

Compensating Autocratic Elites: How International Demands for Economic Liberalization Can Lead to More Repressive Dictatorships

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How does international pressure for economic liberalization affect repression in autocracies? I argue that demands for deregulation create a “compensation dynamic” that can lead to repression. Autocrats can liberalize to build goodwill with the international community, but liberalization also threatens the interests of domestic autocratic elites. Liberalization undercuts the networks of patronage and clientelism that empower elites. Thus, liberalizing the economy could weaken political insiders, potentially destabilizing the regime coalition. Insider elites look to counteract this threat by demanding that autocratic rulers commit to protecting the status quo. Dictators are likely to accede and increase repression to placate allies and avoid a potential coup. Crucially, this compensation dynamic only occurs when dictators see rebellion as a potential danger to their tenure. When elites are unable to coordinate a credible threat, dictators can heed international interests without having to compensate regime insiders. In contrast, statistical analyses of a global sample of autocracies show that economic liberalization is associated with repression when elites are strong enough to check dictators’ power.

In 1975, Mexico experienced one of its all-too-frequent economic crises. Rampant inflation forced a contraction of public spending, a monetary devaluation, and concessions to international lenders. Chief among those concessions was the deregulation of the economy. Liberalization helped obtain crucial international support—but it also meant that domestic industrial and agricultural elites, both members of the ruling coalition, would suffer losses due to international competition. At the same time, international demands to deregulate labor threatened government-aligned unions, another important source of regime support. As compliance with international demands continued, it became clear that the interests of important factions within the ruling coalition were taking a back seat (Rodríguez Araujo 1979, 61–80; Loeza 2010, 27–40). These groups were not powerless. They had a history of successfully checking presidents who tried to deviate too far from the political pact undergirding the regime (Gonzalez Casanova 1965, 45–70; Camp 1999, 187–97). Nevertheless, despite their considerable power and the significant costs of liberalization, they acquiesced to the reforms.

The Mexican case raises a more general question: how do autocrats avoid challenges from within their own coalition when they subordinate their supporters’ interests to those of the international community? I argue that they do so by signaling their intentions to protect elite interests in more fundamental areas. For example, after Mexican presidents implemented liberalization, they maintained the support of dissatisfied corporatist unions by offering their leaders additional positions of power and cracking down on independent labor movements (Proceso 1987). This example reflects a broader pattern in autocracies in which elites can coordinate: cohesive elites will tolerate economic liberalization if they receive guarantees that protect their political standing.

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For those outside the ruling coalition this often implies further political repression and marginalization.

I develop this argument through a formal model and test its implications in a statistical analysis of autocracies during the period of 1976 to 2014. I introduce two refinements to previous research on the negative link between human rights and economic liberalization (Abouharb and Cingranelli 2008). First, I specify the mechanism of this relationship in autocratic regimes. I show that liberalization leads to repression because of elite bargaining dynamics and that this occurs only when the ruling elite can credibly threaten to depose the autocrat. I also show that international pressures play an important role in this relationship. Specifically, autocrats increase repression when the international community threatens to prosecute deposed dictators. In such contexts, dictators have increased incentives to avoid deposition, so they double down on abuse to keep the support of their allies and secure their hold on power.

Most autocrats lose power at the hands of their own inner circle. However, international opposition has also proven fatal for many autocracies. Thus, the question of how autocrats can satisfy international demands for change without losing domestic supporters deserves special attention. The political survival of autocrats depends on their ability to attend international demands while not alienating domestic supporters. This tension shapes the relationship between economic liberalization and repression. The findings suggest that, if policymakers do not carefully consider domestic bargaining dynamics, international efforts to shape the economies of autocratic countries can lead to more—not less—repressive regimes.

Domestic and International Pressures on Autocratic Regimes

Autocrats are not free to disregard the interests of other political actors. Even in the prototypical examples of personalization of power, autocrats must concern themselves with maintaining the support of the group responsible for running the state and keeping political opponents in check (Gorlizki and Khlevniuk 2006). Others have referred to this

group as the selectorate: those who collectively have the power to choose and maintain leaders (Shirk 1993, 71). While some have presented the relationship between selectorates and autocrats as more or less hierarchical, there is agreement in that neither actor has definitive authority (Bueno de Mesquita, Smith, Siberson, et al. 2004, 382–90; Haber 2008, 696–97). Autocrats can purge the selectorate from dissident members, but the selectorate can draw power from the positions it controls within the state to depose an unwieldy autocrat. Indeed, coups—not mass mobilization—are the main cause of autocratic breakdown (Bove and Rivera 2015). Autocratic rulers are thus dependent on their selectorate and must be careful not to alienate it.

Autocrats are not only concerned with their selectorate, but also with the demands of the international community (Mainwaring and Pérez-Liñán 2014, 204–40; Levitsky and Way 2006, 382–83). International powers and organizations have long tried to influence the domestic politics of developing countries. Autocracies that obey the expectations of important international actors have often enjoyed protection and economic benefits, while more recalcitrant dictatorships have faced sanctions or even direct intervention. Given these potential costs, dictators are usually careful to maintain international backing. For example, former Mexican president Lopez Portillo recognized that his tenure “had to enjoy the favor of the United States. Express antipathy would have been fatal” (Castañeda 2000, 160). Many dictators have been ousted after losing the support of the selectorate, but losing international backing can be just as dangerous (Escribà-Folch and Wright 2015b, 82–83).

International Promotion of Economic Liberalization and Human Rights

The international community is a heterogeneous group with many different interests. Nevertheless, economic liberalization has been an integral part of the agenda of many Western powers and international financial institutions (IFIs). Dating back to the 1940s with programs like Truman’s Four Points and Bretton Woods, international actors sought to create more open and integrated markets in the postwar world. Particularly since the 1980s, multilateral organizations championed economic liberalization as the most effective way to generate sustainable economies, wealth, and even political liberalization (Ostry, Loungani, and Furceri 2016, 38–39). Throughout the Cold War, the United States promoted economic liberalization as a tool to alleviate socioeconomic pressures that could foster communist sympathies down the lines (Macekura 2013, 147). Liberalization now continues to provide strategic value in the form of access to cheap labor, new markets, and other potential sources of revenue. In the view of dependency theorists, promoting liberalization also helps reinforce the future hegemony of extant economic powers because it fosters unequal competition (Gourevitch 1984; London and Williams 1988; Gwynne and Cristobal 2014). Economic liberalization, thus, continues to be an integral part of the foreign policy of Western powers and of IFI programs despite increased uncertainty about its benefits (Obstfeld 2016).

In contrast, human rights promotion by Western powers and IFIs has been more recent and much more tenuous (Forsythe 1991; Moyn 2010). In 1977, the secretary of state of the United States admitted that human rights violations did not disqualify autocracies from economic and military aid: “matters of human rights will be given a greater emphasis with respect to those decisions. But . . . there are

cases in which the security aspects are of overriding importance” (Ahlberg 2013, 63). The Cold War saw international powers routinely support repressive regimes abroad in the name of security at home (Bellin 2004; Apodaca 2006). Although Western powers started to push for human rights more strongly through economic and diplomatic means after 1989 (Hafner-Burton 2005a, 605–9; Sikkink 2011, 109), present efforts are still subordinated to strategic considerations (Cohen 2011). Repressive regimes that provide some strategic value, such as Saudi Arabia or the Philippines, enjoy international backing despite rampant human rights violations (Swedlund 2017, 461–63; Sandlin 2016).

