



Guaranteed minimum income debate

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Introduction: Historical roots of the guaranteed income idea

The idea of a guaranteed income has a long history in political and economic thought. It has three historical roots: the idea of a minimum income first appeared at the beginning of the 16th century (**Thomas More, Johannes Ludovicus Vives**); the idea of an unconditional one-off grant first appeared at the end of the 18th century (**Thomas Jefferson, Marquis de Condorcet, Thomas Paine**); and the two were combined for the first time to form the idea of an unconditional basic income near the middle of 19th century (**Abraham Lincoln, Henry George, Edward Bellamy**).

In the 1930's (amidst the Great Depression) **Francis Townsend** proposed government payments of \$200 each month to everyone aged 60 or older. The *Old Age Revolving Pension* combined liberal financial retirement for the aged with national recovery and permanent prosperity. Recovery and prosperity were to be achieved by requiring recipients to quit any paid work and to spend all of the money each month, thereby creating jobs for younger workers. To raise the money, he proposed a 2 percent sales tax on all business transactions. Roughly 2.2 million people joined Townsend Clubs, and that popular movement played a key role in lobbying for Social Security.

A national movement *Share Our Wealth* was launched in 1934, demanding a guaranteed income of \$5,000 a year for every family. There were clubs in every state, and in 1935 they claimed to have 7.7 million members. **Huey Long**, who founded it, proposed to raise the money through substantial taxes on the very rich.

Social credit is an interdisciplinary philosophy developed by **C. H. Douglas**, a British engineer, who wrote a book by that name in 1924. It encompasses the fields of economics, political science, history, accounting, and physics. Social credit would give absolute economic security for the individual.

On January 11, 1944 in his annual Message to Congress **Franklin Roosevelt** stated that the true individual freedom cannot exist without economic security and independence. People who are hungry and out of jobs are the stuff of which dictatorships are made, he said. So a new basis of security and prosperity can be established for all – regardless of station, race, or creed.

In his 1944 book *The Road to Serfdom*, **F. A. Hayek** endorsed the idea of providing people the security of a minimum income. He wrote that there can be no doubt that some minimum of food, shelter, and clothing, sufficient to preserve health and the capacity to work, can be assured to everybody. And this is no privilege but a legitimate object of desire that can be provided for all outside of and supplementary to the market system.

Peter Drucker proposed a *predictable income plan* in *The New Society*, published in 1949 and reissued in 1962 and 1993. Predictable income would banish the uncertainty, the dread of the unknown and the deep feelings of insecurity under which the worker today lives. The guaranteed income he sought was to be minimal and variable as economic conditions change. He rejected the ideas of trying to guarantee jobs or wages.

In his 1962 book *Capitalism and Freedom*, **Milton Friedman** considered methods to help the poor and concluded that the arrangement that recommends itself on purely mechanical grounds is a negative income tax. The advantage of this arrangement is that it is directed specifically at the problem of poverty. It gives help in the form of cash. It is general and could be substituted for the host of special measures now in effect. It makes explicit the cost borne by society. It operates outside the market. In his 1980 book, *Free to Choose*, Friedman wrote that we should replace the ragbag of specific welfare programs with a single comprehensive program of income supplements in cash – a *negative income tax*.

In his 1963 book, *Free Men and Free Markets*, **Robert Theobald** wrote that it is the economy growing fast enough to provide jobs for all that keep us living within “a whirling-dervish” economy dependent on compulsive consumption. This book proposes the establishment of new principles specifically designed to break the link between jobs and income. The principle of an economic floor under each individual must be established. This principle would apply equally to



every member of society and carry with it no connotation of personal inadequacy or implication that an undeserving income was being received from an overgenerous government. Basic Economic Security can be best regarded as an extension of the present Social Security to a world in which conventional job availability will steadily decline. We will need to adopt the concept of an absolute constitutional right of income, he wrote.

John Kenneth Galbraith called for a guaranteed income in a number of articles in 1960s and in the second edition of his bestselling book, *The Affluent Society*. In 1966 article he wrote that we need to consider the one prompt and effective solution for poverty, which is to provide everyone with a minimum income. In 1999 article he wrote about the unfinished business of the century and millennium, particularly the persistence of a very large number of poor people even in wealthy countries. The answer or part of the answer for him is that everybody should be guaranteed a decent basic income.

