Constraining the Executive in Petrostates

by

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Abstract

What factors explain the political resource curse in countries highly endowed with oil, the most actively traded commodity? Previous studies have focused on certain political dimensions of the resource curse, such as the link between oil-rich and authoritarianism, corruption, and their propensity to violent conflict. However, the effects of oil on political constraints on the executive is an under-researched area. Since political constraints on rulers are a major factor in better institutional outcomes such as enhanced control of corruption, government accountability, meritocratic bureaucracy, and property rights enforcement, this dissertation seeks to study the effects of oil and gas on executive constraints. This thesis is constituted of three papers. The first paper studies the effects of oil wealth in a panel of 156 countries between 1965 and 2014; the second paper addresses the limitation of traditional indicators of executive constraints and constructs a formative index of executive constraints employing principal component analysis; and the third paper explains the effects of the newly defined variable of access to oil and gas resources by the executive on executive constraints employing a counterfactual spatial comparison in two case studies during the oil boom of 2003-2013: Bolivia under Evo Morales and Venezuela under Hugo Chávez.

My findings suggest that although the first paper shows that oil wealth explains the deterioration of executive constraints in authoritarian regimes, the third paper found that the negative effects of oil on executive constraints can be offset by lowering their access to hydrocarbons. As it was demonstrated, executive access to such hydrocarbon resources seems to explain whether oil-rich countries are prone to the resource curse or not. However, I found a paradox that greater state capacity in terms of oil exploitation could foster worse institutional outcomes. In addition, I also found that regional political elites can provide place effective constraints on rulers. My second paper operationalized executive constraints by constructing a formative index that could be employed in future studies. Therefore, the findings of the three papers contributed to studying one potential factor contributing to the resource curse in petroleum rich-states: the deterioration of their executive constraints.

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List of Acronyms

 ${\bf BCV}\,$ Central Bank of Venezuela

BITs Bilateral Investment Treaties

CNE Venezuelan National Electoral Council

CONATEL National Commission of Telecommunications

CTV Venezuelan Confederation of Workers

DDA Delegated Decree Authority

FEDECAMARAS Venezuelan Federation of Chambers of Commerce and Production

FEM Macroeconomic Stabilization Fund

FIEM Internal Macroeconomic Stabilization Fund

FINPRO Fund for the Productive Industrial Revolution

FONDEN National Development Fund

FONDESPA Fund for the Economic and Social Development of the Country

HOL Organic Law of Hydrocarbons

ICSID International Centre for Settlement of Investment Disputes

IDH Direct Tax on Hydrocarbons

IOCs International Oil Companies

 \mathbf{JVs} Joint Ventures

MAS Movement for Socialism Party

MEP Ministry of Energy and Petroleum

NA National Assembly

NCA National Constituent Assembly

 ${\bf NEC}\,$ Bolivian National Electoral Court

NOC National Oil Company

PDVSA Petróleos de Venezuela Sociedad Anónima

PLA Plurinational Legislative Assembly

PSUV United Socialist Party of Venezuela

 ${\bf RCTV}$ Radio Caracas Televisión

SEC US Securities and Exchange Commission

 ${\bf SWF}$ Sovereign Wealth Fund

TGPT Theory-Guided Process Tracing

TIPNI Isiboro Secure National Park and Indigenous Territory

TNE Bolivian National Electoral Tribunal

 ${\bf WPT}\,$ Windfall Price Tax

YPFB Yacimientos Petrolíferos Fiscales Bolivanos

Chapter 1

Introduction

The resource curse has been a topic explored by leading economists and political scientists since the term was introduced by Auty (1993) three decades ago. This curse refers to a paradox by which resource-rich states exhibit worse economic performance than their counterparts with fewer resources. Currently, oil is the most actively traded commodity and the main energy source. In addition, natural gas is becoming increasingly important as a primary source of energy, and its demand is expected to increase significantly during the coming decades, as this source would replace coal as a cleaner alternative in the short run. Moreover, the resource curse has political and economic dimensions. On the one hand, the economic dimension refers to the poor economic performance and macroeconomic management in oil-rich states. On the other hand, the political dimension of the oil curse refers to the tendency towards authoritarianism, the increase in corruption, and the triggering of violent conflict in low and middle-income countries (Ross, 2015).

This dissertation will dig into the political dimension of the resource curse as it studies the effects of petroleum on executive constraints. Executive constraints create credible commitments on governments to protect property rights, foster a meritocratic bureaucracy, and generate political stability, leading to economic growth and development. Several authors have stressed the importance of political constraints on the executive in resource-rich countries to maximize social welfare (Arezki and Brückner, 2011, Cejudo, 2011, Collier, 2010, Collier and Hoeffler, 2009, Eifert et al., 2003, Keefer and Knack, 2007, McGuirk, 2013, Robinson, 2007). Hence, studying the impact of oil wealth on different types of executive constraints in different political regimes allows us to make better political and economic forecasts during the transition away from fossil fuels to renewable energy sources in hydrocarbon-dependent states.

This thesis fills a gap in the literature since studies on the effects of petroleum on executive constraints are inconclusive. Some studies have found a negative impact of petroleum revenues on checks and balances (Collier and Hoeffler, 2009), while other authors have not found significant effects of resource revenues on checks and balances (Arezki and Brückner, 2011, McGuirk, 2013). Furthermore, some articles have analyzed the factors that have explained the determinants of the democratic backsliding in terms of checks and balances in resource-rich Latin American countries (Acemoglu et al., 2013, Mazzuca, 2013, Weyland, 2009). Nyrup (2019) is one of the few authors that studied the impact of petroleum revenues on executive constraints in authoritarian regimes. He found that internal political constraints improve economic performance in authoritarian regimes, but these effects are only significant when excluding oil-rich states. This dissertation provides a detailed examination of the impact of petroleum on executive constraints in different types of political regimes. In addition, it provides an alternative indicator of executive constraints, which is suitable for authoritarian regimes. Moreover, my research analyses two cases of authoritarian oil-rich regimes to tease out the mechanisms through which oil affects political constraints on the executive.

The second chapter studies the effects of oil wealth on several indicators of executive constraints in a panel of more than 160 countries. The variables I employed to measure executive constraints were: legislative and judicial constraints, degree of party institutionalization, range of consultation, the media, and relative experience of core cabinet members. In contrast to previous research, this research aimed to compute oil's differential effects on executive constraints in different political regimes: civilian dictatorships, military dictatorships, monarchies, and democracies. I hypothesize that petroleum wealth deteriorates executive constraints in authoritarian regimes. This deterioration occurs because petroleum revenues are not generated through the taxation of the state's citizens, which in turn loosens the social contract between the citizens and their governments. Lower taxation would translate into lower demands for democratic accountability and the increasing abilities of executive heads to co-opt members of their ruling coalition. This study found null effects of petroleum wealth in democracies and differential effects on authoritarian regimes. For instance, I find an erosion of judicial constraints on the executive in every authoritarian regime, but with stronger effects in civilian dictatorships. In addition, I also observed an increase in party institutionalization in military dictatorships. Finally, I found a decrease in the relative experience of core cabinet members in military and civilian dictatorships, with stronger effects in the former regime type.

The third chapter describes the main aggregate indicators of executive constraints commonly employed in the literature and their limitations. I argue that the main limitation of traditional indicators is that such indicators are suitable to measure executive constraints in liberal democracies but not in authoritarian regimes. On the one hand, most of them do not clearly distinguish the concept of political constraints from the concept of democracy. On the other hand, they do not capture political constraints on the executive in non-democratic regimes. Therefore, this dissertation proposes the construction of alternative aggregate indices based on the executive constraint variables employed in the second chapter to address the limitations of existing indicators. Finally, I construct a Multiple Indicators Multiple Causes (MIMIC) formative structural equation model to compute my first index and a Principal Component Analysis (PCA) to construct my second index. Unfortunately, the constructed MIMIC index does not pass the required goodness-of-fit statistics for reliability. Therefore, I keep my PCA index to compute the proposed formative indicator of executive constraints for more than 160 countries between 1966 and 2018. The fourth chapter studies the effects of geography, the ownership structure of the oil industry, and regional political cleavages on executive constraints in petroleum rich-states. Luong and Weinthal (2010) claimed that ownership structure explained institutional outcomes in oil-rich states. However, this thesis also considers exogenous factors such as regional political cleavages and the location of petroleum deposits as intervening variables between oil wealth and institutional outcomes. Soifer (2015) argued that a higher degree of regionalism encouraged weaker national states in Latin America, while Herbst (2014) claimed that difficult geographic terrain discouraged state-building. Hence, this study merges the components of regionalism and geography with ownership structures to create a new variable: access to oil and gas resources by the executive, defined as the ability of leaders to extract and allocate petroleum resources unchecked. Thus, access to resources comprises the ownership structure of the petroleum industry and exogenous conditions such as geography and political cleavages.

Furthermore, this thesis defines the types of executive access to oil and gas resources. I consider that the executive has full access to petroleum resources when the state owns and controls the petroleum sector and when regional political elites in oil-producing regions are ineffective veto players (i.e., cannot place constraints on the executive). In contrast, the executive has partial access to petroleum resources when regional elites in oil-producing regions are salient or/and when the private sector controls petroleum production. This research shows that the location of petroleum deposits coincides with regional political cleavages and location of petroleum deposits are exogenous, the ownership structure of the petroleum industry is an endogenous variable, making it problematic to tease out causal mechanisms between oil and institutional outcomes as Luong and Weinthal (2010) did in his research. Therefore, this research employs an exogenous variable to explain the effects of oil access on executive constraints, thus contributing to the resource curse literature.

My thesis uses executive access to petroleum resources to study the causal mechanisms

through which petroleum wealth leads to a deterioration of executive constraints in two competitive authoritarian regimes. First, I hypothesize that full executive access to oil and gas resources decreases executive constraints more than partial access in authoritarian regimes. Second, this research employs theory-guided process tracing with a counterfeit counterfactual comparison in two petroleum-rich states (Bolivia under Evo Morales and Venezuela under Hugo Chávez). This strategy would allow me to thoroughly study the causal channels that might lead to the erosion of executive constraints during the oil boom of 2004-2013 in Bolivia and Venezuela. Evidence supports my hypothesis since full access to Venezuelan oil resources allowed the executive to weaken its constraints more drastically than in Bolivia, where the ruler had partial access to petroleum resources. In contrast with Venezuela under Chávez, Bolivia had salient regional elites in petroleum-rich departments and international oil companies exploiting its oil fields. Such a situation encouraged better institutional outcomes in Bolivia than in Venezuela, despite the similar ideologies of both rulers.

The fifth chapter summarizes the findings and concludes.

InThe

Chapter 2

Oil and Executive Constraints in a Panel of Countries

2.1 Introduction

The natural resource curse refers to the paradox observed in recent decades in countries with abundant natural resources, with worse economic and political performance than their counterparts with fewer resources. However, this is not the case for every country richly endowed with natural resources. For instance, Norway and Canada have prospered exploiting their natural resources, while Nigeria and Venezuela have performed poorly. The question is: Why do some resource-abundant countries succeed in terms of government quality while others do not? I intend to examine the impact of petroleum revenues on political constraints on the executive worldwide. Political constraints theoretically increase rulers' term horizons, translating into strong protection of property rights and long-term development. Studying the impact of oil wealth on different types of executive constraints and political regimes allows us to make better political forecasts during the transition away from fossil fuels to renewable energy sources.

Most literature on the resource curse has studied the effects of petroleum revenues on au-

tocratic regimes' survival and democratic performance (Boix, 2003, Bueno de Mesquita and Smith, 2010, Cassidy, 2019, Dunning, 2008, Fish, 2005, Gurses, 2011, Haber and Menaldo, 2011, Jensen and Wantchekon, 2004, Morrison, 2009, Prichard et al., 2018, Ross, 2009, Wright et al., 2013). Most authors have stressed the importance of political constraints on the executive in resource-rich countries to maximize social welfare (Arezki and Brückner, 2011, Cejudo, 2011, Collier, 2010, Collier and Hoeffler, 2009, Eifert et al., 2003, Keefer and Knack, 2007, McGuirk, 2013, Robinson et al., 2006). Moreover, some studies have found a negative impact of petroleum revenues on checks and balances (Collier and Hoeffler, 2009). In contrast, other authors have not found significant effects of resource revenues on checks and balances (Arezki and Brückner, 2011, McGuirk, 2013). Finally, some articles have analyzed the factors that have explained the determinants of the democratic backsliding in terms of checks and balances in resource-rich Latin American countries (Acemoglu et al., 2013, Mazzuca, 2013, Weyland, 2009).

Few studies have analyzed the impact of petroleum revenues on political constraints on the executive, especially in non-democratic regimes. Nyrup (2019) showed that internal executive political constraints improve economic performance in authoritarian regimes, but these effects are only significant when excluding oil-rich states. For example, he argued that oil-rich autocracies could suppress opposition and rotate coalition partners without risking economic growth.

Nevertheless, there is a gap in studying the effect of oil wealth on different types of executive constraints such as legislative and judicial constraints, party institutionalization, media outlets, and consultative bodies in different political regimes. I hypothesize that petroleum revenues weaken political constraints on the executive in non-democratic regimes. The effects are stronger in regimes with lower cohesion in their ruling coalition (such as civilian dictatorships). I argue that this occurs because petroleum revenues are not generated through the taxation of the state's citizens, loosening the social contract between the citizens and their governments. Lower taxation translates into lower demands for democratic accountability and the increasing abilities of executive heads to co-opt members of their ruling coalition. Finally, I estimated the short-run effects (1-year average) of petroleum wealth on political constraints for 158 countries to test my Hypothesis.

My findings suggest different effects of petroleum wealth on authoritarian regimes and null effects in democracies. I find an erosion of judicial constraints on the executive, with stronger effects in civilian dictatorships (as expected). I also observe an increase in party institutionalization in military dictatorships. Finally, my results suggest a decrease in the relative experience of core cabinet members (my proxy for personalism in autocracies) in military and civilian dictatorships, with stronger effects in the former regime type.

The remainder of the paper is organized as follows. Section 2 explains my conceptualization of political constraints on the executive. Section 3 describes my data and empirical analysis. Section 4 explains my estimation strategy and results. Section 5 concludes.

2.2 Conceptualization of political constraints

I will define political constraints on the executive as all effective veto players in a political regime, except for the government's head. Political constraints are those veto players that can check on the executive. A veto player is a political actor who has to agree for the policy status quo to change (Tsebelis, 2011), including the executive head. I will assume that veto players will use their veto power to further their interests or block policies against their interests. Furthermore, I will assume that the executive always has the initiative to enact policies and modify the status quo. The primary goals of the heads of governments are to implement their preferred policies and remain in power.

Veto players can be individual or collective. Individual veto players are those that decide by the unanimity rule. In contrast, relevant political actors who decide by a qualified or simple majority are called collective veto players (Tsebelis, 2011). I will assume that the executive heads are individual veto players and that only collective veto players constitute executive political constraints.

There are also two types of collective veto players: institutional and partian political constraints. On the one hand, institutional political constraints are those collective veto players specified by the constitutional or formal rules within a polity, typically including the legislative and the judiciary, and vetoing policies without necessarily having motives to do so. On the other hand, partian political constraints are those effective collective veto players determined by the political game. Usually, they include political parties, societal veto players (e.g., interest groups, the media), and the military in some regimes. Hence partian veto players generally have motives to veto policies but not necessarily the opportunity to do so.

In contrast to the traditional veto player approach (Tsebelis, 1995), I have included societal veto players as partian veto players. Societal veto players include the media and interest groups. As opposed to other political constraints, societal veto players are issuespecific. They generally do not directly influence the formation of governments but influence concrete policy decisions. In line with Fink (2009) and Vigour (2014), I claim that societal veto players could become effective depending on their capacity to mobilize large audiences in public opinion (e.g., legitimacy), preferences, and political access. Also Vigour (2014), showed that interest groups and other policy advocates (e.g., the media) must work with allies inside existing formal institutions to influence decision-making. Hence, public deliberation of interest groups and the media provide information to the government and check unilateral decision-making by the executive (Chandra and Rudra, 2013), implying that they limit the size of the winset. This information reveals to the executive the political costs and benefits of policies implemented and avoids undesirable political consequences. Thus, public deliberation is an informal way of decentralizing power and avoiding politically divisive and radical changes in the status quo.

The size of the winset of the status quo always limits the heads of governments. The winset refers to all the policies that all veto players preferred to the status quo. The smaller

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the winset, the more likely a government approves fewer significant policies; therefore, the more constraints a ruler faces. I will consider that a veto player is effective when it can limit the size of the winset. Figure 2.1 depicts the indifference curves of two veto players: A and C, and two hypothetical points where the status quo could be. The dashed area represents the winset area. Theoretically, the executive could implement all policies in the winset area.



Figure 2.1: Size of the Winset with Two Veto Players

2.2.1 The Effectiveness of Veto Players

Before explaining how petroleum resources hinder collective veto players' ability to limit the size of the winset of the status quo, it is crucial to understand the factors that explain the robustness of political constraints on the executive (i.e., their ability to affect the size of the winset). I expect that increasing the number of veto players besides the executive strengthens executive constraints. However, additional veto players reinforce executive constraints if veto players' policy preferences (i.e., ideological differences) substantially differ from the executive since the implementation of policies initiated by the executive requires the alignment of preferences between the executive and collective veto players. Hence, the more significant the differences in preferences (i.e., ideologies) between the veto players, the less likely it is for the executive to implement its preferred policies, strengthening executive constraints. Hence, ideological differences are equivalent to the distance among veto players from their ideal policy points. Figure 2.2 depicts the indifference curves of veto players A and C after their ideological differences have increased. We can notice how the winset area is now smaller than Figure 2.1. We can observe a reduction in the size of the winset after a third veto player (B) is added in Figure 2.3.



Green: Veto Player A Indifference CurvePink: Veto Player C Indifference CurveSQ: Status QuoDashed: Winset Area of A-C





Green: Veto Player A Indifference Curve Pink: Veto Player C Indifference Curve Blue: Veto Player B Indifference Curve SQ: Status Quo Dashed: Winset Area of A-C

Figure 2.3: Size of the Winset after adding a Third Veto Player

Therefore, additional institutional veto players do not necessarily strengthen the executive's political constraints. These constraints will not change if an additional institutional veto player has preferences within the existing veto players. This additional veto player is "absorbed" by the executive if its preferences lay within the preferences of the ruler. The absorption of veto players does not decrease the size of the winset Tsebelis (2011), making them ineffective in constraining the executive. Consequently, executive constraints are weaker if the head of government absorbs other veto players. For example, figure 2.4 depicts the absorption of veto player B by veto player C. The size of the winset of A and B is equivalent to that of A and C. Consequently, the winset area does not change after adding a third veto player (B).



Figure 2.4: Absorption of Veto Player B

Green: Veto Player A Indifference CurveBlue: Veto Player B Indifference CurvePink: Veto Player C Indifference CurveSQ: Status QuoDashed: Winset Area of A-C = Winset Area of A-B-C

From these arguments, I make the following conjectures:

Conjecture 1 Political constraints on the executive strengthen when the ideological differences between the head of government and other veto players increase.

Conjecture 2 Political constraints strengthen when the number of additional veto players increases and the executive does not absorb such veto players.

2.2.2 Oil and Executive Political Constraints

Every government needs to raise public revenues for the implementation of public policies. The executive branch "executes" public policies and the state budget. Consequently, the size and nature of state revenues affect the interaction of rulers with relevant political actors. Taxation typically constitutes the primary source of state revenues. Nevertheless, taxation requires the consensus of relevant political actors and cooperation from economic elites. Leaders must encourage economic elites and citizens to work and produce to raise tax revenues. In exchange for taxation, economic elites demand political participation and implement their preferred policies, such as those protecting their property rights. Thus, it is very likely that the relevant political actors (i.e., veto players) represent the economic elites' interests. Consequently, taxing a broad base of economic sectors would most likely increase veto players' effectiveness, constraining rulers (i.e., strengthening political constraints on the executive). Mutual dependence between rulers and broad sectors of society increases the likelihood of robust political constraints on the executive in a political regime.

The discovery and exploitation of oil alter the source of taxation and the relations between economic elites and relevant political actors. The political power of traditional economic elites and citizens decreases when governments start collecting revenues from a narrow base (i.e., oil). Therefore, economic elites' and citizens' ability to limit the executive's power decreases (i.e., weakening executive constraints). Based on Conjecture 1 and Conjecture 2, I will claim that the discovery and exploitation of oil encourage convergence across the ideal policy points of veto players, including the executive. This convergence weakens political constraints on the executive. Also, oil revenues will create incentives for the executive to absorb and suppress other veto players, hence the ability of rulers to increase the size of the winset.

One of the factors that cause oil revenues to weaken political constraints is the executive's increasing ability to increase the size of the winset by itself. Substantial exogenous revenues generated from petroleum allow governments to increase the size of the winset (i.e., the area

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within which a compromise between veto players is possible), decreasing the bargaining power of traditional (broad) economic elites. Resource windfalls increase rulers' opportunities to implement their preferred public policies without requiring the cooperation of a broader base and the development of state capacity in taxation. The opportunity costs of implementing inefficient policy decisions decrease, as well. The executive head could also compensate the losers of new policies implemented, including relevant political actors. Hence, massive public revenues from a narrow base allow the executive to co-opt (buy loyalty) and absorb other veto players through increased government expenditures. This absorption decreases the number of effective collective veto players (i.e., executive constraints).

The second factor that causes oil wealth to weaken executive constraints is suppressing the political participation of traditional political elites. With access to vast revenues from a narrow base, it is more likely that a more prosperous government strategically coalesces with selected political actors through selective payoffs (e.g., corruption, rent-seeking activities, patronage). Moreover, the new coalition would suppress the political participation of other veto players. Hence, a narrower political elite resulting from the absorption of traditional collective veto players and the suppression of other veto players weakens executive constraints and increases the winset of the status quo. In oil-rich states, I expect to observe a mutual dependence between the executive and elites representing narrower sectors of society, resulting in an erosion of executive political constraints.

Finally, it is vital to highlight the mediating factor of state capacity and expropriation. Since point-source resources such as oil are technically easier to appropriate than diffuse natural resources, the head of government could expropriate these resources from the new elites. Nevertheless, expropriation threats are only credible when state capacity is high enough to exploit the petroleum resources: in the presence of a functioning National Oil Company (NOC). Credible expropriation threats increase the executive's bargaining power, increasing the likelihood of weakening executive political constraints. Most states claim ownership of mineral resources within their territories. The executive as a veto player will be more likely to increase the size of the winset and absorb other veto players when state capacity is sufficiently high to exploit petroleum resources. This larger winset weakens political constraints on the executive. From the previous mechanisms, I derive the following conjectures:

Conjecture 3 Government distribution of oil revenues to relevant political actors allows the executive to absorb other veto players, thus weakening the executive's political constraints.

Conjecture 4 The likelihood of the executive absorption of relevant political actors is more significant in states that exhibit a functional NOC.

The successful exploitation of petroleum resources increases government revenues and the executive's ability to co-opt traditional political actors and elites (i.e., buy their loyalty). Higher state revenues create incentives for rulers to employ oil revenues to absorb other veto players and increase the size of the winset themselves. A functional NOC magnifies the previous effects since governments could credibly threaten to expropriate the narrow elite that exploits oil and gas resources. Moreover, the erosion of political constraints on the executive (i.e., the number of effective veto players other than the head of government), combined with substantial resource revenues, contributes to accomplishing the main goals of rulers: to increase their likelihood of survival and implement their preferred public policies.

2.2.3 Petroleum and Political Regimes

Political Regimes are formal and informal rules and procedures for selecting national leaders and policies (Geddes et al., 2014c). In every political regime, the executive requires the support of veto players to implement public policies. More robust constraints on the executive limit the size of the winset and the scope of policies, regardless of the type of political regime. I argue that one of the reasons behind the authoritarian effects of petroleum revenues is the erosion of political constraints on the executive. Furthermore, I claim this effect occurs only in non-democratic regimes. In authoritarian regimes, petroleum resources increase the likelihood of leaders co-opting and suppressing relevant political actors and increase the size of the winset. Thus, I can derive the Hypothesis1:

Hypothesis 1 Petroleum resources decrease collective veto players' effectiveness in authoritarian regimes.

I will adopt a minimalist definition of democracy. Therefore, the main difference between democratic and non-democratic regimes (i.e., authoritarian) is the appointment of the executive's head. Free and fair elections appoint heads of government in democratic regimes. Consequently, in a democracy, I expect elections to make political elites' preferences closer to the median voter's. However, this does not imply that democratically elected leaders face more robust political constraints than autocratic regimes. As I will explain in the next section, there is a significant variation in veto players' types within non-democratic regimes. I will also explain how oil impacts the veto players within non-democratic regimes.

2.2.4 Power-Sharing Agreements in Dictatorships

This subsection will shed light on the effects of petroleum resources on the power relations between the dictator and their allies. I define authoritarian regimes (i.e., dictatorships) as those in which governments are not appointed through free and fair elections or cannot be removed by such a procedure. I assume that dictators are mainly constrained by members of a partisan veto player: the ruling coalition. The ruling coalition refers to the essential supporters of the leader to remain in office. It resembles the definition of winning coalition by De Mesquita et al. (2005). Therefore, the dictator will need to obtain the loyalty of the ruling coalition to remain in office.

As Gandhi and Przeworski (2006), I assume that dictators have two main instruments to obtain the ruling coalition's loyalty: making policy concessions (i.e., with credible commitments) or sharing rents (i.e., without credible commitments). One of the dictator's main challenges is credibly gaining the loyalty of their ruling coalition to survive in office. The dictator must establish some power-sharing devices to commit the ruling coalition to loyalty by credibly limiting their abuse of power (i.e., constraining the dictator's policies). Furthermore, the ruling coalition's ability to limit dictators' policies reflects executive constraints in such a regime.

I will assume that the dictator's policy concessions to the ruling coalition members are only credible through institutionalized power-sharing devices (agreements). Such credible commitment devices limit the dictator's policy choices (i.e., strengthen the executive constraints) and increase regime survival probabilities. In turn, stronger executive constraints allow the monitoring of members of the ruling coalition and give voice to some sectors of society's demands. Therefore, credible power-sharing devices limit the size of the winset. These devices include institutionalized ruling parties, advisory councils, and democratic enclaves. In sum, robust political constraints on the executive reflect the institutionalization of power-sharing agreements in authoritarian regimes.