The priorities of Western powers and IFIs has meant that the promotion of human rights has suffered in the name of economic liberalization. Abouharb and Cingranelli (2008, 2009) have shown that the austerity measures implied by liberalization generally lead to public discontent, mobilization, and, ultimately, to higher levels of repression (similarly Hollyer, Rosendorff, and Vreeland 2015). While previous research has explained the relationship between economic liberalization and repression by focusing on public discontent, I argue that dynamics of elite bargaining and signaling are also responsible for this empirical pattern. Ruling coalitions often fear economic reform will weaken their political influence (Haggard and Webb 1994). As I discuss below, economic liberalization can undermine clientelist relationships, reduce the rents available from controlling of the state, invite additional foreign oversight, and bankrupt elites whose wealth is tied to noncompetitive industries at the global scale. Selectorates facing a shifting economic structure are likely to move to protect their own political leverage from potential challengers. Coordinated elites can demand higher levels of political control in the form of repression of political opponents and restrictions on civil liberties. Given the priorities of the more powerful international actors, dictators can hedge their bets. They can try to maintain the support of their domestic supporters and the international community by abiding by the economic liberalization mantra while also committing to the repression of political challengers.

Economic Liberalization and Autocratic Interests

While key international actors have pushed for economic liberalization, autocratic elites have often resisted it. Autocratic elites routinely receive economic benefits, such as control of state-owned enterprises and subsidies, in return for their political support. This rent-seeking behavior tends to create economies that reflect the political hierarchy (Saleh 1996). For example, in Indonesia and Malaysia, supporters of autocratic leaders Suharto and Mahathir used their political influence to gain control of industries that were more or less guaranteed to remain profitable due to strong state intervention. Meanwhile, political opponents were relegated to more open and competitive markets. As a result, the first moves toward liberalization made by Suharto and Mahathir struggled to find the necessary bases of support (Basri and Hill 2008, 640–45). Economic interests that had developed in competitive scenarios and could have competed internationally lacked the necessary political influence to provide meaningful support to the reforms. In contrast, most autocratic elites had grown economically dependent on state intervention, and therefore strongly opposed liberalization.

Importantly, political considerations also motivate resistance to economic liberalization. Some members of the selectorate whose wealth is tied to export-oriented industries

may stand to profit from economic liberalization. However, the economic advantages of liberalization are often subordinated to the political imperative of maintaining patronage networks (Prasse 2006, 28). While the textile and timber industries in Indonesia and Malaysia were competitive before the 1990s, the leaders of these industries, primarily Suharto's family and members of the United Malays National Organization party, resisted economic integration. In their view, liberalization would have undermined their ability to provide particularistic benefits to their own supporters, endangering their political standing and long-term security (Bowie and Unger 1997, 50–68). Patronage is thus not only a tool to accumulate wealth, more importantly, it is also a vehicle for acquiring political influence. Notably, B.J. Habibie, eventual successor of Suharto, used his positions in government and access to state-owned enterprises to build his personal power base through clientelist arrangements. Admittedly, regimes can only maintain this power relationships if they have the resources necessary for distribution. Winters (1996, 105–7) notes that the economic crisis of the 1980s pushed autocratic elites in Indonesia to accept liberalization since previous levels of patronage spending could no longer be maintained. However, after the initial steps toward liberalization refilled the patronage coffers, B.J. Habibie and Suharto's children utilized their personal influence and networks to revive the protectionist policies they favored (Prasse 2006, 29–34). While liberalization may sometimes be advantageous for members of the selectorate, the political advantages offered by a patronage framework under an import-substitution economy are typically more valuable for long-term autocratic survival.

Autocratic elites also oppose liberalization because it implies renouncing the political advantages afforded by a state with substantial economic agency. When skillfully done, state regulations can be a valuable tool for promoting regime stability (Albertus, Fenner, and Slater 2018). Following a period of political turmoil partially fueled by ethnic cleavages in 1969, the Malaysian government developed the New Economic Policy (NEP). The goal of the program was to create an ethnic Malay business class (*Bumiputera*) and reduce the economic dominance of the ethnic Chinese. The NEP created an economically engaged state whose main responsibility was to create a more politically convenient distribution of wealth. This redistribution reduced social unrest and generated new support for the regime. State intervention was an important instrument for managing the costs of a capitalist economy in a manner conducive to the interests of the regime (Gomez and Jomo 1997, 177–84). The selectorate opposed deregulation because losing the ability to protect the *Bumiputera* would have undermined the stability of the regime (Prasse 2006, 73–76).

Dictators need to be mindful to not alienate their domestic supporters when accommodating the demands of the international community. The problem autocrats face is that economic liberalization poses direct challenges to the ruling coalition. Liberalization limits the strategies for political survival available to the regime. Thus, dictators implementing liberalization need to provide guarantees that protect the regime or otherwise diffuse elite discontent.

Repression as a Tool for Compensation

Autocrats that implement international demands without the consent of their domestic allies run the risk of facing rebellion. However, dictators also have a variety of tools for reeling in disgruntled selectorates and diffusing elite dissatisfaction. Dictators can seek to safeguard their rule

by punishing dissenting members of the selectorate. Purges can help prevent rebellion by increasing the costs of elite collective action, making them a common strategy among dictators seeking to wrestle power away from the ruling coalition (Braithwaite and Sudduth 2016). However, elite punishment is a strategy that is prone to backfiring when used systematically. Dictators that indiscriminately purge members of the selectorate show themselves to be unreliable allies and limit their ability to credibly commit to protecting elite interests in the future (Gehlbach, Sonin, and Svulik 2016, 573–75). This incentivizes members of the selectorate to look elsewhere for safer and more predictable leadership, undermining the stability of the regime. Purges not only erode the base of elite support of dictators. When dictators target members of the selectorate, they also sever whatever nonstate-based mechanisms of mass control those targets provided to the autocrat, such as unions or religious leadership. Eventually, autocrats that rely on purges to combat elite opposition may succeed and monopolize power, but the more likely scenario is that they will find themselves ousted in a coup or by an enlarged opposition (Bove and Rivera 2015).

Another common mechanism of control is patronage. Dictators can promote elite loyalty by giving selective incentives to members of the selectorate whose opposition would be particularly threatening. Such incentives can come in the form of material goods or positions of power. The former is easily provided but offers only short-term relief to elite dissatisfaction. Material goods are unlikely to sway selectorates that start to see cracks in the foundations of the regime. Positions in power are more appealing because they afford those who occupy them opportunities to influence regime survival; however, autocrats can only provide a limited number of these positions before diluting their own power (Gandhi 2010, 74–76; Magaloni and Kricheli 2010, 126). Thus, except in the most unusual cases, dictators must pay off a set of constituents that is too large for them to satisfy on a case-by-case basis (Bueno de Mesquita et al. 2004, 51–59). Simply promoting members of the ruling elite can work for the very few, but the viability of this strategy diminishes as elite discontent becomes more pervasive.

