Resources Policy 45 (2015) 165–172

Contents lists available at ScienceDirect

Resources Policy

journal homepage: www.elsevier.com/locate/resourpol

Natural resource extraction and political trust

Rebecca Miller *

Department of Political Science, University of Missouri-Columbia, 103 Professional Building, Columbia, MO 65201, United States

ARTICLE INFO

Article history:
Received 7 October 2014
Received in revised form
12 April 2015
Accepted 13 April 2015
Available online 15 May 2015

Keywords:
Political trust
Resource curse
Community perspectives
Sustainable mining
Corporate social responsibility

ABSTRACT

Do natural resources influence political trust? I provide a new answer to this question by articulating a theory of political trust that relates to within-country variation in natural resource extraction rather than the more traditional empirical context of cross-country variation. The distributional consequences of natural resources within countries have a large, positive consequences on political trust. Residents within a mining district may experience disproportionate economic benefits compared to residents living in a non-mining district. These economic benefits, in turn, influence political trust. I test these arguments using Afrobarometer public opinion data in four democratic African states, namely Botswana, Ghana, Kenya, and South Africa.

Introduction

The resource curse literature explores the myriad ways that natural resources might hinder democratic development. Factors argued to increase authoritarianism include a lack of political competition, which renders governments more agreeable to special interests, as well as higher corruption and weaker institutions which exacerbate these effects (Bulte and Damania, 2008; Leite and Weidmann, 1999; Mehlum et al., 2006; see Rosser, 2006 for a review).

Although the resource curse literature has provided substantial insight into the cross-national variation in the extent of democracy, it has provided much less insight into the subnational implications of resource extraction. This article extends the resource curse literature to move beyond political *regimes* and *institutions* to explain political *behavior*. Political trust, an important, recognized measure of political legitimacy (Hetherington, 1998), helps counter this lacuna in the literature. Specifically, to what extent does the resource curse literature help us understand variation in political trust within a state?

The sections which follow propose that existing resource curse theories have clear theoretical implications at the subnational level. Natural resources influence economic growth, and the economy is an important determinant of political trust (i.e., Sachs and Warner, 2001; Espinal et al., 2006). The mechanisms that influence economic growth should lead to variation in economic development subnationally. Those residing near extraction projects should benefit from increased development, infrastructure, and capital flowing into these regions. These positive economic consequences stemming from mining should increase trust in political leadership. Regions not influenced by extraction, on the other hand, should exhibit less trust in leadership.

This article builds on existing research in two principle ways. First, with a few important exceptions, the resource curse literature's focus on aggregate effects has largely ignored subnational variation (Goldberg et al., 2008; Markwardt et al., 2013; Paler, 2011). Because natural resources are often geographically concentrated within a country (Gilmore et al., 2005), explicit consideration of subnational variation is necessary. Second, findings demonstrate that natural resource extraction influences individuals differently depending on their relationship to a mining district. As a result, individual political trust varies within countries depending on district-level factors.

The argument develops as follows. The article begins by unfolding the logic and debate between economic growth and natural resources. This is followed by a discussion of the economy‘s implications for political trust, and the resource curse literature‘s need to examine subnational variation. Next, I introduce the theory that natural resource extraction should therefore increase levels of political trust, due to mining‘s localized implications. A discussion of the data and an empirical test of the hypothesis follows. The article concludes with a discussion of the results and conclusions regarding resource extraction and political trust.

Revisiting the paradox of plenty

The resource curse literature identifies a number of direct negative consequences for a state at the national level. Natural resources may encourage civil conflict, nurture authoritarian regimes, and suppress economic growth (i.e., Collier and Hoeffler, 2004; Ross, 2001; Sachs

* Corresponding author.
E-mail address: rebecca.miller@mail.missouri.edu

http://dx.doi.org/10.1016/j.resourpol.2015.04.002
0301-4207/

and Warner, 2001). The resource curse theory suggests that resource-rich states are unable to compete economically with their resource-poor neighbors (Auty, 1993; Sachs and Warner, 2001; Tusalem and Morrison, 2014). In peaceful democratic states, the economic consequences of resource extraction should have the strongest influence on perceptions of government performance.

Natural resources may inhibit aggregate economic growth in a number of ways. Mining economies are often unable to handle global price shocks (Auty, 1993). Many resource-rich economies fail to diversify, which may crowd out other industries. Because prices are unstable, this may hurt economic growth. Governments experiencing resource booms may borrow over-optimistically on projected revenues. If the state relies on mineral revenues, but the mineral industry does not perform as projected, the economy may stagnate (Gelb, 1988). When the state has high debt, poor export revenues, and a poorly diversified labor force, the overall economy suffers. Thus, the consequences of natural resource wealth on the national economy can be substantial.

