

'It's the Economy, Stupid!'

Political Economy Analysis and Political Corruption Studies

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Political Economy Analysis and Political Corruption Studies

Political Economy Analysis

- Upcoming political science approach
- PEA theories and approaches

The *Resource Curse* theory

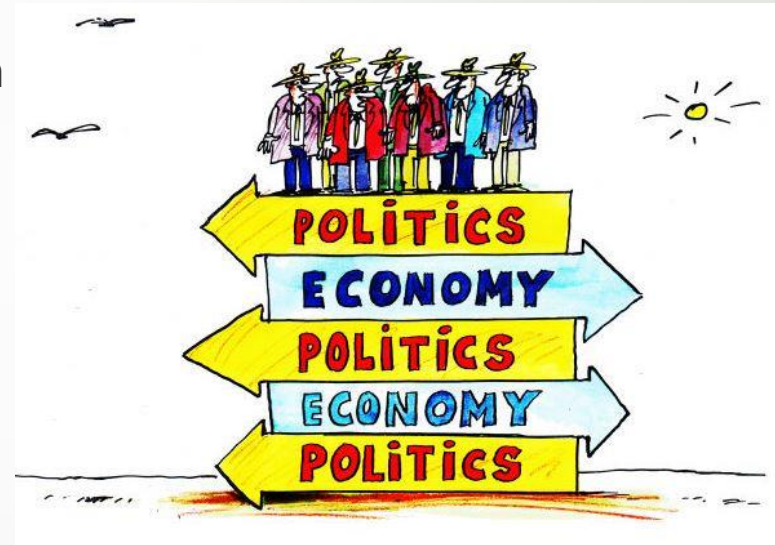
- Economic and political aspects
- The *democracy first* theory

Political Corruption Studies

- Political vs administrative corruption
- Political corruption as power preservation

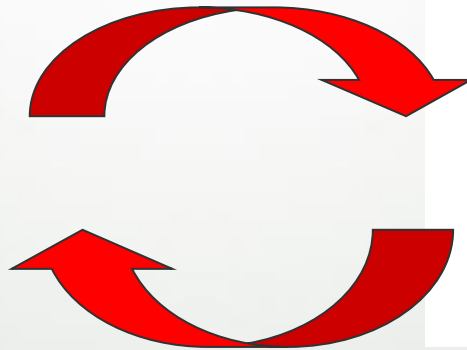
Analytical Tools

- Research questions



Political Economy Analysis

- Interdisciplinary: *economics, sociology and political science*
- Explains how political institutions, the political environment, and the economic system influence each other
- Economic interests of politicians
- Political influence of economic interests



The Resource Curse

- *The Dutch Disease*
- *The Paradox of Plenty*
- *The Rentier State model*

- Norway
- Australia
- Canada
- Chile
- Brazil
- Malaysia
- Botswana
- ...

- Nigeria
- Angola
- DR Congo
- The Sudan
- Sierra Leone
- Liberia
- Zambia
- Colombia
- Azerbaijan
- Tajikistan
- ...

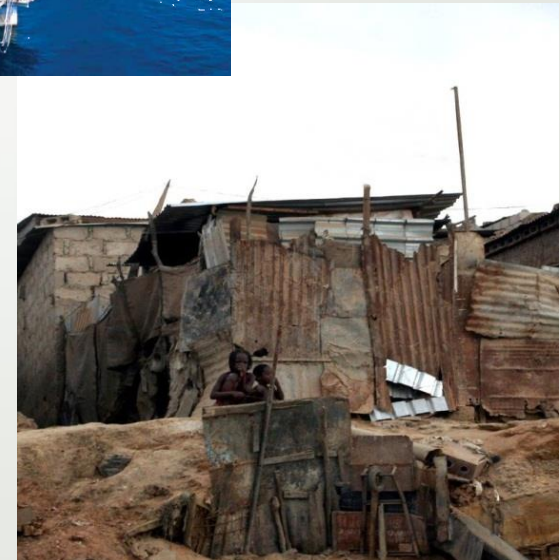
Oil rich countries can be worse off

- Rich in natural resources
- Poor in economic development

Explanations

- Economic explanations
- Political explanations

Democracy first theory



Economic Explanations

Relative price effect

- Higher currency value
- More imports (cheaper)
- Competition difficult

The 'Dutch Disease'

