How Alaska Citizens Benefit Equally from Shared Wealth

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In the state of Alaska each fall, every man, woman, and child gets an equal payment by check or electronic deposit – amounting to somewhere between $1000 and $1500, or four to six thousand dollars for a family of four. To receive the payment, one need only prove state residency; there are no means tests or work requirements. The money is each citizen's share of interest from the Alaska Permanent Fund, which is endowed from the oil wealth owned in common and rented for royalties collected from oil companies. This annual dividend is extremely popular. No one thinks of it as a government handout, and anyone proposing its elimination would be stepping on the third rail of Alaska politics. The regular arrival of these equal citizen payments helps to reduce economic inequality and give Alaska one of the lowest poverty rates among U.S. states.

To look closely at Alaska's Permanent Fund Dividend, my colleague Karl Widerquist and I assembled a team of economists, political theorists, historians, and legal scholars. How did the dividend come into being and persist? What are the ethical rationales, and can the Alaska model be adapted to different circumstances and challenges?

The Alaska Resource Dividend

Not long after Alaska became a state in 1959, oil was discovered on the North Slope, creating financial windfalls for the impoverished fledgling state government. After years of debate about how to ensure long-term benefits from exploitation of the state's shared oil wealth, the Alaska Permanent Fund was established in 1976; after some years of controversy it was decided to allocate much of the yearly interest to equal dividend payments to all citizen residents. In time, Alaskans came to expect this annual income boost. The Alaska story holds important lessons:

- Opportunities need to be seized. Surprisingly, the Alaska dividend did not come about automatically as a mere logical consequence of oil wealth. Clashing interests and ideological perspectives were involved, and chance events intervened. The dividend ultimately passed because a few well-placed people kept pushing the idea.

- Sustainable policies need ongoing support, and resource dividends need to be large enough to make a difference to voters. The Alaska dividend is not enough money for anyone to live on – but it is a substantial, visible amount. It has gained wide popularity and would be hard to undo.

- Resource-based dividends may face little opposition. Oil companies treat payments to Alaska as a regular cost of doing business. There is virtually no opposition to sustaining the dividend long into the future.

Legitimate from Various Perspectives

The Alaska model can be justified from a variety of philosophical and political standpoints:

- **Liberal egalitarians** defend a resource dividend as a popular policy that, in combination with progressive income taxation, can spread ownership and make incomes more equal.

- **Civic republicans** support a resource dividend as an unconditional income stream that enables each citizen to be independent from the domination of employers.

- **Left-libertarians** find the Alaska model especially appealing. When most people hear the word "libertarian" they are apt to think of right-libertarians who favor strong private property rights and see taxation of private property as a violation of natural rights. Left-libertarians share with right-libertarians a commitment to the inviolability of the individual person, an opposition to paternalism, and the belief that people should be entitled to the fruits of their labor. But while right-libertarians believe that resources can be privately appropriated and inherited, left-libertarians think of natural resources as initially owned in common. They consequently believe that private interests should pay a rent to use shared resources. Taxation to build a fund from which dividends are equally distributed nicely meets the left-libertarian aspiration to combine individualism and equality.

Can Resource Dividends Meet Other Challenges?

With concentrated oil riches and a state constitution that recognizes joint ownership of unoccupied land and natural resources, Alaska had advantages in setting up a dividend program. But similar approaches can be adapted to different circumstances and public problems:

- Even states – such as Vermont – that lack oil or mineral windfalls can exert domain over common resources such as ground and surface water, land, atmosphere, and the broadcast spectrum. They could charge rents to users and distribute the proceeds to all citizens.

- A dividend-oriented approach could help the United States address threats to the environment, a shared resource. Scientists have established that greenhouse gas emissions from carbon energy sources are leading to global warming and harming the environment. To reduce dangerous emissions, either carbon energy sources must be taxed or permits to introduce carbon into the economy must be auctioned, primarily to energy-producing companies. Either approach would generate hundreds of billions of dollars in public revenue annually. At the same time, prices for electricity and fuel would rise, placing an especially high burden on lower and middle-income households that spend a relatively high proportion of their income on energy. But if the revenues from carbon taxes or permit auctions were rebated to each citizen through regular dividends, the bottom seventy percent of households would actually gain more than they must pay to cover higher energy prices. Dividends from charges on carbon users would be easy for citizens to see – and substantial enough to win popular support during what it is certain to be a lengthy transition to a green economy. A dividend-oriented approach thus combines good environmental policy with an emphasis on social justice.

Read more in *Alaska's Permanent Fund Dividend: Examining Its Suitability as a Model* (edited with Karl Widerquist) (Palgrave Macmillan, 2012) and *Exporting the Alaska Model: Adapting the Permanent Fund Dividend for Reform around the World* (edited with Karl Widerquist) (Palgrave Macmillan, 2012).