

✘ [Dan made a useful point the other day](#) about the possibility that increased energy production could yield a *resource curse*, i.e. an increase in unproductive and oligarchical rent-seeking when an economy becomes based upon resource extraction. One might add that this rent-seeking also tends to underdevelop a country's human capital, as it has in Saudi Arabia: a nation's leaders can simply buy off the population with partial rent payments instead of trying to make them and the country more productive.

But possibilities are hardly sure things. And here in the United States, we actually have a good example of the resource curse not occurring: the [Alaska Permanent Fund](#).

Alaska, of course, relies heavily upon oil production as the basis of its economy. But instead of this wealth going to a few oligarchs, the state has established a Permanent Fund. [The Earth Rights Institute explains](#):

In 1976 voters approved a constitutional amendment, proposed by Governor Jay Hammond and modified by the legislature, which stated that at least 25% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue-sharing payments, and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments.

The Permanent Fund's management is crucial: the [Alaska Permanent Fund Corporation](#) is a public, state-owned corporation, with trustees appointed by the Governor and approved by the Legislature, whose job it is to supervise the Fund's investments and maintain its fiscal and accounting integrity.

It appears to have worked brilliantly. The Fund collects millions of dollars every year, and despite the pleas of Alaska's politicians, it usually distributes a "dividend" to every Alaskan each year depending upon revenue. I might argue that it is better to spend the money on public goods, but the point is that the Alaskan public has decided it according to its wishes, not according to corrupt and oligarchic politicians.

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Never Mind About Public Goods

All very well and good. But it doesn't really answer the question: how did it happen politically? Any corrupt government can set up any number of "public corporations" that

proceed to steal public assets into private pockets.

The answer appears to lie in those informal institutions of governance that ensure that some things “just aren’t done”. Elites agree to resist the temptation for political and/or economic advantage in order to make the system work. You don’t play around with the Permanent Fund’s books. You don’t declare that the Fund is out of money when it isn’t. If you do, then the DA or the Attorney General will not look the other way when you offer her a bribe. These social norms are actually enforced. How does that happen?

We don’t really have a good answer to this question. [Daron Acemoglu and James Robinson have made a big splash recently](#) by insisting that nations succeed because of better political and social institutions, but they fail to answer the more fundamental question of why some nations have better institutions than others. The critical *informal* institutions are hard to start and easy to destroy. As I have noted [here](#) and [elsewhere](#), part of the modern Republican Party’s ideological agenda is to destroy these norms in order to make government dysfunctional. So it will be very difficult to create and preserve them in the United States.

But we are going to have to find out. The next test case, I think, will be in North Dakota, where a “[staggering](#)” oil bonanza is already transforming politics. Rapid increases of natural gas production from fracking could cause similar developments. We’d better start figuring it out now, or in a few years we might be wondering how the United States has failed.