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Natural resource extraction and the possibilities of inclusive development: politics across space and time.

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Abstract

This paper addresses institutional and political relationships that govern the interactions between natural resource extraction, economy and society with a focus on the mining and hydrocarbon sectors. These relationships help define the implications of resource extraction for democracy and the qualities of growth. On that basis it explores the conditions under which these relationships are likely to be reproduced or changed, and the ways in which they might mediate the interactions between extraction and inclusion. The paper grounds this framework in two perspectives. The first perspective draws on a more general literature dealing with political settlements, contentious politics and the politics of ideas, placing particular emphasis on the role of social mobilization and political coalitions in processes of institutional change. The second perspective engages with the specific relationships of scale, space and time that characterize the natural resource sector and give it its specificity. These questions of space and time are especially important in influencing how the growth of an extractive economy influences the relationships between growth, redistribution and the politics of recognition. The implication is that any effort to understand the governance of extraction and of its relationships to development *must* be spatially and historically explicit. In light of these arguments the paper closes with a discussion of the conditions that might favour the emergence of institutional arrangements under which resource extraction is more likely to foster inclusive development.

Keywords:

Natural resources; inclusive development; redistribution; politics of recognition; governance; growth; democracy

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1. Introduction

The extraction of minerals and hydrocarbons lies at the core of modern economic and social development. Coal mining was central to the industrial revolution, and the labour consciousness and organization which it inspired became, so Mitchell (2012) has argued, constitutive of modern democracy. More recently, mineral extraction has driven economic growth and social investment in countries as diverse as Canada, Chile, Botswana and Australia. And, in a general sense, oil is at the very centre of contemporary capitalism (Huber, 2009). The consequences of extractive industry have not, however, always been felicitous. As Ross (2012) has recently shown, performance across oil dependent polities and economies has been very uneven. A quick sampling of the New York Times or The Economist would similarly reveal cases where resource extraction comes coupled with lost opportunities, poor economic and social indicators, democratic failure and civil strife: the so-called “natural resource curse,” the “paradox of plenty” (Auty, 1993; 2001; Karl, 1997).

There is a cottage industry of scholarship that attempts to confirm, refute or explain the existence of this ostensible resource curse. The purpose of this paper is, however, different. It focuses on the institutional and political relationships that govern the interactions between resource extraction, economy and society. More specifically, it outlines elements of a framework for analyzing these relationships, the conditions under which they are likely to be reproduced or changed, and the ways in which they might mediate the relationships between extraction and inclusion. The paper grounds this framework in two perspectives. The first of these draws on a more general literature dealing with the politics of institutional change. The second engages with the specific relationships of scale, space and time that characterize the natural resource sector and give it its specificity. The implication will be that any effort to understand the governance of extraction and of its relationships to development *must* be spatially and historically explicit.

The framework is inspired by three claims. The first is Karl’s insistence (2007: 256) that “the ‘resource curse’ is primarily a political not an economic phenomenon,” and that therefore the institutional and political distortions that characterize many extractive economies “cannot be undone without a huge coordinated effort by all the stakeholders involved” (Karl, 2007: 258). Second is the assertion that any political economy of extraction must deal explicitly with the materiality (and therefore spatiality) of the resource in question (see Bridge, 2008; Bakker and Bridge, 2006). Third is the argument of Mahoney and Thelen (2010) that path dependency arguments should be combined with theories of institutional change that attend to both endogenous and exogenous sources of such change. Taken together, and applied to the particular case of natural resource governance, these claims point us towards the analytical centrality of politics, space and time.

In the course of elaborating this framework, the paper makes the following arguments. First, prior political settlements and coalitions structure the forms taken by an expanding extractive economy and are subsequently shaped by this expansion. Second, a critical factor determining how this subsequent shaping occurs is the extent to which social mobilization and shifting political coalitions drive institutional innovation *and* the extent to which institutional learning (in the private, public and civic sectors) occurs such that social conflict can be turned into institutional change. Third, the actors involved in these processes operate at subnational, national and transnational scales, and there are important interactions among these scales. Actors operating at transnational scales include companies, multilateral bodies and civil society networks. These actors influence patterns of investment, social conflict and institutional learning and make clear that a political settlements and political coalitions approach to natural resource governance cannot focus on the national level alone (e.g. Khan, 2010; Acemoglu and Robinson, 2012).

The paper is organized as follows. Following a summary review of how resource curse debates have converged on the centrality of governance, an approach to institutional continuity and change that draws on notions of political settlement and political coalition is outlined. These insights are then linked to a discussion of the centrality of space, scale and time for analyzing the politics of natural resource governance. Finally, and in light of these concepts, institutional arrangements through which resource extraction might foster inclusive development and the conditions under which these institutions might emerge are explored.

2. Settlements, coalitions and the politics of governing resource extraction

The issues raised by large scale natural resource extraction go well beyond "resource curse" arguments about the extent to which such extraction is, or is not, associated with disappointing levels of growth and human development performance (Collier and Venables, 2011a; Weber-Fahr, 2002; ICMM, 2006). The growth of investment in mining and hydrocarbons also fuels discussion of the implications this holds for human rights, environmental security, democracy, sovereignty, social conflict and regionalism (e.g. Perreault, 2013; Watts, 2004; Dunning, 2008; Mitchell, 2012). However, the evolution of resource curse debates has been helpful in that it has debunked deterministic arguments regarding the necessarily adverse effects of resource extraction and has instead focused on the importance of institutions and governance in mediating the relationships between extraction and development (Bebbington *et al.,* 2008; Humphreys *et al*., 2007). In particular, whether mineral expansion triggers the resource curse effect or instead fosters growth is deemed to depend on the quality of macroeconomic management, on whether a fiscal social contract exists or not, on degrees of transparency, and on the overall quality of governance (Weber-Fahr, 2002:14). This convergence on institutions, however, begs other questions: how can the institutional arrangements governing extraction at any one point in time be explained? in what contexts might exclusionary institutional arrangements change? And under what conditions, and through what processes do inclusive institutional arrangements emerge (or fail to emerge)?

One approach to the first of these questions is through the language of political settlements. Di John (2009: 290) defines political settlements as "historically specific bargains over institutions" while for Khan (2010:1) "[a] political settlement emerges when the distribution of benefits supported by its institutions is consistent with the distribution of power in society, and the economic and political outcomes of these institutions are sustainable over time." These definitions insist that societal institutions exist in a relationship of co-constitution with power relations in society. This claim is very similar to Acemoglu and Robinson's (2012) conceptualization of political equilibrium as a distribution of political power and political-economic institutions that can co-exist. These arrangements persist over time to the extent that: (a) they deliver a level of economic growth that can satisfy the expectations of different groups across the distribution of political power; (b) they are consistent with prevailing notions of what constitutes a politically legitimate - or at least acceptable – state of affairs; and (c) relatively disadvantaged actors do not accumulate sufficient power that they become able to destabilize the settlement through force, electoral processes or discursive shifts that introduce new ideological challenges to dominant settlements.

These conditions of existence draw attention to themes raised in other literatures on institutional change.[1] First, while institutions might be institutionalized, their stability and reproduction cannot be taken for granted and instead depend on factors that are both endogenous and exogenous to these institutional arrangements. Second, institutions do not "self-reproduce" even when they reflect apparently consolidated asymmetries of power. Instead, the reproduction of institutions takes a great deal of work (Mahoney and Thelen, 2010) – investment of resources, crafting of supporting ideologies, monitoring in order to pre-empt resistance, investment in means of violence etc. Third, if the maintenance of existing institutions reflects the power of particular coalitions, then shifts in coalitional politics may be one route towards institutional change (Hall, 2010). In this approach, accounting for the natural resource governance institutions persisting at any one point in time would require a characterization of the political settlement allowing for the continued existence of these institutions. The language of political settlements appears less helpful, however, when the analytical challenge is to explain how such

[1] I am very grateful for Clark University graduate student participants in my seminar "Governing Development" for helping think through the arguments in the following pages, as well as my collaborations with RIMISP, Latin American Centre for Rural Development where I have also worked on some of these ideas in the conceptualization of rural territorial dynamics. (Berdegué *et al.*, 2012).

governance institutions might change. Other literatures suggest that social mobilization, shifting political coalitions and policy networks might play important roles in this regard.

