Intra-Country Wealth Transfers' Effect on Economic Stability

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INTRODUCTION

Many countries with a surplus of natural resources struggle to maintain economic stability due to mismanagement of wealth. So how can these countries improve the management of their natural resource wealth? My project seeks to determine which type of wealth transfer, fiscal or direct, is more effective at generating stability.

RESEARCH METHODOLOGIES

My process of choosing countries to analyze was to identify economically unstable countries with a surplus of natural resources. After creating that list, I narrowed it down to countries with natural resource wealth transfer agreements and categorized these agreements into two groups: fiscal transfers and direct transfers.

Data ten years prior to and after the agreement was collected on each country's household consumption, unemployment rate, GDP per capita, corruption perception rank, human development index, general government final consumption, and GDI.

The trends in the fiscal and direct countries were compared to determine which method of wealth distribution is most effective.

DATA AND FINIDNGS

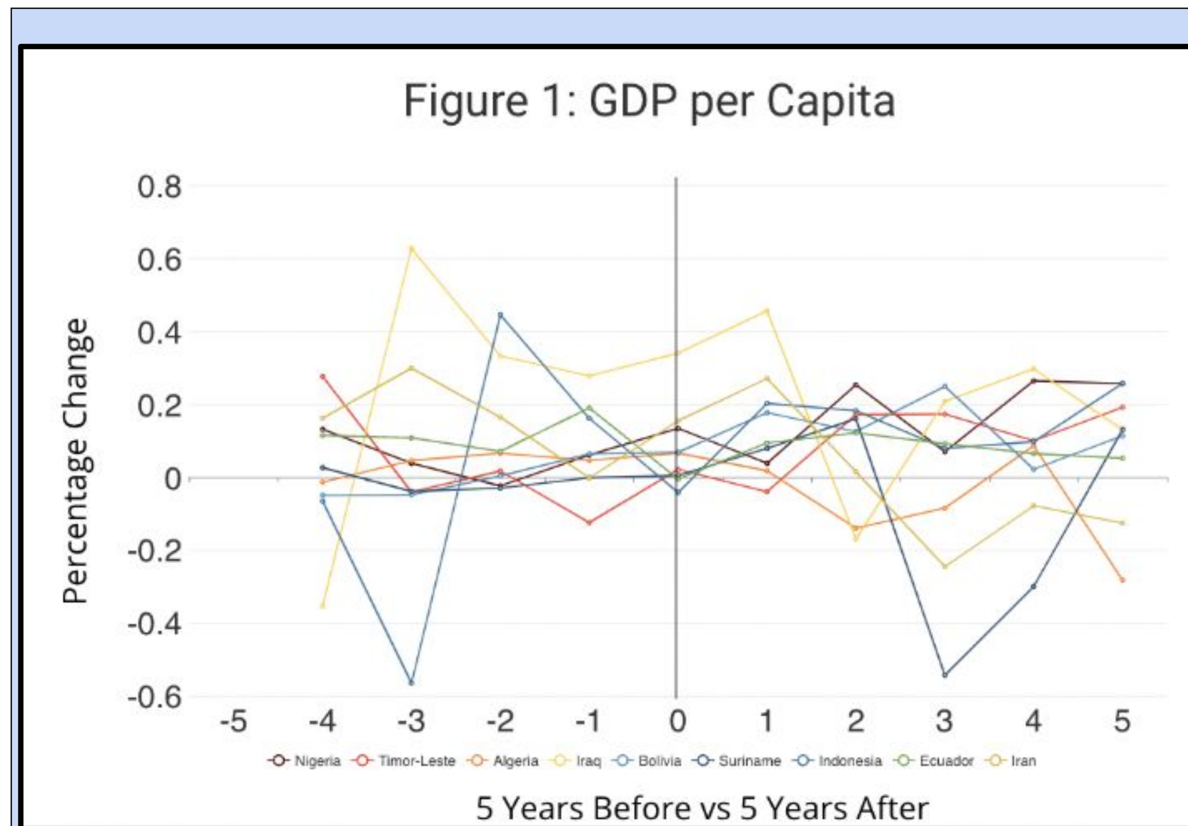

Figure 1: GDP per Capita

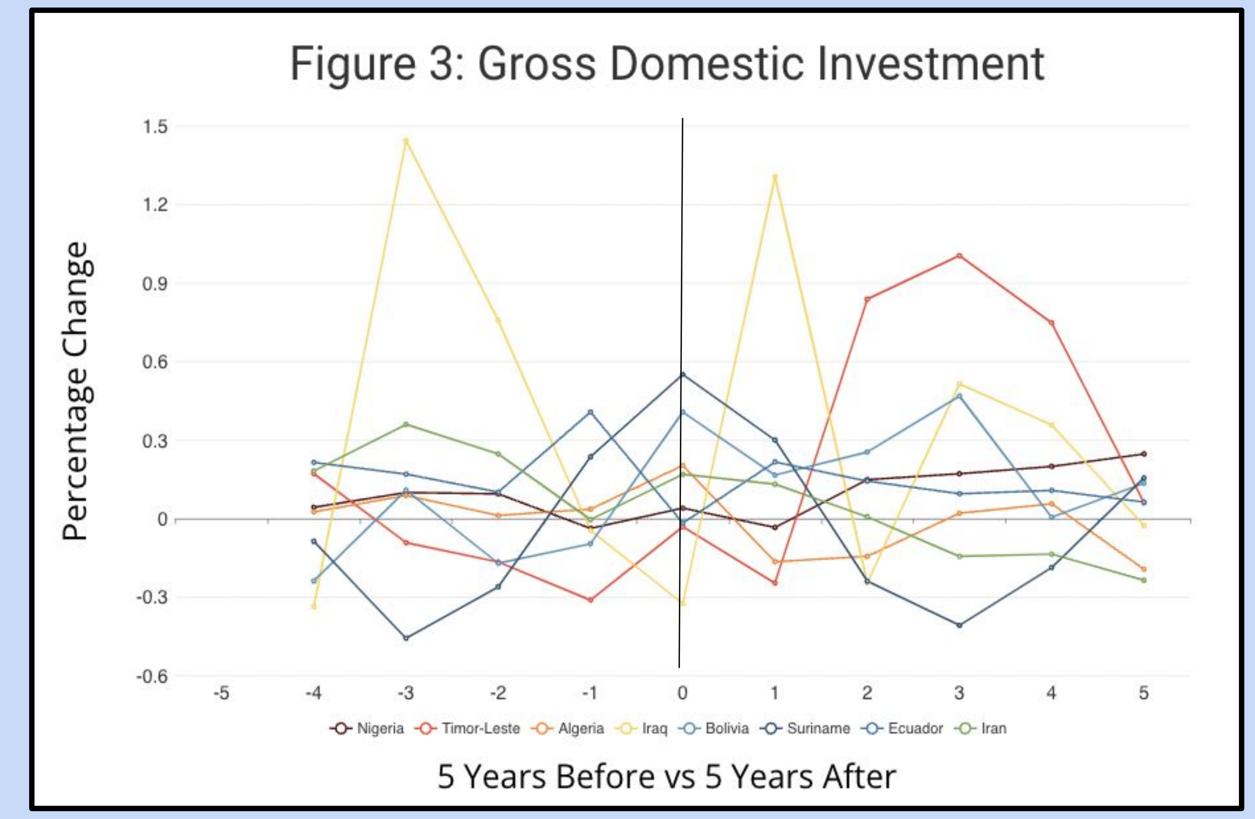

Figure 3: Gross Domestic Investment

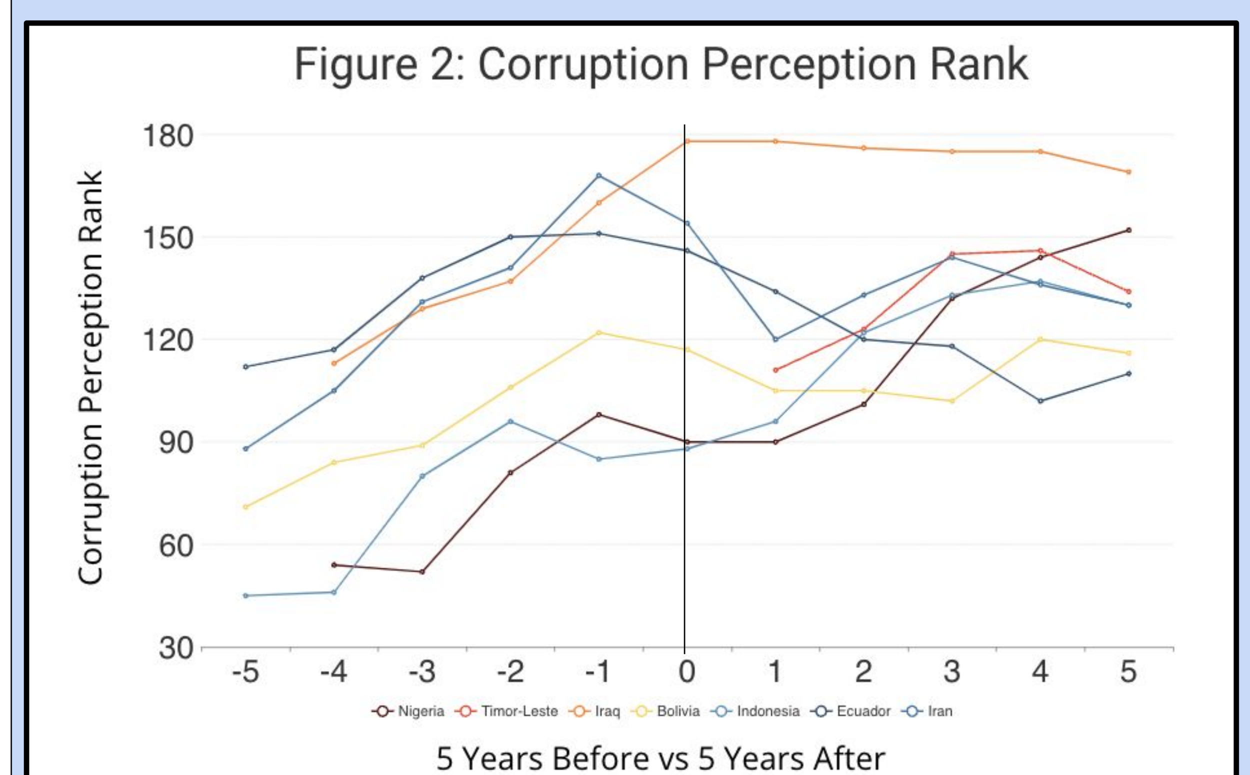

Figure 2: Corruption Perception Rank

Algeria and Suriname are not included in Figure 2 due to unavailable data

Gross Domestic Investment: Investments in construction, machinery, equipment, and other capital goods used in production of goods and services

DISCUSSION, ANALYSIS, AND EVALUATION

Figure 1:

- Increase in GDP per capita among both fiscal and direct countries
  - Higher increase among fiscal countries
- Volatility in middle eastern countries (Iraq & Iran)

Figure 2:

- Peak in corruption followed by a decrease before agreement implementation
  - Steady increase in corruption in the years following the agreement

Figure 3:

- Lower GDI increases or negative GDI growth for Fiscal Countries (Iran & Ecuador) post agreement implementation
- General stable increases in GDI growth for fiscal countries barring any outside economic crises (Indonesia)

CONCLUSIONS, IMPLICATIONS, AND NEXT STEPS

Considering that fiscal transfers must go through more layers of government and bureaucracy, higher rates of corruption will heavily impact the success that these transfers have on the economy. The direct transfers can bypass this more effectively, but the lack of wealth management compared to fiscal transfers results in lower infrastructure spending and more of a short-term solution. A larger sample size for direct transfers is needed for a more comprehensive analysis, but one can conclude that there is not much of a difference between fiscal and direct countries, and a temporary trend to reduce corruption led to the agreements themselves. Despite these attempts, the efforts to reduce corruption clearly were not effective as corruption levels rose again after the agreement. Results of this experiment can be used in larger studies where recessions and outside economic interferences can be adjusted for in order to paint a better picture of the effects.

ACKNOWLEDGEMENTS / REFERENCES

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<u>*Works Cited:</u>**

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