



Social Europe Edition

Basic Income and the Left

A European Debate



Philippe Van Parijs

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PHILIPPE VAN PARIJS



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BASIC INCOME AND THE LEFT: A EUROPEAN DEBATE

BY PHILIPPE VAN PARIJS

What, if anything, can be said to have characterised the left ever since the word gained currency in the context of industrial societies? Probably the conviction that capitalist exploitation is unjust and therefore must be abolished, or at least reduced. But why is it unjust? Some say: because it enables some people to appropriate part of the product without contributing any of the labour required to produce it. Others say: because it stems from the proletarians' unfreedom, because it derives from the fact that many, despite being formally free, have no other real option than to sell their labour power to the owners of capital.

For most issues, the difference between these two answers to the question of what makes capitalist

exploitation unjust is of little interest. But for the basic income issue it is of paramount importance, and it explains why the proposal is the object of such heated debate within both the radical and the moderate left, in both affluent and less affluent countries. For those who hold the first view, an unconditional basic income is an abomination. It consists in extending to all the possibility of earning without contributing, a possibility fortunately restricted under present conditions to a minority of capitalists. For those who hold the second view, instead, an unconditional basic income is a godsend. It liberates all men and women of the compulsion to work for a capitalist.

If there is a fundamental divide on basic income within the left, it is this: between what might be called the labourist left and the libertarian left. Which does not mean that the controversy is purely philosophical. The first camp will be keen to bring up practical difficulties and possible perverse effects, while the second camp will try hard to enumerate welcome side effects. Moreover, the first camp may include some pragmatists willing to consider a modest basic income as a plausible second best, while some members of the second camp may be

tempted to give priority to high-quality and free public services over cash benefits.

A Necessary Debate

Consequently, the debate within the left is unavoidably complex. It is also often uncomfortable, as neither the pro-basic-income nor the anti-basic-income camp can be blind to the fact that many of their arguments are sometimes uttered by people from the right, with whom they would not ordinarily associate. But such a debate has become unavoidable, as basic income has moved centre stage as a result of a number of events in which the left was closely involved: the 2016 Swiss referendum, where all political support for the Yes vote came from the socialists and the greens; the socialist primaries for the 2017 French presidential election, where basic income was the most salient proposal of the victorious candidate; and a whole bunch of experiments, most of them still at the planning stage and many of them in response to demands from the left.

This collection of short essays aims to give a glimpse of the central nature but also of the complexity of the basic income debate within the Left, broadly

defined. All essays were previously published in *Social Europe*, between July 2013 and December 2017. They are ordered in a broadly chronological sequence. This will enable the reader to follow more easily the development of the debate, in particular how some of the contributors react to each other. It will also make more transparent the way in which some of the essays relate to current events.

Basic income is only one of the countless ideas that *Social Europe* has helped spread and subject to discussion in Europe and beyond. But it is one that has triggered a particularly fierce controversy. Whether or not one ends up endorsing some version of basic income, it has by now become hard to deny that giving serious thought to it is essential homework for anyone trying to figure out what social democracy and, more broadly, the left, might mean in the 21st century. The ambition of this little volume is to provide some easily digestible food for such serious thought.

HOW TO COMBAT INEQUALITIES PRODUCED BY GLOBAL CAPITALISM

BY GUY STANDING (12 MAY 2014)

Next year (2015) is the 800th anniversary of the Magna Carta, the first class-based charter of liberties against the state. Today, we need a Charter to advance the rights of the precariat and substantially reduce the inequalities and insecurities in society. This is the theme of my new book, *A Precariat Charter: From Denizens to Citizens*.

The context is clear. We are in the midst of a Global Transformation, in which a globalised market system is under painful construction. In its disembedded phase, the transformation was dominated by the interests of financial capital, just as set out in Karl Polanyi's *Great Transformation*. Inequalities multiplied, economic insecurity became pervasive.

Above all, a new globalised class structure took shape. All economic and social analysis of the growth of inequality that ignores the class dimension is like trying to play Hamlet without the Prince.

The emerging mass class is the precariat, looking up in income terms to a tiny plutocracy-cum-oligarchy bestriding the world, manipulating democracy and raking in rental income, and looking up to the salariat between them, receiving more and more of its income from capital and the state. The old proletariat, the old working class in numerical decline, is rapidly losing its labour securities and non-wage forms of economic security.

The precariat has distinctive relations of production (unstable labour, lack of occupational identity, a high ratio of work-for-labour to labour, and so on), distinctive relations of distribution (depending on money wages that are stagnant at best, and volatile as the norm, living on the edge of unsustainable debt), and distinctive relations to the state. This last aspect has received too little attention. The precariat is the first mass class in history that has been systematically losing the acquired rights of citizenship – civil, cultural, political, social and economic.

The precariat consists of supplicants, being forced to beg for entitlements, being sanctioned without due process, being dependent on discretionary charity.

More and more people, not just migrants, are being converted into denizens, with a more limited range and depth of civil, cultural, social, political and economic rights. They are increasingly denied what Hannah Arendt called 'the right to have rights', the essence of proper citizenship.

This is key to understanding the precariat. Its essential character is being a supplicant, a beggar, pushed to rely on discretionary and conditional hand-outs from the state and by privatised agencies and charities operating on its behalf. For understanding the precariat, and the nature of the class struggle to come, this supplicant status is more important than its insecure labour relations.

The Precariat And Global Capitalism

The precariat's position must be understood in terms of the changing character of global capitalism and its underlying distribution system, something that Thomas Piketty did not address in his book

Capital in the 21st Century. In the 20th century, uniquely in human history, the distribution of income was primarily between capital and labour, between profits and wages, mediated by the state with its taxation, subsidies and benefits. The bargaining over the respective shares was won on points by the representatives of employees in the post-1945 period, but after the late 1970s was won decisively by capital. Everywhere the functional distribution of income became more unequal, with labour's share of national income dropping dramatically, nowhere more so than in the emerging market economies, including China most of all.

However, the key to understanding the challenge ahead is that two factors have changed the context completely. Historically speaking, from the 1980s onwards the labour supply to the global open labour market quadrupled, with all the newcomers being habituated to labouring at one-third or less of the median income of the workers in OECD countries. This led to the start of the Great Convergence. It was facilitated by the new technological revolution, which among other things allowed the corporation to unbundle, shifting production and tasks to wherever costs were lowest.

Rentier Income

In this new context, rental income has become a major and growing component of total income. This is far more important than patrimonial capitalism, which Piketty identifies as the main feature of modern capitalism. Rent comes in several forms, notably through possession of so-called intellectual property, through patents, and through privileged ownership of scarce commodities and natural resources. Last year (2013) was the first year in which over two million patents were registered, guaranteeing trillions of dollars to their owners stretching on average over twenty years.

The rental economy extends all the way down to pay-day loans, whereby members of the precariat are exploited by disgustingly high interest rates, often exceeding 5,000 per cent. It includes the vast array of subsidies given by the state to corporations and the affluent in the salariat and elite.

What the precariat must demand now is nothing less than a new distribution system, not just a tinkering with marginal or average tax rates. Indeed, the weakest aspect of Piketty's analysis is his prognosis.

The likelihood of very high marginal direct tax rates is remote. Structural changes are required.

A Precariat Charter must start from understanding the nature and depth of insecurities faced by the precariat, and also from understanding the aspirations that exist in the more educated component of the precariat. It would be quite wrong to imagine that the precariat wants a return to the old norms of full-time stable wage labour.

It wants to build a good society, resurrect a sense of 'a future' and create institutional networks that would enable more and more to pursue a life of work, labour and leisure. That means building their own sense of occupation, in which ecological values of reproductive work predominate over the resource-depleting values of labour.

The assets that need to be redistributed are not like the old socialist project of a hundred years ago, when the proletariat was emerging as the mass class. The assets underpinning a Precariat Charter are basic security, control of time, quality space, education, financial knowledge and financial capital. A key demand is for moves towards the realisation of a basic income as a right of citizenship. Without basic

security, none of us can be expected to be rational and socially responsible. Let us find ways of going on that road.

BASIC INCOME AND SOCIAL DEMOCRACY

BY PHILIPPE VAN PARIJS (11 APRIL 2016)

The idea of an unconditional basic income is in fashion. From Finland to Switzerland, from San Francisco to Seoul, people talk about it as they have never done before. Basic income has twice been the subject of a real public debate, albeit briefly and limited to one country at a time. In both episodes, the centre left played a central role.

The first debate took place in England in the aftermath of World War I. The Quaker and engineer Dennis Milner managed to get his 'state bonus' proposal discussed at the 1920 Labour Party conference. It was rejected, but prominent members of the party kept defending it in the following years under the label 'social dividend'. Among them were the

Oxford economist and political theorist George Cole and the future Nobel laureate James Meade.

The second debate took place in the United States in the late 1960s and early 1970s. Another future Nobel laureate, James Tobin, advocated the introduction of a 'demogrant', along with Harvard economist and best-selling author John Kenneth Galbraith, also on the left of the Democratic Party. Persuaded by them, Senator George McGovern included the proposal in his programme during his campaign for the nomination as Democratic presidential candidate, but dropped it in the last months before the 1972 election which he lost to Richard Nixon.

The current, far longer and increasingly global debate originated in Europe in the 1980s. Interest in basic income arose more or less simultaneously in several countries and prompted the creation of a network (BIEN) that now has national branches on all continents. This time, however, the social democratic left is not exactly at the forefront, far less than the greens, for example, or than some components of the liberal right and the far left.

Common Misunderstandings

What is there in basic income that can trigger the suspicion of social democrats and what is there in it that should prompt their enthusiasm? In order to answer such questions, it is important to clarify what a basic income is and what it is not.

Existing social assistance schemes can be said to be unconditional in three senses: benefits are paid in cash, they are not conditional on the prior payment of social security contributions, and they are not restricted to citizens of the country concerned. A basic income is unconditional in three additional senses. It is *individual*, i.e. independent of its beneficiaries' household situation. It is *universal*, i.e. entitlement to it is not dependent on the level of income from other sources. And it is *duty-free*, i.e. not restricted to those working or willing to work.

Is it not absurd to pay such a basic income to all, including the rich? It is not. The absence of an income test is not better for the rich. It is better for the poor. True, the rich do not need a basic income, just as they do not need to have the lowest layers of their incomes untaxed or taxed at low rates, as they do under current personal income tax systems. High

earners will of course pay for their own basic income and for part of the basic incomes paid to others. One great advantage of an income paid automatically to all, irrespective of income, is that it reaches the poor far more effectively than a means-tested scheme, and without stigmatisation. Another is that it provides them with a floor on which they can stand, because it can be combined with earnings, rather than a net in which they can easily get stuck because it is withdrawn if poor people start earning.

