71***	-14.02***	3.05***	0.19	-18.85***	-21.80***
	(0.09)	(5.36)	(4.39)	(0.10)	(0.09)	(0.09)	(4.84)	(4.66)	(0.75)	(0.22)	(6.70)	(6.69)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2904	1655	1655	1585	1585	1463	933	933	933	1194	834	834
R^2	0.18	0.14	0.23	0.04	0.31	0.32	0.22	0.31		0.20	0.20	0.26
$\hat{\sigma}$	0.39	0.40	0.38	0.43	0.37	0.37	0.38	0.36		0.36	0.36	0.35
# Countries	68	62	62	41	41	40	38	38		57	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A14: Likelihood of a financial crisis in a country-year depending on the cumulative number of US troops (log) over a five year time frame, where troops in each year i are weighted by a ratio of $1/(i)$. The variable is calculated as follows: $\sum_{i=1}^{5} \frac{1}{i} \cdot \text{Troops}_{t-i}$. All explanatory variables are lagged by one year.

Financial Crisis: Moving Average (3 Years Pre-Crisis) (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
Log Troops (ma,3)	0.04**	0.05**	0.04	0.08**	0.05***	0.05***	0.07***	0.05**	0.20***	0.04	0.06**	0.04**
	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	-0.00	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.57*	0.58**				1.44***	0.86***	-0.08*		1.22***	1.28***
		(0.34)	(0.26)				(0.31)	(0.27)	(0.04)		(0.42)	(0.39)
GDP Growth (%)		-0.02***	-0.02***				-0.01***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	-0.03		0.01	0.01*
		(0.01)	(0.00)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.03***		0.00	0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.13	-0.15*				-0.07	-0.07	0.34***		0.04	0.01
		(0.09)	(0.08)				(0.08)	(0.06)	(0.10)		(0.08)	(0.08)
Distance to US Ideal Point		0.29***	0.11				0.24***	0.06	0.03		0.34***	0.16
		(0.05)	(0.08)				(0.06)	(0.10)	(0.09)		(0.09)	(0.11)
Time		-0.03***					-0.05***		-0.01*		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.37***	-8.73	-9.32**	0.20**	0.49***	0.60***	-21.79***	-13.73***	3.10***	0.22	-19.05***	-21.96***
	(0.09)	(5.43)	(4.40)	(0.09)	(0.09)	(0.09)	(4.92)	(4.64)	(0.75)	(0.19)	(6.71)	(6.72)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2904	1655	1655	1585	1585	1463	933	933	933	1194	834	834
R^2	0.18	0.14	0.23	0.03	0.31	0.32	0.22	0.32		0.20	0.20	0.26
$\hat{\sigma}$	0.39	0.40	0.38	0.43	0.37	0.37	0.38	0.36		0.36	0.36	0.35
# Countries	68	62	62	41	41	40	38	38		57	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A15: Likelihood of a financial crisis in a country-year depending on the average number of US troops (log) over the past three years. All explanatory variables are lagged by one year.

No Lag: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.03*	0.06***	0.04**	0.07**	0.04**	0.05***	0.08***	0.06***	0.24***	0.05*	0.08***	0.06***
	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	(0.01)	(0.02)	(0.02)	(0.04)	(0.03)	(0.01)	(0.02)
GDP per Capita (USD)		0.00**	0.00*			-0.00**	-0.00**	-0.00*	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.54*	0.56**				1.41***	0.79***	-0.08*		0.94**	1.02***
		(0.32)	(0.24)				(0.30)	(0.27)	(0.04)		(0.37)	(0.33)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.02***	-0.10***		-0.02***	-0.02***
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.01				0.00	0.01	-0.03		-0.00	0.00
		(0.00)	(0.00)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.01				-0.01	-0.01**	-0.03***		-0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.09	-0.12				-0.04	-0.07	0.44***		0.17*	0.11
		(0.10)	(0.08)				(0.09)	(0.06)	(0.11)		(0.10)	(0.08)
Distance to US Ideal Point		0.27***	0.04				0.22***	-0.03	0.03		0.29***	0.11
		(0.06)	(0.09)				(0.07)	(0.11)	(0.09)		(0.09)	(0.12)
Time		-0.02***					-0.04***		-0.00		-0.04***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.45***	-8.37	-8.80**	0.23**	0.64***	0.58***	-21.38***	-12.32**	2.71***	0.10	-14.71**	-17.46***
	(0.09)	(5.12)	(4.06)	(0.09)	(0.08)	(0.08)	(4.71)	(4.67)	(0.75)	(0.19)	(5.93)	(5.74)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2902	1655	1655	1583	1583	1501	933	933	933	1220	834	834
R^2	0.18	0.15	0.24	0.03	0.30	0.32	0.23	0.33		0.21	0.19	0.27
$\hat{\sigma}$	0.39	0.39	0.37	0.43	0.37	0.37	0.38	0.36		0.36	0.36	0.35
# Countries	68	62	62	41	41	40	38	38		58	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A16: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. Independent variables are not lagged.

Two Year Lag: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.03**	0.05**	0.03	0.07**	0.04**	0.05***	0.06***	0.05**	0.23***	0.05	0.07**	0.05**
	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	-0.00	0.00	-0.00***		0.00**	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.48	0.52*				1.30***	0.82***	-0.10***		1.06**	1.07**
		(0.37)	(0.31)				(0.34)	(0.28)	(0.04)		(0.45)	(0.41)
GDP Growth (%)		-0.02***	-0.01***				-0.01***	-0.01***	-0.07***		-0.01***	-0.01
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.01)
FDI Inflows (% of GDP)		0.01	0.01				-0.00	-0.00	-0.04*		0.01	0.02*
		(0.01)	(0.00)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.03***		-0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.13	-0.14*				-0.05	-0.06	0.30***		-0.02	-0.04
		(0.09)	(0.08)				(0.08)	(0.07)	(0.10)		(0.08)	(0.08)
Distance to US Ideal Point		0.31***	0.17**				0.26***	0.12	0.02		0.34***	0.25**
		(0.05)	(0.08)				(0.06)	(0.09)	(0.09)		(0.07)	(0.10)
Time		-0.03***					-0.05***		-0.02***		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.44***	-7.26	-8.42	0.22**	0.56***	0.66***	-19.51***	-13.68***	3.79***	-0.07	-16.35**	-18.86**
	(0.08)	(5.92)	(5.10)	(0.09)	(0.08)	(0.10)	(5.31)	(4.83)	(0.75)	(0.18)	(7.25)	(7.08)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2906	1655	1655	1587	1587	1425	933	933	933	1169	834	834
R^2	0.18	0.14	0.22	0.03	0.30	0.31	0.23	0.31		0.18	0.20	0.26
$\hat{\sigma}$	0.39	0.40	0.38	0.43	0.37	0.38	0.38	0.36		0.37	0.36	0.36
# Countries	68	62	62	41	41	40	38	38		56	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A17: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. All independent variables are lagged by two years (instead of one).

Three Year Lag: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.03**	0.05**	0.04**	0.07**	0.04***	0.05***	0.07***	0.05**	0.25***	0.04	0.07**	0.05**
	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.03)	(0.03)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	0.00	0.00	-0.00**		0.00**	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.43	0.49				1.21***	0.82**	-0.11***		1.05**	1.00**
		(0.38)	(0.33)				(0.39)	(0.33)	(0.04)		(0.48)	(0.42)
GDP Growth (%)		-0.01***	-0.01***				-0.01***	-0.01***	-0.07***		-0.01***	-0.01**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.01)
FDI Inflows (% of GDP)		0.00	0.01				-0.01	-0.01	-0.06***		0.01	0.01
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.00	-0.03***		-0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.14	-0.15*				-0.07	-0.07	0.23**		-0.06	-0.09
		(0.08)	(0.08)				(0.07)	(0.07)	(0.11)		(0.10)	(0.10)
Distance to US Ideal Point		0.30***	0.18**				0.28***	0.18**	0.04		0.30***	0.17*
		(0.05)	(0.07)				(0.06)	(0.09)	(0.10)		(0.08)	(0.10)
Time		-0.03***					-0.05***		-0.02***		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.46***	-6.38	-8.76	0.23***	0.63***	0.69***	-18.07***	-13.97**	3.98***	-0.07	-16.23**	-17.29**
	(0.08)	(6.17)	(5.79)	(0.08)	(0.08)	(0.10)	(6.06)	(5.60)	(0.77)	(0.17)	(7.72)	(7.32)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2916	1602	1602	1596	1596	1394	902	902	902	1148	813	813
R^2	0.18	0.15	0.23	0.03	0.31	0.31	0.25	0.33		0.18	0.19	0.26
$\hat{\sigma}$	0.39	0.39	0.38	0.43	0.37	0.38	0.37	0.36		0.37	0.37	0.36
# Countries	68	62	62	41	41	40	38	38		55	49	49

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A18: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. All independent variables are lagged by three years (instead of one).

Financial Crisis: Troops (log) Without Marines

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (w/o Marines) (log)	0.02	0.05**	0.04**	0.10***	0.07***	0.07***	0.08***	0.07***	0.12***	0.04	0.07***	0.06***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00	-0.00	-0.00	-0.00***		0.00**	0.00*
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.39	0.33				1.33***	0.86**	-0.03		1.40***	1.29***
		(0.37)	(0.34)				(0.34)	(0.38)	(0.04)		(0.47)	(0.47)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.09***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.01	0.00				0.00	0.00	-0.02		0.01	0.01*
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.02***		0.00	0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.10	-0.12				0.01	-0.03	0.54***		0.01	-0.00
		(0.10)	(0.10)				(0.07)	(0.06)	(0.12)		(0.09)	(0.07)
Distance to US Ideal Point		0.23***	0.10				0.18**	0.06	0.00		0.28**	0.12
		(0.06)	(0.10)				(0.08)	(0.12)	(0.11)		(0.11)	(0.14)
Time		-0.03***					-0.05***		-0.04***		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.48***	-5.61	-5.32	0.33***	0.54***	0.65***	-19.84***	-13.36**	3.92***	0.02	-21.75***	-21.16***
	(0.12)	(5.90)	(5.87)	(0.05)	(0.09)	(0.09)	(5.34)	(6.24)	(0.88)	(0.13)	(7.45)	(7.78)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	1776	1438	1438	936	936	917	812	812	812	850	705	705
R^2	0.13	0.15	0.22	0.03	0.26	0.26	0.24	0.30		0.20	0.20	0.26
$\hat{\sigma}$	0.40	0.39	0.38	0.42	0.37	0.37	0.37	0.36		0.37	0.36	0.36
# Countries	68	62	62	41	41	40	38	38		56	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A19: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) (stationed in a country since 1960) from which marines corp have been subtracted. All explanatory variables are lagged by one year.

Financial Crisis: Troops Minus 20% (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (minus 20%) (log)	0.03**	0.06***	0.04**	0.07**	0.05***	0.05***	0.07***	0.06***	0.24***	0.05	0.08***	0.06***
	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.03)	(0.02)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	-0.00*	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.57*	0.59**				1.43***	0.87***	-0.09**		1.17***	1.24***
		(0.33)	(0.26)				(0.31)	(0.26)	(0.04)		(0.40)	(0.37)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	-0.03		0.01	0.01*
		(0.01)	(0.00)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.03***		0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.14	-0.15*				-0.07	-0.08	0.35***		0.02	-0.00
		(0.09)	(0.08)				(0.07)	(0.06)	(0.10)		(0.08)	(0.08)
Distance to US Ideal Point		0.28***	0.11				0.23***	0.06	0.03		0.33***	0.16
		(0.05)	(0.08)				(0.06)	(0.10)	(0.09)		(0.09)	(0.11)
Time		-0.03***					-0.04***		-0.01*		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.40***	-8.81	-9.39**	0.23***	0.52***	0.62***	-21.72***	-13.90***	3.26***	0.17	-18.44***	-21.29***
	(0.08)	(5.42)	(4.40)	(0.08)	(0.08)	(0.08)	(4.83)	(4.45)	(0.75)	(0.19)	(6.45)	(6.46)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2904	1655	1655	1585	1585	1463	933	933	933	1194	834	834
R^2	0.18	0.14	0.23	0.03	0.31	0.32	0.23	0.32		0.20	0.20	0.27
$\hat{\sigma}$	0.39	0.39	0.38	0.43	0.37	0.37	0.38	0.36		0.36	0.36	0.35
# Countries	68	62	62	41	41	40	38	38		57	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A20: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) (stationed in a country since 1960) from which 20% has been subtracted. All explanatory variables are lagged by one year.

Financial Crisis: Lagged Dependent Variable

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.01	0.03**	0.02*	0.03***	0.02***	0.03***	0.04***	0.03**	0.13***	0.03	0.04***	0.03***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)	(0.02)	(0.01)	(0.01)
Financial Crisis (LDV)	0.50***	0.46***	0.45***	0.60***	0.48***	0.46***	0.44***	0.42***	1.76***	0.43***	0.39***	0.41***
	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)	(0.05)	(0.05)	(0.11)	(0.04)	(0.05)	(0.05)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	-0.00	-0.00	-0.00*		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.32	0.33**				0.81***	0.54***	-0.06		0.79***	0.81***
		(0.20)	(0.16)				(0.20)	(0.17)	(0.04)		(0.29)	(0.27)
GDP Growth (%)		-0.01***	-0.01***				-0.01***	-0.01**	-0.04***		-0.01**	-0.01
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	-0.01		0.01*	0.01**
		(0.00)	(0.00)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.00	-0.02**		0.00	0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.00)
Democracy		-0.09*	-0.10**				-0.05	-0.05	0.14		-0.04	-0.05
		(0.05)	(0.05)				(0.04)	(0.04)	(0.12)		(0.05)	(0.05)
Distance to US Ideal Point		0.16***	0.09**				0.13***	0.08	0.01		0.21***	0.11*
		(0.03)	(0.04)				(0.04)	(0.06)	(0.11)		(0.06)	(0.07)
Time		-0.02***					-0.03***		-0.01*		-0.03***	
		(0.00)					(0.01)		(0.01)		(0.01)	
Constant	0.08	-4.88	-5.84**	0.09***	0.03	0.06	-12.19***	-9.07***	1.41*	-0.15*	-12.44**	-14.42***
	(0.05)	(3.17)	(2.83)	(0.03)	(0.05)	(0.06)	(3.13)	(3.02)	(0.85)	(0.09)	(4.67)	(4.64)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2835	1654	1654	1544	1544	1463	933	933	933	1193	833	833
R^2	0.38	0.32	0.39	0.38	0.46	0.46	0.38	0.44		0.35	0.33	0.39
$\hat{\sigma}$	0.34	0.35	0.34	0.35	0.33	0.33	0.34	0.33		0.33	0.33	0.32
# Countries	68	62	62	41	41	40	38	38		57	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A21: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) (stationed in a country since 1960). The model contains a lagged dependent variable. All explanatory variables are lagged by one year.

