

PASSING A LAW ON CITIZEN'S INCOME IN BRAZIL (1)

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It is an honour for me to address this Colloquium on "What work, what social cohesion for the 21st Century? - THE UNIVERSAL DIVIDEND: AN INNOVATIVE AND UNIFYING RESPONSE."

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I should like to thank both **Madame Christine Boutin**, Deputy for the Yvelines and President of **the Forum of Social Republicans**, and the organisers of the Colloquium.

I am a **Brazilian Senator**, a member and co-founder of **the Workers' Party of President Luiz Inácio Lula da Silva**. I am also a **Professor** at the São Paulo School of Business Administration, of the Getúlio Vargas Foundation. Right from my first election as Senator for the State of São Paulo in 1990 I decided to propose a Programme for a **Guaranteed Minimum Income in Brazil**. (3) In 1991 I submitted a first draft Bill for introducing a negative income tax. According to this proposal any citizen over 25 years of age with monthly income below the threshold of 150 US Dollars would be entitled to receive an income top-up. The level of the grant would be between 30% and 50% of the difference between this threshold and the grantee's income. The actual level of the grant would be fixed by the administration, between the minimum of 30% and the maximum of 50%, depending on how much was available in the budget and on the results obtained from the Programme. **This measure** was adopted by the Senate unanimously in 1991 **and was approved** by the Finance and Taxation Committee of the Chamber of Deputies, **but has not (at this time) yet been enacted**.

But my initiative at least had the merit of provoking fertile debate and giving rise to numerous local experiments with minimum income programmes. These programmes have generally been known **as subsistence allowances or education allowances**. And throughout the 1990s, as I took part in discussions on the various minimum income formulae, I became more and more convinced of the advantages of the unconditional basic income, including as compared with negative income tax.

So **in December 2001**, after my mandate as senator had been renewed for another eight years, I decided to put forward **a new Bill to introduce a citizen's income in Brazil from 2005**. Today I am absolutely convinced that the unconditional basic income is the common sense way of eradicating poverty, of building a more just society and of securing real freedom for everyone. **It is the common sense way of doing so in the same way as the common sense way of going out of one's house is by the door**. That is precisely what Guy Standing affirmed at the International Conference on Basic Income held in the Brazilian Senate in 1998. 520 years before Jesus Christ, Confucius wrote in the Book of Questions and Answers: "Has one ever seen a person go out of his house except by the door?"

The good news I bring you today is that **the Bill in question was adopted by the Senate in 2002, unanimously. It has also been adopted by the Chamber of Deputies, and thereby by the whole Congress of Brazil**.

On 8 January 2004, **the President** of the Republic, Luiz Inácio Lula da Silva **gave it the Presidential Assent in the course** of a ceremony attended by numerous personalities, including Professor Philippe Van Parijs. Brazil is thus the first country in which the national Congress has enacted a law introducing a Citizen's Income. (3)

In December 2003 I took part in **the Congress of the South African Coalition for a Basic Income**. I told the participants that it was very encouraging to learn that in South Africa 27 different organisations (trade unions, churches, youth movements, children's movements, aids sufferers, the aged, human rights activists, etc.), with a total membership of over **12 million people**, had formed a coalition to fight for **the introduction of a basic income in that country**, where many of the problems were similar to our own.

South Africa and Brazil are both already industrialised yet still developing countries, marked by serious problems of poverty, crime and violence. But both countries also possess extraordinary natural and human resources which can help them solve these problems. Most importantly, however, both countries are ruled by democratically elected governments, and this gives rise to great hope, the hope of seeing hunger and absolute poverty eradicated, and also the hope of economic growth, available jobs and a much more just society.

South Africa and Brazil are therefore pursuing the same goal: to build a just and civilised society. We know that in order to get there the interests of the community are as important as those of the individual. *We must foster the ethical and democratic principles of truth, solidarity, brotherhood and freedom.* These values are rooted in the histories of all the peoples of the world. **They are at the foundations of all religions:** Buddhism, Judaism, Christianity, Islam, and the many others.

