

SCOMM

#9:37

26 June 77
Pute Station 3

DEAR CARL

NICE OF THE TIMES TO FEATURE YOUR PHOTO OPPOSITE HARMOND'S IN ITS SUMMARY ARTICLE ON THE LEGISLATIVE SESSION. CONGRATULATIONS.

IT WOULD BE NICE TO OFFER SIMILAR CONGRATULATIONS TO THE STATE, WERE THE STATE OF ALASKA A PERSON, FOR MANAGING ITS FINANCES WELL; HOWEVER, WE SEEM TO BE RUNNING THINGS BACKWARDLY.

WHEN CONSTRUCTION BOOMS, THE STATE SPENDING RATE INCREASES DRAMATICALLY, WORSENING INFLATION. WHEN CONSTRUCTION CEASES AND FAIRBANKS DRIES UP (I HAVEN'T BEEN TO ANCHORAGE YET; HOW ARE THINGS THERE?), THE STATE TRIES TO CUT ITS BUDGET, WORSENING THE SLUMP.

THIS UPSIDE-DOWN SITUATION MIGHT BE SOMEWHAT IMPROVED IF A VIGOROUS PERMANENT FUND (PF) WERE NOW ENGAGED IN EXCHANGING "OUTSIDE" INVESTMENTS FOR ALASKAN ONES.

Yes, I know you've heard this from me before ... perhaps you agree, besides ... when does the program/policy of using the PF to counteract economic cycles go into effect? (Soon, I hope.)

Fred Brown suggested that the Legislative Council would (last Saturday) fund interim committees. If the PF now has funds for an executive director, I'd like to apply; if not, please hold application until comparable position does exist.

Now, with governmental openings such despite my qualifications, I'm working ^{ON} AND PHOTOGRAPHING THE PIPELINE'S COMPLETION. HERE AT PUMP 3, WE'D 6 INCHES OF SNOW ON JUNE 24, JUST AFTER THE OIL PASSED THROUGH THE PIPE HERE.

Cordially,

Joe

EXECUTIVE SUMMARY: RESUME OF DR. JOSEPH A. SONNEMAN

306 S. Willoughby
Juneau, Alaska 99801
(907) 586-3850

Education

Ph.D. Government (Public Finance
M.A. Government Fellowship)
B.S. Management (Honors Day)

Professional Experience

President, Consulting Firm
Graduate Economics Instructor
State Departmental Internal Auditor
State Program Budget Analyst
State Administrative Assistant
Federal Administrative Assistant
Corporate Assistant Convention Coordinator

Political Experience

Finance Officer, State Central Committee
Alternate, National Convention
Delegate, State Conventions
Borough Committeeman
Mayoral Candidate
State House Candidate
Voter Registrar

Media Experience

Producer, Political Television Spots
Director & Producer, Film
Reporter & Broadcaster, Television News
Cameraman, Television
Announcer & Engineer, Radio
Photographer

"Real World" Experience

Rig Oiler, Alaskan Pipeline
Commercial Fisherman, Glacier Bay
Laborer, Pinnell Mountain Trail

Military Experience

Radar, Avionics & Radio Repair, US Army

Personal

Birthdate: April 22, 1944
Birthplace: Chicago, Illinois
Hair: Black Eyes: Green
Height: 5'10" Weight: 190#
Marital Status: Single

Dissertation Synopsis:

Generally, budgeting is incremental in
"normal" times and is comprehensive in
"crisis" periods; specifically, in Alaska.

RESUME OF: JOSEPH A. SONNEMAN

306 Willoughby
Juneau, AK.

Position

Applied for: EXECUTIVE DIRECTOR,
ALASKA PERMANENT FUND

or ~~421 W 7th~~
~~Claremont, CA 91711~~

EXPERIENCE

November 1976--Present Job: COMPLETED Completing Doctoral research
at Claremont Graduate School, Claremont, California 91711. Topic:
"Decision-making in Government Finance," with particular reference
to changes in Alaskan budgeting style following the 1969 receipt of
\$900 million for the sale of North Slope oil leases.
Reason for leaving: Graduation (Ph.D.) by June 1977.

April 1976--October 1976 Job: Rig Oiler (I.U.O.E.#302)
Working on and maintaining heavy equipment--principally truck and
tracked cranes (to 75 ton)--and, as a service oiler, maintaining
pickups, buses, and trucks for various construction companies on
the Trans-Alaskan Pipeline.
Salary: \$1200-1400 per week Hours: 70-90 per week
Reason for leaving: Work on campaign, return to school thereafter.

November 1975--March 1975 Job: Continuing Doctoral research
at Claremont Graduate School. Details as above. Also performed
research assistant work on Medi-Cal drug purchasing study.
Reason for leaving: Income opportunities and requirements.

July 1975--October 1976 Job: Rig Oiler (I.U.O.E.#302)
Working on and maintaining heavy equipment--principally cable and
hydraulic backhoes, briefly ditcher, crane, and clam; working as
a welders' helper, preparing work surfaces and providing welding
supplies; briefly assisting grader operator in road construction
in Juneau--other jobs for various construction companies on the
Trans-Alaskan Pipeline.
Salary: \$850-1400 per week Hours: 70-98 per week
Reason for leaving: Return to graduate school.

