Borrowed Credibility: Sovereign Default and Technocrat Finance Ministers in Autocracies

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Abstract

Autocrats usually reserve senior cabinet portfolios for domestic political allies or career civil servants. However, 11% of autocratic finance ministers are finance experts outside the civil service (e.g. IFI staffers, business people, and academics). I theorize that these independent technocrats are appointed partly because they are better positioned to win the trust of foreign creditors. Appointing independent technocrats may help governments committed to fiscal restructuring by reducing information asymmetry between debtor and creditor. I show that a debt restructuring increases the probability that an independent technocrat occupies the finance ministry using data covering 96 autocracies from 1980 to 2020. A debt rescheduling increases independent technocrat appointments by 5-11 percentage points. I provide a detailed case study from Panama that supports the proposed mechanisms.

1 Introduction

When Pakistani General Pervez Musharaf formed his first government after taking power in a coup in 1999, he made an unusual choice of finance minister. Instead of a domestic power broker, Musharaf called Shaukat Aziz, a Citibank executive working in the US. Appointing Aziz, a long-time expat from Pakistan, could hardly appease Musharaf's domestic opponents. His career with US banks made him difficult for Musharaf to control because Aziz had a strong exit option. However, Aziz's independence may have benefited Musharaf by improving credibility with international finance.

Aziz's appointment does not fit into existing theories of autocratic cabinet allocation. The finance minister position is powerful and potentially dangerous, so autocrats use it to coopt domestic actors or easily controlled bureaucrats. Common choices include close allies, like Musharaf's fellow officers, civil servants, and leaders of the domestic opposition to coopt them [Francois et al., 2015, Arriola et al., 2021, Bokobza and Nyrup, 2024, Meng, 2020, Dowding and Dumont, 2014]. However, I find that 11% autocratic finance ministers are technocrats from academia, business, IFIs, who are neither easily controlled bureaucrats nor domestic power brokers.

This paper theorizes that autocrats appoint independent technocrat finance ministers in response to sovereign debt crises. States that cannot service their bilateral debt enter prolonged negotiations with creditors in which IMF approval is usually required for emergency financing or for finalizing a debt restructuring [Roubini and Setser, 2004, Setser, 2023, Rahman, 1995]. These negotiations suffer from severe information asymmetries. The debtor state knows much more about its ability to pay, the extent of its debt, what policies can feasibly be implemented to improve fiscal balance, and even whether agreed-upon policies are being implemented in practice.

During the restructuring, debtor states wish to present themselves as committed to limiting damage to creditors, although actual resolve varies[DiGiuseppe and Shea, 2019]. Appointing an independent technocrat may help "reformist" states signal their type. Signaling type may be challenging for autocrats, who have lower levels of policy transparency than democracies [Hollyer et al., 2011] and have greater control over the information environment [Guriev and Treisman, 2019].

An appointee from academia, IFIs, and the private sector has a strong exit option: these international careers allow them to escape the autocrat's future censure. These careers may also give them direct relationships of trust with IFIs and creditor institutions. Career civil servants have experience and technical skills. But their career prospects are subject to the autocrat's control, raising doubts that civil servants would reveal adverse information or carry out a politically unpopular adjustment program.

I refer to individuals as "independent technocrats" with technocratic education and a primary pre-political career in academia, the private sector, or non-profits (including international central banks like the Central Bank of West African States). Unlike other technocrat indicators, independent pre-political careers are a difficult-to-send signal of independence. Party identification can be manipulated easily, and regime insiders can be educated. The leader cannot easily give a political insider a prior career in banking, academia, or IFIs[1]. If insiders are encouraged to enter them, the career experience provides exit options that are less accessible to civil servants. I focus on finance ministers because debt restructuring deals typically involve significant fiscal reform [Cormier, 2021].

I test this theory on a panel of 2088 country years with data on debt negotiations and finance ministers' professional and political backgrounds. Using two-way fixed effects models, I find that a sovereign default to foreign creditors is associated with an increase in independent finance minister appointments but not civil servant appointments. I also find no effect of domestic debt defaults on independent technocrat appointments, consistent with independence being a tool for coopting external creditors.

I also present a detailed case study consistent with my proposed mechanism—Panamanian General Noriega's support for former World Bank employee Nicholas Barletta's candidacy for president. The Panamanian military advanced Barletta as a presidential candidate, later admitting to rigging his election, with a mandate to implement aggressive fiscal adjustment during a debt crisis.

This paper contributes to the literature on autocratic cabinet selection. It adds to the literature on the cabinet as a tool of coalition building [Arriola, 2009, Cheeseman, 2013, Haass and Ottmann, 2021, Francois et al., 2015, Roessler, 2016, Roessler and Ohls, 2018, Woldense, 2018, Kroeger, 2020, Beiser-McGrath and Metternich, 2021, Bokobza and Nyrup, 2022]. Prior studies mainly focus on domestic groups that are capable of directly challenging the leaders position. My analysis suggests that cabinet positions are also crucial for appeasing outsiders who cannot threaten a coup but supply critical financing to the regime. In addition to guns and votes, autocrats trade cabinet

[1] IFI positions appointed by states, like governorships, are not counted.

seats for financing.

The paper also contributes to the literature on the political economy of sovereign debt in autocracies. It suggests that (at least some) autocrats are willing to sacrifice significant control of domestic policies to attain credit, consistent with past research. Previous research has found that credit improves autocrats political survival [Clay and Digiuseppe, 2017, DiGiuseppe and Shea, 2016, DiGiuseppe, 2015, Shea et al., 2024, ?]. Trebesch [2019] finds that autocrats are less coercive in debt negotiations than democracies (although I do not directly compare them to democracies due to limited data). The finding also mirrors a strategy used by Mexican autocrat Plutarcho Calles to reduce capital flight; Calles organized its domestic creditors into a single bank to tie his hands against selective default [Haber et al., 2003] .

The paper proceeds as follows. Section 2 reviews past findings on autocratic cabinets and sovereign debt. Section 3 uses that literature to state my primary argument and empirical expectations. Section 4 describes my data and methods. Section 5 presents the results. Section 6 presents 2 case studies. Section 7 concludes.

2 Literature Review

Although cabinet selection in democracies is well-studied, autocratic cabinets are poorly understood. This is surprising due to the dominance of the executive in modern autocracies. While almost all modern autocracies have legislatures[Meng et al., 2023], these legislatures are a weak check and can become just a forum for disputes among executive factions [Noble, 2020].

In modern autocracies, cabinet members are not just policy implementers but also participate in new leader selection and coups. Cabinet positions provide crucial resources for autocratic elites, such as control over policy, patronage resources, and access to other elites for coordination [Meng, 2020]. Sixty-five percent of unconstitutional exits from power by autocrats from 1950 to 2008 resulted from coups or rebellions starting within the government[Svolik, 2012]. For example, in Saudi Arabia, after King Faisal's ascent, cabinet positions were shared among the king's brothers to check the monarch's power. The fact that autocrats appoint the people who can overthrow them is one of the primary divergences between models of democratic and autocratic politics (Bueno De Mesquita et al., 2003; Svolik, 2012; Gehlbach et al., 2016).

Past literature has identified three competing priorities that autocrats balance in selecting their senior cabinet members. Autocrats use ministry positions to coopt domestic allies [Francois et al., 2015, Arriola et al., 2021, Bokobza and Nyrup, 2024]. Top ministry positions are threatening, so leaders may reserve to positions for close allies or occupy them personally to minimize threats [Meng, 2020]. Finally, autocrats may minimize threats and agency losses by appointing domestic civil servants[Dowding and Dumont, 2014].

