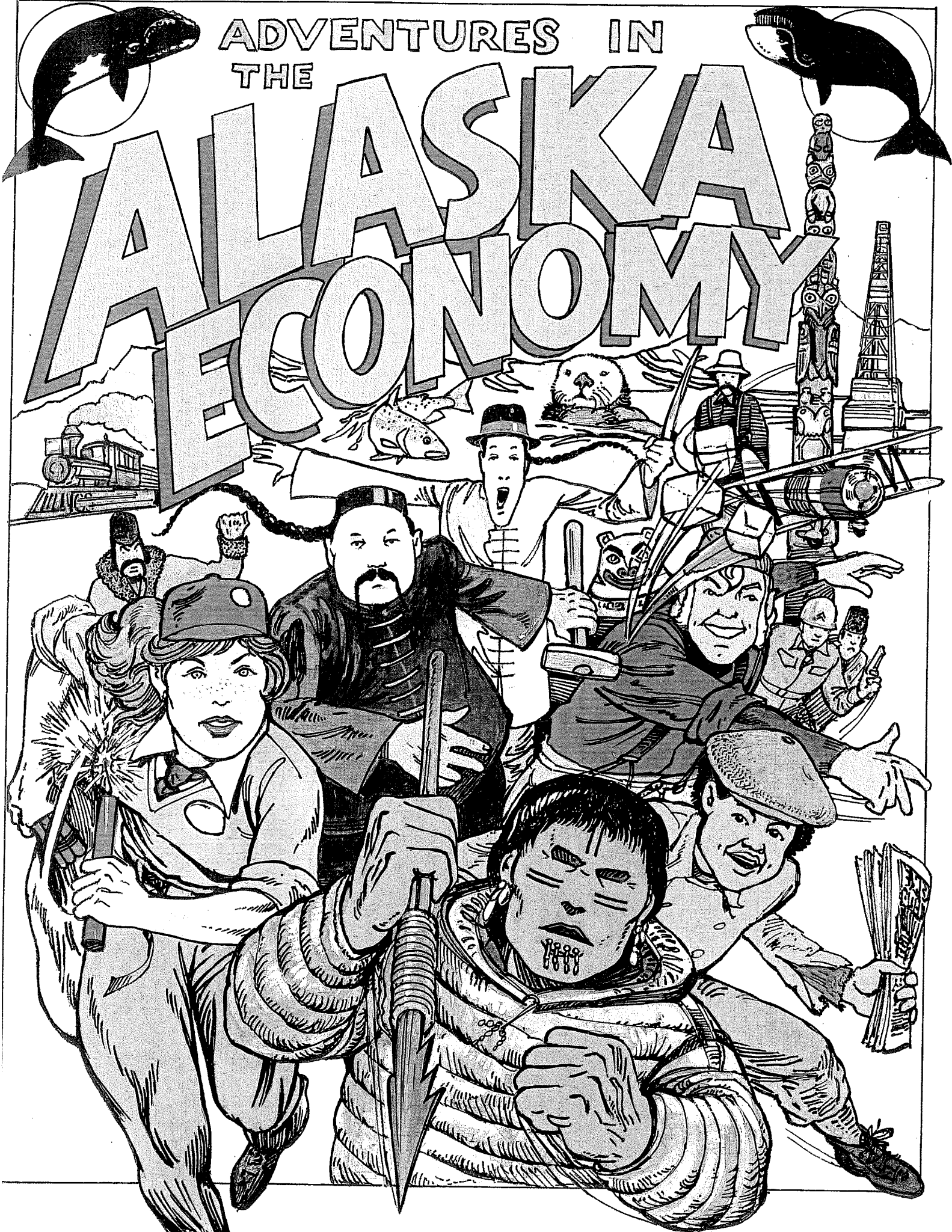


ADVENTURES IN  
THE

# ALASKA ECONOMY

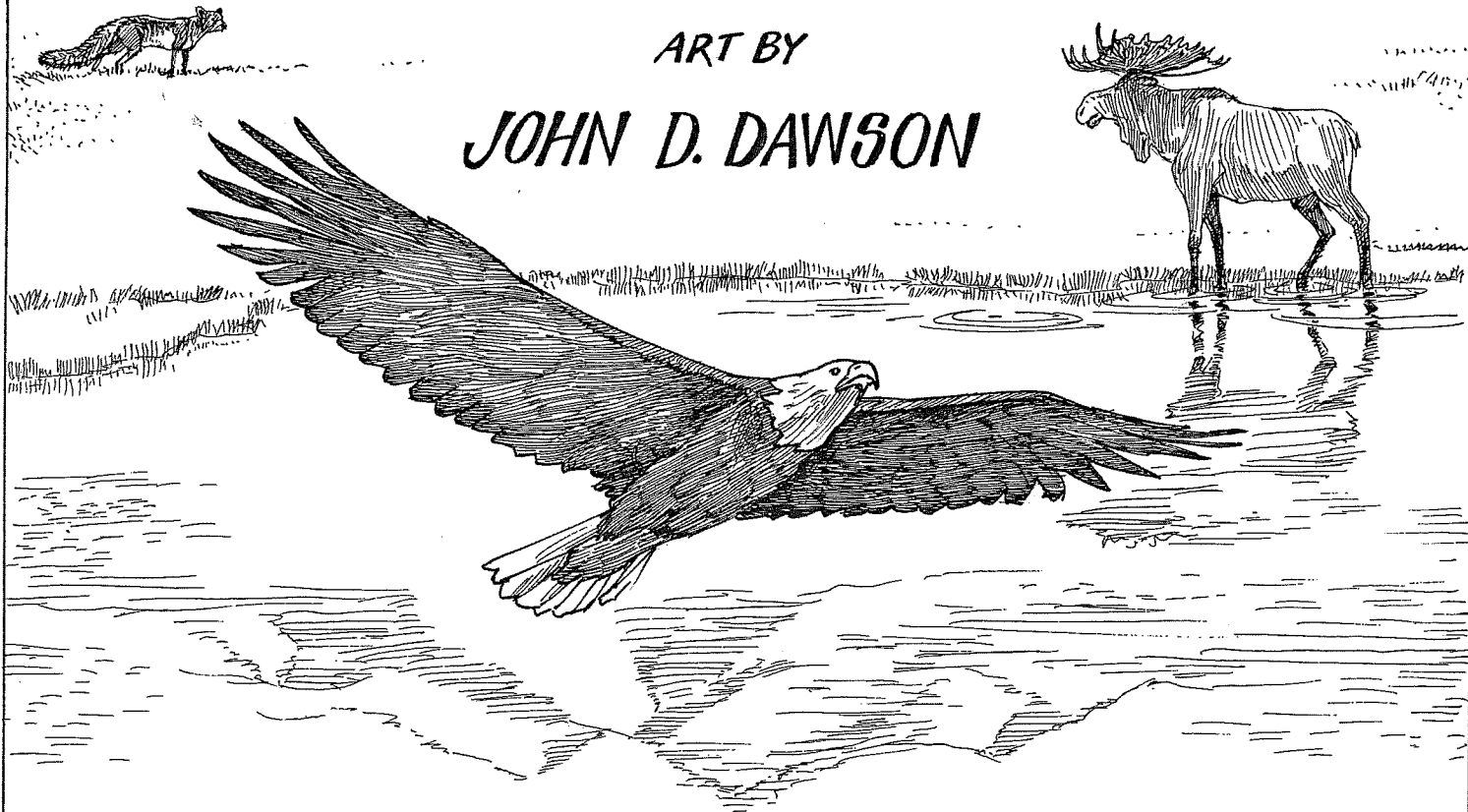




ADVENTURES IN THE  
**ALASKA**  
**ECONOMY**

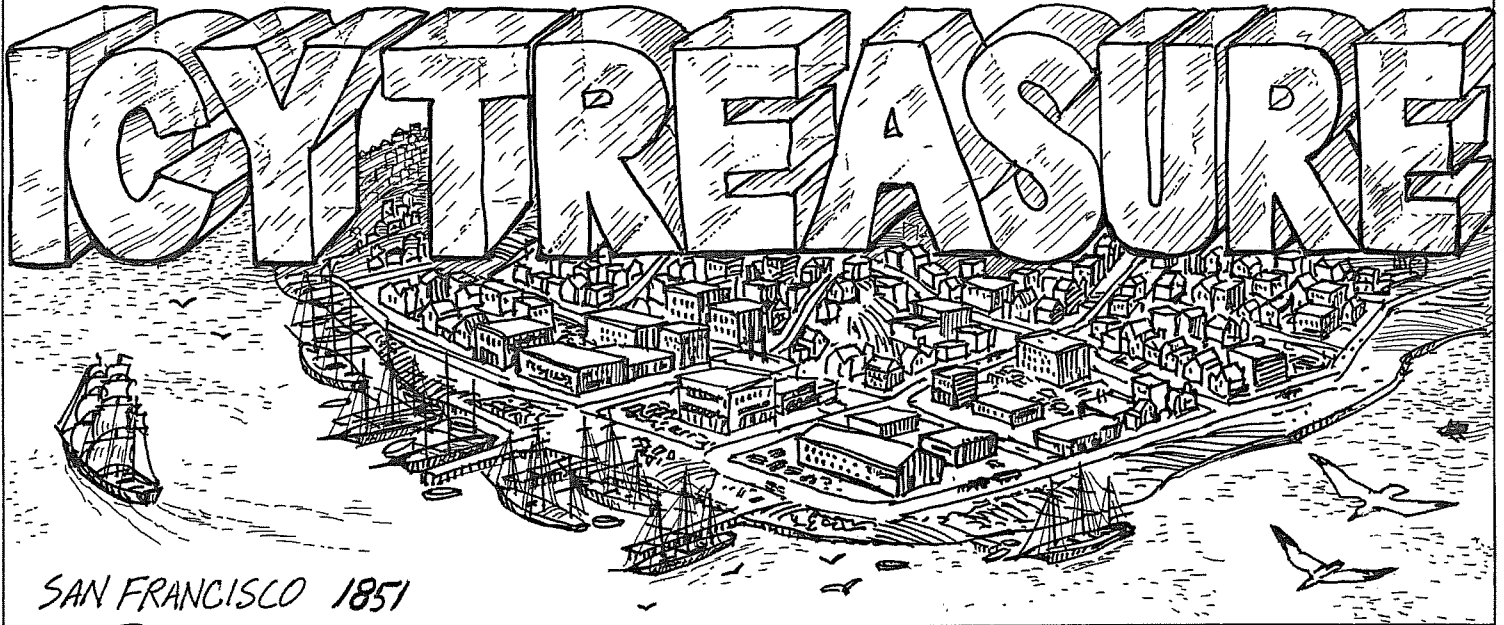
BY  
**STEVE JACKSTADT AND LEE HUSKEY**

ART BY  
**JOHN D. DAWSON**



ALASKA COUNCIL ON ECONOMIC EDUCATION, 2006

# Episode IV William Perry Finds Something Better than Gold in :



SAN FRANCISCO 1851



