

A NAFTA Dividend:

A proposal for a guaranteed minimum income for North America

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The aim of this paper is to explore the desirability and feasibility of a basic income for the region consisting of the countries of the North American Free Trade Agreement (NAFTA). I will review arguments in support of a basic income (BI) or a negative income tax (NIT) for the European Union. Then I will examine ways in which the NAFTA countries do and do not resemble the EU in aspects relevant for the desirability and feasibility of a regional basic income. Some features in NAFTA may raise special difficulties concerning feasibility, such as the greater inequality in the NAFTA region than in the EU, inadequate political infrastructure in Mexico for successful implementation, and a lower degree of economic and political integration. Desirability may be questioned with respect to the lower level of shared commitment to social democratic norms of social protection in North America, compared to the countries of the EU. Despite these problems, I shall try to show that a case can be made for a NAFTA Dividend, which could take the form of a BI or NIT, grounded, with respect to desirability, in a globalist theory of justice, and with respect to feasibility, in the necessity of moderating the flow of labor migration. A universalistic regional BI (or NIT) is a useful tool for regional development that is fair, and that insures better than the current NAFTA that benefits of cooperation are to the advantage of the least advantaged, without the need for a volume of labor migration that is disruptive to the lives of both Mexicans and other North Americans. I will address objections that regional social justice is better met through trade alone, or through trade together with some other form of development assistance.

1. BI for the EU?

If a regional basic income (RBI) could be imagined anywhere, the European Union would be the most likely place. The EU has achieved currency integration, and allows labor mobility and entitlement to social rights in the member countries. Yet even here the obstacles to a “social Europe” are formidable, due to the different levels of economic development, especially after enlargement, the different traditions of tax and social policy, the diverse interest groups and their resistance to change, the fact that the EU is not a state with powers of taxation and enforcement, and the fact that the representative structure of the EU privileges business interests. Still, despite these obstacles, and in response to the social disruptions from liberalization and the existence of extreme poverty, Schmitter and Bauer suggest a modest policy that is European in scope,

transparent, and simple to administer. A “Eurostipendium” or NIT is their proposal for such a policy. Van Parijs and Vanderborght propose instead a Euro-Dividend or BI (Schmitter and Bauer 2001; Van Parijs and Vanderborght 2001).

The Eurostipendium would consist of a monthly payment of €1000/year to all citizens and denizens in the EU with less than one third the average EU income, which they take to be a rough measure of those in extreme poverty. This would represent an approximate 25% increase in the incomes of the extremely poor. It would be paid out of funds currently set aside for EU agricultural subsidies and regional structural funds, and phased in as these latter are phased out. While the loss of agricultural subsidies will be fiercely resisted, there is also pressure within and outside the EU to reduce these, thus trade liberalization in this respect affords an opportunity to redirect funds that states have hitherto already been willing to allocate.

Some of the problems with the Eurostipendium are similar to those with any NIT. There will be exorbitant marginal tax rates, unless the stipend is gradually phased out as one earns income, but in the latter case the simplicity is lost (Van Parijs and Vanderborght 2001). A Euro-dividend, which Van Parijs and Vanderborght recommend differentiating according to the cost of living in various member states would have four advantages over the Euro-stipendium: 1. The “havoc in the incentive structure” is avoided, 2. It is not necessary to come up with an operational definition of “income” in the face of the different systems of tax and transfer that a means-tested scheme requires, and 3. It provides a “tangible expression of the material benefit...which the EU is supposed to bring to *all* its citizens.” 4. A BI provides an additional solution to the problem of rewarding states that neglect the poor. A NIT will encourage states to reduce their own programs for poverty relief. But with BI poverty relief in each state will come on top of the BI payment (Van Parijs and Vanderborght 2001, 344).¹ If these advantages can be communicated to the general public, in each of the member states, then there is an effective response to the objection that the Euro-dividend proposal cannot be sold to policymakers and their constituents (Schmitter and Bauer, 2001a).

2. Global Basic Income

Outside the EU, it might be thought that it is no less utopian to aim straightaway for a modest global basic income (GBI) than to aim for a RBI in North America or any other region. While other regional trading blocs exist alongside the EU, they do not have the degree of monetary integration of the EU, and their members have analogous trade relations with other countries outside the bloc that are nearly as extensive as those within (eg., the US with China) so that the special transfer arrangements for those in the bloc might appear arbitrary. Also, a GBI has the promise of reaching the very poorest, who currently are least in a position to benefit from trade.

One such proposal is Pogge’s Global Resource Dividend (Pogge 2002), derived from a tax on natural resources equivalent to about 1 per cent of aggregate global income, to be used to raise the nearly 3 billion people in extreme poverty up to the poverty line of

¹ The solution to this problem available with a NIT is co-payment by both the regional fund and the particular state receiving the transfer.

