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Natural resource rents and internal conflicts: Can decentralization lift the curse?

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Highlights

- The effect of rents on internal conflict is conditional.
- Decentralization matters in the final effect of rents on conflict.
- Cross-country and panel regressions for 90 countries from 1984-2004 support our hypothesis.

Abstract

We study how natural resource rents affect the risk of internal conflict within countries and how the federal structure of countries influences this relationship. Natural resource abundance may induce excessive rent-seeking and thus increase the risk of internal conflict. Fiscal and political decentralization as an institutional arrangement for rent-sharing and political codetermination of regions within a country may limit the destructive effect of natural resource rents

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