- Over-investment in extractive industries
- Under-investments in manufacture, agriculture
- "Crowding out" (decline of competitiveness)
- De-industrialisation
- Limited/difficult economic diversification



Volatility

- Uncertainty for businesses
- Government waste and debt
- Government borrowing
- Capital flight



Political Explanations

The prize increases

- Higher government revenues
- Large benefits of being the “state elite”
- Consumption, enrichment, corruption

State autonomy increases

- Off-shore, foreign, High-Tech
- “Un-earned”, easy
- Little taxation domestic economy
- No “social contract”
- Little influence business/middle class
- Little influence of civil society

State power increases

- Means to manipulate institutions
- Means to buy (off) rivals
- Means to buy instruments of coercion



Conflict increases

- Uneven distribution
- Increasing inequality
- Increasing poverty

Authoritarianism increases

- Entrenched elites
- Violent defence of privileges
- Weak institutions

Democracy First Theory

A country will be cursed only when it becomes oil-export dependent *before* accountable and democratic state institutions are established and consolidated

The *First Law of Petropolitics: The price of oil and the pace of freedom always move in opposite directions in oil-rich petrolist states.*

Thomas Friedman 2006

Exceptions?



Norway “4 times blessed”

- 1 **Established democracy**
 - Rules of the game settled
- 2 **Resource management experience**
 - Hydro-electric power plants
 - Competent civils service
- 3 **No big expectations**
 - Modest start
- 4 **Big finds**

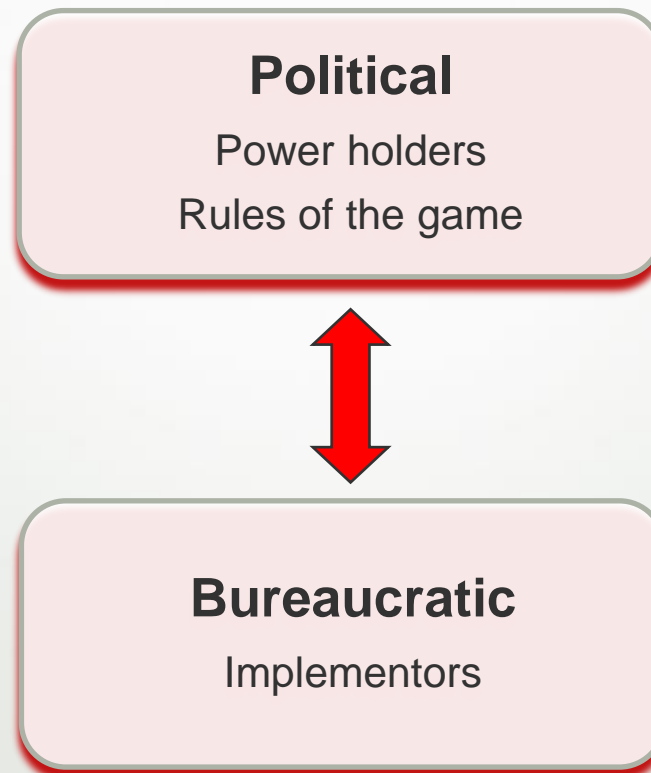


Phillips 1962 \$/year:	2 000 000
Gvt. income \$/year:	20 000 000 000
Petroleum Fund 2019:	1 100 000 000 000

