

Basic Income and Cooperatives

by **Michael Howard**

In a forthcoming book, I defend a version of market socialism which I call Economic Democracy (ED). For the purpose of this paper it is sufficient to note that Economic Democracy includes 1) a market economy in goods and services, 2) a socialized investment fund generated through a tax on capital assets and distributed on a per capita basis to communities, where its allocation is determined democratically, and 3) worker self-management of enterprises roughly on the model of the Basque cooperatives of Mondragon.¹ It is not difficult to see the potential appeal of such a model, particularly its self-management aspect, to full-time employees. But what relevance does it have for the unemployed and the marginally employed or to people working long hours in several part-time jobs? To the extent that it falls short of full employment, how might Economic Democracy be augmented to address the problems of poverty and marginalization? In this chapter, I advocate a guaranteed basic income (BI) as an essential complement to Economic Democracy (ED). I argue that BI and ED are mutually supportive. I also touch upon numerous other advantages of BI.

Fewer Jobs or Fewer Good Jobs?

Consider the prospect of rising levels of unemployment and under employment. While current unemployment in the U.S. is significantly less than in many European countries (where it is in double digits), the long-term trend is striking:

Average unemployment has risen from 4.5% in the 1950s, to 4.8% in the 1960s, to 6.2% in the 1970s, to 7.3% in the 1980s, falling slightly in the early 1990s to 6.6%. When we factor in the discouraged workers and those underemployed, the figure for 1993 rises to 13% of the labor force.² There has been significant job growth in the U.S. since 1993, but most of the jobs are poorly paid, non-unionized service jobs.³

One cause of this long-term trend toward high rates of unemployment and underemployment is automation, particularly that brought about through computerization, and particularly in the ten percent of big U.S. companies (employing five hundred or more workers) that employed forty-one percent of all workers in the private sector. Downsizing has been most dramatic in manufacturing. But it is going on in the service sector as well. "In just one service industry, commercial banking and thrift institutions, re-engineering will mean a loss of 30 to 40% of the jobs over the next seven years. That translates into 700,000 jobs eliminated."⁴

The new "symbolic analyst," jobs that Robert Reich thinks we need to train people for, in "science, engineering, management, consultancy, teaching, marketing, media, and entertainment . . . will remain small compared to the numbers of workers displaced by the new generation of 'thinking machines'"⁵, or the numbers of workers in poorly paid low skill service jobs.

This new "knowledge class" partly accounts for growing inequality in the U.S. The upper echelons---four percent of the working population---earn "as much as the entire bottom fifty-one percent of American wage earners." Their incomes, along with another sixteen percent of second tier knowledge workers, continue to rise while the rest of the labor force suffers losses of real income, benefits and jobs. Together the top twenty percent of the workforce earns more than the other 4/5 of the population combined.⁶

We tend to blame the growing inequality on tax breaks to the wealthy during the 1980s. However, of the increase in the richest ten percent of families from 1980 to 1988---\$16,000---only \$1200, less than ten percent, resulted from tax changes.⁷ Thus we need to focus on the deeper structural changes if we want to come to terms with the growing inequality.

The knowledge class can coerce governments to keep taxes down because of their monopoly on knowledge and skills and their mobility. Information technology enables them to operate from anywhere. This, combined with declining trade barriers and rising capital mobility places an upper limit on taxation even in countries like Sweden with strong Social Democratic traditions.

Thus we see in country after country fiscal crises and cutbacks in government services, adding to the unemployment from private sector downsizing. And we face the prospect of increasing polarization, not only in the U.S., but globally, between the knowledge elite and the wealthy on the one hand, and the rest of the population marginalized in varying degrees on the other, increasing numbers of whom will have no hope of full time jobs at liveable wages.

What place is there for worker self-management and cooperatives in such a world? The skeptic will argue that trends toward greater worker participation and worker ownership represent in many cases an assimilation of privileged workers into the wealthiest twenty or thirty percent of the population, leaving the rest out in the cold.

Job Creation/Social Investment

One response is to see cooperatives as part of a larger scheme of job creation and social investments. David Schweickart's "economic democracy" (ED) for example, would involve not just worker control of enterprises, but socialization and democratization of investment, with priority on job creation.

