

Industrial Mines and Small Communities:

The Palmer Project Through the Lens of Economic History

Presentation to the
Takshanuk Watershed Council

Haines, Alaska

by

Gregg Erickson

February 25, 2019
Chilkat Center Lobby

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Assignment

Takshanuk Watershed Council

Provide the Haines community with credible and unbiased information on community impacts, positive and negative, of industrial scale mining at the Palmer Project near Haines, Alaska.

Summary

1. A majority of mining communities experience negative outcomes from industrial mining.
2. Biggest economic problem for communities is the impermanence of industrial mining.

Summary (continued)

3. Communities usually have limited influence on industrial mining projects.
4. Don't count on federal and state environmental protections to protect community interests.
5. Most likely source of community leverage is a pro-active local government.

My Background

- Education

 - Anchorage High School

 - Wesleyan University

 - University of Alaska Fairbanks

- Teaching

 - University of Alaska Juneau

Work History

- Anchorage Natural Gas Company
- Resources Economist, U of A Institute of Social & Economic Research
- Economist, U.S Senate Energy Committee
- Director of Research, Alaska State Legislature
- Senior Economist, Office of the Governor

Work History (continued)

- Director, Exxon Valdez Damage Assessment & Restoration, Alaska Dept. of Fish & Game
- Co-founder and Managing Editor, Alaska Budget Report
- Principal and Owner, Erickson & Associates (www.EricksonEconomics.com) Expert witness in state & federal courts

Publications

- *Mineral Policy and the Public Lands* (1969)
- “Dreams, Risks and Realities: An Economic Analysis of Plans to Dam Alaska’s Susitna River” (2014)
- “The Great Alaska Recession” (2015)
- Author of more than 150 articles, papers and monographs on resource economics, public finance and fiscal policy

Public Service

- Board Member, American Academy of Economic & Financial Experts
- Board Member, Robert Schalkenbach Foundation (2001-present)
- Peer reviewer for economics, North Pacific Research Board.
- A-J [Mine] Municipal Advisory Committee, Juneau Borough

Take away #1

“A majority of communities experience negative outcomes from industrial mining.”

“A majority of communities experience negative outcomes from industrial mining.”

Freudenburg and Wilson, “Mining the Data: Analyzing the Economic Implications of Mining for Nonmetropolitan Regions,” *Sociological Inquiry*, Vol. 72, No. 4, Fall 2002.

- Reviewed hundreds cross sectional and time-series studies on economic effects of mining in published peer-reviewed and U.S technical literature.
- Found 301 usable studies.
- Focused on incomes, unemployment, and/or poverty rates.

“[M]ining communities’ economic problems tend to become increasingly pronounced over time, exacerbated by the volatility of commodity prices, the potential for a cost–price squeeze, and the problem of 'flickering.’”

Freudenburg and Wilson, “Mining the Data: Analyzing the Economic Implications of Mining for Nonmetropolitan Regions,” *Sociological Inquiry*, Vol. 72, No. 4, Fall 2002.

