Summary

In his recent book (1995), VAN PARIJS is concerned with the philosophical and economic foundations of the project of basic income and the problem of its "sustainable" financing is treated in Chapter IV. Beyond people's "external" and "internal" endowments, "employment rents" are considered as a third type of resources, which may enlarge the fiscal establishment of the financing. As these rents would not be easily exploited, we support in this paper another strategy, which is based on the "Walrasian" flexibility of wages. Moreover this strategy may reduce a relative contradiction between VAN PARIJS' choice in favour of employment rents and his ambition of making capitalism "optimal".

Key Words

Basic income, employment rents, real libertarianism, welfare state, theories of justice.
1. INTRODUCTION

Theories of justice are situated between economics and philosophy and constitute one of the most productive fields of normative economics: the great number of books on this subject is clearly significant. In this brainstorming, the search for ethical foundations of market economy has been recently renewed by basic income proposal.

1.1 Basic income: the liberty of not working

The notion of basic income must not be reduced to a new welfare program. The objective is quite different, in so far it could be the basis for a complete reform of Welfare State and offer part of a solution to the crisis of unemployment in developed countries. As basic income would be paid to everybody (national or resident) from birth to death without any condition, its substitution to other welfare programs must be the rule of conduct. If the high level of long-term unemployment makes the liberty of working unpractical, the question is could the liberty of not working be realized. In spite of all appearances, this "utopia" is not a recent one but it is coming back today with new arguments.

Philippe VAN PARIJS is one of the major advocates of this proposal, which is not still well understood and is often remaining under discussion. In this context, his recent book "Real Freedom for All" is quite exciting, because the author's main purpose is to give to basic income proposal the philosophical foundations, that were missing for the most part. The consequence is that everyone must state more precisely arguments about basic income with regard to this book. "Real Freedom for All" concerns economists through economic theories used by VAN PARIJS but philosophers too are taking an interest in this book, because it seems to be at first sight a (radical) reformulation of the process, that began in RAWLS' book "A theory of justice" (1971). Even though each of them are searching for serious ethical foundations of the Welfare State in a market economy, VAN PARIJS and RAWLS do not really come to a complete agreement about this question.

1.2. RAWLS and VAN PARIJS: question under discussion

The gap between RAWLS' difference principle and VAN PARIJS' basic income proposal might be expressed in three points:

- first, if the question is to define the concrete modes of application for the difference principle, the answer is relatively clear: RAWLS himself does not support any guaranteed minimum wage schedule and reveals his preference for a negative income tax system. In RAWLS' book (1971), job search is not supposed to be difficult.


2 "Finally, the government guarantees a social minimum either by family allowances and special payments for sickness and employment, or more systematically by such devices as a graded income supplement (a so-called negative income tax)" - RAWLS (1971 : 275) -. "But once a suitable minimum is provided by transfers, it may be perfectly fair that the rest of total income be settled by the price system, assuming that..."
and the individual must therefore work for the subsistence of himself and his family; a negative income tax system may then complement the wage level. As the goal of any negative income tax schedule is to keep people out of voluntary idleness - achieved by the lower decrease of negative tax income than the amount of wage increase -, there is no support for the basic income proposal, the level of which would stay in any case the same whether a person worked again or not.

- secondly, RAWLS does not consider income (and wealth) as the only dimension of economic and social inequalities: rights and liberties, powers and opportunities are other "primary goods" which people must have access to. But the most important primary good is that of self-respect. "Without it nothing may seem worth doing, or if some things have value for us, we lack the will to strive for them". VAN PARIJS therefore may have thought several years ago that the self-respect argument fits with the "rawlsian" foundation of any basic income system. The usual Welfare State, negative income tax included, tries to separate through a severe control people who cannot provide themselves for their needs from those who will not; in this context the self-respect of recipients does not matter, because the point of dishonour for these people is precisely the fact of being unable to earn their own money and particularly the fact of being identified as such. Consequently, if self-respect has to be considered, the most appropriate system is a basic income schedule which does not discriminate anybody: "a transfer system that is not targeted at those who have shown themselves "inadequate" and involves less administrative control over its beneficiaries is far less likely to stigmatize them, humiliate them, make them ashamed of themselves, or undermine their self-respect".

