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U.S.

Giving Alaskans Free Money Didn't Stop Them From Working

Adding to debate over universal basic income proposals, new study says Alaska payments didn't affect employment

Oil pipelines near Milne Point, Alaska. The Alaska Permanent Fund invests proceeds from the state's oil wealth and pays out an annual dividend to almost everyone who lives in the state. PHOTO: GREG A. SYVERSON/GETTY IMAGES



By

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The annual payments made to every Alaska resident out of the state's oil wealth haven't reduced how many of them are employed, according to a new study, potentially alleviating one concern about the idea of guaranteeing every citizen a government-paid basic income.

"We speak to one part of this debate, which is, could this have a huge negative effect on labor supply?" said University of Chicago economist Damon Jones, who co-authored the National Bureau of Economic Research working paper circulated this month with Ioana Marinescu, an economist at the University of Pennsylvania.

People having more money to spend appeared to stimulate the economy, and offset the fact that some people may have been inclined not to work due to the payments. "Those forces seem to be canceling out," Mr. Jones said.

Economists in Europe and the U.S. have pondered in recent years whether the government should pay citizens enough money to cover the basic costs of life. The idea, sometimes called universal basic income or guaranteed income, is controversial. Advocates say it could fight poverty, replace a patchwork of existing safety-net programs and protect workers facing the possibility of massive job losses due to automation. Critics say it could discourage people from working and worsen inequality while costing far too much.

Voters in Switzerland overwhelmingly rejected the idea in 2016 but economists remain curious about how such a program might work in practice, and pilot projects are underway in various locations around the world.

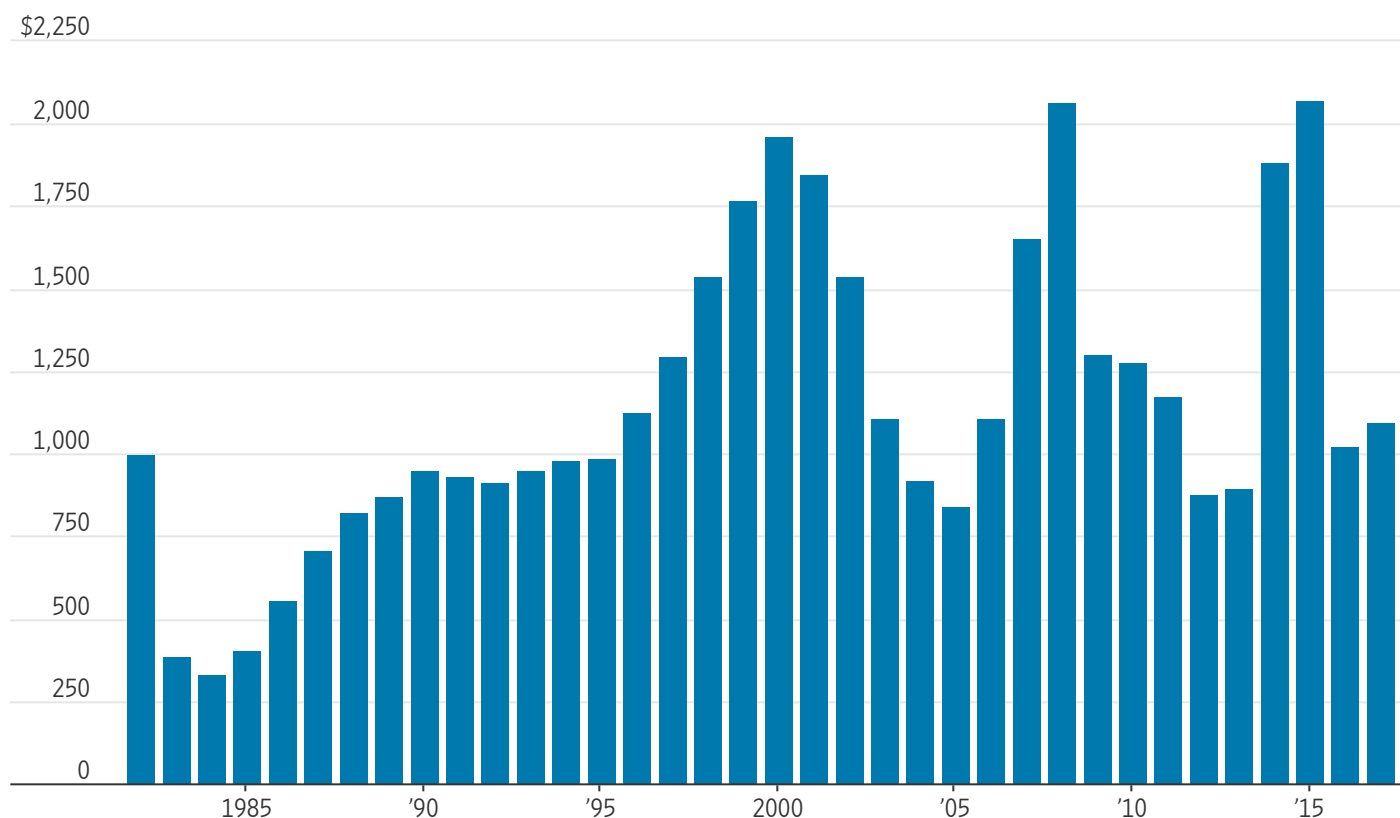
As it turns out, an unintentional experiment has been happening in the Last Frontier for decades.

Ms. Marinescu and Mr. Jones studied the Alaska Permanent Fund, which invests proceeds from the state's oil wealth and pays out an annual dividend to almost everyone who lives in Alaska. Eligibility guidelines and the amount paid have varied since the payments began in 1982; in 2017, it was \$1,100, meaning a family of four received \$4,400 with no strings attached.

That's smaller than the payments envisioned in many universal basic income schemes. But as part of an experiment, it still has value. Due to its universal nature, "the payment has the potential to affect the functioning of the Alaska economy in general," Ms. Marinescu said.

Money for Nothing

Annual dividend payments to Alaska residents from the Alaska Permanent Fund



Source: Alaska Department of Revenue

The researchers compared labor-market data for Alaska with a so-called synthetic Alaska, a baseline constructed using data from Wyoming, Montana and other states that were weighted to match the trends underway in pre-1982 Alaska.

They found no difference in the share of Alaskans who were employed after the introduction of annual dividend payments, though they did find more people working part-time. They said it's possible having a stream of income from the government made some full-time workers opt to cut back on their hours, or that the payments may have encouraged some people to work part-time when they otherwise would have remained at home.

“Both of those could be happening, and it’s probably a mix,” Mr. Jones said.

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