

Mallott: Government can't solve all problems

by **Byron I. Mallott**

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JUNEAU — Those of us in business cannot have it both ways. When things are going well for business we want the government "off our backs." When they are not going so well we want government to open its checkbook on a priority basis to respond to our plight.

This is philosophically inconsistent, and history shows clearly that it doesn't work. State government expenditures in Alaska have proved that such spending cannot prime the economic pump. The best that has happened from such spending (or the worst, depending on your point of view) is a short-term spurt, exemplified by the huge state capital budgets in the early '80s, followed by a crash when the spending stops.

Even in the worst of times we cannot ignore the economic fundamentals of supply and demand.

State government spending to directly support the private sector benefits only those businesses directly receiving the support and creates a com-

petitive imbalance which tends to weaken that particular business sector overall, rather than strengthen it. In my judgment, government spending to create jobs, which is the motherhood phrase usually used by business in such instances, is best done by spending to meet critical governmental service needs.

In a distressed economy, government spending to meet the needs of affected individual citizens can be very appropriate and timely. For government to be pressured, which is usually how it happens, to spend in direct support of particular businesses or economic sectors is at best a "trickle down" proposition when it comes to benefitting the Alaskan citizenry. If Alaska must do it, let's call it what it is, business welfare, and let business bear the same onus many associate, wrongly in my estimation, with individuals who receive welfare.

Within this philosophical framework, and at its margins in times of economic stress, where might state spending be appropriate should there be discretionary funds available? Transfer payments to local govern-

ments are a way to bring much needed local decision making into the state spending process. State spending to reflect our society's compassion for the individual, particularly the elderly and the children affected by hard economic times, should be a priority.

State financial support and policy leadership for true public and private sector partnerships built on the Alaska Seafood Marketing Institute model or the recently announced restructuring of the state and visitor industry relationship may make sense for other key Alaska industries.

Gov. Steve Cowper's Trade Alaska Program, with some meaningful state funding and modification to create a working involvement of the private sector including private sector funding, could be a vehicle for longer range state economic planning. If longer range planning is not made a priority, we will forever be condemned to filling potholes (make work) every time there is an economic bump in the road.

Whether or not there are discretionary funds available is a difficult question which must be predicated on

whether or not we believe the state budget truly meets our real ongoing needs and priorities, hence the continuing fight over state employees' compensation, for example.

Until the state citizenry is satisfied in this regard (and I believe most are not), it is inappropriate to look to discretionary one-time sources of revenue to meet state spending which must be sustained over time or which creates a continuing cost which must be supported by one segment of our population or another. We already bear the scars of this kind of spending in our current economic muddle.

The private sector in Alaska in this time of economic difficulty must work cooperatively with public policy makers to find long-term solutions to fundamental economic problems. Alaska's economic history has shown that to do anything less will only pass the problem and the cost of our short-sighted reactions on to our children.

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