Oil Resource Abundance Economic Growth And Income

Seminar paper from the year 2012 in the subject Economics - Finance, grade: 1,3, Frankfurt School of Finance & Management, course: Public Finance - Finanzwissenschaften, language: English, abstract: The objective of this paper is to examine how public expenditures, revenue and debt in resource-rich economies changed in the past, how politicians and bureaucrats respond(ed) to resource abundance, and how an optimal budget rule for resource-rich economies should be designed. The paper follows a non-technical approach and comes to the conclusion that the successful management of resource revenues highly depends on the political situation in an economy as this determines how well it sticks to any budget rule. The budget rule presented in section IV approaches the different parameters which are at play and shows challenges regarding the rule's practical feasibility.
MENA holds more than 60% of oil and nearly 50% of gas reserves, making its economy very vulnerable to price fluctuations. This volume investigates the effect of natural resources and the role of policies on achieving higher and sustained growth through economic diversification.
The relationship between natural capital and economic growth is an open debate in the field of economic development. Is an abundance of natural resources a blessing or a curse for economic performance? The field of Economic History offers an excellent vantage to explore the relevance of institutions, technical progress and supply-demand drivers. Natural Resources and Economic Growth contains theoretical and empirical articles by leading scholars who have studied this subject in different historical periods from the 19th century to the present day and in different parts of the world. Part I presents the theoretical issues and discusses the meaning of the "curse" and the relevance of the historical perspective. Part II captures the diversity of experiences, presenting thirteen independent case studies based on historical results from North and South America, Africa, Asia, Oceania and Europe. This book emphasizes that an abundance of natural resources is not a fixed situation. It is a process that reacts to changes in the structure of commodity prices and factor endowments, and progress requires capital, labour, technical change and appropriate institutional arrangements. This abundance is not a given, but is part of the evolution of the economic system. History shows that institutional quality is the key factor to deal with abundant natural resources and, especially, with the rents derived from their use and exploitation. This wide ranging volume will be of great relevance to all those with an interest in economic history, development, economic growth, natural resources, world history and institutional economics.
The political economy of natural resource wealth poses two interrelated challenges for American foreign policy, both involving governance issues in countries that are abundantly endowed with natural resources. The potentially negative impact of natural resources on development is captured in the phrase "the resource curse". The implications are the greatest for the commodity producers themselves, ranging from complications for macroeconomic management to political authoritarianism and, in the extreme, the precipitation of violent civil conflict. For US policy, the resource curse presents challenges with respect to coping with state failure and associated transborder phenomena. The issues extend to broader geopolitics. Resource abundance confers financial and political power on producers. China's emergence as a major importer and investor in extraction, willing to accommodate authoritarian producers, exacerbates the challenge, potentially undercutting international efforts to encourage greater transparency and improved management of natural resource wealth. This issue is of particular importance for US policy toward Africa
The wealth derived from natural resources can have a tremendous impact on the economics and politics of producing countries. In the last quarter century, we have seen the surprising and sobering consequences of this wealth, producing what is now known as the "resource curse." Countries with large endowments of natural resources, such as oil and gas, often do worse than their poorer neighbors. Their resource wealth frequently leads to lower growth rates, greater volatility, more corruption, and, in extreme cases, devastating civil wars. In this volume, leading economists, lawyers, and political scientists address the fundamental channels generated by this wealth and examine the major decisions a country must make when faced with an abundance of a natural resource. They identify such problems as asymmetric bargaining power, limited access to information, the failure to engage in long-term planning, weak institutional structures, and missing mechanisms of accountability. They also provide a series of solutions, including recommendations for contracting with oil companies and allocating revenue; guidelines for negotiators; models for optimal auctions; and strategies to strengthen state-society linkages and public accountability. The contributors show that solutions to the resource curse do exist; yet, institutional innovations are necessary to align the incentives of key domestic and international actors, and this requires fundamental political changes and much greater levels of transparency than currently exist. It is becoming increasingly clear that past policies have not provided the benefits they promised. Escaping the Resource Curse lays out a path for radically improving the management of the world's natural resources.
It has been widely believed that resource abundant economies grow less than other economies. In a very influential paper, Sachs and Warner (1997), point out that there is a negative relationship between resource abundance and growth. Two important econometric problems are present in the traditional empirical literature: First, the result might depend on factors that are correlated with primary exports but that have been excluded from the regression. Second, total GDP includes the production in the resource sector that has been declining in the last 30 years. We correct for those issues. Our results indicate that the so called 'Natural Resource Curse' might be related to a debt overhang. In the 70's when commodities' prices were high, natural resource abundant countries used them as collateral for debt. The 80's witnessed an important fall in the prices that drove these countries to debt crises. When we estimate the model taking these into account, we found that the effect of resource abundance disappears.
Draws largely on reports by the 20 or so specialists assembled by the UN Conference on Trade and Development in 1996 to investigate why countries trying to base development efforts on primary sectors of the economy have not been as successful over the past two or three decades as those countries that rely instead on manufacturing. Comparing successes and failures, the report concludes that government policies and the outcome of institutional processes are the major factors influencing economic performance. Annotation copyrighted by Book News, Inc., Portland, OR
Oil and Gas in Trinidad and Tobago presents a historical economic review of the energy sector of Trinidad and Tobago, followed by a detailed evaluation of policies associated with resource abundance and the effects on the economy from various perspectives, including industrialization, labor productivity, education, export diversification, and competitiveness. This book utilizes a wide range of statistical data and methodologies to both economically and statistically analyze these issues at hand. The content of this book will be useful not only for policymakers but also for researchers and students interested in the field.
DOE/EIA 0384(2009). Provides comprehensive energy data extending over nearly six decades. Included are statistics on total energy productions, consumption, trade, and enrgy prices; overviews of petroleum, natural gas, coal, electricity, nuclear energy, renewable energy, and international energy; financial and environment indicators; and data unit conversions
Since the 1960s the resource-poor countries have grown much faster that the resource-rich ones. This reflects basic differences in the speed of industrialization and the nature of the political state that are rooted in the natural resource endowment. Most resource-rich countries experienced a growth collapse in the 1960s and 1970s. This book shows how policies for economic recovery must be adapted to reflect differences in the natural resource base and type of politicalstate.
"The paper begins by offering a quick glance of the Nordic economies and of some aspects of their economic growth performance and natural resource dependence since 1970. Thereafter, it reviews some of the main symptoms of the Dutch disease, and then considers