The role of social mobilization and contentious politics in institutional change is well documented. Tilly's work is especially important here in that it draws attention to this relationship over the long sweep of European history (Tilly, 2004, 1998). Contention – though also war (cf. North *et al.,* 2009) – emerges as playing an important role in the emergence of democracy (in Tilly's language) and open-access social orders (in North *et al.*'s terms). Mahoney and Thelen (2010) refer to a similar phenomenon in their discussion of "insurrectionary" agents as one potential source of endogenous institutional change. While not all aspects of these authors' arguments are the same, they each draw attention to the role of contention in institutional change. In no instance, however, is the relation linear. This implies that analysis must also trace the intervening variables that mediate the effect of force on institutions, increasing, decreasing and/or translating the ways in which demands expressed through force become re-expressed as new institutional models.

Explanations of how such mobilization occurs vary in the literature, though three sets of factors are recurrently important: the role of changes in the political opportunity structure and how they create new possibilities for mobilized political expression; the role of changes in the resources (financial, informational, human ...) that actors are able to mobilize; and the role of discourse in framing identities through which people feel able to organize and express collective political demands (Crossley, 2000). In any one instance, the relative role of each of these factors will vary, though adequate accounts must attend to each.

A variant on the mobilization theme is expressed in accounts that stress the role of social and political coalitions in institutional change. Analyzing the Botswanan case, Poteete (2009) argues that key to the explanation of patterns of institutional emergence, change *and* stasis is the nature of the dominant political coalition – be this the actual political coalition controlling the state, or the modified coalition that those currently in control of the state need to re-engineer in order to sustain this control. Di John (2009) frames a similar argument for Venezuela, while Thorp *et al.*'s (2012a) multi-country discussion from Latin America argues that – in addition to questions of timing, sequencing, leadership and the nature of the resource – the governance of extractives depends on elite politics and commitments. "[W]e see the role of competing elites as fundamental in shaping the state, from within and without. We see the state as gaining or losing degrees of autonomy from specific elite interests with time, and the role of the bureaucracy as important in this" (Thorp *et al*., 2012b: 5).

These interpretations, however, beg further questions regarding the factors that might lead these coalitions and elite commitments to change. Bebbington (2012a) brings together authors exploring the extent to which social conflict might explain such shifts in dominant coalitions and institutional forms (though again this demands explanation of the genesis of such social mobilization). Poteete (2009) suggests that changing coalitional politics might also drive change, and she relates these coalitional changes to the emergence of new economic activities and new social actors. Thorp *et al.* (2012b) also place some weight on political leadership as an important factor in molding coalitional politics, as well as the effect of certain taken for granted ideas (or what might be called "political cultures").

For Hall (2010: 207) "[t]he [general] premise is that institutional change is best understood by integrating coalitional with institutional analysis". Some foci of coalition analysis frame it, in practice, as a process of parallel institutional formation (Hall, 2010) in the sense that, if existing institutions reflect the equilibrium results of the coordinated work of those interests that endorse these institutions, then new institutions would reflect the results of the coordinated work of a differing set of interests brought together in the coalition promoting institutional change. Other approaches would understand coalitions in more identity based and discursive terms, emphasizing the extent to which discourse (a set of ideas, imaginaries and aspirations) is a condition of existence of a coalition, giving it identity and vision and helping bring it into being by providing an axis around which various actors can come together, perceive alignment of their interests, and act collectively (Birner *et al*., 2011; Hajer, 1995). Other approaches (Flora *et al*., 2006) are more instrumental and focus on how coalitions serve as advocates for change.

As Hall's (2010) observations imply, there is no necessary relationship between coalition formation and progressive changes in natural resource governance. Coalitions also emerge to advance already dominant and exclusionary interests. This is evident in the reading of the less-than-successful cases brought together in collections such as Collier and Venables (2011a) and Thorp *et al.*, (2012a). Sometimes these coalitions pursue new opportunities and sometimes they defend dominant institutions and groups. However, in other instances emergent coalitions for progressive resource governance can displace those pursuing different visions. In yet other cases the process may involve processes of gradual learning and calculation within a coalition such that the coalition itself begins to see the need for institutional change and slowly shift its own discourses on the governance of the environment (cf. Acemoglu and Robinson, 2006; and more generally the work on social learning – Social Learning Group *et al.,* 2001). This learning might be led by particularly powerful actors in these coalitions who transmit this learning to others. Indeed, an argument can be made that some transnational extractive industry companies have learnt the need to engage local populations and environments in new, more open, ways and have sought to convey this learning to national elites in the private and public sector, albeit with greater or less success (Sagbien and Lindsay, 2011). More generally the learning occurring within the industry group the International Council on Mining and Metals (ICMM) or through initiatives like the Extractive Industries Transparency Initiative (EITI) might be seen as instances of transnational actors seeking to lead a range of national coalitions along paths towards behavioral and institutional change (however limited and unsatisfactory these may seem to activists and critical scholars: Benson and Kirsch, 2010; 2009).

Any account of the role of coalitions in institutional change must also explain how they resolve collective action challenges. Indeed, many of the same concepts needed to explain social movement emergence in conflicts over resource extraction (Bebbington *et al*., 2008) are relevant to explaining coalition emergence. How do coalitions emerge if (as is almost always the case) incentive structures mean that the potential net gains of forming a coalition are greater for some actors than for others (in ways that will differ by gender, class, generation, ethnicity …)? How do coalitions mobilize the resources necessary to keep the coalition going? How do actors within coalitions negotiate the institutional change that they will demand collectively if (as also will almost always be the case) different alternatives imply different distributions of costs and benefits among actors (Hall, 2010)? How, in the case of coalitions that bring together local and external actors, are collective commitments to particular forms of environmental regulations, social redistribution and political recognition negotiated? And finally, if “equity” or “sustainability” are cultural rather than absolute constructs (Humphreys Bebbington and Bebbington, 2010a), how do actors within a coalition arrive at shared conceptions of equity and sustainability towards which the institutional change they demand will lead? These latter questions emerge as particularly significant – and thorny – in the negotiations that can occur among aboriginal peoples, NGO activists and reformist government bureaucrats who at one level may be part of the same resource governance coalition, but at another level see the world in *very* distinct ways (cf. Blaser, 2010). The tensions that can arise from this, and the extent to which they can frustrate the emergence of new resource governance institutions, have been made palpably clear in the conflicts *within* the coalition seeking to pass new legislation in Peru on free prior and informed consultation/consent.

These questions imply that an adequate analysis of coalitional emergence must address incentives, issues of identity, ideas and even world view (when involving aboriginal groups), and a detailed analysis of the diverse actors that make up the coalition. Indeed, to the extent that incentives are perceived in ways that depend on the ideas about fairness, rights, costs and benefits, and given that these ideas may not be the same across members of a coalition, then identity, ideas and intra-coalitional dynamics must bear more of the causal burden than do incentives: as Hall notes, “the politics of ideas is intrinsic, rather than epiphenomenal, to the processes of coalition formation that underpin institutional change” (Hall, 2010: 213).

The centrality of ideas brings us to the third social vehicle through which change in resource governance institutions may occur: the operation of epistemic communities.

Epistemic communities are best understood as "...a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy relevant knowledge within that domain or issue-area" (Haas, 1992:3). These networks can be both national and transnational (Keck and Sikkink, 1998), and while Haas's notion of epistemic communities focused especially on networks of professionals whose ideas help frame policy debates, this process of framing discourses and then ushering them into policy formation often includes actors with other identities – supportive politicians, movement and civic cadres, business people, bureaucrats etc. (cf. Fox, 1996). Among other things, epistemic communities can play important roles in framing the "viable models" of new institutions noted earlier, as well as in framing core ideas around which coalitions and mobilizations might emerge. They may also contribute to the identities that can derive from these ideas. A Latin American example of this might be that of the policy, intellectual and technocratic networks that have worked for so many years on indigenous peoples' territories and have subsequently become involved in debates on extractive industry governance. It is also reasonable to argue that scholarly work on natural resource extraction and development has become part of such networks – Collier's work on the natural resource charter, or the interactions among Soros, Revenue Watch International and scholars such as Joseph Stiglitz and Michael Ross would be examples here, as also would the links between Mines and Communities and scholars such as Stuart Kirsch. As with discussions on development, scholarly discussions on extraction need to be treated as endogenous to the very political processes which they are analyzing.

