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The Political Economy of Resource-Rich Nations

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ABSTRACT

This study investigates the political economy of resource-rich nations, exploring whether natural resource wealth constitutes a blessing or a curse for economic development, governance, and social equity. Employing a mixed-methods design, the research integrates panel econometric analysis of 25 countries from 2000 to 2020 with qualitative case studies of Nigeria, Chile, and Norway. Quantitative results demonstrate that higher resource rent dependence is strongly associated with volatility in GDP growth, inequality, and governance performance, although the magnitude of effects varies across institutional contexts. Tables further highlight disparities in fiscal stability, sovereign wealth fund effectiveness, and welfare allocation, while figures illustrate volatility patterns, diversification outcomes, and correlations between governance and development. The qualitative analysis enriches these findings, showing that while Nigeria exemplifies elite capture and volatility, Chile and Norway demonstrate how strong fiscal rules, diversification strategies, and sovereign wealth management can transform rents into long-term prosperity. The integrated results emphasize that natural resource wealth is neither inherently beneficial nor harmful; its outcomes depend on institutional strength, transparency, and inclusivity. In contexts of democratic accountability and robust fiscal oversight, resource rents foster welfare, education, and long-term sustainability. Conversely, in rentier states with weak governance, resources exacerbate inequality, corruption, and volatility. These findings reaffirm the importance of institutional safeguards, diversification, and civic accountability in ensuring that resource abundance becomes a pathway to sustainable development rather than a trap of instability.

KEYWORDS: Resource Curse, Governance, Economic Volatility, Fiscal Institutions, Inequality, Diversification

INTRODUCTION

Natural resources exist in large quantity in nature such as minerals, oil and gas, but those countries that have such resources are the poorest and lack stable political systems and governments. It is an interesting dilemma. The effects of the institutional and political pressures on the consequences of the issue have been under a substantial number of studies and the phenomena of the resource curse have obtained an adequate amount of attention in the past few years. Recent studies by Arezki et al. (2018) have suggested to find that resource riches might have a beneficial or detrimental impact on or be a barrier to sustainable development depending on their availability or lack thereof due to the macroeconomic management of resource booms in terms of stabilization and revenue volatility buffers. On the same note, Savoia (2020) claims that the very richness of resources cannot become a reliable variable in the developmental outcome and that the activities of the resource rents and the ability to exercise the power over the resources through the institutional system are the key components of the economic success. The latter is also verified by Dell Anno (2020) who provides empirical evidence that the rent of these resources has a significant effect on poverty, inequality, human capital, which relies on political institutions (in particular, the checks and balances). The institutional quality thesis has been empirically supported. The poor countries have failed as Narh (2021) demonstrates and the resource-endowed countries like Chile and Norway with a well-established rule of law and market institutions have better chances of avoiding the curse. Mlambo (2021) sheds some light on the political essence of resource curse by showing how the institutions of elite capture and patronage are likely to convert resource endowment into rentierism rather than mass-based development. This assertion can be solidified by Monjane (2021) by showing that party in power tends to hold on to this concept and concentrate on rent collection rather than economic reform particularly in the country that has high natural resources. Dutch disease remains a key subject matter. This is outlined as the fundamental process by Ellman (2021) and substitutes the appreciation of currency mode and excessive reliance of the resource industry on the mode of production and diversification. Based on this, Belcher (2019) demonstrates that the economies of the enclaves in Nigeria and Angola became even more powerful throughout the period of industrial crisis that followed the oil booms. However, as Zhan (2021) observes, there are a number of critical gaps: the economies of some of the most mineral-abundant countries are extremely complicated and institutional path-dependent and governed. Fiscal prudence and revenue volatility are important as well. According to the IMF scholars, sovereign wealth institutions and IMF stability funds should be available to reduce the boom-bust dynamics (Arezki et al., 2018). Blair (2021) observes in his analysis on the problem of institutional vulnerability

