CHAPTER 3

Basic Income in the United States, 1940–1972: How the 'fiscal revolution' Reshaped Social Policy

Daniel Zamora Vargas

During the summer of 1963, Wilbur H. Ferry, co-founder of the Center for the Study of Democratic Institutions—one of the most influential liberal think-tanks of the period—met up with some of his closest friends and fellow political activists in the Princeton office of Robert Oppenheimer.[1] Their idea was to discuss the writing of a political statement that would challenge how Americans were to think the future of work, social policy, or human rights in the 'age of abundance'. Packed in the room with Oppenheimer and Ferry, figures ranged from the economist and futurologist Robert Theobald to the leaders of the *Students for Democratic Society* (SDS) Todd Gitlin and Tom Hayden, who had just released the 'Port Huron Statement' a year before. What they would later publish as the

[1] James A. Ward, *Ferrytale. The Career of W.H. 'Ping' Ferry* (Stanford, CA: Stanford University Press, 2001), 93.

D. Zamora Vargas (✉)
Institut de sociologie, Université Libre de Bruxelles, Brussels, Belgium
e-mail: daniel.zamora.vargas@ulb.ac.be

P. Sloman et al. (eds.), *Universal Basic Income in Historical Perspective*, https://doi.org/10.1007/978-3-030-75706-9_3

'Manifesto for a Triple Revolution' emerged in part from the concern the group shared about the possible 'disappearance of work' and the specific challenge it constituted for liberals. For them, the entirety of the post-war 'industrial productive system' seemed 'no longer viable'. The left, as they saw it, needed to 'form a new consensus' centred around the realization that 'the traditional link between jobs and incomes [was] being broken'. An 'unqualified right to an income', inspired by Milton Friedman's Negative Income Tax, had now to 'take the place of the patchwork of welfare measures' in order to ensure 'that no citizen or resident of the United States actually starves'.[2] The idea of establishing (in Friedman's words) 'a floor below which no man's income … could fall' would constitute one of the most distinctive innovations in the field of social policy.[3] To Ferry and his colleagues, 'new circumstances' demanded 'radically new strategies'.

With no less than thirty-four signatories—including Nobel Prize winners Linus Pauling and Gunnar Myrdal, socialist Norman Thomas, writer and social critic Dwight Macdonald, and major figures of the New Left such as Michael Harrington and James Boggs—the statement was sent to President Lyndon B. Johnson and immediately made it to the front page of *The New York Times*. Consecutively, proposals for a guaranteed income were the object of more than 500 editorials in the country, becoming a nationally publicized topic of discussion in the following years. In fact, the debate opened by the memorandum far exceeded Ferry's wildest expectations, with guaranteed income schemes receiving substantial popular support, including from the civil rights leader Martin Luther King Jr. By 1968, large-scale guaranteed income experiments were launched in several cities and the following year, Richard Nixon, who had initially presented himself as a firm opponent of the idea, tried to implement a version of it through his Family Assistance Plan (FAP). However, FAP never made it past the legislative brokering in the Senate.

Ferry attributed the phenomenal media attention which his memorandum received to the 'sheerest luck', since 'nothing [was] happening in D.C.' that weekend.[4] Retrospectively, his interpretation is, of course, unconvincing. It is however surprising that, apart from a few exceptions focused on the institutional career of the proposal, the history of basic income in the United States—and more specifically the intellectual setting

[2] Ad Hoc Committee on the Triple Revolution, *The Triple Revolution* (Santa Barbara: Ad Hoc Committee on the Triple Revolution, 1964).

[3] Friedman quoted in Austin C. Wehrwein, 'Economist Says Negative Tax Should Replace All Poverty Aid', in *The New York Times*, December 16, 1965, 41.

[4] Ward, *Ferrytale,* 94.

and conditions under which it captured the public imagination—has not yet been the object of much scholarly attention.[5] This chapter will explore what the political success of guaranteed income proposals in the 1960s tells us about wider debates over the place of the price mechanism and the role of the state in social policy. Far from dividing the economics profession into clear political camps, we will argue that these discussions were articulated along new lines, slowly promoting a 'fiscal revolution' in US public policy. This allowed the state to work increasingly through 'market friendly' cash transfers rather than collective provision and categorial relief, and to rely on the 'sovereign consumer' as the most efficient agent to allocate goods while preserving redistributive aims.

Milton Friedman's Negative Income Tax

The earliest version of what could be seen as a basic income in the United States is probably Milton Friedman's Negative Income Tax (NIT). While the proposal reached a large audience with Friedman's 1962 bestseller *Capitalism and Freedom*, he had articulated the idea well before.[6] The earliest known discussion was probably held when he was the principal economist at the Treasury Department's Division of Tax Research between 1941 and 1943, under Henry Morgenthau's administration.[7] While he had been concerned with the idea of guaranteeing a 'minimum standard

[5] See in particular Daniel P. Moynihan, *The Politics of a Guaranteed Income* (New York: Vintage, 1973); Leslie Lenkowsky, *Politics, Economics and Welfare Reform: Failure of Negative Income Tax in Britain and the United States* (New York: Rowman & Littlefield, 1986); Dennis J. Ventry, 'The Negative Income Tax: An Intellectual History', *Tax Notes*, 27 (1997); Alice O'Connor, *Poverty Knowledge* (Princeton, NJ: Princeton University Press, 2001); Romain D. Huret, *La fin de la pauvreté? Les experts sociaux et la Guerre contre la pauvreté aux États-Unis (1945–1974)* (Paris: Ed. de l'EHESS, 2008); Brian Steensland, *The Failed Welfare Revolution* (Princeton, NJ: University Press, 2008).

[6] For Friedman's thoughts on the origin of his idea see Milton Friedman, Letter to Christopher Green, January 20 1966, Box 201, File 201.6 and 7, Negative Income Tax 1966–80; Milton Friedman, Letter to Martin Bronfenbrenner, March 30 1964, Box 21, File 21.35; Milton Friedman, Letter to Mr. Melvin Rosen, March 4 1969, Box 201, File 201-9, Negative Income Tax 1965–1992. All at Milton Friedman papers, Hoover Institution.

[7] See: Milton Friedman, Letter to Dennis Ventry Jr., December 3, 1996, Milton Friedman papers, Hoover Institution, Box 201, File 201.7, Negative Income Tax 1966–2004; Christopher Green, *Negative Taxes and the Poverty* (Washington, DC: The Brookings Institution, 1967), 57; Robert J. Lampman, 'The decision to undertake the New Jersey experiment', in *The New Jersey Income-Maintenance Experiment*, Volume 1, eds. David Kershaw, Jerilyn Fair, (New York: Academic Press, 1977), xiii and Moynihan, *The Politics of a Guaranteed Income*, 50.

of living' since 1939, Friedman probably came up with the general idea through the very rich interwar English economic debates about welfare economics.[8] The idea, as he noted himself, 'was very much in the air' at that time.[9] Among the proposals he encountered as a young economist were the 'social dividend' put forward by Oskar Lange and then by Abba P. Lerner in the mid-1930s, the 'national dividend' promoted by the Social Credit theory of C. H. Douglas, and the utopian schemes advanced by Edward Bellamy in *Looking Backward,* which Friedman included in his courses at the University of Wisconsin between 1940 and 1941.[10]

Friedman's own NIT proposal, however, included several innovations that would later define our contemporary understanding of basic income and that were specifically shaped by his early work in federal agencies. There was his use of the fiscal system to shape social policy, his focus on cash rather than collective provision and, perhaps more importantly, the fact that his proposal was completely detached from any normative or contractual requirement towards work (either past or future). These specific features, articulated into a single and simple proposal, would constitute a distinctive innovation in the field of American social policy. The simplicity of it was extremely attractive: the moment someone falls under a certain level of income, they begin receiving the negative tax. This crucial innovation emerged essentially during the discussions Friedman had with the small team at the Treasury including Walter Heller, Louis Shere, and William Vickrey about the development of a federal withholding tax.[11] The

[8] See especially Milton Friedman, 'An objective method of determining a "Minimum Standard of Living"', 1939, Milton Friedman papers, Hoover Institution, Box 37, file 37.8.

