

**Ensuring Equality:
Guaranteed Annual Income and Democratic Legitimacy**

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Introduction

The organizational structure of Canada is liberal-democratic, premised on the freedom, equality, and rationality of the individual and the need for a degree of state intervention and regulation in the realm of inter-personal activities. These limitations on individual freedom are held to be necessary by virtue of the inherent interconnectedness and interdependence of individuals: through direct contact, through interactions in the marketplace, and through existence within our finite environs. As a result of these intersections, the actions of the individual necessarily affect the opportunities and environment of all other individuals to greater or lesser degrees.¹ As such, a conception of liberalism or democracy that does not factor in the interdependency of all individuals is fundamentally flawed.

The authority of the Canadian state to infringe upon the freedom of individuals in the interests of the public good, and the maximization of freedom for all is justified via the twin concepts of consent and participation. By ensuring all individuals an equal voice in the designation of those who will interpret the situations, determine the requirements, and operate the machinery of the state, as well as the ability to voice dissenting opinions and alternative courses of action this coercive force is given legitimacy.² Furthermore, the legislative, regulatory, and coercive abilities of the state are constrained by a set of supra-majority determined criteria, including the Constitution Act (1867) and the Constitution Act (1982) as well as constitutional and parliamentary conventions. It is thusly that legitimacy is conferred upon the Canadian state.

¹ Suzuki, David and McConnell, Amanda. *The Sacred Balance: Rediscovering Our Place in Nature* (Vancouver: Greystone, 2002).

² Pateman, Carole. "Democratizing Citizenship: Some Advantages of a Basic Income," *Politics & Society* 32, no. 1 (2004), 90-91.

Democracy, however, means more than simple majoritarian rule. In the Canadian context democracy entails Federalism, Constitutionalism and the Rule of Law, Respect for Minorities, and Democracy.³ These requirements necessitate a certain set of pre-conditions if they are to be in more than just hollow platitudes. In order to function according to the principles of reason an individual must possess a degree of economic security to be able to develop the requisite analytical and research skills – obtained through education, access to information, as well as leisure time for contemplation and action. Without these preconditions, it is unreasonable to expect an individual to accurately determine their own interests and the best course of action to take in pursuit of those interests, be it voting, advocating, volunteering, or running for office. Indeed, in instances of democratic failure it is almost exclusively those with the least access to power, or those who are unaware or unfamiliar with the issues which affect them and of the relevant legitimate means of redress who suffer.⁴

Therefore, to facilitate the legitimacy of the Canadian state an institutional system which guarantees the economic security and independence of all Canadians is needed. This guarantee must be universal, and constructed not as a means by which supplicants receive assistance from their supposed betters, but as a right of citizenship which enables political engagement. Furthermore, in order to address the shortcomings of modern economic analysis, with specific regard to issues of gender inequality within Canadian society, this guarantee must include a provision for the compensation of the effort, skill, and sacrifice required for sustainable social reproduction.

³ *Reference Re: Secession of Quebec* [1998] 2 S.C.R. 217.

⁴ Blais, Francois. *Ending Poverty: A Basic Income For All Canadians*, trans. Jennifer Hutchinson (Toronto: 2001, Lorimer), 96.

If instituted in a considered and judicious manner, allowing for the unification of duplicative administration and the simplification of program administration itself, this guarantee would also provide five primary, pragmatically positive effects, for individuals, for the state and for society as a whole. Long-term reductions in social welfare expenditures, the fostering of increased and lifelong educational attainment, increases in ingenuity, entrepreneurship, and the resultant expansion of GDP and the tax base, the support of labour market flexibility, and the further development of social cohesion.

Statement of the Problem

The expanding jurisdiction of the legal profession over everyday life can be seen, then, as a function of the increasing need for abstract forms of legitimation of a social system less and less able to defend itself on the basis of its concrete benefits, and the increasing need for a safe and formal substitute for democracy when citizenship is universal and the state is dangerously involved in the economy.

-- Michael Mandel⁵

Elections Canada data indicates a significant reduction in voter turnout at the federal level in Canada, specifically apparent since 1993, hitting an all time low of 60.9% of registered voters in 2004, with a rebound to 64.7% in the 2006 federal election. Another disturbing event is the participation of only 71.8% percent of eligible Canadians, outside of Quebec, in the most directly efficacious instance of substantive political choice in the past century, the national referendum of October 26th 1992.⁶ In a 2003 Elections Canada report on electoral trends, the effects of a number of contributory factors to this decline are illuminated. The study finds that the primary determinant of electoral participation in Canada is age, the two having a markedly positive correlation. Historically, Canadian youth have had a below average voter turnout rate, with individual voter participation gradually increasing as age increases. However, current increases in

⁵ Mandel, Michael. *The Charter of Rights and the Legalization of Politics in Canada* (Thompson Educational: Toronto, 1992), 74.

⁶ Elections Canada. "The Electoral System of Canada," www.elections.ca (accessed July 15, 2007).

participation with age have fallen short of historical levels, resulting in a significant decrease in overall voter turnout. Additionally, income, political and social participation, education, and social cohesion or ‘Closeness of Feeling’ toward one’s community, city or town, province, and nation are all positively correlated with electoral participation.⁷

With specific regard to income and voting Statistics Canada data indicates, that higher income levels can be directly indexed with a higher incidence of voting. Youth residing in households with annual incomes less than \$20,000 are approximately half as likely to vote as those from households of greater than \$60,000/year.⁸ This demonstrates a clear disparity in terms of practical voice in governance between the economically stable and those not so fortunate. Furthermore, fully 46% of Canadians are not engaged in any non-voting political activity, even something as simple as signing a petition, or searching out information on a political issue.⁹

The fact less than two-thirds of eligible Canadians have participated in the most basic element of political engagement since 1994, and that less than half are engaged in any non-voting political activity must be construed as a serious concern to the legitimacy of any democratic state. Indeed, it is an indicator of a disconnect between political structures and society within Canada, one which highlights a serious concern regarding the validity of the Canadian state. However, available evidence indicates that increases in income, education, or social cohesion, would result in increased in voter participation, and the related strengthening of democratic legitimacy.

⁷ Pammett, Jon H. & LeDuc, Lawrence. “Explaining the Turnout Decline in Canadian Federal Elections: A New Survey of Non-Voters,” (March 2003), www.elections.ca (accessed July 15, 2007) 28; 78-79.

⁸ Milan, Anne. “Willing to Participate: Political Engagement of Young Adults,” *Canadian Social Trends*, winter 2005, www.statcan.ca/english/kits/pdf/social/political.pdf (accessed July 15, 2007) 5.

⁹ Milan, Anne. “Willing to Participate: Political Engagement of Young Adults,” *Canadian Social Trends*, winter 2005, www.statcan.ca/english/kits/pdf/social/political.pdf (accessed July 15, 2007), 3.

That inequality in the distribution of, and access to, power, wealth, and privilege exists within Canada is a matter of fact. Despite the fact that all but the richest 10 percent of families are working, on average, 200 more hours per year than they were ten years ago, only the richest 10% of families saw any significant increase in income.¹⁰ In a comparison of incomes between 1976-79 and 2001-2004, the average decline in real income for the bottom half (by income) of all families is slightly under 30%.¹¹ Between 1981 and 1997, the depth of Canadian poverty – how far below the poverty line a poor person’s income falls – also dramatically increased, almost doubling to 86.4% as measured by Statistics Canada’s Low Income Cut-Off methodology (LICOs).¹² Additionally, the Canada Council on Social Development’s *Fact Book on Poverty 2000* highlights alarming census statistics with regard to poverty and disadvantage. According to 1996 census data, 43.4% of Aboriginal peoples, 35.9% of visible minorities, and 30.8% of persons with disabilities were poor in 1995.¹³

It does bear mentioning that in recent years, poverty rates have shown declines with a low point occurring in 2001, followed by yearly increases up to 2004 and a marginal decrease for 2005.¹⁴ However, these statistical occurrences are not, with any degree of certainty, attributable to anything other than business cycle fluctuations, and do not erase the over-arching trends indicating vast increases in poverty and economic

¹⁰ Canadian Centre for Policy Alternatives. “Canada’s Growing Gap at New 30-Year High,” policyalternatives.ca/news/2007/03/PressRelease1564 (accessed July 6 2007).

¹¹ Yalnizyin, Armine. “The Rich and the Rest of Us: The Changing Face of Canada’s Growing Gap,” March 2007, Canadian Centre for Policy Alternatives, www.growinggap.ca (accessed June 29, 2007), 17.

