



**INDEPENDENT**  
I N S T I T U T E

---

A Philosophical Economist's Case against a Government-Guaranteed Basic Income

Author(s): David R. Henderson

Source: *The Independent Review*, Spring 2015, Vol. 19, No. 4 (Spring 2015), pp. 489-502

Published by: Independent Institute

Stable URL: <https://www.jstor.org/stable/24563064>

---

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



Independent Institute is collaborating with JSTOR to digitize, preserve and extend access to *The Independent Review*

JSTOR

---

# A Philosophical Economist's Case against a Government-Guaranteed Basic Income

— ◆ —

DAVID R. HENDERSON

**T**o argue about a policy, it helps to know the specifics of the policy being considered. In an August 21, 2014, email, Matt Zwolinski told me that although he “can’t stand too firmly behind any particular dollar value” for a basic-income guarantee (BIG), he had in mind \$10,000 annually for every U.S. citizen age twenty-one or older. That is the proposal I discuss throughout this essay, unless I specify otherwise.

## The Program's Budgetary Cost

The specifics matter. In 2013, about 230 million people in the United States were age twenty or older.<sup>1</sup> Of all U.S. residents, 87.1 percent were born in the United States (U.S. Census Bureau 2014). Of the foreign-born people, a substantial percentage would have, like me, become U.S. citizens. So a lower-bound estimate of

---

**Davis R. Henderson** is an associate professor of economics in the Naval Postgraduate School's Graduate School of Business and Public Policy in Monterey, California, and a research fellow with Stanford University's Hoover Institution.

1. The approximate population of the United States in 2013 was 316.1 million, of whom 72.7 percent, or 229.8 million, were older than twenty (“Demographics of the United States” 2014; U.S. Census Bureau 2014).

*The Independent Review*, v. 19, n. 4, Spring 2015, ISSN 1086-1653, Copyright © 2015, pp. 489-502.

the percentage of residents who are citizens would be 90 percent. Applying this factor to the 229.8 million adults gives us 206.8 million adult U.S. citizens. The annual BIG expenditure for U.S. citizens, then, would be approximately \$2.068 trillion. This expenditure estimate does not include any expenditure for administering the program or for monitoring for fraud. In other words, it is a *minimum* estimate.

Zwolinski has argued elsewhere that a BIG “would be *much* better than the current welfare state.” He writes: “Current federal social welfare programs in the United States are an expensive, complicated mess. According to Michael Tanner, the federal government spent more than \$668 billion on over *one hundred and twenty-six* anti-poverty programs in 2012. When you add in the \$284 billion spent by state and local governments, that amounts to \$20,610 for every poor person in America” (2013b, emphasis in original). He wonders, “Wouldn’t it be better just to write the poor a check?”

It might be better to “write the poor a check,” but notice what Zwolinski has done. He started by arguing for a check for *every* adult American citizen and then in his cost comparison shifted to having the government write a check *only* to poor people. In that same essay, he writes: “A Basic Income Guarantee involves something like an unconditional grant of income to every citizen. So, on most proposals, everybody gets a check each month. ‘Unconditional’ here means mostly that the check is not conditional on one’s wealth or poverty or willingness to work” (2013b). For that reason, the relevant expenditure does appear to be the \$2.068 trillion figure given earlier.

Assume, as Zwolinski advocates, that such a program would displace all 126 federal antipoverty programs and all state and local government antipoverty programs. Later, I challenge that assumption, but for now imagine that it is true. Notice what would happen. A \$2.068 trillion program would replace programs whose total expenditures in 2012 were \$952 billion. Even rounding up the \$952 billion to \$1 trillion, the program that Zwolinski advocates is more than twice as costly in budgetary terms as current antipoverty programs.

How would such a program be funded? Let’s grant for now Zwolinski’s assumption that all other antipoverty programs would be eliminated. How would the federal government obtain the additional \$1.068 trillion?<sup>2</sup>

Before considering that question, let’s put the number in perspective. Federal government spending for fiscal year 2014 will come in at about \$3.576 trillion (U.S. Joint Economic Committee and Council of Economic Advisers 2014, 32). So if the federal government were to implement a \$10,000 BIG today, spending by the federal government would increase by 30 percent. This amount is actually an underestimate. I am assuming that Zwolinski would want the BIG to be a federal program. So the \$284 billion that he estimates would be saved by state and local governments would not be automatically remitted to the federal government.