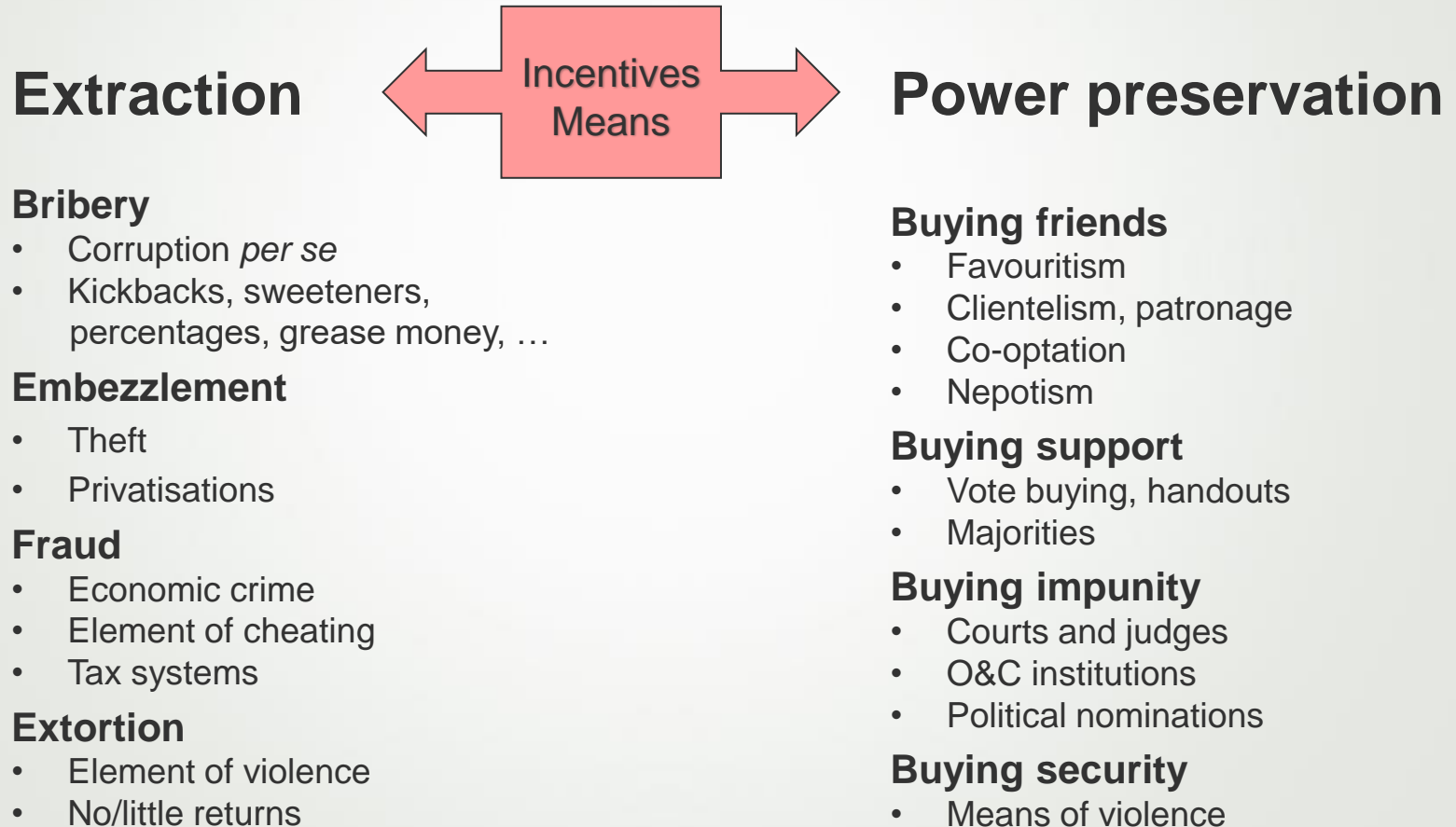


Political Corruption

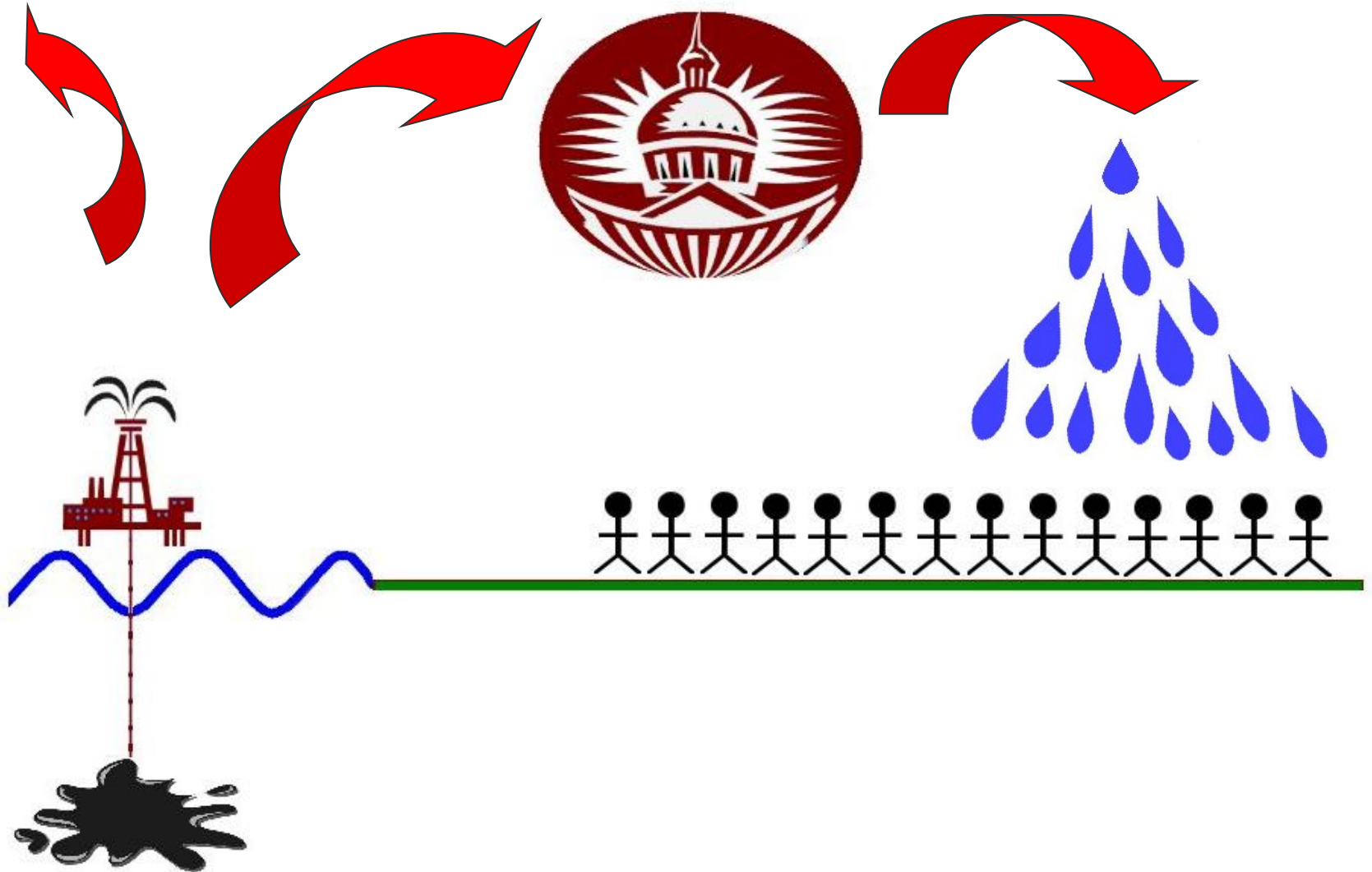
- Abuse (capture) of public power for private benefit
- Misuse of entrusted power for private gain
- *Political* when political decision makers abuse their power for private benefit



