The Ethics and Economics of the Basic Income Guarantee, edited by Karl Widerquist, Michael Anthony Lewis and Steven Pressman. Burlington, VT: Ashgate. 2005. Cloth: ISBN 0 754 64188 0, $114.95. 334 pages.

Simply put, a basic income guarantee is a financial grant made unconditionally to all adult members of a society and prorated for their children. The grant is intended to be enough to guarantee everyone a minimum (poverty level) income whether or not they work or behave in any particular way. The basic income grant is related to the negative income tax but differs in one fundamental way. The intention of both is to end poverty with a financial grant from the state. However, the basic income grant is also intended to sever the vital nerve connecting work and income. The negative income tax, on the other hand, is intended to maintain a strong financial incentive to work by including a "claw-back provision" that reduces the amount of the grant by some proportion of the recipient's income, if they have any.

This book is a collection of 17 essays on the basic income grant with an introduction by the three editors and a foreword by Guy Standing, Director of the International Labor Organization. The book makes an excellent contribution to the literature in several specific areas. The quality of the essays is truly outstanding, with only one or two of them not piquing my interest and holding my attention. This volume provides the reader with a wide coverage of the subject. The coverage includes four excellent essays on historical context and background, four articles debating various ethical aspects, four articles exploring various empirical dimensions, and five articles describing and analyzing proposals from different countries. My review cannot include a discussion of all 17. I will focus on my five favorite. The reader will probably have a different set of favorites. Sorry, but I am writing this review. Write your own. The book certainly warrants doing so. In the order in which they appear in the book, my favorites are the following.

The essay, "In the Shadow of Speenhamland: Social Policy and the Old Poor Law" by Fred Block and Margaret Somers is an excellent economic history. It boldly challenges the conventional wisdom regarding the Speenhamland system of relief initiated in 1795 in an English town of that name located in Berkshire County. The authors show that the Speenhamland system of outdoor poor relief did not debauch the poor anywhere near the extent claimed by so many conventional observers and historians. The wrong-headed conventional wisdom they babbled was given an official stamp of approval by a Royal Commission Report of 1834, which Block and Somers state, "confirmed what the commission had set out to document in the first place" (p. 16). Block and Somers cast considerable doubt on the reactionary conclusions to which laissez-faire supporters jumped about the Speenhamland plan. Nevertheless, the belief that government aid to the poor is dysfunctional has become the conventional wisdom and has been used ever since to criticize government aid to the poor. Even today, right-thinking folk just know that welfare immiserates the poor. Block and Somers show that what right-thinking folk still think they know probably was not so even in the first place. In other words, the conventional wisdom on Speenhamland was based on very flimsy evidence.

The evidence regarding the effects of welfare is brought up to date in an essay that reinforces Block and Somers on Speenhamland. A half-dozen researchers interpret a remarkable series of field studies in "A Retrospective on the Negative Income Tax Experiments." The United States government conducted four experiments between 1968 and 1980. The experiments focused on the labor supply response to government grants of income. The response was expected to be negative and, as expected, was. The response, however, was small. Even though the small response posed no danger of debauching the poor or bankrupting the government, those who opposed government aid to the poor seized upon the small withdrawal of labor supply. The authors of this essay state, "The overriding problem is that the public is fed distorted information and false assertions based on it; yet, the politicians lack either the political will or the institutional capacity to restore integrity to national politics" (p. 102).

My next favorite by Steven Pressman, continues the empirical exploration in "Income Guarantees and the Equity-Efficiency Tradeoff." He begins where the essay quoted above leaves off. Pressman summarizes the results of the U.S. negative income tax experiments as follows: "All of the four experiments found that a negative income tax reduced work effort. Husbands, on average, reduced their labor supply by 7 percent, while wives and female heads of house reduced their labor supply by 17 percent on average" (p. 165). Of course, researchers generally ignored other responses to government grants of money to poor people such as positive effects on the supply of parental care to children and elderly folks, and negative effects on the supply of victims to abusive spouses. I was taught that economists are supposed to look at both the costs and benefits of policy, not just the costs. Oh well.

Pressman continues his follow-up of the negative income tax experiments in the United States with an international empirical comparison of how government income supports for the poor affect economic efficiency. As I expected, he found a slight positive effect. That is, government income supports for the poor actually increased economic efficiency. However, unfortunately for the unconventional wisdom, the effect was not statistically significant. Nevertheless, Pressman's empirical results show that the conventional wisdom is wrong. Government aid to the poor does not necessarily result in an overall decline in efficiency. Although his essay only allowed him to cite additional studies, Pressman concludes with, "Although the overall results are still inconclusive, a number of studies have found that income equality does not harm economic growth" (p. 178).

Next on my list is "Have the 1996 Welfare Reforms and Expansions of the Earned Income Tax Credit Eliminated the Need for a Basic Income Guarantee in the United States?" by James B. Bryan. In 1996, under the Clinton administration, fundamental changes were made in poverty policy. Bryan summarizes the changes by saying "In the United States today, employment is the key to obtaining income transfers" (p. 185). Temporary Assistance to Needy Families (TANF) and the Earned Income Tax Credit (EITC) have replaced the federal government's old Aid to Families with Dependent Children (AFDC) program. TANF now cedes authority to the fifty state governments, limits federal funding, imposes time limits on up to 80 percent of recipients, and imposes work requirements on many others. The EITC has been changed frequently by new legislation but it essentially involves a tax credit phased in up to a certain amount of income and then phased out as earned income rises above some peak.

Although the welfare roles have probably been reduced by the 1996 reforms, after careful empirical analysis Bryan concludes that just because the roles may have gone down does not mean the reforms should be called successful. He states, "Among the poorest of the poor (lowest quintile, single-mother families), total disposable income has fallen; and that decline has been in earned income as well as transfer income. Among the less poor, disposable income has changed little, but there have been notable changes in its composition. Earned income has increased but this has been offset almost entirely by decreases in transfer income" (p. 196).

My last of five favorites is "The Approval of the Basic Income Grant in Brazil" by Eduardo Matarazzo Suplicy. Suplicy is a co-founder of the Workers' Party and senator representing the Brazilian state of Sao Paulo. This essay differs from my other favorites in that it is political rather than empirical. Suplicy explains the political conditions that have resulted in Brazil being the first nation to phase in a basic income guarantee. Those conditions, he points out, are also present in South Africa. They include, in his view, huge inequality with extreme problems of crime, violence, and poverty within a developing nation possessed of an industrial core, a democratically elected government and a rich endowment of human and natural resources. He also points out something unexpected. Addressing developing countries, he says, "We must take into consideration that most developed nations today have income transfer programs to alleviate poverty and to complement the incomes of their population that have the effect of making their economies more competitive towards ours if we don't apply a form of income transfer" (p. 255).

Nevertheless, this collection of essays is superb, thought provoking, well researched, well written, and well edited. It is also priced too high. The poor cannot afford to buy it. Come to think of it, even their public libraries may have difficulty.

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