Financial Crisis: Security Hierarchy Indicator

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
Security Hierarchy	0.17*	0.68***	0.57***	-0.42***	0.14	0.15	1.16***	0.88***	1.44***	0.06	0.69***	0.63***
	(0.09)	(0.17)	(0.16)	(0.07)	(0.10)	(0.10)	(0.36)	(0.21)	(0.23)	(0.19)	(0.14)	(0.13)
GDP per Capita (USD)		0.00	0.00			-0.00**	-0.00***	-0.00*	-0.00***		0.00**	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		1.16***	1.28***				1.45***	1.20***	0.04		1.58***	1.68***
		(0.26)	(0.27)				(0.41)	(0.40)	(0.04)		(0.43)	(0.38)
GDP Growth (%)		-0.02***	-0.01***				-0.01**	-0.01*	-0.06***		-0.02***	-0.01*
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	0.00				-0.01	-0.00	-0.03***		-0.00	0.00
		(0.00)	(0.00)				(0.00)	(0.01)	(0.01)		(0.01)	(0.01)
Democracy		0.01	-0.01				0.04	0.03	0.14		0.13	0.11
		(0.07)	(0.06)				(0.07)	(0.07)	(0.12)		(0.08)	(0.09)
Distance to US Ideal Point		0.03	-0.07				0.08	-0.03	-0.02		0.19*	0.06
		(0.06)	(0.06)				(0.05)	(0.07)	(0.10)		(0.11)	(0.12)
Time		-0.01*					-0.02*		0.05***		-0.04***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.37***	-18.53***	-21.26***	0.59***	0.65***	0.79***	-22.62***	-19.31***	-0.88	0.33***	-25.07***	-28.16***
	(0.06)	(4.25)	(4.62)	(0.02)	(0.07)	(0.09)	(6.37)	(6.69)	(0.71)	(0.10)	(6.91)	(6.53)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2385	1546	1546	1259	1259	1160	872	872	872	997	728	728
R^2	0.18	0.16	0.24	0.00	0.31	0.33	0.26	0.35		0.13	0.18	0.24
$\hat{\sigma}$	0.38	0.39	0.38	0.44	0.37	0.37	0.38	0.36		0.37	0.35	0.35
# Countries	68	61	61	40	40	39	37	37		53	48	48

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A22: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) (stationed in a country since 1960). The main independent variable is the security hierarchy indicator developed by Lake (2007). All explanatory variables are lagged by one year.

Financial Crisis: Security and Economic Hierarchy Indicator

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
Security Hierarchy	0.14	0.64***	0.52**	-0.35***	0.20*	0.19*	1.15***	0.90***	2.16***	0.08	0.68***	0.62***
	(0.11)	(0.21)	(0.20)	(0.05)	(0.11)	(0.10)	(0.34)	(0.19)	(0.26)	(0.18)	(0.15)	(0.13)
Economic Hierarchy	-0.13*	-0.36***	-0.27***	-0.46***	-0.32***	-0.27***	-0.30***	-0.28***	-1.24***	-0.14*	-0.19**	-0.08
	(0.07)	(0.07)	(0.07)	(0.12)	(0.06)	(0.07)	(0.09)	(0.09)	(0.20)	(0.08)	(0.09)	(0.11)
GDP per Capita (USD)		0.00	0.00*			-0.00**	-0.00**	-0.00	-0.00		0.00**	0.00*
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		1.29***	1.41***				1.60***	1.36***	0.12***		1.58***	1.71***
		(0.26)	(0.27)				(0.37)	(0.36)	(0.04)		(0.44)	(0.39)
GDP Growth (%)		-0.02***	-0.01***				-0.01***	-0.01**	-0.05***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.01	-0.00	-0.04***		-0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.02	-0.01				0.04	0.05	0.16		0.10	0.09
		(0.06)	(0.05)				(0.07)	(0.05)	(0.12)		(0.08)	(0.09)
Distance to US Ideal Point		-0.01	-0.11*				0.02	-0.10	-0.13		0.14	-0.01
		(0.06)	(0.06)				(0.05)	(0.06)	(0.11)		(0.11)	(0.11)
Time		-0.02**					-0.02*		0.06***		-0.03***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2172	1441	1441	1177	1177	1109	838	838	838	961	708	708
R^2	0.19	0.20	0.27	0.05	0.35	0.35	0.29	0.38		0.13	0.19	0.25
$\hat{\sigma}$	0.38	0.38	0.37	0.44	0.37	0.37	0.37	0.35		0.37	0.35	0.35
# Countries	63	56	56	38	38	37	35	35		50	46	46

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A23: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) (stationed in a country since 1960). The main independent variable is the security and economic hierarchy indicator developed by Lake (2007). All explanatory variables are lagged by one year.

Financial Crisis: ≥10 Troops

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (minus 20%) (log)	0.03**	0.06***	0.04**	0.07**	0.05***	0.05***	0.07***	0.06***	0.24***	0.05	0.08***	0.06***
	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.03)	(0.02)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	-0.00*	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.57*	0.59**				1.43***	0.87***	-0.09**		1.17***	1.24***
		(0.33)	(0.26)				(0.31)	(0.26)	(0.04)		(0.40)	(0.37)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	-0.03		0.01	0.01*
		(0.01)	(0.00)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.03***		0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.14	-0.15*				-0.07	-0.08	0.35***		0.02	-0.00
		(0.09)	(0.08)				(0.07)	(0.06)	(0.10)		(0.08)	(0.08)
Distance to US Ideal Point		0.28***	0.11				0.23***	0.06	0.03		0.33***	0.16
		(0.05)	(0.08)				(0.06)	(0.10)	(0.09)		(0.09)	(0.11)
Time		-0.03***					-0.04***		-0.01*		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.40***	-8.81	-9.39**	0.23***	0.52***	0.62***	-21.72***	-13.90***	3.26***	0.17	-18.44***	-21.29***
	(0.08)	(5.42)	(4.40)	(0.08)	(0.08)	(0.08)	(4.83)	(4.45)	(0.75)	(0.19)	(6.45)	(6.46)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2904	1655	1655	1585	1585	1463	933	933	933	1194	834	834
R^2	0.18	0.14	0.23	0.03	0.31	0.32	0.23	0.32		0.20	0.20	0.27
$\hat{\sigma}$	0.39	0.39	0.38	0.43	0.37	0.37	0.38	0.36		0.36	0.36	0.35
# Countries	68	62	62	41	41	40	38	38		57	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A24: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) (stationed in a country since 1960). The sample only includes countries with more than 10 US soldiers. All explanatory variables are lagged by one year.

A7.3 Nonlinear Models

Different Crisis Variable; Financial Crisis: Fixed Effect Logit

	All Countries			Non-OECD					Credit 20-80% of GDP		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
US Troops (log)	0.22*	0.46***	0.36**	0.47**	0.41***	0.42**	0.50**	0.54***	0.57	0.72**	0.63**
	(0.12)	(0.17)	(0.17)	(0.21)	(0.16)	(0.17)	(0.24)	(0.20)	(0.36)	(0.29)	(0.28)
GDP per Capita (USD)		0.00*	0.00**			-0.00*	-0.00**	-0.00*		0.00***	0.00
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		4.28***	5.19***				9.91***	7.14***		6.20**	6.84**
		(1.55)	(1.90)				(2.54)	(2.70)		(2.61)	(2.82)
GDP Growth (%)		-0.13***	-0.14***				-0.11***	-0.12***		-0.17***	-0.14**
		(0.02)	(0.03)				(0.03)	(0.03)		(0.05)	(0.06)
Service Sector (% of GDP)		-0.00	-0.02				-0.05*	-0.08**		0.02	-0.01
		(0.02)	(0.03)				(0.03)	(0.04)		(0.04)	(0.05)
Democracy		-0.37	-0.38				-0.44	-0.26		0.70	1.06
		(0.47)	(0.34)				(0.49)	(0.46)		(0.62)	(0.73)
Distance to US Ideal Point		0.72	-0.17				1.70***	0.48		2.09**	0.89
		(0.63)	(0.54)				(0.43)	(0.65)		(1.05)	(1.53)
Time		-0.11**					-0.26***			-0.28***	
		(0.05)					(0.06)			(0.07)	
Constant	0.98**	-65.64***	-83.15***	0.50*	-0.28	0.48	-151.07***	-115.72***	-4.07***	-89.18**	-111.81**
	(0.42)	(24.16)	(30.99)	(0.25)	(0.51)	(0.78)	(38.16)	(43.67)	(0.99)	(37.43)	(43.87)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Year FE	✓		✓		✓	✓		✓	✓		✓
Observations	2835	1905	1905	1516	1516	1425	1080	1080	981	756	712

Standard errors in parentheses (clustered by country)
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A25: Likelihood of a financial crisis in a country-year depending on the number of US troops per million inhabitant (log) stationed in a country since 1960. All explanatory variables are lagged by one year. Logit fixed effects models estimated with maximum likelihood.

Different Crisis Variable; Financial Crisis: Conditional Logit

	All Countries			Non-OECD					Credit 20-80% of GDP		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
US Troops (log)	0.22*	0.46***	0.36**	0.47**	0.41***	0.42**	0.50**	0.54***	0.57	0.72**	0.63**
	(0.12)	(0.17)	(0.17)	(0.21)	(0.16)	(0.17)	(0.24)	(0.20)	(0.36)	(0.29)	(0.28)
GDP per Capita (USD)		0.00*	0.00**			-0.00*	-0.00**	-0.00*		0.00***	0.00
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		4.28***	5.19***				9.91***	7.14***		6.20**	6.84**
		(1.55)	(1.90)				(2.54)	(2.70)		(2.61)	(2.82)
GDP Growth (%)		-0.13***	-0.14***				-0.11***	-0.12***		-0.17***	-0.14**
		(0.02)	(0.03)				(0.03)	(0.03)		(0.05)	(0.06)
Service Sector (% of GDP)		-0.00	-0.02				-0.05*	-0.08**		0.02	-0.01
		(0.02)	(0.03)				(0.03)	(0.04)		(0.04)	(0.05)
Democracy		-0.37	-0.38				-0.44	-0.26		0.70	1.06
		(0.47)	(0.34)				(0.49)	(0.46)		(0.62)	(0.73)
Distance to US Ideal Point		0.72	-0.17				1.70***	0.48		2.09**	0.89
		(0.63)	(0.54)				(0.43)	(0.65)		(1.05)	(1.53)
Time		-0.11**					-0.26***			-0.28***	
		(0.05)					(0.06)			(0.07)	
Constant	0.98**	-65.64***	-83.15***	0.50*	-0.28	0.48	-151.07***	-115.72***	-4.07***	-89.18**	-111.81**
	(0.42)	(24.16)	(30.99)	(0.25)	(0.51)	(0.78)	(38.16)	(43.67)	(0.99)	(37.43)	(43.87)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Year FE	✓		✓		✓	✓		✓	✓		✓
Observations	2835	1905	1905	1516	1516	1425	1080	1080	981	756	712

Standard errors in parentheses (clustered by country)
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A26: Likelihood of a financial crisis in a country-year depending on the number of US troops per million inhabitant (log) stationed in a country since 1960. All explanatory variables are lagged by one year. Conditional logit models estimated with maximum likelihood.

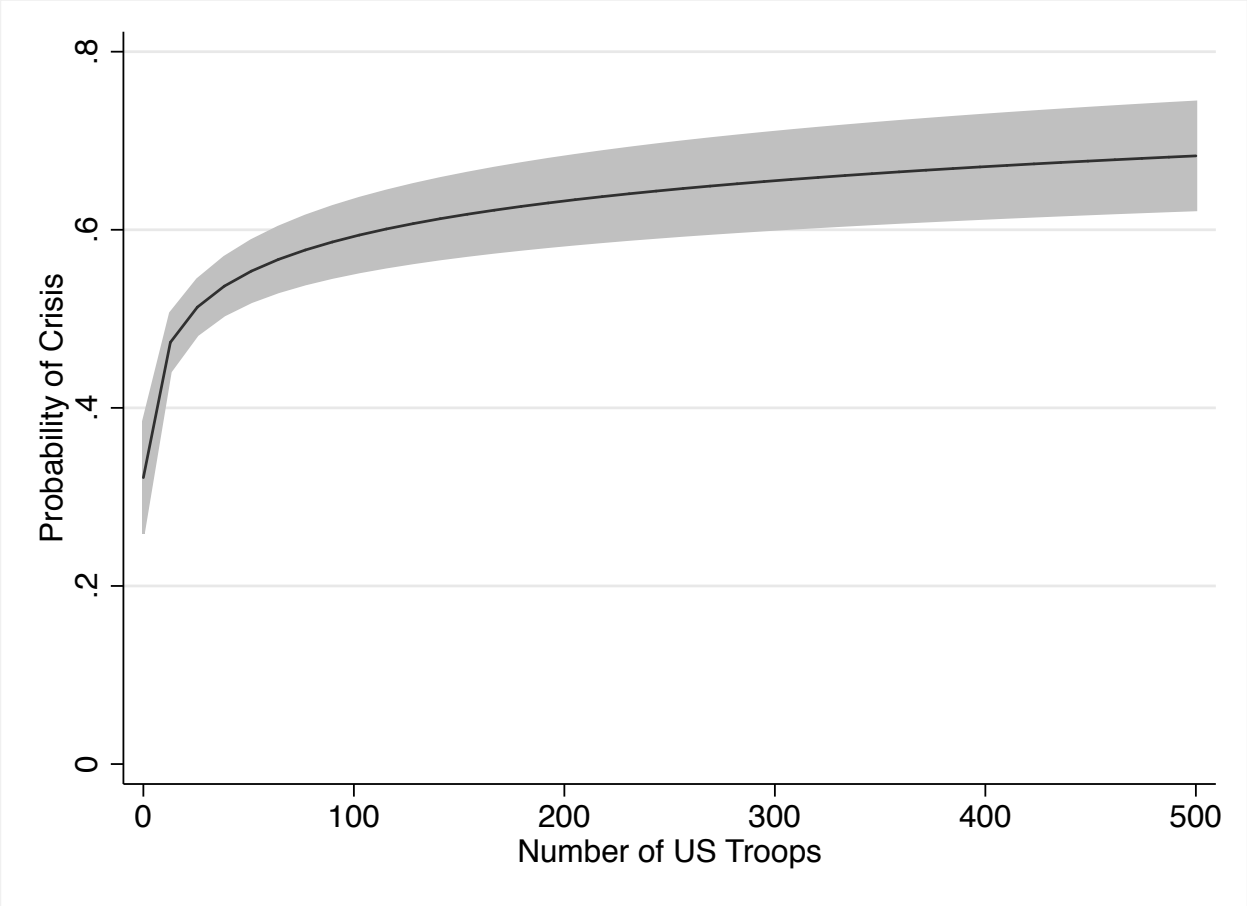

Figure A5: Predicted probability of a financial crisis in any given country-year as the number of US soldiers increases. The estimates are based on Model 9 in Table 1. The graph is then adapted to report US troops (and not the log of troops) on the x-axis..

