The Wrong Kind of Crisis: Why Oil Booms and Busts Rarely Lead to Authoritarian Breakdown*

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Economic crisis has been a central catalyst to Third Wave democratic transitions by contributing to authoritarian breakdown, yet crises in oil-exporting states have generally failed to catalyze such breakdowns, which are a crucial precondition to democratization. This article argues that oil wealth produces two distinct political trajectories, depending on its timing relative to the onset of late development. The dominant trajectory in the oil-exporting world is durable authoritarianism, which has forestalled all but a few regime collapses. And, when the alternate trajectory produces vulnerable authoritarianism, oil-catalyzed authoritarian breakdown tends to generate new authoritarian regimes. I use case materials from Iran and Indonesia during the 1960s and 1970s to illustrate the two oil-based trajectories, and I conduct a broader test of the theory against data for 21 oil-exporting, developing countries, which provides suggestive support for a two-path theory of oil-based authoritarian persistence.

Introduction

A central tenet of democratic transition studies is that authoritarian regimes are more likely to collapse during economic crises (Geddes, 1999a; Haggard and Kaufman, 1995; van de Walle, 2001: 239-241). The logic is that economic crises undercut a regime's political legitimacy, creating a groundswell of dissent that may catalyze authoritarian breakdown. Thus, those economic crises that evolve into political ones hold the potential for regime change.[1] Yet, a close look at the authoritarian breakdowns that led to the Third Wave transitions reveals a suspiciously absent but especially crisis-prone set of states: oil exporters. Even as regimes in oil-rich states have experienced some of the

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harshest economic shocks in the developing world in the last 30 years, few of them have collapsed, and even fewer have undergone transitions to democracy. Some—the Mohammad Reza Shah Pahlavi's Iran stands out—collapsed dramatically. Others, such as Mahathir Mohamad's Malaysia, Mohamed Suharto's Indonesia, Saddam Hussein's Iraq, and Hafez al-Assad's Syria, survived the crises of the 1970s and 1980s. Given the often-theorized effects of oil in producing weak states and fragile regimes, it is surprising that authoritarianism should persist in oil-rich environments where rulers are so likely to confront crises.

Why is stubborn authoritarianism the rule in oil-rich countries, even after severe economic crises? And even when oil-induced economic crises create regime crises, why are authoritarian breakdowns such rare phenomena? This article outlines two major, but very different, long-term political effects that oil wealth can exert on exporting countries. The dominant, but under-theorized, trajectory prevents authoritarian breakdown by adding a layer of patronage rents to already robust regimes that have been forged during earlier years in response to fiscal and political challenges. Regimes like these built deep coalitions independent of oil rents. Others, which have attracted more scholarly attention but which are much less common, are heavily shaped early on by oil revenues and, in such regimes, shallow rent-based coalitions emerge that tend to be vulnerable during crises. I argue that oil wealth tends to produce one of these two political trajectories, depending on its timing relative to "late" development and to the strength of opposition to rulers at the onset of late development.[2] One trajectory results in weak regimes commanding weak institutions. In the other trajectory, oil wealth facilitates building robust regime coalitions and powerful institutions, enabling rulers to ride out oil-induced crises that undercut other governments. That is, robust coalitions rather than repression, patronage, or social disorganization explain how so many oil-rich autocracies survive even severe economic crises. Despite the current lack of an explanation for this trajectory, the strong regime/state path is the more common one in the oil-exporting world, and points to the crucial importance of prior politics in determining the viability of these regimes. The unfortunate reality with these widely different paths is that both trajectories of oil politics tend to sustain authoritarianism regardless economic crises.

Economic Crisis as a Catalyst for Authoritarian Breakdown

By most accounts, there are now two stylized facts in the study of democratization. The first is that democracy is more likely in wealthier countries. The second is that authoritarian regimes are more likely to fall during economic crises. Even though, as Geddes shows (1999b), different types of authoritarian regimes display different levels of vulnerability, all of them are more likely to collapse during crises than at other times. Linz and Stepan (1996) argue that authoritarian regimes are "substantially more" likely to fall during economic crises because they lack the reservoir of legitimacy afforded by the democratic process. Limongi and Przeworski (1994) confirm this cross-nationally for South America. Economically based legitimacy appears to be a central mechanism for durable authoritarianism.

More important, many authoritarian regimes in the developing world have based their legitimacy on their ability to provide stable economic growth through planned development. Lacking the additional legitimacy afforded by democratic politics, it is unsurprising that economic crises undercut autocrats more often than they do democrats. This was apparently truer for the Third Wave transitions than for prior periods: Gasiorowski (1995) finds a strong effect for economic crisis in spurring democratic transition after the early 1970s. In short, economic crises in developing countries have had a robust destabilizing effect on authoritarian regimes, often producing the conditions under which democratic transitions can take place.

Moreover, these crises are characterized both in practice and in analysis by high levels of inflation and low or negative growth. These are two of the most prevalent economic effects of oil-induced crises. The first is common during booms, in which national economies begin to overheat as governments inject windfall revenues beyond the capacity of the economies to absorb them. The second is a near universal condition of the oil bust period of the 1980s.

In addition to the broad empirical observation that authoritarian breakdown is more likely following economic crises, there is a sense among scholars of oil-rich states that it applies as well. Karl (1999: 40-41, emphasis added) asserts that, "the abrupt change in circumstances (of the boom and bust years) severely tested the polities of all exporting countries. While an overabundance of petrodollars sparked new fights over patterns of assignment, scarcity exacerbated any existing tensions that had been kept under control by the distribution of rents. Thus, both booms and busts were especially destabilizing."

Giacomo Luciani (1994) develops an account of how oil busts might create the fiscal stress to compel rentier states to democratize. However, Luciani is more confident of oil-economy fiscal crises catalyzing authoritarian regime collapse than he is of them leading to democratization: "A demand for democracy is one thing, its feasibility something entirely different: democracies may be in demand and yet fail or be derailed" (135). The question remains: Why have oil-driven fiscal-political crises derailed authoritarian breakdowns where other fiscal crises have often generated them?

