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Environmental Amenities and Economic Growth: Can Promoting the Environment Help the Recovery?

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The recent economic recession has led to a change in the perceptions of most Americans toward the environment. With the unemployment rate near all-time highs, the quality of the environment is becoming less of a priority to the public. A Harris poll conducted in 2008, at the height of the economic recession, revealed that two-thirds of Americans favored economic growth and development over protecting the environment. The survey conducted online asked 2,454 adults aged 18+ to choose between protecting the environment and economic growth and development in their region. Sixty-three percent favored economic growth, and 27 percent favored environmental protection (see table). The sentiment against environmental protection is the strongest in the Midwest, where only 18 percent of surveyed adults favored environmental protection over economic growth.

ENVIRONMENT VERSUS ECONOMIC GROWTH

"What would you say is more important to your region - protecting the environment or economic growth and development?"

Base: All adults

	US	US Region			
	Total	East	Midwest	South	West
	%	%	%	%	%
Economic growth and development	63	57	69	64	62
Protecting the environment	27	31	18	27	29
Not sure	10	12	13	8	9

Note: Percentages may not add up exactly to 100 percent due to rounding

Source: June 2008 Harris Poll

Paradoxically, the quality of the natural environment can contribute to job creation and economic growth. To substantiate this claim, I discuss mechanisms linking environmental quality and growth, present scientific research that support it, discuss environmental quality of Las Vegas with respect to other big cities, and present policy lessons.

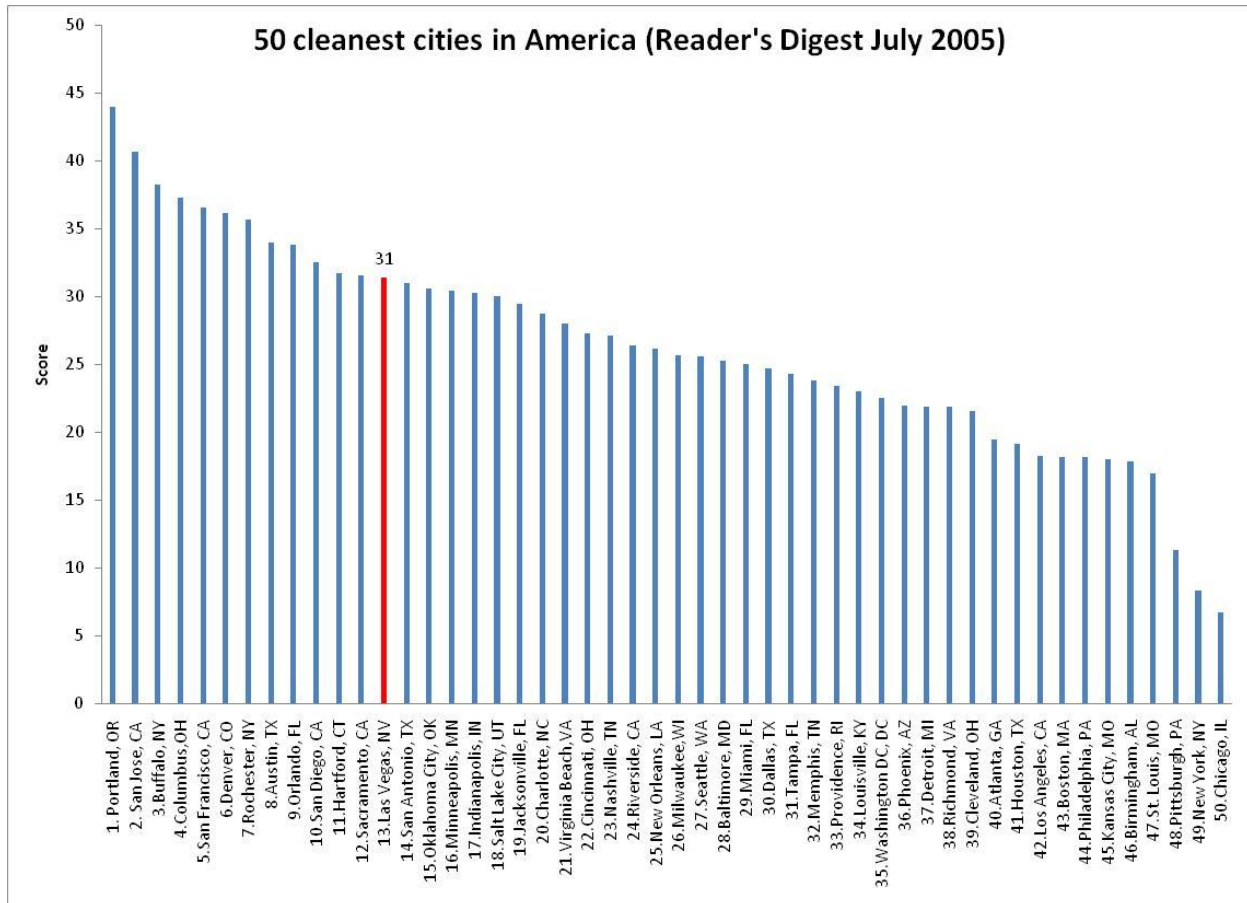
Linking Environmental Quality and Economic Growth

