

PPHA 30810

The Political Economy of Natural Resources

Professor:	Luis Martinez
Class day, time, place:	Wednesday, 3:00-5:50pm (Harris 140C)
Office:	Harris 302B
Office Hours:	Thursday 3:00-5:00pm
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THIS IS A PRELIMINARY VERSION OF THE SYLLABUS AND REMAINS SUBJECT TO CHANGE. [CLICK HERE FOR THE LATEST VERSION](#)

Course Description

The main objective of the course is to provide **MPP and other graduate students** with a thorough overview of existing knowledge on the political and economic consequences of natural resource wealth. The course will combine theoretical models and empirical evidence in an attempt to disentangle what we know (and don't know) about the relationship between natural resources and various political and economic outcomes. It will also provide a setting for the discussion and evaluation of various policies for the management and use of natural resource wealth. Methodologically, the course aims to help students develop and refine their analytical and presentational skills.

Prerequisites

The course does not have any formal prerequisites. However, a basic understanding of microeconomics and empirical research design is required. Students' ability to engage with the material and to benefit from the course is likely to be higher after having taken the core sequences in economics, politics and statistics, although this may well depend on individual academic background and experience. Please contact me if unsure.

Requirements

Reading reports and class participation

Students are expected to closely engage with every required reading. The number of pages assigned per week is intentionally left small with the expectation that students will read each study carefully, evaluate the quality of the evidence and arguments, and come to class prepared to discuss the readings. Students are expected to participate actively in class, with the quality of participation being much more important than the quantity.

Starting on Week 2, students will write a brief report on one of the required readings for each week, which is marked with a star (*). These reports should be no longer than 2 pages and should be submitted electronically by 11:59 p.m. on the day before class (i.e. Tuesday) through the course website. The report should answer the following questions:

- What is the question being addressed by this study?
- Why is this an important question to answer?
- What is the answer offered by the study?
- What evidence is brought to bear?
- In your view, does the evidence compellingly support the conclusion of the study?
- Can you think of any plausible alternative explanations to the findings?
- Unconstrained by time or resources, how could you improve upon this study or answer the same question in a better way?

Submission of the reading reports will be checked each week and will be part of a student's grade. Late assignments will not be accepted, but each student is allowed to not submit a maximum of 1 reading report during the term, with the understanding that unforeseen circumstances may prevent a student from writing a report or conducting the readings thoroughly at some point throughout the term. Two (of the submitted) reading reports will be chosen at random for marking and feedback. The marking of reading reports will place greater weight on analysis rather than description.

For each week, the syllabus lists extra readings which are not required but either will be covered by the instructor or might be of interest to students wanting to learn more about a particular topic or wanting to do their project on something related (see next section).

Research project

Students will conduct an original research project throughout the term related to the subject of the course. The specific topic and methodology are open-ended, allowing students to explore a question that is most suited to their interests, skills, and career goals. The scope for the project is quite wide. Students may reassess existing evidence, replicate a study in a different context or conduct a case study of a particular country or policy, among other options. However, the project must address a well-defined question and must implement a suitable methodology.

Collaborations between a maximum of 3 students are allowed, but the expectations increase with the number of coauthors. For research projects that require the burdensome collection of new data, the administration of new surveys or experiments, or some other major undertaking that could not be easily completed over the course of the term, detailed research proposals are acceptable.

Students will submit a 1-2 page description of their research topic (closely following the format of the reading reports) by the fifth week of the quarter, present their project on the last day of class, and turn in the completed paper by 11:59 p.m. on March 14. The length of the final paper will vary depending on the nature of the project, but most will fall between 15 and 25 pages including several pages of tables and figures. Papers will not be accepted past the deadline for any reason. Students should work on their projects continually throughout the term and allow for the possibility of unforeseen circumstances. Time will not be allotted in class for work on the projects and students are encouraged to seek advice and feedback during office hours.

Course Grading

- Class participation (25%)
- Reading reports (25%). Due by 11:59 p.m. on Tuesdays starting week 2.
- Preliminary description of research topic (10%). Due by 11:59 p.m. on February 01
- In-class presentation (15%). March 07
- Final paper (25%). Due by 11:59 p.m. on March 14

Course Materials

The course does not follow any particular book. Most of the readings correspond to academic research articles, which can be freely accessed online through the university library (http://sfx.lib.uchicago.edu/sfx_local/az/) and on the course website. We will read several chapters of the two books listed immediately below. Students are not required to purchase these books, but may find them useful as reference:

- Ross, Michael L. 2012. “The Oil Curse: How Petroleum Wealth Shapes the Development of Nations” Princeton University Press, Princeton, NJ.
- Humphreys, Macartan, Sachs, Jeffrey, and Stiglitz, Joseph (eds.) 2007. “Escaping the Resource Curse” Columbia University Press, New York, NY.

