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**Session 7B: Is There a Right to a Basic Income?**  
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**DOES EVERYONE HAVE THE RIGHT TO A BASIC INCOME GUARANTEE?**

**By Allan Sheahen**

**Abstract**

Today, we take for granted rights which took decades of hard fighting to obtain: the right to free speech; the right to religious freedom; the right to vote; the right to free public education. Most western nations even provide the right to free health care.

But what about the right to a basic income? Is it a pipe dream? Is it politically possible? Is it right?

The idea is not new. It's as old as history, itself. The Bible, the French Constitution, the United Nations, and dozens of other commissions, scholars, and economists support the concept of a basic income.

There is a moral obligation to provide every man, woman and child with a decent level of living. A person's right to be – the right to simple existence – is not something for others to grant or withhold as an economic carrot, or to give as a gift. It's a universal right.

If men and women are inherently irresponsible bums, the basic income guarantee is the most stupid idea anyone has come up with. But if we believe that humans can become responsible, then a basic income guarantee is the only thing that will lead us into a freer society.

## CONTENTS

|   |    |
|---|----|
| <i>The War on Poverty</i> .....   | 3  |
| <i>What can we do?</i> .....  | 5  |
| <i>A bold new initiative</i> .....  | 7  |
| <i>The myth of “welfare-to-work”</i> .....  | 8  |
| <i>What are the advantages of a basic income guarantee?</i> .....   | 9  |
| <i>Is a basic income guarantee a new idea?</i> .....  | 11 |
| <i>Why would anyone work if their income was guaranteed?</i> .....  | 13 |
| <i>Why not guarantee everyone a job by making the government the employer of last resort?</i>   | 15 |
| <i>If society provides the right to an income, doesn't it also have the right to demand responsibility from those who receive it?</i> ..... | 15 |
| <i>What about those who choose not to fulfill their moral responsibility?</i> .....   | 16 |
| <i>Why should productive people contribute to non-productive people?</i> .....  | 16 |
| <i>Has the basic income guarantee ever been tested?</i> .....   | 17 |
| <i>How can we implement a basic income guarantee?</i> .....   | 18 |
| <i>Would a basic income guarantee cost too much?</i> .....  | 19 |
| <i>What is the future of BIG?</i> .....   | 20 |

## 1. The War on Poverty

In 1964, President Lyndon Johnson declared a War on Poverty in America. He said we have a “moral responsibility” to end poverty, “because it is right, because it is wise, and because, for the first time in history, it is possible to conquer poverty...”

Forty years later, that war has yet to be won.

The latest 2002 government figures show 34.6 million Americans – 13 million children and 21 million adults – still live below the poverty level. That’s 12.1 percent of the population, up from 11.7 percent in 2001. It’s 1.7 million more than in 2001, according to the U.S. Census Bureau.

In a survey of 50,000 households, the Bureau estimated that 3.8 million families were hungry in 2002 to the point where someone in the household skipped meals because they couldn’t afford them. That’s an 8.6 percent increase from 2001, and a 13 percent increase from 2000.

One child in six lives in poverty in America, compared with one in 12 in France and one in 38 in Sweden. Requests for food assistance and emergency shelter are up 19%, according to a 2002 survey by the U.S. Conference of Mayors. Our mailboxes are daily stuffed with appeals for the needy.

The minimum wage used to bring a family of three with one full-time worker above the poverty line. Now, at \$5.15 per hour, it doesn’t bring a full-time worker with one child above the poverty line. ( $\$5.15 \times 40 \text{ hrs./week} \times 52 \text{ weeks} = \$10,712$ . The poverty line is \$9039 for a single person; \$11,940 for a family of two; \$15,200 for three; \$18,100 for four.)

The real value of the minimum wage is down 27% since 1968.

Half the children in low-income urban areas live in a household that doesn’t have a car; 84 percent live in households without a computer; 20 percent of inner-city families don’t have a telephone.

Thousands of our fellow Americans are homeless or are living in wretched conditions. 12 million Americans have been homeless at some point in their lives.

Politicians barely even talk about the poor and the homeless. After all, poor people don't vote.

President Bush is encouraging faith-based organizations to come to the rescue.

The problem is that all the private charities can't end hunger and poverty. In 2002, the total of all private giving to combat poverty was equal only to 11 percent of government contributions.

Ending poverty demands government programs, such as Social Security, unemployment insurance, Medicare, welfare, food stamps, Head Start, child care and more.

In 1996, President Clinton signed a welfare reform bill which replaced the 60-year-old federal welfare program known as Aid to Families With Dependent Children – AFDC.

The new law created a welfare program called Temporary Assistance to Needy Families. Under the new TANF law, the federal government gives a block grant to each state. It imposes a five-year lifetime maximum for welfare assistance.

The new law was sold to us as a way to get people off welfare, and it did. Welfare rolls in the United States are down more than 50 percent.

But it didn't reduce poverty.

That's because welfare reform dumped many recipients into low-paying jobs – with no benefits or ability to move up. The 10-year booming economy helped to reduce poverty slightly from 1996, but poverty rates in 2002 were still higher than in 1980.

Many low-wage workers are without jobs, and many more Americans are in fear of losing their jobs. At the end of 2003, the unemployment rate was 5.7 percent. States face deficits of \$63 billion and are cutting back on social programs. Private charitable donations are down.