The most senior posts in the cabinet are particularly threatening to the leader and tend to be held more tightly within the ruling group or the leader's close allies [Bokobza and Nyrup, 2024, Francois et al., 2015, Herb, 1999]. Top cabinet posts are generally defined as defense, finance, foreign affairs, and sometimes interior. In the Gulf monarchies, top cabinet posts are much more likely to go to a member of the ruling dynasty [Herb, 1999]. In African autocracies, top posts are more likely to be held by a coethnic of the leader [Francois et al., 2015], and the same is true for powersharing with junior parties [Bokobza and Nyrup, 2024]. Because the military is the primary originator and usual arbiter of coups, the minister of defense is the most threatening position and tends to be held by a close ally or even the autocrat personally [Meng, 2020].

The finance portfolio is politically influential. It includes managing the state budget, ensuring fiscal stability, attracting foreign credit, and leading negotiations with creditors. The finance minister's power to propose budgets often makes them a gatekeeper of state funds, determining which ministries, regions, or factions receive funding. In African states, finance and planning ministers are likelier to succeed the leader than all non-military ministers [Meng, 2020]. Controlling the finance ministry directly gives a politician control over fiscal flows among influential elites, cultivating influence.

Autocrats also use cabinet positions to buy the support of domestic allies. A broad literature exists on the role of African cabinets in patronage distribution [Roessler, 2016, Arriola, 2009, Arriola et al., 2021, Francois et al., 2015] The composition of a leader's cabinet is a tool to encourage participation from various communities to minimize grievances from exclusion and maximize buy-in [Roessler, 2016]. By entering an elite from a certain group into their cabinet, the leader makes a clear and visible commitment to include that group in policy and patronage [Arriola, 2009]. Francois et al. [2015] finds that African autocracies tend to distribute seats to ethnic groups in close proportion to the ethnic group's population. In Pakistan, there is an expectation that cabinet seat allocation will be proportional to regions by their population [MUFTI, 2014], and in Lebanon and Iraq, there are informal quotas by sect and ethnicity. Sharing cabinet seats to junior parties in exchange for legislative support is also a common and rising phenomenon [Bokobza and Nyrup, 2024]. Because portfolio allocation is a useful mechanism for allocating patronage and influence, it is common for civil wars to end with a formal agreement to divide the cabinet [Haass and Ottmann, 2017, 2021].

Leaders may instead choose to maximize their policy control by choosing finance ministers who are ideologically aligned with them or at least easily controllable [Dowding and Dumont, 2014]. Autocratic finance ministers often come from the civil service; 41% of the former finance ministers were civil servants before their political careers. In European parliaments, [Alexiadou and Gunaydin, 2019] propose that in European parliamentary democracies, technocrats are preferred by prime ministers when MPs are up for election individually and, therefore, hesitant to implement austerity because technocrats faceless personal career costs from austerity. This explanation is a poor fit in autocracies for two reasons. Firstly, it assumes that the career incentives for the leader are systematically different than for other domestic elites. Secondly, autocrats can appoint independent civil servants if politicians are unwilling to implement a policy, which I do not observe.

None of these explanations is well suited to explain the independent technocrats. They are unlikely to be close political allies of the incumbent. They cannot be a cooptation payment to a domestic constituency because their careers have not tied them closely to domestic groups. Their recourse to return to academia, IFIs, and private finance makes them harder to control than a domestic civil servant. In the next section, I provide an alternative argument that explains why independence would be preferable in specific situations.

2.1 Autocrats and Default

Sovereign debt crises occur when governments are unable (or unwilling) to meet their debt obligations [Ams et al., 2019]. States often run up large debt stocks relative to their ability to pay, perhaps because debt allows leaders to increase consumption now while pushing costs onto future rulers. For states with weak fiscal capacity, the debt-to-GDP ratio necessary to trigger default can be surprisingly low, as little as 20% [Reinhart et al., 2003]. In other cases, default is caused by a lack of liquidity when large tranches of bonds are rolled over to higher interest rates [Ams et al., 2019]. Default may also be brought on by external factors such as worsening terms of trade, recession in capital-providing countries, increasing international borrowing costs, or a global pandemic [Mosley and Rosendorff, 2023].

The most common default to private creditors begins with a missed payment [Asonuma and Trebesch, 2016] . After entering default, the state enters a prolonged negotiation with its creditors to reduce their payments to a sustainable level [Enderlein et al., 2012]. A smaller portion of defaults occurs through a preemptive negotiation from the debtor state. In a preemptive negotiation, the debtor state announces it is in debt distress and intends to negotiate with its creditors for a debt restructuring while continuing payment. Preemptive defaults are less common, and account for 38% of all restructuring deals agreed to between 1978 and 2010 [Asonuma and Trebesch, 2016]. A default is concluded when the two parties agree on debt restructuring. A deal will typically include a maturity extension (extending the time until the face value must be paid back), a reduction in the coupon paid, and a reduction in the face value of the debt (called a haircut). A state is out of default once this agreement is made and makes good on its new obligations.

Typically, the creditors begin by requesting an IMF program, if not already present, to provide a seal of approval before negotiations start. Once the seal of approval is given, the debtor requests its largest creditor to chair a Bank Advisory Committee (BAC) with other creditors to negotiate collectively for all foreign bank lenders [**?**]. The BAC then meets repeatedly with the debtor government to exchange offers and counteroffers. The final agreement requires near-unanimous approval of the final deal among members of the BAC, typically a 95% approval threshold [**?**].

Bond debt restructuring proceeds broadly similarly, with a creditor committee forming and a final take-it-or-leave-it offer made to the bondholders.

Due to sovereign immunity, states are not obligated to make good on these bonds. Legal penalties exist but are rarely used or successful [?]. Early default models predicted states would walk away from their debt rather than attempt to return market access through a painful adjustment process [?]. However, modern leaders revealed their preference is to pay the political and economic costs to get a restructuring deal. It is exceedingly rare for a state to walk away from its creditors entirely [Cruces and Trebesch, 2013, Roos, 2019]. States typically do not take a coercive negotiating approach with their creditors [Enderlein et al., 2012].

What explains the surprisingly high effort to conclude defaults and satisfy creditors? Leaders seek to conclude default negotiations quickly because remaining in default is costly to both the domestic economy and the leader's political survival[Borensztein and Panizza, 2009]. Sovereign debt crises are associated with a significant drop in economic growth of two to six percentage points in the first years of crisis [Borensztein and Panizza, 2009, Furceri and Zdzienicka, 2012]. Although states try to target defaults at foreign creditors, they nonetheless tend to spill over into the domestic economy [Roos, 2019]. Sovereign default risks decrease investor confidence and often trigger capital flight or bank runs. It is challenging to isolate losses in only foreign residents, so defaults damage domestic banks' balance sheets and pension funds, contributing to banking crises.

