

## **Citizen's Basic Income: The Answer is Blowing in Wind**

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***To Mônica Dallari,***

*Whom I thank for the suggestion, the incentive, and the tenderness to write  
this book*

For my grandchildren Teodoro, Laura, Maria Luiza and Bernardo to live in a  
better Brazil.

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## Introduction

In this book I will try to explain one of the main ways to apply principles of justice towards the eradication of absolute poverty and towards improving income distribution to create effective peace conditions, as proclaimed many times by Martin Luther King Jr. and Pope John Paulo II.<sup>1</sup>

Besides other important instruments such as the expansion of education opportunities, health care, basic sanitation, agrarian reform, micro-credit and incentives for co-operative production, I show herein that there has been a formidable instrument created throughout the history of humanity that is in the air, being blown by the wind, a common sense solution we should consider: Citizen's Basic Income. As in one of Bob Dylan's most beautiful songs ***Blowin' in the Wind***:

*How many roads must a man walk down  
before you can call him a man?  
How many seas must a white dove sail  
before she sleeps in the sand?  
And how many times must the cannon balls fly  
before they've forever banned?*

*How many years can a mountain exist  
before it is washed to the sea?  
How many years can some people exist  
before they're allowed to be free?  
And how many times can a man turn his head  
pretending he just doesn't see?*

*How many times must a man look up  
before he can see the sky?  
How many ears must one man have  
before he can hear the people cry?  
How many deaths will it take till he knows  
that too many people have died?*

*The answer my friend is blowing in the wind  
the answer is blowing in the wind.*

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<sup>1</sup> The aim of this book is to update in a concise manner the content of *Citizen's Income: The Exit is Through the Door (Renda de Cidadania. A Saída é pela Porta)*. São Paulo: Editora Fundação Perseu Abramo and Cortez Editora, São Paulo, 1<sup>st</sup> Edition 2002 and 3<sup>rd</sup> Edition 2004. Being my first book, it contains several selected texts and documents related to this theme.

What the poet means in this song is the answer is already there, ready to be seen, and ready to be used. Citizen's Basic Income is as common sense as exiting our homes through the front door. I begin this paper by sharing a letter sent by President Luiz Inácio Lula da Silva to a Brazilian woman that was read in the program, "Voz do Brasil". Mrs. Ione Pereira Machado demonstrated an attitude that deserved to be praised:

*"Brasília, November 8, 2004.*

*Dear Ione:*

*"It was with great emotion that I learned through the press of your admirable attitude taken two weeks ago. According to a report made by a newspaper from Paraná, upon learning your husband had found a job after being unemployed for several months you decided to give back your Bolsa-Familia program card after your conscience revision that a salary of R\$ 400, which he now receives, is sufficient for the family maintenance. You therefore did not want to deprive other Brazilians, who are in more need of this benefit.*

*Ms. Ione, perhaps you do not realize the importance of your gesture in the times we are living. With all the difficulty and effort to survive in a country like ours, you still managed to find the capacity to be generous and show solidarity by thinking of others.*

*Bolsa-Família is one of the most important and complex projects of our government. We realize that by proposing this dream to provide for 11.2 million families whom according to IBGE live below the Brazilian poverty line, we must be aware of the enormous difficulties that will be presented along the way.. It is also necessary to believe it is possible to transform this country and that most people are honest and deserving of our efforts and respect. From your little house in Maringá you gave an example that is needed by all of us. It people such as yourself that allow me to believe that the best of Brazil are Brazilians and that we will not give up.*

*Thank-you for being who you are. A big hug from myself and Marisa.*

*Luiz Inácio Lula da Silva"*

Due to the importance of her act I would also like to comment and reproduce here some excerpts from an interview Mrs. Ione gave to "O Globo", who awarded her the prize "Faz Diferença" (Making the Difference) in 2004.

**““2004 Personality Award”**



**Ione Pereira Machado**

""We were almost giving up”

Due to great uneasiness as a result of the concern for other families more in need, victims of unemployment, Mrs. Ione Pereira Machado was motivated to give back the her Bolsa Família benefit. Many attempts were required to get through the bureaucracy involved in the act. Surprised by the award she praised President Lula for “observing the needs of the people”.

O GLOBO: Had you ever imagined the simple fact of giving back your card could turn you into a national example and would bring a letter from President Lula, and then receive the “Faz Diferença” award?

IONE PEREIRA MACHADO: No, no. Did you know the process of giving back the card was difficult? We were delayed in finding the right place. We almost gave up. We went to one place and they said that it was in another place, and then the hot sun... I told myself, “no, I will not give up ”. I didn’t want to keep the card. I was anxious to give it back.

Why did you give the card back?

IONE: Because there are other people who need it. It should be given to someone who is perhaps unemployed. It was not fair for us to keep it. My husband was unemployed for one year, two months, and twenty days.

Did you count all the days?

IONE: I counted. It was a great suffering.

Don’t you miss these R\$ 50?

IONE: No. He has his salary which doesn’t reach two minimum salaries, but we can get along with it. If we know how to use it we can manage it.

What do you think about the fact you are an example for Brazil, a person who makes a difference?

IONE: Many people could do that, no? We see people all the time in need. For many R\$ 50 is not much, but for others it is a lot and goes a long way.

Do you know of any one else who had this card and like you gave it back?

IONE: Here in Maringá alone there are another four who have given it back.

Do you think that President Lula is creating a good government?

IONE: I think so, employment has increased. By being a modest President of the people he observes our needs. I think he is very aware of what is happening in Brazil.

Did you enjoy to be awarded a prize by GLOBO? And going to Rio?

IONE: Of course but that's that, I do not know what to say. We were a little scared to go to Rio because we had never been and we were not used to people there. Besides, I think they attack more tourists. And then when they look to us they think, "what will we take from these unfortunate ones?"... (laughs)"

When Lula visited Pombal an inner city in the state of Paraíba he also met with six mothers similar to Mrs. Ione who had returned their Bolsa Familia cards. What I would like to know is if we will be able to reach a point where we can provide a basic income to everyone without this need to control who receives, and who does not, the benefit. Is there a way we could benefit everyone? This is the question I would like to answer.

## **I. From Bolsa Família Program to Citizen's Basic Income**

The Bolsa Familia program is one the main instruments used by President Lula to reach his target of providing three meals a day to all Brazilians and thus, eradicate absolute poverty by the end of his mandate 2006. The law that defines the program stipulates that all families with a monthly income below R\$ 100 per capita have access to the program. If the family's per capita income reaches R\$50, they receive a benefit of an additional R\$50, plus R\$15 per child. If the family's per capita income reaches R\$100, the benefit is only R\$15 per child, R\$30 for two, R\$45 for three, and so on depending on the number of children.

In return the family must demonstrate that their children up to 6 years old are vaccinated according to the Ministry of Health calendar and are going periodically to the government health centers to check their development and their nourishment. Children and adolescents from 6 to 16 years old must attend school and be in attendance at least 85% of the time. Parents, whenever possible, should attend literacy or professional courses.



In October 2003 when President Lula launched the Bolsa Familia program he unified four existing income programs: Bolsa Escola (School Scholarship), Bolsa Alimentação (Cash Food Aid), Auxílio-Gás (Gas Subsidy) and Cartão Alimentação (Food Card), there were around 2.3 million families registered in these programs. In December 2003 this quantity increased to 3.5 million families and by December 2005, 8.7 million. By June 2006 it targeted at 11.2 million families which corresponds to almost 100% of the families in Brazil with a monthly per capita income below R\$ 100.

Given that each family has an average of four members 11.2 million families will correspond to almost 45 million of people. Based on an estimate of the Brazilian Population taken in January 2006, 185 million, this equates to one quarter of the total population.

In order to pay the Bolsa Familia benefit which in November 2005 reached on average of R\$ 64 per family, the federal government designated an amount equal to the yearly averages (R\$64 x 12) multiplied by the target, 11.2 million families in their last budget. This equals a total budget of R \$9 billion not including administrative costs. Another source of revenue used to reach this target is the government portion of the CPMF - Contribuição sobre Movimentações Financeiras (Financial Movement Contribution) receipt. This fund originates from the 0.38% aliquot on each financial movement of which only 0.08% is destined to the Fundo de Combate a Pobreza (Fight Against Poverty Fund) and the remaining 0.30% is designated to Health.

In consideration of the program's target and in comparison with other budget items, it is not an exceptional amount. For example to pay the interest on the public debt, summing up the three levels of the government, federal, state and municipal from the years of 2003, 2004 and 2005, equates respectively to R\$ 145.2 billion, R\$ 128.2 billion and R\$ 157.1 billion according to the Bulletin of the Central Bank.

Today in order to provide the basic minimum to Brazilians in need requires a meticulous verification process to verify program eligibility. Something that was exemplified through Mrs. Ione's case. As the press has already reported it is often difficult to check the income of each family and their members, working in the formal or informal market, or rendering services to third parties.

For Mrs. Ione and her husband Anquilino Machado who was unemployed for more than 14 months, their struggles for survival during the past year were certainly not easy. In order to meet their minimum they probably worked from time to time in an informal job and borrowed money from friends and relatives.

How does the government control for all of these variations? Would it be enough that your neighbors and the press keep observing daily each family who benefited from Bolsa Família? If in each house there is a telephone, a

television, a computer, rice, bean and potatoes in the cupboard, milk, butter, meat, vegetables and fruits in the refrigerator?

Is there a way to solve this problem and improve upon the target of the Bolsa Família program? I think yes there is and luckily, it has already become a law. Law n. 10.835/2004 approved by the National Congress in 2003 and sanctioned by President Lula on January 8, 2004 will gradually be implemented in Brazil. It is the establishment of the Citizen's Basic Income.

### **What is Law 10.835/2004?**

Starting in 2005 the law of Citizen's Basic Income will be instituted and constitute the right to all Brazilians, resident in the country as well as foreigners who have resided here for at least five years, regardless of their social and economic condition, to receive annually a monetary benefit. The inclusion of people into the Citizen's Basic Income will be accomplished gradually in stages, under the criterion of the national executive power. It will give priority to the more vulnerable segments of population.

The amount of the benefit will be equal for everybody, regardless of their ethnicity, sex, age, civil, or even social and economic condition. The amount is designed to be sufficient to meet all the vital needs of each person within the context of the country's development and budget possibilities. The payment will be made in monthly and equal installments.

Additionally, when the federal executive power defines the amount to be awarded it will have to take into consideration the laws of fiscal responsibility. Beginning in 2005 the executive will assign the necessary budget allotment annually within the general federal budget. Already for the years 2005 and 2006, when defining the expansion of the targets of the Bolsa Família program mentioned above, it can be considered that the government is complying with the steps foreseen in Law nr. 10.835/2004 to accomplish the Citizen's Basic Income. Starting in 2005 bills of laws related to the five year plan and the budget guidelines, should specify expenditure cancellations and transfers as well as other necessary measures for the execution of the 'Citizen's Basic Income Program'.

Will Mrs. Ione and her husband still receive Citizen's Basic Income? Yes they will, and also other very successful people like President Lula, Pelé, Ronaldinho, Ronaldo, Xuxa, the very admired entrepreneur Antonio Ermirio de Moraes, myself and Senator Heloisa Helena, who normally have more than necessary for survival. Yes everybody including all the people in Maringá, the city of Mrs. Ione and people in need throughout Brazil.

Why will this happen if those who already have so much do not need the Citizen's Basic Income for their survival? It will happen so they too will collaborate more effectively to allow everyone to receive the Citizen's Basic Income. This is the way to effectively reach all impoverished people.

I assert we will have the following advantages once the Citizen's Basic Income is fully instituted:

- Elimination of all bureaucracy involved in having to know the income of each person for the purpose of receiving the basic income.
- No more stigma or feelings of shame for a person to tell how much he/she earns to get an income complement.
- Facility in explaining to the whole population through the same means of communication the right of everyone to receive an equal basic income and the straight forward way to obtain it.
- The end of the dependency phenomenon caused by the poverty and unemployment traps in programs that define which people, or families, have the right to a benefit when his/her income does not reach a certain level, detracting an individual from starting an economic activity knowing that the government will take off the benefit when he/she starts the activity. In the case of Citizen's Basic Income any increase in income resulting from work and the person's initiative will be guaranteed. Everyone will receive the same benefit regardless.
- Guaranteeing Citizen's Basic Income will always render valid employment efforts. Given that a person can keep the full amount of his/her basic income, employed or not, ensures his/her situation will be better when he/she is working than when unemployed.
- From the point of view of dignity and freedom for human beings, it is much more better knowing that in the next 12 months and from there on every year he/she and each member of his/her family will receive a basic income as an inalienable right to all citizens as partners in the Brazilian nation. It is not a gift or a charity but a citizen's right, similar to the right that each Brazilian has to take a walk in the park of his/her city, or if he/she wishes, to go swimming in Copacabana; something that rich and poor people alike can do.
- Despite these advantages many people ask if it would not be better to ensure everyone a job? Economic theory and experience demonstrates that the guarantee of a Basic Income to everyone can contribute substantially to reaching full employment in society. Moreover, the demand for goods and services of necessity will increase thanks to the Basic Income

being provided. This works as an incentive for the growth of the economy and for employment. For example it is very probable that the expansion of the Bolsa Família program which benefited the family of Mrs. Ione, contributed to more job opportunities in Maringa, which then resulted in the hiring of her husband.

- Additionally the guarantee of a basic income is a mechanism that can contribute to the growth of the economy and its competitiveness when it is adopted. This point will be further explained below when we analyze the mechanisms of income transfer effecting developed countries.
- Many activities people like to do or need to do are not remunerated by the market. For example mothers who nourish their babies, or parents who take care of their children in order to educate and protect them. Or, when our parents get old and we begin to take care of them. There are many activities we would like to do within our communities, parishes, associations and clubs, normally without remuneration. Activities that when performed are fundamental for humanity are often not recognized by the market. When Vincent Van Gogh (1853–1890) and Amedeo Modigliani (1884-1920) painted their works of genius, they could hardly survive from what they earned when they sold them. Both of them became ill and died prematurely. Today nevertheless these same works are sold for millions of dollars.
- Another argument should also be taken into account. Similar to many countries the Brazilian Constitution recognizes the right to own private property. This signifies that the person who owns a factory, a farm, a restaurant, a bank, financial bonds, or real estate, is permitted to earn an income under the form of profits, rents, and interest. It is not however written in the Constitution that people in this situation, conditional to their income, are obliged to work or to send their children to school. Moreover, most individuals who own capital do work and do send their children to school and the best universities. Why? They do so because they are interested in progress. Very well then, the argument is that if we ensure the right of wealthy citizens to receive private income from capital, without conditions, why can we not ensure the right of all citizens the right to be partners in this country and receive a modest income guaranteeing the right of full citizenship?

In the last 15 years I have tried to explain the advantages of the Citizen's Basic Income in universities, trade unions, business associations, social organizations of civil society and in national forums throughout Brazil. I was very happy the day President Lula sanctioned law n. 10.835/2004 proving

that he approves and believes in this idea. For him to implement it however requires the support of large number of Brazilians in advance, to provide it direction and turn it into a reality.

When examining the bill of law in the Senate which would implement Citizen's Basic Income a rapporteur, Senator Francelino Pereira (PFL-MG) was assigned to the Committee on Economic Matters. Upon analyzing it he considered the proposal good, but asked me if it would not be better to introduce it gradually in order to comply with the Laws of Fiscal Responsibility. We agreed on this principle and this idea contributed to the consensus we reached in the Senate with only a few objections coming from the Chamber of Deputies. Additionally the idea of its gradual evolution and the prioritizing of people with the most need initially (until it is feasible to deliver to everyone), enabled the Minister of Finance Antonio Palocci to inform President Lula of its feasibility so it could be sanctioned.

When President Franklin Roosevelt was creating programs of the New Deal during the Great Depression of the thirties in the US, as a means to end the crash and its unemployment, a delegation presented a proposal to him which he said, "ok, you've convinced me. Now go on out and bring pressure on me!" This historical experience demonstrates that governments even with the best intentions and ideals can only act in accordance to society wills.<sup>2</sup>

The next section will explore the fundamentals of this proposition, how it started, and the results of accumulated experiences in several countries around the world. I will also explore how the proposal is consistent with the hopes of Brazilians and the hopes of humanity for justice, equality, freedom, fraternity, solidarity and democracy. It is an idea that is increasingly winning the support of economists, philosophers and social scientists from across a large spectrum of thought.

