The Death Knoll of BIG or BIG by Stealth: A Preliminary Assessment of UBIG Political Viability around the Globe

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By

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Abstract

The paper presents preliminary findings of the author's investigation of the political viability of UBIG schemes around the globe over the past twenty years. The research draws heavily from BIEN Newsflashes and USBIG Newsletters, as well as from correspondences with several representatives of the recognized BIEN network (and related others) who responded to email inquires about the political viability of UBIG in their respective countries. In addition, the paper draws on the published works of scholars and advocates who have addressed related themes. Brazil not withstanding, the evidence thus far suggests that the idea of unconditional basic income to all adults as a policy has little political tractability among mainstream political groups. However, in several countries where BIG was considered among major political parties alternative legislation targeting specific groups such as children from poor families or older persons has greater promise.

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The paper identifies some major legislative initiatives around the globe that compete for political traction. It also identifies countries that had either seriously considered or at least expressed some interest in adoption of a BIG scheme but for all practical purposes seem to have abandoned it on its face. Subsequently, the paper identifies countries that have adopted legislation having some BIG-like features but fall short of unconditional universality. The former countries suggest that BIG is dead and unlikely to resurface with any degree of political tractability anytime soon, while legislation passed in the latter countries suggest that adoption of BIG may come about by stealth, that is, in a piecemeal fashion over time. The major exception to the two-part typology presented here is Brazil, which has adopted BIG, but which has yet to fund it – at least to my knowledge at present. For purposes of which will become clearer later in the paper, Brazil falls within the second group. The paper is not meant to be exhaustive of BIG-related efforts around the globe. Instead, the paper is intentionally selective, with the aim of highlighting at this point in my research what stands out as apparent trends in the underlying rationales and political tractability of BIG-related efforts.

The Competition

The basic income guarantee is one of three forms of social protection, or anti-poverty strategies, currently either adopted or under serious consideration across the globe (Grinspun, 2005). It competes with the likes of *Oportunidades*, a program established in 1997 in Mexico by the name of *Progresa*, which gives cash grants to female heads of poor families every two months in exchange for sending their children to school, improving their diets, keeping up with vaccination schedules, and attending health clinics. The idea behind conditioned cash transfers is that they mitigate current poverty while preventing future poverty by providing incentives for investing in human capital. Columbia emulated *Oportunidades* in 2001 with *Families en Acción*, targeting mothers from the 20% poorest households with a food subsidy and monthly transfers. Brazil emulated *Oportunidades* in 2003 with its *Bolsa Família* program which provides monthly cash grants, about 75% of which goes to the country's poorest families.

The basic income guarantee also competes against the likes of India's *National Rural Employment Guarantee Act*, passed in 2005 (Grinspun, 2005). Under this five year sunset legislation, every rural household is entitled to 100 days of guaranteed employment at the legal minimum wage or else an allowance if work is not provided within fifteen days of registration. Such legislation seeks to safeguard the “right to work” enshrined in India’s Constitution. In another session at this USBIG Congress Phil Harvey and Karl Widerquist will face off and discuss the merits of the right to work vis-à-vis BIG.

Less a form of social protection per se, but nonetheless an apparent viable alternative to BIG schemes are micro-lending programs popularized by Muhammad Yunus (2003), the founder of The Grameen Bank in Bangladesh and recipient of the Nobel Peace Prize in 2006. [This too will be discussed further at another USBIG session, later today, I believe.] Yunus markets micro-credits as a social business, a way of promoting social entrepreneurs, with the aim of getting people out of poverty rather than making a profit for the loaner of the credit. Despite mixed results of earlier evaluations (e.g., World Bank, 1998a, 1998b) and by his own disclosure as reported by Bajaj (2006) that only about 5 percent of Grameen borrowers get out of poverty every year, micro-credit programs nonetheless remain popular around the globe. Endorsing micro-credits and in part responsible for passing related legislation in the US in 1987 and launching a microfinance social movement (Sample, 2006), the Responsibility for Ending Starvation Using Legislation (RESULTS) has sister organizations in Australia, Canada, Germany, Japan, Mexico, the UK, and the US. International conferences are held annually.

