Universal Basic Income and Negative Income Tax: Two Different Ways of Thinking Redistribution

Davide, Tondani

University of Parma - Department of Law, Economics and International Finance

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UNIVERSAL BASIC INCOME AND NEGATIVE INCOME TAX: TWO

DIFFERENT WAYS OF THINKING REDISTRIBUTION

DAVIDE TONDANI

University of Parma, Department of Law, Economics and International Finance, Via Università, 6 – 43100 Parma – Italy.

Abstract

This article examines two redistributive programs: Negative Income Tax and Universal Basic Income. Its aim is to show that, even if the two programs – through the implementation of an appropriate tax-benefit system – can get the same distributive outcome, they are deeply different both from an economic point of view and an ethic perspective. The approach adopted integrates positive and normative analysis so that an explicit attention to ethical issues can provide a more complete descriptive economics. We show that Negative Income Tax scheme is consistent with the libertarian idea of distributive justice, while Basic Income matches with the egalitarian thought.

Introduction

In recent years, the debate about welfare state systems reforms led to several proposal of adopting tax-benefit programs, that is schemes that integrate social transfer and fiscal withdrawal.

These schemes operate a selective redistribution towards less affluent population, eliminating the problem of categoriality that affects many welfare systems. Moreover, the coordination between withdrawal and benefit insures that the effective marginal tax rate shape does not affect negatively the recipients' labour supply.

Nevertheless tax-benefit programs, setting selectivity exclusively on income parameters and eluding completely an evaluation of wealth, select the target of beneficiaries that includes many "false positives".

The most known tax-benefit program is the Negative Income Tax. Such scheme is based on the determination of an income baseline: to taxpayers with an income larger than the baseline are applied normal tax rates. If the income is smaller than the baseline, taxpayers receive a benefit (as to say, they pay a "negative tax"). The terminological paternity is imputable to Friedman (1962). Negative Income Tax has been largely experimented in the United States during the last decades (see Moffit, 2003).

At theoretical level, Universal Basic Income is known as well. It is a lump-sum transfer, universal and unconditioned. The joint action of benefit and

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tax system makes this scheme theoretically universal but selective in practise. In the last century one of the most well known proposal of basic income is that of Lady Rhys Williams (1943). She proposed an integrated social security and taxation system extended to all British citizens. With this system they should have received a social dividend, according to the principle that "the state owes the same benefit to all the citizens". However, Lady Rhys Williams proposal foresaw that all the unemployed but able to work citizens should have accepted the job offered by the Minister of Work or lose the benefit (Rhys Williams, 1953).

By planning an appropriate system of tax rates and benefits it is possible to get the same net income for each level of gross income both from Negative Income Tax and Universal Basic Income: the poorest part of the population should receive a benefit, while the affluents should pay a tax. Milton Friedman recently argued (Suplicy, 2000) that the Universal Basic Income can be a way to implement Negative Income Tax. As well, Jaquet et al (2000, p.78) argued that if a Universal Basic Income cannot be implemented for political reasons, Negative Income Tax could be an alternative minimal way to fulfil the same aim.[1]

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[1] It is noticeable that Van Parijs, in the same Suplicy's paper, comments Friedman's point of view arguing that the economic equivalence between the two programs should not hide that the effect of the two alternatives on the recipients is not the same because of the different timing of payments: *ex-ante* in the case of Basic Income, *ex-post* for what concerns Negative Income Tax.

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Also for this reason, a lexical confusion arose recently in distinguishing the two schemes. Atkinson (1995) calls *basic income* a program that instead appears like a Negative Income tax associated to a flat rate tax system. Editing the Italian translation of Atkinson's book, Rossi (1998) calls the same program "minimum guaranteed income". This is a term usually used in economic literature (see for instance Moffit, 2002) to identify a program ensuring to all the individuals with an income under a certain threshold to have a post-transfer income equal to a certain sum of money. For this reason, the minimum guaranteed income appears as a special case of Negative Income Tax with a marginal tax rate of 100 per cent for all the recipients.

This article is aimed at showing that, Negative Income Tax and Universal Basic Income are two very different redistributive programs, both from an economic and distributive point of view and from an ethic and distributive justice perspective.

The adopted approach has the aim of integrating positive analysis issues with normative elements because an explicit attention to ethical considerations – that shape human values and behaviours – can provide a more complete descriptive economics.

The paper is organized as follows.

Section 1 shows how the same distributive result of Negative Income Tax and Universal Basic Income it is obtainable – both in a flat rate or in a

progressive system – only allowing a much larger transfer total cost in the case of Universal Basic Income.

In section 2 we prove that imposing the same total cost to the two programs (as to say indifference between the two schemes in terms of public expenditure), the distributive effects are quite different.

The difference in terms of redistributive effects is referable to different distributive justice backgrounds. The ethical thesis that lies behind Negative Income Tax and Universal Basic Income is referable to a different approach to the concept of freedom (section 3) and to uncertainty theory (section 4).

Sections 5 and 6 show that Negative Income Tax proposal draw its inspiration from the libertarian thought (section 5) while Universal Basic Income derives from an egualitarian kind of distributive justice.

Section 7 concludes.

1. Negative Income Tax and Universal Basic Income schemes

Negative Income Tax (henceforth: NIT) and Universal Basic Income (hencefoth: UBI) functioning schemes, can be seen as two tax system respectively associated to a tax deduction and a tax detraction.

Assuming, for simplicity a linear tax system, in the NIT scheme the benefit is determined according to the equation

$$B = G - t°Y \quad \text{if } 0 \leq Y \leq k \tag{1}$$

$$B = t° \cdot (k - Y) \text{ if } Y \geq k \tag{2}$$

Where B is the net benefit (with negative sign) or the tax paid (with positive

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sign), Y is the gross income, G is the maximum amount of NIT, accorded to individuals with zero income, k is the deduction and $t°$ is the tax rate.

