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Autocrats and Their Business Allies: The Informal Politics of Defection and Co-optation

Semuhi Sinanoglu

German Institute of Development and Sustainability, Bonn, Germany
Email: semuhi.sinanoglu@idos-research.de

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Abstract

Why do business allies (not) defect from authoritarian regimes? An emerging scholarship shows that connected businesses face high political risk, and the autocrat can financially pressure business allies during economic crises. And yet, despite their disruptive power, the business elite rarely switch to opposition. I argue that this unexpected loyalty does not always stem from credible power-sharing. The more material quid pro quo the business elite engage in with the dictator, the less they can credibly threaten the dictator with defection. I present a bargaining game between the dictatorship and its business allies and test it using a country-year-level dataset of 76 countries for 1992–2019. The results indicate that higher degrees of patrimonial co-optation lower the risk of business opposition. This effect is partly mediated through the government's control over the media landscape. These findings suggest that even informal, non-institutional tools of co-optation can effectively deter defection.

Keywords: co-optation; elite defection; repression; authoritarian capitalism; state–business relations

Why do business allies (not) defect from a political regime? An emerging scholarship shows that co-opted businesses face high political risks, such as re-nationalization and ownership turnover (Betz and Pond 2023; Resimic 2021). Especially in times of economic crisis, the autocrat may limit the distribution of spoils and prey on his allies to extract rents (Blaydes 2020: 23).[1] In response, as a formidable social group, the business elite could turn their backs on him. Their defection could be disruptive and consequential – they could mobilize resources for the opposition, stage anti-regime protests or leak compromising information about the regime (Arriola 2013; Junisbai 2012; Radnitz 2012; Rithmire 2023). Yet, on average, the business elite rarely defect (Coppedge et al. 2023).

One explanation highlights the role of autocratic institutions. An extensive body of scholarship unpacks how authoritarian institutions help resolve credible commitment problems, expand the time horizon for power-sharing arrangements and limit the dictator's predatory behaviour (Svolik 2012; Wilson and Wright 2017). Business allies are indeed co-opted through institutions, such as legislative bodies. They seek political office to protect their business interests under a weak regime of private property (Hou 2019; Szakonyi 2020). However, this institutional account does not fully capture the effect of one type of co-optation on elite defection – what I call *patrimonial*.

Patrimonial co-optation refers to informal/personal ties the business elite develop with the political office-holders (Kung and Ma 2018). In return for preferential treatment and privileged access to public resources, the business allies offer material benefits to the dictator, which are deployed to help him win the electoral game or make his family rich. In this quid pro quo relationship, the dictator exerts high discretionary power over how rents are distributed. Spoils are allocated to business allies by the central authority without any power-sharing mechanisms (Meng et al. 2023: 157). That is precisely why patrimonial co-optation is a losing game for the business elite. Once co-opted patrimonially, business allies are less likely to defect, even if they become a punch-bag for the autocrat during economic downturns.

There are two interrelated mechanisms at play. First, there would be a substantive financial loss for defecting businesspeople conceding their privileged market position. The cost of their defection would multiply by the extent of their co-optation to the regime. Second, the dictator has the upper hand in this crony relationship because the corrupt dealings of business allies render them vulnerable to public backlash, tarnish their reputation and hinder their ability to cooperate with opposition forces (Sinanoglu 2023). The dictator can legally hold their history of corruption against his allies-turned-enemies (Zhang 2021), and most importantly, mobilize anti-business public sentiment to justify such repression as an anti-corruption crackdown (Zhu and Zhang 2017). That would especially be the case for regimes with a strong propaganda apparatus that could leverage such financial coercion to manufacture public support during economic downturns. Overall, the loss of lucrative co-optative status and the lack of public support are strong deterrents against defection without institutional commitment devices. In sum, with patrimonial co-optation, the dictator can substantially lower the risk of the defection of one major social group without any institutional concessions.

I formalize this strategic dynamic in a simplified bargaining game between the dictator and his business allies. I argue that under high levels of patrimonial co-optation and during major sovereign debt crises, the business elite are less likely to oppose the regime. I test these ideas using a country-year-level dataset of 76 countries from 1992 to 2019. The results show that co-optation through corrupt exchanges with the executive substantively decreases the odds of business opposition. The suppressing effect of such informal co-optation on business opposition is partly mediated through the government's control over the media landscape.

This article's contributions are twofold: First, despite a large body of scholarly work on the role of institutions, we still do not know much about the effectiveness of co-optation without power-sharing arrangements (Gerschewski 2023: 96). I offer evidence that patrimonial co-optation as an informal, non-institutional strategy can tilt the balance of power in favour of the dictator and prevent his business allies from credibly threatening him. Second, I show that even though economic crises may exacerbate the risk of elite defection under autocracies (Del Río 2022; Reuter and Szakonyi 2019), that may not necessarily apply to all elite groups or economic crises.

The article is organized as follows: First, I lay out a theoretical framework for elite defection and patrimonial co-optation. Then I present a simplified formal model of bargaining to derive the hypothesis, followed by an empirical assessment.

