

CHAPTER 38

AUTHORITARIAN GOVERNMENT

STEPHEN HABER

FROM the time of the first recorded states in the third millennium BCE, the vast majority of the world's governments have been authoritarian. Nevertheless, we understand far less about the political economy of authoritarian governments than we do about democracies.

This is not to say that there are not sets of agreed-upon facts. But it is to say that those facts do not easily square with one another. For example, there is a broad consensus that authoritarian governments enforce property rights more weakly (Keefer and Knack 1997) and provide fewer public goods than democracies (Lake and Baum 2001). One would therefore expect countries ruled by authoritarians to grow more slowly than democracies. Nevertheless, since 1970, authoritarian countries have experienced average rates of economic growth the same as democracies, even controlling for the fact that they started with lower absolute levels of economic development (Barro 1997). One explanation for this surprising outcome is that there is much higher variance in the rate of economic growth under authoritarianism than under democracy: a subset of authoritarian countries performs extraordinarily well, pushing up an otherwise low average. This fact, however, replaces one puzzle with another: why are some authoritarian countries able to grow at breakneck paces, while others languish?

Our lack of understanding of authoritarian governments extends beyond their economic performance. Indeed, there are a number of empirical puzzles central to the

* This article benefited from discussions with Noel Maurer. Latika Chaudhary, Victor Menaldo, Terry Moe, Robert Packenham, Armando Razo, James Robinson, Paul Sniderman, and Barry Weingast made helpful comments on earlier drafts. Latika Chaudhary, Victor Menaldo, Diane Raub, and Scott Wilson provided invaluable research assistance. The usual caveats apply.

study of comparative political economy that are unresolved: why are some authoritarian governments motivated to provide social welfare programs, while others provide little in the way of public goods; why do some authoritarian governments practice widespread repression, while others permit a surprisingly broad range of civil rights; why are some authoritarian governments marked by corruption and nepotism, while others have efficient bureaucracies; why are some authoritarian governments able to transition to democracy, while others simply replace one dictator with another?

Resolving these empirical puzzles requires a theoretical framework that can organize what we already know and that can serve as a guide to future research. The purpose of this chapter is therefore to advance such a theory—to construct a logic of authoritarianism. In order to demonstrate the advantages of this theory concretely, I focus on its implications for property rights and economic growth. Nevertheless, the framework I advance has implications for a number of issues beyond economic performance, some of which I will address briefly in the conclusion.

In building this framework I draw on two, seemingly disparate, literatures—one influenced by political sociology, the other by economics.

The political sociology literature focuses on patterns of behavior in authoritarian governments, and generates typologies based on those patterns. This literature includes many of the classic works in comparative political development such as Huntington (1968) and Linz (2000). It also includes virtually all of the case studies of dictatorships written by political scientists, as well as the comparative studies of regime types, such as Huntington and Moore (1970), O'Donnell (1979, 1988), Remmer (1989), Chehabi and Linz (1998), Ottaway (2003), Geddes (2004), Magaloni (2004), and Simpser (2005).

Owing to its origins in sociology, this literature organizes dictatorships into categorical types based on their ascriptive characteristics. Because it is not rooted in a consensus theory, however, the literature has generated a jumble of regime “types,” such as neo-sultanistic, neo-patrimonial, personal, bureaucratic authoritarian, military, inclusive military, exclusive military, single party, dominant (or hegemonic) party, semi-authoritarian, autocratic, and totalitarian—to name some of the most commonly used. These typologies are subject to easy criticism: many of them are neither exclusive nor exhaustive, some are based on ad hoc criteria; and at least one of them (bureaucratic authoritarianism) contains a regime “type” that appears to include only one case. Nevertheless, this literature does contain an important insight: there is a high degree of variance in the behavior of authoritarian regimes.

The economics literature rejects the notion that there are categorical “types” of dictators, and instead builds generalizable theories based on the common goals and incentives that face all dictators. The origins of this literature go back to Tullock (1987), who argued that all dictators share the same primary goal: hold on to office for dear life because failing to do so will result in jail, exile, or a bullet in the back of the head. Holding on to office is, however, extremely difficult because dictators cannot know who supports them and who does not: virtually all constituents and colleagues in dictatorships—at least those who value their necks—profess loyalty to the dictator, even as they conspire to depose him. The net effect is a paradox: dictators are inherently insecure.

