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# The Alaska Economy: How Are We Doing?

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Economic Development, Trade, and Tourism  
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Structure of the Alaska Economy

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# The Alaska Economy: How Are We Doing?

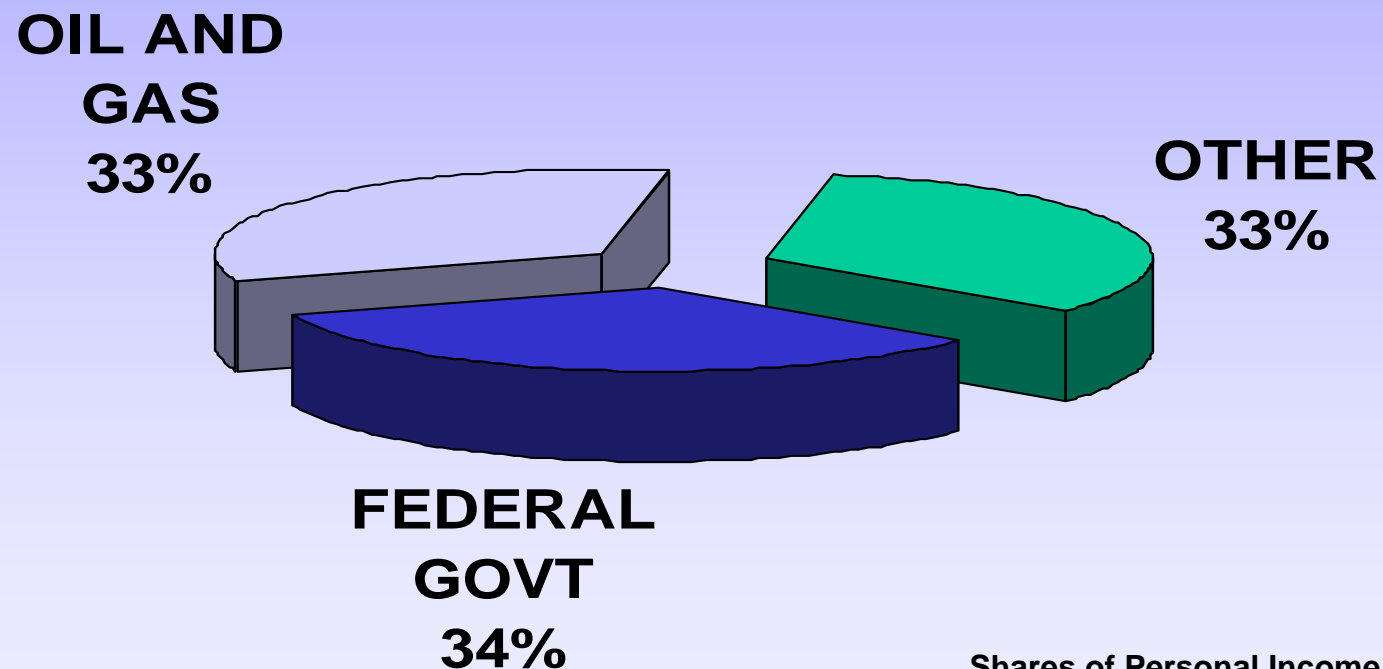
- The Structure of the Economy—1/3 Rule
- Growth Since 1980
- Looking Ahead
- Resource Curse
- A Non-Problem
- The Many Alaska Economies
- Population Bubbles
- Take Away Message

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# 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

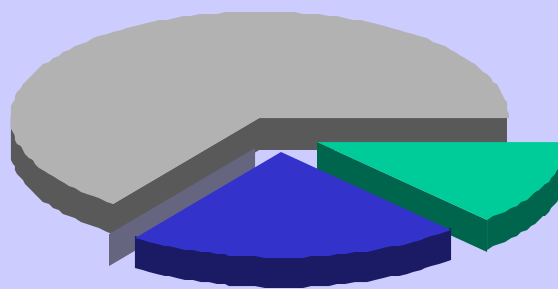
# ALASKA ECONOMIC DRIVERS: THE FOUNDATION OF OUR ECONOMY



Shares of Personal Income in 2000

# 1/3 FEDERAL GOVERNMENT

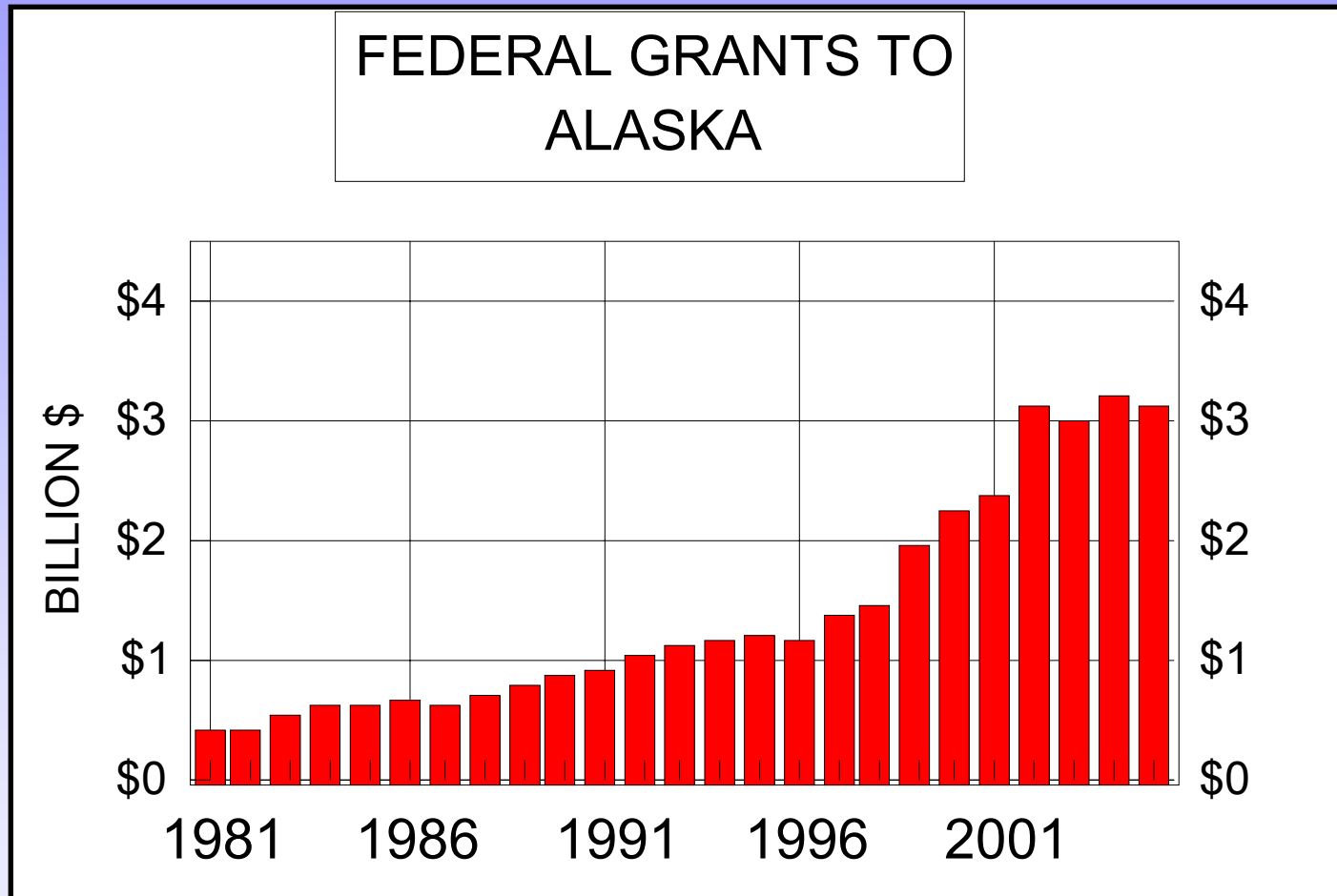
REST OF  
ECONOMY



MILITARY

CIVILIAN

# Total Federal Grants



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# FEDERAL GRANTS



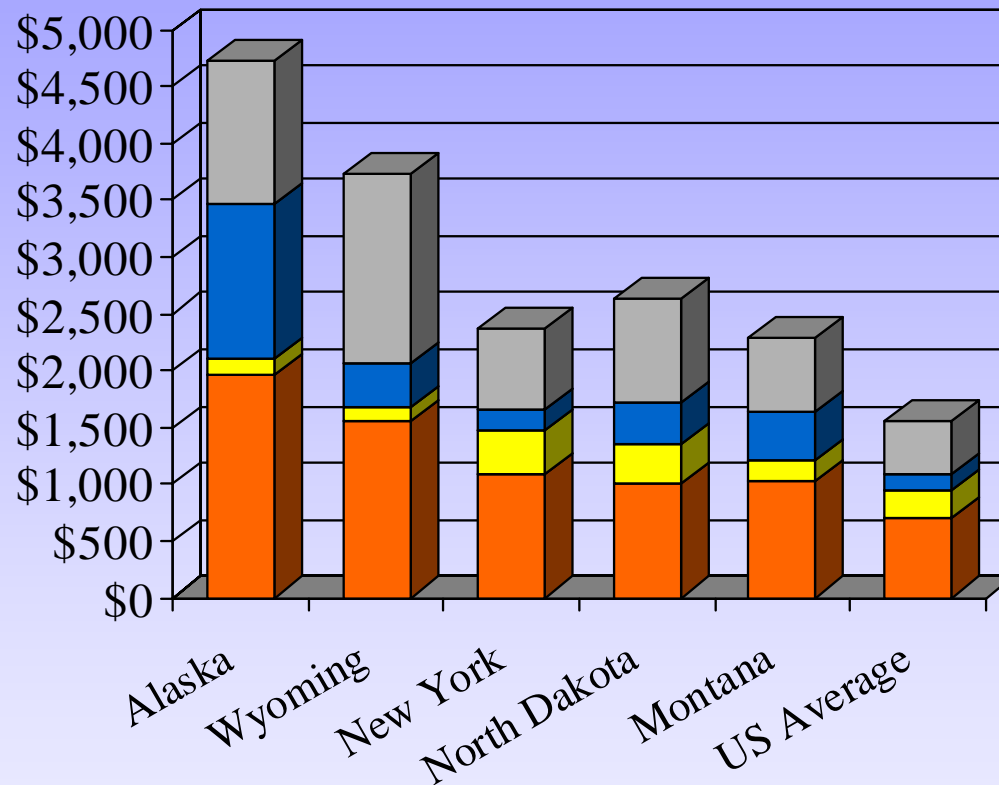
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# Federal Grants: 1999 (Million \$)

• <b>TOTAL</b>	<b>\$1,932</b>	• 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

