



Research Center Working Paper Series No. 18

**A Case Study of Kuwait, Nigeria, and Venezuela and
the Relationship between Oil and Political Stability**

by

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Oil is a very crucial component for international politics, fueling the industries of many countries especially the United States. Slight changes in the price of oil have wide reaching ripple effects that are felt on a global scale. However, as important as oil is for consuming countries, it is equally important for the countries that export it. Scholars have studied the effects of oil dependence on the petroleum exporting countries in an attempt to understand why these petro-states which receive enormous amounts of revenue from oil exportation still continue to suffer economic, political and social instability. The majority of the scholarship has focused on what is called the “resource curse” as it relates to economic implications; however, a minority has focused on the political implications of a dependence on oil exportation. These political implications have tended towards explaining the anti-democratic tendencies that oil exportation engenders.

This paper will be investigating the relationship between oil and political stability within petro-states in which oil constitutes the clear majority of a country’s exports. It will also test to see if other factors such as societal diversity and institutional weakness have an influence on political stability which, hopefully, will help to determine the strength of the relationship between oil and political stability. It is important to understand what causes political unrest within petro-states since its mitigation could lessen the world wide implications of a reduction in the flow of oil. Also, by understanding the roots of political instability, the world community could possibly help to bring political stability to these countries’ regions. This research could also be used to help further explain the puzzle of the resource curse and why petro-states suffer recurring social, political and economic problems.

This paper is a case study of three oil exporting countries, Kuwait, Nigeria, and Venezuela, and it will be examining each of the three countries using quantitative and qualitative data pertaining to oil and political stability, societal diversity and political stability, and institutional weakness and political stability. Despite the vast literature indicating the strength of the relationship between oil and political stability, in which changes in oil affects political stability, this paper will show that this relationship is not absolute in these three countries and that institutional weakness also influences changes in political stability. Societal diversity has a slight influence on political stability but it is a secondary cause which is often exploited by political leaders for political gain. The primary cause for instability, however, is institutional weakness which allows for these exploitations to occur in the first place.

II. Literature Review

The relationship between the oil dominated economies of petro-states and the effect that has it has had and continues to have on their economic development along with political and sociological development has been an area of interest for many scholars of international relations. Granted, the focus has been on the effects of oil on economic development. There have been increasing amounts of scholars examining the effects and relationships between oil and various aspects of development particularly democratization. Despite the great number of theories on the effects of the resource curse and its supposed causes, there is no unanimity as to these effects and/or causes. There is agreement however on the fact that countries that are rich in resources have worse

economic performances than countries without these resources, but there is not agreement as to why this happens.¹

In his article “The Political Economy of the Resource Curse,” Michael Ross examines the popular theories which have attempted to explain the resource curse. These theories generally offer political or economic explanations. The majority focus on the economic explanations for the resource curse, which seems natural when one considers the nature of oil, oil prices, and oil revenues.² Some scholars have attempted to find a correlation between the fluctuations in resource prices and the resource curse in which the change in the price of oil may be the cause or the instigator of the resource curse. Their research however has not led to any concrete correlations.³ Other scholars have realized the difficulty in the economic explanation for the resource curse and instead focus on explaining the consequences of the resource curse as opposed to trying to identify the source problem. In their article entitled “Natural Resource Abundance and Economic Growth” Jeffery Sachs and Andrew Warner created a model that shows that countries that are rich in resources have slower rates of growth in their Gross Domestic Product as opposed to countries without high deposits of natural resources.⁴ However, as seemingly relevant as an economic explanation may be for the resource curse, Ross believes that political institutions are a very much overlooked factor. By studying solely the resource curse in terms of economic causes and effects, one only comes to a partial understanding of the problem. As Ross notes by expanding it to a political dimension one comes to a more comprehensive understanding of the scope of the curse.

¹ Michael L. Ross, "The Political Economy of the Resource Curse," *World Politics* 51, no. 2 (1999). 1.

² *Ibid.*, 3.

³ *Ibid.*, 4.

⁴ Jeffery D. Sachs and Andrew M. Warner, "Natural Resource Abundance and Economic Growth," *Center for International Development and Harvard Institute for International Development* (1997). 7.

Political bodies have control over their economies and with such control should be able to prepare and protect themselves from changes in the price of resources. However, for some reason governments did not and continue to not follow through on creating safe and elastic economic policies. Thus, they have and will continue to suffer the effects of the resource curse without correcting these policies. It would seem that the resource curse plays a strong role in causing states' economic policies to fail. Ross views this failure on the part of the states as "the proclivity of states to adopt and maintain transparently suboptimal economic policies". Such policies serve as a contributing factor to explain the presence and persistence of the resource curse.⁵

In the article named "The Perils of the Petro-State: Reflections on the Paradox of the Plenty" Terry Lynn Karl further investigates the effect of the resource curse on the political institutions in a state. High levels of capital cause the political institutions and structures to change more rapidly in a short period of time to accommodate the influx of revenue as opposed to countries without abundant resources in which political institutional changes occur gradually over an extended period of time. This quick fluctuation is partly due to the heavy reliance on oil revenues to fund government spending and to pay for public programs. The author draws the connection that politics in these resource rich countries have based their political support off of the patron-client relationship in which political support is gained by the spending of revenue funds in the public sector.⁶ The author takes this connection one step further by stating that with the fluctuation of resource prices it increases the instability within a country. Instability is triggered not only by drops in the price of the resource but also when the price jumps.

⁵ Ross., 6.

⁶ Terry Lynn Karl, "The Perils of the Petro-State: Reflection on the Paradox of Plenty," *Journal of International Affairs* 53, no. 1 (1999). 40.

There are often incidents of fighting when there are not enough resources to go around and at the same time when resources are in great abundance.⁷ This argument supports my main thesis because it shows that there has been a proven connection between the ebb and flow of oil prices and the adverse occurrences of violence and fighting in response to those spikes and dips in the prices.

Ross picks up the question of the role of politics in the resource curse in a second article entitled “Does Oil Hinder Democracy?” which discusses the effect(s) of oil on democratic institutions. He examines the theory that oil inhibits democracy in the Middle East because there are very few democratic institutions.⁸ His research shows not only that the oil-impedes-democracy theory is true, but that it also holds true for all oil exporting countries in the world.⁹ Not only does this study find that oil inhibits the progress of democracy but it also has authoritarian tendencies. In some oil rich countries the surplus of revenue from exportation of oil might entice the government to increase their internal security and to cut down on internal opposition and or democratic goals of their citizens.¹⁰ This claim, along with the above theory, can be combined to determine whether or not the political stability of a country is directly affected by the changes in oil prices.

Adding to Ross’s theory of oil dampening the prospects of democratic progress is Thomas L. Friedman and his theory concerning the relationship between oil exportation and politics. In his article “The First Law of Petropolitics” Friedman states “the price of oil and the pace of freedom always move in opposite directions in oil-rich states”. In an

⁷ Ibid., 41.

⁸ Michael L. Ross, "Does Oil Hinder Democracy?," *World Politics* 53, no. (2001). 325.

⁹ Ibid., 346.

¹⁰ Ibid., 335.

oil-rich state when the price of oil increases so too inversely does the amount of freedoms that one has decreases in regards to political freedoms, fair and open elections, rule of law, etc. When the price of oil drops the opposite effect occurs because the party in power becomes more concerned with creating a more fair and balanced society due to concern of the opinion of the outside world.¹¹

Besides the possession of oil within a country scholars also look at other factors to examine to determine which factors have the largest impact on the political stability of a country. One of the factors that scholars study is ethnic diversity and its effects on political stability. There have been recent changes in the opinion of scholars as to the effect of diversity especially with ethnicity's effect on democracy. The traditionally accepted theory applied a logical thought process and arrived at a decision that with a more diverse society bringing with it a larger variety in opinions it would be more difficult to come to a consensus. As a result political instability was thought to ensue along with conflict amongst the different groups. Steven Fish and Robin Brooks in their article entitled "Does Diversity Hurt Democracy" conducted research as to the factors that contribute to instability within a country. They examined such factors as: OPEC membership, whether or not the country was a former British colony and religious fractionalization and when they accounted for all the other factors they came to the conclusion that whether or not a country is ethnically diverse or not it does not have a direct effect on democratic development.¹² Mark R. Beissinger examines this same relationship in his article "A New Look at Ethnicity and Democracy". He would agree with Fish and Brooks that ethnicity does not have a direct effect on democracy but he

¹¹ Thomas L. Friedman, "The First Law of Petropolitics," *Foreign Policy* (2006). 2.

¹² M. Steven Fish and Robin S. Brooks, "Does Diversity Hurt Democracy?," *Journal of Democracy* 15, no. 1 (2004). 159.

does not eliminate ethnicity either. Rather, ethnicity has an indirect effect on democracy in which it affects other factors such as civil society which directly affects democracy.

III. Research Methods

In this study I will be using both qualitative and quantitative information to test the various facets of my thesis. For measuring the change in the price of oil and the political stability in a country I will be using quantitative sources. I have created charts for all three of the countries which plot the change of the price of oil and at the same time when events that have affected political stability in a country have occurred. Political stability is characterized by: continuous civil order and peaceful and legal transition of leadership. It implies popular support of the government which may include or imply democratic government. In terms of political stability all three countries are on paper a democracy but in reality this might not be the case. This is why this paper will be studying political stability instead of democracy. As another quantitative source to measure political stability I have plotted on charts all the changes in *Freedom in the World* country ratings from 1972 to 2007. I was unable to plot the change of the price of oil on these charts so one will have to look at the earlier charts to see the change in oil prices and to observe any trends or patterns.

In this study I examine each of the three variables one at a time going with one factor through each of the three chosen states. It will also be easier for the researcher to look at one particular factor in a country and move on to the two other countries to look for comparisons or differences. To test this hypothesis this study will examine three case study countries of: Venezuela, Nigeria and Kuwait and study the three factors of: 1) the

change in oil prices; 2) cultural diversity and; 3) the political institutional strengths or weakness over a thirty year period to see if either one of the two later factors play a role in determining the political stability within a country.

I chose Venezuela, Nigeria, and Kuwait as case studies for the specific reason that all three have economies in which oil exportation comprises a clear majority of its export profits. The three countries have the following percentages for the total amount of exports that are comprised from oil exportation: Venezuela (90%)¹³, Nigeria (95%)¹⁴, and Kuwait (95%)¹⁵. By ensuring that their export economies are almost completely derived from oil sales I can use this as a control for all three countries to help determine other factors affecting political stability within each individual country. Another reason for choosing these three particular countries is that they all export roughly the same amount of oil which is close to 2,100 million barrels per day. This provides a control for measuring the effects of the changing oil prices because if they are all exporting similar amounts, and oil makes up about the same amount of their exports, then the effects should be similar for all three countries if oil dependence is the sole factor affecting political stability.

The fact that these three countries have very little in common as far as history, culture, geographical location, and religion, is familiar to a majority of the literature and research on the resource curse which encounters and acknowledges this problem. However, despite these differences the effects of the resource curse remains the same albeit the amount of differences. They also differ on their ratings of political stability, the diversity of their societies, and the strength or weakness of their political institutions.

¹³ C.I.A. *World Factbook* (2008), s.v. "Venezuela."

¹⁴ C.I.A. *World Factbook* (2008), s.v. "Nigeria."

¹⁵ C.I.A. *World Factbook* (2008), s.v. "Kuwait."

The only variable that all three share in common and in close proportion to one another is the possession and the exportation of oil. Despite the fact that the literature overwhelming points to oil dependence as the sole motivating factor to affect political stability, the differences in the three above mentioned variables warrants an investigation as to what other factors cause the differences in political stability. If oil was the sole factor then there would not be any discrepancies between the levels of political stability in the three case study countries. The main purpose of this paper to determine the factor(s) that cause these differences.

