

Booming Mineral Resources and the Imperative of Economic Diversification

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ABSTRACT

This paper reviews the various problems that can arise in an economy when it is endowed with an abundance of natural resource and therefore addresses the need for economic diversification and the role of the government in this process. The paper commences by outlining the relationship between the resource curse and the Dutch Disease and then reviews other economic effects associated with a resource boom. The paper discusses the benefits to economic development that arise from being resource abundant but goes on to outline many of the adverse impacts of resource abundance and then emphasises why there is a need for economic diversification in such economies and how the government can facilitate this. The paper concludes by noting that economic diversification is the best avenue for developing economies that are resource abundant as it will provide economic sustainability and reduce the risk of vulnerability.

Keywords: Resource Curse, Dutch Disease, Deindustrialisation, Economic Diversification, Resource Boom