

Crises, Uncertainty, and Policy Choice: Theory and Evidence from Lebanon

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Abstract

This paper presents a simple framework to analyze the micro mechanisms by which crises change policymaking. I conceptualize crises as moments of uncertainty in which political actors cannot anticipate the distribution of power in a post-crisis regime. The core argument of the framework is that the policy choices of policymakers during uncertainty depend on the incentives imposed by a polity of how politicians rally political support in a post-crisis regime. I illustrate the implications of the framework by focusing on the case of Lebanon, a fractionalized polity in which politicians derive their power from provisioning clientelist services, rather than electoral incentives. By leveraging a novel dataset on legislative activity, I show that these incentives change the choice of policy instruments in that, in the wake of uncertainty, politicians shift attention to administrative and personalized policy measures, rather than regulatory measures that can address a crisis. The results contribute to explaining why crises can fail to induce policy change as well as ambiguous results in the literature on the political economy of reform.

JEL Classifications: H11, K0.

Keywords: Crises, change, uncertainty, political actors

ملخص

تقدم هذه الورقة إطاراً بسيطاً لتحليل الآليات الجزئية التي تغير بها الأزمات رسم السياسات. أعتبر الأزمات لحظات من عدم اليقين لا يمكن فيها للجهات الفاعلة السياسية أن تتوقع توزيع السلطة في نظام ما بعد الأزمة. الحجّة الأساسية للإطار هي أن خيارات السياسة لواقعي السياسات أثناء حالة عدم اليقين تعتمد على الحوافز التي يفرضها النظام السياسي لكيفية حشد السياسيين الدعم السياسي في نظام ما بعد الأزمة. وأوضح الآثار المترتبة على الإطار من خلال التركيز على حالة لبنان، وهو نظام سياسي منقسم يستمد فيه السياسيون سلطتهم من توفير خدمات العملاء، وليس من الحوافز الانتخابية. من خلال الاستفادة من مجموعة بيانات جديدة حول النشاط التشريعي، أظهر أن هذه الحوافز تغير اختيار أدوات السياسة من حيث أنه في أعقاب عدم اليقين، يحول السياسيون الانتباه إلى تدابير السياسة الإدارية والشخصية، بدلاً من التدابير التنظيمية التي يمكن أن تعالج الأزمة. وتسهم النتائج في تفسير السبب في أن الأزمات قد تفشل في إحداث تغيير في السياسات فضلاً عن نتائج غامضة في المؤلفات المتعلقة بالاقتصاد السياسي للإصلاح.

1. Introduction

Crises such as the great recession or the COVID-19 pandemic are often accompanied by a significant degree of uncertainty, both economically and politically. Political actors cannot determine with certainty what trajectory economic and political events will take and which impact these trajectories will have on their political survival and access to power. The extent to which such uncertainty can serve as a stimulus or obstacle to policymaking has received much attention in the literature. However, empirical contributions have paid little attention to differentiating the mechanisms by which uncertainty impacts policymaking, leaving the mechanisms by which crises change policy choices underdetermined (Pop-Eleches, 2008; Prato and Wolton, 2018). This has contributed to inconclusive empirical evidence (Mahmalat and Curran, 2018) and diverging interpretations of what aspects of crises are the primary drivers of policy change, such as economic uncertainty (Bonfiglioli, Crinò and Gancia, 2021) or political uncertainty (Campos, Hsiao and Nugent, 2010).

This paper presents a simple framework to understand how crises change policymaking. I narrowly define crises as *moments of uncertainty* in which actors cannot forecast their access to power in a future regime post-crisis. This definition follows an emerging strand of literature that characterizes crisis-induced uncertainty as an important driver of policy change. Ranciere and Tornell (2016), for example, argue in a theoretical contribution that the driver of reform during crises is the desire of groups to maintain or contest access power in a post-crisis political regime. Campos, Hsiao and Nugent (2010) show empirically that political crises, such as coups or large scale violence, are a more significant driver of reform than economic ones. Conceptually, this definition of uncertainty rests on an actor-centric, constructivist understanding as being qualitatively different from a situation of risk in which the probability distribution of possible outcomes is contested but known (Blyth, 2002, 2010). Actors, therefore, cannot determine with certainty their objective functions vis-à-vis their material interests, leaving them exposed to worry about the post-crisis distribution of power (Widmaier, Blyth and Seabrooke, 2007; Hay, 2016; Widmaier, 2016; Curran and Mahmalat, 2021). Following this definition, the concept of crises as triggers of uncertainty goes beyond the mere struggle of actors to stay in office. Rather, it addresses the extent to which actors fear a realignment in their access to economic and political resources.

Following this actor-centric understanding of policymaking, the theoretical framework outlined in this paper focuses on how actors elaborate and vote on legislation. The framework integrates two theoretical approaches. First, I leverage political transactions theory which explains how the functioning of political institutions impacts upon the capacity of political actors to engage in political transactions and thereby the quality of a given set of policies (Spiller and Tommasi, 2003). As the concept of political transactions applies to democratic regimes independent from the structure of a polity, it provides a useful concept for comparative analyses. Second, I use agenda setting theory to explain how governments share their attention across policy areas in response to the challenges an environment imposes (Jones and Baumgartner, 2005). In that way, agenda setting theory proves useful to explain how actors shift priorities in times of crises and uncertainty (Jennings *et al.*, 2011).

By integrating these two approaches, I argue that crisis-induced uncertainty can affect policy choices depending on political actor's incentives to rally support in a post-crisis regime. I illustrate this mechanism empirically by applying the framework to the case of Lebanon, a country in which clientelist dependencies structure much of political and social life (Leenders, 2012; Cammett, 2014; Salloukh *et al.*, 2015). In moments of uncertainty, actors shift attention to administrative, targeted policy measures that provide opportunities for clientelist services, rather than "reform" in the form of legislations that introduce regulatory change.

In that way, the structure of a polity shapes policy choices in the wake of crisis. In polities in which the power of politicians rests upon the provisioning of clientelist services, such as Lebanon and many other power-sharing arrangements, politicians face larger incentives to focus on providing clientelist services than on regulatory change. This contrasts to polities in which electoral incentives structure political life, in which politicians, confronted with the prospect to be voted out of office, have a higher propensity to enact reforms after crises (Abiad and Mody, 2005; Wiese, 2014; Agnello *et al.*, 2015b). These results contribute to explaining inconclusive empirical evidence on the relationship between crises and reforms (Mahmalat and Curran, 2018) and highlight that secondary legislation can explain important dynamics of policymaking during crises (Loftis, 2015).