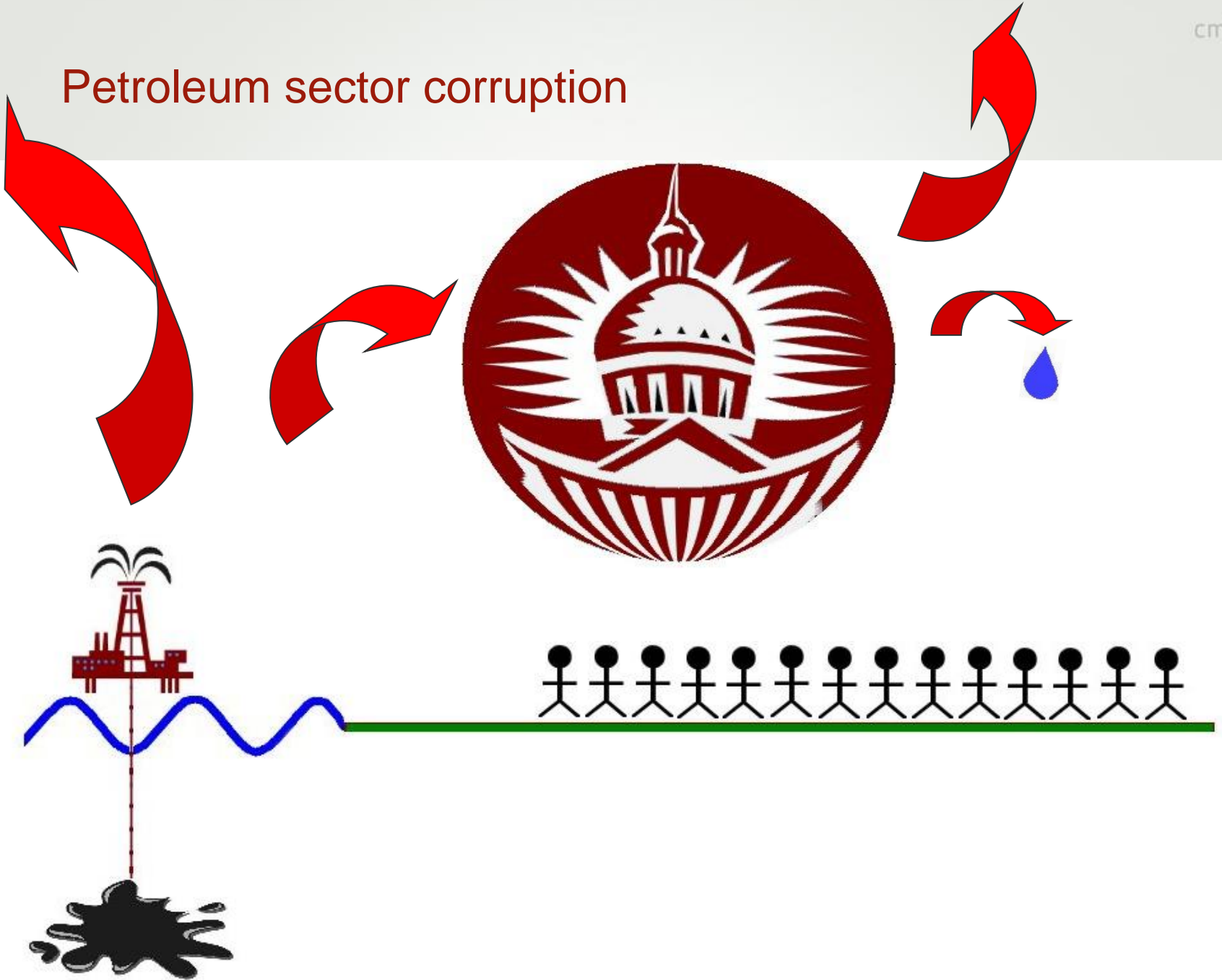
Political Corruption: Two faces/phases



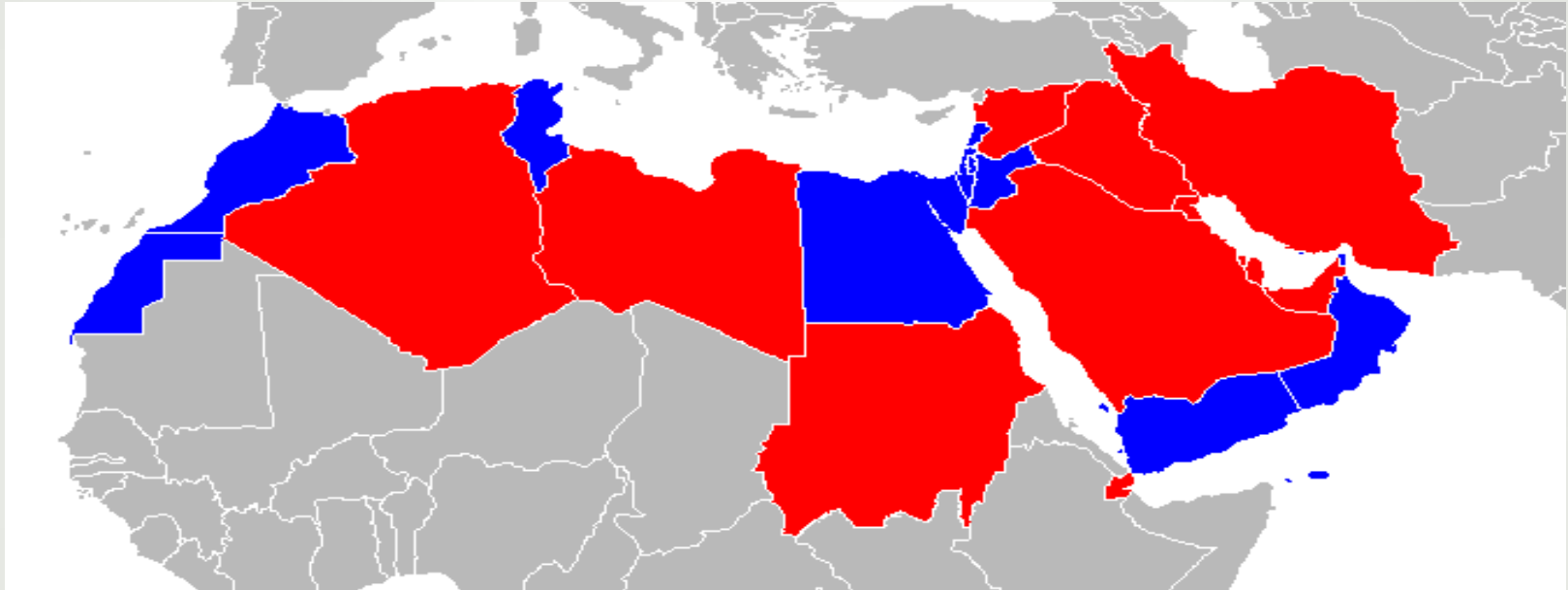
The petroleum sector ideal



Petroleum sector corruption

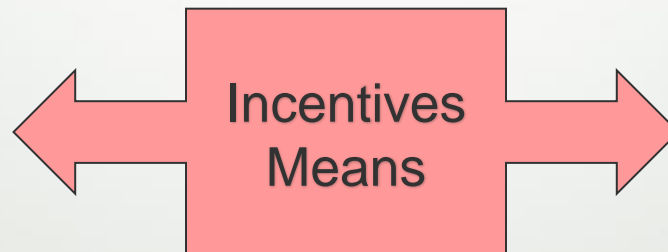


Political Corruption as Power Preservation: MENA



Extraction

- Bribery
- Embezzlement
- Fraud
- Extortion



Power preservation

- Buying friends
- Buying support
- Buying impunity
- Buying security

Research Questions

Developmentalist states?

- State autonomy
- Incentives
- Capabilities