In the UBI scheme, the benefit is computed according to the equation

$$B = g - t'Y \qquad (3)$$

for any value of Y, where t' is the tax rate and g is the fixed and universal level of benefit (detraction).

Observing the post-redistribution disposable incomes, it is possible to see that the two schemes can be indifferent in terms of redistributive outcomes. For UBI the disposable or post-tax income, Y_d, will be

$$Y_d = Y + B = g + (1 - t')Y. \qquad (4)$$

For NIT will be

$$Y_d = Y + B = (1 - t°)Y + t°k \qquad (5)$$

Imposing $t'=t°$, the equilibrium between the two programs will be $g=t°k$, that is the disposable income equivalence condition between a deduction and a detraction. Implementing this equivalence, it is possibile to get two schemes of UBI and NIT that give the same disposable income for any gross income, and that therefore show the same marginal and average taxation level, as proposed by Tobin (1965).[2] Even in a more realistic progressive tax system, it's possible to get the same redistributive effect (see figure 1).

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[2] Tobin proposed an allowance of 400 US$ and a first income bracket up to 1200 US$ with a marginal tax rate of del 33,3 per cent.
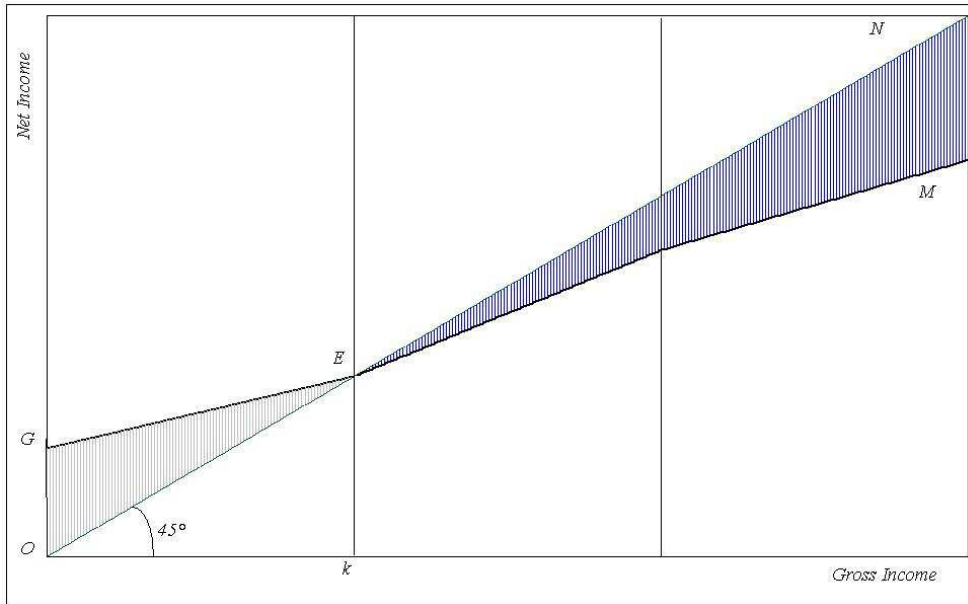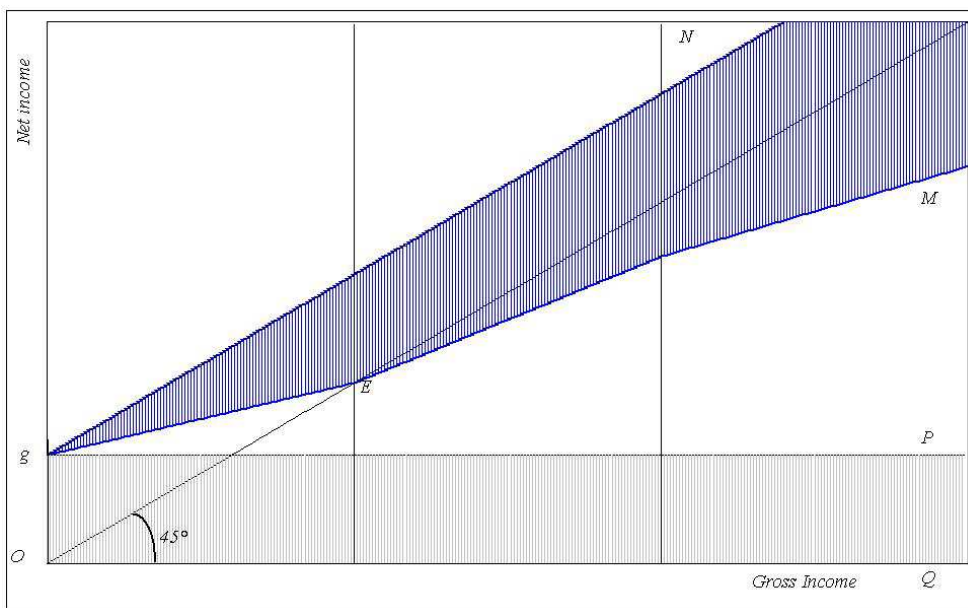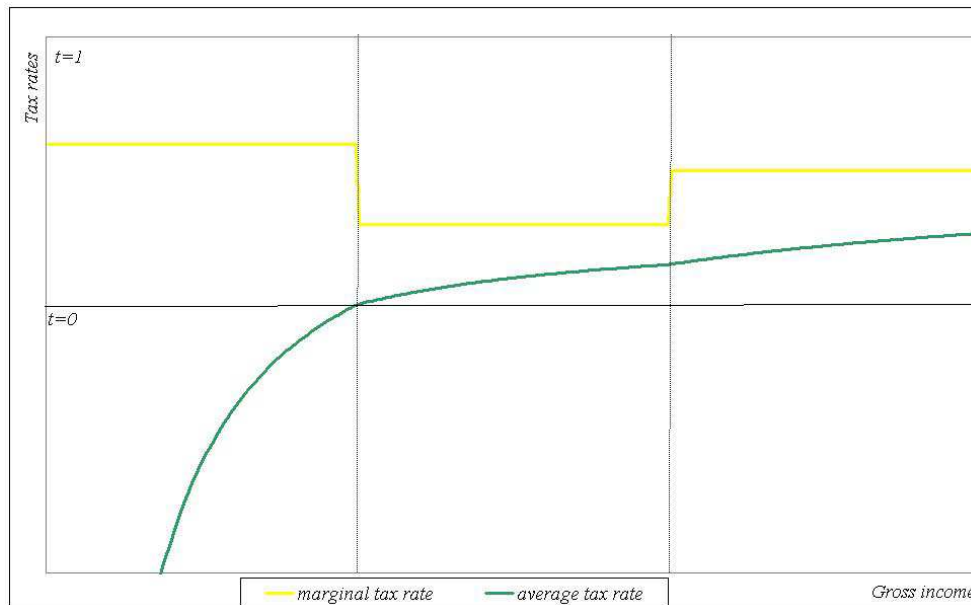
FIGURE 1

