From Oil Wells to Citizens' Wealth: The Alaska Dividend at 50 and Why it Matters Far Beyond Alaska

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Abstract

Alaska has been quietly running one of the most successful experiments in resource governance for half a century — and almost no one has copied it. The Alaska Permanent Fund takes oil royalties that would otherwise flow through government budgets, saves them in a sovereign fund, and pays part of the returns directly to every resident as an annual cash dividend. The result is a state with high per capita income, no income tax, low inequality, and a population that has nearly doubled. This paper explains why the model works, why it is fundamentally different from universal basic income, and why the contrast with failed petro-states from Venezuela to Libya matters enormously. Drawing on twenty-five years of research across oil and mineral economies, it argues that the decisive variable is not resource abundance but institutional design: who controls the rents and how they are distributed. Four practical pathways to replication are examined — from converting existing sovereign wealth funds to designing institutions from scratch in new resource economies. With new oil and critical mineral producers such as Argentina and Guyana now entering the resource game, the opportunity to design better institutions before large rents flow has rarely been more relevant.

Keywords: Alaska Permanent Fund, citizen dividend, resource curse, sovereign wealth funds, natural resource governance, universal basic income, critical minerals, institutional economics

JEL Classification: Q32, Q38, H82, P48, O13

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Introduction

The latest escalation in the Gulf has once again exposed the fragility of economies shaped by dependence on natural resource wealth. After the United States and Israel struck Iran on 28 February 2026, Tehran responded with missiles, drones, and a blockade of the Strait of Hormuz, sending oil prices sharply higher and unsettling global markets. Episodes like this are often framed as geopolitical confrontations — retaliation, deterrence, escalation. But they also point to a deeper, recurring question: why do some resource-rich countries turn wealth into stability and growth, while others turn it into fragility, conflict, or decline?

The contrast within the region is hard to ignore. Iran has built a militarised, ideological regime where oil revenues largely feed the repressive apparatus of the state. The UAE has taken a different path, using its oil windfall to build open, globally connected economies centred on trade, tourism, and finance. These are not just different policy choices; they reflect fundamentally different ways of organising and distributing resource wealth.

These differences trace back to the same underlying issue: who controls resource revenues, and how those revenues are used. In many cases, the problem is not the presence of natural wealth, but the way it reshapes incentives — concentrating power, distorting investment, and encouraging short-term extraction over long-term development.

Moments of crisis tend to make these dynamics more visible. Rising oil prices, fiscal pressures, and geopolitical tensions bring resource wealth back to the centre of economic and political debate. But they also create an opportunity to revisit assumptions that are often taken for granted — in particular, the idea that governments should collect and allocate all resource revenues.

Seen from this perspective, one of the most interesting experiments in resource management comes from a place that could hardly be more different from the Gulf. Alaska, a sparsely populated northern state, faced a similar question in the 1970s after discovering large oil reserves: how to turn a finite windfall into something more durable.

The answer it developed was unusually simple. Instead of spending all oil revenues, Alaska saved a share in a permanent fund, invested it globally, and distributed part of the returns directly to residents as an annual dividend. Over time, this created a system in which resource wealth is not only managed collectively but also felt individually — as a tangible, recurring payment.

What makes this approach notable is not just its economic outcomes, but how it reshapes the relationship between citizens and the state. When resource income flows through government budgets, it is often distant and abstract. When a portion is paid directly to individuals, it becomes visible, personal, and politically salient.

This paper begins by explaining what makes the Alaska oil dividend so unusual. How did it emerge? How does the Alaska Permanent Fund actually work? And what impact has it had on the state's economy — from GDP and population growth to the size of the annual dividend paid to residents? The paper also looks ahead to the future: can the model survive lower oil prices and what happens in a post-petroleum world? Above all, Alaska's experience raises a more fundamental question: do people in resource economies really need the state to manage all their resource wealth?

In recent years, the Alaska model has often been discussed in the context of universal basic income, particularly as debates around automation and inequality have intensified. But this comparison can be misleading. The dividend is not funded through fiscal redistribution, and it is not intended to replace work. It is better understood as a share of resource rents — income derived from assets to which the population holds a collective entitlement.

Looking beyond Alaska, the global record of resource-rich economies remains highly uneven. Some countries — including Australia, Canada, and Norway — have used natural wealth to support long-term growth. Others — such as Venezuela, Iran, and Russia — have struggled with corruption, volatility, and economic decline. In Kaznacheev (2017) I suggest that resource wealth does not determine outcomes on its own; what matters is how that wealth is embedded within broader economic and political structures.

The final part of this discussion turns to what can be done differently. As new resource economies emerge and the global mix of strategic minerals shifts — from oil to lithium and rare earths — the institutional choices made at an early stage will matter enormously.

For countries that are only beginning to develop their resource base, the question is not how to fix a broken system, but how to avoid creating one in the first place. In that sense, Alaska is not just an interesting case study. It offers a practical example of how resource wealth can be structured differently from the outset — and how those choices can shape economic outcomes for decades to come.

From Oil Windfall to Citizen Dividend: How the Alaska Model Works

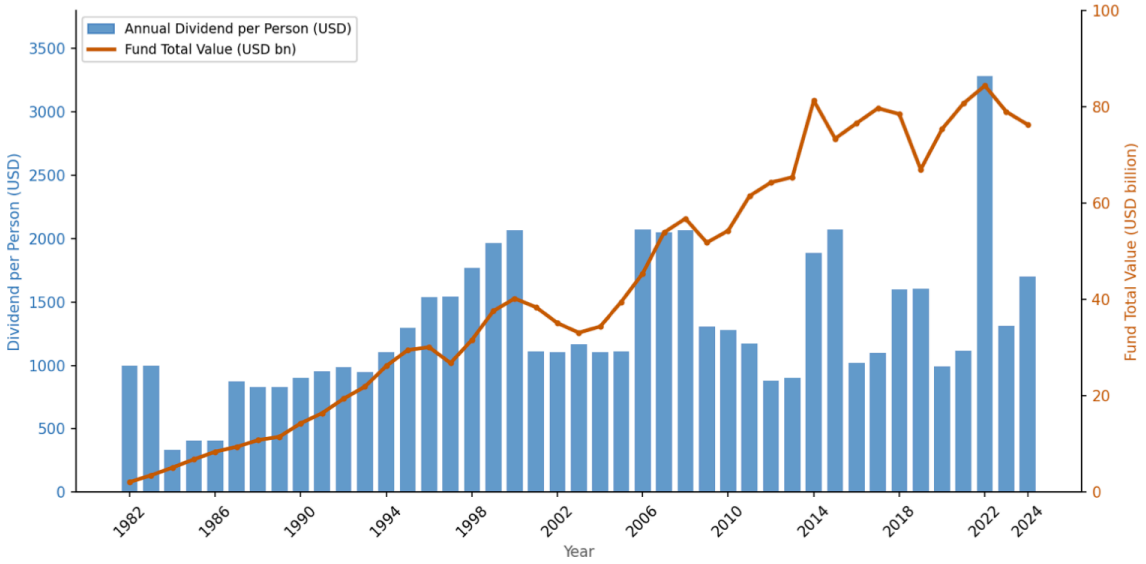
The Alaska Permanent Fund dividend — or simply the “oil dividend” as it is often called — has been paid annually to every Alaskan resident since 1982, regardless of age or origin. The dividend acts as a simple annual top-up to everyone’s income, with no paperwork or bureaucracy beyond proving residency. In 2023, for instance, each resident received $1,312. The Fund itself has grown from just $734,000 in 1977 to over $80 billion today (see Figure 1). Even when oil prices fell, the dividend kept coming — often higher than in the early years in real terms.