January 1975--June 1975 Job: Graduate School Instructor
Employer: University of Alaska, Juneau, Alaska 99801
Organizing, researching, preparing and delivering class lectures
for the graduate-level class "Economics and Public Policy;" also
encouraged student participation and evaluated student work.
Salary: \$1050 per semester Hours: 4 class hours per week
Reason for leaving: Completed semester.

March 1975--May 1975 Job: Television News Reporter
Interviewing and photographing elected Alaskan officials; collating
and editing news to TV format; presenting legislative news on-camera
to state-wide audience via ATS-6 communications satellite.
Salary: \$35 per show (weekly) Hours: 8-10 per week for ½ hr show
Reason for leaving: U.S.State Dept. & NASA moved ATS-6 to India.

January 1975--March 1975 Job: Television Cameraman
Employer: Office of Telecommunications, State of Alaska, Juneau
Operating TV camera, setting lights, arranging sets, calming and
instructing guests, monitoring sound levels, constructing sets and
preparing graphics.
Salary: \$50-100 per week Hours: 10-20 per week
Reason for leaving: Promotion to Television News Reporter.

May 1974---Present Job: Photographer (Self-employed)
Documenting construction of the Trans-Alaskan Pipeline using an
8x10 view camera; performing regular photographic services on demand.
Salary: Varies Hours: Varies
Reason for leaving: None; will continue as avocation.

May 1974---Present Job: Consultant (Self-employed)
Performing organizational and budgeting studies for business and
governments.
Salary: Varies Hours: Varies
Reason for leaving: None; will lie dormant during employment.

June 1973--May 1974 Job: Departmental Internal Auditor
Employer: Dept. of Health & Social Services, State of Alaska, Juneau
Preparing budget for new agency; researching special topics for
Commissioner; reviewing field audits for correctness; developing
information system for Federal regulations; reviewing full-cost-of-
care institutions' rates.
Salary: \$340-380 per week Hours: 37½ per week
Reason for leaving: Opportunities for personal growth.

November 1972--June 1973 Job: Program Budget Analyst
Employer: Div. of Budget & Management, State of Alaska, Juneau
Participating in budget preparation and administration; testifying
in hearings before Governor's Budget Review Committee; discovering,
researching, and reporting on Alaskan issues (from "Training for
Accountants" to "Economic Impact of the Pipeline.")
Salary: \$275 per week Hours: 37½ per week (+ unpaid o.t.)
Reason for leaving: Promotion to more responsible position.

June 1972--July 1972 Job: Program Budget Analyst (Temp.)
Employer: Dept. of Fish & Game, State of Alaska, Juneau
Preparing Fish Hatcheries budget according to Legislative and
Executive directives.
Salary: \$200 per week Hours: 37½ per week
Reason for leaving: Completed budget.

April 1972--May 1972 Job: Administrative Asst. (Temp.)
Employer: Dept. of Health & Social Services, State of Alaska, Juneau
Managing Case Service Unit, supervising 5-8 people in the assignment
of unique numbers to Social Service cases, meeting varied deadlines.
Salary: \$188 per week Hours: 37½ per week
Reason for leaving: Participate in State Democratic Convention.

September 1971--January 1972 Job: Graduate School Instructor
Employer: University of Alaska, Juneau, Alaska
Teaching graduate-level class, "Economics and Public Policy." For details, see identical job above.
Salary: \$900 per semester Hours: 3 class hours per week
Reason for leaving: Completed semester.

June 1971--September 1971 Job: Commercial Fisherman
Employer: M/V Teal, Ken Marlowe, Captain, Glacier Bay, Alaska
Painting, cooking, oiling, steering; baiting, throwing, pulling and repairing shrimp pots; cleaning and freezing shrimp; other duties as required.
Salary: One Share Hours: Extensive
Reason for leaving: Not enough shrimp; began teaching.

June 1970--September 1970 Job: Administrative Asst. (Summer)
Employer: N.A.S.A., Manned Spacecraft Center, Houston, Texas
Compiling educational materials for cross-training of budget and procurement personnel; compiling contract record list for Preventive Medicine Division of Lunar Receiving Laboratory--on own initiative, devised low-cost computerized contract record system, later implemented.
Salary: \$160 per week Hours: 40 per week
Reason for leaving: Return to graduate school.

June 1969--September 1969 Job: Laborer
Employer: Bureau of Land Management, Fairbanks, Alaska
Building isolated mountain hiking trail 100 miles north of Fairbanks, using hand tools, living in tents, rotating as camp cook, backpacking supplies.
Salary: \$240 per week Hours: 48 per week
Reason for leaving: Return to graduate school.

June 1968--September 1968 Job: Assistant Convention Coordinator
Employer: Illinois Bell Telephone Company, Chicago, Illinois
Organizing work flow of pre-engineered circuits for Democratic National Convention, maintaining Convention cable records, answering customer and installer inquiries.
Salary: \$145 per week Hours: 40 per week
Reason for leaving: Attend graduate school.

