



What Makes Guaranteed Income Durable?

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What can we learn from the Alaska Permanent Fund Dividend (APFD)?

APFD is a useful *analytical* case of durability

- Rich historical data in public domain
- Clear decision points re: institutional design and change

APFD is a cautionary *realized* case of durability

- Unintentional path dependence: “discipline” is not sufficient in the absence of a functioning economy

Having the “right” institutions is no guarantee of durability

Historical contingency and the “right” institutions

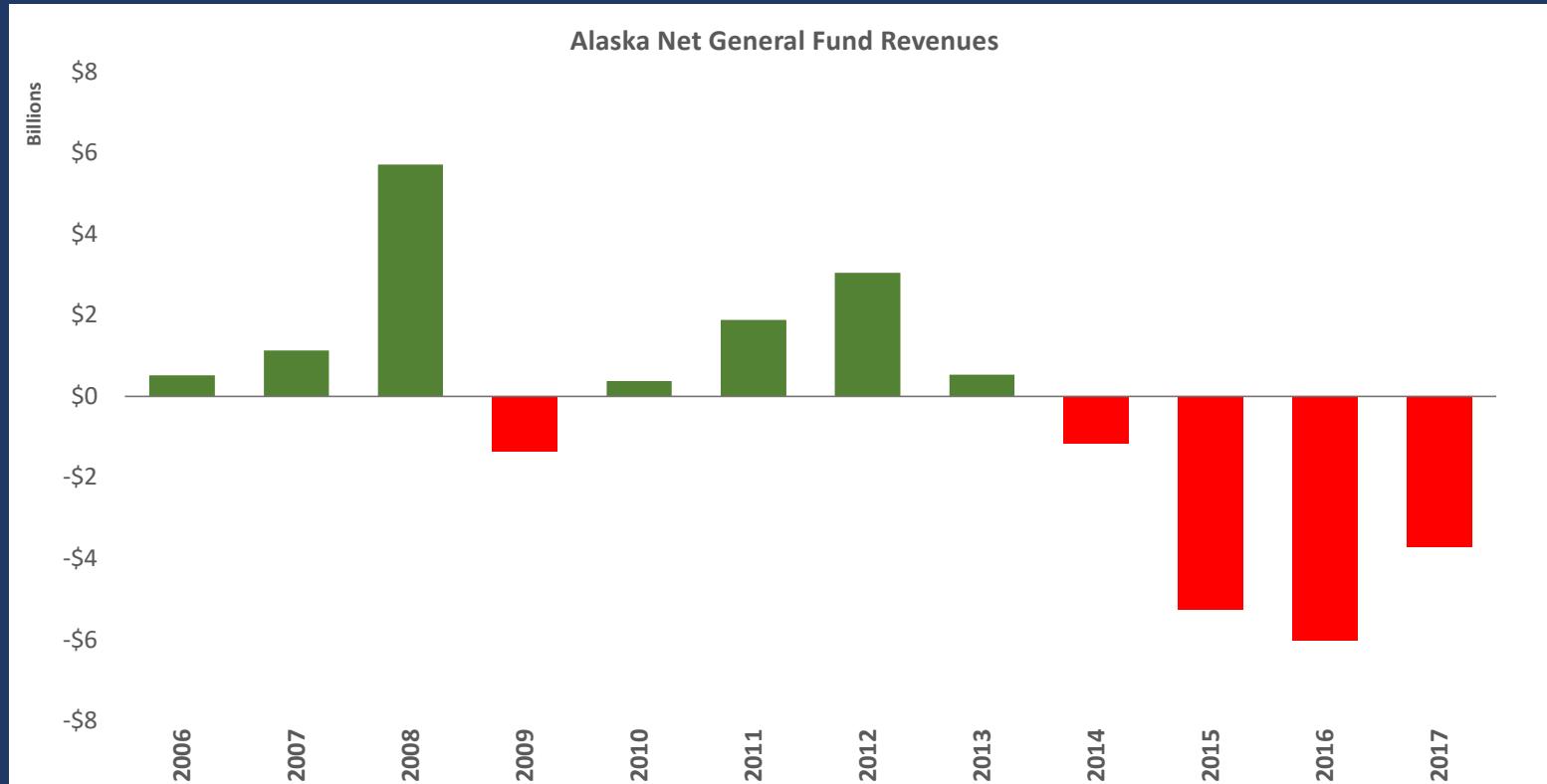
Alaska’s oil as an accidental public good

- Oil discovered on formally federal/unassigned land => constitutional mandate

APF and APFD designed to reflect best practices and political commitments

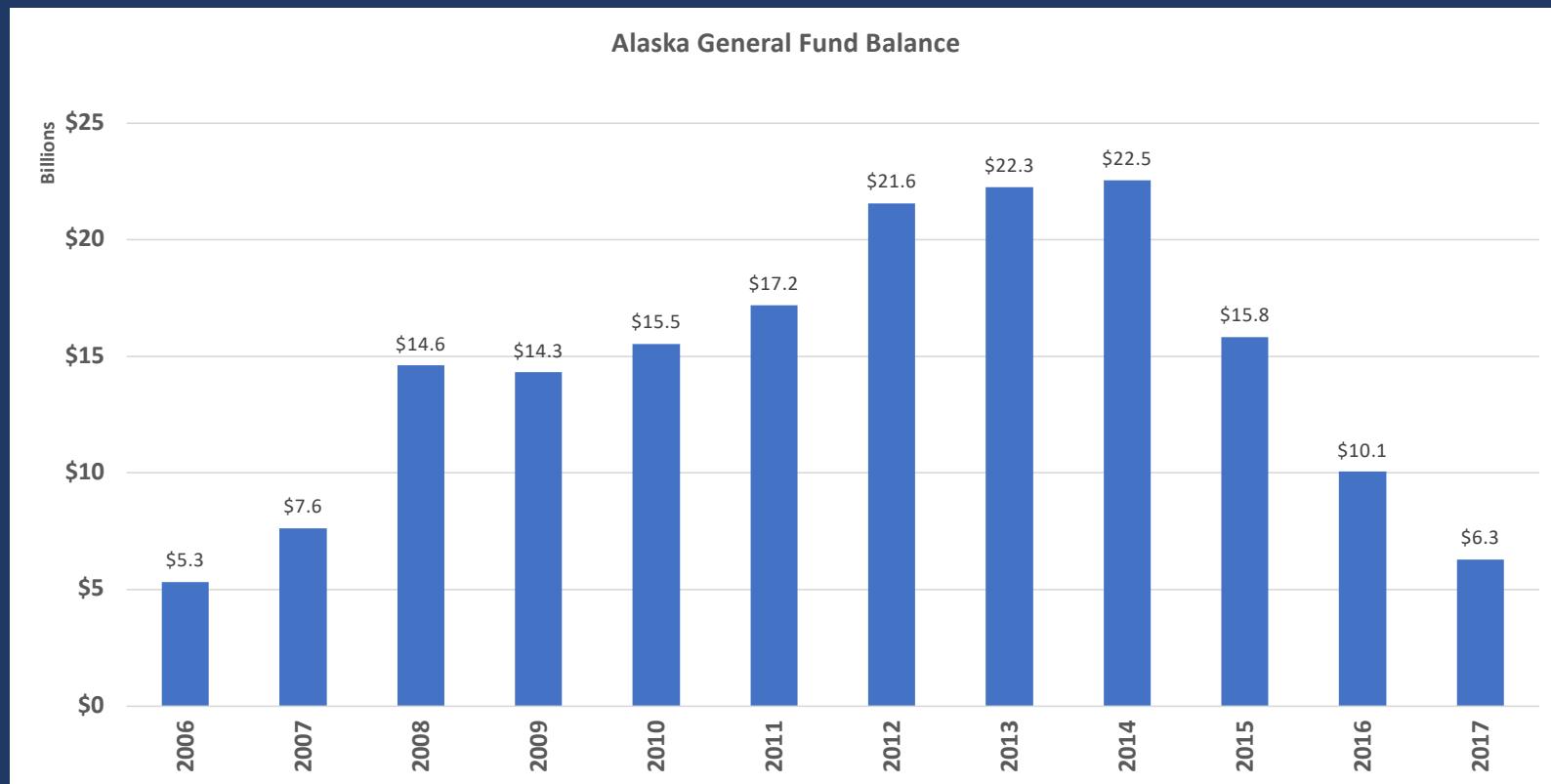
- Pre-commitment of oil revenues into sovereign wealth (APF) and rainy day (CBRF, SBRF) funds
- Attempts to entrench APF as permanent endowment by limiting appropriations

Alaska's Fiscal State: Income View



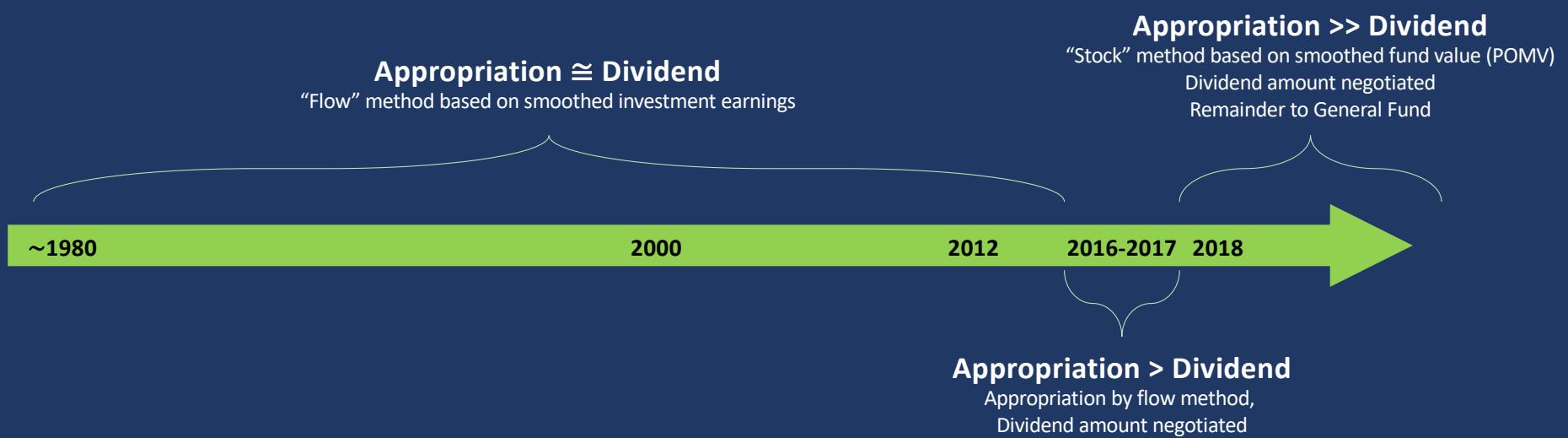
Sources: State of Alaska CAFRs, FY 2001 - 2017

Alaska's Fiscal State: Balance Sheet View



Sources: State of Alaska CAFRs, FY 2006 - 2017

Fiscalization of the APF and Dividend



Modeling Alaska: Definitions and Questions

- What is durable?
 - Take POMV appropriations as the achievable institution for Alaska
- What counts as effective guaranteed income?
 - From prior work, take first-order effects on inequality and poverty
- Under what combination of POMV and Dividend policy is the APFD effective guaranteed income?