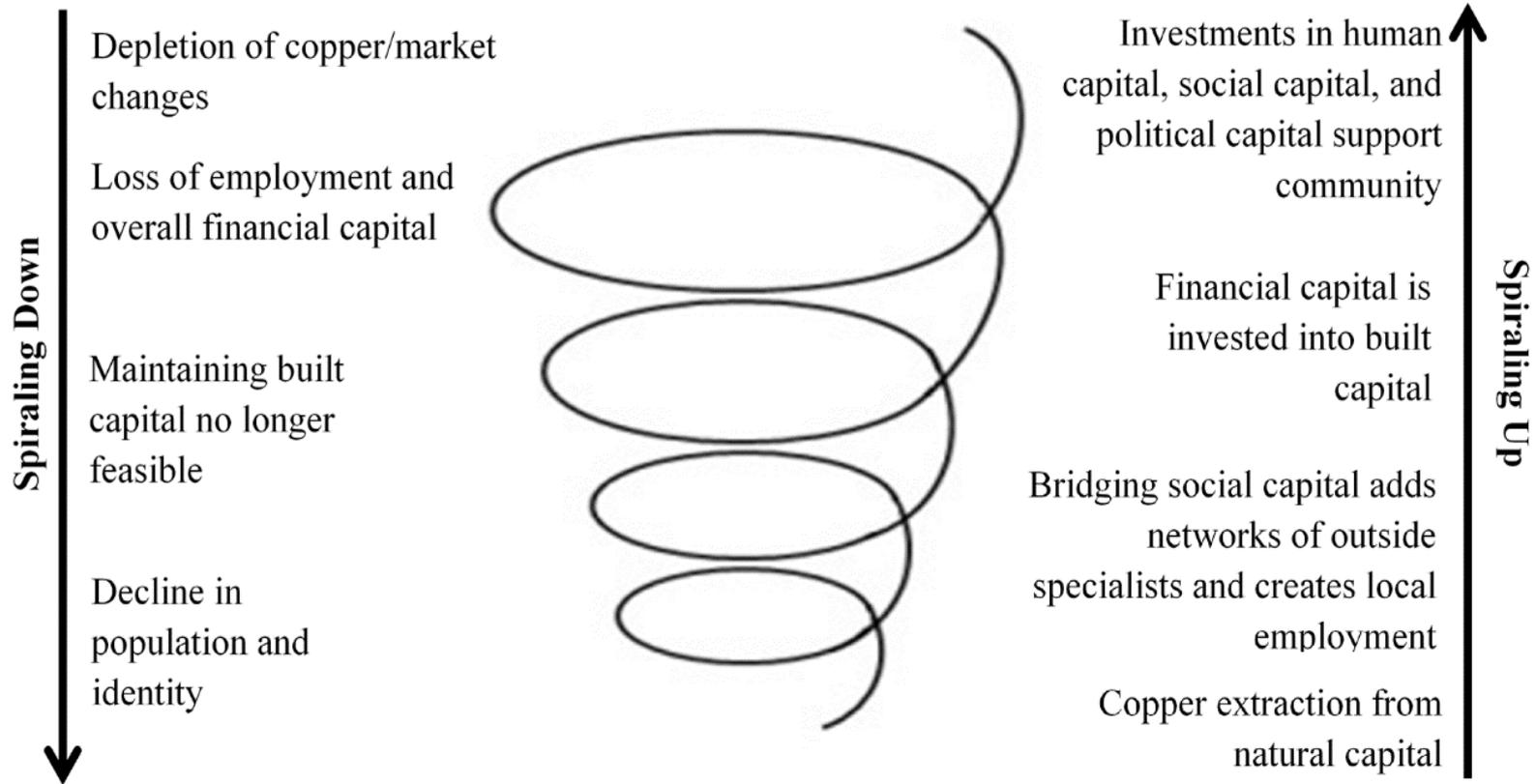
Other studies looked at sociological and psychological outcomes.

**THE SOCIO-ECONOMIC WELLBEING
OF SMALL MINING TOWNS IN THE
NORTHERN CAPE** by Avril Edward Mathew
Gardiner , 170300 Stellenbosch University
<https://scholar.sun.ac.za> 116

**Towards a Political Economy of Resource
Dependent Regions**

Google Read at

https://play.google.com/store/books/details?id=nJ4xDwAAQBAJ&rdot=1&source=gbs_vpt_read&pcampaignid=books_booksearch_viewport



