

Does Political Resource Curse Really Exist? Evidence from the Rentier States in the Greater Middle East

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| IN SHORT

EN

- Oil rents may affect the political regimes through influencing both defense and non-defense expenditures.
- Defense expenditures are considerably influenced by oil rents fluctuations and the quality of political system.
- The rent-seeking by incumbent autocrats may take the form of misappropriation of government revenues away from public services towards patronage.
- Being a 'political curse', natural resources could be detrimental to democracy and enhance regime durability.

DE

- Öleinnahmen prägen das politische Regime. Sie beeinflussen Staatshaushalt und Verteidigungsausgaben.
- Schwankungen der Öleinnahmen aber auch die Qualität des politischen Systems haben einen starken Einfluss auf die Verteidigungsausgaben.
- Rent-Seeking amtierender Autokraten kann sich in einer Veruntreuung von Staatseinnahmen und Klientelismus äußern. Dies führt zu geringeren öffentlichen Dienstleistungen.
- Rohstoffe können ein „politischer Fluch“ werden. Sie schaden Demokratie und erhöhen die Beständigkeit autoritärer Regime.

FR

- Les rentes pétrolières peuvent affecter les régimes politiques en influençant les dépenses de défense ainsi que de non-défense.
- Les dépenses de défense sont considérablement influencées par les fluctuations des rentes pétrolières et la qualité du système politique.
- La recherche de la rente par les autocrates au pouvoir peut prendre la forme d'un détournement des revenus du gouvernement vers le clientélisme au lieu d'être utilisé pour des services publics.
- En tant que "malédiction politique", les ressources naturelles peuvent nuire à la démocratie et renforcer la durabilité du régime.

ES

- Las rentas del petróleo pueden afectar a los regímenes políticos influyendo tanto en los gastos de defensa como en los de no defensa.
- Los gastos de defensa se ven considerablemente influidos por las fluctuaciones de las rentas del petróleo y la calidad del sistema político.
- La búsqueda de rentas por parte de los autócratas en el poder puede adoptar la forma de apropiación indebida de los ingresos públicos, desviándolos de los servicios públicos hacia el clientelismo.
- Al ser una "maldición política", los recursos naturales podrían perjudicar a la democracia y aumentar la durabilidad del régimen.

Introduction

How do oil rents contribute to militarization in the oil rentier states of the greater Middle East¹? What is the impact of oil windfalls on the process of democratization in these countries?

The theoretical analysis suggests that oil rents enable the incumbent government to increase its spending on both patronages and public goods. Nonetheless, reduction in oil revenues decreases the government spending on military purposes and may challenge the political power of the incumbent leader. The oil rents enable the authoritarian regimes to supply goods that diminish social pressures on them. Additionally, resource rents enable governments to enrich the military and security forces to preserve social order (Ross, 2001). Therefore, oil rents may affect the political regimes through influencing both defence and non-defence expenditures.

The results of the estimated panel vector autoregressive (PVAR) models reveal that the impact of negative oil shocks on military burden and non-military expenditures (as a percentage of GDP) is negative and statistically significant in the oil states of the greater Middle East. The reductions in financial capability of the rentier government and spending on patronages improve the political environment and democracy

indices finally. The results of the variance decomposition analysis show that defense expenditures are considerably influenced by oil rents fluctuations and the quality of political system (Dizaji, 2022).

The Middle East is located in a particular geographical and strategic position. Oil revenues play a very important role in the economic and political system of the oil-producing countries in the Middle East and its neighboring countries which form the larger region of the greater Middle East. This region is the greatest single reserve of oil by representing more than 55% of world oil reserves (BP, 2019). Due to the huge dependency of government budget on oil revenues, they are an important driver of military spending and political system in oil-exporting countries of the Middle East. While on average, the amounts of military burden and the ratio of oil rents to GDP for the countries of the Middle East and North Africa have been considerably higher than those amounts in other regions (see Table 1), most of them have been among the most non-democratic states in the world (see Table 2). Accordingly, a key question arises: Do oil rents stabilize the authoritarian regimes? Could reductions in oil rents prevent the excessive military spending and have an impact on democracy in the greater Middle East?