[9] See Milton Friedman email to Eduardo Suplicy, April 11, 2000. Available online at https://usbig.net/newsletters/june.html, accessed December 10, 2020.

[10] See in particular Oskar Lange, 'On the Economic Theory of Socialism: Part I', *Review of Economic Studies*, 4, no. 1 (1936): 53–71. Later, both Stigler and Friedman published accounts of 'The Economics of Control' (1944) where Abba Lerner explains in detail the idea of a 'social dividend' he had taken from Lange but also about how it could be implemented through a 'negative tax'. Stigler is even thanked at the beginning of the book for 'reading the manuscript and correcting a number of errors'. See George J. Stigler, 'Reviewed Work: The Economics of Control: Principles of Welfare', *Political Science Quarterly*, 60, no. 1 (1945): 113–15; Milton Friedman, 'Lerner on the Economics of Control', *Journal of Political Economy*, 55, no. 5 (1947): 405–16. For Friedman's early use of these ideas, see Milton Friedman, *Lecture Notes at the University of Wisconsin*, October 1940, Box 75, file 5, Milton Friedman papers, Hoover Institution.

[11] Angus Burgin, *The Great Persuasion. Reinventing Free Markets since the Depression* (Cambridge, MA: Harvard University Press, 2012), 164.

idea arose, Friedman recalls, 'as part of the thinking about an appropriate structure of income tax which would take care of averaging fluctuating income over time'.[12] Indeed, for persons whose income rose and fell from one year to another, the system could make them pay more taxes than those receiving the same amount but whose income was steady. This problem was particularly acute for low-income workers, constantly moving from a zero-tax bracket to another. In order to compensate this inequality in treatment, Friedman conceived a 'negative income tax' in which during a bad year the taxpayer would receive rather than pay money to the Treasury.

Friedman's use of the tax system to this purpose wasn't however a contingent choice. It was during the war period that the US federal government shifted to mass taxation. If, by 1945 two-thirds of Americans were paying taxes, before the war taxpayers constituted only between 4 and 8 per cent of the working population.[13] As observed by Gary Gerstle, to finance the war, the government had to extract revenue from a large percentage of the population, helping to 'fundamentally alter the landscape of possibility for federal government activity'.[14] As such, as argued by Dennis Ventry, 'before World War II, the idea of negative income taxation was inconceivable'.[15] It was the war effort, overall, that brought more than fifty million new taxpayers onto the payrolls, making it seem that, when thinking about the distribution of income, it would be more efficient to use negative rates of taxation rather than complex welfare schemes. For the first time, fiscal policy was regarded as a proper tool for social policy. But when Heller, Vickrey, and Friedman discussed the scheme during the early 1940s, they rapidly considered it 'too innovative and experimental' and put it aside.[16]

Equality and the Price System

However, among economists, the Negative Income Tax would become a powerful idea. It promised to tackle poverty while preserving the price system, which had emerged as the crucial tool for an efficient allocation of

[12] Friedman, Letter to Mr. Melvin Rosen. This is also mentioned by Moynihan, *The Politics of a Guaranteed Income,* 50.

[13] Gary Gerstle, *Liberty and Coercion: The Paradox of American Government from the Founding to the Present* (Princeton, NJ: Princeton University Press, 2015), 270.

[14] Ibid., 272.

[15] Ventry, 'The Negative Income Tax: An Intellectual History', 2.

[16] Huret, *La fin de la pauvreté?*, 109.

resources in the aftermath of the socialist calculation debate of the 1920s.[17] It was in that context that cash transfers began to gain traction as a more suitable alternative to collective provision and heavy-handed state interventions within the market. While admitting 'strong egalitarian leanings' until the late 1940s, Friedman always consistently defended the centrality of the price system when it came to the allocation of goods.[18] 'Even with a completely competitive order', he argued at the 1947 Mont Pelerin Society in a panel about 'Taxation, Poverty and Income Distribution', there would always be a 'problem of poverty', and 'no democratic society is going to tolerate people starving to death, if there is food with which to feed them'.[19] This scepticism about laissez-faire was not unusual for him at that time. The same year, in a letter to the economist Robert de Fremery, he argued that 'almost no matter how you would define a free market, it will imply inequalities at the bottom of the scale which you, like I, would find socially intolerable'.[20] In fact, this line of thinking will be characteristic of the neoliberal project from the very beginning. As argued by Niklas Olsen, during the 1930s and 1940s many of the members of the neoliberal network were 'deeply suspicious of nineteenth-century capitalism' and associated unregulated markets with both widespread poverty and monopolies.[21] Friedman himself had been deeply influenced by Henry Simons' 1934 *Positive Program for Laissez-Faire* who advocated a more extensive role for the state in organizing and preserving the economic life. In other words, as the members of the conference put it, it meant to imagine 'the possibility of establishing minimum standards by means not inimical to initiative and the functioning of the market'.[22] His 'progressive negative

[17] On the socialist calculation debate and collective decision making see, among others, Peter Boettke, ed., *Socialism and the Market: The Socialist Calculation Debate Revisited* (London: Routledge, 2000); Beatrice Cherrier and Jean-Baptiste Fleury, 'Economists' Interest in Collective Decision after World War II: A History', *Public Choice*, 172, no. 1/2 (July 2017): 23–44.

[18] Milton Friedman, Letter to Martin Bronfenbrenner, July 18 1947, Box 21, File 21.35.

[19] Thanks to Peter Sloman for indicating to me the existence of this presentation. See 'Taxation, Poverty and Income Distribution. Tuesday April 8th, 8.30 p.m.', Mont Pèlerin Society records, Hoover Institution Archives, Stanford University, 5.12 Meeting File—Mont Pèlerin, Minutes, 1947.

[20] Milton Friedman, Letter to Robert de Fremery, December 18, 1947, Milton Friedman papers, Hoover Institution, Box 25, File 25.15

[21] Niklas Olsen, *The Sovereign Consumer: A New Intellectual History of Neoliberalism* (Cham, Switzerland: Palgrave Macmillan Springer, 2019), 128–9.

