

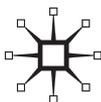
ALASKA'S PERMANENT FUND
DIVIDEND

Examining Its Suitability as a Model

Edited by

Karl Widerquist and Michael W. Howard

palgrave
macmillan



ALASKA'S PERMANENT FUND DIVIDEND

Copyright © Karl Widerquist and Michael W. Howard, 2012.

All rights reserved.

First published in 2012 by
PALGRAVE MACMILLAN®
in the United States—a division of St. Martin's Press LLC,
175 Fifth Avenue, New York, NY 10010.

Where this book is distributed in the UK, Europe and the rest of the world,
this is by Palgrave Macmillan, a division of Macmillan Publishers Limited,
registered in England, company number 785998, of Houndmills,
Basingstoke, Hampshire RG21 6XS.

Palgrave Macmillan is the global academic imprint of the above companies
and has companies and representatives throughout the world.

Palgrave® and Macmillan® are registered trademarks in the United States,
the United Kingdom, Europe and other countries.

ISBN: 978-0-230-11207-0

Library of Congress Cataloging-in-Publication Data is available from the
Library of Congress.

A catalogue record of the book is available from the British Library.

Design by Newgen Imaging Systems (P) Ltd., Chennai, India.

First edition: xxxxxx 2012

10 9 8 7 6 5 4 3 2 1

Printed in the United States of America.

CONTENTS

<i>Other Books by the Editors</i>	vii
<i>List of Tables and Figures</i>	ix
<i>Preface</i>	xi
<i>Acknowledgments</i>	xvii

Introduction

1 Introduction: Success in Alaska <i>Karl Widerquist and Michael W. Howard</i>	3
---	---

Part I The History, Economics, and Politics of the Alaska Model

2 The Improbable but True Story of How the Alaska Permanent Fund and the Alaska Permanent Fund Dividend Came to Be <i>Cliff Groh and Gregg Erickson</i>	15
3 How the APF and the PFD Operate: The Peculiar Mechanics of Alaska's State Finances <i>Gregg Erickson and Cliff Groh</i>	41
4 The Economic and Social Impacts of the Permanent Fund Dividend on Alaska <i>Scott Goldsmith</i>	49
5 Politics, the Preservation of Natural Resource Wealth, and the Funding of a Basic Income Guarantee <i>James B. Bryan and Sarah Lamarche Castillo</i>	65
6 Risk and the Alaska Permanent Fund Dividend <i>Michael A. Lewis</i>	85
7 Permanent Perhaps: Challenges to the Model in Alaska in Its First 30 Years <i>Gregg Erickson and Cliff Groh</i>	99

- 8 Critical Reflections on the Future of Alaska's
Permanent Fund and Dividend 115
Karl Widerquist and Michael W. Howard

Part II The Ethics of the Alaska Model

- 9 Left-Libertarianism and the Resource Dividend 123
Ian Carter
- 10 Basic Income and the Alaska Model: Limits of the
Resource Dividend Model for the Implementation of
an Unconditional Basic Income 141
Almaz Zelleke
- 11 Stakeholding through the Permanent Fund Dividend:
Fitting Practice to Theory 157
Christopher L. Griffin, Jr.
- 12 The Alaska Model: A Republican Perspective 169
David Casassas and Jurgen De Wispelaere
- 13 Climate Change, Complicity, and Compensation 189
Stephen Winter
- 14 Why Link Basic Income to Resource Taxation? 205
Michael W. Howard and Karl Widerquist

Conclusion

- 15 Conclusion: Lessons from the Alaska Model 221
Karl Widerquist and Michael W. Howard

Bibliography 229

Contributors 249

Index 253

The Alaska Model: A Republican Perspective

*David Casassas and Jurgen De Wispelaere*¹

Since 1982, each Alaskan has received an equal share of the returns to the Alaska Permanent Fund (APF), a publicly owned investment portfolio funded by the state's oil revenue. These returns come in the form of a Permanent Fund Dividend (PFD) allocating an annual grant of roughly \$1,200 to each man, woman, and child who meets the residency requirement.² The PFD is the sole example of a large-scale economic policy combining resource taxation—effectively transforming a depleting natural resource into a “sovereign wealth fund”—with the individual and unconditional distribution of (part of) the revenue stream to all resident shareholders. We call this the Alaska model.

The PFD has proven to be a very successful program, enjoying tremendous support from citizens across demographic, socioeconomic, and political divides. As Scott Goldsmith pointedly relates, in Alaska today it amounts to “political suicide to suggest any policy change that could possibly have any adverse impact today, or in the future, on the size of the PFD.”³ In addition, advocates of this Alaska model claim the PFD is a strong egalitarian policy, for it grants each citizen an equal share of a natural resource that is held in common ownership, rendering it immune to many of the intricate problems facing tax-and-transfer-style redistributive programs.⁴ In our view, the Alaska model constitutes a staple allocation mechanism for those endorsing a left-libertarian strategy for achieving distributive justice.

In this chapter we assess the pros and cons of the Alaska model from the perspective of contemporary republicanism, an approach in

political theory most famously associated with the work of Quentin Skinner and Philip Pettit.⁵ In brief, republicanism maintains that the foundation of a just political order is the safeguarding and promoting of republican freedom-as-nondomination captured in the idea that to be free is to live one's life protected from the (possibility of) arbitrary interference, or "domination," by others. For republicans, the Alaska model is justified to the extent that it contributes to, or at least is compatible with, the most extensive republican freedom for all citizens. We believe the PFD currently in place in Alaska fails this particular test in important respects.

