

ABSTRACT

“Economic Shocks, Targeted Transfers, and Local Public Goods: Evidence from US Shale Gas Boom”

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Over the last 10 years, shale gas development in the US has generated large income shocks in many areas of the country, but how these shocks have affected local governments is unknown. Using shale gas production data at the county level between 1996 and 2012, we show that shale gas boom significantly increased own-source revenues for local governments. We also find Republican-leaning counties tend to receive more intergovernmental revenues from state governments, mostly governed by Republicans, when shale gas booms occur. On the spending side, the shale gas boom has mainly increased non-educational spending and salaries; we find insignificant and smaller impacts on education spending and salaries. Using political and demographic characteristics of counties as proxies for preferences, we mainly find interactions between preferences and state rather than local resource booms. Our results suggest the importance of the relative level of policy discretion across levels of government in the allocation of revenue from natural resources.