

Nome: Gold & Government Rule The Economy

by Holly Stinson



Many think of Nome as a turn-of-the-century gold rush town, whose gold boom faded almost as quickly as it began. In fact, gold mining was the economic activity that kept Nome from becoming a ghost town in the 1920s. Today gold mining continues as an important economic activity in the Nome area. Nome is where people from outlying villages come for goods and services. Tourists arrive in the summer to see the historic town, and the birds and wildlife in the region. Once known worldwide because of its gold beaches, it is now known worldwide as the town where the Iditarod Sled Dog race ends.

The town that gold built

Miners founded Nome in 1898 after discovering gold in the nearby hills. A year later some miners discovered that the beaches were also laden with gold, and the rush was on. People flocked to Nome from all over the world. Soon tents and wooden buildings crowded the town, leaving little room for streets. The 1900 census counted 12,488 people in Nome, making it Alaska's largest city. Estimates put peak population that summer at 20,000.

Once people had mined out the beach gold, population fell rapidly; the next census showed 10,000 fewer Nomeites in 1910. Then gold mining collapsed during World War I, and fewer than 1,000 people resided in Nome by the 1920 census. The mining industry was now using huge dredges operated by many workers instead of small sluice-boxes operated by one or two miners.

Miners made an important discovery in 1925. Cold-water techniques thawed the frozen ground as well as using steam or hot water. This lowered operating costs and al-

lowed these large dredges to operate profitably. They served as Nome's economic base for almost 40 years, until the last one shut down in 1962. Labor and other costs inevitably rose, while the price of gold remained fixed at \$35/ounce. Even cold-water thawing couldn't forever allow profitable operation of the dredges.

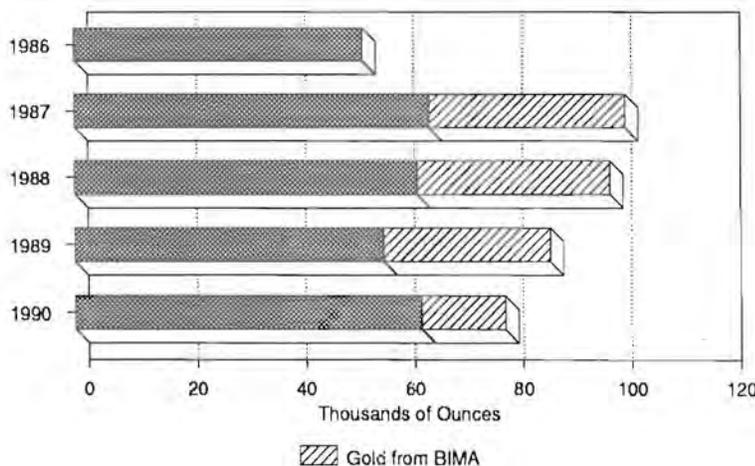
With gold's deregulation in the 1970s, the price increased and gold mining dredges were once more part of the Nome scenery. Mining employment mushroomed in the late 1980s. (See Table 1.) One company, WestGold, even began mining the ocean floor with the world's largest offshore mining dredge in 1986. Production from this 16-story high dredge, nicknamed the BIMA, contributed 35% or more to the Western mining region's total. (See Figure 1.) Even before the BIMA started operating, the Western region was the highest-producing in the state.

The BIMA, however, proved uneconomical. Nome's economy was dealt a blow when WestGold officials decided to sell the BIMA and cease operations after the 1990 mining season. One estimate put the economic loss to Nome at \$6 million a year. The BIMA's

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Figure • 1

BIMA's Effect on Gold Production in the Western Region*



Source: Alaska Department of Natural Resources

*Nome and seven nearby mining districts.

departure meant a loss of more than 100 jobs, many of which were year-round.

Another mining company with on-shore dredges has fared better. Alaska Gold—whose dredges were the first to start up in the mid-1970s—are still operating. The company believes they can continue operating for at least 30 years. In 1990, the second- and third-largest gold producers in the state operated in Nome (the new Greens Creek mine near Juneau is the largest).

Today mining accounts for only 6% of all jobs in the Nome area; however, the mining industry accounts for 13% of total payroll in the region. (See Figure 2.) Not included in the Alaska Department of Labor's employment statistics are the smaller operations with self-employed miners. In addition to direct employment, mining operations in the Nome area indirectly support many more jobs in other sectors of the economy. Mining remains an important ingredient to the city and the entire region.