Holding such convictions, we must apply economic policies that are in tune with these values. In order to eradicate hunger and absolute poverty in Brazil, to stimulate economic growth which will provide jobs and to redistribute income, President Lula has placed emphasis **on several programmes:** *agrarian reform, expansion of micro-credit, strengthening of co-operatives, encouragement of family farming, expansion of public education and health services; as well as some income redistribution projects at present included in the Zero Hunger Programme.*

In the 1990s we launched several redistributive programmes essentially aimed at eradicating poverty and child labour. Last October (2003), **President Lula decided to announce that four family grant programmes would be unified, rationalised** and given new impetus. Under the programme any family with income of less than 50 reals per month per person (about 13 euros) receives an allowance of 50 reals per month, increased by 15, 30 or 45 per cent if the family has one, two or three or more children respectively. Such families have to demonstrate that their children under 6 years of age are monitored for nutrition and have all the inoculations recommended by the Health Ministry; children from 7 to 15 years must attend school; while the adults in the family must follow literacy courses or vocational training courses.

The 4 programmes thus unified are: 1) the minimum income programme associated with education, called education grants; 2) the minimum income programme associated with health, called food grants; 3) the gas grant; and 4) the food card associated with the Zero Hunger Programme. The first three were introduced by the previous government, Fernando Henrique Cardoso's; the last, in February 2003, by the present government. **The experience of 8 months of the unified Programme persuaded the present government that it would be better to allow beneficiaries of the family grant to spend the money in their own way, without restriction.**

This is a step in the right direction. 4 million families at present benefit from the family grant programme, which has been made available in its first phase in the poorest regions in Brazil. **It is forecast that 11.4 million families will benefit from the Programme by 2006; that is, 50 million inhabitants, or more than a quarter of the 178 million Brazilians.** Ana Fonseca, the

Programme's Executive Secretary, recently declared that the Family Grant Programme was the beginning of the citizen's income.

I have suggested to President Lula that the Programme should be continuously monitored to see if it has the effect of allowing people to avoid the poverty trap and the unemployment trap. **The unification of the programme can be regarded as a step towards the citizen's income**, defined as an income, modest yet sufficient for every person's subsistence, paid by the country to all its citizens, regardless of their origin, age, sex, race, economic situation, or family status.

Does that mean that we shall also pay this citizen's income to the very rich? Yes, we shall. But these people will of course contribute more than the others to the Programme and provide it with funding. What are the advantages of such a system? First, it eliminates the administrative work and costs of checking on the actual income of the beneficiaries. Second, it eliminates the shame, the stigma, of having to declare that one has insufficient income. But it's the third point that's most important: it makes a tremendous difference to everyone to know that they can count on having a fixed income for the next 12 months and even permanently.

The Bill adopted by the national Congress provides that the citizen's income will be introduced gradually from 2005 beginning with those who have most need of it. The executive will determine the level of the income and the rhythm of its extension until everyone is included. **The application of the Programme will therefore depend on the evolution of the national economy of Brazil and the availability of funds.**

There is something about this proposition that should be underlined: it has been defended by economists, social scientists and philosophers who represent a wide spectrum of thought, from Joan Robinson to John Kenneth Galbraith, from James Edward Meade to Jan Tinbergen and from Martin Luther King to Philippe Van Parijs and Guy Standing.

There is one place in the world where it has been applied: Alaska.

Let us recall how the idea was born. At the beginning of the 1960s Jay Hammond, the mayor of Bristol Bay, a small fishing port in Alaska, noted that the inhabitants remained poor in spite of the wealth they helped create. So he proposed to institute a tax of 3% on the value of the catches of fish, which would be paid into a fund belonging to everyone. It was difficult, taking him 5 years, to persuade the local population to accept the idea. But it worked so well that 10 years later he was elected Governor of the State.

In 1976 Jay Hammond proposed to pay 50% of the royalties charged on the exploitation of natural resources into a Cumulative Fund to be owned by the entire population. The proposal was adopted by the State legislature and approved in a popular referendum.

