



The Positive Externality of Basic Income in a Capitalist Economy

Paulo Dutra Constantin*

**DRAFT, SEPTEMBER 2002. NOT TO BE QUOTED
WITHOUT PERMISSION OF THE AUTHOR(S).**

*The views expressed in this paper are those of the author(s),
and do not necessarily represent the views of BIEN or BIEN-Suisse.*

* Mackenzie Presbyterian University, Sao Paulo, Brazil.

Contents

1. Introduction	1
2. Definition of externality	2
3. The remuneration and the employment of the labour in the capitalist system.....	3
4. The basic income as right of the man.....	11
5. Basic income as promoter of positive externality.....	18
References	21

1. Introduction

The present article intends to demonstrate, inserted in the methodologies Keynesian and neoclassical, that the Basic Income is capable to generate positive externalidades in the way of capitalist production.

To reach that objective he/she makes himself necessary to understand what is externality and, as he/she gives him the remuneration of the labor in the way of capitalist production, so much for the classic analysis¹ (Keynes, 1982), as for the Keynesian. The second topic is to observe as that remuneration form, for the wage for the labor maid, it contributes to the general instabilities of the system, could generate reduction of the demand joined in periods of reduction of the economic activity, reducing the employment and, consequently, the consumption. The concept of basic income as a right of the man will be verified in the third topic and, finally in the last topic, it can be proven that the basic income can be an efficient instrument to reduce the instabilities of the demand in the way of capitalist production and, at the same time, to guarantee the men's dignity.

This article is a theoretical effort, using the methodologies Keynesian and neoclassical, with the objective of beginning a debate on the benefits that the implementation of a program of basic income can promote to the capitalist countries, mainly to the less developed countries and that they need a distribution of income to reduce the social inequality, generating an increase of the good to be social by means of a positive externality.

¹ " The classic " economists are a denomination invented by Marx to designate Ricardo and James Mill and its predecessors, that is, the founders of the theory that culminated in Ricardo. Keynes included in the " classic " school Ricardo's followers, that is to say, the ones that adopted and they improved its theory, understanding (for example) J. S. Mill, Marshall, Edgeworht and Prof. Pigou.

2. Definition of externality

The externality definition (Varian, 1992) it is that an agent's action affects the conditions of another agent's life directly.

Some classic examples are, the atmospheric pollution caused by an usina producing of steel can affect the production of a factory of fine glasses directly that locates geographically close the previous, representing a negative externality. Another example is the creation of close bees to a plantation of oranges. In this case, due to proximity, the bees need to fly a smaller distance to obtain victuals; therefore, they can accomplish a larger number of trips and a larger amount of honey. That larger number of trips will also provide a larger number of pollination and, therefore, a larger production of oranges, representing a positive externality.

The classic theory in its analysis models was not used of that concept. When he was introduced, the general equilibrium of market became inefficient, because an agent can generate increase of production cost for another agent. This, for its time, will have its increased marginal cost, having to elevate its price as soon as besides the market price to turn its efficient production and, that elevation of the price, besides the market price, will disable it of selling its production, provoking its exit of the market.

The relationship between externality and basic income possesses a direct relationship with the distribution of income with the objective of being reduced the social cost of living in an inequality situation and, also even to reduce the uncertainty degree on the consumption in a capitalist economy.

The externality concept as inefficiency promoter can be corrected being used than it was well-known as having Imposed Pigoviano, that is an imposed corrective that will provide the allocation of resources in an efficient way and with justness.

3. The remuneration and the employment of the labour in the capitalist system

In economy it is affirmed, for convenience, that two production factors, capital and work exist. The capital is remunerated by the profit (productive capital) and for the interests (monetary capital) while the labor is remunerated by the wage.

Will be appropriate to remind that the production factors are only paid when they are used, that is to say, in case the labor is not producing goods and services, she won't be remunerated. The same happens with the capital, in case he is not being used in the production of goods or being lent, he won't receive any remuneration.