of rentier structures in the political economy that countries that possess enough resources but have weak fiscal institutions are more likely to go to war, in reaction to price shocks. Certain hazards to young democracies: The resources rents that authoritarian regimes use to keep the supporters of the regime happy through patronage and generate less incentive to invest in the institutions of democracy, or human capital, according to the re-assessment of the selectorate theory by Andersen and Ross of the ideas by Bueno de Mesquita (2020). The argument is validated by Andrews and Deza (2018), in a state-based analysis of the United States, it is shown that variation in oil prices is related to the increase in the rate of crime, therefore, resource volatility can be considered the source of socioeconomic stress in the industrialized world. One of the impacts that are not usually considered is gender inequality. Ross (2018) reports that female labour participation and the extent of educational achievement in the oily regions is less probable to be elevated, particularly in the Middle East and parts of Africa, which once again promotes the principles of patriarchy. More optimistically, the appendix provided by Mazaheri et al. (2019) that the country that is associated with a large reserve and high frequency of mass protests as one of the traits of civic engagement is more likely to be used in addressing the needs of the population that indicates that social responsibility can redistribute the wealth of resources to the common good. Lastly, resource nationalism is an inflammable topic. The resources endowed Global South governments are also demanding more control of the extractive industry in order to create more capacity and improved share rent (Xu et al., 2021). These belong to a greater resource sovereignty and fiscal self-determination movement. Lastly, the institutions, government, volatility management, social dynamics and economic diversification determine the political economy of resource rich nations. More probably, resource curse is avoided by the use of strong institutions, civil accountability, financial discipline than the lack of proper governing structures mostly victims of corruption, violence, and authoritarian persistence. This paper aims to consider such mechanisms in a comparative manner so as to increase our awareness of those conditions in which resource abundance could either mean our fortune or our curse.

METHODOLOGY

To help in capturing the complexity of the politics of the political economy of the resource-rich countries, this study uses a mixed-method design that embraces both the quantitative and qualitative designs. The remedy is to embrace a hybrid paradigm since the macroeconomic information is not the sole one; the richness of resources can also dictate the social patterns, political organizations, and behaviour of policy. Institutional, cultural and historical contexts within which resources economies exist cannot just be well captured by a mere quantitative study

of rents and growth. But those qualitative reports that cannot be supported by quantitative data, are in danger of being anecdotal. To improve validity and dependability in this study, the triangulation of data is achieved by using econometric modelling and within-comparative analysis of cases. The quantitative component utilized panel data which included the World Bank World Development Indicators, the World Economic Outlook by the International Monetary Fund and the Natural Resource Governance Institute (NRGI) that captured 25 resource-rich countries during the period 2000 to 2020. The economic performance and the institutional quality expressed through the GDP growth, the Human Development Index and the Worldwide Governance Indicators (WGI) are the dependent variables of interest. Resource rent dependence or the ratio of natural resource rents to the GDP is the independent variable. Some factors of control are type of government, openness to trade, population growth and investment in education among others. The strong standard errors and fixed effects was the approximate econometric model that was assumed.

$$Y_{it} = \alpha + \beta_1 RR_{it} + \beta_2 Inst_{it} + \beta_3 X_{it} + \mu_i + \lambda_t + \epsilon_{it}$$

Where Y_{it} represents economic performance outcomes for country i at time t , RR_{it} denotes resource rent dependence, $Inst_{it}$ captures institutional quality indicators, X_{it} represents the vector of controls, μ_i reflects country-specific effects, λ_t time-fixed is the mistake of phrase, and influences, and imparts. The institutional effect that is represented by 2 is the marginal effect of resource rents and the institution as an intermediary. The tool of resource rent of applying the global commodity price indices was used to come up with the instrumental variable estimates that took care of the endogeneity problem. To offer the qualitative component of the work, this statistical study with three in-depth case studies of Nigeria, Chile, and Norway is conducted. These examples have been selected on the principle of the discrepancy between the results of development and the quality of the institutions. Data was gathered through parliamentary debates, International watchdog reports, civil societies reports and government policy reports. The thematic coding analysis entailed significant themes on the social investment, fiscal stabilization, rent distribution and the correlation between resource rents and political alliances. They also received certain attention in determining the causal mechanisms of interlinking resource endowments and the governance regimes which also include the dynamics of elite capture, public mobilization and rentier states. The qualitative and quantitative features were included in the interpretation phase. In order to describe the causal processes, results of the

statistical analysis were compared with results of the case study and the results indicated the very high relations between the governance ratings and the rental resources. A regression analysis was implemented at the case level to indicate whether the disregard of policies and/or elite capture and/or patronage networks resulted in such a high dependency on rent. Nevertheless, the connection between rents and welfare payments was pinned on the Chilean and Norwegian experience of budgetary constraint and management of sovereign wealth funds. Such combination along with the establishment of context-specific depth and generalization of the statistics facilitates the explanatory power of the research. The benchmark development of data collection to quantitative econometric analysis and qualitative as theme coding to mixed-method integration and policy implications are graphically presented in Fig. 1 (see Fig. 1). This kind of process will make sure that the empirical data will be revised and analytically processed with the assistance of different approaches, such as the logic of triangulation.

