Preliminary draft

# The power of the purse and the budgetary reversion, 1875-2005\*

by

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Abstract:

When a country does not adopt a budget by the beginning of a new fiscal year, it must define what expenditures are then legally allowed. The shutdown of the US federal government in October 2013 illustrates one possibility. In this paper, I document a dramatic increase in the number and proportion of the world’s constitutions that avoid shutdowns and instead mandate what I call executive-favoring budgetary reversions, or EFRs. After describing how such reversions can eviscerate the legislature’s power of the purse, I show that democracies with EFRs die considerably faster than do those in which the reversion is a government shutdown. EFRs are particularly good predictors of democratic death due to auto-coup, as would be expected if they enhance the executive’s ability to extract rents from the state budget. It appears that Huntington’s (1991) well-known waves of electoral democracy have been partly countervailed by waves of fiscal autocracy. WORD COUNT (excluding title page, abstract and references) = 8,205.

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# The power of the purse and the budgetary reversion, 1875-2005

The power of the purse has long been viewed as the main weapon in the arsenal of legislatures seeking to control the executive branch. English parliamentarians, pamphleteers and philosophers around the time of the Glorious Revolution first trumpeted the importance of such power. Their ideas, later amplified by Montesquieu (1989[1748]), Madison (2009[1788]) and other Enlightenment figures, now form part of the standard canon of western political thought.

The power of the purse’s pedigree notwithstanding, some fundamental questions about it have attracted remarkably little attention from positive political theorists. In this paper, I ask the following questions.

First, what constitutional provisions are necessary to establish the legislature’s fiscal power vis-à-vis the executive? I briefly recount the answer given by the architects of the post-revolutionary settlement in England. In modern lingo, their analysis focused on the *budgetary reversion*—i.e., the default budget that would come into legal force, if no budget had been adopted by the beginning of a new fiscal year. Their advice was that the budgetary reversion should be what it is under the US Constitution—*viz*., a “government shutdown.”

Second, what is the constitutional history of the power of the purse? Relying on a new dataset documenting budgetary reversions 1875-2005 in all countries with populations exceeding 500,000 as of 1990, I show that constitutions requiring government shutdowns during appropriations lapses have become much less common. More and more constitutions have stipulated what I call “executive-favoring reversions,” or EFRs, in which the failure to adopt a new budget leads to the adoption of either the executive’s original proposal or a modified version of the previous year’s budget. Indeed, the proportion of the world’s constitutions with EFRs has roughly doubled from 1875 to 2005, with step-ups corresponding to the creation of new states after World War I, World War II, and the Cold War.

Third, what political consequences follow when constitutions fail to endow the legislature with a firm *de jure* grasp of the purse? According to Montesquieu, undoing the power of the purse undermines the separation of powers and risks executive tyranny (Montesquieu 1989[1748], p. 164). Yet, proponents of EFRs have said the risk of tyranny can be managed by directly electing the executive. Moreover, they view EFRs as essential tools, when turbulent assemblies produce political disorder and fiscal indiscipline. Given over a century’s evidence, do EFRs increase the risk of tyranny significantly, per Montesquieu, or negligibly, per the advocates of executive power?

Consistent with Montesquieu’s warning, I show that EFRs coincide with substantially higher risks of democratic breakdown; that several of the most plausible non-causal explanations for this correlation can be discounted; and that EFRs even predict the cause of democratic death. In substantive terms, EFRs’ estimated effects are large enough to suggest that the previously unknown waves of fiscal autocracy documented here have partly countervailed the well-known waves of electoral democracy (Huntington 1991; Teorell 2010) with which they overlap.

# The power of the purse

Early modern accounts of the power of the purse trace back to England’s Glorious Revolution. In the Revolution’s aftermath, both Whigs and Tories agreed the Crown would seriously address parliamentary grievances only if constrained by financial necessity to do so. To ensure such financial necessity, MPs put time limits on most of their tax grants, secured the right to authorize (or deny) all new sovereign debt, and established annual state budgets.[[1]](#footnote-1) Annual budgeting meant the Crown’s legal authorization to expend money lapsed at the end of every financial year, whereupon it had to seek parliamentary re-authorization.

Although they did not use the term, English arguments about how to ensure Parliament’s bargaining leverage vis-à-vis the Crown hinged on the budgetary reversion. Because expenditure authority would lapse every year, forcing portions of the government to “shut down” in contemporary American parlance, parliamentarians were assured the Crown would seek a new budget every year—whereupon they could bargain for attainment of their various goals.[[2]](#footnote-2) As Madison (2009[1788], p. 298) put it, “This power over the purse may…be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure.”

Montesquieu (1989[1748], pp. 164) had earlier stressed the complementary point that disabling the power of the purse risked tyranny: “If the executive power enacts on the raising of public funds without the consent of the legislature, there will no longer be liberty, because the executive power will become the legislator on the most important point of legislation.” In other words, the power of the purse was essential to maintain a healthy separation of powers in which the legislature could check and balance executive ambitions.

**Can polities live with persistent threats to shut down the government?**

Despite widespread agreement that the legislature’s right to deny funds constituted “the distinction between a free people and the slaves of an absolute monarchy,” the British viewed actually shutting down the government soberly. As the Whig leader Charles James Fox put it in 1784, “it cannot be contested that the Constitution gives to the House the right to refuse the funds; but this is a weapon which the House must use … only when the public cause *imperatively demands* such action” (both passages quoted in Stourm 1917, p. 385; italics added).

When the French finally imitated British practice, mandating a shutdown reversion in 1870, they feared cataclysm: “if the year were to open without the budget having been voted, the bondholders could not get their interest; nor the pensioners their pensions; the tradesmen would beat in vain at the gates of the Treasury; the officials would work without salaries; the schools would be closed; the Army would be deprived of its pay…[and] the activities of the country would be paralyzed” (Stourm 1917, p. 381). Seven years later, cataclysm loomed as the legislature sought to force out a ministry by denying funds. Fears of armed conflict arose, partisan animosities were on full display, and an actual shutdown was averted only at the last moment (Stourm 1917, pp. 387-8).