In the United States, BIG competes with the Earned Income Tax Credit, which the US RESULTS organization supports (RESULTS, 2006). The EITC is a program that provides working poor persons who file tax returns a refundable cash rebate whose level is a function of family size and amount of earned income. The EITC program began in

1975 and has retained political and popular consensus ever since with sizeable expansion of eligibility and awards in the 1980s and 1990s.

Programs such as those implemented in Bangladesh, Brazil, Columbia, and India in effect provide part of the political and economic backdrop of social movements and of governmental considerations for a basic income guarantee, the third form of social provision aimed at poverty alleviation across the globe. What follows are highlights of efforts to pass national level unconditional basic income guarantee legislation across the globe in light of these three and other welfare state forms of contemporary social protection. By the "death of BIG" I mean that no serious legislative initiatives are on the short-term horizon in light of relatively recent defeats or rejections of BIG-related initiatives. [Please keep in mind the time-sensitive nature of the following material – namely the lag between data acquisition, preparation of the paper, and presentation here at USBIG. Things change, as we will come to learn over the course of this USBIG Congress and representatives of several countries highlighted below may have more recent information that, with their permissions, I would like to be able to incorporate in an updated version of this paper.]

The Death of BIG

Africa

South Africa: In March 2002 the government-appointed Committee of Inquiry into a Comprehensive System of Social Security for South Africa, also known as the Taylor Commission Report, recommended that a basic income or *solidarity grant* be phased in (Committee of Inquiry, 2002; Matisonn & Seekings, 2002; Standing, 2002). While the African National Congress (ANC), the dominant party in South Africa's national government, appeared to be ambivalent about the idea, the ANC opposition Democratic Alliance adopted a supportive position. The ANC adopted a fiscally conservative stance, evidenced in part by its support for cuts in children's benefits. Unions provided most of the momentum behind the proposal, which the South African Council of Churches (SACC) also endorsed and for which it actively campaigned (Tsele, 2002). A draft version of a White Paper prepared for the Department of Labor by stakeholders interested in child labor also recommended that an adult basic income grant be considered (South African Department of Labor, 2003b, p. 22), but this recommendation was omitted from the final version (South African Department of Labor, 2003a). An analysis of several studies of the economic feasibility of a basic income grant in light of the Taylor Commission Report also recommended its adoption, especially to offset poverty (BIG Financing Reference Group, 2004).

Samson, et al. (2002; 2004) argued that a basic income guarantee in South Africa was feasible and affordable, although an assessment by Bhorat (2002) questioned the fiscal feasibility. An unconditional basic income grant portended economic benefits to poor persons (closing the poverty gap by 72.7% vis-à-vis 22.9% under the current social security grant system) and for the economy as a whole (by increasing productivity via a better educated and healthier work force, living standards, labor force participation, aggregate demand and by shifting the composition of spending toward labor-absorbing sectors of the economy). Nonetheless, fiscal restraint to reduce the fiscal deficit/GDP ratio is the government's top priority and guides public expenditure – debt service is about 11 percent of GDP and social services consume over half of government's total expenditures. Implementation of a basic income guarantee was estimated to double the

Department of Social Development's budget and increase either the VAT from 14 percent to 32 percent or the budget deficit from 2 percent of GDP to about 9 percent, either of which would be a hard sell (Bhorat, 2006). Given the operating principle of fiscal restraint that has guided public expenditure over the past several years, government has shown less interest in the basic income.

Despite some falling off of interest by the South African government, a coalition known as the People's Budget Campaign, consisting of SACC, the South African Non-Governmental Coalition (SANGOCO), and the Congress of South African Trade Unions (COSATU), launched in 2000, continues to support basic income grants (The People's Budget Campaign, 2006a; 2006b).

