

Mats Höglund

Reflections about the basic income-debate from a Swedish perspective

As a social scientist sometimes without formal employment, sometimes studying and sometimes working part-time, I have been interested in the concept of basic income for a few years. This interest has grown together with an interest in political philosophy in general, including theories of democracy, justice and a sustainable development. This essay summarizes my current standpoint on the matter, what I see as major drawbacks and some considerations concerning strategy for the basic income movement in general and for Sweden in particular. The essay consists of three parts. In the first part, I discuss and compare the Green Party, the Young Liberals and the visions presented by the left-wing political writer Ingemar Lindberg. In the second part I present and discuss a forthcoming report by Simon Birnbaum and Torgny Tholerus, which is focused upon a universal tax reduction for all. In the last part I make some personal observations and comments about what I see as a gap between the academic world and the political world. Included in the third part is also my petition for a partial basic income for Europe.

Before entering the essay some words also have to be said about the vocabulary. A basic income is to me characterised above all by the fact that the grant is equal to all in a certain age group, so that one can pay out the grant in advance without almost any bureaucracy and stigmatisation. A negative tax on the other hand is, to me, characterised by the fact that everyone do not get the same amount, and that the grant that you are entitled to depends on your income from month to month. Another thing that also should be mentioned is that it is not by accident that I focus so much on a partial basic income. On the opposite I think that a partial basic income either for Europe and/or for Sweden is the only way forward that is realistic. In the long-term I am also in favour of a full basic income, but realise that the resistance at the moment is too big for such a big step, besides that it would be extremely difficult to finance without harming the incentives to work too much.

Basic income in three ideologies

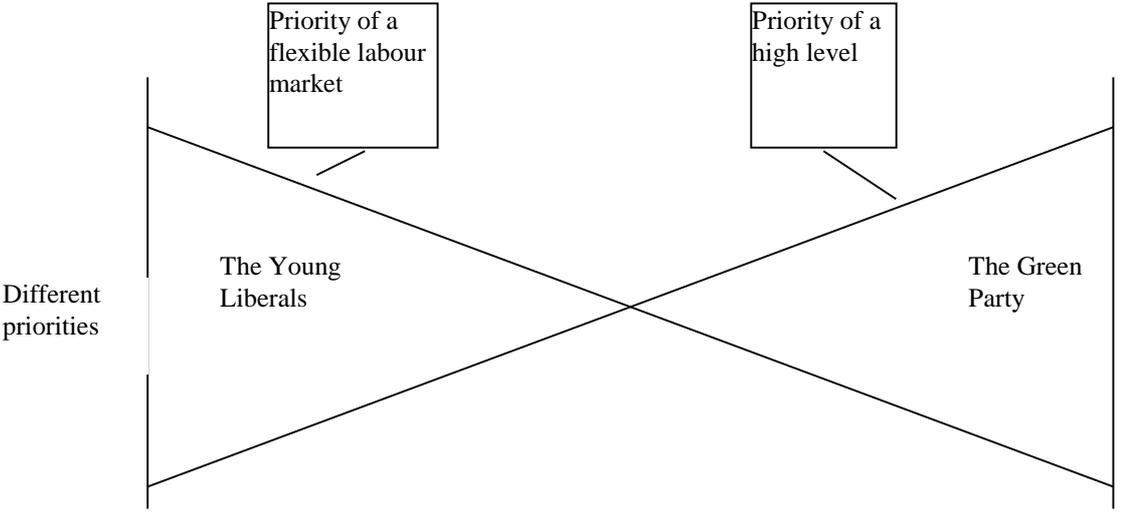
The Green Party vs. the Young Liberals

In Sweden I think the idea of a basic income for all is most strongly associated with the Green Party, whose representatives from time to time has made it clear that this is their long term goal. The concept that the Green Party uses and which also is the most common one in Scandinavia is a citizen's wage. This concept has had many critics but also defenders. It may be especially attractive for Green Parties and certain left-wing groups because it highlights the informal economy, including both the domestic work and the work done in the civil society. To call it a "citizen's wage" (or income) also gives the concept of citizenship a new meaning – that all citizens are worthy human beings not because they could work and pay taxes and contribute in that way to the national economy, but because they are worthy in themselves.

The critics of the concept, mainly from the right, has instead tried to describe the idea with words other than “wage”, such as a citizen’s benefit or citizen’s grant. That one cannot call something a wage unless there is formal employment involved is a quite logical and understandable critical objection to which there are only half-good answers. However, no matter what concept one prefers to use I regard it as a fact that the idea of an unconditional income for everyone is not yet taken as a serious idea in Sweden. One reason for this may be a quite natural one: There hasn’t been any well thought-out basic income-proposal that has been presented yet, at least not anyone which is known to the public. With a well thought-out basic income proposal I mean one which both is economically feasible, in the short run, and one that has also paid attention enough to all the possible objections.