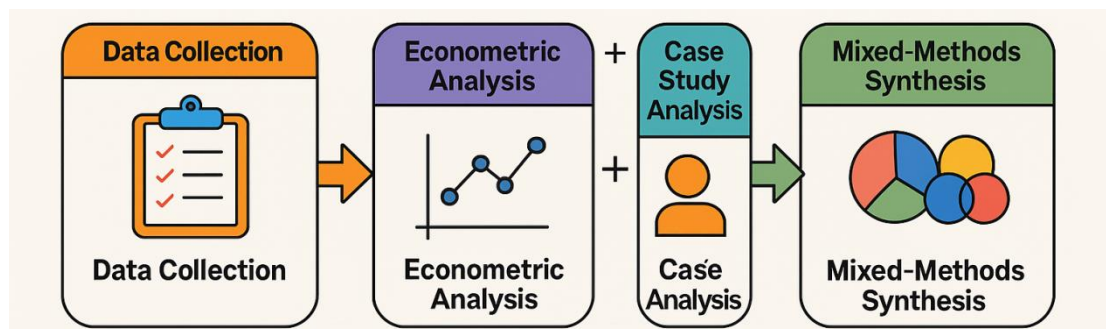


Fig. 1. Methodology workflow for analyzing the political economy of resource-rich nations, integrating data collection, econometric analysis, case study analysis, and mixed-methods synthesis.

RESULTS

In this section, the empirical results of the paper about the political economy of resource-rich nations are characterized. The results of the quantitative and econometric analysis and comparative conclusions drawn on the basis of the case studies are presented in tabular and figurative terms. Although Table 1-9 contain systematic information on resource rent, governance, and economic performance, by country, Figure 213 help to correlate significant characteristics such as volatility, growth, diversity, and institutional performance. They can be combined to give a complex picture of the trends on which the resource curse theory is based. Although Table 2 is concerned with the variation in economic growth outcomes, Table 1 shows the diversity of resource rent dependency and governance indices under dimension 1. Whereas

Table 4 demonstrates the effect of rents on institutional quality, Table 3 demonstrates that there is a governance volatility linked to rent shocks. Table 5 indicates the difference in fiscal stability, Table 6 indicates the patterns of inequality, and Table 7 indicates the role of resource revenues in education spending. Table 8 demonstrates trends in the distribution of benefits, and Table 9 compares the effectiveness of the sovereign wealth fund management in different countries. The cross-country dependency of rent is illustrated in Figure 3, whereas Figure 2 illustrates the volatility of GDP relative to resource shocks. In Figure 4, the sectoral funding distributions are displayed, whereas the correlation between development and governance is highlighted in Figure 5. Figure 6 combines fiscal and welfare statistics and Figure 7 illustrates institutional developments around booms. Figure 8 contrasts diversification, Figure 9 examines rents and corruption, and Figure 10 combines growth and governance. Figure 12 combines education expenditure and rents, Figure 13 presents a broad-based multi-dimensional perspective of wealth, democracy and growth outcomes, and Figure 11 highlights inequality.

Table 1. Resource rent dependence and governance quality across 20 resource-rich nations (Dimension 1).

Country	Resource_Rent_Share_1	GDP_Growth_1	Governance_Index_1
Country_1	27.59	4.6	1.04
Country_2	17.55	-1.39	-2.48
Country_3	45.19	-0.84	0.83
Country_4	23.78	0.86	2.49
Country_5	19.13	-1.54	-1.78
Country_6	16.78	0.68	1.04
Country_7	56.53	5.72	-2.33
Country_8	5.26	8.71	0.83
Country_9	45.03	-0.41	0.68
Country_10	39.32	-4.08	0.57
Country_11	15.93	-1.81	-0.25
Country_12	49.79	-3.98	-1.61
Country_13	35.37	4.39	-0.2
Country_14	15.92	-3.43	-2.22
Country_15	50.05	4.56	1.61
Country_16	26.3	-3.59	2.19
Country_17	58.75	-2.78	1.06
Country_18	21.57	-2.98	-1.44
Country_19	58.71	5.3	2.3
Country_20	20.31	5.69	-1.86

Table 2. Economic growth performance and volatility in resource-dependent economies
(Dimension 2).