With these similarities between oil-induced economic crises and others, we should plausibly expect them to produce similar political effects, but they do not appear to. Table 1 summarizes the outcomes of economic crises that spilled over into the political arena in oil-exporting countries. Two things are noteworthy here. First, the boom period was just as politically volatile as the bust period, producing nine regime crises as compared to 11 during the bust. A sudden influx of rents with which to buy support might be expected on the surface to bolster regime stability, but the prevalence of Dutch disease effects in exporting economies produced non-oil sector stagnation and serious inflation in many of them. Second, only five regimes collapsed during the boom and bust years together among 20 regime crises. This suggests that, even during the bust years when patronage rents shrank radically, or nearly disappeared altogether, most of these regimes managed to ride out not just economic turmoil but serious political challenges as well. This simple observation of 21 countries tracks well with Smith's (2004) finding in a panel study of 107 developing countries that oil wealth correlates strongly with increased regime longevity.

Michael Ross' (2001) investigation of the most prominent mechanisms in small-N studies suggests that rent patronage (a rentier effect), extensive coercive apparatuses (a repression effect), and the lack of socioeconomic diversification (a modernization effect) are all possible causes of durable authoritarianism in oil-rich states. As discussed above, the rentier effect does not appear to account for the varying abilities of rulers to ride out the collapse of their patronage resources. Still, repression and/or stunted socioeconomic development might account for this phenomenon.

Eva Bellin (2004) also takes up the repression question and suggests that superpowers are too afraid of oil reserves falling into the hands of Islamist opposition groups to pressure autocrats in oil-rich countries, and that those autocrats can pay for vast repressive apparatuses. Subsequently, the ability and will of rulers to repress contributes to what Bellin (2004) terms the "robustness of authoritarianism." Snyder (1998) contends that the withdrawal of

Table 1
Regime Breakdown and Persistence in Oil-Exporting States

Highly Export-Dependent States	Boom Crisis?	Bust Crisis?	No Crisis?	Regime Breakdown?
Algeria, Angola, Bahrain, Cameroon, Congo (Brazzaville), Ecuador, Egypt, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Mexico, Malaysia, Nigeria, Oman, Saudi Arabia, Syria, Tunisia, UAE (21)	Bahrain, Ecuador, Indonesia, Iran, Libya, Nigeria, Oman, Saudi Arabia, Syria (9)	Algeria, Angola, Congo, Ecuador, Egypt, Gabon, Iraq, Malaysia, Nigeria, Saudi Arabia, Tunisia (11)	Kuwait, Mexico, UAE (3)	Congo, Ecuador, Iran, Nigeria (1979), Nigeria (1983) (5 in 4 countries from 20 crises)

U.S. support from the Shah of Iran was crucial to his downfall. While this was an attractive proposition to American conservatives eager to blame President Jimmy Carter, and to the shah himself, who was eager to blame anyone, there is little to support either the conclusion that U.S. support suddenly declined, or even that American influence was a decisive factor in the regime's collapse (Rubin, 1986; Kurzman, 1992). Moreover, the shah's regime used repression frequently throughout the revolutionary crisis of 1977-1978 and it still collapsed (Kurzman, 1992; Rasler, 1996). The experience of pre-revolutionary Iran suggests that superpower support and a vast oil-funded repressive apparatus cannot necessarily save a regime during crisis. Smith also finds that this contention has strong cross-national support across the oil-exporting world: repression prolongs regimes, but does not account for the strengthening effect that oil wealth has on those regimes (2004: 238-239).

A third explanation might lie in the tendencies toward poorly developed social organizations in oil-exporting states. Luciani's classic statement of rentier state theory outlines how oil wealth can allow rulers to prevent the emergence of independent social classes and groups by tethering society to the state with oil rents (1987: 75-76). This proposition, too, fails to account for the empirical experience of these states. First, as I outline below, Suharto's regime in Indonesia proved as durable as it did, not because the society it ruled was weakly organized, but precisely because it was strongly organized and the regime could draw selectively on those social resources in its early years as it built its own organizations.

Current theories that tie oil wealth to regime longevity do not appear to hold up well when applied to a wider array of oil-exporting countries. In the next section, I develop an argument that grounds the political consequences of oil wealth in a timing-sensitive relationship to late development and political challenges to rulers. This argument rests on the premise that oil's effects depend largely on when regimes gain access to oil rents, not whether they do.

A Theory of Oil-Based Authoritarianism: Oil, Opposition, and Late Development

As noted above, regime crises and collapses in oil-exporting states are clustered within the group of larger countries that have attempted to use oil revenues to accomplish rapid state-sponsored industrialization or "late development." This observation suggests that we ought to think about how oil wealth and late development interact politically. Because committing the government to successful industrialization inherently politicizes development, and because the promises that rulers make during oil booms create lofty expectations, it is plausible to expect late development to affect how oil revenues affect political outcomes. In particular, oil wealth and late development should be important to regime longevity.

The model I develop below suggests that the regimes, which are most vulnerable *vis-à-vis* social forces during the early years of rapid development, seem to be most adept at fending off later challenges. At the onset of late development, access to externally derived revenues such as oil wealth and the strength of organized political opposition create incentives that shape rulers' decisions about how heavily to invest, and how to build political coalitions and state institutions to extract revenues and exert social control. These decisions, and the early political and institutional changes they catalyze, explain the kinds of political trajectories that carry states into boom and bust periods. In short, where oil wealth becomes available only after a difficult consolidation period, it can facilitate, rather than hinder, institutional development and coalition building. This point is a crucial one for the study of oil wealth and politics.

In exporting states that have moved toward late industrial transformation, overall economic performance is crucial to regime survival, especially in countries with large and diverse populations. Average oil reserves per capita in the Gulf monarchies and Iraq in 1973, for instance, were 43 times those of large exporting states such as Algeria, Indonesia, Iran, Nigeria, and Venezuela. Rulers in capital-surplus states can maintain broad rentier distribution policies that would be unsustainable in capital-deficient states.[3] Moreover, the process of mobilizing societies for economic development typically produces social classes tied to state development projects, and the role of the state in creating such classes is particularly pronounced in oil-exporting states (Chaudhry, 1997; Bellin, 2002). As a result, the dynamics of late development are likely to weigh heavily on long-term regime viability.

