European University Institute

MAX WEBER PROGRAMME FOR POSTDOCTORAL STUDIES

EUI WORKING PAPERS

MWP 2014/17
Max Weber Programme

Autocratic Accountability: Transparency, the Middle Class, and Political Survival in Non-democracies

Cristina Corduneanu-Huci

European University Institute
Max Weber Programme

Autocratic Accountability: Transparency, the Middle Class, and Political Survival in Non-democracies

Cristina Corduneanu-Huci

EUI Working Paper **MWP** 2014/17

ISSN 1830-7728

Printed in Italy
European University Institute
Badia Fiesolana
I – 50014 San Domenico di Fiesole (FI)
Italy
www.eui.eu
cadmus.eui.eu

Abstract

Are autocratic leaders accountable to any constituencies? Does fiscal transparency play a role in relation to accountability? Simply put, do authoritarian executives have to "show the bill" of taxes raised and expenditure allocated to their political coalition of support in order to stay in power? What are the dimensions of transparency that matter? The main hypothesis is that the impact of transparency on autocratic accountability depends on the costs and benefits of the fiscal contract perceived by a pivotal constituency – the middle class. In one-party and personalistic regimes where this group is not incorporated into the network of privileges, being transparent about its high costs but low redeemable benefits endangers regime survival. By contrast, autocratic regimes with limited multiparty competition that include the middle class into their coalitions of support are more likely to be transparent about the fiscal costs and benefits of investment in regime longevity. This openness translates into accountability, since autocratic leaders who do not enact it have, on average, a shorter political tenure. I use cross-national measures of fiscal transparency and test the theoretical implications with several survival models of political tenure in autocracies across time and space.

Keywords

Economic development; Political Economy; Political Survival; Autocratic Regimes;Fiscal policies.

Cristina Corduneanu-Huci
Max Weber Fellow, 2013-2014

1. Introduction

Are autocratic leaders accountable to some constituencies? Does fiscal transparency play a role in relation to accountability? Simply put, do authoritarian executives have to "show the bill" of taxes raised and expenditure allocated to their political coalition of support in order to stay in power? What are the dimensions of transparency that matter? This paper takes up the task of finding the answers to these questions. I argue that transparency is a major ingredient of the relationship of accountability between non-democratic executives and their coalitions. Additionally, the size and composition of the coalition of support determine the type of taxes and spending submitted to scrutiny.

The paper brings together two streams – leadership survival and an emerging body of work on the determinants of fiscal transparency – to propose a new theory. The main hypothesis is that the impact of transparency on autocratic accountability depends on the costs and benefits of the fiscal contract perceived by a pivotal constituency – the middle class. In one-party and personalistic regimes, where this group is not incorporated within the network of privileges, being transparent about its high costs but low redeemable benefits endangers regime survival. This is an equilibrium in which a lack of transparency leads to no accountability. By contrast, autocratic regimes with limited multiparty competition that include the middle class, or part of it, into their coalitions of support are more likely to be transparent about the fiscal costs and benefits of investment in regime survival. This openness translates into accountability, since autocratic leaders who do not enact it have, on average, a shorter political tenure.

Empirically, a direct answer to these questions and a theory test are difficult, if not impossible, to obtain, as they would hinge upon a self-assessment of strategies of rule at the highest political levels. Data collection efforts on the political survival of leaders render an indirect answer somewhat feasible.

Since, according to my theory, fiscal policy transparency is a core survival strategy for the executive, I test three main hypotheses with a Weibul survival model of leader's tenure as a function of tax and expenditure transparency and structure for 128 countries between 1972 and 2001. The statistical model confirms the theoretical intuitions. Its findings suggest that indeed, on average, political executives in autocratic multiparty regimes stay in office longer if they are open about the taxes and categories of spending that affect directly the elites and the middle class as a pivotal coalition member. In contrast, one-party regimes are less likely to survive if they publicize *unfair* or *uncertain* fiscal deals for the middle class.

The paper is in five parts. The first section reviews the two bodies of literature relevant to this project. The second section presents the theory and formulates the hypotheses. The third subsection discusses the data used for the empirical tests. The concluding section summarizes the main empirical findings.

2. Autocratic Survival and Fiscal Transparency – The State of the Debate

International relations scholars testing theories of autocratic survival tend to be more concerned with the relationship between conflict and the duration of the political mandate, or with the impact of economic sanctions on institutional persistence, rather than with the political and economic factors characterizing the mechanics of survival (Chiozza and Goemans 2004, Marinov 2005).

In the comparative politics literature, Bienen and van de Walle (1991), Bueno de Mesquita et al. (2003), and Svolik (2009) tested the duration of tenure for both non-democratic and democratic leaders. Bienen and van de Walle, for example, analyzed the impact of individual leader and country characteristics on survival. In their account, country characteristics such as the level of GDP per capita and the intensity of the ethnic conflict are predictors of duration.

Bueno de Mesquita et al. (2003) developed formal models in order to explain the institutional dynamics of power in non-democracies, based on the ratio of the winning coalition in the selectorate. Svolik elaborated on the government dynamic in authoritarian regimes (2009), and argued for an institutional theory of survival, contending that duration in office is a result of the bargaining game between the leader who has the power to alter the size of the elite, and the ruling elite who can credibly threaten the leader with a coup if s/he behaves opportunistically.

One of the most influential theoretical attempts to reopen the Pandora's box of authoritarian politics is Bueno de Mesquita et al's *Logic of Political Survival* (2003) (henceforth BBM et al.). The authors' institutional theory of minimum winning coalition and its size relative to the selectorate deconstructs the conventional dichotomy of democracy/non-democracy and replaces it with a theoretically meaningful institutional dimension. In a rather similar institutional vein, Gandhi and Przeworski (2007) look at the political institutions of dictatorships and argue that they matter for non-democratic resilience, by providing a forum for cooptation or cooperation of the potential opposition. Gandhi (2008) also estimated the impact of seemingly democratic institutions on autocratic tenure, and found a strong and statistically significant effect.

Despite recent interest in questions of authoritarian leader survival, so far there have been surprisingly few attempts to test empirically the effect of fiscal policies with distributive consequences on the length of political tenure. This paper operates with the assumption that time horizons are endogenous to strategic choices executives make and their implications for the constituencies of support.

