

Perspectives on the Guaranteed Income, Part 1

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Abstract

Renewed interest in a guaranteed income is evident from the number of books that have been published on the topic in the 1990s. This paper discusses and compares six books on (one form or another of) the guaranteed income, including *Arguing for Basic Income: Ethical Foundations for a Radical Reform*, edited by Philippe Van Parijs, *Real Freedom for All: What (if anything) can justify capitalism?* by Philippe Van Parijs, *The \$30,000 Solution: A guaranteed annual income for every American*, by Robert R. Schutz, *The Benefit of Another's Pains: Parasitism, Scarcity, Basic Income* by Gijs Van Donselaar, “...And Economic Justice for All” *Welfare Reform for the 21st Century* by Michael L. Murray, and *The National Tax Rebate: A New America with Less Government* by Leonard M. Greene.

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Perspectives on the Guaranteed Income

Karl Widerquist

The idea of a guaranteed income has been around in one form or another since Thomas Paine proposed a version of it in 1796 (Paine 1974). Except for a brief period in the 1960s and 1970s, it has not been a significant part of the public debate in the United States. However, interest in the guaranteed income is again growing; numerous articles and books have been written on the topic. Most of the recent interest has arisen in Europe but there has been some growing interest in the United States. Given the small number of guaranteed income supporters and the larger amount of literature on it, one wonders whether everyone who supports the idea has written a book on it. Be that as it may, growing interest in the guaranteed income makes this a good time for an assessment of some of the proposals that have recently been put forward.

This paper discusses six books on the guaranteed income that have been published in the last decade:

Arguing for Basic Income: Ethical Foundations for a Radical Reform

edited by Philippe Van Parijs. 1992

Real Freedom for All: What (if anything) can justify capitalism?

by Philippe Van Parijs. 1995

The \$30,000 Solution: A guaranteed annual income for every American

By Robert R. Schutz. 1996.

The Benefit of Another's Pains: Parasitism, Scarcity, Basic Income

by Gijs Van Donselaar. 1997.

"...And Economic Justice for All" Welfare Reform for the 21st Century

by Michael L. Murray. 1997.

The National Tax Rebate: A New America with Less Government

by Leonard M. Greene. 1998.

Five of these books favor the proposal and one is opposed. After a brief description of the guaranteed income, this article critically discusses all six in chronological order and then makes a few concluding comments.

What is the guaranteed income?

The guaranteed income is a policy that unconditionally guarantees no one's income falls below a certain level without any requirement that recipients be willing to work. There are many ways to accomplish this goal, but much of the recent literature focuses on a version called the basic income,² which is an income paid by the government to every citizen regardless of private income,

² Authors differ whether they use the word "the" before basic income. I have tried to follow the terminology of the person whose book I am discussing at the time, and therefore the terminology changes throughout this article.

wealth, employment, or marital status. For example, Charles Clark (1997) estimates that a basic income of just under \$8000 for each adult and \$2000 for each child could be supported by a flat tax of 36 percent on all income. The government would pay every individual their basic income in monthly installments and would withhold 36 percent of their income from all other sources. Under this plan a person with no private income would receive only the \$8000 basic grant. A person with \$8000 in private income would pay \$2,880 in taxes and receive the \$8000 basic income grant for an after-tax, after-transfer income of about \$13,220. Thus, a basic income rewards people for working more, while insuring no one's income falls below a certain point. An individual with a private income of \$40,000 would pay \$14,400, and receive the basic income of \$8,000 for a combined income of about \$33,600. Most citizens will be net taxpayers, but the permanent, universal nature of the grant is structured so that all individuals can count on a guaranteed minimum.

The above discussion is just an example of how a guaranteed income might work. Many versions have been proposed, and each works differently. The one attribute that all guaranteed income proposals share is a floor below which no one's income is allowed to fall. Most of the authors discussed here do not put an exact dollar figure on the minimum, but most favor a grant at least large enough to virtually eliminate poverty even among those who do not work; some argue for a higher transfer and some for a lower one. Van Parijs suggests the grant should be set at the highest sustainable level. Schutz proposes the largest figure—\$30,000 per year—and Greene the smallest—\$4,000.

