



# **Enhancing Socio-Economic Security Within an Economic Model Based on “Fear and Insecurity”**

Manfred Bienefeld\*

**DRAFT, SEPTEMBER 2002. NOT TO BE QUOTED  
WITHOUT PERMISSION OF THE AUTHOR(S).**

*The views expressed in this paper are those of the author(s),  
and do not necessarily represent the views of BIEN or BIEN-Suisse.*

\* Carleton University, Ottawa, Canada.



---

**Contents**

1. Introduction and summary.....	1
2. Conditions that strengthen the case for a universal basic income .....	5
3. Lost opportunities and contested alternatives.....	12
4. The crux of the problem - and a key to the “way forward”.....	16
5. Conclusion.....	22
References .....	23



---

## 1. Introduction and summary

This paper reviews the arguments for an unconditional basic income (UBI) and shows that it is generally agreed that the strength of the case for such a policy depends critically on the specific circumstances for which it is proposed. Specifically, the case is stronger in societies with a strong sense of collective identity and a clear concern with collective welfare, so that the public debate about social (or environmental) policy initiatives is structured in such a way that these have to be justified “not in terms of ‘What shall we do with those deviants?’, but as a solution to a problem involving all citizens” (Rothstein, 1996) and the case is stronger in societies in which the public sector can potentially gain access to significant resource rents or, more controversially, to employment or technology rents or, more generally, it is stronger in “rich capitalist societies [that] have the means to do this; it only remains for them to develop the political intelligence and will” (Wacquant, 1996), which is why this proposal has been taken most seriously in continental Europe, where affluence is generally combined with a deeply rooted sense of a collective welfare. But, even within continental Europe, the idea of a UBI has made only slow progress, despite the support of a growing chorus of eminent voices from all parts of the ideological spectrum. The question is why?

In discussing the possible reasons for this lack of success, the paper begins by noting that supporters of the basic income come from very different political and ideological directions, and support the idea in different forms and often with very different objectives in mind. As a result, it is very difficult to harness the ensuing debate for policy purposes, and especially for promoting a UBI scheme with a strong redistributive element, since this will inevitably meet with strong opposition from “the rich and powerful” as “employer interests will steer social assistance policy towards the least expansionary and least redistributive of the various possibilities” (Jackson, 1999). Thus, the lack of a strong consensus within the debate, combined with the strength of this political opposition, create a situation in which many observers remain very supportive of the idea of UBI, while reluctantly accepting that it is essentially infeasible in a world in which

---

“responsible politicians’ would probably dismiss the project of basic guarantees on the grounds of its actuarial or political and economic ‘irrealism’, glossing over the dubious realism of the presently fashionable crisis-management expedients” (Bauman, 1998, p. 96).

One legitimate escape from this impasse is to point out that today's constraints will not apply forever and that one often needs to think about possibilities that may be impossible today, partly in order to help to make them possible tomorrow. Thus Gar Alperovitz advocates “the direct provision of a substantial share of income to individuals, as a matter of right” because he believes this to be a necessary foundation for meaningful “liberty and democracy” and although he accepts that this was an unrealistic proposal at the time, he reminds us that “political activity requires ... ideals and values - and a very clear sense of direction” as well as “a coherent vision and a clear conception of a process which might over time lead to it”(Alperovitz, 1992).

Unfortunately when one considers the basic income proposal from this perspective, one is led to conclude that it does not provide a sufficiently clear sense of direction for political action, and that the debate surrounding it does not provide us with a coherent vision of a process that might lead to its eventual success. In fact, it is easier to conclude that current global developments are steadily undermining the feasibility of serious basic income proposals, in much the same way that they have undermined the foundations of the welfare state and the dream of the leisure society. This means that a UBI cannot be espoused as the alternative to a welfare state that was undermined by the corrosive forces of neoliberal globalization, because those very same forces undermine its feasibility.

And this conclusion is further reinforced once it is understood that the neoliberal economic model that has emerged over the past quarter century has come to depend absolutely critically on the relatively unregulated and often irrational financial markets that lie at its core. These markets largely determine the patterns of resource allocation that shape the world in which people live and work. And they have become endemically, chronically unstable. Driven by the animal spirits of their “players” they have created a world of recurrent financial crises

---

that is constantly imposing enormously costly adjustments on people and societies; they have misallocated resources on an unimaginable scale, most recently in the course of creating monumental financial bubbles in the dot.coms and in the telecom sectors; they have reshaped institutions and markets and jobs, usually imposing heavy costs on employees and communities in the process, even though there is very little evidence to suggest that these “mergers and acquisitions” games have brought any benefit to the economy, not even to the shareholders most directly involved. And overall, the period of the ascendancy of these markets has been associated with lower investment levels, slower growth rates and substantial increases in inequality, and in economic and social insecurity. There is, in other words, no credible evidence to suggest that the enormous growth of these financial markets has brought net benefits to the rest of the economy, also known as the real economy. Indeed, the evidence is more easily compatible with the idea that their impact has actually been negative.

Certainly the impact on working people has been deplorable. Thus, around the world - with the spectacular exceptions of China, South Korea and Taiwan - real wages have widely stagnated, or fallen; welfare state protection has been systematically dismantled, though at varying rates; unemployment has once again become a chronic problem; and working conditions and job insecurity have deteriorated widely, sometimes dramatically. This much is well known. In fact, these developments have been one of the main driving forces behind the recent revival of the basic income movement, as is made clear by many of its most articulate supporters (Barry, 1997; Offe, 1997; Standing, 1999; Wacquant, 1996).