Why should we care about the distributive effects of fiscal policies, their transparency and their relationship to accountability?[1] Citizen access to decisions, institutions and data about the way governments raise taxes and allocate public spending is a necessary condition for accountability in robust democracies. The more data on the state coffers that are available, the more robust the checks and balances acting against abusive rent extraction and spending. Lack of information among voters can significantly reduce the effectiveness of accountability mechanisms. Additionally, trustworthy politicians are more likely to select themselves into the electoral process in contexts with more informed voters and transparency. However, even in democratic regimes the chain between transparency and accountability is long and full of peril. More so, in authoritarian polities these questions might seem futile. Executives rarely give up political power and a lack of transparency is the rule of the game. Recent studies have shown that democracies release significantly more information on economic policies and outcomes, as politicians have to demonstrate some level of performance in office before elections (Hollyer, Rosendorff and Vreeland 2011; Wehner and de Renzio 2013).

I argue that there are forms of transparency-induced accountability in autocracies, even though they do not take the shapes and forms one would immediately recognize from democratic politics. Since leaders in non-democracies cannot often be replaced at the voting booth, the duration of political tenure serves as an adequate proxy for their failure to satisfy or *to be accountable* to a coalition of political support. Knowing that transparency of fiscal policies is a precondition of accountability, it is worth asking what kind of "bills" authoritarian governments have to show in order to garner political support and to whom. This paper investigates the types of transparency that make authoritarian leaders accountable to certain constituencies. Because it is notoriously difficult to measure fiscal transparency across space and time, Section 4 discusses concept measurement and the data used in some level of detail.

3. Theory

Building on the literature on the political survival of autocrats (Ames 1987; Bueno de Mesquita et al. 2003), I assume that leaders want to stay in office as long as possible. To this purpose, they craft policies to reward coalitions of supporters and punish opponents. While the policies that can be used as weapons for survival are numerous, taxation and expenditure have long been identified as key. Politicians reward and punish through the two sides of the budget. Therefore, fiscal politics inherently lies at the core of political survival. The central theoretical question seeks the concrete mechanisms that convert budgetary politics into political capital for the executive. More specifically, how do autocratic leaders convey to their coalition of support that they have fulfilled their part of the deal? In other words, do they strive to be accountable to some constituencies at all? Are they successful?

[1] Fiscal transparency is usually defined as being open to the public about the structure and functions of government, fiscal policy intentions, public sector accounts, and fiscal projections along the entire budget cycle (Kopits and Craig 1998, 1).

I argue that the size and composition of the coalition of support are crucial for fiscal transparency strategies in authoritarianism. One-party or highly personalistic regimes centered around the leader and her family imply a narrow constituency whose fiscal interests must be satisfied. This is usually the case of relatively few high-level elites and regime cronies. In a zero-sum distributive game, in such polities, the middle class is sacrificed, since it is excluded from the patronage benefits at the top, but partakes fully in its costs. Any disclosure of *unfair* or *uncertain* high cost/low benefit balances can harm the regime politically, since the middle class has mobilization potential.

Social security and consumption taxes are two examples that illustrate the perceived *uncertainty*, respectively *unfairness* of the fiscal contract. Whereas the adoption of social security programs has been historically more common in autocracies than democracies precisely as a compromise meant to postpone or preempt full blown democratization attempts, their proper functioning depends on a stable or relatively predictable stream of redeemable benefits. Whereas democracies have institutional checks and balances in place that prevent the executive from abusively depleting these resources, autocrats cannot credibly commit that they will not use social security funds to fund other economic or political priorities. This institutional feature renders any fiscal stream whose benefits are redeemable in the future, but whose costs are incurred in the present period *uncertain*. Consumption taxes illustrate the *unfair* side of fiscal deals because of their regressive nature.

In Ben Ali's Tunisia, one of the most repressive political regimes in the Middle East and North Africa, the Social Security Office for the private sector (*Caisse Nationale de la Securite Sociale – CNSS*) and the VAT tax authority used to be considered the most efficient units of state bureaucracy. Unlike other administrative units, CNSS could bypass courts and enforce decisions against employers who failed to contribute. By 2006, however, most economic actors in Tunisia considered social security contributions a *de facto* fiscal tool, because the level of strictly enforced contributions was much higher than the level of redeemable benefits (Hibou 2006, 164). In general, by the time of the Arab Spring, the Tunisian middle class found itself completely alienated from an autocratic regime that failed to deliver the widely advertised "economic miracle" and that placed high costs/relatively low fiscal benefits on an expanding middle class, while investing all its resources in close knit networks of patronage revolving around the President and his wife's inner circle.

In contrast, by definition, autocrats that allow a certain level of party competition have to cater to a significantly broader constituency of support, beyond a circle of elites that can be personally controlled. From the fiscally distributive angle, this implies that the middle class – or at least a segment – needs to be either incorporated in the pool of benefits, or in the decision about costs, in order to invest in political survival. Therefore, the executive should have incentives to be transparent about the costs and benefits of fiscal policies, likely to be perceived as *certain* or *fair,* that target this broad coalition, including the pivotal middle class.

The Democratic Republic of Congo is an illustrative example of such a strategy. The coalition of political support for the executive, broad enough to include political representatives of the middle class, often benefits from unexpectedly detailed and precise financial information, as well as from studies highlighting distributional consequences of budgetary allocations. In 2007, for example, out of eight key fiscal documents related to the annual budget, the only document produced and disseminated was the enacted budget that presented the actual revenue streams and spending allocations for the previous fiscal year. The draft consisted of two volumes of a total of 800 pages, detailing taxation and spending data at the agency and program levels. What is puzzling is not so much the level of fiscal detail, but rather the very narrow distribution and dissemination of such a document crucial for accountability.[2] In addition to its online posting, there were no more than 200-300 hard copies available for the use of MPs only. This strategy of dissemination has attempted to "show the bill" or establish the *fairness* and/or *certainty* of the fiscal contract for the middle class as a pivotal political constituency, and to a lesser extent to promote general accountability through transparency for all citizens alike.

[2] *International Budget Partnership. DRC Country Report 2007,* 86.

