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Comparative Political Studies 2011 44: 719 originally published online 19 April 2011
DOI: 10.1177/0010414011401213

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Nontax Revenue, Social Cleavages, and Authoritarian Stability in Mexico and Kenya: "Internationalization, Institutions, and Political Change" Revisited

Kevin M. Morrison

Abstract

What determines how authoritarian regimes use internationally attained revenues such as natural resource rents to stay in power? The answer, this article argues, lies partly in the nature of the socioeconomic cleavages in the country. The article presents a comparison of Kenya and Mexico, two countries that experienced similar rises and falls in internationally derived nontax revenue in the context of similar political regimes. The countries differed, however, in their socioeconomic cleavages: In Mexico, cleavages were along sectoral or class lines, whereas in Kenya they were along ethnic lines. The author demonstrates how these differences led governments in the countries to use nontax revenues in different ways, with important consequences in particular for social spending. Despite the recent turn in the resource curse literature emphasizing domestic contextual factors, socioeconomic cleavages have been relatively ignored. The findings here begin to fill that gap, with important implications for several literatures.

Keywords
democratization, foreign aid, Kenya, Mexico, oil

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One of the important developments regarding theories of the natural resource “curse” in recent years is the realization that the curse may not apply only to natural resources. In some ways, this evolution should not be surprising: After all, Mahdavy’s (1970) original definition of a rentier state was a state that received substantial rents from “foreign individuals, concerns or governments” (p. 428), which clearly includes a much broader set of revenue sources than natural resources. Nevertheless, recent works have built on and added nuance to Mahdavy’s original conception, and the general thrust of this newer literature has been to emphasize that the resource curse is in many ways a “revenue curse.” As B. Smith (2004) has written, “While scholars approach the political economy of oil from diverse methodological origins, the theoretical arguments about the structures and nature of the rentier state flow from the state’s access to externally obtained revenues” (p. 233).

The focus on revenue has intuitively led scholars to compare natural resource revenue to other “externally obtained revenues,” the main example of which has been foreign aid.  As Collier (2006) notes, “Both are ‘sovereign rents’” (p. 1483). And in fact, it is striking to note how similar the literatures on the effects of aid and natural resources are. Though addressing them separately, scholars have nevertheless linked them to exactly the same problems: Both sources of revenue seem to cause Dutch disease (e.g., Sachs, 2007; Younger, 1992), volatility in revenue (e.g., Arellano, Bulíř, Lane, & Lipschitz, 2009; Humphreys, Sachs, & Stiglitz, 2007), and political deterioration, including more corruption, weaker accountability, and less democratization (e.g., Knack, 2001; Ross, 2001; van de Walle, 2001).

Nevertheless, the discovery that different externally obtained revenues have similar effects does not imply that they are actually used in the same ways in different countries. Take the general prediction that these “nontax revenues” tend to stabilize political regimes (Morrison, 2009). Even within the traditional resource curse literature, a wide variety of ways have been documented in which authoritarian leaders use these resources to stay in power (Ross, 2001), from spending money on social programs (e.g., Entelis, 1976) to interfering with the formation of civil society (e.g., Chaudhry, 1994) to outright physical repression (e.g., Clark, 1997). Although all of these different means of power maintenance might have similar stabilizing effects, they are clearly different uses of increased revenue with different normative and humanitarian implications. However, we have little theoretical understanding of when these different “versions” of the resource curse will appear.

Consider two more specific examples. Just before the oil crisis of the 1970s, when a series of international events caused the price of oil to spike, the Mexican authoritarian regime led by the Partido Revolucionario Institucional (PRI) was under increasing pressure from its lower- and middle-class...
citizens. There had been more than a decade of intense student, labor, and peasant protest and increasing rural and urban violent resistance to the regime (Trejo, 2004). In 1970, the PRI’s candidate Luis Echeverria had been elected by only about 37% of the electorate—25% of those who had voted had turned in blank ballots (Spalding, 1981). Subsequent poor economic management had led to inflation and a balance-of-payments crisis in 1976, and in an effort to keep social movements from turning even more violent, the regime (now under José López Portillo y Pacheco) had instituted a major electoral reform in 1977 introducing proportional representation and legalizing the communist party (Trejo, 2004).

In the late 1970s and early 1980s, however, oil receipts spiked to levels far greater than had ever been seen in Mexico. By 1985, they had fallen back, but they would remain higher than any level seen since the 1920s (Haber & Menaldo, 2009). Seizing on the opportunity provided by these high oil revenues, the government funneled huge amounts of money into social spending that benefited the lower and middle classes and by doing so diffused enough of the social pressure to stay in power (Philip, 1980). Between 1977 and 1994, the PRI would not undertake a single major democratic electoral reform.

The way the Mexican government used its oil revenues during this time fits quite well with certain recent accounts of the effects of natural resources. Building on the regime transition framework of Acemoglu and Robinson (2006), which revolves around redistributitional conflict between elites and citizens, Dunning (2008) and Morrison (2007, 2009) have argued that natural resource revenues can diminish such conflict in societies and thereby stabilize political regimes. As discussed in further detail below, economic inequality had always been high in Mexico and had expanded under the PRI, leading to increased pressure to reform the regime—pressure that the new oil revenues were able to alleviate.