Is it not unacceptable to replace the right to a job with a right to an income? A basic income does nothing of the sort. On the contrary. It provides a flexible, intelligent form of job sharing. It makes it easier for people who work too much to reduce their working time or take a career break. It enables the jobless to pick up the employment thereby freed more easily as they can do so on a part-time basis, since their earnings are being added to their basic income. And the firm floor provided by the basic income makes for a more fluid back and forth between employment, training and family that should reduce the occurrence of burnout and early retirement, thus enabling people to spread employment over a longer portion of their lives. As social democrats rightly emphasise, access to paid work

matters for reasons that do not reduce to the income this work provides. Those who advocate a basic income paid without a work condition do not need to deny this. It is even taken for granted by those among them who are confident that even a generous unconditional basic income would be sustainable: despite higher taxation and a more comfortable no-work option, they assume, people will keep working precisely because work means far more to them than just an income.

End Of The Welfare State?

Does the introduction of a basic income not threaten the very existence of our welfare states? On the contrary, it comes to their rescue. Needless to say, a basic income is by no means an alternative to publicly funded education and health care. Nor is it meant to provide a full substitute to earnings-related social insurance benefits funded by workers' contributions. Given that each household member will have his or her basic income, however, the levels of the cash benefits and the funding they require can be correspondingly reduced, the benefits individualised and simplified, and the depth of the traps associated with the conditions to which they are subjected will

shrink. Even in the longer run, social assistance cannot be expected to disappear either. Because it is both individual and universal, sensible levels of basic income will not enable us to dispense with means-tested top ups for people in specific circumstances. Again, given the unconditional floor, traps will be reduced, the number of people dependent on these conditional benefits will shrink and the social workers' important job will be facilitated. Fitting an unconditional floor under the existing welfare state will not dismantle but strengthen our duly readjusted social insurance and social assistance schemes.

It is nonetheless true that a basic income constitutes a model of social protection fundamentally different from these two current models. Consequently, one can expect people most closely involved in the pre-existing system to feel challenged and to offer resistance. This was the case in the early 16th century when municipal public assistance challenged the monopoly of Church-organised charity, and from the late 19th century when state-organised pension and health insurance systems challenged the position of poor relief institutions. It is not far-fetched to conjecture that the lack of enthusiasm for basic income among social democrats and in labour

organisations has something to do with the important role they have been playing in initiating, developing and managing the social insurance schemes that now form the bulk of most of our welfare states.

Such resistance is perfectly understandable, indeed laudable: our social-insurance-based welfare states make a huge difference in terms of social justice and are therefore well worth defending. But this does not exempt social democrats from urgently updating their doctrine in order to better address the demands of our century: a century in which both the desirability and possibility of indefinite growth have lost for good the obviousness social democrats were banking on in the previous century, a century in which full-time life-long waged labour will only be possible and desirable for a minority, a century in which the left cannot let the right monopolise the theme of freedom.

The Third Model

As regards social protection, this requires making room for a third model fundamentally different both from the old social assistance model — public charity — and from the social insurance model — worker solidarity — with which social democracy

has been closely associated and which it feels duty-bound to defend. In order to be able to address today's challenges, the left will need to move from 'labourism' to 'socialism', as it were, by getting rid of an illusion which has been at the core of much left-wing thinking ever since Marx's theory of exploitation. It needs to recognise fully that the bulk of our real incomes is not the fruit of the efforts of today's workers (let alone of the abstinence of today's capitalists), but a gift from nature increasingly combined with capital accumulation, technological innovation and institutional improvements inherited from the past. In a 'labourist' perspective, those morally entitled to this gift — whether directly in the form of wages or indirectly in the form of social benefits to which they are entitled through their work — are the present generation of workers, in proportion to the market value of their skills, the length of their working time and their bargaining power. In a truly 'socialist' perspective, those entitled to this gift are all members of society equally, male and female, irrespective of the extent of their participation in well-protected full-time employment, and in paid work generally.

This more egalitarian, more emancipatory, less male-biased perspective entails a strong presump-

tion in favour of an unconditional basic income. It is not something the left should be dreading. It is something it should enthusiastically embrace. Is there any indication that it will? Here is one. Andy Stern was until recently the president of Service Employees International Union that, with close to two million members, is one of the largest labour unions in the United States. The title of his new book speaks for itself: *Raising the Floor: How a Universal Basic Income Can Renew Our Economy and Rebuild the American Dream.*

**WHY BASIC INCOME CAN NEVER BE A
PROGRESSIVE SOLUTION - A RESPONSE
TO VAN PARIJS**

BY FRANCINE MESTRUM (14 APRIL 2016)

Most advocates of basic income only answer the arguments of the right – mainly concerning the willingness to work – and never imagine there can be valid arguments for the left to resist their proposals.

In that sense we have to be grateful to Philippe van Parijs that he addresses social democracy specifically in his defence of basic income in the previous chapter. However, his answers are not very satisfactory.

Let me start with the easy point on which we fully agree: social assistance needs fundamental changes. First of all, because poverty should not exist in our wealthy societies and because the current means-testing and control mechanisms are humiliating and do not contribute to the empowerment of poor

people. In spite of all the academic and economic blah on the ‘multidimensionality’ of poverty, we should never forget that poor people need, in the very first place, an income if we want them to escape poverty. If other problems remain – health, education, housing, debt, ... – after income security has been guaranteed, then social workers should be available and ready to help.

A guaranteed minimum income for poor people should be introduced, urgently. This should indeed be an individual right. Since it would be for poor people alone it does imply means-testing, but this can easily be done without intervening in people’s private life. We have all the information technology available, from tax administration to social security, in order to grant people what they can rightly claim.

What About The Non-Poor?

Why should we give a basic income also to the non-poor? I have never heard a convincing argument. For keeping the system ‘simple’, it is said. Well, if we can eradicate poverty for, let us say, around €2bn – which would be the case in Belgium if the guaranteed income is put at the poverty level – then why would we spend more

than €130bn extra just for ‘keeping it simple’? That is a very high price.

Basic income should be universal is another argument. The right to a decent income, or as is said in the Universal Declaration of Human Rights, the right to an adequate standard of living is universal. Rights are universal, not the allowances, not the money. If non-poor people have an adequate standard of living, do they have a right to more?

Non-poor people will pay back through taxes, anyway, is the next point. This sounds like an additional reason for not giving them the money. What can the rationale be for giving people money that they then have to give back? And more seriously, will the rich really pay back? The 2016 Panama Papers showed once again that the rich pay no taxes or do everything to avoid paying them.

There is another problem with means-testing. As has been said, this can happen in a non-humiliating way. Moreover, most advocates of basic income are now in favour of additional ‘earnings-related social insurance’. Even social assistance cannot be expected to disappear, says van Parijs. The ‘basic income will not enable us to dispense with means-tested top ups for people in specific circumstances’...

In sum, I see no arguments at all for giving money to the non-poor.

Social Security And Solidarity

Van Parijs admits that some parts of social security and even social assistance will have to remain. He does not explain how this should be funded, but we know he's not thinking of any allowance up to the poverty level. But even at half of this amount – €500 for Belgium – the basic income invoice would amount to around €70bn. Add to this the remaining costs for social policies. All this is much more than the cost of current social protection, around €80bn. Up to what percentage of GDP are we willing to pay? This key financial question remains unanswered.

There are further problems. At this low rate of allowance, people will still have to go out and work on the labour market. The basic income then becomes very rapidly a simple wage subsidy or an open door to 'mini jobs'. Can this be a progressive solution?

A last point on which van Parijs does not touch but one that is very important is that our current social

protection, however imperfect, is based on a horizontal structural solidarity of all with all. To each according to his/her needs, from each according to his/her means. Social security was not meant to promote equality – we have a tax system for this – but it does reduce inequality all the same. With a basic income, giving the same amount to everyone, irrespective of income or resources, means that inequality remains unchanged.

A Union Response

As for changing labour relationships and the growing precariat, it sounds rather cynical to me to accept this state of affairs and try to solve it with a basic income. What the workers' movement has done in the past is organise the struggle for decent wages and working conditions. Progressives can never be happy with the current state of affairs and the dismantlement of social and economic rights.

After the Second World War, the ILO was able to issue its 'Declaration of Philadelphia'. In it, member states declared that 'labour is not a commodity'. And indeed, thanks to social struggles and the then emerging welfare states, the power relations between labour and capital changed. Sure, the exis-

tence of the socialist threat in Eastern Europe helped. But there is no reason why we should accept the further weakening of rights and of workers' movements.

Our social protection systems surely have to be adapted to the needs of people in the 21st century. We should not believe we can carry on as before. The advocates of basic income rightly point to the many problems we are faced with. But there is more than one answer and I do not think basic income is the best, since it depoliticises social protection. Or the only one. We should be able to re-think social protection, strengthen and broaden it, and most of all, involve all people and not just workers.

The division between social security and social assistance should be abandoned, the dichotomy between re-productive and productive work should disappear. Our rights are individual and universal, whereas we should be able to also protect our societies. I want to plead for social 'commons', a democratic and participatory system in which people can become, once again, social and political actors, emancipated people who know what they are fighting for.

If people want to introduce a system to share the

world's wealth, which seems to be van Parijs' objective, they can try to do so. But it is wrong to see this as an alternative to social protection. Tens of thousands of people have been marching in France these past weeks (2016) to defend their labour rights. Progressives should listen to them.

THE EURO-DIVIDEND

BY PHILIPPE VAN PARIJS (3 JULY 2013)

Criticizing is easy. Making proposals is harder. Here is one, simple and radical, yet — I shall argue — reasonable and urgent.

A Euro-dividend is how I shall call it. It consists of paying a modest basic income to every legal resident of the European Union, or at least of the subset of member states that either have adopted the Euro or are committed to doing so soon. This income provides each resident with a universal and unconditional floor that can be supplemented at will by labour income, capital income and social benefits. Its level can vary from country to country to track the cost of living, and it can be lower for the young and higher for the elderly. It is to be financed by the Value Added Tax (VAT). To fund a Euro-dividend

averaging 200 Euros per month for all EU residents, one needs to tax the EU's harmonised VAT base at a rate of about 20%, which amounts to close to 10% of the EU's GDP.

Why do we need such an unprecedented scheme? For four reasons. The most urgent one has to do with the crisis in the Eurozone. Why is it that the US have been managing for many decennia with a single currency despite the diversity of its fifty states and their divergent economic fates, whereas the Eurozone is in deep trouble after just one decade? From Milton Friedman to Amartya Sen, economists have kept warning us: Europe lacks two buffering mechanisms that serve in the US as powerful substitutes for exchange rate adjustments by individual states.

One of them is inter-state migration. The proportion of US residents who move to another state in any given period is about six times higher than the proportion of EU residents who move to another member state. Europeans may become somewhat more mobile. But our entrenched linguistic diversity imposes very strict limits on how far we can expect — or indeed hope — to amplify this first mechanism. The Athens unemployed will never migrate as smoothly to Munich as Detroit's to Austin.

