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# Getting Tough or Rolling Back the State? Why Neoliberals Disagreed on a Guaranteed Minimum Income

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*This article explores why neoliberals associated with the Mont Pelerin Society disagreed on the legitimacy of a guaranteed income in the 1960s and 1970s in the United States. Participants in this debate are categorized along a spectrum between “libertarians” like Milton Friedman and George Stigler, who favoured a minimum-income plan, and “paternalists” like Henry Hazlitt, who opposed one in any form. While these figures were united in their desire to roll back the welfare state, the two means they advocated to achieve this task were in stark contradiction in their assumptions. Divisions over a guaranteed income commonly reflected wider disagreements on economic methodology, consumer choice, citizenship, policing, and the moral implications of dependency. Previous analysts have tended to emphasize unity amongst neoliberals on the model of the “paternalist” paradigm. By recovering the origins of the libertarian paradigm, this article demonstrates instead that there was never an orthodox neoliberal approach to welfare reform. “What does neoliberal welfare reform do?” is shown to be a question requiring more complex answers than have been recognized in the literature.*

If poverty and inequality have formed the basic arsenal of free-market capitalism’s critics, what did this system’s most prominent advocates offer as the solution to these problems in the mid-twentieth century, and how did they differ? In answering these questions, this article explores the division between free-market economists on the benefits of a guaranteed income during the 1960s and 1970s in the United States. In 1962, Milton Friedman published his own iteration of a guaranteed income in the form of a negative income tax, intended as a wholesale replacement for social programs that had defined the American welfare state since the New Deal.<sup>1</sup> By this time, Friedman was emerging as the recognized face of what Phil Mirowski and Dieter Plehwe have called the “neoliberal thought collective,” the most prominent pro-market intellectual community in the world, organized since the 1940s in a transnational network of university economics departments and think tanks, connected by the central hub of the Mont Pelerin Society

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<sup>1</sup>Milton Friedman, *Capitalism and Freedom* (Chicago, 1962), 190–96.

(MPS).<sup>2</sup> Friedman was not alone in his support for a guaranteed income within this network, joined by the likes of George Stigler, Aaron Director, George Shultz, Arthur Kemp, Paul McCracken, Karl Popper, Ralph Harris, and Arthur Seldon, but neither was he unchallenged, with Ludwig von Mises, Martin Anderson, Henry Hazlitt, Peter Bauer, and Arthur Burns amongst those most vehemently opposed to such plans. The implications of these disagreements have received scant analysis even in works which have taken neoliberal welfare ideology as their focus. Close study reveals that its protagonists sought to destroy the welfare state by two means that were fundamentally irreconcilable.

When Richard Nixon became president of the United States in 1969, two developments brought heightened significance to this debate. First, the consideration of a guaranteed income became a priority in tackling a perceived crisis in welfare provision. Second, this debate occurred with MPS members holding many of the most influential positions concerning its enactment. Milton Friedman, Martin Anderson, Paul McCracken, George Shultz, and Arthur Burns were on Nixon's economic advisory group in his campaign for the presidency. Friedman met with Nixon several times in the Oval Office, and his negative income tax formed the basis of the administration's Family Assistance Plan (FAP). Shultz was Nixon's Secretary of Labor. Burns, alongside Anderson as his aide, was the president's first choice for chair of the Federal Reserve, and McCracken headed his Council of Economic Advisers.

Every one of these economists was, or would become, a member of the MPS, and for the first time they were in positions of genuine political power in the United States. With Nixon making welfare reform his flagship domestic policy once in office, a guaranteed income became one of the first political battlegrounds for the neoliberals to confront. It is thus a remarkable historical irony that these thinkers found themselves on opposite sides of this debate. This article charts the theoretical groundwork laid within the neoliberal network in the decades preceding Nixon's plan to contextualize these debates when they occurred.

Brian Steensland has theorized that four basic paradigms framed political discourse on welfare reform by the late 1960s. Three were mobilized in support of a guaranteed income. First was the "economic-citizenship" approach of Robert Theobald, John Kenneth Galbraith, and the National Welfare Rights Organization. This paradigm cultivated the notion that minimum standards of comfort be assured as a legal right, supposedly operating in concert with preexisting social programs to end poverty in the US with relative speed. Second, Steensland maps the "family stability" concern of theorists like Daniel Patrick Moynihan, who sought to revive and strengthen the nuclear family in structurally disadvantaged minority communities. Marisa Chappell and Melinda Cooper reframe this motivation as extending the Fordist family wage to those excluded from sectors

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<sup>2</sup>Neoliberalism is here defined as the ideological principles assented to by the general membership of the Mont Pelerin Society for the propagation of competitive market capitalism. Cf. Phil Mirowski and Dieter Plehwe, eds., *The Road from Mont Pelerin: The Making of the Neoliberal Thought Collective* (Cambridge, 2009); Bernhard Walpen, *Die offenen Feinde und ihre Gesellschaft: Eine hegemonietheoretische Studie zur Mont Pelerin Society* (Hamburg, 2004); Jessica Whyte, *The Morals of the Market: Human Rights and the Rise of Neoliberalism* (London, 2019); Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics* (Princeton, 2012); Melinda Cooper, *Family Values: Between Neoliberalism and the New Social Conservatism* (New York, 2017).

dominated by white, unionized labor since the New Deal.<sup>3</sup> Steensland labels the proposals of Friedman and George Stigler as the third, “laissez-faire conservative” paradigm, concerned primarily with eliminating bureaucracy, cutting costs, and replacing supervision with incentives. Finally, the fourth conception is placed in opposition to all three of these approaches as the “rehabilitationist” paradigm. Advocates of this conception, including Anderson, Burns, Henry Hazlitt, and Ronald Reagan during his time as governor of California, attacked guaranteed-income proposals’ dissolution of the boundaries between categories of the poor that varied in their worthiness for state support.<sup>4</sup>

The neoliberal epistemic community was cut through the middle by those who supported the “rehabilitationist” (which I will henceforth call “paternalist” to fit the context of the neoliberal intellectual network) and those supporting the “laissez-faire conservative” (which I will henceforth call “libertarian”) paradigms. Absorbing Steensland’s mapping onto a fresh analysis of neoliberal welfare ideology provides an insight into its heterogeneity. Previous analysts have suggested that neoliberal welfare regimes have been premised on the disciplining of troublesome populations, workfare, surveillance, and the moralized categorization of recipients into restrictive standards of eligibility. Sanford F. Schram, for example, has argued that neoliberal policy is defined by a system in which “those in poverty are cast aside as disposable populations who are to be monitored, surveilled, disciplined, and punished.”<sup>5</sup> John Krinsky similarly frames neoliberal welfare reform as synonymous with workfare and categorization, while Loïc Wacquant believes it to operate in harmony with the penal state, sanctioning disciplinary intervention into the lives of minorities and the poor.<sup>6</sup> Melinda Cooper and Jessica Whyte in part trace these policy architectures back to the intellectuals of the MPS, arguing that they sought to reinvigorate invasive Poor Law means-testing and the stigmatizing social exclusion of an “intrusive paternalism.”<sup>7</sup> But, as will be shown, those neoliberals who advocated a guaranteed income attacked the very aspects of the welfare state which these analysts have condemned as neoliberal innovations. The “paternalist” paradigm has been privileged in the literature as *the* neoliberal approach to welfare reform for the simple reason that it won political success in the United States.

Revisiting the disagreements that neoliberals held over a guaranteed income provides a window into the well-established historiographical debate on whether these thinkers sought to “roll back” the state or to “reprogram” it towards alternative goals.<sup>8</sup> Julilly Kohler-Hausmann, Elizabeth Hinton, Heather Ann Thompson,

<sup>3</sup>Cooper, *Family Values*; Marisa Chappell, *The War on Welfare: Family, Poverty, and Politics in Modern America* (Philadelphia, 2010).

<sup>4</sup>Brian Steensland, *The Failed Welfare Revolution: America’s Struggle over Guaranteed Income Policy* (Princeton, 2008), 18–23.

<sup>5</sup>Sanford Schram, *The Return of Ordinary Capitalism: Neoliberalism, Precarity, Occupy* (Oxford, 2015), 25.

<sup>6</sup>John Krinsky, *Free Labor: Workfare and the Contested Language of Neoliberalism* (Chicago, 2007); Loïc Wacquant, *Punishing the Poor: The Neoliberal Government of Social Insecurity* (Durham, NC, 2009).

<sup>7</sup>Whyte, *Morals*, 109–12; Cooper, *Family Values*, 67–117.

<sup>8</sup>Pierre Dardot and Christian Laval, *The New Way of the World: On Neoliberal Society*, trans. Gregory Elliot (London, 2013) 1–16; Ben Jackson, “At the Origins of Neo-liberalism: The Free Economy and the Strong State, 1930–1947,” *Historical Journal* 53/1 (2010), 129–51; Wendy Brown, *In the Ruins of*

and Loïc Wacquant, amongst others, have carefully reconstructed how the contraction of social-policy goals was combined with an expansion of the penal state since the 1970s.<sup>9</sup> In welfare policy, a blurring of boundaries occurred between provision and policing through heightened surveillance, drug testing, restrictions on consumer choice, integrated criminal databases and strict categorization of recipients at the state level.<sup>10</sup> Many neoliberals of the “paternalist” paradigm actively supported this emphasis on policing and the stigmatization of claimants. They employed the language of criminality to describe large sections of this population, overlapping with racialized narratives that emphasized fraud, cheating, “chiselling,” and the assumption that freely available cash would be used for alcoholism, gambling, drug use, and other illegal activities.

Milton Friedman, the archetypal “libertarian” within this debate, instead saw one of the central advantages of a minimum income to be its eradication of these policing activities.<sup>11</sup> Friedman instead sought to remove government presence entirely from those on the economic margins, extending the libertarian justifications of choice to welfare recipients: consumer choice through cash payments, political choice through equal voting rights, and personal choice through the removal of restrictions on their activities. For Anderson, Hazlitt, Burns, and indeed Ronald Reagan, these privileges were to be more strictly reserved for those who maintained economic self-sufficiency, and thus deserved the full status of citizenship. “Choice” was the last thing those on welfare either needed or deserved, and a wholly different face of the state was to be employed in dealing with them. Hazlitt, for example, argued that recipients should be required to work by law; that redistribution should occur in kind to remove their opportunity to spend taxpayer money on frivolities and vices; that recipients should be disenfranchised until they had repaid their assistance; and that there should be a strict, enforced separation between the “deserving” and “undeserving” poor on normative behavioural principles.

Thus even amongst members of the MPS, disagreement over a guaranteed income was more than a disagreement over the policy incarnation of a shared ideology. It represented fundamental disagreements on the meanings and obligations of citizenship; on whether the libertarian principles of consumer choice, privacy, and political freedom were to be extended to economic dependents; and on whether the state should treat citizens differently to ensure behavioural compliance. The importance of this division is reinforced by the fact that guaranteed-income plans became the most prominent reform strategy by the late 1960s, inciting fierce disagreements across the political spectrum.<sup>12</sup> While Michael Harrington described

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*Neoliberalism: The Rise of Antidemocratic Politics in the West* (New York, 2019); Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge, 2018) 5–7.