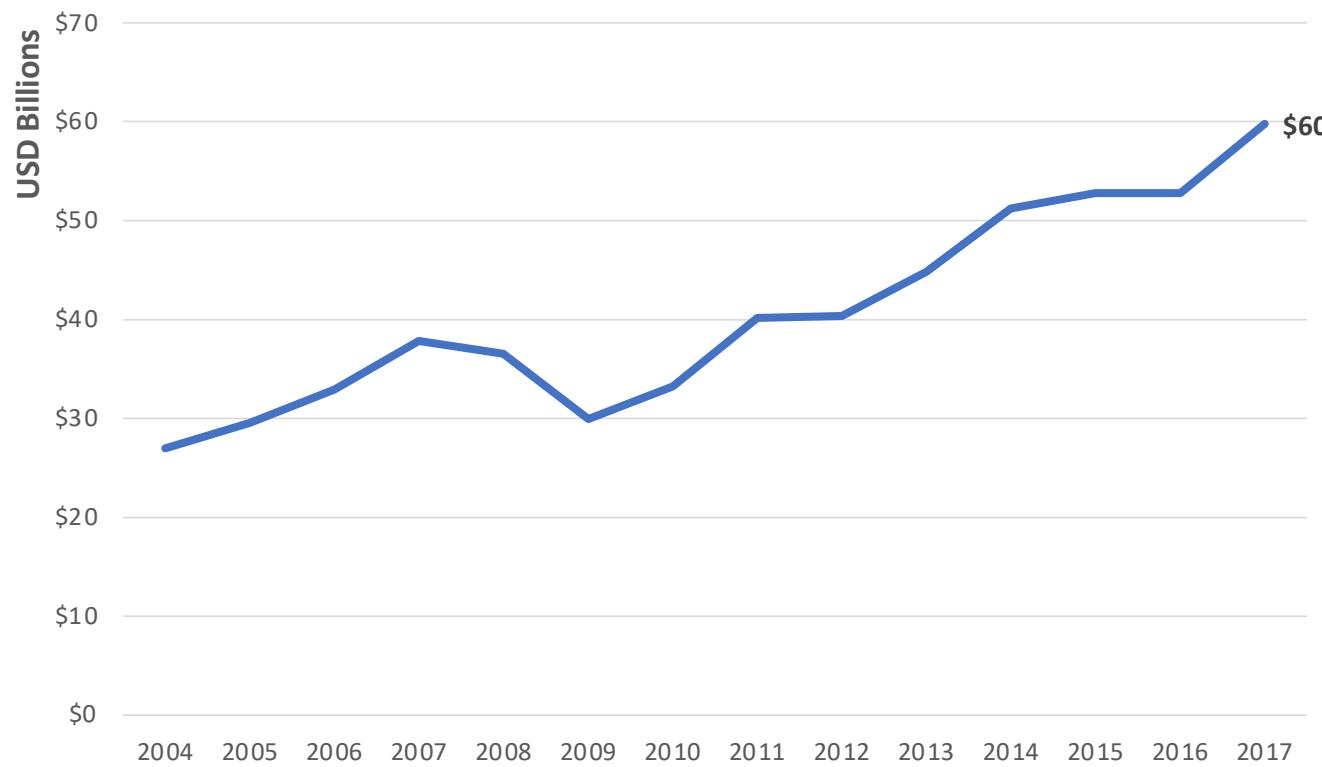
Modeling Policy decisions

- **First order decision: establishing POMV appropriations**
 - Start POMV in FY 2006, 2009, 2012, 2015
 - Assume that:
 - Money appropriated leaves the APF, lowering APF balance in that year
 - Annual investment returns (on lower balance) and contributions unchanged

$$POMV_t = \left[\frac{1}{5} \sum_{n=1}^5 (MV_{t-n} - AH_{t-n}) \right] * 0.0525$$

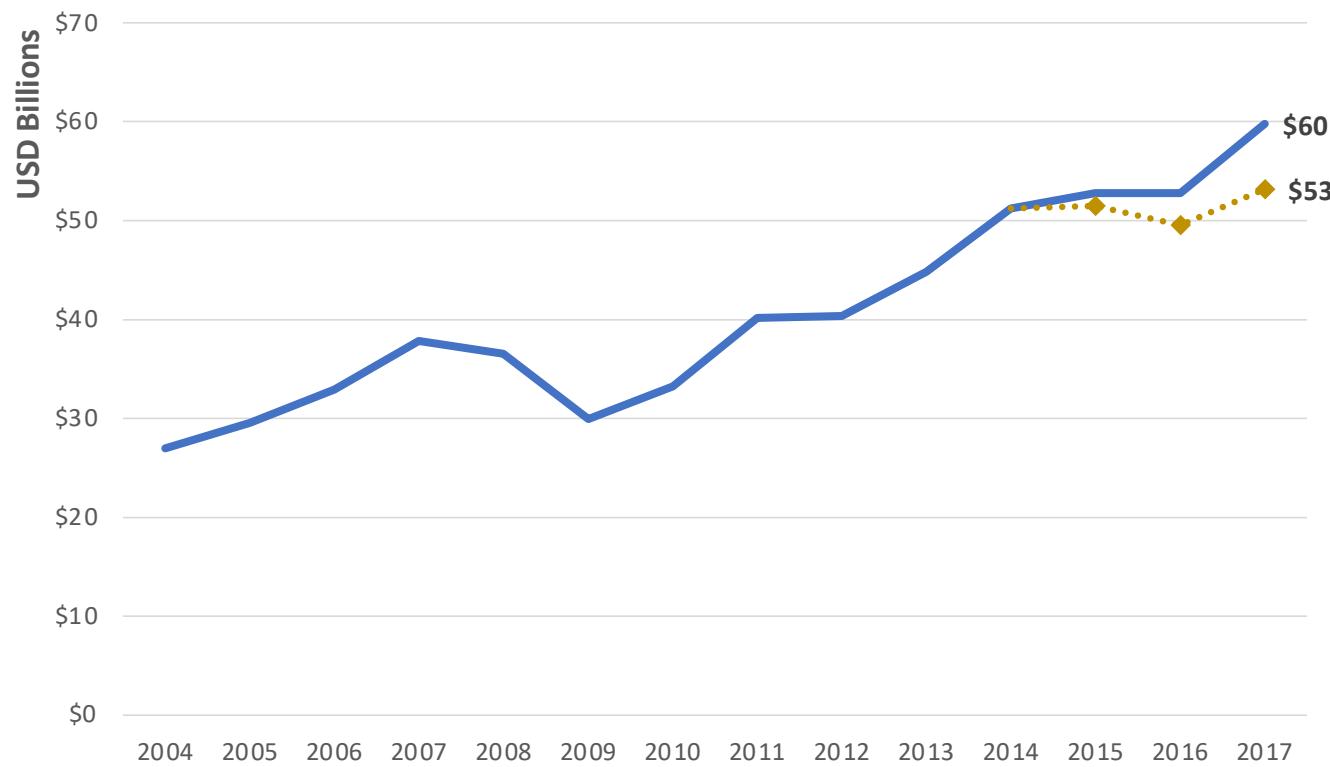
$$MV_t = r_t(MV_{t-1}) - APPR_t - POMV_t$$