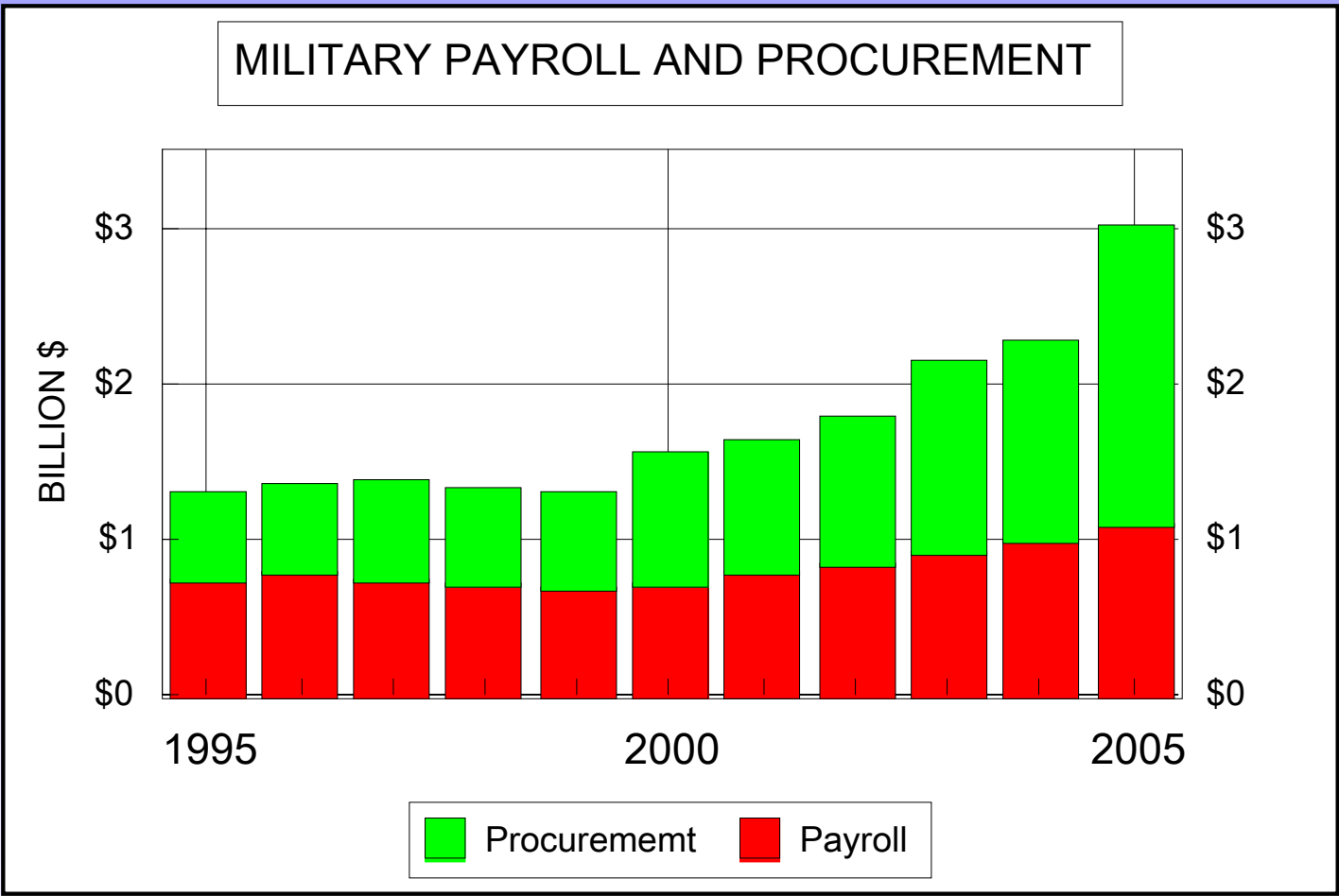


■ 1990 
 ■ GROWTH 1990 TO 1995 
 ■ GROWTH 1995 TO 2000 
 ■ GROWTH 2000 TO 2005

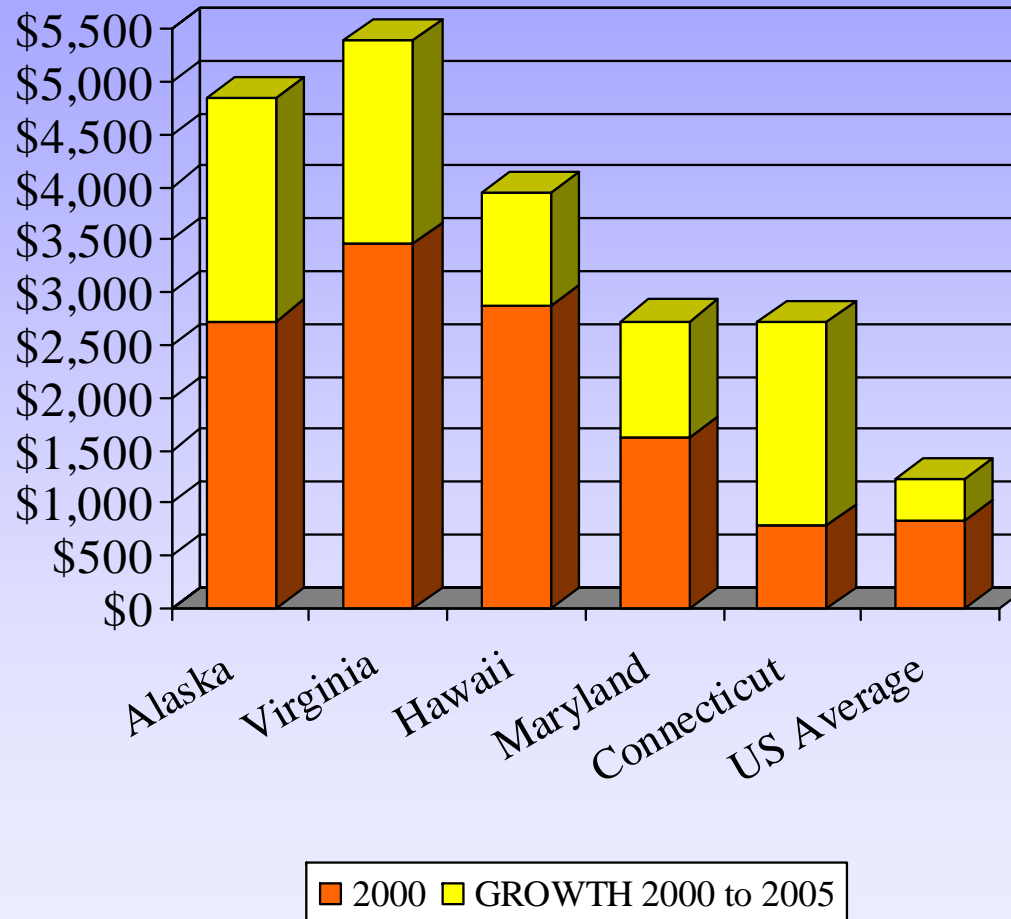
# Federal Agency Spending in Alaska



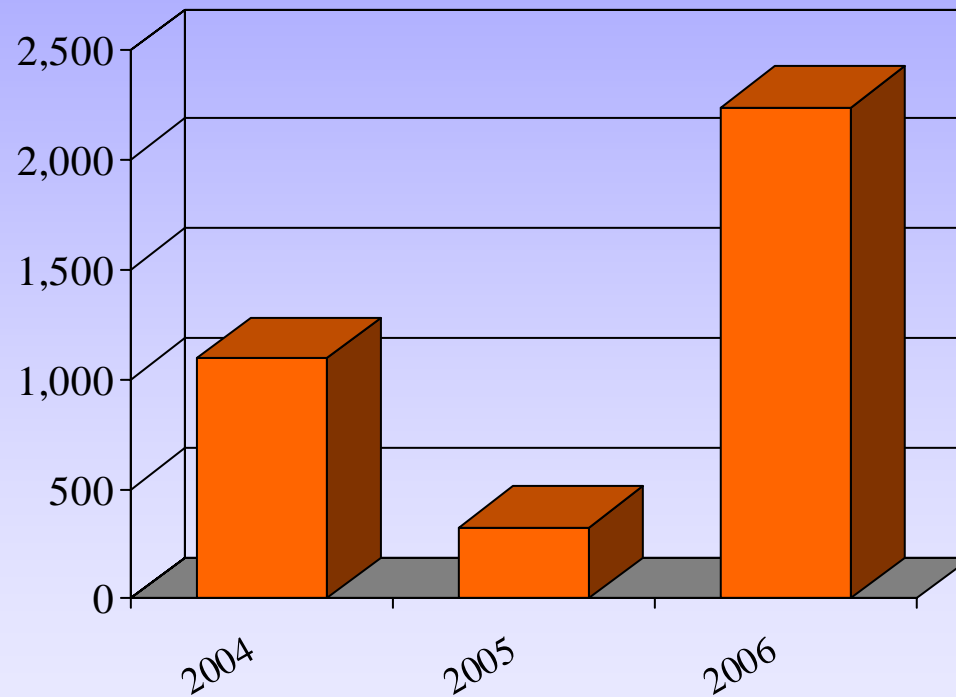
# Military Spending has Boomed



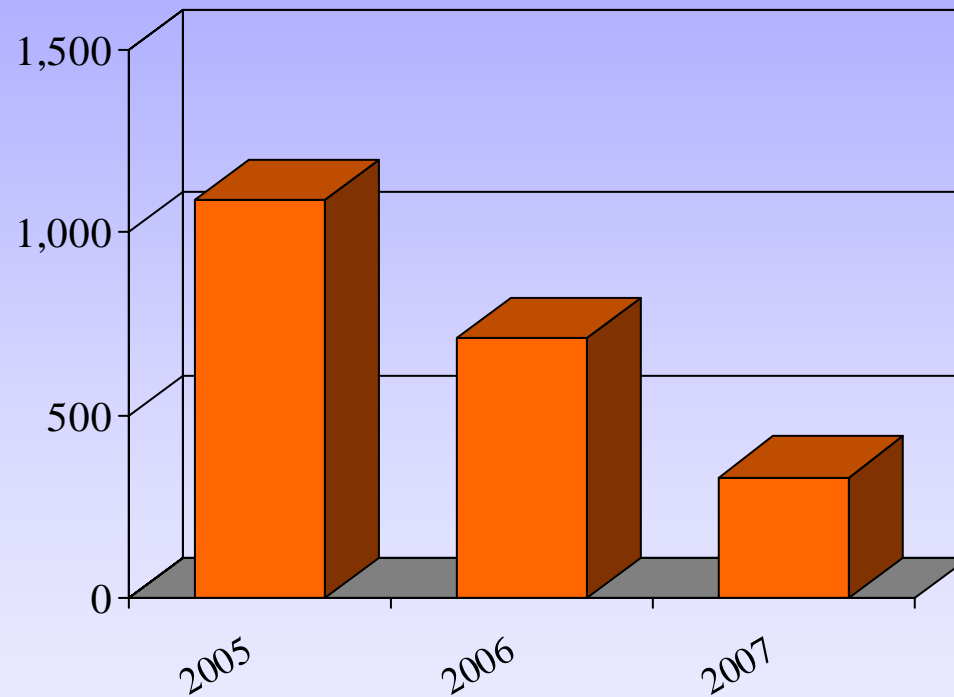
# Military Spending Per Capita: Second Highest in the US



