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The recession and Juneau's economic prospects

In a January column I explained how America is headed for a recession, and how Alaskans won't be spared the belt-tightening (see "Oncoming recession to challenge state," Jan. 24). Later I surveyed Juneau's response to recessions and depressions in the past, finding hopeful lessons in that history (see "Juneau weathered well during Great Depression," Feb. 10). Today I explore Juneau's economic assets as the community contemplates American's unfolding economic retrenchment. I find more reasons for hope, and one glaring problem.

The economic principles behind my analysis are not controversial. A 2004 study, *Prosperity in the 21st Century West*, by the Sonoran Institute, found that "the slowest growth has been where the [county] economy depends on what can be harvested or dug up." Looking at wealth, population and income, the fastest growth in the West has occurred where the predominant occupation is a white-collar job, particularly high wage service jobs like engineering, health, and finance. Keeping and expanding those jobs should be Juneau's highest priority, particularly in a recession.

Communications and transportation infrastructure are also important. One researcher found that the single most important factor in the growth of rural isolated communities was the presence of an airport with scheduled service to a major hub.

Economic diversification is a strong predictor of continued growth during national recessions. Score communities on a scale of economic specialization, and you'll find a high score predicts bad economic news ahead. Diversification is to be prized.

Considering Juneau through the lens of these principles suggests our community is well positioned to survive and prosper. For 20 years, Juneau's legislators fought with limited success to stem the under-the-table shifting of central state employees to Anchorage. The silver lining in that cloud is that the shift has made Juneau's economy more diversified, and thus more

resilient.

Juneau's telecommunications infrastructure is good; efforts to make it better will likely have a high payoff in terms of economic development. The community has a fine airport, with service levels that much larger communities would envy. As a regional center, we have no significant competition.

What Juneau doesn't have is a road out. Having a road would improve Juneau's economic prospects, but spending \$500 million on such a project remains economic insanity. The road fantasy remains alive only because the scheme to swindle the rest of the nation into paying for it remains alive. If the money was ours to spend, the last thing we would do is dump it all in a road.

Mining is a small but controversial player in Juneau's economy. Mining jobs pay well, but bring instability, and in the long run tend to be associated with slow growth. But in Juneau mining jobs add diversity. Mining's overall role in Juneau's economy will remain small, so the diversity benefit is likely the more important.

The overarching question on mining, however, is the degree to which it degrades economically important amenities, and if the degradation is worth it. Greens Creek gets a thumbs-up in that regard, while the Kensington Mine project is a question mark. The natural environment of Berners Bay has a huge economic amenity value that could be sharply diminished by industrial activity.

Amenities, of which Juneau has many, are a key factor in attracting and keeping highly paid white-collar jobs. "Amenity migration," is how economists from Montana's Headwaters Economics and Juneau's own McDowell Group described it at the Tongass Futures Roundtable in Petersburg last September. Many of the high-paid, highly skilled employees at the Alaska Permanent Fund headquarters in Juneau will tell you they could make more money elsewhere, but chose Juneau because it is a better place to live. Ditto folks at the new National Marine Fisheries Laboratory. Juneau has excellent prospects of keeping those institutions in Juneau, expanding their presence here, and attracting others like them.

Amenities encompass more than hiking trails, magnificent scenery and an unpolluted environment. A top-notch ski area, a university, a good hospital, and good schools are key factors. Investments in Juneau's Salmon Creek hospital-medical complex have paid off handsomely in this regard. It's too bad even larger investments in schools haven't yielded the same positive results. I know people in high-paying white-collar occupations who pulled up stakes and left Juneau when their kids reached high school age. They said the quality of secondary education was the most important factor in their decision. That's a big problem; fixing it should be Juneau's top economic

development priority.

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