- thirdly, RAWLS more recently expressed his disagreement on this last ingenious argument, insofar he does not accept any neutrality principle between work and leisure. Technically speaking RAWLS added leisure to the list of primary goods: "twenty-four hours less a standard working day might be included in the index as leisure. Those who are unwilling to work would have a standard working day of extra leisure, and this extra leisure itself would be stipulated as equivalent to the index of primary goods of the least advantaged. So those who surf all day off Malibu must find a way to support themselves and would not be entitled to public funds". In other words, this reformulation of RAWLS' difference principle supports any usual Welfare State, the goal of which is the best arrangement as possible between reduction of inequalities (through guaranteed minimum income level) and economic efficiency (through incitement to work induced by the negative income tax). But in such a system there is no "right to laziness", as it is in an unconditional basic income schedule.

1.3. The main social reform of the next century?

it is moderately efficient and free from monopolistic restrictions, and unreasonable externalities have been eliminated. Moreover, this way of dealing with the claims of need would appear to be more effective than trying to regulate income by minimum wage standards, and the like" - RAWLS (1971 : 277) -.

1 "The stabilization branch, on the other hand, strives to bring about reasonably full employment in the sense that those who want to work can find it and the free choice of occupation and the deployment of finance are supported by strong effective demand" - RAWLS (1971 : 276) -.


Seeing that the "rawlsian position" does not provide ethical foundations for basic income, VAN PARIJS is induced to search for another solution in the libertarian thought. Libertarianism at first sight does not support basic income, but a consistent justification can however be found there: from a libertarian point of view, basic income is the financial contribution of the society for everyone's life plan. There is consequently no restriction on the allocation of basic income, even though some beneficiaries will choose to be non-working. The title of VAN PARIJS' book is also explainable, insofar a famous marxist distinction is adapted to the libertarian thought: beyond "formal" freedoms, "real freedom for all" has to be secured.

In this paper, philosophical arguments of "real libertarianism" - mainly explained in the first three chapters of VAN PARIJS' book - are not really discussed, because the basic income principle seems to be correctly justified. The remaining question is how can such a conception - still "utopian" for many people today - be transformed into the main social reform of the next century.

From this point of view, chapter IV ("Jobs as assets") is very important: in this chapter VAN PARIJS explains in a nearly "technical" way how basic income could be financed. As often in the history of economic thought, it is a very difficult test; the most tempting projects may lose their viability, either because application is in fact impossible or some problems become harder in practice. In spite of VAN PARIJS' accurate arguments, basic income project too seems to be unfinished or, at least, allows different variant readings. Consequently the aim of this paper is devoted first to a critical examination of "employment rents" that VAN PARIJS propounds for the financing of basic income (.2.). The "Walrasian" flexibility of wages seems to be an alternative strategy, which is then proposed (.3.).

2. THE DIFFICULT EXPLOITATION OF "EMPLOYMENT RENTS"

The starting point and the main outlines of VAN PARIJS' argument have to be remembered because financing basic income is a problem which is never hidden or misrepresented by him. VAN PARIJS on the contrary admits that the resources, on which at the beginning he relies, are not adequate for a reasonably good level of basic income. "Employment rents" are therefore an additional resource but their exploitation seems to be very difficult.

2.1 How may basic income be "sustainably" financed in a competitive market economy?

How basic income may be "sustainably" financed follows straight from the conception of libertarianism which is advocated by VAN PARIJS. But libertarians are so different from each other that their political positions are poles apart, from the extremely right to the extremely left. So VAN PARIJS' position has to be better situated.

2.1.1. "Real-libertarian" position
All the libertarians think that individual liberty is the main ethical value, but concrete implications of this principle for the society are under discussion. In this context, private property is an essential reference for the libertarian thought: with a system of property rights members of the society can do what they wish to do with themselves and with whatever external object they get from people who deliberately give or sell to them. Political implications of libertarianism are varied: legislation about pornography or restrictions on immigration are inadmissible repressive decisions, military service is a present-day form of slavery. In this radical conception of capitalism, the only reasonable conception of the state is a "nightwatcher" state, which has to protect individual property rights and to repress violation of them.

