



BASIC INCOME: DESIRABLE AND AFFORDABLE?¹

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A DILEMMA?

Let us start with a dilemma. For an idea to be worth thinking about and fighting for, it must be both desirable and sustainable. But, we now often hear, a basic income — i.e. an income paid to all on an individual basis without means test or work test — is at best either one or the other, but it cannot be both. Here is the argument.

On the one hand, you could take all the cash transfers of the welfare state, whether social insurance or social assistance, and distribute it equally to everyone. That is uncontroversially affordable and sustainable: we have the money to do it and shall keep having it if spent in this way. But it cannot be regarded as desirable because it will increase poverty rather than decrease it: you give a lot of money to people who do not need it while reducing the amount of money available for households that badly need it as they have no other income.

On the other hand, you could think of introducing a basic income of, say, 400 euros and add it to all the existing cash transfers. You don't scrap anything, you just add it, and then obviously the poor will be better off as a result. But you need to fund that and, as shown by some of the calculations presented at this conference, we shall have a problem of affordability.

Such a dilemma, however, is too simplistic. It is not the case that either you take all the money and spread it equally between all as a full substitute for the existing transfers, or you simply add the basic income to all existing transfers. The right sort of arithmetic exercise was illustrated in the Spanish case by Jose Maria's contribution to this conference and has also been performed by the OECD for a number of other countries. Consider a low basic income, something like 200 euros for a country like Spain, and then think about it not as replacing everything, nor as being added to everything but rather as replacing entirely all the existing benefits that are lower and as replacing the lower part of all the other benefits — social assistance, invalidity, pensions, etc. —, which are all reduced by the amount of the basic income. At the same time you suppress the tax exemptions on the lower layers of all incomes and you tax every income from the first euro at a higher level than what is currently the case but not higher than what is the normal tax rate for most workers. I don't know the exact figure for Spain but certainly for a number of European countries it would be already thirty percent or above. This means that even workers with low wages are taxed at this fairly high rate, but they are more than compensated for this higher taxation by their basic income, without their marginal tax rate being affected: what they earn for every additional hour of work would remain unchanged at this stage of the exercise.

¹ Written version of a keynote lecture delivered at the Universidad Politécnica de Madrid on the 8th of June 2018.



At this stage, however there would be net gainers, people who get higher net incomes as a result of the reform, in particular people who have no primary income whatever, and many part-time workers with a low income. Consequently, there is a net cost that needs to be covered. But there is money you can get without expecting any impact on the labor supply. For example, you tax Messi a bit more and quite a few more people whose incomes are not quite that high, but are still far above the median income, such as the income I have enjoyed through much of my career. Nothing would be happening as a result in terms of labor supply. So you can be confident enough that 200 euros per capita will be affordable. Then you move up a bit and speculate about 300 and so on. But you don't go too high, as in the Swiss referendum for example, with a basic income of 2.300 euros per person and per month. When I took part in the Swiss debate I said "Of course were I a Swiss citizens, I would vote yes, but if I were the minister in charge of introducing such a high basic income tomorrow, I would resign immediately". As an impulsion to get people to think about basic income, the Swiss initiative and the subsequent referendum were fantastic. But 9% of GDP per capita was not a realistic proposal even for Switzerland. That is not the sort of amount we must think about. Let us rather think about and implement a basic income at, say, 15% and then see.

HOW TO GAIN CONFIDENCE

Can we get any confidence about what level is sustainable from experiments? Not really, because of some fundamental limits of all experiments. Firstly, experiments are of limited duration. How can you infer from the impact on the supply of labour of a basic income lasting and expected to last for two years to the impact of a basic income lasting and expected to last for life? Secondly, the experimental sample can never include net contributors, i.e. people who would lose out as a result of the introduction of a basic income in real life. After the introduction of a basic income, people like me who would not have to ask themselves: "What would I do if I had 200 or 600 euros in addition to my previous income". They would rather need to ask: "Would I change my labor supply if I earned 100 euros less than I do now?" But people like me cannot possibly be included in a basic income experiment because you cannot tell people: "Look, for the next two years you are going to earn less than everyone else in your situation in your country so that we can observe how your behavior is affected by this!" Even when the experimental design is such that there are only net gainers in the sample, as was the case in the Finnish experiment, one has to argue that it is consistent with the constitutional principle of equality.

If experiments cannot tell us what we need to know, what about econometric models? Some of them predict the impact on labour supply of introducing a basic income of a given amount funded by an increase of the personal income tax with a precision of two digits after the comma. But they are all based on correlations observed in different circumstances and rely on heroic assumptions. What is pulled out of the econometric black box can be of some use, but must be taken with even more caution than what we can get out of real-life experiments.