Government accounts for almost half of all jobs

Although mining was the reason for Nome's founding, today the sector employing the most people is government. Almost half—46%—of all wage and salary jobs in the Nome census area are with the

federal, state or local governments. (Statewide, the figure is 30%.) This includes all education jobs, at the University of Alaska's Northwest campus as well as primary and secondary schools. Nome has its own city school district; the Bering Strait school district, based in Unalakleet, serves the other villages of the area. Only 14% of state government employment is with the college, but 55% of the local government jobs are with the school districts. The local government in the City of Nome also operates a mini-convention center, a visitors center, and a recreation facility.

Rural areas usually have a higher percentage of government jobs. Their economies are smaller yet the population still needs the services provided by the government sector. Both the quantity and the quality of government jobs makes this an important sector: many are high-paying, full-time, year-round jobs.

The Soviet connection revived

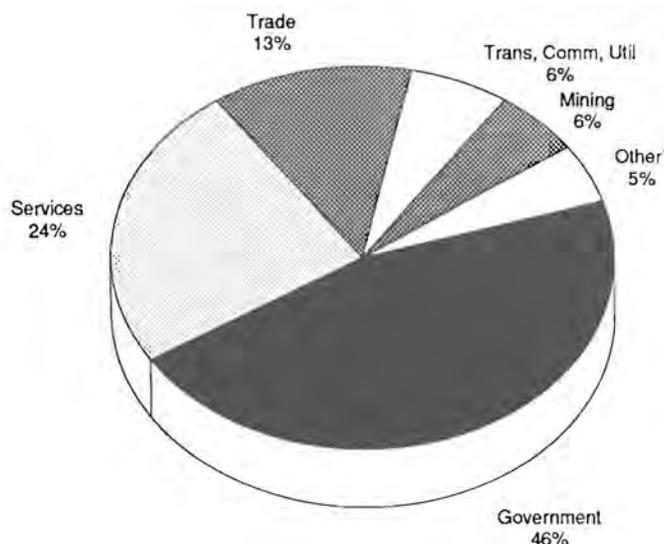
Nome served as a stop for the U.S.'s Lend/Lease program during World War II. Soviet aviators were stationed in Nome to ferry aircraft to the Soviet Union. Nome has once again played host to Soviet citizens as glasnost opened the door for Soviets to visit the U.S., and vice versa. A local Nome airline, Bering Air, made the first American flights to the

Soviet Union in 1988. Now they make two chartered trips a week, flying miners, cultural groups, business people and tourists to the Soviet Union. A similar assortment of passengers arrive in Nome from the Soviet Union. For some, the destination is Nome and the surrounding area; others go on to Anchorage, Seattle or other cities. By the end of 1990, Bering Air had transported about 900 Soviets and 1,100 Americans between the two countries.

Although joint ventures are forming and the future holds promise, the Soviet visitors have not exactly been a boon to Nome's economy so far. They usually have rubles

Figure • 2

**Nome Census Area, 1990
Employment by Industry**



*Other includes construction, finance-insurance-real estate, and manufacturing.

Source: Alaska Department of Labor, Research and Analysis Section.

Nome Census Area

Government employment highest of all industries 1980-1990

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Percent of 1990 Employment Within City of Nome
Total	2,130	2,154	2,216	2,447	2,649	2,751	2,682	2,740	2,837	2,828	2,906	72.5
Mining	*	*	*	*	*	62	89	144	271	238	163	98.8
Construction	33	39	65	88	86	55	35	30	39	56	53	60.4
Manufacturing	*	*	*	*	*	*	*	*	*	*	*	*
Trans., Comm. & Utilities	143	176	160	173	186	201	231	307	221	176	186	73.1
Wholesale Trade	*	*	*	*	*	*	*	*	*	*	*	*
Retail Trade	249	286	303	294	303	311	327	321	330	331	376	60.6
Finance, Ins. & Real Estate	120	54	54	79	83	103	76	73	71	74	83	33.7
Services	602	575	468	512	536	582	583	596	582	650	703	76.8
Government	849	913	1,018	1,194	1,346	1,424	1,328	1,261	1,319	1,294	1,327	73.2
Federal	161	145	132	157	134	111	99	94	94	96	98	95.9
State	178	193	220	244	243	246	242	215	217	230	234	97.4
Local	511	575	667	793	969	1,067	987	952	1,008	968	995	23.6

* Nondisclosable

Source: Alaska Department of Labor, Research & Analysis Section.

to spend, which are not convertible to any other currency. Several Nome merchants accept them in trade for goods and services as a gesture of good will. Eventually, they hope the ruble will become a legitimate international currency; but so far, their only value has come from selling them to visitors. Tourists began asking to purchase them as souvenirs after seeing the signs in merchants' windows, "we accept many rubles." One would think these rubles could be used on return visits to the Soviet Union. Most Soviet businesses, however, are insisting on dollars, not rubles, for purchases of goods and services there.