It follows that the fiscal transparency of policies that entail high costs and low redeemable benefits for the middle class will be low in personalistic regimes, since the executive is not accountable to it for survival. In contrast, because the middle class is incorporated in the broad coalition of support of regimes with limited multiparty competition, "showing the fiscal bill" of costs and benefits becomes important for a leader's tenure.

The very nature of autocracies also involves repression in addition to co-optation of supporters. The budget allocated for the security apparatus (i.e. the military and the secret police) is almost never completely revealed to legislatures, even in established democracies. Overall, one expects that opaqueness in terms of repressive spending in autocracies will affect positively the executive tenure. Nevertheless, secrecy and uncertainty regarding the true repressive capacity should matter to a larger extent in polities with multiparty competition, where the coalition of support is too broad and the potential dissenters too numerous to effectively be controlled with limited resources. The main hypotheses of this study articulate this theoretical reasoning.

Hypothesis 1: The transparency of fiscal policies favorable or directly relevant to *broad* coalitions of elites in multiparty autocracies including the middle class – property taxes, income and capital taxes, and public sector wages – should extend the leader's political tenure.

Hypothesis 2: In one-party and personalist regimes, the transparency of fiscal policies that are not perceived as significantly benefiting the pivotal middle class beyond a *narrow* elite circle are likely to reduce political survival.

Hypothesis 3: Secret expenditure, such as military and police program allocations, under limited multiparty competition regimes is likely to be non-transparent. One-party regimes are less constrained by this requirement as they might want to project a repressive capacity in the absence of any challenger.

4. Empirical testing

Dependent variable

In order to assess the survival of political leadership in non-democracies, I use a set of variables compiled from various databases. Despite the fact that the political economy operates with the central assumption of the (leader's) goal to achieve and maintain political office, so far scarcity of data has impeded a direct test of the policy tools that leaders effectively employ to forge coalitions of support. In recent years, two comprehensive cross-national databases that record the duration of office tenure for leaders, and a plethora of accompanying characteristics, have rendered the empirical task possible. Bueno de Mesquita et al. (2003) collected a leaders-year database of leadership survival, and analyzed it extensively in their book *The Logic of Political* S*urvival* (2003).[3] The complete data cover 2960 leaders with a mean office duration time of 4.63 years, and a median of 2.25 years, between 1800 and 2002. I reduce the data to the period 1970-2001 to minimize missing values and in order to be able to analyze it in relation to fiscal and development variables of interest extracted from Government Finance Statistics, Word Development Indicators, Database of Political Institutions and Penn World Tables.

In addition to the BBM et al. database of leadership survival, Goemans, Gleditsch and Chiozza (2009) have recently introduced *Archigos* – an updated database of political leaders. The authors correct some of the shortcomings of previous databases and place a heavier focus on the Prime Minister (rather than President or monarch) in parliamentary and semi-presidential political regimes, and on Presidents in presidential systems. A close comparative inspection of the two databases reveals some discrepancies, generated either by the systematic coding rule that differs in BBM and Archigos,

[3]). Sources: BBM 2003: 292-3; Bueno de Mesquita, Bruce et al. « The Logic of Political Survival Data Source», http://www.nyu.edu/gsas/dept/politics/data/bdm2s2/Logic.htm, accessed February 2011.

or by coding error. I triangulate these data sources in order to minimize measurement error on the dependent variable.

Independent variables

As argued in the theoretical chapter, the independent variables of interest for this project fall into two major categories: *fiscal transparency* – or the government decision to release reliable and comparable data on specific types of taxes/expenditure allocations, and *the actual policy choice.* The latter group attempts to tap into the distributional consequences of fiscal policies for leadership survival, and operates with the reported amounts of public expenditure and taxes for a sub-sample of countries that do decide to disclose fiscal information (income, property taxes, total revenue, taxes on goods and services, health, education and social security expenditure). The data sources are conventionally used in cross-national political economic analyses: IMF *Government Finance Statistics (GFS)* data consolidated within the *Quality of Government Social Policy Dataset (2012),* World Bank's *World Development Indicators 2004,* and BBM et al.'s *Logic of Political Survival Database (2003).*

The more difficult group of independent variables attempts to capture fiscal transparency across the two policy domains (tax and spending), under different regime types. Unlike the case of policy implementation, the operationalization of fiscal transparency is more challenging and requires certain speculative steps. Given that there are no available systematic data on fiscal transparency with a wide time series coverage, Bueno de Mesquita et al. (2003) operationalized economic data transparency quite creatively. The authors assumed that the decision of governments to report, or not, economic data on national income and general taxation to widely used cross-national databases is endogenous to state capacity and political institutions. In order to test these two core hypotheses, they coded the availability of economic data/information on tax revenues and national income reported by national governments to international organizations such as the World Bank and United Nations (1 for available/transparent, 0 for not available). This is a quantitative proxy because transparency of economic and political information entails extraction, production and disclosure of such data to citizens and international organizations in a form that allows its immediate evaluation (Root and Nellis 2000, Bueno de Mesquita et al. 2003, Herrera 2010). In other words, based on this classic definition of fiscal transparency, if the Ministry of Finance or the Central Bank of country X fails to report such comparable data to citizens, markets and international organizations, and if weak state capacity proxied by low GDP per capita is not the main culprit, one can safely assume a strategic logic of information obfuscation.

After creating two transparency variables (for Taxation and Income), BBM et al. tested the hypotheses and found that indeed, overall, even when controlling for state capacity, non-democratic governments are less likely to be transparent about their taxation and economic data than their democratic counterparts. In sync with their initial intuitions, leaders in certain regimes find it politically easy <u>not</u> to report key fiscal information at all, *even if* the information exists and is somewhat reliable for internal purposes (Bueno de Mesquita et al. 2003: 182-184).

In a similar vein, Herrera (2010) analyzed cross-national variation in the adoption of the international System of National Accounts (SNA). As the most important global convention for comparable economic data across states and the conceptual-methodological basis for GDP computations, its adoption by national governments, Herrera argues, should have been prompt and relatively easy to achieve.[4] However, dramatic variation in national implementation outcomes asks for a political-economic explanation. After testing alternative independent variables, the author concluded that, even when controlling for structural factors such as income and state capacity, the political bureaucratic willingness to comply with the new SNA standards was instrumental for increased data transparency in the post-Soviet states. More recently, Hollyer, Rosendorff, and Vreeland (2011, 2013) generated two sophisticated extensions of these indicators: first, by coding the share of credible data reported by governments across a large number of macroeconomic indicators published by the World

[4] At the time of writing (2009), the author reported that approximately 191 states adhered to the convention and attempted to implement the accounting standards to different degrees.