\$2 per day. Strictly speaking this is not necessarily a global basic income, but it could be applied in this way if the dividend were given, at least in part, in cash to the recipients, rather than in kind, and if the gross amount collected were proportionately large enough to give a BI to everyone. The principle invoked to justify the GRD is that “those who make more extensive use of our planet’s resources should compensate those who, involuntarily, use very little” (Pogge 2002: 204; quoted in Hayward 2005: 319). Hayward has argued that the specific way that Pogge proposes to measure resource use is vulnerable to the objections of arbitrariness and even counterproductive results, since the tax would be levied on selected resources, and focus on extraction rather than ultimate use, thus possibly falling on poorer resource-exporting countries rather than rich consuming countries. But these defects could be remedied if the tax were proportional to a country’s “ecological footprint” in “ecological space”. Then the tax would fall more proportionately on the wealthy, all resources would be accounted for, at every stage of use, and all environmental effects would be factored in (Hayward 2005). The advantages of interpreting this as a BI are similar to those in the Euro-dividend case. It would not be necessary for the non-means-tested BI to adjudicate the differing ways of calculating income for purposes of determining recipients. Genuinely needy recipients who would otherwise fall through the cracks because of failure to meet arbitrary criteria or because of inability to apply would receive their share. The poverty trap associated with means testing would be avoided. Given the rationale, means-testing is inappropriate since the payment is compensation for exclusion, not charity. The funding mechanism is similar to, if more ambitious than, Van Parijs and Vanderborcht’s energy tax proposal (Van Parijs and Vanderborcht 2001), and if applied worldwide would not be vulnerable to the objection that it would render the participating countries uncompetitive in a time of rising energy costs (Schmitter and Bauer 2001a). Since this dividend alone would still leave vast numbers in poverty, although not extreme poverty, it could be complemented by a variety of national, or regional development or transfer schemes, including BI schemes.

There is no reason not to pursue vigorously this and similar proposals. However the political feasibility might be questioned. If it is doubtful that the countries of the EU could agree on a modest proposal, how much more difficult will it be to get all the countries of the world to agree? And is the infrastructure in place to administer the requisite taxes and transfers on such a scale? Some additional obstacles include the desire to block transfers to “rogue states” that fail to comply with human rights conditions. While Pogge claims that his argument turns only on inequality of resources, his argument actually includes an aspect of the “shared institutions” argument since the poor are “coercively excluded...from a proportional resource share” (Pogge 2002: 203; Hayward 2005: 330). To the extent that an argument from justice depends on shared institutions, obligations from wealthy to poor weaken as institutional ties attenuate. Also, when there are fewer shared institutions, there are fewer reasons of a self-interested sort that can augment the case for wealth and income transfers from wealthy to poor. For these reasons then it is worthwhile to give some attention to the desirability and feasibility of regional transfers in trading blocs such as the NAFTA countries, to which I now turn.

3. A NAFTA Dividend

The NAFTA went into effect in 1994, reducing tariffs and other barriers to trade among the three signatories, the United States, Canada, and Mexico. Canada and Mexico are the first and second largest single-country trading partners of the United States, respectively (although China exports more to the US than does Mexico). Trade among the three countries has doubled since 1993. NAFTA was responsible for 36% of US export growth last year and 55% of the agricultural export growth since 1993. Employment has increased over 20% from 1993 to 2006, and average unemployment was 5.1% from 1994-2005, compared to 7.1% in the previous decade. Industrial production increased 49% in the last 12 years compared to 28% in the previous 12, and employment compensation rose more rapidly from 1993-2005 than from 1981-93. Twenty per cent of Mexicans are employed in export-oriented jobs, and half of the 3.5 million new jobs created from 1995-2000 were a result of NAFTA export growth; these jobs pay 37% more than in the rest of the manufacturing sector. Capital investment, farm production and farm exports in Mexico have all risen and at a faster rate than in the period before NAFTA took effect (US Trade Representative 2006). GDP has grown from 40 to 49 per cent in each country (but, see below, contesting this claim). For these and other reasons the treaty is judged by its supporters to be a success.

And yet inequality is growing, nationally and internationally. In Mexico the share of income received by the top 20 percent has grown while the share of the bottom 20 percent has shrunk. There were more people in poverty in 1996 than in 1989. Employment generation in the export-oriented enterprises has not yielded projected spin-offs for the rest of the economy, and the minimum wage and average real wages have declined (Dussel Peters 2000: 167—68, 206, 214; Public Citizen 2004: 1). The differential between average wages in the US and those in Mexico grew by over ten per cent in the first decade of NAFTA (Cornelius and Tsuda 2004: 10). Increasing numbers of migrant workers continue to flow from Mexico to the US, accounting for 20 % of the legal immigrants in 2000, but over half of the unauthorized immigrants. The proportion of the American population of Hispanic origin is expected to grow from 9% of the population in 2000 to 18% in 2025. This is partly the result of labor market conditions and demographic trends in the US: a more educated and aging population many of whom will not take jobs in agriculture, domestic service, or construction, and a stagnant minimum wage, and lax enforcement of laws prohibiting the hiring of undocumented workers. And it is partly the result of large wage differentials (8:1) between the two countries, the effects of established migration networks, and consequences of NAFTA itself. Dumping of subsidized US corn in the Mexican market has undermined many small farmers, forcing them into the labor market (Oxfam). This may be deliberate, as job and economic growth in Mexico is seen as requiring the displacement from agriculture (Martin 2004 : 80-81). In any case, the trend is not likely to stop. According to Mexico's National Population Council, if Mexico's GDP grows by 5%, it is expected that 400,000 will migrate per year; at 1.5%, 500,000. The latter figure is probably the more reasonable to expect.