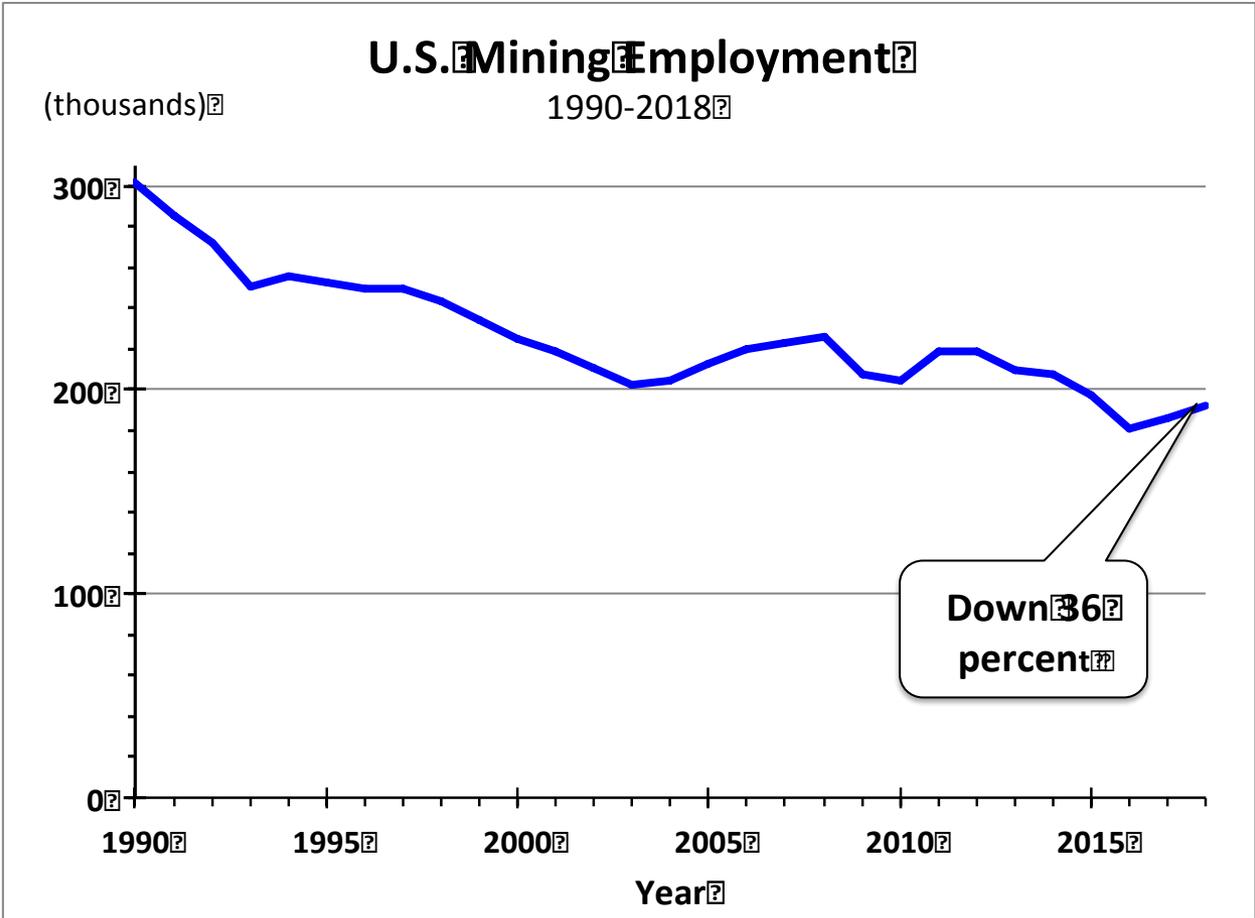
THE SOCIO-ECONOMIC WELLBEING OF SMALL MINING TOWNS IN THE NORTHERN CAPE by Avril Edward Mathew Gardiner Stellenbosch University

Take away #2

“Biggest economic problem for communities is the impermanence of industrial mining.”

