

MOUNT ST. HELENS TECHNICAL INFORMATION NETWORK

federal emergency
management agency

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BULLETIN #31 - "Economic Factors"

This bulletin is intended to explore the potential for economic impact of the Mount St. Helens eruptions. It raises issues for the long and short term, rather than settling them, and in no way attempts to assign dollar figures or generate real forecasts.

Some of the uncertainties are highly visible, such as:

- * Possibility of more eruptions.
- * Difficulty of separating effects of the volcano from those already or simultaneously caused by the recession or inflation.
- * Influence of various factors on future growth rates rather than on current costs.
- * Indirect loss, which experience with other phenomena shows to be frequently overestimated.

Most analyses to date have discussed tradeoffs, mainly in the long term:

- * The ashfall has damaged some crops, but will eventually enrich the soil.
- * Ash samples and commemorative T-shirts are selling well, illustrating talent for capitalizing on adversity. (Silver lining department).
- * Ceramics hobbyists and professionals are seeking the heaviest ash deposits for use in their wares, replacing expensive Italian imports.
- * Future generations of lawnmowers, air filters, and other hardware will stand up better to ash, but will doubtless cost

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noticeably more than present models.

* Will the active volcano and its dust draw or repel tourists?

The following is a brief examination of certain sectors of the economy, based on current unofficial reports.

* Industry - Down time and dust damage to machinery are immediate problems. Higher costs of power and transportation could develop. New equipment (such as filters) could increase production or plant costs. No obvious product shifts have appeared, but manpower aspects (including psychological) remain to be explored.

* Commercial - Possible shifts in growth patterns (nature and location) could increase needs for services in some areas. This is perhaps measurable, but only on a local basis.

* Loans and Insurance - So far, insurance payments have not been notably high, but unusual numbers of loan applications have appeared. Precedent setting remains a concern among insurance companies (see TIB #17 on Insurance) under pressure to pay on excluded losses.

* Tax Revenue - Direct loss of revenues seem likely only where real property is swept away and in event of business closing. Clean-up costs are causing operating deficits. Federal reimbursements for certain classes of expenditures will offset some losses, and matters could stabilize in a very few years.

* Transportation - If changes in flow patterns develop from shifts in industry, some dislocation would result. For the moment, equipment damage is a prime concern. The plight of oceangoing vessels stranded in Portland has been well publicized; losses and potential losses to the Port and the city are less easy to quantify.

* Logging - This is a special economic area. Salvage attempts in the blowdown area could alter employment patterns. These would have mainly local impact, which would again alter when salvage is completed or abandoned.

* Tourism - Considerable attention has been devoted to loss of revenue, actual and potential bankruptcies, and the impact of more eruptions. While numbers of tourists could well stabilize at pre-eruption levels or higher, advertising costs could be higher (to overcome horror images) and capital investments lower for now.

* Fisheries - Ash on eastern spawning beds reduces the hatch, and in the west fish have problems getting upstream in silted rivers. Catches will surely be lower in the next few years, but natural stabilization is expected.

* Agriculture - The 1980 crop loss is now being quantified, with major effects on some crops (e.g. raspberries) and almost none on others. Machinery losses are high. Long term capital loss is a possibility, and some shifts in crops could result. Mixing of the ash into farmland soil requires some time before full integration, but is predicted to be beneficial.