[22] Friedman, 'Taxation, Poverty and Income Distribution'.

taxation' could then work as 'a substitute, not as an addition, to present social policy'. 'The major fault of the collectivist philosophy', Friedman usually argued, 'is not in its objectives' but rather 'in the means'. 'Failures to recognize the difficulty of the economic problem of efficiency', he continued, 'led to readiness to discard the price system without an adequate substitute and to a belief that it would be easy to do much better by a central plan'.[23] The idea, while being received with scepticism by some, was then seen, to quote Karl Popper, as 'an attractive alternative to socialism', a way to deal with the poverty generated by capitalism while preserving its fundamental mechanism.[24]

More important, perhaps, was the series of lectures Friedman gave at Wabash College in 1956, where he argued that the entire architecture of the Welfare State was, in fact, designed to aggravate things for the poor. It was not designed for them, but for privileged and unionized workers, who couldn't be described as 'poor' by any standard. In Friedman's view, minimum wage laws were creating unemployment, Social Security was transferring money from the poor to the rich and public housing was an essentially a 'paternalistic' programme aggravating the problem it was designed to solve. All the New Deal policies were directed in his view 'against the symptoms', but 'the real problem' was 'poverty'.[25] His argument turned the common sense about poverty on its head. If we used to think that poverty was symptom of low wages, bad housing and irregular work, Friedman had managed to argue that it was in fact the other way around. As he wrote in an exchange with the Keynesian economist Don Patinkin, 'the social costs that are ordinarily attributed to poor housing are really the social costs of poverty'. 'What they justify', he followed, 'is a program of establishing a minimum income and seeking to eliminate at least certain kinds of poverty'.[26] Friedman's conjecture was simple: rather than working through the categorical order of the New Deal, he advocated 'a program directed at helping the poor … as people not as members of particular occupational groups or age groups or wage-rate groups or labor organizations or

[23] Milton Friedman, 'Neoliberalism and Its Prospects', *Farmand* (1951): 89–93.

[24] Friedman, 'Taxation, Poverty and Income Distribution'.

[25] Milton Friedman, 'The Distribution of Income and the Welfare Activities of Government", Lecture, Wabash College, (1956), 7. Available online at https://miltonfriedman.hoover.org/friedman_images/Collections/2016c21/MFlecture_06_1956_5.pdf (accessed 10 Dec. 2020).

[26] Milton Friedman, Letter to Don Patinkin, November 8 1948, Box 31, File 31.24.

industries'.[27] Whether you had 'egalitarian' aims or not, the point was to rely on 'the price system for distribution of goods' and, if confronted by undesirable outcomes, to 'achieve changes in the distribution of income by general measures superimposed on the price system'.[28] Within such a framework, readers are more than able to apprehend the interest of a NIT. As argued by Friedman, such a programme was not only 'directed specifically at the problem of poverty' but 'while operating through the market' would 'not distort the market or impede its functioning'.[29] The economic planning that had gained traction during war time rapidly became something to avoid among economists, in favour of a conception of equality organized instead through 'market friendly' cash transfers. The new line of 'poverty' under which a citizen was to receive the NIT, then, operated *under* the market rather than *against* the market.

During that period, while remaining marginal, the idea fizzled among fiscal economists in small circles clustered around state administrations and economics seminars. It was finally made public for the first time in 1946 when Milton Friedman, George Stigler and Walter Heller were all teaching at the University of Minnesota. Stigler had published his famous paper on 'The economics of minimum wage legislation', and Heller advocated the scheme in his courses.[30] While it did not immediately reach the broader public, during the following years it rapidly attracted an increasing number of economists as an interesting alternative to welfare programmes and state regulations. For example, during the 1950s, several economic textbooks mentioned the previous scheme proposed by Juliet Rhys-Williams, and public finance textbooks by economists such as Earl Rolf and James Buchanan talked about the 'amalgamation of direct taxation with social insurance' to provide a guaranteed income.[31] But what is perhaps the most articulated version of the idea was given by the

[27] Milton Friedman, 'The Distribution of Income', 7.

[28] Milton Friedman, Letter to Martin Bronfenbrenner, July 18 1947, Box 21, File 21.35.

[29] Friedman, 'The Distribution of Income', 7.

[30] George J. Stigler, 'The Economics of Minimum Wage Legislation', *The American Economic Review* 36, no. 3 (June 1946): 358–365; Walter Heller, *New Dimensions of Political Economy* (Cambridge, MA: Harvard University Press, 1966), 115.

[31] William D. Grampp and Emanuel T. Weiler, *Economic Policy: Readings in Political Economy* (Homewood, IL: Richard D. Irwin, 1953), 284–292; H. S. Booker, 'Lady Rhys Williams' Proposal for the Amalgation of Direct Taxation with Social Insurance', *Economic Journal*, 56, no. 222 (June 1946): 230–243; Earl Rolph and George Break, *Public Finance*, (New York: Ronald Press, 1961), 404; James Buchanan, *The Public Finances: An Introductory Textbook* (Homewood, IL: Richard D. Irwin, 1965), 157–58.

economist Robert R. Schultz in 1952.[32] In his dissertation, Shultz argued that the post-war welfare state and its 'categorical relief' had become an 'oppressive administration', 'often highly inequitable and inadequate for the relief of poverty' and a 'waste' of money affecting 'morale and incentive' among beneficiaries.[33] This situation created the need to call for a complete re-examination of these institutions and possibly a fresh approach to a solution for the problem of poverty.[34] To 'replace' New Deal programmes, Shultz advocated for what he called 'continuous taxation'. The idea was similar to the one of Friedman, but instead of receiving the negative income *after* taxes, 'every person' would receive *up front* 'a minimum subsistence income' and only then pay taxes 'above this subsidy', making it similar to our contemporary notion of basic income. But depending on where the 'break-even point' was set, both systems could lead to the exact same outcome in terms of income distribution. The difference is important from a symbolic and political point of view but not from the standpoint of economics. As Friedman himself later argued, 'a basic or citizen's income is not an alternative to a negative income tax. It is simply another way to introduce a negative income tax if it is accompanied with a positive income tax with no exemption.'[35]

Guaranteed Incomes Against the New Deal Order

While the idea became relatively popular among economists and policy makers during the 1950s, it took another decade to slowly overcome the dominant vision shaped by the New Deal. The income-centred approach was indeed philosophically at odds with the assumptions on which Keynesian programmes were founded. Public services, labour market regulation, and full employment policies were widely preferred to simple cash transfers. New Deal policies were organized around the idea that the inherent failures of the market stipulated the need for an interventionist state capable of reducing market dependency, shrinking income gaps, regulating the labour market, and increasing economic growth in order to reach full employment. Of course, these policies included cash transfers like

[32] Robert Rudolph Schutz, 'Transfer Payments and Income Inequality', (PhD diss., University of California, Berkeley, 1952).

[33] Ibid., 11.

[34] Ibid., 5.

[35] See Friedman email to Eduardo Suplicy.

unemployment benefits and pension schemes. But those transfers were embedded in a broader reorganization of the labour market. Unemployment benefits being then, not only cash or 'anti-poverty' transfers, but also a tool to decasualize labour. Until the early 1960s, as argued by Alice O'Connor, 'poverty, as such, was not yet seen as a distinctive social problem, much less as the target of a concerted government attack'.[36] In that configuration, the logical remedy for an affliction such as 'poverty' was the extension of welfare programmes and economic growth eventually eradicating it sooner or later. The question then was essentially treatable through classical Keynesian policies and within the existing institutions. A representative example of this perspective could be found in Wilbur J. Cohen, himself a central figure in the creation and expansion of the American welfare state and Welfare Secretary under Kennedy and Johnson. What was needed, he argued in 1957 at a conference at the University of Wisconsin, was 'more schools, more roads, more hospitals beds, and more housing. We want more teachers, more doctors, nurses, social workers.'[37] The state, using ambitious service-based programmes, had to guarantee a 'minimum level of living' that would in turn increase the national product.[38]

The view was quite common in the administration at the time. Even at the height of the poverty debate, Johnson, who grew up in poverty in a small farmhouse in Texas and had been an active New Dealer, always expressed strong opposition to a reorientation around cash transfers. This president, who had been deeply influenced by the legacy of the People's Party and whose grandfather had run on the Populist ticket, described himself as 'a Roosevelt New Dealer'; Walter Heller recalled that he imagined his programme on poverty to involve 'bulldozers', 'tractors' and 'heavy machinery', a service rather than cash-centred programme.[39] 'Our chief weapon', he declared in his 1964 State of the Union, 'will be better schools, and better health, and better homes, and better training, and better job opportunities to help more Americans, especially young Americans, escape from squalor and misery and unemployed rolls'. 'Very often' he added, 'a lack of jobs and money is not the cause of poverty, but the symptom. The cause may lie deeper—in our failure to give our fellow citizens a fair chance

[36] O'Connor, *Poverty Knowledge*, 139.

