

100 YEARS OF OIL: DID IT DEPRESS DEMOCRACY AND SUSTAIN AUTOCRACY?



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100 Years of Oil



- Oil discovered in the Middle East in 1908.
- Oil powered 20th century modernization.
 - 1906: Wright Brothers' patent on a "flying machine"
 - 1908: Henry Ford introduced the first affordable car, Model T
 - 1911: Churchill ordered British navy to replace coal with oil
- 100 years on, high oil prices and climate change triggering search for alternatives globally.
- Irrespective of the future of oil, important to ask what oil did for countries that produced it.

Resource Curse



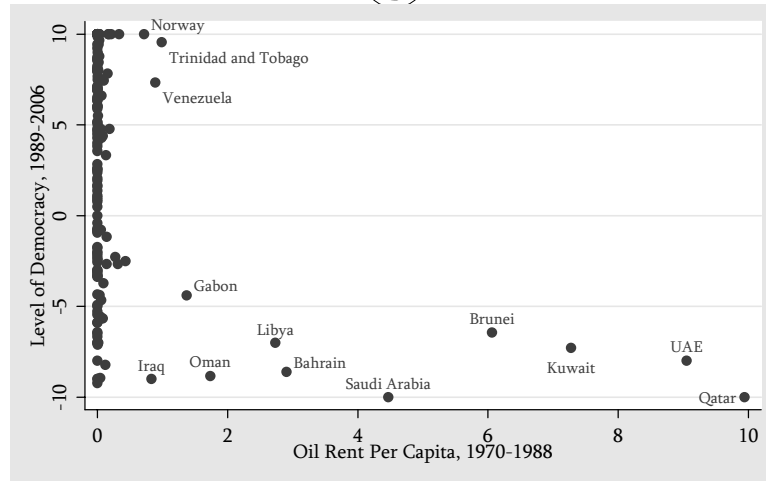
- Resource-rich countries have slower rates of growth.
 - Sachs & Warner (1995, 1999)
- Resource-rich countries are more prone to political unrest and civil war.
 - Collier & Hoeffler (2004)
 - Fearon & Laitin (2003)
- Resource-rich countries are less democratic.
 - Ross (2001)
 - Jensen & Wantchekon (2004)

Revisiting the Curse



- The first two strands of the curse literature have been scrutinized (e.g., Brunnschweiler et al 2008).
- The third strand has gained currency in the popular press (e.g., Friedman 2008).
- We revisit the third strand, on the link between oil and democracy.
 - Is regime type causally posterior to oil discovery?
 - Isn't regime path-dependent?
 - Is there any factor other than oil?

Did Oil Depress Democracy?



Causal Channels?

- The three “causal” channels (Ross 2001)
 - The rentier effect
 - The repression effect
 - The effect against modernization
- An implicit (and questionable) assumption
 - A country’s regime type is *causally posterior* to the availability of natural resources like oil.

Regimes – Path-dependent



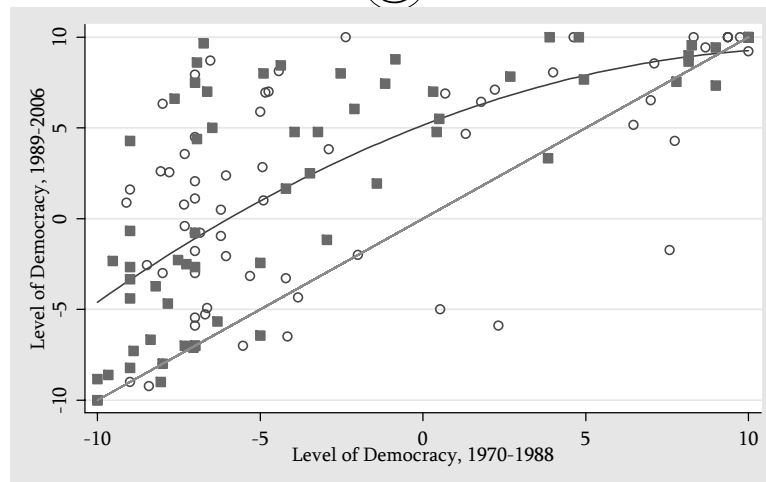
- Oil-rich undemocratic countries of today were also undemocratic 100 years ago well before oil entered the scene.
- Highly democratic countries have remained so even after oil discoveries. No evidence that already-democratic countries become less democratic because of oil.
- Indication of “path dependency”
 - Inclusion of historical attributes in statistical models (fixed-effects) wipes any influence of oil on regime type.

Oil – Democratic Transitions Harder?



- Once oil-rents flowed in, did they make democratic transitions harder?
 - Over the past 3 decades, many nations democratized. Any systematic link between oil-wealth and democratic leaps?

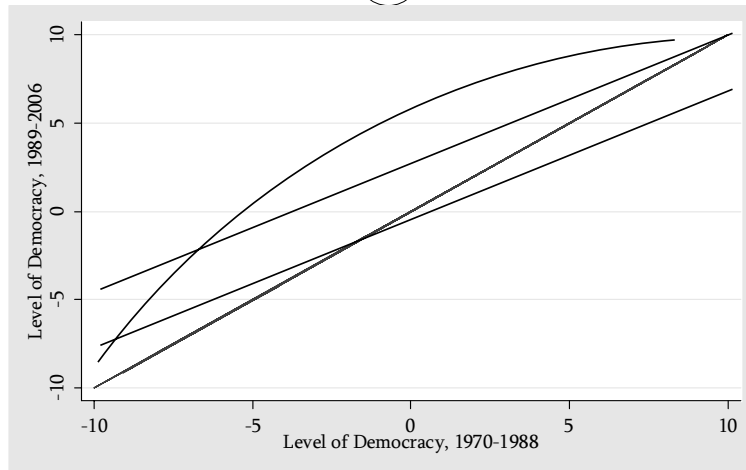
Did Oil Sustain Autocracy?



Expected Results

- Past regime type is a strong predictor of today's regime type.
 - Non-linear effect: Countries at the extreme have high inertia.
- Once this non-linear path-dependent effect is controlled, oil abundance *per se* has no effect on regime type.

Why not linear?



Data and Variables



- Data and periods
 - More than 160 countries
 - Period 1 (1970-1982), Period 2 (1983-1994), Period 3 (1995-2006)
- Dependent variable
 - Average regime type for Periods 2 and 3
- Independent variables
 - Average oil rent per capita for Periods 1 and 2
 - Average regime type for Periods 1 and 2, *and its squared term*
- A data problem
 - Oil rent per capita – highly skewed

Regression Results

Models	1	2	3	4	5
Rent Per Capita	-0.36* (0.15)	-0.21 (0.13)		-0.22 (0.14)	
ln(Rent Per Capita)			0.00 (.03)		-0.15 (0.11)
Number of countries	306	306	306	160	160
R-square	0.77	0.80	0.80	0.84	0.84
w/ lagged DV and other controls	Yes	Yes	Yes	Yes	Yes
w/ lagged DV (sq.)	No	Yes	Yes	Yes	Yes
Replace 0.0001 for 0 (rent per capita)?	No	No	Yes	No (drop)	No (drop)

Conclusion

- Link between oil-wealth and non-democracy is not robust to model specifications.
- Heterogeneity of country experiences and institutional structures of governance account for regime variance, not resource endowment *per se*.