

1996

Why Do People Support Dictators? (Popularity versus Political Exchange)

Adi Schnytzer

Janez Šušteršič

Follow this and additional works at: https://ir.lib.uwo.ca/economicsperg_ppe



Part of the [Economics Commons](#)

Citation of this paper:

Schnytzer, Adi, Janez Šušteršič. "Why Do People Support Dictators? (Popularity versus Political Exchange)." Political Economy Research Group. Papers in Political Economy, 78. London, ON: Department of Economics, University of Western Ontario (1996).

POLITICAL
ECONOMY
RESEARCH
GROUP

PAPERS IN POLITICAL ECONOMY

Paper No. 78

**“Why Do People Support Dictators?
(Popularity versus Political
Exchange)”**

Adi Schnytzer and Janez Šušteršič

#77

#78

#79

ECONOMICS REFERENCE CENTRE

JAN - 7 1997

UNIVERSITY OF WESTERN ONTARIO

The Political Economy Research Group was established in the faculty of Social Science at the University of Western Ontario in 1988. Its purpose is to foster scholarship, teaching and interdisciplinary research in political economy, with a focus on:

1. the application of economic models and methods to the study of political processes and institutions,
2. the economic impact of political processes and institutions,
3. the influence of economic factors on the formation of public policy and on institutional change,
4. the politics of economic policy making,
5. the political, social, and economic effects of public policy.

Co-directors:

Ronald Wintrobe (Economics)
Robert Young (Political Science)

Board of Directors:

Peter Howitt (Economics)
B.B. Kymlicka (Political Science)
John N. McDougall (Political Science)
Peter Neary (History)
John Whalley (Economics)

Staff:

Jayne Dewar

For further information:

Political Economy Research Group,
Department of Economics,
Social Science Centre,
London, Ontario, Canada N6A 5C2
phone: (519) 661-3877
fax: (519) 661-3292

*Adi Schnytzer**
*Janez Šušteršič***

**Why Do People Support Dictators?
(Popularity versus political exchange)**

Abstract

The paper investigates empirically the factors of public support for the leadership in non-democratic countries. We assume that the number of the Communist Party members was an indicator of public support for the former socialist regimes and perform a time series analysis for the six Yugoslav republics in the 1953-1988 period. We find that rents distributed to the population were far more important than the popularity of economic policies and perhaps even more important than repression. In our view, these findings provide strong empirical support for economic models of dictatorship based on the notion of political exchange.

August, 1996

* Dept. of Economics, Bar Ilan University, Ramat Gan, Israel. Email: schnyta@ashur.cc.biu.ac.il

** Faculty of Economics, University of Ljubljana, Ljubljana, Slovenia. Email: janez.sustersic@uni-lj.si

1. Introduction

One of the crucial assumptions in the economic theory of political behavior is that democratic governments are motivated by the need to gain sufficient popularity to win the next elections. Consequently, numerous empirical studies have investigated possible determinants of government popularity and election outcomes, and most have demonstrated the important influence of economic variables.¹ On the other hand, very little is as yet known about determinants of public support for the government in non-democratic countries.

Some Yugoslav social scientists that were puzzled by persistent political stability even in the face of a severe economic crisis suggested a metaphor of a marriage between the leadership and the people. In this paper, we try to see whether this marriage was for love or for money. That is, we ask whether its stability was based on adoration or rather on a mutual exchange of services.² In order to answer this question, we look at a special kind of mating behavior, namely the individual's decisions to join or leave the Communist Party. We assume that fluctuations in party membership are a good indicator of ups and downs in "marriage temperature", and perform a time series analysis of data for the six Yugoslav republics in the 1953-1988 period to determine which of the two reasons for the marriage was more important. If the marriage was for love, we would expect the fluctuations in membership to reflect swings in the regime's popularity. If this were the case, we would argue that the standard public choice analysis of democratic governments' popularity could be directly extended to former socialist countries, using party membership as a simple indicator of popularity. On the other hand, if the political marriage was motivated by exchange, we would expect party membership to behave differently from a simple popularity function. We therefore derive an alternative set of hypotheses from economic models of dictatorship based

¹ For a recent extensive survey, see Nannestad and Paldam (1994).

² The metaphor of a marriage was used e.g. by Josip Županov in an interview for the magazine *Telex* in June 1985. In his more formal work, he spoke of a coalition between the leadership and the unskilled workers (see Županov, 1983, for the first explicit formulation of his hypothesis).

explicitly on the notion of political exchange between the dictator and the population.³ In this way, our paper is an empirical test of the relevance of "political exchange models" for an explanation of public support for dictators in comparison to the more simple view that links political stability directly to a regime's popularity.

Empirical studies of factors affecting political stability in socialist countries have been rare. Thus, Wiatr (1970) reported results of a statistical analysis indicating that the proportion of Communist Party members in the population in Poland was correlated positively with the level of economic development of respective counties. Lafay (1981) focused his attention on changes of ministers in the governments of six East European countries. He assumed that the governments had private information on their popularity and that they reacted to a perceived fall in popularity by removing certain ministers in order to mitigate public discontent. Following this hypothesis, he used the frequency of changes in government as an indicator of its popularity. In all six countries, popularity was negatively affected by a fall in real wages, but only in one (Poland) by inflation. He also showed that in a few countries popularity fell when the commodity balance of payments deteriorated. However, he found no significant impact of national income growth on popularity. Lack of data precluded the inclusion of unemployment in the study.⁴

Studies of non-socialist authoritarian countries yield similar results. Studying eight Latin American countries over a period of almost forty years, Paldam (1987) concluded that the higher the level of inflation, the greater is the frequency of military rule, and that few regimes can survive hyperinflation. Panzer and Paredes (1991) showed that in the 1988 Chilean presidential referendum, votes for a change in political regime (i.e. holding open general elections immediately instead of prolonging General

³ Wintrobe, 1990, and Frey and Eichenberger, 1994.