However, consider the case of Kenya. From 1984 to 1989, Kenya’s nontax revenue per capita jumped 96% largely because of increased foreign aid, a percentage increase quite close to the 105% increase in Mexico’s per capita nontax revenue over the period 1977-1982. Over the next 9 years in each country, nontax revenue would drop dramatically, and by approximately the same amount (66% in Kenya, 63% in Mexico). During this time, Kenya also had a single-party authoritarian regime very similar to Mexico’s (e.g., Friedman & Wong, 2008; Magaloni, 2006), income inequality was also extremely stark, and resistance to the regime was also growing. Yet unlike in Mexico, and as discussed in more detail below, social spending in Kenya tracked changes in its nontax revenue hardly at all. Social spending was essentially flat during this period.
What can explain these very different dynamics? And how can existing theory reconcile them? More broadly, how can we begin to theorize about why countries rich in nontax revenue use different means of power maintenance? Existing scholarship about the politics of natural resources and nontax revenue in fact gives us little leverage on these questions. Even in the recent “institutional” turn in the resource curse literature (e.g., Kurtz & Brooks, 2010; Mehlum, Moene, & Torvik, 2006; Robinson, Torvik, & Verdier, 2006), scholars have focused exclusively on how institutions condition natural resources’ effects on political and economic outcomes such as regime stability or economic growth, while ignoring how institutions might determine the means of attaining those outcomes. And yet, as just indicated, different means of attaining these outcomes can imply quite different normative outcomes, such as more or less social spending.

To begin to answer these questions, in this article I revisit a framework originally developed by Garrett and Lange (1996) in the context of the literature on open economy politics. As described in further detail in the following section, their analytical framework emphasizes how similar changes at the international level are filtered through varying socioeconomic and political institutions within countries to produce different effects. I use this framework to highlight the importance of socioeconomic cleavages in determining how nontax revenues are used in different countries. In Mexico, where institutions were organized along sectoral and class lines, nontax revenue went into social spending. In contrast, in Kenya, where the socioeconomic cleavages were along ethnic lines, nontax revenue was funneled to particular ethnic groups.

Mexico and Kenya offer an excellent paired comparison with which to examine this argument because they enable me to hold the other key relevant independent variables in the framework constant. As discussed above, Kenya and Mexico experienced similar changes at the international level (similar changes in nontax revenue levels) and had similar political institutions (single-party authoritarian regimes). In addition, during the time under study, these countries had similarly high levels of economic inequality, an important factor in recent theories regarding the effects of natural resources (e.g., Boix, 2003; Dunning, 2008). Holding these variables constant enables me to focus on the effects of socioeconomic cleavages in explaining why the dependent variable (allocation of spending of the nontax revenue) varied across the two countries (King, Keohane, & Verba, 1994). Although there are certainly other variables that were different across these countries, I hope the evidence presented here is sufficient to establish the plausibility that socioeconomic cleavages matter for nontax revenue’s effects and to explore the
mechanisms behind their importance. If so, then future research, perhaps using other methodologies, may help to adjudicate the relative importance of these cleavages in comparison to other relevant factors.

The next section describes the Garrett and Lange (1996) framework in greater detail and discusses its advantages for studying the effects of natural resources and nontax revenues more broadly. The following two sections examine the cases of Mexico and Kenya, respectively. The findings of the case studies have important implications for theorizing about the resource curse as well as the effect of international forces on domestic politics more broadly. I address these in a final concluding section.

**Analytical Framework**

The literatures on the resource curse and open economy politics have some interesting parallels (particularly interesting in the context of this special issue on globalization and natural resources). Initially, the benchmark works on open economy politics looked at how changes at the international level—such as rising levels of trade and global finance—changed the preferences of various actors in society, largely depending on the kinds of assets those actors had (e.g., Milner, 1988). However, several scholars believed there was something missing from these accounts of how “internationalization,” or alternatively “globalization,” affected policy choice: institutions. In one of the important works in this new direction, Garrett and Lange (1996) argued that although the existing scholarship had told us much about how international changes affected preferences of domestic actors, it had done little to answer the question of how governments would actually respond to those changes in preferences. This latter question could be answered only by examining how changes in preferences were filtered through both socioeconomic institutions that organize interests in society (such as labor market institutions) and formal political institutions that determine the government’s responsiveness to them (such as veto points, political regime type, etc.).

Garrett and Lange (1996) formulated their contribution regarding “internationalization, institutions, and political change” essentially as in Figure 1. According to them, earlier work had largely ignored the second and third stages in the policy change process, moving directly from events in the international arena, through a country’s position in the international economy, to policy change. In broad terms, this is also what much of the foundational work on the resource curse has done (e.g., Ross, 2001; Sachs & Warner, 1995). The arguments have been that changes in the international arena (specifically rises in prices for natural resources, and oil in
particular) lead certain countries, through their position in the economy (viz., their position as natural resource exporters), to adopt or maintain certain policies (viz., low-growth or antidemocratic policies). Although much has been learned from this literature, recently scholars have been focused (as were Garrett & Lange, 1996) on how domestic institutions can modify the policy effects these international changes might have (e.g., Kurtz & Brooks, 2010; Mehlum et al., 2006; Robinson et al., 2006). In countries where sound economic or political institutions are in place, these authors have found that natural resources can actually have beneficial effects (or at least no negative effects).

