ALASKA’S PERMANENT FUND DIVIDEND
Examining its Suitability as a Model

Edited by Karl Widerquist and Michael W. Howard
Alaska’s Permanent Fund Dividend
Basic income is one of the most innovative, powerful, straightforward, and controversial proposals for addressing poverty and growing inequalities. A Basic Income Guarantee (BIG) is designed to be an unconditional, government-ensured guarantee that all citizens will have enough income to meet their basic needs. The concept of basic, or guaranteed, income is a form of social provision and this series examines the arguments for and against it from an interdisciplinary perspective with a special focus on the economic and social factors. By systematically connecting abstract philosophical debates over competing principles of BIG to the empirical analysis of concrete policy proposals, this series contributes to the fields of economics, politics, social policy, and philosophy and establishes a theoretical framework for interdisciplinary research. It will bring together international and national scholars and activists to provide a comparative look at the main efforts to date to pass unconditional BIG legislation across regions of the globe and will identify commonalities and differences across countries drawing lessons for advancing social policies in general and BIG policies in particular.

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*Basic Income Reconsidered*

by Simon Birnbaum

*Alaska’s Permanent Fund Dividend*

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*The Ethics and Economics of the Basic Income Guarantee*, coeditor with Michael Anthony Lewis and Steven Pressman (2005)

*Basic Income: An Anthology of Contemporary Research*, coeditor with Yannick Vanderborght, Jose Noguera, and Jurgen De Wispelaere (forthcoming)

*Exporting the Alaska Model: Adapting the Permanent Fund Dividend for Reform around the World*, coeditor with Michael W. Howard (forthcoming)

Michael W. Howard

*Self-management and the Crisis of Socialism* (2000)

*Socialism* (2001)

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Preface

Karl Widerquist

I’d never been to Alaska when I agreed to edit a book about the Alaska Dividend. I’d been following the Alaska Permanent Fund (APF) and the Permanent Fund Dividend (PFD) for a decade, but from a very long distance.

My interest in the Alaska Dividend grew out of an interest in basic income. Growing up in a politically concerned household in the 1970s and 1980s, I felt that the United States had made great progress in extending freedom and civil rights, but the one area in which my country most came up short was our treatment of the poor. The world’s resources were once out there for everyone to use. But today many people work long, hard hours and yet never escape poverty. Others are subject to an intrusive and paternalistic welfare system or are economic captives in abusive relationships.

I learned about the basic income at the tail end of the period in which, under the name of “the guaranteed income,” it was a major part of the national political discussion in the United States. Milton Friedman promoted it as a market-friendly and unintrusive solution to poverty. I began to see it as an important, if not essential, tool for achieving social justice.

I started writing on basic income in the late 1990s and found that, although basic income was no longer a part of the mainstream political discussion in the United States, there was an enormous debate about it in the academic literature, mostly in the fields of philosophy, economics, and political science. In 1998, I attended my first conference of what was then called the Basic Income European Network (BIEN). I wanted to volunteer and get involved with the network, but the organizers told me that what they needed most from Americans was for them to organize a similar network on the other side of the Atlantic. So, in December 1999, Michael A. Lewis, Fred Block, Charles M. A. Clark, and I started the US Basic Income Guarantee Network (the USBIG Network), and I volunteered to write the newsletter.
Writing the USBIG newsletter put me in touch with the Alaska Dividend, which I’d only been vaguely aware of before. One of the first pieces of news I reported on was the referendum in 1998 in which Alaskans voted overwhelmingly against reducing the dividend. Here was a program that in a small way put the basic income into practice, and it was enormously popular and successful. How could an idea, so controversial in theory, become so popular in practice?

I began following developments in the APF and PFD very closely and reporting on them regularly. I even posted many of my reports as a blog (usbig.net/alaskablog/). In 2003, the USBIG Network started holding its conferences as a subsection of the Eastern Economics Association. In 2009, Laurie Harting from Palgrave Macmillan approached me about doing a book—and helping to organize a book series—on basic income.

