

2009

No.09-92

**Guarding the State or Protecting the
Economy?
The Economic Factors of Pakistan's Military
Coups**

Amina Ibrahim

Published: February 2009

Development Studies Institute

London School of Economics and Political Science

Houghton Street

Abstract

Many scholars have debated the causes of the coup d'état since the mid-twentieth century. A recent branch of theories have linked the risk of military coups d'état with the state of the economy. This paper applies these economic theories to the case of Pakistan, which has experienced five coups since its independence but has received very little empirical attention. This paper tests four economic variables - GDP, income per capita, defence spending, and export values - against the incidences of coups in Pakistan and finds that low growth rates of these variables are related to the incidence of coup d'état in Pakistan.

Table of Contents

List of Tables	4
I. Introduction	5
II. Background and Theoretical Framework	6
II.1. Coup Theories: A Literature Review	7
II.2. Theories of Pakistan's Coups d'Etat	9
II.3. The Military, The Economy, and Coups d'Etat	11
III. Methodology	15
IV. Results	18
V. Conclusion and Implications	26
VI. Appendix	29
VII. Bibliography	30

LIST OF TABLES

<u>Table 1</u> – Prominent Theories of Pakistani Coups d’Etat	10
<u>Table 2</u> – Data	19
<u>Table 3</u> – Changes in Growth Rates [($t-1$) – ($t-2$)]	20
<u>Table 4</u>	

I. INTRODUCTION

In this era of deliberate and increasing economic

The official and hypothesized reasons for Pakistan's five coups d'etat (although, as mentioned previously, the two 1958 coups will be examined as

all of which are significantly different from, and often contradictory of, one another. Covering the glut of complexities and qualifications in detail is outside the scope of this paper, but a brief summary of this body of literature can be provided by Thompson (1973). Thompson argues that these many approaches to explaining the occurrences of military coups can be placed into four non - mutually exclusive categories: the vulnerability or loss of legitimacy of the civilian regime, the internal dynamics of the military, international trends and demonstration effects, and the “*push - comes - to - shove*” grievances (Thompson 1973, 5). The fourth category is made up of approaches which argue that the surrounding context and the motivations of those mounting the coup are strong or valid enough to risk the consequences of the failed coup (ibid). Most theories of coups d’etat, according to this framework, fit in the last category of “*push- comes- to- shove grievances,*” as they tend to focus on the internal context and dynamics of a nation leading up to a coup, and on the motivations and grievances of the military. However, even the most prominent arguments in the field run the gamut from unmet expectations and the lack of military professionalism (Huntington 2006), to the increasing professionalism of the military (Abrahamsson 1971, 154), civil society participation and political culture (Finer 1966), and civilian and military institutional organization and strength (Janowitz 1964).

Unlike the aforementioned scholars, who attempt to explain the causes of coups by examining the socioeconomic and political contexts of a given coup d’etat, Samuel Decalo opposes any attempt to understand military coups through the exploration of socioeconomic environments (Decalo 1990, 4). He proposes that the examination of national political institutions and power struggles as motivating or risk factors are “futile [given] the empirical vacuum on the internal dynamics of little studied African armed forces” (ibid, 11). Decalo represents those in the literature who base their explanations for military coups on the internal politics and dynamics of the military. However, even the military’s internal intrigues and interests do not exist in a controlled vacuum. Rather, these are impacted by factors such as national security, institutional interests, and governmental competence, and are moreover inevitably set against an economic context. For this reason, the economic context of military coups must be taken into account.

One assumption of this paper is that military coups occur because of a given context; that is, the military will plan and launch a coup not only because of internal fissures or interests but because of a

wider socioeconomic or political situation in a given country. It is this context that perhaps marks the difference between an attempted and a successful coup. More importantly, it suggests that certain factors, such as a weak economy, may predispose a nation to vulnerability to military coups d'etat.