Most Americans are six months from poverty. Middle-class people who worked all their lives, then lost their jobs and saw their unemployment benefits expire, are living out of their cars and under bridges.

America hasn't seen full employment in decades. Even a full-time job at the minimum wage can't lift a family of two from poverty. And millions of Americans – children, the aged, the disabled – are unable to work.

The concentration of wealth and income in the United States today is not only greater than at any time since the 1920s, but is far greater than in any other major country on earth. While the middle class continues to shrink, the wealthiest one percent of the population owns more wealth than the bottom 95 percent. The wealthiest one percent of Americans owns nearly 40 percent of our nation's assets; the wealthiest 10 percent owns over 70 percent. The bottom 40 percent owns only 0.2 percent.

The 13,000 wealthiest families in this country earn more income than the bottom 20 million families. The CEOs of large corporations earn over 500 times what their average worker makes. The net worth of Bill Gates is equal to the net worth of the poorest 120 million Americans.

Bankruptcies have nearly doubled in the past decade, including more than 1.6 million people who filed for personal bankruptcy in fiscal 2003, according to the Administrative Office of the U.S. Courts.

In the U.S., all taxes – federal, state and local – were 26.3 percent of the Gross Domestic Product in 2002. In 1999, Canada collected 38.2 percent of its GDP in taxes. France collected 45.8 percent, and Sweden, 52.2 percent.

There's a myth that with some new skills and some education, maybe low-wage workers can lift themselves up into the middle class. Or maybe their children could.

Well, maybe, if they're lucky. But the record of upward mobility in the United States is not anywhere as good as a lot of people would like to think. Most people stay roughly in the income category they were born into, that their parents occupied. And if people do move, they move a notch. They don't move four or five notches up the ladder.

Our health care system is disintegrating. More than 43 million Americans lack any health insurance. More are underinsured with large deductibles, co-payments and premiums. While spending twice as much per capita on health care as any other country, the United States remains the only major country in the industrialized world which does not guarantee health care to all through a national health care system. Some Americans are missing meals and going without their medicine, while others are enjoying a surge in already breathtaking levels of wealth.

We have become two Americas – one for the rich, who can get whatever they want whenever they want it, and one for the rest of us.

Just when I think the Bush administration cannot go any further in its assaults on the least-advantaged Americans, it proposes to toughen welfare work requirements.

Of course, these “compassionate conservatives” added little or nothing for child care or job training to help these people find work.

Bush and the Republicans claim the 1996 welfare reform bill is a success because it cut the welfare rolls in half.

By that measurement, why don't we just kick everyone off welfare and drop the welfare rolls to zero, just like in Charles Dickens' 19<sup>th</sup>-century England? After all, Tiny Tim really didn't have it so bad.

The goal of welfare reform should be to reduce poverty, not just to reduce caseloads.

We have to get rid of the myth that “welfare-to-work” will solve the problems of poverty and

homelessness.

The truth is people have slipped through the safety net and are getting hurt. Except for matters of chance, they are people like us.

## **2. What Can We Do?**

So what can we do?

We can shrug, say the poor will always be with us and forget about it.

Or we can follow the example of Jesus Christ, who said, in Matthew, 25:35: “I was hungry and you gave me food. I was thirsty and you gave me drink. I was a stranger and you took me in.”

We can follow the example of Plato, who said: “Poverty is the mother of revolution and crime.”

We can follow the example of Pope Leo XIII, who said, in 1890: “Economic life cannot be left to a free competition of forces because competition, while justified and certainly useful if kept within certain limits, clearly cannot direct economic life...as this evil individualistic spirit has more than sufficiently demonstrated.”

Or we can follow the example of Article 25 of the Universal Declaration of Human Rights of the United Nations, approved in 1948, which states: “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing, medical care, and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age, or other lack of livelihood in circumstances beyond his control.”

The American Dream is not “I’ve got mine, you get yours.” We are all in this together.

There are things we can do now.

We should put poor people on the national agenda. Anyone who works full time should not be poor.

We should establish a domestic Marshall Plan to eradicate homelessness in America.

We should expand the Earned Income Tax Credit.

We should make the Head Start program available to all children who are eligible.

We should provide national health care to every man, woman, and child in America – Medicare for all.

We should create a national program of after-school care and community development centers.

We should spend more on public education.

We should increase subsidies for child care through the Child Development Block Grant.

We should create second-chance homes for pregnant teens that offer mothers a positive and supportive environment during pregnancy and their baby's first year.

We should provide affordable housing.

We should expand the definition of "work" to include getting an education or taking care of children. Why should flipping burgers at McDonald's be considered more important than raising one's children.

We should simplify the food-stamp application process. Only 57 percent of eligible families are getting good stamps. The complex, college-level forms are 25 pages long in some states.

We should stop the clock. If the current five-year maximum for a welfare recipient is upheld, millions of men, women and children will be thrown into the streets to try to survive on the limited resources of the soup kitchens. It could look like the Depression.

### **3. A Bold New Initiative**

But beyond this, I am today proposing a bold new initiative to end hunger and poverty in America.

The most practical way to end hunger and poverty in America is to adopt the recommendation of a 1969 Presidential Commission.