Such epistemic communities can serve as agents of resource governance change themselves, as they "subversively" (in Mahoney and Thelen's language) seed policy and public discussions with concepts and ideas that become sufficiently persuasive that they elicit institutional change (whether at national, subnational or international levels). This in turn demands explanation of what might make ideas "persuasive," especially given that the determination of dominant discourses on resource extraction generally happens in contexts characterized by asymmetries of power in which those more powerful have clear preferences for particular ideas. Such persuasiveness might derive from: palpable environmental changes that undermine the cogency of previously dominant ideas; the arrival of new information that adds credibility to new sets of ideas (cf. North, 2005); or shifting calculations on the parts of elites as to forms of resource governance that might best suit their interests (Boix, 2008; Tilly, 1992; Acemoglu and Robinson, 2006). More often, though, such ideas become influential when they are bundled with movements and coalitions.

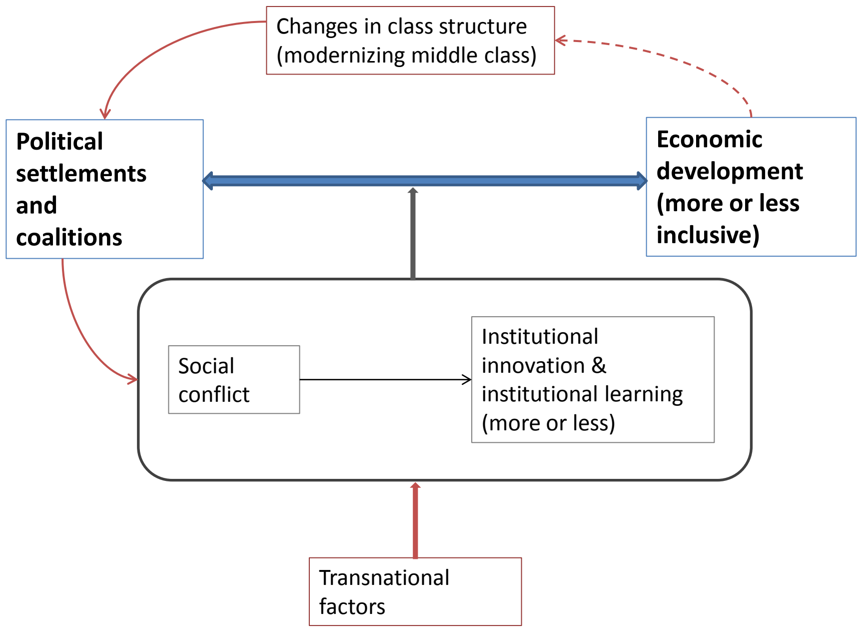
Theoretically, these observations imply that an adequate account of changes in the institutions of natural resource governance must explain how such mobilizations, coalitions and policy networks emerge in the first instance, how they articulate with existing institutional arrangements, and how they are translated into the final effects that they ultimately have. At the core of this explanation must be an account of how incentives, ideas and identities influence the emergence of actors promoting change in extractive industry governance, and of the models for new regulations that will be the basis of such change. Such accounts must explain why mobilization, coalitions or policy networks emerge to play this role in some contexts rather than others.

3. Visualizing the framework

The foregoing arguments are summarized visually in Figure 1. At the core of the framework is the co-constitution of economic development, political settlements and political coalitions as outlined by Khan (2010) and Acemoglu and Robinson (2012). Offsetting the tendency of settlements language to “feel” static, the framework introduces two elements of dynamism. First, and following authors such as Boix (2008), is the argument that patterns of economic development ultimately modify class structures in ways that cannot be easily controlled by dominant coalitions. This modification can take a variety of forms – the creation of new marginalized and disenfranchised populations, the emergence of new capitalist classes, the emergence of modernizing middle classes (as per Boix, 2008). Each of these forms serves to destabilize existing settlements. This destabilization can be both incremental or abrupt (involving mobilizations) but either way it constitutes forms of conflict that put pressure on existing institutions and have the potential to lead to institutional change. Such change itself contributes to further modification of the forms of economic development occurring. In the case of extractives this might be, say, because it involves new tax regimes, new land use planning guidelines, or new forms of ownership.

Thus far the framework treats institutional and governance change as endogenous to the relationships among settlements, coalitions and the economy. However, the change process can also be affected by exogenous factors and actors. This is especially the case for the political economy of extraction which is characterized by an important presence of international companies, multilateral agencies, international advocacy networks and transnational nongovernmental organizations, as well as by international commodity price volatility which can also elicit domestic coalitional and institutional change. One example of this would be the dramatic effects of the collapse of tin prices on the power of miners’ unions in Bolivia and their political coalitions with the state and parties. Another example would be the cumulative influence that transnational advocacy around free prior and informed consent has had on domestic politics and regulations governing consultation and participation.

Figure 1: A schema[2]



A contemporary process of institutional contention in the politics of mining governance in El Salvador illustrates some of the relationships outlined in this framework. In response to policy reforms in the mid-1990s, mining companies had begun to conduct geological exploration in El Salvador. By 2005, the activities of several companies were beginning to generate serious social conflict, such that by 2007/8 the conflict had become so severe that even the pro-business government ARENA placed a *de facto* moratorium on mining activity. When a social democratic FMLN government came to power in 2008 they inherited this moratorium, along with much pressure from movements to convert it into law. However, the FMLN also inherited the fall-out of the moratorium. By 2009 two mining companies whose projects had been put on hold were using the provisions of the US-Central American Free Trade Agreement (CAFTA-DR) to sue the government of El Salvador for recovery of all their expenditure to date, for future lost profits and for losses due to falls in their share value (as well as the costs of taking legal action). While one of these cases was dropped in 2011 the other is still being considered by the International Centre for the Settlement of Investment Disputes (ICSID) albeit no longer under the rules of CAFTA-DR.[3]

[2] I am grateful to a reviewer for proposing this diagram.
[3] For more on this see Bebbington, 2012b.

In this context, the FMLN government has been caught between two pressures. Social movement organizations, along with parliamentarians and the political bases of the FMLN, are not happy that an ostensibly left of centre government would not ban hard rock mining once and for all given that it had committed to do so during the electoral campaign. They are pressuring the government to follow through on these electoral promises. Yet at the same time the government feels the pressure of fiscal imperative. On the one hand, some officials wonder whether mining might generate tax and royalty revenue for government programmes, while on the other hand these and others worry that ICSID will find against the government and impose fines on the scale of a hundred or more millions of dollars. The corollary fear is that this would open the door to a slew of legal suits from other companies, especially if the moratorium were converted into law. Meanwhile, informal political pressure from the embassies of investor countries has also continued (personal communications from senior government officials).

The government's response was to buy time and conduct a Strategic Environment Assessment (SEA) of the mining sector, with a view to crafting a policy on the basis of that SEA – the calculation being that if a policy restricting mining were based on an independent SEA, it would offer more legal protection against future lawsuits from other companies with concessions and exploration projects. That SEA came to the view that environmental vulnerabilities (primarily related to water quantity and quality) were so severe, social risks (primarily related to conflict, violence and divisions dating back to the civil war) so acute, and government capacities so limited, that prior to any promotion of mining it was imperative to build capacity within government to regulate mining investment, ensure environmental protection, establish and enforce no-go areas, create early warning systems for identifying conflict, establish tax and royalty systems, etc. This was then translated by the government into a proposal for legislative change that would suspend all mining activities until a raft of other capacities and policies had been established. This proposal is currently under review in the Salvadoran congress.