However, in a global market---which, by the time we get our act together to create an economic democracy, we will all be in---each cooperative will face the job cutting pressures that the Mondragon Cooperative Corporation has experienced, despite an internal dynamic to preserve jobs. This well-known network of cooperatives, which has generated over 30,000 jobs since its modest beginnings in the 1950s, has in recent years raised income differentials, begun hiring part time and temporary wage workers, reduced employment in the manufacturing sector, and invested in non-cooperative enterprises, all in order to remain competitive on the world market. If investment is to create competitive enterprises, it is hard to see how it can outpace technological trends toward joblessness and low-skill jobs.

We could of course pull out of NAFTA and GATT, throw up trade barriers, and focus on an internal market. But I wonder whether we are not already too far enmeshed in a global web for that to be feasible economically or politically. There are also issues of international distributive

justice that such a strategy raises, particularly in a country that controls so much of the world's capital and resources.

I proceed henceforth from the assumption that high levels of unemployment and underemployment, while they might and should be mitigated in some ways, are inevitable. Granting this, those who have full-time jobs enjoy an “employment rent,” akin to the rent enjoyed by those who own scarce land and other assets. (The concept of jobs as assets is developed by Philippe Van Parijs in *Real Freedom for All*, as well as the case for a basic income.) These rents can legitimately be taxed to compensate those who are excluded from the scarce assets---jobs---in the form of an unconditional basic income.⁸

What is proposed under a Basic Income Strategy is to guarantee to every citizen an unconditional guaranteed income at the highest sustainable level. In contrast with current “make-up” guaranteed income schemes, which supplement low-wages and involve means testing, the BI is unconditional. Everyone would be entitled to it regardless of wealth or employment status.

Such a grant might replace, or correspondingly reduce, many existing social service transfer payments, such as those for unemployment or pensions or aid to families with dependent children. (Some additional transfers would still be needed for individuals with costly special needs or disabilities).

Some of the advantages of a basic income are as follows:

- 1) Compared with a make-up guaranteed income, no stigma would attach to recipients.
- 2) A floor of income for everyone would make possible a deregulation of the labor market.
- 3) Compared to means-tested programs, there would be no unemployment trap. Earned income would be on top of the basic income, and there would be no penalty involved in taking a job of any kind.

- 4) Work sharing would become more feasible, since a full-time job would not be as necessary to make ends meet.
- 5) The coercive nature of the employment contract would be undermined. No one would be forced to work for wages out of economic necessity.
- 6) A possible further consequence is a rise in income for unattractive, dangerous, or dirty work, since the economically desperate who now take such jobs at minimum wage would be free to refuse such work.
- 7) Work conditions generally might be made more attractive and work itself more intrinsically rewarding, as a way of attracting workers.

Following Van Parijs and van der Veen, let us say that a society has achieved "weak abundance" when it is sufficiently affluent to be able sustainably to provide everyone with an unconditional basic income at a culturally defined decent minimum.⁹ Then, it might be objected, for any society falling short of weak abundance, there must be a trade off between giving everyone maximum basic income, which will fall below the poverty line, and giving larger *conditional* grants to the truly needy and those *involuntarily* unemployed. This group, excluding the voluntarily unemployed, arguably are the true least advantaged group, and any worsening of their position to provide a basic income for everyone would be ruled out by the difference principle. Thus, below weak abundance, a society would have to balance basic income with means-tested transfers.

Even in weak abundance, why should the level of benefit to the involuntarily unemployed be lowered so that the voluntarily unemployed can enjoy a modest leisure? This objection seems sound so long as we take the difference principle to be covering only the distribution of income. However, it includes also the distribution of wealth, power and the bases of self respect. Remembering this, one can make a Rawlsian case for BI, as Van Parijs has done.

