CONTEMPORARY BASIC INCOME EXPERIMENTS IN HISTORICAL CONTEXT

Presentation · February 2018

DOI: 10.13140/RG.2.2.20912.05124

1 author:

Evelyn L Forget
University of Manitoba
181 PUBLICATIONS **669** CITATIONS

SEE PROFILE

CONTEMPORARY BASIC INCOME EXPERIMENTS IN HISTORICAL CONTEXT

Evelyn L Forget
University of Manitoba

Social programmes in Canada were designed for a world in which most people could expect to graduate from high school and, in short order, find a permanent job with benefits that they could expect, barring unforeseen accidents, to keep until they retired with a defined benefit pension – all under the benevolent eye of their workplace union. This was, of course, never the case for everyone. Those with disabilities would have access to income support on the basis of need. Employment insurance could provide support to regular workers who faced temporary layoffs. Single mothers of young children and others with recognized needs would have access to income assistance programmes delivered through the provinces.

While support programmes have not changed fundamentally in the past forty years, the labour market has changed dramatically. Good, full-time blue-collar jobs are disappearing along with the manufacturing sector that generated them. Work, of course, is still available, but it is more likely to be organized as part-time or temporary work, to pay lower salaries and to have no union support. This means that a smaller proportion of the workforce qualifies for Employment Insurance even though more are likely to require income support because of the precarity of their jobs. Precarious labour is growing because of ongoing technological change that makes it possible for firms to produce more with less labour, and because of global competition in both traditional blue-collar jobs and increasingly in white-collar jobs where technology has had the effect of exposing workers in these jobs to on-line competition from around the world.

As a consequence, income support programmes have not changed along with changing needs. Income assistance has always attempted to reduce the depth and breadth of poverty, although it has not often achieved that goal. These programmes, however, were never designed for the changing needs of the new economy. In response, the idea of Basic Income (BI) has attracted increasing attention in high-income countries around the world. Contemporary interest in Basic Income experiments is also burgeoning, but neither the idea itself nor current attempts to experiment with it is especially unique. The concept has a very long history[1] and there have been many attempts at implementing experiments in low, medium and high-income countries over the past forty years. As Ontario initiates its BI experiment and other Canadian jurisdictions begin their own consultations or wait and watch with interest, we should take stock of what we have learned from previous experiments and what we still need to know. We might also recognize some of the difficulties that previous experiments met and note the challenges inherent in moving from an experiment to a policy so that we are prepared for predictable bumps in the road and are not derailed by unforeseen challenges.

[1] Cunliffe, J. and Erreygers, G. 2003. "'Basic income? Basic capital!'Origins and Issues of a Debate" *Journal of P1olitical Philosophy* 11(1) 89-110.

INCOME ASSISTANCE IN NORTH AMERICA: From the Great Depression to Basic Income Experiments

In the wake of the Great Depression, welfare policy in both the US and Canada was reformed on the basis of a shared vision of how the economy was supposed to work. Individuals who were capable of work should be able to find a job that paid a wage adequate to support a family. This would be ensured by minimum wage legislation. During economic downturns, the government would stimulate private employment and, if necessary, hire people directly through public works programs. Over time, new programs and insurance schemes for particular issues emerged in both countries without coordination and without challenging this basic vision of welfare policy.

Long-term support would be made available only to those who were unemployable – at the time, this category was believed to include lone mothers with dependent children, the aged and the disabled. To the extent possible, social insurance would provide basic support, along with workers' compensation and public pensions. Unemployment insurance would provide temporary support between jobs. Means-tested support would be made available as a last resort and on a temporary basis. Changes and refinements occurred in both countries, but this was the basic system in place until the 1960s.

In the 1960s, activists in both the US and Canada began to question the existing system. In the US, the newly elected Democrats ushered in a series of new programs. In 1961, Aid to Families with Dependent Children – the basic cash welfare program –was amended to offer assistance to the unemployed. Food stamps were introduced in 1964, and the program expanded in 1971 and 1974. Social security amendments in 1962 and 1965 introduced federally funded social services and health care programs for welfare recipients and the retired. The Office of Economic Opportunity was created in 1964 to fight President Johnson's War on Poverty.

In Canada, there were parallel developments. After WWII, family allowances were introduced and paid directly to mothers of minor children. Canada is a federal country, and most social welfare policies remain the responsibility of the provinces although the federal government began to take leadership to ensure similar programs across the country. The Canada Pension Plan, designed to augment Old Age Security and private pensions, was introduced by the federal government in 1966 with a parallel system in Quebec. Throughout the 1960s, debates about universal health insurance culminated in a series of policy changes that saw all provinces with fully complying plans in place by 1972. Income support schemes, however, remained the responsibility of the provinces.

The US War on Poverty was declared by the Johnson administration in 1964. At that time, there were 36 million people living in poverty. During the next decade, existing programs were modified and expanded. Large new expenditures were targeted towards education, healthcare and housing. The BI movement grew in the excitement of massive policy expansion. But after twelve years of significant expenditure growth, the number of people living in poverty still stood at 26 million because most of the new money went to social insurance programs, particularly Social Security. Direct transfers to education and healthcare may have improved the quality of life for many people but had little effect on the incomes of the poorest.

During the 1960s, a large number of plans and proposals to improve the welfare system circulated both inside and outside government. Throughout this period, the Office of Economic Opportunity produced annual plans for a radically different approach to welfare – a Negative Income Tax. This was a targeted BI that works somewhat like a refundable tax credit – a Basic Income is assured to everyone, but its level is gradually reduced as income from other sources, especially work, increases. The Office documented the "welfare trap" that made it difficult to escape dependency. It emphasized the need to support the working poor who constituted a larger segment of the poor than those who were dependent on income assistance. It responded to critics who worried about cost by noting that the cost of the program would depend on the rate of unemployment. The Office argued that if the government failed in its task of ensuring full employment through fiscal and monetary policy, the federal budget should bear that cost and not the poor.