¹² Please see Appendices 3 & 4 of this work for more information regarding LICOs levels and definitions.

¹³ Canadian Council on Social Development. “The Canadian Fact Book on Poverty 2000,” www.ccsd.ca/pubs/2000/fbpov00/hl.htm (accessed July 6, 2007), 1-2.

¹⁴ Statistics Canada, “Income in Canada 2005, (75-202-XIE),” May 2007, www.statcan.ca (accessed July 2, 2007).

insecurity within Canada over the past 30 years.¹⁵ Even with the slight decline from 2004, Statistics Canada Data indicates that 3.4 million Canadians were living in low income/poverty in 2005, including 788,000 under the age of 18.¹⁶ What is truly troublesome is that this occurred concurrent with a 93% real growth in Canada's GDP between 1981 and 2006.¹⁷ It appears that a rising tide does not lift all boats.

Decreasing real incomes have increased the number of economically unstable individuals in the past three decades. When this is coupled with significant increases in yearly working hours, it does not create an environment in any way conducive to meaningful political engagement, even at its most basic level. Nor does it provide an environment that fosters access to education, as social and economic class continue to play a strong role in education and educational attainment.¹⁸

That certain individuals, through combinations of talent, effort, and rational choice, are better able to operate within a market structure and should be rewarded for their provision of desired goods and services and their sacrifices accordingly is in no way contested. What is necessary is the maintenance of some degree of economic security for individuals, to allow them to develop into healthy, educated, cognizant and productive citizens. However, the framework of current market operations does not provide a base

¹⁵ Yalnizyin, Armine. "The Rich and the Rest of Us: The Changing Face of Canada's Growing Gap," March 2007, Canadian Centre for Policy Alternatives, www.growinggap.ca (accessed June 29, 2007); Canadian Council on Social Development. "The Canadian Fact Book on Poverty 2000," www.ccsd.ca/pubs/2000/fbpov00/hl.htm (accessed July 6, 2007); Canadian Council on Social Development. "Percentage and Number of Persons in Low Income/Poverty, By Age, Sex, and Family Characteristics," www.ccsd.ca/factsheets/fs_pov9099.htm (accessed July 6, 2007); Bolaria, B. Singh and Wotherspoon, Terry. "Income Inequality, Poverty, and Hunger," in *Social Issues and Contradictions in Canadian Society*, ed. B. Singh Bolaria (Toronto: Harcourt Brace, 2000).

¹⁶ Statistics Canada, "Income in Canada 2005, (75-202-XIE)," May 2007, www.statcan.ca (accessed July 2, 2007).

¹⁷ Yalnizyin, Armine. "The Rich and the Rest of Us: The Changing Face of Canada's Growing Gap," March 2007, Canadian Centre for Policy Alternatives, www.growinggap.ca (accessed June 29, 2007), 9-10.

¹⁸ Wotherspoon, Terry. "Transforming Canada's Education System: The Impact on Educational Inequalities, Opportunities, and Benefits," in *Social Issues and Contradictions in Canadian Society*, ed. B. Singh Bolaria (Toronto: Harcourt Brace, 2000), 259.

from which individuals are provided with reasonably equitable, or even viable, circumstances in which to achieve these aims. Therein lies the problem. Without the prerequisites of stability, education, and time, the viability of engagement becomes non-existent, as does any pretense of equality of individual opportunity and with it, any substantive form of healthy and legitimate democracy.

Current Policies

Evidence...shows that the kind of state-society partnership and intersectoral collaboration that the social economy calls for does not necessarily resolve problems with regard to equity, access, participation, and democracy but indeed achieves cost reduction at the price of democracy and equity.

--Daniel Salee¹⁹

In the Canadian context, the primary institutional means of addressing issues relating to the well-being of individuals or families is the social services network, perhaps more aptly termed the social welfare system.²⁰ With regard to economic security and other potential barriers to meaningful democratic participation and legitimacy, this system may be regarded as the means through which policy is implemented. However, the existent social welfare system suffers a number of major flaws in its construction which negatively effect this end. Specifically, these take the form of the class inequality reinforcing nature of its contributory benefits, the gender de-empowering results of the male bread-winner model, and the incongruence with reality which underlies continued adherence to the Standard Employment Relationship (SER), as well as the institutional barriers to administrative efficiency and disincentives to social cohesion.

¹⁹ Salee, Daniel. "Transformative Politics, the State, and the Politics of Social Change in Quebec," in *Changing Canada: Political Economy as Transformation*, ed. Wallace Clement and Leah F. Vosko (Montreal: McGill-Queens University, 2003), 46.

²⁰ Statistics Canada. "The Daily: Government Spending on Social Services," June 22, 2007, www.statcan.ca/english/dai-quo (accessed June 27, 2007).

The usage of contributory benefits as the primary form of social assistance is highly problematic, as it serves to compound existent inequalities, economic and otherwise. The eligibility criteria and variable nature of the benefit levels of programs such as Employment Insurance (EI) and Canada Pension Plan (CPP) or Quebec Pension Plan (QPP)²¹ necessarily privilege those individuals who already possess some degree of economic security. Individuals who possess steady, well-paid jobs are in the best positions to arm themselves against unemployment and the economic demands of old age and retirement as they receive higher benefit levels by virtue of increased contributions.²² While this in itself may seem logical – higher reward for higher contribution – if one considers the reverse situation, an individual who is unable to obtain a well paying position by virtue of a limited education, skill-set, or lack of experience, an equality of opportunity issue arises. Such an individual will almost certainly become trapped in a cycle of menial, low-paying, and economically insecure positions, be unable to garner the same social benefits and remain trapped as fiscal necessities of subsistence force returns to the same low paying, menial and stationary employment positions again and again.

The current schemes of means tested benefits also suffer from a serious flaw in terms of work disincentives, generally referred to as the ‘Poverty Trap,’ which serves to reinforce class division and foster cycles of poverty. One of the principle problematics with these means tested benefits, such as welfare or EI, is that they impose an effective marginal tax rate which approaches or even surpasses %100 on the earnings of their

²¹ It should be noted that the Guaranteed Income Supplement (GIS) made available to seniors does, to some degree, offset this issue with respect to CPP/QPP inequalities.

²² Blais, Francois. *Ending Poverty: A Basic Income For All Canadians*, trans. Jennifer Hutchinson (Toronto: 2001, Lorimer), 90-92.

recipients.²³ This, as a matter of course, imposes a significant disincentive to work for those receiving means tested benefits, as in essence they are expected to labour for no increase in income. Quite simply, this is not a rational expectation. In these respects, means tested benefits and the paradox of contributory benefits reinforce, rather than alleviate, poverty and inequality along class lines. This, in turn, results in further barriers to education, leisure time, economic security, and ultimately political engagement.

The Canadian social welfare system is constructed in a manner that presupposes the existence of family units headed by a male ‘bread-winner’ who participates in the labour force coupled with an unpaid female who undertakes the innumerable tasks associated with household management and child-rearing, as well as other nurturing work, such as elderly relative care.²⁴ All of which are vital to the production and maintenance of a healthy citizenry, community, and workforce yet are not compensated by the market. This externalization of costs is common, even required, practice as it reduces the cost of production of individual firms through reliance upon the absorption of true costs by society as a whole.²⁵ However, in this particular manifestation of corporate externalization it is unpaid care-givers, predominantly women, who disproportionately shoulder the burden of this externalization.

²³ A number of excellent discussions of the ‘Poverty Trap,’ in the Canadian context and otherwise, are outlined in the following works. McKeen, Wendy and Porter, Anne. “Politics and Transformation: Welfare State Restructuring in Canada,” in *Changing Canada: Political Economy as Transformation*, ed. Wallace Clement and Leah F. Vosko (Montreal: McGill-Queens University, 2003); Hum, Derek P.J. “UISP and the MacDonald Commission: Reform and Restraint,” *Canadian Public Policy* 12, Supplement: The MacDonald Report: Twelve Reviews (1986), 92.; Alcock, Peter. “Unconditional Benefits: Misplaced Optimism in Income Maintenance,” *Capital & Class* 37, (1989), 118.; Fitzpatrick, Tony. *Freedom and Security: An Introduction to the Basic Income Debate* (New York: St. Martin’s, 1999), 53.

²⁴ Rice, James J. and Prince, Michael, J. *Changing Politics of Canadian Social Policy* (University of Toronto: Toronto, 2006), Chapter 8.

²⁵ Bakan Joel. *The Corporation*, (Toronto: Penguin, 2004).