This chapter proceeds as follows. Sections 1 and 2 briefly discuss the basic ideas underlying republican political theory and distinguish the republican perspective from the left-libertarian one that, in our view, fits quite naturally with the Alaska model. Having set out a framework for assessing the Alaska model from a republican perspective, the next three sections discuss a particular set of worries. Each of these sections argues that for republicans to endorse exporting the Alaska model into other polities would require significantly amending the basic model as well as expanding the discussion of the PFD to include the broader policy environment within which the model is expected to operate. But expanding the parameters of the Alaska model in either of these two ways is likely to introduce further obstacles that make exporting the model considerably more difficult. Section 6 concludes by suggesting that while the Alaska model may be compatible with republican concerns in a weak sense, republicans ought to proceed cautiously endorsing the model in any strong sense.

1. FREEDOM AND THE ALASKA MODEL

When assessing whether to export the Alaska model, we must first ask ourselves what (if anything) might justify adopting the model in the first place. One important value that would give us a good reason to adopt an economic policy such as the PFD is if it contributes in important ways to individual freedom. Freedom is a notoriously complex and controversial concept, however, and political theorists disagree considerably about what makes a policy freedom-enhancing (Carter, Kramer, and Steiner 2008). Our aim in this and the next section is to briefly outline the core values underlying the republican conception of freedom-as-nondomination that informs our critical assessment of the Alaska model throughout this chapter, and to contrast the republican justificatory project with that of the left-libertarian.⁶

Let us start with left-libertarianism, an entitlement theory of freedom grounded in two core ideas.⁷ First, there is the idea of self-ownership: in brief, individuals fundamentally own themselves, their bodies and their labor, and they have a robust moral right of noninterference such that we ought to be free to be or do what we want as long as we do not interfere with other individuals' equally foundational self-ownership rights. Of course, in order for us to actually do something in the world, mere rights over our bodies and our labor are not enough; inevitably we need to make use of some materials that are out there in the external world. Here libertarians split in two camps. Traditional libertarians entertain a Lockean conception in which the world in its initial "unlabored" state is essentially unowned, and therefore ripe for appropriation—possibly subject to the Lockean Proviso to leave "enough and as good for others."⁸ Left-libertarians, on the other hand, believe that the world is owned in common and that any use of a worldly resource requires the payment of a "user rent" to be distributed equally to all others. The fundamental shift in seeing the world from unowned to owned in common is what allows left-libertarians to claim their theory to be egalitarian.⁹

It is easy to see how the Alaska model can be regarded as the left-libertarian allocation model par excellence: whenever one discovers a resource that is owned by all (in this case oil taken from the North Slope fields off the Alaskan coast; but numerous resources might fit the model as other chapters in this book argue), it is permissible (perhaps even mandated) to introduce a substantial resource tax on its use, which in turn can be used to fund a dividend distributed equally to all. This scenario fits quite naturally with the overall left-libertarian outlook of achieving robust equality without violating self-ownership. In addition, left-libertarians believe their preferred strategy of distributive justice through resource taxation has one further important advantage: it renders a substantive account of freedom-as-noninterference compatible with equality without instances of exploitation.¹⁰ Consequently, it would appear that the Alaska model constitutes the institutional personification of the left-libertarian theory of distributive justice; a view that is perfectly compatible with the fact that many non-libertarians (liberals, utilitarians, even some republicans) approve of the left-libertarian strategy of resource taxation combined with individual distribution of user rents for ulterior reasons. In other words, a left-libertarian strategy does not commit one to left-libertarian goals in a strict sense, but merely to the weaker goal of taxing and redistributing the value of natural resources compatible with the left-libertarian

twin values of self-ownership and the equal distribution of the value of resources owned in common.¹¹

Let us now consider an alternative approach to justifying the Alaska model on freedom-enhancing grounds, based on Philip Pettit's recent defense of republican freedom.¹² Republicanism is a theory of freedom that privileges freedom-as-nondomination as the foundation of a just political order. In a nutshell, republican freedom implies the ability to put one's life plans into practice without having to suffer the arbitrary interference from other agents. An individual suffers arbitrary interference when another individual or group is able to interfere in her plans or choices without regard for her avowable interests. For republicans, it is not interference as such but only arbitrary interference that restricts a person's freedom. This is because interference that reasonably tracks a person's avowable interests cannot be said to be impeding freedom in the relevant sense.

An act is perpetrated on an arbitrary basis, we can say, if it is subject just to the arbitrium, the decision or judgement, of the agent; the agent was in a position to choose it or not choose it, at their pleasure. When we say that an act of interference is perpetrated on an arbitrary basis, then, we imply that like any arbitrary act it is chosen or not chosen at the agent's pleasure. And in particular, since interference with others is involved, we imply that it is chosen or rejected without reference to the interests, or the opinions, of those affected. The choice is not forced to track what the interests of those others require according to their own judgements.¹³

A further crucial aspect of the republican notion of freedom is that the mere possibility of arbitrary interference is sufficient to render someone unfree in the republican sense. When the possibility of intervention is sufficient to impede the way an agent plans her life, she is no longer independent or self-governing but governs her life according to the reasons of someone else: she literally lives her life under alien control.¹⁴ It is this focus on "reasons" that allows republicans to conceptually and normatively distinguish their perspective from the freedom-as-noninterference that preoccupies left-libertarians.¹⁵