whether these symptoms are observable in some of the Nordic countries in view of their abundant natural resources. The experience of Iceland and its fish seems an obvious point of departure. The paper then discusses the less obvious case of Norway and its oil (and fish!) and, at last, also reviews some possible linkages between forest resources and economic growth in Finland."--Publisher description.
There is a big debate among economists, why are the resource-rich economies growing slower than resource-poor economies? Which is making this puzzle more difficult, there are two groups of resources-rich abundance countries one group grow more than other ones. For instance, the Arabic Gulf, Nigeria, and Venezuela are growing slower than Botswanan, Norway, and Australia, but both groups are resources-rich countries. Is it the resources curse scenario? Or is it weak institutions? To study this puzzle, I have observed two groups of studies. The first group of old studies claim that the problem of low growth in resources-rich economics comes from the scenario of Dutch disease, but the second group or more recent studies strongly refuse the claim by the first group. They have debated that the problem comes from poor institutional quality. We totally agree with both groups, yet we have another scenario. The resources-rich countries suffer from Dutch diseases problem and from poor quality of institutions. We strongly criticize the most significant a series of studies by Sachs and Warner (1995, 1997a,1997b, 2001). They have debated that the Dutch Disease scenario is a possible mechanism of the resource curse, which is the labor factor and capital factor move from the manufacturing and service sectors to the natural resources sector. Thus, the negative effect of natural resources on economic growth is direct effect. We argue that there is a positive relationship between most types of natural resources (oil) and economic growth. We claim also this a positive relationship holds true even after controlling for significant variables found to be for economic growth. We are not only debating that the main symptoms of the resources curse come from the weakness of institutional quality, but also come from Dutch disease scenario. We see that the indirect effect of natural resources on economic growth. To prove this association, we have used multiple institutions and resources. However, we set up three chapters: The first chapter discusses how natural resources (oil rents) impact institutional quality (control of corruption) in the Middle East and North Africa (MENA). We discuss that is there any possibility of interaction terms between oil rents and rule of law from one side, and between oil rents and democracy from another side to avoid high corruption in MENA countries? Our findings confirm: First, the oil rents can highly feed corruption. Second, our estimates confirm that the relationship between oil rents and corruption depends on the quality of institutions (rule of law), which oil rents avoid to feed corruption unless the mean of quality of law role is (0.33). Furthermore, our findings suggest that the autocracy is better policy in the region. In the second chapter, to approach to our goal, the main symptoms of the resource curse phenomenon in MENA. The findings confirm that the economic growth in MENA is greatly and positively influence by oil rents, but we have blamed poor institutions leading to the phenomenon of resources curse. When the weakness of institutions reaches to certain limits, oil rents will start to create a negative impact on growth. This result seems to confirm the theory of the natural resource curse and to confirm that resources-rich countries are associated with poor institutions. Moreover, the interaction terms between diversification and oil rent can promote economic growth. In the third chapter, we discuss how the interaction terms between various types of natural resources, petroleum, natural coal, and coal, and political stability influence economic growth? The findings have diagnosed there are dissimilar effects by petroleum, natural gas, and coal on economic growth.
'Natural Resources: Neither Course nor Destiny' brings together a variety of analytical perspectives, ranging from econometric analyses of economic growth to historical studies of successful development experiences in countries with abundant natural resources. The evidence suggests that natural resources are neither a curse nor destiny. Natural resources can actually spur economic development when combined with the accumulation of knowledge for economic innovation. Furthermore, natural resource abundance need not be the only determinant of the structure of trade in developing countries. In fact, the accumulation of knowledge, infrastructure, and the quality of governance all seem to determine not only what countries produce and export, but also how firms and workers produce any good.
Resource Abundance and Economic DevelopmentOxford University Press
The story of men who are hurting—and hurting America by their absence Man Out describes the millions of men on the sidelines of life in the United States. Many of them have been pushed out of the mainstream because of an economy and society where the odds are stacked against them; others have chosen to be on the outskirts of twenty-first-century America. These men are disconnected from work, personal relationships, family and children, and civic and community life. They may be angry at government, employers, women, and "the system" in general—and millions of them have done time in prison and have cast aside many social norms. Sadly, too many of these men are unsure what it means to be a man in contemporary society. Wives or partners reject them; children are estranged from them; and family, friends, and neighbors are embarrassed by them. Many have disappeared into a netherworld of drugs, alcohol, poor health, loneliness, misogyny, economic insecurity, online gaming, pornography, other off-the-grid corners of the internet, and a fantasy world of starting their own business or even writing the Great American novel. Most of the men described in this book are poorly educated, with low incomes and often with very few prospects for rewarding employment. They are also disproportionately found among millennials, those over 50, and African American men. Increasingly, however, these lost men are discovered even in tony suburbs and throughout the nation. It is a myth that men on the outer corners of society are only lower-middle-class white men dislocated by technology and globalization. Unlike those who primarily blame an unjust economy, government policies, or a culture sanctioning "laziness," Man Out explores the complex interplay between economics and culture. It rejects the politically charged dichotomy of seeing such men as either victims or culprits. These men are hurting, and in turn they are hurting families and hurting America. It is essential to address their problems. Man Out draws on a wide range of data and existing research as well as interviews with several hundred men, women, and a wide variety of economists and other social scientists, social service providers and physicians, and with employers, through a national online survey and in-depth fieldwork in several communities.
Africa welcomes business investment and offers some of the world’s highest returns and impacts Africa has tremendous economic potential and offers rewarding opportunities for global businesses looking for new markets and long-term investments with favorable returns. Africa has been one of the world’s fastest-growing regions over the past decade, and by 2030 will be home to nearly 1.7 billion people and an estimated $6.7 trillion worth of consumer and business spending. Increased political stability in recent years and improving regional integration are making market access easier, and business expansion will generate jobs for women and youth, who represent the vast majority of the population. Current economic growth and poverty-alleviation efforts mean that more than 43 percent of the continent’s people will reach middle- or upper-class status by 2030. Unlocking Africa’s Business Potential examines business opportunities in the eight sectors with the highest potential returns on private investment—the same sectors that will foster economic growth and diversification, job creation, and improved general welfare. These sectors include: consumer markets, agriculture and agriprocessing, information and communication technology, manufacturing, oil and gas, tourism, banking, and