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

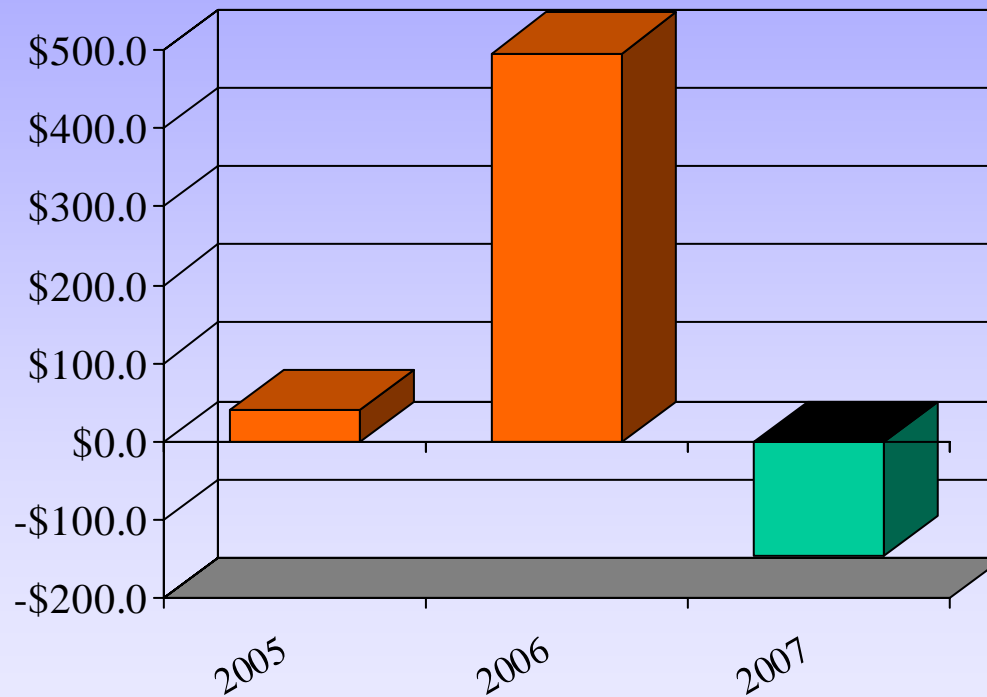


# Signs That Federal Spending Has Topped Out: Annual Increase in Health Care Jobs

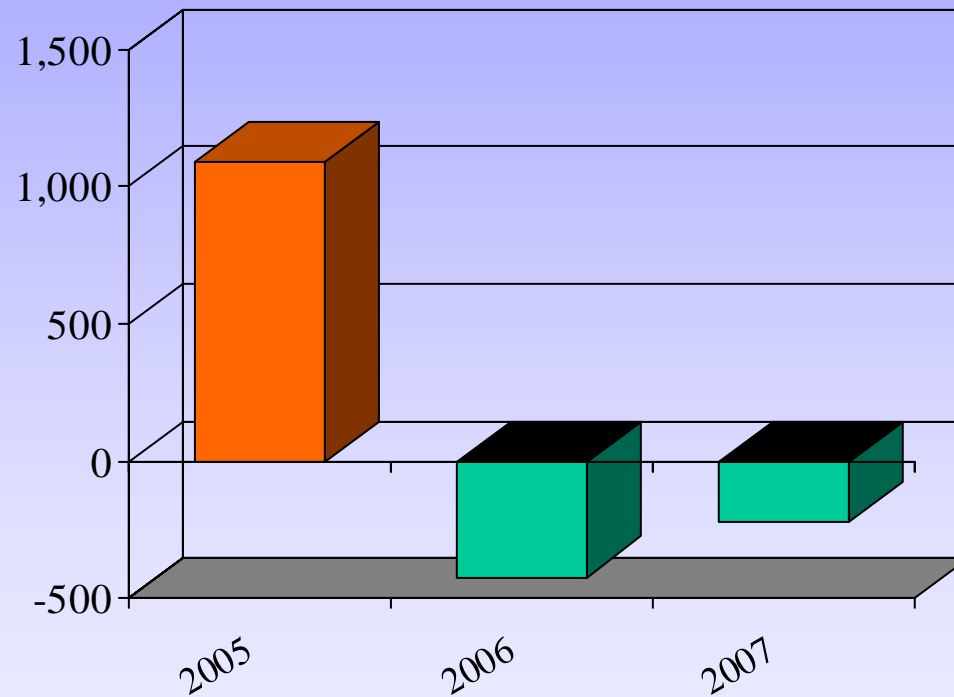


# Signs That Federal Spending Has Topped Out:

## Annual Increase in Public Construction \$ (Million)



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





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

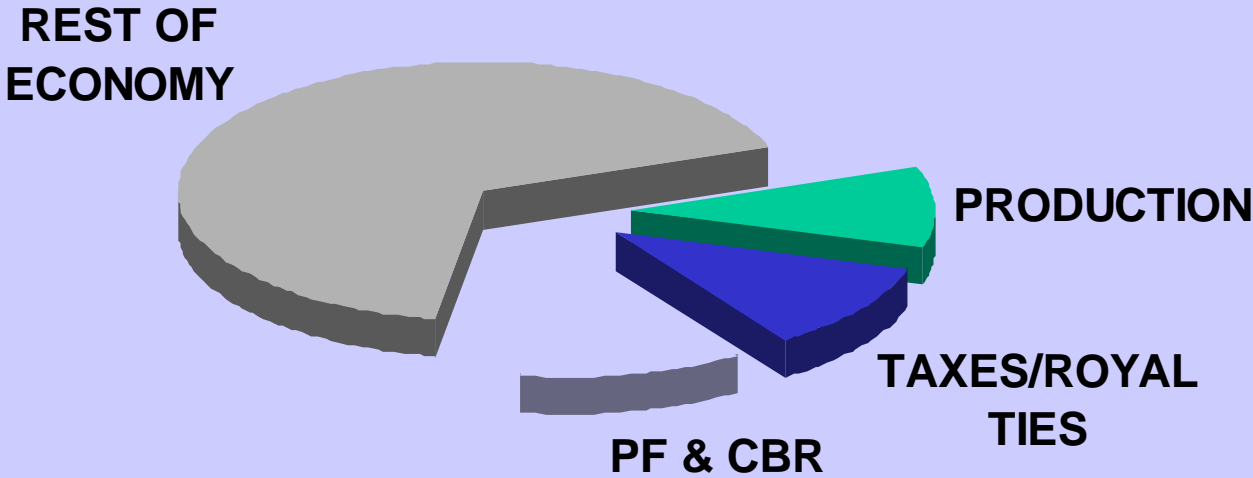


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# TAX BASE FROM FEDERAL \$\$\$

