

ECONOMIC IMPACT OF A MILITARY BASE

A CASE STUDY OF FORT DEVENS, MASS.*

Increasing effort has recently been devoted to investigating the broad ties between the Nation's economy and its defense spending. Relatively little consideration, however, has been given to the impact of defense spending at the local level. Yet it is in the area immediately surrounding large defense installations, more than in the Nation or large region, where the economic consequences of many defense policies and actions are most dramatically felt.

The impact of a military facility on the local economy can be evaluated in much the same manner as the economic impact of any private establishment of similar size. Yes, important differences exist in the expenditure patterns of these two types of activities. In general, the expansion in local employment generated by a military facility is not as large as that resulting from a private facility of comparable size.

In 1961, the Federal Reserve Bank of Boston sponsored a study of the economic impact of the Pease Air Force Base in Portsmouth, N. H.¹ More recently, the bank supported a research study of Fort Devens and its influence on the economies of Ayer, Mass., and other towns within a 15-mile radius. In many respects, the conclusions of the Fort Devens study parallel those of the earlier investigation and reveal a general pattern of the operating and payroll expenditures for military installations.

THE BACKGROUND

Fort Devens is the largest military installation in New England. It was established in 1917 and served as a center for induction, training, and separation for both World Wars. After each war, it was closed and reduced to caretaker status. In 1946, a portion of the post was leased to the University of Massachusetts as the site of a temporary college campus to accommodate veterans attending college under the GI bill. The post was reopened for the Korean war and since that time has maintained a relatively stable garrison of about 10,000 men. In addition, the fort's community includes about 8,000 military dependents and 2,000 civilian employees and their families.

The fort is located in Ayer, a small, semirural town in north-central Massachusetts. More than a fifth of the town's 8.8 square miles is occupied by the fort. Only 20 percent of the remaining area is developed, mainly for housing. Commercial and industrial development encompasses less than 2 percent of the town area.

About 40 percent of Ayer's population of 4,900 is directly associated with the fort. Military families comprise about one-fourth of the total and civilian employees and their families about 15 percent. In the past the town's economy was also heavily dependent on its

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¹ *New England Business Review*, July 1961.