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## **Economic Interdependence and Post-Coup Democratization**

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### ABSTRACT

Despite being traditionally seen as the largest threat to democratization, coups have recently been argued to provide a window of opportunity for a democratic transition (e.g., Marinov & Goemans 2014). Central to post-coup democratization is the belief that the international community can exert sufficient leverage to coerce coup-born governments to allow a transition to civilian rule. We contribute to this young body of work by theorizing that less coercive aspects of transnational economics can prompt coup-born governments to voluntarily transition to civilian rule. In short, we argue that coups in states that are more closely tied to the international economy through trade dependence, and are more vulnerable to loss of investor confidence due to reliance on high contract intensiveness, will see coup-born governments attempt to legitimize a new government and to restore confidence in the rule of law by swiftly stepping down. A cross-national assessment of over 200 coups from 1950 to 2010 provides strong support for the argument, as trade dependence and contract intensive money are far stronger determinants of post-coup democratization than other factors commonly associated with democratization.

Forthcoming at *Democratization*

Recent years have witnessed a pronounced increase in scholarship dedicated to the study of coups d'état. This is especially true for quantitative efforts that have taken advantage of several new and expanding cross-national datasets that are allowing ever-increasing areas for investigation.<sup>1</sup> These efforts are a welcome addition for a phenomenon that—representing around two-thirds of all authoritarian power transfers—has been woefully understudied. However, this growing body of knowledge on civil-military relations has been disproportionately directed at the study of coups as a dependent variable.

This trend can at least in part be explained by convenience, as “a coup d'état is a sharp, clear event, easy to date and (if successful) possible to document.”<sup>2</sup> Put differently, investigating coups is far more convenient than more obscure forms of military influence or interference in politics, many of which may never reach the public eye. Coups are also attractive in that they “so dramatically symbolize the central problem of the military exploiting their coercive strength to displace civilian rulers.”<sup>3</sup> This emphasis has vastly increased our understanding of coups, but there remains a paucity of efforts that have systematically attempted to investigate other aspects of civil-military relations. Despite Nordlinger’s suggestion that “what the soldiers do after taking control of the government is of greater importance than the takeover itself,”<sup>4</sup> the aftermath of coups “has eluded systematic scrutiny” in subsequent scholarship.<sup>5</sup>

In this paper, we take two approaches to broadening the study of civil-military relations. First, we move beyond an emphasis on coups as a dependent variable by considering how the armed forces behave following a coup, or what Finer would refer to as the military’s “extrusion” from politics.<sup>6</sup> Specifically, we consider the likelihood that regimes democratize following coups. Though not free from all the perils of “coup-ism” elucidated in the literature, we argue the military’s unwillingness to formally maintain power, and the willingness to oversee a democratic

transition, provide important insights about the military's perceptions of their legitimacy and ability to rule.<sup>7</sup>

Second, we move beyond prior emphases on domestic political contributors to civil-military stability by considering how international and domestic economic dynamics can influence the military's disposition to remain in or exit from politics. Building on recent efforts exploring the applicability of the capitalist peace framework to coup activity,<sup>8</sup> we argue that increased economic complexity, broadly construed as reflecting economic diversification, contract intensiveness, and increased transnational economic ties, will incentivize coup leaders to quickly return power to civilian actors. Post-coup environments are inherently viewed as unstable, making it especially important for the resulting government to restore confidence in the economy. As interdependence and reliance on impersonal contracts increases, the opportunity costs of instability and uncertainty rise and make the military a less credible manager of the modern economy. Consequently, the prospect of military rule is more likely to be discouraged by domestic and transnational economic actors. In turn, the military is likely to recognize that its attempt to rule can undermine its own corporate interests.

The paper proceeds in four parts. First, we review relevant literature on domestic security threats—civil wars and coups—and their intersection with economics. Second, we elucidate an argument linking economic factors with post-coup democratization. Third, we empirically test our theoretical expectations quantitatively in a global sample, while illustrating these dynamics with important cases. Finally, we discuss the implications of our findings for the future study of civil-military relations. Our results strongly suggest that the willingness of the military to allow a democratic transition is closely tied to economic dynamics, specifically higher levels of trade, investment, contract intensiveness, and economic complexity more generally.

## **Economics and Political Stability**

Our literature review addresses the relationship between economic factors and (1) intrastate conflicts and (2) coups d'état. These two are paradoxical in that while the former illustrates the dire economic consequences of political instability, the latter suggests that democratization is a common—if understudied—outcome following coups.

Civil conflicts have devastating impacts on affected states. For example, Collier argues that civil wars result in massive foreign investment flight while Bayer and Rupert report negative consequences for international trade.<sup>9</sup> The potential economic hazards of civil conflicts have influenced scholars to explore the applicability of the capitalist peace thesis, used to explain the reduction of interstate conflicts, to the domestic setting. Hegre, Gleditsch, and Gissinger argue that economic openness tends to increase per capita incomes and domestic political stability, in the process reducing the likelihood of civil wars.<sup>10</sup> Mousseau on the other hand finds reliance on impersonal contracts as encouraging the development of liberal norms that discourage civil wars.<sup>11</sup> For Gleditsch, the extent of a country's integration into the global economy can motivate belligerents to pursue less violent and less economically costly means of resolving such disputes.<sup>12</sup> Finally, others find that economic ties can encourage third-party involvement to guard against the potential economic spillover that would accompany civil war.<sup>13</sup>

Closer to our interest, a common factor precipitating coup occurrence is economic underdevelopment. Londregan and Poole, for example, argue that poverty is one of the key motivations for coup plotters.<sup>14</sup> Plotters can cite economic disparities due to mismanagement as a justifiable and fundamental reason for seizing power.<sup>15</sup> In other cases, coup plotters might attempt to overthrow a government due to rent seeking behavior, whether for the benefit of the coup leaders or the corporate interests of the armed forces more generally.<sup>16</sup> Powell and Chacha

further argue that a broader range of economic dynamics are important determinants of coups.<sup>17</sup> Beyond the conventional wisdom regarding state wealth and economic performance, they find that coups are less likely in countries that have higher trade and FDI flows, contract intensiveness, and economic and social globalization.<sup>18</sup> In line with previous capitalist peace arguments, they argue these linkages heighten the potential economic losses of coups, thus prompting political actors to pursue less volatile means to resolve their disputes.<sup>19</sup>

