

# “IF THE WORK REQUIREMENT IS STRONG”: THE BUSINESS RESPONSE TO BASIC IN- COME PROPOSALS IN CANADA AND THE US

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*Abstract.* Historical accounts of the business response to basic income proposals imply that employer attitudes have been mixed. In the 1970s and 1980s, when an array of basic income schemes was proposed, some groups were supportive and others were opposed. This paper shows that, in a number of high-profile proposals in Canada and the US, behind the apparent dissensus among business groups lays a consensus stance against universalistic and unconditional guaranteed income schemes. The disagreement among business groups comes down to either (1) a basic misunderstanding of proposal details, or (2) the fact that the policy itself can take on a wide range of concrete forms. To the extent that business has exhibited support for guaranteed income policies, the actual policies in question tended to be “two-tiered” rather than unitary, selective rather than universal, and miserly rather than generous. The income maintenance policies that garnered some support among business groups would all include explicit or implicit work requirements for “able-bodied” adults. By contrast, generous, unconditional guaranteed income policies that reduce workers’ market dependence—namely, those that basic income advocates find desirable—found no audience in business circles. I close by exploring the mechanisms underlying the impact of basic income on bargaining relationships in the labour market and comment on the promises and pitfalls of a social policy that continues to be highly malleable.

**Keywords:** Guaranteed annual income; Basic income; Business; Labour markets

*Résumé.* Les récits historiques de la réaction des entreprises aux propositions relatives au revenu de base laissent entendre que les attitudes des employeurs ont été mitigées. Dans les années 1970 et 1980, lorsqu’un éventail de régimes de revenu de base a été proposé, certains groupes étaient favorables et d’autres s’y opposaient. Le présent document montre que, dans un certain nombre de propositions très médiatisées au Canada et aux États-Unis, derrière le désaccord apparent entre les groupes d’entreprises se cache une position consensuelle contre les régimes de revenu garanti universels et inconditionnels. Le désaccord entre les groupes d’entreprises se résume soit (1) à une mauvaise compréhension de

base des détails de la proposition, soit (2) au fait que la politique elle-même peut prendre une grande variété de formes concrètes. Dans la mesure où les entreprises ont manifesté leur appui aux politiques de revenu garanti, les politiques en question avaient tendance à être « à deux niveaux » plutôt qu'unitaires, sélectives plutôt qu'universelles, et avare plutôt que généreuse. Les politiques de maintien du revenu qui obtiennent un certain appui parmi les groupes d'entreprises incluraient toutes des exigences de travail explicites ou implicites pour les adultes « non handicapés ». En revanche, les politiques de revenu garanti généreuses et inconditionnelles qui réduisent la dépendance des travailleurs à l'égard du marché du travail - c'est-à-dire celles que les défenseurs du revenu de base trouvent souhaitables - n'ont reçu aucun appui du milieu des affaires. Je termine en explorant les mécanismes qui sous-tendent l'impact du revenu de base sur les relations de négociation sur le marché du travail et en commentant les espoirs et les pièges d'une politique sociale qui demeure très malléable.

**Mots-clés:** Revenu annuel garanti ; revenu de base ; affaires ; marchés du travail

## INTRODUCTION

**B**asic income has gained immense notoriety in recent years, with a range of pilot projects now in the works and governments the world over seriously considering its eventual implementation (Crane 2018; Ostroff 2015; Knight 2015).<sup>1</sup> However, long before a social policy is implemented it must filter through the political and economic system, where powerful actors weigh in with their judgments and preferences. When we consider policies that impact the labour market, there is perhaps no actor afforded more veto power than business (Block 1977; Cohen and Rogers 1983; Hacker and Pierson 2002; Harrington 2016; Therborn 1978). How did business organizations react to the basic income—or synonymously, guaranteed income—proposals on the table in the 1970s and 1980s? Were they supportive? Perhaps they viewed these policies as a kind of employer subsidy, or a much-needed labour market stabilizer. On the other hand, business might have opposed guaranteed income policies, worrying that they would raise reservation wages and undermine a steady and reliable supply of labour. Sorting out these questions and identifying the response from business groups will help shed light on the political processes underlying the current round of basic income activism.

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1. Although there are important differences this paper uses the terms basic income and guaranteed annual income (GAI) synonymously. While the former is a demogrant and the later steadily phases out, both policies provide a basic standard of living available to all without work-related conditions.

The historical accounts suggest that employer attitudes were somewhat mixed (Moynihan 1973; Leman 1980; Haddow 1993). Business has under some circumstances supported guaranteed income proposals, and opposed them under other circumstances. In both Canada and the United States in the 1970s and 1980s, GAI proposals were floated at different times, and businesses had ample opportunity to form positions on them.<sup>2</sup> Daniel Patrick Moynihan’s history of the Family Assistance Plan (FAP)—a GAI proposal which was nearly approved by the US Congress in 1970—stresses that while most groups were divided on the program, “nowhere did the division attain the degree of clarity, precision and completeness that occurred all but instantly among representatives of business” (1973: 285). In Canada, guaranteed income schemes from the Family Income Security Plan (1970) to the Universal Income Security Program (1985) garnered equally split responses from business, ranging from supportive to apoplectic (Leman 1980; Haddow 1993).

