Autocratic Succession and Access to Foreign Finance

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October 28, 2023

Introduction

- Organizing succession is a core task of political regimes.
- Autocracies vary substantially in how and whether they prepare for succession.
- Current research has only examined the role of succession in political survival.

Research Question

Does having a designated successor affect economic variables like access to sovereign debt?

Related Work

- The role of succession and designated successors in autocracies (Frantz and Stein 2017; Kokkonen and Sundell 2014; Meng 2020, 2021).
- The politics of sovereign debt in autocracies (Ballard-Rosa 2016; DiGiuseppe and Shea 2015; Shea and Poast 2020).
- Foreign finance in autocracies without relying on constraining institutions (Albertus and Gay 2019; François, Panel, and Weill 2020; Pond 2018).

The Problem of Instability

- Many autocrats rely on foreign debt to buy rewards for key supporters (DiGiuseppe and Shea 2015; Oatley 2010).
- Default threatens the autocrat's survival, increasing the credibility of repayment.
- But instability threatens repayment through coups (Shea and Poast 2020).
- Emergency transfers of power or the expectation of one can trigger coups (Bueno de Mesquita and Smith 2017; 2018).

Designated Successors & Instability

- Designated successors provide a focal point for elites to organize around.
- Even if the designated successor is not the long-term solution, they can temporarily hold power and facilitate a transition without violence.

Designated Successors & Signals

- Designated successors can signal more broadly that coups are unlikely.
- Autocrats are more likely to have designated successors when coups are unlikely (Sharman 2023).
- If an autocrat appoints a successor, they are confident in their ability to prevent coups.

Hypothesis 1

Sovereign credit ratings are higher in autocracies with vice presidents.

Data

- IV: Vice president based on WhoGov (Nyrup and Bramwell).
- DV: Average of three sovereign credit ratings (S&P's, Fitch, Moody's).
- Sample: Autocracies identified by Cheibub, Gandhi, and Vreeland (2010) from 1990 to 2008.
- Controls: GDP, GDP growth, executive constraints, oil wealth, debt levels, trade levels, judicial independence, legislature, and ruling party.

Main Model Specification

$$R_{it} = \beta_1 V_{it} + \boldsymbol{\tau}' \mathbf{C}_{it} + \alpha_i + \epsilon_{it}$$

- R_{it}: Average credit rating of country i in month t.
- V_{it}: Dummy variable for vice presidents.
- $\mathbf{C}_{it}$: Vector of controls.
- α_i: Country fixed effect.
- ϵ_{it}: Error term.

Figure 1: Distribution of Sovereign Credit Ratings by VP Status, 1990–2008

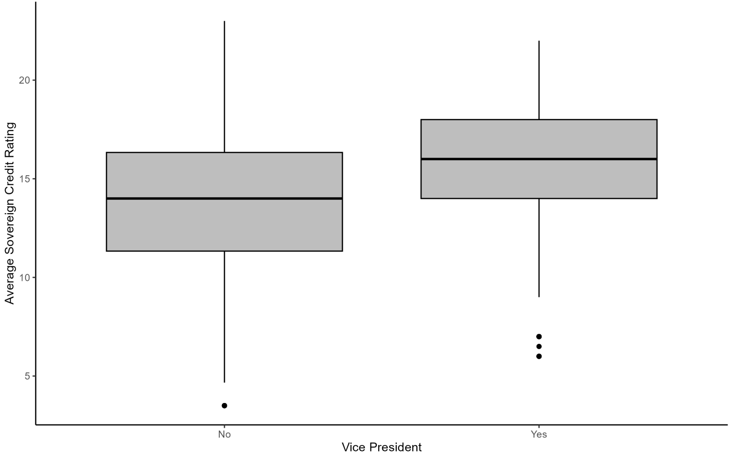

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Table 1: Relationship between Vice Presidents and Sovereign Credit Ratings, 1990–2008

	(1)	(2)
Vice President	4.65^{***}	2.57^{**}
	(1.02)	(1.15)
Controls	No	Yes
Country Fixed Effects	Yes	Yes
N	4,132	2,959
Countries	39	27
Within R^2	0.04	0.61

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Robust standard errors clustered by country in parentheses.

