BOOK REVIEW ROUNDTABLE:

Nationalizing Natural Resources

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1. Introduction: Integrating Extractive Resource Politics into Broader International Political Economy

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When, why, how, and to what effect do leaders nationalize their natural resources? Scholars of resource nationalism have grappled with these questions at least since the (in)famous wave of oil sector nationalizations that started in the 1950s and peaked in the 1970s. Historically, the global petroleum sector was dominated by the Seven Sisters — a loose consortium of private, Western-based multinationals. A gradual wave of nationalizations, concentrated among developing countries in the Middle East and Africa and encouraged by the Organization of Petroleum Exporting Countries (OPEC), which was established in 1960, shifted production power from multinational oil companies to national oil companies. Today, approximately 90 percent of oil and gas reserves are controlled by these companies.[1]

Yet, as Paasha Mahdavi chronicles in his new book, *Power Grab: Political Survival through Extractive Resource Nationalization*, governments have varied substantially in the timing of their oil nationalizations and in whether they took operational control of extraction or left operations in the hands of private entities.[2] Using a combination of careful qualitative analysis and a new dataset of oil nationalizations that differentiates between *de facto* operational nationalizations and state ownership without control, Mahdavi argues that weak leaders are more likely to nationalize their extractive industries and to pursue operational nationalizations than strong leaders, in order to consolidate their power. Weak leaders are most likely to pursue nationalization after they receive new information that leads them to believe that the terms of their existing contracts with private oil companies are unfair.

Mahdavi's argument stands in contrast to previous scholarship that argues that strong leaders are more likely to pursue operational nationalization than weak leaders because nationalization generates risks that leaders who have consolidated their power are better

[1] Paasha Mahdavi, *Power Grab: Political Survival through Extractive Resource Nationalization* (Cambridge: Cambridge University Press, 2020), 5.
[2] Mahdavi, *Power Grab*.

able to mitigate, due to the availability of alternative fiscal sources and lower levels of domestic political contestation.[3] His argument also deepens the discussion of how resource nationalism relates to leaders' survival, usually in autocratic contexts. By distinguishing between operational and ownership nationalizations, Mahdavi emphasizes the ways in which taking operational control over oil production allows the state to exercise more authority over the pace at which extraction occurs. But it also creates more long-term risks because extraction technologies are expensive and short-term priorities may lead operational national oil companies to overproduce, while under-investing in discovering new reserves and the technologies and equipment needed to extract less accessible reserves. These tradeoffs help to explain why leaders differ in whether and how to pursue resource nationalization, and provide an account for how decisions to nationalize both help to explain and are explained by leaders' survival.

In this roundtable, four scholars of natural resource politics and I critically engage with Mahdavi's work. Erika Weinthal provides an incisive account of how Mahdavi's theory of resource nationalization contributes to and challenges a larger literature on oil politics and political survival. She suggests new avenues of inquiry that may produce alternative explanations for regime survival, as well as proposing novel tools beyond operational control that governments could use to promote transparency and accountability among resource-extraction companies. John Duffield provides a clear overview of Mahdavi's core conceptual innovation of distinguishing between nationalizations that lead to operational control and those that do not. Duffield also outlines several conceptual, theoretical, and empirical questions that Mahdavi's account leaves unanswered, particularly in regards to unaddressed alternative explanations for nationalization with operational control and the usefulness of extending the analysis to additional cases — a critique echoed in Weinthal's review.

Xander Slaski challenges Mahdavi to look further down the causal chain to consider what explains the emergence of political challengers to the authoritarian leader in the first place. He suggests that future research in this area should combine Mahdavi's insights into the time horizons of leaders and information-diffusion processes with other work in the

[3] For this argument, see Pauline Jones Luong and Erika Weinthal, *Oil Is Not a Curse: Ownership Structure and Institutions in Soviet Successor States* (Cambridge: Cambridge University Press, 2010).

"presource" curse literature[4] to derive insights into how authoritarian consolidation relates to the emergence of authoritarian challengers. While Weinthal, Duffield, and Slaski ground their reviews in the comparative politics approaches that dominate the study of resource politics, Paul Musgrave provides an important perspective rooted in international relations theory. In doing so, Musgrave challenges Mahdavi to more fully integrate external pressures into his account of nationalization, instead of overly relying on domestic dynamics.

All the reviewers are complimentary of Mahdavi's argument, empirical acuity, and writing style. They also hone in on similar critiques and suggestions for how to extend the study, including: giving fuller attention to alternative explanations; examining an expanded set of cases; taking more care in setting scope conditions under which we might expect the dynamics of oil nationalization to apply to other kinds of minerals, especially as climate change mitigation efforts begin to shift energy systems away from oil; and focusing greater attention on international factors that affect leaders' bargaining positions. Clearly, Mahdavi's scholarship has opened several new lanes for future research.

As a scholar not of resource nationalism but of the politics of investment policy and global production, I find that Mahdavi's book has much to recommend it, including an accessible overview of the scholarship on resource nationalism, a history of nationalizations and how national oil companies operate, and an innovative mix of qualitative and quantitative analysis based on new sources. Chapter six is particularly interesting for its use of previously unexplored archival materials documenting oil nationalization in pre-revolutionary Iran. At the same time, I would have appreciated a wider variety of cases. Mahdavi relies heavily on the Iran case, a country he clearly knows well. But this choice

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[4] The resource curse literature seeks to explain why countries rich in natural resources tend to grow slower and have more social and political unrest than countries that have fewer resource endowments. Much of the work centers on how natural resource wealth makes it harder to develop and consolidate democratic political institutions with strong constraints on executive power. The presource curse literature goes back in time further by examining why slow economic growth among resource-rich countries begins before resources are even extracted. See James Cust and David Mihalyi, "The Presource Curse," *Finance and Development* 54, no 4 (December 2017): 36–40, https://www.imf.org/external/pubs/ft/fandd/2017/12/cust.htm.

makes it harder to assess how his findings will travel to other contexts. In the remaining space, I outline three unresolved questions that future scholarship should work to address.

Where Be Business?

Mahdavi centers his analysis on states where oil resources are located and, more particularly, on the leaders of those states. In many respects, this is the conventional choice, because resource nationalization scholarship often focuses on the consequences of national resource wealth for domestic governance institutions and state survival. However, by privileging the objective function of the leader, Mahdavi has less to say about the decision-making calculus on the other side of the negotiating table.

The book's central theoretical argument is that a leader's decision to nationalize follows a two-stage process. First, a leader receives new information — proxied in quantitative models through OPEC membership — that suggests that the government's current extraction contract with a private oil company is unfavorable to the state, compared to what leaders elsewhere were able to negotiate. Given this new information, the leader must choose whether to nationalize and, if so, whether to nationalize operations or only to nationalize ownership. Leaders are more likely to nationalize operations when they are weak, Mahdavi argues, because taking control of production volumes allows them to boost extraction quickly, thereby generating rapid revenue that they can use to consolidate their power. In contrast, stronger leaders have a longer time horizon and, therefore, a smaller discount factor. They prefer to leave operational control in private hands because the benefit of a quick revenue boost is countered by the likelihood that such production schedules will decrease revenue over a longer timeframe.

The calculation outlined above may very well drive leaders' decision-making. But consider the concerns of private firms. Suppose a leader comes to a private oil company and demands higher royalty payments. How should the company respond? As Mahdavi documents, oil companies know that oil-producing states share information about their contracts with each other. Consequently, renegotiating a royalty contract in one country in the state's favor will likely place pressure on the company to similarly renegotiate contracts in other oil-rich countries.

The company's best response, then, is likely dependent on the probability of the leader's survival. If the leader has consolidated power, the company can expect that it will need to continue to work with that leader if it wants to retain operations in the country. In this case, it may be preferable to capitulate. If, however, the leader is weak, then she or he is also potentially an unreliable negotiating partner. Under these circumstances, companies may decide that it is worth holding firm because the probability that the leader will stay in power is low. Some leaders, faced with a resolute negotiating counterparty, may choose to break the contract and take operational control. Indeed, this seems to be what happened in the Iranian case, where Shah Mohammad Reza Pahlavi moved to nationalize Iranian oil only after his attempt at renegotiating the contract with British Petroleum was rejected. Thus, perhaps weak leaders are more likely to pursue operational nationalization not because they prefer to, but because they are not strong enough politically to renegotiate extraction contracts.

Beyond Oil

Of course, resource nationalization goes far beyond oil. And as the global economy moves to a post-carbon future, critical minerals (also called rare earths) are becoming essential to the batteries that are needed to create renewable energy grids and vehicles. Because many of these mineral deposits are located in fragile and conflict-affected states, leaders of these countries may also attempt to nationalize these resources in a bid to consolidate their power.

