The Oil Curse: How Petroleum Wealth Shapes the Development of Nations

By Michael Ross

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One may argue three law-like generalizations in political science: "no bourgeois, no democracy," "democracies do not go to war with each other," and "natural resources are a curse." Although each of these highly contested arguments is important, the last one has the broadest impact—the negative effects of oil, natural gas, and mineral production go beyond authoritarianism and have economic, military, and societal consequences. Recently, some important publications have challenged the "resource curse" argument, creating doubts about these negative effects. In this regard, Michael Ross's book is an extremely timely work. It not only responds to these critiques but also provides a consistent set of explanations about oil and its effects on authoritarianism, patriarchy, inter-state and civil wars, and economic underdevelopment. Ross has already written path-breaking articles on these issues and this magnum opus brings together his previous contributions with updated data, revised arguments, and fresh perspectives. Unlike his earlier publications, Ross's analysis focuses on oil and natural gas, sometimes referring to both as only "oil," and consistently leaves mineral production aside. His data show how the importance of oil will persist, if not increase, in the near future: "the global market for oil and other liquid fuels will rise from 86.1 million barrels a day in 2007 to 110 million barrel a day in 2035; the market for natural gas will rise from 108 to 156 trillion cubic feet" (p. 251).

Regarding scope it would be meaningful to begin with the importance of the book for studies on the Middle East, in particular, and the Muslim world, in general. According to Ross, the Middle East is regarded as exceptional for becoming wealthier "without becoming democratic" and "without making much progress toward gender equality." Some scholars and pundits blame Islam for these conditions, but Ross links these problems to oil: "most of the world's petroleum is found in countries with Muslim majorities...; in 2008, Muslim-majority countries—making up about 23 percent of the world's sovereign states—exported about 51 percent of the world's oil and held 62 percent of its petroleum reserves" (p. 231).

Ross particularly concentrates on the Middle East and North Africa (MENA) region when analyzing patriarchy. He argues that oil is the main reason for gender inequality in MENA countries. His general argument draws on the counterfactuals from other regions where patriarchy has been weakened, such as in East Asian cases, as a result of women's participation in the industrial labor force. In contrast to agriculture, which is mostly a male-dominated family business, work in the industrial sector has resulted in women's increasing participation and influence in economic, social, and eventually political life. In most Middle Eastern countries, however, oil income has resulted in the weakening of export-oriented manufacturing industries, due to the appreciation of national currency, in addition to other negative effects such as increased spending (collectively what is referred to as the "Dutch disease"). This development has minimized the need and opportunity for women to work because the oil sector is not labor intensive. Ross cites Saudi Arabia as an example: "…oil and gas account for 90 percent of the country's GDP. Yet the entire petroleum and mineral sector employs just 1.6 percent of the active labor force, and 0.35 percent of the total population" (p. 45). Moreover, in oil-rich countries, government allocation of rents to families and high salaries for husbands who work for government have also diminished the financial incentive for women to work. There is also minimal material motivation in the service sector, which provides lower salaries to mostly immigrant male workers. The result is the persistence of patriarchy in oil-rich MENA countries. Ross also clarifies this argument by comparing oil-rich Algeria and oil-poor Morocco; he shows that Algeria has higher gender inequality despite the fact that it has had several progressive socialist governments and higher GDP per capita and that Morocco has a traditional monarchy and lower GDP per capita.

Although the analysis of patriarchy depicts oil as a barrier to the advancement of the industrial sector, the chapter on development shows that oil does not prevent GDP growth. Instead, oil states, where oil income per capita is over $100, "have grown at about the same rate as other countries" (p. 221). The puzzle, Ross notes, is "why the oil states have had normal growth rates, when they should have had faster than normal economic growth, given their enormous natural wealth" (p. 189). In terms of GDP per capita, oil-producers show by and large slower growth rates due to their rapidly growing populations. Ross links this fact to his argument about patriarchy: oil production consolidates patriarchy, and this leads to high fertility and population growth.