## II. The Fundamentals

The fundaments of the Citizen's Basic Income come from primordial times of humanity. Confucius in the Book on Explanations 520 before Christ and Answers, observed that "uncertainty is even worse than poverty" and that "can anyone leave his home except through the door?"<sup>3</sup> With those assertions as a basis it is my purpose to demonstrate that if we want to eradicate absolute poverty and to collaborate towards the construction of a more equal and fair society, the good solution is Citizen's Basic Income, the right of

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<sup>2</sup> Steven Schafarman, "Mobilizing Support for Basic Income", lecture presented at the IX International Congress of BIEN, September 2002, and Saul Alinsky, 1972, *Rules for Radicals*, New York, Vintage Books.

<sup>3</sup> Guy Standing, stressed this point on a lecture held at *Conferencia Internacional sobre Renda Mínima, Discussões and Experiências, (International Conference on Minimum Income, Discussions and Experiences)* August 11 and 12, 1998, presentation by Eduardo Matarazzo Suplicy, the Federal Senate p.3036 and 113-120. Confúcio. *O Livro das Explicações e respostas em 20 capítulos*. São Paulo, Landy Livraria and Editora, 2001.

everyone to participate in the wealth of the nation by way of a modest income that guarantees the needs of all individuals.

Aristotle in *Politics*<sup>4</sup>, 300 years before Christ, wrote that the objective of politics is a fair life achieved by the common good. To achieve a fair life for everybody however, it is necessary to have political justice, which should be preceded by distributive justice that creates by law equality out of inequality.

Karl Marx's ideas of justice resonated with Aristotle's when he wrote about how men would behave in society when they were mature:

*“from each according to his ability, to each according to his need”.*

Later, the philosopher Marilena Chauí demonstrated in her works that what Karl Marx was expressing here was similar to what Aristotle had been expounding on 300 years before Christ. When Karl Marx wrote this he himself was already a mature man after having already publishing with Friedrich Engels, *The Communist Manifesto*<sup>5</sup> (1848), and after having written a great part of *Das Capital*<sup>6</sup>. According to John Kenneth Galbraith, Marx's conception of justice expressed in those 12 words that can be found in *Críticos to the Gotha Program* of 1875 had a more revolutionary effect than the book *Capital*.<sup>7</sup>

One day in 1992 during a lecture I delivered for the CNBB - Conferência Nacional dos Bispos do Brasil (National Conference of the Bishops in Brazil), the Pastorais da Terra (The Pastorals of Earth) and the Comunidades Eclesiais de Base (The Basis Ecclesiastic Community), I explained how many economists from several schools of thought defended the idea of guaranteeing universal minimum income. At the end of my lecture the then president of the CNBB, D. Luciano Mendes de Almeida told me that I did not need to quote Karl Marx to defend the project because it was better defended by Saint Paul in his Second Epistle to the Corinthians. Since then I have always quoted Saint Paul and Karl Marx.

What Marx said is similar to the deep aspirations and hopes of all religions. What is the most quoted word in the Old Testament? Rabbi Henry Sobel from São Paulo taught me it is “Tzedaka” and it appears 513 times. In Hebrew it means justice in society, social justice. We can see many passages stressing the need of ‘Tzedaka’ in Deuteronomy, in the Proverbs, in Isaiah, or in Exodus. It is not coincidental that in Movimento dos Trabalhadores Rurais sem Terra, MST (The Landless Rural Workers Movement) seminars they frequently read the Exodus Book to recall the fight for the promised land, the fight for justice.

In the Acts of the Apostles of the New Testament we can also find principles that approximate the observations made by Karl Marx:

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<sup>4</sup> Aristóteles. *Política*. Brasília. Ed. UnB, 1987.

<sup>5</sup> Karl Marx e Friedrich Engels (1848). *Manifesto do Partido Comunista*. Petrópolis, Vozes, 1998.

<sup>6</sup> Karl Marx (1867). *O Capital*. São Paulo, Nova Cultural, 1985.

<sup>7</sup> Karl Marx, (1875) *Crítica ao Programa de Gotha*. Porto, Portucalense, 1971.

*“And they continued steadfastly in the apostles’ doctrine and fellowship, and in breaking of bread, and in prayers. And fear came upon every soul; and many wonders and signs were done by the apostles. And all that believed were together; and had all things common; and sold their possession and goods, and parted them to all men, as every man had need”.* (Acts of the Apostles, chapter 2)

We can also find the same principles in the parables of Jesus in the Vineyard Landlord. He hired several peasants for his vineyard, in the first hour, in the second hour and so on, until the last hour. He then agreed on amount with them that they would be paid and considered fair. At the end of the journey he began to pay starting with the last ones that had arrived, giving to everyone the same amount. When he reached the first peasant this one complained; you are paying the same to me as the last one that arrived here and I worked much more than he did. And the vineyard landlord answered; so, didn’t you realize that I’m paying exactly what you both considered fair, and that the last one who arrived here also has the right to receive sufficient for the needs of his family (Mateus, chapter 20, v. 1 to 16).

As D.Luciano called to my attention, a clearer defense of the basic income project was made by Saint Paul in the Second Epistle to the Corinthians. He recommended the Macedonians to follow the example of Jesus who although being very mighty had decided to join the poor people and to live among them. As is written, he was preaching for more justice and equality: “He that had gathered much had nothing over; and he that gathered little had no lack”.

Following the terrorist attacks of the World Trade Center in New York on September 11, 2001 when around 3000 people were killed, a great interest in understanding Islam arose around the world. According to what we can understand from the Qur’an and the writings of its followers, the teachings of the principles of justice and equality are similar between Islam and Christianity. For example in the Hadith Book, Omar, the second of the four caliphs who came after Muhammad recommended to the ones that had big properties or some gains to reserve a part for the ones who had a few or nothing.

The defense of minimum income is also consistent with Buddhism, according to what can be concluded from the assertions of the Dalai Lama in *Ethics for the New Millennium*<sup>7</sup>. He affirmed that if we accept the luxurious consumption of the very rich ones we should ensure before the survival of all humanity.

### **III. The first proposals of minimum income and of basic income**

Proceeding with the evolution of history we encounter the person responsible for the formulation of modern humanism. Here I am referring to Thomas More (1478-1535), who was canonized by the Catholic Church in 1935, and proclaimed by Pope John Paul II in 2000, as the patron saint of

politicians and governors because of his moral stature and his ethical behavior. He was one of the main advisers to Henry VIII, the founder of the Anglican Church. Being a man of high prestige and a theologian, he was also the President of the British House of Commons. When the wife of the King of England could not have sons the King asked his adviser and friend to write a justification so he could marry another woman. Thomas More who was catholic, refused to write such justification and was thus, condemned to death and decapitated.

More left however an influential work for the history of humanity called *Utopia*, published in 1516. Utopia was the word he used for a fantastic island where there was an organized, happy and fair society. At this place imagined by More, “nothing is private, and what counts is the public property”, taking inspiration from *Republic* and from *Laws* by Plato.

The Brazilian historian Eduardo Bueno told us that Thomas More got interested in writing Utopia after reading *Four Voyages of Amerigo Vespucci*, in a letter to Soderini, in 1510. He got acquainted with Rafael Hitlodeu or Hythlodæus – a Greek story teller – who went to Brazil with Vespucci. Thomas More visited the island of Fernando de Noronha, where Vespucci had founded a trading post. That island, in some way, could have inspired *Utopia*.<sup>8</sup>

In the first book of *Utopia*, Rafael Hitlodeu has a dialogue with the Cardinal, the Archbishop, and another person about the death sentence, which having been newly-introduced in England had not contributed to the reduction of robberies, assaults and homicides. He made the following observation:

*“Instead of inflicting these horrible punishments, it would be far more to the point to provide everyone with some means of livelihood, so that nobody's under the frightful necessity of becoming, first a thief, and then a corpse.”*

Using an extraordinary social sensibility he presented a visionary proposal to institute an income for everybody so that everyone has the means of survival. Sadly this discussion about the death sentence still prevails although we are fortunate in Brazil that it is forbidden by our constitution. Amnesty International has tried throughout the years to demonstrate statistically that it does not lead to a decrease in violent criminal activities. In USA, Cuba, and the Republic of China it is however, still in use.

A survey conducted by the United Nations in 1988 and updated in 1996, emphasized there was no scientific evidence that executions had a greater effect in reducing criminality than the condemnation or imprisonment of an individual.<sup>9</sup> Since 1985 more than 40 countries have abolished the death penalty having recognized it has little efficacy.

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8 BUENO, Eduardo (1998). Naufragos, traficantes and degredados. Coleção Terra Brasilis, vol. II, Rio de Janeiro, Ed. Objetiva.

<sup>9</sup> Please see Death Penalty, Questions and Answers, [http://www.amnestyusa.org/abolish/dp\\_qa.html](http://www.amnestyusa.org/abolish/dp_qa.html)



It was based on the reflections of Thomas More ten years later in 1526 that a friend of his, Juan Luis Vives, made the first proposal of basic minimum income in *De subvencione pauperum sive de humanis necessitatibus*, to the mayor of Bruges a Flemish city in the Spanish Low Countries, today Belgium. Juan Luis Vives was from Spain and had studied in Leuven. Also in the town of Ypres in the Spanish Lower Countries they implemented a form of assistance for the poor in 1525.

These works by Thomas More and Juan Luis Vives had a great influence on “The Poor Laws” later created in England and Spain.<sup>10</sup> At the beginning of 1531, these laws allowed elders and handicapped people to beg for alms at the parishes. Soon afterwards religious houses were authorized to raise funds together with landowners in order to give provisions to the poor who were then consequentially disposal to work in their respective regions. Working houses soon emerged as was arduously described in Charles Dickens, “Oliver Twist”. These laws were severely criticized by classical economists like Adam Smith, David Ricardo and Thomas Malthus and from another perspective by Karl Marx. In the criticisms predominantly made by Karl Marx and Adam Smith they to take into account the way in which support had been given, and how it also restricted people’s movement, in that they had to remain disposal within a given territory.<sup>11</sup>

One of the greatest leaders of the French and American Revolutions was Thomas Paine (1737-1809) who formulated one of the principle reasons as to why everyone should have the undeniable right to share in the wealth of the nation. Paine who was born in Thetford, England, traveled to America under the persuasion of Benjamin Franklin. In 1774 he published a series of 13 pamphlets about the American Crisis including *Common Sense*, published anonymously in January 1776. This pamphlet was distributed in the streets of Philadelphia and afterwards in all 13 colonies, with an edition of 150 thousand copies. George Washington considered it to be one of the instruments that provoked Americans to change their minds and to fight for their independence.

Amongst other arguments Paine proclaimed that it was against common sense that an island dominates a continent. Six months later on July 4, 1776, the United States of America proclaimed its independence. Paine returned to England frustrated by the lack of comprehension of his daring ideas in 1778. Once back in England he began involved in revolutionary political movement and consequentially had his books burned. His unpopularity was due to the fact that he had been partly responsible for England losing its largest colony. Paine then turned to France where he became involved in the fight for equality, liberty, and fraternity in the Revolution of 1789. His efforts were noticed by being elected to the first Constituent National Assembly.

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<sup>10</sup> To examine the several forms that The Poor Laws were formulated since the beginning of the 16th century, please see text on the Poor Laws, in the British Encyclopedia.

<sup>11</sup> The analyses of the classical economists on the Poor Laws are described in a more extensive way in my book *Citizen’s Income. The Exit is Through the Door*.

In *Agrarian Justice* an essay sent in 1795 to the Directorship and to the Parliament of France, Paine observed that poverty was related to the citizen right of Private Property. Paine noted this based on the fact the indigenous people of America had been in a situation of less misery than what he had seen in European villages and cities<sup>12</sup>. He states, "It is a not a controvert position that the earth, in its natural, uncultivated state was, and would have always continued to be, the common property of the human race." He considered it just that the person who cultivates the land and makes some improvement, should have the right to receive the result of that cultivation. Additionally he argued that "every proprietor of cultivated lands owes to the community a ground-rent". He asserted that from the rent paid by each proprietor, a common national fund should be constituted that should yield income to be distributed under the form of the equal dividends to everyone, in order to compensate for the loss of that natural inheritance. Every person, at the age of twenty-one years, should receive the sum of 15 pounds sterling, and when the person arrived at the age of fifty years, should have the right to receive 10 pounds sterling throughout the remainder of their life because "every individual was born in the world with the legitimate right to a certain property or equivalent". Paine defended that this payment should be seen as a right, not as a charity.

According to researchers from BIEN – "Basic Income European Network" The proposal of a non-conditional Basic Income has existed for at least 200 years and a great part of this proposal was inspired by the works of the radical Englishman Thomas Spence (1750-1814), who interacted with the ideas of Thomas Paine and utopian French socialist Charles Fourier (1772-1837)<sup>13</sup>.

Each time Philippe Van Parijs and his collaborators at BIEN deepen their surveys they discover even more pioneers who had presented the proposal of basic income, many times in an independent manner, other times with interactions amongst them. In the excellent didactic book *L'Allocation Universelle* (2005), edited by Editora Record in Brazil, under the title "*Renda Básica de Cidadania: fundamentos éticos e econômicos*", Van Parijs and Yannick Vanderborght observed that it was a contemporary of Thomas Paine, called Thomas Spence who presented the justification for a regular income.<sup>14</sup>

In a pamphlet published in London under the title, *The Rights of Infants* in 1797, Spence began criticizing *Agrarian Justice*, by Thomas Paine, for having built based on the fundamental truth, "an abominable building of opportunism and tolerance"<sup>15</sup>. Afterwards Spence reformulated the proposal

<sup>12</sup> PAINE, Thomas (1796). "Agrarian Justice". In: FONER, P.F. (ed.) (1974). *The life and Major Writings of Thomas Paine*. Secaucus, NJ, Citadel Press, 1974

<sup>13</sup> Ver PARIJS, Philippe Van, "What's wrong with a free lunch?", Foreword by Robert M. Solow, edited by Joshua Cohen and Joel Rogers for *Boston Review*, Beacon Press, Boston, 2001.

<sup>14</sup> VANDERBORGH, Yannick t, VAN PARIJS, Philippe *L'allocation universelle*, Paris: Editions La Découverte, 2005

<sup>15</sup> SPENCE, T. [1797], "The Rights of Infants", in J. CUNLIFFE et G. ERREYGERES (sous la dir. de), *The Origins of Universal Grants*, Basingstoke, Palgrave Macmillan, 2004, p. 81-91.

that he had defended tirelessly throughout his youth, and proclaimed that each city should have auctions to cover all local public expenditures including the building and the maintenance of real estate, as well as taxes paid to the government, that would distribute quarterly equal parts of the surplus among all residents ensuring their subsistence.

According to Spence, “ *regarding the surplus, once paid, all the state taxes should be divided in an equal amount amongst all the living souls of the parish, whether male or female, married or single, legitimate or illegitimate, from a day old to the extremist age, making no distinction between families of rich farmers and merchants (...) and families of poor laborers and craftsmen (...), giving to the head of every family a full and equal share for every name under his roof (...)*”.

It is correct to suppose that this surplus should be distributed in equal parts among all the living souls of the parish on first day of each quarter, and correspond to “two-thirds of the total of the collected rents. Regardless of its amount, the excess parts of the rents are the undeniable right of all mankind of a civilized society, on the pretence that it is equivalent to the natural ingredients of their common estate from which they were deprived when it was rented for the sake of cultivation and improvement”.

In February 2003 when I visited Philippe van Parijs in Brussels, I became familiar with the places where in 1848, Karl Marx and Friedrich Engels had lived when they wrote the *Communist Manifesto*. I also visited the place where the lawyer Joseph Charlier (1816-1896) had lived and who in the same year published *Solution du probleme social ou constitution humanitaire*<sup>16</sup>. Having been inspired by the Fourier tradition, Charlier observed that within the equality of rights of land property was the basis of an unconditional right to a basic income. He developed this theme in *The Social Question Solved Proceeded by the Philosophical Testament of a Thinker*. He rejected the idea—defended by Fourier himself—that the right should be given based on a formula that verifies the income of each person. Fourier’s idea of the right to remunerated work, under the form that was defended by his eminent disciple Victor Considerant and by many other people, was based on the premise that it was natural to defend the right of each person to receive a sufficient remuneration for their work.

Under the labels of “minimum” or “guaranteed income” and afterwards, “territorial dividend”, Joseph Charlier proposed that all citizens should have the unconditional right to a quarterly payment and thereafter monthly, of an annually fixed sum by a representative from a national council, based on the rental value of all properties. This scheme would end with the domination of capital on labor. The remaining question is would it encourage idleness?

