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Citizen's Basic Income

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Alongside the expansion of government services, such as education, health care, and sanitation, as well as development programs for agrarian reform and micro-credit, another formidable instrument for eradicating absolute poverty and improving income inequality in the world is the *citizen's basic income* (CBI). Such a sensible solution is already being instituted to varying degrees in certain parts of the world, such as Brazil. This paper seeks to answer if and when cash transfers will be provided in Brazil on a universal basis, without eligibility controls or limits. Is there a way everyone can benefit?

I. FROM BOLSA FAMÍLIA TO THE CITIZEN'S BASIC INCOME

In October 2003, Brazilian President Luiz Inácio Lula da Silva launched the conditional cash transfer program *Bolsa Família* as a means of eradicating absolute poverty. All families with a monthly income less than R\$120 per capita (implying a situation of poverty) and dependent children under 15 years of age are eligible for the program. If the family's per capita income does not surpass R\$60 (indicating a situation of extreme

poverty), it receives a basic payment of R\$50 plus R\$15 each for up to three dependents. For families in this category, total benefits shall not exceed R\$95 per month. If the family's per capita income falls between R\$60 and R\$120, it receives no additional benefit beyond a stipend of R\$15 per dependent, limiting total benefits to R\$45 per month. In order to receive the cash transfer, families must demonstrate that their children of less than six years of age are vaccinated in accordance with Ministry of Health dictates and are regularly visiting the government health centers for physicals. Furthermore, children between ages six and 16 must attend school at least 85 percent of the time. Parents, whenever possible, should attend literacy or professional courses.

The creation of Bolsa Família unified four existing income programs: *Bolsa Escola* (School Scholarships), *Bolsa Alimentação* (Food Aid), *Auxílio-Gás* (Gas Subsidies) and *Cartão Alimentação* (Food Cards). At the time of their unification, around 5 million families were registered in Bolsa Escola, 1.7 million in Bolsa Alimentação, 774,000 in Cartão Alimentação, and 9.7 million in Auxílio-Gás.



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Many participants were receiving more than one benefit: on average, each participating family was enrolled in 1.8 programs. In December 2003, the Bolsa Família program was reaching 3.5 million families; by December 2005, the number had reached 8.7 million. By June 2006, the program targeted 11.2 million families, just short of 100 percent of families with a monthly per capita income below R\$100.¹ Since each family has an average of four members, 11.2 million families corresponds to almost 45 million people. Based on a January 2006 estimate placing the number of Brazilians at 185 million, Bolsa Família reaches one quarter of the total population.

The federal government has set aside R\$9 billion a year for the program to cover the estimated average cost of R\$64 per family per month (as of November 2005). Another source of revenue is the government portion of the *Contribuição sobre Movimentações Financeiras* (Financial Movements Contribution) receipt. This fund originates from the 0.38 percent tax levied on each financial movement, of which 0.08 percent is destined to the *Fundo de Combate a Pobreza* (Fight against Poverty Fund). Considering the extensive targets of Bolsa Família, and when compared with other items on the budget, this is not an exceptional amount. For example, the interest on the public debt at three levels of government (federal, state and municipal) between 2003 and 2005 equates to R\$145.2 bil-

lion, R\$128.2 billion and R\$157.1 billion, respectively, according to the Central Bank Bulletin.

Today, providing the basic minimum to Brazilians in need requires a meticulous verification process for program eligibility. As the press has already reported, it is often difficult to check the income of each family member, especially those working in the informal economy. How does the government control for possible variations on economic status and income? Are enough controls supplied by the observations of neighbors and the press, who monitor the tangible benefits from Bolsa Família to each family? Is there a way to solve this problem and simplify the verification process? Yes, in the form of Law 10.835/2004, approved by the National Congress in 2003 and sanctioned by President Lula on January 8, 2004. This law gradually implements the CBI.

WHAT IS LAW 10.835/2004?

The Law of Citizen's Basic Income guarantees the right of all Brazilians, regardless of their socioeconomic status, to receive an annual cash transfer. This program's incorporation will be accomplished in numerous stages, with priority given to the more vulnerable segments of society. The transfers, made in monthly installments, are to be enough to meet the needs of each person within the context of the country's development and budget possibilities.

1. FONSECA, Ana M.M. and ROQUETE, Cláudio. "Proteção social e programas de transferência de renda: o Bolsa-Família", In: VIANA, Ana L.A.; ELIAS, Paulo E.M.; IBÁÑES, Nelson. *Proteção Social. Dilemas e desafios*. São Paulo: Editora Hucitec, 2005, p. 147. In April 2006, the government announced that it would raise this level to R\$120 and increase the value of the benefit will by 20 percent to adjust for the increase in the price index since the Bolsa Família program was launched in 2003.

The Latin American Program serves as a bridge between the United States and Latin America, encouraging a free flow of information and dialogue between the two regions. The Program also provides a nonpartisan forum for discussing Latin American and Caribbean issues in Washington, D.C., and for bringing these issues to the attention of opinion leaders and policy makers throughout the Western hemisphere. The Program sponsors major initiatives on democratic governance, conflict resolution, international relations, hemispheric security, U.S.-Brazilian relations and U.S.-Mexican relations.

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The amount awarded will have to take into consideration the constraints mandated by fiscal responsibility. For 2005 and 2006, as the government defines the expansion of the Bolsa Família program's targets, it will necessarily comply with the steps elaborated in Law 10.835/2004 to accomplish the CBI. Future laws related to the five-year plan and the budget guidelines, should specify cancellations and transfers of expenditure as well as any other measures necessary for the implementation of the CBI Program.

All Brazilians with high and low levels of income, including those that already have more than the necessary means for survival, will receive the CBI. Why include those who already have enough for their own survival? This is the most efficient way to effectively reach all impoverished people. Brazil will see the following benefits:

- elimination of all bureaucracy involved in determining individual incomes for the purpose of receiving the cash transfer;
- ridding the stigma that discourages individuals from revealing their low income level in order to receive government assistance;
- facility in expressing a universal entitlement in which everyone is eligible to receive an equal basic income and the straightforward process for obtaining it;
- the end of the dependency phenomenon caused by poverty and unemployment traps in programs defining the right to a benefit based upon income level, as these programs deter individuals from pursuing economic activity with the knowledge that the government will halt benefits when this activity increases her income and makes her ineligible—with the CBI, any increase resulting from work and personal initiative will not affect the guarantee of equal benefits for all citizens;
- ensuring that individuals' personal economic standing will improve regardless of employment standing, given that they can keep the full amount of the basic income whether or not they are employed;
- there will be no more incentive for the employee not to be formally registered as happens sometimes today in Brazil when a person tries not to lose the right to the Bolsa Família Program;
- increased employment, creating a subsequent increase in demand for goods and services of necessity that works as an incentive for economic growth;
- remuneration for activities that are not traditionally considered to be economically relevant, such as child-rearing, caring for the elderly, and other activities which help to improve society (participation in the arts, community associations, religious organizations, etc.); and
- extension of the right to private property protected in the Brazilian Constitution, giving all individuals a right to an income—currently, landowners are permitted to earn an income in the form of profits, rents, and interest without conditions for participation in the economy, so why should not all citizens be ensured the rights of partners in the country and receive a modest income, guaranteeing them the right of full citizenship?

Over the last 15 years, this author has spoken on the advantages of the CBI to universities, trade unions, business associations, and civil society organizations, and in national forums throughout Brazil. While the sanctioning of Law 10.835/2004 is the first step, successful implementation requires the support of Brazilian society. When examining the bill in the Senate, Senator Francelino Pereira (PFL-MG) was assigned to the Committee on Economic Matters as a rapporteur. Upon analyzing the proposal, he considered it favorably but proposed a more gradual introduction in order to comply with the Laws of Fiscal Responsibility. The Senate soon agreed on this principle, helping reach a consensus in the Senate with only a few objections coming from the Chamber of Deputies. The idea of gradual implementation and the decision to place initial priority on extending the program to citizens with the greatest need (until it could feasibly be extended and delivered to everyone),



enabled Minister of Finance Antonio Palocci to convince President Lula of its feasibility, leading the president to sanction the new law.

Yet even governments with the best intentions and ideals can only act in accordance with the will of society.² This report explores the fundamentals of the proposal for a CBI, its beginnings, and the results of similar experiences in several countries around the world. It will also explore how the proposal is consistent with the hopes of Brazilians and of humanity for justice, equality, freedom, fraternity, solidarity and democracy. It is an idea that is increasingly winning the support of economists, philosophers, and social scientists from across a large spectrum of thought.

II. THE BASIC IDEA

The fundamental idea for the CBI has its roots in ancient history. Writing in the sixth century BCE, Confucius observed that “uncertainty is even worse than poverty.”³ This work intends to demonstrate that the eradication of absolute poverty and the construction of a more equal and fair society can be achieved with the CBI—the right of all individuals to share in the wealth of the nation by way of a modest income that guarantees that they can meet their basic needs.

Aristotle wrote that the objective of politics is a fair life achieved by the common good. However, for all individuals in the state to achieve a fair life, it is necessary to establish political justice, which should be preceded by a distributive justice created by law.⁴ Karl Marx presented similar ideas on justice when he wrote of man’s mature form of behavior in society: “from each according to his ability, to each according to his need.”⁵ According to John Kenneth Galbraith, Marx’s conception of justice found in *Critique of the Gotha Program* of 1875 had a more revolutionary effect than did even *Das Kapital*.⁶

In 1992, this author delivered a lecture to several religious communities explaining how numerous economists had defended the idea of a

universal minimum income. At the end of the lecture, then-president of the National Conference of the Bishops in Brazil D. Luciano Mendes de Almeida replied that it was not necessary to quote Karl Marx in defense of the universal minimum income because it was better defended by Saint Paul in his Second Epistle to the Corinthians.

Marx’s comment in favor of relative equality among individuals’ contributions to and benefits taken from society is similar to the deep aspirations and hopes found in major religious traditions. According to Rabbi Henry Sobel of São Paulo, the most frequently quoted word in the Old Testament of the Bible is “Tzedakah,” appearing 513 times. In Hebrew, the word refers to justice in society—social justice. We can see many passages stressing the need for “Tzedakah” in Deuteronomy, in Proverbs, in Isaiah, and in Exodus. It is no coincidence that meetings of the *Movimento dos Trabalhadores Rurais sem Terra* (The Landless Rural Workers Movement, MST) frequently include readings from the Book of Exodus, recalling the fight for the promised land and the broader fight for greater social justice. In the Acts of the Apostles of the New Testament, one can also find principles that approximate Marx’s statements: “And they continued steadfastly in the apostles’ doctrine and fellowship, and in breaking of bread, and in prayers. And fear came upon every soul; and many wonders and signs were done by the apostles. And all that believed were together; and had all things common; and sold their possession and goods, and parted them to all men, as every man had need” (Acts, 2:42–44). A clear defense of the basic income project was made by Saint Paul: he recommended that the Macedonians follow the example of Jesus, who had decided to join the poor and live among them. Jesus was preaching justice and equality: “He that had gathered much had nothing over; and he that gathered little had no lack” (2 Corinthians, 8:15).

According to the Qur’an and the writings of its followers, the teachings of the principles of justice

2. SCHAFARMAN, Steven “Mobilizing Support for Basic Income”, lecture presented at IX International Congress of BIEN, September 2002. See also: Saul Alinsky, *Rules for Radicals* (New York, Vintage Books, 1972).

3. CONFÚCIO, *O Livro das Explicações e respostas em 20 capítulos* (São Paulo, Landy Livraria and Editora, 2001). Guy Standing stressed this point on a lecture during the Conferência Internacional sobre Renda Mínima, Discussões e Experiências, August 11–12, 1998, presentation by Eduardo Matarazzo Suplicy, Federal Senate, p.30–36 and 113–120.