An important question remains under discussion for the libertarians: how may previously unowned assets (land, natural resources, ...) be appropriated? ROTHBART\(^1\) thinks the occupant is the holder of the property right. NOZICK\(^2\) does not think so: natural assets are open to private appropriation, subject to the proviso that no one should be worse off as a result. STEINER\(^3\) supports the idea that the assets initially owned by nobody are equally owned by all. These three opinions are very different about the rights to be assigned to the descendants of the first "occupants".

VAN PARIJS does not agree with them: for him the discussion about the original appropriation of course is a basic one, but it reduces the libertarian definition of liberty to a matter of (property) rights, even when this discussion is also a matter of means, which may define a rival conception of the ideal free society. "In such a society members are all \textit{formally free}, as libertarians will: people have the right to do whatever they might like to do with external assets they rightfully own. But in such a society property rights are also defined in order to give everyone the greatest \textit{real freedom} as possible. In other words, the society must be designed so as to offer to those with the least real freedom the greatest possibility of it and the greatest means to do with their life what they will. This position may be called \textit{real-libertarian}."\(^4\).

Consequently, in this debate on original appropriation, VAN PARIJS' arguments go beyond NOZICK's position and are closer to STEINER's: the latter thinks that everyone really owns assets he (or she) obtains by fair means; but any material asset is made with natural resources which everyone has an equal moral right to, because land and natural resources initially do not belong to anybody. In STEINER's opinion libertarians must therefore advise to tax and share out equally among all, the part of the total income which corresponds to the value of natural resources included in it.

In fact VAN PARIJS will probably break away from other libertarians and better his own arguments: in "Real Freedom for All", VAN PARIJS does not really compare his position with STEINER's and does not call it "left-libertarian", as he did in earlier writings\(^5\). In his recent book, he will rather use DWORKIN's work\(^6\) about equality and

\begin{itemize}
  \item \textbf{1} ROTHBART (1982).
  \item \textbf{2} NOZICK (1974).
  \item \textbf{3} STEINER (1994).
  \item \textbf{4} VAN PARIJS (1991a : 225).
  \item \textbf{5} See for example VAN PARIJS (1991a : 211).
  \item \textbf{6} DWORKIN (1981).
\end{itemize}
more precisely the distinction the latter suggests between everyone's "internal resources" (talents and capacity to produce) and "external resources", which include natural resources, as STEINER defines them, but going beyond to include many other assets too.

2.1.2. "External resources" taxation

Within a simplified model VAN PARIJS at first supposes that individuals have the same internal resources. In this context the total amount of their external resources - evaluated at the market price - has to be taxed, so as to be equally distributed among all: "an equal distribution of their value therefore amounts to taxing the value of all gifts and bequests at 100 per cent and distributing the proceeds in the form of a uniform basic income". From a more economic point of view, this exchange economy with equal initial endowments is Pareto-efficient and equitable - in the envy-free sense. These external resources are not only natural ones and include any useful external asset, such as factories and technologies. Whether these resources are natural or not is not the matter.

As the aim of real libertarianism is the highest sustainable basic income which is still compatible with economic efficiency, VAN PARIJS does not underestimate the adverse effect of high rates of taxation: "as the total amount that gets saved, invested, or preserved may well be adversely affected by high rates of taxation, 100 per cent is not likely to be the choice that maximizes the tax yield, nor therefore the level of the grant". In the case of France, for example, the divergent process is a clear one; "the total value of what gets officially bequeathed or donated every year amounts to less than 3 per cent of GNP, while the the total yield from gift and inheritance taxes is about 0,25 per cent of GNP". The gap is from one to twelve and VAN PARIJS concludes: "Clearly, the corresponding estimates for the legitimate level of basic income go from the pathetically low to the frankly negligible".