The initiation of late development is a crucial moment in time for oil-exporting states. Consequently, the availability of oil revenues plays an important role in shaping decisions about how to fund their plans for economic transformation. As scholars of the politics of development have shown, the political exigencies of staying in office are equally important (Migdal, 1988: 206-237; Geddes, 1994; Bates, 1981). The constraints posed by a strong and organized opposition are likely to have a sizeable impact on both coalition and institution building. Accordingly, the model below suggests paradoxically that the regimes that are weakest *vis-à-vis* social forces during the early years of rapid development seem to be most capable of fending off later challenges. I hypothesize that at the onset of rapid development: (1) access to externally derived revenues such as oil wealth and (2) the strength of organized political opposition create incentives for rulers' decisions, which then shape the institutional trajectories that determine the outcomes of later crises.

I presume that leaders would prefer not to make substantial concessions to social groups and, if possible, would prefer to pay them off with easily obtained external revenues such as those from oil exports. I also presume that leaders would rather not take on the political challenge of extracting taxes from their citizens: contra Levi's (1988) revenue-maximizing state, I follow Chaudhry in assuming that politicians would prefer never to have to make bargains with domestic groups that can pay taxes (1997). Only if this option is not available is the more politically costly option of tax-and-concede likely. The structure of the argument and the theorized outcomes are presented in the four hypotheses below:

> *Hypothesis 1*: Where late development begins without significant external revenues, leaders are compelled to make tough decisions oriented toward investing in extractive agencies to raise revenues to pay for development.
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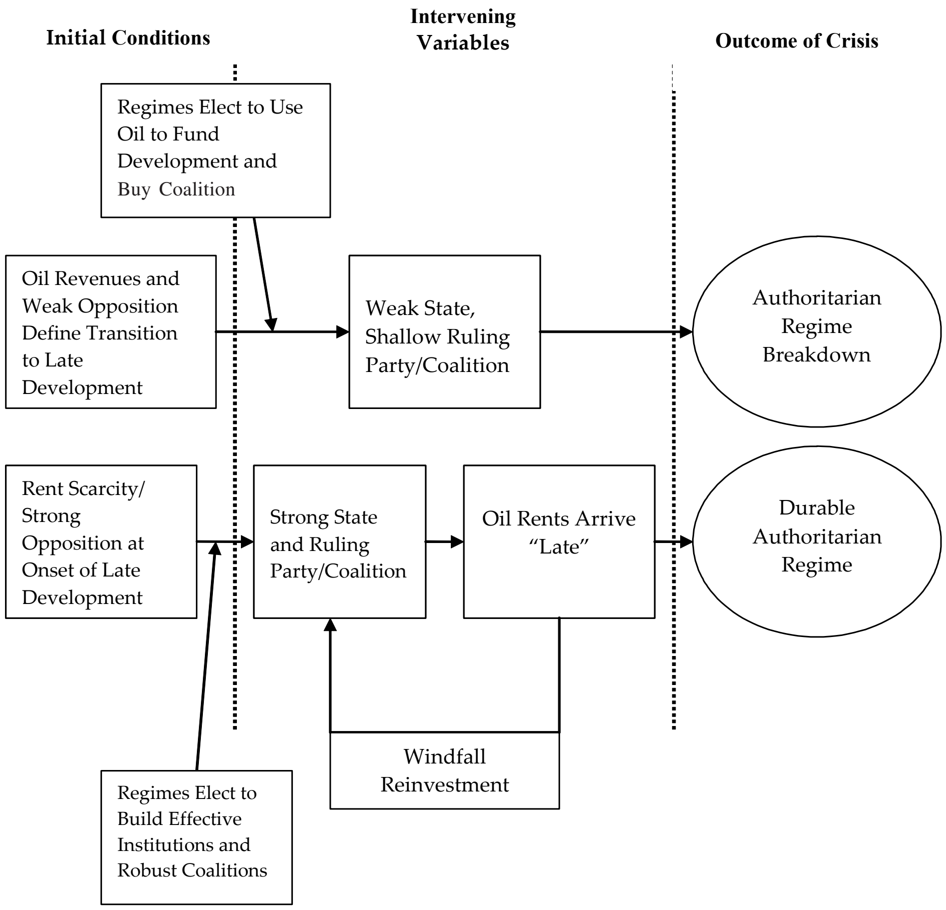
> *Hypothesis 2*: Where late development begins with easy access to oil revenues, leaders confront no necessity for effective extractive institutions. Early decisions are likely to be oriented to shifting the focus of government from extraction toward distribution.
>
> *Hypothesis 3*: Where late development planners confront a well-organized opposition, they are likely to build alliances with powerful social groups and to make significant concessions to them in return for their support.
>
> *Hypothesis 4*: Where late development begins with no organized opposition, state leaders are unlikely to build strong coalitions to support development. Subsequently, disengagement from important social groups is likely to leave regimes with little information about discontent and little ability to foresee it.

These hypotheses reflect likely intermediate or intervening outcomes. They suggest that initial conditions at the onset of late development create political trajectories that shape the institutional resources available to rulers during subsequent crises. When rulers face strong organized opposition and lack access to oil or other rents, they in effect respond to incentives and constraints more characteristic of resource-poor countries. This is an important point, since scholars have generally tended to assign rentier state status retroactively to any country that is currently resource-rich. However, when oil rents do become available to leaders who have had to face political and fiscal scarcity early on, they do not merely change tune and begin to rule as though they have always been rent-rich. On the contrary, they tend to invest late-arriving rents back into the same institutions they had to build earlier, augmenting their abilities to mobilize, extract, and regulate.

These hypotheses suggest two main effects on the robustness of ruling coalitions and on state capacity. Institutions and state-society relations are intervening variables to the outcomes—regime maintenance or failure during crisis and weigh heavily on the dynamics of regime crisis, which are presented in Figure 1. They help to explain the likelihood of regime breakdown. Regimes that faced both fiscal scarcity (low or no rent access) and political challenges (powerful organized opposition) at the onset of late development tended to respond by focusing their early energies on coalition building and on institutional development. When oil rents became important, they became only one resource for regime maintenance rather than constitutive of the regime's base. Conversely, regimes that faced the initially easier task of enacting late development with ample rent revenues and with no such powerfully organized opposition could opt to make rents the basis of regime support, and could avoid domestic extraction by using rents to pay for economic development. Over time, rulers following the latter trajectory found themselves with weakly defined ties to important social groups that dramatically reduced their abilities to "reach into" the opposition during crises.