4. ARISTÓTELES, *Política* (Brasília, Ed. UnB, 1987).

5. MARX, Karl (1875) *Critica ao Programa de Gotha* (Porto, Portucalense, 1971).

6. GALBRAITH, John Kenneth, *A era da incerteza* (São Paulo, Pioneira. 1980).

and equality in Islam are similar to those of Christianity. In the Book of Hadith, Omar, the second of the four caliphs that followed Muhammad, recommended to the citizens with large properties or gains that they reserve a portion for those with less or nothing. The defense of a minimum income is also consistent with Buddhist principles, according to the assertions of the Dalai Lama in *Ethics for the New Millennium*. He affirmed that if one accepts the luxurious consumption of the very rich, it is first necessary to ensure the survival of all humanity.

III. THE FIRST PROPOSALS FOR A MINIMUM INCOME AND FOR BASIC INCOME

Writing *Utopia* in 1516, Thomas More observed the uselessness of the death sentence, which he argued had failed to reduce robberies, assaults, and homicides in sixteenth-century England, and would be better substituted for a universal income that would eliminate the “frightful necessity of becoming, first a thief, and then a corpse.”⁷ Ten years later, based on More’s reflections, a friend of his, Juan Luis Vives, made the first proposal for the basic minimum income in *De subvencione pauperum sive de humanis necessitatibus*, which he communicated to the mayor of Bruges, a Flemish city in Belgium then under Spanish control. The works of More and Vives had a great influence on “The Poor Laws” created in England and Spain later in the 16th century. Beginning in 1531, these laws allowed elders and handicapped people to beg for alms at the parishes. Soon afterwards, religious houses were authorized to raise funds together with landowners in order to give provisions to the poor who were then consequentially disposed to work in their respective regions. These laws were severely criticized by classical economists such as Adam Smith, David Ricardo, and Thomas Malthus, and from another perspective by Karl Marx. A majority of the criticisms put forth by Marx and by Smith take into account the manner in which the subsidy provided a form of support to the poor, but in

return restricted their movement, in that they had to remain within a given territory.⁸

Two hundred years later, Thomas Paine, one of the great voices of the American Revolution, articulated the principal reasons for the universal, inalienable right to share the wealth of the nation. In *Agrarian Justice*, an essay sent in 1795 to the Directorship and Parliament of France, Paine observed that poverty was inherent to the right to private property. He based his claim on the fact the indigenous people of America had been in a situation of less misery than that he had seen in European villages and cities. He stated, “It is not a challenged position that the earth, in its natural, uncultivated state was, and would have always continued to be, the common property of the human race.”⁹ He considered it just that the individual who cultivated the land and made some improvement should have the right to reap the rewards of his work. Additionally, Paine argued that “every proprietor of cultivated lands owes to the community a ground-rent,” and that from the rent paid by each proprietor, a common national fund should be established. The yield of this collection should be distributed in equal dividends to everyone, in order to compensate for the loss of that natural inheritance of all mankind. Every person, regardless of property ownership, at the age of twenty-one years should receive a cash payment, and when individuals arrived at the age of fifty, they should receive cash transfers throughout the remainder of their life because “every individual was born in the world with the legitimate right to a certain property or equivalent.” Paine defended this payment as a right, not as a charity.

According to researchers from the Basic Income Earth Network (BIEN), the proposal of a non-conditional basic income has existed for at least 200 years and a great part of this proposal was inspired by the works of the radical Englishman Thomas Spence, who also worked with the ideas of Paine and utopian French socialist Charles Fourier.¹⁰ Each time the investigators at BIEN

7. MORE, Thomas, *Utopia*, São Paulo, Martins Fontes, 1999.

8. Classical economists’ analyses of The Poor Laws are described more extensively in SUPPLICY, Eduardo *Citizen’s Income: The Exit is Through the Door*.

9. PAINE, Thomas (1796), “Agrarian Justice” in FONER, P.F. (ed.) (1974), *The Life and Major Writings of Thomas Paine* (Secaucus, NJ, Citadel Press, 1974).

10. PARIJS, Philippe Van, *What’s wrong with a free lunch?* foreword by Robert M. Solow, edited by Joshua Cohen and Joel Rogers for *Boston Review* (Beacon Press, Boston, 2001).

deepen their surveys, they discover even more pioneers who had presented the proposal for a basic income—often independently, though at times after having interacted with other thinkers. In a pamphlet published in London as *The Rights of Infants* in 1797, Spence criticized Paine's *Agrarian Justice* for having been “an abominable building of opportunism and tolerance.”¹¹ Afterward, Spence reformulated the proposal that he had defended tirelessly throughout his youth and proclaimed that each city should have public auctions to cover all local expenditures, including the development and maintenance of real estate, as well as taxes paid to the government, which would distribute equal parts of the surplus among all residents to ensure their subsistence.

In 1848, Belgian lawyer Joseph Charlier published *Solution du problème social ou constitution humanitaire*. Having been inspired by Fourier, Charlier observed that within the equality of rights to land and property was the basis of an unconditional right to a basic income. He developed this theme in *The Social Question Solved Preceded by the Philosophical Testament of a Thinker*. He rejected the idea defended by Fourier himself: that the right to a basic income should be determined according to a formula that would verify the accessibility of a certain income to the individual, as Fourier's work was based on the premise that it was natural to defend the right of each person to receive a sufficient remuneration for their work. Under the labels of “minimum” or “guaranteed income” (later referred to as a “territorial dividend”), Charlier proposed that all citizens should have the unconditional right to a regular payment of an annually fixed sum by a representative from a national council, based on the rental value of all properties. This scheme would bring an end to capital's domination of labor. But would it encourage idleness?

Hard luck for the lazy: they will be put on short allowance. Society's duty does not reach beyond

*securing each a fair share of the enjoyment of what nature puts at his disposal, without usurping anyone's rights. Anything above the minimum will have to be earned.*¹²

During the year following the publication of Fourier's work, John Stuart Mill released the second edition of his *Principles of Political Economy*. Within, he presented Fourier's ideas but concluded with an unambiguous proposal for an unconditional basic income: “In the distribution, a certain minimum is first assigned for the subsistence of every member of the community, whether capable or not of labor. The remainder is shared in certain proportions, to be determined beforehand, among the three elements of labor, capital, and talent.”¹³

The concept of a CBI was also defended by the founding thinkers of political economy in consonance with the traditions of the free market.¹⁴ Marquis Condorcet, writing on the wheat market in 1776, says, “That all members of the society should have assured the subsistence of each season, in each year and wherever they were living...is of the general interest of all nations.” It is in keeping with this claim that the transfer paid to all Brazilians as their portion of the CBI will be a right equally as important as the wage paid by their regular jobs. All Brazilians and foreign residents will enjoy the right to participate in the wealth of the nation, to reap the rewards of past generations and all the people that collaborated in the past towards technological progress, and others, who worked as slaves without remuneration, but who in effect collaborated to the development of the nation.

Although the proposal for a basic income had been defended as early as the 18th century, policies based on their ideas were not enacted until the 21st century in the United Kingdom and in France. When the proposal was finally considered in Britain, it was based on similar principles to those put forth by Paine, but came in a modified

11. SPENCE, T. (1797) “The Rights of Infants”, in CUNLIFFE, J. and ERREYERS, G., *The Origins of Universal Grants* (Basingstoke, Palgrave Macmillan, 2004, p. 81–91).

12. CHARLIER, Joseph, *Solution du problème social ou constitution humanitaire* (Brussels, Chez tous les librairies du Royaume, 1848) and FOURRIER, Charles (1836), *La Fausse Industrie* (Paris, Antropos, 1967). An analysis of Charles Fourier's ideas was presented by CUNLIFFE, John and ERREYERS, Guido in “Fourierist Legacies: From the ‘Right to the Minimum’ to ‘Basic Income’”, at a conference at the History of Economic Society in Greensboro, North Carolina, 1999.

13. MILL, John Stuart (1848), *Princípios de economia política: com algumas de suas aplicações a filosofia social* (São Paulo, Nova Cultural, 1988).

14. ROTHSCHILD, Emma, “Security and laissez-faire” (in *Boston Review*, Vol. 25, N° 5, October/November 2000). Also published in VAN PARIJS, 2001.

form. Prime Minister Tony Blair sent a bill of law to Parliament affirming that every child born in the United Kingdom would receive a basic cash transfer of £250 in a bank account at birth and an additional £50 at the ages of 6, 11 and 16 years. If the child belonged to the poorer segment of the population these sums would be £500 and £100, respectively. As the transfer is intended to accrue interest over time, when the beneficiaries turn 18 years old they have the right to enjoy these resources—which could mean a sum up to £5,000—to spend as they see fit. The program, called the Child Trust Fund, was passed into law on May 13, 2003 and can be used by families across Britain to finance their children's education or even to start an enterprise.

In 2004 Professor Bruce Ackerman of Yale University visited the Fundação Getúlio Vargas in São Paulo, where he noted that one of his post-graduate students had presented this idea to the Fabian Society, an organization that promotes democratic socialism in the United Kingdom, before presenting it to Blair, a friend of Ackerman. The concept was that all U.S. citizens at the age of 21 should receive an unconditional sum of US\$80,000 to begin life as an adult.¹⁵ This proposal for a Basic Capital program is similar to that for a CBI because it can always transform capital into an income flow over time and vice versa. After many discussions about the pros and cons, Ackerman and Philippe Van Parijs have concluded that the best solution should be a combination of both.

Unlike the British, the Legislative Assembly of the French Republic has only partially accepted Paine's recommendations. On June 24, 2004, the author delivered a speech at the symposium on CBI at the National Assembly of France, organized in co-ordination with Deputy Christine Boutin of the Union for a Popular Movement Party and president of the Forum of Social Republicans. Present at the meeting were representatives from several parties, among them Jean Le Garrec from the Socialist Party, and Roland Duchalet from the Vivant Party in Belgium. At this event the writer Maurice Drüon from the French Academy of Literature proclaimed

that “France should be the first nation to implement a full CBI or ‘Existence Revenue’” based on Paine's original idea. Yoland Bresson, president of AIRE (Association for the Institution of Existence Income) presented a proposal at the symposium that would fix a lifelong income for the citizens from birth until death at 330 euros per month and which would be implemented gradually over a period of five years.

IV. THE GUARANTEE OF A SUBSISTENCE INCOME STARTING IN THE 20TH CENTURY

During the 20th century philosophers, economists and social scientists from throughout the ideological spectrum explored the need to provide every citizen with a minimum income required for basic survival. After analyzing the great social movements that occurred around the time of the First World War, philosopher Bertrand Russell in 1918 published *Roads to Freedom: Socialism, Anarchism and Syndicalism* and affirmed the following:

The plan we are advocating amounts essentially to this: that a certain small income, sufficient for necessities, should be secured to all, whether they work or not, and that a larger income, as much larger as might be warranted by the total amount of commodities produced, should be given to those who are willing to engage in some work which the community recognizes as useful.¹⁶

In the same year that Russell published *Roads to Freedom*, Mabel and Dennis Milner published a much debated text, *Scheme for a State Bonus*. Dennis Milner elaborated further in 1920 with his publication *Higher Production by a Bonus on National Output*. These books presented a proposal of minimum income that varies according to levels of national productivity.¹⁷ The Milners' proposition was that “all individuals, all the time, should receive a small sum of money from a central fund that would be sufficient to maintain their life and freedom, should all else fail; that all people should receive a part of a central fund, in a way that all would have some sort of income to contribute proportionality to their capac-

15. ACKERMAN, Bruce and ALSTOTT, Anne, *The stakeholder society* (New Haven: Yale University Press, 1999).

16. RUSSELL, Bertrand (1918), *Os caminhos para a liberdade: socialismo, anarquismo e sindicalismo* (Rio de Janeiro, Zahar, 1977).

