State Government and Economic Development in Alaska

Alaska's size and remoteness create some unique problems for its state government. In this and a subsequent article, these problems will be explored, especially as they relate to the economic development efforts under way. The authors are Associate Professor Thomas A. Morehouse and Assistant Professor Gordon Scott Harrison of the Institute of Social, Economic and Government Research, University of Alaska.

by Thomas A. Morehouse and Gordon Scott Harrison

Alaska's 586,400 square miles make it one-fifth the size of the continental United States—as large as Texas, California, and Montana combined. Barrow, at the northern tip of the State, is 1,300 miles from Ketchikan in the southeast; Attu, at the far end of the Aleutian chain, is over 2,000 miles from the state capital at Juneau. But with only 295,000 people, Alaska is the smallest State in population, smaller than eighty U.S. metropolitan areas. Except for Eskimos, Indians, and Aleuts—who live mainly in rural villages scattered throughout the State and comprise about a fifth of the population—Alaska's people are concentrated in a small number of urban communities. Anchorage, the largest urban area, itself accounts for over two-fifths of the State's population.

Reflective of Alaska's physical and socio-economic peculiarities are unique structural features of state government, such as a State Department of Education that directly administers a rural schools system covering an area almost as large as the State itself; a Division of Marine Transportation that operates a fleet of ferries on a "marine highway" system serving the southcentral coast and linking southeast Alaska with Seattle and Canadian ports; and a Division of State Troopers responsible for law enforcement and police protection not only at the state level, but also locally in all but the largest communities.

Also uniquely Alaskan is a massive federal presence: the U.S. military establishment operates the largest single Alaskan enterprise, public or private; the Bureau of Land Management and several other agencies control the 95 percent of Alaska's land area owned by the federal government; the Bureau of Indian Affairs and the Public Health Service directly administer education, health, and welfare programs for the Eskimos, Indians, and Aleuts of village Alaska; the U.S. Air Force operates the State's basic communication system; and the Interior Department runs the Alaska Railroad.

Yet, when these and other peculiarities are added together, they reveal little about the basic patterns and dynamics of the State's government; instead, they highlight the bizarre and exotic while failing to penetrate the surface. Most of what is significant about state government in Alaska can be discovered and understood not by describing its institutions, but by focusing on its distinctive problems of public policy and how they have been defined, confronted, and coped with by Alaska's people and their governing officials. In Alaska, these have been problems of economic development.

The purpose of this article is to show how the quest for development relates to Alaska's political culture, economic condition, territorial history, and statehood movement. Also

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introduced in this article, and to be developed in more detail in a subsequent one, are the principal development issues confronting Alaska state government today.

POLITICAL CULTURE

Government in Alaska is shaped to a large extent by the State’s political culture—a distinctive and assertive set of attitudes, beliefs, and social-political orientations.

Prevalent among the State’s resident white population is a highly developed social and political identity. Alaskans tend to view their State as one quite different from, and in many ways superior to, the other States of the Union. Popular references to the other States—such as the “lower 48,” the “smaller States,” or simply the “Outside”—have a thinly veiled ethnocentric and patronizing tone. Self-imagery of rugged individualism is widespread. Strains of popular thought celebrating rural virtues are associated with a sense of innocence vis-a-vis the rest of the Nation. In addition to early American pioneer and Calvinist elements, the political culture of Alaska includes traces of turn-of-the-century populism. The many small, independent, and vulnerable fishermen, miners, and merchants tend to be hostile to “big city” corporate power and massive federal bureaucracies that are regarded as threats to a healthy, hard-working, and honest folk.

A firm sense of identity with and loyalty to Alaska is held by a population that consists largely of recent immigrants from other parts of the United States. Almost half of Alaska’s entire population in 1960 resided outside the State five years earlier. Alaska patriotism may well be reinforced by the “newcomer” nature of the resident population. In one sense or another, most immigrants to Alaska have sought a new beginning in Alaska, and, as the earlier experience of European immigration to America demonstrates, new loyalties can be rapidly acquired by a recently settled population.

