

Lessons Learned from Solving An Alaska Economic Puzzle

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MEET ALASKA CONFERENCE
The Alliance

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Structure of the Alaska Economy: The 1/3 Rule

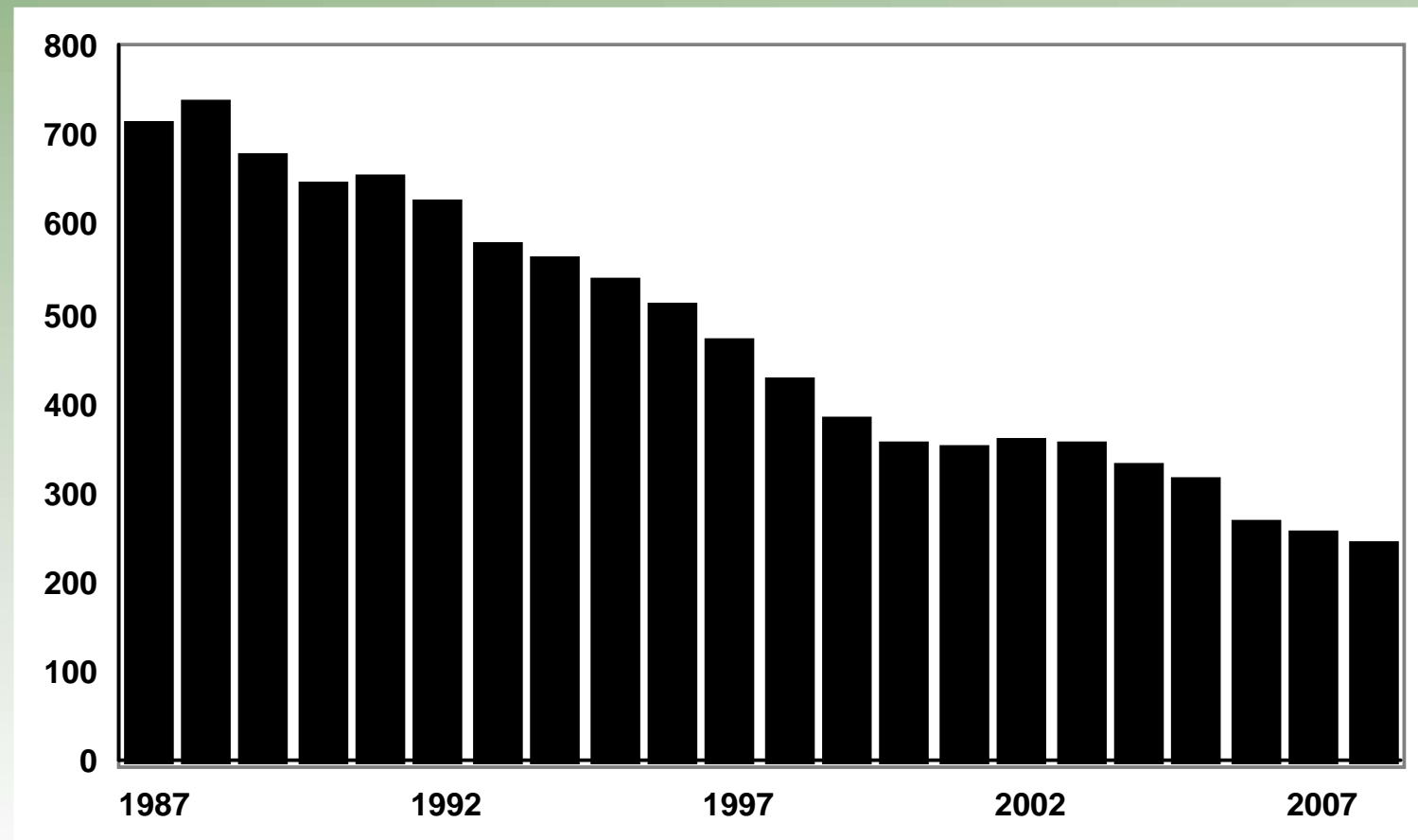


Petroleum Extension of the 1/3 Rule