These concerns are supported by both prior research and case evidence. Political instability adversely affects economic growth since it “increases policy uncertainty, which has negative effects on productive economic decisions such as investment and saving.”<sup>20</sup> Fosu elaborates on the uncertainty brought on by coups, identifying the negative consequences of emergency measures governments take, such as suspending the rule of law and expropriating private property.<sup>21</sup> These measures can erode the government’s legitimacy, halting trade and investment flows.<sup>22</sup> For example, the 1999 coup in previously stable Cote d’Ivoire saw the country’s per capita GDP decline from \$1847 in 1998 to \$1531 in 2000.<sup>23</sup> This coup precipitated lawlessness and political violence, factors that contributed to investors shunning the suddenly unstable nation, reduced trade, and a drastic decline in economic activity domestically.<sup>24</sup> More recently, the coups in Sao Tome and Principe (2003), Madagascar (2009), and Rik Machar’s attempt to seize power in South Sudan (2013) reportedly rattled foreign investors in a range of sectors, including the often more risk acceptant oil industry. Investors observed that these events had made the investment climate in the three countries uncertain and volatile, thus increasing risk.<sup>25</sup>

While economic factors might serve to discourage coups in many cases, we explore post-coup dynamics that some argue are of greater importance than the coup itself.<sup>26</sup> Few studies have

explored post-coup periods particularly regarding the likely form of governance to take root. Conventional wisdom suggests that coups are unlikely harbingers for democratization, with many referring to coups as the largest threat to democratic consolidation.<sup>27</sup> Instead, coups heighten repression and in many cases, fail to address the root causes that precipitated the coup, in the process consolidating autocratic rule.<sup>28</sup> For example, by our count 15 of Africa's 16 authoritarian reversals were accompanied by coups prior to the Organization of African Unity's passage of the Lomé Declaration that sought to promote human rights, democracy, the rule of law, and good governance in Africa.<sup>29</sup> Beyond this stark trend, states targeted via coups are also likely to have been suffering from a variety of maladies such as constitutional crises or civil conflict and economic crises.<sup>30</sup> Finally, coups are likely to cause long-term political turmoil, manifested most obviously in the form of falling into a "coup trap."<sup>31</sup> In short, prior scholarship suggests that coup-afflicted states should be especially *unlikely* to democratize.

Given these negative trends, it is puzzling that democratization does often follow unconstitutional seizures of power. This is best illustrated with the 1974 military coup against Portugal's *Novo Estado* regime, which is credited for launching both Portugal's transition and democracy's global "third wave."<sup>32</sup> The case is hardly unique. We illustrate this trend via four conceptualizations of democracy in Figure 1. The figure reports the percentage of states that are coded as democratic following a coup. We begin with the year following the coup and proceed to illustrate the tendency to the fifth year. The figure reports classifications by Boix, Miller, and Rosato ("BMR"); Cheibub, Gandhi, and Vreeland ("CGV"), Geddes, Wright, and Frantz ("GWF"), and the Polity IV Project using the commonly used +6 threshold to code a country as a democracy.<sup>33</sup> Depending on the classification, between 16% and 25% of post-coup regimes have become democratic by the fifth year.<sup>34</sup>

[Figure 1 here]

Few efforts have attempted to explore these transitions. In a leading effort, Miller argues that violent regime change (coups, civil wars, assassinations, revolutions) can lead to democratic transitions when countries have higher levels of GDP per capita.<sup>35</sup> Marinov and Goemans look specifically at the ability of the international community to promote democratization in a sample of coup cases.<sup>36</sup> They find that aid-dependent states are significantly more likely to hold elections within five years of a coup in the post-Cold War era. The trend is explained by the international community's use of aid conditionality as leverage to promote democratization.<sup>37</sup> Thyne and Powell, meanwhile, find authoritarian regimes that have experienced a recent coup are around twice as likely to democratize as authoritarian regimes that have not.<sup>38</sup> Though the authors explain these trends via mechanisms that rely on the coup-leader's intention to establish legitimacy or strengthen the economy, economic factors were not directly considered in their models beyond a control for level of economic development.

We argue that—controlling for the state's level of development—economic dynamics will often prompt coup leaders to be more likely to both step down and allow democratization following the putsch.<sup>39</sup> Given that political stability is an important requisite for issues such as contract enforcement, investment, and trade, international economic ties can motivate governments born out of coups to pursue democratization. In other words, these dynamics act as a signal to the coup-born regime of the importance of domestic stability for long-term economic benefits. We specify our argument further in the next section.



## **Economics and Post-Coup Democratization**

Our theory links economics to post-coup democratization. We agree with the logic laid out in Thyne and Powell in that we argue that responses (potential or actual) from domestic and international audiences to the coup matter.<sup>40</sup> However, we go one step further by considering the broader economic realities of the state, how well-equipped the plotters are to manage those realities, and how those factors would influence the willingness of important domestic or international actors to support, acquiesce to, or resist a coup-born regime. And though we agree with Marinov and Goemans that international (and particularly economic) dynamics are important determinants of post-coup politics, we ultimately argue modern economies—specifically those with higher levels of trade and contract-based economies—will have pronounced opportunity costs associated with the rule of coup leaders and will consequently have better democratization prospects than the underdeveloped aid-dependent states they find to drive their results.<sup>41</sup> We point to three dynamics that will increase the likelihood of a transition, including the likely responses from domestic and international actors and the ability of the armed forces to competently govern.

First, we accept the reality that some coup plotters act specifically to remedy economic maladies or enhance their own rent seeking. However, coups themselves could potentially worsen the economic environment for both the state and the armed forces. Coups are swift political events that are often bloodless and involve far less damage to infrastructure than civil war. However, they can have long-term economic implications comparable to the opportunity costs noted in the civil war literature. The pronounced negative influence on domestic investment and savings, and “great amounts of uncertainty” makes the normalization of politics especially pressing in the aftermath of coups.<sup>42</sup> And while the removal of an ineffectual leader might open a

window of opportunity for economic recovery, there is little reason to assume the military's continuing presence in government will allow the government to competently address any shortcomings. This is especially true in economies that have prior records of a stable economic framework, indicated by higher levels of trade, investment, and contract intensiveness of the economy. In short, the uncertainty coups introduce in advanced economies will potentially negate any potential economic rewards. Coup plotters then, in their attempt to mitigate potential economic losses, will seek to turn power back to the plebiscite to resort a stable and predictable political environment.

