



Alaska's Economic Future and Choices



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What factors drive Alaska's economy?

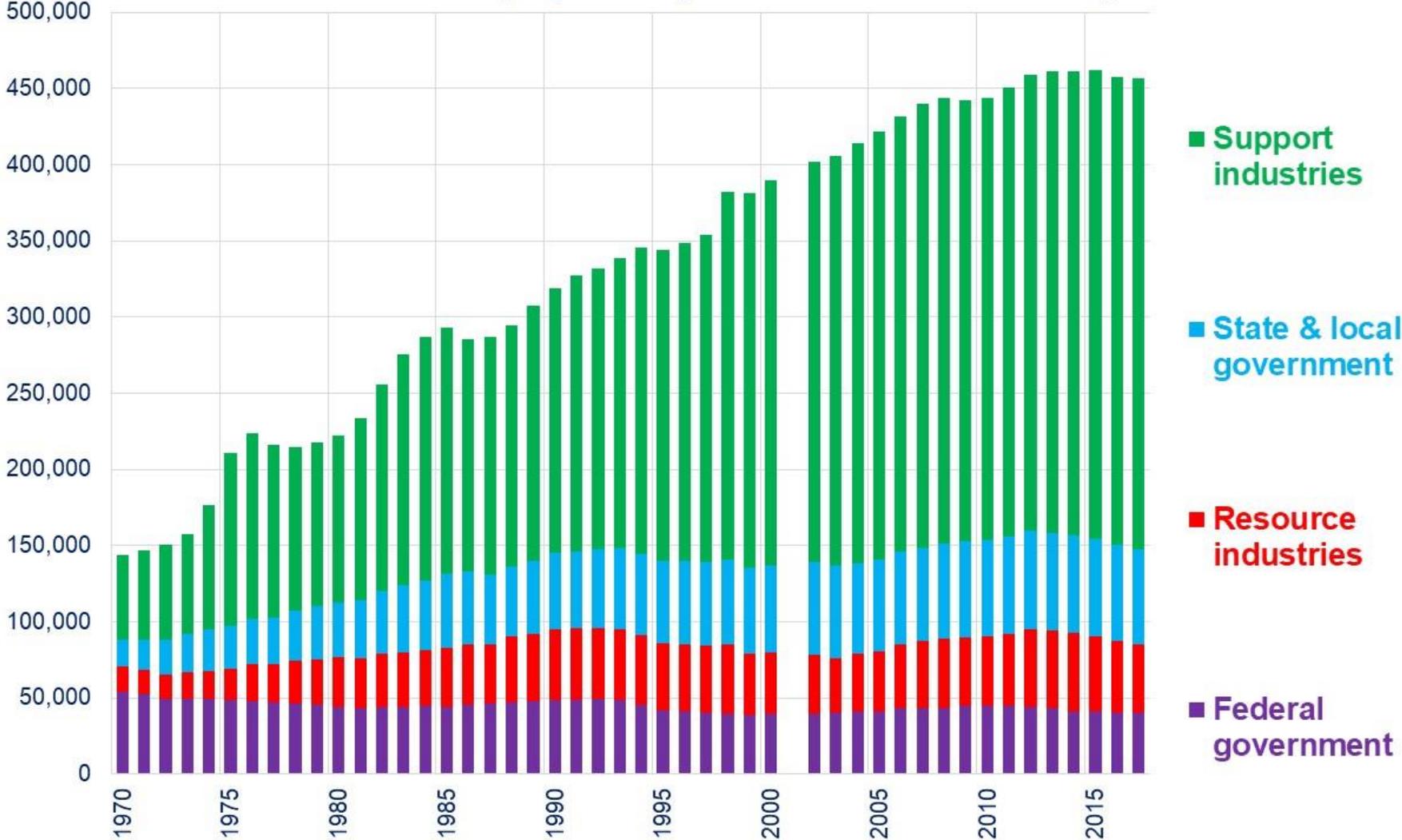
		Federal government	Resource industries	State & local government	Support industries
Factors over which we have little or no control	Alaska resource endowments		X		
	Nature & climate change		X		
	World market conditions for Alaska resources		X		
	Resource industry technology		X		
	International politics (military, trade, etc.)	X	X		
	Federal resource management & regulation	X	X		
	Federal infrastructure development	X	X		X
	Federal military spending	X			X
	Federal civilian spending and policies	X		X	X
	Rates of return on financial investments			X	X
Factors over which we have some or significant control	State & local government spending for services			X	X
	State spending for Permanent Fund Dividends			X	X
	State spending for infrastructure			X	X
	State & local broad-based tax policies		X	X	
	State resource tax policies		X		
	State resource management policies		X		
Selected factors driven by feedback loops in the Alaska economy	Scale and value of Alaska resource industries <i>(through effects on state resource revenues)</i>			X	
	Scale of Alaska population and economy <i>(through effects on support industry spending, costs, the labor force, and demand for government services)</i>	X	X	X	X

What were the biggest factors driving change in Alaska's economy over the past 50 years?

