Basic income and the freedom to lead a good life\(^1\)

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How can poverty and unemployment best be addressed? The 20\(^{th}\) century’s received wisdom was clear: through growth. The growth of production will generate jobs and thereby provide directly a decent income to the bulk of the population. It will provide indirectly an income to the others through social insurance benefits to which these are entitled thanks to their past employment. The strong positive correlation between poverty and unemployment and the strong negative correlation between unemployment and growth were sufficient to make this strategy self-evident to many.

However three facts have been shattering this confidence. Firstly, despite GDP per capita having doubled or trebled since the golden sixties, we are now struggling in many countries with greater joblessness and job insecurity than then. Might it only be the shortsighted who still believe that growth could do the trick? Secondly, given the ecological limits, including those deriving from the impact of human activities on the climate worldwide, does it really make sense to try to reduce the current level of unemployment through a growth of output that would outpace the expected increase in productivity? Assuming growth could secure an income through employment to all our contemporaries, would it be a fair thing to do if it means making the economic machine work at such a pace that it destroys the planet for our followers? Thirdly, even among economists who do not question the desirability of growth or its ability to tackle unemployment, some now have doubts about the very possibility of sustained growth. In Europe and North America, they believe, we are doomed to “secular stagnation”.

Three models of social protection

Such doubts about the effectiveness, desirability and possibility of growth have fed interest in other ways of securing an adequate income to everyone. For people committed to freedom for all, the proper way of addressing today’s unprecedented challenges and of mobilizing today’s unprecedented opportunities is to introduce a new model of social protection that is unconditional in a number of ways in which existing minimum income schemes are not. Unlike social insurance schemes, social

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assistance schemes can be called unconditional in the sense that they are not restricted to people who paid enough social contributions to qualify for social insurance benefits. What we shall call an *unconditional basic income* or, for short, *basic income* is, in addition, unconditional in the sense that (1) it is a strictly *individual* entitlement, rather than one linked to the household situation, (2) it is *universal* rather than subjected to an income or means test, and (3) it is *obligation-free* rather than tied to an obligation to work or to be willing to work. In this contribution, we spell out these three distinctive features and explain why they are of key importance for addressing poverty and unemployment in a post-growth era.

When discussing basic income as an immediate policy proposal within the context of a particular country, it may be useful to think of a monthly amount pitched, say, at one fourth of that country’s current GDP per capita. This amount could be modulated according to age, with the children receiving less and possibly the elderly more. Such a basic income is of course not meant as a cash substitute for the public funding of quality education and quality health care. Nor must it be conceived as a substitute for all existing social transfers. It provides a full substitute only in the case of individuals receiving benefits lower than the basic income and a partial substitute in the case of individuals receiving more. In the latter case, it constitutes an unconditional floor that must be topped up by conditional supplements. These supplements can be earnings-related social insurance benefits but also public assistance benefits to people in specific circumstances, with the existing conditionalties maintained and the post-tax levels adjusted downward so as to maintain the total incomes of the beneficiaries undiminished.

There is a profound difference between social assistance and basic income. Both can be viewed as ways of addressing income poverty, but only the latter can claim to get to the root of the new challenges we face. It does not operate at the margin of society but affects power relations at its very core. It is not just there to soothe misery but to liberate us all. It is not a way of making life on earth tolerable for the destitute. It is a key ingredient of a society and a world in which each human being is given the real freedom to pursue, as much as is sustainable, the realization of her or his conception of the good life. To see this, let us consider one by one the three unconditionalities that distinguish basic income from social assistance.

**An individual income**

Firstly, a basic income is unconditional in the sense that it is strictly *individual*. “Strictly individual” refers to both of two logically independent features:

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2 This is the definition adopted by the Basic Income Earth Network, founded in 1986 as a European network and turned worldwide in 2004 (www.basicincome.org). Its affiliates now include over twenty five national networks and a new EU-level network created in the aftermath of the European Citizens Initiative on basic income (http://basicincome-europe.org/ubie).

