

# ON THE OTHER HAND

THE NEWSLETTER OF HARVEY ECONOMICS

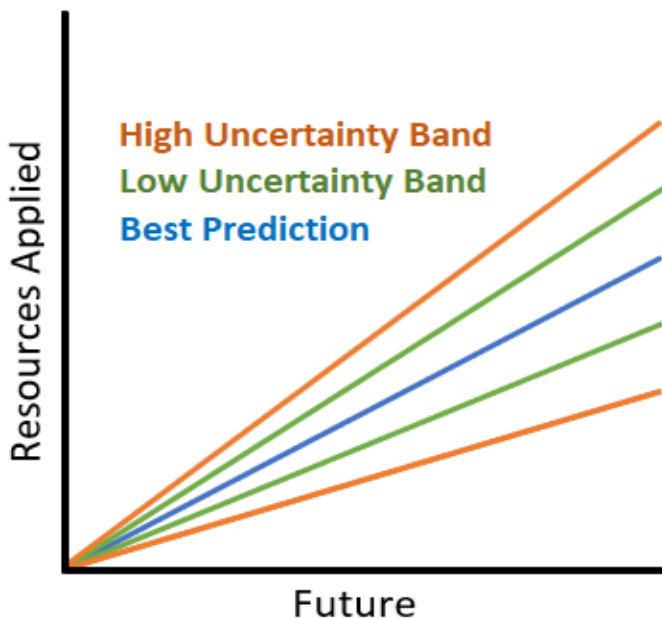


[he@harveyeconomics.com](mailto:he@harveyeconomics.com)

720.889.2755

July 2019

## Uncertainty, the Quiet Villain



Economists do not swear to a Hippocratic type of oath the way doctors do. Some people think they swear to nothing at all, but I can vouch for the fact that they swear a lot. In fact, behind all that arm waving, we do have a strongly held credo: the relentless pursuit of efficiency and the optimization of all resource investment.

At the present time, there is a particular phenomenon which threatens to thwart the efficient investment of labor and capital and the allocation of resources. It is the unusually high level of uncertainty facing decision-makers in the public and private sectors as they consider almost any consequential future action.

Let us take the example of a farmer preparing for the coming year:

- Climate volatility means seeking more water than in the past
- Tariffs might lead to steering clear of certain crops
- Limited availability of migrant labor could mean other, higher wage alternatives must be secured

This farmer must cover his bets by investing more than would be necessary under “normal” conditions. The result: **inefficient allocation of the farmer’s resources.**

At Harvey Economics (HE), we are seeing the farmer example play out across many economic sectors and client decisions:

1. Water developments are designed larger than originally planned;
2. Species preservation efforts are more expansive;
3. Public officials may defer decisions until the “path is clearer”; and
4. Private sector clients change investment decisions rapidly in response to ever growing uncertainty.

HE is careful when making predictions, but we can tell you this much: the high and increasing level of uncertainty in all the dimensions of our lives will take a toll on efficient allocation of resources.

One of HE’s strengths is our experience in confronting uncertainty. Virtually all of our work requires some forecasting or some assumption that attempts to peer into the unknown. We rely on our tools and models, but also on our judgement gained over decades. We head into each project with humility, recognizing our imperfect foresight, without preconceived notions or an exact road map. HE believes that if we patiently work through the underlying issues with unflinching honesty, we can shine a light on the uncertainty and make a real contribution in improving efficiency and resource allocation.

### HARVEY ECONOMICS IN ACTION

HE is currently supporting Converse County, Wyoming in their role as a Cooperating Agency on the Converse County Oil and Gas Project EIS. Led by the BLM, this effort is focused on the proposed future development of several thousand new oil and gas wells throughout the County. The timing and scale of operations depends on a number of factors, including highly volatile commodity prices. Socioeconomic impacts include new employment and revenue opportunities, as well as increased housing prices and demands for public services. A socioeconomic monitoring program designed by HE will reduce the uncertainties surrounding the timing of development and the impacts to residents and local governments.

### EXTENSIVE EXPERIENCE ACROSS MANY INDUSTRIES

Our client list is diverse, covering a range of government agencies and corporations and various other public and private entities. We serve many markets, including Water, Natural and Environmental Resource Economics, Tourism and Recreation, Energy, Minerals, Litigation Support, NEPA, and Agriculture.

GO BEYOND SURFACE-LEVEL THINKING.

[HARVEYECONOMICS.COM](http://HARVEYECONOMICS.COM)

