

**«BASIC INCOME? BASIC CAPITAL!»**  
**ORIGINS AND ISSUES OF A DEBATE**

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At the beginning of the 21<sup>st</sup> century, the search for a coherent ‘third way’ between socialism and capitalism has generated a set of arguments over the nature and scope of fundamental individual entitlements. Both basic income and basic capital grants have figured prominently in that search, and both have been justified intrinsically by appealing to rights derived from principles of social justice, or, instrumentally, as the best mechanism for achieving certain social policy objectives in modern welfare states. Whereas an unconditional basic income has been claimed to license a paternalistic concern to cushion failure, an unconditional capital grant has been presented as enhancing individual responsibility by forming a launching pad for success. This difference over the preferred form of distribution of a common fund is connected to disputes over the source and level of individual payments especially if a global scale is envisaged. In various schemes, the tax base for funding disbursements would include different combinations of different components: pure natural resources, inheritance and gifts, and (most contentiously) employment rents.

In this paper we show that some of these present-day arguments were strikingly anticipated in the mid-nineteenth century by two unduly neglected French-Belgian theorists. The first was Joseph Charlier. In 1848 he presented what was probably the earliest case for an unconditional income stream funded from land taxation. Charlier continued to advocate that case over the next fifty years. The second theorist was François Huet. In 1853 he offered a sustained justification of an unconditional capital endowment (*dotation*) for all young adults to be funded from inheritance/gift taxation. That commitment was repeated in all of his later works. These proposals were central to their

wider theoretical ambitions of establishing a ‘liberal-socialist’ theory of basic entitlements, against rival views from both sides of the conventional ideological spectrum. Unfortunately, neither of these earlier theorists engaged with the other. So, there is no direct historical precedent for the assessment of the respective merits of basic income or capital as recently presented by Van Parijs and by Ackerman and Alstott.

The paper is structured as follows. Section 1 provides a very brief overview of the modern debate. In Section 2, we introduce the life and work of each of our earlier writers. Section 3 compares and contrasts Charlier’s argument for ‘basic income’ and Huet’s claims for basic capital, by constructing a debate between them. The debate continues in Section 4 with the inclusion of Van Parijs as the leading exponent of basic income, together with Ackerman and Alstott as proponents of basic capital.<sup>1</sup> The conclusion points to continuing and unresolved problems.

## 1. THE MODERN DEBATE

The basic income position has been presented most forcefully by Philippe Van Parijs. In his book *Real Freedom for All* (1995), he contemplates four arguments that on the whole make him prefer a basic income above a basic endowment. The first is that an initial

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<sup>1</sup> In sections 3 and 4 we have opted for a rather unconventional form, that of an imaginary discussion involving our protagonists and a discreet moderator. We are convinced that the adoption of a more informal style makes the paper easier to read. We have tried hard to represent the views of each participant as faithful as possible. Those who are dead can, alas, no longer protest if we do harm to their

endowment might encourage some «to squander all of it and end up destitute» (p. 45); under a basic income regime this danger would not exist and nobody would ever be so poor as to be obliged to steal (p. 46). The second argument is about real freedom: if you receive at a given moment of time one huge amount of money, your freedom to allocate this amount will be higher than if you receive an actuarially equivalent amount in monthly instalments, unless capital markets work perfectly. (p. 46) This argument clearly favours the endowment proposal. The third argument rests upon the assumption that people gradually change their identity during their lives: at age 40 you are not the same person anymore than the one you were at age 20. To protect our older personalities against the foolish risks we might be tempted to make when we are young, a basic income seems to be more appropriate. (pp. 46-47) Fourthly, even without supposing that people change their identity over time, we could assume that they desire, «‘when in their right minds’, to protect their real freedom at older ages against the weakness of their will at younger ages» (p. 47). This mildly paternalistic argument again favours the basic income proposal.

In their proposal for basic endowment, Ackerman and Alstott (1999: 210-215) explicitly counter each of these claims. In response to the first concern about the risk of an unacceptable squandering of a basic endowment, they suggest certain legal conditions to minimise that danger, together with the phasing of its payment. The second argument is that real freedom is better enhanced by a large capital payment at a significant stage in

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ideas. As far as our contemporaries are concerned, we are confident that they will let us know if they feel that we have mistreated them.

one's life than through small but regular payments over a lifetime. The third argument over changing personal identity is vigorously rejected; each of us has only one identity which remains constant from birth to death. As competent adults, we must recognise that the mistakes which we inevitably make are our own and not those of some earlier self. Even so, Ackerman and Alstott make some concessions to the fourth argument of Van Parijs. They accept that limited incursions might be justified (notably in the context of pension provision) to protect the elderly self from youthful short-termism. But this limited paternalism does not extend to a concern to protect adults from all of life's contingencies: «If you plan ahead and act sensibly, you may win big. But if you mess up, you live with the consequences.» (p. 215)

## **2. BACK IN TIME**

Although there is no direct historical precedent for this contemporary debate, some 150 years ago we might have come very close to it. At that time, both basic income and basic capital were advocated simultaneously but independently by two relatively unknown French-Belgian writers. Unfortunately, each seemed to have worked in ignorance of the other, and their ideas passed largely in silence both at the time and ever since. If these writers were still alive, we are confident that they would have experienced a distinct feeling of déjà-vu when confronted by the modern debate.