The Alaska Disconnect

# 1/3 OIL AND GAS

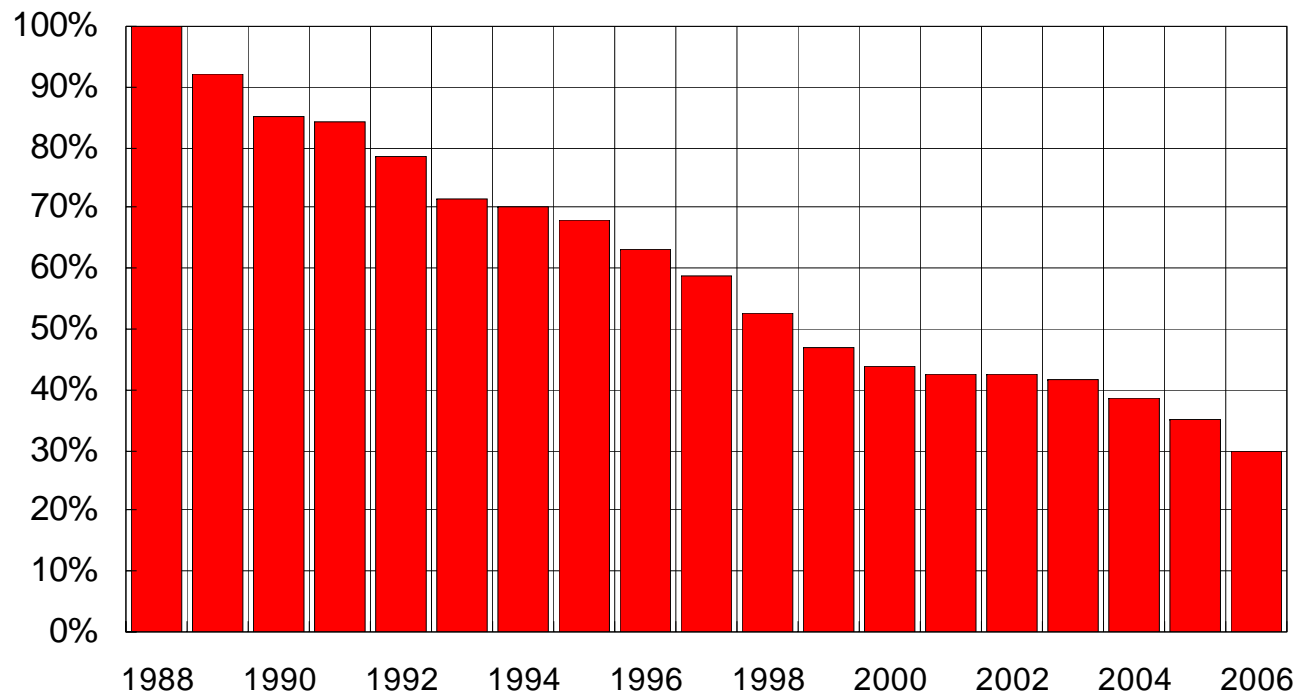


# **PETROLEUM DOMINATES ALASKA INDUSTRIAL TAX BASE (Billion \$)**

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

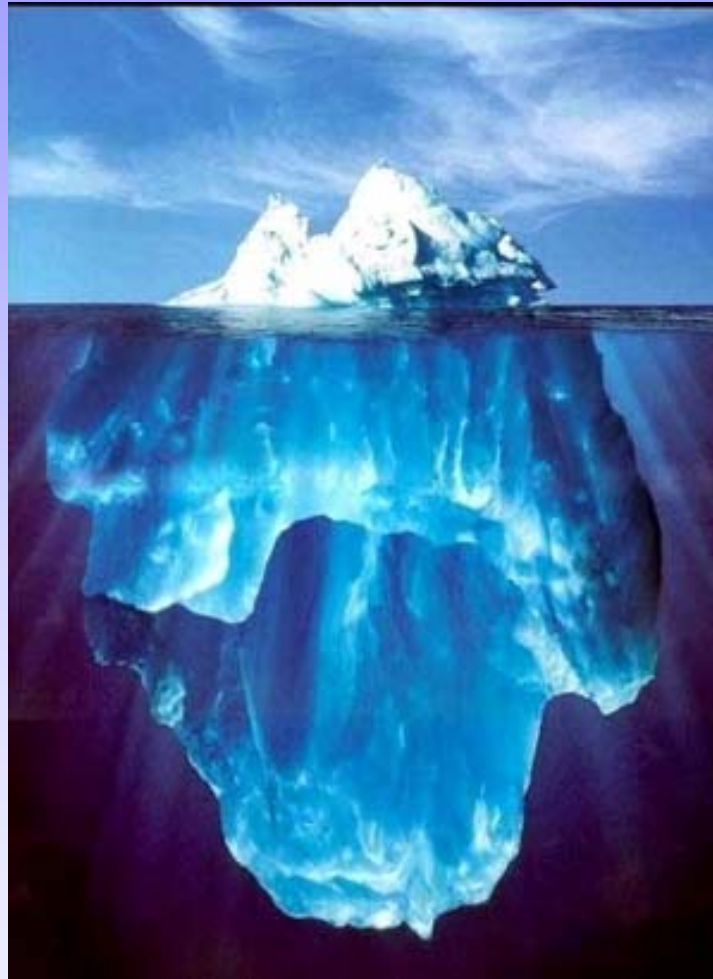
# DISAPPEARING PETROLEUM PRODUCTION

**ALASKA OIL PRODUCTION--PER CAPITA  
PERCENT OF THE PEAK YEAR--1988**



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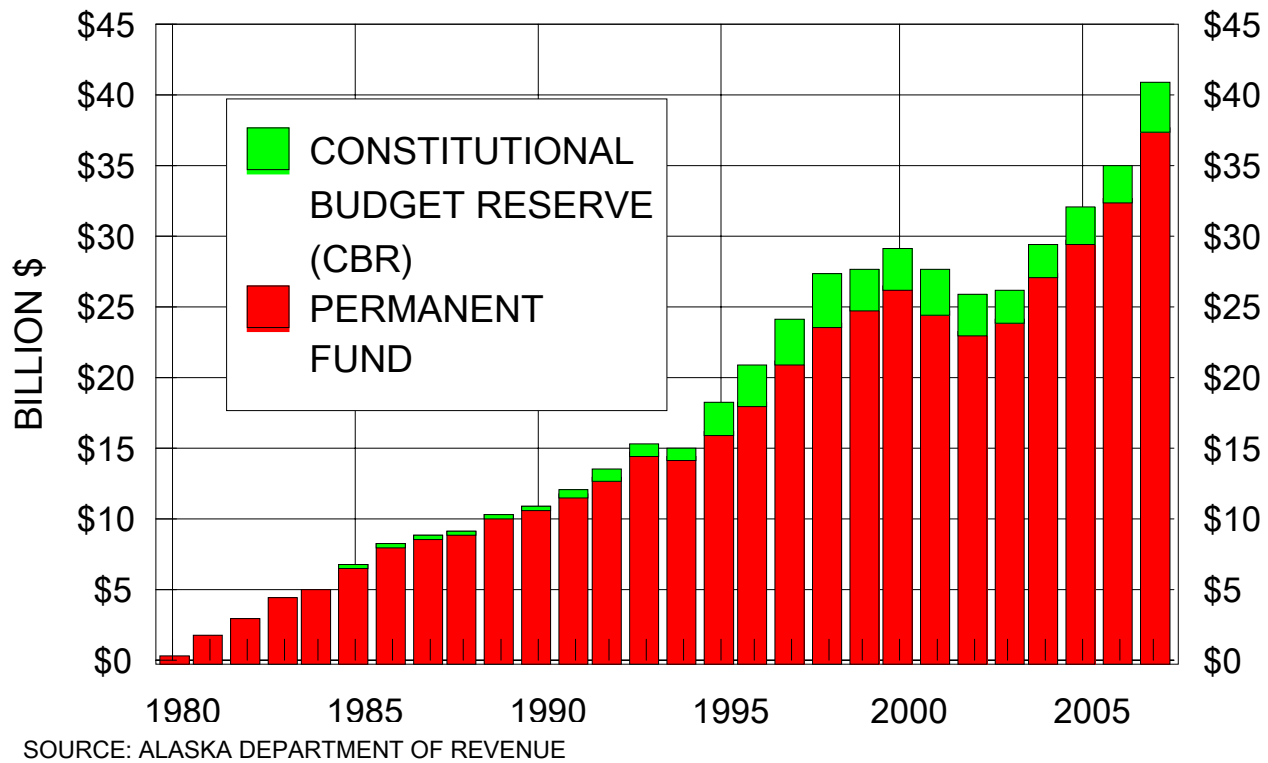
# OIL PATCH ACTION



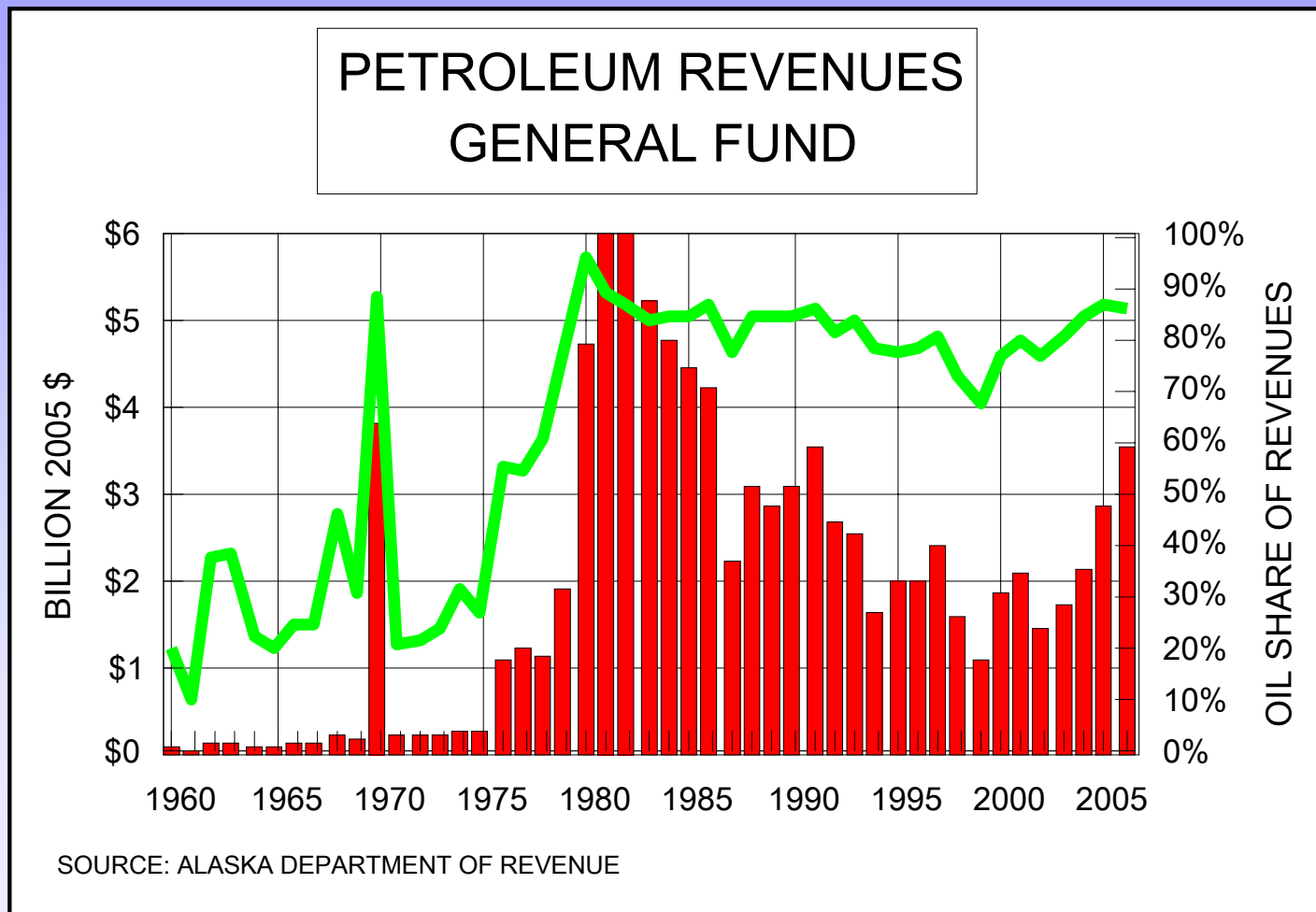
Structure of the Alaska Economy

# OIL TRANSFORMED

## ALASKA FUND BALANCES



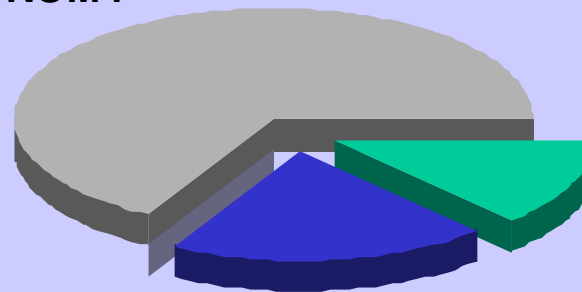
# OIL REVENUES PAY FOR GOVERNMENT





# 1/3 OTHER

REST OF  
ECONOMY



NEW  
RESOURCES

TRADITIONAL  
RESOURCES

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# TRADITIONAL NATURAL RESOURCES