There is, however, a substantial difference among the production factors. The capital when not used, it doesn't just receive its remuneration and it is devaluated. The labor, for its time, when leaving of receiving its remuneration the risk runs of losing its life, because it doesn't possess another form, that not the wage to acquire the necessary goods for its survival. Therefore, the labor cannot just depend on the wage that receives when it is used and, that; he/she makes himself necessary that other instrument besides the own wage that is the basic income remunerates her. This will be discussed in the next section.

In agreement with Keynes the classic economy of the employment based on two fundamental postulates:

- § the wage is the same to the marginal product of the work.
- § usefulness of the wage, when certain work volume is used, it is the same to the marginal desutilidade of that same employment volume.

The marginal product of the work is the amount of a good produced by the increment of a unit of labour. In agreement with the classic theory, that contribution to the increase of the production is the same to the all the workers' wage.

The desutilidade is considered as any factor that induces the labor to refuse the work instead of accepting a wage that represents an inferior usefulness to a certain minimum limit for her, I eat a basic income supplied all the people for example as a right. That, in agreement with the classic theory had induced the person to not to accept the work.

That fact could be verified when implementing a program of basic income. Those programs possess as main objective to elevate the poorest people's income to an acceptable minimum social value, removing them of the poverty condition.

What is poverty? The poverty definition in agreement with the World Bank (free translation) it is:

A person is considered poor if its consumption or its income locates below the necessary minimum to supply its basic needs. That minimum is usually called of 'poverty' line. What is necessary to satisfy the basic needs it varies through the time and in the space, and each country uses the lines that are appropriate to its development, of the norms of its society and of its values?²

A person that is not used and that doesn't possess other incomes, that not the coming of the work, won't possess means to sustain and, much less its dependents in a worthy way.

The classic economists' great problem is that in general equilibrium the whole labor in the middle of employment is used because, the offer creates its own demand. Therefore, there are not problems with relationship to the unemployment once it just exists two unemployment forms: the frictional and the volunteer.

The unemployment frictional happens *because certain adjustment imperfections impede a continuous state of full employment, as, for example, unemployment in reason of a temporary disproportion of the specialized*

² THE WORLD BANK GROUP. "Measuring poverty". In: World Free of Poverty. Home Page. <http://www.worldbank.org/poverty/mission/up2.htm>

resources... or of current back payments of unexpected changes... or of the fact that the transfer of an employment for other doesn't take place without certain delay (Keynes, 1973).

The voluntary unemployment elapses of the it *refuses or inability certain unit of labor in accepting an equivalent remuneration to its marginal productivity due to the legislation or of the social habits, or of an understanding for collective contract of work, or still, of the slowness in adapting to the changes or, simply, in consequence of the human obstinacy.* (Keynes, 1973)

Considering in agreement with Keynes, the postulates classic of the offer and it demands for labor, there would be four possible means of increase of the employment:

- § improve of the organization or of the forecast, so that it decreases the unemployment frictional;
- § reduce of the marginal desutilidade of the work expressed by the real wage, for which available labor doesn't exist, so that it decreases the voluntary unemployment;
- § improve of the productivity marginal physics of the work in the industries producing of goods of salary earners consumption; or
- § improve in relation to the prices of the consumption goods of not paid a salary comparatively to the of the other categories of goods, together with the displacement of the non salaried individuals' of the salary goods expenses for the one of another categories.

This work doesn't possess as objective to describe as each one of the four previous topics increases the amount of employment in the economy, who to possess interest should read the chapter II of the General Theory of the Employment, of the Interest and of the Coin - The Postulates of the Classic Economy, of Keynes.

