09 September 1998

Governor John A. Kitzhaber
State Capitol Building
Salem, Oregon 97310

Governor Tony Knowles
Office of the Governor
P.O. Box 110001
Juneau, Alaska 99811

Governor Gary Locke
Office of the Governor
P.O. Box 40002
Olympia, Washington 98504-0002

Governor Pete Wilson
State Capitol Building
Sacramento, California 95814

Premier Glen Clark
Office of the Premier
Room 156, West Annex
Parliament Buildings
Victoria, BC V8V 1X4 Canada

Dear Governors Kitzhaber, Knowles, Locke, and Wilson, and Premier Clark:

Decisions regarding the management of Pacific salmon, many of which are experiencing deep declines in numbers, can affect a vast landscape along the western edge of North America and markedly influence the region's future economy. With this letter, we hope to help lay the foundation for the public debate over the economic aspects of these decisions.

Most of the discourse on the economic issues of salmon recovery has focused too narrowly, concentrating almost exclusively on the costs of recovery. Costs are indeed important, but they tell only part of the economic story. We encourage you and the members of your Administrations to adopt a broader perspective and consider the full range of economic consequences of salmon-management decisions. Toward this end, we recommend that you examine and weigh all these factors:

* Costs, Benefits, and Net Benefits.

Salmon recovery will generate economic benefits as well as costs. To understand the net benefit (a net cost if negative) to the economy as a whole, one must consider the effects on the production of all goods and services. The effects on goods and services that are traded in markets, such as commercial salmon, timber production, and agricultural production, should receive the same consideration as those, such as recreational fishing, clean streams, and biodiversity, that are not. A full accounting must be provided of the true value of each affected good or service, taking into account the market price, where appropriate, as well as all factors, such as subsidies, taxes, and environmental externalities, that distort the level of supply or demand. Some of the benefits and costs will manifest themselves in the

immediate vicinity of the resources affected by salmon recovery, while others will manifest themselves at greater distances.

* Jobs, Incomes, and Transitions.

Salmon recovery will have diverse impacts on labor markets, increasing some demands for labor and decreasing others. It also may affect the spatial distribution of the supply of labor by influencing the location decisions of some households. To understand the resulting impacts on jobs and incomes, one must consider the salmon-related changes in demand and supply against the backdrop of the markets' ability to adjust. One should examine both the overall change in jobs and incomes as well as the transitions for affected workers, their families, and their communities.

* Distribution of Economic Consequences.

The positive and negative effects of salmon recovery will not be distributed equally. Identifying the winners and losers can create opportunities to explore options for breaking political gridlock–by clarifying mechanisms, for example, for the winners to provide some compensation to the losers.

* Rights and Responsibilities.

Owners of natural resources affected by salmon-recovery measures have both rights regarding their use of these resources and responsibilities not to exercise these rights in ways that unreasonably restrict the rights of others. This is true of both private- and public-property owners. To understand the costs and benefits associated with salmon recovery, one first must have a clear understanding of the relevant rights and responsibilities, because society might assign very different values to two recovery actions that are otherwise identical but one restricts a property owner's rights and the other forces it to comply with its responsibilities.

* Uncertainty and Sustainability.

Nobody can eliminate the uncertainty regarding how salmon-recovery decisions will affect salmon populations and the economy, and it is inevitable that some decisions will not yield the desired outcomes. Reversing undesired outcomes is always costly, however, some outcomes are less costly to reverse than others. Some, of course, are irreversible. To understand the full economic consequences of salmon-recovery decisions, one should consider the potential reversal costs if the decision should yield undesired outcomes.

* Looking Beyond Salmon.

To understand the full consequences of salmon recovery, one must look beyond those tied to the salmon, themselves, and examine those linked to the productivity and use of the surrounding ecosystem. Changes in ecosystem productivity may occur through the restoration of the ecological functions of salmon-bearing streams and the surrounding watersheds that will accompany salmon recovery. Changes in the use of the resources of the larger ecosystem may have both positive and negative effects on the economy.

We hope you will consider the factors outlined here, and use this outline to improve the public's understanding of the full economic consequences of salmon recovery.

Sincerely,

W. Ed Whitelaw
University of Oregon/ECONorthwest

Ernest Niemi
ECONorthwest

And the following co-signing economists:

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Note: Affiliations are for informational purposes and do not imply consent by organizations.

cc: David Anderson, Minister, Fisheries and Oceans, Canada
Will Stelle, National Marine Fisheries Service