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## The Basic Income Idea Spreads in the American Continents

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A very positive sign that the Unconditional Basic Income proposal is advancing in the Americas is that a "Ley Marco de La Renta Básica", "Draft Basic Income Framework Law", was approved by the General Session of the Parlatino, Parlamento Latinoamericano, held last November 30<sup>th</sup>, 2012, in Panama City. After three preparatory meetings of the Commission of Economic Affairs of the Parlatino in Aruba, Curacao and Buenos Aires, with the cooperation of the Representatives Rodrigo Cabezas Morales, from Venezuela, President of the Commission, Maria Soledad Vela Cheroni, from Ecuador, Ricardo Berois, from Uruguay, and myself, during which the proposal was discussed, it was finally presented as a model for all the parliaments of all 23 nations of Latin America and the Caribbean.

This Ley Marco de la Renta Basica takes into account what is considered in the Brazilian Law, approved by the National Congress, by all parties, both in the Federal Senate, in 2002, and in the Chamber of Deputies, in 2003, and then sanctioned by President Luiz Inácio Lula da Silva in January 8<sup>th</sup>, 2004: The Citizen's Basic Income will be introduced step by step, under the Executive criteria, taken into account first those most in need, such as the Bolsa Família Program does.

The Brazilian population in 2013 is around 194 million inhabitants. According to the Bolsa Família Program, all families with a monthly income per capita up to R\$ 140.00 can benefit from the program with the following rules:

If the per capita family income is below R\$70.00 per month, the initial basic benefit to the family is R\$ 70.00. In addition, for all families with income per capita below R\$ 140.00 per month, they have the right to receive R\$ 32.00, R\$ 64.00, R\$ 96.00, R\$ 128.00 or R\$ 160.00 if the family has, respectively, one, two, three, four or more children up to the age 15 years and 11 months, plus R\$ 38.00 or R\$ 76.00 if the family has one or two adolescents, respectively, from 16 to 18 years of age.

There are some conditionalities: if the mother is pregnant, she must do the pre-natal health exam in the Public Health System of the region where she lives. The children up to six years of age must be taken by their parents to the Health System to take the necessary

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<sup>1</sup> **Eduardo Matarazzo Suplicy** was born on June 21st, 1941 in São Paulo, Brazil. He completed his Bachelor's at the School of Business Administration of São Paulo, of the Getúlio Vargas Foundation, where he became a Professor of Economics in 1966. In 1968 he completed his Master's and in 1973 his Ph.D in Economics at Michigan State University. In 1978, he was elected State Representative at the State Assembly of São Paulo. In February 10th, 1980, he was one of the co-founders of the Partido dos Trabalhadores. In 1982, he became a Federal Representative. In 1988, he was elected City Councilman and President of the City Council of São Paulo. In 1990, 1998 and 2006 he was elected Senator representing the State of São Paulo and the Workers' Party for three eight-year terms. As a Senator, he was able to approve the Law to institute a Citizen's Basic Income that one day will become unconditional. His main book is "Renda de Cidadania. A Saída é pela Porta", edited by Fundação Perseu Abramo and Cortez Editora, 1st ed. 2002, 7th ed, 2013.

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vaccines, according to the Health Ministry's calendar. The children aged seven to 15 years and eleven months must be in school at least 85% of the classes. The adolescents aged 16 to 18 must attend at least 75% of the classes in school.

In January 2013 there were 18.491.302 families in Brazil with per capita income up to R\$ 140.00 per month that, therefore, would be allowed to get the benefits of the Bolsa Família Program. By March 2013, there were 13.872.243 families enrolled in the Bolsa Família Program that is 75% of those who, by law, are entitled to enroll in the program. Since there are around 3.5 people in each family among the relatively poor, we may say that almost one fourth of the Brazilian population of 194 million today benefits from the Bolsa Família Program.

Since June 2011, President Dilma Rousseff has launched the Active Search process through which all levels of government and social organizations of all kinds should help in finding those families with the right to have the Bolsa Família benefit and that have not been identified and enrolled in the program yet. Since March, 2013, all families enrolled in the Bolsa Família program with at least one child up to 15 years and eleven months of age whose monthly family income, plus the Bolsa Família benefits, does not reach the sufficient to provide at least R\$ 70.00 per capita, the Federal Government, through the so called Brasil Carinhoso or Brazil Care Program, will provide what is needed to complete the monthly R\$ 70.00 per capita to the family. Through this measure the government is trying to guarantee that all Brazilian families, from now on, have at least R\$ 70.00 per capita per month.