The overall economic and social achievements of Alaska are just as striking. Over the last fifty years, Alaska’s GDP per capita has roughly doubled, and despite its remote location and harsh climate, the population has almost doubled, too. It is now the eighth most equal state in the U.S. (U.S. Census Bureau 2024) and one of the richest — a rare combination. Importantly, research (Jones and Marinescu 2022) shows that the dividend did not reduce overall employment, while it actually slightly increased part-time work. At the same time, Alaska has no state income tax and remains a welcoming place to do business. In other words, the state has managed something unusual: growth, low taxes, and greater equality — all at once.

How did the remarkable success of the Alaska dividend come about?

Figure 1. Alaska Permanent Fund — Annual Dividend and Fund Value, 1982–2024

Every Alaskan resident has received an annual cash dividend since 1982. Despite oil price volatility, the Fund grew from $2.1 bn at inception to $76 bn by 2024, generating over $87.8 bn in cumulative earnings. Payouts have persisted through multiple commodity downturns, demonstrating the structural resilience of the citizen-dividend model across four decades.



Sources: Alaska Permanent Fund Corporation, 2024 Annual Report (apfc.org/annual-report-2024); Alaska Dept. of Revenue — PFD Division, Summary of Dividend Applications & Payments (pfd.alaska.gov). Public domain — State of Alaska.

The idea itself is not new. It can be traced back to a short pamphlet published in 1795 — *Agrarian Justice* (Foner 1945) by Thomas Paine, one of the American Founding Fathers. Paine argued that all natural property — land, air, water — belongs to everyone, and that when it is privately exploited, society is owed compensation. Later economists formalised this as economic rent — the surplus income generated by a resource beyond what is required to bring it into productive use.

It is worth noting that this paper does not endorse Paine's far-reaching claim that all natural wealth should be publicly owned. In the United States — unusually among nations — subsurface mineral rights can be privately held, which is a feature rather than a flaw: private ownership of resource rights tends to encourage exploration, investment, and efficient extraction in ways that state monopolies over mineral wealth often do not. What this paper does argue is narrower: that royalties and similar payments collected when natural resources are extracted represent a form of compensation to citizens for their share of something taken from the ground that is, at least in part, collectively shared. And that this compensation is best distributed directly to citizens, rather than absorbed into government budgets where it is removed from public accountability. In that sense, Paine's ideas planted the seed of the Alaska model long before oil was ever discovered as a fuel.

Fast forward to 1968, when the Prudhoe Bay oil field in Alaska was discovered — one of the largest in North America. Money started pouring in almost immediately: in 1969, a single North Slope lease sale raised $900 million — a sum larger than the entire state budget at the time. At first, Alaska did what most governments do in that situation: it spent it, lavishly. Within a few years, Alaska had become the state with the highest government expenses per capita in the United States. By the mid-1970s, with oil revenues accelerating and the

pipeline nearing completion, government disbursements had grown dramatically with little durable economic foundation to show for it (Dobbyn 2016). The pattern was familiar: when resource money flows easily, the pressure to spend it quickly becomes overwhelming. And because little to nothing is saved for a rainy day, the state has no buffer when prices fall — leaving it entirely exposed to the volatility of the commodity cycle.

By the late 1970s, something began to shift. A growing number of politicians realised that if Alaska continued down this path, the oil wealth would disappear as quickly as it had arrived. The goal became clear: protect oil revenues from short-term politics and turn them into a long-term source of income. That meant doing something quite radical — setting aside part of the money and making it untouchable.

Enter Jay Hammond, the man who would become the architect of the system. A World War II marine veteran, Hammond moved from his native New York to Alaska and eventually became its governor. A Republican himself, he managed to build a broad coalition — Republicans, Democrats, and Libertarians — around a long-term vision of managing oil wealth. In 1976, he convinced Alaskans to amend the state constitution and create the Permanent Fund, effectively ring-fencing part of oil revenues from government spending. The dividend came a few years later, with each Alaskan receiving about $1,000 in 1983. The principle behind it was clear: oil companies did not create the oil in the ground, so part of the resource ultimately belongs to the public.

Hammond (2012), in his own words, wanted to transform “an oil well pumping oil for a finite period into a money well pumping money for infinity.” And he did: what started as a bold and controversial idea became part of Alaskan identity. Today, the dividend is often called “the third rail of Alaskan politics” — meaning that any politician who tries to interfere with it risks political suicide. Think of it this way: if a politician wants to divert money from the Fund into some government programme, they must explain why that programme is worth more than about $1,500 per year to every Alaskan, for life (the average payout in recent years). That is a very high bar — and one that few proposals can meet.

To understand why the Fund has worked so well, it helps to examine how it actually operates — because it is not a standard sovereign wealth fund, and its success stems directly from the ways in which it differs from that model. The Alaska Permanent Fund is built mainly from royalties, lease payments, and bonuses that companies pay for the right to extract oil. By law, at least 25% of these mineral revenues must be deposited into the Fund, where they become the principal — and that principal cannot be spent. In other words, Alaska deliberately separated saving from spending: the capital is preserved, and only the returns it generates can be used.

The Fund itself is managed by a separate entity, the Alaska Permanent Fund Corporation (APFC), overseen by an independent Board of Trustees that sets investment policy and monitors performance. The structure is carefully balanced: the governor appoints the trustees, but four of the six trustees must be drawn from the public and may hold no other state or federal office (Alaska Statutes 2024) — with proven expertise in finance and investment, serving limited staggered terms. Over time, the Fund's governance structure was deliberately hardened against political interference: the Fund’s principal was constitutionally protected from legislative spending, investment decisions were delegated to professional fund managers rather than elected officials, and the dividend formula was codified in statute to prevent arbitrary adjustment.

The money is invested like a large global portfolio. The Fund is spread across stocks, bonds, real estate, private equity, and other assets, both in the U.S. and internationally — everything from Californian tech giants to London office towers and Australian farmland. The idea is simple: don't bet everything on one sector (especially not oil again), but diversify broadly to generate steady, long-term returns. There is even a limited programme to invest inside Alaska — but only if those investments are competitive on risk and return, not for political reasons. In that sense, the Fund behaves much more like a disciplined global private investor than a government project. By the late 1990s, the Fund's investment earnings were already rivaling — and in some years exceeding — Alaska's annual oil revenues, a remarkable turning point for an oil economy.

