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Hlavac, Marek
Georgetown University

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Marek Hlavac*

Georgetown University

Georgetown Public Policy Institute

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* Candidate, Master of Public Policy (MPP), Georgetown University, Expected 2011
A.B. in Economics, summa cum laude, Princeton University, 2008

In “Oil Wealth and Regime Survival in the Developing World, 1960-1999“ Benjamin Smith examines the effects of oil wealth, as well as of sudden changes in oil prices, on regime failure, political protest and civil war. He finds that oil wealth is robustly associated with more durable regimes, and significantly related to lower levels of anti-state protest and civil war. The collapse of oil prices in 1986, furthermore, is found to have exerted no significant effect on regime viability or civil conflict within oil-exporting countries. Finally, contrary to Ross (2001) and Bellin (2002), repression appears not to be the mechanism through which oil enhances regime durability. Instead, the author suggests, leaders in oil-rich states may invest their windfall oil rents in building state institutions and political organizations that can help maintain the regime in difficult times.

Smith’s article contributes to a long-standing debate on the “natural resource curse” - the proposition that natural resource wealth, far from being a blessing, can make the onset of civil conflict more likely, and increase its duration. Empirical studies of the relationship have yielded mixed results: Collier and Hoeffler (1998, 2004) find that the onset of civil war is more likely in countries that are more dependent on natural resource exports. Elbadawi and Sambanis (2002) find no significant effect of natural resource dependence on civil war prevalence. Humphreys (2003), de Soysa (2002) and Fearon and Laitin (2003) suggest that various types of natural resources may differ in their effects on civil war onset and duration. In addition, in its emphasis on the durability of political regimes, Smith’s paper represents an important contribution to research literature on the determinants of the survival of democratic and authoritarian regimes, pioneered by Przeworski et al. (1996) and later extended by Cheibub (2002), Gandhi and Przeworki (2007), and others.

Smith's article exhibits some important strengths: Recent literature on the natural resource curse has been plagued by a focus on aggregate measures of natural resource dependence. As a result, extant studies may confound the differential effects of variously lootable, proximate, concentrated or legal resources (LeBillion, 2001; Lujala et al., 2005). By contrast, Smith's paper provides an important contribution that focuses specifically on oil wealth as a possible contributing factor to civil conflict. An additional strength of Smith's contribution lies in its examination of the mechanism that underlies oil wealth's association with increased regime durability. In particular, Smith conducts an explicit test of the repression thesis, proposed by Ross (2001) and Bellin (2002), and concludes that factors other than spending on coercion must be at work in explaining regime durability.

Smith's work, however, also has several shortcomings: First, his choice of the oil dependence variable – the ratio of the value of oil exports to gross domestic product in a given year, as given by the World Bank (2001) – may not be the best proxy for oil wealth. As Brunschweiller and Bulte (2009) note, "[r]esource rich countries that have also developed other industries may not be dependent on oil." To address this issue, Smith might wish to consider testing whether his results hold for an alternative measure of oil wealth: a stock variable that captures the discounted present value of the future flow of economic rents from a country's oil reserves, as in Brunschweiller and Bulte (2009).

Another important issue is that of potential reverse causality: Smith's models assume that regime durability, civil war and political protest are all a function of economic growth and oil dependence. Causality could, however, also run the other way: As Brunschweiller and Bulte (2009) point out, countries that suffer from conflict or instability may be less able to attract investment or develop industries in sectors other than natural resource extraction. To ensure that simultaneity does not bias his estimates, Smith should consider using instrumental variables for economic growth and oil dependence: Brunschweiller and Bulte (2009) use a variety of characteristics – for instance, latitude, trade openness, and distance to major rivers – to instrument for income and resource dependence. In another study of the determinants of civil conflict, Miguel, Satyanath and Sergenti (2004) use rainfall to instrument for economic shocks in sub-Saharan Africa.

Finally, Smith's results suggest that the level of democracy, as measured by the Polity98 index, is positively related to civil war. Additionally, he points to a number of other studies – Hegre et al. (2001) and de Soysa (2000) – that suggest that semi-democracies may be more susceptible to civil conflict. In a recent paper, however, Vreeland (2008) found that certain components of the Polity index include a "factional" category, where political competition is "intense, hostile and frequently violent. Extreme factionalism may be manifested in the establishment of rival governments and civil war." (Gurr, 1997) As a result, the finding that countries that score around the middle of the Polity index are more prone to civil war may be an artifact of Polity's definition of democracy (Vreeland, 2008). When factional components are removed from the index, Vreeland finds that the relationship between level of democracy and probability of civil war disappears. Smith would, therefore, be well-advised to check whether his findings hold for a recoded democracy variable that does not include factional components.

If Smith's findings prove robust to these challenges, they could have a number of important policy implications: They suggest that long-lasting regimes in oil-wealthy states such as Suharto's in Indonesia or Saddam Hussein's in Iraq should not be seen as exceptions, but rather should be regarded as the dominant trend among oil-exporting countries. More generally, Smith's research shows that the durability of oil-wealthy regimes cannot be attributed solely to patronage and coercion. Regimes in oil-rich states last long even when oil rents drop dramatically, such as after the 1986 oil bust. Repression, furthermore, does not account for these regimes' longevity either: Even after controlling for the degree of authoritarian rule, oil-wealthy regimes survive longer than others. Policy-makers, then, should not view sharp changes in oil prices or steps towards political liberalization as harbingers of regime change in oil-exporting states.

All in all, Smith's article is comprehensive in its coverage of regime durability, of civil war and of political protest; usefully specific in its focus on a single natural resource; and innovative in its examination of the effect of oil booms and busts, as well as in its explicit test of the repression thesis. If Smith successfully addresses the concerns outlined earlier in this report, he will have made an even more significant contribution to the academic literature.

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