

Technology, Employment, and the Oil-Countries' Business Cycle*

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Abstract

On the ground of the significance and potential dual-nature of oil-price shocks— they may act simultaneously like pure technology and pure expenditure shocks—in the context of the oil-countries—net oil-exporters with a substantial share of oil-income on their total export- and/or fiscal-income—, the paper questions the validity in such context of Gal'ı (1999)'s influential methodology for evaluating—so far, negatively— the empirical merits of the standard Real Business Cycle Model, and introduces an oil-price extended version of it aimed to restore such validity by disentangling oil-price shocks from the rest of shocks. The comparison of the results from the application of both methodologies to Norway, Mexico, Russia, Trinidad&Tobago and Venezuela, besides supporting the dual-nature hypothesis and the necessity of such disentangling, proves the latter to be instrumental to get results consistent with Gal'ı (1999)'s. Additionally, the paper unveil some startling facts about the effects of oil-price shocks in this context—remarkably, the prevalence of their technological-nature when oil-income has a higher weight on export— than on fiscal-income, and of their expenditure-nature otherwise—and shed some light on the influence of institutional reform on such effects.

Keywords: SVAR; identifying restrictions; small open economies; oil economies; dutch disease; resource curse.

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