Second, though literature on the intersection between coups and international factors remains underdeveloped, we see evidence that international economic players will similarly weigh the risks of trading with and investing in a country in the aftermath of a coup. While the natural uncertainty following a coup is problematic enough for the new regime, those more closely tied with international actors will see their potential post-coup losses exacerbated. Perhaps most obvious, these ties will increase the leverage outside actors have to influence the coup-born government with sanctions. For example, Souaré argues that the African Union's increasing intolerance of coups and its post-coup penalties have resulted in the reduced tenure of coup-born regimes.<sup>43</sup> Wobig's global assessment of democracy clauses further suggests that international organizations have had a role in the decline of coups since the end of the Cold War while Shannon et al. find limited support for the hypothesis that a coup taking place in a state that is already highly integrated into the global economy will solicit "strong condemnation" from that state's external partners.<sup>44</sup> For Powell, et al, coup leaders will frequently understand the consequences of holding power emanating from external actors.<sup>45</sup> In contrast to sanctions reducing post-coup tenure, they argue that frameworks such as the African Union's ban on

unconstitutional changes of government can create a deterrence effect in which coup leaders—aware of the consequences of their actions, are unlikely to seize power to begin with.

Awareness of the consequences of coups should similarly influence actors in the aftermath of coups. This is true both for the implementation, threat, or implied threat of sanctions as well as more mundane aspects of international politics that do not involve coercive acts. Instead, plotters could respond to the potential for economic fallout independent of any sanctions. Given a range of domestic peculiarities, from constitutional crises to economic mismanagement, coup leaders might perceive high payoffs of a coup if an ineffectual regime was removed. However, upon successfully seizing power, plotters are faced with the additional choice of maintaining power or stepping down. We argue that stepping down and facilitating a transition to democracy is a more likely choice for coup plotters in more dynamic economies, given that their continued occupation of power might be detrimental both to their economic interest and that of the state.

Third, though some have argued for the stabilizing influence of military rule, the narrow range of cases in which this is purported do not apply to modern economies. To the contrary, countries that are more tied with the global economy through trade, investments, and other financial flows and are more reliant on predictable contract enforcement are precisely the types of cases in which military rule is particularly ill-suited. Coup-born governments wishing to avoid pronounced financial fallout would thus appear to be well served to quickly demonstrate “rule by the gun” is only temporary. Of course, others have occasionally viewed military rule with (guarded) optimism. Some reason that the military could at the very least act as a bureaucratic modernizer or a stabilizing influence at times of social disruption.<sup>46</sup> However, decades of subsequent cross-national scholarship have found military regimes to be no better

than the civilian regimes they followed,<sup>47</sup> while other assessments have found democracy to be more conducive to economic growth through factors such as increased human capital, lower inflation rates, and more economic freedom.<sup>48</sup>

This is not to say that military rule has never succeeded, but the scenarios in which military rule has been hypothesized to have advantages are in strong contrast to cases in which states have economies that are highly contract driven, include large cross-national trade flows, or already have high levels of domestic investment. Increased contract intensiveness, and increased ties to international economic frameworks will increase the importance of officials' economic expertise and the rule of law. So while military regimes might have had some successes in promoting development in underdeveloped economies, there is a paucity of evidence to show that militaries can have even limited success managing those that are already well-developed.

Recent cases of coups and military rule illustrate the validity of the adverse economic consequences of such governance. Though coups generally occur in extremely poor and more economically isolated states, recent coups in Egypt and Thailand, and the failed effort in Turkey, have proven a bit of an exception. Since its 2013 coup, investors have sued the de facto military-led Egyptian government at a steadily increasing rate. The country ranked fourth globally in this regard as of mid-2015, according to the United Nations Conference on Trade and Development.<sup>49</sup> President Sisi has recently warned Egyptians to prepare for harsh reforms to deal with the deteriorating economy, as economists warned Egypt was on the verge of its second currency devaluation of the year.<sup>50</sup> It is also important to consider that compared to the typical armed forces, Egypt's has traditionally had a disproportionately strong role in Egypt's economy across a broad range of sectors. Barany for example, has described the military's "growing economic involvement in everything from housewares and military-gear production to farming

and tourism.”<sup>51</sup> One could thus argue that the Egyptian military should be among the better prepared managers in this regard, yet their performance has been poor.

Echoing this, the aftermath of Thailand’s May 2014 coup saw factory output decline, consumer confidence drop, household debts increase, and the baht plummet, while its stock market witnessed major outflows.<sup>52</sup> Sarah Fowler, an analyst for Oxford Economics noted “The political situation [in Thailand] will inhibit efforts to improve the working of the economy.”<sup>53</sup> The junta’s inability to improve the economy led to a cabinet reshuffle in August 2015. These factors culminate in making holding power a costly and detrimental act for coup plotters and the interests of the armed forces more broadly, while the need for stability and legitimacy in the post-coup environment makes democratization a more desired outcome.

We agree that exceptions occur, but even the exceptions are telling. According Gleditsch’s inflation-controlled GDP data, Chile’s GDP dropped from around \$6500 in 1972 to around \$4800 in 1975.<sup>54</sup> This abrupt drop could be due to the shock of the coup itself and short-term uncertainty surrounding reforms, or continuing legacies of Allende, but the reality is that Chile’s economy only recovered to its pre-coup level after copper prices doubled between 1978 and 1980, and the explicit role of civilian (and foreign) economists. The Chilean economic miracle of the 1980s was carried out by civilian economists (the “Chicago boys”) who had drawn up the eventual reforms prior to the coup, and had no small influence from the United States. A US Senate Report on Covert Action in Chile, for example, concluded “CIA collaborators were involved in preparing an initial overall economic plan which has served as the basis for the Junta's most important economic decisions.”<sup>55</sup> In short, cases like Chile are far from generalizable and are quite exceptional in their circumstances.

The post-coup environment would see the state especially vulnerable economically as

prior literature we have reviewed documents. These economic losses are tied to the uncertainty in the form of emergency measures such as suspension of the rule of law and expropriation of private property that coups introduce, which tend to discourage economic activity.<sup>56</sup> The contemporary world would see coup leaders especially vulnerable to economic decline and less reliable managers of modern economies. Whatever claims of mismanagement plotters had made against the prior regime, the act of the coup itself is an unlikely remedy. The potential for decline, we argue, is limited in economies that are already small, not contract-based, or have low levels of investment to begin with. Additionally, the retraction of trade, investment, and economic activity can have the effect of reducing the potential rents that coup plotters might be seeking for their own aggrandizement. Faced with a more difficult challenge for selling their legitimacy to domestic and foreign actors, and recognizing the costs of economic mismanagement, we argue that these conditions will make soldiers particularly unlikely to retain power. Further, post-coup environments pose a substantial challenge to selling long-term stability and continued rule of law, making it even more important to oversee a quick and meaningful democratic transition. Democratic regimes tend to be less volatile, ensure more respect for rule of law and property rights, and higher growth rates.<sup>57</sup> Aware of these qualities of democracies and of the adverse effects of coups, coup-born regimes will often prefer a return to civilian rule that ensures a continuation of economic benefits the coup event may have interrupted and/or military regimes cannot effectively manage.

