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EASTERN KENTUCKY UNIVERSITY

Disrupting Democracy: The Impact of Natural Resources on the Development of Post-U.S.S.R.
Countries

Honors Thesis

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in Partial Fulfillment

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By

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Disrupting Democracy: The Impact of Natural Resources on the Development of Post-U.S.S.R.
Countries

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Abstract: This study seeks to examine why former Soviet states, united by common political and economic history through their time under the Soviet Union, have taken such radically different paths in development. Chiefly, why are some states in the region some of the most democratically developed in the world, but others are some of the least? Natural resource rents are introduced as a factor that can stall development by limiting the capacity for critical democratic institutions to develop. Utilizing a fixed-effects regression analysis, we find that higher resource rents as a percent of GDP have a statically significant, negative relationship with democratic development.

Key Terms: thesis, honors thesis, undergraduate research, Soviet Union, political economy, democratization, communism, civil society, economic development

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The fall of the Soviet Union in 1991 is often viewed as the end of an era, but for the fifteen Soviet Republics it was just the beginning of a complex and complicated process of societal reform and reconstruction. The process of creating an independent, democratic nation is typically long and arduous, lasting many years. It requires popular participation, civil society, political parties, and many other important institutions, none of which form overnight. On top of creating their own economies to replace the collapsing, centrally-planned economy of the Soviet Union, the newly independent states had to learn how to create vital institutions that allow them to govern themselves.

A cursory glance at the relative democratic development of the former Soviet republics demonstrates the large discrepancy in freedoms that their citizens enjoy and levels of authoritarianism within government, even today. Each state faced, or still faces, a unique set of barriers to democratic development and consolidation. Why is it that countries that are in a similar geographic area with a similar political and economic background during their time under Soviet rule have such a drastic disparity in development?

When surveying at the literature on countries struggling with the resource curse, a pattern of uneven development begins to emerge. Many of the former Soviet Countries that are naturally rich in oil, natural gas, and hard rock minerals also happen to have the least developed democracies. Countries with little to no natural resource exports in the same regions, however, are some of the most democratically developed and consolidated in the world. Considering this discrepancy, two hypotheses were formed to explain the uneven development of former Soviet states: (H1) *As institutionalization increases, level of democracy is likely to increase;* (H2) *On average, as the availability of natural resources decreases, democracy is likely to increase.*

Resource Curse Theory and Rentier States

The concept of the resource curse stems from a 1995 paper written by Sachs and Warner, which was the first to argue that “economies with a high ratio of natural resource exports to GDP... tended to have low growth rates in the subsequent period” (Sachs and Warner 1995, 2). Generally, the body of resource curse literature has found a “significant negative correlation between natural resource abundance and economic growth” (Kronenberg 2004, 400). The research that followed the groundbreaking Sachs and Warner study has sought to find the reason why the resource curse effect occurs. Kronenberg summarizes the hunt for the missing feature with his statement, “if natural resources crowd out some activity X, and X is important for growth, then natural resources slow down growth” (Kronenberg 2004, 401).

To properly understand the resource curse theory it is critical to first have an understanding of Rentier states. Rentier state theory investigates the reasons why government elites in natural resource rich countries choose policies that inhibit growth (Di John 170). In resource rich countries, revenue tends to originate in the central government or with elites, so there is a greater opportunity to exploit the resources due to greater discretion. Natural resources are also produced in a markets that are not extremely competitive, making it easier to corner the market (Kronenberg 2004, 402).

Di John defines rents as “excess incomes or the proportion of earnings in excess of the minimum amount needed to attract a worker to accept a particular job or a firm to enter a particular industry” (Di John 2011, 171). The excess incomes can result from a wide range of sources, including higher rates due to monopolies, income from scarce resources, political transfers (subsidies), or outright corruption (Di John 2011, 171; Kronenberg 2004, 403). The extra income generates an interest in elites to maintain these rents, which is called rent seeking.

Elites “seek to create, maintain, or change the rights and institutions on which the rents are based” (Di John 2011, 171). In practice, this often results in corruption. The concept of rent seeking was summarized by the Iron Law of Rent-Seeking, which states, “wherever a rent is to be found, a rent seeker will be there trying to get it” (Di John 2011, 172).

Oil and mineral abundance results in excessive rent seeking, which, in turn, results in corruption and low growth (Di John 2011, 171). The corrupt transactions necessary to maintain these rents reduces the security of property rights, which lowers investment in long-term projects that would typically facilitate growth. Additionally, the revenue from rents make the government less reliant on the tax base, which decreases the influence of the citizens that would be otherwise exercised. The government is then free to make large expenditures without popular consent (Franke et al. 2009, 112). When rentier states do invest in the country it is often in safe investments, such as large building projects, or transferred overseas, neither of which will bolster domestic growth (Di John 2011, 172).

The Search for Factor “X”

At the heart of resource curse theory is the theory that there is “a significant negative correlation between natural resource abundance and economic growth” (Kronenberg 400). The previous conclusion underscores the arguments nearly all the literature in support of the resource curse, many of which seek to find feature “X.” The theories underpinning the overall effect vary, but corruption, uneven development, and variations of the two are common features of the theories.

Kronenberg believes that corruption and neglect of basic education play the role of X; he argues that the natural resource sector requires a limited number of ruling elites and large

numbers of low-skill workers, which de-incentivizes education in resource abundant countries. Kronenberg argues that the resource curse can be avoided by resource-rich countries by fighting corruption. Kronenberg also argues that the resource curse is due to a crowding out of certain sectors in his article “The Curse of Natural Resources in the Transition Economies,” but instead states that corruption and education are the major factors being crowded out.

To some degree, the Kronenberg study follows the general pattern of the Sachs and Warner study, which posits that “there must be some sort of crowding out: if natural resources crowd out some activity X, and X is important for growth, then natural resources slow down growth” (Kronenberg 2004, 401). The study utilizes a stepwise regression to exclude irrelevant variables. Kronenberg is eventually left with four relevant variables that account for over 80% of the variation exhibited (Kronenberg 2004, 411). The study addresses four prominent theories for the resource curse: rent seeking and corruption, Dutch Disease, neglecting investment in human capital, and non-sustainable resource extraction. The study concludes that the resource curse does exist because transition countries “relatively abundant in natural resources performed very poorly in terms of economic growth,” (Kronenberg 2004, 421). After conducting regression analyses studying the effect of each variable on economic growth, Kronenberg rejects the theories of Dutch Disease and non-sustainable resource use. He accepts both corruption and lack of human capital investment as statistically significant factors influencing the economic growth of transition economies. Kronenberg argues that the corruption of the natural resource sector occurs because it is inherently elitist and monopolistic due to the capital investment required (Kronenberg 2004, 403). Business is also conducted in rural areas estranged from rule of law. Estrangement from major populations and elitist rule encourages bribery and corruption, which decreases the incentive to invest and hinders economic development (Kronenberg 2004, 403).

Kronenberg theorizes that there are very few well-rewarded, high-skill careers in the oil and gas industry, which tend to be reserved for elites. As a result, low skill workers are the predominate need. Governments seeking immediate revenue have an incentive to devalue investment in human capital through education (Kronenberg 2004, 404).

One issue with the Kronenberg study is that it cannot account for the size of the effect of the natural resource curse due to the impact of multicollinearity; there is a pre-existing “close correlation of natural resource abundance and corruption” (Kronenberg 2004, 423). This study hopes to resolve that that issue by breaking down the effects of the resource curse on a number

Kronenberg’s dismissal is disputed by Horáth and Zeynalov’s theory that the natural resource curse crowds out manufacturing sectors unless high-quality institutions are already in place to counter the curse. All three authors, however, agree that previous institutions are a significant factor in the success of a country overcoming the resource curse (Horváth and Zeynalov 2014, 4). Horáth and Zeynalov utilize a panel regression analysis to discover that there is a “negative relationship between natural resources and growth only for countries with bad institutional frameworks” (Horváth and Zeynalov 2014, 6). They utilize multiple measures of institutional quality, all of which led to the same conclusion (Horváth and Zeynalov 2014, 16). Many features of the regime were included in the measure of institutional quality: corruption control, rule of law, government effectiveness, regulatory quality, political stability/ absence of violence, and accountability (Horváth and Zeynalov 2014, 7). The study controlled for intervening variables, including location. Kronenberg utilized distance from Moscow, Paris, and the ocean, but this study utilized a much simpler measure- degrees longitude from Brussels. An abundance of natural resources can crowd out the manufacturing sector, which tends to produce significant economic growth. Well-structured institutions can be put in place to counter the

effects of the resource curse, but the analysis also finds that more time spent under a communist regime increases the chance that they will damage the integrity of the institutions within a country (Horváth and Zeynalov 2014, 17).

