

# A Planet-Wide Citizen's Income: Espousal and Estimates

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## Abstract

The logic of subsidiarity suggests that problems of global scope require solutions at that level as well. The case for global democratic federalism is briefly stated. A planet-wide citizen's income (PWCI) is proposed as one component in a set of integrated initiatives for confronting persistent and growing global imbalances. Alternative estimates are provided for the individual allocations and the total direct cost of three different levels of planet-wide stipends and are contrasted, *inter alia*, with present levels of official development assistance. Estimates are made of the tax levels necessary to sustain the three funding alternatives.

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It is neither necessary nor desirable that national boundaries should mark sharp differences in standards of living, that membership of a national group should entitle to a share in a cake altogether different from that in which members of other groups share.

--Friedrich A. Hayek, 1944, p. 20

## 1. Introduction

The roots of my eventual advocacy of a planet-wide citizen's income can be traced back to at least two elements from my early professional experience in the latter half of the 1960s. One influence was a volume edited by Robert Theobald (1966) on a guaranteed income which formed part of a debate in the United States at that time. The other was the discourse which continues to this day about providing adequate financial support to developing countries. A planet-wide citizen's income could bring these two elements together.

Voluntarism was the principal answer to the provision of funds to developing countries: each of the richer nations was to provide 0.7 per cent of its gross national product for Official Development Assistance (ODA). That target has been repeated over and over again for more than three decades, including in the 1974 United Nations General Assembly resolution on a New International Economic Order and, more recently, in June 2000 in A Better World for All, the unprecedented joint statement of the Organization for Economic Cooperation and Development (OECD), the World Bank, the International Monetary Fund and the United Nations.

The voluntary 0.7 per cent ODA target may have made sense in the late 1960s, but for it still to be restated today must be seen as reflecting a scandalous lack of any real sense of urgency as to the plight of the world's poor. Not only do few countries meet the target, but aggregate compliance in 1998 by the 21 country members of the OECD's Development Assistance Committee was only 0.24, with the ratio for the United States at a mere 0.10. The goal has been regularly attained only by Denmark, the Netherlands, Norway, and Sweden. In fact, even if that goal had been reached in 1998 it would have amounted to only US\$150 billion (in contrast to the actual amount of \$52 billion) and had the money been allocated as unconditional grants in its entirety to those countries identified in the World Bank's World Development Report 2000-2001 as low income, it would have amounted to a mere \$63 per capita for each of the 2.4 billion people living in those countries, a sum that would likely be insufficient to pay for an evening's dinner for one, including wine and tip, in an upscale restaurant in any of the high income countries of the world.<sup>1</sup>

Even more scandalous has been the devastating ascendancy of neoliberalism with its assignment of blame to poor people and poor nations for what is, in effect, their inability to prosper in a contest between those with unequal capacity and access, where the rules of the game have been established (and not consistently honoured) by those controlling most of the world's monetary wealth. Neoliberalism puts economic "imperatives" at the center of a hegemonic discourse that best serves the world's elites. The work of Thomas Paine is often cited by

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<sup>1</sup> If one were to change the arbitrary dividing line between the low and middle income countries from \$755 to \$800, then China and Honduras would shift to the low income category. The average aid per capita in

those supporting the introduction of basic income provisions. I, too, shall invoke Paine: not, however, Agrarian Justice (1796) where he makes the case for sharing of income, but rather The Rights of Man (1791) where his words can be applied to life under neoliberalism:

The original despotism . . . divides and subdivides itself into a thousand shapes and forms, till at last the whole of it is acted by deputation. . . . against this species of despotism, proceeding on through an endless labyrinth of office till the source of it is scarcely perceptible, there is no mode of redress. It strengthens itself by assuming the appearance of duty, and tyrannises under the pretence of obeying. (Philp, 1995, p. 20)

Today's victims of downsizing, re-engineering and structural adjustment will recognize the plaintive "the deficit made me do it," as one expression of a social fractal akin to that described by Paine. The hindmost victims of the neoliberal tyrannies of our time, like the deserving poor of old, must demonstrate their worth if any assistance is eventually to come their way.

If we are at all concerned about the myriad problems of our time which threaten our continued survival on our planet, we need to think boldly, give free reign to our imagination and actively work together to shape an alternative discourse. One of the earliest notions I encountered as a social scientist was that of "institutional lag": as a result of the Cold War and neoliberalism we are at least 60 years behind in our thinking about shaping democratic global institutions. That is the "double movement" à la Karl Polanyi (1944) or countervail à la John Kenneth

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my hypothetical scenario would fall to \$42 for each of the 3.7 billion people.