[37] Edward D. Berkowitz, *Mr. Social Security: The Life of Wilbur J. Cohen* (Lawrence, KS: University Press of Kansas, 1995), 110.

[38] Berkowitz, *Mr. Social Security*, 146.

[39] Robert A. Caro, *The Years of Lyndon Johnson. Volume 4, The Passage of Power* (New York: Vintage Books, 2012), 540; Huret, *La fin de la pauvreté?*, 119.

to develop their own capacities, in a lack of education and training, in a lack of medical care and housing, in a lack of decent communities in which to live and bring up their children.'[40] In this framework, it was clear that the post-war welfare architecture was not yet perceived as a problem. Its legacy, as argued by Leslie Lenkowsky, 'seemed above politics'.[41]

However, while this vision remained dominant until the mid-1960s, the climate had begun to change by the late-1950s. The 'slowdown' of poverty reduction and the unexpected increase of the recipients of the Aid to Dependent Children (ADC) programme slowly raised doubts about classical post-war remedies.[42] An increasing number of younger social scientists, generally trained in economics rather than social work like Robert Lampman, progressively collected data giving a grimmer view of the efficiency of the existing institutions.[43] Indeed, while it was largely expected that the assistance programme would naturally disappear with economic growth and the expansion of social security, the data gathered by these new social scientists was rather bleak. Lampman in particular was extremely pessimistic about post-war hopes of an upcoming 'people's capitalism' in 'a classless homogenized state of affluence'.[44] Focusing very early on the study of income distribution, he thought that the conclusions of Simon Kuznets concerning the decrease of inequality were misleading,[45] In 1958, his claims began to draw more attention after the public success of *The Affluent Society*, in which John K. Galbraith argued that poverty had become 'insular', composed essentially of isolated 'islands' in rural areas and urban ghettos.[46] Struck by what they felt was an overoptimistic view, several economists began to collect more systematic data to measure the extent of poverty in an 'affluent' America. The next year, Lampman showed that the 'exit from poverty' had considerably slowed during the late-1950s, putting in question the efficiency of existing welfare

[40] Lyndon B. Johnson, *Annual Message to the Congress on the State of the Union*, January 8, 1964.

[41] Lenkowsky, *Politics, Economics and Welfare Reform*, 16.

[42] Moynihan, *The Politics of Guaranteed Income*, 81–86.

[43] Robert Lampman, 'The Effectiveness of Some Institutions in Changing the Distribution of Income', *American Economic Review* 47, no. 2 (1957): 519–528.

[44] Robert Lampman, 'One-Fifth of a Nation', *Challenge* 12, no. 7 (April 1964): 11.

[45] Robert Lampman, 'Recent changes in Income Inequality Reconsidered', *American Economic Review*, 44, no. 3 (June 1954): 251–268.

[46] John K. Galbraith, *The Affluent Society* (New York: Houghton Mifflin Company, 1958).

programmes.[47] That same year, Michael Harrington published his first piece on the topic in *Commentary*, and began to change the general perceptions of poverty in America. While Lampman estimated that nearly 20 per cent of the population was living in poverty (at a $2,000 poverty line), Harrington put the figure as high as a third (using a $3,000 poverty line).[48] The claim was stunning, given that more than twenty years had passed since Roosevelt highlighted the scandal of 'one-third' of the nation being 'ill-housed, ill-clad, ill-nourished' in his Second Inaugural Address.[49]

These numbers were a tremendous blow for the post-war aims of social policy. Poverty in such a magnitude would essentially mean that, for the poor, almost nothing had changed since the New Deal and that, if 'new strategies' weren't deployed, this 'hidden' America would 'irrevocably stay away from abundance'.[50] For Lampman and many experts of his generation, 'a redefinition of the contours of New Deal liberalism' was 'essential to better tackle relative poverty'.[51] The shift would be completed with the publication of Michael Harrington's *The Other America* in March 1962 and with the book review by Dwight McDonald in *The New Yorker* in January 1963.[52] The review in particular would be widely read, including by President Kennedy himself.[53] The ensuing debate popularized across political divisions the idea that 'poverty' was now a 'specific' condition, detached from the questions of inequality and of the labour market. Using a very different tone to the dry statistical work of Lampman, Harrington had captured the public imagination. He claimed that millions of poor families were in fact 'scarcely been affected by the reforms of the past quarter-century'.[54] When Friedman and Harrington debated on poverty issues in December 1964 at Cornell University, the extent of their agreement on the failures of the New Deal and the need for 'more innovation and experimentation' stunned part of the audience. 'The world is full of

[47] U.S. Congress, Joint Economic Committee, 'The Low-Income Population and Economic Growth' by Robert Lampman, study paper 12 (1959).

[48] Michael Harrington, 'Our Fifty Million Poor', *Commentary* 28, no. 1 (July 1959): 25–27.

[49] Franklin Delano Roosevelt, 'One Third of a Nation. Ill-housed, ill-clad, ill-nourished', *Second Inaugural Address*, January 20, 1937.

[50] Huret, *La fin de la pauvreté?,* 82.

[51] Ibid., 89.

[52] Dwight McDonald, 'The Invisible Poor', *The New Yorker*, January 19, 1963, 130–139.

[53] Carl M. Brauer, 'Kennedy, Johnson, and the War on Poverty', *Journal of American History* 69, no. 1 (1982): 98–119.

[54] Harrington, 'Our Fifty Million Poor', 25–27.

surprises', wrote the *Cornell Daily* the next day: 'the perspicacious observer at last Thursday's lecture by Milton Friedman may have detected a strong area of agreement between the conservative, laissez-faire Friedman and the left-wing author of *Poverty in America*, Michael Harrington'. 'Although these men approach the problem of poverty from diametrically opposite points of view' the student newspaper added, 'they both agree that American welfare measures have benefited the middle classes and lower middle classes more than the abject poor'.[55]

But then, of course, if 'the other America' formed 'a distinct system', different from the post-war categorical order, it might need a specific policy.[56] As argued by Leslie Lenkowsky, in that new framework, 'traditional welfare policies seemed unlikely to be productive and, some thought, caused social and political problems of their own'.[57] In a certain sense, what Milton Friedman began to advocate in the mid-forties became widespread among reformers and policy makers by the early 1960s. The 'other America' was then composed, as Harrington wrote, of those 'who are beyond the welfare state'.[58] 'These people', Lampman thought, remained 'remarkably untouched by the New Deal welfare state measures'.[59] What was needed, argued Robert Theobald, another signatory of the Triple Revolution statement, was instead 'the principle of an economic floor', an 'economic basic security' that could guarantee to lift them out of poverty.[60] Therefore, the shift towards cash, promoted by figures both from the right and the left, while diverging strongly in their analysis of the *causes* of poverty, would slowly make guaranteed income schemes a central policy aim. The specificity of poverty as a problem had made welfare state expansion obsolete as a remedy.