First, the BI is an "*all-purpose means*" to various ends, a primary good. Second, by removing the stigma attaching to recipients of means-tested welfare, *self-respect* is less likely to

be undermined. Third, by making a basic income a right of citizenship, one makes equal citizenship more substantial as a *basis for self-respect*. One of the problems with Rawls' original formulation of justice as fairness is that he maintained that guaranteeing equality of the basic liberties was sufficient to support self-respect while allowing substantial inequalities of wealth and power. But as Norman Daniels and others have argued, it is not consistent to favor equal liberty yet not favor at least a rough equality in the conditions making liberty valuable. A basic income would go some distance toward rendering the basic liberties valuable: For example, one would have the "real freedom" to engage in political work and expression of opinion, if the grant were at a sufficiently high level.¹⁰

Fourth, by granting to everyone the freedom to refuse wage labor contracts, the *power of* each person is enhanced, particularly that of workers in relation to capitalists, but also non-wage-working wives in relation to husbands, etc.¹¹

Fifth, basic income, unlike conditional transfers, does not discriminate between competing conceptions of the good, favoring those who embrace a work ethic over those who prefer not to work.

On the other hand, sixth, as V.P. notes, a basic income "enables those who attach importance to (paid) work *per se* to accept a low wage---lower than they could afford in the absence of a basic income---in exchange for actual access to waged, cooperative or self-employment. Whereas a rising means-tested benefit makes it increasingly difficult for unskilled people to find a job, a rising basic income makes it increasingly feasible."¹² Thus with a view to enabling each person to pursue his/her plan of life, a basic income has a lot to be said for it over alternative conditional transfers. It is not just about maximizing minimum income and consumption.

Still, other questions remain: Wouldn't it be too costly? Wouldn't too many people stop working? Wouldn't it be unfair exploitation of workers by the lazy? Wouldn't there be a flight of capital out of the country, or a capital strike? And who would support it?

Cost

Viewed statically, without regard to its consequences in practice over time, the introduction of a basic income might cost nothing at all. Existing welfare benefits would change form but not amount. And wages could be reduced by the amount of the grant. The net transfer in incomes could leave everything as it is. Adam Przeworski estimates that a basic income for everyone at half the average income would require a tax increase of at least twenty percent of GDP. But such a tax burden need not be objectionable if one's net income after taxes is unchanged.¹³

A more difficult question is whether a basic income could be sustained over time, at a level adequate for basic needs, without reducing the aggregate income so much that even a basic income level became impossible.

The economist A.B. Atkinson has proposed a more modest BI scheme, that would not replace but be complemented by other forms of social insurance, and provide a basic income to every child and to every adult willing to participate in some form of socially valuable activity (not just paid work, but care for the elderly, child care, etc.). With some tweaking of the tax system, Atkinson calculates that in England every child could receive £12.50 a week, and every adult between £17.75 and £18.25 a week, without increasing taxes overall.

"With such a citizen's income, the number dependent on means-tested benefits would be reduced by half a million. A third of families would be worse off in cash terms; ten per cent would be virtually unaffected; and fifty-seven per cent would gain. Among the latter would be many women."

A ten percent or so increase in the tax rates would more than double the basic income to nearly £40 a week, and more than quadruple the number freed from dependence on means-tested benefits.¹⁴ Crudely extrapolating these figures to the U.S., we might be able to introduce a revenue neutral BI scheme, giving everyone \$25-30 a week. Hardly enough to pay the rent, but significant in conjunction with additional social insurance, a part-time job, a relatively low-wage

full-time job, or higher-paying but intermittent work. If we were able to raise taxes on that richest four percent making as much as the bottom fifty-one percent, not to mention the richest twenty percent, this amount could be at least doubled.

Work incentives

Of course the degree to which people will have incentives to work for wages will vary with the level of the grant. But note that there is no lack of incentive to work today, even though for practical purposes everyone can find minimal subsistence without working. This incentive might decline if the grant were unconditional, with no stigma attached to being a recipient, and if the level were, say, half of the average income.

On the other hand, those now facing “prohibitive marginal rates of benefit withdrawal”---especially in Europe where the level of social services is higher---would have much greater incentives to take work once the unemployment trap was eliminated. Whether the latter effect would counter balance an exodus from work of some of those currently employed is hard to judge.

