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The Long Run Effects of Oil Discoveries and the Role of Amenity Value

This paper examines the long-run economic effects of historical oil and mineral discoveries within the United States. We uniquely consider heterogeneous effects based off of environmental and geographic characteristics of the discovery site. Using a dynamic event-study analysis, we find that resource discoveries cause population to increase both in the short and long run (e.g., fifty years). However, this effect is largely driven by discoveries in unfavorable locations that either suffer from low natural-amenity value or geographic isolation. In the long run, favorable locations are largely unaffected by historical resource discoveries. The event-study is complemented by a cross-sectional analysis of a broader set of economic outcomes. This latter approach reveals that, by the year 2000, places that experienced resource discoveries long ago are more populated, but also less educated and that this is especially true for isolated, low amenity places. Taken together, our results suggest that resource discoveries can act as a catalyst for long run growth and development in places that otherwise may have remained undeveloped.

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