2.2.5 Petroleum and Power-Sharing Agreements

The dictator's need to obtain cooperation from broad sectors of society to raise state revenues also affects the institutionalization of power-sharing agreements in authoritarian regimes. I expect dictators are more likely to restrain their confiscatory power (i.e., protection of property rights) when institutionalized power-sharing agreements. The incentives to cooperate and accept policy concessions will be higher if the regime is highly dependent on mobile assets as the main domestic investment source. In contrast, if the regime is highly dependent on petroleum resources (non-mobile assets with high sunk costs), the dictator has more incentives to share rents instead of making credible policy concessions (i.e., institutionalized power-sharing agreements). Hence, I expect a lower degree of institutionalization of the ruling party, a less prominent role of consultation with broad sectors of society (e.g., interest groups), lower media freedom, and weaker legislative and judicial constraints as petroleum revenues (a non-mobile asset) increase. Wright (2008) showed that binding legislatures should be more likely to be established in autocratic regimes that are poor in oil.

The balance of power between the dictator and the ruling coalition affects the likelihood of institutionalizing power-sharing agreements. For example, suppose power is too concentrated in the dictator (i.e., a higher degree of personalism). In that case, there will be lower incentives for an institutionalized power-sharing agreement (i.e., weaker executive constraints). According to Caselli and Cunningham (2009), there is a moment after which the dictator has already acquired immense power at the cost of the ruling coalition that it is not possible to remove them credibly from power, nullifying the likelihood of a powersharing agreement. In extreme cases, there would be a point in which the dictator has the power to change the ruling coalition members. Thus, I define personalism as the degree of concentration of power in the hands of the autocrat to the detriment of the other members of their ruling coalition.

Access to petroleum resources through a NOC could shift the balance of power in favor of the dictator since oil revenues increase the value of staying in office and decrease the incentives for fiscal discipline and bureaucratic efficiency. The dictator's distribution of oil revenues allows them to reward and punish members of the ruling coalition, increasing personalism within the regime. Thus, increasing petroleum revenues increases the dictator's likelihood to favor sharing rents (e.g., funding patronage networks) instead of making credible policy concessions (i.e., institutionalized power-sharing agreements) to co-opt the ruling coalition. In contrast to policy concessions, I will assume that rent sharing to the ruling coalition members is never credible. Hence, I can derive the following Hypothesis:

Hypothesis 2 A rise in oil revenues increases personalism within authoritarian regimes.

Finally, the likelihood of institutionalized power-sharing agreements is contingent on the cohesion of the ruling coalition. Cohesion refers to the degree of homogeneity (i.e., ideological differences) between members of a collective veto player (e.g., the ruling coalition). I expect a higher cohesion of the ruling coalition to generate similar policy preferences among the

veto players. When there is low cohesion within the ruling coalition, the ruler needs to deviate more from their ideal policy preferences to remain in power. Moreover, the ruler needs to increase the collective veto players' compensation to deviate from their ideal policy points. Therefore, I claim that gaining loyalty through policy concessions is more costly for the autocrat when the cohesion of their ruling coalition is lower.

Hence, I argue that oil revenues decrease the ruler's costs of gaining loyalty from the ruling coalition members. Moreover, the decrease in costs will be more salient when the cohesion of the ruling coalition is low. Therefore, I claim that the dictator favors sharing rents with the ruling coalition instead of making policy concessions when such a coalition's cohesion is low. Rent sharing results in a situation in which the ruling coalition members abstain from vetoing the dictator's policies (i.e., weakening the executive constraints).

The cohesion of the ruling coalition will vary according to the type of authoritarian regime. Hence, I claim that increasing oil wealth in authoritarian regimes further encourages rent sharing with the ruling coalition members and discourages policy concessions by the dictator. I expect that rent sharing instead of making policy concessions is greater when the ruling coalition has a lower cohesion. Therefore, I can derive the following Conjecture:

Conjecture 5 Executive constraints deteriorate more in authoritarian regimes in which the cohesion of the ruling coalition is low.

2.2.6 Oil, Cohesion, and Personalism in Authoritarian Regimes

The typologies of political regimes developed by Geddes et al. (2014b) are useful to identify who influences leadership choices and policies (i.e., the ruling coalition). These authors include informal and formal rules that determine what interests are represented in the executive and whether these interests can constrain the dictator. Therefore, the degree of institutionalization of political constraints on the executive is intrinsic to their definitions. For example, the identification of the ruling coalition allowed these authors to classify authoritarian regimes. Thus, veto players are endogenous to the type of nondemocratic regime in the regime typology developed by Geddes et al. (2014b).

To avoid endogeneity problems, I will employ the Cheibub et al. (2010) dataset to identify the types of authoritarian regimes according to the identity of the regime's main political actors. Cheibub et al. (2010) identified the following regime types: parliamentary democracies, mixed democracies, presidential democracies, royal dictatorships, military dictatorships, and civilian dictatorships. Cheibub et al. (2010) regime type categories can be coded on entirely objective information. In contrast, the decision to classify a regime as personalist in the Geddes et al. (2014b) criteria requires a subjective judgment. It is also impossible to code whether a regime is a personalist one or not when it enters power. I can only code a regime as a personalist after observing it for some time.

In military regimes, the predominant political actors are military officers. Politics is controlled directly or indirectly by the armed forces. Given the military's nature, military juntas tend to be highly cohesive, and issues that might split the armed forces are usually avoided (Frantz, 2003). Moreover, the military junta constitutes the main ruling coalition constraining the leader. Additionally, maintaining military unity, maximizing military budgets, and keeping civilian leaders from interfering in their affairs contribute to the military junta's high cohesion.

In ruling monarchies, a royal descent inherits the executive's position by accepting formal or informal rules. The ruling coalition is constituted by members of the royal family, who usually run key ministries and key executive positions. The king or monarch can often form and terminate the government. In these regimes, the monarch is not effectively bounded by external laws, and power constraints may not be yet constitutionally embedded (Stepan et al., 2014). Given that only members of a homogeneous group with family ties can legally be appointed as heads of the executive, members of the ruling coalition share an interest in the regime's perpetuity. Therefore, I expect relatively high cohesion in ruling monarchies. Nevertheless, ruling monarchies usually exhibit more personalism and fewer executive constraints than military or single-party regimes.

According to Cheibub et al. (2010), civilian dictatorships constitute the third type of authoritarian regime. However, Geddes et al. (2014b) consider two different authoritarian regimes within civilian dictatorships: single-party and personalist dictatorships. In singleparty regimes, the ruling party officials select the regime leader within the ruling coalition). Party elites often exhibit ideological divisions, implying that the collective veto player in these regimes is less cohesive than in military regimes or ruling monarchies. The main powersharing device that constrains the executive is the ruling party. In personalist regimes, the dictator personally controls policies and elects regime officials. They are often supported by the military and political parties but are not constrained by these organizations. Members of the personalist clique constitute the ruling coalition. The personal clique is less cohesive than the single-party ruling coalition. Personalist regimes, by definition, exhibit the highest degree of personalism.

Since I expect that the ruling coalitions in civilian dictatorships are less cohesive than in other political regimes, I derive the following hypotheses:

Hypothesis 3 The negative effects of petroleum revenues on executive constraints are greater in civilian dictatorships than in other authoritarian regimes (i.e., military dictatorships and ruling monarchies).

In less cohesive regimes such as civilian dictatorships, I expect a greater reliance on oil rents than policy concessions (e.g., institutionalized power-sharing agreements) for regime stability and survival.

2.3 Data and Empirical analysis

This paper aims to measure the effect of oil and gas revenues on political constraints on the executive. In addition, I will employ a panel data analysis for 164 countries richly endowed with oil and gas (i.e., petrostates) between 1960 and 2014.

2.3.1 Dependent Variables

The following veto players play the role of political constraints in both democratic and non-democratic regimes:

Legislative Constraints on the Executive

The parliament is a collective veto player that can check on the executive by enacting new laws or repealing others. In some cases, the legislature could also start investigations against the government's members, changing the policy status quo. The parliament could also check on the executive by investigating irregularities in the government and questioning officials.

This V-DEM index constructed by Coppedge et al. (2019) captures how the legislature and other government agencies (e.g., comptroller general, general prosecutor, or ombudsman) can oversee and control the executive. This indicator measures how these formal organizations can check on the executive and assign weight to opposition parties in parliament, and its values range from 0 to 1. The higher it is, the stronger the legislative constraints for a given country in a given year.

Judicial Constraints on the Executive

This collective veto player can also hold the ruler accountable. Furthermore, it can provide credible commitments in the economic sphere. Court independence and compliance with the judiciary are proxies of the strength of this collective veto player.

The 'Judicial Constraints on the Executive Index' from VDEM is constructed by Coppedge et al. (2019) and captures how the executive respects the constitution and complies with court orders. In addition, it captures whether the judiciary is independent or not. This index captures the compliance with two formal organizations theoretically present in every democracy: high and lower courts. Its values range from 0 to 1. The higher it is, the stronger the judicial constraints for a given country in a given year.

Public Deliberation Indicators

This index is a sub-component of the 'Deliberative Component Index' from the VDEM indicators (Coppedge et al., 2019), and is our proxy for the salience of interest groups as a societal veto player. It captures how wide the range of consultation is at elite levels and how inclusive the group makes decisions in every state. It ranges from the leader or a very small group to elites from all parts of the political spectrum and all politically relevant sectors of society and business. Consultation includes the military; the ruling party or ruling elites, other parties; and society, labor, or business representatives. I expect that the higher this index is (i.e., the more stakeholders are included in policy-making), the higher the rulers' political constraints. The interval values of this index lie between 0 and 1 as well.

Degree of Party Institutionalization

Party institutionalization refers to various attributes of the political parties (a partisan veto player) in a country, e.g., the organization's level and depth, links to civil society, cadres of party activists, party supporters within the electorate, coherence of party platforms and ideologies, party-line voting among representatives within the legislature. A high score on these attributes generally indicates a more institutionalized party system.

This VDEM index (Coppedge et al., 2019) considers all parties' attributes, emphasizing parties, i.e., those that may dominate and define the party system. I argue that more institutionalized party systems constrain both democratic and non-democratic leaders in a greater magnitude in a greater magnitude. The values of this indicator oscillate between 0 and 1. The higher its value, the more institutionalized the party system in a country is.

Freedom of Information and Alternative Sources of Information

This VDEM index (Coppedge et al., 2019) measures to what extent does government respects press and media freedom, the freedom of ordinary people to discuss political matters at home and in the public sphere, and the freedom of academic and cultural expression. I
expect that higher media freedom decreases the size of the winset (i.e., strengthens executive constraints). The values of this variable oscillate between 0 and 1 and reflect the strength of the media as a societal veto player. The higher its value, the more media freedom and alternative sources of information a country has.

The logarithm of Relative Experience of Core Cabinet Members

I expect a higher degree of personalism within the ruling coalition when oil wealth increases in authoritarian regimes. I will proxy personalism as the negative natural logarithm of the relative experience of core coalition members. Nyrup (2019) proxied internal constraints in autocracies as the relative experience of core cabinet members. The relative experience of core cabinet members is defined as the average tenure of core cabinet members divided by the leader's continuous experience (head of the executive).

I assume that core cabinet members represent the ruling coalition. The Whogov dataset (Nyrup and Bramwell, 2020) considers cabinet ministers, prime ministers, presidents, vice presidents, vice prime ministers, politburo members, and military junta members as core positions. The variable is coded manually on a country-by-country basis. I also assume that a higher relative experience is associated with a lower degree of personalism. More experienced and consolidated cabinet members are more likely to gain loyalties, develop patronage networks, and form personal cliques. In addition, a higher relative experience of core cabinet members increases their effectiveness as veto players.

2.3.2 Independent Variable

I will employ the natural logarithm of oil wealth. Oil wealth is measured as oil revenues (in 2010 USD) per capita. This variable is more exogenous than conventional oil exports or rents as a portion of GDP since underdevelopment and conflicts are not separate from lower GDP. It is available from 1960 until 2014. Source: Ross (2015).

2.3.3 Control variables

To estimate the short-run effects in a panel regression with fixed effects, I will employ the following controls:

- Natural logarithm of real GDP per capita (to proxy for economic development) in constant 2011 USD: *loggdp*. I expect a positive sign on this variable since checks and balances are a costly public good to supply. This variable is available for most countries from 1950 until 2018 from the Maddison Project (Bolt et al., 2018).
- 2. State authority over territory: *v2svstterr*. I employ this VDEM variable (Coppedge et al., 2019) as a proxy for state capacity. Since public goods require state capacity, I also expect a positive sign on this variable. This indicator provides an assessment of the areas over which it is hegemonic, e.g., where it is recognized as the preeminent authority and in a contest where it can assert its control over political forces that reject its authority. Source:
- 3. Regime type categorical variables: I will employ the regime typology constructed by Cheibub et al. (2010), and expanded until 2018 by Bjørnskov and Rode (2019). Regime types include electoral democracies (parliamentary, presidential, and mixed). Nondemocracies include civilian dictatorships (i.e., when the head of state or government is a civilian), military dictatorships (i.e., when the head of state or government has a military rank), and royal dictatorships (i.e., absolutist hereditary monarchies).
- 4. Interaction between regime type and petroleum revenues: I argue that there is a differential effect of petroleum revenues on different types of political regimes, depending on the cohesion of the ruling coalitions. Therefore, I expect greater impacts of petroleum revenues when oil wealth interacts with civilian dictatorships.

2.3.4 Descriptive Statistics

Table 2.1 provides general summary statistics for the entire sample between 1965 and 2014, while Table 2.2 summarizes executive constraints indicators by regime type. As expected, democracies exhibit stronger political constraints than other regime types.

Variable	Obs	Mean	Std. Dev.
Legislative constraints on the executive index	7883	.51	.325
Judicial constraints on the executive index	8724	.533	.308
Range of consultation	8793	.538	1.381
Party institutionalization index	7988	.583	.274
Freedom of Expression and Alternative Sources of Information index	8793	.559	.33
Log of Oil Wealth	6885	1.322	2.024
Log of GDP per capita	8036	8.783	1.211
Democracy	10260	.418	.493
Civilian Dictatorship	10260	.231	.421
Military Dictatorship	10260	.154	.361
Royal Dictatorship	10260	.069	.254

Table 2.1:	Summary	Statistics
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	(1)
	mean(sd)
Civilian Dictatorship	
Legislative constraints on the executive index	0.300
	(0.240)
Judicial constraints on the executive index	0.364
	(0.246)
Range of consultation	-0.0467
	(1.034)
Party institutionalization index	0.502
	(0.223)
Freedom of Expression and Alternative Sources of Information index	0.367
	(0.258)
Relative Experience of Core Cabinet Members	1.029
	(1.119)
Democracy	
Legislative constraints on the executive index	0.749
	(0.213)
Judicial constraints on the executive index	0.770
	(0.205)
Range of consultation	1.560
	(1.020)
Party institutionalization index	0.736
	(0.223)
Freedom of Expression and Alternative Sources of Information index	0.850
	(0.136)
Relative Experience of Core Cabinet Members	1.413
	(1.123)
Military Dictatorship	
Legislative constraints on the executive index	0.202
	(0.184)
Judicial constraints on the executive index	0.270
	(0.201)
Range of consultation	-0.619
	(1.041)
Party institutionalization index	0.431
	(0.201)

Table 2.2: Executive Constraints by Regime Type

mean coefficients; sd in parentheses

Continued on next page...

	(1)
	mean(sd)
Freedom of Expression and Alternative Sources of Information index	0.279
	(0.222)
Relative Experience of Core Cabinet Members	0.843
	(0.866)
Royal Dictatorship	
Legislative constraints on the executive index	0.287
	(0.254)
Judicial constraints on the executive index	0.410
	(0.224)
Range of consultation	-0.174
	(0.923)
Party institutionalization index	0.158
	(0.170)
Freedom of Expression and Alternative Sources of Information index	0.268
	(0.199)
Relative Experience of Core Cabinet Members	0.981
	(1.355)

mean coefficients; sd in parentheses

On the one hand, Civilian dictatorships display stronger legislative constraints and a higher degree of party institutionalization, range of consultation, and media freedom than other authoritarian regimes. On the other hand, the judiciary is more robust in royal dictatorships than in other authoritarian regimes. Yet, contrary to what I expected, military dictatorships exhibit the highest degree of personalism (i.e., the lowest degree of relative core cabinet experience) and the lowest scores on almost executive constraint indicators except for party institutionalization (which is only weaker in royal dictatorships). Furthermore, the relative experience of core cabinet members exhibits the highest scores in democracies, followed by civilian dictatorships.

2.4 Estimation Strategy and Results

This section will explain the estimation strategy that allows us to estimate the effects of petroleum revenues on political constraints on the executive. My main model specification to be estimated will be the following:

$$checks_{it} = \beta_{1}log (oil)_{it-1} + \beta_{2}log (gdppc)_{it-1} + \beta_{3}log (v2svstterr)_{it-1} + \beta_{4}civ_{it-1} + \beta_{14} log (oil)_{it-1} * civ_{it-1} + \beta_{5}mili_{it-1} + \beta_{15} log (oil)_{it-1} * mili_{it-1} + \beta_{6}royal_{it-1} + (2.1) \\ \beta_{16} log (oil)_{it-1} * royal_{it-1} + \mu_{i} + \gamma_{t} + \varepsilon_{it}$$

Where μ_i are country fixed effects that capture unobservable time-invariant country characteristics and γ_t are year fixed effects that capture shocks common to all countries in my sample.

The parameter of interest β_1 captures the marginal effect of oil revenues per capita on political constraints on the executive in democratic regimes, while $(\beta_1 + \beta_{14})^* (logoil)_{it-1}$ estimates the same effects in civilian dictatorships, $(\beta_1 + \beta_{15})^* (logoil)_{it-1}$ in military dictatorships, and $(\beta_1 + \beta_{16})^* (logoil)_{it-1}$ in royal dictatorships. When presenting estimation results that include the interaction term, I also report the p-values from F-tests of joint significance on the coefficients β_1 and β_{14} for civilian dictatorships, β_1 and β_{15} for military dictatorships, and β_1 and β_6 for royal dictatorships respectively.

I controlled for the Log of GDP per capita, state authority over territory, and regime type. I present estimates using least-squares estimation. The error term ε_{it} is clustered at the country level and may hence be arbitrarily serially correlated within countries. The controls and the independent variable are lagged by one year.

Finally, I standardized the continuous 'logoil' variable by country to avoid multicollinearity issues that could inflate the standard errors when computing the interaction terms of regime dummies and my independent variable.

2.4.1 Main results

Tables 2.3 to 2.8 summarize my estimation results for each of the effects of petroleum wealth on each executive's political constraints (dependent variables). However, I notice that none of the executive constraints in democratic regimes are affected by variations in petroleum wealth. Also, petroleum wealth does not affect legislative constraints (see Table 2.3), the range of consultation (see Table 2.6) among political actors, or media freedom (see Table 2.7) in any political regime.

	(1) legcon	(2) legcon	(3) legcon	(4) legcon	(5) legcon
oil	$\begin{array}{c} -0.0201^{***} \\ (0.0076) \end{array}$	$-0.0187^{**} \\ (0.0086)$	-0.0181^{**} (0.0087)	$-0.0077 \\ (0.0061)$	$ \begin{array}{c} -0.0032 \\ (0.0086) \end{array} $
gdppc		$0.0145 \\ (0.0309)$	0.0178 (0.0329)	-0.0016 (0.0238)	$\begin{array}{c} 0.0001 \\ (0.0244) \end{array}$
v2svstterr			-0.0010 (0.0017)	-0.0001 (0.0015)	-0.0000 (0.0015)
civ				-0.2869^{***} (0.0343)	-0.2865^{***} (0.0342)
civ x oil					-0.0169 (0.0106)
mili				-0.3549^{***} (0.0314)	-0.3540^{***} (0.0315)
mili x oil					-0.0041 (0.0111)
royal				-0.2840^{**} (0.1142)	-0.2889^{**} (0.1140)
royal x oil					-0.0116 (0.0148)
Joint F-Test p-value civ Joint F-Test p-value mili Joint F-Test p-value royal					$0.1207 \\ 0.6445 \\ 0.5454$
Country FE	Yes	Yes	Yes	Yes	Yes
Year FE	Y es	Y es	Y es	Y es	Y es
Countries	168.0000	158.0000	156.0000	156.0000	156.0000

Table 2.3: Effects of Oil on Legislative Constraints 1960-2014

Standard errors in parentheses

	(1)	(2)	(3)	(4)	(5)
	judcon	judcon	judcon	judcon	judcon
oil	-0.0144^{**}	-0.0217^{***}	-0.0231***	-0.0143^{***}	-0.0028
	(0.0058)	(0.0067)	(0.0066)	(0.0046)	(0.0058)
gdppc		0.0681***	0.0668***	0.0508***	0.0547***
		(0.0225)	(0.0236)	(0.0179)	(0.0184)
v2svtterr			-0.0003	0.0002	0.0003
			(0.0013)	(0.0011)	(0.0011)
civ				-0.1898^{***}	-0.1897^{***}
				(0.0275)	(0.0274)
civ x oil					-0.0234**
					(0.0091)
mili				-0.2742^{***}	-0.2716***
				(0.0271)	(0.0270)
mili x oil					-0.0212**
					(0.0082)
roval				-0 1161**	-0 1236**
lojai				(0.0515)	(0.0495)
roval v oil				()	0.0217*
ioyai x oli					(0.0118)
Loint F Test p volue siv					0.0220
Joint F-Test p-value mili					0.0220
Joint F-Test p-value roval					0.0020
Country FE	Vee	Vac	V_{co}	Vaa	0.0355 V
Voor EE	I ES			I ES	I ES
	I es				
Observations	8204.0000	7622.0000	7415.0000	7415.0000	7415.0000
Countries	168.0000	158.0000	156.0000	156.0000	156.0000

Table 2.4: Effects of Oil on Judicial Constraints 1960-2014

	(1)	(2)	(3)	(4)	(5)
	party	party	party	party	party
oil	0.0044	0.0050	0.0056	0.0070	0.0005
	(0.0058)	(0.0058)	(0.0058)	(0.0057)	(0.0065)
gdppc		0.0280^{*}	0.0224	0.0215	0.0200
		(0.0154)	(0.0158)	(0.0152)	(0.0158)
v2svtterr			0.0021**	0.0024**	0.0024***
			(0.0010)	(0.0009)	(0.0009)
civ				-0.0526^{**}	-0.0530^{**}
				(0.0233)	(0.0233)
civ x oil					0.0047
					(0.0092)
mili				-0.0494	-0.0526
				(0.0315)	(0.0320)
mili x oil					0.0287**
					(0.0141)
roval				-0 1109	-0.1258
iojai				(0.0865)	(0.0863)
roval v oil				()	-0.0267*
ioyai x on					(0.0147)
Loint F Tost p volue siv					0.8165
Joint F-Test p-value mili					0.0105
Joint F-Test p-value royal					0.1324
Country FF	V_{22}	V_{22}	V_{00}	Vaa	V_{00}
Voor FF				r cə Vəs	
Observations	7251 0000	6907 0000	6795 0000	6795 0000	6795 0000
Observations	(351.0000	0897.0000	0720.0000	0725.0000	0720.0000
Countries	168.0000	158.0000	156.0000	156.0000	156.0000

Table 2.5: Effects of Oil on Party Institutionalization $1960\mathchar`-2014$

	(1)	(2)	(3)	(4)	(5)
	consult	consult	consult	consult	consult
oil	-0.0431	-0.0675^{*}	-0.0601	-0.0187	-0.0176
	(0.0341)	(0.0367)	(0.0376)	(0.0316)	(0.0451)
gdppc		0.0809	0.0989	0.0268	0.0312
		(0.1153)	(0.1218)	(0.0923)	(0.0947)
v2svstterr			-0.0031	-0.0002	-0.0002
			(0.0065)	(0.0055)	(0.0055)
civ				-0.9902^{***}	-0.9902***
				(0.1435)	(0.1439)
civ x oil					0.0174
					(0.0611)
mili				-1.3512^{***}	-1.3517^{***}
				(0.1204)	(0.1211)
mili x oil					-0.0025
					(0.0584)
roval				-1.0214^{***}	-1.0535^{***}
v				(0.3642)	(0.3537)
roval x oil					-0.0657
iojai kon					(0.0823)
Ioint F-Test p-value civ					0.9217
Joint F-Test p-value mili					0.8527
Joint F-Test p-value roval					0 4913
Country FE	V_{PS}	Ves	V_{PS}	V_{PS}	Ves
Year FE	Ves	Yes	Yes	Ves	Yes
Observations	8256 0000	7654 0000	7446 0000	7446 0000	7446 0000
Countries	168 0000	158 0000	156 0000	156 0000	156 0000
Countries	168.0000	158.0000	156.0000	156.0000	156.0000

Table 2.6: Effects of Oil on Range of Consultation 1960-2014

	(1)	(2)	(3)	(4)	(5)
	media	media	media	media	media
oil	-0.0108	-0.0130	-0.0126	-0.0012	-0.0036
	(0.0085)	(0.0092)	(0.0093)	(0.0073)	(0.0091)
gdppc		-0.0279	-0.0273	-0.0489^{**}	-0.0500^{**}
		(0.0287)	(0.0298)	(0.0224)	(0.0231)
v2svstterr			0.0004	0.0009	0.0009
			(0.0019)	(0.0016)	(0.0016)
civ				-0.3069***	-0.3064***
				(0.0362)	(0.0363)
civ v oil					0.0164
					(0.0164)
				0.9675***	0.2674***
11111				-0.3073	-0.3074
				(0.0309)	(0.0509)
mili x oil					-0.0046
					(0.0143)
royal				-0.1966^{***}	-0.1905^{***}
				(0.0523)	(0.0520)
royal x oil					0.0135
					(0.0171)
Joint F-Test p-value civ					0.6084
Joint F-Test p-value mili					0.7299
Joint F-Test p-value royal					0.7296
Country FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Observations	8256.0000	7654.0000	7446.0000	7446.0000	7446.0000
Countries	168.0000	158.0000	156.0000	156.0000	156.0000

Table 2.7: Effects of Oil on Freedom of Expression 1960-2014

	(1)	(2)	(3)	(4)	(5)
	person	person	person	person	person
oil	-0.0546^{**}	-0.0746^{**}	-0.0785^{**}	-0.0729^{**}	-0.0158
	(0.0276)	(0.0302)	(0.0307)	(0.0293)	(0.0211)
gdppc		0.0990	0.1222**	0.1158^{*}	0.1233**
		(0.0617)	(0.0613)	(0.0606)	(0.0622)
v2svstterr			-0.0077^{*}	-0.0078^{*}	-0.0077^{*}
			(0.0039)	(0.0040)	(0.0040)
civ				-0.1249^{*}	-0.1116
				(0.0708)	(0.0704)
civ x oil					-0.0976^{**}
					(0.0491)
mili				-0.2313^{***}	-0.2057^{***}
				(0.0652)	(0.0649)
mili x oil					-0.1147^{**}
					(0.0487)
roval				0.0713	0.0501
0				(0.2707)	(0.2843)
roval x oil					0.0745
					(0.1993)
Joint F-Test p-value civ					0.0581
Joint F-Test p-value mili					0.0275
Joint F-Test p-value royal					0.7258
Country FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Observations	6645.0000	6279.0000	6201.0000	6201.0000	6201.0000
Countries	167.0000	157.0000	155.0000	155.0000	155.0000

Table 2.8: Effects of Oil on Relative Experience of Core Coalition Members 1960-2014

I also observe heterogeneous effects of oil on judicial constraints (see Table 2.4). For example, I noticed that oil affects judicial constraints more severely in civilian dictatorships, followed by royal and military dictatorships. Moreover, the joint F-test is significant at the 5% level for military and civilian dictatorships and at the 10% level for royal dictatorships, confirming the heterogeneous effects of oil wealth contingent on political regimes.

