Coups, Corporations, and Classified Information

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Abstract

We estimate the impact of political coups and top-secret coup planning on asset prices. We use declassified CIA documents and daily stock price data to estimate the effect of private events on asset prices of partially nationalized US companies that stood to benefit from US backed coups. We find that stock markets react to actions classified as top-secret. Private events which raise the likelihood of a coup affect a continued rise in returns on affected assets. After incorporating the impact of private information events occurring before the coup, stock price reactions to coups are substantial.

1 Introduction

Many developing countries experience high degrees of political instability, with coups and revolutions the prevaling mechanism for political succession. There is a long intellectual tradition explaining these political transitions in terms of economic incentives (e.g. Acemoglu and Robinson 2006, Moore 1966). Among the recent incarnations of this literature, however, coups and

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revolutions are seen as stemming from primarily domestic economic antagonisms, when many recent non-democratic regime changes feature foreign intervention as a prominent proximate cause. This was particularly true during the Cold War, when the United States and the Soviet Union assisted in coups that brought non-democratic governments to power. Still, economic incentives could provide an explanation for some of these coups. Acemoglu and Robinson argue that coups are chosen by domestic elites in order to prevent redistribution. With international investments, the threat of nationalization could, in like fashion, induce foreign investors to engineer anti-democratic regime change. How much would they gain by doing so?

This paper attempts to quantify the impact of US-backed military coups on corporate beneficiaries. In particular, we look at how publicly-traded multinational companies which had property nationalized by foreign governments react to U.S. backed coup attempts. The direct effect of coups on stock market prices are surprisingly modest. We also look, however, at stock market reactions to pre-coup top-secret events which potentially raised the likelihood of a coup. In particular we focus on presidential (prime ministerial) or CIA (MI6) coup authorizations as well as authorizations of large sums of money to overthrow a foreign government. Documents declassified under the Freedom of Information Act provide chronologies of coup authorizations and planning that we use to generate private events. We then test to see if the stock price of companies nationalized by the regime to be overthrown increases after coup authorizations occur.

Our paper documents credible magnitudes on the economic gains to foreign companies from coups. We compute the total return from the coup as the return to the coup itself plus the return to secret pre-coup authorizations. Adding these together, we find substantial gains to a small set of large multinational firms.

In addition, we provide evidence of insider trading based on foreknowledge of the coups, despite U.S. government attempts to keep the information secret. While we are unable to determine whether the trading is being done by government officials, company insiders, or informed third-parties, our paper documents the arbitrage opportunities created by covertly supported political regime changes.

Recent work by Olken and Jones (2007) finds that successful assassinations of political leaders in autocratic countries increase the probability of democratic transition whereas similar assassinations in democratic countries do not have a statistically discernable impact on the medium term political

future of a country. However, the succesful coups in Chile, Guatemala and Iran all increased the degree of autocracy dramatically and for a protracted period of time, suggesting that foreign-lead military coups may be somewhat different from domestically engineered coups.

A recent literature in political economy has used the finance event study methodology (Andersen *et al.*., Campbell *et al.*) to trace the impact of political connections on profits (Faccio, 2006; Fisman, 2001; Fisman, 2006). We show that large, politically connected firms in the United States benefitted in from actions taken by the US government in foreign countries. Our paper also adds to the literature on asset prices and political change (Knight, 2006; Jayachandran, 2006; and Snowberg *et al., 2007*). In particular, however, our paper is the first that we are aware of to use formal event study methodology techniques to look at the impact of political change from democracy to non-democracy as opposed to from political party to political party.

Since the transition from democracy to non-democracy was always accomplished using violence, our paper also contributes to a burgeoning literature on asset prices and political conflict (Abadie and Gardeazabal, 2005; DellaVigna and La Ferrara, 2007; Guidolin and La Ferrara, 2005). Whereas Guidolin and La Ferrara (2005) show that companies can profit from war, we show that companies can also profit from autocracy.

Lastly, our paper makes a contribution to finance. Private information theories of financial markets (Allen *et al.,* 2006) suggest that information which is not commonly known will diffuse through financial markets slowly. Public information is known to diffuse in a matter of seconds or at most minutes (Andersen *et al.*). Since private information is usually private and thus not observable to researchers, empirical papers on the impacts of private information on financial markets have always had very indirect methods of looking at the impact of private information on asset price behavior. We have a relatively rare data set which shows information which was at the time private but is now public record. Therefore, we have a direct measure of private information. There are a few papers in the literature which similarly have data which used to be private and is now public (Meulbroek, 1992). However, we show in the data that in, in fact, stock returns do react slowly over a period of more than a week.

Section II of this paper discusses the history of U.S. covert interventions, with backgrounds on each of the coups in our sample. Section III discusses the methodologies used in the paper. Section IV describes the data. Section V presents our main results. In section VI, we interpret our results, com-

puting the rate of return to assets held by multinationals from the coups we consider and trying to test hypotheses about the coup motivations of the U.S. government. We conclude in section VII.

2 Background and History

Covert operations became a major part of U.S. foreign policy during the Cold War. The Central Intelligence Agency was brought into existence in 1947 under the National Security Act of July 26, which also created an oversight body from members of the executive branch, the National Security Council. The act allowed for "functions and duties related to intelligence affecting the national security", in addition to intelligence gathering (Weiner pg 25).

The Truman government initially seemed split on the role of the CIA in foreign policy. While some wanted a purely "eyes and ears" operation, dedicated to gathering intelligence and information relevant to U.S. foreign policy, others wanted an organization capable of organizing guerrilla warfare, to fight the Soviet Union. The appointment of Frank Wisner as Director of Covert Operations signalled the victory of the latter camp. On December 14, 1947, the National Security Council ordered the CIA to engage in "covert psychological operations designed to counter Soviet and Soviet-inspired activities" (Weiner pg 26). The first target was to thwart the Italian Communist Party in the 1948 elections. The initial funding for the CIA came from an informal 5% levy on the Marshall plan-stipulated matching funds provided by national governments.

After Eisenhower's election, Allen Dulles, who was both pro-covert action and anti-communist, was appointed director of the agency. The bulk of CIA covert operations, and 75% of our sample of regime changes, occured during Eisenhower's 8 years in power with Dulles' reign as CIA director. Allen Dulles' agenda was shared and supported by his brother, John Foster Dulles, who was the contemporaneous Secretary of State. The Dulles brothers together wielded substantial influence over American foreign policy from 1952 to 1960.

For each coup in our sample, we provide a synopsis, focusing on the nature of the pre-coup regime, the motivations behind the expropriations, the American response, and the resolution of the coup.

2.1 Iran 1953

"Anglo-Iranian Rises on News of Mossadegh's Fall" - August 20, 1953 New York Times Headline.

Muhammed Mossadegh's 1951 campaign for prime minister had but one promise, to end British imperialism, understood as the monopoly over Iranian oil held by the Anglo-Iranian Oil Company(AIOC). The Iranian parliament(the Majlis) had passed a measure supporting nationalization on March 25, 1951. Mossadegh's assumption of power on April 28 was followed quickly by a nationalization of Anglo-Iranian oil assets on May 1st, 1951.

Initially commanding a great deal of popular support, Mossadegh threatened the power of the Shah, who dismissed him on July 18th, 1952, only to reinstate him 5 days later after a barrage of popular protest. However, support for Mossadegh fell by the middle of 1953, in part due to CIA lobbying of Iranian politicians(Gasiorowski 1991, Kinzer 1998), but also due to increasingly autocratic policies, such as his unconstitutional attempt to dissolve parliament on August 4, 1953.