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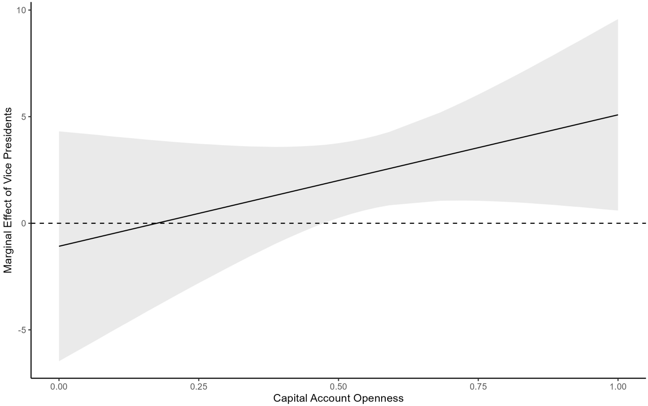
Hypothesis 2

Sovereign credit ratings are higher in autocracies with vice presidents when capital account openness is higher.

Figure 2: Marginal Effect of VPs on Sovereign Credit Rating Conditional on Capital Account Openness with Controls



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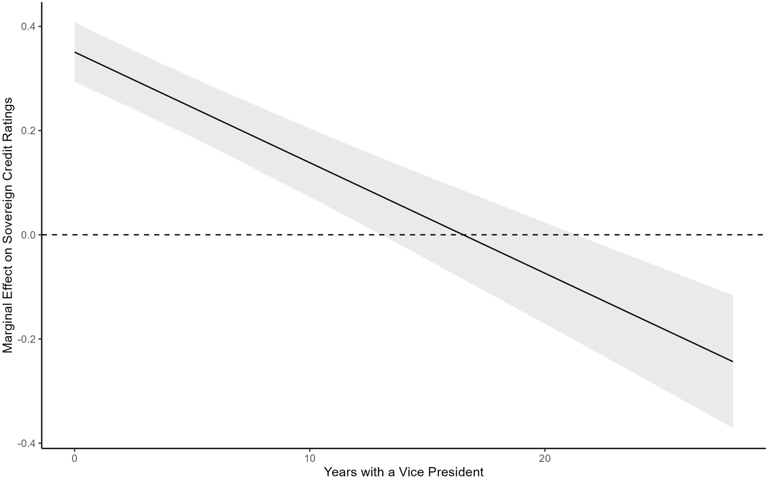
Hypothesis 3

The positive effect of vice presidents on sovereign credit ratings decreases over time.

Figure 3: Marginal Effect of VPs over Time with Controls



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Conclusion

- Designated successors can increase confidence in autocratic stability.
- Autocracies with vice presidents have higher sovereign credit ratings than autocracies that do not.
- Institutions can increase autocratic access to foreign finance without creating credible commitment.

Next Steps

- Other political economic outcomes (potentially FDI).
- Original data collection on succession rules in autocracies.
- Design for causal identification.

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Main Results: Box Plot Table
Capital Account Openness: No Controls Controls GDP per Capita
Effect over Time: No Controls Controls

Regime Type: Box Plot
Two-Way FEs & Trends: Table
Disaggregated Credit Ratings: Table
Random Effects: Table
Polity Score: No Controls Controls

