

THE HISTORY OF THE BASIC INCOME GUARANTEE IN THE UNITED STATES

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Introduction

Show book – good news and bad news - holds up well – we’ve made slim progress.

Preview

- 1) Give a historical context of the Guaranteed Income movement – great political attention and tangible results in the 1960s and 70s. Discuss rise and fall of Negative Income Tax legislation in Congress, the NIT experiments, and the Alaska Permanent Fund.
- 2) Discuss recent movement for BIG – Although BIG is farther from the mainstream than in the 70s, many recent proposals move in the direction of BIG.

Define BIG

- 1) BIG is the unconditional government-ensured guarantee that all citizens will have enough income to meet their basic needs without a work requirement.
- 2) Two main versions – BIG and NIT. BIG provides a small income to *all* people whether they have other income or not. The NIT provides that income only to those who lack sufficient other income. Reading about BIG can be confusing because these terms are used in different ways by different people. Any policy that gets cash into the hands of people without saddling them with conditions or supervision moves in the direction of BIG.

History of Poverty

Poverty and economic inequality have been around forever. Some shrug and say “the poor shall always be with us” and move on. Others, like the Good Samaritan in the Bible, helped the homeless man after others had passed him by.

In western civilizations, churches have always been a traditional source of trying to help. But it was never enough. Charles Dickens wrote about the grinding poverty and the work houses of 19th century England.

Many societies did not allow poverty. Such as some Native Americans, who set up social structures where people were members of a community and no one starved.

But in western capitalistic nations, there was never much government aid until the 1930s. In the USA, President Roosevelt established jobs programs like the CCC and WPA. In 1935, Congress passed Social Security for the elderly and disabled.

(Show brochure) After World War II, people in European nations felt a need to protect everyone. Article 25 of the Universal Declaration of Human Rights of the United Nations, approved in 1948, said: *Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing, medical care, and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.*” The United States signed on.

Most European nations established national health care and social programs to try to limit poverty and homelessness. But, despite the reforms of FDR, in the USA in 1960, 39 million people – 20% of the population - still lived below the poverty level.

War on Poverty

Under the names of Guaranteed Income and the NIT, BIG seemed to appear out of nowhere and onto the mainstream policy agenda in the mid-1960s. The idea had been discussed in academic circles as far back as the 1940s, but suddenly academics, policymakers, and welfare activists all seemed to be hitting on the same idea that we should replace many of the different policies designed to target specific groups with one simplified, comprehensive policy to ensure that everyone had a little money.

At the time, in 1964 President Lyndon Johnson declared a War on Poverty. People were looking for ideas.

Market oriented economists such as Milton Friedman and F.A. Hayek endorsed the NIT approach. *(Show brochure)* Friedman wrote: *We should replace the ragbag of specific welfare programs with a single comprehensive program of income supplements in cash – a negative income tax. It would provide an assured minimum to all persons in need, regardless of the reasons for their need.*

Progressive economists, such as John Kenneth Galbraith, James Tobin, and Herbert Simon endorsed versions of the guaranteed income. Books were written by sociologist Erich Fromm, economist Robert Theobald, and theologian Philip Wogaman.

In 1967, Martin Luther King, Jr. endorsed the idea, writing:

I am now convinced that the simplest solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income. A host of psychological changes inevitably will result from widespread economic security.

In 1969, a Presidential Commission recommended, 22-0, that the U.S. should adopt a guaranteed income for every needy American with no work requirements. The National Council of Churches, by a vote of 107-1, agreed. So did the Kerner Commission, the California Democratic Council, the Republican Ripon Society, and the 1972 Democratic Party platform.

Johnson did not embrace the BIG model. Most of his policies were expanded and more generous versions of the tradition, welfare state model, which included conditional programs targeted at specific groups. By 1969, government benefits increased and the number of people living in poverty in America dropped to 25 million – about 12.5% of the population.

In 1969, President Richard Nixon proposed his Family Assistance Plan (FAP) calling it: “the most significant piece of social legislation in our nation’s history.”

It was structured like an NIT, but it was watered-down with eligibility limits and work requirements in hopes of increasing its political appeal. For a family of four, with no outside income, the basic federal payment would have been \$1600 a year. States could add to that amount.

Under FAP, anyone who accepted benefits was required to accept work or training. The only exceptions would be those unable to work and mothers of preschool children.

FAP received wide support. Editorials were 95% favorable. “A new and promising approach” (*Business Week*), “A bold new blueprint” (*Los Angeles Times*), and “A Giant Leap Forward” (*Chicago Sun Times*).

The bill found supporters on both left and right, but it also found opposition on both left and right. Southern and conservative Senators generally opposed the bill because they felt the minimum (\$133 a month for a family of four) was too high. They also opposed the principle of a guaranteed income. “Cost is not the problem,” Louisiana Democratic Senator Russell Long said: “The objection is paying people not to work.”