NEWS OF THE MOMENTOUS 1849 GOLDRUSH REACHED ME IN HAWAII. THE THOUGHT OF GOLD NUGGETS THE SIZE OF MY FIST, AND THE FORTUNE THEY WOULD BRING, WAS INCENTIVE ENOUGH FOR ME. I JUMPED SHIP AND IMMEDIATELY BOOKED PASSAGE TO CALIFORNIA.

BY THE TIME I REACHED CALIFORNIA ALL OF THE CLAIMS HAD BEEN STAKED. THERE WOULD BE NO CHANCE TO FIND THOSE NUGGETS AND MAKE MY FORTUNE.

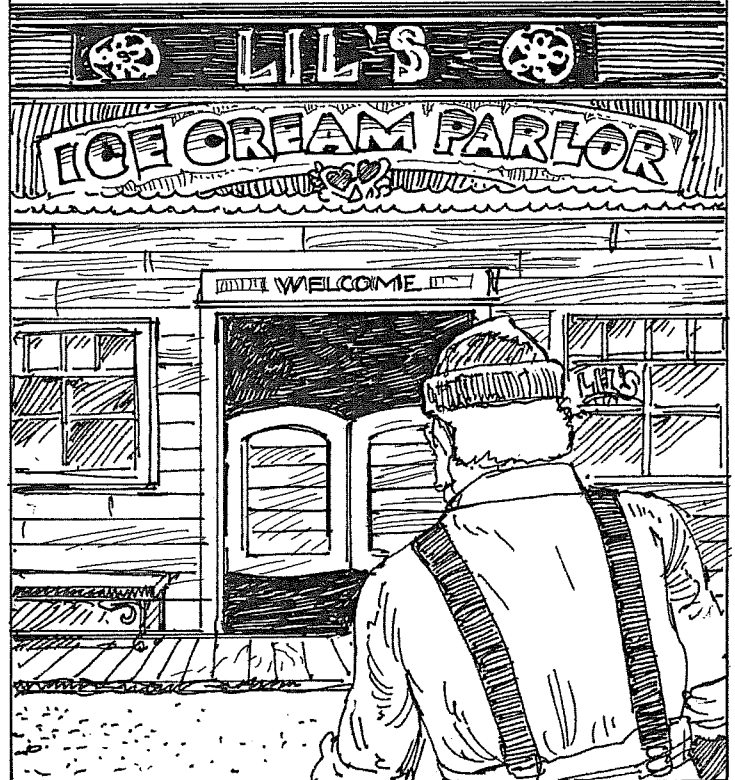
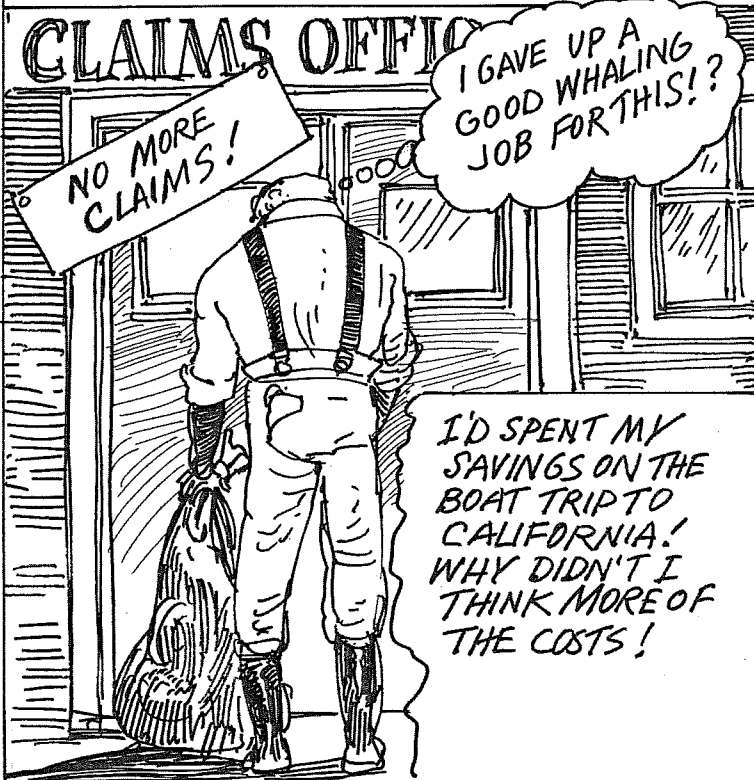
THINKING THAT ALL WAS LOST, I DECIDED TO DROWN MY SORROWS IN A QUADRUPLE SCOOP CHOCOLATE ICE CREAM SUNDAE, BUT .....

