BASIC INCOME EUROPEAN NETWORK

9th International Congress
Geneva, September 12th-14th

The Alaska Permanent Fund Dividend: An Experiment in Wealth Distribution

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DRAFT, SEPTEMBER 2002. NOT TO BE QUOTED WITHOUT PERMISSION OF THE AUTHOR(S).

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1. Introduction

For 20 years every Alaska citizen has received an equal share annual Dividend distribution from the Alaska Permanent Fund, capitalized by a portion of the revenues from publicly owned oil production. As the Fund has grown in value, the size of the annual dividend has increased so that today about US$1 billion is distributed annually to 600,000 citizens - directly accounting for about 6 percent of total household income.

This paper begins by reviewing the creation, history, and structure of the Fund and Dividend. It then discusses the economic, social, and political impacts of the Dividend. Next it considers possible changes in the Dividend and Fund in response to changing economic conditions within the state. Finally it discusses the possible implications of the Alaska experience for other regions and for the concept of the basic income.

2. The Alaska Permanent Fund

In 1977 oil production began from the largest oil field ever discovered in North America, Prudhoe Bay on the North Slope of the state of Alaska. Production, property, and income tax revenues began to flow into the state treasury at an unprecedented rate. These revenues were augmented by royalty payments (an ownership payment) to the state because, as luck would have it, the field happened to be located on state lands, received from the federal government when Alaska had became the 49^{th} of the United States a few years earlier.

Shortly thereafter the Alaska Permanent Fund was established by Constitutional Amendment to set aside a share of the revenues from oil production for future generations of Alaskans, in recognition of the inevitable depletion of the resource. This savings account was designed to convert a part of the depleting petroleum asset into a permanent and sustainable financial asset.

A secondary reason for establishment of the fund was to keep some of the oil revenues away from the politicians who, it was feared, would spend them on wasteful government operations and capital projects. The mistrust of the politicians was grounded in the fact that an earlier $900 million payment to the state by the oil companies for the right to explore for oil, when left in the hands of the legislature, seemed to disappear overnight, leaving behind not a legacy of new assets, but rather one of bigger government without an enhanced ability to pay for it.

The Constitutional amendment establishing the Permanent Fund required that at least 25 per cent of the royalties collected from the sale of all state owned natural resources would be deposited into the fund, that the fund would invest only in income producing assets, and that only fund earnings, but never fund principal, could be spent. In practice the deposit rule has meant that about 10 per cent of the total revenues from oil production have been deposited into the fund, along with insignificant amounts from other mineral production.

The fund balance grew slowly in its first two years, reaching $137 million by the end of fiscal year 1979. Shortly thereafter the price of oil took a dramatic leap upward and by 1988 the fund balance, including sub accounts, passed the $10 billion mark. Growth has continued, albeit at a slower pace, and at the end of fiscal year 2002 it stood at $23.6 billion. This is about $3 billion below its peak of $26.5 billion in 2000 due to the stock market decline.

In addition to the deposits of royalties required by the Constitution, the size of the fund has been augmented by legislative appropriation. Each year a deposit is made to offset the effect of inflation on the real value of the fund (based on the purchase price, rather than the current market value of assets). In addition in some years a deposit has also been made from revenues deemed unnecessary for current operations.

During its early years the fund attracted little attention beyond a debate to establish its investment policy. The notion of using the fund as a savings account won out over the competing idea of using it as source of investment capital for Alaska regional economic development projects. Consequently the fund is invested in a diversified portfolio of stocks and bonds and its annual earnings are not correlated with the performance of the Alaska economy. Furthermore, financial markets provide a clear rate of return benchmark for fund performance.

The Alaska Permanent Fund has been a successful device for converting a portion, but not all, of Alaska's depleting oil resource into a renewable financial resource. We cannot say whether conversion to a financial asset is necessarily in the best economic interests of the state compared to investment in physical infrastructure, human capital, or some other resource. However cash is fungible and thus the fund preserves the option of conversion to a different form of wealth in the future.