Moreover, the income would valorize or make possible new forms of work. It would greatly facilitate childcare, giving to mothers (or fathers), whether married or single, a measure of economic independence and the freedom to stay at home with children. It would also enable people to devote much time to community service, political work, and careers the remuneration for which might otherwise be prohibitively low. It thus might encourage risk-taking and innovation, and more small business initiatives, increasingly important in rapidly changing markets.

What is unlikely is that most people would do nothing at all. But a significant number would probably drop out of the paid labor market, bringing that market into equilibrium, or even resulting in labor shortages. Keep in mind that the context for this discussion is not full employment with the prospect of millions of wage workers ceasing employment, but rather

chronic high unemployment, with no clear solution for the problem of what to do with all the excess labor supply.

Exploitation

Would the proposed arrangement be fair to those who continued to work and pay taxes, particularly if their taxes went up to finance a basic income for significant numbers of people choosing not to work, and if prices rose as wages were raised to attract people back to work? On the face of it, an unconditional basic income appears to be a formula for exploitation of the industrious by the lazy.¹⁵ In addition, it would appear that the addition of some significant percentage of people to the list of those receiving income without making a contribution in (paid) work or taxes would reduce the pool of funds available for redistribution to the most needy.¹⁶ Would it be fair to reduce spending on public schools or special education, or hospitals in order to make possible the freedom not to work for capable people who otherwise would (grudgingly) take paid employment?

Van Parijs and van der Veen have a fairly convincing rejoinder to the first of these moral concerns. From a purely formal point of view, everyone has the freedom not to work, those who continue to work and pay taxes, as well as those who don't. In fact, everyone would receive the BI grant as a right of citizenship. So in this respect, there is no unequal treatment involved in a basic income scheme.

Elster's argument that "it is unfair for able-bodied people to live off the labor of others"¹⁷ presupposes that the income paid to wage workers is proportional to their labor. But wages are also a function of capital intensity, labor market conditions (i.e. scarcity of skills involved), and luck, and to that extent are not deserved by the workers in the amounts delivered by the market. With technological progress the claims based on desert weaken. (This is not to deny that people develop expectations and a sense of entitlement based on custom and agreements, but these must be at best *prima facie* bases for distribution.)

Moreover, in an economy with 10% or higher official unemployment, access to paid labor is now a privilege. As Van Parijs argues elsewhere, the division between those who have access

to steady jobs and those who don't is a class division that rivals that between workers and owners.¹⁸

Elster's position also ignores the current exploitation of unpaid labor, notably childcare, which would receive some remuneration and recognition in a basic income scheme. (Admittedly, if this were the only goal, there would be more efficient ways to reach it---direct child care allowances and parental leave for parents, for example.)

Finally, the issue of privilege can be formulated in Lockean terms: There is no longer "enough left and as good" of the commons, whether of property or of accessible jobs, for those not fortunate enough to have stable work. Some appropriate compensation is thus due to those unable to find work. This argument certainly justifies unemployment compensation. But it also justifies compensation to those able to find only less attractive, less skilled, less well-paying work by those enjoying the privilege of occupying scarce jobs.

Capital Flight

The issue of whether a BI scheme would provoke capital flight or a capital strike is debated extensively in responses to Van Parijs and van der Veen's "A Capitalist Road Communism."¹⁹ Increased cost of BI could be born by taxes on incomes not on profit, so in principle it need not be seen as an assault on profits. (Remember, it was Richard Nixon who proposed a guaranteed minimum income, albeit not unconditional, and his opposition came from liberal Democrats). On the other hand financing the BI out of income taxes alone might threaten its political support. (Of course, Ron Dore's proposal to have the state purchase capital and pay the basic income as a social dividend to citizens is an even greater threat to capitalist control.)

I am inclined to agree with Wright that in order to prevent a flight or strike of capital it would be necessary to regulate investment flows fairly extensively, so that "something like socialism is necessary" for Van Parijs and van der Veen's transition to "something like communism", in which the basic income proportion of one's income grows until it reaches one hundred percent---from each according to his/her abilities, to each according to his/her needs.²⁰

Basic Income and Economic Democracy

Now I want to turn to what I promised at the outset as the central concern of this chapter: the compatibility of BI and ED. First, I will show what BI can offer to ED. Second, I will examine a major moral objection to BI from a socialist perspective, which points toward work time reduction and job sharing. Finally, after noting some difficulties with work time reduction and job sharing, I will show what ED can add to a BI strategy for social justice, compared to BI in a capitalist context.

