

BIEN CONGRESS 2008

Moving to Basic Income – A Right-Wing Political Perspective

**Notes for an Address by:
Senator Hugh D. Segal
(Kingston-Frontenac-Leeds)**

***Check against delivery**

Friday, June 20th, 2008

4:00 – 5:30 PM

Dublin, Ireland

It is a rare privilege to have the opportunity to be at this gathering of so many who have led the scholarly efforts and the community and political ground work in support of a basic income. Ireland's remarkable leadership makes this rich and historic country a superb location for reflecting together on how we move the cause of fairness and inclusion forward.

For more than 30 years, I have been a cheerful, if lonely, Conservative proponent in Canada for a guaranteed annual income, or a basic income floor. It was at a Conservative policy conference at Niagara Falls in 1969 where, based on a paper from the party's research office, the Honourable Robert L. Stanfield and the Progressive Conservative Party of Canada first reflected on the benefits of a more efficient and humane income security system implied by a guaranteed annual income that would end rules-based, overlapping, income security programmes at the federal and provincial levels in favour of a "negative income-tax"-based universal income floor, responsibly above the poverty line. My preference for this solution is profoundly conservative.

Conservatives tend to be wary of government intellectual capacity and much more enthusiastic about the creativity and ability of citizens, families, small business and communities.

If governments in the western world have made a core mistake since World War II, it has been in their propensity, with the best of intentions, to design programmatic solutions to every challenge, in their desire to over-intellectualize and over-design micro-interventions in people's lives. It is a mistake made by Labour, Republican, Conservative, Gaullist, Socialist, Democratic, Progressive Conservative, Liberal and Christian Democratic governments alike – each in different ways, and all with positive intent. The case for the status quo in present governments' approaches might be sustainable if it could be argued that the present spider web of programmes (sticky enough to entrap but not strong enough to support) had produced real progress; less poverty overall; higher levels of return and enhanced productivity in the labour market; greater independence and increased consumer

confidence. Sadly, there is no such productive progress to report. For a conservative – who cares about efficiency and results, this failure counts and must be addressed.

As a Conservative, I am an enthusiastic capitalist and a champion of the good business can do – large and small – and I believe the time has come for a core change in our myriad of social support micro-measures and serious consideration of a universal income floor which will produce the most rapid gains on alleviating poverty - and the richest ground for simple design and affordability. If compassion on the issue of poverty is a virtue, then incompetence in addressing that issue is clearly a vice.

Individual and corporate taxation rates are directly related to the costs associated with our inefficient, duplicated and badly run social programmes, health care programmes and the costs of our policing and justice system. The correlation between all of the above input costs and the impact of poverty is seminal. But when

individuals, businesses and governments attempt to compartmentalize the effects of poverty – and disconnect poverty and its effects from overall economic success and efficiency, they deny the hard reality on the ground. Nelson Mandela once said: “insecurity for one is insecurity for all”.

If the state has the legitimate right, as a principle of progressive taxation, to a piece of your wages before you actually get them – surely, the principle of conservative balance between rights and responsibilities would imply that you have the right to support from the state when your income collapses. Pettifogging bureaucrats inquiring into your life because of badly designed, micro-focused welfare programmes is the kind of excess and state intrusion some on the left used to love. It brings social justice and respect for privacy into disrepute and gnaws at the respect for individual freedom conservatives are supposed to embrace. It is also wasteful of public funds and public time.

“Poor” is indeed a relative term. Individuals who live below an average standard of living are considered poor, but we must determine by whose standard of living is the comparison made? Obviously a poor rural Canadian or German is often much better off than his or her counterpart in the Third World. Europe and Canada’s social safety nets, considered some of the best in the world, do in fact, prevent the worst examples of absolute poverty. But we do not measure ourselves against the Third World, we measure ourselves against our neighbours.

