

## Abstract

*Abstract of thesis entitled Does Macao Suffer From Dutch Disease? – Effects of Gambling Booms on the Macao Economy. Submitted by Ke Jing Ying (M-A5-6805-6) for the degree of Master of Social Sciences in Economics at the University of Macau in July 2006.*

There are only a few empirical studies on the Macao's economy. This study attempts to analyze the effects of gambling boom on the Macao economy and the structural change in Macao by applying the idea of Dutch Disease.

Based on the seminal work on Dutch Disease written by Corden and Neary (1982) in *Economic Journal*, this study extends and applies their theoretical model to analyze the effects of gambling boom on economic performance such as sectoral output, employments and wages on gambling, manufacturing and service industries, general price levels and real effective exchange rates.

My theoretical findings show that gambling boom in Macao will lead to higher gambling output and employment, ambiguous effects on manufacturing and service output and their employments, surprisingly lower wages, as well as higher general price levels which implies that higher real effective exchange rates and appreciation of Patacas. In the empirical section, this study adopts the econometric methodology of Error Correction Model (ECM) to analyze the quarterly data of Macao from 1998 to 2006 and test the theoretical hypotheses. By using the number of visitor arrivals to proxy for gambling boom, I find that most theoretical predictions are confirmed by empirical results and statistical significant except the impact on actual wages. Another interesting and important results are that even though output in the service sector rises and in manufacturing sector falls in the short run, they both drop in the long run.

Thus, this study finds strong evidence on the existence of Dutch Disease in Macao.