Autocrats find sovereign credit useful for political survival [DiGiuseppe and Shea, 2015, DiGiuseppe, 2015, DiGiuseppe and Shea, 2016, Clay and Digiuseppe, 2017]. Credit allows leaders to spend without raising taxes, which may alienate supporters or motivate the opposition and to smooth consumption over revenue shocks. Pavlova [2022] finds that sovereign defaults are associated with a higher probability of regime failure. DiGiuseppe and Shea measure the effect of S&P sovereign credit rating downgrades on removing a sitting leader in office. Employing a Cox proportional hazards model, they find that "democratic states face an estimated 30% increase in the hazard of winning coalition failure compared to a 155% increase in the hazard for nondemocratic states" [DiGiuseppe and Shea, 2015] . [Clay and Digiuseppe, 2017] find that access to credit reduces the effect of downward revenue shocks on repression, suggesting autocrats use credit to smooth over the fiscal bump (2017). Consistent with autocrats relying on foreign credit for survival, they tend to have larger debt loads than democratic developing countries [?]. Ballard-Rosa et al. [2021] argues that autocrats are more likely to subsidize staple foods to prevent urban riots, and that the costs of subsidize can trigger default.

Quickly resolving the restructuring can restore credit access within a few years. During default, credit access is severely restricted. Providing loans to a state with unpaid debts to other creditors is called lending into arrears and is practiced almost exclusively by the IMF (Buchheit, 2007). IMF programs come with onerous conditions that make them poorly suited for private goods provision [Shea et al., 2024]. The IMF also views open-ended outlays on consumer goods subsidies negatively and has previously required states to cease or reduce them as a condition. The reduced policy control and forced contraction that come with IMF programs complicate political survival strategies and have been associated with higher leader turnover [Shea et al., 2024].

3 Argument

During a rescheduling negotiation, the state faces a tradeoff between short-term austerity costs and increased interest rates [DiGiuseppe and Shea, 2019]. Imposing a larger haircut on creditors hurts the state's reputation, leading to higher future interest rates and longer exclusion from bond markets [Cruces and Trebesch, 2013]. Higher interest rates for the state will also raise the cost of capital in the private sector because private loans are typically benchmarked to government bonds. However, to keep the haircut small, the state must impose greater fiscal discipline and structural adjustment. Leaders can change the fiscal balance by raising taxes or decreasing expenditures, but these policies will displease domestic groups. Governments vary in how much they value reducing the cost of capital vs. maintaining short-term expenditures, leading to different strategies during restructuring [DiGiuseppe and Shea, 2019].

A "reformist" government that cares more about future interest rates should do more aggressive fiscal reform and minimize the haircut because future creditors will then offer lower interest rates. An "anti-austerity" government that cares less about future interest rates and more about the short-term welfare of the poor is less willing to make fiscal reforms. It will demand a larger haircut[2].

Creditors have strong reasons to quickly reach an agreement with a "reformist" type government [DiGiuseppe and Shea, 2019], and negotiations are shorter when fiscal adjustment faces weaker popular opposition and in the presence of more unified government [Trebesch, 2019]. The "reformist" type offers a minimal haircut, given the budget and political constraints upon them (which the debtor government knows better than the creditors). Secondly, the "reformist" government may be replaced by a less favorable government, resulting in a larger haircut. When negotiating with an "anti-austerity" government, creditors may benefit from waiting for the debtors out, especially when defaulting governments depend on IMF conditional financing, which may force reform against the government's will.

Because debtor states generally wish to shorten negotiations and reduce conditionality, there is an incentive for an "anti-austerity" type to present itself as "reformist" [DiGiuseppe and Shea, 2019] In other words, all governments wish to appear to be "doing all that they can," while avoiding politically painful fiscal reform. Appearing more reformist may also reduce interest rates if creditors believe the haircut was the minimum possible. Creditors and foreign investors will naturally distrust cheap talk from debtor governments.

I argue that appointing an independent technocrat as finance minister signals that the government is a "reformist" type, resulting in shorter negotiations and fewer disagreements about conditions. First, independence reduces the leader's control over the technocrat, which allows greater trust in the finance minister's statements to creditors.

Severe information asymmetries characterize sovereign debt negotiations. Some debtors will aggressively implement fiscal reforms, while others will minimize reform implementation while misleading creditors. The debtor state knows much more about its ability to pay, the extent of its debt, what policies can feasibly be implemented to improve fiscal balance, and even whether agreed-upon policies are being implemented in practice. Paris Club negotiations generally require

[2] DiGiuseppe et al. refers to these types as "right" and "left", a model which conveniently describes western debt debates. I am uncertain that this language extends well into the world of autocracies. For example, the Soviet Union was a left government that scrupulously maintained creditor confidence. Is Saudi Arabia rightist or leftist? To avoid ambiguity, I use the more specific framing of "reformist" and "anti-austerity."

the approval of the IMF, which often comes with extensive policy concessions from the debtor state that must be negotiated, implemented, and verified.

Signaling type may be particularly problematic for autocracies. Autocracies have more opaque political economy institutions, and creditors in democratic states may misread the extent of capitalist or worker dependence of a regime. Autocracies have lower levels of policy transparency than democracies [Hollyer et al., 2011] and have greater control over the information environment [Guriev and Treisman, 2019]. Career civil servants in the fiscal bureaucracy have information about the ability to pay and, therefore, type, but their career prospects are subject to the autocrat's control. Autocrats may draw them into a conspiracy to overstate reform implementation, and in equilibrium, creditors should discount the appointment of a well-qualified civil servant as a signal of resolve.

Individuals from careers in academia, IFIs, and banking have exit options in the international private sector, allowing them greater independence and credibility. Their exit option to return to academia or the private sector allows them to potentially reveal adverse information to creditors or resign if their policies are undercut. If the autocrat hires an academic from the diaspore to serve as finance minister and then sidelines that minister from actual policy-making or information, the academic is well-positioned to resign and return to their previous career. The stronger exit option allows the finance minister to reveal adverse information to creditors, so autocrats who plan to produce adverse information should avoid hiring them (autocrats who do not hire an independent technocrat may be pooling with those autocrats who are too politically vulnerable not to appoint a supporter). At the same time, if the finance minister claims that a creditor-proposed reform is counterproductive or unfeasible, that claim may be trusted more if the finance minister comes from a similar background to an IFI staff member.

I refer to individuals as "independent technocrats" with technocratic education and a primary pre-political career in academia, the private sector, or non-profits (including international central banks like the Central Bank of West African States). Unlike other technocrat indicators, independent pre-political careers are a difficult-to-send signal of independence. Party identification can be manipulated easily, and regime insiders can be educated. The leader cannot easily give a political insider a prior career in banking, academia, or IFIs[3]. If insiders are encouraged to enter them, the career experience provides exit options that are less accessible to civil servants.

For an "anti-austerity" type, this strategy runs the risk of revealing the type when the minister resigns or discloses information. If you are trying to mislead creditors about your ability to repay them, it is unwise to place their agents in charge of your finances. Moreover, appointing an outsider foregoes the the control and cooptation of domestic allies that autocrats usually get from their minister appointees. Alexiadou et al. [2022] makes a similar argument in European parliaments.

In addition to the signaling type, an independent technocrat may help prevent negotiations from sticking to politically costly conditions. The state has private information about which policies are likely to succeed or have outsized political costs. For example, the IMF conditioned loans to Jordan in the 2000's on implementing a tax on groundwater withdrawals intended to drive unprofitable farms to close[Liptrot and Hussein, 2020]. The Jordanian government recognized that this policy could not work because tax agents would refuse to enforce it for cultural reasons, leading to a missed tranche. In Sudan's debt negotiations in the 1970s and 80s, the IMF insisted that subsidies on staple goods be withdrawn before restructuring, and the Sudanese president Gaafar Nimeiry believed subsidy withdrawal would lead to regime collapse[Rahman, 1995]. Nimeiry was proven correct when he was overthrown after withdrawing subsidies in 1985, and his successors eventually withdrew from the IMF. Independent technocrats may facilitate more trustworthy communication with the IMF and reduce costly disagreements over conditions.