Business opposition to dictators

Businesspeople develop personal ties with government officials to protect their assets under a weak property rights regime (Kung and Ma 2018). They perceive such informal and personal connections as safeguards against state predation (Frye 2017: 69). More than safety measures, these personal connections also come with lucrative opportunities, and proximity to political power pays off. Connected companies benefit from trade protection (Malik and Eibl 2019), enjoy relaxed regulatory oversight and tax immunity (Rijkers et al. 2017), receive favourable treatment in courts (Xu 2020) and take the lion's share of public contracts (Çeviker Gürakar and Bircan 2019; Lu and Wang 2023). They use these privileges to enhance their market position, reflected in higher profit rates and equity values (Diwan et al. 2020). Autocrats also target foreign businesses to eject them from the market and create monopolies for their cronies, as Viktor Orbán's government did in Hungary against foreign companies with special price caps and tax rates, especially operating in the retail and banking industries (Savage 2022).

It takes two to tango – these crony relationships are quid pro quo. The dictator's business allies must repay their fair share of what they earn from these arrangements. These proceeds are, in turn, used to fund prestigious mega projects to boost the dictator's popularity, buy out media outlets to erect a propaganda apparatus, or simply make the ruling family rich (Adly 2023: 422; Arat and Pamuk 2019: 107). Incumbent autocrats amass wealth with their discretionary power over public goods and arbitrary application of formal rules. One of the many illustrative cases is the sheer size of the Ben Ali family's business empire at the end of their rule, constituting 14.7% of all net private-sector profits in Tunisia (Arouri et al. 2019: 178).

Such quid pro quo presents one co-optative tactic of authoritarian political control (Hassan et al. 2022) – patrimonial co-optation. Under this economic order, the business elite secure privileged access to state resources in exchange for tangible benefits accrued to their patron. By patrimonialism, I mean particularistic and selectively enforced transactions: The incumbent wields high discretionary power over a centralized distribution of rents, and the executive control over economic assets is highly personalized. Svolik (2012: 170) calls this 'co-optation via transfers', Gerschewski (2023: 105) 'informal co-optation', Josua (2016: 40) 'material co-optation', or Hale (2014: 10) calls it 'patronal politics'. I use 'patrimonial' to put more emphasis on this material exchange's vertically structured, personalist and particularistic nature. The central premise here is that spoils are allocated to business allies without power-sharing via concessions (Meng et al. 2023: 157), and the dictator appropriates the state apparatus to target productive assets for allocation or confiscation purposes as he deems fit.

This type of co-optation is not a cosy relationship. Autocrats are not perfect agents of economic elites (Albertus and Gay 2017: 627) – they prey on their allies and consolidate their rule at the peril of their support coalition. An emerging scholarship highlights the downside of co-optation for businesses: politically connected firms face a higher risk of re-nationalization, ownership turnover and decline in stock value, to cite a few (Barraza et al. 2022; Betz and Pond 2023; Li 2023; Resimic 2021).

The political risk for co-opted businesses gets more pronounced during financial crises. Resource constraints may jeopardize patronage networks under personalist dictatorships, forcing the dictators to cut back spending (Escribà-Folch and Wright 2010: 339). In response to declining resources, the dictator may need to shrink the winning coalition's size or extract rents from allies in order to survive (Blaydes 2020: 23).

Sovereign debt crises, in particular, put regime durability at risk. A sovereign default is when a government does not pay back the principal or interest on its debt by the scheduled deadline. Unlike the extant scholarship on elite defection that uses gross domestic product (GDP) growth rates to identify periods of economic downturn (Del Río 2022: 2265; Djuve and Knutsen 2022; Reuter and Gandhi 2011: 93), I focus on sovereign debt crises when autocrats are under severe fiscal duress. It is because autocrats may survive through short-term economic fluctuations (Shih 2020: 11) – GDP growth, unemployment and inflation rates reflect the general economic conditions of a country, but they do not directly indicate the incumbent's fiscal capacity to ride out a crisis. Take the case of Turkey: the Turkish economy has been experiencing a currency crisis since 2018 and serious hyperinflation since early 2021. However, the Justice and Development Party (AKP) government has been able to maintain patronage networks to a certain degree and roll out massive programmes with severe fiscal burdens like the FX-linked deposit programme or the law on the early retirement scheme, for which the government had to earmark billions of dollars (Kozok 2022). Sovereign debt crises have serious implications for businesses: for example, Sinanoglu (2024) finds that politically connected firms that have secured a public contract are more likely to be financially repressed, even more so during sovereign debt crises. In other words, autocrats prey on their allies when push comes to shove.

How would business allies respond to such financial repression by the autocrat? The business elite's support for the dictator would be contingent on whether their interests are being served or not (Bellin 2000). One key insight from the scholarship is that high uncertainty about future access to spoils increases the likelihood of defection. For instance, Hale (2014: 66) argues that patronal systems are particularly crisis-prone because of the expectations mechanism: if elites believe the patron will remain in charge, few will challenge him; but if the dictator fails to project public popularity and presidential dominance, elites begin to doubt his future grip on power and become more inclined to abandon him. In a similar vein, Reuter and Szakonyi (2019) show that defections are more likely when the regime lacks electoral popularity and there are few institutional constraints on the leader, leaving elites with little assurance of future spoils. Economic crises or election cycles can further facilitate coordination against the regime (Del Río 2022; Reuter and Gandhi 2011), especially when elites have suffered from the dictator's arbitrary actions, such as the expropriation of business assets by members of the ruling circle (Junisbai 2012: 901).

There is enough evidence to show how business defection could be consequential, from different contexts like Kenya, Ukraine, Tunisia or Kyrgyzstan (Sinanoglu et al. 2025). As a formidable social group, the business elite can allocate financial resources for mobilizing the opposition and staging anti-regime protests (Arriola 2013: 33; Radnitz 2012). The 'disruptive power' the business elite hold stems from their connectedness to the regime – the more connected they are, the more likely they are to possess compromising material – kompromat – that can endanger the political elites (Rithmire 2023: 107). Indeed, once leaked, corruption can be politically costly for an autocrat (Carothers 2023).

