

Book Review:

In our hands: A plan to replace the welfare state

by Charles Murray

(Published in 2006 by The American Enterprise Institute, Washington DC £10.50/\$20)

Reviewer: Conall Boyle, Feb 2007

This review appeared in Citizen's Income Newsletter Issue 2, 2007. The full newsletter can be viewed at: <http://www.citizensincome.org/resources/newsletter%20issue%202%202007.shtml>

Those of us who have supported CI for years may feel that perhaps we could do without an endorsement for our ideas from the likes of Charles Murray. He achieved notoriety in 1994 with his book (co-written with Herrnstein) on “The Bell Curve”, which seemed to suggest that racism was acceptable, because some races are irredeemably less intelligent than others. This was a development to his on-going obsession with a social-welfare created under-class, in an earlier book “Losing Ground” (1984). Murray is a man who seems to relish notoriety, and enjoy antagonising those who do not agree with him. He also appears to be a good-natured prankster who will follow whatever outrageous trail his high intellect leads him to. But make no mistake, Murray is highly influential in right-wing policy circles, and his endorsement of CI is a significant landmark. His name on the cover will ensure that this book will probably sell more, and be read by more people than all the other books on Citizen's Income put together.

Not that he calls it CI, nor does he make any reference to the wealth of literature already available on the subject, from, for example Philippe van Parijs (this seems to be a deliberate snub; he operates in a well-funded right wing think-tank the American Enterprise Institute, and acknowledges the assistance of many fellow researchers some of whom must have pointed out the existing body of information on CI). Indeed, his Plan, to ‘convert all transfer payments to a single cash payment for everyone age twenty-one and older’ (p9) has no name other than “The Plan”. By converting all welfare payments, Murray calculates that a payment of \$10,000 (£5,100) p.a. could be made. But there is a twist—once earnings from other sources,

mostly jobs, exceeds \$25,000, the payment will be surtaxed at 20%. This means those individually earning more than \$50,000 will receive no net Plan-money.

Murray does acknowledge one source for this idea—negative income tax (NIT), as proposed by Milton Friedman. During the 1970s a version of NIT was tried out, but the results were so abysmal that it was quietly shelved*. High marginal rates of tax destroyed work-incentives for the low paid. Murray's Plan overcomes this effect of NIT and thus rehabilitates Friedman's earlier idea. For both of these right-wing market fundamentalists, welfare payments of any kind are anathema. Ideally they would like to abolish welfare, but NIT or the newer Murray-Plan is a 'way of reaching out across the political divide between libertarians and social-democrats, offering a compromise for dealing with human needs without entailing the suffocating and soulless welfare state'. (p xii)

In his eagerness to embrace market solutions Murray also proposes to abolish state-funded pensions as well as such state-sponsored medical schemes as exist in the US (Medicare and Medicaid). With an unshakeable belief in the beneficence of market-provision, Murray calculates that basic health insurance for all, as well as adequate retirement pensions can be provided by abstracting \$3,000 from the \$10,000 payment under his Plan. This is to say the least, highly contentious. By flogging his Friedmanesque hobbyhorse of free markets he distracts from his main argument. In reality his Plan pays each individual \$7,000 per year (that's about \$20 or £10 per day). In the UK our negative experiences of private-sector pension provisions (Maxwell, mis-selling scandals) and our positive experience of the NHS (better life expectancy than the US for half the GDP cost) supports the idea that state provision is not always as malign as Murray imagines.

Murray goes on to explain that his planned \$7,000 p.a. individually paid to all those over the age of 21 would cure involuntary poverty. No mention is made of Child Benefits—none are payable in the US apart from tax allowances. The main losers from the Plan would be single mothers; Murray suggests that they have an alternative source of income to hand in the form of the fathers of their children. All these “dead-

beat dads” will be known to possess an income under the Plan, as well as an identifiable bank account. With a little help from the authorities, single mothers can enforce their claim against the fathers. If that fails, mother can escape poverty by taking a part-time job at the minimum wage, says Murray (p57). Curiously for a right-wing ideologue, Murray does not challenge minimum wage legislation; indeed many of his justifications for his Plan are predicated on minimum wage continuing—a strange anomaly.

The labour market would be affected by the Plan in various ways: Employment traps (disincentives to taking a job) caused by conditional welfare payments would vanish, so more would choose to work. Wives of well-paid men (Murray only reads off traditional gender stereotypes) might prefer to stay at home, content with their Plan-money. Some might choose to work fewer hours in jobs. Overall Murray feels the total hours worked in the economy would drop, but only slightly.

Warming to his theme of the underclass, Murray lapses from his libertarian ideals and shows his visceral hatred for two groups in particular: Young (under 21) mothers, shall have the full rigours of economic destitution applied, and have every incentive to behave, to avoid pregnancy and find work at any job going. Also any male who does not get a job, if under 21 will equally have the goad of destitution, or if over 21 and chooses to loaf at home with parents or girl-friend, will soon find that he must pay up part of his Plan money or be ‘kicked out’ as Murray puts it (p67).

Why the systematic mean-ness towards the under 21s in particular? Murray is worried that they might be tempted to become hippie drop-outs. Of course a major activity for most 18 to 21-year-olds in the US is education. With no Plan-money to support them, how will they pay their way? Murray suggests two courses of action: Rely on welfare in the form of subsidised student loans and grants, or, mortgage their future Plan payments. (I am sure the second would be illegal, the first seems exactly the sort of state-subsidy that Basic Income should replace. Murray seems determined to rescue his studied parsimony towards youngsters at all costs, even violating his own

* Reports on this are difficult to obtain—no-one likes to admit to a failure. Yet the reasons for its

principles). Not that gap years for the over-21s are to be frowned on. Murray shows his more magnanimous side here: Yes, if a few older guys decided to be beach bums for a year or two, he is relaxed about that. In time such inactivity will pall, and these layabouts will re-integrate into decent hard-working society.