One prominent issue with the Kronenberg study is the repeated omission of outliers in order to increase the statistical significance of certain key features to the theory. One example is Moldova, which was excluded from some regression analyses due to its economic success in agricultural export growth, as opposed to oil exports (Kronenberg 2004, 413).

In the journal article “The Political Economy of the Resource Curse,” Michael L. Ross argues that, while there is great merit to previous economic theories behind the resource curse, the ambiguities of the theory can likely be explained by cognitive, societal, and state-centered political explanations (Ross 1999). He argues that, while there is strong evidence the resource curse is true, an increase in cooperation between economic and political science research, more strict definitions of variables, and further empirical study on these issues will reveal why it occurs.

Ross draws upon multiple cross-sectional and case study analyses to develop his arguments. Using a meta-analysis, Ross compares the merits of four economic resource curse theories to three political science theories before advancing two new theories he believes deserve further scholarship. The economic theories discussed include a decline in the terms of trade for primary commodities, instability of international commodity markets, poor linkages between resource and non-resource sectors, and “Dutch Disease” (Ross 1999, 298). Nearly all these problems can be remedied or even prevented by government officials, yet, they are seen in many resource-rich, developing countries. Ross believes that the economic studies are missing one feature- political reality (Ross 1999). Ross introduces three reasons why governments manage

their resources poorly and make shoddy attempts at resolution. Cognitive explanations argue “that resource booms create short-sightedness among policymakers”, societal explanations offer that “resource exports tend to empower sectors, classes, or interest groups that favor growth-impeding policies,” and state-centered explanations “contend that resource booms weaken state institutions” (Ross 1999, 298). Though these avenues are promising, they are not without flaws. For instance, the cognitive theory operates against the general assumption that actors are rational people and there is little evidence that economic windfalls create growth-impeding institutions (Ross 1999, 308-310). Last, he introduces state ownership of natural resources and failure to enforce property rights (Ross 1999, 319-20). These statements are introduced as starting points for collaboration between political science and economics.

Franke et al. provides a case study analysis of Azerbaijan and Kazakhstan to exemplify the effect of natural resource abundance on countries in the Caspian region as rentier states (Franke, Gawrich, and Alakbarov 2009, 111-112). Like many other studies, the authors cite corruption and rent-seeking elites as the reason for the resource curse. The findings of this study are expanded upon later, as the characterization of the post-Soviet rentier state developed in the text is utilized as tool to understand the effect that occurs at the intersection between a former Soviet state and a resource rich state.

Huntington proposes that the most successful democratic transitions occur when there is a moderate or high amount of wealth present due to the non-state power vested in critical private entities (Huntington 1991, 64-65). The previously described effect is not present in counties with large quantities of oil wealth because the money accrued remains within the bureaucracy, where it enriches the state and elites without enriching other sectors, also known as a rentier state (Huntington 1991, 65).

Much of the dissenting literature hinge their arguments on the statistical methods used, not the theories. Alexeev and Conrad disagreed with resource curse theory and instead asserted that mineral and oil wealth has either no impact or a minor positive impact on growth and development. They argue that utilizing quality of institutions as a control variable has skewed the results of previous authors' studies to appear more negative. They do, however, concede that "large natural resource endowments appear to increase per capita GDP without a simultaneous improvement of the country's institutions" (Alexeev and Conrad 2004, 595). Oil-based wealth still results in slower growth when compared to manufacturing-based countries, even if the growth is positive. In a way, Alexeev and Conrad's article supports the hypothesis that institutionalization does have an impact on the way countries experience the resource curse and how institutions can best be utilized to prevent it from occurring.

Patrimonialism in Former Soviet States

Many of the problems that are present in modern post-Soviet states, especially in civil and political society, are the effects of the patrimonial system seen in the Soviet Union. The modern effects of this political structure is called "neopatrimonialism" (Franke et al. 112). The Placing former high-ranking members of the former Communist party into the newly free states allowed the tight-knit structure of elites to infiltrate the brand-new states, instilling these norms from the start. Patrimonialism means that the government works through "personal networks" of elites (Franke et al. 112). The services and resources given to the patrons are not for the good of the whole of society and typically serve only elites. There are two webs of patronage in former Soviet states- the old and the new (Franke et al. 113). Both webs are still active in former Soviet rentier states. The old system is the remnants of the strict Communist party hierarchy. The new

system is comprised predominately of the family of elites, as well as business executives, especially those in oil (Franke et al. 113).

Former Soviet States as Rentier States

The effects of the resource curse are seen in a limited number of former Soviet Rentier States, generally acknowledged to include Kazakhstan, Azerbaijan, Turkmenistan, and Uzbekistan, though a few other states may experience similar effects to a lesser degree. There are several features that are universal across Post-Soviet Rentier States identified by Franke et al. that explain the hurdles these states face in order to democratize and consolidate. The features are a synthesis of studies of state documents, media reports, NGO reports, interviews, and national roundtables.

Characteristics of Post-Soviet Rentier States (Franke et al. 2009)

- (1) Elite power in oil and gas contact conclusions
- (2) Permanent, corrupt and rent-seeking elites
- (3) Support purchased through rent allocation
- (4) Lack of regulation of economic structures
- (5) Missing concepts in relation to distribution
- (6) Lack of transparency
- (7) Medium legitimacy in relation to resource policy

The damaging effects of one-party rule, suppression of civil and political society, little to no government accountability, and a centrally planned economy under Soviet Rule can be witnessed in former Soviet Rentier states. Their institutions have been so badly damaged that they now have to make a concerted effort to rebuild each of their institutions in order to create a successful, accountable, representative government. Franke, Gawrich, and Alakbarov line out the above seven-feature characterization of Post-Soviet Rentier States that will be used to explain the effects of natural resource abundance on institutions. It will also serve as a framework for the later case studies of Kazakhstan and Ukraine to illustrate the effects of Soviet Occupation and

Natural Resource Abundance on the development of institutions that lead to an effective, lasting democratic government.

The first characteristic, elite power in oil and gas contracts, is a prerequisite to the other characteristics due to its centrality to rent-seeking behavior. This incentive leads to the second characteristic- permanent, corrupt, and rent-seeking elites. In post-Soviet rentier states, decisions about the oil and gas industries are made entirely by elites. In the context of many post-Soviet rentier states, elite rule means that the patrimonial presidents the decisions and other government entities are far too weak to contest executive power, allowing elite discretion to carry on indefinitely (Franke et al. 124). The terms in oil and gas contracts have had economic outcomes that have prevented the development and stability of certain institutions, which have allowed the continuity of elite power.

The elites creating gas and oil contracts have a great incentive to act in a selfish and individualistic manner (Franke et al. 125). They make the terms, so it is in their interest to make them in their favor. In states where natural resources constitute most of the national income, there is a decreased need to rely on the tax base. The lack of accountability to the tax base further alienates elites from the general public, ensuring that elites feel removed from the “everyday people” in the country. Removal from the everyday experiences makes it much easier for elites to eschew welfare projects and pursue projects that benefit themselves only. Often, the selfish behavior can become illegal behavior, which instills corrupt practices into the structure of government. There has been a number of financial scandals that have taken place in post-Soviet rentier states in which elites enriched themselves with oil contracts and stored the spoils in foreign banks (Franke et al. 126). A few bold journalists condemned the actions, but no real consequences have come from corrupt behaviors (Franke et al. 126).

The clientelist, clan-like structure of the post-Soviet political society also ensures that control over gas and oil remains within tight hierarchy of government elites (Franke et al. 125). Control of such critical and profitable industries are only trusted to family members or the inner circle. Lack of rule of law and a defunct judiciary allow patronage systems to form without impunity (Franke et al. 126). Lack of punishment has ensured corrupt, rent seeking elites that their acts will not be punished, which has ensured them that they are free to continue and expand their illegal and immoral acts.

The third feature that is discussed is support purchased by rent allocation (Franke et al. 127). At first, this characteristic appears contradictory, as a hallmark of rentier states is lack of investment. To legitimize the corrupt, ineffective hyper-presidential system, governments will often use some of the oil rents to purchase the support of the constituency through free healthcare, education, or other initiatives (Franke et al. 127). This lends the government the necessary amount of legitimacy for many citizens to look the other way when scandals arise. Governments can purchase the support of their constituency without making long-term investments that would result in growth. These programs are often created and executed by the executive. Weak legislative bodies and patrimonial systems ensure that these programs continue over the years.