*“Hard luck for the lazy: they will be put on short allowance. Society’s duty does not reach beyond securing each a fair share of*

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<sup>16</sup> Please see Joseph Charlier, *Solution du probl`eme social ou constitution humanitaire*” (Bruxelles:Chez tous les librairies du Royaume, 1848).

*the enjoyment of what nature puts at his disposal, without usurping anyone's rights." Anything above the minimum will have to be earned.<sup>17</sup>*

After Fourier published his book in 1849, the following year John Stuart Mill released the second edition of his *Principles of Political Economy*, where he presented Fourier's ideas, but concluded with a proposal without any ambiguities of an unconditional basic income: "In the distribution, a certain minimum is first assigned for the subsistence of every member of the community, whether capable or not of labour. The remainder of the produce is shared in certain proportions, to be deterred beforehand, among the three elements, labour, capital, and talent."

As Emma Rothschild reminded us in "Security and Laissez-Faire" her article published in 2000 in debate with Philippe Van Parijs, the concept of Basic Income was also defended by the founders of Political Economy in consonance with the traditions of the free market<sup>18</sup>. Marquis Condorcet in *Reflections on the Wheat Market* in 1776 starts his book as following:

*"That all members of the society should have assured the subsistence of each season, in each year and wherever they were living [...] is of the general interest of all nations".*

It is in this manner that the portion everyone will receive as his/her Citizen's Basic Income will be a right of equal importance as the wage that he/she will receive for his/her effort and dedication to his/her job. All Brazilians and foreign residents will enjoy the right to be participants in the wealth of this land, and to reap the rewards of past generations and all the people that collaborated in the past towards technological progress, and others, who worked as slaves without receiving remuneration, but who in effect collaborated to the development of the nation.

You may be wondering now when this proposal defended by Thomas Paine was finally adopted in his own country (modified), but based on similar principles? Surprisingly for many people it was in the twenty-first century.

When Prime Minister Tony Blair announced that his wife was expecting their fourth child, he decided to send a bill of law to Parliament, affirming that every child born in the United Kingdom would receive a basic capital. When the child is born it would receive a deposit of 250 pounds sterling in his/her bank account and an additional 50 pounds sterling when he/she reached the age of 6, 11 and 16 years. If the child belongs to the poorer segment of the population these sums would be respectively 500, 100, 100 and 100 pounds sterling. The amounts are intended to yield interest over

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<sup>17</sup> An analysis of Charles Fourier ideas was presented by CUNLIFFE, John and ERREYGERS, Guido in "Fourierist Legacies: From the 'Right to the Minimum' to 'Basic Income', in Conference at the History of Economic Society (HES), in Greensboro, North Carolina, in the year of 1999.

<sup>18</sup> ROTHSCHILD, Emma (2000). "Security and laissez-faire". *Boston Review*, Boston, Vol. 25, n°. 5, October/November. Also published in VAN PARIJS, *What's wrong with a free lunch?, already mentioned*.

time. When he/she turns 18 years old they have the right to enjoy usufruct these resources – which could mean a sum up to 5,000 pounds sterling – to spend with freedom as he/she wishes. It can be used to finance their education, start an enterprise, or used appropriately. It is called the *Child Fund Trust*, a bill of law that was approved and promulgated as law on May 13, 2003 that I personally verified on my visit to the British Parliament in February 2004, more than 200 years after its initial formulation by Thomas Paine.

In 2004 when Professor Bruce Ackerman of the University of Yale visited the Fundação Getúlio Vargas in São Paulo, he told me that it was one of his post-graduate students who had presented this idea to the Fabian Society, an organization that promotes democratic socialism in the United Kingdom. He then presented it to the Prime Minister Tony Blair, a personal friend. The thesis was prepared with Bruce Ackerman and Anne Allsott and was based on the original principals of Thomas Paine. There conception was that all American citizens at the age of 21 should non-conditionally receive a basic capital of US\$ 80,000 to start their adult life<sup>19</sup>.

This proposal of “Basic Capital” is similar to that of “Basic Income” because we can always transform capital into an income flow over time and vice versa. After many discussions about the pros and cons, Philippe Van Parijs and Bruce Ackerman have concluded that the best solution should be a combination of them both.

Unlike Britain, the recommendations of Thomas Paine have only partially been accepted by the Legislative Assembly of the French Republic. On June 24, 2004 I had the honor delivering a speech at the symposium on *Citizen’s Basic Income or, Existence Revenue at the National Assembly of France*, organized in co-ordination with Deputy Christine Boutin, of the *Union for a Popular Movement Party* and president of the *Forum of Social Republicans*. Here present were representatives participating from several parties, among them Jean Le Garrec from the Socialist Party, and Roland Duchalet from the Vivant Party in Belgium.

At this event the writer Maurice Drüon from the *French Academy of Literature* proclaimed that “France should be the first nation to implement a full Citizen’s Basic Income or ‘Existence Revenue’”, because of Thomas Paine’s original contribution. Yoland Bresson the president of l’association pour l’instauration d’un revenu d’existence – AIRE (Association for the Institution of Existence Income) presented a proposal at the symposium that would fix a lifelong income for the citizens from birth until death at 330 euros per month and should be implemented gradually, over five years.

#### **IV. The guarantee of a subsistence income starting in the 20th century**

During the 20<sup>th</sup> century philosophers, economists and social scientists emanating from large spectrum of thought explored the need to provide every

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<sup>19</sup> ACKERMAN, Bruce e ALSTOTT, Anne. (1999) *The stakeholder society*. New Haven: Yale University Press.

citizen with a minimum income required for basic survival. After analyzing the great movements that occurred in the first World War, philosopher Bertrand Russell in 1918 published *Roads to Freedom: socialism, anarchism and syndicalism* and affirmed that:

*“The plan we are advocating amounts essentially to this: that a certain small income, sufficient for necessities, should be secured to all, whether they work or not, and that a larger income, as much larger as might be warranted by the total amount of commodities produced, should be given to those who are willing to engage in some work which the community recognizes as useful”.*<sup>20</sup>

A good revision of the ideas proposed post-WWI in Europe regarding the need to reach the ideals of liberty, equality, efficiency, justice and democracy through the provision of a basic income is presented by the Dutch economist Walter Van Trier in his book, *Everyone a King* (1995). He asks why everyone should not have the right to be a King and to be partners in the country where they live?<sup>21</sup> In 1918, Mabel and Dennis Milner published a much debated text, *Scheme for a State Bonus*<sup>22</sup>. Dennis Milner elaborated further in 1920 with, *Higher Production by a Bonus on National Output*. These books both presented a proposal of minimum income that varies according to levels of national productivity.<sup>23</sup>

The proposition of the Milner couple was “all individuals, all the time, should receive a small sum of money from a central fund that would be sufficient to maintain their life and freedom, should all else fail; that all people should receive a part of a central fund, in a way that all would have some sort of income to contribute proportionality to their capacity”. Milner informed us that the origin of his idea was inspired by Edward Bellamy’s 1888 novel, *Looking Backward, 2000-1887*, which is the story of a man who fell asleep in 1887 and woke up in 2000, astonished by the existing innovations<sup>24</sup>.

In 1919, Bertram Pickard argued in *The Reasonable Revolution: a Discussion of a State Bonus scheme, a proposal of a National Basic Income*, that it should be “a definitive recognition of the right to life, or better yet, the equivalent monetary sum to the right to the land”<sup>25</sup>. By drawing a parallel with the ancient ‘Poor Laws’, he affirmed that the weakness was in fact that the

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<sup>20</sup> RUSSELL, Bertrand (1918). *Os caminhos para a liberdade: socialismo, anarquismo e sindicalismo* Rio de Janeiro, Zahar, 1977

<sup>21</sup> TRIER, Walter. *Everyone a King*. Leuven: Departement Sociologie, Faculteit Sociale Wetenschappen, Katholieke Universiteit Leuven., 1995.

<sup>22</sup> MILNER, Mabel e MILNER, Dennis *Scheme for a state bonus*. Kent, Simpkin, Marshall&Co, 1918.

<sup>23</sup> MILNER, Dennis *Higher production by a bonus on national output. A proposal form a minium income for all varying with national productivity*. London, George Allen & Unwin, 1920.

<sup>24</sup> BELLAMY, Edward. *Looking backward 2000-1887* (with a foreword by Erich Fromm). New York, Signet Classic, 1988.

<sup>25</sup> PICKARD, Bertrand. *A reasanoble revolution. Being a discussion of the state bonus scheme – A proposal for a National Minimum Income*. London: George Allen & Unwin., 1919.

benefit was only conceded when the need was proved. It therefore did not concede to the worker, any power to demand for a fair pay.

Dennis, Mabel and Pickard were all Quakers and members of a group formed for the defense of a 'State Bonus Scheme'. According to their proposal 20% of all income in England should be collected in a fund, to be used later for the payment of an equal amount to all citizens regardless his/her age.

The British Labour party reacted skeptically and after a critical manifesto was written in Brighton, 1921, the 'League for the State Bonus' dissolved. Nevertheless, several other contributions from political movements continued to come forth in favor of minimum incomes. Major Clifford H. Douglas created the Social Credit Movement which had great repercussion on other countries, like in Canada where the *Social Credit Party* was founded in 1935. In 1929, George D. H. Cole presented a new proposal in *The Next Ten Years in the British Social and Political Economy*, and then in 1935, *Principles of Economic Planning*<sup>26</sup>. Lady Juliet Rhys Williams in *Something to Look Forward: A Suggestion for a New Social Contract* (1943), proposed a scheme of social dividend that would ensure "every one had his/her basic needs; from each one the same percentage of his income only with the prosperity of all the community"<sup>27</sup>. Joan Robinson in the *Introduction to the Theory of Full Employment* (1937), suggested distributing to everybody on Saturdays, one pound sterling. Abba P. Lerner in *The Economics of Control: Principles of Welfare Economics* (1944), proposed the institution of a fixed sum as a negative income tax and Oskar Lange, in *On the Economic Theory of Socialism*, presented another form to guarantee some income for each person<sup>28</sup>.

In 1935 James Edward Meade was honored with the Nobel Prize in Economics. Later in his career in 1977, as one of the main members of the *Cambridge Circle* which met together to discuss the works of John Maynard Keynes, they defended the implementation of a citizen income or, a social dividend, in *A Guide of Economic Policy for a Worker Government*. Meade considered this an important instrument to reach a higher level of employment in the economy. As a wise man he returned to these ideas in his the last ten years of his life.<sup>29</sup>

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<sup>26</sup> COLE, George D.H. *The next ten years in british social and economic policy*. London, Macmillan, 1929; *Principles of Economic Planning*. London, Cassel&Co, 1935.

<sup>27</sup> WILLIAMS, Lady Juliet Rhys (1943). *Something to look forward to*. London, MacDonald and Co.

<sup>28</sup> ROBINSON, Joan (1937). *Introdução a teoria do emprego*. Rio de Janeiro, Forense-Universitária, 1980; LERNER, Abba Ptachya (1944). *The economics of control: principles of Welfare State*. New York, MacMillan, 1944; LANGE, Oskar *Sobre La teoria economica del socialismo*. Barcelona, Ariel, 1969.

<sup>29</sup> Meade, James Meade (1935) "Outline of an Economic Policy for a Labour Government". In Howson, S. (Ed) *The Collected Papers of James Meade*. Volume I: Employment and Inflation. London, Unwin Hyman, 1988; *Agathotopia: The Economics of Partnership*, Aberdeen, Aberdeen University Press, 1989; *Liberty, Equality and Efficiency*. London, Macmillan, 1993 *Full Employment Regained An Agathotopian Dream*. Cambridge. Cambridge University Press, 1995.

In Meade's works he relates his long journey in search of Utopia. No matter how much he navigated he did not succeed in finding it. On the way back however, he came across *Agathotopia*. An economist that became his friend told him the *Agathopians* knew where Utopia was, but they would not tell him because they were different from the Utopians, perfect human beings, that lived in a perfect place. The *Agathopians* were imperfect human beings that committed foolishness and perfidies, but that after all, had succeeded in building a good place to live.

Meade got interested in studying the institutions and societal relations of *Agathotopia*, and concluded they were the best society he had found until then who could simultaneously reach the objectives that mankind and economists had been seeking for a long time:

I. Freedom, in the sense that each one is able to work in his/her vocation and is able to spend what he/she receives on the goods that he/she wants.

II. Equality, in the sense that there are no more great differences between income and wealth.

III. Efficiency, in the sense to reach the highest possible life pattern with the resources and the technology in effect<sup>30</sup>.

The arrangements were first, the flexibility in prices and wages to reach the efficiency in resource allocation and second, forms of association between the entrepreneurs and the workers so that the workers can participate in the results of the wealth creation. The workers would be hired in part in wages and in another part in participation aliquots. While the flexibility of wages could represent low remuneration, and that cooperatives and/or association forms might have negative results before the adverse consequent situation, there should be a third fundamental arrangement; the existence of a social dividend or a guaranteed minimum income for each citizen. In light of the experiences of failures by those who tried to perform very abrupt transformations, Meade proposed to achieve these institutions by slow, but firm steps.

In moments of economic crisis, it is common for people to say that there are not enough resources to pay for programs of this kind. In regards to this it is important to stress what John Maynard Keynes said (considered by many people the greatest economist of the 20<sup>th</sup> century), in 1939. In "*How to Pay for the War?*", published first in the newspaper *The Times*, and afterwards in *Persuasion Essays*, Keynes tried to convince his compatriots that although it was a time when it was necessary to pay for the expenditure against Germany and other countries that entered into the war against the United Kingdom, it was also necessary to separate around 2% of the Gross National Product

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<sup>30</sup> MEADE, J.E. *Agathotopia*, op.cit.



(about 100 million pound sterling from a total of 5 billion), to ensure everyone a basic income<sup>31</sup>.

It is noteworthy to recognize that economists from across a large spectrum reached the same conclusion about the importance of a minimum income. Even those who were honored with a Nobel Prize and are renowned for their defense of capitalism, together with their critics, reached consensus. Friedrich Hayek in *The Road to Serfdom*<sup>32</sup> (1944), who criticizing communism and fascism defended the market system, but yet still stressed the importance of ensuring everyone subsistence. George Stigler in 1946 observes that to achieve greater employment opportunities and to eradicate poverty, the negative income tax is more effective than the minimum wage<sup>33</sup>.

Similarly Milton Friedman in *Capitalism and Freedom* (1962) argued that capitalism is the most consistent system with the freedom of the human beings.<sup>34</sup> It does not however, completely solve the poverty problem. The only instrument that can assist people that does not distort or impede the functioning and financing of the market is a negative income tax. The term income tax was first used in economic literature by Antoine Augustin Cournot (1801-1877), founder of mathematical economics in 1838<sup>35</sup>.

The negative income tax can be defined in terms of a person or a family. The person who does not earn a certain level of annual or monthly income, fixed in law, gets the right to receive a complementary amount equivalent to a proportion of the difference between that level and the level of income of the person or of the family. Let's suppose that the level fixed by law for an adult, 18 years old or more, is R\$ 600.00 per month and the proportion is 50%. So, if the person in that month, for being sick, unemployed or has a zero income, he/she has the right to receive R\$ 300.00. If he/she gets a job which pays R\$ 300.00 he/she will have a complementary income equivalent to R\$ 150.00 and his monthly income becomes R\$ 450.00. So, there will always be an incentive for the person to progress, because there will be an income increase if he/she gets a job, but to nobody a minimum income will be denied.

During the sixties another honored Nobel Prize winner in Economics who worked independently from Milton Friedman, James Tobin (1918-2002), reported to me in an interview that he and Milton had many discussions about macro-economic policy and that they had developed the concept of negative income tax to study ways to combat poverty and to strengthen the economic status of Blacks.<sup>36</sup> Another famous author of this discussion is Robert

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<sup>31</sup> KEYNES, John Maynard. (1939). "How to pay for the war?" In: KEYNES, John Maynard *Essays in persuasion*. London, Macmillan, 1972.

<sup>32</sup> HAYEK, Friedrich A. (1944). *O caminho da servidão*. Porto Alegre, Editora Globo, 1977.

<sup>33</sup> STIGLER, George, "The Economics of the Minimum Wage", *American Economic Review*, 36, 1946, p.358-65

<sup>34</sup> FRIEDMAN, Milton (1962). *Capitalismo e liberdade*. Rio de Janeiro, Editora Arte Nova, 1975.