The classic don't consider the involuntary unemployment that, in agreement with Keynes it happens *when a slight elevation of the prices of the goods of salary*

earners consumption, relatively to the nominal wages, so much the arranged joined offer of labor to work for the average nominal wage as the joined search of the same to the statement wage is larger than the volume of existent employment. That fact implies in affirming that an only amount of employment exists to be supplied and demanded by the market in a certain period of time, not caring there is a reduction of the real wage, providing a larger demand for labor for the managers and a larger labor offer for the workers. If its hard-working supply labor for a lower value for the same employment volume, it will probably happen also a reduction of the nominal wage.

Which the other forms of raising the amount of employment supplied?

In agreement with Keynes:

It is not the marginal desutilidade of the work, expressed in terms of real wages, which it determines the employment volume, except in the case in that the offer of available labor to certain real wage fastens a maximum level of employment. The propensity to consume and the level of the new investment is that they determine, jointly, the employment level, and it is this that, certainly, it determines the level of real wages - not the inverse. If the propensity to consume and the amount of new investments results in an inadequacy of effective demand, the real level of employment will be reduced to be potentially below the labor offer available to the real wage in vigor, and the real wage of equilibrium will be superior to the marginal desutilidade of the level of equilibrium employment.

The increase of the investment together with the increase of the propensity to consume tends to elevate the employment level in the methodology Keynesian. The determination of the employment level is related with the marginal efficiency of the capital, that is to say, the rate of remuneration of the capital, as larger the rate of remuneration of the capital, larger the incentive to invest. The propensity to the consumption depends on the income of the society and of as that income it is distributed. What is not consumed it is saved that for its time is used for the accomplishment of new investments. However, there is an efficient allocation among what it is consumed and what is destined to the investment, because if a

society just produces consumption goods, there won't be possibilities to increase the production of goods because she needs new investments. On the other hand, if an economy just produces capital goods for investments, there is a supply of the population, and like her he/she won't acquire goods; there won't be incentive to continue investing. Both cases will provoke the reduction of the employment.

It cannot him, therefore, to end that are the propensity to consume and the investment that you/they determine the employment volume as well as the real wage. That fact, stylized and very simple, happens because the demand is verified by the consumers' final goods and the demand by capital goods on the part of the producers providing the joined demand of the economy. On the other side, due to the investment, it happens the joined offer of the economy. The effective demand happens in the intersection point between the joined demands and the joined offer they are the same, that point is not necessarily it of full employment. That point, however, it is not necessarily it of full employment of the economy. The full employment, according to Keynes:

it is a special case that is only verified when the marginal propensity to consume and the incentive to invest finds associated to each other in a certain form... in that, for accident or design, the average investment provides a demand volume exactly equal to the surplus of the price of the joined offer of the resulting production of the full employment on which the community decides to spend in consumption when she meets in state of full employment.

If in the real life, and not in the economic models developed by the classic there is structural unemployment, what to do with the labor unemployed if even with the reduction of the wage she doesn't get employment and, therefore, remuneration for its subsistence? It should be had in mind that the inadequacy of the effective demand, provoked by the non remuneration of the not used labor, will reduce the production even that the value of the marginal product of the work overcomes the marginal desutilidade of working, that is to say, even if the value pays for unit of work for a certain period of time it is superior the desutilidade that the labor finds to leave the " leisure " and to destine more time to the work, she

doesn't find employment, therefore, it is not remunerated and it cannot exercise the consumption of any merchandise.

The reduction of the consumption due to the unemployment of the labor will provoke the reduction of the joined demand and of the effective demand. That consumption reduction is a great problem for the capitalist economy because, in the moment in that the capital detainers will define its new investments there is a reduction in the marginal efficiency of the capital, provoking a reduction of the investments and, again a reduction of the employment, generating like this, a vicious cycle in that there is not limit for the reduction of the economic activity.

Keynes still affirms that " if in a community potentially rich the incentive to invest is weak, the inadequacy of the effective demand will force to reduce the real production until that, in spite of the potential wealth, she becomes so poor that the surpluses on the consumption decrease until arriving at the level corresponding to its weak incentive to invest.