This leads us to the following hypothesis

- *Post-coup states are more likely to democratize when having higher levels of trade, investment, and contract intensiveness.*

## **Data and Analysis**

### *Level and Unit of Analysis*

We adopt the coup event (within authoritarian regimes) as the level of analysis and estimate the influence of our independent variables on democratization. Coup data are taken from Powell and Thyne, who document coup activity from 1950 to the present.<sup>58</sup> Coups are defined as “illegal and overt attempts by the military or other elites within the state apparatus to unseat the sitting executive.”<sup>59</sup> This dataset is especially useful for our purposes since the authors specifically distinguish coups from other forms of anti-regime activity. We expect other types of anti-regime actions, such as popular revolutions or civil war, to work through different theoretical processes and to provide different opportunities or challenges for democratization. This study is specifically interested in cases in which the previous government has been ousted from power; therefore, we exclude all unsuccessful coups. Consistent with previous treatments of coup activity, coups are considered to be successful if the prior government was deposed for at least seven days. The dataset offers 148 cases of authoritarian country-years as determined by Cheibub, Gandhi, and Vreeland with successful coups for the timeframe of this study.<sup>60</sup>

Similar to Thyne and Powell, we adopt authoritarian country-year as the unit of analysis and introduce a successful coup variable to a sample of non-democracies.<sup>61</sup> Specifically, we interact this variable with one-year lags of our variables of interest. This considers the influence of coups as conditional on our economic indicators, anticipating countries are less likely to democratize following coups when our economic measures are lower. As our theory emphasizes the post-coup environment (with no attention to how these variables should behave in a non-coup environment), we report only the coup cases here. The interactive models are available in Tables A17-A24 of the appendix.

### *Dependent Variable and Estimator*

*Democratic Transition* is accounted for using the data of Cheibub, Gandhi, and Vreeland (“CGV”).<sup>62</sup> Their approach to conceptualizing democracy is advantageous in that it requires at least one alternation of power. The logic of the alternation qualifier is simple. Though a state may be democratic in other ways, there could be little evidence that the ruling party would allow a transition to occur should they lose an election.<sup>63</sup> This is illustrated with our sole exception to the rule that African democracies invariably failed via coups prior to the Lomé Declaration. In this case, Lesotho’s ruling party annulled the election results, ordered the arrest of opposition politicians, and called for a new election after the poll did not go in their favor.

Second, we also consider whether a country was a democracy during the third post-coup year. We avoid using a longer time window since this would increase the likelihood of other post-coup factors influencing the transition. In short, we hope to limit noise by keeping the time horizon short. However, we also wish to provide enough time for an election to be organized, held, and a transition to occur. Recognizing that a three-year window is arbitrary, we consider windows of two to five years. These results are available in the appendix and strongly echo the results reported here.<sup>64</sup>

Finally, we ask whether the country was a democracy three years later instead of time until democratization to disqualify “transitions” that were quickly followed by an authoritarian reversal. Mauritania and Egypt are telling examples in this regard. Longtime Mauritanian strongman Maaouya Ould Sid-Ahmed Taya was removed from office by elements of the army and security apparatus in August 2005. The ensuing junta, the self-described Military Council for Justice and Democracy, promptly announced new elections, from which members of the military and security services were barred. The ensuing poll, held in March 2007, was won



by Sidi Ould Cheikh Abdallahi, a longtime civil servant that had spent over a decade living in exile in the Taya regime's later years. The election marked Mauritania's "transition," as coded by CGV and others, but it would be short-lived. President Abdallahi was removed by elements of the Presidential Security Battalion in August 2008 following his dismissal of a handful of senior military officers. The military's role in the transition, summarized by N'Diaye as "to 'midwife'-and abort-," was closely paralleled following the ouster of longtime Egyptian president Hosni Mubarak.<sup>65</sup> Egypt saw the subsequent election of and coup against Mohamed Morsi. We acknowledge that Mauritania and Egypt might have met the criteria used by Marinov and Goemans in that free and fair elections were held following the coup.<sup>66</sup> We further acknowledge that both cases witnessed a bona fide transition from a coup-born regime to an elected civilian government. Our approach, however, would not treat these as transitions.

Due to the dichotomous nature of the dependent variable, we employ a logistic regression to estimate the model. Independent variables are lagged one year in order to ensure we are accounting for dynamics prior to the coup instead of within-year changes that resulted from the event. We take multiple approaches to ensuring the robustness of the findings. First, standard errors of the coefficients are clustered by country. Second, we report models controlling for random effects. Third, recognizing the low numbers of coups and transitions, we account for rare events. This includes using the rare events logit described by King and Zeng as well as the penalized maximum likelihood estimation (the "Firth Method").<sup>67</sup>

### *Independent Variables*

*Trade Flows* refers to the natural logarithm of a state's total value of trade flows. Trade values reflect the sum of all imports and exports and are available from the trade data of the Correlates

of War Project.<sup>68</sup>

*Contract Intensive Money* (CIM) “measures the extent to which property rights are sufficiently secure that individuals are willing to hold liquid assets via financial intermediaries.”<sup>69</sup> The measure has also been described as the degree to which investors are confident that the state possesses the legal capacity to enforce contracts. Our argument expects states with high CIM to be particularly concerned with international legitimacy and advertising the prevalence of the rule of law.

*Contract Intensive Economy* (CIE), from Mousseau, considers the presence of life insurance contracts in a given state.<sup>70</sup> This variable denotes the extent to which an economy relies on state-enforceable contracts, such as life insurance, instead of “personal forms of trust.”<sup>71</sup>

*Private Investment* considers the amount of private investment per capita using Mousseau’s measure.<sup>72</sup> This variable denotes the extent to which citizens are “dependent upon the state’s willingness and capacity to enforce contracts.”<sup>73</sup>

*Economic Complexity Index* (ECI) moves beyond financial flows and the degree of contract intensiveness by ECI addressing a range of other economic dynamics. This includes the diversity of a country’s exports and its ability to produce a range of products.<sup>74</sup>

### *Control Variables*

We control for several factors that influence post-coup democratization processes as identified in previous literature. We control for *Authoritarian Years* by including the count of years that a regime has been an autocracy. Earlier experiences with democracy have previously been said to coincide with future democratization.<sup>75</sup> Including the measure also allows us to consider whether post-coup democratization is largely driven by states that were already

democratic prior to the event.