Economic liberalization endangers the political standing of the selectorate by limiting the mechanisms of control available to the regime. Autocrats can address this threat by repressing emerging political opponents. I understand repression as “any realized or threatened limit or coercive action taken by state authorities to control or prevent challenges that could alter the status quo policy or distribution of power” (Ritter and Conrad 2016, 86). While elite punishment and selective incentives allow dictators to neutralize specific interests within the regime, increasing the levels of political control over the public offers a collective benefit to the selectorate as a whole. Dictators that demonstrate an increased willingness to use coercion against rising opponents show that they intend to protect the political standing of the elite despite changing economic conditions. Indeed, dictators can complement the use of selective incentives with the provision of a collective service (political security) to extend their rule (Escribà-Folch 2013).

Repression is an additional tool autocrats can use to prevent elite dissent. It is far from a dominant strategy, however. Previous research has shown that autocrats that rely on it often end up losing power to their empowered coercive agents (Policzer 2009; Svulik 2013). Autocrats that opt for repression trade the dangers of losing power for a lack of commitment to protecting the interests of the elite for the dangers of losing control over their coercive agents.

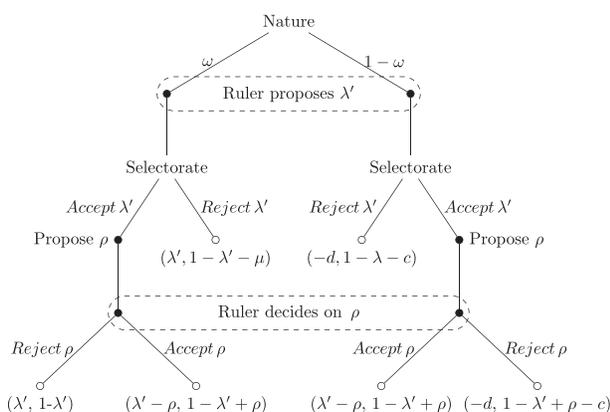


Figure 1. Autocrats and selectorates under international pressure

Repression is thus a costly strategic decision that autocrats make with apprehension. Nevertheless, it may be necessary to provide higher levels of repression when elite dissatisfaction is widespread enough that selective incentives and punishments are not enough to deactivate it.

The Compensation Game

This section formalizes the argument of this article. It lays out the logic for expecting varying levels of the compensation dynamic (offering higher levels of political control in exchange for increased compliance with international demands) for different kinds of autocracies. It also explains why autocrats reasonably test their luck by alienating their selectorate despite the potential punishment of being deposed.

Why Do Autocrats Risk Rebellion by the Selectorate?

The extended form of the game is presented in Figure 1. The game starts with a move by the fictitious player Nature. It determines whether the selectorate has the means for collective action (that is, staging a successful coup), with a probability of ω that it does not. Svulik (2012) notes that barriers to collective action may preclude members of the selectorate from constraining the autocrat. Individuals that voice their dissent can easily be punished unless backed by others. Hence, if they are uncertain about the intentions of everybody else, members of the selectorate prefer to wait and see instead of being the first to rebel (Kuran 1991). This coordination problem limits the selectorate’s capacity to effectively constrain the ruler and is a crucial aspect of autocratic politics (Gehlbach and Keefer 2012). In this context, having the means for collective action signifies that members of the selectorate can communicate with each other and potentially depose the autocrat. The models assume that autocrats are uncertain about the type of selectorate they are facing but know the probability that the selectorate can in fact act against them ($1 - \omega$).

The ruler takes the second move in the game. They offer a new value of economic liberalization, $\lambda' \in [0,1]$, to the selectorate. I assume that some level of λ is already established and that the ruler’s offer, denoted λ' , will push for higher levels of liberalization so that $\lambda < \lambda'$. Rulers may look to reduce the overall level of economic liberalization but that would imply a dynamic different from the one being analyzed here. Such policy is unlikely to be the result of

international pressure or to trigger the same worries among the selectorate.

After the ruler offers a new level of liberalization, the selectorate can either accept or reject it. The selectorate will reject λ' if it is made better off by challenging the autocrat. For an organized selectorate, the payoff for rebelling is equal to the level of economic liberalization in the status quo ($1 - \lambda$) minus the costs of conflict ($c \in [0, \infty)$) and constitutes its bottom-line as it has no incentive to accept any offer bigger than this one. In contrast, a selectorate with no capacity to coordinate will not reject λ' under any circumstances because an unsuccessful rebellion would produce the same payoff as acquiescence, $1 - \lambda'$, minus a punishment for rebelling ($\mu, \mu \in [0, \infty)$). Thus, autocrats are aware that there is a probability ω that they will succeed in obtaining a level of economic liberalization that is higher than the one an organized selectorate is willing to accept. So—provided that the probability of collective action by the selectorate is low enough—it may be profitable to offer a level of economic liberalization that risks deposition ($d, d \in [0, \infty)$) under an organized selectorate.

This setup treats economic liberalization as exogenous. The model does not explain changes in liberalization; instead it focuses only on the consequences of those changes. However, it is necessary to make this first round of bargaining explicit to reconcile the concept of selectorates that can oust dictators with the fact that rulers often give priority to international demands. If the selectorate has the power to decide who rules, then why would rulers alienate the selectorate and guarantee their own deposition? Unless international agents are the selectorate and can depose the autocrat, then the ruler should prioritize the preferences of the selectorate under all circumstances—except if there is uncertainty about the ability of the selectorate to act collectively. If there is a chance that the selectorate does not have the means for collective action ($\omega \neq 0$), then the ruler should rationally balance the likelihood of rebellion by a disgruntled selectorate and the benefits of satisfying the international community.

In the third move of the game, the selectorate either rejects or accepts the ruler’s offer of economic liberalization. Rejection produces different outcomes depending on the availability of collective action, but it finishes the game in both cases. If the selectorate does not rebel given the new levels of liberalization, then the game continues on and the selectorate asks for a new level of political control ($\rho, \rho \in [0,1]$) over the mass public.

In the final move of the game, autocrats decide to accept or reject the proposed level of ρ . If they reject under no elite collective action, then they will receive their preferred outcome of λ' . If they reject under collective action, then they will receive their worst payoff, $-d$. Otherwise, when dictators accept the proposed level of political control, they always receive the benefits of increased international compliance but pay the costs of increased repression: $\lambda' - \rho$.

A key assumption in the model is that autocrats find increased levels of repression (ρ) undesirable. This assumption is consistent with most of the recent literature on autocratic regimes (Svulik 2013; Gehlbach et al. 2016). Increased efforts to repress require resources that can no longer be obtained as rents by the autocrats and may produce higher levels of dissent down the line (Carey 2009; 2010; DeMeritt 2016). An even more immediate concern is the fact that reinforcing the coercive capabilities of the state gives groups in charge of enforcing those capabilities an increased capacity to oppose the ruler. Empowering repressive forces poses a risk to the autocrat because they can easily become either

political challengers or constraints on the ruler's independence (Greitens 2016, 17–24). Thus, autocrats have an incentive to avoid increasing levels of repression against the mass public.

