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To: Interested parties
From: Spencer Phillips
Date: 10/31/2017
Subject: Issues in NY Times Magazine article re: "mining vs. wilderness"

I have reviewed Reid Forgrave's 10/12/2017 piece for the New York Times Magazine, focusing especially on some of the statements and conclusions offered regarding comparative contributions of mining and the amenity-based economy. My colleague, Dr. Carolyn Alkire and I published a report that provides some initial estimates of potential costs of sulfide-ore copper mining in the vicinity of the Boundary Waters. In his article, Forgrave quoted some top-line results from the study, but missed the central findings:

1. The three counties that host the Boundary Waters, including the gateway city of Ely, have a growing amenity-driven economy. The idea promoted in Mr. Forgrave's piece, that the region faces a choice between a thriving economy and protecting the Wilderness, is fundamentally untrue.
2. The three-county Boundary Waters region's economic activity supports a diverse range of businesses, jobs, and economic activity.
3. Since the last iron mine near Ely closed in 1967 and a major downturn in the nearby taconite mining region in 1980, the economy has stabilized and grown because of the Boundary Waters. It has drawn new residents, workers, business owners, and retirees.
4. The introduction of sulfide-ore copper mining - a much more toxic form of mining than taconite mining - could result in the loss of nearly 23,000 jobs and up to $1.6 billion in annual economic activity in this amenity-based economy. This is over and above the loss of 4,490 jobs in tourism and approximately $288 million in lost annual visitor spending.

Looking at Mr. Forgrave's article as a whole, he seems to have not considered some key issues that our study raised. He has instead fallen into a tired trope and false choice between jobs in one extractive industry and jobs in recreation and tourism. Here are some additional examples of where Forgrave leaves out important issues, fails to apply consistent fact-checking, or otherwise lets nonsensical assertions stand without providing either context or an alternative point of view.

I should note that Forgrave did not interview me or Dr. Alkire, but I was contacted by a Bill Vervoulias, whom I presumed to be Forgrave's assistant.

- In introducing Dan Forsman, Forgrave notes that Dan's Father, Mike had "worked for a canoe outfitter for $1.25 per hour" before beginning work in the mines. To present such a seemingly low wage in the context of Forgrave's narrative strikes me as being sloppy at best, and intentionally pejorative at worst. As anyone knows, as anyone presuming to write about the economy should remind the reader, $1.25 went a lot farther in the 1960's than it does today—roughly eight times farther, in fact, based on the Consumer Price Index.

  Forgrave should have converted that $1.25 into today's dollars and expressed Mike's long-ago wage as "$10.00 per hour, in real terms, or in today's money", which (a) doesn't sound too bad for a kid in a rural area; and (b) is actually higher than Minnesota's current minimum wage of $9.50/hour.

- Forgrave correctly notes that "Ely's population has shrunk 30 percent since 1980…", but juxtaposes this with Dan Forsman's concern for the need for jobs "in this hollowed-out region", quoting Forsman as asking, rhetorically, "If they stop this new mine what's the draw to be up here if there's [sic] no jobs?"

  First, as we discussed in our report, and as Forsman should have noted, such declines (and this decline in particular) are what happen when an economy is tied to one industry that itself is dependent on exploitation of nonrenewable natural resources.

  Second, once the 1980s' drop in population and employment was over, the Arrowhead economy has stabilized, and sectors representing the amenity-based economy now comprise the region's true economic base. While population might not be growing in absolute terms, it is certainly larger than it would have been if, as Forsman/Forgrave suggest, the only alternative had been to wait around for another mine to open up.

  The facts are that employment, business ownership, and personal income have all been trending steadily upward since the 1980's. If mining were the region's only (or even its best) option, those trends would all have continued in the opposite direction after the mining-driven crash.

  So, in answer to Forsman's question, the things that will draw people to the region if the new mine is not approved are precisely the things that have been drawing people there for the past 30 years: the Wilderness, the quality of life, and the vitality of a new, sustainable, economy.

- This is not a point about economics, but I was struck by the fact that Forgrave, after citing a peer-reviewed study of potential water quality risks, dismisses that evidence on the grounds that it "sounds alarmist" to unnamed sources who favor the sulfide ore mining proposal. Forgrave clearly is applying different standards of evidence to the different sides in this debate.

- A further indication of the slant Forgrave brings to his writing occurs in the paragraph citing some of our study's results. He writes "Conservation activists nationwide are **pushing similar calculations**. The Outdoor Industry Association **has taken a stab** at estimating the economic output of federally owned lands…" [emphasis added]. Setting aside his mischaracterization of the OIA as a conservation activist organization, Forgrave does not seem to consider that possibility that such results are not "calculations" being "pushed", but instead are the conclusions of careful research of the sort that is required before federal agencies can take actions affecting the environment.

  Moreover, "taking a stab" at a calculation conjures the image of someone ginning up some back-of-the-envelope guesses, not the sort of data-driven research that colleagues and I at Key-Log Economics and in other organizations, universities, think tanks, and government agencies practice. Had Forgrave looked at even a fraction of the works cited in the bibliographies of our report or any other on this or similar environmental issues, he would understand that decades' worth of such applied research confirms that conservation and local/regional economic development are complementary, not in competition.

  Forgrave insinuates that the results of these calculations favoring conservation are somehow agenda-driven, but he gives a pass to those making unsubstantiated claims that there will be "ample safeguards against pollution" or that sulfide ore mining will "support hundreds of good-paying jobs."