A7.4 Marginal Effects

A8 Subsamples

A8.1 Varying Entry Condition

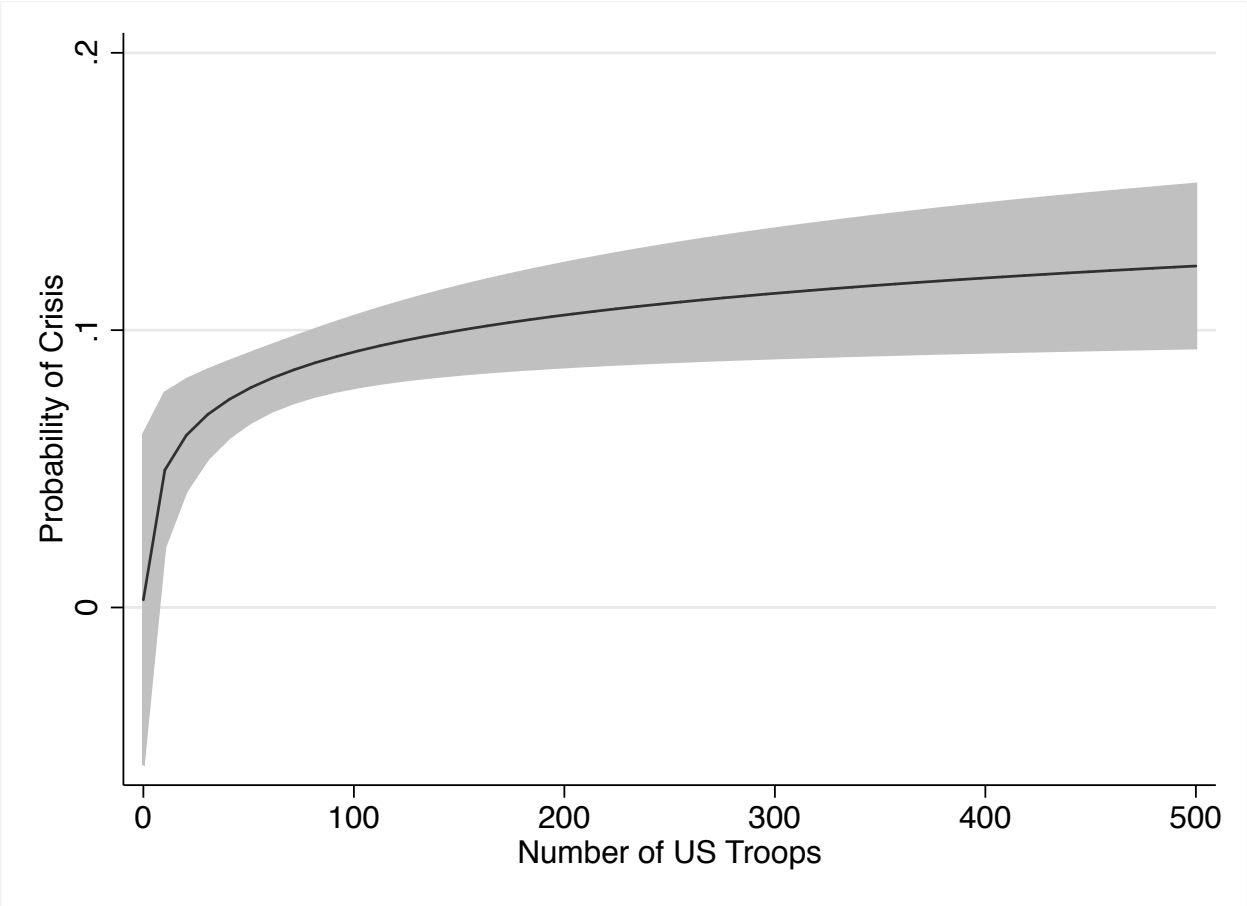

Figure A6: Predicted probability of a financial crisis onset as the number of US soldiers increases. The estimates are based on Model 9 in Table 1. The graph is then adapted to report US troops (and not the log of troops) on the x-axis.

Troops > 0; Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.03	0.05**	0.04*	0.05	0.05**	0.06***	0.09***	0.08***	0.19***	0.05	0.09***	0.07***
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.03)	(0.04)	(0.03)	(0.02)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	-0.00	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.38	0.49*				1.37***	0.96***	-0.06		1.26***	1.34***
		(0.32)	(0.29)				(0.33)	(0.35)	(0.04)		(0.45)	(0.42)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.09***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	-0.03		0.01	0.01*
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.01	-0.01	-0.03***		0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.11	-0.13				-0.04	-0.06	0.42***		0.03	0.01
		(0.09)	(0.08)				(0.07)	(0.05)	(0.11)		(0.09)	(0.08)
Distance to US Ideal Point		0.30***	0.13				0.25***	0.06	0.13		0.34***	0.17
		(0.05)	(0.08)				(0.07)	(0.10)	(0.10)		(0.09)	(0.11)
Time		-0.03***					-0.05***		-0.02***		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.21*	-5.64	-7.79	0.30**	0.08	0.09	-20.82***	-14.99**	2.84***	0.13	-19.90***	-21.92***
	(0.11)	(5.28)	(4.82)	(0.12)	(0.12)	(0.11)	(5.22)	(5.87)	(0.79)	(0.22)	(7.22)	(7.02)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2740	1592	1592	1422	1422	1328	870	870	870	1158	809	809
R^2	0.17	0.14	0.23	0.01	0.30	0.31	0.23	0.32		0.20	0.20	0.27
$\hat{\sigma}$	0.39	0.40	0.38	0.44	0.37	0.38	0.38	0.37		0.36	0.36	0.35
# Countries	68	62	62	41	41	40	38	38		57	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A27: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. Only country-years with more than one US military individual stationed. All explanatory variables are lagged by one year.

Troops >Median; Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.03	0.06*	0.06**	0.04	0.06**	0.07**	0.10***	0.11***	0.22***	0.03	0.14***	0.11***
	(0.02)	(0.03)	(0.03)	(0.05)	(0.03)	(0.03)	(0.02)	(0.02)	(0.05)	(0.03)	(0.03)	(0.02)
GDP per Capita (USD)		0.00	0.00			-0.00	-0.00	0.00	-0.00		0.00**	0.00*
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		-0.13	0.04				1.21	0.72	-0.01		0.82*	1.10**
		(0.37)	(0.35)				(0.73)	(0.67)	(0.05)		(0.49)	(0.52)
GDP Growth (%)		-0.02***	-0.02***				-0.01	-0.01	-0.07***		-0.01	-0.01
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				-0.01	-0.01	-0.07**		-0.02	-0.02
		(0.01)	(0.01)				(0.01)	(0.01)	(0.03)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.01	-0.01				-0.01**	-0.02**	-0.02**		-0.00	-0.01
		(0.01)	(0.01)				(0.01)	(0.01)	(0.01)		(0.01)	(0.01)
Democracy		-0.09	-0.12				0.08	0.06	0.45***		0.04	0.03
		(0.12)	(0.11)				(0.09)	(0.08)	(0.14)		(0.11)	(0.09)
Distance to US Ideal Point		0.27***	0.16				0.19**	0.03	0.13		0.33***	0.21*
		(0.07)	(0.10)				(0.09)	(0.14)	(0.14)		(0.10)	(0.12)
Time		-0.01					-0.04**		-0.03***		-0.04***	
		(0.01)					(0.02)		(0.01)		(0.01)	
Constant	0.39***	2.61	-0.59	0.29	0.48***	0.49***	-18.42	-11.17	1.89*	-0.44**	-13.53*	-19.80**
	(0.14)	(6.25)	(6.06)	(0.21)	(0.15)	(0.15)	(11.84)	(11.81)	(1.10)	(0.22)	(7.96)	(8.96)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	1852	1067	1067	788	788	722	466	466	466	643	553	553
R^2	0.15	0.10	0.20	0.01	0.29	0.31	0.19	0.31		0.19	0.15	0.27
$\hat{\sigma}$	0.38	0.41	0.39	0.42	0.37	0.38	0.39	0.38		0.37	0.38	0.37
# Countries	61	52	52	34	34	33	29	29		41	41	41

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A28: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. Only country-years with more than the median number (19) of US military personnel stationed are included (median based on data available in Models 8 and 9). All explanatory variables are lagged by one year.

A8.2 Varying Time

Troops <500; Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.05*	0.07**	0.04	0.11***	0.05*	0.07**	0.07*	0.06	0.27***	0.11*	0.08*	0.06
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)	(0.05)	(0.06)	(0.04)	(0.04)
GDP per Capita (USD)		0.00*	0.00			-0.00**	-0.00*	-0.00	-0.00***		0.00**	0.00*
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.56	0.55*				1.42***	0.88***	-0.10**		1.03*	1.03**
		(0.40)	(0.29)				(0.32)	(0.28)	(0.04)		(0.53)	(0.47)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.01	0.01	-0.01		0.01*	0.02***
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.01				-0.00	-0.01	-0.03***		0.00	0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.20*	-0.19**				-0.09	-0.08	0.33***		0.00	0.02
		(0.10)	(0.09)				(0.08)	(0.06)	(0.11)		(0.10)	(0.09)
Distance to US Ideal Point		0.29***	0.04				0.25***	0.10	0.06		0.41***	0.19
		(0.05)	(0.09)				(0.06)	(0.10)	(0.10)		(0.10)	(0.11)
Time		-0.03***					-0.05***		-0.01**		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.44***	-8.50	-8.49*	0.14	0.62***	0.05	-21.56***	-14.21***	3.30***	0.04	-16.15*	-17.65**
	(0.09)	(6.39)	(4.73)	(0.08)	(0.11)	(0.09)	(5.00)	(4.79)	(0.77)	(0.26)	(8.25)	(8.04)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2182	1292	1292	1478	1478	1363	887	887	887	816	606	606
R^2	0.21	0.16	0.27	0.04	0.28	0.30	0.22	0.31		0.27	0.25	0.33
$\hat{\sigma}$	0.38	0.39	0.37	0.43	0.38	0.38	0.38	0.36		0.34	0.34	0.33
# Countries	60	53	53	41	41	40	38	38		47	41	41

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A29: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. Only country-years with less than 500 US military personnel stationed are included. All explanatory variables are lagged by one year.

Post-1970; Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.03**	0.06***	0.04**	0.09***	0.05***	0.05***	0.07***	0.05***	0.23***	0.06	0.07***	0.06***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)	(0.04)	(0.04)	(0.02)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00*	-0.00*	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.57*	0.58**				1.43***	0.87***	-0.09**		1.17***	1.24***
		(0.33)	(0.26)				(0.30)	(0.26)	(0.04)		(0.41)	(0.37)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	-0.03		0.01	0.01*
		(0.01)	(0.00)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.03***		0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.14	-0.15*				-0.07	-0.08	0.35***		0.03	0.00
		(0.09)	(0.08)				(0.07)	(0.06)	(0.10)		(0.08)	(0.08)
Distance to US Ideal Point		0.28***	0.11				0.23***	0.06	0.03		0.33***	0.16
		(0.05)	(0.08)				(0.06)	(0.10)	(0.09)		(0.09)	(0.11)
Time		-0.03***					-0.04***		-0.01*		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.39***	-8.74	-9.36**	0.25***	0.50***	0.58***	-21.64***	-13.88***	3.26***	-0.11	-18.35***	-21.22***
	(0.09)	(5.39)	(4.39)	(0.07)	(0.08)	(0.07)	(4.81)	(4.47)	(0.75)	(0.19)	(6.47)	(6.48)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2229	1655	1655	1205	1205	1166	933	933	933	1037	834	834
R^2	0.15	0.14	0.23	0.04	0.26	0.27	0.23	0.32		0.20	0.20	0.27
$\hat{\sigma}$	0.40	0.39	0.38	0.43	0.38	0.38	0.38	0.36		0.38	0.36	0.35
# Countries	68	62	62	41	41	40	38	38		56	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A30: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country from 1970 onward. All explanatory variables are lagged by one year.

