Research Working Papers

Response of Consumer Debt to Income Shocks: The Case of Energy Booms and Busts

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Each oil and gas well drilled from 2007 to 2015 generated nearly $7,000 in additional consumer debt in areas with drilling for an implied total of $2.7 billion or 0.5 percent of U.S. consumer debt.

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Local shocks in oil and gas development may lead consumers to increase their spending. Using quarterly information on consumer debt and oil and gas activity between 2000 and 2016, I nd that consumer debt increased at a peak of $840 per capita, equivalent to 1.7 percent of median household income in counties with shale endowment and increased drilling. Shocks to local wages via drilling revealed a marginal propensity to consume from debt of 0.45. Relative to areas with oil and gas development experience, the marginal propensity to consume was 70 percent larger in previously undeveloped areas.

JEL Classification: D23, Q32, Q33, R11

Article Citations

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Related Research

- Brown, Jason P., Timothy Fitzgerald, and Jeremy G. Weber. 2016. “Does Resource Ownership Matter? Oil and Gas Royalties and Local Income Growth.” Federal Reserve Bank of Kansas City, Research Working Paper 16-12, November.
- Brown, Jason P., Timothy Fitzgerald, and Jeremy G. Weber. 2016. “Capturing Rents from Natural Resource Abundance: Private Royalties from U.S. Onshore Oil & Gas Production.” Federal Reserve Bank of Kansas City, Research Working Paper 15-04, July.

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