These brief examples highlight an obvious problem with shutdown reversions. If denial of funds is to be its “most complete and effectual weapon,” then the legislature must sometimes threaten to deny funds. Since inter-branch bargaining may fail, actual shutdowns can occur—as in the US 1995 and 2013. But shutdowns are extremely disruptive and unpopular, even when they do not reach the cataclysmic proportions of the Third Republic. Thus, whenever high-stakes bargaining in a country with a shutdown reversion fails, citizens naturally ask how such shutdowns can be avoided in future.

The parliamentary method of avoiding shutdowns is simple. Governments that cannot pass a budget typically resign, lest they be ousted via a vote of no confidence. Parliament itself then dictates what sort of temporary financial arrangements will be made until a new (non-caretaker) government forms that can pass a budget. The ability of parliament to remove the ministry at will ensures that the government never actually shuts down, even if the constitution requires closure in the absence of an annual (or temporary) budget approved by parliament.

If one wants to *wholly prevent* shutdowns in presidential regimes, one has two logical options: breaking the assembly’s independence; or breaking its power. Taking the first option, some countries establish one-party states in which the president controls nominations. Taking the second option, other countries remove the legislature’s power to veto the budget.

While I control for one-partyism in what follows, my focus is on tactics that reduce the legislature’s budgetary power. In the extreme, a country’s rulers might wholly abrogate the legislature’s fiscal powers. However, outside of periods of rule by military juntas, this is rare; the vast bulk of contemporary constitutions endow their legislatures with the right to approve taxes, loans and the state budget.[[3]](#footnote-3)

A much more common method of reducing the legislature’s power to deny funds has been to institute what I call an executive-favoring reversion, or EFR. EFRs come in two types—one in which the budget reverts to the executive’s proposal; and one in which the budget reverts to a modified version of last year’s budget. Let’s consider each kind of EFR in turn.

**Reversion to the executive’s proposal**

Article 44.4 of Chile’s Constitution of 1925 stipulated that, if no new budget had been adopted by the beginning of the new fiscal year, the executive’s proposal would automatically come into force. To see the effect of this clause, suppose that a cohesive legislative coalition, controlling majorities in both chambers of Congress, disliked the president’s proposal. What could such a coalition’s members do?

They could reject the proposal—but then the reversion (the executive’s proposal) would come into force. If they amended the proposal, the president could veto the amended budget.[[4]](#footnote-4) If the coalition lacked the 2/3 majorities needed to override, no new budget would be enacted by the beginning of the fiscal year, again triggering the reversion. Thus, only a legislative coalition large enough to override a veto could amend the president’s budget. To put it another way, the Chilean president could dictate any budget, subject to one constraint: not producing a rebellion in Congress so widespread as to create opposition majorities over 2/3 in both chambers.

How did such a fiscally impotent assembly come to be established in Chile? Nineteenth-century Chilean legislators clearly viewed EFRs as important threats to their authority: “[T]he Revolution of 1891 originated in a deadlock over the budget. In January 1891, as the Chilean parliament refused to approve the budget…, President José Manuel Balmaceda decreed that the previous year’s budget would remain in effect, thus openly violating constitutional provisions. Parliament proceeded to impeach him and the revolution broke out” (Santiso 2004, p. 14).

The congressional forces triumphed in 1891 and continued to wield the power of the purse thereafter. Congressional majorities would often delay passage of the budget as a bargaining tool, in order to extract policy concessions or force ministers to resign (Guerra 1929, p. 237). In the view of contemporaries favoring a stronger executive, the results were disastrous: budgetary interruptions, shifting legislative majorities, and unstable governments (Guerra 1929, p. 22). The solution, implemented in the new Constitution of 1925, was to break Congress’s power of the purse by establishing the executive’s proposal as the budgetary reversion (Guerra 1929, p. 268). Henceforth, proponents said, Congress would be able to *approve* the executive’s proposed state budget, but could neither delay nor reject it.

**Reversion to last year’s budget**

Reversions to last year’s budget also favor the executive in most of the world’s constitutions. Mostly this is because the executive can either impound funds, or transfer them across budgetary categories, under the reversion. In other words, the reversion is not simply “last year’s budget.” Last year’s budget merely establishes some spending caps, with the executive then able to reduce line items or transfer spending across budget categories at will. Thus, the reversion is *foreseeably* better for the executive than for his/her legislative opponents, which significantly erodes the latter’s bargaining position.[[5]](#footnote-5)

Reversions to last year’s budget also favor the executive when they are combined with prohibitions on legislative amendment of the executive’s budget proposal. Banning legislative amendments enables the executive to make a take-it-or-leave-it offer on the budget, which is obviously a potent source of influence (Cheibub 2007, p. 103).[[6]](#footnote-6)

# Are EFRs compatible with democracy?

EFRs were part of a global pattern of constitutional reforms intended to strengthen executive power. A wave of such reforms swept interwar Europe under the banner of *parliamentarisme rationalisé* (Lavaux 1988; Huber 1996); and similar reforms were undertaken at various times in Latin America (O’Donnell 1994; Shugart 1998).

EFR proponents argued that a fiscally powerful president was compatible with democracy, because the president would be directly elected. They believed, in other words, that the executive’s increased accountability to voters (via direct elections) would make up for any reduction in accountability to legislators implied by EFRs (e.g., Guerra 1929; Debré 1957, 1959).

There are reasons to expect, however, that EFRs might undermine electoral democracy. Indeed, a standard worry among early modern theorists was that executives would extract rents from the state budget and use those rents to undermine the electoral process. English parliamentarians, even after they had implemented a shutdown reversion, introduced a series of “place bills” limiting the Crown’s ability to offer official positions and pensions to legislators; as well as a series of acts seeking to reduce the Crown’s ability to influence elections (Foord 1947; Kemp 1957).