The quality of the natural environment can help attract new jobs to a region. There are basically two explanations for this relationship. The first explanation is labor migration. The idea is that a high-quality natural environment helps attract skilled workers at lower wages. In fact, empirical research has shown that skilled workers are willing to accept lower wages when environmental quality is higher (Roback 1982). So if skilled labor is cheaper in regions with a high-quality natural environment, firms looking to minimize costs will be attracted to those areas because of the easy access to low-wage skilled labor (Izraeli and Mobley 1995). In fact, various surveys of firm executives rank labor supply and quality of life as top location factors (Gottlieb 1995). Needless to say, the quality of the natural environment is a major component of quality of life.

The second explanation for why environmental quality can contribute to economic growth is production costs. The idea is that the production costs of firms may be lower in regions that have a high-quality natural environment (Goetz, Ready, and Stone 1996). Hence, firms looking to minimize costs will be attracted to these areas. But what does a high-quality natural environment have to do with production costs? Studies have shown that cleaner air and water can lead to lower rates of sick leave and, therefore, higher worker productivity. Higher productivity means, of course, lower cost per-worker. In addition, better accessibility to natural amenities may result in less incidence of stress among workers. This results in higher worker productivity and lower cost per worker.

How Is Las Vegas Doing?

In 2005, the *Reader's Digest* published a study ranking the 50 largest U.S. metropolitan areas in terms of environmental quality. The criteria used to rank the cities were air quality, water quality, industrial pollution, hazardous waste sites, and recycling. Each metropolitan area earned points on a scale of 1 to 50 in each category. The category scores were then averaged to get an overall score. The Las Vegas metropolitan area obtained an overall rank of 13 with an average score of 31. Portland, Oregon, obtained the top rank and Chicago, Illinois, ranked last (see figure).



The *Reader's Digest* overall ranking places Las Vegas area in the top quartile in terms of environmental quality. A breakdown of the ranking by category shows a dichotomous picture. The Las Vegas area performed very well in the categories of water quality, industrial pollution, and hazardous waste, where the area ranked 9th, 11th and 2nd, respectively. In contrast, Las Vegas performed very poorly in the two remaining categories, air quality and sanitation, with rankings of 39th and 44th, respectively. Las Vegas' struggle in the air quality category has also been documented recently in the Environmental Protection Agency's 2008 Air Quality Index comparison of the 50 largest U.S. metropolitan areas. The Las Vegas metropolitan areas ranked 32 out of 50, with only 58 percent of days with good air quality during 2008. These rankings suggest that while the Las Vegas area is doing well overall in terms of environmental quality, there is certainly plenty of room for improvement, especially in the area of air quality and sanitation.

Policy Lessons

For sustained economic growth, the Las Vegas area needs a diversified economy. The research evidence suggests that promoting a high-quality natural environment will make it easier to attract new firms, which would help foster a more sustained economic recovery. It is time to stop looking at environmental quality policies as bad for economic growth. Sustained economic growth requires a certain level of environmental quality. Las Vegas is already doing relatively well compared to other metropolitan areas and this needs to continue. Local government plans for increasing the provision of environmental amenities are crucial for the future economic growth.

References

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