



H. Ghadimi

Economic Development in Oil Economies

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Oil exporting developing countries have the common problem of how best to transform their valuable but nonrenewable oil reserves into a permanent flow of income for achieving their long term development objectives. The most fundamental dynamic choices of these economies can be summarized in three basic questions: i) how much to extract, ii) how much to invest, and iii) where to invest. In other words, a sustainable development path in the case of these economies involves the optimal depletion of their exhaustible resource, allocation of revenues generated by the resource, and the optimal composition of their investment funds. This study presents a dynamic computable general equilibrium (CGE) model to explore issues related to economic development in these resource dependent economies by focusing on the case of Iran. The proposed model consists of a price endogenous CGE model, simulating workings of a market economy, embedded in an intertemporal optimal growth and development model. The model is benchmarked for the Iranian data and is used to examine the issues related to optimal extraction of an exhaustible resource, optimal savings in the economy, and the allocation of investment funds.

The book is addressed to those interested in the economic development of oil economies, energy planning, and sustainable development.

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