Galbraith (1956) needed to reign in capitalist excesses, which even Friedrich Hayek included in his expressions of concern about the totalitarians in our midst (1944).

## 2. A global agenda

I firmly believe that world problems require world solutions; anything less necessarily perpetuates injustice which carries with it a train of untoward consequences, among them periodic eruptions of genocidal violence (Frankman,1997). There is nothing new in these sentiments, nor are they foreign to the field of economics. Nobel Prize winning economists James Meade (1940) and Jan Tinbergen (1944) were among those who wrote about global approaches to economic organization during the Second World War.

In my view a world-level approach can not be a piecemeal assemblage in the manner of our current functional approaches to global order, but must contain elements which link together systemically including:

- Democratic world federalism with active citizen engagement from the local to the global.
- A single world currency.
- Global public finance: global revenue raising capacity and global public expenditures on global public goods and global redistribution, including a planet-wide citizen's income (PWCI).

## **2.1 Democratic world federalism**

If there is to be hope for an equitable, peaceful and sustainable world where people meet as peers, we must cultivate citizen engagement as the highest civic virtue. The centrality of market values has diminished the role, influence and interest of individuals in political participation. If political deliberation can take place at levels appropriate to the issues at hand, the undermining of democratic processes could well be reversed. Subsidiarity is a bi-directional concept: effectiveness suggests that political authority should be shifted to the appropriate level, be it higher or lower. Where processes are global, structures of global government are clearly appropriate. If we subscribe to the value of democratic decision making, then that, too, should be extended to the global level. In a world where jobs are said to be disappearing, what more worthy occupation, partial or full-time, could there be than that of participating in the process of steering our planet and its constituent parts.

## **2.2 A Single World Currency**

As for a world currency, John Stuart Mill had already anticipated such a possibility in the middle of the nineteenth century:

Let us suppose that all countries had the same currency, as in the progress of political improvement they one day will have . . . So much of barbarism, however, still remains in the transactions of the most civilized nations that almost all independent countries choose to assert their nationality by having to their own inconvenience and that of their neighbours, a peculiar currency of their own. (Mill, 1865., II, 175-76)

With a world currency in place the foreign exchange transactions targeted as the base for the tax proposed by James Tobin would disappear and with them would go the rationale for the Tobin Tax, i.e., the hypermobility of capital which, in turn, is related to substantial daily variations in exchange rates. Absent the chief cause for capital hypermobility, absent hypermobility and its symptoms. Tobin, himself, made it clear that a world currency with supporting institutions, by eliminating exchange rates and their inevitable variation, would be preferable to a transactions tax:

A permanent single currency, as among the 50 states of the American union, would escape all this turbulence. The United States example shows that a currency union works to great advantage when sustained not only by centralized monetary authorities but also by other common institutions. In the absence of such institutions, an irrevocably unique world currency is many decades off. (UNDP, 1994, p. 70)

While the greatest volume of foreign exchange transactions undoubtedly occur between currencies of the industrial countries, the largest distributional consequences are likely experienced in the less developed countries. If one is looking for a reason why almost one-half the world's population is still living at less than US\$2 per day, one need not look further than the role of exchange rate variation. If one compares the end of 2000 exchange rate per dollar with the end of 1980 rate in both China and India, for example, one finds ratios of 5.4 and 5.9, which is equivalent for China to an average compound annual increase in the number of yuan per dollar of 8.8 per cent To put it another way, a good or a wage

whose local currency value remained unchanged and was worth \$1 in 1980, would have been worth less than 20 cents in 2000. For 26 other countries with a population of greater than 25 million, 14 had exchange ratios for one of both of the decades 1980-1990 and 1990-2000 above India's two decade ratio of 5.9 and Argentina, Brazil, the Democratic Republic of the Congo (Zaire) and Peru had at least one decade where the ratio exceeded 10,000 (Frankman, 2002). While these kinds of changes may make one's exports more competitive, they certainly will have major adverse distributional consequences, exacerbating conditions of poverty and destroying nascent middle classes.