As far as we can see, Joseph Charlier was the first who ever proposed a genuine basic income scheme, or ‘guaranteed minimum’ in his terminology. Born in Brussels on 20 July 1816, he died there on 6 December 1896. Charlier published at least thirteen books, some of which dealt with technical legal issues and social theory. The four key works in this category were:

- *Solution du Problème Social* (1848, 106 pp.), which introduced the scheme for a guaranteed minimum funded from the socialisation of rent, and presented it in a *Constitution Humanitaire*.
- *Catéchisme Populaire, Philosophique, Politique et Social* (1871, 88 pp.): this developed the core theme of the guaranteed minimum under the new title of ‘the system of territorial dividend’.
- *La Question Sociale Résolue, Précédée du Testament Philosophique d’un Penseur* (1894, 252 pp.). In his most substantial work, Charlier reproduced the relevant sections of the *Catéchisme* on territorial dividend, included a scheme for pension provision initially suggested in 1887, and introduced another *Constitution Humanitaire* which was similar but not identical to the 1848 version, together with a set of justifying ‘interpretative remarks’.
- *L’Anarchie Désarmée par l’Équité. Corollaire à la Question Sociale Résolue* (1894, 35 pp.), which summarised the diagnosis and solution of social issues presented immediately before in *La Question Sociale Résolue*.

So, for nearly fifty years, Charlier advocated the socialisation of rent and the distribution of its proceeds through unconditional individual payments. These payments would form a monetised surrogate for the right to subsistence derived from equal shares in the common patrimony of natural resources. Apart from these texts, we have very little indeed to work with. Despite our sustained attempts to discover more information, Charlier remains utterly elusive. He is mentioned only in passing in many of the standard sources on the history of socialism/liberalism in Belgium, and there seems to be no substantial study of either his life or work. These passing references either designate Charlier as a ‘Fourierist’ or admit that the intellectual provenance of his views is unknown.

The career of François Huet, the basic endowment proponent, is more accessible. He was born on December 26, 1814, in the village of Villeau (Eure-et-Loire, France), into a poor family which moved to Paris in 1824. In 1835 Huet was appointed ‘professeur extraordinaire’ at the University of Ghent in Belgium, where he taught philosophy. From 1846 what is now known as the ‘Huet Society’ - a group of professors, assistants and students of that University - gathered regularly under his direction to discuss various ‘social questions’. Intriguingly, the first explicit proposal for a *dotation* scheme for basic capital came not from Huet himself but from the secretary of the Society, Paul Voituren.<sup>2</sup> Following the February 1848 Revolution in France, Huet was accused of ‘socialism’ and of ‘republican propaganda’ in the local Belgian press. In 1850 he was forced to resign

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<sup>2</sup> On the activities of the Huet Society and its influence on Huet’s views on property rights, see Cunliffe & Erreygers (1999b).

from his professorship (officially for reasons of health), and he returned to Paris where he stayed until his death on July 1, 1869. His main works in social theory were:

- *Le Règne Social du Christianisme* (1853), written in 1850/51, and reflecting to some extent the discussions in the ‘Huet Society’.<sup>3</sup>
- *La Science de l’Esprit, Principes Généraux de Philosophie Pure et Appliquée* (1864): this was published immediately before his renunciation of Catholicism and restated the core arguments of *Le Règne* on property and inheritance at length and in virtually identical form.
- *La Révolution Religieuse au XIXe Siècle* (1868). Here Huet expressed his continuing endorsement of the ‘fundamental idea’ of *Le Règne*, ‘education and property guaranteed to all’.

For most of his life, Huet’s intellectual project was to reconcile Christianity with the ideals of the French Revolution, or with socialism, which he identified with liberalism, and contrasted with the two allegedly opposite extremes of individualism and communism. His property theory was structured accordingly by an attempt to integrate coherently the ideals of equality, liberty, and fraternity/solidarity. Equality would be expressed through an unconditional capital endowment, which recognised the individual right to shares in the ‘general patrimony’ of mankind. This consisted in both natural resources and produced assets inherited from previous generations. Liberty would be

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<sup>3</sup> Chapters of this book will soon be available in English, in an anthology edited by Peter Vallentyne and Hillel Steiner (2001).



recognised through full private property only in self-created goods, and fraternity/solidarity, by a legal right to assistance, restricted to involuntary disasters, which could neither be foreseen nor prevented.

### 3. VOICES FROM THE PAST

Let us suppose that there *had been* a debate between Charlier and Huet.<sup>4</sup> What might have been the main issues? In this section, we identify those issues, and we reconstruct this hypothetical debate. In the next section we compare their positions with those of their intellectual successors.

**MODERATOR:** *Messieurs*, before I give you the floor let me try and summarise what appear to me to be important similarities in your intellectual ambitions. Both of you:

- (i) wish to design property regimes which would meet natural right entitlements;
- (ii) agree that those entitlements relate directly to natural resources, or the divine patrimonium, but also to some produced resources;
- (iii) argue that each individual is entitled to an equal share of those resources or to an equal share of the revenue generated by them, calculated ideally on a global basis and across generations;

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<sup>4</sup> It is not altogether excluded, although extremely unlikely, that such a debate ever took place. Huet remained in Belgium until 1851. Even after Huet's return to France they might have met as a result of their involvement in the *Association Internationale pour le Progrès des Sciences Sociales*. Charlier was a member of this association; Huet was not, but nevertheless in 1865 he was asked to write a report for it

- (iv) accept that in the mean time this universal entitlement would have to be mediated through particular states, each of which would restrict payment to its own citizens at a level determined internally;
- (v) recognise full private ownership of those assets which are not included in the common pool.

Now, despite all of these similarities, I think your theoretical frameworks differ substantially. The purpose of this debate is to clarify what are the differences. We will proceed systematically.

