The Political Economics of the Arab Spring

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Introduction

- The Arab Spring started in Tunisia in December 2010 and spread across the Arab world.
- There were large differences in the dictators' responses.
  - In Egypt and Tunisia, the dictators conceded power, thereby allowing for (at least temporary) political transitions to more democratic regimes.
  - "Gulf monarchies have bribed their citizens to stay quiet – except for Bahrain, which suppressed the dissenting Shia majority" (Economist 2011).
    - The king of Saudi Arabia spent $36 billion in benefits.
  - In Libya and Syria, the dictators responded to protests with political violence, which led to full-blown civil wars.
- These large differences seem puzzling.
  - These dictators (or their families) had all ruled for decades, and never cared about democracy or civil liberties.

Introduction

- I present a highly stylized model that helps to understand these differences in the dictators' responses and the outcomes of the Arab Spring.
- In equilibrium the dictator's behavior depends on two factors:
  1. Dictator affiliation to the majority or a minority (ethnic/religious) group.
  2. Country's oil revenues.

Outline

- Related literature
- Model
- Equilibrium for a special case
- Anecdotal evidence
- Conclusions

Related Literature

- Behavior of dictators: Wintrobe 1990/1998, Padró i Miquel 2007, Francois/Rainer/Trebbi 2015, ...
- Transitions from dictatorship to democracy: Lipset 1959, Acemoglu/Robinson 2001/2006, ...
- Political effects of ethnic diversity and natural resources: Ross 2001, Hodler 2006, Esteban/Ray 2008/2011, Tsui 2011, Caselli/Coleman 2013, Morelli/Rohner 2015, ...
- Arab Spring: Campante/Chor 2012, Edmond 2013, Malik/Awadallah 2013, ...

- My key novelty: Behavior of dictators and political transitions depend on whether the dictator belongs to the majority or a minority group (and on natural resource rents).

Model

- There is a country with a dictator and two groups, A and B.
- The population shares of groups A and B are $\pi \in (0, 1)$ and $1 - \pi$, where $\pi \neq \frac{1}{2}$.
- The dictator is member of group A.
- The state gets oil revenues $R > 0$.
- The dictator can discriminate across citizens based on their group affiliation when distributing R.
- An exogenous event – the Arab spring – leads to mass protests for democratization.
- The dictator can try either peacefully or violently to prevent democratization and to stay in power.

Model

- Peaceful option: Dictator bribes all citizens to stop protesting by offering transfers T_A^p and T_B^p to A and B citizens.
  - If some group rejects, continued protests force the dictator to step down and lead to democratization (at least temporarily).
  - If both groups accept, protests stop and the dictator can stay in power.
- Violent option: Dictator pays A citizens to repress protests by offering transfers T_A^v.
  - If group A rejects, continued protests force the dictator to step down and lead to democratization (at least temporarily).
  - If group A accepts, there is political violence in the form of repression or civil conflict.
  - The outcome of political violence is uncertain:
    - Probability $p \in (0, 1)$: the dictator and group A succeed in repressing/defeating group B and the dictator can stay in power.
    - Probability $1 - p$: chaos emerges and the dictator loses power.

Model

- Dictator's resource constraint:
  - Promised transfers must not exceed oil revenues R.
- Dictator's payoff:
  - Oil revenues R minus promised transfers if he stays in power.
  - Zero if there is democratization or chaos.
- Citizens' payoff:
  - Promised transfers if the dictator stays in power.
  - Zero if there is chaos.
  - Some share of $\psi(R + Y)$ if there is democratization, where ψ is the probability that there is no counterrevolution and Y the benefits of democratization.
    - These shares depends on group size and the inclusiveness of democratic institutions.
    - If institutions are non-inclusive, $\psi(R + Y)$ is distributed among the members of the majority group.
- I solve for the subgame-prefect Nash equilibrium.

