Danika Tynes
Geopolitics of Oil
Oil and Regime Structures

"Why are most, but not all, oil/gas producing states and those who have significant natural resources tend to have authoritarian or at least non-democratic regimes. Why is this the case, present your theory and defend it."

Non-democratic regime structures are more desirable to oil-rich states because there is no incentive to become democratic (Hertog, 2011). Oil represents money and money represents power, quite simply (Goldman, 2010). Russia's economy bankrupted subsequent to the Cold War, for example, but it was the increased demand for oil that rapidly allowed for economic rebound placing them now squarely back in contention for power status on the world stage (ibid). Rent-seeking, or a government's realization of revenues from the natural resource wealth is a significant contributor to competitions for power that can lead to fractionalization (Bjorvatn, Farzanegan & Schneider, 2012). It is the equivalent of sitting on an island and eating all of the fruit that grows, without harvesting new fruit trees or learning how to fish. The rents are the booty, because when it comes to oil, the booty is bountiful. Weakened governments, like Nigeria, are then subject to de-stabilizing continuous conflict in an effort to shift power and wealth. Strong autocratic rule tends to lend itself better to both preserving the power achieved by oil rents, while also bolstering that power with significant investment in military (Ross, 2012). Autocratic governments have wealth, power, political influence (i.e., as part of OPEC and price regulations), and typically do not apply taxation, thus are not accountable to their constituents (Frankel, 2012). But, research has shown that citizens show greater support for governments with lower taxes and larger budgets, thus reinforcing an autocratic structure (Ross, 2012). To become democratic would demand significant investment in institution-building (Soto & Haouas, 2012), which would cut into rents being realized, as well as potentially de-stabilize support for government during that shift opening up an opportunity for upsetting the balance of power (Ross, 2012). To support this argument, it is easy to look at trends for democracy outside oil-rich countries. The oil business took off in the 1970s (Mohaddes,& Pesaran, 2013; Soto & Haouas, 2012), which was also the starting point for the boom in shift to democracy (Ross, 2012). While today, most of the world is democratic, oil-rich countries primarily in the Arab world are not. Ross (2012) explains that the shift to democracy is caused by several key factors: 1) Higher incomes; 2) Slow economic growth; 3) General and temporal proximity. Oil-rich countries are not beholden to these factors because they are somewhat immune for the foreseeable future to having to rely on anyone to sustain their current position. In effect, having oil allows a country to play by its own rules if it did not start out as a democracy (ibid). Because of the additional notable corruption that has been identified in many authoritarian regimes, a shift to democracy would also necessarily promote transparency; yet another downside for a regime to reject. It is important to note that oil wealth does not stop a shift to democracy, as in the case of Venezuela, Nigeria or Ecuador (ibid). However, it is clear that there must be very real incentives for oil-rich autocratic regimes to want to make that change.

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