

# WHY BASIC INCOME? ECONOMIC IMPERATIVES AND MORAL CHOICES

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# LECTURE OUTLINE

1 The desirability of basic income: some normative-economic arguments for and against  
1.1 *Communism*, 1.2 *Reciprocity*, 1.3 *Liberal Egalitarianism*

2 Introducing basic income in a welfare state:  
*From partial basic income to full basic income given an equitable subsistence guarantee*

## 1.1 Basic income and the 'capitalist transition to communism' (1/3)

Marxian Communism: a gradual *process of social liberation*, as interpreted in Van der Veen and Van Parijs 1986 (R1 *References in final slides*)

- Predicated on the development of the 'forces of production'
- Independent from 'ownership of the means of production' – can be pursued both under capitalism and socialism
- Society's organisation of labour moves 'from alienation to self-realisation'
- Society's distribution of income moves 'from contribution to need'
- BASIC INCOME is the instrument best suited to guide along this process compatibly with workers' freedom of choice.
- At the **notional end-point** of the transition, basic income equals per capita disposable income.

## 1.1 Basic income and the 'capitalist transition to communism' (2/3)

Marx: the forces of production generate material abundance; the 'length of the working day' is shortened by labor-saving technological progress

- Growth of labour productivity  $>$  growth of per capita product  $> 0 \rightarrow$  the average 'quantity of labour demanded in production' decreases over time But *jobless* growth is avoided by *raising the level* of unconditional basic income over time, through increased taxation, which causes negative labor supply responses.
- Then the quantity of labour voluntarily supplied can be adjusted downwards, to generate access to a 'shortened working day' for all.
- Now basic income can *durably rise* relative to per capita income  $\rightarrow$  the share of income distributed according to 'need' can rise more than the income share distributed according to 'contribution': 'from contribution to need'

## 1.1 Basic income and the 'capitalist transition to communism' (3/3)

The transition has both *positive* income growth and *negative* growth of working time. Also: 'people become more rich in needs'. Does society become *more abundant then?*

- At the start of the transition, the basic income equals the 'subsistence' level of basic need-satisfaction
- Basic needs are assumed to rise together with per capita income, hence basic needs coverage rises *less* than the level of basic income does
- Thus everybody gets both *more free time* (time off from work) and *more material means* to articulate and develop 'all-round needs', over and above basic needs
- A constantly rising basic income also facilitates gradual improvement of the more complex job tasks required by technological progress – thus the quality of work in the shrinking 'realm of necessity' has a tendency to rise over time
- Final communism, then, is a state of (not necessarily limitless) abundance, in which the whole product can be sustainably distributed 'according to need', as 'labour has become life's prime want'.

## 1.2 Basic income and reciprocity (1/3)

The centrality of unconditional basic income in the transition to communism is rejected by social democratic and socialist egalitarians, on grounds of *reciprocity*.

- Jon Elster (1986, R2): ‘it is unfair for able-bodied people to live off the labor of others’; basic income is rightly seen as ‘a recipe for exploitation of the industrious by the lazy.’
- Stuart White: (2013, R3) “If you willingly share in the resources generated through the productive contributions of your fellow citizens, then you have an obligation to make a contribution, if you are able to do so and have the opportunity, in return.”
- The *reciprocity objection* is that basic income is an unjust arrangement, because it explicitly licences people to ignore this obligation. In its most unforgiving version, the claim presupposes that reciprocity is a *hard constraint* of justice on institutions.
- Alongside the reciprocity objection there is also a *paternalist objection*: (paid) work is *inherently and instrumentally good for the individual*, this justifies compulsory work to varying extents. Basic income’s ‘freedom from toil’ ignores this good, it *short-changes the ‘lazy’*.