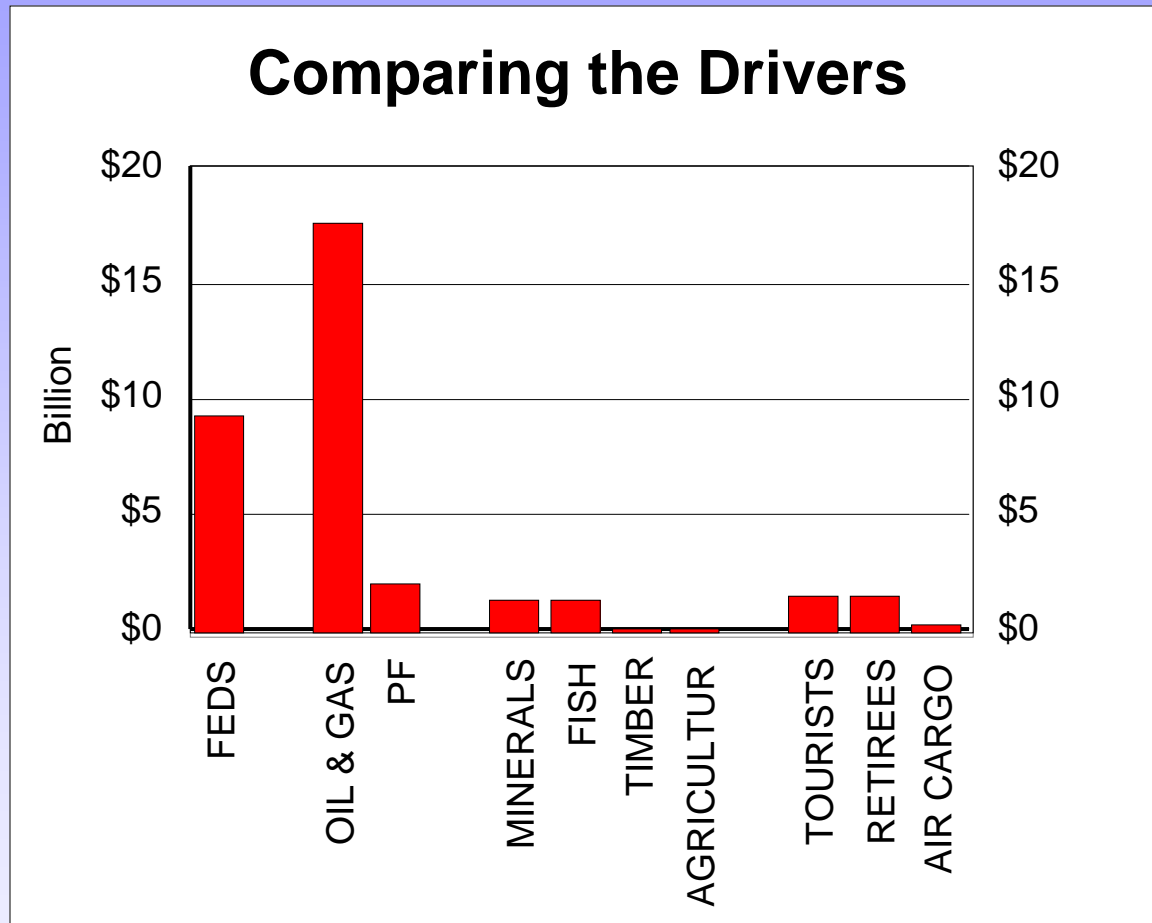


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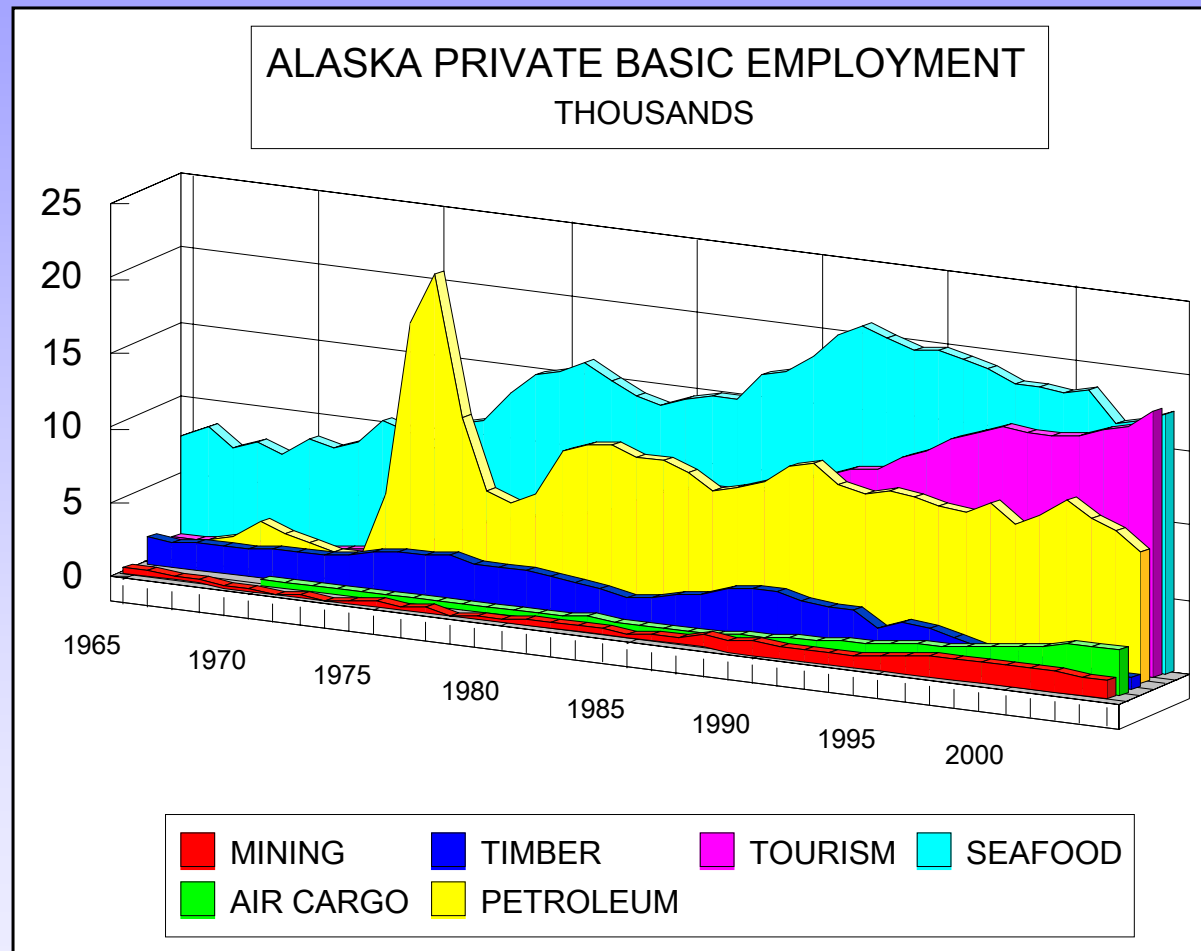
# NEW RESOURCES



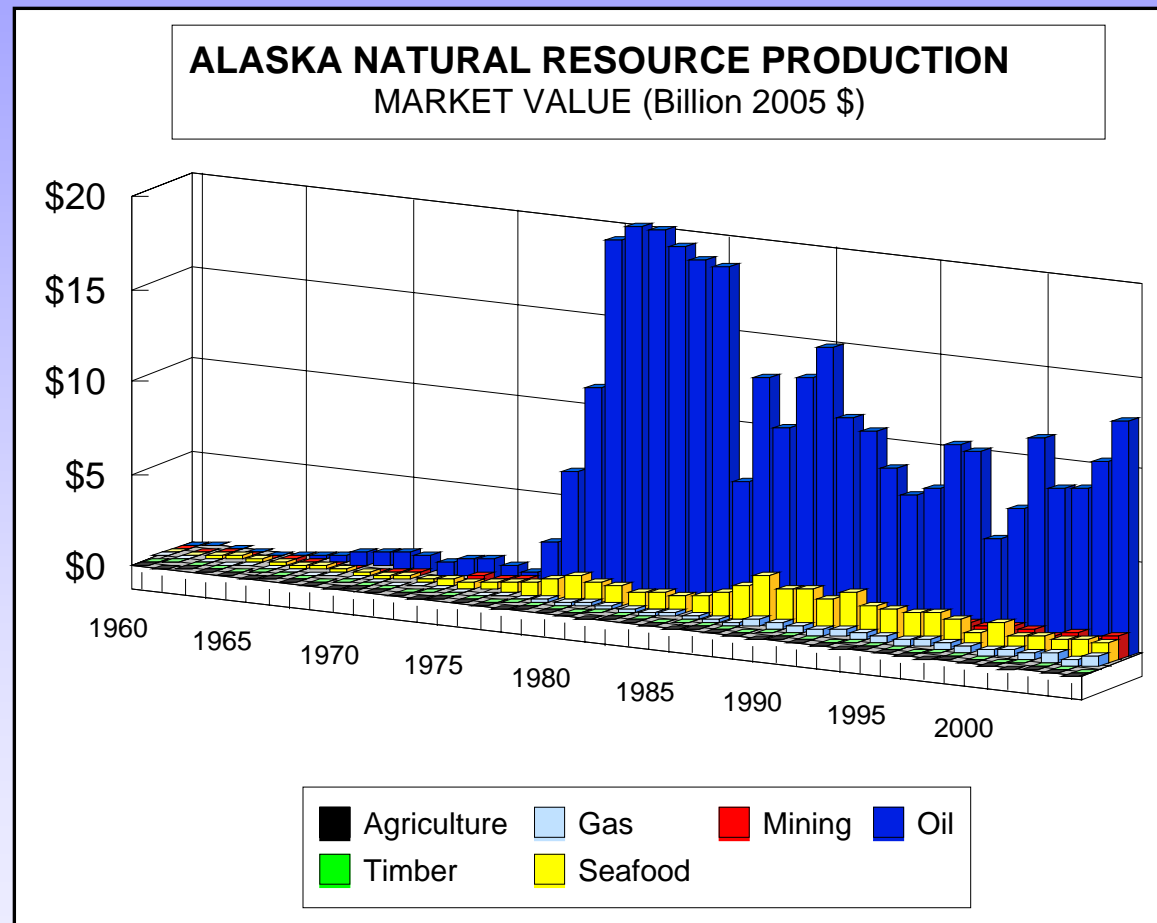
# FRUIT SALAD COMPARISON



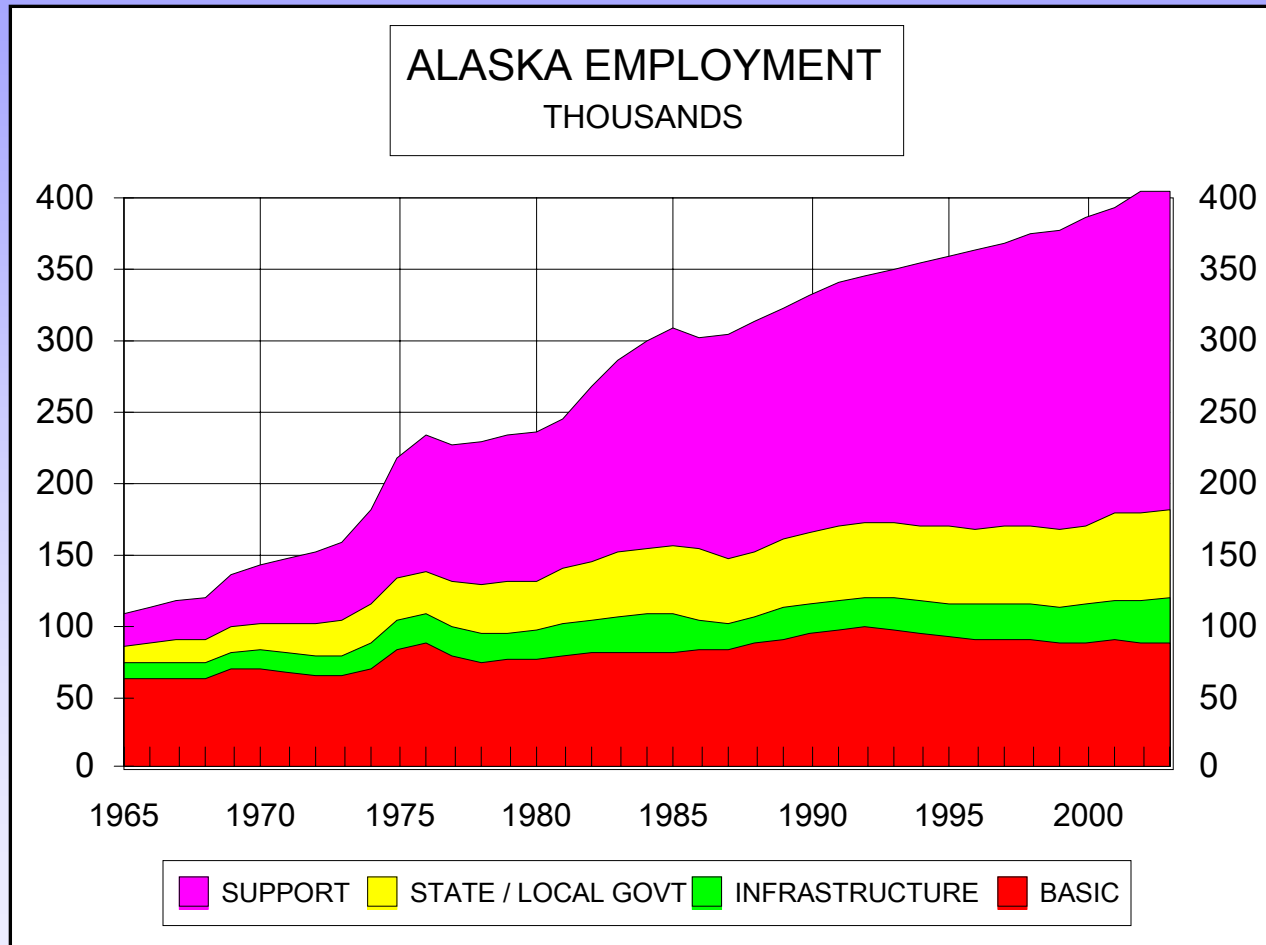
# A Small Share of Growth Since 1980 is Due to Other Drivers



