

Olivia Nolan  
NLNOLI001  
ECO2008S  
Tutorial 3: The 'Resource Curse'  
Tutor: Ihsaan Bassier

Question 1:

A basic definition or understanding of the 'resource curse' is that some countries which are abundant in non-renewable natural resources are paradoxically unable to boost themselves economically by utilizing those resources (Collier, 2010: 42). I do believe that the resource curse is a reality and should not be 'glossed' over. I believe this because the theory gives situations and explanations which seem perfectly logical and, indeed, can be applied to many resource-rich yet underdeveloped countries. For example, the concept of resource-rich countries may tend to rely on manual labour of many and specified skills of few to extract the resources means that elements of the economy such as education may tend to be neglected, not in every case but in most, makes sense (Collier, 2010: 42). This is just an example but implies that I do not think the theory of the 'resource curse' to be overdone.

Question 2:

The Dutch Disease is a situation in which a certain export or sector of the economy does really well or experiences a "boom". However, this is not good for other exports or resources because the export boom causes the real exchange rate to appreciate and thus other exports are not as competitive as before in the global market. There are two primary ways to treat the Dutch Disease. They are: to ensure that the real exchange rate does not appreciate at such a high rate (perhaps by giving equal focus to other exports or sectors); and save within an economy.

Question 3:

The impact of China's growth on the developing world is rather significant. The situation was such that when commodity prices had been rising exponentially and China entered the global market. China offered its commodities at incredibly low prices compared to those commodities already on the market. Due to this, however, global commodity prices began to decrease. Thus, China's growth can be seen as a positive variable in the developing world as it acts as a type of neutralizing agent.

References list:

Collier, P. 2010. *The Plundered Planet : Why We must- and How We Can- Manage Nature for Global Prosperity*. New York: Oxford University Press.