The chairmen of IBM, Westinghouse and Rand, former California Governor Pat Brown and 17 others unanimously agreed with conservative economist Milton Friedman that "we should replace the ragbag of welfare programs with a single, comprehensive program of income supplements in cash – a negative income tax. It would provide an assured minimum to all persons in need, regardless of the reasons for their need."

Today, we take for granted rights which took decades of hard fighting to achieve: the right to free speech; the right to religious freedom; the right to vote; the right to free public education. Most western nations even provide the right to free health care.

But what about the right to a basic minimum income?

I believe there is a moral obligation to provide every man, woman and child with a decent level of living. A person's right to be – the right to simple existence – is not something for others to grant or withhold as an economic carrot, or to give as a gift. It should be a universal right.

In the 18<sup>th</sup> century, we fought to win religious rights. In the 19<sup>th</sup> century, we struggled to secure political

rights. In the 20<sup>th</sup> century, we battled to gain social and workers' rights. I believe the 21<sup>st</sup> century can be the century we finally achieve economic rights.

The National Council of Churches has accepted the challenge of “making poverty in the 21<sup>st</sup> century as morally repugnant as slavery became in the 19<sup>th</sup> century.”

The principle I propose today is that everyone has the right to live.

Simply because one exists, one is entitled to certain inalienable human rights...life, liberty, and the pursuit of happiness.

To secure these rights, every U.S. citizen should be guaranteed a basic minimum income by the government...enough for food, shelter, and basic necessities.

Humans must be fed, must be clothed, must be housed, must be protected from cold, must have transport to and from their jobs, must be trained and educated, must be able to pay taxes that support the fabric of society, must have the means to secure adequate health care – in order to survive in today's world and, thus, to be moderately happy and content.

Everyone needs and should have the chance to secure those things without threat.

But for too many people in this country today, this is simply not the case. In fact, just the opposite is true. For in order to secure these very barest essentials of modern life, to keep body and soul, family and home, together, those needing jobs must toe the line to those who dispense the jobs.

#### **4. The Myth of “Welfare-to-Work”**

“Work” has been virtually everyone's solution to poverty for thousands of years. Every Democratic Presidential candidate talks about “jobs” being the answer to all our problems. But the United States has never had enough viable jobs for everyone able and willing to work.

As was predicted a half-century ago, electronics and computer technology have taken over much of the routine work that people used to do. Fewer people are needed to do the work to produce the necessary goods. Manufacturing jobs accounted for 22 percent of the U.S. total in 1970, but only 10 percent of all jobs today. It now takes only nine workers to produce what 10 did in March 2001. Wal-Mart increased its revenues in 2002 by 12 percent with the same number of employees. No industry is untouched. Even the nation's dairies are producing 25 percent more milk with 17 percent fewer cows than 20 years ago.

And millions of jobs are moving overseas. Levi Strauss just closed its last U.S. sewing plant. The company is shifting its production to China and other countries with cheaper production costs. In a global economy, jobs will continue to move to where they can be performed at the highest quality for the lowest cost.

And it's not just clothing and electronics being made by workers in India, China, and similar places. Now, office and professional jobs are being shipped out. IBM is moving 4700 white-collar, engineering and managerial jobs overseas. In the next 15 years, American employers will move about 3.3 million white-collar jobs and \$136 billion in wages abroad, according to Forrester Research.

The conditions that created jobs in the 20<sup>th</sup> century – mass production and the large organization – are disappearing. Technology enables us to automate the production line. The USA has gone from well-paying, manufacturing jobs to low-paying, service jobs.

The U.S. economy only added 1000 non-farm jobs in December. The unemployment rate dipped to 5.7%, but that was because more than 300,000 people dropped out of the labor force, according to the Department of Labor.

And it's not just the United States where jobs are disappearing. Economists at Alliance Capital Management in New York found that since 1995, more than 22 million factory jobs have vanished worldwide.

In fact, the United States has not even been the biggest loser. Between 1995 and 2002, we lost about 11 percent of our manufacturing jobs. But over the same period, the Japanese lost 16 percent of theirs.

And get this: many developing nations are losing factory jobs. During these same years, Brazil suffered a 20 percent decline. Even China saw a 15 percent drop.

What's going on?

In two words: higher productivity.

All over the world, factories are becoming more efficient. They've installed new equipment and are using new technology. Computer technology has been advancing steadily for the last 40 years, doubling speed and memory every 18 months. Each year, the computers are doing more and more of the work. And that means fewer jobs – everywhere.

There's no evidence to back up the claim that we can create jobs for everyone who wants one. To rely on jobs and economic growth does not work.

“Work” is not the answer to ending poverty. This has been the hardest concept for us to understand. It's the hardest concept to sell to citizens and policy makers. To end poverty and to achieve true economic freedom, we need to break the link between work and income.

## **5. What would be the advantages of a basic income guarantee?**

A basic income guarantee would provide economic security to everyone. It would be like an insurance

policy for you, me, Uncle Charlie, Aunt Jane. It would replace welfare, food stamps, Medicaid, unemployment insurance and even Social Security. It would give people the assurance that, no matter what happened, they wouldn't starve. Loss of a job, or sickness, or even death of a breadwinner, wouldn't drive a family into the poor house.