In Table 2.5, I note that petroleum wealth strengthens party institutionalization in military regimes since the p-values of the individual coefficient and the joint F-test are significant at the 5% level. Despite the individual negative effects of party institutionalization in royal dictatorships, the joint F-test is insignificant in such regimes.

Finally, in Table 2.8, I observe that oil only affects the relative experience of core cabinet members (my proxy for the degree of personalism) in civilian and military dictatorships. Moreover, the relative experience of core cabinet members decreases more in military dictatorships than in civilian dictatorships, implying that military dictatorships become more personalist when oil wealth increases. Furthermore, the joint F-test is significant at the 5% level for military dictatorships and the 10% level for civilian dictatorships.

2.4.2 Discussion

The estimated negative effects of petroleum wealth on the judiciary and the relative experience of core cabinet members confirm some of my hypotheses. First, I notice that judiciary constraints are most affected in civilian regimes, which theoretically have the lowest cohesion within their ruling coalition. Since hydrocarbons increase the dependence of rulers on non-tax revenues to remain in office, societal demands to develop an autonomous judiciary decrease, discouraging long-run private investments and diversifying the economy. Moustafa (2014) claimed that an autonomous judiciary in authoritarian regimes is necessary to facilitate a functional market economy and a competitive investment environment. International courts could also avoid the domestic political spillovers (unintended consequences) of independent domestic courts. Hence, my results could explain why several oil rich-states subject their oil agreements to international arbitration to settle disputes to attract foreign investments in the petroleum sector and credibly protect the property rights of investors.

Regarding the relative experience of core cabinet members, results show that personalization increases only in military and civilian dictatorships. The lower relative experience of cabinet members in military and civilian dictatorships supports the results found by Boix and Svolik (2013) and Nyrup (2019) in oil-rich states. The leader can substantially suppress the opposition in these states and rotate its coalition partners without facing lower economic growth. The positive effect of oil wealth on party institutionalization in military regimes is a puzzling result.

The null effects of oil on legislative constraints do not support the results found by Wright (2008) and Gandhi and Przeworski (2007), since I do not find evidence that increasing oil wealth decreases the likelihood of a binding legislature. Moreover, the non-significant effects of oil wealth on freedom of expression and alternative sources of information do not support the findings of . Moreover, theseEgorov et al. (2009) authors found that media freedom should decrease with oil revenues as public accountability and bureaucratic efficiency decrease as the state becomes more reliant on non-tax revenues.

2.5 Conclusions

Few authors have studied the impact of natural resources on political constraints on the executive. In this research paper, I intended to assess the impact of hydrocarbon wealth on different veto players in political regimes. These veto players included the legislature, the judiciary, the media, the public deliberation institutions, the political parties, and the core cabinet members. For this purpose, I estimated the short-run effects of petroleum wealth with a fixed-effects panel regression model. I found that, as expected, oil wealth per capita harms judicial constraints on the executive in authoritarian regimes. I also found negative effects on the relative experience of core cabinet members in civilian and military

dictatorships. Moreover, oil wealth increases party institutionalization in military regimes. My results suggest that non-tax revenues such as oil allow authoritarian leaders in military and civilian dictatorships to suppress potential rivals within the ruling coalition, encouraging negative short-time horizons and policy instability.

In addition, oil wealth encourages authoritarian rulers to develop institutions that protect, to a lesser extent, property rights (e.g., autonomous judiciary) as the rulers become more dependent on non-tax revenues. Moreover, the co-optation of the domestic judiciary in oil-rich authoritarian regimes could explain the increasing use of international arbitration mechanisms to provide credible guarantees to international investors in the petroleum sectors of such states. Furthermore, the negative effects on the judiciary are more pronounced in civilian dictatorships than in other authoritarian regimes.

Further research is needed to explore the causal mechanisms behind the increase in party institutionalization in military dictatorships. In contrast, the relative experience of core cabinet members in such regimes (including military junta members) decreases with increasing oil revenues. Finally, additional research that explains the null effects of oil wealth on the relative experience of core cabinet members in ruling monarchies should be carried out.

Chapter 3

Constructing a Formative Index of Executive Constraints

3.1 Introduction

Political constraints on the executive are crucial to expanding the time horizons of rulers and thus limiting their confiscatory power, which encourages the provision of long-term public goods, such as greater transparency and fiscal management. Moreover, executive constraints increase the odds of survival of political regimes since rulers could employ legislatures to co-opt and monitor their opponents (Wright, 2008). Furthermore, political constraints on the executive are also associated with better governance outcomes, such as controlling corruption and political patronage (Alt and Lassen, 2008, Persson et al., 2010, 2013). I define political constraints as any collective veto player that can check on the power of a ruler. Veto players are individuals or collective actors who must agree for the policy status quo to change (Tsebelis, 2011); they have a set of policy preferences and ensure that the ruler does not significantly deviate from such preferences.

Indicators aiming at measuring political constraints have been widely employed since the 1990s. Polity IV constructed one of the most widely known indices: the 'index of executive constraints'. In addition, Keefer (2012) developed the 'Checks and Balances' indicator, available in the Database of Political Institutions (DPI). However, these indicators exhibit several limitations. On the one hand, most of them do not clearly distinguish the concept of political constraints from the concept of democracy. On the other hand, they do not capture political constraints on the executive in non-democratic regimes.

Therefore, this paper intends to fill the gap in the literature by providing a critical assessment of existing indicators and constructing a new indicator that is more suitable to capture political constraints on the executive in non-democratic regimes. Finally, I argue that the combination of several veto players limits the power of the executive and not the other way around. Consequently, I follow a formative modeling approach when building my index of political constraints on the executive. This new formative index better captures political constraints in both democratic and non-democratic regimes.

I aim to construct an alternative index of political constraints on the executive using country-level data from 1966-to 2016. This formative index is more suitable for measuring political constraints in non-democracies, addressing the flaws of existing indices that are more suitable for democratic regimes. I attempt to estimate two indices following different methods. First, I construct a formative indicator based on political constraints employing Multiple Indicators Multiple Causes (i.e., MIMIC) modeling. Second, I employ six causal (i.e., explanatory) variables to estimate the latent construct (i.e., political constraints on the executive): legislative constraints on the executive, judicial constraints on the executive, degree of party institutionalization, media freedom, relative experience of core cabinet members, and range of consultation with key policy actors; and will use two reflective indicators influenced by political constraints: the degree of clientelism and control of corruption. Secondly, I construct a formative indicator implementing Principal Component Analysis (PCA) and employing the six causal above variables of executive constraints. Since my MIMIC model does not pass the required goodness of fit statistics for reliable structural equation model estimations, I keep the PCA formative index of executive constraints. I also display cross-correlations between my index and the most widely employed indices on executive constraints employed in the literature. In addition, I show that my PCA index captures better than traditional indicators the evolution of executive constraints in four cases of increasingly authoritarian regimes: Bolivia under Evo Morales, Venezuela under Hugo Chávez, and Nicolás Maduro, Russia under Vladimir Putin, and Hungary under Viktor Orbán.

The remainder of the paper is organized as follows. Section 1 explains the different attempts to measure executive political constraints. Section 2 develops the methodologies and results of my two formative indicators of executive constraints. Section 3 shows the correlation between my estimated PCA index and other indices traditionally employed in the literature. Section 4 compares my PCA index with other indicators of executive constraints in illiberal regimes. Finally, section 5 summarizes and concludes.

3.2 Measuring Political Constraints on the Executive

The mainstream literature on political constraints on the executive has focused on the formal constraints (i.e., checks and balances). I argue that the different indicators and indices employed to proxy political constraints are biased towards formal constraints exhibited in democratic regimes. Therefore, these indices become problematic in measuring political constraints in non-democratic regimes (i.e., competitive authoritarian systems and autocracies). Finally, I briefly describe three indicators that intend to operationalize constraints on the executive and point out its disadvantages when measuring political constraints in autocratic regimes.

3.2.1 Checks and Balances ('Checks')

This variable is obtained from the Database of Political Institutions constructed by Keefer and Stasavage (2003). It considers the existence and political alignment of two important veto players prevalent in a democratic regime: the executive and the legislative. This indicator weighs more on the legislative branch when the opposition has a majority in one or two chambers of the parliament and when the ruling coalition parties have an ideological orientation closer to that of the main opposition party. In addition, this indicator only assigns weights to veto players apart from the executive whenever the ruler and the legislative members are elected competitively.

The main advantage of 'Checks' is that it is relatively simple to replicate. This index is based on objective indicators such as the proportion of seats held by the opposition and whether the opposition obtained the majority in parliament. Perhaps the most subjective procedure is when assigning weights based upon the ideological orientation of political parties. However, a disadvantage of this variable is that it is only based on formal veto players that are typically exhibited in democratic regimes (i.e., an independent judiciary and legislative opposed to the executive when its members are appointed through competitive elections and when the ruling party obtains less than 75% of the parliamentary seats). Therefore, the variable 'Checks' is only suitable to measure formal constraints in liberal democracies, where free and fair elections are held. This index disregards the cases of fraud or unfair parliamentary or presidential elections and other veto players that could constrain the executive.

The variable 'Checks' assigns an extremely low score to some autocratic regimes, even though several have legislatures and even hold elections (although with an uneven playing field). This indicator does not differentiate among the different political constraints the executive faces in one-party regimes. This index provides biased and inaccurate estimations for autocracies and practically makes no difference if an index that captures overall democratic performance (e.g., 'Polity IV') instead of 'Checks' is employed. Therefore, differentiating between democratic regimes and political constraints on the executive is impossible with this index.

3.2.2 Political Constraint Index ('Polcon')

This indicator is obtained from Political Constraint Dataset, developed by Henisz (2000) to capture the credible commitments to private investment that political regimes can provide by constraining the executive branch. First, the author constructs an index that includes the number of independent branches of government with veto power and the distribution of preferences across and within those branches. In this regard, 'Polcon' is very similar to 'Checks'. Second, 'Polcon' considers the following political actors (i.e., veto players): the executive, the lower house of the legislative, the upper house of the legislative, sub-federal units, and the judiciary (when data is available). In this respect, the main improvement regarding 'Checks' is the inclusion of the judiciary and sub-federal units as formal veto players.

The main disadvantage regarding 'Checks' is that 'Polcon' does not consider whether the executive or the members of the chambers of the legislative appointments occur through competitive elections (the 75% threshold). Furthermore, this index automatically assumes that bicameral legislatures constrain the executive more than unicameral ones. Hence, federal states typically register higher scores in this index than unitary states. Only nine countries in the studied sample are formally federal states.

3.2.3 Executive Constraints ('Exconst')

This indicator was developed by Marshall et al. (2002) as part of the Polity IV Project. It is based upon perceptions and intends to capture how the different 'accountability groups' (i.e., veto players) impose constraints on the executive branch. The accountability groups include those prevalent in western democracies (e.g., legislatures) in one-party states (e.g., ruling party), monarchies (e.g., a council of nobles or powerful advisors), coup-prone polities (e.g., military), and in many other states (e.g., strong and independent judiciary). Like previous indicators, 'Exconst' assigns the highest scores to liberal democratic regimes. Among the existing indicators, 'Exconst' is the most suitable to capture differences among nondemocratic regimes. It automatically assigns the lowest possible score (1 out of 7) to absolutist monarchies, regardless of their openness to public dissent or respect for civil liberties.

The main disadvantage is a ceiling in terms of variation imposed upon autocratic regimes. For instance, military dictatorships typically receive the lowest score (1). Absolutist monarchies are lumped into the same score (the only exception is when they have constituted consultative assemblies). One-party states also register the same score (unless the ruling party is institutionalized). Competitive authoritarian regimes will always obtain a score of 3. Moreover, 'Exconst' does not deepen enough into the performance of deliberative institutions in autocratic regimes, such as consultative assemblies. Moreover, this index is the hardest to replicate.

3.3 Constructing a formative index on political constraints on the executive

Formative models assume that a set of observed items or indicators cause (or form) a latent construct. In this case, each item is believed to be part of the concept measured, so adding or removing items affects the nature of the construct and, therefore, the concept intended to measure. Bollen and Lennox (1991) argued that omitting an indicator is equivalent to omitting a part of the construct (concept), implying that formative indicators might be internally inconsistent and with no specific degree of correlation among each other.

In this case, a change in the latent construct does not imply a change in all items. However, leaving all other items constant, a change in one of the indicators leads to a change in the construct without necessarily affecting any of the construct's other indicators. I can conclude that the definition of my index on political constraints is a formative one since the combination of several veto players limits the power of the executive and not the other way around. According to my concept of political constraints, veto players cause constraints on the power of the executive and not the other way around. Therefore, I construct two formative indicators employing MIMIC and PCA modeling.

3.3.1 Constructing an index with MIMIC modeling

The MIMIC model is a special type of Structural Equation Modelling (SEM) that confirms the impact of a set of exogenous causal variables on the latent variable (i.e., political constraints on the executive) and the effect of political constraints on the executive on other indicators (i.e., governance outcomes). Thus, this model is considered a confirmatory rather than an explanatory method (Feld and Schneider, 2010, Schneider et al., 2011). MIMIC models have been widely applied in economics to measure the size of the shadow economy (Frey and Weck-Hanneman, 1984, Medina and Schneider, 2018, Schneider et al., 2011, Schneider and Mai, 2016).

According to Chaudhuri et al. (2016), the MIMIC model consists of two sets of equations:

$$Y = \lambda \eta + \epsilon \tag{3.1}$$

$$\eta = \gamma' X + \zeta \tag{3.2}$$

Where Y is a column vector of 'p' indicators of the single latent variable, η , and X is a vector of 'q' causes of η . Equation (3.1) is the measurement model for η and Equation (3.2) is the structural equation for the latent variable η .

In other words, Equation (3.1) is the measurement model for η , and Equation (3.2) is the structural equation for the latent variable η . Equation (3.1) can also be viewed as a confirmatory factor analysis model for the observable 'p' indicators with a unique factor (η). The structural model (Equation (3.2)) assumes that the latent performance is caused by the vector of explanatory variables X. Note that ϵ refers to a vector of zero means (p× 1) measurement error variables associated with the indicators. In contrast, ζ is a zero-mean scalar structural error that captures un-modeled variables affecting η and its associated measurement error. The measurement equations relate each indicator variable to the latent performance and a random measurement error term. It is assumed that ζ and all the elements of ϵ) are mutually uncorrelated (Chaudhuri et al., 2016, p.8) "The MIMIC model is fitted by minimizing the discrepancy function, where the discrepancy is defined as the difference between the sample and model implied covariance. The closer this difference is to zero, the better is the evaluated fit. The estimator of the conditional mean of η is used as an estimator η given the values of the y and x variables" (Chaudhuri et al., 2016, p.9)

Figure 3.1 shows a graphic representation of a MIMIC model with six causes (X_1-X_6) , one latent variable (T), and two indicators (Y_1-Y_2) .



Figure 3.1: MIMIC Model

Identification problems of the MIMIC model

According to Kirchgässner (2017, p.103), "a necessary condition for testing whether a variable x has a causal impact on a variable 'y', is that the two variables are measured independently. The MIMIC model assumes that a causal relation exists and, therefore, the estimates are a linear combination of these (supposedly) causal variables that more or less fit several indicator variables". In my case, the linear combination is assumed to represent the unknown variable political constraints on the executive.

Hence, the calculation of my formative index on political constraints is not an empirical test of the actual existence of political constraints on the executive or that the causal or explanatory variables have a statistically significant impact on the "true" political constraints (Medina and Schneider, 2018). Furthermore, significant test statistics in the structural model only show that the used explanatory (or causal) variables contribute significantly to the variance of the constructed variable (i.e., political constraints on the executive). Therefore, I have to assume that this construction represents political constraints on the executive to make statements about possible causal relations (Kirchgässner, 2017, p.103).

3.3.2 Causal Variables

Legislative veto player

The legislature is a collective veto player that can check on the executive by enacting new laws or repealing others. In some cases, the legislative branch could also start investigations against the government members, changing the policy status quo. In addition, the legislative branch could also check on the executive by investigating irregularities in the government and questioning officials. In the case of dictatorships, studies have found that the presence of opposition parties in the legislatures was a form of credible commitment which helped to increase the probability of survival of regimes (Gandhi and Lust-Okar, 2009, Gandhi and Przeworski, 2007, Wright, 2008).

I use The V-DEM index of 'legislative constraints on the executive' (Coppedge et al., 2019). It captures to what extent the legislature and other government agencies (e.g., comptroller general, general prosecutor, or ombudsman) can oversee and control the executive. This indicator measures how these formal organizations can check on the executive and assign weight to opposition parties in parliament. Its values range from 0 to 1. The higher it is, the stronger the legislative constraints for a given country in a given year.

The judiciary

This collective veto player can also hold the ruler accountable. In addition, it can provide credible commitments in the economic sphere. Court independence and compliance with the judiciary could be proxies of the strength of this collective veto player. For example, the V-DEM index of 'judicial constraints on the executive' (Coppedge et al., 2019) captures to what extent the executive respects the constitution and complies with court orders. In addition, it captures whether the judiciary is independent or not. This index captures the compliance with two formal organizations theoretically present in every democracy: the high and lower courts. The values of the judicial constraints VDEM indicator range from 0 to 1. The higher its values, the stronger the judicial constraints for a given country in a given year.

Hayek and Hamowy (2013) distinguish two ways in which the judiciary can limit the power of other branches. First, the enactment of laws and the administration of justice can be separated. The legislature makes laws, but independent judges enforce them without interference from the legislature or the executive. Second, law and policymaking can themselves be subject to review by courts for their compliance with the constitution (La Porta et al., 2004, p.2).

Ginsburg and Moustafa (2008) authored the most important article explaining the judiciary's role in authoritarian states. First, they identify five primary functions of courts in authoritarian states. "Courts are used to (1) establish social control and sideline political opponents, (2) bolster a regime's claim to legal legitimacy, (3) strengthen administrative compliance within the state's bureaucratic machinery and solve coordination problems among competing factions within the regime, (4) facilitate trade and investment, and (5) implement controversial policies to allow political distance from core elements of the regime" (Ginsburg and Moustafa, 2008, p.4). These authors claim that entrenched regimes (i.e., authoritarian regimes with longer time horizons) are more likely to empower the judiciary to extend the regime's life and guard against a loss of power. Wang (2014) argued that the degree of fragmentation within the ruling authoritarian elite is an incentive for the ruler to empower the courts.

Political Parties

Party institutionalization refers to various attributes of the political parties in a country, e.g., level and depth of the organization, links to civil society, cadres of party activists, party supporters within the electorate, coherence of party platforms and ideologies, partyline voting among representatives within the legislature. A high score on these attributes generally indicates a more institutionalized party system.

The V-DEM index of 'degree of party institutionalization' (Coppedge et al., 2019) considers the attributes of all parties with an emphasis on larger parties, i.e., those that may be said to dominate and define the party system. Finally, I argue that more institutionalized party systems constrain both democratic and non-democratic leaders in a greater magnitude.

Casal Bértoa and Enyedi (2016) argued that party institutionalization is crucial for the survival of liberal democratic regimes since they decrease the likelihood of the personalization of politics. Robbins (2010) showed that party institutionalization increases public goods in democratic regimes and reduces clientelism. Political parties enhance government accountability and place constraints on the executive through the following mechanisms: they strengthen the opposition, help voters identify past performances, and diminish the power of dominating personalities within parties (including the incumbent coalition parties).

Party institutionalization is also an essential constraint on the executive in authoritarian regimes. Gehlbach and Keefer (2011) found that the institutionalization of ruling parties in non-democratic regimes provides credible commitments to private investors by constraining the ruler's decision power and protecting property rights and returns from investments. Consequently, institutionalized ruling parties promote private investment in non-democratic regimes. This indicator is usually not considered by traditional indicators of political constraints on the executive. The values of this index oscillate between 0 and 1. The higher its

value, the more institutionalized the party system in a country is.

Special Interest Groups

Special interest groups are particularly important for non-democratic regimes. Chandra and Rudra (2013) found that public deliberation is the most important credible commitment to investors constraining the ruler in autocratic regimes. They emphasize the role of societal checks and balances on unilateral decision making, based on public reasoning and informed consent in non-democratic regimes, instead of the formal institutions found in democracies that check on the executive (i.e., party competition, coalition building, and veto players). They found that autocracies with higher levels of public deliberation experience stable growth outcomes.

Supporting previous findings Svolik (2012) claims that formal, deliberative, and decisionmaking institutions in dictatorships facilitate authoritarian power-sharing and increase the likelihood of their survival. Svolik (2012) argued that these institutions enhance the credible commitments¹ of power-sharing.

I employ the V-DEM 'Range of Consultation Index' (Coppedge et al., 2019). This index is a subcomponent of the 'Deliberative Component Index'. It captures how wide the range of consultation is at elite levels and how inclusive the group makes decisions in every state. It ranges from the leader or a very small group to elites from all parts of the political spectrum and all politically relevant sectors of society and business. I expect that the higher this index is (when more stakeholders are included in the policymaking process), the higher the political constraints on the rulers are. The interval values of this index lie between 0 and 1 as well.

¹Credible commitments are enhanced in two ways. "First, deliberative and decision-making institutions typically entail regular interaction between the dictator and his allies, which results in greater transparency between them. Second, formal institutional rules are less ambiguous and more broadly known and facilitate the detection of the dictator's noncompliance with power-sharing" [p. 87]

The Media

Several studies have acknowledged the importance of media in constraining the behavior of both democratically elected leaders and autocrats. Many authors have considered the media the fourth state of government in the policy process. As a result, the media plays an important role in holding rulers accountable. Camaj (2013) finds a positive relationship between media freedom and control of corruption, and with stronger effects in countries with more independent judiciaries and parliamentary systems.

Other studies have shown the importance of the media in fighting corruption (Besley and Prat, 2006, Camaj, 2013). These authors show how a free media, jointly with an independent judiciary, could improve the quality of government (e.g., control of corruption) in democratic regimes. Kellam and Stein (2016) explained how democratically elected presidents intend to curve media freedom to avoid being held accountable for corruption and policy failures. Besley and Prat (2006) highlight the importance of media as "political watchdogs" in representative democracies and how the media has been a drive to make governments more accountable to the needs of citizens.

The role of the media in promoting government accountability is not only exclusive to democratic regimes. Egorov et al. (2009) developed a theory of media freedom in dictatorships and provided systematic empirical evidence supporting this theory. They argue that freer media allows the dictator to improve the quality of government through bureaucratic incentives (e.g., more accountability and pressure to improve the provision of public goods). Furthermore, free media also allows opponents to better coordinate actions against the regime, which could constrain the executive.

I use The V-DEM index of 'freedom of expression and alternative sources of information' (Coppedge et al., 2019). It captures to what extent does government respects press and media freedom, the freedom of ordinary people to discuss political matters at home and in the public sphere, and the freedom of academic and cultural expression. The values of this variable oscillate between 0 and 1. The higher its value, the more media freedom and

alternative sources of information a country has.

Relative Experience of Core Cabinet Members

Nyrup (2019) argued that an autocrat can be constrained by a powerful ruling elite (internal constraints) and that autocracies with stronger internal constraints provide better economic outcomes. Internal constraints are defined as the likelihood that the ruling coalition will prevail in the case of a conflict with the dictator. The more internally constrained the ruler is, the more likely it is that the ruler will implement policies that satisfy the demands of the ruling coalition to stay in power. If the dictator cannot purge ministers at will without any personal consequences, they face greater threats to his survival in office. Moreover, a dictator without credible threats to their rule can expropriate without retaliation and establish a patrimonial rule (Nyrup, 2019).

In line with (Nyrup, 2019), Internal constraints (i.e., personalism) are proxied as the negative natural logarithm of the relative experience of core coalition members. The relative experience of core cabinet members variable is constructed by computing the average tenure of core cabinet members divided by the leader's continuous experience (head of the executive) at a given point in time. I assume that the core cabinet members represent the ruling coalition. The Whogov dataset (Nyrup and Bramwell, 2020) considers cabinet ministers, prime ministers, presidents, vice presidents, vice prime ministers, politburo members, and military junta members as core positions. The variable is coded manually on a country basis. I expect stronger executive constraints when the government has more experienced and consolidated cabinet members. Therefore, I assume that a higher relative experience is associated with a lower degree of personalism. More experienced and consolidated cabinet members are more likely to gain loyalties, develop patronage networks, and form personal cliques.

3.3.3 Reflective Indicators

After considering the different causes that affect the robustness of political constraints on the executive, the MIMIC models require the specification of different indicators that reflect such political constraints.