Given the limits of what can be learned in these two ways, what should we do? Essentially the same as what was done in the case of the first two models of social protection. The first one, public assistance to the poor, was born at the beginning of the 16th century in a few municipalities in Flanders and Germany. People did not do randomized experiments before introducing it. They introduced it straight away for real, but at very modest levels. It was copied elsewhere and generalized country-wide, most famously in the form of England's Poor Laws, and we now have it in a more systematic form in most European countries. In France, for example, this was created in 1988 as the *revenu minimum d'insertion*, now called *revenu de solidarité active*. What introduced in April 2019 in Italy under the name *reddito di cittadinanza* at the initiative of the Cinque



Stelle movement is yet another form of social assistance. This first model has now spread throughout the world, in some cases at quite a generous level, but it started very modestly and in a very repressive version in some small European towns in the 16th century.

The second model, social insurance, started at the end of 19th century under Bismarck in Germany, and also at very modest levels. It was restricted to industrial workers and what a large part of these workers got by way of old age pensions, for example, was only seventeen percent of their wages. Even at this modest level, the new scheme solved some problems. And it did not trigger disasters. People liked it. It was expanded and then copied elsewhere, and we now have it, more or less developed, in most countries in the world. The same can happen, must happen, will happen in the case of the third model of social protection, basic income.

POVERTY ALLEVIATION WITH AN “INSUFFICIENT” BASIC INCOME

Now you might say: “OK, we trust that one can find a level – for Spain, say 300 or 400 euros – that is sustainable. But is it really desirable, as this remains well below the poverty threshold, and hence is irrelevant to the fight against poverty?” This illustrates a serious misunderstanding. Even a so-called partial basic income with an amount below what you need in order not to be poor if you live alone makes a huge difference with respect poverty, for three reasons.

Firstly, the rate of take-up, i.e. the proportion of the poor who actually get the money, is higher when you have a universal systems than if you have a means-tested one. This has been established repeatedly for child benefits, for example. The poorer performance of means-tested benefits is due in part to lack of information – many of the poor are not informed, or informed too late, about the procedure for getting the benefit –, and in part to stigmatization – the humiliation of having to ask for it on the ground of being destitute. The automatic payment of a basic income to all gets rid of these problems.

Secondly, there is the so-called unemployment trap inherent in benefit schemes that target the poor. This trap is partly a matter of lack of income differential: your net income may not be higher or may hardly be higher if you work than if you don't. It is also a matter of risk aversion: if you take a job, you lose the security of the benefits you receive month after month. You may lose that job after a while, or realize that you cannot combine it with looking after your children, and if you are sacked or quit, you are not sure whether or how quickly you will get your benefit back. By contrast, a basic income is safely kept, irrespective of the work status, and hence involves no such trap.

Equally important is, thirdly, the fact that most figures about poverty lose sight of intra-household poverty. It does make a difference whether each member of the household gets an income on his or her own behalf as regards both the distribution of purchasing power and the distribution of bargaining power. A basic income, being strictly individual, shifts both purchasing and bargaining power in favour of the household's weakest member, in most cases a woman.

Of course, all three of these arguments need to be qualified because a low basic income will need to be supplemented by social assistance top ups that will remain conditional in various ways. Nonetheless, for the three reasons just mentioned, the presence of a modest unconditional floor, on which one can count no matter what, can be expected to make a significant difference as regards poverty. Moreover, basic income is not just about poverty, it is also about freedom. The unconditional floor offers a wider set of choices especially to the poorest people, those who have least choices, but is relevant far beyond them.



RIGHT TO WORK

From these arguments and clarifications can one then safely conclude that there exists a level of basic income that is both sustainably affordable and desirable all things considered? This would be too rash. For more considerations legitimately be deemed relevant to the assessment of the desirability of such a scheme, in particular those relating to the place of work. One common objection is that the introduction of an unconditional basic income amounts to giving up a very important right, namely the right to work. It is true that some advocates of basic income argue that technological change will soon generate a scarcity of jobs and that the right to a job must therefore be replaced by the right to an income. This is certainly not my argument. On the contrary, compared to means-tested assistance to the jobless, a basic income is precisely an essential instrument for making this right to work a reality for more people, for making it realistic for more people to get access to a job and especially to a meaningful job. This is achieved thanks to two mechanisms.

Firstly, basic income is an intelligent flexible way of sharing existing jobs. There are some people who work too much. A basic income gives them the possibility to reduce their working time, or to interrupt their career, more cheaply than is currently the case, because part of their income remains untouched if they do so. The jobs vacated as a result become available for other people currently excluded from the labor market. The second mechanism helps the first one work better, but also works independently. A basic income can be viewed as a subsidy to low paid jobs: because of its universality, it enables one to accept a job that is paid badly or irregularly. But it does not make just any such job acceptable. Because of its obligation-freeness, a basic income also enables one to turn down or quit lousy jobs without losing the benefit. Put differently, a basic income enables you to say more easily no to jobs in which you do not learn anything, in which you are badly treated by your boss or do not get on with your colleagues, in which the working conditions are awful or the timetable terrible. But it also enables you to say more easily yes to jobs that enable you to really realize your calling or to do something that will teach you a lot and increase your human capital, while being poorly or irregularly paid.