---

2. \$2.068 trillion minus \$1 trillion.

Rounding up the \$668 billion spent by the feds in 2012 to \$700 billion, I conclude that the federal government would spend not an additional \$1.068 trillion, but rather an additional \$1.368 trillion.<sup>3</sup> This would be a whopping 38 percent increase in federal spending.

How would Zwolinski fund this major increase in federal spending? If his goal were to keep the already bloated half-trillion-dollar federal deficit constant rather than increasing it, he would need to have the federal government increase taxes from their estimated \$2.993 trillion to \$4.361 trillion, an increase of 45.7 percent.

One of the most well-established facts in the economics literature on government finance is that raising a tax rate by  $x$  percent raises the revenue from that tax by less than  $x$  percent.<sup>4</sup> The reason for this relationship is that the higher tax rate discourages the activity being taxed, so the tax base on which the tax is levied is smaller than otherwise. So if the federal government were to raise all tax rates by the same percentage to generate the revenue needed, it would have to raise all tax rates by more than 45.7 percent and probably substantially more.

Assume, for simplicity, a 50 percent increase in all tax rates, although the percentage would probably be more. Why more? Assume conservatively that a 45.7 percent increase in tax rates would reduce by only 5 percent the base on which the taxes are levied.<sup>5</sup> Then a 45.7 percent increase in tax rates would increase the federal government's tax revenues by only 38.4 percent.<sup>6</sup> Thus, tax rates would have to be increased by substantially more than 45.7 percent.

That conservatively estimated 50 percent increase in tax rates means that the current Social Security payroll tax (Federal Insurance Contributions Act or FICA tax), instead of its current 6.2 percent each on employer and employee, would be 9.3 percent. The bottom marginal tax rate on individual income, instead of being 10 percent, would be 15 percent. The top marginal tax rate on individual income, instead of being its current 39.6 percent,<sup>7</sup> would instead be 59.4 percent.

With the magnitude of these tax increases, one strong concern would be the size of what economists call "deadweight loss." The deadweight loss from taxes is the loss in wealth caused by taxes that goes to no one. So, for example, a 10 percent

3. \$2.068 trillion minus \$700 billion.

4. This fact is discussed in virtually every public-finance textbook. See, for example, Rosen and Gayer 2010, chap. 15.

5. This would happen if the elasticity of the tax base with respect to the tax rate were 0.11. This elasticity is relatively small.

6. Let  $x$  be the initial tax base and  $t$  be the initial average tax rate. Then  $R$ , the federal government's tax revenue, equals  $x \cdot t$ . Then increase the average tax rate by 45.7 percent and assume that this increase causes the tax base to fall by only 5 percent. The government's new tax revenue is  $0.95x \cdot 1.457t = 1.384xt$ . In other words, raising the tax rate by 45.7 percent increases tax revenues by only 38.4 percent.

7. I am ignoring the new "Obamacare" 0.9 percent Medicare tax imposed on individuals with annual income greater than \$200,000 and on couples with annual income greater than \$250,000. I am also ignoring the 2.9 percent Medicare tax to which this 0.9 percent is added and the 3.8 percent Obamacare tax on net investment income for individuals whose modified adjusted gross income is \$200,000 or more and for married couples whose modified adjusted gross income is \$250,000 or more.

tax on gasoline might cause a loss in producer and consumer surplus of \$10 billion while creating “only” \$9 billion in tax revenue for the government. The \$1 billion loss in consumer and producer surplus that goes to no one is called “deadweight loss.”

Every tax, except a lump-sum tax,<sup>8</sup> causes a deadweight loss. Moreover, a theorem in economics shows that the size of the deadweight loss from a tax is proportional to the *square* of the tax rate. So, for example, raising a 39.6 percent tax rate by 50 percent up to 59.4 percent would not raise the deadweight loss by 50 percent; it would raise the deadweight loss by 125 percent.<sup>9</sup> A reasonable minimum estimate of the deadweight loss from the current federal tax system is 25 percent of revenues raised. So the tax increases required to fund the BIG would push deadweight loss from about 25 percent of revenue to 62.5 percent of revenue raised.

In short, three effects of a \$10,000 BIG for all U.S. adults would be (1) a huge increase in the size of the federal government, (2) a huge increase in federal taxes, and (3) a huge increase in the deadweight loss from federal taxes. This analysis assumes, moreover, that the BIG would replace all existing federal welfare programs, including Medicaid, that are aimed at the poor and near-poor.