European Union

Belgium: With the political party VIVANT, the unconditional basic income made a conspicuous and controversial entrance in Belgium's public debate (Vanderborght, 2000). The civil engineer and head of a micro-electronics company Roland Duchâtelet founded VIVANT in 1997. Prior to that, since the mid-1980s, the idea of a basic income guarantee had been supported by the two green parties, the Francophone ECOLO and the Flemish AGALEV. ECOLO adopted the idea as a medium-term objective at its first socio-economic conference in 1985, but it remained a "theoretical horizon" rather than a policy proposal. For AGALEV, basic income was more visibly promoted as a short-term reform. In 1994 (with a second edition in 1998) Duchâtelet had published a book under the titled "Belgium Inc. Report to the Shareholders in which he set out the core of what became VIVANT's political program, namely a basic income of Euro 500 per adult (25-64 years of age) per month (Euro 750 for those 65 and older) to address unemployment.

In 1999 VIVANT, whose party membership numbered about 5,000, received nearly 2 percent of each of the elections that occurred on June 13th. Its party platform had essentially one proposal: the introduction of an unconditional basic income. The Flemish press was reported to be critical of the program, while the Flemish press, more favorable (Vanderborght, 2000). As a single-issue newcomer, VIVANT had to rely on the protest vote and it obtained only one seat, in the Council of the Brussels Region. Since the 1999 election, VIVANT seemed to drop out entirely from public attention, although it published a manifesto under the title “Basic Income and Freedom” (Vivant, 1999) and established a party in the Republic of Congo, Africa.

<u>Germany</u>: In 1993 the Party of Democratic Socialism (PDS) promoted and adopted the concept of a conditional basic income for those in need, the “Soziale Grundsicherung.” Subsequently, PDS debated through papers, articles, and discussions within PDS the merits of a full-fledged UBIG. It has rejected a full-fledged UBIG to date, in part because of the “felt obligation” about work as the main legitimating factor for receiving cash – even in the absence of a full-employment economy (Blien & den Butter, 2003).

Since December 2003 the initiative "Freiheit statt Vollbeschäftigung" ("Freedom, not Full Employment" - www.Freiheit-statt-Vollbeschaefigung.de) has been advocating the UBI in the public by aid of poster-campaigns, lectures, panel discussions and newspaper articles (Liebermann, 2006). In 2005 former German President Horst Kohler was reported to have suggested that the idea of a basic income should be considered as a key strategy to prevent social exclusion of the long-term unemployed (BIEN, 2006a).

Götz Werner, owner and CEO of a German drugstore chain (dm-drugstore chain, 23000 employees, www.unternimm-die-zukunft.de) and Benediktus Hardorp professor at Universität Karlsruhe, and an expert on tax issues, proposed a shift from taxing income to taxing consumption and equated such a change with implementing UBIG. Public airings followed in the media (Isenson, 2006). The German magazine *Brand Eins*, known for its progressive take on economic developments, dedicated its July/August 2006 edition to the issue of work and thereby gave expression to several proponents of UBIG, especially those against welfare-to-work programs. The German Basic Income Network created an academic advisory council to accompany the initiatives and projects of the network, give scientific advice and expertise on open questions in the basic income debate, and promote the academic debate on basic income. Almost thirty scientists and experts from different disciplines joined the council, among them the long-standing and well-known promoters of the basic income idea such as Philippe van Parijs, Claus Offe, and Michael Opielka. The council had its first meeting on March 11, 2005 at the University of Frankfurt (BIEN, 2006a). Since the beginning of 2006 the number of conferences, lectures and discussions on basic income has been growing rapidly due to the activities of Goetz Werner, the German Basic Income Network, and the group “Freiheit statt Vollbeschäftigung.”

Ireland: In the mid-1990s the government of Ireland incorporated an assessment of the merits of a basic income policy as part of its Program for Prosperity and Fairness (Department of the Taoiseach, 2000b) and National Anti-Poverty Strategy (Goodbody Economic Consultants, 2001). Its Action Programme for the Millennium (Department of the Taoiseach, 2000a) committed it to publishing a Green Paper on Basic Income (2002) and it established and participated in a Steering Group on Basic Income which oversaw a series of studies on the basic income guarantee (Department of the Taoiseach, 1997, 1999). The Green Paper was part of a larger government effort explicitly aimed “to tackle poverty and disadvantage, generating the resources to do so by maintaining Ireland’s competitive position in the world economy” (p. 5). In light of a 9.7 percent average increase in its GDP between 1997 and 2001, compared to that of 2.6 percent for the entire EU, the government of Ireland remained committed to maintaining the economic and fiscal measures and high levels of employment as core components of its National Anti-Poverty strategy. In regard to personal income taxation, Ireland’s government sought to achieve a position where all those on the national minimum wage were removed from the tax net and 80 percent of all wage earners pay tax at the then standard rate of 20 percent. It was with these policy objectives in mind that the Basic Income scheme and alternatives were assessed in the Green Paper.

