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THIS ISSUE OF BASIC INCOME was prepared with the help of Charles Clark, Sally Lerner, Claudio César Salinas, David Teira Serrano and all those who spontaneously sent relevant material.
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Many thanks!

BIEN NEWS

BIEN’s 7th CONGRESS (Amsterdam, 10-12 September 1998)
The preparation of our next Congress is on schedule. The provisional list of plenary sessions and workshops is still as announced in the previous newsletter. (Updated information on our web site: http://www.econ.ucl.ac.be/etes/bien/bien.html.) A call for papers will be issued in the next newsletter.

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RESEARCH PROJECT: BASIC INCOME IN EUROPE
Within the framework of a project funded by the European Science Foundation Project, a set of reports is currently being prepared on the Basic Income — or ‘non-employment related’ — component of existing income maintenance systems. The project is co-ordinated by Stephan Lessenich (slessen@gwdg.de) and Ilona Ostner (iostner@gwdg.de), Göttingen University, Germany.

Countries included are
1. The Nordic Countries (Denmark, Finland, Norway, Sweden); reporters Jan Otto Andersen, Abo, Finland, and Jorn Loftager, Aarhus, Denmark
2. EC 6 countries (Belgium, France, Germany, Luxembourg, Netherlands); reporter Michael Opielka, Hennef, Germany
3. “Latin Rim” countries (Italy, Portugal, Spain); reporter Nicoletta Bosco, Torino, Italy
4. Visegrad countries (Czech Republic, Hungary, Poland, Slovak Republic); reporters Istvan Körösi, Budapest, Hungary; Ivan Drabek, Olomouc, Czech Republic; Grzegorz Dobroczyński, Warszawa, Poland
5. Ireland; United Kingdom; reporter Mary Daly, Dublin, Ireland, and Göttingen, Germany
6. Austria and Switzerland; reporters Lieselotte Wohlgenannt and Herbert Obinger, Wien, Austria.

Each contributor is expected to provide information on the following questions for each country or cluster of countries under consideration:
(1) Do the countries belong to a cluster? Do they share a common welfare state “culture”?
(2) Does the welfare state under consideration operate both an employment-related and a non-employment related income maintenance scheme? What is the interface of the two and the relative significance vis-à-vis each other?
(3) As regards the non-employment related pillar: What are the qualifying conditions of entitlement in a bottom-up (eligibility rules) and a top-down (institutions) perspective?
(4) Are there any functional equivalents to basic/minimum income guarantees (eg. minimum wage rules)?
(5) Has basic income been on the public agenda recently? Proponents? Opponents? Key arguments pro and contra?
(6) Future trends: Please speculate on the quality/direction of changes to be expected (path dependency versus shift in basic income logics).

Draft reports will be discussed during a workshop in Göttingen, October 24-25, 1997.

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

However, material relevant for the newsletter should preferably be sent directly to the following addresses:
PVP, Visiting Fellow, All Souls College, Oxford OX1 4AL, United Kingdom, fax +44-1865-279299.
From 1/1/1997 to 15/4/1998:
PVP, Olmsted Visiting Professor, Yale University, Program in Ethics, Politics and Economics, PO Box 208209, New Haven, CT 06520-8301, USA, fax +1-203-4321453.

OTHER EVENTS
Madrid (E), 3-4 July 1997
Alternativas a la desigualdad: ingreso universal y/o reparto del empleo
Organized by the Cultural Department of the Left Spanish Party Izquierda Unida, this meeting was mostly devoted to the discussion of an unconditional basic income, a highly divisive issue in the Spanish Left intelligentsia. The opening lecture was given by Philippe Van Parijs, with comments by four outspoken basic income supporters: Open University (UNED) philosophers Francisco José Martínez (long-time BIEN member) and José Francisco Álvarez (Spanish translator of Real Freedom for All) and economists Luis Ayala (Castilla-La Mancha) and José Iglesias (Barcelona). In their contributions on the second day, feminist economist Cristina Carrasco (Barcelona) turned out to be quite sympathetic to the basic income approach, while the Party’s economic gurus Juan Francisco Martin Seco (from the daily El Mundo), who vigorously defended State intervention, and Jesús Albarraín (from the Banco de España), who eloquently argued for a dramatic reduction in working time without wage loss, proved rather un receptive.

For further information: Manuel Monereo Pérez, Izquierda unida, General Rodrigo 6-6a Planta – 28003 MADRID, tel.: 34-1–553.49.09, fax: 34-1-534.97.47, E-mail: contrastes@redetb.es.

Oxford (GB), 18-19 December 1997
Citizenship and the Welfare State
A two-day conference organized at Ruskin College, to mark the 50th anniversary of the British welfare state. Citizen’s Income Trust has been invited to organize a parallel workshop on basic income.