Bank and the International Monetary Fund. Second, a more advanced indicator of transparency (HRV) aggregates scores of missigness based on an item response model.

I work with a similar theoretical logic and expand the transparency variable set to cover the relevant dimensions of fiscal policy – specific tax and spending categories. I construct two sets of dummy variables recording "missingness" in the GFS data, one for the expenditure group, and one for taxation.[5] If some dimensions of fiscal transparency are indeed key to leaders' political survival, as previously argued, we should observe that the probability of tenure is significantly and substantively affected by the availability of reliable fiscal information when controlled for other contingencies. In order to create the fiscal transparency variables, I use the following coding scheme (see Table 1).

Interestingly, as Table 1 and Figure 1 suggest, identifying consistent patterns of fiscal reporting to international databases is not a completely trivial exercise. There are significant discrepancies between various international databases collecting fiscal data (in this case IMF Government Finance Statistics and World Development Indicators). The earlier set of fiscal data reported in World Development Indicators conform to definitions and guidelines in the IMF's Government Finance Statistics (GFSM) manual of 1986. The current set of data is based on the definitions and guidelines in GFSM 2001 manual methodology.[6] One of the main differences between the two methods is that the earlier 1986 method is a cash-based method (transactions are recorded whenever they take place), whereas the 2001 method is based on accrual accounting (transactions are recorded when they are contracted, independently of attached payment). Despite the seemingly technical appearance, the change in the accounting guidelines for national accounts has a major impact on fiscal data. For example, because of the new methodology, tax and spending arrears are now recorded systematically for the first time.

Although speculatively stated at this point, it is possible that some of the IMF GFS data in 2001 have already been reclassified according to the new format, whereas in some cases, data that could not be reconciled has been removed. Independently of the sources of discrepancies in fiscal data reporting, there are significant differences across the two databases (WDI and GFS), therefore robustness checks should take into consideration both measures of expenditure and taxation.

---

[5] Justification: GFS are data compiled by the IMF, based on country credible self-reporting. Therefore, the silences in the data have their own political history. The problems might stem from the two informational strategies states can employ: not reporting national statistics at all, or reporting them inaccurately, inflating developmental "achievements" or artificially reducing deviations from positive results. The first strategy is the easiest to capture. The second has a disciplinary history of its own, unlikely to be captured by IMF compiled statistics (for example, the pre 1994 efforts to measure and understand the economies of the Soviet Union and Eastern European states). Luckily for the current project, the polities whose indicators need reconstruction for comparative purposes are also autocracies. Therefore, the dichotomous variable of transparency I constructed will just record missing fiscal data as 0, avoiding the complicated debate on data quality and correctives.

[6] The IMF changed the Guideline Manual of Rules in 2001, making comparison across time more challenging. Whereas the IMF advises caution in terms of longitudinal and/or cross-national comparison across the 1989 threshold (the year when the accounting rules changed), several political economic analyses have used the entire 1972-1999/2001 period as the only time series data available on types of taxes and categories of public spending. Unfortunately for researchers interested in time series analyses, the WDI collection confines its reporting on types of taxes and spending from 1990 to date. Therefore, the expanded (albeit not fully comparable) 1972-1999 dataset has become a collector's item. This study uses it from the Quality of Governance data source (Teorell et al. 2009).

Table 1: Information availability on taxes and expenditure (as proxy for fiscal transparency)

Fiscal indicators reported in the IMF Government Finance Statistics[7]	***Missing data (coded as 0)*** *(% of total number of available observations (7,096) between 1972 and 2000)*	***Reported data (coded as 1)***	*Alternative fiscal indicators reported in the World Development Indicators 2001*[8] ***(coded as 1)***
Expenditure			
Total government expenditure (% GDP)	62.91%	37.09%	46.14%
Education expenditure (%GDP)	68.74%	31.26%	56.88%
Health expenditure (% GDP)	68.83%	31.17%	22.76%
Social security and welfare expenditure (% GDP)	70.17%	29.83%	
Public spending on housing and community amenities (%GDP)	70.01%	29.99%	
Government expenditure on wages, salaries and employers' contributions (%GDP)	68.36%	31.64%	
Expenditure on employers' contributions (%GDP)	68.74%	31.26%	

Fiscal indicators reported in the IMF Government Finance Statistics[9]	***Missing data (coded as 0)*** *(% of total number of available observations (7,096) between 1972 and 2000)*	***Reported data (coded as 1)***	*Alternative fiscal indicators reported in the World Development Indicators 2001*[10] ***(coded as 1)***
Revenue			
Total government revenue (% GDP)	62.74%	37.26%	38.52%
Taxes on income, profits,	63.78%	36.22%	46.04%

[7] Teorell, Jan, Nicholas Charron, Marcus Samanni, Sören Holmberg and Bo Rothstein. 2009. The Quality of Government Dataset, version 17 June 09. University of Gothenburg: The Quality of Government Institute, http://www.qog.pol.gu.se.

[8] After 2001, World Development Indicators stopped recording GFS tax and spending data prior to 1990 because of the GFSM transition to the 2001 rules, based on accrual accounting rather than cash.

[9] Source: Teorell et al. (2009).