This is an issue that Mahdavi explores in his introductory chapter — a discussion I very much enjoyed. However, the majority of the theory and empirics in the book are squarely focused on the politics of oil nationalism specifically. It would be useful in future research to consider the set of conditions that are likely to make the politics of other natural resources more or less similar to the politics associated with oil nationalism. For example, how capital intensive is extraction? How do global commodity markets work for these resources and how concentrated are refinement operations? How geographically concentrated or dispersed are these resources? Especially as the United States, the European Union, and other advanced economies seek to diversify their critical mineral supply chains, the question of how resource nationalism with regard to critical minerals mirrors or is different from oil will be of great policy import.[5]

Bridging the Resources/Finance Gap

Finally, the resource politics literature has become too siloed from other areas of political economy inquiry. This is likely because much of the scholarship on resource nationalism has developed within the resource curse field, which itself is more concerned with comparative institutional development than with questions of international political economy. Yet, I could not help but think about the politics of sovereign debt while reading Mahdavi's account of leaders' survival calculus.

The integration of international political economy models of leaders' financial management strategies has much to offer the resource nationalism literature, and vice versa. The basic strategic dynamics that leaders face when considering resource nationalization have many conceptual similarities to those they face when considering sovereign debt issuance and default. In each case, leaders must make tradeoffs between short-term windfalls and long-term stability. They face reputational concerns and the possibility of retaliatory actions from third parties, both private and public.[6] Technological capabilities condition the possibility of nationalization in ways that do not always easily translate to sovereign debt decisions. However, recent work on sovereign debt management suggests that technical expertise is an often-overlooked component of governments' debt terms.[7] Other research on strategic default explain how different societal cleavages interact with domestic political

[5] On the priority that leaders of advanced economies are placing on the diversification of their critical mineral supply chains, see, for example, "Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth," The White House, 100-Day Reviews under Executive Order 14017, June 2021, https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf; "Internal Market, Industry, Entrepreneurship and SMEs," European Commission, accessed Sept. 1, 2021, https://ec.europa.eu/growth/sectors/raw-materials/specific-interest/critical_en.

[6] Michael Tomz, *Reputation and International Cooperation: Sovereign Debt Across Three Centuries* (Princeton, NJ: Princeton University Press, 2007); and Jerome E. Roos, *Why Not Default? The Political Economy of Sovereign Debt* (Princeton, NJ: Princeton University Press, 2019).

[7] Tal Sadeh and Yehuda Porath, "Autonomous Agencies and Relational Contracts in Government Bond Issues," *Regulation & Governance* 14, no. 4 (2020): 741–63, https://doi.org/10.1111/rego.12257.

institutions to generate leader incentives to default.[8] These dynamics clearly resemble the strategic incentives that leaders of oil-rich countries face. Scholars in both fields could benefit from reading each other and contemplating when leaders' strategies for natural resources and sovereign debt will overlap and when they will diverge. Careful conceptual thinking here can help to overcome some questions of scope conditions that are not always fully specified in either field.

Integrating insights from the international political economy of finance can also help national resource politics scholars to better incorporate international politics and systemic conditions into their theories and empirical examinations of resource nationalization. Global credit cycles add important temporal dynamics to the objective function of leaders and can help to explain why information diffusion does not lead inexorably to full state control of all national resources.[9] Global financial networks and the centrality of the dollar, not just to oil pricing but also to banking, can also provide important conditions that allow foreign governments to effectively exert pressure on would-be nationalizers.[10] And paying greater attention to alternative means to access capital allows scholars to consider when leaders face tradeoffs between courting foreign firms, using international debt markets to fund government spending, and seizing productive assets, as well as to consider how leaders weigh these competing strategies.[11] Conceptualizing natural resource nationalization as one of many choices available to cash-strapped leaders may be particularly important when expanding theories beyond oil to critical minerals.

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[8] Cameron Ballard-Rosa, *Democracy, Dictatorship, and Default: Urban-Rural Bias and Economic Crises Across Regimes* (Cambridge: Cambridge University Press, 2020).

[9] Mahdavi, *Power Grab*, 61.

[10] Thomas Oatley et al., "The Political Economy of Global Finance: A Network Model," *Perspectives on Politics* 11, no. 1 (March 2013): 131–51, https://doi.org/10.1017/S1537592712003593.

[11] Eric Arias et al., "Cooperative Autocracies: Leader Survival, Creditworthiness, and Bilateral Investment Treaties," *American Journal of Political Science* 62, no. 4 (October 2018): 905–21, https://www.jstor.org/stable/26598791; and Rachel L. Wellhausen, "Bondholders vs. Direct Investors? Competing Responses to Expropriation," *International Studies Quarterly* 59, no. 4 (December 2015): 750–64, https://doi.org/10.1111/isqu.12194.

Conclusion

In *Power Grab*, Mahdavi has clearly pushed theoretical and empirical boundaries further. By emphasizing the distinction between ownership and operational control, he carefully considers the tradeoffs that leaders face between short-term cash injections and long-term rents, paying great attention to how information diffusion and time horizons affect these strategic calculations. His meticulous dataset development and deep dive into new archival materials are public goods for the field. And his analysis opens many more doors for future research. I look forward to seeing how the field incorporates, critiques, and extends his contribution in the years to come.

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2. Whither Extractive Resource Nationalization?

Erika Weinthal

During the 1980s and 1990s, the restructuring of state-owned enterprises gained international momentum across a wide array of sectors. International financial institutions pushed the privatization of large state-owned enterprises as part of a broader neoliberal agenda. Yet, when it came to the extractives sector, state ownership proved resilient. Beginning in the late 1960s, a wave of nationalization swept across oil- and gas-producing states. Governments took over privately owned assets, with or without compensation, and most established state-owned enterprises to manage their expropriated assets. In the petroleum sector, this entailed the establishment of national oil companies to manage and operate oil and gas fields. This form of operational nationalization — in which, as Paasha Mahdavi puts it, "the state has a direct and active role in production" — emerged in countries such as Iran, Algeria, Libya, and Angola.[12] Explaining such nationalizations is at the heart of Mahdavi's recent book, *Power Grab: Political Survival through Extractive Resource Nationalization.*[13]

Nationalization of the oil sector during the 1960s and 1970s, coupled with the 1973 oil price shock, has shaped decades of scholarship on the resource curse. Scholars have long sought to understand the correlation between mineral abundance in many developing countries and a series of negative economic and political outcomes, including poor economic performance, unbalanced growth, low levels of human development, and authoritarian regimes. *Power Grab* is an important contribution to this literature, as well as to the work that has been done on questions pertaining to state ownership and national oil companies, nationalization, and political survival.[14] Given what we know about the negative economic

[12] Paasha Mahdavi, *Power Grab: Political Survival through Extractive Resource Nationalization* (Cambridge: Cambridge University Press, 2020), 7.

[13] Mahdavi, *Power Grab*.

[14] For a sampling of this literature, see, for example, David G. Victor et al., eds., *Oil and Governance: State-Owned Enterprises and the World Energy Supply* (Cambridge: Cambridge University Press, 2012); Pauline Jones Luong and Erika Weinthal, *Oil Is Not a Curse: Ownership Structure and Institutions in Soviet Successor States* (Cambridge: Cambridge University Press, 2010); Valérie Marcel, *Oil Titans: National Oil Companies in the Middle East* (Washington, D.C.: Brookings Institution Press, 2006); Michael L. Ross, *The Oil Curse: How*

and political effects associated with state ownership and nationalization, why has state ownership persisted? Why do leaders continue to nationalize extractive resources?

Mahdavi offers a compelling and elegant explanation for why nationalization is a desirable political strategy. Much depends on leaders' perceptions of their political survival and, as such, Mahdavi shows that weak leaders will turn to nationalization to extend the duration of their time in power. This is counterintuitive, as previous work on state ownership has asserted that leaders who face political challenges are unlikely to nationalize.[15] Mahdavi, however, suggests that strong leaders are less likely to nationalize and thus fail to reap the long-term benefits of access to oil and gas revenue.

Power Grab is striking in its theoretical and empirical reach. Mahdavi artfully weaves together themes concerning the resource curse, political survival, fiscal capacity, and the economic efficiency of state-owned enterprises as part of his narrative about why leaders choose to nationalize key economic sectors and why political considerations often override economic ones. The book provides a comprehensive survey of the ways in which different scholars have sought to understand whether oil is a curse or not. Chapter 2 offers an up-to-date literature review on the resource curse, covering the effects of boom-and-bust cycles on political survival, and an overview of the research on institutional development and good governance. That there is no shortage of literature on the resource curse is not lost on Mahdavi. Building upon resource curse scholarship, he expertly makes the case for why more empirical research is needed on how ownership structure and nationalization matter within the resource curse field.

The book is steeped in meticulously researched empirical data. Mahdavi draws on archival material from the British Petroleum company archives to present a nuanced case analysis of Iran, along with secondary cases, including Saudi Arabia, to explain why, for example, Riyadh delayed nationalization, whereas Tehran did not. The next generation of resource curse scholars will be able to tap into an original nationalization dataset that covers 116

Petroleum Wealth Shapes the Development of Nations (Princeton, NJ: Princeton University Press, 2012); Benjamin Smith, "Oil Wealth and Regime Survival in the Developing World, 1960-1999," *American Journal of Political Science* 48, no. 2 (2004): 232-46.

