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A Planet-Wide Citizen's Income: An Espousal

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If the authors who are my companions in this volume have done a convincing job, there should be no need for me to restate the principles on which the case for a citizen's income rests. While there are probably no instances of universal national citizen's incomes, it was common during the heyday of the welfare state to find a range of separate programs that, taken together, approached to varying extents the underlying tenets advanced by citizen's income advocates. While these programs may have fallen short with respect to the income goal, they represented a clear recognition that egalitarian principles of income and opportunity must be incorporated in the institutional arrangements of a society. Harmonious social reproduction depends in part on the adequacy of one's financial resources and entitlements.

The past several decades have witnessed major cutbacks in the extent of government-provided entitlements as tax bases have been eroded by the growth of offshore competition for production and placement of funds. While the opportunities for minimizing costs by moving to lower wage and lower tax jurisdictions are a very real threat to the tax base required for the preservation of equitable institutions, globalization has been used as a battering ram to dismantle safety nets and to suppress sentiments of solidarity. Indeed, there has been a relentless campaign to shed social support which is summed up in one shorthand word and an associated phrase: 'neoliberalism' and a 'race to the bottom'. Robert Gilpin characterized this as the plight of national welfare capitalism in a "non-welfare international capitalist world".¹

Responding to the Race to the Bottom

James Meade, one of the early Nobel Prize winning economists (1977) and an early subscriber to life membership in BIEN, the Basic Income European Network, had the following to say about John Maynard Keynes: "His great appeal was that we should treat the whole economic problem as a unity and be prepared to present to the public a total solution which really did present a prospect of a radical solution of the problems of unemployment and of raising standards of living".²

In the spirit of Keynes and Meade, I believe that we must treat the economic-social-political-environmental problems of our time as a unity and that unity must be planet-wide, not one that is circumscribed by national boundaries.

I believe our current predicament requires a scale shift in our thinking: it is urgent that we consider building a system of world federalism in which democracy characterizes governing structures from the local to the global. This is the radical solution for our time. I believe that a single world currency and a system of world public finance, including expenditures to provide a

citizen's income to every child, woman and man on this planet are essential if we take seriously poverty-elimination, preservation of peace and the realization of environmental sustainability.

This clearly requires a most ambitious task of discourse change, but I believe it to be essential. Systematic conditioning shaped our loyalties to imagined national communities and the associated solidarity and sharing with our fellow nationals. Today's world requires imagining one or more higher level, broader-based communities as additions to our set of loyalties. Europeans are leading the way in having already embraced an additional identity. The realities of our evolving global society and physical environment require that we see ourselves as inextricably bound with the rest of humanity and the health of the planet itself.

This imperative to include the global dimension in our considerations in approaching an expanding set of issues, has been summed up by James Rosenau in what he terms a "Declaration of Interdependence". He insists, in view of the ubiquity and diversity of boundary-spanning activities, that it is essential for us to go beyond both disciplinary boundaries and state-centric worldviews in our thought and action.³

Global Poverty, Global Riches and Global Redistribution

World income distribution commonly refers to a ranking of countries by per capita income. Comparison is often made between the richest countries containing 20% of the world's population and a set of the poorest countries also having 20% of the world's population. From these data ratios which are said to be of the income of the top 20 % to the bottom 20% of the world's income, distribution are compiled. This ratio is estimated to have gone from 3:1 in 1820, to 7:1 in 1870, to 11:1 in 1913, to 30:1 in 1960, to 61:1 in 1991, and to 74:1 by 1997.⁴

A new perspective has been added to our discussion of world income distribution by the research at the World Bank by Branko Milanovic. He describes his work as the first to estimate world income distribution exclusively through use of household surveys (for 91 countries), thus ranking the world's people, rather than the income of the world's countries. His Gini coefficients of income inequality for 1988 and 1993 adjusted for differences in purchasing power parity are 0.63 and 0.66. In sharp contrast, if the purchasing power adjustment is not made the World Ginis are 0.78 for 1988 and 0.80 for 1993.⁵