The Increased Repression Equilibrium

Under what conditions will higher levels of liberalization lead to higher levels of repression? There are two general conditions that need to be met for this equilibrium to exist. The ruler needs to make an offer of economic liberalization that the selectorate will accept, and the selectorate must be powerful enough to be able to coerce the autocrat into accepting a higher level of repression. More precisely, an increased repression equilibrium exists if there is a perfect Bayesian Nash equilibrium where both types of selectorate pool on accepting λ' and the ruler accepts the new level of ρ . Continuing with backward induction, we see that the ruler will accept the selectorate's offer of increased political control if:

$$\begin{aligned} \lambda' - \rho &\geq \omega\lambda' + (1 - \omega)(-d) \\ \rho &\leq (1 - \omega)(\lambda' + d) \end{aligned} \quad (1.1)$$

Equation (1.1) describes the maximum level of repression the ruler is willing to accept. Since the payoff that the selectorate receives from making an unacceptable offer is always worse, it will in fact offer the equilibrium condition $\rho = (1 - \omega)(\lambda' + d)$. But to reach this stage of the game, it is necessary that the selectorate does not reject the ruler's offer λ' . As mentioned before, when the selectorate lacks the means for collective action, it will always accept the ruler's offer ($1 - \lambda' - \mu < 1 - \lambda'$). For an organized selectorate to not reject λ' and thus maintain the increased repression equilibrium, it must be the case that:

$$\begin{aligned} 1 - \lambda - c &\leq 1 - \lambda' + \rho \\ \lambda' &\leq \frac{\lambda + d + c}{\omega} - d \end{aligned} \quad (1.2)$$

The ruler, preferring to generate as much goodwill as possible with the international community, would then make that offer and expect $\lambda' - \rho$ in equilibrium. Both Equations (1.1) and (1.2) will hold under the right parameter values of the exogenous variables (ω , d , and c). Depending on what the value of these parameters, a separating equilibrium exists where the autocrat prefers to induce separation between the selectorate types by offering $\lambda' = 1$. Nevertheless, the analysis shows that there is in fact an equilibrium under which dictators prefer to compensate their selectorate for the increased levels of λ by implementing more draconian policies.

Equation (1.1) highlights that ρ decreases when the selectorate is seen as unlikely to have the necessary means for collective action and increases with higher levels of λ' . Rulers that perceive their selectorate as weak (high values of ω) are predicted to take demands for an increased ρ less seriously, and those who perceive it as strong are less likely to push their luck by offering high levels of λ' . The substantive prediction is that higher concessions to the international community (high λ') will also lead to higher concessions to the selectorate (higher values of ρ), but only if the selectorate has the potential for collective action. In other words, the negative effects of economic liberalization on human rights are contingent on a selectorate that can threaten deposition.

Equations (1.1) and (1.2) show that the potential costs of losing power (d) will have varying effects depending on the values of ω . Note that I assume that d has no upper limit ($d \in [0, \infty)$). This reflects the fact that the consequences of losing office can go from minor costs to life-threatening.

For example, Mexican presidents were often required to leave the country after their term expired. It was not a particularly unpleasant exile, however—only a few years long and usually in the form of an embassy in Western Europe or the United Nations. Presidents were able to trust that the institutionalized succession rules within the ruling party would protect them once they left office. Other dictators face crueler fates at the hands of their former selectorate, often facing prosecution or death. However, even when the perils associated with losing power are high, rulers may remain unfazed if the probability of losing office in the first place is low. Indeed, the equilibrium equations show that d is most relevant when collective action is probable. This describes a ruler that not only weighs the costs of losing office but also how likely that is to happen. A ruler who knows that deposition is likely (small ω) will take the costs of losing power more seriously when bargaining with its selectorate than one that sees rebellion from within the regime as a very improbable outcome.

Hypotheses and Data

The previous section has delineated some conditions under which higher levels of economic liberalization lead to higher levels of political control. I now focus on two hypotheses implied by the compensation game to assess the prevalence of increased repression equilibrium. A key insight from the proposed model is that autocrats implementing higher levels of economic liberalization agree to increased repression only if their ruling elites have the means to depose them. Autocrats prefer to avoid repression because it entails empowering coercive agents that may rebel down the line. They may nevertheless concede it if their selectorate can credibly threaten to depose them. Autocrats that enforce repression signal their ability to protect the ruling coalition from an opposition empowered by economic reform. This helps dictators deactivate elite discontent and avoid rebellion by coordinated regime insiders. When autocratic elites cannot credibly threaten rebellion, autocrats can meet the demands of international actors without having to bargain with repression.

H1: *Compliance with international demands for economic liberalization will lead to increased repression, but only when the selectorate can credibly threaten to depose the ruler.*

The autocrat's costs of losing power is also a key consideration. Rulers that have reasons to fear a challenge by their selectorate will worry more about the costs of losing office than those who feel safe. The equilibrium equations show that autocrats have a strong incentive to provide even higher levels of political control when a coordinated selectorate combines with high costs of losing office. I expect these two factors to interact to produce particularly repressive autocracies. The costs of losing power are partly determined by domestic factors (for example, parties protecting the well-being and assets of autocrats who leave office), but international factors are also important. International tribunals and courts have increasingly prosecuted deposed dictators for human right abuses, making punishment for losing power more likely if not steeper. Paradoxically, this implies that as rulers try to appease their selectorate by providing higher levels of repression, they also make themselves more likely to face international prosecution. This international threat increases the costs of losing power and makes autocrats even more likely to accommodate future demands for political control.

H2: *Increased threat of international prosecution will lead to higher levels of repression when the likelihood of collective action by the selectorate is high.*

Selectorates value repression because it counters the political risks posed by liberalization. However, not all selectorates are equally able to demand it, and not all autocrats have the same incentives to agree to it. I assess the strength of the theoretical argument by testing these expected conditional effects. If repression follows liberalization regardless of collective action capacity or the dictator’s cost of losing power, then that would constitute strong grounds to reject the theory.

Dependent Variables

The analyses below utilize the human rights scores developed by Schnakenberg and Fariss (2014) as the first dependent variable. These scores combine a variety of measures of physical integrity rights, including the Cingranelli and Richards (CIRI) scale and the Political Terror Scale, and derive from a dynamic item-response theory model. The advantage of this approach is not only that it averages across the uncertainty and error of the different measures, but also that it is able to account for the changing standards the international community uses to assess human rights (Fariss 2014). Previous research on the link between liberalization and repression has not accounted for the increasingly demanding standards used to examine human rights conditions worldwide. Since liberalization and human rights principles have spread contemporaneously, it is important to account for this coevolution to avoid overestimating the connection between liberalization and repression.

The Schnakenberg and Farris scores focus exclusively on physical integrity protection. However, autocrats may enforce higher levels of political control through *preventive* repression, such as formal limitations on collective action (Earl 2011; Danneman and Ritter 2014). To account for this, I utilize the interval measure of restrictions on civil society organizations (CSO) reported by the Varieties of Democracy project (Lindberg, Coppedge, Geering, et al. 2014). While Schnakenberg and Farris scores capture physical integrity protection, this second measure captures restrictions on civil society. Both variables are (negatively) correlated ($r = -0.41$), but they remain empirically distinguishable. A principal component analysis showed that 70 percent of their variance is unique, and the eigenvalue of a common factor is only 0.6, which is significantly lower than the usually accepted threshold of 1 for strongly related variables. By examining both facets of political control, the following analyses present a more comprehensive view of the link between repression and liberalization in autocratic regimes than previous work.