These assertions rest on a particular description of social life in which many dimensions of dependence intersect. In essence, for republicans, dependence arises whenever individuals occupy unequal social positions in society such that some are enabled to arbitrarily steer the lives of others. However, republicans equally accept that the realization of individuals' life plans requires coordinating actions with many others across multiple domains in life. The value of the

life that our freedom is supposed to help bring about is thus crucially based on how others act: in this sense republicanism is an irreducibly social theory of freedom.¹⁶ The careful negotiating of the individual and social components of republican freedom—that is, the protection from arbitrary interference, on the one hand, and the ability to lead a valuable social life, on the other—is precisely the task of our political institutions. What republicanism calls for is, in effect, robust institutional protection against the power of some individuals or groups to interfere in our lives without due regard for our avowable interests; and particularly without regard for our reasons for opting for a course of action or life plan that becomes difficult, costly, or outright impossible by the resulting interference. Such a free person is a citizen in the fullest sense of the term, a person who is free by virtue of being an equal—and equally protected—member of a polity shared with others who occupy a similar position. Republicans are not primarily concerned with the option freedom to be able to be or do as much as one might want to do, but rather with the distinctively social freedom of living one’s life without requiring the permission of other individuals or groups, including the state and its bureaucratic agents.¹⁷

From its very inception, the republican tradition emphasizes the importance of material resources to ensure individuals’ social and economic independence, which in turn is a necessary (but not sufficient) condition for individuals to retain a free status within a variety of social relations.¹⁸ Historically, socioeconomic independence was intricately linked with being a property holder. Republicans as diverse as Aristotle and Cicero, Harrington and Jefferson shared the insight that only proprietors can lead a truly free civil life by virtue of being guaranteed a material existence through the enjoyment of a set of material resources—be it money, land, cattle, or, indeed, slaves. As Harrington puts it, “the man that cannot live upon his own must be a servant; but that can live upon his own may be a freeman.”¹⁹ Similar considerations underpin the ideal of a property-owning democracy, advocated most eloquently in James Meade’s ideal of Agathotopia: “A man with much property has great bargaining strength and a sense of security, independence, and freedom.”²⁰ And it is worth noting the particularly republican flavor of the first modern defense of a basic income: Thomas Paine, in his “Agrarian Justice” (1997), argued for the introduction of a basic income as a way to restore ownership rights over external resources that some individuals had lost following the enclosure of the commons.

In advocating the case of the persons thus dispossessed, it is a right, and not a charity, that I am pleading for... To create a national fund,

out of which there shall be paid to every person, when arrived at the age of twenty-one years, the sum of fifteen pounds sterling, as a compensation in part, for the loss of his or her natural inheritance, by the introduction of the system of landed property: And also, the sum of ten pounds per annum, during life, to every person now living, of the age of fifty years, and to all others as they shall arrive at that age. . . . It is proposed that the payments, as already stated, be made to every person, rich or poor.²¹

In short, for republicans, robust access to material resources—that is, the effective guarantee of a minimal standard of social and economic existence by right—is a *conditio sine qua non* for the enjoyment of the cherished value of freedom-as-nondomination. This in turn seems to offer a clear presumption in favor of a combined resource taxation and dividend allocation scheme such as the Alaska model, which offers each citizen access to an equal share of a commonly owned material resource. Nevertheless, a republican version of such a device would be very different from the model implied in the left-libertarian strategy, for reasons we discuss next.

2. HOW REPUBLICANS AND LEFT-LIBERTARIANS DIFFER

Before assessing the particulars of the Alaska model from a republican perspective, let us first point out three aspects in which republicans part way from left-libertarians, differences that explain why republicans do not share the enthusiasm of the Alaska model with their left-libertarian fellow travelers, despite a shared focus on social or agency-based freedom.

A first difference relates to the contrasting conceptions of freedom that republicans and left-libertarians endorse. Although both arguably adopt a conception of freedom that focuses on human interference with agency rather than expanding the range of options as such, they differ radically in terms of what freedom is really about.²² Left-libertarians firmly believe in freedom-as-noninterference, and arguably even in a particularly restrictive form according to which interference with someone's free use of their body and their labor is explicitly prohibited by a strict conception of self-ownership. For republicans, what is at stake is the extent to which all citizens can live their lives protected from alien control, and at times this requires legitimate (state) interference. One important implication of this distinction for the present discussion is that where left-libertarians must

rely on nonlabor-affected means for social assistance, such as taxing natural resources, republicans can take a more relaxed attitude toward taxing a wider range of goods or resources, provided intervention results in an increase of republican freedom.²³

Second, although many favoring a left-libertarian strategy of resource taxation insist that the Alaska model will have a beneficial impact on poverty reduction, it should be noted that strict left-libertarians do not care about poverty as such. The use of external resources for combating poverty is at all times restricted by the principle of self-ownership and the principle of the equal right to world ownership (i.e., the idea that users must pay a rent to all others). But surely this means poverty matters only insofar as there is a clear link between being poor and having either one's right to self-ownership or one's equal share to the use of external resources violated; outside of those two principles, poverty doesn't matter for left-libertarians.²⁴ Taxing natural resources without taxing labor, as in the Alaska model, is a safe bet for the left-libertarian for the simple reason that it ensures that one's libertarian freedom-of-noninterference remains robustly protected. But the resulting impact on poverty reduction is contingent at best, and many feel a theory of distributive justice ought to allow the fate of the poor a more central place. The republican focus on material independence as a condition for social freedom, on the other hand, arguably retains a close relation with the goal of poverty reduction. For republicans, poverty in all its forms—and thus not only abject poverty—infringes republican freedom-as-nondomination in a direct manner by virtue of the fact that lack of material resources is deemed to be the primary cause of social dependence inimical to republican freedom.²⁵