The Truman administration's response was negotiation, attempting to broker a deal between the British and the Iranian government. With the advent of the Eisenhower administration, however, the U.S. government began to see the Iran nationalization as a cold war battle, with Iran's substantial border with the USSR becoming a gateway for increased Soviet access to oil should the Iranian government become communist. In late 1952, the British MI6 found an ear receptive to the idea of overthrowing Mossadegh in Allen Dulles, and final coup plans were joinly approved by the CIA and MI6 on June 18, 1953. Churchill approved the coup plan on July 1, 1953, with Eisenhower's endorsement following 10 days later.

After Eisenhower approved the plan to overthrow the Iranian government, Kim Roosevelt became the CIA operative on the ground in Teheran coordinating the overthrow. This largely involved spending hundreds of thousands of dollars on lobbying politicians and hiring crowds of demonstrators (Gasiorowiski and Byrne 2004), as well as convincing the Iranian monarch, the Shah, into dismissing Mossadegh and assuming power directly. On August the 16th, the coup began, but failed owing to logistical and planning problems. However, continued anti-Mossadegh protests and violence over the next few days culminated in Mossadegh's overthrow on August 19th, 1954.

2.2 Guatemala 1954

> *"The overthrow of the Communist-dominated government of Guatemala, while causing a cessation of shipments from that country for period of about three weeks, was a decidedly favorable development which will have far- reaching effects in the future."- 1954 United Fruit Shareholder's Report*

Guatemala has been historically marked by a high degree of political and economic inequality (Mahoney 2002, Dunkerley 1985). The center-left Arevalo regime that came to power in 1945, following the first free elections in the country, immediately provoked the anger of the coffee planters by striking down the most repressive of the labor regulations. The 1951 successor government, led by Jacobo Arbenz, had a policy platform centered around a comprehensive land reform and modernization plan. The leftist government thus threatened both the domestic coffee landlords as well as the United Fruit company, which owned over 40% of Guatemala's land, along with all the banana processing plants, virtually all of the shipping ports, and most railroads of the country (Gleijeses 1991).

On June 17, 1952, the agrarian reform bill was passed, and redistribution began on August 7 of the same year. The land reform bill also encouraged peasant land occupations, which were violently suppressed by landowners. On December 12, 1952, workers at the Tiquisate plantation filed for 55,000 acres to be expropriated from United Fruit under the agrarian reform bill. United Fruit petitioned the Supreme Court, which demanded a stay on all land confiscation and redistribution. In response, the Arbenz dominated congress voted to impeach the Supreme Court. They continued to expropriate 234,000 more acres from United Fruit on Feburary 25, 1953. Even more of United Fruit's land was expropriated the following year, with 173,000 acres confiscated on Feburary 24, 1954.

The United States foreign policy establishment, perhaps prodded by United Fruit's intense public relations and lobbying effort, reacted to the 1952 implementaion of the Arbenz land reform as evidence that the country was becoming communist. The Dulles brothers promoted the coup vigorously to Eisenhower, perhaps motivated by their previous employment in United Fruit's legal counsel(Schlesinger and Kinzer 1982). On August 18, 1952, Operation PBFortune was approved by then Director Walter Bedell Smith, only to be halted on October 8, 1952, as potential leaks of the coup plot

were discovered. However, with the advent of the Eisenhower government, a new plan to overthrow Arbenz was approved by Allen Dulles on December 9, 1953, with full approval by Eisenhower given on April 19th, 1954.

The coup itself involved multiple strategies (Cullather 1998). First, there was a propaganda effort, particularly within Guatemala, including a fake "guerrilla" radio station broadcasting from Honduras. Second, arms and equipment were channelled to Castillo Armas, who undertook leadership of a small militia, also in Honduras. Things came to a head when a secret shipment of arms from the Czech Republic ordered by Arbenz was discovered and publicized by the CIA on May 15th, 1954. One month later, Castillo Armas's tiny force of 150 troops invaded, and 9 days after that, on June 28, 1954 the Arbenz government capitulated (Immerman 1981).

2.3 Cuba 1961

On January 1, 1959, the Cuban dictator, Fulgencio Batista, fled Cuba to the Dominican Republic. On January 3rd, the new government was set up and on January 8 of 1959, Fidel Castro's march through Havana signalled that the Cuban revolution, which began in 1956, was a *fait-accompli*. Following an initially lukewarm reaction from the United States, and a friendly U.S. tour by Castro in April of the same year, relations chilled quickly when Castro obtained 100 advisors from the USSR and expropriated all foreign (largely U.S.) landholdings in May 1959.

Covert plans to overthrow Castro began in the fall of 1959, modelled on the Guatemalan intervention, with many of the same CIA officers involved. On March 17, 1960, Eisenhower gave presidential approval to the CIA's plan, and later authorized 13 million dollars towards the overthrow of the Castro regime. The date of the coup was set for August 19, 1960. The plan would involve a small group of trained Cuban exiles who would invade, establish a beachhead, and draw support in the countryside, eventually deposing Castro. Publically, the U.S. responded to the increased closeness of the Castro government with the Soviet Union by progressively increasing economic sanctions and diplomatically ostracizing the new Cuban government. In retaliation, the Cuban government nationalized U.S. held assets in Cuba starting on August 5, 1960, and continuing in October of the same year. When Kennedy assumed power in January 1961, he authorized continuation of the CIA plan on January 30, 1961, after extensive deliberation with advisors.

The Bay of Pigs invasion failed to overthrow the Cuban government.

There is much speculation about which of the multiple reasons was crucial. Firstly, there were regular leaks of the plans to the press. The CIA had also falsely predicted a popular anti-Castro uprising following the invasion. In addition, the U.S. operation against Cuba was characterized by a large number of miscommunications and logistical errors (Wiener, 2007; Prados, 2006), culminating in Kennedy's decision not to provide air support to the exile invasion force (Kornbluh 1998, Vandenbroucke 1984). After three days of fighting, the last of the invaders were captured by the Cuban military. Relations between Cuba and the United States further deteriorated, with the CIA conspiring regularly to assassinate Castro in the decades following the coup attempt.

2.4 Chile 1971-73

> *"Anaconda was one of those on the plus side, rising $\frac{7}{8}$ to $22\frac{7}{8}$. Its strength was attributed partly to the revolt yesterday in Chile against the Marxist government, which, in 1971, expropriated the holdings of Anaconda and other U.S. companies.".- September 12, 1973 quote from the Wall Street Journal*

The Allende government that narrowly won elections on September 4, 1970 had already overcome a long series of U.S. and domestic obstacles, beginning in 1958 with Allende's first run for president. Through the Alliance for Progress program, the United States had been heavily involved with Chilean domestic politics, trying to deflate the left-wing FRAP alliance (Sigmund 1989) and more generally create a positive example of a free-market, democratic economy in Latin America. The Christian Democrats, backed by the U.S., handily won the 1964 municipal elections, as well as the 1965 senate elections. The September 4, 1970 elections were sufficiently close that Allende's ratification as president required a congressional vote on October 24, 1970, a fact that the first U.S. plan tried to exploit.

Copper was by far the most important industry in Chile. Within 2 months of assuming office, Allende had proposed nationalizing the mines, and on July 11, 1971, the Chilean legislature approved nationalization. While domestic pressure for "Chileanization" of the large copper mines was omnipresent, the Christian Democratics favored a majority shareholder stake for the government, together with generous compensation, and retention of both foreign management and rights of control. This was in contrast to the position

of Allende's FRAP, which demanded outright nationalization and a much reduced compensation package. In particular, on September 28, 1971, the government declared that the copper multinationals had been making "excess profits" since 1946, and deducted this from the compensation package.

