

# **BASIC INCOME 28**

## **Newsletter of the Basic Income European Network**

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### **CHRISTMAS 1997**

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##### **THIS ISSUE OF BASIC INCOME**

is appearing (somewhat late) despite its editor being on sabbatical in North America and its assistant editor on vacation in South America. It was prepared with the help of Paul de Beer, Eduardo Suplicy, Robert van der Veen and all those who spontaneously sent relevant material.

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Please send BIEN's secretary a copy of any relevant publication (by yourself or by others) you come across, with full references and, if possible, author's address and brief summary. Many thanks!

## **BIEN NEWS**

### **BIEN's 7th CONGRESS (Amsterdam, 10-12 September 1998)**

The 7th International Congress of the Basic Income European Network will be held in Amsterdam, the Netherlands, from the morning of Thursday 10 until the afternoon of Saturday 12 September 1998. It will take place in the Felix Meritis Building, a beautiful 18th century building which is situated on one of the canals in the city centre, within easy reach of Amsterdam's Central Railway Station and airport. The Congress will be organized under the auspices of the Dutch Basic Income Network (Vereniging Basisinkomen), the University of Amsterdam, and BIEN's Executive Committee. The provisional schedule comprises a sequence of plenary sessions and parallel workshops (in English), starting on Thursday the 10th at 10 a.m. and finishing in the late afternoon of Friday the 11th. On the Thursday evening there will be a reception by the Municipality of Amsterdam, and BIEN's General Assembly meeting will be held on the Friday evening. The Saturday sessions (in Dutch before lunch, in English after lunch) will focus on the possibility of implementing a basic income scheme in the Netherlands in the context of an increasingly integrated Europe, and involve some of the most prominent participants in the Dutch debate.

The three main themes of the Congress will be:

(1) **FULL EMPLOYMENT WITHOUT POVERTY.** Social policy and economic policy can no longer be conceived separately. Basic income is increasingly discussed as the only viable way of reconciling two of their respective central objectives: the alleviation of poverty and full employment. One of the reasons why basic income has become a political ideal over the last decade is that it seeks to reinterpret these objectives in a way that affirms their compatibility. As such, it has to be pitted against the claims of other (packages of) policy alternatives in the welfare state: working time reduction, subsidized employment, the role of the minimum wage, and schemes of 'workfare'.

(2) **SUSTAINABLE FUNDING.** The financing scheme of basic income must be shown to make sense in the long run from different - but related - points of view. First, economic: whatever the scheme, the required funds should be sustainable in the face of how economic agents respond to it. Secondly, ecological: can the method of funding be made compatible with reducing environmental pollution? Thirdly, moral: can one find ways of drawing the funds as much as possible from sources reflecting a "common endowment", rather than redistributing the fruits of people's productive effort? Taxation of (labour) income - which is still the usual source of funding in most basic income proposals - may be put into question from each of these points of view.

(3) **SOCIAL EUROPE.** Economic policy in the European Union is becoming increasingly transnational. However there is a growing awareness that the macroeconomic integration to be developed within the framework of the Economic and Monetary Union may seriously limit the policy space for objectives of social inclusion. The Congress aims to reflect on the role that forms of basic income could play in a conception of a "Social Europe", the questions of institutional design and democratic governance surrounding such a conception, and the possibilities of mobilizing political support for it among unions and employer's organisations.

Cheap accommodation in a convenient location can be provided to those who register early enough, while more luxurious accommodation can also be booked in advance. Free lunches will be available on the premises. If you want to receive in due course the provisional programme, a registration form and all practical information, PLEASE SEND YOUR NAME AND ADDRESS TO:  
Emiel Schaefer, Vereniging Basisinkomen, Herman Heijermansweg 20, 1077 WL Amsterdam. Tel.: +31 20 57 31 803. Fax: +31 20 67 13 541. E-mail: basic.income@pi.net

### **BIEN'S 7TH CONGRESS: CALL FOR PAPERS**

Plenary sessions of BIEN's 7th Congress will be introduced by invited speakers. Parallel sessions are open for volunteered papers. Those who wish to present a paper should send their proposed title and a short abstract (max. 10 lines) as soon as possible, and no later than 15 April 1998, preferably by e-mail, to:

Robert VAN DER VEEN  
Vakgroep Politicologie,  
Universiteit van Amsterdam  
Oudezijds Achterburgwal 237  
1012 DL Amsterdam  
E-mail: vanderveen@pscw.uva.nl

Contributions (in English) are particularly welcome around the 12 themes listed below, but other relevant topics are not excluded. Do send your proposal and encourage anyone actively involved in relevant work to do so.