Pre-1996; Exports to the US: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.05***	0.05*	0.05	0.09**	0.04*	0.05**	0.01	0.02	0.19***	0.07**	0.07***	0.07**
	(0.02)	(0.03)	(0.03)	(0.04)	(0.02)	(0.02)	(0.03)	(0.03)	(0.05)	(0.03)	(0.03)	(0.03)
GDP per Capita (USD)		0.00	0.00			-0.00***	-0.00***	-0.00**	-0.00***		0.00***	0.00***
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		1.16**	1.21**				2.38***	2.16***	-0.03		1.72***	1.93***
		(0.51)	(0.47)				(0.72)	(0.65)	(0.06)		(0.59)	(0.62)
GDP Growth (%)		-0.01***	-0.01**				-0.01*	-0.00	-0.09***		-0.01	-0.01
		(0.00)	(0.00)				(0.00)	(0.00)	(0.02)		(0.01)	(0.01)
FDI Inflows (% of GDP)		-0.01	-0.01				0.00	-0.00	-0.04		-0.01	-0.02
		(0.01)	(0.01)				(0.01)	(0.01)	(0.04)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				0.00	0.00	-0.03**		0.00	0.00
		(0.00)	(0.01)				(0.00)	(0.01)	(0.01)		(0.01)	(0.01)
Democracy		-0.04	-0.03				0.05	0.08	0.47***		0.15	0.17
		(0.10)	(0.09)				(0.10)	(0.08)	(0.15)		(0.11)	(0.11)
Distance to US Ideal Point		0.11*	0.09				0.08	0.10	-0.57***		0.23**	0.21*
		(0.06)	(0.10)				(0.06)	(0.12)	(0.16)		(0.09)	(0.11)
Time		-0.02					-0.04**		0.10***		-0.05***	
		(0.01)					(0.02)		(0.02)		(0.02)	
Constant	0.32***	-18.54**	-20.07**	0.17	0.54***	0.81***	-37.00***	-34.41***	0.20	-0.15	-27.47***	-31.98***
	(0.10)	(8.18)	(8.01)	(0.13)	(0.10)	(0.10)	(11.23)	(10.45)	(1.17)	(0.20)	(9.49)	(10.09)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2097	980	980	1141	1141	1023	542	542	542	865	549	549
R^2	0.22	0.15	0.18	0.04	0.37	0.41	0.26	0.31		0.14	0.17	0.20
$\hat{\sigma}$	0.37	0.36	0.36	0.42	0.35	0.34	0.33	0.32		0.35	0.34	0.34
# Countries	68	58	58	41	41	39	36	36		50	42	42

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A31: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries between 1960 and 1995. All explanatory variables are lagged by one year.

W/O Years of US Recession; Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.04**	0.07***	0.05***	0.06**	0.04**	0.05**	0.08***	0.06**	0.24***	0.06*	0.08***	0.06**
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.03)	(0.02)	(0.03)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	0.00	0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.53	0.50*				1.27***	0.70**	-0.09**		1.38***	1.40***
		(0.33)	(0.28)				(0.39)	(0.33)	(0.05)		(0.43)	(0.41)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.02***	-0.09***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		-0.01	-0.00				0.01	0.01	-0.01		-0.00	0.00
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.01				-0.01*	-0.01*	-0.04***		0.00	0.00
		(0.00)	(0.00)				(0.00)	(0.01)	(0.01)		(0.01)	(0.01)
Democracy		-0.16	-0.19*				-0.04	-0.07	0.42***		-0.06	-0.06
		(0.11)	(0.10)				(0.07)	(0.07)	(0.13)		(0.08)	(0.08)
Distance to US Ideal Point		0.33***	0.18**				0.27***	0.12	0.02		0.40***	0.30**
		(0.06)	(0.09)				(0.07)	(0.10)	(0.12)		(0.10)	(0.12)
Time		-0.03***					-0.05***		-0.02**		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.37***	-7.98	-8.57*	0.25**	0.53***	0.45***	-18.90***	-11.50*	3.97***	-0.14	-21.68***	-24.61***
	(0.08)	(5.37)	(4.91)	(0.10)	(0.09)	(0.12)	(6.11)	(5.80)	(0.89)	(0.16)	(6.93)	(7.09)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	1985	1196	1196	1080	1080	991	684	684	684	837	597	597
R^2	0.19	0.19	0.25	0.03	0.30	0.32	0.25	0.32		0.19	0.24	0.28
$\hat{\sigma}$	0.38	0.37	0.36	0.43	0.37	0.37	0.37	0.36		0.35	0.34	0.34
# Countries	68	62	62	41	41	40	38	38		55	49	49

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A32: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country. Years in which the US was in a recession according to NBER are removed. All explanatory variables are lagged by one year.

A8.3 Varying Countries and Regions

By Continent; Financial Crisis: Troops (log)

	Africa		Americas		Asia		Europe	
	(1) OLS	(2) Probit	(3) OLS	(4) Probit	(5) OLS	(6) Probit	(7) OLS	(8) Probit
US Troops (log)	0.08*	0.30***	0.05*	0.18***	0.06***	0.20**	0.02*	0.07**
	(0.04)	(0.09)	(0.02)	(0.05)	(0.02)	(0.09)	(0.01)	(0.03)
GDP per Capita (USD)	-0.00***	-0.00***	-0.00	-0.00**	0.00	0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Population (log)	-0.10*	-0.32***	-0.01	0.02	0.01	0.02	-0.02	-0.05
	(0.04)	(0.10)	(0.03)	(0.06)	(0.03)	(0.10)	(0.02)	(0.06)
GDP Growth (%)	-0.02***	-0.06***	-0.02***	-0.07***	-0.03*	-0.09***	-0.04***	-0.15***
	(0.00)	(0.02)	(0.00)	(0.02)	(0.01)	(0.03)	(0.01)	(0.03)
FDI Inflows (% of GDP)	0.00	0.01	-0.02	-0.07**	0.00	-0.01	0.01**	0.03**
	(0.01)	(0.04)	(0.01)	(0.03)	(0.01)	(0.05)	(0.00)	(0.01)
Service Sector (% of GDP)	-0.01	-0.02**	-0.01***	-0.04***	-0.01	-0.04	-0.02***	-0.06***
	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.03)	(0.00)	(0.01)
Democracy	-0.16*	-0.58***	0.04	0.23	0.02	0.06	0.07	0.23
	(0.08)	(0.21)	(0.11)	(0.20)	(0.13)	(0.37)	(0.11)	(0.46)
Distance to US Ideal Point	-0.06	-0.20	0.27***	0.90***	0.30*	0.94***	0.06	0.24
	(0.10)	(0.19)	(0.08)	(0.16)	(0.14)	(0.32)	(0.09)	(0.23)
Time	0.01	0.02*	-0.01**	-0.05***	-0.01*	-0.04**	0.01	0.03**
	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.00)	(0.01)
Constant	2.42**	6.49***	1.21**	1.63	0.14	-0.46	1.16***	2.15*
	(0.81)	(1.79)	(0.56)	(1.15)	(0.61)	(2.53)	(0.34)	(1.12)
Observations	340	340	513	513	192	192	505	505
R^2	0.29		0.30		0.14		0.16	
$\hat{\sigma}$	0.43		0.41		0.44		0.41	

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A33: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. Results by continent. No fixed effects are included given the limited number of countries per group. All explanatory variables are lagged by one year.

W/O Major Oil Producing Countries: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.04**	0.06***	0.05***	0.09***	0.06***	0.06***	0.09***	0.07***	0.21***	0.07*	0.08***	0.07***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.04)	(0.02)	(0.02)
GDP per Capita (USD)		0.00**	0.00**			-0.00*	-0.00	-0.00	-0.00**		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.46	0.50*				1.35***	0.78**	-0.08*		1.09**	1.13***
		(0.33)	(0.27)				(0.32)	(0.29)	(0.04)		(0.42)	(0.39)
GDP Growth (%)		-0.02***	-0.02***				-0.01**	-0.01**	-0.08***		-0.02***	-0.01**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				-0.00	-0.00	-0.05**		0.01	0.01*
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.01*	-0.01**	-0.03***		-0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.12	-0.14				-0.02	-0.04	0.53***		0.03	0.00
		(0.10)	(0.09)				(0.08)	(0.06)	(0.12)		(0.09)	(0.08)
Distance to US Ideal Point		0.29***	0.11				0.23***	0.05	0.13		0.36***	0.19*
		(0.05)	(0.08)				(0.06)	(0.11)	(0.10)		(0.09)	(0.10)
Time		-0.02***					-0.04***		-0.02**		-0.04***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.02	-7.08	-8.08*	0.22***	0.08	0.11	-20.46***	-12.24**	2.80***	-0.09	-17.23**	-19.43***
	(0.09)	(5.35)	(4.53)	(0.07)	(0.10)	(0.10)	(5.13)	(5.11)	(0.83)	(0.19)	(6.66)	(6.76)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	1992	1516	1516	992	992	989	796	796	796	971	785	785
R^2	0.14	0.14	0.23	0.04	0.27	0.28	0.24	0.32		0.20	0.20	0.27
$\hat{\sigma}$	0.41	0.40	0.38	0.43	0.38	0.38	0.38	0.37		0.37	0.36	0.35
# Countries	64	58	58	37	37	37	34	34		54	48	48

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A34: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. All explanatory variables are lagged by one year. Only countries that have oil rents that is smaller than 20% of their GDP are included.

A8.4 Varying Income

Only Major Oil Producing Countries: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	-0.00	-0.09**	-0.10	0.05	-0.03	-0.03	-0.09**	-0.10	0.53***	0.01	-0.02	-0.19
	(0.02)	(0.04)	(0.06)	(0.04)	(0.03)	(0.03)	(0.04)	(0.06)	(0.13)	(0.02)	(0.02)	(0.63)
GDP per Capita (USD)		0.00	-0.00			-0.00**	0.00	-0.00	0.00		0.00	0.00
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		1.71	0.65				1.71	0.65	-0.63***		1.59	-9.28
		(2.35)	(1.61)				(2.37)	(1.63)	(0.20)		(1.32)	(14.29)
GDP Growth (%)		-0.02**	-0.01				-0.02**	-0.01	-0.13***		-0.03***	-0.13**
		(0.01)	(0.01)				(0.01)	(0.01)	(0.03)		(0.01)	(0.05)
FDI Inflows (% of GDP)		0.01*	-0.00				0.01*	-0.00	0.07		-0.00	-0.06
		(0.01)	(0.01)				(0.01)	(0.01)	(0.07)		(0.02)	(0.24)
Service Sector (% of GDP)		0.00	0.01				0.00	0.01	-0.08***		0.01	0.07**
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.02)
Democracy		-0.25*	-0.17				-0.25	-0.17	-1.11***		0.00	0.00
		(0.14)	(0.14)				(0.14)	(0.14)	(0.39)		(.)	(.)
Distance to US Ideal Point		0.19	0.11				0.19	0.11	-0.22		-0.26	1.74
		(0.14)	(0.10)				(0.14)	(0.11)	(0.36)		(0.21)	(3.21)
Time		-0.05					-0.05		0.02		-0.05	
		(0.05)					(0.05)		(0.02)		(0.03)	
Constant	0.19	-25.23	-10.50	0.16	0.85***	0.13*	-25.22	-10.52	13.42***	-0.11	-21.61	130.53
	(0.13)	(36.55)	(26.37)	(0.12)	(0.24)	(0.07)	(36.79)	(26.63)	(3.70)	(0.12)	(19.73)	(205.10)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	912	139	139	593	593	474	137	137	137	223	49	49
R^2	0.27	0.28	0.54	0.01	0.32	0.41	0.28	0.54		0.51	0.37	0.97
$\hat{\sigma}$	0.28	0.32	0.29	0.33	0.29	0.29	0.32	0.30		0.21	0.32	0.16
# Countries	68	14	14	41	41	39	12	12		30	7	7

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A35: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. All explanatory variables are lagged by one year. Only countries that have oil rents that is larger than 20% of their GDP are included.

Low Income; Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.02	0.11**	0.09	0.16***	0.02	0.04	0.11**	0.09	0.33***	0.15	0.03	0.86
	(0.06)	(0.04)	(0.07)	(0.02)	(0.06)	(0.06)	(0.04)	(0.07)	(0.13)	(0.21)	(0.05)	(1.05)
GDP per Capita (USD)		0.00	-0.00			-0.00	0.00	-0.00	-0.00		0.00*	0.00
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.45	-0.62				0.45	-0.62	-0.37***		4.86**	10.61
		(0.83)	(0.98)				(0.83)	(0.98)	(0.11)		(1.71)	(10.56)
GDP Growth (%)		-0.01*	-0.01				-0.01*	-0.01	-0.05**		-0.01	0.02
		(0.01)	(0.01)				(0.01)	(0.01)	(0.03)		(0.03)	(0.03)
FDI Inflows (% of GDP)		0.02	0.01				0.02	0.01	0.02		0.05	0.02
		(0.02)	(0.01)				(0.02)	(0.01)	(0.06)		(0.06)	(0.03)
Service Sector (% of GDP)		0.00	0.00				0.00	0.00	-0.03**		0.05*	0.11
		(0.00)	(0.01)				(0.00)	(0.01)	(0.01)		(0.02)	(0.11)
Democracy		-0.25**	-0.24**				-0.25**	-0.24**	-0.89***		0.10	-1.06
		(0.11)	(0.09)				(0.11)	(0.09)	(0.27)		(0.21)	(1.28)
Distance to US Ideal Point		0.15**	0.07				0.15**	0.07	0.44		0.33**	0.34*
		(0.05)	(0.18)				(0.05)	(0.18)	(0.32)		(0.08)	(0.16)
Time		-0.02					-0.02		-0.00		-0.19*	
		(0.02)					(0.02)		(0.02)		(0.07)	
Constant	0.11	-6.84	11.09	0.19***	0.11	0.25	-6.84	11.09	7.14***	-0.03	-81.25**	-184.97
	(0.29)	(13.14)	(16.76)	(0.05)	(0.29)	(0.33)	(13.14)	(16.76)	(2.14)	(0.01)	(27.24)	(182.45)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	319	198	198	319	319	319	198	198	198	59	53	53
R^2	0.45	0.16	0.45	0.12	0.45	0.46	0.16	0.45		0.94	0.31	0.96
$\hat{\sigma}$	0.36	0.39	0.35	0.42	0.36	0.36	0.39	0.35		0.20	0.38	0.19
# Countries	12	10	10	12	12	12	10	10		5	5	5

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A36: Likelihood of a financial crisis in a low income country-year depending on the number of US troops (log) stationed in one of these countries since 1960. Low income is defined as a country whose GDP per capita is below the 25th percentile worldwide in a given year. All explanatory variables are lagged by one year.

