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Afghanistan and the 'Resource Curse'

With its newly discovered mineral wealth, it could end up like Nigeria. Or like Mexico.

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The U.S. government recently announced that geologists had discovered almost $1 trillion in untapped stocks of copper, gold, cobalt and lithium in Afghanistan. Will Afghanistan's newfound mineral wealth promote economic growth and political stability, or will it fuel yet more corruption and violent conflict, while doing little to improve the lives of everyday Afghans?

There has been a lot of hand-wringing about this question, with many pundits predicting that Afghanistan will follow the examples of countries such as Nigeria, and become a victim of the "resource curse." There are reasons to be a bit more sanguine. Research that we've conducted on the histories of countries that have experienced oil and mineral booms since the 19th century suggests that roughly twice as many countries have been blessed by resource booms as cursed by them.

One common refrain among resource curse adherents is that unless a country already has "good institutions" in place, a resource boom will promote slow economic growth, civil war and authoritarianism. According to this argument, countries such as the U.S., Canada or Norway are unreliable guides as to what will happen in Afghanistan.

There may be some truth to that claim. Yet there are countries that had "bad institutions" and then became prosperous democracies during a resource boom. Trinidad and Tobago, for example, was populated in the 19th century by indentured Indian and Chinese laborers who toiled in a kind of quasi-slavery on the islands' sugar plantations and were subject to apartheid-like laws. The growth of its middle class, and its democracy, was fueled by the subsequent discovery of oil and gas. Australia was set up as a penal colony, but it became democratic when it filled up with settlers attracted by its gold and copper wealth.

This is not to say that Afghanistan's mineral wealth will transform the regime of Hamid Karzai into a model of good governance overnight. Nor does it mean that the Afghan economy, among the world's poorest, will suddenly begin to grow at a breakneck pace. Afghanistan faces a host of problems. The country is landlocked and mountainous. The population is poorly educated, and the central government virtually nonexistent. And the society is organized on the basis of tribes which are headed by venal warlords.

Nevertheless, other countries have confronted geographic and institutional constraints and have managed to overcome them precisely because they were able to leverage their natural resource endowments.

Until its late 19th century oil and mineral boom, Mexico was not a whole lot different from Afghanistan. Foreign investors stayed away; the only "roads" were footpaths that dated from the 16th century; the overwhelming majority of the population was illiterate; the central government was perpetually bankrupt; and warlords ran the areas outside of Mexico City as virtual fiefdoms.

The Mexican state was in fact so weak that during the 55 years from 1821 to 1876, it had 75 presidents, with one strongman serving as president on 11 different occasions.

Mexico's first natural resource boom (minerals and oil) from the 1880s to the 1920s did not produce a democracy, but it did produce a stable political system and a fast-growing economy. Mexico's second natural resource boom (oil) from the late 1970s to the present accompanied the creation of a multiparty democracy. In fact, the democratically elected governments of Vicente Fox, from 2000-06, and Felipe Calderón, beginning in 2006, have financed their ambitious antipoverty (and antinarcotics) programs through petroleum taxes.

Afghanistan's potentially vast mineral resources are no guarantee of democracy and prosperity. But they do not condemn this country to eternal corruption, poverty and war either.

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