It would make us all breathe a little easier. We'd also be freer from social conformity if our economic circumstances couldn't be used to control us.

Much of what is wrong with America today is economic in nature. A person without enough money to live on is totally absorbed in his or her personal struggle and can't begin to live a normal, productive life.

A basic income guarantee would free us from the threat of starvation for the first time in history. It would revolutionize America – in a peaceful way.

A basic income guarantee would help to create a class of people who could move up in a mobile society. It would eliminate much of the hopelessness that now affects the millions who can't break out of the poverty cycle.

A basic income guarantee would stimulate the economy; create jobs and opportunity. If people can't buy the basic necessities of life, those goods and services aren't produced. This, in turn, deprives other workers of jobs, thus reducing *their* incomes and consumption.

A basic income guarantee would help to eliminate the present division of the population into two classes – those who pay and those who receive public funds.

A basic income guarantee would end the bureaucracy of the current welfare system. It would end the demoralizing situations under which some people – the administrators of the programs – run other people's lives. It would save enormous amounts of administrative costs.

A basic income guarantee would be an efficient and effective solution to poverty that retains individual freedom and work incentives while simplifying government social policy. No one would be destitute. Yet everyone would have the positive incentive to work.

Husbands wouldn't have to leave home anymore so their families could get welfare.

Adopting a basic income guarantee could get people to where the jobs are. People wouldn't have to fear the risk of trying new jobs, or moving to another area. It would be possible to think ahead; to plan.

People would have time to create, to think, to work in jobs that society needs but aren't profitable today – person-to-person services such as a homemaker for a sick person; visitors for invalids; working with youth, and so on.

A basic income guarantee would cut down on the migration of people to the cities. It would lessen the congestion and the pollution. Many people might well go back to the pleasures of small towns and

country life where money goes farther.

We should adopt a basic income because it would develop in a nation the spirit of community with one another. It would help bring a divided nation together. It would help people to trust one another.

A basic income guarantee would help cut crime. People wouldn't have to resort to stealing to obtain food for their families.

It would provide us with economic freedom to go with our political freedom.

A basic income guarantee would establish the principle that people have a right to live – regardless.

As Erich Fromm wrote in *The Psychological Aspects of a Guaranteed Income*:

“The most important reason for the acceptance of the concept of a guaranteed income is that it might drastically enhance the freedom of the individual. Until now in human history, man has been limited in his freedom to act by two factors: the use of force on the part of the rulers (essentially their capacity to kill the dissenters); and, more importantly, the threat of starvation against all who were unwilling to accept the conditions of work and social existence that were imposed on them.

“Whoever was unwilling to accept these conditions, even if there was no other force used against him, was confronted with the threat of starvation. The principle prevailing throughout most of human history in the past and present is: ‘He who does not work shall not eat.’ This threat forced man not only to act in accordance with what was demanded of him, but also to think and to feel in such a way that he would not even be tempted to act differently.

“A guaranteed income could, for the first time, free man from that threat. Nobody would have to accept conditions of work merely because he otherwise would be afraid of starving. A talented or ambitious man or woman could learn new skills to prepare himself for a different kind of occupation. People would learn to be no longer afraid, if they did not have to fear hunger. (This holds true, of course, only if there is also no political threat that inhibits man's free thought, speech and action.)

“Guaranteed income would not only establish freedom as a reality rather than a slogan, it would also establish a principle deeply rooted in Western religious and humanist tradition: man has the right to live, regardless. This right to live, to have food, shelter, medical care, education, etc., is an intrinsic human right that cannot be restricted by any condition, not even the one that he must be socially ‘useful.’”

So while a basic income would certainly help alleviate hunger and poverty, its main benefit may well be the freedom it would create for people to pursue their aspirations, refuse grueling work, and leave abusive relationships.

## **6. Is a basic income guarantee a new idea?**

No. The idea is as old as history, itself.

The Old Testament teaches about each person's responsibility for his brothers and sisters. Statements by Amos, Micah, Jeremiah, and Isaiah illustrate the Old Testament view.

The New Testament is rife with stories about the Good Samaritan and Jesus' view of the world.

Thomas Paine, a leader in the American revolution, proposed in "Agrarian Justice" in 1795 "to create in every nation, a national fund, to pay to every person, when arrived at the age of 21 years, the sum of 15 pounds sterling, to enable him or her to begin the world. And also, 10 pounds sterling per annum during life to every person over the age of 50 years, to enable them to live in old age without wretchedness, and go decently out of the world."

"I am indifferent to the character of the workman," Winston Churchill said, when proposing the first unemployment insurance legislation in Great Britain in 1911. "It is the duty of society to change the conditions in which he works. Should a workman lose his job through drunkenness, the state should nonetheless pay him his insurance. I do not like mixing up moralities and mathematics."

In 1918, Bertrand Russell said: "A certain small income, sufficient for necessities, should be secured for all, whether they work or not, and that a larger income...should be given to those who are willing to engage in some work which the community finds useful. On this basis we may build further."

In 1933, President Franklin Delano Roosevelt said: "True individual freedom cannot exist without economic security and independence."

The French Government has stated: "Man, from birth to death, has the right to be protected by the community. All of France's social legislation is dominated by the determination never again to place man in the position of begging."