Therefore, when Friedman republished his idea in his 1962 bestseller *Capitalism and Freedom* the response was very different: it attracted widespread intellectual attention. The idea he though ahead of its time in the early 1940s was now discussed in Washington. Indeed, the circle close to the president, especially the Council of Economic Advisers, was now composed of economists like Walter Heller, Robert Lampman, James Tobin,

[55] Steven B. Wolinetz, 'Friedman, Harrington and Poverty', *Cornell Daily Sun*, December 16, 1964.

[56] Michael Harrington, *The Other America* (Baltimore: Penguin, 1962), 168–69.

[57] Lenkowsky, *Politics, Economics and Welfare Reform*, 52.

[58] Harrington, *The Other America*, 169.

[59] Robert Lampman, 'One-Fifth of a Nation', *Challenge* 12, no. 7 (April 1964): 11–13.

[60] Robert Theobald, *Free Men and Free Markets* (New York: C. N. Potter, 1963), 115.

or Joseph A. Pechman who were all essentially 'fiscal Keynesians', and promoted a fiscal understanding of social policy, depicting Social Security just as another (and generally less efficient) form of taxation. Walter Heller in particular, who would become the most influential chairman in the history of CEA, was emblematic of this abstract vision of the state promoted by young advisers often trained in top economic departments. His commitment was to the 'new economics' launched by Paul Samuelson and Robert Solow, which aimed at integrating Keynesianism into a neoclassical framework, and tended to downplay the political and cultural dimension of social policy and reduce market imperfections to technical problems of asymmetric information. As James Tobin would later argue, this approach tended to treat problems as 'technical rather than ideological', separating, as Jacqueline Best has noted, 'economic questions from the complications of politics and ideas'.[61] This was a vision disconnected from the transactional deals traditionally associated with social policy, made of categorial expansions generally motivated by electoral agreements. Heller, as Nicholas Lemann pointed out, lived rather in 'a clean, precise world of numbers and orderly concepts', viewing society (like his father) as an engineer.[62] He was more attracted to the beauty of taxation incentives than to the muddiness and uncertainty of the public spending that interested Galbraith. As Binyamin Appelbaum noted, 'Heller's ideas marked a tactical break with the traditional Keynesian emphasis on increased government spending'; rather than borrowing money to spend it on public plans, Heller claimed that the state could simply 'borrow money from the private sector and then give it back to the private sector to spend it'.[63]

This would lead the Kennedy administration to pass two costly tax cuts in 1962 and 1964 in order to boost the economy. This emphasis on tax cuts reflected a strong preference for private initiative and 'sovereign consumers' with a fear of inflation when it comes to state regulation of the labour market and wages. 'Why cut taxes rather than go the Galbraith way?' Heller asked Kennedy, rhetorically, in a 1962 memo.[64] The main

[61] James Tobin, *The New Economics One Decade Older* (Princeton, NJ: Princeton University Press, 1974), 5; Jacqueline Best, 'Hollowing out Keynesian Norms: How the Search for a Technical Fix Undermined the Bretton Woods Regime', *Review of International Studies* 30, no. 3 (July 2004), 386.

[62] Lemann, *The Promised Land*, 130.

[63] Binyamin Appelbaum, *The Economists' Hour* (New York: Little, Brown, 2019), ebook.

[64] Walter Heller, *Brief Book on Economic Matters*, 20 December 1962, 3. John F. Kennedy Presidential Library, Boston, MA, folder identifier JFKPOF-063a-009-p014, https://www.jfklibrary.org/asset-viewer/archives/JFKPOF/063a/JFKPOF-063a-009.

argument of the Wisconsin economist was rooted in a neoclassical theory according to which the expansion of public spending in that context would 'lead to waste, bottlenecks, profiteering, and scandal' and would increase the opposition to the 'expansion of government' and 'over-centralization, to a "power grab" and a "take-over" of the cities, the educational system, the housing market'.[65] Finally, and this was perhaps the most important aspect to this shift, 'tax-cuts induced deficits' Heller argued that 'are also more acceptable to the world financial community than expenditure-induced deficits'.[66] This modernized Keynesianism offered a way to break with the balanced budgets and under-production which Kennedy faced when taking office while at the same time recognizing—as Heller noted—'the importance of working through the market system'.[67] The central tenet of this strand of Keynesianism was then, as Aaron Major argued, 'that when the economy falls into recession the government needs to prop up demand by substituting public spending for private investment and by bolstering the purchasing power of the poor and middle class'.[68] In other words, classical Keynesians would address unemployment through public work programmes, while modernized Keynesians focused on boosting private investment through tax cuts.

This 'fiscal community'—as Wilbur J. Cohen bitterly observed—'analyzed' social security as 'an ordinary tax, and as a tax it constituted a dubious form of social policy'.[69] What Cohen termed the 'Harvard-Yale-MIT-Brookings economists' would later become the main proponents of Friedman's NIT within the Democratic administration, reframing social policy and poverty alleviation in terms of efficient 'transfers'.[70] This 'fiscal revolution' (as the future chairman of the CEA under Nixon, Herbert Stein, called it, because of its technocratic character) would be characterized by Aaron Major as a clear 'transition period between post-war Keynesianism and contemporary neoliberalism'.[71] Therefore, while the

[65] Ibid.

[66] Ibid., 4.

[67] Cathie J. Martin, *Shifting the Burden: The Struggle over Growth and Corporate Taxation* (Chicago, IL: University of Chicago Press, 1991), 52.

[68] Aaron Major, *Architects of Austerity* (Stanford, CA: Stanford University Press, 2014), 129.

[69] Berkowitz, *Mr. Social Security,* 292.

[70] Ibid.

[71] Major, *Architects of Austerity*, 131.

1960s saw Keynesianism triumph among economists, it constituted 'a major departure from the basic policy paradigm of the 1950s'.[72] If Kennedy was, as Jacqueline Best argued, 'the first Keynesian president', 'he was decidedly of a neoclassical bent', shaping policies significantly different from the ideas of the Cambridge economist decades before.[73] 'Economics', wrote Heller to Friedman in 1961, 'makes strange bedfellows'. On the topic of tax cuts, he continued, 'I find Ken Galbraith fighting against me and you fighting with me'—'thank heaven, one can't identify economic positions by labels alone'.[74] This marked a significant evolution in field of economics, that would slowly, as Stein noted, make 'the distinction between Keynesians and non-Keynesians' less significant. 'Within this general consensus', he added, 'differences' existed of course, but they were essentially 'of emphasis and of degree'.[75] 'In one sense', Friedman famously claimed, 'we are all Keynesians now; in another, nobody is any longer a Keynesian'.[76]

'Black Poverty' and the Triumph of the Income Strategy

The mid-1960s witnessed an unprecedented proliferation of guaranteed income proposals, sent off from all sides of the political spectrum. It took a while for this enthusiasm to reach government itself, however. Kennedy and Johnson, in particular, had repeatedly refused consideration of the income strategy. If Sargent Shriver, the head of the newly created Office of Economic Opportunity (OEO), had been promoting the idea of negative income tax and included it in his 1965 'antipoverty budget' Johnson, as Lampman recalls, 'wanted no part of it from the outset'.[77] Things only began to change with the mixed results of the Community Action Program as urban unrest in inner cities increased after the 1965 Watts riots and budget restraints imposed by the escalation of the Vietnam War limited

[72] Major, *Architects of Austerity*, 130.

[73] Best, 'Hollowing out Keynesian Norms', 394.

[74] Walter Heller, Letter to Milton Friedman, March 28, 1961, Milton Friedman papers, Hoover Institute archives, Box 28, File 28–5.

[75] Herbert Stein, *The Fiscal Revolution in America* (Washington, DC: American Enterprise Institute Press, 1990), 381–382.