Additionally, previous literature has established a relationship between economic wealth and democratic governance.<sup>76</sup> Economic wealth has also been strongly tied with coup activity, making it a necessary control.<sup>77</sup> *Wealth* is proxied with the natural logarithm of a state's gross domestic product per capita, utilizing updated data from Gleditsch.<sup>78</sup>

We include a dichotomous control for *Military Regime* due to their high likelihood of both suffering coups and their increased likelihood of democratization compared to other types of authoritarian regimes. The measure, taken from the type of executive as defined by Chebibub, Gandhi, and Vreeland, is expected to carry a positive sign.<sup>79</sup>

A dummy variable captures whether the observation occurs during the *Cold War* (1951-1989=1, 1990-2009=0), as the period saw both a heightened likelihood of coups and a lower likelihood of democratization. A strong effort is made to control for the normative international environment beyond the Cold War dummy. We follow the lead of Pevehouse by considering how democratic a state's region is.<sup>80</sup> The more democratic a state's region is, the higher the likelihood of democratization. *Regional Democracy* refers a count of the number of democracies within 5000 kilometers.<sup>81</sup>

## **Findings**

Our results are reported in Tables 1 and 2. The first row in each table reports the estimates for our economic indicators. The trade, CIM, CIE, and ECI measures are each statistically significant with the expected positive sign, while private investment failed to gain significance at conventional thresholds.<sup>82</sup> This provides strong support for the suggestion that economic dynamics, including transnational trade ties, contract intensiveness, and economic

complexity, can prompt coup-born regimes to quickly allow a transition to civilian—and democratic—rule.

[Table 1 here]

[Table 2 here]

These trends are illustrated well when considering substantive strength of the association. We illustrate the predicted probability of a coup attempt across a range of values on each independent variable of interest in Figure 2. These probabilities reflect other variables being held at their median values. Moving from the 20<sup>th</sup> to 80<sup>th</sup> percentile of trade flows, for example, increases the probability of democratization by over 400% (0.09 to 0.45). We see a +142% shift when moving across a similar threshold for CIM (.12 to .29). CIE, meanwhile, sees a probability of democratization of 0.074 with at the 20<sup>th</sup> percentile and over .90 at the 80<sup>th</sup>. Finally, ECI saw the predicted probability increase from 0.086 to 0.43 (+400%) over the same threshold. And while private investment was insignificant in the tables, the precise conditions used to generate the predicted probabilities in Figure 2 resulted in a significant increase in democratization for the variable.

[Figure 2 here]

### *Model Fit*

We go beyond reporting statistical and substantive significance of the variables of interest by reporting model fit. We begin with a likelihood ratio test, which considers whether a model is “nested” in a similar model that omits the variable of interest (“naïve” here). A significant result for the likelihood ratio test means rejecting the null hypothesis, which predicts the model is nested in the naïve version. Clustering the standard errors by country can be problematic for likelihood ratio tests given that events are effectively no longer independent. We consequently

ran additional specifications (unreported) that reported unclustered estimates. These models produced coefficients and standard errors consistent with those reported in the Tables, and produced likelihood ratio tests that were identical to those reported here. In line with our findings for the specific variables, the results indicate that the inclusion of trade flows, CIM, CIE, and ECI significantly increase the model's ability to account for the dependent variable. We also report the results for the area under a Receiver Operating Characteristic (ROC) curve. Here we report the area under the curve for both a naïve model and the model reported in Table 1. The results show a pronounced increase of the ROC statistic for all specifications save the investment model, differences that outweigh changes when waging a similar exercise for the control variables. In short, our economic variables account for model fit better than any other factor accounted for.

## **Conclusion**

In this paper, we argued that coup-born regimes are more likely to democratize if their countries have high levels of international economic ties. Given that coup events have physical and reputational consequences, coup plotters are more likely to allow democratization to mitigate potential long-term damage to the economy. Our theoretical model builds on the application of the capitalist peace to the domestic political arena, finding that increased contract intensiveness and higher levels of trade significantly increase the likelihood of democratization in the aftermath of coups. Our argument and findings demonstrate the pronounced importance of economics, in line with the capitalist peace thesis, albeit in settings that involve less destruction than previously studied aspects of domestic instability such as civil war. These findings are important in that they signal that economics (and perceptions of a state's economic viability) are

significant factors even in the absence of the pronounced loss of life and infrastructure. In short, perceptions of the manner of governance likely to follow coups, and their economic implications, seem to matter.

These findings also contribute to the role international economics play in domestic political outcomes. Prior scholarship has suggested post-coup democratization is most likely when the international community can withhold development aid. Our findings suggest strong democratization prospects for a different type of state, one that has a more modern economy and is closely tied to the international community. Future explorations could further refine the role that sanctions (or threat of) played in influencing the calculus of coup-born regimes. Given that most states in the GATT/WTO era rely on international economic linkages, such reliance can enter the calculus of these coup-born regimes to legitimize a new government and to restore confidence in the rule of law by swiftly stepping down without any form of overt ‘foreign’ pressure.

Beyond the relevance for literature on democratization and international economics, the study also has important implications for the study of civil-military relations. While the current effort is limited in that it is unable to account for the military to continue to influence politics in a more clandestine matter, the findings suggest that as economic interdependence continues to positively influence domestic economic conditions, military regimes will most likely prefer more accountable and predictable domestic political settings in their respective countries. As interdependence increases domestic economic growth, we expect economic grievances and inequality that precipitate coup attempts to be less likely. In instances where coups are attempted and succeed in relatively economically well-off countries, we would expect military regimes to prefer forms of governance that are more transparent and accountable to a larger plebiscite.