Third, even where left-libertarians have strong egalitarian proclivities, they remain individual atomists and thus embrace no substantive conception of a political society or community apart from one of voluntary association.²⁶ One need not be a collectivist to appreciate the limits of an aggregative-atomist conception of the polity in which the only function of the state is to facilitate the complex coordination of individual agency.²⁷ This problem appears very clearly when considering the political framing of the PFD in Alaska. Goldsmith convincingly argues that the dividend is considered an entitlement rather than government expenditure: "There is a strong feeling among a portion of the population that the state-owned oil resource belongs to them as individuals rather than to all citizens collectively."²⁸ But there is an obvious sense in which this must be false, for no single individual could take her part of the resource and unilaterally decide

how to use it. In other words, the very decision to extract a resource, license its use, and subsequently allocate its proceeds in the form of a regular individual dividend is a collective decision made by the polity. We return to this particular point in section 6. Understanding the polity along left-libertarian lines as a mere voluntary association may cause one to overstate the individualist aspects of the Alaska model. Here too republicans offer a different route, for republican freedom is inherently about free citizens jointly deciding the constitution of a stable political order in which each citizens' republican freedom is robustly protected while appreciating the divergent forms in which they want to live their lives. When republicans emphasize individual freedom they always do so against a background of strong social connections and an awareness that individual freedom is simultaneously social freedom—that is, the freedom to be socially situated on equal terms with other citizens. Republicanism is essentially a theory of politics mapped onto a theory of freedom.²⁹ With these points in place we can now proceed with a republican evaluation of the Alaska model and its prospects for export to other countries or regions.

3. AN ECONOMIC FLOOR?

We expect republicans to be enthusiastic about the Alaska model since it quite literally aims to provide every citizen an economic floor, a recurrent amount of revenue funded through an equal share in the commonly held natural resources.³⁰ This seems to play right into the view that republicanism is crucially dependent on providing a baseline of material resources as a means of securing each citizen's freedom from arbitrary interference. This is most obviously the case in situations of abject poverty, where deprivation goes hand in hand with dependence on others for survival and the satisfaction of the most elementary needs. But we can equally surmise that an economic floor will assist many who face less dire circumstances, but nevertheless they must adapt their actions and choices to accommodate the wishes of others for reasons of economic advantage. A typical example includes the many ways in which employees must accept their employers interfering in their working lives, and regularly even in their private lives. An economic floor aims to improve citizens' bargaining position in the economic sphere by independently guaranteeing their material existence.³¹

What sort of economic floor can serve this purpose? Here several considerations come into play. In an ideal world we might require an economic floor to fully guarantee a person's material existence by

satisfying her basic needs.³² Of course, the notion of a basic need is controversial and multidimensional, and republicans accept that the precise nature of an economic floor must be adapted to accommodate the particular social context in which a citizen must shape her life. Moreover, the relation between material existence and republican freedom is not simple or linear. Instead, an economic floor should be conceived as a step good that contributes to republican freedom in a discontinuous manner: a gradual increase in the economic floor may have little or no direct effect on a person's freedom-as-nondomination until it reaches a "tipping point," at which point a "higher stage" of republican freedom materializes. While the satisfaction of basic needs constitutes a rather obvious tipping point, as it would make it possible (or make it more likely) for citizens to exit social relations that render them unfree, we can nevertheless imagine important steps below and above the point of basic needs that contribute in relevant ways to the advancement of republican freedom. Consistent with this interpretation, we believe emphatically that an economic floor cannot be of such a low level that it could only contribute in a trivial manner to citizens' freedom from arbitrary interference: republican freedom requires a substantial economic floor.

To return to the Alaska model, republicans in principle applaud the idea of a cash transfer scheme that universally and unconditionally guarantees all citizens an income flow. But in the concrete case of the PFD in Alaska, several concerns arise. While not insignificant in terms of consumption value (especially when spent on durable goods and other types of household investments), \$1,200 per annum falls far short of approximating a significant contribution to republican freedom. Frankly, being able to purchase that long-needed washing machine at the end of the year will help a household in many ways, but it will not give an employee the sort of leverage to counter demands by his powerful employer, or allow a housewife to tell her husband to take up more of an equal share of the joint care responsibilities.³³ It is interesting that there is little concrete evidence of spending patterns of the PFD in Alaska, but we think it plausible that the design of the payment as a yearly bonus arriving to coincide with the Christmas period will make it more likely that it is treated as a gift rather than a part of one's regular income.³⁴ This reinforces the idea that the PFD is a nice consumption top-up, but not part of one's economic floor. And although it might counter the peculiar "Christmas-bonus" framing of the PFD, insisting on a monthly payout of around \$100 is of little consequence in the absence of a significant boost of the amount itself. As a result, Alaska citizens are perhaps better off in terms of

well-being, but not necessarily more free in the relevant republican sense of freedom-as-nondomination.³⁵