The Dollar zone's second powerful buffering mechanism consists of automatic inter-state transfers, essentially through the working of a welfare state largely organised and funded at the federal level. If Michigan or Missouri suffer economically, they do not sink into a downward spiral. Not only is their unemployment tempered by emigration. In addition, owing to tax liabilities shrinking and benefit payments swelling, a growing part of their social expenditures is de facto funded by the rest of the country. Depending on the methodology used, the estimates of the extent of this automatic compensation vary between 20% and 40%. In the EU, by contrast, the mitigation of a member state's downturn through adjustments of net transfers across states amounts to less than 1%. Given the poor prospects of the migration mechanism, the Eurozone simply cannot afford to neglect this second one. What form should it take? We shall not nor should ever have an EU-wide mega welfare state. Something more modest, far rougher, more lump-sum and therefore more compatible with the EU's subsidiarity principle, is what we need. If it is to be viable, our monetary union needs to equip itself with a number of new tools. One of them is a

buffering mechanism which can only be something like a Euro-dividend.

Transfer Union

The second reason why we need such a transnational transfer scheme applies to the EU as a whole. The linguistic and cultural diversity of the European continent does not only make inter-state migration more costly and therefore less likely for the individuals involved. It also reduces the benefits and increases the costs for the communities involved. Integration into the new environment, both economic and social, takes more time, requires more administrative and educational resources, creates more lasting tensions than is the case with inter-state migration in the US. As migrants from poorer countries flock into the more affluent metropolitan areas, the feeling of being invaded by indigestible crowds feeds the drive to reinstate thick boundaries and repudiate both free movement and non-discrimination. But there is an alternative: organise systematic transfers from the centre to the periphery. People will no longer need to be uprooted and driven away from their relatives and communities by the sheer need to survive. Instead,

populations will be sufficiently stabilised to make immigration digestible in the magnet areas and to stop emigration being badly debilitating in the peripheral areas. If it is to be politically sustainable and socio-economically efficient, a European Union with free internal migration must introduce something along the lines of a Euro-dividend.

Thirdly and most fundamentally, the free movement of capital, human capital, goods and services across the borders of member states erodes the capacity of each of these to perform the redistributive tasks they discharged pretty well in the past. Member states are no longer sovereign states able to set their priorities democratically and to realise solidarity among their citizens. They are more and more compelled to behave as if they were firms, obsessed by their competitiveness, anxious to attract or keep their capital and their human capital, eager to eradicate any social expenditure that cannot be sold as an investment and to phase out any scheme likely to attract welfare tourists and other unproductive folk. It is no longer democracy that imposes its rules on markets and uses them for its purposes. It is the single market that imposes its laws on democracies and forces them to give competitiveness top priority. If our diverse ways of organising social solidarity are

to be saved from the grip of fiscal and social competition, part of it must be lifted to a higher level. The power and diversity of our welfare states will not survive the murderous pressure of competitiveness unless the united European market operates on the foundation of something like a Euro-dividend.

Finally, it is important for all dimensions of the functioning of the European Union that its decisions should be regarded as legitimate, so that governments and citizens will not feel entitled to circumvent them in all sorts of ways. One important factor turns on whether citizens perceive very tangibly that the Union does something for all of them, not only for the elites, for the movers, for those who are in a position to seize the new opportunities, but also for the underdogs, for those left out, for the stay-at-homes. Bismarck helped secure the shaky legitimacy of his unified Germany by creating the world's first public pension system. If the Union is to be more in people's eyes than a heartless bureaucracy, if it is to be perceived as a caring Europe with which all can identify, it will need to find a way of bringing about something totally unprecedented: a universal Euro-dividend.

Taxing Options

Are there any reasonable objections to this proposal? Of course there are. Some, for example, may question the wisdom of using VAT to fund the scheme. True, VAT is the most Europeanised of all major forms of taxation. But would it not make more sense to use a Tobin tax or a carbon tax, for example? We can do so, but what these taxes could fund, under pretty optimistic assumptions, is an EU-wide monthly Euro-dividend of between 10 and 14 Euros. Why not the more progressive personal income tax then? Because the definition of the income tax base varies greatly from country to country and is highly sensitive politically. Moreover, today's income tax is de facto hardly more progressive than VAT. When added to national rates, would a 20% rate of VAT not be unsustainable? It does not need to be added to unchanged VAT rates: the member states' social expenditures can and should be adjusted downward and the revenues of the income tax upward as a straightforward implication of the sheer presence of the Euro-dividend.

Others are likely to object that each of the four functions listed above could be served better through some more complicated, more sophisticated device.

Most of these arguments will be correct. My claim is simply that no other manageable mechanism would serve all four functions as well while being intelligible to the ordinary European citizen.

Peace Dividend

A more fundamental objection is that, however desirable the expected effects, it would be unfair to give everyone something for nothing. This objection rests on a misperception. A Euro-dividend does not amount to an unfair redistribution of the fruits of some hard workers' work. It rather amounts to sharing among all European residents, in the form of a modest basic income, part of the benefits of European integration. How much did we save as a result of not having to conduct or prepare war with our neighbours? How much did we gain as a result of having increased competition between our firms or of having allowed factors of production to move wherever in Europe they are most productive? No one knows and no one will ever know. But what is certain is that these benefits are distributed very unequally in the European population, depending on whether they are movers or stay-at-homes, depending on whether or not the situation created

by European integration happened to make their consumption cheaper or their skills more valuable. A modest Euro-dividend is simply a straightforward and efficient way of guaranteeing that some of these benefits will reach each European in a tangible way.

Is this not utopian? Of course it is, in the sense in which the European Union itself was utopian until not so long ago, and also in the sense in which the social security system was utopian before Bismarck put together its first building blocks. But Bismarck did not create his pension system out of the kindness of his heart. He did so because people started mobilizing in favour of radical reforms across the whole of the Reich he was trying to unify. What are we waiting for?

BASIC INCOME PILOTS: A BETTER OPTION THAN QUANTITATIVE EASING

BY GUY STANDING (9 FEBRUARY 2015)

With much fanfare, Mario Draghi announced on 22 January 2015 that the European Central Bank (ECB) would be pumping €60bn a month into the financial markets until September 2016, in what is euphemistically called ‘quantitative easing’ (QE). This amounts to 10% of Eurozone GDP and 10% of its gross public debt. Many observers guess the flow will go on for longer than the promised 19 months.

The ECB President is described as ‘independent’, i.e., he can do this without democratic consent. Indeed, the country whose population will be required to contribute most is vehemently opposed to the policy. Whether Germans are right or wrong does not alter the fact that it shows just how undemocratic economic policy has become in Europe.

A yawning democratic deficit is prompting people to oppose the neo-liberalisation of Europe. It is ominous that Mr Draghi, formerly employed by Goldman Sachs, is calling for more power to be handed to the ECB so that it can force countries to undertake structural reforms – a thinly coded message for curbing social policy and for allowing more insecurity for their citizenry.

When the QE scheme was announced, those in the financial markets described the plan as ‘bold and convincing’. They would say that, wouldn’t they! They will be the chief beneficiaries.

QE is a blunt, inefficient, inequitable instrument ostensibly intended to revive economic growth, partly by imparting a little inflation, partly by inducing currency devaluation. However, while buying government bonds reduces government debt in the short-term, it would be better to have an EU-level fiscal injection to boost growth, especially as QE is showing signs of becoming a modern form of protectionism, inducing beggar-my-neighbour currency devaluations. These will soon be factored into financial market reactions.

Inequality And Populism

Two months earlier, again with much fanfare, the new President of the European Commission (EC) announced a €315bn ‘investment plan for Europe’, which is mainly a means of helping investors, and particularly the European Investment Bank. None of the direct beneficiaries of either policy could be described as among those suffering from the economic crisis. And Jean-Claude Juncker’s vague talk of prioritising ‘strategic infrastructure’ points to long gestation periods that will do little to alleviate the suffering in the near future.

We must remember there are three EU crises – insufficient demand and investment, growing inequality, and dangerous populist reactions to migration. As even the OECD has now admitted, inequality is itself an impediment to growth. It is also a cause of migration from south and east Europe to north and west.

This growing inequality has been documented to death. Every proposed economic policy, including QE, should be subject to a stress test. Will it increase inequality? If Mario Draghi answers that in the affirmative, which he must in the case of QE, then he

should look for an alternative. Any further increase in inequality could do more damage than just stymy growth. The people of Europe have had enough, and the authorities would be remiss if they took today's simmering disquiet as the worst it can get. More days of rage will do more than dent growth and send the financial markets into a tizzy.

More inequality will also tend to raise governments' budget deficits, because the very rich, particularly those active in financial markets, find it easy to avoid and evade taxes. Growing inequality also tends to enlarge balance of payment deficits, since the rich spend disproportionately on imported goods and services, rather than on domestic ones.

The crisis around migration may be based on an erroneous interpretation of its level and impact. After all, many parts of the EU need more, rather than less, migration, because the birth rate is below the reproduction rate and increasing longevity is producing an ageing population. However, sadly, what matters most is the populist reaction across the EU. It is that which must be defused. Again, the drift to the populist neo-fascist right is a reality.

EU Dividends

A way of addressing all three crises – inadequate aggregate demand, inequality and migration – would be for the ECB and the EC to channel some of the funds earmarked for QE and some from Mr Juncker’s ‘investment plan’ in a novel direction. They could direct, say, 1% of the total (better, much more) to several of the lowest-income regions from which emigration is high – draining them of vital human skills and energies. The transfers could be paid in the form of EU dividends (basic income, under another name).

Bear in mind that while raising aggregate demand or growth is desirable, it should be done in a way that would be most likely to stimulate local investment and demand for local goods and services. QE will not do that; direct transfers to people would.

Monthly payments could be provided to every man, woman and child in, say, four areas on a pilot basis, with the sole condition that they would only continue to receive them if they were residing in those areas. People would still be free to move. However, it would help them to be able to stay. Such

payments could be made for a period of 12 or 24 months.

Many areas of the countries of out-migration have average incomes hovering around €400 a month. If every resident in selected areas was given half that for twelve months, just think how many could be helped if just €2bn were spent in this way.

It would reduce pressure to emigrate. It would boost growth by stimulating aggregate demand, much more directly and effectively than QE. And it would modestly reduce inequality within the EU.

Unlike QE, the direct transfers would not reduce pressure on governments to cut budget deficits, if that is considered important. It should also be more palatable to German politicians, bankers and voters. It would also be consistent with a moral migration policy, ameliorating the conditions that induce impoverished Romanians and Bulgarians to try to go to countries where anti-migration sentiment is dragging governments towards illiberal posturing and policy.

Competitive Devaluations

By contrast, QE will intensify inequalities, have little effect on growth and will only foster a global competition of currency devaluation, with the Japanese, Chinese and even the USA allowing or encouraging depreciation in their currency in response to the decline in the Euro. That would be a dangerous path to a 21st century form of protectionism. Why not use some of that new money to boost desirable growth and reduce inequality instead?

It has been estimated that the USA's QE of \$4 trillion could have provided every non-millionaire household in the country with \$40,000. Instead, it fostered a new round of asset bubbles. Inequality is continuing to grow.