The most recent proposal by the Green Party and the one by the polemic writer Lasse Ekstrand have both, in my mind, been too utopian. In the case with the Green Party’s proposal it can also be questioned if they had thought anything at all about poverty traps and unemployment traps and the objection that many people could opt out of the labour market for good. The suggested levels of the grant, 8000 Swedish crowns for adults and 3000 for the children, would perhaps have made the division between the “outsiders” (i.e. the unemployed) and the “insiders” (i.e. the employed) even sharper than it is today. One reason why the Green Party’s proposal was so high and that the priority of a flexible labour market was so low, was probably that they like the Social Democrats and the Left Party tend to dislike the need for massive private insurance to complement the across-the-board system. It is obvious that with a lower level of the grant the need for private complements increases, and that goes of course also for the current welfare-system.

On the other hand there are the Young Liberals, who are also positive to an unconditional grant. But they use another concept, minimum of existence. This is to make it clear it is a quite small grant that they are talking about (about 4000 Swedish crowns has been mentioned, combined with a flat tax of 40 per cent). This concept, however, is probably not known to more than a few people other than those who launched it. Unlike the Green Party’s proposal, which is intended to replace almost all the social benefits the Young Liberals vision is more modest. It is not intended to replace the current system of social security as a whole and certainly not the income-related benefits. What it is intended to do, however, is to create a system in which work pay, also for those on welfare.



4000 (not replacing the social insurances)

Level of the grant (in Swedish crowns)

8000 (also replacing the social insurances)

If the key to a balanced basic income-proposal could be described as the most reasonable weighing between the highest possible grant and the lowest possible poverty- and unemployment traps, then it seems obvious to me that the Green Party so far has been biased towards the first objective. It is equally obvious to me that the Young Liberals are biased towards a flexible labour market at the expense of a socially acceptable level of the grant for those out of work and who happen to be non-qualified for the income-related social security-systems. Nevertheless, as things are now, it would be a tremendous step forward if a system were to be implemented that guaranteed every adult with an income of at least 4000 a month. It would be a level that would not even be close to a normal low-budget lifestyle, but still far above the current level of the current basic income, which is zero.

The reason that it could be acceptable, even for right-wingers, is because it is not replacing the income-related benefits and because the level is so low that the risk¹ of having someone opting out from the labour market permanently is close to zero. But as will be obvious in the following, when discussing the visions presented by Ingemar Lindberg, this proposal could perhaps also be of interest for the left, including of course the Social Democrats. If a basic income-proposal is to have any chance of being implemented it is of course a prerequisite that there are more than a five per cent party who supports the idea. The visions put forward by the Young Liberals, along with the two other main visions I present in this essay, just might be the reasonable starting point for broad political discussions in Sweden about the future of the welfare state. This starting point may well include the following political principles put forward by the Young Liberals in a recent report:

- The state should be neutral and treat all citizens equal and with respect. The same principle of neutrality should also guide the reforms of the tax-structure.
- All citizens should have a real freedom to form their lives as they wish.
- The question of life styles is individual.
- It should always pay to work, for everyone. The marginal taxes should be the same for all. Poverty traps, unemployment traps and such should be avoided.
- The taxing of the low-income earners has to decrease, which could be done if the basic deduction is increased.
- Those who are completely out of income should be guaranteed a low guaranteed income.

A basic income for the Social Democrats?

Ingemar Lindberg has since more than three decades been involved in the Swedish welfare-debate, through his job as an investigator, under-secretary of state in the department of social affairs, and later in his work for LO, the Swedish Confederation of Trade Unions. He has recently published a book, *Välfärdens Ideér* (the Ideas of Welfare) in which he discusses both

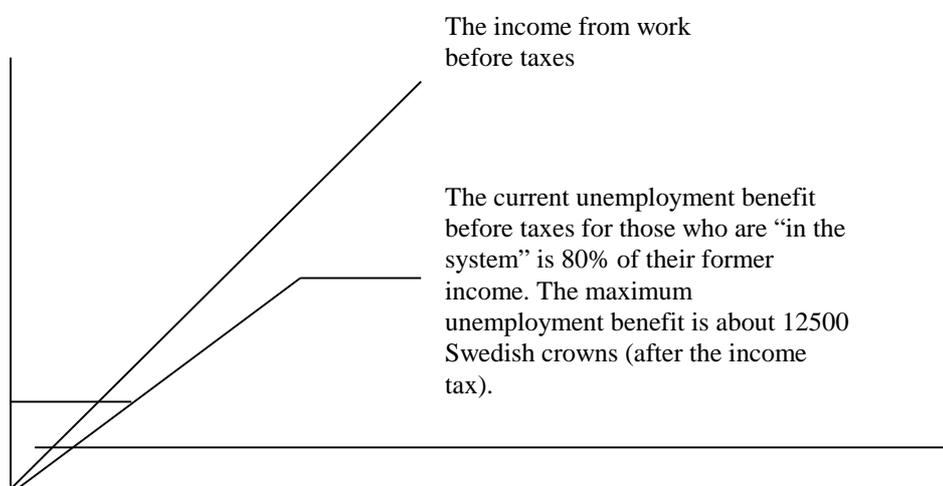
¹ I use the word risk here as we are all ingrained with the merits of the employment society, i.e. that unemployment is bad and employment is good. But it is also a real risk as the level of the guaranteed income depends on how well the economy functions, and if many people opts out from the labour market then the tax base shrinks and with that also the funding of the basic income. This fear is in turn ingrained in many basic income-sceptics minds, who are usually deeply and honestly concerned about this potential opt-out effect.

