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**Article:**

Davies, GAM (2016) Policy selection in the face of political instability: do states divert, repress or make concessions? *Journal of Conflict Resolution*, 60 (1). pp. 118-142. ISSN 0022-0027

<https://doi.org/10.1177/0022002714541842>

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**Policy Selection in the Face of Political Instability: Do States Divert, Repress or make  
Concessions?**

**Graeme A.M. Davies**

School of Politics and International Studies

University of Leeds

[g.a.m.davies@leeds.ac.uk](mailto:g.a.m.davies@leeds.ac.uk)

## *Abstract*

*This paper bridges the divide between comparative politics and international relations by examining the interaction between domestic instability and policy choices made at the domestic and international level. It is theorised that leaders select from a basket of options that include diversion, repression and political concessions. It is argued that governmental institutions affect political leaders choices, with more domestically constrained democratic governments eschewing the use of repression, instead opting for diversion and concessions. Whereas, autocratic governments will use repression as it is the most effective and least costly option. Using a Panel Vector Autoregression (PVAR) the study tests whether political leaders use one or a mixture of responses when confronted with widespread dissatisfaction. The analysis models feedback loops enabling it to simultaneously evaluating the effectiveness of those strategies at reducing instability within the different institutional contexts. The study found little evidence of diversion but it did find that the international environment affects both policy choices and affected the level of instability in the state. The use of concessions for all states is generally counterproductive when that state is involved in a strategic rivalry whereas they tend to reduce instability when both democracies and autocracies are in a more peaceful international environment.*

Scholars of International Relations have, increasingly, taken into account the importance of domestic instability in placing political leaders in the unenviable position of having to choose either to be aggressive towards other states in the international system or repress their populations (Poe et. al 1999; Gelpi 1997). In most cases, the academic literature has looked at one of these two possibilities, yet if we consider decision-making to be a complex and ongoing process, it becomes clear that looking at these options in isolation is misleading. Research on substitution has shown that governments have a range of policy options open to them rather than a simple binary choice between initiating an international conflict or repressing their population and doing nothing (Bennett and Nordstrom 2000). These alternatives need to be included in a well specified quantitative analysis of state reactions to political instability (McGinnis 2000; Moore 2000; Morgan and Palmer 2000; Most and Starr, 1989; Regan 2000).

This study takes the issue of policy substitution seriously and explicitly models three choices that political leaders can make in the face of domestic instability, 1) diversion, 2) repression and 3) concessions. This article extends previous research not only by examining policy substitution it also simultaneously examines the success of these options at reducing instability feeding their effectiveness back into subsequent decisions about policy. To date no study has concurrently examined how popular dissatisfaction affects the state's international and domestic behaviour and how this feeds back into the level of domestic dissatisfaction that the state is undergoing.

The article is divided into six sections. Section one outlines previous research on diversionary conflict and leader survival, highlighting that little research has been conducted on the reciprocal relationship between foreign policy and domestic dissatisfaction. Section two outlines the theoretical framework assessing how instability, diversion, concessions and repression interact. Section three discusses issues relating to research design. Section four summarizes the Panel Vector Autoregression (PVAR) method and outlines its applicability for the simultaneous analysis of domestic instability and state behaviour. Section five presents the results and finally section six offers some concluding thoughts, in particular discussing strategies for further research.

## **Previous Research**

There are three bodies of literature that examine instability and government behaviour with the first examining under what conditions governments use repression in dealing with instability (Gurr 1970; Lichbach 1987; Moore 1998; Poe et. al 2000). The second body examines how elites

use international conflicts to divert the public from domestic problems (Levy 1989; Morgan and Bickers, 1992; Miller 1999; Davies 2002; Richards et. al 1993). The third and much smaller body of research examines the likelihood of governments making concessions to opposition groups (Rasler 1996). What all of these research areas have in common is their focus upon the causal impact of instability on government behaviour. There is however, an extensive body of literature that suggests government behaviour has an impact upon instability, with the extensive use of repression reducing the amount of dissent that takes place in the first place (Tilly 1978; Hibbs 1973; Davenport 2007; Oakes 2007).

### **Instability and Regime Behaviour**

When protest takes place political leaders sometimes feel compelled to use repression to maintain their grip on power (Boudreau 2005; Carey 2009; Davenport 1995; Francisco 1996; Hibbs 1973; Moore 1998; Regan and Henderson 2002; Ziegenhagen 1986). Repression is used to influence the calculations of opposition groups by making dissent more costly and to demonstrate to external enemies that the government is still in control of its territory (Davenport and Armstrong 2004). Repression is used by elites to reduce threats to their rule and to increase the regime's strength relative to its opponents (Poe 2004). States use less repression if they are sanctioned for using force against their population and/or there is a better strategy that can be used to control the society (Dallin and Breslauer 1970).

An alternate policy option for dealing with dissent is to use international conflict to divert attention from domestic problems and generate a 'rally round the flag' effect (Mueller 1973). The theoretical argument for a diversionary war stems from intergroup research which found that a group would coalesce if threatened by another, leading to the classic in-group/out-group hypothesis (Coser 1956; Simmel 1955). This hypothesis when applied to the state level suggests that unpopular political leaders have an incentive to manufacture international crises to generate a rally effect that will help them to stay in office. Related to diversionary war the 'scapegoat' hypothesis suggests unpopular leaders blame foreign countries for their political problems (Morgan and Bickers 1992). Similarly, the 'gambling for resurrection' hypothesis argues that a political leader who believes that s/he will almost certainly be removed from office has nothing to lose by initiating a diversionary conflict even if the chances of victory are small (Richards et. al 1993; Downs and Rocke 1994; Smith 1996; Bueno de Mesquita et. al 1999). All of these theoretical positions add weight to the argument that when the political leader is unpopular s/he has an incentive to initiate some form of international conflict to improve their chances of staying in office. The relationship between domestic politics and international aggression has

been tested extensively with some authors suggesting that domestic dissatisfaction increases the likelihood of conflict (Morgan and Bickers, 1992; Miller 1999) and others arguing that it reduces it (Hazlewood 1975). One potential problem with these studies is that they don't take into account alternative policy options that could be pursued in response to domestic dissent leading to misspecified models that give inconsistent findings.