A number of scholars have built upon Tullock's basic insight about the insecurity of dictators. Wintrobe (2000), for example, explores how dictators deploy either of two instruments, repression or economic redistribution, to resolve the problem of their insecurity. Bueno de Mesquita et al. (2003) depart from Wintrobe by assuming that dictators do not face a general threat from the rest of society, but instead face a threat from a subset of society (which they term the selectorate). This selectorate can therefore veto policies proposed by the dictator, and thus shape a wide variety of economic and political outcomes.¹

Both Wintrobe and Bueno de Mesquita et al. are vague about who, exactly, can threaten to remove a dictator from power. Wintrobe assumes that anyone in society may do so. Bueno de Mesquita et al. argue that the group that can lodge a credible threat is a subset of society (the selectorate), that the size of the selectorate (and the size of the minimum winning coalition within it) varies across countries, and that differences in the size of the selectorate and minimum winning coalitions determine a broad range of outcomes. They do not specify, however, how the selectorate comes into existence, how it solves collective action problems, and why its size varies across polities.

Haber, Razo, and Maurer (2003) explore the question of who can threaten a dictator with removal from power, and the mechanism that they use to do so. They argue that in order to lodge a credible sanction against a dictator, a political entrepreneur must have a leadership role in an organized group that can accomplish two things: serve as a forum to coordinate with other political entrepreneurs; and mobilize a rank and file against the dictatorship. They also explore how the dictator and the political entrepreneurs that can sanction him can create a stable regime by creating a property rights system that is based on the generation and distribution of economic rents, and they demonstrate that such systems can generate impressive rates of economic growth—at least in the short run.

The framework that I advance is very much in the economics tradition in that it seeks to derive a theory from first principles. Nevertheless, it demonstrates that rational choice reasoning can be used to derive a logic of authoritarianism that generates a typology of sorts—three very different institutional arrangements, each with its own implications for political repression, property rights, economic growth, and democratic transitions.

1 AN ORGANIZATIONAL THEORY OF DICTATORSHIP

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One of the insights of Haber, Razo, and Maurer (2003) is that dictators are insecure because they face political entrepreneurs who lead organized groups. This presents

¹ Bueno de Mesquita (this volume) summarizes this approach.

us, however, with a paradox: if dictators fear political entrepreneurs and the groups they lead, why don't they simply stamp them out?

The answer is twofold. First, dictators need an organized group in order to take power. Some of these groups, such as the military, a political party, or a royal family, are formally constituted, have rules governing their internal workings, and may already be part of a pre-existing government. Others, such as a revolutionary movement, a military splinter group, or a federation of warlords, are less institutionalized.

Second, the dictator needs this launching organization, as well as the other organizations within the state that the launching group permeates, because without them he cannot run the country. This organization is made up of self-interested individuals. Its members therefore quickly populate the formal organizations of the government—the courts, police, bureaucracy, and legislature (if there is one). Thus, the dictator cannot simply declare the dissolution of the launching group: it is integrated into the state.

Precisely because the launching organization was able to solve the collective action problems inherent in putting the dictator into office, it can solve the collective action problem of removing him from office. Indeed, its control of the apparatus of government facilitates its ability to remove him. As a consequence, the dictator lives in fear that the organization's self-interested leaders will use it to launch their own bids for power. The dictator's fears are not without foundation: military coups are attempted against dictatorships twice as frequently as they are attempted against democracies (Brooker 2000) and succeed so frequently that the vast majority of dictators are removed not by popular uprisings but by internal coups (Tullock 1987).

The implication is clear: the dictator's political survival requires that he either find a way to commit credibly to do the bidding of the launching organization's leadership—to accept the fact that they can sanction him with removal from office if he pursues policies that they dislike—or he find a way to curb their power. If he follows the first strategy, he knows that he will always be insecure—and may end up a puppet. If he follows the second strategy, however, the leaders of the launching organization will resist him, because they know that their political futures (and perhaps their lives) are over if he succeeds. The early years of dictatorships therefore tend to be characterized by a power struggle—a game as it were, with the stakes being tenure in office—between the dictator and the leadership of the organized group that launched him.

Neither side in this game plays from a state of nature. They inherit an economy, a system of property rights, a class of wealth-holders, and a range of pre-existing organizations and institutions—not the least of which are constitutions, legislatures, political parties, opposition political movements, trade unions, police forces, and militaries. Thus, when the dictator and the leadership of the organization that launched him sit down to play they find that some of the pieces have already been moved—they cannot play any strategy that they like. Because the set-up of the board varies from one dictatorship to the next, the games played by dictators and the organized groups that launch them have multiple solutions.

