RENEWING
THE
WEALTH
OF
NATIONS

by

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Abstract

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This thesis explores how capital flows are linked to economic development and proposes an alternative pathway to enhancing livelihoods in the marginal spaces of the global economy, drawing on examples from North America and the Pacific. Mainstream theories of development are largely based on European and North American examples, and argue for a progression of developmental stages from agriculture to industry to services, based on a flow of capital from core to periphery. Such theories are not place-specific, and do not reflect the particular conditions of remote and marginal places.

In the peripheral spaces of the global economy, investment opportunities may be limited. An alternative practice is to invest outside the region of capital generation, through the mechanism of a trust fund. I argue that local development can be achieved through investing in global financial markets, in core countries, rather than at the site of capital generation. In this way, local development is not limited to the marginal place where the benefits are to be felt; peripheral capital instead flows into the core to seek out the best investment opportunities. The local development process becomes differently spatialized by engaging global financial markets.

Capital generated in the periphery often comes in temporary streams, or windfalls, and benefits decline when the resource is depleted. Such non-renewable resources can be transformed into renewable fiscal ones when capital generated
from resource extraction is invested in financial markets through a trust fund. To make non-renewable resources renewable, they can be converted from a physical form into a financial form, thus extending the benefits of capital into perpetuity.

This thesis suggests that trust funds may serve as an alternative development mechanism in certain peripheral spaces of the global economy. Trust funds receive a share of resource revenues and increase them through investment. States can establish trust funds as an instrument of government policy, with all citizens as beneficiaries. Trust funds allow for re-spatializing the nature of investment as well as for sustaining it over time.

My analysis is based on the examination of six case studies. Two of these are peripheral economies in North America: the state of Alaska in the United States, and the province of Alberta in Canada. Both Alaska and Alberta established trust funds to manage their petroleum revenues. The four remaining cases are independent Pacific island nations: Kiribati, Nauru, Tonga, and Tuvalu. Each of these island nations established a trust fund to manage windfall resource revenues. The performance of these six trust funds has varied, largely reflecting policy choices. I develop a set of six criteria for the management of a successful fund.

In this thesis, I ask development practitioners to reimagine the economic spaces of marginal economies and the relationship between core and periphery. I argue for a separation of the sites of capital generation and capital investment, and for transforming non-renewable windfall resources into renewable fiscal ones.
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