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## **An Empirical Analysis of Dutch Disease: Developing and Developed Countries**

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Poster Presentation 14

**AN EMPIRICAL ANALYSIS OF DUTCH DISEASE:  
DEVELOPING AND DEVELOPED COUNTRIES**

C. David Rudd and Pam Lowry\*, Department of Economics, IWU

Dutch Disease occurs when a country discovers a substantial natural resource deposit and begins a large-scale exportation of it. As a result, the country's currency appreciates, thereby reducing the competitiveness of the country's traditional export sector. Therefore, this tradable goods sector should contract, leading to structural changes and unemployment in the economy. Neary and Van Wijnbergen (1986) develop the theoretical underpinnings by identifying the two components of Dutch Disease: the spending effect and the resource-movement effect. Using these theoretical components, the paper attempts to account for the decline in the Netherlands' manufacturing sector and Nigeria's and Indonesia's agriculture sectors. The paper uses ordinary least squares (OLS) analysis and time-series data from 1960-1990. It is shown that Dutch Disease contributed to the contraction of the countries' traditional export industries. However, the results also indicate the importance of several non-Dutch Disease factors. Finally, the paper discusses several policy implications.