One day, I hope in the near future, we will be able to make the transition from the Bolsa Família Program towards the Citizen's Basic Income, not only in Brazil, but in all countries of the three continents of the Americas.

Here is the Draft Basic Income Framework Law approved by the Parliament:



**LATIN AMERICAN PARLIAMENT**  
**VENEZUELAN PARLIAMENTARY GROUP**  
**ECONOMIC AFFAIRS, SOCIAL DEBT AND REGIONAL DEVELOPMENT COMMISSION**

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## **Draft Basic Income Framework Law**

Prepared by the commission made up of:

- **Representative María Soledad Vela Cheroni (Ecuador) (Coordinator)**
- **Senator Eduardo Suplicy (Brazil)**
- **Representative Rodrigo Cabezas (Venezuela)**
- **Representative Ricardo Berois (Uruguay)**

Prepared in Buenos Aires, October 25<sup>th</sup>, 2012.

Approved by the Plenary Session of the Parlatino in Panama City,  
Panama, in November 30<sup>th</sup>, 2012

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## **DRAFT BASIC INCOME FRAMEWORK LAW**

### **INTRODUCTION**

Although the debate on the possibility of States implementing a basic income is rather old, it has gained force over the last ten years, especially in countries where wealth distribution is inequitable and access to social protection systems is not appropriately ensured due to institutional/legal, economic, cultural/geographic (rurality) barriers and restrictions related to one's gender, ethnic group and age, just to mention the commonest ones.

Beyond all analyses made so far, it can be said, in sum, that opposition to the basic income concept has only one factor in common, i.e. "the costs for states is so high that, in a nutshell, the idea is inapplicable."

This notion has been the main argument used by opponents of the basic income concept, and while it has worked very well so far, there are possibilities now for rebuilding this concept without jeopardizing certain basic principles, such as those of universality and human rights.

These principles should make it possible to define mechanisms for building the path to ensuring a basic income, which cannot and should not be a standard and, therefore, we must ask ourselves: is there a basic income? Or are there basic incomes?

The existence of basic incomes should be accepted. Such acceptance, apart from enhancing the possibilities for implementing them, will also pave the way for setting new paradigms for their application, based on the different realities experienced by countries.

In light of these parameters, we believe that a basic income framework law will surely establish a legal precedent that can also be used to promote concrete initiatives in each country.

In his book *Mal desarrollo y mal vivir*, José María Tortosa remarks that we know more about the "rich" than about the "poor" and provides clear evidence of this observation: for the rich we have special magazines, we know where they live, their tastes, what they spend their money on, and even their personal relationships, among other things, and we read about them almost every day. It's certain that more than one of us has read Forbes magazine.

These thoughts of Tortosa give us a path to follow, as they clearly suggest that beyond defining economic and fiscal policies to finance a basic income, it is important to become deeply acquainted with the realities of poverty if we are to overcome it.

Several studies on possibilities for establishing a social protection floor start, in their introduction, by stating that while poverty in Latin America is a constant and very diverse factor and social protection policies in the region are also diverse, making it impossible to adopt a standard study, the basic methodology adopted so far has been one of defining poverty based on income converted into dollars adjusted for each country's purchasing power. While this methodology does have shortcomings in some aspects, it has been

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selected because it provides a practical way to make comparisons and establish relations between countries.

Studies in this area propose models that, while not reflecting reality exactly, allow for a first approach to it.

One of the concerns raised by these studies is that their models establish the importance of taking economic growth into account and not many of them define what happens to basic income as a human right when economic growth stalls for long periods.

It cannot be denied that implementing a basic income implies multiple difficulties, but there are as many solutions to them as the number of countries represented in the Latin American Parliament.

