

# Is there a Natural Resource Curse on Education Spending?

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## ABSTRACT

This paper contributes to a new line of research in the resource curse literature that addresses the link between resource wealth and fiscal policy by empirically investigating the relationship between natural resource dependence and public education spending. Using a large panel dataset of world countries covering the period from 1995 to 2009, we find robust evidence of a public education spending resource curse. The adverse effect of natural resource dependence on public education expenditures relative to GDP remains significant after controlling for additional covariates such as income, aid, and the age structure of the population. Our results further confirm the existence of indirect effects of resource dependence through a deterioration of government accountability and the crowding-out of more skilled-labour intensive sectors in the economy. Furthermore, our findings indicate that the resource curse effect on the government prioritization of education mainly stems from point-source natural resources. Our results have important implications for managing natural resource wealth in developing countries, as they could achieve particularly high returns by investing resource revenues in public goods such as education. While this paper underlines the importance of institutions and government accountability, our results also raise questions on the role of the extractives industry. The oil, gas and mining industry should consider increasing funding for education through Corporate Social Responsibility initiatives in this sector or through other innovative channels of development finance.