The endogenous relationship between repression and diversion is clear when we recognise that earlier work into diversion used repression as a key latent variable for explaining why democratic governments are more inclined to use diversion than other regime types. Previous studies have argued that democracies are unable to use repression and have to engage in diversionary behaviour (Gelpi 1997; Davies 2002). Pickering and Kisangani (2005) argue that only mature democracies and autocracies have the institutional strength to use their armed forces for diversionary purposes. Yet, other work has suggested that the reverse is the case with democracies being much less inclined to use diversion than autocratic governments (Miller 1995, 1999; Enterline and Gleditsch 2000). With the exception of Enterline and Gleditsch (2000) no research has explicitly tested whether repression is the key variable in explaining why democracies use diversion and autocracies do not. Both repression and diversion are thought to result from widespread dissent within the state, but we have very little direct evidence to explain how they interact with one another.

Political leaders may not simply repress or divert in the face of dissent, rather they can provide political concessions (Rasler 1996; Carey 2006; Davis and War 1990). The literature on concessions is relatively small, but some previous research does indicate that concessions are used as part of a mixed strategy that includes repression (Lichbach 1987; Moore, 2000; Shellman 2006a). In particular we extend Shellman's (2006a,b; 2010) work by examining how domestic dissent interacts with repression and concessions, but examining these relationships across regime types rather than specific countries. Most of the literature on concessions examines their impact upon dissent within the state, rather than the factors that influence the use of concessions. A notable exception is Carey (2006) who examines the simultaneous relationship between repression, concessions and dissent. She found that democracies are most likely to accommodate opposition demands, but they will use negative sanctions as much as any other type of state in the face of instability. She also found that repression was generally counterproductive in democratic states, leading to more dissent. We extend this research to examine how concessions influence diversionary behaviour as well as repression. Another study suggested that an unwillingness to offer concessions to key opposition groups that form part of

the winning coalition will increase the likelihood of diversion (Nicholls et. al 2010). While this study is unable to test this specific proposition (we simply do not have the data on winning coalition membership), we are able to examine whether a drop in concessions is correlated with an increase in external hostility.

### **Regime Behaviour and Instability**

There are strong reasons to believe that repression, diversion and concessions should also have an impact upon instability or dissent. Again, institutional context plays a role in the impact of regime behaviour on instability levels. For example, Carey's (2006) work is not alone in suggesting that the use of repression by democratic leaders is counterproductive, with opposition groups being further galvanised against a democratic leader who chooses to repress. The use of repression may in fact lead to further levels of instability as opposition groups reciprocate government violence, which in turns leads lead to further use of violence by the government (Regan and Norton 2005). Rasler (1996) when analysing the Iranian revolution argues that due to micromobilisation, where dissident behaviour signals to others that there is a willingness to oppose the government, repression simply increases opposition in the long-run. This finding is supported by others who suggest that repression sets off the micromobilisation process which in turn leads to further domestic dissent (Chong 1991; Opp and Roehl 1990). Other research however, argues that repression will reduce instability in the state although this is contingent upon regime type (Gupta et. al 1993). Again repression in democratic states will increase dissent in the long-run, but in non-democracies it will reduce it.

The use of diversion also suggests that there is endogeneity between government action and instability. Leader unpopularity provides an incentive for diversion, yet there is little reason for a political leader to engage in such behaviour, if it makes no difference to his/her chances of political survival. Levy (1989) argues that the endogenous relationship between instability and diversion needs to be modelled accurately to represent the relationship between the two variables. Certainly, there is evidence that involvement in an international crisis will increase public approval for the leader and generate a 'rally round the flag' effect, although this doesn't directly look at dissent levels (Mueller 1973; Ostrom and Job 1986; Morgan and Bickers 1992; Strobel 1997; Edwards and Swenson 1997), yet other studies have suggested the evidence is mixed (Kisangani and Pickering 2005).

A different but related strand of research has examined the impact of conflict on tenure. Bueno de Mesquita and Siverson (1995) found that victory in war increased tenure whereas high

numbers of battle deaths decreased it. Goemans (2000a, b) demonstrates that leaders of democratic or anocratic regimes will be replaced after losing a moderately costly war, whereas autocratic leaders can insulate themselves from public dissatisfaction. Chiozza and Goemans (2004) found that domestic institutions significantly mediate the impact of war on the tenure of leaders, finding that losing war is costly for leaders of both anocratic and autocratic regimes, with victory providing them with few benefits. Colaressi (2004) develops these models by examining how war can affect tenure within rivalry and non-rivalry contexts, finding that war outcomes significantly affect tenure within a non-rivalry context, whereas they have little impact when the conflict is with a rival.

While previous studies have examined the effect of instability on diversion and others have examined the effect of diversion on approval or tenure, there has been very little work examining the reciprocal relationship between these variables. Only four studies have analysed this reciprocal relationship (Chiozza and Goemans 2003; DeRouen 2000; DeRouen and Peake 2002, Kisangani and Pickering 2009). Chiozza and Goemans (2003) examined the interplay between leader tenure and international conflict. They found that the risk of losing office made leaders less likely to initiate an international crisis and an increase in the risk of an international crisis made leaders more likely to lose office, however they did not model the impact of foreign policy on domestic dissatisfaction. DeRouen (2000) and DeRouen and Peake (2002) examined the impact of diversion only on US Presidential approval and as such are not able to generalise to other states in the international system. Kisangani and Pickering (2009) found that mature democracies engage in diversion and that diversion reaps rewards for the political elites. All four studies point towards the need to model a reciprocal relationship between domestic instability and diversionary behaviour.

There have been very few studies examining concessions on instability. Lichbach (1987) found that concessions or repression reduce dissent, but mixed strategies increase instability because they send out unclear signals. Others suggest that any concessions to opposition demands signal that the government is weak and can be undermined further (Rasler 1996; O'Donnell and Schmitter 1986; Carey 2006). Similarly, Schatzman (2005) found that making concessions to political protest in Latin America simply lead to a rise in further instability as did Bratton and van de Walle (1992) in Africa. Concessions may be a response that desperate leaders use to deal with political dissatisfaction.

