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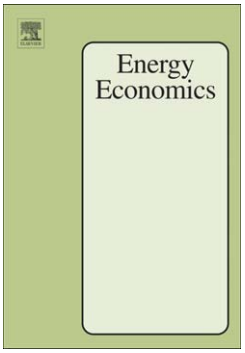

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The Resource Curse Revisited: A Bayesian Model Averaging Approach*†

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Abstract

The evidence for the effects of oil rents on growth is mixed, a result which can be explained with model uncertainty. We address the issue using Bayesian Model Averaging techniques and an updated cross-country data set for long-term growth in the period 1970-2014, including 91 countries and 54 potential growth determinants. We do not find empirical evidence for the existence of a "natural resource curse" in our sample. On the contrary, our results suggest a robust positive effect of oil rents on long-term economic growth. We then introduce interaction terms of oil rents with potential conditions under which oil dependency can lead to sub-standard growth. The results indicate that the positive effect of oil rents may be conditional on the quality of institutions. We test the robustness of our results using a panel data set and find neither a curse nor a positive effect of oil rents on short- to medium-run growth.

Keywords: Oil, Growth, Natural Resource Curse, Bayesian Model Averaging

JEL Classification: Q32, O47, O43

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†Conflicts of interest: none.
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