Autocratic Succession and Access to Foreign Finance

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Abstract

Succession is a core function of any political regime but is particularly a dilemma for autocracies. Recent work has examined the role of succession rules—specifically, designated successors, an individual or office specified in the constitution to take power if a vacancy occurs—in autocracies with a focus on the relationship between successors and autocratic survival. Instead, I connect succession rules to political economy through sovereign debt. I argue that succession rules can increase an autocracy's access to sovereign debt by addressing political instability.. Succession rules reduce the probability of coups if a vacancy occurs and can signal that the autocrat is secure in power. Using original data on succession rules in sub-Saharan Africa from 1990 to 2016, I find that succession rules increase the likelihood that autocracies issue sovereign bonds. All types of succession rule increase the probability of issuing sovereign bonds, but the effects appear strongest for rules that identify successors. My argument and findings demonstrate how autocratic succession matters for outcomes beyond survival and that autocratic institutions can increase access to foreign finance without creating credible commitment.

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Introduction

All political regimes must eventually deal with succession. Rules for succession determine how and when political power is transferred between individuals. Succession presents a greater challenge for autocracies, regimes where political power is not determined by competitive elections. Elections provide democracies with built-in mechanisms for succession. Opportunities for transferring power occur at regular intervals. Autocracies show greater variation in handling succession whether in formal rules like constitutional provisions or informal rules like a ruling party's traditions. Some autocracies simply neglect to prepare for succession altogether.

Succession can occur at two times. Regular successions occur at times defined by formal rules. In most modern polities, elections demarcate regular transfers of power. Irregular successions occur after emergencies like a leader's death, resignation, or incapacitation. Emergency, irregular successions are particularly dangerous in autocracies. Without succession rules, the autocrat's death can create a power vacuum. The resulting power vacuum can lead to violence that destabilizes the regime and causes the regime's demise. By one estimate, there is a 25% chance that an autocracy collapses, either into a democracy or a new autocratic regime, after the autocrat dies (Kendall-Taylor and Frantz 2016).

Succession rules in the constitution are the main legal source for handling emergency successions. Recent work has examined the role of one type of succession rule: a designated successor rule. Under a designated successor rule, an individual or holder of an individual office is specified by the constitution to take power if a vacancy occurs. Recent work finds that having a designated successor in an autocracy can reduce the probability of coups (Frantz and Stein 2017; Kokkonen, Møller, and Sundell 2022; Kokkonen and Sundell 2014; Konrad and Mui 2017; Meng 2020, 2021; Zhou 2023) and the probability of violence after a vacancy Kokkonen2020LeaderMeng2021Winning.[1]

In this paper, I connect succession rules, including designated successor rules and alternative arrangements, to international political economy through sovereign debt. Debt allows

1. Note that my use of the term "designated successor," elaborated upon in the data section, differs slightly from existing literature. Existing literature uses designated successor to refer to anybody specified to take over after a vacancy. I add the condition that they must take over for the entire remaining term; otherwise, the successor is a caretaker.

states to spend more than what the state can extract from domestic resources or substitute for higher taxation. Modern states, whether autocratic or democratic, need to borrow money, often from foreign investors. But buying sovereign bonds and lending states money come with risk. Investors cannot force states to repay their debts. States can opt to default, refusing to repay their debts and leaving bondholders at a loss. When sovereign default occurs, bondholders cannot directly punish the state.

Autocracies potentially exacerbate the threat of sovereign default. Institutions can help lower the risk of default. Institutions can create a credible commitment to repay debts by placing constraints on executives (Cox 2016; Cox and Saiegh 2018; North and Weingast 1989; Saiegh 2013) and giving control over policy to actors who prefer repayment (Stasavage 2002; 2016). Both functions of institutions may provide democracies with advantages in borrowing money. Democracies typically place greater limitations on executives, and elections provide a mechanism for bondholders and other actors with an interest in repayment to punish the government for default (Ballard-Rosa, Mosley, and Wellhausen 2021; Beaulieu, Cox, and Saiegh 2012; Schultz and Weingast 2003).[2]

Still, many autocracies rely on debt and consistently repay their debts. Autocrats retain power by rewarding a small group of key supporters (Bueno de Mesquita et al. 2003), and debt is a powerful tool for rewarding allies. Autocracies borrow money at higher levels than democracies (Oatley 2010), and the costs of borrowing affect the survival of leaders in autocracies more than the survival of democratic leaders (DiGiuseppe and Shea 2015). For autocrats who rely on debt to retain power, repayment is credible because default threatens the leader's survival.

Even among autocracies that will credibly repay debts, political instability remains a threat. Political instability can precede sovereign defaults, particularly in the case of coups (Balima 2020; Shea and Poast 2020). Political instability generally reduces a country's access to sovereign debt (Biglaiser, Lee, and McGauvran, forthcoming), but the problem is most severe in autocracies. Political instability increases the costs of sovereign borrowing for autocracies more than democracies (Eichler 2014; Eichler and Plaga 2017). Any autocracy that wants

2. Default, however, can be a politically viable choice in democracies because the value of default varies across voters (Dixit and Londregan 2000; Frieden 1991).

better access to foreign borrowing needs to assuage lenders' fears of potential instability.

I argue that succession rules provide information about an autocracy's stability. Succession rules can reduce fears of political instability through two channels. First, succession rules reduce the probability of coups if a vacancy occurs. Without succession rules, violence is likely to resolve the succession crisis. If elites expect a tumultuous succession, they may stage coups preemptively (Bueno de Mesquita and Smith 2017; 2018). Succession rules help resolve succession crises by providing a publicly-known and agreed-upon procedure for selecting new leadership and maintaining governance in the interim. Designated successor and caretaker rules, which specify the immediate successor, further provide a focal point solution for elites to organize around temporarily. The successor can hold power while elites choose the new leader, reducing the threat of instability after a vacancy.

Second, succession rules can signal that the autocrat is secure in power. In a separate working paper, I argue and find that autocrats have succession rules when the probability of a coup is low. Successors can threaten autocrats because they have the motivation and resources to stage a coup. While autocrats can use succession rules to secure their position in power, the autocrat needs security first to ward off coups from successors (Sharman 2023). The presence of succession rules, then, signals that the autocrat can prevent coups.