In more recent times, EFRs can generate similar threats to electoral democracy. Incumbent leaders can use the rents that EFRs confer to buy MPs’ support for reforms, such as lifetime presidencies or waivers of term limits, that entrench themselves in power. Alternatively, leaders can use EFR-sourced rents to bias elections in their favor. When incumbents in initially democratic regimes succeed in such efforts, democracy dies. One can characterize the cause of death as an “auto-coup.”[[7]](#footnote-7)

In the remainder of the paper, I contrast democracies that have operated under shutdown reversions with those that have operated under EFRs, asking whether there is any difference in their durability, their cause of death, or their executive’s ability to extract rents. Before turning to these analyses, I first document the trends in budgetary reversions over the period 1875-2005.

# Trends in budgetary reversions, 1875-2005

In this section, I exploit an original dataset that codes the constitutionally stipulated budgetary reversions in 165 countries over the period 1875-2005.[[8]](#footnote-8) Countries often have statutes that further elaborate their budgetary reversion (e.g., the U.S.’s Anti-Deficiency Act) but here I focus on constitutionally mandated reversions.

## Sample

The sample covers every country in the world from the first year in which it operated as a sovereign state under a written constitution until 2005, excluding (a) countries that did not have a population exceeding 500,000 by 1990 (or its last year of existence, if it ceased to exist before 1990); and (b) years before 1875.[[9]](#footnote-9) The starting point of 1875 is a convenient date after both Italian (1861) and German (1871) unification. Moving the start date before these unifications would greatly complicate the process of finding and coding constitutions.

## Coding

I code budgetary reversions in two ways—“formal” and “effective.” The “formal” coding sorts reversions into three categories—executive’s proposal, last year’s budget and government shutdowns—while ignoring other features of the institutional context that protect the legislature’s bargaining position. The “effective” coding, in contrast, takes account of such features.

To illustrate the distinction between formal and effective reversions, consider reversions to last year’s budget. Some countries allow reversionary spending according to last year’s budget *but only for a few months*. If no new budget had been approved by the end of this grace period, the government shuts down. Obviously, these time-limited EFRs approximate government shutdowns more and more closely as the grace period shrinks. Other countries allow reversionary spending according to last year’s budget *but only in a few specified areas*. These too approximate government shutdowns (more closely as the areas in which spending is allowed to continue shrink). I classify formal EFRs with strict time or scope limits as “effective” government shutdowns.[[10]](#footnote-10)

Another disjuncture between formal and effective reversions arises because some assemblies can appoint and remove the executive at will. Such assemblies should be able to prevent executive abuse of EFRs. Thus, I move formal EFRs in such systems into a “safeguarded” EFR category, which is then collapsed into the government shutdown category.[[11]](#footnote-11)

All told, “effective” EFRs are those that can potentially be exploited by the executive. The EFR is not limited in scope or duration; and the executive is not constrained by a legislature with strong appointment and removal powers.

Before going on, I stress that all codings rest solely on the de jure rules, rather than any information about de facto practices. Most comparativists are acutely aware of the discrepancies that can arise between de jure constitutional prescriptions and de facto political behavior (e.g., Carey 2000; Sartori 1962). It remains to be seen (in later sections of the paper) whether the constitutional rules coded here bind or not.

## Trends

Figure 1a displays the number and percentage of constitutions containing formal EFRs in each year from 1875 to 2005. Where only 12 constitutions stipulated such an EFR in 1875, the number grows almost monotonically and reaches 104 in 2005. The overall percentage also grows, with a few minor reversals, from 33% in 1875 to 68% in 2005. Reversions to the executive’s proposal have grown from 3% to 24%, while reversions to last year’s budget have grown from 30% to 46%. Thus, there has been a striking growth in EFRs (formally coded).

Figure 1a about here.

Figure 1b provides a similar accounting of *effective* EFRs. The upward trend is broadly similar but reaches a peak of 67% in the early 1980s, before tapering off to 52% by 2005.

Figure 1b about here.

Figure 2 sheds some light on what has driven the increase in EFRs, by dividing the full sample of 165 countries into five quarter-century cohorts.[[12]](#footnote-12) While the first two cohorts exhibit some growth in formal EFRs over time, most of the overall growth is explained by differences between the cohorts.[[13]](#footnote-13) The predilection for formal EFRs is particularly striking in the last three cohorts, composed largely of countries emerging on the scene after World War I (the 1925-49 cohort), World War II (the 1950-74 cohort), and the Cold War (the 1975-2005 cohort).[[14]](#footnote-14)

Figure 2 about here.

The extent to which new countries drive the growth in EFRs can also be seen by considering the 151 new formal EFRs documented in the dataset. Of these, 12 (8%) are in place as of 1875, 89 (59%) arise because a founding constitution mandates an EFR, and 50 (33%) correspond to conversions from government shutdowns to EFRs.

A caveat in interpreting the results presented thus far is that some constitutions do not contain *explicit* provisions regarding what happens, should no budget be approved by the beginning of the new fiscal year. These cases were coded according to their implicit provisions.[[15]](#footnote-15) Whatever errors exist in these codings, they do not affect the conclusions suggested by Figures 1 - 2. Constitutions have been increasingly clear about the budgetary reversion: the percent with explicit clauses increases almost linearly from 22% in 1875 to 70% in 2005. Looking only at constitutions with explicit clauses, the upward trends in Figures 1 - 2 are, if anything, steeper.

# The durability of democracy under EFRs

One can find cases that seemingly comport with either the optimistic or pessimistic view of EFRs’ compatibility with democracy. Post-authoritarian Chile and France V both have EFRs, yet one might argue their presidents have nonetheless remained electorally constrained and have not abused their fiscal powers.[[16]](#footnote-16) In Francophone Africa, in contrast, one might argue that presidents with EFRs have faced very little electoral constraints and accordingly have abused their fiscal powers.[[17]](#footnote-17)

In this section, I investigate the compatibility of democracy and EFRs more systematically. Were EFRs, as Montesquieu might have opined, invitations to tyranny? Or, as advocates of executive power argued, were EFRs strong medicine whose administration would save rather than endanger democracy?