Figure 1
Oil, Political Trajectories, and the Dynamics of Crisis



Below, I trace the long-term impacts of both decisions and political trajectories on institutional development across three arenas: tax extraction capacity, local governmental development, and the ruling parties. By assessing changes in states' and regimes' ability to (a) extract revenues domestically, (b) extend central control into local settings, and (c) to mobilize supporters within an official political organization, it ought to be possible to illustrate and confirm the proposition that the onset of late development has lasting effects on regime longevity. In the next section, I illustrate how these two hypothesized trajectories took shape in two large oil-exporting states: Indonesia and Iran.

Illustrating Two Oil-Based Political Trajectories: Iran and Indonesia, 1961-1979

In the 1960s and 1970s, Iran and Indonesia exhibited significant similarities in the structures of political rule, economic policy and focus on rapid industrialization, and integration into the world economy. Each country was flooded with oil revenues during the oil boom of the 1970s. Major social protests against authoritarian governments in both countries erupted during economic crises in 1977, suggesting widespread unpopularity and raising the prospect of political liberalization. Yet, by the end of 1979, Suharto's New Order government in Indonesia had reestablished political control and went on to rule for another 20 years, while the Shah of Iran fled into exile and was replaced by the Islamic Republic. Why did these two regimes show such dramatically different abilities to control social opposition?

These regimes both set out ambitiously to integrate their countries into the global economy by engaging in mixed import, substitution-open economy development programs dominated by the state. Both regimes during this period were neopatrimonial and authoritarian, relied heavily on the military and patronage networks alongside capitalist development strategies and coercion, and attempted to use official state parties to legitimate themselves in their respective societies. They were, and are, oil-rich Muslim countries with ethnically and culturally diverse populations.[4] The 1973-1974 oil boom flooded both economies with windfall revenues and caused inflationary crises. During the oil boom era—in 1974 and 1977 in Indonesia, and in 1977 in Iran—social unrest emerged in each country that taxed the capacities of both to maintain social control. The impressive array of common features shared by both states makes it possible to be reasonably sure that those shared factors are not behind the variance in outcomes.

I compare these states across three sets of institutions—tax agencies, official parties, and local government. By comparing these institutions at the onset of late development, in their initial post-development trajectories before the oil boom, and finally in their longer-term trajectories after the 1974 oil boom, I show how the effects of the oil boom were filtered through prior institutions. In the next section, I present case materials from Indonesia and Iran during the 1960s and 1970s, illustrating how oil and political opposition shaped the institutions and ties to social groups that each country's regime had at hand to deal with crises that emerged in both states in 1977 and 1978.

Iran, 1961-1979

The shah's regime in Iran began the process of late development between 1961 and 1964, as part of a sweeping change program called the "White Revolution," which also included land reform, educational expansion, and the enfranchisement of women (Pahlavi, n.d.; Nasr, 2000). Landowners and the Shi'a religious leadership (*ulama*) opposed land reform; the conservative ulama also opposed women's enfranchisement; and Iran's intelligentsia opposed the authoritarian cast of the entire reform project. Yet because these disparate groups were divided on goals and lacked any broad political organization that could unite and mobilize them into a more effective opposition movement, resistance to the regime remained sporadic and ineffectual. Thus, there were few incentives for the shah to build a robust ruling coalition by bringing powerful social groups into the policymaking process (Parsa, 1994: 142-144).

By 1955, the regime had come to rely on oil revenues for more than 40 percent of the state's income (Karshenas, 1990: 82; Afkhami, 2001: 25-40). When late development began in 1961, there was little need for domestic extraction, since oil could easily pay for the massive expansion of the state's role in the economy. As a result, industrial workers and new industrialists received rent-funded payoffs, but gained no participation in the policymaking process (Parsa, 1994: 155; Nasr, 2000: 101-102). In short, the initiation of late development in Iran adhered closely to the initial no-opposition, high-oil revenues conditions theorized above. These initial conditions shaped the decisions made by the regime about institution and coalition building by allowing the shah's government to avoid politically costly domestic revenue extraction and to use oil rents as patronage instead of making substantive political concessions to potential supporters.

The shah created an official in 1964 to be the public face of his development. Called *Iran Novin* or New Iran, the party grew out of a small group of nine intellectuals who called themselves the Progressive Circle. All worked for the government and were committed to the idea that the state could catalyze Iran's modernization most effectively, so at the outset the party elite at least enjoyed ideological unity (Milani, 2000: 154). However, the weakness of opposition to development provided few incentives for the regime to build strong party institutions. By the early 1970s, Iran Novin remained weak and dependent on the personal political clout of the party's general secretary, Amir Abbas Hoveyda.

By early 1975, Hoveyda's popularity—rather than the strength of the party itself—apparently spurred the shah to abolish Iran Novin and the "loyal opposition" party, *Mardom* or the People's Party, and establish a single-party system called the *Rastakhiz* or Resurgence Party. While on the surface it seemed to herald a new priority for party building, the Rastakhiz Party actually catalyzed few changes in Iranian politics (Nabavi, 1978; Afkhami, 1985: 71-73). The regime placed little emphasis on building the Rastakhiz into a political organization that could mobilize supporters. Instead, party officials mostly met with the directors of firms and agencies and added the names of all their employees to the party roster.[5] Despite its new appearance, the institutional reality of the shah's new party was that it could scarcely mobilize or channel the interests of social groups. The shah's own security service reported in October and December of 1977, respectively, that the "Rastakhiz is seen as dependent on the government, is not having much influence on people," and that "most Rastakhiz offices are hardly active."[6]

This organizational weakness, belying the fanfare with which the party was inaugurated on 2 March 1975, failed to reflect a sense of political urgency. The shah and his closest advisors saw no need to build a serious political organization to "hold" a new ruling coalition by guaranteeing supporters a channel to political efficacy or mobility. Instead, the party remained somewhat an ideological annoyance and never became anything like a serious ruling party that could mobilize support and provide a credible commitment beyond rent patronage.

