

Modern Alaska Alaska Economy & Resource Development

The Alaska economy has a very narrow base. Oil production and federal spending make up two-thirds of that base. All other economic activity comprises the remaining third. Analysts have called for diversification of the Alaska economy since federal spending became a principal element after World War II. But diversification is very difficult because Alaska is at the end of an economic stream, the termination point for goods coming into the state, and the origin point for raw materials leaving. Analysts have argued for in-state processing of raw materials - oil, timber, fish - but this has not been shown to be cost effective yet. Because transportation and infrastructure costs are high, value-added (processed) products would not be able to compete favorably when exported from the state. So while analysts and politicians have routinely urged diversification, proposals and initiatives have produced little.

Commonwealth North

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U.S. Department of Labor: Bureau of Labor Statistics - Alaska

Some have suggested that the greatest potential for expanding the economic base is education. A well-educated populace may generate new perspectives and ideas that might reduce the state's economic dependency. Such a solution is long-term.

In the meantime, growth in the tourism industry, while highly visible, does little to displace oil production and federal spending. 80% of general fund revenue for the state comes from taxes on oil production, and investment of the royalty payments to the Alaska Permanent Fund. And while industry spokespeople assure that production will remain stable in Alaska for the next several decades, fluctuations in the price of oil and continuing exploration in other parts of the world suggest that there is less predictability to production stability than can be relied on. The development of North Slope gas deposits and construction of a natural gas pipeline would add some value to the Alaska economy, but not a great deal. And while a wide majority of Alaskans support opening the coastal plain of the Arctic National Wildlife Refuge to oil drilling, until exploration drilling should confirm predictions, no one knows how much, or what kind, of oil may lie there. And as ANWR is federal ground, the revenue it would generate for the state would be far less than that generated by North Slope production. Thus it is likely that the Alaska economy will be as narrow and vulnerable as it is now for some time to come.

<http://www.anwr.org>

But other sectors of Alaska's economy, though small contributors to the state's economic base, are highly visible and attract considerable attention. Foremost among these are tourism and commercial fishing. In 2003 Alaska saw more than 1.4 million tourists (remember, the total state population is 620,000), most coming in the summer months, and half coming as passengers on cruise ships visiting southeast towns and Glacier Bay National Monument. Tourism generated over 25,000 jobs, though most were low-paying. Tourism in Alaska is dominated by a few corporations, among them Princess Cruises (owned by Carnival Corporation), Holland-America (also owned by Carnival Corporation), Westours (owned by Holland America), and Alaska Airlines.

Tourism brought \$1.5 billion into the state in 2003; that was 5% of Alaska's gross state product. The most popular tourist destination was Denali National Park, but other national parks and preserves drew an increasing number of visitors, as did a growing list of eco-tourist opportunities, the oldest of which is Camp Denali in Denali National Park.

Alaska Native Heritage Center
Alaska Packers' Association

Alaska is understood in American national consciousness principally as America's last frontier, and visitors are attracted by Alaska's wild lands, and by the opportunity to see Native culture.

Alaska's salmon fishery has been a primary element of Alaska's history. Alaska's first cannery opened in 1878, in Klawock. By the 1890s the industry produced millions of cases of salmon annually, and was Alaska's leading industry. By the turn of the century Alaska Packers' Association dominated the business. By the 1920s, a small tax on every case of salmon packed in the territory contributed 70% of general fund revenue. Today, the Alaska salmon fishery is world renowned. Significant competition from farmed salmon grown in Chile, Norway and British Columbia, however, has decreased the market for Alaska wild salmon. Commercial fishing contributes about 5% of Alaska's economic base.

In the 1980s a significant new fishery opened in Alaska, the Bering Sea bottom fishery for pollack and other species, most of which is processed into surimi, imitation crab meat. In 1983 over 22 million pounds of pollack and related fish were taken in the Bering Sea.

Alaska salmon statistics
General History of Commercial Fishing