4 Methods

4.1 Default Data

My primary independent variable is Asonuma and Trebesh's dataset of sovereign defaults and renegotiations (Asonuma and Trebesh, 2016 updated). It contains all foreign private debt negotiations for restructuring or defaults from 1970 to 2020, with their start month and conclusion months.

A default negotiation can begin either at the request of the debtor or when the debtor misses

[3] IFI positions appointed by states, like governorships, are not counted.

a payment. A pre-emptive restructuring negotiation, where the state continues to pay while negotiating, is still a type of default: the net present value of the bonds or loans is almost always reduced in the final deal Asonuma and Trebesch [2016]. The state exits the dataset when it agrees to a restructuring deal with its creditors and resumes payment.

The Asonuma and Trebesch data does not include debtors who have given up entirely on repaying their debt. If a state defaults and withdraws from negotiations indefinitely, it leaves the dataset. Sudan first began missing payments in 1975 (Reuters, 2021) and engaged in negotiations with the IMF and creditors for 10 years. In 1985, Sudanese leader Jaafar Nimeiry cut consumer goods subsidies as part of an IMF program, sparking popular protests that culminated in his removal. The subsequent Sudanese government made little effort to negotiate with the IMF and by 1993 was suspended by both the IMF and World Bank. The Asonuma and Trebesch dataset codes Sudan as in default negotiation from 1975 to 1985, corresponding with Nimeiri's removal. Similar cases in Cuba and Liberia are also excluded. This coding rule is preferable for my research question to a pure default measure like the Bank of Canada dataset, which codes Sudan as legally in default from 1975 until 2021. The unusual states that walk away from creditors are doubtful in selecting finance ministers based on creditors they have spurned. Asonuma and Trebesch do not exclude states that suspend the negotiations temporarily, as suspending negotiation is a bargaining tactic.

Asonuma and Trebesh also exclude small debt arrears resulting from banks that hold out from default agreements, which are recorded in the Bank of Canada. These minor debts are unlikely to influence the state's relations with future creditors.

The dataset combined quantitative yearly data on arrears and default from the World Bank's Global Development Finance (GDF) and Standard & Poor's default data (S&P) with qualitative information. The qualitative data covers gaps, for example, when arrears are incurred and repaid in the same calendar year. The qualitative data comes from IMF reports, books, policy reports, and past literature collected by Asonuma and Trebesh.

I also selected this dataset because it includes each default's start and concluding months. The Paths to Power and Who Gov minister datasets record the minister on July 1st of each year rather than January 1st. Therefore, my default variable is one if the state is in negotiations on July 1st of each year and 0 otherwise.

5 Defining Technocrats

This section briefly summarizes past definitions of technocrats from the academic literature. The most common coding practice in the literature is partisanship. This is ill-suited to the research question because it relies on signals that autocrats can exploit and does not transfer to non-party regimes. I propose an alternative measurement of technocrats using hard-to-fake signals like the appointees' pre-political career and post-secondary education.

There is already a well-developed literature on technocratic cabinet appointments and technocrat-lead governments focused on European Parliamentary democracies [Alexiadou et al., 2022, Alexiadou and Gunaydin, 2019, Bertsou, 2020, Wratil and Pastorella, 2018] and to a lesser extent, presidential regimes. [Neto and Samuels, 2010, Camerlo and Martínez-Gallardo, 2019]. Definitions of technocrat vary. Neto and Samuels's (2010) paper uses the lack of party identification as a proxy for technocrat appointees. Hallerberg and Wehner (2018) only consider whether the appointee has advanced academic training as an economist. However, most definitions require appointees to possess both independence from electoral and partisan politics and an advanced technical qualification [Alexiadou et al., 2022]. An individual with political affiliations and technical experience is sometimes called a technopole, and an individual with independence and no technical qualifications is an independent (See Table 5).

	Domestic political base	**No political base**
No Technical expertise	Politician	Independent
Technical expertise	Technopoles	Technocrat

The main conditions for technocratic assignment in studies in democracy have been the lack of electoral and partisan affiliation and technical expertise, usually a post-secondary degree relevant to the position. McDonnell and Valbruzzi (2014) constructed a panel dataset of technocratic governments in European parliaments using the following definition:

> A prime minister or minister is a technocrat if, at the time of his/her appointment to government, he/she: (1) has never held public office under the banner of a political party; (2) is not a formal member of any party; (3) is said to possess recognized non-party political expertise which is directly relevant to the role occupied in government."

Similar definitions are used in Alexiadou and Gunaydin [2019], Alexiadou et al. [2022], Wratil and Pastorella [2018], Costa Pinto et al. [2018], The literature relies heavily on the party affiliation of the appointees.

However, those measures of partisanship would not travel very well to autocratic contexts or disputes between creditors and debtor states. Many autocratic rulers do not even operate political parties to begin with. It is unsatisfying to conclude that all appointees in Saudi Arabia are politically independent. Moreover, when parties exist, they are sometimes weak or marginal to the ruling group, as in Russia, where Vladimir Putin runs as an independent. So, this would imbalance the sample to inaccurately portray these regimes as more technocratic.

Moreover, the political independence of "independent" appointees is not obvious. Democracies feature a greater separation of the party and state and between the ruling group and the civil service. In advanced democracies, it can plausibly be taken for granted that an independent politician who displeases the ruler can return to their professional or political activities. This same assumption should not be granted as easily in autocracies. Individuals without a partisan affiliation may actually be more dependent on the ruling group due to a lack of support from an opposition party. For example, in Morrocco, the royal court competes for cabinet control with well-organized independent political parties[York, 2023]. When the parties fail to form a majority the king has greater significant influence over the cabinet prefers to appoint independent "technocrats" who have strong professional ties, and these independents are 25 percentage points less likely to respond to queries from the legislature [York, 2023].

Civil servant non-partisan appointees in autocracies may be technocrats but are not sufficiently independent for the research question, due to the ruling group's influence over their career prospects. As Figure X shows, 43 % of finance minister years are occupied by former civil servants in autocracies, consistent with autocrats favoring them because they are more controllable. I construct an alternative definition of technocrats, which I refer to as "independent technocrats," to disambiguate with civil servants.

I use several occupational and career signals of independence to avoid unreliable signals of partisan dependence. My main indicator of political independence is the pre-political career of the appointee, defined as their primary career for the ten years before they entered politics. A person is independent if that career is in academia, the private sector, or non-profits and IFIs. These careers were selected because they provide relevant career expertise without joining the civil services. The restriction to these independent careers provides an indicator of independence that is consistent across multiple regime types.

Even if an autocrat " faked" the pre-political career categories by sending their people into business, IFIs, or academia, they would still affect the exit options. A career as an economic or financial expert in the private sector, IFIs, or academia provides stronger exit options outside the leader's control. These skills are internationally transferable, and the person has recourse to the private sector in their own country or abroad.