This paper provides an analysis and interpretation of the ambiguous historical evidence bearing on how business organizations reacted to North American guaranteed income proposals over the years. I use archival sources, including speeches, policy reports, Congressional Hearings and other historical materials, to decode some of this history and provide a consistent interpretation of the seemingly uneven and equivocal responses from Canadian and US business groups.

What appears at first as a mixed response is in fact reducible to the confusion generated by the diverse meanings of the guaranteed income. I show that the complexity and diversity of policies in the US and Canada designated as “guaranteed income” obscures a clear understanding of the business response to these proposals. The guaranteed income is a shape-shifting social policy. In its winding history it is sometimes described as an unconditional income transfer meant to achieve a basic standard of living for all, and sometimes as an income transfer available only to a select group of people. In some variants it is designed as a “unitary” scheme treating all persons or families alike, and in others it is “two-tiered” with differential access to benefits for different groups. In some variants it is unconditional on work, and in others it includes built-in work requirements. In this latter case, the policy melds into something like the Earned Income Tax Credit (EITC), or its lesser-known Canadian duplicate, the Working Income Tax Benefit (WITB), both of which are work-conditional cash transfers. Indeed, sociologist Brian Steensland

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2. These policies took the form of a negative income tax (NIT), which I take to be synonymous to the GAI. The crucial feature of the NIT is the phase out: a guaranteed level is set, and as a recipient’s market income rises, guaranteed payments are phased out at some “tax-back” rate.

has shown that the modern EITC has its roots in the guaranteed income.<sup>3</sup> In the 1970s and 1980s, when an array of guaranteed income schemes were proposed, many of these crucial policy details were opaque.

This paper shows that to the extent that business has exhibited support for guaranteed income policies, the actual policies in question tended to be two-tiered rather than unitary, selective rather than universal, and miserly rather than generous. By contrast, generous, unconditional guaranteed income policies that reduce workers' market dependence found no audience in business circles. I show that, in a number of high-profile proposals, behind the apparent dissensus among business groups lays a consensus stance against universalistic and unconditional guaranteed income schemes. It is sometimes argued that differences in social policy positions among business groups come down to whether they represent labour-intensive or capital-intensive firms, and whether they represent internationally oriented or domestically oriented firms (Quadagno 1990; Domhoff 2013). While these differences should not be discounted, I show that there was a baseline of agreement across all business groups in their responses to guaranteed income proposals. Behind a veil of dissensus, they have evinced an unambiguous and principled opposition to a variant of the guaranteed income that makes work optional. That is, while there has been some ambiguity in business groups' positions on income support in general, there has been none concerning the kind of basic income most advocates actually find desirable (i.e., Block & Manza 1997; Wright 2004; Widerquist 2013; Van Parijs 1995; Van Parijs and Vanderborght 2017).

In order to assemble the puzzle pieces of this disputed history, I first provide an analysis of the business response to the most prominent guaranteed income proposal in American history, the Family Assistance plan (FAP). I focus on three main players: the US Chamber of Commerce, the Committee for Economic Development (CED), and the National Association of Manufacturers (NAM). Next, I discuss the ecology of guaranteed income proposals introduced in Canada in the 1970s and 1980s and analyze the responses from the equivalent players on the Canadian scene: the Canadian Chamber of Commerce, the Canadian Manufacturers' Association (CMA), and the Business Council on National Issues (BCNI). Finally, I outline the labour market mechanisms that may best explain the business positions described herein. I close with some remarks about the nature of the support the guaranteed income attracts and comment on the promises and pitfalls of a social policy afflicted by a highly malleable definition.

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3. For the broader impact of the EITC on low-income families, see Sykes et al (2015).

## AMERICAN BUSINESS ORGANIZATIONS AND THE FAP EXPERIENCE

As a social policy that took on multiple iterations over its short life-span, Nixon’s Family Assistance Plan (FAP) did not lend itself to the easy formation of political opinion. The first iteration of the policy proposed a negative income tax (NIT) that entailed no coercive work requirement, although after controversy and debate following the publicity of the policy details, later variants embraced a workfare component (Steensland 2007; Bowler 1974; Burke & Burke 1974; Davies 1996). Moynihan’s (1973) history of the proposal emphasizes that no group was more divided on the plan than business: “The range of business opinion was as wide as the subject permitted: from complete endorsement of a guaranteed income to complete rejection” (1973: 287). In this story, the US Chamber of Commerce was opposed, even hysterical, but the Committee for Economic Development (CED) and the National Association of Manufacturers (NAM) were supportive. However, behind the outward semblance of disagreement between the three business organizations was a misunderstanding of what the FAP actually entailed.

Because the FAP took on various forms over its development and culminated in a version with work requirements, it is worth clarifying some basic terminology. The central idea animating at least the early version of the FAP was the negative income tax, a technical term specifying the mechanism underlying the guaranteed annual income. At its core the NIT is fairly simple. It can be defined sharply by three parameters: the guarantee,  $G$ , the tax back rate,  $t$ , and the break-even point,  $B$ , after which no benefits are received. The guarantee tells you the payment to a non-earner and the tax back rate tells you the rate at which payments phase out as market income rises. For example, setting the guarantee to \$20,000 and the tax back rate to 50 percent means that non-earners are paid \$20,000 and, say, \$6,000 earned in market income reduces the payment by half of what was earned, to \$17,000. This brings total income to \$23,000. When market incomes reach \$40,000, the break-even point in this example, guaranteed income payments drop down to zero.<sup>4</sup> It should be clear that with a high guarantee non-earners could sustain themselves outside the labour market. While some argue that there are “incentives” built into this system—earning more on the market always means higher final incomes, unlike traditional social assistance, which is completely lost with any market earnings—it is also fair to admit that the negative income tax facilitates work withdrawal. If this core mechanism of the

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4. Formally, payments,  $P$ , are determined as follows:  $P = G - t*Y$ , where  $Y$  is market income. The break-even point,  $B$ , is determined by the guarantee level and the tax back rate:  $B = G/t$ .

negative income tax was foundational to the Family Assistance Plan, its structure would be completely upended by adding in a work requirement. And what unified the three business groups introduced above was an unambiguous and principled commitment to a social policy with in-built work requirements.