One of the great problems of the Brazilian economy is the degree of concentration of income. Same being one of the ten larger economies of the world, the degree of concentration of income is among the ten worse. That means that a small one percentile of the population it stops a big one percentile of the income and that a great part of the population stops a small portion of the income. Besides being a serious social complication, the concentration of income it also reduces the possibility of consumption of a great part of the population. As the relative size of the Brazilian consuming market is small, the great decisions of investments and researches, they be she accomplished in world ambit, practically they don't consider Brazil as a consuming potential. That situation would be different if the country promoted a distribution of income, because he would have a larger consuming market than it could elevate the marginal efficiency of the capital, turning it more attractiveness for the investments. The non solution of that problem can propitiate the solemnity-prophecy of the text of Keynes mentioned previously in that the consumption can decrease until the level corresponding to its weak incentive to invest.

The basic income besides being a possible instrument to promote the survival worthy of the whole population and to promote the distribution of income is, also, an instrument capable to reduce the instabilities of the capitalist economy because it should provide to all the people conditions worthy of survival in a market economy.

However, that instrument, in agreement with the classic theory, will contribute to the reduction of the work offer because, for the worker to continue with the same usefulness he will destine a larger part of its day with leisure allocating a smaller amount of hours for the work.

In agreement with Ehrenberg and Smith³:

... The poverty constitutes a relative concept in general to the income; the benefits paid under the programs of maintenance of the income in general is affected for the beneficiary's effective income. The benefits conditioned to the income reduce the incentives unavoidably to the work for below the one that those incentives would be before the system of support of income for the poor. Simultaneously, they increase the income while they reduce the price of the leisure (the effective salary rate), both which should do with that the demand for the leisure increased and the labor offer decreased. That fact constitutes the root of great part of the controversy that the well-being programs have been generating with passing of the years.

Therefore, when acquiring the right of the basic income, as the programs of minimum income, the worker would be motivated to reduce its working hours for two reasons:

§ for the **effect surrenders**: when receiving an extra income, it can just maintain the level of usefulness reducing the number of worked

³ EHRENBURG, Ronald G. & SMITH, Robert S. *Modern Labor Economics: Theory and Public Policy*. 6th ed. United States: The Addison-Wesley Educational Publisher Inc., 1997.

hours, and as adult goes the benefit, adult you/he/she will be the effect she surrenders;

and, for the **effect substitution**: when finding a new employment that guarantees it a the same income or not very superior to the value attributed to the program of minimum income, that it supplies a certain value, being him working or not, its effective wage will be reduced to zero, that is to say, he won't receive more the benefit and he/she will still have to reduce its hours of leisure and to increase the working hours. That reduction of the effective salary rate creates a reduction in the work offer.

Those effects could be verified in economies developed with reduced unemployment rate, with distribution of more equalitarian income and that although it presented the three hypotheses of the classic economy:

- § the real wage is the same to the marginal desutilidade of the existent work;
- § that doesn't exist what calls her involuntary unemployment in its strict sense;
- § that the offer creates its own search, in the sense that the price of the joined search is the same to the price of the offer joined for all the production levels and employment.

The hypotheses of the classic economy can only exist together and, therefore, they just represent a specific case of the remuneration and of the employment of the labor in the capitalist system of production, not assisting to the general case in that there is involuntary unemployment, in which even the labor accepting to receive an inferior value to the of its marginal productivity, he/she doesn't find employment or, still, even with the real wage in superior vigor the marginal desutilidade of the equilibrium employment, there is not as using more labor.

Thus, it is ended that the classic hypotheses against the adoption of combat instruments the poverty and reduction of the social inequality, they are not maintainable for the evidences verified in reality, except in condition of full employment, therefore, they should be refuted in a general way and, in its place to

adopt a methodology that includes so much the private aspect as the general, that is to say, the methodology Keynesian.