The U.S. began plotting for a coup even before Allende formally assumed power, with Nixon authorizing an anti-Allende plan on September 15, 1970. Coup planning and funding authoriziation after this was done by the 40 Committee, which operated as the mediating body between the executive branch and the CIA, set up in the wake of the Bay of Pigs failure. The CIA and the State Department began two tracks in the fall of 1970; Track 1, which was the covert political action track, and Track 2 which involved public political support for Allende's domestic political opponents. On January 28, 1971, the 40 committee appropriated $1.2 million for the overthrow of the Allende regime. This was followed by an additional $1.4 million on October 26, 1972. Finally, on August 21, 1973, a few months after Allende managed to strengthen his electoral support in the March 4, 1973 municipal elections, the 40 committee allocated $1 million to overthrow Allende. While the true extent of CIA participation in the 1973 coup that deposed Allende is unknown, it is known that they supported and had knowledge of Pinochet's coup plan (Kornbluh 2003). On September 11, 1973, the Allende government was toppled in a military coup.

3 Methodology

3.1 Event Study Methodology

We use the event study methodology from the finance literature (Campbell *et al.*). In particular, we look at the impact of coups and coup authorizations on cumulative abnormal returns. We use a simple market model though we also compute an augmented market model with industry controls to check for robustness.

Abnormal returns are returns in excess of what would be predicted. We compute abnormal returns in two different ways. We refer to the first method as the regression method and the second method as the out of sample method.

3.2 Regression Method

Using the regression method, we regress daily returns on dummies for the top-secret authorizations, controlling for country specific correlations with the market:

$$R_{ft} = \sum_f \alpha_f I_f + \sum_f \beta_f I_f * R_{mt} + \gamma D_{ft} + \epsilon_{ft}$$

where R_{ft} is the one day stock returns for firm f between date t and date $t-1$, R_{mt} is the one day New York Stock Exchange index return between date t and date $t-1$, I_f is a firm dummy, and D_{ft} is a dummy variable which takes on a value of one on an authorization day and for the k days following an authorization day. The average abnormal return then is γ. For the regression method, we take our sample to be the time period starting exactly one year before the nationalizing regime comes to power until exactly one year after the end of the coup. Standard errors are the usual OLS standard errors. Except where noted, we report robust standard errors.

3.3 Out of Sample Method

The out of sample method estimates normal returns in an "estimation window" free of impact of the coup. Our estimation window starts two years before the nationalizing regime comes to power and ends one year before the nationalizing regime comes to power. We run a separate regression for each firm of daily stock returns on daily market (NYSE index) returns:

$$R_{ft} = \alpha_f + \beta_f R_{mt} + \epsilon_{ft}$$

We then define an "event window" when our events happens. In some specifications this is the day of an authorization. In other specifications, it can be as many days as the day of an authorization plus the next 15 days. Our basline specification is the day of an authorization plus the next three days. The abnormal return for a given day is then the difference between the actual and predicted returns for a given date:

$$A\hat{R}_{ft} = R_{ft} - \hat{a}_f - \hat{\beta}_f R_{mt}$$

We compute the average abnormal return over the event window as:

$$\frac{\sum_{t \epsilon E} A\hat{R}_{ft}}{|E|}$$

where E is the indexing set for the event window and $|E|$ is the number of days in the event window.

3.4 Cumulative Abnormal Returns

We can now compute the cumulative abnormal return over an event window. Using the regression method, it is just the average abnormal return times the event window length:

$$\gamma \, |E|$$

The standard error for the cumulative abnormal return is just given by the standard error on the regression coefficient multiplied by the length of the window.

Computing the cumulative abnormal return using the out of sample method is simple. The computation of standard errors is slightly more involved however. To compute the cumulative abnormal return over an event window, we simply sum up the abnormal returns over the window:

$$\sum_{t \epsilon E} A\hat{R}_{ft}$$

We compute the standard error for the average abnormal return as $\sigma_{A\hat{R}_f} \sqrt{|E|}$. The t-statistic for the event then is:

$$t_f = \frac{\sum_{t \epsilon E} A\hat{R}_{ft}}{\sigma_{A\hat{R}_f} \sqrt{|E|}}$$

We can use this same formula to sum up across events. However, if we want to test a hypothesis about a collection of firms whose standard deviation of abnormal returns vary across firms, then we just sum the t-statistics across firms and divide by the square root of the number of events:

$$\frac{\sum_{f \epsilon F} t_f}{\sqrt{|F|}}$$

The set F indexes the number of firms and $|F|$ is the number of treated firms.

3.5 Other Specifications

3.5.1 Controlling for Public Information

In the paper we consider variations on our main specifications, controlling for additional measures of information that may be affecting the stock price. First, in Table VI, we control for the number of articles in the NY Times as well as for public event days (nationalizations and pre-coup political transitions or consolidations). For example, when we control for public events and New York Times articles simultaneously, we estimate:

$$R_{ft} = \sum_f \alpha_f D_f + \sum_f \beta_f I_f * R_{mt} + \gamma D_{ft} + NYT_{Ct} + DPUB_{ft} + \epsilon_{ft}$$

where NYT_{Ct} is the number of New York Times articles about country C where firm f produces on date t. $DPUB_{ft}$ is a dummy variable that takes on the value one on the day of and k days after a public event and takes on the value zero otherwise.

3.5.2 Controlling for Industry.

A second specification we consider is controlling for a basket of industries:

$$R_{ft} = \sum_f \alpha_f D_f + \sum_f \beta_f I_f * R_{mt} + \gamma D_{ft} + IND_{ft} + \epsilon_{ft}$$

where IND_{ft} is an equal weighted basket of firms in the same 3-digit SIC industry as firm f. We also compute abnormal returns using the out of sample method based upon an extended market model. In that case, we simply modify our estimation equation in the estimation window by adding the equal weighted industry basket as a control:

$$R_{ft} = \alpha_f + \beta_f R_{mt} + \delta_f IND_{ft} + \epsilon_{ft}$$

and we then compute abnormal returns for date t by differencing the actual and predicted return, using the industry basket:

$$A\hat{R}_{ft} = R_{ft} - \hat{\alpha}_f - \hat{\beta}_f R_{mt} - \hat{\delta}_f IND_{ft}$$

3.5.3 Controlling for Local Trends

Finally, we also consider a specification where we control for local momentum in returns. In this specification, we add a dummy which takes on a value of one within nine days of any event and zero otherwise. This specification is:

$$R_{ft} = \sum_f \alpha_f D_f + \sum_f \beta_f I_f * R_{mt} + \gamma D_{ft} + LOCAL_{ft} + \epsilon_{ft}$$

4 Data

Our stock price data come from CRSP except for our price data on the Anglo-Iranian Oil Company which was copied by hand from back issues of the New York Times. We also use the value weighted New York Stock Exchange Index from CRSP as our market control.

Our event lists com from sources that are either official CIA sources (Chile and Guatemala) or reconstructed by other public organizations from official CIA sources (Cuba and Iran).

Lastly, we created a Perl script to search the New York Times archives and count the number of articles mentioning each of the countries on each day of the event window.

4.1 Coup Selection

We selected our sample on coups on the following basis: (1.) a CIA timeline of events or a secondary timeline based upon an original CIA document existed , (2.) the coup contained secret planning events, and (3.) it involved a government which nationalized property of at least one multinational firm with publicly traded shares. Table 1 shows a full list of CIA operations from Prados(2006). The highlighted operations are those that meet our criteria. This criterion limited us to 5 coups: (1.) Operation Ajax in Iran in 1953 in which Muhammed Mossadeq was overthrow, (2.) Operation PBSuccess in Guatemala in 1954 in which Jacobo Arbenz Guzman was overthrown, (3.) Operation Zapata in 1961 in which the US unsuccesfully attempted to overthrow Fidel Castro, and (4.) Operation FU/Belt in Chile in 1970 when the US attempted to overthrow the government of Salvador Allende. Table I provides a list of CIA operations including all the ones in our sample.