The French Constitution spells it out: "Any individual who, because of his or her age, his or her physical or mental condition, or because of the economic situation, shall find himself or herself unable to work, shall have the right to obtain from the community the means of a decent existence."

In his 1962 book: "Capitalism and Freedom," U.S. economist Milton Friedman wrote: "We should replace the ragbag of specific welfare programs with a single comprehensive program of income supplements in cash – a negative income tax. It would provide an assured minimum to all persons in need, regardless of the reasons for their need."

In his 1967 book: "Where Do We Go From Here: Chaos or Community?" the Rev. Martin Luther King, Jr., came on board: "I am now convinced that the simplest solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income. A host of positive psychological changes inevitably will result from widespread economic security. The dignity of the individual will flourish when the decisions concerning his life are in his own hands, when he has the assurance that his income is stable and certain, and when he knows that he has the means to seek self-improvement."

In 1969, a Presidential Commission recommended, 22-0, that the United States adopt a guaranteed income for every needy American – with no work requirements. The National Council of Churches, by a vote of 107-1, agreed. So did economists James Tobin, John Kenneth Galbraith, and Paul Samuelson, the Kerner Commission, the California Democratic Council, the Republican Ripon Society, the 1972

Democratic Party Platform, and the 2000 Green Party platform.

In the late 20<sup>th</sup> century, we adopted the Earned Income Tax Credit (EITC), a form of negative income tax for those who work at low wages. This is sometimes called a “refundable” tax credit. Old-age pensions are now common in most industrialized nations.

Most people over age 65 get a basic income guarantee -- Social Security. The amount is based on employment history. The money is deposited monthly by the government to the accounts of eligible recipients -- rich and poor, alike -- with no work requirements.

In the state of Alaska, a form of basic income was adopted in 1980. It's called the “Alaska Permanent Fund,” which has now reached \$21 billion. The money comes from royalties from oil drilling on Alaska's North Slope. In 2003, the payout was \$1,107.56 per person, or \$4,430 for a family of four. Everyone who has lived in the state for at least one year gets the same amount. There are no work requirements.

Great Britain recently passed legislation to establish a trust fund worth at least \$400 for each British baby born after Sept. 1, 2002. The government will make smaller supplementary payments when the child turns 5, 11, and 16 years old. The account could be worth \$7000 when it matures on the child's 18<sup>th</sup> birthday. The idea is to help the 16 million Britons – out of 60 million – who have no savings at all – to join the middle class.

In the United States, a quarter of adults today can trace their family legacy of asset ownership to the Homestead Act that awarded land in the American West to those pioneers with the courage to settle it.

In 2002, a South African government task force strongly supported implementation of a basic income guarantee of 100 rand (about US\$10) a month for each man, woman and child age 7 to 65. The plan is promoted by a broad coalition of labor unions, churches, children's advocates, the elderly, women, and AIDS activists.

In December, 2002, a West Virginia court found that the state has a constitutional responsibility to assist the poor, but that this did not have to take the form of cash assistance.

In 2003, the Brazilian National Congress approved the Bill of Law, authored by Senator Eduardo Suplicy, and signed by President Luiz Ignacio Lula da Silva, that will create a basic income guarantee in Brazil. The bill will begin phasing-in a basic income in 2005 starting with the most needy. When fully implemented, the basic income will mean that all people, regardless of their origin, race, sex, age, social and economic status will have a monetary income enough to meet their basic needs. The bill calls for a subsistence level grant, but leaves it to the executive to determine the exact amount of the benefit, with due regard to the stage of development of the country and the budgetary capabilities. Brazil has become the first nation in history to grant the unconditional right of subsistence to all inhabitants.

There has been talk in high government circles in the U.S. and Iraq about providing each Iraqi citizen a basic income guarantee similar to the Alaska Permanent Fund. The idea is to divide the Iraqi oil royalties

equally. U.S. officials project that a properly functioning oil industry in Iraq will generate \$15 billion to \$20 billion a year, enough to give every Iraqi adult roughly \$1000, which is half the annual salary of a middle-class worker. No one suggests dispensing all of the money, but there have been proposals to dispense 25% or more. Leaders of the U.S. occupying force have reportedly endorsed the concept. The concept is also popular with some Kurdish politicians in the north and Shiite Muslim politicians in the south.

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Needless to say, many people think a Basic Income Guarantee is a dumb idea.

In my 1983 book: *Guaranteed Income: The Right to Economic Security*, I raised all the objections of the other side. I asked the toughest questions. And tried to answer them in a way the lay person could understand.

Listed below are among the strongest objections:

## **7. Why would anyone work if their income was guaranteed?**

First, to earn more than a bare subsistence living. The basic income guarantee would be set at a minimum level – enough for food, shelter, and basic necessities. If people chose not to work, they would also be choosing not to escape poverty.

Second, tests show that people want to work. We need work to feel useful to ourselves and society. We thrive on work. We want to be busy. We want to spend our life in a meaningful way. Most millionaires who don't have to work nevertheless spend their time working or in some meaningful way.