- Some of the reasons for the success of the fund are clear:
- First, it grew out of the desire not to repeat the perceived waste of the original $900 million windfall associated with the Prudhoe Bay lease sale.
- Second, it had its formative years, and years of most rapid growth, at a time when the state treasury was bursting with oil revenues and the diversion of a small share of those revenues into the fund was hardly noticed.
- Third, its ultimate purpose was not clearly defined. Its general purpose as a saving account to prevent all oil revenues from being spent when received was agreed upon. However there was little discussion and no agreement as to what the savings would eventually be spent on, since that was a decision that could be postponed. But that did allow the fund to gain support across a broad political spectrum from those in favour of limited public spending to those concerned about the ability of the state to support a large variety of public programmes.
- Fourth, the investment policy became insulated from the political arena when the decision was made to invest the portfolio in stocks and bonds rather than in Alaska loan programmes or infrastructure building.

- Fifth, the management of the fund was vested in an independent corporation headed by a board of directors with the narrow and focused goal of maximizing the financial earnings of the fund. The corporation operates independent of the state treasury and has not become involved in any discussions regarding the best use of fund earnings, a decision left in the hands of the legislature.
- Sixth, the fund acquired a powerful constituency with the establishment of the Alaska Permanent Fund Dividend Programme, an annual cash distribution to all residents from earnings.

3. The Alaska Permanent Fund Dividend programme

Two years after the Alaska Permanent Fund was established, the world oil price jumped and Alaska state revenues, primarily from oil, quadrupled. The state responded by simultaneously expanding its budget and eliminating broad based taxes. Operating programmes, the capital budget, transfers to individuals, as well as loan programmes for businesses, students, and homeowners all benefited from the availability of higher oil revenues. Because the availability of revenues was not a real constraint on spending, the criteria for budget appropriations was to make certain that all groups were receiving a fair share of the revenues from oil flowing through the state treasury. This included all types of households and businesses as well as every special interest group from senior citizens to construction workers to government bureaucrats.

There were ample revenues to pay for this expansion of government without recourse to the earnings of the Alaska Permanent Fund, which at this time were insignificant. However as time passed attention began to focus on the question of what to do with the earnings of the Alaska Permanent Fund, which were not restricted by the Constitution and could be put to any purpose.

The Alaska governor at the time, Jay Hammond, proposed a distribution of the annual earnings of the fund under a programme called "Alaska Inc." Every citizen would receive an annual payment from the earnings of the fund, with the size of the payment based on length of residence in the state up to a maximum of 25 years. A one-year resident would be entitled to one share; a two-year resident would receive two shares, etc.

There were several attractive features of this proposal:

- First, it would provide a vehicle for sharing some of the revenues from the publicly owned natural resource to all citizens regardless of their status as a member of a special interest group.
- Second the distribution would be as cash, so that individuals could use it for any purpose, thus creating the maximum economic benefit.
- Third, since the size of the individual payment depended upon how long a person had lived in the state, it was both an incentive for people to stay in the state and a reward for long-term residents.

The incentive to remain addressed the problem of high population turn over and the reward gave a larger share of the wealth to older Alaskans. The reward was a way to deal with the thorny question of the appropriate intergenerational distribution of the public wealth. “Alaska Inc” would give a larger share to older citizens who would not have as many years to participate in the distribution as their children and grandchildren.

The notion of a cash distribution from the earnings of the fund was popular, but did not have unanimous support. It passed into law, but the “Alaska Inc” idea quickly ran up against the equal treatment clause of the United States Constitution. The court ruled that a distribution contingent on the number of years of residency in the state was not equal treatment for all, and the Alaska Inc. plan died.

In response, the legislature quickly passed a simpler plan that was an equal annual cash distribution to every resident taken from half the earnings of the Alaska Permanent Fund. To get the programme rolling, in the initial year the Alaska Permanent Fund Dividend (PFD) was $1,000 and was paid out of general revenues rather than fund earnings.

The following year the PFD fell to $386 based on the formula that has been in use ever since. The amount available for payout is half of the five-year average realized earnings of the Alaska Permanent Fund. The dividend formula is designed to provide some stability to the annual payout as well as insulate long-term management of the Permanent Fund from the political pressure to maximize the dividend in the short term.

The size of the individual PFD depends upon the number of people who apply for and are eligible for a share of the available payout.

As the fund and its earnings have grown, the PFD has also increased in size. It had grown back to $1,000 by 1995 ($990). The largest PFD, $1,963, was paid in 2000. Falling earnings have subsequently reduced the size of the dividend. This year, the 21st year of the dividend distribution, it is projected to be about $1,550. The cumulative value of all 21 dividends, if invested for a 3 per cent real rate of return, would today be $31,000.