Despite this disruptive and structural power, business opposition to autocrats is rare. According to V-Dem data (Coppedge et al. 2023), in 2022, in only 30% of electoral autocracies were the business elite in opposition (mobilized or not), and only in five cases, actively mobilized against the regime. Though the number of electoral autocracies where the business elite have been in opposition has increased over the years, businesspeople are more likely to join the authoritarian support coalition than the opposition (see Figure B1 and Figure B3 in the Supplementary Material).

One potential explanation is the presence of autocratic institutions. An extensive body of scholarship shows that constraining institutions may help resolve the dictator's commitment problem of credibly sharing spoils with the elite, limit his confiscatory behaviour, regularize his interactions with the elite and facilitate compliance (Blaydes 2011; Escribà-Folch 2009; Svolik 2012; Wilson and Wright 2017; Wright 2008). Entrepreneurs indeed seek opportunities within formal institutions, such as seats in legislative bodies, to protect their business interests (Hou 2019; Szakonyi 2020).

However, the institutional account does not explain the full picture. We still do not know much about the impact of non-institutionalized co-optation on elite defection, that is, quid pro quo without such commitment devices (Gerschewski 2023: 96). For example, a handpicked group of businesspeople has always been taken on official foreign visits with Turkish President Erdogan's plane to secure contracts abroad. Being 'on board' has been an indication of how close these businesspeople are to Erdogan. One example is the CEO of a large real estate company in Turkey – he has been 'buddies' with Erdogan for years. He has hosted him multiple times at his resort in Antalya for vacation and publicly expressed his support for the 2017 referendum that solidified autocratization in Turkey. In return, the Ministry of Environment and Urbanization worked around legal injunctions and environmental regulations to give him a real estate deal in Istanbul worth a billion dollars (T24 2020). Another example is a businessperson Erdogan famously owed TL2 million in 2018 (*Duvar* 2018). Rumoured to be an old friend of the Erdogan family and having had business dealings with them, his company has contracted lucrative real estate projects in national parks despite public uproar against their environmental destruction.

To add another example, back in 1994, Orbán knew patrimonial co-optation could work for his regime in Hungary and prevent defection. Criticizing the former prime minister, József Antall, during an interview, he said:

> He should have identified the 8–10 major businessmen … to become Hungary's leading tycoons. And these people should have been supported …, simply by providing them with banking contacts. … [H]e should have built personal relationships with [them], [who could] have exploited [their relationship with the Hungarian prime minister and his innermost circle] as competitive edge in the market. … You see, not a single tycoon stuck with [him] during the election campaign. They all switched sides. … It could have gone differently had the ties been sufficiently strengthened before. (Sebők and Simons 2022: 1635)

It might work for the autocrat, but patrimonial co-optation is a losing game for the business elite. While they pursue these personal connections to reap benefits and hedge against predatory behaviour, they do not have many manoeuvres for an exit strategy once locked in. The more dense these crony relationships, the less likely they are to defect, even without constraining institutions. Even when the dictator preys on them to extract rent in times of crisis, the balance of power is tilted in favour of the dictator in this co-optative relationship.

There are two interrelated reasons why the cards are stacked against the business elite. First, the more financially dependent the business allies are on these patronage networks, the more they would lose should they confront the regime. That is especially the case in late developing economies where state contracts constitute a major source of revenue. In other words, the cost of defection amplifies with the extent of co-optation. When rents are concentrated and distributed centrally by the executive authority, and there are limited economic prospects outside the system, defection becomes a huge gamble (Markowitz 2017: 109).

Second, once a businessperson exploits their connections to attain economic leverage, they make themselves susceptible to future legal repression and criminal charges (Zhang 2021), as they lose their public support and tarnish their reputation, leading to coordination problems with opposition forces. The autocrat can galvanize public support for repressive acts by presenting them as crackdowns on corruption with intense anti-business and anti-corruption public sentiment. That would especially be the case for regimes with a strong propaganda apparatus, which would blame corrupt business allies for the country's economic difficulties. Their financial coercion would resonate with the public and boost the autocrat's popularity, despite there being a severe economic downturn. For instance, Sinanoglu (2023) shows that people are more likely to condone the financial repression of co-opted businesspeople than others during economic downturns, if they owe their entrepreneurial success to the regime and are perceived as rent seekers responsible for the economic crisis. Overall, the risk of severe financial loss and potential public backlash thus serve as strong deterrents against defection.

The reasons for the rarity of business defection under patrimonial capitalism also explain why business allies are ineffective in ousting the dictator, even when they defect. Take the case of Lajos Simicska. He has been cited as one of the major reasons behind Orbán's electoral success. In exchange for lucrative government contracts for his construction company, his media outlets lent Orbán indulgent support. But in the aftermath of a public disagreement between them, when Simicska publicly humiliated Orbán because of the government's crippling advertisement tax, he defected from the regime (Kovách et al. 2022: 266). His media outlets published damning stories and leaked information about the extent of corruption under Orbán's regime. They were ineffective: a few weeks after these revelations, Orbán's party won a landslide victory in the 2018 parliamentary elections. Despite his defection, Simicska was not publicly popular due to his history of corrupt dealings with the regime. He could not find allies among the opposition parties, as they tried to distance themselves from him, rejecting claims that Simicska was funding their parties (Andras and Szabo 2019). In the end, it was not a fair fight for Simicska. He lost his media empire, and his construction company was banned from public procurement. He was practically replaced by a childhood friend of Orbán, Lőrinc Mészáros, who became a billionaire with dizzying speed.

