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Basic Income and the Welfare State

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Author´s Declaration

Unless otherwise indicated in the text or references, or acknowledged above, this thesis is entirely the product of my own scholarly work. Any inaccuracies of fact or faults in reasoning are my own and accordingly I take full responsibility. This thesis has not been submitted either in whole or part, for a degree at this or any other university or institution. This is to certify that the printed version is equivalent to the submitted electronic one.

Eugen Tornquist April 17, 2018

Liberté, Égalité, Solidarité

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Abstract

The present analysis compares the welfare state to the implementation of an unconditional basic income. By using an institutionalist approach that treats preferences as endogenous, both institutions are described regarding their norms embodied and formative effects on economic behavior. The Austrian welfare state is used as a specific example institutionalizing different shades of reciprocity norms that tend to reinforce employment preferences. By contrast, the proposal of a basic income expresses *generalized reciprocity* – the most abstract social norm of exchange – together with a pronounced individualism. In this way, more diverse occupations would be supported. Funding a basic income scheme, however, relies on sufficient economic activities generating tax revenues. Its incremental implementation thus requires additional institutional elements fostering a norm of social contribution and solidarity among all members of society. Accordingly, a basic income is argued to be only sustainable if accompanied by complementary public institutions.

Zusammenfassung

Die vorliegende Arbeit vergleicht den Wohlfahrtsstaat mit der Einführung eines bedingungslosen Grundeinkommens. Unter der Verwendung eines institutionenökonomischen Ansatzes mit endogenen Präferenzen werden beide Institutionen hinsichtlich ihrer Normen und deren Wirkung auf das ökonomische Verhalten beschrieben. Als spezifisches Beispiel dient dabei der österreichische Wohlfahrtsstaat welcher unterschiedliche Schattierungen von Reziprozität institutionalisiert und Präferenzen unselbstständiger Beschäftigung tendenziell verstärkt. Das Grundeinkommen hingegen drückt eine „generalisierte Reziprozität", die abstrakteste soziale Norm von Tauschbeziehungen, und einen ausgeprägten Individualismus aus. Dadurch würden sehr unterschiedliche Beschäftigungsformen gefördert werden. Jedoch setzt die Finanzierung eines Grundeinkommens hinreichende ökonomische Aktivitäten, die Steuereinnahmen generieren, voraus. Die schrittweise Einführung desselben benötigt daher zusätzliche institutionelle Elemente, welche Normen des sozialen Beitrags und der Solidarität unter allen Mitgliedern der Gesellschaft stärken. Folglich wird argumentiert, dass ein Grundeinkommen nur haltbar sein kann, wenn es durch komplementäre öffentliche Institutionen begleitet wird.

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Prologue

By considering the material basis of our societies, economics has always been about improving the state of the world. Ever since its emergence as a separate discipline, during the Enlightenment period across Europe in the 18th century, ideas have been formulated on how to improve the satisfaction of needs of mankind rather than leave people to their own fate (Nasar 2011). Economics was intended to be a science about production and distribution of wealth, and its relationship to human nature (Mill 1844, V. 30). Indeed, among the vast body of economic theories there exist powerful ideas that have irreversibly shaped the world and the ways we think about our societies.

An idea that promises to possess this emancipatory potential is at the center of this study, namely the proposal of an unconditional basic income. Although the idea of providing a guaranteed income to all individuals, irrespective their activities in life, has already been discussed for many years by social and political scientists, the public debate on the basic income has meanwhile reached a new level. Since a basic income would greatly affect our societies as well as our current welfare institutions, the topic is important to shed some light on.

The introduction of a basic income would cause a major institutional change. Moreover, there are good reasons to doubt that such implications can be answered sufficiently by empirical analysis alone. Empirical testing of a basic income is being conducted currently in many parts of the world, however these analyses inevitably lack important features an actual basic income scheme would have. Apart from immanent questions about the qualitative construction of these studies, this assertion stems from two general objections: First, experiments are naturally conducted for a limited time duration. Since participants can anticipate this fact, their behavior is likely to differ significantly in real life from observational studies. Secondly, the participation in experiments is often not compulsory and a self-selection bias can therefore not be completely ruled out. This diminishes the relevance of the identified effects of a basic income on human behavior. Even the most-sophisticated empirical studies on the effects of a basic income are confronted with these limitations (Van Parijs/Vanderborght 2017, p. 143).

Moreover, field experiments of the basic income in particular are exposed to methodological problems related to their external validity. Due to their limited sample size, experiments on the basic income do not include a large-scale examination of the labor market. Indeed, basic income experiments generally exclude potential net contributors of a basic income scheme. Concerns about the sustainability of a basic income, therefore, cannot be addressed. The results of these experiments may hence only marginally depict the implications of a grand institutional reform such as the introduction of a basic income (Van Parijs/Vanderborght 2017, pp. 143-44). Given these shortcomings of basic income experiments, generalizing their empirical results to the overall socio-economic context appears unsatisfying.

Any comprehensive evaluations of the basic income and its sustainability must hence derive from a broader basis of investigation that combines empirics with theoretical analysis. This conclusion stems from the belief that a basic income cannot be analyzed just like any other public transfer. Rather, this study considers the basic income as an institution that may in the longer run affect crucial norms governing our society (Van Parijs/Vanderborght 2017, p. 142). In order to respect the vast dimension of a basic income, this study appeals in particular to the institutionalist tradition within economics. In contrast to standard economic modeling, the institutionalist account allows to contextualize the proposal of a basic income within the existing arrangements of welfare states (Dimmelmeier/Heussner 2016).

The present analysis aims at providing a theoretical groundwork for more targeted experimental and empirical research on the long-term stability of a basic income scheme in relation to other welfare systems. The proposal of an unconditional basic income will therefore be compared to the welfare state traditions as classified by Esping-Andersen (1990), with a specific focus on the Austrian welfare state. The general methodology, moreover, follows the analytic approach proposed by Bowles (1998) that treats preferences as endogenous and thereby highlights the formative power institutions have on human behavior.

Since the desirability of a basic income is ultimately constrained by the sustainability of such a proposal, this crucial dimension will be addressed. A basic income must not yield a poor replacement of our existing welfare institutions or level down living standards of our societies (Van Parijs 1995, p. 38). In order to confront such unintended consequences of a basic income, this study aims to answer the question about its sustainability of welfare provisions in more detail. The main part of this analysis will provide an institutionalist perspective on what social norms underpin existing welfare systems in Austria. These insights will then be compared with a basic income scheme. Therefore, conflicts and potential compatibilities of the basic income and crucial features of existing welfare states will be become evident.

Finally, this study tries to answer whether a basic income will enhance "real freedom for all" (Van Parijs 1995) and can actually be accomplished by skillful institutional engineering, or if this concept remains an idealistic dream. Any idea that respects the equality of rights for all humans, such as the idea of a basic income, deserves to be studied at length. Accordingly, I encourage fellow economists to re-engage ambitiously in questions on how to address the fundamental drawbacks of our economies today.

Introduction

In 1930 John Maynard Keynes predicted that within one hundred years the "economic problem" would be solved. In his famous essay on the *Economic Possibilities for our Grandchildren*, Keynes responded to the widespread economic pessimism that had spread throughout Europe. Technological progress had caused rapid sectorial changes that have put society under pressure. Keynes predicted "a painful adjustment between economic periods" resulting in what he coined *technological unemployment*. Due to technological innovations, the amount of aggregate labor would be temporarily reduced before new demand for labor could emerge. Still, for Keynes, this temporary downturn in the labor market was only signaling the overall long-term improvement of the economic situation for all. Due to greater productivity, the basic needs of mankind would soon be satisfied, while the more advanced human desires would always remain. John Maynard Keynes imagined a world where waged labor would only play a marginal role in the life of most people. Rather, people would have to learn how to engage in purposeful activities apart from striving for ones' economic subsistence. People will have to train in the "art of life" and come to appreciate the real values of life (Keynes 1930, pp. 1-5).

There are many similarities to our present state of the economy to the time when Keynes wrote this essay. Technological change occurring in the digital industries currently disrupts our traditional labor markets with a new pace. Technological unemployment has become an observable phenomenon. While the net long-term effects of job destruction as well as creation can hardly be predicted, our institutions have to cope with rapid changes that put our societies under pressure.

Moreover, problematic working-conditions are spreading characterized by short-term or part-time contracts or insecure situations of self-employment (Van Parijs/Vanderborght 2017, p. 183). As a consequence, a growing socio-economic group of people who lack genuine securities within their working places regarding to income, illnesses, opportunities, arbitrary dismissal, representation and lower societal statuses can be identified (Standing 2011, p. 11). Adding to this comes a socially marginalized group of unemployed people who depend on provisions by the state (Standing 2011, p. 8). According to Guy Standing (2011), all these people together form a new fragmented group – *the Precariat*.

In other words, Keynes' vision of a world where the basic needs are satisfied and people work as much as they please still appears to be a utopian dream in today's world. On the other hand, a variety of welfare states have emerged in the Western World, which provide different degrees of social security to their citizens. The institutionalist approach explains these developments by a necessity to buffer the inherent market failures of the economy and thereby-enables the proper functioning of the market economy (Esping-Andersen 1990, p. 15). For Polanyi (1944) stated that the economy must always be embedded in a web of social and political institutions as it otherwise risks destroying society.

Technological changes are inherent features of capitalism and bring upon times of extreme tension, also within the social sphere (see Schumpeter 1912). While our welfare states have been major achievements in promoting social cohesion, they are themselves exposed to dynamic disruption at these times. Accordingly, the standard of social security of the welfare state can only be sustained by constantly adapting to new circumstances. Ultimately, times of technological change always create opportunities for new ideas. Ideally, the dynamism in our economy would fuel into collective measures that improve the state of the world while at the same time respecting past institutional achievements.

This study will investigate the idea of granting a basic income to all individuals, unconditional of their activities in life. The necessity of a basic income does not follow directly from the observable developments related to technological change. Other ideas may suit to moderate the vast effects of structural change. One such idea would be a working-time reduction, however this idea not exclusive to granting a basic income. A basic income can be considered as a way to enable recipients to re-organize labor hours on an individual level (Van Parijs/Vanderborght 2017, p. 50).

This analysis focuses on the idea of a basic income since this proposal embodies intriguing normative qualities with regards to freedom and equality. Whether a basic income is sustainable will depend on how these norms compare with those prevailing in our welfare states and affect the functioning of the economy. Answering these questions lies at the core of this study.

1. Definition of a Basic Income

Before any topic can be systematically analyzed, the subject itself must be clearly defined. This appears particularly important with regards to the basic income since this idea allows for widely different interpretations and specifications. The reasoning for and against these details is however not the topic of this study. Rather, one definition of a basic income will be assumed throughout the paper, which refers to Van Parijs and Vanderborght (2017). Accordingly, the conclusions drawn in this study derive only from the definition of a basic income outlined here. Thus, they also apply only if this particular specification of a basic income holds.

The basic income examined here is defined as public transfer paid in cash and *unconditionally*. The un-conditionality property is, moreover, expressed by three distinctive characteristics: First, the basic income is strictly *individual* and thus distributed independently of the household situation. Second, it can be labeled *universal*, as it is not bound to a means-test assessing the actual neediness. Thirdly, the basic income defined here is *obligation free* and thus doesn't depend on any (prior) contribution such as work or willingness to work (Van Parijs/Vanderborght 2017, p. 8).

Still, the basic income is conditional in one crucial way. Unless introduced globally, a basic income would be reserved only for members of a territorially defined community. While Van Parijs and Vanderborght (2017, p. 9) consider fiscal residence as eligibility criterion for the basic income, existing welfare states generally link their provisions to the permanent legal residence status. Although this question is essential when it comes to actually introducing a basic income, this study does not address this question in more detail.