Moreover, people's internal resources are really different from each other; when this fact is reintroduced, VAN PARIJS considers that the situation of "handicapped" persons has to be compensated. The constraint of "undominated diversity" therefore implies a higher level of basic income for these persons. In this case, however, other many "normal" people remain entitled to basic income, the level of which is then reduced and might be in some circumstances driven down to zero.

2.2 Problems about exploitation of "employment rents"

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2 The distribution of endowments is fair in the envy-free sense if nobody prefers somebody else's endowment of goods to his own.
6 VAN PARIJS (1995 : chapter III) : "the distribution of endowments is unjust in a society as long as there are two people such that everyone in the society concerned prefers the whole endowment (both internal and external) of one of them to that of the other. It can only be just if this is not the case, that is, if there is undominated diversity" - VAN PARIJS (1995 : 59) -.
The main difficulty therefore lies in the level of basic income and how it may be made substantial so as the basic needs are at least partially satisfied. Since "internal resources" are already considered and "external resources" are taxed at a suitable rate when transferred, what other wedges can be cohesively added to the fiscal basis of basic income financing?

2.2.1. What is "employment rent"?

After having searched for several solutions, VAN PARIJS finally considers that people's endowments do not include only wealth in the usual meaning of this word - "external resources" - and skills - "internal resources" -, if the labor market is not a "Walrasian" one. In other words, as the wage rate does not fall down to the market-clearing level, anybody who wants a job at the current wage rate does not get one. In this context, "the holding of a job constitutes a third type of asset". Therefore these "employment rents" have to be processed like previously described "external resources" : either of them must be equally distributed among all, since neither of them can be reached easily by everybody. More precisely, the employment rent is calculated by taking in consideration the gap between the wage income earned by the person holding the job and the (lower) income it would have earned in a "Walrasian" economy, if the labor market was cleared. Once the gap level is known, it would be added to the fiscal basis of basic income financing.

This financing seems to be well suited for developed societies with high rates of unemployment, because it may compensate position rents connected with holding of jobs and thus reallocate the total amount of such rents among all. However the unconditional feature of basic income might be examined critically : Why pay basic income to everybody without any distinction and not only to involuntarily unemployed ? The answer is clear : such a discrimination policy would at once induce people to be unemployed (in french "faux chômeurs"), if they are mostly interested in the attractive level of this grant. Above all, this conditional income is quite inconsistent with the main principle of "real libertarianism" : "adopting a policy that focuses on the involuntarily unemployed amounts to awarding a privilege to people with an expensive taste for a scarce asset. Those who, for whatever reason, give up their share of that asset and thereby leave more of it for others, should not therefore be deprived of a fair share of its value". In other words, what is good for land (and other "external resources") scarcity is good too for employment scarcity.

2.2.2. A complex taxation

In spite of VAN PARIJS' rigourous arguments, this enlargement of "external resources" with holding of jobs is quite questionable. First of all, the measurement of employment rents is a complex process and therefore it is the same for the taxation itself : while the total amount of other "external resources" is worked out directly through their competitive market prices, the rents connected with the holding of jobs are defined as the difference between the really earned wage income and the income that would have been earned, if the Walrasian equilibrium level would have been

reached on the labor market. How to locate this hypothetical equilibrium point, which is quite essential for the measurement of employment rents? As VAN PARIJS admits, simultaneous auctions for each type of job ought to be held, but that is quite impossible. Moreover, like for other external resources, a 100% taxation rate would induce more or less undesirable effects; more precisely, there would be a negative impact on willingness to work and therefore on the level of profits; production of external resources would then be reduced and it would be the same for the level of the sustainable basic income.