I have ignored until now one source of revenues other than taxes to fund a BIG: expenditures on programs other than those that are targeted to low-income people. Zwolinski cites somewhat favorably a study by economist Ed Dolan in which Dolan estimated the amount of a BIG that could be funded by limiting these other programs. Dolan proposed, for example, giving people on Social Security a choice “between the benefits to which they are presently entitled, or the UBI [universal basic income], but not both.” This change in law, he estimates, “would add about \$18 billion in funding and reduce the number of UBI claimants by about 57 million” (2014). It should be noted that, with the kinds of numbers being discussed, \$18 billion is a drop in the bucket, less than 2 percent of the additional funding required. Dolan comes up with the big numbers by advocating higher taxes on people who pay mortgages, claim the personal exemption on their income tax forms, or take advantage of other distorting aspects of the income tax system. He points out that whereas upper- and middle-income people would lose if these tax deductions were eliminated, they would gain from their UBI. With all the changes Dolan proposes, he is able to come up with a UBI of only \$4,452 per person. It should be noted that he includes all people, whether one year old or

8. The closest thing we have to a lump-sum tax is a head tax—that is, a tax on each person. Such taxes are rare, and when British prime minister Margaret Thatcher tried to impose one, her own party revolted, and she was thrown out of office. But, as I tell my students, even a head tax causes deadweight loss by changing behavior. There are four ways to avoid paying a head tax: (1) emigrate, (2) hide, (3) have fewer children, or (4) commit suicide.

9. Let the deadweight loss from a tax rate be  $Ct^2$ , where  $t$  is the tax rate and  $C$  is a variable that depends on the size of the tax base and the elasticity of the tax base with respect to the tax rate. Assume that  $C$  is constant. The deadweight loss from a 50-percent-higher tax rate is  $C(1.5t)^2$ , which equals  $C(2.25)t^2$ .  $C(2.25)t^2$  is 125 percent greater than  $Ct^2$ .

eighty years old. Limiting the payment, as Zwolinski does, to only adult U.S. citizens would drive up this amount by about 50 percent to around \$6,600 per person. But this amount is still much less than the \$10,000 Zwolinski tentatively proposes.

### The Charles Murray Solution

In his August 21 email message to me, Zwolinski suggests a way around the huge tax increases that I have laid out: the way proposed by Charles Murray in his book *In Our Hands: A Plan to Replace the Welfare State* (2006). That method is to tax \$5,000 of the \$10,000 grant with a 20-percentage-point increase in the marginal tax rate on people who make \$25,000 or more. At the \$50,000 income level, \$5,000 of the grant would be paid back. This method does reduce the amount of other taxation required, but, of course, it increases marginal tax rates over a range of incomes by 20 percentage points. Employed people making between \$25,000 and \$50,000 are often in a 15 percent federal tax bracket, a 7.65 percent payroll tax bracket, and a 2 to 3 percent state tax bracket, for a total marginal tax rate of 24.65 to 25.65 percent. Adding 20 percentage points to their marginal tax rate would increase their marginal tax rate to 44.65 to 45.65 percent. This increase would be a substantial disincentive to work and a substantial incentive to make money in the underground economy. To the extent the latter happened, the government would collect zero revenue. It is difficult to estimate either the revenue effects or the deadweight loss without knowing more than we currently know about the elasticity of labor supply of a substantial swath of the U.S. labor force.

The Charles Murray 20-percentage-point tax increase on lower-middle-income people, though, is probably not that relevant to Zwolinski's proposal because Zwolinski has explicitly rejected the idea of taxing any of the income back. He writes: "After all, with a Basic Income Guarantee, the money you get is yours to keep. You don't lose it if you take a job and start earning money" (2013b).

### Is "Better Than the Existing Welfare State" Enough?

Moreover, even if the BIG *were* better than the existing welfare state—a proposition that, as argued earlier, Zwolinski has not successfully demonstrated—this argument is an unusual one for a libertarian to make. The reason is that among the ways that we should reduce the size of government is bringing an end to the welfare state. Here is how philosopher Michael Huemer puts the point in the introductory paragraph of his response to Zwolinski in the *Cato Unbound* discussion: "The central point for which Matt Zwolinski's lead essay argues is that a basic income guarantee would be less bad than the status quo. Having been recruited for a critical comment, I hope my role is not to dispute this thesis, because I can't think of how one could defend the status quo from any philosophical standpoint" (2014). I have challenged the idea that the BIG would be less bad, at

least in a budgetary sense, than the status quo. But Huemer's point is on target: even if the BIG were less bad than the status quo, that is not a strong argument, especially for a libertarian to make. To put it bluntly, the status quo is ugly.