It is assumed that a basic income is paid regularly at a predictable level (presumably each month). The level of a basic income may still vary in three ways: First, different amounts of money may be considered according to the age of the recipient. Secondly, a basic income could be sensitive to regional differences in purchasing power. Thirdly, the size of a basic income may change over periods of time (p. 9). Van Parijs and Vanderborght (2017, p. 11), for instance, propose to link the amount of a basic income to GDP per capita (except from sudden fluctuations).

The variability of a basic income depends on its most crucial precondition, namely its sustainability. For a basic income to become an actual policy option, it must obviously be fundable also in the long run (Van Parijs 1995, p. 38). In other words, the general tax yield must suffice to finance the distribution of basic incomes universally to all.

The major challenge regarding the sustainability of a basic income is obviously whether taxable economic activities remain substantial in order to actually fund such a scheme. A stable funding plan of a basic income is thus crucial in order to actually fulfill all its defining criteria. Moreover, this study will emphasize that the sustainability of a basic income is ultimately determined by the social norms that prevail in society. Therefore, a sustainable basic income requires social norms that promote behaviors needed to finance such a comprehensive welfare measure in the long run.

The term "basic", finally, refers to the idea of providing an unconditional minimum income that can be increased individually by income from other sources (Van Parijs/Vanderborght 2017, p. 10). A basic income is thus not withdrawn when additional income is earned. The name "basic income", on the other hand, does not imply any specific amount that provides for ones' basic needs. Evidently, the amount of basic income will be decisive for the respective effects on individual preferences. In order to address this question, this paper follows the flexible approach by Van Parijs and Vanderborght (2017) that regards the actual size of basic income to depend on its sustainability.

A basic income scheme must not necessarily result in a leveling down of other welfare benefits. Rather, the basic income described here is meant as an unconditional element that may be introduced within existing welfare states. Yet, a basic income may replace all cash transfers that are lower than it. In the case, where existing cash transfers exceed the amount of basic income, the residual amount could remain conditional (Van Parijs/Vanderborght 2017, pp. 11-12).

Since people are born with very different individual capabilities, a uniform cash transfer alone can never replace targeted services and support by the welfare state. As also Van Parijs and Vanderborght (2017) point out, a basic income cannot compensate for "quality education, quality health care" (p. 12), "safe and enjoyable public spaces" (p. 13) and other forms of public good provision. Economists understand that de-centralized provision of common goods is naturally exposed to free riding. In the realm of public goods, this so-called "tragedy of the commons" (Hardin 1968) provides the strongest "rebuttal to the invisible hand" (Bowles 2004, p. 27). A basic income can hence never yield a genuine replacement for all public intervention or regulation. The rationale for a basic income in cash is thus “consistent with supporting public provision of various services in kind” (Van Parijs/Vanderborght 2017, p. 14). Accordingly, this study understands a basic income as a potential emancipatory element in addition to the principal institutions and tasks of our welfare states.

2. Related Ideas and Events

What makes the study of basic income especially intriguing, is that it has never been introduced anywhere before. Thus, there is a lack of experience that can function to evaluate the proposal of a basic income on an empirical level. Still, there are ideas that share important properties with the basic income as well as rare historical events that convey a first glimpse into the dimensions of such a measure.

Speenhamland 1795

The Industrial Revolution has been the major historical event that shaped the structure of our societies, and the way the economy functions today. Technological innovations spreading from England, gradually transformed an essentially subsistence economy grounded in feudal society, into a decentralized and expanding industrial economy. This transition did not follow a natural process, but was rather actively assisted by changes in political institutions. In fact, market economies can only emerge under a particular set of institutions.

As Polanyi (1944, p. 72) pointed out, in a market economy, all factors of production (including land, labor and money) must be for sale. Moreover, their respective prices (rents, wage and interest) must be determined by supply and demand. The market mechanism can thus only operate if land, labor and money are defined as commodities. According to Polanyi (1944) the commodification of these factors remains, however, a fictitious project that can never be sustained (p. 76).

Already under Mercantilism, the expansion of international trade required lending and borrowing of money and, subsequently, the existence of money markets. Moreover, the Industrial Revolution was preceded by land reforms that gradually enforced property rights and ultimately made land tradable for a larger public. It was only the institutional creation of a "labor market" which marked the final step to embrace the market economy (Polanyi 1944, p. 81).

However, since there were doubts in England about the idea to rely on the market to provide decent living wages for rural populations, in 1795 a unique law was passed in Speenhamland (Berkshire). This law was an amendment to the *Elizabethan Poor Law,* and turned out to be very similar to the idea of providing a basic income. In fact, the Speenhamland Law prevented the emergence of a competitive labor market in England during a crucial phase of the Industrial Revolution from 1795 to 1834. The law can be regarded as an attempt by authorities, to re-establish paternalistic forms of labor organization, which characterized feudal society (Polanyi 1944, pp. 81-82).

The Speenhamland Law, of 1795, ensured that subsidies were paid to compensate for low wages and therefore guaranteed a minimum income to poor workers. While the old *Poor Laws* forced people to work apart from what they earned, the subsidies effectively freed workers from taking jobs at any wage. In return, employers were able to decrease their wages to almost nothing, knowing that workers subsistence was secured otherwise. As a consequence, the productivity of workers declined dramatically, and work turned into a mere formality in order to qualify for the public subsidies (Polanyi 1944, pp. 82-83).

Eventually, these developments caused the work-requirements enforced by the Speenhamland Law to be implemented very vaguely by the authorities. In practice, the Speenhamland Law became similar to an obligation-free basic income to the poor, financed through public funds. Polanyi (1944, pp. 83-84) says that "no measure was ever more universally popular" than the Speenhamland system, as it effectively established a "right to live". Still, the subsidies made workers increasingly dependent on public provision, and therefore reinforced paternalism immanent under feudal society (Polanyi 1944, p. 84).

By 1834 the Speenhamland Law was finally abolished. As a consequence, workers had to depend exclusively on wages determined by the labor market, rather than by feudal structures, and public authorities in England would only help the most needy. According to Polanyi (1944), this moment in history marked the beginning of today's market economy (pp. 86-87).

However, the Speenhamland Law in England acted in accordance with "anti-combination laws" that prohibited collective bargaining. In retrospect, allowing for unions to effectively demand higher wages might have reversed the adverse effects on earnings caused by the wage subsidies (Polanyi 1944, p. 83). Moreover, the obligation to work contained by the Speenhamland may be the reason for the negative economic performance of this system.

Anyways, there are many factors that distinguish the introduction of a basic income in the present context to these historical events. Yet, the past may remind us not to draw sudden conclusions or speculations about the economic consequences of a basic income.

Negative Income Tax

A similar concept to a basic income is the notion of a "negative income tax". Milton Friedman famously brought this idea to light in *Capitalism and Freedom* (1962). The free-market economist proposed an unconventional tax scheme to alleviate dire poverty. Friedman developed the idea against the principle of private charity. Although private charity was desirable to him, it appeared to be an impracticable solution in advanced capitalist societies. The impersonality and lack of small communities would make the realization of private charity unsustainable. Under these conditions, a mutual obligation of better-off individuals helping the poor cannot be established (Friedman 1962, p. 191).

As the second-best option, Friedman (1962, p. 191) accepted the necessity of state intervention to provide "a floor under the standard of life of every person in the community". Similar to the basic income defined in this study, Friedman (1962) proposed that the exact amount of the financial transfer would be determined by the taxes which society is ready to bear for that purpose. Yet in contrast to the definition of a basic income examined here, he considered the negative income tax as a substitute for the vast amount of other welfare measures including "price supports, minimum wage laws, tariffs" (p. 191) or "old age assistance, social security benefits payments, aid to depended children, general assistance, farm price support programs, public housing, etc." (Friedman 1962, p. 193).

According to Friedman, the main advantage of a negative income tax relative to targeted welfare measures is technical, as it would "not distort the market". In fact, under the negative income tax scheme work incentives are preserved and the risk of causing an unemployment trap thereby reduced. As opposed, means-tested assistance tends to impose an effective marginal tax of 100 percent (i.e. withdrawal) when the income is earned above the minimum income limit. The withdrawal of means-tested assistance at a certain income level generates adverse work incentives whereas the negative income tax scheme is assumed to be neutral on preferences over the entire income spectrum (Friedman 1962, p. 37).

The negative income tax scheme works in the following way: Income tax systems generally obtain a certain threshold for which incomes are exempt from taxation. This *tax credit* commonly corresponds to the minimum subsistence income level. When surpassing this income, the basic tax rate becomes due. In the case of a negative income tax, the earners of incomes below a given threshold are eligible for a negative tax, namely receive a subsidy. This positive tax transfer is however gradually phased out with the amount of income earned. Beyond the income tax threshold, the net benefit, on the other hand, remains constant by effectively achieving a reduction in tax liability compared to complete income taxation. The individual amount of tax paid or received and the actually *realized basic income* through a negative income scheme is determined as follows:

(1.1.) $$tax\ liability = tax\ rate \times (income - tax\ credit)$$

(1.2.) $$realized\ basic\ income = tax\ rate \times tax\ credit$$

Following (1.1) units with no income at all receive the whole amount basic income as a direct transfer. In the case where income earned equals the tax credit, no transfer is paid but a basic income is realized by saving taxes of the same size. When incomes surpass the threshold of the tax credit, taxes are owed at the prevailing rate, but subtracted from the amount of basic income.

The income path under the negative income tax scheme with a flat tax regime is displayed in Figure 1. A positive tax transfer subsidizes incomes below the threshold. The continuous line in the graph displays the net income under a scheme where both incomes above and below the threshold are (positively and negatively) taxed by the same flat tax rate as proposed by Friedman (1962). The dotted 45° line represents the state of no income tax where net and gross income is equal. Correspondingly, tax units below the intersection point at Y* are net-recipients under the NIT scheme, while those above the threshold are net-contributors (Van Parijs/Vanderborght 2017, p. 35).

Although Friedman himself was a proponent for a single tax rate, the negative income scheme is also compatible with progressive tax systems that characterize welfare states today (Van Parijs/Vanderborght 2017, p. 36). The income path under a negative income scheme is identical to the one under a basic income, however only under some conditions. First of all, as a basic income is paid individually, it cannot be implemented by a negative income tax scheme, which takes households as the relevant tax unit. Moreover, a basic income must not be financed through income tax alone. In fact, funding a substantial basic income scheme may require taxing more resources than personal income alone.

Finally, Van Parijs and Vanderborght (2017, pp. 36-38) point out that the negative income tax would still be deficient regarding the universality condition of a basic income. In contrast to the definition of a basic income, the negative income tax scheme would not endow every individual with the same amount in advance.