One of the arguments advanced in this book is that we should not stare ourselves blind at the current levels of the PFD, for we can easily boost the figures. On the one hand, we can boost revenue “internally” either by licensing the oil at a higher rate (as noted by Widerquist and Howard in their forthcoming book, drilling the Alaska oil comes quite cheap) or by devoting a much larger share of oil revenue to paying out individual dividends (or by both). On the other hand, we could expand the tax base by including other natural resources such as minerals or land, and even resources that are often taken for granted, such as the broadcast spectrum or the global atmosphere.³⁶ These options are discussed elsewhere in this book and its sequel³⁷ in more detail, so let us just note two republican concerns. First, the politics of expanding one’s resource base, whether “internally” or “externally,” is often quite problematic, and for that reason we should not put our blind faith into this option, particularly in light of the extent to which the PFD must be swelled to meet the requirement of constituting an economic floor that effectively contributes to republican freedom. In addition, realizing the financial value of a resource with high general use value may present unexpected difficulties. There may be reasons to resist fully commodifying a resource (e.g., to prevent business interests from entering a sphere with important social value); alternatively, a lack of sufficient investment capital may prevent a given society from taxing a resource to a point at which it generates a decent economic floor. Second, many advocates of the Alaska model would presumably think that when it comes to the size of the PFD “less is better than nothing,” and thus endorse even a partial scheme generating only a meager dividend. But for republicans this option is not available unless there are reasonable expectations that the partial scheme will expand into its full-blown version, for the simple reason that only the latter genuinely contributes to what republicans value—freedom-as-nondomination.³⁸

Consider a further complication. We often talk about the dividend, or the “economic floor,” as if this on its own will generate whatever desirable effects we attribute to it. This may make sense when we are talking in terms of consumption value, for any cash amount translates into purchasing power in a fairly straightforward manner. But matters are a little more complicated when looked at from a republican perspective. An economic floor really only promotes republican freedom in conjunction with a wider set of social policies, including in-kind benefits such as access to health care and education, family policies,

regulations pertaining to pension provision, employment directives, and so on. To use a phrase inspired by the debate on the Rawlsian basic liberties, we can distinguish between the “economic floor” and the “worth of the economic floor.”³⁹ The former is determined by the mere size of the dividend, but the latter is determined by the broader policy context in which the dividend operates. Consequently, a PFD implemented in a liberal welfare regime will have a different impact on citizens’ republican freedom than one implemented in a conservative or social-democratic regime.⁴⁰ Taking policy context seriously allows us to appreciate that a low dividend within a comprehensive protective policy context enhances republican freedom more than an institutional framework where a higher dividend constitutes the sole mechanism empowering the weak.⁴¹ Republicans are surely right to be wary of any form of dividend fetishism that trades off more expansive dividends against real advances in republican freedom. For this reason a republican evaluation of the APF and the PFD must include a debate on the type of policy conditions under which republicans can really endorse the adoption of the Alaska model.

4. ECONOMIC CEILINGS?

The establishment of an “economic floor” as a base for securing material existence paints only part of the republican picture. A concern with promoting citizens’ republican freedom from arbitrary interference also requires that we establish something like an “economic ceiling.” The rationale behind this republican requirement is again fairly straightforward. Lack of freedom in the republican sense is based on substantive inequalities of power, notable is the unequal economic power that rapidly spills over in the social and political world. Vast accumulations of economic power typically go hand in hand with a capacity to create monopolies or oligopolies (introducing entry barriers to markets, fixing prices in a predatory way, controlling the use of strategic resources, hampering autonomy and self-realization in the workplace, and so on), and even oligarchies.⁴² Economic power is often tied to economic inequality, and in particular to the vast differentials in income and wealth omnipresent in our winner-take-all society.⁴³ An economic floor rebalances this power inequality somewhat in favor of those vulnerable to arbitrary interference, or domination, by granting them a substantial measure of material independence. But this measure is insufficient in a society where some individuals disproportionately retain the power to determine the rules of the social and economic space in which free citizens aim to develop their

lives, strongly suggesting that republican freedom requires additional mechanisms for controlling powerful economic agents.

Two types of ceilings suggest themselves to be a counter to the potential for domination inherent in vast economic inequality. The first consists of measures to prevent money from seeping into other social domains, a form of “blocked exchanges.”⁴⁴ Such measures would allow economic inequality but impose a regulatory ceiling on what the vast economic wealth can buy you in terms of arbitrary interference in other citizens’ lives. The United States has a long tradition of regulations aimed at preventing the most powerful social and economic actors to erode the freedom of ordinary citizens.⁴⁵ The second type of ceiling consists of directly limiting the range of economic inequality; without having to endorse strict equality, republicans are rightly concerned about a society in which an employer earns, say, 150 times more than the average employee. This is not the place to discuss the relative merits of each of these mechanisms. In fact, republicans should be happy to endorse whichever (combination of either) works best in a given society, although there are reasons to think an *ex ante* Rousseauian approach of preventing economic power by limiting income and wealth inequality may be preferable over an *ex post* attempt to restrict its negative consequences.⁴⁶ But nothing in our assessment of the Alaska model hinges on opting for one rather than the other; suffice to state that, in our view, republican freedom requires not only an economic floor but equally a robust economic ceiling.

How does the republican requirement of an economic ceiling affect our assessment of the Alaska model? One response would be to say that this concern does not apply because the PFD really only relates to the floor and is therefore fully compatible with whatever economic ceiling we might impose. Perhaps advocates of the Alaska model are correct to regard this as a matter of political debate entirely separate from the institution of a resource taxation scheme. They maintain that the Alaska model remains purposively agnostic about the need for an economic ceiling, and if republicans would like one added, they simply have to argue for it on separate grounds: nothing in the Alaska model prevents them from doing so. This answer may seem plausible on the surface, but thinking through the link between the economic floor and the economic ceiling within a republican perspective allows us to raise two distinct but related concerns.

