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Libertarians are surprisingly comfortable with basic income policy and related proposals. The classic statement, of course, is Milton Friedman's 'negative income tax' proposal from *Capitalism and Freedom* (1962). Though the demand for a "basic income policy" is different in the sense that it is usually associated with an unconditional guarantee to an income to each citizen in the absence of a means test and any work requirement, the negative income tax proposal was designed to be administratively cost cutting with respect to welfare policies while operationalizing the intent of a basic income policy to provide citizens with the financial floor required for human dignity. Charles Murray (2006, 2008) has defended it as a potential compromise between libertarians and liberals as a measure replacing the welfare state. Hayek (1944, 1960), while lambasting proposals to engineer the overall pattern of income distribution, defends the idea of a minimum income floor, one of the primary aims of basic income advocates. And libertarian economists have long recognized that, given the existence of redistribution, simple cash transfers are preferable to the bureaucratic machinery necessary for rationing specific goods.

We take issue with this conciliatory attitude. Though it is beyond the scope of this short essay to present anything like a comprehensive appraisal of basic income policy

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(BIP)--especially since it constitutes a class of proposals rather than one definite plan susceptible to detailed analysis--we can highlight under-appreciated problems in the implementation of such policies. Such problems may not be sufficient to overturn a conviction that BIP is desirable, but they should at least be grounds for revising one's estimate of the potential gains from BIP. We are both specialists in comparative political economy, so that is our angle of approach. The first half of this essay explains the basics of comparative analysis and defends its relevance to this topic. The second half analyzes the income floor rationalization of BIP proposals in comparative terms and finds it wanting.

Throughout the essay we avoid staking out any strong normative foundations for libertarianism. In short, we will not attempt to offer a moral-philosophic critique of BIP, nor even a political-philosophic critique. Libertarianism is most often thought of as a set of claims about ethics and political philosophy. But we are economists by training and intellectual temperament, so how can we address this topic? We argue that comparative political economy enables us to examine alternative rule regimes, and a variety of economic strategies that actors will play given those alternative rules. Comparative analysis offers insights that are robust across a wide array of normative approaches, though not all. The limits of our analysis's applicability are taken up below, but we believe that any normative stance that would completely deny its relevance is flatly implausible. We do, however, grant the (*ceteris paribus*) moral desirability of an income floor reasonably understood, on which more below. We are not necessarily questioning the ends sought by BIP advocates, only the institutional means.

Comparative Analysis and Policy Proposals

The foundational assumption of comparative economics is: people are people. Any assumptions one makes about either the competence or the motivation of individuals in one sphere of human activity must carry over to other spheres. We dub this postulate "behavioral symmetry".[1] Under this assumption, systematic differences in behavior and in the outcomes of behavior across different social settings are driven by the institutions constituting those settings. Institutions are the "rules of the game" (North 1991) or the "ways of relating to one another" (V. Ostrom 1997) that constrain and shape interaction. Comparative economics analyzes differences across social settings as the outcome of underlying institutional differences.

What does this approach have to say about evaluating policy proposals (e.g. BIP)? Sound comparative political economy assumes that political agents are neither more benevolent nor vastly more intelligent than individuals acting in their private capacity in the market or civil society. Viewed through this lens, policies are the outcome of a social process of interaction, outcomes governed by the institutions regulating behavior in the polity. The agents who engage in that interaction are fallible human beings with a wide and divergent array of ends and values, and cognitive capabilities. (see Hayek 1948, 11-14) Once we take this perspective, the problems of opportunistic behavior and cognitive limitations must be taken seriously in our analysis, and with that policy proposals will be examined comparatively for their internal coherence (relationship between means chosen

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[1] If agent types do vary across different spheres of activity it is due to selection or filter mechanisms at work that characterize the activities constituting that sphere. As James Buchanan has recently put this, "Same Players, Different Games" (2008).

to given ends of the policy) and vulnerability to opportunistic behavior (both by policy makers, and by intended recipients of the policy).[2]

While this sounds like a commonsense depiction of political life, most academic discussions of policy proposals implicitly dismiss it. In particular, the comparative approach can drive a wedge between the normative desirability of a hypothetical policy and the sufficient conditions for its endorsement as an actual policy. There are in fact wide divergences between the nature, implementation, and effects of policies as outcomes of real political processes and the standard sorts of normative justifications given for such policies. Most policy proposals—even libertarian ones—ignore this disjoint. Moving from the normative desirability of a hypothetical policy immediately to its endorsement assumes that policy is an object of choice; determining what policy should be passed is thus isomorphic to determining what sort of choice an individual should make. When a policy is instead understood as one of many outcomes of an interactive process framed by underlying political institutions, that isomorphism breaks down.