4.2 Event Selection

We separate our events into private events and public controls. Our private events sample is restricted to events where either the coup was explicitly approved by either the head of a government (the President of the United States or the Prime Minister of the United Kingdom) or the head of an intelligence agency (the CIA or MI6) or where $1 million or more was allocated to the overthrow of a foreign government. These are events that are likeliest to increase the probability of the coup being executed.

Our primary source of events are timelines reconstructed directly from declassified CIA sources by official historians. In the case of Guatemala, the CIA itself did an internal timeline of the operation, which we use[1]. For FU/Belt in Chile, we used the timeline constructed by the Church Committee which was a Committee set up in 1975 by the US Senate to investigate foreign intelligence operations[2]. The Church Committee Report, which was recently declassified, created a timeline of events based upon top-secret CIA documents for Chile. Operation Ajax in Iran was constructed by the New York Times on the basis of the internal CIA history of the Iran operation written by Wilber (1954)[3] and declassified in 2000[4]. The Bay of Pigs timeline[5] comes from the National Security Archives, housed at George Washington University, which has filed virtually all of the declassification requests regarding Cuba from the CIA. In the appendix, we show the raw timelines, highlighting the events that we chose.

Each event was not only coded public and private but "good" and "bad" as well where the "good" events make the coup more likely, and "bad" events less so.

Our public events sample is restricted to events where company assets were nationalized or where regime transitions or consolidations occurred through elections or through revolution (in the case of Cuba).

Table II lists the private events and Table III displays the public events.

[1] Available at http://www.gwu.edu/ nsarchiv/NSAEBB/NSAEBB4/

[2] Available at http://www.aarclibrary.org/publib/church/reports/vol7/pdf/ChurchV7_13_Appendix.pdf

[3] Available at http://www.gwu.edu/ nsarchiv/NSAEBB/NSAEBB28/

[4] Available at http://www.nytimes.com/library/world/mideast/041600iran-cia-index.html

[5] Available at http://www.gwu.edu/ nsarchiv/bayofpigs/chron.html

4.3 Company Selection

We define a treatment company as one which had a substantial fraction of its assets nationalized in the country. In the case of Chile, this is Anaconda copper. The other two copper companies Kennecott and Cerro, had been largely compensated for their losses as had International Telegraph and Telecom. For Guatemala, this is United Fruit. For Iran, this is the Anglo-Iranian Oil Company. For the case of Cuba, the chronology reports that "all remaining U.S. businesses nationalized". Fortunately, Baklanoff(1966) uses the records from Congress compensation of expropriated US companies to construct a list of all the companies expropriated by the Cuban government.

5 Results

5.1 Baseline Results

Our baseline results use both the regression method and the "out of sample" method to estimate the reaction of stock prices to top-secret authorizations by the head of the intelligence agencies of the US or the UK, the head of state of the US or the UK, or authorizations of $1 million or more to overthrow foreign governments. Our main specification includes four companies, one from each of the coup against Mossadeq in Iran, the coup against Arbenz in Guatemala, the coup against Castro in Cuba and the coup against Allende in Chile. The four companies are the Anglo-Iranian Oil Company (now British Petroleum), United Fruit (now Chiquita International), Anglo-Cuban Sugar, and Anaconda Copper Company. We look at day of, 2 day, 3 day, 6 day, 9 day, 12 day and 15 day cumulative abnormal returns.

The effects for Iran and Guatemala are consistently the strongest. In both cases, the average cumulative abnormal return after three days is around 2.5% with a standard error of less than .85 using the regression method. The out of sample method's estimates are almost identical for Guatemala and somewhat smaller for Iran. The standard errors are consistently smaller using the out of sample method. This is partially because the out of sample standard errors are not robust as they are with the regression method and periods after private events are lower variance periods of stock price returns. The per day return for Guatemala and Iran are 0.5-0.6% by the day after the event and they remain that high for the first 6 days. This is consistent with private information taking time to diffuse into stock market prices. There

are a few reasons that prices may react steadily and slowly as opposed to all at once with private information. First, the information may itself slowly diffuse. Second, there may be secondary trading or momentum; traders may update based upon previous price increases. Third, traders may be cautious and wait to see if other investors are trading on the private information.

The effects for Chile are somewhat smaller in magnitude. The peak effect is almost .5% per day. This occurs at a three day horizon. However, the price changes are more volatile following a private event relative to in Iran and Guatemala. This is sensible because the events in Chile are mainly authorizations of funding to overthrow the Allende government, not direct authorizations of US military intervention.

The effects for Cuba are non-existent. There is no regular pattern following a decision to invade Cuba, whether made by the CIA or the President. This could in part be due to the poor planning. The bay of pigs was badly executed. Much of the information was leaked to the press ahead of time. This may have lowered the value of the information. Also, since the US was very overt about its agression against the Cuban government, any private information about a coup may not have been terribly surprising.

Taking an aggregate view, the average three day stock price return for an authorization event is 1.8% with a standard error of 0.8%. The two day returns are slightly less per day and not significant. However, the cumulative abnormal returns are significant for the all-country sample from 3 day through 15 day cumulative abnormal returns at least at a 10% level of significance and often at a 1% level. Abnormal returns are of a decent magnitude and persist.

5.2 Public Events and Media Coverage

Top-secret decisions to overthrow foreign governments may have coincided with public events in the coup countries in which case, we may be biasing our estimates by picking public news rather than private information. Of course, decisions were most likely made when conditions were deteriorating and thus when stock prices were in decline. Nevertheless, we try to control for other events in two different ways. First, we control for the number of articles in the NY Times mentioning the country by name. Second, we control for other public events (nationalizations of foreign owned property and electoral transitions/consolidations). Third, we control simultaneously for both public events and NY Times articles. Lastly, we also try dropping

all dates where the NY times had at least one article on the country. This is a very stark test. We look at 3-day abnormal returns. Our estimates are not that different from those obtained using the in-sample regression method. The average aggregate effect for a 3-day period is 1.3% across specifications. In fact, it is surprising how little controlling for public events and NY times articles changes the results. Both Iran and Guatemala have large impacts of coup authorizations. The magnitudes are close to 2.00% over a 3-day period, the impact of private information in Chile being around the mean for all countries (1.3%) and the results from Cuba remain the same around zero.

5.3 Robustness

We perform a number of robustness checks. All are estimated at the individual country level as well as jointly and all specifications compute average returns over a three day period following an authorization. In all specifications, we use the regression method as opposed to the out of sample method. First, we consider raw returns where we do not contol for the market. This is to make sure that the abnormal returns are due to increases in the treatment company stock prices rather than drops in the market. We obtain average .5% return per day. The results are significant at the 1% level and are similar magnitudes across Anaconda, Anglo-Iranian, and United Fruit. The results are not significant for Anaconda though the magnitude is similar to Anglo-Iranian and United Fruit because there is higher variance in the Anaconda raw returns. The returns are about .15% per day for American Sugar, consistent with a non-effect on Cuban companies. Next, since we are concerned with serial correlation in returns[6], we try clustering on month. This causes a sizeable fall in our standard errors across specifications but does not alter any of our qualitative results.

Next, we try to control for industry returns. We do this in two different ways. First, we construct an equal-weighted basket of returns for all companies in the same three digit industry as our treatment companies. In constructing this industry basket, we only used companies which were listed in CRSP for the entire event window period for the treatment company in question. We then regressed the returns of the treatment company on the NYSE index, the private events, and the value weighted industry index. We

[6] Stock prices are not integrated of order zero. However, they often are not random walks but rather are integrated of order one. In other words, they exhibit serial correlation in returns.

also consider a second specification where we use the industry index in the estimation window along with the NYSE index to predict abnormal returns and then we regress abnormal returns in the event window on the private event dummies. Our average abnormal returns are very similar across these two specifications and are quite similar to our main estimates. Our average abnormal return per day in the pooled country sample is approximately .42% In other words, controlling for industry returns seems not to change the magnitude of the cumulative abnormal returns following an authorization.

