Basic income: real freedom at the heart of social cohesion[1]

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Anyone committed to freedom will want to get all households out of poverty: freedom from want is a precondition for freedom *tout court*. How can this be achieved? The 20th century received wisdom is clear: the growth of production will provide jobs and thereby a decent income to the bulk of population, while providing indirectly an income to the others through social insurance benefits. The strong positive correlation between poverty and unemployment and the strong negative correlation between unemployment and growth are sufficient to make this strategy self-evident to many. However two facts should make us pause. 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, 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?

Basic income

Such doubts about the effectiveness and desirability of growth have fed interest in other ways of securing an adequate income to everyone. In this chapter, we argue that the proper way of addressing today's unprecedented challenges while fostering social cohesion is to make minimum income protection *fully unconditional*, through the implementation of a basic income. This increasingly popular idea should attract the attention of those who want tomorrow's world to be a world of freedom – of real freedom, not mere formal freedom, and for all, not just for the happy few.

1 This article is based on chapter 1 of Van Parijs & Vanderborght (2017). (Italian and Spanish translations have also been published in 2017). A previous version of this article appeared in March 2016 in Christen-Democratische Reflecties 4 (1), pp.107-117.

In what sense is a basic income 'fully unconditional'? Not only in the sense that it is paid in cash rather than in kind, as is already the case of existing minimum-income schemes.[2] Above all because (1) it is strictly an individual entitlement, as opposed to linked to the household situation; (2) it is what is commonly called universal, as opposed to subjected to an income or means-test; and (3) it is obligation-free, as opposed to tied to an obligation to work or prove willingness to work. We thus call *unconditional basic income* or, for short, *basic income*, an income that is strictly unconditional in these three senses.

Nothing in this definition of a basic income entails that it should be high enough to cover basic needs. In developing the argument in the context of a particular country, it is convenient to have an amount in mind that is both modest enough for us to dare to assume that a basic income is economically and politically sustainable, and generous enough for it to be plausible that it will make a big difference. Current proposals for such a *partial* basic income often pick an amount that is lower than the official poverty threshold. In Belgium, for instance, economist Philippe Defeyt has designed a basic income proposal at around €600 per month for all adults. The amount suggested by economist Marc de Basquiat for France is even lower, at around €500 per month.[3] Such amounts can be modulated according to age, with the children receiving less than this amount and possibly the elderly more. They should also, in our view, be indexed to the cost of living, and meant to be non-mortgageable and income-tax-free.

In order to understand why such a basic income can help to foster social inclusion, it is important to understand that we do *not* advocate it as a substitute for all existing social transfers. We advocate it as a full substitute in the case of individuals receiving benefits lower than the basic income and as a partial substitute in the case of individuals receiving more. In the latter case, the basic income provides an unconditional floor that can 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 conditionalities maintained and the post-tax levels adjusted downward so as to maintain the total incomes of the beneficiaries unchanged. A basic income is even less meant as a cash substitute for the public funding of quality basic education and quality basic health care.[4]

Even more importantly, one should keep in mind the profound difference between conditional and unconditional minimum-income schemes. Both can be viewed as ways of addressing income poverty, but only the latter can claim to get to the root of the

2 For a general overview of existing minimum-income schemes in Europe, see Van Lancker (2015).

3 See, respectively, Defeyt (2017) and de Basquiat & Koenig (2014-2017).

4 Contrary to what is proposed by Charles Murray (2006) and sometimes presented as a defining feature of basic income.

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 but a key ingredient of a society and a world we can look forward to. To show why, we shall focus in turn on each of the three unconditionalities noted above as distinguishing basic income from existing minimum-income schemes – its provision of entitlements that are individual, universal, and obligation-free. Before doing so, however, we shall briefly discuss a feature that it shares with most of these schemes: the fact that a basic income is to be paid in cash and not in the form of food, shelter, clothes and other consumer goods.

A cash income

The main argument in favor of in kind provision is of a paternalistic kind. The government wants to make sure that the resources are used to provide for basic necessities for all members of the household rather than wasted on luxuries or worse. The same concern motivates providing the minimum income in the form of a special currency, such as food stamps or other ear-marked vouchers.

On the other side, there is first the argument that a fair and efficient distribution of cash, especially in an era of electronic payments, requires far less bureaucracy than a fair and efficient distribution of food or housing. Cash distribution lends itself less easily to clientelistic pressures, lobbying of all types and waste through misallocation. Second, most fundamentally, if we care about freedom for all, there is a strong presumption in favor of a minimum income in cash, with no restriction as to the object or timing of its spending, leaving its beneficiaries entirely free to decide how to use it, thus allowing their own preferences to prevail between the various options available even with a modest budget.