Middle Income; Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.04	0.06***	0.04**	0.05*	0.05**	0.05**	0.08***	0.06***	0.27***	0.05	0.06***	0.05***
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.03)	(0.02)	(0.01)
GDP per Capita (USD)		-0.00	-0.00			-0.00**	0.00	0.00	-0.00		0.00*	0.00
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		1.60***	1.09**				1.58***	1.03**	0.01		2.81***	2.29***
		(0.46)	(0.48)				(0.46)	(0.50)	(0.05)		(0.51)	(0.80)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01**	-0.09***		-0.02***	-0.02**
		(0.00)	(0.01)				(0.01)	(0.01)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.01	0.01				-0.01	-0.00	-0.03		0.01	0.01
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.01				-0.01	-0.01	-0.03***		0.00	0.00
		(0.00)	(0.01)				(0.01)	(0.01)	(0.01)		(0.01)	(0.01)
Democracy		-0.08	-0.14				0.11	0.03	0.80***		0.09	0.03
		(0.10)	(0.09)				(0.07)	(0.08)	(0.13)		(0.08)	(0.10)
Distance to US Ideal Point		0.27***	0.04				0.22***	0.07	-0.02		0.21**	0.04
		(0.07)	(0.09)				(0.07)	(0.09)	(0.10)		(0.09)	(0.09)
Time		-0.05***					-0.05***		-0.02***		-0.08***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.56***	-24.23***	-17.37**	0.24**	0.45***	0.77***	-23.74***	-16.49*	1.67*	0.27	-43.13***	-38.25***
	(0.12)	(7.42)	(8.39)	(0.11)	(0.12)	(0.16)	(7.32)	(8.58)	(0.90)	(0.35)	(8.01)	(13.59)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	1344	835	835	1108	1108	1108	709	709	709	594	457	457
R^2	0.25	0.28	0.36	0.02	0.30	0.32	0.27	0.34		0.36	0.32	0.42
$\hat{\sigma}$	0.40	0.38	0.36	0.44	0.38	0.37	0.37	0.36		0.35	0.34	0.33
# Countries	46	39	39	39	39	39	33	33		38	32	32

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A37: Likelihood of a financial crisis in a middle income country-year depending on the number of US troops (log) stationed in one of these countries since 1960. Middle income is defined as a country whose GDP per capita is between the 25th and the 75th percentile worldwide in a given year. All explanatory variables are lagged by one year.

High Income; Financial Crisis: Troops (log)

	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) Probit
US Troops (log)	-0.04**	0.00	0.00	0.02	0.02	0.12***
	(0.02)	(0.01)	(0.01)	(0.04)	(0.04)	(0.03)
GDP per Capita (USD)			0.00	0.00	0.00	0.00*
			(0.00)	(0.00)	(0.00)	(0.00)
Population (log)				-0.37	-0.36	-0.07
				(0.44)	(0.40)	(0.05)
GDP Growth (%)				-0.04***	-0.04***	-0.13***
				(0.01)	(0.01)	(0.03)
FDI Inflows (% of GDP)				0.01	0.00	0.02*
				(0.01)	(0.01)	(0.02)
Service Sector (% of GDP)				-0.00	-0.00	-0.03**
				(0.01)	(0.01)	(0.01)
Democracy				0.03	-0.00	0.70*
				(0.19)	(0.18)	(0.36)
Distance to US Ideal Point				0.20**	0.15	0.38**
				(0.09)	(0.14)	(0.17)
Time				-0.01		-0.00
				(0.01)		(0.01)
Constant	0.43***	0.12	0.09	6.00	5.88	0.08
	(0.11)	(0.14)	(0.17)	(7.57)	(7.02)	(1.07)
Country FE	✓	✓	✓	✓	✓	
Year FE		✓	✓		✓	
Observations	975	975	975	622	622	622
R^2	0.01	0.20	0.20	0.06	0.22	
$\hat{\sigma}$	0.38	0.35	0.35	0.39	0.36	
# Countries	24	24	24	20	20	
Notes						

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A38: Likelihood of a financial crisis in a high income country-year depending on the number of US troops (log) stationed in one of these countries since 1960. High income is defined as a country whose GDP per capita is above the 75th percentile worldwide in a given year. All explanatory variables are lagged by one year.

A9 Robustness Tests

All Countries (including those at war); Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.02	0.05***	0.03*	0.05**	0.03**	0.04***	0.06***	0.04***	0.12***	0.05	0.06***	0.05***
	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)	(0.02)	(0.02)
GDP per Capita (USD)		0.00***	0.00***			-0.00*	-0.00*	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.71**	0.67**				1.46***	0.93***	-0.12***		1.23***	1.15***
		(0.31)	(0.25)				(0.29)	(0.24)	(0.03)		(0.38)	(0.36)
GDP Growth (%)		-0.02***	-0.02***				-0.01***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	0.01		0.01	0.01
		(0.00)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.02***		0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.00)		(0.01)	(0.01)
Democracy		-0.06	-0.07				0.01	0.00	0.33***		0.06	0.04
		(0.08)	(0.07)				(0.06)	(0.06)	(0.09)		(0.08)	(0.08)
Distance to US Ideal Point		0.30***	0.13**				0.28***	0.10	0.14*		0.35***	0.19**
		(0.04)	(0.06)				(0.05)	(0.07)	(0.08)		(0.07)	(0.08)
Time		-0.03***					-0.05***		-0.02***		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.28***	-11.06**	-10.94**	0.30***	0.15**	0.02	-22.65***	-14.92***	3.46***	0.16	-19.63***	-18.96***
	(0.08)	(5.13)	(4.25)	(0.08)	(0.07)	(0.06)	(4.72)	(4.06)	(0.59)	(0.19)	(6.12)	(5.96)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	3463	1981	1981	2087	2087	1894	1205	1205	1205	1194	1006	1006
R^2	0.18	0.15	0.23	0.01	0.27	0.30	0.23	0.31		0.20	0.19	0.26
$\hat{\sigma}$	0.40	0.40	0.38	0.45	0.39	0.39	0.39	0.37		0.36	0.37	0.37
# Countries	68	64	64	41	41	40	40	40		57	54	54

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A39: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country. All countries are included, even those at war. All explanatory variables are lagged by one year.

All Countries (including those at war; controlling for war); Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.02	0.05***	0.03*	0.05**	0.03**	0.04***	0.06***	0.04***	0.12***	0.05	0.06***	0.04***
	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)	(0.01)	(0.02)
War	0.07	0.09	0.06	0.15**	0.03	0.04	0.07	0.04	-0.22**	0.00	0.10	0.07
	(0.05)	(0.06)	(0.06)	(0.07)	(0.05)	(0.05)	(0.07)	(0.07)	(0.10)	(.)	(0.10)	(0.10)
GDP per Capita (USD)		0.00***	0.00***			-0.00*	-0.00	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.70**	0.67**				1.47***	0.94***	-0.10***		1.20***	1.13***
		(0.31)	(0.25)				(0.29)	(0.24)	(0.03)		(0.38)	(0.35)
GDP Growth (%)		-0.02***	-0.02***				-0.01***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	0.01		0.01	0.01
		(0.00)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.02***		0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.00)		(0.01)	(0.01)
Democracy		-0.06	-0.06				0.01	0.00	0.34***		0.06	0.05
		(0.08)	(0.07)				(0.06)	(0.06)	(0.09)		(0.08)	(0.08)
Distance to US Ideal Point		0.30***	0.14**				0.28***	0.10	0.15**		0.35***	0.19**
		(0.04)	(0.06)				(0.05)	(0.07)	(0.08)		(0.07)	(0.08)
Time		-0.03***					-0.05***		-0.02***		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.23***	-11.04**	-10.95**	0.26***	0.12*	0.01	-22.78***	-15.08***	3.16***	0.16	-19.20***	-18.61***
	(0.08)	(5.15)	(4.27)	(0.08)	(0.07)	(0.06)	(4.66)	(4.10)	(0.60)	(0.19)	(6.11)	(5.93)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	3463	1981	1981	2087	2087	1894	1205	1205	1205	1194	1006	1006
R^2	0.18	0.15	0.23	0.03	0.27	0.30	0.23	0.31		0.20	0.20	0.26
$\hat{\sigma}$	0.40	0.40	0.38	0.45	0.39	0.39	0.39	0.37		0.36	0.37	0.37
# Countries	68	64	64	41	41	40	40	40		57	54	54

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A40: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country. All countries are included, even those at war (which is added as a control variable). All explanatory variables are lagged by one year.

Controlling for US and Russian/USSR Ideal Points; Financial Crisis: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.03**	0.06***	0.04**	0.07***	0.05***	0.06***	0.07***	0.05***	0.24***	0.05	0.07***	0.06***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.03)	(0.02)	(0.02)
Distance to US Ideal Point	0.05	0.28***	0.11	0.24**	0.03	0.05	0.23***	0.06	0.02	0.16**	0.33***	0.17
	(0.04)	(0.06)	(0.08)	(0.09)	(0.08)	(0.08)	(0.07)	(0.10)	(0.10)	(0.07)	(0.09)	(0.11)
Distance to USSR/Russia Ideal Point	0.03	-0.01	0.01	0.07	0.01	0.01	0.01	0.03	-0.05	0.05	0.01	0.05
	(0.03)	(0.04)	(0.04)	(0.06)	(0.06)	(0.06)	(0.04)	(0.07)	(0.09)	(0.04)	(0.04)	(0.05)
GDP per Capita (USD)		0.00**	0.00**			-0.00**	-0.00*	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.58*	0.57**				1.43***	0.86***	-0.09**		1.17***	1.21***
		(0.34)	(0.28)				(0.30)	(0.27)	(0.04)		(0.41)	(0.41)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.08***		-0.02***	-0.02**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	-0.03		0.01	0.01
		(0.01)	(0.00)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01	-0.03***		0.00	0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.14	-0.15*				-0.07	-0.07	0.33***		0.03	0.01
		(0.09)	(0.08)				(0.07)	(0.06)	(0.11)		(0.09)	(0.07)
Time		-0.03***					-0.04***		-0.01*		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	-0.11	-8.85	-9.17*	-0.52	0.40	-0.17	-21.72***	-13.37***	3.48***	-0.17	-18.48***	-20.97***
	(0.14)	(5.49)	(4.59)	(0.32)	(0.30)	(0.23)	(4.75)	(4.56)	(0.84)	(0.29)	(6.44)	(7.10)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2678	1655	1655	1492	1492	1393	933	933	933	1149	834	834
R^2	0.19	0.14	0.23	0.12	0.31	0.32	0.23	0.32		0.22	0.20	0.27
$\hat{\sigma}$	0.39	0.39	0.38	0.41	0.37	0.38	0.38	0.36		0.36	0.36	0.35
# Countries	68	62	62	41	41	40	38	38		57	50	50

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A41: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country since 1960. All explanatory variables are lagged by one year.

United Nations Security Council Membership: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.03	0.06***	0.03*	0.06**	0.05***	0.05***	0.07***	0.05**	0.24***	0.05	0.07***	0.06***
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.04)	(0.02)	(0.02)
UN Security Council Member	-0.01	-0.01	-0.01	-0.00	-0.00	0.01	0.03	0.03	0.18	0.00	0.00	-0.00
	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)	(0.05)	(0.05)	(0.15)	(0.04)	(0.05)	(0.05)
GDP per Capita (USD)		0.00**	0.00**			-0.00*	-0.00*	-0.00	-0.00***		0.00***	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.62*	0.64**				1.43***	0.92***	-0.10**		1.18***	1.26***
		(0.33)	(0.25)				(0.32)	(0.26)	(0.05)		(0.41)	(0.37)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.01***	-0.08***		-0.02***	-0.02***
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				0.00	0.00	-0.03*		0.01	0.01
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.01*	-0.03***		0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Democracy		-0.13	-0.15*				-0.07	-0.08	0.32***		0.03	-0.00
		(0.09)	(0.08)				(0.08)	(0.06)	(0.11)		(0.09)	(0.08)
Distance to US Ideal Point		0.27***	0.05				0.20***	-0.01	-0.02		0.31***	0.10
		(0.05)	(0.08)				(0.06)	(0.09)	(0.10)		(0.09)	(0.10)
Time		-0.03***					-0.04***		-0.01		-0.05***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.45***	-9.37*	-10.03**	0.25**	0.67***	0.71***	-21.45***	-14.25***	3.54***	0.14	-18.36***	-21.25***
	(0.09)	(5.32)	(4.21)	(0.10)	(0.09)	(0.08)	(5.02)	(4.52)	(0.84)	(0.21)	(6.49)	(6.49)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2674	1569	1569	1464	1464	1392	903	903	903	1163	814	814
R^2	0.18	0.15	0.24	0.02	0.31	0.31	0.23	0.32		0.20	0.21	0.27
$\hat{\sigma}$	0.39	0.39	0.38	0.44	0.38	0.38	0.38	0.36		0.36	0.36	0.35
# Countries	64	58	58	39	39	38	36	36		55	48	48

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A42: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. All explanatory variables are lagged by one year. Controlling for membership to the United Nations Security Council.