How does the Fund work in practice? Each year, once the Fund's earnings are calculated, a portion is transferred to the state and turned into a dividend. The exact formula is rather technical, but the idea is simple: the payout reflects the Fund's average investment returns over several years, which smooths out the ups and downs. Then, every October, every Alaska resident — including children and permanent residents who are non-US citizens — gets a payment. In recent years, the dividend has typically been in the range of roughly $1,000–$2,000 per person, a meaningful share of household income rather than a symbolic bonus.

People treat it accordingly. Surveys show that most Alaskans use the money for practical things — saving, paying off debt, or investing in education — and a large majority say it both improves their quality of life (81%) and supports the local economy (85%) (Isenberg 2017). Since 1990, the scheme has kept 15,000–25,000 Alaskans — about 2–3% of the state's population — above the poverty line (Berman and Reamey 2016). More profoundly, it has changed how people see themselves vis-à-vis government bureaucracy: when every resident has a direct stake in oil revenues, they start paying attention to how those are managed. The dividend turns ordinary citizens into de facto shareholders — and watchdogs — of how the state manages its resource wealth.

Oil has shaped Alaska's economy for as long as most residents can remember — but the ground beneath that model is shifting. For decades, oil generated the overwhelming bulk of state revenue (around 85% at its peak). Yet production has been in long-term decline, down by roughly three quarters since its 1988 peak, and recent years have seen some of the lowest output in decades. The dividend reflects that reality: in 2025, the payout fell to around $1,000 per resident — the lowest in real terms in the programme's history. The question is no longer whether the model works — it clearly has — but whether it can survive in the future where oil matters less and Alaska produces less of it.

The response from policymakers came in 2018 with the introduction of the Percent of Market Value (POMV) rule. In simple terms, instead of calculating the dividend purely from realised earnings, Alaska now draws a fixed share — about 5% of the Fund's total value, averaged over several years — and that money goes into the state budget. From that pool, the legislature decides how much goes to government spending and how much goes to the dividend. On paper, this looks sensible: it smooths volatility, makes revenues more predictable, and turns the Fund into something like a university endowment. After the oil price crash of 2014, this kind of stability was hard to argue against.

The symbolic implications, however, run deeper than the fiscal ones. By making the dividend subject to annual legislative allocation rather than a fixed formula, the new Percent of Market Value rule reintroduced political discretion into a system carefully designed to exclude it. Whether that proves to be a fatal flaw or a manageable adaptation remains to be seen — but it represents a genuine departure from the model's founding principles. The temptation is always the same: when budgets tighten, the easiest place to look is the Fund.

And yet, geopolitics intervened again. In late 2025, with oil hovering around $63 per barrel, some Alaskan lawmakers were already calling for "realism," warning that the old formula no longer added up and even suggesting constitutional changes to prevent future overspending in dividend payouts (Kanagy 2025). The escalation with Iran sent oil prices sharply higher, and the outlook suddenly changed again. According to revised forecasts published in March 2026, higher prices are expected to bring in an additional $1 billion (Brooks and Smith 2026) to the state treasury over 2026–2027 — a windfall driven almost entirely by the conflict.

The deeper questions remain exactly the same: what happens when prices fall again? Can the dividend be sustained in a world of structurally lower oil revenues? And perhaps more importantly, what happens when the world moves beyond oil as the key energy source altogether? Alaska's great experiment has already shown how to turn a finite resource into a lasting asset. The next challenge is harder: how to make that asset outlive the resource that created it.

There are, however, reasons for cautious optimism: Alaska's resource base extends beyond oil, including major zinc production at the Red Dog Mine, significant gold deposits, and rare earth elements at sites such as Bokan Mountain, which could increasingly contribute to the Fund both now and in the future. As discussed further in Part 5, these emerging resource streams may help sustain the model in a post-petroleum world.

The Alaska Dividend Is Not UBI — And That Distinction Matters

When Jay Hammond died in 2005, he was remembered as the "father of the Alaskan basic income" (Widerquist 2017). Obituaries often quoted Nobel laureate Vernon Smith, who called the programme "a model governments all over the world would be wise to copy" (Martin 2005). In the years since, the Alaska dividend has been pulled into a different conversation altogether — the debate around universal basic income (UBI). Economist Scott Goldsmith, who taught at the University of Alaska, noted (2010) that the oil dividend is "essentially universal, individual, non-conditional, uniform, regular, and provided in cash," arguing that it fits a basic income definition quite well. For many UBI advocates, that universality — everyone gets it, no questions asked — is precisely what makes Alaska's model so compelling.

As UBI moved into the mainstream, driven in part by anxieties about automation and inequality, the Alaska model became its favourite real-world example. Tech figures like Richard Branson, Elon Musk, and Sam Altman have all voiced support (Clifford 2017) for some version of UBI, while Mark Zuckerberg even travelled to Alaska to see the system firsthand, praising it as a potential prototype. But as much as the Alaska model deserves admiration, it is not the same thing as universal basic income — and treating it as such misses what makes it work.

The roots of the UBI concept go back surprisingly far. In 1516, Sir Thomas More introduced an early version of the idea in his famous book *Utopia*. In one scene, a traveller describes watching thieves being executed in England and asks whether such punishments can really solve the problem of poverty-driven crime. Instead of harsher penalties, he suggests something radical: give people a small guaranteed income so that they are not forced to steal to survive. The idea was later taken up by Juan Luis Vives, a scholar and friend of More. In a short treatise called *On Assistance to the Poor*, Vives (1526 [1971]) outlined one of the earliest proposals for what we might now recognise as a form of universal income.

Thomas Paine in *Agrarian Justice* (Foner 1945) proposed what he called a "citizen's dividend." Some advocates present him as an early supporter of UBI, but that's a stretch. Paine's idea was very different — and in fact much closer to the Alaskan model, as discussed above. Crucially, Paine did not propose a guaranteed income sufficient to live on; his payment was meant as compensation for unequal access to natural resources, not as a universal welfare system. The difference between these ideas is fundamental. One is a redistributive transfer, where the government collects taxes, and pays everyone a universal stipend meant to cover basic needs. The other is a royalty-based dividend, funded from natural resource rents and not intended to reallocate income, replace work or provide a full living.

The growing popularity of universal basic income reflects legitimate frustration with the current welfare system: complicated, inefficient, and often ineffective at helping those who need support most. Some UBI advocates push the concept much further. Philosophers such as Philippe Van Parijs (2018) imagine a universal payment added on top of existing welfare programmes — essentially a Robin Hood tax, a permanent redistribution scheme financed by significantly higher taxes. For moderate proponents, though, UBI is not so much a moral project of redistribution as a policy tool that could simplify welfare and make it work better.

There are good reasons to be sceptical, however. The economist David Henderson (2019) has argued that even a modest UBI would simply be too expensive. Today's welfare systems are costly but (for the most part) targeted — benefits are directed to specific groups rather than paid to everyone. Replacing existing U.S. welfare programmes with a universal payment of $10,000 per adult per year would cost more than $2 trillion annually, roughly double the cost of current programmes. The gap would have to be covered by much higher taxes — potentially raising the tax burden by around 50 percent. This estimate reflects Henderson's calculation in 2019 and may differ under current conditions, but it captures the relevant order of magnitude of the fiscal challenge. The OECD reached similar conclusions (Browne and Immervoll 2018): UBI can be extremely costly while delivering relatively limited additional benefits to the poor. (Needless to say, the notion of "basic income" itself is slippery: what counts as basic changes over time as societies grow richer, meaning the target constantly moves.)