Similarly, had the UK's QE been diverted to pay every British resident a basic income, everybody could have received about £50 a week for two years. Income inequality would have been reduced, economic security improved, domestic growth boosted. Instead, asset bubbles have grown, notably in the property market, along with personal debt, homelessness and resort to food banks. As cuts to

social spending mount, the politicians and financial establishment should not be surprised if the anger turns on them.

An alternative approach is needed desperately. A pilot scheme would give policymakers a wonderful opportunity to see if it would work. It is not as if feeding the bankers has done more than restore bankers' bonuses to disgusting heights.

**WHY THE UNIVERSAL BASIC INCOME IS
NOT THE BEST PUBLIC INTERVENTION
TO REDUCE POVERTY OR INCOME
INEQUALITY**

BY VICENTE NAVARRO (24 MAY 2016)

There is no uniform interpretation of Universal Basic Income (UBI). The simplest definition may be that UBI is a public program in which the state (at any level—national, regional, or local) transfers to everyone the same amount of money (usually similar to the level of income that defines a country's poverty line).

Among the earliest supporters of public money transfers to everyone (although they did not use the exact terminology) were thinkers belonging to the liberal tradition. They were on the opposite side to those from political traditions based on labour movements, such as social democratic parties. These thinkers supported the establishment of public income transfers (pensions, unemployment insur-

ance, family transfers, and the like) and public services (medical care, education, child care, home care, social services, and public housing). The former group, the liberals, proposed giving money to individuals and letting them take care of themselves through market forces: on the principle of supporting personal freedom, opposing state interference in that freedom. (Actually, the recent proposal by the Finnish government – an alliance of conservative and liberal persuasion – to provide income to everyone seems to have gone in that liberal direction).

Is UBI Needed Because There Will Not Be Enough Jobs?

More recently, there has been a demand for a universal transfer to everyone because of the fear that technological developments (robots and similar advances) will dramatically reduce the number of jobs available. ‘The future without work’ seems to justify the need to substitute work with basic income because there simply will not be sufficient jobs.

This thesis, however, seems to ignore the fact that historically, there has never been a relationship

between technology, productivity, and jobs available. The enormous growth of productivity that has occurred since Keynes's time has not reduced the number of jobs being produced nor the number of hours that each labourer works. Keynes's prediction is well-known; he held that, owing to increments in labour productivity, the working week at the beginning of the 21st century would be only two days rather than five. And yet it is still five. The potential was and continues to be there for reductions of jobs and working time. But it has not happened.

The reason is easy to see: political variables (the power of labour) rather than economic variables (productivity or technological innovation) are the main determinants of working hours and working days. Using the same technologies, their impact on jobs depends on the capital-labour power relations in each country. Moreover, human needs are growing continuously. Unemployment does not occur because the need for work has disappeared. Southern Europe is a clear example of that. The high unemployment in these societies has little to do with either technological innovations or the absence of human needs. Their high levels of unemployment are due to the enormous power conservative forces have historically had in these countries and their

influence on the state. Unemployment there is a sign of the enormous weakness of labour.

Is UBI The Best Instrument To Reduce Poverty?

That UBI may reduce poverty is not in question. If a person lives in poverty and does not have a job, UBI will provide the money for him or her to not live in poverty. It seems reasonable to assume that UBI would reduce poverty. But the issue is not whether it will reduce poverty, but whether it is a better or worse way to do so. And here the evidence is extremely clear: UBI is not the best way to reduce poverty.

If we look at the countries in Europe that have been more successful in reducing poverty, like Sweden and Norway, the Scandinavian countries governed for the longest period of time since World War II by social democratic parties, none has UBI. All of them have a combination of work-related programs, income transfers related to specific conditions, and guaranteed income (not for everyone, but for those at risk of poverty). Guaranteed income is usually larger than the one provided by UBI, because its primary objective is to maintain income at the standard of living of the working population. The

success of those experiences explains why most parties rooted in labour movements have followed this traditional social democratic road. The evidence is strong: the consolidation of these programs is more effective in reducing poverty and less costly than UBI.

Why should we spend so much on providing money for everyone, when we would need much less (about 70 times less in terms of percentage of GNP) to reduce poverty by paying a guaranteed income to those at risk of poverty, enabling them to get out of poverty by other means as well? Rather than giving money to everyone, why not help the poor get out of poverty, not only by giving them money, but also by helping them get out of the situation they are in? Poverty is more than lack of money.

Is UBI The Best Program To Redistribute Income?

A similar situation arises when we consider whether UBI is the best intervention to reduce income inequalities. Here again, UBI will indeed produce some form of income inequality reduction. But there are more effective ways to reduce inequalities, as the evidence clearly shows. We can see that the countries with lower inequalities have been those — like

the Scandinavian countries belonging to the social democratic tradition — that have achieved the said reduction through fiscal and redistributive policies and through labour market interventions.

The most important variables in the reduction of income inequalities are political and are based, again, on the status of capital-labour relations in each country. In countries where labour is weak, inequalities are large. This is the reason why income inequalities have been growing as dramatically in many countries, on both sides of the northern Atlantic (North America and Europe): labour has been increasingly weak. As a consequence, we have seen income derived from capital growing far more rapidly than income derived from labour. Indeed, a major cause of inequality has been the enormous growth of the concentration of wealth (property generating income). In this context, the correction of inequalities based on UBI (in which each individual gets the same amount) is dramatically insufficient.

Parties that are committed to reducing inequalities should not channel that reduction through UBI, but rather through a combination of fiscal and redistributive policies and labour market interventions aimed at increasing the percentage of total income

derived from labour at the cost of the percentage derived from capital – as most progressive parties are already doing.

A final observation: the growing weakness of labour explains the large deterioration of the labour market, with a third of the labour force (almost half in Southern Europe) in precarious work, one of the major reasons for the growth of poverty and of income inequalities. To believe that UBI is the solution (or part of the solution) to what has been called the ‘precarariat’ is to ignore the active causes of the deterioration of the labour market, causes that remain untouched with UBI measures. This ‘remaining untouched’ was the primary reason liberal thinkers proposed the initial focus on UBI. It is impossible to resolve the problems of precarious work and of the precariat without touching on the relation of power, both in the state and in the labour market, between capital and labour.

THE WORLDWIDE MARCH TO BASIC INCOME: THANK YOU SWITZERLAND!

BY PHILIPPE VAN PARIJS (7 JUNE 2016)

5 June 2016 will be remembered as an important landmark in the worldwide march towards the implementation of Unconditional Basic Income (UBI) schemes. All Swiss citizens were asked that day to express their approval of or opposition to the following proposal:

1. The Confederation introduces an unconditional basic income.
2. The basic income must enable the whole population to live a dignified life and to participate in public life.
3. The law will determine the funding and level of the basic income.

The proposal was rejected, with 76.9% of the voters against, 23.1% in favour. Why was this rejection predictable? And why is it such an important step forward?

From Zero To 23%

To answer these questions, a brief historical overview is in order. In 2008, the German film maker Enno Schmidt and the Swiss entrepreneur Daniel Häni, both based in Basle, produced *Grundeinkommen: Ein Kulturimpuls* ('Basic income: a cultural impulse') a 'film essay' that gave a simple and attractive picture of basic income. The dissemination of this film through the internet helped prepare the ground for a popular initiative launched in April 2012 in favour of the above proposal. Another popular initiative proposing a UBI funded specifically by a tax on non-renewable energy was launched in May 2010 but failed to gather the required number of signatures.

The initiators of the 2012 initiative first thought of specifying that the basic income should be funded via VAT, as was suggested in the film, but they dropped the idea for fear of losing support for the proposal. They also chose not to stipulate a precise

amount in the text itself. But their website did mention a monthly amount of Sfr2500 per adult and Sfr625 per child as the best interpretation of what was required, in Switzerland, ‘to live a dignified life and to participate in public life’. If an initiative gathers over 100,000 validated signatures in 18 months, the Federal Council, Switzerland’s national government, is obliged to organise a country-wide referendum within three years either on the exact text of the initiative or on a counter-proposal to be negotiated with the initiators.

On 4 October 2013, the initiators handed in more than 125,000 valid signatures to the federal chancellery. On 27 August 2014, after validation of the signatures and examination of the arguments, the Federal Council rejected the initiative without making a counter-proposal. In its view, ‘an unconditional basic income would have negative consequences on the economy, the social security system and the cohesion of Swiss society. In particular, the funding of such an income would imply a considerable increase of the fiscal burden’. The proposal was subsequently submitted to both Chambers of the Swiss Parliament. On May 29 2015, the Commission of Social Affairs of the National Council (Switzerland’s federal house of representatives) recom-

mended by 19 votes to one with five abstentions that the proposal for a UBI should be rejected. After a thorough discussion at a plenary session on September 23 2015, the National Council proceeded to a preliminary vote and endorsed this negative recommendation by 146 votes to 14 with 12 abstentions.

On 18 December 2015, the Council of States (the Swiss Senate, made up of representatives of the cantons) considered the initiative in turn and rejected it by 40 votes to one in favour with three abstentions. On the same day, the proposal was the object of a second and final vote in the National Council: 157 voted were against, 19 in favour and 16 abstained. In all cases, all the representatives from the far right, centre right and centre parties voted against the proposal. All pro votes and abstentions came from the socialist party and the green party, both of which were sharply divided. At the final vote in the National Council, 15 socialists voted in favour, 13 against and 13 abstained, while four greens voted in favour, five against and three abstained. The degree of support thus oscillated between 0% in the Federal Council, 2% in the Council of States and 4, 8 and 10% in the National Council (commission, preliminary and final vote).

For the popular vote on 5 June 2016, the national leaderships of nearly all parties, including the socialist party, recommended a no vote. The only exceptions were the green party and the (politically insignificant) pirate party, which recommended a yes, joined by a number of cantonal sections of the socialist party from all three linguistic areas. Against this background, it was entirely predictable that the no vote would win, and nearly one vote in four for yes — with peaks at 35% in the canton of Geneva, 36% in the canton of Basel-Stadt, 40% in the city of Berne and 54% in the central districts of Zurich — is far above what the figures quoted above would lead one to expect. And we must, moreover, bear in mind that Switzerland is perhaps *the* country in Europe in which support for a UBI should be considered least likely, not only because of the deeper penetration, in Calvin's homeland, of a Protestant work ethic, but above all because of the comparatively low levels of unemployment and poverty it currently experiences.

In Switzerland And Beyond: Broader And More Mature

Everyone now realises, however, that even if the initiative had not managed to gather more than the

2.5% of the Swiss citizens who had given their signatures at the initial stage, it would have been, thanks to the initiators' stamina and their impressive communication skills, a stunning success. There is now no population in the world or in history that has given more thought to the advantages and disadvantages of the proposal than the Swiss have done over the last four years.