[15] Jones Luong and Weinthal, *Oil Is Not a Curse*.

years and 187 countries. Based on primary and secondary sources of each country's petroleum history, Mahdavi painstakingly codes for whether a country operationally nationalized its oil sector. *Power Grab* is, to date, the authoritative book on nationalization and the oil and gas sector, especially as it pertains to why leaders nationalize and create national oil companies for the purpose of managing contract negotiations and the sale and production of oil.

While Mahdavi sharpens our understanding of the relationship between national oil companies and political leaders, the relationship between political leaders and society, nevertheless, remains underexplored. Yet, the ability to stay in power is not only contingent upon access to oil revenue, but also on these broader societal relationships. *Power Grab*, in turn, positions the resource curse field to ponder the scenarios in which leaders will choose alternative strategies for governing the extractive sector in order to stay in power, especially when it comes to the extractive industries in post-conflict countries, as well as to confront the climate crisis, both of which require a more nuanced understanding of society.

Moving Beyond the Obsolescing Bargain

Mahdavi's argument about political survival through nationalization expands upon early studies regarding the obsolescing bargain.[16] According to the logic of the obsolescing bargain, once a foreign firm has invested in fixed capital and has sunk costs, the firm is at risk of having the host government arbitrarily change the terms of its contracts. Specifically, as host governments gain information about other firms' contracts, political leaders can take advantage of the difficulties involved in relocating immobile assets to try to renegotiate their share of royalties and profits, or even to nationalize the assets of foreign firms.

Mahdavi's argument focuses less on the issue of sunk costs and more on the diffusion of information about competitors' agreements with outside firms. Here, leaders' perceptions of their political survival are key to understanding why leaders might attempt to reevaluate their existing agreements to increase their revenue from oil and gas production. Timing

[16] Raymond Vernon, *Sovereignty at Bay: The Multinational Spread of U.S. Enterprises* (New York: Basic, 1971).

matters for leaders' perceptions of their likely political survival. If operational nationalization guaranteed political survival, leaders would rush to appropriate the assets of private firms. Yet, as Mahdavi demonstrates, different leaders choose to nationalize at different times, or not at all. These decisions, he argues, hinge upon whether leaders perceive major threats to their continued rule in the short term. Weak leaders are more likely to discount the long-term economic and political costs of seizing control over the natural resource sector because, in the short term, they have a need for revenue to buy popular support and placate opponents.

Overall, this focus on the short-term and long-term trade-offs of nationalization provides an important temporal component to the book, examining the often-understudied connection between oil and time horizons. Michael Ross, in one of the first review essays on the resource curse, notes that both cognitive and state-centered theories suggest that oil wealth may produce myopic behavior among leaders, such that resource windfalls can lead to exuberant spending and failures to diversify their economies.[17] What still requires greater clarity is discerning the conditions under which these leaders will use the funds in the short term to ward off opponents through appeasement or to suppress them via repression.

National Oil Companies, Transparency, and Accountability

Central to ensuring political survival, according to Mahdavi, is the existence of an operational national oil company. Whereas in our book, *Oil Is Not a Curse*, Pauline Jones Luong and I offer a broader definition of state ownership that allows for varying degrees of state control, Mahdavi is concerned primarily with the "de facto ability to produce oil," as this affects whether the state can earn a greater share of the revenue from the production of oil than if it is held in the hands of private firms.[18] State ownership where foreign investors are granted significant managerial and operational control, thus, falls outside the scope of this study. Instead, *Power Grab* helps to illuminate the relationship between nationalization and state ownership in which a national oil company has operational control.

[17] Michael L. Ross, "The Political Economy of the Resource Curse," *World Politics* 51, no. 2 (1999): 297-322.
[18] Jones Luong and Weinthal, *Oil Is Not a Curse*, 7; Mahdavi, *Power Grab*, 100.

The conventional wisdom is that nationalization and the presence of state-owned enterprises in the extractive sector will breed inefficiency and corruption. Yet, according to Mahdavi, having direct access to a national oil company allows the government to capture the rents that might otherwise flow to a private firm and to use that capital to garner political support and repel potential challengers. Thus, during periods of high oil prices, nationalization is often viewed more favorably, since leaders will be able to accrue revenue quickly and, as such, the short-term gains from nationalization will outweigh the potential long-term economic and political costs.

Through the extensive use of historical records, Mahdavi presents a novel analysis of Shah Mohammad Reza Pahlavi's decision to take full control of Iran's oil industry from foreign operators in 1973, contrasting it with the earlier nationalization that occurred in Iran in 1951 under Prime Minister Mohammad Mossadegh. In doing so, Mahdavi carefully lays out how operational nationalization in the short term allowed for higher revenue capture than would have occurred if the shah had not nationalized the operations of the British Petroleum-led consortium of the Western oil companies. Yet, Mahdavi is also faced with the challenge of explaining why the shah's regime collapsed, whereas other governments that nationalized in the Middle East in the 1970s did not. While leaders may nationalize owing to short time horizons, Mahdavi emphasizes that "converting natural wealth into fiscal wealth" is essential for their long-term survival.[19] Through his detailed investigation of nationalization in Pahlavi Iran, Mahdavi shows that, although he was able to produce oil, the shah failed to secure control over the sale and distribution of Iran's petroleum. As a result — and despite an initial increase in oil revenue — the shah could not sustain stable profits, which, ultimately, contributed to the fall of the monarchy.

This question of enduring rule is a lingering topic of interest for resource curse scholars. Mahdavi provides a compelling argument for why leaders choose to nationalize, but *Power Grab* does not directly address whether nationalization guarantees political survival over the long term. Thus, while the Iranian case provides important insights about why certain

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[19] Mahdavi, *Power Grab*, 1.

governments may collapse, there is still a need to wrestle with alternative explanations pertaining to regime survival.

For instance, enduring rule may not just be contingent upon operational control, as Mahdavi argues, but may also be linked to the sound management of the revenue generated from the production and sale of the oil and gas. To be clear, Mahdavi suggests that squandering this wealth will result in a short tenure. Yet, having a more robust understanding of the conditions under which national oil companies resist pressures to waste and mismanage oil and gas revenue over the long term would shed light on the tight relationship between political leaders and these companies, as well as on the question of how this relationship affects regime durability. Delving into other cases, such as Mexico, could be illuminating, given that Mexico is not a story about the survival of one political leader. Instead, it is a story of the fortunes of a political party — the Institutional Revolutionary Party — that benefitted from employing the resources of Mexico's national oil company (Pemex) for patronage for decades.

Because *Power Grab* is written from the perspective of political leaders and deals mainly with their perceptions of their political survival, it focuses less attention on the internal workings of national oil companies or on the relationship between leaders, these companies, and society. Whereas the obsolescing bargain looks at the relationship between private firms and host governments, *Power Grab* avoids delving into the potential for changing power dynamics between an operational national oil company and the government. Given the volatility in global petroleum markets, understanding better how these national oil companies respond to boom-and-bust cycles would shed light on both the long-term efficacy of the companies and a leader's hold on power. In addition, patronage and corruption within a national oil company may prevent the ruling elite from having access to accurate information over the long term about revenue generated from the oil and gas sectors. After all, as Mahdavi correctly notes, some operational national oil companies may become "a state within a state," as was the case with Angola's Sonangol.[20]

[20] Mahdavi, *Power Grab*, 66.

Understanding the internal workings of national oil companies would further help explain why some leaders are able to cling to power while others ultimately cannot. If nationalization prolongs leaders' time in power, it is unclear at what point nationalizing resource operations can no longer prevent an "irregular exit."[21] As Mahdavi points out, leaders may well use their country's national oil company and oil revenues for their own ends, as was the case with Venezuela's Hugo Chávez and Libya's Muammar Qaddafi. While Qaddafi's gambit to nationalize Libya's oil and gas helped solidify his power for three decades, he was eventually violently removed from power in 2011 during the Arab Spring. Understanding when leaders, especially autocrats and despots, can no longer hold onto power by harnessing revenue from their national oil companies is thus another key question for scholars.

Notwithstanding its many strengths, the book does not include a rigorous analysis of societal responses to leaders who have seized full control over their countries' natural resource wealth. Despite the influential literature on rentier and distributive states, not all social groups have benefitted when the government has chosen to rely heavily on oil and gas revenue as a development strategy.[22] Instead, many communities have suffered negative health and environmental effects from oil and gas production. Consequently, civil society has, in some cases, galvanized to push for more oversight of the financial flows in the oil and gas sector. Global initiatives such as the Extractive Industries Transparency Initiative have sought to bolster the efforts of civil society actors to promote more transparency and accountability from both private firms and national oil companies. Attention to more recent global and local initiatives thus offers an important update to the economic and political effects of operational nationalization in the 21st century, including for enduring regime survival.

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[21] Mahdavi, *Power Grab*, 153.

[22] On rentier states, see, for example, Hossein Mahdavy, "Patterns and Problems of Economic Development in Rentier States: The Case of Iran," in M.A. Cook, ed., *Studies in the Economic History of the Middle East: From the Rise of Islam to the Present Day* (New York: Oxford University Press, 1970), 428-467; Hazem Beblawi and Giacomo Luciani, *Nation, State, and Integration in the Arab World*, vol. 2: *The Rentier State* (London: Croom Helm, 1987).