Arguing for Basic Income: Ethical Foundations for a Radical Reform

Philippe Van Parijs's edited volume consists of thirteen chapters by twelve different authors. The chapters are based mostly on papers that were presented at a conference in Louvain-la-Neuve, Belgium in 1989 entitled, "Liberty, Equality, Ecology: Around the Ethical Foundations of Basic Income." Most of the book is dedicated to discussing four possible justifications for basic income: freedom, equality, community, and economic efficiency. This book does not provide a broad overview of the basic income, as one might expect from its title, but rather in-depth discussions of particular issues relating to the basic income. Although *Arguing for Basic Income* is more coherent than most edited volumes, like many, it occasionally lacks consistency. Some chapters are highly relevant; some are tangential.

Van Parijs, in his introductory chapter, calls the basic income "a profound reform that belongs in the same league as the abolition of slavery or the introduction of universal suffrage." Van Parijs does not say why this is so, but basic income's potential to eliminate poverty is perhaps what can make it truly a profound reform. Any strategy that seeks to eliminate poverty will have to have at least some unconditional component or there will always be those who are unable to comply with the conditions for aid. Basic income has *only* a universal component and so, in that sense it treats the least able equally with everyone else. Once poverty and homelessness are eliminated, it is quite possible that future generations will look at the way we treat our homeless with the same disdain that we have for slavery and serfdom. If so, Van Parijs may be right when he says, "Not all major steps towards the emancipation of humankind are behind us: another is within reach."

In Part I, Guy Standing and Claus Offe each discuss the socioeconomic background of the basic income proposal. In Part II, Hillel Steiner and Alan Carling debate the merits of a left-libertarian justification for basic income. Although this topic could be quite interesting, the authors do not spend nearly enough time discussing the basic income directly. Instead, they wander off on esoteric tangents, such as whether it is ethical, from a libertarian perspective, for the government to tax an individual's DNA (as an appropriation of nature) and whether or not Adam and Eve had ownership rights to Cain and Abel (as the product of their labor). Two hundred years ago Adamism was considered a serious philosophical defense of the right of kings, but in a modern discussion of basic income perhaps it can be safely disregarded.

Part III is devoted to egalitarian justifications for basic income. John Baker and Brian Barry debate whether basic income is justifiable as insurance against the possibility that an individual will find no occupation that fits her needs, abilities, and preferences. Unfortunately, Baker and Barry spend most of their space debating whether compensating wage differentials are justifiable from an egalitarian perspective, and only at the end of their respective chapters do they get around to discussing basic income directly. Barry concludes that three principles of egalitarianism are hostile to basic income: First, another scheme could out-perform basic income in maximizing social utility (but he does not say how). Second, disadvantages not arising from choice should be compensated. This principle implies that there should not be one universal grant to all people who do not work without regard to whether they are able to work. Third, a "two-class" system of those who work and those who live solely off of the basic income would be anathema to the idea of solidarity and fellowship. Richard Norman's chapter concludes part III by conceding that basic income is not all there is to egalitarianism. However, he contends that it is considerably more

egalitarian than the present system. Basic income will ensure equality of basic needs, and that is an important step toward a more egalitarian society.

Part IV is concerned with a communitarian justification of basic income. In an excellent chapter, Bill Jordan makes the case that the current institutional structure of modern industrial society inhibits membership and participation in community by systematic discrimination and by a redistribution system with severe poverty traps. He sees basic income as a necessary step to removing many of the barriers that exist in the institutional structure that keep “job assets” exclusive. This is an interesting argument and a very different perspective on job assets than the one put forward by Van Parijs (discussed below). André Gorz makes a strong rebuttal to Jordan saying that basic income cannot provide membership in community, and Michael Freedan in his follow up chapter largely concurs. According to Gorz, in order to feel like a member of a community an individual must feel needed by that community. Thus, there can be no membership without reciprocal obligations.

Gorz’s argument is sound, but it has three important limits that were not addressed by the other writers in this section. First, he dismisses too quickly the idea that people can find some nonmarket activity that will satisfy their need for inclusion. Second, his argument fails to address the core of Jordan’s argument. A basic income itself may not give one membership but it gives one the time and resources to find an acceptable membership rather than forcing one to accept whatever job is available whether or not that job provides a sense of satisfaction. Third, Gorz believes that basic income would segment the labor market into people who have good jobs and people who have poorly paid contingent jobs that do not provide true membership. However, Gorz does not seem to realize that basic income could possibly have the opposite effect: although basic

income would make it possible for workers to accept more “labor market flexibility,” (i.e. more uncertainty about their status), it would also give them the power to refuse employment that didn’t satisfy their wants. Workers would be better able to demand whatever they want out of employment, whether it be job security, better pay, more pleasant working conditions, or more meaningful work. In the current system, as workers find an increasingly fragile and inhospitable social safety net to fall back on, those who are unable to get better jobs are forced to take the jobs with low-status, low-pay, low-security, and poor working conditions. With an adequate basic income, workers would have more power to demand, for example, higher pay in exchange for more “flexibility.”