The opposition to these proposals was complex and went beyond traditional Party lines. Traditional welfare advocates, many of whom had played significant roles in introducing and advocating for existing programs, were from the labour movement (AFL-CIO and the Department of Labor), and the Department of Health, Education and Welfare. They argued that the basic scheme put in place in the 1930s had never been adequately funded and never really given a chance to eliminate poverty. They countered that incremental changes in existing programs were preferable to BI. Far better to increase the rates paid by welfare programs and Social Security, improve job training and raise minimum wages. If employable people needed support, the government should act as employer of last resort. No employable person should receive support without working. This group allied with traditional welfare opponents who opposed any increase in benefits to oppose BI. Various inconsistent proposals, amendments and counterproposals made their way through Congress and the Senate. In this context, the American Negative Income Tax experiments began under the Office of Economic Opportunity and continued within the Department of Health, Education and Welfare after the Nixon administration abolished the Office.

The Canadian experiment (Mincome) came into play in a slightly different way from the US experiments. Poverty was equally a concern for Canada in the 1960s, and the centerpiece of Canadian antipoverty legislation was the Canada Assistance Plan which was inaugurated in 1967. In 1970, the Department of National Health and Welfare published a report entitled *Income Security for Canadians* [the White Paper] that proposed to reform Family Allowance. In 1971, a Senate Committee report, *Poverty in Canada*, called for a universal Guaranteed Annual Income (GAI) based on the NIT principle. At the same time, the Quebec Commission of Inquiry on Health and Social Welfare (the Castonguay-Nepveu Commission, 1971) recommended major restructuring of social programs in Quebec. The federal government, without provincial consultation, made major enhancements to the Unemployment Insurance Program in 1971. This caused predictable upset in the provinces, and there was a great deal of pressure for a joint review to rationalize the social security system in Canada. The Throne Speech of 4 January 1973 called for such a review and the *Working Paper on Social Security in Canada* [the Orange Paper] set the stage for ongoing discussions. Throughout this controversy, the American Negative Income Tax Experiments attracted a great deal of attention, with the White Paper explicitly calling for a Canadian replication.

The interest at the federal level had a counterpart in the province of Manitoba, which had just elected its first NDP government under Premier Ed Schreyer. Manitoba had declared its interest in an administrative test of the GAI as early as 1971. In March 1973, Manitoba submitted a proposal for funding of a full experiment to the federal Department of National Health and Welfare. It contemplated a budget of $17 million and expected to enroll well over 1,000 families with Ottawa paying 75% of the costs. On 4 June 1973, Manitoba and Canada formally signed *an Agreement Concerning a Basic Annual Income Experiment Project.*

WHAT HAVE WE LEARNED FROM PREVIOUS BASIC INCOME EXPERIMENTS?

Negative Income Tax Experiments in High-Income Countries

The first American experiment was conducted on an urban population in New Jersey and Pennsylvania between 1968 and 1972.[2] A second experiment was conducted in Gary, Indiana to examine the effect of a BI on single parents[3]. A third took place in North Carolina and Iowa to look at the effects on rural populations[4]. The final experiment was the Seattle-Denver Income Maintenance Experiment (SIME-DIME) which had access to a much larger experimental population[5]. These experiments used a carefully selected experimental sample and randomized participants into treatment and control groups. They collected quantitative and qualitative data from both subjects and controls and experimenters hoped that comparing the experiences of those who received the BI to the control group would allow them to determine the effect of a BI on a wide variety of social behaviours.

The Winnipeg site of the Canadian experiment followed the same structure, but the Dauphin site was unique. It was the only "saturation site" in any of the North American experiments. All families in Dauphin and its rural municipality were eligible to participate. [6] Families would receive BI stipends only if their income from other sources was low enough to make them eligible, but all received the promise that BI would be available to them should their circumstances warrant support. The justification for creating a saturation site at the time was that the isolation of the treatment sample in the classic

[2] Watts, H. and Rees, A. eds. 1977. *The New Jersey Income-Maintenance Experiment, Volume 2: Labor-Supply Responses. New York, Academic Press*. and Watts, H. and Rees, A. eds. 1977. The New Jersey Income-Maintenance Experiment, Volume 3: Expenditures, Health, and Social Behavior; and the Quality of the Evidence. New York, Academic Press.

[3]Burtless, G. and Hausman, J. 1978. "The effect of taxation on labor supply: Evaluating the Gary negative income tax experiment." *The Journal of Political Economy* 86(6) 1103-1130.

[4] Levine, R. Watts, H. Hollister, R. Williams, W. O'Connor, A. Widerquist,K. 2005. "A Retrospective on the Negative Income Tax Experiments: Looking Back at the Most Innovative Field Studies in Social Policy".Widerquist, K. Lewis, M. Pressman, S. eds. *The Ethics and Economics of the Basic Income Guarantee*. Aldershot, Ashgate: 95-106.

[5] Hannan, M. Tuma, N. Groeneveld, L. 1978. "Income and Independence Effects on Marital Dissolution: Results from the Seattle and Denver Income-Maintenance Experiments". *American Journal of Sociology* 84(3) 611-633.

[6] Elders and people with disabilities were not excluded from payment in Dauphin as they were in Winnipeg.

experiments would put families in a highly unrealistic situation, quite unlike the conditions that would attend a universal roll-out. Families receiving a BI in the other sites would interact with other families receiving support only very rarely; most of their interactions would be with community members who were not participating in the experiment. In Dauphin, however, all families received the promise of support should they require support and this allowed experimenters to look at the ways in which families interact with one another and influence each others behaviours. Would there be changes to social attitudes or community norms?

Details of the experiments are summarized in Table 1.