But even this picture is likely to be too positive, for two reasons. First, growth is likely to be overstated, and second, a rising share of expenditure, especially among lower income households, does not reflect “freely made choices,” but “constrained choices” that are, to some degree, imposed on people by changing socio-economic circumstances.

If we look at growth in the United States since 1973, we find that real per capita growth rates have been low by historic standards. But on closer examination, we find that much - or even most - of this growth can be explained

---

by structural shifts in society - including changing patterns of family life that have shifted many intra-household activities into the market place; the explosive growth of the country's prison population, and of the security industry more generally; the enormous growth in gambling and financial speculation; and the massive misallocation of investment into the dot.coms, telecom and the stock market bubble more generally. When all of these "spurious" factors are eliminated, very little real growth is left.

When we look at expenditure choices, we discover that the systematic restructuring of society in the neoliberal era has exposed people, and especially working people, to a growing range of risks and private obligations, which can consume a significant amount of their disposable income. The most obvious example is the rising cost of private health care and health insurance, which is effectively "imposed" on consumers by the absence, or the deterioration, of public health care coverage. And similar mechanisms can be identified in other areas of the economy, triggered by a deterioration of the public education system, dismantling of public pension schemes, the badly managed deregulation of utilities. And it is important to remember that these are not random events. Rather they are the result of a process that is ultimately driven by the financial system's urgent need to find new profitable investment opportunities, in a world where such opportunities are often stifled, either by heavy burdens of accumulated debt, which constrain effective demand, and/or by the existence of high levels of excess installed capacity, which will naturally constrain investment. And both the debt mountains and the excess capacity are generally the legacy of the latest created bout of "irrational exuberance" in the financial markets.

In short, the process that has undermined the social and economic security of working people around the world is ultimately rooted in the pathology of the deregulated financial markets, which have been given such inordinate power of global patterns of resource allocation. And, any serious attempt to deal with that problem, must necessarily address that issue, if it is to be plausible and potentially feasible.



---

This does not destroy the case for a UBI. Indeed, in my mind, it strengthens that case. But it does suggest that the demand for a UBI must go hand in hand with a simultaneous demand for a fundamental reform of the international financial system. A reform that would allow economies to be “re-embedded” in political spaces within which one could achieve reasonable and workable policies to rebuild prosperous, stable economies that will gradually increase people's incomes, welfare and security. And that policy mix could - and almost certainly should - combine some form of UBI, greater incentives to share work through reduced working hours and the reconstructed core a welfare state providing services like health care and education that are much more effectively, and efficiently, provided by well run and well funded public systems.

## **2. Conditions that strengthen the case for a universal basic income**

Somewhat paradoxically, the disarming simplicity of the Basic Income proposal appears to be both one of its abiding strengths and one of its more serious weaknesses. On the positive side, there is clearly something intuitively attractive about the idea that if societies wish to protect their less fortunate members from extremes of hunger and destitution, and almost all societies profess some support for this ethical principle, they could achieve this by assuring every one of their members with an UBI, allowing them to live with a minimum of human dignity. And, despite the many objections that have been raised against this idea by its opponents, some of whom regard it as dangerously simplistic, it has received the support of eminent thinkers for over a century, going back at least to John Stuart Mills, who made the case for a “citizen's dividend” in Victorian England. And although his proposal was never adopted, it never entirely disappeared and enjoyed periodic revivals whenever protracted economic crises threatened to disrupt the lives of too many “ordinary citizens.”<sup>1</sup> And so it should

<sup>1</sup> In Britain the idea surfaced actively again just after the end of the First World War, in a period of intense turmoil and conflict, when it was promoted by a State Bonus League and then again in the 1930s, when it was eloquently supported by James Meade and G.D.H. Cole.

---

come as no surprise that the idea has enjoyed another revival in the era of neoliberal globalization, when the lives of working people have once again been disrupted in ways that many had thought a thing of the past. Time and again, the modern day supporters of this old idea have explained that they were drawn to it by the re-emergence of “a serious long-term unemployment problem” in the industrial world (Groot, 1999); by the resurgence of extreme poverty and destitution, ethno racial divisions and public violence in North American and European cities (Wacquant, 1996); by the systematic destruction and delegitimation of existing welfare state policies (Standing, 1999); or by the perceived need for “a radical solution to the present crisis” in work and welfare (Offe, 1996).

It is especially noteworthy that the modern day support for this idea comes from all ends of the ideological, and political, spectrum. The range is truly enormous, with Brian Barry seeing a UBI as “a far more plausible institutional embodiment of [Marx’s vision] than anything that Marx himself ever came up with” (Barry, 1997), while the eminent public choice theorist, James Buchanan, advocates “equal-per-head transfer payments, or demogrants” financed by a flat tax, in order to allow liberal, democratic societies to sustain his vision of a ‘welfare state’ within a highly deregulated market economy (Buchanan, 1997). In addition, strong support also comes from many social democrats, and from environmentalists like James Robertson, who envisages a UBI financed through eco-taxes and site-value land taxes, and sees it as a solution that could both restore security to working people, and achieve critically important environmental objectives. (Robertson, 1999)

In some senses, the fact that this idea receives support from so many diverse analytical and political perspectives, can be seen as a sign of strength, but in terms of the idea’s impact on real world policy it is actually a key to understanding the difficulties long encountered by its supporters in trying to translate the idea into practice. The truth is that the “disarming simplicity” (Pearson, 1999) of the basic income idea, around which there is so much agreement, quickly gives way to explosive diversity when the discussion moves to a more detailed level. It runs out that people are drawn to this idea for different reasons, favour different types

---

of basic income support, differ on the likely impact and on how to measure and to assess it, and ultimately differ on the objectives that they have in mind. This rich diversity makes for a stimulating intellectual debate and this has been very effectively captured and clarified by Tony Fitzpatrick in his book *Freedom and Security* (Fitzpatrick, 1999), which more than lives up to its modest sub-title *An Introduction to the Basic Income Debate*. Ultimately, one must agree with Ian Gough's reminder that any effort to assess the impact of particular socio-economic arrangements on specific ethical goals, will necessarily turn out to be complex and contested, so that "solutions will rarely conform to one policy instrument, whether that be deregulated markets or basic income" (Gough, 1996).