## Notes

1. Goemans, Gleditsch, and Chiozza, “Introducing Archigos”; and Powell and Thyne, “Global Instances of Coups.”
2. Welch, *Soldiers and the State in Africa*, 1
3. Feaver, “Civil-Military Relations”, 218.
4. Nordlinger, *Soldiers in Politics*, 109-110.
5. Marinov and Goemans, “Coups and Democracy”, 799.
6. Finer, “The Retreat to the Barracks.”
7. Croissant et al, “Beyond the Fallacy of Coup-ism”; and Feaver, “Civil-Military Relations.” For clarity, a democratic transition does not suppose the armed forces completely exits from politics. Additionally, our argument rests on perceptions of the legitimacy of who governs in the post-coup environment, and our treatment of democratization is consistent with commonly used data assessing qualitative characteristics such as multipartyism and demonstrable turnover of power. By legitimacy, we mean the extent to which the regime in power and the policies it advances are perceived as representing the country’s general welfare and are demonstrating a level of accountability and rule-based governance that make the policy environment stable and predictable to domestic and international actors. We further do not rule out that the armed forces, seeing their interests undermined by a resulting government, might re-enter politics with a new coup in the future. Our models only consider cases to have democratized if they transition to and remain a democracy for three years following the coup.
8. Powell and Chacha, “Investing in Stability”
9. Bayer and Rupert, “Effects of Civil War”; and Collier, “On the Economic Consequences of Civil War.”
10. Hegre, Gleditsch, and Gissinger, “Globalization and Internal Conflict.”
11. Mousseau, “Capitalist Development and Civil War.”
12. Gleditsch, “Transnational Dimensions of Civil War”
13. Stojek and Chacha, “Adding Trade to the Equation.”
14. Londregan and Poole, “The Coup Trap.”
15. Bell and Sudduth, “The Causes and Outcomes of Coups”; and Johnson, Slater, and McGowan, “Explaining African Military Coups.”
16. Leon, “Loyalty for Sale?”; and Mbaku, “Military Coups as Rent-Seeking Behavior.”
17. See Note 8.
18. See Note 8.
19. See Note 8.
20. Alesina et al, “Political Instability and Economic Growth”, 191.
21. Fosu, “Political Instability and Economic Growth.”
22. Asiedu, “Foreign Direct Investments in Africa”; and Feng, “Political Stability and Economic Growth.”
23. Gleditsch, “Expanded Trade and GDP Data.”
24. OECD/AfDB, *African Economic Outlook 2001/2002*.
25. Keeler, “Investors Flee South Sudan”; Laurent, “Madagascar Coup Raises Questions.”
26. Nordlinger, *Soldiers in Politics*.

27. Derpanopoulos et al, “Are Coups Good for Democracy?”; Miller, “Violent Leader Removal and Democracy”; and Onwumechili, *African Democratization and Military Coups*.
28. Ibid.
29. African Union, “African Charter.”
30. Bell and Sudduth, “Causes and Outcomes of Coup”; and Kim, “Revisiting economic shocks and coups”; see Note 14.
31. See Note 14.
32. Huntington, *The Third Wave*.
33. Boix, Miller, and Rosato, “Data Set of Political Regimes”; Cheibub, Gandhi, and Vreeland, “Democracy and Dictatorship Revisited”; Geddes, Wright, and Frantz, “Autocratic Breakdown and Regime Transitions”; and Marshall and Jaggers, “Polity IV Project.” For others using these measures, see Escriba-Folch and Wright, “Dealing with Tyranny”; Pevehouse, “Regional Organization and the Consolidation of Democracy”; and Przeworski, *Democracy and Development*.
34. Our analyses utilize a three-year window for democratization to avoid conflating these dynamics with other potentially pro-democratization developments that will occur from time to time. Further, a shorter window better reflects our belief that the transition should happen “quickly.”
35. Miller, “Violent Leader Removal and Democracy.”
36. Marinov and Goemans, “Coups and Democracy.”
37. Escribà-Folch and Wright, “Dealing with Tyranny.”
38. Thyne and Powell, “Coup d’etat or Coup d’Autocracy?”
39. Although our argument is applicable to a range of international financial dynamics, including foreign direct investment, we largely limit our discussion to international trade due to data limitations of other financial indicators particularly FDI.
40. See Note 36.
41. See Note 34.
42. Alesina et al, “Political Instability and Economic Growth”; and Feng, “Democracy, Political Stability.”
43. Souaré, “The African Union as a Norm Entrepreneur.”
44. Shannon et al, “The International Community's Reaction to Coups”; and Wobig, “Defending Democracy with International Law.”
45. Powell, Lasley, and Schiel, “Combating Coups D’état in Africa.”
46. Pye, *Personality, and Nation Building*.
47. Jackman, “The Predictability of Coups d’état”; and Kennedy and Louscher, “Civil-Military Interaction.”
48. Doucouliagos and Ulubaşoğlu, “Democracy and Economic Growth”; and Helliwell, “Linkages between Democracy and Economic Growth.”
49. “Egypt 4<sup>th</sup> Most Sued by Investors.”
50. Kholaf and Lohade, ““Bets on Egypt Currency.”
51. Barany, “The Role of the Military.”
52. Yuvejwattana and Blake, “Post-Coup Thailand.”
53. Ibid.
54. See Note 21.
55. US Senate, “Covert Action in Chile 1963-1973.”



56. See Note 19.
57. Carbone, Memoli, and Quartapelle. “Are Lions Democrats?”
58. Powell and Thyne, “Global Instances of Coups.”
59. *Ibid.*, 252.
60. Cheibub, Gandhi, and Vreeland, “Democracy and Dictatorship Revisited.” In our appendix, we run alternative specifications including coups against democracies and a control for a lagged measure for democracy. These specifications include 199 coup events.
61. See Note 36.
62. Cheibub, Gandhi, and Vreeland, “Democracy and Dictatorship Revisited.”
63. Przeworski, *Democracy and Development*.
64. As anticipated, the 2- and 5-year windows did not perform quite as well, though the results are still consistent overall, while the 4-year window generally performed better than the results presented here.
65. N’Diaye, “Mauritania’s Transition from Military Rule.”
66. See Note 34.
67. Coveney, “FIRTHLOGIT”; Firth, “Biased Reduction”, and King and Zeng, “Logistic Regression.”
68. Barbieri and Keshk, “COW Project Trade Dataset”; and Barbieri, Keshk, and Pollins, “Trading Data.”
69. Dollar and Kraay, “Institutions, Trade, and Growth.”
70. See Note 11.
71. *Ibid.*
72. *Ibid.*
73. Mousseau, “Contract Intensity of National Economies,”<sup>3</sup>.
74. Hidalgo and Haumann, “The Building Blocks of Economic Complexity.” Recognizing the issue of small sample size and loss of observations due to data limitations (across time and space), we include reduced form versions of the models in the appendix. Results are unchanged.
75. See Note 30.
76. Geddes, “What do we Know about Democratization?”
77. See Note 14; Casper and Tyson, ““Popular Protest and Elite Coordination.”
78. See Note 21.
79. Cheibub, Gandhi, and Vreeland, “Democracy and Dictatorship Revisited.”
80. Pevehouse, “Regional Organization and the Consolidation of Democracy.”
81. Alternative specifications consider the proportion of democracies and limit distances to 1000 km. We also follow the lead of Crescenzi et al., “A Supply Side Theory of Mediation” by considering the global proportion of democratic states. The measure is insignificant.
82. Additional models investigated the effect of FDI flows. We avoid reporting the results here due to concerns with missing data and variation. These results however can be found in the Appendix.

