

Understanding Sudan

A Teaching and Learning Resource



Fact Sheet Ten: The Resource Curse

What is the resource curse?

As we have seen in Fact Sheets Five through Nine, oil brings countries producing it a great deal of revenue. Surely then, the people in oil-producing countries are very rich? Actually, the opposite tends to be true. According to many scholars, far from making the people in a country richer, oil and other valuable primary resources make the people poorer, increase the likelihood of war, and decrease the likelihood of democracy. *The resource curse* is a term used to describe this phenomenon, which is also known as *the paradox of plenty*. The term “resource curse” was first used by Richard Auty in a 1993 academic article. In it, Auty tried to explain why so many countries that have a large number of revenue-producing natural resources not only have *lower* economic growth than countries without resources, but also show marked economic and political inequality. He theorized that having certain natural resources including oil actually curses a country.

Does the evidence support the hypothesis?

There does seem to be considerable evidence that confirms this hypothesis. For instance, in OPEC (the Organization of Petroleum Exporting Countries) member states, the gross national product (GNP) actually decreased by an average of 1.3% between 1965 and 1998, while the rest of the developing world experienced growth averaging 2.2%. Similarly, a World Bank study found that between 1971 and 1983 – a period of major economic growth in the world – oil-exporting countries did not perform as well as their resource-poor counterparts. In a now famous paper, Jeffrey D. Sachs and Andrew M. Warner examined the correlation between mineral and other resource exports – like oil – and gross domestic product in ninety-seven countries. They found that states with a high level of natural resources had abnormally slow growth rates. Worse, Paul Collier, in *Natural Resources, Development and Conflict: Channels of causation and policy interventions*, found that a country’s likelihood of being at war actually increased with the presence of natural resources.

Showing that there is a correlation between two things, however, is not the same as explaining the link, or causal path between them. The scholars working with the resource curse hypothesis have advanced a number of explanations. Before we read on, ask yourselves: what do you think the connection could be?

Resource conflict

Since Malthus, a demographer living in the nineteenth century, it has been commonly accepted that a *lack* of resources provokes conflict. When there is not enough food to go around, or there is only one television to watch, we can imagine an argument starting over who gets access. Have you experienced conflict like this?

What many scholars working on the resource curse hypothesis have shown is that *abundant* natural resources can also provoke conflict in certain conditions. Sometimes this conflict becomes civil war. In

Sierra Leone, for example, competition to control the diamond mines (upon which much of the country's wealth is based) was part – but not all – of the cause of civil war during the 1990s.

We shouldn't only look at civil war, however, but also political conflicts that happen within a society. Billon, in *The Political Economy of Resources Wars*, notes that, "Politically, resource rents provide leaders with a classic means for staying in power by establishing a regime organized through a system of patronage that rewards followers and punishes opponents. Clientelist networks linked to the resource sector thus shape power politics." In more simple terms, Billon is saying that if all the resources go to one person in a group, then that person can maintain loyalty to him by distributing much-needed resources to the rest of the group. Take a moment and think about situations in which this has happened to you – where one person had something that everyone wanted, and could divide it as he/she chose – perhaps only to his/her closest friends. Did one person having all the resources and choosing to give them to only a few people create conflicts? How did you resolve the conflict?

In cases where resource conflict leads to civil war, the presence of many resources can make the conflict last a long time, if the warring parties have access to resources to fund their campaigns. For instance, in Liberia, Charles Taylor established his rule over much of the country in the 1990s by taking control of rubber and timber plantations, and using the money extracted from these resources to fund his military campaign. Warring factions might also continue to fight if they fear losing control of certain resources should a peace agreement be settled upon.

Many competitions over resources have a long history. In Angola, we find that oil and diamonds fuelled a twenty-seven year civil war. While this is shocking enough, the last five *hundred* years have seen Angola's role in the world economy come from violent extraction of natural resources, beginning with slavery, and moving into Europe's desire for minerals and oil.

The effects of natural resource wars on local people are mixed. In some countries where civil conflict is fueled by natural resources, local populations have been involved in the production and selling of resources. For example, many local farmers produce heroin in Afghanistan or coca in Colombia. Does oil seem like a similar resource? Why or why not?

The rentier state

The resource curse, some scholars claim, also changes the way in which a state relates to its citizens because of the way it raises its revenues. The US government receives most of its income from taxing its citizens. Because citizens pay taxes, they feel that the government should be accountable to them; after all, it is spending their money. The government listening and responding to its taxpayers helps create a strong democracy. Do you feel taxes work this way? Why or why not?

In oil-producing Saudi Arabia, the case is very different. Because foreign inflows from oil sales provide a very great deal of wealth, there is very little need for the government to tax its citizens. Thus, tax rates are very low (where there are taxes at all). Some claim that this means the government does not feel responsible to its citizens, since it is not their money the government spends – governments can make decisions without agreement or input from citizens. At the same time, resource rich governments can just buy their citizens off when they feel discontented. The Polish journalist Ryszard Kapuscinski summed up the feelings that can come with oil wealth: "Oil creates the illusion, of a completely changed life, life without work, life for free...The concept of oil expressed perfectly the eternal human dream of wealth achieved through lucky accident...In this sense oil is a fairy tale, and like every fairy tale a bit of a lie."

In countries with vast oil resources, democracy seems difficult to achieve. Do you think oil is sufficient to explain why a country is not democratic? Why or why not?

What are the criticisms of this approach?

There has been a lot of criticism of the idea of a resource curse. Some scholars claim that finding *correlations* is not enough to explain the *causation* of the resource curse. Just because two things tend to be found together, it does not mean that one thing *caused* the other. It is possible that a third thing – something unconsidered – is actually the determining factor.

Resource curse skeptics often point to cases where the resource curse correlations do not hold. For example, much of the Middle East is authoritarian, not democratic, yet regime type in the region does not correspond to the presence or absence of valuable resources. While resources might play a *part* in authoritarian regimes, they do not seem to be sufficient for explaining why a country is more or less authoritarian or democratic. Do you think this is a valid criticism? What other explanations might there be?

Many scholars claim that the resource curse hypothesis is based on a selective use of data. For instance, Stijns claims that resource curse arguments can fall apart when one changes the way “resource abundance” is measured. In his work, he shows that when one measures natural resource abundance in terms of levels of production and reserve – rather than measuring export levels – resource abundance does not have a significant influence on economic growth.

Michael Watts argues that these approaches are determinist: they do not attempt to understand how resources are used and understood on the ground, and assume countries are the same everywhere. Even worse, the resource curse approach looks at the commodity in isolation, rather than as a part of the transnational global economy in which it is embedded.

Further questions and discussion

Considering arguments made by proponents and skeptics of the resource curse theory, which you find more? Do the arguments against the resource curse seem like fair criticisms to you? Why or why not?

Given that the governments in many oil-producing countries have dubious human rights and environmental records, how do you think oil-consuming governments and oil companies should proceed? Should countries like the US that import high levels of oil be held responsible for the conditions under which oil is extracted? Does the consumption of oil in the US fuel conflict and war? What could be done about it?

Further reading

Okruhlik, Gwenn. 1999. “Rentier Wealth, Unruly Law, and the Rise of Opposition: The Political Economy of Oil States.” *Comparative Politics*, Vol. 31, No. 3 (April 1999), pp.295-315.

Ross, Michael. 2001. “Does Oil hinder Democracy?” *World Politics*. 53:3, pp.325-361.

Watts, Michael. 2004. “Resource Curse? Governmentality, oil and power in the Niger river delta, Nigeria.” *Geopolitics*. 9:1, pp.55-80.