

THE BASIC INCOME GUARANTEE AND SOCIAL ECONOMICS

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Basic income guarantee (BIG) proposals have been around at least since Thomas Paine (1797) proposed a version of it. The idea is simple: the lowest income in the economy does not have to be zero. A small, but universal floor under everyone's income can eliminate the worst problems of destitution, while incorporating better work incentives than traditional redistributive programs based on categorical need. Over the years, under various names, and in various forms, BIG has been endorsed by people as diverse as Bertrand Russell, John Kenneth Galbraith, Milton Friedman, Richard Nixon, and Martin Luther King Junior. It gained a brief vogue under the names "guaranteed income" and "negative income tax" in the 1960s and 1970s as a scientific solution to poverty and as a way to simultaneously streamline and improve the welfare system. A heavily watered-down version proposed by the Nixon administration (called the Family Assistance Plan) passed the House of Representatives in 1971 and failed by only 10 votes in the Senate. But the policy fell out of the public eye by the 1980s when cutting the welfare system became more popular than improving it. Led by a popular movement in Europe BIG has been making its way back into discussion in policy circles.

The U.S. Basic Income Guarantee (USBIG) Network was founded in New York City in December of 1999. The USBIG Network is committed to generating discussion of BIG among academics, activists, and policymakers. Therefore, it is not tied to any specific form of BIG such as the negative income tax (which makes up income if private income falls), basic income (which provides an income to everyone regardless of other income), or basic capital (which provides a stake of investment capital or a share of

ownership). USBIG held its first conference on March 8 and 9 of 2002 at the City University of New York (CUNY) Graduate Center. The conference was co-sponsored by the CUNY Graduate Center, the Stony Brook University School of Social Welfare and the Citizen Policies Institute. About 100 authors, academics, activists, and students attended the conference where more than 40 papers were presented. Three of those papers appear in this symposium.

The guaranteed income movement of the 1970s was most closely associated with well-known neoclassical arguments for it, but idea of a basic income guarantee is also consistent with the main precepts of social economics, and it has already received some support by social economists. Three fundamental characteristics of social economics stand out as being relevant and important for the issue of the basic income guarantee.

First, social economists accept the existence of the common good over and above the individual good, and thus they recognize the possibility for a social dimension to economic analysis (Lutz 1999). Goals of the common good include making sure that the planet Earth remains unpolluted, establishing institutions that promote community and democracy, and ensuring that all people be respected as a matter of right or principle. Another common goal, which Lutz (1999, p. 41) attributes originally to Sismondi, is that “economies should be about fulfilling the basic material needs of all”. This, at bottom, is what the basic income guarantee attempt to do.

Second, most social economists accept the necessity of including value statements and moral questions within economic science. Some are concerned with both sides of the positive-normative divide. Others, for example, Dugger (1993) reject the normative-positive distinction entirely, seeing the function of social economists as making values explicit and helping us to make better value judgments. Similar arguments have been

made in the philosophical literature. The renowned Harvard philosopher Hilary Putnam (2002) argues that facts and values are frequently intertwined and inter-related in human actions, in language, and in human thought. One consequence of Putnam's case is that arguments regarding the basic income guarantee must be value-laden. This includes arguments in favor of the plan and also arguments opposed to the plan. Supporters of BIG cannot be rejected or dismissed because they engage in "policy advocacy" or "normative economics" rather than "hard, scientific economic analysis;" rejection of policy requires similar normative judgments.

Stickers (1993, p. 441) identifies social economists as those who persist in believing, like Adam Smith, that economics is at base moral philosophy. Not fearful of making value judgments, social economists can embrace the notion of a basic income guarantee because it contributes to equity, while also supporting it for economic reasons, such as its contribution to the common good.

Third, social economics sees people as social beings, meaning that individual decisions are made in a social context and that people live in a world containing other people. Life is not a game against nature, but a game we play with other human beings. Our choices are social choices and they are socially constrained. Social economists seek to describe the social side of human behavior and seek to change behaviors institutionally accepted as given in order to improve human choices, human relations and societal welfare. BIG would ensure that people have sufficient income and other resources in order to function adequately in society. As such, it can contribute to a well functioning social order and improve overall economic welfare.

Mainstream economists have also endorsed BIG (Hayek 1944; Friedman 1962; Friedman and Friedman 1980) because of its simplicity and its obvious advantages in

simplifying government antipoverty efforts; however, radical neo-liberal economists and many neoclassical economists have rejected any form of redistribution as contrary to the “tough love” policy necessary to give the lazy an incentive to enter the labor force by denying them a social safety net. This opposition to BIG can be criticized both from inside and from outside the domain of so-called value-neutral neoclassical economics. From inside, one must recognize that “tough love” policies, which give workers greater incentive to work, also give employers less incentive to pay livable wages and therefore may not prove very loving toward those workers. Many Americans make the value judgment that poverty wages are too low. A value-neutral economist cannot question that value judgment, but should instead limit herself to addressing the following question: If voters and policymakers want to increase the incomes of low-wage workers, what is the most efficient way to do that? The answer is the basic income guarantee (see Bryan in this volume). Few, if any, economists have the restraint to take the value judgments of voters and policy makers from granted, but if they are serious about value-neutral economics, this is what they will have to do. The statement “BIG should not be introduced if it causes a decrease in work effort,” is a *heavily* value-laden statement that must be rejected by any economist who takes the fact-value distinction seriously and believes in “values-free” science.

