
The Alaska Economy: How Are We Doing?

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The Alaska Economy: How Are We Doing?

- The Structure of the Economy—1/3 Rule
- Growth Since 1980
- Looking Ahead
- Resource Curse
- A Non-Problem
- The Many Alaska Economies
- Population Bubbles
- Take Away Message

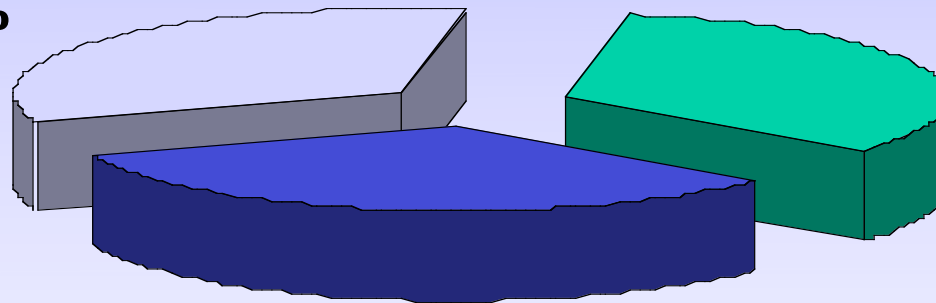
ALASKA ECONOMIC INDICATORS

- Jobs
- Unemployment Rate
- Wages
- Income
- Per Capita Income
- Commodity Prices
- State Revenues
- Inflation
- Exports
- Gross State Product
- Construction Spending
- Permanent Fund Balance
- Permanent Fund Dividend

ALASKA ECONOMIC DRIVERS: THE FOUNDATION OF OUR ECONOMY

**OIL AND
GAS
33%**

**OTHER
33%**

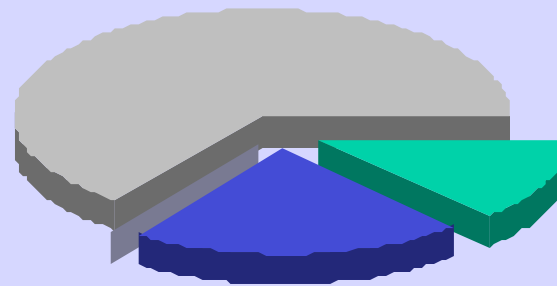


**FEDERAL
GOVT
34%**

Shares of Personal Income in 2000

1/3 FEDERAL GOVERNMENT

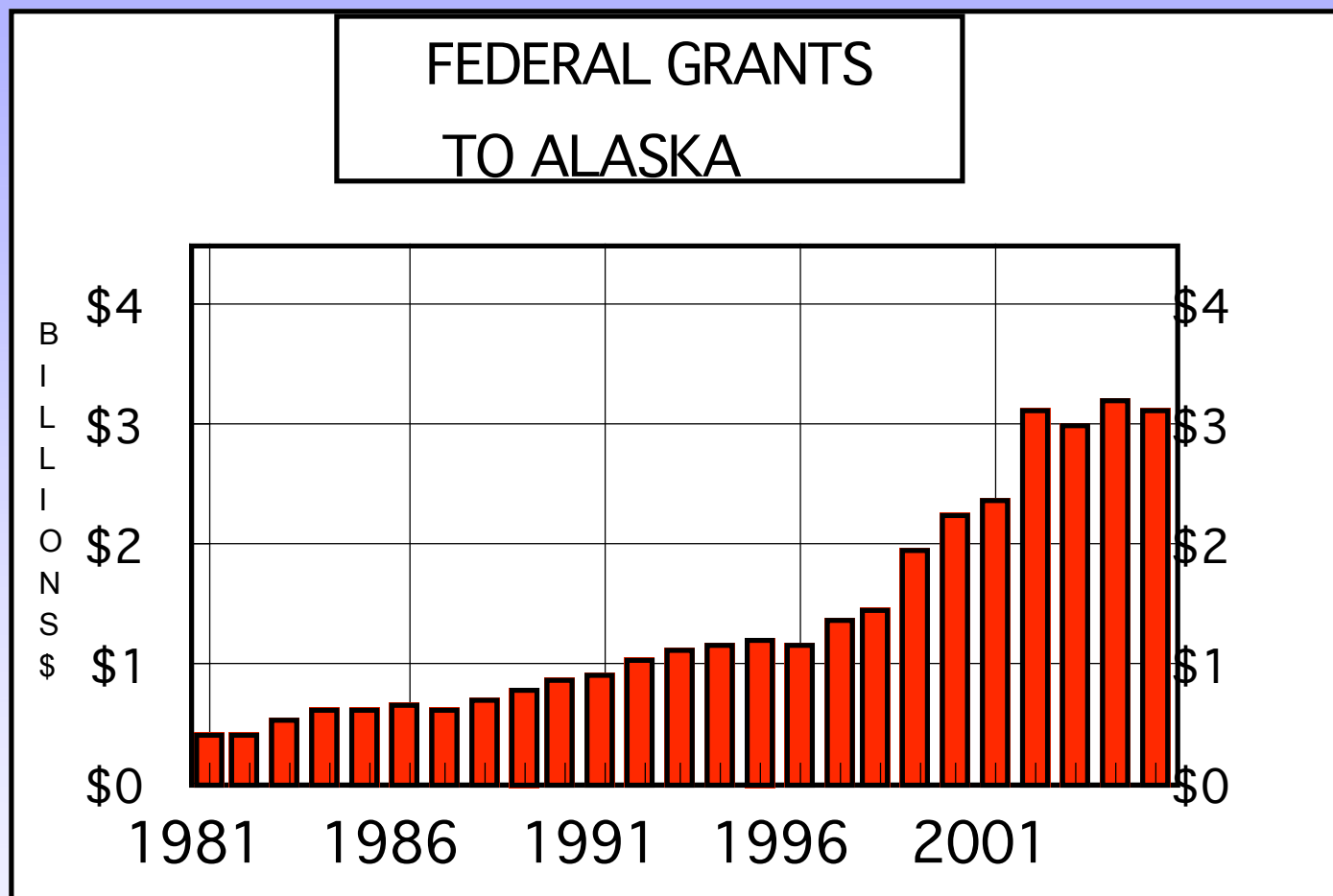
REST OF
ECONOMY



MILITARY

CIVILIAN

Total Federal Grants



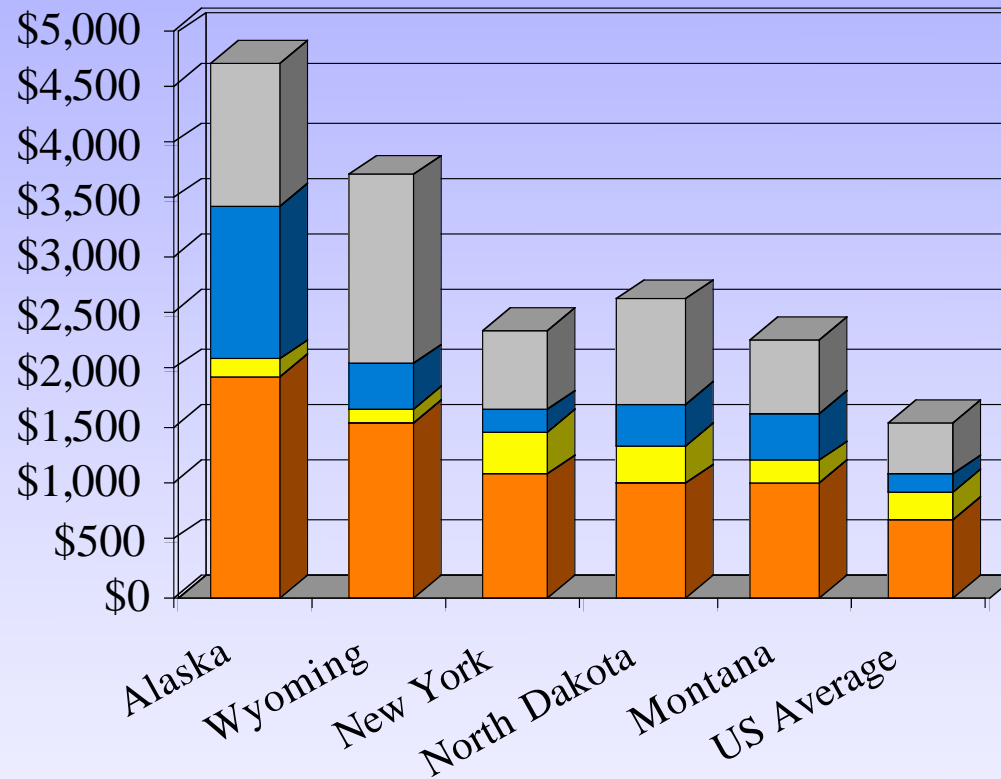
FEDERAL GRANTS



Federal Grants: 1999 (Million \$)

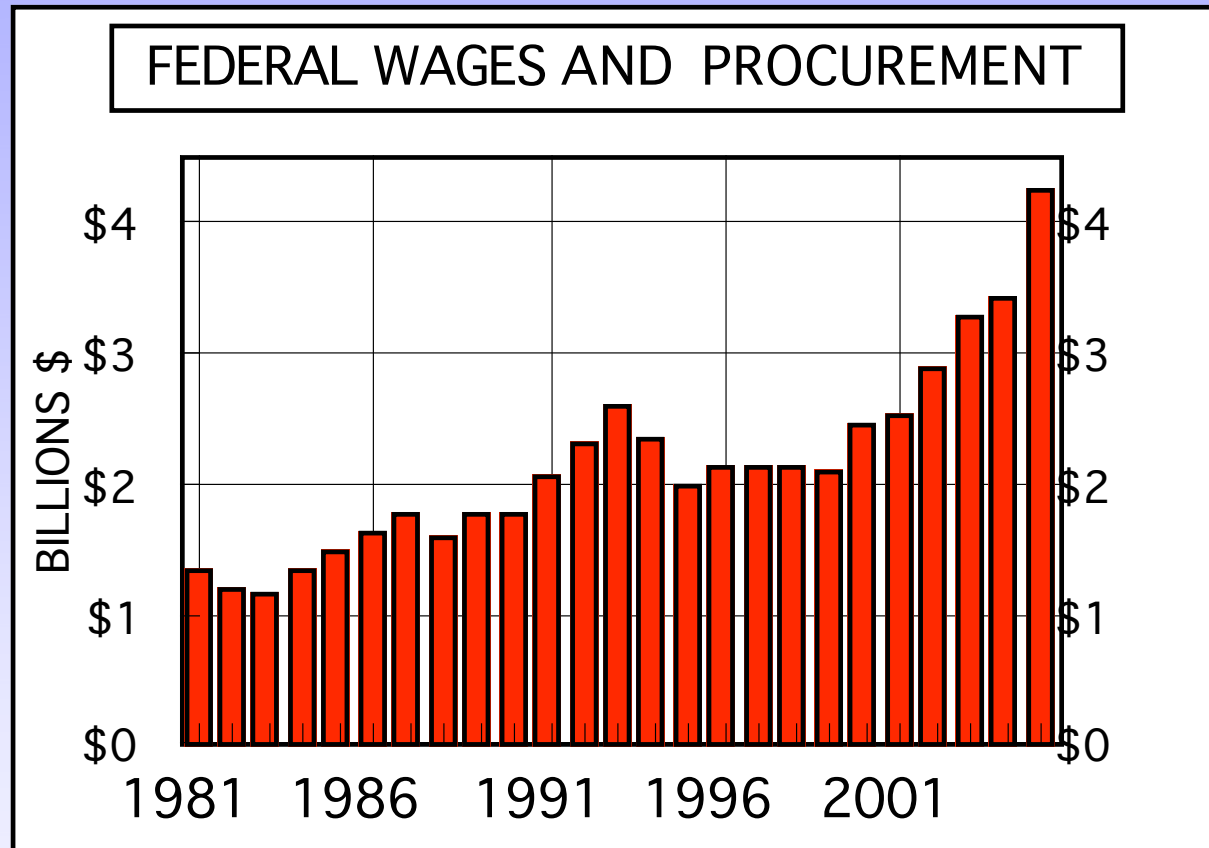
• TOTAL	\$1,932	• Jobs and Training Admin	\$ 56
• Highways	\$362	• NOAA	\$ 37
• Medical Assistance	\$282	• Justice Programs	\$ 32
• Indian Health Service	\$259	• Rural Water/Sewer	\$ 32
• Health/Human Service	\$142	• NSF	\$ 18
• Bureau of Indian Affairs	\$109	• Alcohol/Drug Abuse	\$ 15
• Impact Aid	\$101	• Disease Control	\$ 13
• Environmental Protection	\$ 84	• Economic Development	\$ 12
• Federal Aviation Admin	\$ 79	• Energy	\$ 11
• K-12 Education	\$ 76	• Housing	\$ 11
• Food/Nutrition Programs	\$ 61	• All Other	\$140

