BASIC INCOME STUDIES

An International Journal of Basic Income Research

Vol. 3, Issue 1 BOOK REVIEW *April 2008*

Charles Murray, *In Our Hands: A Plan to Replace the Welfare State* (Washington, D.C.: American Enterprise Institute Press, 2006), pp. 230, £10.19 (US$20.00) (hardcover), ISBN-10: 0844742236, ISBN-13: 978-0844742236.

Almaz Zelleke
The New School

The 1980s and 1990s were the era of welfare retrenchment in the U.S. Three Republican administrations and a ballooning budget deficit made Aid to Families with Dependent Children (AFDC), the primary means-tested welfare benefit in the U.S., politically vulnerable. In 1984, Charles Murray wrote a scathing critique of the American welfare state called *Losing Ground*, in which he proposed eliminating AFDC in favor of an absolute reliance on earned income. In Murray's new book, *In Our Hands: A Plan to Replace the Welfare State* (2006), he proposes replacing the welfare state with what looks surprisingly like a basic income: a US$10,000 annual grant to adult citizens.

In Our Hands begins with another indictment of the welfare state, but this time the critique extends to all transfer payments made by the government, not only those targeted to the poor:

> America's population is wealthier than any in history. Every year, the American government redistributes more than a trillion dollars of that wealth to provide for retirement, health care, and the alleviation of poverty. We still have millions of people without comfortable retirements, without adequate health care, and living in poverty. Only a government can spend so much money so ineffectually. The solution is to give the money to the people (p. 1).

Murray acknowledges that his preferred libertarian solution – eliminating taxation and leaving the functions of government to the private sector and civil society – is politically infeasible (p. 4). His second best solution, what he calls "the Plan," is to eliminate all transfer payments – Social Security; Medicaid;

Medicare; and "corporate welfare"; as well as Temporary Assistance to Needy Families (TANF), the residual welfare program that remained after AFDC was eliminated in 1996 – and replace them with a $10,000 annual grant to all citizens 21 years and older. Murray's calculations indicate that the elimination of these transfer payments would cover the cost of the grant.

The grant is partially taxed away for individuals with *earned* income between $25,000 and $50,000 per year: a 20% surtax on regular income tax is imposed on incomes above $25,000, to a maximum surtax of $5,000, or half the grant. This means that even the wealthy would keep $5,000 of the grant annually, and apparently means that those with only *unearned* income – from interest on capital, rather than from employment – would keep the entire $10,000 annually (pp. 10–14).

Having introduced his plan at the grant level of $10,000, Murray imposes a condition, requiring all adults to purchase health insurance, as a way to ensure universal coverage and keep health care costs in check. He estimates this cost at $3,000 annually per adult, effectively reducing the unconditional grant to $7,000. Murray does not require part of the grant to be invested for retirement, although his plan eliminates Social Security, preferring to err on the side of allowing too much freedom rather than imposing too much paternalism. Those who save nothing for retirement will still get the $7,000 grant annually in their old age, plus $3,000 to spend on health insurance, but no additional government pension.

As Murray acknowledges, a grant of $7,000 fails to guarantee subsistence for individual adults, but the age restriction leads to an even worse outcome for the most vulnerable families: single parents with one or more children, for whom Murray's grant would not even approach subsistence levels.[1] This is not an inadvertent effect, but Murray's deliberate distributional choice. Although he claims the plan eliminates "involuntary poverty" – poverty that is not the "product of one's own idleness, fecklessness, or vice" (p. 52) – his limitation of the grant to adults excludes the largest demographic group living in involuntary poverty in the U.S.: children. Furthermore, the minimum age excludes approximately one-third of single mothers (p. 62), although as he points out the plan does assist them in collecting child support from absent fathers, who can no longer claim to have no income if they are 21 or older.

Murray's exclusion of young, single mothers is philosophically consistent with his previous work. He has argued that the most important reason for

[1] U.S. poverty thresholds in 2002, the year Murray's calculations are based on, were $9,359 for an adult under the age of 65; $12,047 for two adults; $12,400 for one adult and one child; $14,494 for one adult and two children; and $18,307 for one adult and three children (U.S. Census Bureau.)

DOI: 10.2202/1932-0183.1098

eliminating welfare is to reduce the number of children born to unmarried women by removing the safety net, restoring the economic deterrence against unwed pregnancy, and increasing incentives for unwed mothers to give their babies up for adoption (Murray, 1994). (Murray claims that welfare causes illegitimacy despite his acknowledged lack of evidence.) Murray argued that the only way to reduce illegitimacy, which he believes is both harmful to the child and a poverty trap for the mother, is to eliminate welfare. Of course, whether or not the birth of a child is a poverty trap for the mother depends on the welfare policies in place; eliminating income support for single mothers and their children increases the risk of poverty for this group.

Murray's goal is not the elimination of poverty, but the privatization of welfare as well as Social Security and health insurance. "The key to understanding the effects of the Plan is not that it provides each individual adult with $10,000 per year, but that it provides *all* adults with $10,000 per year. 'In our hands' refers not only, nor even primarily, to 'our hands' as individuals, but 'our hands' as families, communities, and civil society as a whole" (p. 58). Murray envisions a return to the days before the welfare state replaced private and community-based support for society's most vulnerable members with government programs.

Many basic income advocates, and participation income advocates in particular, would agree with Murray that a guaranteed minimum income could promote a resurgence of private and community-based initiatives to address social problems. The question is whether child poverty should be included in the category of social problems to be solved in the family or community, rather than through a simple income transfer for those who cannot be held responsible for the "fecklessness" of their parents. The poor are members of poor families, and live in communities with relatively few resources, even with the addition of the plan's $7,000 grant.

Murray's plan is designed to preserve the "natural" distribution of wealth and resources, promote the traditional two-parent family, and penalize single parenthood. One can be critical of his priorities and distributional choices, but Murray is to be commended for being clear about which government programs his plan would eliminate; they are listed in an appendix and include many targets of the left, including subsidies to corporations, but not the tax expenditures that go disproportionately to the upper middle class and the wealthy. His explicitness allows the reader to see that Americans at the lower end of the income scale, especially those with children, would be worse off under his plan than they are now.

References

Murray, Charles (1984) *Losing Ground: American Social Policy, 1950–1980*. New York: Basic Books.

Murray, Charles (1994) "What To Do About Welfare," *Commentary* 98 (December), pp. 26–34.

Murray, Charles (2006) *In Our Hands: A Plan to Replace the Welfare State*. Washington, D.C.: American Enterprise Institute Press.

U.S. Census Bureau, Housing and Household Economic Statistics Division. Poverty thresholds available at http://www.census.gov/hhes/www/poverty/threshld/thresh02.html.

Almaz Zelleke
The New School
66 West 12th Street
New York, NY 10011
United States
Email: zellekea@newschool.edu

DOI: 10.2202/1932-0183.1098