EDUCATION

From: September 1968 Subject: Government Degree: M.A. (Ph.D.) †
 To: January 1971 School: Claremont Graduate School
 (Also 11/75-4/76, 11/76-) Honors: Lincoln School of Public Finance Fellow

From: March 1966 Subject: Management Degree: B.S.
 To: June 1968 School: University of Illinois at Chicago Circle
 Honors: Dean's List*, Honors Day ('67, '68)

From: September 1961 Subject: Physics
 To: January 1963 School: University of Illinois at Urbana
 Honors: Illinois State Scholarship

MILITARY

From: February 1963 M.O.S.: Radar Repair Specialist
 To: February 1966 Service: U.S. Army in Missouri, New Jersey,
 Discharge: Honorable Colorado, Korea, & Wisconsin
 School: Radar Repair School, Ft. Monmouth

PERSONAL

Born: April 22, 1944
 Birthplace: Chicago
 Hair: Dark Brown
 Eyes: Green
 Marital Status: Single

Interests and activities:
 1966-68: College of Business Representative to Circle Center Board, Dean of Students Advisory Board, Homecoming Parade Chairman, Sailing Club, Pottery Instr., Photography, AK
 1972-76: President, Juneau Council on Arts and Humanities; one-man photographic show at Alaska State Museum; Finance Officer, Alaska Democratic State Central Committee; Delegate or Alternate to National and State Democratic Conventions; Juneau Mayoral and State House Candidate; American Economic Association; National Press Photographers Association; Juneau Democratic Committeeman

† Expected June '77
 * Every quarter

Form 6/78



STATE OF ALASKA

EMPLOYMENT APPLICATION

DEPARTMENT OF ADMINISTRATION
DIVISION OF PERSONNEL

Main Office: Pouch C
Juneau, Alaska 99811
465-4448

Field Office: 121 W. 4th Street
Anchorage, Alaska 99501
278-6441

INSTRUCTIONS: A SEPARATE APPLICATION IS REQUIRED FOR EACH JOB CLASS FOR WHICH YOU ARE SEEKING EMPLOYMENT. COMPLETE AND SPECIFIC ANSWERS WILL AID IN RAPID AND ACCURATE PROCESSING OF THE APPLICATION. DETERMINATION OF WHETHER YOU QUALIFY FOR THE JOB CLASS SPECIFIED WILL BE BASED UPON THIS APPLICATION. APPLICATIONS FOR TEMPORARY EMPLOYMENT SHOULD BE SUBMITTED DIRECTLY TO THE STATE AGENCY WITH WHICH YOU ARE SEEKING WORK. APPLICATIONS FOR PERMANENT EMPLOYMENT, INCLUDING SEASONAL, SCHOOL YEAR, AND PART TIME WORK, SHOULD BE SUBMITTED TO THE DIVISION OF PERSONNEL AT ONE OF THE ABOVE ADDRESSES. PLEASE USE TYPEWRITER OR PRINT LEGIBLY WITH INK.

1. TITLE OF JOB CLASS FOR WHICH I AM APPLYING:

Executive Director, Alaska Permanent Fund

PERSONAL DATA

2. SOCIAL SECURITY NO.

359 34 1147

DO NOT COMPLETE
Class Code Range Date

3. NAME (Last)

(First)

M. I.

Dr. SONNEMAN

Joseph

A

NAME, IF DIFFERENT, UNDER WHICH PREVIOUSLY EMPLOYED:

4. ADDRESS (Street &/or P.O. Box)

306 S. Willoughby

(City)

(State)

(Zip Code)

5. TELEPHONE (Home)

(Business)

907 586 3850

Same

6. DATE OF BIRTH

04 22 44

MO DAY YR

REPORT ADDRESS AND TELEPHONE CHANGES PROMPTLY

11. I LEARNED OF THE POSITION FOR WHICH I AM APPLYING FROM: (ENTER CORRECT CODE IN BOX AT LEFT)

E

E-Employment Center

F-Personal Friend

S-State Employee

P-Div. of Personnel

D-A Dept. Personnel Office

R-Radio Station

T-T.V. Station

N-Newspaper

O-Other

12. I AM APPLYING FOR: (ENTER CORRECT CODE IN BOX AT LEFT)

H

H - INITIAL HIRE IN PERMANENT POSITION

P - PROMOTION (Currently in a Permanent Position)

T - TEMPORARY EMPLOYMENT

7. EQUAL OPPORTUNITY EMPLOYMENT: THE STATE OF ALASKA IS REQUIRED BY FEDERAL LAW TO HAVE AN AFFIRMATIVE ACTION PROGRAM WHICH WILL ENSURE FAIR EMPLOYMENT PRACTICES. THE FOLLOWING QUESTIONS ARE MADE IN COMPLIANCE WITH THE ADMINISTRATION OF THIS FAIR EMPLOYMENT PRACTICES PROGRAM. ACTIONS TAKEN WILL NOT BE BASED ON RACE, SEX, NATIONAL ORIGIN, NOR OTHER NON-MERIT FACTOR.

7. a) I AM ... (PLEASE CHECK ONE OF THE FOLLOWING BOXES:)

White Black Spanish American Indian Asian Eskimo Aleut Other
FEMALE H C E A B D J
MALE T X O S K L P U

7. b) I WAS BORN IN: THE UNITED STATES OF AMERICA (ENTER "Y" IN BOX)

Y ANOTHER COUNTRY: (ENTER "N" IN BOX)

8. I AM A USA CITIZEN, OR, I AM A RESIDENT ALIEN WITH A WORK PERMIT ISSUED BY THE USA DEPARTMENT OF JUSTICE. (YES-enter "Y" in box; NO-enter "N" in box)

9. I AM A RESIDENT OF ALASKA (FROM 2/71 to Present)

10. I AM A VETERAN (List dates, Branch & Type of Discharge)

2/63-2/66 US Army Honorable

DO NOT COMPLETE THIS SECTION
IN/REV. _____
EXAM RECORD
SCORE DATE PF WT S
MQ
W
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ORAL
O
AV
VP
EC
FA