This is not to say, however, that there are not commonalities in the winning strategies played by dictators. As an empirical matter, there appear to be three broad classes of outcomes: the dictator terrorizes the leadership of the launching organization; the dictator co-opts the leadership of the launching organization; or the dictator creates a set of rival or complementary organizations, the purpose of which is to raise the cost of collective action for the leadership of the launching organization.

There is no guarantee that a dictator will necessarily hit upon one of these solutions. He may fail to do so—and be overthrown. Indeed, the comparative case study and cross-country regression literatures indicate that there is a class of countries—those with very low levels of GDP whose political organizations and institutions have only recently taken shape, such as Spanish America in the nineteenth century or sub-Saharan Africa since the 1960s—in which the process of sorting through dictators may take quite some time (Londregan and Poole 1990; Campos and Nugent 2002, 2003; North, Summerhill, and Weingast 2000; Bates 2004). Nevertheless, even in these countries, at some point a dictator emerges who figures out an appropriate strategy and consolidates his rule.

Each one of these solutions generates a property rights system. Some of the resulting property rights systems severely limit the number of people that can enforce their property and contract rights. Others confer economic rights on a very large percentage of the population. Given the central role played by contract and property rights in the process of economic growth (Keefer and Knack 1997), the result is a high degree of variance in economic performance across dictatorships.

2 WHY ARE THERE SO FEW STATIONARY BANDITS?

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A skeptical reader might scratch his head and ask why dictators and the organizations that launch them have to engage in a power struggle. Why can't the dictator offer to be a benign despot, and the leadership of the launching organization accept his offer?

This benign despot outcome is at the heart of Olson's (2000) widely cited stationary bandit model of dictatorships, and is the underlying mechanism that explains economic growth under authoritarianism in Przeworski et al. (2000). In Olson's framework, dictators are assumed to face no threat to their survival, and thus operate as "stationary bandits." They therefore have long time horizons, giving them fiscal incentives to enforce property rights universally, invest in public goods, and tax at the long-run revenue-maximizing rate. They then spend all tax revenues in excess of that necessary to enforce property rights and create public goods on conspicuous consumption. Przeworski et al. (2000) advance a similar argument, but make even stronger claims. They agree with Olson's view that a long-lived dictator will have an incentive to defend property rights, but then go on to argue that the real threat to

property rights comes from democracies, because organized social groups can vote in favor of income redistribution. They assert, in fact, that most non-communist dictatorships are committed to defending private property, and further claim that the probability that a democracy will fail actually increases investment (pp. 209–11).

As Acemoglu et al. (2004) have shown, the strong claims made by Przeworski et al. are a product of mis-specified regressions: their econometric results fall apart as soon as researchers control for omitted variables in simple ways, such as adding country fixed effects.

Moreover, as a matter of history, the kind of benign despots/stationary bandits that figure in Olson's and Przeworski's theories are quite rare. The case study literature about long-lived dictatorships indicates, in fact, that they are highly predatory (Lewis 1980; Miranda 1990; Hutchcroft 1991; Thompson 1995; Chehabi and Linz 1998; Vatikiotis 1999; Turtis 2002; Razo 2003; Haber, Razo, and Maurer 2003; Mackey 2003). For every benign despot like Lee Kuan Yew (Singapore), there are a dozen predators like Juan Vicente Gómez (Venezuela), Fulgencio Batista (Cuba), Ferdinand Marcos (Philippines), Rafael Trujillo (Dominican Republic), Anastasio Somoza (Nicaragua), François and Jean Claude Duvalier (Haiti), Idi Amin (Uganda), Mobutu Sese Seko (Zaire), Suharto (Indonesia), Robert Mugabe (Zimbabwe), and Blaise Compaore (Burkina Faso), whose *modus operandi* is to appropriate everything they can.

There are theoretical reasons why the benign despot/stationary bandit solution occurs so rarely. First, the stationary bandit model assumes that the dictator can see how the exercise of his power in the short run diminishes his long-run accumulation of wealth. Second, it assumes that dictators have infinite time horizons. The problem is, of course, that no one lives forever. The older the dictator grows, the more he will discount the future, and as his discount factor increases the more likely he will be to increase taxes and seize property. Finally, it assumes that the dictator's allies—the leadership of the group that helped bring him to power—are lacking in self-interest: the dictator may extract social surplus by keeping for himself the difference between what he obtains from taxes and spends on public goods; but his allies seek nothing more than the opportunity to compete on a level playing field against everyone else in the economy. In short, the stationary bandit solution is rare because it has an underlying model of politics in which, as Razo (2003) points out, there are no politics.