The empirical analysis leverages a novel dataset on legislative activity in Lebanon. I observe more than 12,300 legislations of 16 governments between 1995 and 2021, which represent all legislations, both primary and secondary, published in Lebanon's Official Gazette in the time periods under investigation. By differentiating legislations according to the theoretical framework outlined in this paper, I deploy negative binomial regression analyses to compare the policy choices of governments in normal times to three governments I identify to have resigned during a crisis amid significant uncertainty.

This comprehensive data collection effort follows previous studies that aim at providing insight into policymaking processes that are otherwise scarce of data (McDonnell, 2017; Mahmalat, 2020). The country's polity is organized in a communal power sharing arrangement among sectarian groups. As the power of political elites rests upon the provision of clientelist services to their constituencies, electoral incentives fail to structure political life (Cammett, 2014; Salloukh *et al.*, 2015; Corstange, 2016). These characteristics make Lebanon a well-suited case to refine the mechanisms that connect crises and policymaking in fractionalized, clientelist polities.

The findings add to existing research in two important ways. First, we base our understanding of crises on a constructivist perspective that emphasizes the uncertainty about the post-crisis environment as the salient determinant of policymaking. That way, we depart from prevailing approaches in the rational expectations literature that define crises based on fixed thresholds of the deterioration of macroeconomic variables in cross-country panel datasets. Such thresholds fail to take into account the cultural and institutional differences across countries that determine

the point at which actors perceive a situation to be “bad enough” to collaborate on reform (Drazen and Easterly, 2001; Pop-Eleches, 2008; Scheemaekere, Oosterlinck and Szafarz, 2015; Mahmalat and Curran, 2018). Rather than investigating macroeconomic indicators, the analysis highlights that qualitative sources, such as extensive reviews of speeches, newspaper articles and opinion pieces, can help identifying discrete moments of time in which there was a significant uncertainty about the post-crisis environment in terms of the future distribution of political power.

Second, by using legislative texts as a dependent variable, rather than aggregate reform indices or the amount or quality of public goods, the paper shifts the center of analysis from the policy areas policymakers focus on to the instruments they use. Traditional reform indices mostly reflect relative changes in the regulatory environment of a given country and thereby risk conflating distinct causal connections that link collaboration and regulatory change (Babecký and Campos, 2011; Campos and Horváth, 2012). Similarly, analyzing the provisioning of public goods inherently restricts the analysis on a specific set of policy areas, such as education or health care. By investigating legislative activity in terms of the instruments used, the framework offers at a more nuanced understanding of crisis-induced policymaking.

The paper is organized as follows. Section 2 reviews the literature on the crisis hypothesis, while section 3 lays out our theoretical framework. Section 4 describes the data and methodology. Section 5 outlines the results. Section 6 discusses the results, while section 7 concludes.

2. Crises, Fractionalization, and Reform – Literature Review

The political economy literature has paid much attention to the relationship between crises and reform and came to regard the idea that crises induce reform as an “orthodoxy” of the discipline (Drazen, 2000, p. 444). However, the hypothesis has been repeatedly criticized for failing to adequately reflect the complexity of the mechanism that links crisis and reform (Corrales, 1998; Edwards and Steiner, 2000; Campos, Hsiao and Nugent, 2010; Prato and Wolton, 2018). Despite the significant traction the hypothesis created, the mechanisms that connect the two concepts remain underdetermined (Mahmalat and Curran, 2018).

Extant theoretical contributions link crises and reform by focusing on the interactions between interest groups, and how this interaction changes during crises based on material interests and distributional preferences. These models posit that actors first delay reform as part of a contest over the distribution of the cost of reform. As economic conditions deteriorate, weaker interest groups concede to bearing a disproportionate share of the cost of reform when they realize that the marginal benefits (in terms of political power or economic resources) of waiting have become lower than the marginal costs arising from continued economic distortion (Alesina and Drazen, 1991; Drazen and Grilli, 1993; Ranciere and Tornell, 2016). A large theoretical and empirical literature has sought to verify this hypothesis in various configurations (Bruno and Easterly, 1996; Abiad and Mody, 2005; Galasso, 2014; Agnello *et al.*, 2015a).

Such models provide valuable insights into explaining interest group dynamics in periods of rapid macroeconomic deterioration. However, they introduce a number of ambiguities for empirical research seeking to explain the micro-mechanisms of policymaking during crisis episodes. The amelioration of economic conditions after crises cannot be interpreted merely as the result of concessions of weaker interest groups, as this assumes that the solution to a particular crisis is contested but known. Moreover, empirical models based on quantitative cross-country panel regressions have proven elusive to operationalize and interpret. In particular, the use of thresholds derived from a deterioration of macroeconomic variables in order to indicate the occurrence of crises is difficult to reconcile with the view that crises are subjective in nature and that the perception of what constitutes a crisis varies significantly across countries (Corrales, 1998; Edwards and Steiner, 2000; Pop-Eleches, 2008; Reinhart and Rogoff, 2010; Mahmalat and Curran, 2018). These empirical models, reliant on analyses of comparative statistics, require that a similar ‘sense of urgency’ exists across countries in response to a well-defined deterioration of macroeconomic variables. As crisis experiences differ significantly across countries, comparative statistics tell us little about the underlying mechanisms through which crises induce policy change (Scheemaekere, Oosterlinck and Szafarz, 2015).

More recent scholarship emanating from actor-centric institutionalism reexamines the mechanisms by which crises can induce reform. These contributions start from the recognition of a central feature of crises, namely that crises are accompanied by deep uncertainty as to what the material position of actors should be (Harberger, 1993; Blyth, 2007). Crisis situations are qualitatively different from situations of risk in more ‘normal’ times, in which actors know the probability distribution of possible outcomes (Blyth, 2002). As Nelson and Katzenstein (2014) put it: “In the world of risk, the assumption that agents follow consistent, rational, instrumental decision rules is plausible. But that assumption becomes untenable when parameters are too unstable to quantify the prospects for events that may or may not happen in the future.” (p.362)

Chwioroth (2010), Mandelkern and Shalev (2010), as well as Nelson and Katzenstein (2014), for example, examine the way in which political crises, often initially induced by economic crises triggering a change in voter behavior (Funke, Schularick and Trebesch, 2016), induce a high degree of uncertainty into the material positions of actors vis-à-vis each other. This uncertainty must be resolved with a new set of ideas before actors can collaborate on reform. The findings of Campos, Hsiao and Nugent (2010) can be interpreted as support of this approach. They find that political crises, i.e., situations in which political actors face uncertainty about their access to office and therefore the distribution of political power, constitute a more significant explanatory variable for the occurrence of reform than economic ones.