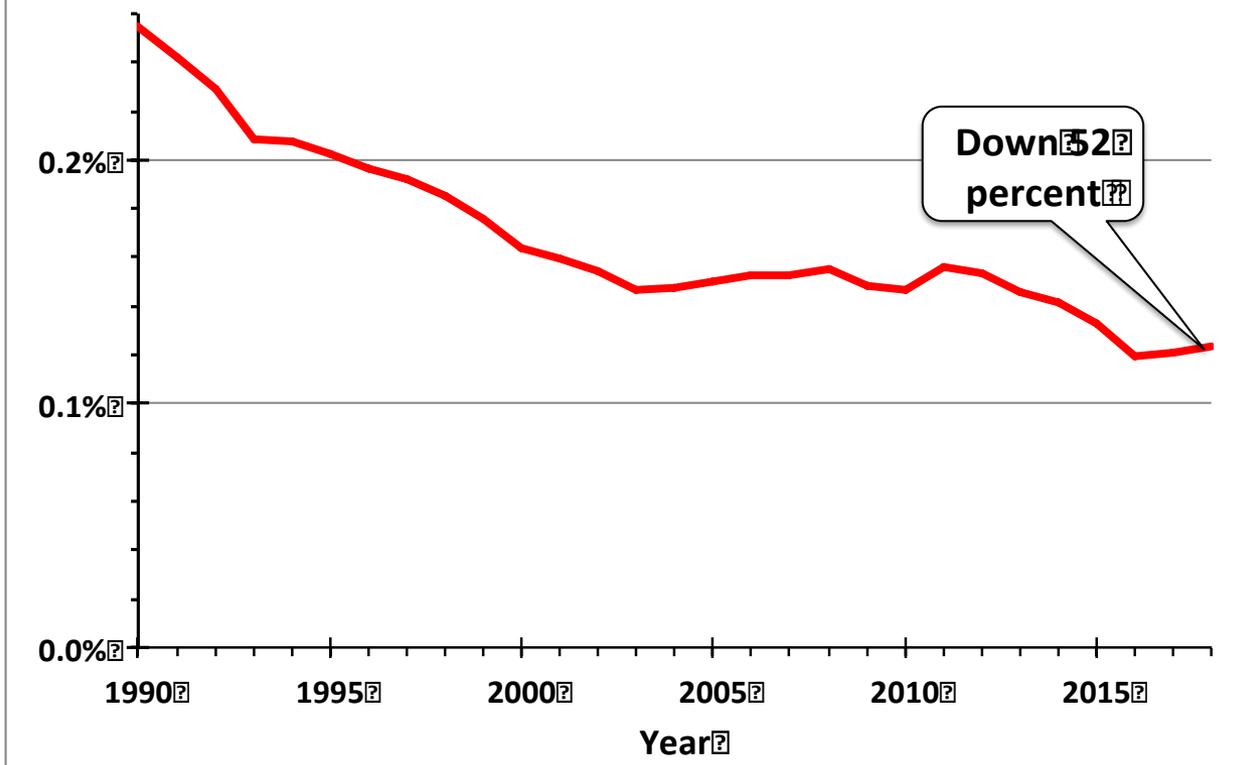
“Mineral development has limited capacity to support economic development because the mineral industries are becoming less and less labor intensive and are playing a steadily shrinking role in the overall economy.”