To drive the point home, consider two libertarians discussing the drug war. Libertarian A wants to end the drug war and allow as free a market in drugs as is allowed in candy bars. Libertarian B wants to make illegal drugs legal but tax them heavily and severely restrict their distribution. Libertarian B argues that his option is better than the status quo, under which hundreds of thousands of people, if not millions, have their lives wrecked by government. Libertarian A agrees but thinks we would do better by ending the drug war altogether. In this argument, the status quo in the drug arena is so awful that simply coming up with a less intrusive alternative is not good enough because it is still intrusive.

Zwolinski might argue that if he can make his BIG superior to the current welfare state, possibly by cutting the amount per person to, say, \$5,000, then his case for a BIG would stand. But that's not so. The case for a BIG would stand only as an alternative to the current welfare state, not as an ideal. The only way he could make the case would be if he were explicitly to propose a BIG as a temporary step away from the current welfare state. But that is clearly not what he is doing. Here's the test. If someone were to come up with a way of ending the current welfare state and not replacing it with a BIG, would Zwolinski favor that way? Based on the arguments he has used for a BIG, one's answer would have to be "no."

## The Moral Case against a BIG

Zwolinski does not make simply a pragmatic case for the BIG. He also makes a moral case:

One of libertarianism's most distinctive commitments is its belief in the near-inviolability of private property rights. But it does not follow from this commitment that the *existing* distribution of property rights ought to be regarded as inviolable, because the existing distribution is in many ways the product of past acts of uncompensated theft and violence. However attractive libertarianism might be in theory, "Libertarianism . . . Starting Now!" has the ring of special pleading, especially when it comes from the mouths of people who have by and large emerged at the top of the bloody and murderous mess that is our collective history. (2013b, emphasis in original)

I think, though, that the last sentence is not particularly accurate. When I think of people who have emerged "at the top," I think more of Bill Gates and Warren Buffett, and, unless I have missed it, they haven't been chanting "Libertarianism . . . Starting Now!" More's the pity, as the British say.

The last sentence is also distracting. What if Gates and Buffett *were* the ones chanting the libertarian slogan? Wouldn't we have to judge the argument independently of who is chanting it? Isn't that one of the standard principles taught in the kind of philosophy courses offered by, say, Zwolinski?

My guess is that Zwolinski has a wider view of those at the top, a view that would include the top 20 percent of the wealth distribution. But if we really widen the top, we realize that virtually everyone alive in the United States is at or near the top, historically speaking. Someone even in the bottom 20 percent income bracket in the United States today typically has better housing, food, medical care, and travel options than Louis XVI had. And in some important ways, he has even more than what the wealthiest man in America a century ago, John D. Rockefeller, had. In his widely used textbook *Principles of Economics*, Harvard economist N. Gregory Mankiw writes: "Despite his great wealth, Rockefeller did not enjoy many of the conveniences that we now take for granted. He couldn't watch television, play video games, surf the Internet, or send e-mail. During the heat of summer, he couldn't cool his home with air-conditioning. For much of his life, he couldn't travel by car or plane, and he couldn't use a telephone to call friends or family. If he became ill, he couldn't take advantage of many medicines, such as antibiotics, that doctors today routinely use to prolong and enhance life" (2009, 554). An earlier multimillionaire, Andrew Carnegie, died of pneumonia, which can now be treated with antibiotics even among the poorest Americans.

But back to what I assume is the main point of Zwolinski's paragraph: that the existing distribution of property rights ought not to be regarded as inviolable. I agree with that. I also agree with the reason that gets Zwolinski to that conclusion—namely, that "the existing distribution is in many ways the product of past acts of uncompensated theft and violence." But how do we get from that fact—both he and I would regard it as a fact—to the conclusion that a BIG is justified? That is difficult.

I think we all can agree that many people have what they have at least in part due to previous rights violations. It is not clear to me that these people are "at the top" in what I take to be Zwolinski's narrower sense rather than in my wider sense. I think, for example, of people who paid into Medicare and Social Security only a fraction, even in present value terms, of what they get back from taxes paid by the current young and middle-aged people. Sure, many of them are on top, but many are not. I don't see how a BIG redresses that rights violation.