Federal Grants Per Capita: Highest in the US

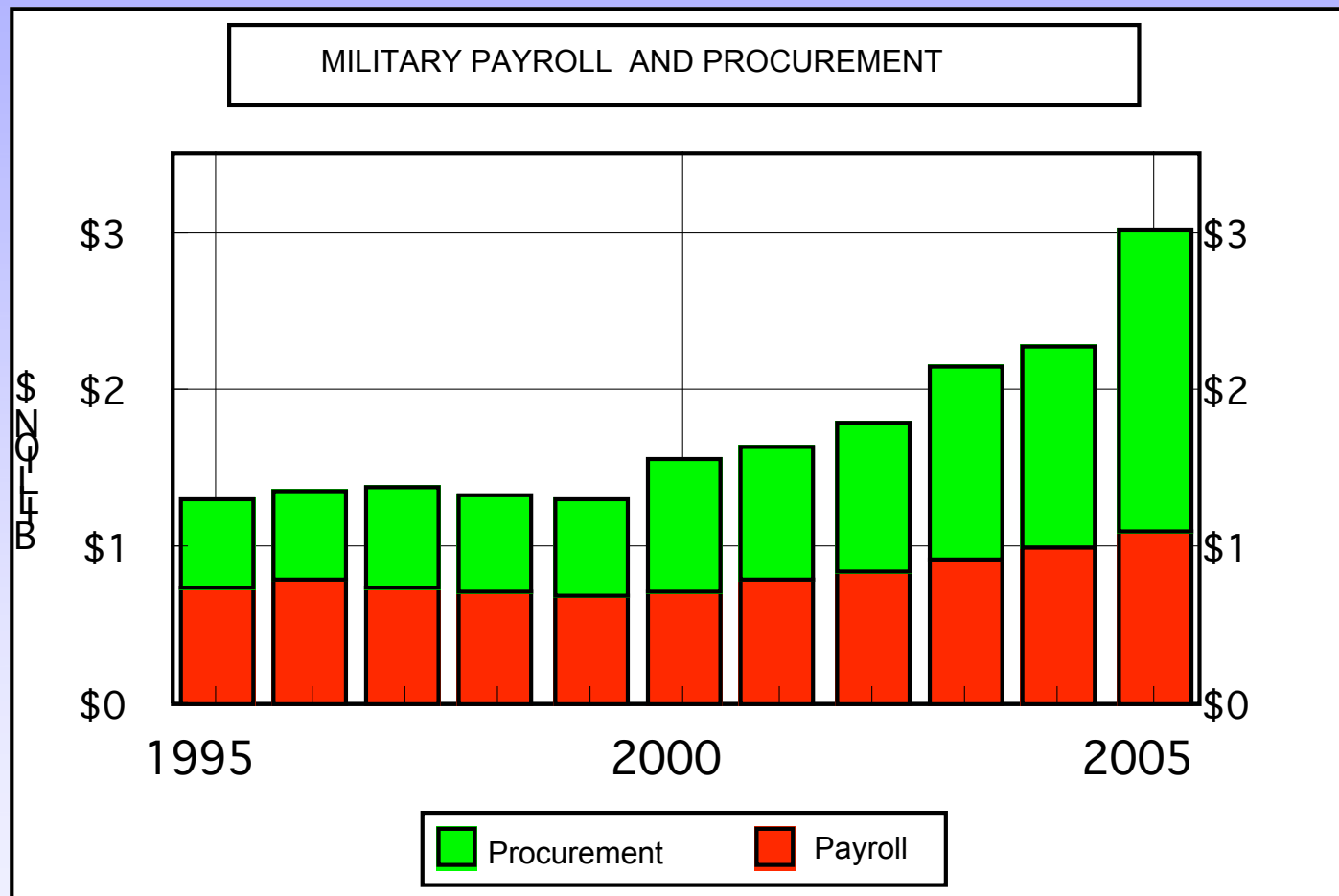


■ 1990 ■ GROWTH 1990 TO 1995 ■ GROWTH 1995 TO 2000 ■ GROWTH 2000 TO 2005

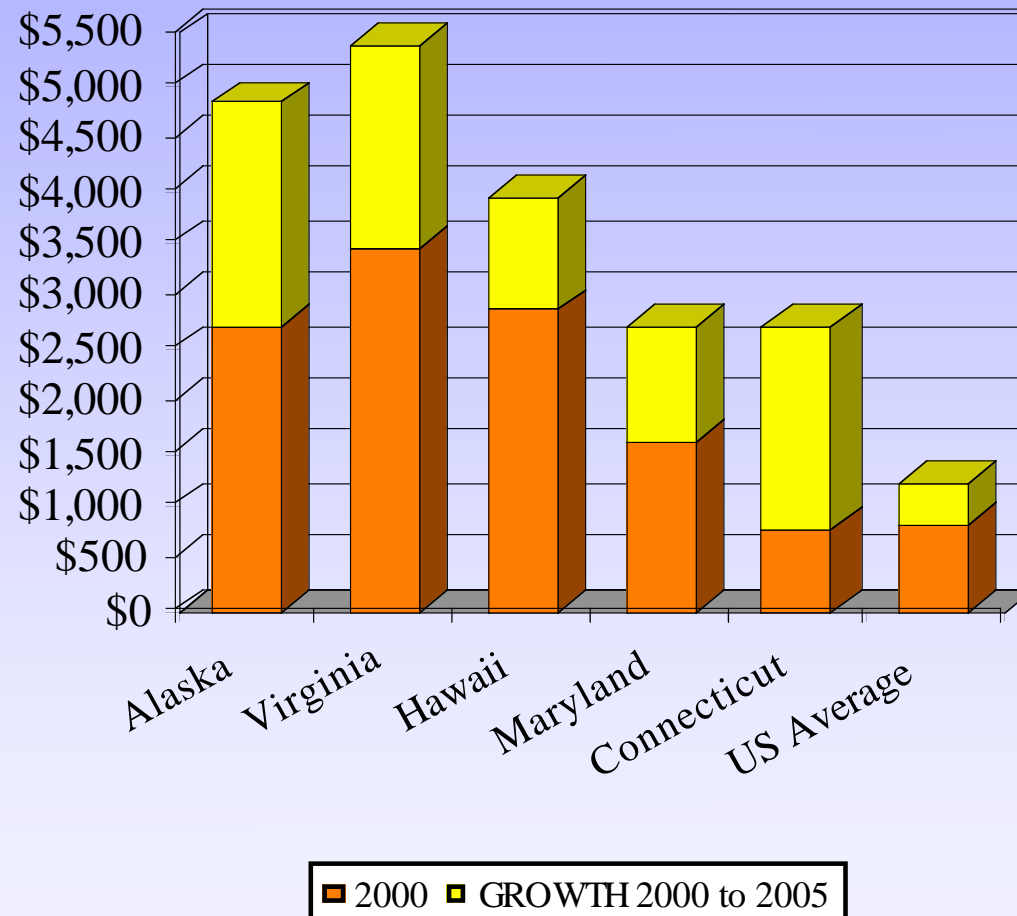
Federal Agency Spending in Alaska



Military Spending has Boomed

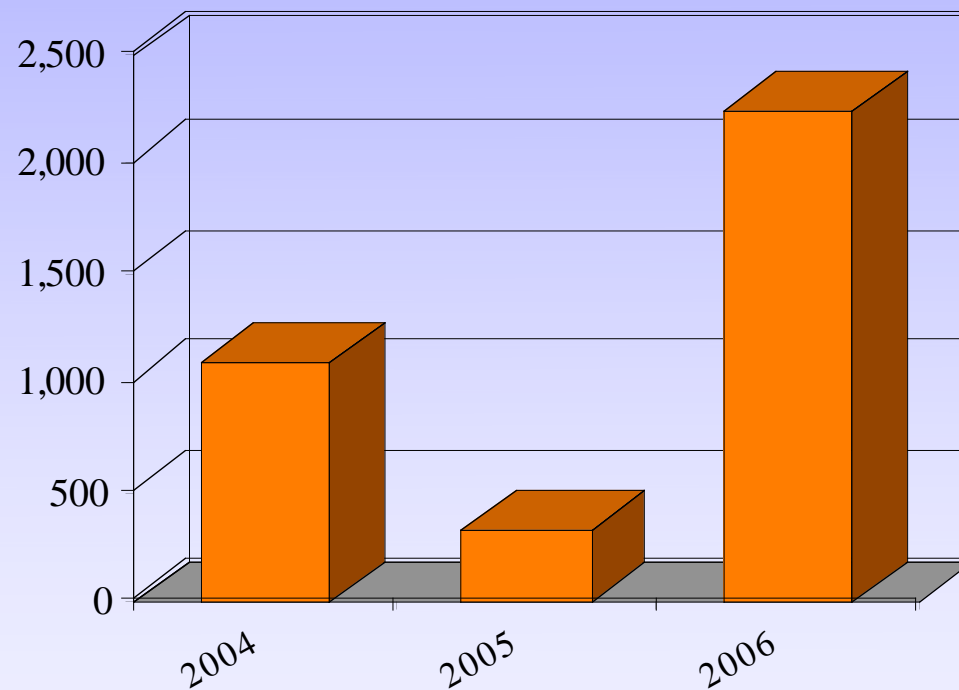


Military Spending Per Capita: Second Highest in the US

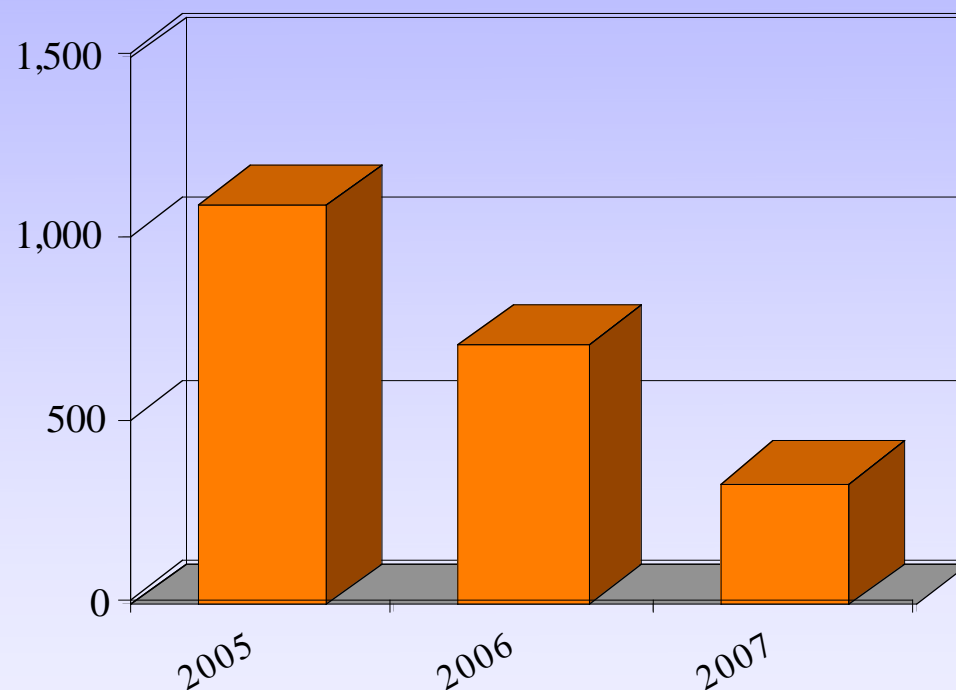


Structure of the Alaska Economy

Signs That Federal Spending Has Topped Out: Annual Increase in Military Personnel