3 In 2014, this would mean about €700 per month for Germany, or about $1100 per month for the United States.
paid to each individual and at a level independent of that individual’s household situation. Let us consider each in turn.

A basic income is not paid to one person, the “head of the household”, on behalf of all the latter’s members. It is given individually to each adult member of the household. In the case of minors, it will need to be given to one of these adult members. Essential is that each of these adults has an individual entitlement. Such direct payments to each individual make a big difference in so far as they affect the distribution of power within the household. For a woman with low or no earnings, control over the household’s expenditures will tend to be greater and exit options will tend to be less forbidding if she receives a regular income as an individual entitlement for herself (and, possibly, her children) than if her existence and that of her children entails a higher net income for her partner.

A basic income is also strictly individual in a second and more controversial sense. Existing social assistance schemes are household-based in the sense that how much a person is entitled to depends on the composition of the household. Typically, adults are entitled to significantly higher benefits if they live alone than if they live in a household with one or more other adults. The argument is straightforward: when addressing poverty, one needs to pay attention to economies of scale in consumption. Single people need more to be lifted out of poverty, and it makes sense to differentiate entitlement according to household composition.

And yet we should go for a basic income that is strictly individual in this second, logically independent sense too: how much individuals are entitled to should be independent of the size of the household they belong to. Why? For two reasons. Firstly, there used to be a time where marriage and cohabitation could, for most administrative purposes, be regarded as synonymous. Checking whether two people are married is an easy job. Today, unregistered cohabitation tends to become far more frequent than marriage. Given that it is cohabitation, and not marriage, that justifies differentiation, preserving this differentiation now requires more invasive ways of checking the satisfaction of the relevant criterion. The more general the trend towards informality and volatility in the formation, decomposition and recomposition of households, the more authorities are stuck in a dilemma between arbitrariness and unfairness on one side and intrusiveness and high monitoring costs on the other.

Secondly, differentiation according to household composition amounts to discouraging people from living together. Paradoxically, the strictly individual character of a tax or benefit scheme makes it community-friendly. A household-based scheme amounts to creating a loneliness trap: people who decide to live together are penalized through a reduction in benefits. As a result, the mutual support and sharing of information and networks stemming from co-habitation is weakened, scarce material resources are being wasted, and the number of housing units for a given population increases. The sustainable pursuit of freedom for all in a post-growth era demands that co-habitation should be encouraged, not penalized.
A basic income is unconditional in two further senses. It is unconditional in the sense of being *universal*, not subjected to a means test: the rich are entitled to it just as much as the poor. And it is unconditional in the sense of being *obligation-free*, of not being subjected to a (willingness to) work test: the voluntarily unemployed are entitled to it just as much as the employed and the involuntarily unemployed. The combination of these two unconditionalities is absolutely crucial. The former frees people from the unemployment trap, the latter from the employment trap. The former facilitates saying yes to a job offer, while the latter facilitates saying no. The former creates possibilities, while the latter lifts obligations and thereby enhances those possibilities. It is the joint operation of these two features that turns basic income into a paramount instrument of freedom. Let us now consider them each in turn.

**A universal income**

Social assistance schemes all involve some kind of means test. The benefit received typically amounts to the difference between the household’s total income from other sources and the stipulated minimum income for that particular category of household. Consequently, its level is at its highest when income from other sources is zero, and it falls as income from other sources increases. Any such scheme needs to operate *ex post*, i.e. on the basis of some prior assessment, reliable or not, of the beneficiaries’ material resources.

A basic income, by contrast, operates *ex ante*, with no means test involved. It is paid at the same level to rich and poor alike, regardless of the income they derive from other sources. The benefit is paid in full to those whose income exceeds the minimum that a basic income scheme guarantees to all, as well as to those whose income falls short of it. Consequently, if it is funded through the taxation of income or consumption within the population concerned rather than from an outside source, it is clear that high earners and big spenders will fund their own benefit (and more). The key difference between a basic income and an income-tested scheme is therefore not that a basic income would make everyone richer, and even less that it is better for the rich. Paradoxically, the key difference is instead that it is better for the poor.