<sup>9</sup>Julilly Kohler-Hausmann, *Getting Tough: Welfare and Imprisonment in 1970s America* (Princeton, 2017); Elizabeth Hinton, *From the War on Poverty to the War on Crime: The Making of Mass Incarceration in America* (Cambridge, 2016); Heather Ann Thompson, “Why Mass Incarceration Matters: Rethinking Crisis, Decline, and Transformation in Postwar American History,” *Journal of American History* 97/3 (2010), 703–34; Wacquant, *Punishing the Poor*.

<sup>10</sup>Hausmann, *Getting Tough*, 1–25, 121–205.

<sup>11</sup>In turn, he opposed the policy paradigm shifts inaugurated by the War on Drugs and mass incarceration throughout the decades that followed.

<sup>12</sup>Steenland, *The Failed Welfare Revolution*, ix.

a guaranteed income as “the most radical idea since the New Deal,” Moynihan went further in arguing that a minimum floor would embody “one of the half-dozen or dozen most important pieces of social legislation in American history.”<sup>13</sup> What debates over a guaranteed income reveal is a reformulated spectrum of neoliberal thinkers along ethical and political as well as economic lines.

Naturally, any grouping of theorists does not fully incorporate the idiosyncrasies of their thought as individuals. It is fruitful therefore to consider these paradigms of “paternalist” and “libertarian” as correlations along a continuum rather than impenetrable binary categories. A number of factors determined positions on a guaranteed income, including differences in methodological training, readings of classical liberalism and libertarianism, views on practicability, and whether redistribution in itself was desirable. The negative income tax (NIT) was unprecedented and often obscure in its implications. Some onlookers straightforwardly failed to comprehend the program, some changed their minds on the issue, and some were conflicted over its contradictions. The MPS member W. Allen Wallis, for example, equivocated in his debate with the NIT advocate James Tobin in 1967, “While I am sympathetic and favourably disposed toward it, I am not really convinced. I am disappointed that Tobin has not helped me to clarify my mind on the issue and come to a firmer position.”<sup>14</sup> While favouring freedom of choice and the preferability of redistribution in cash, guaranteeing an income without work requirements often struck neoliberal thinkers as an unusual if not wholly unethical proposition. Given that both these paradigms were employed towards the ideal of shrinking the welfare state, some were content to overlook their different implications entirely to back whichever mechanism best achieved this task. As we shall see, even Henry Hazlitt, who became the fiercest opponent of Friedman’s NIT by the 1960s, had briefly been warm to a comparable proposal in the 1930s before changing his mind. The tensions and ambiguities of libertarian thought thus existed within as well as between the minds of its philosophical advocates.

Though a guaranteed income had receded from the political agenda by the end of the Carter administration, the debates it aroused within the neoliberal network marked just one episode of a longer historical narrative. Whilst Friedman conceded in 1980 that the enactment of an NIT had become unrealistic by that time, he reminded his readers that “what is not politically feasible today may become politically feasible tomorrow.”<sup>15</sup> In the past quarter-century, neoliberal support for a guaranteed income has been reignited. James Buchanan reiterated his support for a universal basic income in 2005 following previous references.<sup>16</sup> Charles Murray, who became an MPS member in the new millennium, similarly committed himself to a guaranteed income as the most beneficial realistic alternative to the welfare state.<sup>17</sup> The inheritors of Hayek and Mises’s Austrian brand of

<sup>13</sup>Daniel Patrick Moynihan, *The Politics of a Guaranteed Income: The Nixon Administration and the Family Assistance Plan* (New York, 1973), 6, 204.

<sup>14</sup>James Tobin and W. Allen Wallis, *Welfare Programs: An Economic Appraisal* (Washington, DC, 1968), 89.

<sup>15</sup>Milton Friedman and Rose Friedman, *Free to Choose: A Personal Statement* (New York, 1980), 126.

<sup>16</sup>James Buchanan “Three Amendments: Responsibility, Generality, and Natural Liberty” *Cato Unbound* (2005), at [www.cato-unbound.org/2005/12/04/james-m-buchanan/three-amendments-responsibility-generality-natural-liberty](http://www.cato-unbound.org/2005/12/04/james-m-buchanan/three-amendments-responsibility-generality-natural-liberty) (accessed 10 Jan. 2022).

<sup>17</sup>Charles Murray, *In Our Hands: A Plan to Replace the Welfare State* (New York, 2006).

neoliberalism in the US remain divided on a guaranteed income, while Sam Bowman, the former head of the Adam Smith Institute in the UK, has consistently supported Friedman's NIT.<sup>18</sup> The divorce of work from income during the COVID-19 pandemic, and its potential to evolve the so-called "neoliberal era," has only heightened the significance of this lineage.<sup>19</sup> The debate outlined here is thus representative of a wider arc in the intellectual history of neoliberalism, rather than the flashpoint of a single, historically contingent event.

### Neoliberal Social Policy

Social policy concerned the neoliberal network from its foundation. Much of what inaugurated "neoliberalism" as an innovation of the laissez-faire principles of the nineteenth century was the recognized need to consider reformed solutions to poverty, unemployment, and the mass disaffection with market capitalism that had arisen in the 1930s. Fascism, communist expansion, New Deal liberalism, and Keynesian social democracy were varying shades of collectivism that had resulted from these ills, and a spectrum of opinion existed within the MPS on how much concession should be granted to state mechanisms for redistribution.

As exemplary thinkers within this network, Milton Friedman and Friedrich Hayek did not argue that those earning higher incomes and wealth were necessarily morally deserving of their position. Nor did they argue that the poor were at fault for theirs. For Hayek, the market operated as a morally neutral information processor, allocating resources through the price mechanism by signaling relative scarcities. No single person, group, or government could map these scarcities as efficiently as the price mechanism, and the market was therefore defined by risk.<sup>20</sup> Even the most conscientious labourers, entrepreneurs, or producers could find themselves immiserated by unforeseen structural shifts, the shortage of a vital resource, or changes in the preferences of consumers. Hayek therefore conceded that the market's determination of rewards would yield "strokes of misfortune which those hit have not deserved."<sup>21</sup> By the 1970s, he lamented that "especially in the USA, popular writers like Samuel Smiles and Horatio Alger, and later the sociologist W. G. Sumner, have defended free enterprise on the ground that it regularly rewards the deserving." Such justifications could not be guaranteed, and thus "bode ill for the future of the market order."<sup>22</sup>

The market was justified by its economic efficiency, its protection of individual freedom, and the more serious defects of its alternatives, rather than by its rewarding of the good. Friedman used a "lottery" as his analogy for distribution patterns

<sup>18</sup>Guinevere Liberty Nell, ed., *Basic Income and the Free Market: Austrian Economics and the Potential for Efficient Redistribution* (New York, 2013); Sam Bowman, "Minimum Wage Increases Will Hurt the Poor," Adam Smith Institute blog, 6 Jan. 2014.

<sup>19</sup>Adam Tooze, "Has Covid Ended the Neoliberal Era?" *The Guardian*, 2 Sept. 2021, [www.theguardian.com/news/2021/sep/02/covid-and-the-crisis-of-neoliberalism](http://www.theguardian.com/news/2021/sep/02/covid-and-the-crisis-of-neoliberalism) (accessed 1 Oct. 2021); David Weisstanner, "COVID-19 and Welfare State Support: The Case of Universal Basic Income," *Policy and Society* 41/1 (2022) 96–110.

<sup>20</sup>Friedrich Hayek, "The Use of Knowledge in Society," *American Economic Review* 35/4 (1945), 519–30.

<sup>21</sup>Friedrich Hayek, *The Road to Serfdom* (1944) (London, 1993), 110.

<sup>22</sup>Friedrich Hayek, *Law, Legislation and Liberty: A New Statement of the Liberal Principles of Justice and Political Economy* (London, 2012), 237.

in his 1962 work *Capitalism and Freedom*, accepting that unearned inequalities abounded as a result of birth, education, inherited capacities, and luck. “Most differences of status or position or wealth can be regarded as the product of chance at a far enough remove,” Friedman argued, and “the goddess of chance, as of justice, is blind.”<sup>23</sup> This indiscriminate neutrality of the market extended also to its satisfaction of consumer demands. As a British president of the MPS, Ralph Harris, argued, “the market will supply what consumers want, from prayer books and communion wine to pornography and hard liquor.”<sup>24</sup> The correlation between material well-being and moral action was not assured. Neoliberals thus regularly conceded that market exchange, despite its vast preferability to other systems, could yield undesirable consequences.

On the question of short-run poverty and unemployment as examples of these side effects, neoliberals were united in opposing the policy solutions of full employment, minimum-wage laws, and collective bargaining, as these measures seized up the productive change driven by competitive markets.<sup>25</sup> A dynamic economy was instead one in which structural shifts happened regularly in response to changing technology, resource endowments, and consumer demands, provided inflation remained low and the state did not intervene in private agreements. The neoliberals theorized that minimum-wage laws increased unemployment by pricing submarginal workers out of the labour market, while full-employment drives caused rigidities that boosted uncompetitive economic practice.<sup>26</sup> The abandonment of these interventionist solutions obligated alternative methods for the alleviation of poverty to be explored.

The axiomatic assumption of the neoliberal network in this context was that free-market policies would eliminate poverty in a comprehensive and systematic manner in the long term. This approach rested on a reading of history that posited the market as the greatest liberator of human beings from material want. As Friedman argued, market capitalism “has freed the masses from backbreaking toil and has made available to them products and services that were formerly the monopoly of the upper classes.”<sup>27</sup> A system built on the principles of private property, competitive markets, individualism, and the rule of law created abundance where it was permitted to grow. One of the most important principles in this regard was that the income one gained through the market could be used howsoever its earner desired.

The conundrum came in how to provide for those who were not self-sufficient. Michel Foucault argued that part of the neoliberal attraction to a guaranteed income was its promise to prevent dependents from exiting the “game” of

<sup>23</sup>Friedman, *Capitalism and Freedom*, 165–6.

<sup>24</sup>Ralph Harris and Colin Robinson, eds., *Ralph Harris in His Own Words: The Selected Writings of Lord Harris* (Cheltenham, 2008), 110.

<sup>25</sup>George Stigler, “The Economics of Minimum Wage Legislation,” *American Economic Review* 36/3 (1946), 358–65; Fritz Machlup, “Marginal Analysis and Empirical Research,” *American Economic Review* 36/4 (1946), 519–54; Friedrich Hayek, *Constitution of Liberty* (London, 1960) 233–47.

<sup>26</sup>Milton Friedman and Yale Brozen, *The Minimum Wage Rate: Who Really Pays?* (Washington, DC, 1966).

<sup>27</sup>Friedman, *Capitalism and Freedom*, 170.

competition and consumption.<sup>28</sup> For a number of neoliberals, therefore, some form of minimum provision by the state formed a necessary exception to the market's general rules of operation. Proposals of this kind were crafted in the earliest neo-liberal texts by Henry Simons, Walter Lippmann, W. H. Hutt, Friedrich Hayek, George Stigler, and Lionel Robbins.<sup>29</sup> The most innovative, and subsequently most influential, however, was Milton Friedman's negative income tax. The division it inspired at the first meeting of the Mont Pèlerin Society set the terms of debate in neoliberal circles for the following decades, reflected in one of its six founding aims as "the possibility of establishing minimum standards by means not inimical to initiative and the functioning of the free market."<sup>30</sup>

### Friedman's Proposal at Mont Pèlerin

Friedman's NIT was inspired by his interest in tax fluctuations for earners of an irregular income in the 1930s.<sup>31</sup> Individuals earning a consistent wage over tax cycles were advantaged over those earning in consecutive periods of higher income and no earnings at all. The individual on a fluctuating income would pay high tax sums for their earning period, but would receive no rebate when they earned nothing, thus often owing higher tax dues overall than the consistent earner despite receiving the same pre-tax income. The NIT's origin in this sense was an attempt to combat a technical problem largely shorn of broader ideological claims.