IV. Oil and Political Stability

IV.i Oil Prices and Events Affecting Political Stability

In the vast literature about the effects of oil on a petro state's economic and political realms there is a strong agreement on the correlation between the fluctuations in oil prices and the changes in political stability. Michael Ross in his article "Does Oil Hinder Democracy" states that the possession of oil in oil exporting countries not only impedes the growth and the development of democracy but it also can cause undemocratic actions by the government in which the government uses the oil money to repress democratic movements.¹⁶ To further present the strength of this relationship Thomas Friedman in his article "The First Law of Petropolitics" further details the relationship between oil and political stability by stating that oil prices always move in the opposite direction of freedom in a particular oil exporting country.

In this section of the paper it will examine the strength of this relationship for the three case study countries of: Kuwait, Nigeria, and Venezuela. It will test the theory that

¹⁶ Michael Lewin Ross, "Does Oil Hinder Democracy?," *World Politics* 53, no. 3 (2001). 325

the fluctuations in the prices of oil directly affect the political stability and the political and civil freedoms within the three countries in which political instability tends to occur on a decrease in oil prices and political stability tends to occur on an increase in oil prices. The two measurements by which this paper will be testing the relationship is by plotting events affecting political stability or instability on a chart with the fluctuations in oil prices, and two, by plotting the *Freedom House* Country Ratings and comparing the changes in these ratings with the fluctuations in oil prices.

However, the two sets of measurements do not support as strong of a relationship between oil and political stability as Friedman's theory contends. In the first measurement between oil prices and events effecting political stability there is a correlation for Nigeria and Venezuela but not for Kuwait. This correlation is not an absolute correlation because events occur on the fluctuations in oil prices not following Friedman's theory. The second measurement shows a stronger correlation between political freedoms and civil liberties and changes in oil prices. This relationship is present for Kuwait and Venezuela but does not carry through for Nigeria. The relationship in the case of Nigeria is that increases in the freedom ratings corresponded with increases in oil prices. The correlation in the second measurement as like with the correction in the first measurement is not an absolute relationship. From these two measures it is difficult to establish a definite relationship except for Venezuela which exhibits the correlation for both measurements. This lack of a clear correlation between oil and political stability warrants further examination in order to answer the question if oil is not the sole factor affecting political stability in these three oil exporting countries, then what else accounts for these differences? In later sections of this paper it will

examine the factors of societal diversity and institutional weakness to see whether or not they have an influence on political stability.

The majority of the events that affect the political stability occurring in one of the three countries take place during a rise or a fall in the price of oil. Although this does not occur all the time it occurs repeatedly enough to warrant a correlation between the changes in oil prices and the changes in the increased or decreased levels of political stability. However, there is a less clear relationship between events contributing to political stability occurring always corresponding with a decrease in oil prices and vice versa. There are instances in all three countries that the opposite occurs; for example, an event contributing to political stability occurring on a rise in oil prices. For each of the three countries there is a time series graph with the changes in the price of oil and a plot of events contributing to or detracting from political stability. The (+) represents an event contributing to political stability and (-) represents an event detracting from political stability. Events were categorized as either (+) or (-) by the author in which events like a peaceful election, successful transition of democratic leadership and expansion of voting rights as events contributing to political stability and events like coups, military dictators, government suppression, ethnic conflict, civil war, corrupt elections and dissolution of government as events taking away from political stability.

Kuwait is a small Middle Eastern country on the Persian Gulf sharing its borders with Iraq to the west and Saudi Arabia to the south with a population of 3.4 million comprised mostly of Kuwaitis or persons of Arabic decent. It was a former British protectorate until its received independence in 1961. The Al Sabah family is the

hereditary family that occupies the position of the ruler who holds the title of the emir.¹⁷ The tradition of the emir follows out of British colonization and the emir continues to maintain ultimate control of the affairs in Kuwait which includes the power to dissolve the parliament.¹⁸ In the economic sector oil has been and continues to constitute the entire economy with it making up 95% of Kuwait's GDP. These oil revenues are vital for governmental income, accounting for a total of 80% of all revenues.¹⁹ In comparison to other countries in the world for human development Kuwait ranks at 29 with 1 having the highest human development rating.²⁰

Kuwait's history of political stability from 1962 to the present, which does not follow Friedman's theory of stability occurring with a decrease in prices, raises questions as to what other explanations or factors influences political stability if it is not the changes in oil prices. Nigeria and Venezuela more closely follow Friedman's theory in the period of time from 1998 to the present-day. Nigeria has had political instability in both times with an increase and a decrease in oil prices even though its political stability follows the Friedman's pattern in more recent history. Like Kuwait, Nigeria's deviation from this pattern warrants an alternative explanation as to what caused political instability to occur. Out of the three case study countries Venezuela follows the pattern most closely; yet, there are a few instances of events that do not match the theory.

¹⁷ Factsheet: Kuwait, ed. Economist Intelligence Unit, in the Economist, <http://www.economist.com/countries/Kuwait/profile.cfm?folder=Profile-FactSheet> (accessed March 26, 2009).

¹⁸ Kuwait: History, ed. CountryWatch, http://0-www.countrywatch.com.library.anselm.edu/cw_topic.aspx?type=text&vcountry=93&topic=POHIS (accessed March 26, 2009).

¹⁹ , s.v. "Kuwait."

²⁰ Human Development Report 2007- 2008 - Kuwait, ed. UNDP, in the United Nations Development Programme, http://hdrstats.undp.org/countries/data_sheets/cty_ds_KWT.html (accessed February 10, 2008).

In the case study of Kuwait this paper studies the changes in oil prices from 1961 to the present-day. The starting point of 1961 was chosen because it is the year in which Kuwait received official independence from Great Britain. In Table 1.1 below it shows the fluctuations in oil prices from 1961 to the present-day with dots falling on the oil price line to designate when the various events affecting political stability occurred. A list of events contributing to or detracting from political stability which correspond with the numbered dots on Table 1.1 can be found at Appendix A.²¹ In the case of Kuwait when examining the relationship between drops and increases in prices and the events that affect political stability it is determined that 13 out of the 15 or 87% of the events on the chart occur on a rise or dip in oil prices.²² An example of a particular event falling on a decrease in oil price was the record drop in oil prices from \$95 dollars a barrel of oil in 1980 to \$30 a barrel in 1986. This decrease in oil prices by 2/3 resulted in political instability manifested in the Emir dissolving parliament and the expulsion of expatriates from Kuwait.²³ Another example on the chart of events relating to political stability was the rise in oil prices from 1999 to the record high in 2008. In this period of time it proves that an increase in oil prices causes both political instability and stability. It provided for political instability in the form dissolving the parliament and the resignation of the government cabinet. However, at the same time it allowed for political stability by granting women the right to vote and to be able to run for political office for the first time in Kuwaiti history.²⁴

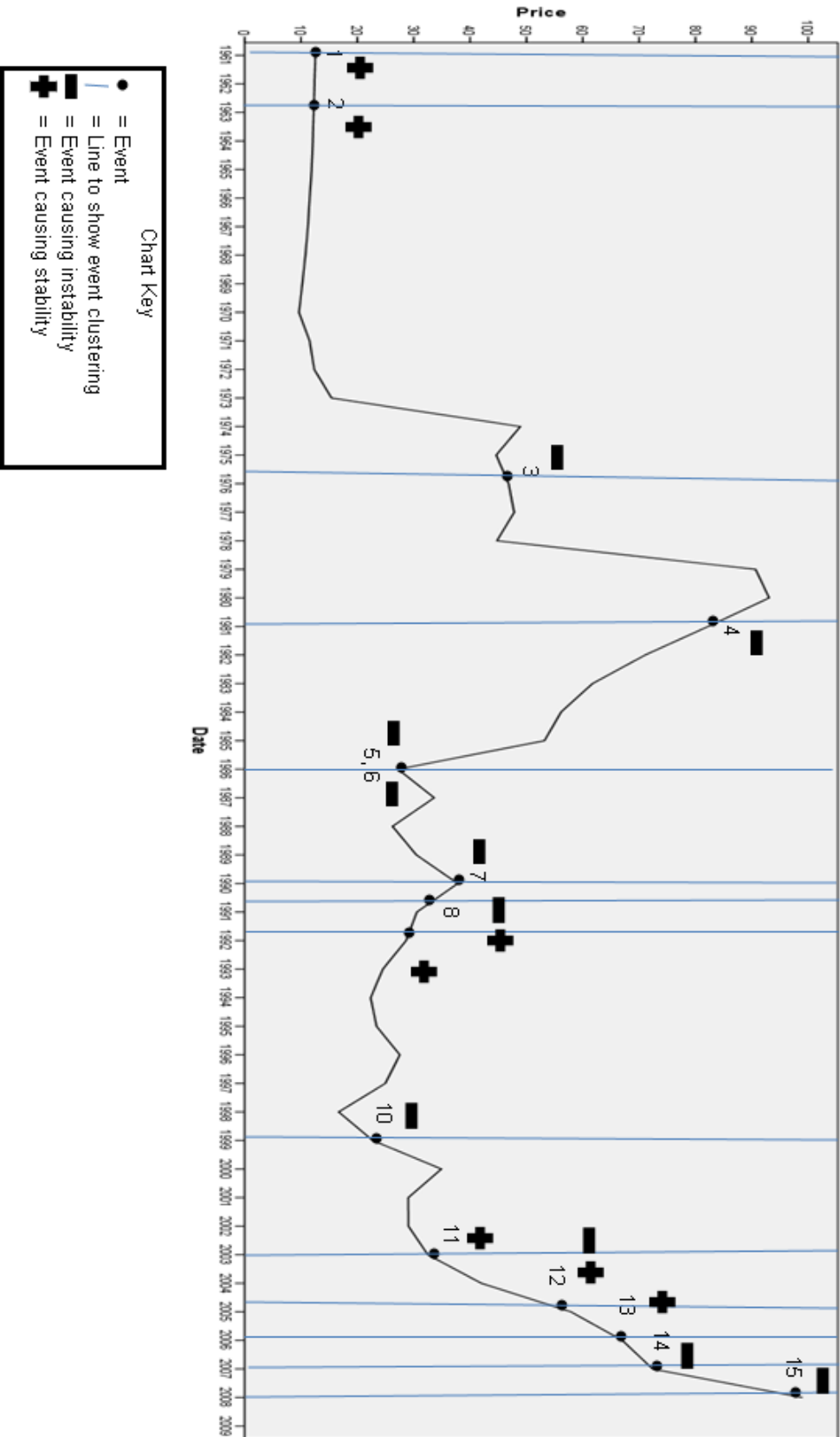
²¹ Appendix A

²² Table 1.1

²³ Appendix A

²⁴ Appendix A

Price of Oil (\$ U.S. Dollars)



Yearly Averages for World Oil Prices (1961-2008)

Table 1.1

Kuwait's Political Stability and Oil Prices (1961-2008)

Sources: BP Statistical Review of World Energy 2008

BBC "Timeline: Kuwait"

DOE EIA World Crude Oil Prices 2008

When examining this chart it is important not only to observe where events fall, but also to see if the events happen fall in groupings to suggest a particular pattern. Vertical lines were added to the chart to show the grouping of events that affect political stability. The first grouping starts in 1990 and it continues goes through 1991 to 1992. The second grouping is larger than the first and it starts on 2003 and continues through to 2008. The first grouping of events begins at an oil peak and continues through the decrease in oil prices. The second grouping begins on an upwards peak and continues through to oil prices reaching a record high.²⁵ This would lead one to believe that the events affecting political stability tend to occur more frequently and are grouped around the rise and or fall in oil prices. However, as it will become clearer shortly, there is not a specific pattern in the case of Kuwait as to events contributing to political stability occurring on a decline or an increase in oil prices or vice versa with events detracting from political stability.