DO NOT COMPLETE

CONDITIONS OF EMPLOYMENT

PLEASE READ CAREFULLY THE ANNOUNCEMENT FOR THE JOB FOR WHICH YOU ARE APPLYING. YOUR NAME WILL BE MADE AVAILABLE ONLY TO VACANCIES THAT MEET THE CONDITIONS OF EMPLOYMENT INDICATED BY YOUR ANSWERS BELOW. RESTRICTIONS NOT COMMON TO THE JOB MAY RESULT IN NOT BEING CONSIDERED. YOU MAY ALTER YOUR CONDITIONS OF EMPLOYMENT BY NOTIFYING THE DIVISION OF PERSONNEL IN WRITING AT ANY TIME DURING THE PERIOD OF YOUR ELIGIBILITY. FAILURE TO ACCEPT A JOB OFFER UNDER THE CONDITIONS YOU HAVE INDICATED MAY RESULT IN REMOVAL OF YOUR NAME FROM THE ELIGIBLE LIST.

27. I AM WILLING TO ACCEPT EMPLOYMENT IN THE FOLLOWING LOCATIONS:

- ANY AREA OF STATE
- ANCHORAGE FAIRBANKS JUNEAU KETCHIKAN

28. I AM WILLING TO WORK FOR THE FOLLOWING DEPARTMENTS:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> ANY DEPARTMENT | <input type="checkbox"/> 07 LABOR | <input type="checkbox"/> 13 PUBLIC WORKS |
| <input type="checkbox"/> 01 OFFICE OF THE GOVERNOR | <input type="checkbox"/> 08 COMMERCE | <input type="checkbox"/> 14 HIGHWAYS |
| <input type="checkbox"/> 02 ADMINISTRATION | <input type="checkbox"/> 09 MILITARY AFFAIRS | <input type="checkbox"/> 15 ECONOMIC DEVELOPMENT |
| <input type="checkbox"/> 03 LAW | <input type="checkbox"/> 10 NATURAL RESOURCES | <input type="checkbox"/> 18 ENVIRONMENTAL CONSERVATION |
| <input type="checkbox"/> 04 REVENUE | <input type="checkbox"/> 11 FISH & GAME | <input type="checkbox"/> 19 STATE OPERATED SCHOOL |
| <input type="checkbox"/> 05 EDUCATION | <input type="checkbox"/> 12 PUBLIC SAFETY | <input type="checkbox"/> 21 COMMUNITY & REGIONAL AFFAIRS |
| <input type="checkbox"/> 06 HEALTH & SOCIAL SERVICES | | |

29. I WILL ACCEPT A POSITION REQUIRING TRAVEL TO THE FOLLOWING EXTENT:

- NO TRAVEL OCCASIONAL FREQUENT CONTINUOUS REMOTE AREAS

30.

I WILL BE ABLE TO REPORT TO WORK 14 DAYS AFTER BEING NOTIFIED THAT I WAS HIRED.

CERTIFICATE OF APPLICANT

I HEREBY CERTIFY THAT ALL INFORMATION MADE ON OR IN CONNECTION WITH THIS APPLICATION IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF. I UNDERSTAND THAT ANY MISREPRESENTATION OR CONCEALMENT OF MATERIAL FACT WILL BE SUFFICIENT GROUND FOR REJECTION OF MY APPLICATION, REMOVAL FROM THE ELIGIBLE LIST, OR REMOVAL FROM EMPLOYMENT.

DATE 26 Sept 77 SIGNATURE (IN INK) 

CHECK YOUR APPLICATION! BE SURE THAT YOU HAVE FILLED IT IN COMPLETELY.

TYPING SKILL CERTIFICATION

IF THE JOB CLASS FOR WHICH YOU ARE APPLYING HAS A TYPING REQUIREMENT, YOUR APPLICATION WILL NOT BE CONSIDERED UNTIL THIS SELF-CERTIFICATION HAS BEEN COMPLETED. READ THE STATEMENT BELOW AND ESTIMATE YOUR TYPING SPEED AT THE LEVEL WHICH YOU ARE COMPLETELY CONFIDENT YOU CAN PERFORM. IF YOU ARE NOT CONFIDENT ABOUT YOUR TYPING SPEED, CONTACT THE LOCAL EMPLOYMENT CENTER AND ARRANGEMENTS WILL BE MADE FOR A TYPING TEST.

I HEREBY CERTIFY THAT I CAN TYPE AT A SPEED EQUAL TO OR GREATER THAN _____ WORDS PER MINUTE WITH FEWER THAN _____ TOTAL ERRORS (MINIMUM 5 MINUTE EXERCISE). I UNDERSTAND THAT I AM BEING EXAMINED ON THE BASIS OF THIS CERTIFICATION AND THAT INABILITY TO PERFORM AS CERTIFIED MAY CONSTITUTE BASIS FOR SEPARATION DURING THE PROBATIONARY PERIOD.

DATE _____ SIGNATURE (IN INK) _____

Referred by STATE OF ALASKA IS AN EQUAL OPPORTUNITY EMPLOYER
Employment Center

Draft Hq
on cart.

