**ECON 2560 Paper Proposal**

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**Research Question:**

**Question:**

How do crude oil price shocks affect household saving and borrowing patterns in the United States?

**Context:**

Gasoline and diesel prices account for a significant portion of household budgets, shifting disposable consumer income and impacting rates of discretionary spending. Due to fluctuations in fuel prices, households may adjust their financial behavior by decreasing household savings or increasing borrowing.

**Data:**

**Proposed Datasets:**

Gas and Diesel Retail Prices:

<https://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_nus_w.htm>

Consumer Loans (Commercial Banks):

<https://fred.stlouisfed.org/series/CCLACBW027SBOG>

Deposits:

<https://fred.stlouisfed.org/series/DPSACBW027SBOG>

Consumer Loans (Credit Cards and Additional Plans):

<https://fred.stlouisfed.org/series/CCLDCBW027SBOG>

Bank Prime Loan Rate:

<https://fred.stlouisfed.org/series/WPRIME>

Federal Funds Rate:

<https://fred.stlouisfed.org/series/FF>  
Liabilities and Capital:

<https://fred.stlouisfed.org/series/WTREGEN>

Unemployment Claims:

<https://fred.stlouisfed.org/series/ICSA>

**Unit of Observation:**

Weekly observations from 2000-2025. An analysis of household savings and investment across U.S. states according to changes in diesel and gas prices.

**Variables of Interest:**

1. Independent Variable: Gasoline and Diesel prices
2. Dependent Variables: Deposits/Savings and Loans/Borrowing
3. Weekly credit card balances (short term borrowing)
4. Control factors: Federal funds rate, Bank prime loan rates, and unemployment trends.

**Proposed Empirical Strategy:**

* Time Series Analysis: Measurement of data sequence across weekly increments of crude oil prices. Estimation of consumer behavior based on changes in short-term and long-term investments.
* Difference-in-Difference approach: measurement of consumer responses across two decades during periods of high and low oil prices.

**Literature:**

Li, S., Linn, J., & Muehlegger, E. (2012). *Gasoline taxes and consumer behavior*. https://www.nber.org/system/files/working\_papers/w17891/w17891.pdf

U.S. Energy Information Administration - EIA - independent statistics and analysis. (2023). Retrieved from https://www.eia.gov/energyexplained/oil-and-petroleum-products/use-of-oil.php

Vickery, J., & Thomas, L., & Velasquez, U. (2023). *Are Banks being roiled by oil?*. Liberty Street Economics. https://libertystreeteconomics.newyorkfed.org/2016/10/are-banks-being-roiled-by-oil/