The Global Economic Crisis and the Politics of Non-Transitions*

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I. A Crisis without Transitions

The Global Economic Crisis of 2008-09 (GEC) has led to the largest decline in global economic output in the past half century. History suggests that this global economic crisis should generate political change—regime change, government turnover, cabinet collapses, and the like—around the world.¹ But while several governments in the emerging economies on the periphery of Europe have collapsed as a direct consequence of popular outrage at the severe economic dislocation that has accompanied crises there, such experiences are comparatively rare. Outside of these cases—Iceland, Latvia, Ukraine, and a few others—most other crisis-affected economies have experienced neither political turnover nor regime change. In fact, a number of incumbent governments in democratic regimes have won reelection during a period of increasing economic hardship. In Ecuador, hit hard by the crisis, the incumbent Rafael Correa of Alianza PAIS handily defeated his main challenger in April 2009. In Malawi, which enjoyed breathtaking growth in 2008 only to resort to emergency IMF loans in response to a sharp deterioration in its terms of trade, incumbent Bingu wa Mutharika from the United Democratic Front won reelection easily in May 2009. As late as June 2010, no authoritarian regime in the developing world had succumbed to pressures for regime change as a result of the GEC. Despite global economic distress across the world, political change outside of the advanced industrial economies has been rare.

Peter Gourevitch, noting the absence of the “roiling political turmoil of the 1930s,” has called the political consequences of the GEC one of the central areas of research for comparative politics.² This paper draws on current research in economic voting and the political economy of democratic transitions to develop a unified framework for understanding the effects of the GEC
on cross-national patterns of political change. Placing the “non-transitions” of 2008-2010 in comparative and historical perspective, I argue that the key to understanding the relative scarcity of political turnover outside of the advanced industrial economies lies in these countries’ terms of exposure to the GEC. Incumbent governments’ responsibility for the current crisis, and in turn their responsiveness to its domestic economic effects, determine the patterns of political change and political stability that we observe.

“Terms of exposure” refers to the precise channels through which the GEC caused economic hardship. The majority of countries outside of Western Europe and the United States experienced the GEC as a trade and investment shock, one unrelated to domestic financial sector excesses, identifiable policy errors, high corruption or economic misconduct, or failures of leadership. This had two consequences for political change in the emerging and transition economies. First, with a few exceptions, these countries have experienced less severe crises than they might otherwise have. Trade and investment shocks in countries like Turkey have been less severe than the domestic financial crises in countries like Hungary and the Ukraine, which were directly exposed to financial distress due to their overheated and underregulated financial sectors. Second, incumbent governments in countries that experienced external trade and investment shocks have been able credibly to portray themselves as innocent victims of the economic difficulties that they currently face. They have not faced successful, broad-based, anti-incumbent political challenges, whereas governments in countries like Iceland and the Latvia have.

My argument predicts, therefore, that political change should vary as a function of the type of vulnerabilities that countries faced prior to the crisis. The cross-national evidence that I outline below is consistent with this prediction, and inconsistent with alternative explanations that focus on crisis severity, IMF involvement, and other explanations for political change. I
classify the non-industrial economies into three categories—sinners, saints, and bystanders—that correspond to the nature of their pre-crisis vulnerabilities. Sinners were “directly” vulnerable to financial distress due to their overheated and underregulated financial sectors. I show that in the sinners, where voters can identify fundamental policy errors that led to their countries’ experiencing domestic financial crises rather than simple trade and investment shocks, and therefore perceive their political leaders to be responsible for the crisis, elections have uniformly resulted in political turnover. By contrast, in the saints, those other developing, transition, and emerging economies where voters and citizens see their leaders responding to an externally-generated crisis, incumbent governments in authoritarian regimes have survived, and most democratic elections have returned incumbent leaders and parties to office. Critically, across the world, economic performance has no consistent relationship with political turnover in democracies.

As with any attempt to study current events systematically while at the same time capturing the patterns of political and economic change across the world, statistical tests of my argument are not possible due to the lack of systematic, high-quality cross-national data on all possible factors that might affect political turnover. However, data are available to test among different explanations for the variation in political outcomes that we observe, and terms of exposure prove a superior explanation to all competing explanations. Of course, some country experiences are exceptional and fall outside of my theory—for example, Taiwan’s cabinet resigned in 2008 following the government’s disastrous handling of Typhoon Morakot. But because my aim is to outline the consequences of the GEC for political turnover rather than to explain the origins of all recent instances of political turnover, these exceptions do not undermine my general argument. Instead, they confirm that direct exposure to the GEC is a sufficient but not necessary condition for democratic political change.³
Likewise, because the GEC is still a recent event, it is impossible to know what its long-term political consequences will be. But even if the GEC will have downstream political effects that we cannot observe today, political scientists must nevertheless develop the tools to understand the short-term effects of the crisis that we can observe, and explain these effects vary across countries. The GEC is the single most important shock to the global political economy since the Asian financial crisis of 1997-98, and my argument is the first attempt to catalogue and explain cross-national variation in its immediate political consequences.

The next section begins by placing the current global economic downturn in historical perspective, and then reviewing several literatures in comparative political economy that link economic conditions to macropolitical outcomes. I argue that existing perspectives offer useful clues as to the origins of political turnover amidst economic turmoil, but that none alone can explain the broad pattern of non-transitions in the non-industrial economies the wake of the GEC. The following section outlines my alternative approach, focusing on variation in pre-crisis vulnerability across developing, emerging, and transition economies and outlining its consequences for political change. I illustrate my causal claims using specific country examples where data is available; for this reason, my findings must be seen as suggestive but not conclusive. The conclusion discusses the broader theoretical implications of my argument for the study of economic crises and political change. I also speculate about the possible long-term or indirect political effects of the GEC.

II. **Crises and Political Change**

Current estimates indicate that in terms of contraction in real economic output, the GEC was easily the worst economic slowdown in the past forty years. This is true for both the
advanced industrial economies—where the crisis originated and where its effects are the most acute—and for developing, transition, and emerging economies (see Figure 1).

Viewed relative to the industrial economies, the impact of the crisis has been smaller elsewhere. But viewed relative to past instances of global economic turmoil, the present crisis promises to rival the most severe shocks to the non-industrial economies since the 1960s.

Growth in economic output outside of the industrial economies reached only 2.3% in 2009. By comparison, during the global recession of the early 1980s, growth rates in the developing world reached 2.2% (reached in 1982), whereas during the recession of the late 1980s and early 1990s, growth rates dipped as low as 1.7% (reached in 1991). The current crisis must be understood as a global crisis rather than simply one of high income or advanced industrial economies.