The Canadian Welfare State has long been critiqued for its highly gendered methodology, and rightly so. The ‘Male Bread-Winner’ model of welfare state structuring inherently undervalues the contributions of caregivers, who are as a matter of fact predominantly women,²⁶ to the social and productive good of the economy. Furthermore, it entrenches the reality of women as second-class citizens and places them in positions of economic and social disadvantage by virtue of their imposed reliance upon males as heads of households, and primary recipients of social support.²⁷

As a result of this unpaid, yet necessary, labour women necessarily become dependent upon their male household counterparts for economic subsistence. This in effect places them in a secondary class of citizenship, as when viewed independently they have not contributed to the aggregate production of the economy in a remunerable manner. As such, they are not entitled to contributory social welfare benefits provided by the state, despite the fact that without their labour – physical, emotional, and literal – no economic activity would be sustainable. This enforced dependency upon another individual – the male bread-winner – is entirely contrary to the principle of individual equality.

The additional care giving burdens placed upon women create barriers to their political participation and engagement. These include, unequal educational divisions in terms of programs of study, with women having an overwhelming tendency to pursue education in traditionally feminized occupational streams – clerical, hair-dressing, nursing, social services, health sciences, and similar – while reciprocally being

²⁶ Rice, James J. and Prince, Michael, J. *Changing Politics of Canadian Social Policy* (University of Toronto: Toronto, 2006), 188-89.; Fitzpatrick, Tony. *Freedom and Security: An Introduction to the Basic Income Debate* (New York: St. Martin’s, 1999), 159.

²⁷ Rice, James J. and Prince, Michael, J. *Changing Politics of Canadian Social Policy* (University of Toronto: Toronto, 2006), 188-89.

underrepresented in traditional male occupations.²⁸ Furthermore, women are afforded, relative to men, significantly less leisure time for intellectual development, especially affecting those in the lowest economic strata. These societal and individual attitudes of paternalism, be they explicit or implicit, toward a gender that provides life and nurturing, but, supposedly, does not really contribute to society serve as a sharp counterpoint to the idea of equality and universality that justify the state.

One may make the argument that marriage and children are choices made by rational individuals who understand the consequences of those choices. Even accepting this premise, the argument falls apart at a pragmatic level. If the economy is to be sustained it requires a labour force, one which has been reared in a caring, nurturing environment, educated, encouraged, and socialized. Without this labour force, there would be no economy of which to speak. The current version of the market is apparently incapable of addressing these issues of sustainability and social reproduction if left to its own devices. It must therefore fall to the state to regulate this issue to facilitate the reproduction of its citizenry, both as citizens and as labourers.

Canadian social welfare policy and programs are on the whole, anachronistically premised on the existence of the Standard Employment Relationship (SER). This is in spite of the fact that by the mid 1990's, according to Human Resources and Development Canada only 33% of Canadians held these 'normal jobs.'²⁹ It is this incongruity with reality that leads to problematics such as the paradoxical relationship of contributory

²⁸ Wotherspoon, Terry. "Transforming Canada's Education System: The Impact on Educational Inequalities, Opportunities, and Benefits," in *Social Issues and Contradictions in Canadian Society*, ed. B. Singh Bolaria (Toronto: Harcourt Brace, 2000), 261-262.

²⁹ Fudge, Judy and Vosko, Leah F. "Gender Paradoxes and the Rise of Contingent Work: Towards a Transformative Political Economy of the Labour Market," in *Changing Canada: Political Economy as Transformation*, ed. Wallace Clement and Leah F. Vosko (Montreal: McGill-Queens University, 2003), 183.

benefits to economic stability described above. Furthermore, with the attempted entrenchment of the SER, the state is acting contrary to market principles. Workers need to be able to interact freely with the labour market; there must be the real ability to vary working hours per week or weeks per year worked in order to be able to truly exercise preference between work and leisure.³⁰

A properly functioning market requires the ability of consumers and producers to express their preferences by way of choice. However, economic realities more often than not dictate that choice for the lower economic strata of the population. The choice between starvation and life is not a choice, just as the choice of a menial, unfulfilling minimum wage job in order to provide one's family with sustenance, over an education which is not financially possible if coupled with supporting oneself or one's family, is not a choice. Though this hypothetical may seem rather sensational, it serves to illustrate that concern with immediacy and self-preservation in the short-term necessarily dominates and obscures issues of long-term consequence. This, of course, is horribly detrimental to any hope of long-term democratic health, as self-preservation forces long-term sacrifice for immediate sustenance, if it allows for the consideration of the future as a tangible factor at all.

The Canadian system of social welfare has developed in a piecemeal fashion and fragmentary manner.³¹ This naturally lends itself to duplication, resulting in a waste of resources on the supply side, as well as creating an overly complex system which hinders the access to and disbursement of benefits to those in need. Additionally, the usage of

³⁰ Galbraith, John Kenneth. *Economics and the Public Purpose* (Boston: Houghton Mifflin, 1973), 236-7.

³¹ McKeen, Wendy and Porter, Anne. "Politics and Transformation: Welfare State Restructuring in Canada," in *Changing Canada: Political Economy as Transformation*, ed. Wallace Clement and Leah F. Vosko (Montreal: McGill-Queens University, 2003), 110.

households as the principle determinant in benefit amounts serves to offset the potential gain from economies of scale, which are a natural incentive of co-habitation.³²

These flaws within the administration of the social welfare do not just affect the working poor and others living in poverty, they effect population as a whole. Democratic legitimacy is clearly negatively impacted by these problems which foster disadvantage and barriers to political engagement, a fact which in and of itself places a positive obligation upon the state to correct these problems, but there are pragmatic concerns as well. Specifically, the increasing expenditure of resources,³³ on means tested social welfare programs in the waging of a losing battle on poverty. Furthermore, the waging of this battle in manner which, even when successful, simply mitigates the effects of acute distress and encourages re-entry into the labour force in menial, dead-end work ultimately resulting in the loss of real and potential human capital, productivity, and a reduction in potential GDP, a critical loss to us all.

Guaranteed Annual Income

(1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

(2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

--UN UDHR, Article 25³⁴

The idea of a basic income guarantee has experienced varying forms, and varying degrees of popularity throughout its relatively long history. The connection to socialist or communist philosophy is obvious, yet in recent times the idea of guaranteed income has

³² Van Parijs, Philippe. "Basic Income: A Simple and Powerful Idea for the Twenty-First Century," *Politics & Society* 32, no. 1 (2004), 12.

³³ Statistics Canada. "The Daily: Government Spending on Social Services," June 22, 2007, www.statcan.ca/english/dai-quo (accessed June 27, 2007).

³⁴ United Nations. "Universal Declaration of Human Rights," www.un.org/Overview/rights.html (accessed July 6, 2007).

been proposed by advocates of the right such as Milton Friedman, in the form of a Negative Income Tax (NIT),³⁵ as well as scholars and policy makers with ideologies spanning the political spectrum. These proposals have taken the form of Universal Demogrants (UD), Guaranteed Annual Incomes (GAI), and Basic Incomes (BI), with justifications ranging from citizenship rights, to the moral or economic necessity of poverty alleviation, and varying combinations of the above. While no features of guaranteed incomes are entirely sacrosanct, it is possible to construct an ideal type from which a practicable proposal for the Canadian state may be derived.

Two elements comprise the essence of guaranteed income. First, the universality of its availability, second, the *graduated* reduction or taxation, if any, of the amount as additional income increases. Essentially, either a fixed amount is either distributed universally, or made available as a refundable tax credit to all relevant individuals, potentially including children. An effective tax back ratio is then applied to this amount by the existent or modified income tax system, and the reduction of the initial award directly indexed to a recipient's additional income, however not at a 1:1 ratio. Therefore, the effective marginal tax rate can be set below 100%, enabling the mitigation of concerns over the creation of a poverty trap.³⁶

³⁵ Friedman, Milton. *Capitalism and Freedom* (Chicago: University of Chicago, 1962).

³⁶ Please see Appendix 2 of this work for graphical representations relating to gross and net income of some common income guarantee variants. Additionally, detailed discussions and critical analyses regarding all manner and forms of BIs, UDIs, GAIs, and NITs exist in the following works and were instrumental in the construction of this paper. Van Parijs, Philippe. "Basic Income: A Simple and Powerful Idea for the Twenty-First Century," *Politics & Society* 32, no. 1 (2004): 7-39; Pateman, Carole. "Democratizing Citizenship: Some Advantages of a Basic Income," *Politics & Society* 32, no. 1 (2004): 89-105; Fitzpatrick, Tony. *Freedom and Security: An Introduction to the Basic Income Debate* (New York: St. Martin's, 1999); Friedman, Milton. *Capitalism and Freedom* (Chicago: University of Chicago, 1962); Blais, Francois. *Ending Poverty: A Basic Income For All Canadians*, trans. Jennifer Hutchinson (Toronto: 2001, Lorimer); Lerner, Sally., Clark, C.M.A., and Needham, W.R. *Basic Income: Economic Security For All Canadians* (Toronto: University of Toronto, 1999); Alcock, Peter. "Unconditional Benefits: Misplaced Optimism in Income Maintenance," *Capital & Class* 37, (1989):117-132.