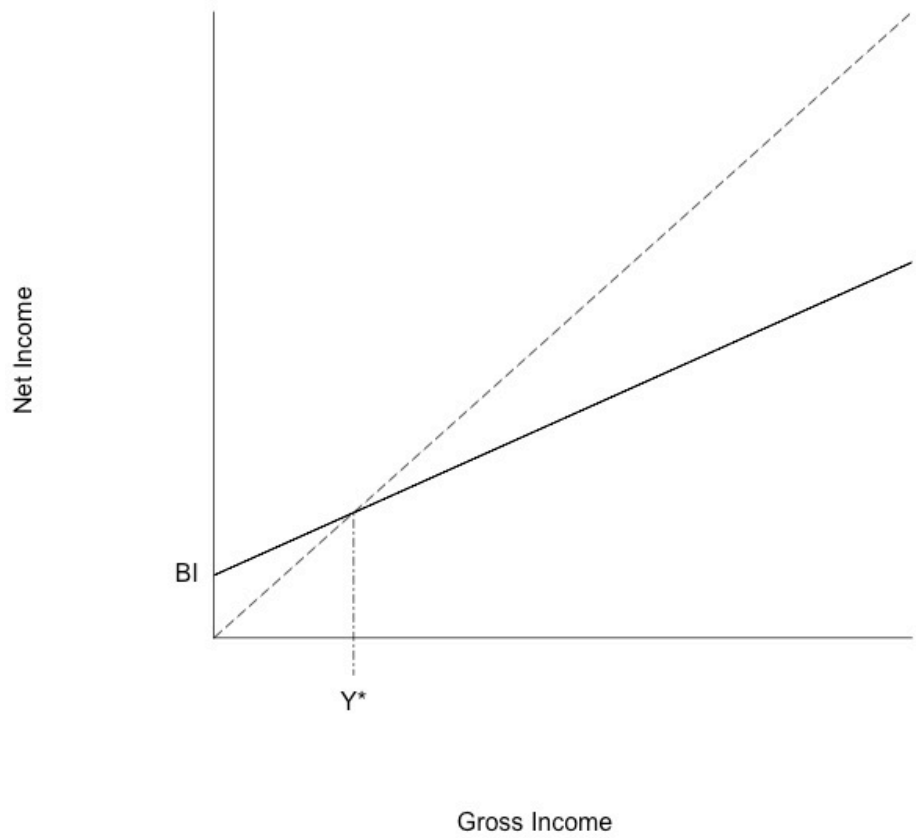

Figure 1: Negative Income Tax as Basic Income

The negative income tax functions as a mechanism where the basic income is realized through a tax credit. Despite its technical appeal in providing a subsistence income through the general income tax system, the negative income tax scheme lacks crucial norms, which a basic income embodies. After all, the negative income tax scheme determines through the income threshold, who is entitled to receive a positive financial transfer. The individual status of being net recipient or contributor of the scheme is evident after each tax period. This opposes the normative demands of the basic income definition, which avoids revealing the people who receive assistance and those who finance it. Conversely, this property is associated with most existing means-tested schemes that target poverty (Van Parijs/Vanderborght 2017, pp. 38-40).

In fact, the negative income tax proposal is in line with the "liberal" tradition of social assistance as described by Esping-Andersen (1990, p. 62). It is essentially a tool to compensate for market failures such as unemployment and poverty. A negative income tax proposal appeals primarily to the market mechanism aiming to preserve work incentives and promote competitiveness. As with a basic income scheme, social assistance under a negative income tax system is provided in cash. This naturally diminishes the de-commodifying capacity of both proposals, although this can be corrected by the amount of minimum income that is actually realized (Esping-Andersen 1990, p. 47). A negative-income tax alone, replacing all other public assistance, cannot be regarded as an emancipatory welfare measure reducing individual's market dependency. Still, a negative income tax may be a promising way to implement a basic income in liberal welfare states where societies otherwise opposes broader state intervention.

3. Institutions and Preferences

Welfare economics has been built on two general principles. The *First Fundamental Theorem* of welfare economics states, that under idealized assumptions of perfect competition (complete information, the absence of externalities and public goods etc.) the market mechanism will lead to *Pareto efficient* outcomes. This can be understood as the formalization of Adam Smiths idea of the "invisible hand", which describes that self-interested behavior will (unintentionally) lead to socially desirable outcomes. Given the initial endowments among individuals, the market would allocate resources in the best way in order to enhance overall wealth (Snyder/Nicholson 2008, p. 466).

However, markets in reality never satisfy all conditions of perfect competition, therefore welfare economics remain more of a hypothetical concept than an actual policy reference (Stiglitz 2017, p. 9). Moreover, Pareto efficiency does not at all imply a fair distribution of resources in a society. Rather, it only describes an allocation of resources where no one can be made better off without making someone else worse off. Therefore the Pareto criterion may also apply to unequal allocations. In fact, Amartya Sen (1970) holds that "a society can be Pareto optimal and still be perfectly disgusting" (p. 22). Apparently, efficiency is not a sufficient criterion for welfare states.

There are evident shortcomings of the market mechanism regarding the distribution of resources. If the initial endowment is biased towards some agents, then competitive bargaining will lead to allocations that again favor better off individuals (Snyder/Nicholson 2008, p. 479).

The *Second Theorem of Welfare Economics*, on the other hand, states that any preferred efficient allocation can be achieved by changing the initial endowments through lump-sum transfers (taxes or subsidies). By changing the initial distribution of resources the market would then, under given assumptions, reach a new Pareto efficient equilibrium. The lump-sum transfers required for this purpose are defined as taxes or subsidies, the amount of which cannot be manipulated by individual changes in behavior (Stiglitz 1999, p. 3). The existence of such transfers is, however, questionable since almost all taxes or subsidies incur such effects. Thus, separating questions of efficiency from distributive considerations in practice remains impossible (Stiglitz 1999, p. 28; Snyder/Nicholson 2008, p. 479).

Analyzing the implications of a basic income within the conventional framework of welfare economics appears unsatisfying. A basic income would change the initial endowments of individuals. Since it would be distributed universally, the amount would be equal to all and cannot be manipulated by individual behavior. At a first glance, a basic income seems to have important properties of a lump-sum transfer, but this is still not the case for at least one reason. It would be unrealistic to assume that a basic income would not alter human behavior and preferences. For instance, propensities to work or take leisure time will definitely be affected in some way by a basic income.

In order to discuss important implications of a basic income, this paper will depart from Neo-classical welfare analysis that takes preferences as exogenous and driven by self-interested behavior alone. As it will become apparent later on, the reliance on the *homo oeconomicus* model greatly reduces the possibilities to explain the evolution of today's welfare state. The following analysis instead focuses on an institutionalist approach to behavior, by which questions about the sustainability of a grand reform such as a basic income can be addressed in more detail.

In order to analyze relationship between a basic income and the welfare state, this study will follow the proposition made by Samuel Bowles (1998) that treats preferences as endogenous and effectively determined by the institutional setting. In his article *Endogenous Preferences* (1998) Bowles defines preferences as reasons for behavior that are essentially learned under particular circumstances. Such reasons must not only express tastes but also include moral convictions. A leading role in the preferences-building process amounts to the distinctive human capacity of learning-by-doing. Moreover, there exists a human propensity to apply behaviors that proved successful in one situation, to different areas of life. Preferences therefore evolve over time in order to cope with various tasks. The tasks humans are confronted with on the other hand are again determined by the institutional arrangements (Bowles 1998, pp. 78-81).

Rather than acting neutral on behavior, the political institutions underpinning our societies embody norms that therefore specify, however explicitly, how people *should* behave. Institutions build authorities that constrain the scope of behaviors autonomous individuals can access (Meyer 2008). The establishment of these institutionalized norms may stem from informal patterns of collective behavior that have evolved over time or sometimes proved effective to promote coexistence. But institutions may also be originated in structural factors such as political power, which in turn affect behaviors and social norms that evolve in society. After all, there is a continuous interplay between institutions and preferences operating through various mechanisms. This two-way causality results in a dynamic process that relates to historical paths and produces different equilibria (Rothstein 1998, p. 135). The different behaviors observable between societies today are effectively generated by their respective political institutions rather than can be sufficiently explained by referring to notions of culture alone (Rothstein 1998, p. 138).

The challenge of this institutionalist approach to preferences and norms lies within exploring how their re-enforcing relationship operates over time (Rothstein 1998, p. 139). On this matter, Bowles (1998, p. 77) provides an analytical framework that identifies five effects by which institutions affect preferences.

I. Framing and situational construal
II. Intrinsic and extrinsic motivations
III. Effects on the evolution of norms
IV. Task performance effects
V. Effects on the process of cultural transmission

Firstly, institutions affect how people perceive particular situations in life. Accordingly, choices individuals make are influenced by the way the decision-making process is presented under given institutions. These framing effects have wide-ranging consequences on the way people relate to each other in society. Markets, for instance, tend to evoke different behaviors in humans than those that prevail under non-market institutions such as family. While under the market institution, preferences may be steered predominantly by self-interest, such behavior, however, contradicts family life. By framing and constructing situations, institutions evoke particular behaviors from humans' preferences repertoire (Bowles 1998, pp. 87-89).

Secondly, institutions may introduce so-called extrinsic motivations to situations. This is achieved by imposing mechanisms of reward and punishment related to certain activities. As opposed to intrinsic motivations, such reasons for behavior are external to the activity they try to promote. The introduction of additional motivations for behavior may, however, cause people to re-evaluate their activities and therefore also affect the intrinsic value they have initially assigned to it. Rather than just adding another incentive to particular situations, institutions change the motivational structure of both extrinsic and intrinsic factors (Bowles 1998, pp. 90-91).

Third, institutions affect the evolution of particular behavioral norms that prevail in society. Since institutions embody normative content, they effectively pose demands to human behavior. As a response, institutions promote certain human traits that may on a longer term become social norms. Norms are vital elements that influence the possibility of cooperation and solidarity within a society (Bowles 1998, pp. 91-96). When markets are imperfect certain norms may even correct market failures. The institutional arrangements may, for instance, affect the extent of generosity, trust, and reciprocity characterizing a community. Moreover, Bowles (1998) claims, that trying to approximate complete markets will undermine socially valuable norms, and may actually worsen the shortcomings of the market mechanism. Bowles calls this proposition a "norm-related analogue" to the Second Theorem of welfare economics (Bowles 1998, p. 104).

Fourth, institutions greatly determine tasks people are confronted with in their lives. Tasks require specific human behaviors in order to be successfully performed. The principal human capacity of learning-by-doing, however, goes beyond the acquisition of skills but also affects preferences and values in the process. By choosing these tasks, institutions appeal to specific human behaviors that people may, in turn, apply to other situations in life (Bowles 1998, pp. 96-97). Evidently, work-life requires specific attitudes in order to cope with particular tasks. Private life, on the other hand, may demand very different behaviors. The separation of these different environments is greatly influenced by political institutions of the welfare state. Institutions may thus affect the diffusion of these behaviors in society. Moreover, empirical evidence supports that behavioral practices of these spheres are actually interwoven. Karasek (1990, pp. 54-54), for instance, finds that workers who start doing less demanding jobs, frequently become more passive in their leisure time. In turn, workers that perform more active jobs, use their leisure time more actively [Bowles 1998, p. 99]. This logic may also apply to more specific preferences and values.

Finally, Bowles (1998) identifies an indirect effect of institutions on preferences, namely determining those that are passed on to next generations. Political institutions influence practices of parenting, childhood, the process of socialization and organizations of schooling. While schools are important transmitters of knowledge, they are also shaping *non-cognitive* traits during this process. Indeed, side effects acting on the personality of an individual are evident in all schooling institutions. Some of these traits are taught intentionally to prepare students for adult life and their role in society, other behaviors are fostered more unconsciously (Bowles 1998, pp. 100-102).

For instance, Bowles and Gintis (1997) identify “a lower rate of time preference, a lower disutility of effort and a cooperative relationship to authority figures” as essential traits of a successful working life that are already demanded in school [Bowles 1998, p. 101]. Indeed, empirical observations show that employers tend to appreciate similar attitudes of their workers as those rewarded by teachers. As a result, more conformist behaviors such as punctuality, reliability and identifying personally with work are seen more positively than non-conformist traits like independence or creativity (Bowles 1998, p. 102). Apparently, educational institutions today structure future social cohesion and aid the functioning of the economy by effectively producing individuals with tendencies towards employment-related behaviors.