Independent Variables

The observed correlation between economic liberalization and repression has been shown to be sensitive to different measures (Hafner-Burton 2005b; Cho 2013). Thus, I opt for an index of specific aspects of liberalization that can negatively influence domestic elites. International agents have long championed a reduction of tariff rates, capital account restrictions, and import barriers, but autocratic elites fearing a loss of opportunities for rent-seeking behavior and clientelist arrangements have also resisted these policies. I also consider the size of the government. While Western powers and IFIs have promoted smaller governments with little economic agency, such policies reduce the rents the

selectorate can hope to gain from its positions within the state. Finally, economic transparency is an important aspect of financial integration. It holds the promise of fewer investors’ overreactions to unclear market signals, opportunities for better management of investment flows, and overall market efficiency (Hanson 2003). However, higher levels of transparency can expose the predatory practices of the selectorate and bring about discontent and mobilization against the regime (Hollyer et al. 2015). Thus, the measure of economic liberalization that I use refers to economic transparency (Hollyer, Rosendorff, and Vreeland 2014), restrictions on trade (Dreher 2006), and the size of the government (Gwartney and Lawson 2003).

A challenge in testing the mentioned hypotheses is that the likelihood of collective action is a latent characteristic that cannot be directly observed. While one could try to draw inferences from the number of coups or other examples of observed rebellion by the selectorate, this would misrepresent the argument advanced here. I argue that autocrats use repression to diffuse elite dissatisfaction; focusing on observed rebellions would only capture instances where the compensation logic failed to achieve its desired effect. Instead, I opt to infer the probability of an organized selectorate from the institutional characteristics of each autocracy. Autocrats must engage in a similar process since the intentions and preferences of the selectorate are not readily observable by them either.

To operationalize the potential for collective action I utilize Svoblik’s (2012) measures of power-sharing. Specifically, I focus on the presence and strength of political parties, legislatures, and the political involvement of the military. Past research has shown that legislatures and political parties give selectorates a space to coordinate and constrain rulers (Gandhi 2010; Gehlbach and Keefer 2012; Geddes, Wright, and Frantz 2018). A strong military committed to protecting the *status quo* can similarly dissuade autocrats seeking reform. These three elements—the presence and strength of political parties, legislatures, and an organized military—can then serve as a proxy for the perceived likelihood of collective action by the selectorate. The resulting measure ranges from 0 to 1. As one might expect, selectorates in party regimes are estimated to have the highest potential for collective action (0.73). In contrast, 73 percent monarchical regimes fall below 0.4.

I use the factor scores of two variables to measure the international costs of losing office. First, I use the history of prosecutions at the regional level as measured by Escribà-Folch and Wright (2015a). They show that autocrats look at the fate of nearby dictators to learn about their own costs of losing office. It is likely that dictators also look at how the international community perceives their own regimes. Naming and shaming campaigns sends clear signals in this respect. Organisms such as the International Criminal Court largely depend on the evidence and attention generated by these efforts to successfully prosecute human rights violations (Ron, Ramos, and Rodgers 2005). I utilize the lagged number of news and background reports produced by Amnesty International to measure the extent of international criticism. I opt for a one-year lag of this variable to avoid potential endogeneity concerns, particularly that increased levels of repression could lead to more coverage.

Controls

An important control in the models below is type of autocracy. Nondemocracies, as mentioned before, vary in terms of the likelihood of collective action. Previous research has

Table 1. Summary statistics.

Variable	Mean	Std. deviation	Source
Physical integrity protection	0.55	0.16	Schnakenberg and Fariss 2014
Limitations on civil society organizations	0.51	0.19	Lindberg et al. 2014
Economic liberalization	0.39	0.15	Dreher, Gassebner, and Siemers 2012; Gwartney and Lawson 2003; Hollyer et al. 2014
Collective action	0.65	0.24	Svolik 2012
International costs	0.14	0.07	Escribà-Folch et al. 2015b; Ron et al. 2005
Personalistic rule ^a	0.23	0.42	Geddes, Wright, and Frantz 2014
Monarchic rule ^a	0.08	0.27	Geddes et al. 2014
Military rule ^a	0.22	0.41	Geddes et al. 2014
Party rule ^a	0.46	0.50	Geddes et al. 2014
IFI's memberships	0.80	0.26	UNCTAD
ODA (logged)	0.09	0.03	UNCTAD
Revenue from oil (logged)	0.43	0.43	Ross 2012
GDP (logged)	0.76	0.07	World Bank
Domestic conflict (logged)	0.08	0.12	Banks and Wilson 2017

Notes: (1)^aDummy variables. (2) All variables range from 0 to 1. (3) For continuous variables, higher values signify a higher prevalence of the relevant dimension.

also shown that regimes with personalistic and militaristic rule are more likely to use repression (Gandhi 2010). Since regime type is associated with the likelihood of collective action and the dependent variable, it is important to include it as a control to avoid potential bias. Additionally, autocratic types vary in terms of the expected costs from losing power (Frantz and Ezrow 2011, 3–6). Party regimes, for example, often have institutionalized rules in place to protect former autocrats. The focus of the second hypothesis is on the international costs of losing office, so it is important that the statistical models average out the domestic costs.

The argument of this article is that economic liberalization can increase repression independently of the levels of public discontent. However, the human rights literature has shown that repression and mobilization move in equilibrium, particularly in autocracies (Davenport 2007; Ritter 2014). Likewise, previous research on the link between liberalization and repression has treated popular discontent as the main causal mechanism (Abouharb and Cingranelli 2009; Hollyer et al. 2015). I account for this complementary explanation by controlling for the number of antigovernment protests as reported by Banks and Wilson (2016). This allows the statistical models to differentiate between the repression that is an outcome of the compensation dynamic delineated above and the repression that is a consequence of increased mobilization.

The viability of repression may depend on the availability of resources. Poor autocracies have a hard time enforcing political control despite their intentions to do so. Large oil reserves provide autocratic regimes with additional resources for cooptation and repression (Bell, Cingranelli, Murdie, et al. 2013; DeMeritt and Young 2013). The models below include gross domestic product and oil revenue to account for the viability of the different strategies of political control. Finally, I control for the number of memberships to IFI a country has and the amount of official development assistance it receives. I do this to capture the influence that the international community has over a given country and thus roughly control for the possibility that changes in economic liberalization may be a result of domestic politics and not international pressure. Table 1 shows summary statistics for all variables. I coded all variables so that larger values reflect a higher level of the relevant dimension. All variables are standardized to range from 0 to 1 to aid in the interpretation of interaction effects.

Results

I test both hypotheses using data from 106 autocracies across the world from 1976 to 2014. To account for the time-series cross-sectional nature of the data I utilize a time-trend component as well as random effects by country. A Hausman test supported the use of random effects over fixed effects. Table 2 shows the results. The dependent variable for the first two models is the physical integrity protection measure by Schnakenberg and Farris. The last two models examine CSO suppression. Models 1 and 3 test Hypothesis 1, while Models 2 and 4 refer to Hypothesis 2.