“Following a 6% decline in 1995, the data show annual growth of only 2.1% from 1996-2003, driven primarily by a 9.5% jump in 2001. Since NAFTA went into effect in 1994, Mexico has averaged 1.8% real per-capita GDP growth. By contrast, through much of the

sixties and seventies Mexico had per capita GDP growth that often exceeded 4 percent, and in some years exceeded 7 percent” (Weisbrot, et al 2004).

Such figures call into question the claim that NAFTA has contributed significantly to Mexico’s GDP growth. In any case, it has not slowed the flow of undocumented workers as promised. What has resulted is a North American economy increasingly integrated not only in the flow of goods but also in the flow of people. In 2004 unauthorized immigrants numbered about 9.3 million (the number now is estimated between 11 and 12 million), constituting 26% of the foreign born, 5% of the total workforce, 10% of low wage earners, and the majority of workers in agriculture (Cornelius and Tsuda 2004 :8n6).

Attempts to reduce the migration flow through development assistance and investment have not been successful, with wage disparities increasing (Ghosh 2000: 17; quoted in Cornelius and Tsuda 2004: 10). The failure may be due in part to insufficient aid or investment; such aid and investment halved the wage disparities in the EU (Cornelius and Tsuda 2004: 10). But it could also be the result of the relative successes of trade liberalization.

“Some strategies of development, ...particularly export-oriented industrialization, may accelerate integration into the world economy by increasing dependence on international markets and exacerbating internal imbalances between dualistic sectors of the domestic economy. These trends, as well as the exposure of locals to international production and consumption standards through employment in export industries, strengthen the incentive to migrate among an expanding section of the population.... [A]ttempts to reduce migration into the United States by setting up industries in Mexico had the effect of increasing Mexico’s dependence on US products and labour markets and contributed to increased migration from Mexico to the United States as increasing numbers of Mexicans became exposed to US consumption standards that had no relation to their local conditions of employment and wages” (Lim 1992: 138).

In this context, what should we judge concerning the feasibility and desirability of an income transfer scheme for North America?

a. Some feasibility problems

i. inequality

It might be thought at first that income disparities are so great in North America compared with Europe that a regional minimum income policy such as a negative income tax or basic income is a non-starter. But when one considers EU enlargement the differences are not so great. In terms of GDP per capita, before enlargement, the gap between the richest and poorest countries in the EU (excluding Luxembourg) is about two to one in 2002. The gap between the US and Mexico is about four to one. But with the first wave of enlargement, the gap grows to over three to one, and with the second wave, the gap exceeds that between the US and Mexico, approaching six to one (comparing Norway’s 36,600 to Romania’s 6560), with several countries in the three or four to one disparity range (Schmitter and Bauer 2001a; Globalis 2006). Mexico has about one quarter of the population of the three NAFTA countries, and is roughly the

same size as the combined first and second wave countries in the EU enlargement, which will constitute a little less than a quarter of the enlarged EU. So in terms of one measure of income inequality, the NAFTA countries are not so dissimilar to the EU.

There is, however, a greater proportion of the population below the UN poverty line of \$1 per day within Mexico than within the countries of the enlargement. In Mexico nearly 10 per cent of the population lived on less than one dollar a day in 2000, whereas less than 1 per cent fell into this category between 1998 and 2001 in Hungary, Lithuania, or Poland, 1.53 per cent in Latvia and only 2.14 per cent in Romania. Bulgaria, with 4.73 percent, is also among the less populous countries of the EU enlargement. In Mexico the share of the national income or consumption received by the poorest 20 per cent is significantly lower than in the EU enlargement countries (United Nations Common Database/World Bank 2006). And the Gini index for Mexico (54.6 in 2000)—and in the US (45 in 2004)—is significantly higher than that of any of the EU countries before or after enlargement. (The Gini for the EU is 32 for 2003. The countries in the enlargement range from 24.4 (Hungary) to 37.2 (Estonia). Canada is in line with the European countries at 33.1 (1998) (Central Intelligence Agency 2006)). These structural differences reflect differences in political culture as well, a lesser commitment to equality in the US or Mexico than in the countries of the EU. The differences in political culture may be a greater obstacle to serious consideration of a RBI than the structural differences. Canada could have a special role to play here, having both a political culture and a commitment to equality closer to those of Europe than either the US or Mexico.