The five effects of institutions on preferences identified by Bowles (1998) form the baseline model to analyze the basic income and the welfare state in this study. Both the welfare state and the basic income are institutions that act on preferences and norms in various ways. The primary task of this study then is to explain the institutionalized norms and preferences invoked by various welfare systems using the example of the Austrian welfare state. Subsequently, the results will be compared with the norms embodied by the basic income proposal. The five effects of institutions on preference by Bowles (1998) will help to specify these conclusions further. In the process, possible contradictions, as well as compatibilities of the two institutions, will become evident. Finally, this institutionalist analysis will provide an estimate of the long-term sustainability of introducing a basic income within the context of existing welfare states. Moreover, the discussion will offer ways of enhancing the sustainability of a basic income through an institutional design that respects its repercussions on preferences and norms, without departing from the actual idea of an unconditional basic income.

4. The Evolution of Welfare States

When discussing grand welfare reforms such as the introduction of a basic income, it is crucial to understand the origins, as well as the rationale and the functioning of existing welfare institutions. Looking first at the foundations of welfare states today, questions about the effects and the sustainability of a basic income can be addressed. The study of the welfare state in relation to the basic income proposal will thus help to show potential contradictions between these two systems, but may at the same time show the possibility of reform in existing practices of social policies. This will reveal whether or not a basic income can be introduced within the given socio-economic context, and how welfare states may implement a basic income in a suitable way.

Institutions

The evolution of welfare states in many countries around the world is a major human achievement within the capitalist system (Bowles 2012, p. 131). What used to be authoritarian institutions, concerned primarily with expanding the power of an elite, eventually turned into democratic organizations preoccupied with the production and distribution of wealth in favor of the majority population (Esping-Andersen 1990). Obviously, this progress has not taken place in all parts of the world yet. The interplay of economic and political institutions, in relation to critical historical events, explains much of the diverging stages of development among countries today. Moreover, it is the disruptiveness of technological progress, as well as the institutional response to it, that decides about the direction of social change (see Acemoglu/Robinson 2012).

There are many approaches that try to explain the emergence of welfare states. What unites all of them is the decisive role they attach to the Industrial Revolution as the cause for our modern welfare states (Esping-Andersen 1990, pp. 12-16). The institutionalist account on the welfare state is deeply rooted in the ideas of Karl Polanyi (1886-1964). Polanyi saw the Industrial Revolution as the beginning not only of our market economy but also of capitalist society. Social policy, moreover, was a necessary response to the adverse effect of a self-regulating market economy. In such an economy all productive activities would be steered by market prices alone (Polanyi 1944, p. 45). For Polanyi however, any attempt to separate economic from the social sphere was doomed to fail and risks destroying humanity. Social policy, on the other hand, helps to re-integrate the economy into the social environment.

In his book *The Great Transformation* (1944), Polanyi coins the term “embeddedness”. By drawing on extensive historical reference, Polanyi reveals that before the Industrial Revolution took off, the economy played only a minor role in society. In fact, the economy was embedded in politics, religion and social relations (Polanyi 1944, XXIII). This drastically changed in the 19th century as human relationships began to be increasingly dominated by market interactions. A major step in this direction was the political creation of competitive labor markets marked by the *Poor Laws* of 1834 in England in the wake of the Industrialization. For Polanyi, it was this moment that marked the beginning of industrial capitalist society (Polanyi 1944, p. 87).

As an almost simultaneous response to the emergence of labor markets, working-class movements formed that fought for factory laws and social legislation. According to Polanyi, this was a social mechanism of self-protection against the devastating effects of a self-regulating economy (Polanyi 1944, p. 87). For markets to actually clear all factors of production must be *commodified*. This means that all prices are determined by supply and demand and every factor is made tradable just as any other good (Esping-Andersen 1990, p. 36). Since labor, land and money for Polanyi are only “fictitious” commodities, this can never be fully accomplished (Polanyi 1944, XXV).

Rather, the dis-embedding of the economy from the social community must lead to civil resistance and thus feeds social riots. In this sense, the idea of a self-regulating economy describes a utopian concept that in reality can never exist. Furthermore, Polanyi sees the evolution of social policy as a necessary precondition for a functioning market economy (Esping-Andersen 1990, p. 15). For a market economy to be sustainable, it must be accompanied by social policy that keeps important areas of life away from the market logic (Polanyi 1944, XXXVII).

Evidently, the more advanced capitalist economies today show a large variety of existing welfare states. Although there is a correlation between democracy and the emergence of welfare states, there exists, however, no necessary conditionality between these two institutions. As Esping-Andersen (1990, p. 15) points out, many early welfare-state measures had already been initiated before democracy entered society. This holds true for France, Germany and Austria where social policies were already implemented under monarchy in the 19th century. On the other hand, welfare states developed much later in early democracies, such as the USA and Switzerland. A promising way to explain these differences is by referring to class and social structure (Esping-Andersen 1990, p. 16).

Class and structure

Esping-Andersen (1990) maintains that by looking into coalitions between social classes, the different welfare states today can be explained best. Since, historically, industrial workers have rarely been the majority of the population, the emergence of the welfare state cannot be accredited to the working-class movements alone. Rather, the formation of coalitions with other socio-economic groups has shaped the variety of welfare states amongst different countries. Accordingly, the structure of classes in each country has been more decisive than the political power of any one social class alone (Esping-Andersen 1990, p. 20).

In the early 18th century and before the Industrial Revolution took off, farmers made up the largest group in the economy. For this reason, the rural class has been the most powerful political partner for working-class movements in their demands for social securities. Any successful political alliance had to include this group. Furthermore, the economic situation of rural workers was essential for the development of welfare systems between countries. Esping-Andersen (1990, p. 30) explains that where small family-based capital-intensive farms dominated agriculture, chances for political alliances were enhanced. In countries where farmers were more depended on large amounts of labor, the potential to forge more comprehensive political alliances with the working class was generally lower.

Structural differences of the rural class explain why, for instance, in Sweden farmers and workers formed a broad "red-green" alliance in the buildup of a uniquely comprehensive welfare state. In Austria, on the other hand, traditional workers had to compromise with a more conservative rural class (Esping-Andersen 1990, pp. 17-18). Conversely, in the United States broader welfare state developments following the *New Deal* were rendered impossible by the labor-intensive economic structure in the South (Esping-Andersen 1990, p. 30).

In more recent stages in history, the emerging middle class has played a dominant role in shaping today's welfare states. Since the middle class has basically been self-sustaining through market income, the goal to establish mechanisms of redistribution to the poor appeared less important to its members. Thus, demands for welfare policies could only be successful where they also benefited the vast group of the middle class. A few countries (primarily in Scandinavia) managed to develop public services on the standard of the middle class that extends equally to more disadvantaged social groups. As a result, Esping-Andersen (1990) claims that these "social-democratic" welfare regimes effectively created a middle class that was congenial to it. Most other countries, on the other hand, did not follow this path and the middle class steered their social policies in different directions (Esping-Andersen 1990, pp. 31-32).

In each country there exist strong path-dependencies resulting from the traditional socio-economic structure that shaped the development of their respective welfare institutions. Moreover, Esping-Andersen (1990) claims, “each case will produce its own fabric of solidarity” (p. 58). Although the variety of welfare states is reflected in the various amounts of public expenditure, the practices of distribution are indeed more distinctive. In order to be sustainable, any potential reform of social policy; such as the introduction of a basic income; must pay attention to these historically formed country-specific differences of social policy and welfare attitudes.

Regimes of de-commodification

The most prominent achievement by Gøsta Esping-Andersen is the identification of three distinct welfare regimes outlined in his standard book *The Three Worlds Of Welfare Capitalism* (1990). In reference to Polanyi, the main criterion according to which Esping-Andersen (1990) distinguishes existing welfare states is degree of “de-commodification” they provide within the market economy. In other words, he measured how particular welfare states reduce individuals’ dependency on the market, for instance having to work for one’s basic needs. To assess the de-commodifying capacity of social policies, one has to look beyond expenditures levels, and focus on the terms and extent of specific welfare provisions (Esping-Andersen 1990, p. 47).

Accordingly, Esping-Andersen (1990) defines three crucial dimensions that determine the degree of de-commodification of welfare programs: First, the de-commodifying potential of a social policy is enhanced if the program can be accessed easily. This dimension considers degree to which a welfare program is provided irrespective of “previous employment record, performance, needs-test or financial contribution” (p. 47). In this regard, universal assistance reduces market dependency the most. Conversely, if welfare is only provided for a limited time period, the degree of de-commodification is lower. The second dimension refers to the amount of resources that is provided. For social policies to actually reduce market dependency, total benefits must replace levels of income at least equal to “normal earnings or the standard of living considered adequate and acceptable in the society” (p. 47). Welfare provisions below this level, however, however, don’t significantly lower individual dependency on market earnings. Thirdly, the range of individual risks covered by welfare systems is decisive for their de-commodifying capacity. Such personal circumstances that are addressed by most welfare states are “unemployment, disability and old age” (Esping-Andersen 1990, p. 47).

Following these dimensions, Esping-Andersen (1990, p. 50) considered 18 relevant countries and measured the amount to which key welfare systems in old-age pension, sickness benefits and unemployment insurance contributes to the average workers independence from the market. This was achieved by creating an index of de-commodification criteria for the respective social policy areas. Each index position was then rated by an integer from 1 to 3 indicating the degree of de-commodification they entail (1 = low, 2 = medium, 3 = high). Ranking the combined score of each country analyzed, Esping-Andersen (1990, p. 52) arrives at the total de-commodifying capacity of these welfare states. Combining the empirical analysis on de-commodification with the historical background of today’s welfare states, Esping-Andersen (1990, p. 26/p. 50) identifies three distinct welfare state regimes:

I. *Liberal welfare states* incur a low degree of de-commodification. Their assistance is targeted primarily to those in need. The dominant practices of distribution are means-tested programs where claimants must prove their eligibility by disclosing their financial situation. Universal transfers and social-security systems, on the other hand, are less developed. Public assistance can be regarded as market-oriented (or residual) since it compensates only for the utmost market failures. In general, there prevails a strong work-ethic norm and social assistance frequently goes along with stigmatization (Esping-Andersen 1990, p. 26). Examples of the liberal model are the United States, Canada, Australia and New Zealand.
II. *Conservative welfare states* obtain a medium de-commodifying capacity. Their social assistance has been particularly shaped by traditional organizations such as the Church. Social rights and assistance are arranged among socio-economic groups since they were historically established in order to preserve class structures and status. The redistributive feature of such states is marginal. There prevails a commitment to the traditional family. The principle of *subsidiarity* remains in practices where public assistance enters only when the family’s resources are insufficient. Examples are Austria, France, Germany and Italy (Esping-Andersen 1990, p. 27).
III. The so-called *social democratic welfare states* achieve the highest degree of de-commodification within the market economy. Countries of this type show a

strong commitment to universalism regarding the distribution of social rights and assistance. Accordingly, workers and the middle class obtain equally high standards of social services. The primary reference unit in public assistance is the individual. There prevails a pronounced norm of individualism**.** This is expressed also by the fact that costs incurred by families are highly subsidized through tax money. Moreover, these states have a strong commitment to full-employment that includes men and women equally. In fact, the resulting tax revenues are a precondition for funding such vast amounts of public provision (Esping-Andersen 1990, pp. 27-28). Primary examples in this regard are the Scandinavian countries Sweden and Denmark.

Behavior and social norms

Another question worth analyzing concerning the welfare state is, what human behavior was driving its evolution? The least convincing behavioral foundation of social policies appears to be short-term self-interest assumed in Neo-classical economics. Indeed, Bowles and Gintis (2000) point out that self-regarding human motivation alone cannot explain the substantial degree of egalitarian redistribution in advanced economies. Bowles and Gintis (2000, p. 36) do not doubt that egoism often persists in what appear to be "generous" actions. Narrow self-interested human behavior, on the other hand, personified by the *homo oeconomicus*, cannot account for the lasting support of welfare systems in many countries today.