infrastructure and construction. The book’s analysis of these sectors is based on case studies that identify specific opportunities for investment and growth, along with long-term market projections to inform decision-making. The book identifies potential risks to business and offers mitigation strategies. It also provides policymakers with solutions to attract new business investments, including how to remove barriers to business and accelerate development of the private sector.

This paper presents a critical survey of the literature on the "resource curse", focusing on three main questions: (i) are natural resources bad for development?; (ii) what causes the resource curse?; and, (iii) how can the resource curse be overcome? In respect of these questions, three observations are made. First, while the literature provides considerable evidence that natural resource abundance is associated with various negative development outcomes, this evidence is by no means conclusive. Second, existing explanations for the resource curse do not adequately account for the role of social forces or external political and economic environments in shaping development outcomes in resource abundant countries, nor for the fact that, while most resource abundant countries have performed poorly in developmental terms, a few have done quite well. Finally, recommendations for overcoming the resource curse have not generally taken into account the issue of political feasibility.

The problem of corruption is of central significance for the developmental prospects of poor countries. Corruption undermines development by siphoning off resources for infrastructures and public services and by weakening the legitimacy of the state. The volume will appeal to academics and policy-makers concerned with problems of governance and public management in developing countries, as well as specialists working on corruption and designing anti-corruption strategies.

An examination of the factors that influence economic growth and sustainable development in countries with a significant natural resource sector. It looks at how to make the primary sector sufficiently productive to provide for investment in both itself and other sectors of the economy.

This is the United Nations definitive report on the state of the world economy, providing global and regional economic outlook for 2020 and 2021. Produced by the Department of Economic and Social Affairs, the five United Nations regional commissions, the United Nations Conference on Trade and Development, with contributions from the UN World Tourism Organization and other intergovernmental agencies.

When countries discover that they possess large deposits of oil and natural gas, the news is usually welcome. Yet, paradoxically, if they rely on their wealth of natural resources, they often set down a path of poor economic performance and governance challenges. Only a few resource-rich countries have managed to develop their economies fully and provide a better and sustainable standard of living for large segments of their populations. This phenomenon, known as the resource curse, is a core challenge for energy-exporting states. Beyond the Resource Curse focuses on this relationship between natural wealth and economic security, discussing the particular pitfalls and consistent perils facing oil- and gas-exporting states. The contributors to this volume look beyond the standard fields of research related to the resource curse. They also shed new light on the specific developmental problems of resource-rich exporting states around the globe, including Azerbaijan, Bahrain, Cambodia, East Timor, Iran, Norway, Russia, Trinidad and Tobago, the United Arab Emirates, and Venezuela. Policy makers and academics think of energy security solely in terms of the interests of energy importers. Beyond the Resource Curse shows that the constant volatility in energy markets creates energy security challenges for exporters as well.

Natural Resources and Economic Development, first published in 2005, explores a key paradox: why is natural resource exploitation not yielding greater benefits to the poor economies of Africa, Asia and Latin America? Part I examines this paradox both through a historical review of resource use and development and through examining current theories which explain the under-performance of today's resource-abundant economies, and proposes a frontier expansion hypothesis as an alternative explanation. Part II develops models to analyse the key economic factors underlying land expansion and water use in developing countries. Part III explores further the 'dualism within dualism' structure of resource dependency, rural poverty and resource degradation within developing countries, and through illustrative country case-studies, proposes policy and institutional reforms necessary for successful resource-based development.