We also were concerned about the possibility that our effects were due to pre-existing market momentum Therefore, we regressed company returns on the NYSE index, the private good days and an 18 day symmetric dummy window surrounding each private event. In other words, we check whether the abnormal returns are higher in the three days right after an authorization than in the average of the 20 day period surrounding each private event. Our results again are robust. Our average abnormal return per day is approximately .52% and is significant at the 1% level. Estimates are slightly higher for Guatemala, slightly lower for Iran and almost identical for Chile.

We then try a few placebos. First, we look at broader set of companies who were invested in Chile but not as highly exposed. This set of companies comprises the top ten companies in terms of size of expropriation. We then drop the companies that were not listed on any stock exchange. This leaves us with Anaconda Company, Anglo Lautaro Nitrate LTD, General Motors Corporation, General Tire & Rubber Company, International Telephone & Telegraph, and Kennecott Copper Company in Chile, American Sugar Company, International Telephone & Telegraph, Standard Oil Company of New Jersey, Texas Company, and United Fruit in Cuba, United Fruit in Guatemala, and Anglo-Iranian Oil in Iran. These companies are listed in Table II. The samples for Chile and Cuba increase by a factor of approximately five whereas the sample for Iran and the sample for Guatemala stay the same. The three day abnormal returns for Cuba and Guatemala are both negative and not significant at the 10% level. On the one hand, companies like Anglo-Lautaro Nitrate which had 100% of its assets in Chile but was a small company seemed not to have reacted discernably to coup authorizations or monetary authorizations. However, companies like General Motors which were large but barely exposed also seemed not to react to top-secret coup authorizations. In other words, a few companies which were both large and highly exposed were the only ones to react to coup and monetary authorizations.

Lastly, we consider two other placebos. We regress NYSE index returns on our private event dummies. We also regress our equal-weighted baskets of industry returns on country-specific NYSE index returns and the private information dummies. The 3 day abnormal returns are neither large in magnitude nor significant for any of the countries individually or all of the countries jointly. In fact, the joint estimates are zero to three digits both with the NYSE returns as the dependent variable and with the industry return baskets as the dependent variable. In other words, the NYSE stock exchange, the industries of the treatment companies and companies which were invested in the coup countries but were either not highly exposed or not large all seemed not to react to coup authorizations or monetary authorizations.

5.4 Time-Shifted Placebos

We also run time-shifted placebos. We take 3 day windows, pool across countries and run our main regression where we shift our private events forwards as well as backwards by 5, 10, 15, 20 and 30 days. For a K day shift, we estimate:

$$R_{ft} = \sum_f \alpha_f D_f + \sum_f \beta_f I_f * R_{mt} + \gamma D_{ft+K} + \epsilon_{ft}$$

Out of the eleven specifications, we find that the only days where we have significant results are the actual days when the events occur (zero shift). On the day of, we have an effect more than twice the size of the effect on any other day: a cumulative abnormal return of approximately 1.7%. This is significant at the 1% level. The 3 day cumulative abnormal returns 5 days or 10 days before a private event are zero to 3 digits. Also interesting is that the only date where the cumulative abnormal returns is more than half the size of the day of effect is the 5 day after effect. The three day return starting five days after an event is .9%. All other dates have three day cumulative abnormal returns less than .7%. This pattern of no abnormal returns before a decision, sizeable abnormal returns just after a decision, and smaller possible abnormal returns in the medium run after a decision is consistent with models of private information where information diffuses slowly.

5.5 Coup Effects

We now compare our abnormal returns on authorization days to abnormal returns from the coup attempts. We do this for two reasons. First, we want to show that these companies were affected by the coup attempts and so that our findings that coup authorizations had impacts on stock prices are sensible. Secondly, later in the paper, we will compare the direct effect of the coup itself to the total rises due to coup authorizations in order to compute a lower bound on the percentage of the total benefit to the companies from the coups which happened before the coup began.

We look at three specifications: abnormal returns on the first day of the coup, abnormal returns on the first day of the new regime, and abnormal returns during the coup window. We define the coup window as the period from and including the first day of the coup to and including the first day of the new regime. These dates are listed in Table IVB.

Since our coup window lengths vary across countries, instead of reporting cumulative abnormal returns, we report the average daily abnormal return during the window. Our results are large and significant. On an average day during the coup window, our treatment companies, experienced a stock price rise of .8%. The individual company average abnormal returns vary from United Fruit in Guatemala which had zero rise on average during the coup window to Anaconda in Chile which experienced a 4.6% increase in its stock price. Anaconda's large increase in its stock price was partially due to the fact that the coup happened quickly and was consolidated essentially immediately; this is different from our three other coups where it took longer for the overthrow to succeed or fail. Cuba's abnormal returns were negative because the coup failed. This suggests that the possibility of an overthrow of the Castro regime in Cuba had already been priced into American Sugar's stock. Anglo-Iranian oil had a large sized increase over the coup window. It was approximately 1.4% per day and significant at the 10% level. The zero impact in Guatemala is largely due to a large amount of uncertainty due to a long coup. When the Arbenz government finally resigned on June 28, 1954, there was still speculation about whether the coup would be succesful. Also, in the 11 days after the fall of the Arbenz regime, 5 separate Juntas gained control of the government. The political uncertainty in Guatemala in the aftermath of the coup lead to no abnormal return during the coup window.

We consider two other measures of the effect of the coup: the abnormal return on the first trading day of the coup and the abnormal return on

the first trading day of the new regime. The average abnormal return across companies on the first day of the coup was approximately 2.3% and significant at the 1% level. In both Chile and Cuba, the returns were significant at the 10% level or higher. The abnormal returns in Cuba were of course positive as markets expected the coup to be succesful on the first day. The abnormal returns on the first day of the new government are large for all companies ranging with Anglo-Iranian at 2.0%, American Sugar at -3.3%, United Fruit at 3.7% and Anaconda at 4.6%. All but Anglo-Iranian are significant at a five percent level or higher and Anaconda and United Fruit are significant at greater than a 1% level of significance. The four coups we consider certainly had a decent sized impact on stock prices for the exposed companies we consider.

6 Interpretations

We can use our estimates to calculate an overall value of the coup to our treatment portfolio, taking into account both the change in the asset prices over the coup and the change in asset prices over the pre-coup information leaks.

We would like to know if the economic effect of the U.S. sponsored coup was a motivation for the regime-change. It is important to note that there is scholarly disagreement over both the motivation for and importance of United States interventions in these countries. Whether or not anti-communist ideology and cold war concerns dominated economic expropriation of U.S. corporate assets in the minds of U.S. policymakers is not a question we can begin to resolve here. Also, scholars sometimes argue that the regimes were unstable to begin with, and the CIA merely facilitated a transition that would have happened anyway. Our estimates are indirect evidence that even if economic motivations did not play a role in the governments direct decision to undertake a coup, affected multinational corporations still benefited from them. While we know corporations lobbied the U.S. government to undertake political interventions, and we know these corporations benefited when the regime changed, the smoking gun evidence of the U.S. government internalizing the economic benefits of the coup is not present.

If we look at the value to a company of a coup by looking just around the coup window, we ignore the possibility that the probability of a coup had already been incorporated into stock prices before the coupand that

therefore the change in the value of the company over the coup window may be an undestimate of the value to the company of the coup. We compute another measure of the value of the coup to the company by out of sample the change in the stock price over the coup window plus the net changes in the value of the companies from the authorizations. We use the country-specific twelve day cumulative abnormal returns in order to compute the value per authorization for each country. The total rise in the stock price due to authorizations is then just one plus the return to an authorization raised to the power of the net number of events[7] plus the return over the coup window:

$$(1 + R_{C,Auth})^N - 1 + R_{Coup}$$

where $R_{C,Auth}$ is the twelve day cumulative abnormal return in country C, N is the net number of authorization events, and R_{Coup} is the cumulative abnormal return in country C over the coup window.