Here, then, is an example of political coalitions in the 1990s supporting the rise of mining investment in a way that was largely unchecked. This invisibility of early mining investment in turn reflected the nature of the post-war political settlement in the country, dominated as it was by national economic and traditional political elites. However, as the changes triggered by this early mining activity became visible they were perceived as threatening certain groups in rural society. These groups – in coalition with other national and international actors – steadily organized in a process that generated levels of conflict that upset the existing settlement, leading to a distancing between parts of ARENA and the mining sector. The coalition between the subsequently elected FMLN government and movements, however, was in turn challenged by different transnational interventions (involving mining companies, foreign embassies and ICSID). This in turn has triggered another experiment at institutional change in the form of the SEA and proposed legislative change. The fate of that proposed law, however, will depend on on-going coalitional dynamics within the Salvadoran Parliament.

4. Space and time in the governance of extraction

The coalitional politics, social mobilization and policy networking discussed in the previous section all occur some*where* and some*time*. The "where" of these political processes occurs within other geographies: the geographies of resources themselves (where they are located, where they are transported etc.); the interactions between resource geographies and geographies of human settlement, water, economic activity etc.; and the uneven and politically symbolic geographies of cities and regions, of metropolitan areas and aboriginal territories, and of national, subnational and international jurisdictions. Meanwhile, the "now" of extraction is characterized by institutions and power relationships inherited from the past, as well as memories of that same past. Indeed, the literature on the extractive economy has become increasingly aware that *where* subsoil natural resources are located and *when* they are discovered and developed each matter a great deal for the quality of resource governance and in particular for the relationships between extraction and patterns of development (Thorp *et al*., 2012a). This section discusses different ways in which space and time need to be addressed in any effort to understand the politics of, and the institutions that govern, natural resource extraction.

4.1 Space and the politics of resource governance and development

Flows, scales and territories

The mining and hydrocarbon sectors can be understood as global production networks (Bridge, 2008; see also Ferguson, 2006) in which a range of actors come together to extract, transport, transform and sell natural resources, and to channel the flows of capital (investment and profit), commodities, materials, information and people that make the extraction and valorization of natural resources possible. Many of these flows reach beyond national jurisdictions, though some flows (e.g. of taxes and royalties, of labour, or of water) occur at a national and subnational scale.

Many of these flows have their own governance arrangements. Some of these are governmental or multilateral. Thus international (e.g. World Bank, IFC) and bilateral (e.g. EXIM Bank, KFW…) financial institutions govern concessionary loan and grant flows linked to extraction through decisions on loan conditions as well as through the conduct of public reviews such as the Extractive Industries Review). Global/international regulatory bodies (ILO, UNDRIP, NAFTA, free trade agreements …) govern obligations and rights that are attached to these flows. For instance, ILO 169 attaches obligations regarding free, prior and informed consent, and free trade agreements attach rights to seek redress against national decisions by presenting cases to multilateral bodies such as ICSID. Grant giving by non-profits working on extractive industry can be subject to public regulations, as can their information work. Likewise when extractive industry raises capital (perhaps especially speculative capital) on specialized stock exchanges such as the TSX or AIM this can also be subject to public regulation.

Other arrangements are voluntary and private (Auld, 2012; Cashore *et al.,* 2004). In the commercial private sector, examples would include Corporate Social Responsibility (CSR), certification and labeling of various sorts. In the civic private sector examples would include decisions over grant-giving, strategies of information provision, etc. The Extractive Industries Transparency Initiative (EITI) which attaches obligations related to transparency on tax payments, is a combination of voluntary, private and public in that participation is voluntary, but many governments as well as companies and NGOs participate.

These different mechanisms for governing flows can themselves induce the emergence or attention of other private actors that seek to influence these arrangements. There are many examples of this: Revenue Watch International's work on transparency, Oxfam's work on corporate standards, Mining Watch's work on the flows associated with Canadian mining companies and so on. In many instances these private responses combine the efforts (or at least names) of organizations that operate at subnational, national and international levels. Such governance mechanisms also often induce (or can grow out of) the work of researchers or think tanks that seek to challenge and frame ideas so as to influence how extraction is governed. Some of these challenges can be contentious, as for instance in the arguments that occurred among public bodies, the World Bank and civil society organizations over the Extractive Industries Review – all of which, ultimately, were arguments seeking to influence how the Bank would govern and attach conditions to multilateral capital flows for extractive industry. However, for the most part struggle over the design of institutions to govern flows tend to be less contentious taking the form of negotiation, legal proceedings, coalition building and lobbying.

While institutional arrangements such as these are not a-spatial (meetings, arguments, negotiations etc. always occur somewhere, and that *where* is significant), they are generally not bound by territorial units. They govern flows, not spaces. However, extraction is also governed through spatially defined institutions which often (though not always) focus on the spatialized consequences and contexts of extraction: environmental impacts, infrastructure building, the spending of geographically targeted royalty transfers, land use ordinances etc. Many such territorialized mechanisms are public, defined by the jurisdictions of government. Others, though, are private (e.g.

territorially defined social organizations, such as communities, that seek to exert control over the space they occupy) and more generally a range of territorially defined actors emerge to negotiate and contest this level of governance (e.g. geographically defined federations of water users, aboriginal peoples, peasants etc.). These contestations are much more prone to contention, including violent contention (Bebbington and Bury, 2013), though there is also plenty of coalitional politics at play (Poteete, 2009).

Understanding the governance of natural resource extraction and the forms that it takes within particular countries and locales thus requires analysis of how both flows and spaces are governed and how these institutions of governance are stabilized and changed through combinations of contention, coalitional politics and arguments over ideas. Such analysis must also consider the conditions under which one domain of governance might supplant or interact with another. For instance, countries' mining and hydrocarbon codes (which reflect a form of territorial governance at a national scale) can come to be defined by capital flows linked to international financial institutions (as when countries adopt World Bank recommendations for mining laws). In some instances, though, countries might seek to undo codes that were promoted by international institutions and replace them with domestic codes (as has happened, for instance, when resource nationalist positions come to power). In many instances (as Kaup notes for Bolivia: 2010; 2013) the resulting codes end up becoming some form of uneasy combination of these positions. In this sense, processes of institutional change often involve a politics of scales in which actors reach across scales at the same time as they seek to redefine the scale at which an extractive industry problem is defined[4] (cf. Bulkeley, 2005).

Space and contention in the governance of extraction

The simple facts that natural resource extraction is a point source activity, and that the geographies of extractive activities are relatively immutable, produces particular challenges for the governance of resource extraction and not infrequently underlies much of the contention surrounding it. Space, therefore, has to be treated as endogenous to any analysis of the interactions between institutions and politics. We discuss how this is so in the following domains: the relationships between space, externalities and contention; the relationships between space, rents and contention; the awkward relationships between rents, national redistribution and a spatialized politics of recognition; and the ways in which these spatialized politics of extraction mean that political settlements around its governance are inherently unstable as a result of tensions between different national and subnational actors.

[4] There are many examples of this. One simple example would be struggles to define whether a mine's approval is a local, regional, national or global governance issue, and thus to define who should and should not be involved in decisions over the mine's fate.

Resource extraction, even when as “clean” as technologically conceivable, produces significant ***externalities***. In the “clean” version these externalities are limited to dramatic landscape transformation, significant increase in the movement of heavy machinery and heavy loads, increases in noise pollution, the presence of large scale installations on previously rural landscapes and the arrival of new sources of “risk” and “uncertainty” in the landscape (in the form of large scale tailings ponds that might breach, pipelines that might leak, waste-waters that might escape, etc.). In the “dirty” version of extraction, the externalities can involve adverse impacts on water quality and quantity; careless management of tailings, waste rock and waste waters with implications for pollution; and adverse social impacts (prostitution, night-life, new diseases) in human settlements near sites of extraction. In either version it is probably also the case that there are localized effects on the political economy – with inflation of land and labour costs (with typically adverse effects for local labour intensive agriculture, as well as for general patterns of access to housing as it becomes more expensive) and increased opportunities for criminal activities. There is ample evidence of this latter effect, whether in the form of “tapping” of oil pipelines in Nigeria (Watts, 2004; Kashi and Watts, 2008) or of mafia presence in the economy of service provision to sites of extraction (Arellano-Yanguas, 2012). This localization of externalities typically induces new sources and forms of conflict motivated by perceptions and experiences of loss, by manoeuverings for compensation, or by efforts to gain access to employment and economic opportunities (Bebbington *et al*., 2013).