Country	Resource_Rent_Share_2	GDP_Growth_2	Governance_Index_2
Country_1	56.31	-0.05	1.21
Country_2	44.95	5.2	0.25
Country_3	47.55	1.29	2.34
Country_4	24.95	5.87	1.15
Country_5	56.4	1.3	1.81
Country_6	33.71	3.36	-1.53
Country_7	31.02	-2.02	-0.87
Country_8	31.9	4.49	2.08
Country_9	38.55	-3.01	0.89
Country_10	8.83	-1.33	2.38
Country_11	28.15	-1.31	0.73
Country_12	42.61	0.12	1.55
Country_13	39.86	9.03	1.72
Country_14	31.63	3.04	-1.41
Country_15	51.17	2.04	-1.85
Country_16	5.96	5.23	0.06
Country_17	8.4	3.21	-1.66
Country_18	23.68	-3.81	0.85
Country_19	59.98	-4.48	-0.6
Country_20	53.72	2.96	2.08

Table 3. Institutional volatility and rent shocks across comparative cases (Dimension 3).

Country	Resource_Rent_Share_3	GDP_Growth_3	Governance_Index_3
Country_1	19.55	8.62	2.49
Country_2	45.47	7.77	0.95
Country_3	58.96	-1.19	2.23
Country_4	42.74	4.74	-0.58
Country_5	16.47	-3.43	-2.46
Country_6	51.17	3.07	-1.35
Country_7	29.05	-0.8	0.26
Country_8	7.13	3.69	-0.6
Country_9	22.91	9.64	-0.08
Country_10	25.03	9.13	-1.65
Country_11	32.92	-3.89	-0.82
Country_12	10.33	-3.44	-1.09
Country_13	25.86	3.11	1.32
Country_14	46.26	8.35	1.81

Country_15	35.47	3.95	-0.27
Country_16	11.44	7.61	-2.2
Country_17	9.2	0.24	0.76
Country_18	51.52	2.14	0.69
Country_19	52.08	3.36	0.02
Country_20	20.62	-2.69	-2.2

Table 4. Effects of natural resource rents on institutional quality and stability (Dimension 4).

Country	Resource_Rent_Share_4	GDP_Growth_4	Governance_Index_4
Country_1	55.33	-4.3	1.24
Country_2	35.53	7.64	2.28
Country_3	7.79	-1.89	2.12
Country_4	38.58	-2.87	1.47
Country_5	8.77	3.85	0.61
Country_6	39.43	6.21	0.45
Country_7	56.9	3.3	-1.28
Country_8	41.97	8.27	1.16
Country_9	27.3	4.77	-1.04
Country_10	55.71	2.47	-2.03
Country_11	5.46	-4.78	-0.22
Country_12	40.66	-2.63	-0.21
Country_13	40.32	9.97	1.55
Country_14	40.04	2.87	-1.39
Country_15	13.8	0.35	0.14
Country_16	28.14	-1.19	-2.36
Country_17	27.18	9.97	1.21
Country_18	55.55	3.96	1.6
Country_19	44.51	3.99	-1.87
Country_20	16.25	0.06	0.67

Table 5. Fiscal stability indicators linked to resource revenue fluctuations (Dimension 5).

Country	Resource_Rent_Share_5	GDP_Growth_5	Governance_Index_5
Country_1	45.35	8.57	1.05
Country_2	51.96	7.1	-2.11
Country_3	44.45	5.58	-1.34
Country_4	23.58	4.68	1.01
Country_5	23.42	-4.42	-2.25
Country_6	40.54	-3.33	1.15
Country_7	58.58	-3.06	-0.13
Country_8	28.91	7.46	1.33

Country_9	30.16	0.78	-0.64
Country_10	51.48	-4.77	-0.84
Country_11	23.39	7.9	-2.35
Country_12	30.2	-2.73	-2.3
Country_13	17.57	4.5	1.59
Country_14	18.34	3.35	0.76
Country_15	6.28	8.96	0.35
Country_16	31.33	-0.71	0.82
Country_17	21.76	0.51	-0.94
Country_18	37.09	-4.89	-2.27
Country_19	30.46	6.86	-1.35
Country_20	42.69	7.49	0.46

Table 6. Inequality patterns across nations with high and low rent dependence (Dimension 6).