And the effect was by no means confined to Switzerland. In the last few days before the popular vote, *The Economist*, *The Wall Street Journal*, *The Financial Times*, *The New York Times*, *The Guardian*, and countless other newspapers around the world felt forced to publish substantive articles in order to explain at length — sometimes quite well, sometimes not so well — what a basic income is and what it is about. There has been no week in the history of the world in which the media have allocated so much time and space to a discussion of UBI.

Apart from giving a big boost to the spreading of the idea, the Swiss initiative has also greatly contributed to the maturing of the debate surrounding it. For one lesson to be drawn from the experience is that a proposal that stipulates a high amount but no precise way of funding it can easily gather the

required number of signatures but is a long way from convincing a majority among the voters who bother to turn up on voting day (about 46% of the electorate in this case). A shining star that indicates the direction is enough for the former, but visible signposts on the ground marking a safe path are essential to achieve the latter.

Whenever I was invited to join the Swiss debate, I argued that introducing in one go an individual basic income of Sfr2500 (38% of Switzerland's GDP per capita) would be politically irresponsible. True, no one can prove that such a level of UBI is not economically sustainable. But nor can anyone prove that it is. Nor will any local experiment performed or planned in Switzerland or elsewhere prove that it is. Moreover, it is not unreasonable to suppose that the economic sustainability of a UBI at that level will require a number of preconditions unmet so far, including the introduction of new forms of taxation — for example the micro-tax on electronic payments that played an interesting role in the Swiss debate — and effective international cooperation against tax evasion — not exactly Switzerland's strongest point.

Make It Happen

In the immediate future, however, it should now be clear that more modest but significant steps forward can and must be worked out and debated. They must involve an individual UBI at a lower level (say, 15 or 20% of GDP per capita) that would still need to be topped up by means-tested social assistance benefits or housing grants, certainly for urban single-adult households. It is not because in many cases the UBI would not suffice, on its own, to 'enable the whole population to live a dignified life', that it would not make a big difference to the security, bargaining power and freedom of choice of many of the most vulnerable among us. Even in the short run, introducing such a UBI is definitely sustainable economically. It is up to us to make it politically achievable.

The unprecedented Swiss initiative has not only made many people, in Switzerland and far beyond, far more aware of the nature and size of the challenges we face in the 21st century and of how a UBI might help us address them. By triggering countless objections, some naive and some spot on, it has also helped the UBI advocates to sharpen their arguments and to recognise the need for realistic next steps. For both these reasons, the Swiss citizens who

devoted a tremendous amount of time, energy and imagination to the yes campaign deserve the warm gratitude not only of the basic income movement worldwide, but of all those fighting for a free society and a sane economy.

UNIVERSAL BASIC INCOME: A DISARMINGLY SIMPLE IDEA – AND FAD

BY ROBIN WILSON (9 JUNE 2016)

Universal basic income is a disarmingly simple idea based on a disarmingly simple premise. The digital revolution threatens massive technological unemployment; *ergo*, every citizen should be paid a basic income regardless.

Like all simple ideas, however, things get more complicated on closer scrutiny. For decades there have been jeremiads predicting that workers would be replaced by robots and unemployment would spiral. They have been wrong, and wrong for an important reason: the level of employment is socially, not technologically, determined. Keynes envisaged a possible society where leisure would be widespread because much more highly productive labour was shared and minimised, not corralled by

some. Short of that, Keynesian demand-management ensured the steady post-war boom western Europe enjoyed. It was not brought to an end by technology — but because it so strengthened labour that the forces of capital were determined to bring about a reverse, even at the expense of renewed volatility and recurrent, perhaps now perpetual, crisis.

From a socialist perspective, it is highly desirable that routine forms of employment which provide little enrichment, needing little intellectual or creative input, should be eliminated and that individuals should be enabled to be (re)educated and (re)trained for more socially useful activities in caring services or more challenging and fulfilling tasks. From a feminist one, it is equally desirable that the part-time/full-time distinction, often condemning women to the former position, be replaced by everyone working (say) 21 hours a week, as the New Economics Foundation has suggested, with the associated sharing of domestic responsibilities. Such decisions should not be squeezed aside by an ill-founded notion that large-scale unemployment is a *deus ex machina* which must fatalistically be accepted.

Something For Something

And that leads to a second complication. It hardly favours personal wellbeing to languish passively for years on the dole, with all the effects that is known to have on atrophy of skills and loss of morale. Marx would have shaken his head that latter-day leftists could support something like this. He would have said they were prisoners of ‘commodity fetishism’ and the ‘cash nexus’ — unable to think beyond the worship of the ultimate commodity, money, as the solution to all social ills. And he would have reminded them that in his socialist, and indeed communist, ideal world, ‘From each according to his ability ...’ was the first part of his defining slogan.

It is the vulnerability of universal basic income to the ‘something-for-nothing’ criticism that led to its massive and inevitable defeat in the Swiss referendum. And there is nothing socialist about encouraging a ‘society owes me a living’ mindset. On the contrary, socialism is about being willing to go the extra mile for one’s fellow citizens, even in the absence of personal reward and indeed sometimes at great personal sacrifice. That runs counter to the hyper-individualist anomie which decades of neolib-

eral economics have also fostered — and universal basic income would not go against that grain.

The second part of Marx's socialist slogan was 'To each according to his work'. Roughly, one could equate that with the social-insurance based welfare states of central Europe, such as in contemporary Germany. The second part of the communist slogan was 'To each according to his needs'. And approximately that conforms to the more egalitarian universal welfare states of the Nordic countries.

While there is a current pilot in Finland — under a centre-right, not social-democrat, government — universal basic income has been an idea which has flourished, unsurprisingly, in the Anglo-American world familiar only with means-tested, market-based welfare states. There it has appeared as a panacea for burgeoning insecurity. But it is a blunderbuss which would be hugely expensive and inefficient: an obvious effect would, perversely, be to expand the arena of 'mini-jobs' offering low pay and with low productivity, for which universal basic income would simply provide a wage subsidy to poor employers. The more obvious trajectory to follow is to seek to de-commodify labour by proper

labour market regulation and universal welfare provision.

Because of its huge deadweight effects, advocates of such schemes inevitably end up with more ‘practical’ alternatives — such as in the Reed and Lansley pamphlet for the British pressure group Compass, where they make the (wholly reasonable) case for unemployment benefits higher than the current UK pittance, funded by progressive taxation. But that is just to make the UK look a bit more like a universal welfare state.

And a key aspect of such states is that they are not just about income transfers — though they are the most effective social machine for equality ever devised in history. They are also about enhancing personal wellbeing for all through the provision of public goods. Thus universal childcare, free or heavily subsidised, is at the heart of the Nordic welfare states — not there to be bought by a childcare ‘consumer’ with his/her universal basic income. Active labour market schemes, which assist workers to make the transition from obsolete skills to those in demand, safeguarded by high replacement-rate benefits, are another key feature particularly of Denmark’s famed ‘flexicurity’.

Passing Fad

Seen in that light, universal basic income is not so much an idea whose time has come as a fad which will pass for lack of public traction. Universal welfare states can engender that popular support, because they are funded on the progressive basis of ability to pay while offering universal provision on the basis of need. They are highly effective, being focused on need, without deadweight effects. And they are highly efficient, being easy to administer.

They need to become more personalised — including through user engagement, ‘co-production’ and involvement of specialist NGOs — while not sacrificing universality. But those complex, concrete policy arguments take us a long way from the ‘fast food’ substitute of a universal basic income.

UNCONDITIONAL BASIC INCOME IS A DEAD END

BY ANKE HASSEL (1 MARCH 2017)

The concept of an unconditional basic income is becoming increasingly popular among economists, managers, activists and entrepreneurs as an alternative to traditional social policy. Instead of providing social benefits in an emergency, for unemployment or old age, the government would pay every adult the same lump sum in the future – around 1,000-1,200 Euros a month. There would then be no social benefits, no Hartz IV (Germany's long-term jobless benefits), and most likely no pension or unemployment insurance.

This universal basic income promises each person the freedom to decide if they want to be employed, to do volunteer work – or do nothing at all. It promises politicians the luxury of no longer

worrying about unemployment. And it gives companies an elegant way to justify job cuts. Jobs that fall victim to technological change or globalisation are no longer a problem, as those affected are financially secure and can look after their children at home or pursue hobbies.

Nevertheless, the basic income is a dead end. The most commonly cited reason for this is, of course, financing. Its costs have not been quantified, but it is certain that they will be high. Just how income and wealth should be taxed to pay for it remains an open question. Radically transforming the social system to a basic income would be the greatest financial gamble in recent history.

But the financial aspect is not even the most important argument against a basic income. The basic income is a seductive poison. It benefits the margins of society at the expense of the middle class. For the poor and long-term unemployed, the basic income removes the pressure to find work and the unpleasant task of motivating people to actively look for employment. It most likely won't cost the rich any more than before, and helps ease their social conscience. In this case, growing social inequality would no longer be a social scandal, since everyone

would have an income, albeit close to the poverty line. It is precisely for this reason that there are three main arguments against an unconditional basic income.

Sweet Poison

Firstly, the basic income will further divide society and prevent social mobility. Those who, due to their family background, have good prospects for interesting employment and high income will maintain their existing work ethic, engaging in school and study, and maybe taking a sabbatical or two in between. This is a good thing. However, life will become more difficult for young people from parts of society already at a disadvantage in terms of education – those from working class and migrant families. The sweet poison of the basic income will accompany them in every step of their school life and vocational training. When asked what they want to do for a living, children from parts of Berlin with a high percentage of working class and migrant families, such as Neukölln, today already often say they plan to go on the dole. In the future, they will answer: ‘I’ll get my basic income’. Their numbers will rise as the basic income rises. Their motivation

to continue to invest in themselves and to improve their lives through qualified work will be put to the test every day and at an age when they are already struggling with themselves and the demands of their environment. The rest of society will be much less concerned about this development than they are today, as everyone will be taken care of.

Secondly, an unconditional basic income lacks social legitimacy. At present, it is impossible to imagine a model that benefits all parts of society equally. It is therefore likely that the basic income would be redistributed from the centre of society to those who are not, or are only partially, employed. Comprehensive social services that go beyond pure poverty control, however, are legitimised by existing concepts of social justice. How else? Norms of social justice include the idea of equal opportunity, giving everyone a shot at making it on the labour market and in the market place. This justifies, for instance, public spending on education or inheritance tax. Or the idea of social insurance which links contribution for unemployment and old age insurance to social transfers.

An unconditional basic income is, in principle, based on a citizen's right to income, although it leaves

open the question as to why it should also be paid to those who do not need it. Social solidarity with the weaker members of society is the opposite of a basic income scheme. The middle class, who would finance the basic income but who wouldn't benefit from it materially, are unlikely to find social justice in this 'unconditional' redistribution. This is why large redistribution programmes are unpopular among voters, even among those who are likely to benefit from it. For this reason, the Swiss rejected by a large majority last year's referendum on introducing a basic income.