the history of the welfare state and the ideas for the future, from the perspective of the broad left. This broad left includes, so it seems, not only the Social Democrats and political parties to the left of the Social Democrats but also the social liberals. In this context the most interesting feature of the book is what he says about reforms of the social security. Although there is no detailed proposal in the book there are nevertheless some clues from which it is up to the reader to draw his or her own conclusions, which I have done.

- The first clue is that he do not like the idea of a full basic income, partly because the level that could be afforded probably would be very low and thus that the need for private insurance would rise.
- The second clue is that he would also like to raise the roof for the social insurances, so that it – in most cases – would be unnecessary to complement it with private insurance.
- The third clue is that he realises that there has to be some complement for those who are not “in the system” (of one reason or the other). This complement should not be as stigmatising as the current income support system.
- The forth clue is that he wants this complement to be a real social right, which could be asserted in court, preferably financed by the state, and not conditioned upon any form of artificial “employment”.
- The fifth clue is that he wants to raise the child allowance considerably, so that it would cover all the extra expenses that come with a child. He would also like to get rid of the income-related housing allowances and to reform the system of day-care, so that the fees would be equal to all and low.

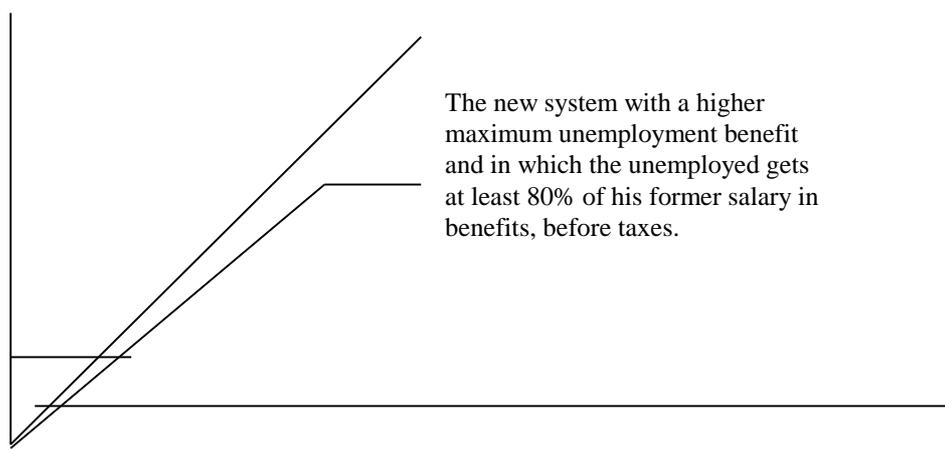
The main difference between the current system and the supposed Lindberg-influenced system of social security is the last point, with the child allowance reform. But apart from that there are also two other noticeable differences, a) the higher roof for the social insurance-system, and b) that everyone gets at least some income – if not from work or social insurance, then from the so called complement (see next page). In this context the most interesting feature of Lindberg’s proposed policy-package, besides the child allowance-reforms, is that he seems to argue for some kind of guaranteed income for everyone. The main reason for this proposal is the growing marginalisation and poverty in Sweden and the long-term unemployment.

The current system of social security



For some of those who have low income or no income at all it is possible to get income support. Not all of those who are entitled to this support gets it, and those who gets it at the same time face high poverty traps and unemployment traps, not to mention the stigmatisation that also follows with this kind of

The new system of social security



In the new system everyone gets at least some income. The income supplement is made to a social right that could be asserted in court. There would probably be less bureaucracy, but the problems with poverty traps and unemployment traps would probably still be there.

As is obvious from these two figures Lindberg does not propose to replace the non income-related social security. The so called complement is neither a pure basic income nor a negative income tax, as I understand it. He is above all concerned about the poor and marginalized in society, groups who do not have a voice in society, no one to represent them. This seems to be the main reason for the proposal to guarantee everyone with at least some income, which indeed is a proposal that is not often heard from Social Democrats. The defending of a general child allowance, on the other hand, is common among Social Democrats in Sweden. Although they seldom talk in favour of basic income in general they nevertheless often defend the basic income for children, which the child allowance also could be called. It is worth taking a look at the arguments for the child allowance reform and how he suggests that the reform could be implemented and justified. Lindberg's arguments for this reform are as follows (Lindberg, p.295-297):

1. Less bureaucracy and stigmatisation

As one could at the same time get rid of the income-related housing allowances there would obviously be less bureaucracy and stigmatisation. The day-care costs should also be equal to all and low. If all these reforms were to be implemented there would no longer be any need for selectivity in the income support to families with children.