There may be limited scope for a more targeted (i.e., non-universal) form of basic income as a replacement for inefficient welfare programmes — for example, a means-tested system that reduces administrative complexity and improves incentives. However, a fully universal scheme would be grossly wasteful, as it distributes resources regardless of need. In either form, such policies remain conceptually distinct from the resource dividend model and have little direct relevance to it.

Some recent proposals — including a vision laid out by OpenAI's founder Sam Altman in his 2026 manifesto *Industrial Policy for the Intelligence Age: Ideas to Keep People First* (OpenAI 2026) — suggest creating large-scale "people's funds" linked to artificial intelligence, where the gains from AI-driven productivity would be pooled and distributed to citizens.

While it may be appealing at first glance, this concept differs fundamentally from the Alaska model. The Alaska dividend rests on a specific and bounded claim: that citizens have an entitlement to a share of the proceeds from the exploitation of resources extracted from the ground — something that is, at least in part, collectively shared. Artificial intelligence does not fit this logic. It is not geographically fixed, not extracted from a finite commons, and its value is generated primarily through private investment and innovation rather than through the appropriation of a shared asset. And hence, its proceeds do not fit the definition of economic rent.

All in all, the key difference between UBI and the Alaskan model is that the latter does not require higher taxes. The dividend is funded from resource rents rather than from redistributing income through taxation. The real value of the Alaskan experience is not that it brings us closer to UBI. Instead, it shows that a portion of government revenue can be distributed directly to citizens, rather than channelled through layers of government programmes and services. In the longer run, it also raises a deeper question: could governments eventually step back from much of welfare provision altogether, with a larger share of economic rents flowing directly to citizens instead of through sprawling bureaucracies?

Beyond Alaska: Why Resource Wealth So Often Fails

Recent events, such as Iran's attacks on Gulf states or Russia's war against Ukraine, raise a broader question: how can resource-rich countries avoid drifting into systems where vast wealth fuels instability and outright war rather than prosperity? And, more importantly, how do you prevent such systems from emerging in the first place?

The roots of today's problems can be traced back to the wave of oil nationalism in the 1960–1970s. In many resource-rich countries, an implicit social contract took shape: the state would own the natural resources "on behalf of the people," collect the revenues, and redistribute some of the proceeds. The distribution could take many forms — public sector jobs, infrastructure projects, cheap fuel, or generous subsidies — but the underlying structure was remarkably consistent. Large portions of the oil wealth remained in the hands of political elites while smaller shares flowed to the population.

As long as oil revenues were high and benefits were visible, the majority tolerated the arrangement and turned a blind eye to corruption. Yet when prices fall, production declines, or growth slows, the bargain begins to unravel. Across many petro-states today, citizens are increasingly questioning the efficiency, stability, and fairness of this model. But the realisation that resource dependence can become a problem began to take shape decades ago. In *The Paradox of Plenty: Oil Booms and Petro-States*, Stanford professor Terry Lynn Karl (1997), drew on two decades of research in countries such as Venezuela, Iran, Nigeria, Libya, and Algeria to explain why oil wealth so often coincides with corruption, weak institutions, and economic stagnation or even decline. Her work helped shape what Richard

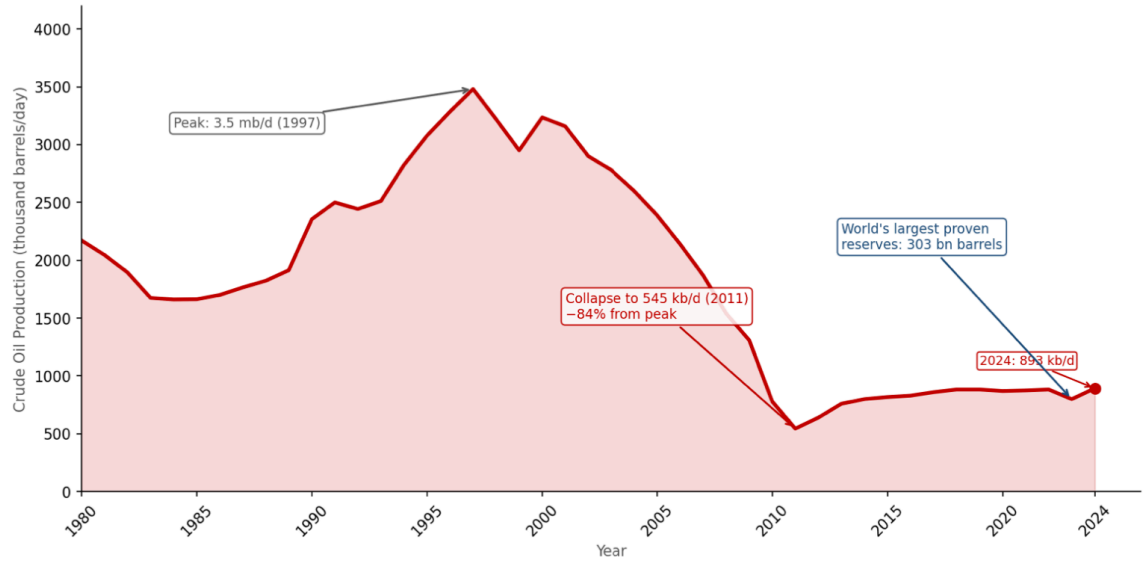
Auty (1993) coined the “resource curse” hypothesis — the idea that resource wealth can hinder rather than promote development.

Few people realise that Venezuela — not Saudi Arabia or Russia — possesses the largest proven oil reserves in the world. Yet the country has become a textbook example of a failed petro-state. In the 1950s it was among the wealthiest countries in Latin America — but decades of oil dependence and Bolivarian socialism gradually eroded its economy. Even during periods of record oil prices living standards stagnated, and by the 2010s the system began to implode. Between 2014 and 2021 the economy contracted by more than 75 percent — the largest peacetime economic contraction ever recorded in the Western Hemisphere, according to the IMF, and one unmatched globally outside of armed conflict or natural disaster (IMF 2024; FocusEconomics 2024). Poverty soared, inflation skyrocketed, and millions fled the country. The shortages of basic goods — from food to fuel — were not simply the result of low oil prices or sanctions but largely of price controls, corruption, and economic mismanagement.

As the well-known quip attributed to Milton Friedman puts it, if you put the government in charge of the Sahara Desert, sooner or later there would be a shortage of sand. Despite sitting on the world’s largest oil reserves, Venezuela’s oil production has collapsed dramatically (see Figure 2) and today remains far below the levels reached decades ago (despite huge remaining reserves). The country’s real GDP per capita is now less than half a century ago — an extremely rare case in a period when living standards rose almost everywhere around the world.