## 1.2 Basic income and reciprocity (2/3)

When a full basic income is sustainable, the performance of taxable work is widespread enough under the incentive structure of tax and transfer to dispense the ruling subsistence income unconditionally. This takes care of the objection: *'but what if everyone decides to live off the labour of others?'* In this context, some considerations in favour of basic income are well known

- Quality of paid work is improved at the low end of the labour market because BI confers more bargaining power on individual workers ('the power to say no')
- Compared to existing welfare states, basic income avoids the moral costs of means- and work-tests: domination of the vulnerable in work and social security, 'shameful revelation', and disproportional stress imposed on the poor (see Friday seminar).  
White (R3): so even though the reciprocity objection may be valid, it is not decisive.
- BI helps support unpaid work in the family and in civil society. It thus fosters reciprocal recognition of the value of paid and unpaid productive activity. It also helps to retool and invest in one's skills and engage in productive risks.
- A duly adjusted reciprocity objection may then support a 'participation income' (Atkinson 1996, R4)

## 1.2 Basic income and reciprocity (3/3)

There might be more humane forms of means and work tests, less shameful forms of workfare. Under some ideal *radical social democracy*, there might exist less inequality of income, work quality and social status in the world of paid work. But in my view the balance of reasons is strongly in favour of BI under *really existing welfare capitalism*.

However, does basic income not have a *conceptual priority* over reciprocity norms?

Some liberal-egalitarian thinkers (notably Van Parijs 1997, R5) think basic income belongs to *distributive justice*, the domain that defines the entitlements under which people enter into social cooperation. On that view, basic income is part of the just background for reciprocity norms regarding the fair allocation of burdens and benefits in cooperation. Such norms of reciprocity - in private contracts, in public domains of social security or education - are then viewed as requirements of *cooperative justice*, hence they do not conflict with the right to unconditional income.

This argument asserts that (1) that in the design of just institutions, distributive justice trumps cooperative justice, and (2) basic income is a fundamental requirement of distributive justice. *I do not accept (1)* – this can be discussed later. *I am broadly in agreement with Van Parijs on (2), but with important qualifications* → see 1.3

## 1.3 Basic income and liberal egalitarianism (1/4)

Here is how I reconstruct Van Parijs's case for maximum basic income (R6, R7):

- Real freedom: the currency of socio-economic justice. In operational terms: a person's *income-leisure opportunity set*. Maximin real freedom: the principle of socio-economic justice. Is achieved by *maximizing the tax yield and distributing it 'equally'*.
- The tax captures part of the competitive value of diverse *rent-bearing gifts* to which people have unequal access in the real world, such as donations, bequests, jobs at efficiency wages, and all sorts of chance factors, 'from our happening to have a congenial primary school teacher or imaginative business partner to our happening to have learned the right language or our getting a tip for the right job at the right time'.
- An 'equal' distribution of the tax yield might involve a *work-conditional* scheme of wage subsidies and grants, or a *basic income*. A work-conditional scheme can offer more opportunity to earn income and less opportunity to consume free time to the least advantaged than the basic income scheme does →→ the real freedom conferred by each scheme is such that neither is superior to the other (the corresponding income-leisure opportunity sets are *undominated*).
- Van Parijs: the fair way of distributing the tax yield is found by considering the tax yield as part of the value of all gifts, determined in an imaginary gift auction.

## 1.3 Basic income and liberal egalitarianism (2/4)

Van Parijs's reasoning from the auction to basic income:

- The auction procedure for valuing the gifts takes account of everyone's preferences from a baseline of bidding with equal tokens. Thus it neutrally values the total rent flowing from unequally distributed gifts in the real world where these preferences are held. No one's preferences for gifts count for more than anyone else's.

- By expressing the tax available for redistribution in this metric, it's clear that it represents a sum of money rent to which no one has any prior claim. Therefore the neutral way of dispensing that sum must be equal and insensitive to people's preferences. This establishes the case for basic income.

My objection (R7): *Rent is not the same as Manna From Heaven. In particular,*

- Gifts generating money and other benefits only after performing *gift work* efforts command lower auction prices than free gifts. So one can calculate *Euro prices* for certain types of gift work. Then the fair way of equally respecting people's preferences is *partial basic income, together with rewards for doing gift work.*

## 1.3 Basic income and liberal egalitarianism (3/4)

Example: Aunties' boring tea parties. Assume only two kinds of gifts, a free inheritance of 10000€ and Auntie's inheritance of 10000€, for which the *gift work* requires attending her tea parties 100 times. Half of the population spends its tokens on two Auntie Tickets (20000€, 200 work units). The other half purchases one Free Ticket (10000€, no work).

•In terms of a Free Ticket unit of account, *the auction price of an Auntie Ticket is ½*. Per capita value of gifts at auction prices is  $(1 \times 1 + 2 \times \frac{1}{2})/2 = 1$ , with 100 work units).

Expressed in Euro's, per capita value is  $(1 \times 10000€ + 2 \times 10000€)/2 = 15000€$ , with 100 work units.