The Green Paper acknowledged that the dynamic effects of introducing a Basic Income could not be known with certainty, including when accounting for Child Benefit and Family Income Supplement payments. After analyzing alternative schemes, the Steering Group concluded that the Basic Income scheme it studied, in light of making modifications based on previously devised schemes, would improve the incomes of 70 percent of households in the bottom four income deciles while 16 percent would gain more under conventional options. Further, the BI would raise more than half of those who would fall below 40 percent of the poverty line under conventional options above this poverty line. Overall, the Paper did not make any specific recommendation for or against the Basic Income.

Healy and Reynolds (2004), the Directors of the Conference of Religious of Ireland (CORI) Justice Commission which had been advocating a basic income for several years and which was one of the members of the Steering Group on Basic Income, welcomed publication of the Green Paper. Although Healy and Reynolds (and CORI) had consistently advocated for basic income payments to all, they indicated nonetheless that they “would be happy to see its development sector by sector” (p. 14). Toward this end, they recommended a small number of changes in the current system, namely making tax-credits refundable, making child tax benefits tax free, ensuring that unemployed persons have access credits in lieu of social insurance payments, and maintaining the decoupling of annual agricultural payments to farmers (Also see CORI Justice Commission, 2004).

In the tenth and final progress report available at the time of this writing, there was no mention of any unconditional basic income scheme (Department of the Taoiseach, 2006). Next steps identified were all of an incremental or piecemeal nature, including poverty reduction for groups such as homeless persons, lone parents, and children (Family Income Supplement and Child Dependent Allowances Program). In addition, in regard to personal income taxation, over 40 percent of the resources available for an income tax package was devoted to removing those on the minimum wage from the tax net, thereby continuing to meet a key taxation commitment contained in Sustaining Progress.

Netherlands: In the early 1980s with the Wassenaar Agreement, the Netherlands began to nibble away at what was characterized as a benefits-driven welfare state. The Dutch government adopted efforts to increase work norms for those able to work and to target benefits for those truly unable to work (Haveman, 1999; Also see Castles, 2004;

Kapteyn, Zaidi, & Kalwij, 1997). Raising the quantity and quality of employment, "to broaden the tax base, which is necessary to maintain the basis for social cohesion for the future" was subsequently reported to be a key policy objective of the Dutch government (de Mooij, 2006, p. 25). An unconditional basic income scheme was determined to offer little to advance such an objective.

In the most recent report for the Dutch government provided by the CPB Netherlands Bureau for Economic Policy Analysis, as de Mooij (2006) notes, universal income support, such as the basic income, was deemed less than an optimal form of redistribution, especially given its expense. Earned income tax credits and increases in minimum wages were identified as the most promising social welfare polices to increase the employability of low-skilled workers. Less promising was an "individualised [sic] basic income at the social minimum income level" since it was "an expensive form of redistribution" (p. 29). In the final analysis, adverse labor market consequences were deemed to outweigh portended effects of a basic income to reduce income inequality and administrative costs associated with more targeted programs aimed at raising the quantity and quality of employment in the Netherlands.

<u>Spain</u>: To date, UBIG has gained little political traction in Spain (Noguera, 2000). No major political party has supported it and most debate occurs within academic and minority "left-wing" political forums. Even Izquierda Unida (United Left), a coalition of communists and other "left-wing" groups have avoided directly supporting the idea, advocating instead for a minimum income guarantee for poor persons and long-term unemployed people and for full employment (through public job creation or reduction of working time) as the main objective of economic policy and the best way to

give an income to everyone. One association that continues to promote UBIG though newsletters, scholarly publications, and participation in BIEN related conferences is Red Renta Basica, founded in 2001. One such study, for example, assessed the economic feasibility and potential redistributive effects of a UBIG scheme if it were adopted in Catalonia, while noting that its political feasibility remained an open question (Arcarons, Calogne, Noguera, & Raventós, 2004).

