

ENGLISH LEARNING FOR CURIOUS MINDS



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Episode #062

The Resource Curse

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[00:00:04] Hello, hello, hello, and welcome to English Learning for Curious Minds by Leonardo English, the show where you can listen to fascinating stories and learn interesting things about the world at the same time as improving your English.

[00:00:21] I'm Alastair Budge, and today we are going to be talking about something strange that tends to happen to countries when they find oil, gold, diamonds, or any other sort of natural resource.

[00:00:38] You might think that finding hundreds of billions of dollars worth of natural resources in your country might be a [ble¹ssing](#), a great thing for your nation.

¹ something that is extremely lucky or makes you happy

The Resource Curse

[00:00:51] But actually in many cases, this discovery proves to be exactly the opposite; a [curse](#)² that brings [conflict](#)³, slows down economic development, and is deeply damaging to a country.

[00:01:08] So in today's episode, we are going to find out why that is.

[00:01:14] Before we get started though, let me just quickly remind those of you listening to this episode on your favourite podcast app, that you can find all of the episodes, plus transcripts, key vocabulary, subtitles, and more over on the website, which is [Leonardoenglish.com](http://leonardoenglish.com).

[00:01:34] We've also made it much easier to find exactly what you want to listen to, so you can now [filter](#)⁴ episodes by subject, and there are nice little tags on every episode so it's easy to find what you want to listen to.

[00:01:49] So go and check that out. It is at leonardoenglish.com.

[00:01:54] Okay, then the resource [curse](#).

[00:01:58] There's an expression in English and that is to 'strike gold'.

[00:02:04] It means to suddenly become rich or successful after having found something, normally something unexpected.

² a cause of trouble and unhappiness

³ an active disagreement between people with opposing opinions or principles

⁴ a tool for selecting or removing a particular type of information

The Resource Curse

[00:02:13] Of course it comes from the idea that if you are digging and your [shovel](#)⁵ hits gold, well, then you are going to end up rich.

[00:02:24] In theory, it makes sense.

[00:02:26] You find gold, you sell gold, you get rich.

[00:02:30] However, history shows us that for countries, at least, what often happens is completely the opposite.

[00:02:41] When a country [strikes](#)⁶ gold, and that gold can either be literal gold or any other kind of [profitable](#)⁷ resource - oil, gas, diamonds, or other minerals - it can actually be worse for the people of that country than if they had never found it.

[00:03:03] It is a pretty interesting idea, and today we are going to talk about some of the reasons why this happens.

[00:03:10] Let's just start with some numbers.

[00:03:13] For countries in Africa, the economist from Oxford university, Paul Collier showed that the probability of there being a civil war in any five year period is less than

⁵ a tool consisting of a wide, square metal or plastic blade, usually with slightly raised sides, attached to a handle, for moving loose material such as sand, coal, or snow

⁶ hits, makes contact with

⁷ making or likely to make a profit, make money

1% for countries without large amounts of natural resources, but it is around 25% for countries with natural resources.

[00:03:41] And since 1990, oil-producing countries have been twice as likely to have had a civil war compared with non oil-producing countries.

[00:03:55] But it's not just about wars and [conflict](#)⁸.

[00:04:00] While wars and [conflict](#) don't help, of course, there are a [plethora](#)⁹ of reasons that countries with a lot of natural resources tend to grow slower than countries without a large amount of natural resources.

[00:04:17] This theory first started to [gain traction](#)¹⁰, to become popular, in the mid 1990s when two famous Harvard economists published a paper that suggested that countries that exported more resources, so agricultural products, minerals, and fuel, that these countries saw slower economic growth than those that didn't.

[00:04:46] It was, and still is, an interesting idea because it goes against what you might think.

⁸

⁹ a very large amount of something, especially a larger amount than you need, want, or can deal with

¹⁰ become more popular

[00:04:54] [At first glance¹¹](#), you might think it must be a fantastic thing for a country to just find billions or trillions of dollars worth of natural resources under the ground.

[00:05:08] All that the country needs to do is find a way of getting them out, and then it can build schools, hospitals, universities, and everything it needs for its citizens to [prosper¹²](#).

[00:05:24] But interestingly, these Harvard economists suggested that exactly the opposite often happens.

[00:05:33] There are [exceptions¹³](#), of course, but they showed broadly that the more gold a country found, the poorer that country got, or at least the slower it developed.

[00:05:48] And there are a few reasons for this.

[00:05:51] Firstly, when you are selling something like oil or gold or any kind of mineral, you sell it in dollars.

[00:06:00] When you sell your resources, you receive the money in dollars, which you then need to convert into your own [currency¹⁴](#).

¹¹ to give a quick short look

¹² (of a person or a business) to be or become successful, especially financially

¹³ someone or something that is not included in a rule, group, or list or that does not behave in the expected way

¹⁴ the money that is used in a particular country at a particular time

The Resource Curse

[00:06:09] Because there are so many dollars coming into your country this often causes [inflation¹⁵](#); prices go up and your money is worth less within the country.