		Federal government	Resource industries	State & local government	Support industries
Factors over which we have little or no control	Alaska resource endowments		X		
	Nature & climate change		X		
	World market conditions for Alaska resources		X		
	Resource industry technology		X		
	International politics (military, trade, etc.)	X	X		
	Federal resource management & regulation	X	X		
	Federal infrastructure development	X	X		X
	Federal military spending	X			X
	Federal civilian spending and policies	X		X	X
	Rates of return on financial investments			X	X
Factors over which we have some or significant control	State & local government spending for services			X	x
	State spending for Permanent Fund Dividends			X	X
	State spending for infrastructure		x		x
	State & local broad-based tax policies			X	X
	State resource tax policies		X	X	
	State resource management policies		X		
Selected factors driven by feedback loops in the Alaska economy	Scale and value of Alaska resource industries <i>(through effects on state resource revenues)</i>			X	
	Scale of Alaska population and economy <i>(through effects on support industry spending, costs, the labor force, and demand for government services)</i>	X	X	X	X

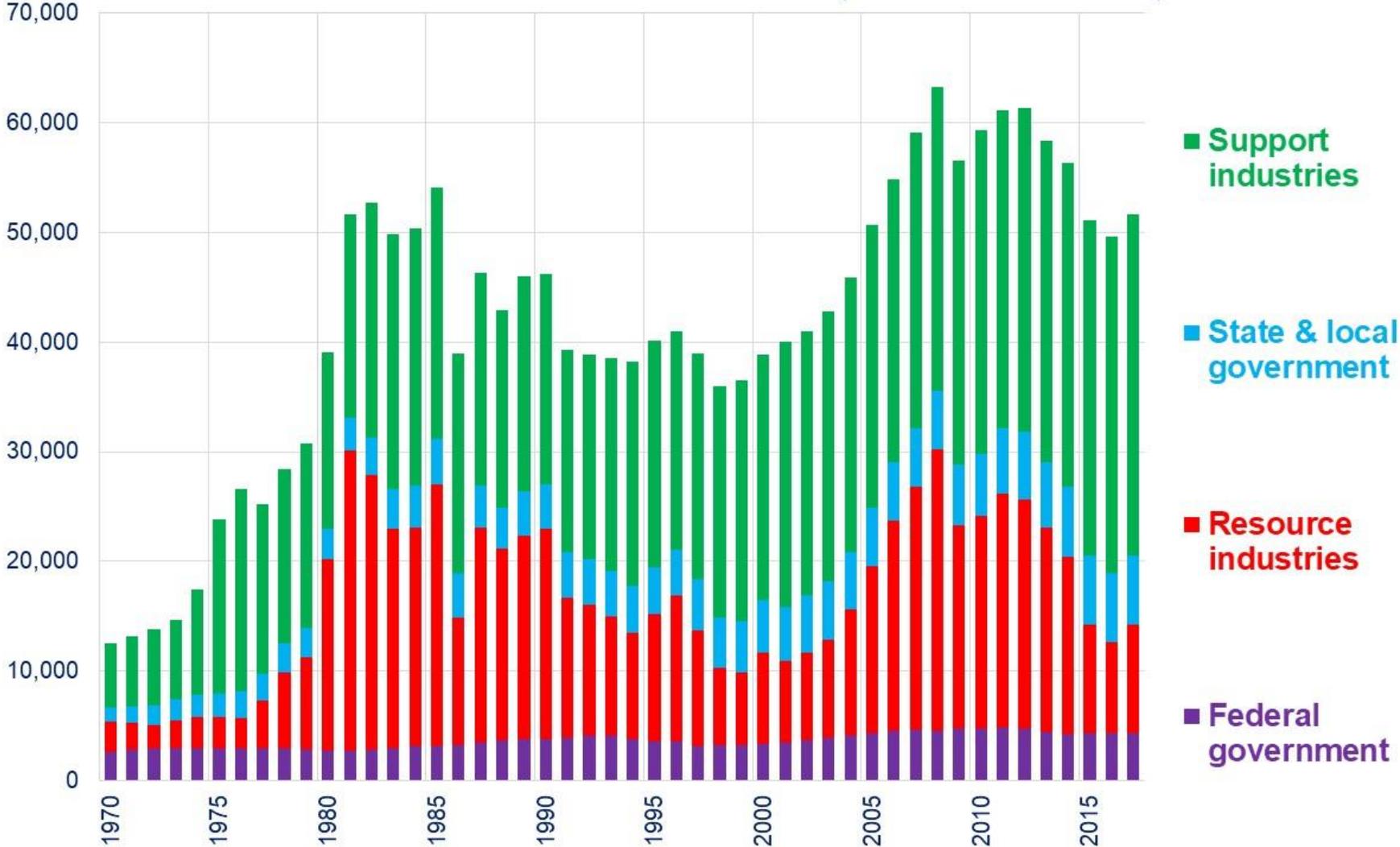
Alaska's Economy: The Past 50 Years . . .

