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Explaining public accountability deficit in extractive policies: The Ecuadorian case☆

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ABSTRACT

This study presents a causal mechanism linking resource nationalism with public accountability deficit. The adoption of policy aims triggers an institutional drift at three levels. At a normative level, bureaucratic centralism is adopted by the government. At the strategic level a sectorial policy fostering the statés control over the policy area is formulated. At an operational level, the government favors coercive conflict management to cope with protests against the extractive policy. The theoretical causal mechanism is confirmed after passing 19/20 empirical tests, which raises the posterior confidence up to 0.73 according to the Bayesian formalization. The findings show a way for institutional and policy change to tackle the resource curse, even though further research on other typical cases (such as Venezuela) and deviant cases (such as Mexico) should increase the external validity of the theory.

1. Introduction: resource nationalism and public accountability

The petroleum sector—which includes all upstream, middle-stream and downstream activities for oil and gas exploitation—has been related to nationalism in Latin America and the Caribbean since the early 20th century (Philip, 1982). The contemporary expression of resource nationalism constitutes a reaction to globalization and neoliberal cycle launched during the 1980′s, in most oil and gas producing countries (Veltmeyer, 2012; Grugel and Riggirozzi, 2012; Weitzman, 2013; Koivumaeki, 2015).

Initially resource nationalism was a way to compensate for low prices by increasing the government-take in extractive rents, occasionally through a major control over the volume of production, rather than a mechanical consequence of fast-growing oil prices (Berrios et al., 2010). Yet this policy paradigm shift was arguably fostered by the 2000′s prices windfall (De Castro et al., 2014; Mahdavi, 2014; Cheon et al., 2015), due to the high leverage capacity acquired by the state *vis-à-vis* multinational corporations and traditional oil importing countries, particularly because of the growing demand from emerging economies such as China and India (Vivoda, 2016; Heidrich, 2016).

Nationalist oil and gas policies aim at increasing rents through a better control of the extractive sector, and producing developmental spillovers from these rents (Hogenboom, 2012; Rosales, 2013; Haslam and Heidrich, 2016). This can be interpreted as a way to fulfill the "extractive imperative", an ideology combining faith in Rostoẃs stages of growth and Prebisch́s developmental state to fight poverty (Arsel et al., 2016). Hence resource nationalism is akin to bureaucratic centralism and combines steering with intervention and distribution programs, according to problem definition by the statés function, social factors and policy aims (Pierre and Peters, 2000).

However resource nationalism is no synonymous of nationalization, since it can rely on a minimum participation of the sector by the state, through joint-venture and association contracts, or a full control through direct exploitation by national companies (Haslam and Heidrich, 2016; Ghandi and Lin, 2013; Childs, 2016). While most radical nationalism included nationalization and expropriation, moderate nationalism limited to further protection of national oil companies by the state, combined with controlled intervention of the private sector.

Most radical reforms were pursued by self-proclaimed progressive governments willing to achieve 21 st Century Socialism, after Hugo Chaveź Bolivarian revolution in Venezuela, Rafael Correás Civic revolution in Ecuador and Evo Moraleś Plurinational state in Bolivia. The problem is they always go hand in hand with a deficit of accountability, as shown in Table 1. Hence countries implementing radical resource nationalism consistently rank among the worst countries in the world for institutional and legal setting, reporting practices, safeguards and

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Table 1
Case selection for sufficiency.

		Crisp-set membership in necessary term (X_1*X_2*X_3)[a]	
		1	0
Crisp-set membership in policy outcome[b]	1	**Typical cases:** Bolivia, Argentina, Ecuador, Venezuela	**Irrelevant case:** ø
	0	**Deviant cases consistency:** Brazil, Mexico	**Individually irrelevant cases:** Colombia, Peru, Trinity & Tobago

Sources: Elaborated by the authors, based on Schneider and Rohlfing (2013); World Bank Indicators (2017); ECLAC (2017) NRGI (2017); regulations on NOC.

[a] X_1 = State centered development; X_2 = Use of rents for development; X_3 = State control over rents.

[b] INRG < 60.

quality controls, and enabling environment (see NRGI, 2017).

Evidence of this correlation comes out of a total population of nine cases in the region, using a simple typology by expected cause (adoption/no-adoption of resource nationalist policy aims) and expected effects (deficits/no-deficits of public accountability) (based on Schneider and Rohlfing, 2013). The combination of crisp-set membership in the necessary term (cause) with the crisp-set membership in the policy outcome (effect) defines four typical cases: Argentina, Bolivia, Ecuador and Venezuela. The combination of membership in necessary term with non-membership in policy outcome defines two deviant cases for consistency: Brazil and Mexico. The combination of non-membership in necessary term with membership in policy outcome defines an empty set of irrelevant cases. The combination of non-membership in cause and effect defines three individually irrelevant cases: Colombia, Peru and Trinity and Tobago.