In the next section, I formalize these strategic interactions between the dictator and his business allies, and model the businesses' cost of defection and the dictator's cost of repression as a function of degree of co-optation and the extent of anti-corruption public sentiment.

Model

There are two players: the *Dictator* (D) and his *Business Ally* (B). The prehistory of this escalation/bargaining game is that under a sovereign debt crisis, D decides to shift the financial burden to B. Without loss of generality, I set this cost to -1.

The game begins with B deciding on how to respond. B may yield to D's pressure and accept the fiscal burden. Then, B and D receive a payoff of $(-1, 0)$, respectively. Alternatively, B may decide to oppose the government. Should B oppose the regime, then the conflict becomes public. In response, D either doubles down with repression or concedes to B. If D concedes, then he receives a payoff of $(-k - p)$ while B's payoff is (0). k denotes the additional cost that D pays upon B escalating the conflict, $k \in (0, 1)$. p denotes the intensity of anti-business/anti-corruption public sentiment as $p \in \mathbb{Z}+$. Higher values of p imply more public hostility towards co-opted businesses. When D yields, there is an additional cost of public backlash to concessions.

If D decides to double down, B faces two options: yielding to D's pressure or escalating further to challenge the regime. If B concedes, then his payoff is $(-1 - k)$. In addition to the burden of the debt crisis, B incurred k for escalating the conflict. On the other hand, when B yields to D's coercion, D's payoff is $(k + p)$. Essentially, D extracts an extra k from successfully repressing B following escalation on top of the electoral popularity of the repressive act.

If B continues to defy the regime, his payoff is $(-r_b c)$. r_b indicates the cost of open confrontation with D with a uniform probability distribution. c refers to B's degree of co-optation as $c \in \mathbb{Z}+$. The higher c, the more co-opted is B. In other words, the more engaged B is in quid pro quo with D, the more he would lose. When B confronts the regime, D's payoff is $(-r_d c)$. r_d expresses the cost of antagonism against one of his allies with a uniform probability distribution. The cost gets more pronounced with higher degrees of B's co-optation. The more entrenched crony networks between B and D, the more likely B possesses leverage against D. The extensive form of this game is depicted in Figure 1.

The model presents the cost of defection and repression decisions as a function of the degree of co-optation and public sentiment. The model also considers the popularity of repressive acts against crony elites. Under a setting of incomplete information, both B and D observe their own relative costs but not their rival's; however, their probability distributions, F_b and F_d, are common knowledge. The solution concept for the game is perfect Bayesian equilibrium (PBE). The equilibrium strategies are solved for r_b and r_d and their beliefs over each other's strategies. Proofs for complete and incomplete information and the equilibrium strategies are available in the Supplementary Material.

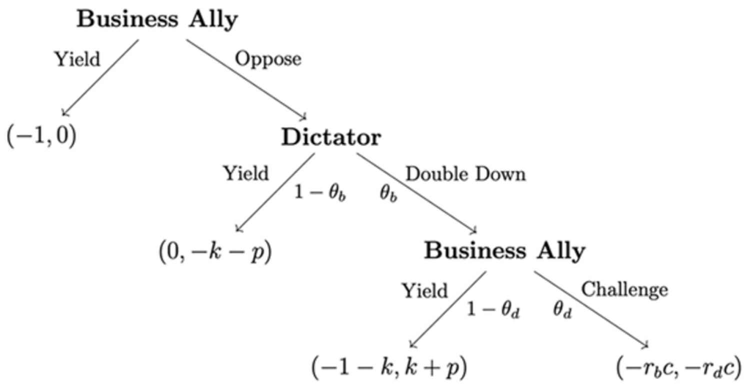

Figure 1. Game Tree

In the subgame perfect equilibrium, the model yields the following predictions. First, even for relatively high costs of repression for the *Dictator*, the probability that the *Business Ally*'s opposition induces the *Dictator* to yield is small; the equilibrium path typically escalates to open confrontation. In subgames where the *Dictator*'s decision to repress depends on the degree of co-optation, if the crisis cost is sufficiently low and anti-business public sentiment is moderately high, the *Dictator*'s probability of repression dominates the *Business Ally*'s probability of opposition. Second, comparative statics show that the *Business Ally*'s equilibrium probability of opposition decreases as anti-corruption public sentiment intensifies and as the degree of co-optation rises. Last, when the fiscal crisis cost is low, and the *Dictator*'s decision is independent of the co-optation level, the *Dictator* doubles down with certainty, given a modest level of anti-business public sentiment. In other words, the *Dictator* enjoys a strategic advantage in this co-optative arrangement.

Hypothesis 1: *Under high levels of patrimonial co-optation, the business elite are less likely to oppose the regime.*

Empirical setting

To probe this hypothesis, I use a country-year-level panel dataset of 76 countries (see Table B1) from 1992 to 2019, based on the V-Dem dataset (Coppedge et al. 2023). First, I excluded small, non-independent and oil-rich regimes with oil income per capita higher than USD500. Resource-rich regimes can fiscally survive through debt crises thanks to accumulated oil wealth in the state coffers. In the regimes under scrutiny here, governments face severe debt crises when their hands are forced to downsize the winning coalition, so the political risks are real and substantive. Second, the listed countries experienced authoritarianism, but at least with one multiparty election with high competition. The lack of active opposition by businesses to the autocratic regime would be the main expectation in closed, opaque regimes like Saudi Arabia or Cuba. The scope condition here is that the business elite could afford political manoeuvres to defect to the opposition. Last, the analysis focuses on the post-Cold War period, when businesses started to play a major political role, especially following market liberalization.

