

Appendix. Manifestations of the resource curse.

Problems	Selected references
Dutch disease (appreciation of the real exchange rate leading to export difficulties of the manufacturing sector, resulting in losing the related positive externalities in an economy, undermining its long-term competitiveness)	Corden and Neary 1982, Sachs and Warner 1995, Sachs 1999, Gylfason et al. 1999
Volatility of commodity prices and their long-term decline relative to the prices of manufactures	Prebisch 1950, Singer 1950, Hausmann and Rigobon 2003
Volatility of resource export earnings (changes in demand and prices in international markets), contributing to macroeconomic boom and bust cycles (borrowing in good times, repaying in bad times; high levels of government spending in good years followed by deep cuts in bad years); often combined with volatility of exchange rates	Knack and Keefer 1995, Manzano and Rigobon 2001, van der Ploeg and Poelhekke 2010
Volatility of rates of extraction (may be affected by technological processes but also by political instability)	Humphreys et al. 2007
Volatility of timing of payments by corporations to states, again leading to macroeconomic boom and bust cycles	Humphreys et al. 2007
Poor institutions that have not been able to ensure development without resources are not able to be effective once resources are discovered and exploited, either (imperfect markets, poor legal systems, badly defined property rights)	Ross 1999, 2001b, Mehlum et al. 2006a,b, Robinson et al. 2006, McSherry 2006, Smith 2007
Weak democracy (weak, unaccountable states – fewer connections between the state and citizens, fewer taxes, less information, lower demand for government services by citizens)	Moore 2001, Ross 2001a
Corruption (spending in political campaigns or coercion – funding militias); related to poor institutions and weak democracy	Sala-i-Martin and Subramanian 2003, Vicente 2010
False sense of security leading to overconsumption and underinvestment (resource windfalls encourage unsustainable and unwise policies, unnecessary projects, clientelism, unjustified public expenses, excessive borrowing, insufficient investment in educational and social reforms); related to poor institutions and weak democracy	Mansoorian 1991, Ross 1999, Gylfason 2001, Manzano and Rigobon 2001, Robinson and Torvik 2005, Aslaksen and Torvik 2006, Robinson et al. 2006, Collier and Hoeffler 2009
Rent seeking and conflicts (those in power and those who already control resources abuse their authority to appropriate resource revenues and remain in power, either by various forms of bribery, delaying reform, etc., or through armed conflict); additionally, this diverts resources away from more productive activities; related to poor institutions and weak democracy	Gelb 1988, Baland and Francois 2000, Acemoglu et al. 2004, Auty 2001ab, Ross 2001a,b, Torvik 2002, Fearon and Laitin 2003, Humphreys 2005, Collier and Hoeffler 2005, Acemoglu and Robinson 2006, Robinson et al. 2006, Bulte and Damania 2008
Unequal expertise (foreign extractor may know more about the resource, its value, quantity, extraction technologies than the government of the resource-rich country leading to differences in bargaining power)	Bougrine 2006, Humphreys et al. 2007
Grievances for local populations (reducing quality of life as a result of resource extraction: forced migration, inadequate job opportunities, environmental degradation, unfair distribution of benefits, military repression)	Collier and Hoeffler 1998, 2004, Azam 2001