I test my argument using original data on succession rules in sub-Saharan African from 1990 to 2016. Autocracies with succession rules are significantly more likely to issue sovereign bonds than autocracies without succession rules. There is mixed evidence that the type of succession rule matters. Designated successor rules have the strongest effect followed by caretaker rules. Process-only rules, which do not specify a successor, are only weakly associated with issuing sovereign bonds. However, the effects are not precisely estimated enough to conclude whether the types of succession rules have differing effects.

My argument provides a new role for succession rules in autocracies. I also contribute to understanding the politics of sovereign debt in autocracies. As discussed above, economists and political scientists have long compared the ability of autocracies and democracies to access debt. There is an increasing focus on sovereign debt in autocracies on their own, without democracies. For instance, Ballard-Rosa (2016) proposes the one of the first theories of sovereign debt focused solely on autocracies, arguing that incentives for autocracies to default depend on urbanization and food imports. I add an additional explanation for how autocracies can increase access to foreign debt. I take credibility as built-in through the autocrat's incentives, but succession rules can resolve lingering fears of political instability.

Work in other areas of political economy, like foreign direct investment (FDI), has studied autocracies in the absence of constraining institutions. Autocratic institutions like legislatures (Wilson and Wright 2017) and ruling parties (Gehlbach and Keefer 2012) can create constraints and commitment. But unconstrained autocracies also receive significant investment. Autocrats can use financial liberalization to secure their rule without constraining institutions, including unconstrained autocrats like Chile's Pinochet and Indonesia's Suharto (Pond 2018). Personal characteristics of autocrats, such as an autocrat's education, can inform investors of which investors are safe partners (François, Panel, and Weill 2020). Albertus and Gay (2019) use uncertainty to explain investment in unconstrained autocracies. Succession can threaten investment by empowering a new autocrat with policy preferences that threaten investment. With uncertainty over the future, investors increase investment today to exploit a more favorable investment environment. In the next section, I argue that succession-related uncertainty creates costs for foreign lenders by increasing the probability of default. Succession rules, even without constraining institutions, transmit information to investors regarding what autocracies are stable and unlikely to face coups.

Autocracy, Successors, & Sovereign Debt

Lending money to states and buying sovereign bonds come with substantial risk. Investors cannot force states to repay their debts. If the state refuses to repay its debt and defaults, lenders, particularly foreign lenders, lack the recourse to directly punish the state and recoup their losses.[3] The risk of sovereign default exists under any political threat, but autocracies may pose greater risks. Voters can punish democratic leaders for default. Autocracies lack a similar accountability mechanism.

3. The exception is gunboat diplomacy where a state uses the military to force repayment. It remains debated whether gunboat diplomacy is relevant after the 1910s or whether gunboat diplomacy was ever widely used (Mitchener and Weidenmier 2010; Tomz 2007, chap. 6).

Autocracies, however, vary in their incentives to default. Default provides short-term gains because the state avoids costs from repayment. The cost of default is long term. States that default gain reputations among lenders and investors for being riskier partners. With a reputation for default, states must pay higher interest rates to overcome the risk associated with them and potentially lose access to foreign credit (Cruces and Trebesch 2013; Tomz 2007). Defaulting saves money in the short term but reduces the benefit of sovereign borrowing in the long term.

Autocrats differ in their sensitivity to borrowing costs. Autocrats retain power by distributing resources and choosing policies acceptable to a small group of elites, the winning coalition (Bueno de Mesquita et al. 2003). Sovereign debt allows autocrats to increase the resources that they can give to the winning coalition beyond what they can extract from the population. Sovereign default reduces the resources available to autocrats by increasing the costs of borrowing. Decreases in sovereign credit ratings significantly increase the risk that an autocrat loses power (DiGiuseppe and Shea 2015). Autocrats who rely on sovereign borrowing to reward their winning coalitions must either repay their debts or risk losing power.

Of course, not all autocrats rely on debt. Debt is irrelevant to leaders of autarkic economies like North Korea. In other cases, autocrats can replace sovereign debt with other sources of "easy money" like foreign aid and resource wealth that do not require mass cooperation (Bueno de Mesquita and Smith 2013). The subset of autocrats who depend on sovereign debt have compatible incentives with bondholders. If autocrats depend on sovereign borrowing, they do not need constraining institutions for credibility. The threat of losing power makes repayment credible.

Incentive compatibility is likely insufficient for creditors and investors to have confidence in autocrats. There remains uncertainty over what happens if the autocrat suddenly loses office, usually through the autocrat's death. The autocrat's death creates a potential power vacuum. In the absence of rules or agreements, elites may resolve the power struggle through violence (Svolik 2012). Even the expectation of a power vacuum could spur coups. Elites may preemptively stage a coup to avoid the autocrat's death and bypass a power vacuum (Bueno de Mesquita and Smith 2017; 2018).

Autocrats who come to power through violence, such as coups and rebellions, are more prone to default and expropriation. Such autocrats serve shorter tenures (Goemans, Gleditsch, and Chiozza 2009). Default provides short-term gains with long-term costs from more expensive borrowing. Autocrats with shorter tenures, therefore, are less likely to experience default's costs, making sovereign default more likely (Shea and Poast 2020). Coups, generally, nearly double the probability of sovereign defaults in autocracies (Balima 2020). Autocrats who rise to power through irregular means like coups are more likely to default. Even with compatible incentives, the risk of coups and political instability could repel investors.

Succession rules reduce uncertainty over how the autocrat's death is handled. Rules written in the constitution are publicly known and observed both by those inside and outside the regime, increasing cooperation between elites (Albertus and Menaldo 2012; Myerson 2008). The danger of succession crises is that ambitious elites may exploit a power vacuum to seize control. Succession rules clarify how to select the next leader, often avoiding power vacuums by identifying who takes over immediately. Or if there are disagreements over whom to choose as the next leader, violence is the likely solution. The processes specified by succession rules allow for bargaining between factions that can resolve disputes over leader selection without violence.