How significant is the business community in this sample of cases? First, V-Dem measures which groups are the most powerful in affecting regime duration and change. In the selected time period, in 14 countries, the business elite is cited at least once as the most powerful group. In addition, a descriptive analysis of private sector investment data by the World Bank shows that in 2022 the average gross fixed private capital investment constitutes roughly 17% of GDP in a subset of these cases, depending on data availability. In some notable cases, this share exceeds 25% of GDP (see Table B3). Overall, the governments would have the motivation to politically control the business community for the purposes of regime durability.

There has been a major debate regarding the accuracy of expert-coded measures; however, expert-coded data can still be highly informative (Bergeron-Boutin et al. 2024). This is especially true for phenomena like business opposition to dictators with little or no 'smoking guns'. The business elite's active and mobilized opposition is rare, and it is challenging to identify 'objective' comparable indicators across countries. Thus, expert insights are crucial for making sense of such opposition dynamics that go on behind closed doors.

Dependent variables

V-Dem data code different social groups that pose major opposition to the regime, including the business elite. This measure indicates whether a significant share of the business elite – mobilized or not – both want and could be able to threaten and oust the regime under favourable circumstances. I generate a binary indicator of business opposition to the regime at two different thresholds.[2]

There are two noteworthy trends. First, compared to the early 1990s, the number of countries where the business elite are in opposition has almost doubled (see Figure B1). That said, business opposition is still a rare phenomenon within electoral autocracies. Only in a handful of cases have the business elite consistently been cited as a major opposition group, such as in Kyrgyzstan, Togo, Madagascar and Guinea-Bissau (see Figure B2). Though rare, their opposition may be consequential. For example, the data illustrates the business elite's switch to opposition in 2010 in Tunisia.

V-Dem data also code whether the regime relies on the business elite to maintain power as a support group and, if they were to withdraw their support, whether it would increase the odds of regime change or not. I create a binary indicator of business support for the regime as an alternative measure of state–business relations.[3] In 2019, the business elite were part of the support coalition in almost half of the countries in the dataset (see Figure B3 and B4).

Explanatory variables

As a proxy for patrimonial co-optative relationships between the executive and business elite, I use an interval measure of executive bribery and corrupt exchanges in the V-Dem dataset. The indicator reports how routinely the executive or their agents offer favours in return for material inducements.[4] Consistent with the formal model and the conceptual framework for co-optation, this measure exhibits to what degree the executive is engaged with quid pro quo. As an alternative proxy for co-optation, I also use V-Dem's neopatrimonialism index. The index measures the extent of unconstrained personalistic rule with clientelist political relationships and the use of public resources for legitimation. The index includes indicators on vote buying, particularistic good provisions, the lack of judicial constraints, and executive embezzlement, theft and corruption.[5]

To identify periods of sovereign debt crisis, I use Nguyen et al.'s (2022) global dataset. They operationalize a debt crisis with the following conditions: the total defaults exceed 1% of GDP in at least three consecutive years or 7% of GDP. Their operationalization has two distinguishing features. First, it covers both external and domestic debt defaults. Second, the identification criteria exclude negligible defaults. Almost 80% of the countries in the data experienced a debt crisis at least once in the covered period (Figure B5).

Covariates

In alternative model specifications, I use two indicators from the V-Dem dataset to control for the government's level of repression that may confound the relationship between co-optation and business opposition (Bove and Rivera 2015). One interval indicator measures whether there is freedom from torture; that is, whether the public authorities respect bodily integrity. Another one measures freedom from political killings, which refers to instances where the political authorities employ lethal force to eliminate political opponents.

I include several indicators from the V-Dem dataset to gauge how constrained the executive authority is. Institutional or political constraints may hamper rent-seeking, drive compliance with the regime and serve as devices of credible commitment between the business elite and the dictator. An index measure of the judicial constraints on the executive is included, which covers the executive's compliance with the constitution and the independent judiciary. In alternative model specifications, I also incorporate an index of legislative constraints on the executive authority, which measures the extent to which the legislature and government agencies are capable of exercising oversight over the executive. As a proxy of institutional co-optation to be used for robustness checks, I include an indicator of access to state jobs, and whether those positions are restricted only to those with affiliations with a political group. I introduce a measure of opposition party autonomy to account for electoral constraints. Higher political competition (and losing electoral support) may shift the regime's co-optation strategy towards the opposition (Gandhi and Przeworski 2007). This measure shows whether opposition parties are allowed, and either selected or co-opted by the ruling regime. In alternative models, I also add the polyarchy score as a control.

State control over the economy may also confound the relationship between co-optation and business support. In countries with a high degree of economic liberalization, the business elite would be better endowed – the dispersion of financial resources may dismantle patronage networks and facilitate the opposition's mobilization (Sinanoglu et al. 2025). I add a measure of state ownership of the economy from the V-Dem dataset that gauges to what extent valuable capital is owned or directly controlled by the state. There might also be an incumbency advantage: co-optation networks will likely be entrenched with longer tenures. To control for such temporal effects, I include a scaled indicator of regime duration.