If asked what they find most attractive about the State, Alaskans will almost unanimously refer to its natural beauty and sparse population. At the same time, however, most Alaskans do not seem to want natural beauty preserved for its own sake and are interested in bringing as many settlers and tourists to the State as possible. This is because “development” of Alaska is regarded as the highest public and private good, and few contradictions are associated with it.

Alaska’s development is the central issue that

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THE WICKERSHAM, largest and fastest of the Alaska Marine Highway fleet of ferryliners, operates in the wintertime from Seattle and Vancouver to the southeast Alaska panhandle. The fleet is one of a number of unique structural features of Alaska state government.
unifies the State at every political tier, in much
the way that the civil rights issue unifies south­ern
States at each of their political levels. From
the State's viewpoint, Alaska's congressional
delegation has a single major purpose, and
that is to promote Alaskan development
through federal channels. Otherwise, the
State's two senators and one representative are
relatively free agents in Washington who can assume,
with more or less equanimity, conserva­
tive or liberal positions on most national
issues. In general, national political questions
have low saliency among most Alaska resi­
dents. Alaska is isolated from the rest of the
country not only physically but politically as
well.

Contrasted with other States of the Union,
Alaska state politics command inordinate at­
tention. This, too, is probably a function not
only of the State's isolation but also of its small
population. State political actors tend to be
well-known and they bring individual, per­
sonal styles to the drama of state politics. Face­
to-face political communication is certainly
more pervasive in Alaska than in other States,
where population size and density make effec­
tive communication possible only through
mass media.

Although still clearly discernible, the out­
lines of Alaska's political culture are under­
going change. The Native people of Alaska are
becoming a significant political force; popula­
tion patterns, previously shaped by boom-bust
economic conditions, have tended to stabilize
in recent years; a new political economy, based
on the production of vast oil reserves, is begin­
ing to emerge. How these and related forces
will change existing patterns of political cul­
ture remains to be seen.

THE ECONOMY AND ECONOMIC
DEVELOPMENT POLICIES

Recent oil discoveries on the State's North
Slope, and significant exploration activity else­
where, will undoubtedly have major impacts
on the economic and political life of Alaska.
But today, Alaska's economy is still "under­
developed" in a sense analogous to that used to
describe the economies of larger areas of Africa,
Asia, and Latin America. Alaska does not have
a broad, self-sustaining economic base. The
economy is, in general, insular, nondiversified,
service oriented, structurally fragmented, and
capital intensive. Outside of the southeast pan­
handle, economic activity is also highly se­
asonal. Because of pervasive leakages to the
lower States, Alaska's income multiplier is very
small. A breakdown of the various categories
of economic activity by percentage of the
State's gross product reveals the unbalanced
and underdeveloped character of Alaska's
economy.3

<table>
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<tr>
<th>Alaska's Economic Activity</th>
<th>Percent of Gross Product</th>
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<tr>
<td>Government and government enterprise</td>
<td>36.2</td>
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<tr>
<td>Wholesale and retail trade</td>
<td>12.3</td>
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<td>Contract construction</td>
<td>11.4</td>
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<tr>
<td>Manufacturing</td>
<td>8.0</td>
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<tr>
<td>Finance, insurance and real estate</td>
<td>7.5</td>
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<tr>
<td>Transportation</td>
<td>5.5</td>
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<tr>
<td>Communications</td>
<td>5.3</td>
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<tr>
<td>Mining</td>
<td>8.7</td>
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<tr>
<td>Electric, gas and sanitary services</td>
<td>2.0</td>
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<tr>
<td>Agriculture, forestry and fishing</td>
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The largest industry in Alaska is govern­
ment. Direct government activity and govern­
ment-supported service and construction ac­
tivities account for more than half of all
economic activity in the State.4 Supportive indus­
tries (construction, communication, transport­
ation, utilities, banking, and insurance) account for one-half of the total volume of
economic activity in the private sector. While
there is a general expectation that Alaska's
future economy will be resource based, agri­

3See Herman E. Slotnick, "The 1960 Election in Alaska," Western Political Quarterly, XIV, no. 1, part 2 (March,
1961); Herman E. Slotnick, "The 1964 Election in Alaska," Western Political Quarterly, XVIII, no. 2, part 2 (June,
1965); Ronald E. Chinn, "The 1968 Election in Alaska," Western Political Quarterly, XXII, no. 3 (September, 1969).

eral Field Committee for Development Planning in Alaska, Anchorage, 1967, p. 68.

search, forthcoming).
culture, forestry, fishery, and mineral products accounted for only five percent of the total gross domestic product in the late 1960s.

