CHAPTER 8

Constituting the Commons: Oil and Development in Postindependence South Sudan

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South Sudan became the world's newest nation on July 9, 2011, to a great deal of fanfare from the international community that had followed its devastating civil war for more than a generation. Some 2.5 million Sudanese were killed during the course of this conflict, a number that demonstrates how desperate Khartoum was to maintain control over the southern territory. A primary reason for this desperation was oil: South Sudan holds between 75 percent and 85 percent of the untapped petroleum reserves in the greater Sudanese region, and around 75 percent of the 500,000 barrels of oil presently extracted each day comes from the South. The Comprehensive Peace Agreement that ended the war in 2005 required that the export revenues from oil in the South be split evenly between the two regions, which has translated into more than $10 billion for each side over the past five years. With little other economic output to speak of, South Sudan's share of this revenue accounts for 71 percent of its GDP and a whopping 98 percent of the government's annual operating budget.

I visited Juba, the capital of South Sudan, in 2010 with a team of other Alaskans to share our state's unique model of oil revenue management with government policy makers there. We traveled at the invitation of the Southern Sudan Youth Forum for Referendum—an organization of young leaders, most of whom were educated abroad, who are deeply concerned about the economic future of their region in the postindependence era. Many of the people we spoke to, including

Vice President Riek Machar, expressed hope that independence and the renegotiation of the wealth-sharing agreement would give the Government of South Sudan (GOSS) greater control over the petroleum reserves within its borders. Expectations are high across the country that, with total control over oil revenues, the government will be able to ameliorate poverty and lift the country out of its intractable state of underdevelopment. The severity of the situation can hardly be overstated: with a poverty incidence of 90 percent, literacy rates as low as 24 percent, and life expectancy at a mere 42 years,[1] South Sudan has emerged into the dawn of national independence only to find itself at the very bottom of global development rankings.

Having achieved independence, the new government—headed by President Salva Kiir—is now faced with a difficult set of policy choices regarding petroleum management that will shape the future trajectory of the country in powerful ways. It is crucial that the government makes the correct decisions early on, before entrenched interests set in and make progressive change difficult to achieve. This chapter offers a few policy options that will help South Sudan avoid the "resource curse" (explained below) and transmute oil wealth into meaningful, sustainable development. I draw specifically on the experiences of the US state of Alaska, which uses an innovative model that combines a sovereign wealth fund and direct distribution of dividends, rooted in the concept of "the commons"—the notion that Alaska's resource wealth belongs by right to all Alaskans. I examine the prospect of implementing the Alaska model in South Sudan and suggest certain changes and additions to the model that would make it appropriate for the country's particular needs. While I agree with the editors of this book that direct distribution of oil revenues holds a great deal of potential for reducing poverty and stabilizing the economy, I argue that South Sudan should use this strategy as only a small part of a broader revenue management framework.

The Resource Curse

Historically speaking, South Sudan's hopes for generating development from oil revenues are terribly misplaced, for the exploitation of oil in Africa has rarely brought about positive socioeconomic outcomes. Indeed, quite the opposite is true: regions with an abundance of nonrenewable subsurface resources nearly always experience declining development and slower economic growth than countries with fewer such resources.[2] Nigeria offers a disturbing example of this trend. Since production began in the mid 1960s, Nigeria has

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seen an oil bonanza worth more than $340 billion. But, despite this massive infusion of wealth, the economy remains in absolute tatters: more than 70 percent of Nigerians live in conditions of absolute poverty—earning less than a dollar a day—and the infant mortality rate is among the highest in the world. In fact, poverty levels in Nigeria today are more than double what they were at the start of the oil boom. Average incomes in 2000 were less than one-third of what they were in 1980, and GDP per capita (adjusted for inflation) remained at about 1965 levels despite ballooning petroleum revenues.[3] Similar problems plague Africa's other major petroleum producers, such as Chad, Angola, Gabon, and Equatorial Guinea.[4]