In fact, the *International Social Survey* consistently shows that majorities in almost all participating countries (except New Zealand and USA) support the role of governments to reduce the income differences (Bowles/Gintis 2000, p. 34; Bechert/Quandt 2006). There is, moreover, a substantial degree of support among the advanced economies for policy measures providing basic economic securities in case of sickness and unemployment (Bechert/Quandt 2006, p. 37). More specific attitudes toward the state's responsibility to provide for social welfare tend to follow the country's welfare tradition (Bechert/Quandt 2006, p. 40).

On a psychological level, unconditional altruism is neither a realistic behavioral assumption in explaining the evolution of social policy. For actual altruism is defined as behavior where one helps another at personal cost, without expecting anything in return. Instead, Bowles and Gintis (2000) find that "strong reciprocity" combined with genuine "basic needs generosity" are the most crucial social norms upholding the political support for our welfare states today. Social norms, in general, are informal patterns of behavior that emerge within a community (Ostrom 2000). Bowles and Gintis (2000) define strong reciprocity as the "propensity to cooperate among similar disposed, even at personal cost, and a willingness to punish those who violate cooperative and other social norms, even when punishing is personally costly" (p. 37). A *Homo reciprocans* thus defined only cares about a rough balancing out of individual contributions but responds, on the other hand, very sensitive to the way cooperation comes about.

In fact, reciprocal behavior has been widely documented in game-theoretic experiments. The most prominent game in this regard is the so-called *Ultimatum Game*. In this bargaining experiment participants are paired and have to decide on the division of a fixed sum. One of them is assigned as proposers, the other as the responder. In the most general version of the game, the proposer can decide the amount he would share with the other. If the responder accepts, the two will reach a deal. If the responder however rejects, nobody gets anything. The proposer in the Ultimatum Game must carefully think about what amount the other is likely to accept, without risking their payoff.

Under the assumption of pure selfish behavior, proposers in the Ultimatum Game could offer the smallest amount to the responder, as any amount is preferred to nothing by the latter. However such narrow self-interested behavior is not confirmed by the actual observations. Instead, the vast majority of offers observed in Ultimatum Games lies between 40 and 50% of the dividable sum. Responders, in turn, frequently reject offers lower than 30% (Bowles/Gintis 2000; Fehr/Schmidt 1999).

Experiments of this kind hint at some deeply held common understanding of fairness underlying economic exchanges (Bowles/Gintis 2000, p. 44). Moreover, Bowles and Gintis (2000, p. 33) view that reciprocity best explains the "voluntary egalitarian redistribution of income among total strangers", which modern welfare states accomplish. The social norm of reciprocity therefore accounts for most of the burden sharing within a welfare state community. Apparently, reciprocity is the common human behavior invoked and institutionalized by the welfare state, which in turn determines the practice of redistribution and guarantees its public support.

Bowles and Gintis (2000) recognize that the human psychology comprises a wide repertoire of behavior, including pure selfishness, altruism and even spite. The realization of these human capacities, however, depends both on the personality and the institutional setting (p. 37).

Welfare states today perform redistributive measures on a highly impersonal level that goes along with the substantial degree of bureaucracy. Assigning "strong reciprocity" to all systems of welfare benefits appears imprecise. Strong reciprocity assumes that individuals engage in individually costly acts of punishments when their exchange partners violate fairness norms. More comprehensive welfare states, however, provide a range of welfare systems that don't entail mechanisms of punishment, nor does sanctioning generally incur costs to the authorities. In fact, welfare states establish a range of social rights and entitlements that can hardly be explained by notions of strong reciprocity.

In fact, reciprocity norms governing mutual exchanges show very different shades apart from its strong interpretation emphasized by Bowles and Gintis (2000). As Sahlins (1974, p. 191) emphasized, reciprocity norms actually comprise "a whole class of exchanges, a continuum of forms" [Mau 2004b, p. 36]. Accordingly, welfare states institutionalize various types of reciprocity norms that relate to different systems of redistribution (Mau 2004b). In order to describe more developed welfare benefits today, a further specification of reciprocity norms appears useful.

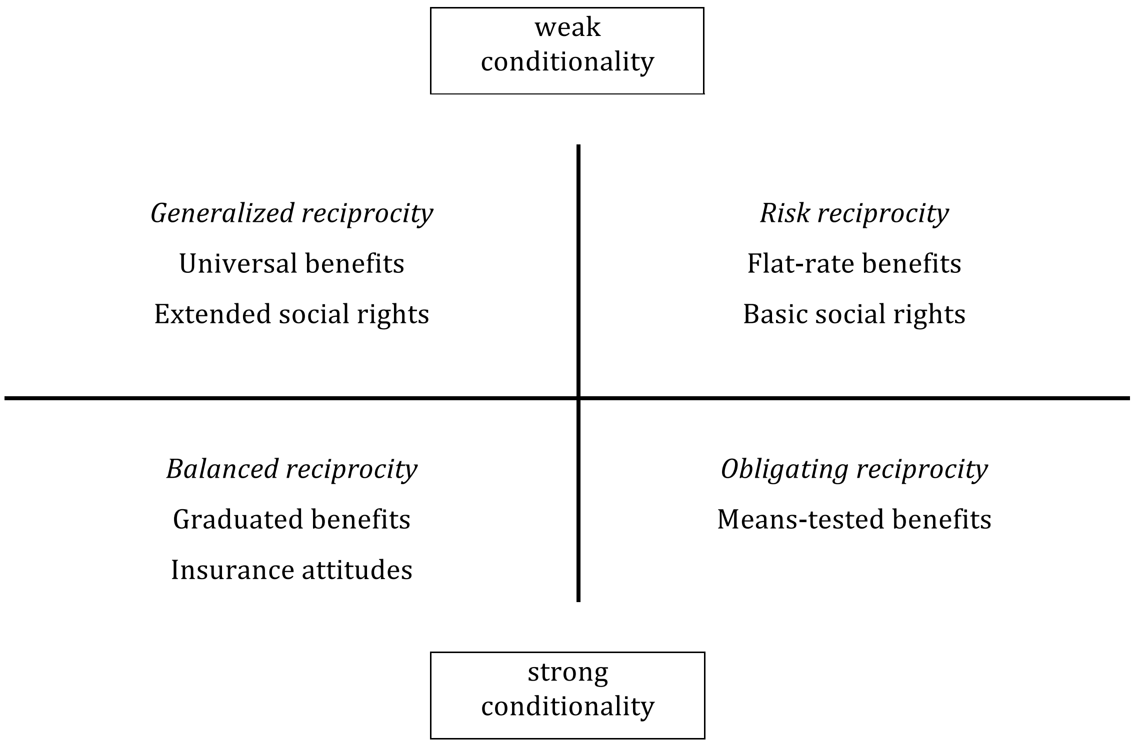

Figure 2: Social norms and welfare traditions. Arrangement based on figures in Mau (2004a, p. 65) and Mau (2004b, p. 38).

Steffen Mau (2004a, p. 65) presents a classification of reciprocity norms underpinning different welfare traditions. In order to describe the Austrian welfare state in more detail, this study will refer to the heuristic framework by Mau (2004), which is displayed in Figure 2.

Balanced reciprocity dominates insurance-based welfare systems. In these exclusively two-way exchanges, payments are made only due to the expectation of equal returns in future (Sahlins 1974, p. 195). The purpose of such exchange systems is primarily to generate equivalent benefits of the contributing person at a later point in time. Moreover, these entitlements are "politically, morally and psychologically, as well as legally" formalized (Goodin 1990, p. 536). Intuitively, balanced reciprocity states that a person, who has contributed more, would also receive more in return (Mau 2004b, p. 36).

Risk reciprocity enables collective risk sharing whereas equivalent returns for the contributors are of minor importance. Foremost, social insurances pool individuals with inherently different endowments and exposures to risk under one insurance scheme. The potential assessment of risk-groups is in general not exploited for the purpose of its funding. Rather, under risk reciprocity there prevails a general understanding of helping others in need, knowing that oneself would be supported equally under similar circumstances (Mau 2004b, p. 37).

Obligating reciprocity describes welfare attitudes were generosity is combined with explicit expectations about the recipients resulting behavior. The initial cost of the provision is, however, not the primary criterion. Rather, the focus determining the degree of external aid lies on the observed recipients' capabilities to make "good-faith efforts" to reciprocate (Mau 2004b, p. 37; Arneson 1997, p. 339). This distributional practice is obviously most developed in means-tested welfare programs.

Generalized reciprocity, finally, amounts to the most abstract form of reciprocal exchanges. It underlies social organizations where individuals are reasonable and conscious about the importance of mutual commitment and cooperation. General reciprocity thus underpins a "societal solidarity contract" (Mau 2004b, p. 37) and thereby enables the establishment of social rights. Specific concerns about balancing of costs and benefits, as well as, relating provisions to reciprocations are generally suppressed. Rather, general reciprocity merely demands a vague notion of expected returns (Mau 2004b, p. 37; Sahlins 1974, p. 193).

5. The Austrian Welfare State and Behavior

As most welfare states existing today, the Austrian welfare state originated in the 19th century and gradually took shape during the 20th century. Moreover, two critical phases can be identified in this regard, before and after World War II. Foremost, the key foundations of the Austrian welfare system were laid out around the turn of the 20th century, by introducing labor protection measures, such as the limitation of working time (1884/85), obligatory insurance systems covering accidents (1887), the first health insurance (1888) and pensions for employees (1906). After the end of the Austrian-Hungarian empire, social democrats extended social systems further, particularly by implementing unemployment insurance (1918-1920) and pushing for pension systems for workers (Preglau 2010, pp. 262-263). Finally, Austrofascism, National Socialism and the Second World War economy caused a massive setback for welfare institutions. It was only in 1955 when the "General Social Insurance Act" (ASVG) unified and re-established the past welfare achievements.

In the 1960s and 1970s, the Austrian welfare state was crucially reformed. During the defining "Kreisky Era", the powerful Social Democratic government significantly increased the depth of public welfare. Existing entitlements were widened to include all employees, employers, self-employed, as well as their family members. Additionally, various welfare programs and regulations have been newly introduced, such as different compensation payments, paid parental leave, family care leave, birth subsidies, holiday regulations, health care improvements, free school books and university access, and many more (Preglau 2010, p. 263).

As a result, this second phase in the build-up of the Austrian welfare state added a more comprehensive and universal face of social policy to its insurance-based conservative foundation. Indeed, while Esping-Andersen (1990) classifies the Austrian welfare state under the "conservative" welfare regime type, Austria still scores the highest in total de-commodification among all conservative welfare states (p. 52).

The Austrian welfare state obviously contains a comprehensive social system that crucially reduces the average worker's dependence on the market. However the systems of distribution of benefits and entitlements still follow the conservative tradition to a large extent. This particular mix of both universal and targeted benefits makes the Austrian welfare state an intriguing subject of analysis. Since the Austrian welfare state encompasses liberal, conservative as well as significant social democratic elements, it displays the three dominant welfare regimes all in one. The conclusions drawn from this specific case of the Austrian welfare state makes it a relevant case for other countries characterized by different welfare regimes.

Institutionalized Norms

The first step of this institutionalist analysis respecting the endogeneity of preferences, is to look at specific social norms that underpin particular welfare systems provided by the Austrian welfare state. In proceeding this way the emphasis lies on the premise that institutions are not mere instrumental arrangements, but actually express moral content. Furthermore, these institutions demand certain behaviors from those governed by them (Mau 2004a, p. 58; Rothstein 1998, p. 2). Apart from their crucial role in the coordination of social interaction, welfare institutions in particular, help to "stabilize and standardize social relationships, and [to] resolve the problems of accountability and trust which are an inherent feature of mass societies" (Mau 2004b, p. 34).