The lives of lottery winners remain much the same as before they hit the jackpot. In 1984, a study of 576 lottery winners in the United States was conducted by Dr. Roy Kaplan of the Florida Institute for Technology. The winners received amounts ranging from \$50,000 to \$2 million, to be paid over 20 years. The study showed no significant behavioral changes for the huge majority of winners. “Only 11 percent (49) of the winners quit their jobs during the first year after winning, out of a total of 446 winners who were employed at the time they won,” Kaplan concluded. Of winners who received less than \$10,000 a year, only five percent quit their jobs. Most who left their jobs did so to spend more time with their children; 44 went back to school to further their education; 59 made career changes.

We all have to take a break once in a while. We all need a vacation. But to spend our lives that way is boring. Retirement for many has been lonely and empty.

“After a while, golf is boring,” said Johnny Carson.

But others have found it possible for retirement to really enrich their lives. For them, it's opened up new horizons of creativity, service and freedom. To do volunteer work. To travel. To read, write, create.

And what is work? Just a job? Or anything that's productive? Is a volunteer at a hospital less productive than the same person on an assembly line? Is a mother caring for her children at home less productive than if she were flipping burgers at McDonald's? Is a man who paints a portrait of the sea for his own pleasure goofing off, but working if he sells the painting to someone else for money?

Work isn't just what we get paid for doing. It should include all meaningful activity.

And why must we always be doing something to prove our worth as human beings?

Shouldn't the basic conditions of human existence be secured before we talk about earning or deserving a living? The whole point of economics is to provide the material things we need to live a fulfilling life. Not the other way around.

"Our national objective," said Friedman, "should be to have the fewest possible jobs, that is to say, the least amount of work for the greatest amount of product."

The real striving in America today comes, not from the poor, but from those already inside the system, working to advance themselves socially and financially.

When Social Security was proposed, opponents said it would ruin our national thriftiness and responsibility. People, they said, should save their money for their old age. But only the top five percent of American wage-earners can put away enough savings to provide for their old age.

When Unemployment Insurance was started in Europe before World War I, it was ridiculed in the U.S. as a free handout to shiftless freeloaders; as a reward for being lazy. Why would a person ever go back to work? Thirty years and a crippling depression later, the United States adopted it for a handful of workers. Those workers and their families later became the most stable and productive in the nation.

## **8. Why not guarantee everyone a job by making the government the "employer of last resort?"**

This means the government would create a job for everyone who wants to work. Democratic Presidential candidate Dennis Kucinich has proposed this plan. On the surface, it seems like a good idea. But it won't work. It's even more complicated than guaranteeing a basic income. And more expensive. And virtually impossible.

On the plus side:

It provides income for those able to work.

It might be productive, like building roads, or public transit, or working on environmental problems.

It provides on-the-job training which might eventually be used in private enterprise.

It provides payment for work, not as a dole.

On the minus side:

It doesn't provide a wage for those unable to work.

A government would have to create an untold number of jobs. This isn't possible, let alone practical.

Even if it were possible, a government would become a vast, monstrous employer. It creates even bigger bureaucracies than the ones we're trying to get rid of.

It would cost more than providing a basic income guarantee to every citizen.

Once on a government payroll, it's doubtful workers would ever move into private enterprise jobs.

Many of the jobs created might be of the make-work variety. Digging a hole and filling it up. The destructive impact on morale of these programs is well known.

In every case, a lower governmental official would decide who was employable and who was not.

Making a government the "employer of last resort" is not the way to go. The answer is to provide a basic income guarantee to everyone. Then provide each person with the incentive to find work in the private sector of the economy.

### **9. If society provides the right to an income, doesn't it also have the right to demand responsibility from those who receive it?**

Yes, it does, and it should. But by incentives, not by force. Because incentives will work better than force. Each of us has a moral right to an income from society, but each of us, in turn, has a moral responsibility to that society – to contribute, to learn, to work, to give the best that we have.

In his 2001 book, *We the People*, Steven Shafarman proposes that each person, in exchange for a basic income, voluntarily perform eight hours of "Citizen Service" each month. "You could serve in many different ways, according to your schedule and interests," Shafarman suggests. "You might do recycling or environmental restoration; be active with a service organization or civic association; volunteer in a public hospital or drug-treatment facility; or participate on a community board, jury, panel or commission. Parents could assist in parent-teacher associations. Peer pressure would encourage everyone to serve."

### **10. What about those who choose not to fulfill their moral responsibility?**

Legally, they'd be within their rights. But consider the price. They'd have to live on a bare subsistence income. They might be bored and frustrated by a lack of meaningful activity. They could be alone and out of touch with others.

Misuse of a Basic Income Guarantee would likely disappear after a short time, just as people wouldn't overeat on sweets after a few weeks.

But let's be honest. A few people probably won't work. But so what? There are free-loaders under any system. The question we have to ask ourselves is what kind of a country do we want to live in. Should we tolerate vast discrepancies in wealth between rich and poor? Should we reject a revolutionary new social program that would provide dignity and security to all, just because we're afraid some poor guy is

going to chisel us out of a few nickels and dimes?

Compare it to a family. Your son has the moral responsibility to cut the grass every Saturday. Ninety-five out of 100 will. Three of the other five will, after some reasoning. The other two won't. Do you starve him? Kick him out? No. You feed him and hope one day he'll come around.