FIGURE 2

FIGURE 3
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In the NIT case a proportional transfer (area *OGE*) is observable. It decreases with income at a rate –*t* and it is equal to zero when income *Y* is equal to the deduction *k*. Over this threshold, the taxpayers pay a positive tax, measured by the area *EMN*, where the corner created by the intersection between the 45° line and the disposable income segment measures the tax rate.

In the UBI case, the allowance of a universal and unconditioned transfer *0g* to all the individuals, moves up the 45° line, that now shows the equality between disposable income and gross income plus UBI. After the redistribution, individuals with gross income smaller than *OE* will get a positive benefit arising from the difference between the sum of UBI (that is *Og*) and the tax paid, measured by the vertical distance between the translated 45° line and the segment *gM*. Taxpayers withy an income larger

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than *OE* will pay a net tax. The net cost of the UBI program will be equal to the area *OKE* .

Therefore, in a tax-benefit system with progressive tax system, it's possible to get the same distributive outcomes and the same marginal and average tax rates (figure 3) indifferently from a NIT scheme or a UBI scheme. Comparison between the two redistributive programs, the first selective and the latter universalistic, becomes a comparison between two universalistic schemes, with an anomalous shape of marginal tax rates at the bottom of the redistribution, since the first bracket's tax rate is higher than the second. Also the distinction of the role of the taxpayer/recipients under the two hypothesis becomes appearing. Under the NIT program the presence of an income threshold discriminates beneficiaries and taxpayers, while under the UBI scheme all the individuals are at the same time recipients and taxpayers.

It is useful to observe that in the UBI program the area *OgE=GMN-OGPQ* is equivalent to the total cost of the benefit in the NIT scheme, *OGE*. Assuming a uniform distribution of population along the income scale, the net cost of the two programs is the same. Nevertheless, the total cost is hugely lager in the UBI case, since *OgPQ>OGE*. Loosely speaking, although the net cost of the two programs is equivalent, in the UBI case the total amount of benefit allowed to the population is higher.

Such aspect does not have any relevance for the recipient, but has important

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consequences concerning the public budget.

Infact, for the recipient, the UBI scheme is exactly the same that could be observable in a NIT scheme, in which only the net balance between tax and benefit is an effective expenditure for social transfer (when the benefit is larger than the tax paid) or a revenue for the government (when the benefit is smaller than the tax paid).

For the national accounts, instead, in a UBI scheme tax and benefit are separated, so they affect the balance both as expenditure and as revenue. The consequence is an apparent (and undesirable) growth of fiscal pressure, if compared with NIT, even if the net cost is the same. That important issue of political feasibility makes the NIT schemes preferable. UBI proposal could be few appealing for trade unions and public opinion, even if a great part of this scarce success is attributable to the individual non-perception of the substantial expenditure equivalence between the two schemes (Jaquet et al., 2000). Several alternative ways can be used to finance the larger gross cost of a UBI scheme and favouring its political feasibility. For instance, one could be to finance UBI with revenues earned from an asset commonly shared by the population e.g. using the royalties gained from the oil extraction[3]. Alternatively, it could implement a UBI program whose total

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[3] It's the case of the *Permanent Fund Dividend Program* implemented in Alaska in 1980 executive since 1982. The *Fund* provides an allowance to all the citizens. In 2000 the dividend reached is maximum sum, equal to 1.936,86 US$ per capita (Del Bò, 2004).

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cost be identical to the cost of the benefit of an hypothetical NIT program.

Such proposal is explained in the next section and proves how the

distributive effects of the two programs are deeply different.

2. Tax-benefit model with parity of total cost

In order to impose that the sum of the benefit supplied in a NIT program is

equivalent to the sum of the benefit (tax credit) supplied in a UBI program

means implementing the two programs according to the constraint

$$\sum_{i|y_i \leq k}(G - t^\circ \cdot y_i) = g \cdot n \tag{6}$$

Where *n* is the population and *i* is the i-th individual with pre-tax income

smaller than *k*. Tax rates for incomes excluded by the benefit (in NIT) and

for all the incomes level (in UBI) do not affect the constraint, hence can be

considered equal in the two cases. Arranging the above equation, the

constraint will be

$$g = \frac{\sum_{i|y_i \leq k}(G - t^\circ \cdot y_i)}{n} \tag{7}$$

The basic income *g* is inversely proportional to the population and to the

negative tax rate t°, and directly proportional to the benefit *G* given to

people with zero-income and to the sum *k* for which NIT becomes zero.

