

The dutch disease is  
thus an economic  
loss



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The Dutch Disease is thus an economic loss which a country suffers on account of an increase in its factor endowment or a natural windfall (like the discovery of huge oil reserves or deposits of a mineral). Why should de-industrialisation take place in a country when it acquires the benefit of additional natural resources? There can be several reasons for it (though it is possible that each one of them may be country-balanced partially or fully). For example, a part of its productive resources may move from traditional industries to the new economic activities. Or, a rapid addition to its export earnings may appreciate its rate of exchange to such an extent that it severely erodes the competitiveness of its traditional exports. It should be noted that the emergence of Dutch Disease is not a must when a developed country discovers and starts a large scale exploitation of some natural resource. For example, the cost-price level of its traditional industries may decline on account of increased availability of that natural resource, and thus strengthen their international competitiveness.