Today any local politician who attempted to oppose the system of dividends from the Alaska Permanent Fund would be committing political suicide. Professor Scott Goldsmith of the University of Alaska in Anchorage stated as much in his address to the Ninth International Congress of BIEN (Basic Income European Network) in Geneva in 2002. For the system is a huge success. Since 1980 the value of the Fund has gone from 1 billion to 28 billion dollars. Anyone residing in Alaska for more than a year receives an annual dividend. In the 1980s this dividend was only of 300 dollars, but it amounted to 1,107 dollars last year (2003) and almost reached 2,000 dollars in 2001.

Through this system Alaska has become the most egalitarian State of the United States of America. Between 1989 and 1999, Alaska redistributed 5% of its Gross Domestic Product to all its residents, numbering today nearly 650,000. The consequence is that while in the United States as a whole the average income of the 20% poorest families has risen by 12%, against 26% for the 20% wealthiest families, in Alaska the figures are quite different: the average income of the 20% poorest families has risen by 28%, against just 7% for the 20% wealthiest. QED, as the mathematicians say.

It is an example for all the countries of the world. It is particularly precious for those, like Brazil, the Philippines, South Africa, Colombia or Iraq, which absolutely must eradicate poverty and establish social justice. Economists and social science specialists of the Basic Income European Network, founded in 1986, and of similar organisations on other continents, are more and more demonstrating the rationality of the proposition.

Although Jay Hammond did not mention **Thomas Paine** in his autobiography, the Alaskan initiative takes up the proposition advanced in 1795 by Paine, who was one of **the foremost ideologists of the French Revolution and of the United States**. It was in this very place, the French National Assembly, that Paine set out his idea in the form of an essay, *Agrarian Justice*(4). He affirmed that poverty was related to private property and civilisation. He never witnessed among the American Indians, among whom property was held in common, the degree of destitution that he'd seen in Europe. He recognised that it was sensible that one who cultivated and improved the land should have the right to derive an income for his labour and property. But he also proposed that all those who did so should pay a portion of their income into a fund belonging to the nation. The accumulation of credits paid into this fund should make it possible to pay out a basic income of an equal amount to all citizens. **This income should be considered not a gift but a right**, a form of compensation for the prejudice suffered by society as the result of instituting private property. **And Thomas Paine thought that this proposition should apply to all nations.**

When **the Brazilian Sergio Vieira de Mello** was appointed United Nations Co-ordinator in Iraq, I sent him a letter suggesting that the Alaskan example be followed there. On 30 May Sergio Vieira de Mello replied that he had favourably received my suggestion. In Jordan on 23 June Ambassador **Paul Bremer III**, Chief Administrator for Iraq, proposed in a speech **that one way of sharing wealth in Iraq** would be to set up a programme funded from receipts *from the sale of oil. Iraqi citizens could receive dividends, as in Alaska. Alternatively, such receipts could fund public retirement pensions or other social security instruments.*

On 1st August Sergio Vieira de Mello told me that the proposition had been well received by the population and that the World Bank Mission for Iraq had deemed it feasible. Unfortunately, on 19 **August Mr Vieira de Mello was assassinated.**

In Brazil, South Africa and numerous developing countries, a large proportion of our populations live **in poverty**. We also have to support **large public debts**. By way of example, the interest paid in 2003 by the public sector in Brazil, which means the communes, the States and the Federal State, amounted to **145 billion reals**, nearly 10% of our Gross Domestic Product. Thanks to the efforts of President Lula's Government we shall pay only **115 billion this year**. This is still an enormous sum, particularly if one compares it with the c. **6.2 billion reals** (or c. 1.6 billion euros) that we shall spend on the family grants programme for 6 million families.

Some people are reluctant to accept the idea of a guaranteed income, thinking it will encourage **laziness**.

But we have to recognise that there are numerous activities - such as looking after children or work within our community - that are important for humanity and that we are happy to carry out without remuneration.

Furthermore, in our countries respect for private property figures in the constitution. That means **that anyone who owns some capital is entitled to draw an income from it**, in the form of interest, rents or capital gains. **And without any obligation to work!** Nevertheless these “capitalists” go to school, put their children in the best schools and, above all, they work. Why? It is simply **that it is in human nature to want to get on, to achieve.** So if it is accepted that the wealthy may get an income without working and that even in these conditions they still work, why not give to everyone, rich and poor alike, the right to a modest income, a subsistence income, the right to benefit from and be associated with the wealth of their nation and of the Earth?