Hence, UBI benefit should be smaller than the maximum level of transfer

accorded to people with zero income. In figures 4 and 5, the area *OGE* of

the NIT scheme is equivalent to the area *0gPQ* of the UBI scheme,

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assuming, as in the previous section, a normal distribution of the
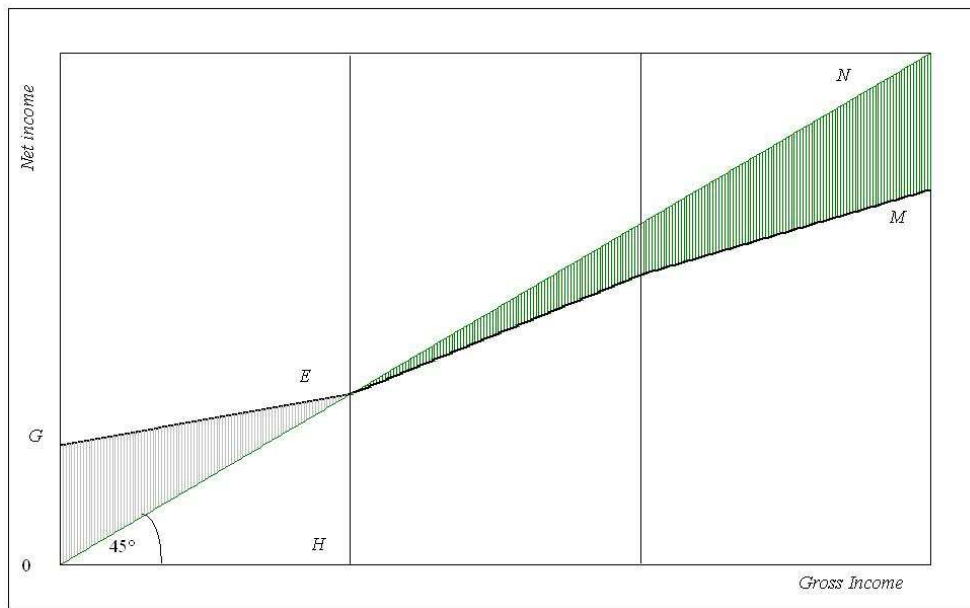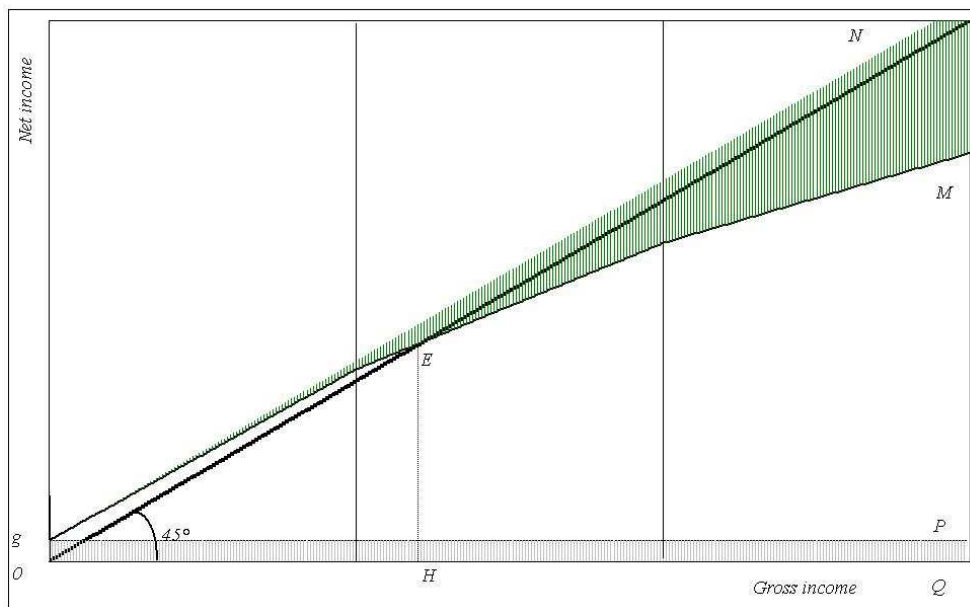
individuals.

FIGURE 4

FIGURE 5

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However, if compared with the case of the previous section, the disposable income here represented by the segment *GEM* e *gEM* is different in the two cases, as well as the shape of marginal and average tax rates (figures 6, 7, 8).

A NIT scheme makes better off individuals with a low pre-tax income. But beyond *V* NIT makes worse off the individuals, that receive a larger disposable income under the UBI option. In the same way, average tax rates are smaller in the NIT scheme for income smaller than *V* and lager in the opposite case. Marginal taxation is different only for NIT recipients but is the same for all the other individuals.[4]