<sup>35</sup> Cournot A. (1838), *Recherches sur les principes mathématiques de la théorie des richesses*, Paris, Vrin, 1980.

<sup>36</sup> Please see the interview with James Tobin and with Milton Friedman in Suplicy, E. M., *Renda de Cidadania. A Saída é pela Porta* and Tobin J. (1965), "On the Economic Status of the Negro",

Theobald (1929-1999), who was preoccupied that the negative income tax would diminish paid work and that it would be essential to maintain a guaranteed minimum for consumption<sup>37</sup>. Moreover John Kenneth Galbraith in the past forty-years has delivered numerous lectures in favour of guaranteed minimum income, including this one for which he received an honorary degree from 'London School of Economics' when he turned 90 years old<sup>38</sup>.

*“The answer, or part of the answer, is very clear: everybody needs to have a guarantee of a decent basic income. A rich country, like the USA, can perfectly leave everybody out from poverty. Some of them, it will be said, would take that income end would not work. It is that way, with the limited welfare system, as it is called. Let’s accept that the poor people have the right to leisure, as well as the rich people.”*

In 1968 Robert Lampman, Harold Watts, James Tobin, John Kenneth Galbraith, Paul Samuelson and more 1,200 economists sent to the U.S. Congress a manifest in favor of the adoption in that same year of a guaranteed income program and a complementary system. The United States had already had several experiences with income transfer programs such as in 1935 when the government of Franklin Delano Roosevelt created the *Social Security Act*. This act instituted the AFDC - *Aid for Families with Dependent Children*, which paid a complementary amount to families up to certain level income, whose mothers had lost their husbands, or had difficulties in raising their children and to providing education.

According to the assessment of the first director of the social security system of the USA government, Arthur J. Altmeyer, not having implemented a minimum income provision for every American in 1935 was a “crucial error”, as was also stressed by Leslie Lenkowsky in his analysis on the debate about the negative income tax.<sup>39</sup> In 1964, the administration of Lyndon Johnson created a Food Stamps program that could be only spent in food. There was also a supplementary system which assured to elderly and disabled people had a certain guaranteed income. In 1969, President Richard Nixon asked former assistants of President John F., Kennedy and President Lyndon Johnson, Daniel Patrick Moynihan, to formulate the *Family Assistance Plan-FAP*, which would signify a negative income tax.

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Daedalus, vol.94, p.878-98 e Tobin J., Pechman J.A. et Mieszkowski P.M. (1967), *Is a Negative Income Tax Practical (Interrogação)*“, The Yale Law Journal, vol. 77, p. 1-27.

<sup>37</sup> Theobald R. (1963), *Free Men and Free Markets*, New York, Anchor Books and (under the direction of) (1967), *The Guaranteed Income:next step in socio economic evolution(?)*, New York, Anchor Books.

<sup>38</sup> Galbraith, J.K., speech published in The Guardian, on June 29, 1999.

<sup>39</sup> Altmeyer, Arthur J. , *The Formative Years of Social Security*. Madison, The University of Wisconsin Press, 1966, p.260, e Lenkowsky, Leslie, *Politics, Economics and Welfare Reform. The Failure of the Negative Tax in Britain and the United States*. American Institute for Public Policy Research, Lanham, N.Y., London, University Press of America, 1986.

On August 10th, 1969, President Nixon delivered a speech to the nation saying that the U.S. would achieve two things that the former generation considered impossible: first, man would go to the moon (Neil Armstrong had landed on the moon the previous month), and second, they would eradicate poverty with the *Family Assistance Plan*. This law, if approved, would have assured an income equivalent to 50% of the difference between US \$ 3,900 (today it should correspond to at least US\$ 16,000) and the yearly income of the family. The bill of law was approved by the House of Representatives by 243 against 155, but it was defeated at the Committee of Finance in the Senate in 1970, by 10 votes against 6.

In several interviews and speeches at that time Martin Luther King Jr. defended emphatically the guarantee of an income, such as in, *Where do We Go From Here: Chaos or Community*<sup>40</sup>:

“I am now convinced that the simplest approach will prove to be the most effective – the solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income”.

Daniel Patrick Moynihan in his book *The Politics of Guaranteed Income* (1973), analyzed how conservatives used the high contradictions and exaggerated desires of progressive supporters to defeat the guarantee of minimum income. Some of them proposed a yearly basic income of US\$ 5,500, an amount which would have broken the budget of the time. Others did not want it to substitute programs already in effect like *AFDC*, or the *Food Stamp* program. Senators especially from food producer states defended the program, without realizing that the guaranteed income would be destined mainly for the acquisition of first need goods, especially food. Additionally there were those who did not want to accept the concession of an income payment to those who were not working.<sup>41</sup>

When running for re-election in 1972 Nixon ran against George McGovern who was assisted by James Tobin and Robert Solow; two prestigious Nobel Prize winners in Economics who had presented a further reaching proposal of a *demogrant*, or social dividend, of US \$ 1,000 per year to each American. McGovern was not elected and did not succeed in making people understand the advantages of a non-conditional basic income. In February 2005, I telephoned him while I was at the Woodrow Wilson International Center for Scholars in Washington D.C., to tell him that in Brazil a similar proposal had been turned into law and that it was to be introduced gradually. McGovern, who was on an island in Florida, said that he was very happy with the news and added: “people say that I was a man with ideas before my time”.

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<sup>40</sup> KING Jr., Martin Luther. *Where do we go from here: chaos or community?* New York, Harper Row, 1997.

<sup>41</sup> MOYNIHAN, Daniel Patrick. *The politics of a guaranteed income – the Nixon administration and the family assistance plan*. New York: Random House, 1973.

Later on in 1974 the US Congress approved a law from Democrat Senator from Russell Long (Louisiana), which would also institute partially a negative income tax, the *Earned Income Tax Credit-EITC*. Confronting the concern expressing during the debates in the Senate about the provision of a guarantee of income to those who were not working, Russell Long proposed a complementary income only to families of people who were employed. The families that did not reach a certain level of income with employment, would receive an increase in income to compensate the amount that was discounted as payment for the social security, and to help with the maintenance of their children, thus contributing to leaving the poverty level. The EITC became law in March 1975, during the republican government of President Gerald Ford.

With the support Democrats and Republicans the EITC was expanded, respectively in 1986, 1990, and 1993, by the initiatives of President Ronald Reagan, George Bush, and more significantly, Bill Clinton. In his autobiography *My Life*, Clinton made 17 references to the importance of EITC in his government.<sup>42</sup> He stressed how it solved, based on the motto “people in first place”, to extend the EITC to families without children, and also to double the amount to families with children. This expansion taken together with other measures, like the ones adopted by the Federal Reserve System presided by Allan Greenspan, contributed to the increase of economic activity and an increase in the employment level during Clinton’s eight years of government. The unemployment rate which in 1992/3 was around 7.5% of the working force, declined and reached 3.9% in the year 2000.

In 2003 families without children, or with one child, two or more children, respectively, whose yearly income was below US\$ 12,230, US\$ 30,666 and US\$ 34,692 had the right to get a fiscal credit. In the case of a family with two or more children the benefit was 40% of the earnings up to the limit of US\$ 10,510, therefore with a maximum fiscal credit of US\$ 4,204. If the family income was US\$ 10,510 to US\$ 14,730, the maximum credit was also US\$ 4,204. Starting from US\$ 14,730 that maximum credit was diminished by 21, 06% for each additional dollar beyond that limit. This way the EITC became zero for a couple with a yearly income of US\$ 34,692. From that point on the family starts to pay the income tax.

In 2004 the US government paid about US\$ 39.3 billion to more than 21.5 million families and individuals in the country. For families with one child the average amount of EITC paid was US\$ 2,100. A worker who earns a minimum wage in US today of US\$ 5.15 per hour, if he works 160 hours per month, would earn US\$ 824 per month. If he works 12 months, he would earn US\$ 9,888 per year. A worker who has an annual wage of US\$ 10,000 with a wife, two or more children, has the right to receive a fiscal credit under the form of EITC, of US\$ 4000. His annual income becomes US\$ 14000.

Several countries whose economies compete directly with the US started to adopt similar mechanisms, such as the United Kingdom, which has

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<sup>42</sup>CLINTON, Bill *My Life*, ,New York: Knopf, 2004.

introduced the *Family Tax Credit* in 2000. Today a British worker, who has a family and receives a monthly wage of 800 pounds sterling, has the right to receive a fiscal credit of 400 pounds sterling.

What is the effect of the existence of *EITC* for the US economy, or, the *Family Tax Credit* for the economy of the United Kingdom, in relation to the Brazilian economy? They turn their economies more competitive in relation to ours, if we cannot do something similar or better. These programs where the American and British societies pay an income that complements the wages of their workers, increases their satisfaction and productivity levels. Common sense indicates that from the competitiveness point of view of our economy alone, we should create a negative income tax system or even better, the more rational and complete system of *Citizen's Basic Income*.

Among other recent changes to US fiscal legislation I have noticed the end of *AFDC - Aid for Families with Dependent Children*, and of *EA - Emergencial Aid and JOBS - Jobs Opportunities*, that were replaced by *TANF - Temporary Assistance for Needy Families*, which became more restrictive requiring that people start to work after a certain period of being enrolled in the program. This assistance can be provided for a maximum period of 5 years.

It is important to emphasize that although the *EITC* has become the most important income transfer program of the American welfare system, it is one of approximately 80 support programs of income for people with some limitations. In 2002, these programs including the expenditure with public health summed up US\$ 522.2 billion, of which US\$ 373.2 billion are in federal programs and US\$ 149 billion are in municipal and state programs. As a whole, these welfare expenditures corresponded to 5% of the Gross National Product. The average number of beneficiaries in 2002 alone for food stamps was 20.2 million; *TANF*, 5.1 million; *Social Security Income- SSI*, 6.9 million; *Health Services*, 50.9 million; *EITC*, 16.8 million.<sup>43</sup>

Studies elaborated by Robert Greenstein and Isaac Shapiro from the *Center on Budget and Policy Priorities* revealed that the *EITC* had resulted in a substantial increase of parents and single mothers in the labor market, contributing to a moderate increase of income disparities between rich and poor workers. It has removed over 4.6 million people out of poverty, including 2.4 million children. When Professor Albert Hirschman from the University of Princeton visited Brazil on January 1st, 1995, for the occasion of President Fernando Henrique Cardoso taking office, I asked him his opinion about the expansion of *EITC* accomplished by President Bill Clinton. Immediately he answered: "It is his greatest achievement."

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<sup>43</sup> Congressional Research Service, The Library of Congress, Report for Congress, received through the CRS Web, "Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 2000-FY2002", November 25,2005, Compiled by Vee Burke.

## **V. The creation of BIEN, *Basic Income European Network*, recently transformed in *Basic Income Earth Network*.**

When people realize that the proposal of a Universal Basic Income to be given unconditionally to all citizens is fair, equitable and ethically acceptable, there will be the conditions needed to introduce it effectively in each country. Contributing to this perception has been the main purpose of those, who in 1986, founded the *Basic Income European Network*, a forum designed to debate all the experiences of income transfer and minimum income programs and to defend the establishment of unconditional basic income in every country. One of its main founders, Philippe Van Parijs, considers it important to distinguish between three models of the Welfare State: Bismarck, Beveridge and Paine models:

In the Bismarck model the workers give up, compulsorily, one part of their present earnings to create a fund that will be used to cover – when necessary – health expenses and to provide an income for them when they are not able to work. Either because they are beyond a certain age or suffered an accident, or because they have a disease, or are being involuntarily unemployed.

In the Beveridge model all the holders of primary income, from capital or labor, give up compulsorily one part of their earnings to create a fund. This fund allows all members of society to receive a minimum level of revenue, including health insurance, because they are not capable to meet this minimum through their own means – by reason of, for example, age, incapacity, accident or disease – or by the impossibility to find a job with sufficient remuneration.

In the Paine model all the holders of the income give up, compulsorily, one part of their income to create a fund that can be used to pay unconditionally, an equal income to all members of society.

The historical European models take several forms starting from the contributions by Thomas Paine in *Agrarian Justice* (1795), and from remarkable initiatives, such as the initiative of Otto Von Bismarck (1815-1898), President of the Council of Ministers from Prussia, who after the French-Prussian War of 1862, succeeded in reconciling the German states and establishing a social security system. There was also the initiative of William Henry Beveridge (1879-1963), who after participating in 1905 as the investigator of the *Real Committee* on the 'Poor Laws' and was one of the main developers of *Report on the Minority of the Social Security and Allied Services*. He was then nominated as the President of the *Inter-sector Committee* of the *Social Security and Allied Services*. In 1941, he wrote a text that became known as the *Beveridge Report* which contributed to the Labour Party victory in the elections of 1945 in the United Kingdom.

Since the thirties several countries introduced programs to guarantee a minimum income, whether under the form of benefits to children, or to support families with dependent children, income support to the elderly, to the

disabled, to low income earners, or, for unemployment insurance and for minimum income of insertion or of complex systems of social securities. In his recent analysis *Europe Before the Poverty: the National Experiences of Minimum Income*<sup>44</sup> (1999), Serge Paugam traces the establishment of guaranteed minimum income systems in Europe, which were generally conditional. They were instituted in Denmark, 1933; United Kingdom, 1948; Federal Germany, 1961; Netherlands, 1963; Belgium, 1974; Ireland, 1997; Luxembourg, 1986; France, 1988; and in several provinces of Spain like Andalusia, Aragon, Asturias, Catalonia, Galicia, Murcia, Navarre and in the Basque lands, 1990; and Portugal, 1996.

Beginning in the 21<sup>st</sup> Century, the *European Union and the Organization for the Cooperation and the Economic Development (OCDE)* defended together with their member countries the introduction of minimum income programs, recognizing however, that it is a national matter of each country. In 1988, in a resolution that dealt with the eradication of poverty in the European community, the European Parliament declared its support for the introducing this kind of program. In *Real Freedom for All. What (if anything) can justify capitalism?* (1995), Van Parijs starts from justice principles developed by philosopher John Rawls, in *A Theory of Justice* (1971):<sup>45</sup>

1. The Principle of Equal Liberty: Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all.
2. The Principle of Equal Opportunities: The inequalities of social and economic advantages are justified only if (a) they contribute to the improvement of the less advantaged of the society (the principle of difference), and if (b) they are linked to positions that everybody has equal opportunities to occupy.

To put these principles in practice and promote greater equality Rawls proposes to maximize a set of primary goods, which includes basic freedoms, like the freedom of association, the freedom of movement, the freedom of job choice and the freedom of own social respect. In *A Theory of Justice*, he mentioned that the negative income tax, which provides a minimum income, is one of the proper instruments to achieve these goals.

The philosopher and economist Van Parijs, professor from the Catholic University of Leuven argued however, that to assure the greatest freedom possible it is essential that the form taken by a guaranteed minimum income avoids two obstacles. First, as the income level increases, it is necessary that it does not capture a growing number of people in what is called the

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<sup>44</sup> PAUGAM, Serge. *L'Europe face à la pauvreté. Les expériences nationales de revenu minimum*. Paris, Ministère de l'emploi et de la Solidarité, 1999.

<sup>45</sup> VAN PARIJS, Philippe *Real freedom for all: what (if anything) can justify capitalism?* Oxford, Oxford University Press, 1995.

RAWLS, John (1971). *Uma teoria da justiça*. São Paulo, Martins Fontes, 1997.

“unemployment trap”. That happens because the amount that those would receive for their job becomes less than the income that they would receive if they do not work. Second, that the right to a guaranteed minimum income can not be subordinate to work rendered or willing to render, because it would put the beneficiary in a unfavorable situation in relation to his/her employer (public or private) than if the right to the minimum income was unconditional. That is, the consideration of the power dimension requires that the guarantee of the total freedom to consume, should not be conceded in detriment to the real freedom to work (without the unemployment trap), nor to the freedom to not work (without restrictions on the ones who are seeking for job). It is not surprising that Rawls suggested that minimum income take the form of a negative income tax, which has exactly the advantage of eliminating the unemployment trap without restraining the ones who were seeking for a job.

In consideration of the social basis of self-respect, Van Parijs stresses it is important that guaranteed minimum income is able to ensure the maximization of real freedom in its dimensions of income and power, without attempting against this respect by itself, meticulously described by Rawls in *A Theory of Justice* as opposite of shame. For this reason it is essential that income is distributed in a form that does not stigmatize, or humiliate, the beneficiaries. Moreover, this distribution should be done, particularly, without control of resources (on the contrary to what happens, by definition, in the negative income tax) and without the control of private life (required to verify, for example, if the person is living alone or co-habits with somebody).