17. MILNER, Dennis, *Higher production by a bonus on national output: A proposal for a minimum income for all varying with national productivity* (London, George Allen & Unwin, 1920).



ity.” In 1919, Bertram Pickard argued in *The Reasonable Revolution: a Discussion of a State Bonus scheme, a proposal for a National Basic Income*, that it should be “a definitive recognition of the right to life, or better yet, the equivalent monetary sum to the right to the land.”¹⁸ By drawing a parallel with the Poor Laws instituted several centuries earlier, he affirmed that the weakness was in fact in the concession of conditional benefits (i.e. only when the need could be proven), therefore failing to concede any power to demand fair pay to the worker. Like the Milners, Pickard was a Quaker, and all were members of a group formed for the defense of a ‘State Bonus Scheme.’ According to their proposal, 20 percent of all income in England should be collected in a fund to be used later for the payment of an equal amount to all citizens regardless of their age.

The British Labour party reacted skeptically, and after a critical manifesto was written in 1921, the ‘League for the State Bonus’ dissolved. Nevertheless, political movements continued to contribute statements in favor of a minimum income. Major Clifford H. Douglas created the Social Credit Movement, which had important repercussions in other countries, including Canada, where the Social Credit Party was eventually founded in 1935. In 1929, George D. H. Cole presented a new proposal in *The Next Ten Years in the British Social and Political Economy*, and followed in 1935 with *Principles of Economic Planning*. Lady Juliet Rhys Williams, writing in *Something to Look Forward: A Suggestion for a New Social Contract* in 1943, proposed a scheme of social dividends that would ensure “every one had his/her basic needs; from each one the same percentage of his income only with the prosperity of all the community.” In 1937, Joan Robinson suggested in the *Introduction to the Theory of Full Employment* distributing one pound sterling to all members of the population on Saturdays. Abba P. Lerner wrote *The Economics of Control: Principles of Welfare Economics* in 1944, proposing the institution of a fixed sum as a negative income tax, and Oskar Lange, in *On the*

Economic Theory of Socialism, presented another form to guarantee some income for each person.

In the 1930’s, James Edward Meade—who was later honored with the Nobel Prize in Economics in 1977—was one of the principle members of the *Cambridge Circle* which met to discuss the works of John Maynard Keynes. He defended the implementation of a citizen income or, a social dividend, in *A Guide of Economic Policy for a Worker Government* in 1935. Meade considered this instrument important for increasing employment in the economy.²⁰ In his works he relates the long, unsuccessful journey in search of Utopia. On the return trip, however, he came across the concept of *Agathotopia*. The Agathopians knew where Utopia was, but they would not tell him because they were different from the Utopians, perfect human beings that lived in a perfect place. Instead, the Agathopians were imperfect human beings guilty of foolishness and perfidies, but who had succeeded after all in building a good place to live.

Meade got interested in studying the institutions and societal relations of Agathotopia, and concluded they were the best society he had found until humanity could simultaneously reach the objectives that it had been seeking for a long time:

1. Freedom, in the sense that each one is able to work in her vocation and is able to spend what she receives on desired goods.
2. Equality, in the sense that there are no more great differences of income and wealth between and among individuals.
3. Efficiency, in the sense of reaching the highest possible standard of living, given present resources and technology.²¹

The conditions present in Agathotopia created sufficient flexibility in prices and wages to improve efficiency in resource allocation and for

18. PICKARD, Bertrand, *A reasonable revolution. Being a discussion of the state bonus scheme—A proposal for a National Minimum Income* (London: George Allen & Unwin, 1919).

19. WILLIAMS, Lady Juliet Rhys, *Something to look forward to* (London, MacDonald and Co, 1943).

20. MEADE, James Meade (1935), “Outline of an Economic Policy for a Labour Government”. In Howson, S. (Ed) *The Collected Papers of James Meade. Volume I: Employment and Inflation* (London, Unwin Hyman, 1988); *Agathotopia: The Economics of Partnership*, (Aberdeen, Aberdeen University Press, 1989); *Liberty, Equality and Efficiency* (London, Macmillan, 1993); *Full Employment Regained an Agathotopian Dream*. Cambridge. Cambridge University Press, 1995.

21. MEADE, J.E. *Agathotopia*, op.cit.

association between the entrepreneurs and the workers so that workers could participate in the benefits of the newly created wealth: they would be compensated in part with wages and the remainder would come in the form of lump sum payments for their participation. While the flexibility of wages could imply low levels of remuneration or cooperatives and new forms of association that might also have negative results, there should be a third fundamental arrangement: the existence of a social dividend or a guaranteed minimum income for each citizen. This option would eliminate the risk of failure that exists with either of the others by allowing society to directly control the amount of compensation that workers receive. In light of the failed experiences of those who tried to perform very abrupt transformations of a similar nature, Meade proposed to achieve these institutions by slow, but firm steps.

In moments of crisis, it is common for people to say that there are not enough resources to pay for programs of this kind. With respect to this claim it is important to stress what Keynes said in 1939. In “*How to Pay for the War?*”, he tried to convince his compatriots that although it was necessary to pay for the expenditures of war against Germany, it was also necessary to separate around 2 percent of the Gross National Product (about £100 million from a total of £5 billion), to ensure everyone a basic income.

Economists from across the ideological spectrum have reached the same conclusion about the importance of a minimum income during the early 20th century. Even those renowned for their defense of capitalism (together with their critics) shared this consensus. Friedrich Hayek wrote *The Road to Serfdom* in 1944, criticizing communism and fascism while defending the market system, yet still stressed the importance of ensuring everyone's subsistence. George Stigler in 1946 observed that to achieve greater employment opportunities and to eradicate poverty, the negative income tax is more effective than the minimum wage.²²

Similarly, Milton Friedman argued in *Capitalism and Freedom* (1962) that capitalism is the system most consistent with the freedom of the human beings. It does not however, completely solve the problem of poverty. The only instrument that can assist people that does not distort or impede the functioning and financing of the market is a negative income tax. The idea of a “negative income tax” was first used in economic literature by Antoine Augustin Cournot, founder of mathematical economics, in 1838.²³

The negative income tax can be defined for an individual or a family. Those who do not earn a certain annual or monthly income, are granted the legal right to receive a complementary amount that is equal to a proportion of the difference between their present income and the appropriate figure for an individual or a family. Supposing that the income threshold fixed by law for an adult of at least 18 years of age is R\$600 per month and the proportion is 50 percent, if the person is sick, unemployed or has a zero income for one month, that individual has the right to receive R\$300. If the person gets a job which pays R\$300 he/she will have a complementary income equivalent to R\$150 and his total monthly income rises to R\$450. In this arrangement, there will always an incentive for the person to progress because they are still permitted to increase their income level if they can procure employment—while no one will be denied a minimum income overall.

During the 1960's, another Nobel Prize winner in Economics, James Tobin, had many discussions with Friedman about macro-economic policy wherein they developed the concept of negative income tax to study ways to combat poverty and to strengthen the economic status of African Americans.²⁴ Another notable author in this discussion was Robert Theobald, who was preoccupied that the degree of automation of industry would diminish paid work and that it would be essential to maintain a guaranteed minimum for consumption.²⁵ Moreover, for the past forty years

22. STIGLER, George, “The Economics of the Minimum Wage” (American Economic Review 36, 1946), p. 358–65.

23. COURNOT A. (1838), *Recherches sur les principes mathématiques de la théorie des richesses* (Paris, Vrin, 1980).

24. See interview with James Tobin and with Milton Friedman in SUPPLY, E. M., *Citizen's Income: The Exit is Through the Door (Renda de Cidadania. A Saída é pela Porta)*; TOBIN J. (1965), “On the Economic Status of the Negro”, (*Daedalus*, vol.94), p.878–98; TOBIN J., PECHMAN J.A. and MIESZKOWSKI P.M. (1967), *Is a Negative Income Tax Practical?* (The Yale Law Journal, vol. 77), p. 1–27.

25. THEOBALD R., *Free Men and Free Markets* (New York, Anchor Books, 1963); *The Guaranteed Income: next step in socioeconomic evolution?* (New York, Anchor Books, 1967).



John Kenneth Galbraith has delivered numerous lectures in favor of a guaranteed minimum income, including one for which he received an honorary degree from the London School of Economics when he turned 90. He remarked the following:

The answer, or part of the answer, is very clear: Everybody needs to have a guarantee of a decent basic income. A rich country, like the USA, can perfectly take everyone out of poverty. It is said however, that some of them would take this income and then not work. This is the way of the limited welfare system, as it is called. Let's accept shall we that poor people have the same right to leisure as rich people.²⁶

In 1968, Tobin, Galbraith, Robert Lampman, Harold Watts, Paul Samuelson, and 1,200 other economists sent a manifesto to the U.S. Congress in favor of adopting in that same year a guaranteed income program and a complementary system. The United States had already had several experiences with income transfer programs such as the 1935 Social Security Act, created by the government of Franklin Delano Roosevelt. This act established a program of Aid for Families with Dependent Children, which in turn paid a complementary amount to families below a certain level of income, particularly single-parent families experiencing difficulties in raising their children and providing them with an education. According to the assessment of the first director of the Social Security system of the US government, Arthur J. Altmeyer, the failure to implement a minimum income provision for every U.S. citizen in 1935 was a “crucial error;” this view was also expressed by Leslie Lenkowsky in his analysis on the debate about the negative income tax.²⁷ In 1964, President Lyndon Johnson’s administration created a Food Stamps program to be used for the purchase of food. There was also a supplementary system which assured that elderly and disabled people had a certain guaranteed income. In 1969, then-President Richard Nixon asked a former assistant to

Presidents Kennedy and Johnson, Daniel Patrick Moynihan, to formulate the Family Assistance Plan, which would signify a negative income tax.

On August 10th, 1969, President Nixon delivered a speech to the nation saying that the United States would achieve two things that the former generation considered impossible: first, a successful trip to the moon (Neil Armstrong had landed on the moon the previous month), and second, the eradication of poverty with the Family Assistance Plan. This law, if approved, would have assured an income equivalent to 50 percent of the difference between US\$3,900 (today corresponding to at least US\$16,000) and every family’s actual yearly income. The bill was approved by the House of Representatives by 243 to 155, but it was defeated in the Senate Finance Committee in 1970 by a vote of ten to six.

In several interviews and speeches at that time, Martin Luther King Jr. emphatically defended the guarantee of an income:

I am now convinced that the simplest approach will prove to be the most effective—the solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income.²⁸

Moynihan, in his book *The Politics of Guaranteed Income* (1973), analyzed how conservatives used the high contradictions and exaggerated desires of progressive supporters to defeat the guarantee of minimum income. Some of them proposed a yearly basic income of US\$5,500, an amount which would have broken the budget at the time. Others did not want a substitute for programs already in effect like AFDC, or the Food Stamps program. Senators, especially from food-producing states, defended the program without realizing that the guaranteed income would be destined mainly for the acquisition of first-need goods, especially food. Additionally, there were those who did not want to accept the concession of an income payment to those who were not working.²⁹

26. GALBRAITH, J.K., speech published in *The Guardian*, June 29, 1999.

27. ALTMAYER, Arthur J., *The Formative Years of Social Security* (Madison, The University of Wisconsin Press, 1966), p.260; LENKOWSKY, Leslie, *Politics, Economics and Welfare Reform: The Failure of the Negative Tax in Britain and the United States* (American Institute for Public Policy Research, Lanham, N.Y., University Press of America, 1986).

28. KING Jr., Martin Luther. *Where do we go from here: chaos or community?* (New York, Harper Row, 1997).

29. MOYNIHAN, Daniel Patrick. *The politics of a guaranteed income—The Nixon administration and the family assistance plan* (New York: Random House, 1973).