3 THE LOGIC OF TERROR

The most direct strategy to curb the launching organization is to terrorize its leadership through murder, show trials, torture, and purges. One key element of the terror strategy is that it foments distrust: organization members have incentives to denounce one another in order to save their own skins, making it exceedingly difficult for them to coordinate their actions against the dictator. It also means, however, that the dictator cannot know whether the denunciations of organization members reflect accurate

information, or are strategically motivated. Hence he purges indiscriminately, which only heightens everyone's sense of uncertainty (Tullock 1987).

Perhaps the most intensively studied case of a terror strategy was Stalin's purges of the Soviet Communist Party and the Red Army in the 1930s, which murdered 1.5 to 2.5 million party members and senior military officers (Conquest 1991; Azrael 1970). Other examples of this strategy include the purges of the Korean Communist Party carried out by Kim Il Sung and Kim Jong Il, Mao Tse-tung's Cultural Revolution, the killing fields of Cambodia's Pol Pot, and the bloody purge of Iraq's Baath Party by Saddam Hussein.

The terror strategy is not, however, frequently used, and there are three good reasons why. First, it is a very high-stakes game that leaves little room for error and experimentation: the dictator needs to be absolutely certain that he will quickly get the upper hand; if he fails to do so, the leaders of the organization that he is terrorizing have every incentive to put aside their differences and depose him.

Second, a campaign of terror requires the creation of a specialized terror organization, a secret police. This organization itself, however, looms as a threat to the dictator—and thus its own leadership must be terrorized. Stalin, for example, moved successively against the two heads of the NKVD who carried out the 1930s purges, both of whom he executed (Linz 2000).

Third, torture, terror, and political murder not only undermine the organization that launched the dictator; they undermine the ability of the government, which is populated by the organization's terrorized members, to function. Not surprisingly, the efficiency of government in countries characterized by political terror tends to be notoriously low. If the purge has been directed against the armed forces, the government's ability to defend itself from foreign invasion or internal rebellion is particularly damaged. Stalin, for example, murdered so many of his own generals and colonels that when Germany invaded in 1941 there was scarcely anyone to lead the Red Army (Azrael 1970).

What implications does a successful terror strategy have for property rights? If the dictator succeeds in terrorizing the organization that launched him, he has unconstrained authority and discretion. To put it in the vocabulary of Bueno de Mesquita et al., the selectorate has one person in it, the dictator. There is nothing to keep him from taking virtually everything that is worth taking in pursuit of his personal or ideological goals. Paradoxically, this generates a problem for the dictator: the lack of secure property rights dampens investment, thereby denying him the tax base he needs to run the country. The dictator cannot resolve this problem by promising to respect property and contract rights: because there is no sanction for breaking his promises, no promise he makes is credible. Thus, the logic of the situation pushes the dictator to expropriate private assets: he needs resources to run the government and the only ready source of funds is the stock of assets of the country's private wealth-holders.

Are there any areas of the economy that are safe from expropriation? There will still be private investment so long as investors believe that the rate of return in a particular enterprise exceeds the probability of expropriation (Maurer and

Gomberg forthcoming). The problem is, however, that high rates of return increase the dictator's motivation to expropriate the enterprise. Thus, private investment will only occur if the probability of expropriation is low because of some asset-specific factor.

One class of investment where asset-specific factors provide protection for property rights is enterprises that can escape detection by the government, because they do not require the judicial system to enforce contracts, can hide income from taxation, and are able to evade the registration of property sales. These factors mean, however, that these enterprises are likely to be of very modest scale: small farms, artisan workshops, and petty traders.

A second class of enterprises that have a low probability of expropriation are those in which virtually all of the assets are in the form of human capital. They include firms that provide medical, legal, and accounting services, as well as manufacturing firms that use non-mechanized technologies operated by highly skilled craftsmen (diamond-cutting is a classic example). These enterprises, however, are also likely to be of modest scale. Indeed, their lack of physical and financial capital is why we tend to think of them not so much as business enterprises, but as professions.