Additionally, succession rules can signal that the autocrat is stable and can prevent coups. While succession rules reduce instability after an autocrat's death, they can introduce threats during the autocrat's reign. The clearest danger is specifying the successor. The successor maximizes their time in power the sooner that the incumbent leaves. Waiting for the autocrat's death carries risk of losing their status as the successor. The successor also gains access to resources and allies that could facilitate removing the leader. Consequently, the successor has the means and motive to overthrow the autocrat, a danger that Herz (1952) named the "crown-prince problem."

Succession rules can introduce rivals other than the successor. Succession rules change who is most likely to replace the leader. If a successor is named, they become the most likely successor if succession occurs because the autocrat dies. The process for choosing a permanent leader can also change the perceived likelihood of taking over by determining what body makes the decision. Ambitious elites who perceive that they are unlikely to take power through the succession rule may elect to commit coups as their only chance at power.

Succession rules provide benefits to autocrats. As discussed, they can resolve uncertainty over succession crises. They can also help autocrats secure key allies and distribute patronage. But the autocrat needs enough existing security to have a succession rule. The autocrat, otherwise, risks a coup from the successor and elites disadvantaged by the succession rule. As a result, autocrats have succession rules when the probability of a coup is low (Sharman 2023). By having a succession rule, the autocrat signals that they are strong enough to prevent a coup.[4]

Taken together, succession rules can help autocrats receive favorable access to foreign finance when the autocrat has incentives compatible with foreign investors. Succession rules directly resolves political instability by helping regimes avoid succession crises. Having succession rules, further, signals the autocrat's stability and security in power. Autocrats are more likely to have succession rules if they believe that they can prevent coups.

Data

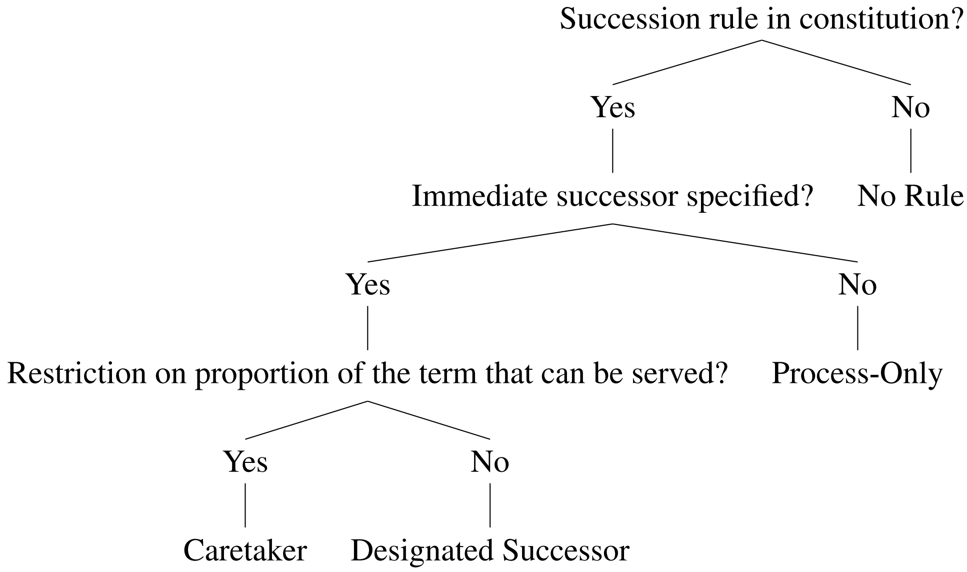
I test the argument using a developing original dataset on constitutional succession rules in sub-Saharan Africa. Sub-Saharan Africa is defined as member states of the African Union *not* categorized in Northern Africa by the African Union.[5] For any country-year observation coded as autocratic by at least one of Boix, Miller, and Rosato (2012), Cheibub, Gandhi, and Vreeland (2010), and Geddes, Wright, and Frantz (2014), I code whether the constitution provides

4. Having a successor could be cheap talk. An autocrat could appoint a weak successor who does not pose an actual threat. Even an initially weak successor will grow more powerful over time. The successor has a prominent place in the regime. As the focal point solution if the autocrat dies, the successor is the potential next autocrat. Ambitious elites can ally themselves with the successor and increase the chance of taking a prominent position under the next autocrat. While weak at first, the successor gains allies who could help stage a preemptive coup (Zhou 2023). A simpler, though perhaps less satisfying, solution is that cheap talk matters, especially if the actors have aligned interests (Morrow 1994; Tingley and Walter 2011).

5. This definition includes 48 countries: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, the Central African Republic, Chad, the Comoros, Côte d'Ivoire, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, the Republic of the Congo, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Togo, Uganda, Zambia, and Zimbabwe. Of these, Sudan is occasionally excluded from sub-Saharan Africa, but including Sudan is more consistent with previous work in political science.

A country can be included during any period where it is a democracy or where it is an autocracy with succession rules coded. For this reason, Somalia, Togo, and Zimbabwe are excluded from all models. Liberia, Madagascar, Malawi, Mali, Niger, São Tomé and Príncipe, and Sierra Leone are only included during democratic periods currently. Future updates of the data will include these countries during autocratic spells.

Figure 1. Operationalization of Types of Succession Rules



a succession rule for replacing the chief executive if the chief executive dies and, if applicable, the type of rule (discussed below) and the actors and processes involved in the rule. Constitutions are identified primarily with the Comparative Constitutions Project (Elkins, Ginsburg, and Melton 2014) and World Constitutions Illustrated. The data currently span 198 autocratic succession rules across 39 countries.

I split the succession rules into four categories. Figure 1 summarizes the categories and their basic operational rules. The first question is whether there is a succession rule. A succession rule is a rule in the constitution that specifies how the chief executive is replaced in the event of a permanent vacancy like death, resignation, or incapacity. If the constitution provides separate rules for different types of vacancies, I code the rule for the chief executive's death. If there is no succession rule, the country is coded as having no rule. Most countries without a rule lack a permanent constitution or are parliamentary. In rarer cases, the permanent constitution of a non-parliamentary country simply fails to include a succession rule, such as the Democratic Republic of the Congo from 1997 to 2003. In the sample, 9.93% of autocratic countries have no rule.