1. What BI adds to ED

a. Labor Market Flexibility

BI, by providing all workers---and non-workers---with an unconditional income floor, will give to ED greater labor market flexibility. Workers could leave coops without fear of catastrophic loss of income, and coops could work out more flexible work-sharing arrangements among their members.²¹

b. Lessening of Risk Aversion

The risk associated with a capital stake in the firm would be minimized since a portion of each member's income would be independent of the success or failure of the firm. This could be expected to encourage risk taking, a desirable thing given that coops tend to be too risk averse.²²

c. Greater Innovativeness

For similar reasons, firms could be expected to innovate, and introduce new technologies, with less fear of job or income loss. Part-time employment, self-employment and career shifts would be underwritten by the BI.²³

d. Hard Budget Constraints

Also, with BI the pressure on investment funds to compromise efficiency for the sake of job creation would be reduced. We would not need to fear that Economic Democracy would go the way of Eastern European Communist states that have maintained full employment at the expense of massive inefficiencies.

e. Slower Growth?

To the extent that both ED and BI make possible economies that are less growth and consumption oriented and so ecologically more attractive, they are mutually supportive.

f. Social Justice

Adding BI to ED should help ED to meet Rawlsian objections from the standpoint of the least advantaged. Politically, this might translate into support for ED from unemployed people, homemakers and other beneficiaries of BI, who might otherwise regard ED as a system benefitting mainly privileged workers.

But here we must note that much depends on claims by Schweickart and others for the superior efficiency not only of worker management, but of socialized investment. A society that aims to maximize the minimum basic income, subject to preserving freedom and equal opportunity, could conceivably favor capitalism over socialism. The specific efficiency advantages of worker cooperatives could be had in a system of worker-owned enterprises on the Mondragon model, where firms had the right to make their own investment decisions, and wouldn't require socialized investment.

Andre Gorz fears that BI, particularly in a capitalist society, but we may add also in Economic Democracy, could lead to a decline of the work ethic and a division of society into two classes, with deleterious effects on the integrity of the political community.²⁴

Although BI may facilitate participation in “micro-social communities such as a family, a club, a co-op, a self-help network, a neighborhood association for mutual aid . . . ,” Gorz stresses that participation at this level is insufficient for full citizenship in the larger social system including the institutions of the market and the state.

“To feel anyone’s equal, you also need to feel that you are useful to that society as a whole, and that it needs whatever skills or capabilities you may have. In other words, you need a job and, what is more, not any kind of casual job like walking someone’s dog, shoe-shining, or selling flowers at street corners.” In language that echoes Hegel and Marx’s analyses of the transition from feudalism to modernity, Gorz stresses the difference between these sorts of “services you render others as private persons,” implying “personal submission to personal

demands,” and the more formalized work in the public sphere, measured by public standards, governed by a regime of rules applying equally to each.

Resisting what he calls the “South-Africanization” of society---the continuing segmentation of the population into a “working class aristocracy” and a “growing proletarian underclass of expendable unskilled workers,” the growth of menial, servile services for the rich at very low wages, all furthered by the underpinning of a basic income²⁵---Gorz nevertheless sees a way in which Basic Income could have a more positive outcome:

“it could help to spread socially useful work more evenly across the working population as a whole, and between men and women in particular, instigate shorter working hours, make skilled jobs accessible to everyone, and open up new unlimited opportunities for unpaid community work. . .”²⁶

For this more egalitarian outcome, Gorz identifies three conditions:

1. reduction in work time without loss of income
2. work sharing, supported by education and training
3. promotion of unpaid community work

In this scheme, work becomes intermittent for everyone, and “The income paid during the interruptions to or intermissions in work, then, must be seen as the deferred or anticipated payment of your share of the socially produced wealth: as an income you have earned and which is owed to you, not granted to you, by society for the basic amount of work you are committed to do You cannot become a member of any community if you have no obligation whatsoever towards it. Being a member of a group means that you can rely on the others, but also that they can rely on you.”²⁷

Gorz’s proposal has the advantage of preserving the link between income and socially useful work. However, he assumes dubiously that work time reduction would involve no loss in productivity.