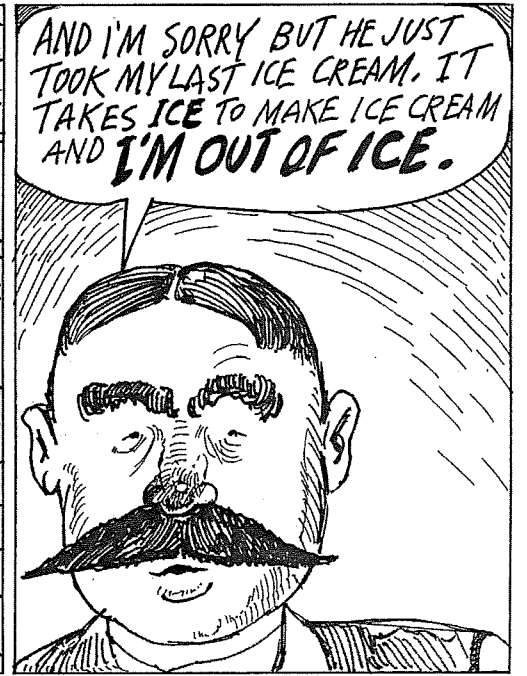
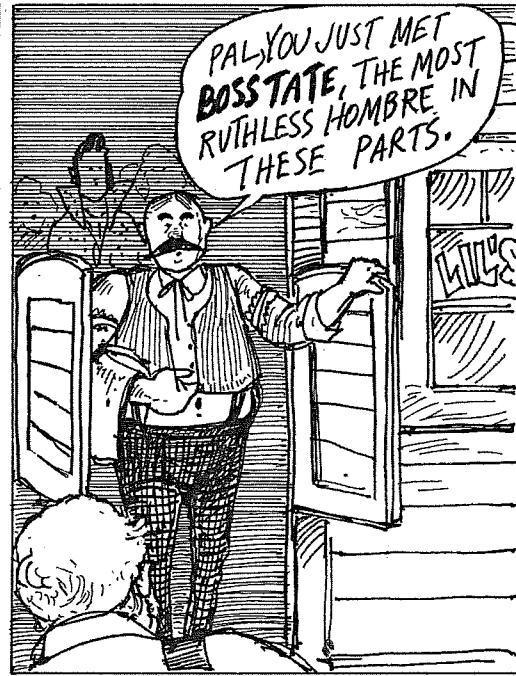
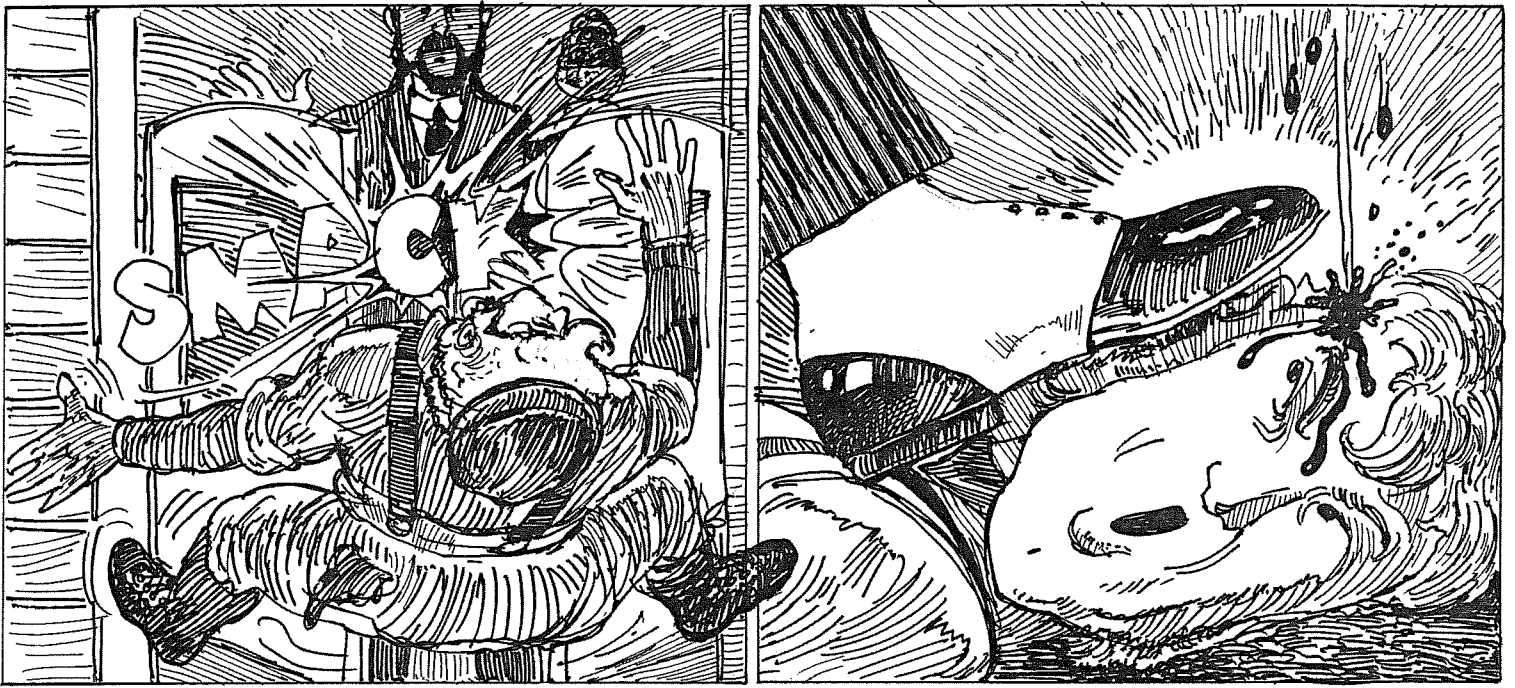
CLAIMS OFFICE

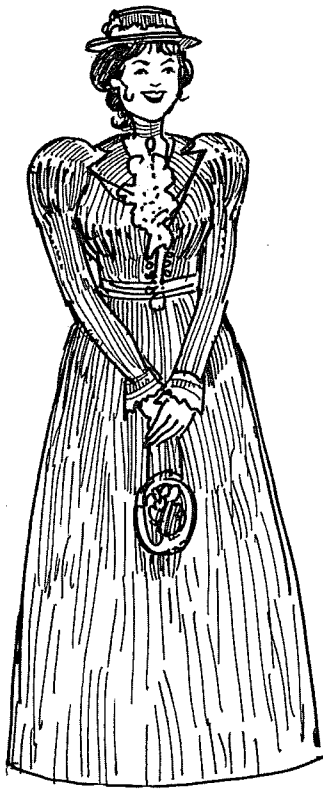
NO MORE CLAIMS!