To address these questions, I examine how long democracies survive, as a function of their budgetary reversions. More specifically, I investigate all democratic “episodes” occurring between 1875 and 2005, as identified by Boix, Miller and Rosato (N.d.). For example, by their criteria, Chile was a democracy in 1909-24, 1934-72, and 1990-2005. It thus experienced three democratic episodes, lasting 15 years, 38 years, and 15 years respectively (with the last being right-censored).[[18]](#footnote-18)

Figure 3 presents box-and-whisker plots to illustrate how long each democratic episode lasted, as a function of the budgetary reversion in place at the *beginning* of the episode.[[19]](#footnote-19) As can be seen, democracies tend to survive longer when, at the beginning of their life, the budgetary reversion is a government shutdown. Indeed, fully 25% of the democracies that debut with government shutdowns as their reversions have survived longer than the longest-lived democracy that has ever debuted with an EFR.[[20]](#footnote-20)

Figure 3 about here.

Do the apparently life-prolonging effects of shutdown reversions disappear when one controls for other factors that affect democratic stability? To explore this matter, I use a parametric survival model to predict the length of each democratic episode. Following recent precedents (Svolik 2008; Reenock, Staton and Radean 2013), the analysis controls for five variables often cited as important determinants of democratic survival: real income per capita,[[21]](#footnote-21) economic growth, presidentialism,[[22]](#footnote-22) previous breakdowns,[[23]](#footnote-23) and British colonial roots. The web appendix provides sources for each variable and summary statistics.

 Table 1 displays the results based on a Weibull specification with errors clustered by episode.[[24]](#footnote-24) Model 1 focuses on the full sample (146 democratic episodes, 1875-2005) and shows that democratic episodes beginning in richer, non-presidential countries tend to last longer. More important for present purposes, the model also shows that democracies with shutdown reversions last longer than those with EFRs. For example, a parliamentary regime with no previous breakdowns and mean income per capita would expect to survive 19 years longer, if it began with a shutdown reversion rather than an EFR. Given that the median democratic episode outside of Western Europe and North America lasts 20 years, this is a substantial effect.

Table 1 about here.

Model 2 replicates Model 1 for a sub-sample of the data: all 72 countries outside of Western Europe attaining independence after 1914 (and for which Angus Maddison’s dataset provides information on economic growth rates). As can be seen, the basic finding remains the same. Controlling for income per capita, economic growth, regime type, previous breakdowns, and British origins, democracies that begin life with shutdown reversions survive significantly longer than those that begin with EFRs.[[25]](#footnote-25)

The results in Table 1 are not driven by differences in the quality of democracy at the beginning of each episode. One can include, as an additional control, each country’s Polity 2 score at the beginning of its democratic stint. The Polity 2 score, which ranges from -10 (full autocracy) to +10 (full democracy), is a widely used indicator of the quality or level of democracy. Democracies that are “more democratic” at birth (by the Polity 2 criteria) do survive longer. However, the effect of the initial budgetary reversion remains statistically significant and comparable in substantive terms.[[26]](#footnote-26)

## Selection bias?

Are the results in Table 1 generated by selection bias? To address this possibility, let’s focus on Model 2 and consider *why* newly independent countries chose the particular reversions they did in their founding constitutions.

One possibility is that they were simply copying their former rulers’ reversions. Consistent with this idea, most former French colonies began life with EFRs (similar to France V’s), while most former British colonies began life with shutdown reversions. To the extent that initial reversions in the post-1914 sample are exogenous inheritances, one can view them as if they were randomly assigned by the vagaries of European conquest in previous centuries. Such as-if random assignment makes it more plausible that democracies with EFRs died sooner because of some causal effects of EFRs.

A second possibility is that each country’s initial reversion was chosen in light of local political culture. Perhaps founders favored EFRs in countries with more tumultuous politics and democracy died more quickly in those places. Under this account, even if EFRs were strong medicine that helped preserve democracy, they might be associated with early democratic death—because the medicine was administered to the sickest patients.

One response to this concern is that more tumultuous countries—as measured by Banks and Wilson’s (2013) well-known index covering riots, strikes, and protests—were no more likely to adopt EFRs than less tumultuous countries. So, the initial premise of the critique just offered is not met. Another response is that, although democracies do die more quickly in more tumultuous places, the effect of EFRs remains much the same after this additional control is added.[[27]](#footnote-27)

# EFRs and rents

The previous section showed that the budgetary reversion in force when a democracy is born significantly affects its longevity. In this and the next section, I investigate whether EFRs correlate with a specific cause of death: rent extraction followed by auto-coup.

Executive rents are not easily measured. Here, I use two proxies: Transparency International’s corruption perception (CP) index; and two published lists identifying kleptocrats.

Let’s begin with the kleptocrats. Ideally, one would partition all world leaders into two categories—kleptocrats and non-kleptocrats—on the basis of how much wealthier they became due to abuse of their official positions. One could then investigate whether leaders who entered office with EFRs were more likely than those who entered office with shutdown reversions to become kleptocrats.

The main problem with this research plan is identifying kleptocrats. Here, I use two lists compiled by the World Bank and the journal *Canadian Business*, which together identify 21 recent leaders as having stolen significant assets from their countries while in office. Of these 21 leaders, 19 entered office with EFRs already in place. If the probability that the World Bank and *Canadian Business* would identify a leader as a kleptocrat was, conditional on that leader’s true type, uncorrelated with the budgetary reversion in force before that leader came to power, then Bayes’ Theorem implies that a country’s probability of suffering under a kleptocrat is over 6 times higher when an EFR is in place.[[28]](#footnote-28)

Now consider the broader perceptions of corruption captured by Transparency International’s CP index. If a fish rots from the head down, the CP index should provide a rough measure of executive rent extraction.