The literature suggests that there is an endogenous relationship between government policies and dissent, with dissent influencing policy choice and policy choice influencing dissent. What hasn't



really been examined is the correlation between government policy options. Only Enterline and Gleditsch's (2000) fascinating study has included the possibility that a political leader might engage in a variety of policies alongside diversion. Using a multinomial logit model they found that leaders will generally use both repression and diversion in response to domestic threats, rather than substitute repression for diversion. Their research points to modelling a variety of complementary policy options. If we analyse diversion we must control for both the internal and external options that political leaders have for dealing with public dissatisfaction and any potential feedback that exists between the strategies and instability levels. No research has taken into account the impact of diversion and repression on the level of instability in the state and then examined how this feeds back into the foreign policy behaviour of that state.

### **The Theoretical Endogenous Relationship between Instability, Repression, Diversion and Concessions**

The analysis of both domestic repression and diversion has done little to explicitly model the interrelationship between domestic and international politics. Choices on the international stage are mediated by policies that are undertaken domestically and likewise international commitments will constrain a leader's domestic choices. Political leaders have a basket of policy options available to them when confronted with dissent. These policy options can be used individually or as a suite of responses to deal with political opposition. These policy choices will be clearly mediated by institutional context, with some options being more appealing for different regime types.

The more domestically constrained the political leader is, the less able they are to use internal repression. Democratic leaders will have to be careful about being punished electorally for the use of repression (Davenport 2007, Fein 1995). Greater repression levels within a democratic state will increase the proportion of the electorate who will punish the leader for attacking their political rights. As such it is anticipated that a democratic leader will be unlikely to use repression to deal with domestic political instability as it will be both counterproductive and will be likely to stimulate further instability. A simple dichotomous variable that represents the presence or absence of repression will include all other policy options in the reference category zero or absence of repression, we have no idea what alternatives are chosen. It is hypothesised that the inability of the leader to choose repression increases the chances of the democratic government using a diversionary strategy or making political concessions to opposition groups or even a mixture of both strategies. It is difficult for political scientists to find patterns of behaviour between domestic dissent and government behaviour if we do not examine the potential

mixtures of policy alternatives (Clark et. al 2008). If domestic dissent influences the outcome of policy choices in both the presence of repression category and a series of latent variables included in the reference category then the strength of that relationship will be diluted. This will also be the case for studies that examine solely the relationship between domestic dissent and conflict or concessions.

Due to the electoral constraints placed upon the democratic leader, it is anticipated that increasing levels of domestic dissent will have no impact upon repression levels; the costs associated with repression are too high. As such the democratic leader will choose alternative policies for dealing with instability. Two viable strategies for dealing with instability are political concessions and diversion. Democratic leaders will be more likely to choose concessions first as they represent the least risky option, international confrontations can spiral out of control. As instability in democratic states is usually directed towards a governmental policy rather than the legitimacy of the regime (which is more likely to be the case in non-democratic regimes) concessions should result in a reduction in instability as the source of discontent has been dealt with, rather than a signal of government weakness that can be further exploited. Concessions therefore are a viable option for a democratic leader who seeks to address the root cause of the dissatisfaction. However, it is also expected that democratic leaders will also choose to divert as well. Domestic instability within a democratic state should increase the likelihood of a diversionary conflict (Gelpi 1997; Davies 2002). By initiating an international dispute a political leader can anticipate that s/he will generate a 'rally round the flag' effect (Mueller 1973). This effect is anticipated to create a political boost for an unpopular leader and divert public attention from domestic problems. A domestically constrained political leader will be more likely to select concessions to deal with domestic instability, then diversion and will eschew the use of repression, leading to hypothesis one. It is therefore theorised that both concessions and diversion will be effective strategies at reducing instability, but repression will lead to further instability as the public protest against the removal of political rights leading to hypothesis one(b).

*H1: As instability rises in democratic states they will tend to provide more concessions and then become more externally aggressive in order to reduce instability.*

*H1b: In democratic states concessions and hostility towards a rival will reduce instability whereas repression will increase it.*

Anocratic states are anticipated to have the highest levels of instability and repression (Gartner and Regan 1996; Regan and Henderson 2002; Fein 1995; Muller 1985). The ‘more murder in the middle’ hypothesis argues that democratic societies are unlikely to use repression because of the electoral consequences and also because there are institutional mechanisms available as outlets for dissent which delegitimizes the need for repression. At the other end of the spectrum autocratic states have little domestic instability because they constrain opportunities for opposition groups to dissent and they signal willingness to use severe repression. The regimes that are in the middle of the institutional spectrum that have elements of both democracy and autocracy are the ones most likely to use repression. The elements of democracy in the system encourage dissidents to oppose the regime, but the autocratic elements provide both opportunities and incentives to repress (Carey 2009). As such there is both more instability and more repression in anocratic systems. The anocratic leader will be tested more and will have to use repression to signal to other opposition groups that s/he is still in control of the state.

While there are strong motivations for the anocratic leader to use repression it also has to be remembered that mixed characteristics of the regime may mean that there may have to be some appeals to groups within society that the government may have to rely upon for support (Nicholls et. al 2010). The anocratic state will therefore be drawn towards tactics that have are used by democratic leaders, although the effect is less strong. The anocratic leader will also look towards limited concessions to appeal to groups that they rely upon for support. Because the forces that are used to repress may be the very same forces that are used to engage in military adventurism, an anocratic state using repression will attempt to foster a more secure external environment and become more cooperative towards its strategic rivals. As such an anocratic leader will be most inclined to use repression as it is the most effective technique at increasing the costs of opposition, but we also believe that s/he will use concessions to appease the groups upon which they rely for support, while increasing cooperation with rivals to generate a secure external environment. Unlike for democratic states where it is hypothesised that concessions will be chosen first, it is hypothesised that anocratic states will select all of the options simultaneously in order to reduce dissatisfaction from different parts of society in an unclear institutional setting.