Nonetheless, it is true that these groups had distinct economic interests. The national Chamber was dominated by small and mid-sized labour-intensive firms whose profits depended heavily on local labour conditions (Quadagno 1990; see also Katz 2015, and Hacker and Pierson 2016). As Quadagno writes, “The key issue in Chamber opposition was the threat the FAP represented to its members’ labor supply.” Quadagno also highlights the role played by gender, including the desire to preserve “a supply of low-wage female labor” (1990: 20). It was natural that the Chamber would unambiguously oppose the FAP, especially once they discovered the lack of a work requirement (Moynihan 1973). Likewise, Myles and Pierson (1997) argue that the FAP presented a clear threat to Southern business interests whose competitive advantage was a cheap and disorganized workforce. Some reporting at the time drew attention to the possibility that the FAP could undermine employer domination, and one Georgia representative voiced this sentiment: “There’s not going to be anybody left to roll these wheelbarrows and press these shirts” (Armstrong 1970: 67). A field coordinator for the Federation of Southern Cooperatives in Atlanta made the same prediction: “I know a lot of white people who will get told to go to hell” (ibid.).<sup>5</sup>

At least in its earliest permutation, the FAP was indeed radical. According to a journalist in *The New Republic*: “All it would do is put an income floor under everybody, and the roar of protest you don’t hear coming out of Washington today is from quivering conservatives gaping with dropped jaws at their peerless leader. Yes, if Truman had launched it, or FDR, or Kennedy or Johnson, the sonic boom of rage would have blown the petals off the cherry trees” (TRB 1970: 4). Putting an “income floor under everybody” would no doubt impact on the reservation wage of labour and it was only natural that the Chamber would be anxious about the impact of the FAP on the profitability of its member firms.

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5. Richard Armstrong predicted the effect of the FAP on social power relations: “The new program, if passed, would have an explosive effect on black (and poor-white) incomes and give a powerful boost to black political movements all over the lower South” (1970: 66).

In contrast to the Chamber, the CED was composed of an elite group of internationally oriented, capital-intensive firms whose labour costs comprised a smaller portion of their total costs and who were somewhat less sensitive to local labour conditions. Moreover, executives of oil companies, the quintessential capital-intensive industry, headed the CED committee analyzing the guaranteed income. Before being supplanted by the Business Roundtable in the mid-1970s, the CED was perhaps the most prominent voice of corporate interests (Domhoff 2013). It is also important to note that the CED and its firms are often, and correctly, identified as “corporate moderates” (Domhoff 2013: 174) or “thoughtful corporate executives” (Judis 2001: 68; see also Hacker and Pierson 2016). Mizruchi reports that the group’s founders hoped to “rescue the businessman from his own intellectual neanderthalism” (Schriftgiesser 1960, cited in Mizruchi 2013: 38). While it is true that the CED was a more politically centrist business lobby, and that it represented capital-intensive firms less hostile to the FAP, the group’s support for basic income—and more broadly, the dissensus among business organizations that Moynihan points to—is overstated.

On closer inspection it is not that these business groups diverged greatly in their positions on the FAP. The relevant difference is their divergence over what they thought the program would actually entail, as their differences on these social policy questions were comparatively minor. The Chamber opposed the FAP because it contained no work requirement; the CED supported it, citing their *endorsement* of its work requirement.

The Chamber was alarmed that guaranteeing incomes would allow the able-bodied workforce to escape work: “the businessman ... may soon come to realize ... that self-reliance has been reduced from an ideal to an option” (as cited in Moynihan 1973: 286). Meanwhile, Moynihan argues that the CED’s position was strongly in favour of the FAP, and “diametrically opposed” to the Chamber’s position. As a representation of the enlightened business view, Moynihan quotes a statement by CED chair Joseph Wilson, who wrote that “neither training nor work should be made a condition for continuance of public assistance to women heads of households.” It is true that the CED took a number of liberal positions—especially in their call for adequate daycare services—and in congressional hearings they refer to the FAP as an “enlightened investment” (US Congress 1970a: 1457). However, later in the same statement, Wilson clearly articulates the importance of the work requirement: “As a matter of principle, we believe that those who are able to work

should work” (ibid.: 1461).<sup>6</sup> Moreover, a 1970 CED policy report laid out their basic position at the time: “A major flaw in the welfare structure is that until recently it has afforded no inducements to work. ... A system of incentives to work would be an essential component” of any alternative (CED 1970: 11–12). Thus far it is possible to construe the CED report as consistent with the negative income tax: the NIT may, in a mechanical sense, have “work incentives” even if it has no formal work requirements and likely generates labour supply declines. But the language in the report goes further than “incentives.” Even though there was no technical work requirement in the FAP, what the CED seemed to find appealing was its centrality:

A basic element of the Administration’s program is its emphasis on work. All applicants for benefits who are not working, except mothers with children under six, must register with state employment services for training or “suitable” employment, or lose their portion of the family benefit (CED 1970: 13).

