

ALASKA AS A DEVELOPING REGIONAL ECONOMY : 1966-1970

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On March 27, 1964, the Alaskan earthquake devastated many coastal towns. Since then, the Alaskan economy has prospered at an unprecedented peacetime rate. During 1965, several factors were particularly important. Exports increased, federal expenditures continued at the 1964 pace, and the construction, forestry and fisheries industries prospered. The transfer of public lands from federal agencies to the state government has occurred rapidly. Recent oil discoveries have begun to contribute to the state's financial position. Only the threat of increasingly active foreign fishing and the possibility of military out movements dampens the economic outlook for the next several years.

Fiscal Policy.

Emergency federal expenditures were specifically designed to help alleviate the 1964 earthquake damages (1). These federal funds were an important economic stimulus in 1964-1965. By July, 1965, nearly \$400 million of federal assistance had been extended to this region for earthquake reconstruction and development purposes (2). As a consequence, the contract construction industry operated at an employment rate 30 percent higher than in 1964. The repair and replacement of most damaged roads and public buildings have been accomplished. In certain ins-

tances, such as in fishery processing plants, the replacement facilities have materially improved the region's competitive position.

The national reductions in domestic military spending and the shutting down of military bases have not yet affected Alaska's prosperity. Procurement of Alaskan products and services by local military installations has remained steady. In certain categories of base purchasing and contracting, the proportion of local buying actually has increased. In the next two fiscal years, the regional effects of new national military spending policies will be registered.

The role of non-military spending in Alaska has become increasingly important (3). In this regard, two programs will be particularly effective in stimu-

(1) Office of Emergency Planning, **Impact of the Earthquake of March 27, 1964 Upon the Economy of Alaska** (Executive Office of the President, Washington, D.C., April 6, 1964); and Federal Reconstruction and Planning Commission for Alaska, **Response to Disaster: Alaskan Earthquake, March 27, 1964** (United States Government Printing Office, Washington, D.C., September, 1964).

(2) Estimated by the Federal Reconstruction and Development Planning Commission, Anchorage. Disaster assistance stemmed directly from the declaration of this area as a major disaster by President Johnson, April 2, 1964. Public Law 81-875, the Federal Disaster Act (1950); Public Law 86-70, Amendment to the Alaska Omnibus Act, were then available.

(3) Cf. R.C. Haring, "The Employment Multiplier Impact of Defense spending in Alaska", **Papers of the Western Regional Science Association** (Santa Barbara, California, 1965).

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lating economic growth. One, the Economic Opportunity Act (1964) is a federal law which already has directed expenditures in low-employment areas of the region. The second, the Economic Development Agency Act (1965), successor of the Area Redevelopment Administration Act, is expected to financially support an expanding manufacturing base. Federal laws are now being enacted by the United States Congress which would additionally aid Alaskan fisheries and subsidize inadequate Native housing.

Public Land Policy.

In 1965, the state received title to 2.0 million acres of land from the federal government. Another 1.3 million acres had been selected for state ownership as of November, 1965. The major acquisitions included 800 thousand acres along the intensive mineral Alaska Railroad Belt near Mt. McKinley National Park; 230 thousand acres of oil and gas lands on the arctic slope; and scattered timber and grazing lands amounting to another 150 thousands acres (1). As this land transfer program continues, the real estate tax and leasing base of state and local governments will expand dramatically. Over the longer term, these conditions will stimulate economic growth.

Construction.

Federal, state and local spending for construction materials and services continued at a high level in 1965 (2). In the past year these expenditures were directed into Anchorage and quake-damaged coastal communities where, by the end of 1965, adequate housing remains in short supply. The industry so expanded during the year that it directly increased overall personal income throughout the state. Business profits rose, commercial bank borrowing increased 20 percent over the previous year, and other financial institutions reported similar gains. At the close of 1965, the superficial scars of the Alaskan earthquake were gone.

Fisheries.

The Alaskan salmon catch represents roughly two-thirds of this region's \$140 million gross value of

(1) See Richard Cooley, "Land Policy in Alaska", *Natural Resources Journal*, January, 1965; and R.C. Haring, "Land Policy... Comment", *Natural Resources Journal*, May, 1966.

(2) The governmental spending flow is examined at length in Federal Field Committee for Development Planning in Alaska, *Report to President's Review Committee for Planning in Alaska*, 2 Vols. (limited distribution, Federal Field Committee, Anchorage, Alaska, December, 1965).

fisheries output (3). The 1965 salmon harvest was smaller than in 1964 but the value of the salmon harvest was greater. The catch declined in South-eastern Alaska, Kodiak Island and Cook Inlet, particularly in the low-value pink salmon. These declines were offset by an excellent run of the high-value red salmon in Bristol Bay. Halibut landings increased from 21.6 to 28.3 million pounds with selling prices higher than represented in recent years. The overall harvest of king crab increased 45 percent to a record estimate of 125 million pounds (4). The Dungeness Crab catch declined as Washington and Oregon yields increased. The infant shrimp fishery more than doubled its annual output.

Foreign vessels fishing on and near the Alaskan continental shelf increased enormously. The Japanese and Russians maintained salmon, king crab and shrimp factory fleets in this region of the Northeastern Pacific. For the first time, certain foreign fleets began operating in this fishery year around. This rapid entry and expansion of fishing effort raised several serious economic questions: Is overfishing now occurring which will cause biological damage to fish populations? Does the United States catch amount to a "reasonable share" of this internationally "free" resource? How might these international fisheries be regulated before exploitation causes sharp diminishing economic returns to fishing effort (5)?

Wood Products and Extractive Industries.

The export of Alaskan products has become increasingly important since statehood in 1960. Recently 90 percent of the value of exports has been represented by sales to Japan. Wood products exports, 80 percent of which are pulp, increased 5 percent over 1964. The sales of cants (logs) registered the largest gain. The actual million board feet cut from the Tongass National Forest climbed 4 percent. Additional chipping facilities and a new pulp plant, utilizing U.S. Forest Service and State sources of supply, are expected to be operational in 1966-1967 (6). Oil and gas output increased in 1965

(3) Alaskan fisheries are doubly important—First, because employment and personal income fluctuate greatly with fisheries prosperity. Second, and particularly in the case of the salmon harvest, commercial fish taxes are a significant long term determinant of state revenues. See State of Alaska, *Revenue Sources 1964-1970* (Department of Administration, Juneau, Alaska, January, 1965).

(4) Cf. Leo M. Loll's "King Crab Industry" section of this issue.

(5) R.C. Haring, "Regulation of the Northeastern Pacific Fisheries", *Western Economic Journal*, Spring, 1966.

(6) An examination of the modern development of this industry may be found in Leo M. Loll (editor), "The Wood Products Industry in Alaska", *Alaska Review of Business and Economic Conditions*, September, 1964.