[76] Milton Friedman, 'Letter: Friedman & Keynes', *Time*, February 4, 1966.

[77] See in particular Robert J. Lampman, Oral Interviews, 5/24/83/, by Michael L. Gillette, LBJ Library Oral Histories, LBJ Presidential Library, accessed June 11, 2020, 41.

further the options of the president. The conjunction of the increasing criticisms towards the efficiency of the government action, the continuous increase of welfare rolls, the rising dissatisfaction with the growth of bureaucracy and, perhaps more importantly, the 'culturalization' of poverty—especially 'black poverty'—granted guaranteed income the momentum its proponents craved.

One of the most conspicuous factors driving the proposal's popularity was an increasingly culturalist reading of post-war black poverty. In his 1962 bestseller Harrington himself did not hesitate to qualify 'Negro poverty' as 'unique in every way', growing out of a 'subculture' that could easily, if no targeted measured were introduced, 'reproduce itself for years to come'.[78] Therefore, as for poverty in general, Harrington's understanding of 'black poverty' made him also quite sceptical about solutions such as welfare state expansion. He rather thought that within the New Deal order 'the Negroes were being asked to help to build a welfare state that would discriminate against them in a double sense, that would not really benefit them because they are so poor as to be beyond the reach of the new benefits, and that would continue and reinforce the racist pattern of all American society'.[79]

The definite blow to the integrationist perspective came however with the publication of Daniel Moynihan's 1965 report *The Negro Family: The Case for National Action*. Moynihan's conclusion was unexpectedly radical, suggesting, as Touré Reed notes, that the welfare crisis was now divorced from unemployment and economic factors.[80] This 'new kind of problem', Moynihan argued, could not be alleviated by a mere expansion of public service provision or full employment but only through the 'establishment of a stable Negro family structure'.[81] As he claimed:

> at this point, the present tangle of pathology is capable of perpetuating itself without assistance from the white world. … In a word, a national effort

[78] Harrington, *The Other America*, 67.

[79] Ibid., 84.

[80] Touré F. Reed, 'Why Moynihan Was Not So Misunderstood at the Time, *Nonsite* 17 (September 2014).

[81] Daniel P. Moynihan, 'The Negro Family: The Case for National Action', in *The Moynihan Report and the Politics of Controversy: A Trans-Action Social Science and Public Policy Report*, eds. Lee Rainwater and William L. Yancey (Cambridge, MA: MIT Press, 1967), 47. See also Melinda Cooper, *Family Values: Between Neoliberalism and the New Social Conservatism* (New York: MIT Press, 2018).

> towards the problems of Negro Americans must be directed towards the question of family structure. (…) After that, how this group of Americans chooses to run its affairs, take advantage of its opportunities, or fail to do so, is none of the nation's business.[82]

Moynihan ventured further than mere culturalization, however. His lament did not only seek to blame the black family structure pathology as such, but also castigated the existing welfare system. The incentive structure built in the AFDC programme, he claimed, literally tore up Afro-American families. Ironically, such culturalist analyses also explained Moynihan's perfunctory interest in guaranteed income schemes, including his later conceptualization of Nixon's Family Assistance Plan (FAP). Indeed, the income framework provided not only innovative ways to think about welfare, but also a way to restore 'some sense of individual responsibility for outcomes' within Afro-American families. As he noted, 'where a services strategy tended to locate in government blame for services that do not succeed, an income strategy would tend to implicate the individuals, who would make their own choices in the market'.[83]

In the same vein, a 1965 article by economist James Tobin—at the time member of the Council of Economic Advisers—entitled 'On improving the economic status of the Negro' praised the idea of a negative income tax as the solution to the 'specific character' of black poverty.[84] Deeply influenced by Moynihan's writings, Tobin claimed that 'public assistance encourage[d] the disintegration of the family, the key to so many of the economic and social problems of the American Negro'.[85] The existing structures of social assistance, he argued, created a situation where 'he, or likely she, is essentially forced to be both idle and on a dole'.[86] The post-war framework, he added, 'no longer operates'.[87] Poverty could no longer be solved by public jobs or better schools, or 'by minimum wage laws, trade unions wage pressures, or other devices which seek to compel employers to pay [workers] more than their work is worth'.[88] From that

[82] Ibid.

[83] Moynihan, *The Politics of a Guaranteed Income*, 108.

[84] James Tobin, 'On Improving the Economic Status of the Negro, *Daedalus* 94, no. 4 (Fall 1965): 880.

[85] Ibid., 890.

[86] Ibid.

[87] Tobin, 'On Improving the Economic Status of the Negro', 880.

[88] Ibid., 889.

perspective, 'the biggest issue the nation face[d] in the war of poverty', he thought, was to establish a 'system of income supplementation and maintenance' that would integrate 'public assistance with a vastly simplified and reformed system of income taxation' in order to preserve 'incentives to work', 'encourage' black parents to 'maintain stable families', and provide a decent income.[89] The racialization of the poverty question only seemed to favour the cash-based approach. Tobin's proposals gathered traction within the maelstrom of the Johnsonian 'war on poverty', and reinforced the conviction of Sargent Shriver, the head of the OEO, to push the income strategy within the administration (Fig. 3.1).[90]

This shift was particularly marked within the Civil Rights Movement itself, which 'was no longer pushing integration' in the field of social policy.[91] Within this framework, guaranteed incomes became an attractive alternative for organizations like the National Welfare Rights Organization (NWRO), which was slowly breaking with the coalition politics of the former generation. Founded in 1966 in the wake of the famous 'Cloward-Piven' strategy, the NWRO would step forward as the most vocal supporter of the cash strategy. Political scientists Richard Cloward and Frances Fox Piven first formulated the tactic in a piece published in *The Nation* called 'A Strategy to End Poverty' that would become a catalyst for grassroots welfare organizations across the country. The two professors at the Columbia University School of Social Work first aimed at dramatically increasing the number of poor on welfare rolls—since many people were eligible but did not claim their benefits. The outcome would be a bureaucratic and budgetary nightmare that could force the Democratic Party to reform public welfare. 'The ultimate objective' they argued, was 'to wipe out poverty by establishing a guaranteed annual income'.[92] The idea prompted the unification of welfare rights activists from all the country, gathering in Chicago in

[89] Tobin, 'Raising the Incomes of the Poor', 97.

[90] The idea was strongly promoted within the OEO since 1965, but was strongly blocked by Johnson and, perhaps more importantly, by Wilbur Cohen and Wilbur Mills, who were the key figures in the field of social policy. See Walter Williams, 'The Struggle for a Negative Income Tax: A Review Article', *Journal of Human Resources* 10, no. 4 (October 1975): 427–444; Robert Lampman, 'The Negative Income Tax Experiment', extracts from the Archives Oral History Project, University of Wisconsin-Madison, *Focus* 23, no. 2 (2004): 4–7.

[91] Lemann, *The Promised Land*, 197.