Latin America

Columbia: Columbia is a non-starter in regard to a basic income guarantee. Like many other formative welfare states, social welfare provision in Columbia is conditional, based primarily on economic need or vulnerability (Hernandez, 2002). Calls for UBIG have come primarily from academic and research settings (Bula & Hernandez, 2004). Hernández (2005) provided a detailed basic income scheme that has yet to find political traction in Columbia.

BIG by Stealth

Latin America

Argentina: As was typical of many countries that considered the merits of adopting a basic income scheme, initial discussions in Argentina occurred within the academic and social research environment (Lo Vuolo, 2002). In the mid-to-late 1990s the Interdisciplinary Center for the Study of Public Policies (ICSPP) [*Centro Interdisciplinario para el Estudio de Polîticas Públicas* (CIEPP)] in Buenos Aires produced a number of working and discussion papers about how a basic income scheme might work if adopted in Argentina. It was clear at the outset that a “full” basic income scheme, one that provided a basic income to all adults unconditionally throughout the country was neither politically nor fiscally possible. Debates centered on the best ways of implementing a partial basic income, targeted to more vulnerable groups such as children and the elderly. The Center promoted a two-fold strategy: to begin granting a basic income for children and to reform the income tax by eliminating tax deductions for dependent relatives which were not related to family allowances and thereby primarily benefited more affluent households. Such a strategy in effect targeted poor households, headed primarily by women.

In 1997 two former Parliament members, representatives of *Unīón Cívica Radīcal* (UCR) prepared a bill providing basic income for children and integrating tax reform. The proposed "Citizen Income for Children (CIC) extended the family allowances provisions by providing cash assistance to all mothers for their children, from four months' pregnancy through 18 years of age, regardless of their parents' employment status and income level. It set up a Fund (CICF) the finance CIC whose revenues would be obtained from existing family allowances, removal of tax exemptions on unearned income (stocks and bond revenues and dividends), eliminating income tax deductions for dependent relatives, and joint financing of the provinces. Although supported by several members in Parliament and by hierarchical members of the Catholic Church and interest expressed in newspapers, no political party formally endorsed the proposal, not even UCR. The proposal failed to gather sufficient momentum for discussion within the Commissions at the Parliament, so that after two years it lost its parliamentary status and was filed. Though subsequently introduced again, the proposal has not been formally taken up in Parliament. In 2000 the CTA Institute for Studies and Training, a trade union federation, drafted a document of reform proposals that included a basic citizen income, a universal allowance for all born children up to 18 years of age, and helped assemble a consortium of social organizations, an Assembly for Popular Consultation, which in 2001 created the National Front against Poverty (FreNaPo) whose activities support the basic income idea, with no discernable legislative effect to date.

Brazil: On January 8, 2004 President Luiz Inácio Lula da Silva signed into law legislation establishing a Citizen's Basic Income (Law n. 10.835/2004), which had been passed in 2003 by the National Congress (Suplicy, 2006). Great flexibility for its implementation rests on executive discretion and, as far as I know, to date no funds have been allocated to implement it. The main and apparently politically pragmatic if not more popular rival to the Citizen's Basic Income, however, is the Bolsa Família Program, which in 2003 integrated several other programs designed for poor families in Brazil (Cruz, et al., 2005; Ozanira, 2000). The Bolsa Família Program is a conditional program that dispenses minimum income grants targeting families with school-age children. To aid in the implementation of the basic income law, Suplicy (2006) has proposed a Citizen's Brazilian Fund, modeled after the Alaska Permanent Fund, with initial capital constituted by 10 percent of the shared participation of the Federal Government in the capital of the public companies. Resources for the fund would be formed by endowments consigned to the federal budget: from royalties from natural resources, from resources from concessions of public works and services, and from rents coming from federal real estates and other assets and donations (Also see Ozanira, 2000; Roquete, 2004).

