

What do we know to date about the Alaska recession and the fiscal crunch?

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February 12th, 2018

Abstract:

We provide a broad overview of the state's economic and fiscal conditions. We show how the economic contraction has spread away from natural resource and mining and state government to household spending dependent sectors. We also show that while the rate at which jobs are being lost has slowed, it is inaccurate to think about that as a sign of a recovery. That is because the engine of growth that is O&G employment as of June 2017 was only 75% of what it was in 2014. Additionally, the softness in spending activity may linger for an extended period of time. We also assess the regional effects of the recession and show the significant heterogeneity in experience. Unsurprisingly, areas with economic bases not associated with Oil and Gas and with relatively little dependence on state government spending are holding up best. After establishing an understanding of the economic conditions, we offer a back of the envelope calculation of the capital investment losses associated with the fiscal uncertainty. Then, we provide a comparison of Alaska's taxes relative to the rest of the US, and a simulation of the effects of different withdrawal amounts on the permanent fund balance and the earnings reserve.

[Read the full study here.](#)