A combination of mild paternalism and of concern for positive and negative externalities can easily override this presumption in the case of some specific goods such as basic health insurance and education at pre-school, primary and secondary level. Not only can such provision in kind be defended by reference to the long-term interest of the individuals concerned, but a healthy and well-educated workforce and citizenry constitute public goods that benefit the whole community. Analogous arguments hold for some other social services and for the provision of safe and enjoyable public spaces. In this sense and for these reasons, it can be said that part of the basic income needs to be provided in kind. For these reasons, making a case for a cash basic income remains consistent with supporting public provision of social services.

An individual income

Like conditional minimum-income schemes, a basic income is paid in cash. But unlike them, it is unconditional in the sense of being strictly individual. “Strictly individual” refers to both of two logically independent features: 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”, for the benefit of all the household’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 its parents. For any committed to freedom for all, such direct payments to each individual member make a big difference insofar as it affects 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 conditional minimum-income 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 behind this widespread feature 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 trickier, 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.

Second, and more fundamentally from the point of view of social cohesion, 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 cohabitation is weakened, scarce material resources are being wasted, and the number of housing units for a given population increases. The sustainable pursuit of social cohesion and freedom for all demands that cohabitation should be encouraged, not penalized.

Thus, a basic income differs from conditional minimum-income schemes by virtue of being paid on an individual basis. But it also differs from them by virtue of being unconditional in two further senses. Firstly, a basic income 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. Secondly, it is unconditional in the sense of being *obligation-free*, or 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. Without the former, the latter could easily foster exclusion. Without the latter, the former could easily foster exploitation. It is the joint operation of these two features that turns basic income into a paramount instrument of freedom.

A universal income

Existing minimum-income 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 upfront 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 exogenously, for example by revenues from publicly owned natural resources, the introduction of a basic income increases by the same amount everyone's income. If instead it is funded endogenously through some form of redistribution within the population concerned, 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.

This claim is far from obvious, including to some poverty experts. It is not difficult to understand why. 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 conditional minimum-income 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, which wastes valuable resources by distributing them to countless households above the poverty line. Yet, a basic income is to be preferred, for three distinct reasons.

The first reason has to do with universality as such, the fact that the benefit is paid to all, not only to those identified as poor. 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.[5] In order to access targeted benefits, it is necessary to take steps that many people who are eligible risk not taking or not completing, whether out of ignorance, shyness or shame. With means-tested schemes, the information and awareness campaign required to achieve the same take-up rate among net beneficiaries as with the corresponding universal scheme involves a considerable human and administrative cost.[6] Further, even with a scheme that uses nothing but low income as the relevant criterion, decisions to (try hard to) include or exclude leave a lot of room for arbitrariness and clientelism.[7] With a basic income paid automatically to all legal residents, access to benefits does not require any particular administrative steps. Moreover, it fosters social cohesion, as society is no longer visibly divided between the needy and the others. There is nothing humiliating about receiving a basic income granted to all members of society. This does not only matter in itself for the dignity of the people involved. It also enhances effectiveness in

5 See, for example, Skocpol (1991), Korpi & Palme (1998), Bradshaw (2012).

6 See Warin (2016) for a thorough discussion of the causes of low take-up rate of conventional minimum-income schemes. France Stratégie (2014: 85) reports that the rate of take up of France's means-tested minimum-income scheme ("revenu de solidarité active") is about exactly 50% and proposes 80% as an ambitious target.

7 A lesser vulnerability to clientelism is also sometimes mentioned as an important advantage of basic income. Thus, according to Zwolinski (2014), a basic income, in contrast to the existing welfare state, "allows virtually no room for bureaucratic discretion, and thus minimizes the opportunities for political rent-seeking and opportunism."

terms of poverty alleviation.[8] Thus, by avoiding complication and stigmatization, a universal scheme can achieve a high rate of take-up at a low information cost.

Second, universality as such, the fact that one remains entitled to the basic income irrespective of any other income one may be earning, is important not only for freeing people from a lack of money. It also matters for freeing them from exclusion from work. Under a means-tested scheme, even precarious earnings cancel the entitlement to part or all of the benefits. Rational avoidance of uncertainty contributes to trapping welfare recipients in situations of unemployment. The risk is compounded by the very nature of many of the jobs the most disadvantaged would qualify for: jobs with precarious contracts, unscrupulous employers, and unpredictable earnings. If they are unsure about how much they will earn when they start working, about whether they will be able to cope, or about how quickly they might lose the work and then have to face more or less complex administrative procedures in order to reestablish their entitlement to benefits, the idea of giving up means-tested transfers holds less appeal. By contrast, they can take a job without fear when they can be sure that their universal basic income will keep flowing no matter what.[9]

This advantage of universality as regards access to employment is strongly reinforced by the effect of a feature closely associated with it, which provides a third reason to favor universality: 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, means-tested minimum-income 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.[10] A basic income, being universal, creates no such trap. It is not withdrawn or reduced but kept

8 The stigmatization inherent in existing schemes was from the start an important impulse for the basic income movement. See, for example, Jordan (1973: 14, 16) on the stigmatization of "paupers" breeding resistance to their asking what they are entitled to.