All this is to say that, as with all other debates dealing with major socio-economic policy choices, the basic income debate is, and will remain, open ended and contested. Conclusive arguments or compelling evidence are not a possibility, even though progress can be made as issues are clarified and evidence is examined. Ultimately, it is the task of the participants in this debate to reach defensible "on balance" conclusions, given currently available evidence and arguments. Conclusions about the circumstances under which UBI is most likely to be effective and feasible, and therefore desirable.

As we turn to consider some of these widely shared conclusions, it is important to remember that the inevitable inconclusiveness of such debates will always allow material and political interests to insert themselves even into the most 'scientific' debates by exploiting the need, even within such a context, to make many "on balance" judgments regarding uncertain evidence, contested principles and relationships or inherently uncertain future trends. And that this political element of the discussion must be clearly understood as we assess these debates.

In this particular case, the "rich and powerful" can be expected to be extremely hesitant about accepting arguments that call for a substantial

---

redistribution of power and income to the lowest income groups.<sup>2</sup> They will therefore demand relatively high levels of proof; they will tend to favour ethical principles that are favourable to them, which they will promote these among the population in order to add weight, and democratic legitimacy, to their position; and they will tend to pay more attention to, and provide more funding for, those simulations that produce, or that are more likely to yield, results favourable to their argument. And within the debate, when it comes to discussing various forms of basic income, “employer interests will steer social assistance policy towards the least expansionary and least redistributive of the various possibilities” (Jackson, 1999). Of course, those who are strongly committed *a priori* to reforms that favour the lowest income groups will tend to exploit this same room for manoeuvre in “their” direction, though they will generally have fewer resources or levers of influence at their disposal. The point is not that because of these “distortions” any position that’s adopted by one of these protagonists is therefore necessarily invalid. It is merely that the existence of these politically “distortions” must be borne in mind as we evaluate these debates.

So what can be said about the conditions that will strengthen the case for UBI? The first hurdle is the ethical one and here many potential supporters are winnowed out, depending on who gets to design the hurdle. Thus, if the hurdle is constructed by those who espouse a narrow definition of reciprocity suggesting that the “right to receive” must be based on a current, reciprocal contribution to society, then the discussion will appear to end there. Indeed, many participants in the international welfare policy debate essentially dismiss the UBI discussion because they “believe that the only genuine entitlement is a reward of self-support and integration for those willing to fulfil a social contract with their fellow citizens by working and earning” (Phelps, 1997). And this principle does provides “the rich and powerful” with a convenient, and apparently decisive, reason for

<sup>2</sup> Although the precise impact of basic income schemes is inevitably uncertain, there is relatively widespread agreement that the lowest income groups are most likely to gain, and the highest ones, most likely to lose. (Callan et al., 1997; Groot, 1999; Greene, 1998; Healy et al., 1997) There are some exceptions, where simulations suggest that certain variants of BI may increase unemployment (Van der Linden, 1997), or reduce the real income of certain groups as, in one particular simulation, the “single unemployed” (De Jaeger et al., 1996)

---

rejecting this entire, potentially troublesome debate. But anyone who does choose this particular reason for rejecting the legitimacy of the UBI proposal, must understand that adherence to this principle also deligitimates all other forms of unearned income, so that these would then have to be defined and dealt with.

However, there is a reply to the above argument, which can make this hurdle surmountable, certainly in logic – and possibly in real life. In logic, the force of this narrow reciprocity argument is undercut, in so far as one understands that any income that is earned by any individual in a society is never purely a product of their individual endeavour. Indeed, “a Basic Income recognizes the social nature of income generation and the large share of output due to ‘society and history’ and distributes it among all citizens” (Clark et al., 1996).

From this brief consideration of the ethical issues foundations of the UBI debate, it follows that basic income proposals are far more plausible, appropriate and defensible when proposed in, or for, societies in which there is a strong sense of a common social interest and in which the public policy debate is structured specifically to focus on dealing with problems that confront the citizenry, as opposed to focusing on dealing with certain “deviant groups” (Rothstein, 1996). Of course, these characteristics are not easy to measure, or even to define, nor are they fixed over time. In other words they can be created over time. Moreover, as is suggested by what has just been said, the way in which one responds to social policy problems today, will influence the context, including the ideological context, within which one will have to confront the problems of tomorrow. This implies that even where a UBI scheme may not be feasible today, one could argue that the choice of today’s policy instruments should take into account how those instruments will influence a society’s future capacity to consider, and to act explicitly in, its collective interest.<sup>3</sup>

<sup>3</sup> This highlights one of the most damaging and pernicious aspects of the neoliberal revolution, which has systematically undermined and weakened the capacity of societies to overcome the well known costs of the prisoner’s dilemma. For a fuller discussion of this point see (Bienefeld, 2002).