⁴ Gillison (1968) demonstrated that even election results could be used for a meaningful analysis. He calculated indices of popular dissent in the Soviet Union from data on the number of people not voting or casting a negative vote, and from the number of candidates defeated at local elections. He showed that indices of dissent varied both among republics and in time, but failed to provide more than a tentative and very general explanation of these variations.

Pinochet's rule for eight years) increased with the level of unemployment in a given province or city. To summarize, all the studies mentioned seem to warrant a general conclusion that the popularity of non-democratic governments depends on their economic performance in much the same way as it does in democratic countries.

Turning to the question of Communist Party membership and assuming that it reflected the regime's popularity, it is natural to expect that it should react to economic and other factors in the same way as described above for popularity measured in other ways. However, if we view the Communist Party as an institution that made possible "political exchange" between the leadership and the people, we are led to develop a different set of hypotheses. These contrasting views are presented in more detail in the next section, where we also specify the variables used in our analysis and their expected impact according to each of the possible explanations. Empirical results are presented in the third section and discussed in the fourth, whereas the last section briefly comments on differences between republics.

2. Joining the Party: enthusiasm or calculation?

In our analysis, we try to determine empirically the factors responsible for fluctuations in the number of members of the League of Communists of Yugoslavia (LCY). It should be noted from the outset that changes in LCY membership did not follow a simple time trend. This is evident from Figure 1. Thus, membership increased until the early fifties, then fell for a couple of years, then increased again for some years, stagnated in the sixties, and increased sharply in the seventies and, finally, declined again during the eighties. However, party membership shows remarkably similar trends across republics, albeit with differing absolute levels and rates of change. Hence, in attempting to explain the causes of changes in membership, we have six cases which should provide more or less consistent results.

---- *Figure 1 around here*

Plausible explanatory variables may be grouped roughly into three sets. The first set comprises economic circumstances of the country and population - economic

growth, inflation, unemployment, and average wage per worker.⁵ The second set of variables attempts at measuring various dimensions of the country's openness with respect to information and economic incentive. We use private sector employment, the number of visits by foreign tourists and the number of different newspapers issued in the country as possible indicators, while being aware that the precise meaning of these variables is a matter for discussion. The third set contains only one variable, the number of political convictions, which is an indicator of the intensity of political repression. In developing hypotheses about the impact of these variables, we distinguish between popularity and political exchange approaches.

The first approach is to suppose that fluctuations in party membership simply reflect changes in the popularity of the regime or leadership. This accords more or less with that of Wiatr (1970). It leads to a natural hypothesis that favorable economic conditions (growth, high wages) induce people to express their enthusiasm by joining the Party, while on the other hand they tend to leave the Party when they are disappointed by poor performance (inflation, unemployment). Further, since repression is also likely to be unpopular, filling up the jails with dissenters should empty the party cells of their members. The expected impact of openness on popularity and thus on party membership is less clear. Perhaps the most convincing assumption is that an increase in the number of newspapers issued in the country and in the number of foreign tourists should expand the information set of population, so that the popular judgment of the regime's performance would become less dependent upon official propaganda. leading to a probable decline in popularity. However, it is possible that opening the country to tourists and attracting them to visit it would be judged as a wise and successful development policy, so that popularity would actually increase with the number of tourists. By the same token, increased private sector employment, as far as it is

⁵ Lafay (1981) notes that in his estimation wages performed much better than personal consumption. We were actually not forced to make this choice, because data for personal consumption are not available by republics for all investigated years.

perceived as a consequence of the official policy, could enhance the regime's popularity.⁶

Almost completely inverse hypotheses can be derived from Wintrobe's analysis of a totalitarian party, based on his economic model of a dictatorship.⁷ In the center of his model is the notion of a political marketplace, where the dictator provides individuals with public services or patronage in exchange for support. The main complication is that such implicit political contracts are not legally enforceable. In Wintrobe's view, this problem is resolved by loyalty, defined as a long-term attachment of an individual to an organization or institution motivated by a belief that the organization will look after the individual's interests in the future. This also explains the crucial role of a totalitarian party, which, according to Wintrobe, is an institutional mechanism facilitating the accumulation of loyalty and enforcing political exchanges. In simple terms, people express their loyalty to the regime by joining the Party, and the Party rewards them for their loyalty by distributing various rents. The supply of loyalty is expected to increase with the value of the rents distributed and with improved economic performance.

Following Wintrobe, we derive a second set of propositions from the assumption that party membership reflects the supply of loyalty to the leadership. We assume that jobs, or the likelihood of obtaining employment and promotion, was a very important rent provided by the Party to its members.⁸ The relative value of this rent of course increased with unemployment. Therefore, we should expect LCY membership to be positively related to unemployment. Similarly, the lower the average wage per worker was, the higher was the relative value of the promotion opportunities and other benefits provided by the Party. Accordingly, LCY membership should be negatively correlated

⁶ These and other predictions are summarized in Table 1. Precise definitions of variables are given in the next section.

⁷ See Wintrobe, 1990.