Friedman repackaged this problem for welfare purposes in conversation with economists at the US Treasury during the early 1940s, where he helped to reform the federal fiscal system through the creation of a withholding tax.<sup>32</sup> Friedman had already spent time researching household consumer spending during the 1930s, and had formulated a calculation of minimum subsistence by 1939.<sup>33</sup> The consideration of these problems was broader than Friedman's own theorization, and he later argued that the British politician Juliet Rhys-Williams's "social-contract" version of a guaranteed income, outlined in 1943, was largely identical to his own in emphasizing work incentives and the fusion of tax and social policy.<sup>34</sup> He was similarly aware of proposals like Abba Lerner's "social dividend" as another variant of a guaranteed income during the war.<sup>35</sup>

<sup>28</sup>Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France, 1978–79*, ed. Michel Senellart, François Ewald, and Alessandro Fontana, trans. Graham Burchell (Basingstoke, 2008), 206.

<sup>29</sup>Walter Lippmann, *The Good Society* (London, 1937); W. H. Hutt, *A Plan for Reconstruction* (Cape Town, 1943), 8–10, 14; Hayek, *The Road to Serfdom*, 123–5; Stigler, "The Economics of Minimum Wage Legislation"; Lionel Robbins, "The Mechanisms of Redistribution and the Objectives of Production," in Robbins, *The Economic Problem in Peace and War* (London, 1947), 9–10.

<sup>30</sup>"Mont Pèlerin Conference," MPS Papers, 5/16, Hoover Institution Library and Archives.

<sup>31</sup>Friedman to Melvin Rosen, 4 March 1969, Friedman Papers, 201/9, Hoover Archives.

<sup>32</sup>*Ibid.*; Milton Friedman and Rose Friedman, *Two Lucky People* (Chicago, 1998), 117–23. Friedman to Dennis Ventry, 3 Dec. 1996, Friedman Papers, 201/7.

<sup>33</sup>Milton Friedman, "An Objective Method of Determining a 'Minimum Standard of Living'" (1939), Friedman Papers, 37/8.

<sup>34</sup>Milton Friedman to Martin Bronfenbrenner, 30 March 1964, Friedman Papers, 21/35; Juliet Rhys-Williams, *Something to Look Forward To* (London, 1943).

<sup>35</sup>Martin Bronfenbrenner to Milton Friedman, 16 March 1964, Friedman Papers, 21/35; Milton Friedman, "Lerner on the Economics of Control," *Journal of Political Economy* 55/5 (1947), 405–16.

Friedman presented a prototype of his NIT at the first meeting of the Mont Pelerin Society in 1947 as a system of “negative taxation,” granting cash payments to all who fell below a “national minimum” income determined by the electorate. Work incentives would be maintained by recipients keeping a portion of their benefits in work, taxed at a specified rate until income surpassed an exemption point. There would be no means test apart from income, and no supervised work requirements. “If a man earned nothing, he would be given something by the state.”<sup>36</sup> Friedman clarified that his proposal was consistent with liberal principles, as “even in a completely competitive order, we would still have the problem of poverty.”<sup>37</sup> To overcome the market-crippling inefficiencies of price fixing, protectionism, social security, and collective bargaining, a system of negative taxation was the best alternative. While an NIT attacked poverty directly by giving cash to the very poorest, these programs were not fulfilling their purpose precisely because they did not do this. Friedman’s ideal was that they would be replaced by his scheme, supplemented by charitable aid for special cases of hardship.

Friedman framed his proposal as an alternative to the Poor Law tradition, which implied case-by-case inspection of claimants to filter out the undeserving on non-financial criteria, as well as supervised work requirements. Not only was this system inefficient and invasive, but also it bore unnecessary costs of administration and was not fit for the circumstances of the modern world.<sup>38</sup> Friedman here set down the distinction that would emerge into the libertarian and paternalist paradigms of neoliberal debates for the following decades.

Friedman’s “libertarian” approach was shared by the contingent associated with the University of Chicago at the conference, including George Stigler and Aaron Director. Though Friedman was its originator in the format presented, Stigler was the first to propose a negative tax in his critique of minimum wage laws in 1946.<sup>39</sup> Like Friedman, Stigler argued that relief should be granted on the “objective” grounds of declared income alone, and not on the subjective “merits” of particular cases.<sup>40</sup> At the MPS conference, Director contended, parallel to Friedman and Stigler, that “desperate poverty and excessive inequality of income” could not be left entirely to the market, and a system of “subsidy payments to those with low incomes” should be provided while “leaving a margin for incentive to work. A guaranteed minimum income along these lines will meet our humanitarian objectives far more effectively than the proliferation of *ad hoc* interventions on behalf of special groups.”<sup>41</sup>

The Chicago contingent here were largely operating on axioms set down by the economist Henry Simons, who had died the previous year. Friedman credited Simons as the intellectual source of “neo-liberalism” in the United States, with Stigler, Director, and Hayek paying similar tributes.<sup>42</sup> In contrast to more radical

<sup>36</sup>“Mont Pèlerin Conference: Income and Taxation,” 8 April 1947, MPS Papers, Hoover Archives, 5/13, 3.

<sup>37</sup>Ibid., 3–4.

<sup>38</sup>Ibid., 1–3.

<sup>39</sup>Stigler, “The Economics of Minimum Wage Legislation,” 365.

<sup>40</sup>Ibid., 364.

<sup>41</sup>“Free Enterprise or Competitive Order,” MPS Papers, Hoover Archives, 5/13, 13.

<sup>42</sup>Milton Friedman, “Neo-liberalism and Its Prospects,” *Farmand*, 7 Feb. 1951, 89–93; Phil Mirowski and Rob Van Horn, “The Rise of the Chicago School of Economics,” in Mirowski and Plehwe, *The Road from Mont Pelerin*, 139–68.

views at the MPS meeting, Simons had supported government measures to temper inequality within a market system. Acknowledging the need for careful consideration of work incentives, he nonetheless embraced a conception of “distributive justice” that was divorced from market earnings, favouring tax mechanisms to discrete government projects in combating income poverty.<sup>43</sup> Price fixing, subsidies, tariffs, licensing, or sector-specific supports distorted the price signals of the market and, like Hayek and Friedman, Simons therefore argued that any minimum countenanced should be universal.<sup>44</sup> Simons’s death provided a powerful sense of purpose amongst the Chicago contingent, and Friedman’s justifications for his guaranteed income were heavily influenced by the principles he set down.

Most of the reaction to Friedman’s proposal at Mont Pèlerin was hostile, however, and objections came primarily from those operating on alternative assumptions to the Chicago group. Stanley Dennison and John Jewkes pointed out that Friedman’s plan had no fixed principle to determine payment levels, and thus could be bid up into a dangerous level of expansion.<sup>45</sup> Administrative difficulties in accurately determining incomes were raised by Bertrand de Jouvenel and Karl Brandt, and the latter stressed that a universal minimum was a flawed solution for agricultural poverty, where even a basic guarantee would dissuade labourers from taking more productive work in industry.<sup>46</sup>

Ludwig von Mises and William Rappard went further in rejecting Friedman’s proposal as unethical. Rappard called it “anti-social” for its tendency to increase dependency. “Professor Friedman’s scheme has the worst possible psychological effects,” Rappard is reported to have contributed, in that “the *good* citizen, who *pays* his taxes, has to pay for the poor.”<sup>47</sup> Mises, whom Simons had called “fanatically extreme” for his robust opposition to redistribution, was hostile to the implied separation between earnings and income, questioning why an industrially advanced nation should provide any minimum at all.<sup>48</sup> Unlike most MPS members, Mises had dismissed the possibility of a middle way between laissez-faire capitalism and centralized planning in his work. Not only against Friedman’s NIT, Mises was opposed to government redistribution of any kind, reportedly condemning conferees at the meeting as “a bunch of socialists.”<sup>49</sup>

Friedrich Hayek, though more open to mechanisms for redistribution, criticized Friedman’s plan on similar grounds. Hayek was particularly skeptical that provision should be made in cash and on the criteria of income alone, fearing that these features promoted a “freedom not to work.”<sup>50</sup> Friedman agreed that payment levels

<sup>43</sup>Henry Simons, *Personal Income Taxation* (Chicago, 1938), 1–40; Simons, *Economic Policy for a Free Society* (Chicago, 1948) 4, 7, 28, 65–8, 317 n.

<sup>44</sup>Simons, *Economic Policy*, 127–8.

<sup>45</sup>“Income and Taxation,” MPS Papers, 3–4.

<sup>46</sup>*Ibid.*, 6–7.

<sup>47</sup>*Ibid.*, emphasis in original.

<sup>48</sup>Henry Simons to Walter Lippmann, 5 Oct. 1937, Simons Papers, 4/18, University of Chicago Library Archives; “Income and Taxation,” 7.

<sup>49</sup>Friedman and Friedman, *Lucky People*, 160–61; Ludwig von Mises, *A Critique of Interventionism* (1929) (Auburn, 2011); Mises, *Omnipotent Government: The Rise of the Total State and Total War* (New Haven, 1944).

<sup>50</sup>“Income and Taxation,” 6.

were crucial in maintaining incentives. But Hayek more fundamentally argued that the Poor Law tradition Friedman had sidelined was the preferable model, recommending a labour force “under semi-military conditions” to ensure it. “You can refuse to enter this service,” Hayek is reported as arguing, “if you prefer to live on a pittance.”<sup>51</sup> With a certain measure of ambivalence, Hayek thus assented to the tradition of the workhouse in opposition to cash minimums. Karl Popper followed by arguing that Friedman’s plan was an “attractive alternative to socialism,” while the miserly paternalism involved in Hayek’s was not.<sup>52</sup>

In one sense, Hayek’s opposition to Friedman was surprising. He had argued in his *Road to Serfdom* that government could provide “the certainty of a given minimum of sustenance for all.”<sup>53</sup> Reiterating this point in Chicago the following year, Hayek would repeat this commitment for decades, citing John Rawls by the 1970s that “a social minimum is simply a form of rational insurance and prudence.”<sup>54</sup> The division of Hayek’s followers on his advocacy for a minimum income is a reflection of the fact that he offered these solutions ambiguously, primarily justified on pragmatic grounds rather than as serious policy commitments. At the MPS conference, Hayek was hesitant to justify any minimum conditional on economic need alone and which relied purely on incentives to induce work. Unlike Friedman, this led him to justify the alternative model of work requirements, stricter conditionality of payments, and the use of the disciplinary arm of the state. In doing so, Hayek had outlined the basic core of the paternalist paradigm of neoliberal welfare ideology.