- Established crony capitalism



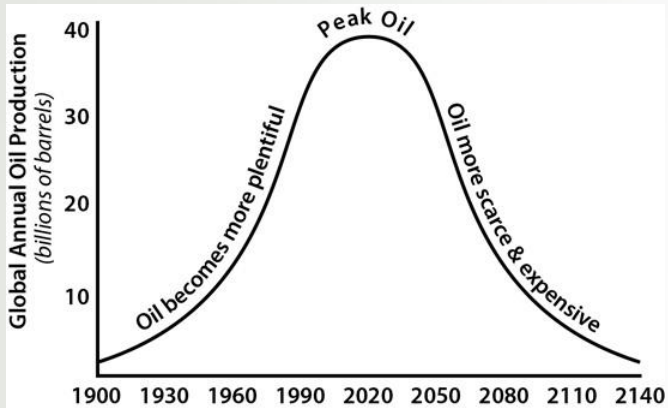
From business to politics or vv?

- Regime characteristics
- New politicians



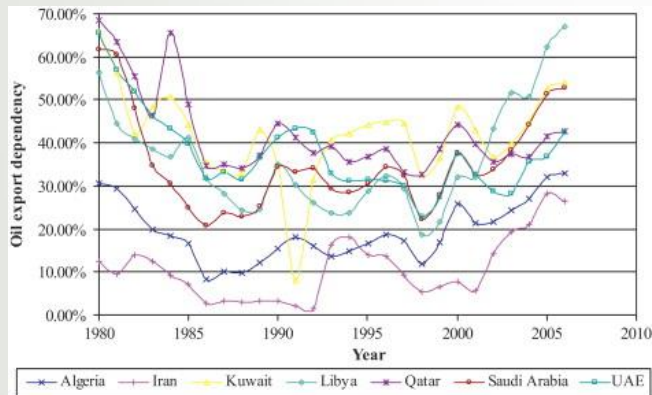
*Seek ye first
the political
kingdom and
all else shall
be added
unto you*

Research Questions



When petrodollars run out?

- Peak oil
- Diversification
- Social contract
- Conflict



More diversified

- Bahrain
- UAE
- Oman
- Qatar
- Iran
- Yemen
- Saudi Arabia
- Algeria
- Kuwait
- Libya
- Iraq

Less diversified

50%