1. Basic income and lifetime patterns of work, education, care and leisure.
2. Unconditional basic income: does it conflict with reciprocity?
3. Radical basic income proposals for one country and for the world.
4. Sustaining a basic income: income tax versus ecological levies.
5. Sustaining a basic income: distributive versus redistributive funding.
6. Can it work? Experimentation with basic income or similar schemes.
7. From here to there: different paths towards basic income.
8. How can one get basic income onto the political agenda?
9. Between group interest and solidarity: can trade unions support basic income?
10. Shaping a European minimum guarantee: convergence or federalisation?
11. Basic income outside Europe: attractions and pitfalls.
12. Basic income and globalisation.

### **BIEN'S EXECUTIVE COMMITTEE MEETING (Oxford, 15 December 1997)**

When BIEN's executive committee last met (in Louvain-la-Neuve on 14 May 1997), the meeting was combined with a workshop introduced by economists Jacques Drèze (Louvain) and Thomas Piketty (Paris) on alternative proposals for achieving full employment without poverty. On 15 December 1997, the Committee met again, this time at All Souls College, Oxford. This time, the meeting was preceded by a workshop on G.D.H. Cole's "social dividend" proposals, introduced by BIEN's deputy secretary Walter Van Trier. G.D.H. Cole was (for all we know) the first academic ever to formulate and defend the proposal of an unconditional basic income (from 1929 onwards) and the first author to unambiguously refer to it with the expression "basic income" (in 1953). As the first holder of the Chichele Chair of Social and Political Theory, he was also a member of All Souls College. The workshop was attended, among others, by the current holder of this Chair (political philosopher G.A. Cohen), the current occupier of his College room (social historian Charles Webster) and the head of the College Cole helped found (economist Tony Atkinson, Warden of Nuffield College).

The Committee meeting itself was attended by Bill Jordan (on behalf of Citizen's Income, UK), Edwin Morley-Fletcher, Guy Standing, Robert van der Veen, Philippe Van Parijs and Walter Van Trier. Its main task was to fine-tune the arrangements for a very promising VIIth BIEN Congress in Amsterdam (see above).

### **BIEN BROCHURE**

A brochure presenting basic income and BIEN (in English) has been edited by co-chairman Guy Standing. Copies are being sent along with the hard copy version of the present issue of the newsletter. BIEN members can obtain further copies from BIEN's secretariat (bien@etes.ucl.ac.be). Proposals for adapted editions in other languages are welcome (contact Philippe Van Parijs at vanparijs@etes.ucl.ac.be), subject to approval by BIEN's executive committee. They may, if necessary, be subsidized by BIEN.

## **RESEARCH PROJECT: BASIC INCOME IN EUROPE**

Owing to some national reports being late, the concluding meeting of the European Science Foundation project on basic income ingredients in Europe's existing social protection systems has been postponed from October 1997 to February 1998.

(For further information: Ilona Ostner, Institut für Sozialpolitik, Platz der Göttinger Sieben 3, D-37073 Göttingen, iostner@gwdg.de

## **BIEN'S SECRETARIAT.**

BIEN's secretary, Philippe Van Parijs, is on sabbatical leave this academic year. His permanent postal and e-mail addresses (Chaire Hoover, 3 Place Montesquieu, B-1348 Louvain-la-Neuve, vanparijs@etes.ucl.ac.be) remain in operation, and Claudio Salinas (salinas@ires.ucl.ac.be) deals with any routine business.

However, material relevant for the newsletter should preferably be sent directly to the following addresses:

From 1/1/1998 to 15/4/1998:

PVP, Olmsted Visiting Professor, Yale University, Program in Ethics, Politics and Economics, PO Box 208209, New Haven, CT 06520-8301, USA, fax +1-203-4321453.

From 15/4/1998 to 30/6/1998:

PVP, Visiting Fellow, All Souls College, Oxford OX1 4AL, United Kingdom, fax +44-1865-279299.

## **OTHER EVENTS**

### **Oxford (GB), 18-19 December 1997**

#### **Citizenship and the Welfare State**

A two-day conference organized at Ruskin College, to mark the 50th anniversary of the British welfare state. Rosalind Stevens (Citizen's Income) and Sean Healy (CORI, Dublin) introduced a parallel workshop on basic income.