It also merits note that exposure to these externalities varies spatially *within* a locality. Some human settlements are more or less affected by noise, water or landscape impacts; some economic agents are more adversely affected than others by increased labour costs; some benefit more than others from the increased circulation of cash in a local and micro-regional economy; and some fall within what companies define as their zone of direct influence while others do not (which means that potential access to compensation and CSR activities is unequally distributed, with some persons *included* and others not). These locally varied exposures to costs and benefits have implications for patterns of inclusion and exclusion, and also for the possibility that local coalitions for changes in resource governance might emerge (Bebbington *et al.,* 2013; Humphreys Bebbington and Bebbington, 2010; Humphreys Bebbington, 2012).

At the same time, the localization of extraction inevitably produces tension over the socio-spatial distribution of ***rents***. On the one hand, subsoil resources are more often than not vested in the nation with the state being responsible for the “trusteeship” and management of these resources (which is why it is the central state that grants licenses and concessions and approves projects). Furthermore, this central state often sees in these minerals a source of revenue to finance national social and infrastructural programmes (or, in patrimonialist versions, private gain for governing elites). On the other hand, the resources are physically extracted *from* a particular region, and subnational groups typically make some claims on these resources because of their spatial origins. These claims may take various forms: an aboriginal population may claim that the resources are coming from their *territory* and that this territory is constituted by both the surface and subsurface, regardless of the formalities of national law; a regional government may claim that the resources are a subnational resource that should be a revenue base for regional development plans; municipal or customary authorities may argue much the same; etc. The socio-spatial distribution of revenues deriving from extraction is therefore inevitably a source of spatialized political tension in ways in which the geographical location of manufacturing or agriculture is not.

Which of these sources of tension – over the spatialization of externalities or over the spatial distribution of rent – is more significant likely varies across cases. Recent econometric work in Peru has concluded that the majority of contemporary social conflicts over extraction derive from struggles over the amounts, management and distribution of fiscal transfers back to the regions of extraction (Arellano-Yanguas, 2011, 2012). More important is to recognize that these different catalysts of conflict are generally all present, mobilize different interests, interact with each other and are all inevitable consequences of the spatially uneven nature of extraction and the materialities of the resources involved. Furthermore, the attempt on the part of “regions of extraction” to secure significant transfer of benefits pits them not only against central government but also against other subnational authorities who do not enjoy significant fiscal transfers and who also want access to resource rents.

The *national* ownership of subsoil resources, coupled with their *subnational* existence and the different spatial scales at which a ***politics of recognition*** are made manifest, present further axes of latent or open contention surrounding the governance of extraction. While all natural resources might have symbolic resonances, it is probably only the subsoil that has been powerful enough to lend itself to feelings of resource nationalism. While this “nationalism” is usually supported by constitutional provisions that vest ownership of the subsoil in the nation, it is also fuelled by the sense that more than being “owned” by the nation, the subsoil is actually *part of* a nation, and its control by any other than national government is cast as a problem of sovereignty and national integrity (Coronil, 1997; Perreault, 2013). The subsoil thus becomes the subject of intensities of protest and levels of nationalization that are not as apparent in other sectors. This national symbolism has also meant that the subsoil becomes bundled with languages of citizenship in ways that can lead populations to argue that they have the right to make very specific claims on the subsoil and the revenues that might derive from it (Perreault, 2013). The generation of wealth from the subsoil often induces the emergence of national subjects (“the people”, “the poor”) claiming that this wealth should be redistributed to them, as well as political movements offering such redistribution in return for political allegiance.

However, these resources exist in, and are extracted from particular territories, and this process can lead to conflicts between different uses of the land (traditional vs. extractive) and different modes of governing this land – e.g. conflicts in which company governance of space becomes pitted against customary forms of governance associated with particular social and political identities ("indigenous", "tribal" etc.). Consequently, extraction also interacts with a different politics of recognition – not this time the recognition of rights of the national citizen deserving of redistribution, but instead of the subnational identity-based group deserving of substantial compensation or bearing particular governance rights. In the process, not only are these identity-based claims set against the claims of the extractive enterprise, but they also become set against the claims of the national subject demanding "extraction for redistribution." This situation complicates coalition building and the consolidation of political settlements. Indeed, this has arguably been the case in the Andean countries.

These three considerations (*externalities, rents, recognition*) mean that the spatialized governance of extraction presents immense challenges and is itself also an axis of contention. From the perspective of extractive industry companies, the concentration of conflict in the spaces in which they operate, and the relative vulnerability of their physical operations to sabotage (precisely because of their spatial extensiveness, typically remote location and geographical fixity), means that they place a premium on *securing* these spaces. It is this idea that underlies Watts' (2003) notion of governable spaces, drawing on his own experience in the Niger Delta where companies seek to make the spaces of their operation governable (from their point of view), while other actors also seek to render them governable from *their* point of view. The same notion is present in Ferguson's (2006:204) characterization of the spaces of operation of extractive industry as 'enclaved mineral-rich patches efficiently exploited by flexible private firms, with security provided on an "as-needed" basis by specialized corporations," and more generally in his claim that contemporary development can be read as a set of "transnational topographies of power" in which transnational networks link and govern non-contiguous spaces across the globe in ways that render the governance of some spaces categorically different from that of other spaces within the same nation state. Thus, in the case of extractive industry, spaces of company operation become governed in ways that are transnationalized and quite distinct from other subnational spaces. From Ferguson's viewpoint this difference inheres in the crafting of less-than-transparent deals between companies, security services and state elites. Meanwhile national and transnational activists, as well as extra-legal interests in some instances, try to muscle in on and usurp these practices of governance.

As a consequence, national-subnational ***settlements*** around the governance of extractive activities and revenue transfers tend to be very unstable. Extreme versions of this instability are manifest in the sorts of armed conflicts and secessionist movements that Collier and Hoeffler (2005, 2004), Ross (2008), Le Billon (2001) and others have considered. Less extreme variants are the chronic tensions between national and subnational authorities and elites in countries such as Bolivia, Peru or Nigeria. The few cases where this national-subnational relationship is less tense and unstable (e.g. Chile, Botswana) appear to be characterized by: a spatially circumscribed geography of extraction (e.g. Botswana); a geography in which extraction and human settlement do not overlap significantly (Botswana, Chile, Norway); and an early agreement that revenues should be controlled by central authorities and redistributed through national programs rather than spatially earmarked transfers (Botswana and Chile). The reasons for such early agreements vary – in one instance appearing to be a result of strong and respected centralized bureaucracies (Chile), in the other a calculation on the part of subnational elites that this was in their favour (Botswana) (Poteete, 2009; Thorp *et al*., 2012b; Batistelli and Guichaoua, 2012).

Given the extent of the rents in question, and the gravity of the conflicts to which they can give rise, these apparently subnational problems can spill over into national politics. Indeed, the point-source nature of the extractive economy can *produce* powerful actors because of the scale of rents *and* externalities at play as well the potential resonance of the political discourses that can be mobilized in struggles over these rents and externalities. Some of these powerful actors can be of the warlord or armed insurgent variety, but more "mundanely" they can and have been regional political and civil society leaders who on the backs of conflicts over extraction become national political figures. In this same process subnational narratives on extraction (regarding taxation, environment, territory, indigenous rights) can become parts of national debates over extraction. The politics of extraction and struggles for different types of inclusion can thus be vehicles through which the framing of national political debates and the composition of national political settlements are altered. This being so, national-subnational dynamics need to be central to any analysis of the ways in which extraction, governance and inclusion relate to and co-constitute each other (Arellano-Yanguas, 2011, 2012).