[00:06:23] But the other thing that often happens within countries that rely on exporting resources is that their own [currency strengthens¹⁶](#) against the dollar, so it becomes more expensive for foreigners to buy products from that country.

[00:06:43] What this does is it makes exporting things less competitive, thereby hurting people who produce goods and sell them abroad.

[00:06:57] To give you an example of this, if I used to make something and export it for \$10, but now, because the [currency](#) in my country has increased in value, I need to sell the same thing for \$20, well, there are going to be fewer people that will want to buy it.

[00:07:21] Because the export industry becomes less competitive, it doesn't grow, and so the country becomes completely [reliant¹⁷](#) on the money it gets from exporting its natural resources.

[00:07:37] You might say, well, that's no bad thing.

[00:07:40] If a country is making enough money through selling oil, gas, or gold or whatever it is, is that a problem?

¹⁵ a general, continuous increase in prices

¹⁶ to make something stronger or more effective, or to become stronger or more effective

¹⁷ the state of depending on or trusting in something or someone

[00:07:49] Look at Saudi Arabia, that doesn't seem to be doing too badly.

[00:07:54] Of course there are [exceptions](#) to every rule, but in many cases, having large amounts of natural resources means that the entire country becomes completely dependent on this money.

[00:08:09] In most countries, the government collects money through taxes from its people, it therefore needs to be [accountable](#)¹⁸ to its people because it's the people who pay the salaries.

[00:08:24] But if suddenly the government gets a huge new source of income from selling natural resources, then the income it gets from taxes becomes less important.

[00:08:39] And because it becomes less important, governments often become less [accountable](#) to the people they are supposed to govern.

[00:08:49] And this somewhat [inevitably](#)¹⁹ leads to countries with large amounts of natural resources being more likely to have authoritarian leaders and to have increased levels of corruption.

[00:09:05] As I'm sure we know the behaviour of lots of oil and mining companies over the last few decades has been, well, not very admirable, and there are dozens of cases of large companies offering bribes to local politicians and leaders.

¹⁸ Someone who is accountable is completely responsible for what they do and must be able to give a satisfactory reason for it

¹⁹ certain to happen and unable to be avoided or prevented

The Resource Curse

[00:09:27] The president of Equatorial Guinea, for example, has an estimated [net worth](#)²⁰ of \$600 million, and it was found that he had accepted \$300 million from the large US oil companies, Exxon mobil and Hess corporation.

[00:09:48] Equatorial Guinea is, on a [GDP per capita](#)²¹ basis at least, one of the richest countries in Africa.

[00:09:57] Yet it's 141st out of 189 on the UN's human development index.

[00:10:05] So clearly that oil money is not [trickling down](#)²² to the people.

[00:10:12] Other than the increased [likelihood](#)²³ of war, the fact that it causes [inflation](#) and harms exports, and that it leads to more authoritarian leaders who are often more corrupt, there are a few other problems with suddenly finding that you have a large amount of natural resources.

²⁰ the value of the assets (= property and money) that a person or business has, after any debts are taken away

²¹ the total value of all the goods and services produced by a country in a particular year, divided by the number of people living there

²² relating to the idea that poor people experience positive effects when rich people get richer and spend more money

²³ the chance that something will happen

The Resource Curse

[00:10:31] Natural resources, or [commodities²⁴](#), have very [volatile²⁵](#) prices; the price can go up a lot, but it can also go down a lot.

[00:10:43] For countries that are [reliant](#) on natural resources to generate money, this makes planning for anything pretty hard.

[00:10:54] Life is great when the price goes up, but when it comes down, the state suddenly gets significantly less money than it had planned for.

[00:11:05] One of the reasons that Venezuela is having such trouble now is that the price for oil has dropped significantly.

[00:11:15] In 2008 the price of a barrel of oil was \$144; in April of 2020 it was under \$20.

[00:11:27] Obviously, if your country is dependent on money from something like oil, then it's very hard to predict how much money you'll get in the future.

[00:11:39] Maybe it'll be more than you get now, but maybe it'll be a lot less.

[00:11:44] So what often happens is countries tend to borrow a lot of money if they need it quickly, when prices are low, but they are then [saddled with²⁶](#), they are weighed down by these huge debts that they have to continue to pay for years ahead.

²⁴ a substance or product that can be traded, bought, or sold

²⁵ likely to change suddenly and unexpectedly, especially by getting worse

²⁶ to put someone in a situation in which they have to deal with something difficult or unpleasant

The Resource Curse

[00:12:06] This idea of the resource [curse](#) isn't just a modern thing though, and it doesn't only apply if you find resources in your own country.

[00:12:19] There is quite a [persuasive](#)²⁷ theory that the resource [curse](#) is one of the reasons that caused the fall of the Spanish empire.

[00:12:29] After colonising large parts of Latin America, Spain was able to bring back huge amounts of precious minerals to Europe: silver, gold, and other minerals.

[00:12:43] Of course, there was a great human cost, but from a [currency](#) point of view, the Spanish got these riches almost for free - they simply took them.

[00:12:55] Bringing these goods back to Spain and then selling them for lots of money meant there was a lot of money that came into Spain and reduced the [incentives](#)²⁸ for development of other industries within Spain, so there wasn't as much attention paid to things like investment in education.