[92] Frances Fox Piven and Richard A. Cloward, 'The Weight of the Poor: A Strategy to End Poverty', *The Nation,* May 2, 1966: https://www.thenation.com/article/archive/weight-poor-strategy-end-poverty/

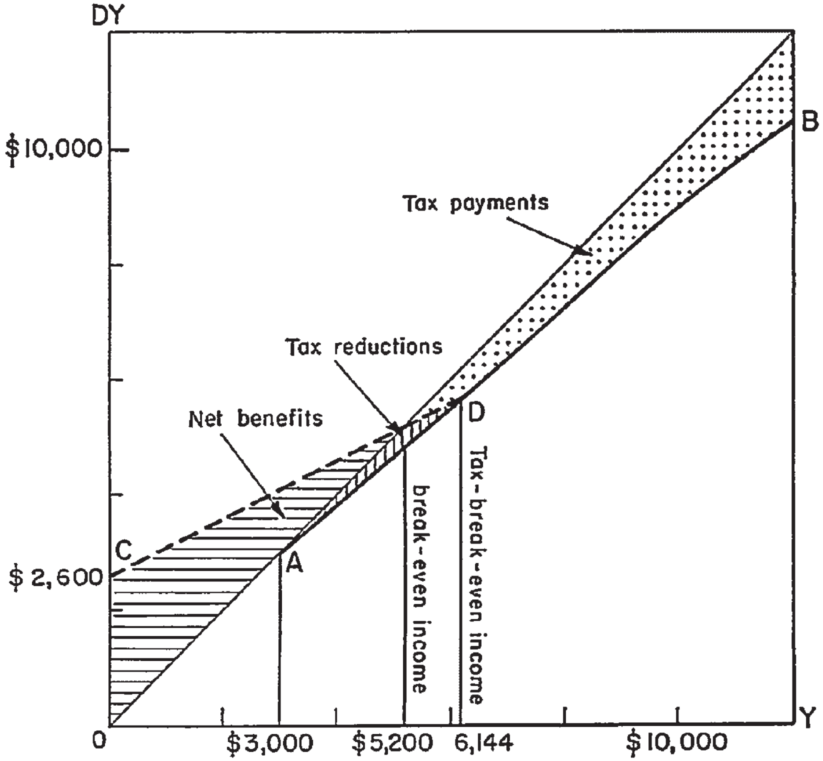

Fig. 3.1 James Tobin, Joseph A. Pechman, Peter M. Mieszkowski's 1967 plan for a guaranteed income. In: James Tobin, Joseph A. Penchman, Peter M. Mieszkowski, 'Is a Negative Income Tax Practical?', *Yale Law Journal* 77 (November 1967): 7

August 1966 to create the NWRO. Among the most famous figures in the newly created movement were George Wiley, a former associate director of the Congress of Racial Equality (CORE), and Johnnie Tillmon, who in 1963 had founded Aid to Needy Children (ANC), one of the first grassroots welfare mothers' organizations. The NWRO included in its goals the establishment of a 'system that guarantees enough money for all Americans to live dignified lives above the level of poverty', making guaranteed income programmes the object of mass activism.[93]

[93] Premilla Nadasen, *Welfare Warriors* (London: Routledge, 2004).

The argument's attractiveness mainly stemmed from the degree of autonomy guaranteed income schemes would grant to recipients. This would allow women to invest themselves in the community, for instance, rather than in a jobless labour market. To a certain extent, Moynihan's argument about the family structure had actually gained the support of welfare activists. This question would notably be the object of a small conflict between Beulah Sanders and George Wiley, respectively vice president and president of the NWRO, on one side and Martha Griffiths, a feminist Democrat Congresswoman, on the other, during a 1968 Congressional hearing. For Griffiths there was something deeply upsetting in sorting people on welfare rolls without granting them a prospect in the labour market. Keeping 'a group of people who are on welfare … forever', she argued, might be 'all right for the country, but it is not all right for the people on welfare. Those people have a right to participate in the economy of this country. They have just as much right to have a job as anybody else has.' The vast majority of women drawing on welfare, she added, 'wanted to work if they had a place where to put their children'.[94] Sanders and Wiley, on the other hand, proposed an argument strikingly close to Moynihan before them. 'If you are going to give us jobs', Sanders argued, 'give our men the jobs, let us stay home and take care of our children'.[95] What Sanders desired, as she would later frame it, was 'mother power'. 'The important thing' Wiley added, 'is that the men, that the people who are able to be heads of households or ought to be legitimate heads of households be the ones that get those jobs'.[96] Following this line of argument, a guaranteed income became the natural solution to poverty and joblessness crisis. 'If the department can pay a tremendous amount of money for people to live in slum houses', Sanders argued, 'they can pay that money for people to live in a decent apartment'. 'The main problem for poor people', Wiley added, 'is money'.[97] Rather than subsidizing inefficient public housing or public works, welfare activists began to push for autonomy through cash.

Within the administration, the income shift came during the late 1960s. 'The antipoverty program enacted in 1964', Moynihan argued, 'came to

[94] *Hearings Before the Subcommittee on Fiscal Policy of the Joint Economic Committee Congress of the United States*, Second Session, Volume 1: Proceedings (Washington, DC: U.S. Government Printing Office, 1968), 77.

[95] Ibid., 67.

[96] Ibid., 77.

[97] Ibid., 81.

embody many of the ambiguities and uncertainties of an ambitious services strategy directed to the problems of poverty. A good deal of money was being expended [and] it was going, in large degree, to purchase services, which could not be shown to benefit the poor.'[98] In this context, he added, 'an assertion came forth, labelled conservative but in historical terms almost classically liberal, that government administration did not work, while the market did'.[99] This approach would allow for the realization of what neoliberal economist Arthur Kemp and Chicago economist Yale Brozen called 'welfare without the welfare state'.[100] If 'welfare statists' always sought the expansion of the federal government to tackle poverty, the task was now 'much more difficult' and consisted in moving 'away from the welfare state without [a] decrease in welfare'.[101] Only then did the idea of an income strategy gain appeal in Washington, offering a way of tackling poverty but without expanding the federal government in a political climate which was turning increasingly anti-statist and anti-bureaucratic. The final turn would come with the publication of two reports related to welfare matters. First, a research report published by the Department of Health, Education, and Welfare (HEW) directly attacked the government's strategy on poverty. The report claimed that 60 per cent of Americans living under the poverty line did not benefit from existing programmes, casting doubt on the effectiveness of the Great Society strategy.[102] Second, the report of the highly anticipated Kerner Commission on civil disorders, established by President Johnson to investigate the causes of the 1967 urban riots. The report was received with an exceptional amount of public scrutiny and notably recommended a guaranteed income as 'long-range goal' to fix a broken welfare system and provide a 'basic floor … for all Americans'.[103] The proposal would have the advantage of providing for both 'employed persons working at substandard hours or

[98] Moynihan, *The Politics of a Guaranteed Income*, 54.

[99] Ibid., 54.

[100] Arthur Kemp, 'Welfare Without the Welfare State, *Il Politico* 31, no. 4 (December 1966): 716–730; Yale Brozen, 'Welfare Without the Welfare State', *The Freemen* 16, no. 2 (March 1966): 40–52.

[101] Kemp, 'Welfare Without The Welfare State', 729.

[102] Otto Eckstein and Robert Harris, *Program Analysis: Income and Benefit Programs* (Washington, DC: Office of the Assistant Secretary for Program Evaluation, 1966).

[103] *Report of the National Advisory Commission on Civic Disorders* (Washington, DC: US Government Printing Office, 1968), 254.

wages' and for those who 'cannot work', like 'mothers who decide to remain with their children'.[104]

By then, the legislative career of the guaranteed income appeared unstoppable. In January 1967 President Johnson finally established a Commission on Income Maintenance Programs. While he warned that the scheme was being pushed 'by some of the sturdiest defenders of free enterprise' and that it was 'almost surely beyond our means at this time', he added that 'we must examine any plan, however unconventional, which could promise a major advance'.[105] That same year, the Office of Economic Opportunity, driven by a Sargent Shriver initiative, launched the first of several large-scale experiments in boroughs of New Jersey.[106] Finally, in 1968 more than a thousand economists, sharing a wide array of political affiliations and from some of the nation's most prestigious institutions, signed an open letter to the president supporting a guaranteed income.[107] At that point, the question was not *whether* the idea was going to be adopted, but rather *when*. Even Republicans were now considering the implementation of such a measure. And after Hubert Humphrey's defeat in the 1968 presidential election, Nixon felt a sense of urgency to solve the 'welfare mess' with radical measures such as NIT, especially in the face of continuous social and urban unrest.[108]

The idea's most notable propagandist within the Nixon administration was Moynihan. The policymaker had left the Johnson administration in 1965—never reaching the ear of the president—only to be hired by Nixon

[104] Ibid., 256.