**HUET** and **CHARLIER** nod in agreement.

### *Foundations and Composition of the pool*

**MODERATOR:** To begin with, let me ask both of you how you would characterise the very foundation of your proposal.

**CHARLIER:** I appeal explicitly to a right of subsistence to be secured by an unconditional income stream for everyone, funded (more or less) exclusively from natural resource revenues. I gather that some would say that this reflects my Fourierist inspiration and commitment to the core idea of a social minimum as a means to eradicate poverty.<sup>5</sup>

**HUET:** There is a clear difference here: I draw on an equal liberty principle to be realised by an unconditional capital grant for every young adult, funded from an inheritance tax of 100% on the second intergenerational transfer of assets. When I originally formulated this

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on the education question (see Huet, 1871). On the association, see Crombois (1994: 17-18) and Erreygers (2000).

proposal it undoubtedly reflected my strong religious beliefs in equal individual entitlements to the divine patrimonium, which I identified with the ideals of the French Revolution.<sup>6</sup>

**MODERATOR:** One small question before we go any further: when you refer to *everyone* and to *every young adult*, do you include women as well?

**CHARLIER:** Everyone means strictly everyone: all men, women and children from the day they are born. I guess that in this respect I am as egalitarian as can be. But don't misunderstand me: I believe that nature predisposes men and women for different roles in society.<sup>7</sup>

**HUET:** As far as the *dotation* is concerned, I do not distinguish between sexes. I agree with my colleague that there exists a natural division of labour between men and women. Moreover, in the family women should obey their men.<sup>8</sup>

[*Roars from the audience.*]<sup>9</sup>

**MODERATOR:** M. Charlier, would you be so kind as to explain more extensively what you mean by the right to subsistence?

**CHARLIER:** I admit that in my writings I have been rather elusive on the subject. I assert a natural or primordial individual right to a social minimum derived from equal shares in the 'bounty of nature'. The pool of natural resources is available for humankind as a whole, and every member of the population has an equal right to enjoy the fruits of

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<sup>5</sup> See Cunliffe and Erreygers (1999a) for a general description of Charlier's proposal and a discussion of its Fourierist background.

<sup>6</sup> See Cunliffe (1997) for details on Huet's proposal.

<sup>7</sup> For a statement of the egalitarian position, see Charlier (1848: 45-46); on the difference between men and women, see Charlier (1871: 31-32).

<sup>8</sup> See Huet (1853: 169 and 274).

nature, as embodied in a basic income.<sup>10</sup> I recognise the possibility that the revenue derived from natural resources might be insufficient to secure a universal basic income even at a subsistence level.<sup>11</sup> However, I consider this unlikely for several reasons. In the first place, and most significantly, the common pool and thus the revenue base need not be restricted to pure natural resources, that is to land in its original condition before any changes resulting from human labour. We can increase the pool considerably by identifying it with ‘real estate’, a legal category including not only land in its improved form as a result of labour, but also buildings and other fixtures.<sup>12</sup> (It occurs to me now that I have never offered an explicit justification for this extension.) Secondly, I insist that the relevant calculations should be made eventually on a global basis, thus averaging out differences in the individual dividend level between states and avoiding the perpetuation of inequalities between them.<sup>13</sup> Thirdly, I reject the suspicion that the territorial dividend scheme would act as an incentive to excessive population increase, which in my view would continue to follow its ‘normal course’. I adopt the familiar providentialist view that the ‘Malthusian’ prospect is unacceptable because it is contrary to divine intention.<sup>14</sup>

**MODERATOR:** Let me sum up: leaving aside a few intriguing details, the structure of your territorial dividend scheme is clearly based on two principles: first, that natural resources should be subject to common ownership or at least control, and second, that revenues derived from them should fund a basic income at the level of subsistence. Do you agree?

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<sup>9</sup> It is remarkable that despite their commitment to equality, Charlier and Huet held deeply ambivalent views on women’s entry into citizenship, even if judged by (some of) the standards of their own time.

<sup>10</sup> Charlier (1848: 20).

<sup>11</sup> Charlier (1848: 76-77; 1871: 44-45; 1894a: 211-212, 226-227).

<sup>12</sup> Charlier first talked of ‘la propriété foncière, but then switched to ‘la propriété immobilière’.

<sup>13</sup> Charlier (1871: 63).

<sup>14</sup> Charlier (1848: 73-74; 1871: 64-65; 1894a: 241-242).

**CHARLIER:** That is a fair description.

**MODERATOR:** Professor Huet, let us now turn to your proposal. Can you be more explicit on the foundation of it all?

**HUET:** Certainly. My *dotation* scheme endorses the fundamental principle of equal entitlements to the divine patrimonium. In my scheme, however, the equal entitlement is based directly on the right to equal liberty, and only indirectly on any presumed right to subsistence. I am convinced that liberty is the most important natural right and I identify it with self-ownership.<sup>15</sup> Formal self-ownership necessarily requires ‘external liberty’, or in other words, the possession of one’s body and the independent use of one’s physical powers. This includes the right to draw any benefits from their exercise in work. Without independent property in external productive assets, however, self-ownership can only be formal. A human being without property is always in danger of becoming a slave.<sup>16</sup>

**MODERATOR:** Do I understand you correctly if I say that you interpret the natural right to the general patrimony as an original right to the natural means of production, therefore, and not directly to subsistence itself?