Understanding policy formation as a process rather than a simple choice raises some hairy questions.[3] A policy proposal may look good on paper. Will it still look good

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[2] See Boettke (1993, 1-11) and also Boettke and Leeson (2004).

[3] In particular with respect to redistributive policies, we must always remember that policy choice is never as simple as a choice of a particular distribution of resources, but always over a set of rules of the game that engender a process of exchange, production and distribution. Distribution outcomes, in other words, are not invariant in relation to exchange and production activities. Questions of the "fair division" of a fixed economic pie, do not adequately deal with questions associated with the exchange and production processes that result in that economic pie. The fundamental *economic* point that was made in the late 19th early 20th century, was that the size of the economic pie was an interdependent function of the way the pie was divided --- production, in other words, cannot be separated from distribution.

when revised and amended to make it out of a Congressional committee? Even if it is passed in close to pristine form, will it survive future political shocks? What other policies will have to be passed as parts of political deals to get it through a general assembly? How will it interact with other policies? How will the bureaucratic body or bodies charged with implementing the policy actually do so? How easy are its enforcement mechanisms to capture by special interests and other political entrepreneurs? It makes as much sense to ignore that process as it does to ignore the incentives and knowledge of private actors who will be subject to the policy. Public policy is a nested game. Incentives and knowledge issues are at play during the different games associated with the passing, administrating, and implementing the policy, as well as in the ultimate game into which the polity intervenes, and must be examined at each level if we ever hope to come close to aligning intentions of the policy with the results of the policy.

It may be objected that introducing these concerns obscures rather than clarifies the question at hand. The question is: should we (libertarians, citizens, etc.) endorse *this* sort of policy? Making the content of the policy endogenous to some external mental model of the political process appears to merely change the question, making it in effect about a different policy. This is why, for the sake of discussion, we draw the distinction between the normative desirability of a policy as proposed and whether the policy as enacted should be endorsed. The latter, we take it, means that the reality of the policy's *likely* character must be taken into account. Since we take BIP proponents to be proposing a real policy measure, we feel justified in critiquing it on such grounds.

Policies have to be enacted and executed by real human beings. This means that policy offers no guarantees, at least not in any metaphysical sense. It is tempting—both for those who engage in wishful conjectures about what the law ought to be as well as those who employ sophisticated mathematical models—to forget this basic fact when discussing redistributive policy proposals. Individuals can have sound reasons for a greater or lesser degree of confidence that they will have the means to live at a given level of comfort. Those reasons can indeed be predicated on the existence of a government transfer program. But any income floor must be understood in probabilistic terms in order to be realistically appraised. This is what we mean by a "reasonably understood" income floor. Given that such a floor is normatively desirable, the comparative question is: what institutional regime best produces a floor with salutary qualities?

Rather than obscuring the question, insisting on this comparative approach qualifies exactly what is being called for when a policy is proposed. To abstract from policymaking and imagine that the policy gets passed cleanly is to commit a *nirvana fallacy*. It is, in effect, assuming that our desired outcome is obtained costlessly. But the policy process is not costless, and the impact of policy is never as simple as what was intended by the policymakers. Furthermore, as we stressed above, the basic methodological insistence on behavioral symmetry implies that whatever assumptions we assume about actors in one arena, we need to assume for actors in the other arena. If one is allowed to assume that policymakers would behave themselves in enacting and executing this policy, why not assume that private actors in the market and civil society would also behave themselves and could provide an income floor without state involvement? Insisting on consistent behavioral symmetry and comparative analysis actually clarifies the relevant questions: what is it about the polity that makes it a suitable arena in which to pursue the end sought by the policy? Given how the policy is likely to be enacted, should one be in favor of the state having the power to do so? Unless these questions are addressed, we posit that there are not sufficient grounds for endorsing an actual policy measure.

To clarify, we are not claiming that it makes no sense to ask how political agents *should* conduct themselves. Given that they have the power to redistribute income—or to effect any given type of policy—they should always use it in the best possible way (which may entail refraining from using it). But one could say the same thing about private agents. Given that market institutions give or recognize certain decision rights, there can be better or worse, right or wrong ways of exercising those rights. Concomitantly, simply saying that there ought to be an income floor does not yet establish in what realm individuals should pursue that end.