Economists call this paradox of poverty amid plenty the "resource curse." As economies become overreliant on extractive industries, exchange rates appreciate and make imports cheap to the point of undercutting local producers—a scenario known as the "Dutch Disease."[5] This makes economic diversification impossible, and, once the resource is depleted, the country in question will have little economic infrastructure to fall back on. Furthermore, given the extreme volatility in their prices, overreliance on revenues from natural resources makes government planning for much-needed development objectives exceedingly difficult, as budget flows can change suddenly and dramatically. In addition, when states rely on rents instead of taxes for the bulk of their revenue, the social contract between government and citizens gradually erodes; citizens have no incentive to hold administrators accountable, and administrators have no incentive to invest in human resources, encourage industry, or promote the development of a middle class that would provide a sustainable tax base.[6] Such "rentier states" tend to become authoritarian and heavily repressive, funneling oil revenues into military forces in order to maintain their grip on power and keep citizens in check. Oil-producing countries spend three times more on military force than developed countries and ten times more than underdeveloped countries, as a proportion of GDP.[7] And, to make matters worse, the likelihood of conflict increases to 22 percent when resource exports constitute 33 percent of a country's GDP or more, compared to 1 percent for countries with no such exports.[8]

If careful controls are not put in place soon, South Sudan may suffer exactly this fate. Instead of producing positive development outcomes, petroleum exploitation is likely to deepen income inequalities, entrench poverty, degrade the economy, and devastate the environment. Most importantly, the country's small-scale farming sector—the main source of livelihood for around 60 percent of the population—could collapse as a result of the impending influx of foreign currency, leaving vast swathes of people even more vulnerable to poverty than they already are.

Implementing the Alaska Model

Carefully targeted legislation could not only prevent the resource curse in South Sudan, it could successfully leverage oil wealth for poverty alleviation and sustainable development. Alaska provides an excellent example of how this can be done. Upon achieving statehood, Alaskan leaders drafted a constitution that includes a unique article that deals specifically with natural resources, mandating that they be developed "on the sustained yield principle" and "for the maximum benefit of the people," in order to protect nonrenewable resources from corporate exploitation and government misuse. In addition, almost immediately after oil was discovered in the 1970s, the state established a "Permanent Fund" (comparable to Norway's Future Generations Fund and other sovereign wealth funds) designed to provide a sustainable source of investment revenue that will last until long after the oil is gone. The Permanent Fund presently totals $40 billion, having grown from an initial investment of $734,000 in 1977.

Since 1982, a portion of the earnings from the Permanent Fund has been distributed directly to Alaska residents in the form of a personal check, known as the Permanent Fund Dividend (PFD). As the editors point out in the introductory chapter to their earlier book,[9] the purpose of the PFD is twofold: first, to ensure that every Alaskan benefits directly from the exploitation of resources that are considered to be owned in common; and second, to supply every Alaskan with a partial basic income guarantee designed to stimulate local economies and help remediate poverty and social inequality. Over the past decade the PFD has averaged around $1,500 per person per year, and it accounts for an average of 6 percent of annual income per household—a proportion high enough that households come to rely on this income for their yearly budgets.[10]

In addition to these benefits, economists Todd Moss and Lauren Young have argued that the PFD has been instrumental in helping Alaska forestall the resource curse—to which it would otherwise be extremely vulnerable given that the state relies on petroleum for over 80 percent of its revenue—by generating a powerful social contract between citizens and the state.[11] They assert that the direct distribution of oil revenues "was designed explicitly to manufacture citizen oversight" over the oil industry, and has produced "an influential constituency with an interest in responsible resource management and the means to hold government accountable."[12] Since residents rely on the PFD to supplement their livelihoods, they tend to vote in a manner that supports careful and responsible resource management.[13] No politician can get away with mismanaging revenues or siphoning the Permanent Fund for special interests without voters immediately recognizing foul play and responding accordingly.

This strategy could be usefully implemented in South Sudan, which is beginning its existence with an absolute absence of social contract and no history of democratic accountability: the most direct predictors of the resource curse. This puts the state in an extremely precarious position, for, according to Moss and Young, policy intervention to avoid the resource curse has only worked "in countries where there is not only a mechanism for holding government actors accountable, but also a politically powerful group that has a strong interest in continued sound management."[14] In other words, no progressive policy measures (such as those presently being promoted in Juba by Oxfam, the International Monetary Fund, the World Bank, and Norway's Oil for Development program) will succeed in forestalling the resource curse unless this fundamental problem is dealt with first.

