LESSONS LEARNED
Prominent economist encourages Alaskans to use hindsight wisely

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The scientists got together nearly 20 years ago with the same idea in mind. Well, actually, they did it 50 years ago, too. Now it's 1987 and they're doing it again.

What, if anything, has changed?

George Rogers has it pretty well pegged. "It's a replay of the 1969 conference, only in reverse. In '69, we examined the potential of being rich beyond our wildest avarice. Now, it's exactly the reverse."

In short, now we're thinking about how to be poor beyond our most forgotten poverty level.

Rogers, a renowned economist, is the keynote speaker today at the opening of the Arctic Science Conference at the Sheraton Anchorage. The 38th annual gathering of Alaska's scientific community runs through Saturday.

The official theme of the conference is "Alaska's Resources, Alaska's Future." But the unofficial theme is something on the order of, "Just What the Heck Did We Do With All That Money and How Did It Affect Us?"

In a telephone interview from his Juneau home a week ago, Rogers said he was working on his speech. One theme kept surfacing in the conversation.

"What I'm afraid of, and I saw this in 1985 in the legislature when the first big news of the free fall in oil prices hit, there was panic. If we understood what had happened in the last decade, we should have been prepared. Thirty-four-dollar-a-barrel oil was just insane."

Thirty-four dollars was about the peak of world oil prices in the early 1980s, but it was hardly the peak of Alaska's avaricious expectations, Rogers noted. "We've gone through an historical accident, and it has nothing to do with economics. We acted as though this ($34) oil was going to be a permanent condition."

Over the phone, one can imagine Rogers sitting at his desk in Juneau, shaking his head. "What we have to do is recognize what happened in the past."

Rogers is a good man to help us do this. He is not one of those late coming preachers to the Oil Bust jeremiads. You may not know him; he has not been on the political hustings or in the public policy spotlight for the last generation. But if you have read his prescient books and monographs about Alaska resources and the new state's economic potential, you would know well that Rogers is a very, very smart gentleman.

He has been telling it like it is since the early, heady days of statehood, when little federal transition money and a lot of cheerleading seemed like all Alaska needed to become the resource vendor to the nation.

Rogers took a more realistic look at the situation, particularly in the light of Alaska's economic history. His 1962 book, "The Future of Alaska: The Economic Consequences of Statehood," was a cautiously optimistic examination of the facts, not the hype. It is alternately sobering and enlightening when read today, even though it predates the oil era.

Looking at the book in 1987, one might begin to think that until now, Alaska's economic history has been little more than a series of historical accidents having nothing to do with economics. Sure, we've been catching fish and cutting trees and we found a couple of decent puddles of oil. But the big

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Symposiums to examine effects of oil development

Six symposiums centering on the effects of Prudhoe Bay oil development on the lives of Alaskans are the focus of the 38th annual Arctic Science Conference at the Sheraton Anchorage through Saturday.

The conference theme is "Alaska's Resources, Alaska's Future," but the discussions and papers will cover much more than resource development issues, according to the conference chairman, Thomas A. Morehouse of the Institute for Social and Economic Research at the University of Alaska Anchorage.

Political science, fiscal policy, the state's environmental record and its quality of life will be featured prominently in the program. Government officials, business owners and political figures will mix with educators and researchers on the panels.

- Today: 8:30 a.m.-noon, "Impacts of Oil on Alaska Political Life"; 3:30 p.m., "Changes in Alaska's Quality of Life."
- Friday: 8:30 a.m.-noon, "The Arctic National Wildlife Refuge and Alaska's Environmental Record"; 2:30-5:30 p.m., "Strategies for Economic Development."
- Saturday: 8:30 a.m.-noon, "Alaska's Fiscal Policy Choices"; 1:30 p.m., "The Future of Alaska's Permanent Fund."

Economist George Rogers will address the first plenary session at 1:30 p.m. today. Gov. Steve Cowper will speak during lunch Friday.

The conference, usually the largest scientific gathering in Alaska, brings together scientists from virtually every major discipline, including engineering, biology, geophysics and health care. It is sponsored by the Arctic Division of the American Association for the Advancement of Science.