How can one make sense of this counter-intuitive claim? If the aim is the eradication of poverty, the universal character of basic income, added to its individual nature, easily looks like a pathetic waste of resources. A social assistance scheme that strictly targets the poorest by making up the difference between their income and the poverty line looks hugely superior to a basic income. Yet, a basic income is to be preferred, for two distinct reasons.

The first reason has to do with universality as such. Many studies comparing how effectively universal and targeted benefits schemes reach the poorest members of society point to the superiority, in this respect, of universal systems. In order to access benefits targeted at the poor, it is necessary to take steps that many eligible people run the risk of not taking or not completing, whether out of ignorance,
shyness or shame. With means-tested schemes, the awareness campaign required to achieve the same take-up rate among net beneficiaries as with the corresponding universal scheme involves a considerable cost. Further, even with a scheme that uses nothing but low income as the relevant criterion, decisions to include or exclude leave a lot of room for arbitrariness and clientelism. With a basic income scheme, the automatic payment of benefits does not require any particular administrative steps. Society is no longer visibly divided between the needy and the others, and there is nothing humiliating about receiving a basic income granted to all. This does not only matter in itself for the dignity of the people involved. It also enhances effectiveness in terms of poverty alleviation. Thus, by avoiding complication and stigmatization, a universal scheme can achieve a high rate of take up at a low information cost.

Universality as such also matters to the attempt to tackle unemployment. For the uncertainty people face once they are no longer entitled to benefits contributes to trapping the beneficiaries of social assistance. Access of the most disadvantaged to paid employment is made difficult by the very nature of many of the jobs they would qualify for: precarious contracts, unscrupulous employers, and unpredictable earnings. It can be risky for them to give up means-tested transfers, as they are often unsure about how much they will earn when they start working, or about how quickly they may lose their job and have to face complex administrative procedures in order to reestablish their entitlement to a benefit. Even when the probability of this happening is low, the prospect of triggering off a spiral of debt is likely to be perceived as a threat by people who are ill-equipped to know, understand, and a fortiori appeal to rules that can often be changing and opaque. By contrast, they can take a job or create their own job with less fear when they can be sure that their universal basic income will keep flowing no matter what.

This advantage of universality as regards access to employment is strongly reinforced by the effect of a second feature closely associated with it, but logically distinct: the fact that all earnings, however small, will increase people’s net income. Why does this feature matter? In their attempt to be as efficient as possible, typical social assistance schemes use the available funds to make up the difference between the poor households’ incomes from other sources and the level of income which the scheme aims to guarantee to all households of a particular type. This entails clawing back one unit of benefit for each unit earned by the poor through their own efforts. In other words, the concern not to waste any money on the non-poor amounts to implicitly imposing an effective marginal tax rate of 100% on any income they may get. This situation is commonly called a poverty trap or unemployment trap: the earnings people receive for a low paid job are offset by the corresponding reduction or suppression of the means-tested benefit. A basic income, being universal, creates no such trap. It is not withdrawn or reduced but kept in full when people earn extra income. Whereas a conditional minimum income scheme provides a safety net in which people get trapped, a basic income provides a floor on which they can stand.

It is true, indeed self-evident, that this is achieved at a far higher level of public expenditure. Paying a given sum of money to all costs far more money than
paying it only to the poor. But there is cost and cost. Much of the cost, in this case, consist in taking money with one hand and giving it back with the other hand to the same households. And the rest simply represents a redistribution of private spending between different categories of the population. This is quite different from a budgetary cost that involves the use of real resources, such as building infrastructure or employing civil servants, and thereby implies *ipso facto* an opportunity cost: there are other things that could have been done with the material and human resources on which public money is being spent. Abstracting from possible administrative gains and losses and from positive or negative behavioral responses, the shift from a means-tested to a universal scheme does not make the population as a whole either richer or poorer. It is, in this sense, costless.