Nationalization and the Challenges of the 21st Century

Mahdavi also sets the stage for pondering whether political survival through extractive resource nationalization is still a valid strategy for the 21st century. I foresee *Power Grab* being a springboard for future research in two different, but interconnected, areas: the relationship between extractive industries and post-conflict peacebuilding, on the one hand, and the relationship between extractive industries and the climate crisis on the other.

Given the growing literature on conflict-affected states, which has documented the many linkages between natural resources and civil conflict, it may be untenable to encourage operational nationalization of high-value natural resources in conflict-affected countries.[23] Whereas Mahdavi suggests in his concluding chapter that leaders whose countries have large endowments of advanced, nonrenewable raw materials, such as cobalt, manganese, and lithium, may consider operational nationalizations to capture revenue, I would argue that such an approach may instead undercut opportunities for rebuilding the social fabric of society and promoting livelihoods, unless transparency, oversight, and accountability measures are addressed. Empirical research is needed to explore whether transparency initiatives offer a more effective way to harness revenue and, in turn, strengthen governance and institutions, which might, incidentally, enhance regime survival. For example, because illicit extraction of timber provided an important source of revenue for the warring parties in the Liberian civil war, President Ellen Johnson Sirleaf, after assuming power, canceled all forest concessions until forest sector reforms could be undertaken.[24] Moreover, she established a chapter of the Extractive Industries Transparency Initiative for Liberia.

[23] Richard Matthew, Oli Brown, and David Jensen (2009) "From Conflict to Peacebuilding: The Role of the Environment and Natural Resources," United Nations Environment Programme, http://www.unep.org/publications/search/pub_details_s.asp?ID=3998.

[24] Stephanie L. Altman. Sandra S. Nichols. John T. Woods. 2012. Leveraging high-value natural resources to restore the rule of law: The role of the Liberia Forest Initiative in Liberia's transition to stability. In *High-Value Natural Resources and Peacebuilding*, ed. P. Lujala and S. A. Rustad. London: Earthscan.

The extractive sector in many conflict-affected countries in the 21st century involves different supply chains and depends on different types of firms and investments. For example, many firms are no longer domestic, but are instead foreign state-owned enterprises, and thus the relationship between host governments and firms may not entail the same bargaining dynamics as in the 1970s. Likewise, firms are not just negotiating over profit sharing. In the case of the Democratic Republic of the Congo, countries like China are negotiating mining contracts in exchange for infrastructure development. Here, too, additional research is needed to understand whether this changes leaders' perceptions as they negotiate with other countries.

In addition, climate change will affect the decision-making calculus of political leaders and their societies, as a post-carbon future will require turning away from dependence on fossil fuels. As the international community reckons with the climate crisis, oil-rich states and national oil companies are unlikely to operate according to the past rules of the game. Facing a rapidly warming world in which extractives are increasingly less desirable, we should ask whether leaders will embark on different development paths and rethink nationalization as a strategy for staying in power.

Some of the Persian Gulf states have announced significant investments in renewable energy projects, particularly solar — both for generating electricity and for fostering economic growth — although many of these projects have yet to materialize.[25] In May 2021, the International Energy Agency suggested that no new oil and gas fields should be developed if the world is to reach net zero emissions by 2050.[26] Thus, as countries begin to encourage the production of renewable sources of energy and price carbon more aggressively, the incentive structure for operational nationalization may no longer exist for political leaders in countries with vast oil and gas resources.

All told, *Power Grab* is an important contribution to the expansive literature on the resource curse and nationalization. It offers a clear explanation for understanding why

[25] Dan Rabinowitz, *The Power of Deserts: Climate Change, the Middle East, and the Promise of a Post-Oil Era* (Stanford, CA: Stanford University Press, 2020).

[26] International Energy Agency, "Net Zero by 2050: A Roadmap for the Global Energy Sector," May 2021, https://www.iea.org/reports/net-zero-by-2050.

leaders have chosen to nationalize oil and gas resources. Yet, to address the climate crisis, leaders, including those in conflict-affected countries, will need a different set of incentives to ensure not only their survival, but that of the broader global community as well. Political strategies that were appropriate for leaders' survival in the 20th century are simply misaligned with the incentives for planetary survival in the 21st century.

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3. The Causes and Consequences of Resource Nationalization

John S. Duffield

It seems like it has been many years since a country's nationalization of its natural resources has made headlines. Let us not forget, however, the major impact that such actions have sometimes had on world politics. On has only to think of Mexico's oil expropriation in the 1930s, Iran's in the 1950s, and Saudi Arabia's in the 1970s to recall the ripple effect that nationalization can have around the world.

Paasha Mahdavi's *Power Grab* constitutes the latest contribution to the literature on the nationalization of natural resources, and it is a significant one.[27] Among its many virtues, the book provides a nuanced discussion of the very concept of nationalization and the different forms that it can take. It presents an original, compelling theory on the causes and consequences of decisions to nationalize the extraction of a country's natural resources. And it subjects the resulting hypotheses to careful empirical testing using sophisticated

[27] Paasha Mahdavi, *Power Grab: Political Survival through Extractive Resource Nationalization* (Cambridge: Cambridge University Press, 2020).

statistical methods. At the same time, the book has several shortcomings: It raises some conceptual questions and leaves largely unexplored some potentially fruitful theoretical ground, and the qualitative portion of its empirical analysis could be more fully developed. These issues lead to a number of questions, the answers to which may help to advance thinking on the subject of resource nationalization and improve our understanding of this important phenomenon.

Before proceeding to describe the book in more detail, a word is in order on the ambition of the project. The book is very broad in scope, aspiring to apply to all instances of extractive resource nationalization. Nevertheless, as Mahdavi admits, the empirical material provided concerns the oil industry almost exclusively. Even a narrower focus on the nationalization of oil resources, however, is well worth the effort. Oil has long been one of the most valued and traded natural resources. As a result, nationalizations of the oil industry have been among the most prominent political events of the last century. Yet, not all countries have nationalized their oil industries, and those that have done so have acted at different times. The approximately 60 nationalizations that took place between 1900 and 2020 were relatively evenly distributed between 1935 and 2015, with a slight bunching in the mid-1970s.

Thus, *Power Grab* poses and addresses a set of compelling and important questions: Why do leaders choose to nationalize natural resource production and extraction? Under what conditions do they decide to do so? And what political consequences do decisions to nationalize actually have?

The Argument

To answer these questions, the book develops an elegant and parsimonious theory. Before reviewing that theory, however, it is critical to understand the conceptualization of nationalization that lies at the core of Mahdavi's book. Many readers might associate nationalization with a state's ownership of the natural resources in question and with the mere existence of a state-owned enterprise for that purpose in the sector. For Mahdavi, however, the crucial distinction is whether or not the state takes control of the production process, which he terms "operational nationalization." This distinction yields a novel three-part typology of possible pathways for state intervention. First, a state may allow private ownership and production of the resource. This is where the exploitation of a resource typically begins, especially in the case of developing countries with few financial resources. Second, the state may then create a state-owned enterprise that is nevertheless not involved in the production process, which continues to be controlled by private actors. And third, at the highest level of involvement, the state may use the state-owned enterprise to engage directly in production itself, limiting the role of private actors to, at most, that of outside contractors. But, to reiterate, it is this final distinction — whether or not the state controls production, and not simply whether a state-owned enterprise exists — that is the most important to Mahdavi's argument.

How, then, does Mahdavi's theory explain decisions about operational nationalization? To begin, it treats leaders as utility-maximizing actors whose primary objective is political survival. Thus, decisions about resource nationalization hinge on the expected consequences for a leader's political fate. In particular, nationalization is viewed as a way to increase the material, and especially fiscal, resources that can be used to neutralize actual and potential threats to a leader's position and thereby increase the leader's prospects for survival.

Leaders fall along a spectrum of perceived vulnerability. Those who feel particularly insecure will be more inclined to play the operational nationalization card, if possible. Exerting control over production is the fastest route to increasing revenues and thus to strengthening a leader's position. Such leaders may even recognize that nationalization is likely to result in lower revenues in the long run, because private companies can exploit resources more efficiently, but it may nevertheless be the preferred option because of their short time horizons. In contrast, leaders who believe their positions to be more secure will be content to take less drastic action, if they choose to act at all. They may seek a more favorable distribution of the rents earned from resource extraction but will not resort to operational nationalization in order to achieve this.

Two other key factors further shape these decisions. One is the diffusion of information about the types of deals being struck by other states with private companies engaged in natural resource production. If a leader learns that another country is getting a better deal, he or she will be more inclined to review the status quo, seek a revision of terms, and, potentially, nationalize production of the resource. The second factor is technological capability. What the state *will* do is constrained by what the state *can* do. Does the state possess, or can it purchase, the technical know-how and human capital needed to run the production process at a given point in time?

Mahdavi goes on to explore the consequences of decisions to engage in operational nationalization. In particular, he asks what impact such decisions actually have on political survival. This question can be broken down into two components. First, does operational nationalization truly yield more revenues than other possible actions, at least in the short run? Second, do increased revenues in fact increase a leader's probability of survival? Thus, political survival both shapes decisions about operational nationalization, as noted above, and is affected by them.