Soviet visitors have added a new dimension to Nome's already-thriving tourist industry. The local convention and visitors bureau estimates 10,000-12,000 people have visited Nome each year for the past five years. About half are on package tours during the summer; the other half are independent travelers who

come for bird-watching, tourism, or to attend conferences. In March of each year, the City of Nome hosts the largest basketball tournament in the world and a golf tournament played on what are likely the world's most unique greens—the frozen Bering Sea.

Another draw at this time of year is the end of the Iditarod Sled Dog race. This world-famous dog race traces its roots to 1925. That year the discovery of cold-water thawing gave Nome an economic base in gold mining for 40 years. Another 1925 event was to have an economic impact far into the future. A diphtheria outbreak resulted in the now-famous dash by dogsled to get serum to Nome. A long distance sled dog race along that same route, the Iditarod Trail, ends in Nome during March of each year. The mushers participating in that race, along with news reporters and other visitors, swell Nome's population and coffers during March. (See Figure 3.)

Nome Census Area Population grows by 27 percent

	1990 Census	1980 Census	Percent Change 1980 to 1990	Age in 1990		
				Under 5	65 & Over	Median Age
Nome Area Census Area	8,288	6,537	27	1,073	419	26.4
Brevig Mission	198	138	43	35	9	22.9
Council	8	19	-58	n/a	n/a	n/a
Diomede (Inalik)	178	139	28	27	6	22.7
Elim	264	211	25	43	14	22.8
Gambell	525	445	18	75	22	24.2
Golovin	127	87	46	21	8	24.3
Koyuk	231	188	23	33	14	23.8
Nome	3,500	2,544	38	369	166	29.2
St. Michael	295	239	23	42	11	19.9
Savoonga	519	491	6	70	23	24.4
Shaktoolik	178	164	9	31	15	22.9
Shishmaref	456	394	16	66	13	21.3
Solomon	6	4	50	n/a	n/a	n/a
Stebbins	400	331	21	72	20	17.7
Teller	151	212	-29	24	6	25.8
Unalakleet	714	623	15	89	41	26.3
Wales	161	133	21	28	12	27.1
White Mountain	180	125	44	26	15	27.9
Balance of the Nome Census Area	211	73	189	n/a	n/a	n/a
State of Alaska	550,043	401,851	37	54,897	22,369	27.4

Source: U.S. Department of Commerce, Bureau of the Census

Bering Sea closes Nome's sea link

Nome's location has played a role in its economic fortunes. It is on the south coast of the Seward Peninsula, unprotected from the storms of the Bering Sea and without a deep-water harbor. This has had two effects on the city:

1. Bering Sea storms nearly obliterated the section of town nearest the shore on more than one occasion, and
2. freight had to be lightered to shore by intermediary, shallow-draft craft.

The storm devastation resulted in several proposals to move the town to a better (sheltered) location with

a harbor. Instead, the federal government built a granite sea wall in 1949-51 to protect the city. The fact that freight had to be lightered added to already high shipping costs and limited Nome's development as a port. A new port facility, which includes a causeway enabling medium-draft vessels to unload directly, was constructed in 1982-86. Nome still doesn't have a deep-water port, so much of the freight is still lightered. And because the Bering Sea freezes over, no freight can arrive by sea for six months of each year.

Unlike most of rural Alaska, the Nome area has a system of roads which has spurred mineral development by allowing easy access to otherwise remote areas. This makes it possible to drive to Teller, Council, Solomon and Taylor. The Native regional

Nome Census Area Population in 1990 by Sex, Race and Hispanic Origin

	Sex		Race					Other Race	Hispanic Origin (of any race)
	Male	Female	White	Black	American Indian	Eskimo	Aleut		
Nome Census Area	4,480	3,808	2,023	9	87	6,026	35	108	106
Brevig Mission	96	102	15	0	0	182	1	0	0
Diomedé (Inalik)	100	78	10	0	1	163	3	1	0
Elim	148	116	22	0	0	237	5	0	0
Gambell	300	225	20	0	1	504	0	0	0
Golovin	66	61	9	0	1	117	0	0	1
Koyuk	128	103	11	0	2	216	1	1	0
Nome	1,902	1,598	1,574	6	68	1,745	11	96	95
St. Michael	157	138	26	0	1	268	0	0	1
Savoonga	260	259	25	0	0	493	1	0	1
Shaktoolik	96	82	10	0	0	164	4	0	0
Shishmaref	241	215	24	0	1	429	1	1	0
Stebbins	203	197	20	1	2	376	1	0	1
Teller	87	64	20	0	1	130	0	0	0
Unalakleet	377	337	125	1	6	574	4	4	4
Wales	90	71	15	0	0	143	0	3	2
White Mountain	95	85	20	1	2	154	2	1	0

Source: U.S. Department of Commerce, Bureau of the Census.

corporation, Bering Straits, sells gravel from various pit sites for the Seward Peninsula's 300-mile road system.