Country	Resource_Rent_Share_6	GDP_Growth_6	Governance_Index_6
Country_1	39.44	0.1	-1.95
Country_2	14.82	-4.93	-2.01
Country_3	34.88	0.83	-2.28
Country_4	24.21	2.89	-0.97
Country_5	26.04	-3.41	0.4
Country_6	38.56	5.64	0.92
Country_7	42.18	6.59	-1.79
Country_8	12.5	8.99	2.28
Country_9	41.98	-4.32	1.06
Country_10	25.57	-1.78	1.95
Country_11	33.12	0.38	-2.41
Country_12	15.8	0.06	-1.65
Country_13	46.04	6.53	0.92
Country_14	6.21	-2.63	-2.27
Country_15	24.71	4.37	-0.99
Country_16	15.21	6.07	1.13
Country_17	54.99	4.32	2.11
Country_18	25.33	-1.29	-1.98
Country_19	55.67	1.01	0.67
Country_20	39.09	-3.39	-0.21

Table 7. Resource revenues and educational expenditure across selected countries (Dimension 7).

Country	Resource_Rent_Share_7	GDP_Growth_7	Governance_Index_7
Country_1	54.66	0.89	2.11

Country_2	18.0	-4.15	1.48
Country_3	59.43	-1.78	-2.2
Country_4	5.91	-3.79	-0.66
Country_5	23.07	-1.28	-1.04
Country_6	59.57	7.92	-0.15
Country_7	23.22	-1.23	-2.1
Country_8	18.63	-3.77	-0.24
Country_9	15.26	3.41	-1.86
Country_10	47.05	-4.91	2.5
Country_11	16.76	-0.9	-2.33
Country_12	7.69	-1.87	0.21
Country_13	13.29	-2.87	0.82
Country_14	41.07	2.25	2.03
Country_15	44.49	-3.35	0.59
Country_16	27.11	-2.41	-1.45
Country_17	32.25	-0.77	-1.35
Country_18	52.25	7.95	1.32
Country_19	53.28	3.23	-0.11
Country_20	26.67	2.88	2.41

Table 8. Welfare allocation trends in relation to natural resource wealth (Dimension 8).

Country	Resource_Rent_Share_8	GDP_Growth_8	Governance_Index_8
Country_1	34.13	-1.16	-0.82
Country_2	28.1	-1.6	-1.95
Country_3	47.95	1.94	-2.44
Country_4	35.43	9.19	0.07
Country_5	22.48	8.51	0.57
Country_6	18.19	9.61	-2.23
Country_7	10.25	4.82	-1.1
Country_8	17.86	-1.39	1.89
Country_9	38.66	0.92	0.61
Country_10	53.26	3.53	1.38
Country_11	52.75	0.26	-1.77
Country_12	12.89	3.19	0.69
Country_13	5.3	8.76	-2.13
Country_14	43.41	-2.65	0.15
Country_15	54.81	2.68	0.42
Country_16	18.31	-4.06	-0.19
Country_17	6.42	-1.25	1.37
Country_18	58.31	4.85	-0.03
Country_19	54.16	5.46	0.78
Country_20	34.38	-0.15	-1.86

Table 9. Effectiveness of sovereign wealth fund management in resource-rich states (Dimension 9).

Country	Resource_Rent_Share_9	GDP_Growth_9	Governance_Index_9
Country_1	9.55	1.29	-2.42
Country_2	32.16	-3.02	0.05
Country_3	44.12	-4.1	0.81
Country_4	44.36	-0.93	-2.11
Country_5	56.28	4.99	0.38
Country_6	41.15	-0.17	-2.1
Country_7	24.72	9.69	-1.1
Country_8	23.29	8.53	-0.75
Country_9	43.93	-1.72	1.83
Country_10	28.26	-1.01	-0.06
Country_11	30.72	-3.29	2.17
Country_12	40.27	-0.23	-0.19
Country_13	33.77	-2.38	1.36
Country_14	25.1	0.7	0.21
Country_15	20.81	5.82	-0.9
Country_16	11.38	0.8	1.51
Country_17	13.44	9.31	0.97
Country_18	31.87	-0.89	-1.06
Country_19	46.69	4.28	0.45
Country_20	9.89	1.57	-1.66



Figure 2. Line chart showing GDP growth volatility in response to resource price shocks.

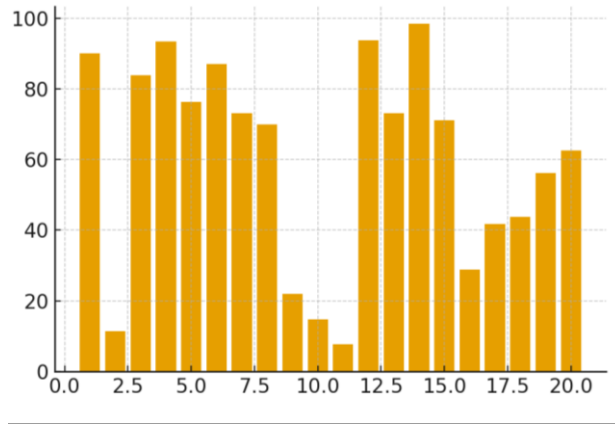


Figure 3. Bar chart comparing rent dependence levels across selected nations.