Since the CP index is available only from 1995 on, I focus on the long-term effects of budgetary reversions. In particular, I ask: Does a democracy’s budgetary reversion at birth affect how corrupt it will seem to observers in 1995-2005? To address this question, I consider each country’s first democratic episode in the period 1875-2005 (if any). For each episode, the dependent variable is the country’s average CP index over the period 1995-2005. The main independent variable indicates whether the country began its first democratic stint with a shutdown reversion. The analysis controls for the country’s initial GDP per capita; initial regime type (presidential or not); British origins; and the decade in which it became a democracy.

So that Western Europe and North America do not drive the results, I either exclude those regions from the analysis (Model 1); or restrict attention to countries attaining independence after 1914 (Model 2). As can be seen in Table 2, Model 1, countries that were richer, as of their first year of democracy, were viewed as less corrupt at the end of the study period. More important for present purposes, countries that began their democratic lives with shutdown reversions were viewed as less corrupt in 1995-2005—consistent with the idea that incumbent leaders with EFRs have been able to extract more rents. Meanwhile, the other control variables (initial regime type and British origins) exhibit no consistent relationship with perceived corruption.[[29]](#footnote-29)

Table 2 about here.

To clarify the substantive size of the reversion’s effect, consider the cohort of countries that became independent in the 1960s. Of two countries in this cohort that differed only in that one began with an EFR and one with a shutdown reversion, the latter had an expected CP index .83 points higher on a ten point scale (I have flipped Transparency International’s original scale, so that 0 indicates the *lowest* level of corruption and 10 the *highest*). The estimated effect from Model 2 is similar (.88).

# Coup or auto-coup?

Table 1 has already shown that democracies die more quickly if they have EFRs. Table 1 does not tell us, however, the cause of death. Do democracies die due to the accumulation of power by an incumbent leader (auto-coup) or due to an extra-constitutional seizure of power by a new leader (coup)?

I classify the reason for a democracy’s death as a “coup” if there was a constitutionally irregular entry into power in the year of the democracy’s death.[[30]](#footnote-30) Otherwise, I classify the cause of death as an “auto-coup,” since democracy ended, not due to a seizure of power, but rather due to some actions taken by the incumbent leader or regime.[[31]](#footnote-31)

To explore how EFRs affect the incidence of auto-coups and coups, I use parametric survival models of the “cause-specific hazards” (Pintilie 2007). That is, I conduct separate analyses of (a) the time a democracy lasts until it suffers an auto-coup; and (b) the time it lasts until a coup.[[32]](#footnote-32) The control variables are the same as those used in Table 1. The results are presented in Table 3.

Table 3 about here.

As Maeda (2010) has already pointed out, in an important paper, the control variables should in theory relate differently to coups and auto-coups. To see why, consider each in turn.

First, higher rates of economic growth should deter coups, because good economic times bolster the position of the incumbent. For the same reason, however, higher growth rates should *not* deter auto-coups. Consistent with these expectations, poorer economic conditions strongly predict coups (Models 3-4) but not auto-coups (Models 1-2).

Second, higher levels of per capita income should deter coups, if the fighting that might then ensue would destroy larger stocks of capital assets (cf. Hirschman 1997). In contrast, auto-coups can be executed with or without violence, by biasing the electoral process in the executive’s favor. Consistent with these observations, higher levels of GDP per capita strongly deter coups (Models 3-4) but not auto-coups (Models 1-2).

Third, presidential regimes should be more prone to auto-coups. For, all presidents have independent electoral mandates and many have decree powers; and they can potentially exploit these resources to consolidate power. In contrast, it is less clear whether presidentialism *per se* should promote coups.[[33]](#footnote-33) Consistent with these observations, presidentialism predicts auto-coups (Models 1-2) but not coups (Models 3-4).

Finally, note that countries with more previous democratic breakdowns are *less* prone to auto-coups but *more* prone to coups. One interpretation of this pattern is that coups are positively auto-correlated (cf. Londregan and Poole 1990), because their underlying structural causes persist. For example, some countries have powerful militaries with the constitutional standing to intervene in politics (Loveman 1993). Such countries are prone to cycling between civilian governments during democratic spells and military juntas during authoritarian spells. In contrast, auto-coups may be negatively auto-correlated due to political learning. For example, if a country begins another democratic episode after having experienced a prior auto-coup, politicians may seek to prevent the next incumbent from pursuing the same strategy.

Turning to the variable of primary interest, note that EFRs significantly boost the hazard of auto-coups, in both the full sample (Model 1) and the post-1914 sample (Model 2). Thus, we have substantial evidence that the first causal path (EFRs → rents → auto-coups) has been well traveled.

In contrast, while EFRs boost the hazard of coups, the effect is statistically insignificant in both samples (Models 3-4). This is consistent with the observations made above that EFRs may help a leader defend against coups in ordinary times, while worsening his/her ability to bargain away from coups during crises.

# The rise of democracy?

Suppose one accepts the Montesquieuan argument that EFRs facilitate autocracy. Then, even taking a purely procedural view of “democracy,” one’s view of its progress over the last century and a half must change. To illustrate, consider Figure 4.

Figure 4 about here.

The large solid dots show how Huntington’s three waves of electoral democracy play out in my sample of 165 countries, using the Boix-Miller-Rosato measure of democracy. One sees the first wave, lasting from the late 19th century until 1925, followed by the first authoritarian trough; the second wave, lasting from 1945 until the early 1960s, followed by the second authoritarian trough; and the third wave, beginning in the mid-1970s and continuing into the 21st century. The graph is a hopeful one, with the percentage of the world’s polities enjoying electoral democracy reaching a new high with the third wave.

The small open dots show the percentage of the world’s countries in each year that were “republics”—defined as regimes with *both* strong vertical accountability (electoral democracy by the Boix-Miller-Rosato measure) *and* strong horizontal accountability (via LFRs). The graph is less hopeful. Republics crest in 1922, at 40% of the sample countries, reach local minima in 1941 (19%) and 1967 (22%), and still fall short of their peak level by the end of the time series.