FIGURE 6

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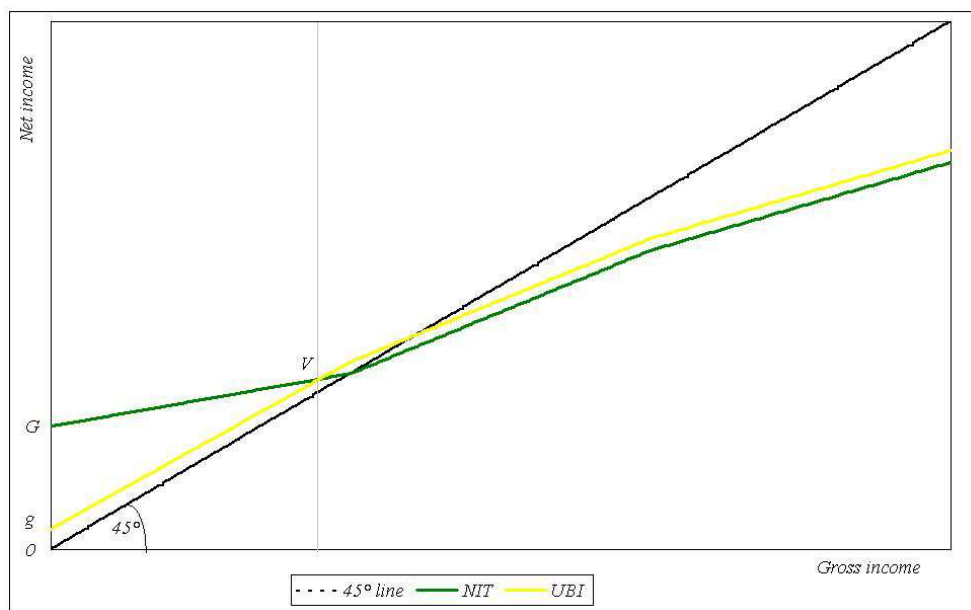
[4] This is due to the to the "traditional" design of NIT programs, that is use to allow to the recipients a negative tax rate incluse in a range of 50-70 per cent.
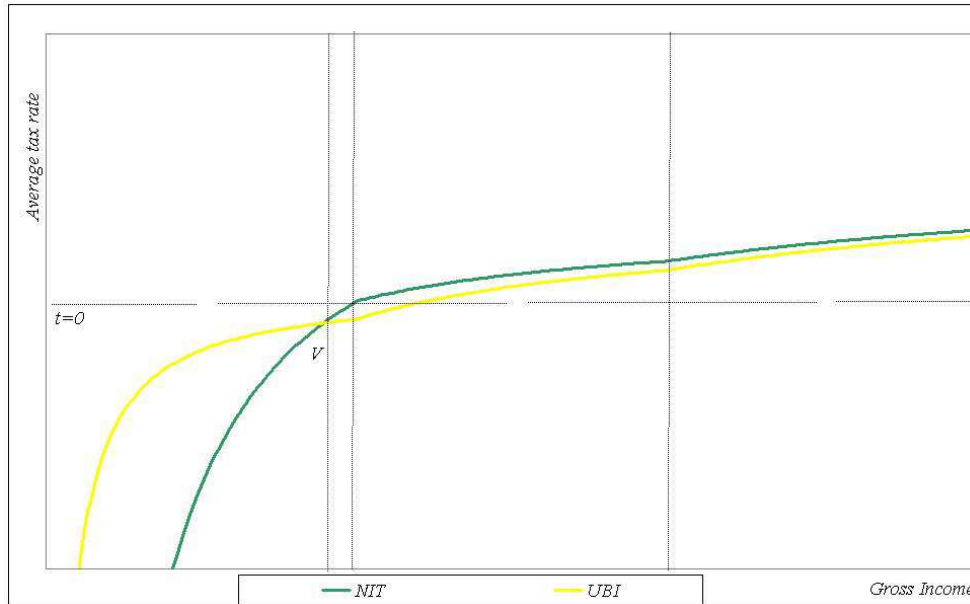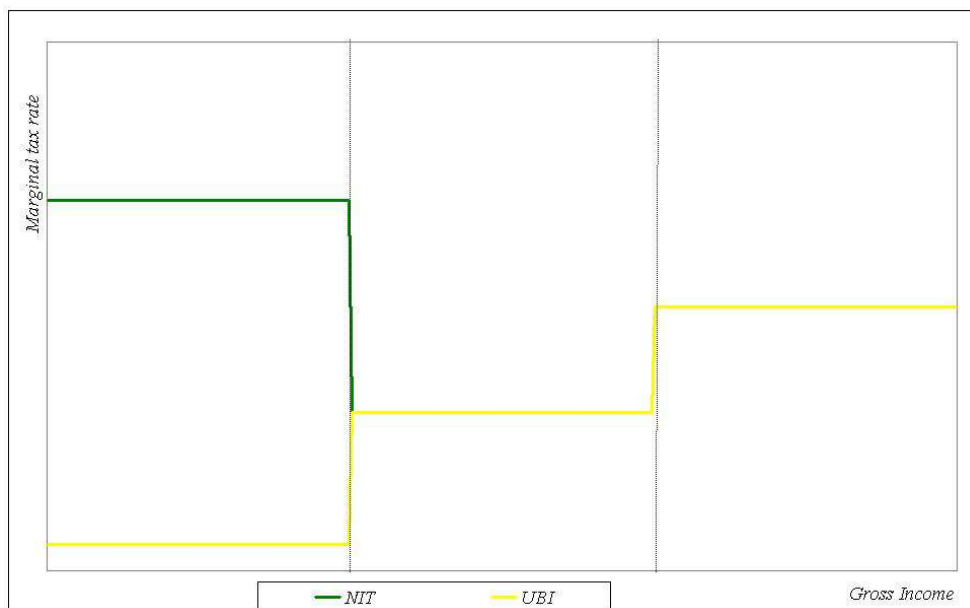
FIGURE 7

FIGURE 8

Hence, imposing parity of total cost of the benefit, the two schemes are

equivalent concerning the effect on public budget and on tax burden. But

relevant differences arise for what concerns the distributive effects and the

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incentive structure.

Concerning the incentive to work, it is important to observe how the two schemes differently affect labour supply. Using a neoclassical model (Moffit, 2002), the individuals have a utility function depending on consumption (C) and leisure (L). They faces the budget constraint

$$\sum_{i=1}^{N} P_i Q_i = w(T - L) + E \tag{8}$$

where P_i and Q_i are the prices and the quantities of each of the N purchasable goods, w is the gross hourly wage, E is the non-labour income and T-L is the number of hours worked. Assuming the absence of savings, the left-hand side of the equation is equal to the total income of the individual, Y. Defining the hours worked as $H = T - L$, we get the preference function $U(H, Y)$ such that $Y = E + wH$

A NIT program provides to each individual that works less than a certain number of hours a benefit

$$B = G - t(wH + E) \tag{9}$$

where G is the sum granted to the individuals that work for zero hours and t is the marginal tax rate.

Arranging the budget constraint by hours worked, we get

$$\begin{cases} H = \dfrac{G - B}{tw} - \dfrac{E}{w} & \text{if } Y < \dfrac{G}{t} \tag{10}\\[2em] H = \dfrac{Y - E}{w} & \text{if } Y \geq \dfrac{G}{t} \tag{11} \end{cases}$$

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In the UBI program, for any value of *Y*, labour supply will be

$$H = \frac{g - B}{tw} - \frac{E}{w} \tag{12}$$

It is to prove that, with the same net cost, for the individuals with income smaller than *G/t*, labour supply is lower in the NIT case. Beyond this point, labour supply is larger in the UBI case up to *B>g-tY*, after it will be larger in the NIT case again.