In framing his Plan, and identifying its consequences, Murray feels confident that it would work, and with the right push behind it, should pass through as legislation. Those of us who have studied schemes for Basic or Citizen's Income over the years will first look at winners and losers to identify a constituency for change: It is here that the Plan looks weak indeed. The 18-21 year-olds, who can both vote and serve in the military, who find themselves excluded from this payment would be (rightly) outraged. The underclass which Murray fears so greatly could become a swollen and enraged mob. This is neither politic nor libertarian. More importantly politically would be the large group in the middle, the 'ordinary decent hard working families' that politicians like to wax lyrical about. Although the Plan cleverly avoids the traps caused by the 100% withdrawal rate of the old NIT schemes, other difficulties arise at a later stage. Those with incomes between \$25,000 and \$75,000 would be hit with a higher income tax rate, as much as 7% higher for those on a very-middling income of \$50,000 (based on Murray's graph on p149). I doubt if middle America would vote for such a scheme. Left out, and so un-engaged in most of the benefits and drawbacks of Murray's Plan are the well-off. Anyone earning more than \$100,000 will not be affected by the Plan (apart from his wife, of course, as explained above!). These movers and shakers will see no reason to support such a Plan, even less so if it unleashes a horde of destitute 18-21 year-olds on society. I am very dubious about the practical politics of the Plan, but stranger things have emanated from right-wing US think-tanks and have been adopted by compliant administrations.

It is a relief to turn to the bigger picture, and the message of hope for better lives for all that Murray proposes. Unfortunately he cannot miss an opportunity to take a swipe at European social welfare states. These are held responsible for the misery of divorce, the rise of the underclass and even the loss of religion. Such tedious and easily refutable nonsense serves Murray's case ill. He refers to the alternative—

failure would still be instructive. A possible research project for someone?

Rifkin's 'How Europe's vision is quietly eclipsing the American dream' (2004), but only in a note at the back. So much for "extending a hand to the social democrats"!

On a more positive note, concerning the pursuit of happiness, Murray makes some really good points: that personal relationships matter, that self-respect is important, that man (sic) is a social animal who seeks the respect of others, that humans will expend effort for the general good—what is called 'altruism', without expectation of reward, other than feeling good about themselves. All of this would be unremarkable, banal even, but for one thing: It flies in the face of the hegemonic doctrine which underpins the 'free' market, most notably espoused in Public Choice theory. This assumes that man is a rational being who makes selfish choices about maximising his own satisfaction. Greater satisfaction grows from greater consumption according to this theory. Murray, whether he realises it or not, clearly disagrees with the economists' model of rational economic man.

One of the great liberating effects of CI is on work and jobs: Writers like James Robertson suggest that 'ownwork' could replace much of conventional employment, especially demeaning and unethical jobs. Murray has a different take on this. He sees jobs as form of 'vocation' (his chapter title). Employment is to be retained as a core activity, with the added benefit that labour mobility becomes easier. As well as boosting the economy, this enables people to find their true calling, even if that involves moving around.

In a chapter on marriage, Murray bemoans the present fractured state of this core relationship. It's all the fault of the welfare state, he predictably asserts (p110). His Plan money will support stable married relationships: Mothers who want to work can hire nannies; it is also easier for wives to stay at home to look after children and husbands. The platform of the Plan-money encourages the taking on of responsibility, unlike the welfare provisions which provide a safety net which encourages fecklessness. Apart from the blatant sexism in these sentiments, Murray is unsure if divorce will be more or less widespread.

Murray also anticipates communitarian benefits from his Plan. Again he demonises the welfare state for supplanting a rich web of community organisations. There once

was an amazing range of community, ethnic and religious self-help groups in the US, which have been superseded by welfare provision. Under the Plan, there could be a return to widespread small-scale voluntary local provision. Here Murray seems to have missed altogether the reason for the demise of many local voluntary organisations (apart from their functions being far less needed)—that the increasing engagement of both men and women in the labour market, and the longer hours being worked makes it much more difficult to find the time to volunteer. This is a consequence of the dominance of markets, not welfare, and the belief that jobs are the only valid form of work. It is big business which sucks like out of communities, not welfare provision. There is an alternative vision of voluntary organisation which CI can enable—that jobs in the profit-making sector can be shunned, and employment in worthwhile activities, even if poorly or un-paid become feasible.

This is not a state-bureaucracy versus voluntary provision argument as Murray tries to picture it. It is a power equation: Since big business and the money-interest have the power and money, they bend the behaviour of the populace to fit their needs, and rely on the state to control the reserve armies of the excluded underclass. Liberated by CI, individuals can choose to build their lives in fulfilling ways, freed from the control of needing to find a job to earn basic money to live on. This would be a more authentic libertarian dream. Murray who claims to be a libertarian, is unable to see that although welfare provision does inhibit some desirable behaviour, it is the power and control of business and money, which are the main cause of lack of liberty. Take government off our backs for sure (in so far as it is doing any harm), but first chain up the monster which has nearly all of us in its grip: the power of money and big business. Perhaps Murray understands this all too well, but needs to be careful not to antagonise his paymasters at the American Enterprise Institute.

2,230 words