ii. political infrastructure

Assuming that an income transfer formula could be agreed upon, does there exist in each of the NAFTA countries the political infrastructure to administer a NIT or BI? I shall assume that there is no particular problem concerning the US or Canada. While Mexico does not have as well developed a welfare state as its northern neighbors, there are programs in place which one can image being modified or extended to include or channel an international income transfer. For example, PROGRESA (Programa de Educación, Salud y Alimentación) already “provides cash transfers to poor rural households, on condition that their children attend school and their family visits local health centers regularly.” This program, by 1999, covered 40 per cent of all rural families and one in nine families nationally. “The maximum total cash grant per household was Mexican Pesos \$695 per month in January—June 1999 (at current exchange rates, that is about US\$ 63 per month). On average, a typical beneficiary household received Mexican Pesos \$238, which represented 19.5 percent of their average monthly consumption levels” (Wodon et al. 2003: 1).

iii. degree of economic integration

The greatest disanalogy between the EU and the NAFTA countries concerns the degree of economic and political integration. The EU has a Parliament, a common currency, open borders, and an extensively worked out set of arrangements on a wide range of economic, social, and cultural issues. Several of the largest countries have well

developed social democratic traditions. The NAFTA countries have a trade agreement. Canada, the country with the strongest commitment to a welfare state, has less than 10 per cent of the population.

But in the longer run, it is worth noting the extensive flows of goods and people across the borders of these three countries, constituting a strong symbiosis. While North America is much further behind Europe in political integration, its situation is in some respects simpler. On the North American continent there are only three major languages, and three sovereign states. While the power, population and wealth are distributed very unevenly across these states, the obstacles arising from diversity of national economic and welfare state regimes, not to mention language and culture, are perhaps less daunting.

b. Global justice in the region

Turning to the question of justification, I am going to argue that arguments supporting a global dividend (which could take the form of a global BI or NIT), also support a NAFTA dividend, which could take the form of a regional BI or NIT. First, note that the conditions that define what T. Pogge calls “radical inequality” on a world scale also obtain in North America:

1. The worse-off are badly off in absolute terms.
2. They are also very badly off in relative terms—very much worse off than many others.
3. The inequality is impervious: it is difficult or impossible for the worse-off substantially to improve their lot; and most of the better-off never experience life at the bottom for even a few months and have no vivid idea of what it is like to live that way.
4. The inequality is pervasive: it concerns not merely some aspects of life, such as the climate or access to natural beauty or high culture, but most aspects or all.
5. The inequality is avoidable: the better-off can improve the circumstances of the worse-off without becoming badly off themselves (Pogge 2002: 198).

That these conditions are met in North America is obvious when one recalls that 10 percent of the Mexican population lives on less than \$1 per day and a quarter on less than \$2 per day, and that the cost of lifting these people out of poverty can be achieved without great sacrifice on the part of the wealthy in North America, as my proposal will show.

Yet, as Pogge argues, these five conditions alone suffice only to establish a duty of charity, not a duty of justice. For the latter, one of three grounds of justice need to be established: that inequality and impoverishment are the effects of shared social institutions, or result from the uncompensated exclusion from the use of natural resources, or are the effects of a common violent history. As with Pogge’s GRD, so with a NAFTA Dividend, all three of these conceptions provide grounds (not necessarily consistent with one another) for a duty of justice, such that we need not resolve the dispute among these competing conceptions of justice to endorse the dividend.

i. For there to be injustice based on the effects of shared social institutions, three additional conditions need to be satisfied:

6. There is a shared institutional order that is shaped by the better-off and imposed on

the worse-off.

7. This institutional order is implicated in the reproduction of radical inequality in that there is a feasible institutional alternative under which severe and extensive poverty would not persist.

8. The radical inequality cannot be traced to extra-social factors (such as genetic handicaps or natural disasters) which, as such, affect different human beings differently (Pogge 2002: 199).

It is not difficult to show that 6-8 are satisfied in North America. The NAFTA was shaped by corporate elites in the three countries, with the US exercising overwhelming bargaining power, imposed on the poor and working classes of the region, resulting in well documented deindustrialization, wage decline, dislocation and impoverishment of agricultural workers, and the compromise of local and state sovereignty by unelected commissions and the WTO. There is an alternative, a trade agreement that has provisions for effective enforcement of labor and environmental agreements, and that compensates the worse-off for their losses and exclusion.

While some degree of poverty and exclusion in Mexico is determined by decisions of the Mexican government, it is important not to overlook the international context and constraints on what is done there. The US and institutions largely controlled by the US, such as the IMF, have dictated fiscal, monetary, trade and other policies there. (Even electoral fraud, in the latest round, has been aided by Washington in order to secure a pro-NAFTA president (Palast 2006)). Even decisions by a corrupt elite that impoverish some of their fellow citizens are a concern of the entire trading bloc, insofar as the other national partners enable the elite to sell natural resources and borrow money in international markets in the name of the citizens under their control. These “international resource and borrowing privileges” are part of the shared institutional scheme for which the US and Canada, as major Mexican trading partners, are partly responsible (Pogge 2002: 114).

ii. Injustice as uncompensated exclusion from the use of natural resources might be thought to be harder to demonstrate in North America than for the world, because Mexico is a major oil producer and exporter. But the case can be made. The following additional condition defines this form of injustice:

9. The better-off enjoy significant advantages in the use of a single natural resource base from whose benefits the worse-off are largely, and without compensation, excluded (Pogge 2002: 202).