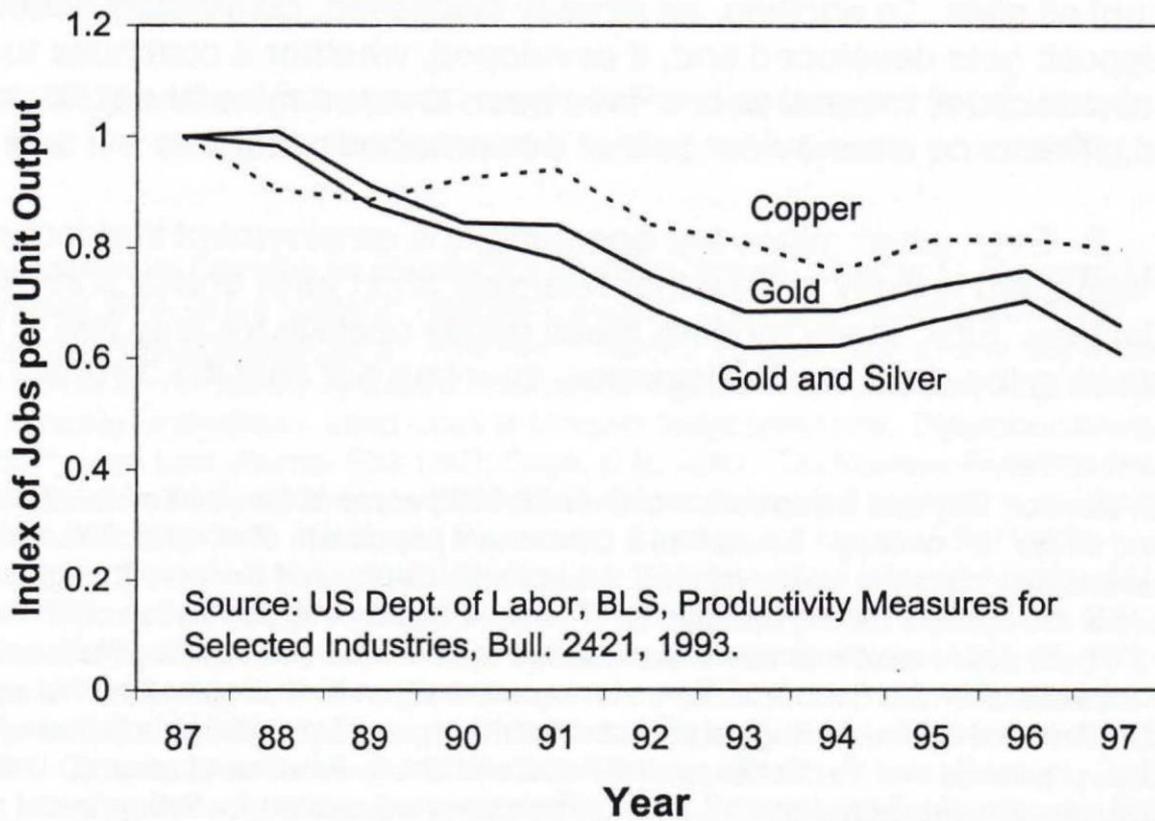
Mining and Public Policy in Alaska,
by Tussing and Erickson, 1969.



Mining Share of Total U.S. Employment

1990-2018





Take away #3

“Communities usually have limited influence on industrial mining projects.”

Reasons:

- Federal & state preemption of many tax and regulatory authorities.
- Absence of surface and subsurface land ownership.
- Because just say “no” doesn’t necessarily mean no.

National Environmental Policy Act Regulation on Mitigation

"The authorized officer shall not require implementation of mitigating measures which would prevent the evaluation or development of any valid claim for which operations are proposed."

36 CFR 228.0(c)(3)

Corporate Turnover

- **When and If the Palmer Project actually becomes a mine, Constantine Mining Company, Ltd. is unlikely to be the corporation Haines will be dealing with at that time.**
- **And it almost certainly will not be the corporation the Haines community will deal with when the mine closes.**

Take away #4

“Don’t count on federal and state environmental protections to protect community interests.”

Incentives matter

Environmental oversight of the mining industry by both governments is being exercised with an increasingly light hand. The industry applauds this. Profit is industry's principal motivation, and the lighter hand of government enhances opportunities for profit.

Take away #4

When environmental protection fails the problems come soonest to the local community, and it is there where the suffering is most severe.

Long after the failure has been forgotten elsewhere, it is in the local community, not the state or nation, where the negative effects last the longest.

Take away #5

“Most likely source of community leverage is a pro-active local government.”

Sources of Community Leverage

- Taxing (property & sales)
- Zoning authority
- Environmental regulations
- Land ownership

Examples

- Juneau (Mining ordinance)
- Northwest Arctic Borough (mining tax proposal leads to PILT)

Something else to remember

“The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.”

Alaska Constitution, 1956 [emphasis added]

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