The fourth feature is the lack of regulation of economic structures (Franke et al. 128). As previously stated, former Soviet states suffered from a simultaneity problem, which means that they underwent massive change in both political and economic society. Many states had to create their own economies from the ground up, placing them behind other “modern” economies who had longer to develop (Franke et al. 128). Often, the failure to modernize takes the form of investment in manufacturing and human capital, both of which have a positive effect on long-term economic growth and prosperity (Kronenberg 403-405). Instead of utilizing domestic

industries to support oil and gas exports, many of the post-Soviet rentier states contracted those industries to foreign economies. Many of the machines and parts necessary for oil production were made abroad when they could have been a prominent domestic industry to bolster domestic manufacturing, continuing the cycle of uneven development. Trade protectionism was also used to counter uneven development, but ultimately ended in poorer quality products made in a less efficient manner (Franke et al. 129). There has been a lot of programs and plans to counteract the uneven development of industries created by local think tanks and NGO's, but none have been implemented (Franke et al. 129).

The tendency for post-Soviet rentier states to engage in “white elephant projects” is also due to inattention to economic structures. A white elephant is a metaphor for “large infrastructural investment (often in the form of a partial gift from central authority) whose cost of maintenance is not line with its value. It is often approved for political or symbolic reasons and it cannot be sold in normal circumstances (Beebel, Markus and Ploom 2019, 18). White elephant projects in former Soviet states are typically a symbolic gesture used to reflect an image of power and prosperity that quickly become a massive drain on the economy.

One does not have to look further than Ashgabat, Turkmenistan for a prime example of white elephant projects. A uniform characteristic across all of the post-Soviet rentier states is that they have elaborate capitals built for populations much larger and wealthier than those who occupy it. The city is clad in glistening white marble. Travelers have noted, however, that these brilliant cities look like ghost towns (Taylor 2013). For instance, expensive shops and cafes line the streets of the capitol city, but are seldom used by the locals, many of which can not afford it. To build the city itself, funding of education and a third of all pensions were cut (Taylor 2013).

Clearly, this is a symbolic gesture of strength to the outside world, not an attempt to facilitate growth.

Only 120 miles from Ashgabat is the village of Derweze. This small village was essentially wiped off the map in 2004, only three weeks after its inhabitants were evicted (Taylor 2013). The destruction of the village occurred because President Niyazov mentioned the ugly appearance of the village in relation to the sheer beauty of the curated city or Ashgabat (Taylor 2013). The inequality demonstrated by the cities and the outlying areas demonstrates how these projects are not designed to fit the needs of the locals or improve the economic standing of the country. These projects are undertaken to create a façade of success and lavishness to conceal the true inequality and authoritarian rule present within the country. They are often closely crafted by the President of the country, which highlights the rentier state mentality that oil profits are at the discretion of the elites, not the people or the country.

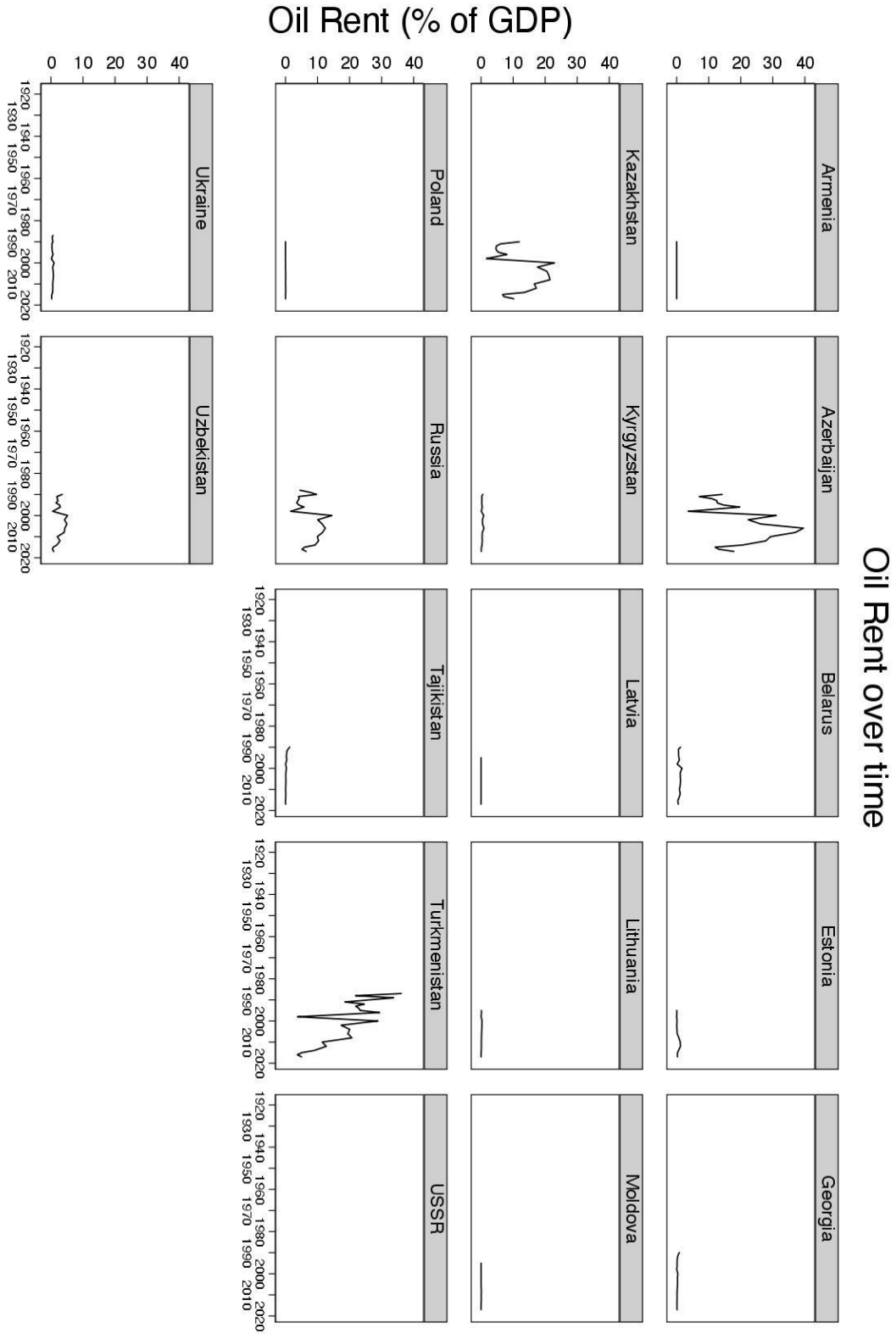
The fifth feature is missing aspects in relation to distribution. There is no consistent redistribution of income or social support to assist the citizens when gas prices rapidly shift. In fact, post-Soviet rentier states tend to have abnormally high poverty rates for the level of income they bring in (Franke et al. 129). Any distribution that occurs happens in order to “consolidate power structures by balancing social and economic disequilibrium, rather than for political liberalization” (Franke et al. 130). Support is often given through non-transparent channels set in place by the patrimonial legacy of the Soviet Union. Any welfare given is for the express purpose of buying support, as opposed to creating an equal, stable economy.

The sixth feature is lack of transparency. Already discussed was the incentive for elites to lie and be corrupt, so it is logical that government structures would be designed to be opaque to hide the corrupt activities from the general public so that elites can continue to profit from oil

and gas exports (Franke et al. 129). Post-Soviet rentier states lack the necessary civil and political society to act as a “Watchdog” and hold the government accountable (Franke et al. 131).

The final characteristic is medium legitimacy in relation to resource policy. Due to the influence of Soviet patrimonialism, many citizens still fear criticizing the government. There is also “massive loyalty” to the elite inner circle (Franke et al. 132). The phrase “medium legitimacy” fits best because rentier states will create programs to keep the people complacent, but never fully invest to improve the conditions themselves.

Figure 1: Oil Rent Over Time



Observing the polity score of a country over time can grant a lot of insight into their unique path toward democratization. Many of the resource-poor countries exhibit a very similar pattern of democratization. The steep drop-off occurs in the early 1900's. In the wake of the collapse of the Soviet Union, there was unrest that occurred as countries gained their independence and set out to find a way to best govern themselves. As institutions began to develop and consolidate, the level of democratization begins a steady climb until it reaches a high level and plateaus.

Similarly, common trends can be observed across resource rich states, though the patterns are not as uniform as resource poor countries. Except for Turkmenistan, there is a steep, short jump in score before it falls rapidly and plateaus at a very low level of democratization. Though specific explanations for this erratic time may be offered by each country, there is a general pattern experienced by countries who were highly dependent on the centrally planned economy. The end of the Soviet Union was the end of the subsidized industries in many of the now oil producing countries, so the period of chaos was especially intense. The relief and stability offered by new, emerging industries have a limited effect on level of democracy as elites consolidate power and exert more influence over time.