Equilibrium

- Today's focus: clear-cut (and arguably realistic) case with non-inclusive democratic institutions, i.e., no checks and balances on the majority.
  - See paper for the more general case.
- Corollary 1 summarizes the dictator's behavior in this special case (see next slides).
- Main drivers of the dictator's behavior:
  - Peaceful support from his group is cheaper than violent support from his group (due to the risk of chaos).
  - Support from the minority group is cheaper (even free) than support from the majority group (due to unequal payoffs after democratization).

Equilibrium

- **Corollary 1 (part 1):** Given $\pi > \frac{1}{2}$, the dictator can always afford the peaceful option if he can afford the violent option, and he always prefers the peaceful option if both options are affordable.
- Reasoning:
  - Support from his own group is driving the costs, and their peaceful support is cheaper.
- Predictions:
  - Dictators from the majority group bribe the people in oil-rich countries.
  - Dictators from the majority group have to concede power in oil-poor countries.

Equilibrium

- **Corollary 1 (part 2):** Given $\pi < \frac{1}{2}$, the dictator can always afford the violent option and is "likely" to choose it if both options are affordable.
- Reasoning:
  - The violent option is always affordable (and cheaper) because the own group basically fights for free.
  - Trade-off if the peaceful option is affordable too:
    - Violent option is cheaper.
    - Peaceful option is less risky.
  - Dictator prefers the violent option unless R is high and p low.
- Prediction:
  - Dictators from the minority group are likely to rely on members of their group to repress protests or to fight the other group.

Anecdotal Evidence

- Approach: Simple comparison of the pattern predicted by my model and the pattern observed across the Arab world.
- Criteria for selection of countries:
  1. Part of the Middle East and North Africa (MENA) region
  2. Member of the Arab League in 2010
  3. Negative Polity2 score for 2010
- Data:
  1. Oil revenues from BP Statistical Review of World Energy 2012 (and CIA World Factbook 2012)
  2. Population data from Penn World Tables 7.1
  3. Population shares of religions from the Association of Religion Data Archives
  4. Dictators' religious affiliations from various sources
     - Implicit assumption: Religion as salient dividing line.

Anecdotal Evidence

Table: Oil revenues, and religious groups in Arab dictatorships in 2010

Country	Dictator	Oil revenues per capita	Largest group	Dictator's group
Bahrain	King Hamad	USD 1,107	Shia: 60%	Sunni: 30%
Egypt	President Mubarak	USD 263	Sunni: 86%	Sunni: 86%
Jordan	King Abdallah II	USD 0	Sunni: 95%	Sunni: 95%
Kuwait	Amir Sabah	USD 28,726	Sunni: 70%	Sunni: 70%
Libya	Colonel Qadhafi	USD 7,448	Sunni: 97%	Sunni: 97%
Morocco	King Mohammed VI	USD 5	Sunni: 99%	Sunni: 99%
Oman	Sultan Qaboos	USD 8,454	Ibadhi: 54%	Ibadhi: 54%
Qatar	Amir Hamad	USD 54,131	Sunni: 37%	Sunni: 37%
Saudi Arabia	King Abdallah	USD 11,226	Sunni: 88%	Sunni: 88%
Syria	President Asad	USD 503	Sunni: 74%	Alawite: 16%
Tunisia	President Ben Ali	USD 220	Sunni: 99%	Sunni: 99%
UAE	President Khalifa	USD 16,717	Sunni: 57%	Sunni: 57%
Yemen	President Salih	USD 371	Sunni: 55%	Shia: 44%

Anecdotal Evidence

Prediction: Dictators from the majority group concede power in oil-poor countries.

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Anecdotal Evidence

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Prediction: Dictators from a minority group are likely to rely on members of their group to repress protests or to fight the other group(s).

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Conclusions

- The dictators behavior during the Arab Spring can by and large be explained by their affiliation to the majority or a minority group and the country's oil revenues.
- The model's focus on the dictator's group affiliation is novel: Dictators from minority groups find it cheaper and easier to motivate members of their own group to fight for their autocratic regime.