This approach could also help transform the way South Sudanese think about common resources. Until now, Sudan's model of resource management has been extremely exploitative. For one, oil companies enjoy total tax exemption, meaning that they get to take the country's crude oil for free (though they give part of it back to the government in accordance with "production sharing agreements"). In addition, they are allowed to use water as liberally as they like (the oil industry is extremely water-intensive), depleting the aquifers on which surrounding communities rely for subsistence. Finally, and most drastically, they have been given tacit permission to forcibly displace the residents of oil concession lands by burning or bombing villages in order to ensure that their operations remain undisturbed. Companies such as China's CNPC[15] have either supplied their own private mercenaries for this task or requested military assistance from Khartoum.[16] In sum, following the basest dictates of neoliberal policy, the government has essentially given away the commons—oil, water, and land—for multinational corporations to exploit at will, without any return to the citizens to whom those commons belong.

Direct distribution of resource revenues in South Sudan may provide a solution to these problems by creating a constituency that will demand responsible resource management and by creating a sense of ownership over resource wealth—in other words, by constituting a concept of the commons. South Sudan's reserves are presently estimated at 5 billion barrels. Assuming today's rates of extraction (137 million barrels per year), these reserves can be expected to last about 36 years.[17] Because production rates will fluctuate over time, it is difficult to predict how much revenue this will generate on an annual basis. But given current projections at today's prices, the prevailing structure of production sharing agreements (by which the government claims around 70 percent of oil produced), and assuming the end of the 50/50 sharing deal,[18] South Sudan can expect as much as $4 billion (in absolute dollars) per year in oil export revenues in the near term. All of the figures represented in this chapter have been calculated in absolute dollars. I cannot accurately calculate Purchasing Power Parity (PPP) because no reliable figures exist yet for South Sudan, but we can assume that dollars will have a great deal more purchasing power there than they do in the United States. The figure of $4 billion represents a windfall of $2 billion per year over the original $2 billion per year that was allocated to South Sudan before independence. Over the past five years, the entirety of the original amount has gone directly into the state budget. This practice will need to continue until other sectors of the economy begin to generate revenue. The rest of it should be strategically allocated toward the goals of reducing poverty, diversifying the economy, and addressing key development priorities.

I recommend that 25 percent of total annual petroleum revenues—calculated over a four-year average to smooth out price fluctuations—should go into an Alaska-style Permanent Fund to provide a sustainable investment base for the post-petroleum era.[19] That would amount to a $1 billion investment each year. At this rate of savings, after 36 years the principal could be around $60 billion, assuming an interest rate of about 4 percent. Then, I would suggest that 15 percent of total revenues should be distributed as direct cash payments to individual citizens (only adults, in order to avoid incentivizing higher birth rates). Given a population of about 4.2 million adults,[20] an annual disbursement of $600 million would translate into about $145 per adult per year or around 25 percent of average household income.[21] Not only would this provide well above the proportion of average income that has created such an interested constituency in Alaska, it would also stimulate local economies (particularly rural ones) and provide a partial basic income guarantee that would dramatically reduce poverty by ensuring a baseline level of welfare. At some point, as the economy diversifies and costs of living increase, the size of the personal dividend could be augmented with some or all of the interest from the Permanent Fund.

To further improve the social contract and promote the development of a responsive and accountable government, I recommend that an additional $400 million of the oil revenues be added to the direct dividend, so that the total payout can be taxed as personal income at the rate of 40 percent. Circulating revenues in this manner would increase income tax receipts from their present level of 1 percent to over 17 percent of the existing $2.3 billion budget while still ensuring that each adult keeps $145 per year in direct distribution after taxes. The goal should be to eventually get tax receipts to constitute about 20 percent of the total budget, which is the proportion that economists consider necessary in order to avoid the rentier trap. This would force GOSS to justify its taxes by using them to provide responsive public services such as health care, education, and so on, thereby harnessing oil revenues to create and fortify a robust social contract.[22]

Direct distribution will only work if it is implemented in a manner that protects against fraud and effectively reaches all citizens. This could prove difficult in South Sudan, where the population is rural, far-flung, and largely illiterate, and the banking infrastructure is not well-developed for personal transactions. One way of getting around these limitations would be to distribute cash payments through the mobile phone network and the airtime vendors that operate out of most rural outposts, a practice rapidly gaining currency in other parts of the continent. Another method might be to distribute cash through existing institutions that people visit on a regular basis, such as public schools; indeed, linking regular cash disbursements to children's school attendance might generate the much-needed auxiliary effect of improving educational outcomes—a crucial precondition for an effective social contract. To protect against fraud in the process of distribution, the state could use a system of biometric IDs (as Ghana has done), which would mitigate the problem of illiteracy, facilitate other personal financial transactions, and perhaps even streamline voting procedures.

