



Sam Houston State University
Department of Economics and International Business
Working Paper Series

The “Resource Curse” and Regional U.S. Development

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SHSU Economics & Intl. Business Working Paper No. SHSU_ECO_WP05-06
August 2005

Abstract:

The “Resource Curse” is a stylized fact that has been observed consistently in a number of development studies: countries that are relatively well-endowed with natural resources tend to grow more slowly than resource-poor economies. This paper documents evidence that the Resource Curse extends to the individual states of the U.S. Using a variety of specifications, regression of state GSP growth on resource abundance consistently shows a negative and significant relationship. There is strong evidence that resource-based economies are more volatile economies, and volatile economies may be less desirable to investors.