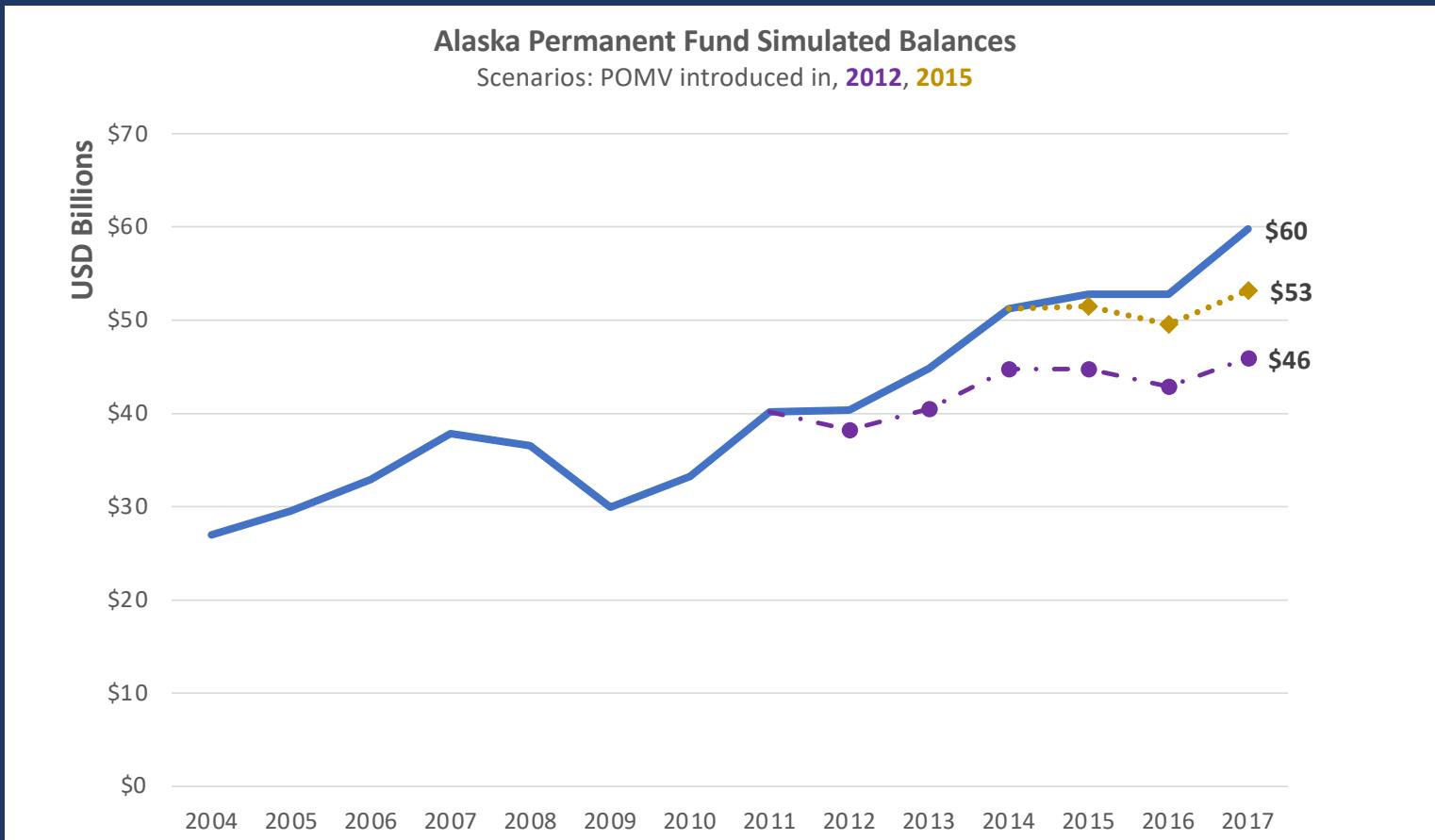
Alaska Permanent Fund Balances

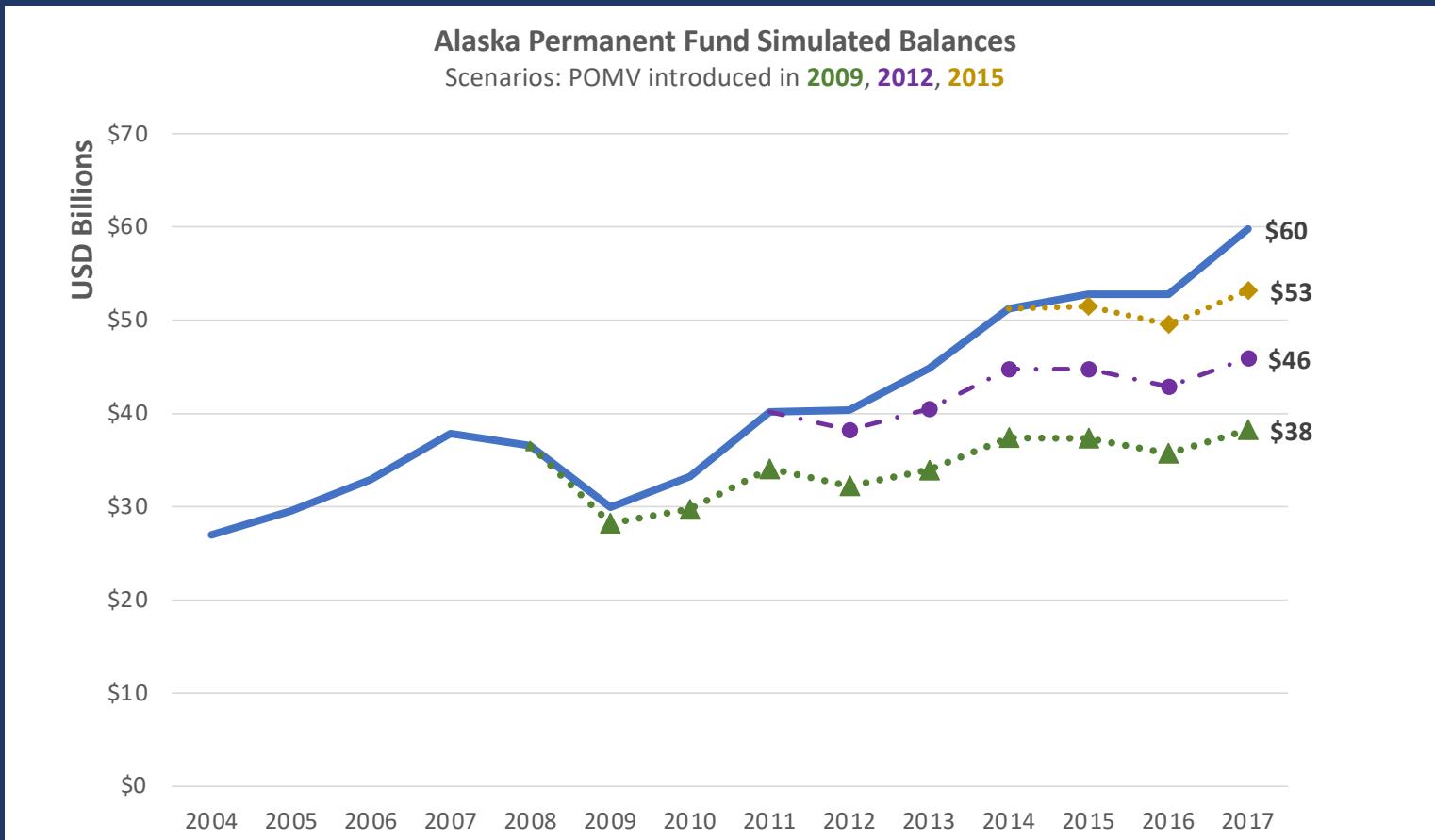


Alaska Permanent Fund Simulated Balances

Scenarios: POMV introduced in **2015**

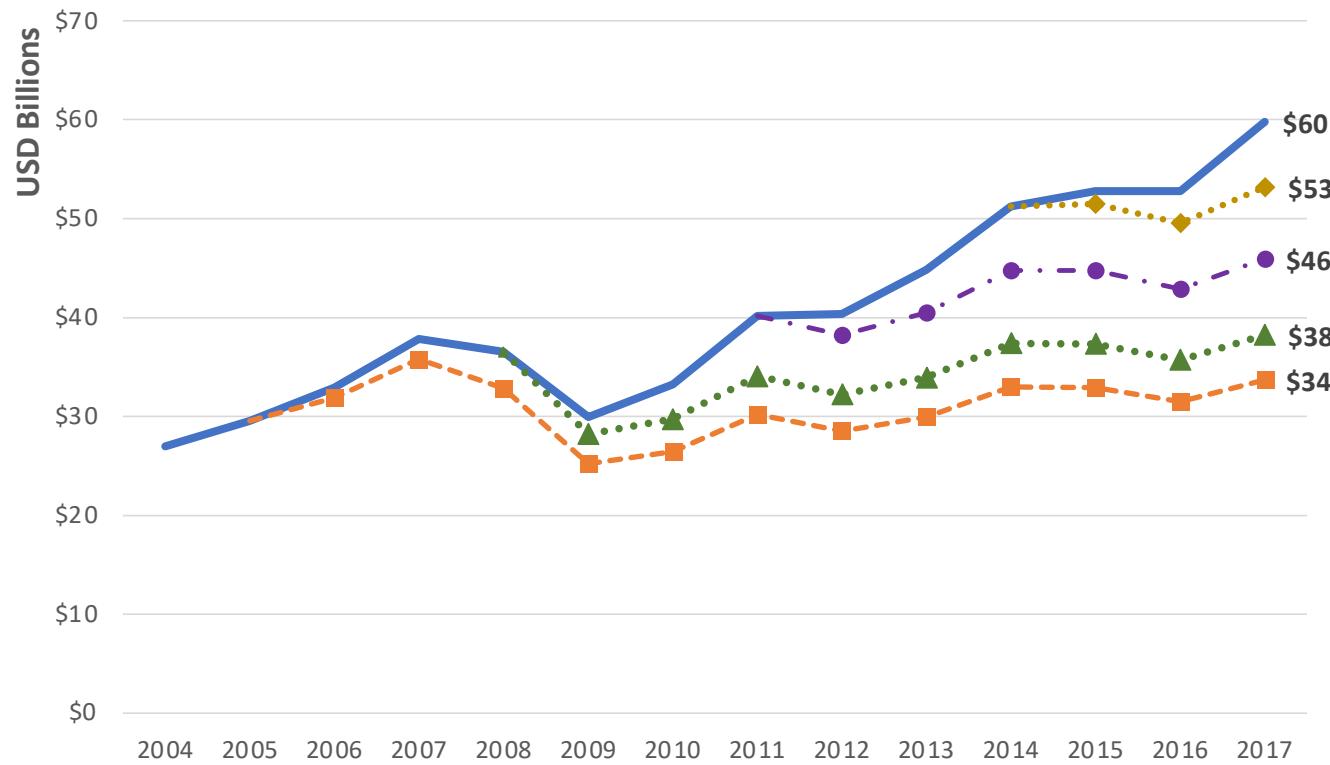






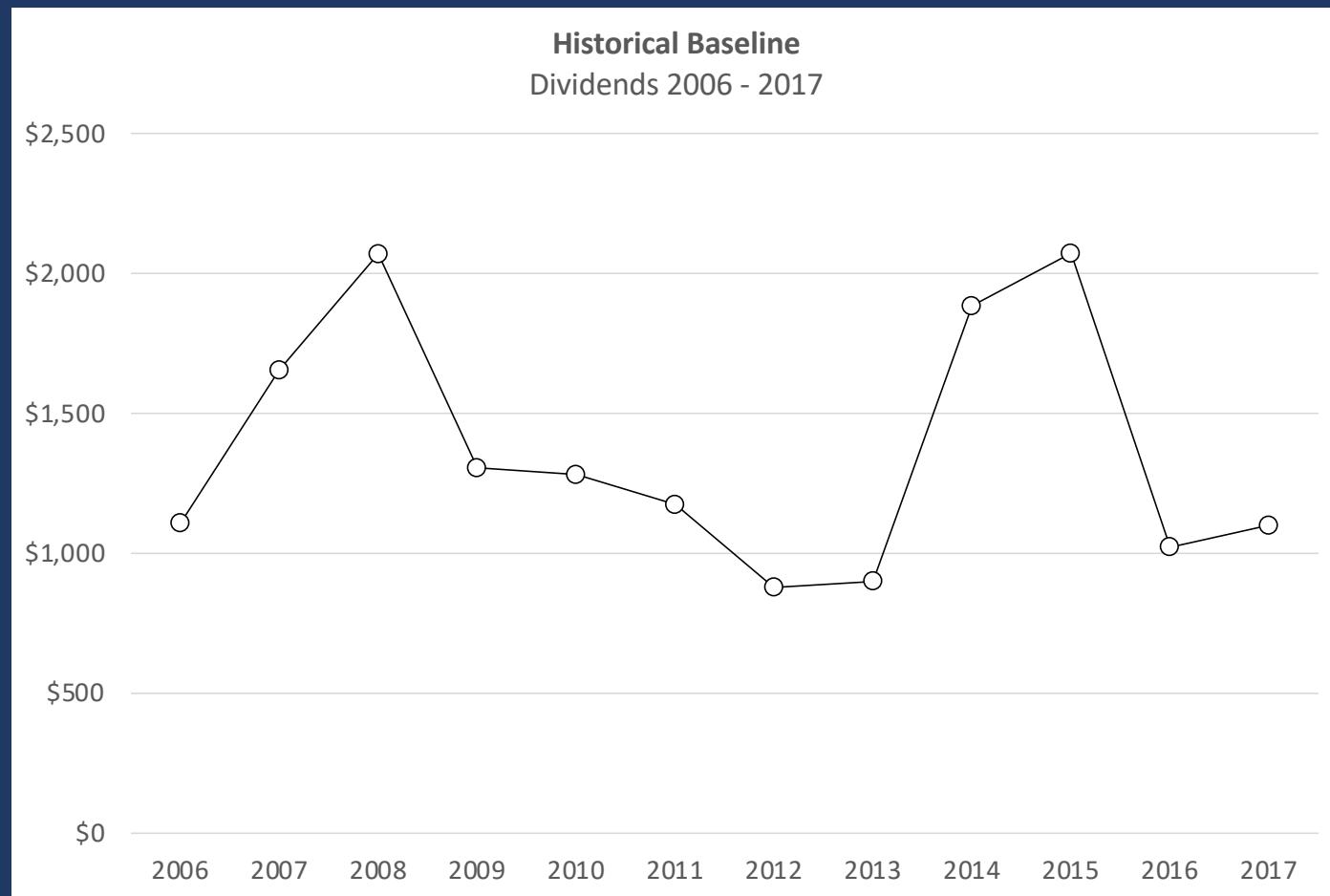
Alaska Permanent Fund Simulated Balances

