***THE OIL PRICE BOOM IN THE 2000’s: A RELIEF TO THE OIL CURSE?***

Thiago Periard, Petrobras University, +5521982658541, thiagoperiard@petrobras.com.br

Luciano Losekann, Fluminense Federal University, +552126299693, losekann@economia.uff.br

## Overview

In the economic literature there are several studies linking greater oil abundance with worst socioeconomic performances. This inverse relationship is known as the "oil curse" and shows that, in general, countries with a greater share of the oil sector in their economies tend to have a lower level of income per capita, worst social indicators and less developed institutions than others countries less dependent on this product.

The objective of this study is to investigate whether the situation described above, also known as the “paradox of plenty”, continued to prevail in the oil countries over the 2000’s. It is also known that during this period there was a large increase in commodity prices, melioration the terms of trade for primary-export countries. The literature review done for this study indicates that most studies use a dataset for periods focusing on the 90’s. Therefore, this paper seeks to shed light on the situation during the first decade of the millennium and understand if the boom in oil prices has been able to mitigate the negative symptoms of the "oil curse" in this period.

## Methods

The work consists of two main sections. The first section consists of a literature review, where were studied over 50 articles, totaling almost a hundred econometric models, which trace the correlation between natural resources abundance and economic development in its multiple meanings. The purpose of this section is to present the state-of-art on the theme highlighting what estimation methods has been used by the authors, the periods chosen in their studies and their main conclusions.

Having the references found in the first section it can be seen that there are three main types of correlations exploited by those studies: the economic, the social and institutional. The second section is aimed to present econometric models estimated by Ordinary Least Square (OLS), following a methodology similar to several studies raised in the literature review, to test the hypothesis of the "oil curse" in the 2000’s. Having taken that in consideration it was ran econometric models that seek to verify the relationship between the oil abundance and the GDP per capita growth, the HDI level, and the growth in military spending; trying to explore the economic, social and institutional facets of the problem.

## Results

The results point to an unexpected situation. Even after several modeling specifications the results suggest that the effects of the oil abundance throughout the 2000’s were small, if not positive. The results show that countries with higher abundance in oil tended to have better economic performance over the analyzed period, which raises the question of what might have been responsible for this reversal, or at least a reduction, of a long-term symptom as the curse of oil. This study argues that one of the factors that can help to understand the counterintuitive results found is the fact that the analyzed period was marked by a major boom in commodities prices and that the oil countries were able to take advantage of this high prices investing in their economies in order to break through, even momentarily, the worst effects of the “staple trap”.

## Conclusions

If the "oil curse" thesis is widely accepted, it is also accepted that it is not a question of irrevocable fate. So take advantage of economic and public policies can help a country to overcome the “curse”. What this paper tries to argue is that in the 2000’s an opportunity window was open to circumvent the fate of the "oil curse", and that in general, the oil countries enjoined the external momentum to grow faster and decrease their social pressures thanks to the appreciation of their product in the international market. Saying in other words, the high price of oil in the 2000’s has helped the oil exporting countries to have a better growth pace over the last decade. It is expected that this trend has been not just a relief in the “curse”, but that they had built long-term conditions to better face this “paradox of plenty”.

## References

BRUNNSCHWEILER, Christa N. & BULTE, Erwin. (2008a). **The resource curse revisited and revised: A tale of paradoxes and red herrings.** Journal of Environmental Economics and Management 55 pp.248–264.

BRUNNSCHWEILER, Christa N. (2008b). **Cursing the Blessings? Natural Resource Abundance, Institutions, and Economic Growth.** World Development Vol. 36, No. 3, pp. 399–419.

BULTE, Erwin; DAMANIA, Richard & DEACON, Robert. (2005). **Resource Intensity, Institutions, and Development.** World Development Vol. 33, No. 7, pp. 1029–1044.

Energy Information Administration. EIA (2011). **Country Data Files.** Available on-line in: <http://www.eia.gov/countries/data.cfm.>

International Monetary Fund. IMF (2011). **World Economic Outlook.** Available online at: <http://www.imf.org/external/pubs/ft/weo/2010/01/pdf/text.pdf>

BP (2012**). BP Statistical Review of World Energy.** BP, London.

ROSS, Michael. (2012). **The Oil Curse. How Petroleum Wealth Shapes the Development of Nations.** Princeton University Press.

SACHS, Jeffrey D; WARNER, Andrew M. (1995) **Natural resource abundance and economic growth.** National Bureau of Economic Research, Working Paper 5398. Cambridge.

United Nations Statistical Division. UNSD (2011). **Statistical Databases.** Available on-line in:<http://unstats.un.org/unsd/databases.htm>.

PERIARD, Thiago. (2013). **Dependência em Petróleo e Desenvolvimento Econômico: Comparação Internacional, Evidências Empíricas e Cenários para o Brasil.** Tese de Doutorado. Universidade Federal Fluminense. Orientação: Luciano Losekann.