Viewing the resource curse literature through this framework has three advantages. First, as the literature increasingly centers on the conditioning effects of domestic institutions, the framework here usefully refocuses attention on the fact that any effects natural resources have are driven initially by changes in the international environment. In an autarkic world—in which barriers to the flow of goods and services were complete—it would be very difficult to imagine a “resource curse.” By definition, in fact, there could be no such thing as a rentier state, in which the government received substantial rents from “foreign individuals, concerns, or governments” (Mahdavy, 1970, p. 428). It is only in a more open world—in which natural resources can be exported and borrowed against—that the tremendous revenues behind the resource curse can be generated. As the level of openness changes, as discussed in the introduction of this issue (Rudra & Jensen, 2011), so do the level of rents available, most directly because of changes in the prices of natural resources. As the International Monetary Fund (IMF, 2008) has reported, the recent era of globalization has coincided with a boom in prices for oil and other commodities, partly as a result of increased demand and increasingly important links among commodity markets. In fact, these changes associated with globalization make the task of understanding the resource curse all the more urgent, as international linkages and high commodity prices seem likely to persist for the foreseeable future (IMF, 2008).
Second, and related, by focusing broadly on “changes in international conditions,” the framework highlights the possibility that several components of the international context affect the use of natural resources—not simply the international price of those resources. In fact, this collection of articles is testament to the value of this approach. For example, the article by Bearce and Laks (2011) argues that the effect of natural resources can be altered by the level of international immigration a country receives. In turn, Rudra (2011) focuses on a different international condition—that of trade openness—and demonstrates how variation in trade can change the effect of export pressures on water usage. For its part, as discussed above, this article builds off the recent focus in the resource curse literature on “externally obtained revenues” (B. Smith, 2004), an approach that draws explicit attention to the importance of international factors and how they influence revenue streams.

Third, and most important for addressing the puzzle outlined at the beginning of this article, the framework draws attention to the role of socioeconomic institutions in the effects these resources have on countries. Garrett and Lange (1996, p. 50) defined this factor as institutions that “organize interests” in society. Although they focused particularly on labor market institutions, these are of course only one type of such institutions. In fact, the organization of interests in societies is the topic of a large literature on “political cleavages” (e.g., Lipset & Rokkan, 1967), which studies “strongly structured and persistent lines of salient and ideological division among politically important actors” (Whitefield, 2002, 181). As that literature has documented, interests can be organized in society along a variety of fault lines, such as class, religion, and ethnicity. One of the goals of this article is to call attention to the importance of these differences for the use of natural resources.

In contrast to this article, almost all of the literature to date on institutions and the resource curse in political science has focused on Garrett and Lange’s (1996) other type of institution—formal political institutions, and principally political regime type (e.g., Dunning, 2008; Morrison, 2009; A. Smith, 2008)—while paying less attention to how variation in socioeconomic institutions might affect their predictions. For example, as mentioned briefly above, Morrison (2007, 2009) has used the regime change framework of Acemoglu and Robinson (2006) to demonstrate formally and empirically that various sources of nontax revenue work similarly with regard to their effects on political regime change. In the Acemoglu and Robinson framework, regime change is driven by redistributional conflict between citizens and wealthy elites: In democracies, elites are unhappy about taxation being too high, and in dictatorships, citizens are unhappy
with government spending (and therefore taxation of elites) being too low. However, their analytical framework ignores the possibility that some resources may be acquired without taxation—they are “distributional,” instead of redistributational (Delacroix, 1980). Morrison has demonstrated that these nontax revenues can reduce the level of redistributational conflict in a society (e.g., by enabling spending without taxation) and thereby stabilize whatever regime acquires them.

Nevertheless, as he discusses (Morrison, 2007), the causal mechanisms implied in this framework assume that redistributational cleavages, roughly along class lines, are present and key to understanding regime change. This approach to regimes has a rich history in political science and sociology (e.g., Boix, 2003; Rueschemeyer, Stephens, & Stephens, 1992), and redistributational cleavages of this type are prevalent enough throughout the world that the relevant implications with regard to nontax revenue are apparent in cross-country time-series statistical analysis. However, we know that in many countries political conflict is not organized along class lines. And in fact, I argue that the answer to the puzzle posed at the beginning of this article is that despite sharing similar international conditions and political regimes—the first and third stages of Garrett and Lange’s framework—Kenya and Mexico differed in their socioeconomic cleavages. Mexico’s interests were organized along sectoral and class lines, whereas Kenya’s were organized along ethnic lines. In the following case studies, I document how this variation led to the different usage of the rise and decline of nontax revenues in these countries.

The case studies follow essentially the same format. I begin first with a description of political and socioeconomic institutions in each country, focusing in particular on the countries’ single-party authoritarian regimes and high levels of economic inequality, to establish both the comparability of the cases and the plausibility of a redistributational cleavage. I then describe how global changes affected the governments’ access to nontax revenue and how the governments used that revenue to stay in power. As I show, in Mexico, where the socioeconomic institutions were organized along sectoral and class lines and the redistributational cleavage was salient, the government funneled nontax revenue into social programs to head off unrest. In Kenya, by contrast, where the socioeconomic institutions were organized ethnically and the redistributational cleavage was diminished, general social spending did not react to increases or falls in nontax revenue. Instead, what changed were the levels of spending on certain ethnic groups.
Mexico

The Domestic Institutional Context

In 1938, President Lázaro Cárdenas reorganized Mexico’s Partido Nacional Revolucionario (PNR) into a new official party—the Partido de la Revolución Mexicana—which replaced the geographic organization of the PNR with a representation based on sectors: labor, peasant, military, and popular. Apparently an effort to provide a check on elite manipulation of the masses by giving the masses themselves a role in the party (Córdova, 1974), it is ironic that this reorganization seems to have provided the foundation for conservative dictatorial rule after Cárdenas. The organization not only separated labor and peasants—thereby hindering their cooperation—but also funneled their demands into party-managed confederations that by all accounts were essentially authoritarian in nature.5