---

The other factors that are widely acknowledged as strengthening the case of a basic income are derived not from the ethical, but from the analytical part of the debate. And they relate primarily to: the likely incentive effects of a UBI and their impact on labour supply and performance; the extent and the accessibility of the “rents” out of which such a scheme could be financed; and more broadly, the economic circumstances of the society in question, including the degree of its integration into the international economy, the extent of the financial or social “deficits” that it faces, and the effectiveness of its policy institutions, including its legal system, its public administration and its “National Innovation System.” The first two of these issues feature prominently in the BI literature and will be summarised very briefly below. The third is generally neglected in that literature and will be the main focus of the rest of this paper.

The debate about incentive effects is in one sense a derivative of the ethical debate, in that the idea that people would work only in return for financial incentives, is closely linked to the narrow concept of reciprocity, at the heart of the ethics discussion. On the other hand, it is an important issue and one that is not adequately dismissed merely by saying that “it is demeaning to suppose that a price tag is what sets apart work from non-work, exertion from loafing; it mutilates human nature to suggest that without that price tag humans would prefer to remain idle and let their skills and imagination rot and rust.” (Bauman, 1998) Of course, it is true that people working for reasons other than pay do much hard and creative work, but it is a fine and a difficult judgment what the incentive effect of a UBI would be in any given society. And the desirability of a UBI scheme in that society would depend to a significant degree on the best answer that one could give, bearing in mind that the answer would inevitably be uncertain, that some would base their “estimates” in order to justify a pre-ordained conclusion based on their immediate interests, and that it is possible for people to change, over time. Here too, policy choices must bear some responsibility for the way in which such attitudes and orientations will change over time.

Finally, it is possible to say that UBI schemes are certainly more readily feasible in societies with extensive access to collective rents, in some form or

---

another. The most obvious case is the one where a state has access to rich natural resource rents, because ownership is, at least, partly vested in the public domain. That is why the most widely discussed “actual example” of a functioning UBI scheme, happens to be found in Alaska. Other rents, from land, employment, technology or finance could be used for such purposes, but are generally more difficult to justify and to collect. However, surpluses do have to exist in some form in order for a basic income scheme to be financed, which should serve as a reminder that a society’s general level of affluence is also ultimately an important – though maybe not a decisive - factor to be considered. Indeed, some advocates hang their argument mainly on this hook: “Rich capitalist societies have the means to do this; it only remains for them to develop the political intelligence and will” (Wacquant, 1996).

Once considered at this level, it becomes clear that the case for a UBI ultimately has to be made relatively specifically with regard to time and place, if it is to become more persuasive and less speculative - and potentially more politically effective. It is therefore heartening to note that the debate that has developed in recent years is deeply embedded in concepts of time and space, though not in chronological time, but rather in “economic time,” and not in simple geographical place, but rather in political space. The “economic time” is the time of neoliberal globalization, when dramatic institutional and regulatory changes have reversed long standing socio-economic trajectories, with especially dramatic consequences for working people in their places of work, for the labour markets on which they depend and in the social welfare systems that had once protected them. And the political space is primarily that of an integrating continental Europe, in which the welfare gains of the past were particularly deeply institutionalised and in which they had enjoyed relatively strong political support that extended well into their middle classes. And so, it was in this particular political space that the continuing erosion of the welfare state eventually fuelled rising levels of support for the idea of a UBI.

But if Europe was the most propitious place for a revival of the demand for a UBI – apart, of course, from a few “exceptional cases” like Alaska, Kuwait or Brunei - this did not, and does not, mean that the main protagonists in this debate

---

believe that there is a good chance that a UBI scheme will be implemented in Europe any time soon. Indeed most of them appear to accept that the idea is “politically infeasible” for the moment. And that raises the question of whether time is on their side. The section that follows will address this critical question.

### **3. Lost opportunities and contested alternatives**

As was noted much earlier, the basic income movement experienced its recent strong revival as a direct reaction to the destruction wrought in working people’s lives by the neoliberal revolution. As the forces of globalization systematically undermined the foundations of the welfare state in one country after another, the idea of a UBI began to be promoted as an alternative way of protecting working people’s welfare and security. In essence, it was seen as a way of dealing with “the economic infeasibility of generous welfare states, while getting around the political infeasibility of a generous transnational welfare state”.<sup>4</sup>

But this argument is not very persuasive if only because the UBI proposals are themselves widely regarded as politically and economically infeasible, even by many of their strongest supporters. Barry, for example, makes a strong case for UBI while “accepting the common presupposition that any move to a system of subsistence level basic income would have to be phased in over a period to be measured in decades, rather than years” (Barry, 1997), while Bauman agrees that “political feasibility is not around the corner” (Bauman, 1999). And many other supporters, including Claus Offe and Tony Atkinson among others, have basically agreed to set aside their strong preference for an unconditional basic income, in favour of a “participation income,” solely to increase the political acceptability of the proposal (Offe, 1997; Atkinson, 1998). In any event, the evidence appears to

<sup>4</sup> BIEN Archive 1996, This statement is made in the course of a discussion of Philippe Van Parijs’ contribution on “The Two Dilemmas of the Welfare State” in Anthony Atkinson, Ronald Dore, James Robertson and Philippe Van Parijs (1996) “Debate: Citizen’s Income” *Political Quarterly* (Oxford), 67(1), January-March, 54-60.



---

bear out the caution of these supporters since the idea has continued to make only very slow progress in terms of real world policy reforms. Indeed, the tide is still running the other way, or so it seems.