Part V, the final section, considers the relationship between efficiency and basic income. Robert E. Goodin makes a much more mild argument for basic income than Van Parijs’s powerful claims in the opening chapter. Whether or not it is the next step in social justice, the basic income is a simple, minimally-intrusive government policy to achieve a goal nearly all industrialized nations have inconsistently pursued since the 1930s with only limited success: reducing or eliminating poverty. Goodin contends that basic income can more efficiently help the needy because it makes fewer assumptions about who they are and what they need. For example, many social welfare programs incorrectly assume that all families share their incomes fairly. Many old-age pension programs assume families stay together until retirement. Most governments assume, often mistakenly, that blind people cannot work, but neurotics can. Goodin admits basic income makes presumptions of its own, but basic income’s ability to provide for everyone’s basic needs does not rely on all those assumptions being correct. Van Parijs’s concluding chapter contends that

basic income can successfully marry justice and efficiency, but maintains that basic income must ultimately be defended by appealing to its moral imperative.

Real Freedom for All: What (if anything) can justify capitalism?

Philippe Van Parijs is one of the most prominent advocates of the recent movement for basic income in Europe. *Real Freedom for All* outlines his philosophical justification for basic income. It is rather surprising then that the justification of basic income serves only as an intermediate step toward the final conclusion of this book—the justification of capitalism over socialism. To reach this conclusion, Van Parijs argues not only that a basic income is just but also that a just economic system is one that can sustain the highest basic income. Next, he makes the case that capitalism is the system that can deliver the highest sustainable basic income. Many readers will be more interested in how he justifies the highest sustainable basic income than in his demonstration that capitalism can provide a higher sustainable basic income than socialism, and it is to this end that he devotes most of the book. Only the last chapter and part of the first directly discuss the justification of capitalism. Van Parijs’s justification of capitalism reveals something about his intellectual history and how he came to support basic income, but those who came to this debate from other intellectual histories will still be interested in this book.

The stated goal of *Real Freedom for All* is to provide a credible response to the libertarian challenge—the belief that taking freedom seriously requires one to endorse most of the inequalities in today’s world. Van Parijs meets this challenge, as any good political philosopher would, by redefining freedom. He defines “real freedom” as, in short, the freedom to do whatever one might

want to do. More explicitly, real freedom incorporates three components: security, self-ownership, and opportunity. Formal freedom (the kind stressed by libertarians such as F. A. von Hayek and James Buchanan) incorporates only the first two components. The inclusion of opportunity makes freedom a matter of degree. An individual is not simply free or not free, but she must be made as free as possible. Opportunity takes on a very economic meaning and is measured, for want of a better variable, by income.

Van Parijs suggests that individuals are as free as possibly when opportunity is “leximined” subject to the constraint that no one’s formal freedom is violated. Leximin (short for the lexicographic minimization of maximum loss) means that the person with least opportunities has opportunities that are no smaller than those enjoyed by the person with the least opportunities under any other feasible arrangement. Only when the opportunities of the least advantaged are equal, do the opportunities of the second-least advantaged become a concern, and only if those are equal do the third-least advantaged become a concern and so on. The logic behind this is that people with more advantages (defined primarily as access to assets) are freer in terms of opportunity than those with less advantages and any increase in the freedom of those with more opportunities at the expense of those with less seems to contradict the goal of a free society.

According to Van Parijs, the greatest opportunity for the least advantaged can be obtained by providing the highest sustainable unconditional income. But society must be careful not to violate the formal freedom of others in maximizing the income of the least advantaged. The basic income must be unconditional because the individual must have the freedom to decide how to use her time as well as freedom to decide how to use her income. This can be accomplished by taxing external assets, which are assets that no one alive produced such as land, natural resources, and

inherited wealth. Van Parijs concedes, however, that taxing only these items would not produce enough revenue to create a basic income large enough to provide much real freedom. However, he contends, some jobs can be considered assets as well. Efficiency-wage theory and insider-outsider employment theory both conclude that people with certain jobs may be paid more than a market clearing wage while others who are equally qualified and willing to perform those jobs for equal or less pay are left out. To the extent that these theories are correct, some portion of labor income is a return on holding a job as an asset, and this income can be used to justify taxing labor to support a basic income.

