# Lessons from the Alaska Model

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The APF and PFD are not perfectly designed, but they are a unique and innovative combination from which we can learn and on which we can improve. At a time when conditional social policies are under attack across the industrialized world, the Alaska Dividend continues to be extremely popular. It distributes a yearly dividend to every man, woman, and child in Alaska without any conditions whatsoever. As this volume has shown, the Alaska Dividend has helped Alaska maintain one of the lowest poverty rates in the United States. It has helped Alaska become the most economically equal of all 50 states. And it has helped Alaska become the only US state in which equality has risen rather than fallen over the past 20 years. Alaska is doing something right, and the dividend is a part of it.

After nearly 30 years of positive results in Alaska, the rest of the world should take a look at the Alaska model and think about adapting it to work in other places. This concluding chapter discusses six lessons we have drawn from the Alaska model.

## 1. Lesson One: Resource Dividends Work and They're Popular

The first and simplest lesson is that resource dividends work and they are popular once they're in place. This point is argued throughout this book, and so we don't need to reiterate the reasons here. The trick, as we argue below, is getting them in place.

## 2. Lesson Two: A State Does Not Have to Be Resource Rich to Have a Resource Dividend

It's easy to think that anything connected with the Alaskan oil industry is an aberration, something possible only because of Alaska's oil windfall. But the second and most important lesson is simply that the Alaska model *can* be exported: you do not have to be resource rich to have a resource dividend. There are three reasons why we know this is true.

First, Alaska isn't unusually rich. Oil transformed it from one of the poorer to one of the wealthier states (and it was briefly the wealthiest state), but it is not now the wealthiest state in the union. In fact, including the District of Columbia, Alaska ranks only tenth with a per capita GDP of about $42,000—only $2,500 higher than the national average. Alaska has no greater financial means than many other states and nations.

Second, as Goldsmith and Groh and Erickson have shown, Alaska uses only a small fraction of its resource wealth to fund the entire dividend. The fund is supported almost exclusively by taxes on a single resource, oil. Alaska's taxes on oil are very low by international standards. And the state devotes only a small portion of that revenue to the APF and PFD. Our upcoming sequel to this book discusses more thoroughly the potential for a much larger fund and dividend.[1]

Third, every country, state, and region has resources. Flomenhoft estimates that Vermont could support a dividend larger than Alaska's current dividend, if it made judicious use of resource taxes.[2] The most resource-poor countries in the world are probably Hong Kong and Singapore, where millions of people are crowded together on a little island, and they have to import almost everything they consume. But these countries have fabulously valuable real estate. We wouldn't be surprised if a tax on Singapore's land could support something much larger than the Alaska Dividend.

## 3. Lesson Three: Look for Opportunities

If Alaskans don't have the dividend because they are resource-rich, why do they have it? Alaska has the dividend because Alaskans took advantage of the opportunity. And that is the third lesson: look for opportunities. Again, Alaska's resources do not make it unique. Common resources are being privatized all the time all over the planet. Usually, they are given away by governments for free to corporations who sell them back to the public. But it is much easier to make taxation a condition of privatization than it is to impose taxes later. Every new well that's drilled is an opportunity to assert community control of resources. So is every new mine that's dug, every new reserve that's discovered, every new smokestack that seeks to use the atmosphere as a garbage dump.

Many other opportunities are less obvious. Here are two examples. First, the US government recently gave away a huge portion of the broadcast spectrum to private companies for digital television broadcasting. If they had auctioned off leases to the highest bidder, they would have raised billions of dollars per year.[3] Second, increased awareness about the need to do something about global warming is another opportunity. Two strategies currently being discussed, "tax and dividend" and "cap and dividend," would make polluters pay for the damage they do to the environment and return the proceeds to everyone as a dividend.[4]

What made Alaska unique was that Governor Jay Hammond was in place to take advantage of the opportunity. He was not the only person responsible for the creation of the fund and dividend, but it is clear that the model would not be in place without his single-minded pursuit of it for his entire eight years as governor. He made it his top priority. It was the object, seemingly, of every budget compromise he made from 1974 to 1982. To some extent the Alaska Dividend owes its existence to the right person being in the right office at the right time. But with a working model in place, it will be a little easier at the next opportunity. If people and politicians become aware of the model and stay on the lookout for opportunities, they will find them.