Historically, such global economic slowdowns have been associated with higher frequencies of government change and regime collapse. Figure 2 illustrates this by charting the average growth rates in developing and emerging economies alongside the average percentage of consolidated regimes, both democracies and dictatorships, which survive in a given year.

Figure 2 demonstrates that slowdowns in global growth are generally associated with an increased incidence of regime change, consistent with conventional understandings of the link between economic performance and regime survival. Of course, the link is imperfect: fewer regimes collapsed during the series of financial crises the spanned the world in 1997-1998 than in previous and subsequent years when global growth rates were higher. And cross-national averages obscure important variation in regime trajectories among crisis-affected countries. For instance, in one of the most systematic studies of the political economy of regime change, Stephan Haggard and Robert Kaufman stress that economic crises in general frequently prompt
transitions from authoritarianism, but that economic crises alone are neither necessary nor sufficient to explain patterns of political change. Although financial crises often prompt anti-incumbent protest and elite infighting, each of which may lead to government turnover or regime change, there are a variety of exceptions. Some authoritarian regimes (Chile in the 1980s, Malaysia in the 1990s) are able to weather financial crises relatively successfully. Likewise, many democratic regimes (India in the early 1990s, Argentina in the early 2000s) withstand financial crises as well as regimes, even if the incumbent governments that preside over the run-up to a crisis are replaced.

Existing research has used the variation in the political consequences of past financial crises to establish several general propositions about the links between crises and political turnover. These studies have focused primarily on the Latin American debt crises of the early 1980s, the prolonged economic downturn of the late 1980s, the Asian financial crisis of the late 1990s, and the broader literature on the economy and the vote in the advanced industrial democracies. These literatures suggest four potential explanations for the dearth of turnover and transitions during the crisis: the particular characteristics of each country’s crisis, political institutions, coalition politics, and voting behavior.

Crisis Severity and Crisis Type

The most obvious potential explanation for the absence of political turnover and regime change is that outside of the advanced industrial economies and the European periphery, the crises were relatively mild. This is because shallow crises, all else equal, are less likely to result in government turnover or regime change than severe crises. A related argument is that the type of crisis affects the likelihood of regime change: Mark J. Gasiorowski, for instance, has found that recessionary crises have on average been less likely to lead to democratization than have
inflationary crises. Jeffrey Chwieroth and Andrew Walter have found wide variation in the association between various types of financial crises (inflationary, currency, debt, etc.) and political turnover.

Looking at economic growth and consumer prices in developing, transition, and emerging economies through 2008 and 2009, several observations are worthy of note (see Table 1).

-- Table 1 here --

First, GEC was not an inflationary crisis: viewed against 2007 price growth, price growth in 2008 and 2009 were not noticeably different for many countries. Second, growth rates have clearly slowed, and in many cases turned negative, especially in 2009, indicating that where the GEC has affected the economies of non-advanced industrial economies, it is consequences have been recessionary.

Government turnover has occurred in some hard-hit countries, but by no means all of them. No authoritarian regime has collapsed as a result of this crisis, consistent with Gasiorowski’s findings from the 1950s through the 1980s. But it is also the case that many democratic governments have survived serious crises. Ukraine, whose economy shrank by 15.1% in 2009, saw Viktor Yanukovych defeat the incumbent president Viktor Yushchenko in the January 2010 election; in Armenia, whose economy shrank by 14.1% in 2009, the incumbent president Serzh Sargsyan remains in office. While Sargsyan may have enjoyed the fortune of an electoral calendar that saw him elected prior to the onset of the crisis, these dynamics indicate that severe crises alone are insufficient for creating political turnover. Other factors must play a role in mediating the links between crises and political change.

*Institutions*
The Armenian example suggests one obvious alternative: electoral institutions. In consolidated democracies, governments can rely on wide acceptance of democratic institutions to remain in office until a subsequent election (in countries where election dates are fixed) or to avoid calling elections until the crisis has passed (in countries where election timing is at the incumbent’s discretion). For these reasons, it may be more difficult to observe the effects of the GEC on government turnover in democracies; the United Kingdom’s Labour government limped through that country’s financial crisis for months, hoping for a recovery, and would have probably lost any election called prior to May 2010. Still, when elections do take place during economic crises, incumbents should be vulnerable. Electoral victories by the Democratic Party in the United States in 2008, and by the Democratic Party of Japan in 2009, illustrate such dynamics at work. In neither of these two cases was deteriorating economic performance the only factor leading to political turnover, but the financial crisis was clearly a contributing factor in both of them.

Yet election timing cannot explain all cases of non-transitions. The case of Malawi, where incumbents faced both an acute economic crisis and an election yet emerged unscathed, is a critical counterexample. The literature on economic voting in both new and consolidated democracies, in fact, rejects a simple relationship between economic conditions and support for incumbents even when electoral calendars allow voters to punish governments during crises. Electoral responses to poor economic conditions depend on institutional rules that clarify incumbents’ responsibility for economic outcomes. Chwieroth and Walter have argued, for instance, that financial crises are more likely to generate political turnover when institutions are centralized, as in presidential regimes. Electoral responses to poor economic conditions will also depend on the extent to which economic outcomes actually depend on government policies. Alternatively, in weakly institutionalized or unconsolidated democracies, which
describe many of the crisis-affected transitional economies, voters may not have sufficient trust in democratic institutions to use elections to sanction incumbent governments for poor economic performance. These perspectives suggest that the GEC might not have translated into demands for new democratic governments because citizens cannot see how to link poor economic performance to politicians’ behavior. However, for every Malawi there is a country like the Ukraine, where voters very clearly have punished incumbent politicians for poor economic performance. The difference between countries like Malawi and countries like the Ukraine remains unclear.