On Table 1.1, it contains the symbols of (+) or (-) next to each event to indicate whether a particular event contributed to political stability or instability. For example, a coup would receive (-) symbol for political instability and a new democratically elected leader would receive a (+) symbol for political stability. There is no particular pattern as to where events contributing to political stability or instability fall on the change in the price of oil. In the cluster of events from 2003 to 2008 when the price of oil continued to climb to a record high in the middle of 2008 there is a even mixture of (+) and (-) events. A clearer instance of this is in 2005 when there were violent clashes between the Islamist militants and the Kuwaiti police but in this same year women were granted the right to

²⁵ Table 1.1

vote in parliamentary elections as well as the right to run for political office.²⁶ The lack of a pattern for the events adding to or detracting to political stability does not necessarily mean that one can discount Friedman's theory altogether. It only means that in the case of Kuwait that this theory does not hold true and that an alternative explanation must exist to account for this lack of a pattern. In the cases of Nigeria and Venezuela this pattern supporting Friedman's theory holds more weight as will be shown below.

Nigeria is a large, populous country located on the western coast of Africa sharing its borders with Niger to the north, Benin to the west, and Chad and Cameroon to the east. It has a highly diverse population of 143.3 million.²⁷ Nigeria was once a British colony and it did not obtain its independence until 1960. Nigeria has had a conflicted political history in which the military has maintained dictatorial control off and on since independence. In that time there have been countless coups and military seizures of the government. It was not until 2007 that there was a successful transfer of democratic leadership from one elected leader to the next with the election of Umaru Yar'Adua.²⁸ In the economic sector oil makes up 95% of its total GDP and the revenues from oil comprises 80% of the government's budget.²⁹ In comparison to other countries in the world for human development Nigeria ranks at 154 out of 179 which the country ranked at 179 has the lowest rating for human development.³⁰

²⁶ Appendix A

²⁷ , s.v. "Nigeria."

²⁸ Factsheet: Nigeria, ed. Economist Intelligence Unit, in the Economist, <http://www.economist.com/countries/Nigeria/profile.cfm?folder=Profile-FactSheet> (accessed March 26, 2009).

²⁹ , s.v. "Nigeria."

³⁰ Human Development Report 2007/2008 - Nigeria, ed. UNDP, in the United Nations Development Programme, http://hdrstats.undp.org/countries/data_sheets/cty_ds_NGA.html (accessed February 10, 2009).

In the case study of Nigeria this study examines the changes in oil prices from 1976 to the present-day. The starting date of 1976 was chosen for Nigeria because it is the first time in Nigeria's history that a democratic election was held only having been granted independence in the early 1960s.³¹ Prior to this date it would be difficult to measure political stability without Nigeria having a constitutionally established form of government. In Table 1.2 below it shows the fluctuations in oil prices from 1976 to the present-day with dots falling on the oil price line to designate when the various events affecting political stability occurred. A list of events contributing to or detracting from political stability which correspond with the numbered dots on Table 1.2 can be found at Appendix B.³² In examining Table 1.2 it shows that 13 out of 16 or 81% of the events affecting political stability took place on a rise or a dip in oil prices.³³ An example of a specific event falling on a dip in oil prices was in the period of time from 1980 to 1986 when the price of oil went from \$95 dollars a barrel to \$30 a barrel. This dip in prices resulted in events that contributed to political instability which were the expulsion of foreigners in 1983 and two military coups in 1983 and 1985.³⁴ Starting in 2002 with the beginning of a rise in oil prices which ended in 2008 with record high oil prices was a period of time with successful political elections and transitions but it also included an increase in rebel violence over oil revenues and religious and ethnic clashes.³⁵ At this point in time it proves that an increase in oil does not necessary lead to political instability if one follows Friedman's theory.

³¹ Appendix B

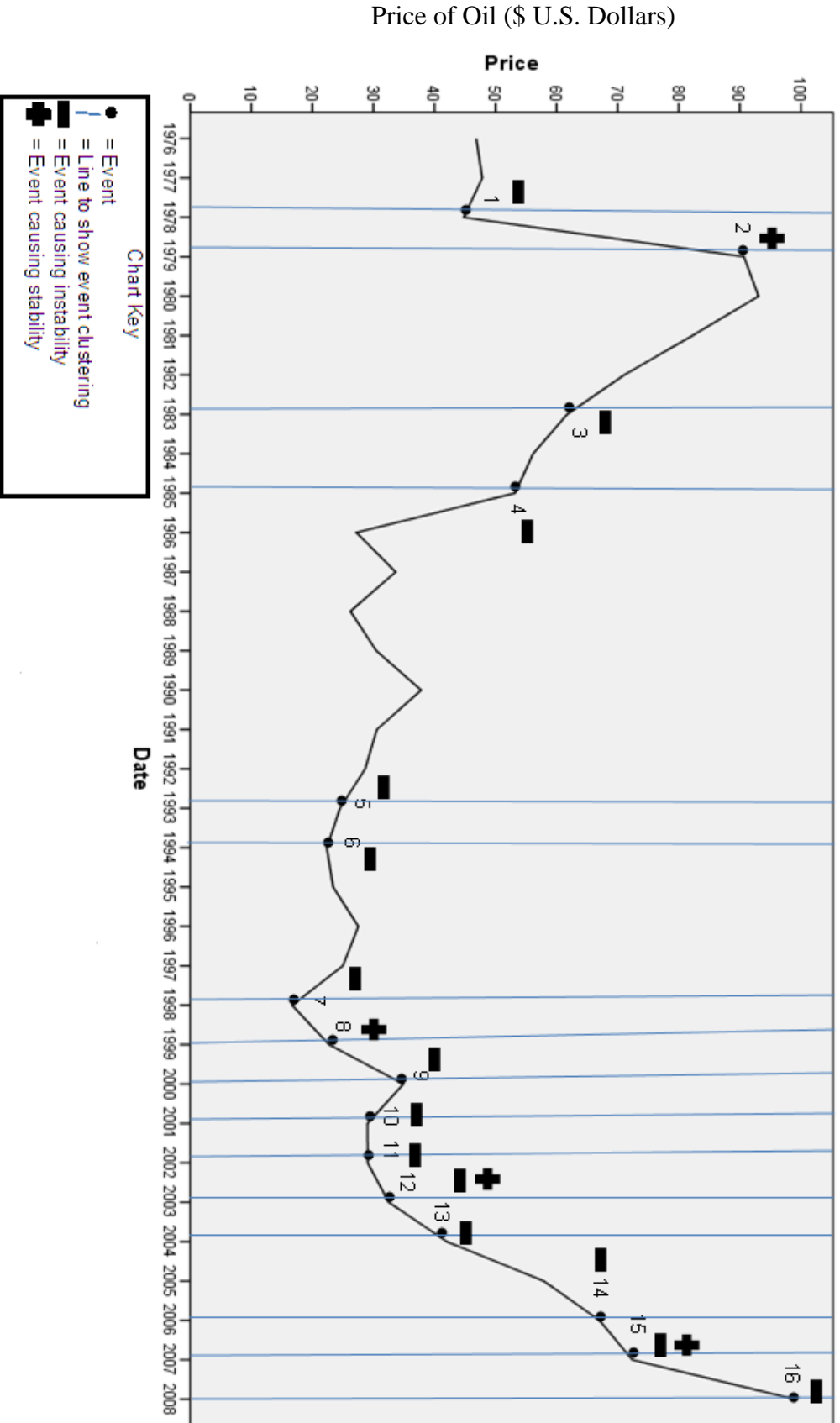
³² Appendix B

³³ Table 1.2

³⁴ Appendix B

³⁵ Appendix B

Table 1.2
Nigeria's Political Stability and Oil Prices (1976-2008)
 Sources: BP Statistical Review of World Energy 2008
 BBC "Timeline Kuwait"
 DOE EIA World Crude Oil Prices 2008



Another aspect of this chart to examine in order to determine if a pattern exists between fluctuations in oil prices and political stability in addition to looking at where on the price line they fall is observing the grouping of events. If these same events fall in groups it would suggest a certain pattern. On Table 1.2 it shows groupings of lines intersecting the events on the above chart but there are two distinct groups of three or more events in a similar manner to the groupings that occurred on the chart of Kuwaiti political stability. The first grouping starts in 1998 and continues through until 2004. The second grouping, which could be argued is still apart of the first group but separated by two years, begins in 2006 and goes through until 2008. The first grouping of events begins at a record low for oil prices in 1998 and continues through the start of a rise in oil prices. The second group starts on the same rise in prices and continues through the record high in 2008.³⁶ This particular pattern, which is similar to that of Kuwait, goes to prove the fluctuations in oil prices, especially from extreme troughs to extreme peaks, cause an influx in the number of events affecting political stability. However, this correlation tells us nothing more than it is difficult to draw conclusions from this data.

On Table 1.2 it contains the symbols of (+) or (-) next to each event to designate the particular event as contributing (+) or detracting (-) from political stability. Nigeria has had a turbulent and often violent political history over the past forty years which explains the prevalence of events on the charts detracting from political stability; however, a pattern begins to merge in 1998 with the start of the rise in oil prices from its record low. Granted in the period of time from 1998 to 2008 with the increase in oil prices it does not completely contain all events contributing to political instability the majority of the events do and this warrants a correlation. This pattern of an increase in

³⁶ Table 1.2

oil prices and the occurrences of events dealing with political instability support Friedman's theory that oil prices and political freedoms correspond inversely. Despite the presence of this apparent pattern this paper will examine the validity of this relationship in a later section due to the fact that beginning in 1999 Nigeria had a presidential election and a democratically elected leader for the first time in several years. A later section in this paper will scrutinize this pattern to see if this period of democratic leadership played a role in causing political instability.

Venezuela is a medium sized country in the north of South America sharing its borders with Colombia to its west, Brazil to its south, and Guyana to its east with a population of 27.3 million of mostly Spanish decent. It was Spanish colony until the early 19th century when it gained its independence in the era of Simon Bolivar.³⁷ Venezuela had stable multi-party political system from the 1960s to the late 1990s when the system collapsed. Hugo Chavez was elected president in 1998, again in 2001, and then once again in 2006. He has been pushing a socialist agenda using oil revenues to support these social programs. In the economic sector oil makes a clear majority of the export revenues at 90% and these revenues contribute to 50% of governmental budgets.³⁸ In comparison to other countries in the world for human development Venezuela ranks at 61 in between Kuwait at 29 and Nigeria at 154.³⁹

In the case study of Venezuela this paper will study the fluctuations in oil prices from 1958 to the present-day. The beginning point of 1958 was chosen because it marks the period in time when Venezuela transitioned from military dictatorship to a democratic

³⁷ , s.v. "Venezuela."

³⁸ Ibid.