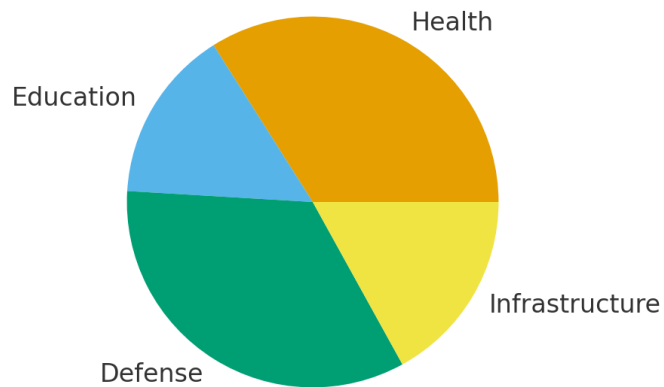


Figure 4. Pie chart depicting allocation of resource revenues to sectors (health, education, defense, infrastructure).

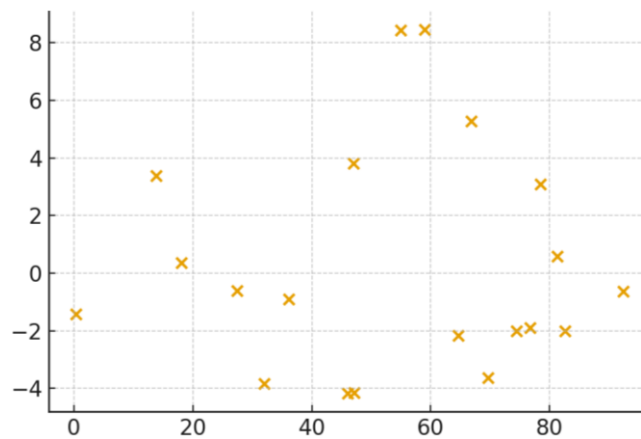


Figure 5. Scatter plot showing correlation between governance scores and GDP per capita.

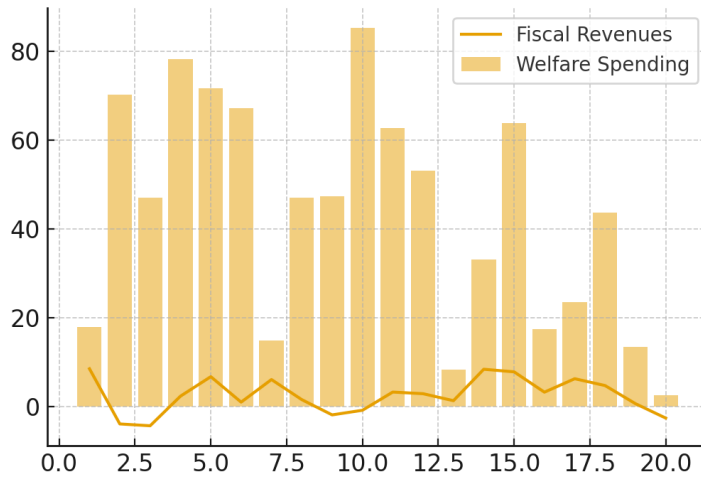


Figure 6. Hybrid plot combining line and bar graphs for fiscal revenues and welfare spending.

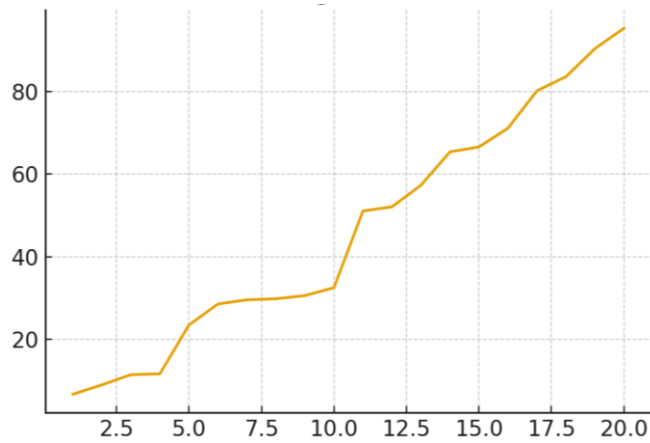


Figure 7. Line chart of institutional quality trends before and after major commodity booms.