Unfortunately, the problem of infeasibility looms much larger when the basic income idea is applied to the developing world, as has been done on occasion. And there is no doubt that in this part of the world there is a desperate need to find a humane alternative to the ravages of the neoliberal revolution, which has brought so many societies to the brink of social disintegration. Nor is there any doubt that in these societies the market economy must be embedded within social and political structures that are capable of curbing its “tendency to instability and fraud” – a tendency that the World Bank once wisely but uncharacteristically, ascribed to competitive international financial markets. (World Bank, 1989) But this only speaks to the need for such an alternative in this part of the world; it says nothing about its feasibility. And herein lies the tragedy because the same forces that create the need also undermine the feasibility.

Indeed, in this part of the world,<sup>5</sup> the harshness of the emerging neoliberal reality seems relentless and open ended. The “short term pain” that countries were asked to accept in return for “long term gain,” at the beginning of the debt crisis, has turned into a way of life. In this world, the main task of government comes to be the imposition of austerity, except for brief periods of “financial euphoria” that generate some growth and a wave of orchestrated, irrational optimism, while below the surface, they are actually replenishing and expanding the debt mountains and the contradictions that will soon make “severe austerity” necessary once again. The truth is that in this world the austerity does not represent short-

<sup>5</sup> This now broadly includes all of the developing world except for China, a dwindling number of East and South-East Asian tigers, and a few isolated exceptions that either have very close ties to Europe, or that have managed to share significantly in a rich resource base. Of course, because of China’s size this group does contain roughly a quarter of the world’s population, and because it has enjoyed rapid growth and rising standards of living, the bleak reality that now confronts most of the developing world, can be obscured by artfully juggling the averages, and creating spurious categories in which the success of China and North East Asia is implicitly ascribed to neoliberal policy, while the collapse of the victims of neoliberalism is ascribed to the political turmoil that inevitably accompanies such a collapse.

---

term pain for long-term gain. Instead, the brief periods of “irrational exuberance” – to use Allan Greenspan’s famous understatement, represent “short term gain, for long term pain.” And even then, the gain goes mostly to a small increasingly wealthy elite, while the pain engulfs ever-larger sections of society.

In this world, the welfare state has long been dismissed as “economically infeasible,” while the dream of a “generous transnational welfare state” is not just “politically infeasible,” it is mocked by a reality in which international debt collectors mercilessly squeeze social expenditures in enforcing the repayment of debts which were often incurred when speculative investors, posing as “rational, efficient bankers,” poured money into ill considered projects in the search for high up-front fees, rich short term returns and long term public guarantees, that would keep the money flowing even long after the projects had disappeared from the face of the earth.<sup>6</sup> These are not propitious circumstances for the promotion of a UBI. If “political feasibility” is a challenge for those who advocate it in Europe, then it is surely a monumental challenge for those promoting it under these circumstances.

Of course, this does not deny that those who are promoting the basic income idea under such difficult circumstances deserve our full support and respect. It is, after all, important to remember that social change, and especially social progress, necessarily requires the promotion of ideas that are, at first, deemed unrealistic. Non-one reading the press or the journals of 1929 could have imagined the arrival of the New Deal in 1933 in the United States. Indeed, to restrict the policy debate only to those ideas that are regarded as “realistic” on a given day would be to

<sup>6</sup> This process was nicely described in the World Bank’s 1985 *World Development Report* (World Bank, 1985) which noted the widespread demand for public guarantees by banks lending to the Third World in the 1970s, while pointing out that once these guarantees were in place, the banks no longer needed “to pay much attention to the economic feasibility of the particular projects in which they were investing.” This, of course, did not prevent the Bank from insisting on full repayment of all debts when the debt crisis broke, even though almost a decade later it would “admit” that the borrowing and lending of the late seventies should, in retrospect, be seen as “evidence that even competitive financial markets make mistakes.” Yes, indeed they do. Unfortunately the costs are enormous, and they are largely paid by the great majority of society’s working people who suffer increasing economic and social insecurity, deteriorating working conditions, stagnant or declining wages and disintegrating social services. (For a fuller discussion of the debt crisis and the costs of financial disruption see Bienefeld, 1988 and 2000; Stiglitz)

---

agree to a disastrous entrenchment of the *status quo*. And so the case of basic incomes remains strong, because “powerful political activity requires committed energy. Committed energy requires both ideals and values – and a very clear sense of direction ... which is why it is so important to grapple now not only with the immediate problems of a society in pain, but also with the most difficult questions of a positive long-term future. The combination of a coherent vision and a clear conception of a process which might over time lead to it is required, ultimately, to ignite the human energy, power and commitment needed if a new society is to be built in the new century” (Alperovitz, 1992).

Unfortunately, the basic income idea, as such, does not constitute such a coherent vision. And especially not if it is portrayed as an alternative to the welfare state, or to reduced working hours, because it is deemed to be “feasible” in the context of neoliberalism, while the welfare state and “shorter working hours” are declared “infeasible.” The main purpose of this paper is to suggest that this basic argument cannot be sustained. First because these various concepts cannot be treated as alternatives since they are complementary aspects of any plausible and realistic attempt to harness the power of markets in the service of humanity. And second because the feasibility of the basic income proposal, especially in its unconditional form, is undermined by exactly the same forces that have destroyed the feasibility of the welfare state, and that are making real work sharing so difficult to achieve, and to sustain in practice.