4. The basic income as right of the man

Is the work the only middle so that a person is integrated the society and can she survive worthily with its provents? Would the Man that doesn't work right to a worthy life in our society?

OFFE (1983) the work is questioned it is the key sociological category:

The classic traditions of the bourgeois society, as well as of the Marxist they share of the point of view that the work is the main social fact. They conceive the modern society and its central dynamics as a " society of the work ". Certainly all the societies are compelled to enter in a " metabolism with the nature " through the " work " and to organize and to stabilize that mechanism in such a way that its products guarantee the physical survival of its members. Therefore, the concept of a " society of the work " could be despised as a sociological triviality, because he/she refers to an " eternal natural need of the social " life (Marx)....

Previously, in 1516, in its work, Utopia, Thomas Lives, it presents a society, that lives in the island of Utopia, name this almost given to a place that perfect, with very peculiar characteristics of a system of communist government, but that facilitates a better adaptation of the society in search of the true essence of the life, that is the happiness and the harmony between the man and the nature.

" The reason teaches us, first, the love and the reverence before almighty God, to Who we owed the existence and the possibility of reaching the happiness; and, in second place, he/she teaches us to pass for the life with the maximum of comfort and happiness, and to contribute so that our fellow creatures have equal destiny. Actually, even the more the ascetics' radical, when intending a life of arduous work, of night vigils and mortifications, also in the call to the maximum zeal to mitigate the pains and the privations of the other ones. For such man, all these attempts of improving the human

condition are the most praiseworthy humanity's gestures - because it is evident that nothing could be more human, or more natural for a human being, that to alleviate the people's sufferings, to put end to its poverty and to return them the happiness of living, that is to say, to restore them the capacity of the pleasure ".⁴

With a lot of clarity he/she identifies the existence of the perception that the society will live well and happy, as it is formulated by Thomas More, " that the happiness is the objective of the human beings " life, not only if an individual or a small portion of the society to live well. It is necessary that is gotten and the access is facilitated all the citizens independently of the social class which this is inserted and of its physical or mental capacities. The search of the individual happiness should exist, not so only for a very specific and limited one, but yes, for a very common one and of the whole society.

A characteristic presented by Aristotle is that if the society doesn't obtain the possible minimum for its existence the wave of crimes will start to exist. Even so, in the subject pointed by More, the subsistence idea come to facilitate the reduction of the punishments that were attributed to the individuals that made certain crime types, like the robbery for example. The punishments and punishments were also in agreement with the practiced crime. The idea of justice and of laws that appear to regulate, they were of having been they have a punishment ideal for the ones that they deserve.

In the book I of Utopia, Hitlodeu structures quite convincing arguments regarding the robbery. Hitlodeu in a chat with the cardinal and a lawyer, said that sees a great number of thieves been executed and didn't understand why people continue making that crime type, argued:

There is not with what to frighten: that way of working with thieves is as unjust as socially not desire. While punishment is too severe, and, while middle of intimidation, ineffective. The small theft is not so serious that it

⁴ For Thomas it Lives (Utopia 1516 - p. 116) these are identified as the foundations of the life; that and for that, the people live.

deserves the capital punishment, and there is not in the world any punishment that makes the people they to stop of robbing when it is the only form that disposes to get victuals.

The lawyer against Hitlodeu argues saying that there is a great number of professions available to those that want to exercise it. Hitlodeu demonstrates with example that happens in the real life.

It is not with such an argument that you can give for having contained that discussion. Let us leave sideways, in the quality of argument, the disable soldier's case that lost a member to the king's service or of its country, so much in its homeland as abroad. When returning home, he notices that is physically disabled to retake its old profession, and too old to learn another.

Hitlodeu continues with other example with servants of the noblemen. Which the people's destiny when its master dies? He didn't learn any other profession that not the one of serving it. The expulsion of the labor of the field, in the period of the enclosure, is also good to exemplify the dispossession of the production factors and the creation of a category of people that don't possess production means. Those people were transformed in indigent or same they were destined to the robbery in the cities because no longer more place existed for them in the fields. A solution for such facts is the supply of a basic income so that everybody could enjoy a worthy life.