As taxing "employment rents" at an optimal rate is in practice so difficult, VAN PARIJS is compelled to suggest a near method, which consists in taxing the whole wage income and not only the rent itself; "we can keep going, protected as we are against the risk of taking away more than is legitimate by the absence of involuntary employment: no one is stuck with a job with a negative rent". However such a protection seems to be quite weak, because it might justify a maximal level of taxation on labor incomes with only one constraint: overtaxation would induce wage earners, who are heavily taxed, to leave their jobs and to have only basic income. As a matter of fact, this possibility may be only prevented by the general principle, which already applied to "external resources": "wages should be taxed up to the point at which the tax yield, and hence the basic income financed by it, is maximized." However such a protection seems to be quite weak, because it might justify a maximal level of taxation on labor incomes with only one constraint: overtaxation would induce wage earners, who are heavily taxed, to leave their jobs and to have only basic income. As a matter of fact, this possibility may be only prevented by the general principle, which already applied to "external resources": "wages should be taxed up to the point at which the tax yield, and hence the basic income financed by it, is maximized." However such a protection seems to be quite weak, because it might justify a maximal level of taxation on labor incomes with only one constraint: overtaxation would induce wage earners, who are heavily taxed, to leave their jobs and to have only basic income. As a matter of fact, this possibility may be only prevented by the general principle, which already applied to "external resources": "wages should be taxed up to the point at which the tax yield, and hence the basic income financed by it, is maximized." However such a protection seems to be quite weak, because it might justify a maximal level of taxation on labor incomes with only one constraint: overtaxation would induce wage earners, who are heavily taxed, to leave their jobs and to have only basic income. As a matter of fact, this possibility may be only prevented by the general principle, which already applied to "external resources": "wages should be taxed up to the point at which the tax yield, and hence the basic income financed by it, is maximized."

Beyond wage incomes the same principle may be extended to self-employment incomes and pure capital incomes. Therefore we realize that VAN PARIJS can justify a complex and worked out fiscal system which is easily comparable with those enforced in developed countries; the only difference is the assumption that VAN PARIJS' system has been optimized - the "sustainability" constraint has to be verified -. In other words, as results of optimal taxation theories are not really undoubted, VAN PARIJS' proposition remains ambivalent: ex ante only "external resources" are taxed but ex post, for the sake of the final result, his proposition may lead to justify most of any existing fiscal system.

2.2.3. A chief objection

In this last perspective, one might wonder why in VAN PARIJS' analysis labor market is an exception in comparison with other markets which are considered to be cleared in the "Walrasian" way. On the one hand, the total amount of all "external resources", whether natural or made, can be worked out through their competitive market prices, on the other hand, no rent can appear - other than those connected with holding of jobs -. Of course VAN PARIJS anticipates a rigorous answer to this critical observation but, however, it does not seem to be satisfactory. VAN PARIJS puts forward at first the fact that institutional constraints (minimum wage legislation, union monopolies, ...) does not let labor market be a "Walrasian" one. However he does not enlarge on this argument, because the objection is clear: Why is it impossible to remove the only constraints which are to be found on the labor market, while the other markets might be cleared in the Walrasian way (even usually regulated

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ones as real estate markets)? The fact that the labour market does not tend to clear is really justified by VAN PARIJS through "mechanisms that are consistent with perfect competition, such as those highlighted by the so-called insider-outsider and efficiency-wage theories of involuntary unemployment. Both sets of theories generate the conclusion that even in a competitive context, firms will pay their employees higher wages than those they could get away with by hiring equally skilled unemployed workers?.

Of course specific relations between workers and firms and also special features of the wage contract have not to be underestimated; however it does not follow that labor market would be an exception to the market-clearing rule. More precisely actual employment rents might not depend on theoretical explanations which are not easily provable. In the case of the "efficiency-wage" model, there is no empirical evidence about existence and stability of the "effort function", which is the central point of the theory. In the same way, "insider-outsider" opposition only explains a sociological phenomenon through a microeconomic interpretation quite consistent with methodological individualism. This latter phenomenon is just intensive, when "insiders" form a coalition so as to increase turnover costs of the firm and to get higher wages, which nearly refers to institutional constraints previously described. However that may be the case, unless employers are considered as quite irrational, the difference between earned wages and market-clearing wages may not be very big nor definitely granted. In other words, from this it should not be deduced that both sets of theories reveal the cause of high levels of involuntary unemployment and consequently the evidence of existing "employment rents". The rise of these theories in the eighties should be considered more as the effect of long-term involuntary unemployment that was until then only critically examined by standard microeconomics; in order to explain the latter, it seemed that the microeconomic theory of labor markets had to formulate new ad hoc assumptions, from which "efficiency wage" and "insider-outsider" models stem.