Guy Standing in *Seeking for a Distributive Justice in a Flexible Working World* (1999), economist and co-founder of BIEN, recommends that policies can only be considered fair if, and only if, they minimize the difference between the security degree of those who have less, and the rest of society; including everybody's right to self expression. It is therefore necessary; to find a balance between security and freedom by instituting a system that ensures simplicity, transparency, equity and efficiency. He argued that it would be essential to institute a non-conditional basic income in order to achieve this goal.

Due to the enormous participation from around the world in BIEN, it was unanimously transformed into *Basic Income Earth Network*, during the 10th International Congress that took place in Barcelona in 2004.

## **VI. The pioneer experience of Basic Income in Alaska (United States)**

There is one place in the world where an equal dividend for all inhabitants once they are living there as least one year was instituted. It is an innovative and commendable experience which has achieved positive results for more than two decades.

During the sixties Mayor Jay Hammond from Bristol Bay, a small fishermen's village in Alaska, observed that a huge amount of wealth was produced in the form of fish, but that many of its inhabitants were still poor. He therefore proposed the creation of a 3% tax on the value of fish, to create a fund that would pertain to all inhabitants. Initially, he faced a great resistance.



In order to make the idea more acceptable, he proposed to reduce property tax. Five years later however, both taxes were remaining.

The experience was so well succeeded that ten years later Jay Hammond became the governor of Alaska (1974-1982). Following the lead of the previous Governor Keith Miller he agreed with the legislature to put the revenue from natural resource exploitation like oil, into a state savings account and spend only the interest revenue.<sup>46</sup> Considering oil is a non-renewable resource this was an innovative way to not only think about the current generation, but also about forthcoming generations.

In 1976 Jay Hammond sent to the legislature an amendment to the state constitution proposing to separate 25% of all royalties (his original idea was 50%, a percentage applied later), from resource exploitation in order to create a fund that would belong to all residents in the state of Alaska. Later on the proposal was submitted to a popular referendum and was approved by 76 thousand votes in favor against 38 thousand opposed. At that time, Alaska had about 300 thousand inhabitants.

From 1976 to 1980 there was an intense debate about the destination of the fund revenues. Some people proposed the creation of a development bank, others warned that this would only provide subsidized resources to title holders that already controlled large amounts of patrimony, and would result in greater income concentration. Initially Hammond considered paying out proportional dividends based on how long each citizen had resided in the state. Local attorneys however questioned the constitutionality of this procedure, which would break the equality criterion. That led the governor in 1980 to send another amendment proposing that 50% of the royalties be destined to the Alaska Permanent Fund that would then be paid out in dividends annually and equally to all residents.

The collected revenues were invested in a transparent, prudent and a responsible way. Further contributing to diversifying the fund's portfolio investments were placed in US and international companies of which included Brazil, and the fund's bonds and stocks were spread across local enterprises.

By December 2005 the portfolio of the Alaska Permanent Fund had stocks from 16 Brazilian companies, which means we Brazilians are also contributing to the success of this system. The equity of the Fund increased from US\$ 1 billion in 1980, to more than US\$ 32 billion in 2005.

Each person living for one year or more in Alaska between the period of January 1<sup>st</sup> to March 31<sup>st</sup>, must fill in a one page form that includes their name, home and business addresses, if he/she was out of the state and what was the reason of the trip. The person responsible for children and adolescents up to 18 years old must fill in a form for them and the dividends destined to them will be received by the legal guardian. According information I have gathered, normally parents make a deposit of the money in a savings account so that

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<sup>46</sup> HAMMOND, Jay. H. *Tales of Alaska's Bush Rat Governor: the extraordinary autobiography of Jay Hammond, wilderness guide and reluctant politician*. Seattle: Epicenter Press, 1994.

their children may use it later. Two people, also residents in Alaska, witness the veracity of the declaration.

Everybody who returns this form to the government receives electronically a dividend between US \$300 – to a max. of US \$1,963.86 (2000), on the second week of October. After the destruction of the World Trade Center Towers in New York on September 11th, 2001, the consequent drop of the New York stock exchange reduced the annual dividend per capita to about US\$ 1000. In a family with six people that meant about US\$ 6,000 per year. This was the wealth the represented the right for everyone to participate in the wealth of the state.

In July 1995 I visited Alaska for seven days to become familiar with their system. As I walked along I asked people what they thought about the dividend system which equally paid everyone. I can verify that the support today is greater than the proportion of two against one that was apparent when the proposal was initially presented by Governor Jay Hammond. I had the honor of sitting on a panel with him in February 2004 at the Congress of the *US Basic Income Guaranteed Network, USBIG*, in Washington D.C. I asked him if he was familiar with the proposal Thomas Paine had made in 1795 in *Agrarian Justice*. He told me he did not, but that he felt happy in knowing that there existed a similar initiative. From the legislature of Alaska I have received information that today all the 40 deputies and 20 senators support the existence of the 'Alaska Permanent Fund' and its dividend system. It was not apparent in Alaska that there was a problem of people not working because they received the basic annual income.

Importantly the Administrative Council of the fund which is constituted of six members all of them nominated by the Governor, hold meetings with the Alaska Permanent Fund Executive Director in a room around which there is an auditorium, where people and parliamentarians are allowed to be present and a direct broadcasting is made by TV, so that anyone from Alaska may follow the meeting.

At the 9th International Congress of 'BIEN' in Geneva 2002, Professor Scott Goldsmith from the University of Alaska, Anchorage, presented a paper demonstrating that today, it would be political suicide for any leader in Alaska to put himself against the dividend system provided by the 'Alaska Permanent Fund.' Additionally he presented statistical data showing that the 6% annual distribution of the GDP of Alaska to its residents has made Alaska the most equalitarian state from the 50 states of the USA<sup>47</sup>.

From 1989 to 1999 the average family income of the 20% richest families in the United States increased 26%, while the average income of the 20% poorest families increased 12%. This registers a significant increase, but maintains an unequal income concentration. In contrast during the same period in Alaska, the average income of the 20% richest families also

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<sup>47</sup> GOLDSMITH, Scott, *The Alaska Permanent Fund Dividend: An Experiment in Wealth Distribution*. 9<sup>th</sup> International Congress, Bien, Geneva, September 12<sup>th</sup>-14<sup>th</sup>, 2002.

increased 7%, while the income of the 20% poorest families increased 28%, registering a significant evolution in a direction towards greater equality.

It should be noted that in the United States, including Alaska, there are several income transfer programs like the EITC, the Food Stamp Program, the unemployment insurance, the social security system and the TANF (that substituted the AFDC in 1996); but only in Alaska there is a dividend system paid equally to all its inhabitants that in 2005 equaled 700 thousand.

## **VII. A good proposal for the democratization and the pacification of Iraq**

In the dialog that I had in 2004 with the former Governor of Alaska Jay Hammond, I pondered that it would be very good for Iraq because for its natural resource being oil, to follow the experience of Alaska. He told me that he was making every effort to suggest this to his colleague from the Republican Party, President George Walker Bush. Jay Hammond died at 84 years old in August 2004, revered by the inhabitants of Alaska for having been one of the people responsible for one of the most successful initiatives of shared social development that has ever existed history.

When Sérgio Vieira de Mello was nominated co-coordinator of the UN activities in Iraq, I sent him a letter on May 26, 2003 suggesting that the people from Iraq could follow the example of Alaska, so that everyone could participate in the wealth of the nation. He answered immediately saying that he would convey the suggestion to the people who were in charge of administering the country. On August 1, 2003 he called me from Baghdad informing me that the proposition was very well accepted and had been transmitted by Ambassador Paul Bremer III, the then Chief Administrator of Iraq, during a speech on June 23, 2003 at the World Reconciliation Summit in Amman, Jordan. Sergio told me that the mission from the World Bank had considered the proposal feasible. Many other enthusiasts of the 'Basic Income' concept like Steve Schafarman, Steve Clemons and Guy Standing made similar suggestions during that period in articles published by the *New York Times*, *Financial Times*, and other periodicals<sup>48</sup>. Unfortunately Sérgio Vieira de Mello was murdered on August 19, 2003, in a criminal attack against the UN office in Baghdad.

On November 6th, 2005, US President George Bush visited Brasilia after a meeting of Chiefs of State that had been held in Argentina. After his meeting with President Lula at Granja do Torto President Bush delivered a speech to about 300 guests at Blue Tree Park, a hotel in Brasilia. He talked about how the growth of the commerce among countries of the Americas could contribute to increasing employment opportunities; the theme of the *FTAA - Free Trade Area of the Americas*. After he concluded his 22 minute speech, I complimented him and we had the following dialog:

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<sup>48</sup> SHAFARMAN, Steven. "An Affordable Proposal for Stability in Iraq: A Job for Every Iraqi". *The Profess Report*, may, 28, 2003; CLEMONS, Steven. "Sharing, Alaska-Style". *The New York Times*, April 9, 2003; STANDING, Guy, *The Financial Times*, April, 2003.

Suplicy: *“I am Senator Eduardo Suplicy from the Worker’s Party. With respect to the integration of the Americas we should not only have as a purpose the free movement of capital, goods and services without barriers, but also and most importantly of human beings from Alaska to the Patagonia. More than that we should also have what you already have in Alaska with much success, a Citizen’s Basic Income to all residents in that state”.*

Bush: *“Well, in Alaska they have lots of oil”.*

Suplicy: *“But yes we could have a basic income from all the forms of wealth that are created. I would like to suggest that in order to create the conditions for real peace based on justice in Iraq that we should encourage the Iraqis to follow the example of Alaska, which pays every year a basic income to all residents living in that state in the form of dividends that result from the Alaska Permanent Fund”.*

Bush: *“We are working on that! We are working on that! Thank you”*

### **VIII. The maturing of the Citizen’s Basic Income proposal**

There are signs that the idea of a non-conditional Basic Income is becoming more and more accepted. The preface of the book *What’s Wrong with a Free Lunch (2001)* written by Nobel Prize winning economist Robert Solow, from the Massachusetts Institute of Technology (MIT), is Philippe Van Parijs’s defense of basic income. The author having debated with several economists such as Nobel Prize winner Herbert Simon, Anne Alstott, Wade Rathke, and Emma Rotschild (Amartya Sen’s wife), began to understand from the participants how ‘Basic Income’ could contribute to promote justice, increase freedom, improve women’s rights, and help in the preservation of the environment. Robert Solow observed that the arguments in favor of the proposal to grant this basic right to people are different from the mainstream attitudes that commonly prevail today regarding employment and remuneration. Although it represents a substantial cost, he feels it should be seriously analyzed inclusive of its advantages and disadvantages.

On February 1st, 2000 in Almancil, Portugal, the Portuguese President of the European Union and the country’s Prime Minister Antonio Gutierrez showed further signs of serious consideration for the proposal of ‘Basic Income’ by inviting Professor Phillippe Van Parijs to present to the directors of social programs and specialists of the European Union, “Basic Income: Guaranteed Minimum Income for the 21<sup>st</sup> Century”. During this presentation he stressed that it is natural to expect a strong resistance against this proposal, but that when exposed to all of its principles and especially its advantages, this resistance will be finally surpassed. When Gutierrez visited Brazil in 2003, he commented that he considered the implementation of a non-

conditional basic income program as a common sense way that should be pursued<sup>49</sup>.

Another propitious sign of the idea's growing strength can be observed in the Brazilian National Congress's approval of the law establishing 'Basic Income'. Van Parijs has stressed that the implementation universal basic income is a deep reform that belongs to the same category as the abolishment of slavery or the introduction of the universal suffrage, events that have considerably marked, respectively the 19<sup>th</sup> and the 20<sup>th</sup> centuries. The establishment of a non-conditional basic income system should strongly mark the 21<sup>st</sup> century.

In an increasing number of countries organizations inspired by BIEN (<http://www.basicincome.org>) have been founded. Similar to the pioneer organization all of them have the purpose to promote the discussion of 'basic income' and to defend the principal in all countries for the need to establish unconditional basic income. Today, *BIEN* recognizes the following national networks:

**ARGENTINA:** *Red Argentina de Ingreso Ciudadano*

Founded March 2004

[www.ingresociudadano.org](http://www.ingresociudadano.org)

President: Ruben Lo Vuolo

[redaic@ingresociudadano.org](mailto:redaic@ingresociudadano.org)

**AUSTRIA:** *Netzwerk Grundeinkommen und sozialer Zusammenhalt*

Founded October 2002.

[www.grundeinkommen.at](http://www.grundeinkommen.at)

Coordinator: Margit Appel, [margit.appel@ksoe.at](mailto:margit.appel@ksoe.at)

**BRAZIL:** *Rede Brasileira da Renda Básica de Cidadania, RBRBC.* Founded in September 20, 2004, by 13 Brazilians who attended the 10th International Congress of BIEN, in Barcelona: Maria Ozanira da Silva e Silva, Lena Lavinias, Cláudio Roquete, Maria Núbia Alves Cruz, Clovis Zimmermann, Elenise Scherer, Patrícia Soraya Mustafá, Reinaldo Nobre Pontes, Ernesto Passos de Andrade, Silvia Andere, Oscar Valente Gonzáles, Maria Luiza Fernandes and Eduardo Matarazzo Suplicy.

RBRBC held its first formal presentation meeting in November 2005, at Pontifícia Universidade Católica de São Paulo, PUC-SP at the National Seminar on Income Transfers organized by PUC-SP, Universidade Federal do

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<sup>49</sup> VAN PARIJS, Philippe "Renda Básica: renda mínima garantida para o século XXI?" *Revista Estudos Avançados*. São Paulo. Instituto de Estudos Avançados/USP, 2000, n° 40, September/December.

Maranhão and by Núcleo de Políticas Públicas, NEPP, from Universidade de Campinas, Unicamp.

Provisory Coordinator: Eduardo Matarazzo Suplicy,  
[eduardo.suplicy@senador.gov.br](mailto:eduardo.suplicy@senador.gov.br) and  
[www.senado.gov.br/eduardosuplicy](http://www.senado.gov.br/eduardosuplicy)

**DENMARK:** *Borgeronsbevægelsen*

Founded in January 2000

[www.borgerloen.dk](http://www.borgerloen.dk)

President: Jorg Gaugler

[per@borgerloen.dk](mailto:per@borgerloen.dk)

**GERMAN:** *Netzwerk Grundeinkommen*

Founded in July 2004

[www.grundeinkommen.de](http://www.grundeinkommen.de)

Spokesmen: Ronald Blaschke, Katja Kipping, Katrin Mohr,  
 Gunther Soelken, Robert Ulmer, Birgit Zenker,

[kontakt@grundeinkommen.de](mailto:kontakt@grundeinkommen.de)

**HOLLAND:** *Vereniging Basinkomen*

Founded in October 1987 (initially as Werkplaats Basinkomen)

[www.basisinkomen.nl](http://www.basisinkomen.nl)

[info@basisinkomen.nl](mailto:info@basisinkomen.nl)

Coordinator: Guido den Broeder

**IRELAND:** *BIEN Ireland*

Founded in March 1995

Coordinator: John Baker

[John.Baker@ucd.ie](mailto:John.Baker@ucd.ie)

**SPAIN:** *Red Renta Básica*

Founded in February 2001

[www.redrentabasica.org](http://www.redrentabasica.org)

President: Daniel Raventos

[presidencia@redrentabasica.org](mailto:presidencia@redrentabasica.org) or [danielraventos@ub.edu](mailto:danielraventos@ub.edu)

**SWITZERLAND:** *BIEN Switzerland*

Founded in September 2002

President: Pierre Hrold c/o Jean-Daniel Jimenez

[Jean-da.jimenez@bluewin.ch](mailto:Jean-da.jimenez@bluewin.ch)

**UNITED KINGDOM:** *Citizen's Income Trust*

Founded in 1984 (initially as "Basic Income Research Group")

[www.citizensincome.org](http://www.citizensincome.org)

Director: Malcolm Torry

[info@citizensincome.org](mailto:info@citizensincome.org)

**UNITED STATES:** *U.S. Basic Income Guarantee Network (USBIG)*

Founded in December 1999

[www.usbig.net](http://www.usbig.net)

Coordinator Karl Widerquist

[Karl@Widerquist.com](mailto:Karl@Widerquist.com)

**SOUTH AFRICA:** Recently founded the *South Africa Coalition for a Basic Income Grant* that joined 32 civil organizations. Among them are COSATO-*The Congress of South African Trade Unions*, the main trade union in the country, *the Alliance for Children's Entitlement to Social Security*, *Black Sash*, *Child Health Policy Institute*, *Development Resources Centre*, *ESST*, *Gender Advocacy Programme*, *Community Law Centre (UWC)*, *Southern African Catholic Bishops' Conference*, *South African Council of Churches*, *South African NGO Coalition and Treatment Action Campaign*, joining more than 12 million people.