Democratization and Consolidation

If natural resource abundance damages the democratic development of states, just how does one quantify the process of democratization and determine which states are democratic? Just because a country is no longer authoritarian does not mean that it is democratic (Huntington 1991, 33). The process of becoming a true liberal democracy is a long road that follows a set of stages. Each country's pathway to democracy is different, but general trends can be observed in the democratization processes of countries.

One process that is related to democratization is liberalization. Liberalization is a mix of “policy and social changes” that expand the rights and liberties of individuals, such as freedom of the press and legal safeguards (Linz and Stepan 1996, 3). Liberalization can occur without democratization, which is the next step towards consolidated democracy, but is just a sign of larger reforms and should not be confused with democratization.

The process of democratization requires “open contestation over the right to win control of the government, and this in turn requires free competitive elections, the results of which determine who governs” (Linz and Stepan 1996, 3). Democratization is the introduction of democratic structures into a society. This definition does not fully address the electoralist fallacy, which assumes that countries with elections are inherently democratic (Linz and Stepan 1996, 4). Authoritarian regimes in the modern era can utilize elections to create a façade of democracy while maintaining corrupt practices behind closed doors. Realistically, democratic representation requires a complex system of uniform practices and social norms that go far beyond regular elections. The way that this pitfall is avoided is through the last stage of democratic development, consolidation. The features of a consolidated democracy are best explained by this succinct quote from Linz and Stepan:

“[Democratic Transition is] complete when sufficient agreement has been reached about the political procedures to produce an elected government, when a government comes to power that is the direct result of a free and popular vote, when this government *de facto* has the authority to generate new policies, and when the executive, legislative and judicial power generated by the new democracy does not have to share the power with other parties *de jure*” (Linz and Stepan 1996, 4).

In consolidated democracies, respect for created institutions is mutual and unconditional between the people and the government. There is an expectation that all problems will be solved within this set framework. Consolidation occurs when the prevailing sentiment within the

country is the expectation of peaceful transition of power through established avenues of democracy (Linz and Stepan 1996, 6).

There are three dimensions in which democracies can consolidate: Behaviorally, Attitudinally, and Constitutionally. Countries that are behaviorally consolidated do not have outside actors spending “significant resources” creating a nondemocratic regime to turn to violence, foreign intervention, or succession. Attitudinally, a “strong majority” of citizens believe that democratic procedures are the best way to address problems that arise. Support for interventions outside the system are not a part of the mainstream public opinion. Constitutionally, both government and nongovernment forces are subject to conflict resolution through “laws, procedures, and institutions sanctioned by the new democratic process” (Linz and Stepan 1996).

The Role of Institutions

Institutions can be a mitigating factor in the effect of the resource curse. By implementing democratic norms within the civil and political society of a state, the damaging effects of the resource curse can be neutralized. Institutions are the framework upon which democracies are built. Democratic governments inherently grant more privileges to the people, as opposed to monopolization by the government, but this does not mean that these aspects are not without order. For democracies to operate efficiently, there must be an existing framework to support a free society. Linz and Stepan identify five arenas, or factors, of consolidated democracies. These arenas are required institutions for the proper democratization and consolidation of a developing country because they are necessary to create a truly free society. It is crucial that these institutions are created and maintained by the people, not the government, in order to properly utilize government oversight capabilities. The five arenas are: a free and lively

civil society; a “relatively autonomous and valued political society;” rule of law; state bureaucracy; and “institutionalized economic society” (Linz and Stepan 1996, 7). Each of these five factors contribute to the development and consolidation of a nation. Additionally, each factor has been inhibited by Soviet occupation in in former Soviet Republics, though the extent varies widely.

The first is a free and lively civil society. One of the first signs of a developing democracy, civil society is the complex web of communally supported groups that facilitate interactions between citizens with common interests. There is a wide range of civil society groups; religious groups, labor unions, professional organizations, and social clubs are just one of many examples of civil society groups. For civil society to thrive, it needs to have a “sphere of autonomy from the state,” which means that civil groups are guaranteed from excessive intrusion or influence on behalf of the government (Bernhard 1993, 307). Autonomy from the state often means that the freedom to assemble and the freedom to speak freely is recognized and respected by the government.

Civil society acts as an intermediary between the state and the community and a communicator of mutual interests. The role of intermediary means that civil society can exert influence over politics and “radically alter” them (Bernhard 1993, 308). Civil society is crucial to the development of democracy because it is the framework in which citizen interests are consolidated and communicated to the government on behalf of the citizens. Civil society also promotes the idea of social consent of the governed (Bernhard 1993, 314). As discussed, the consolidation of democracy requires that democratic norms are deeply instilled into the structure of the government, so the promotion of social consent in governance is a positive sign that a country is developing.

Poland is a prime example of how civil society can promote democratization and of how civil society groups can take on an element of self-defense from the state. Unlike many other states investigated, Poland was able to maintain underground civil society groups that allowed them to democratize and consolidate faster and more reliably than states who did not have underground groups. The first example of dissident resistance strategy against the oppression of the Soviet state was the rise of the Worker's Defense Party (KOR), later known as the larger Solidarity movement, in response to the crushing of the workers' strikes in June of 1976 (Bernhard 1993, 314). KOR developed themselves outside the Communist party structure and even created a *samizdat* (underground) press to circulate news (Bernhard 1993, 315). Quickly the organization began to splinter and grow, creating sub-movements that took on unique roles. The government made no formal recognition of the existence of the movement, but their unwillingness or inability to prevent their growth allowed them to carve out their own place in society (Bernhard 1993, 315). Even when martial law was declared in 1981 and legal recognition of groups was revoked, the movement was able to organize a movement in self-defense. Eventually, the Solidarity movement capitalized on the government openness propagated by Mikhail Gorbachev brought them to the bargaining table with the state. The state recognized Solidarity, along with a few similar movements, and allowed them to run partially free elections (Bernhard 1993, 316). Over time, a labor movement was able to gain national popular support, evade government destruction, and bring the state to the bargaining table through popular support. Certainly, the Solidarity movement is a prime example of how civil groups can check government power and prevent corruption.

The Catholic church was also a prominent institution that upheld civil society during Soviet occupation. A country as deeply entrenched in the Catholic faith would not easily accept

the atheistic values of Communist regimes. In fact, the Communist party made negotiations with the Catholic church. As a result, in 1950, the government agreed to allow religious education and pledged to not interfere with the church press (Linz and Stepan 1996, 256). Even after crackdowns later in the decade, the party never put the Cardinal Stefan Wyszyński on trial, despite detaining him on house arrest. The bargaining that occurred between the state and the Catholic Church was a sign of the power the Church held in the region. The cooperation between the church and the atheistic state seriously threatened the “ideological hegemony” typically exerted in Communist regimes and demonstrated the respect and fear the party had for the Church’s influence (Linz and Stepan 1996, 256). The Church in this context was a prime example of how civil society groups can hold the government accountable and wield a significant amount of power and influence over the state.

Poland was a unique case because it was the only state that maintained underground civil society groups. This ability is likely due to Poland’s long-term experience with democratic institutions. Solidarity’s negotiation with the Party State is an example of how the development of civil society often goes hand-in-hand with the development of political society. For parties to represent communal interests within the democratic structure, preliminary groups must first come together to share those interests.

The polity score of Poland over time in **Figure 1** supports the argument that a pre-existing civil society promotes a prompt and long-lasting democratic government. The small drop and steep rise occur in the early 1990’s. In comparison to the graphs of countries such as Latvia and Estonia, this climb towards democracy is much steeper, though they ultimately end at similar levels of democratization. Underground civil society groups were critical in Poland’s ability to rapidly democratize.

The second arena is a “relatively autonomous and valued political society” (Linz and Stepan 1996, 10). The political society arena entails the creation and appreciation of democratic norms, which can include political parties, election processes, and a range of electoral rules. The general public must regard these rules and norms as the standard and come to regularly expect them. The previously explained example of the Solidarity movement in Poland is a prime example of how a lively civil society can create a healthy political society. What should be addressed is that, for many of the former Satellite States, development of parties was not that simple. In fact, Poland is the only country in this study that was able to maintain underground parties that were able to defend themselves against state power. For many states, year of one-party rule and violent crackdowns on civil life had eliminated any prospects for the development of political parties. Years of single party rule had enormous effects on the development of political society which would take time and hard work to rebuild.

