

Gulf states' economies devastated by BP spill

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The oil eruption in the Gulf of Mexico—the worst environmental disaster in US history—is devastating local economies. Tens of thousands of fishermen, tourist-industry and oil workers are directly affected. The indirect ramifications are incalculable.

The Gulf Coast region is already one of the poorest parts of the country. Alabama includes counties with unemployment rates as high as 24 percent, and Mississippi has the sixth highest official unemployment rate in the country, at 11.4 percent. The gulf states of Texas and Louisiana, with their oil and gas intensive economies, have the greatest income inequality in the United States behind the state of New York.

On June 16, the National Oceanic and Atmospheric Administration (NOAA) increased the no-fishing zone in the Gulf to 80,806 square miles, about 33.4 percent of federal Gulf waters. Affected areas stretch from Louisiana's Atchafalaya Bay in the west through Mississippi and Alabama, to the coastal areas by Panama City on the Florida panhandle in the east. Broad swaths of Gulf southward are also closed.

A minority of the fishermen seeing their livelihoods destroyed have been hired by BP or contractors to help with the clean-up efforts, but many say they have not been paid since May, according to *Courthouse News*. Plaquemines Parish President Billy Nungesser remarked, "It's a Catch-22.... If you can't fish and then you take a \$5,000 monthly payment from BP, you cannot get food stamps because your income is too much, but then the \$5,000 is really only half what you need."

While energy represents the largest economic sector, fishing alone accounts for a multi-billion dollar segment of the regional economy (See "The social and economic impact of the Gulf oil spill").

In addition to shrimping and fishing, tens of thousands of acres of oyster beds are contaminated in Louisiana, forcing oyster shucking and distribution

operations to shut down. Job losses are difficult to estimate. The Lafayette, Louisiana, *Advertiser* reports that the closure of one major oyster company, Pearl Reef, means permanent job loss for at least 100 workers. Another shucker, P&J Oyster, is the oldest in the US. It has closed and will lay off around 25 workers.

These job losses are expected to be permanent because the prospect for a revival of the oyster industry is poor. Existing beds are covered with tarballs, which are dredged up along with the oysters at harvest, rendering the oysters unmarketable. There is not currently any method for removing the tar from the beds. For many bays in the area, contaminated soil will not support oyster beds for at least 10 years. According to NOAA, just over 65 percent of the nation's oysters come from the Gulf region.

The loss of jobs related to tourism is also difficult to estimate, since many boat captains and marine guides and instructors of various types are self-employed. David Butler, director of the Call Center Research Laboratory at University of Southern Mississippi, told Hattiesburg television station WHLT that the oil spill is a "rolling disaster," estimating a revenue loss of \$120 million this summer for that state's tourism sector alone.

Earlier in June, University of Central Florida economist Sean Snaith provided an analysis to the *Orlando Sentinel*, predicting that Florida will lose around 195,000 tourism-related jobs, or half of the sector, if oil from the spill hits the beaches, as has now happened.

Florida hotels have been receiving cancellations for weeks. Oil drifting in at Okaloosa Island near Destin, Florida, closed the beaches and fishing piers on June 18.

Credit rating agency Moody's forecasts significant losses in GDP, home values, and jobs for the entire

region, extending into 2012. Employment prospects are very poor for many workers in the region who have little or no formal education, especially those of middle age.

Effects are beginning to be felt far beyond industries immediately impacted. Grocery stores in the region are reporting 10 to 25 percent drops in sales. Midwestern grain exporters have expressed concern about incurring cleaning costs, slow lanes and declining revenues if the oil slows Mississippi River traffic on its way to deliver grain overseas.

Oil and gas, fishing, shipping and tourism are the largest sectors of the Gulf Coast region's economy, worth about \$234 billion, two thirds of which is attributed to the US and one third to Mexico, according to a CNN report from May 30. Oil and gas production makes up over half of that value. Seventeen percent of jobs in Louisiana, the state currently hardest hit by the disaster, are oil and gas related.

An Obama administration moratorium on new offshore drilling has been in place since April, which has been the focus of a good deal of political posturing. Thirty-three oil rigs are currently idled, while most oil rigs, including deep sea drilling rigs, continue to operate.

Estimates on the number of oil-related jobs affected vary widely and have become the subject of posturing, as the oil industry and opponents of the moratorium seek to exploit the plight of laid off workers to press for a full resumption of all drilling. The Obama administration is working on quickly restoring all oil drilling projects on the grounds that this is necessary to restore lost jobs and can be done safely.

No one, least of all Obama, has suggested what is a necessary step in addressing both the ecological disaster and the economic disaster: a massive public works clean-up and restoration program to provide quality jobs to hundreds of thousands of workers.



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