For further information: Citizens Income Study Centre, St Philips Building, Sheffield Street, London WC2A 2EX, United Kingdom. Tel.: 44-171-9557453; fax: 44-171-9557534; citizens-income@lse.ac.uk

### **Beyond Despondency - The UBI Alternative to the Welfare Meltdown (Wellington, New Zealand, March 1998)**

The Second National Conference on the Universal Basic Income will be held in Wellington in late March, 1998. Offers of papers and workshops are sought from community workers, researchers and analysts on issues surrounding the implementation of a Basic Income for all citizens in New Zealand which will encourage economic participation and be socially sustainable, in the context of the debates about the future of welfare, the merits of targeting versus universality, rights and responsibilities, higher versus lower taxes, the coincident rise of over-employment and under-employment, the impact of a UBI on different groups in society and strategies for change.

Please send a 250 word outline/summary/abstract to the Conference Organisers, UBINZ, c/- Private Bag 11 042, Palmerston North, fax 06 350 6319, E-mail: Ian.Ritchie@psa.union.org.nz, web site: <http://www.iconz.co.nz/~iwgordon/ubinz.html>.

## **A GLIMPSE OF**

### **THE AUSTRIAN DEBATE**

On 12 October 1997, the Austrian progressive-liberal party "Liberales Forum" organized a "federal forum" on the theme "Liberal fiscal reform - new solidarity". The outcome is a detailed proposal for an ambitious fiscal reform coupled with the introduction of a citizenship-based basic social security (Grundsicherung). The proposal amounts to suppressing the existing systems of social assistance, child benefits, unemployment benefits, student grants and public pensions and introducing a system of refundable tax credits at the level of 6.000 to 8.000 Schilling per month for each adult, 4.500 to 6.500 (depending on age) for each child. The funding would be secured through a uniform income tax rate of 40 to 47%, combined with the suppression of a number of exemptions, some increase in the taxation of capital income and a greater reliance on energy taxes. The first 4000 Schillings of earnings would remain tax-exempt in order to facilitate access to the official labour market,

and collective and individual social insurance benefits would top up the basic security allowances. The proposals are presented and explained in two documents ("Umdenken! Liberale Steuerreform. Neue Solidarität. Beschluss betreffend Grundsicherung, ökologische Steuerreform, allgemeine Steuerreform", Oktober 1997, 16p.; "Umdenken: Liberale Steuerreform — Neue Solidarität, November 1997, 12p.). Comments are invited by 31 January 1998 in order to assist the preparation of a new draft. (For further information: Dr Volker Kier, Sozialsprecher, Liberales Forum, Reichsratstrasse 7/10, A-1010 Wien, bund@lif.or.at.)

### **THE BRAZILIAN DEBATE**

On 10 December 1997, a modest but important step was accomplished in the direction of a genuine minimum income guarantee in Brazil, when, after parliamentary discussions that lasted several years, President Fernando Henrique Cardoso officially endorsed a bill providing federal financial support to municipal guaranteed minimum income schemes (law n° 9533). The measure is very limited in comparison with Senator Eduardo's Suplicy initial negative income tax proposal approved by the federal Senate in 1991 (but never endorsed by the House of Representatives). Federal intervention is limited to 50% of the total cost of the schemes in those municipalities with per capita public revenues and household-adjusted incomes below the average in their State. This includes about 60% of Brazil's municipalities, but not the main cities. However, an amendment introduced by Senator Suplicy opens the possibility that, after five years, the scheme will be extended to all municipalities — providing the financial means are available. The federal intervention is restricted to families with children of less than 14 years old (with those over 7 attending school) and a per capita income of less than half the minimum wage (\$60 per month). The maximum amount of the intervention for a household is \$15 per child (under 14) minus half the household's per capita income. For a single parent with one child, this amounts to a child benefit of \$15 gradually phased out until the parent earns \$60; for a family with four children, it amounts to a total child benefit of \$60 gradually phased out until the family income reaches \$720 (6 times the minimum wage). Senator Suplicy is far from fully satisfied with this measure. As soon as the bill was endorsed, he made a new proposal that would make the federal grant dependent on the number of people (not just children) in the family, thereby correcting some anomalies and pulling the scheme in the direction of a general guaranteed income scheme. Nonetheless, he believes the new bill to be an important first step in the right direction.

(For further information: Eduardo Matarazzo Suplicy, Senado Federal, Praça dos Três Poderes, CEP 70165-900 Brasilia DF, Brazil.)