Van Parijs identifies three dilemmas that a work sharing strategy will encounter, with respect to earnings, skill, and self-employment: (1) either the reduction in *earnings* is not

differentiated according to pay levels so that the lowest ranking jobs fall below the level of entitlement to social benefits, or there is differentiation in which case the *relative* cost of unskilled jobs rises, hastening their elimination through automation. Either way, unskilled jobs suffer. (2) If working time reduction is undifferentiated according to *skill*, there will be bottlenecks in certain skilled trades and regions, and high costs of training; but if not, then the unskilled will unfairly bear the burden of reduced work time while highly skilled people can work long hours at higher pay. (3) The self-employed will either be treated like waged workers, creating a difficult and costly need for monitoring, or they are exempted from time reduction, resulting in more “falsely self-employed” subcontractors, and “victimizing those who have no option but to be and remain salaried employees.”²⁸ (Additional problems arise in the U.S. where health and pension benefits are not universal, but are part of the cost per worker for an employer.)²⁹

2. What ED adds to BI

Economic Democracy can help a BI scheme bring about the outcome Gorz desires better than can capitalism. First, making firms worker-managed is an effective way to control the unemployment that results in a capitalist society from the squeeze on profits by wages. Second, to the extent that worker control would make work in ED more attractive than it is in a capitalist economy, the price of labor could be reduced and more people could be hired, or the numbers opting out of work because of the BI would be reduced.

Third, and most important, the socialization of investment decisions would prevent capital flight and capital strikes, two limitations on the maximum sustainable BI under capitalism. So long as investment depends upon private savings, the maximum sustainable BI is limited by the possibility of investors pulling out their money and reinvesting it in other countries where it would bring a higher return than in the country where it is taxed to support the BI. If a socialist society can sustainably provide a higher level of BI than capitalism, it is to be preferred, even if it involves some loss of efficiency through soft budget constraints.

Fourth, the socialization of investment makes it possible to build into the decision-making process the support of socially valuable work, such as the kinds of community work Gorz seeks, but which is marginalized in a strictly profit-oriented economy.

Thus, ED promises to limit, to a greater extent than capitalism, the numbers of unemployed, reducing the strain on the work ethic, and it promises to pitch the BI at the highest sustainable level.

One final comment on the introduction of BI in a capitalist society: In the transition from capitalism to a more just society, BI also gives each worker, and thus workers in unions, more bargaining power, since the threat of unemployment loses some of its sting. This should in turn pave the way for the emergence of genuine democratic firms. The tradeoff for workers in such firms is that they must be prepared to pay their share of the taxes necessary to support an adequate basic income. The overriding political question is whether an alliance can be forged between the “worker aristocracy” in such firms, and those not so fortunately positioned, united by a shared conception of justice. Such an alliance is possible to the extent that the former feel increasingly insecure and thus more akin to the latter, and to the extent that a plausible comprehensive conception of justice can be articulated. Such an alliance is by no means inevitable. An alternative is an alliance between owners and better-paid workers, against the remaining seventy or eighty percent of the population. The political dilemma is that one of the trends that favors economic democracy, namely movement toward worker ownership, also favors this more reactionary political alliance. It can be countered only by sustained political work, and pushing for economic democracy, through avenues additional to stock ownership.

Endnotes

¹. Economic democracy is elaborated and defended by David Schweickart, *Against Capitalism* (Cambridge: Cambridge University Press, 1994).

2. Rifkin, *The End of Work* (New York: G.P. Putnam's Sons, 1995), 10-11.

³. Doug Henwood, "Talking about Work," *Monthly Review*, July-August, 1997, v. 49, no. 3, 18-31.

⁴. Rifkin, *The End of Work*, 9.

⁵. Rifkin, *The End of Work*, 35.