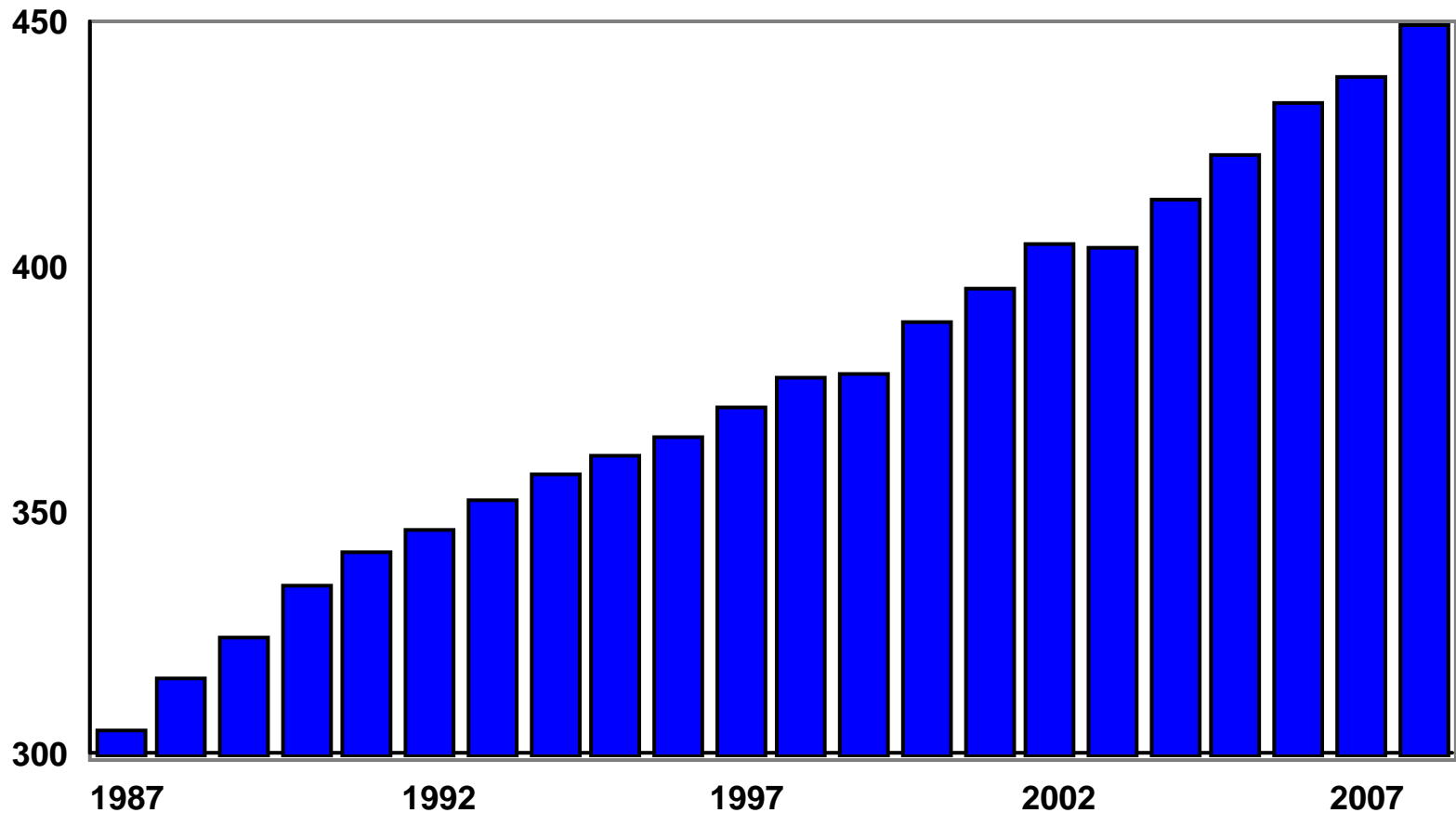
- **1/3** Jobs Today
- **2/3** Economic Growth since Statehood
- **3/3** State GF Operating Expenditures



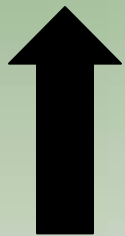
20 Years of Falling Oil Production



22 Years of Job Growth



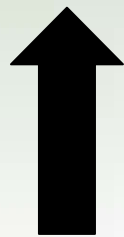
Non Petroleum Driver Scorecard: 1987-2008



