

Tom Power - May 15, 2006

Coal Development as Economic Development

Montana has some of the largest coal deposits in the world. Beginning almost 40 years ago a combination of federal government agencies and private energy companies began drooling over the potential financial bonanza associated with developing that coal for the production of synthetic gas and liquid fuels as well as electricity for export. State and local government officials joined in, imagining an energy boom in Eastern Montana that would offset the ongoing loss of jobs and people there over the last 80 years. Every governor since then, including Governor Schweitzer, has supported a significant expansion of coal production and coal transformation into other energy forms in Montana.

There may be a variety of reasons to support further coal development in Montana, rising national demand, irresistible market forces, profits, and money flowing into government coffers, but economic development is not one of them. Let's set aside the concern over the environmental damage done by coal mining and coal use including the releases of acid rain, mercury, and greenhouse gases, strip-mining natural landscapes in the Northern Rockies, and mountain top removal in West Virginia and other parts of Appalachia.

The mention of Appalachia should raise warning flags. Coal has been mined for over two hundred years in Appalachia and the region continues to be a major American coal producer. Yet Appalachia has also come to be synonymous with persistent poverty that has trapped one generation after another in economic depression.

But Appalachia is not unique in that regard. If you look at counties across the US that have specialized in coal mining over the last two decades, including two in Montana, and compare their unemployment rates with the average in the state where the coal mining is located, you find unemployment rates in the coal mining counties 50 percent above the state average.

Most measures of economic vitality and prosperity are lower in counties that specialize in mining: Average incomes are lower and the growth of employment, income, and population are dramatically slower, in addition to unemployment being higher. Mining, including coal mining, does not bring economic development and prosperity.

How can communities that are dependent on a very high-wage industry like mining be associated with low income, high unemployment, and seriously retarded economic growth? The problem is primarily one of unstable employment.

We have been mining for so long that technological development has been enormously effective in reducing the labor content of each unit of mineral extracted from the earth. During the last half of the twentieth century the labor time it takes to mine a ton of coal fell from 84 minutes to 9 minutes. Not surprisingly, employment plummeted by 75 percent even as coal production more than doubled. In Wyoming over just the last 20 years coal production almost quadrupled while coal employment declined by almost a third.

Montana was not immune to the same trends. Our coal production increased only modestly over the last two decades, about 25 percent, but coal employment fell by almost 50 percent and coal severance tax collections fell by almost sixty percent.

In the face of this ongoing labor displacing technology, employment has to decline in mining areas unless mineral production can continuously expand, something that ultimately is impossible when extracting a non-renewable resource.

Mineral prices and mine profitability also fluctuates with international market conditions. Natural gas, oil, coal, gold, copper, and silver prices regularly go through steep rises, always followed by steep declines. We are currently experiencing one of the steep increases in mineral prices, but we would be foolish, given our own history, to act as if that boom in mining will last.

Then there is the environmental destruction associated with coal and other mining activities, creating toxic wastelands as it proceeds.

Given the uncertainty about how long the high-paying mining jobs are going to last and the badly mauled natural landscapes and toxic air and water, it is not surprising that people are hesitant to invest in communities adjacent to mining operations. If workers buy or build homes near the mine, when the mine shuts down or the environmental destruction creeps closer and closer, those workers may lose their home equity and find they cannot sell those homes. Businesses serving the local population face similar problems. When the inevitable bust comes, they may lose their investments too. Even schools and other local government agencies are hesitant to float bonds to fund new or expanded facilities for fear that they will not be able to pay off the bonds when the mine goes into decline.

The result is that almost no one wants to invest in a mining community. As a result mining communities have a temporary, run-down, deteriorating aspect to them. They are the opposite of prosperous, economically vital places, despite the high pay associated with the jobs.

So let's stop talking about coal or other mineral development as a way of boosting economic development. It may be a way of frantically feeding at the federal trough, pulling in hundreds of millions of federal dollars. It may be an easy way for state and local governments to make big bucks since they are essentially commercial partners in energy development, skimming off lucrative tax revenues. It may be a way for a few out-of-state people to make huge profits and a tiny number of workers to pull in large paychecks. But mining does not put down roots in a place, laying the basis for sustained economic development. It does the opposite, as this state's history of mining ghost towns attests.