For further information: Tim Blackman, School of Social Sciences and Law, Oxford Brookes University, Oxford OX3 0BP, E-mail: tjblackman@brookes.ac.uk

A GLIMPSE OF

THE IRISH DEBATE
Thanks to the relentless efforts of the Justice Commission of the Conference of Religious of Ireland (CORI), the Irish debate has reached new heights in the first half of 1997. The new CORI publications (see Healy & Reynolds 1997, Clark & Healy 1997 and the video) generated a lively debate, including, for example, a stunningly sympathetic article by the former Irish Prime Minister Garret Fitzgerald in the Irish Times of 12 April 1997 (“To many people the idea of receiving a basic income through the medium of the State may seem at first sight absurd, perhaps even absurd. But what we tend to forget is that most people already do receive the equivalent of such payments in one form or another, either through the tax or the social welfare system.”) All but one of the major political parties have committed to a green paper on basic income by the new government. The government is also committed to funding a major basic income study and almost all of the discussion on poverty in the Irish elections has been on basic income, including three TV news shows in May 1997, which devoted all their coverage of poverty issues to basic income.

(For further information: CORI, Justice Commission, Milltown Park, Dublin 6.)

THE GERMAN DEBATE
In Germany, it is from liberal circles that most of the political interest for basic income has come in recent years. (See e.g. the review of Otto Lambsdorff’s plea for ”Bürgergeld” in this issue of the newsletter.) After an early start twelve years ago, some discussion is now reappearing among the Greens. In November 1997, the political party Bündnis 90/ Die Grünen is going to determine its position on minimum income. The working group led by Andrea Fischer, green member of Bonn’s federal Parliament, advocates a needs-oriented basic insurance (bedarfsorientierte Grundversicherung) which would turn the current Sozialhilfe into a comprehensive means-tested guaranteed minimum income with only a mild willingness-to-work condition (those not available for work would receive less, but not much less) and an 80% rate of benefit clawback. Social insurance schemes and some targeted social assistance would be kept over and above this basic insurance. The reports rejects a universal income because its unavoidable consequence would be “that the needy would end up not having enough to live on, while the affluent would receive a handsome supplement” and it emphasizes that its aim is to alleviate poverty, not to foster employment through the subsidizing of low wages.
PUBLICATIONS

DUTCH

NIEUWSBRIEF BASISINKOMEN 20 (Vereniging Basisinkomen, Herman Heijermansweg 20, 1077 WL Amsterdam, E-mail: basic.income@pi.net), June 1997, 20 p.
Two short essays (arguing, among other things for municipal basic income experiments and for a negative income tax on European scale) by the Dutch network's coordinator Emiel Schäfer and a review (by Gosling Putto) of a sample of the contributions to the parallel workshops of BIEN's Vienna Congress make up this issue of the Dutch basic income newsletter.

HET IDEALE EIGENBELANG n° 3 (4), Stichting UNO Inkomen voor alle mensen (Waalbandijk 8, 4064 CB Varik, Netherlands), Spring 1997, 40 p.

"Mankind needs a new vision" is the title of Puieter Kooistra's contribution to this latest issue of the newsletter promoting his idea of a worldwide United-Nations sponsored basic income. Another contributor (Marjorie Schreuder) reports on how the idea of experimenting with Kooistra's scheme was received in India.

At the same time, the economic significance of work increases and its social significance increases. To solve this tension, the Director of the Netherlands' Social and Cultural Planning Bureau advocates expanding the possibility of combining benefits with training and part-time jobs and financing benefits in a way that relies less on labour income. A partial basic income financed by a levy on all value added is part of what needs thinking about in order to give the central place of work its new form.

ENGLISH

A defence of the relevance of the idea of a "national dividend" proposed by C.H. Douglas, his disciple A.R. Orage and the "New Age" movement they founded. Like a basic (or citizen's) income, this national dividend is meant to be strictly individual and independent of income and employment status. The key difference is that a basic income is meant to be financed out of redistributive taxation — which make it "lack political and economic feasibility" — whereas the national dividend comes directly from the distribution of national income (like in Meade's Agathotopia). This may sound utopian, but "attempts to ameliorate the [present] system may prove less fruitful than a radical restructuring in line with the Douglas/Orage analysis." Marie-Louise Duboin's "distributist movement" and other advocates of funding through money creation are likely to agree.

CITIZEN'S INCOME BULLETIN n° 24, July 1997, Citizen's Income Study Centre (St Philips Building, Sheffield Street, London WC2A 2EX), £5.00, 28p.
This latest issue of the British network's journal carries its usual harvest of announcements, book reviews and, alas, obituaries (including that of Hans Breitenbach, which BIEN members may remember from the London Congress). It also provides a well-deserved coverage for the latest developments in Ireland (see elsewhere in this issue). And the issue starts with a piece by the Labour peer and Oxford political philosopher Raymond Plant explaining why basic income is not "in" with the UK's triumphant New Labour. The focus has been shifting away from social citizenship as a rights-generating status to social inclusion as an achievement through work for wages. But what if the labour market does not produce the jobs? The state must then become the employer of last resort. "The cost of this may well lead to a reconsideration of the case for Citizen's Income, which has been somewhat eclipsed..."
by the 'obligation and achievement' view of citizenship now dominant in the government's thinking about social policy."