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Figure 1: Post-Coup Democratization

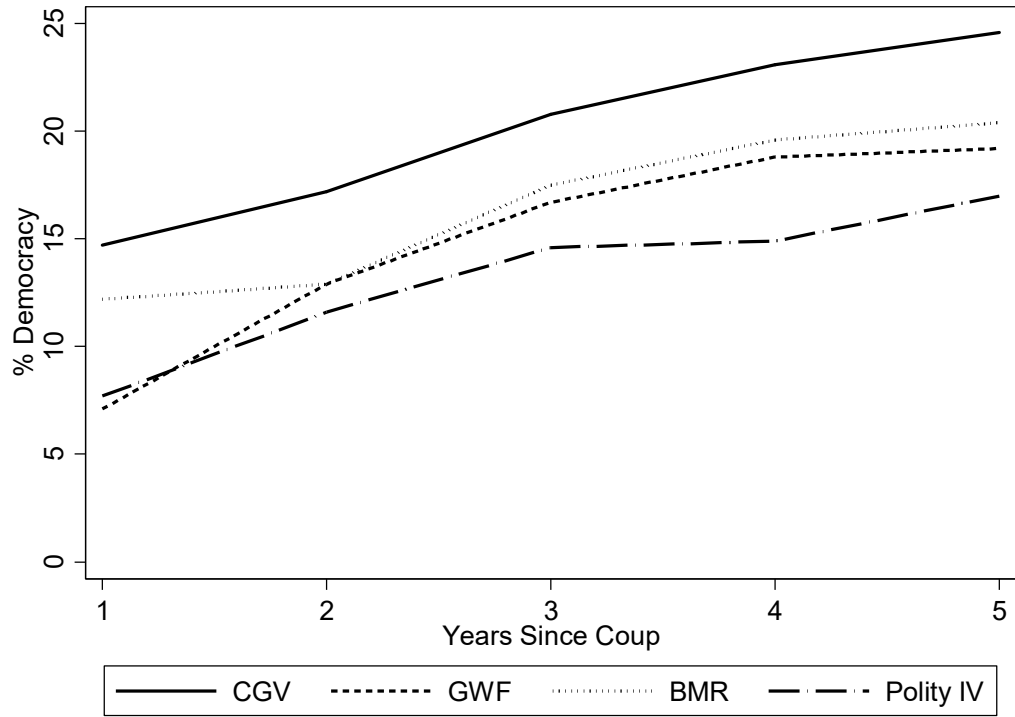


Table 1: Economic Dynamics and Post-Coup Democratization

	Clustered Standard Errors					Random Effects				
	Trade	CIM	CIE	Invest	ECI	Trade	CIM	CIE	Invest	ECI
Economy	0.463*	3.787*	1.709*	0.732	1.096*	0.496*	5.652*	1.967*	0.732	1.097+
	(0.185)	(1.654)	(0.719)	(0.540)	(0.556)	(0.204)	(2.711)	(1.000)	(0.517)	(0.562)
Authoritarian Years	-0.036	-0.029	-0.025	-0.031	-0.005	-0.037	-0.030	-0.028	-0.031	-0.005
	(0.022)	(0.023)	(0.025)	(0.024)	(0.029)	(0.026)	(0.030)	(0.031)	(0.025)	(0.029)
Military Executive	0.559	1.059+	1.289*	0.982+	1.169	0.672	1.337*	1.438+	0.982+	1.170
	(0.484)	(0.550)	(0.625)	(0.565)	(0.782)	(0.597)	(0.679)	(0.796)	(0.557)	(0.780)
GDPpc	0.080	0.198	0.374	0.657	-0.263	0.140	0.215	0.372	0.657	-0.263
	(0.261)	(0.288)	(0.460)	(0.519)	(0.357)	(0.323)	(0.355)	(0.586)	(0.488)	(0.390)
Regional Democracy	0.011	0.013	0.014	0.010	0.003	0.018	0.030	0.023	0.010	0.003
	(0.022)	(0.021)	(0.019)	(0.018)	(0.031)	(0.031)	(0.034)	(0.035)	(0.023)	(0.038)
Cold War	0.156	0.302	-0.786	-0.710	0.467	0.402	0.933	-0.639	-0.710	0.468
	(1.056)	(0.986)	(1.016)	(0.968)	(1.774)	(1.497)	(1.561)	(1.497)	(1.162)	(1.959)
Constant	-4.721*	-6.089*	-7.652*	-6.445	0.390	-5.927	-8.899*	-8.743+	-6.444+	0.389
	(2.338)	(2.846)	(3.797)	(4.028)	(4.335)	(3.629)	(4.256)	(5.104)	(3.887)	(4.341)
Observations	147	130	104	118	60	147	130	104	118	60
Countries	65	59	48	51	34	65	59	48	51	34
# Democracies at t+3	27	27	21	25	16	27	27	21	25	16
% Democracy at t+3	18.4%	20.8%	20.2%	21.2%	26.7%	18.4%	20.8%	20.2%	21.2%	26.7%
LR Test vs. Naïve	8.08**	6.13*	8.35**	2.34	4.44*	7.01**	6.66**	7.38**	2.14	4.44*
ROC Naïve	0.695	0.671	0.761	0.763	0.666					
ROC	0.741	0.720	0.804	0.774	0.736					

\*\*\*p<.001, \*\*p<.01, \*p<.05, +p<.10 (two-tailed)