Collective Action and Increased Repression (Hypothesis 1)

Hypothesis 1 posits that economic liberalization will produce higher levels of repression when the selectorate has a high capacity for collective action. Models 1 and 3 test this claim. Both models incorporate an interaction term between economic liberalization and collective action. Recall that the coefficient of a predictor that is part of an interaction reflects its expected effect on the dependent variable when the other constitutive term is equal to zero. Thus, Model 1 expects autocracies with a weak selectorate ($\omega = 0$) to improve their physical integrity rights by 0.13 (in a 0–1 scale) when adopting a fully liberalized economy (fewer tariffs, more economic transparency, and less state intervention). Model 3 also suggests that—given a weak selectorate—a more liberalized economy correlates with a significantly less hostile environment for CSOs. This difference is about a one-standard-deviation change. Similar to liberalization, collective action capacity is associated with less repressive outcomes, perhaps because it implies the decentralization of autocratic power (Gandhi 2010; Svolik 2012). However, the positive effect that liberalization and elite collective action have on human rights disappears when both variables are present (see the $\lambda * \omega$ term in Models 1 and 3). As expected by Hypothesis 1, the presence of liberalization under collective action is in fact associated with more—not less—repressive outcomes.

Figure 2 shows the expected effect of economic liberalization on repression at different values of collective action capacity by the selectorate. In other words, the figure does not plot predicted values; instead, it shows how the estimated coefficient of economic liberalization

Table 2. The increased repression equilibrium in autocracies from 1976 to 2014.

	<i>Physical integrity</i>		<i>Limitations on CSOs</i>	
	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>
Economic liberalization (λ)	0.13** (0.05)	-0.20 (0.11)	-0.19*** (0.06)	0.03 (0.13)
Collective action (ω)	0.11*** (0.03)	-0.12* (0.06)	-0.18*** (0.03)	0.01 (0.07)
$\lambda * \omega$	-0.24*** (0.06)	0.27 (0.15)	0.30*** (0.08)	-0.25 (0.18)
International costs (d)	-0.30*** (0.03)	-1.37*** (0.28)	0.14*** (0.04)	0.57 (0.34)
Monarchic rule	0.05 (0.03)	0.04 (0.03)	0.19*** (0.04)	0.20*** (0.04)
Military rule	-0.03** (0.01)	-0.03** (0.01)	0.06*** (0.01)	0.07*** (0.01)
Party rule	0.05*** (0.01)	0.04*** (0.01)	0.09*** (0.01)	0.10*** (0.01)
IFI memberships	0.02 (0.01)	0.03 (0.01)	-0.06*** (0.02)	-0.08*** (0.02)
ODA (logged)	-0.06 (0.06)	-0.10 (0.06)	-0.24** (0.08)	-0.20* (0.08)
Revenue from oil (logged)	-0.04** (0.01)	-0.04** (0.01)	-0.07*** (0.02)	-0.06*** (0.02)
GDP (logged)	0.85*** (0.13)	0.78*** (0.13)	0.99*** (0.14)	1.03*** (0.14)
Domestic conflict	-0.36*** (0.02)	-0.36*** (0.02)	0.15*** (0.03)	0.14*** (0.03)
$\lambda * d$		2.30*** (0.67)		-1.43 (0.81)
$\omega * d$		1.54*** (0.37)		-1.07* (0.44)
$\lambda * \omega * d$		-3.34*** (0.88)		3.30** (1.07)
AIC	-4974	-4988	-4079	-4109

Notes: (1) Statistical significance levels: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. (2) All variables are standardized to range from 0 to 1. (3) All models include random effects for each country and a time-trend component. (4) $N = 2231$, N of countries = 106. (5) The coefficients for monarchic, military, and party rule use personalistic regimes as reference.

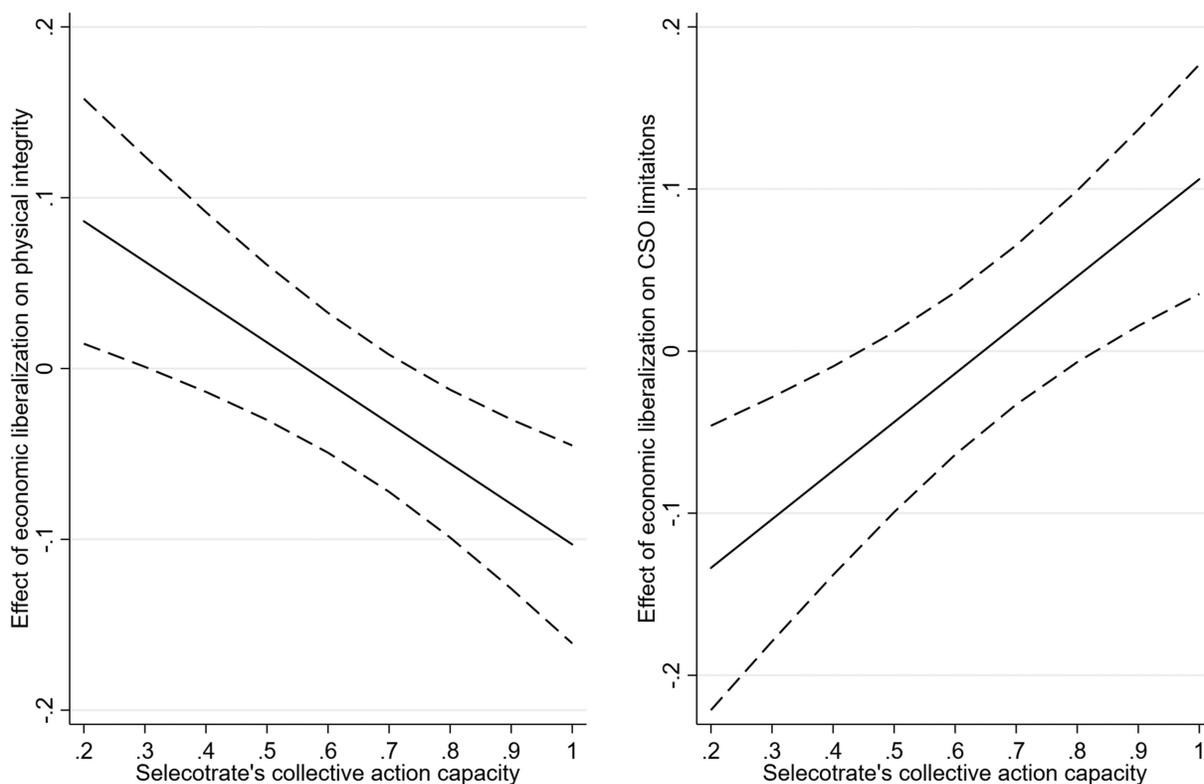


Figure 2. Marginal effect of economic liberalization by ω (Models 1 and 3)

changes as the capacity for collective action increases. For both dependent variables, the benefits of liberalization quickly disappear as the potential for collective action increases. Furthermore, liberalization starts to be associated with more repressive outcomes once high levels of ω are reached. Importantly, the repressive consequences of liberalization are not a consequence of assuming linearity. The appendix shows that the combination of liberalization and collective action leads to more repressive outcomes

even after allowing for nonmonotonicity in the interaction.¹

¹ Another potential concern is that economic liberalization may be endogenous to the selectorate's capacity for collective action. Authoritarian leaders might be less likely to promote economic liberalization when their ruling coalition is strong and can credibly threaten to depose the autocrat. However, a statistical analysis in the appendix shows that this potential selection dynamic is not a concern.