Course Outline

1. **January 3:** Introduction + Economic Effects of Natural Resource Wealth (Part I)

- Rules of the game
- Some background on natural resource extraction
- Cross-country evidence on the economic ‘resource curse’

Required readings:

1. Covert, Thomas, Michael Greenstone, and Christopher R. Knittel. 2016. “Will We Ever Stop Using Fossil Fuels?” *Journal of Economic Perspectives*, 30(1): 117-38.
2. Sachs, Jeffrey, and Andrew M. Warner. 2001. “The Curse of Natural Resources” *European Economic Review*, 45: 827-838.

Optional readings:

1. Venables, Anthony J. 2016. “Using Natural Resources for Development: Why Has It Proven So Difficult?” *Journal of Economic Perspectives*, 30(1): 161-84.

2. Brunnschweiler, Christa and Erwin Bulte. 2008. "The Resource Curse Revisited and Revised: A Tale of Paradoxes and Red Herrings" *Journal of Environmental Economics and Management*, 55: 248-264.
3. Alexeev, Michael and Robert Conrad. 2009. "The Elusive Curse of Oil" *Review of Economics and Statistics*, 91 (3): 586-598.
4. Cotet, Anca and Tsui, Kevin. 2013. "Oil, Growth, and Health: What Does the Cross-Country Evidence Really Show?" *Scandinavian Journal of Economics*, 115 (4): 1107-1137.
5. Smith, Brock. 2015. "The Resource Curse Exorcised: Evidence from a Panel of Countries" *Journal of Development Economics*, 116: 57-73.

2. January 10: Economic Effects of Natural Resource Wealth (Part II)

- Political origin of the resource curse: rent-seeking
- The role of institutions: empirical findings
- Other explanations: volatility, sectoral composition, foreign investment
- Local effects of resource-based economy

Required readings:

1. Baumeister, Christiane, and Lutz Kilian. 2016. "Forty Years of Oil Price Fluctuations: Why the Price of Oil May Still Surprise Us." *Journal of Economic Perspectives*, 30(1): 139-60
2. van der Ploeg, Frederick, and Steven Poelhekke. 2009. "Volatility and the Natural Resource Curse", *Oxford Economic Papers*, 61 (4): 727-760.*

Optional readings:

1. Mehlum, Halvor, Karl Moene, and Ragnar Torvik. 2006. "Institutions and the Resource Curse" *Economic Journal*, 116: 1-20.
2. Andersen, Jorgen, and Silje Aslaksen. 2008. "Constitutions and the Resource Curse" *Journal of Development Economics*, 87: 227-246.
3. James, Alexander. 2015. "The Resource Curse: A Statistical Mirage?" *Journal of Development Economics*, 114: 55-63.
4. Poelhekke, Steven, and Frederick van der Ploeg. 2013. "Do Natural Resources Attract Nonresource FDI?" *Review of Economics and Statistics*, 95(3): 1047-1065
5. Michaels, Guy. 2011. "The Long Term Consequences of Resource-Based Specialisation" *Economic Journal*, 121: 31-57.

6. Allcott, Hunt, and Daniel Keniston. 2017 “Dutch Disease or Agglomeration? The Local Economic Effects of Natural Resource Booms in Modern America.” *Review of Economic Studies*, forthcoming
7. Aragon, Fernando, and Juan Pablo Rud. 2013. “Natural Resources and Local Communities: Evidence from a Peruvian Gold Mine.” *American Economic Journal: Economic Policy*, 5(2): 1-25
8. Aragon, Fernando, and Juan Pablo Rud. 2016. “Polluting Industries and Agricultural Productivity: Evidence from Mining in Ghana” *Economic Journal*, 126: 1980-2011.