A criticism of this view from outside neoclassical economics would recognize that most people do not behave as neoclassical economists assert they must, and that the world is not configured in the simple way that neoclassical economists presuppose. As Robert Frank (1988) and others have pointed out, people vote, they donate blood, they engage in acts of heroism, and they refuse to defect in single-play prisoner’s dilemma games. None of this would be possible if people were only motivated by self-interest.

Altruistic behavior seems to exist side-by-side with selfish behavior (Widerquist 2003). Similarly, a good deal of psychological research, stemming from the work of Kahneman and Tversky, has demonstrated that people frequently act based on habits or heuristics rather than by following the axioms of economic rationality (Plous 1993). The question then becomes an empirical one—which of these forces on human nature is greater in various contexts? Do habits and altruistic behavior tend to trump neoclassical rationality when incomes are guaranteed, or will most people work less hard? There is some empirical evidence that government attempts to redistribute income do not adversely affect economic growth or labor efforts, at least given current levels of redistribution and current social mores (Pressman 2004). This evidence bodes well for the efficacy of a basic income guarantee.

Recent work in evolutionary game theory has argued that social interdependencies do matter. Many real world situations take the form of social dilemmas like the famous prisoner's dilemma (see Poundstone 1992). In these situations, what is rational based on short-run individual utility maximization yields outcomes that leave everyone worse off. The best possible results in social dilemmas arise when individuals follow norms of reciprocity and general social rules rather than engaging in selfish utility maximization. Moreover, evolutionary psychologists have produced substantial evidence that human beings have evolved in such a manner that they have the capacity to learn these norms and rules in order to gain from social interaction (Cosmides & Tooby 1992). Our genetic disposition towards not defecting in social situations implies that individuals may not shirk when given income guarantees. One important reason for this is that shirking generally leads to punishment. BIG punish shirkers by forcing them to live off the social minimum, which may be all the punishment we need. There is no certainty that the

current system of using homelessness as the punishment for shirking is necessary to keep the labor market functioning. From an evolutionary perspective, a basic income guarantee can be viewed as a social experiment designed to yield gains from cooperative behavior; but it is an experiment undertaken with the understanding that benefits can be reduced if it turns out that shirking behavior exceeds socially acceptable levels.

All this work, from many different perspectives and disciplines, calls into question the main objections to a basic income guarantee. It also supports the assumptions of social economics, and opens the door for policy proposals, like a basic income guarantee. The book review (below) by Joel Blau describes one BIG proposal for Ireland developed by Charles M.A. Clark. Clark would give a bit more than 100 Euros per week to working age adults, larger amounts to the elderly and smaller amounts to children. This would be financed by a flat tax. The papers that follow all develop the economic and philosophical case for such basic income guarantee plans from diverse perspectives and disciplines.

Economist James B. Bryan focuses on poverty reduction as a central goal of income policies but also attends to the effect of such policies on work incentives. After discussing some of the characteristics of the poor in the United States (e.g. some have varying degrees of disability, some work outside the home to varying degrees, etc.), Bryan looks at the extent to which the welfare reforms of the mid-1990's reduced poverty. He does so by focusing on trends in poverty during the period before the welfare reforms of mid-1990's, from 1993-1995, and trends during the period afterwards, from 1995-1996. He arrives at three conclusions: (1) the poverty gap among families with children continued to decline in the post-reform period but rate of decrease slowed down considerably; (2) among poor single mother families in the two poorest deciles, there

were reductions in disposable income; and (3) the reductions in disposable income were only partially offset by cash and in-kind programs such as the earned income tax credit (EITC) and food stamps.

Toward the end of his article, Bryan discusses how a basic income guarantee might address poverty and concludes that it could decrease poverty to a large extent while creating less work disincentives than the current package of the Temporary Assistance for Needy Families (TANF), workfare, food stamps, and EITC programs. Bryan attributes this to the high benefit-reduction rate associated with current programs versus the much smaller one that would be associated with basic income plans. From an economic point of view Bryan sees two arguments against the basic income. First, the volume of transfers needed to achieve an acceptable minimum income guarantee may be very high relative to that associated with more highly targeted programs. Second, to create small work disincentives for beneficiaries, the benefit reduction rate must be low. This would, in turn, create a small net donor population requiring a high marginal tax rate and a larger work disincentive for this group.

Philosopher Michael W. Howard's article is largely a discussion of the liberal neutrality principle, usually associated with the recently deceased philosopher John Rawls, and its relevance to the basic income debate. This principle roughly stipulates that an acceptable theory of justice is not biased toward any particular substantive conception of the good life. Howard's thesis, presented with the argumentative and analytic skills philosophers are known for, is that an income policy requiring some type of contribution to society is biased toward those whose conception of the good life involves such contribution; a basic income isn't biased in this way rendering it the more just policy.

The final article in this symposium is by political theorist Almaz Zelleke. Her concern is that social thinkers on both the right and left tend to agree that income policies should have work or social contribution requirements attached to them. After carefully discussing and offering criticisms of the arguments of thinkers, such as Mead, Kaus, White, and others who hold this view, she puts forth an alternative-- the market should be regarded as a sphere of citizenship no less important than the polity. That is, the liberty that we grant to citizens in the United States is as “tied” to the market as it is the right to partake in the political process. Thus, we should view income required to participate in the market as analogous to votes required to take part in the political process. We grant people the right to vote and, likewise, the basic income should be viewed as a right to “vote” in the marketplace.

These articles present an important glimpse into the current debate over the basic income guarantee; we hope that they will stimulate further inquiry by social economists interested in issues of poverty, justice and the common good.

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