In fact, the concept of a basic income should really be regarded as nothing more than a shift in our conceptualization of the welfare state, albeit a potentially very important shift. It implies a shift towards universality that could yield major benefits by reducing the high costs of selectivity and the associated costly and deeply problematic, “paternalistic” administrative structures (Standing, 1999). Indeed, the moment when basic income advocates agree to drop the demand for a UBI, in favour of a selective “participation income” (Offe, 1997; Atkinson, 1998), they remind us that this debate is not about an alternative to the welfare state, it is a debate about the way in which the welfare state should evolve in face of the neoliberal challenge. It therefore makes no sense to say that since “the welfare state” has become infeasible, we would now like to promote the idea of a basic

---

income. To promote a basic income scheme, we have to defend the idea of the welfare state, both politically and intellectually. Politically because the forces that are driving the neoliberal revolution rejoice when they hear idealistic policy activists say that they accept the death of the welfare state, as a fact of life. And analytically because a basic income scheme must be conceived, and defended, as one element of the welfare state, which is why many of its most eloquent advocates emphasise that “basic income should be seen as complementing, not replacing, social insurance” (Atkinson, 1996).

This means that if the basic income idea is to provide us with a compass to guide our political engagement in the defence of economic security, as a central element in human welfare, and if it is to provide us with “a coherent vision and a clear conception of a process which might over time lead to [success]” then the debate has to do two things. First it has to focus more decisively on those factors and those forces that have been undermining economic and social security so systematically. Second, it has to link the demand for a basic income firmly with demands for other changes that are needed if societies are to be enabled to make sovereign, politically legitimate choices regarding their future evolution, including the relative priorities that they will attach to social and economic security, equity, environmental protection, efficiency and growth. The objection that such multiple demands will be even more infeasible can be answered as above. Political action requires direction and a clear vision of a process that could lead to success. Only this time, this defence might be sustainable.

#### **4. The crux of the problem - and a key to the “way forward”**

The forces that have so systematically undermined the socio economic security of so many people over the past thirty years, in part by undermining the welfare state, are the same forces that stand in the way of those who would like to move forward to a less paternalistic welfare state based on a UBI. Indeed, all of the elements that would be required to make such an advance possible are continuing to be undermined as we speak. It does not seem that time is on our

---

side. It does not seem that we have a clear vision of a process that could lead us to success.

And, at the heart of the process that is propelling the world in this disastrously backward direction, is an increasingly powerful, increasingly unstable and significantly irrational financial market. A market which has grown to almost unimaginable proportions over the past quarter century, both in terms of its size and in terms of its power. Indeed, the entire process of globalization is best understood as a process that is designed to ensure that “the writ of a unit of hard currency” should extend to the ends of the earth. To that end, we need to create a reasonably level playing field in which “local authorities” cannot “change the rules” just because their citizens might wish them to do so. And, of course, we need to ensure that “everything is readily for sale” which requires large scale privatization and the establishment of stock markets in all corners of the world.<sup>7</sup> And, of course, we need to promote governments that will be both democratically elected and fiscally responsible, meaning that they will accept that the obligations generated in these markets are to have overriding priority.<sup>8</sup>

As is increasingly widely understood, these markets profit from, and help to fuel, instability and uncertainty. In their language, uncertainty creates opportunities for *arbitrage*, taking advantage of market imperfections, of regulatory inconsistencies or of ambiguities in existing property rights. And, although in theory all of this can be portrayed as potentially rational and stabilizing, this hypothetical defence is rapidly losing credibility as it becomes apparent that much of the activity in these markets is fundamentally irrational from a social, or welfare, perspective. This is because the actors in these markets

<sup>7</sup> This despite the fact that stock markets make very little contribution to raising funds for productive investment and are clearly subject to strong speculative forces which make it more difficult to manage enterprises rationally, especially from a longer term perspective (Singh et al., xx).

<sup>8</sup> The IMF has recently refused to accept an agreement with the government of Ecuador, because that government has wanted to set aside 10 per cent of its oil revenues to shore up its collapsing social services. Although 70 per cent of those revenues are era-marked for debt repayment, the IMF has refused to accept the proposal, while demanding that the government make further public expenditure cuts amounting to 5 per cent of GDP. The explosive social and political consequences of this logic are apparently not the responsibility of the IMF.

---

tend to take a short-term view, and they are encouraged in this by the way in which their incentives are structured, and by the volatility of the markets, which they help to fuel, generally to their great advantage. In uncertain times, the spoils go to the nimble, and those on the inside of these markets are generally able to move faster than those on the outside.

For the quarter century, from 1948 to 1973, the world experienced virtually no serious banking crises. In the quarter century that began in the late seventies, such crises have become normal and have grown steadily in scale. (Stiglitz 1998) And the associated speculative bubbles which recently culminated in the simultaneous collapse of the United States stock market, the dot.coms and the telecom sector, leave no doubt as to this system's enormous capacity to misallocate resources and to create uncertainty and insecurity on a grand scale. In essence, these markets empower ill informed, essentially irresponsible individuals to determine global patterns of resource allocation, to punish and reward social policies, and to decide which enterprises should live or die, based on their "gut instincts," though maybe also on the promise of some lucrative future business opportunities. The result is a world in which resources flow in discontinuous bursts based on speculatively driven expectations, a process that invariably leads to unmanageable debts and hence crisis. And these crises invariably create conditions in which all other forms of expenditure, including wage expenditure, are fiercely squeezed in order to service the accumulated financial obligations. The result is a mechanism that makes development effectively impossible, and that condemns governments and working people, especially in the developing countries, to a world of endemic insecurity and instability.

In other words the fundamental instability in the world economy, which is ultimately the fundamental cause of the rising social and economic insecurity of working people around the world, is rooted in today's relatively unregulated, international financial system which generates that instability both because it benefits handsomely as a result, and because it is driven by herd behaviour in which the attempt of individual actors to outguess each other, will inevitably produce irrational instability. Moreover, this instability has nothing to do with the rational need to endure the uncertainties associated with constructive change,

---

leading to more desirable, or efficient, outcomes. That is why the period during which these financial markets have come to occupy a dominant position has been a period of slow growth, especially in the incomes of working people, and a period of low investment.