As conservative strength grew within the party through the military and popular wings (the latter being principally middle-class groups such as teachers and state employees), and the voices of labor and peasants were managed by their respective confederations, the party turned to the right. Its first president, Luis Rodríguez, whose goal was the eventual socialization of production, was forced to resign by conservative elements in the party. When the election to succeed Cárdenas was between two conservative candidates (Manuel Avila Camacho and General Juan Andréu Almazán), the stage for the next several decades was set. In the hands of the winner (Camacho) was a party apparatus almost ideally constructed for elite manipulation of the populace. As Hamilton wrote in 1982,

In the 1930’s, the state was still sufficiently dynamic for progressive groups within it to respond to peasant and worker mobilization. Since that time, conservative groups within the state have become consolidated, structures uniting the state and dominant class interests at various levels have been considerably strengthened, and progressive groups and individuals brought into positions within the state apparatus have been easily isolated. (pp. 279-280)

In 1946, Camacho would give the party a new name, the Partido Revolucionario Institucional (PRI).

The responsiveness of the PRI to elite classes in society was reflected in both the composition of the party as well as its policies. Specific data on the elitist nature of the authoritarian regime are of course hard to come by, but
work by Centeno and Maxfield (1992) is indicative. They examined the personal backgrounds of the Mexican bureaucratic elite and concluded,

As previous analysts have noted, the elite is becoming even less representative of the classes for which the Mexican Revolution was supposedly fought, and is increasingly monopolized by those born in Mexico City. If we analyse the data by either generational cohorts or date of entry into the bureaucracy, we note that both trends have been increasing since the 1950s. These findings lend some support to the contention that the educational criteria used for the entry into the public bureaucracy, and its meritocratic legitimation, are merely political veneers for the continuing inequality which pervades Mexican society.

A variety of other scholars—including Knight (1986) and Reynolds (1970)—have interpreted the PRI principally as “an alliance among elites for the distribution rather than the redistribution of wealth” (Purcell & Purcell, 1980, p. 200).

Not surprisingly, given this interpretation of the PRI regime, policies by the PRI generally contributed to widening inequality in Mexico. It has been estimated that about 70% of the population experienced a diminished share of national income between 1950 and 1970 (Banco de México, 1973; Cockcroft, 1983; de Navarrete, 1967; Gollás, 1980). There is little doubt that much of this was a result of policy. For example, although Cárdenas had conducted major land reform and provided some government credit to 30% of those receiving land, by 1960 only 14% of these *ejidatarios* had access to credit. By the early 1980s, 85% of credit provided to agriculturalists was received by the wealthiest 0.5% of landowners (Cockcroft, 1983). In the working class, unions (such as the Confederación General de Trabajadores and the Confederación de Trabajadores de México, or CTM) were corrupted by the PRI and worked to undermine serious resistance and militant movements (Minns, 2006).

In 1950, the average income of the top 5% of Mexico’s households was 22 times greater than that of the poorest 40%, and that of the next richest 5% was 5.2 times greater than the poorest 40%. Two decades later, the multiples had increased to 34.0% and 10.7%, respectively (Felix, 1977). By 1970, 2% of farms accounted for 76% of arable land (Cockcroft, 1983). Although income inequality seems to have diminished a bit in the 1970s (probably as a result of redistributive policies put in place after the massive student protests...
in 1968), it generally worsened over the next two decades (Londoño & Székely, 2000).

**Changing Global Conditions and Their Effects**

How was the PRI able to survive in the midst of this remarkable inequality? Scholars have focused on a variety of factors, from the role of the PRI’s decades of strong economic growth (Hansen, 1974) to the PRI’s use of institutions such as barriers to candidate entry and a centralized election monitoring system (Molinar Horcasitas, 1991). My focus here is instead on how changes at the international level—specifically in the price of oil—generated huge revenues for the PRI, enabling it to provide just enough to the lower and middle classes to keep them from revolting.

Throughout the 1960s, as inequality rose, unrest among lower and middle classes was growing in the country, and cracks began to appear in the PRI’s hold on power (Brachet-Márquez, 1994). Peasants began to seize land in the countryside and form their own independent organizations (such as the Central Campesina Independiente in 1963), and workers began to break away from the PRI’s unions like the CTM (such as truck workers at the state-run diesel manufacturer in 1961). The PRI was increasingly under attack from urban workers, intellectuals, teachers, and students, and when hundreds of protesters were killed in Mexico City in 1968 before the Olympics, the regime had essentially lost all legitimacy. As mentioned previously, in 1970, the new president Luis Echeverría was elected by only 37% of the electorate and 25% of those who had voted had turned in blank ballots (Spalding, 1981).

Echeverría’s response to this pressure was to dramatically increase spending on the lower and middle classes in a variety of ways. The number of civil service jobs was doubled during the 1970-1976 period, half of which was the result of the expansion of basic education and technical education. In addition, the government created a “Social Solidarity” program, to partially include the rural population and urban poor in the social security system. As Figure 2 shows, social spending per capita in Mexico continued to rise until the early 1980s. And most importantly from the perspective of this article, the figure also shows that this spending was consistently linked to the availability of nontax revenue per capita.