This technical paper demonstrates how the CORI Basic Income proposal, as outlined in other CORI publications (Planning for Progress, 1996, and Surfing the Income Net, 1997) could be implemented in Ireland over a three year period. One of the most surprising findings is that the CORI proposal of a partial Basic Income (60 pounds per week for an adult) could be funded at a tax rate of 44% (even under fairly conservative assumptions), much lower than the 68% cited in an earlier report by an Expert Working Group. Indeed, the study shows that a full Basic Income could be funded at a tax rate of 48%. It also assesses three possible strategies for implementing it — all at once, gradually by groups (e.g. children, adults, old people) or gradually for all at growing levels — and opts for the third one as being the least disruptive. In the penultimate chapter, the authors argue that a basic Income policy would promote economic efficiency, in terms of increasing economic growth and in terms of greater labour market flexibility and higher levels of social participation. Using the 1994/5 Household Budget Survey, the last chapter looks at how the benefits and costs of the CORI proposal will affect the distribution of income in Ireland. It shows that if the benefits of Ireland’s recent and expected future economic growth (and increased tax revenue) were used to help pay for the Basic Income policy, the income benefits would go to the lower income deciles, with only small losses on the upper deciles. The benefits of Ireland’s recent remarkable economic growth are highly concentrated in the upper income households. The CORI Basic Income proposal amounts to taking part of the national income and dividing it equally, on the basis of citizenship and not market participation, while keeping the beneficial effects of market incentives. The report, which was widely and favourably commented on in the Irish press, is also available in a shorter and more accessible form. (Pathways to a Basic Income. A Summary, Dublin: CORI, 1997, 24 p.)

(First author's address: St. John’s University, College of Business Administration, 8000 Utopia Parkway, Jamaica, NY 11439, yccleco@sjumusic.stjohns.edu)

CLARK, Charles & KAVANAGH, Catherine, "Basic Income, Inequality, and Unemployment: Rethinking the Linkage Between Work and Welfare", in Journal of Economic Issues 30 (2), June 1996, pp. 399-407. After reviewing arguments for basic income from the right and the left, the authors present their "institutionalist case for a basic income". "Those who are particularly rich in our society are so because they happen to fill specific positions in the social provisioning process that allows them to take a disproportionate share of social output. A Basic Income recognizes the social nature of income generation and the large share of output due to 'society and history' and distribute it among all citizens". The article closes with an argument seldom heard: "A Basic Income policy would go a long way towards encouraging family values (much more so than censoring movies and art) for it recognizes the important role of everyone in the family and not just those who yield an income from market participation." (First author's address: St. John’s University, College of Business Administration, 8000 Utopia Parkway, JAMAICA, NY 11439, yccleco@sjumusic.stjohns.edu)


The aim of full employment should be redefined as the right to a part-time job (with the government as the employer of last resort), combined with a modest basic income without obligation to look for work. This basic income “could replace work-cum-training projects, wage cost subsidies and working with an unemployment benefit. The distinction between real and unreal jobs would disappear.” Such a basic income would help achieve full employment by making it possible “to create a considerable amount of necessary new jobs at the lower level, at a salary below the social minimum, while safeguarding a minimum social standard”. Simulations by the Dutch Planning Bureau indicate that even a full basic income could be financed. “The right to basic part-time employment and the requirement to work part-time, the carrot and the stick, could make a basic income even more feasible.” (Author’s address: Katholieke Universiteit Nijmegen, Department of Economics, Nijmegen, The Netherlands)
An attractively designed and vigorously phrased question-and-answer presentation of the most recent CORI proposal of a basic income for Ireland, followed by a series of tables showing by how much various categories of households would gain. A great but perplexing feature of these tables is that all the categories of households shown (over 80), from the poorest to the richest, would gain from the proposal (between 4% and 135%). At the same time, employers would enjoy a massive cut in their payroll taxes. So, where does the money come from? Here is the key to the answer: "Economically small groups of people on high or very high incomes would lose slightly. It should be remembered that the increased growth in the economy is making the payment of a basic income possible without taking from the vast majority of those who already have high incomes." Thus, the trick is that the estimated gains bank on future growth and take as a baseline not what would be the case if the same benefits of future growth were distributed according to the present system, but what would be the case if the latter operated on the current level of output in the absence of any growth (see the report by Clark and Healy, reviewed above). This is an astute and fundamentally correct way of presenting a basic income proposal which has the advantage of alleviating the fears of potential losers. But would the political feasibility of the proposal be damaged if one explained more explicitly that, although most categories would gain relative to their present situation, some would inevitably lose substantially relative to what their situation would be expected to be if no basic income were introduced?

