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Income Inequality in Africa: An Explanation by Natural Resources

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Abstract: This article aims to analyze the effects of natural resources on income inequality. The analysis covers a panel of 25 African countries dependent on natural resources over the period 2000-2023 and uses the two-step least squares method (2SLS). The results show that total natural resource rents reduce income inequality in Africa. The results also show that oil and gas rents and natural resource exports reduce income inequality, while forest rents increase income inequality. These results suggest that more funding for social benefits and more public jobs should be created. In addition, these countries should also invest in improving the quality of institutions and in education.

Keywords: Natural Resources, Income Inequality, 2SLS, Africa

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