If a succession rule exists, the next question is whether the succession rule states the specific individual or holder of a specific office who immediately takes power upon a vacancy. A rule that does not identify the immediate successor is a process-only rule. The modal process-only rule provides for two processes: one to immediately choose an acting leader and another to select a new leader to oversee a new term. In the sample, Angola used a process-only rule through 1992. If the presidency became vacant, the Standing Committee, which included high-ranking members of the ruling party, would select an interim president from among the Standing Committee's members. Then the Standing Committee would nominate a new president to be ratified by the full legislature. Process-only rules are the rarest in the sample, even including countries with no succession rules. Only 5.42% of autocratic observations have process-only rules.[6]

If the succession rule identifies the immediate successor, the final question is whether the rule limits how much of the remaining term that the successor can serve. A rule that does *not* allow the successor to serve the full remaining term, regardless of the time remaining, is a caretaker rule. Caretaker rules specify a successor who takes over for an interim period and then define a process for choosing a new permanent leader who typically begins a new term. For example, under Namibia's rule passed in 2014, the vice-president takes over as acting president. The date of new elections depends on the vacancy's timing. If there is more than a year until the next regularly scheduled election, elections are held within 90 days to start a new term. If there is less than a year, the elections are held at the scheduled time. The rule effectively limits the vice-president to serving at most one year of a five-year term, making the vice-president a caretaker. Caretaker rules are by far the most common autocratic succession rule in the sample. Over a two-thirds majority, 69.29%, have a caretaker rule.

The final, and most straightforward, rule is a designated successor rule. If the chief executive becomes vacant, the designated successor takes over with full powers for the entire remaining term. For example, the 1995 Constitution of Tanzania states that "Where the office of President becomes vacant by reason of the death of the President... then the Vice-President shall be sworn in and become the President for the unexpired period of the term of five years." The vice-president becomes full president until the next scheduled election, regardless of the time remaining. In the sample, 15.36% of autocracies have a designated successor rule, making

6. The process-only category is dominated by Eswatini, formerly known as Swaziland until 2018, which composes 72% of the process-only cases. Eswatini is an unusual case where a monarchy has a process-only rule. The king, or Ngwenyama's successor is not known during the king's lifetime. After the king's death, a traditional council named the Liqoqo selects the new king from among the king's children, of which there are dozens (Kuper 1947; Potholm 1972). Although there is a pool of potential successors, the next king is not known with certainty if the rule is followed.

it more common than process-only rules but far less common than caretaker rules.

I include countries that are democracies for comparison. Because much of the sample is post-2008, democracies are identified using Boix, Miller, and Rosato's (2012) data. Their have data the greatest temporal coverage among dichotomous measurements of democracy, spanning 1800 to 2020.[7] Countries are democratic if all of the following conditions are met: the executive is elected directly or is indirectly elected and responsible either to voters or to the legislature; the executive for a directly elected executive or the legislature for an indirectly elected executive is elected through free and fair elections; and the majority of adult men possess the right to vote. I code democracy as a separate succession rule. Democracies account for 29.93% of the sample.

The dependent variable is whether a country issues a sovereign bond.[8] Issuing bonds is a direct indicator of a state's ability to access foreign financial markets. A state's desire or willingness to borrow money is insufficient. The state must find buyers. If a state issues a sovereign bond, the state has found willing buyers and can access foreign markets. Data on sovereign bond issuances come from Ballard-Rosa, Mosley, and Wellhausen (2021).[9] Ballard-Rosa, Mosley, and Wellhausen's bond data are available at a monthly level. My data on succession rules are recorded to the day where possible, so I recode the succession data to be monthly as well.

I include a set of controls common in research on sovereign debt and political determinants of foreign finance. The main threat to inference is that stability could directly cause both market access and succession rules, creating a spurious correlation. I focus on a range of economic and political variables that likely correlate with stability and market access. I include logged GDP, inflation, oil rents as a share of GDP, trade as a percentage of GDP, and logged population from the World Bank's World Development Indicators; public debt as a share of GDP (Ali Abbas et al. 2011); capital account openness (Chinn and Ito 2006; 2008); central bank independence (Garriga 2016); and a logged index of domestic unrest (Banks and Wilson

7. I use Version 4.0 of Boix, Miller, and Rosato's (2012) data, which was published in January 2022.

8. More specifically, I use issues of new bonds that have a maturity of at least six months.

9. For countries not included in Ballard-Rosa, Mosley, and Wellhausen's (2021) data, I assume that they never issued a sovereign bond and assign a value of 0 for each time period. This assumption is consistent with Zeitz's (2022) data. Zeitz identifies only 18 sub-Saharan African countries that have issued sovereign bonds. Ballard-Rosa, Mosley, and Wellhausen (2021) have 23 Sub-Saharan African countries, leaving 23 in the sample that I code as never issuing bonds.

Table 1. Summary Statistics

Variable	N	Mean	SD	Min	Q1	Median	Q3	Max
Succession Rule	12,318	0.59	0.49	0.00	0.00	1.00	1.00	1.00
Designated Successor Rule	12,318	0.10	0.30	0.00	0.00	0.00	0.00	1.00
Caretaker Rule	12,318	0.45	0.50	0.00	0.00	0.00	1.00	1.00
Process-Only Rule	12,318	0.04	0.19	0.00	0.00	0.00	0.00	1.00
Bond Issued	12,318	0.15	0.36	0.00	0.00	0.00	0.00	1.00
Democracy	12,318	0.35	0.48	0.00	0.00	0.00	1.00	1.00
Inflation	11,512	59.95	863.14	-31.57	2.47	6.93	14.24	26765.86
Capital Account Openness	12,094	-0.64	1.24	-1.93	-1.24	-1.24	-0.17	2.30
Central Bank Independence	10,054	0.50	0.12	0.12	0.45	0.50	0.56	0.87
Logged GDP	11,547	22.61	1.44	18.77	21.59	22.68	23.44	26.9
Public Debt/GDP	11,840	77.76	63.35	0.47	35.43	61.80	99.70	434.91
Oil Wealth/GDP	11,683	4.22	11.12	0.00	0.00	0.00	0.37	82.78
Trade/GDP	9,608	69.44	37.81	20.96	42.77	56.67	88.36	348.00
Logged Population	11,959	15.52	1.64	11.19	14.25	15.92	16.67	19.03
Logged Unrest Index	12,071	2.56	3.47	0.00	0.00	0.00	6.33	11.94
US Treasury Rate	12,318	4.74	1.79	1.53	3.42	4.67	6.04	8.89
Legislature	12,071	0.95	0.22	0.00	1.00	1.00	1.00	1.00
Ruling Party	7,751	0.86	0.34	0.00	1.00	1.00	1.00	1.00

