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BIG OIL IN LOUISIANA A BLESSING OR A CURSE?

Business executives and academics are joining forces all this week on the North Carolina coast to debate and pinpoint America's future in the 21st century. How does our country fit into the global flow of ideas, commodities, and rapid development of technology? Will the U.S. continue to lead, or be swept up in the cross currents of a global integration? I have the good fortune of being asked to attend.

Discussions have centered on how a number of states in the south have developed climates to attract numerous multi-national corporations. The high-profile examples are obvious – Nissan coming to Mississippi, Toyota to Alabama, and Wal-Mart in Arkansas. Spin-offs were also discussed, where medium-sized industries and companies feed off of these bigger entities to create thousands of new jobs, and stimulate economies in states throughout the southern part of the U.S.

When it came to Louisiana, all concerned pointed to one major dominating influence throughout the last century – oil. Oh, some comments were made about tourism in New Orleans and trade on the Mississippi River. But oil was the big gun that all agreed dominated the economic agenda of the deepest of the deep southern states.

Remember the 1951 movie “Thunder Bay?” Jimmy Stewart plays an oil wildcatter who strikes oil in the Gulf. When the locals rise up in arms, Stewart makes no bones about what they face: “There's oil under this Gulf. We need it. Everybody needs it ... without oil this country of ours would stop and start to die. And you would die. You die,” he tells the crowd. “You can't stop progress. Nobody can.”

Environmental concerns and what has been said about the effect of oil and gas activities on coastal erosion and the elimination of the wetlands are not the focus of this column. But what about the economic effects? Has the domination of oil in the State so diverted business leaders and political officials from developing alternative agendas so as to have made all the drilling worthwhile?

I've discussed in previous columns how Louisiana gets shortchanged in receiving adequate royalties from production offshore. More than \$7.5 billion annually in petroleum royalties is paid to the Federal Minerals Management Service. This is the second biggest chunk of change received by the federal government, only behind the Internal Revenue Service. But Louisiana gets a pittance.

In State waters three miles or closer to shore, Louisiana State Government is able to keep all mineral royalties. From three to six miles offshore, the State's take is 12.5 percent. But beyond six miles offshore, where the real action is and major development is taking place, the State receives nothing. Not one penny.

Last year, with more than \$5 billion in royalties coming off the coast of Louisiana, the State was paid \$23 million, or less than one-half of one percent.

For this small amount of money, what does Louisiana do in return? It supplies the entire infrastructure for the workers, vehicles and rigs to travel offshore and back. Louisiana builds the roads, educates the children of these workers, and pays for all support services. Twenty-three million dollars is just a drop in the bucket to cover these costs.

Ted Falgout is executive director of the Greater Lafourche Port Commission. “The State has to carry the burden of supporting the offshore industry,” said Falgout. “There are a thousand trucks a day going into our ports supporting federal outer continental shelf leasing in the Gulf of Mexico.” His point is that the State is paying a tremendous cost, and getting little in return.

So, for all practical purposes, Louisiana has been a one-industry State for the past 100 years. And what do we have to show for it? There is little money coming in to pay for infrastructure and environmental damages. And look at our national rankings. Just last month, the Morgan Group out of Lawrence, Kansas, released its annual publication of the best and worst livable locations in America. New Hampshire finished number one, followed by Minnesota, Iowa, Vermont and New Jersey. Scott Morgan, president of the organization said that the rankings: “Take into account a broad range of economic, educational, health-oriented, public safety and environmental statistics.” He went on to say that “the most livable state award tells an interesting story about life and government in the 50 states.”

So where was Louisiana? In years past, the State has been at the bottom, but not the worst. Not this year. In 2006, Louisiana ranks number 50 as the least appealing state, overall, in the country according to the report.

Actually, there is some positive news. In the rankings of the most dangerous states in America, Louisiana does not lead this category. It ranks second to Nevada. How about being healthy? A big jump here. The State ranked 50th last year, the least healthiest, but now has moved up to number 48.

It would be unfair to blame reliance on oil as the economic generator in Louisiana to be the reason for these low rankings. I think the bigger issue is that with the abundance of natural wealth coming in from oil and gas, there wasn't the motivation on the part of political, educational and business leaders to look for alternatives. It was just too easy to gravitate towards the oil industry. No challenge to pull up on the State's boot straps and be creative in developing alternative strategies.

Our neighbors in the south didn't have such an option. Natural wealth wasn't there in Tennessee, Arkansas, Alabama and the other states of the Deep South. All they had were the talents of their people and the challenge in using their own ingenuity. Therefore, many of Louisiana's sister states went to work. Trade missions overseas were a regular thing by governors in a number of southern states. Such trips were unheard of until very recently in Louisiana. Relationships in other counties often take years to develop. Louisiana is just beginning, and the catch-up time is formidable.

In addition, foreign investment by auto companies like Nissan and Toyota in Japan is not as attractive as it once was. Any opportunity that was there in the '70s and '80s has probably slipped through the cracks.

When all is said and done, one day someone will pull out a scorecard and add up the pluses and the minuses. Certainly oil in Louisiana supplied a number of jobs and was a significant economic impetus. But on that same scorecard, a list should also be made of the lost opportunities and the chances to move in more environmentally friendly occupations. Other southern states did and made progress. We received the bucks from Big Oil, and are rank number 50 in overall quality of life.

There's a message there somewhere. And I'm not sure just how to respond to the questions thrown at me here on The Outer Banks. The past is prologue. And the future? If the national surveys are any indication, there is no were to go but up.

"If we can make a comparison between the oil industry and when Christopher Columbus arrived 500 years ago. Just the same. He brought some mirrors, necklaces, some fancy things. Same thing.... Now the difference is that instead of Spaniards, it's the oil companies."

Giovanni Schiavone, Consultant to Ecuadorian Government

Peace and justice.

Jim Brown

Jim Brown's weekly column appears each Thursday here at Politicsla.com, and in a number of newspapers throughout the State of Louisiana. You can read Jim's Blog, and take his weekly poll, plus read his columns going back to the fall of 2002 by going to his own website at <http://www.jimbrownla.com>.

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