

EconWorld2018@Lisbon

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# Institutions and Resource-driven Development

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## ABSTRACT

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According to the resource curse hypothesis abundant resources are likely to impede economic growth and social development. However, empirical evidences are controversial as numerous studies found that the direct effects of abundance are either insignificant, non-monotonic, or positive, while the negative indirect effects arise when natural wealth crowds-out other fundamental sources of growth. Further research on the different development outcomes concluded that the growth effects are also conditional on the quality of both public and private institutions. Political economy explanations argue that abundance leads to patronage and myopic rent-seeking behavior under weak institutions, whereas it fosters economic growth if the institutional environment of the extraction promotes sound revenue management, transparency, and accountability. This paper aims to synthesize the findings on the interaction between institutions and natural resources and gives an overview of the policy proposals on mitigating the negative indirect effects.

**KEYWORDS** resource curse; institutional quality; political economy; economic growth

**JEL** O43, Q32, Q38