The role of oil is more clearly visible in conflicts and authoritarianism. In his analysis of oil and armed conflicts, Ross stresses the importance of civil wars, because, from 1989 to 2006, out of 122 conflicts in the world, 115 were civil wars (p. 146). In his words, "Since the early 1990s, oil-producing countries have been about 50 percent more likely than other countries to have civil wars" (p. 145). Examining authoritarianism, Ross emphasizes that until 1980, oil-rich developing countries were very similar to their oil-poor counterparts, in terms of having authoritarian regimes. Today, however, the oil-rich countries "are 50 percent more likely to be ruled by autocrats" (p. 1). Oil even makes low-income democracies more likely to move to authoritarianism. The only exception is Latin America, where oil-rich several countries became democratic. Ross points to the fact that these countries already had democratic experiences before massive oil production began. Yet it is also important that the amount of oil income generated in Latin American countries is smaller in comparison to the leading oil states. Therefore, "no country with high levels of oil and gas income successfully became a democracy between 1960 and 2010" (p. 74).

To explain the causality behind this clear correlation, Ross claims that "oil has kept autocrats in power by enabling them to increase spending, reduce taxes, buy the loyalty of the armed forces, and conceal their own corruption and incompetence," (p. 63) because oil revenues are "unusually large, do not come from taxes, fluctuate unpredictably, and can be easily hidden" (p. 6). Ross primarily focuses on the last factor—secrecy. He claims that citizens' attitude toward the government is primarily based on its spending-to-revenue ratio. In oil-rich countries, governments can hide some of the oil revenues. Given this misinformation, citizens' perception of governments' spending-to-revenue ratios become higher than they actually are. This perception is a reason for citizens' relatively higher satisfaction for and lower opposition to oil-rich governments.

Among Ross's insightful empirical discussions, the Soviet case, where oil income per capita declined from $3,100 in 1980 to $1,050 in 1991, is particularly noteworthy. In his words, "Oil accounted for 80 percent of Soviet hard currency earnings between 1973 and 1985… After oil prices peaked in 1980, they fell by over 70 percent over the next six years; so did Soviet oil revenues, producing the economic and political crisis that ultimately led to the Soviet government's collapse" (pp. 83-5).

My main reservation with this important book is about its attempt to replace the causal mechanisms between oil and authoritarianism Ross elaborated in an earlier article[1] with new alternatives. In this seminal article, Ross had explained five mechanisms—taxation, spending, group formation, repression, and modernization effects. Later, he critically re-examined some of these effects in an unpublished paper ("Oil and Democracy Revisited," 2009), noting a lack of statistically significant relationships with authoritarianism when updated data was used. Thus he ignores most of these effects in the book and instead offers secrecy and governments' perceived spending/revenue rates as new alternatives to explain how oil production causes authoritarianism (p. 105). I do not think these two can replace the causal relations explained by Ross's 2001 article for three main reasons.

First, Ross's 2009 paper did not find statistically significant relations between authoritarianism and two effects—repression and modernization—and did not reach a conclusion on the group formation effect. Rather than neglecting them, the book could have revised these effects. *Group formation* refers to the fact that in many rentier states (where oil and natural gas constitute over 40 percent of government revenues), there is no bourgeoisie, political society, or media independent of the government. This effect can be assessed with new measurements and data on economic associations, political parties, and media outlets. It is true that rentier states are no different from other autocracies in terms of using *repressive* police and military forces. Yet the book could still have linked the chapter on authoritarianism to that on conflicts, and showed how oil leads to both armed conflicts and authoritarianism. I agree that oil does not prevent schooling, urbanization, and some other criteria of modernization. Nevertheless, the modernization effect still helps us understand why many rentier states have a very high level of GDP per capita while having moderate or low levels of schooling and health conditions (as documented by UNDP's Non-income Human Development Index).