In their congressional hearing another CED representative, C.W. Cook of General Foods, opined: “It was not easy for me to come around to what the popular press calls a guaranteed annual income. It happens to be contrary to the fundamental beliefs of the business system in which I have spent 39 years... and my ideals with regard to each individual’s responsibilities as a citizen.” He later decided to support the FAP, as long as “it is a plan based firmly on providing incentive to work and not merely continuing relief” (US Congress 1970a: 1463-4). In no uncertain terms, he too went further: “We support the incorporation of a requirement for training or work for the able-to-work as an integral element of any income maintenance system” (ibid.: 1461). The CED sought an alternative to the existing welfare system, and there is little doubt that their positions were more progressive than those of the Chamber, but there is no indication whatever that they favoured an unconditional and universalistic program.

The reaction from the Chamber of Commerce had its own superficial dissensus. Had he noted that internal divisions existed within the Chamber itself, Moynihan might have strengthened his case for disagreement within the business community. When the Chamber conducted an internal poll, it found that 86.5 percent of respondents supported the FAP. However, according to Chamber general manager Milton Davis’s statement to Congress, at the time of the poll “the administration’s pro-

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6. Wilson also argued that “I would think that we would do better to subsidize some jobs rather than have them just rely entirely on welfare” (US Congress 1970: 1467).



gram was not recognized as something that would guarantee an income for many families with fully employed fathers” (US Congress 1970b: 11897). Of the supporters, he noted that “47% said that what they wanted most was ‘to require welfare recipients who can do so, to take work or take training.’ Another 31% said they wanted most ‘to make taxpayers out of many welfare recipients’.” Davis concludes that it was clear that “majority opinion in the poll was for substituting workfare for welfare where possible” (ibid.).

Moynihan also contends that support for the Family Assistance Plan was strong among the National Association of Manufacturers, another group dominated by capital-intensive firms (for a detailed sociology of the NAM, see Burch 1973). But their support was also based on ambiguity about what it was they were supporting. In congressional hearings on the Family Assistance act of 1970, NAM representative Archer Bolton argued that the group would favour the FAP “if the basic allowance is a realistic minimum, and if the earnings disregard provides a true incentive to work and advancement and if the work requirement is strong” (US Congress 1970a: 1928). They also wanted to ensure no plan could operate as leverage during a strike—the guaranteed income has been sometimes referred to as an inexhaustible strike fund (Wright 2004). They argued to Congress: “We suggest that anyone directly involved in a labor dispute should be ineligible for benefits under the family assistance plan” (US Congress 1970a: 1928). The critical factor in any program, they concluded, is that it “strengthens rather than weakens the connection between work and income” (ibid.). When an evidently confused senator asked whether NAM was actually endorsing the bill, Bolton proclaimed, “Yes, sir. ... With several suggested changes” (US Congress 1970a: 1929). As the comments above attest, these changes were foundational, not cosmetic.

Other business leaders held favourable positions on the negative income tax in the years running up to the FAP. According to interviews with corporate heads in the late 1960s (Rosen 1968; Auspitz 1967), one key source of their support was the policy’s conservative pedigree, typified by its association with Milton Friedman, which was well publicized in a 1966 Chamber of Commerce symposium on the GAI.<sup>7</sup> Even though, in my judgement, the NIT is a potentially radical policy that weakens business power in the labour market, its support from Friedman galvanized employers; it is hard to underestimate the signalling effect of Friedman’s endorsement. However, the most common argument consistently at the core of business support was that relative to the existing welfare system, which actively made it difficult or impossible to gain formal

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7. Available at AM, M-91-3-6-22.

employment, a negative income tax would provide employment incentives. Business support, in other words, was connected in one way or another to beliefs about increasing labour-force attachment. Of course, the NIT may indeed increase the labour supply when we compare with the impact of traditional social assistance, but nonetheless reduce the overall supply of labour. Thus, former social assistance recipients might work more even if everyone else, on average, works less. Support from business in this context rested on this narrow comparison, rather than the broad one. From the vantage point of today, these beliefs appear somewhat paradoxical because many basic income proponents now insist that the policy's chief virtue is its fundamental separation from work (Weeks 2011). At the time, however, especially before the NIT experiments played out, the arguments in business circles were very much at odds with this contemporary view.

In short, although American business organizations may have been split on the FAP and the NIT, they were not split on the importance of a public policy that made work non-optional. Rather, like many parties, they were split on what the FAP actually entailed.

#### CANADIAN BUSINESS PERSPECTIVES FROM FISP TO UISP

Divergent positions on a cluster of guaranteed income proposals throughout the 1970s and 1980s took on a similar pattern in Canadian business circles. In Canada, it was actually a businessman and chartered accountant named D. B. Smith who in 1965 first laid out a fully elaborated scheme for a guaranteed annual income. Six years later, Smith had persuaded Manitoba's New Democratic Party Premier Ed Schreyer—who himself already had a proposal for a Manitoban guaranteed income experiment, *Mincome*, in the works—to pitch the idea to the Canadian Institute of Chartered Accountants. Schreyer tried to make a case for the guaranteed income that could appeal to the business community:

In other words, we want to enhance the quality of life in Manitoba. And when the quality of life is enhanced it reaps many dividends, some of which accrue directly to the business community. People are better educated, better skilled, and happier producers able to raise the level of productivity. Indeed, the quality of life, and quality of living, are among the factors that business developers look for in their own investment and expansion programs. (Schreyer 1971: 2)<sup>8</sup>

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8. Available at UMA, 19-6.

