

# Evaluating the Political Man on Horseback – Coups and Economic Development

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*In a new paper (Meyersson, 2015) I examine the development effects of military coups. Coups overthrowing democratically elected leaders imply a very different kind of event than those overthrowing autocratic leaders, and these differences relate to the implementation of authoritarian institutions following a coup in a democracy. Although coups taking place in already autocratic countries show imprecise and sometimes positive effects on economic growth, in democracies their effects are distinctly detrimental to growth. Moreover, when coups overthrow democratic leaders, they fail to promote economic reforms, stop the occurrence of economic crises and political instability, as well as have substantial negative effects across a number of standard growth-related outcomes including health, education, and investment.*

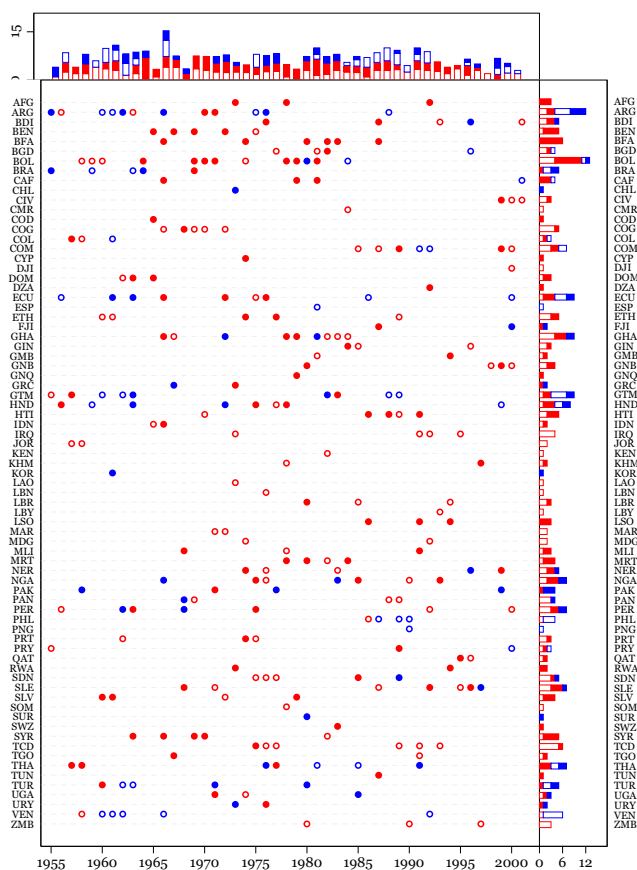
Do military coups matter for economic development? After all, successful coups – i.e. where the military or state elites have unseated an incumbent leader – have occurred 232 times in 94 states since 1950 (see Figure 1). Moreover, around a quarter of these overthrew democratically elected governments (Powell and Thyne, 2012). The prevalence of military coups has not been lost on researchers, yet despite an abundance of research aiming to explain the occurrence of coups (see for example Acemoglu and Robinson, 2001; Collier and Hoeffler, 2006 & 2007; Leon, 2014; Svobik, 2012) much less research has focused on its economic effects (two exceptions are the papers on covert US operations during the Cold War by Dube, Kaplan, and Naidu, 2011 and Berger, Easterly, Nunn, and Satyanath, 2013). Olsen (1963), for example, claimed that coups “often bring no changes in policy.” Londregan and Poole (1990), in their panel-data analysis, find no effects of coups on income.

By now, there is mostly a consensus that significant military influence in politics is detrimental for democracy (Dahl, 1971; Huntington, 1965; Linz and Stepan, 1996). Nonetheless, military coups overthrowing democratically elected governments are often met with ambiguity. Western governments have a long history of tacit support for military coups overthrowing democratic governments, be it left-leaning governments in Latin America or Islamist governments in the Middle East and North Africa (Schmitz 2006). Commentators expressing support for coups often do so invoking extreme outcomes to represent the counterfactual to the military coup; if Pinochet had not overthrown President Allende, the latter would have created a Castro-style regime in Chile; if the Algerian army hadn't annulled the elections in 1992, the Islamist FIS would have turned Algeria into an Islamist dictatorship in the Maghreb, and so on (Los Angeles Times 2006, Open Democracy 2013). Similarly, the fault for the coup and

preceding problems fall invariably upon the ousted leader, with the coup constituting an unfortunate, but necessary, means to rid the country of an incompetent, if not dangerous, leader (Foreign Policy, 2013).

Other commentators have pointed out the risks of allowing a military to intervene and dictate post-coup institutions to their advantage; a “Faustian” bargain likely to bring regime stability but no solution to the real underlying problems behind the conflict in the first place. Yet others lament the human rights abuses following coups, and the inherent ineptitude of military leaders in running the economy (NYT, 2013; New Republic, 2013; Washington Post, 2013).