The uncertainty of actors about the possible post-crisis environment offers an important entry point to understand their choice of policy responses. As we suggest in this paper, uncertainty about the post-crisis environment does not necessarily reduce the resistance to reform. Under

certain circumstances, specifically in clientelist, fractionalized settings such as in many power-sharing-arrangements, crises can make reform even less likely.

Theoretical approaches highlight the role of political fractionalization in delaying reform over the difficulty to agree on compromise. These studies posit that a higher number of preferences and veto players make political reconciliation more challenging as they reduce the win-set of the status quo (Tsebelis, 2002; Tommasi, Scartascini and Stein, 2014). Accordingly, a set of studies has identified a higher degree of fractionalization to reduce the incidence of reform even in times of crises. Galasso (2014), for example, finds fractionalization to reduce liberalization and product market reforms in OECD countries. Banerjee and Munger (2004) show that more fractionalized governments are less likely to privatize. Veiga (2000) as well as Alesina, Ardagna and Trebbi (2006) show that more fractionalized governments delay reform to stabilize economies in the wake of economic crises.

A range of other authors, however, challenge this relationship. Pitlik and Wirth (2003), for example, “clearly reject” the hypothesis that more fractionalized governments have a lower propensity to enact liberalization reform (p.565). Similarly, Wiese (2014) finds no relationship between fractionalization and health care reform in OECD countries. Agnello *et al.* (2015b) find fractionalization to be insignificant for structural reform in a large set of countries.

The above-cited evidence differentiates little between the incentives that the structure of politics imposes on political actors in times of crisis. These incentives are important, however, as they reflect the ways in which actors derive their legitimacy and power. While in developed democracies electoral incentives determine political exchanges, such electoral incentives often fail to structure political life in developing, fractionalized countries with weak legislatures, such as in many power-sharing arrangements (Cammatt, 2014; Corstange, 2016). In these cases, the political power of actors rests on more informal mechanisms, often based on clientelist services to constituencies (Habyarimana *et al.*, 2007; Stokes *et al.*, 2013). Reflecting such incentive structures in the analysis of policymaking is the goal of the framework to be set out in the next section.

3. The Framework

In order for any reform to occur, political actors need to collaborate. I refer to political collaboration as the process of engaging into credible *intertemporal agreements* (Spiller and Tommasi, 2003; Stein *et al.*, 2006). The focus of this definition relies on the intertemporal nature of these agreements, as political concessions today (such as a vote for a project) are often exchanged for concessions tomorrow (such the allocation of resources).

In the absence of credible impartial enforcement mechanisms, these agreements need to be self-enforcing (Acemoglu, 2003) and become highly susceptible to the time-horizons of key political actors. In an environment of political instability, the time horizons of key political actors are shortened, undermining their credibility to keep promises for future actions (Pinea, 1994; Acemoglu, García-jimeno and Robinson, 2015; Mahmalat and Curran, 2020). Andersson

and Lindvall (2018), for example, provide a model showing how crises induce intertemporal commitment problems arising from the inability actors to commit to future policy choices.

Previous work has established that crises generally focus policymaking on certain issues by reducing the diversity of a governments’ agenda, that is, the dispersion of governmental attention to a variety of topics (Jones and Baumgartner, 2005; Jennings *et al.*, 2011). Following the attention driven model of policy choice, it is cognitive constraints that limit the attention of key political actors which, in turn, becomes the scarce resource for policymaking. Therefore, the variety of topics a government can pay attention to is limited when faced by urgent and demanding challenges (Jones, 1994, 2001; Cerna, 2013).

Legislative projects, however, differ significantly in the amount of attention they require. Different policy areas and types of legislative projects exhibit a different degree of *institutional friction*, which determines the transaction costs involved in elaborating and implementing a specific legislation (Chaqués-Bonafont, Palau and Baumgartner, 2015). This friction depends on the decision costs involved, which rise when its elaboration and approval requires the attention and consent of a larger number of actors. That way, friction can be understood as a product of two factors.

The first factor of friction are the voting requirements, which increase with the rank of a legislation in a country’s legal hierarchy. As table 1 indicates, higher ranked legislation, such as laws, have higher voting requirements than lower ranked texts, such as resolutions (Chaqués-Bonafont, Palau and Baumgartner, 2015, pp. 19–45). These types of legislation differ in their scope of application. Laws require parliamentary approval and can establish a generally applicable and impersonal rule. Decrees constitute administrative orders and decisions issued by either the Council of Ministers or the President. Decrees rather apply the law but can amend or introduce general rules within the framework of a specific legal context. Resolutions are decisions taken by ministers within existing legal frameworks and generally do not require the formal approval of the Parliament or the Council of Ministers.

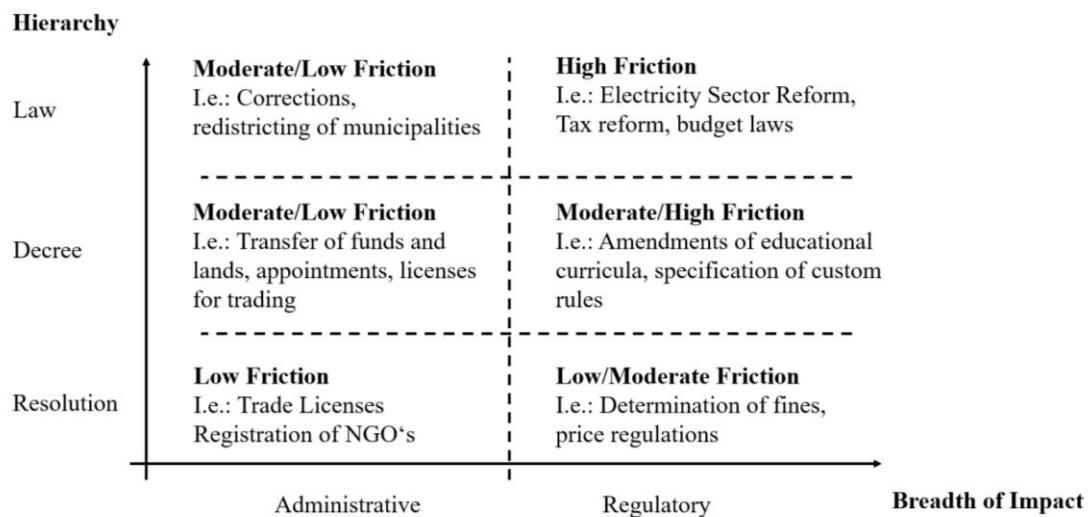
Simplified description of Lebanese legal code (Sources: Lebanese Constitution)