TABLE 1
Summary of the features of the North American income maintenance experiments

Parameter	New Jersey	Rural (RIME)	Seattle-Denver (SIME-DIME)	Gary	Mincome
Site	Trenton, Patterson-Passaic, and Jersey City, N.J.; Scranton, Pa.	Duplin County, N.C; Pocahontas and Calhoun Counties, Iowa	Seattle, Wash., Denver, Colo.	Gary, Ind.	Winnipeg and Dauphin, Manitoba
Eligibility	Intact households healed by ablebodied males 18-58 with at least one dependent and incomes < 150% of poverty line	Families with at least one dependent and incomes < 150% of poverty line	Families with at least one dependent and incomes < $11,000 (singleheaded) or $13,000 (double headed)	Black households, head 18-58 with at least one dependent and income < 240% of poverty line	Families with able-bodied heads under 58-years-old, incomes < $13,000 (family of four)
Sample Size	1,357 households; 725 experimentals, 632 controls	809 families: 587 non-aged maleheaded, 108 nonaged female-headed, 114 older heads	4, 801 families (Denver 2,758, Seattle 2,043)	1,800 black households, 60% female-headed (125 households added with incomes above 240% of poverty line)	1,300 families and single individuals
Plans [not all t, G combinations included in each experiment; more generous plans (high G, low t) typically excluded]	8 plans; t = .3, .5, .7; G = .5, .75, 1.0, 1.25 of poverty line ($5,000 for family of 4)	8 plans t = .3, .5, .7; G = .5, .75, 1.0 of poverty line	11 plans; t = .5, .7, .7*, .8* (* indicates tax rate declines per .025 per $100 income); G = .95, 1.2, 1.4 of poverty line; training counseling, training subsidies (50%, 100%)	4 plans; t = .4, .6; G = .75, 1.0 of poverty line, social services counseling, day care subsidies (35%, 60%, 80%)	Winnipeg; 7 plans; t = .35, .5, .75; G = $3,800, 4,800, 5,800 (family of four in 1975) Dauphin: 1 plan (saturated site); t = .5; G = $3,800
Duration (start-up date)	3 years/1968-69	3 years/1970	3, 5 years, 20 years (Denver only)/1969	3 years/1971	3 years/1975

Note: t refers to the experimental tax rate; G refers to the experimental income guarantee rate.

Source: Hum, D. Simpson, W. 1993a. “Economic response to a guaranteed annual income: Experience from Canada and the United States.” *Journal of Labor Economics* 11(1) Part 2: U.S. and Canadian Income Maintenance Programs. S263-S296. pg. S275.

Work Hours

Notwithstanding the hope of the researchers that the experimenters would throw light on all kinds of social behaviours, the experiments were designed specifically to illuminate one set of decisions. The fundamental purpose of all these experiments was to determine the impact of a BI on the labour market: specifically, would people opt out of the labour market in order to subsist on benefits? Would those who continued to work choose to work fewer hours in order to optimize benefits? Overall, the results of the experiments were remarkably consistent. The results are summarized in Table 2.

TABLE 2
Annual Change in hours worked during North American income maintenance experiments

Experiments	Husbands	Wives	Single Female Heads
Mincome	-20 (1%)	-15 (3%)	-56 (5%)
New Jersey	-57 (3%)	-62 (28%)	
Rural	-93 (5%)	-180 (28%)	
Seattle-Denver	-135 (8%)	-129 (20%)	-134 (13%)
Gary	-76 (5%)	-18 (6%)	-84 (23%)
Overall US Results	-69 (6%)	-70 (19%)	-85 (15%)

Source: Hum, D. and Simpson, W. 1993b. "Whatever happened to Canada's guaranteed income project". *Canadian Public Administration / Administration Publique du Canada* 36(3) 442-450.pg. 448.

The first column in Table 2 represents the effect of BI on the number of hours worked by those most attached to the labour market – adult men. These were primary earners and their reaction to a BI was, overall, quite modest. Men, for the most part, did not quit their jobs although the average number of hours worked did fall a small amount. For men, results were relatively modest with the smallest average results in Manitoba (an annual work reduction of half a week) and the largest in Seattle-Denver. However, these results represent average reductions in hours worked. Among men, the largest effects were on adolescents in all of the experiments. If we look at the results a bit closer, interesting effects become apparent. For example, Seattle-Denver had a combination of experimental designs underway, some of which included heavily subsidized or free job training. One of the significant results of SIME-DIME was a positive effect on adult education. Did these men reduce their work hours because they received a BI and they preferred leisure, or did they reduce their work hours in order to engage in job training or, as the researchers would label it, accumulate human capital? Certainly in Dauphin, reduced work effort among young males was associated with increased education.[7]

It seems that a BI is indeed associated with a reduction in work effort for women, but both the design and the context in which these results are produced needs to be taken into account. In the Canadian

[7] Evelyn L Forget. 2011. The Town With No Poverty, *Canadian Public Policy* 37(3): 283-305.

case, the results were very small overall with the largest reduction in work effort associated with single mothers. Women in all five sites, whether they were married women or single mothers, worked significantly fewer hours if they received a BI. The percentage change is large, but what is most notable is how few hours married women worked even before they received a BI; for example, in New Jersey a 28% reduction in work hours results in 62 fewer hours worked per year, which means that on average they were working about four hours per week before the experiment began. These experiments took place during the 1970s when few women expected to work their entire lives. Women were just beginning to enter the workforce in large numbers and many still did not consider their jobs an important part of their identity or even an important source of income for their families. If they did work out of necessity, it is unlikely that they had the training or the opportunity to access good full-time work. A reasonable response, under the circumstances, was for many of these women to opt out of paid work or reduce their hours to take care of their children. If we are to extrapolate from these results to today, we must take into account context. Most women today do not consider their earnings either secondary or expendable. They work for the same reasons that men work – to pay their bills.

One thing worth considering, however, is whether a reduction in work hours is necessarily a negative outcome. North Americans work many more hours than people in most European nations, and since the 1970s the increase in hours worked by women has intensified the disparity. [8] We have begun to transform other social policies to reflect growing evidence that overwork is not necessarily beneficial. In Canada, the entitlement to maternity leave was four weeks in the 1970s. Not surprisingly, many women who participated in Mincome used part of the stipend they received to "buy" themselves longer parental leaves when they gave birth. While we have not introduced a BI across the board in Canada, we have subsequently increased paid and partially paid parental leave substantially because we recognize the evidence that families benefit from the opportunity to spend more time together and to forge deeper bonds with newborns. Moreover, the leave is extended to men as well as to women, because it is more than just an opportunity to physically heal from the trauma of birth. Young people are encouraged by all kinds of social policies to stay in school longer, to engage in training and to take their first jobs at a later date. More and more private firms are offering opportunities for sabbaticals, recognizing the benefit that comes from productive leisure. Is it necessarily a negative outcome to find that families will take some of their income – especially if their income is enhanced through a Basic Income – in the form of greater flexibility in their use of time? Some will engage in training and education; others will engage in household production, taking care of their own families rather than paying others to provide necessary care. Some people might choose to spend time in creative or voluntary pursuits, or to engage in innovative entrepreneurial activities. Others may just read more novels or go for an additional hike. The point is that wealthy societies can afford to take some of their wealth in the form of greater quality of life associated with time away from paid labour.