When running for re-election in 1972, Nixon ran against George McGovern, who was assisted in his campaign by Tobin and Robert Solow, two Nobel Prize winners in Economics who had presented a more far-reaching proposal for a social dividend of US\$1,000 per year to every U.S. citizen. McGovern was not elected and did not succeed in making people understand the advantages of a non-conditional basic income. Two years later, U.S. Senator Russell Long (D-LA) proposed a law that would also partially institute a negative income tax, the Earned Income Tax Credit. Confronting the concern expressed during Senate debates about the provision of a guaranteed income to those who were not working, Long proposed a complementary income only to families of people who were employed. The families that did not reach a certain income level with employment would receive an increase in income to compensate for the amount discounted as payment for the social security, and to help with costs of raising children, thus contributing to individuals leaving conditions of poverty. The EITC was passed into law in March 1975.

The EITC was expanded with bipartisan support in 1986, 1990, and 1993, by the initiatives of Presidents Ronald Reagan, George H. W. Bush, and Bill Clinton, respectively. In his autobiography *My Life*, Clinton made numerous references to the importance of EITC in his government. He stressed his resolution, based on the motto “people in first place,” to extend the EITC to families without children, and also to double the amount of aid to families with children. This expansion, taken together with other measures, contributed to the increase in economic activity and lower unemployment during Clinton’s eight years of government.³⁰

In 2004, the U.S. government paid about US\$39.3 billion to more than 21.5 million families and individuals in the country. For families with one child the average amount of EITC paid was US\$2,100. It represented a substantial income trans-

fer that the United States paid to those who work, but do not reach a certain income level, allowing them to earn more and to gain a higher degree of satisfaction and productivity than in the absence of this instrument. This situation helps contribute to U.S. companies’ higher degree of competitiveness in relation to companies from other countries that have not adopted similar mechanisms (or a more rational option like the CBI). A U.S. worker earning a minimum wage of US\$5.15 per hour earns a yearly income of approximately US\$10,000 per year, while married and with two or more children, has the right to receive a fiscal credit from EITC of US\$4,000, boosting his annual income by 40 percent. Several countries whose economies compete directly against the United States have started to adopt similar mechanisms, such as the United Kingdom, which introduced the Family Tax Credit in 2000. Today, a British worker with a family and a monthly wage of £800 has the right to receive a fiscal credit of £400.

What is the effect of the existence of EITC on the U.S. economy, or the Family Tax Credit’s effect on the economy of the United Kingdom, in relation to the Brazilian economy? The policies implemented by the both governments have made their economies more competitive in relation to Brazil’s, so long as the Brazilian government proves unable to pursue similar policies. The EITC and Family Tax Credit pay an income that complements that of their workers’ income, increasing their satisfaction with their lives and raising national productivity levels. Common sense indicates that from the point of view of competitiveness alone, Brazil should create at least a negative income tax system or an even more rational and complete system for a CBI.

It is important to emphasize that although the EITC has become the most important income transfer program in the U.S. welfare system, it is one of approximately 80 support programs of income for people with limited incomes. In 2002, the cost of these programs combined with public health expenditures totaled US\$522.2 billion, of which

30. In 2003, families with no children, one child, and two or more children whose yearly income was below US\$12,230, US\$30,666 and US\$34,692, respectively, had the right to a fiscal credit. In the case of a family with two or more children the benefit was 40 percent of the earnings up to the limit of US\$10,510, for a maximum fiscal credit of US\$4,204. If the family income was between US\$10,510 and US\$14,730, the maximum credit was also US\$4,204. Starting from US\$14,730, the maximum credit was diminished by 21.06 percent for each additional dollar beyond that limit. In this way, the EITC became zero for a couple with a yearly income of US\$34,692. In looking at unemployment rates during the 1990’s, the national level in 1992–93 was around 7.5 percent of the working force, declining to just 3.9 percent in the year 2000.



US\$373.2 billion are provided by federal programs and US\$149 billion come from municipal and state programs. As a whole, these welfare expenditures corresponded to 5 percent of the Gross Domestic Product. The number of beneficiaries of the food stamps program in 2002 was 20.2 million people; TANF, 5.1 million; Social Security Income, 6.9 million; Health Services, 50.9 million; and EITC, 16.8 million.³¹ Studies elaborated by Robert Greenstein and Isaac Shapiro from the Center on Budget and Policy Priorities revealed that the EITC had resulted in a substantial increase in the number of parents and single mothers in the labor market, contributing to a moderate increase in income disparities between rich and poor workers. It has helped move more than 4.6 million people out of poverty, including 2.4 million children. When Professor Albert Hirschman of Princeton University visited Brazil in 1995 for President Cardoso's presidential inauguration, he commented to this author that President Clinton's accomplishment in instituting the EITC, calling it "his greatest achievement."

V. THE CREATION OF THE BASIC INCOME EARTH NETWORK³²

When people realize that the proposal for a universal basic income is fair, equitable, and ethically acceptable, this acceptance will help produce the conditions needed for an effective expansion of income transfer programs to new countries. Contributing to this perception has been the main purpose of the founders of the Basic Income European Network (BIEN), a forum created in 1986 to debate all the experiences of income transfer and minimum income programs and to defend the establishment of unconditional basic income in every country.³³ One of BIEN's founders, Philippe Van Parijs, considers it important to distinguish between three different models of the welfare state: the Bismarck, Beveridge and Paine models.

- In the Bismarck model, workers compulsorily give up a portion of their present earnings to

create a fund that will be used when necessary to cover health expenses and to provide an income when they are unable to work, whether because of retirement, an accident, disease, or unemployed and unable to find a job;

- In the Beveridge model, all holders of primary income (from capital or labor) compulsorily contribute a part of their earnings to create a fund. This fund allows all members of society to receive a minimum level of benefits, including health insurance, because they are not capable to meet this minimum through their own means—for reasons of, age, incapacity, accident or disease—or by the impossibility of finding a job with sufficient remuneration;
- In the Paine model all holders of income compulsorily give up a portion of their income to create a fund that can be used to pay an unconditionally equal income to all members of society.

These European models are derived from the historical contributions of Thomas Paine in *Agrarian Justice*; Otto Von Bismarck, President of the Prussian Council of Ministers, who succeeded in reconciling the German states after the French-Prussian War of 1862 and in establishing a social security system; and William Henry Beveridge, who after participating in 1905 as the investigator of the Real Committee on the 'Poor Laws' was one of the main developers of the *Report on the Minority of the Social Security and Allied Services*. He was then nominated as the President of the Inter-sector Committee of the Social Security and Allied Services.

Since the 1930's, several countries have introduced programs to guarantee a conditional minimum income: benefits to children; support for families with dependent children, the elderly, the disabled, or low income earners; or for unemployment insurance and minimum income. In his recent analysis, *Europe before the Poverty: the National Experiences of Minimum Income*, Serge

31. Congressional Research Service, The Library of Congress, Report for Congress, received through the CRS Web, "Cash and Non-cash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 2000-FY2002", November 25, 2005, Compiled by Vee Burke.

32. Due to the significant participation from around the world in BIEN, it was unanimously transformed into *Basic Income Earth Network*, during the 10th International Congress that took place in Barcelona in 2004.

33. In 2004, the BIEN was renamed the Basic Income Earth Network, after having been known as the Basic Income European Network since its inception.

Paugam traces the establishment of guaranteed minimum income systems in Europe, which were generally conditional, beginning with Denmark in 1933 and crossing the continent over the next 60 years.³⁴ Beginning in the 21st Century, the European Union and the Organization for Economic Cooperation and Development joined together to defend the introduction of minimum income programs, while acknowledging that adoption is a sovereign matter. Nevertheless, in 1988, in a resolution that dealt with the eradication of poverty in the European community, the European Parliament declared its support for introducing minimum income assistance programs. In *Real Freedom for All: What (if anything) can justify capitalism?* Van Parijs begins with the principals of justice developed by philosopher John Rawls, in *A Theory of Justice*:

1. The Principle of Equal Liberty: Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all;
2. The Principle of Equal Opportunity: The inequalities of social and economic advantages are justified only if (a) they contribute to the improvement of the least advantaged of the society (the principle of difference), and if (b) they are linked to positions that everybody has equal opportunities to occupy.

To put these principles into practice and to promote greater equality, Rawls proposes maximizing a set of basic freedoms, such as freedom of association, freedom of movement, freedom of job choice, and freedom based on a social component of self-respect. In *A Theory of Justice*, he writes that the negative income tax, providing a minimum income, is one of the best instruments for enabling individuals to achieve these goals of freedom. Van Parijs argued that in order to assure the greatest amount of freedom possible, it is essential that the

form of guaranteed minimum income avoids two obstacles. First, as the basic income level increases, it is necessary to avoid capturing a growing number of people in the “unemployment trap.” This situation comes about when the amount of remuneration that these individuals would receive while employed becomes less than the income that they would receive if they do not work. Second, the right to a guaranteed minimum income can not be subordinate to work rendered, because it would put the beneficiary in a unfavorable situation in relation to his or her employer than if the right to the minimum income was unconditional. In other words, consideration of the power dimension requires that the guarantee of individuals’ total freedom to consume should not be conceded at a detriment to their real freedom to work (without the unemployment trap), nor at a detriment to the freedom to not work (without restrictions, individuals that are currently seeking employment).³⁵ Therefore, it is not surprising that Rawls would suggest that the minimum income take the form of a negative income tax, which has the exact advantage of eliminating the unemployment trap without restraining those who seek a job.

When considering the social basis of self-respect, Van Parijs emphasizes the fact that the guaranteed minimum income is ensured of maximizing real freedom in its dimensions of income and power without threatening one’s self-respect. For this reason it is essential that income is distributed in a form that does not stigmatize or humiliate the beneficiaries. Moreover, this distribution should be done without controlling resources (contrary to what happens, by definition, in the negative income tax) and without controls on private life (required to verify, for example, if the person is living alone or not). A co-founder of BIEN, Guy Standing recommends in *Seeking for a Distributive Justice in a Flexible Working World* (1999) that policies only be considered fair if, and only if, they minimize the difference between the degree for those who have less, and the rest of society;

34. PAUGAM, Serge, *L'Europe face à la pauvreté. Les expériences nationales de revenu minimum* (Paris, Ministère de l'emploi et de la Solidarité, 1999); PAUGAN, Serge and GALLIE, Duncan, eds., *Welfare Regimes and the Experiences of Unemployment in Europe* (London, Oxford, 1999); GUIBENTIF, Pierre and BOUGET, Denis, *As políticas de rendimento mínimo na União Européia* (Lisboa, Editora União das Mutualidades Portuguesas, 1997).

35. VAN PARIJS, Philippe, *Real freedom for all: what (if anything) can justify capitalism?* (Oxford, Oxford University Press, 1995); RAWLS, John (1971), *Uma teoria da justiça* (São Paulo, Martins Fontes, 1997). See also VANDERBORGHT, Yannick T., VAN PARIJS, Philippe, *L'Allocation Universelle*, Paris: Editions La Découverte, 2005, also available in Spanish, German, Portuguese and English.



including every individual's right to self-expression. It is therefore necessary to find a balance between security and freedom by instituting a system that ensures simplicity, transparency, equity, and efficiency. He argued that it would be essential to institute a non-conditional basic income in order to achieve this goal.

VI. THE PIONEER EXPERIENCE OF A BASIC INCOME PROGRAM IN THE UNITED STATES

There is one place in the world where all inhabitants are guaranteed an equal dividend once they have lived in the community for at least one year. The institution of this program has been an innovative and praiseworthy experience that has achieved positive results for more than two decades.

During the 1960's, Mayor Jay Hammond of Bristol Bay, Alaska, a small fishermen's village, observed that a huge amount of wealth was produced from fish, but that many of the village's inhabitants were still poor. He therefore proposed the creation of a 3 percent tax on the value of fish to create a fund that would support all of the village's inhabitants. Initially, his idea faced great resistance. In order to make it more acceptable, Hammond proposed a reduction in property taxes. The experience succeeded such that ten years, in 1974, later Hammond began to serve the first of his two terms as governor of Alaska. Following the lead of the previous governor, Keith Miller, Hammond agreed with the state legislature on a plan to store the revenue from natural resource exploitation—in particular oil revenues—in a state savings account and spend only the interest that accrued on the principal.³⁶ Considering that oil is a non-renewable resource, this was an innovative plan to serve not only the current generation, but future generations as well.

