

What is the 'New West' versus the 'Old West' Economy?

By Joe Kerkvliet, Guest Writer, 4-09-07

Natural resource economy? What comes to mind when you hear the term? A poor Third World nation, prosperous logging and mining communities in the American West, or maybe a state where natural resources like coal, gas, minerals and cattle are shipped out but without local residents capturing the majority of the commodity value? In the short essay that follows, Joe Kerkvliet, an economist with The Wilderness Society's regional office in Bozeman, Montana, provides an overview of what he sees as the differences between the traditional Old West economy, which in many ways still shapes the region's cultural mindset, and the rapidly growing "recreation economy" which has had a profound influence on land values, inward population migration, changing uses on the landscape, and the flavor of "local culture" and businesses. - Todd Wilkinson

Recent Congressional testimony on the "Evolving West" showed that western whiskey is for drinking, but western economies are for fighting. Montana Governor Brian Schweitzer and Big Sky state Congressman Denny Rehberg sparred on Capitol Hill over the choice of an "old" economy built on resource extraction or a "new" economy built on clean environments, natural amenities, and renewable nature services. Part of their disagreement is more apparent than real.

Old economies are simple and easy to see. A ton of coal is mined, shipped to a power plant, and the miner is paid. New economies are more complex and links between production and payment are less easily seen. However, economists and ecologists have discovered strong links between protecting our environment and what people value.

Economists have learned that people value the environment in many ways. Yes, we value extracted oil and gas and we pay directly for it. Westerners also value the healthy lifestyles supported by clean air and water, abundant wildlife, and wide open spaces. But these values are only indirectly translated into dollars positively impacting local economies.

One indirect way is through property values. Research has shown that views of peaks and the scenic quality of ranch land adds to property values. Conversely, a recent study of Alberta properties found that nearness to oil wells depresses property values.

People also translate western values to dollars when they vote to tax themselves to pay for land protection. In November 2006, the nation's voters approved 99 bond issues to raise funds for land protection, taxing themselves for \$5.73 billion. This included \$10 million in both Missoula and Ravalli counties of Montana.

People also "vote with their feet" to express their values. Several studies of US counties in the 1990's find that that counties with more natural and cultural amenities, and more protection of public land, experience higher population growth. Increasing population often leads to relatively rapid income and employment growth.

Sometimes values are more difficult to translate into dollars. For example, a widely cited report estimates that global natures' services — cleaning air and water, pollinating crops, controlling pests, etc. — are worth over \$36 trillion annually. It is difficult to translate many of these natures' services into dollars, but some progress is being made. For example, the European Union's carbon credit market did \$5 billion in business last year, and the Chicago Climate Exchange is an emerging market where credits for carbon stored in forests and soils are traded for real dollars. The Nez Perce Tribe is in the process of selling the carbon storage of 5,000 acres of tribal forest land to a willing buyer.

Closer to home, sportsmen and businesses quickly raised \$2 million to preserve the natures' services in the form of blue ribbon fishing at the Madison River's Three Dollar Bridge.

What does all this mean for the old or new economy?

No one expects our use of oil, gas, or coal to end soon. But, before we develop these resources we must carefully consider all of the extraction costs as well as all of the benefits of leaving the resources alone, even those not easily linked to dollars.

Vibrant local new economies are emerging. A 2005 government study finds that rural counties specializing in recreation and tourism enjoyed higher employment growth rates, higher percentages of working age residents, and lower local poverty rates.

We must be open to new opportunities. Montana farm, ranch, and forest owners may soon find new revenue sources in emerging carbon markets. Communities might follow the lead of the Blackfoot Challenge and attract public and private money for restoration projects aimed at enhanced natures' services, local jobs, forest products, and improved technologies.

Restoration work can also prepare Montanans to participate in the environmental industry, which provides pollution control equipment, resource recovery, instruments, and so on. At 1.5 million workers, this \$200 billion industry is 19 times bigger than the coal industry and growing at ten percent per year.

The evolving new economies of the West are there to see if we look closely. Knowing the positive connection between economic and environmental health will help Montanans make tough policy choices and embrace new opportunities.