### Friedman’s Proposal in Maturity: The Poor are Free to Choose

The idea of a guaranteed income remained isolated from policy discussions following the conference. Friedman referred to his proposal in passing over the next decade, while the likes of Director continued to emphasize cash guarantees as a preferable form of redistribution.<sup>55</sup> Friedman again referred to his negative tax at Wabash College in 1956.<sup>56</sup> Here Friedman made a broader case for government’s role by defining the alleviation of poverty as bearing the non-excludability characteristic of a classic public good. Eradicating the most dire poverty held positive “neighbourhood effects” in reducing visible misery and could therefore invite government intervention on principle. As Friedman argued, “I am distressed by the sight of poverty; I am benefited by its alleviation; but I am benefited equally whether I or someone else pays for its alleviation; thus the benefits of other people’s

<sup>51</sup>Ibid.

<sup>52</sup>Ibid., 7.

<sup>53</sup>Hayek, *The Road to Serfdom*, 124.

<sup>54</sup>Stephen Kresge and Leif Wenar, eds., *Hayek on Hayek: An Autobiographical Dialogue* (Indianapolis, 1994), 114; Hayek, *Constitution of Liberty*, 226; Hayek, *Law, Legislation and Liberty*, 331 n.

<sup>55</sup>Milton Friedman, “A Monetary and Fiscal Framework for Economic Stability,” *American Economic Review* 38/3 (1948), 245–64, at 248 n.; Aaron Director, “The Parity of the Economic Market Place,” *University of Chicago Law School Record* 2/3 (1953), 6–7.

<sup>56</sup>Milton Friedman, “The Distribution of Income and the Welfare Activities of Government,” lecture, Wabash College, 20 June 1956, 10–11, Hoover Archives Online, at <https://miltonfriedman.hoover.org/internal/media/dispatcher/215144/full>.

charity partly accrue to me.”<sup>57</sup> Gordon Tullock later argued that Friedman had here “produced the first really intellectually respectable argument for government charity.”<sup>58</sup> But in doing so, Friedman’s stance was much closer to the neoclassical tradition of Alfred Marshall and A. C. Pigou on government correction of externalities than it was to the stricter methodological individualism of Mises or the Austrians within the MPS, accepting that redistribution could produce measurable social benefits, even if Friedman himself concluded that this could only be done to a lean minimum.

Friedman finally published an exposition of his NIT in *Capitalism and Freedom* in 1962. Up to this point, he had considered the proposal as a sound but peripheral policy to his broader program, and it was not until the circumstances of the 1960s popularized the idea of a guaranteed income that it rocketed up the political agenda in the United States.<sup>59</sup> It was for reasons wholly unrelated to Friedman and the neo-liberal network that this occurred.

Growing perceptions had by this time emerged in the United States of structural unemployment immune to the general remedy of economic growth. The commentators and social scientists Michael Harrington, John Kenneth Galbraith, Dwight MacDonal, Frances Fox Piven, and Richard Cloward brought invigorated attention from policy makers to the parallel lives Americans were leading, as riots in the nation’s inner cities by the mid-1960s focused particular attention on the interdependencies of urban decline, poverty, and race.<sup>60</sup> President Johnson’s initially color-blind, service-based strategy of legal aid, civil rights, job training, and education in his War on Poverty had fallen out of favour by the second half of the 1960s, as liberals, student radicals, and civil rights organizations sought more lasting social victories.<sup>61</sup> The rapid expansion of welfare rolls, female-headed households, and illegitimate births provided the primary social corollaries critiqued by the right.<sup>62</sup> In response to these trends, policy makers redirected the focus of poverty programs from employment, education, and job training towards direct income transfers.<sup>63</sup>

Meanwhile, the rise of a new strain of “commercial Keynesianism” emphasizing protection of the price mechanism and encouraging private investment through tax cuts rather than government expenditure and work programs brought auspicious circumstances for Friedman’s NIT. Key advisers to Democratic administrations in Walter Heller and James Tobin, who were amongst its gurus, were supportive of an NIT scheme in its utilization of tax mechanisms for social-policy goals within this framework. A new focus on financial incentives gained ground in welfare reform debates, and Friedman’s proposal was taken up by figures from across the political spectrum, alongside more generous iterations of a guaranteed income

<sup>57</sup>Ibid., 10.

<sup>58</sup>Gordon Tullock, *The Selected Works of Gordon Tullock*, ed. Charles Rowley, 10 vols. (Indianapolis, 2005), 7: 13.

<sup>59</sup>Milton Friedman to Katherine Garber, 11 Jan. 1966, Friedman Papers, 201/7.

<sup>60</sup>Chappell, *The War on Welfare*, 68.

<sup>61</sup>Gareth Davies, *From Opportunity to Entitlement: The Transformation and Decline of Great Society Liberalism* (Lawrence, 1996), 75–157.

<sup>62</sup>Cooper, *Family Values*, 25–67.

<sup>63</sup>Leslie Lenkowsky, *Politics, Economics and Welfare Reform* (Lanham, 1986), 19–23.

exemplified by the Ad Hoc Committee on the Triple Revolution in 1964.<sup>64</sup> Reflecting on the newfound popularity of his NIT, Friedman admitted as early as 1966 that he was “astounded at the amount of interest which it has generated.”<sup>65</sup>

Friedman had soft-pedaled some of his arguments for the NIT by this time, including his egalitarian justifications and, reflecting his move away from Keynesian assumptions, a side argument that the NIT held positive “anti-cyclical effects.”<sup>66</sup> In its maturity, Friedman presented his plan as a system of payments to all below an established threshold of income, with a marginal tax rate of up to 50 per cent on earnings until an exemption point. If the rate was 50 per cent, the exemption would be double the minimum income.<sup>67</sup> This would provide greater financial incentives to work than Aid to Families With Dependent Children (AFDC) or alternative guarantees which “topped up” income to a defined level with no marginal tax rate.<sup>68</sup> Friedman’s guaranteed income was specifically neoliberal in its low minimum at approximately half the federal poverty line, and its justification as a market-conforming measure, rather than as a solution to technologically driven unemployment, the affirmation of a right to communal resources, or a need to supplement the welfare state.<sup>69</sup>

Friedman remained committed to the principle of no eligibility rules other than income. No distinctions would be made on behaviour, work, age, disability, or gender. Nor would they be made on the sexual, marriage, or dating preferences of recipients, unlike “man-in-the-house” laws.<sup>70</sup> As well as disincentivizing family breakup, Friedman saw this feature as extending the liberal principle of neutral government. It was not for government officers to implement moralized eligibility guidelines open to interpretation and abuse, and Friedman’s distaste for these powers was magnified as he fused left critiques with his own perspective that they undermined the rule of law.<sup>71</sup>

The NIT would abolish this welfare bureaucracy, operating instead through the Internal Revenue Service via W-2 tax forms.<sup>72</sup> Checks would be mailed to the poor

<sup>64</sup>Ibid. 33–54; Christopher Green, *Negative Taxes and the Poverty Problem* (Washington, DC, 1967); Aaron Major, *The Architects of Austerity: International Finance and the Politics of Growth* (Stanford, 2014), 126–56; Daniel Zamora, “Basic Income in the United States, 1940–72: How the ‘Fiscal Revolution’ Reshaped Social Policy,” in Peter Sloman, Daniel Zamora, and Pedro Ramos Pinto, eds., *Universal Basic Income in Historical Perspective* (Basingstoke, 2021), 41–66.

<sup>65</sup>Milton Friedman to Gerald Robinson, 10 Jan. 1966, Friedman Papers, 201/9.

<sup>66</sup>“Income and Taxation,” 9.

<sup>67</sup>Friedman, *Capitalism and Freedom*, 191.

<sup>68</sup>Ibid., 191–4; Milton Friedman, “The Case for the Negative Income Tax: A View from the Right” (1966), Collected Works of Milton Friedman Project, Hoover Institution Library and Archives, Stanford, CA, at <https://miltonfriedman.hoover.org/objects/57681/the-case-for-the-negative-income-tax-a-view-from-the-right> (accessed 4 April 2020).

<sup>69</sup>Robert Theobald, ed., *The Guaranteed Income: Next Step in Economic Evolution?* (Garden City, 1966); Milton Friedman to Wanda McAllister, 25 Jan. 1966, Friedman Papers, 201/8. Ad Hoc Committee on Triple Revolution, *The Triple Revolution* (Santa Barbara, 1964); Andrew Sanchez, “American Cybernation: Technological Upheaval and Guaranteed Income Advocacy in the 1960s United States,” in Sloman, Zamora, and Pinto, *Basic Income*, 67–87.

<sup>70</sup>Premilla Nadasen, Jennifer Mittelstadt, and Marisa Chappell, *Welfare in the United States: A History with Documents, 1935–1996* (New York, 2009), 28–32.

<sup>71</sup>Friedman, “The Case for the Negative Income Tax”; Milton Friedman to F. Helmut Weymar, 5 May 1966, Friedman Papers, 201/10.

<sup>72</sup>Friedman to Ralph Harris, 11 May 1967, Friedman Papers, 154/1.

by the same institution that received the taxes of the rich, and the abolition of welfare bureaucracies would free up experts for the voluntary sector where they could aid those unable to supplement their guarantee.<sup>73</sup> This feature attracted Nixon and Moynihan within the federal government in wiping out a social-work profession seen to be expensive, inefficient, and counterproductive.<sup>74</sup>

Without this supervision, recipients would be free to spend their own money, rather than having it allocated in kind through food stamps, public housing, or rent payments. Arthur Kemp praised the NIT in this regard as being “not conducive to more paternalism but rather less” at the Tokyo MPS meeting in 1966.<sup>75</sup> Recipients would be treated as responsible adult consumers.<sup>76</sup> Community action programs in the War on Poverty had attempted to include the poor themselves within the decision making of poverty programs. As this approach lost confidence, advocates of guaranteed income sought the same goal by alternative means in funneling cash to them directly. Friedman’s centering of recipient choice thus provided an auspicious neoliberal strain of the wider policy zeitgeist.<sup>77</sup>

Since Mont Pèlerin, Friedman had favoured a centralized NIT to combat geographical concentrations of poverty.<sup>78</sup> His advocacy for federal centralization nonetheless stands out from his wider political thought. Dispersing government power was consistently supported by neoliberal thinkers, including Friedman. This commitment cultivated competition between governments themselves, allowing consumers to elude state monopolies and coercive legislation as well as corporations to escape debilitating tax regimes. As Friedman wrote in *Capitalism and Freedom*, “If I do not like what my state does, I can move to another. If I do not like what Washington imposes, I have few alternatives in this world of jealous nations.”<sup>79</sup>

For the NIT, however, Friedman pitched this argument on its head. While consumers and corporations should be empowered to choose between regulatory regimes, welfare recipients should not be encouraged to do the same. This approach complemented the “migration thesis” in contemporary debates that generous provisions attracted claimants across state lines. Joseph Mitchell, for example, infamously attacked newcomers to the city of Newburgh, New York, in the early 1960s as the “never-ending pilgrimage from North Carolina.”<sup>80</sup> But this theory was taken up by progressives too, including the Leadership Conference on Civil Rights.<sup>81</sup> Proponents across the political spectrum saw the vast inequality of payments between states as unjust in itself. The NIT would supposedly create an equitable system that dissuaded migration and eradicated AFDC, which relied on states

<sup>73</sup>Friedman, *Capitalism and Freedom*, 186.

