

Index

ACRCP. See Advisory Committee for the long-term GDP growth in, 342 Reference Copper Price manufacturing in, 49-50, 346 ACTG. See Advisory Committee for Trend **GDP** AFCFRF. See Advisory Financial Committee for Fiscal Responsibility agricultural sector in Arab region, 82-83, 86 Baumol's cost disease effects for, 89-90 Alaska Permanent Fund, 153-154 Algeria Dutch Disease in, 229 economic diversification in, 49-50 EU GDP shocks and, 32-33 natural gas reserves in, 325-327 public sector employment in, 107 SWFs in, 277-278 Arab region. See also oil-rich countries; resource-rich economies; specific countries agricultural sector in, 82-83, 86 booms and busts in, 12-13, 342 Dutch Disease in, 229 export concentration in, 49-50 export diversification in, 304 EXR regimes in, 303-309, 343-345 fiscal institutions in, 274-279 fiscal policy for, in oil-rich countries, 226-230 fiscal revenues in, 330-334 government revenues and expenditures in, hydrocarbon-dependency in, 45, 229-230, 330-334 labor market heterogeneity in, 311-313, 315-316

natural resource abundance in, 304 public sector employment in, 82-83 RER undervaluation in, 57-61 resource dependency in, 329 RREs in, 1-2, 229-230, 325-334 value-added exports in, 329-331 violence in, resource curse as influence on, 338-339 Arab Spring, 301–302 augmented growth model, 323, 353-355 authoritarian regimes public sector employment under, 106, 113-118 resource-rich economies and, 120-121 Bahrain, 19-20 migrant worker population in, 118 non-hydrocarbon exports, 159 oil production in, 22

SWFs in, 277-278 balanced budget rule, 289-291 Baumol's cost disease, 89-90 booms and busts, in Arab region of commodities, 349-350 for oil, 355 in real estate, 12-13 business cycles, GVAR models for, 17-18

CAB. See cyclically-adjusted balance CBC. See Central Bank of Chile CCEMG estimator. See Common Correlated Effects Mean Group estimator Central Bank of Chile (CBC), 232, 242, 250-251, 259 EXRs and, 318-319



462 Index

Chile, fiscal policy institutions in, 230–266. <i>See also</i> fiscal committees	Copper Revenue Compensation Fund (CRCF), 258–259
Advisory Committee for the Reference	countercyclical fiscal policy, 8-9, 42
Copper Price (ACRCP), 241–243,	reforms for, 360–364
249–250, 264–265	CPA. See Comprehensive Peace Agreement
Advisory Committee for Trend GDP	CRCF. See Copper Revenue Compensation
(ACTG), 241–243, 248–249, 264	Fund
Advisory Financial Committee for Fiscal	credit growth, 12–13
Responsibility (AFCFRF), 241–243	cyclically-adjusted balance (CAB), in Chile,
budget accountability requirements, 236–239	250–252, 276–277
budget management practices, 232-233	debt overhang, xix, 3, 216
budget planning practices, 233-234	democracy
CAB in, 250–252, 276–277	economic growth and, 153
CBC, 232, 242, 250–251, 259	oil curse and, 152, 189-190
control and auditing of government	political checks and balances and, 194-196,
accounts, 239	212–213, 215
for copper prices, 244, 255	public sector wages and, 127
CRCF in, 258-259	resource curse and, 189-190
ESSF and, 232	resource rents and, 194-195
EXR regimes and, 314	RREs and, 189-190
fiscal councils, 240-241, 278-279	valuation of, 114
under Fiscal Responsibility Law of 2006,	depletion effects, 286-287
230–232, 234	development, economic. See also economic
fiscal rules for, 234-235, 243-258,	growth
276–277	in Dubai, 406
GDP growth and, 244, 255	export sophistication and, 50-53
institutional framework for, 230-243	oil curse and, 150
PRF and, 231-232	resource dependency and, 45
SWFs in, 231-232, 258-261	in RREs, 351-353
China	dictatorships. See also authoritarian regimes
GDP shocks in, MENA region influenced by,	resource curse under, 439
18, 34–37	diversification. See economic diversification
U.S. GDP shocks and, 31	domestic currencies. See currencies, domestic
clientelism, 107	Dubai, UAE
commodity booms, 349-350	economic development in, 406
commodity price volatility	economic diversification in, 98, 410
oil curse and, 189	oil curse and, 408-412
resource curse and, 189	Dutch Disease, 4
Common Correlated Effects Mean Group	in Algeria, 229
(CCEMG) estimator, 208–211	in Arab region, 229
Comprehensive Peace Agreement (CPA), 431	Engel's Law and, 83
conditional convergence hypothesis, for	exchange rate overvaluation, 3, 216-217,
economic growth, 197–198	346–348, 426–428
consumption	in GCC countries, 229
Engel's Law and, 89-94	investing in investing and, 299
excessive, 8, 323-325, 340, 367	in Kuwait, 229
resource curse as influence on, 349-350	oil curse and, 150, 191-192, 229, 380,
resource rents and, 350	428–430
U.S. oil consumption, 22	resource curse and, 343-349, 437
copper prices, 244, 255	in RREs, 228