One dimension of this impact on the freedom to say yes was stressed by Mark Zuckerberg in a speech he gave at Harvard University's Commencement Ceremony in May 2017: "We should explore ideas like universal basic income", he said, "to give everyone a cushion to try new things". To convey the same idea, basic income is sometimes presented as "venture capital for the people", as an endowment that enables you to take the risk of trying something, on your own or with others. Of course, the more generous the level, the greater the real freedom it gives you. But even at a low level, a basic income makes a difference. As you know, many internships are not paid at all or paid very poorly and nevertheless people accept them because they will help them find something better later on. Some use their savings, or do some borrowing or share a flat with friends, etc. in order to be able to do them. But for those who have parents that provide them with a basic income, this is much easier. With a basic income you democratize this possibility, and thereby a real right to a meaningful job.

DUTY TO WORK

A second common objection is that an unconditional basic income would put an end to the duty to work and thereby undermine a basic principle of reciprocity. It is true that the introduction of a basic income can be viewed as the completion of the abolition of slavery. Now we have a sort of selective slavery: some people have no other option than to sell their labor power to any capitalist who is willing to hire them. One



undeniable consequence of the introduction of a basic income is that poor people will be enabled to take more leisure and, as Bertrand Russell put it “the idea that the poor may enjoy some leisure has always been shocking to the rich”. What a basic income will mean in effect, however, is not that some people will spend the rest of their life sunbathing or playing video games as a result of getting 400 or 500 euros per month. What it will typically mean is rather that the woman who has to work until 7 o’clock every night to clean toilets in offices will be able to say: “no, sorry but at 4 o’clock I stop because thanks to my basic income, I can work part time and get my kids from school”. However, if the firm that employs this woman wants to keep her full time, it will have to pay more. When addressing an academic audience, I occasionally say that one day, when the basic income will be high enough, the people who clean our toilets in our universities will be paid better than the professors. And this will only be justice, right? People who have an enjoyable, stimulating, intrinsically rewarding job should be less paid than those who have an irksome, thankless job. If you give more bargaining power to the people who have very little of it, you will correct the perverse positive correlation that prevails today between how interesting a job is and how well it is paid.

This should suffice to explain why it matters that the basic income should be obligation-free. But it is crucial to understand that this does not make the introduction of a basic income equivalent to the abolition of the moral duty to work, not in the sense of performing waged labor but in the sense of making efforts that are useful to others than yourself. Basic income recipients will not get respect, esteem or admiration from their peer group or anyone else just by virtue of cashing in their basic income. They will need to make efforts, paid or unpaid, that benefit others. Basic income is a tool a society has to help people find things that they can do well and like to do, while at the same time serving society as a whole, and for the overwhelming majority of people this will involve paid work. Basic income, therefore, is not the paroxysm of a passive welfare state, but on the contrary at the heart of a freedom-friendly active welfare state. It is a way of dynamizing our economy and our society by providing, rather than a safety net, a freedom floor that can work hand in hand with the lifelong learning that is essential to 21st century economies and societies.

POLITICALLY FEASIBLE?

Just a word by way of conclusion on the question of political feasibility. It is of paramount importance that discussions of policy proposals should not start with that question. Part of our job as academics consists in imagining and discussing ideas that are not politically possible today in order to make them politically possible tomorrow. We need to concoct and scrutinize realistic utopias. This utopian thinking must be interdisciplinary. Do not let engineers, economists or philosophers produce their utopias on their own. I would not say: “Don’t let lawyers produce their utopias on their own”. Usually, lawyers are very anti-utopian. They say: “The law says this, you can’t do that.” But there are exceptions, and as utopias become more concrete, lawyers are needed. Anyway, scholars from many disciplines must work together in order to produce smart utopias. And they must do so in a no-nonsense, anti-sectarian way. At any meeting about basic income, such as this one, it is essential please invite skeptics and critics, and to listen to them carefully. The progress of good ideas can sometimes be helped by ignoring critiques or by using bad arguments. But they will triumph in the end only if they are supported by good arguments, and to distinguish good arguments from bad ones, you need to keep listening to critics.



This is the conviction that animates our recent book.² It has also been present since the beginning in the Basic Income Earth Network. It is so easy to become a little sect of people who all believe the same and think that basic income will solve all the problems of the world. It will not. Many problems will remain. Yet the introduction of a basic income is a central component of any vision of a better future that fits the technological, ecological, economic and social challenges of our century. Do not wait until it becomes politically feasible before taking it seriously. Make it politically feasible by taking it seriously.

² Philippe Van Parijs and Yannick Vanderborght, *Basic Income. A radical proposal for a free society and a sane economy* (Cambridge, Mass: Harvard University Press, 2017, paperback 2019), also available in Spanish (*Ingreso básico. Una propuesta radical para una sociedad libre y una economía sensata*, Mexico: Grano de Sal, 2017).