⁸ In Yugoslavia in the seventies "moral and political appropriateness" was a standard and openly stated criterion in selection of applicants for most jobs. Presenting the LCY membership card was the best way to demonstrate one's conformity (see Vušković, 1986).

with the average real wage. These two propositions clearly distinguish the "political exchange approach" from the previously explained "popularity approach". On the other hand, we do not see why inflation or economic growth would change the relative value of the rents provided by the Party. We therefore assume that inflation and growth are merely indicators of the regime's economic performance, from which it follows that LCY membership should be negatively related to inflation and positively to growth. These propositions are obviously the same for both approaches.⁹

If we assume that the relative value of rents is the most important determinant of party membership, then the argument that improved information about the regime's performance would induce people to leave the Party in disappointment is much weaker. On the other hand, private employment and tourism provide population with independent sources of income, thereby reducing the relative value of the Party rent. It follows that LCY membership should be negatively correlated with both private sector employment and number of tourists, but have only a weak negative relationship or no relationship at all to the number of newspaper.

In Wintrobe's model, increased repression makes investments of loyalty in political opposition riskier and less rewarding, thereby inducing individuals to supply more loyalty to the dictator and less to the opposition. Wintrobe assumes that at relatively low levels of repression such a substitution effect is predominant. But when repression is increased to very high levels, it tends to become more general and unpredictable. This gives rise to a special "political income effect": since with high repression any political activity becomes riskier, people react rationally by lowering their overall level of investment in loyalty, implying also a lower supply of loyalty to the dictator. Wintrobe assumes that in very oppressive dictatorships the income effect prevails over the substitution effect.

⁹ Wintrobe stresses that the Party also enables exchanges over time, where old members (leadership) pursue growth-oriented policies in exchange for loyal services by the young members, who expect to benefit from the long-term growth. This only strengthens our proposition: the higher the rate of economic growth, the higher is the value of this long-term exchange and the higher is consequently the Party membership.

It is evident that the supply of loyalty is maximized precisely at the point where the income and substitution effects are equally strong. However, in Wintrobe's view, dictators will not choose the level of repression that maximizes loyalty. A tin-pot dictator, whose objective is to minimize the cost of staying in office, will choose much lower levels of repression and loyalty which are cheaper but still high enough to secure his position. A totalitarian, who wants to maximize his power over population, will typically be able to enhance power by extending repression beyond the point of maximum loyalty. For our purposes, this means that the expected impact of repression on LCY membership depends on the type of dictatorship. In low-repression tin-pot regimes an increase in repression should increase party membership, whereas in totalitarian regimes increasing the already very high repression should affect party membership negatively.

So far our attention has been focused on the factors that affect the supply of party membership. That is, we have pointed out factors that affect the individual's decision to join or leave the Party, while neglecting the circumstances which can make the Party itself actively seek new members. Frey and Eichenberger (1994), who developed a different model of political exchange in non-democratic countries, put more attention on the demand side of the political market. In their framework, demand for support is related to the resources or the share of national income available to the dictator for discretionary allocation. This "appropriability" of resources decreases with the openness of the country and with the extent of the shadow economy. Since the number of tourists indicates both the openness of the country and the possibility for the population to earn income concealed from the government, it should negatively affect the demand for support and therefore also the LCY membership. This is in line with predictions derived above from the Wintrobe's model.

Contrary to Wintrobe, Frey and Eichenberger do not address the problem of enforcing political exchanges nor do they make any comments on the role of a totalitarian party. On the other hand, the basic structure of the two models is very similar, since they both see repression, economic performance and rents (or "bribes") as factors of loyalty (or "support"). Not surprisingly, the propositions derived above from the Wintrobe's model could as well be derived from the analysis of supply of support

provided by Frey and Eichenberger. One important difference would be that in their framework repression unambiguously has a positive effect on support. Another difference would be the ambiguity regarding variables that indicate increased income on the part of the population, such as wages, private sector employment or tourism. In the Frey and Eichenberger framework, due to an income effect, these may induce people to invest more resources into political exchange, thereby increasing the supply of loyalty.¹⁰ Before turning to empirical results, we summarize both sets of propositions in Table 1.

---- *Table 1 around here*

3. Variables and results

The dependent variable in our estimation is the number of members of the LCY at the end of year in a given republic, divided by its population. Population figures were derived by linear interpolation from regular census data. The period of observation, 1953 to 1988, was chosen primarily with respect to the availability of data, but, as it happens, this also means that the most turbulent years of Yugoslav history are omitted from the estimation. Our primary focus is thus on a stable, functioning dictatorship.

We measure unemployment by the unemployment rate (UP), calculated as the ratio between the number of registered job seekers and the sum of unemployed and employed in both the social and private sector. We were not able to use price indices to measure inflation, since the figures were not available for all units for the whole period. Therefore we calculated the standard GDP deflator (D) from data on nominal and real social product. Data on social product in constant prices (S) were also used as a measure of economic growth. Individual economic conditions were expressed by the average net wage per worker in the social sector in constant prices (W).

¹⁰ It should be noted that perhaps the main quality of the model by Frey and Eichenberger is that it incorporates many institutional and structural factors that affect demand or supply of political support. Unfortunately, these factors are in general not captured by the variables used in our estimation.

The significance of private sector employment is expressed by the ratio of the number of people employed in the private sector to the sum of employed in both the social and private sectors (EP). Availability of potentially dissenting information is approximated by the number of different newspapers issued in each republic (NE). The number of overnight stays by foreign tourists divided by population (TP) is intended to be a proxy variable for availability of direct information from abroad. Unfortunately, it was not possible to group the tourists by their country of origin.

Surprisingly enough, official Yugoslav statistics provided us with a measure of political repression. The statistical office reported in its regular Yearbooks the number of people convicted each year, broken down into several categories. We used the number of people convicted for "offenses against the political system and security of Yugoslavia" as the number of political convictions (CP). Surely some politically motivated sentences are hidden in other categories as well, but we neglect them here since they cannot be distinguished from non-political verdicts.