4.2 Time and the politics of resource governance

History as sequence

Historicized approaches to the relationships between resource extraction and development identify three primary senses in which "history matters": the particular sequences in which institutions become "layered" (Thorp *et al*., 2012b); the nature of international commodity and credit markets at the time that resources begin to be exploited or governed in particular ways (Ross, 2012; Paredes, 2012); and the timing of when resources are discovered in relationship to the dynamics of political settlements within a country (Batistelli and Guichaoua, 2012). However, "[t]hat 'history matters' does not equate to 'original conditions rule'" (Thorp *et al*., 2012b: 4) and so these reflections are not arguments for the existence of entrenched path dependent effects. However, this emphasis on history does recognize path dependent *tendencies* whose change requires particularly significant forms of agency (or serendipity) – or, in Karl's already quoted terms, "a huge coordinated effort by all the stakeholders involved" (Karl, 2007: 258).

One of the most deliberate attempts to engage such historical questions is that of Thorp *et al.* (2012b) for whom "the challenge is to take the analysis sufficiently far back in time to detect the key decisions and influences that shaped institutions and competences, and the role of resource abundance at these points" (p. 6). In this spirit, their comparative study of Botswana, Niger, Nigeria, Bolivia, Chile and Peru frequently digs back into the late nineteenth century for the Latin American cases and the late colonial period for the African cases. Orihuela (2012) explains the success of Chile's governance of copper in terms of "the way the layering of institution building allowed the country to resist later periods of great instability and boom" (Thorp *et al.,* 2012a: 214). The origins to this story, he argues, lie in the nitrates boom in the latter 19th century. Certain aspects of this boom reflected resource curse features – in particular while nitrates were taxed heavily, other forms of domestic taxation fell ("from 20% in the 1840s to almost nothing in the years 1895-1905" (Orihuela, 2012: 24)). This nitrate revenue gave the executive considerable autonomy and power from society. However, other changes in Chilean society – the emerging strength of unions, a prior commitment to bureaucratic technocracy – meant that other checks on the state increased, limiting the extent to which the executive could use this rent in a way that was completely autonomous of society. They do not argue that the nitrates boom was a success story, but nor did it lead to a complete distortion of public institutions. Then, when the copper boom followed in the mid-20th century, it was managed technocratically. Indeed, central to Orihuela's explanation of Chilean success is the existence of a long history of publicly motivated, competent bureaucracy and technocracy that served to keep the polity in check, but in some sense also infused the culture of dominant elites. If this is so then it means that the instruments of the Chilean success are not easily copied – for Chile's success does not lie in the instruments it created (e.g. copper funds and the like for the counter-cyclical management of resource rents) but rather in the fact that these instruments grew out of a far longer historical commitment to technocracy that guaranteed the independence of these funds from political raiding (cf. Collier and Venables, 2011b). This historical layering of institutions (understood both as organizations and routinized norms) is therefore important to understanding Chile. A similar layering – albeit of less historical depth – is, Thorp *et al*. argue, part of the Botswana success in diamond governance. In that instance, a commitment to central government institutions pre-dated the discovery of diamonds, reflecting instead a commitment to cattle-owning elites as well as the recognition that a strong, competent central state was essential in the face of potential South African interference. So here, a combination of layering and straight serendipity helped explain the good management of diamond revenues.

Different forms of layering can have converse effects. Nigeria's discovery of oil came right after the Biafra war in a context of acute social and political fragmentation and a collapse of any centralized political authority in the Niger Delta. Oil became a means of managing competition among regional elites in a context in which a post-war, chronically weakened civil society and public sphere negated any prospect of checks and balances and accountable government. The rest is history – or tragedy (Watts, 2003, 2004; Kashi and Watts, 2008). In an equally adverse "layering," uranium had been discovered in Niger prior to independence, and so even though formal political authority passed to the post-colonial state, France was uninterested in ceding control over and access to Niger's mineral deposits – not least because France itself was developing a consolidated nuclear industry as part of a domestic energy policy, creating a further political imperative to secure access to this uranium (Guichaoua, 2012). There is a clear parallel here (albeit on a smaller scale) with the relationship between domestic, hydrocarbon based energy policy in the USA and the equal determination of the US to sustain control over oil supplies around the world regardless of the institutional distortions that this might create in supply countries (Mitchell, 2012). In these analyses two sets of institutional layerings, one in the resource consuming country, the other in the resource supplying country, couple to co-constitute adverse relationships between extraction and development.

A different sense in which history matters is in the time periods used to identify the presence or absence of the "resource curse." Breaking down time series data into particular segments, Ross (2012) argues that the resource curse is actually a feature of a specific historical period, and moreover of a specific set of institutional contexts within that historical period. In his analysis, the oil-specific version of the resource curse (what he calls "the oil curse") is a feature of the post-1970s period in those countries which nationalized their oil industries. He says: "as a global phenomenon, the political ailments caused by oil and gas production seem to be limited to both a certain set of countries … and the post-1980 period. Before about 1980, there was little or no global association between oil wealth and either less democracy, less work for women or more frequent insurgencies, and the oil states had impressively faster economic growth" (Ross, 2012: 227). This is not to say – he notes – that things were rosy prior to this period: one only needs to read socio-environmental histories such as Santiago's (2006) brilliant *Ecology of Oil* on Mexico to recognize this. However, the political distortions that Ross associates with the oil curse (less democracy, more insurgency, gender inequity) have become more systematic over the last three decades. In an argument that begins to look similar to that of Thorp *et al*., Ross concludes that these distortions are especially apparent when oil is discovered in contexts of autocratic rule or weak democracies (i.e. democracies with poor "pre-existing checks on the executive branch" and weaker civil societies[5], Ross, 2012: 229). In such circumstances, patrimonial management of oil revenue is much more likely as – consequently – is the emergence of regional armed secessionist movements contesting regional exclusion from the benefits of oil. Meanwhile transitions to democracy are less likely: "No country with as much oil as Libya, Bahrain, Oman, Algeria or Iraq has ever made a successful transition from authoritarian to democratic rule" (Ross, 2012: 234).

One problem with Ross's analysis is the question of why such autocratic leaders have no interest in introducing forms of oil wealth management that would allow more stable economic management or in building institutions for volatility management (also noted as a critical institutional capacity by Collier and Venables, 2011b). He argues that "[t]o enact … countercyclical policies, politicians must be able to forgo the short-term political benefits of immediate spending for the long-term ones of sustainable growth. These trade-offs are easier to make when incumbents believe they or their party is likely to stay in office long enough to profit from future gains; when the government is more constrained by checks and balances; when citizens are both well-informed and have confidence in their government; and when they are not sharply divided into competing factions that seek to exclude each other from future benefits" (p. 230). However, autocrats with weak civil societies are presumably likely to believe that they will stay in office a long time. The weaker autocrats who have to play competing factions off against each other are those who do not necessarily have such certainty. This brings the analysis back to the question of political settlements, suggesting that fragile settlements orchestrated by non-democratic leaders in weak civil societies are the most likely to manage natural resource wealth in ways that do not elicit sustained (and diversifying) growth with inclusion.

History as memory

Historical memory is also important in the governance of resource extraction. Indeed the ways in which history is recounted and remembered can itself constitute an important variant of how ideas matter in struggles over the governance of extraction. Memories and histories can be used to frame political debates over natural resources, as well as to articulate political coalitions seeking particular sorts of institutional change. At a national level, memories of extraction and of war have interacted with resource governance (and have been consciously mobilized by political actors *in order to make them* interact with resource governance). In Bolivia, for instance, memories of the war with Chile have been critical to mobilizations around the governance of gas in the last decade, leading directly to the demise of plans to export gas to, or through, Chile (Perreault, 2008; 2006). More generally, historical memories of colonial control can favour the emergence of

[5] Echoing Orihuela's interpretation of Chile, Ross suggests that oil did *not* strengthen the hands of autocrats in Latin America nearly so much because of the region's "prior experience with democracy and labor unions" (p. 229).

resource nationalisms: “Postcolonial societies are likely to produce forms of resource nationalism and re-interpret collective memories around the issue of resource ownership and control” (Thorp *et al.,* 2012b:7). The continuing resonance among activists of Galeano’s *Open Veins of Latin America* (1979/1998) is a prosaic indicator of this more general claim.