**A obligation-free income**

A basic income is a cash income that is individual and universal. It further differs from social assistance (and social insurance) schemes in having no strings attached to it, in requiring no obligation for its beneficiaries to work or be available on the labor market, or, to use a more compact phrase, in being *obligation-free*. In social assistance and social insurance schemes, this obligation typically entails denying the right to the benefit to those giving up a job at their own initiative, to those unable to prove that they are actively looking for a job, and to those not prepared to accept a job or other form of “integration” deemed suitable by the public assistance office. Basic income, by contrast, is paid without any such conditions. Homemakers, students and tramps are entitled to it no less than waged workers or the self-employed, those who decided to quit no less than those who were sacked. No one needs to check whether its beneficiaries are genuine job seekers or mere shirkers.

Thus, while universality is addressing the unemployment trap, obligation-freeness is addressing the employment trap. Without universality, obligation-freeness could easily prove a recipe for exclusion: the obligation-free mean-tested benefit would just be hush money for those hopelessly stuck in the unemployment trap. But without obligation-freeness, universality could prove a recipe for exploitation: work-conditional universal benefits would just be subsidies to employers. The latter could get away with paying lower wages to workers obliged to accept the job and to stick to it if they wanted to retain their benefit. By contrast, the universality of basic income admittedly constitutes a potential subsidy for jobs that are poorly productive (in an immediate sense), but its obligation-freeness prevents it from subsidizing those that are lousy or degrading. The conjunction of these two unconditionalities enables us to see why there is some truth to both the claim that a basic income would depress wages and to the opposite claim that it would boost them.
Universality facilitates saying yes to jobs that pay little, even so little or so unreliable that they do not yet exist. Average earnings, for this reason, may diminish. However, because of the benefit being obligation-free, the yes will only be forthcoming if the job is attractive enough in itself or through the useful training, gratifying contacts or promotion prospects it provides, irrespective of how little it is paid. For a obligation-free income facilitates saying no to jobs that both pay little and are unattractive in themselves. Obviously, the higher the basic income, the greater this facilitation. But because the basic income is universal and can therefore be combined with earnings from attractive part-time or intermittent work, it can be much lower than what suffices in the long term for a decent life and still produce this effect. If as a result of this enhanced freedom to say no lousy jobs fail to attract or retain enough incumbents, employers may choose to replace them by machines. If this is impossible or too expensive, the job will need to be made more attractive. And if this too proves impossible or too expensive, pay for these jobs will need to go up. Yes, those lousy, poorly paid jobs which you would not dream of doing will need to be paid better, perhaps even better than yours and ours. And this is good. Average earnings, therefore, may well go up.

The net effect of these opposing forces on the average level of labor compensation or on the overall employment rate cannot be predicted a priori. What it turns out to be will be affected by the balance of market forces but also by social norms and by such institutional factors as the regulation of part-time work and self-employment or the presence and scope of minimum wage arrangements. One thing is certain, however: the combination of the two unconditionalities gives more options and therefore greater bargaining power to those with least of it. A basic income will therefore empower those with most constraints, enable them to be choosier among possible occupations, taking full account of what they like to do and what they need to learn, who they get on with and where they wish to live. Both through existing jobs being improved and through non-existing jobs becoming viable, this is why the quality of the working part of people’s lives can be expected to get a big boost, especially but not only for the most vulnerable among them.

