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# Oil, Dissent, and Distribution

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**Summary.** — This study reveals that social forces condition the extent to which oil-rich nations provide vital public services to the population. Although it is often assumed that oil wealth leads to the formation of a distributive state that generously provides services in the areas of water, sanitation, education, health care, or infrastructure, this study shows that the spread of political dissent conditions the effect of oil wealth on the actual patterns of service distribution. Quantitative tests reveal that oil-rich nations who experience demonstrations or riots provide better water and sanitation services than oil-rich nations who do not experience such dissent. Subsequent tests find that oil-rich nations who experience nonviolent, mass-based movements provide better water and sanitation services than those who experience violent, mass-based movements. The causal mechanisms between oil, dissent, and distribution are evaluated through a case study of Saudi Arabia's oil-rich Eastern Province. The analysis begins with the early days of Aramco and examines how mobilization activities and the rise of Sunni–Shiite sectarianism altered service distribution in the province. This study provides evidence that social forces can shape the extent to which oil wealth benefits the nation and improves the population's quality of life.

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## 1. INTRODUCTION

For a commodity that is often described as a “curse” on economic and political development,<sup>1</sup> oil should be nothing but a blessing in terms of the availability of public services.<sup>2</sup> Indeed, oil provides leaders with a continuous source of revenue necessary to make large investments in power, water, sanitation, education, and health services. Citizens living in oil-rich countries are also likely to pressure the government to convert the petrodollars into public services, and leaders are likely to promise service upgrades in order to stay in power. A common argument in the rentier state literature is that leaders of oil-rich nations distribute generous public services in order to “buy off” the citizenry, which can allow them to rule as autocrats (Beblawi & Luciani, 1987; Karl, 1997; Mahdavy, 1970). In effect, the citizenry receives better access to education, clean water, infrastructure, and health care as a trade-off for living in an autocratic oil state.

Yet, the link between oil and public services is not as straightforward as scholars often assume, and the empirical research on the subject reports contrasting findings. But even if oil should theoretically encourage the state to supply more public services rather than fewer, societal factors should affect the nature and quantum of services provided. This article derives and tests the argument that access to vital public services in oil-rich nations is conditional on the presence and type of political dissent. It argues that oil-rich nations who experience peaceful or intermittent forms of political dissent should provide the citizenry with better access to services than oil-rich nations who experience no dissent. This is because leaders will use service provision as a way to ensure societal quiescence in order to stay in power and continue reaping the benefits of the oil industry. However, the spread of violent, mass-based movements should be linked with worse access as leaders resist service upgrading and choke off services to prevent the empowerment of opposition groups.

In order to test these arguments, this article employs both quantitative and qualitative methodologies. The quantitative tests utilize annual, cross-national measures of two public services that are vital for establishing the citizenry's quality of life: access to clean water and sanitation services. The analysis

reveals that oil-rich nations who experience demonstrations and riots provide the citizenry with better access to improved water sources and sanitation facilities than oil-rich nations who do not experience such types of dissent, all else equal. Subsequent analysis explores more concretely the differential effects of nonviolent *versus* violent mass-based movements. The results indicate that oil-rich nations who experience nonviolent, mass-based movements provide better access to water and sanitation services than oil-rich nations who experience violent, mass-based movements. The findings persist after controlling for a range of key variables, testing alternative model specifications, and employing various robustness checks.

The article proceeds to conduct a case study of Saudi Arabia's Eastern Province (*Al-Sharqiya*) as a way to flesh out the causal linkage between political dissent and public service distribution in the context of abundant oil wealth. The case study starts by exploring how oil production shaped service distribution in the early days of Aramco (the Arabian American Oil Company). It then discusses the role of Sunni–Shiite sectarianism in the province. The case analysis reveals that the Saudi monarchy's decision to upgrade services in the Eastern Province was a direct response to decades of political dissent from the repressed Shiite community.

The article makes contributions to the research on oil and the writings on public service distribution. Scholars have long argued that oil states convert petrodollars into public services as a means of buying off the citizenry and placating demands for greater political representation. All else equal, oil wealth is expected to motivate more service distribution. This article shows that even if this relationship holds on average (and, in fact, the findings here cast doubt on this) it obscures an important and previously unexamined relationship. In reality, the mere presence of oil does not mean that the government

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automatically and actively invests in more public services for the citizenry. Whether or not an oil-rich state does so is conditioned on key societal factors, such as the presence and type of political dissent.

## 2. OIL WEALTH AND PUBLIC SERVICE DISTRIBUTION

A constant stream of revenue from the sale of oil or other valuable resources can help governments provide a range of services to the citizenry like well-maintained roads, clean water, good communications infrastructure, and access to health care and education. There are numerous historical and contemporary examples of oil-rich nations maintaining high levels of spending on public services. After Kuwait discovered oil, the government began generously spending on health care, education, and social welfare (Crystal, 1995). After the 1979 revolution in Iran, the government improved infrastructure, health care, and education, especially in rural regions and poor urban areas (Salehi-Isfahani, 2009). Venezuela's Hugo Chávez increased government spending after coming to office, particularly in the areas of health care and education (Weisbrot & Sandoval, 2007). There are also historical examples from non-oil producers. During the 1800s, commodity booms in Chile (wheat and copper), Argentina (wool), and Mauritius (sugar) were coupled with favorable ruling coalitions and, consequently, the state provided new public goods (Saylor, 2014).