³⁹ Human Development Report 2007-2008 - Venezuela, ed. UNDP, in the United Nations Development Programme, http://hdrstats.undp.org/countries/data_sheets/cty_ds_VEN.html (accessed February 10, 2009).

system with traditional parties which lasted until 1998.⁴⁰ In Table 1.3 below it shows the changes in oil prices from 1958 to the present-day with dots falling on the oil price line to show when various events affecting political stability arose. A list of events contributing to or detracting from political stability which correspond with the numbered dots on Table 1.3 can be found at Appendix C. In the case of Venezuela, when studying the relationship between the drops and increases in oil prices and the events that affect political stability it is determined that 12 out of the 16 or 75% of the events occur on a rise or a dip in oil prices. Although 75% of the time is less than 87% with Kuwait and 81% with Nigeria it still occurs on a clear majority of the time establishing a relationship between the two.⁴¹ An example of a specific event causing political instability coinciding with a decrease in oil prices was when the price of oil dropped from a record high in 1980 at \$95 a barrel of oil to \$55 a barrel in 1984 which led to civil unrest because of poor economic situations and a reduction in spending on social programs by the government.⁴² Another example on the chart of events relating to political stability was when Hugo Chavez was elected president in 1998. His election corresponds with oil dropping to a record low and his reelection in 2000 and 2006 corresponds with a continuous increase in oil prices until 2008.⁴³ During the 1998 to 2008 period of time the most amount of events occur compared to any other part in Venezuelan history. Also during this period of time in which oil continued to climb there was an increase in opposition to Chavez and the way in which he was running the government.⁴⁴

⁴⁰ Appendix C

⁴¹ Table 1.3

⁴² Appendix C and Table 1.3

⁴³ Appendix C and Table 1.3

⁴⁴ Appendix C

Price of Oil (\$ U.S. Dollars)

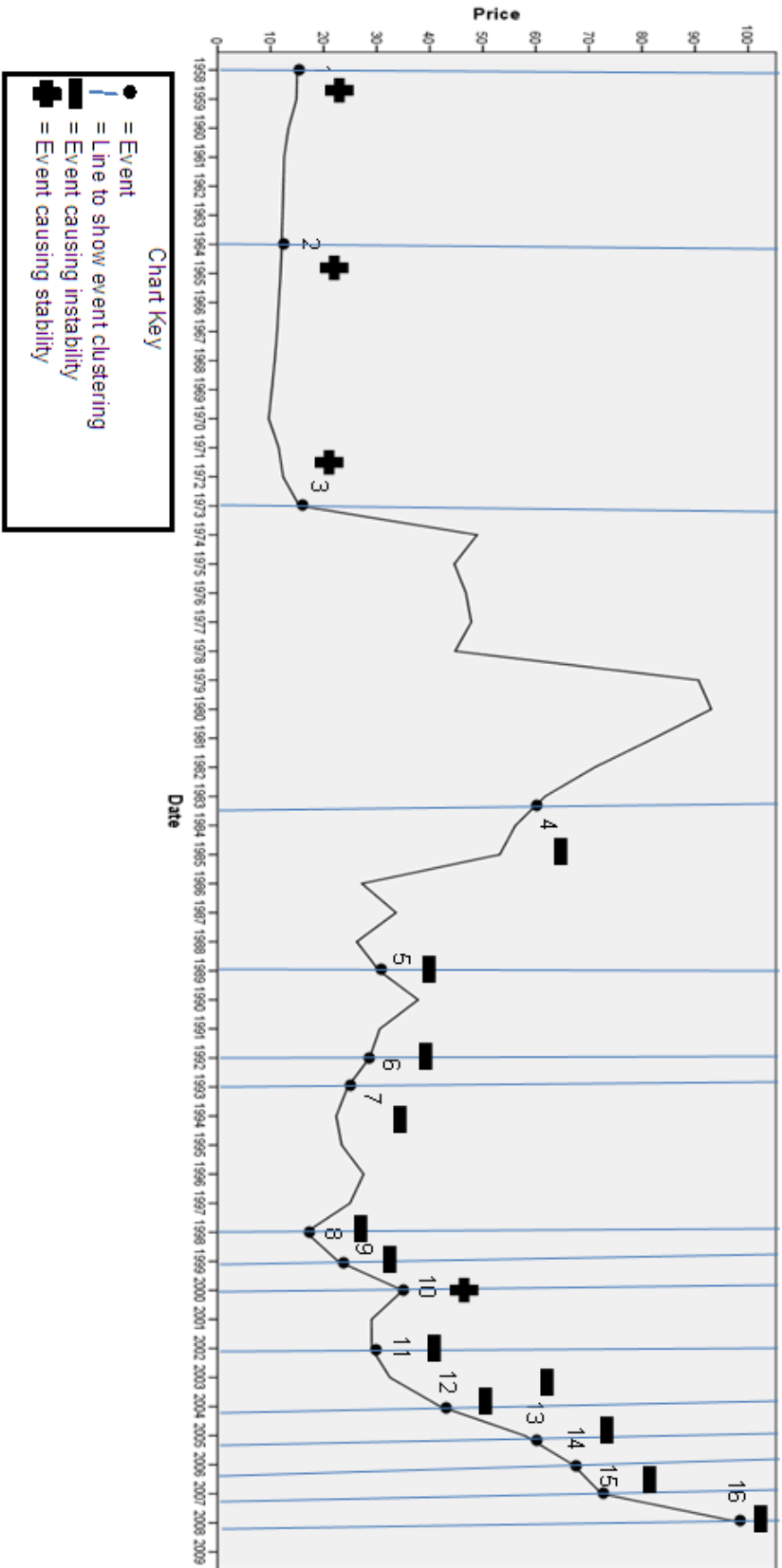


Table 1.3
Venezuela's Political Stability and Oil Prices (1958-2008)
 Sources: BP Statistical Review of World Energy 2008
 BBC "Timeline Venezuela"
 DOE EIA World Crude Oil Prices 2008

As with the two previous countries, it is as equally important to note the location of the individual events affecting political stability as to where they fall as well as examining the events location to see if events fall into groupings. Determining groupings of an event are important because they could indicate a pattern suggesting a relationship between these events and oil prices. As with the two previous country charts it is difficult to see the groupings of the line intersecting events on the above chart but there are two distinct groups of three or more events. The first grouping starts in 1998 and continues through until 2000. The second grouping is larger than the first grouping and it starts on 2004 and continues through until 2008. The first group begins at the record low of oil prices in 1998 and continues through until 2000 on an upswing in oil prices. The second group starts on the same upswing in prices as the previous group and it continues on the increase in prices until the record high in prices in 2008.⁴⁵

On Table 1.3 it contains the symbols of (+) or (-) next to each event to designate the particular event as contributing to (+) or detracting from (-) political stability. Venezuela for 2/3 of the time line concurs with Friedman's theory in which the events contributing to political stability do fall on a decline or a low point in oil prices and the majority of events detracting from political stability happen to be found on an increase in oil prices.⁴⁶ For example, the period of time from 1958 to 1973 the price of oil does not fluctuate and it remains at a low price and it is during this time that three events contributing to political stability occur. These events were in 1958 with the democratic elections after a military leader, in 1964 with the first successful transfer of democratic power from one elected president to the next, and in 1973 when the oil industry was

⁴⁵ Table 1.3

⁴⁶ Table 1.3

nationalized under the control of Petroleos de Venezuela (PDVSA). Another example of this pattern occurring in the opposite direction is in the above mentioned period of time from 1988 to 2008. During this time there were all but one event contributing to political instability. In this period of time Chavez is reelected twice and he attempts to increase his executive power and to crush his opposition. After observing the events affecting political stability it is evident that Venezuela, out of all three of the study countries, most closely fits Friedman's theory. Although this relationship is not absolute it is still strong enough to make connections between events affecting political stability and the changes in oil prices.

IV.ii Oil Prices and Freedom House Country Ratings

In order to accurately measure the strength and the correlation of the relationship between oil and political stability this study uses two forms of measurement. One of the two measurements, mentioned above, gauged the relationship between oil and political stability by observing the occurrence of events affecting political stability and matched it with the fluctuations in the price of oil. The second form of measure that this study will explore is the comparison of Freedom House ratings for political freedom and civil liberties in each of the three countries from 1973 to the present. The ratings do not go as far back in time as some of the first measurements because of the fact that Freedom House only began rating countries beginning in 1973. Although it would be better for this study to match the oil and political stability start dates with the Freedom House data it still offers enough time to observe any patterns or correlations between changes in oil prices and changes in political freedoms and civil liberties. Unlike the first set of three

charts Excel was unable to plot the changes in oil prices along with the changes in the Freedom House ratings. One will need to look at the first set of charts to see the changes in oil prices or a chart of oil prices found at Appendix D and then look at the Freedom House charts. It is more difficult to observe changes but this study will explain the findings.

Freedom House rates a country each year from 1973 to the present on three categories: political rights (PR), civil liberties (CL), and status for freedom status. If political rights or civil liberties receive between a 1 and a 2 it is free, 3 and 4 it is partly free and 5 and 7 it is not free. Freedom House defines political rights as:

Rights [that] enable people to participate freely in the political process, including the right to vote freely for distinct alternatives in legitimate elections, compete for public office, join political parties and organizations, and elect representatives who have a decisive impact on public policies and are accountable to the electorate.⁴⁷

Basically it measures the ability of people to freely participate and engage in the political process and activities in their country. Freedom House defines civil liberties as: rights that “allow for the freedoms of expression and belief, associational and organizational rights, rule of law, and personal autonomy without interference from the state”.⁴⁸ Civil liberties translate into the ability for people to freely express their own opinions without fear of punishment or injury.

Unlike the charts measuring the relationship between oil prices changes and events affecting political stability the charts with the Freedom House data more closely match Friedman’s theory of oil prices and political freedoms corresponding inversely

⁴⁷ *Freedom in the World*, Methodology in the Freedom House, <http://www.freedomhouse.org/template.cfm?page=351&ana_page=341&year=2008> (accessed March 26, 2009). 1.

⁴⁸ *Ibid*, 1.

with one another. The decrease in oil prices corresponds with an increase in political rights and civil liberties as measured by the Freedom in the World Report. The opposite effect occurs when the increase in oil prices takes place and consequently there is a reduction in political rights and civil liberties. This relationship between oil prices and Freedom House ratings is not an absolute correlation in the sense that when the price of oil moves in one direction the Freedom House rating does not necessarily move in the inverse direction. However, this inverse relationship between oil prices and Freedom House ratings holds true more frequently than the correlation between oil and events affecting political stability.

The format of chart showing the changes in the Freedom House ratings can be difficult to understand from the charts without the changes in the oil price being plotted on the same chart but this paper will guide the reader through each of them. An example of interpreting the chart for either political rights or for civil liberties is that if one of the countries was at a rating of 3 or partly free for one particular year and then two years later its rating jumps to a 5 or 6 or not freedom. This would be an example of a decrease in the amount of political rights and or civil liberties that an individual is granted by the government. This move would indicate that the government is moving towards a more of a repressive form of governance and vice versa if the rating went from 6 to 3.

For measuring the changes in political rights and civil liberties in the county of Kuwait and the changes in the price of oil one can find a chart of the yearly average world prices for oil from 1970 to 2007 at Appendix D in order to compare both of the factors. Since all three case study countries are OPEC members their oil would be sold at the same OPEC prices whose prices are the basis for the chart at Appendix D. Two of

the three major changes in the Freedom House country ratings for Kuwait support Friedman's theory. It shows the prevalence of this relationship for Kuwait but not an absolute correlation. The first event that supports Friedman's theory was when there was an increase in political rights by 2 points which corresponded with the drop in oil prices from the record high of \$90 in 1980.⁴⁹ The second occurrence takes place beginning in 1988 going until 1992 when there was a decrease in freedom for all three indicators. This decrease coincided with a slight increase in oil prices by \$10 a barrel of oil after hitting a record low in the wake of the 1980s record high.⁵⁰ It is difficult to tell whether or not this increase in oil prices played a factor in this decrease of freedom because in 1990 Kuwait was invaded by Iraq and following the liberation of Kuwait by the U.S. military the Emir declared marshal law for three months.⁵¹ The third occurrence which does not support Friedman's theory takes place in between 1974 and 1978 when political rights, civil liberties and freedom status all decreased their Freedom House ratings but this occurred during a period of stabilization or stagnation in the price of oil.⁵² This would lead one to believe that factors other than the price of oil are responsible for this decrease in freedom which will be explored at a later point in this paper.