In 1976, Hammond proposed an amendment to the state constitution that would separate 25 percent of all royalties from resource exploitation

in order to create a fund that would belong to all Alaskan residents. Later, the proposal was submitted to a popular referendum and was approved by a two-to-one margin. From 1976 to 1980 there was an intense debate over the destination of the fund's revenues: while some citizens proposed the creation of a development bank, others warned that this would only provide subsidized resources to those individuals presently holding land titles, which would produce an undesired increase in income concentration. Initially, Hammond considered paying out proportional dividends based on how long each citizen had resided in the state, until local attorneys questioned the constitutionality of this procedure, which would break with the criteria of equality. This decision led the governor to send another amendment to the legislature in 1980 proposing that 50 percent of the royalties be destined to the Alaska Permanent Fund that would then be paid out in dividends annually and equally to all residents.³⁷ The collected revenues were invested in a transparent, prudent, and responsible fashion, and comprised a diverse array of portfolio holdings in U.S. and international companies (including Brazilian companies), and the fund's bonds and stocks spread across local enterprises. By 2006, the portfolio of the Alaska Permanent Fund had stocks from 24 Brazilian companies and its equity had increased from US\$1 billion in 1980 to more than US\$35 billion in 2006. In 2006, each one of Alaska's 700,000 residents (with state residency of at least one year) received a dividend of US\$ 1,106.96.

Figures from the Alaskan legislature indicate that support for the Alaska Permanent Fund and its dividend system is unanimous, and there does not appear to be any significant problem with incentives to work due to receipt of the basic annual income. At the 9th International Congress of BIEN in Geneva 2002, Professor Scott Goldsmith of the University of Alaska-Anchorage

36. HAMMOND, Jay. H., *Tales of Alaska's Bush Rat Governor: the extraordinary autobiography of Jay Hammond, wilderness guide and reluctant politician* (Seattle: Epicenter Press, 1994).

37. Each person living for one year or more in Alaska between the period of January 1st to March 31st, must fill in a one page form that includes their name, home and business addresses, if he/she was out of the state and what was the reason for travel. The person responsible for children and adolescents up to 18 years old must fill out a form for them and the dividends destined to them will be received by the legal guardian. According information gathered by this author, normally parents make a deposit of the money in a savings account so that their children may use it later. Two people, also residents in Alaska, witness the veracity of the declaration. Everyone who returns this form to the government electronically receives a dividend between US\$300 and \$1,963.86 (as of year 2000) in the second week of October. Immediately following the events of September 11th, 2001, the drop in the New York Stock Exchange reduced the annual dividend per capita to about US\$1000.

presented a paper demonstrating that it would be political suicide today for any Alaskan leader to oppose the dividend system provided by the Alaska Permanent Fund. In support of his arguments, he presented statistical data showing that the six percent annual distribution of Alaska's GDP to its residents has made Alaska the most egalitarian state in the United States.³⁸ From 1989 to 1999, the average family income of the richest quintile of families in the United States increased 26 percent, while the average income of the poorest 20 percent of families increased 12 percent. This registers a significant increase for both groups, although it maintains an unequal concentration of wealth. In contrast, during the same period in Alaska, thanks to the distribution of equal amounts of wealth to all residents, the average income of the richest 20 percent of families increased 7 percent, while the income of the poorest quintile of families increased 28 percent and registered a significant evolution in a direction towards greater equality.

VII. A GOOD PROPOSAL FOR THE DEMOCRATIZATION AND THE PACIFICATION OF IRAQ

In 2004 this author suggested to former governor of Alaska Jay Hammond that it would be propitious for Iraq, considering its main natural resource is oil, to follow the experience of Alaska. Hammond was actually making every effort to suggest this to his Republican colleague President George Walker Bush. Jay Hammond died in August of that year, however, unable to follow through with the suggestion. He remains revered by the inhabitants of Alaska for having been one of the people responsible for one of the most successful initiatives of shared social development that has ever existed history.

When Sérgio Vieira de Mello was nominated co-coordinator of the UN activities in Iraq, in May 2003, this author sent him a letter suggesting that the people from Iraq could follow the example of Alaska, so that everyone could participate in the wealth of the nation. His response was that the

proposition was well accepted by Ambassador Paul Bremer III, the then Chief Administrator of Iraq, during a speech on June 23, 2003 at the World Reconciliation Summit in Amman, Jordan. Vieira de Mello also claimed that the mission from the World Bank had considered the proposal feasible. Many other enthusiasts of the 'Basic Income' concept like Steve Schafarman, Steve Clemons and Guy Standing made similar suggestions during that period in articles published by the New York Times, Financial Times, and other periodicals.³⁹ Sadly, Vieira de Mello was murdered on August 19, 2003, in a criminal attack against the UN office in Baghdad.

On November 6th, 2005, U.S. President George Bush visited Brasilia after a meeting of Chiefs of State in Argentina. After his meeting with President Lula at Granja do Torto, President Bush delivered a speech to 300 guests at Blue Tree Park Hotel in Brasilia. He talked about how the growth of the commerce among countries of the Americas could contribute to increasing employment opportunities; the theme of the FTAA - Free Trade Area of the Americas. After he concluded his 22 minute speech, this author engaged in the following dialog with him:

Suplicy: "I am Senator Eduardo Suplicy from the Worker's Party. With respect to the integration of the Americas we should not only have as a purpose the free movement of capital, goods and services without barriers, but also and most importantly of human beings from Alaska to the Patagonia. More than that we should also have what you already have in Alaska with much success, a CBI to all residents in that state."

Bush: "Well, in Alaska they have lots of oil."

Suplicy: "But yes we could have a basic income from all the forms of wealth that are created. I would like to suggest that in order to create the conditions for real peace based on justice in Iraq that we should encourage the Iraqis to follow the example of Alaska, which pays every year a basic income to all residents living in that state in the form of dividends that result from the Alaska Permanent Fund."

38. GOLDSMITH, Scott, *The Alaska Permanent Fund Dividend: An Experiment in Wealth Distribution*, 9th International Congress, BIEN, Geneva, September 12-14, 2002.

39. SCHAFARMAN, Steven. "An Affordable Proposal for Stability in Irak: A Job for every Iraqi." *The Proffress Report*, May 28, 2003; CLEMONS, Steven. "Sharing, Alaska-Style". *The New York Times*. April 9, 2003; STANDING, Guy, *The Financial Times*, April, 2003; SUPLICY, Eduardo Matarazzo, "Democracia e Paz no Iraque", June 12, 2003, *Folha de S. Paulo*.



Bush: “We are working on that! We are working on that! Thank you.”

This suggestion was in fact included in the December 2006 *The Iraqi Study Group Report*, coordinated by Co-Chairs James A. Baker and Lee H. Hamilton, Director of the Woodrow Wilson International Center for Scholars. On p. 24, on *The Politics of Oil*, the report states:

There are proposals to redistribute a portion of oil revenues directly to the population on a per capita basis. These proposals have the potential to give to all Iraqi citizens a stake in the nation’s chief natural resource, but it would take time to develop a fair distribution system... it would have to be based on a well-developed state census and income tax system, which Iraq currently lacks.

On p. 65, Recommendation 28 states:

Oil Revenue should accrue to the central government and be shared on the basis of population. No formula that gives control over revenues from future fields to the regions or gives control of oil fields to the regions is compatible with national reconciliation.

VIII. THE MATURATION OF THE CITIZEN’S BASIC INCOME PROPOSAL

There are signs that the idea of a non-conditional Basic Income is becoming more and more accepted across the world. Nobel Prize winning economist Robert Solow of MIT wrote a preface for Philippe Van Parijs’ book, *What’s Wrong with a Free Lunch?*, wherein he defended the concept of a basic income. Van Parijs debated with several economists on the subject of a Basic Income, beginning to develop how such a policy could contribute to the promotion of justice, increase freedom, improve women’s rights, and help in the preservation of the environment. Meanwhile, Solow observed that the arguments in favor of granting this basic right are different from the prevailing mainstream attitudes today regarding employment and remuneration, and though it represents a substantial cost, he feels it should be seriously analyzed inclusive of its advantages as well as its disadvantages.

On February 1, 2000 in Almancil, Portugal, Van Parijs was invited to make a presentation to the directors of social programs and specialists of the European Union on “Basic Income: Guaranteed Minimum Income for the 21st Century” by then-Prime Minister of Portugal and President of the European Council António Guterres. By contacting Van Parijs, the Socialist politician showed signs that he was increasingly serious about considering the Basic Income proposal. During this presentation, Van Parijs underscored the natural tendency toward resistance to the proposal, but added that when listeners are exposed to all of its principles and especially its advantages, their resistance can be surpassed.⁴⁰ When Guterres visited Brazil in 2003, he commented that he considered the implementation of a non-conditional basic income program to be an issue of common sense and advocated further pursuit of the policy.

Another propitious sign of the idea’s growing strength can be observed in the Brazilian National Congress’s approval of the law establishing a Basic Income. Van Parijs has stressed that the implementation of universal basic income is a comprehensive reform that belongs in the same category as the abolishment of slavery or the introduction of universal suffrage, events that have considerably marked political participation across the world in the 19th and the 20th centuries, respectively. In turn, the establishment of a non-conditional basic income system could be the idea that leaves a significant mark on the 21st century.

In an increasing number of countries, organizations inspired by BIEN have been founded during the past two decades. (See <http://www.basicincome.org> for more information.) Similar to the pioneer organization, all of them promote the discussion of a basic income and defend the principle of a need to establish the basic income in all countries. Today, BIEN recognizes the following national networks: ARGENTINA (*Red Argentina de Ingreso Ciudadano*), Austria (*Netzwerk Grundeinkommen und sozialer Zusammenhalt*), Denmark (*Borgerensbevægelsen*), Germany (*Netzwerk Grundeinkommen*), Ireland (*BIEN Ireland*), the

40. VAN PARIJS, Philippe, “Renda Básica: renda mínima garantida para o século XXI?” (in *Revista Estudos Avançados*, São Paulo. Instituto de Estudos Avançados/USP, N° 40, September/December 2000).

Netherlands (*Vereniging Basinkomen*), Spain (*Red Renta Básica*), South Africa (*South African Coalition for a Basic Income Grant*), Switzerland (*BIEN Switzerland*), the United Kingdom (*Citizen's Income Trust*) and the United States (*US Basic Income Guarantee Network*). In Brazil, the *Rede Brasileira da Renda Básica de Cidadania* (Brazilian Citizen's Basic Income Network, RBRBC) was founded in 2004 by 13 Brazilians who attended the Tenth International Congress of BIEN in Barcelona and held its first formal presentation meeting in November 2005.

All of these institutions defend the implementation of an unconditional basic income that has the purpose of stimulating the development of economic equality, promoting the stability of the family and the community, and allowing all people to meet their vital needs and ensuring them a greater dignity. It proposes a universal coverage, from birth until death, without the need of any verification of income. The social security network should also be extended, so that nobody receives less than before the implementation of the program. They propose that the payment should be made by a public institution to facilitate the payment to everyone, even in locales where there is no banking network. A substantial part of the costs of the program should be covered progressively by the tax system, demonstrating that there is solidarity and a joint effort to eliminate poverty by all member of a nation or community.