Prior to World War II, Alaska had a "colonial" economy based on the exploitation of fur, salmon, and gold by absentee interests. Capital financing was nonresident; most of the seasonal labor force was nonresident; products were all exported; conservation practices were not observed; and no efforts were made to develop local economies beyond that required to support extractive industries.

With World War II came military construction and other defense-related spending in Alaska that gave the state's economy a new dimension. Development of the state's strategic potential meant investment in communication and surface transportation networks as well as a quantum jump in population. The postwar economy was, however, very unstable in that the infrastructural and other development did not rest upon an indigenous economic base. Wartime and postwar military spending stimulated only limited secondary economic growth (including a sizeable resident construction industry), and the resulting economy was essentially consumption oriented.

Further growth of Alaska's economy is tied to development of the state's natural resources, particularly its oil and gas deposits. It is also expected that expansion of the fishery, forestry, and mineral industries will help broaden, balance, and stabilize the entire economy through the stimulation of complementary manufacturing and service activity. The development strategy of successive state administrations since statehood has been to encourage Alaska's export and natural resource sector through such policies as increased Japanese trade and investment, first-stage processing of natural resource products in Alaska, industrial tax concessions, and extension of the rail and road networks.

Encouragement of Japanese Trade and Investment

Japan, with a prosperous national economy dependent upon raw material imports, has become Alaska's first significant international trade partner. In 1969, almost 90 percent of Alaska's approximately $55 million in annual exports were to Japan. Timber products lead the list of Alaska exports to Japan, with fish and fish products second. Japanese companies own outright or have major investments in several of Alaska's largest pulp mills and shore-based fish processing facilities. A $200 million venture including Phillips Petroleum, Marathon Oil, and the Tokyo Gas Company has recently brought Cook Inlet-Kenai gas fields into commercial export production (through the liquification process), and Japanese utilities are exploring other potential energy sources in Alaska.6

Requirement of Primary Processing of Natural Resource Products in Alaska

Each of Alaska's post-statehood administrations has pursued a policy requiring the primary processing of natural resource products in Alaska prior to their export from the state. This primary processing policy actually originated in territorial times with the United States Forest Service, which applied a similar requirement to log exports. The policy is justified as a defense against "colonial" exploitation of the state's natural wealth, and as a device for providing employment to state residents. It underlies current development objectives such as the construction of oil refineries.6

Industrial Tax Concessions

Since statehood, Alaska has provided a variety of liberal tax exemptions, credits, or concessions to industries locating in Alaska. The single largest tax concession now in effect is the Industrial Incentive Act which allows a corporate tax credit equal to 50 per cent of the original investment. Other forms of prefer-


ential tax treatment are a 27 1/2 percent allowance for oil and mineral exploration, and absence of royalty payments for metallic minerals extracted from state lands as well as absence of lease or rental payments for lands so used.

*Extension of Rail and Road Network*

It is currently thought that development of mineral deposits in Alaska—particularly the known deposits in the remote Brooks Range of northern and interior Alaska—is thwarted by the lack of adequate road and rail facilities. Extension of the Alaska Railroad beyond Fairbanks and construction of an all-weather road to the North Slope oil fields have become high priority objectives of the state administration. Although still in the proposal stages, such surface transportation facilities are considered valuable social overhead capital and are thought to serve as a "lead" for development. Public investment in them is justified on those grounds.7

In pursuing these and other development policy objectives, Alaska officials are, in part, reacting against the colonial heritage of federal government rule and resource exploitation by nonresident interests that characterized Alaska's development (or lack of it) for nearly a century before statehood.