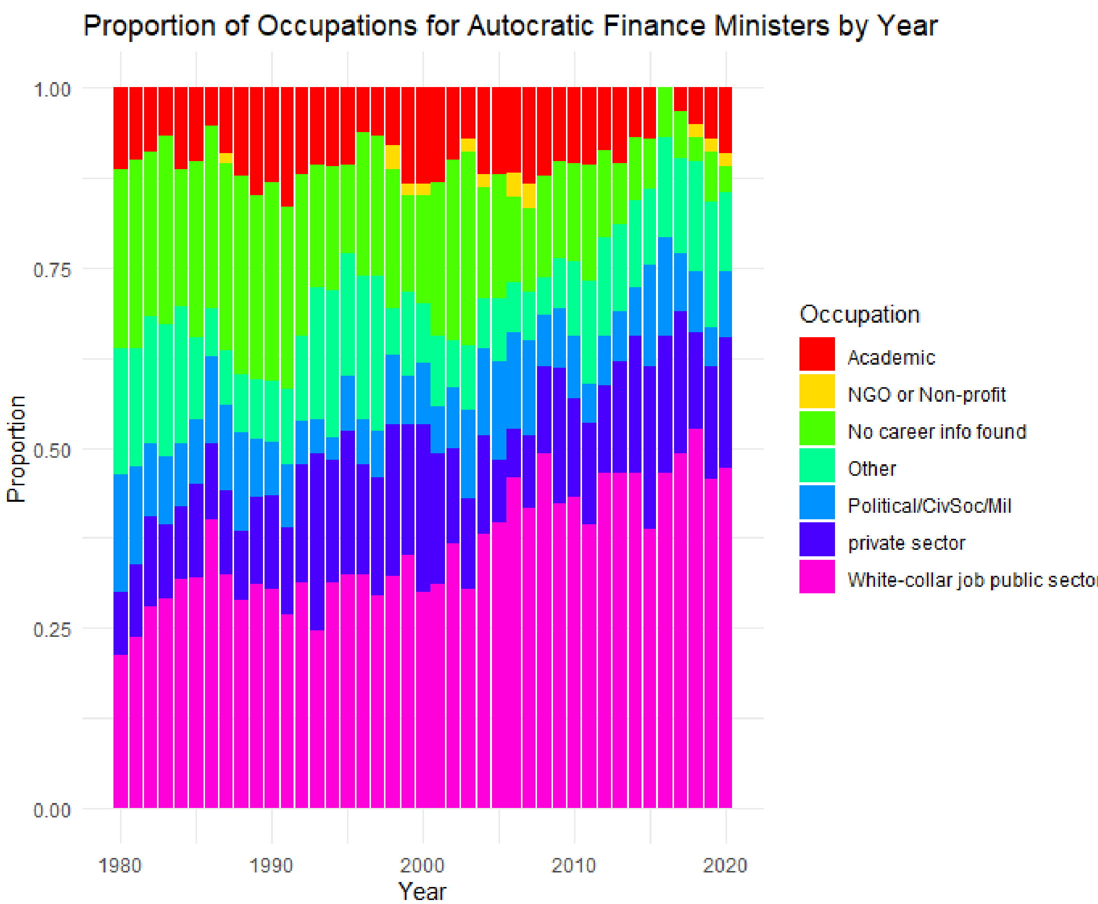

Figure 1: Enter Caption

I also remove individuals who have strong ties to a party or other political bodies, such as a royal family or ethnic group. I do not exclude all party members as a blanket rule. In some autocracies, membership in a party is a perfunctory requirement of cabinet membership, and some autocratic parties are large and do not represent a significant commitment of career capital (Fabio Angiolillo, 2023). For example, the PRI included approximately 20% of Mexico's total population. The set of party members is much larger than the set of hereditary nobles and party chiefs, which would make party autocracies appear less technocratic than non-party autocracies like the Gulf Monarchies. I create a more comparable system across regime types and party structures by excluding active party participation.

5.1 Constructing the Independent Technocrats Measure

I construct my technocrat metric using data from the Paths to Power Dataset (PtP) combined with a modest addendum coded in the same style. Paths to Power is an ambitious data project coding all cabinet ministers' pre-political careers, education, and other background characteristics. It covers all states with over 10 million residents from 1966 to 2021, as well as OECD countries and several additional small states. While PtP has not yet been published, I received early access to a restricted sample of finance ministers in autocracies from 1980 to 2021.

It was produced by Jacob Nyrup, Carl Knutsen, Petter Langsaether, and Ina Kristiansen with a team of 20 research assistants. For each minister, the RAs and researchers "conducted systematic internet searches (. . .) mainly relying on open and easily available sources," including LinkedIn, biographies, news articles, and obituaries (Nyrup et al. unpublished p. 5). They then recorded a set of variables from a joint codebook based on the collected documents. The authors ensured that all Ras understand the primary language of the coded country.

After constructing their variables, Nyrup et al. merged their data with regional datasets produced by Alexiadou et al. (2022) and the LEAD project (Ellis et al. 2015). The PtP-measured share of ministers with higher education had a correlation of 0.73 with the Alexiadou et al. datasets and 0.78 with LEAD.

However, PtP does have a high degree of missingness for finance ministers' education levels. Of

657 finance ministers in the PtP sample, 119 have no education information, and 101 have a university education of unknown extent. I suspect the unreported ministers have lower educational attainment because positive qualifications are more likely to be discussed in cabinet announcements.

The occupation variable refers to "the work-related activity the minister spent most of his/her time on in the decade before becoming a full-time politician" (Nyrup et al. unpublished, p. 5). It is divided into categories given in Figure X. These are based on the International Labor Organization's ISCO coding (ILO, 2024). Independent technocrats must come from occupations in Academic, private sector, NGO, or other non-profit. PtP includes an additional category for "Chief or other informal/formal leadership role ethnic/geographically concentrated group," which would exclude an individual from assignment to technocrat. However, no individuals with that background became finance ministers in the sample.

The political experience variable refers to the question "Does the cabinet minister have political experience before being appointed minister?." It has two affirmative categories, "partisan without holding a political office (advisor, active in party organization, etc.)" or "has previously held a political office (member of legislature, local/regional government, Chief). Both affirmative answers disqualify technocrat status.

A final variable for "Is the cabinet member a nobility or a member of the royal family" is included. This question refers to the immediate or extended family "of the king/queen, emir/emiras, sultans/sultanas. Village/tribal kings." Coders were instructed that it is not relevant in states without a royal family. An affirmative answer disqualifies any technocrat status.

This method categorizes 9% of finance minister years as having an independent technocratic in office across autocracies in the sample.

6 Methods

Establishing causal relationships presents formidable challenges in political economy. The central question of this chapter, whether entering default negotiations causes autocracies to appoint more technocrats, is no exception. In this section I propose a two-way fixed effects model to control for country and year specific confounders. I describe several potential confounders which I control for. Then I present results from the two-way fixed effects regressions. Finally I review results from multiple instrumental variables designs, which either have weak first stages or large standard errors.

Identifying the causal effect of sovereign default has been a problem for past studies on sovereign default, which primarily investigates default's effect on social and distributional outcomes. Pavlova (2022) measures the effect of default on regime collapse using a fixed-effects conditional logit model and a random-effects probit model. Trebesch and Zabel investigate the impact of more coercive default negotiations on output losses using macroeconomic and political control variables and control for the credit rating before crisis initiation (2016).

7 Two-way Fixed Effects Models

I use two-way fixed effects (TWFE) models to control for country and year-specific confounders. Countries vary in relevant cultural values, like the preferences for technocratic or populist politicians. Values conducive to technocratic or populist governance may also affect the rate of default for countries, for example when populist fiscal policies lead to unsustainable debt loads. Compare, for example, Argentina and Singapore.

TWFE models also account for time-varying confounders. Changes in interest rates can induce default by raising the cost of refinancing debt. High interest rates also make creditors pickier about which regimes receive credit [Ballard-Rosa et al., 2021]. Regimes may strategically appoint banker finance ministers when interest rates are high to unlock credit. All models also cluster standard errors at the country level to account for country variation and autocorrelation.