*Figure 1. Successful and Failed Coup Attempts by Country and Year*



*Notes:* The graph shows successful (solid circles) and failed coup attempts (hollow circles) by country and year, and aggregated by country (right graph) as well as by year (top graph). A circle in blue means the political regime was classified by Cheibub et al 2010 as a democracy in the year before the attempt and a red circle means they classified the regime as an autocracy.

Military coups tend to be endogenous events, and establishing a causal relation between coups and development is therefore a challenge. The unobservable likelihood of a coup – often referred to as coup risk (Collier and Hoeffler, 2006 & 2007; Londregan and Poole, 1990; Belkin and Schofer, 2003) – may be driven by many factors also affecting a country's development potential, such as weak institutions, the military's political power, social conflict, and economic crises etc.

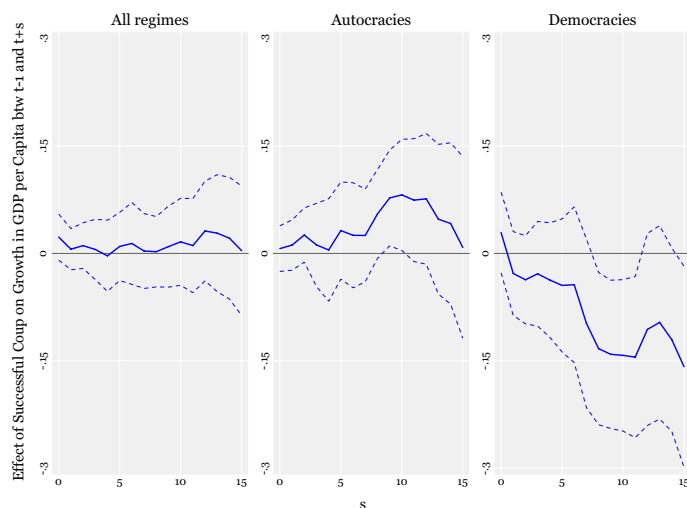
In order to address this problem, I employ several empirical strategies including comparing successful versus failed coup attempts, matching methods, as well as panel data techniques, using a dataset of coup attempts during the post-World War II era. These methods facilitate, in different ways, comparisons of development consequences of coups in situations with arguably more similar degrees of coup risk.

Of significant importance is distinguishing coups when they occur in clearly autocratic settings from those where they overthrow democratically elected governments. I show that a military coup overthrowing a regime in a country like Chad may have very different consequences than a military leader overthrowing a democratically elected president in a country like Chile. In the former, a coup appears to constitute the manner in which autocracies change leaders. In the latter, coups typically imply deeper institutional changes with long-run development consequences.

I find that, conditional on a coup-attempt taking place, the effect of coup success depends on the pre-intervention level of democratic institutions. In countries that were more democratic, a successful coup lowered growth in income per capita by as much as 1-1.3 percent per year over a decade. In more autocratic countries, I find smaller and more imprecisely estimated positive effects. This effect is robust to splitting the sample by alternative institutional measures, as well as to a range of controls relating to factors such as leader characteristics, wars, coup history, and

natural resources. As Figure 2 illustrates, the economic effect of coups tend to worsen over time. Extending the analysis to matching and panel-data methods reveal these results to be highly robust.

**Figure 2. Relationship between a Successful Coup and Growth in GDP per capita**



*Notes:* The three graphs represent the coefficient on a successful coups on growth in GDP per capita (PPP) between year  $t-1$  and  $t+s$  with  $s$  given by the x-axis for all regimes (left), autocracies (middle), and democracies (right). Controls include period  $t-1$  values of log GDP per capita, annual growth, log population, PolityIV index, annual change in the PolityIV index military expenditures as a share of GDP, annual change in military exp/GDP, military personnel as a share of population, years since the last coup, total number of previous coups, social unrest, leader tenure, as well as continent and year dummies respectively. See Meyersson (2015) for details.

A commonly held view is that coups overthrowing democratically elected leaders often provide an opportunity for engaging in unpopular but much needed economic reforms. Not only do I show that coups fail at this, but also that they tend to reverse important economic reforms, especially in the financial sector, while also leading to increased indebtedness and an overall deteriorating net external financial position, and an increased propensity to suffer severe economic crises. A documented reduction in social spending suggests a shift in economic priorities away from the masses to the benefit of political and economic elites.

Whereas coups occur mostly in dire situations, their prescriptions, as shown, rarely constitute adequate remedies to the underlying problems, as the institutional changes brought by these events show clear detrimental development consequences. Any short-lived benefit of regime stability a coup brings, comes at a steep economic, political, and human cost in the longer run.

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