ECONOMIC POSSIBILITIES FOR THE PERMANENT FUND: ALASKA

FRED —
THOUGHTS YOU'D
FIND THIS INTERESTING.
— JOE

by Joseph A. Sonneman
Government Department
Claremont Graduate School
Claremont, California 91711

December, 1976

ECONOMIC POSSIBILITIES FOR THE PERMANENT FUND: ALASKA

In September of 1969, the State of Alaska sold its fabled North Slope oil leases for \$900 million; the State budget for that year was about \$150 million.

Since that time Alaska's operating budget has grown faster than recurring revenues: the windfall \$900 million has now been exhausted and the State's budget for fiscal 1978 alone is now projected at \$900 million.

The Alaskan people, while appreciating the funds spent on their behalf, have become concerned that future oil lease sale bonuses and oil and gas royalties might be spent at the same rapid rate. However, the Alaskan Constitution, a model document when drawn up in 1959, specified that all revenues of the State would go directly into the General Fund--the disbursement of which is controlled by the Legislature and the Governor. Accordingly, the Legislature put before the people constitutional amendments which would permit the establishment of a "permanent fund", reserving at least 25% of future bonus and royalty principal from the spending authority of the State. On November 2, 1976, the Alaskan citizenry voted to adopt those amendments.

Governor Hammond of Alaska, whose style runs to high use of councils, committees, and task forces, has appointed a Growth Policy Council to advise him on directions for development in Alaska. The Growth Policy Council will also advise the Governor on the use of monies in the Permanent Fund.

Recently, the Growth Policy Council has asked the Alaskan citizenry for their advice; the Council has set up a series of public meetings, called "Public Forum", to discuss Alaskan issues--including the question of how the principal of the Permanent Fund should be used to earn interest. While Public Forum will debate the relative merits of loans to industry, individuals, communities and renewable resource development, we will not duplicate that discussion here.

Instead, concentrating attention on the potential stabilizing effect of the Permanent Fund, we note that the economic history of Alaska has been one of persistent booms and busts. The 18th Century Russian invasion for furs to the 19th Century stampedes for gold, the more recent rise and fall in interest in Alaskan copper and salmon--all tell the story of rapid depletion of economic resources. The prevailing philosophy appears to be "Get it while you can."

Now oil development is said to be different. In a study of economic effects of the pipeline contracted by Alyeska, Mathematical Sciences Northwest concluded that "there will not be a boom and a bust. Instead, there will be a period of rapid growth followed by a steady period."

There is in economics a relationship between the rate of economic growth and new investment known as the "accelerator principle." Briefly, the accelerator principle shows that investment is dependent upon economic growth--if an economy

does not grow, then there will be no new investment even if the economy had been at a very high level. Then "rapid growth followed by a steady period" translates as "a period in which new investment is high followed by a period in which there is no new investment." And this in turn translates into "a boom and a bust", the very results which that early study attempted to deny.

Now there is no denying that Alaskans like some aspects of the boom period. There are even some who profess to like the bust that always seems to follow, for the economic depression sends back home all the "Outsiders" that came up to get rich quick. In actual fact, however, many of the newcomers stay and settle in the state, despite the economic hardships of the post-boom eras, and many old-timers suffer economic difficulties during the boom period as well, usually because their income sources are not tied to the new industry that causes an extreme inflation in prices.

The point of all of this is that the permanent fund can and ought to be used in such a way as to lessen these adverse effects, to lessen the wildness of the boom and the disaster of the bust. It is not hard to do in theory-- the State need only concentrate its investments in Alaska during the busts, shoring up a sagging economy, and send Permanent Fund monies out of the state when Alaska is booming along on its own. In its simplest expression, this is just saving money for a rainy day.

The stabilizing use of the Permanent Fund will be more difficult--though not impossible--to ensure in practise.

Even in boom times, there will be those who will profit by additional investment. Typically, one may expect some portion of those anticipated profits to go into lobbying efforts and campaign contributions designed to sway Alaskans' government from the stabilizing course set forth above. The strong feelings of many Alaskans that Alaskan money should be used to promote the Alaskan economy all the time will likewise be hard for candidates to ignore--and equally difficult for elected officials to turn aside. In part, it is the relatively short terms of office--two or four years--which keep Alaska's government representative at the same time as it's those same short terms which prevent the long-range view necessary to the solution of this problem.

What, then, is to be done?

The structure of the Federal Government provides a clue. Just as the Federal Reserve was created as an independent agency whose goal is to promote stable growth and whose Chairman is appointed for a 14-year term, so the Permanent Fund Commission in Alaska should be created as an independent agency whose goal is to promote stable growth and whose Fund Manager is appointed for a 10-year term.

It is the purpose of this paper, then, to show that both the economic problem and the political problem are capable of solution and to suggest that the solutions be carried out.

Government Department
Claremont Graduate School
Claremont, California 91711

March 21, 1977

Robert B. Atwood
Editor & Publisher
Box 40, Anchorage Alaska 99510

Dear Mr. Atwood:

Thank you very much for your extended letter of March 10 and for the sincere and interested tone you use in it. My concerns about your possible reactions appear to have been groundless, for your genuine nature is better by far than that ascribed to you by your enemies-- or even by your supposed friends.

You are right, too, in much of your assessment of Alaska's economic growth. You say, quite correctly, that Alaska's economic history has been "a sequence of periods when growth was rapid, separated by periods when growth was not so rapid." The metaphor I like to use is that Alaskan economic growth is like a series of waves coming on to shore in a rising tide: each wave, as it advances and retreats, leaves the tide line of flotsam and jetsam at a higher level than the one preceding.