Exports to the US: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.06***	0.07***	0.05**	0.06*	0.06***	0.06***	0.06**	0.05*	0.23***	0.06*	0.06**	0.05**
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.03)	(0.03)	(0.04)	(0.03)	(0.03)	(0.02)
Exports to US (log)	-0.06***	0.02	-0.01	0.09***	-0.05***	-0.04***	0.03	-0.00	-0.06	-0.07	0.07	0.06
	(0.02)	(0.03)	(0.03)	(0.02)	(0.02)	(0.01)	(0.03)	(0.03)	(0.04)	(0.07)	(0.05)	(0.05)
GDP per Capita (USD)		0.00	0.00			-0.00***	-0.00**	-0.00	-0.00		0.00**	0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.90**	0.99***				2.02***	1.59***	-0.02		1.44***	1.67***
		(0.40)	(0.35)				(0.52)	(0.56)	(0.06)		(0.48)	(0.47)
GDP Growth (%)		-0.02***	-0.01***				-0.01*	-0.01	-0.06***		-0.01**	-0.01
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		-0.02***	-0.01				-0.02	-0.01	-0.08***		-0.03**	-0.02*
		(0.01)	(0.01)				(0.01)	(0.01)	(0.03)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.00	-0.00				-0.00	-0.00	-0.04***		-0.00	-0.00
		(0.00)	(0.00)				(0.00)	(0.01)	(0.01)		(0.01)	(0.01)
Democracy		-0.11	-0.11				-0.02	-0.00	0.39***		0.07	0.06
		(0.10)	(0.09)				(0.08)	(0.06)	(0.13)		(0.08)	(0.09)
Distance to US Ideal Point		0.19***	0.09				0.14*	0.07	-0.20		0.28***	0.19*
		(0.06)	(0.10)				(0.07)	(0.12)	(0.12)		(0.09)	(0.11)
Time		-0.02**					-0.05***		0.04***		-0.04***	
		(0.01)					(0.01)		(0.01)		(0.01)	
Constant	0.72***	-14.25**	-15.96***	-0.17	0.79***	0.85***	-31.16***	-25.74***	1.34	0.59	-22.91***	-27.54***
	(0.19)	(6.50)	(5.67)	(0.13)	(0.15)	(0.12)	(8.06)	(9.26)	(1.01)	(0.60)	(7.55)	(7.71)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2329	1225	1225	1245	1245	1147	684	684	684	990	666	666
R^2	0.21	0.14	0.18	0.13	0.35	0.36	0.20	0.26		0.14	0.18	0.22
$\hat{\sigma}$	0.38	0.38	0.37	0.41	0.36	0.36	0.36	0.36		0.36	0.35	0.35
# Countries	66	57	57	39	39	38	35	35		51	44	44

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A43: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. All explanatory variables are lagged by one year. Controlling for trade exposure to the US (measured by exports to the US).

W/O Country Fixed Effects: Troops (log)

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) OLS	(2) OLS	(3) OLS	(4) OLS	(5) OLS	(6) OLS	(7) OLS	(8) OLS	(9) Probit	(10) OLS	(11) OLS	(12) OLS
US Troops (log)	-0.02**	0.03***	0.02*	0.01	0.01	0.01	0.08***	0.05***	0.23***	-0.00	0.05***	0.03**
	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)	(0.04)	(0.01)	(0.01)	(0.01)
GDP per Capita (USD)		-0.00**	-0.00***			-0.00***	-0.00**	-0.00**	-0.00***		-0.00	-0.00**
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		-0.03	-0.02				-0.03	-0.01	-0.09**		-0.03	-0.02
		(0.02)	(0.02)				(0.03)	(0.02)	(0.04)		(0.02)	(0.02)
GDP Growth (%)		-0.03***	-0.03***				-0.03***	-0.02***	-0.08***		-0.03***	-0.03***
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
FDI Inflows (% of GDP)		0.00	0.00				-0.00	-0.00	-0.03		0.01	0.01*
		(0.01)	(0.01)				(0.01)	(0.01)	(0.02)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.01***	-0.01***				-0.01***	-0.01***	-0.03***		-0.01**	-0.01**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.00)
Democracy		0.05	0.00				0.11	0.06	0.35***		0.18*	0.15
		(0.08)	(0.07)				(0.07)	(0.07)	(0.10)		(0.11)	(0.10)
Distance to US Ideal Point		0.11**	-0.00				0.01	-0.17**	0.03		0.23***	0.09
		(0.04)	(0.05)				(0.06)	(0.07)	(0.09)		(0.05)	(0.06)
Time		-0.00					-0.00		-0.01*		-0.01**	
		(0.00)					(0.00)		(0.01)		(0.00)	
Constant	0.66***	1.25***	1.11***	0.41***	0.67***	0.82***	1.59***	1.29***	3.26***	0.22*	1.03**	0.95*
	(0.08)	(0.33)	(0.33)	(0.07)	(0.11)	(0.10)	(0.47)	(0.42)	(0.75)	(0.12)	(0.48)	(0.53)
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2904	1655	1655	1585	1585	1463	933	933	933	1194	834	834
R^2	0.15	0.18	0.28	0.00	0.25	0.27	0.19	0.33		0.18	0.21	0.29
$\hat{\sigma}$	0.44	0.45	0.43	0.50	0.44	0.43	0.45	0.42		0.44	0.44	0.42
# Countries												

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A44: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in one of these countries since 1960. All explanatory variables are lagged by one year. No country-specific fixed effects included.

Financial Crisis: With Random Effects

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) RE	(2) RE	(3) RE	(4) RE	(5) RE	(6) RE	(7) RE	(8) RE	(9) Probit	(10) RE	(11) RE	(12) RE
US Troops (log)	0.01	0.05***	0.02*	0.05**	0.03**	0.04***	0.09***	0.03**	0.15***	0.00	0.07***	0.03**
	(0.01)	(0.02)	(0.01)	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	(0.03)	(0.01)	(0.02)	(0.01)
GDP per Capita (USD)		-0.00	-0.00**			-0.00***	-0.00***	-0.00***	-0.00***		-0.00	-0.00***
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		-0.03*	-0.02				-0.03	-0.00	-0.05		-0.04	-0.03
		(0.02)	(0.02)				(0.03)	(0.03)	(0.03)		(0.03)	(0.03)
GDP Growth (%)		-0.02***	-0.02***				-0.02***	-0.02***	-0.08***		-0.03***	-0.02***
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.01)	(0.01)
Service Sector (% of GDP)		-0.01**	-0.01***				-0.01***	-0.01***	-0.02***		-0.01	-0.01**
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.00)
Democracy		-0.04	-0.06				0.01	0.08	0.36***		0.11	0.13
		(0.07)	(0.05)				(0.07)	(0.06)	(0.09)		(0.08)	(0.08)
Distance to US Ideal Point		0.13**	0.01				0.21***	-0.15**	0.11		0.27***	0.09
		(0.07)	(0.05)				(0.06)	(0.06)	(0.08)		(0.08)	(0.07)
Time		0.00					-0.00		0.01*		-0.01**	
		(0.00)					(0.00)		(0.00)		(0.00)	
Constant	0.29***	0.83***	1.25***	0.25***	0.12	0.17**	0.85*	1.20**	1.29**	0.05	0.83	0.72
	(0.07)	(0.31)	(0.34)	(0.08)	(0.07)	(0.08)	(0.51)	(0.48)	(0.63)	(0.08)	(0.54)	(0.59)
Country RE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2904	1942	1942	1585	1585	1463	1117	1117	1117	1194	893	893
R^2												
$\hat{\sigma}$	0.40	0.42	0.40	0.44	0.38	0.38	0.42	0.41		0.39	0.38	0.39
# Countries	68	63	63	41	41	40	39	39		57	52	52

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A45: Likelihood of a financial crisis in a country-year depending on the number of US troops per million inhabitant (not logged) stationed in a country since 1960. All explanatory variables are lagged by one year. Random effects instead of country fixed effects.

Financial Crisis: Driscoll-Kraay Standard Errors

	All Countries			Non-OECD						Credit 20-80% of GDP		
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE	(8) FE	(9) Probit	(10) FE	(11) FE	(12) FE
US Troops (log)	0.03**	0.07***	0.04***	0.07***	0.04***	0.05***	0.08***	0.05***	0.15***	0.05***	0.09***	0.07***
	(0.01)	(0.02)	(0.01)	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)
GDP per Capita (USD)		0.00***	0.00***			-0.00***	-0.00**	-0.00	-0.00***		0.00***	0.00*
		(0.00)	(0.00)			(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Population (log)		0.70***	0.70***				1.29***	0.76***	-0.05		1.16***	1.08***
		(0.22)	(0.23)				(0.13)	(0.14)	(0.03)		(0.23)	(0.23)
GDP Growth (%)		-0.02***	-0.02***				-0.01***	-0.01***	-0.08***		-0.02***	-0.02***
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.00)
Service Sector (% of GDP)		0.00	-0.00				-0.00	-0.01	-0.02***		0.00	0.00
		(0.00)	(0.00)				(0.00)	(0.00)	(0.01)		(0.00)	(0.00)
Democracy		-0.06	-0.07				-0.04	-0.05	0.36***		0.07	0.04
		(0.05)	(0.05)				(0.05)	(0.05)	(0.09)		(0.07)	(0.08)
Distance to US Ideal Point		0.12***	-0.01				0.22***	0.03	0.11		0.22***	0.07
		(0.04)	(0.04)				(0.05)	(0.03)	(0.08)		(0.07)	(0.09)
Time		-0.02***					-0.03***		0.01*		-0.04***	
		(0.00)					(0.00)		(0.00)		(0.01)	
Constant	0.40***	-11.14***	-11.20***	0.22***	0.51***	0.69***	-19.99***	-11.85***	1.29**	0.05	-18.42***	-17.74***
	(0.06)	(3.51)	(3.66)	(0.05)	(0.03)	(0.03)	(2.05)	(2.32)	(0.63)	(0.08)	(3.73)	(3.81)
Country FE	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Year FE	✓		✓		✓	✓		✓		✓		✓
Observations	2904	1942	1942	1585	1585	1463	1117	1117	1117	1194	893	893
# Countries	68	63	63	41	41	40	39	39		57	52	52

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A46: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country. All countries are included, even those at war. All explanatory variables are lagged by one year. Standard errors are based on Driscoll and Kraay (1998) as implemented by Hoechle (2007).

A10 Causal Paths: Additional Results

Structural Equation Modeling

Panel A: Policies

	Public Spending	Public Debt	CB Interest Rate	Deposit Insurance	Capital Openness
	(1)	(2)	(3)	(4)	(5)
US Troops (log)	0.37***	0.14**	-1.47	0.03***	0.20***
	(0.02)	(0.05)	(0.29)	(0.00)	(0.01)

Panel B: Capital Markets

	Private Debt	Liabilities (log)	US Bank	Exchange Rate
	(1)	(2)	(3)	(4)
US Troops (log)	0.20***	0.49***	0.82***	-14.69
	(0.01)	(0.02)	(0.03)	(17.24)

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A47: Estimates from a structural equation model in which error terms across all outcomes are correlated. Non-OECD countries only.

Principal-Component Factor Analysis

	Policy Reaction		Market Reaction	
	(1) OLS	(2) FE	(3) OLS	(4) FE
US Troops (log)	-0.01	0.00	0.48***	0.05**
	(0.03)	(0.03)	(0.02)	(0.02)
GDP per Capita (USD)		-0.00***		0.00***
		(0.00)		(0.00)
Population (log)		-0.08		-0.31
		(0.35)		(0.21)
GDP Growth (%)		-0.00		-0.00
		(0.01)		(0.00)
Service Sector (% of GDP)		0.01		0.01***
		(0.01)		(0.00)
Democracy		0.03		0.03
		(0.09)		(0.05)
Distance to US Ideal Point		-0.23**		0.02
		(0.09)		(0.05)
Country FE		✓		✓
Year FE		✓		✓
Observations	566	535	760	693
R^2	0.00	0.66	0.41	0.39
$\hat{\sigma}$	0.98	0.36	0.76	0.28
# Countries		39		44

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A48: The dependent variables are the first factors from a principal-component factor analysis. The outcomes are the first dimensions for the following sets of variables. *Policy reaction* contains the outcomes from Table 3, Panel A; *market reaction* contains the outcomes from Table 3, Panel B.

	Liabilities (Log)									
	Total		Derivates		Debt		Portfolio		FDI	
	(1) OLS	(2) FE	(3) OLS	(4) FE	(5) OLS	(6) FE	(7) OLS	(8) FE	(9) OLS	(10) FE
US Troops (log)	0.50***	0.06***	0.02**	0.04**	0.52***	0.08***	0.50***	0.00	0.51***	0.05***
	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.03)	(0.03)	(0.02)	(0.01)
GDP per Capita (USD)		0.00***		0.00***		0.00***		0.00***		-0.00
		(0.00)		(0.00)		(0.00)		(0.00)		(0.00)
Population (log)		-0.19*		-0.19		0.14		1.37***		-0.88***
		(0.11)		(0.20)		(0.12)		(0.33)		(0.16)
GDP Growth (%)		0.00**		0.00		0.00		0.00		0.01***
		(0.00)		(0.00)		(0.00)		(0.01)		(0.00)
Service Sector (% of GDP)		0.02***		0.01***		0.02***		0.04***		0.02***
		(0.00)		(0.00)		(0.00)		(0.00)		(0.00)
Democracy		-0.19***		-0.03		-0.18***		-0.00		-0.22***
		(0.04)		(0.07)		(0.04)		(0.12)		(0.06)
Distance to US Ideal Point		0.03		-0.08		0.02		0.21*		-0.14***
		(0.04)		(0.06)		(0.04)		(0.11)		(0.05)
Country FE		✓		✓		✓		✓		✓
Year FE		✓		✓		✓		✓		✓
Observations	3723	2787	3702	2761	3735	2787	3704	2771	3731	2780
R^2	0.22	0.79	0.00	0.17	0.24	0.75	0.09	0.50	0.16	0.72
$\hat{\sigma}$	1.80	0.48	1.25	0.84	1.77	0.53	2.96	1.43	2.28	0.70
# Countries		117		116		117		117		117

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A49: The dependent variables are listed at the top of each column. All independent variables lagged by one year. The data come from Lane and Milesi-Ferretti (2007).