- A good example of Forgrave's credulousness regarding pro-mining claims is on full display in this paragraph:

  > "You cannot make a living on the Boundary Waters," Tom Rukavina, a longtime Democratic politician from the region, told me. "The 100 miners that live in Ely, Minnesota, are what keep

> that town going nine months a year. Otherwise when tourists come in summertime, there'd be nothing there: no restaurants, no hospitals."

Here are some relevant facts from the U.S. Bureau of the Census[1]:

- 5,637 people lived in Ely and the surrounding townships of Eagles Nest, Fall Lake, Morse, and Stony River in 2015.
- These people lived in 2,761 households
- Average income for these households in 2015 (adjusted for inflation to 2016$) was $57,342
- Total income in 2015 (in 2016$) was $158,320,717

If what Mr. Rukavina says were correct, each one of those miners' households is contributing $1.19 million ($158.3 million divided by 100 miners, times 9/12 months per year) to the Ely economy. Even if one were to believe the "multiplier effect" of 1.53 in a recent mining-industry-sponsored study[2], that would mean that each mining job would have to pay $776,082 per year for Rukavina's claim to hold water. The mining industry study, however, claims only an average of $81,483 per worker. That is higher than the average household income in Ely and the four townships, to be sure, but it is just little over one tenth of the level of contribution needed for Rukavina's claim to be true.

There is no indication in Forgrave's article that he questioned or tried to corroborate Rukavina's claim. He instead was simply taken in by and/or willingly repeated something that fit with a view that mining is all that matters in the region's economy.

- All of the foregoing is backdrop to the central problem with Forgrave's article as well as too much of the "mining vs. wilderness" debate, including the aforementioned industry-sponsored study (see footnote 2) and others. The central problem is that the Ely's and the larger Arrowhead region's economic alternatives are cast as high-paying (and therefore "good") mining jobs versus low-paying, seasonal, menial, etc. jobs in the recreation and tourism industry.

  Forgrave quotes a former World Bank economist who has chosen the Arrowhead as the place to retire. She expresses this argument as a hypothetical message to someone who used to have a good-paying, union job in the mine "'Well, the economy has changed, now you're going to clean houses for the summer-cabin people—and make a fraction."

  I suspect that her point was to present this as a caricature of how people might think and feel about the changes in the Arrowhead region's economy, but it seems from the balance of Forgrave's article, that the economist's point was a bit too subtle. So to clarify:

  1. Any economist will confirm that the value of a mining job relative to other employment is indicated by what one could earn in the next best alternative job, not by the worst situation imaginable. A union member with the kinds of skills that would be useful in the region's mining industry might well find work in construction or manufacturing, or as a mechanic, or in other skilled trades, or he might seek employment in mining in another location.

     Not that there would be anything wrong with cleaning houses, but as a matter of economics, the housekeeper's job and wages do not supply a relevant point of comparison for most mining jobs.

[1] https://factfinder.census.gov/

[2] Praxis Strategy Group. (2017, March). Forging the Economic Future of The Duluth-Arrowhead Region. Mining Minnesota.

2. The caricature, which Messrs. Forsman and Forgrave seem to adopt, however, does implies that there is something wrong with cleaning houses (or perhaps with having a $10-per-hour job working for a canoe outfitter). What does that say about people for whom cleaning houses is their best current opportunity? What if that job leads to owning a house-cleaning business? Or to a 2- or 4-year college education for the house cleaner's children?

   I have met people all over the country for whom such employment has been a way to make ends meet while allowing them to live in beautiful places and to have the freedom to enjoy them. For others it has been a way to to earn the money needed to pay for school, to launch a small business, or to otherwise support their hopes and dreams.

   For all the complaining about "elitism" in Forgrave's article, there appears to me to be more than a bit of it in in the way that Forsman/Forgrave regard seasonal employment and those with smaller paychecks than some miners might bring home.

3. Most importantly, this distorted caricature fails to appreciate the trend of which the quoted economist is clearly a part. She has retired and moved to the Arrowhead. Let that sink in.

   If we can presume that she could have retired wherever she liked, and if she is at all similar to the other retirees coming to the region, it would be safe to say that what she liked about Northeastern Minnesota is the quality of life, the clean environment, and the proximity to unparalleled opportunities for outdoor recreation.

   She is, moreover, not a "summer-cabin [person]." Rather, she is spending a significant portion of her retirement income in the region year-round. Someone local, most likely, built her home, and another local resident handled the real estate transaction. Someone else may fix the plumbing or maintain the landscaping. Someone else repairs her car, bags her groceries, cleans her teeth, executes trades in her stock portfolio, performs music for her entertainment, and pours her a glass of chardonnay in that wine bar. Meanwhile, she pays taxes that pay for teachers, roads, fire protection, and she likely donates to local causes, and volunteers in the community.

   Multiply that reality by the hundreds of households that now moved to the Arrowhead region for its quality of life, and an accurate picture of region's economy, not a caricature, emerges.

   To be sure, the Arrowhead economy has changed. But "changed" does not mean "disappeared", and it is objectively false to suggest that the only feasible, let alone the best possible, future for Ely and the rest of the Arrowhead is another mining-driven boom and bust.

One final note: Wages, household income, tax revenue, and full-time-equivalents are but weak indicators of quality of life. As we explain in our study, including via citation of research going back several decades, people will accept less income when it means more leisure time (and a good place to spend it), a cleaner, healthier environment, and easier access to scenic, recreational, and other amenities. That "second paycheck" as Niemi and Whitelaw call it[3] is real economic value. It doesn't show up on anyone's W-2, but regions that want a secure, sustainable future can take it to the bank.

[3] Niemi, E. G., & Whitelaw, W. E. (1999). *Assessing economic tradeoffs in forest management* (General Technical Report No. PNW-GTR-403). USDA Forest Service, Pacific Northwest Research Station.