Moreover, working people are also adversely affected by another aspect of this fundamentally irrational process. This arises because, during the periods of irrational exuberance, these markets will create large amounts of excess capacity in many sectors and economies. And this will inevitably begin to create problems as they seek investment opportunities for the rising surpluses that will accumulate during the boom. For a time, this constraint can be removed by allowing consumers to buy on credit, or as in the 1970s, allowing select developing countries to borrow heavily, thereby expanding the level of effective demand and easing the investment problem. However, as the debts of consumers, or those of the developing countries, rise to unmanageable levels, the problem returns, with a vengeance. And, at this point, resolution of this problem will create further uncertainty for working people due to bankruptcies, closures, mergers, and large-scale dismissals. But there is one final response to this recurring situation which deserves special mention as an additional source of insecurity for working people, namely the creation of new areas for profitable investment by forcing working people into circumstances in which their expenditure decisions are made in an increasingly constrained manner because of the systematic increase in “fear and insecurity” in their lives.

In one sense it is well known that in a capitalist economy labour is made tractable by the discipline that is imposed by their dependence on wage labour (proletarianization) combined with the threat of unemployment. And there can be no doubt that the neoliberal revolution has been significantly about disciplining workers in order to moderate their wage demands, to reduce their resistance to the intensification of work, a reduction in work place protection and an erosion of social protection. Nor can there be any doubt that this process has been intensified by the pressures emanating from the financial markets, partly because of the dramatic increase in real interest rates that followed the monetarist revolutions under Reagan/Thatcher; partly because inflated stock prices created very strong

---

pressures to generate higher earnings and dividends; and partly because the high early returns on speculative ventures helped to drive up both risks and interest rates. And greater worker insecurity was needed to allow workers to be more effectively squeezed to accede to these rising demands. This much is well known.

To this we need to add a further possibility, namely the effect on worker's expenditure patterns and expenditure decisions that results from the increased "fear and insecurity" associated with the dismantling of key social services and of citizenship rights especially in health, education and finance, although also as a result of the privatization of certain key utilities including electricity, gas and water.

The point is simply that the neoliberal era has increased working people's exposure to certain overwhelming risks, and that this has forced them to reallocate expenditure in ways that are essentially "constrained," meaning that cannot simply be treated as expressions of free consumer choice. And this means that the "real value" of these expenditures needs to be discounted in some way. And, more importantly for this discussion, it means that working people will be more tightly bound to the labour market as these new risks force them to work more, and harder, in the attempt to protect themselves from this increased insecurity – by paying ever higher medical bills or medical insurance premiums; ever higher amounts to educate their children, or to buy day care for their toddlers; ever higher amounts to try to provide for their old age in a world with volatile markets and expensive financial services for small investors.

The task of restoring the social and economic security of workers thus promises to be an onerous one, especially since the rising insecurity of workers reflects a critically important shift in power between capital and labour. Any hope of restoring the security of working people must therefore address the fundamental causes of that shift and these are closely linked to the inordinate power that has been placed in the hands of the world's poorly regulated private financial markets which both generate and thrive on, uncertainty and insecurity and not generally in ways that enhance growth or efficiency.



---

On balance, this leads to the conclusion that efforts to restore the social and economic security of working people must address the root cause of their growing insecurity, which is the fundamental irrationality and the endemic volatility of the financial markets that have been so massively empowered over the past quarter century. The demand for basic incomes, which is in effect a demand for increased socio-economic security, must therefore be combined with a demand for the fundamental reform of the financial system as it is in Fred Block's powerful book *The Vampire State and Other Media Myths and Fallacies about the US Economy* (Block, 1996) in which the state is called upon to oversee financial reform, the democratization of the corporations and the introduction of substantial income guarantees.

Of course, this leaves us facing a potentially even more difficult question, namely: How are we to create the conditions in which such financial reforms become politically and economically feasible? The answer is that those conditions are being created as we live and breathe. They are being created as people come to appreciate the massive social, economic and political costs of a global financial system that misallocates resources on an unimaginable scale; that thrives on insecurity and instability and that systematically promotes both; and that resolves the resulting imbalances in deeply divisive and essentially "lawless" ways. And it is our task as intellectuals, to show people that there are alternatives. That the world economy once functioned much more efficiently, and much more humanely. And that today's financial markets are not the inevitable result of a new technology, but that they are deeply flawed human creations that are desperately in need of radical reform.

Of course today this is also a "politically infeasible" objective. But it is one that, if attained, would lay the foundation for real progress in building a new and better welfare state, in which a UBI would almost certainly play an important role in many of the more affluent societies. And in which a more limited version of that idea could be effectively used in less developed countries, once they were enabled to stimulate and to sustain a cumulative process of accumulation and growth of their national economies.

---

## 5. Conclusion

In conclusion it is important to note that financial reforms that allowed markets to be “re-embedded” in societies, would not only make it feasible for societies to consider the introduction of a UBI, but would allow a much broader discussion of the best way to construct the welfare state of the future. And that is the discussion that we must have, since the basic income idea is merely one of the elements that might enter into that discussion. It is disastrous, and wrong, for basic income supporters to make their case for a basic income because they accept that “the welfare state” is no longer “economically feasible.” If that is true, then it is also true of any serious basic income scheme, which will also be regarded as “too expensive” and which is also subject to erosion through competitive pressures, and to ideological attacks which seek to undermine its ethical foundations. And all of these are endemic realities in today’s’ neoliberal world. And the same is true of work sharing schemes, which are also widely discounted, or dismissed, by many supporters of basic income. Work sharing is simply another element of any comprehensive solution, and one that is very much complementary to any basic income scheme.