## BACKGROUND

The concept of a Basic Income, also referred to as citizen's income or universal grant, is that of ensuring a modest but sufficient income to meet the basic needs of each member of society as a right, financed by taxes or other means and not subject to any condition other than one's citizenship or residency status. A Basic Income should be guaranteed and paid to all citizens individually, regardless of whether they are rich or poor or of whether they work or not and irrespective of cohabitation arrangements.<sup>2</sup>

The differences between the basic income and the citizen's income concepts can be summarized in the use of the word citizen or person. It is important to use the word person to preserve the principle that relying on a basic or citizen's income is a human right.

The academic debate and public discussion on Basic Income has been mainly focused on explaining what the Basic Income concept is all about and on why it would be a good idea to adopt basic income schemes as an optimal means to fight poverty, to replace other protection schemes involving perverse incentives that create poverty traps, and to improve social and economic efficiency in the allocation and distribution of scarce resources. We want to go further and also propose how, where, and when this concept should be ideally incorporated into the social reality.

In its strictest sense, the income concept proposed by the [Basic Income European Network \(BIEN\)](#) is as follows:

*Basic income is an income paid by the [State](#) to each full member or accredited [resident](#) of a society, regardless of whether he or she wishes to engage in paid employment, or is rich or poor or, in other words, independently of what any other sources of income might be, and irrespective of cohabitation arrangements.<sup>3</sup>*

Based on this concept, we will analyze how different countries apply “variations” of the concept. These variations are linked to different objectives set in the social policy in each country, which can be summarized as follows:

1. Fight against poverty
2. Redistribution of wealth

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<sup>2</sup> Guaranteed Basic Income <http://www.rediris.es/list/info/rentabasica.html>

<sup>3</sup> Taken from <http://economia-mas-social.blogspot.com/2010/11/la-renta-basica-i-definicion-y-ventajas.html>

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3. Access to health care, education and food
  4. Empowerment (youth, women and elderly people)
  5. Improved access of children to health care, education and food

### **The Alaska Case**

The Alaska case is the one that comes closest to the above-mentioned concept. Its residents receive approximately 1,200 Euros (by virtue of being citizens of Alaska) financed by the redistribution of wealth generated by the exploitation of natural resources in the country, specifically oil.

In 1976, Jay Hammond, then governor of the State of Alaska in the United States – where a huge oil reserve was discovered in the late 1960s – consulted the population of the state on the following: “We should think not only in our generation but in the future generations. Since oil and other natural resources are non-renewable, let us separate part of the royalties coming out of the exploitation of natural resources to constitute a fund that will accumulate and pertain to all the people of Alaska.”

The proposal was approved by 76,000 votes in favor and 38,000 against it. As a result, 25% of all revenues derived from the exploitation of natural resources were, and continue to be, independently invested in US government securities, in shares of companies based in Alaska, and in shares of US companies and organizations and of some of the most profitable companies in Brazil.

The capital of the Alaska Permanent Fund (APF) has grown from US\$1 billion in the 1980s to about US\$42 billion in recent years.

According to the rules that were approved, any person living in Alaska for a year or more – even if he or she travelled to other places during that period – can fill out an application between January 1<sup>st</sup> and March 31<sup>st</sup> providing information such as commercial and residential address and number of family members up to 18 years old, among other data. The accuracy of the information provided must be attested by two people. No information about income or assets is required.

The income is paid to all those who meet the established requirements – ranging from about US\$300 per inhabitant, which since the 1980s grew little by little, reaching US\$2,069 in 2008. In 2009, due to the economic crisis that affected the economy and pushed oil prices down and those of shares in the New York market, the amount was reduced to US\$1,305. This was repeated in 2012, when the value was further reduced to US\$878.

After 29 years paying the same dividend to all its inhabitants, Alaska became the most egalitarian of the 50 US states, without slowing down economic growth. This fact provided excellent evidence of the effectiveness of this experience. For example, in 2011 the US Gini coefficient was 0.47 and the highest one in the country was that of the District of Columbia, 0.533. The Gini coefficient for Alaska was 0.40.

Given the importance of the experience, Karl Widerquist and Michael W. Howard wrote the book *Alaska's Permanent Fund Dividend: Examining its Suitability as a Model*, which emphasizes the importance of the model adopted in Alaska and suggests that it should be replicated in other countries

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The problem here is that once resources are exhausted (in a time frame of between 15 and 30 years, depending on the analyst discussing the issue), this basic income would disappear.

