

BOOM and BUST

Mining Does Not Create Long Term Prosperity

PolyMet, Twin Metals, and researchers funded by the mining industry (UMD) make extravagant claims about the benefits of new metallic sulfide-ore (copper, nickel, and platinum group metals) mines to communities in Northeastern Minnesota.

What do we really know about the economics of sulfide-ore mining areas?

Many sulfide-ore mining areas are synonymous with lagging economies and even persistent poverty and unemployment. Examples include Appalachia; the Ozarks; copper mining towns of Butte, Montana, Silver City, New Mexico, and Globe-Miami, Arizona; uranium mining areas of New Mexico and western Colorado; and gold and silver mining towns of Silver Valley, Idaho, Lead, South Dakota, and Deadwood, South Dakota. Further, despite over a century of iron and taconite mining, Minnesota's Iron Range lags economically and is losing population.

Why aren't mining towns prosperous?

1. ***The Instability and Volatility of Mining Jobs and Earnings.*** Swings in worldwide metal prices result in “boom and bust.” When metal prices collapsed in 2008, over 2,000 miners were laid off from two copper mines in Arizona. Jobs are cut and mines closed in response to unstable and volatile mineral prices and worldwide competition.
2. ***The Impact of Labor-Displacing Technology*** Automation and other labor-saving technology has greatly reduced the need for workers in new sulfide-ore mines. From 1972 to 2007, while copper production *remained constant* in the U.S., the number of copper-mining jobs dropped by 71%.
3. ***Heavy Environmental Damage: An Economic Problem.*** Sulfide-ore mining results in long-term negative economic impact because of heavy environmental damage. Minnesota's copper-nickel deposits are lean and disseminated, so that the vast majority of rock removed would end up as waste. Such mining and its waste will cause irreparable damage to land; destroy wetlands; create the potential for perpetual water pollution; and be a threat to the region's world-class landscapes and recreational opportunities.
4. ***The Displacement of Other, More Sustainable, Economic Activity.*** Declining residential property values, reduced acres for timber harvest, and disruption of recreation-based businesses create long-term economic losses.

What does an economic analysis of Minnesota's mining areas show?

Minnesota has experienced continued decline in employment in taconite mining even though total output of ore has remained about the same (1960 – 2005). From 1979 to 2011 state taconite mining employment declined by 57%. Virginia, Minnesota, which is surrounded by three large taconite mines, reflects that decline. In 1960, the population of Virginia was 14,034; by 2010, the population had fallen to 8,712. St. Louis County, the source of 75-80% of mining earnings in Minnesota, has experienced a 78% drop in jobs from 1979 (12,000 jobs) to 2009 (2,700 jobs).

The United States Forest Service recently did an economic analysis of mining in Minnesota's Cook, Itasca, Koochiching, Lake and St. Louis counties. It concluded:

1. As of 2009, in these Minnesota counties, mining was only 3.0% of total employment.
2. Mining provides only 2.7% of the total income in Cook, Itasca, Koochiching, Lake, and St. Louis Counties.

Are predictions of sulfide-ore mining benefits to Minnesota credible?

Researchers funded by mining companies (University of Minnesota at Duluth) use an input-output economic model called IMPLAN. Projections of "multiplier" economic benefits using IMPLAN are commonly known to predict higher multiplier effects on the local economy than are actually experienced. The authors of the UMD study acknowledged additional limitations of the study, in particular the failure to consider costs of mining: "Policy recommendations should be based on the 'big picture' of total impact, and a cost-benefit analysis would be needed to assess the environmental, social, and governmental impacts of ferrous and non-ferrous [sulfide-ore] mining in the State."

Profits Go to Foreign and Multi-National Sulfide Mining Companies, and Do Not Stay in the U.S.

Sulfide-ore mining may be profitable for foreign corporations seeking to mine copper, nickel, and platinum group metals from sulfide-bearing rock in the Lake Superior and Boundary Waters Canoe Area Wilderness basins. However, the profits will not stay in Minnesota. Moreover, key multi-national backers of metallic sulfide mining have a troubling labor and environmental history.

1. Glencore International, the \$88 billion multi-national corporation that is PolyMet's primary investor and joint venture partner, is notorious for dealings with rogue states (Iran), financial manipulation to evade local taxes, human rights and labor violations, and pollution from mines and smelters worldwide.
2. Antofagasta, a major investor in Twin Metals, owns and operates three copper mines in Chile. Antofagasta's mining operations have come under international attention for their environmental contamination as well as disregard for water rights of local farmers and communities.