Potential Pitfalls of Direct Distribution

The idea of direct distribution has its critics, to be sure, even among longtime Alaskans. The most frequent objections usually hinge on the fact that the money from the PFD does not circulate through the local economy; much of it ends up getting used on vacations abroad, on shopping trips to Seattle, on cars and other imports, and to pay for out-of-state college tuition. In South Sudan, however, any amount of direct distribution would be too small for this to become a serious problem, and recipients (being mostly impoverished) would almost certainly spend it on local commodities such as food. Rather, the concern is that spending too much on direct distribution would mean channeling money toward elementary consumption rather than toward the infrastructural and social development necessary for the economy to succeed and diversify in its early stages of consolidation.

In his last book, *Crisis of the Commons: The Alaska Solution*, former Alaska governor Walter Hickel spelled out his opposition to the personal dividend and argued instead for what he called a "community dividend," by which earnings from the Permanent Fund would be distributed to each resident's local government and be set aside for priority development sectors such as schools, ports, hospitals, and so on.[23] This approach received enthusiastic support from the Alaska Municipal League, representing the state's mayors and city councilors, who continue to lobby for it to this day. But most voters rejected the idea, having come, by that time, to expect the supplementary income that the PFD provides. Juneau politicians also resisted the concept of the community dividend on the grounds that it would reduce the power of the budget earmarks that get them reelected by local constituents grateful for the pork they bring home.

Governor Hickel's objections to the PFD illustrate a concern that many progressive scholars have regarding the concept of the basic income guarantee in general, namely, that while appearing to participate in the logic of social welfare, it often inadvertently draws on and reproduces some of the most problematic tenets of neoliberal ideology. The debate over a proposed basic income guarantee (BIG) in South Africa illustrates this paradox nicely.[24] The initial proposal was for direct payment of about $16 per person per month, to be paid to all South Africans regardless of their social position. As anthropologist James Ferguson has pointed out, the justifications for this measure drew on traditional welfare-state arguments, including "themes of social solidarity and moral obligation; the advantages of social cohesion and the dangers of class war; Keynesian arguments about stimulating demand; and labor-rights arguments about giving workers the security to say no to dangerous and demeaning work."[25]

Ironically enough, however, many policy makers in South Africa use the logic of BIG to leverage a utopia of small states and untrammeled markets, recasting the idea of social spending as "investment in human capital." Instead of advocating for social safety nets and a robust welfare infrastructure, supporters of the BIG[26] want to decentralize social assistance—bypassing the "nanny state"—by giving cash directly to individuals with the expectation that they will rationally invest it in private forms of nutrition, education, housing, and health care in a manner that will make them more productive. In addition, BIG advocates believe that existing social safety nets breed dependency and disincentivize productivity among poor people; they hold that the BIG, by contrast, will encourage poor individuals to act as entrepreneurs, take risks, generate profitable returns, become self-reliant, and ideally produce "development" from below. As Ferguson puts it, in this discourse "the poor individual is explicitly conceptualized as a microenterprise";[27] providing basic income security for all becomes a method for producing neoliberal subjects. This lines up with Foucauldian analyses that read neoliberalism as a form of government that operates via market "freedom" rather than state control.[28]

There are, of course, many compelling reasons to promote the basic income guarantee from a progressive standpoint. For one, such guarantees validate the agency of the poor and get around the moralizing nature of welfare bureaucracies, which tend to police conduct and determine eligibility by applying the stigmatizing label of "disability." Also, under the current welfare system in South Africa many poor households do not receive state support because they are not "lucky" enough to have grant-eligible children, elderly, or disabled members. The BIG concept, by contrast, would prevent such households from falling through the cracks. Furthermore, it bears pointing out that the BIG proposal resonates with recent demands from labor unions—including COSATU (Congress of South African Trade Unions)—as well as calls from "autonomists" of the academic left who radically question state power. Hardt and Negri, to cite the most famous example of the latter, have called for "a social wage and a guaranteed income for all" that does not depend on Fordist-style formal employment with its associated exclusions of gender, race, and age.[29] For them, this demand is central to popular progressive politics in a post-Fordist economic context of "biopolitical production" and "immaterial labor."