II.2. THEORIES OF PAKISTAN'S COUPS D'ETAT

This diversity of opinions and variables proposed in broader coup theory is itself reflected in the superfluity of explanations of Pakistan's coups. Attempts to analyse Pakistani coups d'etat have rarely

Table 1– Prominent Theories of Pakistani Coups d’Etat⁴

Theory/Explanation	Source
Benevolent modernization	(Huntington 2006, 203)
Civil society penetration	(Hussain 2003a, 28) (Kukreja 2003, 72)
Combat civilian corruption	(Arif 2001, 342) (Ferguson 1987, 44)
Communist ideology	(Zaheer 1998, 29) (Jalal 1990, 119)
Counter - revolution against proletariat	(Ali 2000, 10)
Ethnicity	(Gregory 1981, 65) (Cohen 1986, 316)
External insecurity	(Wilcox 1972, 35)
Foreign policy	(Zaheer 1998, 28)
Ideology	(Cohen 1984, 105) (Burki 1991b, 7)
Institutional interests	(Aziz 2008, 59)
Islamic subculture in military	(Cohen 1986, 319)
Loss of government legitimacy	(Arif 2001, 342) (Kapur 1991, 128)
Military was dishonoured	(Bennet Jones 2002, 34)
Maintenance of power	(Kukreja 2003, 33)
Path dependency	(Aziz 2008, 59)
Personal power	(Kamal 2001, 21)
Politicization of officers	(Hussain 2003b, 18)
Stabilize economic and political chaos	(Wilcox 1963, 210)
Undermined autonomy	(Kukreja 2003, 37)
Underperforming government	(Zaheer 1998, 29)
Unviable political mechanisms	(Kukreja 2003, viii)

These factors and explanations are manifold and may be grouped together into broader categories. To create a general hypothesis of Pakistan’s risk of coups, potential variables and influe

N = Internal Threat

(For example: religious, regional, language, class, and ideological tensions, ethnic conflict, state survival, secessionism)⁶

In other words, the risk of the military launching a coup in Pakistan is high if the military perceives a threat to its institutional interests, a threat to the nation's external security or domestic integrity, or perceives the civilian government to be illegitimate, encroaching on military prerogatives, or governing poorly.

These variables, preconditions, and causes have been widely explored, argued, and sometimes debunked⁷ by scholars writing on the politics and military of Pakistan. One branch of coup theory that has widely been ignored in Pakistan concerns the economic aspects of instability and coup risk. This is a serious oversight given that an ailing economy is often a main cause or precondition of political instability and loss of political legitimacy, a relationship that will be investigated in Section II.3

Rosemary O’Kane argues that the nations most at risk for coups d’etat and coup attempts are those countries that are the most economically undeveloped. These countries are primary producers, dependent on exports of these primary goods, and are therefore most vulnerable to export price fluctuation and revenue instability (O’Kane 1981, 291). Economic instability yields general uncertainty and may cause a government to lose legitimacy, incr

the main cause is that a country has a *transitional* economy. Traditional, primary production - based economies are far more stable than national economies which are just beginning to modernize. Modernization and industrialization, he argues, lead to elevated expectations, aspirations which may be far removed from reality (Huntington 2006, 53). When the gap between aspirations and reality is

prestige in the political and economic system, which becomes more salient during periods of instability, including economic instability. The latter includes autonomy in budgetary decisions, as a strong military may not tolerate a shrinking budget. Decreases in defence spending are often seen as attempts to undermine the power and prestige of the military. Rizvi has argued that this holds true in Pakistan, that defence expenditure is one major interest that the military will work to protect by intervention in politics or otherwise (Rizvi 2000, 13). Collier and Hoeffler have found that “African governments respond to a high level of coup risk by increasing military spending. By contrast, [in] countries with much lower coup risk, the normal government reaction to coup risk is to cut military spending” (Collier 2007b, 20). High defence spending may even further increase the risk

injustice. It is overly simplistic to reduce the debate to the notions of greed *or* grievance. One problem

measure the impact of the economy at the individual, income level. The **defence budget** is also tracked

for the export values. The total value of exports was found for the needed time series, but growth rates of the export values were calculated so that changes over time could be tracked.

The data sources used by previous studies of the economy's impact on coup risk (for example, Collier 2007a and 2007b) were found to be insufficient in terms of time series. Stockholm International Peace Research Institute (SIPRI) databases on military expenditure (SIPRI 2008) and World Bank economic indicators (World Bank 2008) are very useful for providing standard, convenient data for a large sample of countries, but lose usefulness for a single country case study. The SIPRI database only covers military expenditure from 1988 to present, and the World Bank indicators only begin from 1960 onwards. This effectively prevents testing for the 1958 coup, and limits testing of the 1969 and 1977 coups. This paper's main sources for the data on per capita income, GDP growth rates, and defence spending are from Pakistan's Federal Bureau of Statistics' Statistical Division, which credits itself alternately as the Federal Bureau of Statistics (2000, 2008a, 2008b) or the Statistical Division (1998a, 1998b, 1998c). The Federal Bureau of Statistics doe

lead to invalid data and conclusions by “relying only on those phenomena which lend themselves to statistical measurement” (Farcau 1994, 26).

