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Lessons of the Alaska Dividend

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At a time when progressive 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. It 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 U.S. state in which equality has risen rather than fallen over the last 20 years. Certainly Alaska is doing something right.

As newsletter editor for USBIG, I've followed the Alaska Dividend for the past ten years. I am currently in the process of co-editing a book on the dividend entitled *Exporting the Alaska Model* (Palgrave-MacMillan, forthcoming). In the process, I've learned several lessons that I believe are valuable to people interested in progressive social policy and the basic income guarantee.

The first and simplest lesson is that resource dividends are popular once they're in place. I'll talk about this more as I go.

The second and most important lesson is that the Alaska model can be exported. You might be tempted to think that anything connected with the Alaskan oil industry is an aberration; something possible only because of Alaska's oil windfall. But you do not have to be resource rich to have a resource dividend. There are three reasons why I know this is true.

First, Alaska isn't unusually rich. Oil has brought them from being one of the poorer states to being one of the wealthier states, but they are not 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.

Second, Alaska uses only a tiny fraction of its resource wealth to fund the entire dividend. Alaska has many valuable natural resources including forestry, fisheries, gold, land value, and so on. Only taxes on oil pay into the dividend. The taxes on oil drilling in Alaska are low by international standards. And, only one-fourth of the taxes on Alaska's oil go into the fund that supports the dividend. Alaska used most of its oil windfall to give itself an enormous income tax cut. It went from having one of the highest state income tax rates in the United States to having no income taxes at all. And it funded the dividend from what was left over. If Alaska actually used its resources to support the dividend, there is no telling now high it would be. Leaving income taxes as they were and devoting all of the oil taxes to the fund would have made the dividend at least four times what it is now. Raising oil taxes and treating other resources the way Alaska treats oil would make it higher still.

Third, every country, state, and region has resources. Gary Flomenhoft estimates that Vermont (a state not known for resource wealth) could support a dividend larger than Alaska's, if it made judicious use of resource taxes. 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. I wouldn't be surprised if a tax on Singapore's land could support something much larger than the Alaska Dividend.

All of this shows that Alaskans don't have the dividend because they are resource-rich; they have it because they took advantage of the opportunity. This is the third lesson: look for opportunities. Again, the Alaskan experience is no aberration. Common resources are being privatized all the time all over the planet. Every new well that's drilled is an opportunity to assert community control of resources. So is every new mine that's dug and every new reserve that's discovered.

Many other opportunities are less obvious. Recently, the United States government gave away the digital broadcast spectrum to television companies. If they had auctioned off leases to the highest bidder, they would have raised billions of dollars per year. 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.

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 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 revenue, not by selling all they can at bargain prices, but by restricting supply, selling less at higher prices. One monopolist that 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 not only valuable when he sold it, but also when left it unsold. Our resources and our environment are valuable not only as items for potential sale; they are valuable just as they are. As community owners of our environment, thinking like the stockholders of a monopoly, we could have more money coming in at the same time that we also have larger parks, larger nature reserves, less pollution, and better resource management.

As for the danger that a dividend will buy off individuals' environmental diligence, 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 fisheries on the Grand Banks. Nobody gets a dividend for the arsenic in our water or the sulfur dioxide in our air.

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 command that tenants be good stewards of the environment.

This feeling of shared ownership is one of the reasons resource dividends tend to be so popular once they're in place, leading me 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, I am indifferent between programs for all people and programs for all of the poor. As long as we permanently, unconditionally, eliminate poverty, I 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, my observations have taught me that we are 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.

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, every Alaskan would face losing $1,000 a year or more 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 of 250 pounds at age 7. This investment would provide enough for a one-time dividend of perhaps 2000 pounds at age 18—hardly a life-changing amount.

When the new Conservative-Liberal-Democratic coalition government came into power, 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 one-time 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 new government's plan to scrap the Child Trust Fund. The previous government did not create a program that was significant enough to a sufficient number of voters to make it worth defending.

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 from their suppliers. 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. Policies like the Alaska Dividend remind us that it's possible to change 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. Returning to the broadcast spectrum example, had the government sold it (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 once we firmly establish the idea that taxes and regulations reflect community ownership and custodianship of the environment, there is little for an opposition to build around.

The Alaska dividend is not as large as it should be, but it has significant progressive effects, it works, and it's popular. Perhaps it's time to recognize it as a model we can build on.

-Karl Widerquist, Morehead City, North Carolina, August 2010