(Author's address: CORI, Justice Commission, Milltown Park, Dublin 6.)

Professor Michael Murray "believes that government is best which governs least, but does not trust the invisible hand of market forces to bring about economic justice" and therefore walks his own line between conventional left and right. In particular, he proposes a "guaranteed adequate income" (GAI) conceived as follows: "Who receives it? Every man, woman and child is entitled to do so. Who pays for it? You and I, the taxpayers. What is provided? Cash, through a periodic check or electronic funds transfer. When is it paid? With the use of electronic fund transfer, weekly payments would be reasonable. How much is provided? An adequate amount, fluctuating with the state of the economy. OK, you want a number? About $6,000 for an adult and $2,000 for a child annually ..... We'll let our elected representatives determine the final amount. The concept is what is important now. How is it funded? ...a change in the federal income tax to a 35 per cent flat tax combined with savings from eliminating all current welfare programs... [plus] a value-added tax (VAT) ...[to] allow a reduction in the income tax rate." A GAI, according to Murray, would benefit existing market economies, for it would eliminate the need for minimum wage laws and for expensive programs to move people into employment, which will be harder to do, he argues, as there are increasingly fewer traditional paid jobs due to technological change and globalization.

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A case for basic income (defined as negative income tax) as a strategy for developing "a sector with low paid jobs with an acceptable income" and also, more broadly, as "a necessary precondition for the modernization and integration of European societies". The author mentions that there are basic income proposals in three German parties (Christian-democrats, liberals, greens) and makes a simple but useful typology of attitudes towards social reform in terms of whether or not one favours (1) a work-centred and (2) a generous social policy. The Trade Unions, employers, greens and liberals then occupy the four boxes of this four-fold table.

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Continental Europe has an employment / population ratio that is lower than both Scandinavia and the United States. This is due to the fact that compared to the former it has little public employment in local services, while compared to the latter it has little private employment in local services. The problem for Scandinavia is that the high level of decently paid public employment implies very high taxation levels,
but this can be handled by means-testing the free access to services, thereby making the rich pay in user charges what they are unwilling to pay in taxes. The problem for the United States is that the high level of low-cost private service employment is achieved at the cost of great poverty among workers and non-workers, but this can be handled through an expansion and generalization of the Earned Income Tax Credit System. What about the continental Europe? Going the Scandinavian way is excluded because it would involve raising taxes or lowering benefits. Going the American way is advocated by the right but strongly resisted by the left. What we need, according to the influential political scientist Fritz Scharpf, is a strategy that "overcomes the present deadlock between the advocates of 'work with poverty' and the defenders of 'welfare without work'" by combining "work with welfare" and thus opening up a wide range of economically viable employment opportunities at the lower end of the labor market". The "theoretically optimal" solution of this sort is the introduction of a negative income tax, currently discussed in Germany under the name of "Bürgergeld". But the chances that it will be soon adopted by German politics in its present shape are slim, first because "it would require the simultaneous and far-reaching restructuring of the present systems of taxation, social assistance, social insurance pensions, and wage setting", and secondly because the available estimates of its overall financial consequences (even abstracting from the expected employment effects) are still widely diverging. These difficulties would be largely avoided by a more modest proposal: the provision of income subsidies to workers in low-wage jobs below the present effective minimum, leaving all other present rules in place. Strong Union opposition to the lowering of the minimum wage has so far prevented Germany's political parties from responding to this proposal. But "there is now a slight hope that a functionally equivalent solution might find political support. Social security contributions amount to about 42% of the wage bill. If these were (almost) completely waived at and below the minimum wage, the take-home pay of the workers concerned could be significantly increased while their cost to their employers could be considerably reduced. Since they would remain covered by the insurance system, the loss of revenues will have to be made up by higher general taxes. "This avenue should be open to all countries that are financing very large shares of their social expenditure through non-wage labor costs". Whichever of these variants proves feasible, it should be clear that Continental Europe's employment deficit "is caused not by the size of the welfare state, but by its characteristic structure and mode of financing; and these causes could be remedied by institutional reforms that would increase, rather than destroy, the level of social-policy support for disadvantaged groups in societies".

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VAN PARIJS, Philippe. Real Freedom for All. What (if anything) Can Justify Capitalism?, Oxford, Clarendon Press ("Oxford Political Theory"), 1997, xii + 336p, ISBN 0-19-829357-1, £ 14.99 (paperback). Published in hardcover in 1995, Van Parijs’s systematic philosophical case for an unconditional basic income is available in a slightly revised paperback version as from October 1997. Hailed as "an important work in political theory, superbly written and argued, and full of insights from economic theory (Ethics) and as "easily the most meticulous and systematic defence of the unconditional basic income published to date" (Political Studies), it has also attracted vigorous criticism, for example from LSE philosopher and basic income supporter Brian Barry: "those who are attracted by the idea of a Citizen’s Income would be well advised to exercise caution in relying on the case for it made in the book". (Author’s permanent address: Chaire Hoover, 3 Place Montesquieu, B-1348 Louvain-la-Neuve, vanparijs@etes.ucl.ac.be.)