While Alaskans overall are certainly better off now than the Natives alone were before 1741--there are probably some iconoclastic lovers of primitive conditions who might argue this with us--the effects of those receding waves have not always been particularly pleasant, especially for those who understandably hoped for the crest to continue to rise.

Why this should be so is perhaps explained most clearly by example; here follows the explanation of the accelerator principle by Richard G. Lipsey and Peter O. Steiner, Economics (New York: Harper and Row, Publishers, 1969), pp. 567-570: (Other standard economic texts say much the same thing about the accelerator principle; see Paul A. Samuelson's Economics, for example.)

Very well. First let us distinguish between replacement investment and new investment. If we have five machines, say printing presses for example, which have each a life of five years, have each been bought in a succeeding year, and have each the same cost, we will have to continue to buy a new press every year to replace the one which is just wearing out: this is just replacement investment. If, however, population grows and with that growth comes a greater demand for the newspapers turned out on the presses, we may have enough potential sales to justify the purchase of a sixth machine: this is new investment, also called net investment.

Schneeman
Clark
P.F. Correspondence
continues.
Joe

Somebody will have had to save (invest, not consume immediately) in order for there to be money available for the purchase of this sixth machine; it does not matter for our purposes whether the savings have occurred by the newspaper owner or by the depositors at the bank from which a loan is secured or by investors who buy stock or bonds of the newspaper company. For growth to occur, someone, somewhere must have postponed immediate satisfactions to save and invest the capital that will be required for growth.

Now in our mythical newspaper business a certain amount of capital stock is required to run the business: buildings, presses, staff, newsprint, wire services, darkroom equipment, and so on. Let's assume that for a newspaper with annual sales of \$10 million, this initial capital stock is \$50 million. Economists would say the business had a capital-output ratio of 5:1. Let's also assume, in this simplified model, that the capital-output ratio remains at the same level of 5 to 1 over a fairly broad range. (Economists are forever making models with unrealistic assumptions and insist that the models be judged on the results, not on the realism of the assumptions.)

Then the history of the firm may look like this:

Year	Sales	Change in Sales	Required Capital Stock (5:1 c-o ratio)	Net Investment
11	\$10 M		\$50 M	
12	\$10 M	\$0	\$50 M	\$0
13	\$11 M	\$1 M	\$55 M	\$5 M
14	\$13 M	\$2 M	\$65 M	\$10 M
15	\$16 M	\$3 M	\$80 M	\$15 M
16	\$19 M	\$3 M	\$95 M	\$15 M
17	\$22 M	\$3 M	\$110 M	\$15 M
18	\$24 M	\$2 M	\$120 M	\$10 M
19	\$25 M	\$1 M	\$125 M	\$5 M
20	\$25 M	\$0	\$125 M	\$0
21	\$25 M	\$0	\$125 M	\$0
22	\$24 M	-\$1 M	\$120 M	-\$5 M
23	\$22 M	-\$2 M	\$110 M	-\$10 M
24	\$22 M	\$0	\$110 M	\$0

This is a particularly interesting table, for it shows that a period in which growth is not rapid--a "steady period"--may mean that there is no net investment, even though sales may be at more than double the initial level. See years 19-22. Perhaps growth is limited by the amount of money which has been saved up, perhaps it is limited by external reasons for slowing sales (the population does not grow quite so fast, for example, or the development of television provides a competitive alternative); this is not our concern here. The question is: what are the requirements for investment and growth? (Negative net investment just means that ordinary replacement investment does not take place: the publisher of this imaginary newspaper lets one of his presses wear out in year 21-22 and does not replace it; two worn-out presses are not replaced in year 22-23.)

"The main prediction of the accelerator theory is that rising, rather than high, output and sales are needed to maintain a high level of investment. As long as output and sales are rising at a constant amount per year, investment will be a constant amount per year. Should output and sales stabilize at a constant level, however, investment will fall off drastically. The accelerator theory thus also predicts that the economy may show unstable tendencies. As soon as the rate of expansion of a boom slows up, investment will fall off, and this will tend to reduce the level of national income, which will depress investment still further."

Now, to be fair, the accelerator theory is a theory like many other theories in economics: some people find it persuasive and some do not; the statistical evidence is--as it seems nearly always to be--mixed and inconclusive. If, however, the accelerator principle has a germ of truth in it, then we have real reason to be concerned over these "steady periods" and times of "limited retrogression."

To smooth out the inflationary effects of booms and avoid the declines and disasters and unemployment of recessions and busts, the permanent fund can be used to provide additional investment capital for Alaska when the wave of development appears to be receding; permanent fund investments must be withdrawn from Alaska when the wave of development is advancing, however, in order to avoid wild inflation and a growth rate which cannot be sustained. (This is speaking in general terms; if development is regional, rather than state-wide, P.F. investments should go to areas where development is in a decline. Perhaps, for example, both Fairbanks and Anchorage will need P.F. investments to avoid ill effects of the winding down of pipeline construction in the next few years.)

It is true that talking about good times to come can help to instill the confidence in investors that in fact leads to good times; considering potential recessions may perhaps bring them about. It is also true, however, that realism is healthy; "steady periods" and "limited retrogressions" seem, in the light of the accelerator principle, to be euphemisms for "recessions," "depressions" or "busts." If we consider that the Alaskan economy may head downward on occasion unless helped, then

we can also think of ways to help it if it does turn down.