The way governments bureaucratically seek to determine why income has collapsed still carries with it a moral judgement about the person whose income it is. Poverty is not a moral failing – as many narrow and moralistic 17th and 18th century social prejudices held. Poverty has many causes – most of which are not within our ability or purview to solve. Incomes collapse for a host of reasons; illness, infirmity, a pause to re-educate or build skills, age, youth, local and massive job evaporation, addiction and lack

of education or training. The principle that every citizen should have the right to dependable bridging support at liveable levels when there is income collapse is a fair balance to the principle that the state has the right to deduct tax at source from the income an individual earns. It would be the ultimate socialist excess to suggest that the state has an “a priori” right to take money from the salaried citizen for its general purposes, but has no concurrent obligation to respond to a citizen’s income collapse.

Those who argue that a guaranteed annual income/negative income tax would break the bank should first reflect on what we are now spending, in some cases quite wastefully. The MacDonald Royal Commission on Canada’s Economic Union and Development prospects reviewed the income security spending of the 1980s. Highlights included Unemployment Insurance at 11.6 billion, Old Age Security at 11.4 billion, Social Assistance at 6.6 billion, Family Allowance at 2.4 billion, Child Tax Exemptions at 1.4 billion, a Child Tax Credit of 1.1 billion and married

exemptions at 2 billion even. If you included the basic exemption - which is supposed to reflect the progressive nature of our tax system – one could have added another 14 billion. This still left out native programmes, veterans’ pensions and training allowances. In fact, when combined with provincial expenditures, and excluding the personal basic tax exemption, the total reached \$61 billion Canadian – and that was a 25 years ago.

Today, according to 2004 numbers and based on available data, the total Canadian government (both federal and provincial) transfer payments to persons was 130 BILLION dollars, more than double the MacDonald Commission numbers – excluding health care and education. This included all programmes mentioned plus the universal GST (our value added tax) credit. So replacing some of these with a more humane and efficient basic income is hardly a question of wasteful or even new spending. We have large, well-intentioned spending machines now operating under a huge set of different rule books and eligibility criteria. And the percentage of

our society at home who lives beneath the poverty line has not changed in the last decade. And it is appreciably worse among rural and First Nation Canadians in my own country.

Governments, being more about rules than about people, have felt comfortable with programs that respond to income collapse only for collectively defined statutory groups (“unemployed,” “aged,” “handicapped,” “injured in the workplace,” “veteran,” “child”). Those were seen as the categories for which voters would accept income support. As a result, many countries have simply lacked the courage to shape any framework that responds to income collapse without regard to age, occupation, location, employment or disability.

It would be hard in any area of public policy to find one approach that could count amongst its supporters Sir Winston Churchill, Richard Nixon, Milton Friedman, the Rt. Hon Robert Stanfield or Senator Patrick Moynahan, but a basic income floor,

or a negative income tax would meet that test. I agree with Mr. Churchill, who as a defeated Conservative post-war, abhorred the state imposing limits on how well one could do but also embraced the need for a clear income “ballustrade” against which all could lean when trouble hits. It was a Liberal Senator in Canada, the Hon. David Croll, who led a senate committee study on poverty which reported in 1971. I quote him now: *“If the social welfare business of Canada had been in the private sector, it would have long ago been declared bankrupt. The reasons are not hard to find. Resistance to change, a stubborn refusal to modernize its thinking, a failure to understand the root causes of poverty, inadequate research and the bureaucracy digging in to preserve itself and the status quo, are some of the basic causes of the dilemma in which we find ourselves today.* These same words can be applied today to many industrialized countries blessed with a wealth of riches and a too large portion of their population still marginalized.

The political science theory of “path dependency” suggests that it is easier to continue on in an existing furrow than propel oneself out of that furrow to head in a new direction. This is especially true with entrenched bureaucracies, however well-meaning. In all bureaucracies, private or public, provincial, federal or municipal, the apostles of inertia rely usually on a gospel of complexity. But the twin forces of unimpeded, planet-wide capital mobility and the massive diffusion of information technologies mean the end of the traditional work patterns. This will continue to mean huge economic dislocation for millions of people in the industrialized world. In regions with traditional and thus declining industries: fisheries, lumber, pulp and paper, mining, manufacturing and refining, employment devastation is particularly oppressive.