[105] 'Assuring a Decent Living Standard', *Newark Evening News,* May 1, 1967.

[106] Between 1967 and 1978, five experiments were held in US and Canadian cities: the New Jersey Graduated Work Incentive experiment (1968–1972), the Rural Income Maintenance Experiment (1970–1972), the Seattle/Denver Income Maintenance Experiments (1970–1976), the Gary Indiana Experiment (1971–1974), and the Manitoba Basic Annual Income Experiment (1975–1978). See Karl Widerquist, 'A Failure to Communicate: What (If Anything) Can we Learn from the Negative Income Tax Experiments?', *The Journal of Socio-Economics* 34, no. 1 (February 2005), 49–81.

[107] The statement was circulated in May of 1968 to 275 universities and research organizations. It received signatures from, Paul Samuelson, Harold Watts, James Tobin, John K. Galbraith, and Robert Lampman, but also included Abba P. Lerner, Kenneth Arrow, T. C. Koopmans, and Joseph Stiglitz. See 'A Statement by Economists on Income Guarantees and Supplements', 27 May 1968 in *Income Maintenance Programs: Hearings before the Subcommittee on the Fiscal Policy of the Joint Economic Committee Congress of the United States Ninetieth Congress*, Volume II, Appendix Materials, Appendix 17, 676.

[108] Moynihan, *The Politics of a Guaranteed Income*, 86.

as a chief adviser on urban affairs. When he pushed for the Family Assistance Plan (FAP), a version of guaranteed income supposedly aimed at eliminating the 'disincentives to family formation that were built into the AFDC', Moynihan argued that the plan would eliminate a lot of social workers-jobs.[109] While Nixon had opposed the general principle during the election campaign, the idea of his administration embracing an '"income strategy" against poverty to replace Johnson's "service strategy"' convinced him to go ahead with the idea in April 1969.[110] As noted by Lemann, this was an attractive framework for conservatives too, as it did not require 'promoting integration or expanding the federal bureaucracy' and would 'cost only [$]2 billion a year and cut back on the size of government'.[111] Moreover, Moynihan was convinced that the service strategy had transformed the 'black middle class' into 'providers of social services to the black lower class', allowing them to blackmail government into inflationary social demands.[112] The mode in which this middle class had benefitted from the jobs created by the Office of Economic Opportunity, and the power it had gained over the federal government, grew into an even more vexing problem. Choosing the income strategy, Moynihan argued in a memo to Nixon, would 'deprive "the militant middle class" of the ability to make an ongoing threat to the larger society, much as the desperate bank robber threatens to drop the vial of nitroglycerin'.[113] Indirectly, transferring money became a way of disempowering the newly created class of welfare workers and bureaucrats, breaking its grip on the poor and, by extension, on the federal government.

Following this cash-centred perspective, Nixon began by abolishing taxes for those living under the poverty line in 1969. He then moved rapidly towards the FAP. While the plan was approved in 1970 in a Democrat-controlled House, it would face a backlash in a Senate worried about its effects on work incentives. The proposal's 'centrist' inflection dissatisfied most of its natural constituency. Liberals tended to argue that the benefits were too low, whilst conservatives reacted against the idea of an income floor that was perceived as a free ride for idleness.[114] In 1972, after a round of heavy revisions, the Nixon plan was definitively defeated in the Senate

[109] Cooper, *Family Values*, 43.
[110] Ibid., 212.
[111] Ibid., 210.
[112] Daniel Moynihan, Memo to the president, quoted in Lemann, *The Promised Land*, 215.
[113] Lemann, *The Promised Land*, 215.
[114] Brian Steensland, *The Failed Welfare Revolution*, 176–177.

again and the president lost interest in the reform. The following year, however, Nixon was able to introduce two more modest plans which would become his lasting legacy in social policy. The first of these was the Supplemental Security Income (SSI) that would provide a federal guaranteed income to the blind, aged, and disabled. Second, and perhaps more important, was the Earned Income Tax Credit (EITC)—partially designed after Friedman's NIT, but restricted to those who worked. These policies, as noted by Brain Steensland, 'partially attained some of the goals of GAI proposals' by expanding the income strategy, yet without eroding the symbolic boundaries between the 'deserving' and 'undeserving' poor that would remain a crucial aspect of welfare policy in the United States.[115] There thus was victory in defeat; as Lemann notes, in the field of welfare 'the specific program failed politically', yet its 'general principle succeeded'. 'The Nixon administration', he added, 'in effect did implement the income strategy by greatly increasing the payment levels of welfare, food stamps, social security, and disability pensions, while allowing government social welfare employment to level off'.[116] The shift towards cashification proved premonitory for later administrations. Even during the two Reagan terms, income support programmes like AFDC, unemployment benefits or food stamps were generally spared from hard cuts, unlike the public housing policy. The overall shift was then, as Paul Pierson noted, 'from subsidizing "bricks and mortar" to subsidizing people'.[117]

Conclusion

When a twenty-seven-year-old Milton Friedman, concerned about the poverty generated by the play of free markets, began to think of innovative techniques to eradicate it, he could not have anticipated the immense success of his proposal. The idea, shaped in a period of intense economic debates, captured one of the fundamental shifts in the field of economics during that period: the rising centrality of the sovereign consumer as an economic agent. This evolution formed the starting point of what the British economist John Kay called 'Redistributive Market Liberalism'—an approach to social policy in which 'the state must have a dominant role in

[115] Ibid., 176–177.

[116] Lemann, *The Promised Land*, 215.

[117] Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*, (Cambridge: Cambridge University Press, 1994), 90

matters of income distribution, but should discharge this responsibility with as little interference as possible in the workings of the free market'.[118] A 'capitalism with human face' as Samuel Brittan envisioned it, could then reconcile the pursuit of self-interest with egalitarian concerns.[119]

Of course, on many topics, the idea's main proponents like Friedman, Tobin, Galbraith, Lampman, or Harrington had very dissimilar views. But while their own readings of the poverty problem differed radically on internal lines, a guaranteed income appeared to them as a fruitful solution to their strong criticism of the welfare state, of full employment as a policy aim and their scepticism towards the state as a collective decision maker. The Negative Income Tax, which Milton Friedman had shaped in the 1940s, appeared then as an innovative idea, capable of transcending classical oppositions between left and right, and offering an alternative to both the patronizing views of classical liberalism and the work-centred welfare policies of the 'old left'. It was the very foundation of *how* modern economics thought about redistribution that changed. And while, after the mid-1970s, the US welfare debate took on a much more conservative bent, on the other side of the Atlantic—in countries such as France, Belgium, and the Netherlands—the career of basic income and its cousins was only just beginning.

[118] John Kay, 'Redistributive Market Liberalism', *New Statesman*, February 5, 1997.
[119] Samuel Brittan, *Capitalism With a Human Face* (Cheltenham: Edward Elgar, 1995).