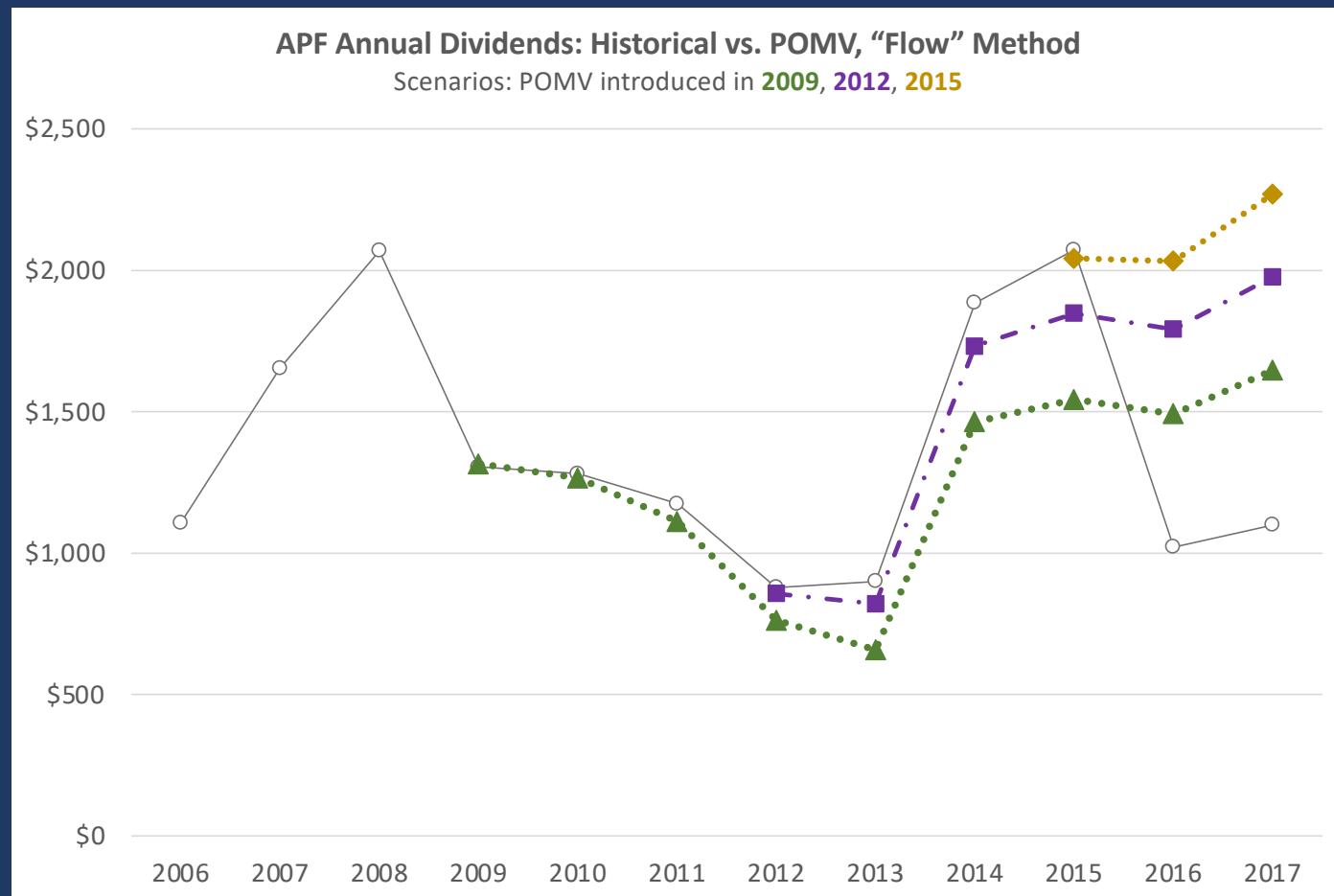
Scenarios: POMV introduced in **2006, 2009, 2012, 2015**

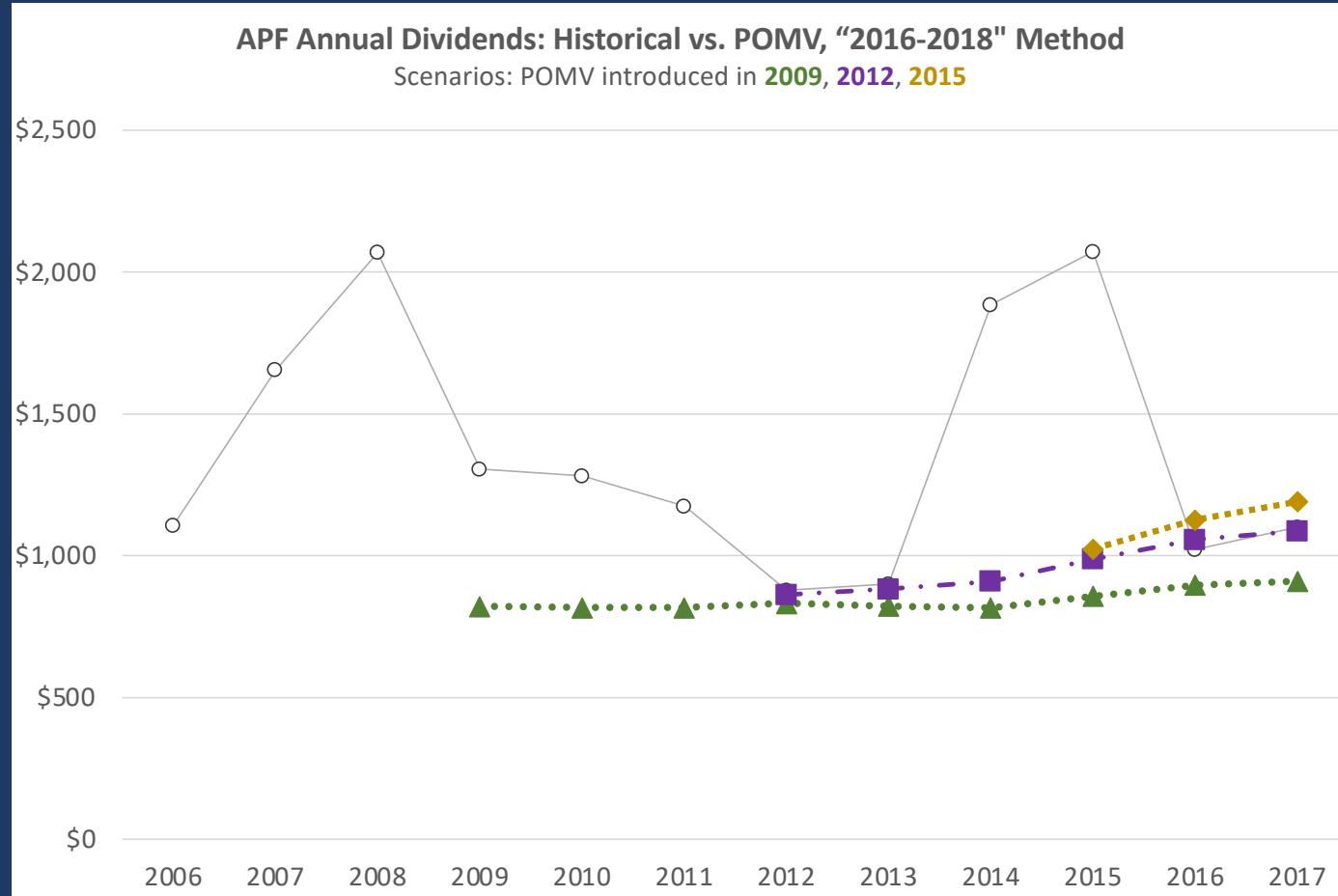


Modeling Policy decisions

- First order decision: what appropriation policy?
- **Second order decision: how to split annual POMV appropriation between Dividend and General Fund?**
 - Statutory method (“flow” Dividend based on inv. earnings)
 - 2016-2018 method (avg. % of POMV, or “stock” Dividend)