[10] After 2001, World Development Indicators stopped recording GFS tax and spending data prior to 1990 because of the GFSM transition to the 2001 rules, based on accrual accounting rather than cash.

capital gains (%GDP)		
Social Security contributions (% GDP)	73.42%	26.58%
Taxes on payroll and workforce (% GDP)	86.29%	13.71%
Property taxes (%GDP)	67.02%	32.98%
Domestic taxes on goods and services (%GDP)	63.04%	36.96%
Taxes on international transactions (% GDP)	64.11%	35.89%
Capital revenue (% GDP)	72.96%	27.04%
Grants (% GDP)	72.25%	27.75%

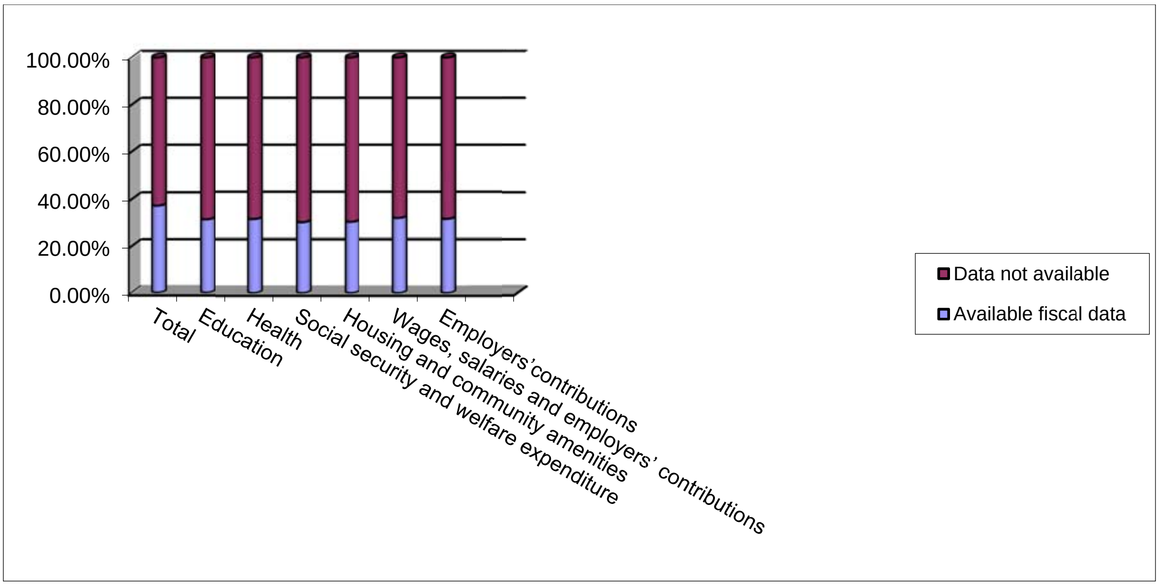

Figure 1: Transparency of expenditure data reporting to the IMF Government Finance Statistics Database

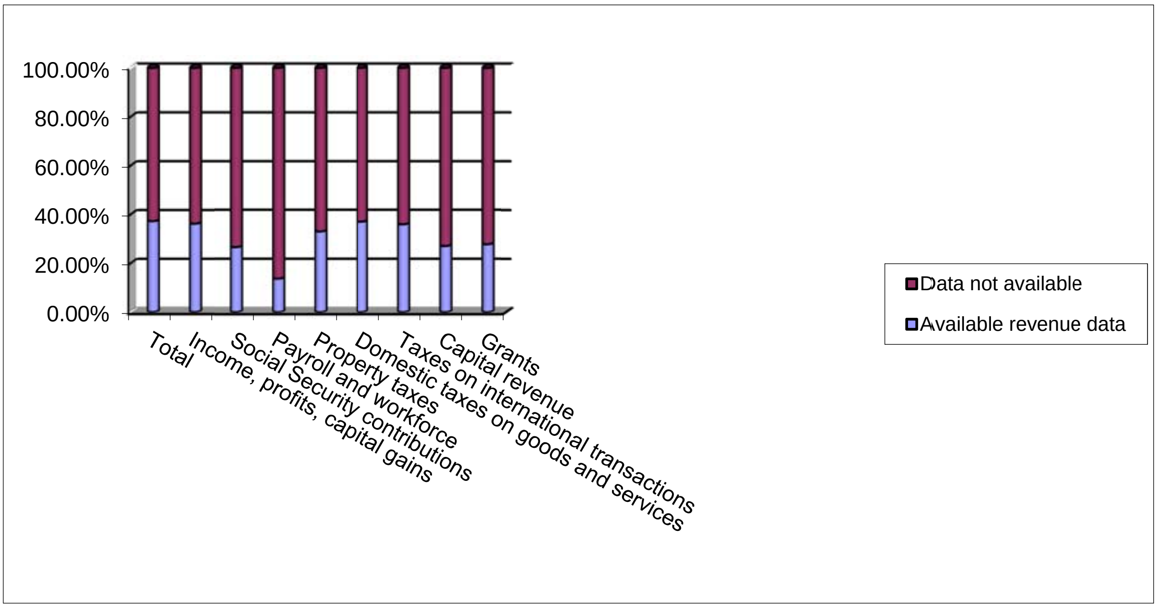

Figure 2: Transparency of revenue data reporting to the IMF Government Finance Statistics Database

Controls

In order to test patterns of fiscal transparency in specific regimes, I operate with two political regime classifications (Hadenius Teorell 2007 and Wright 2008). Wright updated the original authoritarian regime typology initially developed by Geddes (1999). I use standard control variables (GDP per capita, and population). The data on Expenditure and Taxation comes from IMF *Government Finance Statistics* dataset. The Political Rights variable of Freedom House democracy ratings provides a proxy for *Repression*.

The sample includes 459 political leaders of 128 countries during 1972-2001. Given that I am interested in the survival of the political leader, I use a parametric model of survival analysis, a standard technique in studies of cabinet duration (Diermeier and Stevenson 19999, Diermeier and Merlo 2000). The model specification is the following for the Weibull survival model:

$$h(t|x_j) = \rho\, t^{\rho-1} \exp\left[(\beta_0 + \beta_1 \log(\text{GDP per capita}) + \beta_2 \log(\text{Population}) + \beta_3 (\text{Repression}) + \beta_4 \text{Expenditure (Transparency)}_{tj} + \beta_5 \text{Taxation (transparency)}_{tj} + \varepsilon)\right]$$

Empirical findings

Tables 2, 3 and 4 in Appendix I illustrate the statistical relationship between fiscal choices and the survival of the executive in two types of autocratic regimes: one-party and multiparty. Changes in the transparency of fiscal data, as well as small increases in the amount of expenditure and taxes, have large and significant consequences for a leader's duration in office. What makes governments of the two regime types behave differently is their dependence on some level of accountability to their coalition of support.