Accounting for country and year effects does not resolve bias from country and time-varying confounders. I include several models with increasing inclusion of potential confounders. The level of economic development and educational development both affect the supply of independent technocrats suitable for appointment. Greater economic development is associated with more individuals in the finance and academic professions who fulfill the occupation requirements. Greater education also increases the supply of individuals with advanced degrees in economics and business. Being in default is negatively correlated with GDP, services as a portion of GDP, and education levels (author's regressions, unreported). In all two-way fixed effects regressions, I include controls for the log of GDP (World Development Indicators (WDI) and Penn World Tables (PW)), services as a portion of GDP (WDI), the log of population (WDI and PW) and education levels[4] [Barro and Lee, 2013].

Sovereign defaults often cooccur with other financial crises, such as exchange rate devaluations and banking crises[Nguyen et al., 2022]. Banking and currency crises may increase the demand for technocratic ability from the finance ministry, whose portfolio usually includes banking regulation and fiscal policy. The direction of causality between sovereign default and currency crises is unclear and may be bidirectional [Nguyen et al., 2022]. Currency crises may make foreign-currency debt challenging to repay, and default may cause capital flight, leading to currency depreciation. The potential for currency crises to be both confounder and mediator means that bias could occur if controlled for via post-treatment bias or if left out through confounding, so I provide both results.

In Model 3, I include measures for banking and currency crises from [Nguyen et al., 2022], an extension of [Laeven and Valencia, 2020]. Banking crises are defined by "(1) significant signs of financial distress in the banking system, (...) (2) significant government policy interventions" [Nguyen et al., 2022, pp. 4]. Currency crises are defined as a depreciation greater than 30% against the US dollar.

If the greater technical ability of independent technocrats drove my results, we would expect banking and currency crises to also have positive coefficients, which is not observed in Table **??**. Similarly, if independent technocrats are hired for blame-shifting, they will also be associated with banking and currency crises. Consistent with my theory that independent technocrats are intended to appease creditors, the coefficients for other financial crises are small and close to zero. However, we should be careful not to over interpret a null result.

Regime collapse and government formation present a major threat to causal inference. Sovereign

[4]Specifically I include the average number of years of tertiary schooling for individuals between the ages 45 and 54. Barro and Lee report schooling every 5 years, so I interpolate between observations to construct panel data

default is positively associated with regime collapse [Pavlova, 2022, DiGiuseppe and Shea, 2015]. Regimes in default tend to be younger, with an average regime duration of 20.5 years as opposed to 27 for non-default regimes (regime duration measure from [Geddes et al., 2014]. Younger regimes may be more likely to appoint independents because they have not yet cultivated supporters in the civil services or to develop performance legitimacy. Regime duration is indeed negatively correlated with independent technocrat appointments. In model 4, I include a measure of regime duration from [Geddes et al., 2014]. I also include the number of successful coups in that year and the previous year from [Bjørnskov and Rode, 2020].

Consistent with my theory, I find a positive association between sovereign default and the appointment of independent technocrats.

7.1 Fixed Effects Counterfactual estimator (FECT

Recent research has highlighted significant drawbacks of the two-way fixed effects models presented in the previous section [**?**]. TWFE models require a rigid assumption taht the treatment effect is constant over the study period. [**?**] show that TWFE models "identify weighted suyms of the average treatment effects (ATE) in each group and period, with weights that may be negative". It is easy to imagine potential violations of the constant treatment effect. For example, outsider technocrat appointments may have become less common as finance ministries increased in capacity, educated personnel, or gained the trust of foreign creditors.

To avoid assuming a constant treatment, I employ fixed effects counterfactual estimators, proposed by **?**. FECT estimates effects by constructing counterfactual outcomes for treated units based on pre-treatment patterns and comparisons with control units. I selected it because it is appropriate for treatments that switch on and off, such as default negotiations. Table X presents results using FECT, with treated observations equally weighted.

7.2 Missingness

The Paths to Power data set covers all ministers in countries with greater than 10 million residents. I expanded the data by hand coding finance minister backgrounds for all finance ministers

Table 1: Two-Way Fixed Effects Tables

	(1) Base Model	(2) Lagged DV	(3) Financial Crises	(4) Regime Dur
Independent Technocrat				
In Default Negotiations	0.113**	0.052***	0.052***	0.058**
	(0.045)	(0.019)	(0.019)	(0.026)
Log GDP per Capita	-0.061	-0.039	-0.029	-0.011
	(0.096)	(0.038)	(0.042)	(0.036)
Log Population	-0.053	-0.056	-0.032	0.034
	(0.194)	(0.073)	(0.082)	(0.084)
Services (pct GDP)	0.001	0.001	0.001	0.001
	(0.003)	(0.001)	(0.001)	(0.001)
Avg. Years Tert. Educ.				
Banking Crisis			0.004	0.017
			(0.022)	(0.028)
Currency Crisis			-0.005	-0.007
			(0.023)	(0.024)
Regime Age				-0.006***
				(0.001)
Successful Coups				0.050
				(0.116)
Lag Ind. Technocrat		0.687***	0.683***	0.621***
		(0.034)	(0.034)	(0.053)
Lag Successful Coups				-0.085
				(0.063)
Observations	1407	1327	1280	835

Standard errors in parentheses

Clustered standard errors by country-year

,

Significance levels: * p¡0.10, ** p¡0.05, *** p¡0.01

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 2: Regression Results from Fixed Effects Counterfactual Estimator

	Estimate	Std..Error	p.value
Default Negotiations	0.118	0.052	0.023
log_gdppc_WDI_PW	-0.075	0.111	0.501
log_pop_WDI_PW	-0.088	0.275	0.750
services_pct_gdp_wdi	0.002	0.003	0.487
yr_sch_ter_interpol	-0.054	0.103	0.598
Banking_Crises	-0.032	0.038	0.406
Currency_Crises	-0.006	0.037	0.860

mentioned by WhoGov for which default data was available (WhoGov extends to states with a million or more residents). I did not recode entries reported missing by paths to power.

The resulting dataset nonetheless has a high rate of missingness. My universe of cases, states between 1980 and 2020 defined as autocracies by Boix et al. [2013], contains 3,542 regime years. Of these, I have technocrat classification data for 2088. Missingness is primarily caused by limited public information about a finance minister's educational and professional background. Sources may be entirely unavailable for a minister or leave out crucial information like the subject of degree. This problem is particularly severe for older observations from small, poor countries and older observations.

The pattern of missingness suggests that it must be addressed directly to prevent bias. Data is Missing Completely at Random (MCAR) if missingness is unrelated to observed variables, Missing Completely at Random (MAR) if missingness is systematically related only to observables, and Missing Not at Random (MNAR) if missingness is systematically related to unobserved covariates. MCAR can be ruled out immediately because technocrat independence is missing more frequently for lower-income countries; The Spearman correlation between missing technocrat data and log of GDP is -.12).