The total gain from top-secret authorizations range from 4.7% in Cuba to slightly below 17.1% in Iran. The total gain (or loss in the case of Cuba) from the coup event range from .8% in Cuba to 4.6% in Chile. Note that we use the gain on the first day of the new government for Guatemala because, due to the length of the coup and the ensuing political instability after the end of the Arbenz regime, there is no net positive change in the stock price over the exact coup window. We compute that the percentage benefit of the coup which had already been incorporated from authorization events before the coup began amounts to anywhere from 56% of the total stock price increase in Cuba to 63% in Guatemala to 73% in Chile and 74% in Iran. In other words, estimating the benefit of the coup simply from looking at the change in the stock price during the coup window leads to a large underestimation of the value to the companies of the coup.

7 Conclusion

Covert operations organized and abetted by the CIA played a substantial role in many military coups in the developing world. We look at CIA-backed coups where the overthrown government had nationalized a considerable

[7] In Guatemala, one of the events is a deauthorization or a negative event. Therefore, the total number of net events in Guatemala is the number of positive events, three, minus the number of negative events, one, totalling two net events.

amount of foreign investments. We focus on companies that had a substantial fraction of their assets nationalized by the overthrown government, or those that were listed as having met with the CIA. Using an event-study methodology, we find that private information regarding coup authorizations and planning by the U.S. government increased the stock prices of expropriated multinationals that stood to benefit from the regime change. The presence of this arbitrage opportunity suggests that there were leaks from the CIA or the executive branch to asset traders, and this information took some time to be fully reflected in the stock price. Moreover, the evidence we finds suggests that this information was only present in large, politically connected companies which were also highly exposed.

Our results are robust across countries (except Cuba) and to a variety of controls for alternate sources of information, including public events and newspaper articles. The anomalous results for Cuba are consistent with the exceptional circumstances, including information leaks and inadequate organization, surrounding the coup attempt.

We can use our results to calibrate the value of a coup to companies with nationalized property. While we find a maximum direct increase from the coup of 5.8% across our companies (Anglo-Iranian). However, we find a maximum total gain incorporating pre-coup rises in stock prices in reaction to coup authorizations of 23.9% (Anglo-Iranian). In general pre-coup rises in reaction to coup authorizations account for between 56.0% (American Sugar) and 74.5% (Anglo-Iranian) of the total value to the company of the coup.

Our paper has documented that benefits to foreign companies from US-backed coups were substantial. We hope that our paper will complement a larger literature in political economy on the economic determinants of coups and that future theoretical work will pay more attention to the international political determinants of institutional change.

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TABLE I: COUP SELECTION

Project	Country	Year	Planning Docs Declassified	Description	Coup	Exprop.
Ajax	Iran	1953	Yes	Coup against Mossadeq	Yes	Yes
Zapata	Cuba	1960-61	Yes	Bay of Pigs	Yes	Yes
FU/Belt	Chile	1970-73	Yes	Coup against Allende	Yes	Yes
Bloodstone	Germany	1946	No	Recruitment of Nazis	No	
Brushfire	US	1955	Yes		No	No
Camelot	Chile	1960s	No	Funded Anthro. Research	No	
ST/Circus	Tibet	1955	No	Trained Tibetan Rebels	Yes	No
Democracy	Nicaragua	1985	No	Anti-Sandinista Operations	No	
IA/Feature	Angola	1975	No	supported Savimbi	No	Yes
Fiend	Albania	1949	No	Insurgency	Yes	
Fortune/PB/Success	Guatemala	1952-54	Yes	Failed Coup Attempt	Yes	Yes
PM/Forget	All over	1950s	No			
Haik	Indonesia	1956/57	No		Yes	Yes
HardNose	Vietnam	1965	No			No
Momentum	Vietnam	1959	No			No
Mongoose	Cuba	1961	Yes	Post-Bay of Pigs Ops	No	Yes
Opera	France	1951	No	Electoral Manipulations	No	
Paper	China	1951	No			No
Stole	China	1950/51	No			No
Tiger	Syria	1956	Yes	Assassination Attempts	No	
Washtub	Guatemala	1954	Yes	Anti-Arbenz Propaganda	No	Yes
Wizard	Congo	1960	No	Lumumba Assassination	Yes	Yes

Notes: (1.) Project is the name of the operation, (2.) Country is the target country of the operation, (3.) Year is the year when the operation was carried out, (4.) Planning documents records yes if the planning documents are publicly available, (5.) Description is a description of the operation, (6.) Coup is recorded as yes if a coup was planned as part of the operation and no otherwise, and (7.) Exprop. refers to whether or not the regime nationalized (or expropriated) was nationalized property from multinations operating within the country.

TABLE II: Company Selection

Company Name	Coup Country	Expropriation Description	Source
Anaconda Co.	Chile	Mines	Baklanoff
Anglo Lautaro Nitrate LTD	Chile	Mines	Baklanoff
General Motors Corp.	Chile	Don’t Know	Baklanoff
General Tire & Rubber Co.	Chile	Don’t Know	Baklanoff
International Tel & Teleg Corp.	Chile	Telephone/Radio	Baklanoff
Kennecott Copper Corp.	Chile	Mines	Baklanoff
American Sugar Refining Co.	Cuba	Land	Nacla
International Tel & Teleg. Corp.	Cuba	Telephone/Radio	Nacla
Standard Oil Co. of New Jersey	Cuba	Don’t Know	Nacla
Texas Co.	Cuba	Don’t Know	Nacla
United Fruit Co.	Cuba	Land	Nacla
United Fruit Co.	Guatemala	Land	CIA Docs
Anglo-Iranian Co.	Iran	Oil Fields	NYTimes

Notes I: Company name refers to the name of the company at the time of the coup. Coup country is the country where the coup or coup attempt was made and where the company had property nationalized. Expropriation description lists the types of assets expropriated. Source lists the source of information on the expropriations. Nacla and Baklanoff are authors of books which listed exporpropriations. "New Chile" ed. NACLA, Berkeley 1972." Expropriation of US investments in Cuba, Mexico, and Chile", E. Baklanoff, Praeger,1975. Country Assets in Moody's lists whether the company's assets or production levels in the country are mentioned in Moody's Manual of Investment in the year prior to the beginning of the event window.

Notes II: Many companies have changed their names. Anglo-Iranian is now called British Petroleum. The United Fruit Company is now called Chiquita Brands International. The Standard Oil Company of New Jersey is now called ExxonMobil. Texas Company is now called Texaco. International Telephone and Telegraph Corporation is now called ITT Corporation.

TABLE III: Private Event Selection

Date	Country	Description	Good
June 18, 1953	Iran	CIA/British Intelligence Both Approve Coup	Y
July 1, 1953	Iran	British Prime Minister Approves Coup	Y
July 11, 1953	Iran	President Eisenhower Appoves Coup	Y
August 18, 1952	Guatemala	DCIA Approves PBFortune (Coup to Overthrow Arbenz)	Y
October 8, 1952	Guatemala	PBFortune Halted	N
December 9, 1953	Guatemala	DCIA Approves PBSuccess (Coup to Overthrow Arbenz)	Y
April 19, 1954	Guatemala	Full Approval Given to PBSuccess	Y
March 17, 1960	Cuba	Eisenhower Approves Plan to Overthrow Castro	Y
August 19, 1960	Cuba	Eisenhower Approves $13 Million to Overthrow Castro	Y
January 30, 1961	Cuba	Kennedy Authorizes Continuing Bay of Pigs Op	Y
September 15, 1970	Chile	Nixon Authorizes Anti-Allende Plan (Incl. Poss. Coup)	Y
January 28, 1971	Chile	40 Committee Appropriates $1.2 Million	Y
October 26, 1972	Chile	40 Committee Appropriates $1.4 Million	Y
August 21, 1973	Chile	40 Committee Appropriates $1 Million	Y

Notes: Date is the date of the event. Country is the target country of the coup attempt. Description gives a brief description of the event. Good is coded as Y if the event should raise the share value of the company and N if the event should lower the share value of the company.