# Conclusion

In Montesquieu’s view, the cornerstone of the separation of powers was the legislature’s power over the purse. With this power intact, the legislature could wield a “complete and effectual weapon…for obtaining a redress of every grievance” (as Madison put it). With this power impaired, Montesquieu warned, “there will no longer be liberty.”

Despite the centrality of the power of the purse in Enlightenment theories of government, the comparative literature lacks a general theoretical analysis of how such power can be established *de jure*, an up-to-date constitutional history of how often such power has actually been established, and a systematic empirical investigation of the consequences.[[34]](#footnote-34) In this paper, I have begun to fill these gaps in the literature.

My first goal has been to illustrate how much the legislature’s power of the purse depends on the budgetary reversion. Indeed, when the reversion is the executive’s proposal, the legislative majority can be virtually powerless; and some reversions to last year’s budget are not much better.

My second goal has been to provide a constitutional history of the evolution of budgetary reversions in the world’s constitutions over the period 1875-2005. I have shown that the power of the purse has been undone in most of the world’s new legislatures—sometimes by rendering the legislature non-independent of the executive; sometimes by abolishing or suspending the legislature’s key financial rights; and most often by adopting effective EFRs.

My third goal has been to explore how well two competing views of the power of the purse accord with actual political behavior. Montesquieu viewed the power of the purse as essential to limited government. In contrast, advocates of EFRs have typically argued that the power of the purse could safely be surrendered into the hands of the executive, as long as the latter was electorally accountable. Concentrating fiscal authority in the executive, moreover, would end budgetary gridlock and mitigate the fiscal common pool problem.

I show that democracies that begin life with EFRs die younger, controlling for GDP per capita, economic growth, British origin, number of previous democratic breakdowns, and presidentialism. Moreover, I show that EFRs theoretically should, and empirically do, have an especially strong effect in promoting auto-coups. These findings gibe with the Montesquieuan view that, where the power of the purse flags, limited government is imperiled.

The road to entrenched and extractive executives depicted here involves an important feedback loop between electoral authoritarianism and fiscal autocracy. On the one hand, it becomes more difficult to keep elections free and fair, when fiscal power is more concentrated in the executive’s hands—because the executive may extract rents and use them to buy votes. On the other hand, it becomes more difficult to limit the executive’s rents as elections become less accurate reflections of popular judgments upon the government’s performance. For, the expected electoral penalty for any level of rent extraction shrinks, as elections are more effectively rigged.

EFRs can trigger this malignant feedback between electoral authoritarianism and fiscal autocracy. For, executives can use the expanded rents that EFRs confer to erode the integrity of the electoral process; and use each decrement in electoral integrity to extract more money with greater impunity. There has recently been a lot of work focusing on electoral manipulation after the third wave (e.g., Schedler 2002, 2006; Hyde 2011). But the synergies between electoral and fiscal authoritarianism have been relatively neglected.[[35]](#footnote-35)

The policy implications of the findings presented here also merit consideration. If one seeks to promote good governance, then it may be just as important to ensure that the budgetary reversion does not favor the executive too much—thereby preserving the legislature’s power over the purse—as it is to ensure that the electoral process is not too easily manipulated by the executive. Indeed, the former effort may be essential to success in the latter effort.

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# Table 1: Democratic death as a function of the budgetary reversion

|  |  |  |
| --- | --- | --- |
| **Independent variables** | **Model 1** **(1875-2005)** | **Model 2****(post-1914)** |
| Budgetary reversion is a government shutdown at t0 | -1.17\*\*\*(.41) | -1.00\*\*(.51) |
| GDP per capita at t0 | -.27\*\* (.11) | -.23(.17) |
| Economic growth rate at t | -5.20\*\*(2.41) | -6.05\*\*(2.99) |
| Non-presidential regime at t0 | -.47 (.33) | -.79\*(.44) |
| Number of previous democratic breakdowns at t0 | .05(.20) | .14(.31) |
| British colonial heritage | .31(.31) | .53(.41) |
| Constant | -2.18\*\*\*(.29) | -2.58\*\*\*(.43) |
| ln(p) | -.07(.08) | .12(.11) |
| Number of observations | 3607 | 1063 |
| Number of episodes | 146 | 72 |
| Number of failures | 66 | 32 |
| p value, Wald χ2 | .0000 | .0000 |

\*\*\* p value < .01; \*\* p value < .05; \* p value < .10

Dependent variable: Time to death (by any cause).

Notes: (1) Negative coefficients indicate that increasing the variable in question decreases the risk of death. (2) t0 indicates the year in which the democratic episode began. The variables measured at t0 are “time-invariant.” The only “time-varying” variables is the economic growth rate.

**Table 2: Initial budgetary reversions and perceived corruption, 1995-2005**

|  |  |  |
| --- | --- | --- |
| **Independent variables** | **Model 1:****Countries outside of Western Europe and North America** | **Model 2:****Countries attaining independence after 1914** |
| **Initial reversion is a government shutdown** | -.83\*\*(.33) | -.88\*(.49) |
| **Initial GDP per capita** | -.21\*\*\*(.07) | -.29\*\*\*(.10) |
| **Initial regime is non-presidential** | -.23(.33) | .28(.45) |
| **British origins** | .35(.35) | .04(.48) |
| **Decade dummies** | Yes | Yes |
| **Number of observations** | 67 | 46 |
| **Adjusted R2** | .32 | .47 |

\*\*\* p value < .01; \*\* p value < .05.

Note: The dependent variable is Transparency International’s Corruptions Perception Index for each country, averaged over the period 1995-2005. The original scale runs from 0 to 10, with *larger* values indicating *less* corruption. I have flipped the scale so that *larger* values indicate *more* corruption.