Two years prior, federal government representatives had tested out the popularity of the guaranteed income concept with the Canadian Chamber of Commerce, prompting one Chamber representative to respond: “My, how times have changed; you would never have heard this kind of talk even a few years ago” (Brudner 1970: 33). The receptive atmosphere in policy circles had appeared to penetrate even the business community.

Relatively positive assessments from Canadian business were not uncommon, especially in the early 1970s. However, the guaranteed income in virtually all Canadian proposals in the 1970s and 1980s contained no threat to their economic interests. No major guaranteed income proposal in Canada—unlike early iterations of Nixon’s Family Assistance Plan—would have freed workers from work. The 1970 Family Income Security Plan (FISP), comparable in some ways to Nixon’s FAP, would provide an annual payment of less than a quarter of that offered in the FAP, thus ensuring no loosening of workers’ market dependence (Leman 1980; Shifrin 1977).<sup>9</sup> The seven-volume Castonguay-Nepveau proposal of 1971 was explicitly designed as a “two-tiered” system, with work requirements for the able-bodied. The 1973 “Orange Paper,” a major welfare-reform proposal (Lalonde 1973c), similarly proposed a “GAI by category” (Gordon 1973), offering one plan for those who could not work and a supplement to those who could. At the tail end of a burst of interest in the guaranteed income, the controversial Macdonald Commission of 1985 proposed a Universal Income Security Program (UISP), another two-tiered guaranteed income scheme, and perhaps the ideal typical case for regarding the policy as a neoliberal wolf in sheep’s clothing. The proposal called for the abolition of virtually every existing government income security measure (Hum 1986; Kesselman 1986; Ross 1986; Ruimy 1985; Shifrin 1985).<sup>10</sup> Had it succeeded, the UISP might have morphed into a broader, more generous and truly universal policy, but

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9. It would pay somewhat more to poor families by paying somewhat less in universal family allowances, but meagre payments guaranteed that the labour supply would be unaffected.

10. As Kesselman summarizes: “The Commission pursues a categorical strategy to keep the income guarantee for employable individuals low relative to the level guaranteed to those unable to work” (1986: 105). A low guarantee is a work requirement; however, in addition, Kesselman notes that “it suggested a possible role for tests to require that employable UISP recipients be working, searching for work, or participating in job creation projects” (Ibid.: 107).

as recommended in 1985, the benefit level was low, the conditions were many, and it was energetically opposed by labour (Haddow 1994).<sup>11</sup>

A.W. Johnson, former Deputy Minister of Health and Welfare Canada, summed up the income maintenance debates in the 1970s, claiming that “the payment of universal allowances large enough to meet the full costs of ... child raising ... was never really considered” (1975: 466). Likewise, “the single guaranteed income system as a replacement for all existing programmes was also rejected by Ministers, without extensive debate or discussion” (*ibid.*). Johnson’s remarks can be extended to the mid-1980s. The guaranteed income schemes on the table in Canada were small, selective, and two-tiered. When payments are sufficiently ungenerous or only conditionally available, a formal work requirement is all but redundant. Tentative support from business organizations should be understood in this context.

The one Canadian exception is an experiment rather than a proposal. Conducted in the 1970s in Winnipeg and rural Manitoba, the Mincome experiment was modeled after the US randomized controlled trial experiments. It also included a “saturation” site where a guaranteed income—amounting to as much as half of the town’s median household

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11. Before the FISP and Lalonde proposals, however, Canadian labour strongly advocated for the GAI. In 1972, Canadian Labour Congress (CLC) Vice President argued: “I point to the experience of the trade union movement in its fight for a bigger slice of the economic pie over the course of the last century... what has taken place is ... a higher standard of living for all. The effects of a GAI, I would urge, would be similar.” In 1970, the CLC, together with the Ontario Federation of Labour, produced posters and leaflets advocating for the GAI and bought 60-second radio spots on fourteen radio stations to pitch the GAI across Ontario. One ad went like this: “A guaranteed annual income for all Canadians... That’s what the Ontario Federation of Labour says is needed today. ... We cannot long afford to have over twenty percent of our people living in poverty while the rest of us enjoy all the good things of life. That is why we would urge you to support our campaign for a guaranteed annual income for all Canadians.” Available at LAC-GAI. H-725. Nonetheless, organized labour in Canada eventually turned against the guaranteed income (Haddow 1993, 1994). There are a few reasons for this U-turn. First is the historical experience: the UISP really did embody the right-wing version of the guaranteed income as a replacement for the welfare state, and that offered reason enough to oppose it. The second factor is a general one: an expensive guaranteed income might require income taxes high enough that at least some members of organized labour would lose out on net. Finally, it is worth making note of Benjamin Hunnicutt’s argument’s (1988, 2013) suggesting that at a certain point organized labour, perhaps under justifiable constraints, accepted a trade-off that led them to abandon earlier goals of less work and shorter hours in order to secure a right to work; a broad critique of basic income can be understood in this context (see also Vanderborght, 2006, and the concluding chapters in both Foster, 2016, and Przeworski, 1985).

income—was available to all residents of the small town of Dauphin for three years (see Calnitsky 2016; Calnitsky and Latner 2017; Forget 2011; Hum et al. 1979; Hum and Simpson 1993; Rasmussen et al. 1979). The experiment provided significant payments in a uniform manner and entailed no work requirement. An exit option from the labour market was available, and indeed, some took it (Calnitsky and Latner 2017). No Canadian proposal from the period would match the experiment in generosity or universality. One can speculate that the constraints on an experiment are unlike the constraints on an actual proposal. Whatever the appeal of a diluted version of the basic income, it had not impacted the original design of the Mincome experiment.