Education

There are other results of these experiments. In North Carolina, children in experimental families showed positive results on elementary school test scores. In New Jersey, data on test scores was not

[8] Juliet B. Schor. 1992. *The Overworked American.* Basic Books.

collected, but a positive effect on school continuation rates was found. In SIME-DIME, as mentioned, there were positive effects on adult continuing education.[9] In Dauphin, we saw an increase in high school completion rates exactly coincident with the experiment.[10]

Health

A reconsideration of the Mincome results for the Dauphin site made use of health administration data for the province of Manitoba, and showed an 8.5% reduction in hospitalization rates relative to controls selected from similar towns and matched on the basis of age, sex and family composition. A closer look at the reasons for the decline showed 'accidents and injuries' and, especially, 'mental health' to be responsible. The category of "accidents and injuries" is a big one that captures most acute hospitalizations but it picks up, among other injuries, car accidents (many of which are alcohol related), farm and industrial accidents, family violence, assault and self harm. There was also a reduction in visits to family doctors relative to the control group, and the only code that was statistical significant was "mental health"; that is, fewer people visited their family doctors complaining of anxiety and depression.

Divorce Rates

The most damning results came in the form of family dissolution rates in the SIME-DIME experiment. Early results seemed to imply that experimental families had a divorce rate more than 50% higher than controls.[11] A decade later, the data was re-examined and the complexity and diversity of the programs taken into account; as a result, the large effect on divorce rates disappeared.[12] None of the other experiments found any effect on marital stability. Nevertheless, this debate demonstrates the significance and vulnerability of experimental results. By 1990 when the reanalysis was published, the harm was done and the debate had moved on. As a result of the earlier erroneous finding, BI lost a good deal of political support. Senator Moynihan, who had been an early advocate for the program, was no longer prepared to support a scheme that seemed to undermine family stability. Debate in the Senate centred on whether these schemes were an attack on the American family. The results were seized upon by critics, and were largely responsible for the disappearance of the NIT experiments in American political discourse for the next three decades.

<u>Unconditional Cash Transfers (UCTs) in Low-Income Countries</u>

---

[9] Levine et al., p. 100

[10] Forget, EL. 2013. New questions, new data, old interventions: The health effects of a guaranteed annual income. *Journal of Preventive Medicine.* 26 June. DOI:10.1016/j.ypmed.2013.05.029. Final version on-line: 17-NOV-2013 http://authors.elsevier.com/sd/article/S0091743513001928
Forget EL, Peden A*, Strobel S*. 2013. Cash Transfers, Basic Income and Community Building, Social Inclusion, 1(2) http://www.cogitatiopress.com/ojs/index.php/socialinclusion/article/view/113

[11] Hannan, M. Tuma, N. Groeneveld, L. 1978. "Income and Independence Effects on Marital Dissolution: Results from the Seattle and Denver Income-Maintenance Experiments". *American Journal of Sociology* 84(3) 611-633.

[12] Cain G. and Wissoker D. 1990. "A Reanalysis of marital stability in the Seattle-Denver Income Maintenance Experiment. *American Journal of Sociology.* March. 1235-69.

Several BI experiments have taken place in low and medium-income countries under the label of unconditional cash transfer (UCT) experiments. Every experiment takes place in a particular social, political and historical context and it is difficult to generalize from the experiences of low-income countries to Canada. For example, most of these countries do not have the complex social policy architecture of high-income countries, so they do not face the challenge of integrating many different policies in ways that avoid unforeseen conflicts. In that sense, a BI might be easier to implement in a low-income country. However, these countries also often have rudimentary data infrastructures and somewhat limited taxation systems which makes implementing a BI a different kind of challenge than those facing high-income countries. Nevertheless, there are lessons to be learned from these experiments.

Low-income country experiments have taken place or are currently taking place in India, Kenya, Malawi and Namibia. In the Indian state of Madhya Pradesh from June 2011 to November 2012, a BI experiment was co-sponsored by UNICEF and the Self Employed Women's Association (SEWA). During this eighteen month experiment, 6,000 individuals in nine villages received monthly unconditional cash transfers equivalent to about one quarter of the median income in the state. The transfers were delivered to all adults in each village, with smaller amounts for every child. Similar villages were used as controls. It was found that, relative to the residents of control villages, individuals receiving the cash transfers were seen to be significantly more likely to obtain adequate nutrition, receive regular medical treatment, invest in improved energy and sanitation, start new businesses, and send their children to school, among other improvements[13].

Between 2011 and 2013, GiveDirectly (an American NGO) delivered a UCT to 95 eligible households in 60 villages in rural Kenya. Cell phones were used to deliver cash to households. When transfers were delivered monthly, food security improved dramatically. Large lump-sum transfers were more likely to be spent on durable goods. In both cases, large improvements in well-being were found[14]. GiveDirectly is expanding its program with plans to deliver a UCT to eligible households in 200 villages over a twelve-year period (2018 – 2030) to capture long-term effects. In 2008-2009, a BI experiment was conducted in Namibia. Reported results included better nutrition, clothing, and transportation, more savings and a rise in entrepreneurship.[15]

The most sophisticated of these experiments compared unconditional cash transfers (UCTs) to conditional cash transfers (CCTs) in Malawi; one group of villages received income conditional on sending their daughters to school (CCT), while another group received an unconditional cash transfer (UCT) and the third group acted as controls. Unsurprisingly, families who received income only if they

[13] Sarath Davala, Renana Jhabvala, Guy Standing, Soumya Kapoor Mehta. 2015. *Basic Income. A Transformative Policy for India.* London: Bloomsbury.

