New port facilities could help grow Washington revenues

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By STEVEN GLOBERMAN — COURTESY TO THE BELLINGHAM HERALD

Washington state legislators will be meeting in a special session to deal with the growing gap between projected revenues and expenditures, a policy dilemma that has been rendered more acute by the state Supreme Court's order that the government increase educational spending by $1 billion. At present, the outlook for a bipartisan solution is not good. Unfortunately, Washington state politicians, much like their federal counterparts, seem locked into two conflicting positions: 1. Increase tax revenue through higher tax rates or new taxes; 2. Cut government spending. While some compromise between the two positions seems required to address the state's fiscal crisis in the short-run, a longer-run solution must make faster economic growth a public policy priority.

Washington state is effectively a small, open economy. That is, its economic welfare relies upon participation in international trade. When measured in 2012 U.S. dollars, Washington exports almost twice as much per resident as does the United States as a whole, and it is estimated that 40 percent of all jobs in Washington state can be attributed to trade-related activity. Current proposals to develop new bulk commodity terminals at Cherry Point and Longview would, if implemented, expand and strengthen the role of international trade as an engine for the state's economic growth. While the proposed terminals would initially be used to primarily export coal, they will provide efficient infrastructure for exports of other bulk commodities including wood, wheat, grain and other agricultural products.

Rapidly growing Asian economies are very attractive export markets for agricultural and other products produced in part or completely in Washington state. The prospect of concluding a major free trade agreement between the United States and Pacific rim countries, including Japan and China, under the auspices of the Trans-Pacific Partnership negotiations makes trade opportunities for Washington state even more compelling. New port infrastructure would help ensure that businesses in Washington state can take advantage of these unfolding economic opportunities with resulting benefits of faster growth of income and employment in Washington, along with increased tax revenues to help fund vital government services.

Well-known concerns have been expressed about the environmental impacts and other externalities associated with transporting and exporting coal. It is appropriate to incorporate estimates of these impacts into any assessment of the social benefits and costs of new port facilities. At the same time,
available estimates of the economic benefits of the proposed terminals have primarily focused on the income and employment that would be created by constructing and operating those facilities. This focus undoubtedly results in understating the economic contribution that new port terminals would make to the state's economy, since it ignores the faster economic growth that would result from lower shipping costs affecting a wide range of domestic businesses. As well, it understates the role that new port facilities can play in helping to solve the state government's long-run fiscal problems.

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Steven Globerman is the Kaiser Professor of International Business in the College of Business and Economics at Western Washington University. He was commissioned by the Washington Farm Bureau to produce a report on the economic implications of the coal export terminal expansion to other industries.