

A realistic Utopia for today's Brazil

In Thomas More's *Utopia* (1516), the Portuguese traveller Rafael made many unconventional suggestions. One of them proved to be of great historical importance. If you want to reduce theft, he said, do not sanction it with capital punishment : you will only foster more serious crimes. There is a far more intelligent strategy : introduce a guaranteed minimum income and people will no longer need to steal. More's friend, Juan Luis Vives, a Spanishborn professor at Louvain and Oxford, took the suggestion further by elaborating the first detailed proposal for the public guarantee of a minimum income in his *De subventionem pauperum* (1526), written for, and partly implemented by, the municipal Council of the Flemish town of Bruges. Many other proposals followed, in both thought and reality, culminating with the first comprehensive, nationwide and durable minimum income scheme that formed part of Lord Beveridge's social security plan for Britain (1946). Other similar plans were introduced in further European countries, as well as in Canada, the US, Australia and New Zealand. Since in 1988 the French National Assembly adopted the *Revenu Minimum d'Insertion*, it can be said that in the greater part of the European Community every household unable to earn a sufficient income is entitled to a cash transfer that brings its income up to what is deemed necessary to cover essential needs.

In many ways, the provision of a safety net is a great and precious achievement, one in which the countries concerned can take legitimately pride. And yet, existing minimum income schemes currently generate much concern and discontent. Why ? Firstly, any income earned leads to a corresponding reduction in the benefit received. For this reason, a fast growing proportion of the population is trapped in the safety net : unable to find a job that pays at least as much as the guaranteed minimum income, they are and feel increasingly excluded from the rest of society. Secondly, the level of the benefit depends on whether the beneficiary lives alone or cohabits with others in which case the benefits is reduced. For this reason, the splitting up of families is fostered and the social administration constantly needs to invade people's privacy in order to check their personal situation. Finally, the beneficiaries are expected to look for work. But jobs need to offer a net wage higher than the guaranteed income, and there are not enough such jobs. (The rate of unemployment in Europe oscillates around 10-15%.) This creates an unhealthy climate in which people are expected to look for something they know they won't find. They resent this. And those who work and pay for the benefits are also resentful, because they know many of the beneficiaries are not really doing what they are supposed to do: ceaselessly look for work.

These are good reasons, one sometimes hears, for giving up minimum income schemes. But this would be a terrible step backward. There is another solution advocated, among others, by a growing number of European intellectuals and organizations gathered since 1986 in the Basic Income European Network. What they are advocating is rather a radical reform of European welfare states that would place at their basis a modest but totally unconditional income paid to all adults, single and married, poor and rich, employed, involuntarily unemployed and voluntarily unemployed. This idea of a basic income (or allocation universelle or *reddito di cittadinanza*) paid as a right to every citizen goes back to Thomas Paine, the great ideologue of the American revolution and father of the notion of human rights. In a memoir submitted in 1796 to the French Directoire, he advocated such an income as an expression of our equal right to the resources of the Earth. The first detailed proposal for a basic income scheme was made in a book published in 1920 by Dennis Milner, a member of

the British Labour Party. The book was quickly forgotten, but the idea survived, under the name of « social dividend » in England's Left Intelligentsia (G.D. Cole, James Meade, Oskar Lange, etc.). It later inspired Milton's Friedman notion of negative income tax (1962), used in the late 1960's by progressive American economists such as Tobin and Galbraith to press for the introduction of a genuine minimum income. One modest version of it formed the core of President Nixon's Family Assistance Plan (1971), twice approved by the U.S. House of Representatives and twice rejected by the Senate. A more generous version featured under the label "demogrant" in the radical platform of demogrant candidate George Mac Govern (1972). And a significantly water-downed version (restricted to people actually employed) was introduced in 1975 under the name of Earned Income Tax Credit and recently amplified by President Clinton (1993) in such a way that it now reaches about 20 million families. Meanwhile, a debate on the most radical version of the idea - a straight citizen's income paid unconditionally to all adults - has been developing since the mideighties in Western Europe, where high rates of unemployment have now given it unprecedented salience.

Many people, including myself, thought that this sort of debate could only arise in highly industrialized societies. It is therefore with the greatest surprise that I discovered, on the occasion of a recent visit to Brazil, that a guaranteed minimum income proposal made in 1991 by Senator Eduardo Suplicy had been nearly unanimously approved by the Brazilian Senate in December 1991 and was now due to be discussed by the House of Representatives. What is even more surprising is that the Brazilian proposal, being a form of negative income tax, is far closer to a basic income than to existing European minimum income schemes : it consists in an individual right to a cash income with no restriction to the involuntarily unemployed but with preserved work incentives at the lower end of the scale. The reason for wanting to skip the stage of Europeantype conditional schemes (and being politically able to do so) is no doubt in part the fact that an economy with a large informal sector can afford even less the perverse effects of such schemes.

Of course the level of the minimum income (slightly above the current minimum wage of about R\$ 70 per month, in the most generous variant of the proposal) is sadly but wisely low. Moreover the administrative details of the scheme will have to be carefully worked out, so as to achieve maximum transparency, fairness and effectiveness in reaching the target population. But in the light of both the good and bad aspects of the European experience, there is no doubt in my mind that, in Brazil and elsewhere, implementing a scheme such as Senator Suplicy's PRMG is an urgent and indispensable step in the direction of greater social justice.

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