*H2: As instability rises in an anocratic state they will tend to increase their repression levels, increase concession levels and become more externally cooperative.*

*H2b: In anocratic states repression and concessions will decrease instability. External hostility will have no impact.*

Finally, options autocratic states have for dealing with domestic dissent are examined. The levels of domestic dissent should be low in autocratic states, as opposition groups avoid direct confrontation due to fear of severe repression (Regan and Henderson 2002). However, if there is dissent within the state it is anticipated that autocratic leaders will use repression to suppress it. Repression is used to influence the calculations of opposition groups by making dissent more costly and signal to other opposition groups and foreign states that the government is still in control (Davenport and Armstrong 2004). If repression is not used it signals to other groups that the leader is weak, which in turn can lead to further anti-regime opposition. While the democratic leader is concerned about the electoral consequences of using repression, the autocratic leader can use repression against the population on which s/he does not rely on for power. Alongside the application of repression there should also be a reduction in concessions. As instability rises the autocratic leader will be less inclined to make concessions to opposition for fear of appearing weak. Being responsive to opposition groups will simply make the autocratic leader look vulnerable, sending a signal to other groups that dissent can provide significant rewards and destabilise the leader. Instability should therefore increase the likelihood of repression and reduce the likelihood of concessions because the autocratic leader does not want to signal weakness.

The autocratic leader becomes more hard-line to signal to opposition groups that s/he is still in control of the state and that dissent is a costly activity that is not rewarded. On the international stage the autocratic leader will become more cooperative because of overstretch. The armed forces that are being used to defend the capital and repress internal opposition cannot then be used to defend the state from external enemies. A more peaceful security environment will be needed to allow for internal repression. Overall, it is hypothesised that the autocratic leader will select repression as the main response to instability, but alongside autocracies they reduce concessions and increase external cooperation to buttress the repressive strategy.

*H3: As instability rises in autocratic states will increase repression levels reduce concession levels and become more externally cooperative.*

*H3b: Repression will decrease instability and concessions will increase instability in autocratic states. External hostility will have no impact.*

A theoretical picture emerges of the impact that institutional constraints will have on government responses to domestic dissent. Democracies will opt for concessions first and then diversion in the face of political dissent, the electoral consequences of repression are too severe.

Autocratic states will use internal repression to signal that the regime is still in control and potential internal and external enemies. Anocratic states which are mixed regimes will use a blend of strategies designed to coerce and placate the disparate groups in an unclear institutional environment.

## **Research Design**

The paper presents results from both a directed dyad dataset of all states involved in a strategic rivalry, with the dyad month as the unit of analysis and a monadic dataset of all states in the international system, both datasets run from 1990 to 2004. Strategic rivals were chosen as diversion will be most likely between states that already have a history of enmity (Mitchell and Prins 2004). A confrontation with a strategic rival will present a plausible threat which is more likely to increase cohesion within the in-group and increase public support for the leader. Thompson (2001) defines strategic rivalry “as a competitive relationship between independent states where both states identify the other as an enemy and an explicit threat”. As such political leaders’ have a greater opportunity to engage in diversion if they are operating under conditions of rivalry. It is far easier for political elites to suggest that a rival state presents a threat than it would be for them to argue that a non-rival state needs to be defended against. While dyadic analysis of strategic rivals is appropriate to test for diversionary behaviour, it does not cover all states where diversion might not be an appropriate option. The monadic analysis will examine the effect of aggregate national behaviour on instability and elite policy choices, enabling us to generalise beyond the rivalry subset (table II). The analysis uses the same PVAR structure as the directed dyad, but with total Cooperation rather than bilateral cooperation.

The study uses Virtual Research Associates (VRA) coded events data between 1990 and the end of 2004 (Bond et. al 2003). For the purposes of this study, the events data provide the most complete and up to date data set on international hostility and cooperation, no other data set available comes close to the level of coverage of both internal and external data relating to state behaviour for this time-period. The VRA data use Reuters Business Briefings lead sentences to code the actions of one state toward another. These actions are then categorized using the Integrated Data for Events Analysis coding manual, which again was developed by VRA. For the international cooperation/hostility towards a rival variable these categories are then coded into Goldstein cooperation scores that range from -10 to 8.3 with more cooperative/hostile acts being weighted more strongly (Goldstein 1992). A hostile action that was initiated by the state towards its strategic rival would be in the negative range, whereas a cooperative action would be given a positive score. Goldstein scores are used as it is hypothesised that the use of repression

in autocratic and anocratic states should increase the cooperative behaviour of states towards their strategic rivals. Goldstein scores allow us to do this, whereas the Militarised Interstate Disputes (MID) data does not.

The analysis focuses on domestic instability as it is the key driver behind the use of repression and provides comparable data on dissatisfaction across regime type. The analysis uses the Civil Direct Action variable which is a count of all events that code to WEIS cue 17 (Threaten), 18 (Demonstrate), 19 (Sanction), 20 (Expel), 21 (Seize), and 22 (Force) categories to represent public dissatisfaction with the regime. The source (or initiating) actor for a civil direct event is limited to non-governmental or civil sector actors. This variable best captures domestic dissatisfaction with the regime and allows for comparison between all states in the international system rather than simply examining advanced industrial democracies. Likewise to operationalise repression the study uses the Government Direct Action variable which is a count of all events that code to WEIS cue 17 (Threaten), 18 (Demonstrate), 19 (Sanction), 20 (Expel), 21 (Seize), and 22 (Force) categories. The source (or initiating) actor for a government direct event is limited to the government sector and is directed towards the civil sector. We operationalise concessions by aggregating all actions where government yield towards civil sector which is a count of all events that code to WEIS cue 10 (Yield).

In terms of institutional constraints we follow Jagers and Gurr (1995) and Carey (2009) by coding coherent democracies as having a score of +7 or above on the Democracy-Autocracy scale using the Polity IV dataset. Coherent autocracies are coded as being -7 to -10 and mixed or incoherent regimes which are sometimes referred to as anocracies are coded as -6 to +6 (Jagers and Gurr 1995: p 474). We disaggregate the dataset by regime type rather than use a set of interaction effects, because the PVAR model like VAR models in general has no constant term and as such lacks a baseline category to compare the regime interactions (Love and Zicchino 2006).

## **Operationalisations**

*Cooperation<sub>I</sub>*: Represents the total weighted cooperation minus conflict Goldstein score of State I towards strategic rivals (in the monadic model towards all states).

*Instability*: Represents the total amount of civil direct actions within State I.

*Repression*: Represents the total amount of government direct actions within State I.

*Concessions*: Represents the total amount of government concessions to civil society within State I.

