

Jahn: A Basic Income for Rural Areas? A proposal for a strategic realignment of agricultural, social and structure policy within the EU

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## **A Basic Income for Rural Areas? A proposal for a strategic realignment of agricultural, social and structure policy within the EU**

There are philosophical, economic, ecological and theological derivations of an Unconditional Basic Income – UBI. There are conditions to be met by UBI models, such as that a UBI should prevent poverty and should be paid individually. And there are reasons why a UBI would be beneficial for you or for some particular group of people. And lastly there are strategic considerations: Would it be better to introduce at one particular time a UBI that covers the basic needs of all? Or should it be first introduced with a lower amount, not covering the basic needs? Or should it, in a first step, be only introduced for certain social groups, e.g. children?

Personally I tend against any such “starter models”, and have written and said so several times (see Jahn 2009c, 19). Because it is the very idea to allow everyone to lead a creative life and to cover their basic needs, beyond the necessity of paid work. On the other hand, the introduction of a UBI for everyone can be prepared by means of model projects. Even partial basic incomes can be inspirations and examples for the real thing. I am thinking here of the Permanent Fund in Alaska, the Bolsa Familia in Brazil and the famous model project in Otjivero, Namibia.

The theoretical consideration as to which groups would profit from a UBI is often confused with the strategic question as to for which group it should perhaps be introduced in a first step. I am going to do the same in my contribution today. But this is not so much a methodological imprecision. Rather, it is an attempt to run this idea through from a practical point of view, and to back it up with figures. Now what exactly is this idea? It is about a basic income for rural areas, as a “starter model”.

What has originated as a more urban intellectual concept may turn out to be most interesting for the inhabitants of “disadvantaged” rural areas.

In Germany, too, there are some more or less well-known supporters of a UBI in rural areas. In the Upper Black Forest, Thomas Dörflinger, CDU job market expert and member of the Bundestag, advocates a basic income. But not only experts of job market policy and social policy express themselves in favour of a UBI: Also Sabine Niels, spokeswoman on agricultural policy for the Green Party in Brandenburg, campaigns for a basic income.

And Alexander Süßmair, spokesman for rural areas for the parliamentary group of DIE LINKE, even states: “An Unconditional Basic Income could help stabilize rural areas and free the inhabitants of the pressure of having to move. A basic income would increase the spending capacity in rural areas and hence create economic perspectives there.”

Already in 2009 I had written that the farmers in the EU are used to receiving money

Jahn: A Basic Income for Rural Areas? A proposal for a strategic realignment of agricultural, social and structure policy within the EU

independently of their efforts (Jahn 2009a, 66). And that a “rural Basic Income“ (RBI) should be introduced within the EAFRD. In 2011, in a paper for the magazine of the Agrarsoziale Gesellschaft e.V. (Göttingen), I had opted for model projects that could be used to put such an RBI to the test. As I said before, model projects are important. But they also distort reality, as the small region where the project takes place does not even remotely resemble a complete national economy.

Therefore, I will stop talking about model projects for the moment, and turn to an RBI for the whole EU. Would an RBI within the EU be possible without major difficulty?

I believe that an RBI would continue, and at the same time revolutionise, the Common Agrarian Policy – in short : CAP.

There has been a CAP since 1957. Since then it has been reformed several times. In 2003 there was an extensive reform, known as the “Luxembourg Decisions”, which were about the severing of the links between direct payments and production. So the farm does not receive subsidies because it cultivates a particular crop. It receives subsidies per hectare. Currently, the realignment of CAP during the funding period of 2014-2020 is being discussed. In short, the EU commission wants it to become greener. Without a “Greening“, subsidies for agriculture appear to be no longer acceptable for EU citizens.

These are the aims of the CAP: The CAP is to secure food safety within the EU. In addition, the diversity of farming enterprises in Europe, particularly in remote areas, is to be kept alive, and the availability of manifold public goods to be guaranteed. The latter aims at landscape conservation and environment protection.

Alongside the “direct payments” to the farms there is the so-called second pillar of the CAP, the EAFRD, for the promotion of rural areas. As of 2020, there is probably going to be only one pillar.

In 2006, the EU had this to say about rural areas:

Europe's rural areas are diverse in terms of population, demography, economic and social structures and labour markets. It is this diversity that is part of their richness. Nevertheless, many of Europe's rural areas face a common challenge – their capacity to create high quality, sustainable jobs is falling behind urban areas.