This new nontax revenue was almost entirely internationally generated. As shown in Figure 3, oil production in Mexico changed only gradually over this time, and certainly not to the degree represented by the changes in nontax revenue in Figure 2. Instead, Mexico’s nontax revenue boom was caused by
a spike in oil prices, caused not only by a series of international events but also by increasing international demand and economic linkages between countries (Barsky & Kilian, 2004). In addition, Mexico’s nontax revenues were supplemented by an ability to borrow extensively from international capital markets.\(^8\) Certainly the figures presented here raise the question of whether the PRI would have survived if these international changes had not occurred (Philip, 1980). It is remarkable that between 1977 and 1994—the period when Mexico was most flush with nontax revenue—there was not a single major democratic electoral reform by the PRI.\(^9\) When social spending began to fall along with nontax revenue in the 1980s (and as the economic crisis hit), citizens increasingly took to protest (e.g., Williams, 2001). However, it was not until 1994, when oil prices had fallen and Mexico’s nontax revenue per capita had dropped to its early 1970s level, that the PRI again implemented a major electoral reform.

In this context, it is illuminating how the PRI acted with regard to social spending as the party faced increased pressures and declining resources. Beginning with López Portillo (1976-1982) and culminating with Salinas

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\(^8\) Barsky & Kilian, 2004

\(^9\) Philip, 1980

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**Figure 2.** Nontax revenue and social spending per capita in Mexico, in 2003 pesos

*Source: Author’s calculations using data from Instituto Nacional de Estadística Geografía e Informática (1999) and http://www.inegi.gob.mx.*
(1988–1994), presidents tried to gain some autonomy from the PRI unions that had come to control social spending. As Trejo and Jones (1998) write,

> These two trends—growing union control of social policy and shrinking presidential power over welfare policy—were not problematic as long as the country enjoyed the longest economic expansion of the twentieth century and authoritarian rule was accepted. However, when the legitimacy of the regime was shattered by the 1968 student massacre and the “Mexican miracle” came to an end, the constraints that the presidency faced in managing welfare policy autonomously became a fundamental problem for the sustainability of authoritarian rule. (p. 74)

This dynamic was behind the use of oil money for poverty alleviation projects directly controlled by the presidency under López Portillo, as well as the more dramatic creation of the National Solidarity Program (PRONASOL) by Salinas after the 1989 presidential election, one of the most contested in the PRI’s history. An antipoverty program that was controlled exclusively by the president, PRONASOL was an erratic force against poverty, but its principal goal was political (e.g., Cornelius, Craig, & Fox, 1994). As Dresser (1994) has noted, “PRONASOL’s strategy is to build a new coalition of

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**Figure 3.** The international oil price and oil production in Mexico  
Source: Data from Ross (2008).  
Oil production in millions of metric tons.
support by denying the concept of class as an organizational factor of political life” (p. 147).

In addition to these efforts at greater “efficiency” in the political use of social spending, it is interesting to note in Figure 2 that, beginning in the late 1980s, the PRI seems to have attempted to stop the overall decline in social spending per capita despite the fall in nontax revenue per capita. This was accomplished as a result of an increase in the share of tax revenue financing government spending. Despite the large fluctuations in the international price of oil shown in Figure 3, the share of spending financed by nontax revenue was fairly stable until the late 1980s. Nontax revenue financed about 70% to 80% of spending by the PRI. However, as regime pressures increased, and nontax revenue fell, the PRI attempted to compensate with increased tax revenue. Using data from Mexico’s statistical agency (Instituto Nacional de Estadística Geografía e Informática, 1999), it is possible to show that by the early 1990s, tax revenue financed about 50% of spending. In other words, the distributional regime was beginning to end. Despite its efforts to keep spending up, the PRI increasingly lost control as nontax revenue fell, and eventually would lose the presidency in 2000.

**Kenya**

**The Domestic Institutional Context**

Kenya achieved its independence from Britain in 1963 and was subsequently ruled for 40 years by just two leaders: Jomo Kenyatta (until 1978) and Daniel arap Moi (until 2002). Their party—the Kenya Africa National Union, or KANU—was similar to Mexico’s PRI in that both were “hegemonic parties” using the distribution of resources to stay in power (Magaloni, 2006). As I emphasized at the beginning of this article, they were also similar in that they relied particularly on international sources of nontax revenue—Mexico on oil, Kenya on foreign aid—and experienced similar dynamics in that revenue. As is discussed in this section, however, one of the more important differences between Kenya and Mexico is the extent to which ethnic politics played a role in the utilization of those revenues.

Though unfortunately the Kenyan government stopped reporting ethnicity information in their recent censuses, ostensibly for fear of political manipulation (Makoloo, 2005), we know that Kenya’s population consists of more than 40 different ethno-linguistic groups. Around the time of independence, the five largest groups were the Kikuyu (21% of the population), the Luo (14%), the Luhya (14%), the Kamba (11%), and the Kalenjin (11%). These
groups were and are spread throughout the country’s eight provinces, though they tend to concentrate in certain areas. For example, the Kikuyu are associated with Central Province, the Luo with Nyanza Province, and the Luhya with Western Province. The Kikuyu’s numbers and concentration in Central Province—next to Nairobi and in one of the best agricultural areas—historically placed them at the center of colonial politics and at a general economic advantage over other ethnic groups.