ALASKA AS A TERRITORY

During the first half of Alaska's history as an American possession the region was handicapped by too little or no government; during the latter half, down to the time of statehood in 1959, it suffered from the accretion of too many governments, both territorial and federal, but without any effective center of governance capable of mounting a resident-oriented Alaska development policy. Federal and territorial agencies divided administrative power while congressional committees and a Territorial Legislature shared legislative power. In both cases, the pattern of sharing was highly diffuse and unequal, with the federal government taking by far the largest part.

This long period of federal control produced a peculiar Alaska ideology in terms of which most, if not all, of the major problems of the territory were attributed to federal mismanagement, misrule, or neglect. The lack of development was attributed to the absence of Alaska self-government (i.e., control over its own development), and distortions of development (resource "skimming" and exportation of wealth) were attributed to absentee control by fishing and mining industries whose interests were served by the governmental status quo. Thus, the federal government was faulted both for neglecting Alaska, insofar as resident interests were concerned, as well as for actively oppressing Alaska by monopolizing public authority over resource development and pursuing policies that favored the absentee corporate interests.

For seventeen years after the 1867 Treaty of Cession under which the United States purchased Alaska from Russia, there was no legal government in the region. A Collector of Cus-

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toms was stationed in Alaska by the U.S. Treasury Department, and excesses of disorder were unevenly and periodically put down by itinerant U.S. Army and Navy units. Alaska's first government took the form of a "civil and judicial district" established by the Organic Act of 1884, but this consisted merely of a skeletal judicial system under federal control, and a presidentially appointed Governor with extremely limited powers. The act was "specific in its limitations and prohibitions, indefinite and equivocal in its grants." Federal legislation for Alaska would be shaped within this extremely restrictive mold until statehood seventy-five years later.

The last and most significant of the federal laws creating Alaska's basic governmental structure before statehood was the Organic Act of 1912. Under it, Alaska became a United States Territory with its own Legislature, but in keeping with the established pattern, the law severely limited territorial authority and prescribed the specific form, powers, and responsibilities of the Legislature. The territory was denied authority over its fisheries and wildlife, it could not assume any debts without permission of Congress, no provision was made for territorial land legislation, taxing powers were severely circumscribed, and the judiciary remained under direct federal control.

Designed to limit territorial power and to reinforce federal control, the system served for the next half century as a protective cover for the nonresident mining, fishing, and timber industries that were to reach favorable accommodations with federal agencies and congressional committees retaining power in Washington. Alaska resource development policy was, in effect, made in piecemeal fashion through such accommodations by remote federal officials and absentee private interests.

Over the years, both federal and territorial administrative agencies proliferated. On the federal side, there was little decentralization of authority from Washington to federal officials in the Territory, and independent lines between central and field offices were jealously guarded and successfully maintained. Pro forma attempts were made by the Department of Interior to coordinate policy in Washington and operations in the field, but Interior could scarcely bring its own subordinate agencies together, let alone affect other federal departments such as Commerce and Agriculture.

On the territorial side of this administrative system, the Legislature created departments of health, agriculture, fisheries, mines, education, and aviation to perform limited functions not preempted by their dominant federal counterparts. The Legislature also established many minor agencies and boards, as well as independently elective offices of attorney general, auditor, highway engineer, and treasurer. The result was a highly fragmented territorial executive structure, deliberately insulated by the Legislature from the federally appointed Governor who was regarded as an outsider.

By the end of the 1940s there were over 100 different federal and territorial agencies, about 50 of each. The most important of them were various agencies of the U.S. Department of Interior asserting independent control over their subdomains of land, fisheries, mining, and other resources. To the extent that there was any recognizable and continuing center of government in the region itself, it was found in the Territorial Legislature using its powers of the purse and of administrative review, investigation, and reorganization. But federal restrictions and interest group pressures prevented the Legislature from significantly changing the terms under which private absentee interests variously exploited or "locked up" resources according to their own calculations of profit and loss and of competitive advantage. Indeed, it was not until 1949 that the Legislature overcame the opposition of the "Alaska Lobby" and enacted a tax program which, for the first time, enabled the Territory to impose taxes on incomes and on the value of extracted resources.