[00:13:18] The result of this was that the Spanish empire was rich and strong for a while.

²⁷ easy to believe

²⁸ something that encourages a person to do something

The Resource Curse

[00:13:24] However, as this [influx](#)²⁹ of cash from the sale of minerals found in Latin, America had made it lazy, it wasn't building any strong [foundations](#)³⁰ that would help [preserve](#)³¹ its strength.

[00:13:40] That's one theory in any case.

[00:13:43] There are however, a [handful](#)³² of countries that [disprove](#)³³ everything I've said, countries that have large amounts of natural resources that they've managed to use sensibly, and for the benefit of their citizens.

[00:14:00] The classic example is Norway, a small fishing country in the North Sea that now enjoys one of the highest per capita incomes and highest quality of living in the world.

[00:14:14] Botswana, which is the world's largest producer of diamonds has remained free from civil war and is one of the wealthiest countries in Africa.

[00:14:26] And one that most people wouldn't think of is Canada.

²⁹ the fact of a large number of people or things arriving at the same time

³⁰ an occasion when an organisation, state, etc. is established

³¹ to keep something as it is, especially in order to prevent it from decaying or being damaged or destroyed

³² an amount of something that can be held in one hand

³³ to prove that something is not true

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[00:14:30] It's actually thought to have the second largest oil reserves in the world after Saudi Arabia, yet it hasn't [fallen prey](#)³⁴ to the resource curse.

[00:14:43] So having a large amount of natural resources and [striking](#) gold, doesn't always have to be a [curse](#), but it certainly is something that a country needs to be careful about.

[00:14:58] Back in 1976, the Venezuelan oil minister, Juan Pablo Perez Alfonso said that "10 years from now, 20 years from now....you will see, oil will bring us ruin. It is the devil's [excrement](#)³⁵."

[00:15:16] Okay. Well, it happened a little after 20 years later, but he was proved to be right.

[00:15:24] For Venezuela, it most certainly was the devil's [excrement](#).

[00:15:31] Okay then, that is it for today's episode.

[00:15:35] I hope that it has been an interesting one and that you now know that [striking](#) gold doesn't always mean, well [striking](#) gold.

[00:15:44] As a final reminder, if you are looking for all of the episodes plus access to subtitles, key vocabulary, transcripts, member's only live question and answer sessions and more, then the place to go to is Leonardoenglish.com.

³⁴ to suddenly begin to suffer as a result of something or someone bad

³⁵ the solid waste that is released from the bowels of a person or animal

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The Resource Curse

[00:16:01] You've been listening to English Learning for Curious Minds by Leonardo English.

[00:16:07] I am Alastair Budge, you stay safe and I'll catch you in the next episode.

[END OF PODCAST]

Key vocabulary

Word	Definition
Blessing	something that is extremely lucky or makes you happy
Curse	a cause of trouble and unhappiness
Conflict	an active disagreement between people with opposing opinions or principles
Filter	a tool for selecting or removing a particular type of information
Shovel	a tool consisting of a wide, square metal or plastic blade, usually with slightly raised sides, attached to a handle, for moving loose material such as sand, coal, or snow
Strikes	hits, makes contact with
Profitable	making or likely to make a profit, make money
Plethora	a very large amount of something, especially a larger amount than you need, want, or can deal with
Gain traction	become more popular
At first glance	to give a quick short look
Prosper	(of a person or a business) to be or become successful, especially financially

The Resource Course

Exceptions	someone or something that is not included in a rule, group, or list or that does not behave in the expected way
Currency	the money that is used in a particular country at a particular time
Inflation	a general, continuous increase in prices
Strengthens	to make something stronger or more effective, or to become stronger or more effective
Reliant	the state of depending on or trusting in something or someone
Accountable	Someone who is accountable is completely responsible for what they do and must be able to give a satisfactory reason for it
Inevitably	certain to happen and unable to be avoided or prevented
Net worth	the value of the assets (= property and money) that a person or business has, after any debts are taken away
GDP per capita	the total value of all the goods and services produced by a country in a particular year, divided by the number of people living there
Trickling down	relating to the idea that poor people experience positive effects when rich people get richer and spend more money
Likelihood	the chance that something will happen

The Resource Course

Commodities	a substance or product that can be traded, bought, or sold
Volatile	likely to change suddenly and unexpectedly, especially by getting worse
Saddled with	to put someone in a situation in which they have to deal with something difficult or unpleasant
Persuasive	easy to believe
Incentives	something that encourages a person to do something
Influx	the fact of a large number of people or things arriving at the same time
Foundations	an occasion when an organisation, state, etc. is established
Preserve	to keep something as it is, especially in order to prevent it from decaying or being damaged or destroyed
Handful	an amount of something that can be held in one hand
Disprove	to prove that something is not true
Fallen prey	to suddenly begin to suffer as a result of something or someone bad
Excrement	the solid waste that is released from the bowels of a person or animal

We'd love to get your feedback on this podcast.

What did you like? What could we do better?

What did you struggle to understand?

You can email us at hi@leonardoenglish.com.