There are also a number of nuanced differences between UDs, BIs, GAIs, and NITs regarding their administration. However, for our purposes we shall treat them as essentially equal, and for the sake of clarity and concision all reference to guaranteed income plans will be referred to as GAI. Furthermore, because of the principle motivator for its implementation, we will operate with a specific set of pre-conditions for this GAI. First, that the guarantee will be wholly individuated and universal, including children, though at a reduced rate, until adulthood, second, that the amount of the income be indexed with recognized measures of inflation and the consumer price index, and adjusted accordingly

In order to properly understand the ramifications of a GAI within the Canadian context, a brief review of the history of the GAI and social minima will be presented. This will be followed by an the outlining and explanation of a GAI which meets our criteria for the facilitation of democratic legitimacy. Finally, the section will conclude with the discussion and critical analysis of potential concerns regarding the implementation of a GAI.

The History of the Guaranteed Annual Income in Canada

The roots of a GAI can be roughly attributed, in the Canadian context, to the publication of the *Marsh Report* in 1943. This report, taking cues from the British *Beveridge Plan*, outlined a plan of social minima that was developed into a Keynesian style collection of social assistance programs designed to foster stabilized economic growth, premised on high levels of employment. Though problematic and never fully

established, this framework did establish the model upon which Canadian social welfare policy throughout the post war era and beyond was based.³⁷

Despite the shift away from the framework outlined by Marsh, three salient points of the report remain vital to the consideration of social welfare policy and individual opportunity. First, that modern economic life presents certain hazards and contingencies to households, which while not always regionally present, are almost certain to exist in one or more regions within Canada. Second, that a large portion of Canadian household incomes are insufficient to individually address these hazards and contingencies should they be affected. Third, that these hazards and contingencies to households can be significantly better addressed by collectivization of risk.³⁸ There is, however, a serious problematic regarding individual liberty with Marsh's outline as it relates to gender. Specifically, the presupposition of traditional family, or 'male bread-winner' units as the primary unit with which the state interacts, a highly normative concept which is rather opposed to our liberal conception of individual equality.

The 1960's saw the further involvement of the state in efforts of poverty alleviation, including the establishment of the Canada Pension Plan, the Quebec Pension Plan, and the creation of the Canada Assistance Plan, codifying federal support for provincial social welfare initiatives.³⁹ However, despite the alleviation of acute symptoms of poverty, these programs and policies were contingent upon a full employment model, something which has yet to be obtained in the Canadian context. Indeed, in reality we as

³⁷ Human Resources Development, Government of Canada. "Improving Social Security in Canada: Guaranteed Annual Income: A Supplementary Paper," (Canada:1994), (accessed July 5, 2007) appendix A.

³⁸ Marsh, Leonard. *Report on Social Security for Canada* (University of Toronto: Toronto, 1975), 9-10.

³⁹ Human Resources Development, Government of Canada. "Improving Social Security in Canada: Guaranteed Annual Income: A Supplementary Paper," (Canada:1994), (accessed July 5, 2007) appendix A.

a society continue to move further away from the male breadwinner model and the SER two foundations of social welfare in Canada.

Beginning in the late 1960's a series of large-scale experiments regarding guaranteed income were conducted in North America, four in the United States and one in Canada.⁴⁰ Specifically with regard to the Canadian context, this data shows that one of the principle prima-fasciae arguments against a guaranteed income, that labour force participation would plummet upon the institution of a GAI, is rebutted by the statistical data.⁴¹ Additionally, two points of note regarding these studies bear mentioning. First, that all five studies were conducted using the male bread-winner household as the principle unit of award and analysis, again contrary to principles of individual equality, and second, a formal report of the Canadian experiment was never brought forth,⁴²

The late 1970's and early 1980's saw the implementation of some universal income guarantees, specifically the refundable Child Tax Credit and Sales Tax Credit at the federal level, as well as various, modest, provincial supplements.⁴³ In 1985, the publication of the MacDonald Report and its advocacy of a Universal Income Security Plan (UISP) once again brought the idea of a universal social minima to the forefront. The report is one of great interest as it identifies a number of problems with in the contemporary Canadian social welfare system, including a number of issues discussed above. Specifically, the duplication present and the related confusion and barriers to access caused by the patchwork-like development of the social welfare system, and the

⁴⁰ The experiments conducted by the respective country's federal government took place in: New Jersey, a Rural Setting, Seattle-Denver, and Gary, Indiana (US) and Manitoba (Canada).

⁴¹ Hum, Derek and Simpson, Wayne. "Whatever Happened to Canada's Guaranteed Income Project?," *Canadian Public Administration* 36, no. 3 (1993), 449.

⁴² Hum, Derek, and Simpson, Wayne. "A Guaranteed Annual Income? From Mincome to the Millennium," *Policy Options*, January-February (2001), 80.

⁴³ Resources Development, Government of Canada. "Improving Social Security in Canada: Guaranteed Annual Income: A Supplementary Paper," (Canada:1994), (accessed July 5, 2007) Appendix A.

disincentives to work caused by means tested benefits with high effective marginal tax rates. Furthermore, the report identifies a number of clear benefits of a universal income security program: the elimination of program duplication, mitigation or elimination of stigmatization related to means tested benefits, the reduction administrative costs, the extension of the social safety net to the working poor, and the objectivity of universally awarded benefits. The report also identifies the administrative and practical benefits of individuating the income guarantee, though the furtherance of gender equality is a treated more as a secondary motivator.⁴⁴

In 1994 the Canadian Ministry of Human Resources and Development published paper entitled *Guaranteed Annual Income: A Supplementary Paper*. Which offers a number of insights into the concept of guaranteed income as well as presenting proposals for both a GAI as well as a NIT. However, the paper rejects both proposals, the NIT as not providing significant or equitable benefits, and the GAI as being beneficial, yet cost prohibitive.⁴⁵ While the NIT proposal is of dubious benefit in terms of winners and losers across the economic spectrum, the rejection of the GAI proposal is rather pre-emptive. The supposed \$93 billion cost does not factor in the long-term macro-economic effects which would offset a significant portion of the cost of implementation, the related reductions in other social welfare expenditures, such as reduced administrative costs through amalgamation and simplification, the reductions in healthcare costs, resultant economic growth, or decreased demand for social benefits. These matters will be discussed in depth in the following section.

⁴⁴ Hum, Derek P.J. "UISP and the MacDonald Commission: Reform and Restraint," *Canadian Public Policy* 12, Supplement: The MacDonald Report: Twelve Reviews (1986), 92.

⁴⁵ Resources Development, Government of Canada. "Improving Social Security in Canada: Guaranteed Annual Income: A Supplementary Paper," (Canada: 1994), (accessed July 5, 2007).

A Guaranteed Annual Income for Canada

If this society does not evolve an entirely new set of values, if it does not set itself urgently to producing those services which private enterprise is failing to produce, if it is not determined to plan its development for the good of all rather than for the luxury of the few, and if every citizen fails to consider himself as the co-insurer of his fellow citizen against all socially-engineered economic calamities, it is vain hope that Canada will ever really reach freedom from fear and freedom from want.

Pierre Elliot Trudeau⁴⁶

In order to facilitate the democratic legitimacy of the Canadian state an institutional system which guarantees the economic security and independence of all Canadians is needed. This guarantee must be universal, and constructed not as a means by which supplicants receive assistance from their supposed betters, but as a right of citizenship, which enables political engagement. Furthermore, in order to address gender inequality within Canadian society this guarantee must include a provision for the compensation of the effort, skill, and sacrifice required for sustainable social reproduction. If instituted in a considered and judicious manner, allowing for the unification of duplicative administration and the simplification of program administration itself, this guarantee would also provide five primary, pragmatically positive effects, for individuals, for the state and for society as a whole. Long-term reductions in social welfare expenditures, the fostering of increased and lifelong educational attainment, increases in ingenuity, entrepreneurship, and the resultant expansion of GDP and the tax base, the support of labour market flexibility, and the further development of social cohesion. While this is a relatively simple concept it has the potential, if instituted correctly, for far-reaching positive effects in terms of democratic legitimacy, and the related issues of poverty, inequality, educational barriers, and GDP growth. A clear advantage of a basic income guarantee is the reduction of poverty that goes hand with

⁴⁶ Trudeau, Pierre Elliott. "Economic Rights," *McGill Law Journal* 8, (1961-1962), 125.

increased incomes for those in the lower economic strata. This in turn would bring about a number of beneficial changes, in terms of our primary goal of democratic legitimacy, as well as relating to the educational potential for the workforce and the reduction of healthcare costs, and various trickle-down effects such as reduced crime rates, increased life expectancy, and greater worker productivity.