Chapter 5 discusses the criticism that basic-income capitalism allows exploitation. Van Paris discusses a number of possible definitions of exploitation, but settles on Roemer's (1982) asset-based inequality as the most appropriate. Van Parijs concludes, rather than abolishing exploitation at all costs, exploitation must be leximined like opportunity. Attempts should be made to make the economic system more fair until we reach a point at which the cost of further reducing exploitation will be so great that reducing it still further will actually make the least advantaged materially worse off.

Chapter 6 makes the case that capitalism can provide a higher sustainable basic income than socialism. This justification comes largely from the empirical observation that capitalism has greater efficiency than socialism. But Van Parijs does not endorse laissez faire. He admits that there are many convincing arguments for market inefficiency, and suggests using government economic intervention to reduce unemployment, maintain stable prices, and attain other desirable goals. He does not argue that the market is always superior to the government, but he argues that government intervention within the context of a market economy has produced more desirable

results than pure socialism. If well regulated, basic income capitalism can better provide for the least advantaged than pure socialism, and thus, according to the principle of real freedom for all, it must be the preferred system.

Van Parijs defines “real libertarianism” as the political philosophy dedicated to real freedom for all. The choice of terms is, perhaps, unfortunate for four reasons. First, it is derisive towards the people who coined the term “libertarian” because it implies that they are “fake libertarians” or, as Van Parijs calls them, “rights-fetishists.” Even though one may agree that people living under basic-income capitalism *really* are freer than people living under the kind of pure capitalism advocated by plain libertarians, one may recognize that both ideologies follow necessarily from their own definition of freedom and so both have equal claim to being the “real thing.” Second, the term real libertarian is not very descriptive. If one knew only that there were two schools of thought called libertarianism and real libertarianism, their names would give one no indication of the differences between them. Coining the term “real libertarianism” simply invites libertarians to start calling themselves “truly real libertarians.” This has already begun: Van Donselaar (discussed below) distinguishes between Van Parijs’s “real freedom” and what he calls “actual freedom.” Will it lead to someone defining themselves as “actual, true, real, no-kidding libertarians?” Van Parijs does not use the term positive libertarian because he believes it is misleading, but it is at least more descriptive than “real” libertarianism. Because of his focus on leximin opportunity the terms “opportunity libertarianism” or “leximin libertarianism” would be more descriptive than real libertarian.

Third, to be really useful a name should be one that people inside and outside the group will use to refer to that group. Unfortunately people who are not “real libertarians” are not likely

to use that term. Anyone who thought the term “real libertarian” was accurate would join the movement. Fourth, the use of the term “real libertarian” implies that there is some similarity between it and libertarianism. But, in fact, the two have little in common. One might expect real libertarian to argue that capitalism is superior to socialism because he believes, as libertarians do, that capitalism can better protect formal freedoms along with leximin opportunity, or that he would make an argument similar to Greene’s (discussed below) that basic income is desirable because it is a market-oriented solution to poverty. But no such arguments are forthcoming. His only justification for capitalism over socialism is its ability to sustain a higher basic income. Moreover, Van Parijs leaves the door open to capital controls, incomes policies, and a host of other government regulations that plain libertarians would find objectionable. Given the enormous gulf between his philosophy and libertarianism it is surprising that he would seek to be associated with that group at all.

Terminology aside, Van Parijs presents a compelling case for real libertarianism and real libertarianism provides a strong intellectual justification for basic income. However, it is clearly not the only justification for basic income. One could agree with basic income but disagree with the real libertarian justification of the highest sustainable basic income. One could agree that the principles of real libertarianism are the right principles to use in judging an economic system, but not that they necessarily point to choosing basic income capitalism over socialism or over another form of capitalism. Those who came to the basic income from a welfare capitalist perspective may agree with the real libertarian justification for basic income but may not take much interest in using it as a justification for capitalism. It is even possible that one could basically agree with the principle of leximin opportunity but still prefer a work requirement, if one believed that there was

a compelling reason to do so. However one approaches this issue, Van Parijs's book is a sound statement of a consistent point of view that is well worth reading.