This book presents a ‘critical reappraisal’ of the resource curse thesis and extends the analysis to consider political and social dimensions, and thus, the importance of structure in the petroleum sector’s governance model. It examines major challenges surrounding the governance of petroleum resources, and the implications for the economic growth and development of hydrocarbon-abundant countries as a result of ineffective economic, political, and social mechanisms. The book subsequently investigates a range of causal factors that may promote or hinder the effective management of oil and gas resources in the Kurdistan Region, which also has implications for the security of the wider region and for global energy security. The book also seeks to arrive at lessons learned and policy guidelines to help inform other new petroleum-exporting countries and regions about how to best manage their newfound wealth.

This book is an intellectual contribution of policy scientists and researchers from different academic institutions in different parts of the world. The Arab Spring, the rise of ISIS and terrorism ignite the debate on studying conflict and natural resources. Uniquely, the book discusses the sources of the conflicts and the institutions that are managing the conflicts. The natural resources, defense spending, conflict and human welfare are intertwined. In support of the ‘resource curse’ hypothesis, the book shows that an abundance of natural resources, particularly oil, encourages an increase in military spending and lower economic growth. In addition, the good economic and political institutions do reduce the hazard of conflict; and strong political institutions for checks and balances appear to weaken the impact of natural resources on conflicts. The book also examines the relationship between defense and social welfare expenditures – specifically, health and education. Shedding light on the complicated nature of the relationship between defense

spending, inequality, and types of political and welfare regimes gives us a deeper understanding of the type of democratic systems that will likely improve social welfare. In studying the political economy of defense spending, the book shows the link between public opinion toward defense spending and voters' support for candidates. The analysis shows that party identification or having a vested interest in defense industries do correlate with a preference for increasing defense spending. This book was published as a special issue of Defence and Peace Economics.
Essay from the year 2004 in the subject Politics - International Politics - Region: Near East, Near Orient, grade: 16.5, University of St Andrews, 80 entries in the bibliography, language: English, abstract: What must go wrong before economists label a scarce and strategically valuable commodity like oil a “curse”? Fundamental economics suggests that they are almost as good as cash. Abundant natural resources can help a country prosper through earnings of hard currencies, larger and diversified domestic investments in physical and human capital, and acquisition of foreign technology. Furthermore, despite attempts to diversify the energy portfolio, oil still is the world’s most important energy source. Nevertheless, when BBC launched the TV series “The Curse of Oil” in September 2004, no incident of protesting economists became known. This might be due to another lesson from history, namely the “natural resources paradox”: Oil – or natural resources in general – might not exactly be “as good as cash”. Rather, they could have negative impacts on the development of an economy, i. e. a process towards a stable, sustainable and diversified economy. The most obvious example of the natural resources paradox are conflict-ridden countries like Nigeria. Analysts argue that natural resource abundance is one of the reasons for destructive political conflicts. But even politically stable countries, which enjoy a high GDP per capita due to the exploitation of natural resources, show a negative correlation between oil and development. An obvious example of this is the performance of the member countries of the Gulf Cooperation Council (GCC). On the one hand, all of these oil monarchies enjoy a high GDP per capita (cf. figure 1).