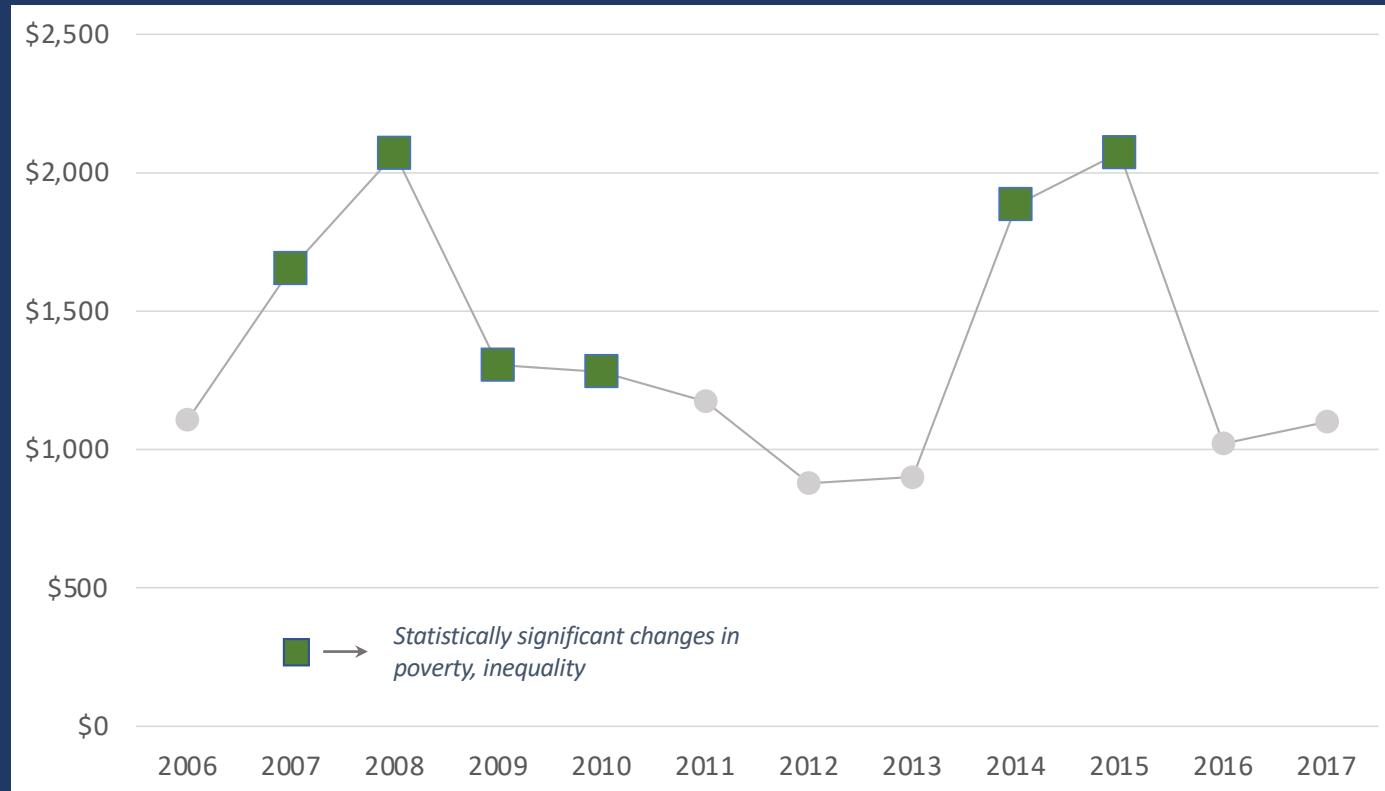




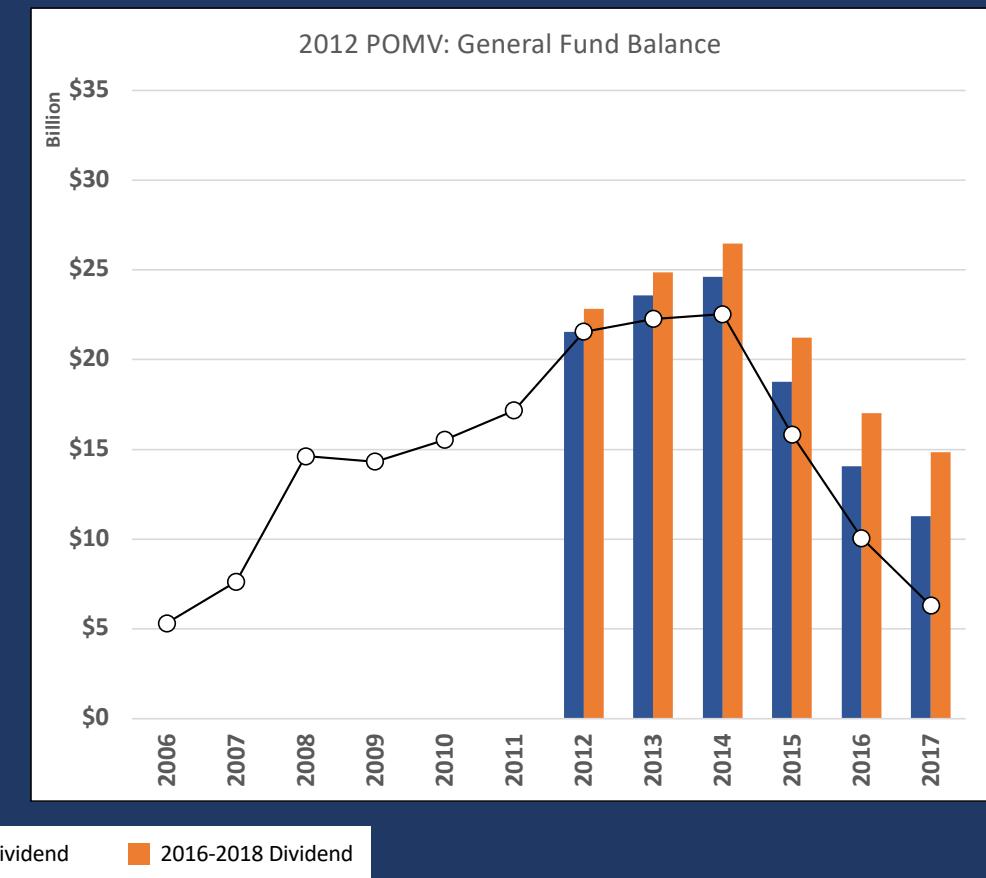
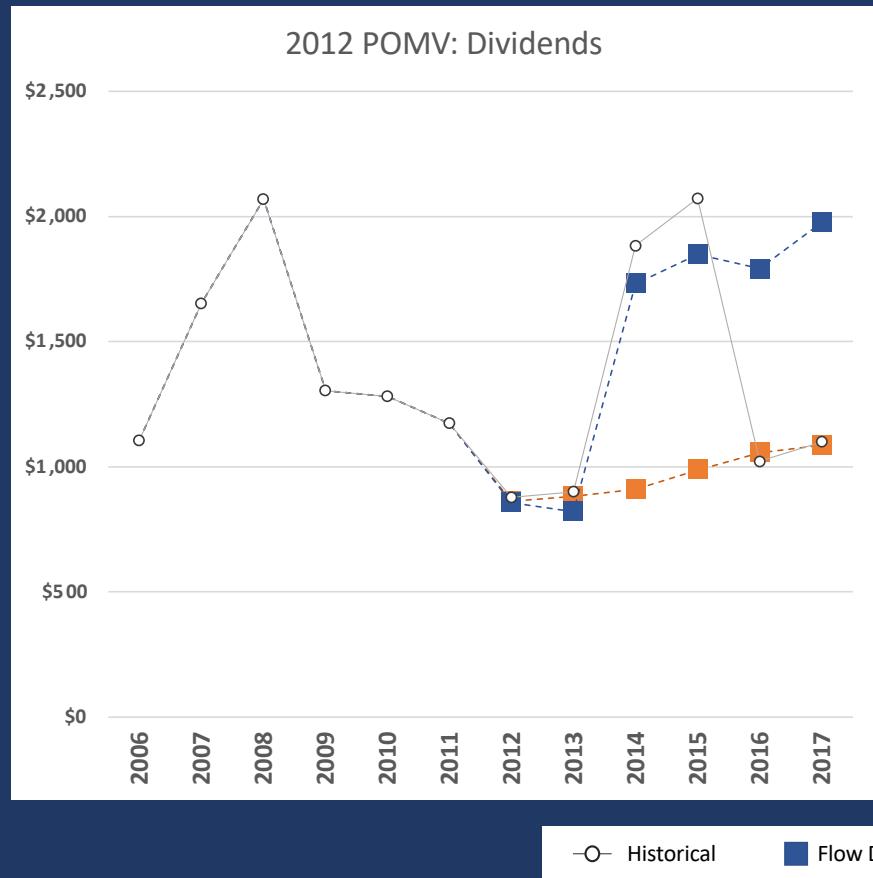
Modeling Policy decisions

- First order decision: what appropriation policy?
- Second order decision: how to split appropriation between Dividend and General Fund?
- **Simulation:**
 - Under each appropriation scenario and split,
 - What is effect on first-order income (inequality and poverty, based on counterfactuals)?
 - What is effect on the state's financial condition (General Fund)?