### **THE DUTCH DEBATE**

In the Netherlands, political discussions on basic income reform proposals have somewhat receded into the background lately, after the upsurge of interest sparked off by a report of the Central Planning Bureau in 1992, and by favorable comments by several government ministers of the liberal-labour coalition at the end of 1994. It was therefore a surprise to learn from the front page of the national newspaper *De Volkskrant* (11 september 1997: "Merkert wenst basisinkomen via belasting") that a prominent social-democratic opponent of basic income within the coalition, the Minister for Social Affairs and Employment Ad Merkert had made an - officially secret - proposal to the cabinet to incorporate a basic income into the Dutch tax system, by turning the present tax exemption of Dfl 7000 per person into a refundable tax credit of 'some thousand of guilders annually'. In fact, it is most probable that Merkert was thinking of proposing the introduction of refundable tax credits for wage-earners exclusively, rather than unconditionally to all. As became clear subsequently from the report in the newspaper *NRC Handelsblad* (12 december 1997: "Verkiezingsstrijd over 10 miljard") on the official government paper entitled "Taxation in the 21st Century: an Exploration", published in December, the government is considering several possible reforms of the income tax structure. One of these includes a variant that resembles a negative income tax. The proposals also include shifts from income to expenditure and eco-taxes and major change in the tax regime applying to savings. They are meant to provide a framework for the reform of taxation by the next government, following the national election of May 1998. The general impression is that the political future of basic income in the Netherlands will be primarily discussed in the context of tax reform, rather than, as has been the case until quite recently, as an alternative form of minimum income guarantee to be adopted in reforming the social security system.

(For further information: Robert J. van der Veen, Vakgroep Politicologie, Universiteit van Amsterdam, Oudezijds Achterburgwal 237, 1012 DL Amsterdam, vanderveen@pscw.uva.nl.)

### **THE IRISH DEBATE**

As a result of intensive lobbying during the most recent election campaign, Ireland's new centre right government committed itself to producing a Green Paper on basic income by June 1999. Two reports on the budgetary and distributive implications of different versions of basic income are currently being prepared at the Economic and Social Research Institute (Tim Callan) and at University College (Charles Clark), to be completed by September 1998. (For further information: Sean Healy, CORI, Justice Commission, Milltown Park, Dublin 6.)

### **THE SPANISH DEBATE**

On 27 November 1997, the national daily El Mundo and the local paper El Norte de Castilla reported that the Green Party of the Province of Castilla y Leon submitted to the provincial assembly a law proposal against social exclusion. The authors of the proposal argue that it is impossible, and anyway undesirable, to create the thousands of jobs that have been promised and advocate instead the introduction of a citizen's income ("renta ciudadana") which would cover the basic needs of all.

For further information: Ramiro Pinto Cañon, C/ Zapaterias 14, E-24003 Leon, tel. 34-908-478106.

## **PUBLICATIONS**

### **ENGLISH**

BARRY, Brian. "The attractions of basic income", pp. 157-171 in Equality (Jane Franklin ed.), Equality. London: Institute for Public Policy Research (30-32 Southampton Street, London WC2E 7RA), 1997, 172p., £11.95, ISBN 1 86030 053 7.

How should the left regain the initiative? By "not allowing one's thinking to be stultified by short-termism" and "creating an intellectual climate in which previously unthinkable ideas become thinkable and then in due course capable of being put into practice". From this perspective, Brian Barry vigorously argues that "the idea of basic income is worth taking seriously as a way forward for the left". He focuses on the idea of a full basic income, "while accepting the common presupposition that any move to a system of subsistence level basic income would have to be phased in over a period to be measured in decades, rather than years". Of course, tax rates of 50% or more will be required, but people must be made to understand the equivalence between benefit withdrawal rates and income tax rates, and concern with both equity and incentives should make us worry far more about high marginal rates on low earnings than high ones: "Somebody earning £3 per hour who faces an 80% tax rate finishes with 60p an hour; somebody earning £30 per hour still gets £6 per hour, which is not negligible". According to Barry, "those who learned their socialism from William Morris and R.H. Tawney may recognise the introduction of a subsistence-level basic income as a practical way of achieving some of their central aims. Indeed, it is even "a far more plausible institutional embodiment of [Marx's original utopian vision] than anything Marx himself ever came up with. At the same time, it would enable people to price themselves into jobs in a flexible labour market: "Provided the basic income is genuinely adequate, we can then say that nobody is exploited, however low the pay. For the job is freely chosen in preference to an acceptable alternative of not having a job". The author of an extensive review of the whole book in The Times Literary Supplement (11.4.1997) remained unpersuaded: Making the guaranteed income unconditional "is precisely the element that would be repugnant to the majority of the working population. Why, they will reason, should they pay Barry's flat tax of 50 per cent on all income, in order that the less industrious should not be 'forced to take a job if none is attractive enough'".