The \$30,000 Solution: A guaranteed annual income for every American

Robert R. Schutz presents by far the most ambitious proposal discussed here. His plan is for a minimum income of \$30,000 per year for every adult in the United States. Most of the other authors discussed in this article have not put a dollar figure on their proposals but I doubt many of them would choose a figure this high. For example, in Charles Clark's (1997) cost estimates of a guaranteed income for the United States, he uses a figure of only \$7,930. In 1996, the year *The \$30,000 Solution* was published, U.S. per capita gross domestic product was only about \$28,000. How does Schutz propose to sustain a *minimum* income greater than per capita GDP? He may have an answer, but it's not in the book.

The primary financing tool in Schutz's proposal is to tax all unearned income (including all rent, profits, returns on capital) at 100 percent. Here he is in agreement with Van Parijs about the legitimacy of taxing the returns on assets, but they have a strong disagreement about how much income this tax could raise. Van Parijs believes that it would produce barely enough income to make collecting the tax worthwhile, while Schutz believes that most of what we spend goes to unearned income. Schutz also proposes capping all income at \$100,000. Even most basic income advocates would worry about the disincentive affects of such a cap, but Schutz dismisses such criticism by asserting that, because people enjoy work, they will continue to work and to create more wealth even if they are making the maximum income.

The ambition of this book is revealed by the number of problems Schutz believes the \$30,000 income guarantee will solve. Van Parijs takes over 130,000 words to argue only that the highest sustainable basic income maximizes, subject to a few constraints, the least advantaged individual's freedom to do whatever she might want to do. But Schutz takes only about 35,000 words to argue that a guaranteed income of \$30,000 dollars will return to every individual their fair share of property income, allow anyone who wants to retire at 30 (a possible contradiction to his dismissal of incentive problems), end strife between unions and business, increase automation without squeezing wages, make development possible without speculation, encourage the growth of cooperatives, discourage overpopulation, end pork-barrel spending, end the business cycle, improve the environment, reduce people's incentive to burn the flag, diminish crime, reduce drug use, reduce advertising, encourage production of higher quality products, solve the farm problem, encourage composting, encourage gardening, lower inner city housing costs, cause the United States to sign the Law of the Sea Treaty, and do many other desirable things. Schutz may be right about many of his assertions, but most people will probably need a lot more evidence before being convinced.

The Benefit of Another's Pains: Parasitism, Scarcity, Basic Income

Perhaps the most sincere tribute to the importance of *Real Freedom for all* comes from Gijs Van Donselaar, who has written entire book dedicated to refuting Van Parijs's case for basic income. Although there are many books against the redistribution of income in general this may be the first book that is solely dedicated to opposing basic income in particular. The argument

revolves around Van Donselaar's concept of parasitism or exploitation. Exploitation is a word that every author seems to define differently. Van Parijs discusses Lockean exploitation, Lutheran (or Marxian) exploitation, Roemerian exploitation, and other varieties, but Van Donselaar comes up with a definition that Van Parijs does not anticipate. According to Donselaar, person A exploits B if A is better off than he would have been had B not existed while B is worse off than he would have been had A never existed.

One example that Van Parijs puts forward as a nonexploitive situation proves to be an example of Donselaarian exploitation. Crazy and Lazy are ship wrecked on a deserted island. (Where would political philosophy be without deserted islands?) They recognize that both have equal claim to the land and divide it evenly. Lazy prefers to work as little as possible and grows only enough crops for subsistence, using less than her half of the land. Crazy, however, works harder and wants to use all of the remaining land to produce enough crops to live in luxury. Crazy offers to share some of her additional crops with Lazy, if Lazy lets Crazy use the available portion of her land. Van Parijs (1995) judges this to be fair because both benefit from the exchange relative to how well off they would be with the same property rights and without the exchange. Lazy gets to spend more time at leisure while living simply; Crazy gets to work all of the land, living in luxury, while paying Lazy for using up a larger share of natural resources. Van Donselaar, however, judges this trade to be exploitive on the following basis. If Crazy was on the island all by herself, she would be better off because she could farm the entire island without paying anything to Lazy. Lazy, however, would be worse off if Crazy was not there. She would have to either work more consume less. This is Donselaarian exploitation.