Figure 2. Venezuela — Crude Oil Production Collapse, 1980–2024

Venezuela holds the world's largest proven oil reserves (303 bn barrels), yet crude production collapsed 84% from its 1997 peak to 545 kb/d in 2011 through state capture of PDVSA, destruction of private investment, and systematic misallocation of resource rents. A textbook illustration of the resource curse: maximum reserves, catastrophic institutional failure.



Source: U.S. Energy Information Administration, International Energy Statistics; Country Analysis Brief: Venezuela (February 2024), eia.gov/international. U.S. government work — public domain.

Libya under Muammar Gaddafi provides another striking example. In the 1970s, soaring oil prices brought enormous revenues, funding visible gains in healthcare and infrastructure — but on no institutional foundation. The gains rested entirely on personalised patronage and high oil prices rather than productive investment. Revenues not absorbed by welfare flowed into military adventurism, support for terrorist groups including the IRA, and vanity megaprojects like the $25 billion Great Manmade River. By the 2000s, the welfare gains of the oil boom had unravelled well before any political crisis arrived— incomes had long stagnated and youth unemployment exceeded 50%. Iran followed a similar pattern. The country holds the world's second-largest natural gas reserves after Russia, yet for years it struggled even to supply enough gas for its own domestic needs, at times becoming a net importer. (Meanwhile neighbouring Qatar used its gas wealth to become the world's largest LNG exporter.)

What happened to all these troubled countries like Venezuela, Iran, or Libya? Several theories have tried to solve this puzzle. In Kaznacheev (2017) "Curse or Blessing? How Institutions Determine Success in Resource-Rich Economies," I argue that the decisive factor is not oil itself but the quality of institutions — property rights, regulatory efficiency, and the rule of law. These institutional features largely determine whether resource wealth leads to prosperity and innovation or to stagnation and decline.

The pattern becomes clear when looking at international rankings. In the Fraser Institute's *Economic Freedom of the World* report (Gwartney, Lawson, and Murphy 2025), several of the lowest-ranked countries — including Venezuela, Iran, and Algeria — are heavily dependent on natural resources. Yet resource-rich countries also appear on top, including Australia and Canada. A similar picture emerges from the UN's *Human Development Index* (Conceção 2025): resource-rich Norway, Australia, and Canada all appear among the world's top twenty most developed countries. Notice that not even all of these countries are democracies — the UAE, at number 15, is an obvious example — but they share something else: strong property rights, predictable economic policy, and institutions that encourage investment rather than political extraction.

In failing petro-states, the core problem is not oil dependence itself but how the resource sector is governed and who controls it. Oil and mineral resources are physically immobile: unlike factories, offices, or service centres, an oil well cannot simply relocate to a friendlier jurisdiction. This immobility gives bureaucrats unusually strong leverage over the sector. At the same time, oil generates large economic rents that are relatively easy for political elites to capture. These revenues often flow through state budgets and redistribution schemes — subsidies, transfers, infrastructure projects — which greatly expand government spending. As a result, the economy gradually shifts from entrepreneurship toward rent-seeking. Investment is often directed into politically motivated "white elephant" projects rather than productive industries. Over time this institutional degradation spreads through the entire system.

Economists Halvor Mehlum, Karl Moene, and Ragnar Torvik (2006) offered one of the clearest explanations of why oil wealth sometimes helps and sometimes harms an economy. They divide economic actors into two groups: producers and grabbers. Producers create wealth — they build companies, produce goods, and invest in new industries. Grabbers specialise in capturing existing wealth — lobbying for privileges, manipulating regulations, or securing access to resource rents.

What happens when a country suddenly discovers oil, gas, or other mineral resources? In countries with grabber-friendly institutions, economic actors gradually shift away from production toward rent extraction. Political elites gain privileged access to resource revenues and use state power — through nationalisation, expropriation, or abrupt changes in contracts — to consolidate control over the sector. Russia offers a telling example. Most of its oil industry was privatised in the 1990s, but the hostile takeover of Yukos assets in 2003 — and the subsequent series of nationalisations — marked a reversal toward state dominance, and today the government controls most of the country's oil production.

In many petro-states, oil wealth finances networks of patronage, subsidies, and politically motivated spending designed to maintain loyalty rather than promote development. Over time the system becomes both inefficient and exclusionary: the benefits of resource wealth concentrate among a narrow elite while most citizens remain largely excluded. This combination of inefficiency and unfair distribution eventually generates public resentment and political instability — a pattern seen across many troubled petro-states.

By contrast, in countries with producer-friendly institutions, resource discoveries strengthen productive sectors and stimulate broader economic growth. For instance, Norway, Canada, and Australia have managed to translate resource wealth into sustained prosperity. Norway stabilised oil revenues through a sovereign wealth fund that now owns over 1% of global equities. Canada combined resource development and privatisation with deep capital markets, turning Toronto into a global hub for mining finance. Australia maintained steady growth through decades of economic liberalisation, even during global crises.

The United States is the world's largest oil producer today, but not a petro-state in the same sense as Russia, Saudi Arabia, or Norway. The shale revolution transformed the American energy sector and helped nearly double total U.S. oil output. Technology — horizontal drilling, hydraulic fracturing, and advanced seismic analysis — made this possible, but institutions mattered just as much.

What unites these cases is not geography or resource type, but institutions. Strong property rights, predictable regulation, and limits on political discretion ensured that resource wealth reinforced productive activity rather than displacing it. Crucially, these institutional frameworks were in place before resource wealth became dominant — which is precisely why they are difficult to replicate in weaker institutional environments.

For countries where such institutions are absent, a different approach may be needed. The Alaska model suggests that distributing resource rents directly to citizens can act as a partial substitute for missing constraints, reducing the scope for political capture and aligning incentives more effectively.

Addressing Three Common Objections to the Dividend Model

If there was ever a moment to rethink how countries manage natural resource wealth, it is now. The past few decades have given us too many cautionary tales — from Venezuela to Iran — to pretend the current model works. And yet, as with many policy reforms, the biggest obstacle to change isn't technical — it's intellectual. The dividend model runs against deeply ingrained assumptions about the state's role, which is why it so often meets instinctive scepticism. Below, I briefly address the three most influential objections.

LACK OF PRUDENCE. One of the most common objections is that people can't be trusted with direct payments — that they'll spend the money irresponsibly. The evidence points the other way. In Alaska, as in cash-transfer programmes around the world, most households use these payments in entirely predictable ways for ordinary and productive purposes — paying bills, investing in education, or saving for the future. A World Bank study (World Bank 2024) finds that direct payments often lead to less waste than government programmes — precisely because people tend to spend their own money more carefully than bureaucracies spend public funds.

In reality the opposite question should be asked: why should bureaucracies be trusted more than citizens themselves? When money passes through layers of government programmes, agencies, and contractors, a significant share is inevitably lost — to administration, politics, and, at times, corruption. A dividend simply returns a portion of national wealth directly to the people.

Taken to its logical extreme, the "lack of prudence" argument starts to fall apart. If individuals can't be trusted with resource dividends, should the same apply to all income — including private earnings, like dividends from shares? Should the state step in and manage those too, just in case people spend them unwisely? If we accept that individuals can handle their own money in one case, it's hard to justify treating them differently in the other.