**HUET:** You do. And I go even further: the consistent universalisability of the commitments to equal liberty and self-ownership requires the inclusion of produced assets in the common pool of the general patrimony, as a collective inheritance available for equal distribution. I accept, however, that some of these assets would remain temporarily under private control. This would be an incentive to develop and conserve assets through time with attenuated rights of individual transmission. Whereas the first

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<sup>15</sup> Huet (1853: 47).

intergenerational transfer would not be taxed, the second would be subject to a 100% inheritance tax.<sup>17</sup>

**MODERATOR:** An interesting idea; maybe somebody will pick it up later.<sup>18</sup>

### *Responsibility and Paternalism*

**MODERATOR:** Let us now consider a second issue, that of responsibility. Professor Huet, you have written extensively on the subject. Is it fair to say that you distinguish between ‘brute’ luck and ‘option’ luck?

**HUET:** It depends on what you mean by these terms. I insist that a distinction must be drawn between voluntary and involuntary misfortune, otherwise any idea of personal responsibility would become redundant. I define involuntary misfortunes as misfortunes resulting from circumstances beyond the control of individuals.<sup>19</sup> The legal right to assistance (as opposed to charity) applies only to those suffering from an involuntary misfortune. The degree of assistance should be sufficient to bring them up to the average level of well being of other citizens. So, the underlying principle is: *‘To each according*

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<sup>16</sup> «Or, quelque libre qu’il soit de sa personne, s’il ne possède de droit naturel aucune avance, aucun capital; s’il n’est pas propriétaire comme il est homme et travailleur, il ne produit, il ne vit que par la permission de ses semblables: il tombe dans un véritable *esclavage réel*.» (Huet, 1853: 244).

<sup>17</sup> Huet (1853: 263-275).

<sup>18</sup> And that is what happened: Solvay (1897), unknowingly, and Rignano (1901), knowingly, generalised Huet’s idea into that of an inheritance tax graduated according to the number of transfers. More recently Nozick (1989), again unknowingly, also formulated the principle.

<sup>19</sup> Cf. «les malheurs qu’il soit au-dessus des forces de l’individu de prévoir et d’empêcher» (Huet, 1853: 354). In one place at least the qualification ‘involuntary’ was replaced by ‘unforeseen and involuntary’ (*ibid.*: 64).

to the extent of his involuntary misfortune'.<sup>20</sup> In sharp contrast, the consequences of negligence or imprudence, as well as exposure to foreseeable everyday risks, will have to be borne either by the individual directly, or through private insurance, but failing that, by recourse to charity.

**MODERATOR:** In your system, only those who lost their *dotation* by *force majeure* would be legally entitled to further assistance, then?

**HUET:** Yes. Those who deliberately squandered their *dotation* have sacrificed their initial chance to secure an independent livelihood and are not entitled to any further chances funded by the state. They would have to seek employment as wage-labourers from other more prudent individuals who have retained or increased the capital provided by their *dotations* - or else resort to charity.<sup>21</sup> This squandering of the *dotation* demonstrates not only personal irresponsibility. It is also a violation of moral duties to other (future) individuals. It threatens the sustainability of the *dotation* scheme by reducing the pay-back to the inheritance fund and the pay-out to those future others.<sup>22</sup> Similarly, those who choose to live entirely from their *dotation* by using it only for 'sterile consumption' threaten the sustainability of the fund, leaving nothing to pay back into it.<sup>23</sup>

**MODERATOR:** I understand that you are quite concerned about the magnitude of the fund.

**HUET:** You have to be, if you are as strongly committed to intergenerational justice, as I am. In view of expected population increases<sup>24</sup>, if individual *dotations* are to remain (roughly) equal over time, each generation has not only to conserve but also to increase

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<sup>20</sup> Huet (1853: 354).

<sup>21</sup> Huet (1853: 293).

<sup>22</sup> Huet (1853: 392).

<sup>23</sup> Huet (1853: 278-279).

<sup>24</sup> Apart from the issue of any procreative responsibilities, as discussed in Williams & Casal (1995).

the general patrimony from which disbursements are to be made. In order to enforce these moral obligations, I call for a set of legal restrictions intended to prevent the formal conversion of the *dotation* into any life-long annuity and to discourage its dispersal through *inter vivos* gifts or bequests.<sup>25</sup>

**MODERATOR:** You insist that the only morally responsible use of the *dotation* is for productive purposes. Does this imply that you subject its pay-out to legal conditions to ensure those uses?

**HUET:** Not immediately. As the author of his own destiny, the responsible individual should use his talents to secure his own livelihood.<sup>26</sup> But, if even the most talented individual chooses to waste his life in idleness and frivolous amusements, there is no legal culpability but only moral culpability before God and humanity.<sup>27</sup> Of course, I readily concede that young adults might be especially prone to squandering a cash *dotation*. My preferred remedy, however, is not to resort immediately to hard legal restrictions, but rather to rely on softer but more appropriate cultural and educational incentives. A similar preference holds with respect to the moral duty to redeem the *dotation* payment. Older people might be tempted to consume their inherited goods, or to convert them into easily transferable values and secretly hand them over to friends and relatives, so that when they died nothing would be left.<sup>28</sup> Again I appeal in the first instance to the influences of religion, ethics and honour to prevent this kind of behaviour, but accept that ultimately the law could intervene and impose additional measures, such

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<sup>25</sup> Huet (1853: 267).

<sup>26</sup> Huet (1853: 347).

<sup>27</sup> Huet (1853: 66).

