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From pork to petrodollars

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Sarah Palin's home state is awash with money

JOHN MCCAIN'S decision to anoint Sarah Palin as his running-mate looks eccentric for many reasons. Not the least is economic principle. Thanks in part to Mrs Palin, Alaska's economy is built on two things that Mr McCain has spent the last few years railing against.

The first is federal spending, especially the little-scrutinised grants known as earmarks. Between 1996 and 2006 per-capita federal spending in Alaska rose from 38% above the national average to 71% above. Scott Goldsmith, an economist, reckons a third of all jobs in the state depend on it. So needy are the citizens of the "last frontier" that the looming trial of Ted Stevens, Alaska's senior senator and champion pork-rustler, for failing to disclose gifts is viewed not just as a political scandal but also as an economic threat.

Mrs Palin has been less single-minded in her pursuit of pork than other Alaskan politicians (which is, admittedly, setting the bar pretty high). But she can take credit for the other pillar of Alaska's economy: windfall taxes. Last year she championed a tax hike on oil companies which is helping bring in huge sums—more than \$10 billion in the fiscal year that ended in June, according to the companies that pay them. Suddenly flush, the state

has promised \$1,200 to every man, woman and child, ostensibly to cover the high cost of fuel.

That giveaway is just the start. Rather than paying taxes to the state, Alaskans receive cheques from it. In "The Simpsons Movie", released last year, Homer Simpson is handed \$1,000 at the Alaskan border for "allowing the oil companies to ravage the state's natural beauty". That is an understatement: this month's payments from the Alaska permanent fund are expected to be about twice as big. With the fuel surplus, this alone would get a family of four three-fifths of the way towards the federal poverty line in the lower 48 states. And many Alaskans do not pay sales taxes.

Meanwhile, the state's industries hum along. Fishermen are doing well, thanks in part to a collapse in California's salmon stocks. Mining is booming. Between 2000 and 2007 about 8,000 health-care jobs were created, a lot in a state with a civilian working population of just 335,000. More and more cruise ships chug up the coast. Alaska's natives, who were given money to set up corporations in lieu of land, have proved adept at hoovering up federal contracts in the lower 48 states.

Federal grants to Alaska had begun to slow even before Mr Stevens's indictment, as Congress clamped down on earmarks. But they will not cease even if the senator is convicted. Alaska still has plenty of plans for spending taxpayers' money—the big one is a highway through Anchorage. It also has other politicians who are prepared to plead for that money (see [article](#)).

Not all federal spending comes in the form of earmarks, in any case. Retirement and Medicare cheques will roll in as Alaska's population ages. Military spending, a big part of the state's economy during the cold war, is heating up again: from the air you can see construction at Fort Richardson army base, north of Anchorage.

So Alaska's growth streak, now in its 21st year, is unlikely to break soon. But the good times obscure a big weakness. The state government has become dependent on revenues from oil, which are likely to decline as the major fields dry up. Rescue may come in the form of a huge pipeline that would run from a natural-gas field in northern Alaska to Canada. It may not be built; even if it is, the gas will not start flowing for at least a decade. Alaskans will be hoping a Vice-President Palin can move things along a little quicker.

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