Natural Resource Wealth – a Blessing or a Curse for Democracy?

The tendency of regimes, richly endowed with natural resources, to be more authoritarian than those without such resources, is a prominent feature for discussion within political theoretical literature. It is well established that resource wealth inhibits democratisation by enabling political leaders to resist pressures, which may otherwise lead to democratisation. However, this paper examines the ways in which natural resource wealth is detrimental for the prospect of democratic regime change. It explores current theory and a number of mechanisms which link natural resource wealth to authoritarianism. Oil within the African region, particularly Angola, is a major example utilised to demonstrate how resource abundance can be exploited by non-democratic ruling parties, to stay in power, and thus provides democratic reform introduction difficult. By reviewing a number of different literature sources, with a variety of perspectives, it is determined that the ‘resource curse’ and rentier state effect of natural resource wealth, is the main obstacle to democratisation.

Keywords: democratisation, natural resources, resource curse, rentier states

Introduction

The endowment of natural resources such as oil, gas and minerals can serve as potent drivers of development (Barma et al., 2012). The global demand for natural resources is high, and as such, natural resource endowment is a major source of state revenue for some of the world’s most developed nations, including; the Netherlands, Australia, Norway and Canada (Friedson et al., 2013). It can be argued, that these countries are well developed, both economically and politically, through their use of natural resource wealth; they are in fact all democracies, with rich sources of natural assets. Yet, in considering other resource-rich nations, we find the resounding majority of them are poorly developed and ruled by non-democratic regimes. This research will examine the relationship between resource wealth and national development - exploring the seemingly antidemocratic properties of natural resource wealth, within the political realm.
In particular, this research will reference extant theories, including the resource curse and rentier state effect to examine the mechanisms, which can obstruct democratisation. These include exploitation; corruption; resistance to democratic pressure; revenue misdistribution; and rent seeking. The main examples used to illustrate claims within this research are Angola, Africa’s top oil and diamond producing country, and the Middle East/North Africa region. This analysis concludes with the determination that resource wealth is detrimental to the prospect of democratic regime change, as it leads to less political liberalization; undermined growth and consolidated authoritarianism (Jensen & Wantchekon, 2004).

**Democracy**

In order to examine the extent of influence natural resource wealth has on democratic regime change, it is essential to first outline democracy. According to Joseph Schumpeter, democracy is ‘the method of political arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote’ (1947, in Barro, 1999). Essentially, democracy is a structure of government whereby the power of executives is restricted by other institutions; and where representatives are either directly, or indirectly selected through competitive elections, by the people they govern (Barro, 1999; Gleditsch & Ward, 2006). Democracy can be conceptualized in two ways: electoral democracy and liberal democracy. With respect to the former, democracy is evidenced through free and fair voting mechanisms in political decision-making (Boix, 2006). The latter, is characterised by both political freedoms (opposition parties, governmental transparency and political participation) and civil liberties (rule of law, freedom of speech and civil rights) (Anyanwu & Erhijakpor, 2014). Democracy ensures the electorate becomes part of the legitimising structure of government and holds the ultimate authority (Lipset, 1994). This is opposed to the unlimited potential of public officials, who without democratic institutions, can autonomously amass significant personal wealth and commit to unfavourable policies (Barro, 1999). This behaviour is characteristic of an autocratic regime, whereby the exploitation of natural resources wealth can impede democratic transition.

**The Natural Resource Curse**

Since the research of Seymour Martin Lipset, a common view is that prosperity stimulates democracy, ‘the more well-to-do a nation, the greater the chances that it will sustain democracy’ (Lipset, 1959). With this in mind, naturally it would be assumed that resource endowment translates to a country’s prosperity. However paradoxically, the opposite can be true. The term ‘Resource Curse’ was introduced into developmental literature in 1993, by leading economist Richard Auty in *Sustaining Development in Mineral Economy* (in Rajan, 2011). Auty observed that countries rich in natural resources ‘often perform worse in terms of economic development and governance than countries with fewer resources’ (in Abumere, 2015; Morrison, 2007). In its earliest application, the casual linkage between natural resource endowment and poverty (Abumere, 2015), posited that states with a greater level of natural resource wealth, tended
to have slow growth, in comparison to their resource-scarce counterparts (Rajan, 2011; Ross, 2001). Literature that finds correlations between resource abundance and slow economic growth, is often coupled with the view that natural resources hinder democracy (Haber & Menaldo, 2011). Extending beyond a solely economic notion, into the political vernacular, these ideas collectively constitute the resource curse theory. And this theory asserts a ‘resource curse triangle’; the inclination for autocratic regime; the propensity for civil conflict; and a low growth rate (Wenar, 2008).

There is a significant correlation between autocratic regime survival and resource wealth – as resources tend to decrease an autocracy’s likelihood of democratising (Wiens et al., 2014). This is particularly evident in economies where industrialisation is limited and resources remain the sole source of income (Boix, 2006). Within this context, dictators have a guaranteed income and are enabled to control, or ‘hamstring’ the economy in order to maintain power (Al-Ubaydli, 2012). And this is where natural resources, in the grip of authoritarian regimes, pose an obstacle to democratisation.