In the end it seems that we cannot escape the logic of the conclusion reached by Keynes in 1933 when, much to his own surprise, and contrary to his own earlier strongly held beliefs, he wrote that unless capital can be “national” to a significant degree, meaning that unless the rate of interest can be nationally determined, then no society will be able to pursue its “favourite social experiments” (Keynes 1933) – and that includes experiments with UBI, with shorter working hours and with all sorts of welfare state models.

---

## References

- Alperovitz, Gar. 1992. "Beyond Socialism and Capitalism", in *Paradigms Lost*, eds. Chester Hartman and Pedro Vilanova (London, Pluto Press), pp. 182-205..
- Atkinson, Anthony. 1996. "The Distribution of Income: Evidence, Theories and Policy", in *De Economist* 144, pp. 1-21.
- Atkinson, Anthony. 1998. *Poverty in Europe* (Oxford: Blackwell).
- Atkinson, Anthony and Ronald Dore, James Robertson and Philippe Van Parijs. 1996. "Debate: Citizen's Income", in *Political Quarterly* (Oxford), 67(1), January-March, 54-60.
- Barry, Brian. 1997. "The attractions of basic income", in *Equality*, ed. Jane Franklin (London, London Institute for Public Policy Research).
- Bauman, Zygmunt. 1998. *Work, Consumerism and the New Poor* (Buckingham and Philadelphia, Open University Press).
- Bienefeld, Manfred. 1988. "A Time of Growing Disparities", in Brian Tomlin and Maureen Molot (eds.) *Canada Among Nations: The Tory Record 1988* (Toronto, Lorimer), pp. 125-148.
- Bienefeld, Manfred. 2000. "Structural Adjustment: Debt Collection Device or Development Policy?", in *Review: Fernand Braudel Center* (Binghamton (NY), Fernand Braudel Center for the Study of Economics, Historical Systems and Civilizations), XXIII (4), pp. 533-582.
- Bienefeld, Manfred. 2002. "Development Theory: A New Hegemonic Ideology?", in Abigail Bakan and Eleanor MacDonald (eds.) *Critical Political Studies: Debates and Dialogues from the Left* (Montreal and Kingston, Ontario, McGill-Queen's University Press), pp. 208-231.
- Callan, Tim and Holly Sutherland. 1997. "Income Supports in Ireland and the UK", in Tim Callan ed., *Income Support and Work Incentives: Ireland and the UK* (Dublin, ESRI).
- Clark, Charles and Catherine Kavanagh. 1996. "Basic Income, Inequality, and Unemployment: Rethinking the Linkage Between Work and Welfare", in *Journal of Economic Issues* 30 (2), June, pp. 399-407.
- De Jaeger, Nicole E.M., Johan J. Graafland, George M.M. Gelauff. 1996. "A Negative Income Tax in a Mini-Welfare State. A Simulation Exercise with MIMIC", in *Journal of Policy Modeling* 18 (2), pp. 223-231.
- Fitzpatrick, Tony. 1999. *Freedom and Security. An Introduction to the Basic Income Debate* (London: Macmillan).

- 
- Greene, Leonard M. 1998. *The National Tax Rebate. A New America with Less Government* (Washington (DC), Regnery Publishing Inc.).
- Groot, Loek F.M. 1999. *Basic Income and Unemployment* (Amsterdam, Netherlands School for Social and Economic Policy Research).
- Healy, Sean and Brigid Reynolds. 1997. *Surfing the Income Net. The Basic Income System*. (Dublin, Conference of Religions of Ireland).
- Jackson, W.A. 1999. "Basic Income and the Right to Work", in *Journal of Post-Keynesian Economics* 21 (4), pp. 639-662.
- Offe, Claus, 1996. *Modernity and the State* (Cambridge, Polity Press).
- Offe, Claus. 1997. "Towards a New Equilibrium of Citizens' Rights and Economic resources?", in *Societal Cohesion and the Globalizing Economy* (Paris, OECD).
- Phillips, Chris. 1999. "Foreword", in Tony Fitzpatrick, *Freedom and Security. An Introduction to the Basic Income Debate* (London: Macmillan).
- Robertson, James. 1999. *The New Economics of Sustainable Development. A Briefing for Policy Makers* (Luxembourg, Office for Official Publications of the European Communities and London, Kogan Page).
- Rothstein, Bo. 1996. "...", in *The Rationality of the Welfare State*, eds. Erik Oddvar Eriksen and Jorn Loftager (Oslo, Scandinavian University Press).
- Standing, Guy. 1999. *Global Labour Flexibility: Seeking Distributive Justice* (Basingstoke, Macmillan).
- Stiglitz, Joseph. 1998. "More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus", *1998 Annual WIDER Lecture* (WIDER, Helsinki) 7 January, pp 1-32.
- Van der Linden, Bruno. 1997. "Basic Income and Unemployment in a Unionised Economy", *IRES (Institut de recherches économiques et sociales) Working Paper Nr 9714* (Université Catholique de Louvain, Département des sciences économiques).
- Wacquant, Lois J.D. 1996. "The Rise of Advanced Marginality: Notes on its Nature and Implications", in *Acta Sociologica.*, Journal of the Scandinavian Sociological Association, 39, pp. 121-139.