Social Values

Thirdly, an unconditional basic income runs counter to the needs of a society with rapidly growing immigration. A large number of migrant workers and other immigrants need more mechanisms to help with social integration, not fewer. It's the everyday experiences that matter: people meet each other at work, they get to know and appreciate each other, and they learn the language. Considering this, it would be fatal to give people a reason to stop working, to stop improving their qualifications, and to simply stay at home. Nevertheless, we need a debate

about a good society that is not based solely on employment and the labour market. There is still a lot of work necessary to improve society that cannot be accomplished through the labour market, but that still needs to be acknowledged. But the unconditional basic income is the wrong way to accomplish this.

**BASIC INCOME IS A TONIC CATALYSER:
A RESPONSE TO ANKE HASSEL**

BY ULRICH SCHACHTSCHNEIDER (2 MAY 2017)

In the previous chapter, Anke Hassel rejects basic income as a threat to individual development and social integration, claiming that it would remove people's motivation to join the labour market. Young people from working class and migrant families in particular would not invest in their general education and vocational training. Even the workplace-centred integration of the growing number of immigrants would be absent if they lose the motivation to join the world of paid work. Hassel's basic assumption is correct: work is important to improve one's skills, to develop self-confidence and to feel acknowledged in society. But is this at risk through basic income?

First, we have to ask ourselves: do we really know

the impact made by fewer coercions to join the labour market? In Finland an experiment has started to explore just this. We should wait for the results. In the 'Mincome' experiment in the 1970s in Canada labour market supply, measured by the number of yearly working hours, declined between one and seven percent. That does not sound dramatic. Two more results: more young people (especially working class young men) graduated from high school and the number of days spent in hospitals declined.

Second, we have to raise the question whether only paid work can fulfil the important task of personal growth and social integration. In economies dominated by capitalist motivations, societal recognition through work is linked to the need for an income: the need to produce something, make an impact and be recognised is 'translated' into the wish for being paid for everything which one does.

Work And Income

A possible starting point for breaking with the capitalist-dominated work society is to separate basic individual and societal needs from paid work. The partial decoupling of work and income that might be at least partially achieved by an unconditional

basic income would raise the prospect of a multi-faceted life beyond market structures, including various forms of self-organised individual and communal work.

The qualities which the people will learn in these non-monetary forms of work will cause an even higher demand for 'good works' in the labour market. People could refuse work which neither fosters one's personality nor has social and ecological value, with basic income to back them. The labour market becomes less hierarchical. Therefore, we can designate basic income as an 'authenticity lump sum'.

The second argument Hassel makes is that basic income would cause a bad economic redistribution mechanism: the middle class would pay for the basic income but wouldn't benefit materially. What does she mean by 'middle class'? However we finance basic income – via an increase in income tax, eco-taxes, consumption taxes, capital gains/wealth tax or inheritance tax – the members of the small richer part of society will pay more than they get back as their own basic income. Basic income is redistribution from the most affluent 20-30 percent to the rest – all financing examples show this.

As Hassel remarks, many low-paid workers who would really benefit from this redistribution reject basic income. But we can argue the following in response: basic income is a social state for all, not only for those who get subsidies paid from others under today's system. What's more, one can point to the fact that, with a basic income for all, the monetary gap between those doing paid work and those getting only welfare benefits will grow.

The Joy Of Working

However, these arguments are theoretical and we have to evaluate the experiments, mainly to do with mitigating coercion to work in return for social benefits rather than a true basic income for all. Of course, basic income which gives everyone more bargaining power would change the constitution of labour market. The price of labour which contains less appealing tasks and conditions would rise. Due to the growing options to say 'no' to work seen as senseless in various regards, the share of work which people really want to do and see as required, will grow: We will have more 'authentic' work, but probably an overall decline of labour. But why should we reject this possible change? Keynes

himself expected that his grandchildren would only need to work 15 hours a week due to technological progress and better satisfaction of needs.

Whatever we think about this basic income, it is a new principle for the social state, and a new chance to re-think work, what it is and what it should be, as Hassel would like as well. Introducing a basic income would be a great transformation and it should be set in train slowly. People and society should have enough time to adapt individuals' behaviour and amend social institutions. Implementation can go forward step by step, until the full amount of a basic income covering the socio-cultural minimum for existence is reached.

UBIE (Universal Basic Income Europe) is researching the idea of a partial basic income, a Eurodividend of €200 a month, paid to every European citizen. This would be both a very necessary contribution to a more social Europe and a first step to the great transformation. Basic income is not a sweet poison but a tonic catalyser for a more authentic world of work.

BASIC INCOME AND INSTITUTIONAL TRANSFORMATION

BY LOUISE HAAGH (2 MARCH 2017)

Most misunderstandings concerning basic income arise from exaggeration about what it can or ought to achieve. This is illustrated in reasonable points raised by Ruth Lister in a recent piece in an article series of the British pressure group Compass. For me, basic income addresses some fundamental problems in institutional design. Tackling those problems will make a contribution towards solving a range of contemporary challenges, but this is contingent on other changes.

Like Lister, I was attracted to the idea of UBI because it invokes inquiry into first principles. On what basis does the welfare state support individuals? What should the function of the social state be in today's society?

It is curious to me how the approach to the guarantee of income subsistence has retained the moral and social class bias of a bygone age, whilst universal and unconditional delivery of social services goes without question. The clue lies in the word ‘income’. People rightly worry if they gain the impression that the idea is to replace income from work. When some basic income supporters say that want to separate income from work, they ought to add that they want to make a *partial* separation of income and work. This would make it easier to see how it is possible to think of basic income security in the same way as we think of services we already guarantee on the premise that doing so is enabling of individuals and of senses of basic equality and community. This includes many aspects of health, education and care.

The basic idea entailed in consolidating basic income security is represented in the logo of the Basic Income Earth Network. This represents a side-ways view of a staircase. The bottom is the widest part of the structure. This base is shared by everyone. Having this base guaranteed allows persons to climb. Some climb higher than others. This represents their opportunity to earn additional income and do a range of different things besides. This image with respect to income is not really that

different from how we treat other opportunities in society, e.g. education given initially free of charge irrespective of parents' social contribution.

Income And Work

So introducing a basic income does not entail a general separation of income from work. There are many advantages to a money-based recognition of contribution, including that money is a neutral medium that permits social negotiation of contractual conditions that are important to stabilise expectations. Basic income should not be seen in this sense as a replacement of earnings, but as a basic source of security. Besides being a medium of exchange, and a currency for recognising and planning contribution over time in the form of employment, money is necessary simply to live. A more civilised society separates out the different functions of money. A basic income is a long-overdue part of doing so. Basic income is a floor below which no one should fall. Through tax subsidies and the tax-free allowance, citizens of different income already receive a basic amount. The UBI is not essentially about redistributing money, but about the basis on which distribution is done.

Rethinking conditionalities does not then entail devaluing social contribution, as Lister and others rightly worry, but invites much needed rethinking about how contribution is incentivised and sustained. The current welfare bargain has shifted responsibility for these matters too far onto individuals, absolving society and policy-makers from difficult questions concerning how to devise more effective educational and occupational planning. From this vantage point, the main change entailed in a basic income reform is the removal of conditionalities on basic income support.

Incentives And Punishment

Conditionalities on income support aim to incentivise, but there is a thin line between incentive and punishment when risk of losing basic subsistence is ever present and basic security is conditional on taking any job offered. Current policy is not designed to punish vulnerable groups in particular, but this can become the effect. The policy debate rightly focusses on how to alleviate the poverty trap, which refers to the lack of incentive to earn when withdrawal rates of basic support are high. This representation of the poverty trap, however, fails to

take account of other sources of human motivation besides immediate earnings. There is more than money at stake in the poverty trap. The income poverty trap is also a security trap. There is a lot of evidence that fear of losing basic security invokes short-term self-preservation behaviours, whereas opportunity to think long-term motivates more sustained and expansive strategies. In *Working-Life, Well-Being and Welfare Reform* I summarise and provide new evidence to this effect. The current institutional strategy is to motivate people in the short-term, with a heavy dose of stick. The aim ought to be to enable long-term personal strategies. This is good for individuals, families and society as a whole.

What about the risk that a few persons will feel motivated to contribute and live a very modest existence on a basic income all their lives – something they could not now do without penalty? It is undeniably true that this does raise some tricky ethical questions. However, I do not think these are unique to basic income, but perennial in human society. Most institutions that support formal employment also have other independently valuable functions. Producing more market income is not the only objective of a basic income, just as it is not the only

objective of public education. If someone decides to be a house-wife or -husband, presumably we might still think the education they received is useful in some way. There are people who undertake risky sports that it costs the majority that do not do those sports to insure. Prisons are costly. In other words, there are many areas of public expense that do not have a direct market productive value but we value all the same. We could value giving citizens basic security on the premise that this generates safer communities. It is important to consider that the incentive to earn and progress is not diminished by definition by a basic income reform.

Aiming High

There is an emergent consensus in Britain that policy needs to incentivise persons to aim higher and stay in education for longer. There is an urgent need to train new nurses and doctors, and to give care a real professional status. Devising systems to encourage new forms of social saving and finance for care are needed. These challenges cannot be solved by a basic income directly. Some entail regulatory changes to promote better pay and occupational status for care services employment. A basic

income can, however, play a part in the institutional changes required. A basic income can shift a person's motivation to stay in or return to education and support long-term prospects in labour market integration. A basic income is a floor that can help motivate long-term savings strategies and – together with other regulatory changes – can form part of a re-design of social insurance in a way that this can support a broader affiliation base.

This takes me back to concerns raised by Lister. I do not see a basic income – as idea or practice – as a challenge to the work ethic. The mistake lies in thinking this is the job of the basic income in the first place. It is this line of thinking that needs to be challenged. Why reproduce the problematic assumption that people will not work if they have basic security? Easing or preferably lifting conditionalities on basic subsistence is only a small step towards addressing a range of more complex problems, but it may be an important step all the same. Local municipalities are experimenting with lifting conditionalities across European countries because they find they are not working. It is important however to consider changes to income support systems alongside policies to create occupational and long-term saving incentives that are also needed because

existing systems are failing. If we think of basic income in this triangular context then basic income is part of a process of better differentiating economic institutions in society with a view to supporting long-term incentives.

If this is done right then there is every chance that a more structured incentive structure could result which rewards contribution to a greater degree than it is now. Hence, Anthony Atkinson's concern about contribution, which Lister reiterates, is important, but direct conditionalities may not be the best solution, because these risk generating moral hazard and costly measurement problems. Atkinson tried to solve too many objectives in one single policy. In *Policy and Politics and Basic Income Studies* I argued there is no principled or indeed practical reasons to view basic income as in conflict with more complex welfare systems that – such as in Nordic states – pursue human development more intentionally.

A Feminist Frame

Does basic income support feminist concerns? Again, my answer is the same. It is not necessary to stake all problems facing women in modern society on a basic income reform. The basic security a basic

income entails will be more valuable for some groups and situations. Because women on average face greater and more complex forms of insecurity than men, women will benefit especially. But basic income cannot solve a range of the problems that make it harder for women to attain control of their work and time which are collective problems that require a regulatory and shared-risk response. Genuinely affordable child-care and more balanced work-load expectations and gender-balanced recognition of performance in employment are matters that require coordinated solutions.