2021). For models that only include autocracies, I also include the presence of a ruling party (Miller 2020) and legislature (Banks and Wilson 2021). Finally, I utilize two strategies to account for the increase in sovereign borrowing over time. First, I include the US treasury rate (Bauerle Danzman, Winecoff, and Oatley 2017). When rates are low, more money is available on capital markets, and borrowing is easier. Cycles in global liquidity help explain why sub-Saharan African countries can more easily borrow money in different time periods (Zeitz 2022). Second, I include decadal dummies to account for other factors that have broadly increased access to sovereign debt over time.[10] Table 1 presents summary statistics for all the variables in the models.

Hypotheses

I test two hypotheses on the relationship between autocratic succession rules and the issuing of sovereign bonds. The first is relatively straightforward. Succession rules address problems of instability by resolving succession crises after an unexpected transition and signaling that the dictator believes that they can prevent coups. By resolving problems of instability, succession

10. The results are robust to alternate strategies like a simple linear time trend.

rules increase the ability of autocracies to access foreign markets, represented through issuing sovereign bonds.

Hypothesis 1 *Autocracies with succession rules are more likely to issue sovereign bonds than autocracies without succession rules.*

The second hypothesis requires more elaboration. The three categories of succession rules—designated successor, caretaker, and process-only—vary in how they affect the two mechanisms: uncertainty over succession crises and signaling. Designated successors reduce uncertainty the most. If a vacancy occurs, there is little question over how the vacancy is resolved. The designated successor takes over for at least until the end of the term. Caretaker rules identify the next leader only in the short term, but more questions remain over the next permanent leader. Process-only rules identify neither the short-term nor the long-term leader, only the processes involved in selection. Designated successor rules provide the most clarity over how the rule is followed, and caretaker rules provide the second most. Process-only rules provide the least.

The signaling effect relies on the idea that the successor can threaten the incumbent and that elites have incentives to commit a coup if they support a different succession plan. Process-only rules do not name a successor. They can only threaten the leader by changing perceptions over who is likely to succeed, potentially spurring coups by other elites. Designated successor and caretaker rules both introduce a successor. The successor introduced by a designated successor is the most dangerous. Designated successors hold power for longer under the succession rule and, consequently, have a structural advantage in securing power. The main power of a challenger is their ability to promise supporters rewards. The designated successor's advantage in succession makes it more likely that they can secure power and reward supporters. The second hypothesis proposes a rank-ordering for the effect sizes.

Hypothesis 2 *Designated successor rules have the strongest effect on issuing sovereign bonds. Caretaker rules have the second-strongest effect. Process-only rules have the third-strongest effect.*

Empirical Models

Because the dependent variable, whether or not a sovereign bond is issued, is binary, I use a probit model. I estimate two sets of models. For both sets, I estimate four models for eight total. The models are estimated with and without controls and with and without democracies in the sample. Standard errors are clustered by country. The first takes the form

$$\Pr(\text{Issue}_{c,t} = 1) = \Phi(\beta \text{Rule}_{c,t-12} + \alpha \text{Democracy}_{c,t-12} + \boldsymbol{\tau}' \textbf{Controls}_{c,t-12}) \tag{1}$$

where c indexes countries and t months; Issue is a binary indicator for whether a sovereign bond is issued by country c in month t; Rule is a dummy variable for autocracies with a succession rule; Democracy is a dummy variable for democracies; and **Controls** is a vector of controls. Autocracies without succession rules are the reference category for the Rule and Democracy variables. The independent variables are lagged by 12 months, or one year. Hypothesis 1 predicts that the Rule variable has a positive marginal effect ($\partial_{\text{Rule}} > 0$).

The second model replaces the binary rules variable with the multi-category variable for succession rules. It takes the form

$$\Pr(\text{Issue}_{c,t} = 1) = \Phi(\beta_1 \text{Designated}_{c,t-12} + \beta_2 \text{Caretaker}_{c,t-12} + \beta_3 \text{Process}_{c,t-12} + \\ \alpha \text{Democracy}_{c,t-12} + \boldsymbol{\tau}' \textbf{Controls}_{c,t-12})$$

where Designated, Caretaker, and Process are dummies for designated successor, caretaker, and process-only rules, respectively. As before, the reference category for autocracies with succession rules and democracies is autocracies without succession rules. Hypothesis 2 predicts that designated successor rules have the largest effect on issuing sovereign bonds. Caretaker rules have the second strongest effect. Process-only rules have the weakest effect ($\partial_{\text{Designated}} > \partial_{\text{Caretaker}} > \partial_{\text{Process}} > 0$).

Table 2. Monthly Sovereign Bond Issuances and Succession Rules in Sub-Saharan Africa, 1990–2016

	New Bond Issued		
	No	Yes	Total
Any Rule	6,531	951	7,482
	(87.3%)	(12.7%)	(100%)
Designated Successor Rule	1,030	246	1,276
	(80.7%)	(19.3%)	(100%)
Caretaker Rule	5,052	704	5,756
	(87.8%)	(12.2%)	(100%)
Process-Only Rule	449	1	450
	(99.8%)	(0.2%)	(100%)
No Rule	823	2	825
	(99.8%)	(0.2%)	(100%)
Democracy	3,622	880	4,502
	(81.7%)	(19.5%)	(100%)

Notes: Proportions of row in parentheses. The total column is the total number of country-month observations in each row. Designated Successor, Caretaker, and Process-Only are sub-categories of Any Rule.

