

Natural Resource Economics

2020-21

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Course information

Course Website: <https://my.nes.ru>

Instructor's Office Hours: By appointment.

Room Number:

TAs:

Course description

It is hard to imagine how the global economy would have developed if mankind would not have access to natural resources. Non-renewable resources have been used as tools, weapons, jewelry and money for thousand of years. This course is designed to familiarize students with the role of natural resources in the global economy. To do that, students will first be exposed to a historical overview of the critical role exhaustible resources played in economic development over the last centuries. In the second part of the course students will be familiarized with the main determinants of demand and supply of exhaustible resources and, thus, commodity price fluctuations. In the third part of the course we will explore the interaction between natural resource wealth and economic development by focusing on the main issues facing resource rich economics. This will allow students to understand why some countries succeed while other countries fail to benefit from their resource wealth. Throughout the course we will use theoretical and empirical tools from a variety of subfields in economics such as international economics, development economics, labor economics, economic history and political economy. Due to Russia's role as an important player in global commodity markets and the importance of natural resources for Russia's economy, Russia will be employed as a case study whenever possible. Throughout the course, the main goal will be that after successfully completing the course students will be able to make informed decisions on economic issues related to natural resources. This will prepare students for advising firms in the private sector, international organizations and policy makers on issues such as the optimal timing of resource extraction, the local impacts of industrial and artisanal resource extraction, on the macro-management of resource wealth as well many others.

Course requirements, grading, and attendance policies

A successful completion of Microeconomics, Macroeconomics as well as Econometrics is necessary. The grade will be a combination of the final multiple choice exam (40%), an essay on self-selected topic related to natural resources using data which I may help to get (40%) and a short presentation (executive summary with discussion) of an academic paper (20%). Attendance is compulsory during the presentation, but voluntary otherwise.

Course outline

Historical Overview (Lecture 1 - 2)

Main reference:

Diamond, Jared. *Collapse: How societies choose to fail or succeed*. Penguin, 2005.

Yergin, Daniel. *The prize: The epic quest for oil, money & power*. Simon and Schuster, 2011.

Classical Economics of Natural Resources (Lecture 3 - 5)

Main reference:

Hotelling, Harold. "The economics of exhaustible resources." *Journal of Political Economy* 39, no. 2 (1931): 137-175.

Krautkraemer, Jeffrey A. "Nonrenewable resource scarcity." *Journal of Economic Literature* 36, no. 4 (1998): 2065-2107.

Kilian, Lutz. "Not all oil price shocks are alike: Disentangling demand and supply shocks in the crude oil market." *American Economic Review* 99, no. 3 (2009): 1053-69.

Perman, R., Ma, Y., Common, M., Maddison, D., & McGilvray, J. (2011). *Natural resource and environmental economics* (No. 333.7 N285n). Pearson.

Natural Resources and Economic Growth (Lecture 6)

Main reference:

Mehlum, Halvor, Karl Moene, and Ragnar Torvik. "Institutions and the resource curse." *The economic journal* 116, no. 508 (2006): 1-20.

Sachs, Jeffrey D., and Andrew M. Warner. "The curse of natural resources." *European Economic Review* 45, no. 4-6 (2001): 827-838.

Smith, Brock. "The resource curse exorcised: Evidence from a panel of countries." *Journal of Development Economics* 116 (2015): 57-73.

Micro and Macro Issues of Resource Booms and Busts (Lectures 7 - 9)

Main reference:

Aragón, Fernando M., and Juan Pablo Rud. "Natural resources and local communities: evidence from a Peruvian gold mine." *American Economic Journal: Economic Policy* 5, no. 2 (2013): 1-25.

Arezki, Rabah, Valerie A. Ramey, and Liugang Sheng. "News shocks in open economies: Evidence from giant oil discoveries." *The Quarterly Journal of Economics* 132, no. 1 (2017): 103-155.

Corden, W. Max, and J. Peter Neary. "Booming sector and de-industrialisation in a small open economy." *The Economic Journal* 92, no. 368 (1982): 825-848.

NEW ECONOMIC SCHOOL
Master of Arts in Economics

Harding, Torfinn, Radoslaw Radek Stefanski, and Gerhard Toews. "Boom goes the price: Giant resource discoveries and real exchange rate appreciation." forthcoming in the *The Economic Journal* (2020).

Rent Management (Lectures 10 - 11)

Main reference:

Hartwick, John M. [1977] "Intergenerational Equity and the Investment of Rents from Exhaustible Resources" *American Economic Review*, 67, December, pp. 972-74.

Van der Ploeg, Frederick, and Anthony J. Venables. "Natural resource wealth: The challenge of managing a windfall." (2011).

Political Economy Issues (Lectures 12- 13)

Main reference:

Berman, Nicolas, Mathieu Couttenier, Dominic Rohner, and Mathias Thoenig. "This mine is mine! How minerals fuel conflicts in Africa." *American Economic Review* 107, no. 6 (2017): 1564-1610.

Caselli, Francesco, and Guy Michaels. "Do oil windfalls improve living standards? Evidence from Brazil." *American Economic Journal: Applied Economics* 5, no. 1 (2013): 208-38.

Asher, Sam, and Paul Novosad. "Rent-seeking and criminal politicians: Evidence from mining booms." forthcoming in the *Review of Economics and Statistics* (2020).

Long-Run Consequences (Lectures 14)

Main reference:

Jacobsen, Grant D., and Dominic P. Parker. "The economic aftermath of resource booms: evidence from boomtowns in the American West." *The Economic Journal* 126, no. 593 (2016): 1092-1128.

Michaels, Guy. "The long term consequences of resource-based specialisation." *The Economic Journal* 121, no. 551 (2011): 31-57.

Course materials

Required textbooks and materials

Neither of the books is compulsory, but if you do not like these books, well, maybe you are picking the wrong option.

[1] Ross, Michael L. *The oil curse: how petroleum wealth shapes the development of nations*. Princeton University Press, 2012.

[2] Yergin, Daniel. *The prize: The epic quest for oil, money & power*. Simon and Schuster, 2011.

I think that you have written the perfect introductory text covering environmental and natural resource economics. The production is first-rate – very clear and uncluttered, excellent diagrams and examples, well thought out discussion questions and problems. A new chapter on water economics including analysis of water demand management, water pricing, and water privatization. Natural Resource economics is primarily about the monetization of nature’s resources – putting an economic value on those things of nature that have utility for humans. This is often difficult because we each live in our own environment and the things that are useful or desired by one person may be different from those of another. Natural resource economics deals with the supply, demand, and allocation of the Earth's natural resources. One main objective of natural resource economics is to better understand the role of natural resources in the economy in order to develop more sustainable methods of managing those resources to ensure their availability for future generations. Resource economists study interactions between economic and natural systems, with the goal of developing a sustainable and efficient economy. In: Natural Resource and Environmental Economics. 4th edition. Pearson Education. pp. 1–15. This reading is the introductory chapter to the textbook by Perman et al. It looks at the origins of natural resource economics and introduces some key concepts. You might want to revisit the discussion of efficiency and optimality after reading both Units 1 and 2 as you will find further clarification there. Section 2. v Perman, R., Ma, Y., Common, M., Maddison, D. & McGilvray, J. (2011) Natural Resource and Environmental Economics.