## Method

Vector Autoregression (VAR) models have played a major role in the analysis of dynamic interrelations between both economic and political variables since Sims's (1987) groundbreaking work. VARs provide a flexible statistical procedure for the analysis of dynamic relations when the theoretical structure is minimally specified, as is the case with numerous studies in International Relations (Freeman et. al 1989). The analysis of the relationship between domestic instability, foreign policy behaviour, repression and concessions conforms to a dynamic interrelationship that lacks a strong theoretical structure which is ideal for VAR analysis. The PVAR approach is particularly well-suited to testing the hypotheses as all the variables are treated as endogenous and it takes into account unobserved individual state heterogeneity (Love and Zicchino 2006: p193).

The PVAR model allows us to examine the endogenous relationship between the variables. For example, repression and instability clearly interact. The extensive use of repression will reduce the amount of domestic dissent in the state and dissent will increase the use of repression (Moore 1998). The usual distinction between independent and dependent variables are therefore of dubious value, rather we are examining a system of endogenous variables that systematically affect one another. If the equations are endogenous then we should not estimate each parameter individually, rather we need to take into account information provided by other equations in the system. If this endogenous relationship is not modelled, for example through the use of a single equation Least Squares estimator we find that the results are not only biased but inconsistent (Greene 2000). There are solid theoretical reasons to believe that these variables are interrelated, instability will increase the likelihood of governments selecting a variety of policy options ranging from repression, diversion and concessions. The choice of policy option will then feed back into domestic opposition. Likewise concessions, repression and diversion will affect one another. For example, autocratic states will avoid concessions when engaging in repression, whereas anocratic states will increase concession levels to ameliorate the effects of repression upon certain groups in society. Democratic states will use diversion and concessions together and these will feed back into instability. As these variables are theorized to be endogenous, with changes in one systematically affecting the behaviour of other variables in the system the PVAR approach reduces the bias and inconsistency of the parameters.

The PVAR technique works with either a model with many variables that control for a variety of possible factors or a parsimonious model which uses fewer degrees of freedom and allows for more efficient estimation (Ko 2008). As the study examines the reciprocal effects of domestic

instability, foreign policy behaviour, repression and government concessions a simple four-variable model is used. The models will estimate the endogenous relationship between these for democratic and non-democratic states. A panel averaged Hannan and Quinn Information Criterion (HQIC); Schwarz's Bayesian Information Criterion (SBIC) tests indicate a first order VAR model. The Im-Pesaran-Shin test indicated that there was no unit root in the data- so first differencing was not needed and the Hausman specification test indicated that a fixed effects approach was the most appropriate.

In order to place a structure on the VAR model it is important to order the variables in terms of their exogeneity, with more exogenous variables impacting on the relatively more endogenous variables in a sequential order. This is a standard identification strategy that is implicit in the Choleski decomposition which produces a recursive orthogonal structure on the arrangement of the shocks  $\varepsilon_{it}$ . In this paper it is assumed that StateI's international behaviour is the most exogenous, then domestic instability in StateI, then Repression levels in StateI and finally the amount of government concessions in StateI. Altering the ordering has very little substantive impact on the results.

The system of equations can be written in a compact form as:

$$AX_t = K + B_1X_{t-1} + \varepsilon_t \quad (1)$$

Where

$$A = \begin{bmatrix} 1 & a_{12} & a_{13} & a_{14} \\ a_{21} & 1 & a_{23} & a_{24} \\ a_{31} & a_{32} & 1 & a_{34} \\ a_{41} & a_{42} & a_{43} & 1 \end{bmatrix}, X_t = \begin{bmatrix} \text{CooperationI}_t \\ \text{Instability}_t \\ \text{Repression}_t \\ \text{Concessions}_t \end{bmatrix}, K = \begin{bmatrix} k_1 \\ k_2 \\ k_3 \\ k_4 \end{bmatrix}, \quad (2)$$

$$B_1 = \begin{bmatrix} 1 & b_{12} & b_{13} & b_{14} \\ b_{21} & 1 & b_{23} & b_{24} \\ b_{31} & b_{32} & 1 & b_{34} \\ b_{41} & b_{42} & b_{43} & 1 \end{bmatrix}, \text{ and } \varepsilon_t = \begin{bmatrix} \text{CooperationI} \\ \varepsilon_t \\ \text{Instability} \\ \varepsilon_t \\ \text{Repression} \\ \varepsilon_t \\ \text{Concessions} \\ \varepsilon_t \end{bmatrix}$$



Rather than simply pooling the VAR analysis this paper follows Love and Zicchino's (2006) lead by introducing fixed effects which should help control for unobserved state level heterogeneity. A fixed effects first-order VAR is specified:

$$\mathbf{z}_{it} = \Gamma_0 + \Gamma_1 \mathbf{z}_{it-1} + \mathbf{f}_i + \mathbf{e}_t \quad (3)$$

Where  $\mathbf{z}_{it}$  represents a four variable vector (CooperationI, Instability, Repression, Concessions). CooperationI represents total cooperative minus hostile acts directed by the state towards by its rivals. Instability represents the amount of civil direct actions against the government within the state, Repression represents the amount of government direct actions targeted against civil society and Concessions represents the amount of government concessions directed towards civil society. As the analysis uses panel data the model includes a fixed effects component that allows for individual heterogeneity within the panel (Love and Zicchino 2006) which is denoted as  $\mathbf{f}_i$ . However, this causes problems as the fixed effects are clearly going to be correlated with the regressors due to lags of the dependent variable. The mean differencing that is generally used to eliminate fixed effects would therefore cause the estimates to be biased. In this paper a forward mean-differencing approach is used to remove the mean of all future observations for each month to rectify the problem of bias (Arellano and Bover 1995; Zicchino and Love 2006).

### **Descriptive Statistics**

Table 1 presents a set of descriptive statistics disaggregated by regime type and rivalry status. A series of observations come to the fore: Firstly, all states involved in a strategic rivalry experience more instability, use more repression and provide more concessions than all of the states in general. The analysis seems to suggest at least that for 1990-2004 period external security environment has an impact on internal policy choices and domestic opposition, which will be discussed in more detail when we get to the multivariate models. Across both the rivalry and non-rivalry datasets democracies experience more instability than anocracies, with autocracies experiencing the least. An open democratic system encourages opposition more than other types of regime whereas opposition groups in autocratic states appear to be afraid of the repercussions of opposing the regime. Rather than simply discussing aggregate amounts of repression and concessions, it is more meaningful to examine the likelihood of concessions and repression being used in response to an instability incident. So while it might appear that autocracies use repression less, it is simply a reflection of fewer acts of opposition rather than an unwillingness to repress. Looking at the monadic dataset we see that democratic states use repression only in 17% of instability incidents, anocracies in 24% and autocratic states use it 35% of the time.

