

“The Case for the Negative Income Tax”
by Milton Friedman
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I am delighted to accept your open invitation to reply to your comments on proposals for a guaranteed annual income.

My support of a negative income tax has been and remains entirely serious, neither tongue-in-cheek nor Machiavellian. The case I made for it in *Capitalism and Freedom* still seems to me entirely valid; indeed, further thought has only reinforced my belief in its desirability.

Your paragraph, like so much writing on this subject, confuses labels with substance. The elementary fact is that we now have a governmentally guaranteed annual income in substance though not in name. In effect, that is what our grab-bag of relief and welfare measures is. In some states, it is even written into the law that anyone whose income is “inadequate” is entitled as a matter of right to have it supplemented and brought up to an “adequate” level, as judged of course by the welfare agencies. And whether explicitly specified in law or not, the same thing is true almost everywhere in the U. S.

Our present de facto guaranteed annual income is a mess. It is expensive and most of the money goes to people who are not by any stretch of the imagination poor. It involves a tremendous bureaucracy, wide-spread intervention into the operation of the market system in areas that have nothing to do with poverty, and inexcusable interferences with the individual freedom and dignity of the truly poor who receive assistance, let alone of the rest of us. Equally serious, it has the worst possible effect on incentives because a dollar earned and revealed is a dollar of relief lost. It tends to produce poor people, and a permanent class of poor people living on welfare, rather than to help the unavoidably indigent.

I favor the negative income tax because it would be vastly superior to our present guaranteed annual income. It would cost much less, give more help to the truly poor, avoid interference with personal freedom, preserve some incentives to work, and drastically reduce the present bureaucracy.

If we lived in a hypothetical world in which there were no governmental welfare programs at all and in which all assistance to the destitute was by private charity, the case for introducing a negative income tax would be far weaker than the case for substituting it for present programs. For such a world, I might very well not favor it. But, whether desirable or not, that is not our world and there is not the remotest chance that it will be in the foreseeable future.

Mr. Hazlitt does not in any way whatsoever “demolish,” as you put it, my arguments for the negative income tax. On the contrary, he grants them. He rejects the negative income tax on very different grounds: that it is not politically feasible to get it adopted, either as a substitute for present measures or otherwise, because it will be converted to a wholly different proposal that I oppose as fully as he does.

Mr. Hazlitt may be right. He almost surely will be if every libertarian and conservative attacks the negative income tax on his grounds, even though each would vastly prefer it to our present welfare measures. That is truly to let the best be the enemy of the good. Unless we propose an alternative and fight both to have it introduced as a substitute for present programs rather than an addition to them, and also to keep it to a modest and acceptable scale, just who is likely to do so? It is most uncharacteristic of both Mr. Hazlitt and *National Review* to give up a fight on grounds of political feasibility.

It will be a tragic wasted opportunity if libertarians and conservatives fail to support a program that is consistent with their own values and that seems to me the only practicable route so far proposed for dismantling gradually but thoroughly the jerry-built structure of government interferences with the market and with individual liberty that have been adopted in the name of welfare.

Finally, may I say how refreshing I find it to be attacked for a change from the Right and welcomed by the Left? The Left, if it accepts the program, will find that it has bought a Trojan Horse. As to the Right, we need to recognize that our growing strength brings the responsibility to suggest reasoned alternatives to present programs that will permit a gradual withdrawal from them. We will only harm our own cause by an unreasoning retreat to a dream world.

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