LACK OF PRECEDENTS. Another objection is that the model has hardly been tried. It is true that a single state — Alaska, not even a country — remains the only fully successful example so far. But many policy ideas began as local experiments before spreading much more widely. Inflation targeting, introduced in New Zealand in 1990, later became a global standard for central banking. Chile's pension reforms in the 1980s pioneered privately managed retirement accounts, influencing systems across Latin America and beyond. Singapore's congestion pricing scheme, first introduced in the 1970s and modernised in the 1990s, has since been adopted in cities like London and Stockholm. School vouchers, first tested in Milwaukee, reshaped debates on education policy in the United States. Participatory budgeting, pioneered in Porto Alegre, Brazil, has been replicated in hundreds of cities worldwide — a reminder of how local innovations can scale into broader policy models.

Seen in that light, Alaska looks less like an outlier and more like an early example of an idea whose wider relevance has yet to play out. The Alaska model has already sparked debate in a number of places. In U.S. states such as Wyoming and North Dakota, policymakers have periodically revisited the idea of permanent funds with dividend components, inspired in part by Alaska's experience. In Mongolia, the government has experimented with cash transfers funded by mineral revenues, particularly during commodity booms linked to copper and coal exports. The results have been uneven, but the direction is clear: there is growing interest in linking resource wealth more directly to citizens.

LACK OF MOTIVATION. How do you convince elites in countries that benefit from the current system? That is the key question. One reason some begin to consider an Alaska-style dividend is growing bottom-up pressure — a shift in public attitudes toward how oil wealth is managed and distributed. In Brazil, massive protests in 2015–2016 — involving more than 1.5 million people — were fuelled by the corruption scandal at the national oil company Petrobras and ultimately led to the impeachment of President Dilma Rousseff. In

Nigeria, the collapse in oil prices helped trigger political upheaval that ended with the peaceful electoral defeat of President Goodluck Jonathan in 2015 on an anti-corruption platform.

Angola's long-time president José Eduardo dos Santos stepped down in 2017 amid corruption scandals linked to the oil sector. In Malaysia, large-scale protests followed revelations that Prime Minister Najib Razak had channelled hundreds of millions of dollars into his personal accounts. And the biggest exposure of all came not from the streets but from journalism: the Panama Papers leak of 11.5 million documents, which uncovered offshore financial networks used by elites in dozens of countries, including many oil economies. Taken together, these episodes show a clear trend: across very different political systems, citizens are becoming less willing to tolerate opaque systems of resource wealth management.

At the same time, some leaders choose to reform before pressure from the street forces their hand. Faced with volatile oil prices, fiscal pressure, and growing scrutiny, governments in several resource-rich countries have begun experimenting with new approaches — from sovereign wealth funds to partial privatisations and economic liberalisation (such as Mexico's oil sector reforms in 2014).

From Alaska to the World: Practical Options for Introducing Resource Dividends

There is no single pathway to adopting a resource dividend model. Rather, governments have several practical routes, depending on their starting point. Broadly speaking, these fall into four categories: converting existing sovereign wealth funds, monetising inefficient subsidies, designing systems from scratch in new oil economies, and extending the model beyond oil into new strategic minerals. Each offers a different entry point into the same underlying idea — aligning resource wealth with citizen ownership while preserving long-term value.

1) CONVERSION OF SOVEREIGN FUNDS. If the goal is to move toward a dividend system, the good news is that most oil economies do not need to build anything from scratch. The infrastructure is already there. Many resource-rich countries have some form of sovereign wealth fund. The real question is not whether the money should be saved, but how those funds are structured and who ultimately benefits from them. In that sense, the debate is less about creating new institutions and more about recalibrating existing ones.

In practice, these funds tend to fall into three broad models. The first — and by far the most common — is essentially a government piggy bank, used to stabilise public spending when oil prices fluctuate. Funds of this type exist in many countries, including Russia's National Wealth Fund or some of the investment vehicles across the Gulf. They can help smooth fiscal cycles, but they leave governments fully in control of the money — and therefore exposed to political pressures.

The second model is the "future generations" fund, designed to preserve wealth rather than spend it immediately. Norway's Government Pension Fund Global is the best-known example: oil revenues are invested abroad, and only a small share of the expected return is used each year to support the budget. Some countries combine stabilisation and savings in

a similar spirit — Kazakhstan's National Fund or Chile's fiscal funds — trying to balance current spending with long-term reserves.

The third one is the Alaska model, where part of the returns is paid directly to citizens while the principal remains invested for the future. It effectively turns natural resources into a national asset portfolio owned by the population, rather than just another revenue stream for the state. Instead of endless debates about how governments should spend the money, the system simply lets people decide for themselves.

In practice, moving from a type one or type two fund to a type three model does not require a complete institutional overhaul. It does not have to be abrupt. Governments can start by allocating a fixed share of annual investment returns to direct citizen payments, while preserving the principal and maintaining existing stabilisation functions. Over time, that share can be gradually increased as political support builds and fiscal systems adjust. The key is to introduce a credible rule linking part of resource income directly to citizens — creating transparency and accountability without disrupting the broader fiscal framework.

2) MONETISING ENERGY SUBSIDIES. There is another reform many governments could implement almost immediately: monetising energy subsidies. In many oil economies, enormous sums are spent keeping petrol, gas, or electricity artificially cheap. These subsidies distort the economy and often benefit wealthier households more than the poor. A more rational alternative is to phase them out and redistribute part of the savings directly to citizens. In many ways, this is the fastest and most direct route into a dividend-style system.

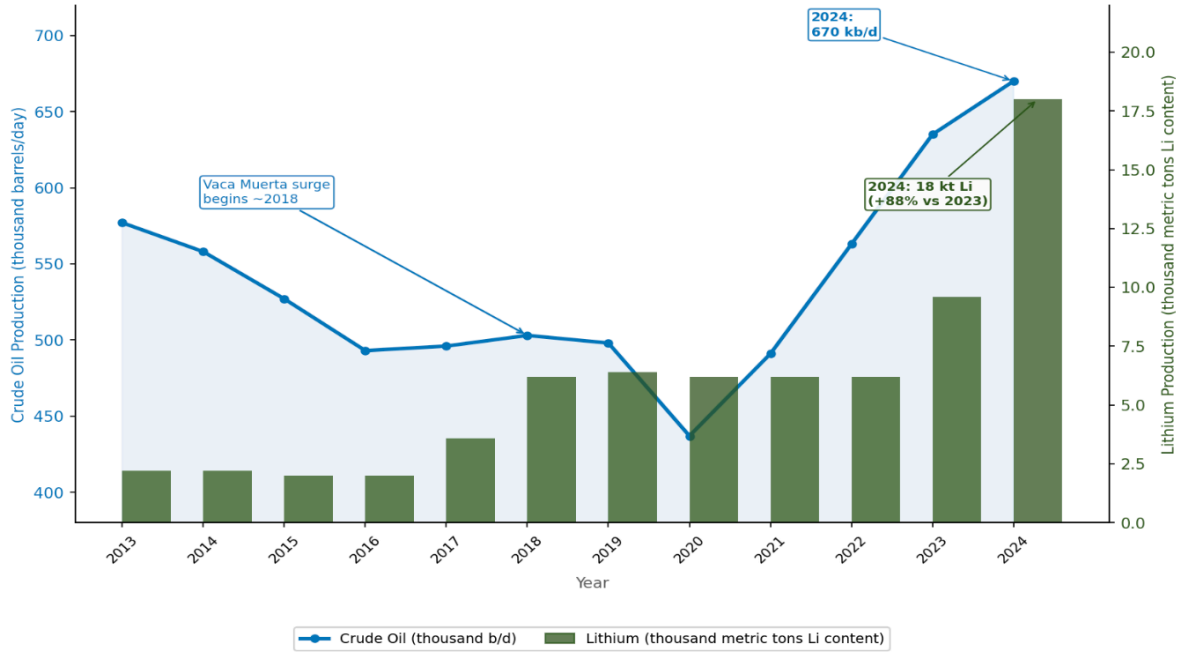
Despite the overall mismanagement of resource rents, Iran's removal of energy subsidies is generally viewed as a successful case. In 2010, the government replaced a system of heavily subsidised fuel and energy prices with direct cash transfers to households. According to estimates cited in Jim Krane's book *Energy Kingdoms* (2019), the reform initially redistributed roughly $40–$45 billion annually, with monthly payments reaching around $40–$45 per person — a meaningful boost for many households. Indonesia introduced similar compensation payments during its own fuel subsidy reforms. Today, similar debates are already emerging across the Gulf and in parts of Latin America, where subsidy reform could be paired quite naturally with dividend-style payments to citizens.