These considerations bear relevance for a wide range of basic normative stances. Their applicability for consequentialist theories is obvious. We posit further that, insofar as the very nature of a policy is the outcome of a political process, that comparative analysis also has much to say for deontological moral standards.[4] If it is granted that individuals ought to possess some right, then it is often a non-trivial question what sort of institutional environment will best secure that right. It might be asked, for instance,

[4] One way to think about this is to think about the relationship between the abstract discourse in social philosophy (what is the "good" and "just" game) and the concrete discourse of economics (what are the "rational" and "optimal" strategies that will be played given the rules of the game). The contribution that political economy makes to our understanding emerges in this play between social philosophy (rules) and economics (strategies). But the key idea that we want to get across is that the answer to the social philosophic is never complete unless it takes into account the economic analysis. Comparative political economy provides us with the framework to intellectually "slide" between different rule regimes and assess the game being played in those regimes via economic analysis.

whether a common law or civil law system better secures or manifests an individual's right to the integrity of his person or property. The only normative stance that could safely shrug off such comparative analysis is one that holds that the initiation itself of such and such a policy is normatively desirable. That is, that even a purely nominal guarantee of basic income—whether such an income is actually provided or not—is the relevant question in deciding whether the policy should be endorsed. This position seems implausible, so we proceed on the assumption that comparative analysis has something to say about whether libertarians should endorse BIP.

Basic Income Policies

BIP proposals have been commonplace since the mid-19th century, and have had many advocates throughout the 20th century, even as we mentioned earlier among classical liberal/libertarian economists such as F. A. Hayek and Milton Friedman. Experiments with the policy have been tried at a small scale in Canada and in Africa, and an ongoing experiment is currently in operation in Alaska, and the idea is a favorite one among social democratic parties throughout Europe to New Zealand.

A moment's reflection makes it clear how a comparative approach to policy analysis complements libertarian normative beliefs concerning the moral status of various public policies, such as BIP. By refusing to take the implementation of a hypothetical policy as given, comparative economics casts doubt on the soundness of many (if not most) policy proposals. Combined with even a modest presumption in favor of private decision rights over public ones, this deep skepticism is capable of whittling down one's appraisal of the legitimate scope of state power quite a bit. This is especially true when one asks whether the state ought to be granted at all certain broad powers, such as the ability to redistribute income. Once the legitimacy of that means is granted, it can be used for any number of ends. This section lays out the reasons why a rationalization of transfers in terms of providing a basic income fails to overcome our inherent skepticism in the wisdom of granting the government the power to effect transfers in the first place. Specifically, even while granting that an income floor is desirable, we disagree that BIP is so effective at securing it as to override our mistrust of government redistribution itself. This entails pointing out overlooked factors that both mitigate the advantages and enhance the disadvantages of a real policy as compared to an ideal one.

The redistributive efforts of the state in practice often diverge substantially from the idealized version that serves the interest of the poor (Murray 1984; Wagner 1989). Proponents of BIP often argue that BIP is justified precisely because it avoids these pitfalls. BIP, unlike other transfer programs, *is* a general policy since it is not means-tested. Every citizen *qua* citizen gets a paycheck for the same amount. As such, it does not generate a group of narrow, special interests that would unleash the flurry of rent-seeking activity characteristic of existing welfare programs.

There can be little doubt that BIP passes the 'generality test' when compared to extant redistribution.[5] But we fear that this is a prime instance of comparing an ideal implementation of a theoretical policy to the vicissitudes of real policymaking. The

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[5] On the importance of the 'generality norm' in public policy see Hayek (1960) and Buchanan and Congleton (1998). Politics by principle, not interest, is what Buchanan and Congleton call the effort to minimize the rent-seeking element in modern democratic politics. Also see Boettke and Oprea (2004) on the condition of non-discrimination in law and politics.

attempt to pass a BIP would in all likelihood endogenously generate special interests that would systematically attempt to undermine its "general" character.[6] At a minimum, BIP proposals only appear general insofar as they ignore the revenue generating side of the redistributive equation. The money to fund basic incomes must come from somewhere. It is here where the analyst can ignore the political process only if reality has no bearing whatsoever on whether he should endorse the policy. We assume that chronic deficits and inflation are not on the table in the political discussion, though they are certainly a possible outcome of funding such a program. Most proponents, in any case, would not be willing to endorse the policy on such grounds. That leaves either increased taxes or cutting existing programs. Either would undermine generality and unleash the distributive conflicts that redistribution typically entails.

If the BIP were to be funded by new taxes, they would in all probability be progressive. Tax burdens apportioned "progressively" by definition fall asymmetrically across the population, laying the groundwork for both rent-seeking and countervailing distributional forces to work from the bottom up (c.f. Wagner 1989, Ch. 4). A tax burden concentrated on the rich creates a strong incentive for a small group to lobby to introduce various loopholes and provisions to offset the burden. The amount of funding that it is politically feasible to allocate to the program would be a function of this process. Small groups bearing a disproportionate share of the cost would have an incentive to lobby for restrictions on who receives the money. Former convicts or those who fail a drug test would make easy political targets for exclusion.