Whatever the case, the relative weakness of these arguments prevent them from really justifying the division of rents which are seized by job holders. Meanwhile, from VAN PARIJS' general prospect, the suppression of "employment rents" might present another solution and make basic income financing easier. This alternative strategy is based on the "Walrasian" flexibility of wages but it seems to be neglected by VAN PARIJS; therefore we have to explain why this position is open to criticism.

3. "WALRASIAN" FLEXIBILITY OF WAGES AS ALTERNATIVE STRATEGY

Because VAN PARIJS' analysis is scrupulously careful, he does not completely forget the strategy in question but hardly more than one page is devoted to it. Generally speaking, a contrario one might wonder whether the fact that employment rents are to be tolerated is consistent with his ambition of making capitalism "optimal".

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1 See LINDBECK and SNOWER (1989).
2 See AKERLOF and YELLEN (1986).
3.1. A "real-libertarian" prospect

"Sharing, bribing and the elimination of job scarcity" is the title of the paragraph\(^1\) at the end of which wages flexibility is quickly questioned. This enigmatic title critically summarizes strong remarks against job-sharing policies (through a compulsory reduction in maximum working time) and subsidy policies. In the latter case, either (potential) employees receive unemployment benefits so as to compensate their unfulfilled desire to get a job, or (potential) employers receive subsidies so as to reduce the net cost of hiring additional workers; in either case, people are bribed to get (in an expensive way) social behaviours which are consistent with the job "scarcity". VAN PARIJS adds to these quite questionable aspects, which are already well known, the real-libertarian main objection: sharing and bribing policies induce a thoroughly unjustified discrimination among equivalent conceptions of "good life". More precisely, people who prefer jobs and monetary earnings are better treated than people who give up these scarce resources; but for all that, the latter would not get any compensation, because they would specially enjoy free time which is a non-monetary resource.

In this paragraph, VAN PARIJS accurately emphasizes that people are work addict in our societies, which is a major difficulty for basic income project but also the most incisive argument for it. Our potential disagreement with VAN PARIJS therefore does not turn on the goal to be reached but only on the means to be used for: VAN PARIJS seems to be opposed as much to sharing and bribing policies as to the "Walrassian" strategy of wages flexibility, while in our opinion the latter prospect might be consistent with "real libertarianism". In this context, VAN PARIJS puts forward a few opposite arguments which are not really convincing, whether only one type of job or several types are identified.

3.1.1. The case of only one type of job

VAN PARIJS at first admits that a strategy of wages flexibility could actually get rid of any involuntary unemployment and consequently of any employment rent. Along the way, it does not seem that "the employment rents have been appropriated by the employer instead of the employee"\(^2\); more accurately the employment rents have also been shared (at least partially) among more people who were getting a job, so that rents fall down to zero when all the employees are paid in the end at the market-clearing lower wage rate. Consequently, it cannot be generally concluded that the total amount of the employees' surplus - on the supply side of the labor market - is reduced for the exclusive benefit of employers - on the demand side -. Whatever the case, VAN PARIJS admits that this strategy could result in higher profits of firms and hence people's per capita share of "external resources" in the standard sense would be greater. In other words, the level of basic income that could be financed by taxing these external assets could be significantly higher than it would be if the starting wage rates were unchanged. In spite of this, according to VAN PARIJS, "it is reasonable to suppose, however, that there will be overwhelming real-libertarian grounds for discarding such a market-clearing strategy"\(^3\).