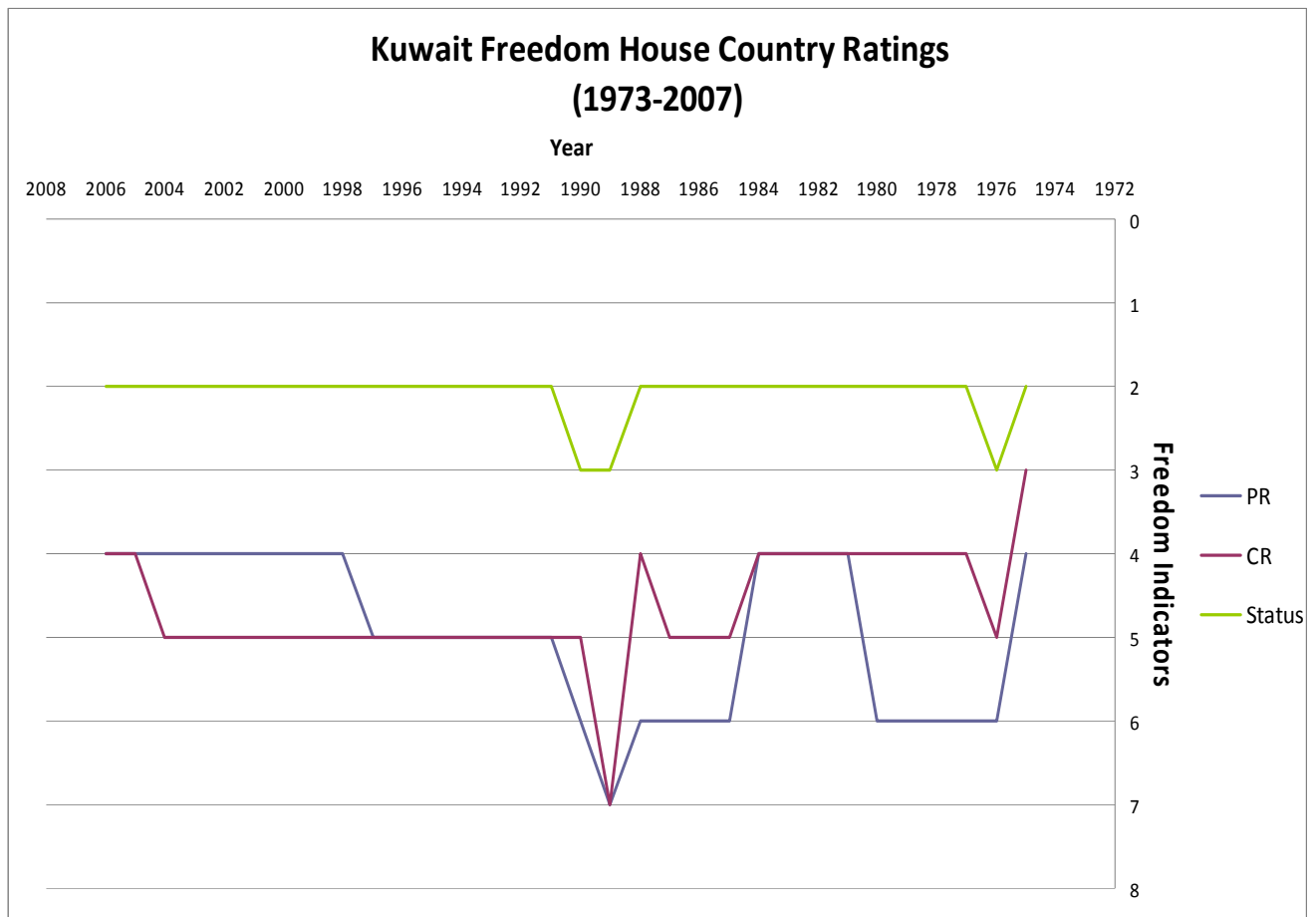
⁴⁹ Appendix D

⁵⁰ Appendix D

⁵¹ Appendix A

⁵² Appendix A

Table 1.4



Freedom House Score Key

1-2 Free, 3-4 Partly Free, 5-7 Not Free

The Freedom House country rating data for Nigeria does not support Friedman's theory because all three of the sets of changes in the freedom status occur in the same direction as the fluctuations in the price of oil. For example, if the price of oil decreased so too would the freedom status. A chart of the yearly average world prices for oil from 1970 to 2008 can be found at Appendix D. The first set of changes in the freedom status for Nigeria occurs with an increase in freedom for all three indicators especially for political rights (4 point increase) beginning in 1978 which corresponds with the record

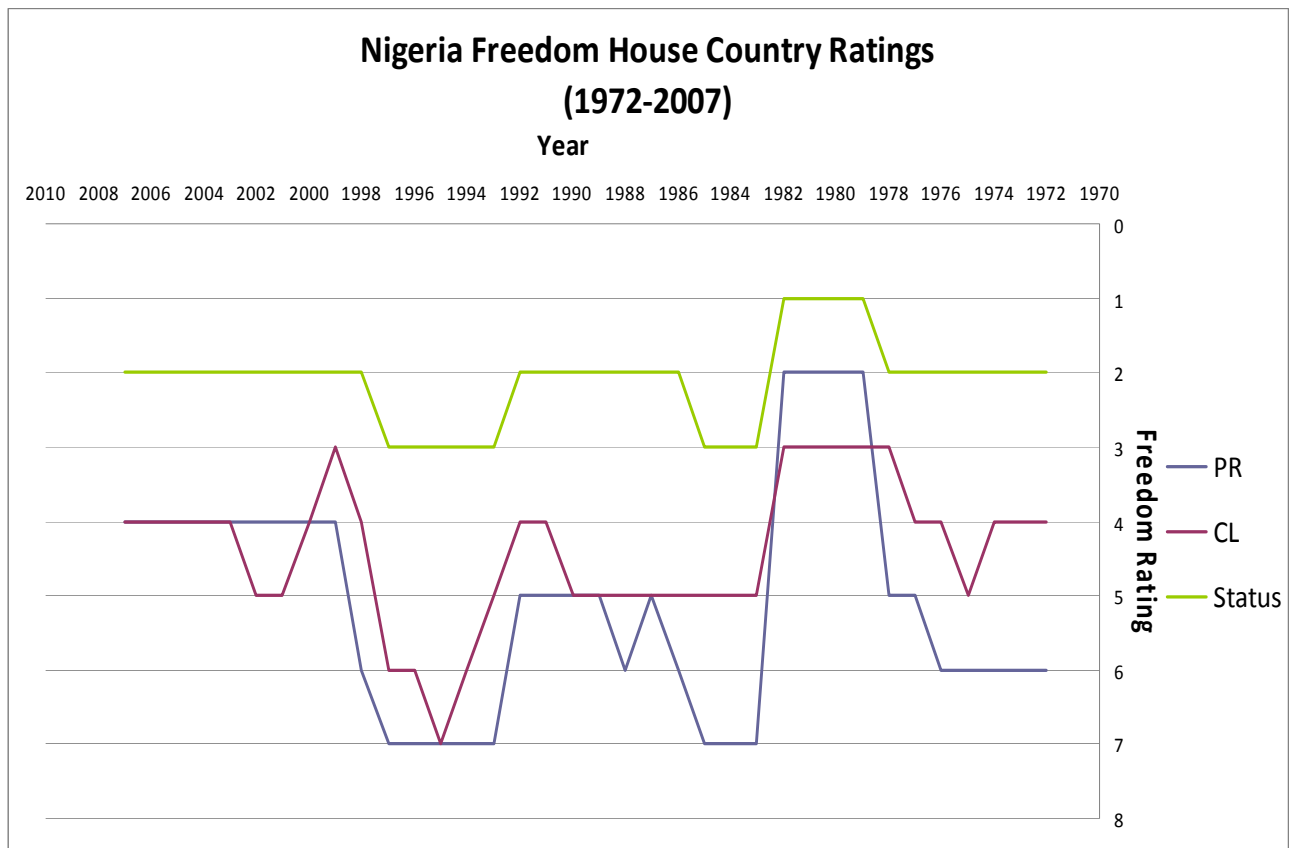
high of oil prices in the early 1980s. Following the post 1980 drop in oil prices all three indicators returned to a higher level than their pre-1980 levels when the price of oil dropped to a record low.⁵³ The second change results in a decrease in freedom for all three indicators in late 1992 and it culminates in 1994 which matches a trough in oil prices after a slight increase in 1990-91.⁵⁴ The third instance involves a drastic increase in freedom for both political rights and civil liberties with a slight increase in the freedom status taking place in 1998 which matches with the beginning of the rise in oil prices which did not peak until 2008. Nigeria is a better example, showing that the relationship between political rights and civil liberties does not inversely correspond with the changes in the price of oil. In all three instances the freedom ratings increased when the prices of oil increased as well. This does not necessarily establish a relationship between the two factors but it will warrant further explanation at a later point in the paper. An example of how a relationship cannot be justified is that the drastic increase in freedom especially with political rights could be attributed to the transition from a military dictator to the institution of a presidential style of democratic government.⁵⁵

⁵³ Table 1.2

⁵⁴ Table 1.2

⁵⁵ Appendix B

Table 1.5



Freedom House Score Key

1-2 Free, 3-4 Partly Free, 5-7 Not Free

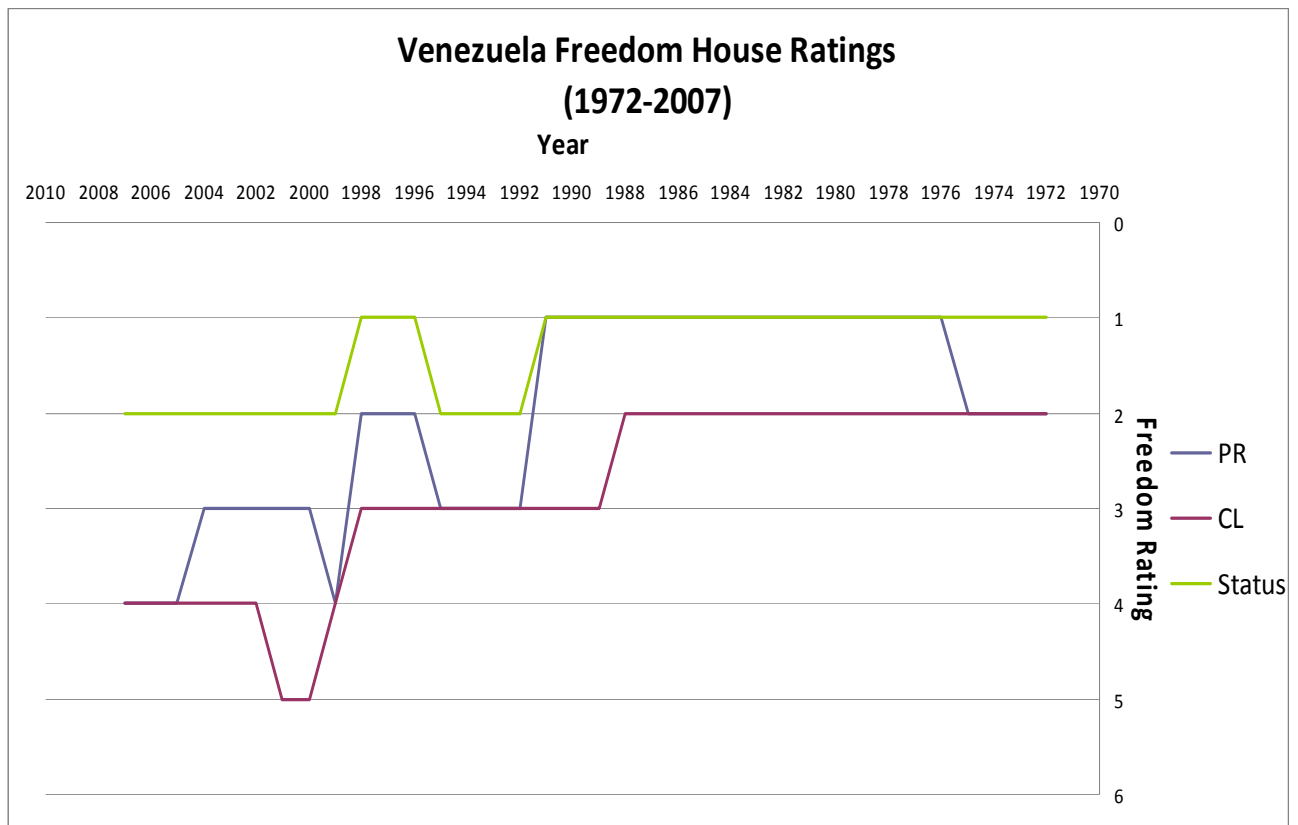
The case study of Venezuela and its chart of the Freedom House country ratings follows more closely with the example of Kuwait in which two of the three instances support Friedman's theory. However, as in the example of Kuwait this relationship is not as strong at first appearance because other factors can possibly account the chances in freedom. As with the two other a chart of the yearly average world prices for oil from 1970 to 2008 can be found at Appendix D. Two of the instances in common both include a decrease in freedom which happens to coincide with an increase in the price of oil. One of these occurrences takes place in late 1990 - early 1991 in which Venezuela experienced