An earlier issue of The Good Society (Spring 1996) contained a pluridisciplinary symposium on Van Parijs’s defense of basic income in Real Freedom for All (OUP 1995, paperback 1997). This is the author’s detailed reply.

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Chapter 5 of Philippe Van Parijs’s Real Freedom for All (OUP 1995, paperback 1997) tried to refute the exploitation-based objection against an unconditional basic income. In this thoughtful critique of Van Parijs’s argument, MIT political philosopher Stuart White concedes that a very modest unconditional basic income can be grounded on the normative premise that we all have a claim to an equal share of the value of natural resources. But it cannot be grounded on an analogous claim to an equal share in the value of jobs because this value would not be created in the absence of social cooperation, to which all beneficiaries can be expected to contribute. The article is followed by a response by Van Parijs ("Reciprocity and the Justification of an Unconditional Basic Income", pp. 327-330).

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FRENCH

AIRE, Lettre de liaison n°15, printemps-été 1997, 8 p.

Most striking in this latest issue of the newsletter of the French basic income network is a plea by its chairman Yoland Bresson for the introduction of a national basic income that would keep being paid in (old) national currency along with the introduction of the Euro.

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This paper constitutes the most serious attempt so far to work out what exactly the introduction of a basic income would mean in the French context. It starts with the observation that the French tax and benefit system is extremely complex and creates strong disincentives both in the bottom and top parts of the income distribution. The ideal solution, in the authors’ view, would consist in a lump sum transfer to all households, without any means test but taking its size into account, combined with a proportional tax levied at source from the first franc on all income (from both labour and capital) and an additional tax on high incomes. However, the high rates of taxation which this solution would involve leads the authors to settle for less. A non-means-tested basic income that would make none of the households on a guaranteed minimum income (RMI) worse off than they are would need to amount to 30.000 FF per year for a single adult (0.6 of this amount for a second adult, 0.5 for a child) and imply an average rate of tax close to 65% of total income (and a higher percentage still of taxable income after social security contributions) even if all other social assistance transfers are scrapped and if pension contributions are not taken into account. A full basic income, which would give work incentives as from the first franc earned, is thereby shown to be impossible without a dramatic increase of tax rates higher up. The authors then turn to a partial basic income pitched at half the above-mentioned levels (2500 FF for a first adult, 1500 FF for a second adult, 1250 FF for a child), financed by an abolition of all social assistance payments not exceeding these amounts, by a 5.1% linear tax on all (pre-contribution) gross income and a doubling of this tax as from an income level of 90.000 FF per adult equivalent and per year. Taking all aspects of the French redistribution system into account, this would amount to lifting the current proportional inclusive tax rate (including the contributions for health care and child benefits, but excluding those for earnings-related pensions and unemployment benefits) from about 26% to 32%, with an additional tax of 12% on higher incomes, providing pensions and capital income are treated in the same way as labour income. (The equal treatment of capital income would account for a reduction of the burden on labour income by only 1%, or even slightly less if fiscal competition made the additional tax on high capital income counterproductive.) This more modest proposal is no doubt more realistic, but its impact on the unemployment trap does not look very significant. Thus, the gap between the guaranteed minimum income and the
post-tax full-time minimum wage would only go up by 200 FF per month for a single adult, while for a family with two children, the disposable income is only increased (relative to the present situation) in an income range above 1.3 times above the minimum wage. "The comparative generosity of the existing minimum income system", the authors conclude, "makes it impossible to give a positive slope to the redistribution curve without increasing considerably, and almost prohibitively, the marginal rate of taxation on the whole population. Indeed, even a significant reduction of the horizontal range [in which increased earnings leave the disposable income unchanged] constitute an objective that is achievable but delicate to reach." A reduction in the statutory minimum wage in order to promote demand for low-skilled work is therefore unpromising, and it therefore "seems certain that more specific measures are to be envisaged if one wishes to substantially reduce the cost of unskilled labour." The authors insist, however, that this is only a preliminary exploration of a global approach that is indispensable to a meaningful debate on the future of France's redistributive system.

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The widely spread journal Problèmes économiques selects contributions recently published in other journals around a certain theme and turns them into a dossier. This issue contains two articles from the substantial special issue of the Revue du MAUSS on basic income (1st semester 1996): a survey of the main variants of basic income proposed in France (and Belgium) by Prof. Alain Caillé (Paris X - Nanterre) and Ahmet Insel (Panthéon-Sorbonne) and a survey of the theoretical justifications of basic income by Jean-Marie Harribey.