Opposition groups in autocratic states are most likely to be the target of repression, which in turn reduces the likelihood of opposition. Democratic leaders are likely to offer 4.2 concessions per instability incident, anocracies 3.35 and autocracies are willing to offer 6.3 concessions. Autocratic states as a proportion of instability incidents appear to be willing to use a range of responses, potentially because instability represents a greater challenge to the regime, this will be discussed in more detail at the analytical stage. Those regimes involved in a strategic rivalry were more inclined to use repression when confronted with instability with democracies using repression 28% of the time, anocracies 26% and autocracies 41%. Democracies and autocracies were less willing to offer concessions 3.97 times and 2.4 respectively. Only autocratic states were more willing to offer concessions 6.8 in comparison to 6.3 that were observed before. Rivalries appear to make decision-makers more aggressive towards internal dissent and less willing to offer concessions. Autocratic states are even more willing to use a range of responses when confronted with instability when in a rivalry situation. The PVAR models now examine the individual state level behaviours, demonstrating that rivalry systematically affects state policies on repression.

#### **TABLE 1**

### **Results**

In order to clarify the relationships between the variables, the results are presented in three different ways. Firstly, table 2 presents the coefficients for all the variables included in the system of equations. Secondly, there a set of path diagrams that demonstrate how the variables affect one another (found in the online appendix). The arrows indicate causality and the signs next to the arrows indicating the direction of that causality. Finally, a set of impulse response graphs for all the variables in the model were produced, although the discussion will only refer to significant effects.

#### **TABLE 2**

Looking at democratic states involved in a strategic rivalry there is little support for hypothesis 1. While democratic leaders faced with domestic instability do not use repression (as hypothesised), they are also unlikely to offer concessions, nor are they likely to engage in diversionary behaviour. The model provides no empirical support for the diversionary theory of war. Diagram 1 (online appendix) clearly sets out that none of the variables in the system of equations

affect external cooperation with a rival. In terms of hypothesis 1b, there is no evidence for a rally effect. Rather, external cooperation decreases instability ( $B=-.132$  ( $p>0.01$ )), a secure external environment tends to reduce opposition to the government, perhaps because domestic opposition believe they have little support from rival states. There is no support for the hypothesis that concessions will reduce instability ( $B=.069$  ( $p>0.01$ )), looking at the impulse response functions we see that the concessions tend to mobilise opposition as the government appears to be weak (figure 1(online appendix)). There is some support for hypothesis 1b in that repression tends to increase domestic instability ( $B=.280$  ( $p>0.01$ )), the public will strongly oppose a democratic elected elite subjugating their population. Democratic states that are involved in a strategic rivalry, tend to be paralysed in the face of instability as most policy choices will exacerbate rather than reduce opposition. However, these findings are very much contingent on being involved in a strategic rivalry, when examining the behaviour of all democracies a different pattern emerges.

The analysis of anocratic states in a strategic rivalry again demonstrated little support for hypothesis 2, there is no evidence for diversionary behaviour, concessions tend not to be offered nor does instability foster the use of repression. Diagram 2 (online appendix) demonstrates that cooperation with a rival is not affected by, nor affects the other variables in the system. Again these findings are very much contingent on the strategic rivalry, the subsequent monadic model find more policy responses to domestic instability (see below). In terms of hypothesis 2b, the results indicate that repression reduces instability ( $B=-.676$  ( $p>0.01$ )) (figure 2(online appendix)) whereas concessions increase it ( $B=.082$  ( $p>0.01$ )) but hostility towards a rival appears to have had no effect. Finally, the PVAR model demonstrates that there is a two-way relationship between concessions and repression. Using concessions increases the likelihood of an autocratic leader using repression ( $B=.082$  ( $p>0.01$ )) as the conciliatory strategy fails to quell instability. Whereas, the use of repression which is an effective strategy at reducing instability decreases amount of concessions offered ( $B=-.490$  ( $p>0.01$ )).

The most dramatic difference is between autocratic states and other regime types involved in a strategic rivalry. The autocratic regime that is faced with domestic instability uses a range of responses to deal with domestic challenges, but again not diversion (see diagram 3 (online appendix)). There is mixed support for hypothesis three, autocratic states tend not to change their behaviour towards their rival, but they do use repression ( $B=.295$  ( $p>0.01$ )) and are surprisingly willing to offer concessions to opposition groups ( $B=.575$  ( $p>0.01$ )). There is strong support for hypothesis 3b with repression resulting in a large and enduring reduction in

instability ( $B = -.994$  ( $p > 0.01$ )) (figure 3(online appendix)). The model also demonstrates that concessions result in an increase in instability ( $B = .210$  ( $p > 0.01$ )), suggesting that opposition groups in autocratic states will become strongly motivated by perceived regime weakness. Figure 3(online appendix) shows that concessions result in a large and enduring rise in instability, much greater than the effect for concessions in democracies (fig. 1(online appendix)) and anocracies (fig. 2(online appendix)) engaged in a strategic rivalry. The model also demonstrates that there is a relationship between the use of concessions and repression in autocratic states faced with a strategic rivalry. Because concessions appear to demonstrate weakness, autocratic regimes will tend to use repression after making concessions to demonstrate both strength and control ( $B = .120$  ( $p > 0.01$ )). An autocratic leader who has chosen to use repression will be far less inclined to offer concessions that will undermine the repressive strategy ( $B = -.978$  ( $p > 0.01$ )).

The strategic rivalry dyadic models found no evidence of diversion across all regime types but did demonstrate that regime type moderates the extent to which internal repression is used. Democracies and anocracies will avoid using either internal or external measures to reduce instability whereas autocratic states will tend to use repression and concessions. We find that repression works for anocratic and autocratic regimes, reducing instability over the medium to long-term but is counterproductive for democratic states. However, we find for all regimes that concessions will tend to increase instability as opposition groups smell regime weakness and try to exploit it further. However, when we examine the behaviour of all states rather than rivals we see a different picture emerge, one that more closely matches to our theoretical expectations. The models demonstrate that external context matters, with the international security environment affecting how opposition groups behave.