Meanwhile, by the mid-1970s, federal policy-makers had become aware of the attractions of the two-tiered GAI, with one guarantee level and set of conditions for those expected to work, and another for those unable to work (Van Loon 1979). A unitary system was considered the “major flaw in Nixon’s then recently deceased Family Assistance Program”; on this count, planners and policy-makers were “strongly influenced by Daniel Moynihan’s recently published *The Politics of a Guaranteed Annual Income*” (Van Loon 1979: 478, 483). Even Saskatchewan’s short-lived Family Income Plan adopted a two-tier system (Riches 1971). In spite of the greater administration costs, separate treatment for the “able-bodied” poor had clear political appeal.

Some of these schemes mustered a degree of business support, others garnered opposition (Leman 1980; Haddow 1993), but none of the actual proposals—excepting the Mincome program—provided genuine exit options from the labour market to the whole workforce. Despite some flirtation with GAI-type policies, Canadian business remained solidly opposed to comprehensive policies that diminished the market dependence of workers, or what Marx called “the dull compulsion of economic relations” (1990: 737). In 1970, the Canadian Chamber articulated their position on the guaranteed income in a detailed policy submission to the Senate. As a general statement on labour market policy, the Chamber authors framed their advocacy of work requirements in terms of the healing powers of compulsory labour markets: “Much can be said for the inherently therapeutic value of, and the strong need to, work” (1970: 16). The policy submission distinguished between two versions of the guaranteed income: one, which they opposed, was associated with Robert Theobald and entailed “universal payments” to everyone below the poverty line; the “major criticism of this approach is that it would destroy the incentive to work” (ibid.: 17). The other version was a hazily articulated supplement, but was associated with Milton Friedman. The Chamber authors were circumspect but took a moderately favourable

position on the latter, as long as it substituted for all existing social security and welfare programs and promised a “sensible, selective approach to social security” (ibid.: 18, 29).

Rodney Haddow (1993) tracked the positions of the Canadian Chamber and the Canadian Manufacturers’ Association (CMA) through the late 1960s and early 1970s, noting their consistent commitment to sound actuarial principles and selective benefits over universal ones. To the extent that groups like the Chamber and the CMA supported plans such as the FISP, what they supported was the overarching principle of selectivity as a means to provide support for the poor (Haddow 1993; Blake 2009). Indeed, Minister of National Health and Welfare Marc Lalonde assured the CMA that any new income support would enshrine the principle that “everyone who can make his own way and provide for himself and his family should do so.” He clarified that “[t]his is no give-away plan” and maintained that “we are not planning wholesale expenditures to allow everyone to ‘do his own thing’.” The “will to work” would remain the “cornerstone of social policy” (1973a: 4, 8). CMA president A.G.W. Sinclair wrote to the Ministry of Health and Welfare Canada to declare support for the FISP, but clarified: “[T]he Association favours programs which are selective and ... retain the incentive for an individual to work and to accept responsibility for his own welfare” (McInnes 1978: 312).

Business support for the FISP is evidence not that a comprehensive, bona fide guaranteed income turns out to be somewhat compatible with employer interests, but rather, that the guaranteed income proposals on offer at the time boasted minimal benefits and tiered participation. The proposals of the early 1970s had some merit for business organizations because they were built on the premise of a vulnerable workforce. But when it came to a “guaranteed annual income for everybody,” it was clear to the Chamber by 1974 that the proposal, if broad and comprehensive, could breed a “repudiation of the currently accepted work ethic” (Haddow 1993: 173). Over the course of the 1970s business organizations turned sour on the guaranteed income. In response to Chamber worries, the Federal government promised that no new universal income maintenance programs would be considered (Lalonde 1973b).

When the Macdonald Commission put the guaranteed income back on the agenda in the mid-1980s, the Business Council on National Issues (BCNI) had become perhaps the most prominent and sophisticated pro-business lobby in Canada. The BCNI was formed in 1976, shortly after the founding of the US Business Roundtable; they were similarly dominated by large and internationally oriented firms and therefore, among business groups, the most likely candidates to support a robust income

security plan. The positions of the BCNI are interesting because the organization distanced themselves from the “carping and special pleading” that characterized other business groups; they instead identified with a more enlightened and far-sighted approach (Lagille 1987: 42; see also Dobbin 2003).<sup>12</sup> If there would be support for a guaranteed income, it would come from the BCNI. However, in a 1986 discussion paper they took a cautious position on the already anaemic Universal Income Security Program (UISP): it was a “simplistic solution to a complex problem” (BCNI 1986: 32). Although they were “not opposed in principle to the model” behind the UISP, this version suffered from being overly “comprehensive”; they cautioned policy-makers not to “lose sight of the overall goals of achieving greater selectivity and of providing incentives to encourage positive labour market behaviour” (BCNI 1986: 32, 63).

