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The Guardian State and its Economic Development Model

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Abstra

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Notes

1. Research outcomes such as those reported by Sachs and Warner have not remained uncontroversial. A considerable volume of literature has engaged critically with the concept and tried to refute part or all of it. In the economic literature, various studies have criticised Sachs and Warner, in particular over their methodology, including the choice of the resource variable (Brunnschweiler & Bulte, 2008; Davis, 1995; Stijns, 2005); others have criticised the tendency by much of the subsequent literature to rely on per capita income growth – the dependent variable chosen in the original Sachs and Warner study – as the main indicator for the impact of natural resources on economic development per se; Boyce and Emery (2011), for instance, show that while per capita income growth relates inversely to resource wealth, per capita income levels are positivel … ita welfare may ind…

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4. These same factors make unconventional energy resources comparably less competitive, on financial grounds, with lower-cost conventional oil and natural gas, implying lesser profits, or rents, over and above their production costs.

5. There are good reasons to regard the consumption of non-renewable resource revenues as the consumption of capital rather than the consumption of income. If all revenues are consumed, the economy's total capital stock declines (Humphreys et al., 2007; Stiglitz, 1974).

6. In its basic measure of trade openness and economic competitiveness vis-à-vis domestic and foreign investment, the World Bank, in its annual report, ranks Qatar 14th, the UAE 17th, Brunei 28th, and Kuwait 34th out of a total of 142 countries. While not matching the results of its East Asian peers such as Singapore (2) or Hong Kong (11), these results draw the picture of a surprisingly trade-open and business-friendly economic climate. Qatar and the UAE also score remarkably highly on some sub-aspects of the measure, including goods market efficiency, financial market development, business sophistication and innovation (World Bank, 2012).

7. This legal situation is different in some oil producing countries, perhaps the most important example being North America, where oil and natural gas resources fall under individual land ownership rather than to the central state.

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is unrelated to current per capita income rates and gives merely an indication of the size of resources these countries hold per citizen (World Bank, 2005).

11. Exceptions in this context are war-torn oil producing countries such as Iraq and Sudan, where the virtual absence of any other form of taxable economic activity has driven the share of oil rents in government finance in recent years close to 100 per cent (Arab Monetary Fund, 2011).

12. Small populations tend to preclude the existence of large population divides. While some levels of social heterogeneity, be it tribe or sub-regional origin, are not entirely unknown in countries typically associated with the guardian state, the extent of their impact on long-term stability has historically been minimal. The most important dividing line within the guardian state tends, rather, to move along national-versus-expatriate lines. However, the main comparison here is with the considerably more combative cases of resource-rich states such as Sudan or Nigeria, where civil conflict has erupted between distinctively different population groups around access to natural resources and resource rents for much of their independent histories, to the extent that it has harmed the development of functioning central states and basic welfare functions such as universal access to basic health and education services.

13. Contrary examples include Sudan, Nigeria and Iraq, where considerable oil wealth has been met with a history of domestic civil conflict and the exclusion of parts of the populati

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given to the requirements of State security and the national economy. (Government of Kuwait, 1962, Art.21)

18. The World Bank's concept of genuine savings is aimed at taking account of the depletion of natural resources in an economy's development. Genuine savings treat natural resources as capital, and deduct a measure of natural resource depletion, along with the depreciation of physical capital, from national gross savings. For the Gulf monarchies for which genuine savings timelines are available, along with the region of the Middle East as a whole, genuine savings tend to be negative, reflecting the long-term depletion of natural resources without an equivalent investment in new, productive activities. See World Bank (1994) and Hamilton and Clements (1997) for the concept and Dietz and Neumayer (2004) for a critique.