Still, the problem with the BIG system is that it does not, in and of itself, protect citizens against the hazards and failures of the market. Indeed, in the libertarian version promoted by conservative thinkers such as Charles Murray, the BIG is supposed to shift the responsibility for providing social protections from the state to private individuals—a move that bears clear connections to the neoliberal ideology of, say, Friedman, Thatcher, and Reagan. Another problem is that the BIG concept abandons the idea—central to social democracy—that the state should ensure that all citizens have access to formal employment as a fundamental right. As Ferguson has put it, instead of correcting for employment deficits and helping people acquire full-time jobs, the BIG vision of social assistance "reconfigures the condition of unemployment not as a hazard, but as the normal condition."[30] In this discourse, the informal sector is not a problem to be overcome but an opportunity to be enhanced, expanded, and incorporated. In South Africa, for instance, BIG advocates celebrate the informal sector as a space of creativity, flexibility, and dynamic growth, and they seek to leverage unemployment as a generator of micro-entrepreneurial productivity instead of battling it as a symptom of structural violence.[31]

Along with the contributors to this book, I support the progressive possibilities of the basic income guarantee. But I would caution against using a BIG in place of other forms of government intervention in the context of South Sudan, whose economy is decidedly not post-Fordist in the manner that Hardt and Negri assume. Some scholars concerned about the resource curse in Africa—such as Moss and Young[32]—want to see 100 percent of oil revenues disbursed through direct distribution in order to maximize the social contract. By contrast, I would argue that a basic income guarantee should be implemented along with conventional social-democratic policies, which should be funded with a proportion of oil revenues.

This approach would prevent a number of calamitous outcomes. For one, a rapid injection of cash into a context of extreme poverty could radically inflate the cost of food and water, and encourage the formation of monopolies around basic resources. Second, too much cash circulating through a society in a state of war would inevitably fund arms purchases and encourage military factions to hijack people's income grants for their war chests. Third, without concerted focus on infrastructural development—particularly surrounding the oil industry—the state could find itself overly dependent on foreign investment and forced to cede control of its resources to multinational corporations. Finally, too much direct distribution would constitute an unsustainable use of nonrenewable resources and leave the state without an economy at the end of the oil era.

Improving on the Alaska Model

There are a number of measures that the GOSS could implement to tailor the Alaska model to the country's particular needs. To begin with, in order to prevent government corruption, all of the oil revenues that the state receives should go immediately into an independently audited escrow account rather than into the state treasury, with audits available to the public on a quarterly basis. After allocations to the Permanent Fund and the personal dividend, 5 percent of total revenues should go to the local governments of the oil-producing regions, to be used in part to compensate people who are negatively affected by the industry's operations and to augment their basic income guarantee. This strategy has recently been adopted in Nigeria to a great deal of international acclaim.

The remaining 35 percent of total revenues—or $1.4 billion—should go back to the GOSS budget, and it should be reserved for "priority sectors" such as education, health, and infrastructure in a manner that approximates Governor Hickel's concept of the "community dividend." These funds should be allocated according to a democratic oversight committee composed of representatives from civil society, trade unions, and the government in order to fortify against misuse. One immediate objective should be to follow the example of Cuba by eliminating illiteracy within two or three years.

Ten percent of revenues should be designated specifically for economic diversification and to fund import substitution and infant-industry protection.[33] Using oil money to subsidize more sustainable sectors such as manufacturing and small-scale agriculture would prevent the Dutch Disease, create widespread local employment (which the oil industry does not), and wean the state away from its dependence on rents to rely instead on taxes paid by a growing middle class. This would help fortify a social contract and provide the basis for a viable economy in the post-petroleum era. The remaining 10 percent should be freed up for discretionary spending. Ideally, these allocation ratios should be enshrined in the constitution in order to prevent executive changes (see table 8.1).