Upon independence, Kenyatta moved to diffuse potential divisions by incorporating different groups into his coalition. In addition to stabilizing his Kikuyu-centered coalition against threats from other groups, the incorporation of various ethnic groups had the critical function of diminishing the chances for any class-based threat to the regime. As Widner (1992) describes,

At independence, class division and the leaders of class-based organization held greater power than they did only a few years later. . . . The new government moved quickly and successfully to attenuate horizontal divisions, so that by the time it entered its second or third year, patron–client ties had become stronger elements in defining personal identities than incipient classes. (pp. 41-42)

This blunting of class interests was achieved principally by organizing ways for political elites to distribute resources to their constituents. One way to buy elites into the KANU coalition was through providing them land; another was through the use of postings in the central government (Sanger & Nottingham, 1964). As Widner (1992) discusses, the KANU regime was organized in a way that encouraged politicians to fight within the party for benefits for their constituents. Because of the fact that district divisions overlapped often with ethnic divisions, this competition was often “ethnic” in nature. However, this ethnic competition was a useful mask of the true nature of the postindependence authoritarian regime, which essentially served to maintain an elite’s power in a highly unequal country.11

And indeed, Kenya was (and is) a tremendously unequal country. Income inequality data before the 1990s do not exist, but some surveys of landholdings around the time of independence are indicative. In its survey of landholdings in 1960-1961, for example, the Kenya African Agricultural Sample Census found that agricultural holdings of more than 10 acres, which accounted for 25% of all holdings in terms of number, occupied 65% of the land in use. By contrast, landholdings of less than 5 acres, accounting for 50.7% of all holdings, covered just 15.6% of the land in use (Kitching, 1980). By 1999, Odhiambo (2004) reports, the richest 10% of the population

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controlled about 43% of the income, whereas the poorest 50% controlled about 14% of it. At that point, the Gini coefficient had risen from 0.45 in 1994, to 0.49 in 1997, to 0.57 in 1999. This made it one of the top 10 most unequal countries in the world.

The interpretation of KANU politics as a way to maintain the elite’s power in the context of this inequality is given additional support by the fact that in the course of the KANU regime, the most virulent responses from the regime were reserved for movements ostensibly in the name of the poorer masses. Many scholars have argued that Kenyatta’s KANU was relatively benign as far as dictatorships go (e.g., Lonsdale, 1981), but it is clear that there were certain kinds of dissent that were not tolerated. The first example of this was in April 1966, when Jaramogi Oginga Odinga resigned from Kenyatta’s cabinet and started a socialist party, the Kenya People’s Union (KPU). As Throup and Hornsby write (1998),

The KPU’s goal was to create a more left-wing party, to oppose the growing conservatism and Western orientation of the KANU leadership, and to try to replace the persistently ethnic basis of politics with a cleavage based on ideological, class or socioeconomic grounds. (p. 13)

Kenyatta responded through institutional manipulations and brute force, so that the by-elections of 1966 resulted in the effective expulsion of most KPU supporters from the National Assembly. After stones were thrown at Kenyatta’s car in October 1969 in an area of Odinga’s supporters, Kenyatta’s guards killed more than 100 people in response, and the KPU was banned and its leaders arrested.

A similarly harsh response was imposed on Josiah Mwangi Kariuki in 1975. Kariuki had been a leader of the Mau Mau rebellion during the colonial period and consistently criticized the Kenyatta regime for leaving behind the poor. He was in some ways even more threatening to the regime than Odinga because he was Kikuyu (unlike Odinga, who was Luo).

Always a significant political figure, in the late 1960s he had become the leader of a growing opposition to Kenyatta’s policies amongst his own Kikuyu supporters and a senior figure in the informal opposition, attempting to mobilize the Kikuyu masses—the masakani (literally, the poor)—against the conspicuous wealth of the Kikuyu élite, especially Kenyatta’s relatives and close allies. (Throup & Hornsby, 1998, p. 19)
In 1975, his dead body was found, having been badly beaten and then shot. The subsequent riots in Nairobi, principally by the poorer masses Kariuki had supported, provoked a harsh crackdown from the regime, and “thereafter the government’s critics both in and out of Parliament found life much more difficult” (Throup, 1993, p. 379).

**Changing Global Conditions and Their Effects**

External finance has been critical to Kenya since independence, when it was used to fund land transfer schemes that facilitated the transfer of power from colonial elites to Kenyan ones (Wasserman, 1976). However, over the course of the 1980s, as international donors played Cold War politics in Africa and Kenya was seen as a key in the fight against communism (Clough, 1992), aid to Moi’s regime boomed. As mentioned at the beginning of this article, the nontax revenue jump was very similar to what Mexico experienced.

As Figure 4 shows, however, this increase in nontax revenue had virtually no effect on social spending in Kenya. The figure is strikingly unlike the one for Mexico (Figure 2), in which social spending followed nontax revenue so closely. In fact, social spending in Kenya did not vary much at all over the time period in question, a pattern consistent with the virtual absence of redistributational pressure discussed above. Simple correlational analysis confirms the visual impression: The correlation coefficient between nontax revenue per capita and social spending per capita in Mexico in Figure 2 is .73, whereas the correlation coefficient for Kenya in Figure 4 is –.05.

It is worthwhile to consider the possibility that the different primary sources of nontax revenue—oil for Mexico and foreign aid for Kenya—may have caused the different usage in these two countries. However, this is unlikely. In fact, as discussed at the beginning of this article, there is no theoretical reason to expect systematic differences in the effects of foreign aid and natural resource rents. Studies indicate that foreign aid tends to be quite fungible, in the sense that aid specified for one type of spending frees up government resources to spend on other priorities (Feyzioglu, Swaroop, & Zhu, 1998), a dynamic found in the Kenyan case by Njeru (2003). And even if aid comes with policy conditions, studies have found that those conditions do not tend to have a systematic effect on decisions by governments.12 Indeed, a study by the World Bank concluded that all of the institution’s structural adjustment programs to Kenya actually resulted in worse policies from the Bank’s perspective because the money from the programs financed the government’s inefficiencies (O’Brien & Ryan, 2001). In this light, it is not surprising that aid acts like other “unearned income” (A. Smith, 2008),
stabilizing political regimes in ways very similar to natural resource rents (Morrison, 2009).