First, consider a point hinted at in the previous section; namely, that the value of the economic floor is dependent on the wider policy context in which the PFD is implemented. A similar argument applies

to the establishment of an economic ceiling: simply put, the republican value of the economic floor secured through a dividend will depend crucially on how much it affects the power balance between different citizens. A society in which all citizens have their material existence guaranteed constitutes a significant achievement from a republican point of view, but it nevertheless falls short of realizing republican freedom when powerful actors still retain the capacity to exercise significant social or economic control over others. In these cases, the republican freedom secured by the economic floor will be imperfect at best, and republicans must be committed to exploring options that might secure such freedom more effectively. Taking into account the investment of time, effort, political capital, and economic resources in securing a material floor raises concerns of inefficiency: perhaps resources are more usefully spent elsewhere unless we regain the ability to impose restrictions on powerful economic actors. In short, failing to control the “ceiling” comes at a considerable opportunity cost in terms of the reduced freedom guaranteed by the “floor.” This is not a trivial concern for republicans, as it directly affects the republican reasons for endorsing a particular policy.

Second, advocates of the Alaska model may counter the previous argument by suggesting republicans should adopt a piecemeal strategy of first putting in place a substantial economic floor, and only then proceed with the complementary task of building a robust regulatory or egalitarian ceiling. After all, if the PFD policy is compatible with an economic ceiling, this leaves republicans perfectly free to pursue their comprehensive goal of promoting republican freedom in a two-stage sequence. This response is plausible provided we assume total independence of the economic floor and the ceiling; that is, if we assume there are no linked effects or path dependency. Unfortunately, this may not be the case. In fact, we may have good reasons to think the institution of the Alaska model has important effects on the political opportunities to build a strong economic ceiling. Scott Goldsmith shows how the PFD rapidly came to be regarded as an individual entitlement, and not something that the polity or the state distributes in an active sense.⁴⁷ What seems to have happened in Alaska is that the PFD reinforces a conception of economic policy on broad left-libertarian terms, according to which natural resources owned in common are legitimately distributed to all individually, but direct economic redistribution through general taxation and economic regulation with redistributive effects more generally are regarded with suspicion. This effectively allows the justification for an economic floor to come apart from that of the economic ceiling, and even for the one to contradict

the other. This is an outcome completely at odds with republican political theory; and it offers yet another good reason for republicans to take a cautious attitude toward the Alaska model.

It is important not to overstate the point. All things considered, republicans may have no real grounds for opposing the institution of a PFD in the absence of an economic ceiling, in particular in cases where there is little prospect of any other progressive measure emerging in the short or medium run. But to the extent that a lack of an economic ceiling renders the freedom-promoting impact of an economic floor void, there may simply not be strong republican reasons for supporting the PFD.

5. DEMOCRATIC CONTROL?

A third republican concern shifts our attention away from distribution in a strict sense, focusing instead on the democratic politics of resource taxation more broadly. The starting point of the APF is the idea of a collectively owned asset, a sovereign wealth fund “collectively owned by the members of the political community.”⁴⁸ However, as Goldsmith shows, the political origins of the PFD are hotly disputed by its beneficiaries, who instead prefer to regard it as an individual entitlement to be ring fenced and safeguarded from the political sphere.⁴⁹ The failure to robustly embed the APF into an appropriate political setting in Alaska is telling in terms of the individualist (left-libertarian) character of the Alaska model, but this immediately raises a serious concern for republicans who conceive of society as governed by collective self-determination.

To understand the problem at hand, consider first a central distinction within the concept of ownership between benefit and control: the legitimate owner of an asset may derive all the benefits from its use without having full control over the manner in which it can be used, or sold, or licensed, and so on.⁵⁰ When the advocates of the Alaska model talk about common ownership, it appears they restrict their attention to the benefit dimension with little regard for the control dimension. When considering the political constitution of a sovereign wealth fund, there are three key decisions to be made: what resources to extract or to license for private extraction, how much to tax the resource in question, and how to allocate the resulting proceeds. It is our understanding that little democratic control is exercised by the people of Alaska on any of these decisions, with limited “virtual” control currently only exercised at the last point.⁵¹ Although only the APF is constitutionally protected—aided by a strict “prudential

investment rule” that was institutionalized from its inception by the governing body of the APF—the PFD is protected by a practical collective veto by virtue of beneficiaries resisting any policy change that affects the size of their current or future dividends.⁵² But from a republican democratic perspective, this seems overly restrictive. A democratic society surely would want to improve the extent to which the citizens collectively determine the share of the proceeds to be allocated as an individual dividend, including the mechanics of how citizens receive such a grant—for example, as a monthly or annual dividend, or perhaps even a stakeholder grant allocated once in a lifetime.⁵³ Such democratic governance, of course, implies adopting a radically different perspective from one that regards the PFD as a natural private entitlement to be protected at all cost.

Karl Widerquist proposes a move that goes some way toward granting individual citizens increased control over their stake in collectively owned resources. By turning the PFD into Citizens Capital Accounts (CCAs), he aims to give each citizen improved control on how to manage her particular share and how to use the resulting dividend.

