
Extractivism and (under-) development: the case of oil in Southern Italy

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Résumé

While much attention has been devoted to the environmental racism hypothesis in the US and in neo-colonial relationships constructed by multinational companies, the way extractive industries leverage and strengthen weak institutional environments within Europe to facilitate extraction has received scant attention. Italy is following the example of several countries that are capitalizing on their non-renewable resources to fuel their economic development, the so-called ‘commodity consensus’. In the Italian case, recent policy changes have been enacted in order to speed the processes relating to the concession of exploration and extraction rights over hydrocarbons. The whole sector has been declared a ‘national priority’, underscoring the importance and potential of the sector for the Italian economy. This paper focuses on the case of Basilicata, a region located in South of Italy, where oil extraction happens in conjunction with the marginalization of its economy. This paper will show –using a theoretical and quantitative approach- how institutional and economic mechanisms are functional to the oil extraction and to the impoverishment of the local population.

The paper first reviews the findings consolidated in the literature on the ‘resource curse’ at the national and sub-national level. In particular, it focuses on the second generation studies that have examined the necessary conditions that have to be met for extractive industries to benefit (sub-) national economies and avoid the curse. Second, it produces a quantitative analysis, with a synthetic control approach, comparing the evolution of asset of socio-economic development indicators in the regions producing oil to the rest of the regions in the country.

The paper relies on the quantitative analysis of microeconomic Italian regional data on indicators related to the oil extraction –amount (physical and in terms of value) of oil and other fuels/minerals being extracted (aggregated and disaggregated), royalties paid to the central, regional and local governments, number of companies, amount of their revenues and of their investments, number of employees- and to the economic performances of the Italian regions – (un) employment rate, migration flows, education, GDP per capita (including and excluding the extractives component), institutional quality, quality of life and quality of the infrastructure.

The quantitative analysis will estimate the effect of an intervention –i.e. presence of oil extraction companies- by comparing the evolution of regional aggregate outcome dependent variables –those related to the regional economic performance above mentioned- for the region affected by the intervention and for the other regions -synthetic control group. The

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evolution of the outcome for the resulting synthetic control group is an estimate of the counterfactual of what would have been observed for the affected unit/region in the absence of the intervention –i.e. oil extraction activities.

The second part of the analysis will focus on establishing the causal effect that oil extraction activities may have in terms of economic growth.

Mots-Clés: oil extraction, resource curse, Italy, synthetic approach