Table 2 presents the regression results for each of the six republics, corrected for autocorrelation by the Cochrane-Orcutt procedure. The obvious differences in regression coefficients across republics confirm our approach to each unit as a separate case.¹¹ Consequently, we did not estimate our model for Yugoslavia as a whole. The overall fit of the regressions as measured by the adjusted R^2 is very high for 3 out of 6 units, satisfactory for 2 (Montenegro and Macedonia) and low for only one (Slovenia). The results are discussed in more detail in the next section.

----- *Table 2 around here*

4. Loyalty pays

As expected by both the popularity and the political exchange approaches, and also found in Wiatr's work on Poland, membership of the LCY was positively related to

¹¹ Initial results of time series / cross section and panel data analyses indicated that a separate treatment of republics would provide the appropriate statistical model.

economic growth in all republics. Real social product turns out to be the only variable for which regression coefficients are significant in each republic. The negative impact of inflation on membership found for all republics is also in line with both alternative explanations. However, it was significant in only two republics (Croatia and Serbia).¹² The limited impact of inflation is also in line with previous research. As explained above, Lafay was able to establish a negative influence of inflation on popularity for only one of the six countries in his sample.

More interesting is the finding that party membership was positively correlated with unemployment and negatively with real wages. Regression coefficients for these two variables have the same sign in all republics and are significant in four of them (Bosnia and Herzegovina, Croatia, Montenegro, and Serbia). In Macedonia they are significant at the 10% level, whereas in Slovenia they are insignificant. These results give strong support to the political exchange models of dictatorship as compared to the more traditional popularity approach.

Employment in the private sector had no significant impact on party membership in any of the republics. However, it should be noted that the regression coefficients are positive for all republics except Slovenia. A positive sign for this coefficient perhaps supports the popularity view (people join the Party because they approve its tolerance towards private employment) or even the income effect proposed by Frey and Eichenberger (private economy increases income of the people and they consequently invest more resources in political exchange). One should however be careful with this assessment. The impact of private sector employment is far from significant and this may simply be due to the fact that the private sector never was an important part of the economy.¹³

The number of different newspapers issued seems to have had a positive impact on party membership in all republics, though it was significant only in Macedonia (and

¹² In Montenegro it is significant at the 10% level.

¹³ In most republics the ratio of privately employed persons to all employed never reached 3 per cent. In Slovenia and Croatia it was slightly higher, but still never over 4 per cent.

at the 10% level also in Bosnia and Herzegovina). This result, which is opposite to predictions of both models, perhaps only reveals that the number of different domestic newspapers is a poor proxy for the availability of dissenting information to the general public. On the other hand, the negative impact of foreign tourists on LCY membership in all republics is in line with both theoretical approaches. However, the coefficient for tourism is significant only for Montenegro, although it is much smaller than for Serbia, Macedonia, or Bosnia and Herzegovina. These results are perhaps too weak to allow any serious attempt at explanation.¹⁴

The results for repression deserve more attention. At a first glance, they seem truly disappointing: coefficients are insignificant, and their signs vary over republics. Nevertheless, the irrelevance of repression or the possible inappropriateness of our measure need not be the only possible explanations. One should perhaps take into account that the results for other variables largely support the political exchange approach to understanding party membership. If this is so, then Wintrobe's framework as outlined above is probably also the most appropriate one for discussing repression. The insignificance of coefficients may thus indicate that the leadership chose to apply an average level of repression at which its marginal impact on loyalty was negligible, at which point the level of total loyalty attained would be maximized. If this interpretation is correct, it would imply that dictators have another possible objective function which is not discussed by Wintrobe; that is, to choose repression so as to maximize the supply of loyalty.

There is perhaps another way to see whether Wintrobe's analysis of repression is at least informally supported by our results. As explained above, we would expect a positive sign of the regression coefficient for repression in those republics where the

¹⁴ A tentative explanation might be the relative importance of tourists in different republics. On the average, in Montenegro there were 2.4 overnight stays by a tourist for each inhabitant every year. In Macedonia, Serbia and Bosnia and Herzegovina, this ratio was below 0.2, and in Slovenia it was 1.1. Only in Croatia was it higher than in Montenegro (4.1), but with Croatia being geographically much closer to the West, the information brought by tourist was perhaps of lesser relative importance than in Montenegro.

level of repression is comparatively low, and a negative impact in those republics where repression is relatively high. To compare levels of repression among republics, we first calculated the average ratio of political convictions per capita over the whole period for each of the republics. These ratios were then expressed, for each republic, as an index of the ratio for Slovenia (where it was the smallest). Figure 2 presents regression coefficients for repression with their standard errors from Table 2 as a function of this index of repression. It seems that as repression increased, the coefficient for its impact on party membership (or loyalty) changed from high positive to low negative. Plotting t-values or beta-elasticities instead of regression coefficients yields roughly the same picture (see Figures 3 and 4). Although we should not forget that all the coefficients shown are insignificant at the 10% level, the figure provides at least modest support for Wintrobe's analysis of repression and loyalty.¹⁵

----- *Figures 2, 3, and 4 around here*

5. The hard core and the soft tissue

A general conclusion that emerges from the comparison of results across republics is that party membership increased with economic growth and unemployment, but declined with rising wages. In Table 2 we see that these three variables were significant in four out of six republics, whereas in the other two (Macedonia and Slovenia) only economic growth had a clearly significant impact on membership. The differences in the explanatory power of our model for individual republics reflect the