2. The marginal tax rates would fall

Today the families with children face marginal tax rates of about 75-90 per cent if they have their children at communal day-care centres (increased tax, increased day-care fees and lower housing allowances). With the proposed reform these marginal tax rates could be reduced to 30-50 per cent.

3. The purposes of the systems would be clarified and more distinct

The horizontal income-distribution between families with children and families without children would be guaranteed by the general child allowance. The vertical income-distribution between high-income earner and low-income earner would be guaranteed by the tax system only.

4. There has to be a balance between retired people and people in working-age

To have a balance between retired people and people in working-age in the future it is important that young couples are not discouraged to have children simply for economic reasons. This is perhaps of special importance for Sweden nowadays, as our birth rates are extremely low. The answer to the question “who takes care of the elderly” is of course “the younger ones”, but then there has to be some younger ones to do that.

5. The reform could be introduced as a general tax reduction, equal to all

If the benefit would be higher than the tax then part of the benefit could, and should, be paid out in cash. With this kind of arrangement the total tax collection would actually be lower than today.

This policy-package has to be seen with the background of an increased poverty in Sweden in the 1990s. Sweden today is, according to Lindberg, a four-fifth society with about one fifth who are in a state of (more or less) permanent poverty and marginalisation. Investigations from Norway and Denmark suggest similar levels. The increased poverty, says Lindberg, is due to the growing marginalisation in the labour-market. This marginalisation, in turn, should be the new focus for the labour movement. The key problem is of course the unemployment and especially the long-term unemployment. As a consequence of this there are many people who are left out of the general social security.

To meet the growing problem with poverty without stigmatising the poor even more Lindberg has three main suggestions. The first one has already been mentioned, and it is to have a social benefit for those who are not “in the system” that is a true social right, which is not means-tested. The other suggestion is a kind of adjustment-insurance so that the companies are forced (or perhaps it is a cooperation between the state and the companies in question) to give the employees education instead of simply firing them when the demand for the products of the company weakens. Last but not least Lindberg also argues for an education-account to complement the social security. These accounts would be individual. The purpose is to widen the possibilities for education and re-education, which obviously is very much needed in an ever-changing labour market. To give all 25-year-olds a lump sum of 100.000 Swedish crowns that they could use for education when needed, would most certainly (according to

Lindberg) be an investment that is way more productive than to pay off the national debt. The money for this gigantic reform would come from three different sources:

- a) The state (for that part that is the responsibility of the state)
- b) The employers (through collective agreements for each branch)
- c) The individuals themselves

This kind of arrangement may be easier to tolerate for the basic income-sceptics as the money could only be used for education. A risk with lump-sums, which is often mentioned, is that some people may not be responsible enough and may just spend all of the money irresponsibly. But if it could only be used for studying purposes then such a risk seems smaller. The education account's main purpose would be as a compensation for the loss of income when studying instead of working. Perhaps it would also, in the long-term perspective, change the attitudes to work. In the short-time perspective, however, it would increase the power of the individual vis-à-vis those who arrange different kinds of educations. The most important objection is, obviously, the financing. An education account is not a real basic income, but quite close. Lindberg also argues in favour of the possibility for a year off, a sabbatical from work, in the middle of the working-life.

Lindberg vs. the Young Liberals

It seems to me that the similarities between the proposals that Lindberg discusses and those, which the Young Liberals seem to be in favour of, are greater than the differences, although Lindberg represents the broad left and the Young Liberals are part of the right-wing movement. Some comments regarding the similarities and differences that I would like to focus on are:

Similarities:

- They are both arguing for a complement to the current social security rather than a full basic income, as Ekstrand and the Green Party among others have been proposing.
- Both are also emphasising the need to re-bureaucratise the social security and to create systems that are not as stigmatising as the current ones.
- A higher roof for the social insurance is part of the policy-package for both Mr. Lindberg and the Young Liberals.
- Both Mr. Lindberg and the Young Liberals propose to raise the basic deduction, as the taxing of the low-income earners has to decrease.

Differences:

- The first and most obvious difference between Lindberg and the Young Liberals is that the former is defending the high income taxes that we have in Sweden while the latter, as a youth organisation for a right-wing party, naturally does not.
- The Young Liberals argues for a flat marginal tax rate, which Lindberg does not do.
- The justification of the unconditional complement to the social security is slightly different. The Young Liberals mainly uses the argument that it is very

important to have economic incentives also for the unemployed and those on benefits, while the main argument for Lindberg seems to be that it is justified because we should do whatever we can to eradicate the absolute poverty²,

A partial basic income through a universal tax reduction?