Figure 4: Sovereign Credit Ratings by GWF Regime Type and VP Status

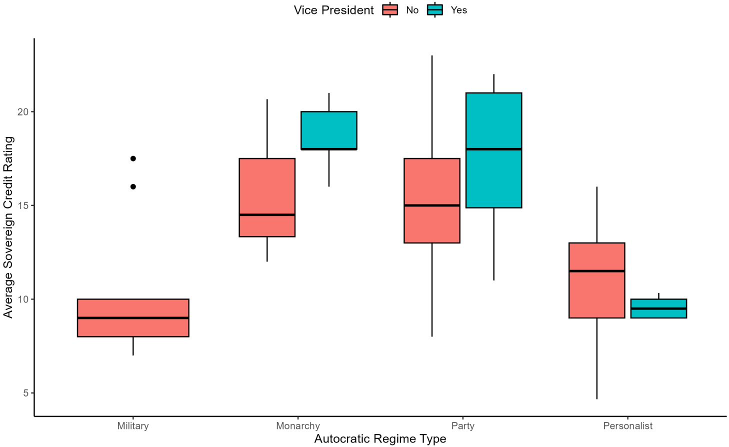

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Figure 5: Marginal Effect of VPs on Sovereign Credit Rating Conditional on Capital Account Openness without Controls

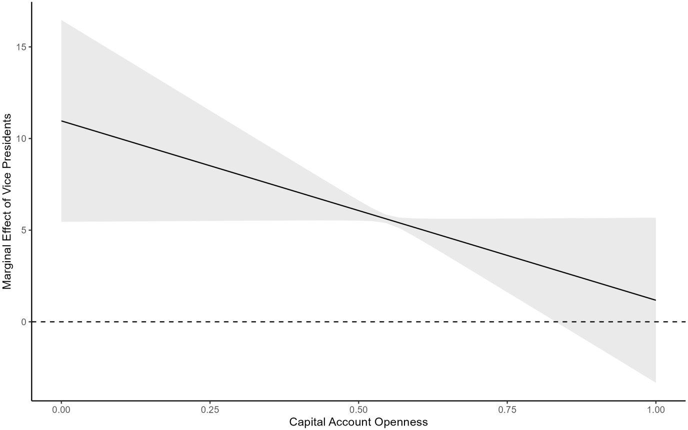

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Figure 6: Marginal Effect of VPs on Sovereign Credit Rating Conditional on Capital Account Openness Controlling for GDP per Capita

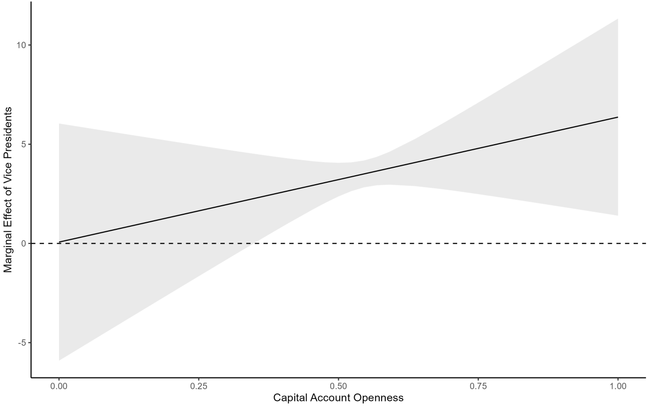

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Figure 7: Marginal Effect of VPs over Time without Controls

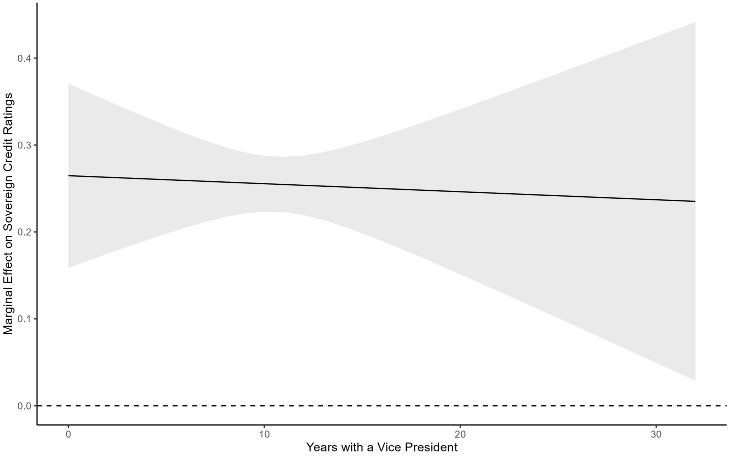

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Table 2: Relationship between Vice Presidents and Sovereign Credit Ratings with Two-Way FEs & Trends, 1990–2008