From the distributive point of view, the constraint of parity of budget provides distributive outcomes that stress how NIT program pays attention only to the bottom part of the distribution, charged by high marginal tax rates, while the UBI program distributes income also to the middle part of the distribution.

So, the design of the two programs seems to suggest that in a NIT program a minority of "poor" citizens is financed by people with middle and high pre-tax income. In a UBI program, a minority of citizens (the richest) redistribute part of their income to people with lower income.

The higher efficiency in fighting poverty by NIT and in the meanwhile, the presence of high marginal tax rates on low incomes reduce labour supply of the same individuals. On the other side, lower benefit for poor people, as in the UBI case, associated with lower marginal tax rate, incentive the presence of low-income people on labour market.

Moreover, the preference for a program as NIT seems to show a

redistribution which is concentrated on a range of low-income people. In absence of a legal constraint to accept the job offered by the government, no personal effort in terms of a more intensive labour supply is requested to these individuals. Opposite to this model of "residual welfare" there is a UBI scheme, less efficient in raising the low incomes, but more sensitive to the issues of inequality and of social inclusion, supporting labour supply and citizenship.

The different effects concerning incentives and redistribution prove that the two programs analysed, although often used as synonymous, are referable to very different ethics and normative thesis, which suggest opposite distributive justice and welfare models.

Next sections investigate ethic and normative elements from which derive the two programs of UBI and NIT.

3. Negative and positive freedoms

A first factor of differentiation between the ethical background of UBI and NIT concerns the thought about freedom attached to the two programs. Thinking about freedom from a negative point of view means to consider a person free when, in accomplish its action, she is not thwarted by any other individual or group (to be free *from*). Underlining the concept of negative freedom is a constitutive characteristic of the libertarian thought. The author that in last century theorised in the boldest and most influential way the libertarianism as a theory of justice was Robert Nozick. In his famous

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Anarchy, State and Utopia (1974) he proposed the libertarian society as the unique kind of society able to maximize the individual choices, departing from the supremacy of individual rights.

Such a result should be granted by a "minimal state", whose exclusive function should be to ensure the respect of three property principles.

The first is the principle of the *property of himself*, a system of property rights able to ensure the full right of individual property, other peoples' freedom permitting. But that principle, by himself is not able to accomplish the libertarian project. Two principles that regulate the property of all the other "external goods" are necessary.

The first is a principle of *right circulation* and says that the legitimate property of a good can be obtained both buying it with a voluntary transaction or creating it utilizing only her capability and other goods previously bought.

The third is a principle of *initial acquisition* able to provide consistency to the property rights, since the theoretical structure built up to now has internal consistency assuming that the previous owners' property rights be legitimate. In the case of goods still without owner, a compensation for the non-buyers be requested (*lockean proviso*).

Buchanan (1985) stresses the conceptual distinction through negative freedom and positive freedom (to be free *to do*): the former case is the absence of constraints imposed by institutions or individuals. In the latter,

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the focus is on the possibility to do, the abilities, the means, the opportunities owned by a person.

Hence, there is a huge difference between who does not consider the positive aspect of freedom (like Buchanan), and who stresses the fundamental importance of the positive side (like Sen or Roemer, for instance), considering an individual *not* free when she does not own the means necessary to pursue an aim, even if nobody else – individual or institution – puts obstacles in her way.

Positive freedoms can be defined as *opportunities* and for their maximization require a redistributive action. On the other side, negative freedoms can be defined as *self-determination* and simply ask the implementation of an appropriate legal frame and a public power able to make it respected.

4. The approach to uncertainty

A second, deep, furrow that ethically divides UBI and NIT concerns the approach to uncertainty.

Strongly redistributive opinions, as those expressed by Rawls in *A Theory of Justice* (1971) see the redistribution as a consequence of the extreme risk-aversion of the individuals. Rawls (1971) theorizes that rational and individualistic agents, if called to choose impartially the fundamental rules of a constitution, unanimously will choose to set up a state in which distributive justice be in its constitutive aims.

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Such a choice would be ensured by the hypothesis that the agents make their choices behind a veil of ignorance. Rawls assumes that the agents do not know their place in the society or their social *status* as well as their fortune in the distribution of natural resources such as cleverness or talents. Moreover, in Rawls' theory nobody knows her opinion about goodness and neither her psychological preferences, as risk aversion, or the propensity to optimism or pessimism. Agents do not know the specific circumstances of the society which they live in, like the political and economic situation, the civic and the cultural level that the society reached. The unique facts known by individuals are the political problems, the basics of economic theory, of social organization and of human psychology. Finally, they know all the factors affecting the choice of the principles of justice.

Rawls thinks that, in these circumstances, the individuals should agree – on the basis of rational and personal interests – on the presence of institutions devoted to the redistribution of the products and the benefits obtained from arbitrary distribution of ability and talent, whatever shape the redistribution assumes. This assumption is consequential to Rawls' opinion that individuals act exclusively with the aim of getting personal scopes. But, being behind a veil of ignorance that does not allow the knowledge of any information beyond the moral thought, they will converge unanimously on a social contract: obligations will be accepted by everybody because everyone contributed in a free and equal part to its elaboration.

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Harsanyi criticised Rawls's theory asserting that an agent in the original position should not necessarily think that her position be determined by a rational competitors rather than a casual process. Moreover, he is doubtful about the assumption that any individual behind the veil of ignorance will believe to be in the worst position. Harsanyi says that if such a thought is consistent with the outcome of every agent, she should get the same utility level of any other agent. Hence, Rawls' principle of difference would fall. The conceptual difference between Rawls and Harsanyi is attributable to the different veil of ignorance's consistency.

In Rawls' theory the veil of ignorance excludes any knowledge of the probability, both in the determination of the kind of society and in his position in it. This assumption produces a high risk aversion, hence the individuals will not attribute any value to all they could get beyond the minimum and they are aimed only to avoid the worst outcome they could get.