At a subnational level, historical memories of marginalization and disadvantage have also affected politics surrounding extractive industry. This can take many forms, with regional, ethnic and racial identities being variously mobilized in the process. Ross (2008) identifies a number of such examples that have spilt over into violence – such as Aceh, the Niger Delta (see also Watts, 2003) or more recently Bagua in Peru (Bebbington and Humphreys Bebbington, 2011). This is not to say that memory necessarily feeds into acute conflict. More often it is a point of reference, leading resident populations to associate extraction with prior moments of repressive dispossession and to therefore be both circumspect but also immensely pragmatic in how they negotiate the arrival of extractive industry (as Humphreys Bebbington, 2010, has shown for the Chaco of Bolivia). And of course at times, the memories can be ones of boom and employment, inspiring support for new rounds of investment in resource extraction.

Grappling with history

If these insights suggest that the politics of natural resource extraction *must* be understood historically and with much sensitivity to time, sequences and memories, they also leave hanging a series of questions. How far does an analysis need to go back in time? Thorp *et al.* (2012a) take some of their analyses back more than a century – and of course Putnam’s famous study of Italian political and social institutions reached back many centuries to find the sources of uneven regional performance (Putnam, 1993). Few studies can afford such luxuries, but perhaps a rule of thumb is to reach back at least to the last natural resource boom in order to understand how political coalitions and institutions were fashioned then and see how far and in what ways they trace through to contemporary governance arrangements. As Thorp *et al.*’s analysis makes clear, this does not imply falling into historical determinism. Instead the approach would involve working forward from that starting point and analyzing, at subsequent critical junctures, the options that were open to actors and the reasons for the political decisions that they subsequently took (or did not take).

Ross’s analysis also poses a methodological challenge – how to select the time periods into which one would break up the analysis of cycles in the governance of extractives. Ross opts for periods defined largely by international factors (e.g. significant price changes), though at a national level an equally salient argument could be made for breaking up periods by regime cycle on the grounds that regime changes suggest shifts in dominant political coalitions. While a general rule for analysis cannot easily be defined, the implication is that it is worth looking for significant sub-periods within longer-term processes of political and institutional change in the extractive sector, and to recognize that the politics of governing extraction may change significantly between these periods.

Finally, the issue of historical memory raises the question not only of what is remembered, but also what is *not* remembered about prior phases of resource extraction. Thus, while methodologically it is important to attend to the ways in which key ideas about the past are framed and mobilized in contemporary politics of extraction, it remains important to keep asking why other parts of extractive industry history are erased from political discourse.

5. Governing resource extraction for inclusive development

Bonnie Campbell, an expert on mining governance, has argued that the effects of mining on inclusion and poverty reduction in Africa have been so disappointing in part because policy has focused on designing codes for mining itself rather than on governing the interactions between mining and development (Campbell, 2008). Of course, the discussion in the preceding two sections would suggest that such bias itself would reflect the dominant political settlement and the absence of coalitions, social movements and policy networks with the power to induce policies and institutions much more oriented toward the promotion of inclusion. This section discusses different ways in which extractive industry might foster inclusive development and the sorts of coalitions that might induce institutions promoting such inclusion.

5.1 Channels of inclusion

The channels through which resource extraction might foster inclusive development can be separated very simply between those channels that are directly related to the ways in which the extractive enterprise governs and organizes itself (channels 1 to 4 below) and those that derive from the way extractive industry as a sector is regulated by third parties, above all the state (channels 5-8). Each of these is important. We note the following channels:

1. Employment: populations can be included in or excluded from the political economy of extraction depending on the direct and indirect employment effects of mining, oil and gas investments.

2. Supply chain management: companies can manage their supply chains in ways that offer more, or less, opportunities for local and regional populations to be included in their activities.

3. Corporate social responsibility and transparency. Company approaches to employee and community well-being, to redistribution of profits through company sponsored social programmes, and to financial transparency are all additional influences on who is and is not included in the benefits of extraction.

4. Ownership. Though this occurs much less frequently, companies can also include populations and the workforce in the ownership structure of the extractive enterprise, either as shareholders or joint owners.

5. Public ownership. A number of extractive enterprises, particularly in the hydrocarbons sector, are publicly owned and as such allow for some sort of social inclusion in their operations, even if in practice such operations generally run as enterprises owned and organized by government.

6. Planning and consultation: populations can be included or excluded depending on practices and rules governing how resource extraction is planned for, who is consulted and how, and how far the voice of those consulted can affect the unfolding of the extractive economy (and relatedly, how far consultation and participation is managed such that it does little more than legitimate decisions and project designs already made: Li, 2009).

7. Taxation and social expenditure: how far populations are included in access to the financial resources generated by extractive industry depends entirely on the ways in which the sector is taxed and the extent to, and means through which this fiscal revenue finds its ways into social investment and other development programmes.

8. Environment: the potential for adverse environmental effects is high in the extractive economy. To the extent that environmental damage is a mechanism through which contemporary and future generations are excluded from (net) benefits, then the governance of environmental impact is important for social inclusion.

These different channels make clear that inclusion can take different forms. While inclusion is often taken to refer to access to the benefit flows associated with resource extraction, "inclusion" can also refer to the incorporation of particular ideas and valuations in the planning and regulatory processes surrounding extraction. In addition, inclusion might also occur through involvement in decision making processes – whether these are land use planning and zoning processes, or processes linked to the management of the actual extractive enterprise. Inclusion can, then, have economic, socio-cultural and political components, and these are not necessarily co-present. In the following, and for reasons of space, we focus on inclusion in the material opportunities generated through employment and taxation.

5.2 Inclusion through employment and taxation

It is frequently argued that one of the least significant mechanisms through which resource extraction fosters inclusion is employment. This is because the capital intensive nature of modern operations restricts job creation, and furthermore tends to skew job creation toward higher skilled positions. There are two important caveats to this observation. First, extractive industry companies and their associations have argued that such claims understate the indirect employment effects of the mining, oil and gas industries. Indeed, indirect employment effects *can* be significant when companies endeavor to make them so, as Langton has recently noted in her 2012 Boyer Lectures (Langton, 2012). Second, the observation is relevant only to large scale mining: artisanal and small scale mining generates far more employment (and much less, or no, tax revenue) and so might be deemed to be very inclusive in immediate livelihood terms (Hilson and Banchirigah, 2009; Maconachie and Hilson, 2011).

There is more general agreement that the channel which has the greatest potential significance as a means of promoting inclusion is that which runs from taxes and royalties to social expenditure (Hujo, 2012; Arellano-Yanguas, 2012; Bebbington, 2012a). This claim underlies contemporary policies in countries such as Bolivia, Ecuador and Venezuela that have sought to capture greater shares of revenue through increasing tax and royalty rates or through full or partial nationalizations, though it is also an argument used in more orthodox, neo-liberally inclined regimes as well as by extractive industry companies themselves as an argument to justify the expansion of resource extraction. The channels linking extraction and social inclusion in this model run as follows:

extraction → taxes and royalties → social spending (social policy, social protection: targeted and non-targeted).

This, however, can be a relatively short term view of the potential role of fiscal resources generated by extractive industry in so far as it emphasizes tax take as a means of increasing financing for social spending in the here and now (Hinojosa et al., 2012). Such short-termism can be driven by government concern to use social spending to elicit political support, offset unrest or seek alliances with certain subnational (formal and non-formal) authorities. Likewise it can be driven by the pressure of popular demands for rapid evidence of redistribution. Tax and royalty revenue can, however, be linked to social spending and social inclusion in a medium- to long-term sense if this revenue is used to manage both the asset portfolio of a country (e.g. through strategic investment in certain forms of infrastructure or human capital) and the structure of production through mechanisms that seek to manage revenue in ways that do not damage other sectors of the economy (e.g. via Dutch Disease effects) and/or promote diversification beyond natural resources (Collier and Venables, 2011a; Thorp *et al*., 2012a; Dietsche, 2012). Such potential effects on growth constitute a medium-term pathway to social spending and inclusion insofar as growth generates future revenue for redistributive social investment. In this rendition the longer-term pathway from extraction to inclusion runs as follows:

extraction → taxes and royalties → sovereign wealth funds/national development banks → economic development and diversification → employment and tax generation → taxes for social policy.