Index 463

in Saudi Arabia, 229 TFP as measure of, 389-393 services sector influenced by, 348 transitional convergence hypothesis for, in Sudan, 444-445 197-198, 201-202 in UAE, 380 in UAE, 382-395 economic spillovers. See spillovers, economic econometric model, for economic growth, education economic growth and, 198 205-217 CCEMG estimator in, 208-211 in Saudi Arabia, 174-178 long-run growth determinants in, 210 in UAE, economic investment in, 98 low checks and balances and, 217 Egypt low democracy and, 217 economic diversification in, 49-50 economic development. See development, economic trade with EU, 23 public sector employment in, 107 economic economic diversification, 4, 12 EITI. See Extractive Industries Transparency in GCC countries, 346-348 HHI index for, 49-50 elites in MENA region, 49-50, 97-99 public sector employment and, influence on, oil curse and, 150 108-109 for oil-exporting countries, 47-48 regime change influenced by, 121 private sector employment and, 11-12 state security apparatus and, 114-116 public sector employment as part of, 11-12 employment. See also private sector employment; public sector RER overvaluation and, 71 resource curse and, 343-349 employment; wages and salaries in RPLA countries, 97-99 labor market policies for, in Saudi Arabia, of services sector, in Arab region, 84 160 - 161in Sudan, lack of, 426-430 oil curse and, 161-162 economic growth. See also econometric model, in UAE, demographics of, 386-387, 403 employment-to-population ratio, 164 for economic growth conditional convergence hypothesis for, Engel effects, services sector and, 90-91 197-198 Engel's Law, 83 democracy as influence on, 153 consumption and, 89-94 GDP and, 86 determinants of, 197-199, 201 external shocks and, 193-194, 199, 202-205 rents influenced by, 89-94 financial integration in world markets and, services sector and, 89-94 equilibrium RER (ERER), 55, 57-59 in GCC countries, integration strategies for, 22 computation methods for, 77-79 human capital formation and, 198 ESSF. See Economic and Social Stabilization institutional influences on, 198-199, 202 Fund international trade openness and, 198 EU. See European Union in oil-rich countries, 151-152 Euro Area block. See also specific countries political checks and balances and, 194-196 GDP shocks in, MENA region influenced by, public services and, 198-199 32 - 34GVAR model for, 19-20 resource curse and, 203 resource rents and, 190, 197-213 European Union (EU) in RREs, 2, 188, 228 economic integration in, GCC countries stabilization policies for, 199, 202 influenced by, 22 structural policies as influence on, 198-199, economic trade within Maghreb region, 23 economic trade within Mashreq region, 23 in Sudan, 49-50, 443-445 fiscal councils in, 240-241 in Sudan, oil dependency as influence on, excessive borrowing, resource curse and, 443-445 340 - 342



464 Index

exchange rate (EXR) regimes, 4, 55-56, 70 commodity revenue volatility, 189 in Arab region, 303-309, 343-345 countercyclical fiscal policy, 8-9, 42, CBC and, 318-319 360-364 in Chile, 314 economic policies set by, 13 Dutch Disease, 3, 216-217, 346-348, 426-428 fiscal rules, 234-235 ACRCP growth projections, 249-250 equilibrium outcomes for, 317-318, 344 exchange rate overvaluation, 3, 216-217, ACTG growth projections under, 344, 346-348, 426-428, 451 248-249 fixed, 312 adoption of, 276-277 flexible, 307-308, 312 budget performance under, 246-255 labor markets and, 311-315 CAB and, in Chile, 250-252, 276-277 OCA, 308-309 changes to, 246-255 pegged, 307-308 in Chile, 234-235, 243-258, 276-277 resource curse and, 343-345 elasticities of, 246 in RRLA countries, 303-309 evaluation of, 255-258 in RRLI countries, 303-309 in GCC countries, adoption of, 363-364 in Sudan, 451-452 in Germany, 235 theoretical framework for, 311-312 implementation of, 246-255 in UAE, 395-396, 401 macroeconomic impact of, 255-258 export concentration in Norway, 268-270 in Arab region, 49-50 permanent-income approach for, 243 export performance and, 67 policy objectives for, 243-246 export diversification, 49-50, 97-99 for resource rents, 10-11 in Arab region, 304 in Sweden, 235 export instability theory, 437 in UAE, 399-400 in U.K., 235 export performance empirical model of, 61-69 for oil exporting countries, 274-279 EXPY and, 66 for oil-rich countries, 274-279 HP-gap RER undervaluation and, 69 reform of, 9 manufacturing exports and, 64-65 revenue smoothing, 294, 363 oil rents as influence on, 63 in RREs, 228-229, 274-279 RER undervaluation and, 63-66 structural budget balance, 11, 363, 400 resource rents and, 64-66 fiscal policy. See also Chile, fiscal policy export sophistication (EXPY), 50-53 institutions in export performance and, 66 countercyclical, 8-9, 42, 360-364 for oil-exporting nations, 62 domestic institutions for, 13 EXR regimes. See exchange rate regimes in oil-rich countries, in Arab region, external shocks. See macroeconomic shocks 226-230 extraction effect, 287 pro-cyclical, 157, 227, 396-400 Extractive Industries Transparency Initiative in RREs, 226-230 (EITI), 9, 11, 360 transparency of, 365 Fiscal Responsibility Law of 2006, in Chile, 230-232, 234 FDI. See foreign direct investment fiscal committees, in Chile, 239-243 fiscal responsibility laws, 230-231 ACRCP, 241-243, 249-250, 264-265 fiscal revenues, in Arab region, 330-334 ACTG, 241-243, 248-249, 264 fiscal rules, 234-235 establishment of, 278-279 ACRCP growth projections, 249-250 forecasts by, 251 ACTG growth projections under, 248-249 fiscal councils, 240-241, 278-279 adoption of, 276-277