Coalition Politics

In the case of transitions from authoritarianism to democracy, a third family of explanations focuses on elite factionalism and the social coalitions underlying incumbent regimes. Coalition-based explanations draw attention to the social groups that support incumbent regimes and their expectations about the likely outcomes of a democratic transition. Haggard and Kaufman use the examples of Chile and South Korea in the early 1980s to argue that these military regimes were able to survive economic meltdowns because their supporters in the private sector feared that democratization would empower groups whose policy preferences ran counter to theirs. Michael Bratton and Nicolas van de Walle note the key role that patrimonial ties play in shaping democratic transitions in Africa, which often accompany economic crises and austerity measures but are by no means not solely determined by them. Thomas Pepinsky argues that the political consequences of financial crises depend on the distributional struggles over adjustment policies that these crises activate. Where social coalitions are united in their desired policy responses, regimes survive; where adjustment policy demands divide social coalitions, regimes collapse. These and other arguments indicate that while financial crises may
create precipitating conditions for political regime change, individual country trajectories are shaped in the end by configurations of power and interests that are specific to individual countries. If these arguments are to travel to the current crisis, then they would suggest that across the non-democratic countries that have suffered from the crisis, there was a high degree of popular support for incumbent regimes’ responses to the challenges that they face. This perspective is useful but incomplete, for it fails to explain why regimes have adopted policies that their supporters favor while others do not.

**Voting Behavior**

In democracies, the literature on comparative mass political behavior finds that the effects of economic conditions on anti-incumbent voting will depend on certain cognitive or behavioral factors in addition to the institutional factors outlined above. These include whether voters punish governments for past performance or try to anticipate future performance; whether voters make decisions based on their own experiences or those of a broader political community (egocentric vs. sociotropic voting); and individual understandings of objective economic conditions. These arguments do not address directly the role of economic crises (rather than economic conditions in general) in shaping the likelihood of government turnover, but the links between these literatures are straightforward. However, these literatures draw primarily on voting behavior at the individual level, and therefore are unsuited to explaining macropolitical outcomes without consideration of the broader national political contexts in which anti-incumbent voting takes place.

The conclusion from these various literatures is that we should expect higher rates of both government turnover and regime change during bouts of economic hardship such as that following the GEC. These literatures also provide a number of clues as to why regimes and
governments might nevertheless be able to withstand pressures for political turnover. They may help to explain individual country experiences during the GEC: strong party institutions have bolstered Singapore’s authoritarian regime; continued growth and a strong policy response kept China’s regime secure; President Sargsyan in Armenia is fortunate to have been elected in 2008, prior to the onset of the crisis; and Ecuador’s political institutions may make it unlikely that voters would hold individual Alianza PAIS politicians responsible for that country’s economic hardship.

But viewed together, these explanations ignore one commonality across the non-transition/non-turnover cases: these countries all experienced the GEC as an external trade and investment shock. This sets them apart from countries such as Iceland, the Ukraine, and other peripheral European countries which experienced domestic financial crises as a consequence of the GEC—and where incumbents in democracies have proven far wholly unable to withstand mass pressures for political change. The argument that I develop in the next section borrows insights from these literatures to argue that countries’ terms of exposure to the crisis play a central role in explaining cross-national variation in political change in the wake of the GEC.

III. Terms of Exposure and Policy Responsibility

Bingham Powell and Guy Whitten noted almost two decades ago that “clarity of responsibility” varies according to the institutions that affect leaders’ ability to affect economic policy. But in addition to varying by institutional structure, responsibility also varies according to the origins of economic conditions themselves. As a consequence of global economic integration, economic hardship may originate either from domestic economic conditions or as a consequence of exposure to global trade and financial markets. In the context of the GEC, countries experienced economic hardship in one of two ways: as a result of their own failures of
financial regulation and policy missteps, or as a consequence of the economic hardship experienced by their trade and investment partners. These are differences in countries’ terms of exposure to the GEC. Responsibility varies across these two groups of countries, with political leaders in the former being far more responsible in the eyes of their citizens for the domestic economic hardship than the latter.

More precisely, we can identify three groups of countries based on their terms of exposure to the present crisis. One group, the *sinner*, is comprised of countries in which lax financial regulation, easy credit conditions, and booming asset prices led to unsustainable borrowing at the household level combined with dramatically overleveraged financial sectors. Emblematic of these countries is the United States, but similar economic dynamics were at play in several industries economies in Europe, most notably Ireland, Spain, and the United Kingdom. These are the countries whose government policies and private sector behavior are broadly considered to have been responsible for the very existence of the GEC. The countries are primarily advanced industrial economies, but there are a few exceptions among emerging and transition economies whose experiences we will consider below.

A second group of countries, the *saints*, has embraced trade and investment ties with the broader global economy. These countries did not experience the same unsustainable financial excesses as did the countries identified as sinners above: lending and household borrowing were not fueled by impossible expectations of the future trajectory of home prices, corporate sectors were not highly overleveraged, and regulatory bodies appear to have adequately discouraged financial excess. These countries comprise most of the emerging economies of Asia and Latin America, some transition economies in Eastern Europe and the former Soviet bloc, and a number of developing economies in sub-Saharan Africa. Denoting these countries as saints in no ways implies that these countries face no significant political or economic problems. Many of these
countries are corrupt and undemocratic, and in many of them governments have failed to provide for basic human needs or to eliminate gross inequalities of welfare and opportunity among their citizens. They are saints in the narrow sense that the factors that directly contributed to the GEC elsewhere in the world did not appear in them, either because of sensible financial policies or because of good luck.

The third group, the bystanders, includes those few countries that have few direct links with the global economy. These include countries maintaining autarkic economic stances (DPR Korea) and those whose economies are so chronically mismanaged (Zimbabwe) or opaque (Burma) that international markets have found it difficult to penetrate them—the exceptions being certain primary commodities and illicit trade and smuggling. The bystanders are poor, but have suffered little from the GEC due to their insulation from global markets.

A straightforward way to operationalize the distinction between the sinners and the saints/bystanders is to examine the domestic financial consequences of the GEC. Lax financial regulation, easy credit conditions, and booming asset prices in the sinners resulted in either systemic domestic financial crises or “near-crises” that were only avoided after costly policy interventions. In the saints and the bystanders, no such crises or “near-crises” took place. By observing financial sector outcomes and policy responses from 2007-09, then, it is possible to identify the sinners. Luc Laeven and Fabian Valencia provide data on financial sector outcomes and policy responses during the GEC, and classify countries as having either experienced a systemic crisis or as “borderline” cases that nearly meet their criteria as having experienced systemic crises. Together, these countries are the sinners.

-- Table 2 here --
Table 2 shows that most of the sinners are advanced industrial economies, but sinners among the emerging and transition economies provide critical insights on the ways in which terms of exposure shape political change.

*Sinners, Saints, and the Effects of the Crisis*

The GEC was caused by corporate and consumer excesses combined with policy missteps among the sinners in the advanced industrial economies. But the economic effects of the crisis have been broadly shared among sinners and saints alike. With the economic contraction in the industrial world leading to lower demand for exports as well as tightening global credit markets leading to an abrupt shortage of outward investment from the industrial economies, a crisis originating in the industrial economies has become a global crisis.