Tables 2 and 3 present the main finding for one-party and personalistic regimes, according to the typology proposed by Geddes and expanded by Wright (2008). Table 4 explores limited multiparty regimes. All these findings control for levels of economic development (GDP per capita), population, and repression. Even if selective controls have been omitted for clarity purposes, the results are quite robust to alternative specification. I tested the hypotheses across two different datasets of leader survival: Archigos and Bueno de Mesquita et al. and obtained similar findings.

The regression tables show coefficients. As in a survival model the dependent variable is *the hazard of failure* (more specifically in this case, of leaving political office for causes other than natural death), a negative sign of the coefficient should be interpreted as reducing the leader's probability of leaving office, a positive sign as increasing the political hazard rate. In line with Hypothesis 2, leaders in one party and personalist political regimes depend on the politics of fiscal transparency, as opening up information would reveal a skewed social contract and provoke unwanted contestation from a middle class that does not share the fiscal advantages enjoyed by the narrow coalition of support for the leader. Table 3 shows that executives in these highly repressive autocracies are particularly vulnerable to information availability and transparency on social security contributions, as well as on social security and welfare expenditure and consumption taxes – policies that affect mostly the middle class, incorporated into the formal sector of the economy. The statistical effect of these variables is large. If the executive were to publicize reliable and accurate information on social security and consumption taxes, and thus reveal an unfair or uncertain distributive tax burden affecting mostly the middle class, then the leader's time in office is likely to be reduced by almost half.

Additionally, for the relatively few one-party regimes that decide to be transparent on this fiscal category, for every 1% increase in social security contributions, the political hazard of being deposed increases on average with about 9%. Only education as a public good, from which arguably broad segments of the population, including middle class segments, can benefit, would have a politically positive effect for the autocratic government if transparent. In fact, this strategy extends the political tenure of the executive by around 25%, a substantial proxy for an "autocratic" form of accountability. Autocratic leaders in highly repressive regimes are thus "rewarded" politically if they provide some modicum of public goods, but punished if they report a skewed fiscal contract that puts the tax burden on the middle class active in the formal sector for the benefits of a narrow circle of elites.

In contrast, table 4 shows that the availability of certain types of fiscal data in regimes with limited multiparty competition decreases the probability of losing office for the executive. For example, if the government decides to publish detailed data on its property taxation policies and outcomes, this decrease reaches up to 30% of the political tenure duration. To realize the large magnitude of these coefficient, just imagine a Prime Minister or President who has been in office for eight years. Opening up transparency on taxation policies affecting the broader coalition of support would extend, according to our results and ecological fallacies aside, her tenure for about 2.4 years.

The findings are also significant and of an even larger magnitude for taxes on income, profits and capital gains, and consumption taxes when the tests are performed on the subsample of military multiparty regimes (a close to 73% decrease in the political hazard ratio). Interestingly, whereas different tax categories are statistically significant, expenditure policies seem to be slightly more conservative, as the only key significant category is the availability and transparency of data on wages, salaries and employers' contributions. Opening this category up for public scrutiny decreases, on average, political hazard by about 69%. The figure below illustrates the gap between lack of transparency on public sector wages (value 0, blue line) and transparency and data availability (value 1, red line):

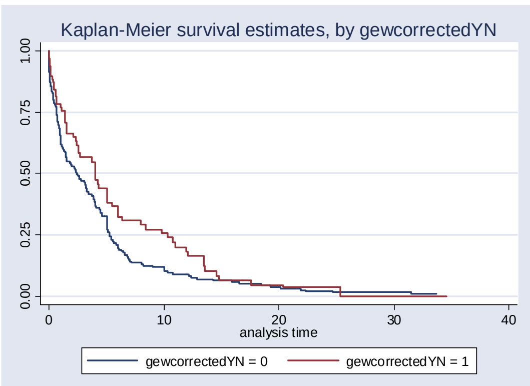

Figure 3: Transparency of data on public sector salaries, wages and employers' contributions in regimes with limited multiparty competition

The interpretation of this category of spending is relatively straightforward. In limited multiparty regimes, there are perhaps no better direct and tangible benefits for the middle class than public sector jobs and the rents attached to them. Availability of data and claims making with regard to this spending category allow the executive to signal the potential rents that the s/he is willing to share with the broad coalition of support deciding whether to invest in regime survival (for example, salaries of MPs, of military and security personnel, SOEs, public sector employees, etc.).

Interestingly enough, and in line with our theoretical expectations, the actual *implementation of spending on public sector wages* does not matter as much as does transparency by itself. A test of the actual increase in the amount of spending allocated to public wages finds no evidence. Simply put, it does not even matter if the executive increases or decreases the amount as long as there is transparency and claims making on this spending chapter. Moreover, in the case of *military multiparty* regimes (Table 4), the survival impact of increased transparency and information availability on total revenue, expenditure, public wages and property taxes increases dramatically. Here is a graphic illustration of the huge magnitude of this fiscal effect (red means information availability, value 1, blue means lack thereof):

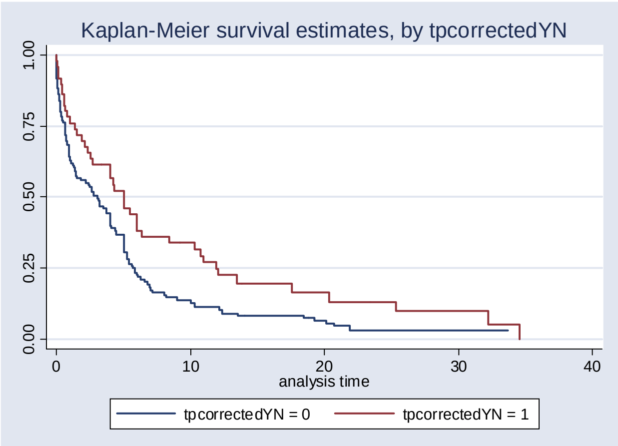

Figure 4: Transparency of data on property taxes in limited multiparty competition regimes

Repression also becomes significant, but its effect is exceeded by the fiscal contract. Finally, Hypothesis 3 argued that military expenditure is of particular interest in non-democratic regimes. First, broader political coalitions incorporated in authoritarian institutions coordinate more effectively than groups in one-party and personalistic regimes and can impose constraints on the repressive resources of the executive. Second, in autocratic contexts, the privileges of military and police employees usually exceed those targeting civilian public sector workers. Both reasons render the transparency of repressive expenditure counterproductive for executives in polities with limited multiparty competition, as it would reveal either an unfair distribution of fiscal costs and benefits across military/civilian segments of the middle class, or the full repressive potential of the incumbent. Table 4 shows that indeed, the hazard of deposal in hybrid regimes increases with about 56% when the executive is transparent about military expenditure. This variable is non-significant in the case of one-party and personalist rule.