## 4. Lesson Four: Think Like an Owner; Think Like a Monopolist; Think Like Johnny Carson

To assert the right of the community to charge fees for the use of resources is to assert community ownership of resources. Of course, there is a danger in selling off resources and using the proceeds for the public benefit. People might then want to sell more resources to make more money. Once corporations have bought off the people, perhaps they can get away with doing even more damage to the environment. The solution to this problem is the fourth lesson: think not just like an owner but like a monopolist. That is, once we assert community control of resources, members of the community need to remember that, as a group, they have a monopoly over those resources. Monopolists maximize profits, not by selling all they can at bargain prices, but by restricting supply, selling less at higher prices, and some monopolists do more.

One monopolist we should take as a model is Johnny Carson. In the 1970s, he found himself to be the most popular entertainer on American television. He demanded and got a record high salary, but he didn't stop there. He had his workload reduced from five to four days per week, and his vacation time increased to something like three months per year. He realized that his time was valuable not only when he sold it but also when he left it unsold. Our resources and our environment are valuable not just as items for potential sale, they are valuable just as they are. As owners of the commons who think of our environment the way Johnny Carson thought about his time, we could have more money coming in while we also secure larger parks, more nature reserves, less pollution, and better resource management.

Anyone who is worried that a dividend will buy off individuals' environmental diligence should remember that polluters have been doing a job on our environment for thousands of years without buying off the people they harm. Nobody got a dividend when the Stone Age Maori hunted the New Zealand moa to extinction. Nobody got a dividend over the hundreds of years it took the fishing industry to slowly destroy the cod population on the Grand Banks. Nobody gets a dividend for the arsenic in our water or the sulfur dioxide in our air. Because the community has not asserted ownership of the commons, companies have been free to think of it as unowned and up for grabs. We have left them free to take valuables as they please from—and dump waste into—the environment we all share.

The assertion of the community's right to demand compensation for individual or corporate exploitation of our environment can actually be an important part of the solution to our environmental problems. The right to compensation is part of the right of ownership, and along with ownership comes the right to manage, regulate, and restrict access. Receiving payment for resources helps the members of the community think of themselves as joint owners of the environment with the power to insist that tenants be good stewards of the environment.

## 5. Lesson Five: Build a Constituency

This feeling of shared ownership is one of the reasons resource dividends tend to be so popular once they're in place, leading us to the fifth lesson: build a large constituency. One way to build a constituency is through universal rather than targeted policies. Economically and philosophically speaking, we, the authors, are indifferent between programs for all people and programs for all of the poor. As long as our governments permanently, unconditionally, eliminate poverty, we don't care whether we do it through a targeted negative income tax or a universal basic income or any other system. But politically speaking, our observations have taught us that our society is much more likely to eliminate poverty with universal programs, because universal programs build a large constituency that will protect the program from political attack. It is easy for politicians to single out the recipients of targeted programs, because they are a relatively weak and small group.

Another way to build a constituency is to be significant. Insignificant gimmicky programs might be easier to pass, but they are also easier to cut when a less favorable administration comes into power. If a politician proposed cutting the Alaska Dividend, all Alaskans would face losing $1,000–$2,000 a year for the rest of their lives. Whether that politician was promising a tax cut or some other spending program, they would put a universal constituency of Alaskans in the position where they would sacrifice something very significant for the uncertainty that the replacement will be delivered.