However, a survey of the quantitative research on the link between oil and public services reveals few consistent patterns. For instance, one highly cited study observes a negative link between natural resources and education spending, and describes it as one mechanism through which a "resource curse" effect takes hold (Gylfason, 2001). A study of autocracies finds a positive link between oil (or non-tax revenue more generally) and social spending (Morrison, 2009). But a similar study concludes the opposite with respect to education and health spending (Hong, 2017). Subnational analyses in places as diverse as Indonesia and the United States observe a positive effect of natural resource dependence on public spending (Goldberg, Wibbels, & Mvukiyehe, 2008; Michaels, 2011; Olsson & Valsecchi, 2012). Yet, a study of Indonesian Papua finds that resource shocks had negative or no effects on village-level electrification and health care (Dettman & Pepinsky, 2014). A study of Iran reveals that oil price shocks had no effect on non-military government spending from 1959 to 2007 (Farzanegan, 2011).

While it is not surprising that oil's relationship with public service provision may differ according to context (and perhaps the type of public service), one issue with many of these studies is that they employ a measure of government spending as the dependent variable (measured overall, per capita, or as a percentage of the budget).<sup>3</sup> Often, the spending measure is an aggregate value that encompasses all types of services, from education to health care to social welfare. But many scholars stress that spending data are not always accurate indicators of the extent to which the citizenry actually receives and benefits from a public service (see, for instance, Banerjee & Duflo, 2011). This issue is further magnified in oil-rich nations for two reasons (and with opposing effects). First, in oil-rich nations a large portion of social spending can be off-budget or channeled through state-owned companies (Ross, 2008). Therefore, spending data may *underestimate* the extent of service provision in these countries. Second, corruption is a primary reason why government funds earmarked for services

fail to completely reach the populations targeted, and scholars routinely observe high levels of corruption in oil-rich nations (Caselli & Michaels, 2009; Karl, 2007; Vicente, 2010). Therefore, spending data may *overestimate* the extent of service provision in these countries. While an examination of spending data may tell us something about an oil state's motivation to provide services, it can be an inaccurate estimate of the citizenry's actual level of access to these services.

Although a focus on spending data seems logical because government actors make the final decision about how services are distributed to society, we have long known that ordinary citizens and social groups can influence which spending areas are prioritized and to what extent. There are countless examples of social groups mobilizing to demand that the government provide more services for their particular community. For instance, in the Jharkhand region of India's Bihar state during the 1960s and 1970s, citizen groups protested to pressure the government to equitably distribute public goods and services (Prakash, 2001). In Argentina during the 1990s and early 2000s, the mobilization efforts of citizen groups led the government to expand social programs (Giraudy, 2007; Weitz-Shapiro, 2006). Yet, we know little about how political dissent shapes the distribution of public services in the context of oil wealth – a context in which we have long assumed that the government has greater means (and political motivation) to provide better public services. Most studies that examine the issue of dissent in oil-rich nations focus on how it emerges in response to oil extraction (Bebbington & Bury, 2013; Ikelegbe, 2001; see also Arce, 2014), during an oil nationalization movement (Siavoshi, 1994), or in terms of labor movements in the energy sector (Mitchell, 2011; Yergin, 2009). In these scenarios, social groups are either mobilizing to pressure the government to cease oil extraction, encourage greater control over the nation's resources and prevent it from being exploited by foreigners, or improve labor conditions for oil sector workers. Oil is at the heart of why the dissent occurs. But there is good reason to believe that oil-rich nations will respond to other types of political dissent, even those unrelated to the oil sector's activities.

Despite all we know about oil, we are faced with inconsistent findings about how it impacts the provision of public services. In addition, the standard method of examining government spending data yields a noisy signal about the extent to which the citizenry actually experiences the distribution of services in these countries. Furthermore, we know little about how key societal factors – such as the rise of political dissent – affect the citizenry's level of access to public services in the context of abundant oil wealth. But there are important reasons why the leaders of oil-rich nations should look to public service distribution as a way of responding to political dissent, a subject to which the article now turns.

## 3. HYPOTHESES ABOUT DISSENT AND PUBLIC SERVICES IN OIL-RICH NATIONS

Oil-rich nations receive a constant stream of revenues from the sale of a high-value commodity and therefore are in an enviable position when it comes to making investments in public services. Although a less volatile source of finance (such as tax revenues) would render state budgets and year-to-year investments more predictable, the advantage of oil is that it can facilitate an immediate, large-scale investment needed to boost the population's access to a particular service. Indeed, if an oil-poor nation in the developing world wants to significantly upgrade public services it generally needs to rely

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