Overview of Military Expenditures and Democracy in the MENA Region

Oil Rents and Military Spending

The oil rentier states are more likely to spend on military compared to other state budgets because rents can easily buy the military loyalty (Bellin, 2004). Oil revenues prepare a direct source for financing ‘potentially controversial expenditures’ such as generous foreign arms purchases, and, in contrast to taxes, does not induce a costly political pressure (Ali & Abdellatif, 2015). Moreover, even resource-rich countries which don’t encounter conflict may have to increase the military expenditures in order to preserve their resources from internal and external rivals (SIPRI, 2010). Perlo-Freeman

and Brauner (2012) argue that there is lack of accountability and transparency with revenues received from natural resources so that leads to wide off-budget military expenditures and corruption in arms trade. There are a few empirical studies investigating the impact of oil shocks on military and non-military expenditures in the MENA region. Ali and Abdellatif (2015) for the countries from the Middle East and North Africa (MENA) region find that the revenues from oil and forest resources increase military spending, while coal

¹ The “greater Middle East oil states” includes the oil rentier states of North Africa, the Levant, the Persian Gulf, and the Central Asia.

and natural gas rents have negative impact on military expenditures.

Chun (2010) finds an inelastic demand of military expenditures in five oil-rich countries, namely Iran, Saudi Arabia, Kuwait, Nigeria, and Venezuela. Accordingly, he discusses that “attempts to limit military expenditures in these countries by restricting their oil revenues is not a successful policy”. Dizaji (2014) and Farzanegan (2011) have examined the dynamic impact of oil shocks on different categories of government expenditures using Vector Autoregressive (VAR) models. While Dizaji (2014) finds the significant impact of oil shocks on government revenues and capital and current expenditures, Farzanegan (2011) discusses that oil revenues may affect Iran’s military expenditures

without causing a significant impact on government’s social spending.

The oil-rich region of Middle East and North Africa has had the highest levels of oil rents (as a percentage of GDP) and military burden² in last decades comparing to the other regions in the world (Table 1). Six of the 10 countries with the highest military burden are in the Middle East in 2021 (SIPRI, 2021): Oman, which spent 7.3 per cent of its GDP on the military (the highest in the world), Kuwait (6.7 per cent), Saudi Arabia (6.6 per cent), Israel (5.2 per cent), Jordan (5.0 per cent) and Qatar (4.8 per cent).

TABLE 1: REGIONAL AVERAGES OF OIL RENTS (PERCENTAGE OF GDP) AND MILITARY EXPENDITURE (PERCENTAGE OF GDP).³

Regions	Military expenditure (% of GDP)			Oil rents (% of GDP)		
	1990-1999	2000-2009	2010-2019	1990-1999	2000-2009	2010-2019
<i>East Asia & Pacific</i>	1.48	1.50	1.63	0.41	0.74	0.56
<i>Europe & Central Asia</i>	2.16	1.76	1.69	0.38	0.92	1.11
<i>Latin America & Caribbean</i>	1.46	1.24	1.27	1.99	3.74	2.38
<i>Middle East & North Africa</i>	7.45	4.97	5.36	16.97	24.72	21.04
<i>North America</i>	3.94	3.69	3.65	0.41	0.38	0.36
<i>South Asia</i>	3.06	2.75	2.50	0.79	0.94	0.64
<i>Sub-Saharan Africa</i>	2.21	1.53	1.23	3.52	7.18	5.77
<i>World</i>	2.61	2.36	2.3	0.95	1.78	1.79

The overall military expenditure of those Middle Eastern countries for which data is available inflated continuously from 2009 to 2015, leading to a total increase of 41 per cent (SIPRI, 2017). With the reduction in oil revenues, military spending of Middle East countries declined by 16 per cent between 2015 and 2016. Notwithstanding the overall decreasing trend in military spending in the region in 2020, the military burden⁴ increased due to the large economic impact of the Covid-19 pandemic. The Middle East had the highest average military burden in 2020, at 4.9 per cent of GDP, based on countries for which data is available. The lowest average, 1.5 per cent, was for the Americas. For countries in Africa, Asia and Oceania, and Europe, the average was slightly higher, at 1.8 per cent of GDP. Nine

of the 10 countries with the highest military burdens in the world in 2020 were in the greater Middle East region: Oman, which spent 11 per cent of its GDP on the military, Saudi Arabia (8.4 per cent), Algeria (6.7 per cent), Kuwait (6.5 per cent), Israel (5.6 per cent) and Jordan (5.0 per cent), Azerbaijan (5.4 per cent), Armenia (4.9 per cent) and Morocco (4.3 per cent).

A clear measure to assess the governments preferences on the prioritization of different types of expenditures, such as health, education and military expenditures is to measure these expenditures as a share of government total expenditures (Figure 1). Globally, Countries allocated an average of 6.5 per cent of their total budgets to their militaries over the period 2000-2020.

² Military burden is defined as a country’s military expenditure as a share of GDP which is the simplest measure of the relative economic burden of the military on the country.