Political Patronage

Patronage is an exchange relationship in which a patron (e.g., a politician, ruler) exerts control over another agent by providing certain goods or services (e.g., jobs, goods). Several studies have shown a negative relationship between checks and balances and political patronage (Acemoglu et al., 2013, Robinson and Verdier, 2013). Political constraints on the executive limit the distribution of rents to loyalists and the withdrawal of such rents to political opponents. Therefore, these constraints limit the discretion of rulers to direct government expenditures to benefit political loyalists through particularistic goods, such as public sector jobs. Political constraints on the executive incentivize the emergence of a meritocratic bureaucracy and public goods provision instead of particularistic ones. Weak political constraints on the executive allow the state to be captured by the ruling elite, which decreases its ability to provide public goods.

The 'clientelism index' of VDEM (Coppedge et al., 2019) is used to capture to what extent clientelism relationships influence politics. These relationships include the targeted, contingent distribution of resources (goods, services, jobs, money, etc.) in exchange for political support. The values of this variable oscillate between 0 and 1. The higher its value, the more clientelism a country has.

Control of corruption

Corruption is defined as the abuse of power for private gain. Stronger political constraints should decrease the executive's abuse of power (including the appropriation of public expenditures). Hence, the room for corruption should decrease with more robust political constraints. Alt and Lassen (2008) have shown how more robust checks and balances contribute to decreased corruption in American state governments. Broadman and Recanatini (2001) also showed how fully functioning checks and balances reduce rent-seeking opportunities and, in turn, the incentives for corruption. Zhu and Zhang (2017) found that intra-elite competition (i.e., more veto players) increases the odds of anticorruption campaigns in authoritarian China. In sum, political constraints on the executive (i.e., effective veto players) increase the long-term horizon of rulers, creating incentives for the provision of public goods, including transparency. Therefore, clientelism and corruption should decrease when political constraints are strengthened.

The V-DEM 'Executive Corruption Index' (Coppedge et al., 2019) is employed. It intends to measure how routinely members of the executive or their agents grant favors in exchange for bribes, kickbacks, or other material inducements and how often they steal, embezzle or misappropriate public funds or other state resources for personal or family use. The Public Sector Corruption Index captures the extent to which public sector employees grant favors in exchange for bribes, kickbacks, or other material inducements and how often they steal, embezzle, or misappropriate public funds or other state resources for personal or family use. The values of executive corruption oscillate between 0 and 1. The higher its value, the more corrupt a country is.

3.3.4 Estimation of the MIMIC Index

After establishing the theoretical model explaining the expected relationship between the latent construct (i.e., political constraints) and the observed (i.e., causal) variables, the MIMIC model tests these theoretical considerations and may confirm the hypothesized relationships between political constraints on the executive and its causes and indicators. In the following step, I estimate the parameters of the MIMIC model with the maximum likelihood estimator. Then, a time series index is computed for each country by multiplying the coefficient of the significant causal variables with the respective time series. This formative index will show us the trend of political constraints on the executive.

The model will fix an indicator variable in the measurement equation to one. Fixing an indicator is required to have a reference variable to set a unit of measurement for political constraints on the executive, as this variable is unobserved by nature. In my case, the clientelism index is my reference value. Annual data is used from 1966 until 2016 for 160 countries in an unbalanced panel in my MIMIC observations. Therefore, my index is not computed for every year in each country. Instead, the causal variables are lagged by one period.

I start with general specification testing for the significance of all causal variables. The annual panel average results in Table 3.1 show that almost all specified variables have the expected signs and are statistically significant at the 1% confidence level. The only exception is the index of free and alternative sources of information. Therefore, I observe that the legislative, judiciary, range of consultation, degree of party institutionalization, and relative core cabinet experience have a positive statistical effect on political constraints on the executive. We can see that the largest weight in my index is given by the degree of institutionalization of political parties, followed by the judiciary and the legislative. Finally, I noticed a very low weight on deliberative institutions (i.e., range of consultation) and the relative experience of core cabinet members on my constructed index. Regarding the reflective indicators, we should note that my latent construct (i.e., political constraints on the executive) has a stronger effect on reducing clientelism than corruption on the executive.

ML	MIC
Excon	
legcon	0.104^{***}
	(0.016)
judcon	0.326***
5	(0.016)
partv	0.374^{***}
r - J	(0.019)
media	-0.328^{***}
	(0.016)
consult	0.029***
	(0.003)
log_relexp	0.006***
	(0.002)
client	
Excon	-1.000
	(.)
execorr	
Excon	-0.830^{***}
	(0.030)
Chi Square	351.114
p-value	0.000
RMSEA	0.100
CFI	0.890
SRMR	0.024
Observations	6886

Table 3.1: MIMIC Model with Annual Observations 1967-2016

Standard errors in parentheses

The goodness of Fit of the MIMIC Index

Table 3.1 also reports the diagnostic statistics of the estimated MIMIC models. A necessary condition for model identification is:

$$(p \times q + 1/2(p)(p+1) - 2p - q) \ge 0 \tag{3.3}$$

Where p denotes the number of indicator variables, and q is the number of causal variables. In my case, the necessary condition for identification is always satisfied, as my model is overidentified. Therefore, I adjusted the goodness-of-fit statistics employing the Satorra-Bentler standard errors to correct nonnormal standard errors in my continuous variables. The Chi-square indicator suggests that my model is miss-specified, typically occurring in cases of large sample sizes, such as ours. Rejection of the null hypothesis suggests the estimated model is miss-specified. The hypothesis is rejected when the p-value associated with the Chi-statistic is lower than 5% (in my model, it is equal to zero).

I then provide additional fit diagnostics to render the estimated model statistically adequate. Three different statistics are used: the root mean square error of approximation (RMSEA), the comparative fit index (CFI), and the standardized root mean square of residual (SRMR). Unfortunately, most of these statistics (except for the SRMR) do not measure the overall goodness-of-fit of my estimated model. Ideally, the RMSEA score should be lower than 8%, and the CFI should be higher than 0.90. Therefore, I estimate an alternative index of political constraints on the executive with a different methodology: principal component analysis (PCA).

3.3.5 Estimation of a PCA Index

PCA Methodology

The PCA method constructs a latent variable (i.e., my formative index) through a linear combination of the original variables (i.e., the six causal variables). Principal component analysis (PCA) and factor analysis are data reduction methods used to reexpress multivariate data with fewer dimensions. The main objective of PCA is to reexpress multivariate data with fewer dimensions. PCA methods reorient the data to summarize multiple original variables with relatively few "factors" or "components" that capture the maximum possible information (variation) from the underlying variables. These principal components are independent. The first principal component contains the maximum variation of the original variables (Jolliffe and Cadima, 2016). Each principal component is the weighted average of the original variables (i.e., the six types of executive constraints).

Principal Component Analysis allows us to detect the relationship structure among my six types of executive constraints (i.e., my underlying variables). Each principal component equals the weighted average of my underlying variables. The eigenvalue (variance) indicates the percentage of variation in the total data explained for each principal component. The goal of PCA is to find components $[z_1, z_2, ..., z_p]$ which are a linear combination $[u_1, u_2, ..., u_p]$ of the original variables $[x_1, x_2, ..., x_p]$ that achieve maximum variance.

The first component z_1 is given by the linear combination of the original variables x_i and accounts for the maximum possible variance (among all linear combinations). Therefore, it accounts for as much variation in the data as possible. The first principal component is given by:

$$PC_1 = u_1 x_1 + u_2 x_2 + \dots + u_p x_p \tag{3.4}$$

The second principal component is a linear combination of x variables that accounts for as much of the remaining variation as possible. The constraint is that the correlation between the first and second components is null.
In sum, PCA maximizes the variance of the elements of z = xu such that uu' = 1. Since PCA seeks to maximize the variance, it is sensitive to scale differences in the variables. Therefore, I standardize the data and work with correlations instead of covariances among the original variables. Next, six principal components are computed (one for each type of executive constraint) uncorrelated with each other. The PCA solution is obtained by performing an eigenvalue decomposition of the correlation matrix (Σ). The elements of these eigenvectors are the coefficients of my principal components (u_i). These values are called loadings, and they describe how much each variable contributes to a particular principal component. Finally, large loadings (positive or negative) indicate that a particular variable strongly relates to a particular principal component. For example, a loading sign indicates whether a variable and a principal component are positively or negatively correlated.

The variance for the (z_i) principal component is equal to the *ith* eigenvalue (λ_i) . The total variation is the trace of the variance-covariance matrix (Σ) , that is the sum of the variances of the individual variables. This is also equal to the sum of the eigenvalues:

$$trace(\Sigma) = \sigma_1^2 + \sigma_2^2 + \dots + \sigma_p^2 = \lambda_1 + \lambda_2 + \dots + \lambda_p$$
(3.5)

The sum of the eigenvalues allows us to interpret the components regarding the amount of full variation explained by each component. The ith principal component explains the following proportion of the total variation:

$$\frac{\lambda_i}{\lambda_1 + \lambda_2 + \dots + \lambda_p} \tag{3.6}$$

The proportion of variation explained by the first k principal components is given by:

$$\frac{\lambda_1 + \lambda_2 + \dots + \lambda_k}{\lambda_1 + \lambda_2 + \dots + \lambda_p} \tag{3.7}$$

Following the Kaiser–Guttman criteria, only the first k principal components are considered, for which $\lambda_i \ge 1$. The elements of an eigenvector are the weights (u_i) Figure 3.2 shows a graphic representation of a PCA model with six-factor loadings (x_1-x_6) and one principal component (PC).



Figure 3.2: PCA Model

Tests before performing PCA

Ideally, a high correlation between the underlying variables should be observed before performing PCA analysis. Table 3.2 confirms the high correlation between five types of executive constraints. The only notable exception is the low correlation of the logarithm of the relative experience of core cabinet members with other types of executive constraints.

 Table 3.2: Cross-Correlations between Types of Executive Constraints

Variables	legcon	judcon	party	media	consult	log_relexp
legcon	1.000					
judcon	0.822	1.000				
party	0.587	0.611	1.000			
media	0.860	0.789	0.602	1.000		
consult	0.801	0.750	0.579	0.811	1.000	
log_relexp	0.327	0.357	0.273	0.320	0.348	1.000

In addition, two tests shall be carried out to check the correlation structure of the data: the Bartlett specificity test and the Kaiser-Meyer-Olkin (KMO) Measure for Sampling Adequacy. The Bartlett sphericity test checks if the observed correlation matrix of the original variables diverges significantly from the identity matrix. The determinant of the matrix is converted to a chi-square statistic and tested for significance. The null hypothesis is that the intercorrelation matrix comes from a population where the variables are non-collinear (i.e., an identity matrix). The nonzero correlations in the sample matrix are due to sampling errors. Therefore, I should reject this hypothesis before performing PCA. The results of the Bartlett test in Table 3.3 reject the null hypothesis, suggesting that it is possible to perform PCA. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy is an index that compares the magnitude of the observed correlation coefficients to the magnitude of the partial correlation coefficients. The KMO values range between 0 and 1. The closer to 1, the more suitable data for PCA is. Ideally, the value of the KMO should be greater than 0.6. Therefore, my KMO overall (see Table 3.4) is equal to 0.9, suggesting an excellent sample to perform PCA.

Variable	Values
Determinant of the correlation matrix	0.011
Chi-square	31651.771
Degrees of Freedom	15
p-value	0.00
H_0	Variables are not intercorrelated

Table 3.3: Bartlett Test of Sphericity

Table 3.4: KMO of Sample Adequacy

Variable	KMO	
Overall	0.90	

3.3.6 PCA Results

The most recent data sets are employed to construct my formative index on executive constraints between 1966 and 2016 with annual observations for around 160 countries. Table 3.5 shows the eigenvalues for each principal component. Following the Kaiser–Guttman criteria, the components with an eigenvalue greater than one are kept. In my case, only the first component has an eigenvalue greater or equal to one. Therefore, I will construct my index of executive constraints predicting the scores of the first principal component for each observation. Finally, we can see that the first principal component explains 68% of the total variation in the data.

	Eigenvalue	Difference	Proportion	Cumulative
Comp1	4.08	3.25	0.68	0.68
Comp2	0.83	0.31	0.14	0.82
Comp3	0.52	0.26	0.09	0.90
Comp4	0.25	0.06	0.04	0.95
$\operatorname{Comp5}$	0.19	0.06	0.03	0.98
Comp6	0.13		0.02	1.00

Table 3.5: Eigenvalues of Reduced Correlation Matrix

Table 3.6 shows the elements of the first eigenvector (i.e., the weights for each original variable). Using these weights given by the first eigenvector, I will construct my index of executive constraints (i.e., the score of the principal component). Magnitudes of the coefficients give the contributions of each variable to the first principal component. We can see similar contributions from the legislature, judiciary, range of consultation, and media

freedom to my index of executive constraints, followed by party institutionalization. I also notice a low contribution of the relative experience of core cabinet members (i.e., internal constraints) to my formative index.

Factor Comp1				
	. –			
legcon	0.457			
judcon	0.446			
party	0.368			
media	0.455			
$\operatorname{consult}$	0.443			
\log_{relexp}	0.231			

Table 3.6: Eigenvectors for Component 1

Finally, the correlations between my principal component formative index of executive constraints and the six original variables (i.e., the factor loadings of my formative index) are displayed. These correlations facilitate the interpretation of my index since the interpretation of the principal components is based on finding which variables are most strongly correlated with each component. Finally, a strong correlation between my index and almost every indicator of executive constraints except for the logarithm of relative experience of core cabinet members is observed. Therefore, I can argue that my index of executive constraints mainly captures external constraints on the executive rather than constraints within the ruling coalition.

Variables	Component 1
Component 1	1.000
legcon	0.922
judcon	0.902
party	0.744
media	0.919
consult	0.895
log_relexp	0.465

Table 3.7: Cross-Correlation between the Index and the Types of Executive Constraints

3.4 Correlations between PCA and other indices

Table 3.8 displays the cross-correlations between my PCA index (PC) and the other most commonly employed indices described in Section 2. Finally, high correlations between my PC index and the *checks*, *exconst*, and *polcon* indices are noticed. Therefore, I can be confident that my index captures the executive's political constraints well.

Table 3.8: Cross-correlations between Indices of Executive Constraints

Variables	PC	mimic	checks	exconst	polcon
PC	1.000				
mimic	0.813	1.000			
checks	0.638	0.487	1.000		
exconst	0.879	0.653	0.642	1.000	
polcon	0.815	0.643	0.650	0.838	1.000

Furthermore, Tables 3.9 to 3.12 display the cross-correlations between the PCA index and the other indicators within types of political regimes. For example, I observe the highest pairwise correlation between the PCA index and *exconst* in democracies, civilian and military dictatorships. In royal dictatorships, the pairwise correlation between the constructed PCA index and *polcon* is the highest.

Variables	P1	mimic	checks	exconst	polcon
P1	1.000				
mimic	0.9032	1.000			
checks	0.2493	0.2071	1.000		
exconst	0.6733	0.5892	0.1848	1.000	
polcon	0.5846	0.5676	0.3131	0.507	1.000

Table 3.9: Cross-correlations in Democracies

Table 3.10: Cross-correlations in Civilian Dictatorships

Variables	P1	mimic	checks	exconst	polcon
P1	1.000				
mimic	0.5546	1.000			
checks	0.3895	0.0796	1.000		
exconst	0.6669	0.2479	0.4326	1.000	
polcon	0.5492	0.1688	0.4874	0.7168	1.000

Variables	P1	mimic	checks	exconst	polcon
P1	1.000				
mimic	0.5215	1.000			
checks	0.3316	0.0548	1.000		
exconst	0.6610	0.2919	0.2627	1.000	
polcon	0.4319	0.1507	0.2521	0.5960	1.000

Table 3.11: Cross-correlations in Military Dictatorships

Table 3.12: Cross-correlations in Royal Dictatorships

Variables	P1	mimic	checks	exconst	polcon
P1	1.000				
mimic	0.6876	1.000			
checks			1.000		
exconst	0.5680	0.2857		1.000	
polcon	0.7030	0.4552		0.5327	1.000

3.5 Evolution of my PCA index in illiberal regimes

In this section, I contrast the standardized values of my constructed formative PCA index with the standardized values of other the indices of executive constraints in three competitive authoritarian regimes: Bolivia under Evo Morales between 2006 and 2016 (Figure 3.3), Venezuela under Hugo Chávez and Nicolás Maduro between 1999 and 2016 (Figure 3.4), Russia under Vladimir Putin between 1992 and 2016 (Figure 3.5). Moreover, I also contrast my PCA index under the increasingly illiberal regime of Hungary under Viktor Orbán between 2010 and 2016 (Figure 3.6).

We notice that each traditional indicator of executive constraints exhibits significantly lower variation than my PCA index in each country. For instance, the indicators *exconst* and *checks* barely exhibit variations during the concentration of executive power in the four countries, despite the democratic erosion processes. Nevertheless, my PCA index captures the progressive erosion of political constraints on the executive in the four selected cases.

In the case of Hungary, we notice the least variation in the three traditional indicators of executive constraints. At the same time, the index *checks* do not vary during the first six years of the Orbán government. Nevertheless, my PCA index shows a progressive decline in executive constraints throughout this period.

The case of Bolivia is similar to Hungary since traditional indicators barely register variations throughout the government of Evo Morales. In contrast, my PCA indicator shows a slow but steady decline in the Bolivian executive constraints. Furthermore, the drastic decline in *checks* during the first year of Evo Morales is attributed only to the ruling party majority in the Constituent Assembly. Moreover, it does not capture the significant ruling party concessions in 2009 when enacting the new constitution.

In Venezuela, we also notice a negative trend in the PCA index. At the same time, other indicators such as *polcon* and *exconst* show a significant improvement in executive constraints after 2010 and 2012, perhaps due to the increase in the seats of the opposition in the National Assembly in 2010 and because of the severe illness of Hugo Chávez in 2012. However, traditional indicators do not capture the increasing authoritarianism during the government of Nicolás Maduro from 2013, which is well captured in my PCA index.

Russian under Vladimir Putin shows a deterioration trend in almost every traditional index of executive constraints, except for *polcon* between 2003 and 2012. The stability of the *polcon* index between 2003 and 2012 is a puzzling result, given that the ruling party won the most seats in the 2003 Russian legislative elections. However, as observed in the previous three cases, my PCA index does illustrate a drastic deterioration of Russian executive constraints under Vladimir Putin.



Figure 3.3: Indicators of Executive Constraints in Bolivia



Figure 3.4: Indicators of Executive Constraints in Venezuela



Figure 3.5: Indicators of Executive Constraints in Russia



Figure 3.6: Indicators of Executive Constraints in Hungary

Estimated formative index of political constraints

Table A.1 displays the estimates for my index of political constraints constructed with the first principal components of 1966, 1976, 1986, 1996, 2006, and 2016. According to the average strength of political constraints on the executive in 2016, the countries are ordered from the strongest to the weakest. I can observe that Switzerland, Denmark, Norway, Australia, and Sweden exhibit the highest values in my formative index of political constraints on the executive in 2016. In contrast, the lowest average values of the index were registered for Turkmenistan, Equatorial Guinea, Burundi, Syria, and Eritrea.

3.6 Summary and Conclusions

Political constraints on the executive are important to increase the long-term horizon of rulers, which in turn increases the likelihood of good governance outcomes such as control of corruption, better fiscal management, and provision of public goods. Such constraints refer to any veto player that can check the power of a ruler. However, most of the existing indices of political constraints only capture veto players relevant to liberal democracies: the judiciary and the legislative. This paper aims to estimate an index of political constraints that addresses these flaws.

Traditional political constraints (i.e., checks and balances) in liberal democracies include legislative, judicial constraints, and media. In non-democratic regimes, deliberative (consultative) institutions and the degree of ruling party institutionalization and internal constraints within the ruling coalition also constrain the executive. For these reasons, a formative index on political constraints on the executive employing principal component analysis (PCA) and the MIMIC structural equation model is constructed. Finally, I showed that my constructed formative PCA index exhibits the strongest pairwise correlation with the *exconst* one, except for the case of royal dictatorships. Finally, the PCA index displays the highest correlation with the *polcon* indicator.

Illiberal regimes in Bolivia, Hungary, Russia, and Venezuela depict the limitations of traditional indices of executive constraints since such indices register significantly lower variation than my constructed PCA index. Furthermore, I showed how traditional indicators do not always capture the decline in executive constraints in these four countries, despite the ample evidence of democratic erosion during the governments of Evo Morales in Bolivia, Hugo Chávez and Nicolás Maduro in Venezuela, Vladimir Putin in Russia, and Viktor Orbán in Hungary.

My model includes proxies for the relevant veto players in all political regimes, which theoretically constrain the executive: the legislature, the judiciary, political parties, special interest groups, media, and internal constraints. In addition, my MIMIC model included control of corruption and degree of clientelism as indicators caused by my formative index. Nevertheless, the MIMIC model did not pass the required goodness-of-fit statistics for a reliable formative indicator. Therefore, the first component of my PCA model is selected. This component is highly correlated with the traditional indices of executive constraints employed in the literature. Finally, this study estimates a formative index for 168 countries between 1965 and 2016.

Chapter 4

Petroleum and Executive Constraints: The Case of Bolivia and Venezuela

4.1 Introduction

In my first article, I estimated the effects of petroleum wealth on executive constraints. My estimated panel regressions with fixed effects showed that petroleum revenues deteriorate some indicators of executive constraints in authoritarian regimes but not in democracies. My estimations showed different impacts contingent on the type of authoritarian regimes. Oil wealth deteriorates judicial constraints in all authoritarian regimes, with slightly larger effects in civilian dictatorships. Besides, oil increases party institutionalization in military dictatorships but decreases it in royal dictatorships. Finally, oil increases personalism in civilian and military dictatorships. Nevertheless, I have not tested the causal processes that explain these results.

Luong and Weinthal (2010) argued that the ownership structure of the petroleum sector was the critical variable in explaining institutional outcomes in oil-rich states. However, in this article, I show that access to petroleum resources by the executive, which also considers the regional political cleavages in oil-rich regions and the ownership structure of the petroleum industry, is the key intervening variable between petroleum wealth and executive constraints. Moreover, testing the effects of the oil sector ownership structures on institutional outcomes is problematic due to endogeneity concerns. Without robust institutional constraints, I expect rulers to be encouraged to control the oil and gas industry. In contrast, exogenous regional cleavages allow me to test the effects of executive access to oil and gas resources on institutional outcomes (i.e., political constraints on the executive).

I consider that the executive has full access to petroleum resources when the state owns and controls the petroleum sector and when regional political elites in oil-producing regions are ineffective veto players. At the same time, partial access to resources does not allow the state to completely control the oil industry due to the participation of the private sector in the exploitation of petroleum deposits or because of regional veto players in oil-producing regions. Moreover, greater petroleum access by the executive results in weaker fiscal regimes (i.e., with greater budget instability and opacity), allowing rulers to co-opt other veto players and increase the size of the winset themselves through discretionary government expenditures.

I hypothesize that the executive's full access to petroleum resources weakens executive constraints more than partial access to such resources. To test my hypothesis, I employ a (Theory-Guided Process Tracing (TGPT)) of extensive processes and make a counterfeit counterfactual comparison in which I test the effects of an executive with full access to oil and gas resources (i.e., Venezuela under Hugo Chávez between 2003 and 2013); and a similar state with partial access to petroleum resources (i.e., Bolivia under Evo Morales between 2006 and 2013).

My results support my hypothesis since I can confidently argue that if Chávez had not controlled Petróleos de Venezuela Sociedad Anónima (PDVSA) from 2003, the erosion of executive constraints in Venezuela would have been significantly lower (i.e., as happened in Bolivia). My research contributes to the literature on the institutional performance of petroleum-rich states by claiming that an oil boom leads to different institutional outcomes in similar regimes due to different executive access to petroleum resources. The remainder of the paper is organized as follows. Section 2 explains my theoretical framework on petroleum access and executive. Section 3 describes my case selection strategy and methodology. Section 4 explains the case of Venezuela, while Section 5 explains the case of Venezuela. Section 6 contrast the event-history maps of Venezuela with those of Bolivia. Section 7 concludes

4.2 Theoretical Framework

4.2.1 Petroleum and Executive Political Constraints

As I explained in Chapter 2, the discovery and exploitation of oil alter the source of taxation and the relations between economic elites and relevant political actors. Nevertheless, in this chapter, I argue that political outcomes after oil and gas discoveries are also contingent on the type of executive access to such petroleum resources. I define access to petroleum as the ability of leaders to extract and allocate petroleum resources unchecked. Thus, I develop a new theory on the effects of access to oil and gas resources by the executive. Such access is a variable that depends on the ownership structure of the petroleum industry and exogenous conditions such as geography and political cleavages.

While Luong and Weinthal (2010) claimed that ownership structure was the key intervening variable between petroleum wealth and institutional outcomes (i.e., fiscal regimes), my main explanatory variable (i.e., executive access to oil and gas resources) also considers other factors such as political cleavages and petroleum deposits' location. Therefore, I argue that access to petroleum resources by the executive is the key intervening variable between petroleum wealth and institutional outcomes.

I define state ownership and control of the petroleum industry as Luong and Weinthal (2010) did. State ownership refers to those cases in which domestic legislation mandates that the state owns the rights to develop most petroleum deposits and hold most shares in the petroleum sector. State control refers to those cases in which the legislation limits private

oil companies' participation (i.e., the types of contracts they can sign) in the production of oil and gas fields. Therefore, variations in the ownership structure are signaled through legislative changes.

Nevertheless, I argue that the strength of fiscal regimes resulting from the ownership structures of the petroleum industry is also contingent on other variables such as geography and political cleavages. Soifer (2015) argued that countries marked by low levels of urban primacy– the extent to which a country is dominated demographically and economically by a single urban center– developed weaker national states. Moreover, Herbst (2014) argues that state leaders take the expected geography-induced costs into account when deciding whether or not to invest in state-building, implying that state capacity is less likely to be strong in mountainous, tropical forests, and rugged areas. Hence, I expect stronger fiscal regimes when oil fields are located in regions dominated by political elites that do not belong to the ruling coalition or the traditional base of government supporters: regionalism is present in oil-rich areas.