In Mexico, as in Pogge’s examples of Nigeria and Saudi Arabia, the chief beneficiaries of oil production and export are not the poor but the affluent. A Lockean or neo-Lockean theory of just appropriation will allow unequal ownership and use of such resources by some only if enough and as good is left for the rest, or at least if the poorest are brought up to a Lockean base line, as well-off as they would be without any appropriation, in a state of nature. (It matters not that Pemex is state-owned, if the beneficiaries are a relatively small part of the population in the state and industrial sectors, significant numbers are excluded from access to the benefits of resource use.) The widespread poverty in Mexico, a microcosm of world poverty in extent and depth, is evidence that this condition is not met. Further, the purchase and use of these resources are by wealthier North Americans who further appropriate to the exclusion of the poor. Justice on this conception requires that the poor receive at least a decent minimum in

compensation for their exclusion.

iii. Justice grounded on the effects of a common and violent history depends on one additional condition:

10. The social starting positions of the worse-off and the better-off have emerged from a single historical process that was pervaded by massive, grievous wrongs (Pogge 2002: 203).

North America, like the world at large, has been the site of conquest, colonization, and slavery. The most dramatic inequalities in Mexico—and in the US—are traceable to the Spanish and other European conquests, including the US annexation of territories formerly part of Mexico, and have left indigenous and (in the US) African-American and Latino descendants in disadvantageous starting positions. Maintaining the system that perpetuates these inequalities is unjust.

I am not inferring from this history that there should be reparation policies. It is difficult to justify transfers from descendants of thieves to descendants of their victims, when neither set of descendants directly perpetrated or suffered from the crimes. However, the advantages that white Americans enjoy, vis-à-vis black and Latino Americans, and that descendants of Europeans enjoy vis-à-vis indigenous people, are not accidental or justifiable according to any principle of justice, and thus there are grounds for forward looking policies that bring about greater equality of opportunity, in recognition of a shared on-going economic, social and political relationship (Moellendorf). Giving the poorest in each country a greater share of resources in some form will enhance their opportunity.

All three of these conceptions of justice can support a modest dividend. The first approach might be more demanding than the second, in much the same way that Rawlsian justice is more demanding than Lockean. Parties to a shared scheme of social cooperation can reasonably expect, and demand as a matter of justice, more than a minimum of resources to escape extreme poverty; they can demand the maximization of the minimum. But a NAFTA dividend is not being proposed, at least not initially, as a measure aimed at maximizing the minimum of primary goods for the least advantaged. A Rawlsian who would favor that will also favor, as a step toward justice, a measure that brings the worse-off up to a minimum. Even Rawls himself, who does not favor global use of the difference principle, does include a right to basic subsistence among the minimal human rights that societies must secure to be well-ordered. Thus, he could support a NAFTA dividend, at least as a temporary measure, to fulfill an international “duty of assistance” (Rawls 1999: 65n1).

Assuming that in a state of nature—a condition without appropriation of property—everyone would live at a subsistence level, the minimum Lockean requirement for justice is that no one in the community (who falls under the shared authority, which in our case includes the shared authority of the WTO and NAFTA, as well as the states signatory to them) should fall below subsistence. This foundation for a dividend works best for transfers from North to South, and particularly to the poorest in the South. To use it to justify a dividend in the form of a universal NIT or BI, one would need to interpolate into the theory a socially varying standard of subsistence, such that the relevant minimum in the US or Canada might be higher than in Mexico.

The third approach, which invokes a standard of equality of opportunity, need not address how close to equality it is necessary to come, so long as everyone can agree that

it is at least as far as the NAFTA dividend would carry people. Full equality of opportunity is not realizable or even justifiable even in a single society, as it would require invasions of the liberties of families, for example. But, particularly given a shared history of oppression, it is justifiable to come as close to equality of opportunity as equal basic liberties will allow. In the international setting, basic liberties may also include the sovereignty of the three states. But here again, at the level of dividend we are talking about, no compromise of sovereignty is called for. States still have ample room to order their priorities differently from one another, after their respective contributions to the dividend.

c. Immigration Control: an opportunity or an additional obstacle?

Opportunity: As the flow of immigrants continues unabated, the popularity of harsh, and ultimately ineffective border control rises. Experts on immigration control agree that fences and penalties will not stem the flow as long as there are strong incentives to migrate in the country of origin, and strong demand for their labor in the host country. So long as there is a desire to reduce the flow of migrants, and contain it within legal bounds, one important element of a realistic policy must be transfers of wealth from North to South, in the form of trade, or development aid, or income, or some combination of the three. Is there a place for a regional minimum income, even a basic income, in the mix?