Bering Straits Regional Corporation is involved in a myriad of other businesses, too. They have exploration agreements with various mining operators, including one in the Soviet Union. In a joint venture with Nome's village corporation, Sitnasauk, they operated a rock quarry that provided granite during development of the Red Dog mine north of Kotzebue. The granite also went into the construction of Nome's causeway. In the future, it could provide granite for other seawalls along Alaska's western coast.

Services garners most private employment

The City of Nome serves as a regional hub for outlying villages. Even though less than half the

area's population is within the city, more than three-fourths of the services jobs are located there. (See Table 1.) Almost half of private employment in the Nome census area is with this eclectic group of employers, which includes membership organizations such as the regional corporation, firms offering business and personal services, hotels, and legal and health care providers.

One large health care provider, the Norton Sound Health Corporation, is the largest private employer in the Nome area. One in ten jobs in the Nome census area, whether public or private, are with this corporation. They can't be dismissed as the proverbial big fish in a small pond, either; they ranked as Alaska's 69th largest private employer in 1990. As the local contractor to provide health care to Alaska Natives, they receive half of their operating funds through the U.S. Indian Health Service. In addition to operating the hospital in Nome, they have employees in every Nome area village. In fact, 19% of their employment is outside the City of Nome.

Table • 4

Nome Census Area Household characteristics

	Number of Family Households				No. of Nonfamily House- holds	Persons Per House- hold	Persons per Family
	Total	Married couples	Female householder no husband present*				
			Total	With related Children			
Nome Census Area	1,723	1,081	346	271	648	3.41	4.07
Brevig Mission	40	15	11	9	13	3.74	4.08
Diomede (Inalik)	33	18	6	5	8	4.34	4.73
Elim	58	31	15	13	15	3.62	4.10
Gambell	98	59	14	12	22	4.38	5.04
Golovin	25	15	5	4	17	3.02	4.20
Koyuk	48	27	15	13	13	3.79	4.42
Nome	751	503	144	106	368	2.98	3.62
St. Michael	55	35	12	11	14	4.28	4.85
Savoonga	96	64	15	13	20	4.47	5.16
Shaktoolik	38	31	3	3	8	3.87	4.42
Shishmaref	93	49	25	20	26	3.83	4.41
Stebbins	74	46	15	11	12	4.65	5.12
Teller	31	15	10	8	13	3.43	3.94
Unalakleet	161	105	33	25	46	3.45	4.01
Wales	38	20	9	7	11	3.29	3.76
White Mountain	39	19	8	6	19	3.10	3.77
State of Alaska	132,837	106,079	18,229	14,825	56,078	2.80	3.33

* Families are classified by type as either a married-couple family or other family which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Source: U.S. Department of Commerce, Bureau of the Census.

The smallest industry in the Nome area includes the oldest employer, the Nome Nugget newspaper, founded in 1901. In many coastal areas of the state seafood processing is a large portion of the local economy's manufacturing sector; but not in Nome. Although there are no processors, some commercial fishing takes place. The 1990 summer season netted close to half a million dollars worth of salmon; August's red king crab fishery pulled in approximately \$578,000. The most valuable species in the Nome area is herring, which brought in more than \$3.5 million in the 1990 two-day opening.

Subsistence is part of Nome's economy

Although commercial fishing is a small part of the area's economy, subsistence fishing is important to many residents. A 1983 study found 84% of households in the City of Nome harvested salmon. According to a 1984 survey, 45% of the village population in the Bering Straits region relied on subsistence hunting and fishing for most or all of their food.

The existence of this non-cash economy is why income statistics for the Nome area do not tell the whole story. Per capita income in 1989 was \$15,103, an 8.8% increase over 1988 but among the lowest in

the state. This compares to a statewide per capita figure of \$21,375 in 1989, which is a 12.4% growth rate over 1988. The non-cash economy in the region, however, is not reflected in this income data and plays an import role in the area's economy.