If men and women are inherently irresponsible bums, the basic income guarantee is the most stupid idea anybody has come up with. If, on the other hand, we believe that humans can become responsible, then a basic income guarantee is the only thing that will lead us into a freer society.

## **11. Why should productive people contribute to non-productive people?**

Perhaps because we're a compassionate people. Because we know it's right.

This is really an old question. It's the usual approach of opponents to all social change. It was used in virtually all nations against the adoption of pensions, unemployment insurance, free health care -- even against free public education.

Today, we give subsidies to the rich -- to farmers, auto makers, utilities, banks, airlines, oil companies. Why not give a little to the rest of us?

Getting paid for not working is nothing new. Someone who inherits \$1 million from a wealthy relative and invests it in municipal bonds can earn \$40,000 a year, tax free. In other words, a millionaire who does no work at all can earn more than a full-time worker who makes \$19 an hour. Anyone who invests money in a rising stock market can make a nice profit without lifting a finger.

People who live past age 77, according to some estimates, received money from the government over and above what they paid in to Social Security during their working years.

Should we refuse to care for our children or our aged because they are "non-productive?"

Robert Kennedy said: "I believe that as long as there is plenty, poverty is evil. Centuries earlier, Samuel Johnson declared: "A decent provision for the poor is the true test of civilization."

## **12. Has the basic income guarantee ever been tested?**

From 1968 to 1979, four separate Negative Income Tax experiments were undertaken in different parts of the United States. The means-tested study of 8,700 families showed people given guaranteed incomes worked about 91 percent as much as those who weren't. Men in the test groups worked six percent less hours than the men in the control groups. Test-group wives cut back work hours more than husbands.

The Seattle-Denver experiment was the biggest. It covered 4,879 families (2,063 white, 1,960 black, 856

Hispanic-American). Different minimum income levels were tested. Some families received a minimum of 100 percent of the poverty line. Some received 75 percent. Some only 50 percent.

And different “benefit-reduction rates” or “tax rates” were tested. Some families’ benefits were reduced 50 cents for each dollar earned. Some were reduced 70 cents.

The Seattle-Denver test found:

“Under various alternative cash assistance programs that contained no work requirement and were not combined with any provision of job search assistance, training, or public service employment, husbands in the experimental group worked only slightly less – six percent fewer hours – than husbands in the control group.

“For wives and female family heads, the percentage decline in work effort was greater – 17 percent and 12 percent, respectively – as compared with the relevant control group. But since most wives in low-income families and female family heads work relatively few hours, the absolute decline in their hours of work was small. These declines in hours of paid work were undoubtedly compensated in part by other useful activities, such as search for better jobs or work in the home. Cash assistance programs would not cause a massive withdrawal of workers from the labor force, as some have feared.”

The New Jersey experiments agreed:

“The reduction in labor supply is likely to be quite modest, less than 10%, at worst. The case for a work test in a cash transfer program is weakened. Moreover, whether a work test could prevent the small reductions that do occur is questionable.”

While not an official government test, the 22-year experience of the Alaska Permanent Fund is instructive. In 1994, the Fund mailed a survey to Alaskans. When asked how they planned to use the current year’s dividend, 25 percent said they would save it, 33 percent said they would spend it, and 42 percent said they would save some and spend some. Almost half said they would use the money to pay off bills and help meet daily expenses.

“The dividend has allowed me to stay at home with my preschoolers instead of going to work,” said one woman. Another responded: “We’ll use our dividend to pay off a current student loan. Next year we’ll put it toward our son’s future education, and then we’ll put it toward retirement and daily cost of living.”

The Fund determined the \$527 million dividend in 1994 led to the creation of nearly 7000 jobs in Alaska, or about 13 jobs for each \$1 million. The dividend has given Alaskans an opportunity to save for college tuition, down payments on homes or cars, or retirement.

### **13. How can we implement a Basic Income Guarantee?**

In one of two ways:

Negative Income Tax

The mechanism to establish a national negative income tax is already in place. It’s called the *Earned*

*Income Tax Credit.* In 2003, low-income working families could receive as much as \$4204 as an income tax credit – sometimes called a “refundable” tax credit – even if they didn’t pay any income taxes. But the maximum credit for a single worker was only \$382.

We could simply amend the EITC law to provide subsistence-level benefits for every low-income individual, single or married, working or not. Just like Brazil has done.

This would effectively give us the Negative Income Tax that Milton Friedman and the President’s Commission recommended 35 years ago.

Basic Income Guarantee (BIG)

Or, we could take it one step further. We could eliminate the means test completely. Eliminate all the bureaucracy. Simply send a monthly, quarterly, or annual check to everyone, just like we do now for most people over age 65. Just like Alaska does in its Permanent Fund.

A Basic Income Guarantee (BIG) means an income paid by the U.S. government, at regular intervals, to each citizen who has lived here for a period of time. The money is paid whether the individual is rich or poor, lives alone or with others, or is willing to work or not. In some BIG proposals, the grant is paid only to adult citizens. In other plans, it is paid to everyone over age six.

Providing an equal grant to everyone differs from the Guaranteed Income (Negative Income Tax) plans of the 1960s, which would have given money only to the poor.

Under a BIG, there would be no “us vs. them” problem. There would be virtually no administrative costs. Everyone would get the same amount. Those who are wealthy would give most of it back in the form of income taxes.