In December 2003, this author participated in a symposium for the implementation of Basic Income in Gauteng, South Africa. At this event, one could observe a strong commitment displayed by the President of Congress of South African Trade Unions (part of the South African Coalition for a Basic Income Grant) and of the leaders of other entities representing this cause. This commitment can be an important example for Brazil to follow because it is a country with great economic potential yet still marked by great inequality, and with a significant part of its population living in absolute poverty. When the news of the Brazilian congressional decision to approve the law implementing the CBI reached the symposium, it was

well-accepted, as the South African proposal had already been analyzed in previous meetings of the country's Council of Ministers. On October 17, 2005, 400 people assembled outside the legislative assembly of Gauteng where they formed a human chain to mark the International Day for the Eradication of Poverty and to promote the approval of basic income for all citizens. In November 2–4, in Cape Town, South Africa, it was held the XI International Congress of BIEN with the participation of enthusiasts of the basic income in the five continents.

During this last BIEN Congress, an award was given to the best work presented. This was a proposal of a Basic Income or a Negative Income Tax for the North American countries members of NAFTA, Canada, USA and Mexico, presented by Professor Michael Howard⁴¹. If we really want to have economic integration in the American Continents we must be thinking of freedom of movements not only of goods and services and capital, but mainly of what is most important, human beings. For that purpose it will be more and relevant to think of ways of providing homogeneous social rights in all countries Howard's proposal is a strong step in that direction.

Growing academic acceptance of the idea can be observed in the invitation extended by Harvard University to Van Parijs to occupy a position in the Philosophy Department. When Van Parijs began lecturing in philosophy at the university, his colleague, Professor Amartya Sen, decided to invite him to co-lecture a course at Harvard on Social Justice and Cultural Diversity, wherein the pair examined different concepts of social justice depending on individuals' cultural roots and values. As a part of the class, Van Parijs and Sen also looked at the defense of a universal, unconditional CBI as articulated by the former and whether or not it would help attain social justice.

IX. THE PRECURSORS IN BRAZIL

As one examines the historical evolution of Brazilian subalterns and marginalized groups—including indigenous peoples, Afro-descendants, mestizos, landless workers, the disabled, and the

41. HOWARD, Michael W., "A NAFTA Dividend: A Proposal for a Guaranteed Minimum Income for North America." Paper presented to the XI International Congress of BIEN, in Cape Town, November 2006. See www.basicincome.org



poor—one finds that a defense of citizen rights on the basis of guaranteed income proposals has been at the heart of numerous social movements. From the fight against slavery in the 19th century to the present, one will always find a sense of struggle that is related to income. The common concepts of land ownership, values of solidarity, and reciprocity practiced by Brazilian indigenous communities constitute the basis for accepting the proposition for a basic income. In abolitionist history, one finds many voices (Zumbi dos Palmares, José do Patrocínio, Castro Alves, Joaquim Nabuco, and André Rebouças) that expressed longing for a society attainable through the achievements of a Basic Income program. The work of sociologists, economists, geographers, and historians in the 20th century has shown a demand for Brazil to adopt public policies that provide conditions for a deeper and more balanced development of society. In *Um Projeto para o Brasil*, Celso Furtado (1968) exposed a situation of extreme inequality, as the country's population stood at 90 million inhabitants (half its present total) and its per capita income was US\$350 per year. In this situation, the income distribution of the richest one percent represented the income of the poorest 50 percent, and this figure had not yet changed at the outset of the 21st century. In 2001, the distribution of per capita domicile income of 172.4 million of Brazilians with a per capita income of US\$7,037 per year was 13.8 percent for the richest one percent of the population, while the poorest 50 percent only obtained 12.7 percent of national income.

X. FROM MINIMUM INCOME TO CITIZEN'S BASIC INCOME IN BRAZIL

The first concrete proposal for the guaranteed minimum income in Brazil came from Professor Antonio Maria da Silveira in “Moeda e Redistribuição da Renda,” published in 1975 in the *Revista Brasileira de Economia*.⁴² Da Silveira suggested that the introduction of a new currency in the economy should be made through the hands of those who possessed the least. Criticizing the inefficiency of the instruments used to combat poverty, he proposed that the problem should be tackled directly through the use of a negative

income tax. In 1978, Edmar Lisboa Bacha and Roberto Mangabeira Unger proposed in “Participação, Salário e Voto” that agrarian reform and a minimum income achieved through negative income tax should be instituted as fundamental instruments for the democratization of Brazilian society.

In the second half of the 1970's, the author of this paper began to interact frequently with the steel workers from the ABC region of São Paulo, as well as with several groups included in current President Luiz Inácio Lula da Silva's *Sindicato dos Metalúrgicos de São Bernardo e Diadema*, an industrial union in greater São Paulo. At that time, this author was a newspaper journalist writing on economic matters for the *Folha de São Paulo*, and these acquaintanceships, including the affinity developed with many social movements, contributed to an election as State Deputy in São Paulo in 1978 as a member of the *Movimento Democrático do Brasil* (Brazilian Democratic Movement, MDB), and later led the author of this paper to join the *Partido dos Trabalhadores* (Workers' Party, PT) as a founding member in 1980. In the meetings between PT economists and the national leadership in the 1980s, the author advocated the party's defense of a guaranteed minimum income, a discourse that continued upon election as a Federal Deputy in 1986 and as a Senator in 1990. The author prepared a bill of law with the collaboration of da Silveira, economist João Sabóia and sociologist Ana Lúcia Sabóia, to institute the Minimum Income Guarantee Program through a negative income tax. Following the debates in the PT surrounding the concept of a minimum income, the idea had already readied itself for debate in Congress. On April 17, 1991, the author presented Senate Bill of Law 80, proposing that everyone aged 25 years or more with a monthly income less than Cr\$45,000—corresponding to 2.5 times the minimum wage at the time—would have the right to receive a cash transfer equal to 50 percent of the difference between the determined level and the individual's income.

At the Committee on Economic Affairs, Senator Mauricio Corrêa, at that time leader of the *Partido Democrático Trabalhista* (Democratic

42. SILVEIRA, Antônio Maria, “Moeda e redistribuição da renda” (in *Revista Brasileira de Economia*, April/June 1975. Reproduced in SILVEIRA, *Moeda e redistribuição de renda* (Rio de Janeiro. Edições Multiplic., 1981).

Labor Party, PDT), was chosen to be the rapporteur. Corrêa was receptive to the proposition, but questioned whether or not certain adjustments were necessary to make the proposal more feasible. He suggested that the transfer should not exceed 30 percent, and that the executive power could raise it to 50 percent according to the availability of resources and according to the success of the program. Furthermore, he proposed that the program should be introduced gradually over eight years, beginning with people aged 60 years or more, then in the second year phasing in people over 55 years and so on until in the eighth year all people over 25 years old would receive the benefit. In October 1991, the Committee approved the project unanimously. Two months later, it was approved by the Senate with a favorable evaluation from all parties: no senator voted against it and there were only four abstentions. The leader of the *Partido Social Democrático Brasileiro* (Brazilian Social Democracy Party, PSDB) at the time, and later President of the Republic, Fernando Henrique Cardoso, qualified the proposal as “a realistic utopia.” The bill of law went to the Chamber of Deputies where in the Budget and Finance Committee it received a favorable assessment from Deputy Germano Rigotto (PMDB-RS). Though public audiences were held, the proposal was not voted on at the committee level.

Throughout the 1990's the debate on the theme of a basic income intensified. At a meeting organized in 1991 in Belo Horizonte by Walter Barelli (at that time the coordinator of the PT parallel government's economic team), this author once again presented a proposal for the guaranteed minimum income together with Antonio Maria da Silveira. In the subsequent debate, Senator Aloizio Mercadante of the PT raised several questions: “Will the guarantee of minimum income possibly lead to a higher level of exploitation of workers by their employers since they will tell the workers that they will be able to get part of their remuneration from the program?”

More importantly, one need ask the following question from the point of view of the worker: Will the existence of a minimum income improve

the individual's economic standing or worsen it? If a guaranteed income were sufficient to ensure the worker's survival, the worker would have greater bartering power to decide whether or not he should accept the offered conditions of employment. Typically for workers in Brazil, who in the 21st century are in some cases still exposed to conditions on par with slavery, the existence of a guaranteed income would allow them to refuse any working condition that could mean humiliation, risk to their health, or disrespect to their status as human beings. If the minimum income is able to spur companies to hire more people, the result will be a greater pressure on the rise of salaries, while the combination of a basic income with a minimum wage can also contribute to raise the lowest levels of remuneration.

José Márcio Camargo, a professor from PUC-RJ, pondered whether it would be better if the guaranteed income was granted to the family instead of the individual, relating its provision to educational opportunities. One of Brazil's biggest problems is the great number of children who abandon their studies early at the request of their parent, who lack the money to keep their children in school. If income were provided to needy families who kept their children in school, the government would also contribute to a better future for these children and break the vicious circle of poverty.⁴³

As a candidate for the Governor of the Federal District of Brazil, Cristovam Buarque had been thinking the same way since 1986 in meetings held at the *Núcleo de Estudos do Brasil Contemporâneo* in the Universidade de Brasília (UnB). In 1994 he proposed instituting a minimum income for families in order for them to keep their children in schools. In his first week as governor in January 1995, in the satellite-city of Paranoá he announced the start of the *Bolsa Escola* program. All families who did not earn at least half of a minimum wage per capita monthly, with children from 7 to 14 years, residing in the Federal District for at least five years, would have the right to receive a minimum wage per month, as long as their children attended school 90 percent of the time. By the end of his government the program was assisting 25,680 families, corresponding to 50,673 children. In November 1994

43. Camargo published two articles in the newspaper the *Folha de S. Paulo*, “Poverty and Guarantee of Minimum Income” on December 26, 1991 and “The Miserables” on March 3, 1993, which developed this argument.



Mayor José Roberto Magalhães Teixeira, Gramma (PSDB), presented to the Municipal Chamber of Campinas the bill of law that instituted the Familial Minimum Income Guaranteed Program (PGFRM), also for families with incomes less than half of a minimum wage monthly who had children in school up to 14 years of age. The income given non-conditionally to the families was sufficient to complete a half minimum wage per capita, and the law was approved in January and the PGFRM was implemented in February 1995. The program benefited 2,941 families.⁴⁴

Throughout the nineties and in 2001, the proposal for a minimum income has always been present in Lula's government program since his first candidacy for President whose goal has been to eradicate poverty and promote children's attendance in school. As Lula's profile grew nationally, the public support for initiatives of this kind increased. Positive news of the Federal District's experience and that of Campinas spread immediately. In October 1995 Mayor Antonio Palocci also established in Ribeirão Preto a program to guarantee minimum income associated to education. With slight differences in their designs similar programs were implemented in a number of municipalities, all with good results.⁴⁵

In 1996 Van Parijs expressed that he considered a minimum income program associated with education opportunities a very positive development given that it was a way to relate the minimum income project to human capital investment. On December 10th, 1997 the government approved and sanctioned Law 9.533 which authorized the federal government to grant financial support (correspondent to 50 percent of total expenditures) to municipalities that instituted a minimum

income program associated with social and educational incentives. Initially, municipalities with a lower per capita income would benefit, and over five years these benefits would be gradually extended to all municipalities. The benefit per family, however, was very modest. In March 2001, Law 10.219/2001 authorized the federal government to establish agreements with the governments of all Brazilian municipalities to adopt the minimum income program associated with education or scholarship programs. Through this law municipalities would be responsible for the administration of the program while the federal government would directly transfer the payment to the benefited families using an electronic card. Families with children between the ages of six and 15 years would have a right to the benefit when they regularly attended school and their family had a per capita income up to half a minimum wage or, R\$90 in 2001. The benefit was R\$15, R\$30 or R\$45 per month, varying whether the family had one, two or three children.