The British Labour Party recently failed to build a sufficient constituency to defend its "Child Trust Fund." This program was intended to be universal. It was designed to ensure *eventually* that every native born British citizen would own something. But the government decided to phase in universality by granting a small "baby bond" only to children born in or after 2002. Each child would receive a bond of 250 pounds at birth and another 250 pounds at age seven. This investment would provide enough for a onetime dividend of perhaps 2,000 pounds at age 18—hardly a life-changing amount.

When the Conservative-Liberal-Democratic coalition government came to power in 2010, the Child Trust Fund was one of the first programs they announced they would eliminate. The only people directly harmed by the cuts are babies born after 2010. The loss will only be a small onetime dividend, and they won't feel the loss in their wallets or be able to vote on it until 2028. It is not surprising that no significant opposition developed to the coalition government's plan to scrap the Child Trust Fund. The previous government failed to create a program that was significant to a sufficient number of voters to make it worth defending.

Alaska's PFD, like America's Social Security System, is protected by its significance. So many voters will fight against cuts in it that it cannot be easily eliminated. They have very good reason to care about it, because it makes a difference in their lives.

## 6. Lesson Six: Avoid Creating an Opposition

The companion to building a large or universal constituency in favor of a program is the sixth lesson: avoid creating an opposition. Policies, such as the minimum wage and rent control, put most of the burden on one, specific, easily identifiable group who will probably fight the program as long as it exists. Even programs financed by broad-based income tax can create an opposition if people connect the burden of paying taxes with programs they see themselves as unlikely to need.

But the Alaska Dividend has virtually no opposition. No one has reason to feel burdened by its creation and continued existence. The yearly dividends are financed by the returns on state-owned investments. They don't cut into anyone's perceived ownership.

Of course, the Alaska fund is created and continually enlarged by taxes (or "royalties") on oil drilling. But the oil companies aren't complaining. It was part of the deal they made to obtain the right to drill. Complaining about that now would be like complaining that they have to pay a price for steel, trucks, or ships. It doesn't make sense to complain about what is obviously an unavoidable cost of doing business. The state owns the oil fields. Anyone who wants to drill must pay. That's just the way of the world. But notice how atypical that model is. Usually the state awards ownership of resources to corporations for free. Anyone who wants to use those resources must pay the corporations. And that's just the way of the world. A good solid policy can simply become the way of the world.

There are times when corporations will fall all over each other to pay taxes. "Medical" marijuana producers in California are asking to be taxed so that they can be seen as legitimate businesses. Had the US government sold leases to the broadcast spectrum (instead of giving it away), they would have found many willing customers. Trying to impose those taxes now is more likely to create an opposition, but even so, once the idea is firmly established that taxes and regulations reflect community ownership and custodianship of the environment, there is little for an opposition to build around.

## 7. Conclusion

The Alaska Dividend is not as large as it should be, but even at the level it is now, it has significant progressive effects: it works, and it’s popular. It’s time to recognize the Alaska Fund and Dividend as a model we can build on.

## NOTES

1. Widerquist, Karl, and Michael W. Howard. *Exporting the Alaska Model: How the Permanent Fund Dividend Can Be Adapted as a Reform Model for the World*. New York: Palgrave Macmillan, forthcoming.
2. Widerquist, Karl, and Michael W. Howard. *Exporting the Alaska Model: How the Permanent Fund Dividend Can Be Adapted as a Reform Model for the World*. New York: Palgrave Macmillan, forthcoming.
3. See Flomenhoft, in Widerquist, Karl, and Michael W. Howard (eds.). *Exporting the Alaska Model: How the Permanent Fund Dividend Can Be Adapted as a Reform Model for the World*. New York: Palgrave Macmillan, forthcoming.
4. See Howard, in Widerquist, Karl, and Michael W. Howard (eds.). *Exporting the Alaska Model: How the Permanent Fund Dividend Can Be Adapted as a Reform Model for the World*. New York: Palgrave Macmillan, forthcoming.