My first thought was that a book about the Alaska Dividend was what was most needed in the basic income literature. So much has been written on basic income in theory, but very little has been written about the one place in the world that has put the idea into practice. I knew that many people who write on basic income would be interested in contributing chapters. I thought that some Alaskans with expertise in the APF and PFD might also be interested in contributing, even if they had little or no knowledge of the theoretical debate over basic income or of the Alaska Dividend’s connection to it.

One of the first people I approached was the coordinator of the USBIG Network, Michael W. Howard. He agreed not only to contribute a chapter but also to coedit the book. I will turn it over to him to tell the story from there.

Michael W. Howard

When Karl Widerquist asked me to coedit this book, I knew less about Alaska than he did, but my interest in the Alaska model was already heightened when I realized it was a prototype for an emerging policy proposal for addressing climate change: a carbon cap, and dividend. We both agreed that we needed to go to Alaska and learn about the Permanent Fund Dividend firsthand. Our one contact in Alaska at the time was Scott Goldsmith, a University of Alaska, Anchorage, economist who seems to be the first person to publish scholarly articles examining the PFD as a basic income. He was certainly the first to attend BIEN conferences, which is where we had met him. Goldsmith put us in touch with Charles Wohlforth, an Alaskan author who helped Dave Rose, the first director of the APF, write his
memoir, *Saving for the Future*. In addition to giving us great advice, Wohlforth recruited Cliff Groh, an Anchorage attorney who had helped to draft the original PFD legislation when he was a legislative staff member in the early 1980s, to coauthor his chapter. Wohlforth eventually had to drop out because he couldn’t accommodate work on this book into his packed writing schedule. So, Groh and Gregg Erickson, a Juneau economist who had been involved in the legislative process leading to the PFD (and whom we had met through other contacts), agreed to coauthor several chapters.

Goldsmith was eventually able to organize a workshop under the auspices of the Institute for Social and Economic Research (ISER) at the University of Alaska, Anchorage. In addition to Goldsmith, Groh, Erickson, Widerquist, and me, participants included two more of our projected book authors (Angela Cummine and Gary Flomenhoft) and several other Alaskans who had been intimately involved with the creation of the APF and PFD and who had followed its development over the years. These included Fran Ulmer, former lieutenant governor and assistant to Governor Jay Hammond during the period the PFD was taking shape; Rick Halford, majority leader of the Alaska House at that time; and Terrence Cole, professor of history and northern studies at the University of Alaska, Fairbanks. We learned a tremendous amount from that workshop. A few months later, as the book was nearing completion, we realized that we had enough material for two books. Hence the chapters of Cummine and Flomenhoft, as well as Karl’s and my own individual chapters, appear not in this book but in the next to follow in the series.

Howard and Widerquist

Both books, this one and its sequel to follow, focus on the Alaska model, the unique combination of a publicly held asset fund financed through income from publicly owned resources and a dividend generated from the fund’s earnings and paid equally and unconditionally to all citizens. The current book examines the Alaska model. Chapters in part I address the history of the APF and PFD as well as their economic, social, and political consequences. Chapters in part II examine the ethical debate over the Alaska model. Our concluding chapters bring the discussion together, drawing lessons about applying the Alaska model elsewhere.

After the current volume establishes the model’s suitability for export, its sequel, *Exporting the Alaska Model: Adapting the Permanent Fund Dividend for Reform around the World*, will explore
how the Alaska model can be applied elsewhere. It will look at what shared resources are available in less resource-rich areas and what sort of dividend they might support. It will consider specific proposals to adapt and improve the model, and it will examine the economic, political, and ethical issues involved in adapting the model for export.

Recent interest in basic income has arisen, first in Europe, then in North America, and increasingly in other parts of the world, because of challenges to the post–World War II welfare state regimes as a consequence of globalization. Flexible labor markets, immigration, easy flow of capital across national boundaries, and international pressure to reduce state expenditures are among the factors making it more difficult to reduce and eliminate poverty and keep inequality within reasonable bounds through contributory social security systems and targeted benefit schemes. Basic income is simple and inexpensive to administer. It reaches everyone and keeps pace with the changing economies that generate changing categories of need. It is, therefore, compatible with a labor force that requires periods of retooling without loss of economic security.

