

A Concise Explanation of the Disutility of a Negative Income Tax

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This piece assumes people are already familiar with the concepts of a Basic Income (BI), a Demogrant, and a Negative Income Tax (NIT). A BI basically means a Demogrant. A NIT does not work for those who most need a BI. It does not solve the societal problems for which a BI is needed.

The aim of the original proposal for a BI in the early 1960s was to provide the means to actualize the international covenants committed to at that time, which spelled out the then new concept of human rights. The NIT was proposed by Milton Friedman as the way to counter this by putting a cap on the money that could be available.

Friedman is considered a founder of neoliberalism, an extreme right wing dogma utterly opposed to any idea of human rights. Much of the deterioration of social conditions since the 1980s is attributed to the predominance of this dogma. Calling him a BI proponent and using that as a selling point for a BI is incomprehensible.

A NIT should never be entertained by a BI proponent or any BI advocacy organization. That this is widely occurring indicates a serious cognitive dissonance. The solution is a serious regrouping and coalescence of the amorphous BI movement.

A NIT does not work for the impoverished element of society who most need one because it cannot pay enough to ameliorate the inconveniences of poverty. Abundant research shows that, while any additional cash for the impoverished will reduce the harm done by poverty, only payment levels which fully eliminate the inconveniences of poverty will produce the equitable social relations which are the point of a BI.

A NIT would be too cumbersome to access, especially by those with fluctuating income sources. It would require filing a tax return or statement of some kind every month, or waiting up to a year to receive an adjustment in payment. As well, there are many reasons why a person may be unable or unwilling to file a tax return.

Recipients need to receive a flat, predictable deposit

in their bank account every month without having to constantly reapply. The last thing they need is any kind of 'clawback' of their BI if they have any other income.

Further, any BI scheme will have to be designed to respond to the fact of a widely varied cost of living in different areas. A Demogrant would be much more efficient than NIT at delivering benefits according to local living costs as the benefits would not have to be constantly and cumbersomely recalculated.

These are the microeconomic needs of society regarding a BI. Regarding macroeconomic needs, a NIT cannot raise and redistribute enough money to be of any real use. An income tax system is designed to be unable to raise enough money as only the middle classes pay it.

An income tax system divides the population into three segments; an underclass who receive benefits, a middle class who pays the taxes to fund benefits and most other things in society, and a wealthy owner class who have enough money to be able to avoid paying income taxes. What is called the middle class should properly be called the working class.

Any NIT scheme is designed to make the working class pay for the underclass, those who cannot make enough to live. It directs working class resentment at high taxes to the underclass instead of to the owner class.

Using tax rebates to run social programs is very destructive. It forces the revenue service to perform two divergent functions, collection and distribution, which should always be done by different organizations. It makes the system of subsidies opaque; no one sees who is really getting what, or who is really paying. It simply makes everything far more complicated and open to abuse than it needs to be.

The worst thing about tax rebates is that it slowly corrodes the tax system's ability to raise money to

pay for direct social programs and everything else government needs to do. This must lead to a situation in which a tax refund is all which the underclass gets, because all other social goods have been restricted due to lack of government revenue to run them. This was, of course, the goal of the proponents of an NIT system from the start.

Again, an NIT cannot raise enough money to bring the underclass out of poverty as the money only comes from the working class. As the numbers of the underclass and the depth of their need increases, and the numbers and incomes of the working class declines, as will occur under increasing automation plus mismanagement of the economy by the ruling class, eventually the income tax system breaks down.

When the working class cannot pay any more, either benefits must be reduced or new money must come from the wealthy and corporations. Reduced benefits will lead to increased desperation and social instability. Yet increasing benefits in this situation will require taking on the holders of wealth and forcing them to pay. This will meet with intense resistance which will have to be overcome.

The new money must be either delivered to the underclass through the tax system or through a direct payment; a Demogrant again. Since the rationale for using a NIT in the first place seems to be the impossibility of raising enough money to fund a Demogrant, which evidently means the inability or unwillingness to confront the owners of wealth, there would be no point then in continuing with the NIT. What then would have been the point in adopting the NIT in the first place?

There is plenty of money available in society with which to fund a Demogrant. It would require raising the public share of the Gross Domestic Product from the present 32% up to about 40% to 42%. This is in line with the highly advanced European social democracies. Far from being impeded by this level of spending, it is these countries which have the strongest and most stable economies.

So, if dealing with inequity in Canada will in the end require confronting and defeating the owner class, it might as well be done now when it would likely be easier. Support for NIT seems to be based ultimately on a hope of doing an end run around these privileged elite interests. It will not work.

Labor, human rights, and other social elements whose support will be essential to any fight for a BI, presently see it as a "Trojan Horse". This is because, when framed as an NIT, that is what it is. However, these groups would be easily convinced to support a movement for a Demogrant.

There is actually no real social movement for a BI in Canada. We have individual advocates and a few of what amount to discussion groups. Support of NIT from individual NIT advocates seems to come from lack of knowledge and lack of confidence.

The drive for an NIT comes from governments, and their need for ways to solve the growing problems coming from declining incomes and increasing inequity. At the same time, they are still expected to manage the underclass and working class. Needing expedient solutions they naturally turn to NIT, first proposed as a way of managing inequity rather than ending it.

NIT was proposed from the start, during the early 1960s, as a counter to the aims of a BI, which were to achieve the ideal of human rights. The object of NIT was to restrict the money that could be available for achieving human rights aims. With the acceptance of a tax based system, the original movement for a BI, as it is now called, has been turned against itself.

What is now needed in Canada as elsewhere is a true BI movement grounded in Human Rights and the real history of the concept. This is how a BI movement can be kept focussed as it develops a strong, "boots on the ground" campaign to achieve a BI, meaning a Demogrant and only that.