In 1968, **Paul Samuelson**, joined four other prominent economists – John Kenneth Galbraith, Robert Lampman, Harold Watts, and James Tobin – and published a letter that called on US Congress “to adopt this year a national system of income guarantees and supplements”. The letter was circulated, and more than 1,200 of their colleagues signed on.

In 1968, **Lyndon Johnson** appointed a National Commission on Income Maintenance Programs to study the need of poor Americans and make recommendations. The Commission held hearings around the country over 22 months, and issued a unanimous report in November 1969. In it stated that the main recommendation is for the creation of a universal income supplement program financed and administered by the Federal Government, making cash payments to all members of the population with income needs. The payments would provide a base income for any needy family or individual.

On August 8, 1969, **Richard Nixon** gave a televised address on poverty and welfare in which he stated that nowhere had the failure of the government been more apparent than in its efforts to help the poor and especially the system of public welfare. He proposed the present welfare system to be abolished and a new family assistance system to be adopted in its place. The new system would

establish a basic Federal floor so that children in any state have at least the minimum essentials of life. The Family Assistance Plan (FAP) was in fact a guaranteed income and attracted widespread popular support. It passed in the House of Representatives with two-thirds of the vote first time, by two-to-one the second time. But it was narrowly defeated in the Senate Finance Committee.

Starting in 1968 and running until 1978, the **Federal Office of Economic Opportunity** conducted a series of experiments with guaranteed income in place of welfare. Some sets of facts from the final analysis showed that total work hours declined about 6 percent, and certainly no more than 9 percent. Most of the decline was among wives and teenagers, not the men who were primary wage earners. There were reports of people going back to school, leaving unsatisfying jobs to look for better ones, staying home when ill instead of going to work, taking time off to care for a sick family members.

Senator **George McGovern** campaigned for president in 1972 with an economic platform that called for “Demogrants” (a social dividend) – guaranteed income payments of \$1,000 to every citizen.

James Tobin designed George McGovern's guaranteed income plan. He wrote several papers in support of guaranteed income in the 1960s, and signed the letter of support with John Kenneth Galbraith, Paul Samuelson, Robert Lampman, and Harold Watts.

During the debates on Nixon's Family Assistance Plan, **Gerald Ford** was the minority leader in the House and the plan's leading advocate in Congress. He promoted it actively, resisting conservatives' objections, and succeeded twice in winning two-thirds of the vote. After becoming president, he supported the Earned Income Tax Credit (EITC) and signed it into law in 1975. The EITC provides income supplements for poor workers, though not the unemployed. It's a complicated feature of the tax code, and those complications mean that many eligible people do not receive the funds. Even so, it has been by far America's most effective antipoverty program.

Governor of Georgia during the debates about Nixon's Family Assistance Plan, **Jimmy Carter** was the only Southern governor to endorse it. During his 1976 presidential campaign he called



for comprehensive welfare reform, and polling data indicated significant popular support for that policy. He proposed a Program for Better Jobs and Income in 1978, but he was unable to get it through Congress.

Oil was found in Alaska in 1969. **Jay Hammond**, a republican, was the governor from 1974 to 1982, and he endorsed the idea of distributing some of the royalty income to residents. The state constitution was amended to create the Alaska Permanent Fund to benefit current residents and future generations. A percentage of oil royalties goes into the Fund, which is permanent because the money is invested in a diverse portfolio, managed by a semi-independent corporation. Dividends are paid every year to every legal resident who was in the state for more than 6 months of the year. The first dividend was paid in 1982, when every resident received \$1,000; in 2008 it reached \$3,269; in 2016 it is \$1022. The amount fluctuates every year, depending on the price of oil, the investment portfolio, and general economic conditions. Dividends are paid in October as either a check or direct deposit into a bank account. Research has shown that Alaskans use the money to pay off debt, send children to college, save for retirement. During the three decades since it was introduced, every other state has seen a significant widening of income inequality, while Alaska has been the one state with decreasing inequality, and that's due to the *Permanent Fund Dividend*.

The Basic Income Earth Network, BIEN, was founded in 1986 as the Basic Income European Network, and expanded its scope from Europe to the Earth in 2004. It is an international network that serves as a link between individuals and groups committed to or simply interested in basic income. It fosters informed discussions of the topic throughout the world. The founding member of the BIEN is the Harvard University professor, philosopher and political economist **Philippe Van Parijs**. The professor of economic security and labour economics at several universities, **Guy Standing** is a founding member of BIEN and the main organizer of the 2002 BIEN Congress, which was held in Geneva at the headquarters of the International Labour Organization.