I use several proxies for the social support/opposition and mobilization for/against the regime. Under resource constraints, the dictator faces a dilemma between co-opting the elite and containing popular mobilizations (Bove et al. 2017). Increased pressure from below might prompt the dictator to purge the elite and shrink the size of the winning coalition (Dodlova and Lucas 2021). On the other hand, popular mobilizations and increased grassroots demand for democratization might also shape the business elite's decision to defect (Andrews and Honig 2019; Casper and Tyson 2014). In alternative specifications, using V-Dem data, I control for the size of pro-democracy and pro-autocracy mass mobilizations. I also include two measures of the size of support coalition and opposition groups, respectively. Last, I control for the degree of polarization. Dictators may employ polarization as an electoral strategy to consolidate their power base and delineate frictions within the business community (Sinanoglu 2023).

Statistical models

Business opposition is rare. Only in 15% of country-year periods are the business elite opposed to the regime. The analysis of such binary rare event data poses methodological challenges. The fundamental issue here is that with fixed effects (FE) estimators, parameter estimates are only generated from units that experience the event, inflating the baseline event risk and biasing the marginal effects. As a remedy, I apply a generalized linear model (GLM) with penalized maximum likelihood (PL) conditional FE estimator as proposed by Cook et al. (2020).[6] For robustness checks, I also estimate generalized linear mixed models (GLMM) with random intercepts at country and year levels, as well as fixed intercepts for each year to capture year-specific variation (Schmidt-Catran and Fairbrother 2016). Last, I run linear FE models as well.[7]

Main findings

Figure 2 shows the exponentiated coefficients of explanatory variables from the main GLM PL-FE models with executive corrupt exchanges as the measure of co-optation. Table C1 in the Supplementary Material reports full regression tables for the main models. Results with alternative model specifications with the best model fit are reported in Tables C2 and C4. Figure 3 illustrates the average marginal effect of co-optation on business support and defection.

The higher degrees of co-optation are significantly associated with a lower likelihood of business opposition. This finding is robust to different specifications. The effect size is also substantive: Depending on the model specification, one standard deviation increase in the level of executive corrupt exchanges decreases the odds of opposition by 55–69.6%. Similarly, co-optation is statistically and positively associated with business support for the regime, which is a consistent finding across different models. The marginal effects on the likelihood of support are also considerable: one

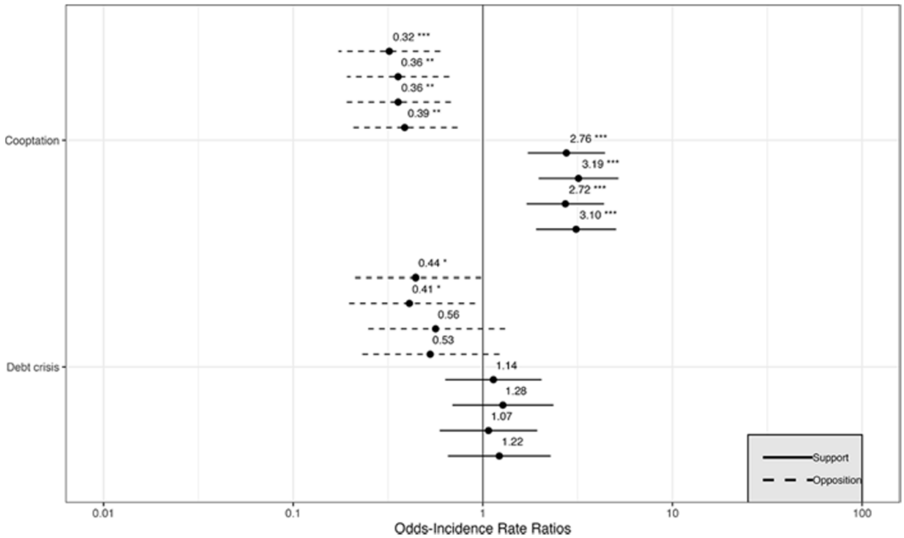

Figure 2. The Exponentiated Coefficients from the Main GLM PL-FE Models for Business Support and Opposition

Notes: Co-optation Is operationalized with executive corrupt exchanges. All models include a lagged dependent variable (DV). Full regression tables are reported in Table C1 in the Supplementary Material.

standard deviation increase in the level of co-optation increases the odds of support by a factor of 2.59 to 3.16, depending on the model. In other words, co-optation may have symmetrical effects on business opposition and support.

Experiencing a debt crisis is negatively associated with the probability of opposition only in some models. The marginal effect of one unit increase on the odds of opposition is as high as 59%, but the coefficient estimate is statistically insignificant for some model specifications, and it is not robust across different model specifications for the main measure of co-optation. Debt crisis is not significantly correlated with business support for the regime in the main regressions.

I discuss other covariates in the Appendix.

Robustness checks

Robustness checks largely confirm the main findings. To ensure the consistency of these findings, first, I use a different proxy for the main explanatory variable, co-optation: neo-patrimonialism index (see Table C3 and Table C5). The results remain robust: higher degrees of co-optation are substantively associated with a lower likelihood of business opposition and a higher likelihood of business support. A debt crisis is mostly negatively correlated with business opposition, though insignificant for business support. I also use a more conservative threshold for classifying cases of business opposition and support (see Table C10 and Table C11). Both debt crisis and co-optation are substantively and negatively correlated with the odds of business opposition but statistically insignificant for the regressions on business support.