3. January 17: Are natural resources bad for democracy? (Part I)

- What is the connection between autocracy and natural resources: theory
- Cross-country evidence: old and new

Required readings:

1. Ross, Michael L. 2012. “The Oil Curse: How Petroleum Wealth Shapes the Development of Nations” Princeton University Press, Princeton, NJ. Chapter 3: More Petroleum, Less Democracy.
2. Herb, M. 2005. “No Representation without Taxation? Rents, Development, and Democracy.” *Comparative Politics*, 37(3): 297-316.*

Optional readings:

1. Acemoglu, Daron, Davide Ticchi, and Andrea Vindigni. 2010. “A Theory of Military Dictatorships.” *American Economic Journal: Macroeconomics*, 2(1): 1-42.
2. Egorov, Georgy, Sergey Guriev, and Konstantin Sonin. 2009. “Why Resource-poor Dictators Allow Freer Media: A Theory and Evidence from Panel Data.” *American Political Science Review*, 103(4): 645-668.
3. Ross, Michael L. 2001. “Does Oil Hinder Democracy?” *World Politics*, 53(3): 325-361.
4. Aslaksen, Silje. 2010. “Oil and Democracy: More than a cross-country correlation?” *Journal of Peace Research*, 47(4): 421-431.
5. Haber, Stephen, and Victor Menaldo. 2011. “Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse.” *American Political Science Review*, 105(1): 1-26.
6. Andersen, Jorgen, and Michael L. Ross. 2013. “The Big Oil Change: A Closer Look at the Haber-Menaldo Analysis” *Comparative Political Studies*, 47(7): 993 - 1021

4. January 24: Are natural resources bad for democracy? (Part II)

- New evidence: commodity price shocks and oil discoveries
- Regime durability
- Development of institutions

Required readings:

1. Dunning, Thad. 2008. “Crude Democracy: Natural Resource Wealth and Political Regimes” Cambridge University Press, New York, NY. Chapter 5: The Democratic Effect of Rents.
2. Tsui, Kevin K. 2011. “More Oil, Less Democracy: Evidence from Worldwide Crude Oil Discoveries” *Economic Journal*, 121: 89-115.*

Optional readings:

1. Bruckner, Markus, Antonio Ciccone, and Andea Tesei. 2012. “Oil Price Shocks, Income, and Democracy” *Review of Economics and Statistics*, 94(2): 389-399.
2. Caselli, Francesco and Andrea Tesei. 2016. “Resource Windfalls, Political Regimes, and Political Stability” *Review of Economics and Statistics*, 98(3): 573-590.
3. Wacziarg, Romain. 2012. “The First Law of Petropolitics” *Economica*, 79: 641-657.
4. Smith, Benjamin. 2004. “Oil Wealth and Regime Survival in the Developing World, 1960-1999” *American Journal of Political Science*, 48(2): 232-246.
5. Andersen, Jorgen and Silje Aslaksen. 2013. “Oil and Political Survival” *Journal of Development Economics*, 100(1): 89-106
6. Wright, Joseph, Erica Frantz, and Barbara Geddes. 2015. “Oil and Autocratic Regime Survival” *British Journal of Political Science*, 45(2): 287-306.
7. Beck, Thorsten and Laeven, Luc. 2006. “Institution Building and Growth in Transition Economies” *Journal of Economic Growth*, 11(2): 157-186.

5. January 31: *Do natural resources generate conflict and war? (part I)*

- Theory and evidence on external conflict
- Theory on internal/civil conflict and insurgency
- Cross-country evidence on civil conflict

Required readings:

1. Ross, Michael L. 2012. “The Oil Curse: How Petroleum Wealth Shapes the Development of Nations” Princeton University Press, Princeton, NJ. Chapter 5: Oil-based Violence.

2. Humphreys, Macartan. 2005. "Natural Resources, Conflict, and Conflict Resolution: Uncovering the Mechanisms" *Journal of Conflict Resolution*, 49(4): 508-537.*

Optional readings:

1. Acemoglu, Daron, Mikhail Golosov, Aleh Tsyvinski and Pierre Yared. 2012. "A Dynamic Theory of Resource Wars" *Quarterly Journal of Economics*, 127(1): 283-331
2. Caselli, Francesco, Massimo Morelli and Dominic Rohner. 2015. "The Geography of Interstate Resource Wars" *Quarterly Journal of Economics*, 130(1): 267-315.
3. Caselli, Francesco. 2006. "Power Struggles and the Resource Curse" Unpublished manuscript.
4. Collier, Paul and Anke Hoeffler. 2004. "Greed and Grievance in Civil War" *Oxford Economic Papers*, 56(4): 563-595.
5. Ross, Michael. 2006. "A Closer Look at Oil, Diamonds, and Civil War" *Annual Review of Political Science*, 9(1): 265-300.
6. Cotet, Anca M., and Kevin K. Tsui. 2013. "Oil and Conflict: What Does the Cross Country Evidence Really Show?" *American Economic Journal: Macroeconomics*, 5(1): 49-80.
7. Lei, Yu-Hsiang and Guy Michaels. 2014. "Do Giant Oilfield Discoveries Fuel Internal Armed Conflicts?" *Journal of Development Economics*, 110; 139-157.