Nine former Soviet countries have failed to host even one free, fair election that did not draw the attention of regional and international electoral watchdog organizations: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan (Bader 2011, 49). The Organizations for Security and Cooperation in Europe (OSCE) is the regional regulatory agency for electoral monitoring. Undemocratic OSCE states are required to invite in observer missions during elections, and nearly all the countries have been visited by at least one OSCE Observer Mission (Bader 2011, 50). The electoral monitoring of these elections is still lacking, though. The OSCE has deemed countries such as Uzbekistan and Turkmenistan as too lacking in the ability to conduct a free and fair election that they discontinued observer missions there at all (Bader 2012, 51). In the 2008 election, Russia blatantly ignored the requirements for an observer mission to occur. From what has been

observed by the OSCE missions, it is abundantly clear that electoral fraud at all levels are present in these nine countries alone. Many instances of fraud were present in voting and counting procedures, but the corruption in voting goes much deeper still. Manipulation of the drafting of legislation, candidate registration, boundary drawing, election commission makeup, media reporting, and the way that complaints are handled (Bader 51, 2012). Manipulation has led to a breakdown of electoral institutions, which allows the party to carry on in a corrupt manner and further their ability to stay in power longer.

In an article from 1987, Soviet General Secretary Gorbachev's logic behind the processes of Glasnost and Perestroika are revealed, illuminating the chaos that occurred as the Soviet union began to weaken its grip and open economic and political society. In an attempt to save the failing Soviet Union, Gorbachev made an appeal utilizing the Leninist principles of "openness, public control, criticism and self-criticism" (Gidathubli 1987, 789). Recognizing the party state had strayed far from these principles, he employed them as a last-ditch effort to save the failing Union. Such reforms included "the election of heads of industrial enterprises, agricultural farms, and workshops...by the working people themselves" (Gidathubli 1987, 789). The article proceeds to state that "there is a possibility for chaos and confusion when these policies are implemented in practice" (Gidathubli 1987, 789). Indeed, the process was chaotic. For years, the Soviet Union had sought to destroy every aspect of civil and political life. A sufficient political culture to support complex electoral processes simply did not exist in many areas of the Soviet Union. This issue hearkens back to the concept of the simultaneity problem, where former Soviet States struggled to democratize after the fall of the Soviet Union because they were given two momentous tasks complete simultaneously.

The next arena is rule of law. Put simply, the rule of law requires that all people- especially government and elites- follow the rules and laws set in place for all. In consolidated democracies the rule of law is “embodied in a spirit of Constitutionalism” that can only be changed by an “exceptional majority” (Linz and Stepan 1996, 11). The spirit of Constitutionalism is upheld by clear hierarchies of law, a judicial system to fairly interpret the laws, and a legal culture supported by civil society. Essentially, the rules are laid out in a straightforward manner and followed consistently.

The rule of law is of concern for natural resource rich countries because they are particularly susceptible to patronage, corruption, bribery, and nepotism (Franke et al. 2009, 112). In Azerbaijan, one of the lowest ranked countries in the world by Transparency International, corruption is rampant in almost every aspect of governance (Franke et al. 2009, 121). Deeply entrenched Soviet habits have made the government patrimonial, ruled by informal connections between elites; despite anti-corruption rhetoric, little has been done to improve transparency (Franke et al 121). Widespread corruption has led to delays in banking development, delays in economic reform legislation, and regional economic imbalances (Franke et al. 2009, 121). Corruption and lack of rule of law can result in the stagnation of many different aspects of governance and limits a country’s ability to develop both economically and democratically. For this reason, rule of law is a crucial factor in the development of the other four arenas. As previously stated, freedom of speech and of association is a crucial predecessor to a healthy civil society. These rights are created, interpreted, and properly maintained by a government with rule of law, which is a prime example of how the arenas tend to overlap and develop in tandem. This is particularly true of civil society, political society, and rule of law, but that does not mean that the other two areas are less important to consolidation and lasting democracy.

The fourth factor is state bureaucracy. In order to have appropriate rule of law, corrupt elites must be displaced from their bureaucratic positions. The state bureaucracy of a consolidated democracy is transparent, effective, and responsive. The Soviet bureaucratic structure did not embody any of these features, so it was critical for former satellite states to “clean house” and remove any vestiges of the old regime before moving forward to an age of growth and prosperity. Samuel Huntington best addresses the question of where to place government bureaucrats that remain loyal to the old regime in his book, *The Third Wave*. He refers to these bureaucrats as “standpatters;” standpatters “have a common interest in weakening the democratic groups in the center and in polarizing politics in the society” (Huntington 1991, 122). It is critical for democratizers to isolate and weaken the standpatters and retain your hold on the government and “political machinery” (Huntington 1991, 162).

Many Soviet bureaucrats directly benefitted from the system; thus, it is rational that they have an interest in perpetuating the current system and hindering democratic processes. Due to the nature of the regime, elites with political power had implied economic power. Elites who had any power over economic decisions were able to either directly or indirectly set their own salaries (Sherman 1994, 11). The Soviet bureaucracy was a highly hierarchical structure that operated on appointments, though sham elections were occasionally held (Sherman 1994, 11). It has been demonstrated that soft transition can result in many of the “modernized and reformed” communist elites retaining their positions; this oversight has led to a number of negative effects, such as rent-seeking and monopolies (Berend and Bugarcic 2015, 778). Soviet-era bureaucrats were vestiges of the corruption and nepotism that took place and it was necessary to remove these vestiges to properly consolidate.

The last factor is an institutionalized economic society. This does not simply mean that there must be set rules and institutions for economic affairs. In this context, an institutionalized economic society means that there is an advanced economic system that is given at least some autonomy. Consolidated democracies operate almost exclusively on mixed economies that fall somewhere between the two extremes of a command economy and an open economy.

The transition from a centrally planned economy to a mixed economy was a particularly perilous transition when coupled with the sudden social and political changes occurring at the same time. Between 1928 and 1989 the political and economic aspects of the Soviet Union were inseparable; production decisions occurred exclusively in Moscow. During this time, the Soviet economy strongly resembled a feudal model where nobles inherently had both economic and political power. Essentially, the government controlled production and the elites controlled the government (Sherman 1994, 7). It is easy to understand, then, why it would be easy to retain elements of elite power and control of resources that is seen in former Soviet Satellite states.

Former Soviet states were severely disadvantaged in both their democratic and economic development due to a simultaneity problem. Evidence is beginning to surface that development of economic society occurs best within strong states (Linz and Stepan 1996, 436). The simultaneity problem explains the hardships experienced by these states as they developed an economic society alongside their political society. The countries lacked the necessary rule of law and regulatory quality to develop the proper economic society (Linz and Stepan 1996, 435). The states lacked the time and, often, the capacity to properly execute “Washington Consensus” economic programs. This would explain why, decades later, “only about one-tenth of the population of the region lives in a successfully transformed economic society” (Berend and Bugarcic 2015, 771). Situations have drastically improved, but the wage levels, economic

inequality, and reliance on Western Europe still plague the region as a whole (Berend and Bugaric 2015, 780).

Kazakhstan Case Study

Kazakhstan is an excellent example of a post-Soviet rentier state to examine. Ethnic conflict, oil rents, and leftover Soviet ideals and leadership have created a complex environment for democratic development. In order to systematically study the effects of Soviet rule on oil-rich Caucasus and Caspian-region states, the seven features of post-Soviet rentier states will be applied to the case of Kazakhstan. Kazakhstan exhibits several features that are uniform across the other post-Soviet rentier states: hyper-presidentialism, ethnic conflict, and non-transparent political practices, among others.

Kazakhs were deemed the most “Sovetized” of all Soviet citizens by the 1970’s (Beachain and Kevlihan 2011, 3). The republic produced approximately a dozen Communist First Secretaries (Beachain and Kevlihan 2011, 3). Conversely, the region was also home to multiple *gulags*, Soviet forced labor camps, and was often used as a “dumping ground” for dissidents and entire populations of people who had fallen out of Soviet favor (Beachain and Kevlihan 2011, 2).

The Soviet legacy has badly damaged many of Kazakhstan’s critical institutions and stunted its democratic development, though. Kazakhstan’s ethnic conflicts can, at least in part, be ascribed to Soviet interference in ethnic relations. Two specific Soviet habits fueled the ethnic confusion. The first was the policy of moving ethnic groups around to create a more even ethnic mix in each of the republics. The forced migrations were ordered to create bonds based on socialist beliefs and values, not ethnic background. The ultimate goal was to create a “unified

populace bound together by shared beliefs and values, working together to achieve common social, economic, and political objectives (Beachain and Kevlihan 2011, 3). The second was the Soviet Union's habits of "dumping" ethnic groups in Kazakhstan. In the 1940's hundreds of thousands of Koreans, Crimean Tatars, and Germans were forced to relocate to Kazakhstan. Between 1954 and 196, Nikita Khrushchev ordered two million people, mostly Russians, to help settle uninhabited lands by relocating to them and developing them. The objective of the plan backfired on party leaders. After Kazakhstan was flooded with nearly 2 million Russians, only 30% of the population were ethnic Kazakhs (BBC Country Profile).