I consider that the executive has full access to petroleum resources when the state owns and controls the petroleum sector and when regional political elites in oil-producing regions are ineffective veto players (i.e., cannot place constraints on the executive). In contrast, the executive has lower (i.e., partial) access to petroleum resources when regional elites in oilproducing regions are salient or/and when the private sector controls petroleum production. Table 4.1 summarizes the types of executive access to oil and gas resources:

Access Type	State Ownership	State Control	Regional Cleavages
No Access	No	No	Irrelevant
Low Partial	Yes	No	Yes
High Partial	Yes	No	No
Full Access	Yes	Yes	No

Table 4.1: Access Type to Oil and Gas Resources by the Executive

I highlight two types of partial access to oil and gas resources: one in which the state does not control oil production and where there are salient cleavages in oil-producing regions (i.e., Low Partial), and another in which the state does not control oil and gas production and regional cleavages are absent (i.e., High Partial). Strong (weak) fiscal regimes do (not) place effective limits on the state's ability to extract and spend petroleum revenues. Strong fiscal regimes constrain the executive through two mechanisms: budgetary stability and transparency.

On the one hand, budgetary stability constrains the executive by limiting what governments can tax and spend without turning to additional sources of revenue, such as foreign loans. On the other hand, transparency makes the public budget visible to the domestic population and international organizations, enhancing greater public oversight and making it easier for citizens to hold their government accountable (Luong and Weinthal, 2010). Corduneanu-Huci (2014) found that, on average, rulers in autocratic multiparty regimes survive longer in office when they increase fiscal transparency due to the critical importance of the middle class as a pivotal coalition member. Nevertheless, Corduneanu-Huci (2014) found a lower likelihood of survival when transparency increases in one-party regimes.

Budgetary stability and transparency result from the following types of taxation on the revenue collection side: broad-based, direct, and explicit. Broad-based tax systems promote the stability of fiscal revenues since such systems rely on alternative sources of revenue to minerals and are less volatile. In addition, broad-based tax systems encourage mutual dependence between the state and its citizens. Direct taxation is more visible for taxpayers, while indirect taxes are virtually invisible since they hide the total amount paid and thus provide less transparency. Explicit taxes are those specifically collected by governments and are visible and more transparent than implicit ones since the latter are excluded from the public budget (e.g., inflation, costs of doing business, fines for tax violations, tax exemptions, wage, price, and exchange controls).

On the expenditure side, budgetary stability and transparency are enhanced when the state budget is subject to regular and independent audits; when quasi-fiscal activities (e.g., implicit subsidies to consumers, preferential credits, tax arrears, subsidized inputs for selected industries, extra-budgetary funds) are negligible; when stringent fiscal rules limit expenditures; and after the establishment of an effective Sovereign Wealth Fund (SWF). The SWF is one of the most effective tools to promote budgetary stability and transparency. It smoothes out the budget, delinking it from fluctuations in oil prices and improving budget predictability.

Hence, fiscal regimes are stronger when states exhibit budget stability and transparency. Moreover, I contend that fiscal regimes that result from different types of access to petroleum resources lead to different executive constraints. For example, there are three channels through which oil and gas access by the executive can lead to different institutional outcomes (i.e., fiscal regimes and executive constraints): societal expectations, transaction costs, and enlargement of the size of the winset.

Societal Expectations and Transaction Costs

In line with Luong and Weinthal (2010), I argue that ownership structures might lead to different fiscal regimes (i.e., rules governing taxation and public expenditures) through two channels: transaction costs and societal expectations of the oil sector. State ownership of the petroleum sector mainly induces high societal expectations, while state control of such a sector primarily results in high transaction costs. Furthermore, I claim that regional cleavages in oil-producing regions limit access to petroleum resources by the executive by increasing transaction costs.

Societal expectations refer to citizens' demand to redistribute petroleum revenues. But on the other hand, high societal expectations create shorter-term horizons for governments since society continually demands its fair share of petroleum wealth from the executive, thus promoting weak fiscal regimes. In a similar argument to Luong and Weinthal (2010), I argue that state ownership of the oil industry encourages high societal expectations. When the state owns the oil industry (confers property rights to itself), it commits itself (at least nominally) to managing petroleum wealth in the society's (i.e., the principal) best interest as a way to legitimate its property rights.

Transaction costs are the second causal channel that might explain the robustness of fiscal regimes derived from petroleum access. For example, transaction costs arise due to information asymmetries between petroleum producers and the state. In the case of the petroleum industry, high transaction costs induce the formation of institutions that allow the monitoring of the behavior of actors involved in the production (i.e., oil producers and the regulator): the supply of information. This information reduces uncertainty and stabilizes expectations. When transaction costs are high, explicit (i.e., transparent) bargaining is encouraged, as both actors (producers and regulators) have incentives to uncover hidden information and make it public. This greater transparency makes the government more accountable and promotes stronger fiscal regimes.

When the state controls the petroleum sector, it usually employs a regulatory agency (e.g., the Ministry of Petroleum) and a NOC to exploit most petroleum deposits. In this situation, the interests of governing elites (cabinet ministers) and NOC managers are aligned since they have a mutual interest in maximizing their discretion over the management of the oil sector (Luong and Weinthal, 2010). The alignment of interests between government elites and NOC managers results in low transaction costs. Both actors share incentives to utilize their privileged position vis-a-vis oil rents to serve their personal and political ends. Since these actors are agents of the population, they aim at hiding the oil industry information from society, minimizing external and internal oversight of the NOC's operations. Therefore, both agents (state elites and NOC managers) do not place constraints on the behavior of each other in the form of strong fiscal regimes. The incentive of both actors to impose rigid constraints and provide transparency decreases, leading to lower government and NOC accountability.

Moreover, a NOC that controls most oil production activities discourages states from making credible commitments to promote private investment in the oil sector, leading to weaker fiscal regimes and executive constraints. In addition, when regional cleavages are salient in petroleum-producing regions, the interests of the national regulator and the NOC are not necessarily aligned with those of the regional government. The non-alignment of interests occurs because regional elites intend to maximize their share of oil revenues and hold the NOC and national government elites accountable, promoting stable and transparent fiscal rules for regional revenue sharing. Therefore, transaction costs are higher when regional cleavages are salient in oil and gas producing regions.

When the private sector controls oil production, transaction costs are high because the main actors (private oil companies and ruling elites) have divergent interests regarding the sector's management. As a result, private companies want to maximize their profits and minimize their tax burden. In contrast, governing elites want to maximize the share of petroleum revenue in the state budget through taxation. Except in the case of a private monopoly controlling the oil sector, there is a lower likelihood that private companies conflate their economic tasks with political goals (as happens when a NOC controls the oil sector) (Luong and Weinthal, 2010).

In sum, full access to petroleum resources encourages weaker fiscal regimes than partial access to such resources due to lower transaction costs that arise when the state controls the petroleum sector. Societal expectations are always high when the state owns the sector.

Enlargement of the Winset and Executive Access to Petroleum

In Chapter 2, I defined political constraints on the executive, the winset, and the absorption of veto players. In this chapter, I claim that when rulers have full access to petroleum resources, a convergence across the ideal policy points of veto players (i.e., absorption by the executive) within the ruling elite is more likely. For instance, when the state owns and controls oil production, and there are no relevant regional political cleavages (i.e., the executive has full access to petroleum resources), the interests of the executive and NOC managers converge, increasing the ability of rulers to have more discretion over public expenditures. However, when regional cleavages are politically salient (i.e., an additional veto player) in petroleum-rich regions, it is more difficult for the executive to absorb such elites since regional elites' preferences do not necessarily lie within those of the national executive, even if the state controls the petroleum sector.

Weak fiscal regimes in petroleum-rich states debilitate executive political constraints because of the ruler's increasing ability to enlarge the size of the winset (i.e., the area within which a compromise between veto players is possible) by itself through discretionary government expenditures. These discretionary expenditures decrease traditional economic and regional elites' bargaining power. Loose fiscal rules (unstable and opaque) increase rulers' opportunities to implement their preferred public policies without requiring the cooperation of a wider base. In addition, by enabling discretionary and targeted government expenditures, weaker fiscal regimes encourage the ruler's absorption of other veto players through co-optation (i.e., buying their loyalty). Moreover, with weak fiscal regimes derived from full executive access to oil and gas deposits, it is more likely that the ruler strategically coalesces with selected political actors through selective payoffs (e.g., corruption, rent-seeking activities, patronage). These selective payoffs result in the absorption and consequent decrease in the number of effective collective veto players (i.e., executive constraints).

CEU eTD Collection

In sum, the executive as a veto player is more likely to increase the size of the winset by himself and absorb other veto players when weak fiscal regimes result from its full access to the oil and gas deposits. My analysis assumes that every state that controls oil and gas deposits also owns the hydrocarbon resources, but not the other way around. Guided by my theoretical framework, I summarize the previous causal channels linking petroleum wealth to executive constraints in Figure 4.1:



Figure 4.1: Causal Channels linking Oil Wealth and Executive Constraints

In line with Waldner (2015), Figure 4.1 shows a causal graph representing the average treatment effect of connecting oil wealth and executive constraints. Each node represents random variables, while directed edges that connect nodes represent relations of probabilistic causal dependence due to the "strong" causal mechanism left implicit in the graph and represented by the arrow. "Two nodes connected by an arrow have this precise meaning: the parent node is a direct cause of its descendant such that an exogenous intervention on X will change the distribution of the descendant variable holding all other variables in the model fixed" (Waldner, 2015, p. 247). My theoretical framework allows me to formulate the following hypothesis:

Hypothesis 4 The executive's full access to petroleum resources weakens executive constraints more than lower access to such resources.

4.3 Case Selection and Methodology

4.3.1 Counterfactual Country Comparison

I argue that the most suitable method to study the effects of access to oil on executive constraints is a hybrid strategy combining spatial and counterfactual comparisons. Ideally, I would need to know what might have happened under the Chávez regime if the executive's type of access to petroleum resources differed. "Counterfactual comparisons involve using a case where there is no variation at all, either spatial or temporal- in the variable of interest. Instead, the variation is imaginary" (Gerring and McDermott, 2007, p. 695). Conversely, spatial comparison compares two cases, neither of which experiences an observable change in the variable of theoretical interest (i.e., petroleum access by the executive).

The paradigm of counterfactual comparison is the type of variation that a researcher exploits to draw causal inferences from a single case, solving internal validity problems in case study research. Nevertheless, I do not need to rely upon the single case of Venezuela to study a hypothetical scenario under partial access to petroleum since I found a comparable country (i.e., spatial comparison) in terms of the political regime during the same period of the Chávez regime oil boom (2003-2013) but with different executive access to oil and gas: Bolivia under Evo Morales between 2006 and 2013. Hence, I employ a counterfactual spatial comparison to study the evolution of executive constraints in Venezuela during the Chávez regime. I hypothesize that Venezuela under Chávez would have had stronger executive constraints if the executive had had lower access to petroleum resources. Furthermore, to control for variation in prices and focus only on access to petroleum resources, I only study the oil boom period between 2004 and 2013. Finally, I noticed the spike in the terms of trade in both countries in Figure 4.2 during the petroleum boom, which led to a drastic rise in their petroleum revenues in both countries.

Despite having a similar ideological orientation, the governance outcomes of Bolivia drastically differed from those of Venezuela. Nevertheless, I notice a decline in most indicators



The World Bank (2014) (as cited in Kronick 2014)

Figure 4.2: Bolivia vs. Venezuela Terms of Trade (Price of Exports/Imports)

of executive constraints in Bolivia and Venezuela, as shown in the principal component index of Figure 4.3 and Figure 4.4, constructed in the previous chapter. Furthermore, the decline in the aggregate index of executive constraints was greater in Venezuela under Hugo Chávez than in Bolivia under Evo Morales. This formative index aggregates legislative constraints, judicial constraints, degree of party institutionalization, media freedom, and the relative experience of core cabinet members (a proxy for personalism or internal constraints in authoritarian regimes).

Endogeneity concerns are the main limitation of testing the effect of ownership structures (i.e., state ownership and control) on institutional outcomes as (Luong and Weinthal, 2010) did since I expect that rulers try to control the national petroleum industry by undermining checks on their power. Therefore, I focus on the variation of the only exogenous component of access to petroleum resources: political cleavages in oil-rich regions.







Figure 4.4: Venezuelan Principal Component Index of Executive Constraints 1998-2013

4.3.2 Comparison between Bolivia and Venezuela

Bolivia and Venezuela share typical features of Latin American countries, such as high levels of inequality and heavy dependence on natural resource exports. Nevertheless, minerals have historically been more important in Bolivia than hydrocarbons. Venezuela is an old player in the oil market since it has been one of the largest oil exporters since the 1930s and was one of OPEC's founder members. In contrast, Bolivia had become an active player in the hydrocarbon sector since the end of the 1990s, when this country started to export natural gas in great quantities to Brazil and Argentina. Oil constituted more than 90% of Venezuelan exports in 2010, while natural gas constituted 51% of Bolivian exports in the same year. Moreover, Venezuela's PDVSA was one of the top-performing oil companies when Chávez took office, exploiting most Venezuelan petroleum deposits. In contrast, the Bolivian NOC, Yacimientos Petrolíferos Fiscales Bolivanos (YPFB), has mainly played a supervisory role in the industry.

Venezuela was one of the countries in Latin America that democratized the earliest (in 1958). In contrast, Bolivia democratized much later (in 1982). Nevertheless, both countries elected populist left-leaning presidents recently. Hugo Chávez was elected in December 1998, and Evo Morales in December 2005. Morales' Bolivia and Chávez's Venezuela were close allies and members of the left-leaning Foro de Sao Paulo in Latin America. Therefore, both countries have implemented similar policies since the 2000s, and both leaders tried to refound their countries through new constitutional drafts, undermining checks and balances through competitive authoritarian regimes.

Nevertheless, Bolivia and Venezuela have different ethnic compositions and political cleavages determined by geography. Bolivia has the largest number of indigenous people as a percentage of the population (62%) of any country in the Americas. In contrast, Venezuela has less than 3% indigenous people, and most of its inhabitants are mixed (48%). Therefore, conflicts between indigenous groups and the rest of society have been more salient in Bolivia.

Moreover, regional cleavages have historically been salient in Bolivia, while not in Venezuela.

In contrast to Venezuela, I argue that regional cleavages in petroleum-rich regions in Bolivia limit executive access to hydrocarbon resources. For example, Eastern lowland regions in Bolivia (i.e., called 'Media Luna' in Spanish) contrast with the Western Andes (highland) regions in many features, such as demographic composition and endowment in natural resources. Indigenous populations constitute the majority in the Western highlands, while mestizos are in the East.

Soifer (2015) claimed that the absence of salient regionalism was necessary for statebuilding in Latin America since it mutes regionalist conflicts over public goods provision under a unified national economy. Moreover, the absence of regionalism "would facilitate the emergence of an elite consensus around the idea that increased state authority was central to development rather than a more laissez-faire vision of how development might be pursued" (Soifer, 2015, p. 236). Soifer (2015) proxies the salience of regionalism through the degree of urban-primacy for the earliest post-independence date in each country. Urban-primacy scores divide the largest city's population by the sum of the four largest. Therefore, the scores can vary between 0.25 (if the four cities have the same size) to 1 (if the largest city contains the country's entire population).

Venezuela and Bolivia were among the sample's lowest degrees of urban primacy, with 0.39 and 0.46, respectively. Nevertheless, Soifer (2015) argued that Venezuela experienced mixed results regarding state-building. Although Venezuela failed to develop a national state during most of the nineteenth century, the actual-state building project of this country successfully started by the end of this century, simultaneously occurring with the massive growth of Caracas as a national center. In contrast, the author claimed that Bolivia lacked a single national center. Its territory was an archipelago of fragmented economic regions connected loosely to the mining boom filling central government coffers. Hence, state-building was not successful in Bolivia during the nineteenth century, as regional conflicts prevented the centralization of political authority.

Hence, I argue that regional rivalry in Bolivia between the Media Luna region and the

Andes Highlands during the twenty-first century has the same effects in terms of concentration of power on the national executive: it limits the access of the Bolivian executive to oil and gas resources. In contrast, the higher degree of centralization of political power in Venezuela facilitates executive access to its petroleum resources. Petroleum resources and the country's most productive farms are located in the Media Luna region, coinciding with Bolivia's opposition strongholds. Therefore, the Bolivian executive did not have full access to its petroleum deposits during the government of Morales.

In contrast with the state ownership and control of the petroleum sector, the geographic divide between Bolivia and Venezuela is the only exogenous component within the variable of petroleum access by the executive, allowing me to test the effect of regional cleavages in oil-rich regions on executive constraints. Figures 4.5 to 4.8 depict the geographic divide among Bolivian departments. I also show the geographic maps in Venezuela with the location of major oil fields in Figures 4.9 to 4.12. The geographic divide within Bolivia explains regionalism in the Media Luna departments, as centralization of political authority power becomes harder with geographic barriers (Herbst, 2014).



Wikipedia (2021a)

Figure 4.5: Political Map of Bolivia (Media Luna in red)





Weisbrot and Sandoval (2008)

Figure 4.7: Bolivian Petroleum Wealth by Department









Figure 4.8: Bolivia Onshore Petroleum Fields



Freeworldmaps.net (2021)

Figure 4.9: Political Map of Venezuela



The Energy Consulting Group (2016) Figure 4.11: Venezuelan Petroleum Fields



Figure 4.10: Physical map of Venezuela Venezuela Location of Onshore Oil and Gas Deposits



Strandow et al. (2011)

Figure 4.12: Venezuelan Onshore Petroleum Fields

Political and Petroleum Sector Timelines

I display the timelines of political and petroleum sector-related events in Bolivia and Venezuela in the Appendix. Figures B.1 and B.2 display the Political Timeline in Venezuela during the Chávez regime, while Figures B.3 and B.4 shows the Petroleum Industry Timeline during the same period.

I noticed that the deterioration of political constraints on the executive started during the first year of the Chávez regime: 1999. Moreover, I can observe a significant concentration of power from 2003, when PDVSA lost its autonomy (i.e., the executive took control of the oil industry and obtained full access to oil resources) after the failed oil industry strike. Table 4.2 shows the number of executive enabling laws, their duration, and the decree-laws enacted under each enabling law. For example, Hugo Chávez ruled by decree for more than 30% of his government (54 months) and enacted more decree-laws than during the previous 37 years of the democratic regime under the 1961 constitution.

Table 4.2: Decree-Laws in Venezuela

Enabling Law Period	Duration	Repealed laws by the SC	Number of Decree-Laws
1961-1998			172
1999	6 months	0	53
2001	12 months	2	49
2007	18 months	0	59
2010	18 months	0	54
1999-2012	54 months	2	215

Figure B.5 display the Political Timeline in Bolivia during the Morales regime, while Figure B.6 shows the Petroleum Sector Timeline during the same period. I can observe a significant concentration of power after the re-election of Morales in 2010 when the ruling party Movement for Socialism Party (MAS) obtained super-majorities in both chambers of the Bolivian Plurinational Legislative Assembly (PLA). Moreover, I did not notice drastic changes in the Bolivian hydrocarbon policy after the nationalization decree in 2006. Before the nationalization decree, the Bolivian state did not own nor control the gas industry (i.e., no access to petroleum resources).

From 2006 on, the Bolivian state owns the gas industry without controlling it, in the presence of salient regional elites in petroleum-rich regions (i.e., partial access to petroleum resources). In contrast with Bolivia, Venezuela's severe hydrocarbon policy instability suggests that executive constraints on petroleum policies deteriorated much more drastically in Venezuela than in Bolivia. Moreover, executive constraints in the petroleum sector management are not well captured in the traditional executive constraints indicators of VDEM.

Fiscal Regimes in Bolivia and Venezuela

In Figures 4.13 to 4.15, I observe evidence of a much weaker fiscal regime (i.e., lower budgetary stability and transparency) in Chávez's Venezuela compared to Morales' Bolivia. Evidence suggests that budget stability was substantially higher in Bolivia than in Venezuela. From 2004, Venezuela increased its fiscal deficit and external debt and decreased its liquid foreign assets in terms of GDP, while Bolivia did the opposite. Furthermore, I noticed a drastic decline in the balance of the only institutionalized SWF in Venezuela, the Fund for Macroeconomic Stabilization (see Figure 4.16). In contrast, the Bolivian SWF, the Fund for the Productive Industrial Revolution (FINPRO), was created in 2012 with USD 1.2 Billion, and its balance is publicly available since the Bolivian Central Bank manages it.

Regarding transparency, evidence also suggests that Bolivia performed better than Venezuela. The implicit tax of inflation was significantly higher in Venezuela than in Bolivia between 2004 and 2013 (see Figure 4.17). The Linaburg-Maduell Transparency indicators rank selected SWFs. I noticed that the Venezuelan Macroeconomic Stabilization Fund (FEM) ranked the lowest transparency score worldwide. Unfortunately, Linabuerg-Maduell does not rank FINPRO, the Bolivian SWF.

However, I notice low levels of transparency in the national budgets of both countries.



Banco Central de Bolivia (2014), Banco Central de Venezuela (2014) (as cited in Kronick (2014))

Figure 4.13: Bolivia vs. Venezuela Public Sector Balance (%GDP)



Banco Central de Bolivia (2014), Banco Central de Venezuela (2014) (as cited in Kronick (2014))

Figure 4.14: Bolivia vs. Venezuela Liquid Foreign Assets $(\% {\rm GDP})$



Banco Central de Bolivia (2014), Banco Central de Venezuela (2014) (as cited in Kronick (2014))

Venezuelan FEM (SWF) Balance (USD millions) Venezuela

Figure 4.15: Bolivia vs. Venezuela Public External Debt (%GDP)

Data from: Banco Central de Venezuela (2014) Figure 4.16: Venezuelan SWF Balance



Banco Central de Bolivia (2014), Banco Central de Venezuela (2014) (as cited in Kronick (2014)) Figure 4.17: Bolivia vs. Venezuela Inflation Rate

According to the Open Budget Survey rankings, Venezuela and Bolivia got the lowest scores in Latin America between 2010 and 2019. Nevertheless, Bolivia's score was the lowest in Latin America in 2008 and increased until 2015. The Venezuelan score remained above the Bolivian average during the Chávez years (2008-2012) and drastically decreased after the death of Chávez. I can notice the evolution of the Open Budget Survey Scores for both countries between 2010 and 2019 in Figure 4.18 and Figure 4.19. The drastic weakening of the fiscal regime in Venezuela explains the more severe deterioration of executive constraints in this country compared to Bolivia.


How has the transparency score for Bolivia changed over time?

Figure 4.18: Bolivian Open Budget Survey Score

How has the transparency score for Venezuela changed over time?



Data from Open Budget Survey (2019b)

Figure 4.19: Venezuelan Open Budget Survey Score

4.3.3 Theory-Guided Process Tracing

I employ a theory-guided variant of process tracing and apply it in an extensive process. Extensive processes connect a cause and outcome through one or more intervening variables. Therefore, the 'TGPT of extensive processes identifies the theoretically relevant events given the hypothesized connecting intervening variables' (Falleti, 2016). I construct an explicit sequence of intervening variables or events (and causal mechanisms) that constitute the process of interest. Since I carry out a TGPT of an extensive process, this method requires specifying relevant causal factors (e.g., access to petroleum resources) and the intervening variables that connect them to outcomes (i.e., weakening of executive constraints).

In line with my theoretical framework, Table 4.3 shows the petroleum access variable in my case studies:

Access Type	State Ownership	State Control	Regional Cleavages	Cases
No Access	No	No	Yes	Bolivia 1994-2006
Low Partial	Yes	No	Yes	Bolivia from 2006
High Partial	Yes	No	No	Venezuela 1976-2003
Full Access	Yes	Yes	No	Venezuela from 2003

Table 4.3: Petroleum Access in Bolivia and Venezuela

I noticed a transition in Bolivia from no executive access to oil and gas resources to low partial access as soon as Morales took office in 2006. Furthermore, Venezuela transitioned from high partial access to full access when the government took control of PDVSA in 2003.

Finally, Table 4.4 show the controls employed in my case study:

Table 4.4: Case Study Controls

Controls	Venezuela 2003-2012	Bolivia 2006-2013
Oil Prices	High	High
Ideology	Foro de Sao Paulo Left	Foro de Sao Paulo Left
Region	Latin America	Latin America

4.4 Case Study: Venezuela

4.4.1 An autonomous NOC before the Chávez Regime

Petróleos de Venezuela Sociedad Anónima (PDVSA), the Venezuelan NOC, was founded in 1976. The Venezuelan government executes its monopoly rights over hydrocarbon activities through the Ministry of Energy and Petroleum (MEP) and PDVSA. According to my theoretical framework, the executive has full access to oil and gas in this ownership structure since the state owns and controls the hydrocarbon industry. As a result, regional elites were not historically relevant in Venezuela.

Nevertheless, the nationalization of the oil industry kept both the former management and structure of the International Oil Companies (IOCs) through three independent and autonomous operating units. Hence, Venezuela was an exceptional case in which there was a de facto independence between PDVSA and the MEP, and before 2000 clashes between both organizations over production levels and prices were common (Mares et al., 2007).

Therefore, even though the president of Venezuela could formally appoint loyalists as directors of PDVSA, the executive could not influence the business decisions of the operating units. Luong and Weinthal (2010) described the divergence in interests between the Venezuelan NOC and state bureaucrats, resulting in high transaction costs. This divergence of interests implied that the executive only had partial access to oil and gas resources through its NOC.

In the 1990s, PDVSA needed large investments to increase production, and the government faced fiscal difficulties. Therefore, the Venezuelan government designed a policy to open the oil sector to private operators using a contractual framework that provided credibility against government expropriations. It employed PDVSA and its foreign assets to guarantee and offer implicit lower taxes. This process was called Apertura (i.e., opening in Spanish). Apertura was very successful since private investment and oil production substantially increased in the extra-heavy oil fields through Joint Ventures (JVs), where PDVSA had minority stakes. The average daily production of PDVSA and its JVs reached its peak in 1998. The Apertura JVs implied a change in the ownership structures towards private ownership and no state control in the newly established JVs (i.e., no access to oil and gas resources in the extra-heavy oil fields).

