

## The Oil Price Squeeze

Cause of Colorado's economic woes?

By Richard D. Dole

There's no question that the international oil slump has had a serious impact on Colorado's economy. Our state's prosperity is heavily dependent on the energy industry, perhaps more than we realized during the oil boom of a few years ago.

How much of Colorado's current economic distress can be tied to the energy industry's plight? Almost all of it, say some observers: not much, say others.

Quoting a study by the Colorado Energy Research Institute, Wilson D. Kendall, vice president of CBEF Inc., a University of Denver organization of business and economics faculty, states that although Colorado is not a major oil producer, it is an important supplier to the energy industry. As a result, real estate/construction, finance, retail, business services, entertainment, and tourism, among others, may sink or swim in the energy industry's wake. The study showed that over half of Colorado's employment is tied — directly or indirectly — to the energy industry. Thus, as the energy industry goes, so goes the state.

Other economists believe our state's economy is broader-based. While acknowledging the energy industry's contribution, some observers — like those at United Bank of Denver in their 1987 *Economic Forecast* — downplay the industry's role as a major factor in the state's woes. Were it not for low oil prices, low inflation, and the dropping dollar, they contend, Colorado's economy would be in far worse shape than it's in now.

Whether you believe Colorado's economy is energy-based, and therefore suffering or whether you attribute our problems to a wider spectrum of causes, it's clear that the energy industry has been an important contributor to Colorado's prosperity, especially in the recent past. What is less certain is the industry's future contribution.

It can't be denied that the inability of smaller, marginal energy companies to survive the downturn has had a ripple

effect throughout our economy. Massive layoffs in energy have led to corresponding layoffs in other industries, office vacancy rates have soared, retail sales are down, and businesses everywhere are tightening their belts. I don't believe Colorado will fully recover for several years, even if oil prices begin to rise.

As for what lies ahead, in many respects, Colorado's economic situation mirrors that of the nation: All of our mainstay industries, energy included, face the specter of keener overseas competition. Just as OPEC forces oil prices below competitive levels, so do Third-World manufacturers of goods from ap-

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parel to semiconductors drive down prices for U.S. products. Many U.S. companies have moved out of the country just to stay afloat.

What seems to be happening — in most industries, in many states — is a basic restructuring of business practice. Confronted with an expanding global economy, American business leaders have come to realize that they can no longer conduct business in a vacuum.

Our nation's economy no longer rests on an aggregation of separate, autonomous industries, each operating in isolation from the other and from the world. Each industry is part of a much larger global mechanism, and the efficiency of each cog depends on how smoothly it meshes with every other one.

That applies to the energy industry, too. The energy industry will survive, but not without some radical departures



Dole: interdependence is key

from its traditional ways of doing business. Its fierce independence will have to give way to interdependence with businesses of all types and government. Only then will our country be able to compete in the world marketplace in the next century.

In the energy industry and in some other industries, we've already seen manifestations of that interdependence. You see it in the growing trend toward diversification, as companies seek a buffer from the economic forces that can devastate a single industry or primary line of business.

The toughest part about the new interdependence may be giving way to federal government intervention. The energy industry and the government may have to join forces — through price supports, import fees, or other means — to forestall worse economic problems than we're facing today.

Local government will also play a role in the energy industry's future. Denver's planned convention center and new airport, both long overdue, will re-establish Denver as a financial force to be reckoned with. Our location is central and our environment is, for the most part, attractive. And our business/industrial climate is healthy on the whole.

If we capitalize on the industry/government interdependence by providing a first-rate infrastructure, we will signal to the rest of the nation our state's determination to regain our position as a major energy and business center of the Western United States. DB

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