This is an original definition of exploitation, but it gets to the heart of an old political conflict. Some portion of the value of any product is attributable to labor and another portion to nature. Who is entitled to nature's portion? Does it belong to society as a whole (Thomas Paine 1974)? Does it belong to the laborer (Marx 1863)? Or does it belong to whoever is first to appropriate the land (Kirzner 1978)? Van Donselaar sides with Marx, because the extra land in itself means nothing to Lazy. Her only ambition is to farm a very small portion of it and leave the rest vacant. According to Van Donselaar, Lazy has no legitimate reason to ask Crazy for any compensation for giving up her "right" to land that she was never going to use anyway.

The question is not which definition of exploitation is "correct." All of them are legitimate concepts. The relevant questions are: Are these concepts important concerns for social justice? Do they conflict? And, if so, which are relatively more important? One may not believe that Donselaarian exploitation is the most useful definition, but one must admit that it deserves to be accepted or rejected on its merits. It cannot simply be dismissed by saying that Roemerian or Lockean exploitation is the right definition.

There are at least three problems with Donselaar's attempt to bring his definition of exploitation from the deserted island to the modern world. First, the existence or nonexistence of Donselaarian exploitation depends on individual taste. His claim that Lazy exploits Crazy rests entirely on the claim that Lazy has no use at all for the remaining land, and is indifferent to Crazy's use of it. But if Lazy enjoys living on an island where a large portion of the land is not farmed and Crazy insists on farming it anyway, Lazy suddenly becomes entitled to compensation. This sort of compensation rewards Lazy for "expensive tastes," an issue Van Parijs spends a considerable amount of time addressing. Van Donselaar does not address this issue nor does he seem to be

aware that his argument is vulnerable to this criticism. Under his logic, a homeless environmentalist would be entitled to compensation for the fact that the rest of society is depleting natural resources, but a homeless person who isn't an environmentalist would be entitled to nothing even if the two were alike in every other respect.

Second, on Van Donselaar's desert island, both Crazy and Lazy have the means to support themselves alone without entering into exchange. No such option is open to individuals in modern society. The closest approximation Van Donselaar can find to using available resources to produce one's own subsistence is being willing to accept a job, which for many people means being willing to accept the lowest-paying, lowest-status jobs in the economy. Thus an economist can pass the test of being "willing to work" if she willingly holds a high-status, highly paid job that is not physically demanding at all and has some rather nice perks, like having the summer off. But a basic income recipient is considered "unwilling to work" if she refuses to accept a minimum wage job cleaning toilets at a highway rest stop with no paid vacation. Perhaps a lot of economists would be unwilling to accept that job too. To be consistently applied to all citizens the test of willingness to work should be the willingness to accept the most desirable job in the economy, instead of the least desirable job. If so, however, the work test disappears, because few potential recipients of an unconditional income would turn down a job as a supermodel, a Rock star, or a board member of a Fortune 500 corporation.

Third, for a basic income to be exploitative, homeless people must be no worse off now than they could be if some segment of the population disappeared and left behind their natural resources, but it is difficult to make such a claim. If natural resources became more available a homeless person could sit beside the ocean in Santa Monica, eat what food they could find, build

a shack to sleep in, and still have time to spend most of their day at leisure. Any homeless person caught building a shack or growing her own food on public land in Los Angeles today would be arrested. There is no equivalent in the modern world to Van Donselaar's subsistence-farming exploiter. The only way to provide everyone with the means to produce their own subsistence—the assumed minimum in all of Van Donselaar's examples—would be a major land reform. An unconditional income may be a cheaper alternative. On Van Donselaar's island everyone has more than enough land to become a subsistence farmer. How much would it cost to grant all the homeless people in Los Angeles the equivalent amount of land? This is important because Donselaarian exploitation rests entirely on the unrealistic premise that basic income recipients have no use for any of the resources they are currently excluded from using.

Van Donselaar succeeds in presenting a case in which an unconditional income could violate one definition of exploitation, but he does not succeed in making the case that an unconditional income must *inherently* violate that definition of exploitation.

“...And Economic Justice for All” Welfare Reform for the 21st Century

The worst criticism of Michael L. Murray's book is that its title doesn't fit its contents. Although Murray briefly considers the relationship between various social justice theories and the guaranteed annual income, he specifically rejects basing his argument on social justice concerns. Why, then is the book called “...And Economic Justice for All”? Instead of social justice, he bases his argument largely on an insurance motive. This is not surprising given his background.

Although most people who have written on the guaranteed income are economists, sociologists, or philosophers, Murray is a professor of insurance.