Technology and economic trends analyst **Jeremy Rifkin**, in his 1995 book *The End of Work*, examines the displacement of workers due to automation and the information age. Since the

advances in technology are going to mean fewer and fewer jobs in the market economy, the only effective way to ensure those permanently displaced by machinery the benefits of increased productivity is to provide some kind of government-guaranteed income. With guaranteed income independent of their jobs, workers would be more free to set their own schedules and adapt to changing conditions. That adaptability would allow greater flexibility for employers, plus many benefits for society as a whole.

Yale University professors of law **Bruce Ackerman** and **Anne Alstott** published *The Stakeholder Society* in 1999. They offer a practical plan to reaffirm the reality of a common citizenship. As each American reaches maturity, he or she will be guaranteed a stake of \$80,000. Their plan seeks justice by rooting it in capitalism's preeminent value: the importance of private property. It points the way to a society that is more democratic, more productive and more free. Proposals for a basic income call for guaranteeing an unconditional cash payment each year to each adult. Everyone would get the basic income, regardless of their other income or wealth. This basic income grants freedom and security without strings attached. It automatically supplements low wages without bureaucracy or complex wage subsidies. And with a basic income, more people can choose for themselves whether to work full-time or part-time, making their own tradeoffs between more money and more leisure.

The guaranteed minimum income debate at the beginning of 21 century is reinforced with the revival of the idea of an unconditional basic income (UBI). This term refers to an income benefit scheme in which the state provides a minimum level of basic income on a continuous basis to every adult, irrespective of personal circumstances or need, with no or very few conditions attached.

Universal: Every person, irrespective of age, decent, place or residence, profession etc. will be entitled to receive this allocation.

Individual: Everyone has the right to UBI on an individual basis as this is the only way to ensure privacy and to prevent control over other individuals. UBI will be independent of marital status, cohabitation or household configuration, or of the income or property of other household or family members.

Unconditional: As a human right UBI shall



not depend on any preconditions, whether an obligation to take paid employment, to be involved in community service, or to behave according to traditional gender roles. Nor will it be subject to income, savings or property limits.

High enough: The amount should provide for a decent standard of living, which meets society's social and cultural standards in the country concerned. It should prevent material poverty and provide the opportunity to participate in society and to live in dignity.

The reasons to support the idea of a guaranteed income

A fix to poverty

A guaranteed income holds the promise to alleviate or even eradicate poverty. In times of growing economic inequality and persistent poverty the idea becomes even more attractive.

Liberty and individual opportunity

The most powerful arguments are connected with the views of social justice, equality, and freedom. A guaranteed income allows an individual to realize for oneself the promises and opportunities that society offers.

Social and democratic citizenship

The economic security a guaranteed income provides is instrumental to self-government in intimate spheres like family, the labour market, and in democratic mechanisms of political government.

Gender equality

Poverty often means reinforcement of discriminatory social and economic relations for women. The gendered division of labour, reflected in women's disproportionate caregiving responsibilities, results in women's more vulnerable status in the labour market. A guaranteed income can encourage the recognition of the full range of human activities, including unpaid caregiving work.

Shared social ownership

Fairness requires that a portion of goods of a society – its collective wealth and resources – be shared with all who make up that society. Examples: the Alaska dividend in the USA and the Alberta prosperity cheque in Canada.

Afflexible and just labour market

Workers with a guaranteed income could choose to start up a business, work part-time, job share, take a sabbatical, or an interesting but lower paid job. A guaranteed income can give individuals the ability to devote their energies to socially necessary and valuable forms of work that are not paid. It might also enhance the power of labour to bargain effectively with capital.

Environmental sustainability

A guaranteed income could ensure a modest but sustainable standard of living for all, in the context of a more “steady state” economy with lower levels of consumption but greater economic redistribution. It could also undermine “wage slavery” that has been central to the historical development of capitalist economies.

Dimensions of guaranteed income proposals

Four criteria characterize and distinguish guaranteed income proposals: degree of universality of eligibility; degree of conditionality of entitlement; adequacy of benefit level; integration with other social programs.

Universality

The question of universality refers to the range of the general population that is covered by the policy. The more universal a benefit is, the more general and widespread its potential distribution across the population will be. As a strongly universal benefit a guaranteed income policy would provide for every individual adult member of society, irrespective of income levels. This broad universality makes the issue of cost and distributional equity significant features of the political debate. It raises issues of vertical economic distribution because the wealthy receive the same benefit as individuals at lower income levels.