Table 8.1 Summary of proposed petroleum export revenue allocations

Permanent fund	25%	$1,000 million
Direct distribution	15%	$600 million
Compensation	5%	$200 million
Priority sectors	35%	$1,400 million
Diversification	10%	$400 million
Discretionary spending	10%	$400 million
Total	100%	$4,000 million

Some of these principles have been experimentally applied in other countries. Sao Tome and Principe recently passed the "Oil Revenue Management Law"—designed with the help of economists from Columbia University—to establish a Future Generations Fund and channel oil revenues for development and poverty reduction. By using oil revenues for economic diversification, Indonesia has raised its manufacturing sector from 1.2 percent of total exports to 54.4 percent.[34] In 1998, Chad passed "Law 001"—under an agreement with the World Bank—which established an independently audited escrow account for oil revenues, created an oversight committee, and reserved oil revenues for specific priority sectors. Unfortunately, Law 001 failed not long after it was implemented: legal loopholes, vague definitions, and an underequipped monitoring staff allowed the state to dissolve the development fund and siphon oil wealth for other purposes.[35] With a nuanced understanding of Chad's failures in mind, South Sudan could design legislation that would prevent a similar fate. One step might be to use language from Alaska's constitution to require that natural resources be used for "the maximum benefit of the people" and only according to principles of sustainability. Such provisions would arm citizens with powerful leverage to ensure that the country's common wealth benefits all.

In addition to these measures, South Sudan could improve the cost-benefit ratio of extraction in a number of ways. On the regulatory side: (1) Local content rules should require that all foreign investors in the oil industry tier up over a set period to at least 80 percent local contracts and labor, and should require investment in local capacity where it proves too poor to meet the necessary standards by developing infrastructure and training/educating local workers. (2) All workers should have access to union representation (to prevent casualization and other forms of exploitation), and should be paid at least a living wage, calculated by region according to the costs of basic necessities. (3) Environmental regulations on extractive industries should be raised to meet the highest international standards; both foreign and national oil companies should pay into an escrow account to cover the costs of future spills, and all pollution and environmental damage should be heavily taxed, with the proceeds returned to everyone as part of the personal dividend.

On the revenue side: (1) Following Norway, the government could retain an Ethics Adviser for the proposed Permanent Fund in order to ensure that its investments meet conscientious environmental and labor standards and promote local growth wherever possible. (2) The government should charge concession royalties and tax oil company profits at more than the shocking 0 percent rate that is presently in effect, beginning with Norway's 78 percent tax and adjusting downward to account for underdeveloped infrastructure and geopolitical risk to investors. This resource tax should be thought of as a fee for the private use of common resources. Bolivia used this approach to revise its tax code on extractive industries and managed to raise its oil revenues from $448 million in 2004 to $1.53 billion in 2006.[36] (3) The state should enhance transparency frameworks by implementing strong Freedom of Information laws, disclosing all public contracts and promoting active public monitoring of the fund account and budgeting process.

Of course, in order for South Sudan to reap the benefits of oil production, the country must actually receive the revenues that are owed to it in the first place. A new study by Global Financial Integrity shows that commercial tax evasion and commodity mispricing accounts for up to 65 percent of illicit capital flight from Africa, compared to only 3 percent through domestic corruption.[37] Since 1970—the beginning of the era of neoliberal market deregulation—as much as $1.17 trillion has disappeared from the continent through tax evasion and mispricing alone. This trend is most conspicuous in the case of petroleum-exporting countries where foreign multinationals have a strong presence, with Nigeria and Angola topping the list. In Sudan, about $11 billion disappeared between 1970 and 2004. Implementing the Extractive Industries Transparency Initiative (EITI++)[38] would be a good first step toward solving this problem, as it requires regular publication and independent audit of all financial exchanges between oil companies and governments. But the EITI cannot prevent mispricing, and it also cannot expose the common practice whereby companies launder money internally in order to report lower taxable profits. To plug these holes, South Sudan would have to solicit the services of dedicated international watchdogs such as the Tax Justice Network.[39]

On "Development"

This approach to resource commons rejects the neoliberal consensus that poor countries should compete to attract foreign direct investment by eliminating tax codes, eviscerating regulatory mechanisms, and giving resources and pollution rights to corporations for free. Economic history demonstrates that plunder on this order never advances the development of poor countries in any meaningful way. The proposals I have outlined above suggest an alternative model of development that helps resolve this contradiction by instating solid democratic controls over resource commons. This creates a way for poor countries to extricate themselves from exploitative economic relationships with rich countries and multinational corporations by asserting greater control over the processes and profits of extraction and by funneling resource wealth inward rather than allowing it to be siphoned outward.[40] As the Alaskan experience has made clear, there can be no legitimate excuse for high poverty rates with this sort of system in place.