All of these institutions defend the implementation of an unconditional basic income that has the purpose of stimulating the development of economic equality, promoting the stability of the family and the community, and allowing all people to meet their vital needs and ensuring them a greater dignity. It proposes a universal coverage, from birth until death, without the need of any verification of income. The social security network should also be extended, so that nobody receives less than before the implementation of the program.

The coalition proposes that the payment should be made by a public institution to facilitate the payment to everyone, even in locales where there is no banking network. A substantial part of the costs of the program should be covered progressively by the tax system, demonstrating that there is solidarity and a joint effort to eliminate poverty by all member of a nation or community.

In December 2003 I had the opportunity to participate in the symposium for the implementation of 'Basic Income' in Gauteng, South Africa. Within this event I observed the strong commitment of the President of COSATO, and of leaders of other entities who represent this cause. This should be seen as an important example for Brazil, a country with great economic potential but that is still marked by strong inequality with a significant part of our population living in absolute poverty.

The news had already reached the symposium that the Brazilian Congress was ready to approve the law that would implement the Citizen's Basic Income (which we confirmed), and was well accepted. The South African proposal had already been analyzed in previous meetings of the country's Council of Ministers. On October 17th, 2005 about 400 people met together around the legislative assembly of Gauteng where they formed a human chain to mark the *International Day for the Eradication of Poverty* and to promote the approval of basic income for all citizens. Capetown, the capital of South Africa, was chosen to host the 11th International Conference of BIEN on November 2nd, 2006.

Also in Africa the coalition for the "Basic Income Grant" (BIG), in Namibia received an audience with the President of the country, Hifikepunye Pohamba at the government's headquarters. According to the head of BIG's delegation, Bishop Zephania Kameeta, following a one hour dialogue, President Pohamba said that he would take the idea to discuss in his Cabinet and that he would like to be in consultation with more organization directors.

Growing academic acceptance of the idea can be observed in the invitation by the University of Harvard to Professor Philippe Van Parijs, founder of BIEN and one of the greatest authorities in Citizen's Basic Income theme, to occupy (since February 2005), the philosophy chair, replacing Professor John Rawls (1921-2002). When Van Parijs began lecturing philosophy at the university, Professor Amartya Sen decided to invite Philippe Van Parijs to co-lecture a course with him in Harvard on *Social Justice and Cultural Diversity*.

I was invited to attend the inaugural class of both on February 7, 2005. First, Amartya Sen expressed through parables how people have different concepts of social justice depending on their cultural roots and depending on the values we each take into consideration.

*Mrs. Annapurna wants someone to clear up the garden, which has suffered from past neglect and three unemployed laborers - Dinu, Bishanno and Rogini – all very much want the job. But she can only hire one of them and the decision is difficult. She knows that for much the same the payment, she would get much the same work done.*

*Dinu is the poorest of the three, this makes Annapurna inclined to hire him. But she gathered that Bishanno has recently been impoverished and he is psychologically most depressed. Among the three he was the unhappiest and should be the one who would gain more in happiness than the other two. On the other side, there is still Rogini who recently was debilitated from a chronic ailment and could use the money to be earned to rid herself of that terrible disease<sup>50</sup>.*

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<sup>50</sup> SEN, Amartya, (2000) *Development as Freedom*, New York, Anchor Books.



Amartya Sen seeks to illustrate the critical importance of the bases of information we use to understand the principles that enter into competition at the time when we make decisions. In order to illustrate how different ethnic origins result in a variety of values, Prof. Van Parijs asked to about 80 students if they spoke other maternal languages besides English. More than 20 of them spoke several languages.

Prof. Sen then asked them to examine throughout the course how the idea of universal non-conditional citizen's 'Basic Income' was defended by Professor Philippe Van Parijs, and by the Brazilian Senator who was present that day in class and would it help or not, the attainment of social justice. On that day I had the sensation that I was attending a class given by two people who are examples of the earth's salt, as expressed by Jesus in his parables, "who know how to illuminate better the paths that we have to follow".

## **IX. The Precursors in Brazil**

As we examine the evolution of history in Brazil of Indigenous people, Black people, Mestizos, Landless Rural Workers, the disabled, and all members of our society in general, we observe the longings of all emancipation movements in defense of citizen rights for the guarantee of an income proposal. When the ex-slaves formed their *quilombos* in the Brazilian regional independence wars in the episodes of Cabanos, Farrapos, Alfiates, Chibata, Contestado (and the fight of rural workers for land as well as the fight of urban workers for better conditions of dignity), we will always find herein a sense of struggle for the right to live that is related to income.

The common conception of land, values of solidarity and reciprocity practiced by our indigenous communities constitutes the basis for the natural acceptance of this proposition. In the history of slavery abolition we find many voices like Zumbi dos Palmares, José do Patrocínio, Castro Alves, Joaquim Nabuco and André Rebouças, all whom expressed longings that are fully compatible with what we consider can be attained by 'Basic Income'. The works of our sociologists, economists, geographers and historians of the 20<sup>th</sup> century became distinguished (such as the works of Josué de Castro, Caio Prado Júnior, Florestan Fernandes, Celso Furtado, Milton Santos, Hélio Jaguaribe, Maria da Conceição Tavares, Herbert de Souza, Betinho, and Chico de Oliveira), all of them showing an urgent need for Brazil to adopt public policies as instruments that provide conditions promoting a deeper and more balanced development of the Brazilian society. The situation of deep inequality pronounced by Celso Furtado in *um Projeto para o Brasil*, (1968), when our population was of 90 million inhabitants and had a per capita income of US\$ 350 per year, where the income distribution of the richest 1% represented the national income of the poorest 50% people received, did not change in the first years of the 21<sup>st</sup> century. In 2001, the distribution of the per capita domicile income of 172.4 million of Brazilians with a per capita income US\$ 7,037 per year was detained 13.8% by the richest 1%, while the poorest 50% only obtained 12.7% of this national income.

## X - From Minimum Income to Citizen's Basic Income

The first proposal of the guarantee of minimum income in Brazil came from Professor Antonio Maria da Silveira in *Moeda e Redistribuição da Renda*, (*Currency and Redistribution of Income*), published in April/May 1975, in *Revista Brasileira de Economia*<sup>51</sup>. He suggested that the injection of a new currency in the economy should be made through the hands of those who possessed the least. Criticizing the inefficiency of the instruments used to combat the poverty he proposed that the problem should be tackled directly through the use of a negative income tax.

At the time I interacted intensely with Antonio Maria when we invited each other to deliver lectures at EAESP-FGV (where I taught), and at ITA in São José dos Campos, where he taught. Our exchanges continue until today. On March 7th, 1976, in the "Folha de Sao Paulo", I exposed the importance of coordinating the definition of the minimum wage with the guarantee of minimum income.

In 1978 Edmar Lisboa Bacha and Roberto Mangabeira Unger proposed in "Participação, Salário e Voto" (Participation, Wage and Vote), that agrarian reform and a minimum income achieved through a negative income tax should be instituted as fundamental instruments for the democratization of Brazilian society<sup>52</sup>.

In the second half of the seventies I started to interact more and more with the metallurgic workers from the ABC region in São Paulo, as well as with several segments included in our now President Luiz Inácio da Silva's *Sindicato dos Metalúrgicos de São Bernardo e Diadema*. At that time I was a newspaper journalist who wrote on economic matters in the "Folha de Sao Paulo" and I used to observe how entrepreneurs had different powers of influence on economic policy with respect to that of the workers in the closed politic regime like the one that we lived at that time. These acquaintanceships, including the affinity I developed with many social movements once I was elected State Deputy in São Paulo in 1978 (MDB), led the founders of the PT (founded on February 10th, 1980), to invite me to join them and also turn myself into a founder of the party.

In the meetings between the economists from PT and the national direction in the 1980s (especially at the old headquarters in Vila Clementino in São Paulo), Paul Singer and I exposed the idea that the party needed to defend a guarantee of minimum income. As Federal Deputy in 1986, I argued with then Minister of Finance Francisco Dornelles in the Chamber of Deputies about what he thought about the establishment of a negative income tax. He said that he want to know and understand better the proposals of PT.

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<sup>51</sup> SILVEIRA, Antônio Maria (1975). "Moeda e redistribuição da renda". *Revista Brasileira de Economia*, abr/jun. [Reproduzido in SILVEIRA (1981). *Moeda e redistribuição de renda*. Rio de Janeiro. Edições Multiplic.]

<sup>52</sup> BACHA, Edmar Lisboa and UNGER, Roberto Mangabeira. *Participação, salário e voto. Um Projeto de Democracia para o Brasil*. Rio de Janeiro, Paz e Terra, 1978.

When I became the first PT elected Senator in 1990, I prepared a bill of law with the collaboration of Antonio Maria da Silveira, economist João Sabóia and sociologist Ana Lúcia Sabóia, to institute the *Minimum Income Guarantee Program*, through a negative income tax. Following the debates in the PT surrounding the minimum income theme, I realized that the idea had already ripened. On April 17th, 1991, I presented the Senate Bill of Law nr. 80, which proposed that everyone aged 25 years or more with a monthly income less than CR\$ 45.000, corresponding to 2.5 times the minimum wage of the time, would have the right to receive 50% of the difference between that level and his/her income.

At the Committee on Economic Affairs, Senator Mauricio Corrêa, at that time leader of PDT – Partido Democrático Trabalhista (Democratic Worker Party), was chosen to be the rapporteur. He was receptive towards the proposition, but questioned whether or not some adjustments were necessary to make it feasible. He suggested that the aliquot should be 30%, and that the executive power could raise it to 50% according to the availability of resources and according to the success of the program; and that it should be introduced over eight years giving in the first year to people aged 60 years or more the right and in the second year, people over 55 years and so on until in the eighth year all people over 25 years old would receive the benefit. In October 1991 the project was approved in unanimity by the Committee. On December 16th, four and half years of debate, it was approved by the plenary of the Senate with a favorable appraisal from all parties; no senator voted against it and there were only four abstentions. The leader of PSDB at that time, later President of the Republic Fernando Henrique Cardoso qualified the proposal as “a realistic utopia”.

The bill of law went to the Chamber of Deputies where at the Committee of Finance and Budget it received a favorable and enthusiastic assessment from Deputy Germano Rigotto (PMDB-RS), who was in 2004 elected Governor of Rio Grande do Sul. Public audiences were held, but the proposal didn't complete its voting at that committee level.

Throughout the nineties the debate on the theme intensified. At a meeting organized in 1991 in Belo Horizonte by Walter Barelli (who at that time was the coordinator of the economic area of the parallel government of PT) of PT economists, I presented a proposal for the guarantee of minimum income together with Antonio Maria da Silveira. It was a good debate.

Aloizio Mercadante raised the following question: “Will the guarantee of minimum income turn possible a higher level of exploitation from the employer and who will tell the worker that he will be able to get part of his remuneration from the program?” I pondered that it would be important to ask the following question from the point of view of the worker: Will the existence of a minimum income be better or worse? And will a guaranteed income be sufficient to ensure the worker's survival; the worker will have greater bartering power to decide whether or not he should accept the offered employment conditions.

Typically for the workers in Brazil, who in the middle of the 21<sup>st</sup> century are still exposed to slavery work, the existence of a guaranteed income would

allow them to refuse any working condition that could mean humiliation, risk to their health, or disrespect to the condition of a human being. If it is true that with a minimum income companies will hire more people, the result will be a greater pressure on the rise of salaries. Moreover, the combination of a basic income with a minimum wage can also contribute to limit the lower level or remuneration.

José Márcio Camargo, a professor from PUC-RJ, pondered whether it would be better if the guarantee of an income was granted to the family instead of the individual, relating this to education opportunities. One of Brazil's biggest problems is the great number of children who abandon their studies early at their parents' request, who can longer have the money to maintain them in school. Therefore if income was provided to needy families who kept their children in school, we would also contribute to a better future for these children and break the vicious circle of poverty. José Marcio Camargo published two articles in the newspaper the "Folha de S. Paulo", *Poverty and Guarantee of Minimum Income*, on December 26, 1991 and *The Miserables*, on March 3, 1993, which developed this argument.

As a candidate for the Governor of Distrito Federal, Cristovam Buarque had been thinking the same way since 1986 in meetings held at the Núcleo de Estudos do Brasil Contemporâneo in the Universidade de Brasília (UnB). In 1994 he proposed to institute a minimum income for families in order that they can keep their children in schools. In his first week as governor in January 1995 in the satellite-city of Paranoá he announced the start of the Programa Bolsa Escola (Scholarship Program). All families who did not earn at least half of a minimum wage per capita monthly, with children from 7 to 14 years, residing in the Federal District for at least five years, would have the right to receive a minimum wage per month, as long as their children attended school 90% of the time. By the end of his government the program was assisting 25.680 families, corresponding to 50.673 children.

In November 1994 Mayor José Roberto Magalhães Teixeira, Grama (PSDB), presented to the Municipal Chamber of Campinas the bill of law that instituted the *Familiar Minimum Income Guaranteed Program - PGFRM*, also for families with incomes less than half of a minimum wage monthly who had children up to 14 years at school. The income given non-conditionally to the families was sufficient to complete a half minimum wage per capita; therefore it was a negative income tax for the family with an aliquot of 100%. The law was approved in January and the PGFRM was implemented in February 1995. The families had to have lived in Campinas for at least two years. The program benefited 2,941 families.

I visited Mayor Magalhães Teixeira when he presented the bill of law and we had a long conversation. We also met several times with the board of directors from the PT in Campinas who opposed him. During the first vote the only councilman from PT at that time César Nunes, decided to vote against the project given that other councilmen, including the ones from the Mayor's bias, did not want to approve some of Nunes' amendments that stressed the norms of the Statute of Infancy and Adolescence involving greater participation from

the community. During the second vote however, following the approval of his amendments and after the dialogue, he opted to vote favorably.

Afterwards, I was involved in several debates at the Municipal Chambers, the House of Representatives, and the Committee of Finance and Taxation of the Chamber of Deputies with Magalhães Teixeira and also with Cristovam Buarque, proposing that more and more municipalities and states adopt similar programs. Unfortunately Magalhães Teixeira, who embraced with enthusiasm this cause died in February 1996 before completing his mandate.

Throughout the nineties and in 2001, the proposal of minimum income has always been present in Lula's Government Program, who was then a candidate to the Presidency whose goal was/is to eradicate poverty and promote the attendance of children in school. Simultaneously in a variety of environments the support and public opinion of initiatives of this kind increased.

The positive news of the experiences of the 'Distrito Federal' and the municipality of Campinas spread immediately. In October 1995 Mayor Antonio Palocci also established in Ribeirão Preto a program to guarantee minimum income associated to education. With slight differences in their designs similar programs were implemented in Arujá, Barueri, Betim, Ferraz de Vasconcelos, Fortaleza, Franca, Londrina, Manaus, Mococa, Osasco, Ourinhos, Paracatu, Pindamonhangaba, Porto Alegre, Presidente Bernardes, Recife, Salezópolis, Santo André, São Bernardo do Campo, São Luiz, Suzano, Teresina, Vitória, São Paulo, Jundiaí, São José dos Campos, Catanduva, São Joaquim da Barra, Araçatuba, Araraquara, Santo André, Franca, Guaratinguetá, Caçapava, Jaboticabal, Limeira, Piracicaba, Ourinhos, Presidente Prudente, Santos, São Carlos, Belém, Belo Horizonte, Betim, Extrema, Blumenau, Chapecó, Boa Vista, Caxias do Sul, Goiânia, Natal, Vitória, Mundo Novo and many other municipalities, all with good results<sup>53</sup>.

Consequently, new bills of law were proposed to the Chamber of Deputies and in the Federal Senate by deputies Néelson Marchezan (PSDB-RS), Chico Vigilante (PT-DF) and Pedro Wilson (PT-GO); by senators Ney Suassuna (PMDB-PB), Renan Calheiros (PMDB-AL); and José Roberto Arruda (PSDB-DF); all proposing the establishment of minimum income projects associated with education or the Scholarship Program.