### **The Mexico Case**

Mexico City has a law, enacted in 2003 and amended in 2008, which provides for the right to a universal citizen's pension for all adults aged 68 and above who have lived in the city in the last three years. It is an unconditional cash transfer of not less, by law, of half the monthly minimum wage. Currently, a senior citizen's pension is being paid to about half a million persons.<sup>4</sup> In this case, it is a conditional cash transfer<sup>5</sup> designed to ensure a retirement pension to senior persons that is not universally available.

### **The Argentina Case**

In Argentina, the government of Cristina Fernandez virtually universalized family cash transfers per child by determining that not only workers in the formal sector, but also those in the informal market and the unemployed were entitled to receive a monthly transfer of US\$50 per child until the age of 18, and although these transfers imply a minor conditionality (which affects 20% of amount transferred), it can be said that they are much more based on the logic of universality and conditionality than in that of Targeted Conditional Cash Transfer Programs (TCCTP).

### **The Brazil Case**

In an official ceremony held at the Planalto Palace on January 8<sup>th</sup>, 2004 in which the President of the Federative Republic of Brazil, Luiz Inácio Lula da Silva, sanctioned Law 10.835/2004, the co-founder of the Basic Income European Network (BIEN), Professor Philippe Van Parijs, spoke about the importance of the initiative, which was passed by the Brazilian Senate in December 2002 and by its House of Representatives in December 2003 and provides for a Basic Income for all Brazilians and foreigners residing in Brazil for five years or more. The Law specifies that this Basic Income is the same for all and must be sufficient to meet the needs of each person in terms of food, education and health care, regardless of socioeconomic status, taking into account the country's development level and its budget possibilities.

The bill was proposed by one of its authors, Senator Eduardo Matarazzo Suplicy. When the bill was initially presented, in 2001, its designated *rapporteur*, Senator Francelino Pereira (Liberal Front Party – PFL – state of Minas Gerais), saw it as a good idea after studying it. He noted that the Fiscal Responsibility Act, according to which for every expense there must be a corresponding revenue, should be complied with. He therefore suggested that the law should be implemented in stages, at the discretion of the executive

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<sup>4</sup> Yanes Pablo. El Ingreso Ciudadano Universal: Propuesta Para Una Nueva Economía Y Una Política Social Basada En Derechos En México. [www.redrentabasica.org](http://www.redrentabasica.org)

<sup>5</sup> Most conditional cash transfer programs link their transfers to the formation of human capital in the form of education, health and nutrition. However, a specific program, namely, Mexico's PROCAMPO program, was designed as a mechanism meant to compensate basic grain producers for a trade liberalization agreement. Within the framework of this program, which chronologically is the first one of this new generation of conditional cash transfer programs in Latin America and the Caribbean, transfers are linked to continued agricultural production. A detailed description of existing conditional cash transfer programs will be provided below in chronological order from their first year of implementation.

<http://www.fao.org/docrep/006/y4940s/y4940s08.htm>.

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branch, benefitting initially the most needy, as was done with the *Bolsa Familia* Program, which guarantees a minimum income for Brazil's poorest families provided that they meet certain requirements, such as prenatal visits of pregnant women to a health facility, vaccination of children under six, school attendance rate of at least 85% for children in the 7-16 age bracket and of 75% for adolescents aged from 16 to 18. On that occasion, Senator Suplicy recalled the lessons of the Nobel Prize Laureate James Edward Meade, one of the pioneers in defending the Basic Income concept. In *Agathotopia: The Economics of Partnership* (1989), Meade notes that what is important is to have our objectives crystal clear in mind, and to move firmly, gradually, in that direction.

In December 2003, the number of families assisted by the *Bolsa Familia* Program amounted to 3.5 million. From then on, there was a significant increase in that figure every year, until it hit the mark of 13.872.243 million households, in March 2013, or almost 50 million people, more than a quarter of Brazil's population of 194 million. Along with other measures, this increase has contributed to reduce extreme poverty and inequality. The Gini coefficient for inequality gradually decreased from 0.587 in 2002 to 0.519 in 2012. Despite these advances, however, Brazil remains in the 15<sup>th</sup> position in the ranking of the most unequal countries in the world. The establishment of the Basic Income scheme can be more effective to eradicate absolute poverty and to promote more justice, freedom and dignity for all.