¹⁵ It should be noted that there may also be more "technical" reasons for repression not being significant in the estimations. For example, the effects of repression may be asymmetric due to risk-aversion of the population in the sense that when repression is increased, people tend to react quickly by joining the Party, but when repression is relaxed as a result of political liberalization, it takes time to be noted and to establish credibility. Another possibility is that when repression is increased people tend to join the Party because it is risky not to express loyalty, but when repression is relaxed people also tend to join the Party because political liberalization makes it more popular.

differences in the number of significant variables. The determination coefficient is the highest for Montenegro, Serbia, and Bosnia and Herzegovina (0.916, 0.870, and 0.869 respectively). It is much less satisfactory for Croatia and Macedonia (0.620 and 0.476) and very low indeed for Slovenia (0.244). In light of Figure 1, where we saw that party membership moved roughly parallel in all republics, these differences in explained variance of membership present a puzzle of its own and we try to hint at some possible explanations below.

The first explanation that might possibly come to mind to any student of Yugoslav history is the extreme economic differences among republics. A brief comparison of the average values of variables with the values and significance of their respective regression coefficients shows that economic differences may have some merit only in explaining the poor performance of our model for Slovenia. For example, the irrelevance of unemployment for party membership in Slovenia is readily explained by the fact that there never was any significant unemployment in this republic. On the other hand, the regression coefficient for unemployment turns out to be insignificant and comparatively low also for Macedonia where unemployment was the most pressing.¹⁶ Similarly, one could claim that the insignificance of wages in Slovenia is due to their comparatively high level and that the regression coefficient for social product per capita is small due to the republic's relatively high development. But again, no regularities could be established for other republics.

Another look at Figure 1 reveals that, in general, the explanatory power of our model depends on the importance of the Party in different republics. At the extremes at least it seems that the higher was the share of party membership in the population, the better are its fluctuations explained by our model.¹⁷ This leads us to a tentative

¹⁶ In Slovenia, the average unemployment rate as defined here over the whole period was only 2 per cent, being higher than 3 per cent only in 1953 and 1954. Average unemployment rate was 16 per cent in Macedonia, around 10 per cent in Montenegro, Serbia, and Bosnia and Herzegovina, and slightly over 5 per cent in Croatia.

¹⁷ The average share of party membership in population was the lowest in Slovenia (4.8 per cent) and the highest in Montenegro and Serbia (8.8 and 6.6 per cent respectively). On the

conclusion that for republics where the Party was comparatively more important in the sense that it was able to mobilize a larger share of population, the factors that enabled such mobilization are well explained by a model of political exchange. On the other hand, in republics where the Party was weaker, such political exchange was relatively unimportant.¹⁸

This comparison of explanatory power of our model for individual republics and the respective levels of political mobilization gives an impression that one might well distinguish between republics where the socialist regime was stable and based on political exchange (Montenegro and Serbia) and republics where the regime was weaker and significant political exchange was only partially documented by our analysis (Slovenia and Macedonia).¹⁹ One cannot avoid the observation that this classification corresponds to the national structure of socialist Yugoslavia. The socialist regime seems to have been the strongest in republics dominated by a Serb population, the weakest in those with the nationally most homogenous (non-Serb) population, and lying somewhere in between in republics with a mixed national structure.²⁰

other hand, in Bosnia and Herzegovina for which our model also fits well the share of party membership was similar to both Croatia and Macedonia (5.5 to 5.7 per cent).

¹⁸ An obvious problem with this reasoning is that it does not explain why did the membership in all republics moved roughly parallel. This indicates that republic-specific factors were responsible for differences in the level and not in the dynamics of membership across republics.

¹⁹ Bosnia and Herzegovina, where goodness of fit was high but party membership was not higher than in most other republics, and Croatia, where both R^2 and LCY membership were not exceptional, are probably the limiting cases between the two extremes.

²⁰ A possible explanation would be that those federal institutions that were not subject to obligatory proportional national representation, notably the army and the police, were dominated by Serb nationals. This indicates that political exchange was perhaps harder to organize in those parts where the local population and leadership were nationally homogenous (and non-Serb).

5. Conclusions

The main purpose of the paper has been to compare two possible theoretical explanations of fluctuations in the number of the Communist Party members which was assumed to be an indicator of public support for the leadership in former socialist regimes. The results confirm that party membership is a good indicator of political stability. Our analysis has focused on establishing the factors of public support for a non-democratic leadership and we have shown that rents distributed by the dictator to the population were far more important than the popularity of the dictator's economic policies and perhaps even more important than repression policy. We found that the set of hypotheses derived from the notion of political exchange explains movements in party membership far better than does the simple popularity approach. In our view, these findings provide strong empirical support for those theoretical models of dictatorship which are based on the notion of political exchange.²¹

Returning to the metaphor of a political marriage between the leadership and the people, we may conclude that it clearly was not based on romantic love. Rather, it was a case of a marriage motivated by common interests. When comparing the terms of the marriage agreement in different republics, we have found that the fact that it was a nationally mixed marriage was not without significance for its stability. It is therefore not surprising that the partnership broke up when the money was gone and the children grew up.

²¹ We find that the usual economic variables (growth, unemployment, wages, and also inflation) are most important in explaining the terms of political exchange. However, this may be due to the fact that it is hard to find proxy variables for concepts such as "openness to information" and to model effects of repression appropriately.

References

Frey, B. S. and Eichenberger, R. (1994). The Political Economy of Stabilization Programmes in Developing Countries. *European Journal of Political Economy* 10: 169-190.

Gilson, J. M. (1968). Soviet Elections as a Measure of Dissent. *American Political Science review* 62: 814-826.

