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 find 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.

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Article Citations


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