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\(^1\) VAN PARIJS (1995 : § 4.5).
\(^3\) VAN PARIJS (1995 : 112).
As a matter of fact, these grounds are not so overwhelming: "first, keeping wages above the market-clearing level is most likely to have a positive effect on profits, for example for efficiency-wage or effective-demand reasons". As it has been already shown (see 2.2.3.), the efficiency-wage argument is not strong enough to make it conclusive; concerning the "Keynesian" stimulation of effective demand through wages level, it is now known that this theory does not fit the internationalized competitive market economy, unless the coordination of economic policies really exists at the european or worldwide level. "And secondly, rents incorporated in wages may be far easier to tax - mainly, but not only, because of labour being less mobile than capital -, than if they were appropriated by capital owners". It is somewhat surprising that VAN PARIJS uses in the latter quotation a fiscal argument, the feature of which is utilitarian and technocratic; but the essential point here is that the idea VAN PARIJS just puts forward is directly questioned by our previous observation about the appropriation of "employment rents" when the labor market is cleared: "employment rents" have not vanished not only after rents transfers in favour of capital owners but also after a more equal share of the total surplus among people on the supply side of the labor market.

3.1.2. The case of several types of job

In the last set of arguments, several types of job are supposed to be available, while everybody has the same skills ("internal resources"). "It is then no longer true that, if all those looking for a job actually find one, there are no employment rents to be shared. Such rents exist whenever some people would like to do someone else’s job at the going wage. And if jobs vary in both their pecuniary and non-pecuniary features, this may happen on a massive scale even if there is full employment of all those wishing to work".

Although these arguments are far sounder, they do not really question the "Walrasian" strategy of wages flexibility but this strategy has to be formulated in a much more complex way: we must consider as many labor markets as types of job are available in the economy. In this context, all the labor markets can possibly be simultaneously cleared, since the non-pecuniary features (for example, pleasant work conditions, security of employment,...) have to be balanced by pecuniary features: in the case of our example the wage ought to be lower than that to be paid for a job with less attractive non-pecuniary features. If the wages are flexible and if the many labor markets are not completely partitioned - it is possible to change markets -, there is then no dualism in each market between "primary" jobs with both pecuniary and non-pecuniary benefits and "secondary" jobs without any attractive feature. If wages were not flexible and only in that case, a "secondary" job holder would rather make an application for a "primary" job according to VAN PARIJS' analysis, while a "primary" job holder would get an "employment rent".

To sum up, VAN PARIJS' aim is to prove that the "Walrasian" strategy of wages flexibility is inconsistent with "real-libertarian" foundations of basic income, but such

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an inconsistency does not seem to be really worked out. More generally speaking, VAN PARIJS’ work might bear a relative contradiction between the choice in favour of "employment rents" and the ambition of making capitalism "optimal".

3.2. "Employment rents" and "optimal capitalism" : a relative contradiction?

The contradiction in terms is better shown, if the main features of our own thought are formulated differently.

3.2.1. Two ways for basic income financing

In "Real Freedom for All", the major interest of chapter IV is to solve the question of financing basic income through enlargement of the fiscal basis far beyond "external resources". Without the latter enlargement, the total amount of basic income would be only a little "pocket money", which could in no way deeply change behaviours (see 2.1). Face to this problem, our remarks result in the definition of two variants for basic income, the foundations of which are usually opposed:

- either the quite interventionist model, which VAN PARIJS chooses, because a high level of basic income has to balance the fact that society gives up making sure for all the liberty of working at the current wage rate. Consequently complementary taxation of employment rents is an essential but complex solution (see 2.2). Moreover such a solution may come up against the inclination, which nowadays aims at deeply changing Welfare State in developed economies - subject to the heavy constraint of international competition -. 

- or the variant which we rather use, in so far market regulation - labor market included - seems to be more efficient. In that case, the total amount of basic income which has to be financed may be left lower : a "Walrasian" economy would reduce the number of situations, where a high level of involuntary long-term unemployment induces people to be socially excluded.

From either political or social point of view, we do not think that the second model is more easily acceptable than the first, but it seems to be better fitted to the actual economic context : nowadays it is more and more difficult to justify the discrimination between a artificially "protected" sector and a sector which is left quite open to severe competition. Consequently it would be fair that all position rents, which appeared during the fifties and the sixties with high level of growth, are reduced in the current context with lower level of growth.

