

MACRO SHOCKS, REGULATORY QUALITY AND COSTLY POLITICAL ACTION

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Abstract

We build a theory of political turnover in autocracies where citizens can only express their political preferences to remove the autocrat through costly mass protest. The disenfranchised are imperfectly informed about the autocrat's choice of economic institution. Workers only observe economic outcomes that could result from rent-extracting economic regulations or adverse economic shocks. The disenfranchised have priors about the autocrat's type and, by extension, policy choices. We propose that macro shocks can affect the cost-benefit calculus of costly political action through an informational channel. For an autocrat that has implemented hidden rent-seeking regulation, negative shocks reduce the perceived probability that the autocrat is benevolent, and increase the probability of opposition. We then empirically investigate this idea for a panel of autocratic countries. Using simple linear probability and logit models with fixed effects and using weather variables as instruments for macro shocks, we demonstrate that adverse economic shocks increase the probability of mass protest episodes only in countries with bad regulations.

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