<sup>28</sup> Huet (1853: 278).



as giving wide publicity to transactions and putting the property of older people under surveillance.<sup>29</sup>

**MODERATOR:** M. Charlier, what is your line on the responsibility issue?

**CHARLIER:** Well, I draw a similar distinction between voluntary or deserved misfortunes, and involuntary or undeserved ones.<sup>30</sup> If an able-bodied adult chose to squander his dividend, then he alone would have to bear the consequences of his misconduct. Although in principle he might be able to rely on charity until the next dividend were paid, in practice a positive response from members of the public would be unlikely because they would realise that this was probably a case of deserved - not involuntary - bad luck.<sup>31</sup> Perhaps, this would be a disincentive to any repetition of squandering behaviour. Yet in my system even the most dissolute individual retains the entitlement to the dividend.<sup>32</sup> With respect to those able-bodied individuals who choose to live entirely from their dividend without doing any other paid work, I accept without reservation that this is indeed their right.<sup>33</sup> By contrast, I propose extensive state provision for all those who suffer from undeserved misfortune, and for all children and for all old people.<sup>34</sup>

**MODERATOR:** Don't you worry that squandering or idleness would be a threat to the sustainability of basic income levels through time?

**CHARLIER:** Not in the least! I have considered the possibility that the provision of a basic income would act as an incentive to population growth, reducing the per capita level of

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<sup>29</sup> Huet (1853: 279-280).

<sup>30</sup> Charlier (1848: 43).

<sup>31</sup> Charlier (1894a: 215).

<sup>32</sup> Charlier (1894b: 27).

<sup>33</sup> «Tant pis pour les paresseux: ceux-là resteront réduits à la portion congrue. Le devoir de la société ne va pas au delà: assurer à chacun sa juste participation à la jouissance des éléments que la nature a mis à son service, sans usurpation des uns au préjudice des autres.» (Charlier, 1894a: 56)

payment below the subsistence rate.<sup>35</sup> According to me, however, this would not be the case; population increase would continue to follow its ‘normal course’. I believe there is much truth in the familiar appeals to divine providence, and moreover I think that a guaranteed minimum would have no effect on parents’ calculations (if any) about family size.

### *Transitions and Feasibility*

**MODERATOR:** I see that both of you have thought very hard about the principles, but have you not forgotten the more practical aspects? M. Charlier, do you think your proposal is really feasible?

**CHARLIER:** Listen: I am horrified by utopian schemes. I can assure you that my scheme can be introduced immediately; I have considered the practical issues very carefully. I have estimated the net revenue that might become available through land rents and other sources of income. In particular I have addressed the immediate problem of the implementation of my scheme in a setting where there is concentrated private landownership.<sup>36</sup> Although I emphasise that such ownership is incompatible with the notion of a common natural patrimony, I also insist that current legal titles to land have to be respected. My solution to this problem consists of a system of mutual compensation, mediated by the state, between the minority of current landowners and the landless

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<sup>34</sup> Charlier (1848: 82-86).

<sup>35</sup> Charlier (1848: 73-74; 1871: 64-65; 1894a: 241-242).

<sup>36</sup> Charlier (1848: 47-64).

majority. Landowners would be compensated, at least partly and temporarily, for any loss resulting from the reassertion of the collective right to the land. The landless majority would be compensated permanently through the disbursement of a guaranteed minimum. The state would derive the financial resources for this system of mutual compensation from the socialisation of rent and related measures. In my view, only this mechanism can remedy the injustice of private landownership without introducing another injustice by a forced dispossession of legal titles. My 'humanitarian constitution' provides a 'mathematical solution' to the problem.<sup>37</sup>

**MODERATOR:** Apparently you have done some calculations for the state of Belgium.

**CHARLIER:** That's right. I have worked my plan out in great detail and added calculations to show that it is financially sound.<sup>38</sup> The main question is whether the state would have enough financial resources for the two compensatory payments. As the sole landowner, the state would receive all the existing land-rents; in addition, it would generate new revenue streams by a better management of the land. In compensation for the loss of their land, owners would not receive its capital value but instead would be entitled to an annual revenue equal to the estimated loss of land-rent income. The revenue would be an increasing function of the capital value of the land, whereas the ratio between revenue and capital would be a decreasing function of it.<sup>39</sup> Moreover, it would diminish through time according to the number of intergenerational transfers: with each transfer the

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<sup>37</sup> Charlier (1848: 21).

<sup>38</sup> Charlier arrived at the conclusion that in the first year the scheme would yield an income of about 50 francs per head; see Charlier (1848: 47-50). Later he estimated that on a European scale a dividend of 245 francs per head would be possible; see Charlier (1894b: 18).

<sup>39</sup> Charlier (1848: 105).

revenue would decrease by a quarter of its original amount.<sup>40</sup> The difference between the rent revenues of the state and its compensation payments to the original landowners would be the amount available for the guaranteed minimum. In the beginning the minimum would be fairly low, but it would increase as those payments declined and eventually ceased.

**MODERATOR:** Professor Huet, what about the practical aspects of your proposal?

**HUET:** Frankly, I am a philosopher and I think my task is to be concerned with the general principles behind my *dotation* system rather than with issues about its feasibility. It is easy to abuse statistical material to prove or disprove anything you like.<sup>41</sup> But let me be constructive and suggest that the new system might be introduced by imposing sharply progressive inheritance taxes, provided that the receipts of the taxes are used entirely for the benefit of the poor classes, in conjunction with other legal changes to do with the transmission of property.<sup>42</sup>

### *A Hypothetical Debate*

**MODERATOR:** Up to now each of you has spoken of his own proposal. I know that neither of you has ever written about the proposal of the other. I would nevertheless like to invite

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<sup>40</sup> «La valeur de ces biens sera, après l'estimation cadastrale, ou toute autre mode d'appréciation à déterminer, convertie en rentes viagères au profit des propriétaires et leurs descendants jusqu'à la quatrième génération et par amortissement d'un quart par génération.» (Charlier, 1848: 40-41)

<sup>41</sup> Huet (1853: 370n).