Several chapters of *Power Grab* subject the resulting hypotheses to careful empirical testing, using a mix of quantitative and qualitative methods. Chapters four and five contain sophisticated statistical analyses, which I will leave to others to address in detail. The former focuses on the first part of the theory, regarding the decision to nationalize, while the latter addresses the second part concerning the impact of nationalization on revenues and, ultimately, political survival. A sixth chapter presents a lengthy case study of operational nationalization of the oil industry in pre-revolutionary Iran, while chapters two and four contain additional qualitative material concerning Iran, Iraq, and Saudi Arabia.

Conceptual Questions

Despite *Power Grab*'s many strengths, this reviewer finds that the book raises a number of questions that might merit further consideration in the interest of advancing thinking about the topic of resource nationalization. These questions can be organized into three categories: conceptual, theoretical, and empirical.

The conceptual questions begin with the central idea of operational nationalization itself. As Mahdavi's discussion of nationalization in pre-revolutionary Iran suggests, it may be harder to discern when effective operational nationalization exists than first meets the eye. Although Shah Mohammad Reza Pahlavi took control of oil production, the major oil companies largely rendered that control moot by effectively blocking Iran from selling oil on the open market. Thus, a broader, if necessarily more complex, conceptualization of operational nationalization may be in order. Certainly, a narrow focus on the extraction and development may not always be sufficient.

A second conceptual question concerns the diffusion of information that prompts leaders to review existing concessions to private companies. The term "diffusion" typically implies a potentially variable, social process by which ideas and information move — or not, as the case may be — from one actor to another, depending on various social and psychological factors and conditions. In the context of this book, however, information diffusion sometimes refers to the mere existence of alternative deals struck by other oil-producing countries that suggest the possibility of achieving better terms with the private oil companies. Once these deals come to light, there seems to be little doubt that they will cause other leaders to update their beliefs about what arrangements are possible. Thus, diffusion is a largely automatic process, which may diminish its significance.

A third conceptual question concerns the different forms that political survival may take in its respective roles as an independent and dependent variable. The former conception would seem to encompass a leader's beliefs about what might happen, whereas the latter conception presumably captures what in fact does happen to a leader, or at least the probability of different outcomes rooted in some sort of objective reality. Thus, we may be dealing with two distinct phenomena, not a single one that, to use Mahdavi's phrasing, is both "the cause and consequence of nationalization."[28]

Theoretical Questions

Turning to more theoretical questions, one might reasonably ask whether some aspects of Mahdavi's argument are sufficiently developed. The book perhaps rightly focuses on the distinction between operational nationalization and other possible policies, because that choice has the greatest potential implications for variation in leader survival outcomes. That said, the book pays less attention to other choices that fall below the threshold of

[28] Mahdavi, *Power Grab*, 8.

operational control. For example, when do states create state-owned enterprises, even if it is only to oversee the work of private companies?

Relatedly, the book could have done more to explore the role and determinants of technical capabilities, which are essential preconditions for the decision to nationalize operations. *Power Grab* treats this factor more as an assumption than as a potential variable. It might be useful to know, however, when a state will have the know-how to take over production, or, alternatively, when a leader will at least believe that the necessary technical capacity is in place.

Perhaps more significantly, Mahdavi's book could go further in its exploration of alternative explanations. One of these is the role of legitimacy. The theory focuses on the potential material benefits of operational nationalization and, in particular, how the additional financial resources so gained can increase a leader's chances of survival. But even if the adequacy of the material resources available is not in doubt, an otherwise secure leader could still face ideologically based pressure to nationalize. For example, nationalization may be regarded as a litmus test of the leader's willingness to defend the state's sovereignty. And within a peer group of like-minded states, such as the Organization of the Petroleum Exporting Countries (OPEC), a leader may not want to be the last to exercise national prerogatives, out of fear of appearing to be in thrall to foreign corporations or governments. Thus, operational nationalization may improve a leader's prospects for survival, but through an entirely different mechanism than the one that Mahdavi proposes.

At one point, the book comes close to recognizing a similar factor, when it briefly touches on the role of prestige. In his pre-revolutionary Iran case study, Mahdavi notes that the shah did not want to be seen as receiving less favorable terms than other oil-producing states, especially Tehran's main competitors. But the book might have done more to develop this idea theoretically, since a crucial distinction would seem to be at work here. There is an important difference between knowing (via information diffusion) that there are better deals to be had and knowing that particular rivals are getting better deals.

This leads to another theoretical question regarding the treatment of the external environment in shaping the costs and benefits of different courses of action. How and when might other actors take steps that could influence a leader's risk calculus and tip the scales one way or the other? The book briefly refers to perceived retaliatory costs as a "key factor" and attempts to control for the chances of retaliatory action in the statistical analysis, but nowhere is this factor developed theoretically, and retaliation is only one of several types of possible interventions.[29] To be sure, an outside power might put pressure on a leader not to nationalize production of the resource in question. But it might just as easily lean on a private company to make concessions, when doing so is seen to better serve the outside power's interests. What is likely to happen will depend on the overall strategic value of an oil-producing state, which may be determined not only by the magnitude of its oil reserves and production, but also its location, its relations with other countries in its region, and the availability of other allies and sponsors, among other considerations. The outcome may also depend on the characteristics and capabilities of the interested outside powers themselves. The importance of such theorizing is suggested by the differing approaches of the United States to Saudi Arabia and the United Kingdom to Iran in the early postwar years, with the latter being arguably less willing to make concessions and more willing to intervene.[30]

Empirical Questions

Finally, let me conclude with some questions about the book's methodology and empirical content, by focusing on the qualitative material that Mahdavi presents. Overall, more detail would have been helpful. The systematic qualitative analysis consists of just two short sections and one chapter. The sections provide brief comparisons of Iran and Iraq in the 1970s and Iran and Saudi Arabia in the late 1940s and early 1950s, respectively, while the chapter examines Iran in the 1970s in greater detail.[31] Given the many instances of operational nationalization, one wonders whether the analysis might have fruitfully ranged beyond these familiar cases, as well as explored them in greater depth.

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[29] Mahdavi, *Power Grab*, 18, 114.

[30] Daniel Yergin, *The Prize: The Epic Conquest for Oil, Money, and Power* (New York: Simon & Schuster, 1991), 445-55.

[31] Mahdavi, *Power Grab*, 81-90, 126-32, 177–211.

The Iran-Iraq comparison seeks to offer "initial empirical evidence" for the theory of political survival.[32] While providing some *prima facie* support, however, it also raises important questions that the theory seems unable to answer. First, what accounts for variation in the behavior of insecure leaders? The brief historical account of Iraq references the frequent turnover in leadership prior to the establishment of the relatively stable Baathist regime in 1968. Yet, it was the Baathists that nationalized production. Thus, it may be the case that particularly weak and vulnerable regimes are *less likely* to seek direct control of operations, not more so. Second, as noted above, under what conditions does operational nationalization really count? There is a striking divergence in the fate of each country after it sought to seize operational control. In the case of Iran, the shah's move was effectively neutralized by the oil companies, even though Iran maintained control of production and pricing, whereas in the case of Iraq, it was not. These disparate outcomes suggest that the theory might usefully go further in explaining when operational control is meaningful and sustainable.

One also wonders whether the brief Iran-Saudi Arabia comparison might have benefited from further elaboration. In this case, the focus is on variation in policy choices: Iran eventually decided to take control of the oil industry, whereas Saudi Arabia did not. Mahdavi explains the difference primarily in terms of the degree of political contestation and internal threats in the two countries, yet the section presents little or no evidence about what the respective leaders were actually thinking. Doing so would seem to be especially important in the Iran case, given the complexity of the situation, with two or more individuals vying for and holding varying degrees of power. Why would both the shah and Mohammad Mossadegh, but not the actual prime minister, Haj Ali Razmara, support nationalization?

At the same time, the section might have done more to address the technical capability to run the oil industry, which could have differed substantially across the two countries and thus provide much of the explanation. And what about differences in the nature of the oil companies that the two regimes confronted? Whether due to strategic considerations, financial interests, or concerns about reputation and prestige, might the United Kingdom

[32] Mahdavi, *Power Grab*, 81.

have been less willing to make concessions than were the private enterprises doing the work in Saudi Arabia, and thus have made a decision by Iranian leaders to nationalize more likely?