Rank	Type of Legislation	Description	Issuing Body	Institutional Friction
1	Law	A supreme, general and impersonal legal rule, following the Parliament’s deliberation and initiative. No law can be enacted if it has not been passed by the Parliament.	Parliament	High
2	Decree	Administrative orders taken by the President of the Republic, or the Council of Ministers according to the powers allocated by the Constitution and the Laws. No parliamentary approval necessary but more limited in scope by applying an existing legislative context.	Council of Ministers, President	Moderate
3	Resolution	Issuance of the Executive power, i.e., the Ministers or the administrative authorities, to which constitutional laws conferred regulatory power. Limited legal scope within the realm of existing legal frameworks.	Ministers	Low

The second factor is the breadth of impact of a legislative text (Mahmalat and Curran, 2020). Modeled after the French law code, legislations in Lebanon are either administrative or regulatory in nature. Administrative legislation applies a generally applicable impersonal rule to a specific person or institutional context, such as the establishment of organizations, granting of licenses and otherwise. Regulatory legislation, by contrast, establishes or amends an impersonal, generally applicable rule that is not addressed to a specific person or institution, such as tax increases, labor market reforms or financial regulation.

Figure 1 illustrates how institutional friction can vary according to the different types of legislation. The institutional friction to enact legislation increases with the number of political actors across parties and institutional resources that are involved in elaborating and approving a legislative text. Laws of regulatory nature exhibit the highest institutional friction as these require most attention by lawyers and related staff as well as a majority vote of members of parliament and thereby a broad consensus among political parties. Decrees, both administrative and regulatory, only need the Council of Ministers’ or President’s approval and therefore generally entail more moderate friction. Resolutions of administrative nature exhibit the lowest friction and are issued by ministers generally without formal voting procedures. That way, legislation that involves a high degree of consensus among political parties, such as regulatory laws, have a higher likelihood of being blocked by veto players. Resolutions, on the other hand, can be enacted even in the absence of consensus among parties or the blockage of governmental institutions, such as the parliament.

Figure 1. Relationship between legislative hierarchy and the breadth of impact of reform in Lebanon



Hypotheses

If crises were to induce reform, they should reduce the institutional friction of legislation in the upper right bracket of the framework, that is, regulatory legislation high in the legislative hierarchy, thus making them more likely to occur. Such legislation can take very different forms depending on the context of a crisis and can address, for example, simple changes in

taxation rules, rules for the distribution of public resources such as electricity or health care, or changes in the authorities of security forces amidst public protests. As such, not all regulatory legislation is necessarily complex in nature and can be drafted and enacted swiftly if political will permits.

Following the above discussion, however, crises could potentially have a very different effect. When a crisis hits, political actors need to reassess the likelihood that future promises are being kept and change their objective functions accordingly. Faced with uncertainty, this could make more complex bargains on regulatory change less likely, as actors forecast that intertemporal promises cannot be kept, and push policymakers to use measures of low hierarchy and administrative nature. In such a case, crisis-induced uncertainty should increase the attention of actors to low friction legislation in the bottom left bracket. Such legislations apply existing regulations to individuals or organizations and mostly include measures such as the issuance of licenses, or registrations of businesses or NGO's, which can be important instruments for extending clientelist services.

4. Data And Methodology

I test the above hypotheses with a dataset on legislative activity in Lebanon. The data set includes all primary and secondary legislation for all 16 governments between 1995 and 2021. I record each text as one observation that contains information about the type of legislation, the date of signature of the President of the republic, the Prime Minister, or the relevant minister, the government under which it has been signed, as well as the title. The data is retrieved from the online archive of the *Lebanese Official Gazette*.²

I use this data to compare the issuance of legislation during times of crisis with what governments issue in normal times, as measured by the long-run average of legislative activity. Methodologically, I exploit the phenomenon that during all the times of uncertainty I identify, the incumbent governments resigned. I therefore process the data by way of creating two subsamples. The first sample contains legislation surrounding the weeks of the resignation of all 16 governments and includes the 60 days prior to the resignation of a government as well as the 14 days thereafter. I chose these periods as the average of legislative activity in the month before resignations approaches the long-run average (see below). The period of 74 days surrounding a resignation therefore captures any eventual anomalies of legislative activity that surrounds a resignation.

The second sample contains a random sample of one month of legislative activity for 15 out of the 16 governments in the sample³. The months are chosen for being at least two months into the cabinet's formation and four months prior to its resignation in order to capture a

² The archive can be accessed under <https://jo.pcm.gov.lb/>. The data was retrieved between August and November 2021.

³ The remaining government under Najib Mikati in 2005 has been an interim government with a mandate too brief to allow for random sampling.

government’s normal mode of activity. This second sample of random collection serves as a baseline for the average legislative activity of governments in “normal” times.