Obstacle: A basic income for the region could have a perverse effect on immigration. While the intent might be in part to improve the lives of the poorest in Mexico, and so make it unnecessary for them to migrate, it will also give them additional resources with which to migrate. It can currently cost hundreds, even thousands of dollars to migrate from Mexico to the US, particularly if one must pay smugglers to get across the border. The very poorest are unable to afford these costs, but a BI might put them in a position to migrate. A BI for one's family might also make it easier for a potential wage-earner to leave the family behind, migrating in search of higher incomes. If the real lure from the North is substantially higher wages, then a BI will not keep people in Mexico unless the labor market in Mexico improves enough to lure people back.

Consider also the ambiguity concerning the effect of BI on low-wage work. On the one hand, such work becomes more affordable for the worker—she needs less in wages with a BI. Thus such work might become more common. On the other hand, she is better able to refuse such work. This might result in a decline of such jobs as employers must improve wages to attract workers--if one assumes a closed national labor market. But with an international labor market, such as that encompassing the US and Mexico, a RBI could have the perverse effect of reducing the supply of American workers willing to do certain jobs at low wages, while enabling Mexican workers to take them, thus increasing the flow of migrants.

The example of the EU is encouraging here, where opening of borders did not produce the level of migration expected because developmental aid and investment, resulting in new opportunities, resulted in migration of many back to their countries of origin (Cornelius and Tsuda 2004: 10; Cornelius 2004: 388).

In light of these considerations, it would be a mistake to tie any sort of transfer policies too closely to immigration flows. Rather, there needs to be a long-term plan to

develop the economies of the region together, reducing inequality over time, so that the causes leading to massive migration will diminish.

4. The alternatives

a. Trade alone

The thesis that international trade alone should suffice to reduce inequalities and lift the poor out of poverty at a reasonable rate is implausible for the same reason that pure capitalism within a state cannot be expected to result in a just distribution of income, wealth, and power. The latter has everywhere required robust state interventions to reduce inequality and address social exclusion. So too on a world scale, capitalist exchange will meet the needs only of those who can express demand, by means of cash or something to sell.

Of course one might object that it is the responsibility of each state to attend to the needs of its own citizens. So in the case under consideration, it is the responsibility of Mexico to address its own inequality. This absolution of responsibility on the part of Mexico's trading partners, however, ignores the way that international institutions such as the IMF, the World Bank, the WTO, and NAFTA itself structure and limit the possibilities for national solutions, and how the continued working of these institutions deepens the patterns not only of national but of international inequality.

Trade alone has not improved the lot of all Mexicans: "While estimates vary, employment in Mexico's informal sector almost doubled between 1980 and 2000, from 17 to 33 percent of the total urban employed population. Real average manufacturing wages in 2000 were roughly 20 percent below 1980 levels, and minimum wages experienced an even more severe decline. Poverty, an eloquent indicator of Mexico's economic distress, grew significantly over the period. Estimates of poverty levels through the 1990s range from a quarter to a third of the population and sometimes higher, i.e., from 25 to 40 million Mexicans" ... "A decade of experience since NAFTA demonstrates that trade liberalization and freer capital movements alone will not by themselves necessarily put the two nations on the road to economic convergence, the so-called "partnership for prosperity" path showcased in the current political jargon. But such a path is needed if the ultimate objective is to weaken migration pressures within North America." (Alba 2002).

b. Trade plus other kinds of development assistance

Something can be learned from the experience of disaster relief, when comparing the relative merits of in-kind versus cash assistance. Food aid, in situations where there is local food production and functioning markets, can be counter-productive, depressing demand for local food products, pushing local farmers into economic crisis, often on top of already depressed demand resulting from victims' losses of cash resources. In these situations, cash is a better option than food aid. It also enables individuals to take charge of their own decisions, determine their own priorities, and avoid such degradations as trading sex for food. "cash transfers are faster, more cost-effective, and provide more culturally appropriate foods than most food distributions," and "common fears

surrounding cash transfers, such as increased risk of insecurity, gambling, purchase of illicit items or domestic violence, are all unfounded,” according to Oxfam International (2005).

It would also be inappropriate in a trade agreement to dictate the fine points of a member state’s welfare policies. The locals should know better what is needed for their communities. There is bound also to be an objection from the potential donor country that funds going to Mexico will fall into the hands of a corrupt bureaucracy, and thus will not address the needs of the poor. A BI (or NIT), especially at a relatively low level such as \$30 to \$60 a month per person, can meet both objections. It complements local and national practices with greater income security. What state would not welcome an influx of additional cash to support the needs of its poorest citizens? And cash going directly to the recipients can entirely bypass the bureaucracy. Here BI has an advantage over NIT, as it would not even be necessary to conduct a means test. All that would be needed would be a tolerably accurate census to identify recipients, and a bank account system for the transfers. [On the other hand, if the claw-back from the wealthier recipients could not be relied upon, then NIT might be preferable—if the financing is through income tax.]

c. Trade, development and basic income (or NIT)

A regional BI or NIT alone, even at a fairly high level, would probably not be very effective in slowing migration from Mexico northward, since many would still want more than the minimum, and in the absence of local jobs, would need to migrate for the better paying work. Also, migration increasingly is from all parts of Mexico, and from urban as well as rural areas, and the destination is not only agricultural work in the American Southwest, but also manufacturing and service employment (Alba 2002). So a minimum income alone will not suffice to keep them home. A minimum income, even at a small level, might actually increase migration, since it would provide additional resources enabling the poor to migrate. “In Mexico, 19 percent of all adults, representing some 13.5 million people, answered positively when asked, ‘Are you thinking about emigrating to the United States?’” (Suro 2003).