How does Zwolinski reach his conclusion that a BIG is a good answer? He writes: "In a world in which all property was acquired by peaceful processes of labor-mixing and voluntary trade, a tax-funded Basic Income Guarantee might plausibly be held to violate libertarian rights. But our world is not that world. And since we do not have the information that would be necessary to engage in a *precise* rectification of past injustices, and since simply *ignoring* those injustices seems unfair, perhaps something like a Basic Income Guarantee can be justified as an approximate *rectification*?" (2013b, emphasis in original). His question mark at



the end is perplexing. I assume, though, that Zwolinski is saying that a BIG *can* be justified.

Again, however, go back to my Social Security and Medicare example. Social Security and Medicare are huge systemic attacks on people's rights, and I don't see a guaranteed minimum income as even an approximate rectification of these wrongs.

David Friedman has pointed out two other problems with Zwolinski's libertarian case: "If I justly owe you forty cents, taking a dollar from me and giving it to you makes the resulting distribution less just, not more. Unless most inequalities are inherited from past rights violations, a claim I think few libertarians would support, the logic of the argument breaks down" (2013). "A further problem with Matt's [Zwolinski's] argument," writes Friedman,

is that, even if you believe that a guaranteed basic income reduces net injustice, it is hard to argue that it is the best rule of thumb for the purpose. Consider the case of Afro-Americans. Almost nobody whose ancestors immigrated to the U.S. after the Civil War is the heir of benefits created by violation of the rights of their ancestors by his ancestors. On the other hand, the ancestors of present-day Afro-Americans were enslaved by Africans to be sold to European slave traders. The present inhabitants of Africa, at least sizable parts of it, are more likely than the present inhabitants of North America to be descendants of people who owe, and did not pay, reparation to slaves and their descendants. (2013)

It follows that Matt's second argument implies that the (very poor) present inhabitants of Africa owe compensation to the (relatively rich) present American blacks. I do not think Matt would accept that argument, whether or not he could rebut it. If so, he does not really believe in his second argument.

An explanation of Friedman's point about African slave traders is required. Because many potential slave owners in the United States were competing for slaves, the price of slaves paid in Africa was bid up to approximately equal the gain that slave owners would get. So slavery created, *ex ante*, no large wealth transfer to U.S. slave owners. According to Friedman's reasoning, the big wealth transfer was to the original enslavers—that is, Africans. I should point out, though, that *ex post* the story is different. Many slave owners in the United States bought slaves before commodity prices soared, increasing the marginal productivity of slaves. Had they not been slaves, they would have received these gains. So the issue does become messier than Friedman claims. Nevertheless, he is right that for the sake of simple justice some of the wealth of relatively poor Africans would need to be transferred to relatively wealthy African Americans.

How would one get around this problem that Friedman raises? By targeting a group that is likely to have been treated so unjustly that it would be highly unlikely

that the compensation would be too much. What group might that be? One's first thought might be the descendants of slaves. If the descendants were only one generation away from the people who were slaves, this would superficially seem to make sense because they would be starting from a large deficit. But even here that does not make sense. Think about where the slaves came from: Africa. What do we know about in the 17th, 18th and early 19th centuries? It was incredibly poor, and most people were not very free there either. They weren't slaves—they were substantially freer than slaves—but they were not very free. So what did slavery do for these descendants? It caused them to be born in a more prosperous country where, although they had to contend with Jim Crow laws, most of them still had more freedom—and better opportunities—than they would have had if their parents had not been enslaved and they had been born in Africa. So one might argue that the net effect of the injustice of the enslavement of their ancestors was that they themselves were freer and more prosperous. Then no compensation could be justified.

Moreover, the case against compensation gets even stronger the more generations there are between the slave generation and the relatively free generation. Even more years have passed in which they could develop their human capital and gain simply by being part of an extensive division of labor in an increasingly prosperous country. Adding to this case is the fact that even the Jim Crow laws disappeared. There have been no substantial Jim Crow laws since the middle of the 1960s, which is now about two generations ago. Economist Walter Williams, himself a descendant of slaves, likes to point out that he is substantially better off precisely because slavery caused him to be born in a country with great opportunities (2010, 95).

The moral claim for a BIG as a form of reparation requires not *merely* that an injustice has occurred but *also* that the injustice led to material deprivation for one's descendants. If the injustice led instead to material *improvement* for one's descendants, one can still deplore the initial injustice while failing to justify any claims for reparation.