Chile: A reform package to Chile's privatized pension system, scheduled to go to Congress early in 2007, is reported to include a guaranteed minimum pension for the country's poorest citizens, even those who have never contributed to the private system

(Rohter, 2006). The plan was announced on December 15, 2006. Under the current privatized system that was launched in 1981, workers are required to pay 10 percent of their salaries into private investment accounts that they control; employers do not participate, and the state's contribution has been reduced. The inability of the system to provide promised benefits prompted the recommended changes. Estimates are that participants will receive 30-40 percent of wages rather than the 70 percent promised. As things now stand, about half the Chileans in the labor force will not qualify for a pension or will receive only a minimum payment, for a variety of reasons that include their not having paid into the system for the minimum 20 years. Fulfilling one of President Michelle Bachelet's campaign promises, the reform package calls for pensions for women who have never worked in the official labor market, including a bonus payment for each child they bear. Special incentives are also to be included to encourage young workers to participate in the private system instead of evading their contributions, as many now do.

North America

Canada: Early contemporary efforts to establish a basic income guarantee in Canada ended when the Mincome experiment "died a quite death in 1979, officially reported as a redirection of experimental directives" (Hum & Simpson, 1993, p. S271). Opposition to the guaranteed annual income (GAI) experiments came from those who were either benefiting from existing programs (and didn't want to face the risk of change), or (more powerfully) from the unions of those who provided the existing programs and worried about job loss (Forget, 2006). By the mid-80s, the federal government decided to follow a process of "gradualism". As new programs were introduced, they were almost always set up according to the negative income tax model. So Canada has, for example, a "Child tax benefit" that is really a guaranteed annual income for families with dependent children run through the income tax system (Allen, 1993). Similarly, there is also a kind of guarantee for people over 65 in addition to the federal pensions. As new entitlements emerge, they do so according to the model upon which the guaranteed annual income experiments was based.

Currently, the Green Party (which has no hope of ever establishing a federal presence, and little hope of electing even a single representative) is very supportive of the GAI scheme (Forget, 2006). The "established" political left -- the NDP -- is leery because of trade union opposition (the most powerful unions in Canada are those of the civil service, and nurses, both of which vocally opposed the GAI in its day). The Liberals were the party that instituted the process of gradualism, because it was more politically viable and would not face union opposition. On occasion, including the previous Chretien government, the liberals revive the idea of a GAI. Chretien wanted to establish such a program as a legacy, and had it cost-estimated, but as soon as people start talking about eliminating current programs to make the GAI affordable, opposition mounts and provincial governments get nervous. The current government – the conservatives -- would just as soon eliminate all entitlements in favor of tax cuts.

United States: As Harris (2000) and others (e.g., Caputo, 2002a) have noted, the idea of a guaranteed income was no stranger to either politicians or the general public in the US: related schemes were soundly rejected at the national level several times in the 1960s and 1970s. Undaunted by the failure to adopt Friedman’s (1963) proposal for a Negative Income Tax (NIT) (see also Lampman, 1969) and by results of the Seattle-

Denver, New Jersey, and other related social experiments in income maintenance (Baumol, 1974; Garfinkel, 1974; Hum & Simpson, 1993; Widerquist, 2002a), Sheahen (1983) nonetheless articulated the rationale and feasibility of a guaranteed income for the US and remained an ardent promoter of UBIG (Sheahen, 2004; 2006), drawing on the works of other contemporary scholars and advocates (e.g., Greene 1998; Murray, 1997) when assessing the feasibility of UBIG in the US.