# A Large Share of Growth Since 1980 is Due to Oil

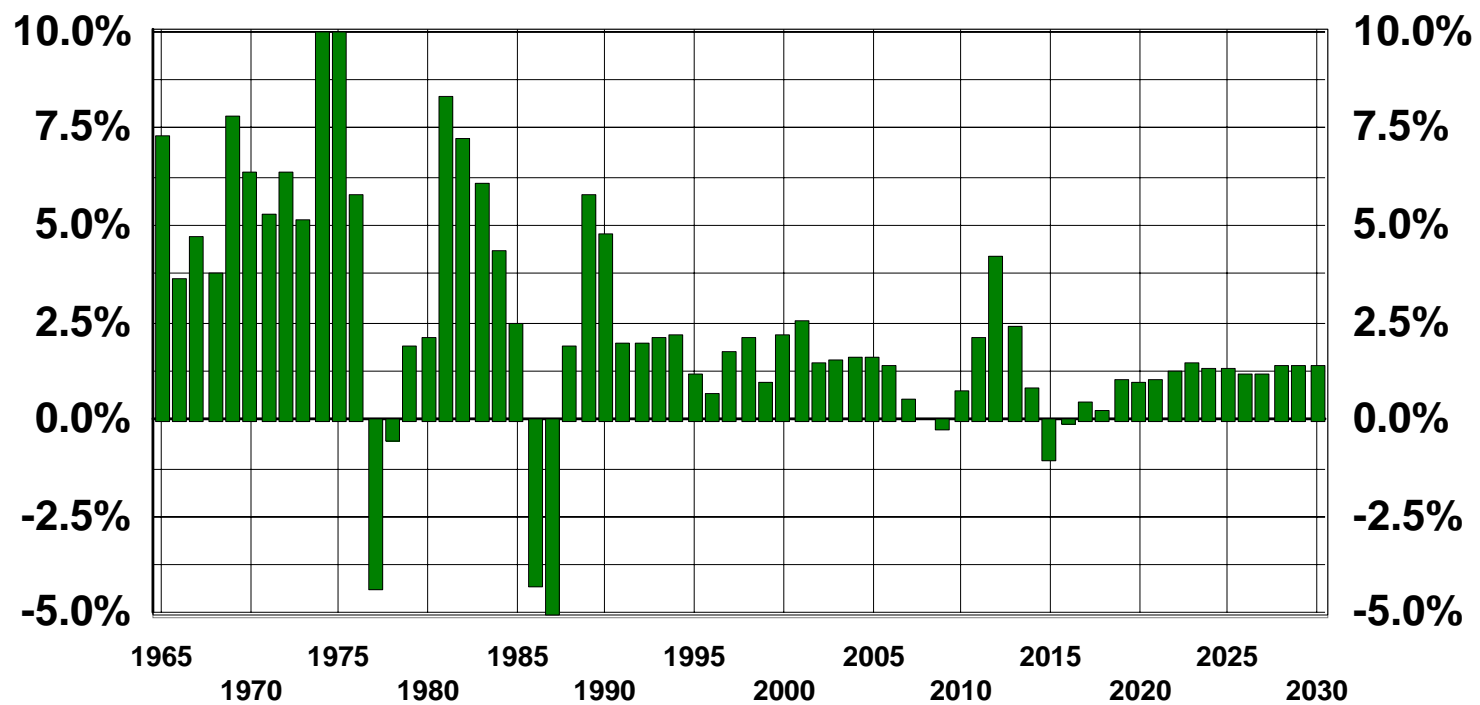


# A Large Share of Growth Since 1980 is Due to “Economy Maturing”



# Looking Ahead

## Alaska Wage & Salary Job Growth



Institute of Social and Economic Research



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# Basic Sectors with Growth Potential

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

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# The Resource Curse: Resource Wealth Slow Growth

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

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# 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

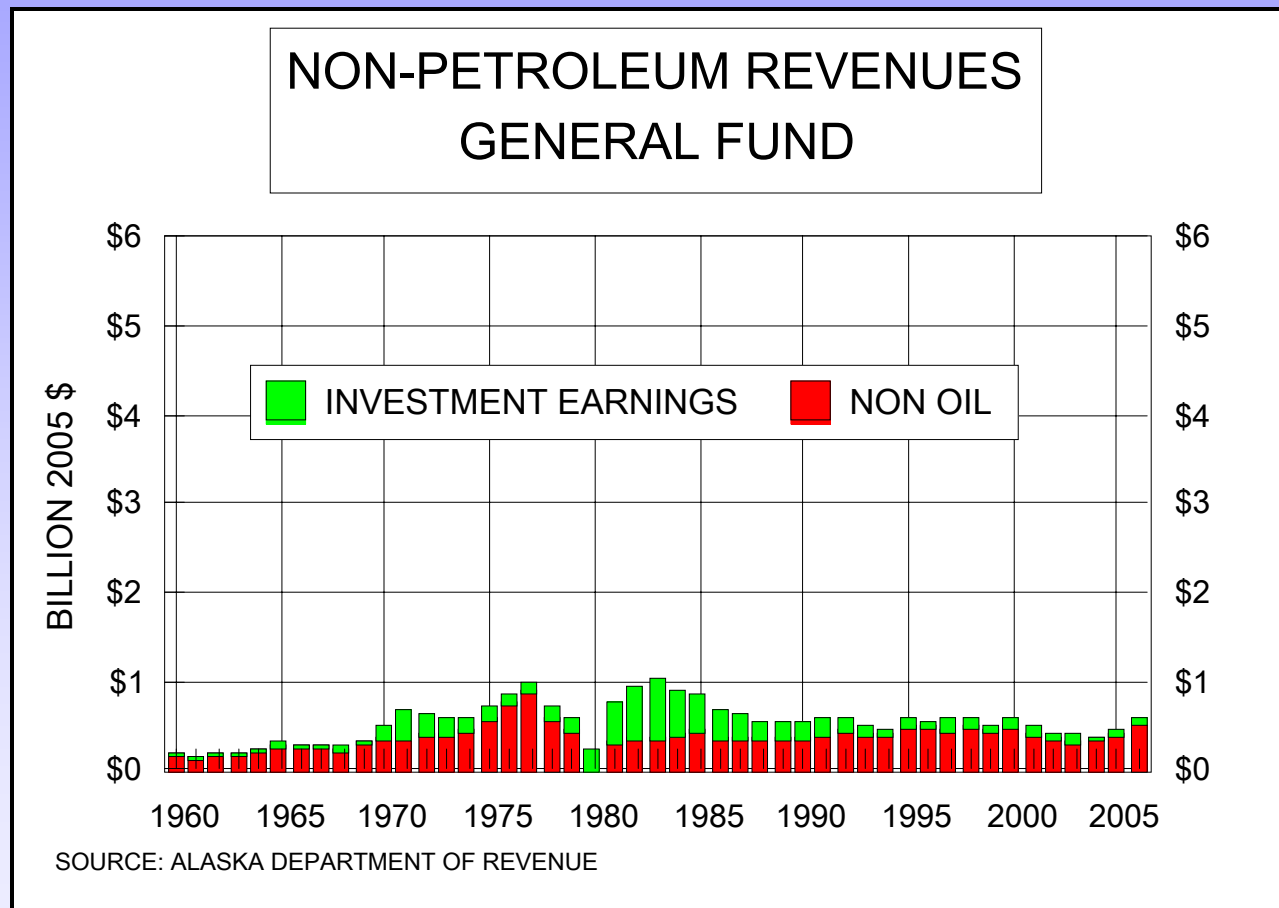
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# Example: A Hypothetical Marginal Oil Field

- 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



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# The Gasline Won't Solve our Fiscal Problem

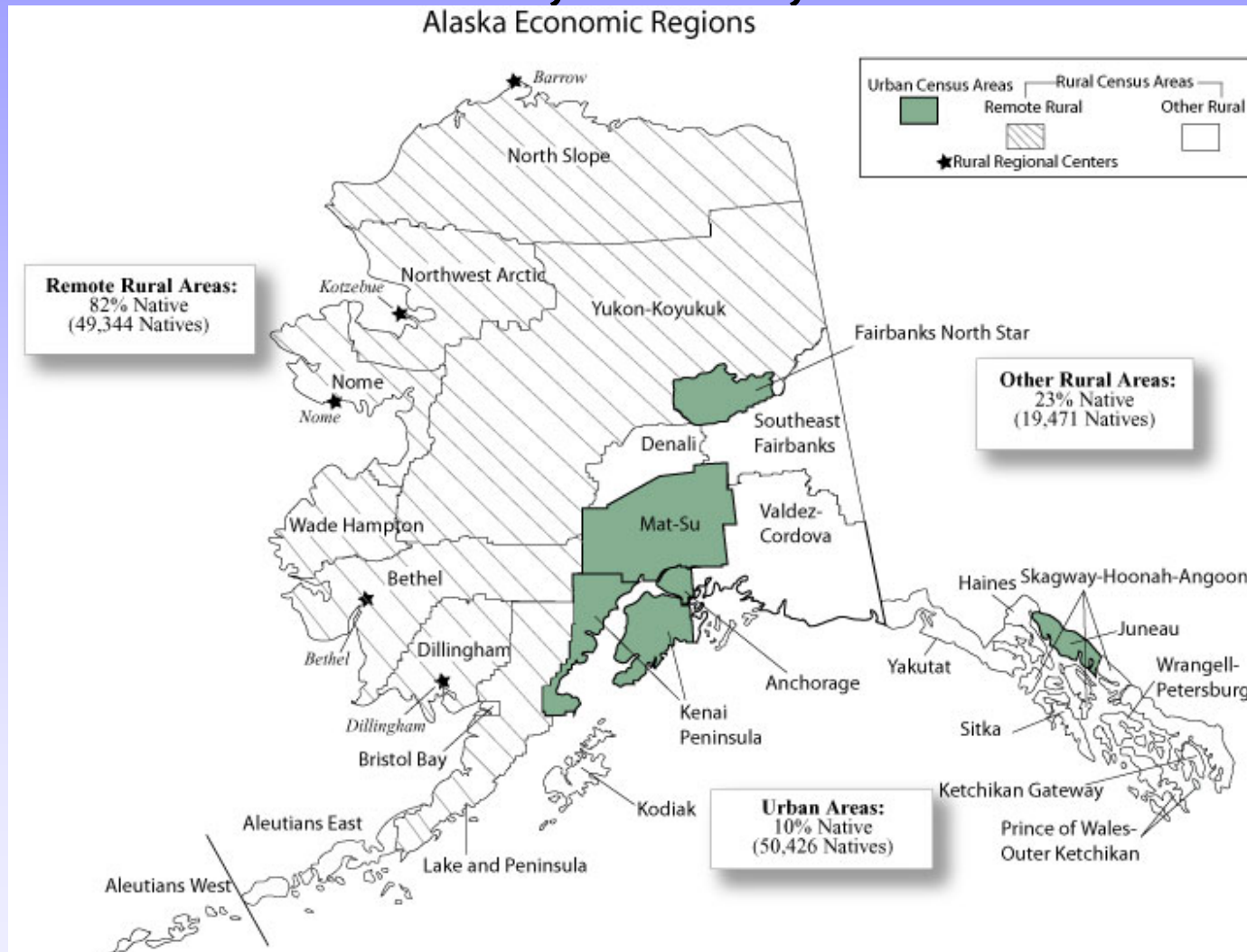
- The energy (BTUs) in an oil pipeline carrying 800 thousand barrels per day.
- =
- The energy (BTUs) in a gas pipeline carrying 4.5 bcf per day.