Second, although Ross's 2009 paper revealed taxation and spending effects as statistically significant, the book undermines them by employing an absolute measurement (oil income per capita), unlike in the 2001 article that more correctly used relative measurements—the rates of oil rents vs. taxes in government revenues for the "taxation effect," and government spending as a ratio of GDP for the "spending effect." In the analysis of economic development and probably conflicts, where GDP is a dependent variable, I agree that oil income per capita is a better measurement than relative measurements, which can create endogeneity problems (since underdevelopment and arguably conflicts are not separate from lower GDP). Yet in analyzing authoritarianism, relative measurements are much better to test the dominance of oil revenues over state revenues and over the economy. The former is important in order to examine a government's financial independence from society, and the latter is significant in assessing society's financial dependence on the government through the distribution of rents. Oil income per capita does not explain any of these two. Regarding the book's primary measurement, Norway has a higher oil income per capita than Brunei, but this undermines the fact that oil only constitutes over 20 percent of government revenues and over 10 percent of the GDP in Norway, whereas in Brunei it accounts for nearly 90 percent of government revenues and 40 percent of GDP (p. 21, p. 32). There is a categorical difference between oil's impacts on these two countries' political regimes, which is not seen in their amounts of oil income per capita. In fact, absolute and relative measurements can be seen as complementary analytical tools. Oil income per capita, which documents the amount of oil revenue per person as an exogenous factor, is crucial for the analysis of development and conflicts, while oil revenue as percentage of government revenue and GDP helps evaluate the role of oil in state-society relations and authoritarianism.

Finally, the book overemphasizes the role of financial secrecy and the ratio of government spending to perceived government revenues. It is not clear whether these two variables are causes or effects of authoritarianism. Moreover, the second variable is highly subjective: if revenue is calculated with an emphasis on "perception," why not calculate "perceived spending" too? Aren't perceptions of government revenues and spending also important in oil-poor and democratic states, such as Greece? Moreover, the difference between oil-rich and oil-poor countries regarding the details of government revenues only exists for experts. Most of people do not know these details in any state. For the recent Occupy Movement in the United States, the idea that the top 1 percent of the population controls the economy and politics was sufficient for the activists; no further details were needed. In oil-rich countries, the luxurious lifestyles of dynasties/rulers and the costly construction of government buildings are highly visible and widely known. People are aware of the enormous oil revenues spent by corrupt rulers. What people primarily lack is not the details of oil revenue, but the political might to challenge the asymmetrically powerful state machine. People cannot use taxation as leverage against the government, are dependent on government's spending, do not have independent associations and media, are controlled by the security forces, and lack socio-economic complexity. Secrecy and a perceived revenue/spending ratio cannot replace the causal effects coined by Ross's 2001 article. On the issue of authoritarianism, that article should still be read and taught as an addendum to the book.

The Oil Curse is a landmark book that brings together explanations about the impacts of oil on various key issues from authoritarianism to patriarchy, from conflict to development. It combines qualitative and quantitative methods in a truly interdisciplinary *tour de force* of political, economic, and social analyses. The book is an excellent source for policy makers as well as scholars of various disciplines, especially Middle East studies.

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Endnote

1. Michael Ross, "Does Oil Hinder Democracy," *World Politics*, April 2001.

Global Perspectives on Global History: Theories and Approaches in a Connected World

***By* Dominic Sachsenmaier**

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What is global history? How does one study it? These are the main questions Dominic Sachsenmaier wants to answer. "It depends" seems to be his answer. Essentially, he argues against a single definition, rationale, and method for global history and shows the presence of multiple and equally valid global, historical perspectives. Debates in the United States, Germany, and China on global history all exemplify this variation.

For Sachsenmaier, strong forces have propelled the study of global history. To start with, an increasing number of historians have illustrated the inadequacy of the dominant Westphalian and Eurocentric paradigms which academia has taken for granted since the 19th century. Moreover, the forces of globalization, like immigration and global civil society, challenge historians to find new ways of understanding historical interdependencies. Luckily, these same forces provide historians with easier travel and communication opportunities that enable collaborative research extending beyond national boundaries.

Yet, no consensus exists on what global history entails. Confusingly, Sachsenmaier uses the term four different ways. First, global history is simply a historian's work on a country other than her own. Second, it is a study that focuses on cross-regional interactions. Third, it is a work that goes beyond the dominant, simple national narratives; it "complexifies" the historical record by bringing in marginalized voices. Finally, it is the recognition of diverse traditions of historiography in different parts of the world.

Human interest about the past is as old as antiquity, but the organized study of the past as an academic discipline is rather recent. Sachsenmaier traces the academic discipline of history to the nineteenth