Data on income distribution is still highly flawed and for many countries it is available only at infrequent intervals, if at all. Efforts to improve the quality of data have understandably focused primarily on the bottom of the income distribution, ostensibly reflecting a concern with the extent of poverty and whether progress is being made in its reduction. Efforts to improve the quality of the data at the upper end or even publicizing the extent to which concentration has increased has not been privileged to the same degree, especially by international organizations. Moreover, and this is the most significant point, there has been a clear methodological convergence on the use of household surveys for purposes of international comparisons. These surveys are recognized by most authors as being inadequate – indeed notoriously so – in capturing the concentration of income (and wealth) at the top of a distribution and in particular in the top 1%, 0.5% and 0.1%. This point is clearly demonstrated by Edward Wolff, one of the leading authorities on wealth in the United States who offers contrasting wealth Ginis for the United States of 0.69 (for 1988) and 0.84 (for 1989), with the latter figure based on data that over-samples at the upper end of the distribution.⁶ Based on Wolff's work, it is clear that 1) as sample size of the upper wealth groups approaches the entire set as a limit, the higher will be the Gini coefficient for both income and wealth and 2)

the true figures for concentration of income and wealth will be even higher given the diverse ways of hiding income and assets.

It is also clear from the observations of Wolff and Anthony Atkinson that Milanovic's results, which indicate that the top 10% of the world's income recipients received in 1993 50% of the world income and that the top 1% received 9.5% of world income, seriously understate the concentration of world income.⁷ Nonetheless, it is instructive to use Milanovic's figures on income distribution as a basis for very rough calculations of the upper limit of tax burden that might be required to finance a Planet-Wide Citizen's Income. Based on an estimated household world income of \$30 trillion in 2000, a Planet-Wide Citizen's Income of \$1,000 per year for all the Earth's inhabitants, which is equivalent to 1/5 of the average purchasing power parity world per capita income for 2000, could be financed by net supplementary taxes on personal income ranging from 35% to 43% on the top 10 percent of the world's income receivers, whether resident in the global North or the global.⁸ The income guarantee would come to \$2.74 per person per day, which would leave no one on the planet with an income less than \$2 per day. Unlike the Millennium Development Goals (MDGs) which promise relief, essentially still through trickle down, to only one-half of the 1.2 billion people living on \$1 per day and that only by the year 2015, a Planet-Wide Citizen's Income would put money in everyone's hands once the commitment is made and mechanisms are in place to implement it.⁹

It is imagined that the MDGs can be attained through a combination of the domestic efforts of poor countries supplemented by the long awaited realization of the Official Development Assistance (ODA) target of 0.7% of the gross national product of donor countries. Meeting the ODA target would provide less than US\$200 billion per year, while, in contrast, the cost of a Planet-Wide Citizen's Income, which would be a central element in a system of global public finance, would be at least 30 times larger. The International Monetary Fund's Annual Report bears the motto "Making the Global Economy Work for All". If the global economy is truly to work for all, we must begin to think of the mobilization of trillions of dollars of financial resources and no longer merely billions. And as has proven to be the case with the largely unmet 0.7% ODA target first enunciated in 1969, voluntarism must be replaced by enforceable obligations to pay taxes for global public purposes. As Dudley Seers observed in 1964, "internationally, we are still in the age of charity – with all it implies, in particular the power of the donor over the receiver".¹⁰

The façade of global solidarity is maintained by proclaiming that ending poverty is the goal to which we are all committed. However, even a cursory examination of the rhetoric and reality of programs of poverty elimination, quickly reveals that income poor people and countries are expected to essentially pull themselves up by their own bootstraps, in a way that was not expected in post Second World War Europe, Japan, Korea and Taiwan which were all beneficiaries of massive financial grants for their reconstruction during either the Marshall Plan years or the 1950s.

Income and wealth is so concentrated within countries and world-wide in the hands of individuals and corporations, that one doesn't have to search far for a suitable tax base for a Citizen's Income, either on a national or world scale. The solution is the tried and true one of progressive income and profit taxation, possibly supplemented by wealth taxes. The challenge is to change the societal discourse to privilege once again the centrality of the public good and to embark on a multi-faceted campaign to restore taxes to levels that prevailed a few decades ago in the global North, to secure global agreement to abandon tax competition and to end the special regime of tax havens.