Outside of the industrial economies, most of the sinners lie on the European periphery. These countries, like the sinners among the advanced economies, had financial sectors that participated directly in the financial bubble. Iceland’s experience is perhaps best known. There, a round of sustained financial liberalization dating from the early 1990s had by the early 2000s contributed to several pathologies that are familiar from other recent financial crises in the developing world. The first was a rapid buildup of domestic financial assets: by 2007, bank assets were about nine times larger than Iceland’s GDP, and concentrated overwhelmingly in only three institutions. The second was a boom in property values and stock market prices: Iceland’s stock market index nearly quadrupled between 2003 and 2007, and by 2007 housing prices had risen 89% from 2000 prices. The third was sustained foreign currency borrowing, by corporations and individuals alike, driven by a highly overvalued krona and essentially no regulations on cross-border financial flows: by 2007, Iceland’s net external debt was 234% of GDP. Given these risks, a financial crisis in Iceland may have been inevitable. Yet financial
turmoil in the United States and Europe preceded, and clearly deepened, Iceland’s financial
collapse, most directly by removing the ability of Icelandic banks to roll over their short- and
medium-term debts through further overseas borrowing. The GEC has devastated Iceland. Not
only have its three main banks collapsed, but the knock-on effects of the crisis have dramatically
cut domestic purchasing power, hammered housing and stock prices, and fed a surge in
unemployment. The causes of the present crisis are similar, if their effects somewhat less
dramatic, in Latvia, the Ukraine, and several other Eastern European economies.

Unlike these sinners, however, most of the world’s other globally-oriented economies did
not experience anything like the sustained borrowing and overheated equity prices that are the
hallmarks of Iceland’s experience. In these and other saints, those countries whose financial
sectors were not exposed to the same sorts of risks that Iceland and other sinners were, the
economic effects of GEC have been altogether different.

Consider the case of Singapore. Since independence, Singapore has followed an export-
led development strategy, relying initially on manufactured exports and subsequently on more
advanced sectors such as technology, pharmaceuticals, and financial services. Long considered
one of the best governed of the newly industrialized states of Asia, with competent leaders, a
meritocratic bureaucracy, and a professional regulatory apparatus, Singapore has nurtured a
financial system that has historically proven relatively immune to the excesses that have plagued
its neighbors. Despite deep integration into the global financial architecture, and its status as a
regional financial hub that intermediates between capital originating in industrial economies and
other Southeast Asian economies, Singapore’s financial sector remains fundamentally solvent.
Yet Singapore’s real sector has suffered a serious blow due to the country’s reliance on exports.
Prior to the country’s vigorous adjustment measures, the IMF estimated that Singapore’s
economy would contract by 10% in 2009, with unemployment jumping from an estimated 2.1%
in 2007 to 8.6% in 2010. For Singapore the GEC led to a severe trade shock, not a financial crisis, but a serious economic crisis nonetheless. In the event, Singapore’s policy response—combining lower interest rates with a large and economically significant fiscal stimulus—allowed it to avoid a severe growth contraction.

Singapore’s experience in the GEC is emblematic of most trade-dependent emerging economies (see Table 1). The only difference is that Singapore’s exceptionally large dependence on trade has meant that the domestic effects of its trade shock are particularly severe. Other trade-dependent emerging markets in Asia, such as neighboring Malaysia, have experienced similar economic contractions. The story is similar in Latin American countries like Mexico, whose economy relies on exports to the United States. The same is true for Argentina, Angola, and a number of other countries, each also dependent on exports to the advanced industrial economies and each similarly vulnerable to the current economic reversal. Figure 3 reveals the relationships between pre-crisis trade and investment and growth in 2009.

-- Figure 3 here --

Figure 3 also makes clear that the Baltics, along with Hungary and the Ukraine, are among the worst hit of all emerging and transition economies even though (with the exception of Hungary) they are not the most open to trade and investment, reflecting the importance of direct financial sector vulnerabilities in transmitting the effects of the crisis to them. There is no doubt that the sinners have experienced the worst of the crisis, but both sinners and saints have experienced severe economic hardship as a result of the GEC.

The story differs somewhat for large emerging economies, including the BRIC economies (Brazil, Russia, India, and China) as well as their counterparts such as Bangladesh, Indonesia, and Nigeria. Due to their large internal markets, these countries have experienced a slowdown in economic growth rather than an economic contraction (see Table 1). Russia,
classified by Laeven and Valencia as a “borderline” case of a financial crisis, is the sole sinner among these large economies. But also unlike the others, pre-crisis growth had been fueled by rising petroleum prices, which fell during the crisis\(^3\) only to rebound strongly thereafter.

Experiences differ as well in the countries identified above as bystanders. These chronic underperformers enjoyed few of the fruits of the expansion prior to the GEC, and have therefore faced few of its consequences.

*Terms of Exposure and Political Change*

There is a clear link between terms of exposure to the crisis and the political consequences of the GEC in emerging and transition economies. Among advanced industrial economies, the political consequences have been obvious: in the United States, Barack Obama and the Democratic Party won an impressive electoral victory in the fall of 2008, helped by popular frustration with a rapidly deteriorating economy and unpopular policy responses to it. In the United Kingdom, the economic crisis of 2008-09 was the final nail in the coffin of the Labour government. Elsewhere in crisis-affected Europe, heated political battles over the crisis and politicians’ responses to it continue.\(^4\)

But these patterns can also be found outside of the advanced industrial economies (Table 3).

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The relationship between terms of exposure and political change is most clear when separating democracies—defined here in minimalist terms as governments which submit themselves to regular, free, fair, and irreversible elections\(^4\)—from non-democracies. The latter have proven wholly resilient in the face of the crisis, but only two of the nine sinners, Russia and Kazakhstan, are non-democratic regimes (see Panel A in Table 3). These are also the only two sinners that
rely heavily on petroleum resources, which gave their regimes the policy flexibility and access to resource rents to manage the political consequences of the crisis.\textsuperscript{42} Given the paucity of non-democratic sinners, and their unique resource endowments, we can learn little about the effects of the GEC on democratization from their experiences.

Among democratic governments, however, there is useful variation in both terms of exposure and in political change. Panel B in Table 3 distinguishes between sinners and saints among the democracies, comparing countries that have experienced political turnover between January 1, 2008 and June 1, 2010 with those that have not. Incumbents have lost national elections in every country identified as a sinner.