Coming back to Utopia, some characteristics are peculiar to this island and they do a perfect society of this. In what he/she refers the earth, it is presented as being necessary for the cultivation and not to be requested as property, the intention is explained like this of not being necessary to expand the borders of Utopia. Here already it is one of the points that differ of the reigns of the time.

The work system is organized in way with that the need of implementation in new work ways is not requested so easily. The beginning of the specialization of the work can be verified in the sense of allocating the citizens that possess aptitudes for certain works in direct contact with these. As, for example, a farmer should work with agriculture, where the time that will be dispended for the

development will be smaller, that to have another citizen that would have aptitudes to be an artisan to workout. Certainly, and with a lot of clarity, More makes the placement that if the resources were rationally applied and the citizens, which consume time in something that you/they don't possess characteristics to carry out such function, the activities would be carried out more quickly and the idea of the search of the happiness as very common for everybody he/she would become easier. The rationality that is tied up to the work facilitates the use of resource as work source and even of feeding. The techniques developed in Utopia facilitate an improvement in the work forms. Between these techniques can stand out the ox cars, the chocadeiras and also works that it is used of the water as motive force.

The political planning developed in Utopia resembles each other to the system used by United States of America, that there is a ruler in each city, which meet annually to discuss tied up subjects the island as a completely. Even so, there is a significant difference in relation to United States; in Utopia there is not executive power.

The existent market in Utopia is the market of changes, or better, of very common. The market idea implanted in Utopia gives him for the fact of all the production to be given to warehouses, the ones, which stock the whole merchandise. When the needs of some merchandise the family bosses go to these warehouses and request the needy amount. Does he/she/it can then to ask, and to lack merchandise? Of course the society has the culture of not needing stoking in its own houses, after all if everybody did the market this way I/you/he/she would be not regulated, therefore, the citizens are the aware of only requesting the necessary, you/he/she won't lack like this merchandise the whole ones.

It fits to highlight that with all these characteristics that were told referring to the citizens *utopian's*, they approach them of the perfection: you be super healthy, techniques super developed of agriculture and of cattle creation, division of the work appropriate political system, among other countless advantages that the citizens of Utopia elevate on the other societies.

That fact elapses of the system of health for the citizens of Utopia, they are not measured the efforts, kindred that a good health is had, and, if, in the presence of an illness all the resources can be out so that the sick ones are negotiated. There is a characteristic presents the euthanasia possibility for the sick citizens and that has the possibility of increase of the sufferings.

Due to all the presented peculiarities and that refers the existence of the island of Utopia, all the social subjects are taken into account. The education, the feeding, the health, I accumulate it of wealth, the private property, the social relationships, the political system, the laws, the punishments for the several crimes, in highest, everything that is contemplating so that the society is the more copy and perfect possible, you/he/she aims that if all these needs of the citizens be assisted you/he/she will be much easier of less difficult to get to govern a society with these characteristics. The society becomes more harmonious and you/he/she facilitates the society as an all a larger one well to be, independently of the social class that the citizen comes to belong.

The island of the Utopia, years later, it was sought by economist James Meade, that didn't obtain success in finding it. However, he/she found another close island with the name of Agatothopia, whose inhabitants didn't link very well with the inhabitants of Utopia and they didn't describe it the road for Utopia. That subject will be negotiated later on.