Debt and Financial Leverage

	Budget Balance		Revenues		Expenditures		Public Bonds		Public Credit		Z-Score		NPL	
	(1) OLS	(2) FE	(3) OLS	(4) FE	(5) OLS	(6) FE	(7) OLS	(8) FE	(9) OLS	(10) FE	(11) OLS	(12) FE	(13) OLS	(14) FE
US Troops (log)	0.71***	0.32	0.02**	0.02***	0.38***	0.02***	-1.16	2.33***	0.05***	0.05**	0.65***	-0.45**	0.04**	0.06*
	(0.14)	(0.20)	(0.01)	(0.01)	(0.02)	(0.01)	(0.79)	(0.70)	(0.01)	(0.02)	(0.14)	(0.19)	(0.02)	(0.03)
GDP per Capita (USD)		-0.00***		-0.00***		0.00***		0.00***		0.00		0.00*		0.00
		(0.00)		(0.00)		(0.00)		(0.00)		(0.00)		(0.00)		(0.00)
Population (log)		-8.50***		-0.32***		-0.21**		-87.91***		-0.12		8.14**		-1.18**
		(2.93)		(0.10)		(0.09)		(17.26)		(0.25)		(3.64)		(0.57)
GDP Growth (%)		0.07**		0.00**		-0.00		-0.00		-0.02***		0.00		-0.03***
		(0.03)		(0.00)		(0.00)		(0.17)		(0.00)		(0.04)		(0.01)
Service Sector (% of GDP)		-0.12***		-0.01***		-0.00**		0.22		-0.00		-0.04		0.02**
		(0.04)		(0.00)		(0.00)		(0.19)		(0.00)		(0.04)		(0.01)
Democracy		-1.13		0.08***		-0.07***		0.03		-0.21***		-3.02**		0.12
		(0.81)		(0.03)		(0.03)		(3.02)		(0.08)		(1.19)		(0.21)
Distance to US Ideal Point		-0.18		0.04		0.05**		-3.55		-0.10		-1.31		0.35**
		(0.84)		(0.03)		(0.02)		(2.74)		(0.08)		(0.87)		(0.17)
Country FE		✓		✓		✓		✓		✓		✓		✓
Year FE		✓		✓		✓		✓		✓		✓		✓
Observations	1024	804	1092	870	2819	2128	239	174	2827	2087	1425	1048	629	419
R^2	0.03	0.14	0.01	0.22	0.18	0.72	0.01	0.54	0.01	0.09	0.01	0.03	0.01	0.49
$\hat{\sigma}$	8.42	3.72	0.45	0.13	1.54	0.28	16.32	6.47	1.14	0.88	10.46	4.27	0.73	0.37
# Countries		91		93		111		15		109		111		68

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A50: The dependent variables are listed at the top of each column. The Budget Balance variable captures the primary fiscal surplus/deficit over GDP. Revenues are measured as the natural log of total government revenues over GDP. Expenditures are measured as the natural log of total government consumption expenditures over GDP. Public Bonds capture the public bond market capitalization, which is the ratio of public bonds over GDP. We take the natural logarithm of public sector borrowing from the financial sector over GDP as measure of Public Credit. The Z-Score measures overall banking stability, whereby NPL describes our measure of non-performing loans, which is we measure as the share of non-performing loans overall total loans. All independent variables lagged by one year. For public borrowing from the domestic financial system, the z-score, and the ratio of non-performing loans, we remove extreme outliers from the top and bottom 1% percentile. Data on all variables comes from the WDI.

A11 Instrumental Variable: Theory

Finding an effective way of identifying the effect of US troop deployments on financial market outcomes is far from trivial. To account for endogeneity, we innovate in constructing a novel instrumental variable.

To be a valid instrument, a variable must satisfy two criteria: (1) it has to be correlated with the independent variable of interest and (2) it has to be uncorrelated with the error term of the main regression equation. In our case, this means that we need to find a variable that predicts the presence of US troops but doesn't affect financial stability in an other, un-modeled way.

Here, we propose to proxy the strategic importance of a country based on its location along the medical evacuation chain of the US military during military interventions in Iraq in 1991 and 2003, and Afghanistan since 2001. Particularly, we concentrate on countries along the medical evacuation flight corridors to construct a dummy variable where the US would be more likely base troops to secure flight routes for wounded soldiers. Arguably, these flight corridors also reflect/mirror geographically important locations within the US military logistical chain.

The US military's Combat Casualty Procedures (CCC) foresees a chain of evacuation according to the severity of injury, which is organized in so-called levels of care.[72] This classification is divided into five categories (Level I – Level V) that reflect the intensity of care required for a wounded soldier. These levels correspond to so called geographical Echelons. Echelon I and II comprise either infield forward surgical teams and/or small trauma centers where casualties receive initial treatment close to the theater/battlefield. In severe cases, wounded soldiers are either directly referred to and/or transferred to Combat Support Hospitals (Echelon III) that are either located in the country of operation and/or neighboring countries. Although a recent report claims that *"as of 2005, there were three Army-based Combat Support Hospitals in Iraq and one in Afghanistan, as well as one Air Force Theater*

[72] Beninati, Meyer, and Carter (2008); Institute (2011); Savitsky and Eastridge (2012)

Hospital in Iraq",[73] some anecdotal evidence indicates the presence of Echelon III facilities in Turkey (e.g., 39th Medical Group), Bahrain, and Kuweit. However, data to cross-check the validity of these pieces of evidence does neither exist nor is publicly accessible. If wounded soldiers require longer-term care, they are medically stabilized in Echelon III and transferred to Echelon IV, which is the Landstuhl Regional Medical Center in Germany.[74] Similar, to the location of Echelon IV in Germany, the main logistical backup for US troops deployed into both regions lies in Germany.[75]

As pointed out by the Army's Surgeon General, *air superiority* of US forces is a critical factor for determining response times and transfers. In fact, air superiority along evacuation and logistic flight routes is a critical factor in determining the ability to keep logistical support chains intact.[76] From an econometric perspective, isolating countries along these flight routes allows us to attain a viable instrumental variable.

First, the US military has primarily used C-17 aircrafts for airmedical evacuations from Echelon III to Echelon IV. This aircraft was also used for deploying equipment and provide logistical support for troops on the ground and in neighboring countries such as Turkey.[77] Having a net capacity of carrying 585,000 pounds, it has only a range of approximately 2600 miles (4400km) and is an *easy* target for missile systems.[78] To ensure an effective and uninterrupted transfer of wounded soldiers and to secure logistical support, placing US troops and/or increasing their number along these flight routes becomes inevitable. For example, in case of emergency landings, troops on the ground – or even military bases as in the case of Bulgaria, Romania, and Hungary – or allied troops can ensure that patients and/or equipment do not fall into the hands of adversaries. In addition, placing additional troops along these transport lines likely reduces the risk that hostile missile systems are put in place threatening the vi-

[73] Savitsky and Eastridge (2012, 19)

[74] For soldiers that require long-term intensive care, Echelon V represents the final stage of evacuation. In many instances, it refers to the Walter Reed Medical Center in Maryland/US (Department of Defense, 2016).

[75] Lostumboetal2013.

[76] Vergun (2016)

[77] Zajtchik and Grande (1995); Savitsky and Eastridge (2012)

[78] There are several other aircrafts the US Air Force has been using for medical evacuations. Particularly, before 1992, the US Air Force primarily relied on C-130 Hercules propeller planes for these evacuations. These aircrafts have even worse tactical and strategic defense capabilities (Caldera and Reimer, 1999). An extensive list of carriers and specifications can be found in (Beninati, Meyer, and Carter, 2008; Savitsky and Eastridge, 2012).

ability of the established logistical chain. Finally, placing troops along this route is essential for having alternative delivery options for supplies. For example, a central back-up center for US forces during the intervention in Iraq and Afghanistan has been located in Turkey.[79] Enhancing the US posture in Austria, Hungary, Romania, and Bulgaria theoretically allows the US to use ground transportation to deliver additional supplies close to the combat zone as these countries are linked through a chain of relatively well connected highways. A similar pattern holds for Azerbaijan, Armenia, Georgia, and Turkmenistan that link the logistical hub of US forces in Turkey to regional back-up centers for the combat zone in Afghanistan. Taking these factors together, countries along the medical rescue flight and thus the logistical chain route should be more likely to host troops than countries outside of this route.

Second, the geographic location of these countries along the flight route is exogenous. It is highly unlikely that countries shift their borders just to attain US support in case of a financial crisis. It is unclear through which other channel(s) US flight routes for medical and logistical purposes would change economic policy making in a country. For this reason, we believe that securing air superiority and critical infrastructure along the logistical and medical rescue chain were a central motive when deciding on additional troop placements across Eastern European and CIS countries.

To capture this effect, we construct a dummy variable that takes the value 1 for countries along these flight corridors.[80] In particular, we remove countries that share a border with the country of conflict (Iraq/Afghanistan) to rule out the possibility that spill-over effects from conflict into financial markets of neighboring countries are contaminating our results. We code all other countries in our sample during that time frame as 0. When selecting years of observation, we chose a comparably long time window starting with the first Iraq intervention in 1991.

[79] Fields2004, USDS2008

[80] These countries are Austria, Bulgaria, Czech Republic, Slovakia, Hungary, Romania, Azerbaijan, Georgia, Armenia, and Turkmenistan.

A12 Instrumental Variable: Additional Results

This section contains additional results related to our instrumental variables approach. Of particular interest is Table A12. Our main results in the manuscript include decade fixed effects or quadratic time trends. As we note in the manuscript, this is because there is little temporal variation to draw from: most countries switch from 0 to 1 in their Echelon status at about the same time.

One of our reviewers identified a way to 'unlock' more temporal variation, which is to look at the intensity of the conflicts. We can get at this by looking at the number of US military casualties. The more victims, the more intense the conflict overall. If we interact the number of victims in Afghanistan and Iraq (which varies over time, but not over space) with our Echelon indicator (which varies over space, but not much over time), we might be able to examine whether troops still affect financial stability even controlling for year fixed effects. Similarly, we could also interact Echelon status with the number of troops deployed in Iraq and Afghanistan.

To do so, we collected data on US military casualties from the Congressional Research Service (2017) for the 1991 Iraq war, and from the Iraq Coalition Casualty Count project (`http://icasualties.org/`) for the 2001 Afghan and 2003 Iraq conflicts. These sources provide the number of US military personnel that died every year in these wars. We then estimate a 2-stage least square model:

$$\begin{aligned}
\text{log(US Troops+1)}_{i,t} &= \psi_i + \eta_t + \delta \text{Echelon Country}_{i,t} \\
&\quad + \chi \text{Echelon Country}_{i,t} \cdot \text{Intensity}_t + \phi' \mathbf{X}_{i,t} + \mu_{i,t} \qquad \text{(1st stage)} \\
\mathrm{Y}_{i,t+1} &= \alpha_i + \gamma_t + \beta \widehat{\text{log(US Troops+1)}}_{i,t} + \lambda' \mathbf{X}_{i,t} + \varepsilon_{i,t}. \qquad \text{(2nd stage),}
\end{aligned}$$

where η_t and γ_t now denote year fixed effects. Intensity is captured separately by casualties and by the number of troops deployed in Iraq and Afghanistan. Note that since conflict intensity is invariant in space (it is the same number for all countries in a given year), its individual effect is absorbed by the year fixed effects.

The results are reported in Table A55 (using casualties) and Table A56 (troops deployed in Iraq and Afghanistan). As we can see, the results remain similar to our earlier ones in Models 1 and 3. The effect remains positive and statistically significant. The effect however weakens (both substantively and in terms of significance) in Model 4. Partly, this could be due to the weakening of our instruments. Alternatively, the non-OECD sample introduces noise that affects inference.

Instrumental Variable Approach: Entire Sample

	(1) IV	(2) IV	(3) IV	(4) IV
US Troops (log)	0.14**	0.16***	0.56***	0.65**
	(0.05)	(0.05)	(0.13)	(0.29)
GDP/Cap (log)	-0.20***	-0.30***	-0.20***	-0.35***
	(0.04)	(0.04)	(0.08)	(0.12)
Population (log)	0.21**	-0.01	-0.93***	-1.57*
	(0.10)	(0.10)	(0.36)	(0.84)
GDP Growth (%)			-0.01***	-0.01**
			(0.00)	(0.00)
Service Sector (% of GDP)			-0.01***	-0.01**
			(0.01)	(0.01)
Democracy			-0.03	0.06
			(0.06)	(0.10)
Distance to US Ideal Point			0.28***	0.44**
			(0.05)	(0.21)
Country FE	✓	✓	✓	✓
Quadratic Time	✓		✓	
Year FE		✓		✓
Observations	2638	2638	1942	1942
F-Test (1st Stage)	51.65	58.18	25.85	6.90
# Countries	67	67	63	63

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A51: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country since 1960, using an instrumental variable approach. See text for details on the instrument. All explanatory variables are lagged by one year. Robust standard errors in parentheses.

Instrumental Variables: Additional Tests on Troops in Echelon Countries

	All		Non-OECD		Regional Subset	
	(1)	(2)	(3)	(4)	(5)	(6)
	FE	FE	FE	FE	FE	FE
1991-2002	0.26*	-0.44***	0.41**	-0.36**	0.44**	-0.29*
	(0.14)	(0.13)	(0.17)	(0.17)	(0.20)	(0.15)
2003 and after	0.20	-0.72***	0.41**	-0.62**	0.52**	-0.43
	(0.17)	(0.20)	(0.20)	(0.25)	(0.26)	(0.28)
Echelon*1991-2002	0.33	0.88*	0.47**	0.95**	0.17	0.73
	(0.34)	(0.48)	(0.23)	(0.45)	(0.35)	(0.49)
Echelon*2003 and after	0.82*	1.66***	1.42***	2.23***	0.52	1.34**
	(0.46)	(0.56)	(0.40)	(0.71)	(0.47)	(0.59)
GDP/Cap (log)		-0.13		-0.07		-0.07
		(0.23)		(0.29)		(0.34)
Population (log)		1.05***		1.02***		0.87
		(0.28)		(0.33)		(0.56)
Constant	2.56***	-11.87***	1.85***	-12.40**	2.91***	-9.12
	(0.05)	(4.55)	(0.06)	(4.87)	(0.08)	(8.79)
Observations	9646	6110	7673	4703	4472	3152
Country FE	✓	✓	✓	✓	✓	✓
# Countries	172	166	139	133	96	93

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A52: Dependent variable: number of US troops (log+1). The *Echelon*1991-2002* and *Echelon*2003 and after* capture the increase in troops in Echelon countries in these two periods (baseline: pre-1991).