- In Greece, the opposition Panhellenic Socialist Movement unseated the incumbent coalition headed by Prime Minister Kostas Karamanlis in October 2009 parliamentary elections.\textsuperscript{43}

- In Hungary, the rightist Fidesz-Hungarian Civic Union won a majority of seats in April 2010 parliamentary elections, ending the coalition government headed by the social democratic Hungarian Socialist Party.\textsuperscript{44}

- In Iceland, the majority center-right Independence Party suffered a crushing defeat in April 2009 parliamentary elections at the hands of center-left coalition led by the newly appointed prime minister, Jóhanna Sigurðardóttir.\textsuperscript{45}

- Latvia’s Prime Minister Ivars Godmanis, along with his entire cabinet, resigned in October 2009 in response to popular dissatisfaction with the steps his government was forced to take to rescue Latvia’s financial system from collapse.\textsuperscript{46}

- In Mongolia’s May 2009 presidential election, former pro-democracy activist Tsakhiagiin Elbegdorj defeated the incumbent Nambaryn Enkhbayar of the Mongolian People’s Revolutionary Party, which had held the presidency since the collapse of the USSR. In June 2008 Enkhbayar had presided over parliamentary elections marred by accusations of fraud, which resulted in deadly post-election violence.\textsuperscript{47}

- Slovenia’s center-left Social Democrats defeated the incumbent Slovenian Democratic Party in the September 2008 parliamentary elections.\textsuperscript{48}

- In the Ukraine, opposition leader Viktor Yanukovych handily defeated both the incumbent Viktor Yushchenko and Prime Minister Yulio Tymoshenko in the January 2010 presidential election.\textsuperscript{49}
By contrast, among those identified as saints—those countries that have not experienced financial collapses even though they have in many cases experienced severe economic setbacks—most incumbents have won the elections that they have faced. Of course, in countries such as Mexico with fixed electoral calendars, presidential elections have yet to be held, so the fate of incumbent presidents remains unclear. Even with this caveat, the relationship between terms of exposure and political change is clear: political turnover has been uniform among democratic sinners, but far less common among the democratic saints.

The Ukraine illustrates the links between pre-crisis vulnerability and political change, having experienced many of the symptoms of financial overexpansion similar to those experienced by the other sinners in emerging Europe: high inflation, a boom in consumption, sustained capital inflows, and a fragile and overexposed financial sector. When the crisis hit in mid-2008, the financial sector neared the brink of collapse, the value of the hryvnia plummeted, and the government approached the IMF to secure a substantial (and painful) rescue package. Large anti-government protests followed, led in many instances by those from the hard-hit eastern portion of the country, until presidential elections in early 2010 in which opposition leader Viktor Yanukovych handily defeated both the incumbent Viktor Yushchenko and Prime Minister Yulio Tymoshenko. Parliamentary elections could have been called any time before 2011, and Yushchenko did attempt to dissolve parliament in fall of 2008, but after several constitutional challenges this effort failed. With the onset of the crisis, the governing parliamentary coalition (including blocs led by Yushchenko and by Tymoshenko) changed course, and has chosen not to call early parliamentary elections for fear of defeat.

Of course, political turnover is not always caused by the GEC. In several saints, such as Chile, Taiwan, and Thailand, incumbents have lost elections. But such experiences are instructive. Thailand appears in Table 3 as a saint that has experienced political turnover, in this
case the fall of Samak Sundaravej’s government in September 2008 followed by the formation of a new government under Abhisit Vejjajiva amidst heavy popular protest. But the GEC did not cause Thailand’s political crises. Rather, Thailand’s political turmoil is the outgrowth of a long process of political contestation that has pitted the allies of the populist former prime minister Thaksin Shinawatra against his opponents drawn from the traditionally conservative Thai political establishment. The Thai political crises of 2008 and 2009 would have occurred with or without the GEC. In Taiwan, set to experience one of the most severe economic crunches in Asia, the Executive Yuan (akin to the country’s cabinet) resigned in September 2009. This, however, was a direct response to popular criticism of the government’s handling of Typhoon Morakot, not to the country’s dismal short-term economic prospects. Chile’s 2010 presidential elections yielded the first center-right government since the end of the Pinochet era in 1990. However, incumbent Michelle Bachelet—whose popularity among voters remained among the highest ever recorded for a post-1990 president—was forbidden by law from running for a consecutive term. Close inspection of these cases confirms that factors external to the GEC explain why particular governments from among the saints have succumbed to political change. Among democracies, direct exposure to the GEC through an overheated but underregulated financial sector is a sufficient but not necessary condition for political turnover.

**Exposure, Responsibility, Responsiveness, and Turnover**

Terms of exposure may explain political turnover in two ways. The first possibility is that sinners on average have experienced the worst economic contractions, making them more likely to experience political turnover. If so, terms of exposure are important background factors that shape the severity of countries’ economic crises, but crisis severity is the proximate cause of political change. Such an explanation sits awkwardly with the data. It would imply given current
data that GDP contractions of greater than around seven percent are sufficient to cause political turnover, while GDP contractions slightly below this are not. By any metric, the economic difficulties being experienced by small trade- and investment-dependent economies are large and painful. There is no obvious reason why a seven percent GDP contraction is the threshold after which political change becomes unavoidable. Further, it is not true that all saints experienced severe crises on the order of Iceland and the Ukraine; Mongolia’s GDP growth bottomed out at “only” -1.6% in 2009.54

The alternative mechanism can explain political change in sinners following relatively shallow economic contractions (e.g. Mongolia) as well as political continuity in saints following severe economic crises (e.g. Malawi) by focusing directly on the terms of exposure themselves. The literature on clarity of responsibility finds that voters punish incumbent politicians only when they consider these politicians to be responsible for the economic hardships that they face,55 while the literature on externally-generated economic crises finds that the supporters of incumbent regimes only turn against their patrons when their patrons fail to adopt their preferred policy responses.56 Taken together, the literatures predict that political turnover will be more likely when citizens blame their leaders for the current crisis and when these leaders fail to adopt the policies that their supporters demand.