After having dwelled upon the similarities between the Young Liberals and the proposal made by Ingemar Lindberg it is now time to take a step further on the road to a partial basic income for Sweden. I do this by introducing a recent report made by Simon Birnbaum, a student of political science, and Torgny Tholerus, a mathematician and computer-scientist, called *Trygghet, flexibilitet och egenmakt* (security, flexibility and empowerment). In this report one can find a quite well developed proposal for a partial basic income-reform for Sweden, which is also financed. The authors argue for a modest partial basic income, which do not replace all the social security, but which nonetheless would be quite a big step towards some kind of basic income-economy.

In the report the authors touches upon a number of interesting aspects of the basic income-debate, such as the question of whether one should have a pure basic income-model or a negative income tax model, the arguments for a constant marginal tax rate, and how the reform could be presented and implemented. Concerning the vital discussion about a pure basic income-model and/or a negative income tax-model the authors come up with a third solution, a basic income presented and implemented as a universal tax reduction. The authors defend this version of a guaranteed income for all by stating that it would combine the attractive features of a negative income tax on the one hand and a pure basic income on the other. The feature that comes from the negative income tax is above all the integration of the tax- and benefit-systems. The features that come from the pure basic income are for example the simplicity and that everyone knows how much they are entitled to beforehand so that they could plan their lives better.

The objections one can have toward the universal tax reduction are more or less the same as the ones one can have towards a basic income. For example: Why have a high initial tax from someone and then, afterwards, pay part of it or everything back again? Would it not be better to have a selective system after all so that also the initial taxes would be lower? To counteract this objection one could open up the possibility for the main employers to do the tax reduction at the same time as the salaries are to be paid. In these cases one would not be giving with one hand and taking with the other. For those who are only focused on the initial tax, which has to be quite high, there are simply not many arguments to use for the defenders of the universal tax reduction. But for those who are willing to accept that one should focus on the net tax, the reform may be an attractive one, regardless if they define themselves as a right-winger or a left-winger. To illustrate the idea the authors present a simple table:

Gross income	Immediate tax	Tax reduction	Net tax (%)
---------------------	----------------------	----------------------	--------------------

² Ingemar Lindberg is aware of the problems with poverty traps and high marginal tax rates. The child allowance-policy package is partly justified by those kinds of arguments. However, when it comes to the justification of the guaranteed income for those who do not have other incomes, it seems as if the main argument is to avoid poverty and marginalisation.

0	0	-3000	-3000 (<0)
3000	1500	-3000	-1500 (<0)
6000	3000	-3000	0 (0)
9000	4500	-3000	1500 (16.6)
12000	6000	-3000	3000 (25)
15000	7500	-3000	4500 (30)

In this example everyone gets 3000 crowns regardless if they work or not. The net taxes are below zero if the gross income is below 6000 a month and everyone would have net taxes below 50 per cent. Thus it is only the immediate tax which is flat, not the net tax.

Financing of the reform

The authors have two different basic income-proposals, one that is more modest (A) and one which is closer to a full basic income (B). The first proposal represents the norm for the means-tested social allowance in Sweden, *socialbidragsnormen*³. The second proposal represents the so-called poverty line, which is half of the median income. Both versions have one part of the income-guarantee that is paid to individuals, one part that is paid to households and one lower level for children. The tax reduction could preferably be implemented through a radical raising of the basic deduction, which is made universal. The sums are as follows, in Swedish crowns per month:

	To each adult citizen	To each household	To each child
A)	2040	960	1770
B)	2941	1549	2554

To afford the first proposal one can phase out the study grant, the housing allowance and the child allowance. Together with a constant marginal tax rate of 50 per cent this would be enough. For a single adult who is also entitled to the household grant this would give him the right to a basic deduction of 72.000 crowns a year (or a tax reduction of 36.000 a year). At the same time one changes the tax structure from eleven marginal tax rates, as it is today, to just one.

To finance the second proposal additional savings (or new income) of about 120 billions would be necessary. This may be done through additional savings in the labour market politics, by reducing the economic supports to companies⁴ and so on. The alternative is a drastically increased constant marginal tax rate to about 60 per cent, which seems economically unrealistic. However, such a relatively high level of the basic income seems also require global institutions that counteracts the erosion of egalitarian aspirations. It should be made clear, though, that neither of these proposals are a full basic income-proposal, although the second one is much closer. One still has to complement it with a selective system of income support. But the need for such a selective system will be much less than it is today. It

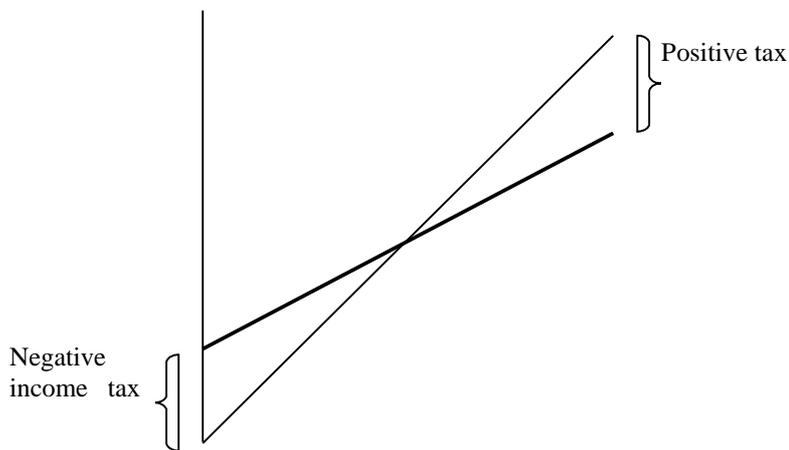
³ The norm for social assistance in Sweden do never include the housing costs, but apart from that it depends which costs that are included or not. If you have the "right" expenses your social assistance may be quite high, if not it may be quite low.