fiscal institutions, 4

in Arab region, 274-279

budget performance under, 246-255

CAB and, in Chile, 250-252, 276-277



Index 465

changes to, 246-255 in Chile, 234-235, 243-258, 276-277 elasticities of, 246 evaluation of, 255-258 in GCC countries, adoption of, 363-364 in Germany, 235 implementation of, 246-255 macroeconomic impact of, 255-258 in Norway, 268-270 permanent-income approach for, 243 policy objectives for, 243-246 for resource rents, 10-11 in Sweden, 235 in UAE, 399-400 in U.K., 235 fiscal transparency, 11, 365 foreign aid, RER and, 56 foreign direct investment (FDI), in MENA region, 37-39 foreign labor, in Saudi Arabia, 160 game theory basic model of, 108-113 data for, 118-131 hypothesis testing in, 126-129 in imperfect state repression models, 131-137 in perfect state repression models, 136-137 for public sector employment, 108-118 robustness checks in, 129-131 with state repression models, 113-118 GCC. See Gulf Cooperation Council countries GDP. See gross domestic product global macroeconomic modeling, 18-27 Global Vector Autoregression (GVAR) model for business cycle linkages, 17-18 data measurement errors in, 28 domestic variables in, 20-21 economic spillovers in, 27-41 for Euro Area block, 19-20 foreign variables in, 21 for GCC countries, 17-18 global variables in, 22 inward spillovers in, 27-37 macroeconomic modeling for, 18-27 for Maghreb region, 17 for Mashreq region, 17 for MENA region, 16-27 methodology for, 17-18 model specifications, by country, 26-27 nations and regions in, 19 for OPEC members, 18-19

Government Pension Fund, 271-274 Government Pension Fund Global (GPFG), 271-274 Government Pension Fund Norway (GPFN), 271 - 274Government Petroleum Fund (GPF), 266-267, 271-274 government sector employment in Saudi Arabia, 170, 172-174 wages and salaries for, 175, 179 government-related entities (GREs), 404-405 GPF. See Government Petroleum Fund GPFG. See Government Pension Fund Global GPFN. See Government Pension Fund Norway GREs. See government-related entities gross domestic product (GDP) in Arab region, 342 in Chile, fiscal policy framework for, 244, Chinese shocks, 18, 34-37 Engel's Law and, 86 EU shocks, 32-34 in GCC countries, trade ratio with, 104-107 oil price volatility and, 2-3, 10-11 in oil-rich countries, trade ratio with, 104-107 resource rents and, 91-92 in RREs, 342 of services sector in Arab region, 84, 93-94 in UAE, 384, 409 U.S. shocks, 28-31 growth, 4. See also economic growth in oil-rich countries, 151-152 growth models. See augmented growth model Gulf Cooperation Council (GCC) countries, 1-2. See also Bahrain; Kuwait; Oman; Qatar; Saudi Arabia; United Arab Emirates asset investment in, 296-299 composition of exports for, 159 counter-cyclical fiscal policy reforms in, 360-364 currencies pegged to U.S. dollar, 150 Dutch Disease in, 229 economic diversification in, 346-348 economic integration in, 22 fiscal rules in, adoption of, 363-364 labor markets in, 345-346 MENA region and, 16 migrant workers in, 99, 118 monetary policies in, 150