As tensions and dissent rose within the Soviet Union, Kazakhstan saw the placement of Gennadiy Kolbin, who was ethnically Russian, as the Head of the Communist Party of Kazakhstan (CPK) (BBC Profile 2019). Kolbin was handpicked for the position by the leader of the Soviet Union, Mikhail Gorbachev, and replaced Dinmykhamed Kunayev, who was a Kazakh. Naturally, this did not go over well with many Kazakhs. In 1986, around 3,000 people took part in protests regarding the appointment (BBC Profile 2019). In 1989, Kolbin was replaced by Nursultan Nazarbayev, who was an ethnic Kazakh (BBC Profile 2019). Nazarbayev was later elected by the Supreme Soviet as the first president and state sovereignty was declared (BBC Profile 2019). In 1991, the CPK withdrew from the Communist Party of the Soviet Union and later declares independence (BBC Profile 2019). In 1993, a new constitution with increased presidential powers was ratified (BBC Profile 2019). Despite the rhetoric of reform that is regularly bandied around by both NGOs and the government, little action has ever been taken to address the corruption.

In relative terms, Kazakhstan is a prosperous country. They have enjoyed policy continuity and a fairly stable economy. Since the mid-1990's Kazakhstan's standard of living

has improved drastically. For example, it has the 10th highest adult literacy rate (Beachain and Kevlihan 2011, 8). This is likely due to the education system in the country that is propped up by oil rents, which is used as a tool of complacency to satisfy the population. The development of a civic system and democracy has been eschewed in favor of ethnonational state-building and the collection of oil revenues. A prime example of democratization being excluded from prominent development goals is the heavily advertised “Kazakhstan 2030” development plan. This plan includes many features of governance: “natural security, material-wellbeing, political stability, consolidation of the state, foreign investment, and the development of infrastructure” (Beachain and Kevlihan 2011, 10). There is no mention in democratization contained in the document, which largely focuses on the development of the relationship between the President and the State (Beachain and Kevlihan 2011, 10). It is clear that, while it is likely that Kazakhstani elites want the country to flourish, they also want that flourishing to occur within an institutional framework that does not threaten their stranglehold on the most profitable industries. From a distance, Kazakhstan may look like a democracy, but it is truly a thinly veiled authoritarian regime. The regime is stable, but not free.

In Kazakhstan, elite power in oil and gas contracts manifests itself in a hyper-presidential system and notably weak legislature. International business contacts are predominantly decided by the president, giving the executive unprecedented power over such a profitable industry. In fact, nearly all of the post-Soviet rentier states can be described as superpresidential, a term for when presidents are far more powerful and less accountable to than a pure presidential regime (Bader 2012, 54). Because the president has so much power, over oil and in general, presidential elections often breed deeply ingrained corruption to ensure that elites maintain tight control over oil revenue (Bader 2012, 54). Once in office, the President and high government administrators

make all the decisions regarding oil and gas contracts, essentially cutting public opinion and the legislature out of the debate (Franke et al. 2009, 124)

Elites in the government of Kazakhstan are often corrupt, permanent, and rent seeking. One does not have to look farther than former President Nazarbayev to find an example of permanent elites. Nazarbayev was in power from before the fall of the Soviet Union until spring of 2019. The consistency of Nazarbayev's leadership and the continuity of his policies has given him a measure of legitimacy. (Beachain and Kevlihan 2011, 10). This legitimacy and consistency may initially be beneficial, but has hindered growth and opportunity in the long term. Despite his attempts to paint himself as a moderate, Nazarbayev's desperate attempt to cling to power as time passed was a signal to the legislature and the general public that creating an institutional method to select the executive was not a priority. Nazarbayev has also consistently used electoral fraud to place members of his party into Parliament. In 2004, he maintained control over the lower house via electoral methods that were deemed flawed by electoral observers (BBC Profile 2019). The 2007 elections saw little improvement, as every single seat in the lower house of parliament was given to his party (BBC Country Profile 2019). Nazarbayev's tactics have been a critical factor in the creation of the semi-dynastic structure observed in modern Kazakhstan.

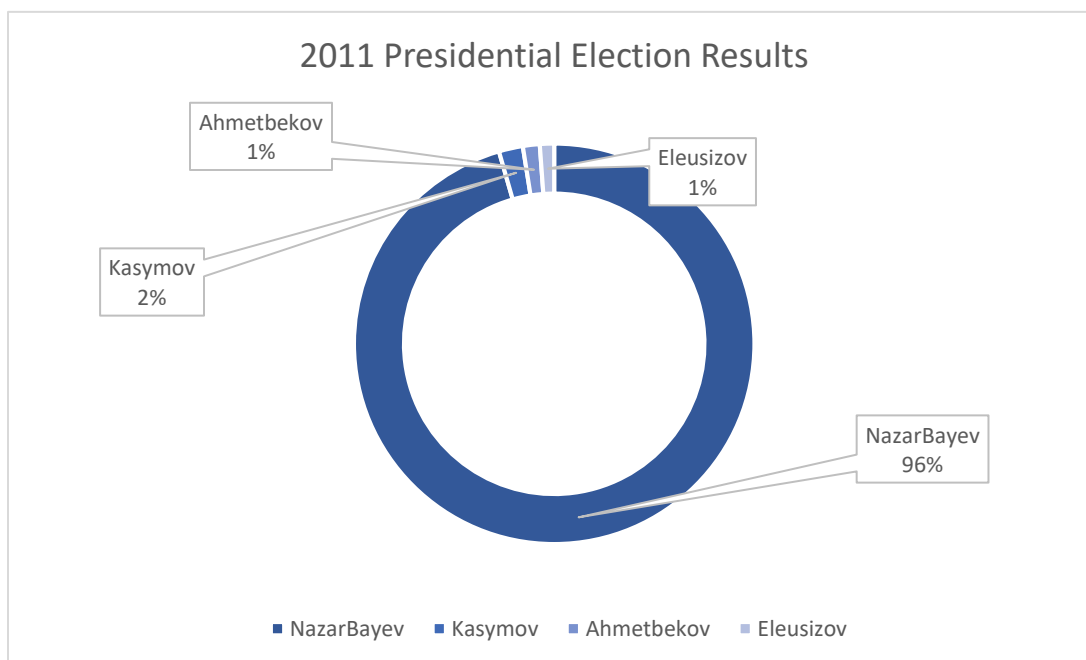
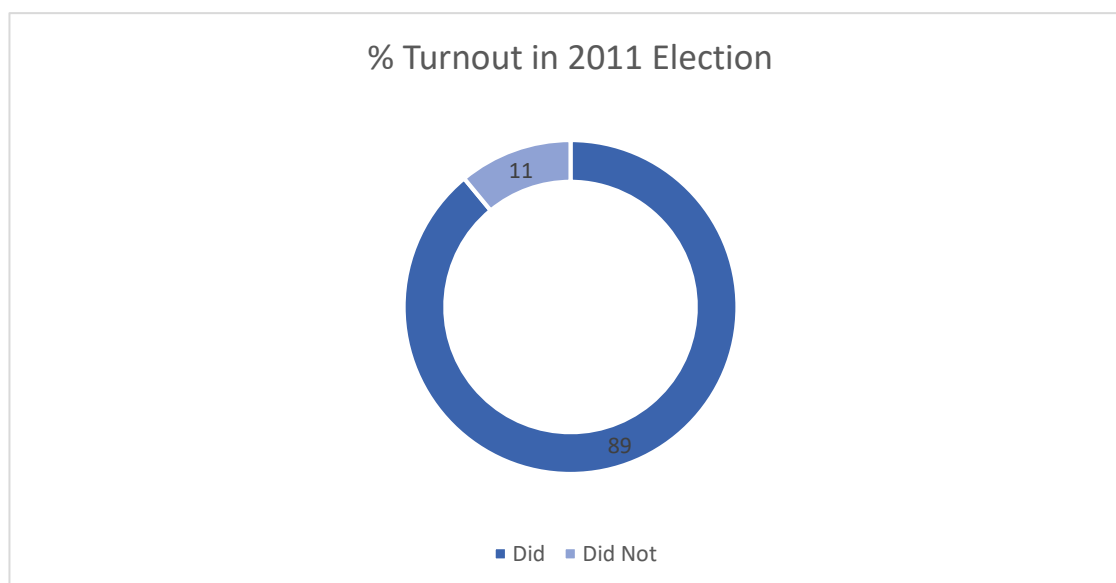
Figure 2**Figure 3**