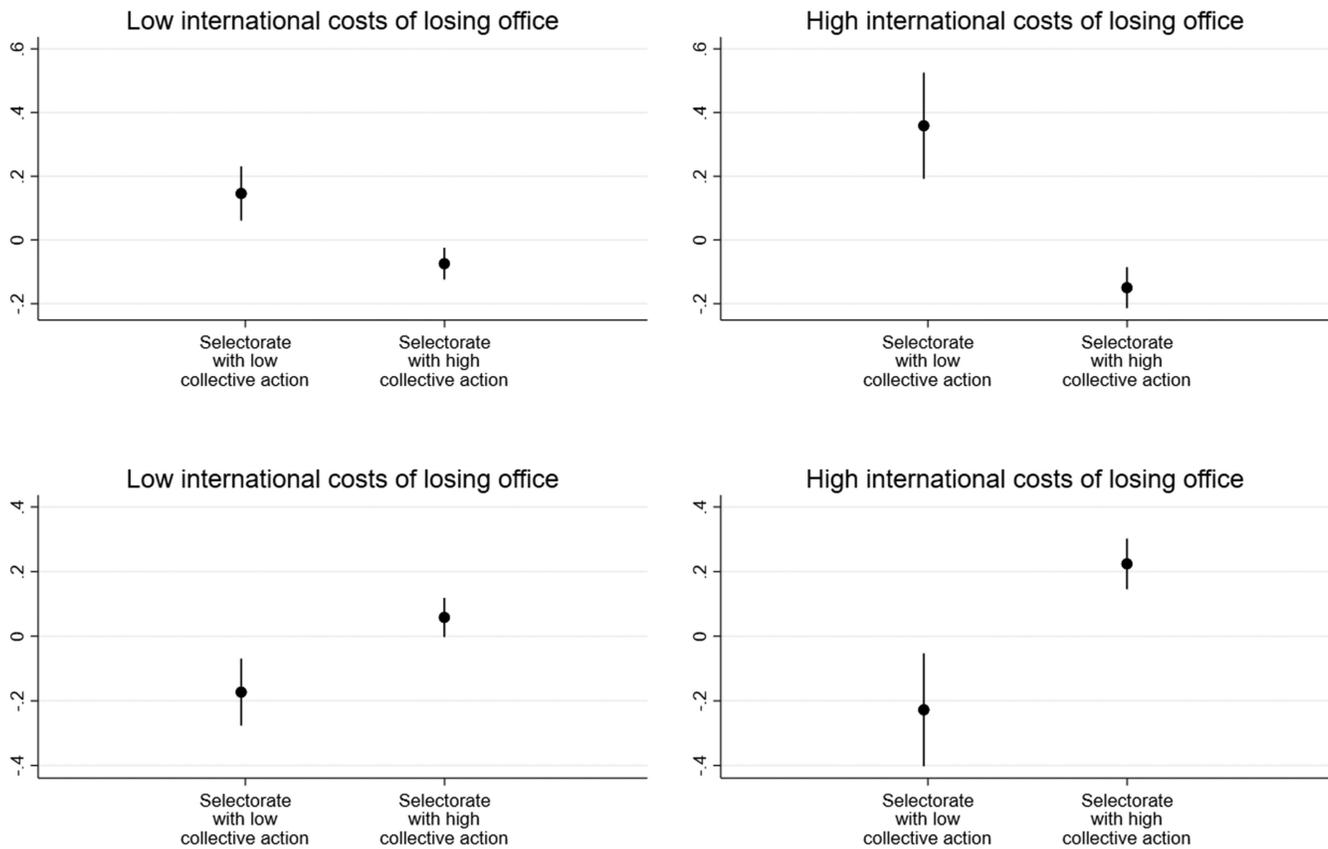


Figure 3. Marginal effect of economic liberalization by ω and d (Models 2 and 4)

Note: Low and high levels of collective action/costs of losing power refer to the 10 percent and 90 percent percentile of the relevant variable.

These two models show that the compensation dynamic is an empirical regularity. Autocrats with strong selectorates are likely to implement more draconian policies when forced to liberalize their economies. This is particularly important in the current context, where most autocracies have adopted institutions that foster stronger selectorates. While selectorates with high collective action were uncommon in 1976 (18.2 percent), they became the majority by 2014 (59.6 percent). Today, most international efforts to push liberalization face coordinated autocratic elites and may lead to increased repression.

While the compensation dynamic is pervasive, it is important to consider what are its empirical consequences. Economic liberalization starts to produce more repressive outcomes when collective action reaches about 0.8. At that point, liberalization reduces physical integrity rights by 0.05 (± 0.02) and increases CSO suppression by 0.06 (± 0.02). These effects do not become more substantial until higher levels of collective action are present. When collective action reaches its maximum level, the effect of economic liberalization on the dependent variables changes to -0.08 (± 0.02) and 0.14 (± 0.03), respectively. However, as expected by Hypothesis 2, these effect sizes are likely moderated by the costs of losing power. This implies that, in some cases, the empirical consequences of the compensation dynamic will be more pronounced than others.

Costs of Losing Office and Increased Repression (Hypothesis 2)

Hypothesis 2 posits that the international costs of losing office will moderate the compensation dynamic described in

Models 1 and 3. Autocrats facing an organized selectorate *and* high costs will provide higher levels of political control over the broader population than those who also face a strong selectorate but only a minor threat of international prosecution. Models 2 and 4 implement a three-way interaction between economic liberalization, collective action capacity, and the international costs of losing power to test this implication. This allows for the possibility that the interaction between liberalization and collective action described above will change its form as the international costs of losing power vary. All the other aspects of these models remain the same.

I compare the model fit of the different models to assess the validity of Hypothesis 2. The Akaike information criteria (AIC) offers a good way to do this. This criterion works similarly to an adjusted R^2 ; it measures relative model fit while also punishing model complexity. Models 2 and 4 have significantly smaller AICs (14 and 30, respectively), indicating that they are a better approximation to the data-generating process than the previous models. The literature suggests that a difference of 10 or more in AIC scores constitutes strong evidence in favor of the better-performing model (Burnham and Anderson 2003). As expected by Hypothesis 2, the inclusion of the conditioning effect of the international costs of losing office significantly increases the explanatory power of the statistical models.

Figure 3 helps with the interpretation of the three-way interactions in Models 2 and 4. It plots the estimated effect economic liberalization has on the dependent variables as the strength of the selectorate increases under two distinct scenarios: one with high and one with low international

costs of losing power. The top two panels of the graph show that liberalization has a positive effect on physical integrity rights when the selectorate is weak. Similarly, the bottom two panels show that, if the selectorate has little potential for collective action, economic liberalization correlates with less restrictions on CSOs. Much like before, however, economic liberalization and repressive outcomes go hand in hand under strong selectorates. In short, Models 2 and 4 also support Hypothesis 1.