The welfare state thus acts as a mediator between increasingly independent individuals that define our modern societies. Since under such circumstances, cooperative behaviors promoting social cohesion cannot be sustained in a decentralized way, the existing welfare states use and institutionalize particular moral concepts on an abstract level. Through the general tax and transfer system, the welfare state achieves economic exchanges between unknown members of the community. The relationship between benefactor and recipients of welfare systems, however, takes very different forms (Mau 2004a, p. 54). The practice and kind of a welfare program involved, play key roles in identifying what social norms the institutional redistribution embodies.

This study describes the welfare state as an arrangement of institutionalized norms that ultimately serve to legitimize their claims relative to the public (Mau 2004a, p. 68). Accordingly, major welfare reforms, such as the introduction of a basic income, will only be socially viable if the norms embodied by this proposal correspond to the normative conceptions of the individuals concerned. For a basic income to be sustainable, it must merge into the present moral context of the welfare state. Therefore, before returning to the idea of a basic income, this study will describe the normative environment that existing welfare states create. The Austrian welfare state will serve as a specific example in supporting this argumentation.

The Austrian welfare state evidently provides a comprehensive system of transfers, services and rights related to various situations in life. These provisions can be broken down into a few broad categories of welfare systems depicted in Table 1 (BMASK 2016, p. 18). All of them are bound to particular eligibility criteria and conditions. These terms indicate the norms that underlie the respective welfare program. Each welfare program is characterized by distinct norms that govern its practice of redistribution. This analysis classifies each type of welfare system in Austria with respect to the social norms of exchange it incorporates.

Using the heuristic framework by Mau (2004a, p. 65/2004b, p. 38) and the insights provided by Bowles and Gintis (2000), the institutionalized norms that underpin the welfare provisions by the Austrian welfare state can be identified.

According to the Ministry of Social Affairs, the Austrian social insurance system builds on the "principles of mandatory insurance, solidarity and autonomy" (BMASK 2016, p. 18). Moreover, it defines solidarity as the way to strike "a balance between those in poor health and those in good health, between young and old, between large families and singles, between higher and lower paid workers, between economically active individuals and retirees" (BMASK 2016, p. 18).

In fact, the Austrian social insurance system fulfills the solidarity description only generally speaking. This is because social insurance in Austria actually relies on two different normative principles of exchange, which are; risk reciprocity and balanced reciprocity. The solidarity motivation is indeed present within health and work accident insurances, where risk reciprocity is the predominant norm of institutionalized exchange. Health insurance in Austria is financed by earnings-related contributions by employers and employees. The actual benefits, on the other hand, are not distributed according to prior contributions, but by individual need. Hence, the Austrian social insurance system doesn't relate contributions and benefits to individual risk, nor does it, in general, terminate insurance coverage if the costs are too high. Still, currently there exist 22 different social insurance institutions in Austria that apply for different occupational groups as well as regions. While the Austrian law defines the largest part of all entitlements, there still remain some differences in benefits among these social insurance institutions (BMASK 2016, pp. 19-20).

With respect to the pension insurance system in Austria, balanced reciprocity appears to be the predominant institutionalized norm of exchange. The amount of pension benefits provided by the statutory pension scheme depends on the individuals' past earnings-related payments, the period of contribution and, finally, the age at retirement. If the retirees' financial contributions are insufficient, the Austrian state provides a means-tested "equalization supplement" in order to provide for a minimum retirement income. Moreover, certain occupational groups such as self-employed, farmers or free-lancers fall under different pension schemes. Subsequently, supplementary pension payments are possible in some sectors or enterprises (BMASK 2016, pp. 142-147). Due to the link between contributions and benefits, the solidarity principle is less pronounced within the Austrian pension system.

Another crucial pillar of the Austrian welfare state constitutes its unemployment insurance system. The eligibility criteria in order to qualify for provisions under the unemployment insurance scheme, is a minimum period of employment-related insurance payments, the ability to work and ultimately, the individual's willingness to work. The level of unemployment benefits is calculated on the basis of previous average annual net income from work. Currently, unemployment benefits in general amount to 55 percent of the previous monthly income. The duration of the unemployment benefit is, however, limited in time according to the individuals' insurance record. If claimants participate in active labor market policies (training) and signal sufficient willingness to work, the benefit is prolonged. Otherwise, means-tested unemployment assistance sets in, which controls for the claimants' remaining resources as well as income earned by their partner (BMASK 2016, pp. 60-65).

Looking at the distribution of unemployment benefits and assistance in Austria, both balanced reciprocity and obligating reciprocity appear to be dominant institutionalized norms of exchange. For a certain period of time unemployment benefits, are determined by the previous earnings of the individual in question. Meanwhile, the unemployment insurance system implicitly follows the rule of balanced reciprocity. However, unemployment assistance eventually starts to demand more active job-seeking behavior by individuals, along with the exhaustion of their own financial resources. The institutionalized expectation of reciprocal behavior by the claimant is then more explicitly formulated, corresponding to the norm of obligating reciprocity.

Welfare systems in Austria	**Examples**	**Eligibility criteria**	**Institutionalized Norms**
Social insurance	Statutory pensions, health and work accident insurance	Individual (former) employment activity	Balanced reciprocity (pensions), Risk reciprocity (health) ** Solidarity*
Unemployment insurance	Unemployment benefits, unemployment assistance and active labor market policies	Individual former employment activity + willingness to work	Balanced reciprocity + Obligating reciprocity
Universal systems	Family allowance and tax credit for children, childcare allowance, long-term care system	All residents qualify irrespective their activities	Extended social rights or generalized reciprocity
Means-tested benefits	Conditional minimum income scheme, housing assistance, student grants	Neediness + willingness to work	Obligating reciprocity ** Subsidiarity*
Social protection for civil servants	Own civil service law and pension system	Employment status	Special social rights: generalized, balanced and risk reciprocity
Social compensation system	Cash-income support for victims of war, military service or crime	Private status	Risk reciprocity
Protection under labor law	Work regulations: working hours minimum pay, leaves, sickness, anti-discrimination	Employment status	Special social rights or generalized reciprocity
Occupational pension schemes	Defined pension funds, direct defined pension programs	Employment status	Balanced Reciprocity
Social services	Counseling, child- and family-related services, housing or employment schemes	Neediness	Basic-needs generosity ** Paternalism*

Table 1: Austrian Welfare Systems and Institutionalized Norms

Similar to the definition of a basic income, the Austrian welfare state already provides a range of universal welfare systems. These kinds of social policies are especially pronounced in the realm of family life, such as childrearing and care. For instance, the Austrian welfare state provides cash benefits for children and parents in the form of direct family allowance payments (*Familienbeihilfe*). The levels of provision are unconditional on the parents' incomes or activities. Age and number of children in a family determine the levels of payments. Additionally, a uniform family-related tax credit, which is distributed also as a negative income tax, realizes further financial benefits for families (BMASK 2016, pp. 23-24).

Universal provisions by welfare states effectively establish entitlements or extended social rights that apply equally to all members of a community. Accordingly, Mau (2004a, p. 65) identifies generalized reciprocity as the dominant social norm of exchange that underpins universal welfare systems. Moreover, the obligation to reciprocate the received benefits is not obvious. Instead, universal welfare programs rest on mutual interest and respect. The family-related welfare programs in particular, seem to invoke a norm of general reciprocity in people, which supports the sustainability of these universal systems.

Apart from universal welfare systems mentioned above, the Austrian welfare state also includes targeted benefits. Such means-tested welfare systems actually follow the "liberal" or residual welfare tradition, where benefits are distributed only for those who are in "demonstrable need" and socially deserving (Mau 2004a, p. 66).

In fact the Austrian welfare state ensures a means-tested minimum income scheme (*Bedarfsorientierte Mindestsicherung*) as "a safety net of last resort" (BMASK 2016, p. 22). In line with the principle of subsidiarity, a person must first have exhausted most of his or her own incomes, property and assets in order to apply for minimum income provision. Means-tested benefits are, moreover, conditional on the claimants' willingness to work, assuming the person generally possesses the required abilities to do so. Additionally, the minimum income scheme only applies to people with a legal permanent residence in Austria (BMASK 2016, p. 74).

In contrast to the definition of a basic income, payments under the means-tested minimum income scheme are gradually reduced by the amount of additional income earned. Despite these financial disincentives to work, reintegration into the labor market remains the key goal of the means-tested minimum income scheme. The means-tested minimum income scheme in Austria is also accompanied by services to support the claimants' job-seeking efforts (BMASK, p. 74). Regarding their practice of distribution, means-tested benefits provided by the Austrian welfare state express and institutionalize the social norm of obligating reciprocity. Since claimants must eventually enter the labor force, payments made under these welfare systems are explicitly bound to reciprocal behavior.

The provisions regulated by the labor law today amount to another crucial element of welfare states. The Austrian labor law sets general rules to all employment relationships, which form the basis of all employment contracts. It regulates a wide range of working conditions including working hours, minimum wages, work councils, leave entitlements and holiday regulations, maternity protection, anti-discrimination and dismissal regulations (BMASK 2016, pp. 42-58).

The labor law, evidently, constitutes a major source of de-commodification for workers, which in turn increases their independence from the market. While the Austrian labor law applies to all regular employees and workers, civil servants obtain their own, albeit similar, labor legislation. This being said, self-employed individuals neither fall under the general labor law nor do they fit with any other comparable work regulation. Accordingly, welfare provisions made by the labor law can be regarded as *special* social rights, insofar as they apply to regular workers and employees only. Historically, the emergence of this working legislation may be attributed to a norm of general reciprocity that links employees and employers, as it would make sense that satisfied workers would be more productive, and ultimately return the concessions made towards them by their employers.

Finally, the Austria welfare state provides a wide spectrum of targeted social services for people with special needs or problems. Among others, they comprise of job promoting measures, housing and employment schemes, counseling and assistance. Many of these services are provided in cooperation with private or non-profit organizations, some of which are associated with the church, political parties or local welfare institutions. Still, for most of these social services, no legal entitlement exists (BMASK 2016, p. 25).

Social services provided by the Austrian welfare state actually appeal to a conservative welfare tradition defining "pre-capitalistic" or feudal societies (Esping-Andersen 1990, p. 40). Accordingly, the distribution of aid is also characterized by a pronounced degree of paternalism. Instead of establishing social rights that apply universally to all, the social service system relies on the benevolence of the local organizations towards those in need. The social service system in Austria thus invokes and institutionalizes a "basic needs generosity" (Bowles/Gintis 2000), which is deeply rooted in conservative attitudes towards social welfare.

Preferences

More developed welfare states such as Austria draw upon a range of social norms that shape their distributional practices towards their population. As emphasized in the methodological introduction to this chapter, institutions embody norms and thereby effectively influence human behavior. The preference-changing process of the institutional setup, moreover, works through many different channels. As already mentioned, Bowles (1998) identifies five such effects of institutions on preferences.

After having classified the different welfare systems in Austria regarding the norms of exchange they institutionalize, potential effects on the welfare recipients' preferences can be examined. Using the methodological framework by Bowles (1998), the implications of the institutional design of the Austrian welfare state on human behavior will be revealed. The conclusion drawn here will, ultimately, help to better assess the institutional change of a basic income in comparison to the existing systems of welfare provision.

What stands out when looking at the eligibility criteria determining the distribution of welfare provisions in Austria, is the overall prominent role of paid work and the relating employment status. Indeed, the most comprehensive welfare programs such as pensions, unemployment schemes, and means-tested income are directly linked to work activity (income) or willingness to work. Exceptions where the personal employment status doesn't immediately determine welfare provisions are the health insurance system, universal provisions (primarily related to family life) and targeted social services available to those most in need.