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

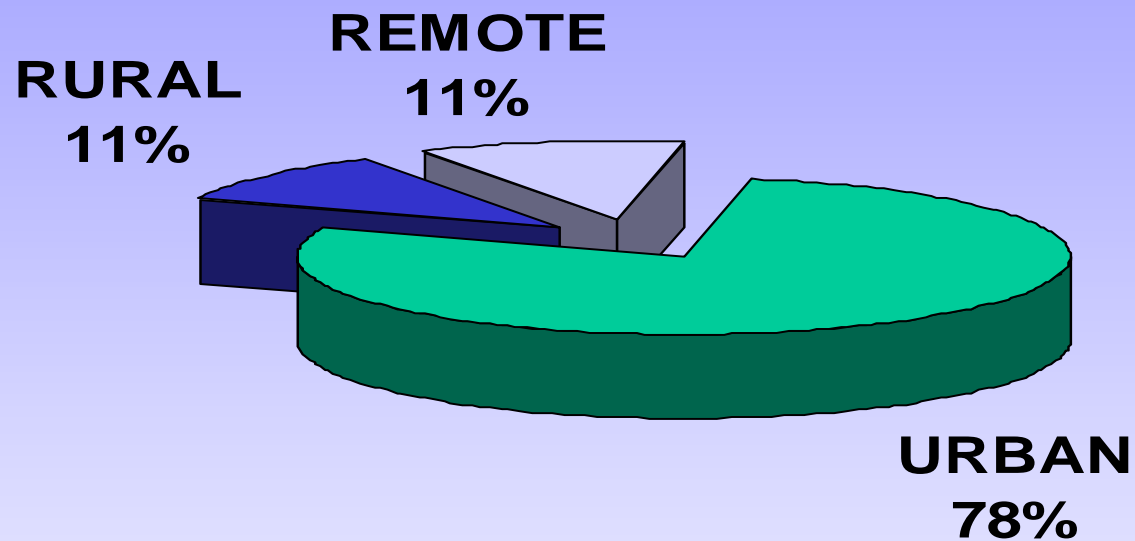
- \$ 1.0-\$3.0 Petroleum Revenues
- \$ .6 Non Petroleum Revenues
- **\$1.0 Half Annual PF Earnings**
- **\$ .8 Sales and Income Taxes**