(Alain Caillé's address: Avenue du Maine 3, F – 75015 PARIS)


After a presentation of various arguments for an against basic income, the article proceeds to defend a partial basic income which would complement the existing social security system instead of replacing it. The idea of full employment should be replaced by that of “full activity”, i.e. the possibility for everybody to have access to an activity recognised by society. Although he finds the idea of a “participation income” interesting, the author does not believe that this would be a step in the direction of a universal basic income: it would rather increase the role of the state in the definition of social norms, which would impede, not foster, the passage to a universal basic income. After analysing various proposals for a partial reform of the welfare state, including the possibility of a basic income “in kind” in terms of water, telephone and electricity services he proposes and presents, based on his previous work with Philippe Van Parijs, the introduction in Belgium of a non taxable partial basic income of 8000 BF, which would complement the existing Belgian social security system.

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According to optimal tax theory, it is right that the marginal rate of tax that applies to very low earnings should be significantly higher than those applying to higher earnings. This result — which earned a Nobel prize to the British economist John Mirrlees — holds even if the criterion of optimality is given (in Rawlsian fashion) by the maximization of the lowest income. To put it bluntly: it is better for the poor that the poor should be taxed more than the rich. This is clearly a major challenge to those advocates of basic income who are primarily concerned by the prohibitive effective marginal rates with which the lowest earners are faced. In this lucid and useful article, Thomas Piketty first presents the crucial ideas that underlie this challenge. If the aim is to maximize the tax yield, raising the rate of tax on a particular slice of income has both a positive effect because it increases what is collected from anyone with an income at least as high as the income levels concerned, and a negative effect because it reduces the incentive to generate income (through work, saving, effort, etc.) for anyone whose income level corresponds to the slice concerned. Obviously, the positive (or
distribution) effect is the higher, the lower the income slice concerned: when taxing a low slice, one taxes the income of nearly everyone, when taxing a high slice, one collects income only from a few. The negative (or incentive) effect, on the other hand, will depend both on the number of people whose income level happens to fall within the slice considered and on how responsive they are to a lowering of what they can gain from an increase of their working time, effort level, etc. If there are relatively few people with very low (potential) earnings, one would therefore need them to have an extremely high level of responsiveness (or tax elasticity), compared to people with a higher income, to justify a lower, or even an equal rate of taxation on the lowest slice of income. This is an important consideration that cannot be ignored when evaluating tax-and-benefit systems and that rules out, in Piketty’s view a linear negative income tax or an unconditional basic income with the same income guarantee as today’s means-tested minimum income systems. From this presumption in favour of a regressive schedule, it does not follow, however, that the extremely high marginal rates of taxation (including all social security contributions and the clawback of benefits) that currently apply to the lower end of the earnings distribution are justified. Firstly, there is some evidence that elasticities in this range are particularly high. And secondly, improving incentives among the low-skilled may be important for reasons that do not reduce to maximizing the tax yield (the employment of the worst off may matter as such, over and above their incomes). Piketty therefore advocates as a priority a significant lowering of the effective marginal rates on low earnings — for example by reducing workers’ social security contributions (simulations are provided) — which would leave them, however, above the marginal rates on the middle range of earnings. For basic income supporters, there is an important lesson in the results lucidly presented in this article. It is not that the present system is better than a basic income financed by proportional taxation, but that there is some deep wisdom, even for the long term, either in a partial basic income financed by a flat or progressive tax but combined with residual means-tested benefits (which amounts to 100% effective taxation over a smaller bottom range than now) or in a full basic income with a surcharge on the lowest slice of income as proposed by James Meade (which amounts to a regressive tax schedule).


Based on a master’s thesis at the University of Paris, this is a careful and well-informed discussion of the question whether an unconditional basic income can be justified on the basis of John Rawls’s Theory of Justice. The answer, the author argues, is negative, because of an obligation of reciprocity that follows from Rawls’s conception of social justice as a fair distribution of the benefits of cooperation. This does not imply, the author concludes, that there is no ethical justification for basic income, but only that her unchanged inclination to believe that basic income is the way to go must be supported in a different way.

GERMAN


If one is to solve Germany’s unemployment problem, serious reforms are needed according to this front-page article of the country’s most prominent weekly. One of them is the introduction of ecotaxes. The other is the introduction of a Citizen’s income (Bürgergeld), “also referred to by economists as negative income tax”. Such a big reform would require careful preparation. “But its advantages are undeniable. Precisely the unemployed with poor skills, who make up the bulk of unemployment, would get again a chance of earning again themselves at least part of their living.”


It must be said that the United States have been doing far better than Germany in terms of job creation, and this should make us think about how to solve Europe’s massive unemployment problem. But
according to Count Lambsdorff, former Minister of Economic Affairs and economic spokesman for the liberal party FDP, the growing income inequality that characterizes the North-American solution is not politically acceptable in Germany. "At this point, many ask themselves whether one can find an acceptable road, which combines the advantages of the German welfare state with those of American flexibility. As a solution, there is a discussion on the negative income tax, which the FDP advocates under the label "Bürgergeld". This Citizen's Income permits the differentiation of wages and thereby allows the formation of a market-clearing wage for the poorly skilled and the social integration of the latter in the labour market". There are not many alternatives around. It is therefor worthwhile investigating this strategy for avoiding both the social consequences of the American model and the high level of exclusion and unemployment associated with the German social state.