Even if we grant that those with low income or wealth are in that state because of unjust treatment, and even if we grant that they deserve restitution, why would restitution not be a one-time payment? Why would it be a monthly or annual stipend extending out forever, even to those not yet born? It is true that one can convert any finite payment over time into a lump-sum value using the appropriate discount rate. Nonetheless, this seems a strange way to arrange a payoff. If the payments obtained now make those receiving them now properly compensated, what could possibly justify continuing to compensate such people's descendants in their turn?

### Is Taxing the Innocent Right?

Let's say that we single out a particular group that has been treated particularly unjustly. The problem then becomes: Whom do we tax to compensate the group?

It would presumably be people who gained from the unjust treatment of the group. But who would those people be?

It is difficult to think of a group that should pay. It can't simply be those with high income. Most people with high income probably did not get much of it by treating others unjustly. This is not a small dilemma. It's the same one that economist Thomas Piketty confronts in *Capital in the Twenty-First Century* (2014). After pointing out specific instances of what he regards (and many libertarians might regard) as fortunes acquired unjustly, Piketty writes: "In any case, the courts cannot resolve every case of ill-gotten gains or unjustified wealth. A tax on capital would be a less blunt and more systematic instrument for dealing with the question" (446). Piketty is right that a tax on capital would be "less blunt and more systematic." It would also be profoundly unjust. Advocates of a BIG, looking around for whom to tax to fund their program, face the same problem.

### The Problem of Deadweight Loss from Past Injustices

In his case for the justice of a BIG, Zwolinski writes: "But any method of correcting for past injustice—including *doing nothing about it at all*—is imperfect from the standpoint of justice. We simply do not have the kind of detailed information about past events or the relevant counterfactuals that would be necessary to make everyone precisely as well off[f] as they would have been had no injustice occurred" (2013a, emphasis in original). I dealt earlier with the problem that a BIG could well be more unjust than "doing nothing at all."

But there is a further problem. It is not only that we "do not have the kind of detailed information about past events or the relevant counterfactuals that would be necessary to make everyone precisely as well off[f] as they would have been had no injustice occurred." It is that even if we *had* that detailed information about past events, that would still not suffice to "make everyone precisely as well off as they would have been had no injustice occurred." The reason is that most unjust government policy creates losses to the losers that substantially exceed, in dollars, the gains to the winners. That is, most unjust government policy creates large deadweight losses.

So, for example, price controls on gasoline during the 1970s were an unjust policy because they prevented sellers from charging free-market prices to buyers. The price controls created gains to some consumers who had low time values and therefore did not lose much value by spending time in line. But the losses to gasoline sellers and to consumers with higher time values outweighed the gains to the consumers with low time values. So even if one could identify the particular gainers from these price controls, many of whom are dead, it would be impossible to compensate the losers by extracting from the winners the amount they gained.

A dramatic illustration of the deadweight loss from unjust government policy is the drug war. I trust that I do not need to explain at length why the drug war is

unjust. The short version is that it prohibits people from engaging in voluntary exchange and imposes large penalties on those, especially sellers, who do engage in such exchange. Those large penalties are what led to the deadweight loss. The drug war causes many people to be thrown in prison, where their income falls from a low or moderate level to close to zero (Henderson 2012). That is a large loss. And, of course, even if people thrown in prison lost no income in the process of being incarcerated, they are in *prison*. That means that their freedom is restricted, and if and when they are finally let out, their options are restricted. Those are two more large losses. There are other losses from the drug war. Two large losses are to customers who must pay higher risk-adjusted prices and to taxpayers who pay for enforcing the drug war and for housing people in expensive prisons. The main gainers are the fighters of the drug war and the prison guards. Their gains, although potentially large per person, are small compared to the losses. Thus, the drug war causes large deadweight losses.

These losses can only be ended. They can never be recovered so that everyone is “precisely as well off as they would have been had no injustice occurred.”

Price controls on gasoline and the drug war are good examples of the problem of compensation, but, as noted earlier, the typical example of an unjust government policy will have the same problem. The simple fact is that almost all of us, except possibly the most-inside cronies, who are probably fewer than 5 million people, are worse off because of thousands of unjust government policies.

## The Problem of Public Choice

I have so far made the case that a BIG is extremely expensive and is likely to be unjust.