Similarly to the experience of Minimum Income Programs related to education, which began to be implemented locally in the Federal District, Campinas, Ribeirão Preto, Belo Horizonte, Belem and Novo Mundo and grew to become the *Bolsa Familia* Program, covering 5,568 Brazilian municipalities today, it is perfectly possible that the Basic Income initiative will begin at municipal level. Santo Antonio do Pinhal, a municipality in the State of São Paulo with a population of 7,000, passed a law providing for step-by-step measures to introduce the basic income initiative. The Government Program of President Dilma Rousseff, which was approved by consensus at the 4th National Congress of the Workers' Party in February 2010, explicitly sets out the goal of promoting a transition from the *Bolsa Familia* Program to the Basic Income initiative, in accordance with Law 10,835/2004. An explicit objective of the Government Program of the PT mayor of the municipality São Paulo, Fernando Haddad, who started his mandate in January 2013, is to gradually implement the Basic Income initiative in cooperation with state governments and the federal administration.

### **The Bolivia Case**

In Bolivia, the administration of Evo Morales implemented the *Dignity Pension* proposal, which is also a universal conditional pension for adults aged 60 and over that is financed with part of the revenue from the sale of hydrocarbons.

### **The Uruguay Case<sup>6</sup>**

In 2008, a set of new or reformed permanent instruments were incorporated into the social policy matrix under the framework of the Equity Plan. Programs linked to the PANES (National Social Emergency Assistance Plan) were scheduled to be discontinued, except a few ones linked to the Food Card program. More permanent programs were implemented for households covered by the PANES plan, including a rather small program for senior

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<sup>6</sup> Technical Secretariat of the Social Policy Directorate of the Ministry of Social Development of Uruguay. "*Memorias seminario iberoamericano 2008 Renta básica universal: ¿derecho de ciudadanía?*" *Perspectivas europeas y Latinoamericanas.*" MONTEVIDEO, November 3rd and 4th, 2008.

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citizens aged between 65 and 70 who didn't have pension rights before, most of whom were automatically included in a new family grant regime, which increased the amount of the pension and the coverage of the scheme. It's great news that the new Family Grant scheme of Uruguay has been gradually extended to half of the country's children since 2009. A tiered, two-component scheme increases the amount of the grant in a relatively important way. First, the grant increases with the age for two groups of beneficiaries, i.e. school-age children and adolescents in high school. This is important because one of the ideas behind the scheme is that of addressing a major public policy problem faced in Uruguay, namely, relatively high dropout rates in high school. Second, it is assumed that there are certain economies of scale in the households, so the grant decreases with the number of children and increases with the number of minors, but not in a linear fashion, and a quarterly indexation mechanism is applied based on the consumer price index, which is also relatively important.

### **The Ecuador Case**

In the case of Ecuador, the basic income proposal is not being addressed in the political discourse, as the so-called poverty bonus implemented by the administration of Jamil Mahuad was based on existing conditional cash transfer policies.

In the administrations that followed, new names were given to the scheme, but its basic nature of a conditional cash transfer only available to poor people (persons falling under the first income quintile) remained.

Under the current administration, welfare policies shifted their focus with the aim of turning conditional cash transfers into a mechanism to overcome poverty by not conditioning entitlement to them to falling under the first and second income quintiles, but rather to a more appropriate weighing approach allowing for more focused transfers and including mechanisms to “grade” poor people.

Thus, the social protection package, which could be referred to as a basic income package, includes:

- A human development bonus (which is not based on transfers according to income quintiles, but rather on a calculation of the poverty line)
- A housing bonus
- The Joaquin Gallegos Lara bonus
- A mortuary fund
- A school meal program
- The “spinning development” plan
- The human development credit

### **The Venezuela Case**

New funding sources implemented in Venezuela between 1999 and 2012 (recovery of oil revenues, budget savings from previous years, windfall profits, gains from exchange rate differentials, surpluses at an optimal level of reserves, and profits from state enterprises) made over US\$468,618,000 available for social investments that reduced poverty overall

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by 51.8%, from 55.6% in 1998 to 26.8% in 2011, and extreme poverty by 66.6%, from 21% to 7% over the same period, making it possible for the millennium goals to be achieved.