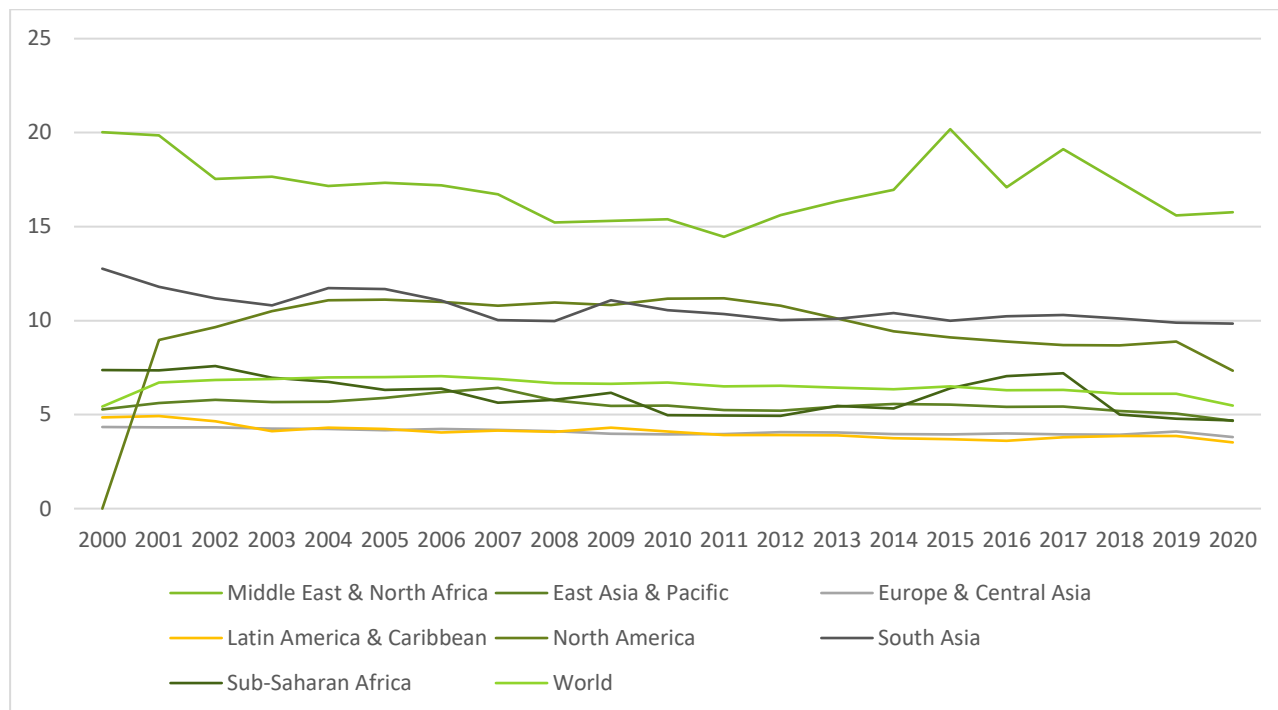
³ Data are from SIPRI (2021) and WDI (2020). Source: Table A.2 in Dizaji and van Bergeijk (2013).

⁴ Except for Lebanon, whose military burden shrank.

Middle East and North African countries allocated an average of 17.04 per cent of their government budgets to the military for the same period, which is by far the

largest average share among all world regions (SIPRI, 2021).

FIGURE 1: REGIONAL AVERAGE OF MILITARY EXPENDITURE (PERCENTAGE OF GENERAL GOVERNMENT EXPENDITURES).⁵



Saudi Arabia increased its military spending by 74 percent and reached a pick level of \$90.3 billion from 2008 to 2015, the years leading up to Saudi Arabia’s military intervention in Yemen in 2015. Since the start of military intervention in Yemen in 2015, its military spending has decreased by 37 per cent, mainly because of a sharp decline in oil prices that put the economy under pressure. Saudi Arabia had the highest military burden in the world at 8.8% of GDP in 2018, although its military spending fell by 6.5% in 2018 to \$67.6 billion. Its military expenditure was \$57.5 billion in 2020, 10 per cent lower than in 2019 (SIPRI, 2017; 2020).

Iran’s military expenditure decreased continuously (by 31%) between 2006 and 2014. This was mostly because of the comprehensive sanctions on Iran’s oil exports imposed by US and European countries to control its nuclear programs. However, in 2014 and after a nuclear deal with world powers, the Iranian economy benefited from the gradual removal of sanctions, which in turn resulted in a 37% increase in military spending between 2014 and 2017. Iran’s military spending fell by 20 per cent between 2018 and 2020, when the USA reinstated

economic sanctions in 2018. In 2021 Iran raised its military budget for the first time in four years, to \$24.6 billion, despite Iran’s continuing economic problems due to the effects of many years of sanctions (SIPRI, 2017; 2021).