THE STATEHOOD MOVEMENT

The Alaska statehood movement can be understood as a direct reaction to the territorial

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system of federal agency and absentee interest control over Alaska's resources. The basic features of this system were (1) the diffusion of public authority and the relative concentration of private economic power, and (2) the nonresident orientation of both the public and private elements. Alaskans viewed this pattern as exploitive economically and oppressive politically—with political oppression providing the necessary condition for economic exploitation. Therefore, if Alaskans were to change the system, they would have to capture political control over economic development.

The ultimate means to this would be for Alaska to become a State. Statehood thus became synonymous with development, and development was considered identical with "progress" in all dimensions—economic, social, and political. Since development under state control could be redirected in the interests of resident Alaskans, an idealistic demand for democratic self-government was easily coupled with economic self-interest.

As indicated, World War II and military construction triggered major transformations in Alaska's population and economy. These developments also gave a strong push to the statehood movement. Between 1940 and 1950, territorial population grew from 75,000 to 129,000, an increase of 77 percent. (From 1930 to 1940, the rate of increase was only 22 percent.) This growth was concentrated largely in Alaska's "railbelt" between Seward in the southcentral part of the territory and Fairbanks in the interior, and its focus was on Anchorage. These trends in population growth and distribution continued strongly into the 1950s.

The result was that the southcentral region, and particularly Anchorage, became Alaska's economic center, attracting large numbers of young professionals, and white collar and service workers from the "lower 48." By contrast, the southeastern panhandle, traditionally identified with Seattle-based fishing, timber and shipping interests—and, consequently, with the territorial status quo—was lagging behind.

Moreover, fishing and mining, in the past the most important industries controlled by the older absentee interests, were themselves declining rapidly, and a more resident-oriented construction industry was displacing them as dominant private interest groups in the Alaska political system.

Anchorage in the process became the home base of the Alaska statehood movement. Here were tapped the energies and idealism of a growing number of educated and youthful newcomers who believed that self-government was a natural right of Americans and, in effect, that Alaska's territorial status was unnatural and demeaning. As reflected in successive public opinion polls during the 1950s, the sentiments of Americans elsewhere in the country were increasingly with them.

The stage was thus set for the final push to statehood: the old industries were slumping, newcomers from the existing States were leading the cause, and federal control was being sharply challenged not only for holding back development, but on the moral grounds of democracy as well. However, a minority of Alaskans (particularly residents of Juneau, Sitka and Ketchikan in the southeast) remained opposed to statehood for several reasons. In addition to the identification with absentee interests and the governmental status quo, there was also a well-grounded fear of the likely financial burden of statehood as well as resentment of a growing Anchorage and its apparent drive towards governmental and economic hegemony.

In the 1956 election to ratify the state constitution prepared earlier that year by the Alaska Constitutional Convention—more a vote on the statehood question than on the constitution itself—the proponents prevailed by a two-to-one margin statewide, while the southeast showed the strength of the opposition in a split vote. Reflecting the preeminence of the resource development issue, Alaskans in the same election approved an ordinance abolishing commercial fish traps by a margin of

six-to-one. Resident fishermen had, in fact, been vigorous proponents of statehood. To them, statehood meant resident control of the fisheries, just as it meant to most Alaskans the capture of control over resource development generally.

Congress passed the Alaska Statehood Act two years later; Alaskans again ratified statehood, this time by a six-to-one margin; and the act was signed by President Eisenhower on January 3, 1959.11

DEVELOPMENT AFTER STATEHOOD

The economic development aspirations of the statehood movement were expressed in an article of the state constitution dealing with fundamental policy objectives for resource development. According to the constitution's Article VIII on Natural Resources, "It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." Other sections of the article indicate that in pursuing this objective state officials should seek to eliminate the abuses of past absentee control, reorient development to resident interests, and keep critical decision-making powers within the State wherever possible.