Only the chapter on Iran in the 1970s provides the empirical depth that one might normally expect for the evaluation of such a rich theory, and Mahdavi is to be commended for his identification and use of original data from the British Petroleum archives. Yet it, too, raises important questions. I have already touched on the general issue of the meaning of information diffusion in the context of this book, but it seems especially salient in this case. Once again, the flow of information about the possibility of obtaining better terms appears to have occurred more or less automatically and certainly did not require mutual OPEC membership — the proxy used in the quantitative analysis — to facilitate it. Indeed, the chapter describes the moment when the shah learned of the latest Saudi deal on the radio as the "tipping point."[33]

Another question concerns the evaluation of Mahdavi's central hypothesis regarding a leader's perceptions of the threats to his or her survival. How are we to know just how insecure a leader may feel? Much of the burden of proof falls on the qualitative material, given that the statistical analysis uses a very imperfect proxy: regime age. Yet, the analysis provides no clear criteria for determining a leader's overall level of insecurity. The chapter marshals a number of reasons why the shah might have been concerned, but offers no direct evidence. Given the age of the regime, however, the shah should have felt relatively secure. And thus, the case would seem to require a particularly high level of empirical support to substantiate the claim that the shah was motivated by a high level of insecurity. The lack of clear criteria also complicates the possibility of making cross-case comparisons with confidence.

Conversely, the chapter relies almost exclusively on the shah's assertions about Iran's technical capacity to run oil operations, taking them at face value. It makes no independent effort to assess these assertions and overlooks the distinct possibility that the shah saw advantage in exaggerating the country's capabilities and was, therefore, bluffing.

[33] Mahdavi, *Power Grab*, 187.

Conclusion

By virtue of its conceptual innovation, theoretical originality, and careful empirical analysis, Mahdavi's *Power Grab* represents an important contribution to the literature on resource nationalization. Although this review has raised a number of conceptual, theoretical, and empirical questions, its main goal has been to build upon, rather than challenge, the book's sturdy foundations. As such, they are offered as further testament to the book's richness and ambition. *Power Grab* will be a central reference point for further exploration of resource nationalization, one with which future students of the subject will have to grapple.

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4. The Future of Authoritarian Rule Amidst the Shift to Clean Energy

Alexander "Xander" Slaski

For authoritarian rulers, revenue is the key to survival. With threats from below, as well as from allies and rivals, the foremost concern when it comes to remaining in office is securing sufficient funds to pay off potential challengers and giving oneself the requisite coercive power to repress opponents. In *Power Grab*, Paasha Mahdavi examines the role of natural resource rents, particularly via the nationalization of oil, in helping leaders to achieve those goals.[34] The existing mechanisms underlying the "resource curse," namely that natural resources reduce government accountability while also providing easily extractable rents for cooptation and coercion, are well known.[35] Mahdavi's contribution lies in explaining which types of leaders nationalize, the structure and process of that nationalization, and the role of timing and information in determining leader behavior. In particular, showing that leaders in more precarious situations are more likely to benefit from nationalization — which, despite a potential loss of efficiency, increases their odds of remaining in power — is an important corrective to the existing literature.

Aside from its theoretical contributions, the book also supports its argument with an impressive range of empirical approaches. The case studies — particularly of Iran — are masterful and present rich evidence based on deep archival research. The book also benefits from a multi-method approach that is rarely so well executed. The combination of thorough qualitative work and state-of-the-art statistical research leaves little doubt about the validity of Mahdavi's argument. It also ties together diverse research strands in ways that yield new insights for a variety of different literatures. By crossing sub-disciplinary boundaries, Mahdavi has produced a theoretically innovative and empirically rigorous study that will leave a lasting impact on the discipline. Moreover, the book is highly readable and presents the argument and evidence in a logical way, anticipating potential criticism and offering responses in turn.

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[34] Paasha Mahdavi, *Power Grab: Political Survival through Extractive Resource Nationalization* (Cambridge: Cambridge University Press, 2020).

[35] Michael L. Ross, "What Have We Learned about the Resource Curse?" *Annual Review of Political Science* 18, no. 1 (2015): 239–59, https://doi.org/10.1146/annurev-polisci-052213-040359.

Which Resources Fit the Theory?

The main drawback of the book is that it relies too heavily on defining "natural resources" as oil. In fairness, this is the primary focus of the resource curse literature, and oil certainly provided the foundations for many of the most prominent authoritarian regimes of the 20th and early 21st centuries. Mahdavi discusses the limits of the applicability of his argument throughout the book, yet non-oil resources are not part of the core of his analysis, nor do they appear in the historical case studies. For example, natural gas and coal, like oil, have characteristics that make them highly profitable with little effort, which would make them fertile cases to compare with Mahdavi's core oil cases. Reading the book, one wonders which resources would fit the theory, particularly since the universe of cases might be quite broad. If any extractive resource that creates these types of profits fit the scope of the theory — for example, gemstones, lumber, or even highly capital-intensive forms of foreign direct investment — then many of the nationalizations we see in authoritarian countries fit the same logic of ruler survival that we see behind the creation of national oil companies.

Perhaps more importantly, if the future is powered less by oil than by a distinct set of natural resources necessary for renewable energy and advanced energy storage, then the question of the flexibility of the theory becomes particularly important. Mahdavi alludes to the "minerals that will power the clean energy transition,"[36] but it is unclear how distinct the rents from those minerals are from rents from oil or other fossil fuels. If the key natural resource characteristics underlying the argument in *Power Grab* are easily extractable rents in capital-intensive industries, then concentrated rents in lithium extraction should be no different from concentrated rents in oil production. This raises the question of whether leaders of countries with the minerals necessary for renewable energy technologies will take steps to nationalize those sectors as demand for their use grows, particularly if investment by foreign multinationals in those sectors increases. Would Muammar Qaddafi's story in Libya have played out the same way if, instead of oil, he had had cobalt, as the rulers of the Congo currently possess? Given that the resources for the future energy transition are primarily minerals, would the causal mechanisms remain the same for them as for oil? Drawing clearer lines around the theory that Mahdavi offers will be useful for

[36] Mahdavi, *Power Grab,* abstract and pages 223–24.

other scholars who attempt to adapt it to a wider range of cases. Moreover, it will clarify the predictive power of the theory and help to anticipate how authoritarian leaders in resource-rich countries will behave. That, in turn, will be crucial not only to the citizens of those countries, but also for understanding the future access that the rest of the world will have to the minerals that are essential for clean energy generation, as well as their availability and cost.

The Future of Resource-Fueled Authoritarianism

Beyond focusing on which resources fit Mahdavi's theory, an additional concern is that of whether the theory is limited to a particular period of history. It is unclear whether the nationalizations of the past, which were often unilateral and carried out with little compensation from the host country, could be repeated in the future. Might not economic sanctions, deeper economic connectedness, and strengthened investment law (and enforcement) hamper such nationalizations? Hugo Chavez was certainly forceful in his efforts to consolidate Venezuela's state-owned oil company, Petróleos de Venezuela, S.A. (PDVSA), but he was met with substantial resistance from the United States (although he did receive support from China, Cuba, and other countries seeking to both bolster authoritarian rule in Latin America and gain access to Venezuela's oil production).[37] Nationalization would thus appear to be a historically bound process.

On the other hand, with the world in a period of democratic backsliding and emboldened authoritarianism, leaders will surely do whatever it takes to stay in power, and natural resources present a readily available source of necessary revenue. Oil will continue to fuel the global economy for decades to come, providing a steady source of revenue for leaders who seek rents for cooptation of allies and repression of enemies. Indeed, if Mahdavi's theory is applicable to a wider range of resources, then authoritarian rulers have more opportunities to secure rents to stay in power. A broader range of natural resources, particularly minerals such as copper, coal, zinc, cobalt, and lithium, may provide the financial support for more authoritarian leaders as those minerals increase in value.

[37] Francisco Monaldi and José La Rosa Reyes. "U.S. Policy Toward Venezuela's Hydrocarbon Sector," Rice University's Baker Institute for Public Policy, 2021, https://www.bakerinstitute.org/media/files/files/20524cbd/bi-brief-022321-ces-venezuela.pdf.

Moreover, with natural resource nationalism on the rise,[38] leaders will likely have the support of their populations in expropriating foreign companies in the resource sector. Given the rise of global populism and the increased willingness of leaders — both authoritarian and democratic — to pander to their constituents, effective statecraft appears to matter less than short-term access to rents, whether from oil or other natural resources.

The Emergence of Authoritarian Challengers

An additional critique has to do with the dynamics of authoritarian rule and the first stage of the process of seizing power that Mahdavi examines. His argument focuses primarily on efforts to stay in power once leaders gain office. It focuses much less on how these leaders emerge in the first place and how they take their first steps to secure their grip on office. No doubt, leaders such as Qaddafi (and the many challengers who attempted to displace him) were at least partially motivated by the resource rents that allowed them to secure power. Yet, as Qaddafi consolidated power, he did so in a way that closed the door to future opponents, and much more effectively than his competitors and predecessors. More broadly, how much of the difference between successful and failed leaders had to do with the leaders themselves, versus external factors such as oil prices, resource discoveries, actions by the United States or other international actors, or, as Mahdavi emphasizes, the diffusion of ideas and policy practices? And if such outside factors matter, can national governments or international organizations take any actions to prevent authoritarian consolidation and provide greater room for opposition parties, and perhaps even transitions to democracy? One also wonders about the degree to which these same effects help incumbents in democracies to stay in power, although these concerns fall outside of the limits of the theory and motivating cases of Mahdavi's book.