(Author's address: London School of Economics, Department of Government, Houghton St. Aldwych, London WC2 2AE)

GRAY, John. Endgames. Questions in Late Modern Political Thought, Cambridge: Polity Press, 1997, 212p., £12.95, ISBN0-7456-1882-0

From his earlier libertarian position, political philosopher John Gray (formerly at Oxford, currently at the LSE) has now moved on to become a communitarian credited for the inspiration of some of New Labour's ideology. In the longest of the essays collected in this volume, "After Social Democracy", he emphasizes that "no successor to the social democratic settlement is morally tolerable, or in the long run politically sustainable, which does not contain a credible and meaningful alternative to full employment policy". In this context, he considers the idea of an unconditional basic income, which — along with strict social insurance, as advocated by the controversial Labour minister Frank Field — "avoids the moral hazards of means-tested or targeted benefits, and the neo-liberal dependency culture they produce". According to Gray, the decisive objections to basic income are not fiscal (it "might well be cheaper than workfare"), but ethical. To start with, once a basic income is in place, it will be easier for society to abandon with a clear conscience the growing proportion of people who are deskilled and marginalized as a result of technological change. But above all, "Basic or Citizen's Income schemes strengthen the culture of liberty without responsibility, of individual choice without corresponding obligation, which is the least benign moral inheritance of individualism. In regard to the so-called underclasses, they reinforce the denial of agency and the lack of mutuality and of a sense of membership which are the most disabling features of the culture of dependency." Consequently, welfare reform "should not on the whole go down the Basic Income road, but must instead seek to create the conditions for self-provision of all who are capable of making a productive contribution to society", for example through making rights to public assistance dependent on obligations to participate in reskilling programmes. However, Gray adds in a footnote, he is only concerned here with the most radical version of the Basic Income approach, and "it may be that limited and conditional Basic Income schemes have an important role in any policy aiming to protect the human interests once promoted by full employment policy".

(Author's address: London School of Economics, Department of Government, Houghton St. Aldwych, London WC2 2AE.)

HANDLER, Joel F. & HASENFELD, Yeheskel. *We the Poor People. Work, Poverty & Welfare*, New Haven: Yale University Press, 1997, 282 p., ISBN 0-300-07250-3.

In this book jointly written with sociologist Hasenfeld, UCLA lawyer Joel Handler builds on his critique of welfare reform in earlier books to advocate a "welfare-to-work" strategy that would involve a further boosting of the Earned Income Tax Credit programme, an increase in the minimum wage and improved health insurance and child care for the working poor. In their conclusion, the authors consider at some length "an alternative approach, principally coming out of Europe" which consists in advocating a basic income or negative income tax. They acknowledge many of the arguments in favour of basic income, including the absurdity of pushing single mothers into lousy jobs with "poor working conditions (including sexual harassment), poor wages, and serious child care problems": "Wouldn't everyone — parents, children and society — be better off if we recognized the value and importance of home care, compensated caretaking adults accordingly, and encouraged mothers to stay at home with their children, or at least offered them the option of doing so". Yet, the authors "reject the basic income guarantee approach because [they] believe it runs counter to strongly held [and, in their view, correct] beliefs about the value of work for both economic and social reasons, for both families and community". This rejection is further justified by pragmatic considerations: "the climate in the United States — and increasingly in Western Europe — does not favour expanded, generous provisions for welfare recipients". In the short-term perspective adopted in the book, therefore, "the dominant policy emphasis must be on moving single mothers into the paid labor force".

(First author's address: UCLA Law School, 405 Hilgard Avenue, LOS ANGELES, CA 90024-1476, E-mail: handler@law.ucla.edu)

O'BRIEN, Mike & BRIAR, Celia eds. 1997. *Beyond Poverty*, Auckland (New Zealand): People's Centre, 175 p., ISBN 0-473-04665-2.

These are the neatly edited proceedings of a conference organized at Massey University (Albany, NZ) in March 1997, in response to a strongly pro-workfare conference organized at the same time in Auckland under the title "Beyond Dependency" by New Zealand's Department of Social Welfare. The idea of an unconditional basic income surfaces in many contributions, and two of them advocate it energetically. Michael Goldsmith views it as "the most suitable long-term approach to overcoming poverty in New Zealand", while for Keith Rankin, "New Zealand should follow the Universal Basic Income way, not the United States of America way. New Zealand should lead the way."

(Editors' address: People's Centre, Box 3813, Auckland, New Zealand; UBINZ web site: <http://www.iconz.co.nz/~iwgordon/ubinz.html>.)

PHELPS, Edmund S. *Rewarding Work. How to Restore Participation and Self-Support to Free Enterprise*, Cambridge (Mass.): Harvard University Press, 1997, 197 p., \$24.95, ISBN 0-674-09495-6.

