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Election cycles in natural resource rents: Empirical evidence

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Abstract

We examine whether governments' natural resource rents are affected by upcoming elections and if so, whether the incumbent uses these additional rents for re-election purposes. Estimates of a dynamic panel model for about 60 countries for 1975-2011 suggest that elections increase natural resource rents. The incumbent uses these rents for expanding public spending and reducing taxes before elections. However, these electoral cycle effects are statistically significant only in young democracies. Our results also suggest that election effects are stronger in countries with limited access to free media, limited political checks and balances, and a presidential system.

Keywords: Political budget cycles; Natural resources; Rent seeking.

JEL code: E62, H2, O13, Q3

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