Such phenomena are important to study to the degree that they are, in turn, affected by the potential flows of future resource rents. Although Mahdavi discusses existing research on preexisting institutional quality by Thad Dunning and Victor Menaldo, leader emergence

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[38] Jimena Blanco and Mariano Pablo Machado, "Resource Nationalism surges in 2020, Covid-19 Worsens Outlook: Political Risk Outlook 2021," Verisk Maplecroft, March 4, 2021, https://www.maplecroft.com/insights/analysis/resource-nationalism-surges-in-2020-covid-19-worsens-outlook/.

and challenges to existing rule, particularly in the periods before successful rulers have consolidated their power, remain something of a black box.[39] This "presource curse" literature, drawing on a term coined by James Cust and the related "booty futures" argument put forth by Michael Ross, highlights the importance of the emergence of rulers as an essential component of understanding how those leaders consolidate power.[40] A two-stage model, while complicating the analysis, would explain not only the consolidation of authoritarian power, but also the emergence and success or failure of challengers. Future work combining the theories of Cust, Ross, and Mahdavi has the potential to yield additional insights.

Conclusion

Mahdavi has written a fascinating book that outlines an innovative theory of resource-fueled authoritarian survival, supported with ample empirical evidence and impressive qualitative work. While I find the argument persuasive, I have offered a number of critiques about the limits of that theory. In particular, questions remain as to whether the theory "travels" to different sets of natural resources, different time periods, and even different types of regimes.

These critiques should not detract from *Power Grab*'s contribution. Instead, they are a sign that the argument provides inspiration for future work that will build on its findings. Indeed, much research remains to be done in this area, particularly in testing the limits of the theory for other natural resources. In addition, I hope that other scholars will continue to examine the dynamics of authoritarian emergence, building on these findings about the consolidation of power and authoritarian survival. I look forward to seeing Mahdavi's

[39] Thad Dunning, "Endogenous Oil Rents," *Comparative Political Studies* 43, no. 3 (2010): 379–410, https://doi.org/10.1177%2F0010414009352649; and Victor Menaldo, *The Institutions Curse: Natural Resources, Politics, and Development* (Cambridge: Cambridge University Press, 2016).

[40] James Cust and David Mihalyi, "Evidence for a Presource Curse? Oil Discoveries, Elevated Expectations, and Growth Disappointments," Policy Research Working Paper 8140, World Bank Group, Washington, D.C., 2017, http://hdl.handle.net/10986/27643; and Michael L. Ross, "Booty Futures," unpublished manuscript, May 6, 2005, https://www.sscnet.ucla.edu/polisci/faculty/ross/papers/working/bootyfutures.pdf.

future work on these topics and I expect other scholars to join him in continuing to try to understand the relationship between natural resource rents and authoritarian rule.

His argument has crucial implications for the world that we will build in the coming decades. To the degree that we can further understand authoritarian regimes, I hope that we can use those insights to undermine autocratic rule and foster democracy. Moreover, ensuring access to the minerals that underlie the transition to clean energy is crucial for mitigating the worst effects of climate change and setting the global economy on a more sustainable path. Because they tie in so centrally to these two major global political challenges, the questions that Mahdavi engages with are not only theoretically important, but also of normative significance.

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5. Why Resource Politics Needs to Go International

Paul Musgrave

For a century, the global petroleum industry has occupied a central place in the study of international economics and politics. The struggle for control over national oil industries has similarly long been a flashpoint between Western and non-Western actors, including governments and corporations. Understanding what drives those conflicts, such as efforts to nationalize oil industries, is therefore an important scholarly task.

Theoretically innovative and methodologically rigorous, Paasha Mahdavi's impressive new book, *Power Grab*, provides evidence consistent with the conjecture that resource nationalization offers insecure leaders the prospect of improving their hold on power.[41] It also shows that there is ample reason to believe that nationalization is not a simple process, but a complex one, and that different degrees of ownership and involvement in extraction are associated with different outcomes.

Others are better situated to discuss the details of the book's argument. In this response, my main goals are to contextualize the book's contributions and offer some thoughts about what Mahdavi's work shows about the potential for, and limits of, mainstream work in resource politics. In particular, Mahdavi's theorizing, like many other works in this tradition, could take greater account of both history and concepts from the field of international relations. The many strengths of Mahdavi's book — and they are indeed many, as he musters a wide variety of approaches and evidence to make his careful and nuanced case — cast into relief some of the lacunae in this paradigmatic approach.

The Paradigms of Resource Politics

The absence of international relations from resource politics theorizing is striking but explainable as a function of the field's historical development. Let me begin with a stylized, even caricatured and potted, history of the resource politics literature. In the beginning,

[41] Paasha Mahdavi, *Power Grab: Political Survival through Extractive Resource Nationalization* (Cambridge: Cambridge University Press, 2020).

there was the observation that resource endowments and resource-extractive economies correlated with lower democracy scores.[42] This correlation begat a full-fledged research program that eventually became known as the "resource curse," which found its most sophisticated expression within the field of political science in comparative politics. Those studies focused on the effects of resources on democratization and, separately, on a more nuanced evaluation of the relationship between resources and civil war.[43]

Over time, this paradigm matured to explore other effects and linkages of resource endowments and income, from women's liberties to subnational governance.[44] Methodologies became more sophisticated as well. A reliance on ordinary least-squares regressions was steadily displaced by high-tech and sometimes even faddish approaches, from synthetic controls to instrumental variables to (long) time-series regressions to experiments.[45] Data collection and measurement grew more sophisticated, and efforts to

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[42] Terry L. Karl, *The Paradox of Plenty: Oil Booms and Petro-States* (Berkeley, CA: University of California Press, 1997); Michael L. Ross, "Does Oil Hinder Democracy?" *World Politics* 53, no. 3 (April 2001): 325–61, https://doi.org/10.1353/wp.2001.0011.

[43] Michael L. Ross, *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations* (Princeton, NJ: Princeton University Press, 2012); Leonard Wantchekon, "Why Do Resource Dependent Countries Have Authoritarian Governments?" *Journal of African Finance and Economic Development* 5, no. 2 (2002): 57–77; Nathan Jensen and Leonard Wantchekon, "Resource Wealth and Political Regimes in Africa," *Comparative Political Studies* 37, no. 7 (2004): 816–41, https://doi.org/10.1177/0010414004266867; and Michael L. Ross, "A Closer Look at Oil, Diamonds, and Civil War," *Annual Review of Political Science* 9, no. 1 (2006): 265–300, https://doi.org/10.1146/annurev.polisci.9.081304.161338.

[44] Michael L. Ross, "Oil, Islam, and Women," *American Political Science Review* 102, no. 1 (2008): 107–23, https://doi.org/10.1017/S0003055408080040; Yu-Ming Liou and Paul Musgrave, "Oil, Autocratic Survival, and the Gendered Resource Curse: When Inefficient Policy Is Politically Expedient," *International Studies Quarterly* 60, no. 3 (September 2016): 440–56, https://doi.org/10.1093/isq/sqw021; Diego Diaz-Rioseco, "Blessing and Curse: Oil and Subnational Politics in the Argentine Provinces," *Comparative Political Studies* 49, no. 14 (2016): 1930–64, https://doi.org/10.1177%2F0010414016666833; and Tim Wegenast, Arpita Asha Khanna, and Gerald Schneider, "The Micro-Foundations of the Resource Curse: Mineral Ownership and Local Economic Well-Being in Sub-Saharan Africa," *International Studies Quarterly* 64, no. 3 (2020): 530–43, https://doi.org/10.1093/isq/sqaa033.

[45] Yu-Ming Liou and Paul Musgrave, "Refining the Oil Curse: Country-Level Evidence From Exogenous Variations in Resource Income," *Comparative Political Studies*, 47 no. 11 (2013): 1584–1610, https://doi.org/10.1177%2F0010414013512607; Victor Menaldo, *The Institutions Curse: Natural Resources, Politics, and Development* (Cambridge: Cambridge University Press, 2016); Jørgen J. Andersen and Michael L.

correct biases introduced by missing data, poor specification, and measurement errors helped clarify results.[46] Researchers also increasingly accepted that the effects of oil (and natural gas) wealth were different in degree and kind from the effects of other resources, as well as from the effects of aid and assistance.[47]

Those who dissented from the finding of a "resource curse" came in two broad varieties. First, there were those who argued from within this paradigm that resources could constitute a blessing or, at worst, a conditional curse.[48] Even if they used more elaborate or robust theoretical specifications, these researchers still adopted most of the ontological and methodological commitments of the core resource curse tradition. A separate, more radical critique emerged from those who challenged the foundations of resource politics theorizing in that mainstream, especially those who argued, and not without good reason, that the counterfactuals underpinning mainstream resource politics studies were unfounded.[49] Some argued that it was unlikely that the political institutions of Kuwait

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Ross, "The Big Oil Change: A Closer Look at the Haber-Menaldo Analysis," *Comparative Political Studies* 47 no. 7 (2014): 993–1021, https://doi.org/10.1177/0010414013488557; Stephen Haber and Victor Menaldo, "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse," *American Political Science Review* 105, no. 1 (February 2011): 1–26, https://doi.org/10.1017/S0003055410000584; Laura Paler, "Keeping the Public Purse: An Experiment in Windfalls, Taxes, and the Incentives to Restrain Government," *American Political Science Review* 107, no. 4 (November 2013): 706–25, https://doi.org/10.1017/S0003055413000415; and Kristopher W. Ramsay, "Revisiting the Resource Curse: Natural Disasters, the Price of Oil, and Democracy," *International Organization* 65, no. 3 (2011): 507–29, https://doi.org/10.1017/S002081831100018X.