4.4.2 Beginning of Chávez regime: 1999-2003

1999-2003 marked the beginning of the Chávez regime and occurred during low international oil prices and with partial access of the executive to Venezuela's petroleum reserves. The main events during this period included the election of a constituent assembly which overrepresented Chavismo due to gerrymandering, the approval of a new constitution that expanded the powers of the president, and the approval of two enabling laws and decree-laws that dismissed corporate and civil society groups, and the subsequent polarization and civil unrest. The period included national strikes, protests, a failed coup d' état against Chávez in 2002, and a second failed attempt to remove Chávez from office through a national strike in 2003. PDVSA management was characterized by leadership instability as Chávez attempted to rein in the NOC. The executive seized control of PDVSA after the failed national strike to remove Chávez from office in 2003, paving the way for the executive's full access to oil and gas resources.

Drafting a new constitution

Hugo Chávez won the presidential elections in December 1998 and formally took office in February 1999. Despite winning the presidential elections, the Chavista parties performed poorly in the parliamentary elections of 1998. Pro-Chávez political parties held a minority of seats in the Senate and the Chamber of Deputies of Congress. Chávez ran on an antiestablishment platform and intended to approve a new constitution through a referendum. Chavista coalition members of parliament were overrepresented in the National Constituent Assembly (NCA) due to new electoral rules that brought about gerrymandering. Constitutional changes significantly increased the concentration of presidential power. Changes included the abolition of the Senate and the approval of a unicameral National Assembly (NA), the prohibition of public funding for political organizations (including political parties), and the presidential ability to promote military officers without parliamentary consent. In addition, the new constitution increased the presidential term limit from five to six years, with the possibility of one immediate reelection. Consequently, the Venezuelan President could rule for a longer continuous period (12 years) than any other Latin American president (Spiller et al., 2011).

The 1999 Constitution also expanded the Delegated Decree Authority (DDA) powers of the Venezuelan president. "DDA is a constitutionally provided power permitting the Legislature to grant the executive authority to change the nation's status quo by promulgating decrees with the force of law (Mohan, 2011). In the case of Venezuela, these laws are called 'leyes habilitantes' (i.e., enabling laws). Decrees approved with the force of law in Venezuela are called *decretos-leyes (i.e., decree-laws)*.

The previous 1961 Venezuelan Constitution limited the DDA powers to economic and financial matters. In contrast, the new Venezuelan constitution expanded the scope and powers of the DDA to all areas of society (Mohan, 2011). Hugo Chávez passed more decreelaws through enabling laws than any other Venezuelan president during the previous 40 years of the democratic regime.

Regarding access to petroleum resources, the new constitution of Venezuela established that all oil and hydrocarbon reserves within Venezuela are owned by Venezuela, not by the firms that discovered such resources. Moreover, state ownership of natural resources has always been the norm in Venezuela. Under the new constitution, the government must retain exclusive ownership of PDVSA.

Newly Elected National Assembly

From 2000 on, Venezuela was no longer classified as a free country by Freedom House. It ranked the country as partially free between 2000 and 2016, while Geddes et al. (2014a) classified Venezuela as a personalist regime from 2000. Hugo Chávez got re-elected for a new presidential term (2000-2006) in July 2000, and governors and mayors were elected for four years (2000-2004). In the NA elections, The Chavista coalition parties obtained a qualified majority of 3/5, allowing them to pass most laws, including enabling laws.

The NA approved a new enabling law in November 2000 to rule on economic matters. The enabling law lasted for one year. Hugo Chávez employed this enabling law to enact 49 laws by decree within November 2001. These laws were passed within weeks of the expiration of the enabling Law (December 2001), without public deliberation in the NA and traditional consultations with corporate groups, such as Venezuela's main labor union Venezuelan Confederation of Workers (CTV) and the main business union Venezuelan Federation of Chambers of Commerce and Production (FEDECAMARAS). Particularly, three decree-laws were rejected by FEDECAMARAS: the new fishing law, the new agrarian reform law, and a new Organic Law of Hydrocarbons (HOL).

Organic Law of Hydrocarbons and attempts to control PDVSA

The newly enacted HOL in 2001 aimed at increasing state participation in oil joint ventures and associations. Thus the opposition saw this law as an attempt by Chávez to violate the autonomy of PDVSA. PDVSA management opposed this law as well. The new HOL ended the Apertura process of the 1990s and aimed at increasing state control of oil activities (i.e., access to petroleum resources). This law explicitly allows private investors across all oil activities, except for upstream activities. As a result, investors could only participate through (JVs) for upstream activities, where PDVSA had a majority stake.

Furthermore, only PDVSA could commercialize and export crude oil. Moreover, disputes between investors and the government had to be settled based on domestic law and domestic courts, dismissing international arbitration (as was the case with the Apertura projects). Finally, the new law increased royalty rates and established three additional oil taxes. Based on the new HOL, the government could take unilateral decisions that significantly impact investments' profitability. For example, a presidential decree grants the right to carry out upstream activities. The government could withdraw the right to produce oil from any JV whenever the operators fail to comply with their obligations. Hence, the new HOL did not provide a stable legal framework to investors, and the government had greater leverage to negotiate or renegotiate contracts (Monaldi et al., 2021). Nevertheless, the government initially insisted that the law did not retroactively apply to existing Apertura contracts but only to future ones.

Even though the president of Venezuela had the power to name the president of PDVSA legally, an informal rule allowed the NOC president to be selected among its managerial elite (Mares et al., 2007). From the beginning of his government, Chávez rejected the idea of an autonomous PDVSA. The government's intentions to control PDVSA resulted in leadership instability between 1999 and 2003. From 1999 and 2002, PDVSA had seven presidents, while the (MEP) only had three ministers. This generated resistance among PDVSA employees. This resistance was one of the causes of the failed April 2002 coup and the general strike between December 2002 and February 2003.

Civil Unrest, Failed Coup d' état, and General Strike

The laws approved in 2000 unleashed a reaction from interest groups, civil society, and the church against the government. The first massive protests against the government broke out in December 2001, when FEDECAMARAS called for a national strike of 12 hours. In April 2002, FEDECAMARAS, CTV, civil society organizations, and traditional political parties called for a national general strike and protests. I argue that this period is when interest groups played the most prominent role in constraining the executive. Hugo Chávez was briefly removed from power on April 11th, 2002, by a FEDECAMARAS leader and a military faction. Nevertheless, Hugo Chávez was put back in the office by the military in less than 48 hours.

Judicialization of Politics

"The period 1999-2004 was characterized by an increasing judicialization of politics, beginning with establishing a renovated Supreme Court under the 1999 Constitution and finishing with Chávez's survival of the August 2004 recall referendum and the approval of the new Supreme Court" (Sanchez Urribarri, 2011).In 2002, ten Supreme Court members sided with the government and ten with the opposition. However, the two chambers in charge of the most overtly politicized issues (the newly created Constitutional Chamber and the Political Administrative Chamber) were in the government's hands. The Constitutional Court even declared the suspension of some of the controversial decree-laws enacted by Chavez in December 2001, such as the Decree-Law on Land and Agrarian Development. The most controversial decision was the acquittal of the military offices involved in the April 2002 coup.

4.4.3 Chávez Regime between 2003 and 2013

Full Access to Venezuela's oil resources

After failing negotiations and increasing polarization, the main coalition of opposition parties (Coordinadora Democrática) carried out a new national strike in December 2002. On this occasion, workers and managers of PDVSA joined the strike. Nevertheless, after two months, this attempt to force the president's resignation failed. As a result, the government took control of PDVSA and fired more than 18,000 (40%) of its workers in 2003.

The most important changes experienced by PDVSA after the dismissal of its 18,000 workers were the explicit social role that the firm must play and an increase in its opacity. Rafael Ramírez had been the head of the MEP since 2002 and a leftist party loyal to Chávez. In December 2004, Ramírez also became the president of PDVSA, indicating the end of the

NOC's independence. For the first time in Venezuelan history, the president of PDVSA was also the MEP head.

Therefore, the transaction costs for the executive drastically decreased after the end of the autonomy of PDVSA, in a polity in which regional elites are irrelevant in petroleumproducing regions. Therefore, from 2003 until today, the executive has had full access to Venezuela's hydrocarbon resources. In February 2003, the government implemented foreign exchange and price controls. In a petrostate where the state generates the most foreign currency, foreign exchange controls allow the executive to employ foreign exchange access and overvalued currency as a political patronage tool. The year 2003 marked the beginning of the oil boom in Venezuela due to a spike in oil prices. This period of the Chávez regime was characterized by increasing state intervention through foreign exchange and price controls, nationalizations, expropriations, and a drastic weakening of executive constraints in Venezuela.

The end of the autonomy of PDVSA enabled Chávez to employ the NOC as a tool of political patronage. Since 2003, PDVSA has played the role of an administrator of social programs and a source of jobs for political loyalty. PDVSA never recovered its level of oil production reached before the national oil strike.

The victory of Chávez in the Recall Referendum

The next plan of the opposition to remove Chávez from office consisted of collecting signatures to trigger a recall referendum (a new instrument to remove elected officials in the 1999 Constitution). In March 2004, Venezuelan National Electoral Council (CNE) ruled that the opposition had collected enough signatures and set the recall referendum's date in August 2004. In late 2003, the government launched a series of social programs called 'Bolivarian Missions. With full access to oil resources, the Bolivarian missions turned Chávez's low approval rating of around 45 percent in 2003 into a 59 percent victory in the August 2004 recall referendum (Corrales and Penfold-Becerra, 2007). In Figure 4.20 We can see the



skyrocketing of general government expenditures in Venezuela after 2003.



Figure 4.20: Venezuelan General Government Expenditures

Packing the Supreme Court

Given the government's lack of hegemony over the Supreme Court decisions, the regime decided to make a judicial reform to prevent the opposition from employing the Court against the government. The judiciary reform did not change the courts' competencies but their composition to ensure politically loyal judges and justices. In May 2004, with an unconstitutional simple majority in the NA (instead of the legally required qualified majority of two-thirds for the approval of organic laws), the Chavista coalition passed the new Organic Law of the Supreme Tribunal of Justice. The law expanded the number of justices from twenty to thirty-two, allowing the Chavista coalition to pack the Court and appoint new loyal judges. In addition, the law allowed for a post hoc annulment of the justice's designation based on several broad criteria carried out and decided by a simple majority of the legislature. As a consequence of the judicial reform, some defiant judges were replaced with an unconstitutional simple majority of the NA. The Venezuelan constitution only allows the removal of judges with a two-thirds majority of the NA.

Having control of the Supreme Court and its Constitutional Chamber, a simple Chavista majority had free rein to approve any legislation without any restrictions. Sanchez Urribarri (2011) showed a decrease in the constitutionalization of law. Since 2004, the Supreme Court of Justice has lost its control to check the executive.

Public List to Punish Political Opponents

In an unexpected and unprecedented political patronage tactic, a team of government supporters made public in a software (Maisanta) the lists of signatures collected against Chávez in April 2004. The Maisanta software contained the personal data of the persons who signed the petition and benefited from the Bolivarian missions. Hsieh et al. (2011) employed matching techniques and showed the negative impact of the Maisanta software on the earnings of households and companies whose shareholders signed petitions to request a recall referendum. Some of the measures to punish the signatories included: dismissal from social programs, refusal to provide government services, dismissal from public sector jobs, banning of private companies from public procurement, heavier taxation on private companies with pro-opposition boards, and restricted access to foreign exchange for these private companies. Therefore, I can conclude that political patronage (clientelism and votebuying) was exacerbated after the government got full access to the oil resources in an oil boom.

Executive Control of Regional Governments and Parliament

The recall referendum's electoral defeat caused erosion of trust in the CNE (the body governing elections). It broke the opposition's cohesion, as the main opposition parties decided to boycott future elections. In October 2004, regional and local elections occurred to elect governors and mayors for 2004-2008. The Chavista candidates won over 22 of the 24 state governorships. The boycott also caused the parliament's complete control by the Chavista coalition parties' for the legislative period 2006-2011. During the 2006 presidential elections, the government employed PDVSA as a tool for its electoral campaign. In December 2006, Chávez was re-elected for 2007-2013.

Use of Extra-Budgetary Funds through PDVSA

The Venezuelan SWF, called Internal Macroeconomic Stabilization Fund (FIEM), was established in 1998 and was given constitutional status in 1999. FIEM collected revenues from excessive oil prices to be spent in times of emergency. The FIEM started to be modified by the Chávez administration in 1999, and four additional reforms of its rules that allowed for a rise in government expenditures occurred until 2003. I can notice the depletion of the FIEM since 2003 (see Figure 4.16). In 2010, after the approval of the last enabling law, the administration of Chávez left the now renamed FEM with barely 3 million USD, down from its peak savings in 2001 (USD 6.2 billion). As of 2019, according to the Linaburg-Maduell Transparency Index from the Sovereign Wealth Fund Institute, the FEM of Venezuela has the lowest transparency score, along with the Brunei Investment Agency, the SWF of Mauritania, and the SWF of Algeria.

PDVSA created the Fund for the Economic and Social Development of the Country (FONDESPA) in May 2004 to promote social expenditures and infrastructure projects. The creation of the FONDESPA marked the beginning of the management of extra-budgetary funds by the Venezuelan NOC. The new PDVSA administrates projects that government agencies traditionally managed. In 2005, President Hugo Chávez approved the Law of Reform of the Central Bank of Venezuela (BCV). According to the new law, oil revenues are transferred to the Central Bank, which might return to PDVSA a portion of these revenues when its international reserves are declared "in surplus" by the government. The surplus is managed by PDVSA for investment social expenditures and transferred to a new fund called

National Development Fund (FONDEN), eliminating the FONDESPA. Therefore, the new Central Bank reform formally channels expenditures through two mechanisms under the executive's direct control and discretion: PDVSA and FONDEN. These expenditures are not subject to parliamentary oversight within the budgetary system framework and avoid mandatory constitutional transfers to regional and local governments.

FONDEN expenditures often begin with the president's approval and are viewed by a board of directors of his closest allies Vera (2015). The systematic and direct transfer of international reserves to FONDEN severely affected Venezuela's external exposure (Vera, 2015). Since 2008, several Joint Chinese-Venezuelan Development Funds have been established. In addition, PDVSA carried out future sales to China and received cash in advance, channeled to the new funds. To this date, no official financial statements of the Chinese-Venezuelan funds have been released.

In 2009, the NA approved a new reform of the BCV. According to the new law, PDVSA could borrow from public financial institutions such as the BCV. PDVSA has been securitizing its financial obligations with the treasury into bonds, and these bonds are transferred back to the BCV. Thus, the new reform allowed the monetization of PDVSA debt by the central bank. Continuous funding of PDVSA has been one of the main causes of expanding the monetary base and accelerated inflation in Venezuela (Vera, 2015).

In addition to FONDESPA (2004), FONDEN (2005), and the Joint Chinese-Venezuelan Fund (2007), the government created additional extra-budgetary funds, such as the Belarus-Venezuela Fund (2007), the Socialist Efficiency Fund (2010), the Lybia-Venezuela Fund (2010), the Syria-Venezuela Fund, the Mao Tse Tung Fund (another Chinese fund created in 2009), the Great Volume and Long-term Fund of China (2010), the National Electric Fund (2010), the Independence Fund (2010), the Bicentenary Productive Socialist Fund (2010), and the Miranda Fund (2010). Additional funds created by PDVSA include the Che Guevara Special Fund, Petrobond Fund, Special Fund for People's Power, Simón Bolívar Reconstruction Fund, Social Fund for Business of Socialist Production, and Sowing and

Public Works Fund. In many cases, the only publicly available information about the funds was released on national TV by Chavez himself. Therefore, full executive access to oil and gas resources led to a weak fiscal regime in Venezuela.

Fiscal Opacity of PDVSA and the Government

PDVSA was used to report its financial statements to the US Securities and Exchange Commission (SEC) until 2003. In 2006, PDVSA formally left the SEC regime, and there has been increasing opacity in its financial statements. According to Mares et al. (2007), the documents released by PDVSA since then are not directly comparable to the financial statements presented to the SEC. The Venezuelan government made its last annual report to the US SEC in 2013. After this year, the only information on oil resources and revenues regularly published by the Venezuelan government is the basket price of Venezuela's oil (Villasmil, 2017).

The Venezuelan government also dropped the mandatory consultations under Article IV of the IMF in 2004. The stipulated date for completing the next consultation was September 5, 2005. To this date, Venezuela is the country with the largest delay in the completion of Article IV Consultations or Mandatory Financial Stability Assessments over 18 months. According to the Open Budget Survey published by the International Budget Partnership, Venezuelan budget transparency was among the lowest ones in the world between 2009 and 2013.

The decline of independent media

Besides the Organic Law of Telecommunications sanctioned in 2000, the NA enacted The Law for Social Responsibility in December 2004. This law banned broadcasting material that incites or promotes hatred and violence and caused the self-censorship of independent media. The government reformed the law in 2010 to include the Internet. In 2005, the NA passed a reform of the penal code that expanded the desacato (insult) law, which makes

it illegal to be "disrespectful" to public officials. Furthermore, the National Commission of Telecommunications (CONATEL) employed the 2000 Organic Law of Communications to refuse to renew the oldest TV Channel's license in Venezuela: Radio Caracas Televisión (RCTV). This refusal forced RCTV to shut down its operations in Venezuela in May 2007.

Third Enabling Law

In January 2007, a new enabling law passed by the NA authorized Hugo Chávez to rule by decree for eighteen months (until August 2008). The Chávez regime started implementing the "Socialism of the 21st Century" and deepening the Bolivarian Revolution in 2007. In a similar modus operandi as in November 2000, the President passed 26 decree-laws during the last minutes of the enabling law period in August 2008, without formal consultation with relevant interest groups. Most of these laws increased the role of the state in economic sectors. The executive passed a total of 65 decree laws. They include nationalizations of the Apertura Projects of the 1990s, the Telecommunications Sector, the steel industry, electricity, and the cement and construction sector.

Expropriations and nationalizations in the Oil Industry

In 2004, the government began to change the Apertura contracts' terms by increasing the royalty rates. In 2015 and 2016, the government income taxes on the Apertura projects. Furthermore, in 2016 the NA reformed the HOL to declare the illegality of the Apertura projects, forcing the private partners of PDVSA to comply with the existing HOL and become minority shareholders in new JVs (PDVSA owns 51% of the shares in each JV). Companies that did not accept the new contract terms, such as Exxon and Conoco, were fully nationalized with offers of book value compensation much lower than the market value (Hernandez and Monaldi, 2016).

The HOL reform allowed the government to select partners in JVs through a direct assignment with the Council of Ministers' approval (Hernandez and Monaldi, 2016). Hence,

the government has mostly allocated oil production blocks in a discretionary way, and many partners do not have the relevant or technical experience required (Monaldi et al., 2021). Hence, from 2006 the Venezuelan executive expanded its access to oil and gas resources.

In 2009, the government expropriated over sixty private oil service contractors by executive decree due to a month-long dispute between PDVSA and oil services companies demanding payments for their services. In 2011, Chávez passed a decree-law to implement the most significant change in the fiscal oil regime: the Windfall Price Tax (WPT). According to the WPT law, a tax is levied on the differences between the two prices when oil prices exceed the Budget Act's price. The WPT is channeled into the FONDEN.

The Venezuelan government deliberately underestimated the budget law's oil price approved by the NA's Chavista majority, implying a higher tax rate for JVs and PDVSA during the oil boom. On top of that, the WPT law allows the MEP to have total discretion to issue WPT waivers to certain exports based on Venezuela's economic and foreign policy objectives and through the lifetime of investment projects, with little transparency for investors. Additional taxes that affected the oil sector were created in 2010 and 2011. The WPT substantially increased government revenues. In 2008, off-budget revenues represented around 53% of government revenues, while in 2012, they represented around 65%. The government reformed the WPT law in 2013, but the government did not significantly increase its take as oil prices started to collapse in 2014. Finally, the Venezuelan government formally denounced the International Centre for Settlement of Investment Disputes (ICSID) and withdrew from its arbitration panel in 2012. The government has also denounced the Netherlands-Venezuela Bilateral Investment Treaty (BIT), which many investors have used to reach international jurisdiction (Monaldi et al., 2021).

The increasing role of PDVSA in non-oil activities

Since the creation of Bolivarian Missions (i.e., social programs) before the recall referendum in 2004, the Chavista PDVSA became a development agency or ministry within the Chávez regime, as The Venezuelan NOC has been increasing its non-oil activities. Moreover, the Venezuelan NOC has been employed to transfer resources to communes. Part of the PDVSA staff has been deployed to support social and economic programs approved by the government. Social programs included healthcare, job creation, education, and subsidized food imports and distribution. Furthermore, the government heavily subsidized domestic gas and fuel consumption.

The link between PDVSA and social programs fueled clientelism. For instance, a temporary job employment program promoted by PDVSA is directly tied to the participants of the social programs. According to the latest financial report of PDVSA to the SEC, in 2004, around two-thirds of the NOC budget was employed to support non-petroleum activities (Mares et al., 2007). In a nutshell, I observe a clear causal mechanism between the full access to oil and gas resources and the weakening of its fiscal regime and executive constraints in Venezuela between 2003 and 2013. Moreover, Hugo Chávez encouraged the fusion of several pro-government parties (including MVR) and founded the United Socialist Party of Venezuela (United Socialist Party of Venezuela (PSUV)) in 2007. PSUV became the main pro-government party until the present day.

Implementation of constitutional reform by non-democratic means

In August 2007, Hugo Chavez proposed an amendment of 33 articles of the Venezuelan 1999 Constitution. His main objective was to consolidate a socialist state in Venezuela, and the Chavista NA proposed 36 additional amendments to the Constitution. Constitutional reform proposals included the elimination of term limits for elected officials (including the President), prohibition of foreign funding for political associations, end of the autonomy of the central bank, direct democracy, and the construction of socialism through communal councils, and the power of the executive to establish new administrative divisions based on communes.

In December 2007, the constitutional reform referendum was narrowly defeated, marking

the first electoral defeat of Hugo Chávez. Hence, voters became the only check to the executive. Even though the government lost the constitutional reform referendum in 2007, the executive passed several previously defeated amendments through new laws and an additional reform referendum.

The executive eliminated by law some of the administrative competencies of both state and local governments, especially those governments controlled by the opposition, after the 2008 regional elections. In November 2008, President Chávez proposed a constitutional amendment to abolish term limits, even though the people rejected this reform in the 2007 referendum. This reform was approved in a referendum held in February 2009. Even though the electorate also rejected the State's organization through communal councils, the government founded the People's Ministry for Communes and Social Protection. The executive implemented social spending and other projects through communal councils approved by the new ministry to supersede the roles of elected mayors and municipal councils. PDVSA funded these additional expenditures.

In 2009, the NA also passed the Organic Law of Electoral Processes due to the government's electoral performance decline. This law modifies electoral districts (i.e., gerrymandering) to anticipate eventual defeat in the NA. The PSUV lost its qualified majority of two-thirds and three-fifths to pass a new enabling law after the parliamentary elections in September 2010.

Last Enabling Law

In December 2010 (one month before the new NA period started in January 2011), the second NA passed a new enabling law for 18 months. The third enabling law approved under the 1999 constitution expired a few months before the eventual presidential elections in 2012. Twenty decree-laws were enacted within one month, including some of the already rejected constitutional reforms in 2007. For instance, the executive passed three laws governing the communal councils. None of these laws requires the councils to elect their representatives in competitive elections (Corrales, 2015).

Moreover, the government passed the "Law for the Defense of Political Sovereignty and National Self-Determination' in December 2010, which blocks human rights defenders from receiving international assistance and prohibits NGOs' international funding. Furthermore, this law allows the expulsion of foreigners invited to Venezuela by NGOs whenever they express opinions that offend the State's institutions and top officials or attack Venezuela's sovereignty. To avoid the government coalition representatives defecting and voting against their party lines during the legislative period of 2011-2016, the NA passed a law that banned representatives from any conduct that departs from the "political orientation and positions' adopted by their party during the election time.

The government strengthened its control over the economy with the "Law of Fair Costs and Prices", which institutionalized price controls. This law has been employed to justify the suppression of the private sector. Before his death, Chávez passed 224 laws by decree thanks to the enabling laws. In June 2011, Hugo Chavez was diagnosed with cancer. Nevertheless, but opted for reelection for the period 2013-2019. Hugo Chávez won his second re-election in October 2012, and national public expenditures skyrocketed that year.

4.5 Case Study: Bolivia

4.5.1 Privatized Oil Industry before Morales

Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), the Bolivian NOC, was founded in 1936. Bolivia remained a marginal player in the oil and gas industry until the 1990s when governments enacted laws to liberalize the sector. In 1990, the government enacted a new petroleum code to attract FDI in the sector. As happened in Venezuela, YPFB became a partner in JVs with IOCs. However, natural gas production stagnated and even declined.

In 1996, a new Hydrocarbon Law split YPFB into three companies, turning the control of YPFB's major assets over to private companies.YPFB only has a supervisory role, while

CEU eTD Collection

the IOCs operate and manage oil and gas activities. Therefore, between 1996 and 2006, the Bolivian executive did not have access to its oil and gas resources, as the state did not own or control the petroleum industry. Additional efforts to attract foreign capital included lowering royalties and tax rates for the gas industry.

In 2003, a controversial gas pipeline was proposed to export Bolivian natural gas through Chile due to historical animosities between both countries. Consequently, mass protests broke out (i.e., called Gas Wars), and the incumbent president Sánchez de Lozada was forced to resign. In October 2003, President Carlos Mesa took office and was pressed to enact a new Hydrocarbons Law.

In May 2004, a consultative referendum occurred to ask the Bolivians whether Congress should repeal the 1996 Hydrocarbons Law and whether the State should collect at least 50 percent of the taxes and revenues from the hydrocarbon sector. An overwhelming majority of Bolivians voted in favor of repealing the law. As a result, the government passed a new Hydrocarbons Law in 2005. The new law created the Direct Tax on Hydrocarbons (IDH), raising petroleum royalties to fifty percent. Therefore, from 2004, Bolivia transitioned to a state ownership model without controlling its petroleum industry (i.e., partial access to oil and gas resources).

