

All That Glitters

IN my dream, I tilt the pan filled with river silt from side to side and see gold flakes, hundreds of them, glittering as they emerge from the muck. The flakes pile up. I have it made. Then the alarm clock jars me awake and, poof, my riches vanish.

Sadly, in some places, my dream's abrupt end is an all too familiar reality.

In many nations, the discovery of a precious natural resource—say, copper, oil, or a rare mineral—generates high hopes but then fails to deliver the sustained economic gains its citizens expect.

Of course, some resource-rich countries fare well, but many others struggle to capitalize on their riches. In nearly half of the countries in sub-Saharan Africa, for example, natural resources account for an important share of total exports. But many of these countries have struggled to convert their resource wealth into growth engines that work to benefit future generations.

Why isn't an abundance of precious natural resources an economic slam dunk—a sure way to sustain growth over the long haul? Partly, the answer lies in the exhaustible nature of certain resources—an oil well runs dry, a mine stops producing. Economists have explored many explanations over the years: commodity boom-and-bust cycles, weak institutions, and “Dutch disease,” whereby a booming resource sector chokes off growth in other parts of the economy.

This issue of *F&D* explores the world of natural resource management and puts forward new ideas for sustaining resource revenues over the long haul, to support steady economic growth.

Our special feature kicks off with “Too Much of a Good Thing?” by Chris Geiregat and Susan Yang, who examine the challenges facing resource-rich countries and advocate the use of a sustainable investing tool to help policymakers better allocate resource revenue. In “A Drop in the Bucket,” Peter Gleick of the Pacific Institute looks at the economics of the one natural resource we can't live without: water.

Philip Daniel, Sanjeev Gupta, Todd Mattina, and Alex Segura-Ubierno tackle the challenges of formulating tax and spending policies in revenue-rich countries in “Extracting Resource Revenue.” Other articles cover natural resource booms, the promise of resource wealth to boost the frontier economies of central Asia, and capital flight associated with the natural resource sector. And Thomas Helbling offers a peek into the future of oil markets.

Elsewhere in the issue, Prakash Loungani profiles Stanley Fischer, whose achievements in the public, private, and academic spheres place him at the forefront of modern economics. Other articles examine whether Latin American growth can be sustained, why regional factors are trumping global factors in business cycles, and how remittances affect economies.

We hope you find this issue a veritable gold mine of ideas and analysis.

Jeffrey Hayden
Editor-in-Chief