The historical record in the United States and Canada demonstrates that the range of business opinion on the guaranteed income was in fact fairly narrow. If there was “clarity, precision and completeness” within business on these issues, it existed only with regards to a comprehensive and unconditional guaranteed income, to which it formed a solid block of opposition.

#### THE SOURCES OF CONSENSUS

Behind the notion that business opinion would be “mixed” on the guaranteed income are a handful of seemingly reasonable assumptions. Capital-intensive industries are less sensitive to labour costs than are labour-intensive industries. International industries are less sensitive to local labour conditions in general than domestic industries. Ideologically moderate and far-sighted business groups would be relatively more inclined to accept improved income maintenance policies for reasons related to their own commitments to fairness, or beliefs about the role of income maintenance in stabilizing economic life.

While each of these factors perhaps hold some truth, business opinion tended to be fairly uniform in spite of them. What has to be explained is not the diversity of opinion, but the relatively delimited set of positions taken by business groups. Insofar as the business lobbies in question have some stake in the labour conditions in the local economy—and even the CED, one of the most capital-intensive and internation-

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12. Also important in this debate was the Canadian Manufacturers’ Association, whose “detailed” recommendations during the 1983 public hearings of the Macdonald Commission recommended a selective guaranteed income to replace all existing income transfers (Haddow 1994; Iacobucci and Seccareccia 1989).

ally oriented business group, did have many members who partook in domestic production (Mizruchi 2013)—their unanimous support for a social policy that does little to improve the bargaining power of labour is perfectly rational. One journalist reported on the employer response to the 1985 Universal Income Security Program: “Business groups don’t want the base support level to be too high, for fear that they won’t be able to attract labor to low-wage jobs” (Hunsley 1985). A social policy that provides some supplemental income might be acceptable; one that enhances people’s freedom from the labour market is not. In the US, the FAP made work non-optional through direct work requirements. The Canadian proposals achieved the same end through miserly payments and two-tier design schemes.

The likely mechanisms underlying the positions taken by business discussed above ought to be spelled out explicitly. Firms whose business strategies involve the employment of local labour will lose out in any policy that provides an outside stream of income. A world where labour has no alternatives to work is one where their reservation wage will be relatively low, and in order to survive they will have no choice but to sell their labour on the market. By contrast, an income maintenance policy that provides workers with an exit option from the labour market is one that will grant them vastly improved bargaining power and one, therefore, that employers will oppose.

In the context of bilateral bargaining over wages, a generous and universalistic basic income will give workers external options where otherwise they had none. The most reasonable hypothesis therefore is that their negotiating position will improve. Moreover, if we expect the basic income to reduce the labour supply to some extent—as most studies show (Burtless 1986; Hum & Simpson 1993; Keeley 1981; Widerquist 2005; Calnitsky and Latner 2017)—apart from changes in bilateral bargaining, we ought to expect the basic decline in supply to force up the wages offered by employers. Income maintenance programs that are conditional on work, such as the EITC, will have the opposite effect: they increase the labour supply and lower wages, and therefore may be appealing to employers (Rothstein 2010). Notwithstanding this basic logic, a standard claim is that the guaranteed income would operate as an “employer subsidy,” lowering wages through some unspecified mechanism. As Block and Somers note, similar claims were made for the Speenhamland precedent, an episode from English poor law history where an income floor supposedly encouraged employers to hire at below subsistence wages; the authors, however, find evidence undermining the usual Speenhamland story (2003). Moreover, a recent empirical paper on the



Mincome experiment shows that, relative to controls, wages offered by firms went up and not down (Calnitsky 2018).

One final point worth adding is that on the basis of the evidence I have presented above, business objections concerning the labour market appear more significant than those related to the costs of income maintenance programs: if the cost of the program was the main obstacle, all variants of income support would have been rejected rather than solely those proposals, or aspects of proposals, that facilitated labour market exit.

There are ways to dispute the above arguments for business consensus. One may argue that business will benefit from improved consumption power among workers, or that a work-force with improved outside options will facilitate deeper forms of worker-employer cooperation that are ultimately in the interests of employers (Wright 2004, 2006). Perhaps they will serve as the cornerstone of a new “class compromise” that ultimately stabilizes economic life (Wright 2000; Przeworski 1985). While I do not reject these arguments out of hand, if any of them are indeed true they are likely best understood as either in the long-term rather than short-term material interests of firms, or acceptable only as a “second best” option. Further, it appears that they were not present in the minds of business lobby representatives who were emphatic in their demand that work be non-optional. While business groups may not be altogether visionary, it is reasonable to assume that they were not mystified about their immediate material interests.

## CONCLUSION

Paul Pierson and John Myles argue that the adoption of “NIT-like” designs in social policy was a “child of retrenchment” (1997: 458). As a matter of history this assertion contains some truth. However, it need not be true in the future. The EITC and WITB are “NIT-like” designs, but they have very different implications for labour market power than would flow from the NIT itself. As I note above, the former, as work-conditional programs, increase the labour supply and put downward pressure on wages, where the latter would decrease the labour supply and put upward pressure on wages. These are distinct forms of income maintenance and ought not be conflated because they have equally distinct implications for bargaining power in the labour market. Critical analysis of the guaranteed income sometimes takes the form of a genealogical argument: owing to its conservative roots, the policy is inherently regressive. The politics of social policies should instead be analyzed on

the basis of who is helped and who is harmed. One way to uncover these impacts is to see what different groups had to say about the nuts and bolts of those policies.