⁴ The economic support to the companies are many times higher than the economic support to the poor. This massive economic support is sometimes criticised because it distracts the competition. Some of those who advocates a full basic income proposes to reduce this support massively.

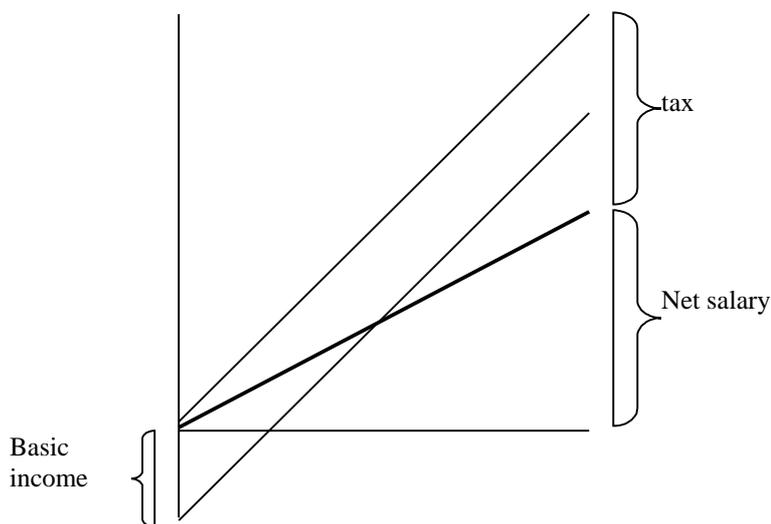
should also be remembered that the income-related unemployment benefit - or any other social insurances - is not part of the reforms at all.

One of the main benefits of these reforms would be a lower marginal tax rate for those on welfare. As a group they would still be faced with somewhat higher marginal tax rates than the rest of the population, as the selective income-support would still be there to some extent, but it would pay much more to work than it does today. Other benefits include the increased simplicity, less bureaucracy and stigmatisation, that most people would face the same marginal tax rates, the up-grading of the informal work and so on. The reforms would also have a positive distribution effect, especially the latter one, to those in society who are poor and marginalized.

The negative income tax



A pure basic income



A universal tax reduction

Explainings

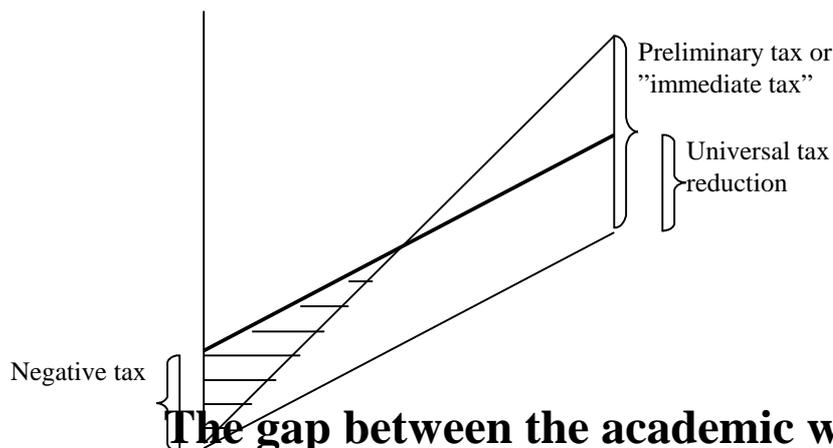
— Symbolizes the income from work before any income taxes has been withdrawn

— Symbolizes the net income of the individual, after having received the basic income, negative tax or tax reduction.

☐ Symbolizes the part of the universal tax credit which is given to those who have low income or no income at all. In other words, it is a negative tax.