### **2.3 Global public finance**

The upward application of subsidiarity in public finance implies global taxation and revenue raising accompanied by global expenditures. Again, we can find early expressions of such a need in nineteenth century writings. James Lorimer (1884) proposed that each nation levy an international tax on each of its citizens to pay for an international government which would provide "international equivalents for the factors known to national law as legislation, jurisdiction, and execution." C. Wilfred Jenks, who went on to become the Director-General of the International Labour Office (1970 –1973) was another of those, along with Meade and Tinbergen, who addressed international taxation during the Second World War (1942). As there is an abundant literature on global taxation (Frankman 1996), global public finance (Mendez 1992) and global public goods (Kaul 1999), I shall direct my attention principally to one of the possible uses of the revenues of a global government: a planet-wide citizen's income.



### **3. Planet-wide citizen's income**

A planet-wide citizen income offers the promise of providing what Philippe Van Parijs (1996) calls “real freedom” to the almost one-half of the world’s population living in abject poverty. Current proposals for dealing with poverty are largely comparable to the promise of salvation in the afterlife; they are not an adequate answer to hunger and deprivation here and now. A citizen’s income set at a high enough level to provide attainable economic options to those living on the margin could finally give real choices for the poor of the world. The real choice not to have to leave one’s home and the real choice to go to school rather than work could become default settings for the many rather than pie-in-the-sky dreams.

Many (if not all) of the arguments that have been advanced for income guarantees at the national level can be extended to the global level. A planet-wide citizen’s income offers the additional prospect of reducing tensions and jealousies between rich and poor regions and nations. As all communities beyond a village or a kinship group are imagined communities, what holds for one socially constructed community can apply to larger ones still in formation.

A planet-wide citizen’s income also offers a politically attractive alternative to our system of global apartheid, which limits severely the freedom of many of the world’s people to emigrate legally. A global basic income could well provide people the real freedom to stay in their country of origin and offers the prospect of a world with open borders in which the extremely costly, highly discriminatory and only partly effective system of migratory regulations and controls could be dismantled. The point may soon come when a trial balance of the costs of limiting

the cross-border movement of peoples, both in monetary terms and in loss of lives and liberties will be judged to favour the introduction of a global universal allocation.

The actual level at which a citizen's income is established is not the issue at this moment, it is the principle that needs to be accepted nationally and globally. It is instructive, however, to illustrate the direct cost and financing requirements for several alternatives. I take as my point of departure a recent suggestion by Patrice Spadoni that a citizen's income be set at no less than 50% of a country's per capita income (Basic Income European Network, 2001).

Table 1 helps us to put the monetary cost of payments associated with a Planet-Wide Citizen's Income into perspective. The table contrasts current official development assistance and a proposal made by Juan Somavía, the Director-General of the International Labour Organization in his address to this conference (2002) with planet-wide citizen's incomes set at 20, 25 and 50 per cent of the estimated world per capita income. Somavía's proposed grant of \$1 per day to the 1.2 billion people who are living at less than \$1 per day would represent a nine-fold increase over the amount of net ODA allocated in 1998. If one were to amplify Somavía's proposal to give \$2 per day to those living at income of less than \$1 per day and to give \$1 per day instead to those 1.6 billion persons living at incomes of between 1 and 2 dollars per day, the cost would triple, rising to well over \$1 trillion per year, which is the order of magnitude in which discussions of ending poverty should take place.

If instead we were to consider a basic allocation which would go to every man, woman and child regardless of where in the world they are or their circumstances, then at 20 per cent of the per capita world income, the citizen's income would come to \$1,036 per head for a total cost of \$6.1 trillion, over 40 times what the ODA target would have produced in 1998 and over 120 times what net ODA actually was. Even for a poor family in an industrial country, receipt of an extra income of \$1,036 for each household member would provide extra breathing room. The difference for at least one-half the world's population, on the other hand, would be substantial. Figures are provided in the table for more generous levels of support for the world's citizens.