The coup data was lagged by one year to control for endogeneity, i.e. the possibility that the coup itself was responsible for the worsening, stable, or improving economic conditions in that year. This means that for any coup that occurred in the year t , the economic conditions for the year $(t - 1)$ will be analyzed. Although Pakistan’s most recent coup occurred in 1999, the years 1999 onwards were excluded from this study as the base year for calculating economic indicators were changed during this year (see Federal Bureau of Statistics 2008a and 2008b). Therefore data from 1999 to present is not analytically useful or comparable to pre- 1999 data. Fortunately, analytically useful data exists for the last $(t - 1)$ year being tested, 1998.

The data analysis will be twofold. Firstly, this paper will investigate whether or not there was a

Table 2 – Data

Fiscal Year (ending)	Coup Year	Per Capita GNP at Current Market prices (Rs) Growth Rate (%)	Real GDP Growth Rate at Current Market Prices Growth Rate (%)	Defence Expenditure as Percentage of Total Expenditure (%)	Defence Expenditure as Percentage of Total Expenditure Growth Rate (%)	Value of Exports (Millions of Rs)	Gr
---------------------------------	----------------------	---	--	---	---	--	-----------

Table 2 shows the change in absolute values and in growth rates of the four selected variables over time. Three trends can be observed from the data. First, GDP and per capita income fluctuate a great deal over the years. Second, the absolute value of exports has increased substantially during this time, but as with income the growth rate of export values has varied wildly over this time period. The instability in income and export value growth rates is one economic factor which may help to explain the occurrence and recurrence of coups d'etat in Pakistan. Third, defence expenditure as a proportion of total government expenditure has almost halved from

The data from Table 3 shows that the only coup in which the expected results (i.e. that GDP, income per capita, export value, and defence spending all experience a decline in the year preceding the

entrenched class and regional inequalities, and disregarded the provision and growth of social services (Noman 1990, 41), leading to riots, demonstrations, and the end of the Ayub era (ibid, 43). Ayub Khan was unable to quell or contain the “mass upsurge, which finally led to the re-imposition of Martial law [...] by General Yahya” (Waseem 1994, 222).

The 1999 coup d’etat saw a significant reduction in growth rates only for defence spending (a

intervention could be justified. Another explanation, more rooted in the economy, is that Bhutto introduced a series of socialist economic policies which threatened the military's economic power and liberal economic ideology. These policies included nationalization of large industry and land reform

Table 4 demonstrates that for all four factors obs

Table 5 – Statistical Significance of Economic Trends

GDP Growth Rate	Export Value Growth Rate	Income / Capita Growth Rate
----------------------------	-------------------------------------	--

V. CONCLUSION AND IMPLICATIONS

Theories of why coups d'état occur, and why they occur repeatedly in Pakistan, are many, complex and multivariate. Existing theories of coups in Pakistan, outlined in Section II.2, were summarized as a function of institutional interests (**I**), external threat (**X**), civilian governance (**C**), and internal threat (**N**). These theories have for the most part disregarded economic pressures or motivations. This paper has shown that economic threats and interests (**E**) are in fact associated with the incidence of coups d'état. More specifically, Pakistan's growth rates of GDP, export values and defence spending were found to be significantly lower in ye

GDP and per capita income and a drastic reduction (- 30.218%) in export value growth rates, but was not followed by a coup d'état.

The results of this paper lend some weight to the economic theories of coups d'état, which have thus far only been tested in Latin American and in African contexts. Global tests of these economic theories have not used all four variables tested by this essay together. For example, Collier (2005, 13) cites and agrees with O'Kane (1981) that economic variables have explanatory power with regards to understanding coup plots, attempts, and successes. However, Collier does not test the main explanatory variables which O'Kane finds most robust, namely export values and export earnings. This paper has demonstrated that, at least with regards to Pakistan, export values cannot be disregarded when coups d'état are tested for economic variables. Although she tests her theory on a global level, O'Kane's methodology is designed specifically with primary - commodity producing, export - dependent developing nations (O'Kane 1981, 291), many of which are the same countries that Collier is interested in testing. O'Kane, on the other hand, disregards the role of defence spending and income (ibid).