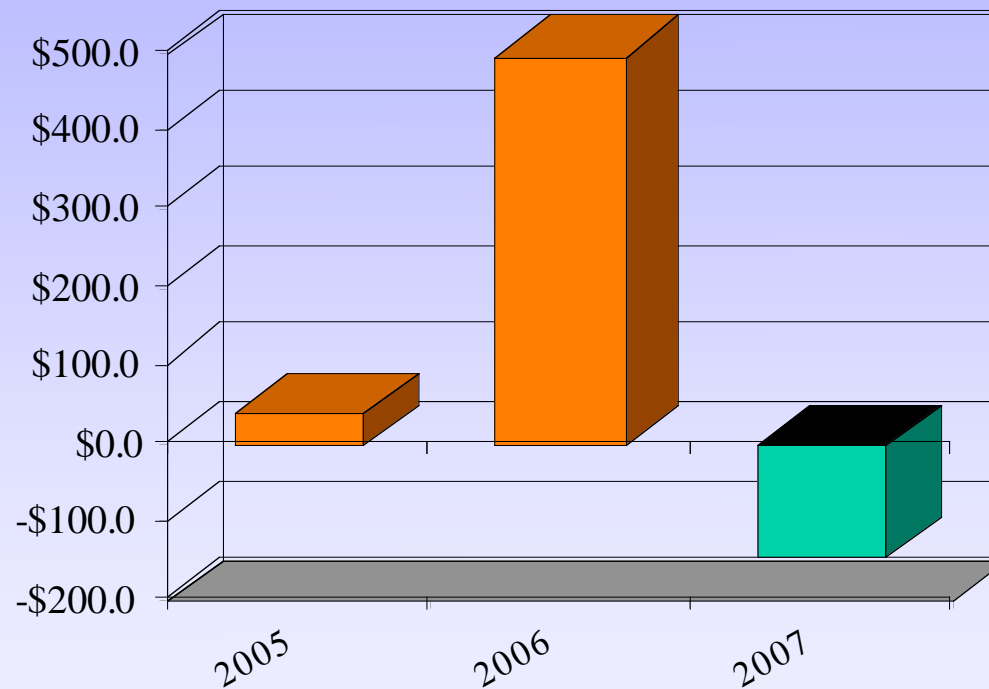


Signs That Federal Spending Has Topped Out: Annual Increase in Health Care Jobs

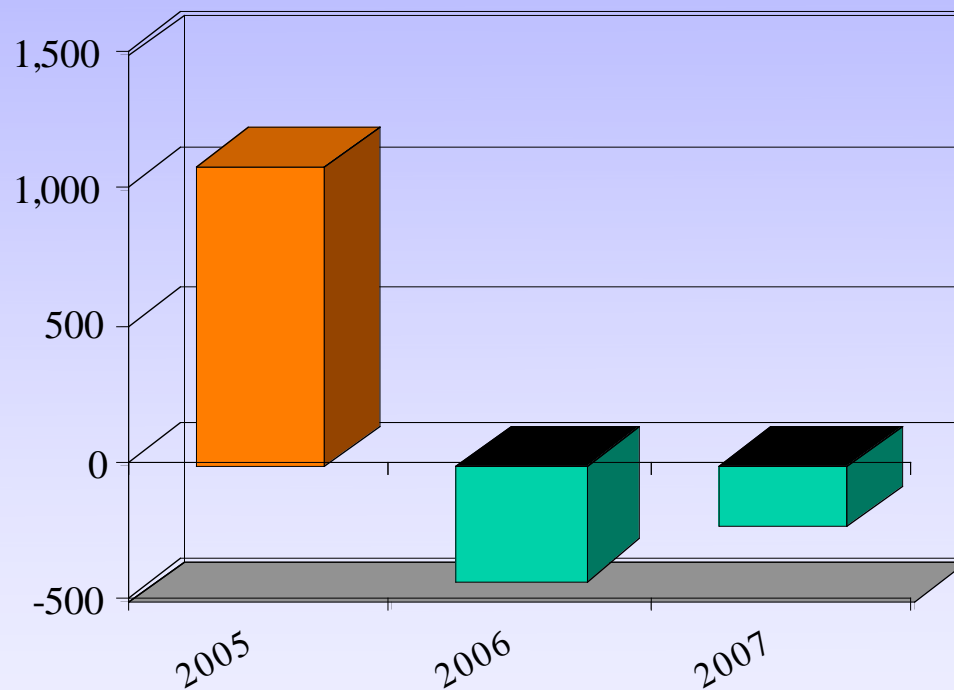


Signs That Federal Spending Has Topped Out:

Annual Increase in Public Construction \$ (Million)



Signs That Federal Spending Has Topped Out: Annual Increase in Construction Jobs



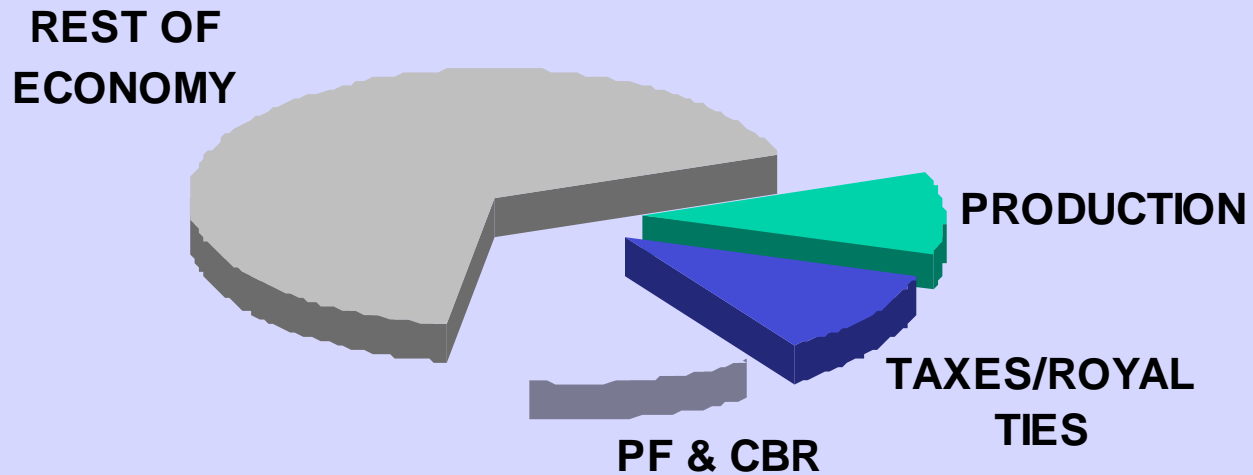
FEDERAL \$\$\$ ECONOMIC GROWTH OR DEVELOPMENT?



TAX BASE FROM FEDERAL \$\$\$

The Alaska Disconnect

1/3 OIL AND GAS

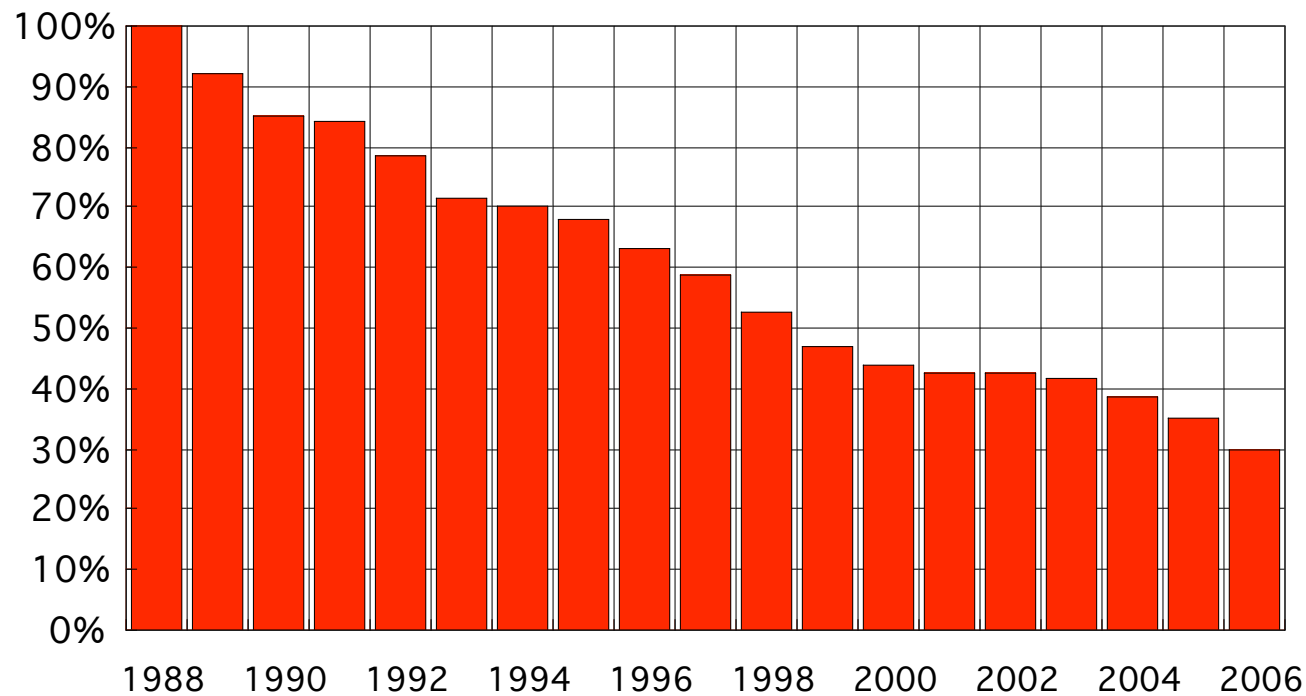


PETROLEUM DOMINATES ALASKA INDUSTRIAL TAX BASE (Billion \$)