The Austrian welfare state, ultimately promotes human behaviors that cater to the preference to carry out waged work, and follow a stable employment relationship. Indeed, Peck (2001) and others have described a general movement in welfare states to increase the part of provisions that are conditional on individual efforts to stay in or enter the labor force. Such "workfare" programs require recipients to follow an approved work in exchange for benefits. Accordingly, there prevails a strategic goal to increase the recipients' "employability" by linking welfare provisions to mandatory training and job-search assistance (Peck 2003, p. 76).

Making public provisions conditional on the individual work or job-seeking effort, however, causes a shift from welfare that actually establishes social rights and entitlements, towards a rhetoric of individual responsibility and obligation. According to Peck (2003, pp. 76-77), this is in line with the communitarian notion that combines rights with responsibilities.

Relating the degree of welfare provision to the individuals' (former) work activity, however, may have effects on the way work relations are perceived by people. The fact that welfare provisions are conditional on work or willingness to work thus frames the way individuals view their employment relations and, therefore, affect their preferences (Bowles' effect I).

Individuals facing work-oriented welfare programs may consider work as an obligation or duty, rather than a means of self-realization. Especially with means-tested benefits and unemployment assistance as they exist in Austria, the required job-seeking behavior effectively turns work into an inevitable subjective obligation towards the authorities and, more indirectly, to society in general. Furthermore, since these programs pose demands on recipients in exchange for benefits, they frame the causes of unemployment or poverty as a result of individual failings (Peck 2003, p. 81). The reasons why people access welfare programs, however, often follow macroeconomic trends, such as economic downturns or migration, or in some cases, merely bad luck.

In contrast to unconditional provisions, welfare systems that imply employment-related behavior expect immediate reciprocal behavior by its recipients. Such welfare provisions thus formalize conditions that explicitly specify the way recipients must return them. As a result, "workfarist" policies choose labor as the only "currency" of reciprocal behavior (Goodin 2002, pp. 587-88).

As Goodin (2002) points out, fair reciprocal exchanges in general, however, neither require immediate return nor reciprocating with the same goods offered in the first place. Goodin (2002) further explains that there are many different forms reciprocal exchanges that can occur in society. Work-related welfare provisions, however, draw upon a very particular, even rare, formulation of reciprocity that is synchronous in time and by means of labor.

Conditioning welfare programs on the employment activities may, on the other hand, seem to foster the evolution or reinforce a norm of obligating reciprocity dominating social exchanges (Bowles' effect III). Adding to that, such policies may enhance a social norm that considers waged work as the essential human behavior accounting for fair reciprocal exchanges within the welfare state. Under these circumstances, individual activities apart from paid work that may also benefit society as a whole are assigned a subordinated role.

Apart from obvious monetary incentives, the high esteem of obtaining a paid job as well as the resulting stigma of being unemployed prevailing in society, motivates people to pursue waged work (Bowles' effect II). The positive correlation between market income and particular welfare provisions (pensions, tax allowances, unemployment assistance, etc.), furthermore, extrinsically rewards labor.

Adding to that, workers in more developed welfare states such as Austria, enjoy a range of labor protection measures and regulations. These rights are, however, exclusive to those who are in a stable employment relationship. People doing socially valuable work in private or on a self-employed basis, obviously, do not obtain any comparable comprehensive entitlements that make their activities more rewarding. Still, the Austrian welfare state provides a range of universal welfare provisions that are especially present in the sphere of the family. Since these provisions, however, don't guarantee a subsistence income, working unpaid in the private sphere, remains primarily dependent on the intrinsic motivation that drives people to carry out these tasks.

In more developed welfare states of the "social-democratic" type child raising, caring or related activities are increasingly externalized from the private sphere and into public organizations. These developments are structurally promoted by a genuine institutionalized commitment to full-employment that, moreover, equally addresses women. Increasing the work force through female participation, on the other hand, is less pronounced in more conservative welfare states such as Austria (Esping-Andersen 1990, p. 159).

The tasks people perform during their lives ultimately shape their preferences (Bowles effect IV). Since the Austrian welfare state puts great emphasis on employment, it predominantly fosters work-related attitudes that people share collectively as a society. As Karasek (1990) finds, such behaviors may then spread to aspects of private life as well. To put it frankly, in our existing welfare state societies, people may for most part of life (apart from childhood, periods of education and retirement) be dominated by work-life behaviors.

Employment-centered welfare systems, as prevalent in Austria, invoke particular behaviors that are different to those under unconditional welfare systems such as a basic income. Although a basic income would not abolish the possibility to pursue a working life, it would still change the way these preferences are generated. The existing welfare states, on the other hand, seem to promote a particular way of life, oriented around a stable employment activity and allow only for temporary activities outside the market sphere. While this mechanism obviously reinforces preferences to work and, ultimately, the financing of the welfare system, it appears to be very different to the features of a basic income.

Finally, in welfare states focused on labor market participation, the education system must also include on-job training. Indeed, Bowles and Gintis (1976) argue that, beyond transmitting knowledge, schools produce a range of attitudes and behaviors that are essential to the functioning of the economic system (Bowles' effect V). Traits that are essential to working life and being already cultivated in schooling institutions are, for instance, obedience and a sense of hierarchy. Adding to that, Bowles and Gintis (1976) point out that schools encourage individual responsiveness to external rewards rather than fostering the intrinsic motivations of students. Again, this reflects the practice of most work relationships that people experience in their lives. Schooling thus insures that relevant preferences are passed on to the next generation helping the long-term stability of the existing socio-economic system. Furthermore, parents usually pass on their own behavioral repertoire to their children. When the institutional setting is centered on work, as in Austria, parents will subconsciously pass on this information to their children, which in turn reinforces the role employment plays in society.

The existing welfare states today are, obviously, complex institutional systems that involve a range of social norms and behaviors. These welfare systems have evolved dynamically over time in response to different socio-economic situations. Accordingly, the emphasis on employment may partly also stem from a common interest in guaranteeing the functioning of the economy, whilst financing different welfare provisions. However, since the social and economic conditions are constantly changing, new welfare measures such as a basic income may become more viable. Whether or not a basic income is sustainable, still depends on what social norms it requires and how an institutional change like this would translate into human behavior.

6. Basic Income and Behavior

After having examined existing welfare states regarding their historical and normative foundations, along with their behavioral implications, this chapter will discuss one possible future welfare institution, namely the introduction of a basic income. The methodology applied here corresponds to the analysis of the welfare state provided in the previous chapter. Accordingly, the basic income is considered as an institution embodying normative content, as well as an institution that poses particular demands on individual behavior. The different ways of how the institution of a basic income influences individual behavior endogenously will be re-examined in this chapter. Proceeding in a similar way as in the analysis of the Austrian welfare state, the normative foundation of a basic income will firstly be outlined in detail. Following the framework by Bowles (1998), subsequently several effects of a basic income on individual preferences will be assessed. These findings will finally reveal how a basic income compares to existing welfare systems regarding their implied norms and preferences.

Normative Foundations

Perhaps the most sophisticated reasoning in supporting a basic income has been formulated by Philippe Van Parijs. In his book *Real Freedom For All* (1995) he argues in favor of a basic income on the grounds of social justice. Inspired by theories on distributional justice from the liberal philosophers John Rawls (1971) and Ronald Dworkin (1981), Van Parijs develops his own principles endorsing the idea of a basic income.

For a start, Van Parijs (1995, p. 11) takes the libertarian stance, whereby people should be able to "run their own lives as they wish" regarding their subjective ingredients of a "good life". Since conflicts naturally arise between different people enjoying their liberties, there must be some constraint to what individuals are entitled to. Subsequently, property rights must ensure that members of a society are only free concerning "what they legitimately own" (p. 12). Foremost, this implies that individuals must be in control of their own person and life (Van Parijs 1995, p. 12).

Unlike the notions of Hayek and Buchanan, to Van Parijs (1995, p. 22) freedom does not result merely from the absence of coercion, nor does the rights-based definition of freedom (shared by other libertarians), suffice to establish an actual free society (Van Parijs 1995, p. 15). Van Parijs hence distinguishes formal freedom from "real freedom", insofar as to imply that freedom is not only about having crucial rights, but also the opportunities to realize these liberties individually.

Accordingly, for Van Parijs (1995, p. 25) a free society must thus meet three conditions:

1. "There is some well-enforced structure of rights (*security*)
2. This structure is such that each person owns herself (*self-ownership*)
3. This structure is such that each person has the greatest possible opportunities to do whatever she might want to do (*leximin opportunity*)"

While the first two conditions establish formal freedom, the latter expresses the necessity to provide "real freedom for all" in an ideal society. Opportunities should be distributed in a "lexicographic maximin" (*leximin*) fashion, which means that arrangements must be chosen in a way that maximizes the opportunities of the person having the least number of them (Van Parijs 1995, p. 25). Accordingly, in a free society all members must thus be "maximally free" (Van Parijs 1995, p. 22). Similar to the egalitarian notion by Rawls (1971, p. 60), inequalities are legitimate as long as they also serve the least advantaged members of society.

Moreover, Van Parijs (1995, p. 26) states a "soft" (lexicographic) priority of the first conditions over the latter forming real freedom. This allows for a weak fulfillment of all conditions at the same time. A social arrangement that achieves *real-freedom-for-all* as defined, to Philippe Van Parijs (1995, p. 5) is ultimately also a just society.

This normative theory demands that in a truly just society, people are only free if they possess the actual means to fully access their rights to formal freedom. Having a market economy in place, this poses a strong presumption in favor of distributing a basic income paid in cash in an unconditional way, and to individuals directly (Van Parijs 1995, p. 30). Moreover, Van Parijs (1995) maintains that, the size of transfer must be maximized with respect to everybody's formal freedom in order to achieve the "highest sustainable basic income" (p. 31).

Since the financing of a basic income scheme is evidently a critical dimension, there needs to be a further justification for why all people are equally entitled, even if some do not contribute to the funds distributed, or in other words work and therefore pay taxes. As a consequence, Van Parijs (1995, p. 94) models assumptions under which individuals with a higher preference for leisure are entitled to live off working people who prefer earnings in addition to a basic income.

In this regard, Van Parijs relates to an argument that is deeply rooted in the liberal tradition, which arose at the time of the Enlightenment. Referring to the Christian tradition, John Locke (1689) already held that the earth is in the common ownership of all humans. Accordingly, private charity serves as an instrument of justice preventing extreme poverty. Apart from helping people in need, Locke also considers work as an essential Christian duty and condemns those who would do otherwise (Van Parijs/Vanderborght 2017, p. 71).

Thomas Paine (1737-1809), a critical thinker of both the American and the French revolution, shares the idea that the earth belongs to all humans. However, different to Locke, Paine explains in *Agrarian Justice* (1796), that those who appropriate or use property should have to pay a monetary compensation to the surrounding society. Moreover, he argues that these payments should be distributed to all equally, whether rich or poor. This, in fact, makes Thomas Paine the first proponent of a basic income (Van Parijs/Vanderborght 2017, pp. 70-71).

Van Parijs (1995), in turn, models a world with two identically talented individuals, who are only different in their degree of work and income preferences. At the beginning, both have an equal plot of land and receive a basic income that is of the same size as the rent they must pay as a consequence of using common land. While the so-called "Lazy" person generally prefers leisure to work, the "Crazy" person strives for more income and therefore works more. Since *Crazy* is likely to need more resources for her productive activities, she must eventually buy off part of *Lazy's* plot. As a result, *Crazy* must pay a higher rent in order to compensate *Lazy* for her forgone land. If *Lazy* had sold her whole plot, she would receive the full amount of basic income financed by *Crazy*. The latter, however, would pay twice the initial rent since she uses both plots alone for her activities (pp. 92-99).

Apart from the assumption of common ownership of resources, Van Parijs (1995, p. 93) attests that from a *real-libertarian* standpoint "people can be held responsible for their tastes" and their "conceptions of a good life". Whether someone prefers being "lazy" or "crazy" in the sense explained in the example above, must alter his or her share of the common land. Still, it remains crucial that endowments are tradable, allowing individuals to achieve their subjective goals in life (p. 93).