<sup>74</sup>Vincent Burke and Vee Burke, *Nixon’s Good Deed: Welfare Reform* (New York, 1974), 67.

<sup>75</sup>Arthur Kemp, “Welfare without the Welfare State,” MPS Papers, 17/9, 309–23.

<sup>76</sup>Friedman, “The Distribution of Income and the Welfare Activities of Government,” 89.

<sup>77</sup>Moynihan, *Guaranteed Income*, 236–50; Julian Zelizer, *The Fierce Urgency of Now: Improvization, Rights* (New York, 2015), 132–45.

<sup>78</sup>“Income and Taxation,” 1.

<sup>79</sup>Friedman, *Capitalism and Freedom*, 3.

<sup>80</sup>James Patterson, *America’s Struggle against Poverty in the Twentieth Century, 1900–94* (Cambridge, 2000), 108.

<sup>81</sup>Chappell, *The War on Welfare*, 70–72.

determining rules for eligibility and remuneration.<sup>82</sup> The elimination of complex administration allowed Friedman to reconcile his advocacy for centralization with a belief that the role of the federal government would nonetheless be diminished.<sup>83</sup> Centralizing welfare permitted the taming of one bureaucracy, rather than fifty.

Newer members of the neoliberal network who supported Friedman's program by the late 1960s included Paul McCracken, Arthur Kemp, Arthur Seldon, and George Shultz. By this time, Hayek had left the United States and remained isolated from these policy debates, and Mises was in his late eighties. The primary critique of Friedman's plan came instead from the economic journalist Henry Hazlitt. Hazlitt had been in Friedman's audience at Mont Pèlerin, and it was he more than any other MPS member who mustered and complemented the criticisms heard there for a public audience in the 1960s, making it his personal mission to sink the idea on the American right. By 1974, the MPS economist Alan Reynolds could dub Hazlitt as "the most persuasive of critics of the negative income tax," while Murray Rothbard praised his arguments as "the best available refutation of the potentially disastrous Milton Friedman proposal."<sup>84</sup>

### Henry Hazlitt's Challenge: Beggars Can't be Choosers

In 1966, Friedman accepted an offer from *Newsweek* to replace Hazlitt as the economic columnist for the right-wing point of view—a position Hazlitt had held for twenty years before moving to the *LA Times*. In the same year, both figures were invited to a Symposium organized by the Chamber of Commerce to debate a guaranteed income, alongside the left-leaning futurist Robert Theobald, the liberal economist James Tobin, and the Republican representative Thomas Curtis. Hazlitt was uncompromising at this event in his criticism both of Theobald's more generous universal grants and of Tobin and Friedman's support for an NIT. Any variety of guaranteed income, he argued, was "morally indefensible."<sup>85</sup>

Hazlitt publicized his reservations on Friedman's plan for several years following this debate. In the year Nixon announced his introduction of an NIT in August 1969, Hazlitt consolidated his attacks in *Man versus the Welfare State*, and subsequently in *The Conquest of Poverty*, published after Nixon's plan was dropped by the Senate Finance Committee.<sup>86</sup> Friedman himself recognized Hazlitt as his most persistent opponent on the NIT, writing to the MPS economist Ralph Harris in 1967, "Hazlitt has been after me hard and heavy for my advocacy of the negative income tax. He has all the arguments on the other side pretty well

<sup>82</sup>Milton Friedman to Mauris Travis, 25 July 1968, Friedman Papers, 201/9; Friedman to Eleazar Lipsky, 11 Feb. 1970, Friedman Papers, 201/8.

<sup>83</sup>Milton Friedman to Stephen Diamond, 28 Nov. 1967, Friedman Papers, 201/6.

<sup>84</sup>Alan Reynolds, "Perpetuating Poverty: Review of Henry Hazlitt's 'Conquest of Poverty,'" *National Review*, 15 Feb. 1974; Murray Rothbard, "Henry Hazlitt Celebrates 80th Birthday," *Human Events*, 30 Nov. 1974, 8.

<sup>85</sup>United States Chamber of Commerce, *Proceedings of the National Symposium on Guaranteed Income*, 9 Dec. 1966, 13.

<sup>86</sup>Henry Hazlitt, *Man versus the Welfare State* (New Rochelle, 1969); Hazlitt, *Conquest of Poverty* (New Rochelle, 1973), 116–20; Hazlitt, "The Coming Crisis in Welfare," *National Review*, 18 May 1967.

marshalled.”<sup>87</sup> When Friedman and Hazlitt again came face to face at a meeting of the Philadelphia Society three years later, Hazlitt’s wife Frances joked that there should be “no physical violence.”<sup>88</sup>

Hazlitt’s most significant influence in economic thought was Ludwig von Mises, and, like Mises, Hazlitt was unwilling to concede an income guarantee divorced from market earnings. Both these figures were distant from Friedman’s qualified theoretical justification of redistribution for “neighbourhood effects,” as well as his broader use of statistics in economic reasoning. At the Symposium debate, Hazlitt argued that the NIT embraced a wider fallacy of interventionism that money could be easily separated from production and thus redistributed as purchasing power.<sup>89</sup> The technocratic engineering of tax incentives by Friedman had merely created a mathematical “gadget” which drained the poverty problem of its more fundamental moral and economic contexts.<sup>90</sup> While Hazlitt accepted that those genuinely unable to earn required support, a significant proportion of claimants did not fall into this category. The best means of shrinking the welfare state was therefore to scythe current programs through stricter categorization, rather than to introduce a program of universal cash guarantees that could be justified neither in pragmatism nor in principle.

Hazlitt fielded a number of objections that were merely practical. First, he suggested that federal payments would squeeze markets into a single Procrustean box.<sup>91</sup> “The practical effect of this would be to reduce the present high level of relief payments in the big cities hardly at all, but to increase enormously the relief paid in the poorer States and in the country districts.”<sup>92</sup> Particularly in the latter, unpleasant jobs would be abandoned by those who preferred a subsistence income from the state.<sup>93</sup> Second, Hazlitt believed that setting the NIT at a low minimum, and ideally as a replacement for all social programs, was naively ignorant of the political process. Jewkes and Dennison had offered the same critique at Mont Pèlerin.<sup>94</sup> In the first place, the NIT encountered a mathematical dilemma: one either had to guarantee an amount below the federal poverty line, as Friedman prescribed, or provide higher guarantees which, when added to the tapering of income for incentives, would berth a costly scheme paying well-off units in the higher brackets.<sup>95</sup> It was

<sup>87</sup>Milton Friedman to Ralph Harris, 11 May 1967, Friedman Papers, 154/1.

<sup>88</sup>Philadelphia Society Archives Audio Recording, “Enduring Values in a World of Change,” 11 April 1970, Chicago, at [https://phillysoc.org/tps\\_meetings/enduring-values-in-a-world-of-change-directions-for-america-in-the-1970s](https://phillysoc.org/tps_meetings/enduring-values-in-a-world-of-change-directions-for-america-in-the-1970s) (accessed 1 March 2021).

<sup>89</sup>Henry Hazlitt, “Income without Work,” Hazlitt Archives Online, B05 Sp–Z, 8494, 2; Hazlitt, *The Failure of the New Economics* (Princeton, 1959); Hazlitt, “Conventional Heretic,” *Newsweek*, 14 Nov. 1960, 94; Paul Milazzo, “Passing the Torch: Henry Hazlitt, Milton Friedman, and the Evolution of the Free Market Public Economist, 1946–1972” unpublished conference paper, Policy History Conference, Arizona, June 2018.

<sup>90</sup>Henry Hazlitt, “Consequences of Income Guarantees,” 11 April 1970, 12, Hazlitt Archives, B01 A–E, 3649.

<sup>91</sup>Hazlitt, *Man versus the Welfare State*, 84–101.

<sup>92</sup>*Ibid.*, 61.

<sup>93</sup>Henry Hazlitt, “Guaranteed Incomes for Everybody Means Guaranteed National Bankruptcy,” *Human Events*, 16 May 1970, 378.

<sup>94</sup>Henry Hazlitt, “Spending Up, No Tax Cut, But a ‘Balanced’ Budget ...,” *Battle Line*, Feb. 1970, 13.

<sup>95</sup>Hazlitt, *Income without Work: Can We Guarantee It?* (Arlington, 1969) 30.

the latter iteration that the policy would inevitably become in a democratic system.<sup>96</sup> Hazlitt argued that its bidding up would likely lead to universal payments for every family, “including the Hazlitts, the Friedmans, the Gettys and the Rockefellers,” thus enabling the European model of universal provision, so long resisted, to complete its domination of American political economy.<sup>97</sup>

Though recognizing these as valid concerns, Friedman fired back. First, even if the NIT only replaced AFDC, this would still be desirable if labourers kept at least half their earned income. Second, the NIT was a federal minimum upon which states with the highest wage markets—especially Illinois, California, and New York—could supplement their own NITs if needed. Finally, Friedman argued that “bidding up” was a much smaller risk than with contemporary programs, as direct payments made costs explicit to the taxpayer.<sup>98</sup>

But Friedman mistakenly took these practical reservations to be Hazlitt’s only real objections. In March 1967, he responded to an editorial in *National Review*:

Mr. Hazlitt does not in any way whatsoever “demolish,” as you put it, my arguments for the negative income tax ... He rejects the negative income tax on very different grounds: that it is not politically feasible [because] it will be converted to a wholly different proposal that I oppose as fully as he does ... It is most uncharacteristic of both Mr. Hazlitt and *National Review* to give up a fight on grounds of political feasibility.<sup>99</sup>

Not for the last time, Friedman here overlooked that Hazlitt’s opposition was grounded as much in a sense of ethical repulsion as in a skepticism of the measure’s practicability.

At the Philadelphia Society debate, Hazlitt emphasized that an NIT should be “rejected in principle,” as it rested on “a false idea of liberty.”<sup>100</sup> Consumer sovereignty of choice defined neoliberal thought throughout the twentieth century—even for thinkers as different as Henry Simons and Ludwig von Mises—but whether this principle extended to those supported by the state was debatable. While Friedman argued that consumer choice should be made universal, Hazlitt more strictly defined this principle as freedom to spend one’s own earnings from the market. Extending choice over money to welfare recipients only meant sacrificing the choice of its earners to see that it was spent to their tastes. Friedman and Stigler were thus foolish to have adopted the “spurious libertarian argument” that recipients should be free to spend money that did not belong to them. Far from treating claimants alike, Hazlitt sought to accentuate

the old Victorian distinction between the “deserving” and the “undeserving” poor. People today are justifiably reluctant to state the distinction in moral terms. Nevertheless, the distinction between those who are trying to cure

<sup>96</sup>Ibid., 33–4.

<sup>97</sup>Hazlitt, “Consequences of Income Guarantees,” 8–9.

<sup>98</sup>Milton Friedman, “Negative Income Tax: II,” *Newsweek*, 7 Oct. 1968, 92.

<sup>99</sup>Milton Friedman, “The Case for a Negative Income Tax,” *National Review*, 7 March 1967, 241.