Harsanyi (1975) judges this theory not relievable in real people's behaviour. He stresses that under these conditions, an individual should not neither be dispoded to cross the road, if there is a very small probability to be run over by a car, and independently on any eventual compensation by the car driver. Since this kind of behaviour would be absurd in real life, it is doubtful to apply it to a decisional rule in the original position.

Hence, Harsany assumes that everybody has a different risk-propensity and

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not a common and very high aversion justifying an highly redistributive economic environment. Friedman (1962) agrees with this opinion. He argues that the market solution, rather than the redistributive, produces equality of treatment among individuals. Friedman's solution can be seen as a lottery. The agents, endowed of equal resources, bet different amounts of money on different outcomes. The distributive outcome is originated by the different individual preferences on uncertainty. A redistribution successive to the lottery outcome, in Friedman's opinion, would deny to individuals the opportunity of betting on the lottery according to their own tastes. So, individuals choose employment status, investments, etc. according to their (different) risk aversion.

5. *Negative Income Tax as consequence of libertarianism*

From the previous sections arise that a) adopting as ethical foundation the concept of negative freedom rather than that of positive freedom, and b) basing the uncertainty approach on the field of probability rather than that of risk aversion behind a veil of ignorance, different distributive justice solutions come out.

Preferences for negative freedoms and probabilistic approach to uncertainty presuppose joining to libertarian principle.

Libertarians strongly refuse any kind of equality different from the equality of rights. For this reason, any public redistributive scheme based on an element of compulsory fiscal imposition is not consistent with the idea of a

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free society. In a libertarian state institutions should have only the mission to incentive a large and free redistribution process from the rich to the poor based on charity.[5] The charitative process would be decisively inhibited from a direct state intervention. Hence, although redistribution is admitted, it can derive only from individuals. The maximum freedom of which any individual benefits makes her able to make philanthropy or to get utility from living in a society in which a more equal wealth distribution prevents crimes or social troubles.

Hence, redistribution is completely delegate to individual choices. The "minimal state" will not implement any redistributive fiscal state but only share equally the cost of its activities among the members, to whom is ensured a consistent and organic protection systems.[6]

The right measure of redistribution will be the charity and philanthropic activities that citizens will decide to implement. But on the other side the

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[5] It needs to underline that the empirical prove to this hypothesis is very weak . However, the central role played by negative freedoms – that in the opinion of Van Parjis and Arnsperger (2000) are supposed to be the fruit of a "feticisme of rights" – is so huge in the libertarian thought that neither in presence of enormous inequalities no violation of rights is admitted.

[6] The aim that the state does not go beyond its essential tasks has been renewed since the'50s by the new theories that saw the state as a modern Leviatan starting from the contributes of economists of the public choices as Brennan and Buchanan. Basing their thesis on the idea that in the capitalistic states public sector grown up in a measure dangerous for the individual freedom, they argued the necessity of a new social contract based on the reduction of public intervention through a "fiscal constitution" aimed at limitino the fiscal liability and a new definition of individual rights.

externalities generated by philanthropy are not compensated by the payment of a price by the beneficiaries of the externality. Free-riding problems arise and a public redistributive action becomes necessary.

The space for the state intervention will be constrained by the aim of preserving as more as possible the characteristics of the libertarianism. hence, the constraints to public redistribution will be several.

First of all, redistribution will exclude any form of categoriality and needs. In this sense eventual innate disadvantages of the individuals are not considered. This means that there will be no difference through disadvantages of which the person is responsible (e.g. scarce effort) or she is not (e.g. innate talent).

Secondly, the link with the market should be as weak as possible, implementing a redistributive system that that does not obstruct it and be not price-distorsive. Consequently minimum wage schemes, tariffs, in-kind programs, fiscal progressivity are excluded.

Finally, the role of the state should be as less invasive as possible: the administrative costs concerning the redistributive system, the selection of the target of beneficiaries and of distribution of the program must be minimized, since an enlargement of the public actions and influence means a departure from the minimal state.

For Friedman, The program that ensures the respect of all these constraints, , is that of Negative Income Tax: to determine a level of exemptions and

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deductions from the imposable income and to tax only the part of it that
exceeds the threshold. In the case income is smaller than the threshold, the
taxpayer will pay a negative tax, that is she will receive a subsidy equal to a
rate computed on the difference between income and threshold.

Friedman (1962) points out the advantages of this program: it is orientated
to the poverty alleviation; to give a help in the useful way – that is with a
cash transfer; it is a general program and makes explicit the cost afforded by
the society. The NIT program reduces the incentive for poor people to help
by themselves, but it does not drop completely the incentive, as it makes a
system of guaranteed minimum income.[7]

A system so conceived concentrate the public intervention only on the
poorest income of the distribution, that substitutes private charity,
smoothing on the whole society the cost sustained to produce the positive
externality of a less unequal society.

Selection of the beneficiaries is consistent with a redistributive system that
is residual, built inside an ethical frame exclusively devoted to grant the
maximum space for negative freedoms. Hence, modifications to the primary
distribution are not desired – being distorsive of the situation arose from the
free acting – but are considered the price to pay to avoid the free-riding of

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[7] Although Friedman did not give a numerical example of NIT in his book of 1962, successively
proposed a transfer that for a four-member family with zero income should be equal to 3.600 US$ per
year (US dollars 1978) and a negative tax rate of 50 per cent.

private redistributive action.

6. Equality of opportunity and Universal Basic Income

In last decades, egualitarian thought proposed several distributive

hypothesis.[8] Dworkin, supporter of equality of resources, implements a

universalistic redistribution based on assurance. Programs aimed at

equalizing opportunities, as those proposed by Roemer, propose a selective

redistribution in which resources are transferred till all the individuals show

the same level of opportunity ("levelling the playing field"). Other

contributes, such as Fleurbaey and Bossert, tried to build a concept of

distributive justice that distinguishes the variables whom the individuals are

responsible (e.g. productive effort) from these of which they are not (e.g

innate talents), hence defined *responsibility-sensitive egalitarianism*.

