

## Resource curses are more likely in fragmented authoritarian regimes



Abundant natural resources like oil and gas rarely turn out to be a real blessing for a country. More frequently they distort economic policies, discourage entrepreneurial activity and ultimately suppress economic growth. Yet not all countries suffer from this resource curse to the same extent: some manage to escape it or even turn natural resources into a blessing. An important factor, which explains whether a country can indeed benefit from natural resources or not, is its political regime. A conclusion frequently made in economics and political science is that democracies are substantially better than autocracies in avoiding resource curse. In democracies, political constraints limit the predatory behaviour and rent-seeking, and accountability at least somewhat reduces the possible abuse of windfall gains from natural resources. Not all democracies are successful in avoiding the resource curse (ultimately, ‘Dutch Disease’ – one of the aspects of resource curse associated with crowding out manufacturing by the resource sector – was named after a democratic country), but on average they seem to perform better than autocracies.

However, the reference to ‘authoritarian regimes’ masks an enormous variation in types of rule. Authoritarian regimes in different countries are more dissimilar than varieties of democratic political systems. Traditional hereditary monarchies, single-party regimes, military juntas, theocracies, electoral autocracies regularly conducting fake elections, and even regimes with competitive elections but a very limited set of those who are allowed to vote – all these regimes belong to the group of autocracies. Thus, the question becomes whether some authoritarian regimes are better able to turn natural resources into a curse or a blessing than others. In a [recent article](#), we investigate this question, focusing on the differences in the extent of elite fragmentation and political competition in autocracies.

Open and free political competition is typically related to democracies. However, among the authoritarian regimes, some are also more competitive than others. In some countries, politics is under full control of a dictator or a ruling party, with elites, bureaucracies and interest groups integrated into a single political hierarchy. Other authoritarian regimes are arenas of permanent infights among different elite factions. This political competition, however, differs from that existing in democracies. Competition in democracies is based on rules. The winners and the losers are determined by free and fair elections held in accordance to the law. In autocracies, competition is not bound by the rule of law. As a result, the costs of losing the political competition are much higher in autocracies than in democracies. Winner takes all; and losing factions are often unable to keep control over their wealth and are subject to repressions.

Our main argument is that this authoritarian competition, at least in the short run, can be more damaging than a hierarchical and consolidated (and therefore better predictable) system. If the elites in autocracies are fragmented and constantly engage in ruinous fights for rents, it creates very high uncertainty. As a result, resource revenue is unable to trigger economic growth; most likely, it will be exported outside the country to reduce the risks of expropriation. In addition, fights of elite groups themselves consume resources, which could otherwise be used for productive purposes.

The regions of the Russian Federation constitute a perfect laboratory for testing this argument. In spite of decades of Putin's centralised rule, there are strong differences in how politics in individual regions is organised. None of the Russian regions is democratic; however, the varieties of authoritarianism existing in individual regions differ a lot. In some regions, powerful political machines rule; in other regions, factions of elites compete with each other. Some regions over time developed from fragmented into consolidated polities or vice versa (in many cases, the main factor explaining this dynamics was the extent of interventions of the central government in the regional politics).

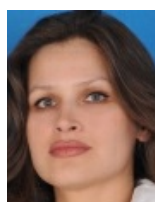
At the same time, Russia is a resource rich country, for which the problem of the resource curse is salient; some Russian regions are particularly rich in oil and gas. Thus, it is reasonable to test whether oil-rich regions with consolidated political regimes outperform those with fragmented autocracies in terms of economic growth. This is indeed what we find if we look at the regions of Russia in the period of 2004-2009: political competition and fragmentation of elites in regions of Russia make resource curse more likely.

Political competition is, without a doubt, a major advantage of democratic regimes: it improves the quality of public policy and makes politicians more accountable to the public. If, however, political competition occurs without the framework of the rule of law – for example, struggles of elite factions of an authoritarian polity – it can become very costly in terms of economic growth, at least in the short run.



#### Notes:

- This blog post is based on [Varieties of authoritarianism matter: Elite fragmentation, natural resources and economic growth](#), *European Journal of Political Economy*, Volume 63, June 2020
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