In 1996 I accompanied Professor Philippe Van Parijs when he was the General Secretary to BIEN to an audience with then President Fernando Henrique Cardoso who had called ministers and advisers, and Deputy Néelson Marchezan. Van Parijs expressed that he considered a minimum income program associated to education opportunities very positive given that it was a way to relate it to human capital investment. Starting from these projects the government approved and sanctioned on December 10th, 1997, Law 9.533

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<sup>53</sup> A detailed exam of the municipal experiences can be found in: SILVA, Maria Ozanira da Silva; YAZBEK, Maria Carmelita; GIOVANNI, Geraldo di *Política social brasileira no século XXI, A - A prevalência dos programas de transferência de renda*. São Paulo: Editora Cortez, 2004; e FONSECA, Ana M. M. (2001). *O debate sobre família e a política de renda mínima*. São Paulo, Cortez, 2001.

which authorized the Federal Government to grant financial support corresponding to 50% of the expenditures to municipalities that instituted a minimum income program associated to social and educational incentives. Initially municipalities with a lower per capita income would be benefited first, and over five years the benefit would be gradually extended to all municipalities. The benefit per family however, was very modest.

In March 2001 a new law was approved by the National Congress and sanctioned by President Fernando Henrique Cardoso, number 10.219/2001, authorizing the federal government to establish agreements with the governments of all Brazilian municipalities to adopt the minimum income program associated with education, or Scholarship Program. Through this law municipalities would be responsible for the administration of the program while the federal government would directly transfer the payment to the benefited families using an electronic card. Families with children from 6 to 15 years would have the right to the benefit because their children were regularly attending a school and the family had a per capita income up to half a minimum wage or, R\$ 90 in 2001. The benefit was R\$ 15, R\$ 30 or R\$ 45 per month, varying whether the family had one, two or three children.

In the same year the 'Poverty Fund' was created and approved by the National Congress under the initiative of Senator Antonio Carlos Magalhães (PFL-BA), and based on the studies and works developed by the *Committee to Fight against Poverty*. This fund was designated to finance the minimum income program, and was financed from part of the *CPMF – Contribuição Provisória sobre Movimentações Financeiras* (Provisory Contribution on Financial Movements). This equates to 0.038% on all financial movements from which 0.08% would be assigned to the *Fight against Poverty Fund*. According to the then Minister of Education Paulo Renato de Souza, in 2001 his Ministry signed agreements with 5,200 of the 5,565 Brazilian municipalities with the objective to institute that program and to realize the target of benefiting 4.2 million families. By the end of the Fernando Henrique Cardoso's government half of this target had been accomplished.

Several municipalities and State governments instituted similar programs that provided a more generous benefit to the families. This was the case of the municipality of São Paulo during the government of Mayor Marta Suplicy. Previously in 1996 during the government of Paulo Maluf, a law under the initiative of Councilman Arselino Tatto which established the *Guaranteed Minimum Income Program* in the city of Sao Paulo was approved. Mayor Maluf however, vetoed the bill. In the proceeding administration of Mayor Celso Pitta, the Municipal Chamber threw out the veto but the Mayor argued it was unconstitutional in Court. Pitta finally gave up after I had persuaded his Municipal Secretary of Labor, Fernando Salgado, that it was a good initiative. Celso Pitta even reserved one percent of the municipal budget during the last year of his government for the implementation of the program. Those resources however, ended up being used for other purposes. Under the administration of Mayor Marta Suplicy in 2001, with Marcio Pochmann as the *Secretary of Labor, Development and Solidarity*, and Ana Maria Medeiros da

Fonseca as co-coordinator, the initiative to establish the program within the municipality of São Paulo, with an extended program and a higher amount per family was finally implemented.

During its advanced stage the Guarantee of Minimum Income Program in São Paulo benefited families with children up to 14 years, who were obliged to attend school and have a per capita family income up to a maximum of half a minimum wage. Beginning in October 2001 the benefit became the following: from 1/3 to 2/3, with the proportion under the criterion of the executive power, of the difference between the number of people in the family times a half minimum wage, less the monthly family income. Let's suppose that the executive defines the aliquot as 50% and that the minimum wage is R\$ 300. In a family with four people with a monthly family income of R\$ 300, the benefit should be 50% of the difference between 4x R\$150 less R\$ 300, therefore R\$ 300 per month.

Mayor Marta Suplicy signed an agreement with the federal government and later with the state government to receive more resources than the municipal administration had the right to receive, according to the Federal law, but with the promise to invest the resources in terms of the municipal program. In 2004 when the 'Minimum Income program' reached about 190 thousand families in the municipality of São Paulo, a significant improvement was noted in economic activity indicators, in tax collection, the employment level, the rise of equality and the reduction of the criminality indexes, and mainly in the districts where the number of beneficiaries were greater<sup>54</sup>. For example the homicide rate in São Paulo which was 57.3 per 100 thousand inhabitants during the two years period 1999/2000, dropped to 51.6 in the three years period 2001/2003.

In the State of São Paulo beginning in 2001 the government of Geraldo Alckmin established the Citizen Income program which was approved by the legislative assembly and encouraged municipalities to sign agreements with the state, who would then grant all families with monthly income up to one minimum wage as a complementary income. This benefit per family which was initially R\$ 60 per month during 12 months, was conditioned so that children in school age must attend school and those aged up to 5 years must be vaccinated and the families had to participate in social and educational activities. Functioning as an exception, it allowed the participation of families with incomes up to two minimum wages with two or more children from zero to 16 years old.

With these examples from the state and the municipality of São Paulo we hope to illustrate the multiplicity of different programs that exists in all states and municipalities of the country.

At the end Fernando Henrique Cardoso's government in 2002 there were several existing income transfer programs that related to the ideals of the PGRM. Additionally there were continuous income payments made to retired rural workers, seriously disabled people and the elderly pertaining to families

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<sup>54</sup> POCHMANN, M. (Org.) *Políticas da Inclusão Social*. 1. ed. São Paulo: Cortez, 2004.

with an income less than a quarter of a minimum wage. There was also the *Programa de Erradicação do Trabalho Infantil - PETI* (Infantile Work Eradication Program), administrated by the Ministry of Social Welfare and Assistance with grants amounts slightly higher than the PGRM which at that time was administrated by the Ministry of Education. Also existing was the *Bolsa Alimentação* (Food), which benefited families with children from 6 months to 6 years and 11 months with benefits similar to PGRM of MEC but administrated by the Ministry of Health. The 'Income Program' administrated by the Ministry of Regional Integration was of a slightly different design.

When President Lula was elected in October 2002 with 53 million votes in the second turn corresponding to 62% of the valid votes, one of his main proposals was the development of project called "Fome Zero" (Zero Hunger). This program involved instruments of agrarian reform such as incentives to family agriculture, the expansion of credit to small and medium producers, the construction of reservoirs for containing water in the semi-arid regions, the installation of popular restaurants, and the distribution of food baskets to populations in emergency situations. It also included an income transfer program provided through the distribution of a food card given to needy families to acquire food.

On March 27, 2003 when the government began its mandate, President Lula signed a provisory measure instituting the Food Card. Its distribution, providing R\$ 50 per month to families with a per capita monthly income up to a half of one minimum wage, began in the most vulnerable areas of the Northeast's semi-arid regions where the municipalities of Guaribas and Acauã, in Piauí, were the first to be chosen.

I accompanied the responsible people from the *Ministry of Food Security and Fight against Hunger*, and the Governor of Piauí, Wellington Dias, to the meetings of the Administration Councils in their respective municipalities where explanations were given to the various representatives of the population in the presence of mayors and councilmen. On one occasion some of the questions made by people in the audience called my attention like this one: "why certain families were chosen, when many others here, also poor, are not registered in the Program?" One of the ladies responsible for the Administration Council answered that question almost in the following way: "One of our main difficulties is exactly to verify who is really poor. Which families do not receive any income up until the amount defined by law?"

There in the inland region of Piauí the situation is more difficult where a great part of the economic activity is informal. Another question asked involved the requirement to spend the amount of the Card only on basic food. People had to fill in forms or booklets – which they could do with the help of the owner of the shop; in that region usually modest groceries or emporiums – informing them of what they bought.

I fully agreed with the targets of the *Zero Hunger Program* which were very enthusiastically defended by the Minister of Fight against Hunger, José Graziano da Silva, to develop a food security policy. As José and I had already had debated together at the Instituto de Cidadania on the occasion of the



elaboration of the program in the Lula government in 2001, we differed on some points. I defended that we should advance the need to give greater freedom to people to choose what to buy with the resources we provided as part of the citizen's right. Previously defined in law however, José Graziano confirmed that the spending should only be on food.

Six months later on October 20, 2003, considering the diagnosis given by Miriam Belchior, a special adviser of the Presidency of the Republic, in regards to several income transfer programs in effect, the federal government through the Provisory nr. 132 decided to unify the following four programs: Bolsa Escola (managed by the Ministry of Education, instituted in April 2001); Bolsa Alimentação (managed by the Ministry of Health, instituted in September 2001); Auxílio Gás, (from the Ministry of Mines and Energy, instituted in January 2002); and Cartão Alimentação, (from the Ministry of Food Security instituted in that year); and established the Bolsa Família Program. Bolsa Família was intended to rationalize the four programs that were often superimposed and to give greater value to the 'Single Registry' of beneficiaries that had been instituted in April, 2001. *The Programa de Erradicação do Trabalho Infantil, PETI* that was established in the government of Fernando Henrique Cardoso still need to be integrated into Bolsa Família. This was finally accomplished through the Integration Directive between the two programs on December 28, 2005<sup>55</sup>.

It is important to emphasize that even though only representing a modest amount, Bolsa Família corresponds to almost three times the amount of the income transfer programs that previously existed in the former government; such as Bolsa Escola, Bolsa Alimentação and Bolsa Renda (managed by the Ministry of Social Integration, a program that assisted people affected by nature disasters such as flood and drought with a benefit equal to the amount of Bolsa Escola and Alimentação). Bolsa Renda was later incorporated into other programs and afterwards incorporated into Bolsa Família during the Lula government. Bolsa Família is still a conditional program that provides a complementary income to families with monthly per capita incomes less than R\$ 100.00. If the per capita monthly income is only reaches R\$ 50.00, the monthly benefit is R\$ 50.00 plus R\$ 15.00, 30.00, or 45.00, for families with one, two, three or more children up to 16 years old respectively. If the per capita monthly income is in the range of R\$ 50.00 to R\$ 100.00, the benefit will be only R\$ 15.00, 30.00 or 45.00 per month, for families with one, two, three or more children up to 16 years old, respectively.

The development of the Bolsa Família program within the Ministry of Social Development was created in cooperation with the ministries of Education, Health and municipal administrations, including support from IDB and BIRD. It should be noted that it has substantially improved on its counterpart checking mechanisms. This is to say that children from 0 to six

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<sup>55</sup> The team coordinated by Miriam Belchior were constituted by Ana Fonseca; Ricardo Henriques, Anna Peliano, Maya Takagi, Mauricio Muniz, Tereza Cotta, Michelle Oliveria Lessa, representing the Ministries and Public Institutions involved in the income transfer programs administration.

years old become vaccinated according to Ministry of Health calendar and visit periodically health posts for the accompaniment of their nutritional development, while the ones from six to 15 years and 11 months old have to provide proof of school attendance in at least 85% of their classes. According to the survey released in January 2006, when the target of 8.7 million families had been reached, only 2.8% of the children in 2005 did not comply with this last requirement.

By 2004 the results of *Pesquisas Nacionais por Amostra de Domicílios - PNAD's* (National Researches of Domiciles by Samples) – completed by the Instituto *Brasileiro de Geografia e Estatística*, IBGE (The Brazilian Institute of Geography) according to an analyses from a wide range of economists who dedicate themselves to the theme of inequality and eradication of absolute poverty in Brazil, demonstrate that there were very positive effects in the expansion of the program. That was stressed by Rodolfo Hoffmann in his article “PNAD mostra redução na desigualdade e na pobreza” (PNAD shows reduction in inequality and in poverty):

*The reduction of inequality can be verified by several indicators. The Gini index, in 2002, 2003 and 2004 is, respectively, 0.587, 0.581 and 0.569. The percentage of the income appropriated by the 10% richer people dropped from 46.8% in 2002 to 46.0% in 2003 and 45.0% in 2004. The percentage of the income appropriated by the 5% richer people dropped from 33.4% in 2002 to 32.7% in 2003 and 31.9% in 2004.*

*The proportion of poor people increased from 35.8% in 2002 to 37.5% in the following year. No doubt that 2003 was a relatively bad year for the Brazilian economy, with low average income. A slight recovery was expected in 2004. Regarding to the average income, the recovery was modest, with a growth of only 3.4% in the per capita income, after a drop of 5.8% between 2002 and 2003. But the reduction of inequality contributed for a more substantial reduction of poverty between 2003 and 2004. The proportion of poor people in 2004 was 34.6%, slightly below the figure observed in 2002.*

*The oscillation of the poverty level in these 3 years, with poverty in 2004 lower than in 2002, is confirmed by more sophisticated measures, which takes into consideration the insufficiency of income of each poor person, giving more weigh to insufficiency of income of the poorer. The poverty index of Sen in 2002, 2003 and 2004 is respectively, 0.214, 0.226 and 0.201. In the same sequence, the poverty indexes of Foster, Greer e Thorbecke are 0.096, 0.103 and 0.008.*

Hoffmann shows the effects of having expanded income transfer programs like Bolsa Escola, Renda Mínima and Bolsa Família from October

2003 and so forth, once they became part of the statement called *other incomes*:

*It could be verified that the participation of these “other incomes” in the total of domicile income increased from 1.0% in 2003 to 1.6% in 2004. And what called attention is the extraordinary growth of the participation of this item in the total income of the poorer segments. For domiciles with a per capita income equal or less than R\$ 50 (in currency of September – October 2004), this participation passes from 11.1% in 2003 to 18.9% in 2004. For domiciles with per capita income higher than R\$ 50 and up to R\$ 100 this participation increased from 4.2% to 8.4%. For all segments with per capita income up to R\$ 300 this participation more than doubled between 2003 and 2004, passing from 1.8% to 3.7%. It is reasonable to suppose that in these segments practically there are no yield from interests and dividends. So we can conclude that the growth of the participation of this item in the total income reflects the amplification of income transfer official programs. It is a component with very small participation in the total income, but with expressive participation in the income of the poorer segments. Its growth contributed substantially for the reduction of poverty.*

Similar conclusions were recently expressed by economists Rosa Maria Marques, Ricardo Paes de Barros, Marcelo Neri and José Alexandre Scheinkmann:

*“Generally speaking, for the group of regions, the less developed the municipality – characterized by low transfer of ICMS – the greater the relative importance of the Bolsa Família. In some case, like in Medina, without the need of further investigations, as the income of almost 30% of the population is guaranteed by the income transfer of this program, there’s no doubt that the Bolsa Família is responsible for a good part of the economic activities practiced in the municipality.”<sup>56</sup>*

*“It is a new and sensational fact that the inequality has decreased systematically in the past three years, representing all things that one who wants to combat the poverty would like to see in Brazil, and yet when it came followed by a growth like the one of the last year (referring to 2004).<sup>57</sup>”*

*“The conjugation of economic growth with a better distribution of income resulted in significant reduction in extreme poverty in Brazil in 2004. The percentage of people who lived with an*

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<sup>56</sup> MARQUES, Rosa Maria, *A importância do Bolsa Família nos Municípios Brasileiros*, Cadernos de Estudos, n.1, Desenvolvimento Social in Debate, , Ministério do Desenvolvimento Social e Combate à Fome, Brasília, 2005.

<sup>57</sup> Interview of PAES DE BARROS, Ricardo ao *O Estado de S. Paulo*, Caderno Aliás, in 04/12/2005.