- \$14.39 Oil and Gas
- \$3.64 Other Industrial

DISAPPEARING PETROLEUM PRODUCTION

ALASKA OIL PRODUCTION--PER CAPIT
PERCENT OF THE PEAK YEAR--1988



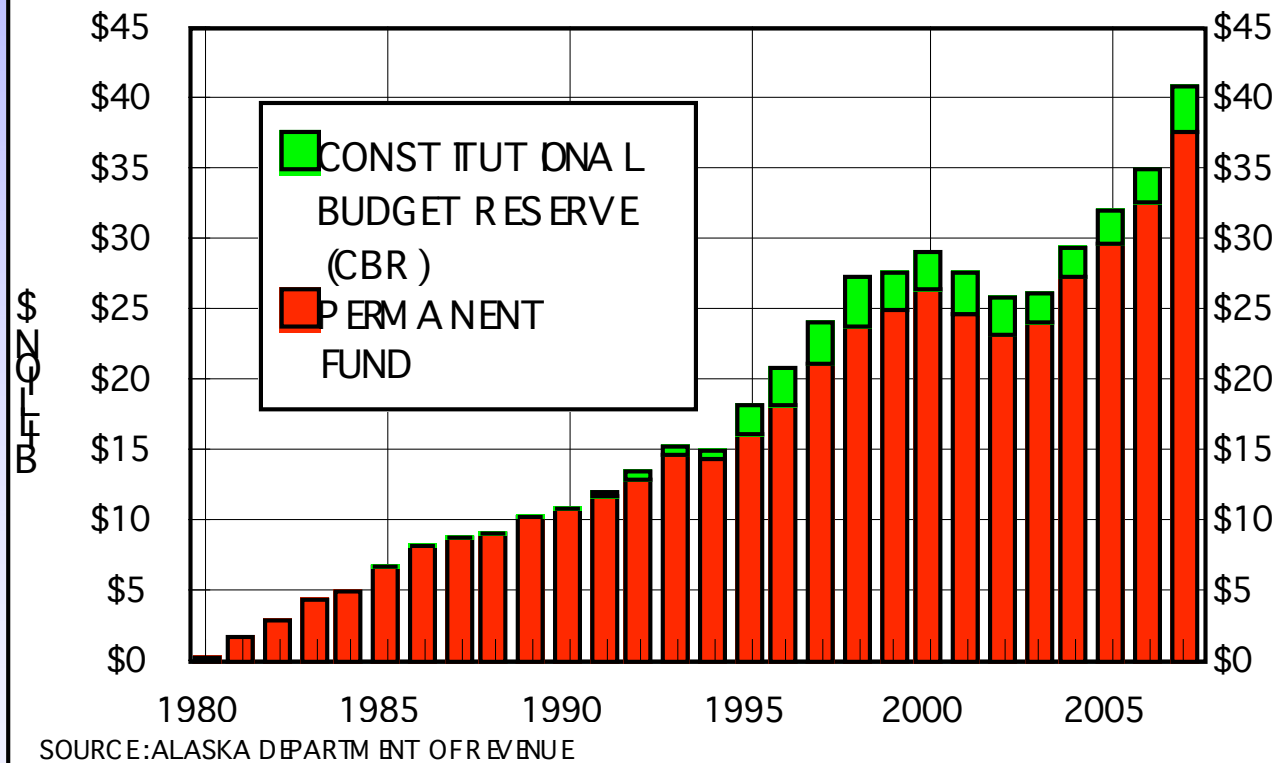
OIL PATCH ACTION



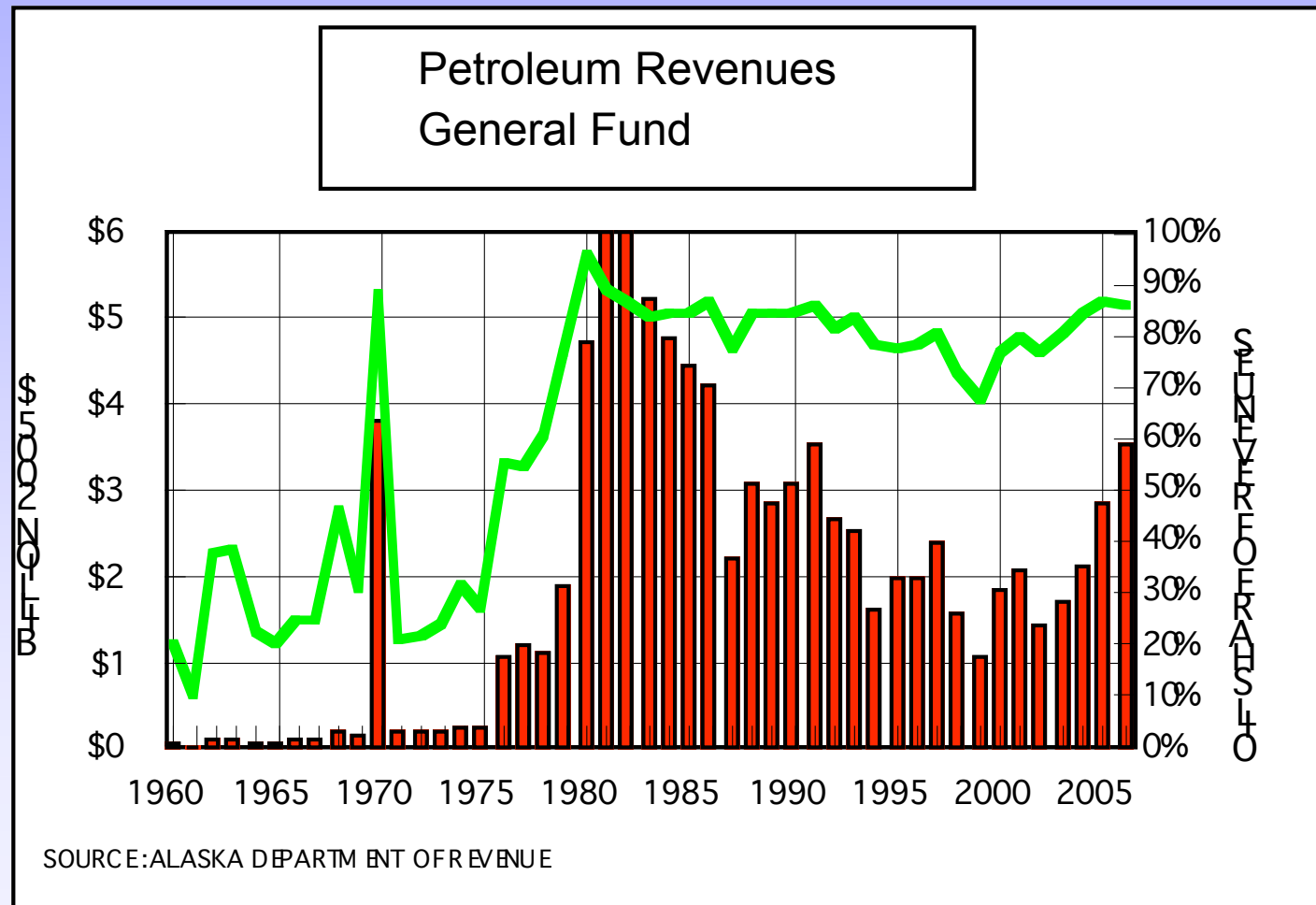
Structure of the Alaska Economy

OIL TRANSFORMED

ALASKA FUND BALANCES

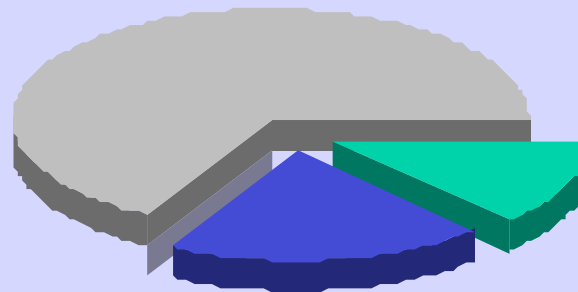


OIL REVENUES PAY FOR GOVERNMENT



1/3 OTHER