Qatar’s military spending was the fifth highest in the Middle East at \$11.6 billion in 2021. According to SIPRI (2021) Qatari military spending increased by 434 per cent between 2010 and 2021. During that period, Qatar was involved in the conflicts in Libya and Syria. It also inflated its armed forces and started to upgrade its inventory of military equipment with imported arms (SIPRI, 2021).

Kuwait’s military expenditure dropped by 5.9 percent in 2020 for the first time since the oil price collapse in 2014. Despite this spending decrease, Kuwait’s military burden rose by 1 percentage point to 6.5 per cent of GDP. The fall in the price of oil, as a consequence of the Covid-19 pandemic, had a particularly negative impact on Kuwait’s economy in 2020 (SIPRI, 2020).

⁵ Source: SIPRI (2022).

Iraq experienced the highest increase in the military expenditures in the world for the period 2006-2015. Its military spending was \$13.1 billion in 2015 which shows a 35% increase from 2014 and a 536% increase from 2006. In 2021, military expenditure as a share of GDP for Iraq was 2.28 %. Though Iraq military expenditure as a share of GDP fluctuated substantially in recent years, it tended to decrease through 1980 - 2021 period (SIPRI, 2017; 2021).

The UAE's military spending was \$24.4 billion in 2014 which introduced it as the second largest military spending in the region. The UAE spent \$19.8 billion on defense in 2020 and ranked nine as a global defense importer from 2016–2020, where the United States was the largest supplier (64%) (SIPRI, 2017; 2021).

Military spending by countries in North Africa has followed an increasing trend since 2011 and show an overall increase of 42 per cent over the decade. It is estimated to have totalled \$23.5 billion in 2019, representing 57 per cent of the total for Africa. Military spending in North Africa raised by 6.4 per cent in 2020, to \$24.7 billion. The long-standing tensions between Algeria and Morocco, domestic insurgencies and continuing civil war in Libya have caused the North Africa's military spending in 2020 to be 4.6 per cent higher than in 2018 and 67 per cent higher than in 2010 (SIPRI, 2017; 2021).

Algeria's military expenditure of \$10.3 billion in 2019 was the highest in North Africa (and Africa as a whole). Its military spending has increased almost continuously since 2000, and particularly in the period 2004–16, when expenditure grew for 13 consecutive years and reached its highest level in 2016. The fall in oil prices starting in 2014 and the subsequent decline in Algeria's oil revenues had a substantial impact on its military spending by the end of 2016. Over the period 2017–20, Algeria's spending decreased in every year except 2019 and fell by 5.3 per cent overall. The large fall in Algeria's GDP related to the Covid-19 pandemic contributed to an increase in its military burden to 6.7 per cent of GDP in

⁶ The Economist Intelligence Unit's Democracy Index provides a snapshot of the state of democracy worldwide. This index is based on the ratings for 60 indicators, grouped into five categories: electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture. The five categories are interrelated and form a coherent conceptual whole. Each category has a rating on a 0 to 10 scale, and the overall Index is the simple average of the five category indexes.

⁷ Measuring democracy comes with many challenges. There is no single 'best' approach to measuring democracy.

2020, which was the highest one in Africa and the third highest in the world (SIPRI, 2020).

Oil Rents and Democracy

Political resource curse literature expresses that oil rents encourage autocracy and hinder democracy (Ross, 2001; Jensen & Wantchekon, 2004; Ahmadov, 2013). Oil rents induce rent-seeking behavior, rent grabbing and rivalries that impede the transition to democracy (Mahdavy, 1970; Przeworski et al., 2000; Ross, 2001). Oil windfalls may also motivate the autocrats to protect their power by strengthening the loyal military group and repressing the political competitors (Tsui, 2011). The autocratic regimes may use oil windfalls to strengthen military sectors as their survival depends to a large extent on military power (Yildirim & Sezgin, 2005; Dahlum & Knutsen, 2017).

The oil-rich countries in the greater Middle East rely mainly on oil revenue with very low taxation, and thus politicians and the states' institutions are not held accountable by their citizens. This is explained by the concept of "rentier state" theory which argues that zero taxation in MENA oil exporting countries is the main reason behind the lack of democracy. Without taxation, the government will be financially independent, and thus will have no accountability measures in the face of the citizens (Alijla & Aghdam, 2017). Oil revenues will also help the governments to spend more on patronage, which depress the potential pressures for democratization. Moreover, rentier states spend more on defence and security sectors which control the population's democratic aspirations (see also Cotet & Tsui, 2013).