TABLE IVA: Public Event Selection

Date	Country	Description	Good
March 25, 1951	Iran	Iran Nationalizes Oil	N
April 28, 1951	Iran	Prime Minister of Iran Quits	N
July 18, 1952	Iran	Ghavam Replaces Mossadeq as Prime Minister	Y
July 23, 1952	Iran	Mossadeq Comes Back As Prime Minister	N
August 4, 1953	Iran	Mossadeq Asks For Parliament to be Dissolved	N
November 11, 1950	Guatemala	Arbenz Elected	N
June 17, 1952	Guatemala	Arbenz Enacts Agrarian Reform Bill	N
August 7, 1952	Guatemala	Distribution of Land Under Agraian Reform Bill Begins	N
December 12, 1952	Guatemala	Workers File for Expropriation of 55,000 Acres From UF	N
February 5, 1953	Guatemala	Congress Impeaches Court to Fasten Reform	N
February 24, 1954	Guatemala	Guatemala Confiscates 234,000 Acres	N
January 1, 1959	Cuba	Castro Comes to Power in Cuban Revolution	N
August 5, 1960	Cuba	Cuba Nationalizes Electricity, Oil, Telephone, Sugar	N
October 12, 1960	Cuba	Cuba Nationalizes Sugar, Beer, Liquor, Soap	N
October 24, 1960	Cuba	Cuba Nationalizes 166 More Businesses	N
September 4, 1970	Chile	Allende Wins Election	N
October 24, 1970	Chile	Legislature Votes for Allende	N
December 21, 1970	Chile	Allende Proposes Mine Nationalization	N
July 11, 1971	Chile	Ammendment Allowing Nationalization of Copper	N
September 28, 1971	Chile	Excess Profits Subtracted From Nationalization Comp.	N
September 29, 1971	Chile	Chitelco (owned by ITT) Nationalized	N
May 12, 1972	Chile	ITT Expropriation Requested by Allende	N
March 4, 1973	Chile	Allende's Party Get 43% of Vote in Elections	N

Notes: Date is the date of the event. Country is the target country of the coup attempt. Description gives a brief description of the event. Good is coded as Y if the event should raise the share value of the company and N if the event should lower the share value of the company.

TABLE IVB: Coup Dates

	Date	Country	Successful
Begin	August 15, 1953	Iran	Yes
End	August 20, 1953		
Begin	June 19, 1954	Guatemala	Yes
End	June 28, 1954		
Begin	April 15, 1961	Cuba	No
End	April 20, 1961		
Begin	September 11, 1973	Chile	Yes
End	September 11, 1973		

Notes: Date lists the begin and end dates of coups. Country lists the country where the coup or coup attempt took place. Successful records whether or not the coup achieved its objectives in overthrowing the government in question.

TABLE V

Main Effects

		(0,0)	(0,2)	(0,3)	(0,6)	(0,9)	(0,12)	(0,15)
All	Sumup	0.0017	0.0084	0.0178	0.0204	0.0261	0.0339	0.0313
		(0.0024)	(0.0059)	(0.0078)***	(0.0099)**	(0.0137)*	(0.0155)**	(0.0170)*
		N=14	N=42	N=56	N=98	N=140	N=182	N=208
	Reg	0.0018	0.0081	0.0171	0.0184	0.0263	0.0312	0.0303
		(0.0024)	(0.0049)*	(0.0066)***	(0.0101)*	(0.0132)**	(0.0147)**	(0.0186)
		N=5053	N=5053	N=5053	N=5053	N=5053	N=5053	N=5053
Chile	Sumup	-0.0038	0.0067	0.0252	0.0222	0.0404	0.0516	0.0638
		(0.0205)	(0.0355)	(0.0409)	(0.0542)	(0.0647)	(0.0738)	(0.0819)
		N=4	N=12	N=16	N=28	N=40	N=52	N=64
	Reg	-0.0047	0.0021	0.0177	0.0075	0.0199	0.0244	0.0332
		(0.0052)	(0.0133)	(0.0197)	(0.0252)	(0.0355)	(0.0370)	(0.0446)
		N=1039	N=1039	N=1039	N=1039	N=1039	N=1039	N=1039
Cuba	Sumup	0.0010	-0.0030	-0.0028	-0.0007	0.0189	0.0154	-0.0114
		(0.0207)	(0.0358)	(0.0413)	(0.0547)	(0.0653)	(0.0745)	(0.0827)
		N=3	N=9	N=12	N=21	N=30	N=39	N=48
	Reg	0.0018	-0.0012	0.0001	0.0035	0.0242	0.0218	-0.0044
		(0.0043)	(0.0070)	(0.0089)	(0.0243)	(0.0265)	(0.0315)	(0.0397)
		N=850	N=850	N=850	N=850	N=850	N=850	N=850
Guat.	Sumup	0.0066	0.0163	0.0243	0.0310	0.0230	0.0327	0.0313
		(0.0087)	(0.0151)	(0.0174)	(0.0231)	(0.0276)	(0.0314)	(0.0349)
		N=4	N=12	N=16	N=28	N=40	N=52	N=64
	Reg	0.0068	0.0164	0.0244	0.0309	0.0224	0.0320	0.0306
		(0.0032)**	(0.0076)**	(0.0081)***	(0.0130)***	(0.0165)	(0.0186)*	(0.0244)
		N=2352	N=2352	N=2352	N=2352	N=2352	N=2352	N=2352
Iran	Sumup	0.0031	0.0117	0.0199	0.0247	0.0183	0.0305	0.0306
		(0.0417)	(0.0723)	(0.0834)	(0.1104)	(0.1319)	(0.1504)	(0.1669)
		N=3	N=9	N=12	N=21	N=30	N=39	N=32
	Reg	0.0035	0.0143	0.0236	0.0307	0.0447	0.0540	0.0763
		(0.0034)	(0.0059)***	(0.0064)***	(0.0139)**	(0.0166)***	(0.0211)***	(0.0287)***
		N=812	N=812	N=812	N=812	N=812	N=812	N=812

Notes: (1.) All multi-country regressions control for an interaction of a country dummy with the NYSE, (2.) All single country regressions control for the NYSE index, (3.) All regressions have clustered standard errors, (4.) All dates where a company changed its name or changed its outstanding shares by more than 5% were dropped, (5.) All one day price changes greater than 50% in magnitude were dropped, (6.) Sumup rows compute abnormal returns using the "summing up" method and Reg rows compute abnormal returns using the regression method, (7.) Column numbers at the top in parentheses denote the number of days before and after the authorizations which are included as dummy variables for the authorizations

TABLE VI

Public Information Controls

	Public Info	NY Times	No NY Times	No Public Info	Public and NY Times
All	0.0171	0.0176	0.0244	0.0171	0.0175
	(0.0066)***	(0.0066)***	(0.0102)***	(0.0066)***	(0.0066)***
	N=5053	N=4084	N=747	N=5032	N=4084
Chile	0.0177	0.0177	0.0629	0.0176	0.0177
	(0.0197)	(0.0198)	(0.0161)***	(0.0197)	(0.0198)
	N=1039	N=1024	N=203	N=1030	N=1024
Cuba	0.0000	0.0007	0.0173	-0.0002	0.0006
	(0.0089)	(0.0088)	(0.0149)*	(0.0089)	(0.0088)
	N=850	N=804	N=44	N=846	N=804
Guat.	0.0244	0.0255	0.0118	0.0244	0.0255
	(0.0081)***	(0.0081)***	(0.0119)	(0.0081)***	(0.0081)***
	N=2352	N=1472	N=485	N=2346	N=1472
Iran	0.0235	0.0231	0.0000	0.0237	0.0231
	(0.0064)***	(0.0065)***	0.0000	(0.0064)***	(0.0066)***
	N=812	N=784	N=15	N=810	N=784

