

# Economists say recession will last three more years, followed by a smaller, poorer Alaska

[Charles Wohlforth: Opinion, Alaska Dispatch News, 1/20/17](#)

A leading Alaska economics firm predicts our recession will continue for three more years and foresees no real recovery, just decline and then a future with a smaller economy.

Jonathan King, vice president of Northern Economics, said he feels like he is riding a down-bound train, able to see hard times for his business a year ahead but unable to do anything about it. We visited to look down the track together and think about what is coming for his and others' families.

King presented Wednesday to the Senate Labor and Commerce Committee after Mouhcine Guettabi, of the Institute of Social and Economic Research of the University of Alaska Anchorage. The economists' teams worked independently, using different computer models, but they came to strikingly similar conclusions.

"This is our great recession. By the time this is over, we expect to lose 6 percent of our jobs," King told the committee.

A recession is unfolding of similar severity to what the nation endured after the 2008 financial crisis, but with a critical difference, King said. The U.S. economy recovered. He expects Alaska's economy to shrink long term to a smaller base.

The projections show job losses bottoming out in 2018 to 2020,

but no bounce-back through 2026. Population predictions are uncertain because they contain more unknowns than job numbers, but Northern Economics projects decline continuing for at least a decade, with net loss of more than 30,000 residents.

Alaska's gross state product, the total value of all the goods and services we produce, has declined for five years and is down 22 percent due to lower oil prices and production. With that much money subtracted from the economy, it has to shrink, with slower business, fewer jobs and a smaller population.

[\[Job losses predicted in new study would rival Alaska's worst ever\]](#)

"What society looks like changes," King said. "Mouhcine and I both said that the people who are most likely to leave are young, educated and have a lot of opportunity. The people who remain are people who have family ties, who have cultural ties, or who want the lifestyle and there's nowhere else they want to go."

King, at 43, falls in both groups. His business has 14 employees, down two in the last year. His wife, Elizabeth, has a good job and they own a house. They are happy with their children's public schools.

When the couple came to Alaska in 2003 they passed up opportunities to make more money in the corporate world, because they wanted the quality of life here. But if budget cuts ruin the schools and threaten public safety, the balance could switch for families like the Kings.

A flat economy offers few opportunities to attract productive people. Bad schools and unsafe streets drive them away.

Added to that, drastic budget cuts like those being discussed in the Alaska Senate would worsen the recession by another 20 percent, according to the modeling. Revenues from an income tax or the Alaska Permanent Fund dividend would hurt less

because everyone would lose a little rather than chopping off jobs.

We're at a branching road for Alaska.

Draconian budget reductions to preserve dividends would buy us a cut-rate Alaska for people who are stuck here and can't leave. Broad-based taxes and use of the fund would provide community stability we could eventually build upon.

And then there's the third path, procrastination.

"We're one tweet away from \$100 a barrel oil," King said. "All it takes is a shooting war in the Middle East and we're back in business. Which I hate to say."

Economic modeling starts with assumptions. You cannot include unknown future events. But you also can't assume all unknown events will break in your favor.

"Stuff will happen. But it could be good stuff or bad stuff. We don't know yet," said Tim Bradner, a longtime petroleum analyst and co-publisher of the Alaska Legislative Digest.

Bradner and other observers agree oil prices will probably gravitate to a range of \$50 to \$60 a barrel for the foreseeable future. Enormous new oil finds last year in the shale of Texas will keep the \$60 price as a ceiling, because if it goes much above that mark more oil can rapidly come into production.

[\[Alaska's oil glory days aren't coming back. The world has moved on.\]](#)

Alaska has some new oil finds, but much of that oil is uneconomic below \$60 a barrel. Bradner sees new oil being produced over the next 10 years that could, if all goes well, hold back a decline, but not enough to increase the state's output.

On the downside, King and other economists see the health care sector as a risk. King called Alaska's overinflated health care industry a bubble that is still growing. It accounts for 15 to 20 percent of the economy and employs more people than any other sector.

[Read the rest of the article here.](#)