

## RESOURCE CURSE

**Abundance and growth***J. Int. Devel.* doi.org/ctgs (2018)

Credit: Yasuyoshi Chiba/AFP/Getty Images

An overabundance or overdevelopment of natural resources has been thought to have a negative impact on economic growth due to the outsized effects of those sectors on the rest of a nation's economy, for example through higher inflation. This concept has multiple names: 'Dutch disease', the 'resource curse' and the 'paradox of plenty'.

However, Halit Yanikkaya and Taner Turan at the Gebze Technical University, Turkey, re-examined the resource-curse hypothesis, looking at the effect of resource rents or dependencies (as a percentage of gross domestic product) upon per-capita GDP growth from the 1970s to the present. They found that for both developed and developing countries, natural resource abundance (for example, of minerals and fossil fuels) has a positive overall effect on economic growth. However, forest rents—as exemplified by logging and deforestation—have a negative pull, a relationship that exists for both developed and developing countries. The negative impact of forest rents on the economy is even larger if a nation is 'resource rich' (getting more than 5% of its GDP from extractive sectors), whereas oil and gas can lead to higher economic growth. The resource curse may not always be a curse: this finding could alter perceptions and policies towards extraction of natural resources for sustainable development.

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