Lafay, J.-D. (1981). Empirical Analysis of Politico-economic Interaction in East European Countries. *Soviet Studies* 33: 386-400.

Nannestad, P. and Paldam, M. (1994). The VP-function: a Survey of the Literature on Vote and Popularity Functions after 25 Years. *Public Choice* 79: 213-245.

Paldam, M. (1987). Inflation and Political Instability in Eight Latin American Countries 1946-83. *Public Choice* 52: 143-168.

Panzer, J. and Paredes, R. D (1991). The Role of Economic Issues in Elections: the Case of the 1988 Chilean Presidential Referendum. *Public Choice* 71: 51-59.

Vušković, B. (1968). Fluktuacija članova SKJ 1973-84 (The Fluctuation of the LCY Membership 1973-1984). *Pogledi* 6 (3-4): 101-110.

Wiatr, J. (1970). Political Parties, Interest Representation and Economic Development in Poland. *American Political Science Review* 64: 1239-1245.

Wintrobe, R. (1990). The Tinpot and The Totalitarian: an Economic Theory of Dictatorship. *American Political Science Review* 84: 849-872.

Županov, J. (1983). Znanje, društveni sistem i klasni interes (Knowledge, Social System, and Class Interest). *Naše teme* 27: 1048-1054.

Sources of data

Jugoslavija 1918-1988. Savezni zavod za statistiku (Federal Statistical Office),
Belgrade 1989.

Statistical Yearbook for Yugoslavia and individual republics, different issues.

Vušković, B. (1984). Fluktuacija članova SKJ (Fluctuation of LCY membership). In V. Cvjetičanin (ed.), *Klasno-socialna struktura SKJ (Class and Social Structure of LCY)*, 321-367. Belgrade: Komunist.

Table 1
Hypotheses on variables affecting LCY membership

| Variable | Popularity approach | Political exchange approach ¹ |
|---------------------------------|---------------------|--|
| Growth (S) | + | + |
| Inflation (D) | - | - |
| Unemployment (UP) | - | + |
| Wages (W) | + | - |
| Private sector employment (EP) | + | - |
| Number of newspapers (NE) | - | - |
| Number of foreign tourists (TP) | -/+ | - |
| Repression | - | +/- |

Note:

¹ Predictions here are based on Wintrobe (1990). In a broad interpretation of Frey and Eichenberger (1994), a positive sign for wages, private sector employment and tourists would also be possible. For explanation of propositions and for precise definitions of variables, see the text.

Table 2
Regression results

| | BH | CR | MA | MO | SL | SR |
|---------------------|------------------------|-----------------------|-----------------------|-----------------------|----------------------|------------------------|
| S | 0.0000061 (3,37)** | 0.0000031 (4.80)** | 0.0000032 (2.09)* | 0.0000062 (7.12)** | 0.0000015 (2.67)* | 0.0000049 (4.55)** |
| D | -0.000045 (-1.01) | -0.000071 (-2.40)* | -0.000016 (-0.458) | -0.000058 (-1.81) | -0.000033 (-0.86) | -0.000099 (-3.08)** |
| UP | 0.158 (2,93)** | 0.171 (2.48)* | 0.088 (1.90) | 0.177 (3,59)** | 0.067 (0.83) | 0.208 (3.03)** |
| W | -0.000022 (-3.39)** | -0.000010 (-2.33)* | -0.000016 (-2.04) | -0.000012 (-2.08)* | -0.000004 (-0.65) | -0.000023 (-3.39)** |
| EP | 0.179 (0.65) | 0.315 (1.44) | 0.419 (1.69) | 0.004 (0.03) | -0.197 (-0.82) | 0.377 (1.01) |
| NE | 0.000053 (1.79) | 0.000004 (0.40) | 0.000159 (2.47)* | 0.000097 (0.69) | 0.000008 (0.69) | 0.000015 (1.64) |
| TP | -0.035 (-0.75) | -0.001 (-1.48) | -0.040 (-1.17) | -0.002 (-2.44)* | -0.005 (-1.14) | -0.080 (-1.51) |
| CP | -43.10 (-1.02) | -24.68 (-1.04) | 1.02 (0.02) | -14.16 (-0.20) | 59.25 (1.22) | -45.53 (-0.58) |
| CO | 0.014 (0.17) | 0.022 (2.59)* | 0.020 (1.61) | 0.004 (0.03) | 0.032 (2.20)* | 0.025 (2.24)* |
| adj. R ² | 0.869 | 0.620 | 0.476 | 0.916 | 0.244 | 0.870 |