Inevitably there are trade-offs between the short-, medium- and long-term channels between extraction and social spending (Ascher, 2012). The more tax and royalty revenue that is committed to immediate social spending reduces that which is available for saving in sovereign wealth funds, or for use in national development banks, infrastructure investment etc. There are also complex relationships among policies that save revenue in order to avoid the Dutch Disease and the promotion of economic diversification. First, if efforts to avoid currency appreciation are only partially successful, then the opportunities for diversification are constrained due to the combined effects of cheaper imports and more expensive exports, as appears to have happened in Chile, notwithstanding its success in keeping resource wealth off-shore and spending it counter-cyclically (Fuentes, 2011; Guajardo, 2012). Second, even when exchange rate appreciation is successfully managed, other domestic factors can still inhibit diversification, such as small domestic markets, environmental constraints etc. (as perhaps is the case in Botswana: Battistelli and Guichaoua, 2012). An interesting exception in this regard is that of Indonesia, and this may indeed be partly because its far larger internal market facilitated diversification. Also the proportionately smaller weight of oil in its economy meant that the potential exchange rate effects were far smaller (see an interesting discussion of the Indonesia case by Ascher, 2012).

While there may be trade-offs between shorter and longer channels between extraction and inclusion the more important question regards the determinants of these trade-offs. One current in the literature notes the importance of technocratic factors. For instance, oft commented in the Indonesian case was the important role that the technically strong and politically protected Ministry of Finance played in managing revenues for the long term, and of avoiding political pressures that would distort policy oriented to long-term growth (Hofman *et al.*, 2007; Ascher, 2012). Indeed, in some sense the strength and proven independence of the Ministry provided the credible commitment (Sen, 2012) that investors needed to see in order to invest in ways that had the effect of diversifying the economy. Ascher (2012) also makes the interesting observation that the commitment to technocratic independence was somehow (causally?) entangled with a particular approach to corruption in which the only corruption that was allowed in Indonesia was that which would not have systemic growth and diversification inhibiting effects (i.e. corruption that gave particular favours and market opportunities to members of the Suharto family). What was not allowed was the sort of corruption of the sort that would demand “growth suppressing macroeconomic policies (protectionism, overvalued exchange rates, distorted interest rates)” (Ascher, 2012: 250).

The mere existence of technocratic mechanisms that offer the prospect of strategic long term management of resource extraction revenues is not, however, sufficient. Among the mechanisms for saving resource generated represented in the eight country cases presented in Collier and Venables (2011b), only two of these (Malaysia and Chile) actually withstood political interference and raiding. Furthermore, they claim, the ostensibly best designed fund (Cameroon's oil fund) was the one that succumbed most easily to raiding (pp. 11-17).

Raiding of such revenues (whether in the form of sovereign funds or regular government finances) can occur for many reasons each of which relate to the dominant political settlement and its relative stability. Most obviously raiding occurs because of unchecked corruption and theft, for which there are many cases: Nigeria, Angola, Cameroon, etc. That such raiding happens and that resource revenues can be managed with impunity and complete lack of transparency reflects the existence of narrow settlements that are sustained through the use or threat of force and tight networks of loyalty somewhat akin to mafias and more generally the structures to which the literature on the "dark-side" of social capital has drawn attention (Putzel, 1997). However, "raiding" can also occur when the settlement is one that incorporates groups (or at least elites representing groups) with capacity to mobilize and/or withdraw critical political support when they conclude they are not receiving an appropriate share of benefits. Such raiding may not be of existing funds but more "pre-emptive" in the sense that political claims are made on resource revenues even before they are transferred to central government. This circumstance is perhaps more characteristic of populist settlements – and populist forms of resource nationalism – in which a settlement is consolidated precisely because it is predicated on redistribution (Gudynas, 2010). This may characterize contemporary circumstances in countries such as Venezuela and Bolivia. (It would not characterize a situation such as that of Norway because, while the settlement there is also predicated on redistributive social spending, it is also predicated on an acceptance of high tax rates – i.e. resource revenues do not replace income or sales tax). In this sense the settlement determines the relative political feasibility of these different channels from extraction to social inclusion – and also by implication the relative sustainability of the social inclusion that accompanies extraction.

5.3 Coalitions for inclusion

As noted earlier, the extent to which these different channels of inclusion are present at both local and national scales varies greatly. Some companies in some countries manage supply chains to foster employment, others do not; some countries have institutionalized mechanisms of consultation and participation, others do not; etc. In the language of earlier sections of the paper, this variation would be understood in terms of differences among political settlements and political coalitions across space and time.

This in turn raises the question as to what sorts of coalition and settlement might foster greater inclusion.

One hypothesis in this regard might be that company level initiatives to enhance inclusion are more likely to constitute responses to narrow coalitions, while changes in government regulation of the sector might reflect responses to the demands of broader based coalitions. Indeed, it *is* possible to find cases of companies operating more inclusively in some contexts than others and to explain this difference in terms of the varying degree of social protest and mobilization that the company encounters across these sites. Likewise it is possible to encounter some companies that are generally more inclusive than others within any given country, and to explain this difference in terms of their differing subjection to pressures from watchdogs, activist shareholders, and public debate in their home countries. In these instances, while change is induced it is explained by the existence of narrow coalitions: the absence of a broader coalition means that such change is not likely to scale up beyond the operation or company in question.

Conversely the emergence of public institutions fostering enhanced inclusion might be expected to derive from broader based coalitions (the broader base being necessary to counter special interests that would otherwise favour less inclusive modes of governing the extractive economy). In some instances this broader base will not include the industry itself. The Salvadoran example discussed earlier would be one instance of this, while another would be the Bolivian experience in which the coalition embodied in the Movement Towards Socialism government of Evo Morales secured legislative change that increased state involvement in and taxation of the hydrocarbon sector. In other cases, such broader coalitions may well include at least some parts of the extractive sector itself. An example of the latter scenario would be the coalition that pushed for a change in tax distribution rules in Peru in the early 2000s. In this case, tax transfer rules were changed so that 50 percent of the taxes paid by extractive enterprises would be returned to regions where extraction was occurring. In this case the coalition seeking this change included mining companies who believed that such transfers would reduce criticism of, and protest against, companies (Arellano-Yanguas, 2012).

The dynamics of such coalitions are likely to be complicated by the fact that in many instances, moves towards one form of inclusion can involve the relative exclusion of other interests. The clearest instance of this is the scenario discussed in the second section of the paper in which the expansion of the extractive frontier is a vehicle for increasing government revenues earmarked (at least rhetorically) for national level social investment policies. In these instances, the inclusion of a large part of the citizenry (through social policy funded by revenue from resource extraction) requires the existence of institutions that would prevent populations living in areas of resource extraction from blocking expanded investment in the sector. A similar scenario is that where efforts to increase central government tax take from extraction in order to finance national policies would imply reducing regional governments' revenues from the same source. In instances such as these, whether the coalition is able to induce change or not depends on the extent to which these excluded blocks have the necessary "holding power" to prevent such change.

While a range of other scenarios can be imagined, these hypothetical and actual examples reflect the importance of understanding the institutional relationships through which resource extraction is governed as endogenous to an existing political settlement, while also exploring the processes through which both endogenously and exogenously driven institutional change might occur. More specifically, focusing on cases where institutional change has fostered inclusion can serve as a basis for identifying the types of coalitional dynamic through which exclusionary settlements might be destabilized. This in turn would suggest the types of political process that might be supported with a view to increasing the likelihood that resource extraction might contribute to inclusive development.

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