Neither a Blessing nor a Curse

Oil Rent as a Natural Resource Income for Development

Blas Regnault

Ph. D. candidate at The International Institute of Social Studies

Den Haag. The Netherlands

Abstract to be submitted as a paper for the consideration of the Fourth International Conference in Political Economy Committee. July 2013.

Keywords: International Oil Rent, Rent Capitalism, Non-Rent GDP, Mode of Production, Absolute Rent, Differential Rent, System of National Accounts, Income Distribution.

JEL Codes: E01; N16; N56; O13; P48; Q32

Research on Oil-Exporting Economies is usually based on a consensus between academic and policy makers: incomes from natural resources are temporary and shall cause a slow growth or a disease in the whole national economy. Indeed, both Neoclassical and New Keynesian perspectives always explain the presence of oil revenues as an obstacle for economic growth. They propose alternatives to avoid this temporary windfall in favour of a conventional process of development. However, those analyses are based on a miscomprehension of the Oil Rent as an historical and recurrent income from a non-produced factor of production in contexts dominated by the ownership of State over the subsoil. That is, the study of the model of development in oil countries must do the difference between oil as a productive activity (the oil industry) and oil as a source of rent (the state-owned natural resource).

In the last 40 years in Oil-Exporting Economies, Rent as a category that is not precisely capitalist and to a certain extent is contrary to this mode of production, has nevertheless played a central role in their model of development. Thus the Oil-Exporting economies may be defined by the term 'Rent Capitalism', an atypical process of development in which the international division of labour, combined with local economic conditions and growing international oil rent drive the creation of an internal market. This involves a capitalist system, but one in which the development has been historically differentiated by the role of the distribution of rent in driving national productive activity.

From this starting point the present paper develops a proposal for calculating the Non-Rent GDP (Conventional GDP minus Oil Rent) from 1970 to 2010 for Venezuela, United Arab Emirates and Norway as a proper indicator to understand the performance of oil-rich economies, using data available from national accounts statistics and other official sources. The production of oil is a very special case in which international differences in costs of production (deferential Rents) and also absolutes Rents are exceptional, thereby meriting special accounting treatment. The measure of Non-Rent GDP registered a rate of growth almost one percentage point above the rate of growth registered by conventionally measured. This calculation demonstrates the importance of Non-Rent GDP to correct conventionally measured GDP and its associated growth rate.

Once the Non-Rent GDP is calculated, the paper outlines a typology of development seeking a comparative comprehension of Oil Rent uses in each country. In this sense the typology shows how the historical and institutional conditions influenced the particular growth and development in Oil-Exporting Economies.

Blas Regnault: Sociologist from the Universidad Católica Andrés Bello (UCAB Caracas-Venezuela). Researcher in the Faculty of Economic and Social Sciences at UCAB and former Researcher at the Office of Economic Research of the Central Bank of Venezuela. Currently he is working on a typology of economic development in Oil-Exporting Economies. regnault@iss.nl .