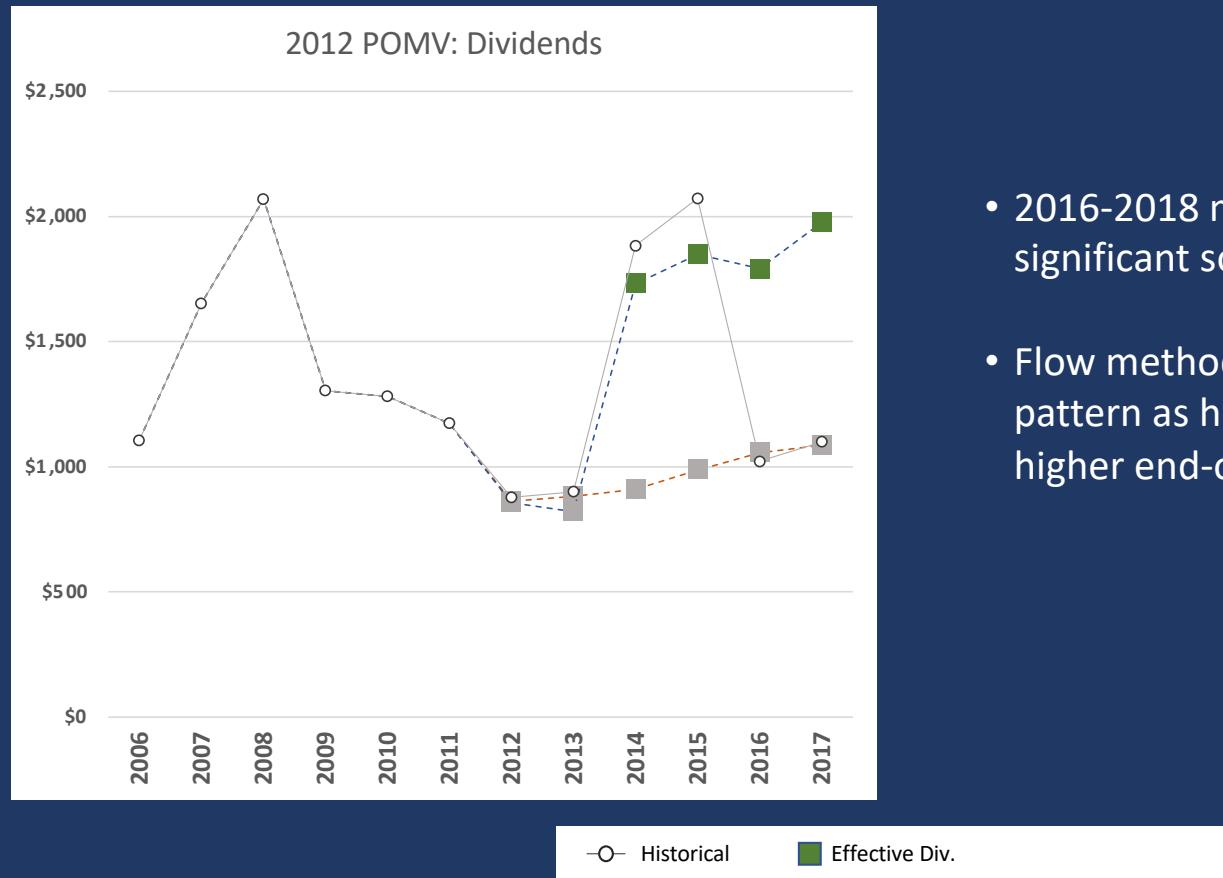
Simulation: Baseline Results



2012 POMV Initiation

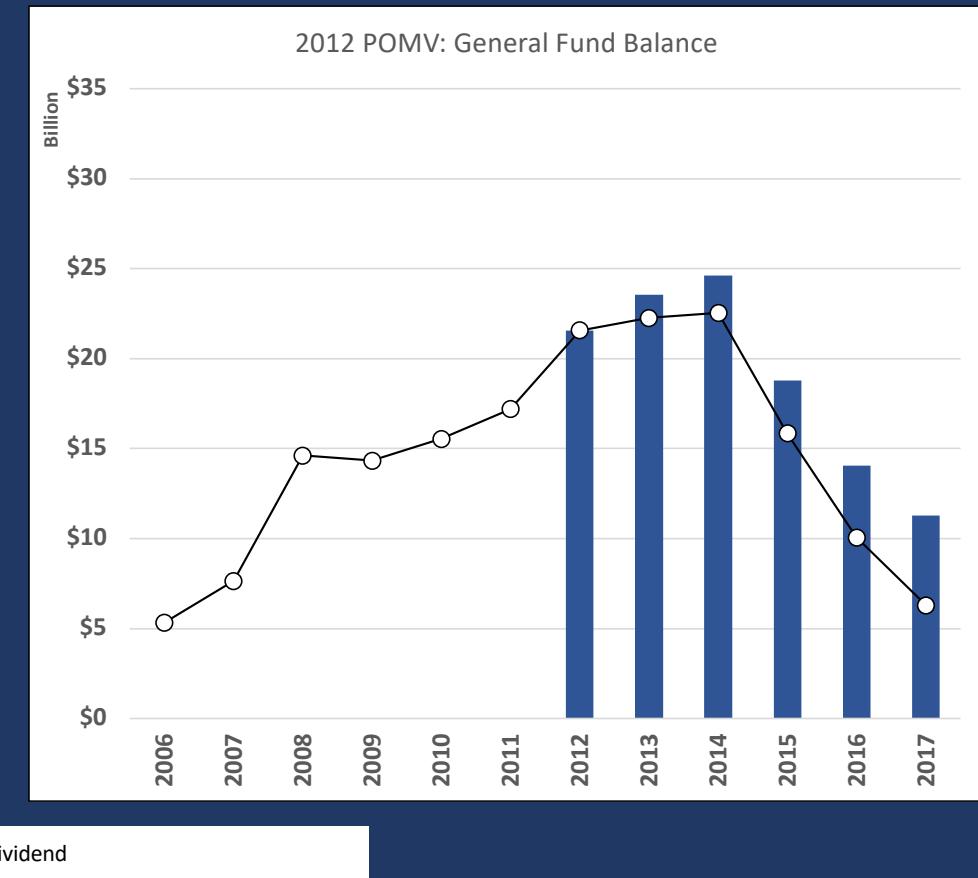
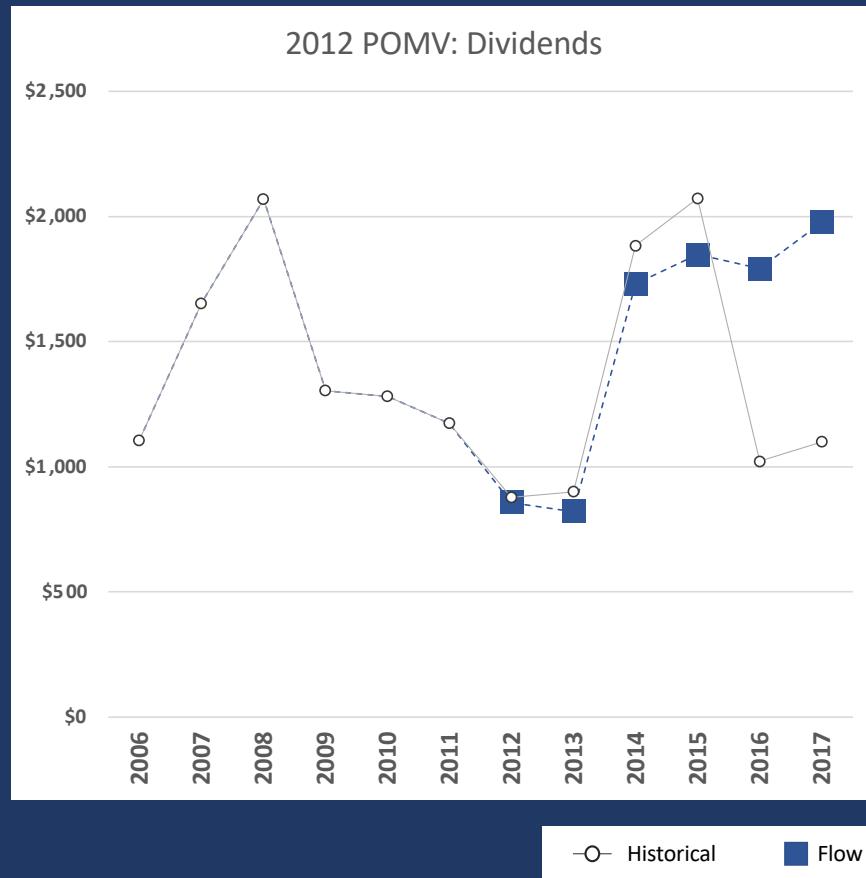


2012 POMV Initiation: Simulation

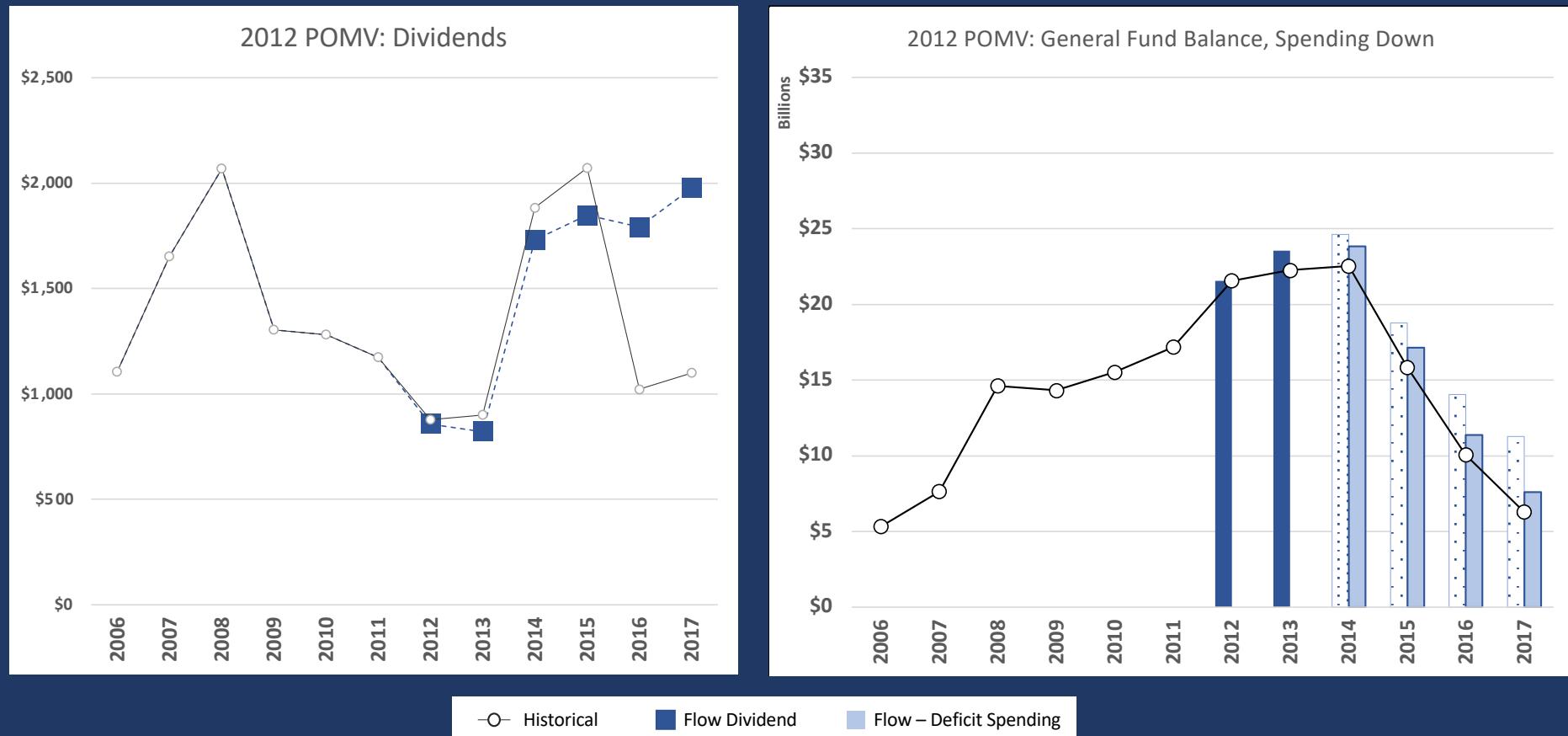


- 2016-2018 method no longer provides significant socioeconomic benefits
- Flow method follows similar general pattern as historical, and allows for higher end-of-period Dividends

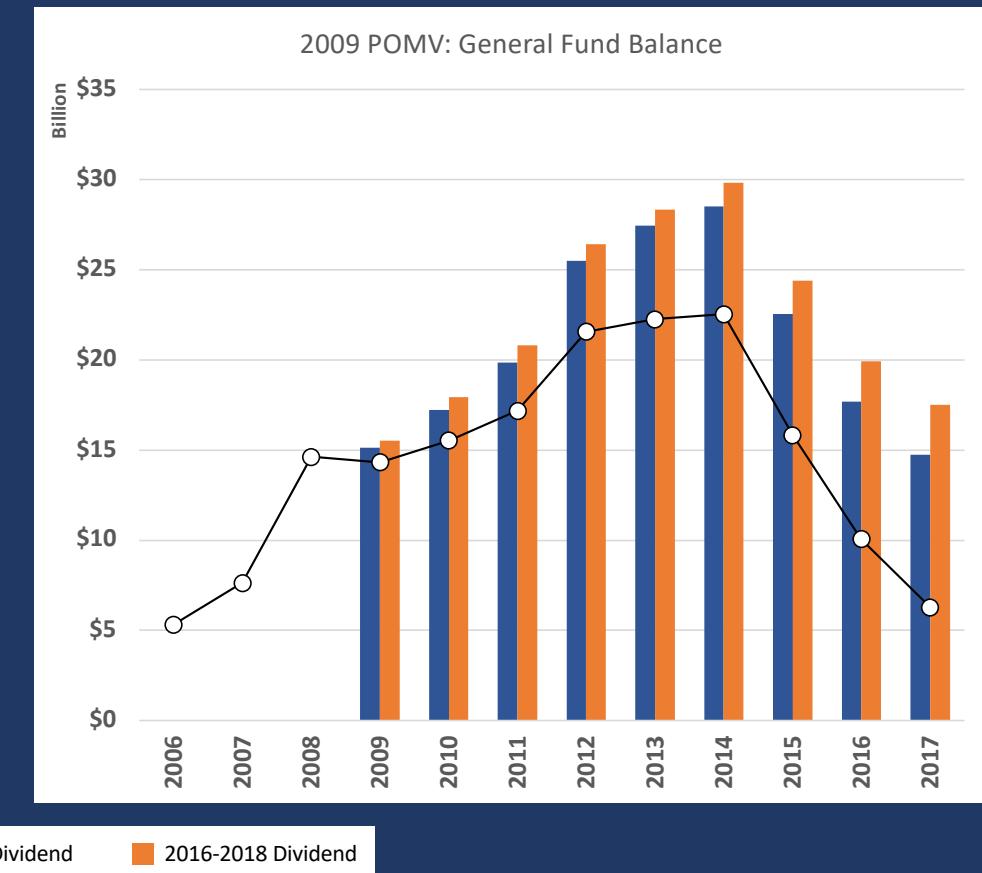
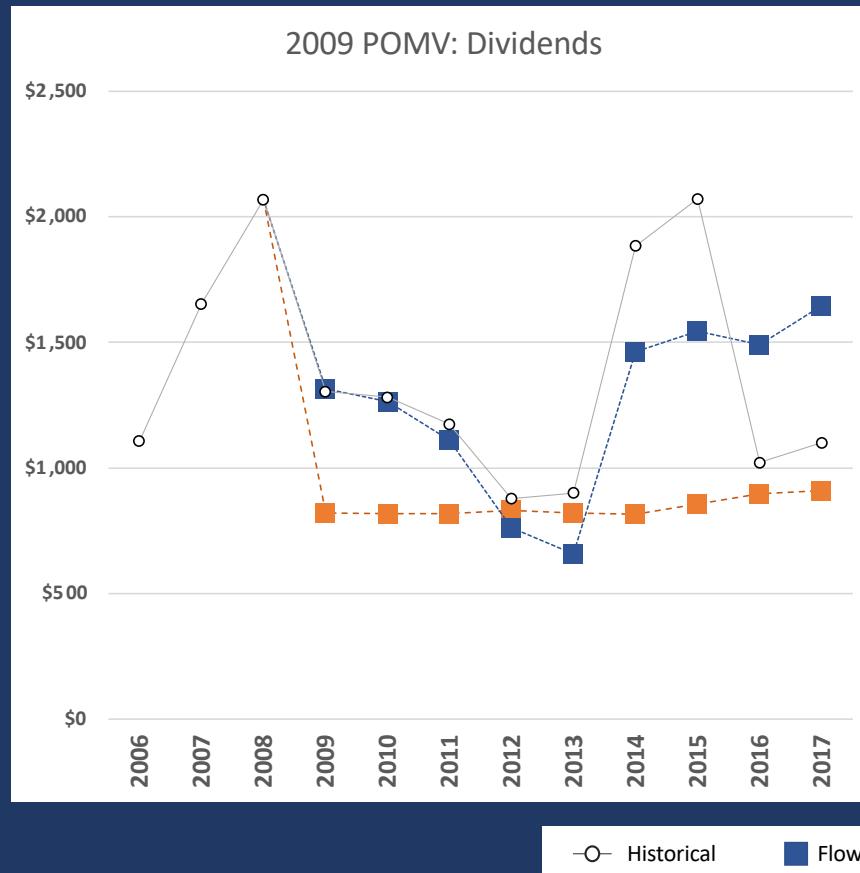
2012 POMV Initiation