I think we should plan ways of helping it "just in case." The potential of the Permanent Fund for smoothing out Alaskan business cycles is such a plan, ideally resulting in a steadier rate of growth which avoids wild inflation and severe depressions. The enactment of an Alaskan Full Employment Act, paralleling the 1946 Act on the federal level, would be a useful preliminary step in this direction. You can, and I hope you will, use your influential editorials to argue in favor of these ideas and plans.

To reply briefly to your other points: 1. Up until the Native Land Claims Act, over 99% of Alaska was already owned by one or another governmental body; while the governments could buy up the rest of Alaska, they fortunately seem to be releasing their holdings, although at a fairly slow rate. 2. Alaska's change to Statehood status, which you helped to bring about, meant that it assumed greater responsibilities for roads, for the judiciary, for its own affairs in many fields; it is not likely that the Legislature would then be able to meet for the limited times customary in Territorial days. 3. While the Legislature is indeed subject to many pressures and has many flaws, the Executive branch is hardly free of pressures and flaws itself; we fortunately have both, plus a Judiciary, to prevent the excesses of any one part.

Thank you for your interest in the dissertation, which is nearly finished. Perhaps I have made it too long in order to make it complete; at about 350 pages, even a Xerox copy costs about \$15. I will be glad to send you an abstract in the near future gratis, so that you may decide if the work itself interests you. It is not so much on the use of the Permanent Fund as it is upon changes in budgeting styles during "crisis" and "normal" periods; nearly half is a reasonably thorough history of Alaska that you may enjoy, however. If accepted, microfilm copies will eventually be available through University Microfilms.

Thank, too, for your continuing interest in improving Alaska's economic stability. Of the comments on my earlier card, I hope you will remember only my wishes for a Happy St. Patrick's Day.

Sincerely and cordially,



Joseph A. Sweeney

Though I may again use copies of this letter as explanations for other interested people--and you may show this to those you wish to comment-- I will not copy your letters without permission.

Dear Fred:

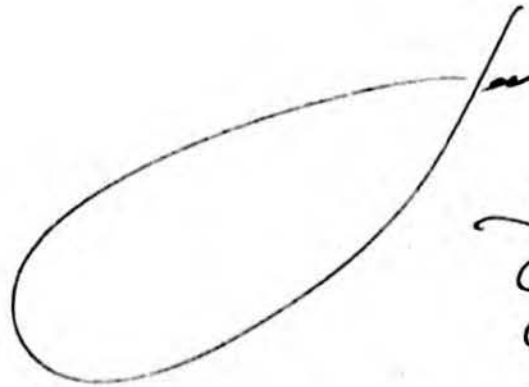
Thanks for your note of appreciation; typewriter broke down last night so I'm writing this reply longhand, speed being more important than perfection in this case.

Glad you like the basic idea of P.F. use. Some expansion of these ideas in letters to Terry Barkiner, who presumably will be willing to share them with you. (He wrote back first)

Since he reports P.F. mechanism will not be enacted this year, I recommended to him - as I especially counsel you, because of your chairmanship (congratulations!), that: as the Federal Reserve and the Treasury both use for their justification of economic stabilizing actions the Full Employment Act of 1946, and as Alaskan unemployment is likely to rise sharply this year with the pipeline's end, there is an excellent opportunity to pass an Alaskan Full Employment Act this year which will have the added benefit of laying the groundwork for the stabilizing use of the P.F. next year. As the Alaskan Full Employment Act can be justified in and of itself, there is now no need even to mention the P.F. in the A.F.E.A. Hope you can get this done promptly.

Finally, as I sit here in my all too typical student garret, while I am glad that some few Members listen and occasionally read what I write, at some time someone is going to have to pay for the ideas I have so far given freely. Let me know if you need a consultant - I wouldn't be as expensive as Walter Levy, but I hardly expect to be cheap, either. Fuller reports can be studied, surely; the essential idea is really what's most valuable, however, and you already have that. *

Cordially,



Joseph A. Sonneman*
Government Dept
Claremont Graduate School
Claremont, CA 91711

* The document you got is a proposal for future action, not a report of past performance.

O.B.A. Five Star Consulting & Research

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Government Department
Claremont Graduate School
Claremont, California 91711

February 28, 1977

Robert B. Atwood, Editor & Publisher
The Anchorage Times
Box 40
Anchorage, Alaska 99510

*Clark
thought
might like to see
this opinion of P.F.
Jal*

Dear Mr. Atwood:

Thank you for your courteous reply of February 18. Your brief words cause me to do considerable thinking to compose an appropriate answer; in the meantime I finished up the Alaskan history section (1741-1971) of the dissertation I'm working on here.

Your newspaper and you personally appear throughout much of the modern history of Alaska. Your chairmanship of the Statehood Committee, your part in promoting Richfield's entry to the Kenai assure you an ineradicable position in the story of Alaska. Your newspaper constitutes a record of the oil years which I have read so closely and often as to reveal, from often repeated editorial comments, your stance on several issues. (If you write the editorials, that is.)

It seems more productive to dwell on areas of agreement rather than disagreement, so I will suggest one relatively innocuous difference only. From repeated editorials, you seem to wish for a limited length for Legislative sessions; I would just as soon have them meet year-round and take all the time they need to do the job right.

