The gold digger and the machine. Evidence from the artisanal and industrial gold rush in Burkina Faso

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Abstract

Following the boom in World gold price since the mid 2000s, gold extraction has increased dramatically in Burkina Faso. We take advantage of this quasi-natural experiment to provide the first analysis of the impact of both industrial and artisanal extraction of natural resources on households’ wealth. We combine the geolocalization of mining sites with the variation in gold prices to identify the impact of mining according to the extraction technique being used. For industrial mining, we take advantage of the opening of new mines to isolate the causal impact. Using household surveys from 1998 to 2014, we show that the opening of new mines have not generated significant backward linkages at the local level since they do not have any impact on households’ consumption. In comparison, using the evolution of gold price to identify the effect, we find that artisanal mining has significantly increased household consumption. We show that these results are unlikely to be driven by changes in local prices and we take into account other general equilibrium effects.

Keywords: Both

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