The Economic Impacts of a Coastal Oil Spill:
Exxon Valdez and Alaska

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On March 24, 1989 around midnight, the industrial oil tanker “Exxon Valdez” crashed into the barrier reef just off the coast of the Prince William Sound. The tanker spilled approximately eleven million gallons of crude oil into the sound devastating the local economy. Over the following weeks, months, and years, the crude oil managed to destroy a multitude of natural wildlife which in turn ruined the coastal habitat. Over the past two decades the local population off the coast of Prince William Sound has endured devastating economic hardship due to the Exxon Valdez oil spill.

The environmental impact of the oil spill took a major toll on the local communities. “The immediate environmental impact of the spill was far-reaching; about 1,300 miles of the coast was oiled which canceled the 1989 fishing season, hurting the commercial fisheries industry in the area” (Owen 4). The spill covered over 10,000 square miles of shoreline destroying the majority of the sea life inhabiting the area. One of the key losses in the oil spill was the fish egg population. The loss of the actual fish was devastating enough, but the loss of all future fish in essence would cause a downturn in the local economy for many years to come. “The death of the fish eggs created a long-term but delayed impact on the herring and salmon fisheries in Prince William Sound. By 1993, the fisheries had collapsed.” (Democracy Now). When this happened there were numerous people who lost their jobs, homes, and entire
way of life. Many of the local fishermen had invested all of their life savings, including collateral towards loans to fund the fishing expeditions (boats, equipment, permits). Fishing off of the Alaskan coast was, and is still to this day, the single major economic source of income for the coastal population. When the Exxon Valdez spill occurred, the population’s priority source of income ceased to exist. This economic disruption has, and still is, disrupting the local economy of the Prince William Sound.

In retrospect, the Exxon Valdez oil spill did create numerous amount of economic boosts to the local economy by the way of “clean-up revenue”. “The spill did create new job opportunities for those involved in the clean-up operations, which has led to the emergence of a new economic class labeled spillionaires” (Owen 5). The general population was in turn given jobs by the spill but these were only used as a short term solution to the economic hardship caused by the spill. “Along with the large scale beach washing, manual cleanup, raking, and tilling the beaches, oily debris pickup, enhanced bioremediation and spot washing were used to clean up the oil” (Cleveland). These types of “low end” clean up jobs were readily available and did give the local fisherman a way to provide for their families. However, by the end of September 1989 the majority of the clean up was ceased due to the safety risk of the clean up employees. This left the local population with an unusable habitat for fishing and no other source of primary income. Extreme economic hardship would ensue on the local population for many years to follow.

There were two other major sectors of the local economy that were devastated by the spill, recreational sport fishing and local tourism. “The estimated loss for 1989 alone in the sport fishing sector was approximately $580 million dollars” (Cleveland). Obviously there was an immediate impact on the sport fishing for this area because no one in the world would want to
pay for an expensive fishing expedition where no only the fish were exterminated or contaminated, they would put their own self at risk by fishing in that area. This left the local sport fishing market to either relocate or cease to exist. For the majority of the market, the owners decided to take their business to other areas of Alaska or other parts of the country leaving no sport fishing in the Prince William Sound for many years. This also led to the substantial decrease in the local tourism. Many people came to the sound to see the wildlife population and experience the great Alaskan culture. With the wildlife population wiped out and the increased risk on the local human population the tourism that once thrived in the area ceased to exist. “Fifty-nine percent of business in the most affected areas reported immediate spill-related cancellations due to the lack of accommodations, charter boats, and taxis” (Cleveland). The local hotel, airport, restaurant, and taxi industry came to a screeching halt and were eventually abandoned to the oil spill. This abandonment meant another extreme loss to the local job market in the area causing further economic hardship for the local population.

The confidence in the local seafood market came to an end after the spill causing increasingly high market prices. ‘With the flow of fish bucks down to a trickle, the town’s economy seized like an engine without oil’ (Ott 55). There were roughly over $200 million dollars in direct loss to the fishing market after the spill. This defluctuaion of local fish readily available the direct effect on the local economy was too severe for some to weather.

The loss of revenue from the fishing industry exceeded the income from clean up by well over three times. There were enough funds coming from the clean up efforts to survive, but not enough to maintain the once thriving economy. There was also a loss of equity in the fishing permit side of the industry. “The value of highly lucrative Area E salmon seine and herring seine permits had dropped by $100,000 within months after the spill” (Ott 56). The local fisherman
laid claim to their once high priced permits with hopes to always maintain or gain value, this was an immediate economic loss. The local value for the entire fishing market completely deteriorated the local economy causing many to lose their entire livelihood in the aftermath of the spill.

The increasing uncertainty and risk for the local economy was also a major impact for future prosperity in the area. When an economy has no hopes of sustainability for the future there will be no margin of projected growth of organizations, businesses, and future population. ‘The spill of a hazardous material generates uncertainty about its actual consequence, and risk that the consequences will be undesirable” (Brian 62). In 1989 the future economic outlook was oblique and there was very little hope in that the local community could pull through the accident and get back to the thriving economy that it was encumbered. The only glimmer of hope for the local economy hinged on the fact that the spill happened with a major oil company that had the funds and power to alleviate the economic hardships of the local population. This hope would later be abolished by the actions of Exxon Mobil.

Exxon Mobil is one of the biggest oil corporations in the world. At the time of the spill they had the appropriate funds readily available to completely remedy the solution but decided that it was appropriate for them to do so completely. There has been very detailed litigation over the past two decades over the spill where it seems that Exxon Mobil is winning this battle. “Exxon Mobil, with its billions in annual profits and armies of lawyers can tie up the Valdez case in courts for decades, while the injured commercial fisherman, and local population slowly die off”(Democracy Now).
The local population has had to fund the every growing battle against the big corporation over the past two decades. This battle did not come without a price. “On June 25, 2009 the supreme court ruled to award only $507 million in punitive damages to the 22,000 local plaintiffs which was just 10 percent of the original jury award” (Ott 269). In essence the Supreme Court ruled that Exxon Mobil compensate the local population which was originally ruled to be a one year profit in 1994 to a four day profit in 2008. This was viewed by the entire country as a big slap in the face to the population of the Prince William Sound. Many once believed that a company with the resources readily available such as Exxon Mobil, that the once thriving communities would once again see the economy and wildlife be back to a state of equilibrium. However, Exxon Mobil failed to deliver on rectifying there mistake which has caused great economic strife in the region. The local economy in Prince William Sound will forever be stained as it tries to rebuild from this horrific incident.

There can be no doubt that the Exxon Valdez oil spill off the coast of Prince William Sound caused a major economic impact to the local economy. “Coastal spills can cause social and economic harm extending far beyond those typically recognized by current compensation schemes, natural resource damage assessments, and the primary concerns of many spill response planners” (Neimi 4). The actual local harm to the economy is therefore seen much later where the local population is completely devastated in the aftermath of such events. The Exxon Valdez spill caused one of the greatest economic tragedies to a coastal community in American history.
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