This next section discusses the results from the monadic models, this section is organised in the same way as above, with discussions about democracies, anocracies and then autocracies. First examining model IV for democracies there is no evidence of diversion, democratic states don't become more aggressive on the international stage in response to domestic instability, a finding that maps onto the previous results. However, there is a complex result for the relationship between instability and repression for democratic states ( $B = .087$  ( $p > 0.01$ )) (diagram 4(online appendix)). The impulse response functions (figure 4(online appendix)) suggest that initially a democratic leader may choose to repress his/her population, but after an initial repressive phase the likelihood of repression drops to below its pre-shock levels. While repression appears to be an attractive policy option the elite are quick to drop it from their basket of responses. While a democratic leader briefly flirts with repression, instability strongly increases the likelihood of

concessions being selected ( $B = .737$  ( $p > 0.01$ )) and that policy enduring over the medium term (fig. 4(online appendix)). We therefore seem some support for hypothesis two, generally concessions are offered by democratic governments but there is little evidence of diversion.

Testing hypothesis 1b the model indicates there is some weak evidence of a “rally” effect, with reductions in external cooperation resulting in a drop in instability, although only at the 90 per cent significance level ( $B = .026$  ( $p > 0.10$ )). Repression will initially stimulate further instability but over the longer-term it will reduce domestic opposition ( $B = .308$  ( $p > 0.01$ )), although the effect is very weak (fig. 4(online appendix)). Democratic elites tend to avoid repression and when it is employed it has very little substantive effect (fig. 4(online appendix)). Concessions however, have a strong negative and enduring effect on instability ( $B = -.120$  ( $p > 0.01$ )). This runs contrary to the strategic rival analysis, opposition groups in democracies that are in a strategic rivalry appear to see concessions as an opportunity to exploit government weakness, whereas in all democratic states opposition seems to be placated again highlighting the importance of the external security environment on domestic opposition groups.

Looking at anocratic states (model V) we again find no evidence of diversion, but we do find that attempts to increase external cooperation tends to reduce instability ( $B = -.021$  ( $p > 0.05$ )). Figure 5 (online appendix) shows that a shock to the cooperation variable leads to an instant drop in instability that takes 6 time periods to return to its original value. If the anocratic leaders avoids external conflict opposition groups are unwilling to challenge the state. However, the corollary of this finding is that when an anocratic leader becomes more aggressive on the international stage domestic opponents will take advantage of external disputes and challenge the regime. We find that instability has no impact on repression, however when repression is used it is effective at reducing the level of domestic strife ( $B = .539$  ( $p > 0.01$ )). The institutional weakness of anocratic states may result in an unwillingness to select either diversion or repression; the elite tend to be paralysed about the use of force. However, they are more than willing to offer concessions when confronted with instability ( $B = .304$  ( $p > 0.01$ )). While repression is eschewed when it is effective at reducing instability in the short-term, concessions are selected despite being counterproductive ( $B = .07$  ( $p > 0.01$ )). Overall, there is little evidence that anocratic regimes use a suite of responses when dealing with instability, the models demonstrate that that they tend to avoid risky measures that rely on force; rather they select domestic political concessions with the hope that they can placate opposition; a policy that ultimately fails to reduce domestic strife.

Finally, the behaviour of autocratic regimes is examined, looking at diagram 6 (online appendix) the model demonstrates that there is again no relationship between domestic instability and

aggression on the international stage, it also suggests that instability has no effect on concessions and surprisingly is unrelated to the use of repression. Repression appears to be driven by a bureaucratic process with previous repression levels driving current repression ( $B=.427$  ( $p>0.01$ )). The model also demonstrates that when an autocratic state becomes more aggressive, the leadership use repression to prevent internal opposition taking advantage of external hostilities ( $B=-.024$  ( $p>0.01$ )). The results provide some limited support for hypothesis 3b with repression reducing instability ( $B=-.848$  ( $p>0.01$ )) but the model also indicates that concessions reduce instability ( $B=-.395$  ( $p>0.01$ )) which was not hypothesized (figure 6(online appendix)). This is dramatically different to the strategic rivalry model where concessions demonstrated weakness and resulted in further instability that needed to be repressed. There is some evidence to suggest that cooperation on the international stage reduces instability, but again this is only significant at the 0.10 level ( $B=-0.51$  ( $p>0.10$ )), if an autocratic state's external environment is secure the population tend to rebel less, presumably as they perceive that the government is not militarily over committed. Again we find that external security environment affects the way opposition groups respond to government policy options and likewise affects the policy choices elites make in response to instability.

## **Conclusion**

The paper provided a bridge between comparative politics and international relations, examining whether domestic politics impacts on international affairs and vice-versa. The interrelationship between instability, diversion, repression and concessions for different types of regime is complex and simple binary models miss that. This paper has shown that political leaders under different institutional and international contexts will select several options to deal with instability, whereas others are constrained in their policy choices. The use of Panel Vector Autoregression allows us to both model policy choice and policy effectiveness as well as explore dynamic relationships between outcomes. It allows us to estimate the effect of failing policy options on further choices, such as the increase in repression levels by autocratic leaders when concessionary policies fail to reduce instability. While the study found little evidence of diversion, it did find that the international environment affects both policy choices and affected the level of instability in the state, peaceful external environments tended to reduce instability. The use of concessions for all states is generally counterproductive when that state is involved in a strategic rivalry whereas they tend to reduce instability when both democracies and autocracies are in a more peaceful international environment. However, anocratic states find that concessions are generally counterproductive regardless of rivalry.

If we look at the 'real-world' situation in Syria we find some parallels with the models suggesting that political elites use a wide range of responses to deal with domestic instability. Throughout the crisis President Assad has offered concessions<sup>1</sup>, blamed foreign powers for violence<sup>2</sup> and has instigated the widespread use of repression<sup>3</sup>. The effectiveness of all policies has been mixed, but the insights that can be inferred from these models suggest that the use of concessions by authoritarian states will tend to signal weakness and foster further instability and repression. Diversion will generally be ineffective and tends to be avoided and repression will reduce instability in the short-term, but hardly represents a long-term solution to grievances in the state.