Conditionality

Conditionality sets out the kind of conditions that are built into a policy that may limit the eligibility of a person otherwise covered by the program. Most existing income security programs have a number of conditions that recipients need to satisfy in order to gain and maintain eligibility. A guaranteed income is distinctive in that it claims to be unconditional. This stands as one of the most



significant political obstacles to general acceptance of a guaranteed income reforms.

Adequacy

Proposals vary greatly in terms of the amount of money that should be paid as a guaranteed income. Some proposed levels exceed, others fall considerably short of, what might be commonly conceived as adequate. A guaranteed income is understood variably as a small “top-up” to other sources of income, as a partial income, or as a fully livable income. Proposals also vary in terms of form and duration of benefit provision. Policy proposals might envision a regular income stream (where payments are received on a weekly, monthly, even yearly basis), or benefits that have a time limit on eligibility (a couple of years).

Integration

A key question is how much a guaranteed income proposal is integrated with other income support programs and the provision of public goods such as health care and social housing. Some proponents of a guaranteed income endorse a basic income as replacement for most other income security programs (such as unemployment insurance, social assistance, and public pensions). Other proposals envision a guaranteed income that is complemented by a number of other publicly provided income supports, services and goods.

Models for guaranteed income

Minimalist-libertarian model - *Strong universality and unconditionality of guaranteed income set at a low benefit level with minimal provision of other social goods and income support.*

This model sets a base income guaranteed to all adult residents, with no conditions attached. The benefit is provided at income level which is unlikely to raise individuals out of poverty. The main concern is to protect a paid work incentive. Guaranteed income is paired with elimination of most other income support programs and public services offered by the government. This makes the model strongly universal and unconditional. The adequacy of the model however is weak and it is not integrated with other means of income security and the provision of public goods. An illustration of this kind of model is the Milton Friedman's proposal for an income security scheme targeted at low-income

people delivered through a “negative income tax” mechanism.

Mixed welfare model - *Guaranteed income models that closely resemble existing social assistance (welfare) schemes with partial and conditional benefits, and a range of both benefits levels and integration with other social programs.*

Guaranteed income proposals in this model are partial and typically extended to a limited part of the population, based on variables such as age, income level, and labour market participation. These proposals are not fully universal and also vary in terms of how adequate or unconditional the benefit is. Their key characteristic is the mix of income security measures. This makes the model strong on integration of a limited guaranteed income with other income security programs. Guaranteed income elements of the minimalist proposals are often characterized by low benefits, a limited number of recipients and frequent linkage to paid work – they have weak adequacy, reduced universality, and varied conditionality elements. Integration with other income security measures of a more traditional and individualistic sort is high. Other more generous proposals may have long-term, adequate, and non-stigmatizing income benefits to persons not expected to participate in the labour market (the elderly and persons with serious disabilities), paired with short-term, emergency assistance for other individuals, along with extended coverage and higher benefit levels for programs such as unemployment insurance. Income support is seen as linked with the collective provision of social goods; elements of universality and adequacy are strong.

Strong basic income model - *Strong universality and unconditionality paired with more generous benefit levels and variable integration with other programs.*

In this model a guaranteed income should provide the material basis for real freedom for all through a significant redistribution of wealth. Proposals of this type seek to eliminate poverty and ensure a universal and unconditional livable income. In this model the benefit is paid by the state out of publicly controlled resources to every individual (or household unit), regardless of the income or wealth of that individual (or household unit). The payment would be in cash and would have no restrictions as to how it is spent. It would be paid on a regular basis, say every month. All members of



a given society would receive the income, although what is meant by members can vary (membership may be restricted to legal citizens or may include all legal permanent residents). The payment is unconditional: no means test or work requirement would accompany it. The level of income guaranteed is formulated to lift each individual recipient's income above the poverty line or some other indicator of adequacy. For such a model argues Philippe Van Parijs (Parijs thinks this kind of reform is as important as the abolition of slavery or the introduction of universal suffrage).