Listwise deletion, applied above, does not ameliorate bias [King et al., 1998]. I instead use Multiple Imputation by Chained Equations (MICE) [**?**]. I selected MICE over alternatives such as AMELIA because MICE performs well in imputing binary variables (see https://faculty.washington.edu/cadolph/mle/top
Mice produces multiple imputed datasets, runs the regression of interest across each of them, then

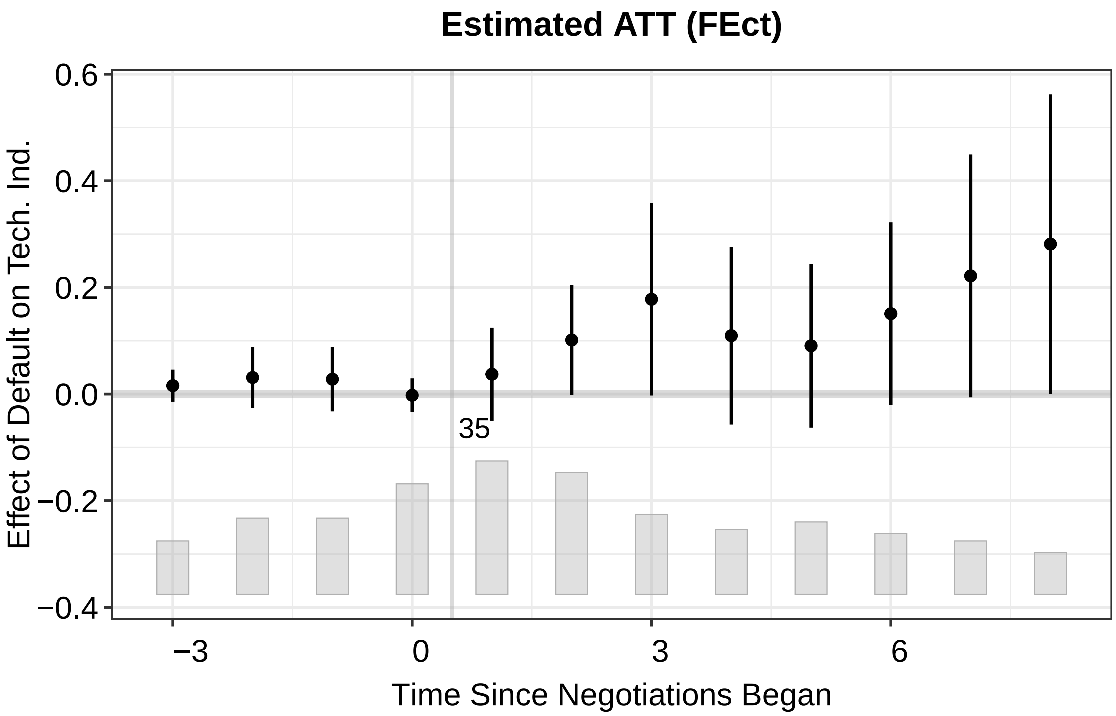

Figure 2: Period-wise ATT of default on independent technocrats from FECT model with no covariates.

pools the results to minimize noise from each individual regression. Results from a linear probability run on data imputed via MICE are presented in Table 7.2.

Non-ignorable missingness truncates variation in the dependent variable, causing biased estimates, and must be addressed directly. Much of the education and occupation data comes from announcements of appointments and obituaries, where writers are disposed to focus on positive attributes. Impressive experiences like working at the World Bank and completing an advanced degree may lead to education and professional information being included more frequently. Newspapers may selectively fail to mention less impressive educational and professional qualifications. This could create non-random missingness, or MNAR or "non-ignorable" missingness. In theory, under the reporting of non-technocrat finance ministers, my results could be biased downward by increasing the average technocrat value outside of default.

LPM with MICE-imputed Data

	(1)	(2)	(3)
In Default Negotiations	0.08**	0.08**	0.06+
	(0.03)	(0.03)	(0.03)
Log GDP per Capita	-0.03	-0.02	-0.01
	(0.03)	(0.03)	(0.03)
Log Population	0.01	0.02	0.04
	(0.03)	(0.04)	(0.04)
Services (% GDP)	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
Years of Tertiary Education	-0.04	-0.03	-0.04
	(0.05)	(0.05)	(0.08)
Banking Crisis		-0.02	0.00
		(0.03)	(0.03)
Currency Crisis		-0.01	-0.01
		(0.02)	(0.03)
Regime Age			0.00***
			(0.00)
Lag # Successful Coups			-0.03
			(0.04)
black	black	black	black
Num.Obs.	2581	2560	2028
R2	0.009	0.010	0.026

+ p ¡ 0.1, * p ¡ 0.05, ** p ¡ 0.01, *** p ¡ 0.001

[**?**] and Little [2009] argue that simple and transparent approaches best respond to MNAR. Under MNAR, the model fit on complete cases does not accurately predict missing cases, so all models "are subject to a fundamental lack of identification," which is not fixed by fancier models [**?**, p.51]. Buuren and Little suggest instead adding fixed increments to imputed values to adjust for differing levels of MNAR and demonstrating the robustness of the result to different assumptions. In Table X the mice imputation results have been adjusted downward by 0 (MAR), $.1m$, $.2m$, $.3m$, where m is the mean of the independent technocrat measure (.097). This corresponds to unobserved technocrat values being a few 1-3 percentage points lower. I use a linear probability model because it allows greater flexibility for adjusting the imputation in the MICE package. The coefficients and significance are not changed by any of these assumptions, implying that nonrandom missingness does not explain my results.

8 Illustrative Case

This section demonstrates the plausibility of the claimed causal relationship through several illustrative cases of the selection of technocrat finance ministers and presidents by autocrats. It is not intended to verify the empirical regularities, which is the role of the preceding section. Demonstrating plausibility depends on understanding the internal calculus of leaders making appointments. This is difficult because leaders may dissemble about their motivations for an appointment. Also, in most cases, leaders do not document the reasons for their appointment in detail, and reliable information about appointment processes is hard to find for smaller or less-reported-on regimes.

Due to limited evidence, cases were selected primarily based on evidence availability. I focus on casese where the testimony from political insiders is available after the fall of the regime. Once the regime has fallen the participants may be more forthright in describing their motivations. This focus on ex-post accounts should make it easier to reconstruct the internal logic of the regimes appointments.

8.1 Barletta - Panama, 1984

In the 1980s, Panama was ruled by a military junta under the National Guard, led by Manuel Noriega. Despite a de jure separation between the military and an elected presidency, elections were de facto controlled by the junta. Leading up to the 1984 election, General Noriega faced a debt crisis that had led to default, and he needed to legitimate himself in the eyes of the United States. The Junta chose independent technocrat Nicolas Barletta for the presidency itself, rigging the election to ensure his victory. Barletta launched an ambitious liberalization agenda to balance Panama's budget, which ultimately contributed to his political downfall. The Barletta case differs from our primary theory in that he was made president rather than finance minister, but this is more of an intensification of the outcome than a deviation from the thoery.

After populist general Omar Torrijos died in a plane crash in 1981, he was succeeded by his colonel and intelligence chief Manuel Noriega. Torrijos had made moves toward democratization, including creating the Democratic Revolutionary Party (PRD) as a vehicle for a pacted transition with military support. Noriega aborted the return to the barracks and aggressively controlled the de jure civilian political institutions[**?**]. He forced a president to resign in 1983, controlled the PRD's nomination of the president in 1984 [**?**], and his officers would rig the results of the 1984 election. While the 1984 election was hotly contested but the results were not in contest. Few observers seriously believed that had the any candidate could have assumed office without Noriega's approval regardless of results (including the US State Department) [Conniff, 2012].

Noriega's control over the PRD allowed him to strongly influence their candidate for president (the PRD did not hold primaries until after the military regime) [Kempe, 1990]. Noriega sought a candidate who would ameliorate Panama's severe debt problems.