<sup>42</sup> Huet (1853: 276-277).

you to confront each other's ideas. M. Charlier, what is your opinion of Huet's basic capital scheme?

**CHARLIER:** My position is quite clear, M. Huet, and I'm not at all certain just what yours is. As I see it, there is a natural right to subsistence that must be guaranteed from natural resources. For the time being, this right has to be mediated through each state in the form of an unconditional income stream for all of its members, and I have not avoided the problems that this creates. You admit that your *dotation* scheme faces similar problems. But ultimately we at least agree that there should be one universal state. Of course, I readily accept that this income stream would cover only basic needs. Beyond that, there is indeed a realm of acquired wants, and in my view, the satisfaction of these is a matter of individual responsibility in which the state has no role to play. My position is simply that «L'État assure du pain à tous, des truffes à aucun.»<sup>43</sup>

Now, I really cannot see how your *dotation* scheme or anything like it could guarantee the fundamental right to subsistence for everyone. After all, how could the appropriate level of grant be determined and financed, let alone sustained in the light of numerous complicating factors? And how could you avoid the danger that the fund destined for the satisfaction of basic needs would be squandered when distributed over all society's members? My conviction is that the state, as a substitute for humanity, has to ensure that the pool of natural resources is conserved in the interest of all, and that obviously includes all those future generations that you claim to be so concerned for. Surely, you must recognise the slogan: «*Le sol à personne, mais le fruit à tous.*»<sup>44</sup>

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<sup>43</sup> Charlier (1848: 43).

<sup>44</sup> Charlier (1848: 23).

**HUET:** Like you, M. Charlier, I believe in a fundamental individual right to the general patrimony. Our basic disagreement is how that right should be understood. I just do not accept any right to subsistence itself. What matters to me is that each person should have the effective opportunity to shape his own life in his own way as a truly free human being. My *dotation* scheme - and remember that the payment is made only after free education - is designed to secure that opportunity for all. The provision of both education and the *dotation* would realise the right to be an independent worker.<sup>45</sup> Under these conditions, I believe that all able-bodied adults are personally responsible for securing their own subsistence by their own labour. The responsibility of the state to them has been discharged except for a very restricted category of disasters. What they make of those responsibilities is naturally up to them. If they blow their chance then that's their problem and not the state's. As for other less fortunate individuals, then the state does retain the responsibility to secure them a decent living.

Your scheme is all very well if you're concerned above all to guarantee the right to subsistence and to prevent destitution - even if it means depending on the state. But my concern is that every individual must have the effective opportunity to live an independent and self-determined life. You focus entirely on consumption while I encourage people to become active producers. Your basic income would promote reliance on the state but my *dotation* scheme would enhance independence. Deep down, we place the boundary between individual and collective responsibility quite differently, and no further discussion between us will settle that issue.

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<sup>45</sup> Cf. «un dernier droit: celui de devenir un travailleur indépendant, capable de suffire à ses besoins» (Huet, 1853: 181).

**CHARLIER:** Perhaps, but don't go quite so fast. As I see it, arguments about freedom cut both ways. Don't forget that in my view an unconditional income stream also increases freedom. And I don't see how we can decide whether freedom would be increased more by my regular but relatively small payments over a lifetime or by your single but larger capital payment to young adults. In any case, although you are not entirely clear about it, my payments would be unconditional but not yours. Although you don't say so explicitly, you come pretty close to suggesting that the *dotation* pay-out might be subject to legal conditions to ensure that it is only used productively. And you certainly do insist on a pay-back condition - at death - which raises the obvious question of enforceability. It seems pretty late in the day to worry about repayment then!! Surely these conditions count against freedom and smell of paternalism.

**HUET:** Let's agree that defining and measuring freedom is difficult if not impossible. So let's avoid the issue of whether your scheme or mine increase it more or at all. Of course, my scheme must have a pay-back requirement because it has to be sustained through time. Or are we to arbitrarily privilege a single generation by giving its members a *dotation* and forget the rest? That's why I'm also tempted to make the pay-out conditional along the lines you suspect. This has nothing to do with paternalism. If adults screw up their own lives after they have been given a decent chance through education and the *dotation* then that's *their* problem. But if they also screw up the chances of other future individuals then that certainly should be *our* concern. I admit that I'm not sure if I've got all of the details on pay-out and pay-back absolutely correct but I'm convinced that I'm on the right lines.

**CHARLIER:** Although I broadly share your tough-minded view of irresponsible individuals and agree that they have to live with the consequences of their own mistakes, you seem to push it much too far. In my scheme, they would have to survive by resorting to charity only for a short time, until the next regular payment. They have the chance to learn from their errors and only exceptionally would anybody have to fear starving to death. In your scheme, they seem condemned for life if they make a mistake. It appears to me that you take a hell of a gamble by ignoring the subsistence issue.

**HUET:** For heaven's sake, don't call me a gambler! There's no doubt that we differ fundamentally on the responsibility issue. But let's be quite clear what my position is. I argue that as *citizens* we have no *legal* obligation to them. That's all. As individuals we undoubtedly have pressing moral obligations to help them. It would be a very poor world indeed if our moral obligations were reduced only to our legal duties.