According to *The Economist* (20.9.97), the proposal expounded in this book by American economist Edmund Phelps "shows that liberal economics need not be anti-poor". For basic income advocates, Phelps's book is important, because it provides an intelligent and radical formulation of the main contender on the background of a diagnosis that could easily be shared by many of them. For a complex set of reasons, the earning power of the most disadvantaged has been falling and, unless action is taken, will continue to do so. With the welfare state as it is, this means unemployment for a growing proportion of the working-age population. To avoid this, Phelps argues, the welfare state needs supplementing with a massive employment subsidy programme: \$3 per hour for any private-sector full-time worker costing his employer \$4 per hour, paid directly to the employer (possibly as a reduction in pay-roll or other taxes), unlimited in time and phased out gradually as the hourly wage cost increases from \$4 to \$12.

Given the diagnosis, why not massively subsidize the education and training of the low-skilled rather than employment? First because "decisions about most training are best made by the entrepreneurs, while workers are best placed to decide about their education". Next, because it would take a generation to take full effect, is likely to cost far more to raise the earnings of the less paid by the same amount, and may even depress the wages of the workers who cannot acquire the improved skills. Finally, because it would be hard to motivate learning in the absence of a realistic prospect of improved wages. And in any case, employment subsidies can be viewed "as compensation for the training costs born by the employers".

What is wrong (apart from its comparatively lower level) with the employment subsidy scheme that is already in place in the US under the label "Earned Income Tax Credit"? One defect is that it focuses on families and therefore "perversely neglects the problems raised by low wages and unemployment where they are more acute — among men, especially young men who lack the economic prospects to marry and raise children". But the most fundamental defect stems from the fact that the EITC is a function of annual wage income, not of the wage rate. It may therefore yield maximal benefits to late entrants and early leavers and may induce some workers to reduce their working time.

Why not a flat employment subsidy, as proposed, for example, by Richard Layard, rather than one that decreases as the hourly wage rises as proposed by Phelps? Because it would require higher taxes. In comparison, Phelps's graduated subsidy "cuts down on outlays to employees whose wage rates are sufficient to place them a relatively safe distance from the hazard of welfare, unemployment, acute alcoholism, and crime. If there is more joy in heaven at the conversion of a sinner, then it makes sense to target the government's money where resulting conversions are a good bet."

Finally, the readers of this newsletter will be interested to know, why should one go for employment subsidies rather than for an unconditional basic income? In Phelps's terms, why not "a flat lump-sum entitlement payable to every adult and child in the country, regardless of current work status or work history", i.e. Friedman's "negative income tax" that became McGovern's "demogrant"? Phelps remembers "being part of a group advising Senator Robert Kennedy, all of whom, from James Tobin to the young Martin Feldstein, were supporters of the scheme" and none of whom "saw the importance of tying such support to work." In the absence of such a link, Phelps now believes, "all too many young people would lack the vision and the will to resist yet another year of avoiding life's challenges and risks". True, a Negative Income Tax would "temper the tendency of welfare to keep people away from jobs", but it "would do nothing to restore jobholding as the means of self-support and the vehicle for personal growth and the sense of belonging and being needed". And this would not only be economically damaging but also morally wrong: "Unlike those who would dispense welfare willy-nilly to anyone whose income falls below a certain level, I believe that the only genuine entitlement is a reward of self-support and integration for those willing to fulfill a social contract with their fellow citizens by working and earning."

Consequently, the fundamental reason why Phelps (anno 1997) and basic income supporters part company may well have far less to do with facts than with values. From the first chapter — "'The business of America', as Coolidge said, 'is business'." — to the end of the epilogue — "We need to return to the founders' thinking. The business of government is fundamentally business, to paraphrase Smith and Coolidge." —, Phelps strongly suggests



that the ultimate goal of social and economic policy should not be fairness or freedom, but simply business, indeed busi-ness: busy lives rather than free people or fair shares. It is only if these priorities are reversed, if fairness and freedom matter are ranked above busi-ness, that basic income has a good chance of being regarded as clearly superior to Phelps's job subsidies. Unreasonable?

(Author's address: Columbia University, Department of Economics, New York, NY 10027, USA)

VAN DER LINDEN, Bruno. Basic Income and Unemployment in a Unionised Economy, IRES (Institut de recherches économiques et sociales) working paper n°9714, Université Catholique de Louvain, Département des sciences économiques, 1997.