Populist president Omar Torrijos left Noriega a severely indebted and highly interventionist government. From 1971 to 1980, Torrijos oversaw an average government deficit of 9.7%. In 1983, public debt stood at 78% of GDP and interest payments consumed 6% of GDP. In 1982, the fiscal deficit was double the IMF standby targets, driven by an international recession and overspending to reduce political uncertainty during the Torrijos-Noriega succession. 1984 Panama entered into restructuring negotiations with its external creditors, intermittently missing payments until a deal was finalized in late 1985 [Asonuma et al., 2016]. Almost all the debt was foreign held, and Panama had the highest per capita foreign debt in the world [Conniff, 2012].

To make matters worse, Noriega inherited anti-growth but popular policies from Torrijos (large public sector, import-substitution industrialization) which now created a barrier to growth. Tariff barriers kept tradable goods prices high and the agriculture sector was subject to extensive price controls and regulations which prevented exports. For example, cement was produced domestically at twice the international rates and sold at thrice. Subsidies on consumer staples had cushioned inefficient production, but were no longer affordable. Due to high regulations on agricultural and industrial exports, most export revenue came from services like banking. Achieving growth and debt reduction in Panama would require both the removal of popular policies like price controls and tariffs, combined with fiscal austerity in public sector employment and subsidies. Those policies were both complex to implement and unpopular.

Noriega settled on Nicolas Ardito Barletta for president. Barletta had a doctorate in economics from the University of Panama and had just served as the World Bank's vice president for Latin America for 7 years. He had also served as finance minister under Torrijos, who remained popular. Barletta's education in the US and connections with the US-based IFI's made him a popular candidate with Washington as well. Most importantly, Barletta had was a public advocate of the liberalizing reform package also advocated by the IMF and World Bank for Panama and was correctly expected to vigorously champion them while in office. Noriega's chief of staff, Diaz Herrera, later stated that Noriega chose Barletta for his ties with IFI and the US, which could help with the debt problem[Kempe, 1990]. Absent the debt, it seems highly unlikely that Noriega would have chosen an individual with such an unpopular policy agenda.

Noriega and his military allies did more than get Barletta a nomination from the PRD. Noriega's chief of staff admitted in 1987 that he rewrote vote tallies to give give Barletta a narrow victory over the other candidates[Kempe, 1990][Scranton, 1991]. In Noriega's memoirs, he cites appeasing the US State Department under George Schultz as a key reason for supporting Barletta:[5]

[5]Noriega's memoirs are highly critical of the US and take a Latin American anti-imperialist position, which may

> The United States agreed in 1984 to support Barletta as president. Barletta had been living for a long time outside Panama, working for the World Bank. He was a student of Secretary of State Geroge Shultz, one of a number of U.S.-educated Latin American technocrats, like Carlos Salinas in Mexico, (...) studying the foreign debt, things that mattered to the United States. (...)
>
> This [Barletta's candidacy] didn't bother me at all. In military command meetings, we had decided that it was a good idea for the civilians to take a stronger hand, especially in economic policy. (....)
>
> With the support of the Panamanian Defence Forces and the PRD—Democratic Revolutionary Party—Barletta was elected by a narrow margin in 1984. That was what the Americans wanted.

Collaboration between Barletta and the World Bank began immediately. The Bank released a report, "Panama - Structural change and growth prospects," advocating an ambitious reform agenda for Panama and presented it to Barletta in his first month in office. The report makes repeated reference to "Panama's first democratically elected Government in 16 years." The US also made gestures of support for Barletta's presidency. Secretary of State George Schulz, who had taught Barletta at the University of Chicago, attended his inauguration [Conniff, 2012]. US aid to Panama in 1985 was ten times the average from 1980 to 84 [Conniff, 2012] to $ 138 million. Historian Michael Conniff attributes the increase to a desire to help Barletta, although the US also had security interests in Panama as a vector to supply the Contras in Nicaragua.

Consistent with the theory presented, the restructuring deal negotiated during Barletta's term in office was exceptionally short. Due to the severity of its debt situation, Panama missed payments on its debt to foreign state creditors during Barletta's term in 1985 after the government had announced its intent to reschedule. The rescheduling was implemented in just under a year, from October 1984 to September 1985, one-third the average length in the Asonuma and Trebesch sovereign default dataset [Asonuma et al., 2017].

bias the account.

9 Conclusion

This study sought to explain the appointment of non-civil servant technocrats as finance ministers in autocracies. I proposed that these appointments increase the regime's credibility with lenders. Regimes vary between a "reformist type" that minimizes creditor losses and an "anti-austerity" governments that minimize their reform extent. Independent technocrats give creditors greater access to fiscal policy, helping leaders signal their type.

My empirical findings support the theory. I construct a dataset containing 633 finance ministers in autocracies over 2088 country years. I demonstrate a robust association between default negotiations and appointing independent technocrats to the finance ministry in two-way fixed effects models. I also validate these results using imputed data and fixed effects counterfactual estimators (FECT). I then provide an illustrative case study from Panama under the Noriega regime, where regime insiders have been unusually frank about their motivations.

This finding supports a coalitional model of the autocratic cabinet. Theories of autocratic cabinet can be divided between agency loss minimizing and coalition formation (the distinction parallels the different cabinet selection processes in the US presidency and European parliaments [Laver and Shepsle, 1996, Alemán and Tsebelis, 2011, Martínez-Gallardo and Schleiter, 2015]). Restricting the cabinet to close allies and civil servants can increase the autocrat's control over policymaking by employing aligned and easily punished agents. See Dowding and Dumont [2014] for a summary of this literature. It is difficult to explain my findings with an agency loss minimizing without arguing that autocrats are systematically more pro-austerity than the civil servants and close allies who would normally be appointed (but see Alexiadou and Gunaydin [2019] on European democracies).

Under the coalitional model of autocratic cabinets, positions are used to compensate groups for their support and for refraining from attack. Powerful actors who provide resources such as military support, bureaucratic effort, or votes receive compensatory appointments [Bokobza and Nyrup, 2024, Wehner and Mills, 2022, LeVan and Assenov, 2016, Kroeger, 2020]. My findings suggest that autocrats trade seats for access to finance as well.

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LPM with Mice, with adjustements for overrporting of technocratic qualifications

	Baseline Model	.1 * m	.2 * m	.3 * m
In Default Negotiations	0.08**	0.10***	0.10***	0.10***
	(0.03)	(0.02)	(0.02)	(0.02)
Log GDP per Capita	-0.03	-0.04	-0.04	-0.04
	(0.03)	(0.02)	(0.02)	(0.02)
Log Population	0.01	0.00	0.00	0.00
	(0.03)	(0.05)	(0.05)	(0.05)
Services (pct GDP)	0.00	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)
Years of Tertiary Education	-0.04	-0.06	-0.06	-0.06
	(0.05)	(0.05)	(0.05)	(0.05)
black	black	black	black	black
Num.Obs.	2581	1881	1881	1881
R2	0.009	0.013	0.013	0.013

+ p ¡ 0.1, * p ¡ 0.05, ** p ¡ 0.01, *** p ¡ 0.001

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10 Appendix

This model adjusts mice imputation to account for possible biased reporting. The most common cause of nulls in the independent technocrat data was a need for recorded information in cabinet announcements, public ministry records, and obituaries. Non-technocrats may be less likely to report their credentials. The latter two models subtract one to three-tenths of the mean value of independent technocrat (.09) from each imputed value to adjust for misreporting.