**REST OF
ECONOMY**



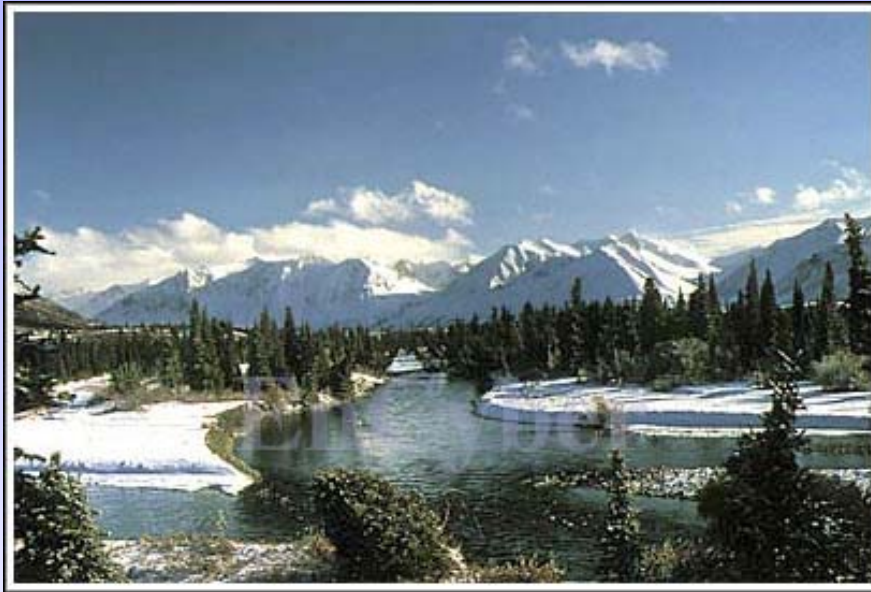
**NEW
RESOURCES**

**TRADITIONAL
RESOURCES**

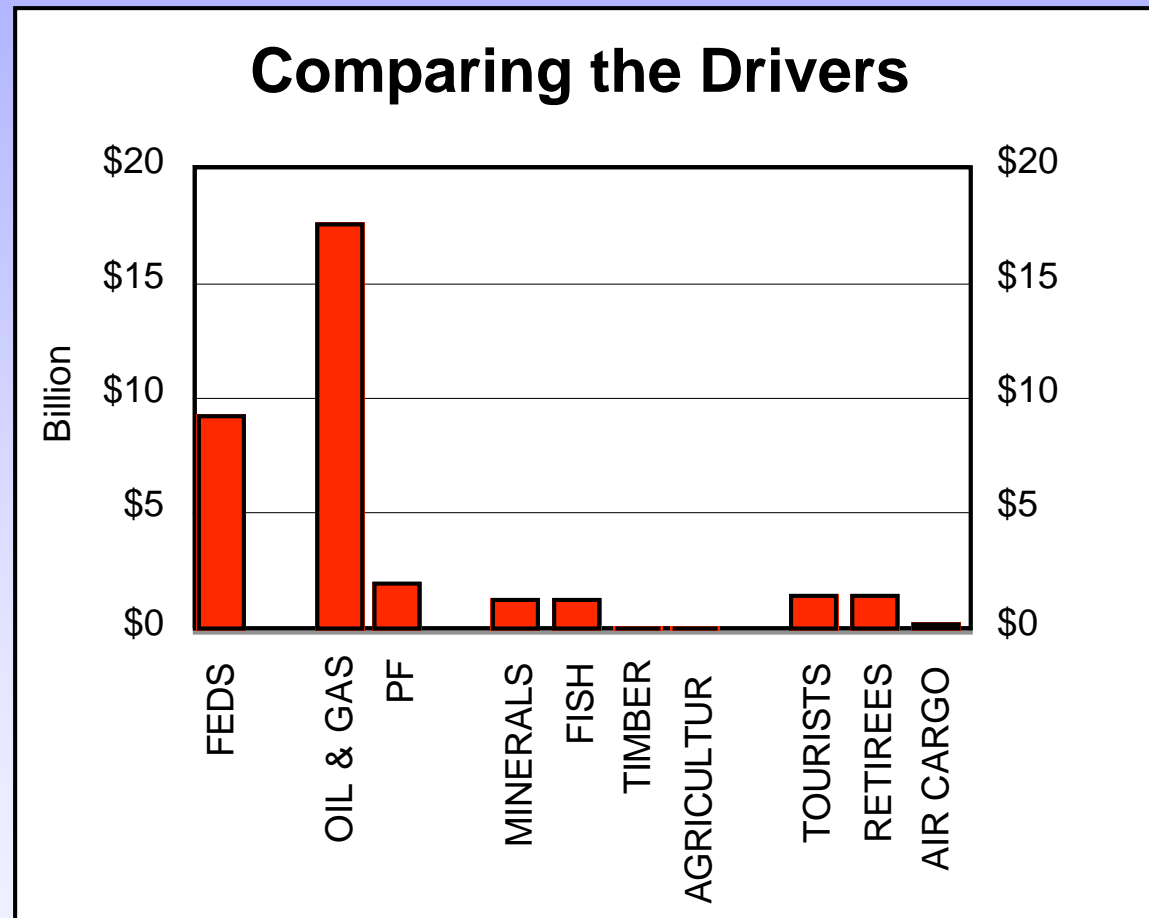
TRADITIONAL NATURAL RESOURCES



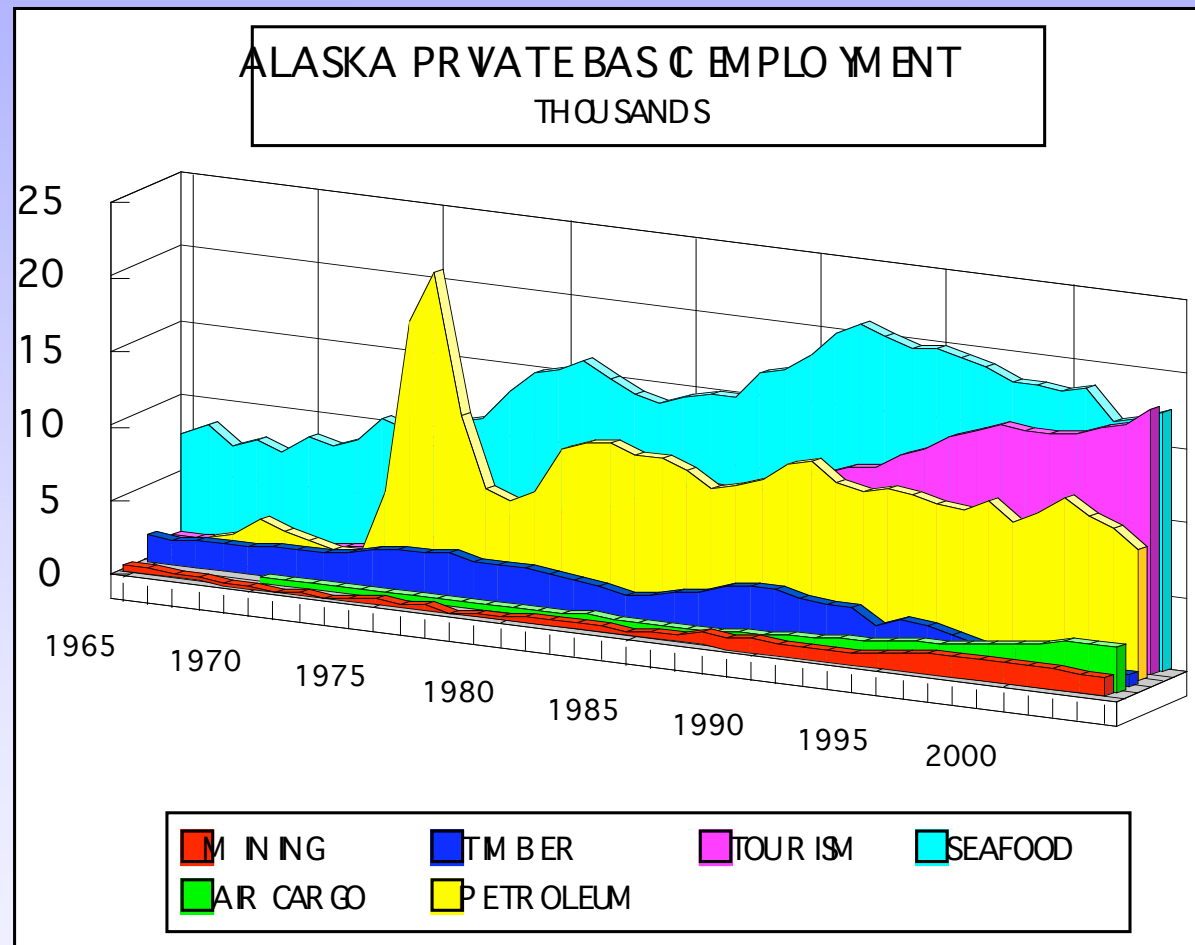
NEW RESOURCES



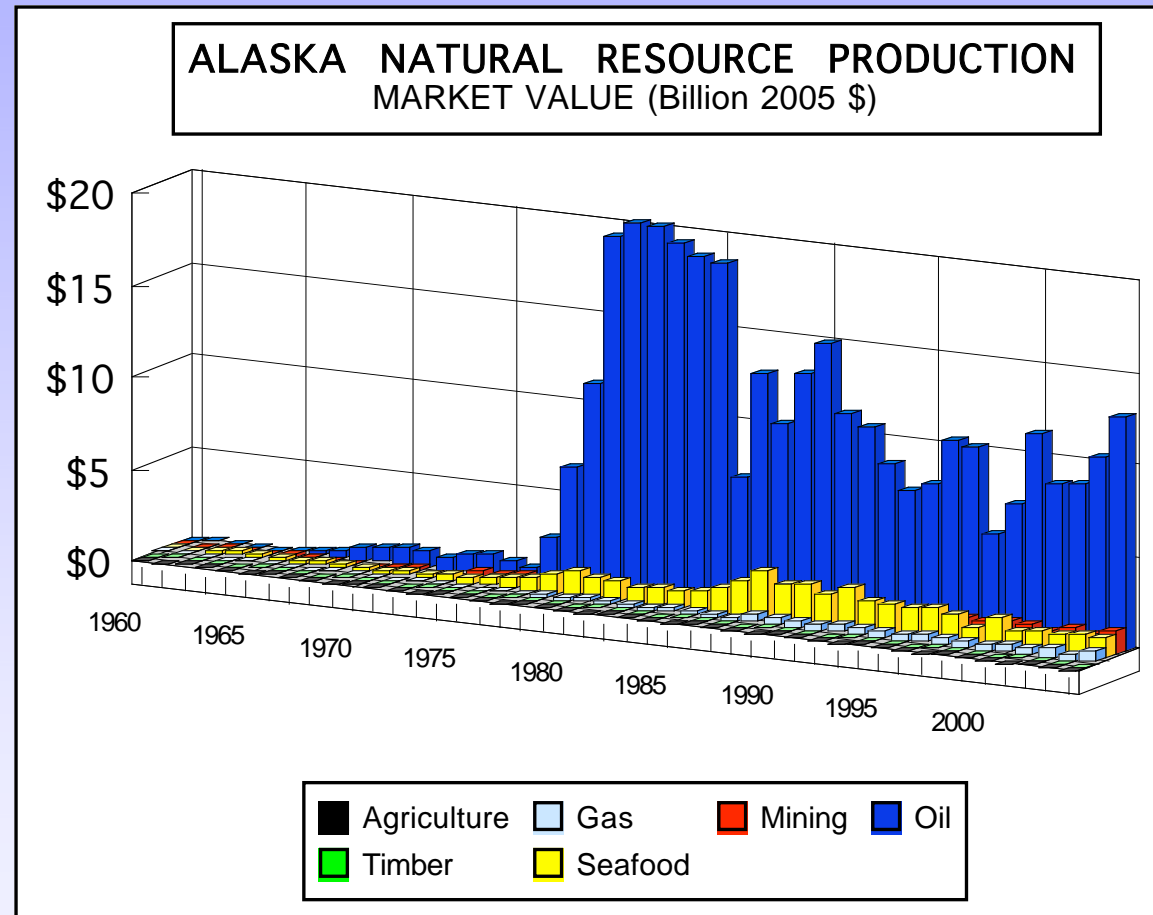
FRUIT SALAD COMPARISON



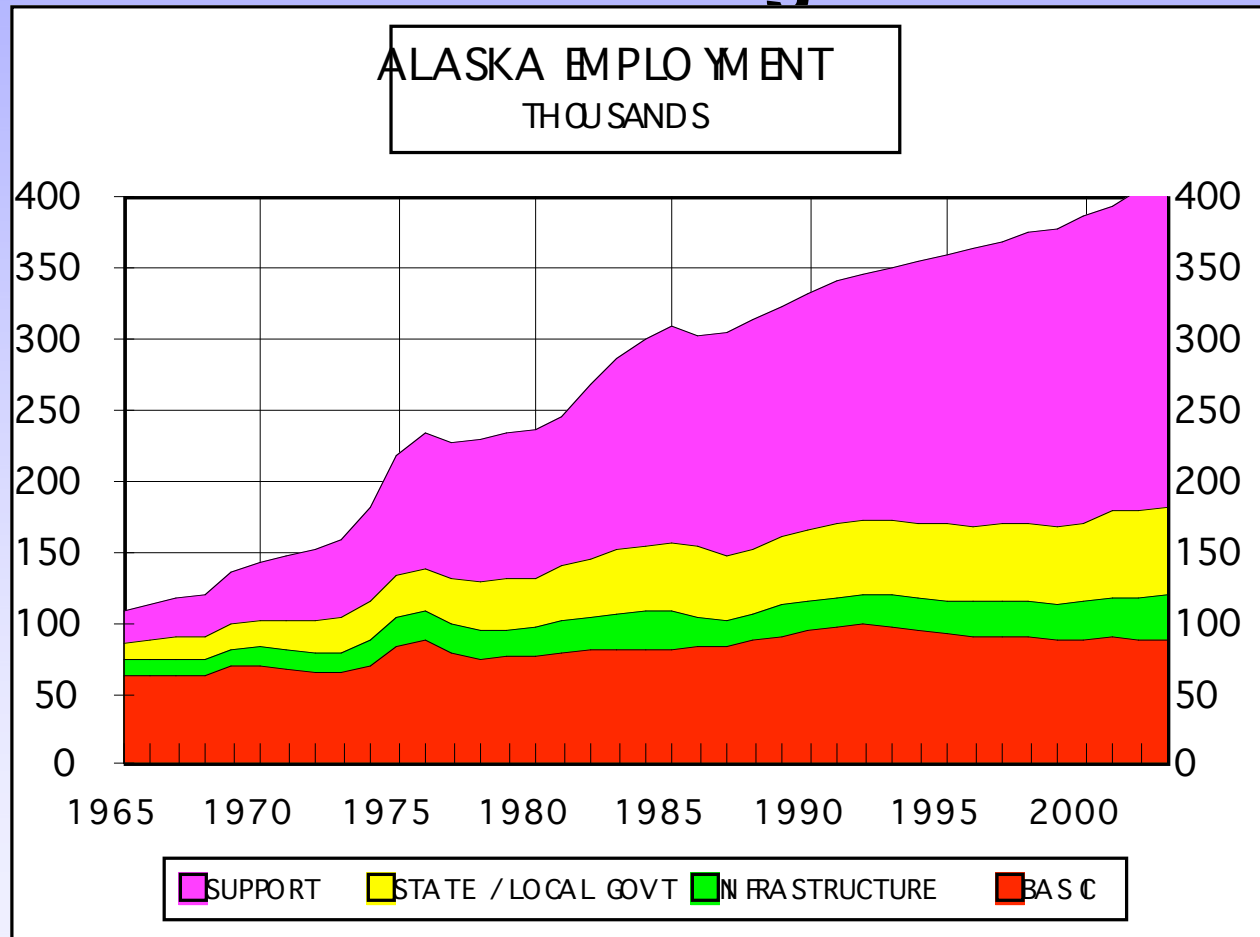
A Small Share of Growth Since 1980 is Due to Other Drivers



