Readme file

The main replication directory contains all files necessary to create Tables 1,2,3,6,7, and 8. The SourceCodeAndFiles subdirectory contains code to create the intermediate datasets used in the main replication file.

Part I.

DLMreplication.do reproduces Tables 1, 2, 3, 6, 7, and 8.

Input files:

- GvtDataCBSA.dta (from USAspending.gov)
    - Created by AssembleContracts.do
    - Uses data from USAspending.gov
- GDPbyMSAind.dta
    - Contains CBSA-level GDP from BEA
- QCEWannual.dta (derived from QCEW data)
    - CBSAempAnn.dta
    - CBSAempAnnGvtSector999_928.dta
    - Combined in DataOrganizing.do
- CBSAdebtWide.dta (derived from Mian and Sufi 2015)
    - Created by ReadMSdata.do
- FracmilCBSA.dta
    - Contains variables to create instruments
    - Created by fracmilCBSA.do
        - Reads in GvtDataCBSA.dta
- EmpShare02.dta
    - Created by IndEmpShare.do
        - Reads in QCEWannual.dta
- IndEmpShare06.dta
    - Created by IndEmpShare.do
        - Reads in QCEWannual.dta
- MapCBSAstate.dta
- DincMS.dta
    - Contains income growth for tradable, nontradable, construction, and other industries (based on Mian and Sufi 2015 industry classification)
    - Created by CreateIndDincMSstrict.do
        - Reads in MSind.dta and raw QCEW data.
- MSdataCBSA.dta
    - contains CBSA-level covariates from Mian and Sufi (2015).
    - Created by ReadMSdata.do
- CountyVars.dta
    - Contains County-level covariates for estimates in Panel A of Table 2

        - Created in same way as CBSA-level covariates used throughout the paper (see source files), but not aggregated to the CBSA level.
- StateVars.dta
    - Contains State-level covariates for estimates in Panel A of Table 2
        - Created in same way as CBSA-level covariates used throughout the paper (see source files), but aggregated to the state level.

Output File:

- CBSAdataTemp.dta
    - Contains all variables used in CBSA-level cross-sectional regressions.

SOURCE DATA FILES:

DOD data

AssembleContracts.do

- Reads in raw USAspending.gov data (must be downloaded from USAspending.gov)
    - We downloaded excel files of DOD contracts by fiscal year and named them FY`year'.dta
    - The combined dataset, ContractsAllYrs.dta, is included in the replication file
- Derives contract-level measures of spending (outlays) from information on the amount of obligations and the time and duration of contracts.
- Creates local (county-or-CBSA)-level measures of DOD obligations and spending.

Employment Data

CreateEmpIncIndustry.do and CreateEmpIncGVT.do

- Reads in raw QCEW data (must be downloaded from https://www.bls.gov/cew/datatoc.htm)
    - Merges with countyCBSAmap.dta
- Saves CBSAempAnn.dta and CountyEmpIndGVT.dta

CreateQCEWannual.do

- Merges CBSAempAnn.dta and CountyEmpIndGVT.dta
- Saves QCEWannual.dta

CreateDincMSindclass

- Creates income change variables based on the aggregate industry classification in Mian and Sufi (2015).
- Reads in QCEW data and creates DincMS.dta

Industry Employment Shares

IndEmpShare.do

- Reads in QCEWannual.dta
- Creates industry-level employment shares in 2006 (IndEmpShare06.dta) and 2002 (EmpShare02.dta)

Fraction of National DOD spending

fracmilCBSA.do

- Reads on GvtDataCBSA.dta
- Computes city-level share of national military spending.

Mian and Sufi covariates

ReadMSdata.do

- Reads in county-level debt data (CYd2i2006nyf_frommiansufi_20120621.dta) from Mian and Sufi.
    - Saves CBSA-level leverage measures in CBSAdebtWide.dta
- Reads in county-level covariates (miansufieconometrica_countylevel.dta)
    - Saves CBSA-level covariates in MSdataCBSA.dta

Part II. Replicates Tables 4 and 5.

The data for the results reported in Table 4 is proprietary, licensed to use for this research by the Federal Reserve Bank of Cleveland from TransUnion credit bureau on December 19, 2013 as a "Consumer Dataset" product. Researchers wishing to use these data must obtain their license from a sales representative found at www.transunion.com.

Step 1: Raw data pull

Data source: TransUnion. Sample: random sample of 10 million individuals observed as of February of each year from 2005 to 2014. The variable names in the below SQL code are preserved from the original data layout.

```
psql -c "\copy (
Select
e.scrambled_permid as cid,
e.geocode_state as state,
e.geocode_county as county,
e.geocode_cbsa as cbsa,
e.vtg2atot as vantage_score,
e.credit_as_of_date as date,
e.bc33 as cards_bal,
e.at33 as total_bal,
e.mt33 as mtg_bal,
e.mau171 as auto_bal,
e.zip_code as zipcode,
e.tie03tot as inc_tu
```

```
FROM t_union.scrmflat_t_union e
)
to 'PATH/tu_full_govspend.csv' csv header";
```

Step 2. Run Tables 4_and_5_program.do to replicate Tables 4 and 5.