

News Release

THE FEDERAL RESERVE BANK of KANSAS CITY

925 Grand Boulevard • Kansas City, MO 64198 • Phone: 816.881.2683

www.KansasCityFed.org

FOR IMMEDIATE RELEASE
June 27, 2008

CONTACT: Tim Todd
816/881-2308
timothy.todd@kc.frb.org

HOW IS THE RISE IN NATIONAL DEFENSE SPENDING AFFECTING THE TENTH DISTRICT ECONOMY?

During the last decade, defense spending in the United States has risen steadily to account for nearly 5 percent of overall gross domestic product—about the same as residential construction. Last year, national defense expenditures totaled \$650 billion, the largest amount since World War II, even after adjusting for inflation.

Chad Wilkerson, vice president and Oklahoma City Branch executive, and Megan Williams, associate economist, both of the Federal Reserve Bank of Kansas City, examine the economic impact of growing defense spending on the Tenth Federal Reserve District in “How is the Rise in National Defense Spending Affecting the Tenth District Economy?” The article appears in the second quarter edition of the Bank’s *Economic Review*.

As home to several large military installations, numerous private defense contractors and a disproportionately large number of reservists and National Guardsmen, defense spending makes up an even larger portion of economic activity in the Tenth District.

The increase in national defense spending will likely help the region more in the long run rather than in the short run, Wilkerson and Williams find. The authors note that defense spending in the Tenth District has risen at a more moderate pace than the rest of the nation in recent years due to the types of defense activities located in the region. But the region is poised for an expansion of defense spending in the future, and it benefits from a less cyclical defense sector.