Late development began at a time when the government had been operating for several years largely on revenues from the sale of oil. Development carried no more fiscal urgency than it had political urgency. As a result, the collection of domestic tax revenues was hardly given any priority. By the early 1970s, direct taxes as a share of government revenues had declined from more than 60 percent in 1955 to less than 20 (Bank Markazi Iran, 1970-1976; Najmabadi, 1987: 215; Mahdavy, 1979: 455). Moreover, the local government agencies that were responsible for tax collection were given progressively greater obligations and less funding during the 1960s and early 1970s, so that by the 1973-1974 oil boom these institutions were as incapable of collecting information about Iranian citizens as they were of bringing in tax revenues.

At first, local-level administrative responsibility was increased during the 1960s, so that municipalities like Qazvin, an industrial city of roughly 150,000, some 150 kilometers northwest of Tehran, became responsible for much greater economic regulation as a result of land reform and more broad commercialization of agriculture. Qazvin's fiscal and political capacities, however, actually declined during the 1960s due to shrinking funding from the central government. City officials were asked to do more, but were given less funding to do it (Palangi, n.d. cited in Rotblat, 1972: 223-224). Lacking funds and staff, it is unsurprising that merchants, for instance, were "only minimally affected by the rules of the local government" (224).

Field research by scholars in the early 1970s turned up broad evidence of limited state capacity across Iran. From anthropologists studying cultural traditions among nomadic tribes, to political scientists testing Huntington's (1968) theory of institutionalization, there emerged a consensus that local authority in Iran by the early 1970s was ill-equipped to accomplish social control. Beck notes throughout an ethnographic study of one Qashqa'i tribal leader in 1970-1971 that, despite the transformation of rural life and economics through the White Revolution, her primary informant, Borzu Qermezi, and many other tribal figures continued to turn to traditional village authorities rather than to government agencies because they could better enforce their decisions and made more reliable mediators (Beck, 1991; Goodell, 1986). Weinbaum, focusing on Iran Novin's organization, noted that the state's rhetoric of having replaced all local authority with its own amounted to "fanciful claims," since provincial government remained so characterized by "moribund units" (1973, 450).

Subsequently, on the eve of the oil boom, the shah's regime was less capable of extracting revenues domestically or of regulating and administering social life in the provinces and cities outside of Tehran, regardless of its impressive abilities to enact policy with minimal consultation with social groups than it had been 15 years earlier. Finally, the lack of an organized opposition to the shah's government from 1962-1964 provided few incentives to build a robust ruling coalition. It is crucial to note that this political trajectory predated the boom. The 1974 boom did not erode the Iranian state or the shah's regime by inducing what Karl has referred to as "petro-mania" (Karl, 1997: 67). Yet the windfalls that accrued during the boom only amplified a pattern of institutional and political neglect that had been in place for more than a decade. They left the regime commanding a weak state apparatus and with only shallow ties to important social groups, whose support or at least quiescence would be required to weather a serious political crisis.

The regime's economic response to the boom produced a mild economic crisis by 1977. Combined with limited liberalization, which was introduced to placate the Carter administration, the crisis spurred protests by merchants, students, and intellectuals. Despite its impressive coercive capacity, the regime was unable to prevent the protests from widening. By early 1978, the government confronted a genuinely mass-based opposition movement that during that year united around the leadership of the Ayatollah Khomeini, who throughout 1977 had played no role at all. By the summer of 1978, the Iranian army and the much-feared secret police organization SAVAK were increasingly unable to control the growth of the crisis into a genuinely revolutionary movement. The regime's early inability to limit the scope or to co-opt critical elements of the opposition grew directly out of its experience in party building, taxing, and local government. Even through a generally consistent policy of attempting to quell social dissent through repression, the lack of social and institutional resources ultimately led to the shah's abdication and flight into exile in January 1979.

To revisit one causal argument for authoritarian durability in oil-rich states, it is the ability to fund, and the willingness to use, repressive apparatuses that sustain authoritarian regimes in oil-rich states. A close look at Iran in 1978 reveals a massive repressive apparatus and the Pahlavi regime's willingness to use it almost until the very end: "Throughout the fall of 1978, security forces routinely broke up protests at gunpoint. They arrested virtually every prominent oppositionist in the country at least once. They occupied virtually all key economic and governmental institutions" (Kurzman, 1992: 193-194).

Moreover, little evidence supports the claim that international support was withdrawn from the shah during any crucial phase of the revolutionary crisis. Rather, the evidence suggests, first, that the regime had the will and capacity to exercise coercion until very late in the crisis and, second, that it collapsed despite both its coercive capacities and the continued support of the United States (Kurzman, 1992; Rasler, 1996; Rubin, 1986). More generally, numerous studies have shown that repression often magnifies popular mobilization, even in authoritarian settings (Opp and Roehl, 1990; Lichbach, 1987; Francisco 2002; Karklins and Petersen, 1993). "Without explicit causal linkages between repression and restabilization, it is an open question whether the relationship holds. As a result, it is important to look to other explanations for the resilience of authoritarianism in Iran and, as I discussed below, elsewhere." captures my meaning here better. Explicit causal linkages between repression and restabilization are absent, but it is an open question whether the relationship holds and thus important to look to other explanations for the resilience of authoritarianism in Iran and, as I discuss below, elsewhere.

The seeming paralysis with which the regime in Iran confronted serious social opposition beginning in 1977 had its roots in decisions made in the early 1960s. Because late development began in an economy flush with oil revenues, and because no serious organized political force existed that could threaten the monarchy, the government could, and did, elect not to invest in either state institutions or political organization. Instead, it rode increasing oil rents into the boom years as the state gradually eroded and as the regime's ability to monitor, and limit, the opposition eroded with it. When a serious crisis did emerge, the shah seemed to have been caught flat-footed and he was left with only the meager institutional and political resources his choices 15 years earlier had created.