Why should conservatives care? The answer is very simple. The Conservative view of the world seeks a society that respects democratically legitimate laws that produce the kind of order and

civility within which individuals have the freedom to make their own life choices. Order is not about the threat of force. It is about, in the civilized world, societies of structure, balance, freedom and cohesion. Socialists and turbo-charged liberals often seek the policies that promote a basic equality of outcome. Conservatives are for the equality of opportunity that allows people to make the best choices for their families, their communities, their enterprise and themselves. And those choices are best left in the hands of citizens and not overtaken or assumed by governments who, however well-intentioned, cannot decide for individuals what individuals decide for themselves.

The welfare system across large parts of the world assumes the poor have no choices – so others design choices that hem in their lives, diminish their humanity, make them captives of decisions made by other people. These micro-managed programmes become the bars of a prison that destroy the soul, dilute initiative and repress freedom. A basic income structure that

becomes the dependable base of liveable income for all would liberate the individual who falls beneath the poverty line to build and survive anew and seek a better future for themselves.

Confusing the eradication of poverty with the utterly unpredictable economies of work incentives is like confusing the construction of a home's structural foundation with the window coverings on the third floor. Of one thing every conservative is clear, without a solid foundation there will be no home at all. A basic living income is a rational foundation for a free society where freedom from fear and economic collapse helps sustain the very architecture of civility.

This requires a whole-society approach because all the most wealthy among us can be made seriously poor by events beyond our control. The closing of a plant, a bank crisis, the end of a fishery, a natural disaster, unplanned disability or illness are all realities that are but one event away for any among us.

Dysfunctional parenting, a home with substance abuse or abject poverty can all produce young, able-bodied people who cannot earn effectively. Student debt can be crushing. Farm commodity price collapse can put even the most industrious into poverty.

Milton Freedman, one the great post-war Nobel Prize winning conservative economists put the case this way: “Two things seem clear. First, if the objective is to alleviate poverty, we should have a programme directed at helping the poor. There is every reason to help the poor man who happens to be a farmer, not because he is a farmer, but because he is poor. The programme should be designed to help people as people not as members of particular occupational groups or age groups or wage-rate groups or labour organizations or industries.”

“People as people.” What a simple, uncluttered, undiluted, unqualified, undiminished, non-judgmental concept. People as people have a right to live above the poverty line. And they do not

need a welfare officer behind plexi-glass somewhere to tell them how.

The price the poor pay for the continued sclerotic and inefficient nature of our income security programmes is, in human terms, very high. The price the rest of society pays for the pathologies often associated with poverty is frightening, expensive and destructive of productivity and efficiency:

- the poor get sick first and stay sick longer; the poor have more serious literacy problems;
- the poor are more often involved in crime, substance abuse and are wildly over represented in our expensive and expanding jails and penal system – and produce the largest amount of the workload for our police forces.

Friedman had a view of government that can be summarized with one of his more famous conservative quotations when reflecting on his own government: "If you put the federal government in charge of the Sahara Desert, in five years there'd be a shortage of sand." His belief was that the individual was more able to manage his or her money than the bloated government bureaucracies and his intention was to create a system that cost less than the welfare system but produced more money for the poor, and which avoided the degrading nature of welfare.

If it is done right, instituting a basic living income could diminish federal-provincial and labour-management tensions in my own country. If it is done right, it could, over time, reduce the waste factor of state spending while increasing aid to and the privacy and dignity of those who fall behind.

For some in government and academe, a basic income floor is too troublesome, too bold a stroke and insufficiently deferential to all that has come before.