*income less than R\$ 115 per month passed from 27.26%, in 2003, to 25.08%, in last year (2004), the lowest level since 1992 (35.87%)...It was a year in which we had the recovery of the labor market, with the generation of formal jobs, and a new generation of social programs, like the Bolsa Família.<sup>58</sup>*

*“Despite the program is relatively small, that in 2005 spent about 0.3% of the GDP, the Bolsa Família, thanks to its focus on the poorer segments, is doing an important role in the diminishing of poverty in Brazil. The redistributive impact of this program will confirm the work of the Secretary of Economic Policy from the Ministry of Finance, which estimated that, in 2003, 73% of the expenditure in Bolsa Escola benefited families who were among the 40% poorer segment.*

*Conditional transfer programs will not solve, by themselves, the extreme poverty problem in Brazil. The government must increase the quantity and the quality of the education and health supply for the poor and fixing the conditions that propitiate the creation of more and better jobs by the private sector. But public policies aimed to the less favored are essential for the decrease of poverty in Brazil.”<sup>59</sup>*

Having confirmed the efficacy of income transfer programs associated with education and health assistance opportunities, which started under Bolsa Escola and Bolsa Alimentação and then were later unified in Bolsa Família, is it not time to take a step towards implementing a Citizen’s Basic Income? Let’s take into consideration President Luiz Inácio Lula da Silva’s own affirmation declared on January 9, 2005 practically one year after having sanctioned the Law 10.835, on January 8, 2004, which established the Citizen’s Basic Income, given on program broadcasted by Radiobrás, “Café com o Presidente” (Breakfast with the President); which emphasized the Bolsa Família program would reach by 2006 the total amount of families that according to IBGE are below the poverty line. He said:

*“Brazil that I wish is a Brazil where, someday, the State does not need to have an income transfer because people are working and earning their sustenance from their own work. It is that what dignifies the man, the woman, it is that what gives us pride, to live at the expense of ourselves, at the expense of our work, of our sweat”.*

In order for us to accomplish this wish of our President for us all to live at the expense of our own work, it is necessary to understand that the Citizen’s

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<sup>58</sup> NÉRI, Marcelo, “Miséria in queda: Mensuração, Monitoramento e Metas”, *Conjuntura Econômica*, Fundação Getúlio Vargas, November 2005.

<sup>59</sup> SCHEINKMANN, José Alexandre. “Bolsa-Família e pobreza Bolsa-Família e pobreza.” *Folha de São Paulo*, December 18, 2005.

Basic Income does not correspond to any sense of charity or assistance but that it is a right, granted unconditionally to all citizens of Brazil to participate in the wealth of this nation, whether produced by natural resources or by previous generations (including those who previously worked as slaves without receiving a fair payment), or, wealth provided by technological progress achieved through the interaction of the inventors with the whole of society.

In discussions I had with the Minister of the Social Development Patrus Ananias at the World Social Fórum in Porto Alegre in January 2005 and with the participation of Philippe Van Parijs, or, at the Meetings of the National Association of the Post Graduation Centers in Economics (Associação Nacional dos Centros de Pós Graduação de Economia, ANPEC) in Natal, in December 2005; the minister has expressed a great interest in the proposal but has formulated some important questions:

- How is it feasible to pay a reasonable amount of basic income to 185 million Brazilians, if the amount paid now to poor families by Bolsa Família is still modest?
- Which should be the amount to start the basic income?
- Would it not be more adequate to first increase the amount of Bolsa Família?
- How is it possible to finance the payment of a basic income to everyone?
- As public opinion supports the requirements of the school attendance and vaccinations and considers them positive, how can we start paying non-conditional income guarantees to all citizens?

It is paramount to remember that the law establishing Citizen's Basic Income grants great flexibility to the executive power regarding its implementation. The amount given and its realization will be gradual and given under the criterion of the Nation Executive, which gives priority to the neediest until everybody can receive it.

In January 2006 I accompanied Minister Patrus Ananias from the Ministry of Social Development and Fight against Hunger on a visit of a needy district in the municipality of Campinas, where we had a dialogue with families who were benefited by the income transfer programs. Eight programs are superimposed and logically there was a great difficulty for the families to understand, which one they are supposed to be included. If someday we can implement a Citizen's Basic Income program in all of Brazil, it will be much simpler to explain to all Brazilians what their effective right is.

The government needs to first evaluate that it is necessary to increase the amount of the Bolsa Família for the 45 million beneficiaries, which can be done. The government could also then expand the number of eligible families

who have the right to enroll in the program. An alternative to the gradual implementation could also be done through the universal concession of the Citizen's Basic Income initially awarded to people up to 18 years old, as is defended in Argentina by economists Ruben Lo Vuolo<sup>60</sup> and Alberto Barbeito and in Brazil by economist Lena Lavinias<sup>61</sup>.

It is expected that the Citizen's Basic Income should initially start with a modest amount, let's say R\$ 40.00 per person. In a family of 6 persons that would mean R\$ 240.00 per month. If the head of the family receives a minimum wage of R\$ 300.00 in the beginning of 2006 and there is no other income in the family besides these two, the family income will be R\$ 540.00. R\$ 40.00 times 12 months signifies R\$ 480.00. Multiplied by 185 million we will have to pay an annual amount of R\$ 88.8 billion. This is about ten times the total amount now paid for the Bolsa Família program in 2006. This is much more less however, than what we have paid for the interest on the public debt.

Even starting with a modest amount for the Basic Income as stated in the example above, the total amount of R\$ 88.8 billion corresponds to nearly 5% of the GDP estimated to be R\$ 2 trillion in 2006; this is a difficult amount to be available in the short term. This concern was the subject of the discussion that I had with the Minister of Finance which is why it is important to introduce the system gradually. Minister Palocci told me that a possible way is to consider the Basic Income firstly for families, granting afterwards, to everyone. I told him that it this is a possible alternative.

Let's remember that the Fight against Poverty Fund which provides the resources for Bolsa Família created through an Amendment to the Constitution in 2000 has its length fixed until 2010. It is therefore still necessary to think of a permanent source of revenue that can keep up to the growth of the country.

A possible solution is to finance the program through the creation of Citizen's Brazilian Fund which over time would be able to provide the necessary resources to pay the basic income in accordance to the model formulated by Thomas Paine and by the Alaska Permanent Fund. This is the main purpose of the law which I presented to the Senate in 1999 that has already been approved by the Committees of Constitution and Justice and Social Matters. The initial capital of the fund would be constituted by 10% of the shared participation of the Federal government in the capital of the public companies. The resources of the fund would be formed by endowments consigned to the federal budget; 50% from royalties produced by natural resources; 50% from resources proceeding from concessions of public works and services; 50% from rents coming from federal real estates and other assets and donations.

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<sup>60</sup> VUOLO, Rubén Lo, BARBEITO, Alberto C., *Contra la exclusión. La propuesta del ingreso ciudadano*. Buenos Aires, Ciepp/CIEPP/Mino y Dávila, 1995.

<sup>61</sup> LAVINAS, Lena. *et alli* "Exceptionality and Paradox in Brazil: From Minimum Income Programs to Basic Income". 9<sup>th</sup> International Congress, Bien, Geneva, September 12<sup>th</sup>-14<sup>th</sup>, 2002.

Regarding to the conditions considered positive by the public, we should take into consideration the teachings of great masters like Jean Piaget, Maria Montessori, Anísio Teixeira and Paulo Freire, who showed that education is a liberating process through which the person becomes more and more conscience. Similar to way richer people usually take all the right steps to get their children vaccinated and attending the best schools, we can also expect that all families once given the right to receive a basic income for all their members will also make efforts to improve the education and the health of their children

The Italian philosopher Antonio Negri from the University of Pádua, and the political scientist Giuseppe Cocco from the Universidade Federal do Rio de Janeiro in an article in *Folha de São Paulo* praised the Bolsa-Família, qualifying it as the embryo of a universal and citizen's income. They exalted Lula's government for aiming towards non-conditionality and trying to accelerate the popularization and democratization of the program.<sup>62</sup>

Celso Furtado the greatest Brazilian contemporary economist understood very well the proposal. On the day of the sanction of the law he sent the following message to the President:

*Dear Mr. President Luiz Inácio Lula da Silva  
President of the Republic*

*At this moment when Your Excellency sanctioned the Citizen's Basic Income Law I want to express my conviction that, with this measure, our country puts itself in the vanguard of those that fight for the building of a more harmonious society. Brazil was frequently referred as one of the last countries to abolish slave labor. Now with this act which is a result of the principles of good citizenship and the wide social vision of Senator Eduardo Matarazzo Suplicy, Brazil will be referred as the first that institutes an extensive system of solidarity and furthermore, it was approved by the representatives of its people.*

*At this opportunity I would like to wish Your Excellency a continuous success in the important mission assigned to you.*

*Cordially,  
Celso Furtado,  
Paris, January 8, 2004*

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<sup>62</sup> NEGRI, Antonio e COCCO, Giuseppe, "Bolsa-Família é embrião da renda universal" *Folha de S. Paulo*, 05.01.2006.

## **XI - Conclusion**

When Brazil institutes the Citizen's Basic Income it will do the natural thing that other countries in the Americas will also soon do. The ideal thing is to harmonize the path of social rights in several countries in the region. For this reason I have tried to manifest to newly-elected Presidents of these countries my disposition in collaborating with the authorities of their governments and their parliaments. In January 2006 I therefore sent similar letters to the President of Bolívia, Evo Morales, of Chile, Michele Bachelet, and of Argentina, Nestor Kirschner. The one published below was published in the main newspaper of Bolívia, *La Razón* on January 13, 2006:

### *Letter to President Evo Morales*

*Congratulations for your extraordinary and very important election to the Presidency of the Republic of Bolivia with 54% of the votes from the people of your country at the first turn. I believe that it is a very important event for people who love democracy and the fight for the accomplishment of justice as in the historical elections of Salvador Allende in Chile, even without obtaining the absolute majority of Nelson Mandela in South Africa and of Luiz Inácio Lula da Silva in Brazil..*

*With close attention I have followed your speeches in favor of the real sovereignty of the Bolivian people, of a democracy that really matters to all people, especially to the ones who have been neglected and who did not get their full citizen's right for such a long time in history. I consider very important your announcements in favor of the soon to be integration of Bolivia into the Mercosur countries. This integration should consider promptly the free movements not only of goods, services and capital stocks, but also of human beings. More than that it should contemplate the gradual homogenization of social rights in the Americas if it is our wish for a real integration.*

*Your public statements in favor of Bolivia to be able to charge 50% of taxes and royalties on the exploitation of its natural resources is also important to ensure that all people can participate in the wealth of the nation. Regarding this matter I would like to put myself at your disposal to debate with the authorities of the new government and of the National Congress of Bolivia about the ways to create a National Bolivian Citizen's Fund which will allow in the near future the payment of an unconditional basic income to everyone of the near 9 million Bolivians.*

*Today in Brazil the Bolsa Familia Program is in intense expansion. Families with a monthly income up to R\$100.00 have the right to receive a benefit of R\$15.00, R\$30.00 or R\$45.00 depending on whether the family has one, two, three or more children up to 16 years old and plus R\$50.00 if the monthly income is up to R\$50.00. As compensation the families must demonstrate that their children up to 6 years old are taking vaccines recommended by the Ministry of Health and that the ones from 7 to 16 years old are going to school.*



*It is very relevant that on January 8, 2004 President Luiz Inácio Lula da Silva sanctioned the Law 10.835 instituting in gradual steps beginning in 2005 a Citizen's Basic Income commencing with the most in need and gradually extending to all Brazilians living in the country, including foreigners residing in Brazil for 5 years or more to have a right to receive this income. It will be given to everyone in yearly or monthly payments.*

*Bolivia is in a very favorable situation to consider seriously the very positive experience that exists in the State of Alaska in the USA. In the sixties the mayor of a fishermen's village, Bristol Bay, observed that a huge amount of wealth was produced in the form of fish, but that many of its inhabitants were still poor. He proposed a creation of a 3% tax on fishing to create a fund which would belong to everybody. There was a great resistance and it took almost 5 years to persuade everyone. He was so well succeeded that 10 years later he became the Governor of the State of Alaska. His name was Jay Hammond.*

*In the sixties Alaska discovered a huge oil reserve. Therefore in 1986 the Governor told his 300.000 co-citizens: let's think not only on the present generation, but also future ones. The oil and other natural resources are not renewable. Let's separate 50% of the royalties generated by the exploitation of natural resources for the creation of a fund which will belong to everybody. The proposal was approved by the Legislative Assembly and also by a referendum: 76.000 in favor versus 38.000 against. Since the eighties these resources have been invested in government bonds, shares of companies in Alaska, USA, international companies and real estate enterprises. The value of the Permanent Fund of Alaska had growth from US\$ 1 billion dollars in 1980 to US\$ 32 billion dollars in 2005.*

*Every person living in Alaska for one year or more, of any origin, race, gender or age has the right to receive a yearly dividend which increased from US\$ 300.00 in the early eighties to US\$ 1963.86 in the year of 2000, and to US\$ 845.76 in 2005. In the nineties the state of Alaska distributed 6% of its Gross National Product to its inhabitants that today sum up to 700.000. As consequence Alaska became the most equalitarian state of all US states. From 1989 to 1999 the average monthly income of the 20% richest families in USA increased 26%. The monthly income of the 20% poorest families in USA increased 12%. In Alaska the average monthly income of the 20% richest families increased 7% and of the 20% poorest families increased 28%, four times more.*

*I'm sure that this is the standard of development that Your Excellency would like to see in Bolivia, the same as we would like to see in Brazil.*

*Eduardo Matarazzo Suplicy  
Senator (PT-SP)*

*In the Americas, another important step was recently taken in the province of Alberta, Canada. In January 2006 all people living in the province received 400 Canadian dollars through cheques sent through the post to their residences. It was a democratic distribution that the government of that*

province decided to do because of the positive results produced by the oil and economic activities revenues.<sup>63</sup> The decision means the implementation of Citizen's Basic Income similar to what occurred in Alaska 25 years ago. Let's remember that it was in Alberta in 1935 that the Social Credit Party was founded in defense of a basic income, resulting from the Movement for Social Credit created in England by Major Clifford H. Douglas. In terms of countries however, Brazil is the first in which its National Congress approved a law for its implementation.

In 2003 when this bill of law was waiting to be approved in the Chamber of Deputies, I delivered a lecture at the Initial Attendance Unit of FEBEM, Fundação Estadual do Menor (Underage State Foundation) in São Paulo. It was overcapacity as only 150 people could stay inside, and yet there were as many as 500 more adolescents aged 15 to 20 years old. I transmitted to them the matter above and told them that if the Citizen's Basic Income was had already been in effect, very probably they would not have committed the crimes that caused their arrest. For a better understanding reminded them that when President Lula was a boy he came from Garanhuns, Caetés, the inland of Pernambuco at 7 years old by truck to Vicente de Carvalho, in São Paulo. It was during the same time that the inlander Luiz Gonzaga sang that song by Patativa do Assaré, *Sad Departure*, which illustrated the degree of freedom of many people in Brazil:

"I sell my donkey  
My "jackass" and my horse  
We're going to São Paulo  
To live or to die  
[...]  
Because soon comes  
a lucky farmer  
who buys what he owns  
for such a bargain  
[...]

Oh Lord, oh Lord  
What a pity to see  
So strong, so brave  
A northeasternner  
Living as a slave  
In the North and in the South"

And how is it today that this freedom feeling is realized by the youngsters living on the periphery of our big metropolis? It is illustrated here in the lyrics of the hip-hop song that these youngsters know how to sing by heart

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<sup>63</sup> BIEN Newsletter, 36, Novembro 2005 e <http://www.gov.ab.ca/home/albertasurplus/>

even though the lyrics are very long like this one, *The Man on the Road*, by Mano Brown (Os Racionais):

Man on the Road

*A man on the road begins his life anew  
 His purpose: his freedom.  
 Which was lost, taken from him;  
 and he wants to prove to himself he had really changed,  
 he is rehabilitated and wants to live in peace.  
 Not to look back, tell crime: never again!  
 At Fevem painful memories, so.  
 Yeah, make money, get rich, at last.  
 Many have died, yeah, in such wild daydreaming,  
 tell me who is happy, who does not despair,  
 to see his child born in the cradle of misery!  
 A place where the sole attraction is the bar,  
 and candomblé is the place to seek blessing....*

On the following week by their request I invited Mano Brown to deliver a speech together with me. Together with the composer in a filled up dining room they sang six songs. All of them illustrated the point that Amartya Sen explained so very well. It is necessary that people have choice and alternatives to be able to live with dignity. Therein lays the importance of the Citizen's Basic Income. Then they asked me: But why it is not put in practice yet? I explained that the Senate had already approved it and that the Chamber of Deputies had not yet approved the Law and then the President will sanction it. Now all of that has already happened and it remains only necessary to apply the Law.

Brazil will be better place when the Citizen's Basic Income takes full effect.