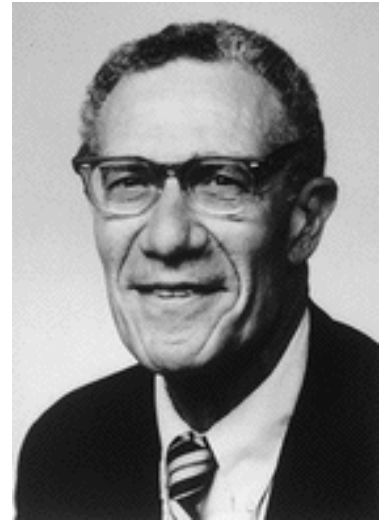


Robert M. Solow, 1924-

Kort biografi

Amerikansk økonom, siden 1958 professor ved MIT. Robert M. Solow modtog i 1987 nobelprisen i økonomi for sine bidrag til vækstteori. Solow har stillet sig meget kritisk overfor workfare politikken i USA og udtrykt sympati for tankerne om Universal Basic Income (UBI).



Dokumentation

Robert M. Solow, Amy Gutmann (ed.) *Work and Welfare*, Princeton University Press, 1998

The Nobel Prize-winning economist Robert Solow directs his attention here to one of today's most controversial social issues: how to get people off welfare and into jobs. With characteristic eloquence, wit, and rigor, Solow condemns the welfare reforms recently passed by Congress and President Clinton for confronting welfare recipients with an unworkable choice--finding work in the current labor market or losing benefits. He argues that the only practical and fair way to move recipients to work is, in contrast, through an ambitious plan to guarantee that every able-bodied citizen has access to a job.

Solow contends that the demand implicit in the 1996 Welfare Reform Act for welfare recipients to find work in the existing labor market has two crucial flaws. First, the labor market would not easily make room for a huge influx of unskilled, inexperienced workers. Second, the normal market adjustment to that influx would drive down earnings for those already in low-wage jobs. Solow concludes that it is legitimate to want welfare recipients to work, but not to want them to live at a miserable standard or to benefit at the expense of the working poor, especially since children are

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often the first to suffer. Instead, he writes, we should create new demand for unskilled labor through public-service employment and incentives to the private sector--in effect, fair "workfare." Solow presents widely ignored evidence that recipients themselves would welcome the chance to work. But he also points out that practical, morally defensible workfare would be extremely expensive--a problem that politicians who support the idea blithely fail to admit. Throughout, Solow places debate over welfare reform in the context of a struggle to balance competing social values, in particular self-reliance and altruism.

What's wrong with a free lunch? (ed.) Philippe Van Parijs. Beacon Press. Boston 2001.

Forward by Robert M. Solow, p. ix-xvi

"Imagine that someone propose a radical innovation in social policy, in the case under consideration in this volume, the provision of a Universal Basic Income (UBI). The precise suggestion is that the government should pay a fixed monthly amount, the same for everyone, to each citizen (or resident) aged sixteen (for example) or older. This payment is not to be conditional on any behaviour or characteristic of the recipient, other than being defined as an eligible member of the society.

The lively debate that follows explores the merits of this proposal. Philippe Van Parijs argues that a UBI, fixed at a subsistence level, would promote justice by increasing freedom, improve women's lives, and help the environment. In spite of the long history of resistance to redistributive social policy in the United States, I believe Van Parijs's proposal warrants serious discussion. But given its departure from prevailing attitudes about work and compensation (it breaks the link between reward and work) and its substantial cost, how shall we begin to think about the UBI?

One traditional way to sort things out is to divide the question into two parts. Is a UBI desirable? And is it feasible, can it be done? It may no be possible to male such a neat separation between desirability and feasibility. For instance, we might conclude after study that, yes, it can be done, but with certain side effects as consequences. We might then further conclude that those side effects tip the balance against the UBI, although the general idea seems quite acceptable, even advantageous.

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The scenario might go like this: the availability of a UBI would lead some people to withdraw from the labour force because, with basic needs taken care of, they prefer a life of leisure to the combinations of UBI plus wages plus the irksomeness of a job. The side effect of UBI is a somewhat lower income per head for the whole populations, perhaps enough to control the decision. I emphasize that this is a made-up scenario, not a forecast. Protagonists of UBI might argue that, on the contrary, the availability of UBI would actually induce a net influx into the labour force, because the consequences of landing a bad job and failing at it would be less disastrous, and the normal human inclination to be active would take over. Belief that one of these outcomes is, ore likely than the other would have to come from the usual combination of a theory of labor-force participation and an appeal to data. MY purpose was only to illustrate how the normative and the positive, though conceptually separate, may be closely intertwined.

....When I mentioned the issue of feasibility at the very beginning, I was thinking of economic, not political, viability. It is time to get back to that now. Obviously a very low-level UBI would be feasible in economic, even budgetary, terms, especially because it would at least partially replace some current means-tested transfers. Equally obviously, the immediate first-order gross cost of a meaningful UBI is one reality check. Van Parijs mentions a figure of \$150 per person per month as a starting figure. There are about 210 million people aged 16 and older in the United States now, so the gross cost of this scheme would be about \$380 billion a year. (The net cost would of course be less, depending on how other entitlements were effected).

What should this figure be compared with? It is only about 3.5 percent of GDP, about the same as military spending. But that is about 18 percent of total federal (on-budget and off-budget) revenues, and therefore a major use of central government funds. Remember that this buys a UBI of £1,800 a year for a single person, probable not enough to buy a lot of “real” freedom. A larger UBI would have a proportionally higher gross cost. When you get to figures like £8,000 a year, approximately the “poverty line” for a ingle person, the gross cost is up to 16 percent of GDP and 80 percent of federal revenues. These are much more than marginal changes.

... Any way, this kind of easy calculation is not the fundamental one. Any nontrivial UBI will change the incentives faced by many people, indeed practically everyone: employment, mortgage

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lenders, sellers of art supplies, you name it. When incentives change, behaviour changes. In principle, you would want to know these “general equilibrium” effects of a UBI before deciding what you think about proposal itself.

No one could actually carry out the complete calculation. Fortunately only some of the ramifications are likely to be important enough to matter, and those could perhaps be traced. For example, labor-supply effects are clearly of interest. If the institutions of a UBI at some significant level were to induce many people to work less or not at all, then the aggregate income of the society would be lower and the fractions of it diverted to redistribution would be larger. Some respondents note that the supply of labor does not appear to be very sensitive to (small) changes in after-tax-wage rates. That is fair comment. But UBI would involve both a higher tax rate and a lump-sum benefit; this combination of what economists call a substitution effect and an income effect would need to be analyzed carefully.

Earlier proposals of a negative income tax founded on the realization that three desired outcomes of the NIT were arithmetically incompatible. The three were (a) that the system should provide a reasonable income for those without other income, (b) that it should not transfer any income to the well-off, and (c) that the marginal tax rate on low-wage earnings should not be discouragingly high. The UBI resolves this problem in a drastic way: it leaves the marginal tax rate on earnings exactly where it was before, but transfers the same amount to rich and poor, thus roundly violating (b). So one cannot infer from the NIT history that the same adverse labor-supply effects would apply to UBI. But UBI offers problems of its own, and research and wider discussion will be needed to settle them.

The discussion is worth pursuing. Van Parijs and his respondents debate fundamental questions about the goals of social arrangements and how social policy can help create the kind of society we want to live in – about how to correct for poverty amidst plenty, and how to ensure that everyone gets a fair share of benefits of social cooperation. While the market for redistributive social policy in the United States to day remains limited, public debate about these important questions should be kept alive. This volume is a refreshing opening to that discussion.”

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