

**The Alaska Permanent Fund Dividend:
A Case Study in Implementation of a
Basic Income Guarantee**

presented at

13th Basic Income Earth Network Congress
University of Sao Paulo
Sao Paulo, Brazil

by

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July 2010

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the most significant effect of the dividend on their overall consumption behavior, most respondents said it had little or no effect, or that it helped with regular expenses. Roughly 30 percent responded that it was to reduce debt or increase savings.

One reason there may be more savings out of dividend income than other sources is the fact that it comes in a lump sum once a year which might influence some recipients to save it, who would not otherwise do so.¹⁸ However, there is no evidence that the cumulative saving of dividends has resulted in a significant accumulation of wealth or provided a base of assets, or “grubstake” as we say in Alaska, leading to private sector investments generating economic development.

Whatever the pattern of purchases and consumption over time, most of the cash from dividends will ultimately find its way into the Alaska economy to increase employment, population, and income. A rough estimate of the total (direct and indirect) macroeconomic effects of this increase in purchasing power is 10 thousand additional jobs, 15 to 20 thousand additional residents (drawn to the state because of the jobs), and \$1.5 billion in additional personal income.¹⁹

An important macroeconomic feature of the dividend is the stability it adds to the economy, in spite of its variation in size from year to year. The income flow from the dividend is independent of all the other sources of income coming into the economy, and this additional diversity provides stability when other sources fluctuate.

Two features of the dividend—it is an equal distribution to all residents and it is taxable as personal income by the federal government—contribute to a leveling effect on the distribution of income. The dividend adds a larger percentage to after-tax income at the

they viewed as a one-time windfall compared to how they have allocated more recent dividend distributions.

¹⁸ Since 1991 applicants have been able to designate a part of their dividend to a University of Alaska Section 529 College Savings Plan established for the benefit of a child. Plan earnings are tax free under current law, and the proceeds can be used to pay qualified expenses at the University of Alaska or any other eligible institution of higher learning. Since its inception there have been about 80 thousand individual deposits into these accounts via PFD applications. The “pick-click-give” program which started in 2009 allows applicants to direct a portion of their dividend to charitable organizations. About 5 thousand people used the program in its first year, and an estimated 10 thousand will use it in 2010.

¹⁹ These rough estimates do not take into account potential general equilibrium effects discussed later in the paper. See Scott Goldsmith and Jeff Wanamaker, “The Economic Impact of the Alaska Permanent Fund Dividend,” Institute of Social and Economic Research, University of Alaska, 1989, and Scott Goldsmith, “A Comparative Analysis of the Economic Effects of Re-imposing Personal Income Taxes, Reducing Permanent Fund Dividends, or Reducing State Spending,” Institute of Social and Economic Research, University of Alaska, 1987.