

INTEGRATING RESOURCE CONSERVATION AND ECONOMIC DEVELOPMENT

Environmental protection is often cast as antithetical to economic development but, in actuality, it can be a driving force behind healthy, prosperous communities. This paper provides a brief summary of the relationship between jobs and environmental protection and describes two ways in which environmental protection in Louisiana can stimulate economic development.

Concern that resource conservation will adversely affect the economy generally comes from the perception that society faces a choice between jobs and a high-quality environment: one can have one or the other, but not both. Such characterizations are almost always incorrect. In most cases, the economic issue is jobs versus jobs, not jobs versus the environment. There will be one set of jobs, firms, land uses, associated with a decision to conserve environmental resources, and another set without the decision. Nonetheless, the jobs-versus-environment characterization has persistent currency in the public's mind and the political dialogue regarding environmental protection.

Few Mass Layoffs Are Attributed to Resource Conservation

Since 1987 the U.S. Department of Labor has asked employers to identify the primary cause of each layoff that idles more than 50 manufacturing workers. A recent review of the data shows that less than one-tenth of one percent of the displaced workers covered by the data for 1987-1990 were laid off for environmental reasons:

Environment and safety-related	0.1%
Energy-related disruption	0.1%
Natural disaster	0.1%
Automation	0.2%
Overseas relocation	0.5%
Material shortage	0.7%
Vacation period	0.8%
Plant or machine repairs	0.8%
Weather-related curtailment	1.4%
Import competition	1.7%
Model changeover	1.8%
Domestic relocation	2.1%
Labor-management dispute	2.8%
Bankruptcy	3.4%
Business-owner change	4.3%
Contract cancellation/completion	9.5%
Other (including reorganization)	12.3%
Slack work	20.3%
Seasonal work	29.2%
Not reported	7.3%

Although there is no comprehensive assessment of the number of jobs lost because of environmental protection, Americans commonly believe the number is high. Several studies, however, indicate that the number of workers adversely affected by environmental protection is smaller than conventional wisdom purports. The number of workers losing their jobs through mass layoffs due to environmental protection, for example, is only about one-tenth of one percent of the total number of layoffs each year (see box). Comparisons of states' employment growth and environmental-protection efforts have found that states with the tightest controls on environmental degradation generally have the greatest job growth.¹ A recent analysis of job growth in the nonmetropolitan counties between the Mississippi River and the Rockies and north of Texas found

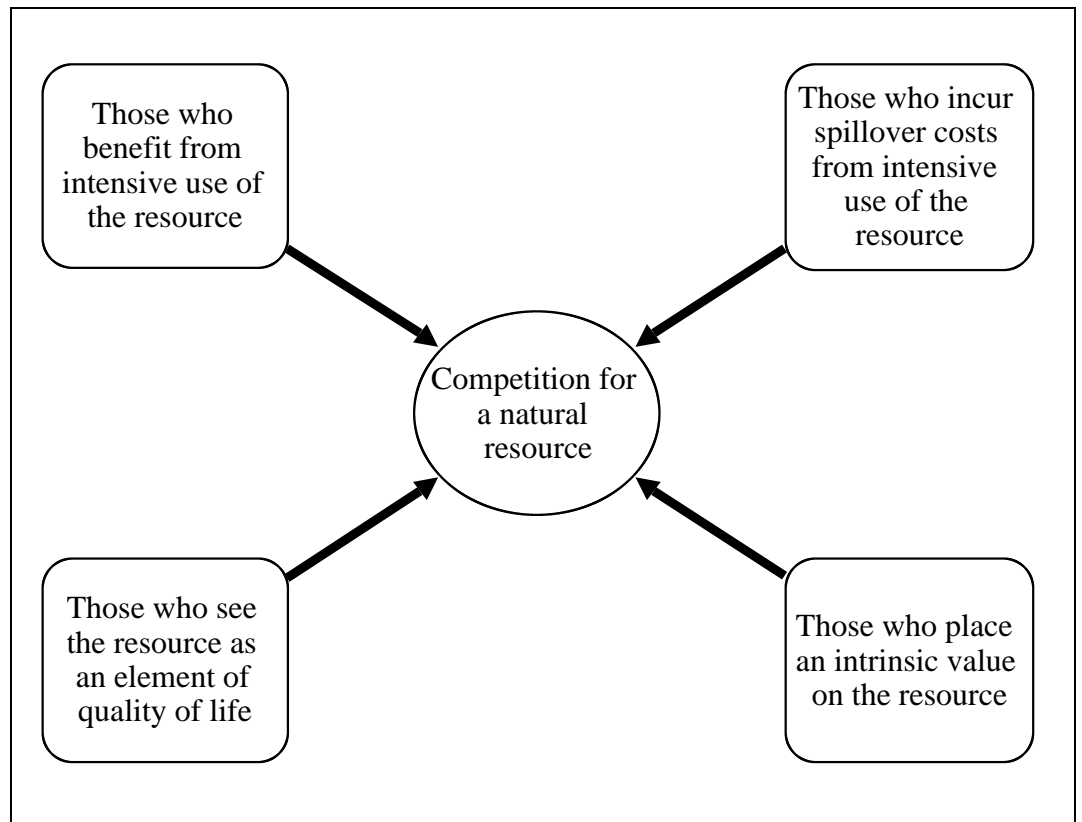
that those with recognizable environmental amenities were growing, while those with the highest concentrations of resource-extractive industries (agriculture, mining, timber) were not.²