A Large Share of Growth Since 1980 is Due to Oil

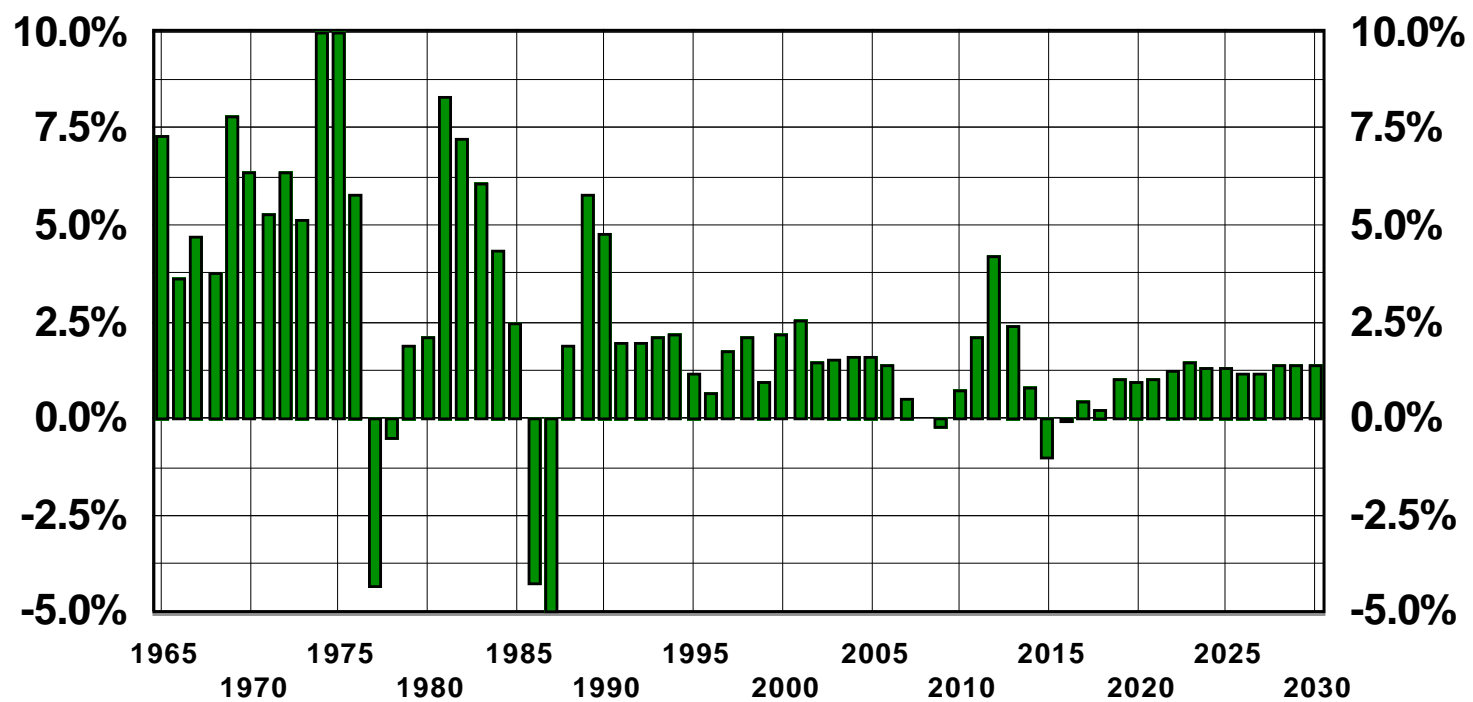


A Large Share of Growth Since 1980 is Due to “Economy Maturing”



Looking Ahead

Alaska Wage & Salary Job Growth



Institute of Social and Economic Research

Basic Sectors with Growth Potential

- Petroleum
- Tourism
- Mining
- Retirees
- International Air Cargo
- Footloose Services

The Resource Curse:

Resource Wealth Slow Growth

- Expansion of the Public Sector
- Dutch Disease (distortion of domestic markets)
- Rent Seeking
- Underinvestment

Example: The Power of Investing

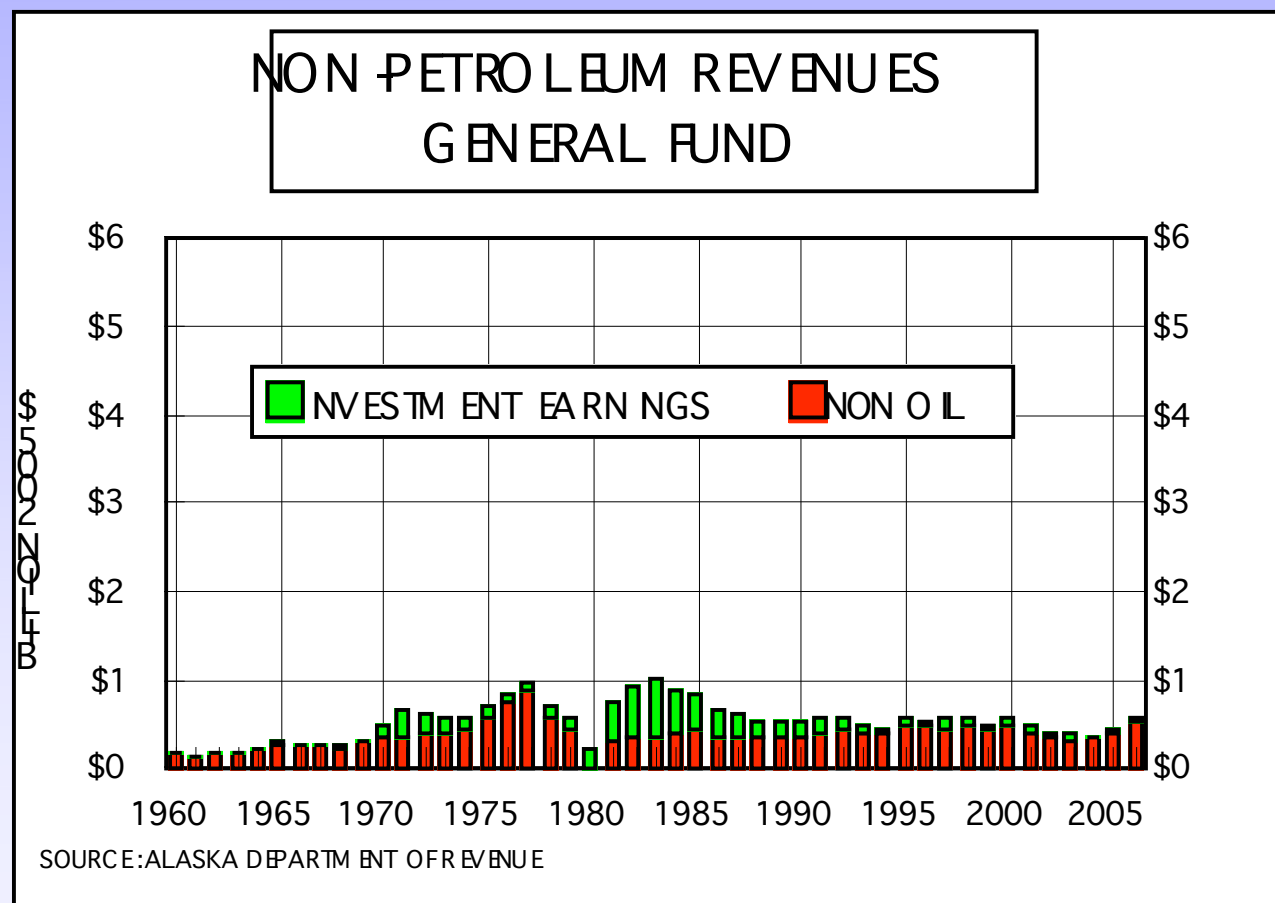
- **Question**--How much wealth would have been created if all \$ paid as Permanent Fund dividends had been invested (and an annual 7% return also invested)?
- **Answer**--\$31 billion, \$50 thousand per capita, or almost enough to replace all the public infrastructure in Alaska

Example: A Hypothetical Marginal Oil Field

- INVESTMENT = \$320 million
- Development Phase = 1,780 person years of employment
- Production Phase
 - 190 permanent annual jobs
 - \$9.5 million annual payroll
 - \$103 million net public revenue (at \$12 oil)

Note: This example is about 10 years old.

Alaska State Finances: GF Non-Oil Revenues Insignificant



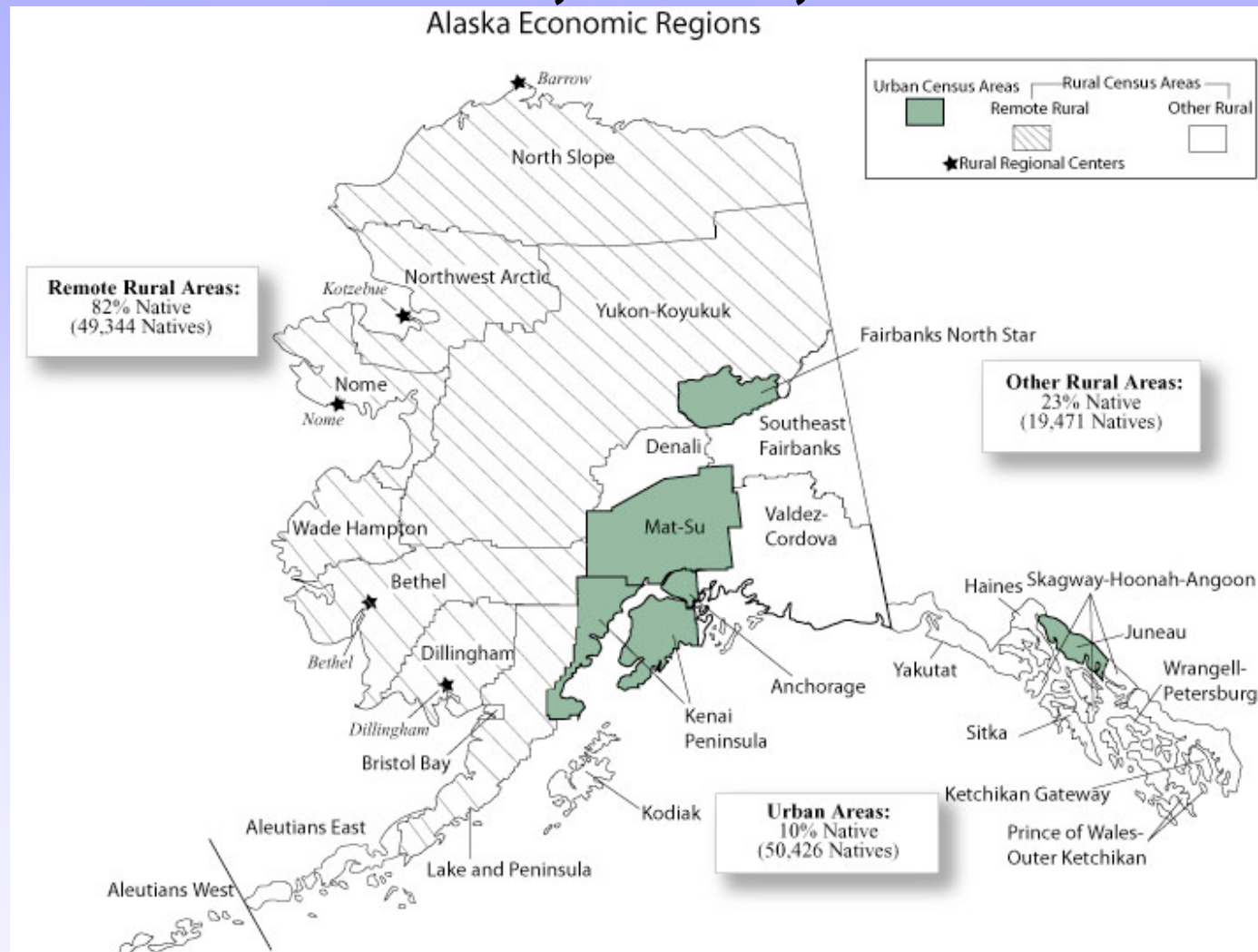
The Gasline Won't Solve our Fiscal Problem

