James Tobin, 1918-2002

Kort biografi

Amerikansk økonom, Professor ved Yale University 1955-88 og medlem af John F. Kennedys Council of Economic Advisors 1961-62. Tobin har leveret væsentlige bidrag inden for keynesiansk inspireret makro- og pengeteori og han medvirkede sammen med bl.a. J.R. Hicks og Paul A. Samuelson i begyndelsen af 1960'erne til etablering af den makroøkonomiske syntese mellem keynesiansk og neoklassisk teori. Tobin modtog i 1981 nobelprisen i økonomi. Tobin har støttet ideen om en negativ indkomstskat.

Dokumentation

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James Tobin (born 1918) is Sterling Professor Emeritus at the economics department of Yale University (New Haven, USA). He was awarded the 1981 Nobel Prize in economic sciences "for his analysis of financial markets and their relations to expenditure decisions, employment, production, and prices".

James Tobin, The Demogrant and the future of U.S. Social Policy

James Tobin has been interested in basic income for several decades. During the term he spent at Yale. When James Tobin hit upon the idea of a basic income, many of us were still children, and many were not born. The US was in the middle of the turbulent sixties, and Tobin was thinking, among other "liberal" (i.e. left-of-centre) economists, about how to design a generous but economically sound strategy against poverty. His solution consisted in a comprehensive minimum income system which he called a "credit income tax" and argued for in a sequence of classic articles (see list below). This idea displayed some resemblance with two other, very differently motivated proposals, which were floating around at the

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time. On the one hand, Milton Friedman's "negative income tax" – buried in his popular book Capitalism and Freedom (1962) and unknown to Tobin when he started developing his own proposal – aimed to simplify and de-bureaucratize the welfare state in such a way that it could be gradually phased out – not at all Tobin's objective, who rather sought to expand the state's role in income protection. On the other hand, the "guaranteed income" advocated by Robert Theobald and his Ad Hoc Committee on the Triple Revolution (1964) was inspired by the belief "that automation is rendering work for pay obsolete, and that government handouts are the only way to give the public the means to buy the immense bounty produced by automatons" – a diagnosis with which Tobin (1966: 36) strongly disagreed.
Under Tobin's proposal – more generous than Friedman's and more precise than Theobald's –, each household was to be granted a basic credit at a level varying with family composition, which each family could supplement with earnings and other income taxed at a uniform rate. This "credit income tax" could be administered in two ways. One relied on "the payment of net benefits upon execution of a declaration of estimated income", while those making no such declaration would receive the credit in the form of a reduction of their tax bill (this corresponds to what is now commonly called a "negative income tax"). The other consisted in "automatic payments of full basic allowances to all families, except those who waive payment in order to avoid withholding of the offsetting tax on other earnings" (this corresponds to what Tobin's co-author Joe Pechman insisted on calling "demogrants" and to what BIEN has chosen to call "Basic income"). Both methods Tobin found workable, but his preference was for the second: "The declaration method imposes the burden of initiative on those who need payments; the automatic payment method places the burden on those who do not want them. It may be argued that the latter are more likely to have the needed financial literacy and paperwork sophistication." (Tobin & al. 1967: 23).
Tobin went on to become an economic adviser to the democrat presidential candidate George McGovern, who took over his demogrant proposal. The issue was salient in the 1972 Democratic primaries, especially in California, with Hubert Humphrey, McGovern's main rival, ridiculing the idea of a large handout being given to everyone, rich and poor. Mc Govern won the primaries, but badly lost to Nixon in the presidential election itself, in which other issues overshadowed the demogrant proposals. In the previous year, the Family Assistance Plan, a far less ambitious guaranteed income scheme prepared from within the Nixon administration by the democrat Daniel Patrick Moynihan failed to be approved by the

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U.S. Senate. Mc Govern's defeat – which was a great disappointment to Tobin – sealed the fate of anything more ambitious. Some modest reforms were made to improve work incentives for welfare recipients, but several of them were rolled back in the 1980's under Reagan (see Burtless 1990 for an informative account). Negative income tax experiments were also conducted in various places. Their most talked about conclusion was that there was some significant negative effect on the labour supply of secondary earners. This finding was in line with what Tobin expected, but what did surprise (and disappoint) him is that this was widely viewed as a decisive argument against the idea.