- Mining
- Air Cargo

=

- Fishing
- Timber



- Tourism
- Retirees

+\$1.5 Billion



Federal Spending Scorecard: 1987-2008

- Total spending doubled to \$10 Billion
- First boom--grants
- Second boom--military
- Still above long term trend
- \$14,000 per person

+\$5 Billion



Good Fortune Scorecard: 1987-2008

- Stock Market Boom
- Low Interest Rates
- Commodity Price Boom
- American Recovery and Reinvestment Act

Temporary
+ \$? Billion



Petroleum Scorecard: 1987-2008


- Employment
- Value of Production
- Permanent Fund Dividend
- Spinoffs = Infilling of Support Jobs



Summary of Sources of Growth: 1987--2008

- Mining, Air Cargo, Tourism and Retirees
- Federal Spending
- Luck
- Infilling of Support Jobs
- Petroleum





What Role Can Petroleum Play in Alaska's Future?

- Remaining resource base huge
- Sustainable for 50 years
- Easy oil gone
- State revenue take smaller
- Is it worth it?



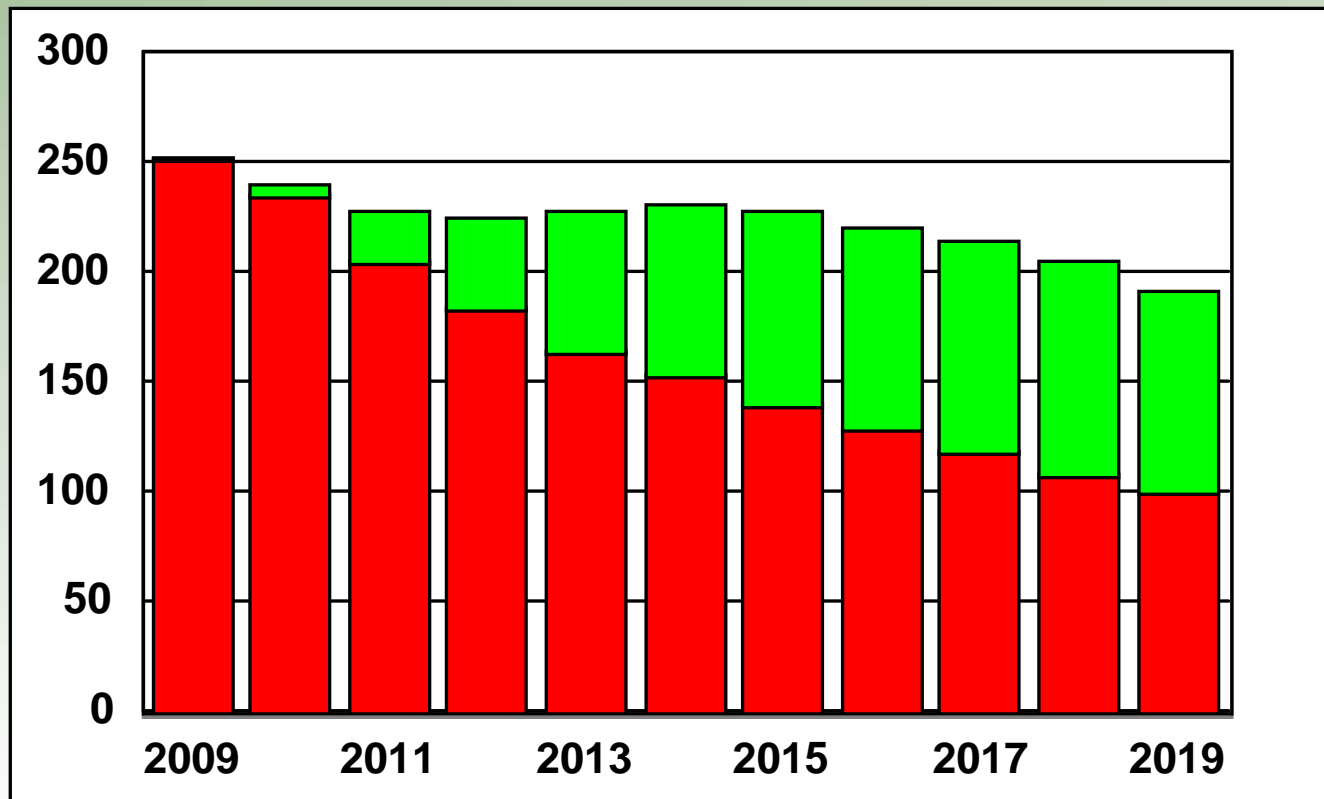


Observations on Playing the Game

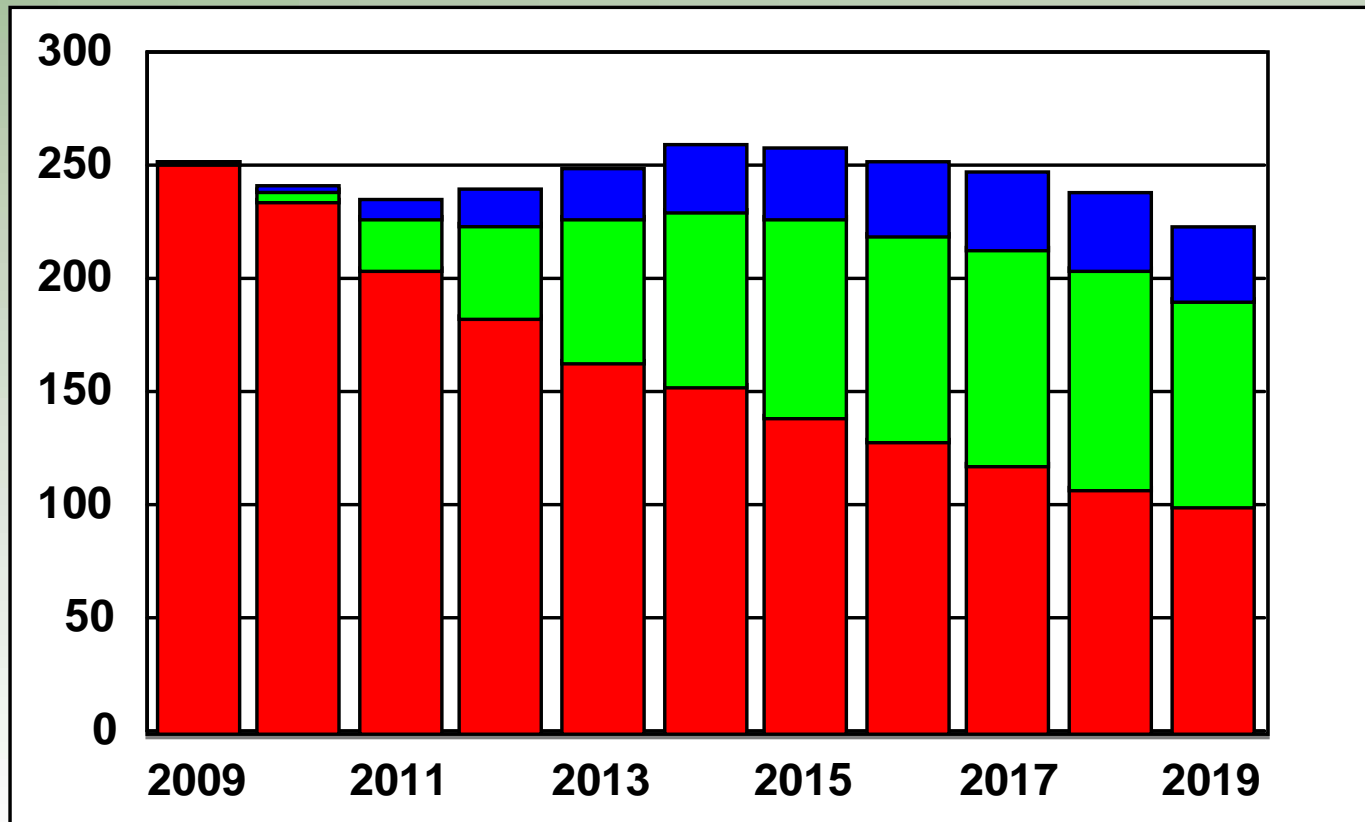
- Don't put good money in bad projects
- Don't think of it as a Zero Sum Game



Oil Production Forecast: Alaska Department of Revenue



Hypothetical Oil Production Forecast: Lower Tax Rate Increases Production (???)



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