	(1)	(2)	(3)	(4)	(5)	(6)
Vice President	4.45***	2.85**	4.66***	2.85**	4.51***	2.85**
	(1.02)	(1.07)	(1.47)	(1.07)	(1.26)	(1.07)
Controls	No	Yes	No	Yes	No	Yes
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	No	No	No	No
Time Trend	No	No	Linear	Linear	Quadratic	Quadratic
N	4,132	2,959	4,132	2,959	4,132	2,959
Within R^2	0.048	0.45	0.27	0.45	0.34	0.45

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Robust standard errors clustered by country in parentheses.

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Table 3: Relationship between Vice Presidents and Sovereign Credit Ratings Disaggregated by Credit Rating Agency, 1990–2008

	Standard & Poor's		Moody's		Fitch	
	(1)	(2)	(3)	(4)	(5)	(6)
Vice President	2.21***	1.33**	4.58***	2.41**	4.00***	1.71***
	(0.82)	(0.43)	(1.29)	(1.04)	(1.26)	(1.28)
Controls	No	Yes	No	Yes	No	Yes
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
N	3,237	2,667	3,405	2,650	2,166	1,700
Within R^2	0.002	0.501	0.04	0.61	0.03	0.65

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Robust standard errors clustered by country in parentheses.

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Table 4: Relationship between Vice Presidents and Sovereign Credit Ratings with Random Effects, 1990–2008

	(1)	(2)
Vice President	4.45***	2.37**
	(1.05)	(1.03)
Controls	No	Yes
Country Random Effects	Yes	Yes
N	4,132	2,959
Within R^2	0.036	0.604

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Robust standard errors clustered by country in parentheses.

Figure 8: Marginal Effect of VPs on Sovereign Credit Rating Conditional on Polity Score without Controls

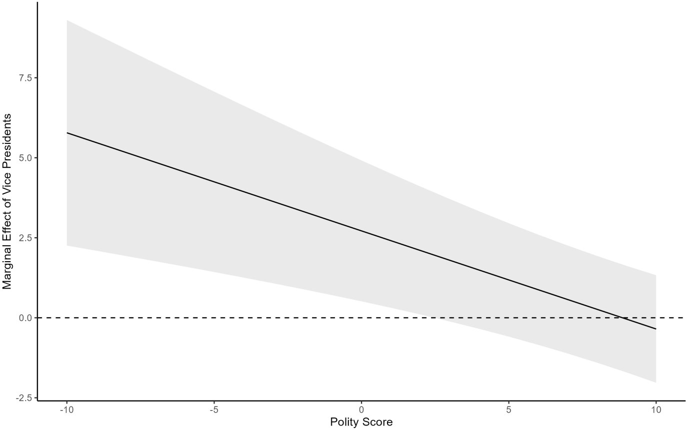

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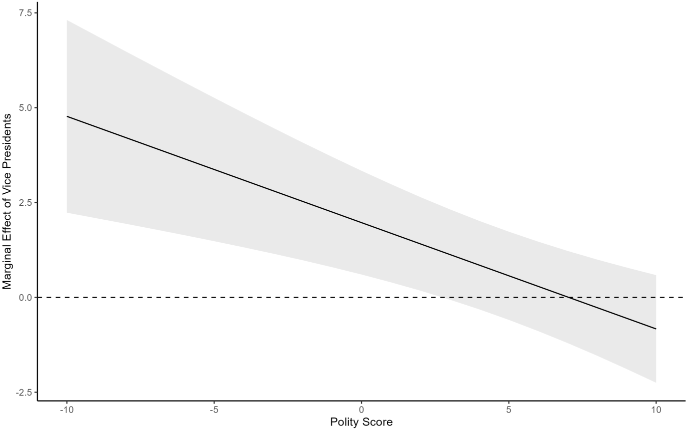
Figure 9: Marginal Effect of VPs on Sovereign Credit Rating Conditional on Polity Score with Controls



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