Results

Before moving to the regression results, table 2 displays how frequently sovereign bonds are issued across the categories of succession rules. Democracies, as a point of comparison, issue sovereign bonds in 19.5% of months. Autocracies without succession rules issues sovereign bonds rarely. Just two no-rule observations, or 0.2%, issue bonds. Autocracies with any form of succession rule issue sovereign bonds in 12.7% of months, less than democracies but far more than other autocracies. Autocracies with succession rules are 193.8 times more likely to issue bonds than their no-rule counterparts, as expected by hypothesis 1.

The issuance rates separated by the type of succession rule are also largely consistent with hypothesis 2. Designated successors rules are associated with issuing the most sovereign bonds. Autocracies with designated successor rules issue bonds in 19.3% of months, almost as much as democracies. Autocracies with caretaker rules issue bonds in 12.2% of months, the second highest amount for autocracies. Process-only rules are a partial exception to the expected pattern. As expected, autocracies with process-only rules issue sovereign bonds less often than ones with designated successor or caretaker rules. But unexpectedly, autocracies with process-only rules issue sovereign bonds as frequently as autocracies without any succession rule at just

0.2% of months. The descriptive statistics provide evidence for a rank-ordered effect although process-only rules do not appear to have an advantage over having no rule.

Table 3 presents the first set of regression models. Across the four models, the presence of a succession rule has a statistically significant increase on the probability that an autocracy issues a sovereign bond. In model (1), the average marginal effect for succession rules is 30.2%. Autocracies with succession rules, in other words, are 30.2% more likely to issue sovereign bonds than autocracies without succession rules. With controls, the average marginal effect is 28.8% in model (2). The effect sizes decrease in the autocracy-only models but remain substantial. The average marginal effect is 13.7% in model (3) and 11.3% in model (4). Across the four models and their 95% confidence intervals, the lowest estimate is the lower bound in model (3). At the weakest estimate, autocracies with succession rules are still 6.6% more likely to issue sovereign bonds each month than autocracies that lack succession rules. All four models support hypothesis 1 that autocracies with succession rules are more likely to issue bonds than autocracies without succession rules.[11]

Table 4 replaces the binary succession rule variable with the three sub-types: designated successor, caretaker, and process-only rules. In all four models, designated successor and caretaker rules have significant and positive coefficients. The coefficient for process-only rules is distinguishable from 0 only when controls are included. There is evidence that all three types of rules affect issuing sovereign bonds, but the evidence is strongest for the two rules that name the immediate successor, designated successor and caretaker rules.

Figure 2 graphs the marginal effects of each succession rule for the four models in table 4. Designated successor rules have the largest effects in each model although it does not always have the largest coefficient. The smallest estimated effect of designated successor rules is 40.7% in model (4). The strongest is 59.1% in model (1). Caretaker rules have the second-strongest effect without controls but the smallest effect with controls. The effects for caretaker rules range from 21.3% in model (3) to 34.9% in model (1). The point estimates for the marginal effects of process-only rules range from 15.4% in model (3) to 49% in model (2). The

11. Although succession rules have a larger coefficient in model (2) of table 3, democracy has a larger average marginal effect in both models. The average marginal effect for democracy is 46.9% in model (1) and 46.5% in model 92).

Table 3. Probit Models of Succession Rules and Monthly Sovereign Bond Issuances in Sub-Saharan Africa, 1990–2016

	(1)	(2)	(3)	(4)
Succession Rule	1.73***	3.51***	1.73***	3.24***
	(0.201)	(0.488)	(0.202)	(0.321)
Democracy	1.94***	3.18***		
	(0.301)	(0.614)		
Inflation		-0.002		-0.005
		(0.006)		(0.004)
Capital Account Openness		0.344**		0.563***
		(0.142)		(0.098)
Central Bank Independence		4.31***		3.41***
		(1.14)		(1.15)
Logged GDP		0.685***		1.13***
		(0.260)		(0.346)
Public Debt/GDP		-0.012**		-0.020***
		(0.006)		(0.005)
Oil Wealth/GDP		-0.034*		-0.045**
		(0.019)		(0.021)
Trade/GDP		0.017***		0.012*
		(0.005)		(0.007)
Logged Population		-0.060		-0.468
		(0.295)		(0.337)
Logged Unrest Index		-0.025		-0.048
		(0.038)		(0.054)
US Treasury Rate		-0.063		0.019
		(0.045)		(0.053)
2000s		0.475**		0.822***
		(0.240)		(0.307)
2010s		0.455		0.755*
		(0.287)		(0.392)
Legislature				2.72***
				(0.982)
Ruling Party				0.994***
				(0.361)
Constant	-2.81***	-22.1***	-2.81***	-28.4***
	(0.175)	(3.63)	(0.177)	(5.43)
N	12,318	7,310	8,032	4,751
Countries	45	37	36	26
Pseudo-R^2	0.030	0.446	0.035	0.525
Log-Likelihood	-5,026.5	-1,725.0	-2,927.2	-798.6