Worth to notice:

- That the universal tax reduction essentially is the same as a pure basic income



The gap between the academic world and the political world

From the previous part it should be obvious that I personally see a partial basic income for Sweden as the most promising way forward, although I also have sympathy for the education account and the sabbatical year-proposals. A full basic income may be something for the future, but not for the near future. In this part of the essay I take a step backwards again, reflecting on the gap between the international and academic debate about basic income on the one hand and the political debate in Sweden on the other. Since I have already discussed some proposals for a partial basic income I will now concentrate on some other areas, which are even less heard in the public debate. First of all there is the social dividend-theory, secondly the idea of a partial basic income for Europe, and thirdly the radical proposal to finance a basic income-reform through monetary reforms.

a) I would like to hear more social dividend-arguments in the basic income-debate in Sweden, which I think could make the discussions more interesting

The main argument for income distribution via taxes is that poverty is something that we should avoid if we can, and that the best way of doing this is through taxes. This argument, spoken or unspoken, is the lefts defence for why taxes are justified. However, the right do also want to get rid of the poverty, but their suggestion is that this is best done if the taxes are reduced (income taxes as well as other taxes). Both sides has of course a point, neither is totally wrong, but to make the discussions a bit more interesting it would be nice to hear, once in a while, someone giving a more philosophical justification for why distribution is justified. To me is the theory of the social dividend-thinking a very good example of such a philosophical justification, as it states that your income does not only depend on your own work, but is also due to the social and technological inheritance.

These kinds of arguments for distribution in general and for basic income in particular have yet to penetrate into the political debate in Sweden. We simply do not have any social dividend-tradition, as they have in the Anglo-Saxon countries. We are not used to these kind of arguments and frankly, I do not even think that we would understand them fully if we were to be confronted by them, especially what the consequences would be if it was agreed upon that the theory is correct. Is it, for example, theft if most of the incomes in a developed society

go to salaries instead of a basic income or if the workers are allowed to keep more of their income than they pay in taxes? If so, shouldn't we just accept this arrangement anyway as the consequences of a too high level of the basic income and/or too high taxes are, of other reasons, out of question and against the common view on justice? Personally I have no problems in accepting the idea of a common inheritance, but I am uncertain about what the consequences could or should be of this theory. Since the theory doesn't seem fully developed yet, and since the consequences may break very radically with the common conception on justice, perhaps our societies are not yet ready for these kinds of arguments?

Perhaps the best way to introduce some social dividend-theory in Sweden is backwards, as has been suggested by the Sky Trust Initiative. According to the people behind that initiative a partial basic income could be a side-effect of a system of pollution rights, which is justified by the theory of a common inheritance of the earth. This kind of arrangement may not be as controversial as the proposals to finance the basic income-reform through other taxes and in particular those proposals where the reform is financed mainly by higher income taxes. It could even be accepted by sceptical right-wingers, even if they would perhaps prefer that the money would instead go strictly to reduce the taxes.

b) I would like to hear the politicians, journalists and others start talking about a partial basic income for Europe or the European Union

There may be discussion about all kinds of things within the parties and within certain clubs and coffeehouses, but as far as public political debate goes, there hasn't been any discussion about this topic yet. When basic income is discussed it is usually taken for granted that it is the Swedish state that should pay out the money and that it is the citizens of Sweden that should be the receivers of this grant. The reason for this orientation towards the nation rather than towards Europe has of course historical reasons and has also to do with culture and with mentality – we are simply not yet more Europeans than we are Swedes. I guess the same goes for almost all other countries in Europe, and is the reason for the lack of enthusiasm for the European integration that one can notice in Scandinavia as well as in other regions. But if one is attracted to the idea of a further integration of Europe and if one also understands that this integration cannot be forced upon nations whose citizens are deeply sceptical – then it is my firm belief that one should start thinking about the possibility to fill the European citizenship with a real content.

Something like a partial basic income for all Europeans is like saying to the outsiders of our communities: “you are equal to everyone else, as good a citizen as everyone else, no matter what you do, this is not, my friend, a gift from any social welfare-institutions or any individual, it is your fair share of the social product of Europe”. Something like a partial basic income for Europe is what I would like to see with or without a further integration of Europe with a common currency. It is a reform that would make it easier for me to support a common currency and it is a reform that I easily could find arguments for even if the integration suddenly would come to a halt. The two main arguments for such a reform are the inclusive-argument and the argument that it would make the poor less poor. It could obviously not replace any national systems of social security but it would perhaps be possible to integrate this new European grant with the national systems in such a way that the net effect would be less bureaucracy and less stigmatisation. As a social experiment I have written an online petition about this proposal, which reads as follows:

A petition to the members of parliament in the European Union and to the members of parliament in the national governments in Europe

When the European project goes on with a single currency we believe there will be an increasing need to develop new mechanisms for distributing wealth between nations and to regions and individuals. We believe, in short, that it is necessary to introduce some form of a partial basic income if the absolute poverty - and its associated problems - is to be eradicated. This reform could be financed from the European budget, from national budgets, from a so-called Tobin Tax, from a battery of eco-taxes throughout Europe and from reduced bureaucracy. The funding may also come from other sources.

The point is not that we want to have basic income instead of a politics of full employment, but that we think that a partial basic income is what would best serve the less fortunate citizens of our societies. The point is also that we think that the need for some form of basic income will become the more obvious as the integration goes on. That is, if we think it is important to eradicate the absolute poverty. Last but not least we think it is necessary to fill the European citizenship with something real if it is going to mean anything at all for the ordinary citizen. So long as we don't have a real economic content in the European citizenship we do not think that the necessary support for a further integration can be taken for granted. We therefore demand from our politicians, especially those who believe in a further integration and a common currency, to take this demand serious.