5. Conclusion

This paper has analyzed the strategic choices autocratic executives have in terms of the transparency of fiscal contracts. Overall, in regimes with limited multiparty competition, leaders are likely to reduce the danger of being deposed if they are more transparent about revenue and expenditure data directly relevant to the broader coalition of support *including the middle class* (public wages and salaries, income and consumption taxes). The results hold particularly well in the subtype of military regimes which allow some level of party competition. The case of one-party and personalistic regimes features the opposite finding. Transparency of policies that reveal unfair or uncertain fiscal contracts shorten the leader's duration in office.

The findings have three main implications. First, even in the absence of free and fair elections, non-democratic politicians have to be somewhat accountable to crucial constituencies in order to stay in power. The transparency of the fiscal contract between pivotal groups and the executive intermediates this relationship of autocratic accountability. Second, the autocrats' incentives to be transparent or not depend on the type of fiscal costs and benefits revealed. Ratios of benefits to costs perceived as either unfair or uncertain by pivotal political constituencies tend to be opaque, whereas certain and fair fiscal contracts are likely to be more transparent. Finally, the paper argued that the middle class is the most important group for accountability incentives in non-democratic regimes, as leaders attempt to foster and maintain its political support.

Selected Bibliography

Alt, James E., and David D. Lassen. 2006. "Transparency, Political Polarization, and Political Budget Cycles in OECD Countries." *American Journal of Political Science* 50(3):530-50.

Ames, Barry. 1987. *Political Survival: Politicians and Public Policy in Latin America*. Berkeley, CA: University of California Press.

Bienen, Henry, and Nicolas Van de Walle.1991. *Of Time and Power: Leadership Duration in the Modern World.* Stanford, CA: Stanford University Press.

Bueno de Mesquita, Bruce, Alastair Smith, Randolph Siverson, and James Morrow. 2003."The Logic of Political Survival Data Source." Available at: http://www.nyu.edu/gsas/dept/politics/data/bdm2s2/Logic.htm. Accessed: February 10 2011.

Bueno de Mesquita, Bruce, Alastair Smith, Randolph M. Siverson, and James D. Morrow. 2003. *The Logic of Political Survival*. Cambridge, MA: MIT Press.

Chiozza, Giacomo, and H. E. Goemans. 2004. "International Conflict and the Tenure of Leaders: Is War still Ex Post Inefficient?" *American Journal of Political Science* 48(3): 604-619.

Diermeier, Daniel, and Antonio Merlo. 2000. "Government Turnover in Parliamentary Democracies." *Journal of Economic Theory* 94(1):46-79.

Diermeier, Daniel, and Randy T. Stevenson. 1999. "Cabinet Survival and Competing Risks." *American Journal of Political Science* 43(4): 1051-68.

Gandhi, Jennifer. 2008. *Political Institutions under Dictatorship*. Cambridge, MA: Cambridge University Press.

Gandhi, Jennifer, and Adam Przeworski. 2007. "Authoritarian Institutions and the Survival of Autocrats." *Comparative Political Studies* 40(11): 1279-301.

Geddes, Barbara. 1999. "Authoritarian Breakdown: Empirical Test of a Game Theoretic Argument" presented at the *American Political Science Association Annual Meeting*, Atlanta, Georgia.

Goemans, Hein E. 2000. "Fighting for Survival: The Fate of Leaders and the Duration of War." *Journal of Conflict Resolution* 44(5): 555-79.

Goemans, Hein E, Kristian S. Gleditsch, and Giacomo Chiozza. 2009. "Introducing Archigos: A Dataset of Political Leaders." *Journal of Peace Research* 46(2): 269-83.

Hadenius, Axel, and Jan Teorell. 2007. "Pathways from Authoritarianism." *Journal of Democracy* 18(1): 143-57.

Herrera, Yoshiko M. 2010. *Mirrors of the Economy: National Accounts and International Norms in Russia and Beyond.* Ithaca, NY: Cornell University Press.

Hibou, Béatrice. 2006. *La Force De L'obéissance: Economie Politique De La Répression En Tunisie*. Paris: Editions la Découverte.

Hollyer, James R, B Peter Rosendorff, and James Raymond Vreeland. 2011. "Democracy and Transparency." *The Journal of Politics* 73 (4):1191-1205.

International Budget Partnership. 2007. *Open Budget Initiative: Democratic Republic of Congo Country Report. Washington*, DC: IBP

Kopits, George, and Jon D. Craig. 1998. *Transparency in Government Operations*. Washington, DC: International Monetary Fund.

Levi, Margaret. 1988. *Of Rule and Revenue*. Berkeley, CA: University of California Press.

Levitsky, Steven, and Lucan Way. 2010. *Competitive Authoritarianism: Hybrid Regimes after the Cold War*. Cambridge, MA: Cambridge University Press.

Marinov, Nikolai. 2005. "Do Economic Sanctions Destabilize Country Leaders?" *American Journal of Political Science* 49(3): 564-576.

Root, Hilton, and Nahalel Nellis. 2000. “The Compulsion of Patronage: Political Sources of Information Assymetry and Risk in Developing Country Economies.” Paged 85-105 in *Governing for Prosperity*. B. Bueno de Mesquita and H. Root (eds.) New Haven, CT: Yale University Press.

Samanni, Marcus. Jan Teorell, Staffan Kumlin, Stefan Dahlberg, Bo Rothstein, Sören Holmberg & Richard Svensson. 2012. *The QoG Social Policy Dataset, version 4Apr12*. University of Gothenburg: The Quality of Government Institute. http://www.qog.pol.gu.se

Svolik, Milan W. 2009. "Power Sharing and Leadership Dynamics in Authoritarian Regimes." *American Journal of Political Science* 53(2): 477-494.