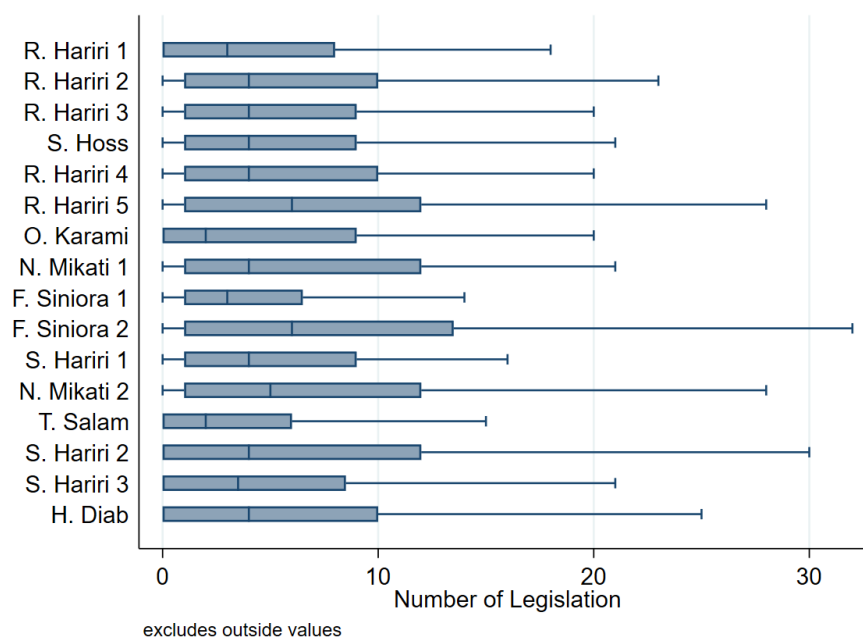
Table 1 provides summary statistics. In total, I record 12,382 legislative texts dataset in both data samples. I aggregate the observations to count the number of legislative texts signed per day and thereby organize the dataset on the level of days, yielding 450 days (or observations) for the random sample and 1,100 days in the resignation sample. With a slightly higher mean of 8.29 to 7.26, resigning governments exhibit a slightly higher legislative activity. A higher standard deviation provides a first hint at changes in policymaking vis-à-vis normal times.

Table 1. Summary statistics for legislative activity of resigning governments vis-à-vis a random sample

	Mean	Median	Standard Deviation	Minimum	Maximum	N (days)	Total Legislations
Random selection	7.26	4	10.32	0	95	450	3,265
Before/after resignations	8.29	4	15.9	0	275	1,100	9,117
Total	7.99	4	14.51	0	275	1,550	12,382

Figure 2 describes our data set further and provides an overview of the distribution of legislative activity per day and government. The figure shows that most governments have both a mean of legislative activity between 6 and 9 legislations per day. Only the second governments under Fouad Siniora and Najib Mikati show a mean legislative activity of more than 10 legislations per day while their median of 6 and 5 is similar to that of other governments. The maximum number of legislations per day is 275 reached by the government under Tammam Salam, which also exhibits the largest standard deviation of 30.1.

Figure 2. Average legislative activity per government and day, both samples

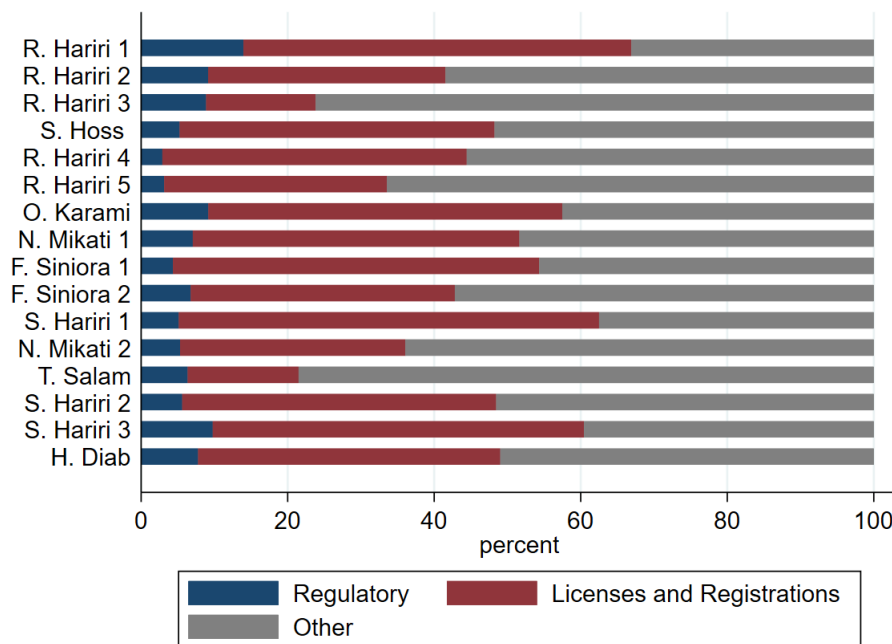


To test the hypotheses outlined above, I apply the framework by manually reviewing each text to code whether a text is regulatory or administrative in nature. Figure 3 displays the distribution of regulatory and administrative texts among governments. Recall that a regulatory text amends or introduces a generally applicable rule, while administrative texts apply such a rule specifically to an individual, an organization or other entity. For regulatory texts, I review all texts 14 days prior and after the resignation of each government, yielding 382 days in which a total of 252 regulatory legislations were signed.

For administrative texts, I provide a further differentiation in order to identify legislation in the lower left bracket of figure 1. Based on extensive reviews of administrative legislation, I focus on two highly frequent categories of administrative legislation, namely the approvals of licenses (such as for import or export of goods) and registrations (such as of new companies or associations).

Licenses grant the authority to private individuals or organizations to import and trade goods in domestic markets for a specified period. These licenses are legislated in the form of resolutions or decrees, depending on their purpose,⁴ that apply to specific individuals or organizations. Registrations of companies or associations have an own type of legislative texts where, similar to a resolution, the publication depends on the support of a minister. Both types of legislations are low in friction as they involve a procedure in which the respective minister exerts a high degree of discretion. In total, the dataset contains 4,566 licenses and registrations, making up roughly 37% of all legislative activity.

Figure 3. Distribution of regulatory versus administrative legislation by government (sample restricted to the period including regulatory legislation)



⁴ For example, licensing businesses to import of agricultural fertilizers or to establish a publishing house is issued through a ministerial decision, while licensing businesses to import weapons or to establish a school is issued through a decree.

Licenses and registrations historically constitute important mechanisms for Lebanese politicians to maintain connections to the private sector (Traboulsi, 2007). Import licenses are particularly valuable, as imports in many sectors are monopolized to this day.⁵ The company *Khalil Fattal & Sons* is a particularly illustrative example of how licenses can be instrumentalized as a clientelist tool. Established in 1955, the company is a renowned benefactor to the Ministry of Defense with nearly 20 instances of in-kind donations to the army since 2010.⁶ In parallel, the company was periodically granted licenses to import weapons on behalf of the army and other security forces as well as hunting ammunition for retail. One notable license has been granted on November 1, 2019, alongside 67 others, just two days after the largest mass-protests in Lebanon's contemporary history forced the government of Saad Hariri to step down in an unprecedented move to maintain social stability.