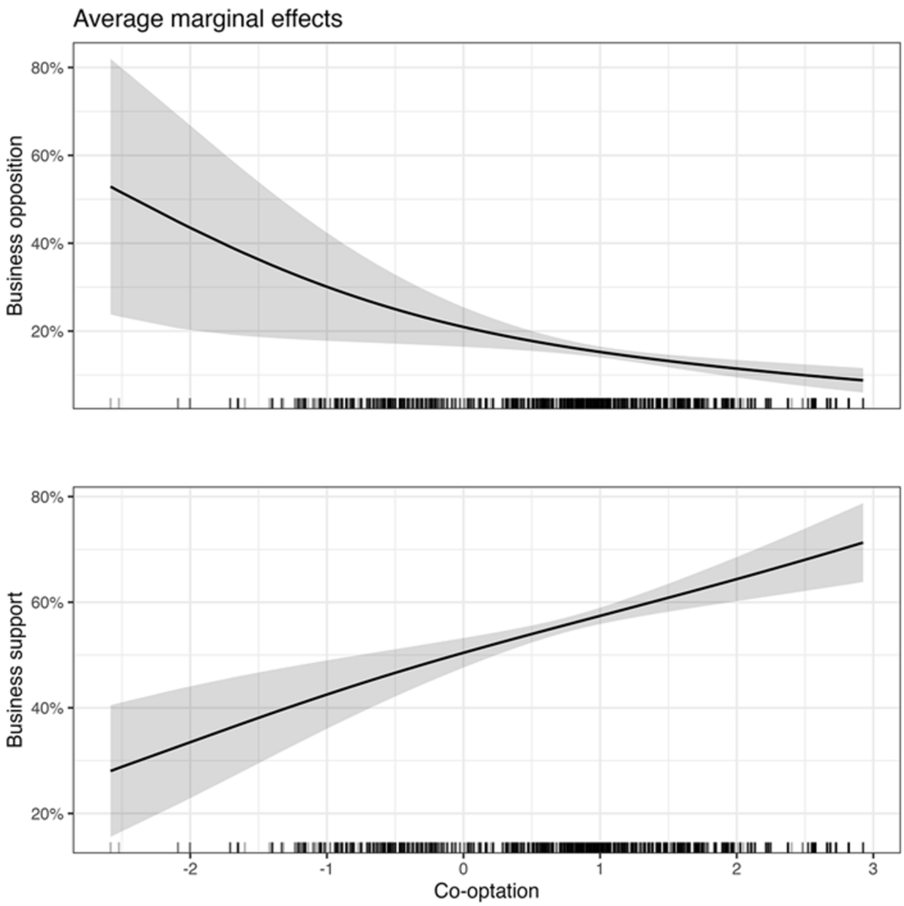

Figure 3. The Average Marginal Effect of Co-optation on Business Support and Opposition
Notes: Co-optation is operationalized with executive corrupt exchanges.

As an alternative estimation strategy, I apply GLMM (see Table C6 and Table C7). The results remain the same with the co-optation measure: it significantly decreases business opposition, and boosts support. The estimate of the debt crisis is insignificant for business opposition, but largely significant and positive for business support. In addition, I also use the interval measures of business support and opposition for linear FE regressions (see Table C8 and Table C9). The effect of the debt crisis is insignificant in these regressions. Co-optation is positively, significantly and robustly correlated with business support, but it is largely insignificant for business opposition. Table C12 reports the main results without lagged dependent variables, and Tables C13 and C14 report the findings with an interaction of co-optation and debt crisis. The results remain largely the same. Table C15 demonstrates the results of the main regressions, including a proxy of institutional co-optation, and patrimonial co-optation remains significant both for business support and opposition.

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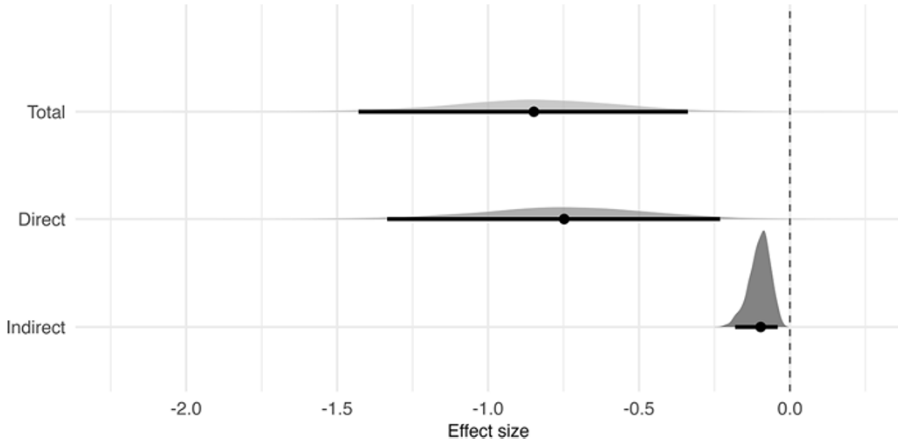

Figure 4. Posterior Distributions of Effect Size with 95% Credible Intervals, Bayesian Causal Mediation Analysis with Weakly Informative Priors

Mediation analysis

One potential mechanism for the lack of business opposition to autocrats is their tarnished reputation and a growing anti-business sentiment. The public often sees the co-opted business elite as corrupt (Sinanoglu 2023). Autocrats may exploit their lack of popularity by framing financial coercion as part of a broader anti-corruption campaign. Especially governments with effective propaganda machinery and extensive control over the media landscape would find it easier to blame their business allies for the country's economic hardships. Financial crackdowns on these figures would not just reap short-term windfalls for the regime, but also resonate with the public and boost the autocrat's popularity during an economic crisis.

