Managing Resource Revenues in Developing Economies

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Notes

1. Democracy and resource rents also appear to interact badly (Collier and Hoeffler, 2009). Democracies with no natural resource rents tend to grow more rapidly than autocracies, resource-rich democracies grow more slowly

increase in the present value of resource revenue which is occurring as the windfall revenue becomes less far distant.

4. An implication of this result is sometimes known as the Hartwick (1977) rule. Saving the whole of the revenue from a depletable asset will (if there is no population growth or technical change) results in a constant path of consumption, that is, intertemporal egalitarianism.

5. And if $r^D = r^*$ we return to the world of the permanent income hypothesis.

6. Only if the resource discovery is very large will it also be optimal to build up a permanent savings fund which will be smaller than under the permanent income hypothesis.

not so for labor-intensive resource sectors such as coffee, rice or banana where the higher prices lead to higher wages and more productive activity (cf. Bó and Bó, 2009).

11. They let the welfare loss of public spending be given by a quadratic, so that marginal benefit of spending declines and beyond a certain level (say, 40 percent of nonoil GDP) becomes negative.

12. If the interest rate and rate of time preferences are zero and the utility function displays constant absolute risk aversion, then a back of the envelope calculation shows that the optimal share of windfall revenue to save is $\varepsilon \upsilon^2/2$, where ε is the coefficient of relative risk aversion and υ the coefficient of variation of oil prices. The 95 percent confidence interval for the predicted

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