Returning income and profit taxes to marginal rates that existed in several countries (including the United States) in the 1960s could help finance an expansion of expenditures for public purposes at home and abroad (including a Planet-Wide Citizen's Income). When Keynesian economics held sway during the first post-World War II decades, there was commitment to policy frameworks which were broadly supportive of mitigating social exclusion and the narrowing of gaps between the haves and have-nots within major industrial societies. The shift in recent years has been extreme. Blaming the victim is again in fashion and some, in apparent paraphrase of Proudhon, insist "taxation is theft". In consequence, income may be sheltered, legally or illegally, thanks to the able advice of specialists.¹¹

Kevin Phillips reminds us, for example, that the United States during the 1950s had six different tax brackets for people in the top 2% of the income distribution.¹² At that time the maximum marginal rate in the US was 91%. A reduction to 70% was reversed during the Vietnam War in the 1960s, the maximum marginal rate reaching 77%. Today the maximum is 38.6% for any taxable income above \$307,050. Substantial tax rate reductions have been common throughout the OECD during the past quarter century.¹³

A similar picture of concentration emerges when we consider wealth and corporate profits. Matching Forbes Magazine's 2002 list of billionaires with the UNDP's figures for GDP of the world's 64 low-income countries for 2002, we find that the wealth of the richest 191 individuals was just slightly greater than the total income of the low-income countries, which according to the UNDP's figures accounted for 40% of the world's population.¹⁴ A combination of coordinated national wealth taxes and a system of world public finance in which the role of havens as a refuge from taxation is brought under control also offers the prospect of tapping some of the world's extreme wealth to support a Planet-Wide Citizen's Income.¹⁵ To continue with a comparison using the cohort of low-income countries: in the Fortune magazine 2004 ranking of the world largest corporations, the combined annual revenues of the top 6 exceed the combined GDP of the low-income group of 64 countries. More to the point is that the profits of the companies on this list also represent a potential tax base for financing a Planet-Wide Citizen's Income, were we to have a system of world public finance. The combined profits of the Global 500 companies easily exceed the roughly \$1.1 trillion GDP of the cohort of low-income countries.

Once again official figures are likely to understate the total profits, especially of firms which operate globally and can take full advantage of inconsistencies in the tax treatment of diverse jurisdictions as well as resorting to the use of tax havens. Profit levels are only in part a reflection of the market successes of corporations; they also reflect the revenue-raising idiosyncrasies of multiple jurisdictions, including the complex interrelations between the corporate profit tax and the personal income tax, and decisions by corporate executives and/or boards as to how revenues are to be allocated. Suffice it say, that the profits of global corporations in particular should not be overlooked as one of the potential sources for funding a part of a Planet-Wide Citizen's Income.

A Pilot Project

Is there anything that can be done immediately while we are engaged in the arduous work of changing societal perception? Is there an initiative that might convince doubters and reinforce our own spirits? Perhaps. In the 1970s a number of income guarantee experiments were conducted in the United States and Canada.¹⁶ Available research on the outcome of these studies is limited as most were brought to a premature end as hostility to the very idea of an income guarantee grew. The present moment could well be a remarkably opportune time to

launch a new pilot study, this time a country-wide project that would target one of the world's poorest countries. As the Millennium Development Goals, which are largely being stage-managed by the World Bank and the International Monetary Fund, are scheduled to run to 2015, there is time to gather support to conduct a 5 year pilot, the results of which can be compared to MDG results.

The wedge in the door is the fact that – one-third of the way into the time horizon for the achievement of the MDGs key goals – these are not being met for the improvement of the conditions of the poorest countries. A joint press release on 12th April, 2005 of the World Bank and the IMF called for “bold and urgent action” to reduce extreme poverty, observing that progress toward the achievement of the MDGs “has been slower and more uneven across the regions than originally envisaged, with Sub-Saharan Africa falling far short”.¹⁷

For the World Bank and the IMF bolder action is that of bootstrapping by the poor countries and meeting the 0.7% ODA target by the rich countries. To this near placebo “control” I would propose an evidence-based comparison using a pilot targeting one of the world's poorest countries as a recipient and forming a “coalition of the committed” to fund a Country-Wide Citizen's Income of \$1 per day for all. One possible candidate is Mali, which is at almost the very bottom of the UNDP Human Development Index ranking. At last published report (possibly for 1992) over 70% of the population was living on less than \$1 per day. A citizen's income for all at \$1 per day, for a population of around 15 million, would cost \$5.5 billion, which is more than double its 2001 GNP. This trial calculation compares to 2001 net ODA per capita received by Mali of \$29 or 8¢ per person per day.