But in the case of nonrenewable resources such as oil, even the most carefully regulated forms of extraction are not ideal. Indeed, South Sudan's oil-based economy represents something of a Faustian bargain: they will gain a little bit of quick oil wealth, yes, but only in exchange for adding 1.8 billion tons of carbon dioxide to the atmosphere and causing widespread ecological damage. To put this in perspective, it bears pointing out that the country's entire petroleum endowment will satisfy global demand for less than 60 days—a mere two months—at current rates of consumption. There is something fundamentally irrational and myopic about this bargain, especially given that, bordering the Sahara desert, South Sudan is disproportionately vulnerable to the risks associated with climate change.[41] Rapid desertification has already forced mass migrations in the west of the country over the past few decades, which has led to starvation, violence, and considerable social upheaval.[42]

Now is the time to begin seeking meaningful alternatives to fossil fuels and extractive capitalism, rather than perpetuating the status quo. Ideally, the ultimate goal of the petroleum revenue structure that I have suggested above should be to eventually phase out the petroleum industry altogether, transmuting oil wealth as quickly as possible into the basis of a more sustainable and environmentally friendly economy. Alternatively, another option that South Sudan should consider is to follow the example of Ecuador's Yasuni-ITT[43] initiative, whereby Ecuador promises to keep its oil in the soil and thereby protect its rainforests in exchange for 50 percent of the income—in the form of donations from around the world—that the state will forgo as a result. South Sudan could accomplish this by trading on the high levels of global sympathy attached to its status as the world's newest—and poorest—country. Given the costs associated with the resource curse and climate change, this option would work out to be significantly better for the country's economy.

Conclusion

South Sudan's recent political independence marks a momentous occasion, but it will ultimately amount to very little if the nation follows

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Nigeria, Angola, and other petroleum-exporting African states and succumbs to the resource curse. True independence for the people of South Sudan depends on informed, democratic management of the nation's common natural resources toward carefully formulated, collectively ratified goals. Franz Fanon, one of Africa's greatest voices in the national independence movement, captured this sentiment nicely when he noted that "for a colonized people the most essential value, because the most concrete, is first and foremost the land: the land which will bring them bread and, above all, dignity."[44] In the context of European colonialism, Fanon understood the importance of the commons for guaranteeing the well-being of the people.

This chapter has offered some concrete proposals for what Fanon's vision might look like in the case of South Sudan, extending the idea of the commons to encompass not only the land but also all other natural resources, the environment, and human labor. I have argued that South Sudan should follow the Alaska model by investing its petroleum revenue windfall in a Permanent Fund that will establish a basis for economic security in the long term, and by distributing a portion of revenues in the form of direct dividends to all adults on the basis that every citizen has an equal right to the nation's resource endowment. Direct distribution of $145 per person per year would not only provide a partial basic income guarantee that would rapidly cut poverty rates but would also help manufacture a solid social contract and build a broad constituency that will keep the state accountable. This figure could be significantly augmented over time with revenues gained by eliminating mispricing, with interest from the Permanent Fund, with higher resource tax rates, and with revenues from taxes on pollution and other forms of damage to the environment. Recovering revenue currently lost to mispricing could add $35 to the annual dividend that I have proposed.

I should pause here to point out that the numbers and proportions I have suggested above are exactly that—suggestions. It would be entirely possible, for example, to make the dividend larger by shifting revenues from priority sectors. The numbers I have chosen reflect an attempt to balance a relatively small revenue windfall (given the size of the population) among the competing concerns that extremely underdeveloped economies like South Sudan have to address. I should also point out that the proportion of revenues earmarked for the dividend does not have to remain constant; it may be advisable to begin with larger dividends to boost people out of desperate poverty, and then gradually wind down in order to focus on economic diversification and development priorities.

The editors of this book have argued that by implementing the dividend concept and a partial basic income guarantee, communities can assert ownership of the commons and prevent companies from thinking that they are free to take—and dump waste into—resources that appear to be unowned, such as subsurface minerals, forests, water, fisheries, and the atmosphere. As collective owners of the commons, communities should demand compensation for the use and exploitation of their environment as a basic cost of doing business. If this policy is to be put in place in South Sudan, it must happen very soon. During my visit to Juba in 2010, a number of political leaders confided in me that the government was overwhelmed with oil industry lobbyists—mostly from China—and Western organizations such as USAID jockeying for influence over concession redistribution and petroleum-related legislation, which has not yet been drafted. If South Sudan does not act decisively in defense of the commons now, it may never be able to change course.