[14] Johannes Haushofer, Jeremy Shapiro; The Short-term Impact of Unconditional Cash Transfers to the Poor: Experimental Evidence from Kenya, The Quarterly Journal of Economics, Volume 131, Issue 4, 1 November 2016, Pages 1973–2042, https://doi.org/10.1093/qje/qjw025

[15] Claudia and Dirk Haarnann, 2015. "Piloting basic income in Namibia – critical reflections on the process and possible lessons", Paper delivered at the 14th Congress of the Basic Income Earth Network (BIEN) Munich – 14-16th September 2012

sent their adolescent daughters to school were more likely than those who received a UCT to send their daughters to school, although there was little difference in academic performance as measured by test scores. More surprising, though, when other outcomes were examined – specifically, very early marriages and HIV transmission – those who received a UCT fared better than those in the control or CCT villages. It seems that the CCT was insufficient to encourage the poorest and most vulnerable families to send their daughters to school because they often faced many other barriers, such as poor transportation. These most vulnerable families did not send their daughters to school and therefore received no support. In the UCT villages however, the most marginalized families continued to receive support even if they did not send their daughters to school. The money was insufficient to encourage increased education, but it seems to have been sufficient to reduce the amount of transactional sex work expected of daughters in the poorest families, and it was sufficient to discourage very early marriages among these girls. HIV transmission rates declined in the UCT villages relative to the CCT villages and the controls.[16]

Is there anything for high-income countries like Canada to learn from these UCTs in low-income countries? One of the advantages that a limited infrastructure imposes on experimenters in low-income countries is that they need to develop innovative means for accomplishing such basic tasks as getting money into the hands of families or selecting samples in rural and remote communities with limited census data. High-income countries are used to relying on the technology and data systems that exist, and are often impeded by such unanticipated difficulties as legislation that prevents them from using an income tax or income assistance database to select a sample or deliver payments. In Kenya, eligible households were selected from among families with thatched rather than zinc roofs, and payments were delivered through the cell phones that were ubiquitous because landlines were not. One lesson to be learned is that a little bit of creativity can solve what look like mammoth difficulties.

A more fundamental lesson comes from the Malawi experiment: one of the most important arguments in favour of a Basic Income is that individuals and families know better than experts how best to spend their money. While experts entered the arena expecting that the education of girls was paramount, and it is an important development goal, the most marginalized families had needs they considered more profound. Discouraging very early marriages and all the negative outcomes associated with too early births and power differentials within the family, and discouraging transactional sex work among young women is at least as important an outcome as providing young girls with education. Pre-selected outcomes are important so that we are honest in our analyses; some outcomes, such as nutrition or food security, seem clear enough. However, it is important to recognize that families who receive a BI may spend the money they receive in unexpected ways; that does not necessarily mean that the BI experiment "failed". Indeed, autonomy and agency – the right of families to make their own decisions – is fundamental.

[16] Sarah Baird, Craig McIntosh, Berk Özler; Cash or Condition? Evidence from a Cash Transfer Experiment , The Quarterly Journal of Economics, Volume 126, Issue 4, 1 November 2011, Pages 1709–1753, https://doi.org/10.1093/qje/qjr032

WHAT HAPPENED TO THE NEGATIVE INCOME TAX EXPERIMENTS?

Policymaking is challenging for many reasons. There seem to be many advantages to a national BI programme, yet no jurisdiction has implemented one. The NIT experiments of the 1970s can give us some clues as to who might oppose a BI policy. Any proposed policy will advantage some people and disadvantage others and, because we fear losing what we already have more than we appreciate advantages that might come to us in the future, potential losers are always more vocal than those who stand to gain. In the case of Basic Income, the policy can be designed so that no one currently relying on existing income assistance programmes will be worse off. That, however, does not mean that there is no one who might be opposed to Basic Income.

The Resistance to Changing Existing Programmes

The NIT Experiments in the US were opposed by an informal and unstable, but nevertheless powerful, coalition made up of old-school Republicans who opposed any tax increases and all "entitlement" programmes, and "progressives" in the federal Department of Health, Education and Welfare and the Department of Labor. The opposition on the political right was anticipated. Even though some of the earliest advocates of BI in the US were people such as Milton Friedman who imagined that BI would mean a smaller and less intrusive government, it quickly became clear that any BI implemented in the real world would not eliminate all other social programmes.

The opposition on the political left, however, was more of a surprise. Many of the people charged with overseeing the NIT experiments were the same people who had built the existing welfare programmes and were loyal to them. Some were incapable of imagining other ways of delivering programmes than those that were currently in place, but more were simply committed to programmes they believed to be essentially well-designed programmes whose only flaw was that they had never really been given a fair chance because they were underfunded. A far simpler solution to poverty, they believed, was simply to increase the support through existing programmes.

This position, of course, underplays the flaws inherent in existing income assistance programmes. The programmes are inadequate not simply because they pay recipients too little, but because they are organized in ways that undermine individual autonomy. Caseworkers oversee families, partly to help them make better life decisions and partly to ensure that the taxpayer is protected. This puts caseworkers in an impossible position; how do you build trust with your client when your loyalties are divided? The sheer mass of regulation means that recipients are almost always not in complete compliance; consequently, they are always subject to penalties that might, or might not, be imposed. People who have no experience with the income assistance system imagine that it is formulaic; in fact, many decisions are left to the discretion of frontline workers. All of this means that a recipient can never know with certainty what he is entitled to, what he might receive, when the payment might arrive and what he is permitted to do with the support he does receive. He is inundated with routine paperwork if he wants to receive any support; if the paperwork is late, the payment will not arrive as expected. At any time, he might receive additional requests for information that is already in the file. Late compliance (or a bad attitude) means another penalty or discretion denied. None of this supports autonomy or rational

decision-making. Under these conditions, it is entirely understandable that recipients bristle when told that their problem is financial illiteracy. The solution is not just to "raise the rates" but to replace a fundamentally flawed template.