The guaranteed income comes in all shapes and sizes, and the ramifications of the policy will be highly contingent on the proposed details. Pierson and Myles themselves argue that the reason Southern business was opposed to the earliest version of the FAP was because it raised the reservation wage of labour. On these grounds alone, it is unpersuasive to bundle together, as do Pierson and Myles, highly diverse forms of “NIT-type spending” (1997: 458). If we are interested in understanding the guaranteed income’s impact on business, and on labour for that matter, it is better in my view to look at the *details* of the proposals, including the presence or absence of work requirements and the degree of generosity and universality written into the plan—and on that basis evaluate the impact on negotiation and struggle between labour and capital.

The guaranteed income is often depicted as a policy that has the unusual attribute of exciting the interest and support of many different parties.<sup>13</sup> In 1970, one Canadian journalist put it this way: “For the first time, the archetypal conservative waging the never-ending fight against sloth and his liberal counterpart squeezing the social conscience dry, stand blinking at each other on the same platform” (Brudner 1970: 34). This mistake is made perhaps with even greater frequency today. In stark contrast, on the basis of arguments advanced by three guaranteed income advocates at the 1966 Chamber of Commerce Symposium on the implications of the GAI, one can glean at least three interpretations of the policy.<sup>14</sup> Robert Theobald described a radical policy, James Tobin proposed a liberal one, and Milton Friedman’s policy, with a low guarantee level and a high tax-back rate alongside a whittled-down welfare state, was distinctly libertarian (Chamber of Commerce 1966). Business opinion appears mixed at first, but there is in fact a good deal of consensus behind making work compulsory. A social policy that makes work genuinely optional is, to its advocates, the main virtue of basic income. This is captured in Widerquist’s slogan “the power to say no” (2013) and Van Parijs’s term “real freedom” (1995). A basic income that was acceptable to business would thus be a version that expunged its most salient feature.

There is no good materialist reason to draw different conclusions today. If there has been support for basic income on the part of some em-

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13. For example, a survey conducted by Lee Rainwater on public attitudes toward the FAP seemed to show no difference between conservative and liberal responses (1974: 214).

14. Available at AM; Winnipeg Chamber of Commerce fonds.

ployers, we should expect it to wither away with proposals that actually free workers from work. Yes, some may favour expanding working class consumption; indeed, they might even accept the requisite taxation to obtain it, but not if it comes alongside a depressed labour supply and higher wages. Enlightened capital will understand that a deepened consumer base can be achieved by an expansion of work-conditional income maintenance policies, and it is likely that business support for extended cash transfer programs will require those features. In the meantime, as Brian Steensland (2007) has shown, there is plenty of room for a social policy to mutate dramatically over its life course. A policy that achieves some initial business support may be unable to retain it once its details become widely appreciated. This, I believe, is uniquely true for the guaranteed income, a policy that differs dramatically on the basis of those details.

If business is marked by superficial dissensus with an underlying consensus, for the broader public the reverse is true. Public opinion appears at first to demonstrate a high level of agreement about basic income, but insofar as popular opinion is a collection of many conflicting interests, support is likely to shatter on the rocks of the policy details. Wide-ranging support for the guaranteed income should be expected only when the proposal remains at the level of newspaper headlines. This is, however, not meant as a council of despair; it is instead a call to examine the underlying conflicts of interests at play. Dramatic changes to social policy rarely make everyone happy; basic income is no different.

#### APPENDIX: ARCHIVAL SOURCES

Archives of Manitoba, Winnipeg, MB; Winnipeg Chamber of Commerce fonds, Guaranteed Annual Income (Mincome), 1973-1974, M-91-3-6 file 22. Abbreviated as AM.

Library and Archives Canada, Ottawa, ON; RG-29 Accession 1993-94/008 Mincome Files Manitoba 1971-1987, Box 1-11. Abbreviated as LAC-O.

Library and Archives Canada, Ottawa, ON; Guaranteed Annual Income. General files (R5699-67-3-E). Microfilm reels H-698 (1970-1972) and H-725 (1969, 1971). Abbreviated as LAC-GAI.

Library and Archives Canada, Winnipeg, MB; Department of Health fonds, RG-29; and Policy, Planning and Information Branch sous-fonds, branch accession number 2004-01167-X, Operational Files of Manitoba Basic Annual Income Project (Mincome). Abbreviated as LAC-W.

Library of Parliament. Ottawa, ON. See: [www.parl.gc.ca/library](http://www.parl.gc.ca/library). Abbreviated as LAP.

University of Manitoba Archives, Winnipeg, MB; Ed Schreyer fonds, 1950-1988, MSS-145, PC 153, TC-99. Abbreviated as UMA.

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**ACKNOWLEDGMENTS:**

This work was supported by the U.S. National Science Foundation [1333623] and the Institute for Research on Poverty. I would like to thank Erik Olin Wright, Evelyn Forget, Tim Smeeding, Robert Freeland, Christine Schwartz, John Myles, Jeffrey Malecki, and Maddie Ritts for helpful comments on various drafts.

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