Moreover, the level of involuntary unemployment is lower in a "Walrasian" economy, but it is the same for the wages of the most part of employees. In this case too, the total amount of basic income ought to be higher and the question of complementary financing must be asked as in VAN PARIJS'model. In fact the difficulty seems to be weaker than it appears : for example, if basic income were substituted for minimum wage, the lowest wages might be reduced under the level of initial minimum wage. However such a decrease may be not so high and may even be zero, because the employees'bargaining power is then reinforced : even the poorest workers could wait for an indefinite time if they receive an unconditional basic income.
Consequently the question of basic income financing with a complementary taxation would be easier to solve: for example a "social V.A.T." might be enough and ought to be preferred to social contributions based on labor taxation because of its advantages:

- social V.A.T. is more consistent with international free trade and does not induce any drawback for national products: nowadays in France, social security is paid in the last resort by customers of firms which are settled in the country, since the social contributions are included in the product costs, while buyers of imported goods are exempted from any contribution. Conversely, basic income financing through V.A.T. would encourage exportation, since exports are exempted from V.A.T., which is not the case for social contributions.

- in spite of all appearances, social V.A.T. might be a fair tax: firstly such a financing seems to be more consistent with the "sustainability" rule which tends to maximize the total amount of basic income. Secondly the main feature of our modern societies (and hence a large fiscal basis) is perhaps the high level of consumption rather than capital accumulation or labor exploitation.

3.2.2. Capitalism as the most proper framework

Finally, as a paradoxical conclusion, the "Walrassian" variant of basic income financing could possibly be more consistent with the essential argument of VAN PARIJS' book than the "employment rents" variant that he himself puts forward in Chapter IV. As a matter of fact, the last chapter of the book (chapter VI) is devoted to optimizing socioeconomic systems through the basic income project and, according to VAN PARIJS, the most proper framework for that project is capitalism rather than socialism. Because of efficiency and flexibility advantages, fighting against the high level of unemployment - an essential defect of any system - is said to be easier in a capitalist framework. In this respect, we choose two examples among those which can be found in chapter VI:

- VAN PARIJS refers especially to WEITZMAN's "share economy"\(^1\); in this context, employees are paid in part with fixed reduced wages and more largely with definite commissions based on profits of the firms. Such a proposition is then very near to the "Walrassian" labor market, since prices adjustment - flexible employees' income - is substituted to quantities adjustment - level of unemployment -.

- VAN PARIJS makes another more radical suggestion which might more efficiently reduce employment rents. The high level of long-term involuntary unemployment, as he notes, is partly due to monopolistic practices on the labour market; so he is inclined to question the right to strike in democratic countries: "unlike the right to form an association, in particular an independent trade union, the right to strike, that is, to have one's job frozen while staying away from it, is no part of formal freedom"\(^2\).

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2 VAN PARIJS (1995 : 213); of course the restriction of the right to strike is only conceivable if democracy is deeply rooted in the society: "suggesting that such a step be taken in the name of real-freedom-for-all assumes great confidence in the power of universal suffrage, which itself was only conquered, in many places, through the pressure exercised by a succession of general strikes" - VAN PARIJS (1995 : 213) -.
Finally it is difficult not to see a relative contradiction between the use of "employment rents" (chapter IV) and the ambition of making "capitalism optimal" especially through wages flexibility (chapter VI). Are these two points of view which VAN PARIJS successively supports really inconsistent with each other? More generally are the differences between the two variants (previously described) of basic income financing as clear-cut as they appear to be at first sight? Actually these prospects seem to be complementary and not opposed:

- the aim of the "flexibility" variant is to describe the theoretical model which makes basic income financing fundamentally consistent with the main features of the current economy. The European countries must take the latter features into account if they must adapt Welfare State to the context of globalisation.

- the "employment rents" variant seriously considers various oppositions which might appear in the society. These oppositions would result first from the difficult adaptation to globalisation but they would result from the resistance to basic income enforcement too, which would imply the breaking of the usual connection between work and income.

Having said this, it seems to be difficult to choose between "strategic" consistency and "tactical" pragmatism: both aspects are clearly essential pledges to make a success of the complete reform of Welfare State through basic income project.

Bibliography


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