

KUFM / KGPR
T. M. Power
January 31, 2011

Revitalizing Montana's Economy by Focusing on the Natural Resource Sectors

The Republican majority that controls the legislature has focused its economic policy agenda on trying to jumpstart the natural resource sectors of the Montana economy, including mining and metal smelting, oil and gas production and refining, as well as logging and forest products manufacturing. This is a familiar focus. Democratic Governor Schweitzer has also made support for these natural resource sectors a focus of his Administration.

This natural resource focus would seem to make sense in a couple of different ways. The historical stories of the livelihoods that supported the original European-American settlement of Montana are focused on those industries as well as on farming and ranching. Old timers can look back to various "golden" eras when a substantial percentage of our workforce was engaged in land-based economic activities. That economic rearview mirror has the hypnotic pull of something familiar that worked well in the past.

In addition many citizens are lured into a visual approach to understanding the local economy: They stand out in the open and stare out at the forested mountains that surround most Western Montana communities or the farm and ranch land in Eastern Montana or the coal fields, oil patches, or metal deposits found elsewhere in the state and ask "Why are we not developing those ubiquitous natural resources and basing our long-run economic development on them? As one Republican leader said, "Montana is a treasure chest of wealth." Economic considerations such as cost, competitiveness,

and markets might tend to challenge the reliability of such visual economic information, but when there are scapegoats such as “environmental radicals” and “meddling governments” available to blame for anything that might have happened but did not, there is no need to engage in actual economic analysis.

But the evidence of the decline in our natural resource sectors is clear enough. Mining and metal smelting employment fell from about 10,000 in 1970 to about half that, 4,900, in the year 2000. It seemed to be recovering somewhat in 2007 and 2008, adding about a thousand jobs, but then the recession pushed mining employment back down again, canceling out the gains. In forest products, employment hovered around 10,000 from the 1970s through the 1990s despite the dramatic decline in timber harvest on federal land, but then, during the 2000s, half of those jobs disappeared. The bright spot has been in oil and gas exploration, production, and refining. It boomed in the late 1970s but busted in the early 1980s but continued to provide between three and four thousand jobs between 1970 and 2000. Since then employment in oil and gas has been climbing back towards its old peak of eight to nine thousand jobs.

If, for an overview, you look at the relative importance of the natural resource sectors as a source of jobs in the Montana economy, some will see a depressing trend: The growth of jobs in natural resources has not increased as fast the overall economy: The percentage of total Montana jobs found in the natural resource sectors has been declining. Almost 8 percent of Montana jobs were found in the natural resource sectors in 1969. Forty years later, in 2009, those sectors provided less than 3 percent of Montana jobs.

What is interesting is that this relative decline has been a non-partisan decline. Since the 1960s Montana voters have sent Republicans to the Governor's mansion for about the same number of years as they have sent Democrats. Democrats have controlled the legislature for about the same number of sessions as Republicans, but there were more legislative sessions when each party controlled one of the houses than there were sessions dominated by Democrats or Republicans. So if it is appropriate to blame someone for the 40- year decline in the relative importance of the natural resources industries as a source of jobs for Montanans, both political parties will have to share the blame.

It is not clear, however, that it is appropriate to be blaming anyone. These declines in the relative importance of natural resource extraction and processing as a source of jobs has been taking place across the nation and for a much longer period than just the last forty years. Technological change has steadily reduced the labor intensity of the natural resource industries. We have substituted capital, complex equipment, and energy for human muscle power. In New England and the southeastern states where the U.S. Forest Service does not control the forest base, employment in forest products has also declined dramatically. The underground mines that used to honey-comb gold, silver, copper, and uranium areas have been replaced with open pit mines using gargantuan equipment and very few workers. Alternatively, the metals increasingly are being extracted and refined by chemical means rather than digging them out and then concentrating and smelting them.

If one looks at the forty-year steady decline in the relative importance of natural resource jobs in Montana's overall economy, questions have to be raised about what

type of sustainable economic development strategy can be built around these economic sectors. That is not to dismiss these jobs and the economic opportunity that natural resource development can create. Many of these jobs also pay well above average wages. But no matter what magical economic incantations Democrats or Republicans periodically chant to lure us into voting for them, natural resource jobs will continue to be a declining percentage of total Montana jobs. What that means is that these historically important sectors of the economy will never again provide a large share of jobs. Those politicians who are not just trying to fool us with smoke and mirrors and nostalgia for the past, should be focused on where the other 90 to 97 percent of jobs are going to come from. Then they would be talking about the real economy on which we all depend.