

The Citizen's Dividend

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Overview of Paper Proposal:

- A constitutional amendment...
- to impose a 20% VAT...
- deposit VAT revenue in a fund at beginning of each quarter...
- and issue 90-92 unvested shares per citizen per quarter.
- One share will vest per day during the quarter...
- and owner can redeem vested share's cash value...
- through a VAT-taxed transaction (consumer spending or cash withdrawal).

Objectives for Basic Income

- Adequate
 - Basic income program should provide a basic income
- Sustainable
 - Avoid setting off a *higher tax* → *higher unemployment* → *higher inflation* → *higher tax* “death spiral”
- Justifiable
 - Compatible with nation’s moral / economic values

The “Justifiable” Objective

- Americans are (in)famously skeptical of redistribution
- Traditional American economic values are based on principles of Lockean Classical Liberalism
- Classical Liberals / Neoliberals (economic conservatives) must be won over if a basic income proposal has any chance of being implemented in US
- Advocates of American basic income program must be prepared to show how their proposal is compatible with the principles of Economic Liberalism

The “Justifiable” Objective

- Lockean Provisos (exceptions to private property rights under Classical Liberalism)
 - Redistribution can be justified by:
 1. Indigency
 2. Insufficiency
 3. Inefficiency

The “Justifiable” Objective

- Lockean Provisos
 - Redistribution can be justified by:
 1. Indigency
 - “God the Lord and Father of all has given no one of his children such a property in his peculiar portion of the things of this world, but that he has given his needy brother a right to the surplusage of his goods.”

The “Justifiable” Objective

- Lockean Provisos
 - Redistribution can be justified by:
 1. Indigency
 - “Charity gives every Man a Title to so much out of another’s Plenty, as will keep him from extream want, where he has no means to subsist otherwise.”

The “Justifiable” Objective

- Lockean Provisos
 - Redistribution can be justified by:
 2. Insufficiency
 - “God gave the world to Adam and his posterity in common”
 - Land and natural resources are collectively-owned by all citizens
 - Private appropriation is justifiable only if “enough and as good” is left for others

The “Justifiable” Objective

- Lockean Provisos

- Redistribution can be justified by:

- 2. Insufficiency

- Thomas Paine (US Founding Father):

- “[T]he creator of the earth [did not] open a landoffice, from whence the first title-deeds should issue.” He gave “the commons” to all of us
 - Private land ownership constitutes a taking from the commons
 - Public entitled to “indemnification for that loss”

The “Justifiable” Objective

- Lockean Provisos

- Redistribution can be justified by:

- 3. Inefficiency

- “God has given us all things richly, 1 Tim. 6:12. ... But how far has he given it us? To enjoy. As much as any one can make use of to any advantage of life before it spoils, so much he may by his labour fix a property in: whatever is beyond this, is more than his share, and belongs to others. Nothing was made by God for man to spoil or destroy.”

The “Justifiable” Objective

- Lockean Provisos
 - Redistribution can be justified by:
 3. Inefficiency
 - Private ownership is justified only if the owner can “enjoy” or “make use of” the property (allocative efficiency)

Objectives for US Basic Income

- Adequate
 - Basic income program should provide a basic income
- Sustainable
 - Avoid setting off a higher tax → higher unemployment
→ higher tax “death spiral”
- Justifiable
 - Compatible with Classical Liberalism, designed to solve:
 1. Indigency
 2. Insufficiency
 3. Inefficiency

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Specific Provisions of Proposal:

- **A constitutional amendment...**
 - Sustainable objective
 - The purpose of a Constitution is to put certain issues beyond the reach of Congress
 - Direct power over personal income is NOT a power we should entrust to Congress
 - Congress could:
 - define poverty up to the point of inaffordability
 - define poverty down to the point of inadequacy
 - carve out VAT exemptions at behest of lobbyists
 - raise VAT on rival party's business supporters
 - Finance the program through money printing or debt

Specific Provisions of Proposal:

- **to impose a 20% VAT...**
 - Justifiable objective
 - Poverty level cutoff is ___% of per capita GDP (Indigency Proviso)

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 - Adequacy / Affordability Objective
 - Current US welfare spending is approx. % of GDP

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 - Average European VAT rate is approximately **20%** (Efficiency Proviso)
 - Adequacy / Affordability Objective
 - Current US welfare spending is approx. **20%** of GDP
 - Sustainability Objective
 - Tax rate is fixed and affordable
 - Inflation/deflation and vol. unemployment self-corrects

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- **deposit revenue in a fund at beginning of quarter and issue 90-92 unvested fund shares per citizen**
 - Sustainability objective
 - Incentivizes saving during periods of growth / inflation
 - Incentivizes spending during periods of recession / deflation

Specific Provisions of Proposal:

- **deposit revenue in a fund at beginning of quarter and issue 90-92 unvested fund shares per citizen**
 - Sustainability Objective
 - It's Q1, and I want to buy a \$5,000 motorcycle
 - I have 100 vested shares
 - Redeemable value per share in Q1 is \$50
 - Economy in current quarter is projected to grow by 2%
 - Value per share in Q2 is projected to increase to \$51
 - If I wait until Q2 to redeem the shares, I will get \$100 more
 - I have an incentive to **save** during growth / inflation

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- deposit revenue in a fund at beginning of quarter and issue 90-92 unvested fund shares per citizen
 - Sustainability Objective
 - It's Q1, and I want to buy a \$5,000 motorcycle
 - I have 100 vested shares
 - Redeemable value per share in Q1 is \$50
 - Economy in current quarter is projected to shrink by 2%
 - Value per share in Q2 is projected to decrease to \$49
 - If I wait until Q2 to redeem the shares, I will get \$100 less
 - I have an incentive to spend during a recession

Specific Provisions of Proposal:

- **One share will vests per day during the quarter**
 - Justifiable Objective
 - Indigency justification
 - Ensure that citizens have their “daily bread”; don’t squander the entire payment at once

Specific Provisions of Proposal:

- **owner can redeem vested share's cash value through a VAT-taxed transaction (spending or cash withdrawal)**
 - Sustainability Objective
 - If cash withdrawals are untaxed, there will be no incentive to spend during deflationary cycles
 - citizens could simply redeem their shares for cash before the next quarterly adjustment and stockpile rather than spend it
 - Another reason to tax cash withdrawals is to ensure that cash that will likely be spent in the shadow economy is taxed on at least one transaction

Conclusion

Citizen's dividend (shares) of profit (VAT revenue) derived from the “rental” of the commons (national GDP) would be:

- **adequate**, as it would boost income up to the poverty threshold;
- **sustainable**, as it would be:
 - a pay-as-you-go, debt-free system
 - based on a fixed, affordable tax rate
 - equipped with safeguards against voluntary unemployment, inflation/deflation, and economic/demographic fluctuations
- **just**, as it would be philosophically-justifiable under America's traditional Classical Liberalist values, which hold that indigency, insufficiency, and inefficiency are valid grounds for redistribution

Thank you for listening!

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