This mechanism explains why incumbent governments in sinners have found it so difficult to survive, while those in saints have not. In sinners, irrespective of crisis severity, clarity of responsibility is high because the paths leading from policy to crisis are clear. Voters have good knowledge of the policies that led to the financial meltdowns that they currently face, in no small part because incumbent politicians themselves touted these policies prior to the crisis. This is the case in all of the sinners: governments rode high on expectations of future economic progress, and they coupled this with the constant promotion of the lending, spending, and
consumption practices that drove financial sector overheating and which ultimately left their citizens reeling. There is certainly debate about what specific policies may have encouraged these practices, but no credible political movement in any of the sinners that believes that their crisis is the result of anything other than financial sector excess.

In saints, paths of responsibility are far less clear, both to voters in democracies and to regime supporters in non-democratic regimes, because aside from the sudden reversal in capital flows and the abrupt slump in exports, nothing obvious has changed. Unlike in the sinners, financial sectors in the saints remain solvent, and exchange rates have depreciated but not collapse. Governments in the saints have therefore portrayed the economic hardships that they experience as externally-generated. As *The Economist* characterized political responses to the crisis among Asian countries in early 2009,

> The Western consensus in favour of globalisation lured them, they say, into opening their economies and pursuing export-led growth to satisfy the bottomless pit of Western consumer demand. They have been betrayed. Western financial incompetence has trashed the value of their investments and consumer demand has dried up. This explanation, which absolves Asian governments of responsibility for economic suffering, has an obvious appeal across the region.

Colorful comments by Brazil’s former president Luiz Inácio Lula da Silva illustrate a similar sentiment there:

> This is a crisis that was caused by white people with blue eyes…and before the crisis, they looked as if they knew everything about economics.

Likewise, Romanian President Traian Băsescu, who avoided succumbing to a stiff political challenge in Romania’s 2009 presidential election, claimed that

> There were smart guys coming to Romania, who had studied at Harvard and Oxford, and they invented how to increase the value of one’s shares without actually having money.

During the GEC, politicians exploited responsibility to their own benefit. Where it is possible to attribute responsibility for the crisis to external economic conditions or actions beyond the
control of incumbent regimes, incumbents have done this. Where the GEC has exposed systemic
or near-systemic domestic financial insolvency, politicians have been unable to shift blame
abroad in ways that can protect their tenure in office.

If responsibility has given incumbent politicians among the saints a coherent explanation
for why their citizens should not blame them for current economic hardship, policy
responsiveness has helped them to communicate to their citizens and supporters that they are
doing all in their power to ease this hardship. Among the saints, policy responses to the crisis
have been swift and active, and have for the most part heeded the IMF’s advice to combine
cautious monetary easing (to balance the need for looser money against the worry that such
easing might prompt further capital outflows) with more aggressive fiscal stimuli. These
governments have also taken swift actions to ensure financial sector stability. Such policy
responses are relatively uncontroversial from the standpoint of consumers, businesses, and the
financial sectors in these countries; where criticisms exist, they have been about the scope or
depth of these policy responses (not wide or deep enough) rather than the existence of these
responses. Incumbent politicians in the saints have been content to emphasize the external
origins of the crisis and to highlight their own steps to minimize its domestic impacts. Most have
also carefully reminded their citizens that economic recovery will depend on the recovery of the
advanced industrial economies, something beyond their control. Recovery, in other words, will
be driven by the same kinds of trade and investment ties that had driven pre-crisis growth.

Furthermore, many countries have sought IMF support during the GEC, yet there is no
evidence that IMF’s participation in recovery programs explains political change. IMF scholars
have found that borrowing governments incur “sovereignty costs” when approaching the IMF;
all else equal, governments prefer not to incur these costs, and for various reasons they can
expect to be punished domestically for having sought IMF support during crises. IMF programs
in Greece, Hungary, Iceland, Latvia, Mongolia, and the Ukraine have been unpopular. But IMF programs have also been extended to other democracies with troubled economies (Costa Rica, Malawi, Romania, and other) in which incumbents have prevailed in elections. These loan agreements, moreover, clearly indicate that the international economic environment rather than domestic financial sector vulnerability explains the need for a loan. In the case of Costa Rica, for example, the IMF supplied funds “to support the country’s strategy to cope with the adverse global economic environment.” In short, IMF participation does not explain the cross-national pattern of political change during the GEC, and the IMF itself recognizes the distinction between governments that were responsible for systemic domestic financial crises and those that were simply vulnerable to the global economic consequences of economic crises among the advanced economies.

In sum, terms of exposure explain two important features of the GEC. First, saints, unlike sinners, have largely escaped blame for the domestic economic consequences of the GEC. Second, saints have maintained active policy responses to the crisis that are broadly popular, even when these require IMF support, while the sinners have been forced to adopt broadly unpopular policy responses. Both factors made political survival more difficult for incumbent governments in sinners than in saints.

These observations from the GEC can be applied to other international financial crises as well. To illustrate how, consider the political fallout to the Asian financial crises of 1997-98 in the developing and newly industrialized economies of East and Southeast Asia. Five countries can be considered sinners: Indonesia, Malaysia, the Philippines, South Korea, and Thailand. Each all except for Malaysia, political turnover occurred, and in Malaysia, as Pepinsky argues, policy responsiveness explains the absence of turnover. Other countries can be considered saints: China, Singapore, Taiwan, and Vietnam. Even though each of these countries
experienced the indirect effects of the Asian financial crisis—each registered notably slower
growth, and Singapore’s growth rates trended negative—in all cases governments and regimes
remained in power. The comparison between the Asian financial crisis in 1997 and the bursting
of the technology bubble in 2001 also helps to illustrate this point. In the former instance,
Malaysia was a sinner, and its regime faced a serious domestic challenge. In the latter instance,
Malaysia was a saint, and although it suffered economically from this crisis as well, its regime
faced no additional domestic pressure for political change.

IV. Conclusion

Amidst one of the worst global economic crises of the past century, government turnover
and regime change around the world have been comparatively rare. This should animate scholars
of comparative politics to reconsider the conditions under which economic crises cause political
change. This paper has argued that existing research on the political consequences of economic
crises—focusing on crisis intensity, social coalitions, and political institutions—are incomplete
without a systematic study of the channels through which countries are exposed to crises. Many
emerging and transition economies suffered serious economic reversals during the GEC, but the
siners experienced systemic financial crises while the saints suffered from trade and investment
shocks. Among democracies, being a sinner has proven a sufficient (but not necessary) condition
for political change.