Instrumental Variables: Adding Turkey

	Regional Subset				Non-OECD			
	(1) IV	(2) IV	(3) IV	(4) IV	(5) IV	(6) IV	(7) IV	(8) IV
US Troops (log)	0.07	0.45**	0.56*	0.13**	0.49***	0.63**	-1.37	0.29***
	(0.05)	(0.21)	(0.29)	(0.05)	(0.12)	(0.26)	(2.46)	(0.10)
GDP/Cap (log)	-0.27***	-0.71**	-0.97**	-0.26**	-0.39***	-0.15	0.39	-0.11*
	(0.10)	(0.33)	(0.48)	(0.12)	(0.09)	(0.11)	(0.81)	(0.06)
Population (log)	0.06	-0.35	-0.64	0.14	-0.46	-1.27	5.63	-0.08
	(0.11)	(0.29)	(0.49)	(0.18)	(0.34)	(0.88)	(8.63)	(0.31)
GDP Growth (%)		-0.01*	-0.01	-0.01**		-0.01**	-0.01	-0.01***
		(0.01)	(0.01)	(0.01)		(0.01)	(0.01)	(0.00)
Service Sector (% of GDP)		-0.02**	-0.02	-0.01		-0.02***	0.03	-0.01***
		(0.01)	(0.01)	(0.00)		(0.01)	(0.05)	(0.00)
Democracy		0.50*	0.69	0.03		0.22*	-0.85	0.09
		(0.30)	(0.47)	(0.09)		(0.12)	(1.41)	(0.07)
Distance to US Ideal Point		0.32**	0.51*			0.23**	-1.18	
		(0.14)	(0.28)			(0.10)	(2.04)	
Country FE	✓	✓	✓	✓	✓	✓	✓	✓
Year FE	✓		✓	✓	✓		✓	✓
Quadratic Time		✓				✓		
Observations	1448	1039	1039	1039	1463	1117	1117	1117
F-Test (1st Stage)	47.21	12.61	8.49	42.68	51.90	5.28	0.30	15.41
Country FE	✓	✓	✓	✓	✓	✓	✓	✓
# Countries	38	35	35	35	40	39	39	39

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A53: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country since 1960, using the Echelon instrument, but including Turkey. All explanatory variables are lagged by one year. Robust standard errors in parentheses.

Instrumental Variables: Year Fixed Effects

	Regional Subset		Non-OECD	
	(1)	(2)	(3)	(4)
	IV	IV	IV	IV
US Troops (log)	0.12*	0.56*	0.49***	-1.37
	(0.07)	(0.29)	(0.12)	(2.46)
GDP/Cap (log)	-0.37***	-0.97**	-0.39***	0.39
	(0.13)	(0.48)	(0.09)	(0.81)
Population (log)	0.12	-0.64	-0.46	5.63
	(0.12)	(0.49)	(0.34)	(8.63)
GDP Growth (%)		-0.01		-0.01
		(0.01)		(0.01)
Service Sector (% of GDP)		-0.02		0.03
		(0.01)		(0.05)
Democracy		0.69		-0.85
		(0.47)		(1.41)
Distance to US Ideal Point		0.51*		-1.18
		(0.28)		(2.04)
Country FE	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
Observations	1448	1039	1463	1117
F-Test (1st Stage)	31.34	8.49	51.90	0.30
# Countries	38	35	40	39

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A54: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country since 1960. The models include year fixed effects instead of period dummies or quadratic time trends. All explanatory variables are lagged by one year. Robust standard errors in parentheses.

Instrumental Variables: Casualties · Echelon Instrument

	Regional Subset			Non-OECD		
	(1) IV	(2) IV	(3) IV	(4) IV	(5) IV	(6) IV
US Troops (log)	0.12*	0.47*	0.15***	0.36***	-0.11	0.11
	(0.07)	(0.26)	(0.06)	(0.11)	(0.19)	(0.11)
GDP/Cap (log)	-0.36***	-0.83*	-0.29**	-0.33***	-0.00	-0.08
	(0.13)	(0.43)	(0.12)	(0.07)	(0.08)	(0.07)
Population (log)	0.12	-0.51	0.10	-0.15	1.26*	0.45
	(0.12)	(0.42)	(0.17)	(0.30)	(0.71)	(0.36)
GDP Growth (%)		-0.01	-0.01**		-0.01***	-0.01***
		(0.01)	(0.01)		(0.00)	(0.00)
Service Sector (% of GDP)		-0.01	-0.01*		-0.00	-0.01*
		(0.01)	(0.00)		(0.00)	(0.00)
Democracy		0.57	0.02		-0.14	-0.00
		(0.41)	(0.09)		(0.12)	(0.08)
Distance to US Ideal Point		0.43*			-0.11	
		(0.23)			(0.17)	
Year FE	✓	✓	✓	✓	✓	✓
Observations	1448	1039	1099	1463	1117	1151
F-Test (1st Stage)	22.98	4.09	27.25	39.96	9.88	13.10
Country FE	✓	✓	✓	✓	✓	✓
# Countries	38	35	36	40	39	39

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A55: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country since 1960. The models are estimated with two instruments: our previously used Echelon instrument, which we also interact with the number of US military casualties in the Afghanistan/Iraq conflicts. Data on casualties from the Iraq Coalition Casualty Count project (`http://icasualties.org/`). All explanatory variables are lagged by one year. Robust standard errors in parentheses.

Instrumental Variables: Troops in Iraq/Afghanistan · Echelon Instrument

	Regional Subset			Non-OECD		
	(1) IV	(2) IV	(3) IV	(4) IV	(5) IV	(6) IV
US Troops (log)	0.12*	0.50*	0.15***	0.35***	-0.07	0.09
	(0.07)	(0.28)	(0.06)	(0.10)	(0.15)	(0.11)
GDP/Cap (log)	-0.35***	-0.87*	-0.28**	-0.32***	-0.02	-0.07
	(0.13)	(0.47)	(0.12)	(0.07)	(0.07)	(0.07)
Population (log)	0.11	-0.54	0.10	-0.10	1.13**	0.52
	(0.12)	(0.45)	(0.17)	(0.30)	(0.55)	(0.36)
GDP Growth (%)		-0.01	-0.01**		-0.01***	-0.01***
		(0.01)	(0.01)		(0.00)	(0.00)
Service Sector (% of GDP)		-0.01	-0.01*		-0.00	-0.01
		(0.01)	(0.00)		(0.00)	(0.00)
Democracy		0.60	0.01		-0.12	-0.01
		(0.44)	(0.09)		(0.10)	(0.08)
Distance to US Ideal Point		0.45*			-0.07	
		(0.25)			(0.13)	
Year FE	✓	✓	✓	✓	✓	✓
Observations	1448	1039	1099	1463	1117	1151
F-Test (1st Stage)	22.34	4.10	27.43	69.53	15.54	18.09
Country FE	✓	✓	✓	✓	✓	✓
# Countries	38	35	36	40	39	39

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A56: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country since 1960. The models are estimated with two instruments: our previously used Echelon instrument, which we also interact with the number of US military deployed in the Afghanistan/Iraq conflicts. All explanatory variables are lagged by one year. Robust standard errors in parentheses.

Instrumental Variables: Troops in Iraq/Afghanistan · Echelon Instrument

	Regional Subset				Non-OECD			
	(1) IV	(2) IV	(3) IV	(4) IV	(5) IV	(6) IV	(7) IV	(8) IV
US Troops (log)	0.14*	0.40**	0.52*	0.09*	0.49***	0.64***	496.90	0.22***
	(0.07)	(0.17)	(0.27)	(0.05)	(0.12)	(0.21)	(234356.67)	(0.07)
GDP/Cap (log)	-0.39***	-0.72**	-1.02**	-0.20*	-0.39***	-0.17*	-145.93	-0.10*
	(0.13)	(0.31)	(0.50)	(0.11)	(0.09)	(0.10)	(68803.37)	(0.05)
Population (log)	0.11	0.16	0.02	0.16	-0.46	-0.80	-1398.06	0.34*
	(0.11)	(0.21)	(0.20)	(0.14)	(0.34)	(0.58)	(659811.36)	(0.20)
War	0.01	-0.03	-0.05	0.01	0.00	0.02	39.02	0.01
	(0.05)	(0.07)	(0.09)	(0.05)	(.)	(0.08)	(18396.56)	(0.05)
GDP Growth (%)		-0.01**	-0.01	-0.02***		-0.01**	0.65	-0.01***
		(0.01)	(0.01)	(0.01)		(0.00)	(310.01)	(0.00)
Service Sector (% of GDP)		-0.00	0.00	-0.00		-0.01*	-2.07	-0.01**
		(0.00)	(0.01)	(0.00)		(0.00)	(973.99)	(0.00)
Democracy		0.46**	0.63*	0.10		0.34***	317.54	0.14**
		(0.21)	(0.35)	(0.07)		(0.12)	(149764.70)	(0.06)
Distance to US Ideal Point		0.34***	0.54**			0.31***	420.29	
		(0.12)	(0.27)			(0.10)	(198220.14)	
Country FE	✓	✓	✓	✓	✓	✓	✓	✓
Quadratic Time		✓				✓		
Year FE	✓		✓	✓	✓		✓	✓
Observations	1725	1298	1298	1298	1463	1432	1432	1432
F-Test (1st Stage)	31.18	15.89	8.22	44.32	51.90	8.26	0.00	25.56
# Countries	38	35	35	35	40	40	40	40

Table A57: Likelihood of a financial crisis in a country-year depending on the number of US troops (log) stationed in a country since 1960. Includes all countries, including those at war (and controls for the presence of a conflict). All explanatory variables are lagged by one year. Robust standard errors in parentheses.

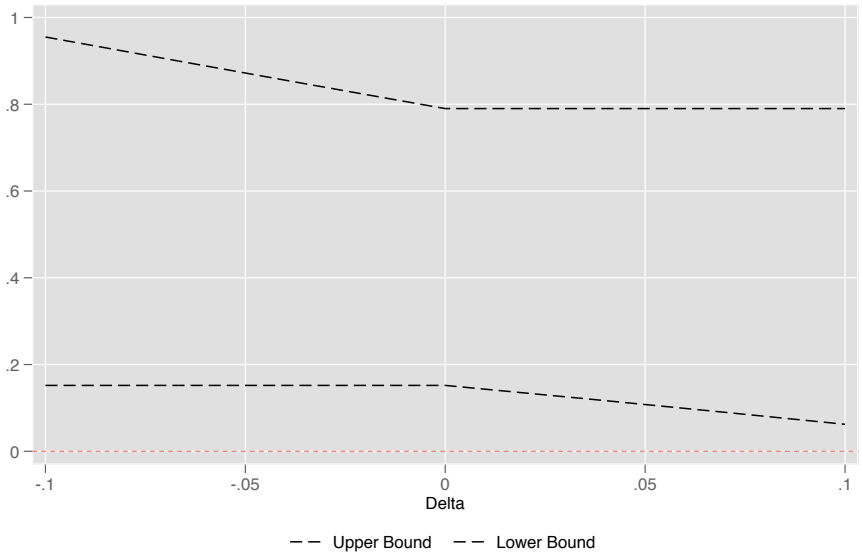

Figure A7: Test of vulnerability of the instrument to violations of exclusion restriction. The test is based on Conley, Hansen, and Rossi (2010).

A13 Electoral Consequences of Crises

Electoral Consequences

	(1) OLS	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE	(7) FE
Financial Crisis	-0.00	0.01	0.02	0.01	0.01	0.01	0.02
	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)
Financial Crisis (t-1)				0.03	0.03	0.03	0.01
				(0.02)	(0.02)	(0.02)	(0.03)
Financial Crisis (t-2)					-0.00	-0.00	0.01
					(0.02)	(0.02)	(0.03)
Financial Crisis (t-3)						0.00	0.02
						(0.02)	(0.02)
PR							-0.05
							(0.04)
Distance to US Ideal Point							0.01
							(0.03)
US Troops (log)							-0.01*
							(0.01)
Population (log)							0.06
							(0.11)
Country FE		✓	✓	✓	✓	✓	✓
Year FE			✓	✓	✓	✓	✓
Observations	1851	1851	1576	1575	1574	1573	1275
R^2	0.00	0.00	0.02	0.02	0.02	0.02	0.03
$\hat{\sigma}$	0.28	0.27	0.28	0.28	0.28	0.28	0.29
# Countries		62	58	58	58	58	55

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A58: Likelihood of a regular turnover in the aftermath of a financial crisis. A turnover is defined as a shift of the ruling government (e.g. from left to right, or left to center, etc.). All explanatory variables are lagged by one year. Data on ruling governments from Keefer (2012).

A14 Arms Sales

Electoral Consequences					
	(1) OLS	(2) FE	(3) FE	(4) FE	(5) FE
US Troops (log)	0.42***	0.15***	0.16***	0.17***	0.10**
	(0.04)	(0.04)	(0.04)	(0.04)	(0.05)
Time			0.06***		
			(0.02)		
Time^2			-0.00***		
			(0.00)		
GDP per Capita (USD)					0.00
					(0.00)
Population (log)					1.33*
					(0.74)
GDP Growth (%)					0.01
					(0.01)
Service Sector (% of GDP)					-0.01
					(0.01)
Democracy					0.41*
					(0.23)
Distance to US Ideal Point					-0.68***
					(0.23)
Country FE		✓	✓	✓	✓
Year FE				✓	✓
Observations	2273	2273	2273	2273	1475
R^2	0.34	0.02	0.04	0.07	0.12
$\hat{\sigma}$	1.58	1.22	1.20	1.19	1.12
# Countries		136	136	136	107

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A59: Dependent variable: arms exports from the US to country i (in log). All variables lagged by one year. Data on arms sales from SIPRI (2017).

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