3) DESIGNING POLICY FROM SCRATCH IN NEW PETRO-STATES. One important lesson from history is that the current system is not set in stone. The list of major oil and gas exporters — and even the list of strategic resources themselves — changes constantly. Countries that dominate energy markets today were not always leaders, and in twenty or thirty years the map of resource wealth will likely look very different again. This means the dividend model is not only relevant for today's petro-states. It may be even more valuable for newcomers, which have the advantage of designing institutions before large resource rents start flowing into government budgets.

Several countries are now entering precisely this phase. Argentina's Vaca Muerta formation is estimated (Daleçon 2026) to hold the world's second-largest shale gas reserves and fourth-largest shale oil reserves, with production rising steadily in recent years and attracting tens of billions of dollars in investment (see Figure 3). Guyana, meanwhile, has experienced extraordinary growth following offshore discoveries, with GDP expanding by over 30% annually in recent years and oil output projected to exceed 1 million barrels per day by the end of the decade. Timor-Leste continues to explore new offshore fields while debating how

Figure 3. Argentina — Simultaneous Rise in Oil and Lithium Production, 2013–2024

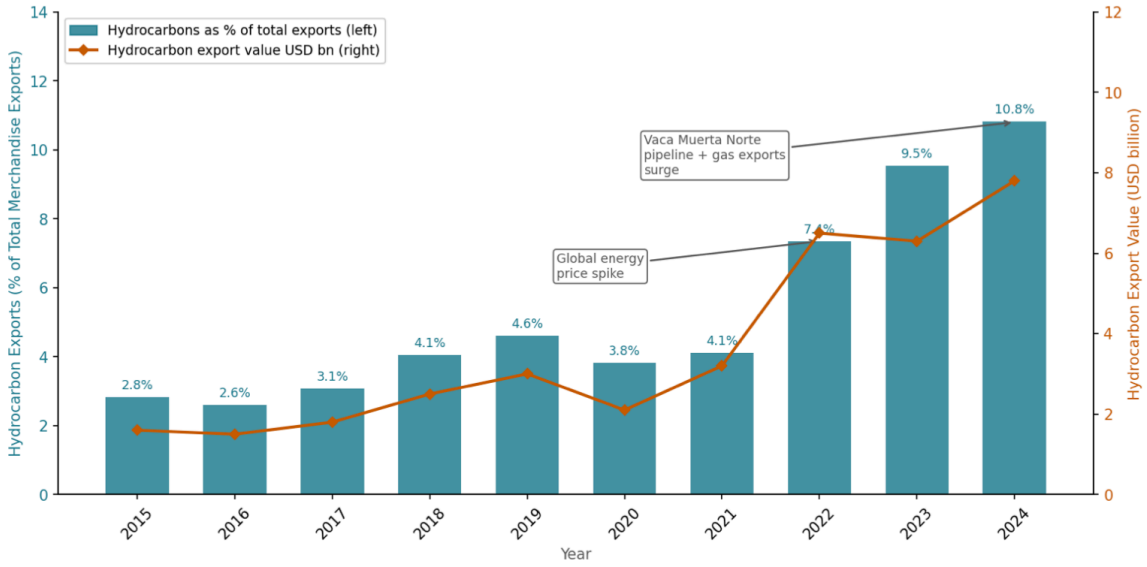
Argentina is becoming a dual-resource powerhouse: crude oil output surged 53% from its 2020 trough to 670 kb/d in 2024, driven by Vaca Muerta shale. Simultaneously, lithium production nearly doubled in a single year to 18,000 metric tons in 2024, placing Argentina among the world's top four lithium producers. With the world's largest lithium resources and the second-largest shale gas reserves, Argentina is at precisely the institutional crossroads where the Alaska model is most relevant.



Sources: Crude oil — U.S. EIA, International Energy Statistics & Country Analysis Brief: Argentina (October 2024), eia.gov. Lithium — USGS, Mineral Commodity Summaries 2025, pubs.usgs.gov/periodicals/mcs2025. Both U.S. government works — public domain.

Figure 4. Argentina — Hydrocarbon Exports as Share of Total Exports, 2015–2024

Hydrocarbon exports have risen from under 3% of Argentina's total merchandise exports in 2015–2016 to nearly 11% by 2024, driven by Vaca Muerta crude oil and expanding gas pipeline exports. In absolute terms, hydrocarbon revenues grew from ~$1.5 bn to ~$7.8 bn over the same period — a fivefold increase in under a decade, illustrating how rapidly resource rents can reshape an economy's export structure.



Sources: Total exports — INDEC (Instituto Nacional de Estadística y Censos de Argentina); Hydrocarbon value — U.S. EIA Country Analysis Brief: Argentina (October 2024), eia.gov; trendeconomy.com (HS Chapter 27 trade data). Note: 2024 estimate based on EIA-confirmed 24% year-on-year growth in oil and gas exports.

to manage its petroleum wealth. Others — from Namibia to Suriname — have recently discovered promising reserves and may soon face the same institutional choices.

These cases highlight both the scale of potential resource rents and the urgency of establishing institutional frameworks — including possible dividend mechanisms — before those revenues become entrenched in existing political systems. The ideal moment to design a dividend system is before the money starts flowing, when governments are deciding not how to rearrange existing revenues but how to structure the rents that are about to arrive.

4) MOVING BEYOND OIL. The global economy is entering a new era of strategic minerals. Lithium — concentrated in the so-called Lithium Triangle of Chile, Bolivia, and Argentina (the latter is the number four exporter globally, see Figure 4) — has become central to the energy transition, alongside metals such as nickel, cobalt, and copper (see Figure 5). Notably, Argentina and Chile are now governed by more market-friendly administrations, and the broader regional shift has opened a window for more pragmatic, fiscally disciplined policies.