One open question is why some countries were sinners and others were saints, and why
the sinners were primarily located on the periphery of Europe rather than among other
developing, transition, or emerging economies. While a full answer is beyond the scope of this
paper, several factors are likely at play. One is the combination of financial liberalization with
substantial inflows of foreign capital from Europe. These were new challenges for small
peripheral European economies that, for better or worse, had already been faced in much of Asia and Latin America by the beginning of the 2000s. A closely related factor is the adoption (or planned adoption) of the euro in many of these countries, which encouraged these capital inflows and liberalization measures as well as constraining immediate policy responsiveness. In other emerging and transition economies, where these precipitating conditions were absent, economies avoided the financial excesses that eventually resulted in systemic financial crises. Economies such as China, which maintains restrictions on capital inflows and tight control over domestic finance, also remained insulated from direct financial contagion from the crisis. Further research may help to discover whether these fortuitous policies that insulated countries from direct financial sector vulnerability during the GEC are the product of conscious policy decisions by skilled policymakers, are merely accidental, or are the unintended consequences of previous policies adopted to solve other problems—the three options that Herman Schwartz calls “luck, pluck, or stuck.”

My argument rests on claims about how citizens attribute responsibility to politicians for the economic distress that the GEC has caused. The argument that they have only punished incumbent regimes among the sinners rests on assumptions about policy knowledge, political awareness, and voter sophistication with regards to the origins and nature of current economic conditions that are unlikely to hold for all citizens. These assumptions are at odds with Christopher Achen and Larry Bartels’ finding that “when the voters are in pain they kick the government,” regardless of whether it is reasonable to think that the government is responsible for that pain. Yet my theoretical framework provides a straightforward logic that explains more cross-national variation in political outcomes than any competing explanation. It also captures the often-surprising tenor of electoral campaigns in the saints. Despite abrupt economic
reversals, campaigns in Costa Rica, Malawi, and other saints simply have not targeted incumbents for economic management in the way that campaigns in the sinners have.

The final open question is about the long-term political effects of the GEC. Thus far, the political consequences treated here are direct ones, in which voters or supporters punish governments and regimes for the current economic hardships that they face. Writing ten years after the Asian financial crisis, though, Andrew MacIntyre, T.J. Pempel, and John Ravenhill found that throughout Asia—even in countries that did not experience a financial crisis—the crisis catalyzed important political developments independently of their direct effects on political turnover. The GEC may have such catalytic effects on domestic politics around the world as well.

These long-term, indirect effects emerge because crises interact with pre-existing political conditions to empower or weaken different groups within a country, or to expose the contradictions or inconsistencies of existing political arrangements. By their nature, it is hard to predict what the indirect effects of the GEC will be. Still, it is possible to identify two countries whose recent experiences suggest possible long-term consequences of the GEC. The first, Ecuador, shows how the GEC may actually have strengthened an incumbent leader. President Rafael Correa is a popular leader known both for his skill in campaigning and for his skepticism of international markets. He famously pledged, prior to the crisis, to “consign neoliberalism to ‘the trash bin of history,’” a popular stance domestically but one that earned him widespread criticism globally. Ecuador’s economy grew by just 0.4 percent in 2009 due to a fall in remittances and low global petroleum prices. Correa though remains popular, due to his aggressive spending policies and his imposition of high tariffs on imports. Correa’s critics charge that his spending policies will bankrupt the already fragile economy, that tariffs on imports will engender retaliatory tariffs on Ecuadorian exports, and that his government is a threat to
democracy. But for Correa’s government, the GEC simply reconfirms the validity of its prior policy stance, bolstering his domestic credibility despite its accompanying economic hardship.

If Ecuador shows how the present crisis may further pre-existing political trends to help strengthen an incumbent government, Malaysia shows how the same crisis may interact with pre-existing political trends to undermine an incumbent regime. Prior to the onset of the current crisis, in March 2008, Malaysia’s long-ruling Barisan Nasional regime lost its two-thirds majority in the country’s parliament for the first time since 1969. This electoral setback empowered opposition parties to form their most successful alternative coalition in that country’s history. Since March 2008, Malaysia’s economic prospects have dimmed considerably, due primarily to declining exports. The government does not face any charges of responsibility for the crisis. But the current prime minister, Najib Abdul Razak, faces a difficult task of expanding the economy while both protecting Malaysia’s policies of ethnic favoritism to please the regime’s constituents and reassuring the regime’s newly energized opponents that policies are not too corrupt or chauvinist. In this way, the GEC has created new political challenges in Malaysia that are more acute than ever before, but which stem from pre-existing political developments not associated with the crisis. Similar issues are at play elsewhere. Even China’s regime—highly institutionalized, with an impressive record of economic growth, and well-shielded from the GEC—struggles to maintain what one observer calls the “vast patronage system that has been underwritten by a long period of economic growth” in the face of the current crisis.

The implication is that future research on the long-term political effects of the GEC must be sensitive to the economic dislocations, policy feedback effects, and changes in the distribution of power and resources that form the basis of existing political orders—even in the countries where surface political arrangements remain unchanged. The prevalence of non-transitions in the
wake of the GEC notwithstanding, the final chapters in this story of the economic crisis and political change probably have yet to be written.

V. Notes


2 Gourevitch 2009.

3 Mahoney, Kimball, and Koivu 2009, 121-123.

4 IMF 2010.

5 Hanieh 2009.


8 This link between crisis severity and political change is imperfect. For example, Chile’s economic collapse in the early 1980s far exceeded, GDP terms, that of neighboring Argentina, yet the Pinochet regime survived the crisis while Argentina’s military regime did not.


10 Chwieroth and Walter 2010.


12 Kingston 2009.


15 Chwieroth and Walter 2010.

16 Duch and Stevenson 2008.

17 Duch 2001.
External conditions certainly shaped the conditions under which the GEC unfolded. Arguably, high savings rates in developing Asia were instrumental in financing the United States’ current account deficit; see e.g. Bernanke 2005.


For a review of the channels linking the current crisis to the developing world, see Blanchard, Das, and Faruqee 2010; Felton and Reinhart 2008, 7-60.

Carey 2009; Wade 2009.

All figures from the OECD 2009a, 20-29.

Bloomberg, February 27, 2009.

World Bank 2009a.

IMF 2009b, 65.

Goldstein and Xie 2009, 49.

OECD 2009b.

Chwieroth and Walter 2010, for example, note higher rates of cabinet turnover in the months following the Lehman bankruptcy.

For a discussion of this definition, see Przeworski, Alvarez, Cheibub, and Limongi 2000, 13-36.

Gaddy and Ickes 2010.

Dinas 2010.

Müller 2011.