466 Index

Gulf Cooperation Council (GCC) countries institutions. See also Chile, fiscal policy institutions in; fiscal institutions; national oil funds in, 154-156 Norway, fiscal policy institutions in natural gas reserves and production in, domestic, fiscal policy influenced by, 13 economic growth influenced by, 198-199, 202 325-327 natural resource endowments in, 325 oil curse and, 151-158, 380-381 need for economic diversification in, 11-12 in oil exporting countries, 274-279 oil endowments in, 149-150 resource curse as institutional curse, 323, oil price cycles and, 3-4 334-339, 365-368 oil production in, 22, 325-327 in RREs, 228-229, 274-279 oil reserves in, 325-327 in Sudan, 229-230 private investment in, 297-299 weak, 46, 152-156 public investment in, 297-299 integrated budget rule, 289 public sector employment in, 104-107 International Budget Partnership, 237 rent comparisons among, 3, 118 international business cycles, 17 resource rents and, 327-329 intertemporal commitments. See political resource revenue investment by, 296-297 checks and balances revenue price volatility and, 10-11 investing in investing, 10, 297-299 savings policies for, 288-292 investment strategies, 4 services sector in, 84 Dutch Disease and, 299 SWFs in, 362-363 in oil-rich countries, 13 trade/GDP ratios in, 104-107 resource rents and, 13-14, 350 volatility of government revenues in, with SDF, 10 management of, 292-295 SWF and, 13 wages per capita in, 118 IP. See industrial policy GVAR model. See Global Vector Iran, 23 Autoregression model Iraq, services sector in, 99 Italy, 19-20 Herfindahl-Hirschman index (HHI), 49-50 for oil exporters, 62 Iordan HP-gap RER, 69 economic trade with EU, 23 human capital. See also education public sector employment in, 107 economic growth and, 198 as resource-poor country, 88-89 oil curse and, 381 in UAE, 390 kafala system, 393-395, 414-415 hydrocarbon-dependency. See also resource Kuwait, 19-20 dependency Dutch Disease in, 229 in Arab countries, 45, 229-230, migrant worker population in, 118 330-334 national oil funds in, 154-156 oil production in, 22, 325-327 imperfect state repression models, 131-137 oil reserves in, 325-327 endogenous probability in, 133-135 public sector employment in, 107 regime change and, 134 services sector in, 99 impulse responses, 31-32, 41 SWFs in, 277-278 income inequality, in Saudi Arabia, 157-158 incomes. See also income inequality; oil labor force participation incomes defined, 164 defined, 378 in Saudi Arabia, 164-166, 168 industrial policy (IP), 12 labor markets. See also government sector inefficient specialization hypothesis, 192-193 employment; private sector inflation, in UAE, 405 employment; public sector employment



Index 467

in Arab region, heterogeneity of, 311-313, EU and, as economic trade partner, 23 315-316 GVAR model for, 17 economic shocks and, 312-313 manufacturing, 49-50 employment-to-population ratio, 164 in Arab region, 346 expatriate workers, 302, 306, 309, 345-346 export performance and, 64-65 in RREs, 346 EXR regimes and, 311-315 in GCC countries, 345-346 manufacturing value added (MVA), 50 heterogeneity of, 311-313, 315-316 Mashreq region. See also Egypt; Jordan; Syria economic trade with EU, 23 under kafala system, 393-395, 414-415 national labor force, 312 GCAR model for, 17 oil curse and, 151, 158-162, 181-183 Mauritania, economic trade with EU, 23 MENA oil exporters (MENAEX), 39-41 patronage and, 109-110 microeconomic regulations, in services sector, population demographics as influence on, 158-160 95-97, 100 reservation wage, 160 Middle East. See also Arab region; Gulf resource curse and, 324 Cooperation Council countries; in RRLA countries, 302, 306 Middle-Income Middle East States; in RRLI countries, 302, 306 oil-rich countries in Saudi Arabia, 151, 162-176 authoritarian regimes in, 113-118 segmentation of, 108-118, 324 public sector employment models in, in UAE, 387-389 108-118 unemployment rate, 150, 162-176 Middle East and North Africa (MENA) region. LDCs. See less developing countries See also specific countries Chinese GDP shocks as influence on, 18, League of Arab States, 1 Lebanon, services sector in, 99 34 - 37less developing countries (LDCs), 435-437 economic diversification in, 49-50, 97-99 economic spillovers in, 27-41 economic trade with EU, 23 EU GDP shocks as influence on, 32-34 services sector in, 99 FDI in, 37-39 GCC countries and, 16 SWFs in, 277-278 linkage theory, for resource curse, 436 GVAR model for, 16-27 low democracy, 217 industrial performance in, 51 low political checks and balances, 217 MENAEX, 39-41 mining sector in, 88-89 RPLA countries in, 97-99 macroeconomic modeling, 17. See also augmented growth model trade weights in, 23-26 global, 18-27 U.S. GDP shocks as influence on, 28-31 for GVAR, 18-27 Middle-Income Middle East States (MIMES), macroeconomic shocks 284-285 in China, 18, 34-37 asset investment in, 296-299 economic growth and, 193-194, 199, OECD countries compared to, 285 202-205 permanent incomes in, 285-286 in Euro Area block, MENA region private investment in, 297-299 influenced by, 32-34 public investment in, 297-299 labor markets and, 312-313 resource revenue investment by, 296-297 social conflicts and, 194 savings policies in, 285-295 in UAE, 396-400, 405-407 volatility of government revenues in, in U.S., 28-31 management of, 292-295 Maghreb region. See also Algeria; Libya; migrant workers, in GCC countries, 99, 118 MIMES. See Middle-Income Middle East States Mauritania; Morocco; Tunisia China and, as economic trade partner, 23 mining sector, in MENA region, 88-89