If compared with UBI, these programs are different because of their

selective pattern and the differentiation of the individual transfer. In an

egalitarian frame, the UBI roots can be found in the thought of Van Parijs

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[8] See Maguain (2002) for a recent survey.

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(1991, 1992, 1995).[9] His contribute is linked with the egualitarianism *à la* Rawls and to equality of opportunities, but start from an enlargement of the libertarian concept of freedom.

Van Parijs merges in his analysis the concept of negative freedoms (called *autodetermination*), positive freedoms (*opportunities*), and *security*, that is the axiom that says that no individual or institution or group can take possession of other people's property (Rothbard, 1973).

He sums up these three concepts using the terms of *real freedom*, in contrast with the idea of *formal freedom*, that excludes completely opportunities from its definition. Hence, a society can be considered free when a) a clear and consolidated structure of rights exists; b) such a structure of rights is conformed such that every person is able to decide her own choices; c) such a structure of rights give to each person the largest range of opportunities as possible to do whatever she wants.

Point (c) links the libertarian thought, enlarged by Van Parijs that in contrast

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[9] A justification for UBI can be found, in the libertarian field, in the current that, referring to Paine (1796), refused the lockean proviso since in their opinion every man owns an equal right to the earth resources. Hence, every appropriation of goods before owned by nobody, must be compensated by the payment of a tax, whose amounts is related to the value of the natural resources acquired. The tax value would be determined on the basis of the price at which the natural resources acquired are evaluated in an hypothetical perfect competition market. The revenues should be redistributed equally among all citizens. In practise, this would be a UBI financed by an land tax. Such idea recently has been proposed by Steiner (1994) and Vallentyne (1998).

with Nozick and Buchanan called it *real libertarianism*, to Rawls' (1971) principle of difference. In order to get a society as free as possible (that is a society in which every single member be as free as possible) it needs to adopt a criterion that establishes that individual with less freedom opportunities must have an opportunity level not smaller than that enjoyed by the person with less opportunity in what else social state. If a social state that offers the same level opportunities to the person that has the less exists, the same criterion is applied to the individual that is placed in the last position but one, and so on (*leximin-opportunity*).

Finally, considering the possible conflict that can arise through the three conditions, a society is defined "free" when individual opportunities are *leximinized* under the constraint of protection of formal freedom, that is the structure of rights incorporating autodetermination.

The redistributive program above depicted does not determine equality of results for two reasons. The former is that imposing formal freedom creates a constraint to every attempt of equalization. The latter is the fact that *real libertarianism* focuses on opportunities rather than distributive outcomes, measured for instance in terms of income, welfare, or choices.

The concept of real freedom thought by Van Parijs does not concern freedom of chosing different baskets of goods a person would like to consume, but freedom of choice among the various life a person could live. This distinction, apparently subtle, attributes a fundamental importance to

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the unconditionality of redistribution.

To assume that an individual is really free when she owns both means and rights to do what she wants, the natural consequence is choose to *leximin* nothing else than people's purchasing power under the constraint of personal formal freedoms. This means to raise the lowest income compatibly with a request of unconditionality.

Hence, the solution proposed is an unconditioned income transfer, consistent with security and autodetermination. Such proposal – named in several ways ("state bonus", "social dividend", "citizenship income", "universal income") is called by Van Parijs as "basic income"[10]

It is noticeable that the definition of UBI here used, is not linked to any definition of basic needs, since the level of UBI can be larger or smaller than the subsistence threshold, according to the constraint that determine its level.

7. Concluding remarks

This paper proved that Negative Income Tax and Universal Basic Income can present the same distributive outcome implementing an appropriate system of tax and benefits, but nevertheless they are two programs deeply different both from economic and ethic point of view.

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[10] The name *Basic Income*, in the sense here used, seems to be used for the first time by Tinbergen (1953). The same term has had a large use in the Flemish translation since the middle of the '70s, and has been imported in the international economic literature by Parker (1982).

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Imposing the same net cost for both the schemes, in NIT a minority of poor individuals is financed by middle and high income taxpayer. In UBI the most affluent individuals redistribute income to middle and low income individuals.

Low incomes labour supply is reduced more intensively by a NIT program than by UBI one.

So different results under both the distributive and the incentives point of view are consistent with a different ethical background. NIT, in the design made by Friedman, find its inspiration in the libertarian thesis, that underlines the central role played by rights and negative freedoms and that judge redistribution as a distortion of individual preference about uncertainty. UBI is a direct emanation of egualitarian theories, that stress the role of positive freedoms (opportunities) and presuppose a strong risk-aversion under a veil of ignorance, so that a highly redistributive state is requested.

From such difference arises the need to underline the epistemological differentiation of the two programs, even when from their implementation come out identical (or at least similar) distributive outcomes.

Treating as the same way two programs that derive from antithetical thoughts about justice and ethics, risks to induce confusion about the real distributive aims that the policy maker wants to achieve. Such a conclusion is indirectly confirmed by Milton Friedman himself, when he says that

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The liberal will therefore distinguish sharply between equality of right and equality of opportunity, on the one hand, and material equality or equality of outcome on the other. He may welcome the fact that a free society in fact tends toward greater material equality than any other yet tried. But he will regard this as a desirable by-product of a free society, not its major justification. He will welcome measures that promote both freedom and equality (…). He will regard private charity directed at helping the less fortunate as an example of the proper use of freedom. And he may approve state action toward ameliorating poverty as a more effective way in which the great bulk of the community can achieve a common objective. He will do so with regret, however, at having to substitute compulsory for voluntary action.

The egalitarian will go this far, too. But he will want to go further. He will defend taking from some to give to others, not as a more effective means whereby the "some" can achieve an objective they want to achieve, but on grounds of "justice". At this point, equality comes sharply into conflict with freedom; one must choose. One cannot be both an egalitarian, in this sense, and a liberal.

[Friedman (1962), Capitalism and Freedom, p. 195].

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