Yet the military does indeed seem to have quite an interest and a stake in the economy. A future study of coup motivations in Pakistan, or indeed elsewhere, may find it useful to statistically examine the validity of the coup hypothesis created for Pakistan in Section II.2 and II.3. This hypothesis stated that the risk of coups in Pakistan, $R_{Coup\ Pakistan}$, was a function of several variables. An ambitious study with access to better and more complete data may be able to test the variables X, E, I, C, and N in relation to each other. It would be useful to discover which of these factors have a greater degree of correlation and causation with regard to the incidence of coups d'état, and which are statistically insignificant. Additionally, this paper was only able to examine the military's economic interests by examining the relative changes in the annual defence budget. Ideally, the military's real economic capital and stake, what Siddiqi terms *Milbus*, would have been measured for inclusion in this study. However, the constraints and lack of data on military organizations and investments prevented an examination of non - budgetary military capital. If this data does become available in subsequent years,

VI. APPENDIX**Table 6 – Defence Expenditure Calculations**

Fiscal Year (ending)	Total Expenditure met from Revenue (Million Rs)	Defence Expenditure (Million Rs)	Defence Expenditure as % of Total Expenditure
1951	1266.2	649.9	51.327%

Sources: 1. Statistics Division (1998c 1 - 7, 8 - 14)

2. Rizvi 2000, 63 was used to calculate the Defence Expenditure Growth Rate value for the year 1951

VII. BIBLIOGRAPHY

Abrahamsson, Bengt. 1971. *Military Professionalization and Political Power*. Beverly Hills: Sage Publications.

Ali, Tariq. 2000. *On the Abyss: Pakistan After the Coup*. Delhi: Harper Collins.

Arif, Gen. K. M. 2001. *Khaki Shadows: Pakistan 1947-1997*. Oxford: Oxford University Press.

Ayub Khan, Muhammad. 1967. *Friends Not Masters: A Political Autobiography*. London: Oxford University Press.

Aziz, Mazhar. 2008. *Military Control in Pakistan: The Parallel State*. London: Routledge.

Bates, Robert H. 2008a. "Political Conflict and State Failure." In *The Political Economy of Economic Growth in Africa: 1960-2000*, ed. Benno J. Ndulu et al, 249-298. Cambridge: Cambridge University Press.

Bates, Robert H. 2008b. *When Things Fell Apart: State Failure in Late-Century Africa*. Cambridge: Cambridge University Press.

Relations. Cambridge: The Belknap Press of Harvard University Press.

Huntington, Samuel P. 1986. "Political Development and Decay." In *Political System and Change*, ed. Ikuo Kamashima and Lynn T. White III, 95-139. Princeton: Princeton University Press.

Huntington, Samuel P. 2006. *Political Order in Changing Societies*. New Haven: Yale University Press.

Hussain, Hamid. 2003a. "Forbidden Fruit - Military and Politics." *Defence Journal* 6,7: 13-26.

Hussain, Hamid. 2003b. "Professionalism and Discipline of Armed Forces in a Society with Repeated Military Interventions - Case of Pakistani Armed Forces." *Defence Journal* 6,6: 20-31.

Jalal, Ayesha. 1990. *The State of Martial Rule: The Origins of Pakistan*

London: Sage Publications.

Looney, Robert. 2004. "Failed Economic Take-offs and Terrorism in Pakistan: Conceptualizing a Proper Role for U.S. Assistance." *Asian Survey* 44,6: 771-793.

Nasr, Seyyed Vali Reza. 1992. "Democracy and the Crisis of Governability in Pakistan." *Asian Survey* 32,6: 521-537.

Needler, Martin C. 1966. "Political Development and Military Intervention in Latin America." *American Political Science Review* 60,3: 616-626.

Noman, Omar. 1990. *Pakistan: A Political and Economic History Since 1947*. London: Kegan Paul International.

O'Kane, Rosemary H. T. 1981. "A Probabilistic Approach to the Causes of Coups d'Etat." *British Journal of Political Science* 11,3: 287-308.

O'Kane, Rosemary H. T. 1987. *The Likelihood of Coups*.

of Statistics.