Abstract

In this paper, we investigate the role of nonrenewable resources in economic growth from 1995–2010. The surprising result is that the share of nonrenewable resource exports in 1996 GDP was positively associated with subsequent economic growth. In fact, for the period under study, we found no strong evidence of the resource curse, after controlling for other important determinants of economic growth. For the period under study, most economies were open and followed policies that enabled large flows of foreign investment between economies. Our finding suggests that public institutions—measured by using an index of government effectiveness—are of paramount importance to economic growth. This suggests that if a resource-rich economy needs a greater contribution from its resources, it should improve its public- and private-sector institutions.

Key words: growth, primary-product exports, nonrenewable resources, institutions