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[6] We did not pursue this path in our research, but we believe a very promising empirical case study of our conjectures concerning the problems of incentives and knowledge would the Alaska experiment in using the oil revenue, the Alaska Permanent Fund.

If the proposal were to replace existing programs, then the concentrated beneficiaries of those programs—both those who receive transfers as well as the politicians who push them through for political gain—have a strong incentive to become involved in the enactment of the BIP. One possible outcome is that BIP would simply take its place alongside existing entitlements rather than replacing them. While this might not trouble many BIP advocates, it should raise substantial doubts for the libertarian who sees it as a replacement for existing programs (e.g., Murray 2006). But regardless of whether BIP replaced or were added to other policies, its passage would be at the mercy of special interests in order for it to be passed at all. How long would the debate proceed before a proposal like "supplements" to basic income for the needy or the deserving (i.e., civil servants) were proposed?

These problems with the potential generality of the BIP all come about in the process of its enactment. Another problem is whether it would be stable over time. One potentially serious concern is the susceptibility of the program to political shocks. An opportunistic politician might make serious headway proposing that BIP payments to the wealthy be suspended during a fiscal crisis. Again, this undermines generality, enabling potentially very costly rent seeking. Alternatively, he might propose that payments increase to the poor during a downturn. Whether such policies would make sense or not, they would be difficult to reverse once the downturn ended (Buchanan and Wagner 1977).

It is easy to sketch a highly stylized proposal or model in which redistribution occurs even and smoothly. That is as easy as subtracting money from one column representing a bank account and adding it to another. But the reality is that taxing and spending are never "general," as in a simple redistributive scheme or stimulus measure. About the special interests that would be at play in enacting BIP we can but speculate—especially without knowing the specifics of a concrete proposal—but their influence will be far from imaginary. The passage of both the recent stimulus package and the healthcare reform act revealed the extensive working of special interests in legislation nominally aimed at securing the general interest. Whether the final policies should be endorsed or not is not the issue. Rather, our point is that the policies that emerged from the political process were extremely different from the hypothetical versions associated with the rationalizations for passing them.

In reality, general spending is a myth. Money channeled through politics always filters through particular processes, particular government agencies, and into particular hands in heterogeneous ways. The question is whether political institutions are up to the challenge of creating a robust income floor. Even if the policy that emerges from a legislature bears some family resemblance to the BIP on paper, the particular actions taken to execute it will create vested interests in its being executed in a particular way. The clearinghouses and banks through which the money flows will have a stake in the path by which payments reach the citizenry, to say nothing of the bureaus charged with administering it. Any mistakes, inefficiencies, corruption, and incompetence from these sources are unlikely to be corrected, because political institutions lack the feedback mechanisms that characterize market processes or even private charities (Martin 2010). Those in charge of administering the program have every reason to enhance their budgets and expand their responsibilities, not to cleanly and cheaply transfer the funds (Tullock 1965; 2005).

This sort of waste might seem trivial. That *might* be the case if the resources devoted to creating an income floor through BIP were not taken from existing measures to catch those that fall through the cracks. That is, the inefficiencies would not count against BIP if funding it did not crowd out private charity. But there is substantial evidence that crowding out is quite real. Countries with lower levels of redistributive spending—whether in the form of outright transfers or of subsidized services for the poor—exhibit systematically higher amounts of private charity (Fishback 2010). The comparative approach compels us to ask: would the government bureaucracy charged with delivering basic income payments more effectively help the poor than private charity?

It may be objected that relying on private agents is effectively giving up on the idea of an income floor altogether. But as we have argued throughout, the outcome of the political process is anything but a guarantee. In making a comparative political economy assessment we need to explore whether BIP is logically coherent, and we need to examine whether it is vulnerable to opportunism by the various actors in the political and economic game so defined. BIP strives to provide every citizen with a basic or minimum income required to live a dignified human existence. In moments of a more poetic nature, social philosophers will translate the meaning of human dignity into a variety of capabilities that are taken as required for human beings to live flourishing lives. But whether the thinker is just looking at BIP to satisfy a minimal standard of justice, or as the foundation of more elaborate agenda of fulfilling human capabilities, the bottom line is that the minimum income provided by BIP has as a goal to provide the foundation for a more humane society. Each individual in the society will be provided with the material means to be dignified participants within the democratic process of self-governance.