Further research needs to be conducted to extend our understanding of state behaviour in response to domestic instability. In particular more work needs to be conducted examining state responses to instability during the cold war period. Further disaggregations of instability may also provide a fruitful avenue of research, policy choices may in fact be specifically selected in response to different types of opposition. This paper clearly points to the role of policy selection in the face of internal threats and argues that we need to explicitly model alternative options that leaders have in the face of political challenges. Quantitative analysis of the domestic-international nexus needs to recognise that there is a simultaneous relationship between the internal and external behaviour of the state and that we need to model policy feedback loops if we are to accurately understand the relationship between domestic politics and international behaviour.

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<sup>1</sup> President Assad offers concessions but fails to stop Syrian demonstrators. The Guardian June 20<sup>th</sup> 2011.

<sup>2</sup> Syria's Bashar al-Assad blames 'foreign conspiracy'. The BBC January 10<sup>th</sup> 2012.

<sup>3</sup> Syria gas 'kills hundreds,' Security Council meets. Reuters August 21<sup>st</sup> 2013.

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**Table I**

**Disaggregated Descriptive Statistics**

<b>Variable</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Min</b>	<b>Max</b>
<b>Democracy in a Rivalry</b>					
COOPI	4632	-.293	8.059	-114.6	74.8
Instability	4632	27.436	50.948	0	586
Repression	4632	7.640	17.489	0	316
Concession	4632	109.058	253.914	0	2172
<b>Anocracy in a Rivalry</b>					
COOPI	2628	-.010	5.825	-80.4	52.3
Instability	2628	15.343	50.229	0	474
Repression	2628	4.022	17.055	0	287
Concession	2628	36.483	50.656	0	650
<b>Autocracy in a Rivalry</b>					
COOPI	4800	.0382	6.082	-99.3	79.8
Instability	4800	7.288	11.279	0	166
Repression	4800	2.987	10.290	0	267
Concession	4800	49.88	60.104	0	859
<b>Democracy Monadic</b>					
COOPI	15684	8.215	57.544	-1766.69	726
Instability	15684	10.757	29.641	0	586
Repression	15684	1.777	7.736	0	316
Concession	15684	45.386	146.663	0	2172
<b>Anocracy Monadic</b>					
COOPI	13584	3.107	29.905	-1172.62	201.6
Instability	13584	6.353	17.0476	0	474
Repression	13584	1.549	6.001	0	287
Concession	13584	21.309	43.095	0	650
<b>Autocracy Monadic</b>					
COOPI	5892	6.093	35.740	-1179.38	196.69
Instability	5892	4.347	8.907	0	166
Repression	5892	1.522	5.978	0	267
Concession	5892	27.438	49.344	0	859

**Table II**  
**Directed Dyad Rivalry Model 1990-2004**

	<b>Model I Directed Dyad Rivalry</b>	<b>Model II Directed Dyad Rivalry</b>	<b>Model III Directed Dyad Rivalry</b>	<b>Model IV Monadic</b>	<b>Model III Monadic</b>	<b>Model IV Monadic</b>
	<b>Democraci es</b>	<b>Anocracies</b>	<b>Autocracies</b>	<b>Democraci es</b>	<b>Anocracies</b>	<b>Autocracies</b>
<i>Cooperation I</i>						
<b>CooperationI (t-1)</b>	.278 (.054)***	.275 (.052)***	.164 (.035)***	.246 (.114)***	.342 (.073)***	.487 (.102)***
<b>Instability (t-1)</b>	-.029 (.032)	.005 (.011)	.037 (.028)	-.264 (.372)	.038 (.214)	.840 (.731)
<b>Repression (t-1)</b>	.02 (.027)	-.022 (.017)	-.065 (.052)	-1.79 (1.112)	.191 (.200)	-.424 (1.012)
<b>Concessions (t-1)</b>	.003 (.002)	-.005 (.007)	.021 (.014)	1.012 (.355)***	.075 (.052)	.348 (.227)
<i>Instability</i>						
<b>CooperationI (t-1)</b>	-.132 (.059)***	-.023 (.035)	-.039 (.093)	.026 (.013)*	-.021 (.010)**	-.051 (.028)*
<b>Instability (t-1)</b>	-.082 (.169)	.771 (.182)***	1.468 (.091)***	.520 (.057)***	.785 (.164)***	-.340 (.371)
<b>Repression (t-1)</b>	.280 (.123)***	-.676 (.160)***	-.994 (.179)***	.308 (.09)***	-.539 (.214)**	.848 (.383)***
<b>Concessions (t-1)</b>	.069 (.008)***	.082 (.030)***	.210 (.051)***	-.120 (.037)***	.070 (.031)**	-.395 (.125)***
<i>Repression</i>						
<b>CooperationI (t-1)</b>	-.069 (.038)	-.004 (.020)	-.059 (.099)	.001 (.012)	-.012 (.007)	-.024 (.011)***

<b>Instability (t-1)</b>	-.204 (.131)	.048 (.103)	.295 (.056)***	.087 (.04)***	.159 (.100)	-.143 (.137)
<b>Repression (t-1)</b>	.429 (.117)***	.197 (.149)	-.008 (.166)	.394 (.138)***	.269 (.139)*	.427 (.142)***
<b>Concessions (t-1)</b>	.006 (.005)	.082 (.03)***	.120 (.043)***	-.097 (.041)***	.046 (.027)	-.043 (.037)
<i>Concessions</i>						
<b>CooperationI (t-1)</b>	-.363 (.167)***	-.08 (.104)	.133 (.372)	.054 (.044)	-.017 (.015)	-.5 (.048)
<b>Instability (t-1)</b>	.400 (.413)	.253 (.169)	.575 (.157)***	.737 (.146)***	.304 (.152)**	.393 (.396)
<b>Repression (t-1)</b>	-.579 (.348)	-.490 (.187)***	-.978 (.465)***	-.053 (.343)	-.421 (.257)	-.476 (.429)
<b>Concessions (t-1)</b>	.907 (.026)***	.737 (.055)***	.886 (.132)***	.767 (.132)***	.789 (.064)***	.711 (.123)***
<b>N</b>	4009	4876	2805	17047	7461	5670

\*\*\*<0.01 \*\*<0.05 \*<0.10