6. February 07: Do natural resources generate conflict and war? (Part II)

- Within-country evidence
- Mechanisms: Lootability, rapacity

Required readings:

1. Walter, Barbara F. 2017. "The New New Civil Wars" *Annual Review of Political Science*, 20(1): 469-486.
2. Dube, Oeindrila and Juan F. Vargas. 2013. "Commodity Price Shocks and Civil Conflict: Evidence from Colombia." *Review of Economic Studies*, 80(4): 1384-1421.*

Optional readings:

1. Andersen, Jorgen, Frode Martin Nordvik, and Andrea Tesei. 2017. "Oil and Civil Conflict: On and Off (Shore)." Unpublished manuscript.
2. Sanchez de la Sierra, Raul. 2017. "On the Origins of the State: Stationary Bandits and Taxation in Eastern Congo." Unpublished manuscript.
3. Morelli, Massimo and Dominic Rohner. 2015. "Resource Concentration and Civil Wars." *Journal of Development Economics*, 117: 32-47.

4. Bazzi, Samuel, and Christopher Blattman. 2014. "Economic Shocks and Conflict: Evidence from Commodity Prices." *American Economic Journal: Macroeconomics*, 6(4): 1-38.
5. Berman, Nicolas, Mathieu Couttenier, Dominic Rohner, and Mathias Thoenig. 2017. "This Mine Is Mine! How Minerals Fuel Conflicts in Africa." *American Economic Review*, 107(6): 1564-1610.
6. Vanden Eynde, Oliver. 2017. "Targets of Violence: Evidence from India's Naxalite Conflict." Forthcoming in *Economic Journal*.

7. February 14: *Natural resources, governance and accountability (part I)*

- A political agency model of resource rents
- Evidence on resource rents and corruption
- Evidence on resource rents, public spending and standards of living

Required readings:

1. Vicente, Pedro. 2010. "Does Oil Corrupt? Evidence From a Natural Experiment in West Africa." *Journal of Development Economics*, 92(1): 28-38.*
2. Bell, Joseph, and Teresa Maria. 2007 "Critical Issues for a Revenue Management Law." In: Humphreys, Macartan, Sachs, Jeffrey, and Stiglitz, Joseph (eds.) 'Escaping the Resource Curse: Chapter 11' Columbia University Press. p. 286-321.

Optional readings:

1. Knutsen, Carl, Andreas Kotsadam, Eivind Olsen, and Tore Wig, T. 2017. "Mining and Local Corruption in Africa." *American Journal of Political Science*, 61: 320-334.
2. Brollo, Fernanda, Tommaso Nannicini, Roberto Perotti, and Guido Tabellini. 2013. "The Political Resource Curse." *American Economic Review*, 103(5): 1759-96.
3. Caselli, Francesco, and Guy Michaels. 2013. "Do Oil Windfalls Improve Living Standards? Evidence from Brazil." *American Economic Journal: Applied Economics*, 5(1): 208-38.
4. Olsson, Ola, and Michele Valsecchi. 2015. "Resource Windfalls and Local Government Behavior: Evidence From a Policy Reform in Indonesia." Unpublished manuscript.
5. Carreri, Maria, and Oeindrila Dube. 2017. "Do Natural Resources Influence Who Comes to Power, and How?" *Journal of Politics*, 79(2): 502-518.

8. February 21: *Natural resources, governance and accountability (part II)*

- An enriched model of resource rents, tax revenue and governance

- Evidence on effects of tax v.s. non-tax revenue
- Evidence on resource rents and tax effort

Required readings:

1. Paler, Laura. 2013. “Keeping the Public Purse: An Experiment in Windfalls, Taxes, and the Incentives to Restrain Government.” *American Political Science Review*, 107(4): 706-725.*
2. Karl, Terry Lynn. 2007 “Ensuring Fairness: The Case for a Transparent Fiscal Social Contract.” In: Humphreys, Macartan, Sachs, Jeffrey, and Stiglitz, Joseph (eds.) ‘Escaping the Resource Curse: Chapter 10’ Columbia University Press. 256-285.