Even if a scaled-down BIG were just, though—and I emphasize that I don’t believe it would be—there is another major problem: the “public-choice” problem.

As Thomas Jefferson put it, “The natural progress of things is for liberty to yeild [*sic*] and government to gain ground.”<sup>10</sup> Many of the Founding Fathers were aware of this process and tried to put limits on government in the U.S. Constitution. Among those limits were the Bill of Rights, the division of powers, and relatively strict limits on Congress and especially on the U.S. president. Many of those limits, arguably most, have not stood the test of time.

This fact of government growth puts an extra burden on those who advocate further government programs: they must show that there is a high probability that such government programs will not grow further. Also, in the case of a BIG, they must show that there is a high probability that a scaled-down BIG really would replace all of the existing programs for the poor and near poor. This is hard to do

10. Thomas Jefferson to Edward Carrington, Paris, May 27, 1788. Jefferson misspelled the word *yield* many times (see <http://www.monticello.org/site/jefferson/natural-progress-things-quotations>).

because the various interest groups that favor the existing programs will not sit back: they will fight to keep some or all of those programs.

Zwolinski has written, “[M]erely adding a basic income on top of the existing welfare state would be a disaster.” He and I agree on this point. How does he handle the public-choice problem? By invoking the U.S. Constitution. Specifically, he writes that if the BIG “were implemented via a constitutional amendment, many of the public choice considerations could be reduced, I think, to an acceptable level.”<sup>11</sup> Yet, as Randy Barnett (2004) and Robert Levy and William Mellor (2008) show, even strict constitutional limits on federal government power have yielded to the U.S. president, Congress, and the courts.

### Do Libertarian Opponents of a BIG Advocate “Doing Nothing at All”?

In arguing for a BIG, Zwolinski, as noted earlier, refers to the alternative of “doing nothing at all” and finds this alternative “imperfect from the standpoint of justice.” I agree.

Fortunately, much *can* be done to reduce injustice. Let’s end the drug war. As noted, the drug war is extremely unjust. Ending it by allowing the production, sale, import, and advertising of drugs—and by letting out of prison the hundreds of thousands of people currently incarcerated for simply buying, selling, or producing illegal drugs—would go a long way to reduce future injustice.

Occupational licensing, whereby local, state, and federal governments insist that people be licensed before they can practice in one of about eight hundred occupations, prevents people, many of them at below-median income, from working in some of those occupations (see Kleiner 2000). Morris Kleiner (2000), the leading authority on occupational licensing, estimated in 2008 that 23 percent of U.S. workers were required to get state licenses, up from just 5 percent in 1950 (Simon 2011). Let’s end occupational licensing.

Restrictions on building housing, especially on both U.S. coasts, cause the prices of millions of houses to be hundreds of thousands of dollars higher than they need be (Glaeser and Gyourko 2002). Let’s end those restrictions.

Let’s end asset forfeiture, which allows police to grab the assets of tens of thousands of people who are not even charged with a crime (Williams et al. 2010, 30).

I have just begun. The web of regulation—at all levels of government in the United States—makes it difficult for people to start or expand businesses. Let’s end all of those regulations that don’t address an important negative externality. And even for those regulations that do address important negative externalities, let’s regulate only narrowly, with regulations that directly address the externalities.

---

11. For both quotes in this paragraph, see Henderson 2013, “Comments and Sharing.”

Will all this dismantling of regulations be difficult? Yes, it will. And just as I have criticized advocates of a BIG for assuming that the public-choice problems with their proposals are large, they may rightly criticize me because the public-choice problems with my proposals are large. Imagine, for example, the difficulty of fighting off unions that represent prison guards and the millions of people whose houses are worth hundreds of thousands of dollars more because of restrictions on building.

But that's not the final word. First, if we fight to end these regulations, we will *know* that we are engaged in a just cause, something that is less clear if we fight for a BIG. Second, our resources to fight for or against anything are scarce. If we fight for a BIG, we will divert time and money away from fighting against unjust regulations. That is not a good trade-off.

## Conclusion

I could end by summing up my arguments, but instead I will end by quoting part of the summation of an argument by an advocate of what he called at the time a basic income (BI). This advocate wrote: "I suspect that for a variety of pragmatic reasons as discussed in the previous section, those costs are likely to be too high to make BI attractive from a classical liberal perspective" (Zwolinski 2011, 12).

