

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

by blog admin

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Countries that are rich in petroleum have less democracy, less economic stability, and more frequent civil wars than countries without oil. What explains this oil curse? And can it be fixed? Michael L. Ross looks at how developing nations are shaped by their mineral wealth—and how they can turn oil from a curse into a blessing. Ramin Nassehi recommends this book to scholars of development or Middle Eastern Studies, and in particular, researchers who share a passion for studying oil.



The Oil Curse: How Petroleum Wealth Shapes the Development of Nations. Michael L. Ross. Princeton University Press. September 2013.

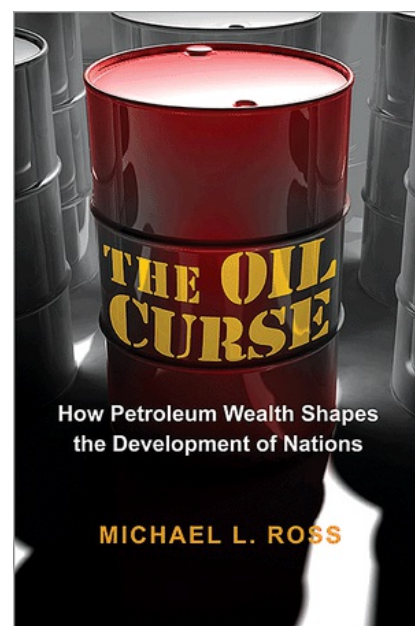
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The paradoxical idea that oil is a curse for economic prosperity has become increasingly influential in the last three decades. Advocates of this idea claim that oil weakens political institutions, harms private sector promotion, increases economic volatility, hinders industrialisation, and fuels civil wars. However, recently, the 'oil curse' literature has been undergoing a process of 'creative destruction'- whereby new ideas are replacing old ones- thanks to the falsification of some theories and emerging methodological criticism. Michael Ross's recent book [The Oil Curse](#), fits into this revisionist trend.

Drawing on statistical analysis and qualitative case studies, Ross shows that some of the oil curse theses are incorrect. For instance, in Chapter Six, he finds no evidence for oil acting as a curse for economic growth in the *long-term*, highlighting the similar long-run growth rates between oil-rich and oil-scarce countries during the past five decades. Although, he emphasises that economic growth has been more volatile in oil-rich countries. The author also challenges the studies that have found a negative relationship between oil and the quality of institutions (rule of law and effectiveness of public administration) on methodological grounds.

Nonetheless, as its name suggests, the book still defends many ideas in the oil curse literature and adds some revisions. The author stresses that the oil curse is a new phenomenon, which came into effect only after the 1970s, the period when oil was increasingly nationalised in the Global South. This period also experienced OPEC's rise to power and also the breaking down of the Bretton Woods regime. All these changes, according to the author, increased the size and volatility of oil revenues for petro-states from the period of the 1980s, leading to many economic and political impediments. Each chapter deals with one of these impediments.

Relying on statistical evidence, Chapter Three shows that oil not only sustains authoritarianism but also weakens democracy as the secrecy of oil revenues makes it difficult for the public to financially scrutinise their government and demand accountability as well as checks and balances. Thus, Ross suggests it is no coincidence the Arab Spring has so far happened only in oil-scarce countries. Yet, he acknowledges the opposing cases of democratisation in the oil-rich countries of Latin America and treats this region as an exception to his theory.



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Chapter Four focusses on the disempowering effects of oil on women. Contrary to popular belief, the author argues that low participation of women in labour markets in the Middle East and North Africa is caused by oil, not Islamic culture. Using quantitative analysis, the author demonstrates that oil booms hamper the growth of manufacturing and agriculture sectors, the two vital sectors for female employment. This mechanism is known as the “Dutch Disease”. To support the above argument, the author compares Algeria, an oil-rich Muslim country, to the two Muslim, oil-scarce countries of Tunisia and Morocco. He links the wide difference in female labour force participation between Algeria and the two other cases to oil. However, he provides the caveat that oil has a disempowering effect only in countries where women face many employment barriers in service sector. The door thus remains open for cultural explanations.

Oil-based violence is the topic of Chapter Five. Ross supports the idea the oil fuels separatist wars by increasing the financial reward of rebellion for oil-rich regions, the famous “greed” argument popularised by Oxford professor Paul Collier. However, according to Ross, this mechanism comes into effect only in countries where income levels are low (hence the opportunity cost if rebellion is low) and where the location of oil is onshore. Ross traces this causal process in Nigeria, Indonesia and Sudan.

The book concludes with several policy prescriptions, ranging from technical fixes such as introduction of oil-denominated bonds to the support of transparency initiatives in the oil industry as well as governance reforms in oil-rich, developing countries. However, the proposed solutions do not address the political economy problems that inflict petro-states, particularly the issue of the political elite and whether or not they spend oil revenues transparently.

The major strength of the book is its methodology; the external and internal validities of all proposed arguments are backed by statistical analysis and in-depth qualitative case studies. The methodology behind every argument is also discussed in detail at the end of each chapter. However, the main shortcoming of the book is that it treats oil as a structural variable that, on average, has been harmful for economic and political development since the 1980s. This focus on overage effects of oil fails to explain the wide variation witnessed in the developmental outcomes among oil-rich developing countries in the last four decades. For instance, the oil-rich countries of Latin America have followed an entirely different economic and political trajectory from the oil-rich countries of the Middle East and Sub-Saharan Africa. Considering oil as a structural variable, how then can we explain, for instance, the large difference in democracy between Mexico and Saudi Arabia? So far, scholars of oil have been unable to provide satisfactory answers for such questions as not enough comparative qualitative studies have been conducted on this topic.

Overall, Ross’s book covers a wide range of topics from the resource curse literature from upon which he builds his thesis. This book is highly recommended to scholars of development studies and Middle Eastern Studies, in particular, researchers and students who, like this reviewer, share a passion for studying oil.

Ramin Nassehi is a PhD candidate in Business Management at Queen Mary, University of London. His particular research interest is in the political economy of development in the Middle East and North Africa. Currently, he is conducting research into the role that oil played in the process of state-led industrialisation in pre-Revolutionary Iran. Ramin holds a BSc in Business Management from Queen Mary, an MSc in Development Management from LSE and an MPhil in Development Studies from the University of Oxford.

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