The government is the central component to successfully harnessing the economic benefits natural resources provide – however, the decisions regarding both the extraction and the revenue use, can be distorted by the political context surrounding them (Collier, 2010). A second branch of the resource curse literature, which is also important to consider, is the idea proposed by Lief Wenar that natural resource wealth is in fact a blessing as opposed to a curse. The effect of the resource curse results from a defect in the institutions, which allocate control over the resources, ‘the fault lies not in natures but in human institutions... only human practices can turn what should be a national asset into a collective liability’ (in Abumere, 2015). The argument proposed by Thad Dunning in Crude Democracy (2008) is that resource abundance can either promote or retard the effects of democratic transition, with the strength of each, conditioned by equality. This idea pertains to the quality of a country's institutions, its bureaucratic effectiveness as governed by the rule of law, and further, the capacity for a state’s promotion of economic development (Ross, 2015).

One of the key arguments of the natural resource curse, is that countries endowed with large natural resource reserves, in particular, oil-rich countries, tend to adopt less democratic means of governance (Anyawu & Erhijakpor, 2014). Ross (2001) deduced his cross-sectional analysis with the argument that ‘oil and mineral wealth tends to make states less democratic’ (Ross, 2001). This notion is clearly manifested in the African region, and an excellent contemporary example of the natural resource curse is Angola. Regarded as a quintessential case of resource curse (Hammond, 2011) and according to Tony Hodges, Angola is ‘a graphic example of how developing countries with large natural resources – in particular oil and other minerals – are among those most prone to poor governance, armed conflict and poor performance in economic and social development’ (2004, in Hammond, 2011).
Angola

In the possession of immense mineral wealth - as one of the top two oil producers in sub-Saharan Africa (Roque, 2009) and the world’s fourth largest producer of diamonds (Hammond, 2011) – Angola operates under the premise of a ‘merely ornamental veneer of democracy’ (Roque, 2009). In actuality, Angola has an authoritarian, exclusive and hegemonic political system, which operates under the guise of multiparty democracy (Roque, 2009). Rife with economic mismanagement, limited accountability and endemic corruption since its independence in 1975, Angola’s enormous natural resource wealth does little for the welfare of its people (Hammond, 2011; Roque, 2009). It is obvious there is a significant gap between the constitutional theory and democratic practice; which only serves to legitimise an overtly extractive and clientelistic regime (Roque, 2009). In theory, Angola is a semi-presidential system, yet in practice the presidency is by far the most powerful institution (Roque, 2009). Under the guise of democracy, and as the result of coercive ‘elections’, the Popular Movement for the Liberation of Angola (MPLA) under President José Eduardo, is Angola’s current ruling party. Dos Santos enjoys exclusive power to govern and change the constitution, without the need to engage in debate with the opposition (Roque, 2009). The MPLA allows the democratic freedoms of opposing parties and media outlets, as long as they do not expose or challenge the government (Roque, 2009). This being said however, in terms of opposition, the MPLA remain largely unchallenged due to the lack of a stable or cohesive opponent; a supressed civil society, co-opted by the dictatorial ruling of the MPLA; and a clear correlation between resource revenue and regime protection (Roque, 2009). The MPLA essentially has a license to shape Angola’s political configuration to suit its own interests – and for the most part, governmental interest is vested in consolidating its own power (Roque, 2009). As evidenced, Angola’s extractive revenue works to merely provide superficial advances towards democracy, whilst it bolsters the consolidation of a resilient autocracy.

Rentier State Theory

Natural resource revenue is both beneficial and a major source of income in some of the world’s most developed democracies. However, a key mechanism linking resource dependence and autocratic rule is an incumbent’s discretion over the distribution of resource revenue or ‘rents’ (Jensen & Wantchekon, 2004). The notion of ‘rentier state’ theory was introduced by Mahdavy in 1970, and describes the positive correlation between resource rents and authoritarian regime survival (in Yi, 2012). It considers a state’s level of taxation, spending and group formation (Ross, 2001). Taken collectively these imply that a country’s fiscal policies influence the regime type. Governments which self-fund, through resource income, are more prone to be authoritarian; while governments which utilise the collection of taxes for revenue raising, have a higher likelihood of democratic transition (Ross, 2001). If resource revenue becomes the state’s dominant financing source, it evolves from an extractive state, to a distributive one (Smith, 2004). The result is a rentier state, whereby a country is characterised by a high dependence on the income rents, typically generated through the exploitation of natural resources. A core claim of the rentier state theory is that ‘autocracies that derive more of their national income from oil, natural gas, and other mineral
resources are substantially less likely to transition to democracy’ (Ulfelder, 2007). This is due largely to the fact that rentier states are more autonomous - as resource revenue enables a government to be more detached from its citizenry - and held less accountable (Bjorvatn & Naghavi, 2011; Jensen & Wantchekon, 2004).