To assess whether the effect of patrimonial co-optation on business opposition is mediated by state propaganda, I use an indicator from V-Dem that shows whether major print and broadcast media represent only the government's perspective. I estimated a Bayesian causal mediation model with one-period lags, and country- and year-level random intercepts, controlling for regime duration, state ownership of the economy, judicial constraints, the regime's support group size, and level of polarization. Figure 4 presents the posterior distributions of direct, indirect through government control over media, and total effects of co-optation with 95% credible intervals. The direct effect remains substantial even when accounting for the mediator. There is also a credible indirect effect via propaganda (median = −0.10), suggesting that co-optation partially tames the business actors through the government's control over the media (see also Figure C1).

Discussion

Recent studies shed light on why politically connected businesses face severe consequences, especially during economic crises, and get the thin end of the stick (Resimic 2021; Sinanoglu 2024). And yet, the business elite rarely defect. Given their structural and potentially disruptive power, this acquiescence is unexpected. This lack of opposition stems partly from the security autocratic institutions offer, which credibly constrain the ruler's predation and expand the time horizons (Blaydes 2011; Wright 2008). However, this institutional account does not capture the full picture.

I argue that patrimonial co-optation – informal ties between the business elite and political leaders – discourages defection by providing benefits in exchange for support, making defection disadvantageous due to the threat of repression with anti-business public sentiment and significant financial losses. In other words, even without institutional concessions and credible power-sharing arrangements, the dictator can effectively deter the business elite from defection using the informal exchange of material benefits as a tool of political control.

I formalize this strategic dynamic as a bargaining game and empirically test it using a country-year-level dataset of 76 countries between 1992 and 2019. The results demonstrate how patrimonial co-optation effectively maintains business elite support for autocratic regimes, even amid severe economic downturns. Even though economic crises may increase the risk of elite defection under autocracies (Reuter and Szakonyi 2019), that may not necessarily apply to the dictator's co-opted business allies. The effect of co-optation is also partly mediated by the state's extensive control over the media landscape and propaganda apparatus.

Why do these powerful business actors not invest in institutional constraints or collective action instead of securing personal privileges? The reason is that, in non-oil economies, rent opportunities are limited, forcing business groups to compete for a smaller pie. As the size of the winning coalition grows, it becomes more difficult to stage collective action, as seen in the conflicts among real estate developers over public tenders in Hong Kong (Wong 2015: 15). Some businesspeople fight for political and institutional guarantees against state predation so that they can compete with those closest to the dictator and his inner circle (Junisbai 2012: 902), but even then, the returns of holding office decline when faced with more competitors in power (Szakonyi 2020: 183). Therefore, businesspeople choose to develop personal connections with the autocrat under patrimonial economies, where the dictator has top-down and personal control over the distribution of resources.

What, then, is the optimal strategy for the business elite under authoritarian regimes? On the one hand, they develop crony networks for a reason. These connections may improve their market position against competitors in an imperfect market economy. They gain access to lucrative state contracts, avoid paying taxes and evade regulations – opportunities their competitors may grab if they do not. On the other hand, mounting evidence suggests that political connectedness also brings about serious political risks for businesses (Betz and Pond 2023; Li 2023; Resimic 2021). Is co-optation then worth the risk?

I think co-optation pays off – until it does not. Co-opted businesses lose their political edge when it matters the most: during economic crises. As a robust elite group, they could pressure the incumbent government to pursue certain economic reforms and policies, threaten exit in case of financial repression, and coordinate with opposition parties against the regime. However, that is not much the case for the co-opted business elite. If they criticize the regime's policies, the tax agency can knock on their doors the next day without much public backlash (Sinanoglu 2023). The more dependent they become on the state for financial gains and the more corrupt deals they get entangled with, the more leverage the dictator holds against them. The co-opted business elite lose their credible threat of exit. They lose their public credibility and the ability to coordinate with opposition forces.

Supplementary material. The supplementary material for this article can be found at https://doi.org/10.1017/gov.2025.10021.

Data availability. Replication materials will be made available at: https://github.com/semuhi/business-opposition.

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Notes

1 Throughout the text, I use he/him pronouns to refer to dictators, as historically, the overwhelming majority are men.
2 This dichotomous indicator is averaged over the number of coders. I use 0.5 as the cutoff point to identify cases of opposition. I use 0.75 as the threshold for a more conservative estimate.
3 Similarly, I use 0.5 as the cutoff point to identify cases of support and 0.75 as a more conservative measure for robustness checks.
4 In the original data, the higher this value, the less likely executive bribery. I reversed the order of levels to make it more intuitive.
5 One limitation of these measures is that it is one-sided in the sense that it demonstrates the autocrat's willingness to engage with bribery for the purposes of political control, however, does not necessarily reflect the business point of view. That said, in the cases under scrutiny, most of which are late-developing economies, access to public bids and other state resources constitutes a huge source of revenue for firms, so much so that it is impossible for the firms to grow without them. In other words, developing political connections is the business survival mode against both competitors and state predation.
6 All models include a lagged DV and fixed effects (FE) to alleviate endogeneity concerns. For business support, I run GLM FE models without penalized likelihood for the main results. Robustness checks are reported with penalized likelihood.
7 Note that there is no uncertainty estimate for the original scale of DVs in the V-Dem dataset, unlike other coded variables. This interval measure simply shows the share of coders who agree that a particular group is supportive or in opposition. These model specifications also include a lagged DV.

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