

The Curse of Natural Resources: An Empirical Analysis Applied to the Case of Copper Mining in Zambia

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Abstract : Many developing countries have a rich endowment of natural resources. Yet, amidst that wealth, living standards remain poor. At the same time, international markets have been surged with an increase in copper prices in the last twenty years. This is a presentation of the findings on the causal economic impact of Zambia's copper mines, a country located in sub-Saharan Africa endowed with vast copper deposits on living standards using household data from 1996 to 2010, exploiting an episode where the copper prices on the international market were rising. Using an Instrumental Variable approach and controlling for constituency-level and microeconomic factors, the results show a significant impact of copper production on living standards. After splitting the constituencies close to and far away from the nearest mine, the results document that constituencies close to the mines benefited significantly from the increase in copper production, compared to their counterparts through increased levels of employment. Finally, the results are not consistent with the natural resource curse hypothesis; findings show a positive causal relationship between the presence of natural resources and socioeconomic outcomes in less developed countries, particularly for constituencies close to the mines in Zambia. Some key policy implications follow from the findings. The finding that increased copper production led to an increase in employment suggests that, in Zambia's context, policies that promote local employment may be more beneficial to residents. Meaning that it is government policies that can help improve the living standards were government needs to work towards making this impact more substantial.

Keywords : copper prices, local development, mining, natural resources

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