Alaska's constitution also provided the institutional and legal framework for development. Executive power, previously diffused in several directions, was concentrated in the office of the Governor. Except for a secretary of state (a de facto lieutenant governor) who is elected as the Governor's running mate in the general election, there are no other elective administrative officials. Administrative functions are grouped by major purpose in fourteen principal departments (the constitution limits the number to twenty) headed by officials appointed by and directly responsible to the Governor.12 The Legislature, consisting of a forty-member House and a twenty-member Senate, is empowered to meet annually in sessions of unlimited length. There are fewer standing committees than in any other State Legislature except Nebraska's unicameral body. These and other characteristics of the State's governmental structure convey, overall, a sense of modernity and efficiency.

But in the years immediately after Alaska became a State, it became clear that statehood, even with the most modern institutions, was not automatically going to lead to the kinds and scale of development that most Alaskans envisioned. Control over development was one thing; making it happen was another. The economy, as described earlier, was heavily dependent on government and various supportive and tertiary service industries. Mining and fishing were continuing on their declines, and the military construction boom had been spent. Although resource deposits were known to exist, no accurate assessments of their commercial value had been made. Thus, the State, through most of the decade of the 1960s, faced persistent financial crises as federal agency responsibilities were transferred to the State, and a formally strong Governor and an efficiently organized Legislature were preoccupied with maintaining state government solvency. It was not a time for bold schemes of development. One of the most significant state government actions in these first years was establishment of the state ferry and marine highway systems. Though sound institutional and legal mechanisms of state control of development activities now existed, the State could not itself bring any large scale development into being.

The federal government helped the new State through this early period with transi-

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11 Cannery operators, the traps "were the tangible symbol of absentee control of Alaska's economy and demands for their abolition [was] one of the most powerful and frequently used of Alaska's political causes." (Rogers, Future of Alaska, pp. 178-79)

12 This was 43 years after the first statehood bill had been introduced in Congress by Alaska Delegate Wickersham in 1916.
tional grants totaling $28 million from 1960 to 1965. It pumped large sums of money and technical expertise into the State after the disastrous earthquake of 1964 which hit the southcentral region, including Anchorage. Moreover, based on the earthquake reconstruction experience, it established the Federal Field Committee for Development Planning in Alaska, a body which has played an important role in development policy research and federal program coordination during a period when the State's own capabilities have not been adequate to the task. Most important, the federal government had, under provisions of the statehood act, authorized the State to select 103 million acres of land from the federally owned public domain which included, outside of the cities, virtually all of Alaska's 365 million acres. The State was also authorized to receive 90 percent of the revenues from federal oil and mineral lease sales, rentals, and royalties.

Federal land grants and financial support were not sufficient in themselves, however, to push the State into any self-sustaining process of economic growth, resident oriented or otherwise. But all this apparently changed with the discovery of oil in unprecedented commercial quantities on Alaska's North Slope in 1968. Then the State's authority to select from the federal lands (it had already selected the North Slope acreage) obviously became the most critical state development power it possessed. Development of the oil fields would depend upon this power and control over new discoveries would require it.

The catch was that the federal government had, in 1966, imposed a "freeze" on further state selections in order to protect Alaska Native rights in and claims on the land. Moreover, environment had become a national issue, and the federal government was emerging as a regulator of Alaska's development in the interests of environmental protection. Given the federal government's direct interest and responsibility, development of the oil fields and related transport facilities in Alaska had become something of a national test case. Consequently, the old issue of who shall control resource development in Alaska had arisen in new form. In the territorial period, the fight was a relatively simple one between resident and nonresident development interests. Today the struggle revolves around economic development goals, ecological and social values, and Native rights—each involving alliances of Alaskans and "Outsiders."

The next article will discuss the issues of land and environmental protection, development of oil deposits, and Native land claims and how they are affecting the course of state government and the making of policies for development in Alaska today.

*Federal agencies have also contributed substantial financial support to regularly budgeted state programs, accounting in recent years for about one-third of state revenues for such purposes. Most of these federal aids support state programs of highway construction, education, and health and welfare.*