As a result, Venezuela is closing the gaps of inequality and is now the least unequal country in Latin America, with a 20.8% reduction in the Gini index, which determines the degree of inequality in income distribution, from 0.48 in 1998 to 0.38% in 2011.

In its continuing fight against poverty, social exclusion and inequality, the Bolivarian government increased the number of retirees by 478%, from 387,000 in 1998 to 2,238,317 in 2012, and through its “Greater Love” missions it registered and checked 1,120,574 senior citizens, Venezuelan women over 55 and men over 60 years old or foreigners legally residing in the country for the past 10 years, benefiting more than 350,000 of them and gradually incorporating them into the retirement scheme monthly to meet its goal, guaranteeing them a basic income linked to a minimum wage of US\$477.

The “Neighborhood Mothers” mission benefits more than 100,000 single mothers living in the country's poorest areas, ensuring them a monthly transfer amounting to 80% of the minimum wage.

The Great Sons of Venezuela Mission focuses on families or mothers with children under the age of 18 or disabled whose income is below the minimum wage. Through this mission, 1,212,702 people were registered and checked, over 200,000 are beneficiaries already, and every month an additional 40,000 will be incorporated into the program until its goal is met. Under this program, beneficiaries receive 90% of the minimum wage and the remaining 10% is allocated to a savings fund.

The experience in Venezuela led to the creation of new sources of funding and to the granting of a basic income to the population through the so-called great social missions.

## **JUSTIFICATION**

Professor Robert M. Solow, from the Massachusetts Institute of Technology (MIT), a Nobel laureate in economics, welcomes the debate on the feasibility of an unconditional Basic Income in the preface of the book *What's Wrong with a Free Lunch?*, 2001, by Philippe Van Parijs, and provides arguments in support of a basic income in a discussion with authors such as Herbert A. Simon, Anne I. Alstott, Wade Rathke, Emma Rotschild and others.

According to Van Parijs, a subsistence-level universal basic income would contribute to promote social justice by increasing the freedom of individuals, improving the lives of women, and helping to preserve the environment. After considering attitudes that differ from those prevailing today in relation to work and pay, Robert Solow says that this idea, with regard to the basic right granted to all people and to its substantial cost, needs to be seriously examined in light of its advantages and disadvantages. This discussion, originally published in the periodical *Boston Review* in its October-December 2000 issue, as well as subsequent books by Philippe Van Parijs, are indicative of how this proposal has clearly matured at the dawn of the 21<sup>st</sup> century.

We will try and clarify the concept as much as possible and reduce doubts about it. The basic income is an income paid by a community – which can be a village, a city, a state, a country, a group of countries, a continent – to all its members individually, regardless their origin, race, sex, age, and civil or socioeconomic status. Therefore, this right is not conditional on financial status or to any work requirement.

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The basic income is paid in cash, rather than in goods or services or stamps that can only be spent on certain types of goods, such as food items. It does not imply any restrictions on what a person will do with the resources in terms of the nature or timing of their consumption or of investments that they will help to fund. It complements and does not replace transfers in the form of goods and existing services, such as public education and health care services.

The basic income is paid regularly at monthly intervals or at other intervals, such as once a year, for example. It can be paid by check or credit card valid for one year, with the right to a monthly withdrawal.

The basic income can be paid by a political community, a municipal or state government or the federal administration by coordinating efforts among the three levels of government, and some procedures may be adopted by nations on the same continent with a view to ensuring similar social rights to all human beings. It can be therefore imagined that one day the right to share the wealth of the Americas will be extended to all of their residents, from Alaska to Patagonia.

The basic income can be financed in a specific way and linked to the value added in some or all productive activities, or it can simply be paid by all different sources of income, including dividends of publicly-owned assets, as other government expenditures.

The basic income is paid to all members of society and a minimum time of residence may be required, such as one year, as in the case of Alaska. This should be a right of all people, without any need to check their financial status, meaning that it is of an *ex ante* nature, unlike the usual *ex post* systems, under which the income of potential beneficiaries is checked first.

The basic income does not make the rich richer, as those who are relatively richer contribute more to funding it, through taxation, than those who are relatively poorer.