This book deals with the role of oil abundance in economic growth. The major theoretical contribution of the analysis is the transformation of the rentier state theory into the language of mathematical economics. The mathematical formalization of the rentier state theory enables a more sophisticated analytical tool for the assessment of the role of nonrenewable resource revenues in economic growth and institutional dynamics. The embedding of the elements of a rentier state into the labor surplus economy framework leads to grave consequences as reflected in the quantitative part of the survey. The augmented labor surplus economy model shows that both the political economy and the purely economic causes of the resource curse can have similar effects on the resource allocation in the affected nation. Hence, it is not possible to use econometric tools to compartmentalize the effects of the Dutch disease and those explanations based upon political economy. This is the reason why one can only estimate the total growth effects of oil revenues. Besides cross-country panel estimations, a case study of Azerbaijan provides additional insights into petroleum based economic development. These international panel and country specific estimations are partly based on the two sector model of economic growth. In the case of Azerbaijan, a vector error correction model, which is based upon the behavioral model of the equilibrium exchange rate, is applied to detect the Dutch disease tendencies.
For over eighty years the Arab region has derived massive wealth from its natural resources, yet the region's economies remain little diversified, while the oil market is experiencing major structural shifts with the advent of shale gas. Moreover, the resource itself is eventually exhaustible. Under these conditions economic prosperity cannot be sustainable. The critical question is how can the countries of this region escape the 'oil curse'? In this volume, leading economists argue that the curse is not a predestined outcome but a result of weak institutions and bad governance. A variety of analytical perspectives and examination of various international case studies leads to the conclusion that natural resources can only spur economic development when combined with sound political institutions and effective economic governance. This volume, with its unique focus on the Arab region, will be an important reference for researchers and policymakers alike.
Seminar paper from the year 2014 in the subject Business economics - Economic Policy, grade: 1,3, Berlin School of Economics and Law (IMB), language: English, abstract: When comparing the economic development of resource-poor and resource-rich countries, it seems quite surprising that the majority of resource-abundant countries perform worse than resource-poor countries. A large amount of academic research has been conducted on this unusual phenomenon and it was given the name ‘Resource Curse’. The theory states that there is an inverse relationship between a country’s natural resource endowment and its economic development. In this study, two countries that have, according to the general academic consensus, despite their resource-abundance had a prosperous economic development and thus supposedly managed their natural resources well. The United Arab Emirates (UAE) and Norway are often cited examples of how to avoid or escape the natural resource curse. But the question is what their key management strategies are and whether those can be transferred to and implemented in other resource-abundant countries that suffer from the Resource Curse? In order to find answers to these questions, after analyzing the UAE and Norway, both countries will be compared to Nigeria, known to have a lot of difficulties with its natural resource wealth and consequently struggles economically. The overall purpose is to check different ways of dealing with natural resources efficiently and examine whether Nigeria could possibly escape the Resource Curse by adopting some of these strategies used by Norway or the UAE.
Countries that are rich in petroleum have less democracy, less economic stability, and more frequent civil wars than countries without oil. What explains this oil curse? And can it be fixed? In this groundbreaking analysis, Michael L. Ross looks at how developing nations are shaped by their mineral wealth--and how they can turn oil from a curse into a blessing. Ross traces the oil curse to the upheaval of the 1970s, when oil prices soared and governments across the developing world seized control of their countries' oil industries. Before nationalization, the oil-rich countries looked much like the rest of the world; today, they are 50 percent more likely to be ruled by autocrats--and twice as likely to descend into civil war--than countries without oil. The Oil Curse