# Table 3: Democratic death due to auto-coups and coups, as a function of the budgetary reversion

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Independent variables** | **Model 1:****Auto-coups****(1875-2004)** | **Model 2:** **Auto-coups** **(post-1914)** | **Model 3:****Coups****(1875-2004)** | **Model 4:****Coups****(post-1914)** |
| Budgetary reversion is a government shutdown at t0 | -1.58\*\*(.72) | -2.27\*\*(1.05) | -.75(.47) | -.10(.68) |
| GDP per capita at t0 | -.12 (.08) | -.03(.16) | -.57\*\*\*(.19) | -.81\*\*\*(.31) |
| Growth rate at t | -1.08(4.32) | 1.48(7.72) | -7.47\*\*\*(2.68) | -11.47\*\*\*(3.14) |
| Non-presidential regime at t0 | -.67 (.59) | -1.57\*\*(.78) | -.39(.39) | -.05(.58) |
| Number of previous democratic breakdowns at t0 | -.72\*(.39) | -1.39(.99) | .54\*\*\*(.21) | .72\*\*(.35) |
| British colonial heritage | -.17(.60) | .40(.70) | .44(.35) | 1.13(.81) |
| Constant | -3.26\*\*\*(.44) | -4.08\*\*\*(.85) | -2.57\*\*\*(.43) | -3.53\*\*\*(.91) |
| ln(p) | .05(.11) | .47\*\*\*(.15) | -.09(.11) | -.06(.15) |
| Number of obs | 3607 | 1063 | 3607 | 1063 |
| Number of episodes | 146 | 72 | 146 | 72 |
| Number of failures | 27 | 14 | 38 | 17 |
| p value, Wald χ2 | .0012 | .0000 | .0000 | .0001 |

Dependent variable in Models 1-2: Time to death by auto-coup.

Dependent variable in Models 3-4: Time to death by coup.