- The energy (BTUs) in an oil pipeline carrying 800 thousand barrels per day.
- =
- The energy (BTUs) in a gas pipeline carrying 4.5 bcf per day.

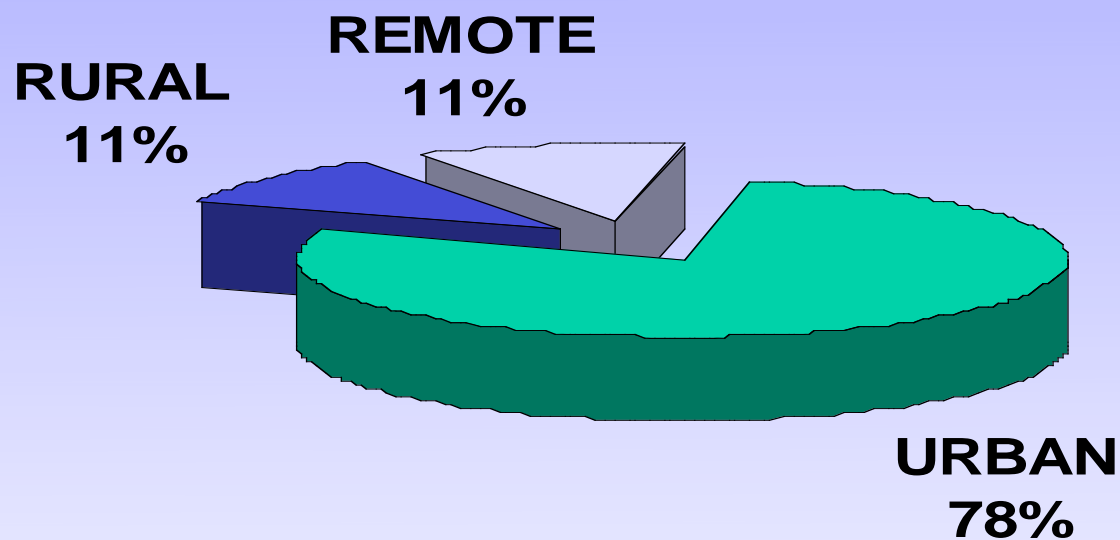
Alaska State Finances: A Problem with an Obvious Solution (Revenue in Billion \$)

- \$ 1.0-\$3.0 Petroleum Revenues
- \$.6 Non Petroleum Revenues
- **\$1.0 Half Annual PF Earnings**
- **\$.8 Sales and Income Taxes**

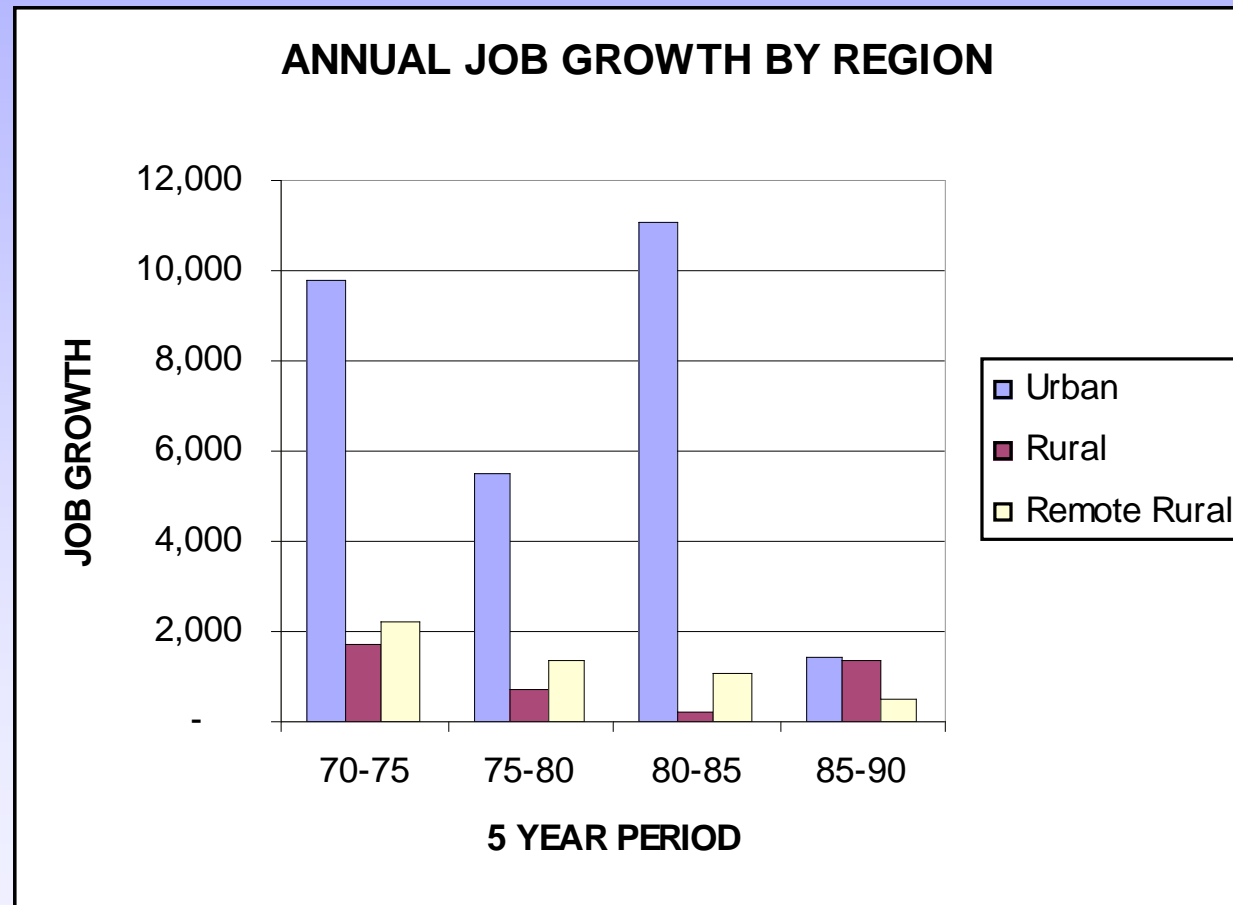
The 3 Alaska Economies: Urban, Rural, Remote