A third class of enterprises that have a low probability of expropriation are those that have large amounts of physical capital, but the efficient operation of that capital requires proprietary knowledge of markets or technologies. Investors in these enterprises know that the government can neither credibly threaten to expropriate them nor allocate their property rights to another firm—because neither the government nor that firm can operate the enterprise efficiently enough to yield tax income higher than that provided by the incumbent investors. One type of firm characterized by high levels of proprietary knowledge is those engaged in natural resource extraction. Successfully finding, extracting, refining, and distributing petroleum and minerals requires skilled personnel with knowledge of geology, hydrology, chemistry, metallurgy, and engineering. It also requires access to, and knowledge of, foreign markets, because the vast majority of the output of these industries is consumed in a small number of industrialized countries (Haber, Maurer, and Razo 2003). Not surprisingly, foreign companies that specialize in resource extraction often invest in even the most brutal of dictatorships, while their counterparts in banking and manufacturing stay away.

With private investment relegated to these three areas of the economy—a low-productivity “informal sector,” a specialized set of service and manufacturing firms that use extremely low levels of physical or financial capital, and an enclave economy dedicated to the extraction of natural resources—it is unlikely that the country will experience rapid rates of economic growth. Indeed, such an economy is likely to be missing one economic sector that is crucial for growth—a banking system (King and Levine 1993), because the liquid nature of its assets makes it an attractive target for expropriation. As an empirical matter, the countries where dictators have ruled through terror, the Soviet Union under Stalin, Iraq under Saddam Hussein, China under Mao, and Korea under Kim Il Sung and Kim Jong Il, have performed very weakly.

4 THE LOGIC OF CO-OPTATION

Far more common than the strategy of terrorizing the leadership of a launching organization is the strategy of co-opting it by buying its loyalty. The stream of rents paid to the leadership of the organization convinces them that they are better off cooperating with the regime than overthrowing it. They will only join a coup attempt if they believe that the stream of rents they will earn post-coup, multiplied by the probability of the coup's success, minus the cost of losing their heads if the coup fails, exceeds the stream of rents they earn already.

The key to a co-optation strategy is a source of rents. These rents can conceivably come from state-owned firms. This strategy was played, for example, by Argentina's military dictators in the 1970s and 1980s, who bought the loyalty of senior officers by allowing them to run state-owned enterprises (Rock 1987, 371). The problem with this strategy, however, is that the source of rents and the government are one and the same. This means that coup leaders can credibly promise to maintain the pre-coup rent-sharing arrangements, which puts the dictator at risk.

A rent-sharing arrangement with more than two parties creates greater uncertainty about the post-coup generation and division of rents. As a practical matter, most rent-sharing arrangements under stable authoritarian governments tend to have three parties: the dictator, the leadership of the organized group that can sanction him, and a group of investors who generate a stream of rents in privately owned enterprises.

As Haber, Razo, and Maurer (2003) demonstrate, the heart of this system is the creation of economic rents by reducing competition through regulatory barriers to entry, such as selectively allocated import permits, preferential tax treatment, or the requirement of licenses or concessions to enter particular lines of economic activity. The dictator has an incentive to create these regulatory barriers, because it coaxes capital into production, thereby creating a tax base for him. Investors in these favored firms know, however, that the dictator has no real commitment to them. In fact, the monopoly rents they earn give him an incentive to expropriate their firms. They therefore share some of the rents with the dictator, as well as with his government in the form of tax revenues, in order to reduce his incentives to expropriate them. In addition, they also seek out individuals and groups that can provide them with protection from the dictator, and they have something that they can offer those individuals or groups by way of compensation: a share of the rents generated by regulated entry. The mechanisms that investors employ to transfer these rents are not complicated: they appoint the very same political entrepreneurs who can sanction the dictator to the boards of directors of the favored firms; employ them as consultants; make them loans with no expectation of repayment; or hire their family members. In short, this property rights system not only permits rent-seeking, it requires it.

Rent-sharing arrangements of this variety are extremely common in dictatorships. Examples include Taiwan under Chiang Kai-shek, the Dominican Republic under Trujillo, Venezuela under Gómez, the Philippines under Marcos, Nicaragua under the

Somoza dynasty, Indonesia under Suharto, Cuba under Batista, Brazil under Vargas, and Mexico under Porfirio Díaz.