Indonesia, 1966-1979

By nearly all accounts, the first years of Indonesia's New Order were marked by serious economic desperation. The economy was in a state of meltdown. Oil exports in 1965 amounted to less than half their value in 1960. Inflation ran at 600 percent during 1965 as a result of the growing crisis and Sukarno's willingness to print money without regard for its economic effects. Government receipts amounted to only one-fifth of routine expenditures and, in 1965, the budget deficit was three times total government revenues. The state was not only unable to extract sufficient revenues to sustain its payments, but was also broadly unable to perform its routine duties. Ultimately, the survival of the new regime depended on whether it could craft an effective response and whether it could build a coalition that could maintain it through considerable political turmoil until economic recovery began to manifest itself.

The economic crisis during which the New Order regime came to power was not the only test that its leadership faced. It coincided with the persistence of a powerful opposition movement and sizeable pockets of support for Sukarno in the bureaucracy, military, and many social organizations. From the new regime's point of view, the Indonesian Communist Party's (PKI) success at mobilizing supporters, and especially at creating divisions within the military, was cause for great alarm. It took several years to unify the military and purge it of PKI and Sukarno supporters. Moreover, the PKI persisted for two to three years after the 1965-1966 rampages against it. Guerrilla attacks by former party militias in central and eastern Java continued against landowners and military installations into early 1968. Finally, Sukarno refused to bow out quietly. In August 1966, he called for the formation of a "Sukarno Front." On 1 September, he gave a speech lambasting the new government's economic policy, claiming that it did nothing but promote Indonesia's foreign dependency. Pro-Sukarno army units fought with units loyal to Suharto throughout late 1966 (Mas'oed, 1983: 103-105).

In addition to the opposition, the Suharto regime had to contend with an equally powerful collection of social forces, which were intent on pressuring any new government to pursue policies favorable to its own interests. Muslim and Christian organizations, which had faced ideological and sometimes physical attack by PKI cadres or affiliated groups, demanded banning and destroying the party and, in the case of Muslim organizations like Nahdlatul Ulama, demanded a greater say in government policy (Bachtiar, 1968: 190-191; Bresnan, 1993: 36-37). Student organizations demanded a rapid government effort to revive the economy. Even though the strongest of them, KAMI, was actually created with the assistance of an army general,[7] it quickly took on real political power and was able to extract significant concessions in return for its support in purging the PKI. In brief, the early years of the regime's efforts to jump-start economic development were marked by serious fiscal scarcity and tough political challenges that left few choices but to opt for a more costly, but game-saving set of survival strategies.

Even after purging Sukarno and PKI supporters from the military and the bureaucracy, Suharto and his closest advisors remained concerned with legitimizing the regime as a result of the political turmoil that had surrounded their ascent to power. More important, they wanted to construct a political organization that could reflect, represent, and provide support for government policy. Suharto and the New Order moderates turned to the army's Sekretariat Bersama Golongan Karya (or Sekber Golkar, the Joint Secretariat of Functional Groups, hereafter GOLKAR) for the answer (Suryadinata, 1989: 10-13).

Like Iran Novin at its inception, GOLKAR in 1967 was an underdeveloped central body with more than 200 affiliate organizations whose ties to the central leadership were often questionable. Whereas in Iran there was little incentive to move quickly in drawing those groups closer to the regime through a central party apparatus, the still-recent memory of PKI mobilization and the organizational clout of the remaining parties left the government with a sense of urgency to mobilize its own base of support and to impose discipline on 200 social organizations. The GOLKAR leadership dramatically cut the number of organizations and replaced many of their leaders with men it knew it could count on to provide loyal leadership. Second, it created a much smaller group of four coordinating bodies, called Kelompok Induk Organisasi or Kinos (Basic Organizational Units), to simplify the process of directing the affiliate organizations: one each for functional groups related to material development, spiritual development, religion, and the armed forces. The new hierarchical arrangements made it possible to create something resembling a single political movement. By 1970, GOLKAR was, according to most accounts, operating with impressive coordination (Boileau, 1983; Reeve, 1985; Suryadinata, 1989).

The government also dramatically increased the capacity of Indonesian extractive institutions after this juncture. A look at total government revenues between 1965 and 1968 reveals an increase in the revenues taken in of 2,000 percent (Biro Pusat Statistik Indonesia). Even accounting for the aid inflows that began in 1967, the rise is remarkable, and speaks strongly to the efforts of the New Order regime to rebuild the state's extractive capacity. It stands in contrast to Iran's and to that of several other oil states during the same period. Finally, the extension of central authority and policy direction into local government accelerated strongly in the early New Order. Under Suharto, "Jakarta's control over the 27 provincial and numerous 'second level' municipal and kabupaten governments increased to a degree that would have been barely imaginable in Sukarno's time" (Mackie and MacIntyre, 1994: 22). What is remarkable about this transformation is that it was accomplished not by weakening provincial government relative to the center, but by massively strengthening local institutions while simultaneously tying them more closely to central authority (Schiller, 1996: 34). This absolute increase in authority contrasted starkly with the zero-sum approach to local politics in Iran.

Just as important, the regime invested much of the 1973-1974 revenue windfall back into state building through Law No. 5 of 1974, which vastly increased the administrative responsibilities of and central investment in local government (Republic of Indonesia, 1974; Sujanto, 1991). This policy move stands rentier state theory on its head because a regime awash in oil revenues chose neither to allow the state to erode, nor actively to dismantle important parts of it, but precisely to use its windfalls to make the state even stronger. In Indonesia, the boom years facilitated statecraft rather than substituted for it. As a result, the New Order government entered the late 1970s with what observers often called a "powerhouse state" and with deep and extensive ties to most important social groups, even those such as student organizations that had left the coalition and become a part of the opposition.

With this robust pattern of state and regime building, Suharto's government could not guarantee smooth sailing through the oil boom era any more than could the shah's regime. International political pressure—again from the incoming Carter administration—and economic effects of the oil boom set off protests in Indonesia in early 1977 as in Iran, whereby students and Islamic groups also were the primary protagonists during 1977 and 1978 (Hariyadhie, 1997; Cahyono, 1992). What differed crucially from Iran were the standing ties the regime maintained with these groups and the capacities of GOLKAR and other institutions to limit the scope of social dissent by maintaining patronage that did not depend on oil revenues. Thus, social opposition never mushroomed into a mass-based movement as it had in Iran. From a similar beginning, the boom-era social protests in Indonesia ended on a very different note. By 1979, Suharto was back in control and would remain so for nearly 20 more years.