In 1795, Thomas Paine, formulated the reasons for which the people should be entitled the to participate in the wealth of the nation. In agreement with SUPPLY (2002), Paine noticed that the poverty was related with the civilization and with the institution of the private property. Because he/she enters the Indians from America, to the time, he saw fewer beggars than in the villas and European cities. It observed that " is a proposition controversial that the earth, in its natural state, not cultivated, it was and it would always continue to be the property common of the human " race. It Considered just that a person that cultivated the earth, and he/she had done in her some benefits, he/she could be entitled to receiving the result of that cultivation. It argued, though, " the whole proprietor that cultivates the earth owes the community a rent for the same ". Like this, of

that rent I pay for the proprietor a national fund it would be constituted, which would produce revenues that would be paid in the form of the same dividends for everybody, in order to compensate the loss of that natural inheritance, because whole individual is born in the world with a legitimate right to a certain property form or its equivalent one. That dividend should be seen as a right and I don't eat a charity.

James Meade lived together with John Maynard Keynes, Joan Robinson and so many other members of the intellectual circles of Cambridge and Oxford, and he/she attended several transformations happened in the century XX. Influenced mainly by Keynes, Meade decided to leave in search of the island of Utopia, which it was described already previously, seeking instruments to try to improve the society in that lived.

After navigating for a long time and he/she doesn't find any sign of the island of Utopia, Meade it came back and he/she found another denominated island Agatothopia. In that island, the citizens affirm that were very different from the utopians because its "*social arrangements were not perfect, but that was from a good position to live*". it can verify in Agatothopia, where Meade passed a good period in that can study the citizens' of the island relationships and he/she obtained the conclusion that while the utopians looks for the perfect institutions for the perfect citizens, the agatothopians tries to produce good institutions for perfect citizens (Suplicy and Margarido Neto, 1995).

In ownership of the knowledge acquired during its permanence in the island of Agatothopia, Meade comes back to Great-Britain with the idea of applying its knowledge in its own country, what is considered now as the third road.

Meade shows that the institutions are forced to live together with resulting difficulties of three objectives that all the societies have as objective to reach: *the freedom*, in the sense of guaranteeing to the citizens the choice of its employments and of as to satisfy its needs and wills; *the equality*, in the attempt of avoiding big you hire among the poverty, poverty and the great wealth; and *the efficiency*, or the best use of the kindred resources of producing the best for supply a good life pattern for everybody, insofar as possible.

In this phase it can identify that the ideas presented by Meade take to visualize internal conflicts, but that there is the need of an agent regulator, the State, kindred of intervening when the need fits it.

So that a series of difficulties presented in the societies and that these are eradicated, as, for example, to the stability of prices, full employment, larger justness and the end of the poverty, James Meade proposes the introduction of institutions that you/they promote the largest flexibility of prices and wages, including the formation of participation societies among the capital and the work, and the introduction of a social dividend or of an income guaranteed for each citizen. So that these transformations are made in an effective way it is necessary that are made together in a gradual way with a previous accompaniment and of results in the short and medium period.

Meade defends the ideal of social dividend since 1935, when wrote *Outline of in Economic Policy for a Labour Government*. The idea of social dividend is, in particular, shared with the idea it presents for Thomas Paine in its rehearsal *Agrarian Justice* for the French Directory, in 1796. The central idea is that whole citizen is only entitled to a remuneration of the State for its existence, especially an earth piece, which wealth is considered common to all the resident citizens in the society.

The great difficulty for the capitalist system of production possesses to maintain the full employment, as it was seen in the definition of the employment level by the methodology Keynesian, it implies in that the population cannot just depend on the remuneration of its work to live with dignity. The work as fundamental variable comes being discussed to centuries and the basic income that would be an instrument of a society socially developed practically it was instituted in just a place, a state of United States of America, Alaska, that created the Permanent Fund of Alaska in 1976 and, ever since it distributes coming dividends of a fund created by the extraction and transport of the petroleum placed in its territory, as it described Tomas Paine.

5. Basic income as promoter of positive externality

The externality and basic income possess a direct relationship with the distribution of income. The relationship of the basic income as promoter of positive externality elapses of the possibility of being reduced the social cost of living in a society in that the inequality is elevated and, also even to reduce the uncertainty degree on the consumption in a capitalist economy, in the case to stabilize the base of the demand for consumption goods facilitating the increase of the consumption of capital goods for the accomplishment of new investments defines the effective demand, elevating the income of the population as a whole in a distributed better way.