Over the short run, the allocation of property rights to a small group of people can create impressive rates of economic growth. The Porfirio Díaz regime in Mexico (1876–1911) is a classic, and intensively studied, case in point. During his thirty-five-year dictatorship, Díaz built a rent-sharing system that co-opted the political entrepreneurs who opposed him. It also provided investors with incentives to build a railroad network, banking system, manufacturing industries, and vibrant mining, petroleum, and export agriculture sectors. Indeed, under Díaz, Mexico actually grew at a faster rate than the United States. (Haber, Razo, and Maurer 2003; Razo 2003).

Over the long term, however, rent-sharing systems weigh on economic growth. First, the requirement that rents be generated and distributed through the political system means that resources are misallocated: industries exist in which the country has no comparative advantage; monopolies and oligopolies exist in industries that should be characterized by near-perfect competition; and opportunities are denied to entrepreneurs with the required skills and assets, but without political access or protection (Fisman 2001; Haber, Razo, and Maurer 2003). Second, the rents necessary to sustain this system must come from somewhere: usually everyone and anyone outside the coalition that effectively governs the country—the dictator, investors in favored enterprises, and the leadership of the organization that can sanction the dictator. This has negative distributional consequences, which limit the size and depth of the domestic market.

5 THE LOGIC OF ORGANIZATIONAL PROLIFERATION

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The organized group that can sanction the dictator may also be undermined, paradoxically, by creating yet more organizations. The goal of this strategy is to raise the cost of collective action within the launching organization through either of two mechanisms: it forces its leadership to coordinate with the leadership of the other, newly created, organizations (which might otherwise come to the rescue of the dictator during a coup); and/or it raises the cost of coordination within the launching organization by aligning the incentives of its membership with the leadership of another organization. An example of the first mechanism is the creation of multiple branches of the military. Adolf Hitler, for example, created three different armies: the regular army; a militarized branch of the secret police, the *Waffen SS*; and a ground force of 300,000 soldiers that was under the command of the air force. An example of the second mechanism is the creation of an official party by a military government. The party is then used to reward military officers who are loyal party members, thereby aligning their incentives with the dictator, instead of with the military chain

of command. Alfredo Stroessner, the military strongman who ruled Paraguay from 1954 to 1989, for example, took over a debilitated political party, the Colorados, and turned it into an immense patronage machine designed to align the incentives of the officer corps with his regime (Lewis 1980; Miranda 1990).

Neither the membership of the dictatorship's organizations, nor their leadership, work for free. Property rights to secure jobs, loans from government-run banks, and the opportunity to receive bribes and kickbacks must be provided to rank and file members, while the selective allocation of trade protection, tax preferences, or contract enforcement must be provided to the organizations' leaders.

Dictatorships that are characterized by organizational proliferation therefore confer economic rights and opportunities on a very broad percentage of the population, as compared to dictatorships that employ strategies of terror or cronyism. This creates incentives for the members of those organizations to invest in productive enterprises, and the result is impressive rates of economic growth. This growth is hampered, of course, by the fact that those individuals who are not protected by organization membership are fair game for organization members: their property rights can be preyed upon, and contracts with them may be abrogated with impunity. Nevertheless, the resulting property rights system more closely approximates that found in democracies (where property rights and public goods are allocated and enforced universally) than it does those of authoritarian regimes characterized by co-optation (where property rights are allocated narrowly) or by terror (where property rights are vested in the dictator).

Perhaps the most fully developed economic system based on a strategy of organizational proliferation was Mexico between 1929 and 2000. In the aftermath of the Mexican Revolution of 1910, numerous warlords-turned-politicians jockeyed for power, producing coups, rebellions, and civil wars that stretched through the 1920s. In 1929, one of these warlords, General Plutarco Elias Calles, hit upon the idea of creating a political party, the Partido Nacional Revolucionario (PNR), whose initial purpose was to arbitrate disputes among the warlords, thereby allowing Calles to maintain de facto political control of the country. Later Mexican presidents transformed the PNR, however, into a mass party organized on corporatist lines (the Partido Revolucionario Institucional, known by its Spanish acronym, PRI), which was not only successful in checking Calles's ambitions but also managed to create a regularized, non-violent process by which party elites would rotate the presidency and other "elected offices" among themselves. The key to the PRI's success was that it sat at the center of a network of organizations, which were designed to align the incentives of a wide variety of organized corporate groups, making it extremely difficult for any one of them to mount a credible challenge to the party's monopoly on power (Simpser 2005; Magaloni forthcoming). They also managed to create an economic system that produced real per capita rates of economic growth roughly double that of the United States for a period of nearly five decades.