Poverty has been statistically linked to long-term health problems. Indeed, a significant quantity of research demonstrates that the biggest factor in determining health is income, and the Canadian Public Health Association indicates that poverty leads to chronic disease and ill-health.⁴⁷ In the words of Cindy L'Hirondelle "A guaranteed livable income should be looked at as a health initiative. Just as clean water and sanitation are recognized as essential in disease prevention, so should a guaranteed income be looked on as necessary to our physical and social health and the health of the planet."⁴⁸ That healthcare in Canada is universal, attaches additional significance to the idea of a basic income, as the effects of poverty reduction foster not only democratic legitimacy through increasing access to the tools necessary for, and the viability of, political, economic, and social engagement, but also holds the promise of long-term reductions in healthcare expenditures, both acute and chronic.

The guarantee of a basic income would have the effect of reducing barriers to education for both youth and adults attempting to train, retrain, or develop existing labour market related or critical thinking skills, thus serving the ends of both democracy and

⁴⁷ L'Hirondelle, Cindy. "Why Women Would Gain from a Guaranteed Livable Income," *Canadian Woman Studies* 23, no.3/4 (2004), 202-203; Bolaria, B. Singh and Wotherspoon, Terry. "Income Inequality, Poverty, and Hunger," in *Social Issues and Contradictions in Canadian Society*, ed. B. Singh Bolaria (Toronto: Harcourt Brace, 2000).

⁴⁸ L'Hirondelle, Cindy. "Why Women Would Gain from a Guaranteed Livable Income," *Canadian Woman Studies* 23, no.3/4 (2004), 203.

economic development. A primary barrier to educational attainment is economic class, especially at the secondary and post secondary level.⁴⁹ Through the institution of a basic income guarantee and resultant reduction in the prevalence of poverty, these barriers would be overcome, though admittedly not initially eradicated, as the issue of educational attainment is a complex one, the result of multiple convergent factors. Nonetheless, the eradication of any of these barriers is a positive step. Furthermore, the practical ability of adult individuals to temporarily exit the labour market in order to develop new or existing skill sets, in response to either labour market demands or aims of personal advancement would be cultivated, as the fiscal burden of a temporary exit would be greatly alleviated by an income guarantee.⁵⁰

Logistically, a guaranteed income would foster ingenuity and entrepreneurship through the elimination or diminishment of practical hurdles to their pursuit, especially that of time limitation on research and development. In this situation it is important to understand the virtues of flexible or non-SER labour.⁵¹ While it is entirely possible for flexible working arrangements to be used as a means by which firms are able to externalize the costs of social reproduction and avoid the payment of a living wage, it is also important to recognize that efficiency and progress are maximized through freedom from restraint. Instead of ineffectively attempting to impose the SER upon producers,⁵² a basic income focuses on the direct requirements of the individual, thereby minimizing

⁴⁹ Wotherspoon, Terry. "Transforming Canada's Education System: The Impact on Educational Inequalities, Opportunities, and Benefits," in *Social Issues and Contradictions in Canadian Society*, ed. B. Singh Bolaria (Toronto: Harcourt Brace, 2000), 255-259.

⁵⁰ Blais, Francois. *Ending Poverty: A Basic Income For All Canadians*, trans. Jennifer Hutchinson (Toronto: 2001, Lorimer), 89-90.

⁵¹ Fudge, Judy and Vosko, Leah F. "Gender Paradoxes and the Rise of Contingent Work: Towards a Transformative Political Economy of the Labour Market," in *Changing Canada: Political Economy as Transformation*, ed. Wallace Clement and Leah F. Vosko (Montreal: McGill-Queens University, 2003), 203-4.

⁵² See the *Current Policies* section of this work.

infringement upon freedom and enabling the maximization of progress, efficiency, and the exercise of preferential choice, while at the same time maintaining a social minima. Furthermore, with increasing educational attainment begetting a more skilled workforce, thereby increasing productivity,⁵³ the resultant increases in knowledge transference coupled with the decrease in barriers to ingenuity and entrepreneurship, which are part and parcel of a Basic Income Guarantee, would result in GDP growth from the relative aggregate increase of innovation and technological advancement. In the economic sense this causes a broadening of the tax base, by virtue of an increased GDP, thereby reducing the aggregate tax burden in terms of percentage of GDP collected.

Assured income would have an additional positive effect on worker productivity through an increase in the quality of work available. The theory behind this development of rewarding work is attributable to the work of economist John Kenneth Galbraith. Essentially, individuals will no longer be compelled to undertake labour that is unfulfilling for less than a living wage. Thus, with a basic income, those services which society does not compensate adequately will disappear.⁵⁴ Two important positives result of this significant increase in quality of work. First, human capital is developed through experience and second, aggregate productivity is increased. For it is no far stretch to imagine that an individual who is engaged in their work and takes pride in it is vastly more productive than one who obtains nothing more than wage.

⁵³ Wotherspoon, Terry. "Transforming Canada's Education System: The Impact on Educational Inequalities, Opportunities, and Benefits," in *Social Issues and Contradictions in Canadian Society*, ed. B. Singh Bolaria (Toronto: Harcourt Brace, 2000), 262.

⁵⁴ Galbraith, John Kenneth. *Economics and the Public Purpose* (Boston: Houghton Mifflin, 1973), 263; Van Parijs, Philippe. "Basic Income: A Simple and Powerful Idea for the Twenty-First Century," *Politics & Society* 32, no. 1 (2004), 17.

The implementation of an individuated income guarantee would also serve to address existent market failures with regard to nurturing and care giving labour as well as removing the institutionalized discouragement of social cohesion. An individuated basic income would also enable the empowerment women in existent situations of economic dependency brought about by the combined forces of the male bread-winner model of social welfare and the de-valuation of, predominantly female, care giving. This would be accomplished by virtue of the guarantee's individual nature, which would create a degree of economic independence. Furthermore, this individuation, when coupled with the inclusion of benefit amounts to children as well – although at a reduced rate until adulthood – would act as a direct means of financial compensation for social reproduction and its associated labour and expense.

There is, however, an important qualifier to be made with regard to these potential advantages. The individuation of benefits does not insure either that men will take on an equal share of caring and nurturing working, alleviating the burden of a double work-day for women, nor does it cause women trapped in psychologically submissive roles – not to be confused with abusive relationships, physical or otherwise – to change their circumstances. What one must remember is that these situations are matters which must necessarily be beyond the boundaries of the state to regulate. While every effort must be made to encourage gender equality and prevent abuse and exploitation wherever and whenever possible, it is not the place of the state to regulate an individual's domestic activities, to do so would be an infringement of liberty.

An individuated guaranteed income would also foster social cohesion through its de facto reward of the pooling of resources. At present, Canadian governments recognize

the economies of scale achieved through combined living arrangements and base social assistance amounts on the inherent reduction of individual living expenses in communal or familial arrangements.⁵⁵ These household, as opposed to individually, derived benefits serve as a disincentive to familial and communal habitation as the economic rewards are removed. In contrast to this, the individuation of benefits and the inclusion of children as recipients of guaranteed incomes encourages social reproduction, interaction, reliance, involvement and cohesion by allowing individuals to reap the inherent economic rewards of those actions.⁵⁶

Ultimately, the implementation of a universal and individual guaranteed income program fosters the legitimacy of a democratic state. It does so through the reduction of poverty, the fostering of gender equality in terms of labour market participation and the valuation of care giving and nurturing work, as well as the encouragement of social reproduction and interaction, and the reduction of economic barriers to the exercise of preferential choice, ingenuity and entrepreneurship resulting in further increases in job satisfaction, productivity, quality of life and economic stability. Furthermore, it has the added benefits of promoting economic growth, reductions in healthcare expenditures through preventative, as opposed to reactive, treatment, and the overall civic stability garnered from a population which, through political, social and economic participation, have a sense of engagement and ownership of their lives.

