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A common characteristic of the diverse studies on regime change published over the past two decades is an emphasis on democratic transition and subsequent consolidation or rollback. Research that is developing models of authoritarian breakdown or focusing on the conditions for dictatorial durability is far less common and has only relatively recently caught the attention of political scientists. Thomas B. Pepinsky’s significant new book on economic crises and the breakdown of authoritarian regimes is an ambitious effort to work the discipline forward in this respect.

The book starts out with the observation made by scholars before, albeit often rather intuitively, that there is a relationship between financial crises and political liberalization. A compilation presented in the first chapter on authoritarian regimes facing twin crises—simultaneous and causally interrelated currency and banking crises—is highly convincing of the value of pursuing such research (p. 33). Authoritarian government breakdown is high during such economic contractions, which have been a regular and global phenomenon over the past 30 years. However, the data also show that some despotist governments successfully survive such turmoil. Why financial meltdowns lead to authoritarian collapse in some countries but not in others is the central research question of this book.
The thesis developed in subsequent chapters stipulates that political coalitions determine why only some authoritarian regimes break down when confronted with aforementioned twin crises. Not all constituencies in a political system share the same economic interests. Therefore different groups have distinguishable adjustment policy preferences in the context of twin crises. Concretely, there are constituencies that are holders of fixed capital who cannot move their assets across national borders in times of crises “either because it is impossible to do so or because they value the ownership of physical stock rather than its liquidation into cash” (p. 24). There are also holders of mobile capital who can move their assets across national borders. In addition to these groups of capital owners, workers (labor) is another important political argues. Labor’s assets are relatively immobile too, Pepinsky argues. It is the different cross-border mobility of asset holdings that shapes adjustment policy preferences.

There are orthodox and heterodox ways of adjusting to twin crises. Orthodox measures usually emphasize macroeconomic discipline and short-term financial sacrifice in the interest of long-term recovery including provisions such as monetary tightening, fiscal cutbacks, and unconditional maintenance of capital account openness. Heterodox policies allow governments to enact discretionary macroeconomic policy and focus on measures such as an exchange rate peg, decoupling interest from exchange rates, and capital controls. Although it is beyond the scope of this review to outline the specifics of these adjustment policy choices, it is important to understand that fixed capital holders and workers dislike orthodox adjustment policies, whereas mobile capital holders are harmed by heterodox adjustment programs and therefore reject such measures. Governments can react to twin crises by adopting either orthodox or heterodox policies but not both.

Authoritarian governments want to respond to twin crises in ways that are in accordance with the adjustment policy preferences of the constituencies that kept them in power prior to the crises. This is where political coalitions become important. Dictatorships based on a coalition whose members have diverging adjustment policy preferences will collapse if confronted with twin crises as some constituencies will inevitably withdraw their support once the government opted for either orthodox or heterodox policy programs. Regimes that were kept in power by a political coalition whose core constituencies share the same adjustment policy preferences will survive economic crises as such governments are not confronted with policy preferences that are mutually incompatible. In short, authoritarian regimes that collapse during twin crises do so across the cleavage of adjustment policy preferences of their core constituencies.
Pepinsky defends this thesis by looking at Indonesia and Malaysia, whose authoritarian governments were both confronted with twin crises in 1998. Based on a well-balanced combination of quantitative analyses and the interpretation of an impressive array of qualitative data collected on the ground, he argues that the dictatorship of President Suharto in Indonesia was swept aside by the crises whereas the authoritarian government under the auspices of Prime Minister Mahathir remained in place in Malaysia because of the different political coalitions on which these two regimes were based. In Indonesia, the New Order elite relied on the support of a military establishment and a group of indigenous entrepreneurs who had emerged in the context of economic reform initiatives in the mid-1980s. A vast patronage system anchored in the Indonesian state ensured the loyalty of the armed forces, spurring the creation of thousands of business ventures under the control of the military, thereby institutionalizing the armed forces in the New Order economy. At the same time, Indonesian businessmen became affluent through ventures that depended on a large degree on state infrastructural spending, Pepinsky argues. Both groups owned predominantly fixed capital investments. At the same time, the New Order dictatorship also depended on the economic might of Chinese–Indonesian conglomerates, which control most of the wealth in the archipelago state. Unlike the security apparatus and local capitalists, however, the economic assets of these conglomerates were concentrated in liquid investment capital and “ready to [be funneled] abroad at the first sign of political turmoil” (p. 58). In 1998, the authoritarian government in Indonesia saw itself confronted with different adjustment policy preferences of its core constituencies, especially with regard to capital account management. The political coalition the New Order was based on disintegrated as a result of these irreconcilable policy preferences, leading to the collapse of the authoritarian government.