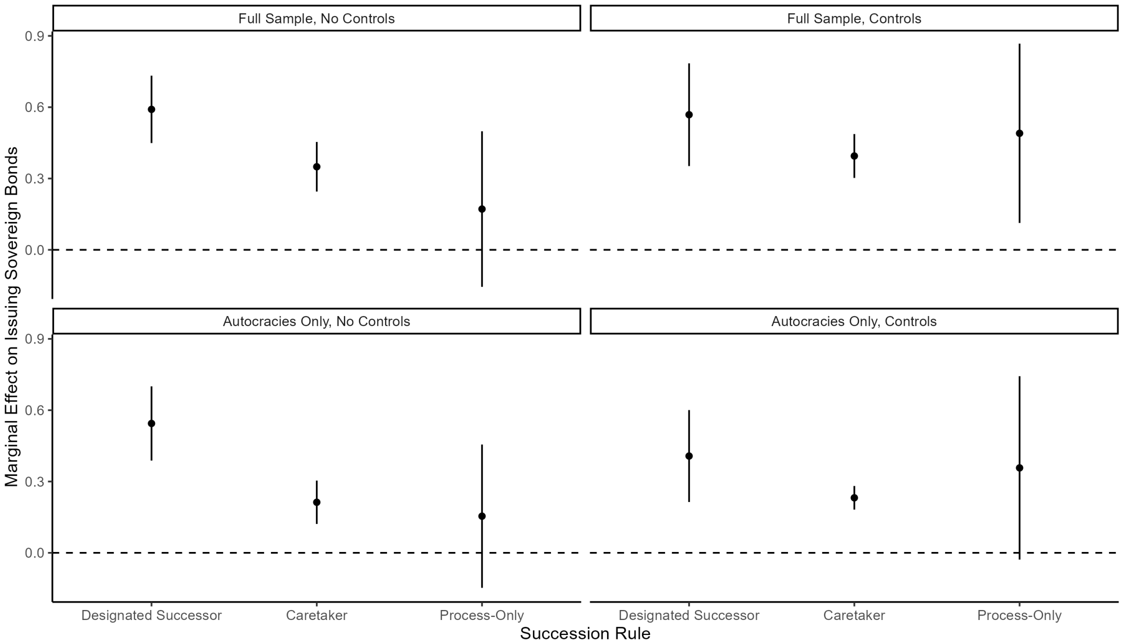
$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Robust standard errors clustered by country in parentheses. Models (3) and (4) only include autocracies.

Table 4. Probit Models of Types of Succession Rules and Sovereign Bond Issuances, 1990–2016

	(1)	(2)	(3)	(4)
Designated Successor Rule	2.00***	3.38***	2.00***	2.98***
	(0.284)	(0.658)	(0.285)	(0.612)
Caretaker Rule	1.70***	3.87***	1.70***	3.40***
	(0.254)	(0.564)	(0.255)	(0.344)
Process-Only Rule	0.606	2.79***	0.606	2.53***
	(0.501)	(0.879)	(0.503)	(0.981)
Democracy	1.94***	3.40***		
	(0.301)	(0.566)		
Inflation		-0.001		-0.003
		(0.006)		(0.004)
Capital Account Openness		0.329**		0.540***
		(0.140)		(0.093)
Central Bank Independence		3.57***		2.59**
		(1.18)		(1.18)
Logged GDP		0.653***		1.15***
		(0.215)		(0.380)
Public Debt/GDP		-0.012**		-0.019***
		(0.006)		(0.005)
Oil Wealth/GDP		-0.039*		-0.049**
		(0.021)		(0.022)
Trade/GDP		0.019***		0.014*
		(0.005)		(0.007)
Logged Population		-0.034		-0.455
		(0.262)		(0.315)
Logged Unrest Index		-0.025		-0.052
		(0.037)		(0.052)
US Treasury Rate		-0.065		0.005
		(0.045)		(0.056)
2000s		0.480*		0.795**
		(0.278)		(0.313)
2010s		0.530*		0.824**
		(0.317)		(0.400)
Legislature				2.60**
				(1.10)
Ruling Party				0.736*
				(0.411)
Constant	-2.81***	-21.7***	-2.81***	-28.5***
	(0.175)	(3.68)	(0.177)	(6.15)
N	12,318	7,310	8,032	4,751
Countries	45	37	36	26
Pseudo-R^2	0.042	0.454	0.057	0.532
Log-Likelihood	-4,959.4	-1,698.6	-2,860.1	-786.4

$^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Robust standard errors clustered by country in parentheses. Models (3) and (4) only include autocracies.

Figure 2. Marginal Effects of Types of Succession Rules on Issuing Sovereign Bonds in Sub-Saharan Africa, 1990–2016



Notes: Vertical lines represent 95% confidence intervals. The marginal effect estimates are based on the models in table 4. The top-left panel corresponds to model (1), the top-right panel to model (2), the bottom-left panel to model (3), and the bottom-right panel to model (4).

marginal effect of process-only rules is only significant at 95% in model (2) but is significant at 90% in model (4).[12]

Ultimately, there is little evidence for hypothesis 2. While each type of succession rule may affect issuing sovereign bonds, hypothesis 2 expects a rank ordering in the effects where designated successor rules have the strongest effect followed by caretaker rules. Designated successor rules do, indeed, have the highest point estimate, but the effect is significantly different from caretaker rules in only one model. The effect of process-only rules always overlaps with the marginal effects for designated successor and caretaker rules. The effect of process-only rules, however, is imprecisely estimated, leading to large confidence intervals. The imprecision in the process-only rule's effects is likely a product of how rarely autocracies with process-only rules issue bonds.

12. In table 4, democracy has a marginal effect of 45.8% in model (1) and 48.9%. The point estimate for designated successor rules is higher than for democracies in both models. Process-only rules have a higher estimate in model (2).