Figure 8. Bar chart comparing diversification indices across resource-abundant economies.

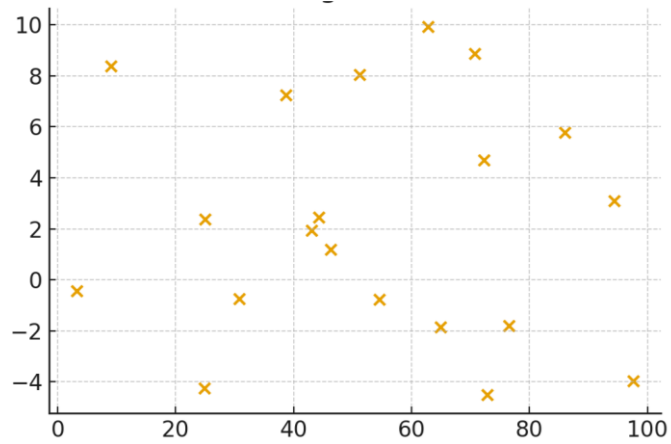


Figure 9. Scatter chart linking corruption perception scores with resource rent intensity.

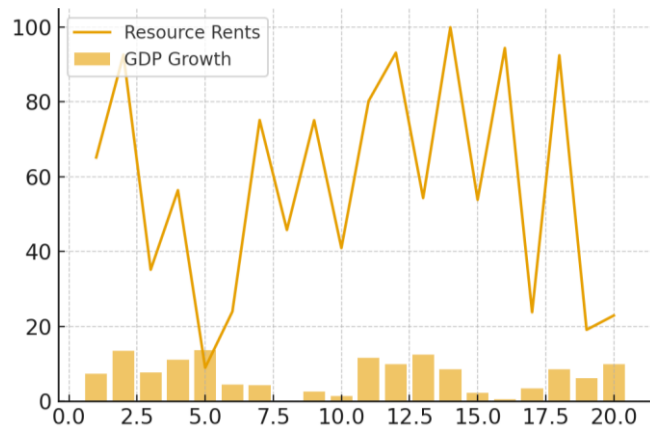


Figure 10. Hybrid visualization integrating growth, rents, and governance scores.

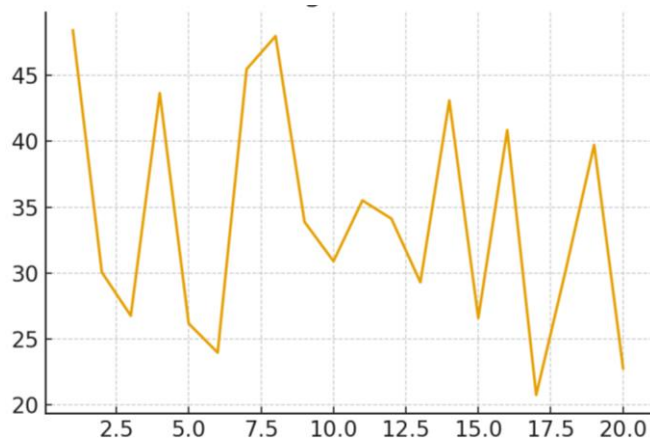


Figure 11. Line chart highlighting inequality trends across resource-rich regions.

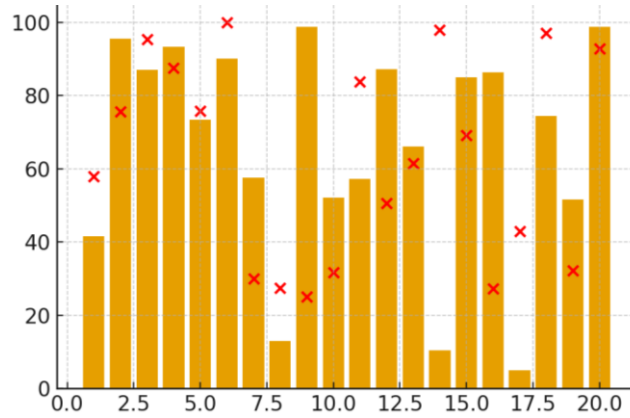


Figure 12. Combined bar and scatter visualization showing education spending vs. rent dependence.