In that same year a Poverty Fund was created and approved by the National Congress under the initiative of Senator Antonio Carlos Magalhães (PFL-BA), and based on the studies and works developed by the Committee to Fight against Poverty. This fund was designated to finance the minimum income program, and was financed from part of the *Contribuição Provisória sobre Movimentações Financeiras* (Provisory Contribution on Financial Movements, CPMF). According to then-Minister of Education Paulo Renato de Souza, in 2001 his Ministry signed agreements with 5,200 of the 5,565 Brazilian municipalities with the objective of instituting that program and realizing the target of benefiting 4.2 million fam-

44. During the first vote the only councilman from the PT at that time, César Nunes, decided to vote against the project given that other councilmen, including the ones from the same position as the mayor, did not want to approve some of Nunes' amendments emphasizing the norms of the Statute of Infancy and Adolescence involving greater participation from the community. During the second vote, however, following the approval of his amendments and after the dialogue, he opted to vote favorably.

45. Among the municipalities that saw implementation of a minimum income program were the following cities: Arujá, Barueri, Betim, Ferraz de Vasconcellos, Fortaleza, Franca, Londrina, Manaus, Mococa, Osasco, Ourinhos, Paracatu, Pindamonhangaba, Porto Alegre, Presidente Bernardes, Recife, Saleópolis, Santo André, São Bernardo do Campo, São Luiz, Suzano, Teresina, Vitória, São Paulo, Jundiá, São José dos Campos, Catanduva, São Joaquim da Barra, Araçatuba, Araraquara, Santo André, Franca, Guaratinguetá, Caçapava, Jaboticabal, Limeira, Piracicaba, Ourinhos, Presidente Prudente, Santos, São Carlos, Belém, Belo Horizonte, Betim, Extrema, Blumenau, Chapecó, Boa Vista, Caxias do Sul, Goiânia, Natal, Vitória, and Mundo Novo. A detailed exam of the municipal experiences can be found in: SILVA, Maria Ozanira da Silva; YAZBEK, Maria Carmelita; Di GIOVANNI, Geraldo, *Política social brasileira no século XXI: A prevalência dos programas de transferência de renda* (São Paulo: Editora Cortez, 2004); FONSECA, Ana M. M., *O debate sobre família e a política de renda mínima* (São Paulo, Cortez, 2001). Consequent to the implementation of these programs, new bills of law were proposed to the Chamber of Deputies and in the Federal Senate by deputies Néelson Marchezan (PSDB-RS), Chico Vigilante (PT-DF) and Pedro Wilson (PT-GO); by senators Ney Suassuna (PMDB-PB), Renan Calheiros (PMDB-AL); and José Roberto Arruda (PSDB-DF)—all proposing the establishment of minimum income projects associated with education or the Scholarship Program.

ilies. Several municipalities and State governments instituted similar programs that provided a more generous benefit to the families. This was the case of the municipality of São Paulo during the government of Mayor Marta Suplicy. Under her administration in 2001, with Marcio Pochmann as the Secretary of Labor, Development and Solidarity, and Ana Maria Medeiros da Fonseca as co-coordinator, the initiative was finally implemented, with an extended program and a larger remuneration per family.

During its advanced stage, the Guaranteed Minimum Income Program (PGRM) in São Paulo benefited families with children up to 14 years of age, who were obliged to attend school, and with a per capita family income equal to or less than half the minimum wage level at the time. Beginning in October 2001, the benefit was modified to conform to the following formula (with the ratio ultimately at the discretion of the Executive): one- to two-thirds of the difference between the family income and a per capita income equal to half the minimum wage for each family member. Supposing that the executive defines the aliquot part as 50 percent and that the minimum wage is R\$300, in a family with four people and a monthly family income of R\$300, the benefit should be 50 percent of the difference between R\$150 multiplied by four (equal to R\$600), less R\$300: total R\$300 per month.

Mayor Suplicy signed an agreement with the federal government and later with the state government to receive more resources than the municipal administration had the right to receive according to Federal law, but with the promise to invest these resources in the municipal minimum income program. In 2004, when the program reached about 190 thousand families in the municipality of São Paulo, a significant improvement was noted in economic activity indicators, tax collection and employment levels, as well as a reduction of criminality indexes. These improvements were principally seen in the districts with greater numbers of beneficiaries.⁴⁶ In the State of São Paulo beginning in 2001, the government of Geraldo Alckmin established the Citizen Income

Program, approved by the legislative assembly and encouraging municipalities to sign agreements with the state, who would then grant all families with a monthly income at or below the minimum wage level a complementary income. The benefit per family was initially R\$60 per month over 12 months, conditioned upon children's attendance in school, vaccination of children up to age five and family participation in social and educational activities. As an exception, it also allowed families to participate with a total income up to twice the minimum wage level and two or more children younger than age 16. Such diverse examples from the State and the Municipality of São Paulo should illustrate the number of different programs that can be found throughout Brazil, each with the same goal of instituting a minimum income.

At the end Fernando Henrique Cardoso's government in 2002 there were several existing income transfer programs that related to the ideals of the PGRM. Additionally there were continuous income payments made to retired rural workers, seriously disabled people and the elderly pertaining to families with an income less than a quarter of a minimum wage. There was also the *Programa de Erradicação do Trabalho Infantil* (PETI), administrated by the Ministry of Social Welfare and Assistance with grants amounts slightly higher than the PGRM which at that time was administrated by the Ministry of Education. Also functioning at the time was the *Bolsa Alimentação*, which benefited families with children older than six months and younger than seven years of age with benefits similar to PGRM of MEC but administrated by the Ministry of Health.

When President Lula was elected in October 2002 with 53 million votes in the second round, corresponding to 62 percent of the valid votes, one of his main proposals was the development of project called *Fome Zero* (Zero Hunger). This program involved instruments of agrarian reform such as incentives to family agriculture, the expansion of credit to small and medium producers, the construction of reservoirs for containing water in the semi-arid regions, the installation of popular restaurants, and the distribution of food

46. POCHMANN, M. (Org.), *Políticas da Inclusão Social, First Edition* (São Paulo: Cortez, 2004). As an example of the improvement in indicators of quality of life, the homicide rate in São Paulo was 57.3 per 100 thousand inhabitants during the years 1999–2000, but dropped to 51.6 for the three-year period from 2001–2003.



baskets to populations in emergency situations. It also included an income transfer program provided through the distribution of a food card given to needy families in order to acquire food. On March 27, 2003 when the government began its mandate, President Lula signed a provisory measure instituting the food card program. Its distribution, providing R\$50 per month to families with a per capita monthly income up to half the minimum wage, began in the most vulnerable areas of the Northeast's semi-arid regions: the municipalities of Guaribas and Acauã in Piauí were the first to be chosen. In the inland regions of Piauí the difficult economic situation is largely due to the prevalence of informal economic activity over involvement in the formal economy. In order to comply with the food card's requirement that funds be spent only on basic food, customers had to fill in forms or booklets—with the help of shop owners—informing them of what they bought.⁴⁷

Six months later on October 20, 2003, on the recommendation of special presidential advisor Miriam Belchior, the federal government decided to unify the following four programs through the Provisory nr. 132: Bolsa Escola (managed by the Ministry of Education, instituted in April 2001); Bolsa Alimentação (managed by the Ministry of Health, instituted in September 2001); Auxílio-Gás, (from the Ministry of Mines and Energy, instituted in January 2002); and Cartão Alimentação, (from the Ministry of Food Security instituted in that same year); and established the Bolsa Família Program. Bolsa Família's implementation was intended to rationalize the four programs that were often working in the same areas and to give greater value to the Single Registry of beneficiaries that had been instituted in April,

2001. The Programa de Erradicação do Trabalho Infantil established by the FHC government still need to be integrated into Bolsa Família in October 2003, and this was later accomplished through the Integration Directive between the two programs on December 28, 2005.⁴⁸

It is important to emphasize that even though only representing a modest amount, Bolsa Família corresponds to almost three times the amount of the income transfer programs of previous governments, such as Bolsa Escola, Bolsa Alimentação and Bolsa Renda (managed by the Ministry of Social Integration, a program to assist people affected by natural disasters with a benefit equal to the amount of Bolsa Escola and Alimentação).⁴⁹ Bolsa Família remained a conditional program, providing complementary income to families with monthly per capita incomes of less than R\$120. If the family's per capita monthly income is equal to or less than R\$60, the monthly benefit is R\$50 plus R\$15, R\$30, or R\$45, for families with one, two, three or more children (up to 16 years old), respectively. If the family's per capita monthly income is in the range of R\$60 to R\$120, the benefit will be only R\$15, 30 or 45 per month, for families with one, two, three or more children up to 16 years old, respectively.⁵⁰

The development of the Bolsa Família program within the Ministry of Social Development was created in cooperation with the Ministries of Education and Health and municipal administrations, including support from the Inter-American Development Bank and the International Bank for Reconstruction and Development.⁵¹ By 2004 the results of the *Pesquisas Nacionais por Amostra de Domicílios* (PNAD; completed by the *Instituto Brasileiro de Geografia e Estatística*, IBGE) were ana-

47. This author fully agreed with the targets of the Fome Zero program, which were also very enthusiastically defended by the Minister of Fight against Hunger, José Graziano da Silva, to develop a food security policy. Nevertheless, this author disagreed with da Silva on several points: while this author defended the principle of citizens' greater freedom to choose what to buy with resources provided them, da Silva affirmed that spending should be limited to food.

48. The team coordinated by Miriam Belchior were constituted by Ana Fonseca; Ricardo Henriques, Anna Peliano, Maya Takagi, Maurício Muniz, Tereza Cotta, Michelle Oliveria Lessa, representing the Ministries and Public Institutions involved in the income transfer programs administration.

49. Bolsa Renda was later incorporated into other programs and afterwards incorporated into Bolsa Família during the Lula government.

50. Please see FONSECA, Ana M.M. and ROQUETE, Cláudio. "Proteção Social e programas de transferência de renda: o Bolsa-Família" in VIANA, Ana L.A.; ELIAS, Paulo E.M.; IBÁÑES, Nelson, *Proteção Social. Dilemas e desafios* (São Paulo: Editora Hucitec, 2005).

51. It should be noted that the program has substantially improved its counterpart checking mechanisms. Children up to six years of age become vaccinated according to the Ministry of Health calendar and periodically visit health clinics for the reinforcement of their nutritional development, while children from six through age 15 have to provide proof of school attendance in at least 85 percent of their classes. According to the survey released in January 2006, when the target of 8.7 million families had been reached, only 2.8 percent of the children in 2005 did not comply with this last requirement.

lyzed by a wide range of economists dedicated to studying inequality and the eradication of absolute poverty in Brazil, who demonstrated that there were very positive effects from the expansion of the program. Rodolfo Hoffmann reaffirmed this position in his article, “PNAD mostra redução na desigualdade e na pobreza” (PNAD shows reduction in inequality and in poverty):

The reduction of inequality can be verified by several indicators. The GINI index, in 2002, 2003 and 2004 is, respectively, 0.587, 0.581 and 0.569. The percentage of the income appropriated by the richest ten percent of the population dropped from 46.8 percent in 2002 to 45 percent in 2004, while the share of the richest five percent of people dropped from 33.4 percent in 2002 to 31.9 percent in 2004.

The number of Brazilians in conditions of poverty increased from 35.8 percent in 2002 to 37.5 percent in the following year, in large part due to difficult conditions in the Brazilian economy in 2003, which produced a low average income. A slight recovery of these figures was expected in 2004. Regarding to the average income, the recovery was modest, with a growth of only 3.4 percent of per capita income, after a drop of 5.8 percent between 2002 and 2003. But the reduction of inequality contributed for a more substantial reduction of poverty between 2003 and 2004. The proportion of poor people in 2004 was 34.6 percent, slightly below the figure observed in 2002.

The oscillation of the poverty level during these three years, with poverty in 2004 lower than in 2002, is confirmed by more sophisticated measures, which take into consideration the insufficiency of income of each poor person, giving more weight to insufficiency of income of the poorer.