Analysis of Potential Barriers to Implementation

⁵⁵ Blais, Francois. *Ending Poverty: A Basic Income For All Canadians*, trans. Jennifer Hutchinson (Toronto: 2001, Lorimer), 67. See also Appendices 3 & 4 of this work.

⁵⁶ Van Parijs, Philippe. "Basic Income: A Simple and Powerful Idea for the Twenty-First Century," *Politics & Society* 32, no. 1 (2004), 23.

There are four principle concerns with regard to the implementation of a guaranteed income. First, the problem of free riders, individuals who are content to reap the benefits of the efforts of others while contributing nothing to society themselves, second, the contention of a prohibitive cost, third, the possibility of crippling labour force participation reduction. Finally, there is the Federal nature of Canada, which has the potential to derail any full-scale national implementation. These four concerns are indeed legitimate. With regard to the first three, a critical analysis of the relevant issues and empirical data indicate that, while not entirely unfounded, these concerns have the tendency to be both overstated and short-sighted. However, the fourth issue, as it has a wont to do in Canada, remains the most serious problematic.

When discussing free riders, the concepts of ownership and equality of opportunity necessarily arise. The application of labour to that which is by nature common property is the act which is supposed to justify the claim of exclusive ownership.⁵⁷ The current extent of private land and resource ownership amounts to an effective monopoly on that which was once common by a subset of society. Even accepting the given justification of exclusive claim, this monopoly of commons inherently creates unequal opportunity and limits potential growth. As the Canadian and global economic system are based on this right to private property, the issue becomes problematic in the context of equality of opportunity. As a result of pre-existent exclusive claims to the sum total of existent naturally common holdings, individuals, through no fault or effort of their own experience highly divergent starting points and opportunities. Furthermore, the exclusive claim to and use of resources and the resultant surplus value

⁵⁷ Locke, J., "Second Treatise of Government," in Morgan, M. ed. "Classics of Moral and Political" Theory: Third Edition, (Indianapolis: Hackett, 2001)

gained from that usage becomes questionable when the interconnected nature of individuals and their environment is considered. The environmental effects of production do not exist in isolation; any interaction with the environment has the potential for far-reaching consequences.⁵⁸

Intellectual property, developed processes and technological developments are made possible by virtue of the existence of a specialization of labour, made possible by the organization of society and individual participation therein. Despite the fact that a patentable creation may be developed by an individual or group of individuals, this development is made possible by the society itself by virtue of the participation of its members in various specialized tasks which allow for the pursuit of knowledge and production not directly related to short-term subsistence. Furthermore, existing social assets are largely a product of our natural and economic inheritance rather than of living labour.⁵⁹ This in turn places an additional legitimate claim upon some degree of societal ownership of technological advancement.

Setting aside for the moment the argument that individuals are guaranteed subsistence by virtue of citizenship and accepting the application of labour justifying exclusive claim, a serious problematic arises in practical application. Within the finite global context, there is nothing left which one may claim exclusively, the prevalence of patents, deeds, and trademarks have effectively withdrawn all of that which was once a common holding, a product of nature or of society itself. As such, it is a rational expectation that individuals who are unable to make use of common holding for their

⁵⁸ Suzuki, David and McConnell, Amanda. *The Sacred Balance: Rediscovering Our Place in Nature* (Vancouver: Greystone, 2002).

⁵⁹ Fitzpatrick, Tony. *Freedom and Security: An Introduction to the Basic Income Debate* (New York: St. Martin's, 1999), 60.

personal benefit through the application of labour by virtue of prior private ownership of all available commons are entitled to compensation for their lost opportunity.

The cost of a basic income guarantee is often thought to be the principle obstacle to its implementation. Though the nature of existent economic analysis and theory precludes accurate forecasting, we can use theoretical concepts to critique this supposed prohibitive cost. First, we must look at the macro-level. Though a workable GAI could take a number of years to implement, during this time, existent social welfare programs can be gradually consolidated within the GAI's administrative structure, resulting in a two-fold administrative reduction. The consolidation of administration will allow for the elimination of both the bureaucratic and field duplication resulting in an overall cost reduction. This is especially relevant in the Canadian setting, with its fragmentary and incrementally constructed social welfare system.⁶⁰ Additionally, the universal and individual nature of the GAI renders resource draining field checks, monitoring, and the innumerable other assurances required to enforce means, household size, and otherwise dependent benefits accurate, thereby further reducing administrative expenditures. Indeed, a conservative appraisal of a transitional, partially means tested program for Britain estimates a 350% reduction in administrative costs.⁶¹ This reduction would only increase as a GAI achieved full implementation, enabling the disbursement of the same amount of funds with a reduction of gross expenditure.

The cost of a GAI becomes further reduced when long-term expenditures are considered. As discussed above, poverty as leading determinant of health. As such, the general alleviation of poverty, particularly in its most extreme forms necessarily entails

⁶⁰ See above, as well as the *Current Policies* section of this work for further explanation of this issue.

⁶¹ Fitzpatrick, Tony. *Freedom and Security: An Introduction to the Basic Income Debate* (New York: St. Martin's, 1999), 53.

long-term reductions in healthcare expenditures. Furthermore, the support for ingenuity, entrepreneurship, and labour market flexibility resulting from a GAI foster not only individual betterment, but also economic growth, which in turn facilitates two positive economic effects. The reduction of the overall tax burden as a proportion of GDP, and the increase in income of individuals, resulting in the effective reduction of state provided benefits, as greater revenues are recouped in the form of increased personal taxes.

The concern regarding GAIs, that of the reduction of labour force participation, has been shown to be overestimated in terms of its gravity. While empirical data does indicate the reduction of labour force participation upon the introduction of a GAI, it relatively low incidence coupled with the failure to consider the existence of individuals willing and able to undertake those jobs left vacant, demonstrate that this issue is prohibitive. In the late 1970's the governments of Canada and Manitoba conducted a joint study on the effects of a GAI on a number of factors, including labour force participation, commonly referred to as the Manitoba Mincome study.⁶² It is important to note, however, that both this study and its American counterparts, are distinct from our considered GAI in that they both based amounts on household size instead of individually. While no official report has been issued on the data, the chief economist on the project Derek Hum has published a number of works relating to the study and its findings. From these statistics and Hum's analysis it is evident that the rate of labour force participation show no economically crippling effects from the institution of a GAI. Furthermore, these

⁶² Hum, Derek P.J. "UISP and the MacDonald Commission: Reform and Restraint," *Canadian Public Policy* 12, Supplement: The MacDonald Report: Twelve Reviews (1986), 92-100.; Hum, Derek, and Simpson, Wayne. "A Guaranteed Annual Income? From Mincome to the Millennium," *Policy Options*, January-February (2001), 78-82.; Hum, Derek and Simpson, Wayne. "Whatever Happened to Canada's Guaranteed Income Project?," *Canadian Public Administration* 36, no. 3 (1993): 442-450.

findings are reasonably replicated in an analysis of statistical data determined from the four U.S. experiments conducted in the same era.⁶³

What is also apparent from the data is that women, both attached and unattached, show higher incidences of decreased labour force participation. However, coupling this information with the consideration of social reproduction and its gendered nature, as discussed above it is only logical to attribute this increased participation to a return to the work of social reproduction. Additionally, the concern over mass reductions fails to consider the ever present number of individuals willing to undertake paid work, but being unable to obtain it, which in turn offsets any real reduction in aggregate hours worked.⁶⁴ In this regard, it is apparent that expected decreases in labour force participation can be readily compensated for through the employment of contemporary unemployed or underemployed individuals.

The issue of federalism and the division of inherently interconnected jurisdictions is an issue that is an ever-present aspect of the Canadian experience. As it relates to the implementation of a GAI, it remains indeterminate in outlook. However, we must not forget, that despite rivalries and tensions, these governments exist to facilitate the betterment of the quality of life for all. Though the task of establishing a GAI may seem monumental, it is not without precedent. Through the combination of political will and popular demand, a system of universal healthcare involving the complementary actions of both the federal and provincial governments was implemented. This factor is perhaps the

⁶³ Please see Appendix 3 of this work for a summary of labour force participation statistics in the five relevant GAI experiments. Hum, Derek, and Simpson, Wayne. "A Guaranteed Annual Income? From Mincome to the Millennium," *Policy Options*, January-February (2001), 80-82.; Hum, Derek and Simpson, Wayne. "Whatever Happened to Canada's Guaranteed Income Project?," *Canadian Public Administration* 36, no. 3 (1993), 448-450.