The result of organizational proliferation in Mexico was that a sizable percentage of the population had enforceable economic rights. Manufacturers, for example, obtained rights to trade protection that protected them from foreign competition.

The lack of competition, in turn, allowed industrial workers in PRI-affiliated labor unions to have a property right to lifetime job security, as well as rights to a range of social welfare benefits that were not available to the general population, such as health care, subsidized housing, and retirement pensions. Even groups as disparate as Mexico City's collective taxi drivers, who were members of the PRI's National Confederation of Popular Organizations, obtained a special property right: they were given exclusive routes that prevented the development of a competitive fringe of collective taxis (Haber et al. 2005).

6 CONCLUSIONS AND IMPLICATIONS

The literature on authoritarianism has tended to fall into either of two broad camps, one written by scholars influenced by sociology, the other written by scholars influenced by economics. This chapter has argued that these literatures can be integrated into a unified framework that explains variance in economic performance across dictatorships.

The heart of this framework is the notion that there is an inevitable set of strategic interactions—a game—among dictators and the organized groups that launch them to power. Neither side in this game plays from a state of nature: they inherit a pre-existing set of political institutions and organizations, along with an economy and society. This means that the game has multiple outcomes. A close reading of the case study literature indicates, however, that the set of the dictator's winning strategies is small. He may terrorize the launching organization's leadership, co-opt them by providing them with private goods, or raise their costs of collective action by proliferating yet more organizations. Each of these strategies generates quite different property rights systems, and each of those property rights systems has consequences for economic growth and distribution.

One implication of this framework is that the vast literature on the "resource curse" has perhaps mis-specified the causal connection between high levels of natural resource exports and authoritarian government. Researchers such as Ross (2001) have identified an important empirical pattern: there is a strong correlation between having an authoritarian government and having an economy that is heavily weighted toward the export of natural resources. Researchers usually interpret this correlation as an indication that causality runs from having a large stock of natural resources to authoritarianism (Karl 1997; Wantchekon 1999). The framework I advance suggests, however, that causality runs the other way: when dictators have unconstrained authority and discretion, investment tends to cluster in enterprises that are difficult to expropriate because running them requires proprietary knowledge of markets and technologies—such as petroleum and mineral extraction. The result is that a large proportion of the economy's GDP is composed of oil and mineral exports—*independent of the extent of the country's natural resource endowment.*

Recent research by Haber, Maurer, and Razo (2003), Wright and Czelusta (2004), and Robinson, Torvik, and Verdier (forthcoming) supports this view. Nevertheless, the study of which way causality runs is still not a settled matter, and warrants additional investigation.

The implications of this framework extend beyond issues related to economic growth. One central question of the field of comparative politics is why some dictatorships are able to transition to democracy, while others replace one dictator with another. There is as yet no consensus answer to that question, although it has been argued by Przeworski et al. (2000) that the success of a democratic transition is a function of per capita income: all authoritarian countries periodically experiment with democracy, but democracy only endures once a country has reached a minimum standard of living.

The framework advanced here suggests that the relationship between successful democratic transitions and per capita income is endogenous to the outcome of the power struggle between dictators and the organizations that launch them. Dictatorships in which the power of the launching organization was curbed by terrorizing or co-opting its leadership tend to allocate property rights to a restricted set of individuals. As a result, the economies of these countries tend to grow very slowly, and their levels of per capita income remain low. Dictatorships in which the power of the launching organization was curbed by proliferating yet more organizations, however, tend to allocate property rights to a much larger set of individuals. As a result, the economies of these countries tend to grow more rapidly. Democratic transitions are more likely, therefore, to be successful in those countries in which the dictatorship was characterized by organizational proliferation, rather than terror or co-optation.

Countries that are characterized by organizational proliferation have an additional advantage, beyond that conferred by higher per capita incomes, in the process of democratic transition. The steps necessary to create democratic institutions in these polities are incremental: the dictatorship itself has created a party (or parties), the military cannot easily overthrow the government, and a large number of citizens have already been vested with political and economic rights. But, when the strategic interaction of dictators and the organized groups that launch them produces dictatorial strategies of terror or co-optation, the additional steps necessary to create democratic institutions are gargantuan. Given the importance attached by both political scientists and policy-makers to the spread of democracy, testing this hypothesis is of obvious importance.

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