I GAVE UP A GOOD WHALING JOB FOR THIS!?

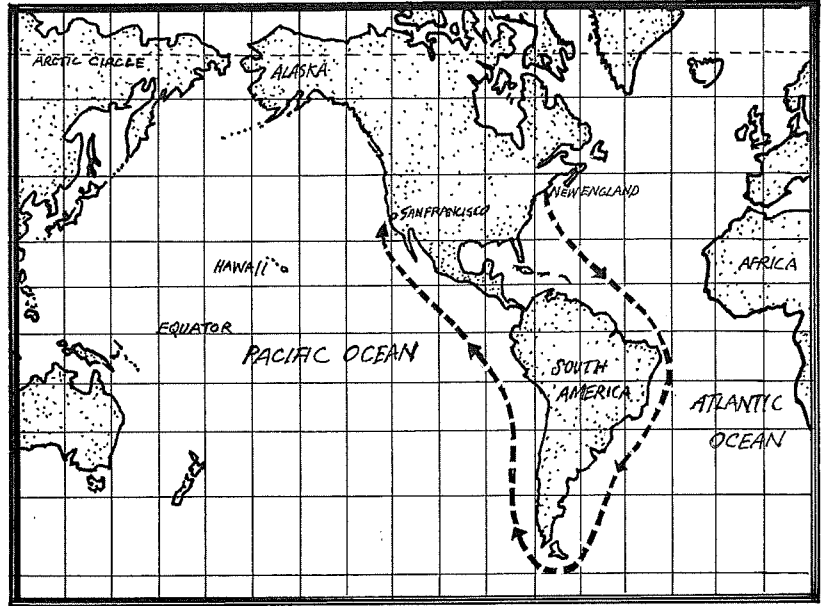
I'D SPENT MY SAVINGS ON THE BOAT TRIP TO CALIFORNIA! WHY DIDN'T I THINK MORE OF THE COSTS!



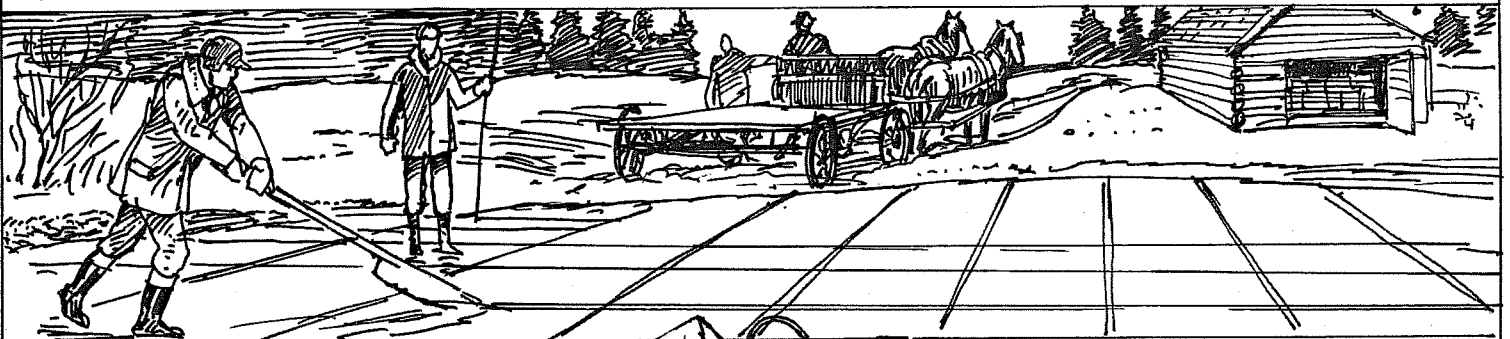




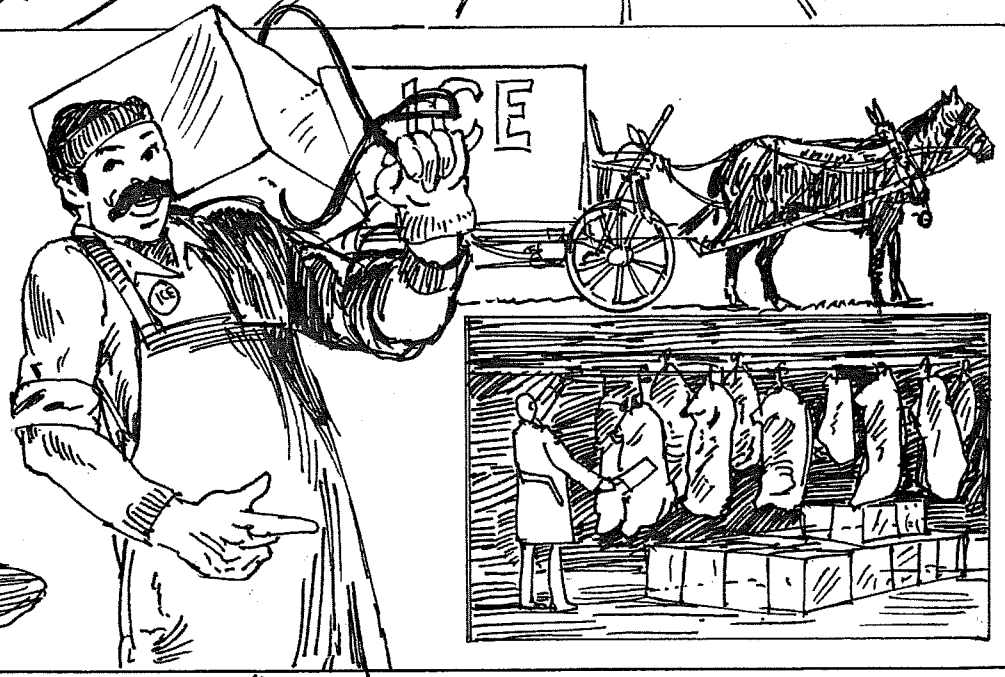
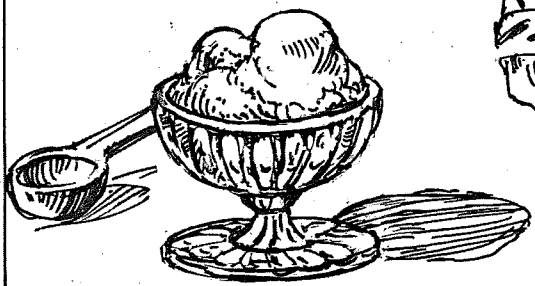
TIFFANY EXPLAINED THAT ICE CREAM MAKERS NEEDED ICE TO PRODUCE ICE CREAM, AND ICE HAD TO BE BROUGHT ALL THE WAY FROM NEW ENGLAND BY BOAT. WHEN THE ICE FROM ONE SHIPMENT WAS GONE THERE WAS NO ICE AND NO ICE CREAM UNTIL THE NEXT SHIP ARRIVED.