Rare earth elements are another fast-growing sector — these 17 minerals sit behind everything from smartphones and electric vehicles to medical scanners, robotics, and defence systems. As highlighted in Epikhin, Kaznacheev et al. (2025), China dominates the space, controlling roughly 70% of mining and up to 80–90% of refining, which creates both geopolitical leverage and real supply risks for everyone else. That, in turn, is pushing other countries to enter the market — and any new, stable and predictable player would be welcomed almost by default.

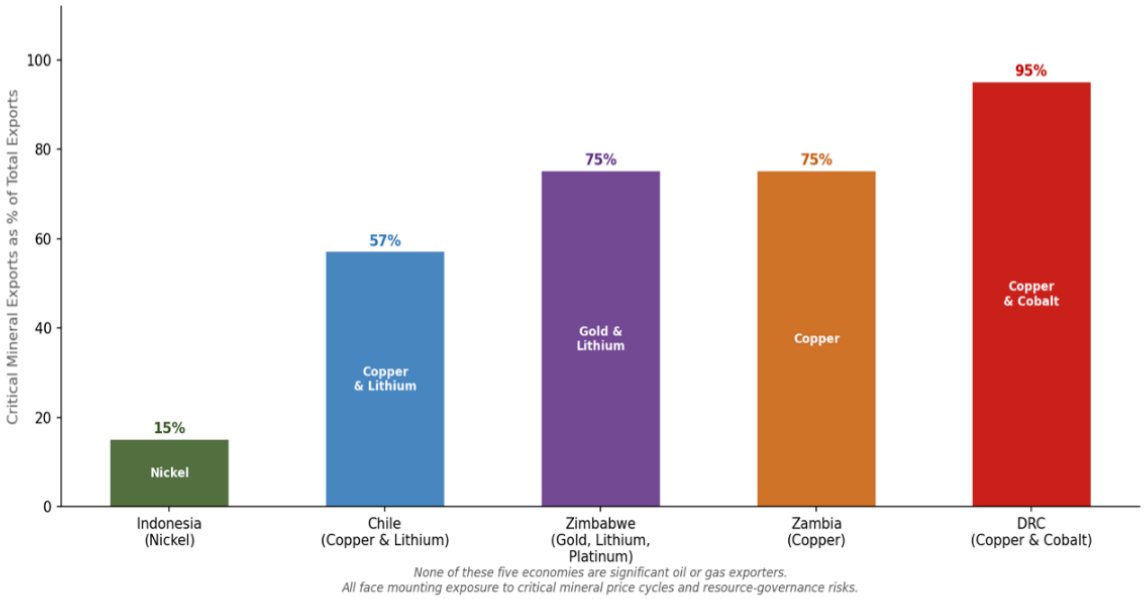
At the same time, land-based mining alone is unlikely to keep up with the surge in demand, so attention is shifting beyond land altogether. Seabed mining of minerals on the bottom of the ocean — manganese, nickel, cobalt, and, again, rare earths — is already being tested and could become a major new frontier (Epikhin et al. 2024), with reserves estimated to far exceed those on land and a potential market size at around $20 trillion. Countries like Canada and Norway are already testing the waters, while China is moving aggressively to secure a global lead.

Designing a dividend fund from scratch means getting a few fundamentals right from the outset: clear legal rules defining ownership of resource rents, a mechanism that separates capital from spendable returns, and an independent institution to manage investments transparently. Equally important is a simple, credible distribution formula that citizens can understand and trust. Starting early is crucial — once revenues begin flowing into general budgets, they are much harder to redirect. By embedding these principles at the beginning, new resource economies can avoid many of the pitfalls that have plagued older petro-states.

And looking ahead, the resources that will power the global economy twenty or thirty years from now may not even be known yet. Instead of trying to guess which materials will dominate the future, countries could focus on creating institutions that encourage discovery. And because the rules are still being written, newcomers have a rare chance not just to develop these resources, but to manage them better from day one. This is where the dividend model could matter most. Systems where the state captures and distributes all the rents tend to attract grabbers — political actors fighting over the revenue. Systems that link resource wealth directly to citizens send a different signal: they reward producers, explorers,

Figure 5. Critical Mineral Newcomers — Mineral Export Dependence in Non-Oil Economies, c.2023

Five countries with no significant oil or gas exports already derive a substantial share of export revenues from critical minerals. The DRC (copper & cobalt >95%), Zambia (copper 75%), and Zimbabwe (gold, lithium, platinum ~75%) are the most exposed. Chile (57%) has managed this dependency relatively well through strong institutions — a model relevant to all five. Indonesia (15%) is earlier in the transition but growing rapidly. All face the same institutional design choices that oil exporters confronted a generation ago.



Sources: DRC — U.S. Dept. of State, 2024 Investment Climate Statement (state.gov); Chile — U.S. Dept. of Commerce, Country Commercial Guide (trade.gov); Zambia — U.S. Dept. of Commerce, Zambia Market Overview (trade.gov); Zimbabwe — Zimbabwe National Statistics Agency (ZimStat), 2023 Trade Data; Indonesia — IEEFA / BPS Statistics Indonesia, 2023.

and innovators. In other words, the right institutions don't just decide how wealth is shared — they also encourage people to go out and find the next big resource in the first place.

CONCLUSIONS

Public demand for a new model of a petro-state has been developing for some time and is unlikely to disappear, regardless of the direction of oil prices. Instead, this demand is becoming an increasingly visible part of the social and political agenda across many resource-rich countries, reflecting growing dissatisfaction with how resource wealth is managed and distributed. In this context, policies such as the resource dividend could form the basis of a new social contract for managing oil and mineral wealth.

Why has the Alaska oil dividend worked so well? The answer lies in the internal logic of the model, which could in principle be applied far beyond Alaska. At its core, the system treats natural resources as a collective asset. Instead of routing all resource revenues through the state budget, part of the rent is placed in a permanent fund and invested, with a share of the returns paid directly to citizens. In principle, any resource-rich country could adopt a similar structure rather than absorbing all revenues into government spending.

The structure of the Fund also introduces a form of financial discipline that could be replicated elsewhere. All revenues deposited into the Alaska Permanent Fund become part of the principal, which by law cannot be spent. Only the investment returns are used to finance the dividend. This rule creates a built-in hedge against oil price volatility: even when production declines or prices fall, the accumulated capital continues to generate income, providing a more stable and sustainable foundation for public finances.

Alaska has served as a testing ground for the resource dividend for 50 years. It has benefitted from it, as shown in the paper, but other countries could potentially benefit much more by borrowing its playbook. In Alaska, where taxes are low, governance is relatively strong, and living standards are high — the dividend simply adds an additional boost. But in poorly managed countries, a similar mechanism could play a more transformative role by shielding oil revenues from corruption, wasteful spending, political capture, and militarised foreign policy. The main purpose of the dividend, then, would not be to provide extra income per se but to protect resource wealth from misallocation.

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