Up to now, the limited literature on basic income in the realm of theoretical economics has concentrated mostly on the impact of a full basic income on labour supply in a competitive setting. The paper departs from this by analysing the impact of both a full and a partial basic income scheme on the level of unemployment in an economy characterised by collective bargaining with firm-specific unions. "In European countries at least, the latter assumption is much more plausible than the competitive one". The paper starts off with a simple static model of collective bargaining in partial equilibrium which is then fitted into a larger dynamic general equilibrium model. In the 'partial basic income' case, benefits lower than the level of BI disappear and those larger are reduced by the amount of the partial basic income. In the 'full basic income' case, all benefits disappear and are replaced by an unconditional grant. In order to make the model tractable, many simplifying assumptions are of course made. For example, all workers are assumed to be identical and all agents are supposed to be perfectly informed. Yet, the paper comes up with a number of interesting results, which should please the advocates of a partial basic income. For example, it shows that the equilibrium unemployment rate is a decreasing function of the level of the partial BI and that the equilibrium level of unemployment is always lower with a partial BI than with an unemployment insurance system. On the other hand, with a full BI, the latter result only obtains under the extra assumption that the ratio between the (full) BI and unemployment benefit is sufficiently small, and it can be shown that, providing workers are risk averse, the unemployment rate is an increasing function of the level of BI.

(Author's address: IRES, 3 Place Montesquieu, B-1348 Louvain-la-Neuve, vanderlinden@ires.ucl.ac.be)

VAN DER VEEN, Robert J. 1997. "Real Freedom and Basic Income: Comment on Brian Barry", *The Journal of Political Philosophy*, 5 (1997): 274-286.

Why replace our current system of conditional transfers by an unconditional basic income at the highest feasible level? One answer is that this would increase the real freedom of the least-advantaged sections of the population, that is to say their opportunities to spend both their income and their time. This claim is central to the justification of basic income put forward in Philippe Van Parijs's *Real Freedom for All* (O.U.P. 1995, paperback 1997). In the crucial part of his in-depth review of the book (*Journal of Political Philosophy* 4, 1997), Brian Barry objected that the concept of real freedom is simply too indeterminate to allow for a comparison between the present welfare state and basic income. Hence, it is impossible to show that the least-advantaged stand to gain from the reform in terms of real freedom. In a detailed analysis of Barry's objection, van der Veen argues that this important objection cannot be upheld, and that Van Parijs's central claim in favour of basic income therefore remains to be considered on its own merits.

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## FRENCH

AIRE, *Lettre de liaison* n°16, automne 1997, 12 p.

This latest issue of the newsletter of the French group around Yoland Bresson contains, among other short items, the reprints of two relevant articles in *Le Monde* and a review of André Gorz's most recent book (see below).

(Address: Ch. Bernard, Association pour l'instauration du revenu d'existence, 33 Avenue des Fauvettes, F-91440 Bures-sur-Yvette.)

AZNAR, Guy, CAILLE, Alain, LAVILLE, Jean-Louis, ROBIN, Jacques & SUE, Roger. *Vers une Economie plurielle. Un travail, une activité, un revenu pour tous*. Paris: Syros, 1997, 175p., 85 FF, ISBN 2-84146-459-8.

In the form of a succession of dialogues involving the five authors under the guidance of journalist Inouk Faugère, this very readable book attempts to provide a synthesis of the three

tenets of the "Association européenne pour une économie et une citoyenneté plurielles", of which they are the driving forces: an unconditionally guaranteed income, a policy of working time reduction and the promotion of a non-state, non-capitalist sector. (Alain Caillé's address: Avenue du Maine 3, 75005 Paris, France.)

BLAIS, François. "L'allocation universelle", *Relations* (25 rue Jarry Ouest, Montreal H2P 1S6) 634, octobre 1997, 240-243.

A succinct and clear presentations of basic income and the main arguments behind it. (Author's address: Université Laval, Faculté des Sciences Sociales, Cité Universitaire, Québec P.Q. G1K 7P4, Canada, E-mail: Francois.Blais@pol.ulaval.ca)

GORZ, André. *Misères du présent, richesse du possible*, Paris: Galilée, 1997, 229 p., 160 FF, ISBN 2-7186-0451-4.