I am a graduate student of government finance who came to Alaska to do research on changes in budgeting style caused by the \$900 million; Alaska's beauty captured me and got me more interested in living there instead, though my dissertation is finally nearing completion after all. I have had an Alaskan variety of jobs in the meantime, indoor and out; in one of them, as a budget analyst for the State, I testified to the Alaska Historical Commission--and Evangeline Atwood--on the need for an oral history program in the Pioneers' Homes. There was a populist movement in the traditional American model of government by the governed which intrigued me; I joined Ad Hoc and eventually served as the Finance Officer for the Democratic State Central Committee.

Little of this has to do with the economics of the state except my training in economics and government finance.

Okay, economics lessons. (I know you are smarter than you make out; your understanding is intuitive, while I have to learn the darned stuff in school.)

It used to be thought that government should pretty much keep its hands off the economy. The workings of the business cycle were supposed to be such that periods of expansion and contraction would follow one another without either wild inflation or extreme depression and, as long the economy was in fact relatively stable, this seemed like a good idea: keeping government and business in separate categories, that is.

The Depression of the 1930's changed all that.

What John Maynard Keynes did for economics was to show the theoretical reasons for what the whole world knew in all too sad practical reality: that the lowering of the interest rate to provide easier capital for businesses would not always result in a new expansion; for there was some interest rate that was so low that investors would rather hold on to the money instead.

From this and other analyses, Keynes showed that government spending was the economic variable capable of control (and few of them can be controlled) which could bring the country out of a depression. Ideally, the requirements of deficit spending to recover from depressions would be offset in the long run by lowered government spending and/or increased taxes during boom times. The hitherto apparently unimportant element of government was proved to be a controlling factor in the overall business economy.

This is incredibly brief; hope you can make it through my thick prose.

In the federal government, the Kennedy Tax Cut of 1964 is a clear example of Keynesian economics. Congress and the President now annually consider explicitly what used to be ignored: the effect of government spending on the economy and the relation of expenditures to receipts.

One reason for this behavior, politically speaking, is the Full Employment Act of 1946; Congress then established full employment as a national goal, setting up the Council of Economic Advisors and giving the Federal Reserve, the President and future Congresses the justification for keeping the economy (supposedly) on the track of smooth and stable growth.

So much for the nation; now for the state.

The economic history of the state of Alaska is one of recurring booms and busts. The Russian fur rush, the 1898-1902 gold rushes, the 1930's copper boom, the 1940's war boom and the 1950's cold war defense construction boom all tell the story of brief periods of expansion followed by quiet, poverty, and recession.

From your editorials you seem to hope the oil industry will prove different, even though the completed pipeline will employ about 800 people instead of the 20,000 on it during the construction period. Another economics lesson suggests why you may wish to reconsider.

There is in economic theory something called the "acceleration principle." Without going into the details, this basically shows that growth is dependent on net additions to investment. Paradoxically, you can't get a net addition to investment unless the economy is growing at an ever-faster rate. If the economy is steady, even at a very high level, disinvestment is taking place and a downturn will follow.

So, in this light, what do you make of the Mathematical Sciences Northwest Study commissioned by Alyeska which forecasts that the pipeline's economic effects will be rapid growth followed by a steady period? If you are with the brief reasoning given here, you'll agree that "rapid growth followed by a steady period" is just using other words for, what they did not want to say, "a boom and a bust." The Fairbanks experience after the "mini-boom" of 1970 is a good example of how unpleasant a "steady period" can be.

What can be done about all this? The politicians, who should have raised taxes in Alaska during the construction period to slow inflation and lowered them afterwards to encourage other industries, often have political reasons for not doing what is economically required. The creation of the permanent fund offers a pot of money big enough to be used as an economic balancing tool, despite the possibly less than appropriate actions by other elements of state government.

When Alaska is booming along quite nicely by itself, the monies in the P.F. should be invested outside the state, in order to avoid the dangers of inflation. When the tide turns, as history shows it generally does, P.F. funds should be brought back into Alaskan investments to keep the economy of the state from sliding into a depressed situation. This procedure of putting the money where it's needed may or may not increase P.F. earnings; it definitely will help the general Alaskan economy and the businesses and employees in it.

Atwood

-4-

February 28, 1977

Now, far from Alaska though I presently am, I understand that the Permanent Fund concept will remain under legislative study until next year.

There is still something to be done this year, however.

Just as the Full Employment Act of 1946 gives Congressional justification to federal agencies for their attempts at balancing the economy on the path of stable growth, so Alaska could use a similar Act to justify its future efforts in maintaining this ideal state.

Since Alaska is in any case the state with the highest unemployment rate (in most years), there is sufficient reason for the Legislature to establish the goal of full employment for all Alaskans irrespective of any consideration of the P.F. Such an Act is suggested here and in earlier letters named the "Alaska Full Employment Act."

You are quite right that this is not yet a hot topic in the legislative halls on the second floor of the Capitol. You can, however, help make it of greater interest by editorializing in its favor in the Times, a newspaper which is not only "The Largest In Alaska" but is also the most influential: copies are delivered daily to the Senators and Representatives.

Because you seem to have such a strong feeling of support for the business conditions in the state, I hope you agree that your sponsorship of an Alaskan Full Employment Act can, without once mentioning this year the relation to the P.F., set the groundwork for the Permanent Fund's eventual use in maintaining excellent business conditions on a continuing basis in Alaska.

Hope this helps explain things; if not, perhaps I'll go back to fishing in Glacier Bay or building trails through the Crazy Mountains.

Sincerely and cordially,


Joseph A. Sonneman