Anyway, this is always an intriguing question: is it actually better for the poorer segments of the population that it is also granted to the rich? “The first time I came across the basic income concept, my first reaction was that this right should be granted to those who have little or nothing, as indicated in the bill I proposed to the Brazilian Senate in April 1991, which provides for a negative income tax” (says Senator Eduardo Suplicy). Currently, however, the accumulated experience and reflection suggest that the basic income will be better for the poor than the alternative of ensuring a minimum income conditional on checking the financial status of potential beneficiaries, for the following reasons:

- The percentage coverage of beneficiaries is much higher in a universal system than when it is necessary to check how much each person earns.
- There is no stigma, embarrassment or humiliation involved in receiving a benefit that is granted to all as a matter of citizenship. The red tape and intrusive control procedures involved in checking whether a person is poor or not are eliminated.
- In a basic income system, the regular payment of the benefit is not interrupted when a person gets a job that pays more than a certain amount, as would happen in a conventional system, conditioned on the financial status of the beneficiaries. This would eliminate an element of the unemployment trap commonly associated with conventional cash transfer systems.

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- The basic income always makes the effort to work worthwhile. Since its beneficiaries continue to receive their basic income in full, whether working or not, they will certainly be in a better position when working than when unemployed.

The fact that the basic income is offered to every person, whether working or willing to work, has a significant effect on the labor market. The basic income ensures bargaining power to workers and much more freedom of choice than its absence. It provides workers with much more possibilities of rejecting job offers involving humiliating, inhuman or slavery-like conditions. For people who might have no alternative to make a living other than selling their body, engaging in prostitution, or offering their services to drug gangs, the basic income can be a means to recover their dignity.

Careful calculations should be carried out to check the possibility that granting a basic income to all might not be more expensive, but rather cheaper, than granting it only to the poor. Using computer technology and adopting efficient means to collect taxes and manage cash transfers, costs might be lower in a universal system in which all individuals know in advance that they will be granted the benefit.

It is perfectly possible to gradually migrate from the different minimum income and social security schemes existing today towards a universal basic income scheme, with the aim of ensuring everyone's inalienable right to share the wealth of the nation and have enough to meet their vital needs.

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## **DRAFT BASIC INCOME FRAMEWORK LAW PROPOSED BY THE COMMISSION TO THE LATIN AMERICAN PARLIAMENT**

### **Whereas**

Article 25 of the Universal Declaration of Human Rights provides that: “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.”

The Universal Declaration of Emerging Human Rights of Monterrey provides for the right to subsistence and, to that effect, Title I, “The Right to Egalitarian Democracy,” says in its article 1, number 3:

*“Art. 1. The right to existence under conditions of dignity. All human beings and every community have the right to live under conditions of dignity.*

*3. The right to basic income, which assures all individuals, independently of their age, sex, sexual orientation, civil status or employment status, the right to live under worthy material conditions. To such end, the right to an unconditional, regular, monetary income paid by the state and financed by fiscal reforms is recognized, as a right of citizenship, to each resident member of society, independently of their other sources of income, and being adequate to allow them to cover their basic needs.”*

All persons capable of engaging in productive activities through their daily labor generate for profit or not-for-profit goods and services that contribute to social, economic, cultural and political development of countries.

Recognition of social, solidarity-based economy is a right derived from our real commitment to delivering goods and services. The economic system is made up of the private sector, the public sector, and the social, solidarity-based, not-for-profit economy that entails reciprocity-based forms of work that should be socially recognized, such as unpaid household work, family agriculture work linked to food sovereignty, cultural work, among other forms of work.

In its third commitment, “development and poverty eradication,” the Declaration of the Millennium Development Goals of September 8, 2000 commits all signatories to “spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected” and therefore governments will do everything possible to ensure to all individuals the right to development and to have their needs.”

Despite numerous efforts by various governments in Latin America, poverty and inequality rates have not improved significantly in recent years and, in many cases, they have increased substantially in relative terms.

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**States Parties to the LATIN AMERICAN PARLIAMENT have proposed the following**

### **BASIC INCOME FRAMEWORK LAW**

**Article 1. Definition** – The basic income concept refers to the human right of all persons residing in the States Parties to a periodic cash transfer as one of the mechanisms to promote an equitable distribution of wealth and meet at least their vital needs without any conditionality and without prejudice to all people in society being engaged in the production of services that are socially useful and necessary for human life.