One aspect of the question should be considered with great attention by workers, entrepreneurs and managers, particularly those in developing countries. **The majority of developed countries today have income redistribution programmes**, which not only provide relief to the poorest, but also make their economies more competitive than ours. **In the USA** low income families can benefit from four programmes simultaneously: TANF (*Temporary Aid for Needy Families, which has succeeded the Help to families with children*), Food Vouchers, EITC (Earned Income Tax Credit) and unemployment benefit. The EITC was launched in 1975 and extended by the Clinton administration. Under this programme the US government paid out in 2003 allowances worth more than 37 billion dollars to 20 million families, covering more than 50 million citizens. Since the injection into the economy of these allowances contributed to economic growth, **the United Kingdom** also decided to introduce a form of negative income tax, the Family Tax Credit. **Nearly all European countries** have a guaranteed income programme of one sort or another, having the same effect.

All these societies have decided to pay their workers a sum of money on top of their income in order to keep them above a given poverty level. Employers are therefore able to pay them less than they would if there were no EITC or similar programme. But it should also be recognised that owing to these programmes their economies attain a higher level. The final result is that with stronger economic growth and a higher level of employment salaries are also higher.

In the developing countries, we too should realise the need to use redistributive instruments in order to make our economies more competitive. And I am firmly convinced **that the most rational measure is the unconditional basic income.** The results obtained in Alaska amply demonstrate that that is the way to go.

The citizen's income will have an enormous impact on **the liberty of each individual.** Philippe Van Parijs demonstrated this brilliantly in his book, *Real Freedom for All: what (if anything) can justify capitalism?*(5) which appeared in 1995. The citizen's income is also a tool compatible with the objectives defined by Amartya Sen in his book, published in French in 2000, *A New Economic Model: development, justice, freedom* (6) He maintains that development is real only insofar as it gives each member of society **a greater freedom of choice.** The citizen's income will permit certain people to escape from the humiliations of prostitution, drug trafficking or working conditions close to slavery. Such people will henceforth be able to live in dignity.

We shall unite our efforts to implant the citizen's income in all countries. All peoples may then sit at the table of **brotherhood.** Everywhere, violence will retreat. I am also convinced that the proposal for the citizen's income should figure on the agenda of the negotiations that the

government of Colombia and the FARC have entered upon after more than 50 years of civil war: it is one of the principal conditions for peace to be restored to that country, as to the whole of America and the world.

I thank you for your attention.

⁽¹⁾ This text is based on an address to the IIIrd Congress of the US BIG Network and of the New America Foundation, in Washington D.C. on 21 and 22 February 2004.

(2) Senator PT of São Paulo, PhD in Economics from Michigan State University, Professor of Economics at the São Paulo School of Business Administration (of the Getúlio Vargas Foundation); author of the book *Renda de cidadania. A saída é pela porta*, Editora Fundação Perseu Abramo / Cortez Editora, 2002. Present President of the Commission for External Relations and National Defense.

(3) A full bibliography on this theme may be consulted in SUPLICY, E.M., *Renda de Cidadania. A saída é pela port.*, Perseu Abramo Editora e Editora Cortez, 2002. Second edition.

(4) PAINE, Thomas, *Thomas Paine à la législature et au directoire, ou la Justice agraire opposée à la loi et aux privilèges agraires*, Paris: la citoyenne Ragouleau, 1797; 45 pp. Most recent edition in French: ____, *La justice agraire opposée à la loi et aux privilèges agraires*, in *Revue du MAUSS semestrielle*, Paris, no. 7, 1996, pp. 23-36. In English: ____, *Agrarian justice*, in FONER, Philip S. (Ed.), *The life and major writings of Thomas Paine*, Secaucus, NJ: Citadel, 1974, pp. 605-623.

(5) VAN PARIJS, Philippe, *Real Freedom for All: what (if anything) can justify capitalism?* Oxford: Oxford University Press, 1995.

(6) SEN, Amartya, *Un nouveau modèle économique : développement, justice, liberté*, Paris: O.Jacob, 2000.