

They show an employment multiplier which is much less than that for a manufacturing firm in a large metropolitan area. We estimate the employment multiplier for Fort Devens, a military installation near a small rural town in central Massachusetts, to be only 1.2. Our estimates for the Pease Air Force Base near Portsmouth, N.H., range between 1.2 and 1.4. In other words, for every additional 100 people stationed at these military bases, it is likely that only 20 to 40 additional people are needed to service them in the immediately surrounding towns.

It is easy to understand the differential multiplier between a private manufacturing firm and a military base. Most military bases are relatively self-sufficient. They obtain their supplies and parts from central supply depots and manufacturing firms in our large metropolitan areas. Military personnel often have their own on-base housing as well as their own PX, movie theater, barbershop, and recreation center. Surprisingly, it also appears that young military personnel save a somewhat larger portion of their pay than civilian employees. In addition, if military personnel do spend money on recreation, they are likely to travel long distances to major cities. Thus, when there is a big expansion at a military installation, the surrounding area does not expand as much as it would if there were a similar buildup at a private manufacturing facility. Obviously, when there is a contraction, the surrounding area is not nearly as hard hit.

One of our studies has also suggested that Government manufacturing facilities such as shipyards have a smaller employment multiplier than private manufacturing plants. Our estimates for Portsmouth, N.H., suggests that a Government shipyard has a multiplier of 1.6 as compared to 1.8 for a private manufacturing firm in the same area. Incidentally, I don't want to suggest that the specific multiplier figures I have quoted are applicable to all parts of the country. Under many circumstances, the local multiplier impact of Defense installations could be greater than 1.4 or 1.6. Nevertheless, it is quite clear that Defense installations have a lesser local impact than civilian plants.

Last year the Federal Reserve Bank of Boston studied the action being taken by communities affected by planned Defense installation closings in New England. We looked at the Watertown Arsenal in Boston, the Springfield Arsenal, Mass., the Dow Air Force Base near Bangor, Maine, and the Portsmouth Naval Shipyard. In each case we were pleased. The adjustment problems appeared to be small at the Watertown Arsenal which was only a minor employer in the Boston metropolitan area, and the communities were taking some action to plan for the adjustment. The Springfield Arsenal is now rapidly undergoing conversion—in part, to a private facility operated by the General Electric Co. The future closing of the Portsmouth Naval Shipyard will undoubtedly cause problems. However, the entire Portsmouth area now has a severe labor shortage. It appears likely that private employers will be able to absorb most of the shipyard workers who do not wish to stay with the Defense Department. I should also mention that the Defense Department's policy of guaranteeing a job to each permanent employee who is displaced is generally of great help. In the case of employees in the Boston area, more than three-quarters of those who wished to be transferred within the De-