The dividend is paid to every resident who indicates an intention to remain in the state regardless of age. Parents receive the dividends in trust for their children. This year about 600,000 dividend checks will be distributed shortly before the Christmas shopping season begins to about 95 per cent of the people living in the state, directly increasing total personal income in Alaska by about $1.1 billion, or 6 per cent.

The PFD has some interesting features:

- First, it is absolutely democratic. Every citizen who is eligible receives the same amount regardless of circumstances. The only eligibility test is whether a person has been and intends to remain a resident. (This of course does result in some interesting arguments and debates.)
- Second, although the dividend is taxable income, the federal tax burden is small because a sizable share goes to residents with no other taxable income. (There is no state personal income tax.) The after tax

dividend distribution consequently favours lower income individuals and families with large numbers of children.

- Third, because some income support programmes are contingent on monthly cash income, the state has instituted a "hold harmless" programme to offset the temporary loss of benefits that some households would otherwise suffer in the month that the dividend is distributed.

The PFD programme was not initially popular among politicians, many of whom thought there were better uses for the money, particularly if invested in infrastructure for economic development. A study of the initial dividend payout was done to determine the extent to which Alaskans were "wasting" it. But there was no evidence of a widespread increase in spending on "wine, women, and song" as some had feared.

As the dividend has grown in size and become a regularly anticipated part of the budget of Alaska households, support for it among politicians has solidified. Most now consider it 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. It has been extremely successful in creating a political constituency for the Permanent Fund that did not previously exist. Since the establishment of the PFD, there have been virtually no suggestions that the Alaska Permanent Fund be dissolved, with one recent exception.

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. This has strengthened the notion that the dividend is entitlement rather than government expenditure. This line of reasoning has led some to the conclusion that the Permanent Fund itself should be cashed out, with the proceeds distributed equitably to all residents in one big dividend of about $40,000. However a formal proposal of this nature was recently rejected because it included the condition that subsequent oil revenues would be used to fund government expenditures rather than a continuing, but smaller, dividend programme.

At the time that the PFD was created there were other ideas proposed for directly sharing the income from oil with Alaskans. An intriguing alternative was to link a series of dividend payments to different oil fields as they were discovered. Residents at the time each field was discovered would be eligible for the royalties from production from that field. As new fields were discovered there would be new dividends paid to subsequent groups of eligible residents. This would have eliminated the problem of people being attracted to the state by the PFD.

4. Economic effects of the Permanent Fund Dividend

Most interest within Alaska has centred on the macroeconomic effect of the PFD, and in particular the number of jobs and the amount of personal income generated within the regional economy by the consumer spending associated with the dividend. This stems from the fact that in part the perceived value of public expenditures in Alaska depends upon the number of jobs they produce in the private economy.

The size of this impact depends on a number of factors including:

- The share of dividends paid to residents.
- The extent to which the PFD is viewed as permanent rather than transitory income (will continue to be paid out in future years).
- The average of the marginal income tax rates of all dividend recipients.
- The average of the marginal propensities to consume of all dividend recipients.
- The extent to which parents allow their children to decide how their dividends will be spent.
- The extent to which consumers are constrained in their normal purchases by liquidity constraints (the ability to borrow to purchase investment goods).

Unfortunately (at least for economists), in spite of the size of the PFD programme, which is the largest appropriation of state government (exceeding even primary and secondary education), there has never been an audit to determine how the funds have been used -including what parents are doing with their children's PFDs. We do not know what share parents spend, what share the child spends, and what share is invested for the future education or other needs of the child.

This reluctance to study what people do with their dividends comes from two sources. First, many people view the PFD as a distribution of income from assets owned by individual citizens rather than as an appropriation of government. Thus how the income is spent is a private matter. Second, there is reluctance among politicians to give the appearance, by studying the effects of the dividend, that they might be considering some change in the programme.

However we can make a reasonable estimate of the macroeconomic impact of the programme since it has been in existence for 20 years, and goes in equal amounts to Alaskans rich and poor in a single annual payment. Most economists feel that a large share of the annual distribution is spent when received and goes toward the purchase of consumer durable goods (those with an extended life), producing jobs and income in the trade and service sectors of the economy. Anecdotal evidence supports this notion with auto dealers, furniture and appliance stores, and other durable goods retailers stepping up their advertising and marketing campaigns in the weeks prior to the annual distribution. However, travel agents and financial advisors are also especially busy during this time of the year. Of course for higher income households the dividend is more likely to be simply treated like other income in the way it is spent, although a share is saved either for retirement or for a bequest.