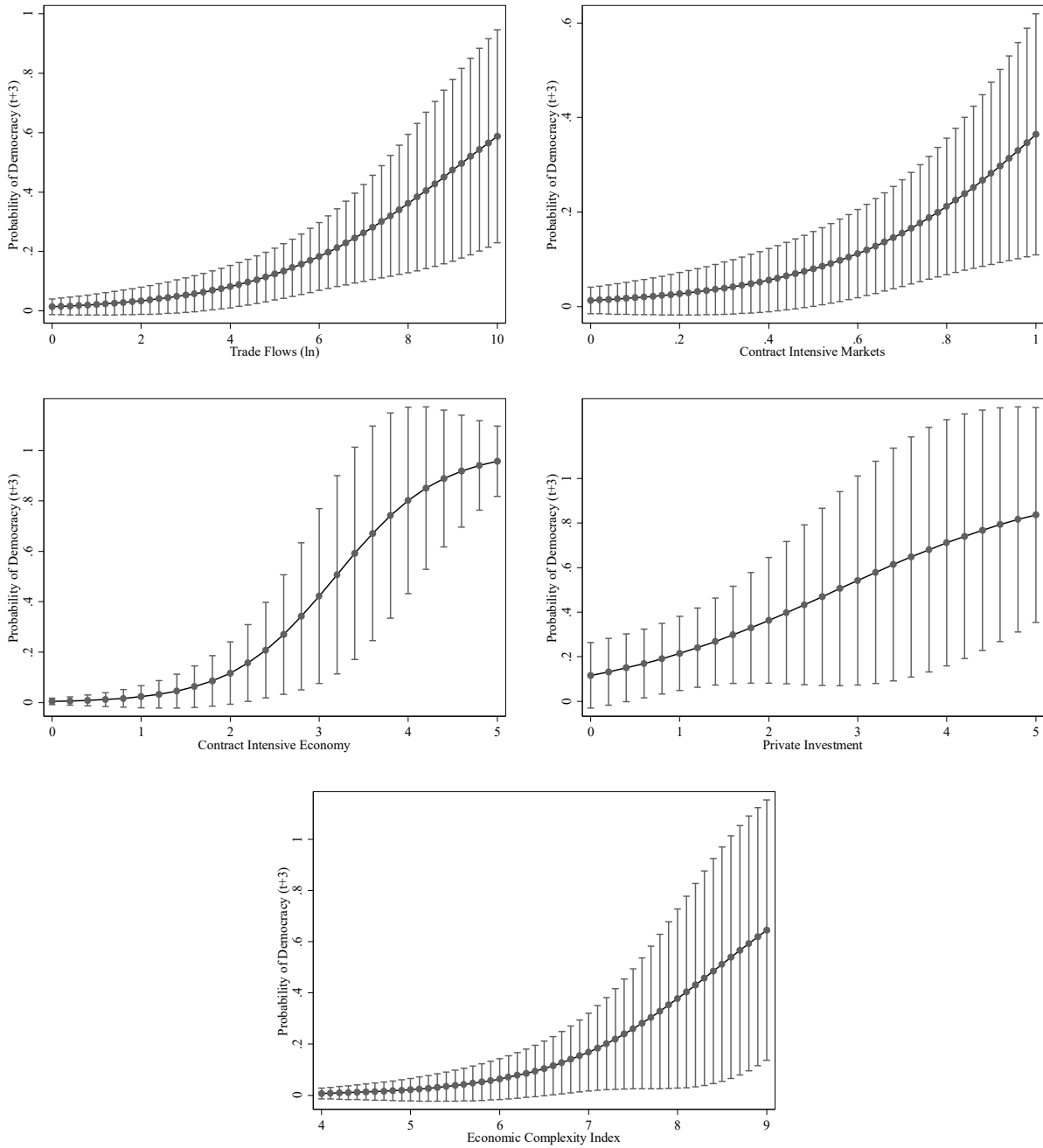


Table 2: Economic Dynamics of Post-Coup Democratization, accounting for Rare Events

	Rare Events Logit (King & Zeng 2001)					PMLE Firth Logit				
	Trade	CIM	CIE	Invest	ECI	Trade	CIM	CIE	Invest	ECI
Economy	0.417*	3.560**	1.323*	0.632	0.858+	0.420*	3.559*	1.403*	0.627	0.887+
	(0.166)	(1.268)	(0.625)	(0.456)	(0.484)	(0.165)	(1.547)	(0.609)	(0.518)	(0.506)
Authoritarian Years	-0.032	-0.025	-0.021	-0.026	-0.003	-0.032	-0.025	-0.021	-0.027	-0.003
	(0.021)	(0.022)	(0.026)	(0.024)	(0.027)	(0.022)	(0.022)	(0.025)	(0.024)	(0.027)
Military Executive	0.527	0.973*	1.126+	0.889+	0.845	0.529	0.976*	1.139+	0.891+	0.897
	(0.484)	(0.493)	(0.625)	(0.531)	(0.655)	(0.499)	(0.486)	(0.614)	(0.526)	(0.683)
GDPpc	0.103	0.179	0.348	0.601	-0.119	0.098	0.182	0.350	0.613	-0.154
	(0.209)	(0.224)	(0.376)	(0.423)	(0.318)	(0.242)	(0.222)	(0.452)	(0.471)	(0.323)
Regional Democracy	0.008	0.010	0.009	0.006	-0.000	0.008	0.011	0.010	0.007	-0.000
	(0.021)	(0.018)	(0.017)	(0.016)	(0.023)	(0.025)	(0.020)	(0.023)	(0.021)	(0.034)
Cold War	-0.068	0.151	-0.938	-0.847	-0.118	-0.070	0.173	-0.893	-0.817	0.013
	(0.998)	(0.813)	(0.817)	(0.821)	(1.431)	(1.246)	(0.981)	(1.087)	(1.063)	(1.680)
Constant	-4.317*	-5.505*	-6.289+	-5.653+	0.167	-4.284+	-5.557*	-6.533+	-5.784	0.264
	(2.142)	(2.412)	(3.227)	(3.319)	(3.692)	(2.571)	(2.423)	(3.530)	(3.676)	(3.769)
Observations	147	130	104	118	60	147	130	104	118	60
Countries	65	59	48	51	34	65	59	48	51	34
# Democracies at t+3	27	27	21	25	16	27	27	21	25	16
% Democracy at t+3	18.4%	20.8%	20.2%	21.2%	26.7%	18.4%	20.8%	20.2%	21.2%	26.7%

\*\*\*p<.001, \*\*p<.01, \*p<.05, +p<.10 (two-tailed)

Figure 2: Substantive Influence of Economic Dynamics on Post-Coup Democratization



\*Graphs reflect the predicted probability (with confidence interval) of the country being a democracy in the third year following the coup year.