And further:

Rural areas generate 45% of gross value added in EU-27 and 53% of the employment, but tend to lag compared to predominantly urban areas. In EU-27 the income per capita of predominantly urban areas is almost double that of predominantly rural areas. Low levels of income make it harder to retain and attract skilled individuals. This gap is reflected in other key indicators.  
(COM(2006) 857 final, Communication from the Commission to the Council and the European Parliament: Employment in rural areas: closing the jobs gap)

So how about giving direct payments in the form of an RBI, not only to the farmers, but to all people who live in rural areas?

⌘ The basic income would then be a kind of “retention bonus”, in order to stop the dramatic loss in population of less structurally developed regions. It would be granted like a civil right, without any return service required.

Jahn: A Basic Income for Rural Areas? A proposal for a strategic realignment of agricultural, social and structure policy within the EU

- ⤴ An RBI would make possible and support economic, social and cultural projects, which will revive the rural areas. Less structurally developed regions would thus become more pleasant to live in.
- ⤴ A basic income would have an ecological signaling effect: Not just any ecologically problematic large-scale project could be justified by claiming that people would move away in search of income, should it not be carried out.
- ⤴ Rural cultures, also cultures and languages of ethnic minorities such as the Lusatian Serbs (Germany), the Corsicans (France), the Turks (Bulgaria), could thereby be supported and preserved. In addition, an RBI would be a real socio-political contribution to the EU Roma policy. The introduction of an RBI would of course not immediately raise the prestige of Roma people. However, their socio-economic situation would be very different from today's.

The human being as such would be the yardstick for such a “direct payment”, not the hectare. This would also provide security to farmers, if one day the present direct payments from the EU should fall.

What would an RBI cost? Obviously this would depend on its amount. I will deliberately refrain from presenting a complex calculation model. For the danger of such models is always this: In the end, everyone is tied up in a discussion about whether it should be a few Euros more or less, and no-one talks about the idea as such. Still I will provide a few figures. They originate from Eurostat, and were collected before the economic and financial crisis. Meanwhile things will probably have changed considerably.

According to Eurostat, 117.5 million of the total 502.5 million EU inhabitants live in rural areas. The others live either in urban agglomerations or in intermediate areas. Let us focus on those 117.5 million when we discuss an EU-wide RBI in the following. What should be the amount of an RBI? Of course there will always be someone wishing for a higher or lower RBI.

I am basing my suggestion on the gross domestic product (GDP). There would certainly be other possibilities, such as poverty lines or baskets of commodities. But for my model calculation, the GDP appeared to be the easiest option. There are considerable differences between the GDPs of the member states. Luxembourg's GDP is 63,700 per person and year. Luxembourg includes all commuters, hence the extremely high amount. In second position are the Netherlands with 30,700, and Romania brings up the rear with 10,700. That is the range. For an RBI I have assumed 40% of the GDP per person and year. This would result in a different RBI for each member state.

So I start from the GDP, take 40% as the basis for an RBI. Then I look at the Eurostat data regarding the rural population within the respective member states. There are gaps in the data on rural population for Luxembourg, Malta and Cyprus – not very likely to confuse the whole picture. In the end I get at the costs of such an RBI. (Table 1).

Jahn: A Basic Income for Rural Areas? A proposal for a strategic realignment of agricultural, social and structure policy within the EU

Table 1: Amount and costs of an RBI in the EU

<b>Country</b>	<b>GDP/ ppa</b>	<b>40% GDP RBI/ ppa</b>	<b>of = Inhabitants rural areas</b>	<b>in</b>	<b>Costs of RBI in kEuro</b>
Luxembourg	63,700	25,480	No data		
Netherlands	30,700	12,280	107,337		1,313,960
Ireland	30,200	12,080	3,188,987		38,523,120
Austria	28,800	11,520	3,270,798		37,681,920
Sweden	28,400	11360	2,076,622		23,594,720
Denmark	27,700	11,080	2,345,637		25,993,680
United Kingdom	27,400	10,960	1,795,072		19,673,200
Germany	27,300	10,920	14,236,853		155,468,040
Belgium	27,200	10,880	923,695		10,053,120
Finland	26,100	10,440	2,285,864		23,865,840
France	25,300	10,120	18,374,199		185,944,880
Spain	24,500	9,800	6,003,815		58,839,200
Italy	24,000	9,600	12,227,651		117,388,800
Cyprus	23,200	9,280	No data		
Greece	21,900	8,760	4,831,586		42,328,320
Slovenia	20,600	8,240	871,013		7,177,040
Czech Republic	18,900	7,560	3,451,986		26,097,120
Portugal	18,500	7,400	3,853,714		28,512,200
Malta	18,400	7,360	No data		
Slovakia	16,900	6,760	2,720,516		18,393,960
Estonia	14,800	5,920	646,939		3,830,240
Hungary	14,800	5,920	4,759,227		28,173,280
Poland	14,300	5,720	14,438,482		82,585,360
Lithuania	12,500	5,000	1,465,711		7,330,000
Latvia	11,400	4,560	869,558		3,967,200
Bulgaria	10,800	4,320	2,969,684		12,830,400
Romania	10,700	4,280	9,860,486		42,200,800
EU-27	23,600	9,440	117,576,000		1,109,917,400

Source: Eurostat 2010 and my own calculations.