⁶. Rifkin, *The End of Work*, 197.

⁷. Mickey Kaus, "For a New Equality," *The New Republic* (7 May 1990): 18-27.

⁸. While the prospect of long term high levels of unemployment such as those in France or Germany gives special urgency to the topic of basic income, the case for it does not rest entirely on this prospect. I return to this in the last section.

⁹. Robert J. van der Veen and Philippe Van Parijs, "A Capitalist Road to Communism," *Theory and Society*, 15 no. 5 (1986): 635-656.

¹⁰. Philippe Van Parijs, "Competing Justifications of Basic Income," 3-43; Bill Jordan, "Basic Income and the Common Good," in Philippe Van Parijs, ed., *Arguing for Basic Income: Ethical Foundations For a Radical Reform* (London: Verso, 1992).

¹¹. Philippe Van Parijs, "The Second Marriage of Justice and Efficiency," in *Arguing for Basic Income*, 229.

¹². Van Parijs, "The Second Marriage of Justice," 229.

¹³. Adam Przeworski, "The Feasibility of Universal Grants Under Democratic Capitalism," in *Theory and Society*, 695-707.

¹⁴. A. B. Atkinson, "The Case for a Participation Income," *The Political Quarterly* 67 no. 1 (January - March 1996): 67-70.

¹⁵. Jon Elster, "Comment on Van der Veen and Van Parijs," in *Theory and Society*, 15 no. 5 709-721.

16. Brian Barry, "Equality Yes, Basic Income No," in *Arguing for Basic Income*, 128-140; Joseph H. Carens, "The Virtues of Socialism," *Theory and Society*, 15 no. 5 679-687.

¹⁷. Elster, "Comment on Van Der Veen and Van Parijs," 719.

¹⁸. See Van Parijs, Chapter Six, *Marxism Recycled*.

¹⁹. In particular, see essays by Erik O. Wright, Joseph Carens, and Adam Przeworski.

²⁰ This is all the more evident when one notes with Van Parijs and van der Veen that the problem from the point of view of capital is not just the tax rate but the tax incidence. Even if taxes on profits were unchanged "the fall in net wages together with the availability of a substantial unconditional grant may well depress the supply of labor and thus induce a rise in gross wages. . . . The tax incidence on capital income may well be considerable." See Philippe Van Parijs and Robert J. van der Veen, "Universal Grants Versus Socialism: Reply to Six Critics," in *Theory and Society*, 5-15, 1986, 723-757; reprinted in Van Parijs, *Marxism Recycled*, 735-6. On the other hand, there are possible economic benefits of a BI scheme. By giving everyone an unconditional grant, one might have a higher rate of "target efficiency"---targeting needy groups, many of whom fall through the cracks of means-tested programs as social change moves ahead of bureaucratic response; see Robert E. Goodin, "Towards a Minimally Presumptuous Social Welfare Policy," in *Arguing for Basic Income*, 195-214. Also, there might be a very considerable gain in flexibility and innovativeness in an economy with an adequate BI. Van Parijs, "The Second Marriage of Justice," 233. Finally, a BI, is one way of internalizing externalities associated with environmental impacts, and control over intellectual property: "Assuming that sharp conflicts of interests are with us forever, the only option to forestall economically damaging chaos consists in reducing what is at stake in the market game---that is, in making an increasing part of people's material welfare depend on society's overall productivity, rather than on their individual contribution." Van Parijs, "The Second Marriage of Justice," 233. To underscore this last point some advocates use the term "social dividend" to describe the basic income.

²¹ This idea was suggested to me by David Schweickart, via e-mail communication.

²² Van Parijs, *Real Freedom For All*, 42.

²³ Van Parijs, *Real Freedom For All*, 223.

²⁴ As Hegel recognized early on, whether they receive public assistance or charity, "the needy would receive subsistence directly, not by means of their work, and this would violate the principle of civil society and the feeling of individual independence and self-respect in its members." What is now called "workfare" is no solution since "the evil consists precisely in an excess of production." Hegel, *Philosophy of Right*, Para 245.