Can it be done? Is it feasible? An ILO report provides details of a \$1 per day universal senior's pension in place in Namibia, with each pensioner having an electronic identification card and mobile banks making the rounds once a month to make the payments.¹⁸ One of my mentors, Benjamin Higgins noted “the reallocation of resources involved was much greater in the fighting of a major war than is required for economic development”.¹⁹ The annual sum proposed for a citizen's income guarantee in Mali is a fraction of that spent in waging a war in Iraq, a country whose population exceeds that of Mali by only 60%. We have a good idea of what wars can do; why not try to see what an income guarantee can do? Overcoming poverty by ‘waging’ social justice may well be the moral equivalent to war for which William James was searching one century ago.²⁰

Conclusion

A Planet-Wide Citizen's Income could eliminate in one stroke income poverty in the global South. An income guarantee giving people the real freedom to meet their needs in their home countries, could eventually create a world in which border controls could be eliminated. In contrast, our present system is one of global apartheid, where the opportunity of even cross-border travel is increasingly denied to many. In countries where ethnic tension prevails, a citizen's income for all could well be a peace-preserver, which is less costly in every sense than post-conflict reconstruction. For the world as a whole, if the fruits of human inventiveness and ingenuity are shared widely, then the national quests for economic competitiveness may be dethroned as a central influence on public policy.

To the question “What can I do?” Susan George offered the following counsel, which still rings true, almost 30 years later: “study the rich and powerful, not the poor and powerless”.²¹ There is undoubtedly ample room at the top for financing a program that could contribute to global security by instituting a Global Citizen's Income through increases in income taxes on the world's richest and supplementary taxes on corporate profits. These are the days when the

slogan “another world is possible” is commonly spoken of. One possible world might include poverty alleviation and “real freedom for all” world-wide through a Planet-Wide Citizen’s Income embedded in a system of world democratic federalism. This requires a major rethinking of how we see the world. Anything less is likely to maintain us on our collision course with planetary disaster.

Notes

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- ³ Rosenau, J.: "Pieces on Our Craft: Declaration of Interdependence". *International Studies Perspectives*, no. 6, Feb. 2005 (inside back cover).
- ⁴ *Human Development Report 1999*, United Nations Development Programme, p. 3.
- ⁵ Milanovic, B.: "True World Income Distribution, 1988 and 1993: First Calculations Based on Household Surveys Alone". *The Economic Journal*. no. 112, 2002, p. 72.
- ⁶ Wolff, E. N.: *Top Heavy: The Increasing of Wealth in America and What Can be Done About It*. New York: The New Press, 2002, p. 88.
- ⁷ Atkinson, A.: "Top Incomes in the United Kingdom over the Twentieth Century". Dec. 2003 (unpublished; see: <http://www.nuff.ox.ac.uk/users/atkinson/Topincomes20033.pdf>), p. 38.
- ⁸ Frankman, M. J.: *World Democratic Federalism: Peace and Justice Indivisible*. New York/Houndmills: Palgrave Macmillan 2004, p. 155.
- ⁹ MDGs can be found at <http://www.un.org/millenniumgoals/>.
- ¹⁰ Seers, D.: "International Aid: The Next Steps". *Journal of Modern African Studies*. no. 2, Dec. 1964, p. 475.
- ¹¹ For examples to this see the reports of the OECD's Financial Action Task Force on Money Laundering: <http://www1.oecd.org/fatf/>.
- ¹² Phillips, K.: "Too Much Wealth, Too Little Democracy". *Challenge*, no. 45, Sept-Oct 2002, pp. 17-18.
- ¹³ Kato, J.: *Regressive Taxation and the Welfare State: Path Dependence and Policy Diffusion*. Cambridge: Cambridge University Press, 2003.
- ¹⁴ "The World's Richest People". *Forbes (online)*, Feb 26, 2004: <http://www.forbes.com/maserati/billionaires2004/bill04land.html>.
- ¹⁵ One estimate places the wealth held in tax havens at \$6 trillion, well over 10% of the varying figures of the no-doubt underestimated world gross product. See: Hampton, Mark P./Cristensen, John: "Offshore Pariahs? Small Island Economies, Tax Havens, and the Reconfiguration of Global Finance". *World Development*, no. 30, 2002, pp. 1657-73.
- ¹⁶ Hum, D./Simpson, W.: "Economic Response to a Guaranteed Annual Income: Experience from Canada and the United States". *Journal of Labor Economics*, vol. 11, Jan. 1993, pp. S263-S296.
- ¹⁷ World Bank Press Release no. 2005/4/24/S: <http://www.worldbank.org>.
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- ²¹ George, S.: *How the Other Half Dies*. Harmondsworth: Penguin Books, 1976, p. 289.