Which way forward? Perhaps McGovern and his aides did not package the idea of a demogrant as well as was possible at the time. But however economically and socially sound, there is something politically tricky about these large unconditional handouts to everyone. Political resistance can be lessened by going first for a NIT variant: it may be less efficient and, in the senses that matter, more expensive, but somehow looks more plausible to the electorate. Also, one has to reckon with the fact that Americans, in the 90's probably no more but also no less than in the 60's, "are mortally afraid that some potential workers will choose idleness even at the expense of income" (Tobin 1968: 113). It is because of this "puritan ethic" that EITC could get off the ground under the Ford administration and be massively expanded under Clinton, while assistance to the non-working poor is being largely dismantled as a result of the replacement of Aid to Families with Dependent Children (AFDC) by Temporary Assistance to Needy Families (TANF) in 1996 (federal block grants to the states, time limits, etc.). The cruel impact of these measures on poor families is currently obscured by favourable macroeconomic conditions and the fact that the new five-year time limit on the claiming of welfare benefits has not yet started kicking off. The need for a general guaranteed income system remains as strong as ever. But one could design it in a way that would accommodate to some extent the puritan concerns. This would certainly be good for its general cultural acceptance, and hence its political feasibility. It may also be good in itself – Tobin confesses to some ambivalence on this –, providing the "contribution" condition is understood in a sufficiently broad sense. Rather than excluding any nonworking able-bodied adult from the right to the grant — a possibility he mentions without endorsing it (Tobin 1968: 113-14) —, he favours subjecting that right to the beneficiary's declaring that (s)he is spending a minimum amount of time performing a socially useful activity (looking after one's children and volunteering for a church would count just as much as paid work). More than this amendment may be needed to assuage the fear for welfare loafers and to get again a new ambitious project on the track. But this is a task for another generation. So at least James Tobin said this morning – marvellously alert and bubbling with questions and perceptive remarks – as I was leaving his office.

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What are the defects of public assistance today? First is its inadequacy. Our government administer a bewildering variety of welfare and social insurance programs, from Federal Old Age, Survivors and Disability Insurance (OASDI) to township relief. Yet half of the poor benefit from none of these; and most of the public money spent to supplement personal incomes goes to families above the poverty line.

…. Second, public assistance is geared to need in a manner that provides perverse incentives to those dependent upon it. One major destructive incentive is the one which AFDC gives for the

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break-up or non-formation of families. Too often a father can provide for his children only by leaving both them and their mother.

…. The "means test" provides other disincentives – disincentives to work, to save, to gain skills. The "means test" seems innocent enough in appearance and intent. It says that the welfare payment shall be made only if, and only the extent that, the family cannot meet this needs (as officially calculated) from its own resources. Thus if, in a given locality, the effective standard of need (which may be only a fraction of an estimated minimal budget) for a mother and four children is $ 2500 a year, the family will receive $ 200 from the state if its members earn nothing on their own, $ 1500 if they earn $ 100, $ 500 if they earn $ 200, and so on. This arrangement, under which your total take-home pay is the same no matter how much you earn, is obviously not designed to encourage work or training for future work.

…..An alternative approach, which commands the support of many economists of all political and ideological shades (Milton Friedman, Goldwater's chief economic advisor in 1964, was one of the first to suggest it), is a national system of income supplements graduated to income and to family size. For more fortunate citizens, personal income taxes likewise depend on income and family size; therefore the proposed income supplements can be called, not very felicitously, negative income taxes. They may also be regarded as federally guaranteed incomes, since they involve, among other things, Federal payment of a specified amount to every family with zero income.

Various proposals embodying one or more of these features have been set forth; and, as with all reform causes, the proponents differ widely in their reasons. Some – like Robert Theobald and W.H. Ferry of Robert Maynard Hutchins's Center of the Study of Democratic Institutions – are interested mainly in the income guarantee. The believe that automation is rending work for pay obsolete, and that governments handouts are the only way to give the public the means to buy the immense bounty produced by automatons. They do not share, therefore, the concern of economists to provide incentives for work and for building up earning capacity. I disagree strongly with their diagnosis, but for other reasons I also advocate what amount to an income guarantee."