The danger is not only dependence but moral disintegration: "When there is [following a decline in the standard of living below subsistence] a consequent loss of the sense of right and wrong, of honesty and the self-respect which makes a man insist on maintaining himself by his own work and effort, the result is the creation of a rabble of paupers." Hegel, *Philosophy of Right*, Para 244. Some of what Hegel describes here is the result of poverty, but important for our purposes is the part due to dependence and lack of work: "Poverty in itself does not make men into rabble; a rabble is created only when there is joined to poverty a disposition of mind, and inner indignation against the rich, against society, against the government, etc. A further consequence of this attitude is that through their *dependence* on chance men become frivolous and idle, like the Neapolitan *lazzaroni* for example. In this way there is born in the rabble the evil of lacking self-respect enough to secure subsistence by its own labour and yet at the same time of claiming to receive subsistence as its right." Hegel, *Philosophy of Right*, Para 244a. Here are the seeds of

Nietzsche's analysis of *resentment* and Marx's view of the lumpenproletariat.

Read through a Marxist lens, Hegel's formulation sounds like a sort of apologetic for class differences. But substitute "skilled workers" or "the employed" for Hegel's "rich" and you have the makings of profound resentment even in a market socialist society, if there is a sharp division between those who work for their subsistence and those who don't.

Hegel also recognized that, particularly in a modern state where the scope for political participation of the individual citizen is restricted, "it is essential to provide men---ethical entities---with work of a public character over and above their private business. This work of a public character, which the modern state does not always provide, is found in the Corporation." Hegel, *Philosophy of Right*, Para 255a. In contemporary industrialized societies, belonging to a firm is one important way---perhaps the most important next to the care for others one takes from family life---one acquires a sense of belonging, of contributing to the well being of others, not only one's fellow workers, but the wider society. This is true for many even under conditions of alienated labor.

²⁵. Andre Gorz, "On the Difference Between Society and Community, and Why Basic Income Cannot By Itself Confer Full Membership," in *Arguing for Basic Income*, 182.

26. Gorz, "On the Difference Between Society," 183.

²⁷. Gorz, "On the Difference Between Society," 184.

²⁸. Philippe Van Parijs, "Basic Income: A Green Strategy for the New Europe," in Sara Parkin, ed., *Green Light on Europe*, (London: Heretic Books, 1991), 170-171.

²⁹. If such job-linked benefits were universalized and their cost socialized, this would remove some of the pressure on employers to hire as low a number of regular workers as possible, since the cost of the job would be primarily the cost of wages, plus hiring and training costs, but not necessarily the cost of insurance and other benefits. In France employers and employees each pay a share into a social security fund, which includes health benefits as well as pensions available to everyone regardless of employment status. If a worker's income is \$1000, the company will pay \$800 into social security. Thus the cost of benefits attaches to the employment of workers even when the benefit is detached from one's employment history or status.

But if the cost is proportional to the *wage paid*, rather than being a fixed cost per worker, the effect on the number of workers hired overall is neutral. If more workers are hired to work fewer hours with no net change in the wage fund, the same percentage of income can be taxed; it will just be spread out over a larger number of workers. Thus, an important obstacle to work sharing in the U.S. is the linkage of health, old age, and disability insurance with particular jobs.

Even removing this last obstacle would not eliminate the pressure on particular employers to reduce the *absolute* number of labor hours compensated, since however these are distributed across the workforce, they carry the cost of benefits as well, which are not required for robots and computers. Whether the French employer hires one worker at forty hours per week for \$1000/month, or two workers at twenty hours per week at \$500/month, he still must pay \$800/month for benefits.

We thus witness the downward spiral: as workers are laid off through automation, the cost per working hour of social benefits rises, creating further pressure to either replace workers

with machines, or cut an increasingly necessary social budget. Economic Democracy could be better expected to resist this downward spiral, since each firm will seek to maintain its current level of employment, and investment policy can aim for job creation. The conjunction of ED and BI takes some of the pressure off ED to produce more employment than is compatible with efficiency. ED also provides more stable investment conditions for BI, since it removes the threat of capital flight. Thus it would seem that in the "post-industrial" economy, ED has a future when supplemented with a basic income scheme.