Natural resources may also impede economic growth through the Dutch Disease, a more mild form of the resource curse. The Dutch Disease occurs when natural resource booms appreciate the national exchange rate. The appreciated currency renders industries such as agriculture and manufacturing uncompetitive (Corden and Peter Neary, 1982). Thus, those not involved in resource extraction are more likely to suffer economically. Because the state relies heavily on a single industry, the Dutch Disease may have significant developmental consequences. Therefore, it is logical to assume that the consequences of the Dutch Disease should largely map according to the geographical distribution of natural resources and extraction projects.

While the mechanisms linking economic growth and resource abundance are uncertain, numerous studies have found evidence of a strong negative relationship (Rosser, 2006). Following the resource curse literature, we would expect that the negative political and economic consequences of resource wealth will decrease political trust at the national level, a finding supported by Listhaug' (2005)'s analysis of Norway. However, given the variation in regional and industrial economic success, this relationship between political trust and natural resources at the subnational level is less clear.

Similarly, the resource curse literature largely ignores the "good news" of resource extraction, which may introduce variation in citizen attitudes at the sub-national level. Citizens may experience positive externalities stemming from the resource curse. The resource curse literature suggests that natural resource wealth hinders good governance largely through its economic implications. Notably, increased government spending and lower taxes allow a dictator to remain in power (Ross, 2009), but the economic policies which hinder democracy may not equate to poor economic conditions for the citizenry[1]. Rentier economies emerge when states derive high levels of revenue from resource taxes, reducing the need to tax their citizenry. High government expenditures may allow the state to placate different interest groups, who then refrain from challenging the government (Sandbakken, 2006; Shambayati, 1994; Yates, 1996). However, these expenditures, which include benefits in social welfare, education, and health (Chatelus, 1987), may benefit domestic groups. In rentier and non-rentier states alike, natural resources may not lead to increased economic growth or a stable democracy, but they may provide short-term benefits that increase a citizen's trust in their government.

Further, the existence of natural resources alone is not a sufficient condition that a state will experience a resource curse. Herb (2005) argues that in more developed rentier states, resource rents can foster a larger middle class, increase gross domestic product (GDP), and increase investment in education, which correlates with higher levels of democracy (Lipset, 1959)[2]. Sala-i-Martin and Subramanian (2003) argue that natural resources stunt economic growth through their effects on institutions. However, more democratic institutions moderate these effects. These studies suggest that good governance should moderate the most extreme consequences of resource extraction. Thus, natural resources can benefit populations within democratic states.

Subnational variation

The effects of natural resources on economic growth are sensitive to measurement issues. Ross (2009) finds that his causal mechanisms change when he uses a per capita measure of oil wealth rather than oil exports as a share of GDP. Haber and Menaldo (2011) do not find evidence of a resource curse after extending the years in their sample. Rather than examining dependence, especially when moving beyond aggregate analyses, research should therefore examine how mining projects influence a community. The presence of extraction within a district should influence a citizen's perceptions of government performance through its economic consequences. The citizen is unlikely to know whether a mine is a large contributor to the economy or how its rents are distributed at higher levels. However, the citizen should know whether a mine positively influences her district and her personal well-being.

The economic consequences of natural resource wealth has subnational political implications, although social science understands these implications less well. Reeson et al. (2012) argue that while exchange rates do not vary within a country, regions with high levels of mining activity can hurt other industries through wage and price inflation. While this represents "bad news" for resource extraction, their findings suggest that the economic effects of natural resources are not confined to the national level. Further, while traditional resource curse dependent variables are appropriately studied at the aggregate level, evidence suggests that these mechanisms may induce subnational variation.

Hamann' (2004)'s case study of Rustenburg, South Africa illustrates the positive consequences stemming from resource extraction. The area mines estimated that they contributed approximately R20 million per year (approximately \$1.9 million) to the local economy, compared to the municipality's budget of R30 million (approximately \$2.9 million). The mines were therefore a critical driver of local development. The area mines contributed to housing and education projects, health services, and small business development in surrounding communities.

Following South Africa's 1994 transition to democracy, area mines repeatedly cited corporate responsibility in their annual reports (Hamann, 2004). While corporate responsibility initiatives vary considerably in their objectives and target audiences, they have largely shown dedication to developing socially responsible relationships with their host communities (Kapelus, 2002). This suggests that within democratic countries, mines should positively improve the living situations of local populations.

If companies are more likely to cite corporate responsibility in democracies, then this suggests that increased development is not exclusively corporate-driven, but rather is also influenced by governmental initiatives. The positive developments of these mines will remain within these districts, thereby having at best a null effect on surrounding areas, or at worst increasing a sense of relative deprivation for neighbors residing in areas which do not

[1] While Ross (2009) argues that oil alone influences democratization, the economic implications of oil may travel to non-oil resources.

[2] While Herb exclusively examines oil, the implications of his argument should travel to non-oil resources.