Registration opens at 8:30 a.m. today in the hotel mezzanine. The cost, which includes abstracts, is $60 for all three days and $30 for a single day; the fee for college students is $30, and high school students are admitted free. Luncheons and other special events are extra.
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hits have come from afar. First from Washington, D.C., and later from Riyadh and Teheran.

First, there was World War II, which put Alaska (and the Alaska Highway) of the Defense Department’s map—and budget. That was followed by the Cold War military buildup, followed by federal aid to help the territory make the transition to a state.

Just when the transition aid was running out, there was the fortuitous sale of Cook Inlet oil and gas leases, which brought in far more than the state expected. When that money ran thin, in a bizarre turn of economic fate, federal reconstruction money after the 1964 earthquake gave the economy a major boost.

But wait a minute. This is Rogers’ speech and of the science conference. But what all this good fortune has wrought is the subject of Rogers’ speech and of the science conference.

But wait a minute. This is science? Isn’t this the time for the permafrost experts and spruce-beetle scientists to strut and fret in their hour upon the stage?

Not this year.

Different University of Alaska departments host the conference each year, and this time around the Institute for Social and Economic Research is doing the hosting. These are the men and women of the so-called “soft” sciences such as sociology, economics and political science. For that reason, this year’s conference may be a little more accessible to the general public.

The centerpiece of the conference is a series of six symposia dealing with Alaska’s fantastic (in the literal sense of the word) growth and change over the past decade. The panels will explore the impacts of oil on political life, on the quality of life, the permanent fund, state spending, the Arctic National Wildlife Refuge, and future economic development.

Rogers has written extensively on subjects ranging from fisheries management to Native society in Southeast. Policy makers seek him out for advice—and for hard work.

Take a look at what he’s been doing this week in Anchorage. Monday and Tuesday, he worked at the Department of Natural Resources on a project that has simmered, virtually unnoticed, on the policy back-burner since statehood: the development of a comprehensive mental health care system supported by valuable state lands. Wednesday he worked with the Alaska State Council on the Arts to try and restructure the grants program in an era of rapidly shrinking funding. Today he’s speaking to Alaska’s scientists about growth and change. Tomorrow, he will join Gov. Steve Cowper’s new trade policy committee, Trade Alaska, for its first meeting.

In fact, everything he is doing this week relates in one way or another to the matters before the Alaska Science Conference. Take the Trade Alaska meeting, for example.

“I generally shy away from things with that kind of name. Generally, what you wind up with is some kind of a resolution saying, ‘Let’s build the gas pipeline no matter what,’ or, ‘Let’s build a railroad into the North,’ that kind of thing,” Rogers said with more than a hint of intellectual impatience.

“If you go back to the Natural Resources Commission of 1937, it’s all in there for word work. We’ve been supply-side all along, and there’s been a tendency to shy away from the demand side: Basically, who wants to buy our stuff and at what price?”

There was a clear answer to that question in 1969, when the Alaska scientists met, as they are this year, to look at the future. If ever an economist needed a perfect example of a demand-driven event, that was it: the oil industry wanted to buy our oil, and the initial selling price was $900 million.

That’s what the oil companies paid the young state on Sept. 10, 1969, for leases in the now-legendary Prudhoe Bay. It was a flood of money in a state that had never had much more than a trickle.

Amid this rising flood of money and expectations, the 1969 Alaska Science Conference looked to the future. George Rogers later pulled together some of the papers presented there in another book, “Change in Alaska.”

“We were expecting this to happen,” he said of the 1969 look at the impending oil era in Alaska, “but not at this magnitude.”

“Even the industry was not prepared for the magnitude of the project to which they had so cavalierly committed themselves.”

“We weren’t ready either. We had no idea of the potential impact of the oil revenues. Now everyone is wise, with hindsight, including myself. But we just didn’t have time to reflect on all that when it was happening.”

Neither could even the best of scientists predict the future. At the time the pipeline was conceived, the world was running on $3 oil. When it was ready to start up, the price had more than tripled. Less than half a decade later, it had tripled again. Alaska was very, very rich, and things were moving too fast for the people to stop and think hard about how the money was spent.

Most of the money, Rogers contends, was spent for the benefit of the construction industry. If one compares population data with construction employment over the years, the swells and troughs match each other neatly. We were building an economy—literally—without building a better society.

ECONOMIST: Resource of hindsight is valuable to Alaskans