From Petty Corruption to Petrodollars: Examining the Middle East's Development Dilemma

Luis Molina-Barraza

The following is an excerpt from a longer piece. For the full text, please visit https://scholar.colorado.edu/concern/undergraduate_honors_theses/td96k421x or scan the QR code.

Abstract

This thesis analyzes the relationship between corruption, oil rents, and Gross Domestic Product (GDP) per capita within the Middle East and North Africa (MENA) region. The study utilizes three simple Ordinary Least Squares (OLS) linear regressions to answer the questions: *Is corruption associated with poor economic performance in the MENA region? Is oil dependency in MENA associated with poor economic performance? And lastly, is oil dependency associated with higher levels of corruption in the MENA region?* The first regression evaluates the relationship between GDP per capita and corruption, the second regression assesses the relationship between oil rents and GDP per capita, and the third regression assesses the relationship between corruption and oil rents. Additionally, a robustness check using a multiple regression model is conducted allowing for a simultaneous examination of these factors' relationship with GDP per capita. This regression allows us to determine if the results from the simple regressions still apply when using a different model.

This study utilizes GDP per capita data from the World Bank for the year 2021, with the exception of Syria, Yemen, and Kuwait. For these countries, the most recent available data is from 2018, 2020, and 2020, respectively. Corruption data is also from 2021 and is sourced from Transparency International's Corruption Perceptions Index which offers a reliable gauge of corruption levels. World Bank data on oil rents as a percentage of GDP provides insight into one of the region's pivotal revenue sources.

Overall, this study finds a strong positive relationship between GDP per capita and CPI, meaning that corruption is associated with poor economic performance in the region. Furthermore, the study finds no statistically significant correlation between either GDP per capita and oil rents or corruption and oil rents. Instead, the study finds that the relationship between oil rents, GDP per capita, and corruption can be primarily attributed to institutional quality and how oil profits are managed.