Identification of Crises

Next, I turn to the identification of those moments, in which crises induced a significant degree of uncertainty. To identify such moments of uncertainty, I leverage keyword searches of contemporary sources, notably three of the most frequented newspapers⁷ and speeches of key politicians. Such a qualitative methodology yields much needed insights into whether politicians were truly uncertain about the outcome of a given crisis or whether they were evaluating the risks of different options to resolve a crisis (see section 2).

Based on this analysis, I identify three crisis episodes, notably the 2005 “Cedar Revolution”, the 2019 “17th October uprisings”, as well as the 2020 explosion in Beirut's port. The annex to this paper briefly introduces these instances and describes why these situations induced a significant degree of uncertainty about the post-crisis environment at the times the governments resigned.

While triggered by different kind of events, each of these periods induced political uncertainty that necessitated political actors to reorganize and align the distribution of *de facto* political power. In all of these instances, this realignment could only happen *after* the resignation of the incumbent government, leaving the immediate period before and after a resignation with uncertainty as to the post-crisis environment. In none of these instances could the governments foresee how political events after a resignation could unfold, nor could politicians foresee the date of the resignation of a government in advance. Note also that the nature of the events leading to a crisis, i.e., whether related to economic pressures or security, does not matter for the empirical analysis in this setup. While the events leading to a crisis certainly pushed governments to focus on different policy areas, the choice of the policy instruments to use to

⁵ See, for example, a statement of the associations of consumers in Lebanon complaining about the monopolization of about 85% of Lebanese imports. Available at: <https://www.dailystar.com.lb/News/Lebanon-News/2020/May-11/505686-import-monopolies-must-be-broken-up-watchdog.ashx>

⁶ See, for example, Akiki, V. (2020) “مستوردين يحتكرون أكثر من نصف السوق: الدّواء في لبنان أكثر مرارة من الدّاء 5”. Legal Agenda, October

⁷ These newspapers were the daily newspapers of the Daily Star, L'Orient le Jour, and Al Akhbar.

attend to a crisis, that is, whether to attend with low or high friction legislation, remains at the discretion of politicians, independent of the policy area to which they apply.

Lebanon experienced other moments of crisis in recent decades, such as the 2006 military conflict with Israel or the 2008-armed conflict between Hezbollah and other factions in Beirut and its suburbs. During these events, however, the reviews revealed that politicians have not voiced a significant degree of uncertainty about the post-crisis environment. In 2006, for example, speeches and commentary reveal that the legitimacy of the government under Fouad Siniora at the time was never severely threatened while the conflict even helped to unify political actors. In 2008, the crisis was resolved within a negotiated settlement (the “Doha Agreement”) that did not require the incumbent government to resign.

5. Quantitative Analysis

I start the analysis by comparing the legislative activity of governments resigning amid uncertainty with governments resigning in normal times. Table 2 displays summary statistics of legislative activity among resigning governments according to their output. I code a government to be in crisis based on the start of the event that triggered the crisis, or latest one week before the resignation, and similarly code the first week after a government’s resignation. The table shows that outgoing governments generally issue a higher number of licenses and registrations (3.03) than the average of governments (2.66) per day. Governments resigning during crises, however, issue an even larger number of licenses and registrations (3.55) which exhibit a higher standard deviation. As for regulatory legislation, no such significant difference appears in the legislative activity between governments resigning in normal vis-à-vis in crisis times.

Table 2. Descriptive statistics

	Mean	Median	Standard Deviation	Min	Max	N	Total Legislations
Licenses and Registrations							
Normal Resignation	3.03	1	6.05	0	85	1,023	3,097
Resignation in Crisis	3.55	1	9.51	0	65	77	273
Random Sample	2.66	1	3.73	0	37	450	1,196
Total	2.94	1	5.71	0	85	1,550	4,566
Regulatory Legislation							
Normal Resignation	0.67	0	1.95	0	21	303	202
Resignation in Crisis	0.65	0	1.14	0	5	77	50
Total	0.66	0	1.81	0	21	380	252

To illustrate the temporal distribution of legislation, I average the number of licenses and registrations in these groups and plot them over time. Figure 4 shows that governments in crisis enact a large number of registrations just on the day of or subsequent to their respective day of

resignation. The deviation from the long-run mean exceeds the standard deviation of the long-run average by a factor greater than 3.

Figure 4. Number of licenses and registrations over time for governments in crisis and in normal times ($t = 0$ denoting the day of resignation)

