Fracking
Economic Aspects

Ariaster B. Chimeli
Department of Economics
Ohio University
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.?

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?*