[46] Ranjit Lall, "The Missing Dimension of the Political Resource Curse Debate," *Comparative Political Studies* 50, no. 10 (2017): 1291–1324, https://doi.org/10.1177%2F0010414016666861; Matthew D. Fails, "Fuel Subsidies Limit Democratization: Evidence from a Global Sample, 1990–2014," *International Studies Quarterly* 63, no. 2 (June 2019): 354–63, https://doi.org/10.1093/isq/sqy061; and Christa N. Brunnschweiler and Erwin H. Bulte, "The Resource Curse Revisited and Revised: A Tale of Paradoxes and Red Herrings," *Journal of Environmental Economics and Management* 55, no. 3 (May 2008): 248–64, https://doi.org/10.1016/j.jeem.2007.08.004.

[47] Kevin M. Morrison, "Oil, Nontax Revenue, and the Redistributional Foundations of Regime Stability," *International Organization* 63, no. 1 (January 2009): 107–38, https://doi.org/10.1017/S0020818309090043.

[48] Liou and Musgrave, "Refining the Oil Curse"; Pauline Jones Luong and Erika Weinthal, *Oil Is Not a Curse: Ownership Structure and Institutions in Soviet Successor States* (Cambridge: Cambridge University Press, 2010); and Menaldo, *The Institutions Curse*.

[49] Michael Herb, "No Representation Without Taxation? Rents, Development, and Democracy," *Comparative Politics* 37, no. 3 (2005): 297–316, https://doi.org/10.2307/20072891; Benjamin Smith and David Waldner,

would have become more like those of Denmark without oil income, as required by a straightforward interpretation of regression results.[50] Others pointed out that it was even questionable whether Kuwait (and many other oil-producing states) would have existed in anything like its current form without oil.[51] If, as seems clear, oil revenues crucially affected different states' existence and territorial integrity, then treating those countries as independent in statistical analyses would produce biased or inaccurate results.

Mahdavi's work represents a mature, elaborate third-generation of mainstream resource curse theorizing. It is mature and elaborate not only because he has mastered a variety of methodological approaches, including both qualitative and quantitative work, but also because he has steadily and soberly considered the points of view of critics within the paradigmatic tradition. Within those boundaries, it stands as an exemplary work.

Resource Politics Are International Politics

With that in mind, what few flaws *Power Grab* does exhibit come from not having fully incorporated outsiders' critiques about how assumptions regarding the relevant factors and potential outcomes in social processes can artificially restrict searches for causation. To be clear, the core of Mahdavi's work does not run afoul of the more radical of these critiques. The results of *Power Grab* regarding regime survival and nationalization in the late 20th and early 21st centuries are unlikely to be overturned on ontological grounds. Yet, the further back in time one travels, the murkier one may find the operations of the mechanisms that Mahdavi identifies.

The crux of Mahdavi's argument is that nationalization allows authoritarian rulers to retain power for longer, even though nationalizations lead to lower oil production over the long term. This outcome obtains because these leaders are able to exercise greater control over revenues in the short term, thereby allowing them to shore up their power. Although

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Rethinking the Resource Curse (Cambridge: Cambridge University Press, 2021); and Naosuke Mukoyama, "Colonial Origins of the Resource Curse: Endogenous Sovereignty and Authoritarianism in Brunei," *Democratization* 27, no. 2 (2020): 224–42, https://doi.org/10.1080/13510347.2019.1678591.

[50] Herb, "No Representation Without Taxation?"

[51] Smith and Waldner, *Rethinking the Resource Curse*.

Mahdavi acknowledges information diffusion processes — in which ideas about how to use and acquire control over oil resources spread from one actor to another — in explaining the timing of nationalization and learning about its benefits, fundamentally, his theory is predicated on the notion that nationalization is a domestically driven process.

In the post-1970s world, this may indeed be a fair presumption. Mahdavi does an excellent job of explaining the importance of moves made by leaders such as Libya's Muammar Qadaffi, who chose to exert national control over oil production and extraction — a story familiar to anyone who has ever slogged through Daniel Yergin's *The Prize*, but which *Power Grab* tells far more efficiently and analytically (if somewhat less melodramatically).[52] Yet, those familiar with earlier nationalizations, such as those that took place in Mexico in 1938 and in Iran in 1951, may dissent somewhat from this view.

International reprisals loomed large for leaders contemplating the nationalization of petroleum resources before the 1970s. The ease with which such expropriations subsequently took place should not lead us to view those earlier fears as exaggerated. If we treat nationalization as a game involving a domestic government and a foreign audience, as seems plausible, it would stand to reason that the anticipated reaction of a powerful foreign actor would likely play a significant role in the calculations of domestic leaders. These sorts of calculations, however, do not factor much into Mahdavi's account, despite their importance in many pivotal early cases.

Consider the formation of Pemex, Mexico's national oil company. For Mexico's President Lazaro Cardenas, who nationalized his country's international oil holdings in 1938, expropriating Anglo-American companies was ideologically desirable and served to advance the interests of labor unions, a key domestic constituency. Although the U.S. reaction was relatively muted, international reactions attenuated the gains from the nationalization.[53] Those reactions, in turn, served to ward off future nationalizations for at least a little while.

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[52] Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Simon & Schuster, 1991).

[53] Noel Maurer, "The Empire Struck Back: Sanctions and Compensation in the Mexican Oil Expropriation of 1938," *Journal of Economic History* 71, no. 3 (2011): 590–615, https://doi.org/10.1017/S0022050711001859.

Even more important were the international reactions to the 1951 oil nationalization in Iran. Although revisionists may differ in their explanations for how important oil was to Washington and how important outsiders were in ousting Prime Minister Mohammad Mossadegh and his government following the nationalization of oil, one simply cannot ignore the significant degree to which external intervention shaped outcomes in that case.[54]

Realized outcomes do not, of course, necessarily falsify prior expectations about probable outcomes. Nevertheless, Mossadegh's downfall and the mechanisms involved in that case do contradict Mahdavi's theory's expectations about what factors should influence regime survival. Following the 1953 coup, it would have been perilous for any subsequent leader contemplating nationalization to ignore the fact that Western intervention had contributed, arguably decisively, to the end of Mossadegh's time in power. Thus, one could argue that subsequent nationalizations were carried out with international considerations in mind — and that some leaders were deterred from even pursuing nationalization in the first place for that same reason — something that receives little attention in Mahdavi's study. Similarly, the role of political alignment with the West — for example, whether a regime identified as a U.S. ally in the fight against communism or with communist and nationalist forces against Western imperialism — would also have influenced those calculations, a factor Mahdavi might have weighted more heavily in examining Saudi Arabia's decision not to nationalize in the 1950s.[55]

More fundamentally, developments such as the collapse of formal imperialism and the rise of communications and travel technologies, which enabled South-South linkages bypassing the global North, likely facilitated the sorts of resistance to the exclusive Western dominance of petroleum extraction that had characterized the pre-1917 oil economy. In all of these cases, nationalization cannot be explained without appreciating and theorizing the

[54] For a revisionist account of the 1953 coup that overthrew Mossadegh's government, see Ray Takeyh, "What Really Happened in Iran: The CIA, the Ouster of Mosaddeq, and the Restoration of the Shah," *Foreign Affairs* 93, no. 4 (July/August 2014): 2–12, https://www.foreignaffairs.com/articles/middle-east/2014-06-16/what-really-happened-iran. For a recent treatment of the case, see Gregory Brew, "The Collapse Narrative: The United States, Mohammed Mossadegh, and the Coup Decision of 1953," *Texas National Security Review* 2, no. 4 (August 2019): 39–59, http://dx.doi.org/10.26153/tsw/6666.

[55] For Mahdavi's discussion of the Saudi case, see Mahdavi, *Power Grab*, 126–32.

role of the international community, which, it seems clear, changed dramatically over time, thus permitting a different range of outcomes in these interactions.

These sorts of observations about inter- and trans-national processes likely occur more naturally to scholars who study international relations than they do to those in comparative politics, in much the same way that comparativists more easily see shifting domestic alignments within states. Yet, these sorts of factors seem to be exactly the ones that are missing in the discussion about resource politics. The domestic focus of both the paradigmatic and the critical camps obscure other important, and especially international, factors. Even if, as with Mahdavi's work, such factors can be assumed away during periods when they are relatively constant, explaining the origins and conclusions of such phenomena requires investigating them.

Such reflections are particularly needed now, as shifts in global energy markets and climate politics are poised to upend the world that resource politics scholars have spent decades examining. Learning how different combinations of factors create or foreclose possibilities thus stands as the next frontier in the study of resource politics. I, for one, cannot wait to see how scholars like Mahdavi tackle these problems.

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