

Research Proposal

Research Topic: How effective was Alaska's 1982 Permanent Fund Dividend in reducing inequality and improving socio-economic conditions?

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Abstract:

The present study examines the effect of Alaska's 1982 Permanent Fund Dividend, a universal cash transfer financed by oil rents, on income inequality, wealth inequality, women's labor-force participation, and educational attainment. Using state-year data from IPUMS spanning 1977 to 2014, this study compares Alaska to a synthetic counterfactual constructed from a weighted donor pool of non-treated states. The research aims to strengthen policy proposals that help workers adapt to AI-driven changes. We refine current proposals of a Universal Basic Income to consider a tax on AI economic rents supported by the success of the Permanent Fund Dividend.

Introduction:

Milton Friedman popularly described a universal cash transfer as a "negative income tax" in his 1962 book *Capitalism and Freedom* (Friedman, 1962). In the 1990s and earlier, the idea was developed by economists and policymakers such as James Tobin and George McGovern, and was advanced in U.S. debates through Nixon's Family Assistance Plan (Tobin, 1968; McGovern, 1972). Even now, entrepreneur Andrew Yang famously advocated for a UBI in his bid for the 2020 election (Carnegie Council for Ethics in International Affairs, 2018).

Since then, a universal basic income (UBI), or an unconditional cash transfer to the entire population, has emerged as a prominent policy reform poised to help workers adapt to AI-driven changes. Currently, turbulent labor market distortions caused by AI threaten to exasperate wealth and income gaps. Although UBI has been only sparsely implemented amidst fierce debate, recent examples such as Alaska's Permanent Fund Dividend (PFD) suggest outsized success in combating labor market distortions and inequality within AI-dominant nations (Jones & Marinescu, 2022). This study supports the implementation of rent-financed UBI within the near future through the case example of Alaska's Permanent Fund Dividend.

Literature Review:

An increasing amount of literature supports the UBI as a response against technological wage inequality, but few clearly define the distinction between wealth and wage inequality. Artificial Intelligence presents an unprecedented capacity to further wealth inequality, as productivity gains accrue gains to capital owners. Thus, in response to the unique inequality posed by AI, a simple UBI proposal may not by itself produce the progressive effects on its own, but when financed by taxes on excessive economic rents, can be massively successful in reducing inequality, promoting entrepreneurship, and boosting social welfare (Thomas, 2025). Recent research indicates that if AI systems achieve 5-7 times current automation productivity, they could potentially fund an 12k/per year/adult UBI. With current productivity trends, this critical threshold could be met by 2032. To ascertain the feasibility of UBI funded by rents, Alaska's Permanent Fund Dividend since 1962 provides a novel example (Institute of Social and Economic Research, University of Alaska Anchorage, 2016). While Alaska's PFD was accrued on oil rents rather than rents on AI, the effect to citizens is functionally similar, and will reveal the implications of a rent-financed UBI.

Regarding this perspective, current UBI research still leaves two important gaps:

- It often treats inequality as a single concept instead of separating wealth inequality from income inequality.

- It has not fully explored the broader social effects of the Alaska Permanent Fund Dividend, especially on women's labor-force participation and educational attainment (Jones & Marinescu, 2022).

Current UBI proposals don't adequately evaluate the effects of a UBI with this nuance, nor do they critically consider a UBI financed by economic rents. This study addresses those gaps by using Alaska's PFD as a real-world test of a universal, rent-financed transfer.

Methodology:

This study evaluates the effects on income inequality, wealth inequality, and broader social outcomes such as women's labor-force participation and educational attainment of Alaska's 1982 Permanent Fund Dividend using state-year data from Current Population Survey covering 1977 to 2014 (Flood et al., 2015). The unit of analysis is the U.S. state-year, which allows Alaska to be compared with other states before and after the policy intervention. We define income inequality and wealth inequality using measures such as the Gini coefficient, top income shares, top wealth shares, and quintile shares. Women's labor-force participation is defined as the share of women in the workforce, and educational levels are divided into non-high-school educated, high-school educated, bachelor's educated, and graduate school educated.

The empirical strategy combines the Synthetic Control Method (SCM) with a Difference-in-Differences (DiD) framework. First, SCM is used to construct a counterfactual "Synthetic Alaska" from a weighted combination of donor states that did not implement a comparable cash transfer. The synthetic control is chosen to closely match Alaska's pre-treatment trends in labor outcomes and demographic characteristics, including age composition, gender, industry structure, and education levels, and is confirmed to match Alaska through various robustness checks, such as calculating RMPSE before and after the treatment (Abadie et al., 2010).

After constructing the synthetic counterfactual, the study applies DiD to compare post-1982 changes in Alaska relative to the Synthetic Alaska. This combined design strengthens causal inference by accounting for both observed pre-treatment differences and common time trends. Through estimating the difference between the Synthetic and post-treatment Alaska, we can determine the distributional and social effects of a rent-financed universal cash transfer, compared to a non-treatment group.

Conclusion:

This study will evaluate the impact of Alaska's Permanent Fund Dividend as a UBI-like policy on income inequality, wealth inequality, and broader social outcomes such as women's labor-force participation and education. If successful, this analysis could provide evidence that universal cash transfers are useful tools for reducing inequality and improving social well-being, especially in discussions of future UBI policies financed by resource or AI rents.

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