Another dimension to consider is the role of remittances in the Mexican economy. Globally, “Remittances are now more than double the size of net official flows (under \$30 billion), and are second only to foreign direct investment (around \$133 billion) as a source of external finance for developing countries. ...In 36 out of 153 developing countries, remittances are larger than all capital flows, public and private. Also, remittances are stable, and may even be counter-cyclical in times of economic hardship. Moreover, remittances are person-to-person flows, well targeted to the needs of the recipients, who are often poor” (Ratha, 2004). Remittances, claimed Vicente Fox in 2003, only slightly exaggerating, “are our biggest source of foreign income, bigger than oil, tourism or foreign investment” (Lugo 2003). (In Mexico, remittances from workers in the US are equal to 2.2 percent of GDP, 79 percent of crude oil production, and are higher than international travelers and foreign direct investment (Hernandez-Coss 2004)). Those who want to reduce the migration of Mexican workers to the US must consider the impact on the Mexican economy if these remittances were to disappear. Although most of the money is spent on household expenses, remittances can be important for development

of the rural economy. They create demand from remittance-receiving households for financial services, which in turn can lead to the development of credit unions that can provide resources for small businesses (Orozco 2003). A BI (or NIT) could play the same role as seed money for rural and other economic development, and not only for households with migrant workers, but for all households. It could also work in combination with Mexico's "three for one" program, which currently matches \$3 for infrastructure projects for every \$1 invested from migrant worker remittances (Ratha 2004).

In fact, an appropriate response to those who want to put all the responsibility for poverty in Mexico on the Mexican oligarchy, is that one way to promote greater equality in Mexico is to link international transfers to national transfers. The international program could link transfers from North to South to transfers from wealthy to poor within the South. Thus the program would simultaneously address national and international inequality.

A word of caution:

"A recent authoritative study on the migration development nexus, carried out by the Center for Development Research in Copenhagen for the Danish Ministry of Foreign Affairs came to the following unequivocal conclusion: 'There is no direct link between poverty, economic development, population growth, social and political change on the one hand and international migration on the other. Poverty reduction is not in itself a migration-reducing strategy'" (Newland 2003).

Nevertheless, migration reduction requires attention to the lack of opportunities in Mexico, as well as the opportunities offered in the US. Failure to attend to the former will lead to failure of any migration reducing strategy.

Level

What is a reasonable level at which to set a NAFTA dividend? And should the level be uniform throughout the region, or differentiated according to the cost of living in the three countries?

Uniform-high

At a uniform, high level, let's say \$US 1000 per year, the dividend would be a tangible benefit for everyone in the region. This would have the effect of doubling or quadrupling the incomes of the poorest in Mexico, which, although desirable given the degree of poverty, might also be socially disruptive all in one stroke, for some of the reasons mentioned by Schmitter and Bauer (2001: 60—61). And given the numbers in poverty in Mexico, such a level would add greatly to the net cost (not to mention the gross cost in the BI version): in the range of \$10 to 40 billion, depending on which measure of poverty is chosen.

Uniform-low

A lower level, say \$US 500 per year would still have an appreciable effect on poverty in Mexico. However it would be received as a less tangible benefit in Canada and the US, particularly when measured against the still rather high amount of net transfer

going South. One can anticipate the objection, why are we spending so much money on poverty in Mexico, about which Mexico could itself do more, when there are still so many poor people in Canada or (particularly) the US? If the BI represents a regionally shared commitment to eliminate poverty and exclusion, then it would do so very unequally: more adequately in the country with a lower cost of living, less adequately in the wealthier country.

Differentiated: high/low

Thus, another possibility to consider is a level differentiated according to standard of living, with the larger dividends going to the wealthier countries and a smaller dividend going to the poorer. Then poverty reduction would be a shared goal of the region, and everyone would receive a tangible benefit of the scheme of cooperation.

It would be necessary to distinguish whether the different levels would be apportioned to residents or citizens. If to residents, then two problems arise. First, uncertainty would be introduced concerning the level for migrants. In which country are they considered to be resident? However the matter is determined in practice, the consequences are bound to include systemic irrationalities and complications. Second, there may be basic income migration, particularly if the difference between levels is substantial, and especially for border areas.