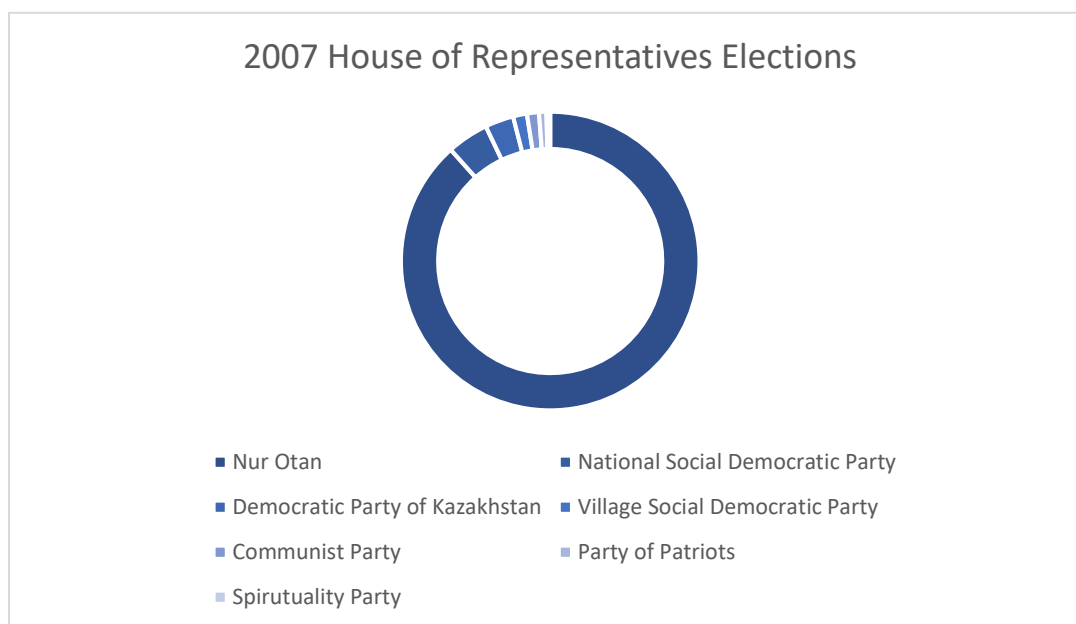
Figure 4

Figure 2 and **Figure 3** demonstrate the outcome and turnout for the 2011 Kazakh Presidential election. As can be observed, Nazarbayev has accumulated 96% of the votes, a figure that is not realistic in a multiparty system (ElectionGuide 2011). The landslide win makes it apparent that not only is corruption present in electoral processes, but that the government feels as though they do not have to hide it. Similarly, the 89% voter turnout rate is not a realistic turnout rate when compared to other democracies. Landslide wins such as these are a common observation in the post-Soviet rentier state. The same type of landslide win can also be observed in the 2007 Election for the Mazhilis, the lower house of the Kazakh legislature. **Figure 4** illustrates the outcome of the election. 88% of votes were cast for Nur Otan, the party of Nazarbayev (ElectionGuide 2007). Though the margin that the party won by is smaller than the Presidency, it was still significant enough that none of the seats changed as a result of the election (ElectionGuide 2007). Electoral fraud in legislative elections furthers the hyper-presidential system because it allows the President to fill the already-weak legislature with those

who are sympathetic to his goals. The patrimonial structure of politics in Kazakhstan makes this approach particularly effective because political power depends on the officeholder's relationship with the elite in the center of the circle. Disagreeing with the party leader can, and often does, result in the individual's eventual removal from office. When elites benefit so greatly from positions of power, the costs of losing that role is magnified, further encouraging conformity.

Elites have massively enriched themselves without consequence in Kazakhstan. A prime example of the rampant corruption is the "Kazakhgate" Scandal (Franke et al. 2009, 126). In the scandal, James Giffen, an American businessman, funneled \$80 million away from four prominent U.S. oil companies and into a Swiss bank account. The money was used to bribe Kazakhstani officials, and even included a \$1 billion stake on behalf of ExxonMobil for one of the largest oil fields in the country. Officials, including president Nazarbaev and the former Prime Minister, used the profits to buy luxury purchases for themselves, including jewelry, speedboats, and furs. Giffen's investment bank was chosen to represent Kazakhstan in negotiations with U.S. oil companies the same year that he became a counselor to Nazarbaev, though any influence of the President has been hidden to prevent his implication in the bribery. In addition, Kazakhstan hired lawyers in the United States with the intention of downplaying President Nazarbaev's role in the scandal (RFL). Similarly, many executives in national companies, such as Kazakhoil and Kazakhgas, have made millions in illegal income since the fall of the Soviet Union (Franke et al. 2009, 126).

Kazakhgate and similar scandals are an example of how Kazakhstani elites will enrich themselves via corrupt oil contacts with foreign companies, especially. Kazakhstan's great efforts to conceal the involvement of the President in the scandal as compared to the implication

of the government as a whole is an example of how key the president is in the continuation of elite power in oil and gas contracts in Kazakhstan. Most importantly, elites never suffered any punishment for the scandal, further normalizing corruption and ensuring other elites that laws and ethical rules can be broken with impunity.

Kazakhstani elites, especially President Nazarbayev, rely on a mixture of institutional power and violence to ensure that power remains in the same hands. In 2002, Galymzhan Zhakiyanov, a critic of President Nazarbayev, was put in jail for alleged abuse of office (BBC Country Profile). In 2005, Zamanbeck Nurkadilov, also an open critic of the President, was found shot (BBC Country Profile). In 2006, Altynbek Sarsenbaiuly, another critic of Nazarbayev, was found shot alongside his driver and bodyguard (BBC).

Instead of investing oil revenue in meaningful projects that will give long-term returns that assist in overall development, revenue is used to purchase support of the public so they are less likely to demand a long-term solution for development. The purchase of support often takes the form of government social services. Kazakhstanis enjoy free primary education and healthcare via the government, which are made possible by significant oil and gas rents (Franke et al. 127). Social services placate the public, allowing the government to carry on enriching themselves without the interference of citizen outrage. While creating social safety net programs could be viewed as important to the development of a country, it does little to none to address the underlying problem of economic development.

In part due to the to corruption, a simultaneity problem, and a late start, Kazakhstan has seen a lack of regulation of economic structures as compared to other modern states. Kazakhstan, as a part of its deep “Sovietism,” was very dependent on the centrally-planned economy. The sudden dissolution of that economy led to the collapse of the metallurgy mining, and wheat

industries that previously constituted a large part of Kazakhstan's GDP. These industries were 31% of annual GDP in 1996 but dropped to 21% in 1996 (Franke et al. 122). The economy has taken an upturn in years since due to oil exports and foreign investment (Franke et al. 122). These sources, while great for development in the short term, can be unstable sources of income. Foreign investment is dependent on investor confidence in the strength and stability of the domestic economy, which could be susceptible to windfalls. This has been less of an issue in Kazakhstan because it has smaller, more stable stream of oil rents as compared to countries like Azerbaijan that have seen a sudden burst of oil income that will inevitably end abruptly (Franke et al, 122). There is still a chance, though, that Kazakhstan's economic reliance on such an unpredictable industry could cause rapid rise and fall, which could affect foreign investment, the other critical feature of the economy. There was a turn toward oil privatization in the mid 1990's as an attempt to move towards a market economy, but many of the same government elites are still influential over the private companies or the contracts they must follow, ensuring that corrupt interests are still represented (Franke et al. 123).

Kazakhstan has also ignored the development of aspects of the economy that would likely bolster economic and democratic development, according to studies of developed countries. Manufacturing is often a strong factor in the democratic development in developing countries (Huntington). Kazakhstan has failed to capture the opportunity to manufacture the machinery or spare parts for its oil extraction and refining industry. Most of the spare parts for the machinery come from Italy, the United States, France, or Japan (Franke et al. 128). The lack of development in domestic manufacturing has only exacerbated the uneven development. Like many developing nations at the time, Kazakhstan turned to trade protectionism to make its

markets more competitive. This has not strengthened the economy, though, because it has just created products that are lower quality at a higher price (Franke et al. 129).

It is true that Kazakhstan has been relatively economically stable, especially over the course of former President Nazarbayev's term as president. The regime was able to walk the fine line between giving enough to the people so that they do not rise up violently or demand rapid change, but unfair enough to create stirrings of discontent among civil society leaders. One crucial piece that is missing is a proper system of redistribution. The free healthcare and education have done little to assist families that are vulnerable to the inevitable economic windfalls that occur in oil-rich states. Kazakhstan often takes part in white-elephant projects, which are "populist activities that are highly powerful symbolically but economically senseless" (Franke et al. 2009, 130). An example is the movement of the capital city to Astana from Almaty or the extravagant skyscrapers. Kazakhstan also has a very high poverty level relative to state income; the poverty rate is about 34%, similar to many less-developed countries in the region (Franke et al. 2009, 129). Investment in social welfare has the intent of consolidating power for the regime, not to ensure a minimum quality of life for citizens.