The greater Middle East region suffers from poor political institutions, concentration of absolute monarchies, authoritarian regimes and the prevalence of military conflicts. According to the Economist Intelligence Unit's Democracy Index⁶, the Middle East and North Africa region has had the lowest rank of all the regions covered in the Democracy Index⁷ (see Table

Conceptions of democracy are too different, and the challenges of measurement are too diverse for that. The characteristics — such as whether an election was free and fair — even once defined, are difficult to assess. The judgement of experts is to some degree subjective and they may disagree; either about a specific characteristic, or how several characteristics can be reduced into a single measure of democracy. The other approaches of measuring democracy are developed by: *Varieties of Democracy (V-Dem)* by the V-Dem project, *Lexical Index of Electoral Democracy (LIED)* by Skaaning et al. (2015), *Boix-Miller-Rosato* by Boix et al. (2013),

2). Apart from Israel and Tunisia, all the countries in the MENA region are ranked 100th or lower in the Democracy Index. The remaining countries in the region are either "hybrid" or "authoritarian" regimes, with Syria

featuring second from last in the index, just above North Korea, with Yemen, Saudi Arabia, Sudan, Libya, Bahrain and Iran all in the bottom 20 of the rankings.

TABLE 2: REGIONAL AVERAGE OF DEMOCRACY SCORES IN DIFFERENT GEOGRAPHICAL REGIONS.⁸

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
North America	8.59	8.59	8.59	8.59	8.56	8.56	8.56	8.56	8.59	8.58
Western Europe	8.40	8.44	8.41	8.41	8.42	8.40	8.38	8.35	8.35	8.29
Latin America and Caribbean	6.35	6.36	6.38	6.36	6.37	6.33	6.26	6.24	6.13	6.09
Eastern Europe	5.50	5.51	5.53	5.58	5.55	5.43	5.40	5.42	5.42	5.36
Asia and Australia	5.51	5.56	5.61	5.70	5.74	5.74	5.63	5.67	5.67	5.62
World	5.49	5.52	5.53	5.55	5.55	5.52	5.48	5.48	5.44	5.37
Sub-Saharan Africa	4.32	4.32	4.36	4.34	4.38	4.37	4.35	4.36	4.26	4.16
Middle East and North Africa	3.62	3.73	3.68	3.65	3.58	3.56	3.54	3.54	3.53	3.44

Note: This score ranges from 0 to 10 where higher score indicates the higher level of democracy (see footnote 6).

That democracy score for the MENA region has declined every year since 2012, when the advances that followed the onset of the pro-democracy “Arab Spring” uprising in December 2010 began to be reversed. However, only Tunisia has consolidated any democratic gains, graduating into a “flawed democracy” in 2014 with an increase in its score from 3.06 in 2006 to 6.72 in 2019. After Sub-Saharan Africa, the Middle East and North Africa recorded the second biggest regional fall globally in 2020, with a decrease in the average score of 0.09, to 3.44. This is primarily the result of lockdowns and restrictions on personal freedoms during the Covid-19 pandemic. At the same time, war continued in Libya, Syria and Yemen (The Economist Intelligence Unit, 2021).

After a brief upgrade to “hybrid regime” in 2019, Algeria returned to the “authoritarian regime” category in 2020. The upgrade of 2019 was a direct result of the Hirak protest movement, which led to the peaceful removal of the long-standing president, Abdelaziz Bouteflika. However, with another regime insider, Abdelmadjid Tebboune, winning the December 2019 presidential election, and activists continuing to be detained by the

authorities in 2020, Algeria’s overall democracy score consequently fell from 4.01 to 3.77, putting it back into the “authoritarian regime” category (The Economist Intelligence Unit, 2021).

Iran registered a great decrease in its overall scores than the regional average in 2020. Parliamentary elections in Iran in February 2021 saw voter turnout of just 42.6%, the lowest in the Islamic Republic’s 41-year history, reflecting a shift away from hard-line versus reformist divisions, and towards disillusionment with the political establishment as a whole. In addition to Algeria and Iran, a number of other countries that had experienced protests calling for economic and political change in 2019 recorded setbacks in democratic processes. In Egypt, the regime made it very difficult for opposition candidates to stand in elections, as the uncompetitive nature of parliamentary elections in 2020 revealed.