Turning back to Hypothesis 2, Figure 3 shows how the repressive consequences of economic liberalization under strong selectorates vary depending on the costs of losing power. Under low d and a high ω , Model 2 estimates that economic liberalization has an effect of $-0.07 (\pm 0.02)$ on physical integrity rights. However, that effect doubles to $-0.15 (\pm .03)$ when costs of losing power are high. The difference between these two quantities is statistically and substantively significant; similarly sized changes were registered in El Salvador at the beginning of the civil war and in Nicaragua after the Contra demobilization in 1990. Likewise, economic liberalization has an effect of $0.05 (\pm .03)$ on CSO repression under low d and high collective action, but an effect of $0.22 (\pm .03)$ when d is high. In short, when there is an organized selectorate, a higher likelihood of international prosecution leads to significantly more repressive outcomes domestically. As former dictators continue to be held accountable for past human rights violations by the international community, current autocrats gain good reasons to hold on to power and accommodate the repressive demands of their domestic supporters (cf. [Sikkink and Walling 2007](#); [DeMeritt 2012](#); [Escribà-Folch and Wright 2015b](#); [Chenoweth, Perkoski, and Kang 2017](#)).

Discussion

The statistical analyses show that autocracies with strong selectorates often respond to economic liberalization with repression. I argue that this is a consequence of a compensation dynamic: autocrats increase repression to signal to their domestic supporters that they are willing and able to protect the status quo from a shifting economic structure. But this is not the only possible explanation. There are at least two other reasons why autocracies with power-sharing institutions would react in this way to economic liberalization.

It may be the case that that power-sharing institutions make autocrats unsure about their future, which in turn makes coercive overreactions more likely. In this view, autocrats with a loose grip over their regimes would see the changes implied by economic readjustments as potentially threatening, while autocrats that have monopolized power would feel more secure and less worried about having to prevent the rise of future challengers. This logic would also be consistent with the exacerbating effects that international costs have on the compensation dynamics. Autocrats without a firm grip over the regime could overreact to the rising costs of losing power. However, this explanation runs counter to well-established findings in the literature. Particularly, power-sharing institutions are associated with longer tenures for dictators ([Gandhi and Przeworski 2007](#); [Escribà-Folch and Wright 2015b](#)). Stronger selectorates isolate autocrats from pressures that could otherwise destabilize their tenure. Autocrats in these settings can feel relatively safe if they do not alienate their domestic supporters.

A second possible explanation is that foreign powers prefer to invest in countries willing to suppress domestic demands in the name of economic opportunity. For example, investing in countries where the public can mobilize to

secure better labor conditions or environmental protections may be less profitable than investing in autocracies that are willing to repress similar efforts. In this view, liberalization does not cause repression; instead, they are both concurrent signals autocratic regimes send to attract foreign investment (but see appendix). Regimes with strong selectorates would be particularly likely to send these signals because autocratic rule in such contexts is usually more stable and able to withstand the dangers of increased liberalization (reduction of patronage) and repression (empowered coercive agents). This view would be consistent with past research and would explain the results of Hypothesis 1, but it is not able to account for the results of Hypothesis 2. If repression is a service provided by the selectorate to international capital, then it is unclear why the likelihood of international prosecution would mediate the relationship between liberalization and repression.

While I cannot rule out these alternative explanations, neither of them can account for the findings presented here without making assumptions that run counter to the literature. In contrast, the compensation logic advanced here provides an explanation for why economic liberalization correlates with repression under power-sharing institutions and why the likelihood of international prosecution regulates this link. It also remains congruent with previous literature suggesting that power-sharing institutions effectively constrain autocrats and that repression is a suboptimal strategy for dictators. Unlike previous research that has explained the link between economic liberalization and repression by focusing on mass mobilization, the argument advanced here builds on the specific nature of autocratic politics. It recognizes that dictators not only have to manage public discontent, but also—and perhaps more importantly—they must prevent elite dissatisfaction. Given that elite opposition is the main reason why autocrats lose power, explanations of autocratic politics should pay closer attention to elite bargaining dynamics.

Like in most quantitative studies, this article has tested whether the data at hand can disprove the proposed theory. I find that this is not the case: the findings fit the compensation logic. I showed that the compensation dynamic is one possible explanation for the correlation between economic liberalization and repression. But other processes may account for the empirical patterns I have described. Tracing phenomena that occur behind closed doors is always difficult, but qualitative studies could supply a more direct assessment of the compensation argument. Still, the approach of this article is particularly useful for examining conditional effects. The moderating effects of collective action capacity and the costs of losing office are at the heart of the argument of this article. By examining a global sample of autocracies, I can show that the patterns predicted by the theory are systematic and not the byproduct of the peculiarities of selected cases.

Finally, my analyses assume that the selectorate sees economic liberalization as a threat. I argue that liberalization does, in fact, threaten most autocratic elites because it limits their available tools for political control. However, some selectorates, or important parts of them, may welcome liberalization as an opportunity to secure foreign investment, particularly in times of economic crisis. Others have argued that capital mobility may be beneficial to regime insiders because it divorces their economic well-being from the survival of the political regime ([Freeman and Quinn 2012](#)). Future research should examine how heterogeneity in elite interests affects the compensation dynamic.

Conclusion

When rulers accommodate international demands for economic liberalization that threaten the interests of their domestic allies, they tend to compensate those allies by strengthening the regime's control over the political arena. Autocrats recognize the importance of building goodwill with Western powers and international organizations. But this does not override their need to maintain the support of powerful groups within the country. When the demands from international actors challenge domestic ruling elites, autocrats must carefully weigh their options. Those who are unconstrained by domestic forces can accommodate international interests without having to worry about elite dissent translating into rebellion. However, autocrats that know that their future depends on the continued support of domestic supporters may decide to further political repression as a way to placate allies dissatisfied with economic deregulation.

Exogenous demands for economic liberalization are not always bad news for human rights. Respect for human rights improves when autocrats liberalize their economies and doing so does not threaten the coalitions that keep them in power. However, autocracies without power-sharing institutions are now the exception rather than the rule. At the same time, the maturation of the international human rights regime makes prosecution of deposed leaders for rights violations more likely. The conjunction of these two trends makes economic liberalization an increasingly dangerous proposition for autocrats. Dictators today are more likely to trigger the anger of organized selectorates and can expect to pay a higher price if they fail to hold on to power. In turn, this makes them more likely to use repression against regime outsiders to secure their tenure. The international community should then be mindful of this possibility and carefully consider the domestic political arrangements of each country before promoting economic deregulation.

The compensation dynamic qualifies an important finding in the autocratic politics literature. Previous research often portrays selectorates as checks that introduce moderation into the regime (Bueno de Mesquita et al. 2004, 338–53; Svoblik 2012, 123–37 but see Frantz and Kendall-Taylor 2014). The evidence presented here suggests that an influential selectorate may not always lead to less repressive politics. Well-cemented selectorates may dissuade autocrats from creating political openings that could favor democratization down the line. While powerful selectorates may make autocracies less tyrannical, they also seem to entrench the interests of those within the regime at the expense of those outside of it.

Supplementary Information

Supplementary information is available at <http://www.josekai.com> and at the *International Studies Quarterly* data archive.

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