André Gorz used to be firmly opposed to an unconditional basic income (see, for example, his contribution to *Arguing for Basic Income*, P. Van Parijs ed., London, Verso, 1992). But he has changed his mind and explains why, mainly in chapter 4 of this astonishing new book. The book's basic theme, familiar to Gorz's readers, is that we must "dare to want an exodus from the work society". Its central impulse stems from the indignant observation that our society needs less and less paid work but keeps nurturing the belief that every person needs paid work for her/his well-being and dignity. True, people need a sufficient and stable income. They also need to act and be appreciated by others. Capitalism's trick is to merge these two things by making jobs the paramount means for obtaining both income and recognition, and to use this merger in order to secure people's submission to capital. An unconditional basic income provides a way out, but only if it is sufficient to live on. If it is not, as in proposals Gorz attributes to Friedman, Mitschke, Bresson and British conservatives, it is hardly different from workfare and amounts to a subsidy for low-paid jobs which does not reduce the pressure to accept them (134-137). If it is sufficient, it enables people not to accept just any job and thereby frees them from the constraints of the labour market. In previous writings, Gorz did advocate a sufficient basic income, but as a counterpart of a lifetime share of about 20.000 hours in the performance of necessary labour. This coupling he now sees as "inconsistent with the perspectives opened and the changes effected by post-fordism". More specifically, he now rejects it for four reasons: (a) With the growth of immaterial production and self employment, working time has become a very awkward way of measuring labour. Far better than through compelling everyone to get enough scraps of measurable labour, "the universal and unconditional allocation of a basic income that can be topped up by labour income is therefore the best lever to redistribute as widely as possible both paid and unpaid activities" (140-141). (b) Imposing a counterpart leads — for examples in proposals made by Rifkin, Offe and Elson — to making the basic income "the reward of compulsory voluntary work": if basic income is to serve the development of voluntary activities (art, culture, family, mutual aid, etc.), it must be guaranteed unconditionally to all. "For it is only its being unconditional which can preserve the unconditionality of activities which only have their full meaning if they are accomplished for their own sake. I therefore rally — after having disputed it for a long time — the position of the supporters of a strongly unconditional sufficient (as opposed to minimal) basic income." (143-144). (c) An unconditional basic income is best adapted to an economy in which knowledge has become the main productive force. It "turns the right to the development of one's capacities into an unconditional right to an autonomy which transcends its productive function" (144-145); (d) Finally, an unconditional basic income is best suited to use the wealth collectively produced in order to free people's time and to eliminate paid work as the dominant form of activity (148-151). This unconditional basic income must not be viewed as an activity reducer but as an activity multiplier: "not as an exemption from doing anything but, on the contrary, as the possibility for all to unfold thousands of activities, individual and collective, private and public, which can now develop without needing to be profitable". Such self-managed, voluntary activities are neither subordinate supplements to the capitalist market nor the compulsory counterpart of the basic income, but "their vocation is to supplant to a large extent waged labour for the sake of creating free social bounds" (161-162). Their flourishing requires many reforms besides the introduction of a basic income, for example the promotion of LETS schemes and appropriate town planning. Gorz recognizes that, in some sense, his vision is "utopian" and he defends it as such (180). He also points out that an unconditional and sufficient basic income "is not

realizable immediately", but that one must nonetheless "make a start on it here and now" (149). What about the introduction of an unconditional but insufficient basic income as a first step forward?  
(Author's address: F-10130 VOSNON, France.)

JARROSSON, Bruno & ZARKA, Michel. "Partager le travail ou partager le revenu", Le Monde (Supplément "Initiatives"), 22.10.1997.

Compulsory working time reduction will worsen unemployment, not reduce it, because of labour being highly heterogeneous. Instead of creating great inefficiencies by concentrating in jobs the two functions of resource mobilization and income distribution, let us loosen this connection by introducing an unconditional basic income.

## GERMAN

MITSHKE, Joachim. "Höhere Niedriglöhne durch Sozialhilfe oder Bürgergeld?", Frankfurter Allgemeine Sonntagszeitung 28.09.1997; and "Wahl zwischen zwei Übeln. Gespräch mit dem Frankfurter Ökonomen Joachim Mitschke über Lohnsubvention und Bürgergeld", Die Zeit 3.10.1997.

In this article and interview in Germany's two most respectable Sunday papers, the most prominent German advocate of a negative income tax (called "Bürgergeld" or "citizen's income") rehearses his main arguments. There are five million unemployed people in Germany, most of them low-skilled. Their only hope of getting a job hinges on their employers not having to pay them a full wage, as room is being made for "combi-incomes". Employers therefore propose that social assistance should top up low pay. But something far less discretionary, more reliable and without any time limit is needed if this is to work effectively. A refundable tax credit replacing all tax-financed (as opposed to insurance-contribution-financed) benefits is the solution. Contrary to what a biased and sloppy assessment by the Deutsches Institut für Wirtschaftsforschung (DIW) led some to believe, the proposal is financially affordable even without banking on the reduction in bureaucratic costs and unemployment. Free-market doctrinaires (who believe market forces will get rid of unemployment if left alone) may picture the situation as a choice between two evils: a level of unemployment that jeopardizes the viability of democracy and permanent subsidies to low-paid jobs at the tax-payer's expense. There is no doubt about which of these two "evils" Professor Mitschke deems the mildest.  
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