468 Index

Morocco	economic development and, 150
economic trade with EU, 23	economic diversification and, 150
as resource-poor country, 88-89	economic volatility, 203-204, 323-325, 380
MVA. See manufacturing value added	employment and, 161-162
	employment policies and, 160-161
national oil funds, 154-156	excessive borrowing, 340-342
National Resource Charter (NRC), 9, 360	excessive consumption, 8, 323-325, 340, 367
fiscal transparency and, 11	human capital and, 381
natural gas reserves, production and, in GCC	income inequality and, 157-158
countries, 325–327	inefficient specialization hypothesis for,
natural resource curse. See resource curse	192–193
NBIM. See Norges Bank Investment	institutions and, 151-158, 380-381
Management	kafala system and, 393–395, 414–415
neoclassical growth theory, 436-437	labor markets and, 151, 158-162, 181-183
non-tradable services, 100	Norway and, avoidance strategies for, 412
Norges Bank Investment Management	oil price volatility and, 150, 192
(NBIM), 272	oil prices and, 2, 189
Norway, fiscal policy institutions in, 266–274	patronage and, 109–110
economic growth under, 270	physical capital and, 381
fiscal rules, 268–270	political checks and balances, 194-196,
government budget performance and, 270-271	212–215, 217
Government Pension Fund in, 271-274	political economy of, 191
Government Petroleum Fund and, 266-267,	political stability, 336–337, 404
271–274	private sector employment and, 150
GPFG in, 271–274	public sector employment and, 156-157
GPFN in, 271–274	rent transfers and, 156–157
institutional framework for, 266–268	RER and, 191–192
NBIM and, 272	resource rents and, 151, 188
objectives of, 267–268	for Saudi Arabia, 157–162
SWFs in, 253–268, 271–274	status quo and, 153
NRC. See National Resource Charter	as theory, development of, 191–196, 323–325, 435–440
OCA. See Optimum Currency Area	in UAE, 377-382, 408-414
OECD countries. See Organisation for	unemployment and, 150
Economic Co-operation and	voracity effect, 335-336
Development countries	in Yemen, 229–230
oil, production of	oil cycles, 12–13
commodity price volatility influenced by, 41	causality testing for, 449
in GCC countries, 22, 325-327	forecast error variance for, 450
in Sudan, development history for, 422-424	in Sudan, fiscal response to, 447-450
in UAE, 22, 325-327, 374	oil dependency. See resource dependency
for U.S. consumption, 22	oil endowments
oil booms, 355	in GCC countries, 149-150
oil curse. See also resource curse	in Saudi Arabia, 149-150
causes of, 413	sustainability of, 157-158
commodity price volatility, 189	welfare spending and, 159
democracy and, 189-190	oil exporters. See also Gulf Cooperation
democratic regimes and, 152	Council countries; Organization of the
in Dubai, 408-412	Petroleum Exporting Countries
Dutch Disease and, 150, 191-192, 229, 380,	economic diversification for, 47-48
428-430	empirical performance model for, 61-69



Index 469

EXPY for, 62 Organisation for Economic Co-operation and fiscal institutions for, 274-279 Development (OECD) countries, 285 HHI for, 62 Organization of the Petroleum Exporting oil-dependent economies for, 47-53 Countries (OPEC), 1 public sector employment and, 106 GVAR model for, 18-19 RER undervaluation and, 57-61 UAE as, 382-395 Pan Arab Free Trade Agreement (PAFTA), 95 oil incomes, 149-150 patronage, political, 109-110 PEFA framework. See Public Expenditure and endowment effect and, 159-160 national oil funds and, 154-156 Financial Accountability framework in Nigeria, redistribution of, 153-154 pegged EXR regimes, 307-308 sustainability of, 157-158 Pension Reserve Fund (PRF), 231-232 tax schemes for, 154 perfect state repression models, 136-137 permanent incomes, 285-286 oil prices GCC and, 3-4 PFM system. See Public Financial Management GDP and, 2-3 system in Nigeria, 192 physical integrity rights, 120 oil curse and, 2, 150, 189, 192 political checks and balances resource curse and, 189 democracy and, 194-196, 212-213, 215 SWF and, 10-11 low, 217 in UAE, 400-407 resource curse and, 214 in Venezuela 192 political economy, 13-14, 104. See also volatility of, 2-3, 10-11, 150, 192 government sector employment; public sector employment export performance influenced by, 63 of oil curse, 191 in Sudan, 229-230, 452-455 political patronage. See patronage, political in UAE, 395-407 populous group countries. See also Algeria; Arab region; Sudan; Syria; Yemen oil reserves, in GCC countries, 325-327 oil rights, auctioning of, 193 resource curse in, 323, 365-368 oil wealth, 4, 45, 150, 153, 160-161, 253-268, PRF. See Pension Reserve Fund 336, 358, 383-384 private sector employment economic diversification and, 11-12 oil-rich countries. See also Gulf Cooperation Council countries; Organization of the oil curse and, 150 Petroleum Exporting Countries; in Saudi Arabia, 158, 169-172 specific countries wages and salaries for, 118-119, 169-173 Dutch Disease in, 229 pro-cyclical fiscal policy, 157, 227 fiscal indicators in, 276 in UAE, 396-400 fiscal institutions for, 274-279 product spaces (PS), 12 fiscal policies in, 226-230 Public Expenditure and Financial growth in, 151-152 Accountability (PEFA) framework, 441 investment strategies in, 13 Public Financial Management (PFM) system, monetary policies in, 150 441 public procurement, 365 public sector wages in, 104-108 rent distribution in, 13-14 public sector employment resource curse in, 226-227 in Arab region, 82-83 trade/GDP ratios in, 104-107 under authoritarian regimes, 106, 113-118 clientelism and, 104-107 OPEC. See Organization of the Petroleum democracy as influence on wages, 127 **Exporting Countries** open economies, 129-131 in economic diversification, 11-12 elites and, 108-109 optimal savings rule, 291 Optimum Currency Area (OCA), 308-309 in GCC countries, 104-107



