

# Fracking

## Economic Aspects

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# Fracking

**Benefits:** jobs; prvt revs; gvt revs (spend); energy security; family stability; sustainable development? Energy prices?

**Costs:** pvt costs; gvt oversight; oversight of gvt oversight; environ damages; health damages; social change; unsustainable dev.?

**B > C ?**

**New Knowledge** (independent scientific studies; recent experience)

**Past Experiences**

- Regulatory design
- Institutional capacity
- (PA and redesign)

**B > C ?**

# Lessons from the Past

(D. Black, T. McKinish, S. Senders and K. Daniel)

- Coal and Steel: high pay, unskilled (men)
- Boom:
  - 10%↑ earnings → 12%↓ AFDC (coal)
  - ↓1-parent families, ↓divorce rates, ↑marriage rates
- Bust:
  - 10%↓ earnings → 7% ; 8%↑ AFDC (coal;steel)
  - ↑ 1-parent families, ↑ divorce rates, ↓ marriage rates

# Lesson 1

- Fracking boom: potential benefits for vulnerable families/children (dependent on unskilled labor income)
- But fracking is different from coal:
  - How big is impact on jobs? Coal, fracking and labor intensity.
  - Who are new jobs for? Much imported skilled labor (TX, OK).
  - How permanent are these jobs? Drilling vs operation phase.
  - But still new jobs, including indirect jobs (although very different from “old coal”, “old steel”).\*

# Lesson 2

- Underlying aspect of local economy: significant fraction of society vulnerable to economic shocks (depends on unskilled labor income).
- Questions:
  - How different are we now?
  - How have we used past revenues from non-renewable natural resources to transition to a more resilient and less polluting economy?
  - If a fracking boom occurs:
    - Are we ready to direct short/medium term revenues to long term sustainability?
    - What policy instruments do we have/need for that?
    - What are our priorities?\*