**CHARLIER:** You seem to have a lot of faith in good manners and the power of education.

**HUET:** Yes I do.

**MODERATOR:** I think it is time to conclude. There is one thing that puzzles me, though. If under your system, M. Charlier, people were allowed to transform their dividend into an endowment, and under your system, Prof. Huet, to convert their *dotation* into a regular income stream, would not the difference between your proposals vanish?

**HUET:** I have already said that I would not allow such a conversion of the *dotation*. I conceive the *dotation* as a means of production, not as a piece of cake that one can slowly consume.

**CHARLIER:** In principle individuals can do with their dividend whatever they want. But I doubt that financial institutions would be prepared to transform the dividend into an



endowment. My humanitarian constitution stipulates that the right to the dividend is ‘inaliénable et insaisissable’. Suppose I borrow from my bank with my dividend as the only security. Now if I squander my capital or make a bad investment and fail to meet my obligations, the bank would not be entitled to seize my dividend in my place. So I think there still remains a huge difference.

#### **4. FROM THE PAST TO THE PRESENT**

Let us now take another leap of the imagination and suppose that our modern basic income and basic capital proponents join the debate. What would be the main issues?

**MODERATOR:** I am delighted to introduce all of you to each other and to our distinguished audience. I seem to remember that more than a century ago I had the pleasure of chairing a debate between M. Charlier and Professor Huet. So, it has been a very long wait indeed before resuming our discussion! We understand that now Professor Van Parijs is a leading advocate of basic income, whereas Professors Ackerman and Alstott propose a basic capital scheme. How amazing to find a similar controversy after all that time! It seems to me that these similarities run along two main lines. In the first place, Huet’s *dotation* scheme is a direct intellectual ancestor of the stakeholding proposal of Ackerman and Alstott, and secondly, Charlier’s territorial dividend scheme is a direct precursor of Van Parijs’s basic income proposal. I would like to ask you to begin with if you all agree with my first impression?

**CHARLIER:** I find it hard to believe that my scheme is so similar to Professor Van Parijs's, but that its foundation is so different. I explicitly linked the territorial dividend to the notions of subsistence and basic needs. The dividend has to be just sufficient to cover each person's basic necessities, no more and no less. Whoever wants more, has to work for it. My scheme was therefore designed essentially as a means to eradicate absolute poverty. But, as I see it, Professor Van Parijs, you directly reject that basis and appeal rather to a notion of real freedom.

**VAN PARIJS:** I do indeed. In my book *Real Freedom for All* I have been very explicit about it: «(...) there is nothing in the definition of basic income, as it is here understood, to connect it to some notion of basic needs. A basic income, as defined, can fall short of or exceed what is regarded as necessary to a decent existence.»<sup>46</sup>

**HUET:** And remember that my *dotation* proposal was based on a notion of freedom, and that I considered it superior to any income stream in promoting that objective - a view I'm pleased to see that now seems to be shared by Professors Ackerman and Alstott.

**ACKERMAN & ALSTOTT:** Quite so; in our view a significant lump-sum payment at a crucial moment in our lives increases personal liberty more than «small amounts dribbled out annually». Whereas a lump-sum provides the opportunity for «a period of basic appraisal», these small payments might easily be spent on «incidentals» only.<sup>47</sup> And, of course, if an individual chooses to convert the lump-sum into a stream of annuity payments, then we respect that choice.<sup>48</sup>

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<sup>46</sup> Van Parijs (1995: 35). This view is, however, not shared by all modern basic income writers. For Robert van der Veen (1998: 140), for instance, the basic income has to be set «at the ruling level of subsistence».

<sup>47</sup> Ackerman and Alstott (1999: 214-215).

<sup>48</sup> Ackerman and Alstott (1999: 212).

**MODERATOR:** Yes, we really must try to sort this one out - if it's possible. While it seems to be difficult to generate subsistence-based arguments for basic capital, there are subsistence-based arguments for basic income. And clearly there are liberty-based arguments for basic income or basic capital.

I would now like to take up another point that really worries me and this is the determination of the level of basic income/capital. It seems that the level can be established in two distinct ways: either you first determine the amount of resources available for distribution, or you start from the required level of payment. In the first case, the total revenue is taken as given, and the level of individual payment will follow from the division of that total by the number of recipients. In the second case, the required level of individual payment together with the number of recipients determines the total revenue that has to be generated. The necessary sources of that revenue are then identified. Could you tell me whether this is so?

**HUET:** I adopted the first procedure. In each year, the yield from death duties would be divided equally between those who have reached the age of eligibility for the *dotation*.<sup>49</sup> This explains why I could not commit myself to specifying a precise level of payment for the *dotation*.

**VAN PARIJS:** Although mine is a basic income stream, I follow a similar procedure: I first identify the constituents of a common pool of resources that would yield the maximum, sustainable amount of revenue. In turn the level of basic income would be determined by

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<sup>49</sup> Each individual would receive 1/3 of his *dotation* at the age of 14, and 2/3 at the age of 25. In order to prevent the *dotation* from fluctuating too much, the available resources would be averaged out over several years. See Huet (1853: 274).

the equal distribution of that revenue amongst all full members of society. This explains why I too cannot commit myself to specifying a precise level of payment.

**ACKERMAN & ALSTOTT:** We adopt the second procedure. We commit ourselves to a stake of 80,000 \$ for each young American adult and are relatively flexible on the way to raise the funds.<sup>50</sup>

**CHARLIER:** Apparently I have combined both approaches: on the one hand the required level of the dividend is determined by basic needs (in principle it must be possible to establish a precise level of monetary payments necessary to cover subsistence), but on the other, I restrict the appropriate sources of revenue from which the dividends must be financed. On reflection, this accounts for my reservations as to whether the initial level of dividend would actually be high enough, and for my expanding the pool of common resources to include all real estate.