Notes

1. According to the New Sudan Centre for Statistics and Evaluation 2004.
2. Auty 1993; Sachs and Warner 1995; Gelb 1988; Collier and Hoeffler 2000.
3. Gaille 2011; Meredith 2005.
4. Ghazvinian 2008.
5. The Dutch Disease was first theorized by Corden and Neary 1982.
6. Karl 1997; Ross 2001.
7. Itriago 2009.
8. Collier and Hoeffler 2000.
9. Widerquist and Howard 2012a.
10. Goldsmith 2002b.
11. Moss and Young 2009. See Moore 1966 for a treatment of the “social contract” concept.
12. Moss and Young 2009, 1.
13. See Goldsmith 2002b.
14. Moss and Young 2009, 8.
15. China National Petroleum Corporation.
16. Fatal Transactions 2008.
17. These figures will change significantly over time, of course, as (a) additional reserves are discovered; (b) production rates improve as the region returns to a politically stable state; and (c) production rates then gradually decline in the long term as the available oil becomes increasingly difficult to extract. It is important to note that South Sudan’s oil production environment is changing very very quickly.

Since oil came on line in 1999, speculation and production figures have fluctuated a great deal. The figures I use in this chapter are contemporary estimates, but it could look quite different in as little as five years.

18. Many of South Sudan's leaders have argued for the outright abolition of the sharing deal, but more realistic analysts suggest that something on the order of a 20/80 or 30/70 North/South sharing deal would be more reasonable, given that the South will probably need to rely on the North's infrastructure in the near term. Given this uncertainty, the revenue figures that I use here should be treated as estimates.
19. The 2005 Comprehensive Peace Agreement provided for payments of an unspecified amount into a Future Generation's Fund, but only once production levels reach 2 million barrels per day.
20. These figures follow the results of the 2008 census. Adults (above 17 years of age) constitute about half the total population of 8.3 million. Some analysts suggest that this number may reach as high as 9 million.
21. No data exists for average incomes in South Sudan. For the sake of simplicity, I'm assuming $365 per person per year, on average, given that the New Sudan Centre for Statistics and Evaluation indicates that 90 percent of the population lives on less than $1/day. The 10 percent figure, then, is a very low-end estimate; it could reach as high as 50 percent or more in the case of impoverished rural families.
22. See Ross 2004.
23. Chapter 10 in Hickel 2002.
24. Department of Social Development 2002.
25. Ferguson 2007, 80.
26. See Tilton 2005; De Soto 2000.
27. Ferguson 2007, 80.
28. Rose 1999 and Cruikshank 1999; both cited in Ferguson 2007.
29. Hardt and Negri 2000.
30. Ferguson 2007, 82.
31. See Bourdieu 1998 on the structural violence of unemployment.
32. For example, Moss and Young 2009.
33. Following Chang 2003.
34. Itriago 2009.
35. See Chapter 6 in Ghazvinian 2008 for an explanation of why Chad's Law 001 failed.
36. Itriago 2009.
37. Kar and Cartwright-Smith 2010.
38. The EITI++ requires transparency not only for receipts but for licensing (backwards) and expenditures (forwards) as well.
39. Tax Justice Network 2006.
40. This notion builds on the insights of dependency theorists such as Rodney 1974; Wallerstein 1989; Frank 1967; and Isbister 2006.

41. Ideally, developed countries should shoulder the burden of the shift to a nonfossil-fuel-based economy, and allow poor countries a longer transition period so that they do not remain stuck in poverty as the price of environmental sustainability. The World Bank estimates that the cost of climate change to Africa and India—as a proportion of GDP—is about 4 to 5 times greater than that to the world as a whole, as their agricultural sectors are significantly more vulnerable. The Climate Justice Movement refers to this imbalance as "ecological debt," and calls for reparations to be paid to developing countries for the adverse effects of climate change.
42. Mamdani 2009 discusses how desertification has contributed to the long-standing conflict in Darfur.
43. Ishpingo-Tambococha-Tiputini.
44. Fanon 2004, 9.