Sincerely,

[The Undersigned](#)

c) I would like to hear political discussion about monetary reforms (and what money really “is”) and their potential link to basic income

The monetary movement is a movement for radical transformation of society that exists parallel to the basic income-movement. Whether or not one would like to marry the two into one big political strategy, as in the Social Credit-theory or in the book by Michael Rowbotham, *The Grip of Death*, depends upon ones ideology and preferences. Both movements and philosophies are outsiders in the political debate, which makes it likely that it would be like a political suicide for any of the two movements to be too closely connected to each other. But on the other hand one should not blind oneself totally for the potential marrying of these two movements and philosophies. If there are at least some merits in the political thinking of the social credit theorists, Michael Rowbotham and other so called monetary cranks, then I personally do not see any reason for the basic income supporters to shy away from this possible connection, especially since it could help finance the basic income reform without raising the taxes. Monetary reforms may, as I see it, be one possible source for the funding of a basic income reform, partial or full. But of course it is nothing that one could recommend before a proper investigation of the arguments put forward by these monetary cranks has been done, which I do not think is the case yet.

Today there is no doubt that almost all of the money in circulation has been created by commercial banks as a dept. However, it is also possible for the governments to create money directly. The benefits of such an arrangement could be substantial, to say the least. As for the banks of the UK in 1998-9 period they lent roughly an extra £50 billion into existence. All this created dept-money adds to the national dept and hence has to be paid back, including the rent. If the government simply had created all this new extra money either taxes could be reduced or public expenditure increased, or both (Douthwaite, p.49). One could of course also finance a basic income, or at least a partial basic income. Worth noticing is also that the government spending in total in UK at the time was (only) £300 billion.

One of the main advocates for monetary reforms is James Robertson. According to him the banks should not be allowed to create money at all. Instead should they be limited to just credit booking, just like the credit unions and those building societies that have not (yet) converted themselves into banks. One of his main arguments is that the taxes could be reduced and/or the public expenditure increased, as noted above. Among the other main arguments that he uses are:

- Money put into circulation by the banks are in fact created by society, and should therefore be the property of society, not the property of any commercial bank.
- Allowing the banks the privilege of money creation constitutes a massive subsidy to the financial sector, which distorts the way the economy operates.
- The necessity to pay interest on (almost) all money required to keep the economy running is effectively a regressive tax, i.e. that it is the poor who pay the price.

To these arguments one can also, as Richard Douthwaite does in his briefing *The Ecology of Money*, add a few more:

- The economy would be much more stable, as the money stock would be less dependent upon the economic climate. Today the money supply almost totally depends on the borrowing of individuals, companies and the state itself. If people, companies and/or the state do not borrow, or are not allowed to borrow, or cannot afford to borrow, then there would be less money in the economy and the economic decline worsens. But, on the other hand, if the new money were *spent* into circulation instead, these problems would disappear.
- Spending money into circulation creates an economic system that does not have to be kept constantly growing regardless of the environmental and social consequences. It would therefore be a more sustainable system.
- The current bias towards multinational companies and the rich, which is a consequence of the high volume of bank lending, would be less obvious. If the government would create the new money needed each year and then distribute them (at least partly as a basic income), then the economic power of the small farmers and poorer individuals vs. the multinationals and the rich would be substantially improved.

Personal Summary

- **A well thought-out basic income proposal has to be aware of all the possible objections that could be raised. It has to be a reasonably balancing between different goals, such as low marginal tax rates and a socially acceptable level.**
- **I think a partial basic income for Sweden and/or Europe is the right way forward. A full basic income is not something for the near future.**
- **This reform could be implemented as a universal tax reduction. The way to introduce such a reform could be through a drastically increased basic deduction, which is made universal.**
- **The key words in the proposal made by Simon Birnbaum and Torgny Tholerus are: *constant marginal tax rate*. That means that work will pay for all groups, including those on welfare. This vision is shared by the Young Liberals.**
- **The idea of an education account complemented by a sabbatical year may be an alternative to a genuine basic income. The same could be said about the child allowance policy package.**
- **Monetary reforms could perhaps help to finance the reform, but such reforms are also, according to the so-called monetary cranks, justified in their own way.**

Litterature:

Birnbaum, Simon & Tholerus, Torgny. *Trygghet, flexibilitet och egenmakt: Mot en ovillkorlig grundinkomst och konstant marginaleffekt* (a forthcoming report).

Douthwaite, Richard (1999). *The Ecology of Money*. Green Books Ltd. Foxhole, Darlington, Totnes, Devon.

Jansson, Karin and others (2000). *En utredning om Medborgarlön till Miljöpartiet de Grönas kongress 2000*.

Bergh, Andreas and others (1999). *Neutral stat - aktiva medborgare. En rapport om ekonomi och välfärd från Liberala Ungdomsförbundet*.

Lindberg, Ingemar (1999). *Välfärdens idéer*. Atlas. Stockholm.