#### **14. Would a basic income guarantee cost too much?**

When we ask: “What will it cost?” we make a mistake. We should ask: “To what are we committed?” In World War II, we didn’t say: “What will it cost to defeat Hitler?” We went out and did what we had to do.

I’m a fiscal conservative. The social costs of allowing poverty to exist are enormous. It costs more to care for the physically-stunted and mentally-damaged victims of poverty than it would cost to feed them as babies. It costs more to build prisons than it would cost to feed poverty-stricken, no-hope children early in their lives.

In the late 1970s, the U.S. National Academy of Sciences – hundreds of experts from around the country – came out with a report concluding that world hunger and the worst aspects of poverty could be ended within one generation. What was missing was political will. In other words, there are enough resources

on this planet to make sure that no one should go hungry or malnourished. But until that political will becomes a reality, world hunger and malnutrition will continue to exist.

In the United States and in the richest industrial nations, productivity, wealth and national incomes have grown sufficiently to support an adequate BIG.

Granted, if a BIG is set at the poverty line, multiplying the grant by the population creates a frightening amount. But that calculation is misleading. A wide range of current benefits can be eliminated or reduced once a BIG is in place.

If other social programs are abolished – such as housing subsidies, welfare programs, farm subsidies, price supports, student loans, business loans, employment programs, all of which require massive bureaucratic costs -- the cost of a BIG can be quite reasonable.

The BIG, in all plans, is taxable. For many high earners, the tax they pay on their BIG grant, combined with the higher income tax they would pay (most likely by abolishing personal exemptions), will largely offset the cost of the BIG grant.

Here’s one example of how a BIG might look for an individual, assuming a BIG grant of \$6000 per year:

| Earned<br>Income | BIG  | Marginal        |             |               | Overall       |             |
|------------------|------|-----------------|-------------|---------------|---------------|-------------|
|                  |      | Total<br>Income | Tax<br>Rate | Income<br>Tax | Net<br>Income | Tax<br>Rate |
| 0                | 6000 | 6,000           | 0           | 0             | 6,000         | 0           |
| 10,000           | 6000 | 16,000          | 0           | 0             | 16,000        | 0           |
| 20,000           | 6000 | 26,000          | 0           | 0             | 26,000        | 0           |
| 30,000           | 6000 | 36,000          | 10          | 1,000         | 35,000        | 2.8         |
| 40,000           | 6000 | 46,000          | 15          | 2,500         | 43,500        | 5.4         |
| 50,000           | 6000 | 56,000          | 20          | 4,500         | 51,500        | 8.0         |
| 100,000          | 6000 | 106,000         | 25          | 17,000        | 89,000        | 16.0        |
| 500,000          | 6000 | 506,000         | 33          | 149,000       | 357,000       | 29.4        |
| 1,000,000        | 6000 | 1,006,000       | 50          | 399,000       | 601,000       | 39.7        |

A BIG could be “self-liquidating,” meaning it might cost nothing. As people’s incomes increased, much of the money would be spent on consumer goods. That would stimulate the economy, creating new jobs, new taxpayers, and new income for the government to replace what was given out.

During the Guaranteed Income debates in the United States in 1970, even conservative Senator Russell Long admitted: “Cost is not the problem. The objection is paying people not to work.”

Another renowned American conservative, Senator Robert Taft – “Mr. Republican” – said in 1949: “I believe that the American people feel that with the high production of which we are now capable, there is enough left over to prevent extreme hardship, and to give to all a minimum standard of decent living and to all children a fair opportunity to get a start in life.”

It is wrong to see social programs solely as costs, without assessing their considerable benefits. They constitute an investment in society. Programs that provide basic life supports, help develop skills, and bring hope are indispensable in a civilized society.

Providing a basic income guarantee to everyone is not “throwing money at a problem,” as some have suggested. Rather, it is “investing in success.”

Even though a basic income guarantee is unconditional, it is not socialism. No more than Medicare or Social Security is socialism. It actually cuts government administrative expenditures. It preserves markets and private property. It would supplement, not replace, income from jobs and other sources, leaving intact the incentives to work, to earn, to save, and to invest.

Why have welfare at all? For most of us, it is simply instinctual behavior; we look after our own. In a good country, your own includes a lot of people. It includes everybody.

## **15. What is the future of BIG?**

Despite the fact that the basic income guarantee makes eminent sense when put to serious study, most people in the United States think “paying people not to work” is a bad idea. At times, it appears hopeless that the idea will ever take hold.

But if a serious effort to push the concept were ever made by our political and economic leaders, public opinion could likely be turned around in a year or two. The task of activists and national BIG groups around the world would seem to be to keep the idea alive, continue the research and discussion, keep pushing in a realistic way, and be prepared for the opportunity which one day will come.

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*(Allan Sheahan is the author of the 280-page book: “Guaranteed Income: The Right to Economic Security,” published in 1983, which answered objections to the idea in layman terms. He has written magazine articles and op-ed pieces, and has appeared on radio and TV. Address: PO Box 2204, Van Nuys CA 91404, USA. Phone: 1-818-981-1996; fax: 1-818-981-1997; email: alsheahan@prodigy.net)*

PAGE 1

PAGE 21