9 This advantage of a basic income over existing means-tested schemes is well formulated by Thomas Piketty (1999: 28): "By definition, an unemployed person living exclusively off a universal basic income can be certain to keep the benefit whatever happens." By contrasts, it can take several months to establish a benefit entitlement that depends on one's economic situation, and "these few months can be very important for households whose everyday economic balance is very fragile. [...] As working for a few months might make me lose the benefit of the minimum-income scheme for several terms at the end of this period of activity, then why take such a risk?"

10 As Tobin (1965: 890) put it: "This application of the means-test is bad economics as well as bad sociology".

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. In this light, a basic income can be viewed as the core of a form of "active" welfare state, one that activates people by freeing them rather than by forcing them to work.

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 reflects a redistribution of private spending between different categories of the population. This is quite different from a budgetary cost that matches the use of real resources, such as the building of infrastructure or the employment of civil servants, and therefore 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, 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.

An obligation-free income

As discussed so far, a basic income is a regular cash income that is individual and universal. It further differs from conditional minimum-income schemes in having no strings attached; it carries no obligation for its beneficiaries to work or be available on the labour market. In existing conditional schemes, this obligation typically involves 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, 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, freedom from obligation addresses the employment trap. Without universality, freedom from obligation could easily prove a recipe for exclusion: an obligation-free, means-tested benefit would amount to hush money for those hopelessly stuck in the unemployment trap. But without freedom from obligation, universality would prove a recipe for exploitation: work-conditional universal benefits would amount to subsidies to the employers. The latter could get away with paying lower wages to workers obliged to accept and stay in jobs if they want to retain the right to a benefit. By contrast, the universality of basic income admittedly constitutes a potential subsidy for jobs that are poorly productive in an immediate economic sense, but its freedom from obligation prevents it from subsidizing those that are lousy or degrading. The conjunction of these two unconditionalities enables us to see why there is plausibility both in the claim that a basic income would depress wages and in the opposite claim that it would boost them.

Universality facilitates saying "yes" to jobs that pay little, even so little or so unreliably that up to now they do not exist. People with a low immediate earning power are no longer priced out of a job. Average earnings, for this reason, may diminish. However, because of the absence of strings, 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 an obligation-free income facilitates saying "no" to jobs that both pay little and are unattractive.[11] If these 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.[12] Average earnings, therefore, may well go up.

What the net effect of these opposing forces on the average level of labour compensation will be cannot be predicted.[13] And what it turns out to be will of course not only be affected by the balance of market forces but also by such institutional factors as the regulation of part-time work and self-employment or the presence and scope of minimum wage arrangements, whether imposed by law or negotiated by social partners. One thing is

11 Karl Widerquist's (2013) defense of basic income rests on its giving this "power to say no", i.e. the power to refuse unwanted cooperation. It is essential to our own argument that it emphasizes symmetrically the fact that (relative to means-tested schemes) it also facilitates saying yes.

12 This intended effect was already very present in the first plea for a country-wide unconditional basic income, written in Brussels by Joseph Charlier: "Undoubtledly, by raising and improving the material condition of the masses, the implementation of a guaranteed minimum income will make them choosier in the choice of their occupations; but as this choice is usually determined by the price of the manpower, the industries concerned will need to offer their workers a higher wage by way of just compensation for the disadvantages attached to these occupations." The proposed scheme "will have as an immediate consequence a reparatory remuneration for this class of pariahs presently condemned to misery by way of reward for their irksome and useful labor." (Charlier 1848: 37).

13 The impact of a basic income on wages, Atkinson (1984: 29) writes, "is sometimes couched in terms of employers being able to reduce wages, but the assumptions made about the working of the labour market are critical to the conclusions drawn. If, for example, labour supply is reduced, then there may be upward pressure on wages – although total earned income may still fall. [...] The general equilibrium consequences of such major changes in taxation and benefits have to be recognized in any attempt to arrive at a definitive answer."

certain, however: the combination of the two unconditionalities gives more options to the people who have least of them. A basic income may add little to the bargaining power of those with valuable talents, education or experience; with strong insider status, influential connections or strong union backing; or with few family constraints. But it will empower those without such advantages to be choosier among possible occupations, taking into full account what they like to do, what they need to learn, whom they get on with, and where they wish to live. The extent to which this will happen obviously depends on how high the basic income is. But it need not be set at a level that allows someone to live a decent life without doing any work for it to enable that person to choose, temporarily or permanently, a more attractive occupation. Work quality can be expected to get a big boost as a result of both today's existing jobs' being improved and many non-existing jobs' becoming viable. In particular, the average quality of the jobs performed by the most vulnerable can safely be expected to increase. This is why so many people committed to freedom for all like the combination of universality and freedom from obligation. This is why they want a basic income.

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