Unemployment statistics for the Nome census area also do not tell the whole story. The rate for 1990 dropped below 9% (to 8.9%, the lowest in many years). Missing from the official definition of the unemployed, however, are those discouraged workers who have given up looking for work. To be included in the labor force, a person must be employed or have actively sought work in the past four weeks. In small towns residents are likely to know if a job opportunity exists. Therefore, they may well not have actively sought work in the past four weeks and not be included in the labor force.

Nome's population is younger, more male, than state

The Nome census area includes the City of Nome and 17 outlying villages. Table 2 shows the population counted in the 1990 census and the change from the 1980 census. According to the census, half of the City of Nome's residents are Alaska Natives or American Indians. This proportion rises to almost three-fourths when the entire census area is taken into account (see Table 3) and is much higher than the state's 15.6%.

The Nome census area also has a higher male:female ratio (54.1% male vs. 52.7% statewide) and a younger median age. The census also found that the average number of persons per family and per household is higher in the Nome region than Alaska as a whole. (See Table 4.)

The Nome region added people at a slower rate during the 1980s than Alaska, but the City of Nome's population increase of almost 1,000 closely tracked the statewide growth rate of 37%. Only two towns in the region, Teller and Council, lost population over the past decade.

The outlook for Nome's future

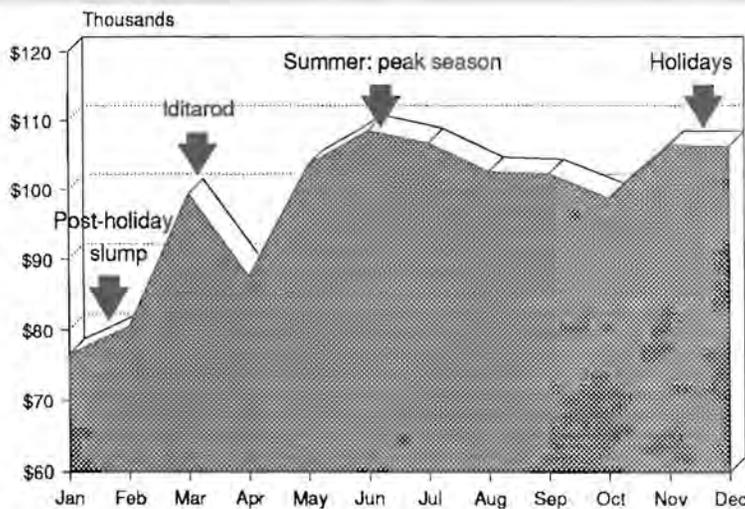
Although the Western Region has led the state in gold production for several years, this will likely change during 1991 for two reasons. One is that gold production in the Western Region should decline in 1991 since WestGold's BIMA, along with some other operators, will be gone. The second reason is that gold production in other regions of the state should increase in 1991, mainly from the Valdez Creek mine in the MatSu Borough and the Greens Creek mine near Juneau.

This is not to say the Western Region could not once again lead the state in gold production in the future. Much exploration work in the area continues, and the federal government is holding a lease sale for gold mining on offshore tracts, the first of its kind. The price of gold is always the big question mark in this industry.

Currently there is no oil and gas activity in the region. Two companies purchased leases in Norton Sound off the coast of Nome at a 1983 sale. They drilled some exploratory wells, and there was talk of the City of Nome becoming a logistics and support center for offshore drilling activities. The companies, however, relinquished the leases. The federal government may hold another oil and gas lease sale, but it would be mid-1996 at the earliest.

Figure • 3

The Four Seasons of Nome 1990



Source: 1990 city sales tax revenues, City of Nome.

Tourism, already a thriving industry, could become an even larger part of the economy. The Iditarod Sled Dog race receives increasing media coverage each year. The number of Soviet tourists, and Americans passing through Nome on their way to the Soviet Union, may increase in the coming years. The future will likely hold a continuing connection with the Soviet Union for Nome. What sort of connection is unknown. The most ambitious is talk of a physical connection, by building a tunnel under the Bering Sea similar to the one now being constructed under the English Channel. Whether or not a project of this magnitude is ever undertaken, Nome will continue to reap some benefits from its location.

The limitations of its location, though, will also remain. Nome still doesn't have a deep-water or sheltered harbor, and even with one water transportation would not be responsible for six months of each year. An often-proposed transportation project which would create a surface link year-round is construction of a Trans-Alaska highway between Nome and Fairbanks.

Government jobs should continue as the economic backbone of Nome's economy. The share of state and local jobs may shift, since the future might well mean a small state operating budget and fewer state jobs. Certain services will still be necessary, however, no matter who provides them.