The coalition agreement of 11 November 1994 between Christian-Democrats (CDU-CSU) and Liberals (FDP) called for the setting up of a commission that would examine reform proposals "for making social assistance more effective, for strengthening incentives to perform regular work and for reducing state bureaucracy... To this also belongs the concept of a citizen's income (Bürgergeld) which integrates income taxes and tax-financed social provisions". In this presentation to the CDU’s Commission "New perspectives of labour market policy", Germany’s most prominent advocate of Bürgergeld explains his views about tax and social policy reform (see e.g. his article in Die Zeit of 8 December 1995, and the criticism of his proposal by Kraus-Junk in Wirtschaftsdienst 7, 1996, both reviewed earlier in this newsletter). The argument ends with a discussion of the argument that the replacement of social assistance by a simpler and more transparent Bürgergeld would erode the citizen's responsibility for themselves — which bureaucratic procedures, waiting lines and other forms of stigmatization allegedly help maintain. Statistics show, however, that people driven to social assistance by their laziness (rather than illness, death of a close relative, etc.) are at most a small minority, and accepting that there will be a marginal group of people evading advisable work is an unavoidable consequence of the constitutionally guaranteed right to subsistence.

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In Germany, the Bürgergeld ("citizen’s income") idea was first presented in a book by Engels, Mitschke and Starkloff published in 1974 (Staatsbürgersteuer). It was later elaborated in detail in an impressive monography published in 1985 by one of the first book's co-authors, the Frankfurt economist Joachim Mitschke (Steuer- und Transferordnung aus einem Guss). Since then, the notion of "Bürgergeld" has spread widely in the German public debate, but has also often been used in a sense that diverged from its original meaning, thus creating some conceptual confusion. In this article, one of J. Mitschke's collaborators first restates in detail this original meaning: Bürgergeld refers to a fully integrated system of income taxation and of non-insurance cash benefits using a homogeneous way of measuring all incomes in order to determine both tax liabilities and benefit entitlements. It therefore constitutes a specific variant of the more general notion of negative income tax. The rest of the article responds to some of the most frequent objections to Bürgergeld in the German context. It also point out how Mitschke and other advocates of Bürgergeld have tended to loosen the connection initially made with a comprehensive tax reform (the replacement of the current direct taxation system by a "citizen's tax" consisting in a consumption tax supplemented by a lifetime capital increase tax), while emphasizing more and more the relevance of Bürgergeld for the viability of low-skilled and part-time employment.

(Author's address: c/o Prof. J. Mitschke, J.W. Goethe Universitaet Frankfurt, Fachbereich Wirtschaftswissenschaften, Mertonstrasse 17, Postfach 111932, D-60054 Frankfurt am Main.)

This new collection of essays by the long-time member of BIEN and social policy professor Georg Vobruba contains his article on "Work and Income after Full Employment" published in Leviathan in 1995 and reviewed earlier in this newsletter. According to the author, basic income is the way to go because, although it does not abolish the central role of work as an integration mechanism, it de-dramatizes the integration problems of our work-centred societies.

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PORTUGUESE

With on the cover a quotation from Claus Offe on basic income, this collection aims to present a number of central aspects of the Brazilian and international debates on minimum income schemes. It includes pieces on the existing French and Dutch systems (by Ivanete Boschetti Ferreira and Rudy van den Hoven), on the simulation of a partial basic income for Belgium (by Bruno Gilain and Philippe Van Parijs) and on the guaranteed family income experiments in Brazil (by Aldaíza Sposati and José Rogério Lopes), as well as a more general pieces on the various types of GMI schemes (by Vicente Faleiros and Elenise Scherer).
(Editor's address: Câmara Municipal de São Paulo, Viaduto Jacareí 100, 5° andar, sala 513, Sao Paulo, Brazil, aldaiza@uninet.com.br.)

SPANISH

A Spanish translation of a French essay (Futuribles, 1994) on the three models of the welfare state (Bismarckian, Beveridgean, Painean) based on the opening lecture of BIEN’s Paris Congress.
(Author's address: vanparijs@etes.ucl.ac.be.)