All of the six Gulf states ranks strongly in the “authoritarian” category, with some of lowest scores in the world. One further positive trend started to appear in the Persian Gulf in 2020. The combination of the economic fallout from the Covid-19 pandemic and the

Polity by the Center for Systemic Peace, Freedom House’s (FH) Freedom in the World (2022), etc. These approaches differ in how they score democracy, what years and countries they cover, in how they assess the characteristics of democracy, and etc. However, they typically agree about big differences in countries’ political institutions: they readily distinguish between highly democratic countries and highly

undemocratic ones. Finally, the most appropriate democracy measure is the one that captures the characteristics of democracy and the countries and years we are interested in (Herre, 2022).

⁸ Source: The Economist Intelligence Unit's Democracy Index (2021). <https://www.statista.com/statistics>

declines in global oil prices in 2020 has affected the oil-dependent economies of the Gulf states. As a result, Gulf state rulers have been concentrated on attracting foreign investment to encourage economic diversification and protect against further oil price volatility. With the aim of increasing the attracted foreign investment, many Gulf countries have taken modest steps to expand political inclusion, improve transparency and increase civil rights. For example,

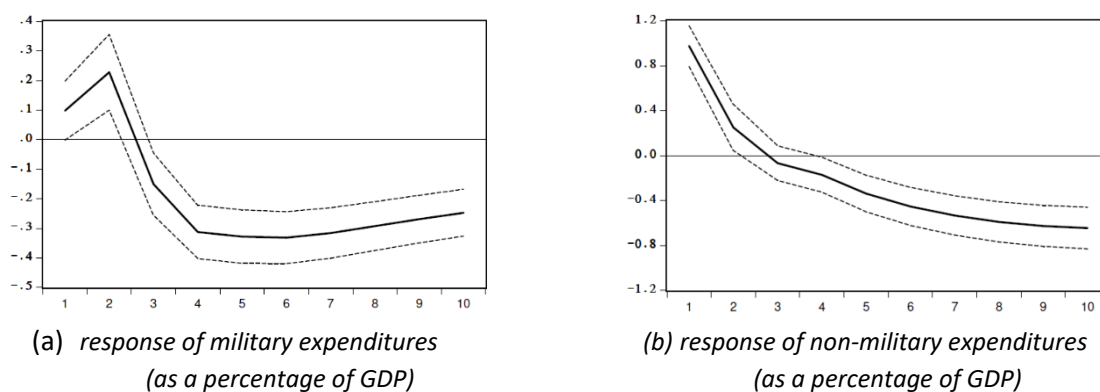
Qatar held Advisory Council elections in October 2021. In Saudi Arabia, the introduction of new anti-corruption regulations and the establishment of Nazaha, an oversight and anti-corruption authority, have improved the government performance. However, Saudi Arabia remains an extremely repressive authoritarian state that renounces almost all civil liberties and political rights and discriminates systematically against religious minorities and women.

Panel Vector Autoregressive Model of Negative Oil Shocks in the Greater Middle East

Figure 2 reports the estimated panel impulse response functions (PIRFs) which illustrates the dynamic changes of military expenditures (as a percentage of GDP) and non-military expenditures (as a percentage of GDP) to a

one standard deviation negative shock in the fuel exports to GDP ratio among the oil states of the Greater Middle East⁹ over the period of 1990-2018 (See Dizaji, 2022).

FIGURE 2: IMPULSE RESPONSES TO A ONE-STANDARD-DEVIATION DECREASE IN FUEL EXPORTS (AS A PERCENTAGE OF GDP).¹⁰



Note: The dotted lines represent ± 1 standard deviation. The deviation from the baseline scenario of no shocks is on the vertical axis; the periods (years) after the shock are on the horizontal axis. The vertical axis shows the magnitude of the responses. The data are from World Bank's World Development Indicators (WDI) online database (World Bank, 2020).

According to Figure 2, the military expenditures (as a percentage of GDP) and non-military expenditures (as a percentage of GDP) responses to a decrease in the fuel exports to GDP ratio are negative and statistically significant only after 2 and 3 years, respectively. The

initial positive effect is a consequence of the fact that government expenditures tend to be sticky downward in the short run. When fuel exports go up, the government increases its spending on the military and non-military sectors. However, when fuel exports

⁹ The dotted lines are confidence bands. The PIRFs are statistically insignificant wherever the horizontal line (zero value) lies between two confidence bands (Runkle, 1987; Lütkepohl, 2005).

¹⁰ Source: Figures 1b and 1c in Dizaji (2022).

decrease, the government does not immediately reduce its expenditures, leading to a budget deficit in the short term (Farzanegan, 2011; Dizaji, 2014). Therefore, in the short run, decreases in fuel exports, and consequently of economic growth, impact positively on the ratios of government expenditures to GDP. Finally, after this initial period, the government has to decrease its military and non-military expenditures to avoid further budget deficits.