Largely through the efforts of Sheahen and based on a proposal by Sheahen and Widerquist (2004), Congressman Bob Filner (D-CA-San Diego) introduced a basic income bill, HR 5257 on May 2, 2006. HR 5257 would amend the Internal Revenue Code of 1986 to provide a basic income guarantee in the form of a refundable tax credit for taxpayers who do not itemize deductions (USBIG, 2006; US Congress, 2006). As submitted, the bill provided $2,000 for the taxpayer, $2,000 for a spouse, and $1,000 for each qualified dependent of the taxpayer defined as one who has not attained the age of 19 as of the close of the taxable year in which the taxable year of the taxpayer begins. Grant amounts would be adjusted for inflation after December 31, 2006. The refundable nature of the tax credit would ensure, as Congressman Filner noted when introducing the bill, that all poor adults would receive a "small but badly needed tax credit, and give a tax credit to everyone who chooses not to itemize deductions" (*Congressional Record*, 2006, p. E689). Although the measure would not eliminate poverty, Congressman Filner further contended that it poor persons and their families would nonetheless be worthy beneficiaries of the credit because they pay sales, property and other taxes and gained little if any relief from the tax reform measures introduced during the Bush administration. HR 5257 lacked a Republican co-sponsor and was referred to the House Ways and Means Committee.

Although not a basic income plan per se, bi-partisan legislation, “The Aspire Act of 2005,” was introduced in both chambers of Congress, as S 868 in the Senate and HR 1767 in the House, to encourage personal savings by establishing “Kids Accounts.” The proposal would create a savings account for every child born after December 31, 2005 (Cramer, 2004; New America Foundation, nd a). Each account will be endowed with a one-time $500 contribution, and children living in households earning below the national median income would be eligible for a supplemental contribution of up to $500. Families and others would be allowed to contribute up to $1,000 into these accounts each year; these voluntary contributions would be after-tax, and would not be tax deductible, but account earning would be tax-free. To further encourage investment, children in households earning up to the national median income would be eligible to receive a dollar-for-dollar match on the first $500 contributed to their accounts each year. At 18 years of age, account holders would have the option of rolling over the assets into a Roth Individual Retirement Account (IRA), which reduces gross income for tax purposes by contributed amounts to such IRAs, or into a qualified tuition program.

Drawing on the notion of stakeholder or baby bond accounts (Ackerman & Alstot, 1999), Widerquist (2002b) had earlier proposed combining such accounts with a basic income guarantee. Rather than rolling over funds accumulated since birth, his plan would enable each citizen coming of age at 21to withdraw a portion of returns each week, month, or year, or allow it to accrue for use in later life. The New American Foundation (nd b) established a World Wide Web site with a variety of documents about the legislation, including media coverage (e.g., Boshara & Castillo, 2005) and professional literature (e.g., Halstead, 2006), as well as earlier efforts to establish child allowances (e.g., Curely & Sherraden, 2000). On April 21, 2005 S 868 was referred to the Senate Finance Committee, HR 1767 to the House Committee on Ways and Means, and no further action was reported from either chamber of Congress.

Over the twenty years that Al Sheahen has worked to get basic income on the national political agenda in the US, citizens in the State of Alaska have received an equal share annual Dividend distribution from the Alaska Permanent Fund, capitalized by a portion of revenues from publicly owned oil production (Goldsmith, 2004). The Fund was created by Constitutional Amendment in 1977, shortly after oil production began in Prodhoe Bay on the North Slope of Alaska, to set aside a share of the revenues for future generations of Alaskans, in recognition of the eventual depletion of the resource. Funds were invested in stocks and bonds. This use of the fund won out over the competing idea of using it as a source of investment in capital for Alaska regional development projects. The Fund thereby was designed to insulate some of the oil revenues from politicians who, it was feared, would spend them on wasteful government operations and capital projects. Governor Jay Hammond proposed a distribution of the annual earnings of the fund under a program called “Alaska Inc.” Beginning in 1982 every citizen regardless of age received an annual cash payment from the fund’s earnings, with the size of the payment based on length of residence in the state up to a maximum of twenty-five years. A one-year resident was entitled to one share; a two-year resident to two shares, etc., thereby creating an incentive structure for people to stay in the state and to reward long-term, and by extension older, residents. Over the years, payments have varied, from a low of $381 in 1984, its third year of operation, to a high of $1,963 in 2000. Parents receive the dividend for their children. About 95 percent of Alaskan citizens who are eligible apply and receive the grant. The income is subject to Federal tax only, since Alaska has no state personal income tax. Despite early reports suggesting negative economic effects (e.g., Olson & O'Brien, 1990), support for the fund increased as the grant grew in size over the years and became a regularly anticipated part of household budgets.

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