•Everybody can claim the per capita value share of 15000€. But that share is cashed in differently. The working half of the population gets 20000€ with 200 units, the leisure-loving half gets 10000€ with no work. Comparing this with per capita Euro value, *the price of 100 units of Auntie work is 5000€*.

•Now suppose the maximal tax yield *actually is half of total auction value – 7500€ per capita with 50 work units*. Everybody then should get a *partial basic income of 5000€*, and a *voucher worth 5000€ in return for performing max. 100 units of Auntie work*. In this simple example, that is the neutral way of achieving maximin real freedom.

## 1.3 Basic income and liberal egalitarianism (4/4)

Under a restrictive empirical condition, maximal basic income could be the uniquely just transfer system after all: Suppose that the least advantaged are unable to supply enough working hours to benefit from a work-conditional scheme which, at a high work input, would ensure a higher income than a basic income scheme could do.

In such cases, the income-leisure sets of the least advantaged under maximum basic income dominate those under any work-conditional scheme. In effect this is what I assumed to be true in my dissertation, see van der Veen 1992, (R9).

This empirical assumption may be realistic under globalisation in a lifetime perspective, but much depends here on how the group of 'least advantaged' is defined. *My conclusion*: on balance, the liberal egalitarian approach does much, but not all, to justify basic income.

# Introducing basic income in a welfare state (1/4)

- The ‘First Transition’. Basic income can become sustainable at subsistence level under the *empirical conditions for the transition to communism*: the growth rates of per capita income and subsistence level  $<$  growth of labor productivity, so that a partial BI can become a full BI.
- This preliminary transition stage is relevant if, as many believe (including myself), but no one knows for sure, *a full basic income is not sustainable at present*.
- There have been proposals for a partial basic income in some welfare states (NL, 1985). But what are the prospects for turning it into a full basic income over time?

# Introducing basic income in a welfare state (2/4)

- My view: we are faced with the task of introducing a partial basic income - say, at half the level of social minimum for a single person - and then doubling this level over a transition period, which will most likely be at least one decade.
- Does this mean that we just have to be patient, waiting for the economy to become 'weakly abundant'? My view: NO! There are problems to be overcome which *necessitate an active and committed struggle for full basic income*
- During the transition period, the empowerment effects claimed for a full basic income are *much less pronounced*. A better balance between paid and unpaid work, increased bargaining power for low-wage workers, support of small business, opportunities to retool and raise skill levels - all these advantages are gradually realized. Savings on administrative cost will also be less marked with a partial basic income, at least if traditional assistance and social insurance remains intact. The belief that these advantages are to be had in full eventually may need to be sustained over multiple election periods.

# Introducing basic income in a welfare state (3/4)

- In most trajectories of ‘first transition’, the redistributive arrangements of the welfare state are already under pressure from fiscal austerity responses to financial crisis, increasingly mobile skilled labor and aging populations. This insecurity is unhelpful to sustain the belief in the eventual sustainability of full basic income.
- Redistributive demands of partial basic income at half of the social minimum standard for individuals will still compete with preserving traditional instruments of poverty alleviation and equality of opportunity in welfare states which can not be replaced by an unconditional cash transfer, such as government-funded education of good quality, culture and healthcare.
- Therefore it is important to set out clearly which in-kind provisions of the welfare state are morally and politically worth defending, and should not be traded off in attempts to minimize the period of the cash level transition from PBI to FBI.

# Introducing basic income in a welfare state (4/4)

- Also, the welfare state's core way of preventing poverty over time consists in 'equitable sharing' of the benefits of economic growth, for instance by indexing the level of subsistence income to that of average real wages (as in NL). Even without indexing, there is a legitimate expectation that in the long run, social minimum standards should roughly follow the trend in real income per capita.
- *However, this should not just be expected, but actively defended!* Shortening the transition period by reducing subsistence relative to per capita income may look attractive to welfare state reformers on the Right, but should be resisted by those in the basic income movement committed to social emancipation. Such tendencies, of course will also be resisted by defenders of emancipatory welfare state in the traditional form who oppose basic income.
- So I believe that sensible *basic income lovers* trying to get their political act right should also be *friends of the welfare state* which they still inhabit, if they are lucky enough. The *basic income* movement may have to recognize more clearly that this is the task which it actually faces.

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