Jahn: A Basic Income for Rural Areas? A proposal for a strategic realignment of agricultural, social and structure policy within the EU

So an RBI would cause costs of more than 1000 bn EU-wide. That is a lot of money, and already five times the total EU budget. The following current EU programs could be used, at least partially, to co-finance the RBI:

▲ ESF:	10 bn/yr
▲ Agriculture budget:	60 bn/yr
▲ Cohesion fund:	10 bn/yr
▲ EARDF	70 bn/yr

But it may not be possible, or even desirable to terminate all ongoing projects within these programs. If we assume that we may perhaps be able to use half of these funds for an RBI, we are still under 100 bn. And we need at least 1000 bn.

What other options are there to make an RBI realizable:

- 1.Co-financing by the member states. But not all member states will have the means for that, or the political willingness.
- 2.Alternatively, a basic income tax could be levied EU-wide. Who is to pay this contribution? Only the rural population? Or are the town people to pay the RBI for the country bumpkins?
- 3.The EU and its funding should be reformed. One aim: The EU can raise taxes of its own and then use e.g. a property tax or an inheritance tax to finance, at least partially, an RBI.
- 4.A marked reduction of the RBI level. But then it would be no longer covering the basic needs.
- 5.Raise conditions for the receipt of an RBI: Social, ecological, economic or cultural activity in the rural area. But then it would be no longer unconditional.
- 6.Regional limitation: Only inhabitants of very underprivileged areas receive the RBI. These could be the convergence regions, whose GDP is < 75% of the average. Or even remoter, poorer regions.
- 7.For all that we must not forget that an RBI would also save a lot of funds, e.g. in the bureaucracy and social budgets of the member states. In addition, an RBI would potentially raise the spending capacity and hence the tax revenue.

The financial viability of an RBI is highly questionable and not directly possible from the agricultural budget. In the course of the introduction of an RBI, the CAP could be completely restructured. In theory, this would be possible as of 2020. Perhaps the perspective towards the then-following funding period as of 2028 is more realistic.

One objection against an RBI I consider important: Would it be constitutional for only people in rural areas to receive a basic income, but not those in urban areas? There the cost of living is rather higher than in the country. In the medium and long term, such an unequal treatment of city and country would be neither productive nor justified. Yet a head start of rural areas before conurbations, in the introduction of a basic income, would by all means be reasonable. Such a temporal differentiation would be a contribution towards the reduction of structural deficits and a step towards the creation of equivalent living conditions in Europe.

We currently have in Europe an intensive debate on agricultural policy. It would be strategically productive to join the debate on a basic income with the agricultural debate.

Jahn: A Basic Income for Rural Areas? A proposal for a strategic realignment of agricultural, social and structure policy within the EU

The suggestion to introduce an RBI could contribute to the debate on UBI in general, irrespective of its amount and costs.

In this context it is extremely helpful that the EU parliament has called on the EU commission to analyse the feasibility of a basic income (European Parliament A6-0364/2008). 540 of 629 representatives voted for this motion, which had been mainly drawn up by the Green MEP Kusstatscher. The EU commission could comply with this decision by allocation model regions. It is unrealistic to convince the inert EU to initiate a 1000 bn project by 2020. But it is realistic, within the debate on the CAP as of 2020, to discuss an RBI as well: model projects, model regions for an RBI as experiment.

Caution: That a majority of the EU parliament has voted for this motion was certainly a stroke of luck. But it does not mean that a majority of EU parliamentarians will actually strive for a European BI. I have a sneaking suspicion that most of them did not know what they were voting for. Less poverty in Europe, perhaps. Who should be against that?

So the project RBI needs allies. These could be NGOs critical towards agricultural policy. A survey among these, to find out what they think about the UBI, or about an RBI, would be a helpful start. But these allies could also be parties. The Greens, the Left, but also conservatives. The new protagonists on the party political stage, the Piraten, are of a rather more urban imprint, and wholly ignorant of agricultural policy. Yet at least they are the only party represented in German regional parliaments and in the European Parliament that demands a BI. Maybe it will be them of all parties who take the initiative to advance an RBI, as a feature for a new policy for rural areas?