

## The fallout from fewer dollars

Less cash coming into Alaska would mean less spending in every corner of the state. That will hurt:

- Jobs
- Payrolls
- Businesses
- Funding for schools and roads
- Property values
- The availability and variety of goods and services
- Tax rates
- And much more.

Alaska has been fortunate to be partially insulated from the current national recession.

**But long-time residents remember the economic crash of 1986-1988, caused by a steep drop in oil prices that dramatically cut the flow of dollars into the state.**

No Alaska community or household was insulated from the effects of that crash. And no one is eager to see a return to those days.

## Take control of the future

The next generation of Alaskans will not automatically share in the economic prosperity enjoyed by their parents, if current trends persist. It will take work to make all three legs of the stool as strong and stable as possible.

*For more information on Alaska's economy, visit these Web sites:*

[www.iser.uaa.alaska.edu](http://www.iser.uaa.alaska.edu)

- "What Drives Alaska's Economy – New Summary and Full Report"
- "Investing for Alaska's Future"

[www.AlaskasEconomy.org](http://www.AlaskasEconomy.org)

This is **part 3** of a 4-part series explaining how Alaska's economy works. Scott Goldsmith, a professor of economics at the Institute of Social and Economic Research at the University of Alaska Anchorage, did the analysis. This message is brought to you by Alaskan-owned and operated businesses concerned about the future of the Alaska economy.



**Part 4 of this series will describe how Alaskans can take control of their economic future.**

## ALASKA'S ECONOMY

Understand it.  
Support it.  
Grow it.



First National Bank Alaska paid for the production and printing of this brochure.

# Falling oil production could put our economy on shaky legs.

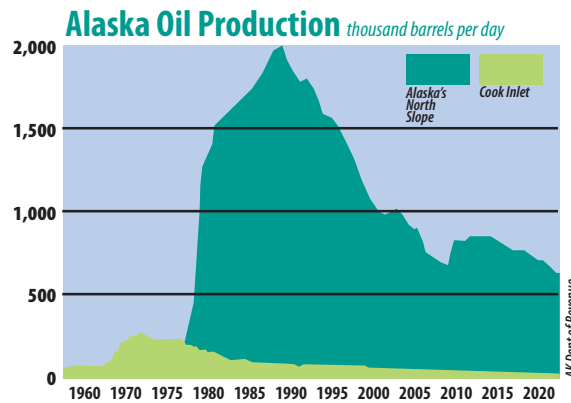


# Oil production has been declining since 1989.

Petroleum production has been the main economic driver in Alaska for more than a generation. Unfortunately, Alaskans have come to take for granted the many benefits oil has generated — high paying jobs, business growth, improved quality of life — and don't realize how much the economic well-being of our state depends on it.

**But oil production has been falling since 1989 — so now it's only about 1/3 of what it was at the peak.**

Even with huge investments in new fields, the Alaska Department of Natural Resources projects that oil production will continue to fall. The new fields expected to come into production will not be large enough to offset the declining Prudhoe Bay field.



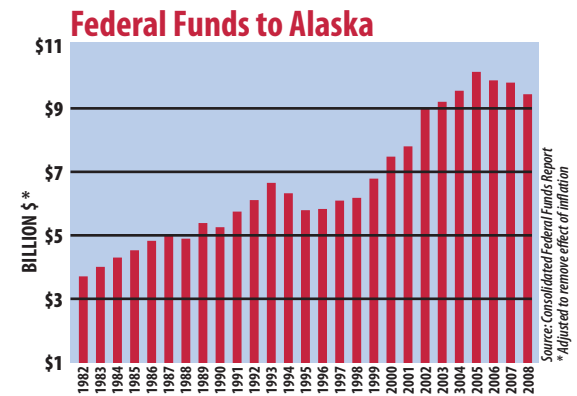
## Why haven't we noticed a negative effect on our economy?

Despite falling oil production, Alaska's economy has continued to grow over the last decade. This is largely because the world economic boom temporarily drove the price of oil to an astounding level of \$140 per barrel! This boom also increased prices for gold, zinc, and other minerals produced in Alaska.

What's more, a dramatic increase in federal funds started flowing into Alaska beginning in the mid-1990s, first in the form of grants, and more recently as defense spending. But federal spending has been flat since 2005, shutting down an important driver of economic growth.\*

The Alaska Permanent Fund and the dividend also temporarily benefited from the run-up in the stock market.

**But these "boomlets" have run their course. We cannot continue to depend on good fortune to guarantee a strong Alaska economy.**

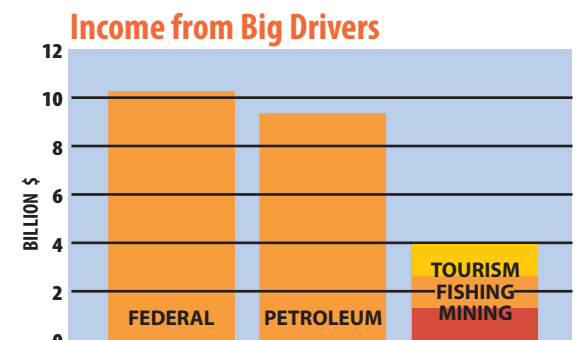


## Other economic drivers have limited punch

Economic diversification to provide other sources of economic growth has long been a goal of the state. But progress has been limited.

Seafood, tourism and mining — all important economic drivers — do not together generate as many jobs or as much income as either petroleum or federal spending. They cannot come close to matching the economic punch of petroleum. \*\*

Under the most optimistic conditions, growth in these other drivers will add new jobs and income to the economy, helping to offset declines from petroleum and federal spending. But growth in these drivers is by no means guaranteed.



\* Alaska's special relationship with the federal government means federal dollars will always flow into the state. But a changing political climate and a growing scarcity of funds means slower future growth of federal dollars coming to Alaska, another leg of the economy.

\*\* These are "Other Resources" in the third leg of the Alaska economy three-legged stool. These economic drivers are the biggest in some communities, but for the state as a whole, their contribution is modest.