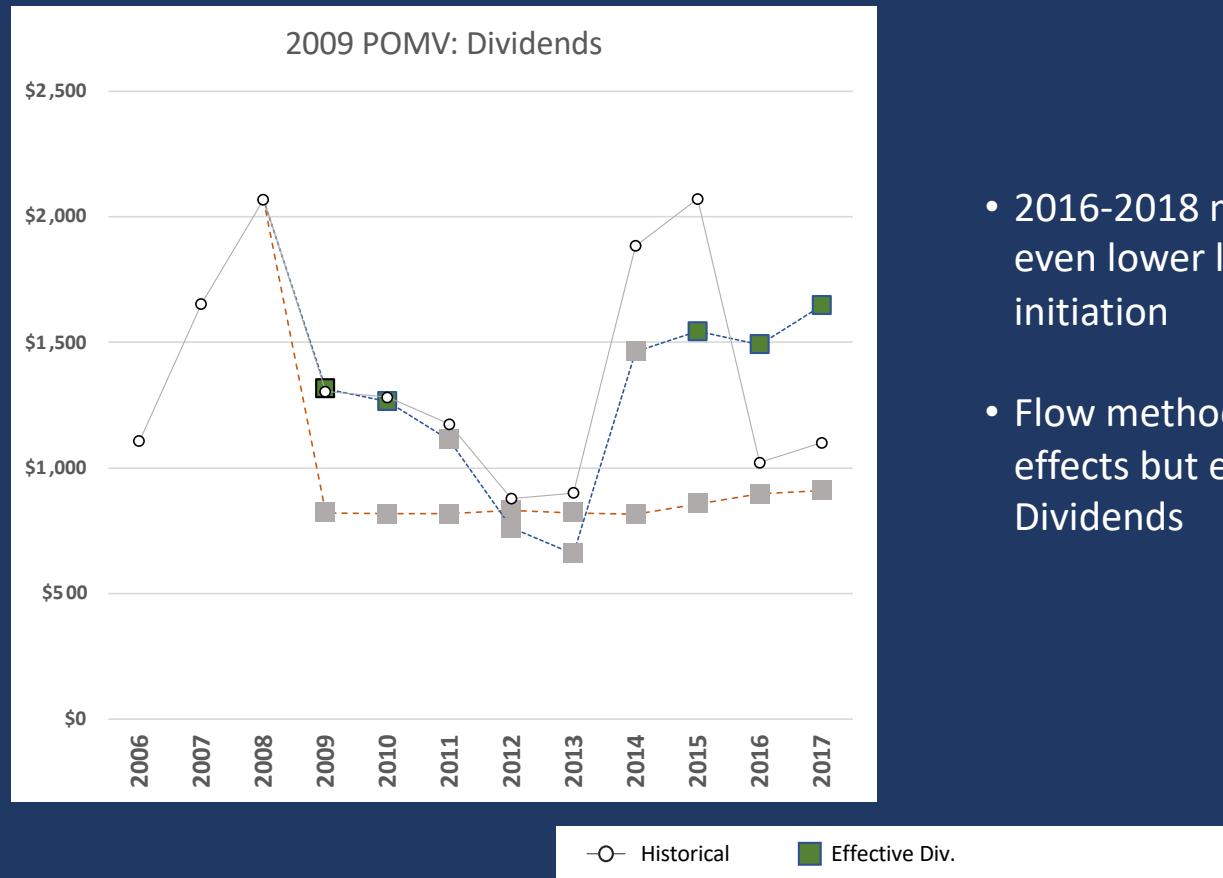
2012 POMV Initiation



2009 POMV Initiation

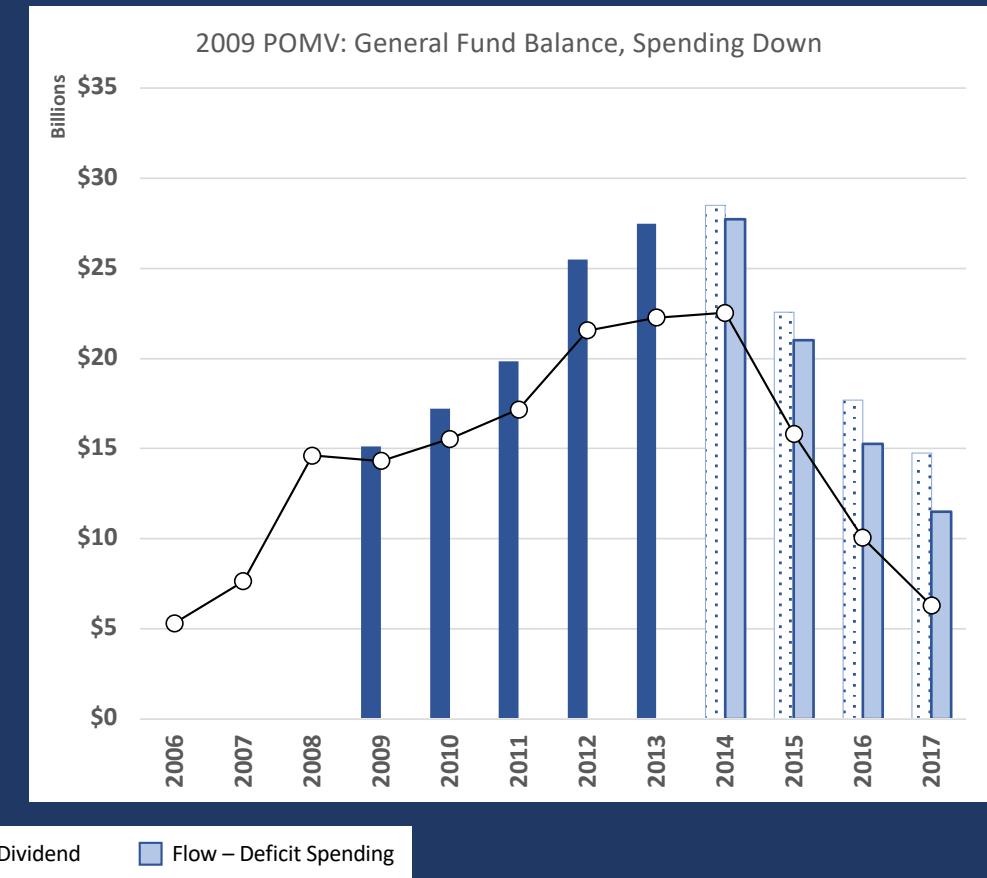
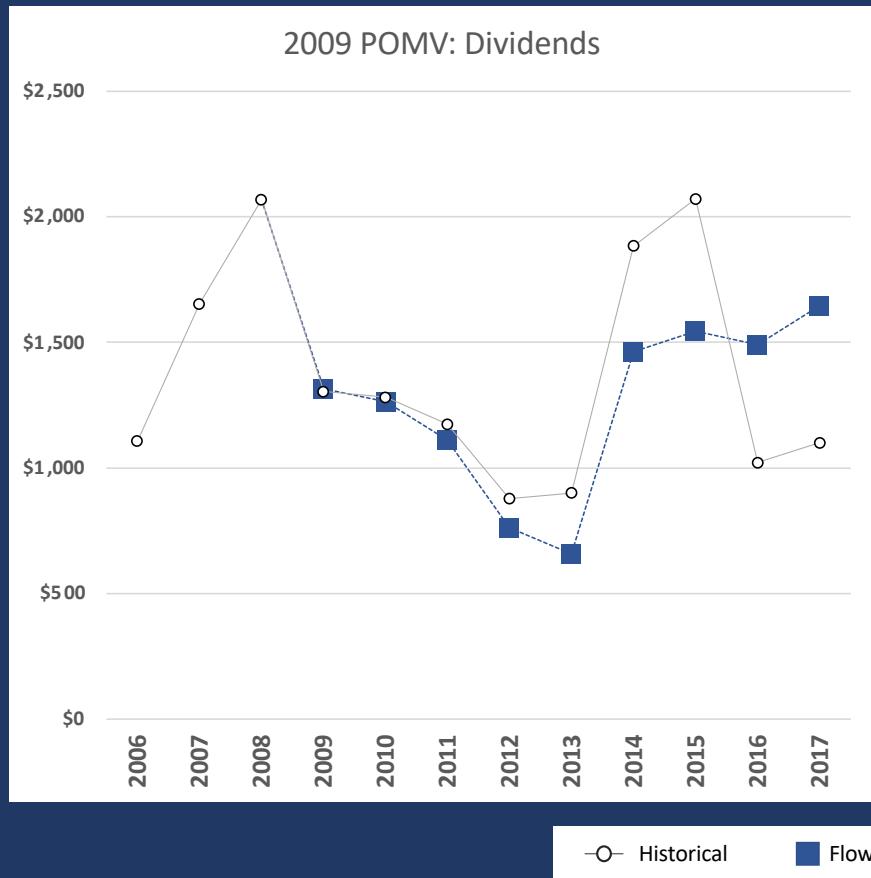


2009 POMV Initiation: Simulation



- 2016-2018 method fixes Dividends at even lower level than 2009 POMV initiation
- Flow method also lower, with dampened effects but enhanced end-of-period Dividends