shows why oil wealth typically creates less economic growth than it should; why it produces jobs for men but not women; and why it creates more problems in poor states than in rich ones. It also warns that the global thirst for petroleum is causing companies to drill in increasingly poor nations, which could further spread the oil curse. This landmark book explains why good geology often leads to bad governance, and how this can be changed.

During the last decade, the Latin American and Caribbean region has experienced unprecedented natural resources abundance. This book highlights how transparency can help realize the benefits and reduce negative externalities associated with the extractive industries in the region. A central message is that high-quality and well-managed information is critical to ensure the transparent and effective governance of the sector. The insights from experiences in the region can help policymakers design and implement effective regulatory reforms and adopt international standards that contribute to this goal. This is particularly important at a time when the recent boom experienced by extractives in the region may be coming to an end.

This Element documents the diversity and dissensus of scholarship on the political resource curse, diagnoses its sources, and directs scholarly attention towards what the authors believe will be more fruitful avenues of future research. In the scholarship to date, there is substantial regional heterogeneity and substantial evidence denying the existence of a political resource curse. This dissensus is located in theory, measure, and research design, especially regarding measurement error and endogenous selection. The work then turns to strategies for reconnecting research on resource politics to the broader literature on democratic development. Finally, the results of the authors' own research is presented, showing that a set of historically contingent events in the Middle East and North Africa are at the root of what has been mistaken for a global political resource curse.

This paper provides evidence of the causal impact of oil discoveries on development. Novel data on the drilling of 20,000 oil wells in Brazil allows us to exploit a quasi-experiment: Municipalities where oil was discovered constitute the treatment group, while municipalities with drilling but no discovery are the control group. The results show that oil discoveries significantly increase per capita GDP and urbanization. We find positive spillovers to non-oil sectors, specifically, an increase in services GDP which stems from higher output per worker. The results are consistent with greater local demand for non-tradable services driven by highly paid oil workers.