This finally points to a wider set of arguments that can be made for some form of transition to a more stable form of security at the base of society. I agree with Lister that impending automation is not the fundamental basis for a basic income reform. However, I would go further and add: nor is a rising precariousness of many areas of work the fundamental reason why forms of transition to basic income may be warranted. There is a case for basic income as a response to systemic change. In one version of this argument a guarantee of subsistence is the only watertight response to the uncertainty generated by more complex and rapidly changing patterns of employment. A reason, however, that

many groups – including trade unions – are often unhappy about this kind of argument is that it strikes a passive note.

In truth basic income does have crisis-alleviating functions, but its long-term role is more positive. Even if free trade regimes are experiencing a backlash, it is undoubtedly true that global employment patterns will continue to undergo complex change. In this context, a basic income is not a substitute for a growing need for more proactive development policy and regulatory responses at the state level. But it is potentially a key source of democratic pressure to enact this kind of response. Technology can be converted into an opportunity to redirect human energies to other forms of work, like care, the promotion of health, and conservation. A basic income will not do that directly, but it may have an indirect role to play in ensuring more balance of power in society. The most important systemic argument for basic income is in general terms of democratisation.

On this basis labour unions should not view basic income as a threat to their interest in shaping the form of employment in the future. Basic income can help support new collective forms of working,

organising and sharing risk. It may support a rethink of rights in relation to welfare and work in broader terms. The quality of employment is not a separate question to the quality and availability of care in society, to take one example. The current use of social policy to control the individual's contact with the labour market atomises individuals and segments society. Basic income has the potential to enable a new set of more direct relationships among citizens, and a more balanced relation of citizens with the state.

**NO NEED FOR BASIC INCOME: FIVE
POLICIES TO DEAL WITH THE THREAT
OF TECHNOLOGICAL UNEMPLOYMENT**

BY HENNING MEYER (27 MARCH 2017)

The potential threat of technological unemployment is one of the most hotly debated economic issues of our times: in boardrooms and trade union offices but also increasingly amongst policy-makers. The catch-all term ‘digital’ may have been added to numerous political concepts in recent years but beyond such branding there has been very little debate of substance about what a comprehensive policy response to this threat should be. We do not know whether some of the more sombre predictions about large-scale job losses will materialise but we do know that governments and others need to be prepared if and when substantial labour market shifts occur.

The revived idea of a Universal Basic Income (UBI)

is the cornerstone of the limited policy discussion under way. The idea is, of course, not new but has had numerous incarnations over many decades and been presented as a solution for quite different problems. The one that concerns us here is simply whether the UBI could be a solution for large-scale technological unemployment or temporary labour market dislocations that could result from accelerated technological change. When examining the issue in detail it becomes clear that a basic income would not solve many of the key issues. There are several reasons for this.

The first is that basic income in effect reduces the value of work to mere income. I know that many people disagree with this argument but that is how I see it. Making a living is of course a critical element associated with work but social aspects are also crucial. The social value that work provides is an essential source of self-esteem and gives people a structure to their lives and role in society.

Scarred For Life?

There is also the danger of scarring effects. If people leave the labour market and live on the basic income for a prolonged period their chances of re-entering

that market become very slim. Accelerated technological change is likely to make existing skills obsolete ever more quickly so it would be quite easy to lose the ability to work and remain stuck on basic income quasi-permanently.

This point in turn raises the question of inequality. Paying people a basic income would not remove the fundamental problem that in the digital economy some people will do extraordinarily well and many others find themselves left behind. One oft-heard argument is that if people want more money than basic income provides they can just work a few days. If the problem is technological unemployment, however, this option is simply removed as the large-scale loss of jobs renders it unviable. The digital economy would thus produce a new underclass stuck at basic income level and an economic elite that would reap the greatest benefits; it would also be largely free of social responsibility for those left behind as ideas for funding basic income usually rest on flat taxes and the abolition of public welfare provisions.

A universal version of the basic income would also represent a bad allocation of scarce resources. Whether it is paid out directly or provided as some

form of tax credit, it is very unlikely that all of the funds that would be paid to people who do not need it can be claimed back via reformed tax systems if you take the allocation of existing tax systems as a benchmark. And why should a universal payment be a good solution for a specific problem?

Finally, there might be some thorny issues about when immigrants would qualify for the basic income and, in the case of Europe, how such a system would be compatible with the European Union's freedom of movement and non-discrimination rules. In many countries, moreover, it would not be easy at all to abolish current pension systems – also an effect of basic income – as these embrace strict legal entitlements.

A Handful Of Alternatives

For all these reasons, the basic income does not look like a suitable policy response to the threat of technological unemployment. What could work instead? A policy agenda based on the following five cornerstones could be a more comprehensive and adaptive solution.

First, education systems clearly need to adapt more

to new economic realities than they have so far. Education should be less about memorising/retaining information and more focused on turning that information into knowledge as well as teaching transferable creative, analytical and social skills. Technical skills might become obsolete very quickly but the ability to be creative, adapt and engage in continuous learning will always remain valuable.

Second, if there is large-scale technological unemployment, re-allocating the remaining work should be a first step. It might not be the 15-hour work week that John Maynard Keynes envisaged for his grandchildren but where possible such a policy would make sense and be a first re-balancing tool.

Third, public policy-makers should be thinking about job guarantee schemes that would complement the normal labour market. Guaranteeing paid activity in this way would kick in when traditional jobs are lost; it would keep people active and able to use their skills. If governments acted as an 'employer of last resort' this would avert scarring effects and could actively promote up-skilling if, as it should be, requalification/retraining were a core element of the guaranteed activity.

As such a scheme would in effect decouple the

payment for an activity from its content it creates an additional public policy tool to incentivise socially beneficial activities. A job guarantee could, for instance, be effectively used to upgrade the health and care sectors, where on current demographic trends more human labour is required in the future. It could also be used to fund sports and other cultural activities locally and thus strengthen social cohesion in communities.

Such a job guarantee system would be managed through a variety of different intermediaries and governance institutions. It is not about introducing a planned economy. The idea is premised on the assumption that even if traditional jobs disappear or there are times of transitional unemployment we as human beings will not run out of ideas as to what kind of socially beneficial activity we could actively engage in.

Own Capital

The fourth cornerstone then addresses how to finance such a scheme. It is surely worthwhile to rethink taxation, including how the tax base can be broadened, but in the end this might be either insufficient, distortionary or both. If we really end up in a

world in which most of the work is done by robots the fundamental question is: who owns the robots?

This leads us to the fifth and final point: democratising capital ownership. If the robot-owners are the winners in this brave new digital world then as many people as possible should have ownership stakes. This can work at both the individual and the macro level. At company level, models such as the 'workers share' could spread ownership amongst employees so workers individually become less reliant on income from wages. At the macro level special purpose financial vehicles could be created to re-socialise capital returns. These could be sovereign investment funds that would work along the lines of university endowments or sovereign wealth funds and create new public revenue streams that could then be used to help fund the job guarantee.

The core idea of the basic income is based on a libertarian view of society. Implementing it would individualise many aspects of our daily lives that are currently organised collectively. The policy mix proposed above, on the other hand, would not just provide effective protection against the potential downsides of the digital revolution but at the same

time create tools to strengthen communities and reduce inequality.

The debate about how to respond to the digital revolution in policy terms will be one of the crucial discussions in the years to come. Basic income is just one – and highly problematic for the reasons outlined here. There are other ways to address this issue.

**CITIZEN'S INCOME: BOTH FEASIBLE
AND USEFUL**

BY MALCOLM TORRY (10 APRIL 2017)

There has been much discussion recently (in *Social Europe*) about a Basic or Citizen's Income: an unconditional and non-withdrawable income for every individual. My aim here is to respond to one particular point made more than once: a Citizen's Income would be unaffordable.

This is a complex question to which a variety of responses might be offered. Several of those responses would not be viable in the short or medium term but might be possible in the longer term: for instance, new forms of taxation, such as a financial transaction tax or land value tax, or the creation of new money, along the lines of the quantitative easing practised by central banks since the financial crisis. None of these funding methods

would be easy to establish, and the likelihood of being able to implement one of them at the same time as introducing a Citizen's Income would be close to zero.

A more feasible method for funding a Citizen's Income in the short to medium term would be adjustments to the current tax and benefits systems. In the UK, such measures might be the reduction of the Income Tax Personal Allowance, adjustments to National Insurance Contribution rates and thresholds, changes to Income Tax rates, and the abolition or adjustment of existing means-tested benefits. A wide variety of different configurations would clearly be possible, but some would be more feasible than others.

In the UK, the value of the combination of the Income Tax Personal Allowance and the National Insurance Contributions Lower Earnings Limit is similar to that of the main out-of-work means-tested benefit, Jobseeker's Allowance. This suggests that a Citizen's Income of the same value could be paid for by reducing to zero the Personal Allowance and the Lower Earnings Limit and abolishing means-tested benefits. This approach might look attractive, but first of all the levels of means-tested

benefits related to housing (Housing Benefit, Council Tax Benefit, and the housing component of Universal Credit) are substantial in areas of high housing costs, so those benefits would need to be retained; and secondly, households receiving Working Tax Credits and Child Tax Credits would find that their Citizen's Incomes would replace the lost Income Tax Personal Allowance but not the value of their in-work means-tested benefits. Large numbers of low income households would therefore suffer substantial losses at the point of implementation of the Citizen's Income. This would clearly be unacceptable.

Means-Testing...

The only option in the short to medium term is the retention of means-tested benefits, with each household's means-tested benefits being recalculated on the basis that they would now be receiving Citizen's Incomes and that their net earnings will have changed. It might be objected – and it has been objected – that this sacrifices the simplicity of Citizen's Income, which is one of the advantages claimed by its proponents. This is to misunderstand. The Citizen's Income would still be radically simple.

It would be paid at the same rate to everyone of the same age, whatever their income, household structure, or employment status. It would function as a secure foundation on which every individual and every household would be able to build.

The means-tested benefits which some households would still receive would of course remain as complex and stigmatising as they now are: and households still on means-tested benefits would continue to suffer high marginal deduction rates. However, any household that found itself no longer on means-tested benefits would see reduced marginal deduction rates and higher employment incentives, and would no longer experience the bureaucratic intrusion, sanctions, stigma, insecurity and complexity of means-tested benefits. So what matters is the number of households that would no longer be on means-tested benefits following the implementation of a Citizen's Income and related tax and benefits changes; and also the number of households within striking distance of coming off means-tested benefits – because any household with means-tested benefits of only a few pounds a week would choose to abandon their claim and instead add to their employment hours, in the knowledge that any

additional gross earnings would no longer result in benefits withdrawal.