⁶⁴ Hum, Derek P.J. "UISP and the MacDonald Commission: Reform and Restraint," *Canadian Public Policy* 12, Supplement: The MacDonald Report: Twelve Reviews (1986), 92.

most serious barrier to implementation, but through determination, goodwill, and good faith this barrier can be overcome.

Summation & Conclusion

In order to facilitate the democratic legitimacy of the Canadian state an institutional system which guarantees the economic security and independence of all Canadians is needed. This guarantee must be universal, and constructed not as a means by which supplicants receive assistance from their supposed betters, but as a right of citizenship. A right which facilitates political engagement. Furthermore, in order to address the latent issues of gender inequality within Canadian society this guarantee must include a provision for the compensation of the effort, skill, and sacrifice required for sustainable social reproduction. If instituted in a considered and judicious manner, allowing for the unification of duplicative administration and the simplification of program administration itself, this guarantee would also provide five primary, pragmatically positive effects, for individuals, for the state, and for society as a whole: long-term reductions in social welfare expenditures, the fostering of increased and lifelong educational attainment, increases in ingenuity, entrepreneurship, and the resultant expansion of GDP, the support of labour market flexibility, and the further development of social cohesion.

The theoretical basis for this action exists, what must now be determined are the specifics of implementation and optimal guaranteed amounts which offer the most effective benefit to the nation of Canada. In order to determine these details, a

commission must be established and charged with the three tasks. First, the establishment of optimal guarantee amounts, for both children and adults, taking into account the need for a balance between a livable income and the necessity of fiscal restraint. Second, the determination of the most efficient manner in which to integrate this income guarantee into the existent system of taxation and/or the modifications necessary to make the taxation system efficient, taking into account the need to balance work disincentives and fiscal restraint. Third, the outlining of an effective system of implementation which allows for the timely and efficient absorption of existing social welfare programs into the guaranteed income program, creating a seamless transition while preventing both duplication over services and over expenditure as well as gaps in social in assistance benefits, ensuring that no individual falls through the social safety net.

A guaranteed annual income would provide a wholly, if frugally, livable amount to each individual citizen. In practice, however, it would seem that the initial implementation of a modest federal GAI, coupled with the institution of a complementary provincial GAI and the concurrent reduction of the various programs of social assistance would be the most workable solution to the issue of democratic legitimacy and the interrelated issues of poverty, inequality of educational opportunity. Over time, the GAI amount should be increased – over and above inflation – and negatively indexed with expenditures on means-tested and other social assistance programs. Nonetheless, the institution of an individualized guaranteed basic income in Canada, as outlined of above would serve to legitimate the existence of and monopoly upon the use of legislative and regulatory power by the Canadian State.

A cursory analysis of a guaranteed basic program may lead one to the seemingly obvious, yet fallacious, conclusion that it would require a massive fiscal outlay for the achievement of an ideal. Though arguably the fundamental nature of this ideal justifies this outlay in and of itself, the secondary benefits which would be obtained from the institution of such a policy would greatly reduce any increase in government expenditure. Indeed, in the long-run, the trickle down effects of such a policy would wholly offset, if not reduce government expenditure on social welfare as a percentage of GDP. As such, a basic income guarantee must be viewed not only as a necessary tool in the legitimization of the Canadian state through the fostering of equality of opportunity, a means to reduce poverty and female dependency, and as a means by which to foster social cohesion, but as a fiscally responsible investment to expand the Canadian economy

A GAI is a tool, to marginalize and eventually eradicate poverty, foster social cohesion, support creativity, education, and entrepreneurship, and providing economic stability for all individuals, leading to the development of a more engaged, concerned, and active society, thereby conferring life and legitimacy upon the state. However, it must be remembered that a basic income is just that, a tool. Though it may be the best tool we have, it cannot and does not guarantee freedom from social ills, the eradication of gender disparities, discrimination, hardship, or any myriad of other social ills, but instead establishes a framework within which these goals are made attainable.

Appendix 1: A Working Definition of Statistics Canada Low Income Cut-offs (LICOs)

An excerpt from The Canadian Fact Book on Poverty 1994, by David Ross, E. Richard Shillington and Clarence Lochhead, of the Canadian Council on Social Development

Although there is no official measure of poverty in Canada, the Statistics Canada measure is probably the best known. Virtually all of the statistics used by other national measures of poverty in Canada come from Statistics Canada's annual survey of incomes. Statistics Canada itself does not claim to measure poverty; rather, it defines a set of income cutoffs below which people may be said to live in straitened circumstances. The difference between straitened circumstances and poverty is moot, however, and most social policy analysts, politicians and editorial writers treat the cutoffs as poverty lines. That is how they are treated here.

The modern recognition of the extent of poverty in Canada dates from the publication in 1968 of the Economic Council of Canada's Fifth Annual Review, which gave currency to an approach to measuring poverty that had been developed at Statistics Canada by Jenny Podoluck. A Statistics Canada survey of family expenditure in 1959 determined that the average Canadian family spent about one-half its income on food, clothing and shelter. Statistics Canada concluded that a family that spent significantly more (i.e., 20 percentage points more) than half its income on essentials was living in straitened circumstances. As a result, it adopted 70 per cent of income as the cutoff point: families that spent more than 70 per cent of their income on essentials would have little or no income left to spend on transportation, health, personal care, education, household operation, recreation or insurance. Applying this measure to 1961 income data, the Economic Council of Canada reported in its 1968 Review that 27 per cent of the overall nonfarm population and 25 per cent of families were living in poverty.

In a 1971 report, Statistics Canada applied the 70 per cent income standard to its surveys of 1965 and 1967 incomes. The report concluded that in 1965, 25 per cent of all Canadians and 21 per cent of families were poor. In 1967, the respective figures were 24 per cent and 18 per cent.

Since 1971, Statistics Canada has conducted its income survey annually. Ideally, the family expenditures survey used for updating the cutoffs should also be annual, but in fact it is done every second or fourth year depending on the extent of its coverage. In calculating its low-income standard, Statistics Canada begins by estimating the percentage of gross income spent by the average Canadian family on food, clothing and shelter. It then somewhat arbitrarily marks this percentage up by 20 percentage points. This final percentage corresponds on average to a given household income level, and this level becomes the low income cut-off for that year.

The most recent estimate of the proportion of income spent on essentials is carried forward until a new expenditure survey reveals a different proportion. The 70 per cent standard based on the 1959 survey gave way in 1973 to a 62 per cent standard based on a 1969 survey. This figure in turn yielded, in 1980, to a 58.5 per cent standard based on the 1978 expenditure survey, to a 56.2 per cent standard based on the 1986 survey, and finally to the current 54.7 per cent based on the 1992 expenditure survey. In the years in which Statistics Canada does not undertake an expenditure survey, it updates its low income cut-offs in accordance with changes in the consumer price index.

Statistics Canada has always varied its cutoff levels with the number of family members. Since 1973 it has also distinguished between urban and rural communities (a distinction that it has applied retroactively to its data for 1969 through 1972). The larger the community, the higher the low income cut-offs for any family size. The accommodation of these two factors - family size and community size - results in 35 separate low income cut-offs.

A few of the Statistics Canada survey's practices should be clarified. In 1992, for example, Statistics Canada used a sample of 39,000 households to obtain its data. The results of the survey are intended to

cover Canada's entire household population with the exception of residents of the Yukon and Northwest Territories, Aboriginal Canadians living on reserves and inmates of institutions. The survey's measure of income is comprehensive. It includes wages and salaries (before deductions), net income from self-employment, investment income, government transfer payments (such as Unemployment Insurance, social Assistance, old age pensions, refundable tax credits), training allowances and the like, private pensions, scholarships and alimony payments. The only exclusions from income are gambling gains, lump-sum inheritances, capital gains, loans and income in kind, such as free meals and food produced on the farm for domestic use. The survey includes the income of all household members over the age of 15.

The definition of family used by Statistics Canada in assessing poverty is the so-called economic family. It includes all occupants of a dwelling unit who are related by blood, marriage or adoption. It also includes couples living together in common-law relationships. An unattached individual is a person who either lives alone or shares a dwelling unit, but is unrelated to the other occupants by blood, marriage, adoption or common-law relationship. In this book, both families and unattached individuals are referred to as households, even though this usage does not strictly coincide with the definition of a household that Statistics Canada uses in other surveys.

The fact that Statistics Canada frequently updates its poverty lines based on changes in the proportion of average income devoted to essentials, which has fallen as the Canadian standard of living has increased, implies a commitment to the view that poverty has a relative definition rather than an absolute one.

