Comments on “Natural Resources and Democracy in Latin America” by Thad Dunning

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Summarizing Dunning’s empirical findings

1. There is evidence for a political resource curse as a general phenomenon.

2. But the curse does not exist in Latin America, where democratic governments and oil and mineral abundance have gone hand in hand.
General Comments

This is an important paper.

1. It breaks with an immense literature in political science that finds a political resource curse as a general law--and that has permeated multilateral aid organizations, NGO’s, and the mass media.

2. Its main empirical finding--that oil and mineral rents did not interfere with democracy in Latin America--is undoubtedly correct.

3. In short, I really like where it is headed.
Various explanations are offered at different points in the paper:

H1. Democratization and resources go together when production is below some threshold.

H2. Democratization and resources go together when the distribution of income is skewed, because resource rents reduce the threat from the poor majority for fiscal redistribution.

H3. Democratization and resources go together when the distribution of income is skewed and there is a high level of class conflict.

H4. Democratization and resources go together when the distribution of income is skewed, there is a high level of class conflict, and resources are owned by the state (making it easier for the government to tax and redistribute resource rents).
Suggestion 1

Address each of these four hypotheses more systematically, ruling out those that do not stand up to logic and evidence.
Does the evidence support H1: The threshold hypothesis?

The theory predicts that just enough resources (Chile) produces democracy, but too many resources (Saudi Arabia) gives rise to autocracy.

Empirical difficulties:
Within Latin America, no clear pattern. Are Chile, Mexico, Venezuela, and Bolivia, really more democratic than Colombia, Peru, and Argentina?

Outside Latin America, countries that are minor producers of resources are not more democratic than their resource abundant neighbors: Uzbekistan is not more democratic than Kazakhstan; Syria is not more democratic than Kuwait; Cameroon is not more democratic than Nigeria.

In fact, after lunch, Victor Menaldo and I will show some econometric tests of the threshold idea--and find against it.
Does the evidence support H2: the income distribution hypothesis?

Dunning (2008) suggests that it does, on the basis of a pooled time series cross sectional regression in which oil production per capita is interacted with income distribution (as proxied by the capital share of GDP, excluding oil and minerals).
I would urge more systematic testing of H2

The positive coefficient on the interaction may be an artifact of the way that income distribution is being measured. What is the capital share of GDP of the non-oil portions of the Saudi, Kuwaiti, Bahraini, Omani, and Libyan economies?

The results on the interaction term may be driven by a group of low democracy, high oil countries that are coded as being highly equal by virtue of the fact that the capital share of their non-oil sectors is trivial.
Measuring income inequality by the capital share of GDP may give very different results from the Income Gini

![Income Gini’s vs Capital Shares in GDP](image)

\[ R^2 = 0.1251 \]
Theoretical concerns about H2

1. The theory assumes that the rich are satisficing, not maximizing. Oil revenues diverted to redistributive policies are revenues not available for elites to appropriate. Why should they not view democracy as a threat to their control of those rents?

2. The theory simultaneously assumes that the poor are satisficing, rather than maximizing. Why stop at distributing oil revenues to themselves? Why not distribute the wealth of the elite?
More testing of H3 and H4

Venezuela fits the theory.

Do the other resource abundant democratizers in Latin America (Chile, Mexico, Ecuador, Boliva) fit a story about resource booms, income inequality, and class conflict interacting with one another? Or did something else happen?

What about cases from outside Latin America? What predictions do H3 and H4 make about resource abundant, unequal, and class polarized countries in Africa and the former Soviet Union?
Suggestion 2: Consider an alternative hypothesis

H5. Democratization and resource abundance in Latin America are unrelated. Democratization occurred everywhere in the region at more or less the same time, regardless of whether countries had oil and minerals or not.
Did Latin America’s Resource Intense Economies Democratize Earlier or More Completely?

**Latin American Average Polity Scores, Resource Producers Vs Non-Resource Producers**

- **Natural Resource Countries**
- **Non-Natural Resource Countries**
Suggestion 3: Consider that Latin America may not be exceptional

H6. Perhaps regime types and resource abundance are unrelated phenomena as a general matter. Latin American exceptionalism does not have to be explained.