Hardarson and Kristinsson 2010.

Ikstens 2010.

Bulag 2010.

Fink-Hafner 2009.

Kuzio 2010.

Opinion polls from May 2009 show incumbent President Felipé Calderón’s popularity to have remained high; see Abundis 2009. Calderón’s party did suffer a setback in the summer 2009 legislative elections, but this does not appear to portend any major changes in Mexican politics.

Andersen 2008; Kessler 2011.

See Prasirtsuk 2009.

Centro de Estudios de la Realidad Contemporánea 2009.

Bersch and Sinclair 2011.

56 Pepinsky 2009b.

57 I thank an anonymous review for helping me to clarify this point.


61 See IMF 2009b, xix.

62 Akyüz 2009.

63 Stephanou 2009.

64 Weisbrot, Ray, Johnston, Cordero, and Montecino 2009.

65 Vreeland 2003.

66 IMF 2009a.

67 Pepinsky 2009b.

68 The region’s bystanders include Burma, Cambodia, and Laos.


70 Achen and Bartels 2004, 8. See also Wolfers 2007.

71 MacIntyre, Pempel, and Ravenhill 2008.

72 Authors working in numerous traditions have made this point; see e.g. Drazen and Grilli 1993; Gourevitch 1986; Haggard and Kaufman 1995; O’Donnell 1973.

73 Conaghan 2008, 55.

74 Pepinsky 2009a.

75 Pei 2009.

VI. **References**
Abundis, Francisco. 2009. “Political Panorama for the Intermediate Election for Congress in Mexico: July 5th, 2009.” Available online at http://as.americas-society.org/files/PresentacionC3%BC%C3%B3n_versi%C3%B3n%20en%20ingl%C3%A9s_act0609_FINAL.pdf.


Table 1: Growth and Inflation for Select Developing, Transition, and Emerging Economies
Source: IMF 2010

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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Algeria</td>
<td>3</td>
<td>2.4</td>
<td>2</td>
<td>3.6</td>
</tr>
<tr>
<td>Morocco</td>
<td>2.7</td>
<td>5.6</td>
<td>5.2</td>
<td>2</td>
</tr>
<tr>
<td>Tunisia</td>
<td>6.3</td>
<td>4.6</td>
<td>3</td>
<td>3.1</td>
</tr>
</tbody>
</table>

\(^a\) 2007 figures from IMF 2009b.
Table 2: Sinners during the GEC (2008-09)
Source: Laeven and Valencia 2010, 9

<table>
<thead>
<tr>
<th>Advanced Industrial</th>
<th>Emerging and Transition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Greece</td>
</tr>
<tr>
<td>Belgium</td>
<td>Hungary</td>
</tr>
<tr>
<td>Denmark</td>
<td>Iceland</td>
</tr>
<tr>
<td>France</td>
<td>Kazakhstan</td>
</tr>
<tr>
<td>Germany</td>
<td>Latvia</td>
</tr>
<tr>
<td>Ireland</td>
<td>Mongolia</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Russia</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Slovenia</td>
</tr>
<tr>
<td>Portugal</td>
<td>Ukraine</td>
</tr>
<tr>
<td>Spain</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td></td>
</tr>
</tbody>
</table>

Advanced industrial economies are defined geographically to include all high-income Western European countries that are EU members, along with Switzerland and the United States (as well as Canada, Japan, and Norway, not listed above). Financial market developments since late 2009 have revealed that the economies of Ireland and Portugal probably share more features with those of Greece and Iceland than with the rest of Western Europe, meaning that they could be classified as “emerging” as well but are not for political reasons (Forbes 2010, 311). Classifying Ireland and Portugal as emerging economies would only strengthen my findings.
Table 3: Sinners, Saints, and Political Change

Panel A: Sinners and Saints by Regime Type

<table>
<thead>
<tr>
<th>Regime Type</th>
<th>Sinners</th>
<th>Saints (selected examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Democratic Regimes</td>
<td>Kazakhstan, Russia</td>
<td>China, Egypt, Malaysia, Singapore</td>
</tr>
<tr>
<td>Democratic Regimes</td>
<td>Greece, Iceland, Hungary, Latvia</td>
<td>Mongolia, Slovenia, Ukraine, Brazil, Chile, Costa Rica, Ecuador, India, Kenya, Malawi, Mexico, South Africa, Taiwan, Thailand</td>
</tr>
</tbody>
</table>

Panel B: Sinners, Saints, and Political Outcomes in Democratic Regimes

<table>
<thead>
<tr>
<th>Political Turnover Since Crisis Onset</th>
<th>Sinners</th>
<th>Saints (selected examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Greece, Iceland, Hungary, Latvia</td>
<td>Mongolia, Slovenia, Ukraine, Chile, Thailand, Taiwan</td>
</tr>
<tr>
<td></td>
<td>--</td>
<td>Brazil, Costa Rica, Ecuador, India, Kenya, Malawi, Mexico, South Africa</td>
</tr>
</tbody>
</table>

Political turnover includes any of the following: a parliamentary vote of no confidence, the resignation of a government, or an election in which an incumbent party lost control of government or the presidency. See text for specific details on political turnover in sinners.
Figure 1: Economic Growth in Historical Perspective
Source: IMF 2010

“Growth Rate” is year-on-year real GDP growth. “Non-industrial” excludes Australia, Austria, Belgium, Canada, Cyprus, the Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, the UK, and the US.
Figure 2: *Growth Rates and Regime Survival*
Source: IMF 2010; Marshall and Jaggers 2007

The sample of non-industrial countries is the same as Figure 1. “Growth Rate” is year-on-year real GDP growth. “Regime Survival Rate” is the fraction of all existing consolidated regimes in developing and emerging countries that collapse in a given year. Consolidated regimes are defined as those that have survived at least two years since the previous regime change. Regime data from the Polity IV project.
Figure 3: Trade, Investment, and Predicted Growth
Source: IMF 2010, World Bank 2009b

The vertical axis Ln(Exports/GDP) in the left panel is the natural log of exports as a percentage of GDP. The vertical axis Ln(FDI inflows/GDP) in the right panel is the natural log of inward foreign direct investment flows as a percentage of GDP. All data for exports and foreign direct investment from 2007, except for Tanzania (export data from 2006), Syria (FDI data from 2006), and UAE (export data from 2006). Angola, Azerbaijan, and Saudi Arabia had negative net FDI inflows in 2008, so were coded at the minimum value all countries with positive net inflows.