470 Index

public sector employment (cont.) authoritarian, 106, 113-118, 120-121 hypothesis testing for, 126-129 remittances, 37-39 in Middle East, 108-118 rent distribution, in oil-rich countries, 13-14 for migrant workers, 99, 118 rent transfers oil curse and, 156-157 oil curse and, 156-157 in oil-rich countries, wages for, 104-108 resource curse and, 337-338 open economies and, 129-131 rentier states, 8, 336-337, 438 political patronage and, 109-110 rents. See also resource rents distribution of, 3, 13-14 reservation wage and, 160 resource rents and, 107, 142-146 Engel's Law as influence on, 89-94 in RREs, 107, 118-120 in GCC countries, 3, 118 in Saudi Arabia, 158 RER. See real exchange rates state repression and, 106, 113-118 reservation wage, 160 theoretical model for, 108-118 resource curse, 2-4, 188-191. See also oil curse contagion channel of, 203-204 trade openness and, 129-131 wages for, 104-108, 118-119, 128, 130 counter-cyclical fiscal policy reforms and, public services, economic growth and, 198-199 360-364 democracy and, 189-190 under dictatorships, 439 Qatar, 19-20 migrant worker population in, 118 Dutch Disease and, 343-349, 437 oil production in, 22 economic diversification and, 343-349 SWFs in, 277-278 economic growth and, 203 economic variables for, 368-369 real estate, 100 economic volatility and, 340-342 Real Estate Development Fund, 178 excessive borrowing and, 340-342 real exchange rates (RER) excessive consumption and, 349-350 appreciation, 56-57 export instability theory and, 437 assessment of, 45-46 EXRs and, 343-345 by country, 74-77 fiscal linkages in, 436 depreciation, 56-57 fiscal policy transparency and, 365 economic diversification and, 71 heterogeneity of, 212-217 empirical model of, 55-61 hypothesis testing for, 353-359 ERER, 55, 57-59, 77-79 as institutional curse, 323, 334-339, 365-368 estimation methods, 55-56, 71 institutional reform as answer to, 359-365 export performance and, 63 labor market segmentation and, 324 foreign aid and, 56 linkage theory for, 436 HP-gap, 69 macroeconomic manifestations of, 324, long-run determinants of, 64-65 340-350 methodology of, 440-443 misalignment series for, 70, 77-79 oil curse and, 191-192 modernization effects of, 339 regression analysis variables for, 72-73 neoclassical growth theory and, 436-437 resource rents and, 55 oil prices and, 189 short-run determinants of, 64-65 political checks and balances and, 214 undervaluation of, 46-47, 57-61, 63-67 poor political institutions and, 358 regime change in populous group countries, 323, 365-368 as collective action, 134 public procurement transparency and, 365 elites' influence on, 121 public spending efficiency reforms and, 364-365 imperfect state repression models and, 134 probability variables for, 121-123, 125, 146 rent transfers and, 337-338 resource rents and, 122-124 rentier states and, 336-337, 438 regimes. See also exchange rate regimes resource rents and, 213



Index 471

in RREs, 226-227 contract-based services in, 97-99 in Sudan, 440-443 economic diversification in, 97-99 as theory, development of, 191-196, in MENA region, 97-99 323-325, 435-440 services sector in, 84 violence and, 338-339 resource-rich economies (RREs). See also Chile; voracity effect in, 335-336 Gulf Cooperation Council countries; resource dependency, 1-2. See also resource-Norway; oil curse; oil-rich countries; dependent countries resource curse in Arab region, 329 in Arab region, 1-2, 229-230, 325-334 economic development and, 45 authoritarian regimes and, 120-121 in Sudan, 49-50, 424-428, 443-445, democracy in, 189-190 455-456 Dutch Disease in, 228 resource depletion economic growth in, 2, 188, 228 depletion effects, 286-287 economic policy failures in, 2-3 extraction effects in, 287 economic volatility in, 340-342 permanent income frameworks for, 285-286 excessive borrowing in, 340-342 in savings policies, 285-292 financial development in, 351-353 resource extraction industries, 174 fiscal policies in, 226-230 resource management, 9, 152, 339, 359-360 fiscal pro-cyclicality in, 227 resource rents, 3-4 government revenues and expenditures in, clientelism and, 107 338 defining methodology for, 194-195 long-term GDP growth in, 342 democracy and, 194-195 macroeconomic volatility in, 228 economic growth influenced by, 190, manufacturing in, 346 197-213 open economies in, 129-131 overview of, 325-334 export concentration and, 67 export performance and, 64-66 permanent incomes in, 285-286 fiscal rules for, 10-11 political and fiscal institutions in, 228-229, in GCC countries, 327-329 274-279 GDP percentages and, 91-92 political checks and balances in, 194-196 global averages for, 378 public sector employment in, 105, 107, government consumption and, 350 118 - 120investment and, 13-14, 350 resource curse in, 226-227 investment strategies with, 13-14 resource rents in, 3, 226-227 from natural resources, 82-83 resource-price reversals in, 227 oil curse and, 151, 188 savings policies in, 285-295 public sector employment and, 107, 142-146 services sector in, 100-101 regime change and, 122-124 sustainability of, 227 RER and, 55 SWFs in, 277-278 resource curse and, 213 wages in, for public sector employment, 105 in RREs, 3, 226-227 resource-rich labor-abundant (RRLA) services sector and, 91-94 countries. See also Sudan in UAE, 375, 378-379 Algeria, 32-33, 49-50, 107, 229, 277-278, 325-327 wages and, by country, 142-146 resource-dependent countries, 118, 137. See economic structure of, 303-305 also Sudan export diversification in, 304 authoritarian regimes and, 120-121 EXR regimes in, 303-309 public sector employment in, 107, 118-120 fixed EXR regimes in, 312 wages in, for public sector employment, 105 labor markets in, 302, 306 resource-poor labor-abundant (RPLA) natural resource abundance in, 304 countries. See also Rwanda pegged EXR regimes in, 308