Moreover, the New Order regime's response in Indonesia to the protests of 1977-1978 illustrates the crucial importance of nonrepressive strategies for long-term regime viability. Suharto's government made regular use of coercion, to be sure, but in the case of the 1977-1978 protests did so less often and with less brutality than the shah's regime. When students and Islamists took to the streets to protest corruption, undemocratic policymaking, and the military's role in politics, Suharto immediately sent a close advisor, Professor Sumitro, to meet with student groups. This palliative failed, but the regime also singled out moderate leaders in the student opposition and worked to co-opt them. Subsequently, many garnered positions in GOLKAR. The regime was unable to split the Islamic leadership, but was able to prevent the kind of bandwagoning that produced a mass-based movement in Iran. Significant raises to civil servants and heavy new subsidies on fuel and rice, all made possible by oil revenues, kept the bureaucracy and emerging middle class on the political sidelines.

By early 1979, popular mobilization had largely ended and, although intraregime disputes continued for a year, the New Order had restabilized its authority. In short, the ability to co-opt, to maintain coalition partners, and to monitor the opposition all proved essential to regime survival, and all of these capacities were built during the early years of late development, when large oil revenues were not yet online and the regime had to depend on state institutions to extract revenue. Later, when oil revenues came online, they were invested back into the same regime and state building projects that had carried Suharto through the tough first years of his rule.

Two conclusions emerge from the experiences of Iran and Indonesia. First, the legacies of late development in the 1960s affected powerfully the institutions and state-society relations that each of these regimes had at hand during the political crises of the late 1970s. By responding as they did to varying levels of fiscal and political difficulty, the shah and Suharto created political trajectories that carried them into the next decade. Paradoxically, Suharto, who had faced the most challenging of initial conditions, entered the tumultuous late 1970s with powerful social control resources and survived the crisis largely because of those resources. The shah, who had a wide array of options from which to choose in the early 1960s, found himself by the late 1970s with few viable strategies for either maintaining power or negotiating a favorable transition from power.

Second, oil wealth across these two cases exerted different effects, and its effects depended crucially on the timing of its entry into the domestic political economy. Its deleterious effects on the Iranian state and on the shah's regime's relationship to social groups have been widely theorized in the rentier state and resource curse literatures. As I suggest below, oil's strengthening effect on state institutions in Indonesia and elsewhere has been completely neglected, but is no less important. Because Suharto suddenly gained access to massively expanded discretionary revenues in both 1974 and 1979, his regime was able to make institutional investments that would never have been feasible had the booms not occurred. Furthermore, this use of late-gained oil revenues would have been highly unlikely had it not been for the desperation of the regime's early years. The regime used the oil windfalls specifically for state building, which helped to buttress it during the crisis of 1977-1979.

Economic Crisis and Regime Outcomes in the Oil-Exporting World: Evidence from 21 Cases

In this section, I test the theoretical argument against regime crisis and change data for 21 states. As discussed above, Table 1 summarizes the crisis and regime outcome histories of the 21 authoritarian states most dependent on oil exports between 1974, the year of the first oil boom, and 1992, when the economic bust effects of the mid-1980s dropped. Oil exporters experienced 20 regime crises between 1974 and 1992. Fifteen of them—a full 75 percent of the boom or bust regime crises during this period—resulted in regime restabilization. The majority of the regimes that faced crises survived them, belying the conventional wisdom that "petro-states" are likely to come apart dramatically during such hard times while suggesting that robust authoritarian regimes in oil-rich states are the rule rather than the exception.

Current theories of oil and politics provide less satisfying explanations for this larger set of outcomes since they generally predict regime vulnerability during crisis (Karl, 1997; Luciani, 1987: 63-82). Of the current explanations for oil's strengthening effect on authoritarian regimes, most identify repression as the culprit. This line of reasoning would suggest deductively that the 15 regimes that restabilized also cracked down and were successful because of it, and it is true that most of these regimes were coercive. However, the regimes that failed in Congo, Ecuador, and Iran were also characterized by significant state repression, but repression failed to prevent these crises from reaching a tipping point (on Congo and Ecuador, see Clark, 1997; Hurtado, 1982; Isaacs, 1993). To reiterate, repression does not always result in regime stability or in an end to anti-regime mobilization.

Table 2 includes the explanatory variables and regime outcomes for oil-exporting countries. Authoritarian regimes in 12 oil-exporting countries initiated late development: Algeria, Cameroon, Congo-Brazzaville, Ecuador, Egypt, Indonesia, Iran, Iraq, Malaysia, Mexico, Syria, and Tunisia. Eight of these—in Algeria, Egypt, Indonesia, Iraq, Malaysia, Mexico, Syria, and Tunisia—faced strong and organized social actors that could present a powerful opposition to their late development (see Appendix). All of them experienced serious political crises during either the boom or bust, and all eight survived these crises. Three of the four authoritarian regimes that began late development with no little or no organized social opposition—Congo, Ecuador, and Iran—all fell during the boom (Ecuador and Iran) or the bust (Congo). All three also began late development in the presence of sizeable oil income, obviating the need

Table 2
Oil, Late Development, and Crisis, 1974-1992

Country	Pursued Late Development?	Opposition to LD Regime?	Pre-Oil Late Development	Boom Crisis	Bust Crisis	Regime Change
Algeria	Yes	Yes	No	No	Yes	No
Angola	No					
Bahrain	No					
Brunei	No					
Congo (Brazzaville)	Yes	No	No	Yes	Yes	Yes
Ecuador	Yes	No	No	Yes	Yes	Yes
Egypt	Yes	Yes	Yes	No	Yes	No
Gabon						
Indonesia	Yes	Yes	Yes	Yes	No	No
Iran	Yes	No	No	Yes	No	Yes
Iraq	Yes	Yes	No	No	Yes	No
Kuwait	No					
Libya	No					
Mexico	Yes	Yes		No	No	No
Malaysia	Yes	Yes	Yes	No	Yes	No
Nigeria	Yes	No	No	Yes	Yes	Yes (2)
Oman	No					
Qatar	No					
Saudi Arabia	Yes	No	No	Yes	Yes	No
Syria	Yes	Yes	Yes	Yes	No	No
Tunisia	Yes	Yes	Yes	No	Yes	No
United Arab Emirates	No					

for domestic extraction and its attendant institutional and coalitional projects. In sum, the histories of these 21 states suggest that the two-path theory of oil and politics illustrated by Iran and Indonesia may help to explain broad trends in regime durability across the exporting world.