At birth each child receives shares in a government held and managed account in a fund of diversified investments such as stocks, real estate, commodities, and government bonds. The key feature of CCAs is: the account owner has access only to the returns in her account not the principal. She can withdraw her available returns each year, month, week, or day, or she can let the returns accrue for later. A fixed amount of the returns must be reinvested. These mandatory reinvestments become part of next year’s principal to ensure that the principal increases every year. At death the entire principal (but not the available returns) is returned to the national fund to help finance the next generation’s accounts. Compound available returns left in the account will become a part of the account holder’s estate and taxed as any other estate asset.⁵⁴

From a republican perspective the increased control and accountability within CCAs is welcome, but it again remains insufficient as a mechanism of full democratic control. The main reason is that it only focuses on the last decision point, leaving the decision on what resources to extract or how much to tax them out of the picture. Unfortunately, those are crucial political decisions, affecting the polity at large and therefore requiring collective self-determination and robust democratic control. The absence of a genuine democratic perspective on these matters is particularly hard to understand in light

of the new global environmental agenda. One obvious way to swell the size of the PFD is to extract more (types of) resources, but this may conflict with other values—notably, environmental concerns.⁵⁵ Resolving these types of deep conflict requires sustained political debate in which all arguments and all sides are given a fair democratic hearing, and not by insulating the issue from politics altogether.

A perspective that leaves the APF outside of politics (as currently seems to be the case in Alaska) or that only offers improved control in terms of individual accounts once the prior resource extraction-and-taxation process has already taken place (as in Widerquist's CCA proposal) severely limits the capacity of the polity to collectively determine what to do with the resources it holds in common. For republicans, such democratic control is essential precisely because the policy is the space in which individuals constitute themselves as citizens by engaging in collective projects against the background of robust protection of their individual republican freedom.⁵⁶ In a similar vein, Erik Olin Wright suggests that basic income may "strengthen the power of civil society to shape the priorities for the use of the social surplus and the organization of economic activity."⁵⁷ Republicans offer a variety of institutional mechanisms to improve democratic control in practice, whether in the "electoral dimension" through representation or in the "contestatory dimension" through a host of non-electoral devices such as social movements or the courts.⁵⁸ Practical solutions abound, but in the absence of a clear commitment to democratic control of all the aspects of the Alaska model—extraction, taxation, distribution—republicans must again remain skeptical in supporting the model being exported to other states or regions.

6. CONCLUSION

In this chapter we have taken a critical stance on the merits and prospects of the Alaska model from a republican perspective primarily concerned about securing citizens' freedom-as-nondomination. Although the Alaska model initially seems very promising, there are at least three areas of republican concern: the lack of a substantial economic floor, the lack of an economic ceiling, and the lack of robust democratic control over the processes of resource extraction, taxation, and distribution. We believe that all these concerns mean republicans ought to tread carefully when promoting the Alaska model for export into other countries or regions across the world. At first blush, republicans may not have good reasons to oppose the institution of an Alaska-style resource taxation-and-dividend program.

But some of the concerns raised in this chapter require that republicans remain vigilant. One set of concerns relates to the difference between adopting a policy that improves people's well-being—no doubt a laudable goal—yet falls short of impacting significantly on their republican freedom. The latter more demanding requirement implies that republicans must constantly be on the lookout for alternative policies that promote the most extensive republican freedom for all citizens. In the absence of a clear sense in which the Alaska model genuinely promotes freedom-as-nondomination, any republican support must remain highly contingent and provisional. A second set of concerns arises once we consider that the institution of the Alaska model requires considerable investment of time, effort, political capital, and economic resources, and thus implies significant opportunity costs. These opportunity costs may become prohibitive where the economic floor obtained through the Alaska model fails to promote republican freedom. And matters are even further complicated where legitimate concerns arise about potential negative side effects: such as path-dependency-effects of instituting a dividend scheme that reinforces an overly apolitical culture of individual entitlement, or the lack of genuine collective democratic control over the use of common resources. When thinking about what might constitute specifically republican reasons for adopting the Alaska model, it emerges that a republican perspective insists on more stringent conditions than envisaged by those who tirelessly champion the Alaska route to a more free and equal society.

NOTES

1. We are grateful to the editors for the invitation to contribute to this volume, and to Simon Birnbaum, Mike Howard, Blain Neufeld, Cristian Perez, Philip Pettit, and Karl Widerquist for detailed written comments on an earlier draft. This paper was written under the auspices of the European Research Council's Seventh Framework Program (FP7/2007-2013 / ERC / Agreement No 249438 – TRAMOD) (Casassas).
2. The most recent dividend paid out in October 2010 amounted to \$1,281 per person, but the size of the dividend can fluctuate considerably in line with the value of the APF earnings. Alaska Permanent Fund Corporation n.d. See Goldsmith 2005 and chapter 4 in this volume for detailed information on the history, structure, and workings of the APF and PFD.
3. Goldsmith 2005, 558.
4. The PFD is sometimes held to be responsible for making Alaska the most equal state in the United States (e.g., Vanderborgh and Van