There were no such tensions over adjustment policy preferences within the political coalition on which the authoritarian government in Malaysia rested, according to the book. The main alliance in Malaysian politics was between fixed capital holders and labor. Affirmative action programs, established after a series of interethnic clashes in the late 1960s, created not only a class of Malay entrepreneurs closely tied to (and therefore in support of) the authoritarian state but also an environment where “[t]he Malay masses benefit directly from the many political and economic benefits they receive from the regime” (p. 64). This resulted in a cross-class alliance between the political establishment and the Malay masses. The economically dominant Chinese–Malay minority, mobile capital holders much like their Indonesian counterparts, did not play a significant role in the coalition underpinning
Malaysia’s government, Pepinsky argues. Because of the political coalition’s shared adjustment policy preferences, Mahathir’s government survived the economic crises as no core constituency defected.

Overall, Pepinsky provides an impressive array of evidence in support of his argument about the pivotal role political coalitions and their adjustment policy preferences play in the breakdown of authoritarian regimes, including a chapter-long quantitative and qualitative analysis of regime breakdown and survival in the context of twin crises in South America to test the broader applicability of his model. However, the book’s emphasis on studying relationships between regimes and societal groups is also what makes it most vulnerable to criticism. Arguably, the fairly rigid model put forward in the book struggles to capture changes and shifts within the political coalitions in both Indonesia and Malaysia as they unfolded over time. Such changes, however, are important as they have certainly influenced the political trajectories in both countries. The Indonesian military, for example, did not become critical of the New Order government only in the wake of the crises in 1998 but had grown increasingly disillusioned with Suharto’s regime since at least the late 1980s. There were not only increasing concerns within the military over questions of succession in the light of an ailing dictator but also mounting alienation from the government because of a generational gap between the incumbent military elite and the political leadership. Likewise, there was growing dissent in the officer corps over the business involvements of Suharto’s offspring at the cost of military economic interests (Aspinall & Mietzner, 2008, pp. 9-11). Furthermore, the class of indigenous businessmen, painted in the book as a group solely depended on the New Order regime until the latter’s very end, was in fact more independent and hence more vocal than Pepinsky’s account suggests. One student of Indonesian politics, in fact, wondered in an article published before the collapse of the New Order whether the nascent “substantial Indonesian bourgeoisie” would have an impact on Suharto’s regime similar to the influence an emerging, nongovernmental middle class of ethnic Thai entrepreneurs had on the military dictatorships in their country in the late 1960s (Anderson, 1998, pp. 16-31).

Such longitudinal accounts suggest that the social and political bases for democracy were quietly being established in Indonesia years before the 1998 crisis, whereas no such developments occurred in Malaysia. Indigenous Malaysian businessmen, for example, failed to free themselves from their authoritarian government to a similar degree because of heavy state involvement in the creation of Malaysia’s capitalist class (Sidel, 2008, pp. 127-147).
Such developments were accompanied in Indonesia by a transgression from a relative cohesive regime to a fragmented system of rule, making the New Order dictatorship more vulnerable to collapse prior to the crisis compared to the authoritarian government in Malaysia, whose leadership remained more unified. Against this backdrop, it has been suggested that although the economic crisis was certainly an event of importance in both countries, the different impact the economic crisis had on both regimes was more a consequence than a cause of coalitional fragmentation (Slater, 2010, p. 319). In short, dynamics surrounding the establishment of coalitions are exogenous to Pepinsky’s model, resulting in too static an understanding of political coalitions and the relationship with respective authoritarian governments. This somewhat weakens the explanatory power of the argument put forward in the book.

Nevertheless, area specialists ought to commend Pepinsky for putting Southeast Asia finally on the map of transitologists and anchoring the region in broader disciplinary debates. Mainstream comparativists working on regime transition will find this study highly illuminating as it speaks compellingly to a variety of academic disciplines, including economies, political science, and sociology. Overall, this is an excellent book that will become an important reference point for the continuing debate on the forces behind authoritarian regime breakdown.

References