I should add that Zwolinski's next sentence is: "Still, if the arguments I present here are correct, much of what will sway a classical liberal for or against BI will be the sort of empirical beliefs that can be altered with more and better data, not by a more rigid commitment to moral principle."

Although I have provided more and better data than Zwolinski did, I do not think the argument against a BIG hinges strongly on data. The moral argument against it is strong enough.

## References

- Barnett, Randy E. 2004. *Restoring the Lost Constitution: The Presumption of Liberty*. Princeton, N.J.: Princeton University Press, 2004.
- Demographics of the United States. 2014. *Wikipedia*, November 8. Available at [http://en.wikipedia.org/wiki/Demographics\\_of\\_the\\_United\\_States](http://en.wikipedia.org/wiki/Demographics_of_the_United_States).
- Dolan, Ed. 2014. Could We Afford a Universal Basic Income? Part 2. *EconoMonitor*, January 13. Available at <http://www.economonitor.com/dolanecon/2014/01/13/could-we-afford-a-universal-basic-income/>.
- Friedman, David D. 2013. Libertarian Arguments for Income Redistribution. *Ideas*, December 6. Available at <http://daviddfriedman.blogspot.com/2013/12/libertarian-arguments-for-income.html>.
- Glaeser, Edward, and Joseph Gyourko. 2002. Zoning's Steep Price. *Regulation* 25, no. 3 (Fall): 24–30.

- Henderson, David R. 2012. The Bottom One Percent. *Defining Ideas*, September 27. Available at <http://www.hoover.org/research/bottom-one-percent>.
- . 2013. Zwolinski's Weak Case for a Guaranteed Minimum Income. Library of Economics and Freedom, December 6. Available at [http://econlog.econlib.org/archives/2013/12/zwolinskis\\_weak.html#314449](http://econlog.econlib.org/archives/2013/12/zwolinskis_weak.html#314449).
- Huemer, Michael. 2014. Is a Basic Income Permissible? *Cato Unbound*, August 6. Available at <http://www.cato-unbound.org/2014/08/06/michael-huemer/basic-income-permissible>.
- Kleiner, Morris M. 2000. Occupational Licensing. *Journal of Economic Perspectives* 14, no. 4 (Fall): 189–202.
- Levy, Robert A., and William Mellor. 2008. *The Dirty Dozen: How Twelve Supreme Court Cases Radically Expanded Government and Eroded Freedom*. New York: Penguin (Sentinel).
- Mankiw, N. Gregory. 2009. *Principles of Economics*. 5th ed. Mason, Ohio: South-Western Cengage Learning.
- Murray, Charles. 2006. *In Our Hands: A Plan to Replace the Welfare State*. Washington, D.C.: AEI Press.
- Piketty, Thomas. 2014. *Capital in the Twenty-First Century*. Translated by Arthur Goldhammer. Cambridge, Mass.: Belknap Press of Harvard University Press.
- Rosen, Harvey S., and Ted Gayer. 2010. *Public Finance*. 9th ed. New York: McGraw-Hill/Irwin.
- Simon, Stephanie. 2011. A License to Shampoo: Jobs Needing State Approval Rise. *Wall Street Journal*, February 7.
- U.S. Census Bureau. 2014. State and County QuickFacts. Updated July 8. Available at <http://quickfacts.census.gov/qfd/states/00000.html>.
- U.S. Joint Economic Committee and Council of Economic Advisers. 2014. *Economic Indicators*. Washington, D.C.: Joint Economic Committee and Council of Economic Advisers.
- Williams, Marian R., Jefferson E. Holcomb, Tomislav V. Kovandzic, and Scott Bullock. 2010. *Policing for Profit: The Abuse of Civil Asset Forfeiture*. Arlington, Va.: Institute for Justice.
- Williams, Walter E. 2010. *Up from the Projects: An Autobiography*. Stanford, Calif.: Hoover Institution Press.
- Zwolinski, Matt. 2011. Classical Liberalism and the Basic Income. *Basic Income Studies* 6, no. 2 (December): 1–14.
- . 2013a. A Basic Income as Reparation: Response to My Critics, Part 1. December 16. Available at <http://www.libertarianism.org/columns/basic-income-reparation-response-critics-part-1>.
- . 2013b. The Libertarian Case for a Basic Income. December 5. Available at <http://www.libertarianism.org/columns/libertarian-case-basic-income>.

---

**Acknowledgments:** I gratefully acknowledge comments from and discussion with Ross Levatter and Michael Munger. Any remaining errors are mine alone.