In terms of how natural resource wealth impedes democracy, with reference to the rentier effect theory, the main idea is taxation. Taxation enables the raising of funds for developments and services, such as infrastructure, education, housing and healthcare (Yi, 2012). It is widely acknowledged that taxation promotes representative institutions (Yi, 2012), and this is based on the dynamics involved in state building, observed in the early European and colonial American states (Yi, 2012). Essentially, taxation is the ‘bargaining between political elites who want to raise money...and citizens who want to wield certain political rights’ (Yi, 2012). Governments that generate offshore revenue rents, through the extraction and distribution of oil, minerals and gas, decrease their reliance on non-resource taxes (Haber & Menaldo, 2011; Omgba, 2015). In turn, the regime relies on offshore economic prosperity, and not the population, which eliminates a critical link of accountability (Roque, 2009). Tilly (1990) proposed that in the bargaining between state and society, the citizens demanded more fiscal transparency and political accountability from their government (in Ross, 2001), along with some level of influence over the allocation of tax funds (Yi, 2012). As such, the ‘no taxation without representation’ argues that financing without taxation, creates a void in the relationship between the ruling elite and the population (Roque, 2009). This significantly reduces the pressure for governmental accountability - enabling a government to remain detached from its citizenry and proving an enormous obstacle to democratisation.

The rentier effect reduces pressure to adopt democracy in a resource rich country, and this is evident in the Middle East and North Africa (MENA). The global trend toward democracy, or ‘the third wave of democratisation’, has largely bypassed MENA to remain the only region primarily dominated by strong autocratic regimes (Gleditsch & Ward, 2006; Yi, 2012). Rentier economies include Yemen, where there is a permanent economic crisis; Iran; Saudi Arabia and Qatar. According to Bellin (2004), the prevalence of authoritarianism throughout MENA is due largely to the coercive potential of the state to suppress the actions of those in pursuit of regime transition (in Cuaresma et al., 2010).

Natural Resource Wealth

‘If democratising pressures never have the opportunity to build... the likelihood of democratic institutions emerging is low’ (Wiens, et al., 2014). In resource-rich countries, it is widely speculated that a large portion of the funds received from the sale of natural resources, adds to the personal wealth of corrupt leaders (Abumere, 2015). This is furthered by the huge percentage of loans – borrowed using their countries as collateral – which is largely unaccounted for (Abumere, 2015). With access to substantial revenue that can easily be utilised for personal or political gain, regimes in resource-rich countries tend to be corrupt. ‘Resource riches raise the value of being in power’ (Hammond, 2011) and consequentially authoritarian leaders face competition. As survival is the ultimate...
objective of autocratic political leaders (de Mesquita and Smith, 2010), resource income can diminish the prospect for democracy, by enabling leaders to forestall of abort democratisation transition (Wiens, et al., 2014). Authoritarian governments can consolidate their hold on power by utilising revenue to boost their pervasive security and pacify dissent (Ross, 2001). These rents provide the means for leaders to invest in repressive apparatus, which can ultimately suppress domestic resistance (Abumere, 2015; van der Ploeg, 2011). Higher levels of available resource rents provide increased support for dictatorial leaders (Jensen & Wantchekon, 2004), where power and preference is maintained through co-optive and coercive tactics (Hammond, 2011). Resource wealth enables leaders to buy off challengers who pose the threat of regime resistance (Abumere, 2015; van der Ploeg, 2011), and to dissuade the citizenry from joining mass political rebellions (de Mesquita & Smith, 2010).

In saying this, the immense temptation of gaining control over abundant valuable resources, encourages rogues in the competition for power of the state (Abumere, 2015). Natural resources can motivate rebellion; from both secessionist movements with the intent to disrupt a regime; and rogues who fight, even without the prospect of capturing the state, but merely to finance their operations (Collier, 2010). There is evidence that natural resource wealth is linked with considerably high levels of violence by the opposition, who are forced to employ to non-constitutional means, such as riots, coups d’état, and even civil wars, to vie for political power (Abumere, 2015; Brunnschweiler, 2008; Jensen & Wantchekon, 2004). The very presence of resources within developing nations exacerbates the threat of violent conflict. Countries such as Nigeria, Burma, Pakistan and Sudan, are all areas in which civil unrest for the control of oil and gas reserves, has flourished (Collier, 2010). The implications of civil unrest can be ambiguous, however it can undermine autocratic regimes and foster the emergence of both democratic and autocratic regime transition (Gleditsch & Ward, 2006).

**Conclusion**

It is evident that natural resources do in fact impede the prospect of democratic transition. At the very crux of the phenomenon, is perversely, that the worst development outcomes – measured through levels of poverty, deprivation, repression and inequality – are often in the countries with the greatest natural resource endowments. The idea of a relatively equal society, where no single actor or party has unrestricted preference to impose its rules on others, is foundational to democracy (Gleditsch & Ward, 2006; Yi, 2012). Natural resources can benefit democracy, yet at the same time, they can seemingly obscure democratic transition. It can be observed that resource-rich countries share a number of institutional features. Those being corruption, autocracy, repressed civil state and poor institutions (Rajan, 2011). Through the exploration of two distinct political frameworks, the resource curse and the rentier state theory, it is obvious that resource wealth is exploited to a certain extent, by malevolent governments who utilise the rents, to their own advantage. This is fundamental to the premise that natural resource wealth is in fact, a curse for democracy.
References


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