Instead of being driven by the different sources of nontax revenue, the different usages of nontax revenue in Mexico and Kenya were driven by the nature of the social cleavages. Although the revenue was funneled into broad-based social spending in Mexico, the allocation of nontax revenue in Kenya followed more ethnically delineated lines. Moi had proven to be a break from the Kenyatta regime, in that he tended to emphasize his own Kalenjin over other ethnic groups, and much of the patron–client system developed under the Kenyatta regime had broken down (Barkan & Chege, 1989; Hornsby & Throup, 1992). While nontax revenue was booming in the late 1980s, Moi was able “to use cash to cement his allies,” rather than rely extensively on coercion (Throup & Hornsby, 1998, p. 42).

Using government data, I analyzed per capita curative health spending during this time period to see where Moi chose to spend his resources. These

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**Figure 4.** Per capita spending and revenue in Kenya, in constant shillings

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data are line-item projects that are listed by region, and though curative health spending is only one area of the total health budget, it constitutes the majority of spending in most years. Using the overlap between ethnic groups and regions, Barkan and Chege (1989) demonstrated how it was possible to analyze which ethnic groups were benefiting from government spending in Kenya. Using their same methodology (in terms of which groups and regions were part of which stronghold), Table 1 indicates that as nontax revenue rose in the late 1980s, Moi paid careful attention to spreading the wealth around, particularly to the Kikuyu regions potentially worried about not benefiting from Moi’s regime.

However, by the beginning of the 1990s, a series of factors had conspired against Moi. The economic crisis of the 1980s—when industrial production stalled and earnings from coffee, tea, and tourism fell—combined with a population growth rate of more than 4% to put great pressure on state resources. In much the same way that Mexico’s drop in nontax revenue was borne by the lower- and middle-income classes, Moi seems to have put most of this fall on Kikuyu strongholds, instead of his own Kalenjin strongholds. The severity of the declines also hints that an even further decline in nontax revenue almost certainly would have cut into Moi’s spending on the citizens within his own base. This helps explain why many scholars point to aid donors as having played an important role in Moi’s 1991 decision to allow the political opposition to participate in democratic elections (e.g., Grosh & Orvis, 1996). Although Moi would win the 1992 and 1997 elections, this move is often seen as the beginning of Kenya’s long transition to democracy, which most scholars say was complete with the 2002 election. As Figure 4 indicates, Moi’s decision was made when nontax revenue levels were low, and in fact the date of his decision was only weeks after Kenya’s donors decided to suspend $350 million of new aid until corruption was alleviated and the political system liberalized. The fact that donors reinstated their aid soon afterward is reasonably thought to have prolonged Moi’s rule (Brown, 2001).

### Table 1. Per Capita Curative Health Spending in Kenya, in Constant Shillings

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Kenyatta (Kikuyu)</td>
<td>1,746</td>
<td>2,974</td>
<td>1,057</td>
</tr>
<tr>
<td>stronghold</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moi (Kalenjin)</td>
<td>905</td>
<td>3,038</td>
<td>2,690</td>
</tr>
<tr>
<td>stronghold</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest of country</td>
<td>2,105</td>
<td>7,606</td>
<td>6,811</td>
</tr>
<tr>
<td></td>
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Conclusion

As other articles in this collection do, this article has applied a tool from the analysis of globalization to contribute to the resource curse literature. Specifically, it has attempted to interpret the literature on the resource curse within the framework developed by Garrett and Lange (1996) to study open economy politics. As discussed at the beginning of the article, doing so refocuses attention on the international nature of resource rents, as did the original definition of the rentier state (Mahdavy, 1970, p. 428) and highlights the urgency of understanding the effects of these resources on countries in today’s world, as increased demand and reduced barriers to trade and finance maintain natural resource prices at high levels.

In addition, the framework has shed light on the importance of a type of institution that has been largely ignored in the resource curse literature despite its recent “institutional” turn (e.g., Kurtz & Brooks, 2010; Mehlum et al., 2006; Robinson et al., 2006). Recent work on the political resource curse has argued that authoritarian regimes can use natural resource revenues to increase social spending, thereby diminishing redistributional conflict and increasing regime stability (Dunning, 2008; Morrison, 2007, 2009). And yet despite similar authoritarian regimes, levels of inequality, and changes in their internationally attained revenues, Mexico and Kenya used their revenues in very different ways. This article has argued that a key difference between these countries was that suggested by the Garrett and Lange (1996) framework: socioeconomic institutions. In Mexico, where institutions were organized along sectoral and class lines, nontax revenue went into social spending. In contrast, in Kenya, where the socioeconomic cleavages were along ethnic lines, nontax revenue was funneled to particular ethnic groups.

