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| | Other Public Investment and Capital Stock<br>Pension Funds<br>Production and Operations Management<br>Production<br>Public finance & taxation<br>Public Finance<br>Public investment and public-private partnerships (PPP)<br>Public investment spending<br>Public investments<br>Public-private sector cooperation<br>Stocks<br>Total factor productivity<br>United States |
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| Nota di contenuto | Cover; Contents; I. Introduction; II. Existing Theoretical Frameworks; III. A Simple Model of Public Investment; A. Model Set-up; B. Discussion of Results; IV. An Extension of The Model with Endogenous Investment in Administrative Capacity; V. Policy implications; References; Appendixes; Appendix 1: Parametric Specification; Appendix 2: Parametric Specification of the Extended Model; Figures; Figure 1. Share of Natural Capital around the World; Figure 2. Public Management Index by Sub-Groups; Figure 3. Investor Protection Index; Figure 4. Non-Resource Sector Total Factor Productivity<br>Figure 5. Public Investment Management Index and Non-resource Sector Total Factor Figure 6. Resource Windfall, Consumption and Foreign Debt under the Permanent; Figure 7. Evolution of Wages, Resource Windfalls and Sovereign Debt; Figure 8. Evolution of the Stock of Public Capital under Different Scenarios; Figure 9. Evolution of Wages under Different Scenarios; Figure 10. Evolution of Private Consumption under Different Scenarios; Figure 11. Evolution of the Stock of Public Capital under Different Scenarios; Figure 12. Evolution of the Stock of Private Capital under Different Scenarios<br>Figure 13. Private Consumption under Different Scenarios |
| Sommario/riassunto | This paper studies the optimal public investment decisions in countries experiencing a resource windfall. To do so, we use an augmented version of the Permanent Income framework with public investment faced with adjustment costs capturing the associated administrative capacity as well as government direct transfers. A key assumption is that those adjustment costs rise with the size of the resource windfall. The main results from the analytical model are threefold. First, a larger resource windfall commands a lower level of public capital but a higher level of redistribution through transfers. Second, weaker administrative capacity lowers the increase in optimal public capital following a resource windfall. Third, higher total factor productivity in the non-resource sector reduces the degree of des-investment in public capital commanded by weaker administrative capacity. We further extend our basic model to allow for "investing in investing" - that is public |

investment in administrative capacity - by endogenizing the adjustment cost in public investment. Results from the numerical simulations suggest, among other things, that a higher initial stock of public administrative "know how" leads to a higher level of optimal public investment following a resource windfall. Implications for policy are discussed.