<sup>100</sup>Hazlitt, “Consequences of Income Guarantees,” 4.

their poverty by their own efforts, and those who are not, is vital ... The central vice of all guaranteed-income and “negative income tax” schemes is that they ignore this distinction.<sup>101</sup>

Guaranteeing an income to undeserving “bums” and “parasites” meant forcing taxpayers to work for more income than they desired purely to support the agency of these unworthy recipients. “It makes no sense,” Hazlitt clarified, “to preserve the ‘liberty’ of the irresponsible at the expense of the liberty of the responsible.”<sup>102</sup> James Buchanan similarly critiqued Friedman for overlooking that it was not poverty itself but the poor’s behaviour, lifestyles, and their side effects that concerned the American public.<sup>103</sup>

The argument for consumer choice was further undermined, Hazlitt argued, as “it is precisely because so many of the poor have shown an incapacity for knowing how to spend as well as how to earn money that they suffer as many of the pangs of poverty as they do,” and “cash is the very last thing to be given to a compulsive gambler, a drunkard, or a drug addict.”<sup>104</sup> Contradicting Friedman, he argued that administrators should provide rent, food, and clothing rather than money for this reason.<sup>105</sup> William F. Buckley Jr, a friend of both of these men, posited to Friedman on *Firing Line* in 1968 that providing shredded wheat instead of cash could prevent claimants from purchasing pot, but Friedman countered that recipients would find ways to trade their shredded wheat for pot in any case.<sup>106</sup> Arthur Kemp addressed this point in starker terms at the MPS meeting in Tokyo:

Of course, some might buy LSD or gin or race track tickets instead of bread and housing. But then the problem is not poverty but something else ... who shall decide which choices are “wrong”? Given freedom to choose for themselves, some people are certain to make choices of which others will disapprove. Indeed, that is freedom in the most fundamental sense.<sup>107</sup>

Stigler had differentiated the policy aims of recipient choice and in-kind paternalism in his original 1946 article by warning more dramatically of “the two societies to which they lead.”<sup>108</sup> These figures accepted that paternalism was necessary for certain categories of people, including children and the mentally ill, but they saw no purpose in extending this social exclusion to welfare claimants.

Hazlitt’s attack on recipient choice extended beyond consumer purchases, however. At the Symposium debate, Hazlitt argued that claimants should be disenfranchised until they had repaid their assistance in full, incurring interest if indebted

<sup>101</sup>Hazlitt, “Income without Work,” 3.

<sup>102</sup>Hazlitt, *Man versus the Welfare State*, 77.

<sup>103</sup>James Buchanan, “What Kind of Redistribution Do We Want?”, *Economica*, May 1968, 35.

<sup>104</sup>Hazlitt, *Man versus the Welfare State*, 76.

<sup>105</sup>Hazlitt, “Consequences of Income Guarantees,” 4.

<sup>106</sup>“The Economic Crisis,” 8 Jan. 1968, *Firing Line*, Hoover Institution Library and Archives, at <https://digitalcollections.hoover.org/objects/6017/the-economic-crisis>.

<sup>107</sup>Kemp, “Welfare without the Welfare State,” 320.

<sup>108</sup>Stigler, “The Economics of Minimum Wage Legislation,” 365.

beyond a year.<sup>109</sup> He reiterated this position in 1969, citing A. V. Dicey and John Stuart Mill in both cases as his justification.<sup>110</sup> As Mill had argued a century before, “He who cannot by his labour suffice for his own support has no claim to the privilege of helping himself to the money of others. By becoming dependent on the remaining members of the community for actual subsistence, he abdicates his claim to equal rights with them in other respects.”<sup>111</sup> Claimants’ voting power further risked bankrupting the nation by tempting politicians to expand payments in seeking their votes.<sup>112</sup> Hazlitt thus inherited wholesale the nineteenth-century vision that those relying on the community should lose their right to choose in the political as well as the economic sphere.

Hayek, who had shown sympathy to the paternalist position at Mont Pèlerin, had similarly floated the idea of recipients being stripped of certain freedoms in his *Road to Serfdom*.<sup>113</sup> But Hazlitt’s Symposium audience found his disenfranchisement principle extreme, and Friedman stressed that though Hazlitt was right that this argument could be made logically on liberal grounds, it was both inconsistent and anachronistic. Dicey and Mill had made these arguments well before the foundation of the welfare state. While Friedman took profound inspiration from these figures, their prescriptions required wholly new applications in the twentieth century. Government subsidies were now received by many more people than welfare recipients, and at a much higher cost to the taxpayer. Of all those “feeding at the public trough,” it was unjustifiable even on Hazlitt’s terms to single out for punishment “those who are feeding poorly.”<sup>114</sup>

Theobald and Tobin were less forgiving than Friedman, highlighting their astonishment at the moral and racial implications of disenfranchisement, with Tobin calling it “unconscionable and so unconstitutional,” and Theobald attacking Hazlitt’s callousness in excluding “primarily the Negro.”<sup>115</sup> Indeed, the wider racial context of bolstering a strict binary between the deserving and undeserving poor was amplified by the late 1960s, as poverty programs became increasingly associated in political discussion and disproportionate media coverage with African Americans. The very category of “undeserving” in these discourses was strongly correlated with the stereotype of an inadequate work ethic in black communities.<sup>116</sup> It was likely no coincidence that the likes of Hazlitt sought, in this context, to push claimants beyond the realms of citizenship entirely.

A central argument of the paternalists more widely was that a guaranteed income was unpopular with the American people, and in one sense this argument

<sup>109</sup>United States Chamber of Commerce, *Proceedings*, 15; Henry Hazlitt to Neil McCaffrey, 8 Oct. 1969, Hazlitt Archives, B01 A–Br, 9534.

<sup>110</sup>Hazlitt had referenced this principle during the war. Henry Hazlitt, *A New Constitution Now* (New York, 1942) 117–19. Thanks to Paul Milazzo for bringing this passage to my attention.

<sup>111</sup>Hazlitt, “Income without Work,” 3.

<sup>112</sup>Ibid.

<sup>113</sup>Hayek, *The Road to Serfdom*, 124.

<sup>114</sup>United States Chamber of Commerce, *Proceedings*, 25; Milton Friedman to W. Rulon Williamson, 20 June 1968, Friedman Papers, 201/10.

<sup>115</sup>United States Chamber of Commerce, *Proceedings*, 25–6.

<sup>116</sup>Martin Gilens, *Why Americans Hate Welfare: Race, Media, and the Politics of Antipoverty Policy* (Chicago, 1999), 60–173.

remains compelling to modern historians. But even when making it, many conceded that the figures were the reverse amongst racial minorities.<sup>117</sup> Many liberal and left proponents of a guaranteed income embraced this support in their arguments. Tobin believed that a primary compulsion for an NIT was “the new sense of human equality that the Negro civil rights movement has brought to America.”<sup>118</sup> The welfare rights activist Johnnie Tillmon similarly argued that a guaranteed income was a birthright for black women who had forever had their labour as workers and mothers exploited and degraded.<sup>119</sup> While black feminist activists in the National Welfare Rights Organization (NWRO) came to oppose Nixon’s NIT, this was due to its low payment level and not to the principle of a guaranteed income itself.<sup>120</sup>

Federal payments to black residents had formed a visceral fear of racially oriented politicians since the Reconstruction era. One of the most important tools for maintaining racial hierarchy in the South had been state control over eligibility rules for poverty programs, and this “southern cage” had permitted the reconciliation of a racial caste system with the founding moment of the American welfare state.<sup>121</sup> A federally guaranteed income threatened to destroy this architecture completely. Vee and Vincent Burke argued that Nixon’s iteration would have “transformed the lives of poor black families in the South, giving them undreamed of economic security and its corollary, political power.”<sup>122</sup> Even Friedman’s comparably meagre federal minimum would have more than doubled the average benefit of a family with no earnings in a state like Mississippi, as well as removing eligibility restrictions and the power of administrators to employ them. Christopher Green estimated in correspondence with Friedman that his scheme would increase payments immediately in nine states, the vast majority of which were in the South.<sup>123</sup>

At the Symposium in 1966, Friedman attempted to stress the racial benefits of a libertarian NIT, reflecting on his conversation with the welfare specialist Herbert Krosney:

In effect, he said to me, “You classical liberals are always talking about how big government interferes with personal freedom. The examples you give are always about things that matter to people like you and me ... The people whose freedom is really being interfered with are the poor in Harlem, who are on relief. A government official tells them how much they may spend for food, rent, and clothing ... Mothers receiving aid for dependent children may have their male visitors checked on by government investigators at any

<sup>117</sup>Cf. Martin Anderson, *Welfare: The Political Economy of Welfare Reform in the United States* (Stanford, 1978), 59–65.

<sup>118</sup>Tobin and Allen Wallis, *Welfare Programs*, 27; James Tobin, “Improving the Economic Status of the Negro,” *Daedalus* 94 (1965), 889–95.

<sup>119</sup>Johnnie Tillmon, “Welfare as a Women’s Issue,” in Howard Chudacoff, ed., *Major Problems in American Urban History* (Lexington, 1994), 426–9.

<sup>120</sup>Premilla Nadasen, *Rethinking the Welfare Rights Movement* (New York, 2012), 71–94.

<sup>121</sup>Ira Katznelson, *Fear Itself: The New Deal and the Origins of Our Time* (New York, 2013); Mary Poole, *The Segregated Origins of Social Security: African Americans and the Welfare State* (Chapel Hill, 2006).

<sup>122</sup>Burke and Burke, *Nixon’s Good Deed*, 171.

<sup>123</sup>Christopher Green to Milton Friedman, 5 Jan. 1967, Friedman Papers, 201/7.

hour of the day or night. They are the people who are deprived of personal liberty, freedom, and dignity.”

“And surely, he is right,” Friedman continued:

No doubt, the taxpayer who pays the bill to support people on relief may feel that he has the moral as well as legal right to see to it that the money is spent for designated purposes. But whether he has the right is irrelevant. Even if he has, it seems to me neither prudent nor noble for him to exercise it. The major effect of doing so is to weaken the self-reliance of the recipients [and] diminish their humanity.<sup>124</sup>

Here was a no-man’s-land of neoliberal thought in which Friedman and Hazlitt came to polar opposite conclusions. Both saw the payment of taxes as fundamental to citizenship. But whereas Hazlitt prescribed that those who relied on taxpayer money should be denied its privileges, Friedman sought to extend citizenship status through the tax system. Writing to George H. W. Bush in July 1968, Friedman highlighted that a “great virtue of a coherent positive–negative income tax structure is that it treats all citizens alike and does not divide them into two classes to whom different means tests are applied.”<sup>125</sup> He repeated this notion to the House Ways and Means Committee the following autumn, arguing that the NIT would end “the present demeaning division of our population into two classes—people on welfare and the rest of us.”<sup>126</sup> Many liberal commentators supported an NIT for the same reason: all would fill out the same tax forms as equal citizens through the same fiscal infrastructure.

In Hazlitt and Friedman we thus find figures representative of the division between a variety of neoliberal welfare policy that sought to reprogram the bureaucracies of the state to exclude, surveil, and categorize, and a variety that instead advocated complete withdrawal beyond minimum payments. Friedman sought the abolition of welfare inspectors’ role as “policemen and detectives,” while Hazlitt advocated a return to the “severity and niggardliness” of the nineteenth century.<sup>127</sup> Criminality, idleness, and fraudulent behaviour were rife in welfare, according to Hazlitt. “By neglecting the careful applicant-by-applicant investigation of needs and resources made by the ordinary relief system,” a guaranteed income “would open the government to massive fraud, chiseling, and swindling.”<sup>128</sup> It was time to intensify scrutiny of recipients rather than abandon it.