Critique of the idea of a guaranteed income

Work incentive effect

Someone in receipt of a generous unconditional benefit may no longer wish to work. This may be particularly true if work is tiresome and low paying and the recipient decides that the combination of leisure time and guaranteed income is preferable to whatever the additional benefits of paid work might be. If large numbers of individuals opt out of paid work to live on their guaranteed incomes, economic productivity and growth may be imperiled. Proponents of guaranteed income have a range of responses. They argue that a guaranteed income is actually facilitative of more creative, flexible, and productive involvement in a greater variety of work and paid labour. Connected to concerns about labour force involvement are criticisms that a guaranteed income will amount to no more than simple employer subsidization and an incentive for employers to reduce workers' wages. A guaranteed income, from this angle, looks too much like a subsidy to employers and an incentive to low wages.

Reciprocity

Providing a guaranteed income to individuals who choose not to “work” – either in the paid labour market or in community enhancing activities – offends the moral principle of reciprocity. At a minimum, individuals have a duty to work according to their abilities. To receive something for nothing is unjust. From this perspective, the decoupling of income from contribution simply encourages parasitism. Rather than being a significant step towards de-commodification and engaged community involvement, guaranteed income is seen by some as the ultimate “passive

benefit”.

Cost

Any version of guaranteed income – whether universal or targeted, delivered as a demogrant or through negative income tax – obviously involves substantial government spending. Raising taxes is politically unpopular. So committing substantial public revenue to ensure basic economic security for all is seen by many as beyond the realm of the “reasonably discussable”. Economists model the cost of several variations of what they designate as “Basic Income” (a universal, non-taxable benefit set at the poverty line so as to eliminate poverty, at least in principle) and “Guaranteed Income” (that would be paid out as a universal benefit set below the poverty line, coupled with a tax-back rate on earned income). The first variation was found to be very expensive and the second to be much less expensive while at the same time reducing poverty more efficiently.

Other Issues

Ideological resonance

A guaranteed income program requires the state to redistribute income more broadly and more fairly. Emphasis on a guaranteed income alone as the centrepiece of social welfare provision may divert attention from the unjust working of the market – both the market's provision of services and its treatment of workers. A reform program that does little else than put some money into everyone's pockets is unlikely to achieve an adequate redistribution of social and economic resources. If a guaranteed income is also used as an excuse or reason to cancel other forms of social spending and social programming – as some right wing advocates of the plan envision – the overall distributive effect of guaranteed income implementation may be regressive and less just. Guaranteed income proposals may also risk over-emphasizing the importance of private action and ignoring the roles that public responsibility, public provision, and public ordering of community institutions can play in securing individual and community welfare (volunteer community work).

Social welfare goods cannot be provided adequately by the private market alone. Many such goods require collective, public provision – like medical care, social insurance, education, child



care, social housing, and so on. No matter how adequate a guaranteed income is, there will still be services and goods that individuals will need – and that any just society would not see them go without – that income spent in the private market cannot guarantee. Reform to the welfare state must recognize that key areas of human welfare require more than equal allotments of cash.

Women and poverty

There is a gendered face to poverty. Women rely significantly more than men upon a variety of state provided income and social assistance programs. The issues of work and income have strong relevance for women, given gender stereotypes and norms that structure the division of labour in ways that disadvantage women. A guaranteed income may be an attractive policy for women whose caregiving work is undervalued and not economically supported. It may also threaten to reinforce the gendered division of labour, making it more difficult for women to choose the mix of unpaid caregiving and labour market employment that is individually optimal. Simply assuming that it is ideal for women to be free to choose to do unpaid caregiving work ignores the positive aspects of choosing not to do such work. It too often understates the critical role paid work plays in social inclusion and community building for individual women.

A guaranteed income might result in further institutionalization of women's location within the family – the “domestic labour trap”, reinforcing the gendered division of labour in the family and eroding women's access to the job market and careers. The result is a failure to liberate women from the very social assumptions and hierarchy that construct the domestic characterization and devaluation of women's work in the first place. A guaranteed income may mean an increase in leisure and self-development opportunities for some, but it is unlikely that those individuals will be mothers with young children. The worry is that some versions of guaranteed income lend support, perhaps unknowingly or unintentionally, to the gendered division of labour, an under-emphasis on public citizenship and substantive equality, and a shrinking of public service provision.

Summary

Debate of a guaranteed income reminds us of what a just and fair society must guarantee to everyone: an adequate degree of unconditional economic independence. Poverty is more than the simple lack of financial resources. While absence of money is an essential feature of poverty, social exclusion as well as inadequate access to public goods, networks, and political capital are all part of a fuller notion of poverty. While a just society will certainly provide some form of income security, this alone will not satisfy the full scope of collective and public responsibility such a society bears for the welfare of its population.

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