472 Index

resource-rich labor-abundant (RRLA) private sector employment in, 158, 169-172 countries (cont.) public sector employment in, 158 selected economic indicators for, 305 Royal Decrees of 2011, 161-162, 176-180, Syria, 23, 33, 99 183-184 Yemen, 229-230 SAR, 178-180 resource-rich labor-importing (RRLI) unemployment rates in, 166-169 Saudi Arabia Monetary Agency (SAMA), countries economic structure of, 303-305 154-155, 179 export diversification in, 304 Saudi Credit and Savings Bank (SAR), 178-180 EXR regimes in, 303-309 savings policies flexible EXR regimes in, 312 asset investment, 296-299 labor markets in, 302, 306 balanced budget rule for, 289-291 natural resource abundance in, 304 complexity of, 287-288 pegged EXR regimes in, 308 depletion effects, 286-287 selected economic indicators for, 305 extraction effects and, 287 RPLA countries. See resource-poor for GCC countries, 288-292 implications for rules of, 288-292 labor-abundant countries RREs. See resource-rich economies integrated budget rules for, 289 RRLA countries. See resource-rich offsetting depletion principles, 285-292 labor-abundant countries optimal savings rule, 291 RRLI countries. See resource-rich for resource-rich countries, 285-295 volatility management as part of, 292-295 labor-importing countries SDF. See Sovereign Development Fund salaries. See wages and salaries services sector, in Arab region SAMA. See Saudi Arabia Monetary Agency determinants of, 94 SAR. See Saudi Credit and Savings Bank Dutch Disease as influence on, 348 Saudi Arabia, 19-20 economic diversification of, 84-89 demographics, 162-169 economic growth of, 84-85 Dutch Disease in, 229 Engel effects and, 90-91 economic indicators, 155 Engel's Law and, 89-94 educational profile of, 174-178 in GCC countries, 84 employment policies in, 160-161 GDP and, 84, 93-94 employment wages and salaries in, 169-174 in Iraq, 99 employment-to-population ratio in, 164 in Kuwait, 99 endowment effect in, 159-160 in Lebanon, 99 fiscal indicators, 156 in Libya, 99 foreign labor in, 160 microeconomic regulations in, 95-97, 100 government sector employment in, 170, migrant workers for, 99 non-tradable, 100 172 - 174income inequality in, 157-158 public, 198-199 labor force participation in, 164-166, 168 real estate in, 100 labor markets in, 151, 162-176 resource rents and, 91-94 migrant worker population in, 118 in RPLA countries, 84 non-hydrocarbon exports, 159 in RREs, 100-101 non-Saudi unemployment rates in, 166-169 STRI calculations for, 95-96 oil curse for, 157-162 in Syria, 99 oil endowments in, 149-150 trade performance of, 84-85 in UAE, 99 oil production in, 22, 325-327 oil reserves in, 325-327 services trade restrictiveness index (STRI), population, 162 95-96

