Social and Economic Aspects of Planning

Introduction

Economic Variables

PRESENTER: Okay. I would like to see a show of hands how many people hate economists and wish economists were endangered species. A few honest people in the room. Well, as John Thompson alluded to, economists are a threatened and endangered species in BLM and that's why we have this training course here to help you today learn what questions to ask of the few remaining economists and how to get good economics out of the contractors.

You know, this first slide -- I'm going to use this if I can master it, the first part here is to distinguish kind of what Roy has been talking about here in kind of three categories. One is, there are economic values on public lands. That's why they're public. They're not private lands. They're public lands. And getting back to Josh's question, they're federal lands. They're owned by every person in the you states. So what we'll talk about as we go through here is distinguishing economic analysis very broadly at a national accounting stance versus when we look at jobs and income, that tends to be at a local accounting stance. And when we talk about benefits and costs, we're talking about that to everybody in the United States.

So one thing to think about when we talk about economic value is that in fact it is broader than cash flow. Right? Questar, other companies, they look at it as cash flow. They look at their bottom line. As economists, we have a broader bottom line, and that bottom line includes things that are not in markets, because oftentimes things that are profitable are not economic. You know, going out pot hunting on public lands. Right?

Social and Economic Aspects of Planning

Introduction

Economic Variables

That's profitable, but it's not economic. I mean, I may make a profit selling that pot to a private collector, but society as a whole loses something of great value to the current and future generation.

Likewise, we may have things that are money losers. You know, this is uneconomic! Well, public education is uneconomic in one sense. It's unprofitable, right? I mean, we lose money on schools. Now, is it really uneconomic? Sometimes people use those words synonymously and it's not correct. Unprofitable, it costs us too much money, is different than uneconomic. Preserving threatened and endangered species habitat is unprofitable to a land owner. Preserving threatened an endangered species habitat is probably economically viable in many cases and we'll give you some examples of how to quantify that in dollar terms.

So we want to separate out financial and economic analysis. As a federal agency entrusted with managing public lands we should look at economic analysis, not cash flow. You're not an accounting firm, and profits are not the sort of end all be all as we'll kind of go through some of this. And as I say, profits can be a misleading indicator. Selling meth is profitable. You know, it's probably uneconomic for society as a whole.

Now, the part that Roy has been talking about is looking at jobs and income and employment. There we tend to take a local accounting stance, county, multiple counties, we use input/output models. When we do the benefit-cost analysis, we're looking at economic benefits, and then we're addressing the costs, not just the out-of-pocket costs, but these opportunity costs of other foregone multiple uses. So even though there's not a market for disperse nonmotorized recreation, we as a society have chosen not to sell that on public lands, it has an economic value to people. And that's an opportunity cost. Wildlife habitat loss is an opportunity cost. That's a real cost. And as Roy says, it needs to be factored into the decision of whether to lease or not. And that's a little bit of how we resolve this issue of national versus local.

You know, if in fact this is the Jonah Field, which is, you know, a fabulous natural gas field, well, then, there ought to be enough benefits to fully compensate the costs. It's not that the mitigation is uneconomic. If you can't afford to pay the mitigation, the whole development is uneconomic. If in fact the development is truly economic and has values greater than the other multiple uses, then you should be able to compensate and mitigation for those other multiple uses.

So one of the things as we go on in this course is Roy and I will be talking more about economic impact analysis, looking at how you do the jobs and income and employment, the multiplier analysis associated with economic impact analysis, and then how do we incorporate the nonmonetary, nonmarket sort of benefits? How do we monetize? Because there is a value.

Andrew mentioned house prices. In fact, yes, I mean, the value of amenities gets captured in those house prices. That's why Teton County has the highest cost of living. People will pay quite a premium to live there. So that value of Grand Teton National Park and the Snake River gets capitalized in the house prices.

So in some sense, you know, people have these values, and it's just a question of how we as economists play detective, kind of let you in on some of these tools from this toolbox approach that John Thompson talked about and says, you know, in some cases you're going to want to do an economic impact analysis and in some cases you're going to want to do a benefit-cost analysis. Some cases to provide a complete picture, you're going to want to have a contractor or you're going to want to have the agency do both types of analysis. Because with both types of analysis, you get the complete picture. Here's what's going on at the national level. Here's what's going on in the local level.