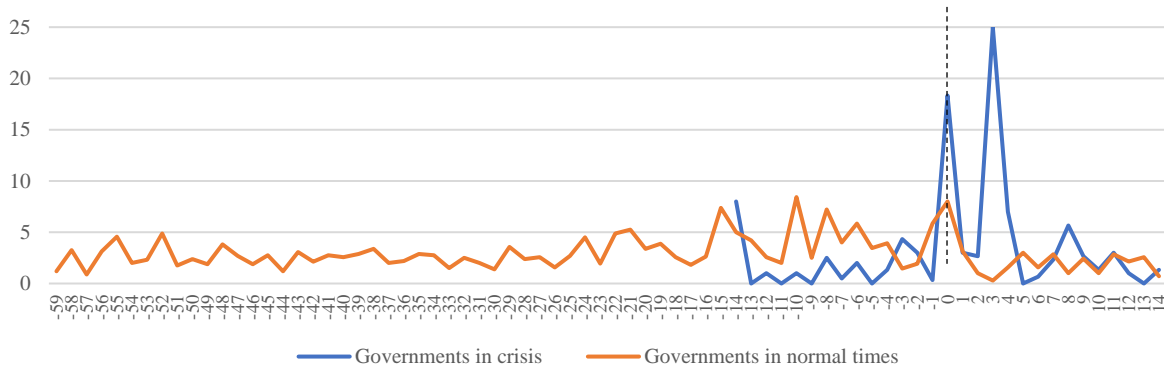
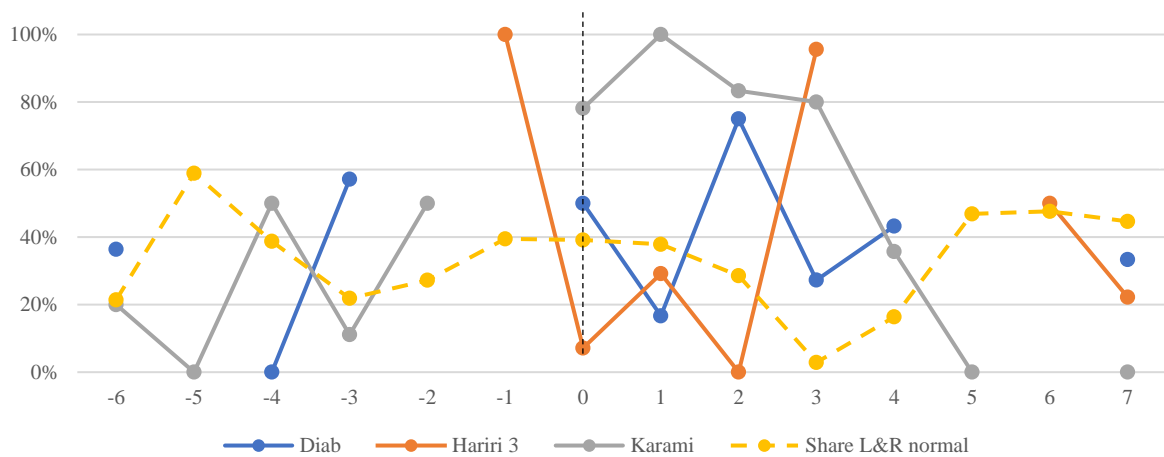


Figure 5 disaggregates the attention attributed to licenses and registrations by government. The figure shows that governments in crisis not only issue more licenses and registrations around the day of resignation but that this spike largely comes at the expense of other issues. The third government of Saad Hariri in 2019, for example, devoted 100% of its attention to licensing just before the day of resignation, similar to the second government of Omar Karami in 2005.

Figure 5. Attention to licenses and registrations for each crisis government ($t = 0$ for resignation day)



As several factors could influence these patterns, I turn to a simple regression model to account for other influencing variables. I run a negative binomial regression estimation, rather than a Poisson model, as the variance of the dependent variable is greater than the mean and therefore shows overdispersion. The regressions follow a simple model

$$\ln(Y_{it}) = \alpha + \gamma C_{ijt} + \lambda GOV_i + \ln(t_i)$$

where Y_{it} is a count variable and depicts the number of licenses and registrations for government i and day t . C_{ijt} is a dummy variable for the group j under investigation, namely the governments that resign with and without crisis. GOV_i represents government fixed effects that capture any influence attributable to the period or the government in power. I use the White-Huber sandwich estimator to calculate robust standard errors in order to account for model misspecifications.

Table 3 displays regression results, showing that governments in crisis issue significantly more licenses and registrations than other governments. Model 1 accounts for the effects attributable to a government resigning in crisis, displaying a significant positive association of crises with the number of licenses and registrations. Model 2 shows the same for governments resigning in normal times which does not have a positive effect. Combining the two dummy variables in model 3 does not change the results.

As a robustness check, I investigate whether the effect of issuing more licenses during crises is attributable to a phenomenon that outgoing governments would generally rush to issue decisions before leaving office, assuming that the resignation could have been anticipated. To control for such effects, I include a dummy variable for the 7 days prior to a government's resignation for all 16 governments. Model 4 shows that the immediate period before a government's resignation is indeed associated with more licenses and registrations. Model 5 combines the two variables, showing that it leaves the effect on the crisis dummy largely unchanged. In terms of effect size, governments issue on average 2.4 licenses and registrations per day during crises more than a government in normal times, corresponding to an 89% increase vis-à-vis the long-term mean.

Table 3. Regression results

	model 1	model 2	model 3	model 4	model 5
Crisis	0.88** (2.21)		0.88** (2.21)		0.70* (1.76)
Normal Times		-0.19 (-1.12)	-0.19 (-1.12)		
Before Resignation				0.53*** (2.75)	0.42** (2.31)
constant	0.96*** (4.69)	0.96*** (4.69)	0.96*** (4.69)	0.85*** (4.94)	0.87*** (4.98)
Government FE	YES	YES	YES	YES	YES
N	1,550	1,550	1,550	1,550	1,550

Notes: Dependent variable is the total number of licenses and registrations during a given day; table shows beta coefficients and t-statistics in parentheses; significance levels: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$; all models use robust standard errors.

The above results suggest that governments in crisis shift their attention to low friction legislation. These results, however, do not rule out the possibility that governments mobilize more resources and simultaneously work on high-friction legislation to address the crisis. We therefore leverage the number of regulatory legislations as another dependent variable and run the same specifications.

Table 4 shows regression results. Governments in crisis do not issue more regulatory legislation. It is mostly outgoing governments that issue a higher amount of regulatory legislation, while the coefficient for crisis governments even turns negative once we control for outgoing legislations in model 10. While outgoing governments are generally not impaired by their ability to issue regulatory legislation but seem in fact more active before resigning than otherwise, governments steer away attention from regulatory, higher-profile issues during crises.

Table 4. Regression results

	model 6	model 7	model 8	model 9	model 10
Crisis	0.05 (0.13)		0.05 (0.13)		-0.25 (-0.58)
Normal		0.35 (1.01)	0.35 (1.01)		
Before Resignation				0.60** (2.17)	0.64*** (2.18)
constant	0.24 (0.31)	0.24 (0.31)	0.24 (0.31)	-0.29 (-0.40)	-0.33 (-0.44)
Government FE	YES	YES	YES	YES	YES
N	380	380	380	380	380

Notes: Dependent variable is the total number of regulatory legislations during a given day; table shows beta coefficients and t-statistics in parentheses; significance levels: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$; all models use robust standard errors.

6. Discussion

These results help to understand the incentives that shape policymaking during times of uncertainty. The results suggest that governments in Lebanon, faced with uncertainty about the allocation of political power in a post-crisis regime, prioritize legislation of low friction at the expense of legislation that could introduce regulatory change. The dominant mechanism for this effect appears to be the effort of elites to rally support for a new regime post-crisis. Confronted with the prospect of losing access to power, Lebanon's politicians distribute often very valuable licenses and registrations over and above what other governments do in normal times.