- Parijs 2005, 25). In our view the empirical support for this bold claim remains weak, despite evidence of a leveling effect of the dividend on after-tax income (Goldsmith 2005 and chapter 4 in this volume).
5. See, notably, Skinner 1992 and 1998; and Pettit 1997 and 2001. Note that the term “republicanism” here refers to a branch in political theory and should not be confused with the Republican Party in the United States.
 6. See Howard and Widerquist (chapter 14, this volume) for an overview of alternative justifications in favor of the Alaska model.
 7. Philosophically, entitlement theories and theories of freedom can be distinguished, but for the purposes of this chapter we abstract from these distinctions. See Dowding, De Wispelaere, and White 2003 and White 2011 for further discussion and application to the basic income debate.
 8. On the Lockean Proviso, see particularly Nozick 1974, and for further discussion see Waldron 1988 and Wolff 1991.
 9. Cohen 1995 and Otsuka 2003; but see Arneson 2010 and Carter (chapter 9 in this volume) for a critical perspective. Van Parijs 1995, the most prominent advocate of a basic income, refers to his particular brand of left-libertarianism as “real-libertarianism.”
 10. Widerquist and Howard “Why Link Basic Income to Resource Taxation,” and Carter (chapter 9 in this volume). But see Van Donselaar 2008 for a possible complication.
 11. But see Carter (chapter 9 in this volume) for an alternative characterization of libertarianism, and for a left-libertarian argument in favor of sharing natural resources that does not rely on such resources being owned in common.
 12. See particularly Pettit 1997; 2001.
 13. Pettit 1997, 55.
 14. Pettit 1997; 2001.
 15. Liberal theorists too typically endorse freedom-of-interference. It is a matter of some controversy whether libertarians should in fact be regarded as a subspecies of liberalism. Philip Pettit (1997) thinks as much for the purpose of contrasting both perspectives with republicanism, but see Samuel Freeman 2001 for the view that libertarians and liberals have little in common, a view held by Rawls 1993 himself. In this chapter we will not concern ourselves with the liberal perspective.
 16. Pettit 1993.
 17. Pettit 2003; Domènech and Raventós 2007. Republicans share this social (or agency-based) conception of freedom with left-libertarians since both would restrict the conception of unfreedom to acts perpetrated by others; but where left-libertarians focus on interference, republicans worry about dependence.
 18. Raventós 2007; Birnbaum and Casassas 2008.
 19. Harrington 1992, 269.

20. Meade 1964, 39. Property-owning democracy was subsequently endorsed by John Rawls 1999. See Birnbaum and Casassas 2008 for further discussion.
21. Paine 1997, 326–27.
22. Pettit 2003.
23. See Vallentyne 2003 for an analysis of different conceptions of self-ownership and justified taxation.
24. Of course, individual left-libertarians may care a lot about poverty and privately engage in action to alleviate it; but this amounts to charity and not the sort of systematic poverty reduction as a matter of right demanded by republicans. Left-libertarian political theory does not have much to say about the fact that some people may live their lives in abject poverty.
25. Pettit 2006; Raventós 2007.
26. Otsuka 2003.
27. Pettit 1991; 1997.
28. Goldsmith 2005, 558.
29. Hence the apt subtitle of Pettit’s 1997 monograph: *Republicanism: A Theory of Freedom and Government*.
30. Goldsmith (chapter 4 in this volume). The importance of establishing an economic floor permeates the discussion of basic income.
31. Casassas 2007; Birnbaum and Casassas 2008.
32. Raventós 2007; Goodhart 2007.
33. Interestingly, when discussing the fact that the PFD has turned Alaska into the most equal state, no attention at all is paid to gender equality in relation to income or employment opportunities.
34. On spending patterns, see the review of existing evidence (or lack thereof) in Goldsmith 2005.
35. While Goldsmith (chapter 4 in this volume) is correct to point out a number of ways in which the certainty of a regular cash boost may have important effects on particular groups (notably rural communities in Alaska), this does not invalidate our view that overall the size of the economic floor provided by the PFD is simply too low to have a significant impact on republican freedom.
36. See Bollier 2006, on the broadcast spectrum. See also Howard, on the global atmosphere, and Flomenhoft, on these and other natural and social resources, in Widerquist and Howard, forthcoming.
37. Widerquist and Howard, forthcoming.
38. This suggests republicans adopt a more stringent requirement regarding the level of the economic floor than Van Parijs 1995 suggests when discussing his view of basic income pitched at the highest sustainable level. For republicans, too low a level of “the highest sustainable basic income” may not be worth the effort in securing it, particularly when other measures are more likely to better promote republican freedom at low levels of basic income.
39. Daniels 1989.

40. Esping-Andersen 1990; also Haagh 2011.
41. For the latter approach, see, notably, Murray 2006.
42. Winters and Page 2009.
43. Frank and Cook 1995.
44. Walzer 1983; for a critical perspective, see also Arneson 1995, and Barry 1995; 2005.
45. Sunstein 1993. For instance, consider regulations conceived during the progressive era, and under Franklin Delano Roosevelt's regime, geared at strengthening the economic foundations of democracy by institutionally restricting the opportunities' set of the potential "economic monarchs" (Beard and Beard 1939).
46. Rousseau 1984.
47. Goldsmith 2005, and chapter 4 in this volume.
48. Widerquist and Howard, chapter 1, introduction to this volume.
49. Goldsmith 2005, and chapter 4 in this volume.
50. Grey 1980; Fama and Jensen 1983.
51. Note that "virtual control" is perfectly acceptable to republicans, Pettit 2008; 2009.
52. Goldsmith 2005, and chapter 4 in this volume.
53. Goldsmith 2005, 558 relates how it was at one point considered to cash out the actual APF "with the proceeds distributed equitably to all residents in one big dividend of about \$40,000," a proposal subsequently defeated. Griffin (chapter 11 in this volume) discusses whether the PFD should be regarded as a basic income or a stakeholder proposal. For a general discussion of the stakeholder model, see Ackerman and Alstott 1999 and Dowding, De Wispelaere, and White 2003.
54. Widerquist in Widerquist and Howard, forthcoming.
55. Winter (chapter 13 in this volume) offers a radical critique against the use of natural resource taxes on the grounds of complicity with environmental degradation. Howard offers a contrasting view in Widerquist and Howard, forthcoming.
56. Pettit 1997.
57. Wright 2006, 6.
58. For the variety of democratic mechanisms, ensuring democratic control prevails over populism or special interest politics, see Pettit 1999; 2000; 2008; 2009.