One concluding note on the Statistics Canada approach to low income is required. In 1988, the statistical agency began a review of its method for defining low income. As part of its public consultation, it circulated a discussion paper. The results of this review, which included meetings with a wide range of interested parties, were presented in an appendix to the 1990 version of the annual survey results. The main changes tentatively proposed (and not as yet [1994] introduced into the body of its annual report) were: (1) to adopt a purely relative approach to poverty based simply on one-half of median gross income; (2) to continue to adjust for family size but also for whether the household members are children or adults; and (3) to discontinue adjusting for community size. These alternative lines are called low-income measures.

In 1990, the agency also began to publish low-income measures based on median after-tax incomes, in a related report on after-tax incomes. However, in its most recent annual report covering 1992 gross income data and released in 1993, the low income cut-off approach (not the new low-income measures approach) still appears to be Statistics Canada's preferred basis for defining Canada's official poverty line. This could change in the future.

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Appendix 2: Van Parijs' Examples of Guaranteed Income and Tax-Back Methods With Respect to Gross and Net Income

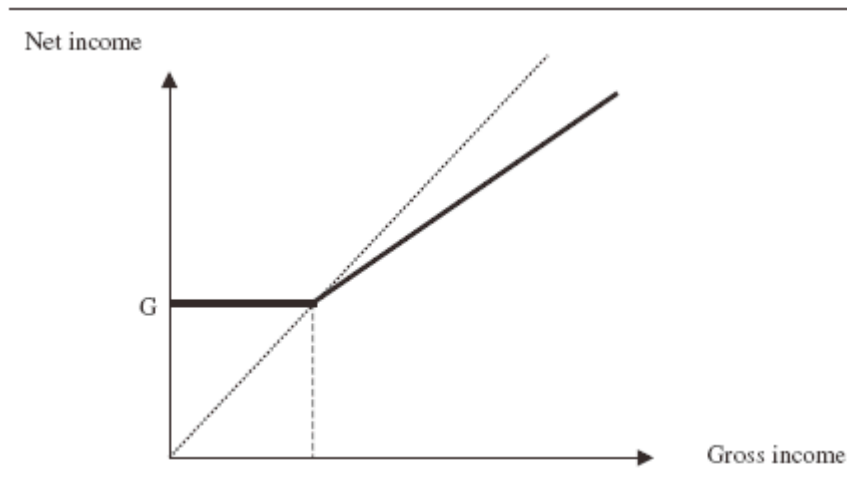


Figure 1. Conventional minimum guaranteed income.

Note: Conventional minimum income schemes pick a particular level of income that they aim to secure for every household (G). They identify the households whose gross income is smaller than G and transfer to them a benefit equal to the difference between their gross income and G . Such schemes can therefore be said to be “income-tested” or “means-tested,” in the sense that the size of the benefit they provide to a person is sensitive to some assessment of that person’s income. The level of the benefit paid obviously reaches zero when the household’s gross income reaches G . The benefits paid to households with a gross income lower than G are being funded by a tax on those with a gross income higher than G . This tax is here supposed to be linear, that is, at the same rate on any gross income above G . How high this rate needs to be—and hence how depressed the slope of the right-hand portion of the bold line on the graph—depends on how many households have a gross income lower than G and on how much short of G their gross incomes fall. One feature of such a scheme—as represented by the flatness of left-hand portion of the bold line—is that the effective marginal tax rate on all gross incomes below G is 100 percent. The effective marginal tax rate can be understood as 100 percent minus the rate of increase of net income relative to gross income. This rate of increase is here zero as any increase in gross income is exactly offset by a shrinking of the benefit. This feature of a guaranteed minimum scheme is often said to create an “unemployment trap” for people with a low earning power, as it kills any financial incentive to earn a gross income lower than G (or even somewhat higher, as being employed is likely to generate some costs), rather than nothing at all.

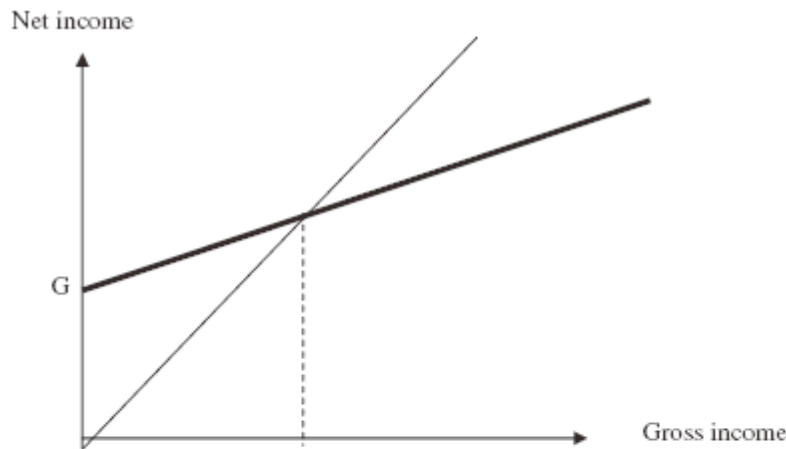


Figure 3. Linear negative income tax.⁶⁷

Note: A means-tested guaranteed minimum scheme can avoid creating an unemployment trap by maintaining the sensitiveness of the size of the benefit to a person's level of gross income, but by making the former fall less fast than the latter grows. When this is the case, the bold line that represents net income as a function of gross income no longer has a flat left-hand portion at level G , while the level of gross income from which people stop receiving benefits (called the "break-even point") rises. If we keep assuming (as in Figure 1) that all households that do not receive benefits pay tax at a uniform rate to finance the benefit, this rate obviously has to increase (relative to the situation of Figure 1) to fund the increase in the numbers and sizes of the benefits paid. With an unchanged minimum income fixed at G , the rate at which the benefit is withdrawn can be lowered below 100 percent (as it was in Figure 1) and the required rate of tax on higher incomes correspondingly adjusted upwards, until the rate of withdrawal of the benefit (below the break-even point) is equal to the positive rate of taxation (above that point). This case corresponds to the linear negative income tax, which associates levels of negative tax (or benefit) and positive tax to gross income in such a way that net income increases at a same rate, relative to gross income, whatever a household's level of income.

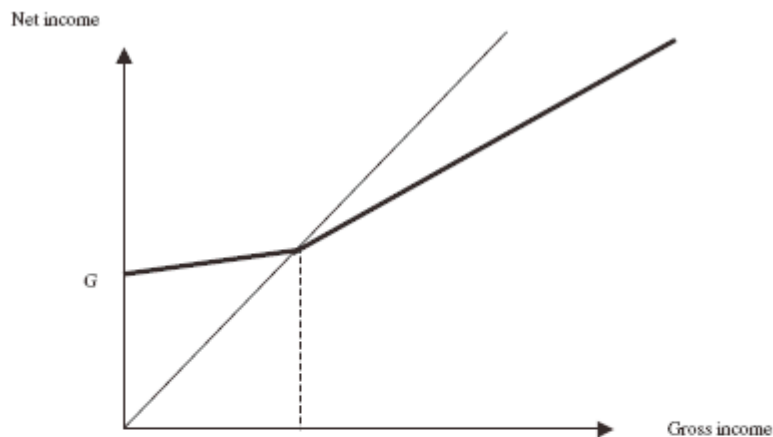


Figure 5. Non-linear negative income tax.⁶⁹

Note: In order to abolish the unemployment trap without dropping the minimum income level nor raising too much the marginal rate of tax on the earnings of the bulk of the workforce, various non-linear negative income tax proposals have been made. The rate of benefit withdrawal is then higher than the rate of positive tax, and the negative income tax scheme as a whole can be called regressive, in the sense that the effective marginal rate of tax is higher for the poor than for the rich. Such a scheme is of course nonetheless less regressive and more redistributive than conventional guaranteed minimum schemes of the type depicted in Figure 1.

Van Parijs, Philippe. "Basic Income: A Simple and Powerful Idea for the Twenty-First Century," *Politics & Society* 32, no. 1 (2004), 23-29.

Appendix 3: Basic Income Guarantees and Labour Force Participation Reduction

Table 1. *Change In Annual Hours Worked From Income Maintenance: Evidence From Non-Structural Models*

Study Location	Husbands	Wives	Single Female Heads
Mincome (Manitoba)	-1%	-3%	-5%
New Jersey	-3%	-28%	
Rural	-5%	-28%	
Seattle-Denver	-8%	-20%	-13%
Gary	-5%	-6%	-23%
All US Experiments	-6%	-19%	-15%

Hum, Derek and Simpson, Wayne. "Whatever Happened to Canada's Guaranteed Income Project?" *Canadian Public Administration* 36, no. 3 (1993), 448.

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