Figure 3 presents the Impulse response functions of the different types of the democracy indices¹¹ to a one standard deviation negative shock in oil rents (as a percentage of GDP). According to this figure, the responses of the different types of democracy indices to negative shocks in oil rents (as a percentage of GDP) are positive after 2-3 years, although the positive response of participatory democracy is not statistically significant.

All of the democracy indices respond negatively to negative shocks in oil rents in the short run.

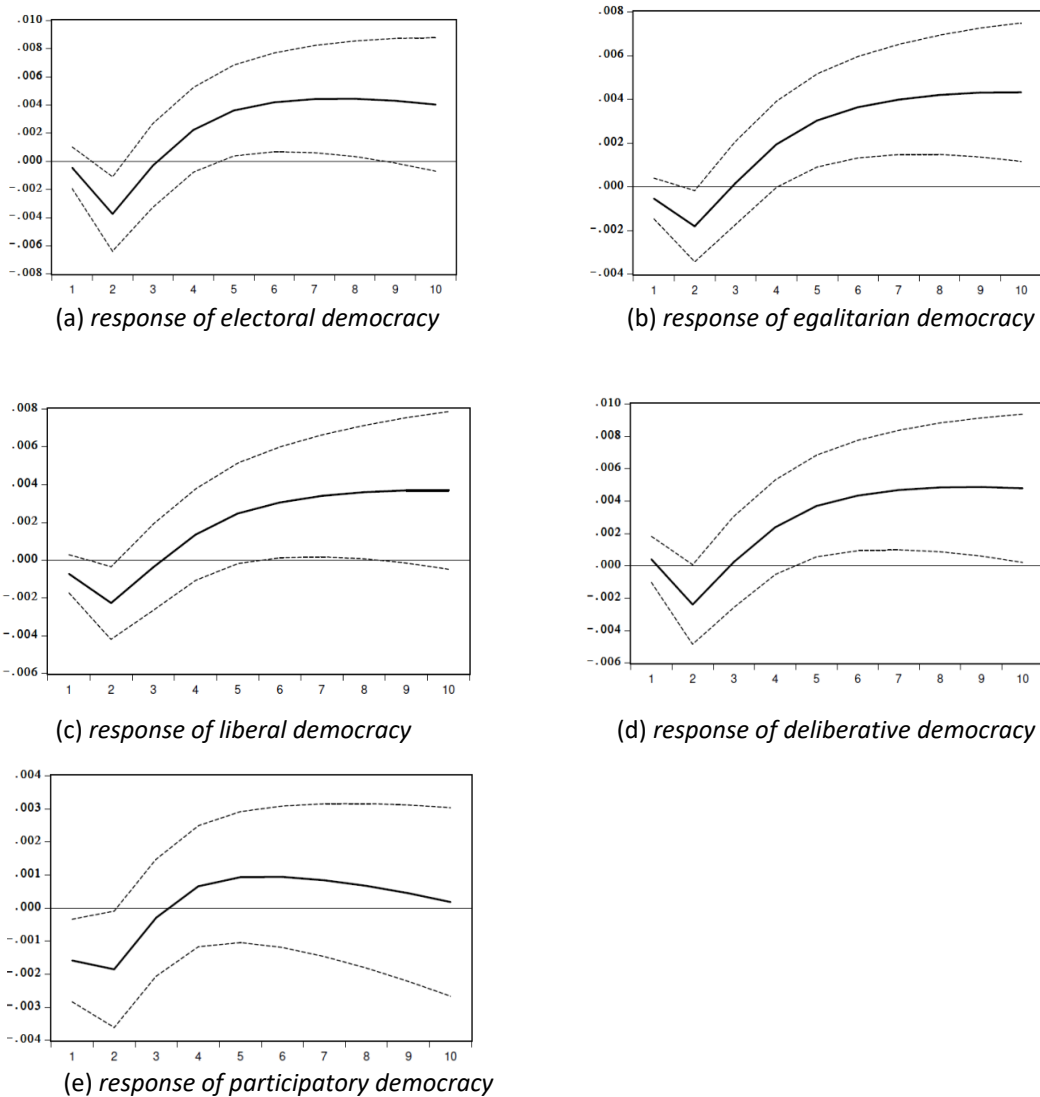
The results of the related Panel Variance decomposition Analysis¹² (PVDC) reveal that the largest variations in military expenditures to GDP ratio, following its own shocks, are due to variations in the electoral democracy index and fuel exports to GDP ratio (see Dizaji, 2022). In addition, the role of shocks to the democracy index in explaining the variations in military expenditures increases over time. Therefore, fuel exports and political factors are important drivers of military expenditures in the oil states of the greater Middle East. The most important contributors to variations in the democracy index, after its own shocks, are fuel exports shocks (after 10 years), indicating that the political system is also influenced by fuel exports.