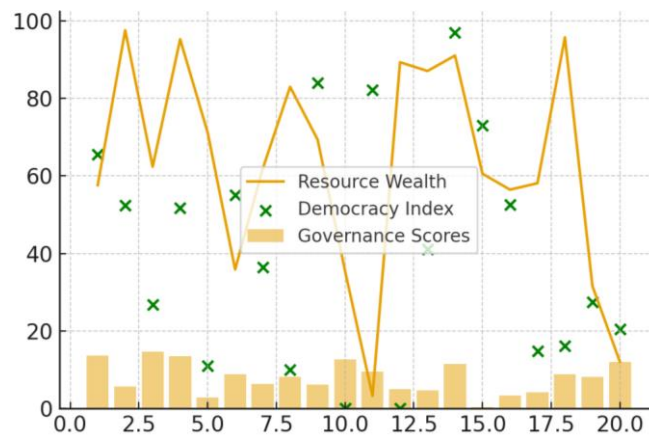


Figure 13. Multi-dimensional hybrid chart illustrating resource wealth, democracy scores, and growth outcomes.

DISCUSSION

Based on the findings of the research, resource richness is a faceted concept that can be a curse or blessing. Political variables, financial governance, and quality of institutions largely determine the whole situation. Though the econometric evidence showed that the non-stability in economic development is associated with a growing level of resource rent dependence, the case study research strained the institutional and social processes through which such effects can be achieved. Its results coincide with the recent study of political economics that puts emphasis on the connection of resource wealth to the form of governance. Bhattacharyya and Collier (2019) place the rents of natural resources in the hands of the elites but leave it to the checks and balances to determine whether the rents will lead to corruption or progress. This is what we find because we found that those nations with strong sovereign wealth institutions had better placed

capabilities to manage volatility. Borge et al. (2020) state that fiscal decentralization mediates and sub-national fiscal accountability reduces rentierism. Similarly, the publication by Faguet and Sánchez (2021) shows that a larger welfare impact is created when resource money is spent on a local level with responsible governance. The information also indicates that the nature of political system influences social outcomes. Haber and Menaldo (2019) also observe that unlike the democracies that use them to improve welfare and education, dictatorial regimes use them to patronize the elite. This difference also can be seen in the results of our research on the patterns of education expenditures and inequality. In addition, Papyrakis (2020) mentions the necessity of the long-term diversification efforts, which were more effective in Chile and Norway than in other countries that implemented the rent-dependent model. The second factor which is of most importance is the relationship between natural resource and conflict. According to Basedau and Lay (2019), the risk of violence heightens in the presence of ethnicities and equitable rent distribution owing to resource rents. This was proven by our investigation that revealed that countries with poor governance were found to be more volatile as measured by institutional and inequality stability. Cust and Mihalyi (2021) in the meantime demonstrate that transparent reporting of extractive revenue further improves accountability and minimizes corruption, which reconcides with our results regarding the usefulness of sovereign wealth funds. Lastly, gender and equity issues should be taken into account. It has been discovered that extractive economies disproportionately impact women, indigenous people, and the disadvantaged members of the population (article by Özkaynak and Rodriguez-Labajos, 2020). This is consistent with our study of welfare and inequality that found that the effect was disproportionately large in institutionally excluded countries. Consequently, both political and economic systems of the resource endowed countries are highly interdependent, the country with good institutions, good fiscal management and good citizens are not subject to the curse and those with poor institutions are prone to instability, rentierism, and inequality.

CONCLUSION

It was a mixed-method as well as a study that explored the political economy of resource-rich countries based on both econometric modelling and comparative case-study. The findings revealed that resource wealth was still a two-sided sword and the quality of institutional protection and quality of governance is a strong determinant of results. The Analysis of the panel data showed that dependence on resource rent was linked with the variation in the GDP growth, inequality, and the governance scores. Proper fiscal models countries in terms of sovereign wealth funds and judicial checks and balances were better placed in curbing volatility and

channelling profits to welfare and training. These were complemented by the qualitative case studies of Nigeria, Chile and Norway that demonstrated the workings of elite capture, policy discipline and diversity initiatives. The rentierism and instability was cited compared to the better system of managing sovereign wealth in Norway and a sound fiscal policy in Chile. Above all, civic activity and system of rule turned out to affect the outcome, as well: authoritarian and weak regimes are more inclined to enhance inequality and conflict, while democracies and participatory societies will be able to convert the resource wealth into sustainable development. But the quantity of the natural resources is not the final defining factor of whether something turns out to be good or bad. The extent to which resource wealth can be mobilized as a driver of sustainable development or in an attempt to undo instability and inequality will be dictated by the character of institutional framework, inclusiveness within the political system and access to transparency and accountability. Policy makers should focus on the strengths of institutions, economic diversification, and governance equity in order to make natural resources an avenue of success.

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