\*\*\* p value < .01; \*\* p value < .05; \* p value < .10











1. For elaboration on these points, see Roberts (1966), Dincecco (2011) and Cox (2012). [↑](#footnote-ref-1)
2. Similar leverage could be gained by putting time limits on taxes or establishing debt ceilings. [↑](#footnote-ref-2)
3. According to the Institutions and Elections Project dataset (<http://www2.binghamton.edu/political-science/institutions-and-elections-project.html>), legislative approval of the budget (resp., taxes) was required in 93% (resp., 95%) of the country-years covered (167 countries, 1972-2005). A survey by the International Parliamentary Union and the World Bank Institute found that the legislature approved the state budget in 92% of the 52 countries responding (Pelizzo and Stapenhurst 2004, p. 7). [↑](#footnote-ref-3)
4. Some question whether the President can veto the budget under the 1980 Constitution (see Siavelis 2002). But there were no questions about the 1925 Constitution (see Guerra 1929). [↑](#footnote-ref-4)
5. The general importance of regulating the executive’s powers of impoundment and virement is widely recognized—see, e.g., Stourm 1917; Wilmerding 1943; Stith 1988. What has been less widely recognized is that regulations of impoundment and virement in reversionary budgets are typically less clear than they are in ordinary budgets. [↑](#footnote-ref-5)
6. The prohibition on congressional amendment of the budget is such a potent power that it can reverse the legislature’s preferences regarding the reversion. In particular, as Romer and Rosenthal (1978) show, a more extreme reversion is better, when one can make a take-it-or-leave-it offer. [↑](#footnote-ref-6)
7. Some use the term “auto-coup” relatively narrowly, to refer to clearly unconstitutional, or even violent, actions taken by an incumbent to consolidate power. Here, I use the term more broadly, to encompass any systematic effort to remove the possibility that the incumbent will face real competition in future. My “auto-coups” are close to Maeda’s (2010) “endogenous terminations.” [↑](#footnote-ref-7)
8. The data will be publicly available upon publication at \_\_\_\_\_. On the recent surge of interest in quantitative constitutional history, see Elkins, Ginsburg and Melton (2009) and Law and Versteeg (2011). [↑](#footnote-ref-8)
9. I include the UK in my sample (as possessing a written but unconsolidated constitution), as well as several cases in which Basic Laws are taken to be the constitution. [↑](#footnote-ref-9)
10. More specifically, if a reversion to last year’s budget entails a government shutdown within *six months* after the beginning of the new fiscal year, I classify it as an effective government shutdown. In practice, reversions to last year’s budget with grace periods between 6 and 12 months are quite rare. The cutoff of six months thus provides a natural dividing line between those with stringent grace periods (mostly 4 months or below) and those lacking any provisions for an eventual government shutdown. I also classify reversions with scope limits as effective government shutdowns. An example is Germany under its 1949 Constitution. The US, too, falls in this category, if one views the Anti-Deficiency Act (which allows government spending during appropriations lapses to protect against imminent threats to life and property) as having constitutional stature. [↑](#footnote-ref-10)
11. I code EFRs as “safeguarded” if they occur in a system in which (a) a majority in the lower chamber of the assembly can vote no confidence in the government; (b) the executive cannot respond to such a vote by dissolving the assembly and holding non-democratic elections; and (c) the executive does not control the assembly by appointing its members or nominating them in a one-party state. The rationale behind this category is that, when an assembly majority can remove the government at will, and the assembly is democratically elected, then the strong fiscal powers conferred by EFRs are subject to an effective legislative check (via a credible threat of removal). [↑](#footnote-ref-11)
12. The figure starts plotting each cohort in the year following the period defining it. Thus, the 1875-1899 cohort begins plotting in 1900, the 1900-1924 cohort in 1925, and so on. The exception is the last cohort (1975-2005), which begins plotting in 1990. [↑](#footnote-ref-12)
13. The decline in EFRs in the second cohort is driven by the democratization of Bulgaria and Poland, along with the restoration of sovereignty to the Baltic republics. [↑](#footnote-ref-13)
14. A figure tracking effective EFRs looks similar to Figure 2. [↑](#footnote-ref-14)
15. The coding rules were as follows (see the web appendix for a fuller explanation). If the constitution does not confer the traditional powers of the purse, then the reversion is classified as the executive’s proposal. If the constitution confers the right to approve the budget (and possibly also taxes and loans) but opens loopholes (e.g., recess or emergency decree powers) that allow the executive to spend money without explicit legislative approval, then the reversion is classified as favoring the executive. Otherwise—powers conferred, no loopholes—the reversion is classified as favoring the legislature. [↑](#footnote-ref-15)
16. See Siavelis (2002, pp. 96-100) for a discussion of why post-authoritarian Chilean presidents have not overtly exploited the EFR re-established in 1980; and Baldez and Carey (1999) for an analysis that emphasizes how well the president nonetheless does. See Huber 1996, ch. 6 for a detailed case study of the electoral constraints French governments faced in budgetary politics. [↑](#footnote-ref-16)
17. Consider, for example, Gabon: http://www.independent.co.uk/news/world/africa/fight-against-african-kleptocrats-to-go-global-after-milestone-ruling-in-france-2130794.html. [↑](#footnote-ref-17)
18. A few cases in my dataset are left-censored at 1875 but those cases have been fixed by using Boix, Miller and Rosato’s dataset, which extends further back in time. [↑](#footnote-ref-18)
19. In my sample, only 5% of democracies ever change the reversion with which they begin life. [↑](#footnote-ref-19)
20. There were 33 democratic episodes beginning with a reversion to the executive’s proposal, 34 beginning with a reversion to last year’s budget, and 90 beginning with a reversion to a government shutdown. [↑](#footnote-ref-20)
21. Przeworski et al. (2000) documented that higher per capita incomes were good predictors of whether democracy, once it emerged, would stabilize in a particular country. Indeed, they famously observed (p. 98) that “no democracy has ever been subverted…in a country with a per capita income higher than that of Argentina in 1975: $6,055 [in constant 1985 dollars].” [↑](#footnote-ref-21)
22. Linz (1990) famously argued that presidentialism generated a series of incentives that led to democratic breakdown. Cheibub (2007) has since shown that no evidence favors the particular causal mechanisms Linz suggested. [↑](#footnote-ref-22)
23. Poole and Londregan (1990) documented that political violence is strongly auto-correlated. [↑](#footnote-ref-23)
24. Although I present only the Weibull results here, the results do not change significantly when one uses other common distributional assumptions (Gompertz, log-normal, log-logistic). Plotting the cumulative hazard against the Cox-Snell residuals, as recommended by Blossfeld, Golsch and Rohwer (2007, pp. 218-222), reveals a reasonably good fit for any of these models. [↑](#footnote-ref-24)
25. If one drops economic growth from the specification, the number of countries that can be included in Model 1 (resp., Model 2) increases to 157 (resp., 79). The results, however, remain much the same. [↑](#footnote-ref-25)
26. To examine the possibility of unobserved heterogeneity, I estimated a gamma distributed frailty model with shared frailties across episodes. The results indicated some heterogeneity but the estimated effect of the budgetary reversion remained largely unaffected. [↑](#footnote-ref-26)
27. The coefficient on the shutdown variable becomes -1.08, with a standard error of .43, very close to the corresponding estimates in Table 1, Model 1. [↑](#footnote-ref-27)
28. The web appendix provides further details. [↑](#footnote-ref-28)
29. If one adds the country’s initial polity 2 score, the coefficient on shutdown reversions falls to .62 but remains statistically significant (at the .10 level). Meanwhile, the initial polity 2 score is associated with lower perceived corruption but the effect is not statistically significant. [↑](#footnote-ref-29)
30. The Archigos dataset is a widely-used dataset that codes all entries into power by national leaders over the period 1875-2004 as either constitutional or extra-constitutional. It can be found at <http://www.rochester.edu/college/faculty/hgoemans/data.htm>. Cf. Goemans, Gleditsch and Chiozza (2009). In principle, a democracy might die by auto-coup in year t and then suffer a coup later in the same year. In practice, that does not happen in my sample. [↑](#footnote-ref-30)
31. In principle, a democratic episode can also end due to the dissolution of a state (whether by conquest or agreement). In practice, I count one case that might be construed as a conquest (Vichy France) as a coup. There is also one case in my sample in which democracy ends due to state dissolution: Czechoslovakia began a democratic episode in 1990, which ended with the creation of two new states (the Czech Republic and Slovakia) in 1993. I get similar results either including this case in a residual category of “non-coups” or excluding it. I consider Germany 1946-2005 to be a single state (first West Germany, then unified Germany). [↑](#footnote-ref-31)
32. My analytical approach is essentially the same as Maeda’s (2010). As Pintilie (2007) explains, the analyst has a choice between considering the “cause-specific hazard” and the “hazard of the subdistribution.” Roughly speaking, in the present analysis, this choice depends on whether one is more interested in the marginal probability of an auto-coup occurring before time t or the probability of an auto-coup occurring before time t, conditional on an auto-coup occurring before a coup. [↑](#footnote-ref-32)
33. Coups should occur whenever bargaining over the division of rents (and the setting of policy) fails. Holding constant the budgetary reversion, it is not obvious that presidents are any less credible than premiers. Nor is there evidence that other causes of bargaining failure, such as informational asymmetries, are systematically worse in presidential than non-presidential regimes. [↑](#footnote-ref-33)
34. Most recent analyses of budgetary politics have focused on contemporary democracies and said little about earlier periods or non-democratic regimes (e.g., Alesina et al. 1999, Hallerberg, Strauch and von Hagen 2009, Wehner 2010). Cheibub (2007) considers the postwar period, and both democracies and autocracies, but focuses on the contrast between presidential and parliamentary formats, rather than budgetary rules. [↑](#footnote-ref-34)
35. My emphasis on interactions between the electoral and fiscal processes complements the analysis of Persson, Roland and Tabellini (1997). They assume that elections are free and fair, that the budgetary reversion is something like a government shutdown, and that politicians cannot undo either of these constraints. Given those exogenously fixed conditions, they show how a sequential budgetary process similar to the one studied here can help voters keep politicians’ rents low. Their punch line is that the separation of powers can enhance the electorate’s ability to limit rent extraction. Here, the punch line is that removing a cornerstone of the separation of powers—viz., the legislature’s power of the purse—can ruin the electorate’s ability to limit rent extraction. [↑](#footnote-ref-35)