ICE WAS PRODUCED IN NEW ENGLAND FOR SHIPMENT ALL OVER THE WORLD. IN THE COLD NEW ENGLAND WINTER, POND ICE WAS CUT INTO BLOCKS AND STORED FOR SHIPMENT TO PLACES WHERE THE WEATHER WAS TOO WARM TO MAKE ICE.



WHEN THE ICE RAN OUT ICE CREAM WAS NOT THE ONLY PRODUCT AFFECTED. THERE WERE MANY USES FOR ICE.....





ICE WAS NOT ONLY SCARCE IN SAN FRANCISCO, IT WAS ALSO EXPENSIVE. THE PERSON WHO COULD PROVIDE SAN FRANCISCO AND THE GOLDFIELDS WITH CHEAPER ICE WOULD BE A RICH MAN. WHY WAS ICE SO EXPENSIVE? IT HAD TO BE THE COST OF BRINGING THE ICE TO SAN FRANCISCO. IF ONLY WE HAD A CLOSER SOURCE OF ICE.



MY CHANGE OF MOODS SPOOKED TIFFANY. I WAS THE MAN TO SOLVE SAN FRANCISCO'S ICE PROBLEM AND IN THE PROCESS MAKE MY FORTUNE



I KNEW WHERE ICE COULD BE FOUND IN A PLACE CLOSER THAN NEW ENGLAND  
— ALASKA!

I GAVE TIFFANY A BIG KISS AND MADE A DATE FOR DINNER



WHO NEEDS GOLD WHEN YOU HAVE WHAT THE GOLD MINERS WANT! IF I WAS TO MAKE MY FORTUNE IN ALASKA ICE THERE WAS PLENTY TO DO. I HAD TO SECURE CAPITAL FOR MY INVESTMENT. IF I COULD CONVINCE OTHERS OF THE POTENTIAL PROFITS, THIS WOULD BE THE INCENTIVE FOR THEIR INVESTMENT.

I TALKED TO A BANKER



A SUCCESSFUL MINER



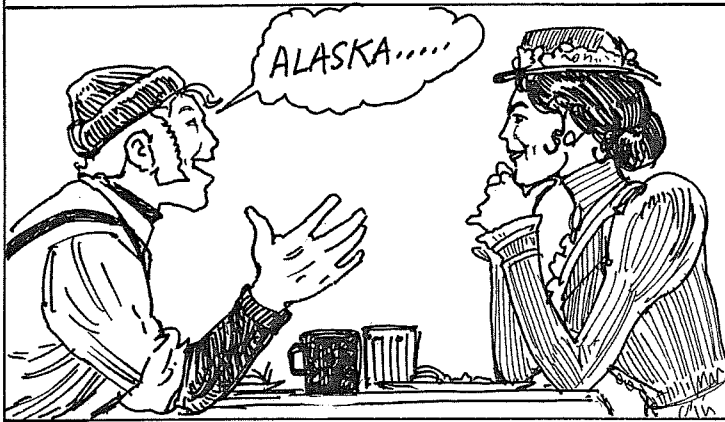
AND A LEADING MERCHANT



WE POOLED OUR CAPITAL TO FORM THE RUSSIAN-AMERICAN ICE COMPANY.



AT DINNER I TOLD TIFFANY EVERYTHING—HOW ICE FROM ALASKA WOULD MAKE MY FORTUNE.



SOON AFTER DINNER I FOUND THAT I WAS BETRAYED. TIFFANY WAS THE GIRLFRIEND AND PARTNER OF BOSS TATE. SHE TOLD HIM MY PLANS AND SUDDENLY... COMPETITION.

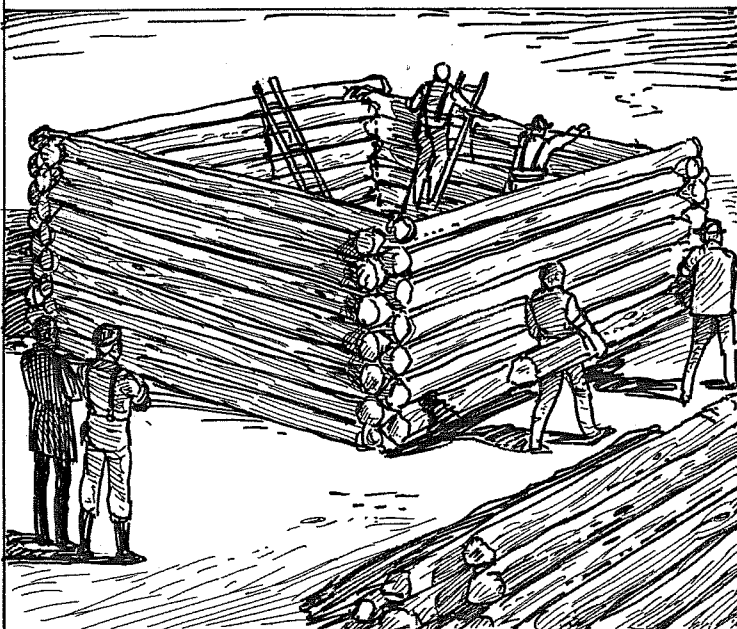


SO LONG SUCKER!



THE BOSS KNEW THE FIRST ONE TO THE ICE FIELDS WOULD QUICKLY MAKE A LOT OF MONEY, SO HE SECURED THE SLEEKEST, FASTEST CLIPPER SHIP— THE SEA HARE. AND OFF TO ALASKA HE SAILED.

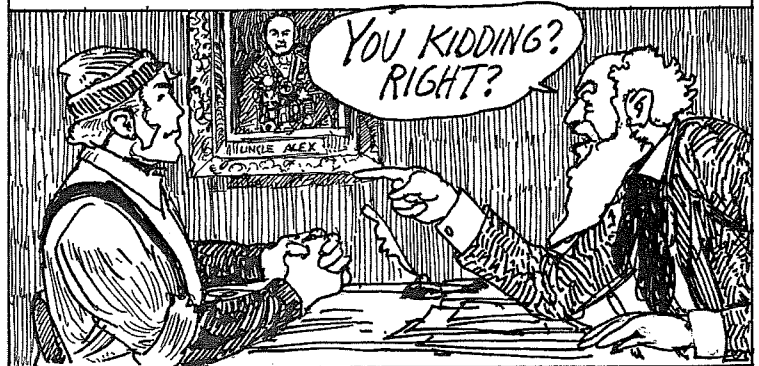
MY PARTNERS URGED ME TO DO THE SAME, BUT I HAD TWO THINGS TO DO BEFORE I WOULD LEAVE. I WOULD NOT LEAVE UNTIL CONSTRUCTION BEGAN ON AN ICE HOUSE FOR STORING THE ICE.



AND I HAD TO VISIT THE RUSSIAN CONSULATE. RUSSIA OWNED ALASKA, AND I WANTED TO SECURE THE EXCLUSIVE RIGHTS TO ALASKA ICE.