Hazlitt was nonetheless aware of the attraction of Friedman’s NIT in its promise to streamline the welfare state. He emphasized his most surprising warning for its rejection at the Philadelphia Society meeting in 1970.<sup>129</sup> Having reeled off the NIT’s

<sup>124</sup>United States Chamber of Commerce, *Proceedings*, 51.

<sup>125</sup>Milton Friedman to George Bush, 30 July 1968, Friedman Papers, 201/6.

<sup>126</sup>Milton Friedman, “Statement and Testimony on Family Assistance Programs,” at <https://miltonfriedman.hoover.org/internal/media/dispatcher/215159/full> (accessed 1 Jan. 2021), 9.

<sup>127</sup>Friedman, “Statement,” 5–6; Hazlitt, *Income without Work*, 38.

<sup>128</sup>Hazlitt, *Income without Work*, 32–3.

<sup>129</sup>Though he had briefly included his point previously at the Symposium and his book of the previous year; Hazlitt, *Welfare*, 85. Hazlitt, “Income without Work,” 2.

insuperable flaws, he changed gear to surprise his audience. “Now at this point, I have a personal confession to make,” Hazlitt announced. “I am the author of the negative income tax.” More than thirty-one years previous in an article for the *New York Times’ Annalist* in 1939, Hazlitt had floated the idea of a “tapering subsidy” for claimants, both in and out of work, set uncannily at a tax rate of fifty cents on the dollar up to a minimum income. When a fifth of the American workforce remained unemployed, Hazlitt had briefly argued for a system he had come full-circle to oppose as a route out of the constellation of New Deal programs.<sup>130</sup> “Fortunately,” Hazlitt reflected to an amused audience, “this had no impact whatever and I myself abandoned the idea a few weeks later.”<sup>131</sup> As Hazlitt considered the scheme in detail, he concluded that its implications were unavoidably perverse. While there is no evidence that Friedman read Hazlitt’s article, he replied with glee that he should claim alternative authorship of the NIT. “It just demonstrates that all reasonable, intelligent, rational people who look at the same problem come out with the same answers. I am sorry to see that his powers of rationality have declined with time.”<sup>132</sup>

### Neoliberals at The Wheel

These divisions on the right prompted confusion amongst Republicans. Alongside Nixon, Bush and many other members of Congress, Barry Goldwater, whom Friedman had advised in his presidential campaign in 1964, wrote to him in bewilderment in 1969 asking for papers on the issue.<sup>133</sup> Within Nixon’s new administration, neoliberals debated NIT proposals along the same lines as Hazlitt and Friedman. George Shultz and Paul McCracken complemented Friedman’s arguments in discussions with the president, while Hazlitt’s reasoning was mirrored by Martin Anderson and Arthur Burns. When Anderson published his account of these discussions in 1978, Hazlitt wrote a beaming review for *The Freeman*.<sup>134</sup> In response, Anderson crowned Hazlitt as “the only reviewer that has fully comprehended the main theme of the book, namely, that the concept of a guaranteed income is fatally flawed, ethically and practically.”<sup>135</sup> Murray Rothbard called Anderson’s work “an empirical counterpart to Henry Hazlitt’s brilliant philosophical demolition of the GAI and NIT in his *Man vs. The Welfare State*, which should be read in conjunction with the present book.”<sup>136</sup> Anderson, alongside Burns, was an opponent of the idea from the very beginning of its political life. The arguments they utilized had all been made before.

<sup>130</sup>Henry Hazlitt, “Relief from Relief: Proposed Reform of the Chaotic Home-Relief-WPA System,” *The Annalist*, 4 Jan. 1939, 3–4.

<sup>131</sup>Philadelphia Society, “Enduring Values.”

<sup>132</sup>Ibid.

<sup>133</sup>Barry Goldwater to Milton Friedman, 20 June 1969, Friedman Papers, 149/7.

<sup>134</sup>Henry Hazlitt, “Review of ‘Welfare: The Political Economy of Welfare Reform in the United States,’” *Freeman* 28/9 (1978), 573.

<sup>135</sup>Martin Anderson to Henry Hazlitt, 9 Aug. 1978, Hazlitt Archives, B01 A-Br, 9282.

<sup>136</sup>Murray Rothbard, “Welfare,” *Reason*, Feb. 1979, at <https://reason.com/1979/02/01/welfare> (accessed 1 Jan. 2022).

Having served on Eisenhower's Council of Economic Advisers, Burns acted as an adviser to Nixon before becoming chair of the Federal Reserve in 1970. Friedman had a deep relationship with Burns, reflecting in his memoirs that "save for my parents and my wife, no one has influenced my life more than Arthur."<sup>137</sup> He had taught Friedman as an undergraduate and they remained close friends until Burns died in 1987, when Friedman authored his obituary. The pair had significant disagreements on monetary policy, but were otherwise largely ideologically kin.<sup>138</sup> Anderson had joined the MPS in 1965 and lobbied to end the Vietnam draft with Friedman while Nixon's FAP was traveling through Congress.<sup>139</sup> Anderson and Burns, like Hazlitt, thus represented familiar faces to Friedman. When it came to the NIT, they were the best of enemies.

The pair blamed Friedman exclusively for making a guaranteed income palatable on the right.<sup>140</sup> McCracken described his approach as "Friedmanesque," and it was in large part thanks to Friedman's recommendation that Shultz came to Washington in the first place.<sup>141</sup> McCracken mimicked Friedman's choice principle for recipients, and in a meeting on the topic of claimants receiving cash directly, he asked, as Kemp had in Tokyo, "As to the question, will they use it wrong, I say, wrong to whom?"<sup>142</sup> Secretary of Labor Shultz similarly argued that earmarking payments as food stamps was merely infantilizing recipients by providing them with "funny money." Friedman wrote to Shultz to inform him, "I have stolen your 'funny money' phrase for food stamps. Wish you luck in getting this straightened out inside."<sup>143</sup> Shultz further embraced Friedman's prioritization of incentives. In a memo to the president in May 1969, he privileged the "principle of free choice with respect to labor force participation in order to avoid the dual evils of crushing work incentives and removing effective wage competition."<sup>144</sup> Building on Friedman's plan, Shultz advocated for an earnings disregard for recipients' initial wages to reinforce incentives.

As Friedman intended, making work pay became the central focus of the program. In his testimony to the House Ways and Means Committee in November, he welcomed Shultz's earnings disregard, stressing that "the most important need in welfare reform is to provide a strong incentive for persons receiving governmental assistance to become self-supporting."<sup>145</sup> In his own testimony, Shultz denied that their proposal permitted citizens to coast in comfort. "Work," Shultz clarified, "is a major feature of the program."<sup>146</sup> To assure this, payments would be kept low

<sup>137</sup>Friedman and Friedman, *Lucky People*, xi.

<sup>138</sup>Milton Friedman, "What Is the Federal Reserve Doing?," *Newsweek*, 10 March 1975, 63–4; "Congress and the Federal Reserve," *Newsweek*, 2 June 1975, 62.

<sup>139</sup>David Henderson, "The Role of Economists in Ending the Draft," *Econ Journal Watch* 2/2 (2005), 362–76.

<sup>140</sup>Anderson, *Welfare*, 77–9. Burke and Burke, *Nixon's Good Deed*, 73.

<sup>141</sup>Alfred L. Malabre Jr, "May His Ideas Rest In Peace," *Wall Street Journal*, 17 Nov. 1977, 28.

<sup>142</sup>Burke and Burke, *Nixon's Good Deed*, 75–8, esp. 76.

<sup>143</sup>Milton Friedman to George Shultz, 5 May 1970, Friedman Papers, 201/9.

<sup>144</sup>Steensland, *The Failed Welfare Revolution*, 94.

<sup>145</sup>Although the combination of an NIT with other programs that weren't graduated meant that recipients' financial incentives were little to negative. Friedman therefore condemned the bill as "a striking example of how to spoil a good idea." Milton Friedman, "Welfare: Back to the Drawing Board," *Newsweek*, 18 May 1970, 89.

<sup>146</sup>Steensland, *The Failed Welfare Revolution*, 140.

and the working poor would be included in a welfare program for the first time in federal social policy.

Pat Moynihan, who was one of Burns's adversaries within Nixon's circle, argued that his opposition reflected a "strong ideological distaste."<sup>147</sup> Burns was opposed to any innovation that did not reduce costs and enrolment numbers, warning that the working poor would "find it increasingly acceptable to stay on welfare rolls" in any NIT scheme.<sup>148</sup> This was a reincarnation of Hayek's critique that Friedman's plan promoted a freedom not to work. Like Anderson, Burns denied there was any real problem of poverty left in the United States, and welfare should therefore serve only those unavoidably out of work, insisting on enforced work requirements to filter the lazy from the needy.<sup>149</sup> Abandoning this approach meant risking "what may happen to the moral fibre of America when millions of people, many of whom do not consider themselves poor, are suddenly thrust by law onto the welfare rolls."<sup>150</sup>

Burns and Anderson contended that an unconditional right to resources was inherent to an NIT.<sup>151</sup> Reflecting on these years, Anderson cited Hazlitt's contribution to the Symposium debate with Friedman as reflecting his own perspective at the time:

If you claim a "right" to an income sufficient to live in dignity whether you are willing to work or not, what you are really claiming is a right to part of somebody else's earned income. What you are asserting is that this other person has a duty to earn more than he needs or wants to live on. This is an absolutely immoral proposition.<sup>152</sup>

The MPS economist Peter Bauer later similarly rejected Friedman's NIT for its principle of "support without stigma [and] the right to an income regardless of performance, simply by being alive and poor."<sup>153</sup>

Neoliberals universally rejected any definition of rights which obligated the redistribution of resources.<sup>154</sup> Such constructions conflicted with the principles of private property and the freedom to earn, save, and contract without undue state interference. Friedman, Stigler, and Kemp wholeheartedly agreed with this. But many advocates of a guaranteed income to Friedman's left did seek to enshrine a material standard of living as a legal right. While Friedman could distance himself from advocates like Theobald by distinguishing the NIT from larger payments bearing no marginal tax rate, liberal participants like Tobin, who also supported this argument, still framed their own iterations of an NIT as "a matter of right, not

<sup>147</sup>Moynihan, *Guaranteed Income*, 160.

<sup>148</sup>Burke and Burke, *Nixon's Good Deed*, 40–67, 118.

<sup>149</sup>Arthur Burns, *Inside the Nixon Administration: The Secret Diary of Arthur Burns* (Lawrence, 2010) 17–22.

<sup>150</sup>Steenland, *The Failed Welfare Revolution*, 88–97, 110; Anderson, *Welfare*, 89.

<sup>151</sup>Burke and Burke, *Nixon's Good Deed*, 81–2.

<sup>152</sup>Anderson, *Welfare*, 76.

<sup>153</sup>Peter Bauer, *Equality, The Third World and Economic Delusion* (Cambridge, 1981), 20.