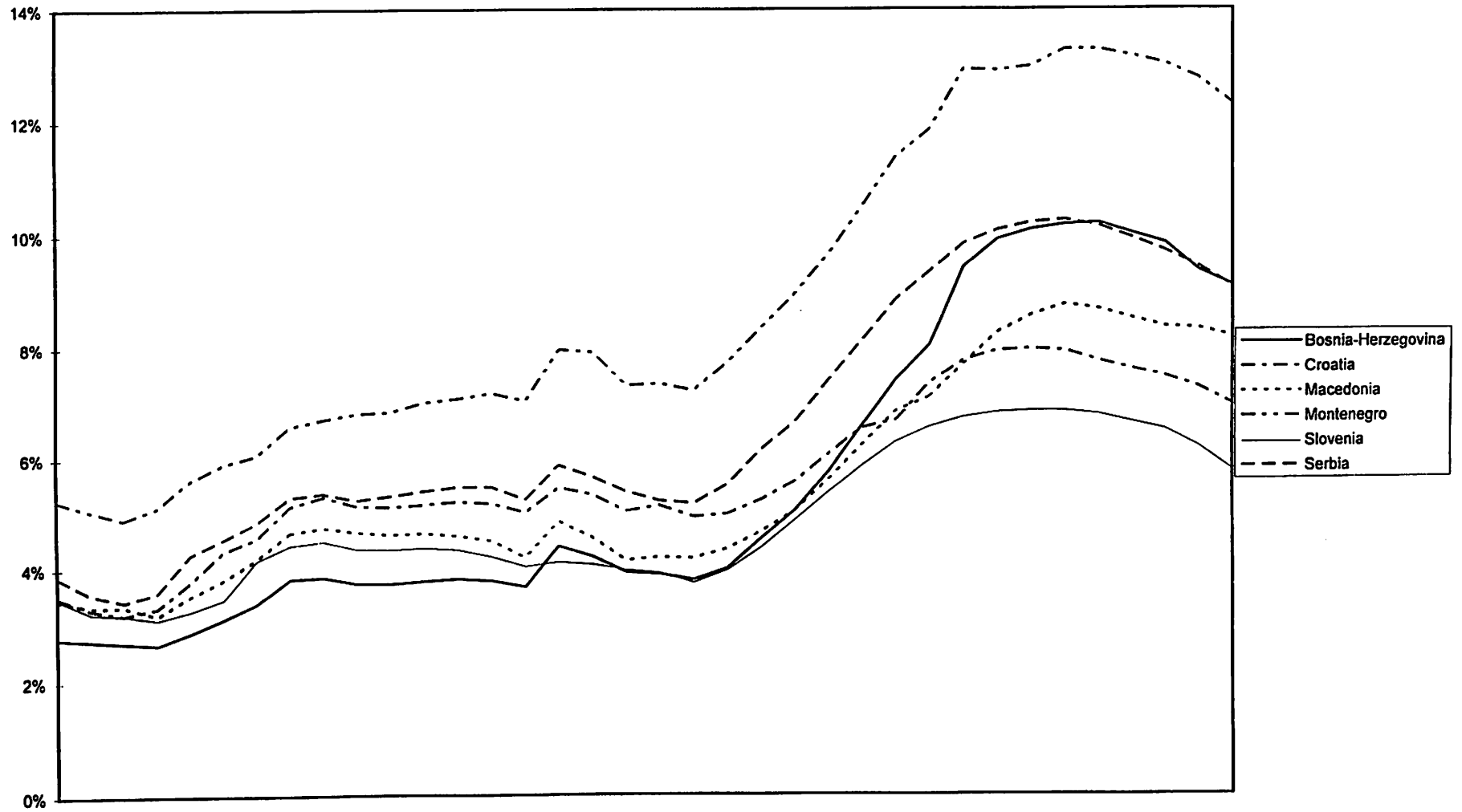
Note:

S = real social product; D = social product deflator; UP = unemployment rate; W = real wages; EP = private sector employment; NE = number of newspapers; TP = number of tourists; CP = number of political convictions; CO = regression constant.

BH = Bosnia and Herzegovina; CR = Croatia; MA = Macedonia; MO = Montenegro; SL = Slovenia, SR = Serbia.

Values in parentheses are t-statistics (* significant at the 5% level , ** = significant at the 1% level).