shocks. See macroeconomic shocks

population demographics in, 158-160



Index 473

social capital, in UAE, 375, 382	economic growth in, oil dependency as
social security funds, 154	influence on, 49-50, 443-445
South Sudan, 422	economic performance in, historical
Sovereign Development Fund (SDF), 10, 364	development of, 424-435
investment strategies with, 10	EXR regime in, 451-452
public spending and, 364-365	fiscal and political institutions in, 229-230
sovereign wealth funds (SWF), 10, 236	fiscal management challenges in, 445
adoption of, 277-278	government budget allocations in, by
in Chile, 231-232, 258-261	spending category, 453
Economic and Social Stabilization Fund, 232	government expenditures in, 430-432
Economic and Social Stabilization Fund	lack of economic diversification in, 426-430
(ESSF), 232	oil cycle in, fiscal response to, 447-450
in GCC countries, 362-363	oil dependency in, 49-50, 424-428, 443-445,
government assets, 236, 244, 258-261	455–456
Government Pension Fund, 271–274	oil production in, development history for,
Government Petroleum Fund, 266-267,	422–424
271–274	oil rents in, 229-230, 452-455
GPFG, 271-274	resource curse hypothesis for, 440-443
GPFN, 271-274	security expenditures in, 454–455
investment strategies and, 13	sustainability, 9
liability management, 236	of fiscal policy, in RREs, 227
net foreign assets of, 258–261	of oil endowments, 157–158
in Norway, 253–268, 271–274	of oil incomes, 157-158
oil price volatility, 10–11	of RREs, 227
PRF, 231–232	of wages and salaries, 157-158
in RREs, 277-278	Sweden, fiscal rules in, 235
U.S. returns on, 262	SWF. See sovereign wealth funds
spillovers, economic	Syria
FDI and, 37-39	economic trade with EU, 23
in GVAR model, 27-41	EU GDP shocks as influence on, 33
inward, 27-37	services sector in, 99
in MENA region, 27-41	
outward, 37–41	tax schemes, for oil incomes, 154
state repression models. See also authoritarian	total factor productivity (TFP), 389-393
regimes	trade, economic
game theory and, 113-118	in Maghreb region, 23
for imperfect state repression, 131-137	in Mashreq region, 23
for perfect state repression, 136-137	in MENA region, 23-26
public sector employment and, 106, 113-118	openness of, public sector employment as
state security apparatus	influence on, 129-131
under authoritarian regimes, 113-118	trade openness
elites and, 114-116	economic growth and, 198
with imperfect state repression, 131-137	public sector employment as influence on,
STRI. See services trade restrictiveness index	129–131
Sudan	transitional convergence hypothesis, for
budget credibility in, 445-446	economic growth, 197-198, 201-202
Comprehensive Peace Agreement, 431	transparency. See fiscal transparency
CPA in, 431	Tunisia
decline of cotton industry in, 426-430	economic diversification in, 49-50
Dutch Disease in, 444-445	economic trade with EU, 23
economic diversification in, 49-50	as resource-poor country, 88-89



474 Index

resource rents in, 375, 378-379 UAE. See United Arab Emirates U.K. See United Kingdom services sector in, 99 undervaluation, of RER, 46-47, 57-61, 63-67 social capital in, 375, 382 HP-gap, 69 SWFs in, 277-278 unemployment TFP in, 389-393 oil curse and, 150 United Kingdom (U.K.), fiscal rules in, 235 in Saudi Arabia, 166-169 United States (U.S.) Saudi labor markets and, 162-176 GDP shocks, 28-31 United Arab Emirates (UAE), 19-20. See also GVAR model for, 26-27 Abu Dhabi; Dubai monetary policies in, 150 Ajman, 409-410 oil consumption by, 22 annual wages in, 402 returns of SWFs, 262 currency overvaluation in, 400-405 currency union efforts in, 396 value-added exports, 329-331 Dutch Disease in, 380 Venezuela, oil price volatility in, 192 economic diversification in, 49-50, 98 vertical public policy, 12 economic growth and productivity in, volatility, of government revenues. See also commodity price volatility 382-395 in GCC countries, 292-295 economic indicators for, by emirate, 408 employment in, demographics of, 386-387, inter-year, 293-295 intra-year, 292-293 403 expatriates in, 379 macroeconomic, of RREs, 228 EXR regime in, 395-396, 401 management of, in savings policies, 292-295 fiscal expenditures in, 400-405 in MIMES, 292-295 fiscal pro-cyclicality in, 396-400 of oil prices, 2-3, 10-11, 150, 192 fiscal rules in, 399-400 voracity effect, 335-336 foreign shocks in, 405-407 GDP growth rates in, 384, 409 wages and salaries GREs in, 404-405 democracy as influence on, 127 human capital in, 390 in GCC countries, 118 inflation in, 405 for government sector employment, 175, 179 investment in education in, 98 in oil-rich countries, 104-108 kafala system in, 393-395, 414-415 for private sector employment, 118-119, labor markets in, 387-389 169 - 173lack of monetary policy in, 405-407 for public sector employment, 104-108, locals in, 379 118-119, 128, 130 macroeconomic policies in, 395-407 in resource dependent countries, 105 migrant worker population in, 118 resource rents and, by country, 142-146 national oil funds in, 154-156 in RREs, 105 non-hydrocarbon exports, 159 in Saudi Arabia, 169-174 oil curse hypothesis for, 377-382, 413-414 sustainability of, 157-158 oil exports, 382-395 in UAE, 402 oil price shocks in, 396-400 wealth funds. See also sovereign wealth funds oil pricing for, 400-407 national oil funds, 154-156 oil production in, 22, 325-327, 374 social security funds, 154 oil rents in, 395-407 welfare spending, 8, 159, 180 oil reserves in, 325-327 overview of, 374-376 Yemen, oil curse in, 229-230