Labour

Opponents in the Department of Labour brought a different perspective to BI. Their opposition was based on two points. First, they held a somewhat romantic attachment to the nobility and dignity of labour itself. Second, they believed that any improvement to social security was an implicit attack on the primacy of organized labour and, ultimately, the wellbeing of workers.

There is no denying that work is good for people, assuming the work people find is of a reasonable quality. Work allows people to be more independent and autonomous in the rest of their lives. At its best, it provides structure and meaning to many peoples' lives. Even less satisfying jobs allow workers to interact with others, and many value the social aspects of jobs that they do not find inherently pleasing. However, we do have a habit of identifying "work" with paid labour. What about the work provided by people outside the labour market, whether we are dealing with a mother caring for young children or an adult caring for elderly parents? Those employed in creative work – writers, artists and so on – rarely earn enough from their chosen work to support themselves, but that work is what gives their lives meaning. However, for many people, work in the paid labour market is their best opportunity to achieve these benefits. Some work, of course, is not only less than fulfilling but downright damaging. Those who work in dangerous or demeaning jobs are not demonstrably better off than they would be if they were adequately supported by income assistance.

Labour advocates were therefore very interested in the reaction of potential workers to the receipt of a BI. Many looked at the numbers reported in Table 2 and declared that what I labeled "modest reductions" in hours worked were, in fact, unacceptably large. They believed that any reduction in work effort would be bad for the economy, for society and ultimately for workers themselves. The "dignity of labour" argument is, at its heart, a value judgment, however broadly it is shared in our society. It might be time to begin a broad conversation about the roles that work plays in our lives, and the ways that we value ourselves and one another through our labour market activity.

The more fundamental opposition from those in the Department of Labour was a variant on an argument that has often been raised when labour advocates were confronted with proposed improvements to social security. The argument is that improvements to social security act as a subsidy to low wages and allow employers to reduce their wage offers. In that way, improved social security acts as a drag on the labour market and undermines improvements in worker wellbeing that ought to be achieved through collective bargaining. There are many examples of this argument, but let me introduce one example from Canadian history. In 1929, just as the Great Depression was looming, there was a proposal to introduce Family Allowances in Canada. The Canadian Trades and Labour Congress, the predecessor of the Canadian Labour Congress, opposed the introduction on the grounds that it would undermine wages. They won, and as a consequence, Canadian families weathered the Great Depression – the longest stretch of real wage decline in history – without the support of a Family Allowance. In

1944, Family Allowances were again proposed and again the Canadian Trades and Labour Congress opposed their introduction on the grounds that it would undermine wages. Their argument was well received, but the Department of Finance was in fact looking for a way to keep wages from rising because they feared a postwar inflation. As a consequence, Family Allowances were introduced just at the beginning of the postwar boom that saw the longest stretch of real wage growth in history.[17] Again, the evidence does not seem to support the argument. Today, of course, one might argue further that adequate labour legislation and minimum wage laws would prevent this outcome even if the argument were valid. Moreover, appealing to the advantages of collective bargaining in an economy in which the private sector unionization rate is less than 16% seems risky.

Race

One very important reason for the demise of the NIT experiments rests on the troubled role of race in US history. Race played several roles. First, NIT experiments came about in the first place because many idealistic (and often privileged) young women and men who advocated for civil rights in the 1960s were confronted with the reality of deep poverty for the first time when they tried to organize racialized communities. The experiments were a consequence of racialized inequality in the US.

Many of the first advocates for these experiments were aware of the deep inequality in US society and the way it disadvantaged people of colour. In 1965, Assistant Secretary of Labor, Daniel Patrick Moynihan, published a report entitled, *The Negro Family: The Case for National Action.* Known simply as the Moynihan report, this work launched his career. Moynihan became a professor at Harvard, an advisor to President Nixon and a four-term Senator representing New York. The Report itself was ambiguous, and deeply rooted in its time. On the one hand, Moynihan argued for economic reform on the grounds that civil rights legislation alone would not eliminate racial inequality if African Americans could not earn enough to support their families. Yet he did not attribute racial inequality to economic inequality; rather, he argued that the rise of single-mother families was rooted in "ghetto culture" and responsible for many destructive outcomes. This led some people to argue that economic reform was unnecessary because only "racial self-help" could solve racial problems in America. The confusion in the Report also played out in Moynihan's support (and later criticism) of Basic Income.

In the early days of the experiments, Moynihan supported BI because it would allow poor black families to better support their children. However, when the first results on family dissolution first started to come out of the SIME-DIME experiment, he pulled back on his support. This advocate for strong African American families could not support a policy that seemed to undermine family stability, particularly for the poorest families whose children needed such stability the most. Moynihan withdrew his support in

[17] For a discussion of the politics surrounding the issue of the family allowance in Canada, see Nancy Christie, *Engendering the State: Family, Work, and Welfare in Canada* (University of Toronto Press, 2000), chap. 7. See also: Hugh Grant, *W.A. Mackintosh: The Life of a Canadian Economist,* McGill-Queen's University Press, 2015

the face of questionable results on family stability, and he took many earlier supporters with him. This was the beginning of the end for the US NIT experiments.

Race played into these experiments in another way. One of the easiest ways to discourage support for any income assistance programme is to suggest that recipients are very different from the hardworking taxpayers whose tax dollars will support the programme. If a social programme looks like it might be for everyone, such as medicare or OAS, many people are willing to support it. If, however, an income support programme is imagined to be used by "other" people, support is harder to obtain. To some extent, income assistance programmes are always imagined to support people who are different – lazy, immoral or somehow undeserving. When income inequality is racialized so that many of the beneficiaries of such programmes are identified with a marginalized race, general support for the programme declines even further.

DO WE NEED ANOTHER BI EXPERIMENT?

We have learned a lot from previous BI experiments, both the NIT experiments in North America and the UCT experiments in low-income countries. Outcomes in terms of labour market responses and broader social outcomes associated with quality of life seem positive. Nevertheless, we are currently seeing the design and implementation of more experiments in high income countries rather than the design and implementation of a BI policy. Experiments cost a good deal of money and they take time to implement, conduct and analyze. When we compile all that we already know about BI from previous experiments, it is reasonable to as whether conducting another experiment worth the time and expense it will require.