As we have stressed, the first test of BIP is one of internal coherence; are the means of BIP coherent with respect to the ends sought by BIP. The second test of BIP is one of vulnerability to opportunistic behavior on the part of both the political actors implementing the policy, and the actors who are the intended beneficiaries of the policy. We have already identified problems at both the coherence and the vulnerability levels of analysis. Policy ineffectiveness results from mismanagement by political actors and other distortions in the policy-making process. These are questions of incentives. But policy ineffectiveness can also result in failure to recognize the non-operational and fundamental incoherence of the means-ends relationship in policy. You cannot treat the economic pie as fixed, and the public policy question as one of "fair division". Productive activity cannot be neatly separated from distribution. And we must never forget that policy choices are never over any fixed distribution, but always over *rules of the game* that engender a pattern of exchange, production, and distribution.

This brings us back to consideration of incentives once more. A common criticism of BIP leveled by economists has been the basic incentive compatibility and the labor market effect. Let's say that BIP provided $10,000 per year to all eligible adults, and let's also say that an unskilled worker could earn $12,000 per year engaged in manual labor. What incentive does that individual now face to (a) work, and (b) invest in additional human capital acquisition to improve their labor prospects. Another problem that is often overlooked in these discussions is what James Buchanan (1975) termed "The Samaritan's Dilemma." The basic point Buchanan was stressing is that we must never forget that our acts of generosity can be opportunistically exploited by those who are recipients and those who are potential recipients. There is a strong incentive in these situations for an endogenous increase in the supply of those who will receive the benefits from our policy. BIP, at face value, avoids this dilemma since everyone is entitled, but in its operational forms, such as the negative income tax, it does not. The work incentive effects we mentioned above would be augmented under a negative income tax by also inducing more individuals at the bottom of the economic ladder to on the margin choose not to work. Again, the means of BIP (and negative income tax in this instance) are incoherent with respect to the ends sought.

Conclusion

Basic Income Policy is a policy that has some intuitive appeal for those who care about social justice and human dignity. We grant for the sake of argument that BIP has this desirable characteristic. But for most advocates, the analysis stops there because intentions are presumed to equal results in policy, just as ought is assumed to presume can in questions of public policy. Comparative analysis, on the other hand, begins with a recognition that intentions do not equal results in public policy due to problems associated with the structure of incentives, and problems associated with the discovery, mobilization, and utilization of knowledge within an economy.

Our argument is that the comparative political economy analysis that focuses on rules/strategies and passes judgment based on coherence/opportunism serves as a useful complement to the social philosophic analysis that libertarian political and moral theory can provide. Libertarianism offers a standard of assessment from the perspective of the ethical stance of non-aggression. We agree with the libertarian position, but do not believe it exhausts public policy analysis, and in fact, might not be the most effective argumentative strategy to pursue in the clash of ideas in policy discourse. But it is our hope that the libertarian intuition of non-aggression can in fact be served by the critical assessment of alternative public policies that comparative political economy provides. We have applied this framework to the question of BIP, and it was our intent to raise some criticisms that fall out of the comparative analysis that ultimately questions the effectiveness of BIP to realize the goals of realizing human dignity and cultivating a citizenry capable of democratic self-governance. We haven't established the positive case for productive effort and valued work as the foundation for achieving human dignity. But we believe such a positive case can in fact be made. We would also argue with Tocqueville that human flourishing results when citizens are capable of dealing with the 'care of thinking and the troubles of living' and not insulated from the vagaries of life.

We share with the libertarian political philosopher the goal of establishing a society of free and responsible individuals, but we do not see this vision of society as the outcome of the assignment of, respect for, and enforcement of individual rights. As comparative political economists, we instead see the private property market economy as an institutional configuration that takes man in all his given variety --- sometimes good, sometimes bad; sometimes smart, sometimes stupid – and through the incentives of private property, and the informational signals of free prices, and the lure of pure profit and the penalty of loss guide the discovery, utilization and distribution of scarce resources. And this institutional configuration does this guidance of resource use and distribution in as efficient and just a manner as is humanly possible. Dignity, efficiency, and justice are served by a rule regime of individual rights, clearly defined and strictly enforced property rights, and freedom of trade and association. The case for libertarianism, in other worlds, falls out of the comparative analysis of rule regimes rather than as the point of departure for the analysis. And the comparative analysis also shows that BIP doesn't seem to pass either the coherence or the vulnerability tests. Comparative political economy demonstrates, in other words, that BIP does not satisfy its own goals, while libertarianism actually does serve the goal of promoting human dignity and human beings capable of self-governance.

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