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978-0-521-73075-4 - Crude Democracy: Natural Resource Wealth and Political Regimes
Thad Dunning

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***Crude Democracy:
Natural Resource Wealth and Political Regimes***

This book challenges the conventional wisdom that natural resource wealth promotes autocracy. Oil and other forms of mineral wealth can promote both authoritarianism and democracy, the book argues, but they do so through different mechanisms; an understanding of these different mechanisms can help elucidate when either the authoritarian or democratic effects of resource wealth will be relatively strong. Exploiting game-theoretic tools and statistical modeling as well as detailed country case studies and drawing on fieldwork in Latin America and Africa, this book builds and tests a theory that explains political variation across resource-rich states. It will be read by scholars studying the political effects of natural resource wealth in many regions, as well as by those interested in the emergence and persistence of democratic regimes.

Thad Dunning is Assistant Professor of Political Science at Yale University and a research Fellow at Yale's Whitney and Betty MacMillan Center for International and Area Studies. Dunning's previous work has appeared in *International Organization*, the *Journal of Conflict Resolution*, *Political Analysis*, *Studies in Comparative International Development*, and other journals. The dissertation on which this book is based was given the Mancur Olson Award by the Political Economy Section of the American Political Science Association (2008), for the best dissertation in political economy completed in the previous two years. Dunning's research interests lie in comparative politics, political economy, and international relations.

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Crude Democracy

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AND POLITICAL REGIMES

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Yale University



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For my parents, Hap, Joby, and Ted

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Preface and Acknowledgments

As this book goes to press, we are living in the midst of a petroleum boom akin to the two oil shocks of the 1970s. The per-barrel price of crude surpassed \$100 in the first days of 2008, nearing in real terms the price records set during previous booms. For consumers in oil-importing countries, the rising price of petroleum represents an unwelcome cost and a source of inflationary pressure at a time of slowing economic growth. As in the earlier oil shocks, however, the sharply rising petroleum price implies an economic bonanza of epic proportions for oil-exporting countries. How will the boom affect economic and political institutions in those countries?

To analysts of the 1970s, a sustained petroleum boom could only boost the fortunes of oil-rich countries. Social-scientific theories suggested that rising national income would be good for democracy too. Yet, by the 1990s, scholars had begun to question the economic and political benefits of the first two oil shocks. Jeffrey Sachs and Andrew Warner, among others, presented research showing that the resource-rich countries had grown less, not more, than similar resource-poor countries (Sachs and Warner 1995); in another influential early discussion, Terry Karl asked why, “after benefiting from the largest transfer of wealth ever to occur without war . . . have most oil-exporting developing countries suffered from economic deterioration and political decay?” (Karl 1997: xv).

The answer seemed to be that a massive flow of natural resource revenues into the fiscal coffers of the state engendered perverse political as well as economic effects. Not only did natural resource booms cripple non-resource export sectors and inhibit various forms of productive economic activity, they also fostered corruption, weakened accountability, and heightened incentives for rent-seeking. Most relevant for this book, scholars began to

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argue what has now become nearly a new conventional wisdom: natural resources promote authoritarianism.

This book challenges this conventional wisdom as applied to the development of political regimes. It does not take issue with the claim that natural resource booms may sometimes heighten corruption or weaken institutions in various ways; nor does it contradict the assertion that they may support authoritarian regimes. Yet, this book attempts to refine such arguments by pointing out the ways in which resource wealth may also bolster democracy. Oil and other forms of mineral wealth can promote both authoritarianism and democracy, I argue, but they do so through different mechanisms; an understanding of these different mechanisms can help us understand when either the authoritarian or democratic effects of resource wealth will be relatively strong. Exploiting game-theoretic tools and statistical modeling as well as detailed country case studies, and drawing on fieldwork in Venezuela as well as Bolivia, Botswana, and Chile, I build a theory that seeks to explain political variation across resource-rich states.

For resource-rich countries today, this book suggests that the current boom will have more subtle effects than the present image of an authoritarian resource curse would suggest. Only time will tell to what extent the predictions of the theory are borne out by events. Yet, in trying to explain why petroleum and related kinds of natural resources sometimes seem to provide a blessing for democracy and at other times engender an authoritarian curse, this book provides a framework for thinking systematically about the contrasting political effects of natural resource wealth during the current export bonanza.

A first book provides a valuable (if daunting) chance to acknowledge the many personal and intellectual debts incurred during its conception; it is a pleasure to have the opportunity. I was blessed to have wonderful dissertation and oral defense committees as a graduate student at the University of California, Berkeley. Peter Evans and Gérard Roland provided models of engaged scholarship and encouraged me at important moments in my graduate career. David Collier has been a superlative mentor and a source of professional and intellectual encouragement nonpareil, as so many who have worked with him can attest. I am grateful to Ruth Berins Collier for her unflagging support and her very valuable guidance as the co-chair of my dissertation committee; during my first year in graduate school, Ruth also took me on as an editorial assistant at the journal *Studies in Comparative International Development*, a socialization experience that proved not only

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fun but also instructive. Finally, as the other co-chair on my committee, Jim Robinson did so much to inspire not only this book but also my faith that social science can tackle the most difficult and important questions while continually seeking to improve the means by which it does so; this book owes a great deal to him.

I have been fortunate to benefit from the guidance of many other mentors as well. David Freedman, who has shared his time and insights more generously than I could have ever hoped, taught me much about statistics and even more about social science. Bob Powell, in addition to providing an inspiring example through his own scholarship, gave me much-needed advice at a crucial point in the development of my dissertation; he also bestowed financial assistance that allowed me the time needed to obtain an M.A. degree in economics while pursuing my doctoral degree in political science. I am grateful to others, including Henry Brady, Laura Stoker, and Steve Weber, for their help and advice during my graduate studies. Terry Karl, whose scholarship helped to motivate some of the questions that led to this book, urged me to study political science in graduate school; I am grateful for the intervention.

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