Figure 1
Per capita LCY Membership: 1953-1988



**Figure 2 Regression coefficients
for repression + and - standard errors**

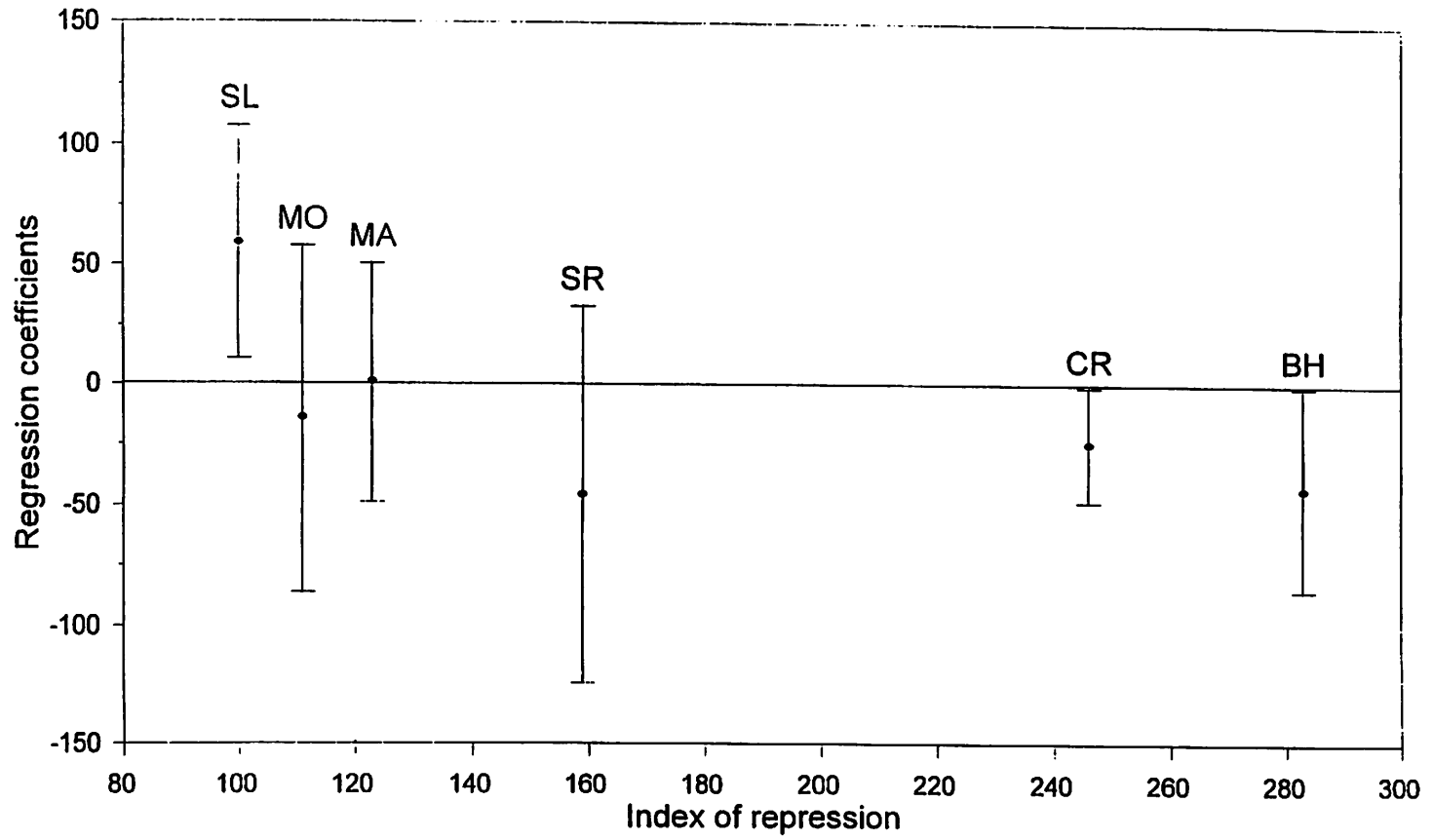


Figure 3 T-values of regression coefficients for repression

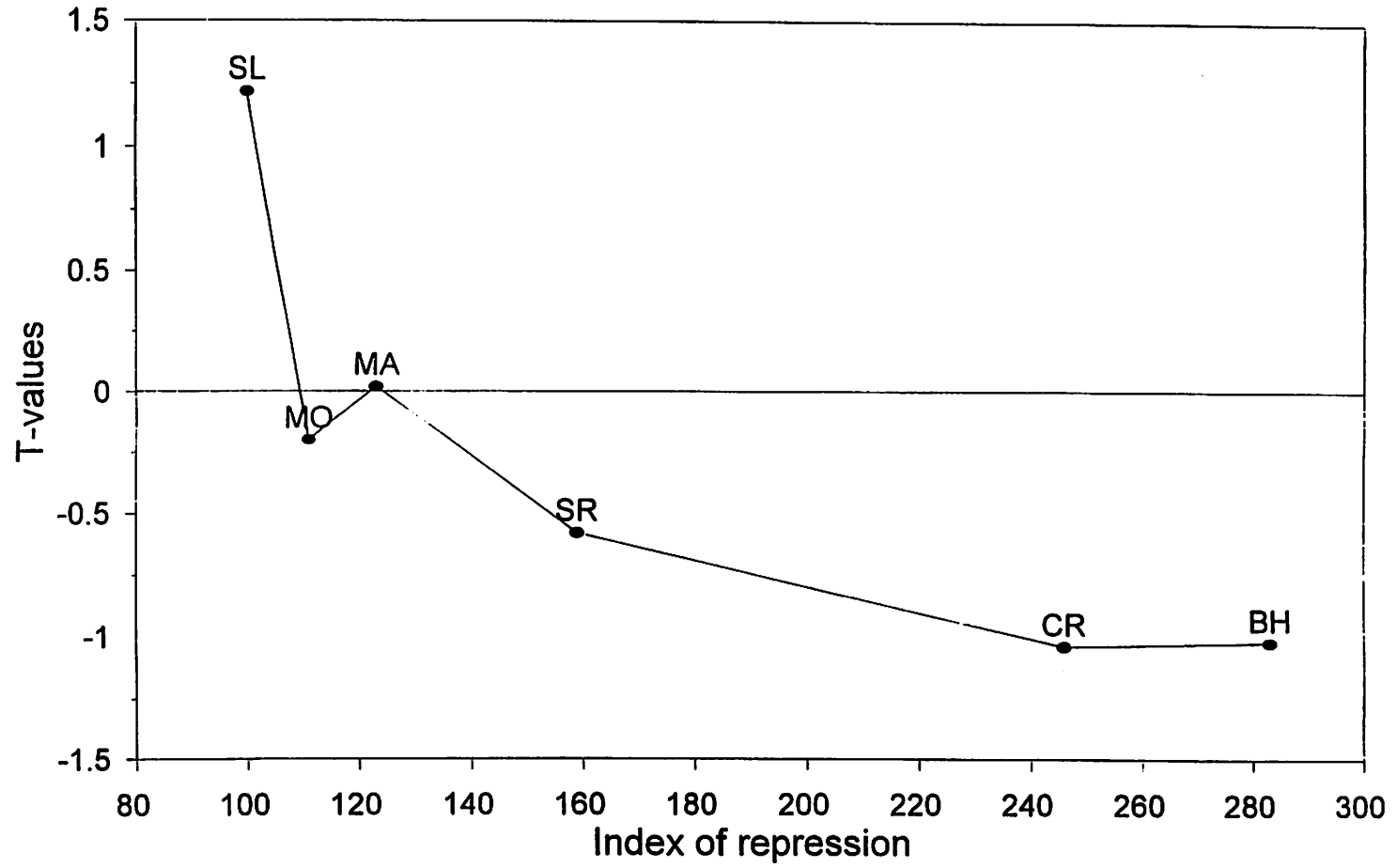


Figure 4
Beta-elasticities for repression