WEB SITES

ARBEITSGRUPPE BÜRGERGELD
A (hopefully) interactive forum on citizen's income (Bürgergeld) set up by a working group at the University of Ulm.
Language: German
Coordinator: Prof. Helmut Pelzer, Beim Tannenhof 24, D-89079 Ulm, helmut.pelzer@medizin.uni-ulm.de, http://www.uni-ulm.de/~hpelzer/BG/Text/Titel.html

UNIVERSAL BASIC INCOME NEW ZEALAND (UBINZ)
The web site of the New Zealand Basic Income Network, with a report on its activities and a number of contributions to the debate.
Language: English
Coordinator: Ian Ritchie, C/Private Bag 11.042 Palmerston North, New Zealand, tel.: 6-3506316, fax: 6-3506319, E-mail: di.parsons@psa.union.org.nz, http://www.iconz.co.nz/~iwgordon/ubinz.html

EFFETTI DELLA FISCALITA MONETARIA
According to the owner of this site, taxing money rather than income would solve many problems and fund a citizen's income of LIT 700.000 per month for every Italian from cradle to grave.
Language: Italian
Owner: Nicolo Giuseppe Bellia, E-mail: ngbellia@flashnet.it http://www.bellia.com/fisc-mon.html

RECENT ACADEMIC WORK ON BASIC INCOME
(If you are aware of any thesis being written on basic income, please ask the authors to send a copy to BIEN’s secretariat.)
BELGIUM
DE HENAU, Thomas, Débat sur l'allocation universelle et approche syndicale, mémoire de licence en sciences du travail (Dir.: Prof. Michel Molitor), Université catholique de Louvain: Institut des sciences du travail, septembre 1996, 93p.
PERELMAN, Julian, Allocation universelle, offre de travail et concurrence imparfaite, mémoire de licence en sciences économiques (Dir.: Prof. Bruno Van der Linden), Université catholique de Louvain: Département des sciences économiques, septembre 1997, 64 p.
(Author's address: Fond Pirette 142, B – 4000 LIÈGE)

FRANCE
PRATS, Magali, L'Allocation universelle à l'épreuve de la théorie de la justice. Peut-on lire l'ouvrage de Rawls comme une justification à l'instauration d'un revenu inconditionnel?, thèse de DEA en sciences économiques (Dir.: Prof. Arnaud Berthoud), Université de Paris X-Nanterre, septembre 1995, 101p.
(Author's address: Rue du Docteur Emile Roux 25, F – 92150 SURESNES)

NETHERLANDS
(Author's address: Universiteit van Amsterdam, Faculteit der Wijsbegeerte, Nieuwe Doelenstraat 15, 1012 CP Amsterdam, Netherlands)

UNITED STATES
(Author's address: Massachusetts Institute of Technology, Dept of Political Science, 77 Massachusetts Avenue, Cambridge MA 02139-4307, sghwhite@mit.edu)

UNITED KINGDOM
PITTET, David, Basic Income Scheme: Philosophical Foundations and (some) Economic Consequences of its Application, MSc thesis in Economics and Philosophy (Dir.: Max Steuer), London School of Economics, Department of Economics, September 1996, 50p.
(Author's address: Rue de Lausanne 81, CH – 1202 GENEVE, david.pittet@ch.novartis.com)
BASIC INCOME
is an income unconditionally granted to all on an individual basis, without means test or work requirement.

THE BASIC INCOME EUROPEAN NETWORK (BIEN)
aims to serve as a link between individuals and groups committed to or interested in basic income, and to foster informed discussion on this topic throughout Europe.

BIEN'S MEMBERSHIP
is open to anyone who shares these objectives. To join, please follow the instructions at the end of this newsletter.

BIEN's SECRETARIAT
is located at the Chaire Hoover d'éthique économique et sociale, Université catholique de Louvain, 3 Place Montesquieu, B-1348 Louvain-la-Neuve, Belgium. In 1997-98, Philippe Van Parijs, BIEN's secretary, will be on sabbatical leave at Oxford and Yale, but he will remain reachable by e-mail (vanparijsetes.ucl.ac.be), and Claudio Salinas will answer queries at the usual address (tel. 32-10-472893, fax: 473952, e-mail: bien@etes.ucl.ac.be).

BIEN's NEWSLETTER
appears three times per year. It is sent free of charge via internet to anyone who requests it by sending the message "subscribe BIEN" to bien@etes.ucl.ac.be. Hard copies can be mailed to any member of BIEN who so wishes.

BIEN's NEXT CONFERENCE
will be held in Amsterdam on 10-12 September 1998. For further information, read below or contact the local organizers (basic.income@pi.net).

BIEN's WEB SITE
contains general information about basic income and BIEN, the latest newsletter, up-to-date information about the next conference and a comprehensive annotated inventory of relevant events and publications since 1986. Its address is:

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CITIZENS' INCOME STUDY CENTRE (UNITED KINGDOM)
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• by cheque to BIEN-Ireland, c/o John Baker, Equality Studies Centre, University College Dublin, Belfield, Dublin 4 (if from Ireland)
For institutional membership, the fee is 4 times the individual fee and should be sent straight into BIEN’s account (001-2204356-10 at the CGER, Brussels).
In all cases, an acknowledgement will be sent upon receipt.

We look forward to welcoming you into our network.