Some liberal Senators opposed FAP because they felt it was inadequate and repressive. They called it “Guaranteed Annual Poverty.” The National Association of Social Workers and the National Welfare Rights Organization felt the benefit level was inadequate and the work requirements oppressive.”

FAP passed the House of Representatives, 243-155, on April 15, 1970. On November 20, 1970, after many amendments, FAP was defeated, 10-6, in the Senate Finance Committee. Senator Moynihan, a New York Democrat, said: “After a year and a half of debate, it was not likely that as many as a dozen U.S. Senators understood the bill. In politics, a certain patience is demanded. The idea of a guaranteed income came precipitously to public affairs. Few were prepared. Time should remedy this.”

Indeed, FAP proved to be the high-water mark of the guaranteed income movement in the United States. In 1972, FAP was modified and again debated in Congress. It again easily passed the House of Representatives. It was defeated by only 10 votes in the Senate.

A few years later, President Jimmy Carter proposed a *Program for Better Jobs and Income*. The plan would have abolished several conditional welfare programs, and replaced them with a single, national cash payment – about \$3800 a year for a family of four. Although the bill retained some of the elements of an NIT, its more restrictive qualifications made it less of an income guarantee. The plan died without being debated by either House of Congress.

In the early 80s, the mood in Washington changed. Politicians turned to scaling back the welfare system rather than improving and expanding it. Substantial reform along the BIG model has not been discussed at the federal level since.

Around 1982, homeless people reappeared on U.S. streets for the first time since the Depression. Soup kitchens sprang up. This trend culminated in the 1996 welfare reform bill, which replaced the 60-year-old federal program called Aid to Families with Dependent Children (AFDC) with a new program called Temporary Assistance to Needy Families (TANF).

Instead of moving toward the BIG model, TANF moved away from it. It added work conditions to a program that had already been conditional on parenthood. It removed what had been a permanent guarantee of assistance for qualifying families and replaced it with a limited time of eligibility for any recipient.

TANF reduced welfare rolls, but it did not reduce poverty. It dumped many recipients into poverty-wage jobs. Government figures showed that 43.6 million Americans still lived below the poverty level in 2009 – 14.3% of the population.

The social problems that brought BIG to consideration in 1969 persist today.

Offshoots of the Guaranteed Income Movement

Although the guaranteed income movement fell short of establishing a national BIG in the 1970s, the movement did produce several tangible results.

- + In 1974, Congress passed Supplemental Security Income (SSI) – essentially an NIT for people over 65.

- + Food stamps were gradually created and expanded beginning in 1964 and became a fully national program in 1974.

- + In 1976, Congress passed The Earned Income Tax Credit (EITC), which gives money in the form of a “refundable tax credit” to low income workers. The EITC is not a BIG because one has to earn income privately to receive it, but it is a negative income tax in the sense that government pays low-income workers instead of asking them to pay into the government.

The Negative Income Tax Experiments

One of the most significant outcomes of the guaranteed income movement of the 1960s and 70s was the federal government's decision to conduct four experiments to see how the idea would work in practice. Known collectively as the NIT experiments, they were the first large-scale social science experiments ever conducted, and they have been a model for social science research ever since.

The researchers who conducted the experiments were aware that unconditional income support would cause people to work less than they otherwise would, but how much less? Would it be so much that the program would become unaffordable or unsustainable?

The experiments randomly assigned participants into a "treatment group" and a "control group," just as medical researchers do when testing new drugs. Members of the treatment group were made eligible for an NIT of varying sizes. Members of the control group continued under the existing welfare rules of their state.

The work effort effects were small. The time spent working by males receiving the NIT was only 5 to 8% less than that of the control group on average in the four experiments. Women with children had a larger effect, in the range of 7% to 21%. These were women who chose to spend less time working and more time taking care of their children.

One researcher said: "In no case is there evidence of a massive withdrawal from the labor force." Many husbands took time off to look for a better job. None of the researchers found evidence of people who simply stopped working or looking for work so they could live off the NIT.

Despite the positive results, their publication was a public relations disaster. Editorial writers believed that *any* size of work effort reduction was too much. Many misinterpreted a 5% work reduction to mean that 5% of the population would stop working. Senator Moynihan lost enthusiasm for the idea when the results came in.

Although the NIT experiments had a negative effect on public perception of BIG, when looked at closely, their results provide strong reason to believe the policy is beneficial and affordable.

Alaska's Permanent Fund Dividend

Perhaps the most important outcome of the guaranteed income movement of the 1960s and 70s happened not at the federal level but in the state of Alaska.

Tomorrow, three sessions and 11 speakers will focus on the Alaska Permanent Fund. Suffice it to say now that Alaska, since 1982, has distributed a portion of its oil royalties to every Alaska citizen. Last year, every man, woman, and child received a check for \$1281.