The mechanics of a Basic Living Income are not insoluble. In many countries, as the workshops at this conference underline, pieces are already in place. The challenge is to proceed to constructive and simple design as quickly as possible.

Such a design should have simple and clear principles:

1. Everyone who falls beneath the established poverty line is automatically eligible without exception.
2. There can be no massive, rules-based programme; no massive micro-intervention; no public means test or interrogation at the welfare office; no embarrassment for the recipient.
3. A modern, productive and economically value-added country requires a clear, efficient, sustainable and direct means of bridging

actually or previously productive citizens who fall behind, they must have a bridge – a passageway, a “life-cost” allowance which sees them through the rough spots.

4. Special programmes for the aged, the disabled, for education or healthcare need not be replaced and should not be diminished.

5. Benefits achieved by consolidating all other welfare into one basic living income – whether by universal tax-free grants or negative income tax, should be used to make the basic living income level as generous as a society can afford.

Poverty is bad for society and it is about time that we also admit that poverty is bad for business.

When we consider a basic living income and cost elements for any modern society, we would also tabulate existing welfare costs, general social assistance costs, exclusive of education, health care and seniors Pension and Old Age Security entitlements, and add to those calculations the cost of the prison and justice system,

children's aid and family violence and the loss to our society of the sick days, court days and unemployment caused by illiteracy and the cost of the work and family disincentives in our present system. These costs will diminish when no Canadian is forced to live in poverty. Lars Osberg, a distinguished Dalhousie University economist, has suggested that 13.7 billion would be needed, (using Canada National Statistical Agency 2005 numbers, determining Low Income Cut Off (after tax) gaps for all Canadians) to raise all who are “below LICO” above the poverty line. Indeed this is a small number – and the savings elsewhere and return on investment would be significant.

I have made the argument in the Canadian Senate, when speaking at conservative policy forums and when speaking with representatives from corporate Canada that reducing the percentage of our population who are poor is the least expensive, the most effective method of stemming poverty. It is also the most cost-effective and human way to strengthen the determinants of

public health and better educational outcomes, vital to a productive and successful economy.

Let me quote a favourite Tory statesman of mine – a Prime Minister who fought against the two Englands of poverty and landed wealth – and espoused the initial social reform in Victorian society that made him the proponent of a “one nation” Toryism that has, when adopted by them, always underlined the success of conservative parties around the world ever since. Disraeli said: “There can be no economy where there is no efficiency...”. He argued in an address to his constituents in 1868: “Increased means and increased leisure are the two civilizers of man”. He put forward in a speech at Manchester in 1872: “the palace is not safe when the cottage is not happy”.

We cannot bridge our fellow citizens who are down on their luck competently if we do so inefficiently; we cannot deny our fellow citizens who are poor what they need to live and breathe at more than subsistence; we will not preserve the right for the able,

successful and better off to excel and succeed even more – something conservatives dearly embrace as a society’s strength – if we do not give those on the outside of the economic mainstream their chance to be part of the larger society – with dignity and self-respect.

Never in social policy has the opportunity for getting out of a go-nowhere policy rut been more compelling. This is the kind of modernization of the state, the kind of investment in productivity and equality of opportunity that should be embraced by every conservative who values the glory of freedom and the underpinnings of order and civility.

We cannot tolerate partial generations with their nose pressed up at the window of a society they cannot afford to join. We can end the poverty line for millions, and say to all our fellow citizens, we know the cost of food, shelter, heat, clothes and can ensure that none among us will have less than what is respectably necessary. And with this great, productive, efficient step ahead, we can

underline a society's values, decency, respect for the human condition, and embrace of Disraeli's view that, whether rich or poor, we are all one economic family organically linked to one another. The old solution, the old pathology, the old demeaning approaches are not good enough anymore. That step would be a mark of civility and humanity. It would be a new kind of leadership that could move the world, and above all, change the lives of millions of our fellow citizens, our neighbours and members of the larger family. And if Conservatives believe in anything, we believe desperately in family.