Table 1: Comparison of funding alternatives

	Trillion US\$/year
Net ODA 1998	0.05
Target of 0.7 per cent of donor gross national product 1998	0.15
Juan Somavía (2002) proposal: \$1/day to the 1.2 billion people living at \$1/day or less	0.44
Variation on Somavía (2002): \$2/day to those described above and \$1/day to the 1.6 billion people living at \$2/day or less	1.47
Planet-wide citizen's income (PWCI) as per cent of per capita world income	
a. 20 (PWCI=\$1,036/year)	6.1
b. 25 (PWCI=\$1,295/year)	7.6
c. 50 (PWCI=\$2,590/year)	15.2

Source: Somavía 2002, World Bank 2000, OECD 2000, author's calculations

Expenditure is, of course, only one side of the equation. Can such a substantial transfer scheme be financed? Thurman Arnold (1936) drew parallels between what he termed public taxation for public purposes and private "taxation" for private purposes. He noted our perverse inclination to hold the latter in higher regard, a mindset that has been relentlessly nurtured in recent years. Growing

inequalities in income and wealth reflect an ongoing system of massive transfers to the highest income recipients in the world. A political system that has been used to generate inequality is not beyond being turned against those who have abused the system. The excesses of corporate executives which have been highlighted almost daily throughout 2002 could be the impetus for such a change in mindset. It doesn't take too many reports like that of \$2.1 million being spent by a top executive (of Tyco) on a birthday party for his wife or even of the \$3.5 million per year reported to have been spent by Jack Welch of GE on a Boeing 737 put at the disposal of his wife to lead one to conclude that it may well be the rich who are not "deserving" (*La Dernière Heure*, 2002).

Recent calculations by Branko Milanovic (2002) of what he calls the "True World Income Distribution," based on estimates of income inequality using household surveys from 91 countries confirm that world inequality is rising. Milanovic estimates that the World Gini coefficient of income inequality, adjusted for differences in purchasing power, increased from 0.63 in 1988 to 0.66 in 1993. If purchasing power parity adjustments are not made, then the World Gini for 1993 jumps to 0.805. If, for the sake of illustration, we assume that the financing of a planet-wide citizen's income were to fall exclusively on the top 25 per cent of the world distribution who account for 77.7 per cent of world income (\$23.6 trillion of a world income of \$30.4 trillion), then the cost of a universal global program set at 20 per cent of the per capita income of the world would require an additional tax burden of 26 per cent on the income of the world's wealthiest. If one considers that

the wealthy would also receive the income guarantee, the net additional burden on them falls to 19 per cent.

This is the kind of effort that is required, if we are seriously concerned about poverty, equity and inclusion and we generalize that commitment to the global level. We are not talking here about confiscatory levels of taxation. In the view of Nobel Prize winner Herbert Simon, this is quite a reasonable tax burden to impose. In what was likely Simon's last published paper prior to his death in February 2001, he put the case most strongly:

I personally do not see any moral basis for an inalienable right to inherit resources, or to retain all the resources that one has acquired by means of economic or other activities. . . . When we compare the poorest with the richest nations, it is hard to conclude that social capital can produce less than about 90 per cent of income in wealthy societies like those of the United States or Northwestern Europe. On moral grounds, then, we could argue for a flat income tax of 90 per cent to return that wealth to its real owners. (2000)

Even if a planet-wide citizen's income were set at half of the world's per capita estimate, the net tax burden required (48 per cent) would be well below either Herbert Simon's 90 per cent social capital estimate or the 70 per cent flat tax level that he believed would fund all of the US government's existing expenditures in addition to basic income of \$8,000 per year for all Americans (2000).

Table 2: Hypothetical financing for a planet-wide citizen's income (PWCI)

Planet-wide citizen's income as a per cent of per capita world income	Planet-wide citizen's income trillionUS\$	Gross PWCI tax burden as a per cent of Income of the world's richest quartile	Net PWCI tax burden as a per cent of income of the world's richest quartile
20	6.1	25.7	18.3
25	7.6	32.2	24.1
50	15.2	64.4	48.3

Sources: Milankovic 2002, Table 1, author's calculations

#### 4. Conclusion

The intent here is not to minimize the effort that would be required to implement a planet-wide citizen's income, but rather to illustrate that the magnitudes involved are not unrealistic. The far more difficult roadblocks are our preconceptions that first lead us to insist that individuals and countries must earn their living and then lead us to blame the victims when their earnest efforts fall short.

Solidarity, community, acceptance and respect extending beyond the local and the national to the global are infectious sentiments and practices that cannot be contained once they begin to take root. They are the keys to the fractal geometry of a partnership model that embraces the common humanity of all. These sentiments have the potential, as in the quote from Thomas Paine, with which I began, to divide and subdivide "into a thousand shapes and forms" in a virtuous profusion. That is truly our millennial task: to displace despotism, benevolent or otherwise, with a partnership culture that unleashes the creative, rather than the destructive, potential of all humanity.

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