Informal attempts to determine how expenditure patterns have been influenced by the PFD have used the method of asking people what they did with their dividend checks. A common response is that the money was used to buy winter coats for the children. Given the harsh climate in Alaska, it is unlikely that most families would have foregone winter coats for their children in the absence of the dividend, but this perception and response underscores the importance and value people place on the PFD. Of course the impact of spending of the dividend checks depends upon how the total annual allocation of household income has changed as a result of the dividend, and observing where the check goes does not give the answer to that question.

Initially there was some interest in the effect of the dividend on the supply of labour, but there have been no studies of this effect, which from casual observation appears to be small. This may partly be the result of the method of distribution. Because it comes in a single payment at the beginning of the Christmas shopping season, consumers may be predisposed to view the PFD as a "gift" rather than as part of their regular income. Consequently decisions about work effort might be largely insulated from the income represented by the dividend. However, this effect might well be different among different age cohorts or ethnic groups. In the aggregate however there is no evidence of a large impact on current labour force participation, although the effect might be to reduce future labour force participation through earlier retirements.

A complicating factor for determining the effects of the dividend, particularly on the supply of labour, is the open border between Alaska and the rest of the United States allowing the free movement of population in response to wage and income differentials between regions. The PFD may be inducing migration into the state, particularly among lower income large families. There is some anecdotal evidence that this might be happening, but the effect is moderated by the one-year residency requirement. This migration effect of course works in both directions, and it may be reducing the rate of out-migration that would otherwise be taking place among young adults and retirees. Consequently we cannot say whether the labour supply has decreased or increased as a result of the dividend.

Even without a PFD induced increase in the labour supply, the PFD could be exerting downward pressure on the wage differential between Alaska and other, lower cost, regions of the United States. If employers could lower the Alaskan wage rate because of the dividend, then determining the impact of the dividend on the distribution of income would be more complicated than simply observing the addition to incomes directly attributable to the dividend. Of course the dividend could also be driving up the wage rate if, in the absence of in-migration, the labour force participation rate fell.

The average real wage in Alaska has fallen by about 10 per cent in the last decade, but it is unclear the extent to which that is due to other factors such as a change in the mix of jobs and a fall in the relative cost of living. But it does raise the possibility that the apparent higher incomes from the dividend are being partially offset by lower real wage rates. As a result, some of the intended benefit of the dividend is being dissipated. But since a large share of the dividends goes to Alaskans who are not in the labour market, a total dissipation of income would not occur.

In spite of the potential effect on the average wage rate, it is safe to say that the dividend has had a dramatic effect making the distribution of income in Alaska among the most equitable in the entire United States. This is suggested by data reported by the Economic Policy Institute showing that in the last 10 years the income of the poorest fifth of Alaska families increased 28 per cent compared to a 7 per cent increase for the richest fifth. In contrast for the entire United States over the same period the increase for the poorest fifth was 12 per cent compared to 26 per cent for the richest fifth.[1] Other forces have however contributed to this levelling. During this decade Alaska economic growth has been slow with most of the new jobs coming in sectors that have provided employment opportunities at the lower end of the income distribution. (This effect has not attracted attention within Alaska because the dividend has not been viewed as a policy tool for the purpose of influencing the income distribution.)

The dividend should help to empower low income Alaskans in various ways. One might expect to see such things as an increase in volunteer work, an increase in wage rates in unattractive work situations, or a reduction in instances of spousal

[1] Economic Policy Institute, State Income Equality Continued to Grow in Most States in the 1990's, Despite Economic Growth and Tight Labour Markets, news release data 1/18/00, accessed from the internet 7/20/02 at http:///www.cbpp.org/1-18-00-sfp.htm.

abuse. Since most people however will not be impacted in any of these ways, in the aggregate these effects cannot be discerned.

An important economic effect of the PFD is to stabilize the flow of cash to rural Alaska where per capita money incomes are among the lowest in the U.S. and non-government sources of income are variable and uncertain. In some areas, the PFD now directly accounts for more than 10 per cent of cash income. This safety net against unexpected reductions in household income or unanticipated expenditures is an important feature of the dividend. This is particularly true where cash income is most dependent on the production of fish and other natural resources that are subject to dramatic fluctuations in harvest and price.