Because the general public sometimes benefits from the oil revenues, they lend some legitimacy to the government. This is one of many reasons why the economic sector of the Kazakhstan government holds a moderate level of legitimacy. In addition, the Soviet legacy of not questioning or speaking out against the government is deeply ingrained in the population and the political system, which is a steep hierarchy of elites. As previously stated, Kazakhstan was highly "Sovietized" early in their time as a Soviet state, which has had a profound effect on political behavior in the country. It is reasonable to believe that Kazakhstanis would be less

likely to be upset by corrupt practices or backdoor deals when that was the process that they had become accustomed to.

Kazakhstan's economy, especially in oil sectors, relies on secrecy to conduct backdoor deals with those who are in the elites' inner circles. In order to continue this process, elites have incentives to prevent the government from being transparent. Neither state or national budgets make it clear exactly how much money is being put into national oil funds (Franke et al. 2009, 131). The lack of transparency is allowed to occur because Kazakhstan lacks a significant political and civil society, two critical institutions for the development and consolidation of democracy, to hold the government accountable for reforms. Towards the end of an election term, these issues often come up in the discourse of the general public, and even within political parties. By the time that the elections occur, these issues are thrown by the wayside. NGOs have enjoyed some success by creating national programs to control the budget, but their power is lacking compared to that of a political party (Franke et al. 2019, 151).

Hypotheses

With a greater understanding of how formerly authoritarian countries develop and consolidate, how Soviet rule affected nearly every aspect of the state, and how abundant natural resources can hinder development, the hypotheses stated in the introduction can be restated and tested. The theory behind the existence of the post-Soviet rentier state lends itself to the following hypotheses: (H1) *As institutionalization increases, level of democracy is likely to increase;* (H2) *On average, as the availability of natural resources decreases, democracy is likely to increase.*

Methods, Measures, and Data

Table 1: Countries Included

Countries Included in the Study	
Armenia	Azerbaijan
Belarus	Estonia
Georgia	Kazakhstan
Kyrgyzstan	Latvia
Lithuania	Moldova
Poland	Russia
Tajikistan	Turkmenistan
Ukraine	Uzbekistan
U.S.S.R.	

Table1 demonstrates the countries that are included in this study. Data was collected from each country from the following years: 1920, 1930, 1940, 1950, 1960, 1970, 1980, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1998, 2000, 2002, 2004, 2006, 2008, 2010, 2012, 2014, 2015, 2016, 2017. These dates were chosen to emphasize critical time periods. Scores are gathered regularly (by decade) to establish as baseline throughout the course of the century. As time grows closer to the end of the Soviet Union, more years are collected to better analyze smaller changes during the time period studied. From 1996 to 2014, the data for every other year is recorded to closely track trends into modern day. Finally, the most recent years for

which data has been released (2015, 2016, and 2017) are included so that the most recent calculation is always included.

Polity score is utilized to measure the level of democracy. There are two raw scores that factor into the final polity score- democracy and autocracy. The 21-point scale ranges from +10, strongly democratic, to -10, strongly autocratic (Polity Project 2018). The Democracy score reflects the extent to which democratic norms and procedures have integrated themselves in the system of governance in the state. Autocracy is calculated in a similar manner, of course, accounting for the extent to which autocratic norms and procedures are integrated into the system of governance (Polity Project 2018).

Rents are measured as a percentage of overall annual GDP. Data was gathered for each country's exports of oil, natural gas, and hard rock minerals as percent of total GDP. Data was gathered for years between 1988 and 2017 for oil rents and 1987 (Turkmenistan and Ukraine only) to 2007 for natural gas rents.

In order to assess the relationship between the gas rents and level of democratization, a fixed-effects regression analysis was performed. The measures used in the analysis were carefully chosen to ensure the specificity of the observed outcome. Polity score had the most robust set of available data and encompasses features of democratization in a simple, practical manner. It does not feature other measures of growth and development, such as health or literacy, that may skew the outcome. In this case, the specificity of the measure is a significant advantage because it better isolates democratization as a variable. Oil rents as percent of overall GDP was utilized as a measure of oil rents within a country. Participation in the UN was coded as a 1, and lack of participation a 0; NATO involvement was coded in the same manner.

A panel regression best fits the data. It is critical to view the status of each country as it changes over time, but in the end we are still observing the countries at one period of time. When using this type of data, a challenge does present itself. In panel data, $t+1$ depends on the value of t , which means that a subsequent observation is depending on the preceding observation. The effect of this dependency was remedied by utilizing a fixed effect. Essentially, each value is entered in as a dummy variable. The fixed-effects were chosen because it tends to create a more conservative estimate and better controls for time, which is critical for this data set. The data was clustered by country, resulting in 16 clusters.

Results

Table 2: Predicting Polity Score Among Post-Soviet States Using Fixed Effects Regression

Fixed-Effects (Within) Regression						
# of Objects:	270					
# of Groups:	16					
R -squared:						
Within:	0.0925					
Between:	0.1931					
Overall:	0.0879					
Polity	Coefficient	Std. Err.	t	p> t	95% Confidence Int.	
Oil Rent	-0.070	0.035	-2.020	0.062	-0.144	0.004
Gas Rent	0.008	0.013	0.660	0.52	-0.019	0.036
Year						
1991	5.407	1.135	4.760	0	2.988	7.826
1992	5.338	1.167	4.570	0	2.851	7.826
1993	4.739	1.100	4.310	0.001	2.396	7.083
1994	4.917	1.097	4.480	0	2.579	7.255
1995	3.699	0.393	9.420	0	2.862	4.537
1996	2.765	0.768	3.600	0.003	1.129	4.402
1998	3.469	0.431	8.050	0	2.550	4.387
2000	4.169	0.505	8.260	0	3.094	5.245
2002	4.019	0.465	8.640	0	3.027	5.011
2004	4.083	0.440	9.280	0	3.145	5.021
2006	4.697	0.469	10.010	0	3.697	5.697
2008	4.436	0.416	10.670	0	3.549	5.322
2010	4.128	0.359	11.510	0	3.363	4.893
2012	4.535	0.561	8.080	0	3.338	5.731
2014	4.465	0.581	7.680	0	3.227	5.704
2015	4.360	0.591	7.380	0	3.101	5.619
2016	4.360	0.589	7.400	0	3.104	5.615
2017	4.439	0.663	6.700	0	3.026	5.852
Constant	-2.571	0.112	-23.050	0	-2.809	-2.333
Sigma u	6.540					
Sigma e	2.348					
rho	0.886					
P-values are two-tailed.						
Standard Error is adjusted for 16 clusters in country.						

The regression analysis, **Table 2**, demonstrates that there is a negative, statistically significant relationship between higher percentages of oil rents and lower levels of democratization. It is statistically significant at the .03 level. This means that we have reason to believe that there is a relationship between high oil rents and low levels of democracy.

Interestingly, there is not a statistically significant relationship between higher percentages of natural gas rents and lower levels of democratization. This is likely due to the low number of samples in the regression analysis that exhibit particularly large amounts of natural gas rents.

Implications

Understanding the development process of a newly minted state with large stores of crude oil and natural gas is absolutely critical to a modern understanding of how economic development shapes the lives and livelihoods of citizens in developing states. As we can glean from the case studies, these resources are easily exploited, causing a complex pattern of development not seen in resource-poor states. Many states in the world that are still developing also have significant natural resources. Gaining a greater understanding of the likely paths of development can allow state governments and the international community to identify a problem and address it before it becomes deeply rooted in the systems of government within that state.

The study of the effect of resource abundance on the economic and political development of states can also inform policymakers of more appropriate ways to support the processes of democratic development within said states. In the context of former Soviet States, it has been made abundantly clear that aid money to the government is the incorrect way to foster long-term economic and democratic development. The corrupt elites will ensure that at least some of the

aid money will be spent on corrupt, selfish investments, as opposed to less-glamorous investments that will pay off in the long term.

Nongovernmental organizations, as seen in the examples of electoral monitoring and civil society development, should not be underestimated as a way to counter the influence of authoritarianism in developing, resource-rich states. Essentially, they can plant the seeds of democratic institutions at the local level that can allow the citizens of a country to slowly take power back into their hands over time. This is a far more sustainable approach, but it also requires a significant contribution up front, which could be an obstacle. As demonstrated by the cases in this study, democracy seldom happens quickly or by force. Only through the steady development of critical institutions can a democracy be created and continue to thrive. Essentially, if the seed is sown, then there is no telling how it can grow and expand.

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