This mechanism is in line with previous research which has identified similar effects in other domains, notably the public administration, in which political actors leverage connections to the private sector as well as political elites to entrench their position of power and improve bargaining positions (Leenders, 2012; Salloukh, 2019; Parreira, 2020; Mahmalat and Zoughaib, 2021). Note that this explanation does not preclude crises to facilitate regulatory legislation after more time has passed. Rather, the results highlight that political actors face a set of incentives that are formed by the structure of a polity. When elites derive power from clientelist services, rather than vote shares, crises make actors shift their attention away from regulatory changes addressing a crisis. The timing of reform after crises, then, turns into a function of when actors can reconsolidate power in that actors can engage in credible

intertemporal political exchanges (Scartascini, Stein and Tommasi, 2014; Andersson and Lindvall, 2018).

An important implication of this framework is that uncertainty not only affects the focus of the issues governments pay attention to during crises (Jennings *et al.*, 2011). Uncertainty appears to simultaneously affect the choice of policy instruments itself (Chaqués-Bonafont, Palau and Baumgartner, 2015). As the analysis illustrates, instead of choosing to focus on regulatory legislation that governments can use to address a crisis, they chose to attend to legislation that exhibit little friction and therefore are subject to limited public oversight.

7. Conclusion

This paper has presented and tested a simple framework to interpret policymaking during periods of crisis-induced uncertainty. The core argument of the framework is that the policy choices of policymakers during uncertainty do not only depend on the type of event that triggers a crisis, but also on the incentives imposed by a polity of how politicians rally political support. As I illustrate for the case of Lebanon, in societies in which politicians derive their power from provisioning clientelist services, rather than electoral incentives, these incentives lead politicians to prioritize personalized policy measures of low friction rather than regulatory measures that can address a crisis.

The results bear important policy implications. Crises situations, as detrimental as they are, tend to be considered an important opportunity to realign the interests of political actors and instigate reform that would not otherwise be possible.⁸ The results of this paper, however, suggest that crises can even reduce legislative activity when politicians do not depend on successful crisis resolution for their access to power. Technical assistance programs, for example, can reflect such incentive structures and thereby the probability that reform proposals are implemented depending on their degree of institutional friction.

⁸ This notion can be exemplified by a quote of Hillary Clinton that she made in reference to the 2008 financial crisis during a speech in the European Parliament 2009: “Never let a good crisis go to waste.”

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Annex

This annex provides short justifications for the identification of crisis episodes. The identification is based on extensive reviews of newspaper articles and speeches, identified by systematic keyword searches of search engines. These keywords included words such as “crisis”, “uncertain”, “resignation” and similar in three languages, Arabic, English and French.

Crisis 1: 2005 – “Cedar Revolution”

Following military involvement during the Lebanese civil war (1975-1989), Syria maintained a military presence with direct political influence in Lebanon until 2005. On February 14 2005, ex-prime minister and critic of the Syrian presence Rafiq Hariri was assassinated by a car bomb in Beirut, an attack for which large parts of the international community and the Lebanese population held the Syrian government responsible. The events that followed unfolded wave of mass-protests that forced the pro-Syrian government of Omar Karami to resign two weeks later, on February 28. The events induced uncertainty in that another civil war was present in public discourse.⁹ Intentions for a reestablishment of a government under Karami faded quickly as domestic and international pressures against Syrian hegemony increased. Eventually, political developments led to the so-called *Cedar Revolution* which resulted in the withdrawal of Syrian troops from Lebanon by April 2005 and a readjustment in the underlying configuration of political power among major political factions (El-Husseini, 2012).¹⁰

Crisis 2: 2019 – The “October Revolution”

The period over the summer 2019 was marked by an economic recession and large budget deficits that threatened macroeconomic stability. Country-wide mass-protests erupted after the proposal of a further tax increase to consolidate state finances on October 17th, the largest in Lebanon’s history. The protests developed a dynamic that forced the government of Saad Hariri to step down on October 29th in a move to contain increasing levels of unrest and social tensions. Given the unprecedented magnitude of the protests and the uncoordinated manner in which the government was forced to resign, it was unclear at the time how and under which leadership a new government could be formed. Karam and Tannoury-Karam (2019) reflect a ubiquitous sentiment among citizens and political actors at the time by noting that “this revolutionary moment that erupted on 17 October 2019 truly marks the beginning of a new chapter in the modern history of Lebanon. [...] Whatever happens, there is no turning back to what was before Thursday, 17 October 2019.”

Crisis 3: 2020 – Beirut Port Explosion

On August 4, 2020, Beirut was shattered by one of the largest non-nuclear explosions in recent history. The explosion took the lives of more than 200 people, wounded many thousands,

⁹ This is exemplified by a quote of Hassan Nasrallah who is quoted on February 21 that the popular uprisings risk to draw Lebanon into a civil war.

https://www.lorientlejour.com/article/495112/Le_Hezbollah_met_en_garde_contre_le_risque_de_guerre_civile_Nasrallah_appelle_les_Libanais_au_dialogue_pour_resoudre_la_crise.html

¹⁰ Second semi-annual report of the Secretary-General to the Security Council on the implementation of resolution 1559, available at: <https://undocs.org/S/2005/673>, [accessed 7/12/2018]

temporarily displaced more than 300,000 people, and severely damaged or destroyed large parts of the city (World Bank, 2020). While the exact cause of the explosion is still subject to debate, the detonation was fueled by 2,750 tons of ammonium nitrate that were stored haphazardly for many years in Beirut's port. The fact that such large quantities of explosives could remain unsecured in the immediate vicinity of a major urban area illustrated for many citizens the extent of dysfunction prevalent in Lebanon's system governance. Widespread international and popular pressure quickly accumulated to become a political crisis during which the government under Hassan Diab, eventually instated after the mass-protests in 2019 in an effort to appease protesters, resigned on August 11. Mutual allegations between political factions about the origin and uses of the explosives sparked tensions among parties and communities whose consequences were difficult to predict in the immediate aftermath of the explosion.¹¹

¹¹ See, for example, DW (2020) "Emmanuel Macron visits Beirut: Can there be a 'French solution' for Lebanon?", <https://www.dw.com/en/emmanuel-macron-visits-beirut-can-there-be-a-french-solution-for-lebanon/a-54491898>