Teorell, Jan, Nicholas Charron, Marcus Samanni, Sören Holmberg and Bo Rothstein. 2009. *The Quality of Government Dataset,* version 17 June 09. University of Gothenburg: The Quality of Government Institute, http://www.qog.pol.gu.se.

Wehner, Johann. and P. de Renzio.2013). "Citizens, Legislators, and Executive Disclosure: The Political Determinants of Fiscal Transparency." *World Development* 41(C): 96-108.

Wright, Joseph. 2008. "Do Authoritarian Institutions Constrain? How Legislatures Affect Economic Growth and Investment." *American Journal of Political Science* 52(2): 322-43.

Appendix 1

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
One-party and personalist regimes	Exec survival	Exec survival	Exec survival	Exec survival	Exec survival	Exec survival	Exec survival
GDP per capita (log)	-0.0572	-0.118	-0.141	-0.121	-0.0475	-0.0443	-0.00573
	(-0.55)	(-1.10)	(-1.19)	(-1.09)	(-0.45)	(-0.41)	(-0.06)
Population (log)	0.127	0.130	0.0899	0.130	0.127	0.126	0.133*
	(1.62)	(1.64)	(1.10)	(1.63)	(1.61)	(1.61)	(1.71)
Repression proxy	0.101	0.0940	0.109	0.0997	0.112	0.106	0.119*
	(1.40)	(1.27)	(1.49)	(1.35)	(1.55)	(1.47)	(1.66)
Education expenditure	0.345						
Transparency	(1.53)						
Social security and welfare		0.695***					
Transparency		(3.13)					
Social security contributions			0.654***				
Transparency			(2.64)				
Taxes on goods and services				0.577**			
Transparency				(2.53)			
Property taxes					0.235		
Transparency					(1.05)		
Taxes on income, profits, capital gains						0.197	
Transparency						(0.87)	
Military expenditure							-0.159
Transparency							(-0.73)
_cons	-3.765***	-3.559**	-2.773*	-3.547**	-3.825***	-3.806***	-4.072***
	(-2.67)	(-2.52)	(-1.88)	(-2.51)	(-2.68)	(-2.68)	(-2.89)
ln_p							
_cons	-0.288***	-0.278***	-0.266***	-0.284***	-0.290***	-0.290***	-0.288***
	(-3.34)	(-3.28)	(-3.10)	(-3.30)	(-3.35)	(-3.35)	(-3.32)
N	1165	1165	1165	1165	1165	1165	1165
t statistics in parentheses							
* p<0.10; **p<0.05; ***p<0.01							

Table 2: Survival and transparency in one-party and personalist regimes

	(1)	(2)	(3)	(4)	(5)	(6)
One-party and personalist regimes	Exec survival	Exec survival	Exec survival	Exec survival	Exec survival	Exec survival
GDP per capita (log)	0.0459	-0.0381	-0.132	0.137	0.170	0.0995
	(0.29)	(-0.21)	(-0.39)	(0.85)	(0.65)	(0.57)
Population (log)	0.0159	-0.0183	-0.129	0.0157	-0.0277	0.0922
	(0.12)	(-0.13)	(-0.60)	(0.12)	(-0.15)	(0.68)
Repression proxy	0.156	0.0442	0.259*	-0.00463	0.188	0.108
	(1.30)	(0.37)	(1.84)	(-0.04)	(1.28)	(0.87)
Education expenditure	-0.279***					
% of GDP	(-2.65)					
Social security and welfare		0.0891**				
% of GDP		(2.44)				
Social security contributions			0.0882*			
% of GDP			(1.90)			
Taxes on goods and services				0.0448		
% of GDP				(1.30)		
Property taxes					-0.467	
% of GDP					(-0.99)	
Taxes on income, profits, capital gains						0.00177
% of GDP						(0.04)
_cons	-1.927	-1.224	0.393	-2.865	-2.920	-4.301*
	(-0.86)	(-0.55)	(0.15)	(-1.38)	(-1.14)	(-1.94)
ln_p						
_cons	-0.122	-0.250**	-0.128	-0.312***	-0.170	-0.192
	(-0.94)	(-2.14)	(-1.01)	(-2.71)	(-1.26)	(-1.46)
N	353	356	285	462	404	452
t statistics in parentheses						
* p<0.10; **p<0.05; ***p<0.01						

Table 3: Transparency and fiscal choices in one party and personalist regimes

	(1)	(2)	(3)	(4)	(5)	(6)
Limited party competition regimes	Exec survival	Exec survival*	Exec survival*	Exec survival	Exec survival*	Exec survival
GDP per capita (log)	-0.0312	-0.0201	-0.00393	0.00942	-0.00393	-0.0172
	(-0.32)	(-0.07)	(-0.01)	(0.10)	(-0.01)	(-0.19)
Population (log)	-0.0431	-0.157	-0.171	-0.0288	-0.171	-0.0656
	(-0.72)	(-0.98)	(-1.07)	(-0.49)	(-1.07)	(-1.11)
Repression proxy	0.110	0.222	0.226	0.107	0.226	0.135*
	(1.51)	(1.21)	(1.25)	(1.47)	(1.25)	(1.84)
Education expenditure	-0.0898					
Transparency	(-0.46)					
Wages and salaries		-1.183**				
Transparency		(-2.10)				
Taxes on goods and services			-1.285**			
Transparency			(-2.32)			
Property taxes				-0.357*		
Transparency				(-1.79)		
Taxes on income, profits, capital gain					-1.285**	
Transparency					(-2.32)	
Military expenditure						0.449**
Transparency						(2.45)
_cons	-0.523	0.388	0.539	-0.938	0.539	-0.652
	(-0.46)	(0.12)	(0.17)	(-0.84)	(0.17)	(-0.59)
ln_p						
_cons	-0.434***	0.0573	0.0635	-0.422***	0.0635	-0.431***
	(-6.11)	(0.30)	(0.34)	(-5.95)	(0.34)	(-6.10)
N	978	143	143	978	143	978
t statistics in parentheses						
* p<0.10, ** p<0.05, *** p<0.01						
*Exec survival indicates military multiparty competition regimes						

Table 4: Survival and transparency in autocratic regimes with limited multiparty competition