a decrease in freedom for all three indicators which coincides with a slight peak in oil prices in 1990. This price increase followed after the record low for oil prices in 1986.⁵⁶ Another instance similar to the previous example, is the decrease in freedom for all three indicators in 1998 which corresponds with the beginning of an incline in oil prices. This increase in prices which started in 1998 continued to rise until 2008 with record high prices.⁵⁷ Despite the two occurrences containing an inverse relationship there is a third occurrence that falls on neither much of an increase nor of a decrease. This increase in the freedom status and civil liberties in 1996 corresponds with stagnate section of the oil price; however, the closer as it gets to 1998 there is a slight increase in prices. This case study of Venezuela along with the case study of Kuwait provide evidence for the existence of an inverse relationship between fluctuations in oil prices and political rights and civil liberties which add more validity to Friedman's theory. Granted these two case studies do not prove that this relationship is neither strong nor absolute, especially with the case study of Nigeria not following this theory at all, it nonetheless shows an interconnectiveness between the two variables. Also this relationship warrants the further explanation as to why this occurs in Kuwait and Venezuela but in Nigeria it does not hold true.

⁵⁶ Table 1.6 and Appendix D

⁵⁷ Table 1.6 and Appendix D

Table 1.6



Freedom House Score Key

1-2 Free, 3-4 Partly Free, 5-7 Not Free

In conclusion for this section on the relationship between oil and political stability this paper will review the previous conclusions in these two sub sections with the two measures gauging the relationship between oil and political stability. From the first section, there is not a strong relationship between the changes in oil prices and events contributing to or detracting from political stability. There is neither a positive nor negative relationship for oil prices and events affecting political stability. Venezuela was the only out of the three case studies to exhibit evidence of Friedman's theory especially beginning in 1998 with the rise of oil prices along with coinciding with events that contributed to political instability. One out of the three case studies following this theory

is not enough evidence to prove the existence of a relationship between the two. In the second section, there is evidence of an inverse relationship between changes in oil prices and Freedom House country ratings of political rights and civil liberties. Although this relationship does not occur in Nigeria it holds true for Kuwait and Venezuela. In both of these sections there is no absolute relationship occurring in all three of these countries but rather in two of the three for each measure. This lack of consistency warrants further explanation as to what other factors may be involved in mitigating the changes in political stability. These differences will be explored in the next section which investigates the effect of cultural, religious, and ethnic diversity within each of the three countries and whether or not they play a factor in contributing to or detracting from political stability. A later section in this paper will explore institutional weakness to see if it plays a role in the outcome of a case study's political stability or instability.

V. Diversity and Political Stability

In many parts of the world especially in Africa when one hears of conflict and or civil war the word ethnicity is almost always surely to be connected to it. For this reason and the apparent overwhelming instances of ethnicity playing a role in intra-country conflicts and affairs this paper will explore it as a second independent variable to examine whether ethnicity affects political stability in each of the three case study countries. For a lack of a better term this study will be using cultural diversity to describe whether or not a country is ethnically diverse or is homogenous in composition. This term also encompasses the possibility of not only ethnic diversity but also religious diversity. In this section this study will be examining the diversity of each of the

countries to see if diversity or the lack thereof has increased, decreased, or has had no effect on the country's political stability. Despite the thought process that the more diverse a country is (whether ethnicity, religiously, and or racially) the more this would impede the decision making process due to a fractionalization of opinions and ideas this paper is claims that cultural diversity does not directly cause political stability but rather it functions as an indirect cause of political instability.

The previous commonly accepted idea of diversity causing political instability and conflict by scholars has begun to be reexamined by contemporary scholars and the literature is pushing in the direct that diversity does not cause political instability or at the very least it causes political instability in a indirect relationship. Steven Fish and Robin Brooks in their article entitled "Does Diversity Hurt Democracy" concluded that there is no link to demonstrate that "the degree of diversity is not shown to influence democracy's prospects".⁵⁸ They used examples of countries with homogenous populations that struggled to develop democracy; whereas, some other countries with highly heterogeneous populations have had a well developed and functioning democracy. In the same study the two authors go on to conclude that their evidence pointed to the fact that "Greater ethnic homogeneity is *not* associated with more open political regimes".⁵⁹ This only reinforces what is stated above which is that ethnic homogeneity is not closely related to the development or even necessarily the subsistence of a democratic regime. Not only does ethnicity or the lack thereof have a direct relationship to a successful or a failed democratic government it is also not directly related to conflict in which "Cultural

⁵⁸ Fish and Brooks. 160

⁵⁹ Ibid. 160

plurality alone is not the prime determinant of conflict”.⁶⁰ Cultural diversity may play an indirect role in the causation of conflict but it is not the primary motivating factor. Mark Beissinger in his article “A New Look at Ethnicity and Democratization” studies this relationship of ethnicity and political stability. He argues that:

“Ethnic diversity may affect democratization’s chances indirectly, by interacting with and influencing other factors such as economic growth, government performance, the strength or weakness of civil society, instability and large-scale violence, or institutional design.”⁶¹

Ethnicity is not directly connected political stability but it works indirectly with other factors to influence political stability or instability. Beissinger takes the idea of ethnicity to another extreme as far as its effect on political stability by stating “...only certain kinds of ethnic nationalism are compatible with democracy, but that the absence of strong ethnic identities can, in some circumstances, actually be an obstacle to successful democratization”.⁶² Ethnicity may indirectly contribute to political instability but the lack thereof may cause instability within a country because it could lead to a lack of cultural or national identity.

In all three countries the range of diversity differs immensely; yet despite the diversity it does not account for similar patterns in political stability. Kuwait has a population of 2,596, 799 people and of which 80% is of Arab descent (45% Kuwaiti and 35% other Arab).⁶³ Kuwait used to have higher populations of Iranians until in 1986 when the Emir expelled thousands of Iranian expatriates.⁶⁴ This would have decreased the conflict between the predominately Sunni Muslims in Kuwait as opposed to the minority Shi’a

⁶⁰ Ibid. 163

⁶¹ Beissinger., 87.

⁶² Ibid., 96.

⁶³ , s.v. "Kuwait."

⁶⁴ Appendix A

Muslims whom mostly come from Iran and parts of Iraq. Kuwait is considered one of the Arab nations with anti-Shi'a policy going along with other Sunni dominated countries in the area.⁶⁵ On a language level Arabic is the official language of Kuwait but English is widely spoken.⁶⁶ This means a lack of a conflict over which language is spoken as opposed to a country with several ethnic groups each with its own dialect or different language. Kuwait by many factors of examination is not a diverse country but religious differences have recently started to become an area of contention between the fundamentalist Muslims and the more moderate Muslims. However, the recent emergence of slight religious differences does not explain the changes in the levels of political stability over the course of Kuwait's political history.

Nigeria is by far the most ethnically and religious diverse out of the three countries. With an immense population of 146, 255, 312 it contains over 250 different ethnic groups. The three largest and most influential ethnic groups are the Hausa and Fulani at 29% followed by the Yoruba at 21% and Igbo in third at 18%.⁶⁷ Nigeria is at the same time is religiously diverse and divided along with being linguistically diverse. 50% of the population is Muslim, mostly living in the north, and 40% of the population is Christian which provides for a point of contention between the two religions. As far as linguistic diversity is concerned English is the official language of Nigeria but Hausa, Yoruba, Igbo, and Fulani are also commonly spoken languages which tend to reinforce ethnic or tribal differences and identities.⁶⁸ The British, after granting Nigeria independence, suggested to the Nigerians that they should establish three zones based on

⁶⁵ Seyyed Vali Reza Nasr, "Regional Implications of Shi'a Revival in Iraq," *The Washington Quarterly* 27, no. 3 (2004). 21.

⁶⁶ , s.v. "Kuwait."

⁶⁷ , s.v. "Nigeria."

⁶⁸ Ibid.

different ethnicities but the Nigerians refused. They instead created three geographical regions: Northern, Western, and Eastern. However, the Nigerian ethnic elites began to suppress the opinions of the minorities in three regions which served to increase awareness of ethnic differences.⁶⁹ The emergence of ethnic conflicts in Nigeria following independence was not based on ancient conflicts but rather on fighting over resources in particular which regions obtained the oil revenues from the production of oil.⁷⁰ The conflicts in the Niger Delta region, having occurred in the past and continue through to the present, on the surface may appear to be ethnic in nature but in reality the conflicts pertain to fights over who is the rightful owner of the oil wealth.⁷¹

Nigeria's religious diversity also provides for another point of conflict which is due to the fact that Nigeria is split almost half and half between Islam and Christianity with Islam constituting the larger proportion.⁷² Leaders continue to use the ethnic or religion card as means to gather votes for their own selfish interest.⁷³ Muslim leaders in the Northern region have used religion to keep Muslim leaders in power. For example, the recent passing of Islamic Sharia law in the North was employed to help maintain the presence of Muslim leaders in this region. This caused conflict for the Christians living in the North now being forced to obey Sharia law.⁷⁴

In Nigeria its highly ethnically diverse society along with the contention between Muslims and Christians certainly plays a role in contributing to the amount of conflict

⁶⁹ John Boye Ejobowah, "Who Owns the Oil? The Politics of Ethnicity in the Niger Delta of Nigeria," *Africa Today* 47, no. 1 (2000). 32

⁷⁰ John Richard Bowen, "The Myth of Global Ethnic Conflict," *Journal of Democracy* 7, no. 4 (1996). 43

⁷¹ Ejobowah. 43

⁷² , s.v. "Nigeria."

⁷³ Marinus Chijioke Iwuchukwu, "Democracy in a Multireligious and Cultural Setting: The Nigerian Context," *World Futures: The Journal of General Evolution* 59, no. 5 (2003). 384

⁷⁴ *Ibid.* 385

and political instability in Nigeria but these factors only work indirectly and mask the true factors instigating political instability.

Venezuela, as opposed to Nigeria, is a far more homogeneous society. With a population of 26, 414, 816 the majority ethnic group is of Spanish decent with a small number of people European decent.⁷⁵ It has a tiny indigenous populations accounting for only 2% of the population as opposed to some of its neighbors like Bolivia with upwards of 50% of the population having indigenous roots.⁷⁶ Religiously and linguistically, Venezuela, is the most homogeneous out of the three countries with 96% of the population being Roman Catholic and with Spanish being the predominate and official language of Venezuela.⁷⁷

As far as ethnicity having an effect on the government and voting patterns, Jose Molina and Carmen Perez Babot in their article “Radical Chance at the Ballot Box”, conclude that ethnicity has had little effect on party identification and or voting in Venezuelan voting history.⁷⁸ Despite the lack of ethnic diversity Venezuela still has social class system inherited from Spanish colonialism in which the higher classes are often made of people with lighter skin color and people with darker skin often make up the lower social classes. This social class system based on skin color has survived in some ways to the present day. Perceptions in Venezuela help to reinforce these

⁷⁵ , s.v. "Venezuela."