In addition the dividend has served as an important "automatic stabilizer" for the entire economy of the state, reducing the regional business cycles associated with swings in energy prices and production.

5. Social and political effects of the Permanent Fund Dividend

Although Alaskans have enjoyed the PFD for 20 years, no one has formally studied its social impacts. One of its obvious consequences is that an entire generation of Alaskans has grown up in an environment where government distributes checks to citizens instead of citizens sending checks to government since Alaska has neither a personal income tax nor a broad based sales tax. One can speculate on the effect of this on public understanding of fiscal issues and participation in public dialogs on the allocation of public resources. Some feel that the only interest many Alaskans display regarding public issues is the size of their annual dividend check and their only interaction with the government comes when they cash that check. The dividend may also be fostering an environment preoccupied with consumption that may be detrimental to investment and the longer-term needs of the society.

Young Alaskans, who have been receiving an annual check since birth, have very little understanding of the source and rationale for the dividend. When asked, a class of middle school children felt that the dividend either was compensation for the high cost of living in the state, the hardships associated with life on the “last frontier” as it is sometimes called, or for the high taxes paid by their parents.

The immense popularity of the PFD now means that politicians are virtually falling over one another to demonstrate to the public their efforts to defend the programme. Any politician who even suggests considering a policy that might adversely impact the size of the annual distribution had best look for another career. This obsession with the PFD threatens normal discourse over the state budget since every issue is viewed through the lens of what its potential impact will be on the PFD. This is a problem because now oil revenues have fallen to the point where earnings from the Permanent Fund might logically be used as a replacement source of revenue.

6. The future of the Permanent Fund Dividend

Alaska has relied almost exclusively on oil revenues to fund state government for a generation, but they have been declining for a decade and budget cuts alone have not been sufficient to offset this revenue loss. Some combination of use of the earnings of the Permanent Fund, including reduction of the size of the PFD, and re-instituting the personal income tax is the most obvious solution.

Those who would prefer a reduction of the PFD to a personal income tax point to the disincentive to work and investment created by an income tax, the unfairness of putting the burden for paying for government entirely on workers, and the apparent illogic of government collecting an income tax with one hand while simultaneously distributing a dividend with the other.

Opponents of using a portion of the PFD to pay some of the costs of government present a number of arguments, suggesting that an income tax would be preferable. First, paying for government out of the dividend would result in a bloated public sector since this method would not require government to ask citizens to contribute to government through taxation. Second, the impact would fall almost entirely on Alaskans in contrast to an income tax that would be partially paid by non-resident workers. Third, the state personal income tax is deductible from the federal income tax, effectively reducing the cost to Alaskans of funding government by this method compared to a dividend reduction. Fourth, re-instituting the income tax would re-establish the link between the public costs of economic development and the revenues to pay for them

Finally, the argument is made that reducing the dividend would put the burden of paying for government on those least able to pay - the poor. It is interesting that the argument is being made that reduction of the dividend would be the most regressive method of tax since this was never an argument in support of the dividend or any suggestion to increase the size of the dividend.

Some of the features that have made the Permanent Fund a success are now proving to be an impediment to finding a solution to the Alaska fiscal problem. Many of the people in the state at the time of its creation always envisioned that the earnings of the fund would be part of the solution, but because this was not clearly enunciated, and because many newer residents do not share the historical perspective of these longer term residents, there is no consensus today on what role fund earnings should play in dealing with the current and expected future state budget shortfalls. A significant minority of the population feels that under no circumstances should the earnings of the fund be used to help pay for state government.

The separation of the management and accounting of the fund from the rest of state government has exacerbated this problem. For most of the past decade the state general fund has operated at a substantial deficit. At the same time the Permanent Fund has generated large surpluses after payment of the dividend, and taken together the consolidated account of the general and Permanent Funds has usually shown a surplus. The public has become confused and suspicious when they get the inconsistent message that the general fund is in deficit but the consolidated account of the state is in surplus.