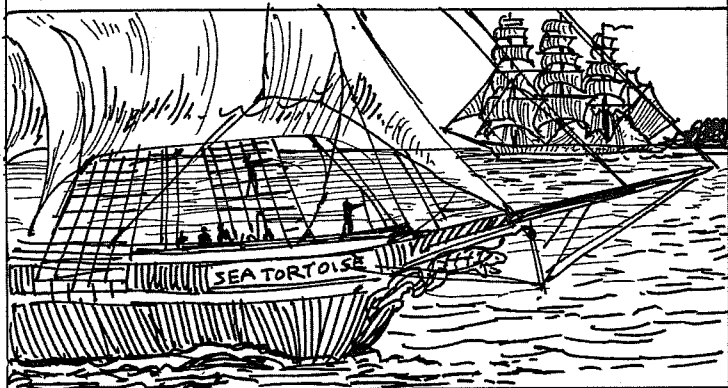
WHEN I TOLD THE CONSUL THAT I WOULD BE WILLING TO BUY THE RIGHTS, HE LAUGHED IN MY FACE. HE SAID ICE WAS NOT BOUGHT OR SOLD IN ALASKA—THERE WAS SO MUCH ICE YOU COULDN'T GIVE IT AWAY.



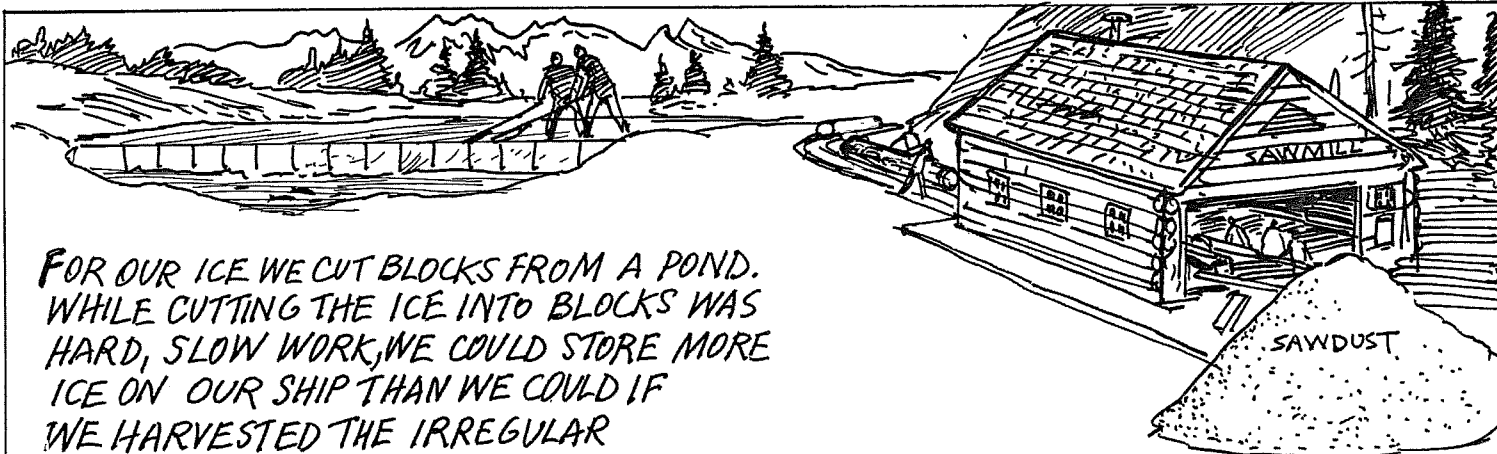
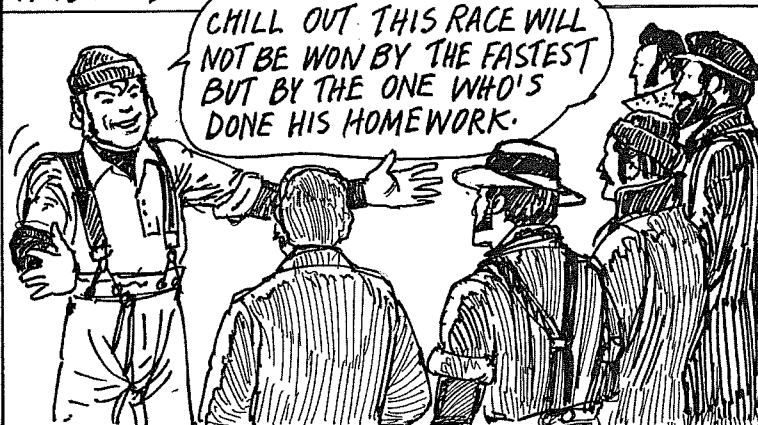


I EXPLAINED THAT IN SAN FRANCISCO THE OPPOSITE WAS TRUE. RELATIVE TO THE WAYS PEOPLE WANTED TO USE ICE, THERE WAS SO LITTLE AVAILABLE THAT ICE WAS VALUABLE .... MORE VALUABLE THAN GOLD! WITH THE RUSSIAN CONSUL'S RELUCTANT WILLINGNESS TO TAKE MY REQUEST TO ST. PETERSBURG AND THE BEGINNING OF THE ICE HOUSE, I BID MY PARTNERS FAREWELL, I LEFT NOT IN A SLEEK, FAST BOAT BUT IN A HEFTY ONE - ONE THAT COULD CARRY LOTS OF ICE.

BY THE TIME I REACHED SITKA, BOSS TATE WAS HEADING BACK TO S.F. WITH HIS HARVEST OF GLACIER ICE AND ICE BERGS.

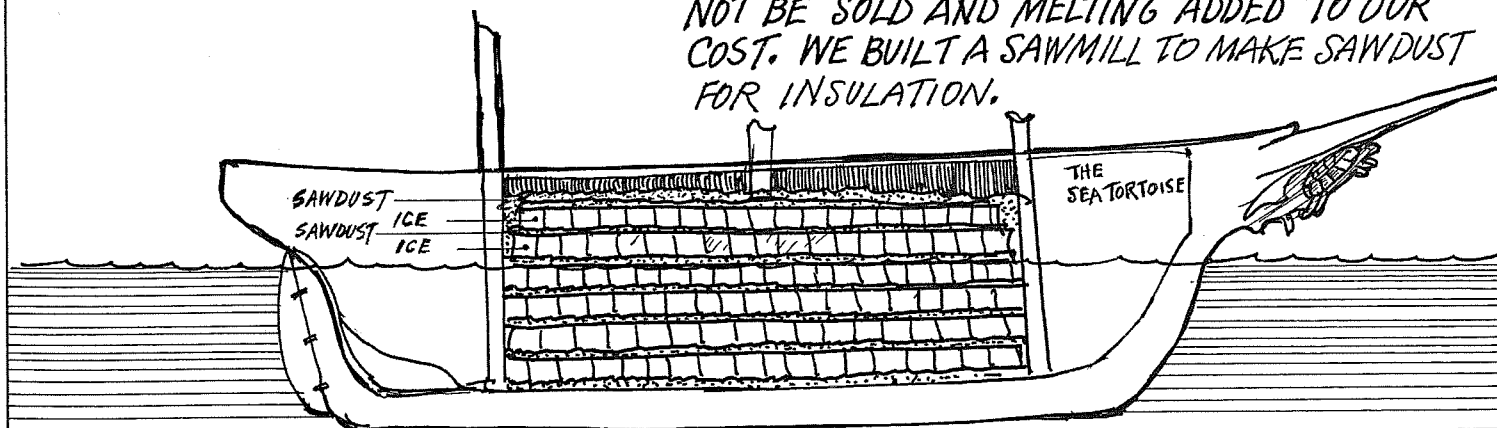


MY CREW STARTED TO COMPLAIN THAT THE RACE WAS LOST.



