



## Review Article

## The extractive industries and development: The resource curse at the micro, meso and macro levels

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## ABSTRACT

The resource curse literature has necessarily evolved in a rather fragmented way. While economists, political economists and political scientists have largely focused on the role of mineral abundance in long-term growth with the analysis largely confined to the country (macro) or regional (meso) level, anthropologists, sociologists and other social scientists have explored the development impacts of extractive industries at the community (micro) level. While this has provided a rigorous and comprehensive exploration of extractive industries and their impacts, causal factors that bridge and/or leap-frog these levels tend not to be accounted for. In this paper we examine the evolution of the literature across disciplinary lines and different levels of scale to assess the current status of resource curse debates. In so doing, we aim to explore how an integration of the various multi-scale approaches can help address the persistent problem of the resource curse.

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## 1. Introduction

The interest of the scientific community in the 'resource curse' (i.e. the tendency of mineral rich economies to underperform in economic growth and other development outcomes) has critically evolved over the last two decades. A Google Scholar search shows

that while there were only 13 scientific papers that referred to the so-called 'resource curse' in 1995, the number increased to 67 in 2000, 543 in 2005, 1890 in 2010 and 2420 in 2014. This level of academic focus combined with greater awareness through media reporting, civil action and improved outlets for dispute by indigenous populations and social movements, has led to better monitoring and regulation at the global level. Voluntary initiatives, such as the Extractive Industries Transparency Initiative (EITI) and the Global Mining Initiative, are just two of many examples that indicate how scientific research has influenced policy circles; yet, after 20 years of research and action, 'the curse' lingers as a very real global problem.

Identification within academic circles that something was drastically wrong with mineral-based development<sup>2</sup> followed the influential World Bank-funded study conducted by Gelb et al. (1988). The term 'resource curse' was itself first coined by Professor Richard Auty in 1993 in his seminal book, *Sustaining Development in Mineral Economies: The Resource Curse Thesis* (Auty, 1993). The response to these major studies saw a natural evolution of research on the extractive industries within economic and political spheres. In other disciplines a focus on the 'resource curse', which is, by definition and application, an economic theory and tool, was far slower and is, as a result, far smaller. Economic theory does not always translate well to other social sciences. Application of 'the resource curse' to understand complex and diverse localised social, political and economic conditions, as well as nuanced factors such as local accounts of the impacts of extractive industries, diverse processes of extraction, and the nature of the mineral itself have been found to be severely limiting in the social sciences (see especially Weszkalnys, 2011; also Lahiri-Dutt, 2006; Reyna and Behrends, 2008). For more micro-level scientific researchers, the 'resource curse' was a macro-level problem, and the impacts of extractive industries at the local/village/community level were, and are, examined in terms of social change and problems linked to processes of sustainable development.

Consequently, the multidisciplinary concern with the impact of extractives rarely translates into interdisciplinary research (for exceptions see Bebbington et al., 2008; Bebbington, 2010; Bebbington and Bebbington, 2011; Bebbington and Bury, 2009 and Berdegué et al., 2015 – these are some of the few attempts to provide a more holistic picture of the resource curse by looking at the community-extractive industries-government nexuses at different scales, particularly in the Latin American context). There are many reasons for this, but methodological diversity is key. Disciplines work in very different ways. Taking the two disciplinary extremes examined in this paper as an example, while an economist identifies a question and seeks to answer it, an anthropologist pursues questions to find meaning rather than provide answers. When a concern for the economic implications of 'the curse' emerged within policy circles in the 1980s, economists and political economists were the obvious choice for aiding policy development because their disciplinary methods provide quantitative data that can be understood and linked to clear action points. A broad examination of the vast literature on the resource curse, however, shows that while the mainstream economics and political economy literature (the micro, and the meso) provides invaluable insight into extractive industries, the micro level analyses that have followed provide a nuanced examination of its effects that is equally valuable. Combined, they can provide a

much more comprehensive view of extractive industries and its impacts as fabricated at the global and the local level.

Our aim in this paper is to examine the ways in which different disciplinary focuses have shaped the resource curse literature. Moreover, we aim to examine disciplinary boundaries and the fragmentation of the resource curse debates across different levels of scale. The objective here is to show how these levels and the different disciplines that inhabit them, are critical to understanding the factors determining the resource curse for future policy development. As such, this paper is first and foremost a review of the resource literature. It also, however, identifies important linkages between an apparently disparate literature that could have a very real impact on defeating 'the curse'. This paper contributes to the literature by providing a first attempt at bridging the different fragments of research on the resource curse, which have been largely determined across disciplinary lines and across different levels of scale. To our knowledge this is the first dedicated endeavour to provide such a holistic framework under which the resource curse phenomenon should be analysed.

In Section 2 of the paper we discuss in more detail how the different streams of the resource curse literature have evolved separately. In particular, we pay special attention to the qualitatively different types of findings across these fragments of the resource curse literature. In Sections 3–7, we reflect on the implications of this fragmentation for the scientific analysis on development impacts in mineral rich countries, as well as for appropriate policy-making at various scales.

## 2. The fragmentation of the resource curse literature

In this section we elaborate further on the fragmentation of the resource curse literature with respect to scale, as well as methodology and policy focus. Although there are naturally no strict demarcation lines, we try to establish some general patterns based on our observation of the divergent approaches that have been adopted so far. First we discuss the fragmentation of the literature with respect to the geographic level of analysis (macro-country level, meso-subnational level, micro-community level), as well as the types of impacts and mechanisms considered (e.g. economic, institutional, etc.). Then we proceed to discuss fragmentation along other lines, such as the type of methodological approach and the link to different policy questions over time vis-à-vis the mineral sector.

The discussion that follows has greatly benefited from earlier review articles on the resource curse that have summarised theories and empirical evidence linking the extractive industries (and natural resources more broadly) with several development outcomes. One of the earliest reviews of the literature (focusing primarily on political economy explanations of the resource curse) is the one conducted by Ross (1999). Two other early review papers by Gylfason (2001b) and Stevens (2003) primarily focused on the economic explanations of the curse. A subsequent review by Andrew Rosser (2009) critically reflected on the resource curse literature by devoting a separate discussion to the causes, consequences and remedies of the curse. Frankel (2010) provided a more comprehensive review of the economics literature on the resource curse, paying particular attention to the robustness of the empirical evidence. Ross (2014) recently provided a detailed overview of the literature on institutional explanations (theory and evidence) of the resource curse. The discussion that follows has built on the insights presented in these earlier review papers with an explicit intent to reflect on the fragmentation of the literature along several lines (scale and disciplinary and methodological approaches). Furthermore, the earlier review papers have paid only marginal attention to the more micro-scale studies on the impacts of the extractive industries on local communities. Our intention

<sup>2</sup> Mineral economies are defined as developing countries that generate 'at least 8% of their GDP and 40% of their export earnings from the mineral sector' (Auty, 1993: 3). They make up approximately one-fifth of developing countries (Auty and Mikesell, 1999).

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