Policymakers still have questions about BI, but BI experiments will not answer all of them. One of the biggest concerns of policymakers is the potential cost of a BI, but an experiment can tell us very little about the cost of running a BI program. Experiments, by their very nature, are expensive to run. The largest part of the costs associated with an experiment is the cost of data collection, research design and data analysis. Experiments are not like general policy roll-outs, and therefore the methods of selecting participants and getting money into their hands is very different from the methods that would be used if BI were a general policy. For an experiment, new databases need to be constructed and managed outside the general databases used to deliver existing policies. This is an expense that need not exist if a policy becomes general. Moreover, the purpose of an experiment is to answer research questions and this requires a lot of data. Far more data will be collected and analyzed about participants in an experiment than will be necessary in a general policy roll-put. For example, participants in an experiment will complete a number of surveys at various times during the experiment so that researchers can track the impact of a policy on many features of their lives. The quality of the data collected is important to a good experiment, and therefore a great deal of money and time will be put into ensuring that all participants complete the surveys. For many people, for a variety of reasons ranging from literacy concerns to unstable residential histories, this will require in-person interviews. Moreover, participation in the Canadian experiments will require informed consent. This means that researchers must create meaningful information and make people available to answer questions. Consents need to be tracked and filed. Time needs to be allocated to accessing other forms of data and

ensuring its availability to the research team, and many of the necessary databases are protected by various kinds of legislation to ensure privacy. All experimentation requires multiple layers of ethics approval. All of this costs a lot of money: interviewers and research coordinators need to be hired and trained, paper needs to be tracked and databases constructed. Then, researchers and statisticians must be hired to answer the questions posed. Very few of these costs would be necessary in a general policy roll-out.

It is important not to generalize about the costs of a BI from the costs associated with a BI experiment. This should be obvious, however Mincome faced a lot of criticism because the experimental costs ballooned and some in both the provincial and federal government decided, on the basis of experimental costs, that Canada could not afford a Basic Income.[18] Similarly in the US, some discussion in the House and Senate focused on the costs of the experiments. The costs of the experiments were being used by many as a proxy for the cost of a BI.[19]

None of this is to say that we cannot estimate the costs of a BI policy. There are other methods available to us, but these do not require social experimentation. If an experiment cannot tell us much about the cost of a BI, is there any reason to incur the considerable costs of running an experiment when we already know a lot about the likely impact of a BI on social behaviours and quality of life?

There are at least four reasons why a policymaker might choose to undertake a large and costly BI experiment today. The first is that they might have questions that were not answered by previous research that could be answered by an experiment. For example, Finland is interested in the impact of a very different BI design on the prevalence of long-term unemployment. This has not been investigated in previous experiments and is the justification for Finland's experiment. Second, policymakers might want to know how the changing political and social context will affect the results we expect. We know, for example, that women have a much greater attachment to the labour market today than they did forty years ago and we also know that the policy environment within which individuals make behavioural decisions has changed significantly. In a world with fully or partially paid parental leaves of twelve or eighteen months available to either or both parents, how will new parents react to the introduction of a BI? Will professional women in 2017 change their work effort in the same way that their mothers, who had very different opportunities and expectations, did in 1975? How will adolescents today decide between work and education when median educational attainment is so much higher than it was forty years ago? These social changes might justify a new set of experiments to see whether the results of experiments conducted in different times and places can be generalized.

Third, a social experiment offers an opportunity to gauge social and political acceptability of ideas as they become concrete. Most people do not pay much attention to abstract discussions in policy journals. An experiment that attracts media attention, however, is a much more immediate concern.

---

[18] Farthing, GB. 1992. *Social experiments and social policy formulation: A study of the Manitoba basic annual income experiment.* PhD thesis, London School of Economics and Political Science (United Kingdom).

[19] **Forget EL.** 2010. Abolishing Poverty: The history and significance of the North American Guaranteed Annual Income Social Experiments. *Storia del pensiero economico.* 2010(1): 5-31.

The fourth reason, though, is important. Basic Income is a controversial policy and it has been painted by critics as an extreme and radical policy for which there is no precedent. That is untrue. A BI of the type under experiment in Ontario has precedents, even in Canada. The Canada Child Benefit is a form of Basic Income for families with dependent children. Initial evidence suggests that it has been successful at reducing the depth and breadth of poverty. Anecdotal reports suggest that mothers who receive the Canada Child Benefit are more likely to work because the Benefit helps pay childcare costs. Seniors in Canada receive a slightly different BI in the form of OAS and GIS. OAS is available to most of the population, and is taxed back at very high incomes. GIS is income contingent and represents additional support for low-income seniors. These two policies together have ensured that Canadian seniors fare well relative to their counterparts in other high-income countries. The poverty rate among Canadian seniors is half that of other population groups.

One outcome of a BI experiment is to demonstrate to the population at large that a BI is neither radical nor dangerous. The economy will continue to function, people will continue to work and the nation will not be bankrupted. All that will happen is that many low-income families and many families facing the economic insecurity associated with precarious labour will have a better quality of life. They will live with less stress, and have fewer physical and mental health issues. They will rely less on other social programs designed to respond to the consequences of poverty and economic insecurity because they will have the resilience that comes from having access to resources when they require help. A BI experiment, well designed and with a bit of luck, will settle uncertainty and set the minds of critics at rest. It is, in the language of policymakers, a matter of due diligence.

EXPERIMENTS AND POLICIES

There have been BI experiments in low, medium and high-income countries over the past half century and one thing that is quite clear is that each experiment takes place in a particular time and place. Some findings seem to be true always, while others depend on the context in which the experiment is conducted.