The basic income may be implemented by the States Parties gradually, beginning with areas in greatest need.

**Article 2. Characteristics of the Basic Income** - The human right to a Basic Income is essential, unwaivable, inalienable, imprescriptible and inderogable. It ensures to all individuals, without any discrimination, the right to live in material conditions of dignity through effective wealth redistribution.

**Article 3. Objective** - “The goal of the basic income concept is to eradicate poverty and equitably improve the living conditions of national or foreign persons residing in the States Parties.”

**Article 4. Purposes of the Basic Income** - The following aims are to be construed as purposes of the basic income:

- a) Ensuring the populations of the States Parties a basic level of decent existence to enable them to improve their social conditions and promote their autonomous development.
- b) Generating a protective mechanism against income and consumption poverty, in the context of the needs of each nation.
- c) Promoting the human development of citizens and foreigners of both genders who have resided in the States Parties for more than five years.
- d) Creating mechanisms to eradicate poverty in the States Parties.
- e) Promoting and ensuring economic and social rights in accordance with the characteristics of the various population groups, according to their different cultural identities and traditions.
- f) Building and strengthening the social fabric.
- g) Ensuring the right to adequate food according to the various identities and cultural traditions of different population groups.
- h) Eliminating arbitrariness and establishing a progressive approach to selecting beneficiaries and exercising the right.

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- i) Developing wage equality, recognizing the work of sectors that are socially useful and necessary for human life.

**Article 5. Principles** – The right to a Basic Income is based on the principles of individuality, universality, unconditionality, equality, basic coverage, participation and tax equity.

**Universality** – The Basic Income shall be granted to all persons residing in the States Parties, without any discrimination based on their gender, age, racial or ethnic origin, sexual or political orientation, disability, physical difference or any other reason.

**Individualization** – The Basic Income shall be granted on an individual and life-long basis.

**Unconditionality** – The Basic Income shall be granted regardless of the income level or employment of the individual in the labor market or of the type of family to which the individual belongs.

**Equality** – The amount to be granted according to the Basic Income concept shall be the same for all people and it shall be no less than the amount defined in light of the poverty line.

**Participation** – All citizens shall have the right to participate in decision-making and control processes related to the distribution of the Basic Income Fund set apart for improving public goods and services.

**Basic Coverage** – It must meet the basic needs of every individual.

**Article 6. Nature of the Basic Income** – It is a supplementary benefit of a remunerative nature, independent from any other socioeconomic resources and benefits provided for in the legislation in force.

**Article 7. Active subject of the right to Basic Income** – All nationals residing in a State Party from birth to death and foreigners residing in a State Party for more than five years continuously, according to the legislation of the State Party, shall be considered as subjects of this right

**Article 8. Control over the provision of the Basic Income** – The executive function of the States Parties, through their supervisory agencies, shall check the actual provision of the Basic Income granted to subjects of this right. Citizens shall be allowed to participate in this control task through bodies and mechanisms to be created for this purpose.

**Article 9. Amounts granted as Basic Income** – The States Parties shall transfer the basic income amounts monthly according to their economic situation and using the cost of a basic basket of goods as reference.

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**Article 10. Execution** – For the purpose of implementing the basic income mechanism, the States Parties shall carry out an analysis of their domestic economic reality.

The States Parties may implement cash transfer mechanisms and other instruments to ensure the provision of the basic income, progressively involving different groups of people falling under the lowest income quintiles until all the active subjects of the right are covered.

**Article 11. Funding and sustainability** – The States Parties undertake to implement progressive funding mechanisms to cover the basic income mechanism through fiscal instruments designed to redistribute revenues and expenditures with a permanent tax source under the legislation in force.

**Article 12 APPROVED. Special Fund.** For the purpose of ensuring the sustainability of the basic income, the State Parties may set up a special fund with resources from budgetary and extra-budgetary revenues established for this purpose, according to the legislation of each of them.

**Buenos Aires, Argentina, October 25<sup>th</sup>, 2012.**

**Approved in the XXVIII Ordinary Assembly of the Latin American Parliament, PARLATINO, held in Panama City, Panama, November 30<sup>th</sup>, 2012**