Notes: (1.) All multi-country regressions control for an interaction of a country dummy with the NYSE, (2.) All single country regressions control for the NYSE index, (3.) All regressions have clustered standard errors, (4.) All dates where a company changed its name or changed its outstanding shares by more than 5% were dropped, (5.) All one day price changes greater than 50% in magnitude were dropped, (6.) Coefficient reported on dummy variable for private information days plus three lags, (7.) Public regressions control for a dummy variable plus three lags for public information days, (8.) NY Times regressions control for number of NY Times articles mentioning the country on that day, (9.) "No Public Info" and "No NY Times" regressions drop all observations where public information or NY Times respectively are positive.

TABLE VII

Robustness

	Raw Returns	Month Cluster	Industry Controls	Industry Returns	Trend Controls	Extended Sample	NYSE Placebo	Industry Placebo
All	0.0049	0.0043	0.0042	0.0042	0.0052	-0.0005	0.0009	0.0003
	(0.0020)***	(0.0019)***	(0.0017)***	(0.0018)***	(0.0020)***	(0.0011)	(0.0007)	(0.0009)
	N=5077	N=5053	N=5053	N=5053	N=5053	N=13640	N=5101	N=5101
Chile	0.0064	0.0044	0.0044	0.0049	0.0061	-0.0022	0.0017	0.0001
	(0.0060)	(0.0056)	(0.0051)	(0.0051)	(0.0057)	(0.0018)	(0.0016)	(0.0008)
	N=1039	N=1039	N=1039	N=1039	N=1039	N=6220	N=1039	N=1039
Cuba	0.0014	0.0000	-0.0005	-0.0010	0.0022	-0.0007	0.0024	0.0016
	(0.0025)	(0.0035)	(0.0023)	(0.0026)	(0.0034)	(0.0013)	(0.0012)**	(0.0011)
	N=850	N=850	N=850	N=850	N=850	N=4256	N=854	N=854
Guat.	0.0051	0.0061	0.0061	0.0061	0.0068	0.0061	-0.0013	-0.0001
	(0.0023)**	(0.0015)***	(0.0020)***	(0.0019)***	(0.0023)***	(0.0020)***	(0.0008)	(0.0028)
	N=2352	N=2352	N=2352	N=2352	N=2352	N=2352	N=2357	N=2357
Iran	0.0061	0.0059	0.0058	0.0062	0.0034	0.0059	0.0011	-0.0003
	(0.0016)***	(0.0008)***	(0.0016)***	(0.0021)***	(0.0024)	(0.0016)***	(0.0012)	(0.0008)
	N=836	N=812	N=812	N=812	N=812	N=812	N=851	N=851

Notes: (1.) All multi-country regressions control for an interaction of a country dummy with the NYSE, (2.) All single country regressions control for the NYSE index, (3.) All regressions have clustered standard errors, (4.) All dates where a company changed its name or changed its outstanding shares by more than 5% were dropped, (5.) All one day price changes greater than 50% in magnitude were dropped, (6.) Raw returns do not control for the NYSE, (7) month clusters cluster on month for a given year and country, (8.) Industry controls control for 3-digit industry returns,(9.) industry returns control for 3-digit industry returns in the estimation window and regress abnormal returns on authorizations in the event window, (10.) trend controls control for trends by creating an additional dummy in an 18 day symmetric window around the authorization days, (11.) extended sample includes a wider selection of less highly exposed companies, (12.) NYSE and Industry Placebos replace company returns with the NYSE index and the industry index respectively.

TABLE VIII
Time-Shifted Placebos

Date	Abnormal Ret	Date	Abnormal Ret	Date	Abnormal Ret
-30	0.0037			30	0.0068
	(0.0069)				(0.0069)
	N=5054				N=5025
-20	0.0017			20	-0.0030
	(0.0083)				(0.0087)
	N=5054				N=5035
-15	-0.0044			15	-0.0010
	(0.0069)				(0.0104)
	N=5054				N=5040
-10	-0.0002			10	-0.0010
	(0.0094)				(0.0078)
	N=5054				N=5045
-5	-0.0003			5	0.0064
	(0.0096)				(0.0101)
	N=5054				N=5050
		0	0.0171		
			(0.0066)***		
			N=5053		

Notes: (1.) Regressions are pooled across countries, (2.) regressions control for the interaction of a country dummy with the NYSE, (2.) All single country regressions control for the NYSE index, (3.) All standard errors are rpbust(4.) All dates where a company changed its name or changed its outstanding shares by more than 5% were dropped, (5.) All one day price changes greater than 50% in magnitude were dropped, (6.) Private event days are shifted forward by number of days in date column.

TABLE IX

Coup Event

	Coup Window	First Day of Coup	First Day of New Govt
ALL	0.0087	0.0223	0.0346
	(0.0036)***	(0.0074)***	(0.0073)***
	N=5053	N=5053	N=5053
Chile	0.0464	0.0464	0.0464
	(0.0198)***	(0.0198)***	(0.0198)***
	N=1039	N=1039	N=1039
Cuba	0.0091	0.0272	0.0339
	(0.0080)	(0.0160)*	(0.0160)**
	N=850	N=850	N=850
Guatemala	-0.0012	-0.0013	0.0373
	(0.0044)	(0.0107)	(0.0106)***
	N=2352	N=2352	N=2352
Iran	0.0143	0.0168	0.0206
	(0.0079)*	(0.0157)	(0.0157)
	N=812	N=812	N=812

Notes: (1.) All multi-country regressions control for an interaction of a country dummy with the NYSE, (2.) All single country regressions control for the NYSE index, (3.) Due to small sample sizes, only multi-country regressions have clustered standard errors, (4.) All dates where a company changed its name or changed its outstanding shares by more than 5% were dropped, (5.) All one day price changes greater than 50% in magnitude were dropped, (6.) Coup window regressions are regressions of returns on a dummy variable which takes on a value of one during the coup window, (7.) First day of coup regressions are regressions of returns an a dummy variable for the first day of the coup, (8.) First day of new government regressions are regressions of returns on a dummy variable for the first day of the new regime after the coup finishes.

TABLE X

Calibration

	Per Event Private Event Gain	Total Gain from Private Events	Gain From Coup Event	Total Gain from Coup	Relative Gain From Private Events
Iran	0.0540	0.1709	0.0584	0.2393	0.7452
Guatemala	0.0313	0.0636	0.0373	0.1033	0.6303
Cuba	0.0154	0.0469	0.0369	0.0855	0.5597
Chile	0.0303	0.1268	0.0464	0.1791	0.7321

Notes: (1.) Per event private event gain is the cumulative abnormal return over a twelve day period for a country estimated individually, (2.) Total gains from private events is one plus the abnormal return to the power of the number of events; in the case of Guatemala, we only use 3 of the 5 events since two events were a coup abortion and a new coup authorization, (3.) The gain from the coup event is the estimated abnormal returns from the coup in the individual country samples except for Iran where this was not possible; in the case of Iran, we used the return estimated with the raw returns plus market controls, (4.) The total gain from the coup is the cumulative gain from the private events and from the coup itself, (5.) The relative gain from private events is the share of the total gain from the coup (including pre-coup stock market rises) due to private events.