Conclusion

I have argued that the antecedent conditions to economic crisis are crucial to explaining why crises in oil-rich states rarely catalyze regime collapse. Even during severe economic crises, it has proved remarkably hard for challengers to unseat dictatorships in oil-rich countries. Analyzing the dynamics of crisis and the effects of past trajectories on the prospects for regime breakdown during crisis illustrates the unfortunate mechanisms through which oil tends to forestall authoritarian breakdown. Evidence from 21 oil exporters and from the trajectories followed by Iran and Indonesia reveals a powerful two-path dynamic to oil-based development.

Perhaps most important, Indonesia's trajectory in the 1960s and 1970s illustrates what broader political patterns among exporting states appear to confirm: under certain conditions, oil wealth facilitates the emergence of strong institutions and can reinforce ruling coalitions. Several other latecomers to significant oil wealth—Egypt, Malaysia, Syria, and Tunisia—developed similarly robust authoritarianisms, which suggests that the Indonesian trajectory may well exemplify the prevalent trend in the political effects of oil wealth. Further study of cases such as these, in which rulers had to cope for long periods of time without easy rent access, may shed light on why it is that the Mubaraks, Mahathirs, and Assads of the world seem to have eluded the politics of the resource curse.

Oil wealth, as a major exogenous factor to the politics of crisis, also opens the door to a research agenda—the dynamics of economic crisis and regime change—that might help bring together research on democratization on one hand, and authoritarianism on the other. The effects of oil wealth on authoritarian durability discussed here depended heavily on timing; varying effects shaped in different ways the tools that autocrats used for coping with political crises. Analyzing how the legacies of authoritarianism weigh on the politics of crisis presents a promising means of unifying disparate approaches. A focus on regime crises might provide the bridge between an emerging research program on the origins and dynamics of authoritarian politics and the mechanisms by which crises can lead to democratic transitions.

Appendix

Country	Onset of Late Development	Degree of Dependence on Oil Export Revenues*	Strength of Organized Political Opposition*	GDP per capita at onset of boom or bust crisis.**
Algeria	1965-1970	High (avg. 16% GDP 1965-70)	High (Tribes, Trade Unions, Student Organizations)	U.S. $1,662 (1988)
Congo-Brazzaville	1973-1977	High (avg. 26% GDP 1973-77)	Low	1,176 (1986)
Ecuador	1972-1975	High (avg. 14% GDP 1972-75)	Low	1,480 (1978)
Egypt	1956-1961	Low (2% GDP 1963)	High (Muslim Brotherhood, Egyptian Communist Party)	890 (1985)
Indonesia	1966-1969	Low (avg. 4 % GDP 1966-69)	High (Indonesian Communist Party, pro-Sukarno military units)	422 (1977)
Iran	1961-1964	High (19 % GDP 1961)	Low	2,137 (1977)
Iraq	1968-1971	High (70% of gov't revenues 1968-70)	High (Iraqi Communist Party, Kurdish Democratic Party)	n/a
Malaysia	1971-1975	Low (avg. 3 % GDP 1971-75)	High (Malay Nationalists, Malaysian Chinese Association)	2,598 (1987)
Mexico	1940-1946	Low***	High (Labor)	No crisis
Syria	1965-1971	Low (avg. 1.5 % GDP 1965-71)	High (Islamists, Syrian Communist Party)	989 (1979)
Saudi Arabia	1974-1978	High (avg. 69 % GDP 1974-78)	Low	No crisis
Tunisia	1962-1965	Low (avg. .016 % GDP 1963-65)	High (Labor)	1,759 (1987)

* Both oil export dependence and opposition are coded at onset of late development.

** 1995 U.S.$. *Source*: World Bank Development Indicators 2001. Source for Iraqi figures: Annual Abstract of Statistics, Ministry of Planning, Republic of Iraq, 1970-1971, cited in Michael Brown, "The Nationalization of the Iraqi Petroleum Company," *International Journal of Middle East Studies* 10, 1 (1979): 114.

*** Data are unavailable, but Mexican oil revenues during this period had declined dramatically as a result of the international political backlash to the nationalization of the Mexican oil industry in 1938.

Notes

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1. I thank an anonymous reviewer for pushing me to clarify this point.
2. When I refer to late development, I mean specifically late industrialization, which often took the form of import-substitution industrialization in oil-rich countries. This is in contrast to the commerce-oriented late development that several Persian Gulf oil exporters have pursued. Thanks to an anonymous reviewer for pointing to the distinction.

3. Oil reserves per capita equals billion barrels per million persons. Author's calculations from data in Karl (1997): 18. Karl refers to these two groups as capital-surplus and capital-deficient, respectively.
4. Iran and Indonesia ranked exactly the same in degree of "ethnic and linguistic fractionalization." See Taylor and Hudson, 1972, table 4.15.
5. The pages of Iran's two major daily newspapers, *Kayhan* and *Ettela'at*, between 3 March and 31 May 1975, and the May issues of the party daily, *Rastakhiz*, were filled with paid advertisements by dozens of corporations, factories, and state agencies pledging their support to the new party. Author's personal collection.
6. SAVAK memos of 4 October and 31 December 1977, quoted in Muhammad-Rahim 'Uyuzi, *Tabaqat-e Ejtema'i va Rezhim-e Shah* (Social Classes and the Shah's Regime), (Tehran, Iran: Merkez-e Asnad-e Enqelab-e Eslami, 2001), 292-293. SAVAK is the Persian acronym for *Sazman-e Amniyat Va Ettela'at-e Keshvar* (Organization for State Security and Information). I thank Charles Kurzman for sharing these materials with me.
7. KAMI stands for *Kesatuan Aksi Mahasiswa Indonesia* (Indonesian Student Action Union); *kami* is the inclusive word for "we" in Indonesian. KAMI was created in late October 1965 at the home of General (and Minister of Higher Education) Sjarif Thajeb during a meeting of students and anticommunist military leaders.

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