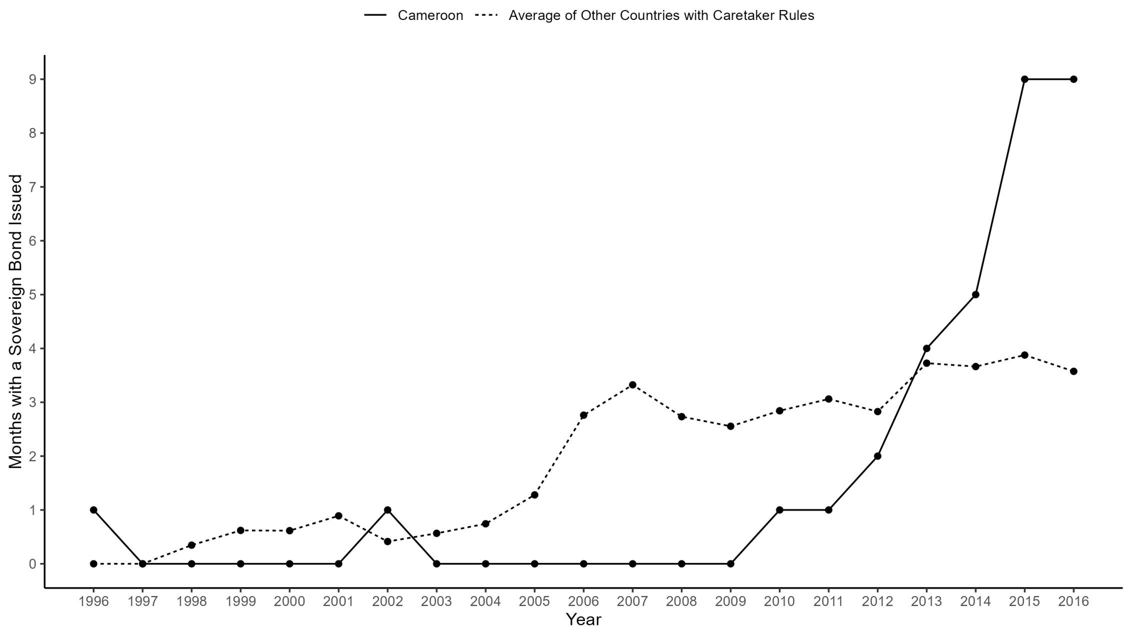
The Case of Cameroon

The timing of sovereign bond issuances in Cameroon further demonstrates the relationship between succession rules and issuing sovereign bonds. Cameroon made several amendments to the constitution in January 1996. The amendments came at a contentious point for President Paul Biya. Biya came to power through a succession rule himself, elevating to the presidency after President Ahmadou Ahidjo resigned due to a health crisis in 1982. Ahidjo's regime depended on support from the French-speaking region whereas Biya was more associated with the English-speaking regions (DeLancey 1989). Biya began in an uneasy position but consolidated power after stopping a coup plotted by Ahidjo in 1984 (Harkness 2016). By 1996, Biya had restructured the regime to weaken Ahidjo's former supporters, yet Biya faced intense pressures from Anglophone Cameroonians to expand their role in Cameroonian politics.

The constitutional amendments included a change to the succession rule. Beginning in 1984, Cameroon had a caretaker rule where the President of the National Assembly became acting president. The 1996 amendments changed the successor to the President of the Senate; which was also created by the 1996 amendments. The rule remained a caretaker rule as new elections would be held in 20 to 40 days. The Senate, however, only meets when called for by the President of Cameroon. Until Biya called for the Senate to meet, there would be no President of the Senator and no successor for the succession rule to operate, effectively rendering the succession rule non-existent. Biya waited until February 2013 to call for Senate elections, and Marcel Niat Njifenji became President of the Senate on June 12, 2013. Cameroon practically had no succession rule 17 years even though one existed in the constitution.

The formal existence of Cameroon's succession rule should not have affected Cameroon's ability to access sovereign borrowing until 2013. Before 2013, the conditions necessary to use the succession rule—the existence of the President of the Senate—were not present. Figure 3 compares how often Cameroon issued sovereign bonds from 1996 to 2016 to the average amount of issuances in other autocratic countries with caretaker rules. Cameroon issued its first sovereign bond in 1996, the year of the constitutional amendments, and its second in 2002. Cameroon issued no other bonds before 2010. Other caretaker-rule countries were, on average, issuing sovereign bonds during this period, particularly after 2006 when the African bond mar-

Figure 3. Amount of Sovereign Bonds Issued by Cameroon versus Other Countries with Caretaker Rules



ket increased (Zeitz 2022). Despite Cameroon's formal succession rule and expansion of the African bond market, Cameroon did not issue a single bond from 2006 to 2009.

Cameroon began issuing bonds from 2010 to 2012 but lagged behind other countries with caretaker rules. Cameroon issued bonds in four months in 2013, the year that the succession finally came into effect, placing it on par with other countries using caretaker rules. Cameroon's ability to issue bonds further took off after 2013. Cameroon exceeded the number of months with bonds issued by the average country with a caretaker rule in 2014 to 2016, reaching nine months with bonds issued in 2015 and 2016. Having a formal rule in the constitution did *not* increase Cameroon's ability to issue sovereign bonds while the rule was ineffective. The appointment of the successor coincided with a greater frequency in issuing sovereign bonds.

Conclusion

Organizing succession is an essential function of any political regime. Most states define regular intervals where transfers of power can occur. All states must prepare for situations when the leader suddenly leaves power and needs replaced. Recent work has explored how autocracies organize succession, particularly in irregular circumstances. Political scientists have focused on how having a designated successor relates to survival: whether autocrats are more likely to have designated successors when they are endangered or secure and whether designated successors reduce the risk of coups.

In this paper, I connect succession rules in autocracies to political economy through sovereign debt. I argue that succession rules can reduce investor fears over uncertainty. succession rules provide a solution to succession crises by providing rules and, potentially, a temporary leader if a sudden vacancy occurs. Providing a formal process and temporary leadership reduces the risk of violence during succession crises. Succession rules also signal that autocrats can prevent coups. Because successors and elites disadvantaged by succession rules have incentives to stage coups, autocrats appoint them when they are confident that they can stop a coup attempt.

I find support for the argument by analyzing the relationship between succession rules in sub-Saharan Africa and the issuing of sovereign bonds from 1990 to 2016. As expected, autocracies are more likely to issue sovereign bonds when they have succession rules. There is partial evidence that the type of rule matters. Designated successors have the strongest effect. Caretaker rules also consistently have a significant effect although the relationship with process-only rules is less clear.

Beyond identifying a new role for succession rules in autocracies, I contribute to understanding the politics of sovereign debt in autocracies. Research on autocratic sovereign default has emphasized the role of institutions in constraining autocrats. Institutions can constrain autocrats by limiting executive discretion over the choice to default and empowering actors with strong preferences for repayment. But increasingly, there is recognition that many autocrats have behavioral incentives to repay debt. Autocrats rely on debt to reward key actors. The costs of default can threaten an autocrat's survival, making repayment credible.

I agree with previous work that institutions matter for autocracies and sovereign debt; however, I propose a role beyond creating constraints. Regardless of credible commitment to repay, autocracies face additional questions of stability. A coup greatly increases the threat of sovereign default, and succession crises are common causes of coups in autocracies. Succession rules can address the problem of uncertainty by resolving succession crises and signaling autocratic stability. Autocratic institutions matter for providing information and addressing basic problems of governance.

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