2009 POMV



Preliminary conclusions

A successful SWF is not a sure escape from the resource curse

- At best, a reprieve
- At worst, swaps one resource dependency for another

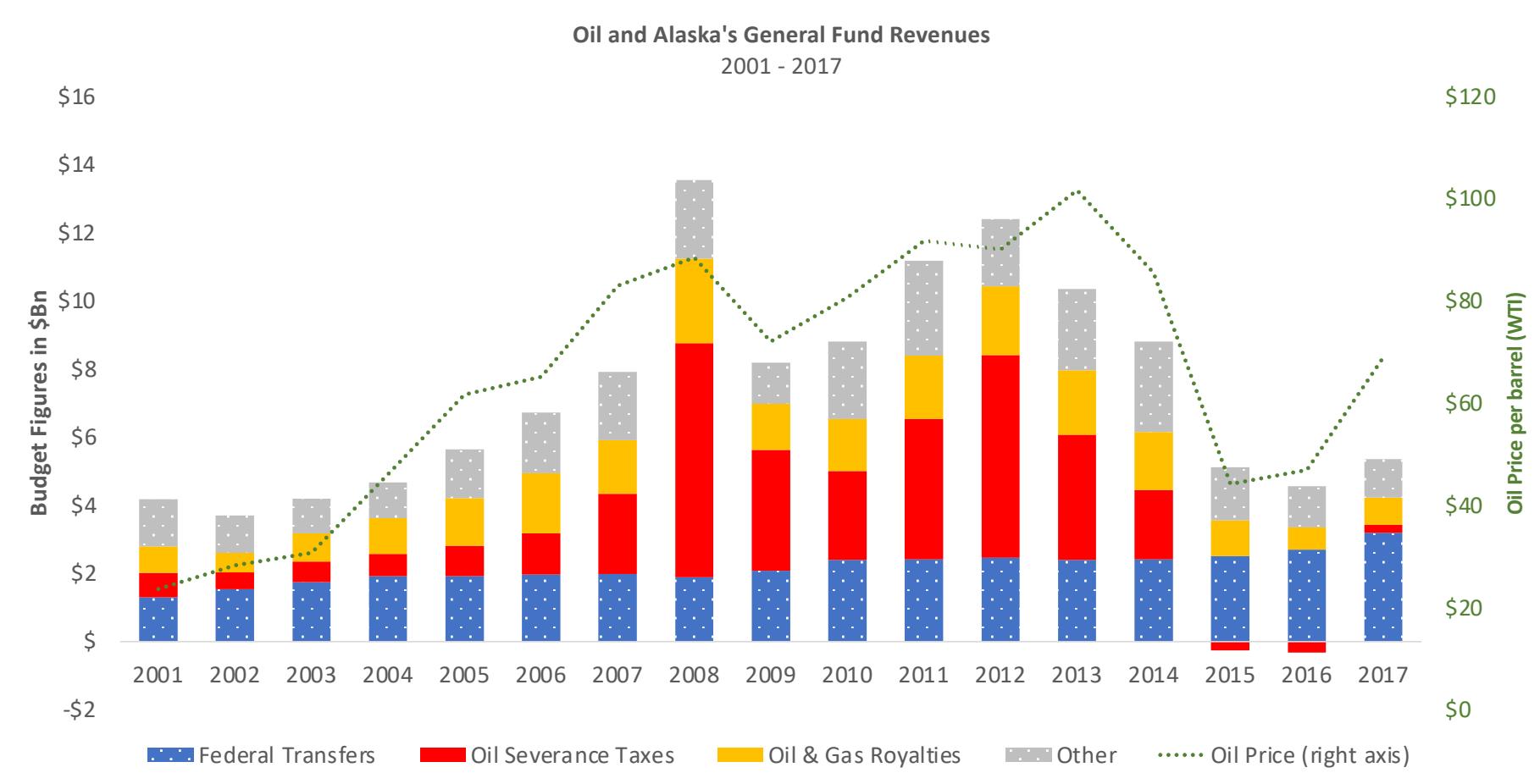
POMV is not the end of the world!

- Dividend can still be effective as income under the right conditions, while adding desperately needed revenue
- Necessitates more work on optimal split given POMV time dependence

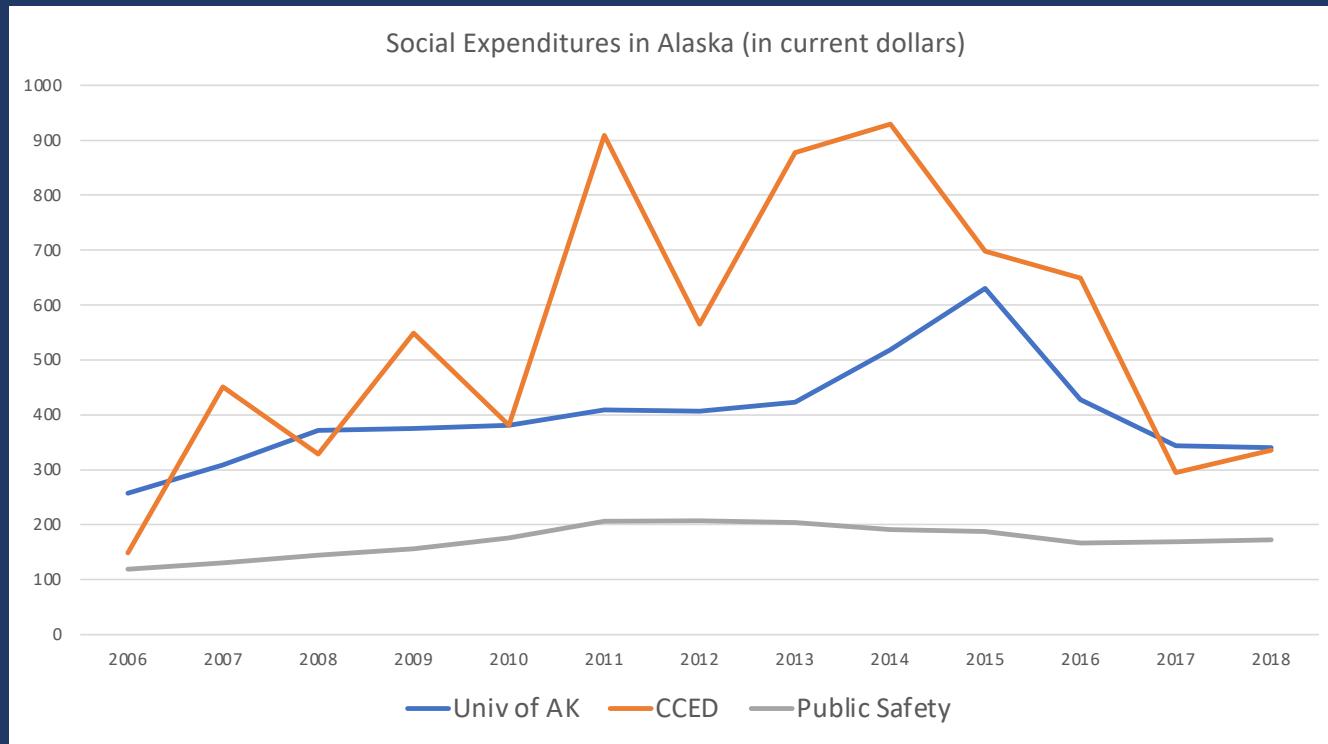
Thank you

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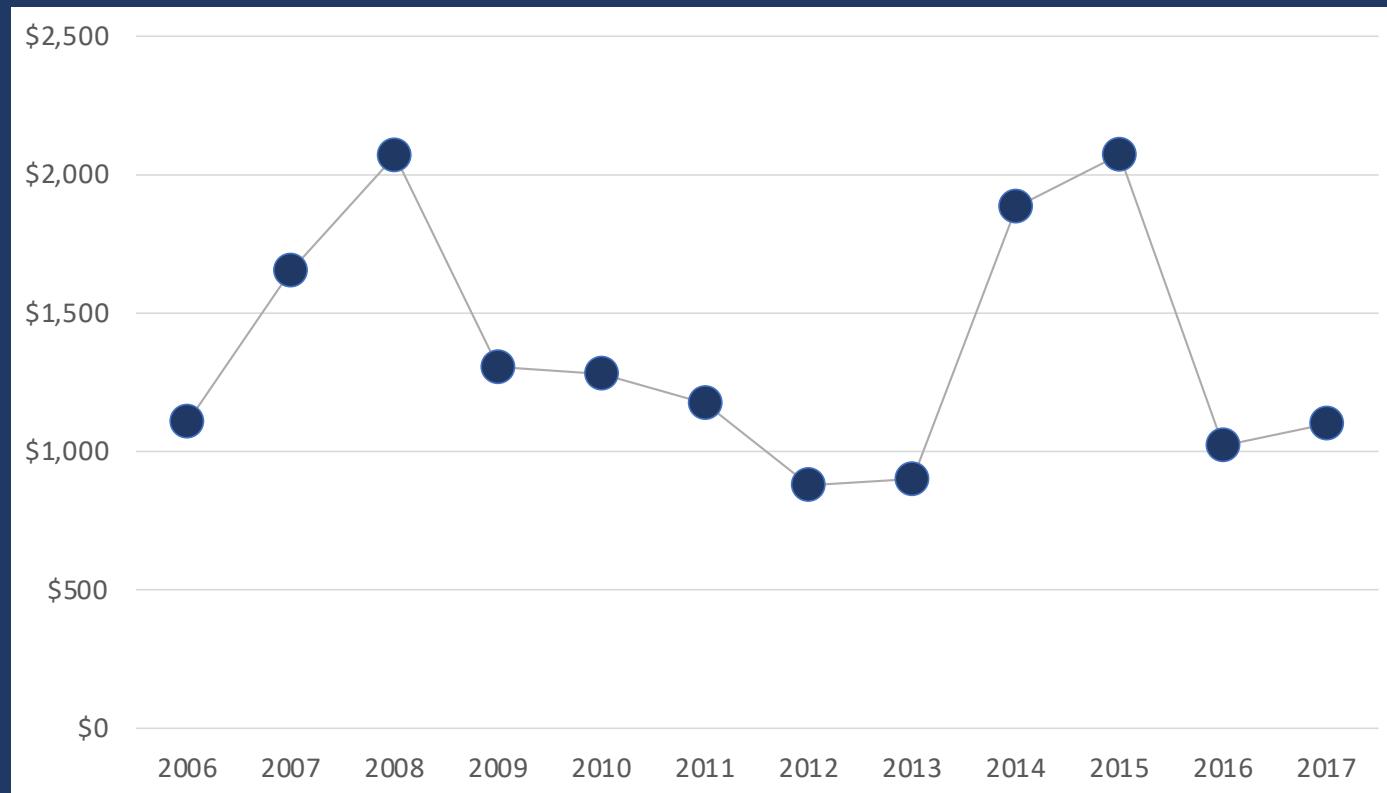
Additional Slides



Sources: State of Alaska CAFRs, FY 2001 – 2017, Federal Reserve of St. Louis FRED (for oil prices)



Simulation: Baseline Results



2009 POMV Initiation

