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Missile Defense Program in Alaska Boosts State's Economy Directly, and the Nation's Economy Overall

By Mead Treadwell and Jeremy Thompson, editors

A recent study by Hans Geier at the University of Alaska Fairbanks measures the economic impact that the Ground-based Midcourse Defense (GMD) Program is having on the local Alaska economy. The study, entitled *Economic Impact of the Boeing Ground-based Midcourse Defense (GMD) Program: Alaska Operations 2007*, surveyed four regions of the state and estimated the impact of GMD on both on the local rural economies and the gross domestic product of Alaska. The results make a compelling case that while research and development of GMD occurs in other parts of the United States, construction and operations is providing a boost to Alaska's still-developing economy.

Economic impact was classified into two categories. The first kind of impact stems from expenditures by the GMD program itself: direct, indirect and induced. The direct effects are the changes in the industries associated with GMD expenditures. The indirect effects are changes in inter-industry purchases as they respond to the new demands of GMD-affected industries. Induced effects reflect the changes in spending from households as income increases or decreases due to the change in spending by Boeing, the prime contractor for the GMD program and sponsor of the study. All effects combined showed the defense program boosted the state's economy by \$246 million.

The second kind of impact considers household earnings income, tax revenue generated for state and local government, property and sales. The GMD program directly employs 323 people. For each employee, the study finds that an additional 1.2 jobs are created, giving a total of 716 jobs directly and indirectly created. The cumulative total of household earnings based on the factors of payroll and benefits was \$71.8 million, directly and indirectly, with many of the jobs located in areas where few employment opportunities exist. These jobs and income generated \$9.6 million in state and local tax revenue and \$19.4 million for the federal government.

In addition to the role it plays in national defense, the GMD Program is one of Alaska's largest construction projects with economic effects which trickle down to the local level in some of the most isolated rural economies in the world. Ft. Greely, where interceptors are based, was set to be closed entirely before the GMD site decision was made in the Clinton Administration. The Aleutian port of Adak, home port of the GMD's X-Band radar, is one of the most remote places in America, and the local economy had taken a dive after a U.S. Navy base had closed there. Remote Kodiak, with a state-owned launch facility that serves as part of the test-bed for both GMD and other elements of

the layered national system – which envisions sea, air, and ultimately space-based defenses – is also benefitting from GMD construction in Alaska.

At the Institute of the North's Security and Defense Program, we seldom discuss the economic impact of missile defense construction. The right policy is to defend the homeland against any threat using the best means from the best location. The wrong policy is to support missile defense as a project for creating jobs. Alaskans simply called for a missile defense that would defend all 50 states through a legislative resolution in 1999. The resolution was first introduced in the state legislature in 1997, years before it was known that Alaska might host one layer of the nation's missile defense system. An effective missile defense is essential to deter missile attack on the United States, its forward forces, our friends and allies, especially from "asymmetric" or anonymous sources – states like North Korea, Iran, or from other rogue sources who might launch from ships at sea with no known "national" return address for a retaliatory response. Whatever the economic impact in Alaska, Alabama, California, Hawaii or Colorado, the ultimate impact is to provide an umbrella for the entire U.S. economy. *Link to study:* http://www.uaf.edu/snras/afes/pubs/misc/R_08_01.pdf

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The Institute of the North, based in Anchorage, Alaska, is a non-profit educational and research organization founded in 1994 by former Secretary of the Interior and twice Governor of Alaska Walter J. Hickel, focusing on strategic and natural resource issues.

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