One finding that seems always to be present is that, given the opportunity to make their own decisions about how to spend their money, recipients generally do a good job of meeting their own needs. Despite often expressed fears that recipients will “misuse” the money, it does not seem to happen often. From Malawi to Finland to Kenya to India to Seattle to Dauphin, from 2017 to 1974, all our best evidence suggests that people will spend money in ways that make their families better off. They might not spend money as an expert would choose. Some Malawi mothers decided that protecting their daughters from the power imbalances of early marriages was more important than sending them to school. Some Dauphin residents decided to turn down a job to stay in high school, while others chose to open a risky shop rather than take stable, waged labour. However, they chose to spend their money in ways that made sense from their own perspectives.

Other findings are time and place dependent. For example, the NIT experiments suggested that women – especially married women – would reduce their working hours dramatically if their families were given

a BI. That result, however, was produced in a world in which married women typically worked only a few hours a week, had few career aspirations and little job training. It makes little sense to generalize that result to Canada today, when most married women work for the same reason most married men work – to support their families. Using BI to extend maternity leaves makes sense when the legal entitlement is four weeks; it is less attractive when a mother can expect twelve to eighteen months of fully or partially paid leave.

As BI experiments roll out across high-income countries, we now have the unique opportunity to validate earlier findings and extend the range of questions we can ask and outcomes we can track. In a world in which data is so much easier to access, we can fine-tune our evaluations and follow recipients for longer periods of time.

Forty years ago, the policy environment shifted and the NIT experiments ended without the implementation of a BI. Today, we have another opportunity to ensure that all Canadians have access to the resources they need to live with dignity.

REFERENCES

Baird, Sarah, Craig McIntosh, Berk Özler. 2011. Cash or Condition? Evidence from a Cash Transfer Experiment, The Quarterly Journal of Economics, Volume 126, Issue 4, 1 November 2011, Pages 1709–1753, https://doi.org/10.1093/qje/qjr032

Boadway, Robin W., Katherine Cuff, and Kourtney Koebel. *Designing a basic income guarantee for Canada*. No. 1371. Queen's Economics Department Working Paper, 2016.

Burtless, G. and Hausman, J. 1978. "The effect of taxation on labor supply: Evaluating the Gary negative income tax experiment." *The Journal of Political Economy* 86(6) 1103-1130.
Cain G. and Wissoker D. 1990. "A Reanalysis of marital stability in the Seattle-Denver Income Maintenance Experiment. *American Journal of Sociology.* March. 1235-69.

Cunliffe, J. and Erreygers, G. 2003. "'Basic income? Basic capital!'Origins and Issues of a Debate"*The Journal of Political Philosophy* 11(1): 89-110.

Sarath Davala, Renana Jhabvala, Guy Standing, Soumya Kapoor Mehta. 2015. *Basic Income. A Transformative Policy for India.* London: Bloomsbury.

Nancy Christie, *Engendering the State: Family, Work, and Welfare in Canada* (University of Toronto Press, 2000)*,*

Farthing, GB. 1992. *Social experiments and social policy formulation: A study of the Manitoba basic annual income experiment.* PhD thesis, London School of Economics and Political Science (United Kingdom).

Forget EL. 2010. Abolishing Poverty: The history and significance of the North American Guaranteed Annual Income Social Experiments. *Storia del pensiero economico.* 2010(1): 5-31

Forget, EL. 2013. New questions, new data, old interventions: The health effects of a guaranteed annual income. *Journal of Preventive Medicine.* 26 June. DOI:10.1016/j.ypmed.2013.05.029. Final version on-line: 17-NOV-2013 http://authors.elsevier.com/sd/article/S0091743513001928

Evelyn L Forget. 2011. The Town With No Poverty, *Canadian Public Policy* 37(3): 283-305.

Forget EL, Peden A*, Strobel S*. 2013. Cash Transfers, Basic Income and Community Building, Social Inclusion, 1(2) http://www.cogitatiopress.com/ojs/index.php/socialinclusion/article/view/113

Hugh Grant, *W.A. Mackintosh: The Life of a Canadian Economist,* McGill-Queen's University Press, 2015

Claudia and Dirk Haarnann, 2015. "Piloting basic income in Namibia – critical reflections on the process and possible lessons", Paper delivered at the 14th Congress of the Basic Income Earth Network (BIEN) Munich – 14-16th September 2012

Hannan, M. Tuma, N. Groeneveld, L. 1978. “Income and Independence Effects on Marital Dissolution: Results from the Seattle and Denver Income-Maintenance Experiments”. *American Journal of Sociology* 84(3) 611-633.

Johannes Haushofer, Jeremy Shapiro; The Short-term Impact of Unconditional Cash Transfers to the Poor: Experimental Evidence from Kenya, The Quarterly Journal of Economics, Volume 131, Issue 4, 1 November 2016, Pages 1973–2042, https://doi.org/10.1093/qje/qjw025

Hum, D. Simpson, W. 1993a. “Economic response to a guaranteed annual income: Experience from Canada and the United States.” *Journal of Labor Economics* 11(1) Part 2: U.S. and Canadian Income Maintenance Programs. S263-S296. pg. S275.

Levine, R. Watts, H. Hollister, R. Williams, W. O’Connor, A. Widerquist,K. 2005. “A Retrospective on the Negative Income Tax Experiments: Looking Back at the Most Innovative Field Studies in Social Policy”.Widerquist, K. Lewis, M. Pressman, S. eds. *The Ethics and Economics of the Basic Income Guarantee*. Aldershot, Ashgate: 95-106.

MacDonald, D. 2016. *A Policymakers Guide to Basic Income.* Canadian Centre for Policy Alternatives. October.

Pereira, Richard. "The Cost of Universal Basic Income: Public Savings and Programme Redundancy Exceed Cost." In Financing Basic Income, pp. 9-45. Springer International Publishing, 2017.

Juliet B. Schor. 1992. *The Overworked American.* Basic Books.

Watts, H. and Rees, A. eds. 1977. *The New Jersey Income-Maintenance Experiment, Volume 2: Labor-Supply Responses. New York, Academic Press*. and Watts, H. and Rees, A. eds. 1977. The New Jersey Income-Maintenance Experiment, Volume 3: Expenditures, Health, and Social Behavior; and the Quality of the Evidence. New York, Academic Press.