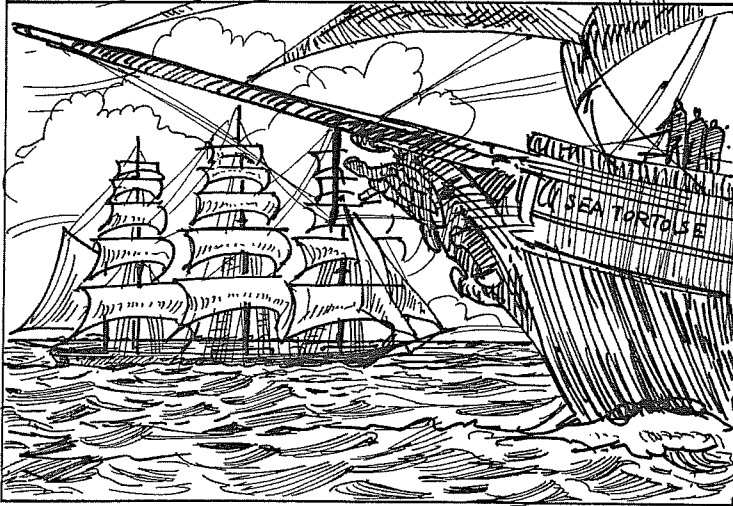
FOR OUR ICE WE CUT BLOCKS FROM A POND. WHILE CUTTING THE ICE INTO BLOCKS WAS HARD, SLOW WORK, WE COULD STORE MORE ICE ON OUR SHIP THAN WE COULD IF WE HARVESTED THE IRREGULAR SHAPED ICE BERGS.

WE INSULATED THE ICE SO LESS WOULD MELT DURING THE TRIP BACK. MELTED ICE COULD NOT BE SOLD AND MELTING ADDED TO OUR COST. WE BUILT A SAWMILL TO MAKE SAWDUST FOR INSULATION.

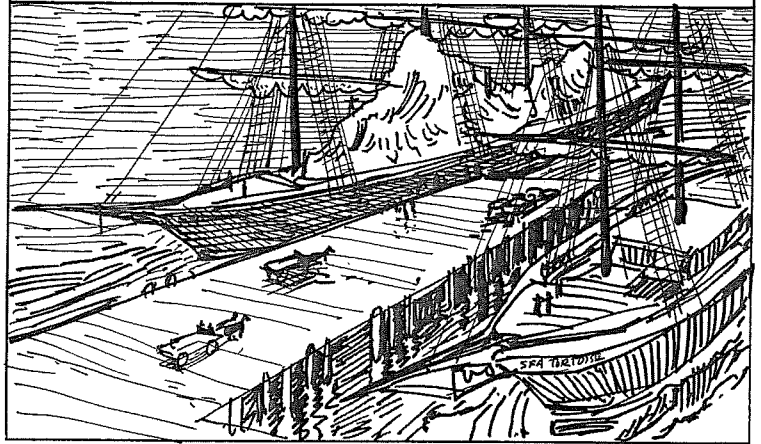




WITH THE BOAT LOADED WE SAILED FOR HOME. BOSS TATE SAILED PAST US ON HIS SECOND TRIP TO THE ICE FIELDS.



AS WE ARRIVED IN THE MIDSUMMER HEAT, THE BOSS ALSO SAILED INTO PORT. HIS PREVIOUS TRIP HAD MADE HIM THE ICE KING OF SAN FRANCISCO. MY PARTNERS DESPAIRED, BUT I HAD A PLAN.



BOSS TATE SOLD ICE AS FAST AS HE COULD UNLOAD IT BUT THE SMALL LAKE AROUND HIS ICE WOULD BE A SOURCE OF TROUBLE - TROUBLE I WOULDN'T HAVE BECAUSE MY ICE WAS SAFE IN THE COOL ICE HOUSE.

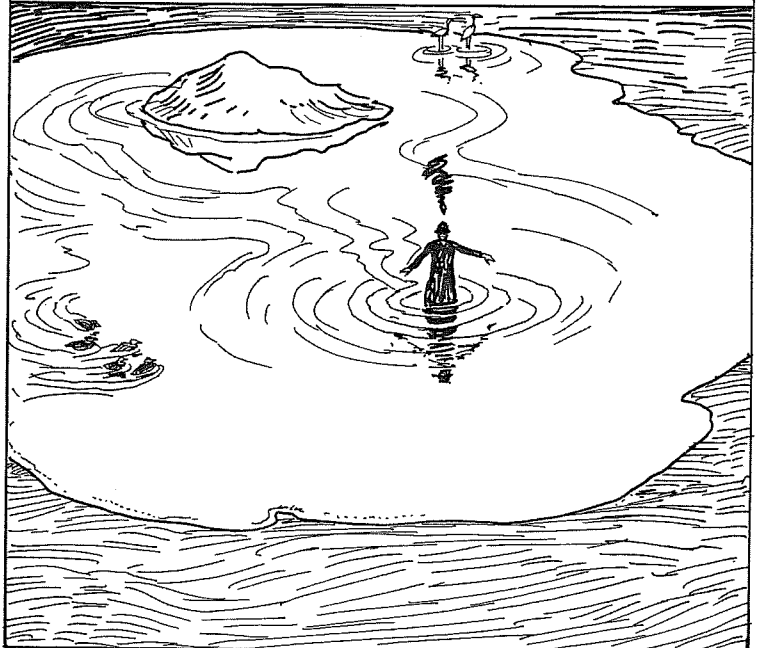
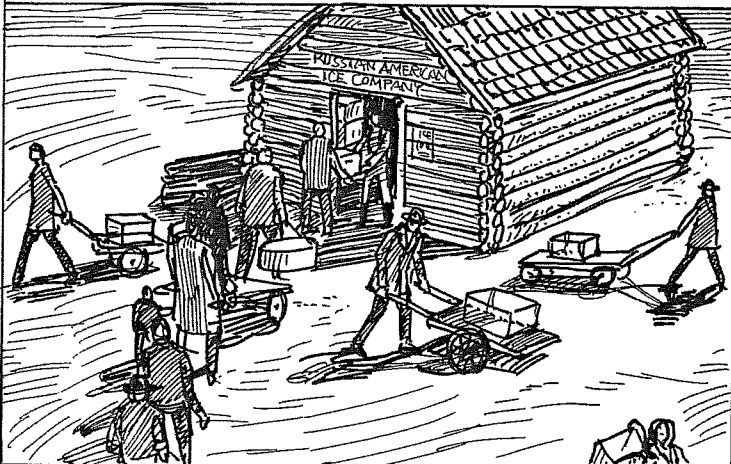
WITH MY ICE SAFELY STORED AWAY I OPENED FOR BUSINESS.

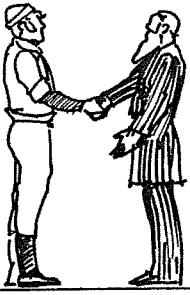
RUSSIAN AMERICAN  
ICE COMPANY  
GRAND OPENING



LOWERING MY PRICE BELOW BOSS TATE'S SOON CREATED A LINE AT MY ICE HOUSE. I WAS A HERO BECAUSE I BROUGHT THE PRICE OF ICE DOWN. MY INVESTMENT OF TIME AND RESOURCES ALLOWED ME TO PRODUCE THE ICE AT A LOWER COST.

MY COMPETITION MELTED AWAY.