<sup>154</sup>Whyte, *Morals of the Market*.

of charity.”<sup>155</sup> Friedman and his supporters thus trod a fine line in reconciling their opposition to a legal right with an advocacy of a guaranteed income, whether or not they saw it as a potential platform for a market utopia devoid of a welfare state entirely. “I favour the negative income tax,” Friedman clarified in 1972, “not because I believe anyone has a ‘right’ to be fed, clothed, and housed at someone else’s expense, but because I want to join my fellow taxpayers in relieving distress and feel a special compulsion to do so.”<sup>156</sup>

Anderson and Burns, like Hazlitt, argued that there was no practical distinction between these positions. Claiming rights was inseparable from a guaranteed income, and once inaugurated it could facilitate mass idleness and bankrupt government coffers. Anderson used the analogy of the Speenhamland Law to make this point, which *de jure* guaranteed subsistence to agricultural labourers in England from 1795 until the New Poor Law of 1834, suggesting in a memo to Nixon that the outcome was “the pauperization of the masses, who almost lose their human shape in the process,” leading with the words of George Santayana: “those who cannot remember the past are condemned to repeat it.”<sup>157</sup> The source of this example was Karl Polanyi’s *Great Transformation*, and it was included in the first major study of the NIT in 1967 by Christopher Green, who corresponded with Friedman for his research.<sup>158</sup> Hazlitt referred to the Speenhamland example two months prior to Anderson’s note, and he even paired it with the same Santayana quotation in *Human Events* the following year, concluding that there “could be no faster way to impoverish the nation.”<sup>159</sup> The MPS economist Arthur Seldon felt the need by 1971 to forestall the objection of “Speenhamland demoralisation” in his own writings to strengthen his case for an NIT in the United Kingdom.<sup>160</sup>

Even without a Speenhamland-like dystopia, however, Anderson warned of an expansion in fraudulent behaviour under a guaranteed income, speculating by the 1970s that fraud nationally cost the taxpayer “hundreds of millions, probably billions, of dollars,” and the solution to this could never be the abdication of recipient scrutiny. Anderson urged a shift away from an “automatic, check-mailing type of welfare operation to a more personalized, people-oriented kind of welfare administration that emphasizes both the authority and the responsibility of local government.”<sup>161</sup> The libertarian approach was a non sequitur. “There is no reason,” Anderson argued, why “people should be given financial incentives to do what they rightfully should be doing anyway.”<sup>162</sup>

<sup>155</sup>Milton Friedman, “Negative Income Tax: I,” *Newsweek*, 16 Sept. 1968, 86. Tobin and Allen Wallis, *Welfare Programs*, 15.

<sup>156</sup>Milton Friedman, “Is Welfare a Basic Human Right?,” *Newsweek*, 18 Dec. 1972, 90.

<sup>157</sup>Martin Anderson, “A Short History of a ‘Family Security System,’” 14 April 1969, quoted in Steensland, *The Failed Welfare Revolution*, 94; Burke and Burke, *Nixon’s Good Deed*, 70–72; Rutger Bregman, *Utopia for Realists: And How We Can Get There* (London, 2017), 77–97.

<sup>158</sup>Green, *Negative Taxes*, 51–2.

<sup>159</sup>Hazlitt, *Man versus the Welfare State*, 93; Hazlitt, “Proponents of ‘Workfare’ Plan Forget What History Has Shown,” *Human Events*, 24 Oct. 1970, 831.

<sup>160</sup>Arthur Seldon, *The State Is Rolling Back: Essays in Persuasion*, ed. Colin Robinson (Indianapolis, 2004) 36–7.

<sup>161</sup>*Ibid.*, 162.

<sup>162</sup>Anderson, *Welfare*, 161–2.

He found his preferred model in Governor Reagan's reforms in California.<sup>163</sup> Reagan had consistently opposed any form of guaranteed income, including Friedman's and Nixon's. He telegraphed the chair of the Senate Finance Committee in May 1970 to demonstrate his opposition. He met with Nixon in July to voice his concerns, and withheld his support at the Republican Governors conference in December. Following his own Welfare Reform Act in California in 1971, Reagan devised an alternative road map intended for emulation at the national level.<sup>164</sup> Just as Nixon's plan was being jettisoned in Congress, Reagan proclaimed in June 1972 that his measures had enabled Sacramento, unlike Washington, "to slay the monster welfare was becoming in California."<sup>165</sup>

What Anderson praised in this program were features wholly opposite to Friedman's NIT: non-financial categorization of those undeserving of aid, decentralization to the states, maintenance of local bureaucracies to assess work capabilities and detect fraud, redistribution in kind to preclude consumer choice, and heightened prosecution for those who abused the system. This approach of distinguishing "scroungers" from the "truly needy" allowed Reagan to boast by 1974 that the California model had removed 350,000 applicants from the rolls while "basic welfare grants to destitute families have gone up 41 percent."<sup>166</sup> Anderson highlighted this advantage in praising Reagan's model, privileging what Hazlitt had called the attention "case by case to the particular needs of each family."<sup>167</sup> Hazlitt, Anderson, and Reagan sought, contra Friedman, to employ strict conditionality of payments, the expansion of policing, and a fundamental rejection of the entitlement philosophy that they saw as inherent to a guaranteed income.

## Conclusion

Melinda Cooper has framed neoliberals as united in their desire to reinstate the principles of the Poor Law tradition, and specifically its emphasis on the family as the bearer of financial risk.<sup>168</sup> Cooper's profound scholarship has changed the way we think about neoliberal approaches to poverty, sexual politics, and the family. Even Cooper, however, inherits a broader oversight in the literature on neoliberal policy making of the contradiction between programs which defined recipients worthy of aid purely on the basis of income, and a Poor Law tradition that anchored itself as its polar opposite: an enforced normative distinction between the "deserving" and "undeserving" poor. If Clinton's reforms in the 1990s exemplify the triumph of neoliberal welfare ideology, its four main characteristics of nonfinancial means tests, work requirements, time limitation, and decentralization to the states were features wholly opposite to the libertarian framework of a

<sup>163</sup>Ibid., 153–67.

<sup>164</sup>Reagan Archives, press releases, Box P5, 248, 573; press conference, Box P03, 4 Aug. 1970, 1; Kohler-Hausmann, *Getting Tough*, 140–46.

<sup>165</sup>Reagan Archives, press releases, Box P6, 16 June 1972.

<sup>166</sup>Ronald Reagan, "California's Blueprint for National Welfare Reform," Sept. 1974, RRPL Digital Library Collections, Box 39, ii.

<sup>167</sup>Ronald Reagan, "The Tragic Failure of Our Welfare System," *Human Events*, 1 May 1971, 360; Philadelphia Society, "Enduring Values."

<sup>168</sup>Cooper, *Family Values*, 67–117.

guaranteed income. The neglect of this distinction has consistently led to narratives which universalize the paternalist paradigm, misaligning theorists like Friedman, Stigler, Kemp, and Seldon, who justified a guaranteed income as overturning, rather than reinforcing, this central core of the Poor Law tradition.

The libertarians recognized that they were striking at the heart of this inheritance. Friedman framed his NIT as a distinct alternative to the Poor Law tradition at Mont Pèlerin in 1947.<sup>169</sup> The welfare subcommittee of Nixon's Urban Affairs Council, on which Shultz played a significant role, similarly cast their approach as "the most significant departure yet made from the Poor Laws of Elizabethan England from which our present practices descended with all too little change."<sup>170</sup> The NIT was so revolutionary, Michel Foucault argued, because it specifically disavowed this tradition: "the famous distinction that Western governmentality has tried for so long to establish between the good and bad poor, between the voluntary and the involuntary unemployed, is not important ... whether he is a drug addict or voluntarily unemployed is not important. Whatever the reasons, the only problem is whether he is above or below the threshold."<sup>171</sup> In Moynihan's words, the NIT "would put money in the hands of persons who all could agree needed money, whether or not they deserved it."<sup>172</sup>

Within the neoliberal network, to be sure, both libertarian and paternalist means were employed towards the ideal of bringing recipients into reconciliation with the competitive market. Critics of free-market capitalism thus have good reason to oppose both these paradigms on the terms they were given. But they cannot be made equivalent. If neoliberals could agree that their utopia was a free-market system devoid of a welfare state, their disagreements on the means of achieving it were persistent precisely because they were irreconcilable. As they themselves were so fond of emphasizing in their critiques of interventionism, political means are as fundamental as political ends.

When Reagan addressed the Conservative Political Action Conference in his maiden year in the White House in 1981, he credited intellectual "leaders like Russell Kirk, Friedrich Hayek, Henry Hazlitt, Milton Friedman, James Burnham [and] Ludwig von Mises."<sup>173</sup> Reagan's election represented a triumph for the Mont Pèlerin Society and the American conservative movement. But on the specific issue of an income guarantee, and with the president's position clear, Friedman conceded that Anderson's reenforced hostility to an NIT-like program as his domestic adviser was "likely to be very influential in the White House."<sup>174</sup> While Friedman's influence on Reagan was significant, exemplified by his winning the Presidential Medal of Freedom under his administration, Reagan's election banished Friedman's libertarian approach to welfare. If Hazlitt thought himself irrelevant by this time, this sense was punctured when Reagan wrote to him following his landslide reelection in 1984. "No one in this century has written more lucidly or

<sup>169</sup>"Income and Taxation," 1–2.

<sup>170</sup>Moynihan, *Guaranteed Income*, 160.

<sup>171</sup>Foucault, *Biopolitics*, 204–5.

<sup>172</sup>Moynihan, *Guaranteed Income*, 160.

<sup>173</sup>Ronald Reagan, "Remarks at the Conservative Political Action Conference," in Reagan, *Speaking My Mind* (New York, 1989), 96.

<sup>174</sup>Milton Friedman to Mark Michaelson, 6 Oct. 1981, Friedman Papers, 201/8.

with greater common sense on the major issues of public policy, and few individuals have enjoyed an influence as far-ranging as yours ... [Your] insights have guided my own thinking, and I am proud to count myself as one of your students.”<sup>175</sup> Overjoyed, Hazlitt congratulated the president by highlighting his now “precious opportunity, free from any election fears, to propose slashes in our immense welfare spending.”<sup>176</sup>

With the accentuation of the Poor Law distinction between the deserving and undeserving poor, the paternalists within this debate sought to chisel away the welfare state with something known. With the negative income tax, the libertarians sought to destroy it completely with something new. As Arthur Kemp argued at the Tokyo meeting of the Mont Pelerin Society, if neoliberals could not assent to innovative new policies like the NIT, “the remark made that the liberals were dragged, screaming, into the twentieth century may prove to be more than a snide comment.”<sup>177</sup> Beyond the turn to free-market policies in the 1980s, historical narratives have tended to document the triumph of neoliberal welfare ideology. With a fresh analysis of the decades preceding this turn, one sees instead the more nuanced picture of one paradigm of thought, that operated both within and beyond the neoliberal intellectual network, gaining the upper hand over the other.

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<sup>175</sup>Ronald Reagan to Henry Hazlitt, 16 Nov. 1984, Hazlitt Archives, B02 F–H, 5292.

<sup>176</sup>Henry Hazlitt to Ronald Reagan, 7 Dec. 1984, Hazlitt Archives, B05 Pi–Se, 17518.

<sup>177</sup>Kemp, “Welfare without the Welfare State,” 323.