In September 2005, the Bolivian president approved the bylaws of YPFB, which guarantees departmental representation of petroleum-producing regions in the directory of the NOC. According to the bylaws of YPFB, its executive president is appointed by the Bolivian president, and its board has ten directors with the right to vote for two years with one reelection. Moreover, four of the YPFB directors are appointed by experts appointed by the prefectures of the hydrocarbon producing regions, and the labor union of the NOC appoints one director. In contrast, five are jointly appointed by the Ministries of Hydrocarbons, Finance, Economic Development, and the Presidency. The absolute majority makes decisions. Moreover, the Vice-presidency of Operations is located in the Eastern Department of Santa Cruz. Furthermore, if another department becomes an oil and gas producer, it has the right to appoint its director.

Hence, I can argue that the Bolivian executive could not control YPFB to the same extent that Chávez controlled PDVSA since the regional elites of the oil and gas producing regions have a voice and vote in the decisions of YPFB, assuring that the interests of the NOC are not completely aligned with those of the Bolivian executive. Moreover, I can infer from the massive protests in 2003, the consultative referendum in 2004, and the high societal expectations that the Bolivian society had on the state to redistribute a fair share of its gas revenues to Bolivians. At this time, regional political elites did not demand autonomy or more favorable redistribution of resource revenues in petroleum-rich regions.

In sum, I can contrast the situation of Venezuela with Bolivia. Bolivia temporarily transitioned to a model without executive access to its petroleum resources in the 1990s. However, in 2003, massive protests demanding a greater redistribution of resource revenues forced the executive to retake ownership of the oil and gas sector (i.e., partial access to hydrocarbon resources). Venezuela also had partial access to oil and gas resources before 2003. However, while the Venezuelan NOC directly controlled its oil production, the Bolivian NOC had only a supervisory role. In addition, oil-producing departments were represented in the directory of YPFB, implying that cleavages were salient in Bolivian petroleum-producing regions. Therefore, President Morales could never credibly have full access to Bolivian oil and gas resources, as Chávez did in Venezuela.

4.5.2 Greater executive access to gas resources under Morales

In contrast to Chávez, Evo Morales's first year in power occurred in the context of high natural gas prices and after Bolivia had become a major exporter of natural gas to Argentina and Brazil. Moreover, the referendum results over the nationalization and taxation of natural gas resources gave Morales a popular mandate to gain greater access to Bolivia's hydrocarbon resources. Therefore, the government of Morales issued a presidential supreme decree to nationalize the natural gas sector in May 2006. The nationalization of natural gas mainly involved a dramatic rise in the taxation of existing fields. Furthermore, the nationalization decree required the IOCs to convert their Bolivian operations into minority partnerships with YPFB. As a result, all private energy companies signed the new contracts. As a result, IOCs deliver oil and gas production to YPFB and the Bolivian NOC undertakes commercialization and supervision of petroleum and derived products production.

After the nationalization decree, fiscal revenues derived from natural gas substantially increased. The nationalization decree became the main legal framework to characterize the hydrocarbon policies under Evo Morales. However, this administration did not implement additional hydrocarbon policies such as new taxes, nationalizations, takeovers, or regulations. As a result, IOCs have operational autonomy under the new legal framework. Although the nationalization of natural gas increased executive access to oil and gas through greater ownership of the sector, YPFB did not control Bolivia's gas resources. Hence, the executive still had low partial access to its petroleum resources during Morales's presidency. In contrast, the nationalization of JVs in Venezuela during the Chávez regime and the executive control of PDVSA gave the government full access to Venezuelan petroleum resources.

4.5.3 The Bolivian National Constituent Assembly

Evo Morales won the presidential elections in December 2005 and took office in January 2006. In contrast to the Venezuelan PSUV party, Morales' party, the MAS, was constituted by several social movements, among them the one led by Evo Morales (the Confederation of Workers of Cochabamba). Furthermore, Morales was not a founding member of MAS. Following a similar strategy as the Hugo Chávez government, the new government of Morales intended to convene an NCA to draft a new constitution.

MAS won most seats in the Chamber of Deputies but was a minority party in the Senate. One of the main differences between Morales and Venezuela was the relative strength of the opposition in Bolivia. The opposition and the incumbent struggled over the rules to approve the new constitution during the first three years of Morales's office. The previous Bolivian constitution required a law to be passed to convene a constituent assembly. Morales proposed a similar electoral rule as Chávez to over-represent MAS in the new constituent assembly (Corrales, 2018).

Nevertheless, the legislature quickly blocked Morales's plans. It was reluctant to pass the law proposed by Morales and passed a new law that established provisions to ensure proportionality for the elections of the NCA representatives. As Corrales (2018) claimed, the Bolivian electoral system had the opposite effects in Venezuela in 1999: it made it almost impossible for any single party to obtain a 2/3 majority to control the National Constituent Assembly, providing the opposition with veto power.

The elections for the assembly were held in July 2006 and resulted in 53 percent of the seats allotted to MAS, far from the votes necessary to control the constituent process. The veto power of the opposition in the constituent assembly was a major difference between Bolivia under Morales and Venezuela under Chávez.

Furthermore, The Bolivian opposition was concentrated in the Eastern Media Luna departments (Beni, Pando, Santa Cruz, Tarija), wealthier than the national average and where most petroleum fields are located. The autonomist claims included the regional management of natural resources, the right for each department to retain two-thirds of the provincial tax income, and the authority to enact internal policies (Corrales, 2018).

In July 2006, a referendum asked Bolivians whether the new constitution should include autonomy. Despite being rejected by 58% of Bolivians, voters in the Media Luna departments approved the proposal. Hence, the opposition from the gas-rich Eastern departments in Bolivia limits executive access to hydrocarbon resources during the government of Evo Morales.

Morales pursued a similar strategy as Chávez in Venezuela. On September 1, 2006, MAS delegates in the Constituent Assembly unilaterally replaced the two-thirds majority rule with a simple majority to pass the articles in the constitution. Moreover, MAS representatives attempted to make the Constituent Assembly displace other checks on its powers (i.e.,

Congress and the Supreme Court).

Nevertheless, the Bolivian opposition opposed Morales organizing protests, strikes, and blockades of major roads between September 2006 and July 2007. These protests were concentrated in the Eastern departments and included demands for autonomy. In February 2007, Morales accepted the two-thirds rule but included a provision in which non-consensus articles were subjected to a popular referendum (Corrales, 2018). Morales decided to break the blockade and exclude the opposition by transferring the Constituent Assembly to his regional stronghold in the Chapare Department in November 2007.

The first constitutional draft was approved in December in Oruro (the capital of El Chapare Province). It expanded presidential powers in a similar way to Venezuela's 1999 Constitution: the president could initiate constitutional amendments and reforms, could promote and ratify military appointments, reduction of judicial checks, and the state control over the economy expanded. Moreover, attempts to demand regional autonomy were classified as treason.

In February 2008, MAS delegates approved a law calling for a referendum on the constitutional draft of El Chapare and land reform, excluding the opposition. Furthermore, Morales tried to co-opt the eastern (i.e., governors) with a new universal pension fund (i.e., Renta Dignidad) financed with the IDH and channel 70 percent of the IDH to the departments. However, the opposition rejected the constitutional draft and organized mass protests nationwide. The Eastern prefects (i.e., governors) called for civil disobedience and even issued unilateral declarations of autonomy and held illegal autonomy referendums in May and June 2008.

With the support of Congress, Morales approved a law to enact recall referendums against the president, the vice-president, and eight of the nine prefects in August 2008. Morales won the referendum, and two of the opposition prefects were recalled. Therefore, the president suspended negotiations with the prefects and approved a constitutional referendum date by decree. The prefects of the Eastern Departments of Santa Cruz, Beni, and Pando survived in office after the recall referendums and declared roadblocks and even threatened to cut off gas supplies to Argentina. After 19 people were killed in the Pando Department in September 2008, a special committee was formed to review the constitutional draft approved in Oruro in December 2007. Opposition parties held a majority representation in this committee.

In October 2008, Morales agreed to concessions to the opposition over the constitutional draft. The most important concession was his decision not to seek re-election in 2014 (he broke his promise). Around a quarter of the articles of the constitutional draft were amended by the new committee. The amendments included expanding the number of senators from each department, departmental autonomy, and a two-thirds majority of votes in Congress rather than a simple majority to make future amendments to the constitution. Moreover, amendments included limitations of the land reform to land purchases made after the approval of the constitution (this eased the fears of Eastern lowlands' large landholders). In turn, the opposition agreed to hold a referendum over land reform to limit landholdings.

The new constitution also established an 11 percent petroleum royalty collected from the hydrocarbon producing departments and allotted to such departments, benefiting the Eastern region. The hydrocarbon producer royalty was another executive concession to the opposition. The constitutional draft was approved via referendum in January 2009, even though the Media Luna (Eastern lowlands) region rejected it. In addition, the vast majority of Bolivians (80 percent) approved limiting landholdings to 5,000 hectares. Negretto (2013) argued that the new Bolivian constitution negligibly changed presidential powers.

A unique feature of the new Bolivian constitutional is the popular election of judges to the high courts of justice and the Judicial Council (i.e., the governing body that oversees the judicial system), making Bolivia the only country to hold judicial elections. However, the preselection of candidates is reserved for the PLA, which should evaluate the merits of the candidates and appoint them by a two-thirds majority. The period of the Justices lasted six years, and the constitution prohibited the electoral campaign of justices and their reelection. An important difference between the Venezuelan constitution approved during the Chávez regime lies in the legality of expanding power and the scope of the enabling laws (i.e., DDA). The Bolivian Constitution does not allow enabling laws, while the Venezuelan one does.

4.5.4 Differences between the types of oil nationalizations

In contrast to Venezuela under Chávez, the Bolivian state has relied on IOCs to extract most natural gas and mineral deposits, unlike PDVSA in Venezuela. The reliance on IOCs located in opposition strongholds placed stronger constraints on Morales than Chávez, along with the representation of the Eastern Departments in the directory of YPFB. I noticed that political cleavages in petroleum-producing regions in Bolivia were effective veto players, limiting executive access to natural gas resources. Evidence to support my claim is the Eastern political elites' ability to credibly threaten to cut off natural gas supplies, block important regional roads and organize mass protests, and force the executive to make significant concessions in the constitutional draft.

In contrast to the discretionary and unpredictability of policies under Chávez in Venezuela, Bolivian policies did not drastically change the executive access to natural gas resources. Policies such as oil taxation have not changed after nationalizing natural gas. The nationalization decree of Evo Morales did not change the fiscal and supervisory role of YPFB. In contrast, the nationalization of Apertura Projects in Venezuela in 2007 transferred shares and operational control to PDVSA. Moreover, the government of Chávez occasionally modified and increased oil taxation, as was evidenced by the WPT and the additional oil taxes enacted by the executive decrees. Finally, PDVSA substantially expanded its non-oil activities and became a parallel Ministry of Social Development and a parallel Ministry of Finance, while Bolivia's YPFB focused on its commercial role.

Hence, although the Bolivian government gained greater access to its oil and gas resources after the nationalization decree in 2006, it was never close to Chávez's access to the Venezuelan hydrocarbon resources. As a result, the Bolivian government continued to rely on IOCs to extract its oil and gas resources, and petroleum revenues had to be redistributed to oil and gas producing departments (unlike in Venezuela). Furthermore, traditionally opposition-controlled oil-and-gas-producing departments appoint YPFB directors, increasing transparency and accountability in the Bolivian NOC.

4.5.5 Re-election of Evo Morales and Control of the Legislative

General elections occurred in Bolivia under the new constitution in December 2009. Evo Morales won the elections by a landslide, and MAS obtained super-majorities in both legislative chambers. During the first legislative period (2006-2009), opposition parties were allowed to participate in legislative drafts on petroleum contracts and mining, while from 2009, MAS introduced autocratic legislation to undermine checks and balances (i.e., autocratic legalism) as in Venezuela. As in Venezuela, in Figure 4.21 we can observe the substantial rise of Bolivian general government expenditures after the nationalization decree. Moreover, Figure 4.22 shows the surge in public expenditures per capita between 2006 and 2009, which greatly explains the electoral performance of MAS during the petroleum boom.



Data from The World Bank (2014)

Figure 4.21: Bolivian General Government Expenditures





Figure 4.22: Bolivian Public Expenditures Expenditures per capita

Co-optation of Media Outlets and NGOs

In 2013, the PLA passed a law (Law no. 351). The granting of legal status to civil society organizations is regulated via a presidential decree, encouraging self-censorship from NGOs. Law no. 351 results in the self-censorship of NGOs. Bolivian Law No. 351 resembles the Venezuelan anti-NGO Law of 2011. As happened in Venezuela, Bolivia under Morales implemented a campaign for editorial control of key mass media outlets. According to (Sánchez-Sibony, 2021), several newspapers turned into pro-government outlets after their purchase by business leaders with ties to the ruling party. The MAS government established several parastatal outlets, including TV channels and newspapers. These outlets received a large advertisement from the government and were bought by MAS-friendly business leaders (Sánchez-Sibony, 2021).

In another resemblance to Venezuelan under Chávez, Morales introduced legislation that limited journalistic freedom. One of the tools was implementing the Desacato (Defamation) crime (article 162 of the Penal Code). This law was approved under the military dictatorship in 1972 but was never enforced under democratic regimes. Between 2006 and 2012, the Bolivian government rendered the law operative and brought forward defamation charges against 21 opposition politicians and citizens (Sánchez-Sibony, 2021).

Nevertheless, after pressure from international organizations and opposition, the Constitutional Tribunal of Bolivia declared the unconstitutional anti-defamation article of the Penal Code in 2012. The Anti-Racism Law passed in 2010 also limited journalistic freedom, similar to the aforementioned anti-defamation law (Sánchez-Sibony, 2021). However, the government of Morales did not shut down TV channels such as RCTV in Venezuela in 2007. Instead, its strategy of Morales relied more on the co-optation of private media rather than the suppression of existing outlets.

Capturing the Judiciary through legislative super-majorities

As stated by Sánchez-Sibony (2021), the ruling coalition attempted to capture the judiciary in 2006. The early tactics included mounting pressure and discrediting judges that spawned several resignations in the national high courts (i.e., the Constitutional Tribunal and the Supreme Court). In addition, the government initiated impeachment processes against judges of the Supreme Court of Justice, the Constitutional Tribunal, and the Judiciary Council.

In 2010, just at the beginning of the new legislative period (2010-2015), the MAS dominated PLA passed a law that allowed Morales to appoint justices to the vacant seats of the Supreme Tribunal, the Constitutional Tribunal, and the Judiciary Council for a provisional period until the first judicial elections occurred in 2011. From 2010 on, MAS gained de facto control of the newly named Supreme Tribunal of Justice (Sánchez-Sibony, 2021), as Chávez did in Venezuela in 2004.

Since MAS enjoyed supermajorities in two legislative periods (i.e., 2010-2015 and 2015-2020), the ruling party controlled the preselection of high court justices and politicized it. The MAS leadership provided its deputies and senators with a preselected list of judicial candidates to be voted in a block, privileging partial loyalty over qualifications and merits (Sánchez-Sibony, 2021), which led to an opposition boycott of the elections. According to Driscoll et al. (2015), the new high court justices were extremely underqualified and captured by the executive.

I noticed a similar process to Venezuela's during Chavismo, where legislative supermajorities allowed the incumbent to capture the judiciary. However, the judicial capture in Venezuela during 2004 occurred under an unconstitutional simple majority vote in the NA. In Bolivia's case, it occurred after the MAS enjoyed legislative super-majorities (more than two-thirds) in both chambers of Congress. Both governments captured the judiciary under high approval ratings during the oil boom.

The Role of Social Movements in Bolivia

Weak political parties have characterized Bolivia, but a strong civil society too. The ruling coalition party MAS is a social movement-based political party that effectively constrains leadership autonomy (Anria, 2018). Anria (2018) claimed that the MAS leadership could not control the social movements through co-optation. In December 2010, after being reelected and with majorities in both chambers of the new PLA, Morales attempted to reduce the fuel subsidies by enacting a national increase in its price of more than seventy percent. This policy sparked protests across the country, led by the National Association of Auto Drivers, the opposition, and the Bolivian Worker's Confederation. Therefore, three days later (on December 31st), the government abolished the fuel increase decree.

In August 2011, the government of Evo Morales announced the construction of a national road to connect the Western department of Cochabamba with the Eastern department of Beni through an indigenous reservation and national park called Isiboro Secure National Park and Indigenous Territory (TIPNI). The event sparked protests led by Indigenous, environmental organizations, and the Confederation of Bolivian Workers. The protests lasted for more than a year, and the Bolivian government had to suspend this infrastructure project. Furthermore, the events led to the resignation of Defense, Interior, and Deputy Interior ministers.

Between 2010 and 2016, several social movements challenged the government and forced the ruler to backtrack on key items of social policy (Anria, 2018). In July 2015, the Regional Civic Committee of Potosi blocked access to La Paz for more than a month, demanding the construction of infrastructure projects in the region of Potosí. Miners, teachers, university professors, and workers constituted the Regional Civic Committee. Therefore, I can notice that the range of consultation in Bolivia increased between 2006 and 2015 and later decreased. However, in Venezuela, the range of consultation suffered a continuous decline during the Chávez regime.

Anria (2018) claims that the strength of Bolivian social movements lies in Bolivia's indigenous and communal traditions and its strong trade unions. The strength of social movements constraining Morales and the MAS leadership contrasts with Venezuela's high personalist ruling coalition party (PSUV). Being a military himself, PSUV is highly cohesive and hierarchical and was never a veto player constraining its leadership. While Chávez's initiative created PSUV in 2007, Morales and his coca growers association joined the MAS in 1997, two years after its foundation. Therefore, the MAS party effectively constrained Morales while Chávez designed and effectively controlled the PSUV party.

Unlimited presidential re-elections

As part of the compromise between Morales and the opposition, the Bolivian president promised not to run for re-election as the main concession to the opposition's approval of the new constitutional draft. Therefore, the constitution of 2009 limited presidential reelection to a two-term limit, with a retroactive character.

However, the newly elected Plurinational Constitutional Tribunal in 2013 ruled that the retroactive clause of the constitution was general and subject to being further developed by parliamentary deliberation (Sánchez-Sibony, 2021). Due to the MAS super-majorities in both chambers of Congress, in 2013, the legislature passed a law that allowed for the

re-election of Evo Morales in 2014.

Morales was re-elected for a second time in the presidential elections of 2014. On top of that, the MAS kept the two-thirds supermajority in both chambers of Congress from 2014to 2019. Using a similar strategy to Chávez in 2009, the Bolivian government convened a referendum to lift the constitutional restriction on presidential re-election in February 2016. In contrast to Venezuela, the majority of Bolivians rejected the constitutional reform.

Nevertheless, in 2017 the MAS applied to the Plurinational Constitutional Tribunal to abolish term limits. The newly elected constitutional tribunal suspended the articles of the constitution that prohibited two consecutive reelections, arguing that such articles violated the Interamerican Convention of Human Rights and granting thus the right to Evo Morales to run for third re-election in 2019.

Uneven Electoral Playing Field

From the beginning of the Morales administration, his government captured the electoral management body, the Bolivian National Electoral Tribunal (TNE), previously called Bolivian National Electoral Court (NEC), under the previous constitution. Between 2006 and 2009, the tactics resembled those aimed at capturing the judiciary. The TNE and the previous NEC consist of seven members: six appointed by parliament and one by the executive.

The ruling coalition supermajorities in Congress have allowed MAS to capture the TNE since 2010. Evidence showing the TNE's bias toward the government includes its decision to suspend the Union Democrática opposition party for the regional elections in the Eastern department of Beni in 2015 on the grounds of disseminating an unauthorized poll (Sánchez-Sibony, 2021).

Moreover, as in Venezuela, the TNE did not punish MAS's breach of electoral laws. For instance, the incumbent has been allowed to proselytize with public resources, and the local MAS municipalities that lost have been deprived of executive funding. These practices resemble those of Hugo Chávez in Venezuela, in which opposition regional governments were deprived of funding and replaced by government-appointed authorities and communes. The first round of the presidential elections held in October 2019 evidence of the TNE's bias, in which election fraud claims triggered mass protests nationwide that led to the resignation of Evo Morales in November.

Economic Policy under Morales

Although Morales' administration expanded the state's role in the economy by increasing royalties from foreign oil and mining companies, private property was protected by the government, and the government practiced fiscal discipline. The Minister of Economic and Public Finance, Luis Arce, Morales' economic policy architect, kept his job during the entire term. This economic cabinet stability contrasts with the instability of the economic cabinet positions in Venezuela (except for the president of PDVSA, Rafael Ramírez).

I can notice a hike in international reserves, from USD 1.7 billion in 2005 to USD 15.1 billion in 2014 (when the oil boom ended), making Bolivia one of the largest international reserves as a percentage of GDP worldwide (around 40 percent of nominal GDP). Bolivian annual inflation rate has been consistently below 5 percent on average during Morales's term, while the Venezuelan inflation rate averaged under Chávez was above 20 percent annually.

Moreover, Bolivia managed to appreciate its domestic currency in 2011 and kept a stable and freely fixed exchange rate. Instead, Venezuela's currency has plummeted. The Venezuelan government implemented capital controls with an overvalued exchange rate to stifle the private sector and reward loyal business people with affordable access to hard currency, incentivizing corruption scandals involving over-invoicing imports.

Bolivia's low inflation rate and high international reserves as a percentage of GDP reflected monetary policy stability and respect for the central bank's autonomy (unlike Venezuela under Chávez). Regarding fiscal policy, Bolivia was running budget surpluses every year between 2006 and 2014. Hence, the public sector's debt fell from 83 percent of

GDP in 2003 to 26 percent in 2014. Instead, Venezuela ran fiscal deficits every year between 2005 and 2013, accumulating debt even as government revenues increased during the oil boom.

The Morales government created the SWF FINPRO (Fund for the Productive Industrial Revolution) in 2012. The FINPRO is managed as a trust by the autonomous Bolivian Central Bank, a striking difference from the Venezuelan funds. The FINPRO was established with an initial USD 600 million from the international reserves and increased to USD 1.7 billion in 2016. The purpose of the Bolivian SWF is to fund industrialization projects throughout the country through credits to State-Owned Enterprises.

The prudent fiscal policies allowed Bolivia to run deficits and implement counter-cyclical economic policies when the oil boom ended, and the economic growth rate slowed down. In contrast, Venezuela experienced the largest economic depression in contemporary history after 2014. Moreover, I can also observe differences in the nationalization processes. Bolivian government nationalized key industries but settled its differences with international investors. In contrast, in 2014, the Venezuelan government became the state with the most pending cases in the International Centre for Settlement of Investment Disputes (ICSID). Nevertheless, Bolivia denounced the ICSID in 2007, becoming the first country to withdraw from the ICSID Convention, while Venezuela withdrew from the ICSID in 2012.

The denunciation of the ICSID implied that foreign investment disputes are now settled in domestic courts, except for those protected by Bilateral Investment Treaties (BITs). After passing a law regulating foreign direct investment at the end of the oil boom, Bolivia denounced all its BITs. In 2008, Venezuela denounced the Venezuela-Netherlands BIT since many nationalized IOCs were protected under this treaty. The Venezuelan government signed new BITs with its new allies: Cuba (2004), Belarus (2008), Vietnam (2009), Russia (2009), Iran (2016), and Palestine (2016).

One of the key differences is observed in the implementation of land reform in both countries. The new Bolivian constitution prohibited the ownership of more than 5,000 hectares of land. In practice, the Bolivian government expropriated a few landholdings and distanced from the radical landholdings expropriation carried out in Venezuela during Chávez. In addition, the government of Bolivia established alliances with the private sector in the Eastern lowlands to promote agroindustrial and agricultural exports.

4.6 Contrasting Event-History Maps

In line with Waldner (2015), I show Bolivia and Venezuela event-history maps to represent the unit-level causal effects. In contrast with the abstract historical representation in the causal graph of Figure 4.1, the event-history map shows singular events and does not represent a joint probability distribution. Following the depiction of event-history maps of Bolivia and Venezuela, I verify whether the evidence about the events supports the event-history maps as a concrete historical representation of the abstract node in the causal graph (Waldner, 2015). Finally, I will depict the sequence triggered by both countries' independent variables (access to oil wealth) and the dependent variable (executive constraints).

4.6.1 Venezuelan Event-History Map

Regarding the Venezuelan case shown in Figure 4.23, I noticed that the change in the ownership structure of the oil industry took place when Chávez took full control of PDVSA after the failed oil strike in 2003. Consequently, transaction costs within the oil industry management declined as the regulator (i.e., the Ministry of Energy) collided with the NOC to manage the oil sector discretionarily. Evidence of the collusion between the industry regulator and the head of the NOC was the appointment of Rafael Ramirez as both President of PDVSA and Minister of Energy between 2004 and 2014.

The end of autonomy of PDVSA encouraged the emergence of a weak fiscal regime. Evidence of a weak fiscal regime included the employment of PDVSA as a patronage tool and administrator of social programs during the Chávez regime, increasing opacity in managing oil revenues. This opacity included the disposal of extra-budgetary funds and substantial increases in government expenditures (including PDVSA involvement in non-commercial expenditures). The massive increase in government expenditures allowed the regime to gain popular support (i.e., absorption of voters), which allowed Chávez to win the recall referendum in 2004. Moreover, the executive gained control of the NA after the opposition boycotted the legislative elections, resulting in weak executive constraints.

Evidence of weak executive constraints included the volatility of policies in the oil sector (e.g., new taxes, nationalizations), the executive capture of the Central Bank of Venezuela, the latter two enabling laws passed by the NA, and the constitutional reforms by nondemocratic means, even after the people rejected such reforms in 2007. Nevertheless, an additional critical juncture not explained by the oil industry's control was the enactment of the Supreme Court Law in May 2004 by an unconstitutional simple majority in the NA. The new Supreme Court law allowed the executive to pack the court and eliminate the judicial constraints on the executive as an effective veto player. In addition, the government capture of the Supreme Court of Justice allowed the government to pass all laws without restrictions, including the constitutional reform rejected by the referendum and other laws that violated the Venezuelan constitution.