...And Costing

The Institute for Social and Economic Research has published a number of working papers on costed Citizen's Income schemes. The most recent examples are *An evaluation of a strictly revenue neutral Citizen's Income Scheme*, and *Citizen's Income Schemes: An amendment and a pilot project: An addendum to EUROMOD Working Paper EM 5/16*. These show that a Citizen's Income scheme that leaves in place and recalculates current benefits, and raises Income Tax rates by only 3%, can be revenue neutral, can avoid losses at the point of implementation for low income households, can minimise losses for all households, can reduce poverty, can reduce inequality, can take appreciable numbers of households off means-tested benefits, and can reduce substantially the average levels of payments of most means-tested benefits for those households still receiving them. The fact that such a scheme would reduce both poverty and inequality at zero net cost would be argument enough for implementing it. The fact that it would also take a lot of households off means-

tested benefits, and that it would provide every individual and every household with a solid financial floor on which they could build, would be to take the first steps towards a tax and benefits system appropriate to the flexible labour market and household structures of the twenty-first century. The reduction in the number of means-tested benefits claims would deliver an administrative saving greater than the administrative cost of Citizen's Incomes, which would be simpler to administer than Child Benefit.

The Citizen's Income debate has evolved rapidly during the past five years or so, from a discussion of Citizen's Income's advantages and disadvantages, to exploration of its feasibility, and more recently to ideas about implementation. As the debate continues to evolve, the feasibility and possible consequences of illustrative schemes will be increasingly important.

UBI: A BAD IDEA FOR THE WELFARE STATE

BY BO ROTHSTEIN (23 NOVEMBER 2017)

In its admittedly noble striving for increased social justice, the political left has historically had several ideas that, one might dare claim, were not particularly well thought out. For example, the idea of the centrally planned economy, the nationalisation of all the means of production, forced collectivisation of agriculture and, I can add, the Swedish wage earner funds. One reason for these, sometimes monstrous, failures is a reluctance to take the implementation process into account and think through how the policies will actually work when they meet reality and with what consequences.

Many political programmes from the left have been confined to general principles and the concrete

implementation problems associated with them have been left out. This is not a good way to do politics because research can show that many well-meaning public policies, not least those designed to increase social justice, have failed miserably at the implementation stage. Good intentions have often been dashed because implementing the programme has led to 'bureaucratic nightmares' that have made them lose broad-based legitimacy ('the road to hell is paved with good intentions'...).

The latest such idea from the political left is the policy known as unconditional universal basic income (UUBI). The concept is simple – every citizen will be entitled to a basic income that frees them from the necessity of having a paid job. The universality behind it is such that even those who work will receive this basic income. Those arguing for the UUBI point to a number of advantages. First, all means-tested programs for those who cannot support themselves through paid work can be abolished. Second, technological developments imply that the number of jobs will be significantly reduced, which means that many people will be unable to get paid work in future. Third, such a reform would force employers to create more acceptable and less

demeaning types of work because people would not take jobs they consider unsatisfactory. Releasing people from the compulsion to have a paid job would, according to the proponents, also mean strengthening the voluntary/civil society sector and cultural life.

Broad Constituency Of Support

Lined up behind the idea are a large number of internationally renowned political philosophers, but also sections of many Green and left-wing political parties in Europe as well as a not insignificant number of internationally prominent politicians, such as Bernie Sanders and Jeremy Corbyn and, surprisingly, several high profile IT entrepreneurs in Silicon Valley. The proposals about the size of this unconditional universal basic income vary, but if it is going to be at all possible to live on this income, suggestions of around £800 per month have been put forward: what you can get from a student loan to pay for living expenses .

The UUBI is a very well-meaning idea but I would like to point to a number of problems that are not taken into account. First, such a reform would be

unsustainably expensive and would thereby jeopardise the state's ability to maintain quality in public services such as healthcare, education and care of the elderly. The effect of declining quality in such public services would be that many who can afford it would start buying these services on the private market. This would imply that this group's (let's call it the middle class) willingness to pay taxes would decrease substantially because they would ask themselves why they should 'pay twice'. The decline in taxes would further reduce the ability to maintain quality in these services which could escalate into a downward spiral where the public service that would be available for those who cannot pay their own way would be of an even lower quality. Fewer and fewer would support such programmes with their taxes and their votes. There is substantial empirical support for the notion that a public service that only addresses the 'poor' becomes 'poor service'. In other words, an UUBI is most likely to be a death sentence for most universal welfare state programs.

Life Of Riley

Another problem for the UUBI concerns overall political legitimacy. According to its advocates, the basic income would be awarded to all citizens over the age of 18. With £800 a month, a young person can manage quite well for a while. However, thereafter many will realise that this income is insufficient for their needs. There is a risk that a sizeable portion of those who started adult life living on the UUBI will seek to increase their standard of living with various kinds of 'irregular' income (drug trafficking, prostitution, etc.). Cases like these, even if they are relatively few, are likely to get a lot of negative publicity. The UUBI will lose legitimacy from media reporting about people who have a high living standard by combining income from various irregular activities and the UUBI. Additionally, on £800 a month you can live a pretty enjoyable life surfing on the beaches of Bali. The political logic that ensues is most likely to be a downward pressure on the level of the UUBI.

A third problem concerns the need for work. During the 19th century, English textile workers formed what was known as the Luddite movement. They are best known for attacking and destroying the new

steam-driven weaving machines because these were seen as cutting the number of jobs on offer. The argument that we face a reduced demand for labour due to technological development is, in my opinion, as bad today as it was then. On the contrary, we have an increased need for labour in many areas of care. The population in Europe has been ageing and, while many elderly people are taken good care of when it comes to their physiological needs, they are often very lonely and there is no time for the personnel working in elderly care to go shopping with them or take them to leisure activities. Families with small children often suffer from severe stress and need support. The examples can be multiplied. With an unconditional universal basic income, people will ask why they should pay wages to people who can work but choose not to work when there is a need for many more 'hands' in such areas. They will ask why they should pay a monthly wage to someone on safari while their elderly and frail mother has no one to help her take a walk in the park.

The basic error with the idea of unconditional basic income is its unconditionality. If people are going to continue to pay taxes for the welfare of others, several conditions must be met. One of them is the

principle of reciprocity: people contribute productively to the common good as far as they can. The main body of the welfare state was never built on altruism but on reciprocity. Breaking with this principle is most likely to lead to the dismantling of the type of broad-based social solidarity that built that welfare state.

WHAT IS AN UNCONDITIONAL BASIC INCOME? A RESPONSE TO ROTHSTEIN

BY MALCOLM TORRY (11 DECEMBER 2017)

The previous chapter by Bo Rothstein sets out from a definition of ‘Unconditional Universal Basic Income’ (UUBI) as ‘every citizen will be entitled to a basic income that frees them from the necessity of having a paid job’; and it adds the details that the level of UBI would be £800 per month, and that ‘all means-tested programmes for those who cannot support themselves through paid work can be abolished’.

Rothstein correctly identifies as an advantage of such a reform that it ‘would force employers to create more acceptable and less demeaning types of work because people would not take jobs they consider unsatisfactory. Releasing people from the compulsion to have a paid job would, according to

the proponents, also mean strengthening the voluntary/civil society sector and cultural life'. He equally correctly identifies as disadvantages that it 'would be unsustainably expensive and would thereby jeopardise the state's ability to maintain quality in public services such as healthcare, education and care of the elderly', that it would lose political legitimacy, and that 'people who can work [would] choose not to work'.

Rothstein's verdict is that 'the basic error with the idea of unconditional basic income is its unconditionality', because that threatens 'the principle of reciprocity [...] Breaking with this principle is most likely to lead to the dismantling of the type of broad-based social solidarity that built [the] welfare state.'

Defining The Idea

No. The main problem with the UBI that Rothstein discusses in his article is not its unconditionality: it is the detail and the flawed definition.

The definition of a Basic Income (also called a Universal Basic Income, a Citizen's Income, or a Citizen's Basic Income) offered by BIEN (the Basic Income Earth Network) is this: 'a periodic cash

payment unconditionally delivered to all on an individual basis, without means-test or work requirement'; and the definition offered by the UK's Citizen's Basic Income Trust is 'an unconditional and non-withdrawable income paid to every individual'.

The consensus – and, after all, consensus is what definitions are about – is then that a UBI is an unconditional income paid to every individual. The definition implies neither a particular amount, nor that means-tested benefits would be abolished, and it does not imply that the UBI would free people from paid employment.

So instead of a UBI scheme that pays £800 per month to every individual, and that abolishes means-tested benefits, let us instead pay £264 per month to every individual (with different amounts for children, young adults, and elderly people), and let us leave means-tested benefits in place and recalculate them on the basis that household members now receive UBIs. Instead of leaving undefined the funding method for a UK-based UBI, as Rothstein does, let us choose to fund it by abolishing the Income Tax Personal Allowance and the National Insurance Contribution (NIC) Primary Earnings

Threshold (so that Income Tax and NICs are paid on all earned income), let us apply a flat rate NIC of 12% to all earned income (rather than the current two-tier 12% and 2% structure), and let us increase Income Tax rates by just 3%.

Zero Extra Cost

According to research published by the Institute for Social and Economic Research at the University of Essex, the effects of such a UBI scheme would be interestingly different from the effects of Rothstein's. Far from being 'unsustainably expensive', it would require no additional public expenditure, and so would not affect expenditure on public services. Rothstein cannot show that his scheme would not impose significant losses on low-income households. This alternative scheme would not impose significant losses on these households, it would impose few losses on households in general, and it would still take a lot of households off some of our existing means-tested benefits. Rothstein cannot tell us how his scheme would redistribute disposable income, or how it would affect poverty or inequality indices. This alternative scheme would redistribute from rich to poor, it would reduce every poverty

index and significantly reduce inequality. Rothstein tells us that his scheme would reduce the incentive to seek employment. This alternative scheme would reduce some important marginal deduction rates (or the rate at which additional earned income is reduced by taxation and the withdrawal of means-tested benefits) and it would therefore incentivise employment, self-employment, and new small businesses.

Far from compromising the reciprocity on which our society is built, it would enhance it. And this alternative scheme would not lose the advantages that Rothstein mentions. Because everyone would have a secure financial platform on which to build, this UBI, like Rothstein's, would give workers greater ability to seek the employment or self-employment that they wanted, and would therefore encourage employers to supply better jobs in order to attract workers; and because this UBI would give to each household more choice over its employment pattern, it would still encourage both caring and community activity.

One Scheme Among Many

Distinctions matter. A Universal Basic Income is always an unconditional income paid to every individual, without means test and without work test. A UBI *scheme* specifies the rate at which the UBI would be paid for each age group, and the funding mechanism. There are many possible UBI schemes. As Rothstein correctly suggests, his chosen scheme would have many disadvantages. As I have shown, an alternative scheme might exhibit none of those disadvantages, and might offer many additional advantages.

The increasingly mainstream UBI debate is important. It is therefore vital that the debate should be rational. Rationality requires attention to definitions and details. So, definitions and details matter.

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