⁷⁶ Donna Lee Van Cott, "Latin America's Indigenous Peoples," *Journal of Democracy* 18, no. 4 (2007). 128

⁷⁷ , s.v. "Venezuela."

⁷⁸ Jose Enrique Molina and Carmen Perez Babot, "Radical Change at the Ballot Box: Causes and Consequences of Electoral Behavior in Venezuela's 2000 Elections," *Latin American Politics & Society* 46, no. 1 (2004). 2

stereotypes in which people with lighter skin are seen as higher class and wealthier than people with darker skin who are seen as lower class and poorer.⁷⁹

In Venezuela there is no religious diversity but the Roman Catholic Church had a strong influence on the political system when the traditional parties. The Church had supported the COPEI political party beginning in the 1960s.⁸⁰ Perceived social class differences based on ancestry or the color of one's skin may play a role in causing some division in Venezuelan society contributing to political instability. However, it is too insignificant of a factor by itself to have an influence on affecting the political stability of Venezuela.

In conclusion, the cultural diversity or the lack role thereof in the countries of Kuwait and Venezuela has not played a significant in affecting political stability. This cultural heterogeneity has neither been attributed to political stability nor instability. Therefore, for these two countries the independent variable of cultural diversity can be ruled out as a possible factor affecting political stability. In the case of Nigeria with extreme cultural diversity it definitely plays an influencing factor in the political stability. For example, in 2000 when the Northern Nigerian states decided to adopt Sharia law, despite the close ratio between Christians and Muslims, the Christians clashed against the Muslims in opposition to the new set of Sharia laws. However, despite the apparent connection between ethnic conflict and political instability in Nigeria the next section will examine whether or not it is institutional weakness that is the real contributor to

⁷⁹ Barry Cannon, "Class/Race Polarization in Venezuela and the Electoral Success of Hugo Chavez: A Break with the Past or the Song Remains the Same?," in *Third World Quarterly*(2008). 8

⁸⁰ Daniel Hellinger, "Venezuela," in *Politics of Latin America*, ed. Harry E. Vanden and Gary Prevost(New York: Oxford University Press, 2006). 475-476

political instability and whether or not it is this institutional weakness that enflames ethnic and other cultural differences for selfish political ends.

VI. Institutional Weakness and Political Stability

The third and final independent variable that this paper will explore and analyze for the three countries is the relationship and or effect that institutional weakness has on political stability. Michael Sodaro describes institutions as “governmental organizations that typically perform specified functions on the basis of laws, rules, directives, and other authoritative procedures and practices”.⁸¹ This paper argues that institutional weakness plays a role and contributes to political instability in the capacity that institutional weakness manifests itself in either institutional ineffectiveness where the institutions are in place to carry out and ensure government functions but are not efficiently used or enforced or the other manifestation is institutional deficit in which there is a lack of institutional structure or legal guidelines to carry out the necessary government function to ensure the efficient running of the government.⁸²

Kuwait has a parliamentary system of government; yet it still maintains a legacy of a colonial leader with supreme power. Kuwait is legally a constitutional emirate in which the role of the emir is constitutionally protected and guarantees the emir supreme power over the parliament and the laws of Kuwait.⁸³ The emir has disbanded the parliament 5 times since independence 1961.⁸⁴ In 2005 women were allowed to vote in

⁸¹ Michael J. Sodaro, *Comparative Politics: A Global Introduction* (New York, NY: McGraw Hill, 2004). 119

⁸² Gretchen Helmke and Steven Levitsky, "Informal Institutions and Comparative Politics: A Research Agenda," *Perspectives on Politics* 2, no. 4 (2004). 727

⁸³ , s.v. "Kuwait."

⁸⁴ "Timeline: Kuwait", BBC http://news.bbc.co.uk/2/hi/middle_east/country_profiles/2391051.stm (accessed December 11, 2008 2008).

parliament and run for Parliament for the first time in Kuwaiti history.⁸⁵ The emir also reserves the right to dissolve the parliament if he believes that there is a deteriorating situation between the government cabinet and the parliament members.⁸⁶ This would lead to some political instability because despite the fact that members of parliament are being democratically elected by the people of Kuwait the emir can overrule the decision if he feels that the government is ineffective or that there are too many conflicting opinions within the government. This would cause one to think that the emir somehow knows what is better for the people of Kuwait and Kuwait as a whole and causes one to regard this as an undemocratic structure.

Nigeria has a weak political institution due to a history and tradition of political leaders being overthrown by military leaders and military leaders being overthrown by other military leaders. J. Craig Jenkins and Augustine J. Kposowa argue that the tradition of military coups overthrowing governments and leaders has occurred so often in Africa especially in Nigeria that it has “become the institutionalized method for changing governments in postcolonial Africa”.⁸⁷ Nigeria has had a rocky political history marked with numerous military coups and military leaders. Olusegun Obasanjo’s recently stepping down as president to the newly elected President Umaru Yar’ Adua which is the first civilian to civilian peaceful handover of power in Nigeria’s history. Prior to Obasanjo’s election in 1999 there was 15 years of a military leader rule.⁸⁸ Since 1960

⁸⁵ Ibid.

⁸⁶ Ibid.

⁸⁷ J. Craig Jenkins and Augustine J. Kposowa, "The Political Origins of African Military Coups: Ethnic Competition, Military Centrality, and the Struggle over the Postcolonial State," *International Studies Quarterly* 36, no. (1992). 271

⁸⁸ Jean Herskovits, "Nigeria's Rigged Democracy," in *Foreign Affairs*(Foreign Affairs, 2007). 2

Nigeria has alternated between 29 years of military rule and 16 years of civilian rule.⁸⁹ Also since 1978 Nigeria has had four military coups and 6 military leaders.⁹⁰ Obasanjo was in jail prior to being released and elected president for a coup attempt against military leader General Sani Abacha in 1995.⁹¹ This leads one to question the level of corruption in the government if someone who was in jail for an attempted coup is then released and elected president.

Another aspect of political ineffectiveness in Nigeria is in the agriculture sector. Agriculture in general and the expansion thereof has not received support from the government; however, the vast majority of Nigerians rely on agriculture for their livelihood.⁹² Although there has been a significant increase in oil revenues in the last 8 years with record high oil prices, the basic living conditions in Nigeria have gotten worse.⁹³ This makes one wonder where the increased oil revenues are being spent and or if it is getting lost along the way to getting to help the people of Nigeria.

Another way in which to examine Nigeria's institutional weakness is to look at its political structure. Nigeria is a federal republic made up of 36 states⁹⁴ Nigerian leaders during independence in 1960 inherited a state which was not set up to support the country as a whole. Resources were designed to support and benefit the rulers. Indigenous Nigerian leaders inherited this system but decided to maintain it in order to profit themselves as previously mentioned in above section.⁹⁵ The size of the Nigerian

⁸⁹ James S. Guseh and Emmanuel Oritsejafor, "Government Size, Political Freedom and Economic Growth in Nigeria, 1960-2000," *Journal of Third World Studies* 24, no. 1 (2007). 139

⁹⁰ "Timeline: Nigeria", BBC http://news.bbc.co.uk/2/hi/africa/country_profiles/1067695.stm (accessed December 11, 2008). 1

⁹¹ Herskovits. 2

⁹² Ibid. 3

⁹³ Ibid. 3-4

⁹⁴ , s.v. "Nigeria."

⁹⁵ Guseh and Oritsejafor. 140

government has not grown significantly since 1960 despite growth in oil revenues and external debt. The Nigerian government's budget comprising from total GDP has only been an average of 16% which is small when comparing Nigeria to other countries of similar population sizes.⁹⁶ Small government may indicate a lack of accountability for oil revenues and or corruption.⁹⁷

An example of the lack of consistent and fair elections and election results is in 1993 after military leader Babangida promised to return power to civilian leader but Babangida nullified the election results, stating that they were flawed. The two candidates with the most votes were jailed for dissention and General Sani Abacha took over military power.⁹⁸ James Guseh and Emmanuel Oritsejafor state three reasons for the prevalence of corruption in Nigeria: 1) Corrupt leadership lacks the will and ability to change the corrupt nature of Nigerian politics, 2) Governmental control over economy enhances the likelihood of dependence on oil dependence, 3) Civil society's lack of opposition to the idea of corruption in politics and society in general.⁹⁹ This perpetual cycle of corruption coupled with the acceptance by the Nigerian public and the lack of motivation and or incentive for Nigerian leaders to root out and eliminate corruption allows this problem to persist. This institutional weakness, manifested in the form of ineffective and corrupt political leaders without a strong democratic tradition, has caused Nigeria to suffer politically, economically, and socially because the resource curse prevents Nigeria and its leaders from changing the way business is operated. Therefore, Nigeria is going to continue to suffer from the consequences of political, societal, and

⁹⁶ Ibid. 146

⁹⁷ Ibid. 146-147

⁹⁸ Ibid. 144

⁹⁹ Ibid. 147

economical instability which arise indirectly from dependence on oil exportation and directly from institutional weakness.

Venezuela has had a tradition of strong men presidential style of government which is common to Latin American politics. However, recent constitutional changes have allocated more power in the hands of the president, exacerbating the problems of presidentialism, which has two consequences. First, it attempts to create a strong executive position to prevent legislative tie ups and stagnation with people's consent via elections.¹⁰⁰ At the same time it is liable to "personalization of power" and abuse of power.¹⁰¹

Examining Venezuela's political structure is also important to understanding why political stability or instability occurs. The political system was shaped by the revenues from the oil. Politics became based on a patron-clientalism relationship in which as long as the political party in would continue to give rewards to the people, the people in return would continue to support the party.¹⁰² The 1999 Constitutional Referendum removed checks from and added more power to the position of the president. (i.e. decrees carry the power of law and ability to promote military leaders without congressional approval). Chavez claimed that the changes made in the constitutional referendum were made to give the president more power to correct previous ineffectiveness under the banner of the Bolivarian Revolution. According to Michael Shifter, when discussing the Bolivarian Revolution he states "Its approach is fundamentally clientelistic, perpetuating dependence

¹⁰⁰ Juan J. Linz, "The Perils of Presidentialism " in *The Global Resurgence of Democracy*, ed. Larry Diamond and Marc F. Plattner(Baltimore, Maryland: John Hopkins University Press, 1996). 127

¹⁰¹ Ibid. 127

¹⁰²Kenneth M. Roberts, "Social Correlates of Party System Demise and Populist Resurgence in Venezuela," *Latin American Politics and Society* 45, no. 3 (2003). 47-48.

on state patronage rather than promoting broad-based development”.¹⁰³ The traditional political parties ruled from 1960s to late 1990s and fell apart in the late 1990s due to popular discontent with the traditional system. However, despite the change in the political regimes the manner in which politics operate has not drastically changed. The new political regime of Hugo Chavez has not made good on the promises of correcting the ineffectiveness of the previous political system because despite an increase in oil prices in the 2000s the HDI has not increased greatly. The political system with the manner in which it operates in Venezuela has not changed significantly in its history. The political actors are the only changes that have occurred; whereas, the institutional weakness has persisted to the present.