Now, as it was described previously, Brazil is one of the main economies of the world and one of the ones that presents a worse distribution of income. That fact disables the amplification of the consumption and, consequently the accomplishment of new investments for the reduced marginal efficiency of the capital. That fact elapses of a negative externality that is the high degree of concentration of income in the country. What can he/she/it make to correct that externality?

Initially, it can be used of the Pigoviano Tax that is an imposed corrective that will provide the allocation of resources in an efficient way and with justness.

That imposed Pigoviano can be compared with the payment of a rent on the part of a proprietor that explores a farm. He should pay a rent for the society as a whole for using of a property that was common to the whole society.

The rent pays for all the proprietors of production means they would form a fund destined to reimburse all the people of the society, because everybody possesses the right the dignity and the life.

In countries in development and they possess a distribution of quite unequal income, the basic income would be the promoter of a positive externality because, it would supply the minimum conditions of dignity to all the people and it would

distribute the income. The distribution of that income would provoke the amplification of the capacity of consumption of the society, elevating like this the marginal efficiency of the capital and generating a larger stability with relationship to the demand for consumption goods.

This way, the basic income is capable to generate a great amount of arranged people to contribute with its improve, because same who wins less short term, because it will contribute with a rent (or tax) on the production means reducing its gains initially, he/she will win for living in a just society in than the people don't need to rob to guarantee its survival, also reducing the urban violence and, also, for enjoying of a larger and stable consuming market, guaranteeing a larger return for its investments.

References

- EHRENBERG, Ronald G. & SMITH, Robert S. *Modern Labor Economics: Theory and Public Policy*. Addison-Wesley Educational Publishers Inc. 6TH. 1997.
- KEYNES, John Maynard. *A Teoria Geral do Emprego, do Juro e da Moeda*. São Paulo, Editora Atlas, 1^o edição, 1982.
- MARQUES, Rosa Maria. *Proteção Social e o Mundo do Trabalho*. São Paulo, Bienal, 1997, P. 22-49.
- MEADE, James. *New Politics of Poverty. The norworking poor in America*. -New York: Basic books, 1992.
- , *Full Employment Regained? An Agathotopia Dream*. Cambridge: University of Cambridge, 1995.
- , *Agathotopia: The Economics of Partnership*, Aberdeen: University Press. David Hume Institute (Hume Paper nº16), 1989.
- , *Liberty Equality and Efficiency, Apologia pro Agathotopia Mea*, Londres, Macmillian Press, 1989.
- MORE, Thomas. *Utopia*. São Paulo, Editora Martins Fontes, 1999.
- PAINE, Thomas, 1737-1809. *O Senso Comum e a Crise*. Trad. de Vera Lúcia de Oliveira Sarmento. Brasília, Editora Universidade de Brasília, 1982.
- SPOSATI, Aldaíza. *Renda mínima e crise mundial: saída ou agravamento?*(org.) São Paulo, Cortez, 1997.
- SUPLICY, Eduardo Matarazzo e MARGARIDO NETO, Bazileu Alves. *Políticas Sociais: o programa de comunidade solidária e o programa de garantia de renda mínima*. Brasília, Planejamento e Políticas Públicas, nº 12, junho/dezembro de 1995.
- SUPLICY, Eduardo. *Programa de Garantia de Renda Mínima*. Brasília, Gráfica do Senado, 1992.
- , *Renda de Cidadania, A saída é pela porta*. Editora Cortez. 2002.
- THE Alaska Permanent Fund Corporation. *An Alaskan's Guide to the Permanent Fund*. 1994.
- VARIAN, Hal R. *Microeconomic Analysis*. W.W. Norton & Company, Inc. 3rd Edition, 1992.