# The 3 Alaska Economies: Urban, Rural, Remote

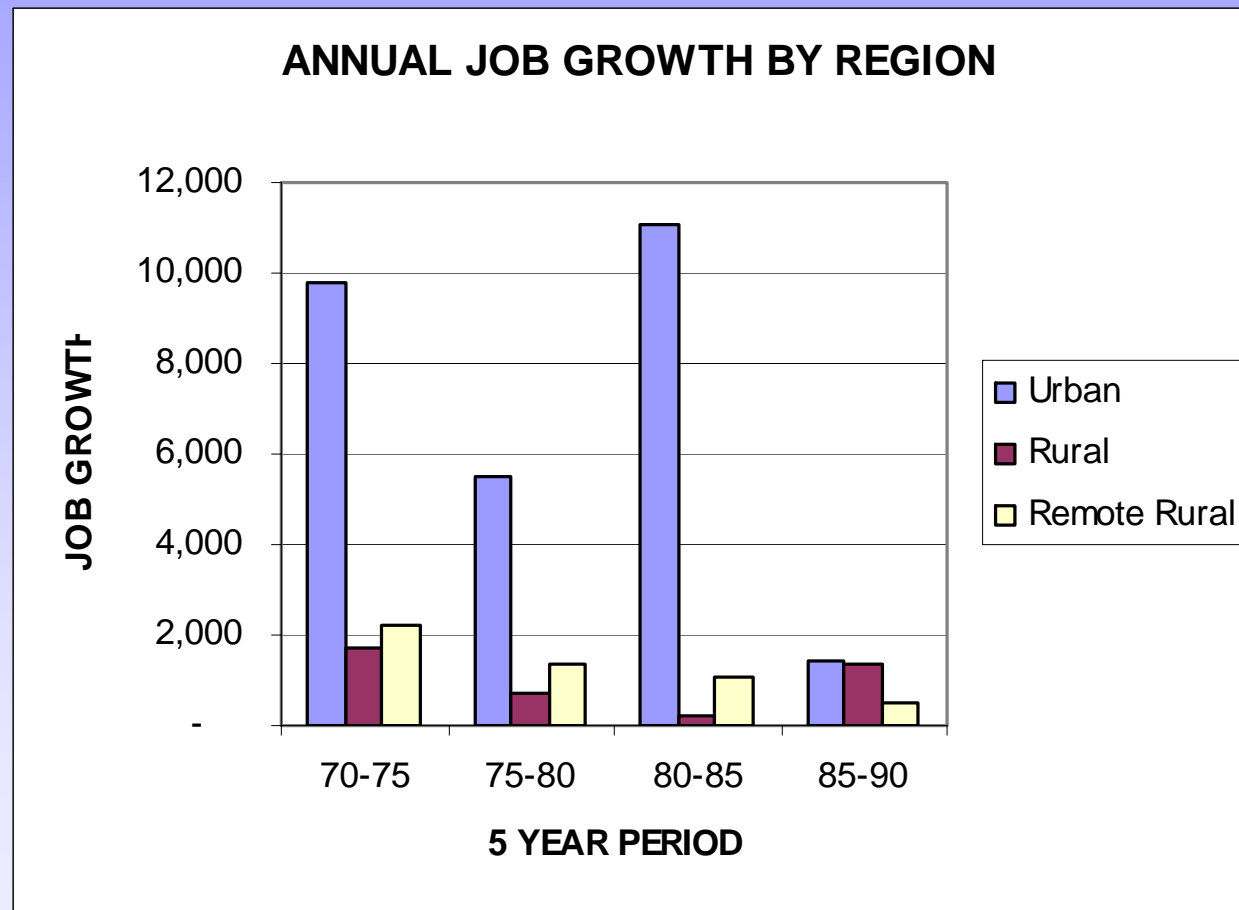




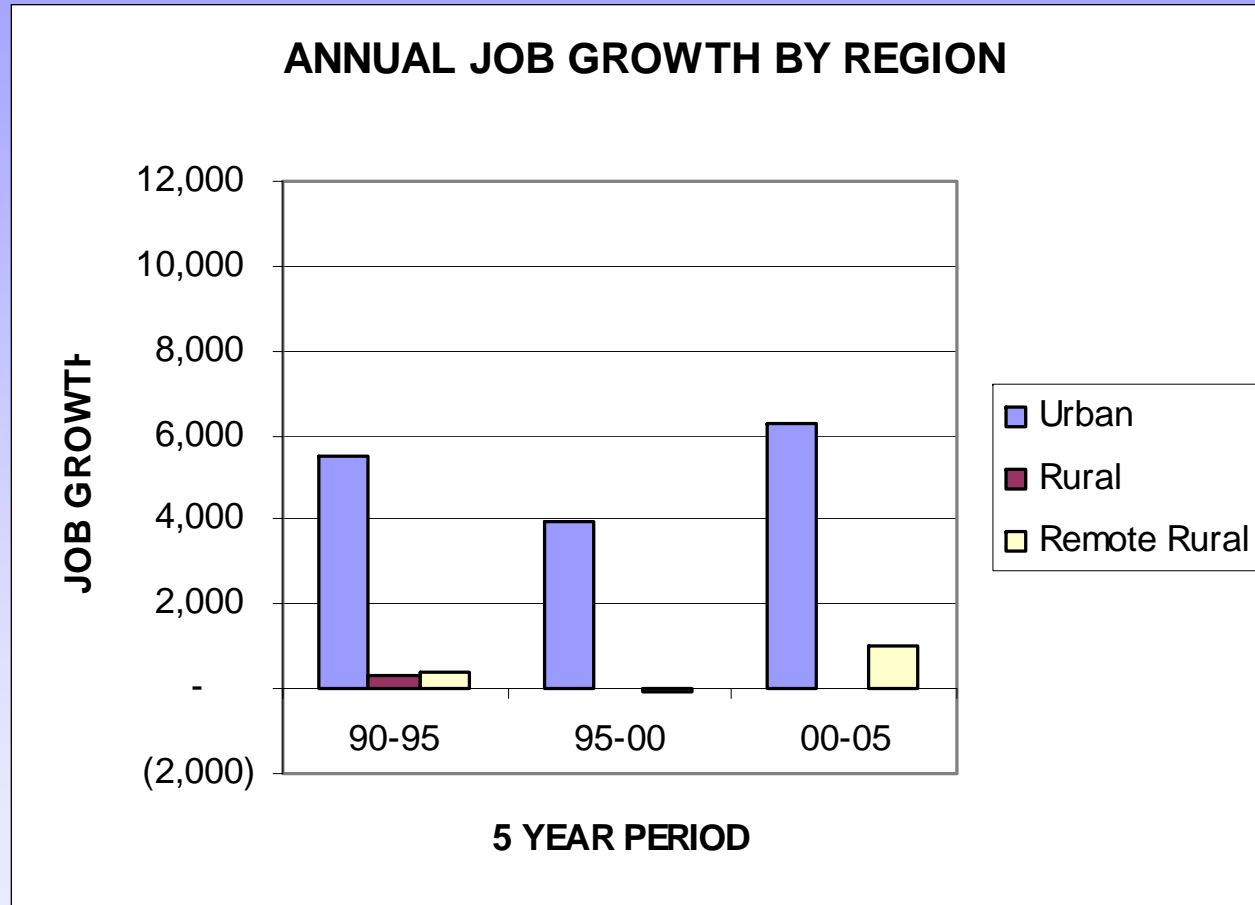
# URBAN ALASKA DOMINATES JOBS



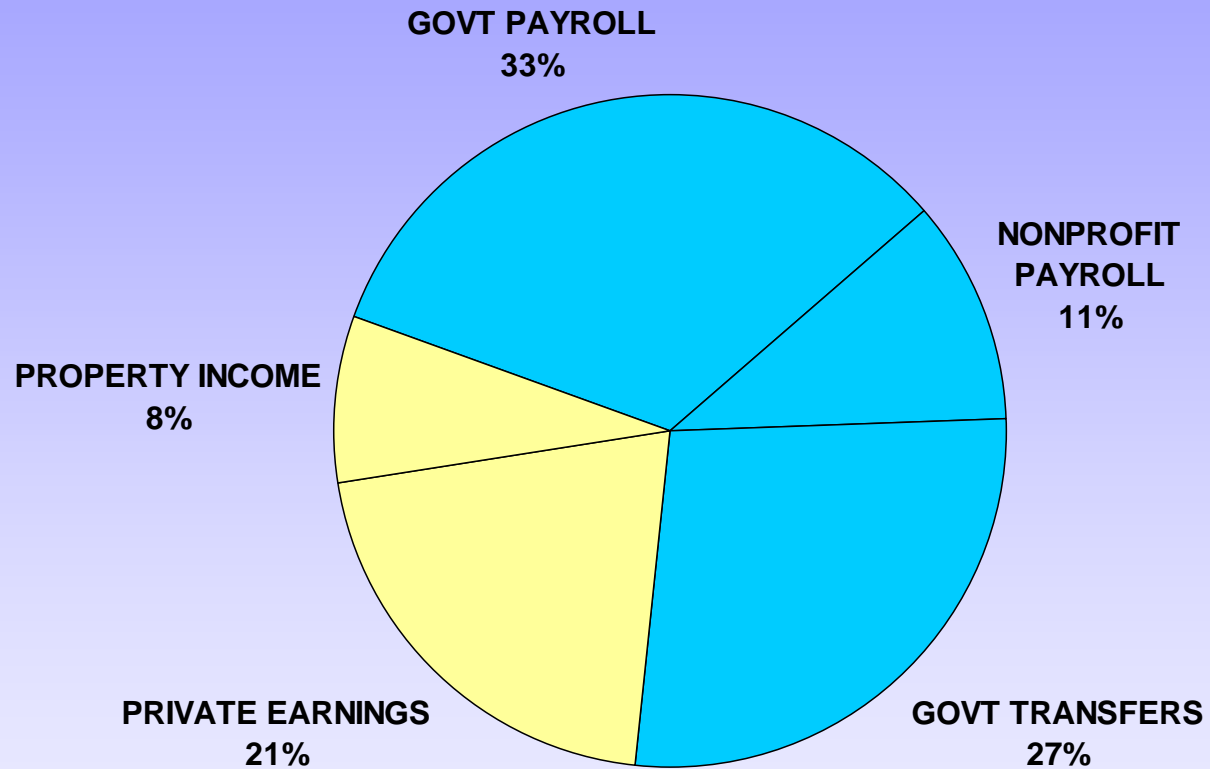
# BEFORE: RISING TIDE RAISES ALL BOATS



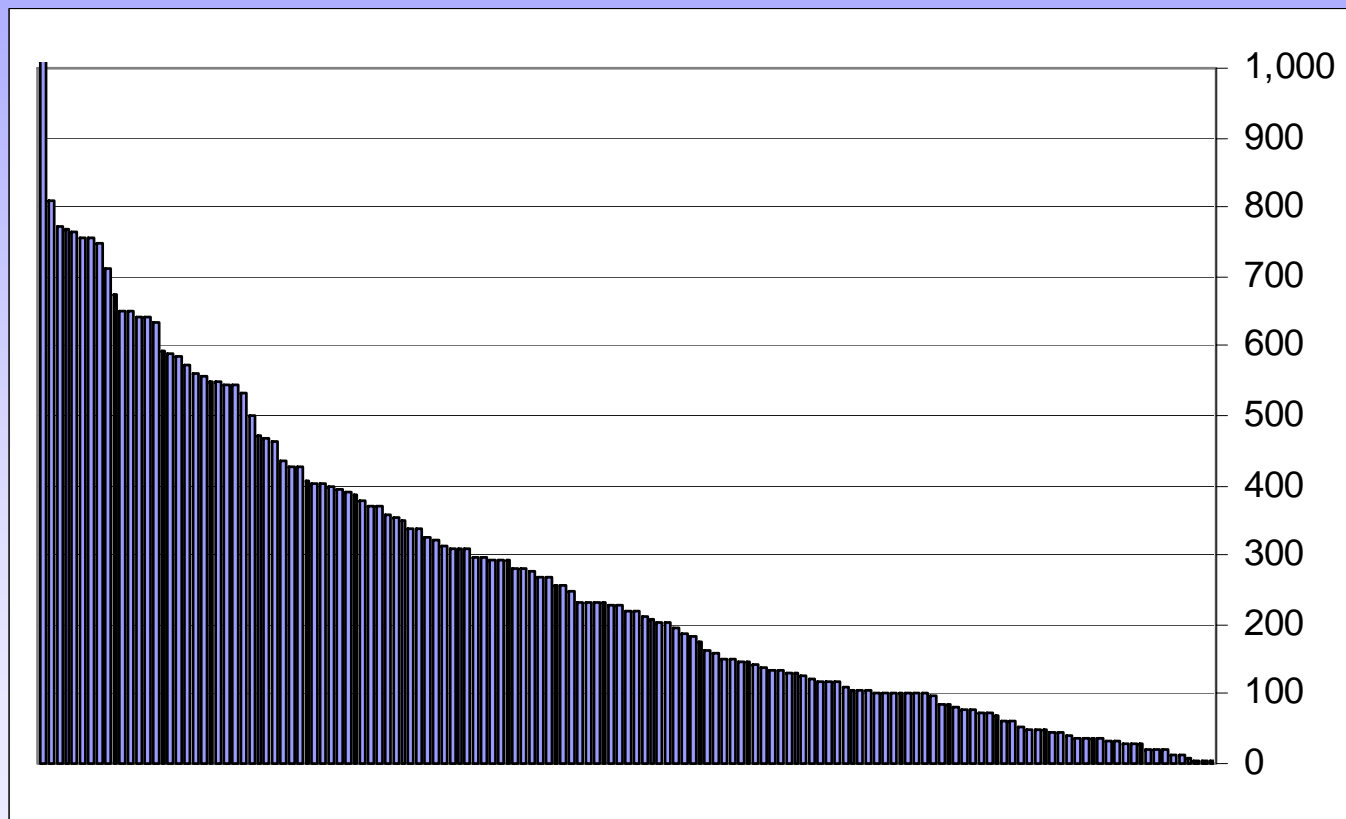
# NOW: RISING TIDE RAISES URBAN BOATS



# REMOTE RURAL ECONOMY STRUCTURAL CHALLENGE: SOURCES OF PERSONAL INCOME



# Size Distribution of Remote Rural Communities Outside Regional Centers



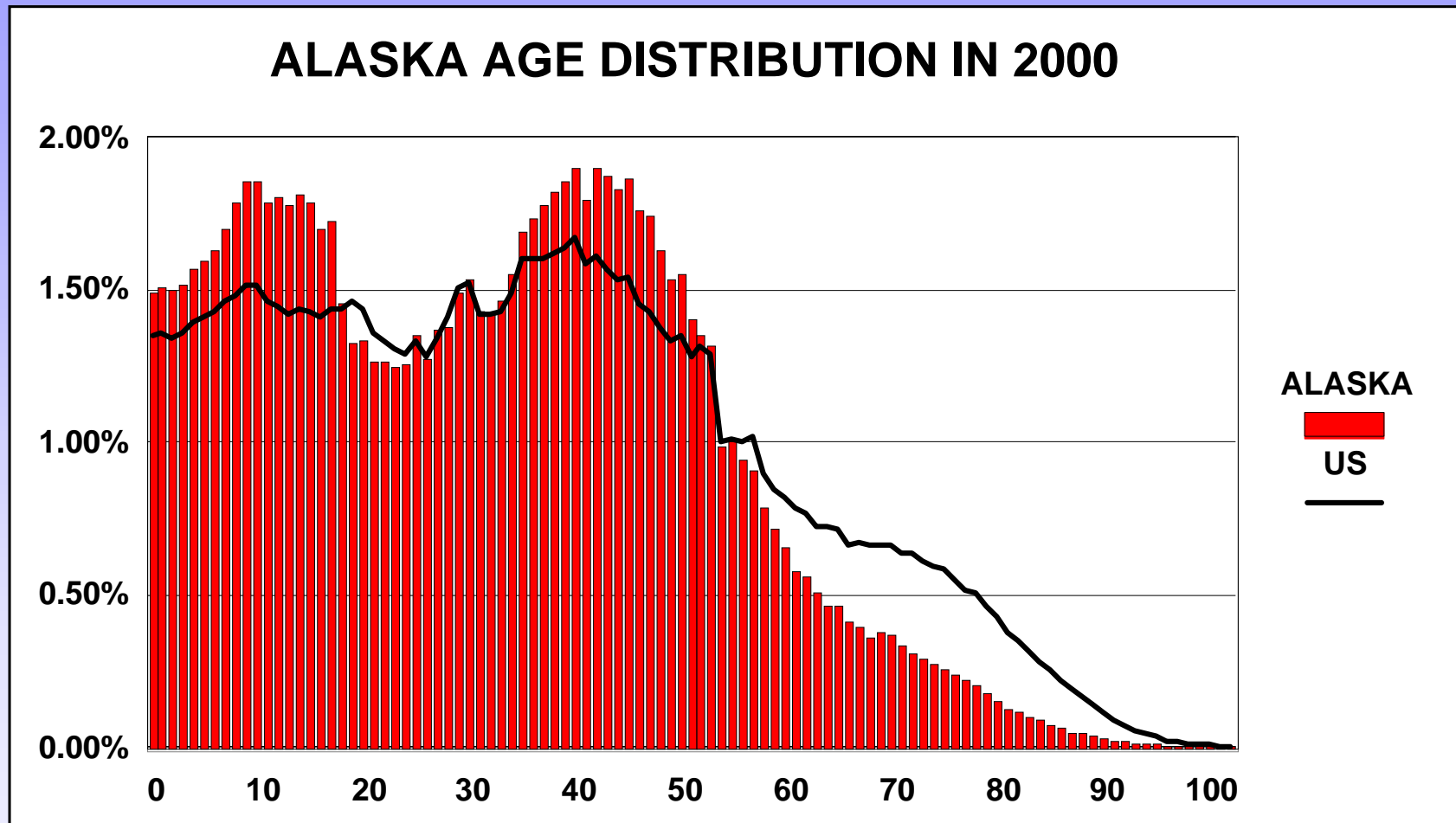
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# HOW ARE ALASKA FAMILIES DOING?

## NEW JOBS IN ANCHORAGE BY WAGE

	<b>&lt; \$60K</b>	<b>&gt; \$60K</b>
<b>80's</b>	15,108	5,452
<b>90's</b>	13,679	(1,260)

# BOOMERS AND BABIES



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# 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