A sane economy: beyond the quest for growth

Within the context of the present volume, it is important to stress that this improvement in the accessibility of a good life for many people goes hand in hand with a soft and efficient brake on growth that does not generate unemployment. For the conjunction of the same two unconditionalities — universality and obligation-freeness — makes it also easier for anyone to work part time or to interrupt work altogether in order to acquire further skills, to look for a more suitable job, to engage in voluntary activities or simply to breathe when it is high time to do so. This reduces the risk of ending up with a labor force that is irreparably burned out or obsolete well before retirement age. Coupled with a redirection of the educational system towards lifelong learning, such a more flexible and relaxed labor market should be far better suited to the development of 21st century human capital than one that involves a rigid division between young students and mature workers.
This positive impact concerns not only the human capital of the present working population, but also that of their children. Like other ways of making family income more secure, basic income can be expected to have a beneficial effect on children’s health and education. By addressing the unemployment trap, it reduces the number of children who will end up on the dole as a result of their growing up in households without anyone employed. At the same time, by facilitating chosen part-time work and promoting a smoother conciliation of work and family life, it enables parents to devote more attention to their children when this is most needed.

The efficient working of our economy does not require maximizing the labor supply in shortsighted fashion. To make our economy more productive (sensibly interpreted) in sustainable fashion, one should not obsessively activate people and lock them in jobs they hate doing and from which they learn nothing. As the poet Kahlil Gibran (1923) put it, “if you cannot work with love but only with distaste, it is better that you should leave your work [...]. For if you bake bread with indifference, you bake a bitter bread that feeds but half man’s hunger.” Thus, it is not only fair but also clever to give all, not just the better endowed, greater freedom to move easily between paid work, education, caring and volunteering. A basic income scheme can therefore be viewed as desacralizing paid work: it is there to facilitate the search by each of us for something we like to do and do well, whether or not in the form of paid employment.

Involuntary unemployment is a major challenge. But activation and growth, routinely offered as self-evident remedies, are both unrealistic and undesirable. An unconditional basic income offers a way of addressing this challenge without relying on an insane rush for keeping pace with labor saving technical change through the sustained growth of production and consumption. “The time will come”, Keynes (1930: 325, 328) famously wrote, “when growth will no longer be the appropriate response, when “our discovery of means of economizing the use of labour” will be “outrunning the pace at which we can find new uses for labour”. And then “we shall endeavour to spread the bread thin on the butter – to make what work there is still to be done to be as widely shared as possible.”

A basic income is a smooth and smart way of moving in this direction. It does not impose a maximum limit on everyone’s working time but it makes it easier for people to reduce their working time, both because it reduces what they lose if they do and because it gives them a firm income floor on which they can stand in all circumstances. It thereby helps attacking the root cause of the trouble both for those who get sick by working too much and for those who get sick because they cannot find a job. It does not amount to giving up the objective of full employment sensibly interpreted. For full employment can mean two things: lifelong full-time paid work for the entire able-bodied part of the population of working age and the real possibility of getting meaningful paid work for all those who want it. As an objective, the basic income strategy rejects the former while embracing the latter.

With a basic income, this objective is being pursued both by making it easier for people to choose to perform less paid work at any given point in their lives and by subsidizing paid work with low immediate productivity. At the expense of overall
material consumption? In developed countries, certainly. And deliberately so. For our economy not only needs to be efficient. It must also be sane. And sanity requires us to find a way of organizing our economy that not only enables all members of the present generation to lead a good life but also preserves this possibility for the generations to come. An unconditional basic income is far from being sufficient for either but it is a precondition for both.4

Bibliography


4 From the beginning of the European discussion on basic income, the connection with the limits to growth was explicit. See for example Lionel Stoleru (1974: 308) in France: “By asking ourselves how to achieve such moderation [the moderation of growth in rich countries required by the solution of some of the contradictions of capitalism], we realized that this problem was fundamentally the same as the problem of putting into place a basic guarantee for every citizen.”; Stephen Cook (1979:6) in the United Kingdom: “We need to encourage such responsible exploration of voluntary low-consumption life styles if we are to be able to adapt successfully to likely changes in world society, as the shortage of energy and other resources increasingly makes itself felt and as experience of ‘affluence’ leads to greater emphasis on personal fulfillment rather than material consumption.”; and Wim Albeda (1984: 11) in the Netherlands: “From this perspective [of those who see permanent growth as a danger for our planet], a guaranteed annual income, which would weaken the incentive to work, would be welcome up to a point.”