There are two primary ways in which resource-conservation efforts can lead to increases in jobs, incomes, and standards of living. One is by reducing the economic burden that environmental degradation imposes on workers, households, and firms. The other is by enhancing the local quality of life.

Historically, natural resources generated economic benefits only when they were extracted and converted into money through mining, fishing, logging, farming, and other commercial activities, or when they were developed into urban uses. In their conventional form, these activities have generated widespread pollution and disrupted the composition and function of ecosystems. These adverse environmental impacts were seen as the unavoidable consequences of economic development, for there was no other way to use natural resources to generate jobs and incomes.

But things have changed. Now, many interests are competing for natural resources and the economy can derive substantial benefits, not just from extractive and development activities that degrade the environment, but also from activities that protect and enhance the environment. The following figure illustrates the four categories of demands the economy places on the environment. The box in the upper left represents the

Competing Demands for Louisiana's Natural Resources



conventional, extractive demand. This box embraces firms, such as those in the oil/gas and petrochemical industries, that benefit from activities that disrupt the ecological productivity of Louisiana's coastal wetlands and pollute the air and water with emissions of toxic and noxious materials.

The other three boxes in the figure illustrate the fact that, when firms in the first box degrade the environment, firms, workers, and households in other industries suffer real economic losses. The box in the upper right represents those who incur spillover economic costs from resource-extraction industries and developers who degrade the environment. This group is legion. It includes, but is not limited to:

- Individuals who die prematurely from exposure to toxic materials released into the air and water by polluting industries.
- Individuals who suffer additional illness from exposure to toxic materials released into the air and water by polluting industries.

- Firms, workers, and households in the commercial and recreational fishing industries who are deprived of revenues, jobs, and incomes when the resource-extraction industries and developers reduce the productivity of coastal habitat by dredging, emitting toxic substances, filling wetlands, and other activities.
- Homeowners and commercial landowners who incur a loss of property value because of the toxic and noxious emissions from polluting industries.
- Taxpayers bear the costs of subsidies to resource-extraction industries and developers that persist from past attempts to promote economic development by encouraging intensive resource uses.
- Firms that incur additional production costs because of toxic materials released into the air and water by polluting industries.

The box in the lower left of the figure represents those who incorporate environmental concerns into their locational decisions. A growing proportion of the populace is highly mobile and many workers, families, and retirees decide where to locate based, in part, on their preferences for a particular quality of life. Of those within this group, few opt for a quality of life characterized by environmental degradation. All else equal, most prefer to locate in areas where the environment offers healthy living conditions and ample recreational opportunities. Thus, the quality of the environment can influence the size and productivity of an area's workforce and the buying power of its consumers. These factors, in turn, influence the investment decisions of investors and the locational decisions of firms. Degradation of environmental amenities, by discouraging workers and families from living nearby, can shrink the supply of workers for firms in all sectors, thereby reducing these firms' competitiveness and dampening the strength of the overall local economy.

The box in the lower right of the figure represents those who place an intrinsic value on an environmental resource, which they view as wealth, similar to jewels in a bank's vault, but owned jointly by all of society. Actions that increase the health of the environment increase the value of this wealth and, conversely, actions that degrade the environment decrease its value. These increases and decreases in wealth, however, do not influence households' locational decisions.

In short, the relationship between resource conservation and economic development is not a choice between jobs and a high-quality environment. Rather, it is a choice between two sets of jobs. When jobs are produced through activities that degrade the environment and impose costs on households and firms in other sectors, they inevitably displace jobs in other sectors. To integrate resource-conservation and economic development, Louisianians must evaluate these tradeoffs and choose resource-management and economic-development policies that, in total, maximize the jobs, incomes, and standards of living derived from the state's natural resources.

Goodstein, E. 1995 "Jobs or the Environment? No Trade-Off." *Challenge*. Jan/Feb: 41-45.

² Meyer, S.M. 1993. *Environmentalism and Economic Prosperity: An Update*. Department of Political Science, Massachusetts Institute of Technology. February. Meyer, S.M. 1992. *Environmentalism and Prosperity: Testing the Environmental Impact Hypothesis*. Project on Environmental Politics and Policy. Massachusetts Institute of Technology. October.

³ Drabenstott, M. and T.R. Smith. 1996. *The Changing Economy of the Rural Heartland*. In: *Economic Forces Shaping the Rural Heartland*. Federal Reserve Bank of Kansas City. 1-11.

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