Hoffmann shows the effects of expanded income transfer programs such as Bolsa Escola, Renda Mínima and Bolsa Família from October 2003 on, once they became part of the statement called “other incomes”:

It could be verified that the participation of these “other incomes” in the total of domicile income increased from 1.0 percent in 2003 to 1.6 percent in 2004. And what calls attention is the extraordinary growth of the participation of this item in the total income of the poorer segments. For homes with a per capita income equal to or less than R\$50 (in 2004), this level participation rose from 11.1 percent in 2003 to 18.9 percent in 2004. For domiciles with per capita income higher than R\$50 and up to R\$100 this participation doubled from 4.2 percent to 8.4 percent. For all segments with per capita income up to R\$300 this participation more than doubled between 2003 and 2004, doubling from 1.8 percent to 3.7 percent. It is reasonable to suppose that in these segments practically there are no yield from interests and dividends. So we can conclude that the growth of the participation of this item in the total income reflects the amplification of income transfer official programs. It is a component with very small participation in the total income, but with expressive participation in the income of the poorer segments. Its growth contributed substantially for the reduction of poverty.⁵²

Similar conclusions were recently expressed by economists Rosa Maria Marques, Ricardo Paes de Barros, Marcelo Neri and José Alexandre Scheinkmann. Marques writes, “Generally speaking... the less developed the municipality—characterized by low transfer of ICMS—the greater the relative importance of the Bolsa Família. In some cases, such as in Medina, without the need of further investigations, due to a guaranteed income transfer from this program for almost 30 percent of the population, there’s no doubt that the Bolsa Família is responsible for a good part of the economic activities practiced in the municipality.”⁵³ Paes de Barros states that it “is a new and sensational fact that inequality has decreased systematically in the past three years, representing all things that one who wants to combat the poverty would like to see in Brazil.”⁵⁴ Neri agrees, noting that the “conjugation of economic growth with a

52. HOFFMANN, Rodolfo. *Pnad mostra redução na desigualdade e na pobreza*. 2005, mimeo.

53. MARQUES, Rosa Maria, “A importância do Bolsa Família nos Municípios Brasileiros” (Cadernos de Estudos, Nº 1, Desenvolvimento Social em Debate, Ministério do Desenvolvimento Social e Combate à Fome, Brasília, 2005).

54. Interview with PAES DE BARROS, Ricardo in *O Estado de S. Paulo*, Caderno *Aliás*, 04/12/2005.



better distribution of income resulted in significant reduction in extreme poverty in Brazil in 2004. The percentage of people who lived with an income less than R\$115 per month passed from 27.26 percent in 2003 to 25.08 percent in 2004, the lowest level since 1992 (when it was 35.87 percent)... It was a year in which we had the recovery of the labor market, with the generation of formal jobs, and a new generation of social programs, like the Bolsa Família.”⁵⁵ Scheinkmann adds the following assessment:

*Despite the relatively small program, [which] in 2005 spent about 0.3 percent of GDP, the Bolsa Família, thanks to its focus on the poorer segments, [has] an important role in the diminishing of poverty in Brazil. The redistributive impact of this program will confirm the work of the Secretary of Economic Policy from the Ministry of Finance, which estimated that in 2003, 73 percent of the expenditure in Bolsa Escola benefited families who were among the 40 percent [of society’s] poorer segment... Conditional transfer programs will not solve by themselves the extreme poverty problem in Brazil. The government must increase the quantity and the quality of the education and health supply for the poor and fixing the conditions that propitiate the creation of more and better jobs by the private sector. But public policies aimed to the less favored are essential for the decrease of poverty in Brazil.*⁵⁶

Having confirmed the efficacy of income transfer programs associated with education and health assistance opportunities, which started under Bolsa Escola and Bolsa Alimentação and then were later unified in Bolsa Família, is it not time to take a step towards implementing a CBI?

President Luiz Inácio Lula da Silva gave an affirmation on the “Café com o Presidente” radio program broadcasted by Radiobrás on January 9, 2005—nearly a year to the date after having sanctioned Law 10.835 on January 8, 2004 to establish the CBI—emphasizing the fact that the Bolsa Família program would reach by 2006 the total number of families that, according to IBGE,

remain below the poverty line. He said the following about Brazil’s successful implementation of minimum income programs:

Brazil that I wish is a Brazil where, someday, the State does not need to have an income transfer because people are working and earning their sustenance from their own work. It is that what dignifies the man, the woman, it is that what gives us pride, to live at the expense of ourselves, at the expense of our work, of our sweat.

In order for us to comply with the President’s wish for all Brazilians to live at the expense of their own work, it is necessary to understand that the CBI does not correspond to any sense of charity or assistance but that it is a right granted unconditionally to all citizens of Brazil to participate in the wealth of the nation, whether produced by natural resources, produced by previous generations or provided by technological progress and invention with the participation of the whole of society.

While attending the World Social Forum in Porto Alegre in January 2005, this author spoke with Minister of the Social Development Patrus Ananias alongside Philippe Van Parijs. In this meeting, as well as at the meeting of the *Associação Nacional dos Centros de Pós Graduação de Economia* in Natal in December 2005, Ananias has expressed a great interest in the proposal for a CBI while posing some crucial questions for its success. How is it feasible to pay a reasonable amount of basic income to 187 million Brazilians, if the amount paid now to poor families by Bolsa Família is still modest? Which should be the starting amount for the basic income? Would it not be more adequate to first increase the amount of Bolsa Família? How is it possible to finance the payment of a basic income to every Brazilian? As public opinion supports the requirements of school attendance and vaccinations and considers them positive aspects of other programs, how can the government start paying non-conditional incomes guaranteed to all citizens?

It is paramount to remember that the law establishing CBI grants great flexibility to the executive

55. NÉRI, Marcelo, “Miséria in queda: Mensuração, Monitoramento e Metas” (in *Conjuntura Econômica*, Fundação Getúlio Vargas, November 2005).

56. SCHEINKMANN, José Alexandre, “Bolsa-Família e pobreza Bolsa-Família e pobreza” in *Folha de São Paulo*, December 18, 2005.

power regarding its implementation. The formation of the income transfer's size and its realization will be gradual and completed under the criterion of the National Executive, which gives priority to the neediest citizens until everyone is capable of receiving the benefit. Currently, eight income assistance programs are superimposed in the municipality of Campinas—and logically there is a great difficulty for participating families to understand in which program they should be included. If someday the CBI program can be implemented in all of Brazil, it will be much simpler to explain each citizen's effective to all Brazilians. The Italian philosopher Antonio Negri, from the University of Pádua, and the political scientist Giuseppe Cocco, from the Universidade Federal do Rio de Janeiro, praised the Bolsa Família in an article in *Folha de São Paulo*, qualifying it as the embryo of a universal and citizen's income. They exalted Lula's government for aiming towards non-conditionality and trying to accelerate the popularization and democratization of the program.⁵⁷

The government needs to first evaluate the present need observed in the Bolsa Família program's 45 million beneficiaries as well as its own capacity for increasing the scope of the plan. The government could also then expand the number of eligible families who have the right to enroll in the program. An alternative to gradual implementation could also be achieved through the universal concession of the CBI initially awarded to people up to 18 years of age, as is defended in Argentina by economists Ruben Lo Vuolo and Alberto Barbeito and in Brazil by economist Lena Lavinas.⁵⁸ It is to be expected that the CBI should begin with a modest amount, for example R\$40 per person, totaling R\$240 per month for a family with six members; if the head of the family receives a minimum wage of R\$300 in the beginning of 2006 and there is no further income earned by the family, the family income will be R\$540—nearly doubling the family's income. Paying a monthly stipend of R\$40 over 12 months means a commitment of R\$480 per person per year that, when multiplied by 187 million, will

necessitate an annual amount of R\$89.8 billion. This figure is approximately ten times the total amount paid by the central government to fund the Bolsa Família program in 2006. This is much less, however, than what Brazil pays in interest on the public debt.

Nevertheless, even starting with a modest amount for the Basic Income as stated previously, the total amount of R\$89.8 billion corresponds to nearly 5 percent of the present level of GDP (estimated to be R\$2 trillion in 2006): it is difficult to make this amount of money available in the short term. This concern was recently raised as a topic of discussion between this author and former Minister of Finance Antonio Palocci, which is why it is important to introduce the system gradually. Minister Palocci stated that a possible course of action is to extend the Basic Income first to families, granting it afterwards to each individual citizen. Another possible solution is to finance the program through the creation of Citizen's Brazilian Fund which over time would be able to provide the necessary resources to pay the basic income in accordance to the model formulated first by Thomas Paine and later implemented in the form of the Alaska Permanent Fund. This is the main purpose of the law presented by this author to the Senate in 1999, and which has already been approved by the Senate in August 2006. It will now be examined by the Chamber of Deputies. The initial capital for the fund would be constituted by 10 percent of the shared participation of the Federal government in the capital of the public companies. The resources of the fund would be formed by endowments consigned to the federal budget; 50 percent from royalties produced by natural resources; 50 percent from resources proceeding from concessions of public works and services; 50 percent from rents coming from federal real estates and other assets and donations.

Regarding the improved conditions whose development was enabled by previous programs that are viewed positively by the public (such as Bolsa Família), one should take into consideration the teachings of the great educators who showed that

57. NEGRI, Antonio e COCCO, Giuseppe, "Bolsa-Família é embrião da renda universal" in *Folha de S. Paulo*, 05/01/2006.

58. VUOLO, Rubén Lo, and BARBEITO, Alberto C., *Contra la exclusión. La propuesta del ingreso ciudadano* (Buenos Aires, Ciepp/CIEPP/Mino y Dávila, 1995). See also LAVINAS, Lena, et al., "Exceptionality and Paradox in Brazil: From Minimum Income Programs to Basic Income," 9th International Congress, BIEN, Geneva, September 12–14, 2002.



education is a liberating process through which the person gains greater conscience. Similar to wealthier families' commitment to getting their children vaccinated and sending them to the best schools, one can also expect that families with less money, once given the right to receive a basic income, will also make efforts to improve their participation in education and the health of their children

XI. CONCLUSION

When Brazil does institute the CBI it may soon be accompanied by other countries in the Americas as well. Ideally, the participation of more countries in basic income programs would harmonize the common defense of social rights throughout Latin America. Evidence of this defense can be found in the region when an important step was recently taken by the province of Alberta, Canada. In January 2006 all people living in the province received 400 Canadian dollars as part of a democratic distribution that the government of that province decided to implement because of the positive results from oil and economic activities that had generated increasing revenues.⁵⁹ This decision marks the implementation of a CBI similar to that found in Alaska 25 years ago. Brazil, however, is the first country in which the Congress has approved a law for the national implementation of a basic income.

In 2003, as the law was awaiting approval in the Chamber of Deputies, the author of this paper

delivered a lecture at the *Fundação Estadual do Menor* (State Children's Foundation) in São Paulo. This author sought to transmit the reasoning behind basic income programs, citing the examples presented above, and conveyed to the capacity audience the idea that, had the CBI already been in effect at the time of young people's crimes, they would very likely not have been pushed to commit the offenses that led to their arrest. For a better understanding, one need only be reminded that when the current President of Brazil was a boy from the inland region of Pernambuco, he traveled with his family by truck to São Paulo at just seven years of age. Lula's achievements many years later might have been unthinkable as a boy, but with the CBI they can become a possibility for all Brazilians. It is necessary that all citizens have sufficient alternatives that allow them to live with dignity—the most important aspect of the CBI. Now that the law has been approved by the government, the only task that remains is to implement the policy on a national level.

It is generally agreed that the significant expansion of the Bolsa Família Program and its positive effects, among other important aspects, has contributed for President Lula to be reelected with 58,295,042 or 60.8 percent of the votes in the second round, on October 29, 2006. How will the Bolsa Família evolve? Will it really be transformed into the CBI? And if so, then when?

59. BIEN Newsletter 36, November 2005, <<http://www.gov.ab.ca/home/albertasurplus>>.

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