If one is looking for a good solid overview of the guaranteed income (how it works, how one might justify it, and what desirable features it might have) this book is a good starting point. However, it is not an introduction to the recent basic income movement. Murray, writing in Iowa, seems to have little or no connection to the growing basic income movement in Europe, although certainly both would benefit from each other. His history of the guaranteed income ends in 1983, just as the basic income movement in Europe was getting started. Be that as it may, this book makes a good solid case for a guaranteed annual income.

Murray discusses the problems caused by the current system (which is designed to divide the poor into the worthy and unworthy): Do we really think we are capable of making that judgement? If so, can we make that judgement without making a lot of mistakes? Even if we can determine someone to be unworthy, should they be homeless and destitute? If you answered “no” to any of these questions, Murray suggests you consider the guaranteed income as a solution.

Murray praises the productive attributes of a market economy and considers the shortcomings of the market that make a guaranteed income necessary. The market can insure against risks like fire, theft, and accidents. The market cannot insure someone against unemployment, low wages, or being born with low abilities. But the government can—by providing a guaranteed annual income. Murray considers and rejects the idea that society must require everyone to work. Once in history, that may have been necessary but no longer. Once it took over nine-tenths of our population just to produce enough food for everyone to survive. The technological revolution has made it possible for only a few workers to feed our entire nation and

still have much left over for export. According to Murray, the same is happening in nearly every industry. Work is becoming less and less imperative all the time.

Many people who oppose the guaranteed annual income do so because they believe it would give people a disincentive to work, but Murray believes that is one of its greatest virtues. It is manual laborers who will have a significant disincentive to work, not the high-tech workers who are enjoying rising opportunities and rising wages. According to Murray, our society is having more trouble finding good jobs for the less skilled than it is finding member of this group who are willing to work. The guaranteed annual income will extend to this group the dignity of allowing them to opt out of the labor market if there are no acceptable opportunities. Those who enjoy their jobs or are highly paid will go on working, but those who do not have satisfying employment will have the option to refuse it. Thus, a work disincentive may be just what the economy needs.

The National Tax Rebate: A New America with Less Government

Leonard M. Greene makes a very different case than Murray for a very similar proposal. While Murray argues that the possible work disincentives of a guaranteed income are not necessarily bad, Greene argues that a guaranteed income would have less work disincentives than the present tax and benefit system. Greene's plan, called the national tax rebate, involves canceling all U.S. federal, state, and local programs aimed at supporting income (except Social Security) and splitting the money between every citizen whether they are working or not. The programs he proposes to cut include not only what we think of as "welfare" but also tax deductions for individuals and corporations and programs supporting the income of people in specific industries

such as agricultural price supports. According to Greene, canceling these programs would free up \$720 billion a year in government revenue or enough to fund a monthly tax rebate of \$400 for each adult and \$200 for each child. The argument that the national tax rebate promotes work is based largely on two ideas: First, many of the current income maintenance programs discourage work by eligibility rules that penalize recipients for trying to better their situation by earning extra money. Second, high government taxes on labor income turn many jobs that might otherwise provide adequate income into poverty-wage jobs.

According to Greene, a family of four with only one employed member earning only the minimum wage would receive an income, including the national tax rebate, that was 36 percent above the poverty line. This family would not exactly be comfortable, but they would be far better off than under the current tax and benefit system. After criticizing the current system for its lack of opportunities, Greene examines people who have incomes that resemble a guaranteed income, to get an idea how the national tax rebate might effect behavior. The Alaska dividend is one example. A study of lottery winners, who receive monthly payments, shows that most of them, especially those who won amounts similar to the level of rebate Greene proposes, did not pursue leisure but either kept their jobs or used the money to go back to school to improve their skills and get better jobs. Greene also discusses a demonstration in which his think tank, the Institute for Socioeconomic Studies, recently began giving \$12,000 a year to three families for the next 20 years to see how this will affect their behavior. He is well aware that this is not a scientific survey and calls it merely a demonstration of the possibilities of the national tax rebate.

Many guaranteed income supporters may be cautious about Greene's plan because of its low benefit level. In some parts of the United States, \$400 a month is not enough even for housing,

much less food, clothing, and utilities. Most of the other recent guaranteed income plans are designed so that a person could solely live off of the basic grant if necessary, but Greene's tax rebate is more of a supplement. He believes this level of benefit provides a healthy work incentive but there are two questions about whether a supplement will be adequate to replace all other income support programs.