Even the political ecology literature, which hitherto explained social and environmental conflicts by neoliberal extractive policies, now acknowledges that these governments neither escaped the resource curse (Cabtree and Crabtree-Condor, 2012; Bebbington et al., 2013; Orihuela and Thorp, 2012) nor avoided the social protests against the expansion of extractive frontiers and the state repression thereof (Bebbington, 2012; Silva, 2015; Gudynas, 2016). Further, many scholars are now cognizant of the particularly vicious way non-state actors have been prosecuted by these governments in order to cope with the social and environmental conflicts (Arsel et al., 2016; Van Teijlingen, 2016; Chiasson LeBel, 2016). The criminalization of the social protest and "autocratic legalism" (Corrales, 2015) is not specific to left-wing regimes. Yet unlike conflicts and state repression lead under neoliberal extractive policies around the world (Ross, 2001; Bannon and Collier, 2003), conflicts under resource nationalism stem from supposedly fairer extractive policies and state-centered development implemented in the name of the people and for the people.

Why would resource nationalism hinder public accountability? Drawing from Ecuador as a typical case, this article contends that resource nationalism displays features which are sufficient (if not necessary) conditions to hinder accountability. These include a preference for bureaucratic centralism, policy design fostering governmenťs control over the petroleum sector, and coercive conflict management. This causal mechanism is tested against 20 empirical tests based on the policy instruments mix, which constitute the core of the oil policy design.

The following section puts the problem of accountability into a broader theoretical perspective of the resource curse thesis to underscore its institutional dimensions. Next the article presents the empirical tests performed on this case study. Then it proceeds with a synthesis and a discussion of the results. The article concludes with a brief assessment of the policy implications of the findings.

2. Theoretical discussion

2.1. The institutional resource curse

Like most mineral endowed countries in the world, Latin American and Caribbean oil and gas exporting countries face economical, social and political problems caused by fast and dramatic income variations —with commodity prices increasing during the 2000's boom, and decreasing since the mid-2010's with the end of the super-cycle of commodities (Gayi and Nkurunziza, 2016). The major challenge to any state is caused by the volatility of commodity prices rather than their absolute value, because of its adverse effects on macroeconomic indicators and political institutions (Ross, 2012; Timmerman, 2012; Omgba,2015). These effects are best explained by the resource curse thesis and its further developments, after three decades of research on the political economy of mineral endowment.

Initially scholars addressed the negative consequences of mineral endowment for development, after the 1970's double oil shock and comparable price windfalls on mineral markets responsible for the Dutch disease (Gelb and associates, 1988; Auty, 1993; Karl, 1997; Ross, 2003). A second generation of studies identified a negative covariance between mineral endowment and democracy, occasionally coming along with a positive correlation with violent conflicts (Ross, 2001 Bannon and Collier, 2003), even though the causation of authoritarianism by mineral endowment remains a controversial issue (see Haber and Menaldo, 2011; Dunning, 2008; Cuvelier et al., 2014). Third generation studies aimed at explaining how institutions are affected by boom-and-bust cycles, and how they allow governments to mitigate those effects, hence questioning the rentier statés role in development, beyond the mere effects of production factors (Karl, 2005; Humphreys, Sachs and Stiglitz, 2007a,b; Auty and Gelb, 2001).

Meanwhile, the research agenda shifted from suboptimal economic performance to democratic governance (Fontaine, 2011; Dietsche, 2012). Scholars now commonly acknowledge that the resource curse does not lie in mineral endowment per se, but rather in competing interests and ideas about the scope and final destination of mineral rents, between the state, the society and the market, and the institutional system regulating these interplays thereto (Karl, 2007; Stiglitz, 2007; Bhattacharyya and Hodler, 2014; Aytac et al., 2016). The core argument here is that commodity cycles have more negative effects on development and democracy when occurring in a context of weak or unstable institutions. Venezuela epitomizes how oil rents variations have repeatedly weakened existing instable democratic institutions, turning the economy more vulnerable to the next cycle of commodity prices (Corrales and Penfold, 2011; Corrales, 2015; Vera, 2015).

Hence "good institutions" are necessary (if not sufficient) to "escape the resource curse" (Humphreys et al., 2007a), which lets governments with five policy design options. The most radical one is the non-exploitation of natural resources until the institutional system gets strong and stable enough to cope with the resource curse (Humphreys et al., 2007b; Sachs, 2007). More conventionally some recommend to create stabilization funds aimed at sparing during windfalls for coming periods of prices downfalls or resource scarcity (Kolstad et al., 2009). When commodity prices plunge, governments should reduce the subsidies that have increased during the prices windfall, in order to cut off public expenditures and bring market dynamic back (Di Bella et al., 2015). Some scholars also praise the benefits of direct distribution of the resource to citizens as a way to control corruption and waste by the state (Rodríguez et al., 2012; Segal, 2012). Eventually government are invited to increase accountability by the state and companies, through social control, participation and citizens involvement in mineral rents management (Karl, 2007; Ross, 2012; Corrigan, 2014; Haslam, 2016).

2.2. A causal mechanism of public accountability deficit

The relevance of public accountability in coping with the resource