**MODERATOR:** So, as I suspected, in this regard the dividing line does not coincide with the basic income / basic capital division. I would now like to explore another issue that puzzles me in your various schemes, and that is to do with their claimed unconditionality. These entitlements to basic income or capital are all presented as expressing unconditional citizens' rights. Leaving aside the awkward connections between citizenship, nationality and residence requirements - which M. Charlier has explored in detail - I'm suspicious that all of you are hiding elements of conditionality in a dark corner of your schemes. Would you care to comment on this?

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<sup>50</sup> The stake would be paid out in four yearly instalments of 20,000 \$ each, starting at the age of 21 (Ackerman and Alstott, 1999: 38-39). They propose to raise the revenue mainly by a 2% annual wealth tax levied on all individual fortunes, with an exemption equal to the level of the stake (*ibid.*: 94-112).

**CHARLIER:** I'm pleased that you noticed my efforts in trying to cope with the connections you indicate. It was not easy. But, for all eligible individuals, the same dividend would be paid from birth irrespective of any other feature. There is neither a means test nor a work requirement. At the time, I did not consider explicitly the possibility of its conversion into a lump-sum payment. As I explained before, I do not think that there is much scope for this kind of financial arrangement.

**VAN PARIJS:** Apart from an age requirement, my scheme is also unconditional. I must admit, however, that in my book I have alluded to the impossibility of transforming one's basic income into a lump-sum payment.<sup>51</sup>

**MODERATOR:** Thank you. It looks to me as if the situation must be completely different for basic capital schemes. Since they distribute a fund instead of its revenue, their sustainability must depend on a mechanism to replenish the fund. There must be a pay-back condition even if there are no further conditions attached immediately to the pay-out.

**HUET:** I could not agree more. I certainly do insist on a pay-back if only at death, and I was tempted to attach further legal conditions to the pay-out to ensure the sustainability of the fund. Although I did not for a moment consider a means test, I was attracted by the idea of a work requirement or a productive use condition. And, as I admitted earlier, I'm not claiming that I've got all the details quite right.

**ACKERMAN & ALSTOTT:** Like Professor Huet and on the same grounds, we require a final pay-back at death, ... with interest! If this works well, then the initial wealth tax can

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<sup>51</sup> Cf. the expression: «to hand out the basic income in the form of a (non-mortgageable) regular stream» (Van Parijs, 1995: 47).

be diminished or even abolished. We attach no further conditions. Moreover, people have the option *not* to accept their stake. Our stakeholders are free to use their own stake in their own way - and to take personal responsibility for the consequences of their choices.

**HUET:** Definitely! In my scheme, I insisted repeatedly on a crucial distinction between self-incurred misfortunes and those that resulted from circumstances beyond our control. And this marked the boundary between the realms of individual and collective responsibility. I like that boundary where it is, but I realise that others would place it very differently - if they accept it at all.

**CHARLIER:** You bet!

**VAN PARIJS:** Quite!!

**MODERATOR:** Oh dear! Here we go again. This all seems very familiar to me. Over some 150 years, I have heard that basic capital schemes are favoured by those who endorse a strong notion of personal responsibility, and basic income proposals by those who are more paternalistic. Of course, various compromises are possible, by paying the lump-sum in a limited number of instalments, or by attaching direct conditions to its pay-out. But, the basic contrast remains, and I think this is an appropriate time to close the debate.

**ALL:** We agree.

**MODERATOR:** I would like to thank our contributors for their open and frank discussion of the issues raised.

## 5. CONCLUSION

It is time to abandon our imaginary world – even if we believe that it closely resembles our own world – and to draw some conclusions for the real debate of today. Although Charlier's territorial dividend is unmistakably a predecessor of Van Parijs's basic income, just as Huet's *dotation* is one of Ackerman & Alstott's stake, there are important differences between the old and the modern versions of the basic income proposal, as well as between the old and the modern version of the basic capital proposal. This is, of course, hardly surprising, in view of (1) the huge changes in the social and economic situation between the middle of the 19th century and the end of the 20th; and (2) the evolution in social, political, economic and philosophical thinking since the middle of the 19th century. Against this background, the move from an emphasis on the right to subsistence (Charlier) to a focus on real libertarianism (Van Parijs), for instance, is more easily understood.

But this does not imply that it is 'useless' – except for reasons of historical curiosity – to compare old and new proposals on basic income and basic capital. Now – and then – a tough question cannot be avoided: is the proposed solution one that *really* promotes freedom and independence, as it is claimed by all of our authors? Basic income proponents must face the charge that their system is too paternalistic: instead of giving people full responsibility for their own lives by means of a substantial capital grant, they treat grown-ups as eternal children by making them dependent on a meagre monthly allowance. Basic capital proponents, on the other hand, cannot escape the critique that

their system is much more conditional than they at first sight admit: they do give people full responsibility for their own lives, but are obliged to impose severe pay-back conditions in order to make the system sustainable in the long run. Is it possible to devise an intermediate system which avoids the paternalism of basic income as well as the conditionality of basic capital? We have serious doubts about the existence of such a miracle solution. In the absence of an alternative, we think the best we can do is to continue the discussion on the advantages and disadvantages of both basic income and basic capital, making use of all the sources of information we have at our disposal.

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