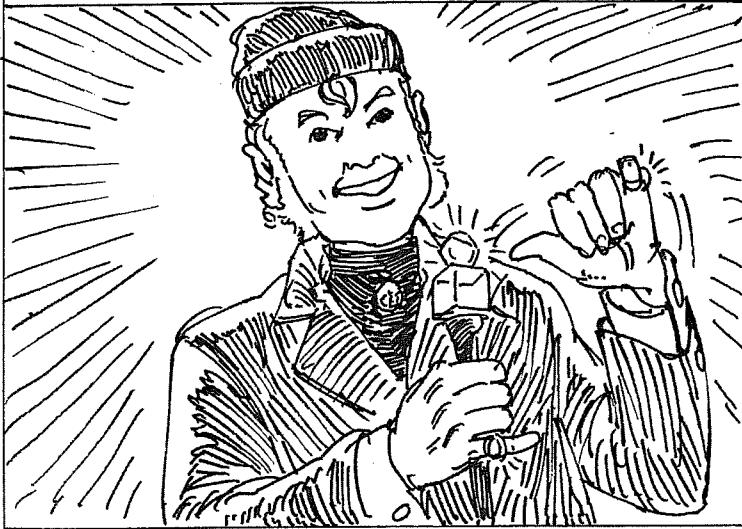




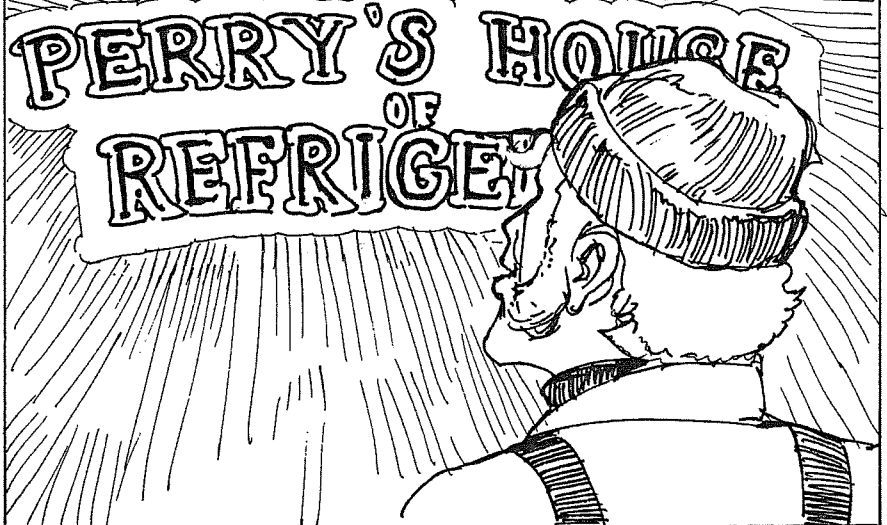
MY SUCCESS SHOWED THE RUSSIANS THAT WHAT THEY COULDN'T GIVE AWAY IN ALASKA WAS VALUABLE SIMPLY BY MOVING IT TO SAN FRANCISCO. THE CONSUL GLADLY SOLD ME EXCLUSIVE RIGHTS TO ALASKA ICE AND MY WORRIES ABOUT COMPETITION SEEMED TO BE OVER.

I GOT VERY RICH. MINERS AND OTHERS WERE MORE THAN WILLING TO GIVE UP THEIR GOLD FOR ICE. I HAD FOUND A WAY TO MAKE MY FORTUNE FROM THE GOLD FIELDS WITHOUT MINING, AND SAN FRANCISCO HAD FOUND A WAY TO KEEP COOL.

I ALSO GAINED A NICKNAME — **ICE BOX PERRY**



DO YOU KNOW WHAT DID IN MY ICE BUSINESS? COMPETITION. NOT ANOTHER ICE COMPANY BUT A NEW INVENTION — THE REFRIGERATOR. THIS MACHINE ACTUALLY MADE ICE FROM WATER. BUT A WISE MAN STAYS AHEAD OF THE TRENDS. I SOLD THE ICE BUSINESS AND GOT INTO THE REFRIGERATOR BUSINESS. I WONDER IF I SHOULD CHANGE MY NAME.



## EPISODE IV

# Icy Treasure

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**W**hen gold was discovered in California in 1848, most of the people in the United States lived east of the Mississippi River. Made up of small towns and ranches, California was a new territory of the United States. San Francisco was a small whaling port. The discovery of gold changed all that!

The promised riches of the gold field provided the *incentive* for thousands of people to leave their jobs and homes and move to California. The people who came to California in the gold rush were called the "California 49ers" because most of them came in 1849. Over 85,000 people became 49ers and moved to California.

Although 49ers came to California from all over the world, most came from the eastern U.S. The trip from the East to the gold fields was long, expensive, and dangerous. Forty-niners had to choose between a risky trip in a wagon across the Great Plains and the Rocky Mountains or a costly trip in a clipper ship around the tip of South America. Although the costs were great, the California 49ers, like William Perry, felt that the rewards of working the gold fields were likely to be even greater.

One result of the California gold rush was the growth of San Francisco into a large city. Its population grew by almost 35,000 in just one year. This growth came in spite of the fact that there was no gold in San Francisco. The growth of San Francisco was a *secondary effect* of the discovery of gold.

The growth of the population of California meant an increase in the *demand* for goods. More people meant that more food, clothes, shoes, wagons, and other goods could be sold. It also meant an increase in the demand for people providing services – like lawyers, barbers, doctors, and firefighters. San Francisco became the center for supplying these goods and services to the gold miners.

The demand for ice in San Francisco grew for the same reason as it did for other goods – more people. In the 1840s ice was produced in the ponds of New England and shipped all over the world. The price of ice in San

Francisco was high because of the cost of shipping; it was almost 13,000 miles by sea from Boston to San Francisco.

Ice sold for \$75 a ton in 1852. The people of San Francisco were willing to pay a high price for ice and this provided an incentive for the *entrepreneurs* behind the Russian American Ice Company. Alaska's ice was closer – it was less than 2,000 miles from Kodiak to San Francisco – so it cost less to bring to market than New England ice. The difference between the price of ice in San Francisco and the cost of bringing it from Alaska provided the entrepreneurs a profit.

In our story, when William Perry first approached the Russian consul with his idea, the consul couldn't understand what made the ice valuable. The ice wasn't valuable in Alaska. Besides, hadn't the ice been around a long time? What made it so valuable in 1850? The *value* of any good depends on how much of it there is and how much people want to use it. In other words, value depends on *scarcity*. Ice wasn't valuable in Alaska because there was a lot of it and few people to use it. Ice became more valuable in San Francisco because the number of people wanting to use it increased.

The first ice shipment from Alaska to California used ice cut from a Sitka pond, but the winters in Sitka were too warm and the ice company eventually moved to Kodiak. The production of ice required the construction of a sawmill to make sawdust to insulate the ice.

Ice was produced in Alaska until 1880, when other, less expensive ways to provide ice were introduced. Ice was brought from mountains closer to San Francisco and refrigeration was introduced. Reducing the cost of providing ice in San Francisco reduced the value of Alaska ice. Production stopped because the costs of production could no longer be recovered.

The most important change for Alaska during the time of the ice company was a change of ownership. Russia sold Alaska to the U.S. in 1867. Although Americans knew little of Alaska, it must have seemed like a good deal at the time. Alaska's price was only two cents an acre.