These findings have two important implications for the resource curse literature. First, they highlight the need for further study of how such cleavages affect the use of these resources. In some ways, this is a natural next step in the literature. A few works have looked at how the number of groups in a society condition the effects of natural resources (e.g., Lane & Tornell, 1996). The present work, in contrast, calls attention to how the nature of groups can condition those effects. Although class divisions are relevant in many countries, several important works demonstrate how redistributional pressures can be undone by cross-cutting cleavages (e.g., Roemer, 1998). Continuing to explore the effects of these different cleavage structures on the use of nontax revenues is an important research frontier.
More broadly, the findings here shed light on—and suggest the importance of further researching—why leaders in countries rich with natural resources choose to use them in certain ways. Although it is important to know that natural resources tend to stabilize authoritarian regimes, there are significant differences in the ways leaders use these funds—from broad-based social spending, to more targeted programs, to repression. However, little attention has been paid in the resource curse literature to explaining how authoritarian leaders use these funds. This article has suggested one reason for these differences, but obviously much more work needs to be done. Understanding how international dynamics interact with socioeconomic and political institutions to produce these different means of power maintenance is therefore another important research frontier.

Finally, though the principal effort here has been to apply a tool from the study of globalization to the resource curse literature, the findings regarding the effects of ethnic cleavages also have interesting implications for the study of globalization itself. Building off the work of Garrett, Lange, and others (e.g., Katzenstein, 1978), scholars continue to explore the ways in which domestic institutions such as trade unions condition economic policy responses to international changes (e.g., Rudra, 2002). At the same time, an enormous literature has arisen on the negative effects of ethnic fragmentation on economic performance (Alesina & La Ferrara, 2005). Given the evidence that redistributitional cleavages condition the effects of globalization—since the strength of trade unions seems to matter a great deal—it seems logical to analyze whether other kinds of economically relevant cleavages similarly condition globalization’s effects. However, I have seen no work that explores this possibility with regard to ethnic cleavages. As such, this provides yet one more interesting avenue for future work.

**Acknowledgments**

I am grateful to Nate Jensen, Nita Rudra, and an anonymous reviewer for comments, as well as to Karen Remmer for comments at an earlier stage in this project. I am also grateful for support from Duke University’s Center for Latin American and Caribbean Studies and for temporary affiliations with the Centro de Investigación y Docencia Económicas in Mexico City and the African Economic Research Consortium in Nairobi. All errors and opinions are of course my own.

**Declaration of Conflicting Interests**

The author(s) declared no potential conflicts of interests with respect to the authorship and/or publication of this article.
**Funding**

The author(s) received the following financial support for the research and/or authorship of this article:

Fieldwork for this article was made possible by financial support from the National Science Foundation and the U.S. Department of Education.

**Notes**

1. See Morrison (2011) for citations and discussion. Some readers may wonder about the role of conditionality in distinguishing aid’s effects from those of natural resources. In fact, in studying how these nontax revenues affect political stability, Morrison (2009) is unable to reject the hypothesis that they have similar effects. This is in line with the large number of studies that have concluded that aid conditionalities have no systematic influence on policy (e.g., Heckelman & Knack 2008). Again, for further discussion, see Morrison (2011).

2. See Morrison (2011) for further discussion.

3. This focus has important policy consequences, as outlined in Morrison (2011).

4. Specifically, rises in nontax revenue lead to less taxation of elites in democracies, more social spending in dictatorships, and more stability in both regimes. See Morrison (2009).

5. For example, Fidel Velázquez was head of the major labor confederation—the Confederación de Trabajadores de México—from the early 1940s until he died in 1997 (Minns, 2006).

6. From 1945 to 1972, Mexico averaged 6.5% growth annually, and the rate was 5.5% from 1972 to 1981 (Thorp, 1998). However, in the 1980s, economic growth slowed considerably, to less than 2%, and yet the Partido Revolucionario Institucional (PRI) managed to hold on to power for almost another 20 years.

7. Arguments related to the use of these revenues in Mexico can be found in Magaloni (2006) and Greene (2007).

8. See Morrison (2009) for evidence and discussion of borrowing acting similarly to other nontax revenues.

9. In 1977, the PRI introduced proportional representation and legalized the communist party, and in 1994, the Federal Electoral Institute was made independent. Other reforms were made during this time, such as the introduction of a voter identification card in 1990, but these reforms were seen as much less important blows to the dominance of the PRI (Scherlen, 1998; Trejo, 2004).

10. These figures are from the population census in 1969, the first I know of that surveyed information about tribes. The source is Republic of Kenya (1979).
11. It is interesting in this context to consider Hornsby’s (1989) study of Kenya’s National Assembly during the Kenyatta regime. He finds that Members of Parliament form a clearly-defined and distinct group. They are male, middle-aged, well-educated, from high-status occupations (particularly business), and they hold or have held a large number of formal positions in the institutions of party, state, and local government. The tendency which appeared at independence for a democratisation of the legislature, with young, less-educated but politically-active representatives, has been wholly reversed since 1969. The élite now corresponds closely to that found in most other African and western states. The Assembly has been increasingly dominated by successful figures from other fields, particularly business and the administration, and it is clear that wealth has become the main route to power in Kenya, rather than vice versa. (pp. 295-296)

Note the resemblance to the description of the members of the PRI in Mexico above.

12. See Note 1.

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**Bio**

Kevin M. Morrison is an assistant professor in Cornell University’s Department of Government. He is working on a book manuscript on how nontax revenue—such as revenue from state-owned natural resource enterprises and foreign aid—affects political stability in developing countries. In addition to *Comparative Political Studies*, his work has been published in *Comparative Politics, Development Policy Review, International Organization, Public Choice*, and the *World Bank Research Observer*, among other outlets.