7. What can the basic income movement learn from the Alaska Permanent Fund Dividend?

7.1 People view the Alaska Permanent Fund Dividend as an entitlement that all Alaskans share rather than as a public expenditure

The Alaska Permanent Fund Dividend has reduced poverty and inequality of the distribution of income in a political climate that is in many respects opposed to the notion of using public resources to increase the purchasing power of the least well off Alaskans. For example, during the last legislative session, it became clear that Alaskans prefer a sales tax to an income tax as a method for raising revenue in spite of the evidence that the sales tax is regressive compared to an income tax. In fact a significant share of the population felt that a progressive income tax would unfairly punish workers - the productive members of society - by requiring that they be the ones to support government spending. In contrast, it was argued that a sales tax would fall fairly on everyone because all Alaskans are consumers.

The apparent inconsistency between the simultaneous support for the dividend and regressive taxes can be resolved if the Alaska Permanent Fund Dividend is viewed, not as a government appropriation, but rather as a distribution of earnings from an asset owned by each Alaskan. Since each resident owns a share of the Permanent Fund, each resident is entitled to an equal share of its earnings. The dividend programme is not viewed as a government programme for helping the neediest Alaskans through cash grants.

The reality however is different from the perception. Individual residents are not owners of a share of the Permanent Fund. No one can use their share as collateral for a loan at their local bank. The Permanent Fund is a public asset, and residents can share in decisions about its disposition only as long as they remain in the state. When they die or move outside the state, they lose their interest.

7.2 How people use their dividends depends partially on public perceptions of how the dividends should be used

Although there is no direct evidence to verify differences among ethnic groups and age cohorts in how the dividend is perceived, there is some anecdotal evidence that some Alaskans treat the dividend income differently than other income because of the advertising campaigns and general level of "hype" that accompanies its distribution each fall. There is considerable interest and attention leading up to both the annual announcement of the size of the dividend and the date on which the dividends will be deposited in recipients' bank accounts. (A large share of the dividends is distributed on a single day.) Perhaps in the absence of the media barrage, a smaller share of dividends would be spent on consumer durables or Christmas presents. The dividend has been in existence for 21 years and is likely to continue so it should not be viewed as a windfall, but it does continue to have the aura of being special income.

7.3 The form of the distribution is important in determining how it will be spent

The dividend distribution occurs as a lump sum in the fall of the year. For a family of four of modest means, $6,000 in the form of four dividend checks might represent the equivalent of two or three months worth of regular income. This lump sum gives the family the opportunity to purchase expensive consumer durables that they might not otherwise be able to either because of an inability to save the required amount or to obtain the necessary credit. If on the other hand the distribution were made in 12 equal payments spread over the course of the year, consumption would more likely be directed toward non-durable goods.

7.4 The macro economic impacts of the dividend may include "unintended consequences"

In particular, there has been some concern in recent years that the dividend may be acting as a "population magnet", either attracting people to the state who are not in the labour market, or creating an incentive for people to stay - such as students or retirees. However another possible effect of the dividend that has been completely ignored might be a reduction in the Alaskan wage rate by the amount of the dividend. If the labour market worked in this way, Alaska workers would be sharing the benefits of the dividend with business owners, non-workers, and non-residents.

7.5 The dividend distribution has changed the relationship between the individual and government

Since the dividend came into existence 21 years ago, an entire generation of residents has grown up in an environment where the government sent each resident a check each year rather than a tax bill. This has fostered a feeling that the government exists to distribute cash to its citizens, but that individuals do not need to contribute to public life. These young people have not been schooled in the responsibilities that come with living in a representative democracy. They do not understand where the money comes from to support public expenditures, they have little interest in how public funds are allocated among programmes since they are not required to pay for them, and they feel little responsibility for the general welfare.

A public education programme would help to offset this trend. But in the absence of concrete measures to create a sense of responsibility, the dividend will continue to foster a distorted sense of the function of the public sector. People feel that the dividend should be protected regardless of any resulting deterioration in other public programmes. It is easy for people to rationalize that their dividends get spent on personal necessities like winter clothes for their children whereas politicians would waste the money on ridiculous and useless projects.

7.6 For many households the dividend makes only a marginal difference in income

As one moves up the income distribution, the impacts of the dividend decline both because the federal income tax drains off a larger share and because the dividend represents a smaller share of total household income. The potential effects of interest, such as changes in labour force participation rates and enhanced personal opportunities, are concentrated among a small portion of the population at the lower end of the income distribution. This can make these effects more difficult to detect and monitor simply because they are not a concern for most people. It also means that from a narrow financial perspective, the programme is not targeted if its primary objective is to assist people of modest means.