Basic income has a long history, traceable at least to the late eighteenth century. Figures such as Thomas Paine, Henry George, Bertrand Russell, and several Nobel Prize–winning economists have endorsed the idea of a basic income or something like it. Ethical arguments for a basic income have been generated from a wide range of political perspectives: conservative, liberal, egalitarian, utilitarian, republican, Marxist, feminist, left-libertarian, and even right-libertarian. A closely related concept, the negative income tax, enjoyed popularity in the early 1970s and was debated before and during the US presidential campaign of 1972.

Some of the most intense policy discussions of basic income around the world have occurred in South Africa and Namibia. The first nationwide commitment to a basic income has come not in the European Union but in Brazil, a country with much deeper poverty and inequality and with fewer resources to go around. Brazil has been officially committed to phasing-in a basic income since 2004, although the timetable of the phase-in has not yet been determined. Iran has recently begun phasing-in a small bimonthly basic income. The first payments have gone out, but it remains to be seen how far the program will develop.

The only place in the industrialized world where anything resembling a basic income has been institutionalized is in the state of Alaska, where for nearly three decades every Alaskan has received an
unconditional income annually in the form of a dividend from savings generated by Alaska’s oil wealth. Our initial interest in Alaska’s Permanent Fund Dividend arose because we saw it as a popular, successful partial basic income; and for this book we were interested in what might be learned from this example and in what aspects it might be replicated elsewhere. We found so much about the model that needed to be explored that our book project grew into two.

Most of the people who voted to create the APF and PFD did not do so for the purpose of providing citizens with a basic income. Alaska had a sudden windfall of oil wealth, and there was widespread concern that it would be wasted during the boom, leaving the state impoverished and undeveloped later. The APF was created in part to address that concern. The PFD was created after the fund was created, in part to ensure that every Alaskan would benefit from the state’s oil wealth but also to generate popular support for building up the APF. It just so happened that, in the process, the Alaskans created a successful partial basic income. Possibly only a few of its backers were aware of it at the time.

Independent of its relevance for basic income, the history of the Alaska model should be of interest to communities anywhere that have common wealth to share, want everyone to benefit equally from it, and want to save for the future. All nations and regions have a very large amount of common resources. Land, water, the atmosphere, and the broadcast spectrum are just a few examples.

In recent years, many resource-exporting nations have created sovereign wealth funds—a pool of assets collectively owned by the members of a political community engaged in interest-generating investments—but only Alaska’s sovereign wealth fund pays regular dividends to all citizens. One expectation of this book is that it will help put dividends on the policy agenda for those funds. Many countries, particularly in the developing world, have often found the discovery of natural resources to be a curse, a spark for plunder by foreign powers or local elites. While the international environment has a role to play in this sad history, perhaps the Alaska model has something to offer as an institutional solution for the resource curse. The model is no less important for the developed world, where the failure to develop economically in the wake of resource discoveries is sometimes called the “Dutch disease.” Hence there is also interest in sovereign wealth funds in Australia, Norway, and the Canadian province of Alberta.

But the Alaska model is not just for resource-exporting nations or nations with sovereign wealth funds. One of the most important
findings of this research project is that you do not have to be resource rich to have a resource dividend. All political communities have substantial amounts of common resources. But rather than treating them like a common stock, most governments give these resources away for free to privileged individuals and corporations, who sell them back to the public for whatever price the market will bear.

We hope that this book will acquaint readers with the Alaska model in some depth and provide a variety of perspectives on its implications and possible justifications, not only in the context of Alaska but also in other contexts. Thus the idea of exporting the Alaska model is initiated in this book, and this is to be elaborated for particular cases in the next book.

Notes

1. BIEN has since expanded to become the Basic Income Earth Network.
2. USBIG became an affiliate of BIEN in 2004.