Optional readings:

1. Martinez, Luis. 2017. “Sources of Revenue and Government Performance: Evidence from Colombia.” Unpublished manuscript.
2. Martin, Lucy. 2016. “Taxation, Loss Aversion, and Accountability: Theory and Experimental Evidence for Taxation’s Effect on Citizen Behavior.” Unpublished manuscript.
3. Gadenne, Lucie. 2017. “Tax Me, but Spend Wisely? Sources of Public Finance and Government Accountability.” *American Economic Journal: Applied Economics*, 9(1): 274-314.
4. Borge, Lars-Erik, Pernille Parmer, and Ragnar Torvik. 2015. “Local Natural Resource Curse?” *Journal of Public Economics*, 131: 101-114.
5. Ross, Michael. 2004. “Does Taxation Lead to Representation?” *British Journal of Political Science*, 34(2): 229-249.
6. McGuirk, Eoin. 2013. “The Illusory Leader: Natural Resources, Taxation and Accountability.” *Public Choice*, 154 (3-4): 285-313.
7. Knack, Stephen. 2009. “Sovereign Rents and Quality of Tax Policy and Administration.” *Journal of Comparative Economics*, 37(3): 359-371.
8. Crivelli, Ernesto, and Sanjeev Gupta. 2014. “Resource Blessing, Revenue Curse? Domestic Revenue Effort in Resource-Rich Countries.” IMF Working Paper 14/5.
9. Bhattacharyya, Sambit, Louis Conradie, and Rabah Arezki. 2017. “Resource Discovery and the Politics of Fiscal Decentralization.” *Journal of Comparative Economics*, 45(2): 366-382.

9. February 28: *Political institutions and exploration/exploitation of natural resources*

Required readings:

1. Radon, Jenik. 2007 “How to Negotiate an Oil Agreement” In: Humphreys, Macartan, Sachs, Jeffrey, and Stiglitz, Joseph (eds.) ‘Escaping the Resource Curse: Chapter 4’ Columbia University Press. 89-113.
2. Cust, James, and Torfinn Harding. 2017. “Institutions and the Location of Oil Exploration.” Unpublished manuscript.*

Optional readings:

1. Robinson, James A., Ragnar Torvik, and Thierry Verdier. 2014. “Political Foundations of the Resource Curse: A Simplification and a Comment.” *Journal of Development Economics*, 106: 194-198.
2. Matsen, Egil, Gisle J. Natvik, and Ragnar Torvik. 2016. “Petro Populism.” *Journal of Development Economics*, 118: 1-12.
3. Cotet, Anca M., and Kevin K. Tsui. 2013. “Oil and Conflict: What Does the Cross Country Evidence Really Show?” *American Economic Journal: Macroeconomics*, 5(1): 49-80.
4. Andersen, Jorgen, Niels Johannesen, David Dreyer Lassen, and Elena Paltseva. “Petro Rents, Political Institutions, and Hidden Wealth: Evidence from Offshore Bank Accounts.” *Journal of the European Economic Association*, 15(4): 818-860.
5. Bohn, Henning, and Robert T. Deacon. 2000. “Ownership Risk, Investment, and the Use of Natural Resources.” *American Economic Review*, 90(3): 526-549.
6. Burgess, Robin, Matthew Hansen, Benjamin A. Olken, Peter Potapov, and Stefanie Sieber. 2012. “The Political Economy of Deforestation in the Tropics.” *Quarterly Journal of Economics*, 127(4): 1707-1754.
7. Guriev, Sergei, Anton Kolotilin, and Konstantin Sonin. 2011. “Determinants of Nationalization in the Oil Sector: A Theory and Evidence from Panel Data.” *Journal of Law, Economics, and Organization*, 27(2): 301-323.

10. March 07: *Women’s rights in oil-rich countries (optional) + Student presentations*

Required readings:

1. Ross, Michael L. 2012. “The Oil Curse: How Petroleum Wealth Shapes the Development of Nations” Princeton University Press, Princeton, NJ. Chapter 4: Petroleum Perpetuates Patriarchy.
2. Rorbaek, Lasse. 2016. “Islamic Culture, Oil, and Women’s Rights Revisited.” *Politics and Religion*, 9(1): 61-83.*

Optional readings:

1. Ross, Michael. 2008. “Oil, Islam, and Women.” *American Political Science Review*, 102(1): 107-123.

2. Charrad, Mounira. 2009. "Kinship, Islam or Oil: Culprits of Gender Inequality?" *Politics & Gender*, 5(4): 546-553.
3. Norris, Pippa. 2009. "Petroleum Patriarchy? A Response to Ross." *Politics & Gender*, 5(4): 553-560.
4. Kang, Alice. 2009. "Studying Oil, Islam, and Women as if Political Institutions Mattered." *Politics & Gender*, 5(4): 560-568.
5. Caraway, Teri. 2009. "Comparative Political Economy, Gender, and Labor Markets." *Politics & Gender*, 5(4): 568-575.
6. Ross, Michael. 2009. "Does Oil Wealth Hurt Women? A Reply to Caraway, Charrad, Kang, and Norris." *Politics & Gender*, 5(4): 575-582.