Abstract

Conventional wisdom holds that natural resource abundance negatively affects economic development, especially in countries with weak quality of governance. In this paper, we raise a related, yet a separate, question that was largely overlooked in the literature - the effect of natural resource rents on technological innovations, a very specific type of economic activity. We argue that the abundance of natural resources negatively affects technological innovations, but only under authoritarian settings. Technological innovations are risky, costly, long-term and partially public goods (an idea cannot be taken back), which makes them disproportionately disadvantaged in resource-rich authoritarian countries. First, alternative economic activity is too attractive to miss out on steady, high and short-term profits from natural resources. Second, authoritarian leaders are infamous for not encouraging or even blocking technological innovations because they redistribute political power away from the leaders (old elites) to newcomers (innovators). Thus, innovations are subject to a “double curse” in resource-rich autocracies. We corroborate our hypothesis on the extensive cross-section time-series data.