¹¹ I utilise a new and novel data set on democracy emanating from the varieties of democracy (V-Dem data base, version 9, which analyses many of the complex processes behind democratic development, including electoral democracy (elecDEM), liberal democracy (liberDEM), deliberative democracy (delibDEM), egalitarian democracy (egalitDEM), and participatory democracy (participDEM)). All of these

democracy measures range between 0 and 1 and larger values indicate a better quality of democracy.

¹² The variance decomposition analysis demonstrates the relative importance of each variable for explaining changes in a particular variable for different years after the initial shock (Dizaji, 2019). Table I presents the PVDC results for the oil states of the greater Middle East.

FIGURE 3: IMPULSE RESPONSES TO A ONE-STANDARD-DEVIATION DECREASE IN OIL RENTS (AS A PERCENTAGE OF GDP).¹³



Concluding Remarks and Discussion

According to the ‘rentier state theory’ the governments whose revenues mainly come from exporting the natural resources are less likely to be democratic. The existence of considerable rents in the budget induces the governments to charge low tax rates in order to relieve the citizens’ demand for accountability.

The rent-seeking by incumbent autocrats may take the form of misappropriation of government revenues away from public services towards patronage (Ahmed, 2012), and/or the incumbent’s own consumption (Abdih et al., 2012). The government receives the oil revenues as the

guardian of the natural resources in the oil states of the greater Middle East. A decrease in oil incomes can impact government spending on military purposes and social public services.

Being a ‘political curse’, natural resources could be detrimental to democracy and enhance regime durability. Springborg (2011) argues that military spending in the majority of the Middle East oil-states is the most important instrument to provide rents to militaries and their political patrons. A decrease in oil rents weaken the financial capability of the rentier

¹³ Source: Figures 2b, 2c, 2d, 2e, and 2f in Dizaji (2022).

autocrat to support its loyal coalition and may increase the political contest. This makes the rentier leader to be more vulnerable in front of the challenging groups and destabilize its dictatorship. Eventually, this encourages the other challengers to try to demand power sharing and changes the political environment to be more democratic (de Mesquita & Smith, 2010; Smith, 2008). The empirical results based on the estimated panel impulse response functions (PIRFs) show that oil rents are important drivers of the government budget, defence and non-defence expenditures and ultimately of the political system in the oil states of the greater Middle East.

The response of military and non-military expenditures to negative oil shocks is negative and statistically significant. Conversely, the different indices of democracy including electoral, liberal, participatory, deliberative, and egalitarian democracy show positive responses to negative oil shocks. However, such responses take time (i.e. after 2-4 years after initial

shocks). The policy implication of these results could be informative for organizations and policymakers interested in the security and political impact of reducing the dependence of government budget on oil revenues, which are the main source of financing government expenditures in oil rentier states of the greater Middle East. Reductions in oil exports decrease government revenues and thereafter its spending capabilities specially on the military sector. These act as incentives to move toward a more democratic setting and subsequently alleviate the military ambitions of these countries in the long run. In the short run, however, the rentier incumbent leader may avoid decreasing its expenditures at the expense of running a budget deficit in order to maintain the support of the loyal coalition and prevent the threats to its autocratic power. Nevertheless, despite this initial resistance, increased financial pressure on the government budget ultimately compel it to reduce its military and public spending and improve its political behaviour.

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EXTRACTIVISM

| The Project

The collaborative research project *extractivism.de* links the Universities of Kassel and Marburg. The project scrutinizes the extractivist development model and proposes new economic, political, and sociological conceptions of extractivism. It preliminarily focuses on Latin America and the Maghreb patterns. The project researches the conditions under which these patterns affect the persistence and transformative capacity of extractivism and its respective institutional settings. Finally, it explores how extractivism affects cultural processes and habitual routines and questions under what conditions and how far the development model extends into institution-building and social practice, i.e., everyday life.

The project aims to understand extractive societies not as deviants from the Western trajectory of development but in their own logic and their own particularities. The project, therefore, combines a strong empirical focus with theoretical work. It links both broad field research and data gathering of primary data and the qualitative and quantitative analysis of available secondary sources with a stringent transregional comparison. It develops methods in cross-area studies and investigates whether and why similar patterns of social change emerge in different areas and world regions despite significant cultural, social, or religious differences. Finally, the project intends to translate the findings for politics, society, and development cooperation.

Please visit www.extractivism.de for further information.