Figure 4.23: Event-History Map in Venezuela 2003-2012

4.6.2 Bolivian Event-History Maps



Figure 4.24: Event-History Map in Bolivia 2006-2009



Figure 4.25: Event-History Map in Bolivia 2010-2013

Bolivian effects of oil wealth during the government of Evo Morales can be divided into two periods: an initial period between 2006 and 2009 depicted in Figure 4.24, and a latter period afterward shown in Figure 4.25. During the first period, the government of Morales faced a robust opposition with great cohesion, concentrated on the Eastern departments. We notice that despite the high societal demands for the distribution of oil revenues and nationalization of the oil industry, the government of Morales could not take full control of the oil and gas industry after the nationalization decree in 2006. Evidence of partial and not full control of the industry includes the supervisory role of YPFB instead of directly exploiting Bolivian natural gas fields and the continuation of exploitation activities by IOCs. In addition, political cleavages in the Eastern regions managed to obtain veto power on the board of directors of YPFB.

The government of Morales attempted to suppress the regional cleavages through transfers (e.g., social programs and expenditures) to the Eastern Departments and by suppressing the regional autonomy demands in the National Constituent Assembly. Nevertheless, after mass protests in the Eastern regions and the cohesion of the opposition, the government failed to control the National Constituent Assembly and had to make concessions in the new Bolivian constitutional draft that reflected strong executive constraints. These concessions included the formal departmental autonomies in the new Bolivian constitution, the non-retroactive implementation of the land reform that would affect Eastern landholders, and a promise of Morales not to run for re-election. The new Bolivian constitution did not drastically increase presidential powers, as with the new Venezuelan constitution. Moreover, the Bolivian government kept a relatively strong fiscal regime, even though public revenues and expenditures increased after the nationalization decree. Hence, executive constraints remained relatively strong in Bolivia between 2006 and 2009.

In contrast to the first period, the second period of Morales looks more similar to the case of Venezuela under Chávez since the high approval ratings of Morales, greatly explained by the natural gas boom and drastic rise in general government expenditures, allowed the ruling party MAS to obtain supermajorities in both chambers of the PLA. In the PLA, MAS deputies and senators appointed loyalist judges to the Supreme Court, suppressing the judicial constraints on the executive power as happened in Venezuela under the Supreme Court Law passed in 2004. In addition, the MAS-controlled PLA would enact laws that promoted media and NGO censorship and an uneven electoral playing field under the executive control of the TNE. These laws furthered eroded executive constraints, as in Venezuela under the NA controlled by Chávez. Moreover, the capture of the Supreme Court and the MAS supermajority in the PLA allowed Morales to abolish term limits for his presidency, as Chávez did.

Nevertheless, an exogenous variable not affected by oil wealth mitigated the erosion of executive constraints in Bolivia: the social movements. Many of these social movements were regional and issue-specific, such as those that protested in Potosi for better infrastructure projects and those led by indigenous communities blocking the regional road around the TIPNI indigenous territory and national park. Furthermore, national protests against fuel hikes in December 2010 forced the executive to backtrack and cancel the slash of gasoline

subsidies. Social movements also played a vital role in the mass protests that led to the resignation of Evo Morales in 2019. In contrast with Venezuela, the executive did not control the ruling party, but social movements did.

In sum, I observed in Bolivia that regional cleavages in oil-producing regions limited the executive access to oil and gas resources and checked on the power of Morales. If regional cleavages and strong social movements did not exist, the magnitude of the erosion of executive constraints in Bolivia would have been similar to those in Venezuela. Moreover, the dependency of the Bolivian executive on the IOCs to exploit its oil fields further limited executive access to petroleum resources, unlike Venezuela after the oil nationalizations of the Apertura projects in 2007. I confirm my hypothesis since, in two comparable cases, I observed that the executive's full access to petroleum resources weakened executive constraints by a greater magnitude than partial access to such resources.

4.7 Conclusions

Few authors have studied the impact of natural resources on political constraints on the executive. This research paper aims to assess the effects of executive access to petroleum resources on executive constraints. I defined access to petroleum resources by the executive as the ability of leaders to extract and allocate petroleum resources unchecked. Thus, access to oil and gas is determined by the ownership and control of the oil industry and relevant political actors in oil-rich regions. I hypothesized that greater executive access to oil and gas resources leads to weaker executive constraints.

To test my hypothesis, I employed theory-guided process tracing and a counterfactual spatial comparison, in which I compared a state with full executive access to oil and gas resources (i.e., Venezuela under Chávez between 2003 and 2013) with another one with partial executive access to petroleum deposits (i.e., Bolivia under Morales between 2006 and 2013). I found that, as expected, greater access to oil and gas resources by the executive in Venezuela through the total control of PDVSA caused a drastic deterioration in political constraints on the executive due to a weaker fiscal regime. In contrast, the Bolivian leader during the same period did not have full access to its oil and gas resources, forcing the government to pursue a stable oil policy after the nationalization of the oil industry in 2006 that allowed private companies to exploit natural gas fields. Furthermore, the Bolivian leader was forced to compromise with the oil-rich Bolivian Eastern Region opposition and had to backtrack many of his policies due to the resistance of regional social movements. Therefore, the exogenous variation of executive access to petroleum resources due to different geographic conditions suggests the importance of my independent variable in explaining changes in terms of institutional outcomes.

My results suggest that non-tax revenues such as petroleum have heterogeneous effects on institutional outcomes (i.e., fiscal regimes and executive constraints), contingent on the executive's access to its oil and gas resources. When rulers have full access to oil and gas resources, they develop institutions that protect, to a lesser extent, property rights (e.g., autonomous judiciary), co-opt relevant political actors, and allow for increasing discretionary expenditures without accountability. It is paradoxical that developing a state's capacity to exploit oil and gas fields directly (i.e., own and control the oil industry) fosters worse institutional outcomes in the absence of cleavages in oil-rich regions. Therefore, not all enhancements in state capacity lead to better governance in oil-rich states. Hence, further research is needed to study the links between state capacity, regionalism, and executive constraints. In addition, future studies should explore the conditions under which regional and social movements become effective veto players in resource-rich states.

Chapter 5

Conclusions

This dissertation analyzed one underresearched aspect of the political resource curse: the effects of petroleum on executive constraints. I defined executive constraints as collective veto players whose consensus is needed to implement public policies. In the first paper, I reported the average effects of oil wealth on executive constraints such as the legislature, the judiciary, the media, the public deliberation institutions, the political parties, and the core cabinet members in a panel of countries between 1965 and 2016, according to different regime types. I found that oil wealth does not affect executive constraints in democratic regimes. Furthermore, oil wealth negatively affects judicial constraints across authoritarian regimes. Contrary to my expectations, oil wealth increases party institutionalization in military regimes. Furthermore, the relative experience of core cabinet members (i.e., my proxy for personalism) is negatively affected in civilian and military dictatorships.

The lower experience of core cabinet members in civilian and military dictatorships suggests that oil wealth allows an authoritarian leader to suppress potential rivals within the ruling coalition in such regimes. These results contribute to the findings of Nyrup (2019), which suggest that higher relative experience of core cabinet members (i.e., internal constraints) in authoritarian regimes of oil-rich states does not enhance economic growth. Further research should explore whether the internal executive constraints enhance economic growth in different authoritarian regimes and the causal mechanisms behind higher cabinet rotation in civilian and military dictatorships, but not in absolutist monarchies. My results suggest that the leader can substantially suppress the opposition in these civilian and military dictatorships and rotate its coalition partners without facing lower economic growth.

In addition, the deterioration of judicial constraints in authoritarian regimes as oil wealth increases in authoritarian regimes could explain the increasing use of international arbitration mechanisms to protect the property rights of international investors in the petroleum sector of such states. Moreover, the negative effects on the judiciary are more pronounced in civilian dictatorships than in other authoritarian regimes. My findings could also partly explain the economic resource curse, as private investors do not find protection of their property rights in the non-petroleum sector by an autonomous judiciary, preventing the diversification of the economy away from natural resources.

The positive effect of oil wealth on party institutionalization in military regimes is a puzzling result. Hence, researchers should study the role of political parties in oil-rich military regimes. It is also puzzling not to find evidence of oil deteriorating legislative constraints in authoritarian regimes since Wright (2008), and Gandhi and Przeworski (2007) found evidence that increasing oil wealth decreases the likelihood of a binding legislature in nondemocracies. Moreover, the null effects of oil on media freedom do not support the results of Egorov et al. (2009), who found that media freedom decreased when oil revenues increased in Russia.

In the second paper, I described the flaws of the existing indices of political constraints, arguing that these indices only capture veto players relevant to liberal democracies and that they usually cofound the concept of executive constraints with the concept of democracy. In addition, I estimated a formative index of political constraints that addresses these flaws with the employment of Principal Component Analysis and the aggregation of the collective veto players studied in the first paper: the legislature, the judiciary, the media, the public deliberation institutions, the political parties, and the core cabinet members, for 168 countries between 1965 and 2016. My principal component index is highly correlated with the traditional indices of executive constraints employed in the literature. Moreover, I illustrated the limitations of traditional indices of executive constraints in four political regimes where there is ample evidence of democratic erosion: Bolivia under Evo Morales, Venezuela under Hugo Chávez, and Nicolás Maduro, Russia under Vladimir Putin, and Hungary under Viktor Orbán. While my PCA captured a declining trend in executive constraints in these four countries, traditional indicators display much lower variation in the strength of executive constraints in such regimes. Hence, my PCA index better captures variations in executive constraints in authoritarian and illiberal regimes.

In the third paper, I studied two cases to explore potential causal channels behind the deterioration of executive constraints in two countries with similar regimes in terms of ideological orientation during the oil boom of 2004-2016: Bolivia under Evo Morales and Venezuela under Hugo Chávez. I argued that a key intervening variable is behind the results in these two cases: the executive's access to oil and gas resources. I defined access to petroleum resources by the executive as the ability of leaders to extract and allocate petroleum resources unchecked. Thus, access to oil and gas is determined by the ownership and control of the oil industry and relevant political actors in oil-rich regions. Finally, my results contributed to the findings of Luong and Weinthal (2010), who argued that the oil industry ownership structures were a causal mechanism behind the oil resource curse.

Nevertheless, ownership structures are endogenous to political institutions, making it harder to draw causal conclusions from the findings of Luong and Weinthal (2010). Hence, I exploit the exogenous variation in geography and regional cleavages in Bolivia and Venezuela to study the impact of petroleum access in these countries. Moreover, this research defined full executive access to petroleum resources when the state owns and controls the petroleum sector and when regional political elites in oil-producing regions are ineffective veto players. At the same time, partial access to petroleum resources occurs when regional elites in oilproducing regions are salient or/and when the private sector controls petroleum production.

After employing a counterfeit counterfactual analysis with process tracing, I found that greater executive access to petroleum resources in Venezuela through the total control of its NOC caused a more severe weakening of executive constraints than in Bolivia, where the ruler had partial access natural to gas resources. The partial access in Bolivia is explained exogenously by the geographic divide in Bolivia, as the vast majority of its oil and gas resources and its salient regional cleavages are concentrated on the Eastern side of the Andes Mountains range. Regionalism in Eastern Bolivia might explain Morales's policy concessions (i.e., stronger executive constraints) to regional political elites. In addition, the nationalization of petroleum resources differed in both countries in terms of ownership structures created since, in Bolivia, international oil companies kept operational activities of natural gas fields after the nationalization decree. At the same time, in Venezuela, the executive eliminated the autonomy of the NOC and took operational control of oil and gas fields. Moreover, oil-producing departments are represented in the board of directories of the Bolivian NOC, showing an intertwining of state ownership and regionalism. Finally, private control of the Bolivian petroleum industry could explain the policy stability and the relatively strong fiscal regime in this country, compared to Venezuela, where state control of the sector gave the executive much greater discretion in oil policies.

Therefore, the results taken together suggest that although petroleum wealth explains the deterioration of executive constraints in authoritarian regimes, such an effect can be offset by lower access to hydrocarbons by rulers. As demonstrated, executive access to such hydrocarbon resources plays an important role in countries' development paths and whether resource-rich countries are prone to the resource curse. However, I found a paradox that greater state capacity in terms of oil exploitation could foster worse institutional outcomes. In addition, I also found that regional political elites can provide a strong check against the executive. Therefore, further research should explore the links between state capacity and executive constraints and the conditions under which regional political actors become effective veto players in petroleum-rich states. Furthermore, a variable measuring the effectiveness of regional veto players should be constructed and incorporated into future indices of executive constraints.

Appendix A

PCA Index for Selected Years

country	1966	1976	1986	1996	2006	2016
Switzerland	2.676535	3.260721	3.368196	3.582991	3.537869	3.530839
Denmark	2.661586	3.133731	2.887414	2.983923	3.011048	3.474118
Norway	3.359204	3.6805	3.654918	3.432176	3.65307	3.37803
Australia	2.353043	2.751512	2.606712	2.734826	2.466044	3.087789
Sweden	2.695628	2.97062	3.503402	3.446533	2.728728	3.079113
Austria	2.040651	2.213703	2.947236	2.302054	2.525578	3.02813
Netherlands	2.764423	2.913534	3.037553	2.963445	2.944057	2.994775
Belgium	2.551847	2.685433	2.61287	2.756257	2.606227	2.970746
Portugal	-2.244	2.618611	3.049563	2.79985	2.950212	2.96637
Canada	2.241209	2.140259	2.545165	2.548985	2.583437	2.895018
Germany	3.026968	3.329313	3.204734	3.041883	3.69909	2.886651
Finland	2.204448	1.985039	2.980145	2.85808	2.993964	2.878023
Uruguay	1.882737		2.375456	2.805052	2.766448	2.841968
Chile	1.077415			2.435353	3.022761	2.7909
Luxembourg	2.216607	2.650805	2.825563	2.950412	2.506497	2.773527

Table A.1 (continued)

country	1966	1976	1986	1996	2006	2016
Iceland	1.846997	2.028782	1.992382	2.204937	2.818316	2.740875
Estonia				2.088232	2.784849	2.706228
Slovenia				2.062213	2.193227	2.668398
Italy	2.269453	2.820859	3.009146	2.770645	2.870851	2.656106
Ireland	1.695602	1.89549	2.192716	2.480366	2.257477	2.650625
Latvia				1.618139	1.782758	2.477807
New Zealand	2.285367	2.608092	2.129005	2.356207	2.4966	2.426915
Tunisia	-1.20588	-1.49105	-1.52674	-1.58139	-2.10439	2.393056
United States	1.959911	2.524178	2.162127	2.631217	2.227337	2.376685
Romania	-3.02552	-3.41552	-3.61313	0.399322	1.253121	2.353329
Lithuania				1.93264	2.791294	2.34511
Costa Rica	1.779034	1.728868	2.035387	2.163036	2.678612	2.332231
Spain	-2.51756	-1.00452	2.41979	2.513653	2.790464	2.330166
Cyprus	0.638852	0.997383	1.594623	1.846576	2.165895	2.307804
United Kingdom	2.23747	2.827748	2.170671	2.535989	2.443342	2.301311
Czech Republic	-2.29861	-2.42427	-2.30519	2.2454	2.645344	2.279135
Mauritius	1.696219	1.972229	2.425656	2.598572	3.039245	2.236425
Bulgaria	-1.88366	-2.03961	-2.00044	2.114864	2.288259	2.236035
France	1.989684	2.488703	2.209099	2.633999	2.202064	2.230817
Greece	0.455964	2.211299	2.221951	2.942233	2.19307	2.196212
Jamaica	1.015973	1.02804	1.224114	1.681324	2.739618	2.194147
Namibia				1.976121	2.257942	2.191897
Trinidad	0.935123	0.99414	1.562813	1.782458	1.866515	2.159713
Japan	1.973517	2.102052	1.895817	2.16605	2.026446	2.136419

Table A.1 (continued)

country	1966	1976	1986	1996	2006	2016
Taiwan	-2.11667	-1.26743	-1.22578	0.796064	1.875221	2.123867
Ghana				1.063238	1.840237	2.049768
Cabo Verde			-0.03076	1.993067	2.303843	1.84269
Slovak Republic				0.950101	1.784183	1.841937
Indonesia	-1.26419	-1.89772	-2.13765	-2.11201	1.814637	1.821936
Suriname			-0.84905	1.765686	1.596157	1.809399
South Africa	-0.76702	-0.9525	-0.50486	2.223947	1.97324	1.793745
Nepal	-2.13101	-2.42042	-2.16613	0.887181	1.281258	1.767763
Israel	1.257932	1.859026	2.306722	2.419999	2.434797	1.716601
Sao Tome and Principe		-0.9549	-1.31374	1.232399	1.43142	1.690144
Bhutan		-1.18418	-1.23474	-1.22759	-0.53054	1.68624
El Salvador	-1.97364	-2.52821	-1.61106	0.468768	0.839239	1.685522
Botswana		1.794499	2.268983	2.117877	2.136839	1.678702
Poland	-1.51929	-1.64924	-1.53543	2.370184	2.253818	1.670235
Brazil	-1.31678	-1.23773	0.468674	1.634707	2.160723	1.614691
Argentina			1.630049	1.057469	0.95639	1.56572
Senegal	-0.22357	-0.19359	0.416566	0.427911	1.084294	1.561774
Benin		-2.07453	-2.2143	1.35262	1.218194	1.554827
Tanzania	-0.12222	-0.27928	0.908358	1.655196	1.880936	1.458071
Korea, Rep.	-1.36621	-2.36063	-1.75836	1.851556	2.16703	1.403636
Colombia	0.009201	0.151466	-0.16944	0.685915	0.920292	1.39534
Kenya	-0.82703	-1.45682	-1.15196	0.006969	0.869845	1.39039
Croatia				-1.02621	1.533814	1.372717
Georgia				-0.85852	0.460627	1.359334

Table A.1 (continued)

country	1966	1976	1986	1996	2006	2016
Mexico	-1.47111	-1.23345	-1.00289	0.384696	1.52678	1.329316
India	1.427759	-0.09573	1.900416	2.083626	1.987947	1.290353
Malta	0.58098	0.753353	1.261806	1.276966	1.785679	1.172025
Panama	-1.29913	-2.72022	-2.88446	1.208553	1.448336	1.157063
Sri Lanka	1.182745	0.708633	0.037761	0.349064	0.122912	1.143454
Lesotho		-1.58624		0.043422	0.212153	1.110064
Guyana	-0.7567	-1.20627	-0.21205	-0.32976	0.487922	1.09132
Montenegro					1.032397	1.088632
Mongolia	-2.02899	-2.16657	-1.62839	1.651389	1.646525	1.086356
Malawi	-2.11003	-2.40453	-2.56099	1.105487	1.03329	1.086154
Burkina Faso				-0.76835	0.020271	1.078142
Moldova				-0.13451	0.289498	1.058239
Timor-Leste					0.255199	1.052731
Peru	0.634996		0.657907	-2.45889	1.083087	0.987815
Hungary	-2.14234	-1.94022	-1.84341	2.152556	1.935648	0.952674
Guatemala	-1.90645	-1.97876	-0.52654	0.093519	0.347802	0.840119
Nigeria					0.117291	0.828199
Pakistan	-1.57648	-0.75936	-1.52787	-0.25341	0.286798	0.8134
Niger	-1.68163				0.606391	0.797213
Mozambique		-2.5183	-2.73886	-0.10213	0.600537	0.701309
Lebanon	-0.28356	-0.57464	-0.45215	-0.25369	-0.05786	0.633317
Cote d'Ivoire	-1.71496	-1.87735	-2.0069	-0.16287	0.00027	0.603384
Mali	-0.27488		-1.87706	0.799635	0.52877	0.545436
Comoros		-1.85102	-1.78284	-0.14869	0.352985	0.544132

Table A.1 (continued)

country	1966	1976	1986	1996	2006	2016
Libya	-1.55188		-3.82555	-3.63605	-3.85999	0.489411
Singapore	-0.06016	-0.11176	-0.16402	0.362851	0.892265	0.453321
Iraq			-3.11779	-3.56592	0.674213	0.419372
Albania	-2.3799	-2.42849	-1.87715	0.460006	1.213191	0.394471
Liberia	-1.9742	-1.48537	-1.91025	-0.96376	1.424783	0.382589
Zambia	-0.48008	-1.78859	-1.91449	0.617333	1.24931	0.345767
Bosnia and Herzegovina					0.709164	0.312454
Paraguay	-3.04953	-3.16935	-3.13849	0.028591	0.28055	0.282832
Papua New Guinea		0.399887	0.694159	0.580626	0.447811	0.241249
Morocco			-1.4958	-0.77	0.347219	0.232392
Myanmar		-2.88761	-2.88226			0.209757
Uganda	-1.06972		-1.10816	0.508843	0.525734	0.173121
Serbia					1.502962	0.084078
Philippines	0.061999			0.970218	0.352145	0.082751
Afghanistan	-1.92513		-2.15785		-0.24495	0.03518
Kyrgyz Republic				-1.78778	-1.28699	-0.03007
Central African Republic				-0.09428	-0.47149	-0.04141
Kuwait	0.345374			0.010974	0.854408	-0.0511
Guinea-Bissau		-2.32429	-2.46765	-1.03589	0.09696	-0.05194
Malaysia	-0.47459	-0.18063	-0.95666	-1.25237	0.176713	-0.13871
Macedonia, FYR				0.476623	0.952203	-0.16581
Ukraine				-0.25863	0.715773	-0.2256
Bolivia	-2.85945		0.452293	0.695878	0.360185	-0.23252
Fiji		0.192994	0.239307	0.46421		-0.23939

Table A.1 (continued)

country	1966	1976	1986	1996	2006	2016
Gabon	-2.27229	-2.40073	-2.46313	-0.93171	-0.78828	-0.26543
Sierra Leone	-1.09418	-1.80447	-1.51999	-0.61964	-0.04406	-0.29748
Togo	-2.16046		-3.54684	-1.92375	-0.06596	-0.39287
Jordan	-1.02331		-1.74461	-1.24725	-0.68568	-0.47796
Honduras			-0.58544	0.049172	0.305566	-0.51204
Dominican Republic	-2.29117	-2.54749	-0.95933	-1.06365	8.59E-05	-0.5392
Zimbabwe			-0.41661	-0.679	-1.46835	-0.80309
Iran	-2.81609	-3.0282	-1.97945	-1.44742	-0.97175	-0.87038
Maldives	-3.50466	-3.568	-3.68471	-3.87307	-1.84449	-0.88201
Armenia				-0.66958	-1.32112	-0.90412
Madagascar	-1.49756	-2.11897	-2.33313	-0.44924	-0.64937	-0.9242
Haiti	-3.15906	-3.23783		-0.25039	-0.07339	-0.94715
Lao PDR	-1.22245			-1.35822	-1.0092	-1.06695
Guinea	-2.60782	-2.84777		-1.66254	-1.56838	-1.12556
Ecuador			-0.01949	0.130232	-0.05271	-1.19065
Vietnam		-1.6618	-1.54893	-1.32812	-1.31057	-1.23702
Somalia	-0.49539		-3.45919		-1.44563	-1.32576
Mauritania	-1.91219	-2.24324		-1.45869		-1.37612
Turkey	1.020275	1.322891	1.177791	1.688938	1.743057	-1.42253
Algeria			-2.25925	-0.82837	-0.97187	-1.42301
Bangladesh			-1.38206	-0.68555		-1.44119
China	-2.27445	-2.65296	-1.68786	-1.73289	-1.20308	-1.51899
Egypt	-1.97651	-1.37674	-0.75677	-0.90007	-1.13761	-1.60175
Cameroon	-3.12488	-3.31193	-2.69289	-1.6272	-1.65562	-1.67566

Table A.1 (continued)

country	1966	1976	1986	1996	2006	2016
Thailand			-0.5383	0.649356	0.432568	-1.7292
Rwanda	-1.30691		-1.64372	-1.74126	-2.10574	-1.7316
Congo, Dem. Rep.	-2.77774	-3.66067	-3.7236		-0.90554	-1.76081
Congo		-3.19757	-2.84845	0.534708	-1.53606	-1.76565
Ethiopia	-3.40986			-1.9513	-2.25703	-1.83626
Nicaragua	-2.99838	-3.42327	-1.11609	0.889372	0.314962	-1.83958
Angola		-2.62672	-2.76082	-2.35776	-2.00393	-1.86209
Russia				0.099183	-1.20739	-2.03417
Venezuela	1.567327	1.390014	1.39953	1.45176	-1.85271	-2.14616
Chad	-2.2754		-3.46651	-1.93768	-2.25502	-2.19696
Cambodia	-1.56293	-3.92104	-3.1505	-1.60348	-1.84292	-2.21573
Cuba		-2.39982	-2.54184	-2.73547	-2.70605	-2.22932
Kazakhstan				-2.14409	-2.0974	-2.25552
Saudi Arabia	-2.82784	-2.67733	-2.70047	-3.241	-2.01062	-2.26406
Uzbekistan				-2.26712	-2.71469	-2.32529
Gambia, The	-0.85776	-0.27382	-0.61448		-2.38855	-2.36543
United Arab Emirates		-2.71395	-2.66636	-2.34785	-2.04135	-2.39095
Swaziland			-1.96279	-2.5114	-2.42194	-2.4676
Qatar		-2.7447	-2.83654	-2.16783	-2.45429	-2.55088
Belarus				-0.97093	-2.7376	-2.55231
Djibouti			-3.16148	-2.77005	-2.10816	-2.57458
Sudan		-2.64326	-0.52599	-3.2787	-2.49197	-2.61016
Yemen, Rep.			-2.65334	-1.59473	-1.87914	-2.72861
Azerbaijan				-2.1934	-2.26279	-2.80492

Table A.1 (continued)

country	1966	1976	1986	1996	2006	2016
Bahrain					-1.79981	-2.84358
Oman				-3.20756	-3.02652	-2.84935
South Sudan						-2.96051
Tajikistan				-2.4247	-2.33601	-3.02844
Korea, Dem. People's Rep.	-2.73227	-3.32388	-3.37217	-2.65975	-3.5179	-3.08665
Turkmenistan				-2.98287	-3.46657	-3.10268
Equatorial Guinea		-4.27272	-3.19612	-2.88084	-3.05855	-3.16689
Burundi			-1.57528	-0.16286	-0.47584	-3.2993
Syria		-3.05307	-3.35789	-3.29016	-3.0498	-3.74243
Eritrea				-3.05118		

Table A.1: PC Index for selected years

Appendix B

Bolivian and Venezuelan Timelines

CEU eTD Collection

















CEU eTD Collection







CEU eTD Collection









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