If the dividend is apportioned to citizens, and the benefit is portable, then this would reduce any basic income migration, although it would increase demands for citizenship by foreign residents in the wealthier countries. Citizen income would also introduce inequities in the labor market, as it is usually conceived by BI advocates. If one goal of BI is to enable people to work, it would do this very unequally for citizens from rich and from poor countries, when these crossed borders into another country and labor market, as they would bring a very different level of basic income with them. Rich migrants to poor countries might, with some additional resources, be able to avoid work altogether and live off their basic income like American pensioners going to Poland (before the fall of Communism) or to Mexico, whereas poor migrants going to rich countries would find their BI inadequate to position them for participation in the low-skill end of the labor market compared to citizens.

Funding

As with Schmitter and Bauer's Eurostipendium, so with a NAFTA Dividend, the funding could be linked to phasing out of US agricultural subsidies, which contribute to dumping in the Mexican market and the bankrupting of Mexican small farmers. However the scale of the subsidies is smaller, the Uruguay limit on subsidies being about \$19 billion per year in the US, compared to about three times that for the EU 15 (Becker and Womach 2002: 7). Thus, a more promising route would be a resource use tax, such as that suggested by Hayward (2005), or a GDP-based contribution by each state (VAN PARIJS AND VANDERBORGHT 2001: 345), at least for a BI approximating the level proposed for the Eurostipendium. The resource use tax would tax the wealthy in all countries, so to some degree the wealthy in Mexico would be acknowledging an obligation to the poor in the US and Canada. The GDP-based contribution could do this as well, but less uniformly to the degree that the tax structures of the different states will vary. The resource use tax would have the additional advantage of encouraging energy efficiency.

A very simple energy tax on gasoline of \$US .50/gallon would yield about \$1250 per extremely poor person in North America, defining extreme poverty in the US and Canada as living on less than \$11 per day, and in Mexico as living on less than \$2 per day. By these measures, there are 39.8 million poor in the US (13.6%), 2.3 million in Canada (7.4%), and 27.4 million in Mexico (26.3%). If the tax revenue were spread universally as a BI across the entire population, it would yield only \$200 per person per year (although this is the same order of magnitude as the South African BI under discussion).² This latter small figure suggests that if the dividend were to take the form of a BI rather than a NIT, it might make more sense to finance it through income taxes rather than energy taxes. Otherwise the energy taxes would have to be extremely high, and because such consumption taxes fall disproportionately on the lower deciles of the population, it would not be a popular tax without some compensating redistribution from other sources, and then the scheme begins to get complicated.

On the other hand, a program that links reduction of energy consumption with economic justice and demographic stability may have great appeal if there is a growing enlightenment about ecological threats. Global warming from greenhouse gas emissions may be the greatest such looming threat. The US is conspicuously behind many other countries in committing to the reduction of these emissions, the consequences of which will be catastrophic, and inevitable if emissions are not reduced soon. As awareness of this problem grows, there may be openings for initiatives currently off the political agenda. Energy taxes linked to redistribution and with a view to migration control promise to generate positive feedback. As poverty declines and income differences shrink, population increases will moderate, and migration pressure will reduce. Higher energy prices will reduce demand for fossil fuels, but also increase demand for sustainable energy substitutes. There will be plenty of work throughout the continent in making the transition to a lower impact sustainable economy. Globalization itself may stall, as transportation costs rise, leveling off at what are still largely regional trading patterns. The forms of regional justice achieved in North America or the EU may then be models for decentralized global justice: justice tended to region by region.

If it should prove more feasible to finance the dividend from income taxes, it would be possible to provide every person in North America with a BI of \$1000 by roughly doubling the tax rates on the top ten percent of income earners.³ There could of course be combinations of income, energy, wealth, and corporate profits taxes to finance a BI, or a dividend in some other form.

² I arrived at these figures using UN Development Reports on 2003 population, and 2005 figures from the Energy Information Administration of the US Government on oil and gasoline consumption. Gasoline consumption out of total oil consumption accounts for about 9.1 million bbl/day in the US, and there are about 42 gallons per barrel. I estimated Canada's gasoline consumption at 1.2 million bbl/day, and Mexico's at 1 million bbl/day, the latter being a rather arbitrary guess based on half of total oil consumption.

³ I base this estimate on Frankman's (2004) study for a GBI. Since the income inequality in the US and Mexico is higher than in many other affluent countries, the amount of the BI might be higher, or the necessary tax rate on the top ten percent might be lower.

Conclusion

Given the practical obstacles to a global dividend or BI, and given the massive inequalities between rich and poor nations within regions, it is important to consider regional income transfer schemes for trading blocs such as the EU and North America. There are enough relevant similarities between these two trading blocs to suggest that if a RBI is feasible for the EU, it could be feasible for North America. In the latter case, moral arguments for the justice of a GBI apply equally well in support of a NAFTA Dividend. Tweaked in a variety of ways as to levels, funding sources, and the form the dividend might take (BI or NIT), such a dividend is affordable without excessive cost for the better off, and promises, in combination with other policies, to ease migration pressures. Linked to energy use taxes, it could be an egalitarian component of a response to our greatest ecological challenges.

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