It's fair to say that the Fund was an outcome of the guaranteed income movement because many Alaskan legislators, most importantly Governor Jay Hammond, were aware of and influenced by it.

The PF is the closest thing to a basic income that exists in the world today. It is hugely popular in Alaska and many regional and national governments around the world are considering imitating it. The PF is one of the reasons why Alaska has one of the lowest poverty rates in the United States, why it is the most economically equal state, and why it is the only state in which equality has been rising for the last 20 years.

Part Two: The Current Discussion of BIG in the United States

The current movement is clearly made of academics and activists who are aware that it is a long road to get the idea back onto the mainstream political agenda in the United States.

One attempt that has seen some success is the refundable Child Tax Credit, officially called the “Additional Child Tax Credit.” Since 1998, the CTC has made a portion of the Child Tax Credit refundable. Like the EITC, the CTC allows people whose income is so low that they pay little or no federal income tax to receive part of their tax credit in cash. The amount started at \$400 per child in 1998 and it has since risen to \$1000. This policy follows the BIG model in the sense that it gets cash into the hands of the caregivers of all children unconditionally.

One proposal from the right incorporates a very small BIG. The so-called “Fair Tax” movement wants to replace the income tax and all other federal taxes with a national sales tax. Part of the revenue from the tax would be redistributed in the form of a very small dividend designed to ensure that no person living in poverty is a net taxpayer.

The Standard Tax Credit Proposal

At the first USBIG Conference in New York City in 2002, Stanley Aronowitz, one of the featured speakers tomorrow night, told the audience that USBIG needed a BIG bill in the U.S. Congress. The purpose of the bill would be to act as a vehicle to use as a rallying point to generate support for the idea of a BIG.

In 2004, Congressman Bob Filner, a Democrat from California, agreed and asked the USBIG Committee to draft a proposal for the bill. Karl Widerquist, myself, and others volunteered.

We would have preferred a bill for a full BIG large enough to eliminate poverty. But, in keeping with the times, Filner asked for something smaller and more incremental. We decided to work with the idea of refundable tax credits which, in the form of the EITC and the CTC, have proved successful ways of moving the U.S. in the BIG direction. We came up with the idea of transforming the standard tax deduction, which everyone who files a tax return can receive, into a refundable tax credit. It would establish a small but universal BIG in the United States and, significantly, increasing the relief directed to the poorest Americans.

The plan was simple. It removed the line for the standard deduction – and personal exemptions – from the federal income forms and replaced it with a line for the standard tax credit at the bottom of the form. All tax rates would remain the same.

An STC of \$2000 for each adult and \$1000 for each child would create a tax cut for everyone with an income under about \$50,000 per year.

Response to the Standard Tax Credit Proposal

Filner had the legal staff of Congress transform this proposal into legal language. On May 2, 2006, Filner formally introduced “The Tax Cut for the Rest of Us” Act. It was given the number HR 5257. The preamble to the bill read: “To amend the Internal Revenue Code of 1986 to provide a basic income guarantee in the form of a refundable tax credit for taxpayers who do not itemize deductions.” The bill was referred to the House Ways and Means Committee.

Steve Shafarman, myself, and others returned to Capitol Hill several times to promote the bill. Some Congressional aides thought HR 5257 was “brilliant.” Others also liked the idea, but felt the cost – estimated at an annual \$186 billion – was too steep. And others questioned whether “paying people not to work” was the way to go.

Generally, people over age 50 were familiar with BIG from FAP and other proposals in the 1970s. But those under age 50 had never heard of BIG, and had to be carefully walked through the idea. A few said that BIG might have been viable in the 1960s, but not now.

Conclusion

The issue of poverty remains unpopular in the United States. No political candidate – with the one exception of John Edwards – ever mentions the word. No major reform proposal aimed at increasing aid to the poor has been seriously discussed since the defeat of Carter’s Program for Better Jobs and Income in 1979.

But political moods change, sometimes quickly and surprisingly.

The United States is still an important arena for BIG. It was the first to have a mainstream national political movement for BIG. Under the FAP bill of 1970, the United States came closer than any other country to introducing a nationwide BIG. The state of Alaska has the world’s first BIG, if only a partial one, in the form of the Alaska Permanent Fund.

Given the political climate, BIG supporters have concentrated on making sure they have a well-thought out proposal ready, and to push for reforms that move in the direction of BIG.

Refundable tax credits, such as the EITC and the CTC, have already proved successful and popular.

Tomorrow night, Charles Murray, author of *In Our Hands*, is a featured speaker at our Conference. In his book, he sums it up well, writing:

“America’s population is wealthier than any in history. Every year, the American government redistributes more than a trillion dollars of that wealth to provide for retirement, health care, and the alleviation of poverty. We still have millions of people without comfortable retirements, without adequate health care, and living in poverty. Only a government can spend so much money so ineffectually. The solution is to give the money to the people.”

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