

Disentangling the heterogeneous patterns of the resource curse hypothesis: an empirical investigation.

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The role of natural resource endowments in development has been extensively studied. Early researches have traditionally emphasized the great benefits that natural resources brought to nations in the middle of the industrial revolution (e.g., Wrigley, 1990, Cambridge University Press). However, after World War II, an increasing number of works began to mount evidence against this belief: resource-rich countries grew, on average, more slowly than resource-poor countries (e.g., Cabrales and Hauk, 2011; *The Economic Journal*). This last phenomenon was seminally coined by Sachs and Warner (2001, *European Economic Review*) as the "resource curse hypothesis". Nowadays, we can benefit from a wide range of empirical studies, aimed at disentangling the puzzle. However, the channels through which natural resource abundance can operate in a country's economic development are complex and multifaceted. On the negative side, a natural resources windfall may boost rent-seeking behavior (Torvik, 2002, *Journal of Development Economics*) which can lead to a misallocation of resources, corruption, and political instability. Additionally, the abundance of natural resources can trigger the Dutch Disease, a phenomenon where the appreciation of the exchange rate could reduce the competitiveness in other export-oriented sectors of the economy (Corden and Neary's, 1982, *The Economic Journal*). On the positive side, good institutions can mitigate the negative effects of the resource curse by ensuring that resources are managed sustainably and equitably (Acemoglu, et al., 2003, Princeton and Oxford: Princeton University Press). Despite the academic efforts, little consensus exists on whether natural resources boost or hinder economic development of nations. Indeed, according to the recent meta-analysis conducted by Havranek et al. (2016, *World Development*), which is based on 43 econometric studies, approximately the 40 % of the empirical studies support the "resource curse hypothesis", the 20 % finds the opposite, and a 40 % does not find a significant relationship between natural resources and economic development. To shed further light on the issue, in this paper we try to go one step further by modeling the unobserved heterogeneity that may underlie these ambiguous findings. To achieve this, we employ the grouped fixed effect estimator of Bonhomme and Manresa (2015, *Econometrica*) to empirically explore the relationship between economic development and natural resources, accommodating clustered time-varying patterns of unobserved heterogeneity within groups of countries. This methodology will allow us estimate group-specific time patterns and country group membership directly from the data. By understanding these group-level trends, we can gain deeper insights into this complex issue.