First, what happens to people who simply cannot work? These people are not mentioned anywhere in the book. Greene does allow for the continued existence of Social Security and perhaps he believes this program can take care of all those who can't work. Of course, we have all heard stories of people who can't work, but fail to qualify for the Social Security System's disability benefits, and we have all heard about single parents who cannot leave their infants and cannot afford day care. Whether single parents are expected to live off of \$600 a month, or whether all single parents are expected to work, or whether private charities are expected to take up the slack, is not discussed. The possibility that people cannot work is simply ignored.

Second, what if there are not enough good jobs available? Throughout the book, Greene communicates a great confidence that the free enterprise system can produce great wealth and opportunities if the tax man will just get out of the way. He is so confident in the virtue of the free market that he does not even address the concerns of people who fear that there may not be enough jobs to go around. He uses the minimum wage to estimate how much a person can make if they work and receive the tax rebate, and he states (p. 42) that "virtually everyone would embrace work, regardless of the wage offered." In an apparent exception to his faith in the free market, he does not propose eliminating the minimum wage. However, he does not discuss why this form of market intervention is necessary when he believes so many others are not. Although he has only criticism

for government and only praise for the market, there is at least one criticism of a completely laissez faire economy implicit in this book. Apparently Greene believes a unregulated free market with low taxes will not produce a desirable distribution of income, making policies like government redistribution of income through the national tax rebate necessary. Greene needs to make that argument explicitly because his intended audience are people who otherwise have faith in the market system and are skeptical of any government intervention including the national tax rebate. Here is one way such an argument could be made: There are some people who are truly in need of government assistance because, for different reasons, they cannot make it on their own. Our current categorical system of providing for such people creates serious work disincentives for everyone. The national tax rebate is a way to provide for the most needy while creating the least possible work disincentives.

Greene's tacit endorsement of the minimum wage combined with his confidence that the free market can provide enough jobs at that wage is surprising. Neither of the two main branches of economic theory support this belief. Keynesian (and Post Keynesian) economists believe that the market cannot assure enough jobs for everyone, unless the government stimulates demand through high government spending, something Greene clearly opposes. Neoclassical economists believe that if unemployment exists it can only be eliminated by removing the minimum wage so that wages can fall to the point where supply meets demand. Neoclassical economics gives no assurance that supply will meet demand at a living wage. Thus, neither of these traditions provides theoretical support for Greene's claim that the market economy can create good jobs for everyone who wants one. It could be that both of these schools of thought are wrong, but one may need a stronger argument before concluding that they are wrong.

Despite its shortcomings, this book makes a positive contribution to the guaranteed income debate that other authors have largely ignored. While most of the other authors discuss whether or not it is “OK” for an individual to choose not to work if given a guaranteed income, Greene pushes that question aside by demonstrating that a guaranteed income has better work incentives than the present social welfare system. All of his examples pertain to the United States, but the lesson is relevant to Europe as well.

Though Greene and Van Parijs advocate a similar plan, they have distinctly different audiences in mind. *Real Freedom for All* is aimed at those who are skeptical about capitalism because of its great disparities of income; *The National Tax Rebate* is aimed at those who are skeptical about government action because of its potential inefficiency. Van Parijs promotes capitalism to its skeptics by showing how its great productive potential can be harnessed to benefit the least advantaged. Greene promotes the redistribution to its skeptics by demonstrating that a guaranteed income can address poverty with minimal government involvement. Both of these arguments will have to be made successfully to their target audiences to create broad support that would be necessary to introduce a guaranteed income.

Conclusions

The guaranteed income proposal is not easily classified into a political ideology. The ideologies of the authors discussed here range from the nearly free-market libertarianism of Greene, to the welfare state approach of Van Parijs, and even to the almost pure socialism of Schutz. The guaranteed income fits easily into any of these perspectives because, although it may

have profound effects, it is a very simple policy for attaining a specific goal. The books discussed here are only a small example of the many different guaranteed income proposals that have recently been put forward across the world. The policy seems to be out of step with current climate in which politicians fight to see who can cut welfare most. But, the idea isn't going to go away. The political climate is not fixed; it may change slowly or quickly; but the odds are that sooner or later there will be renewed interest in improving the social safety net. The authors discussed here are helping to make sure that, when there is such renewed interest, the guaranteed income is a well thought-out alternative.

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