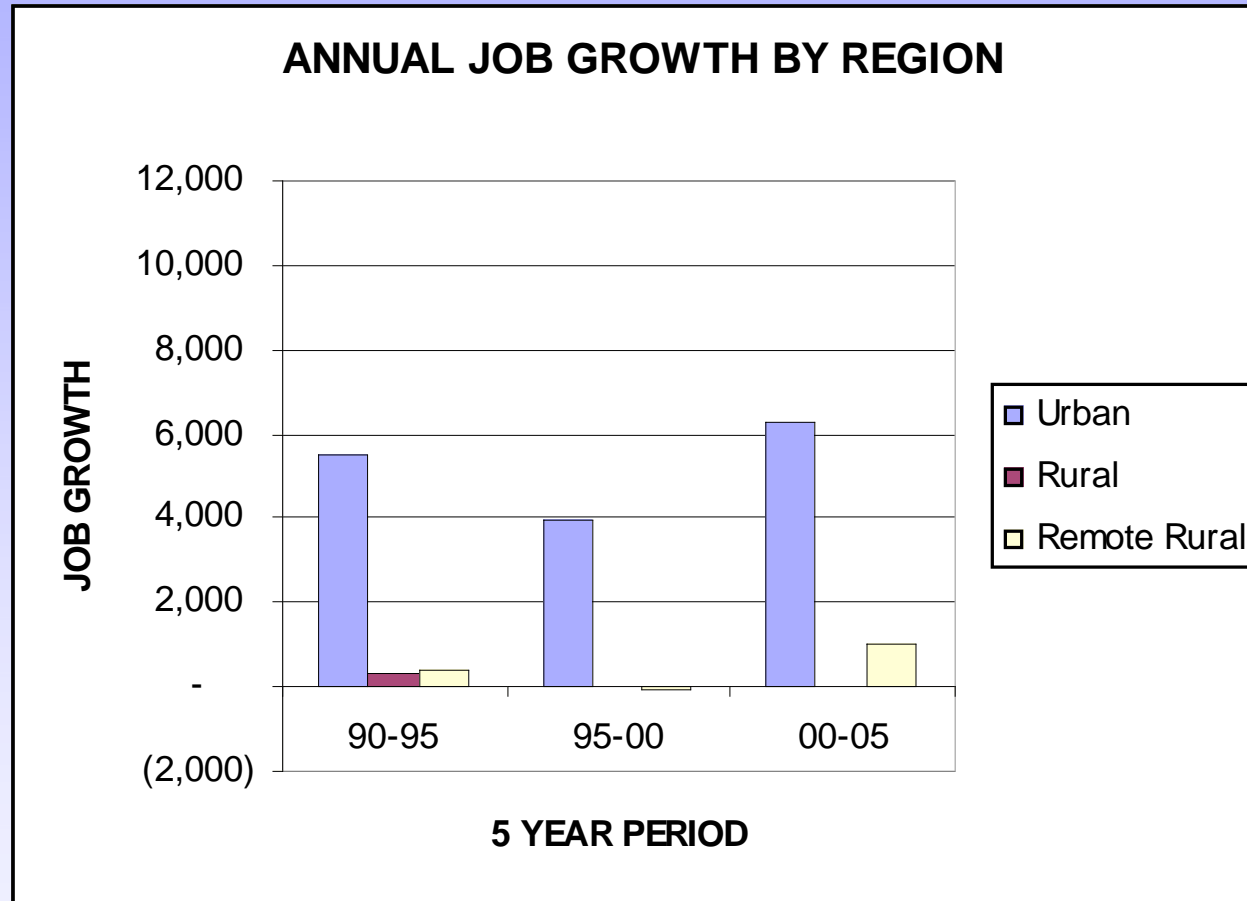
URBAN ALASKA DOMINATES JOBS



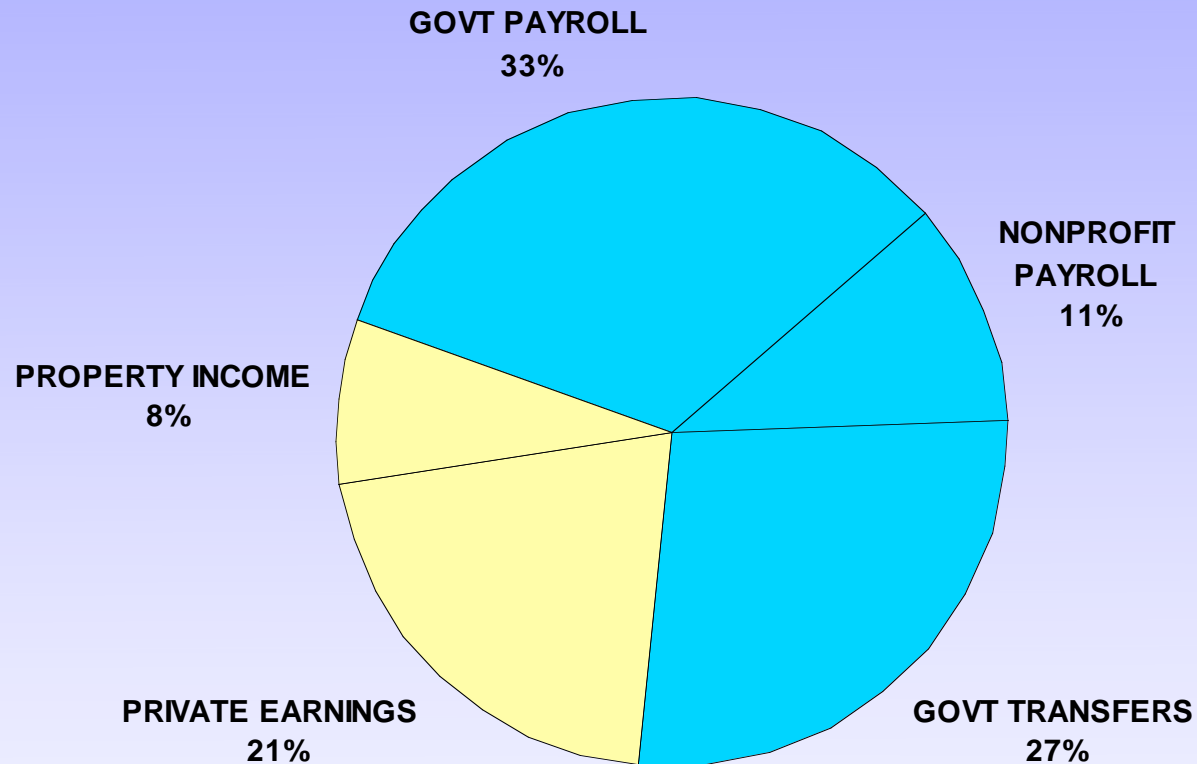
BEFORE: RISING TIDE RAISES ALL BOATS



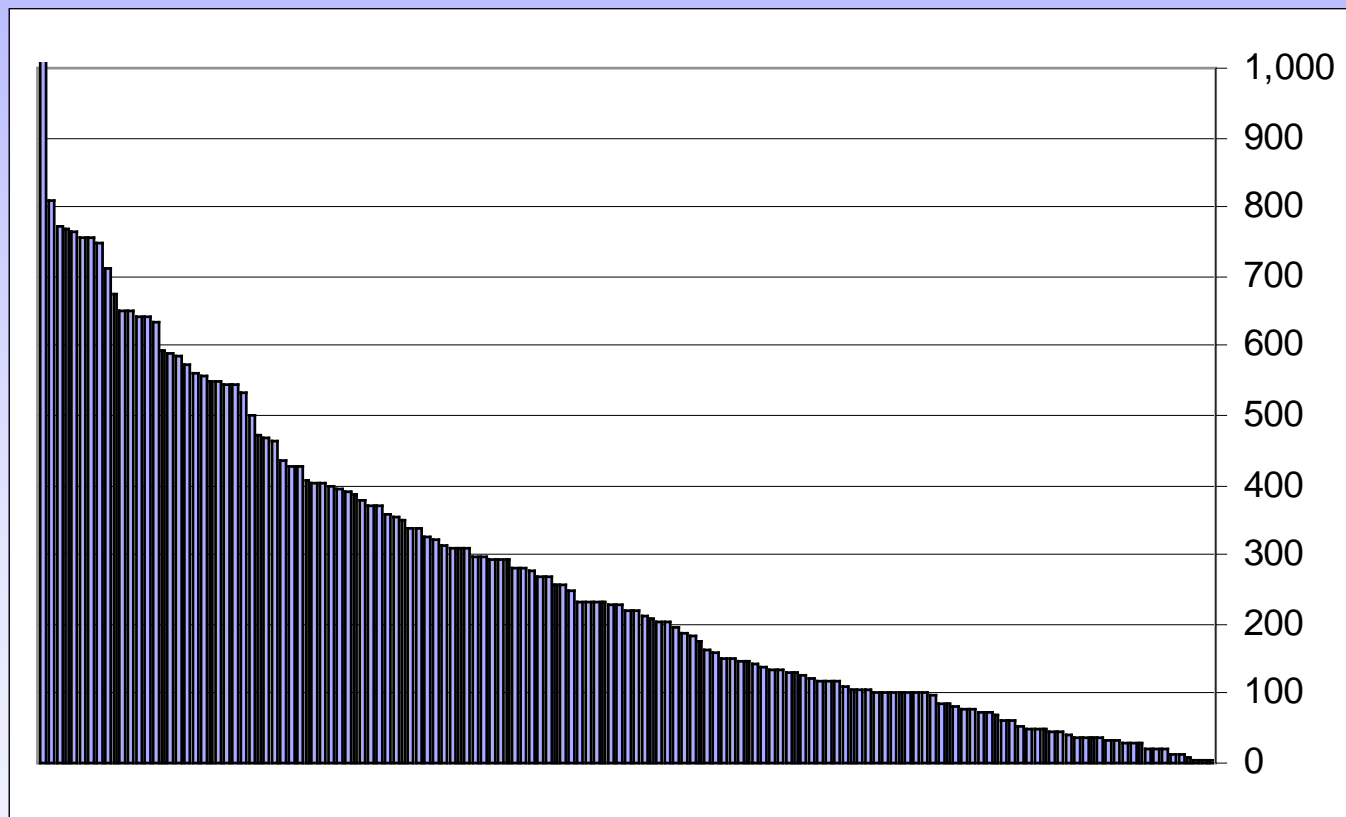
NOW: RISING TIDE RAISES URBAN BOATS



REMOTE RURAL ECONOMY STRUCTURAL CHALLENGE: SOURCES OF PERSONAL INCOME



Size Distribution of Remote Rural Communities Outside Regional Centers

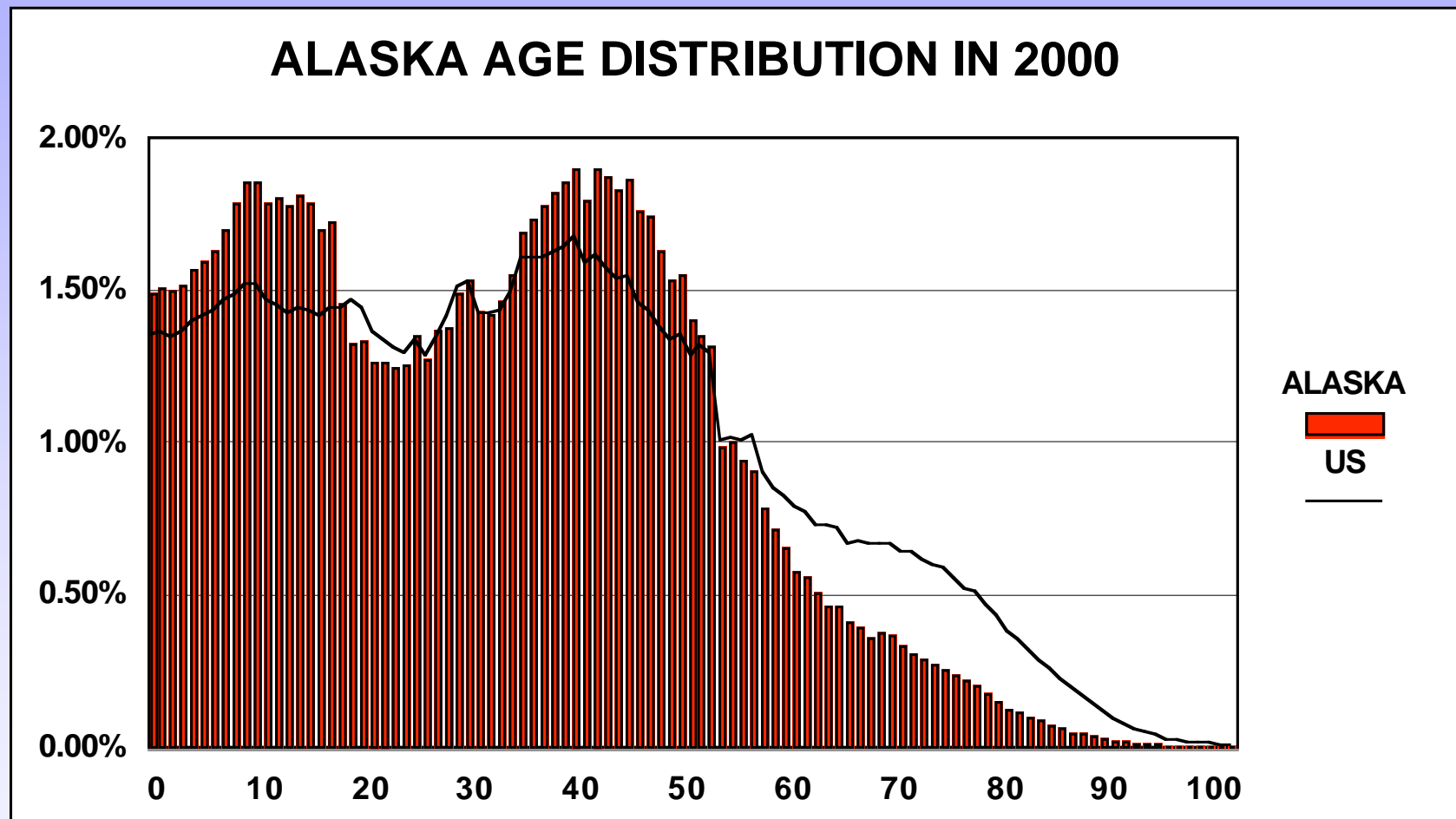


HOW ARE ALASKA FAMILIES DOING?

NEW JOBS IN ANCHORAGE BY WAGE

	< \$60K	> \$60K
80's	15,108	5,452
90's	13,679	(1,260)

BOOMERS AND BABIES



TAKE AWAY MESSAGE

- Solve fiscal problem
- Get serious about investment
- Recognize the limits of government
- Recognize the difference between growth and development
- Look beyond aggregate indicators to monitor economic health
- Focus on the long term