Alaska Employment (Full-Time and Part-Time)



Alaska's Economy: The Past 50 Years . . .

Real Alaska Gross State Product (millions of 2017 \$)



A lot of what will drive's Alaska's economy in the future is mostly or fully beyond our control—and also difficult to predict.

	Federal government	Resource industries	State & local government	Support industries
Alaska resource endowments		X		
Nature & climate change		X		
World market conditions for Alaska resources		X		
Resource industry technology		X		
International politics (military, trade, etc.)	X	X		
Federal resource management & regulation	X	X		
Federal infrastructure development	X	X		X
Federal military spending	X			X
Federal civilian spending and policies	X		X	X
Rates of return on financial investments			X	X

We can affect some factors affecting the economy.

Factors/policies	Important ways in which they affect the economy	Resource industries	State & local government	Support industries
State & local agency spending for services	<ul style="list-style-type: none"> - Creates government jobs - Provides services which affect what kind of place Alaska is to do business, work & live 		X	x
State spending for Permanent Fund Dividends	<ul style="list-style-type: none"> - Increases Alaskans' incomes - Increases support industry sales 		X	X
State spending for infrastructure	<ul style="list-style-type: none"> - Supports construction industry - Affects access to resources - Affects costs of resource development 	X		X
State & local broad-based tax policies	<ul style="list-style-type: none"> - Affect state revenues - Affect Alaskans' income and spending - Affect cost of living relative to other states 		X	X
State resource tax policies	<ul style="list-style-type: none"> - Affect state revenues - Affect competitiveness of Alaska resource industries relative to other states & countries 	X	X	
State resource management policies	<ul style="list-style-type: none"> - Affect what kinds of resource industries are allowed - Affect where resource development is allowed - Affect resource industry costs - Affect who benefits from resource development 	X		

We can affect Alaska's future economy.

BUT

We don't agree about what kind of economy we want.

AND

As our oil revenues decline, we face increasing financial constraints to and tradeoffs between our options.

Critical Alaska policy choices affecting Alaska's economic future:

Fiscal policy choices

- What choices will we make over time between:
 - State and local government spending
 - Dividend spending
 - State and local broad-based taxes
 - Resource industry taxes
 - Adding to or drawing down savings
- These choices will affect:
 - The quality of state and local government services
 - Alaska's infrastructure
 - The tax burdens on residents and business
 - Alaska's competitiveness for investment
 - What kind of place Alaska is to do business, work & live

Critical Alaska policy choices affecting Alaska's economic future:

Resource policy choices

- What kinds of resource development?
- In what parts of Alaska?
- Supported by what kinds of infrastructure?
- Receiving what kinds of subsidies?
- Paying what kinds of taxes to whom?
- Managed for what social benefits?

Pebble mine

Ambler road

Forest products industry

Cruise ships

Cook Inlet salmon management

Fish farming

Critical Alaska policy choices affecting Alaska's economic future:

Rural policy choices

- How much and in what ways will we support high-cost rural areas of Alaska?
 - Education funding and policy
 - Social services (health care, public safety)
 - Subsidies (power cost equalization, airports)
 - Infrastructure policy
 - Resource management policy
 - Resource revenue allocation

- These choices will affect:
 - Growth or decline of rural communities
 - Subsistence
 - Alaska Native culture
 - Other state fiscal choices

Alaska's economic future is uncertain.

There are positives, negatives and unknowns.

Positives . . .

- Potential for further development of Alaska's natural resources:
 - New resources discoveries
 - New technologies
 - New infrastructure
- Potential for further growth of tourism
- Positive impacts of information technology
 - Growing potential for Alaska businesses and residents to do business anywhere in the world
- Growing contributions of Permanent Fund earnings to state revenues
- Potential positive impacts of climate change
 - Lower heating costs
 - More ice-free days
 - Growing potential for agriculture

Negatives . . .

- Oil industry challenges:
 - Continued decline in Prudhoe Bay & Kuparuk production
 - Aging of pipeline and other infrastructure
 - Growing competition from other producers
 - Declining oil demand with shift to other energy sources
 - Increasing regulation of greenhouse gas producers
- Other resource industry challenges
 - Competition for North Slope natural gas
 - Competition for Alaska fisheries from fish farming
- Negative impacts of information technology
 - Growing competition for Alaska support industries from non-Alaska companies
- Potential negative impacts of climate change
 - Impacts of melting permafrost on roads and businesses
 - Lower winter quality of life for skiers, dog mushers, etc.

Unknowns . . .

- Future resource discoveries
- Market prices
- Federal spending
- Military
- Uncertain effects of climate change:
 - Changes in fishery resources
 - Arctic shipping
- National political choices
- Alaska political choices
- Surprises . . .
 - Earthquakes? Volcanoes? Wars? Industrial accidents?
Epidemics? New technologies?