VII. Conclusion

Although the scholarship on the strength of the relationship between oil and political stability is substantial, the strength of this relationship is not as strong in the countries of: Kuwait, Nigeria and Venezuela. In each case, institutional weakness plays a contributing role in influencing political stability. In examining the relationship between the changes in oil prices and events affecting political stability there was found to be no strong correlation between the two. Venezuela was the only country to display an inverse relationship between oil and events affecting political stability especially with the rise in oil prices in 1998. However, despite this apparent relationship it, too, was not absolute and it did not occur necessarily every time. In the second measurement for oil and political stability the correlation between changes in oil prices and changes in Freedom House country ratings is stronger than the first measurement. Despite this stronger

¹⁰³ Michael Shifter, “In Search of Hugo Chavez,” in *Foreign Affairs*(Foreign Affairs, 2006). 49

correlation which holds true for Venezuela and Kuwait, in Nigeria it proves non-existent. This lack of absolutes for both measurements supports this paper's thesis of other factors influencing political stability besides fluctuations in oil prices. Another important factor is societal diversity, which plays no role in influencing stability Kuwait and Venezuela due to the homogeneity of their societies. In Nigeria, as ethnically and religiously diverse as it is, diversity is not a primary cause for political instability but rather it serves as a secondary cause exploited for selfish purposes by Nigerian leaders. This leaves the last factor of institutional weakness as a remaining causal or influencing variable. All three of the countries are technically democracies on paper but in reality all three have undemocratic characteristics which contribute to and exasperate the problem of institutional weakness. Venezuela suffers from presidentialism, a situation where too much power is accumulated by the president, and this problem has become increasingly worse due to Chavez's recent victory on a referendum allowing him to run for a third term. Nigeria's political institutions are in a perpetual state of weakness due rampant corruption and a lack of a political tradition. Kuwait is notably undemocratic, in that the emir can dissolve the parliament and this power was exercised earlier this month due to continual governmental conflict.

The research in this paper can be used to better understand the problem of stability in oil exporting countries or regions in the world. By better understanding the relationship between oil and political stability as well as the influence that institutional weakness has on political stability one create more effective policies and strategies for creating and maintaining political stability can be created. Since institutional weakness plays a role in determining political stability the countries themselves and the

international community can gear aid program towards decreasing corruption and increasing transparency in these governments, which would in turn, help strengthen their political institutions chances for political stability.

Appendix A

Events Occurring in Kuwait Affecting Its Political Stability (1961-2008)*

1. **1961** Kuwait receives independence from British
2. **1963** 1st elections for National Assembly (parliament)
3. **1976** Emir suspends the National Assembly
4. **1981** National Assembly is dissolved
5. **1986** National Assembly is dissolved
6. **1986** Thousands of expatriates are expelled
7. **1990** Iraq invades Kuwait
8. **1991** -US forces expel Iraqi forces out of Kuwait
-Emir declares martial law for 3 months
9. **1992** Elections are held for the National Assembly
10. **1999** Emir dissolves the National Assembly and then new government is elected
11. **2003** -Kuwait assists US in 2nd invasion of Iraq
-Elections held for National Assembly in which Islamist did well
12. **2005** -Violent clash occurs between Islamist militants and police
-Women are allowed to vote in parliamentary elections and to run for office
13. **2006** -Emir, Sheikh Sabah dies and Sheikh Sabah-al Ahmad becomes emir
-Women vote for the first time in local elections
14. **2007** -New gov't cabinet resigns
-Kuwaitis have to conserve energy due to high exportation of oil due to high prices
15. **2008** -Emir dissolves parliament and calls for new election
-Radical Islamists win more than half of the seats
- Gov't cabinet resigns

*Source: "Timeline" Kuwait", BBC

http://news.bbc.co.uk/2/hi/middle_east/country_profiles/2391051.stm (Accessed December 11, 2008).

Appendix B

Events Occurring in Nigeria Affecting Its Political Stability (1976-2008)*

1. **1978** Military leader Brigadier Murtala Ramat Mohammed is killed in coup attempt and is replaced by Lt. Gen. Olusegun Obasanjo who institutes a presidential style of gov't similar to the U.S.
2. **1979** Alhaji Shehu Shagari is elected president after military power handover
3. **1983** -Gov't kicks out 1 million foreigners
-Shagari is reelected
-Major General Muhammad Buhari carries out a coup to take over power
4. **1985** Major General Ibrahim Babangida seizes power in coup
5. **1993** -Election results showing Chief Moshood Abiola having won were declared void by military
-Interim National Government takes power in place of Abiola
-General Sani Abacha carries out coup
6. **1994** Abiola is jailed after declaring himself president
7. **1998** Abacha dies and is succeeded by Major General Abdulsalami Abubakar
8. **1999** Presidential and parliamentary elections take place in which Obasanjo is elected president
9. **2000** Several states adopt Sharia law which incurs a violent clash between Muslims and Christians
10. **2001** -Tribal conflict in the state of Benue uproots thousands of people
-Gov't sends soldiers to suppress the fighting which results in innocent civilians being killed
11. **2002** -Religious clash between Muslims and Christians in the city of Lagos uprooting thousands of people
-200 people are killed during rioting by Muslims over the decision to hold a beauty pageant in Nigeria
12. **2003** -Parliamentary elections are held and Obasanjo is reelected despite voting fraud allegations
-Nationwide strike over fuel prices
-Conflict between communities in Warri result in 100 killed and 1,000 injured

13. **2004** -200 Muslims were killed by Christian militia in Plateau State and Muslims respond in kind with violence. A state of emergency is declared
 - Troops crackdown on gangs in a violence clash in the oil city of Port Harcourt in which 500 people were killed
14. **2006** -Rebels attack oil pipe line and facilities in the oil rich Niger Delta.
 - 100 people are killed in the city of Onitsha in a religious clash
15. **2007** -Umaru Yar'Adua wins the presidential election
 - Rebels threaten to end cease fight and to continue attacks on oil pipelines
16. **2008** -Oil production is reduced in half due to strikes and rebel attacks
 - Rebels increase their attacks on oil infrastructures
 - Gov't makes large cuts in budget due to decreasing oil prices
 - 200 people are killed in religious violence between Muslims and Christians in the city of Jos

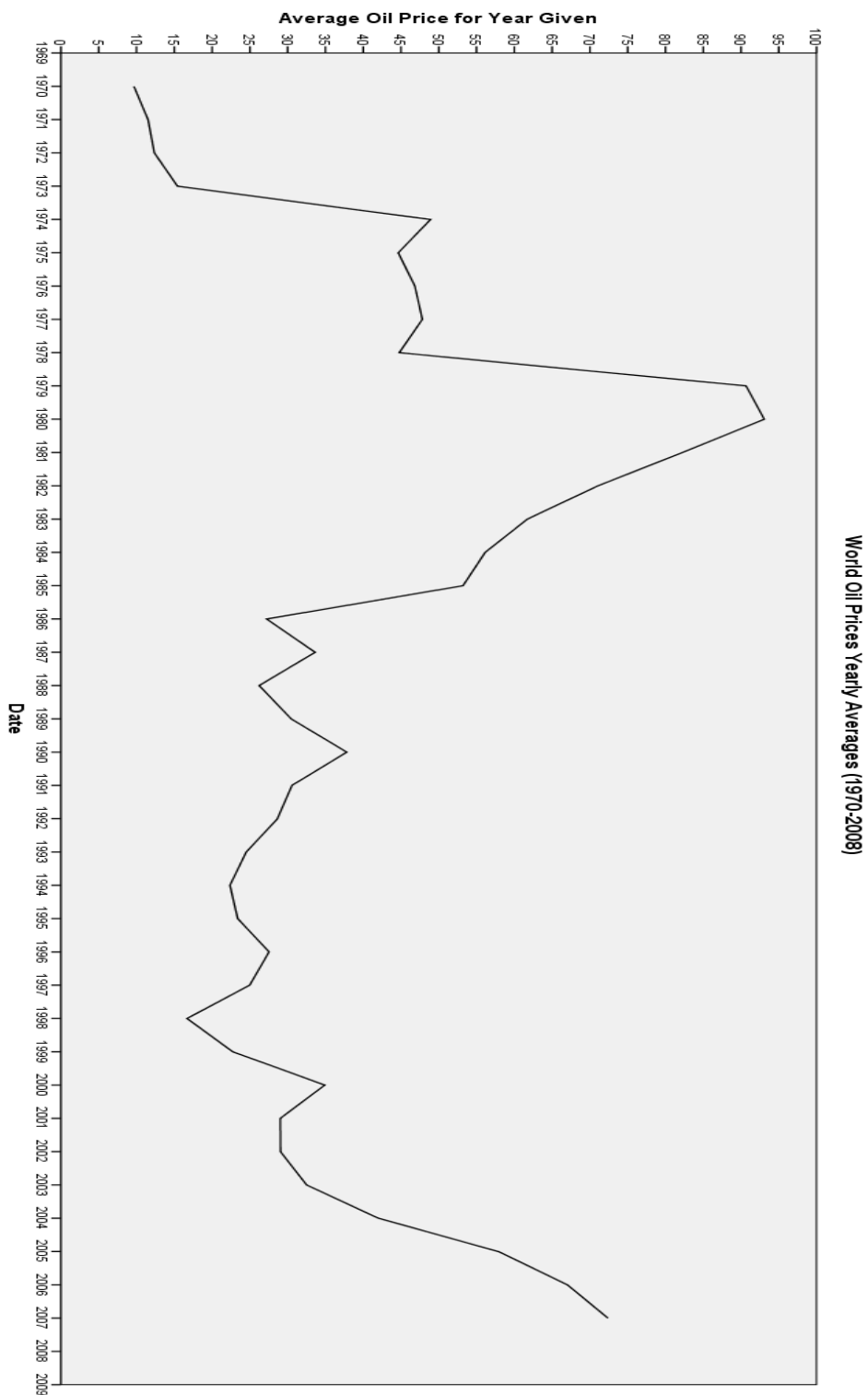
Appendix C

Events Occurring in Venezuela Affecting Its Political Stability (1973-2008)*

1. **1958** Military leader Marcos Perez Jimenez is ousted and democratic elections take place
2. **1964** 1st successful transfer of democratic power from one elected president to the next with Dr. Raul Leoni becoming the new president
3. **1973** Oil industry is nationalized under the control of Petroleos de Venezuela (PDVSA)
4. **1983-84** -Drop in oil prices force gov't to reduce funding for social programs which Causes civil unrest.
-Dr. Jamie Lushinchi (AD) was elected president in December 1983.
5. **1989** Economic depression led to dissatisfaction with politicians whom were unable to fix economic problems which led newly elected President Andres Perez (AD) to declare a state of emergency due to rioting in response to increased prices in food and gas.
6. **1992** Two failed coup attempts led by Colonel Hugo Chavez.
7. **1993** Perez is removed from the presidency on charges of embezzlement and is replaced by Ramon Jose Velasquez.
8. **1999** Chavez is elected president.
9. **1999** Constitutional referendum passed changing the constitution to allocate more power in the position of the president
10. **2000** Chavez is reelected.
11. **2002** - Chavez appoints new board of PDVSA replacing former members
- Oil workers strike and Chavez sent the military to suppress it led to a violent clash (strike lasts 9 weeks)
- Attempted coup to oust Chavez failed
12. **2004** -Violent clash between the opposition supporters and the supporters of Chavez.
-Opposition gathers enough signatures to force a presidential recall vote; however, once it goes to vote it is voted down.

13. **2005** Chavez and supporters win vast majority of seats in the parliament. Opposition leave the parliament in opposition of election claiming it to have been a flawed election.
14. **2006** Chavez wins reelection.
15. **2007** -Parliament gives Chavez the power to rule by decree which makes his decrees have the power of law
 - Chavez seizes several large ranches for land redistribution
 - Gov't nationalizes all of the oil industry in Venezuela under PDVSA
 - Govt' closes down RCTV television station which was critical of Chavez leading to mixed public reaction
 - Constitutional referendum is voted down by a close vote which would allowed Chavez to run indefinitely for the office of the president
16. **2008** -After Colombian raid into Venezuela for FARC leader Venezuela moved troops to the Colombian-Venezuelan border with increased tensions
 - Gov't buys the private large Bank of Venezuela and nationalizes it.
 - Gov't kicks out the U.S. ambassador and the U.S. responds in kind
 - Governorship races in which Chavez and supporters maintain 17 of 22 seats and the opposition wins 3 new seats

Appendix D



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