Accordingly, Van Parijs (1995) finds that there is a “legitimate level of basic income that is determined by the per capita value of society’s external assets” and that, “must be financed by those who appropriate these assets” (p. 99). These external assets, on the other hand, are not restricted to natural resources alone. They indeed may include all “external means that affect people’s capacity to pursue their conceptions of the good life, irrespective whether they are natural or produced” (Van Parijs 1995, p. 101). Correspondingly, Van Parijs (1995, p. 106) argues to include jobs in the list of external assets that are essential means of *real freedom*, which are, however, exclusive to many people who want them. This stems from the assumption that labor markets are chronically incomplete and thus tend to create a group of people willing to work, but who are unable to find a suitable job. Job scarcity therefore limits some people’s access to *real freedom*. A solution to compensate for these inequalities would be using general income taxation in order to help finance a basic income for all (Van Parijs 1995, p. 113).

After all, capitalist production is a more collaborative process than often assumed. This is because, economic success by individuals is always embedded in social institutions creating these opportunities. Most of these institutions are the result of joint societal accomplishments in the past that are then inherited over the span of generations. Among others, these include technology, knowledge, legal rights, capital accumulated in the past and natural resources (Van Parijs/Vanderborght 2017, pp. 105-106). Yet, individuals inherit external assets unequally, which is responsible for different degrees of opportunity in society. When adopting the argumentation of Van Parijs (1995), a wide range of taxes can be established to offer an equal basic income to all members of society.

According to the normative foundation by Van Parijs (1995), a basic income must be understood as a genuine social right that applies to all members of society equally, regardless their activities in life. While some might contribute directly through their income tax to the funding of the basic income due to their subjective goals in life, others are legitimately entitled to take a more passive role in society if they choose so. The justification for the universal distribution among all members of society in Van Parijs (1995) primarily arises from the common ownership of external assets. From his point of view, these assets should be distributed more equally among people through the installation of a basic income.

The justification of a basic income by Van Parijs (1995) obviously entails a simplistic notion of society that does not account much for complexities and interdependencies that define our socio-economic environment. This is especially present considering the minor treatment of public goods, or non-market institutions determining individual opportunities (see Sturn/Dujmovits 2000).

In fact, Van Parijs' argumentation entails a pronounced degree of individualism stemming from its liberal background. A basic income scheme framed by "real freedom for all" and establishing a social right to an individual unconditional cash income, however appears to embody no explicit reciprocal expectation whatsoever. In fact, the reasoning by Van Parijs (1995) concludes that individuals are entitled to a basic income even without taking part in a larger socio-economic context of cooperation.

As a result, Stuart White (1997 [2013]) and other authors have pointed out that the basic income proposal by Van Parijs does not satisfy the principle of reciprocity. Rather, an unconditional basic income scheme would inevitably be exposed to free riding on the part of some of its recipients, which, in turn, violates the principle of reciprocal exchanges (p. 89). In his response, Van Parijs (1997), again stresses that the institution of a basic income is a precondition for a free (and just) society for all. He also rejects a "reciprocity-based conception of justice" (p. 2). An unconditional basic income scheme must instead have priority over the practice of reciprocity underpinning most other exchanges. In his words, "Let's first get people's basic entitlements right, and then let reciprocity rule over the allocation of privileges" (Van Parijs 1997, p. 6).

In his article *Why Surfers Should Be Fed*, Van Parijs (1991, p. 129), moreover, views the basic income as a new social contract achieving a better functioning labor market in response to changed technological conditions. The general story of the social contract, implies that the agreed laws would apply to everyone equally, and would be neither contingent on immediate reciprocal activity nor would they be suspended if some individuals do not comply with them (Goodin 2002, pp. 585-586). As Goodin (2002) coins it, "one side performs first, the other later. But as long as both perform when their time comes, mutuality and reciprocity have clearly been preserved" (p. 586). *Real Freedom for All* by Van Parijs (1995) links the right to a basic income to the unequal heritage of external assets received by individuals. Accordingly, there may still be an implicit degree of reciprocity included in his proposal, amounting primarily to an intra-generational balancing of benefits (see Van Parijs 1995, p. 39).

After all, there exists a large part of unremunerated work in the private sphere (especially by women) promoting productive efforts of others. Due to these interdependencies, measuring the actual contribution of each individual to the overall economic performance appears impossible. Applying the principle of "maxmin real-freedom" by Van Parijs (1995) to this circumstance would imply that those who conduct unpaid work must be identified as a disadvantaged group in society, whose opportunities must be enhanced (Henderson 2017, p. 6). According to Henderson (2017), a basic income framed that way would essentially appeal to "a deep form of social reciprocity" (p. 6). Hence, the entitlement to a basic income for all wouldn't derive primarily from the unequal individual endowments of external resources as in Van Parijs (1995), but would arise from the unavoidable participation of the individuals in "a complex social order that produces wealth and work in different forms, magnitudes and ratios" (p. 7).

If we adopt this idea of collaborative economic production, considering employment as the only "currency" that accounts for fair reciprocal exchanges in welfare states (Goodin 2002) seems unreasonable. Accordingly, the work-related reciprocity critique of the basic income scheme would not jeopardize the distribution of funds to all individuals, regardless of their employment status.

Turning back to the heuristic framework by Mau (2004b, pp. 38-39), as in the previous analysis of the Austrian welfare state system, the basic income scheme can be classified regarding the social norm it institutionalizes. The normative justification of an unconditional basic income, as explained before, appeals to a very broad definition of reciprocity that includes unpaid work and, also allows for discrepancies in time and actual amounts being returned. Moreover, a basic income reasoned as a social right, is best described by *generalized reciprocity* as institutionalized norm of exchange. In line with the distinctive vagueness implied by this pattern of reciprocity, a basic income that is unconditional and obligation-free does not specify any terms of when or how it is to be returned. The institution of an unconditional basic income thus abstains from identifying the factual individual contribution to its funding. Rather, generalized reciprocity as institutionalized by a basic income scheme presupposes a confidence that recipients will, sooner or later, do their part for the socio-economic system and in ways that cannot always be defined.

Labor Market Preferences

In finding that a reasonable basic income proposal institutionalizes a social norm of general reciprocity, what remains crucial for the sustainability of the scheme, is how this feature translates into human behavior. Again, the methodology chosen to investigate this question follows an institutionalist approach, which treats preferences as endogenous and effectively influenced by the institutional setup (Bowles 1998). Since the labor market is the core precondition for a market economy (Polanyi 1944, p. 81), the analytic focus primarily lies on the effects of a basic income on work-related preferences. In order to compare a basic income with the existing welfare states, additional aspects will be included in this section.

As pointed out earlier, a standard criterion to distinguish our modern welfare states, is the degree of de-commodification they entail within the market economy (Esping-Andersen 1990). An attempt to compare the existing institutions of a welfare state with a basic income, must then also answer how the latter would contribute to the independence of individuals from the market sphere. In order to assess the de-commodifying capacity of a basic income, the same three dimensions can be applied as in the description of our modern welfare states by Esping-Andersen (1990, p. 47).

In general, the de-commodifying potential of a welfare program is enhanced if it can be accessed easily (Esping-Andersen 1990, p. 47). The eligibility criterion for a welfare scheme thus affects the extent of its de-commodifying capacity. A basic income distributed universally to all members of society without means-testing or formalized obligation, would obviously perform maximally in this regard. The fact that a basic income is unconditional is indeed a crucial source of its emancipatory potential from the market sphere.

Secondly, the level of basic income correlates positively with its de-commodifying effect on recipients. A basic income that falls short of the amount required to cover an individuals' basic needs, on the other hand, would not entirely remove market forces from constraining human behavior (Caputo 2008, p. 156). Instead of changing the functioning of the existing labor market, a basic income below the poverty threshold would essentially keep current work incentive structures active. Lower amounts of basic income may thus only marginally expand workers bargaining power, while still leaving them dependent on their earned income.

A third aspect in strengthening the individual's position with respect to economic pressure is the range of risks a welfare program covers, such as, "unemployment, disability, sickness and old age" (Esping-Andersen 1990, p. 47). Since a basic income is paid unconditionally, it does not specify the particular risks it covers. Esping-Andersen (1990, p. 47) therefore mentions a "guaranteed citizens wage" (synonymous for a basic income), as "a highly advanced case" in this dimension. Nonetheless, the range of personal risks a basic income can alleviate depends on the size of the transfer. A basic income alone can, however, never compensate for all possible life situations incurred by individuals.

The very fact that a basic income is paid in cash rather than being a welfare scheme providing a minimum living standard in kind, moreover makes it an ambiguous instrument of de-commodification. For even if a basic income can be sustained at a sufficiently high level covering one's basic needs, the market dependency of individuals would be reduced only under some conditions (Panitch 2011, p. 941). Individuals receiving a basic income must obviously acquire their basic needs on the market using money. It therefore decisive, what resources remain to be bought privately after a basic income, is introduced. Conversely, if some existing in-kind public provisions are withdrawn, the extent of basic needs that are commodified might even increase. The degree to which basic resources are accessible outside the market ultimately, also determines the degree to which individuals must sell their labor power (Panitch 2011, p. 942). The commodification of basic needs thus precedes the commodification of labor. Accordingly, the combination of a basic income with other welfare programs and services may thus be more optimal regarding the overall de-commodifying capacity of welfare states.

The degree of de-commodification a welfare institution such as a basic income would provide crucially depends on the scope of behaviors individuals can access in their lives. The extent to which individuals can act outside the market sphere, moreover, greatly shapes their preferences. While a basic income below the poverty threshold presumably preserves the current behavioral structures, a higher transfer effectively de-commodifying labor would have wide-ranging effects on work-related preferences. The subsequent analysis on the possible effects of a basic income on labor market preferences thus assumes a transfer sufficient to cover one's basic needs. In order to describe the formative effect of the institution of a basic income on human behavior in more detail, the framework provided by Bowles (1998) will again be applied.

The degree of de-commodification achieved by a basic income scheme affects all five channels (I-V), by which institutions influence preferences put forward by Bowles (1998). A basic income at a subsistence level would therefore have vast effects on labor-related preferences.

If the individual's basic needs were guaranteed, a basic income would create a viable alternative to working. Although individuals could still sell their labor power on the market, the very existence of an unconditional subsistence income would crucially affect the way work is subjectively perceived (Bowles' effect I). Without such a security, work may primarily be considered as a necessity to cover one's basic needs, or as an obligation towards the welfare state. More elevated feelings about work may only come into effect when subsistence is secured. After introducing a basic income, however, the subjective relation to work would be framed differently. Since there would be no absolute need to obtain a job in order to cover ones' basic needs, work would actually become voluntary. Indeed, Widerquist (1998 [2013]) explains that for those who own sufficient external assets, today work is already voluntary. Working for money, however, remains mandatory for individuals who do not already possess enough resources. Accordingly, Widerquist (1998 [2013]) identifies an inherent violation of the principle of reciprocity in the capitalist system, as the obligation to work does not apply to all members of society equally (p. 127). Introducing a basic income, on the other hand, would remove this bias and frame paid work universally as a voluntarily chosen activity by individuals.

As a result, the motivational structure driving people to pursue work would change after having introduced a basic income (Bowles' effect II). While the extrinsic motivation to earn additional income in order to achieve a higher living standard may in general be preserved, the fundamental role of monetary incentives in generating labor supply is undermined by a substantial basic income. Consequently, employers must increasingly appeal to the intrinsic motivation of individuals in order to attract workers. On the other hand, jobs that are intrinsically rewarding may compensate for the lack of extrinsic motivations attached to them. The institution of a basic income implies that enterprises, in order to survive, must manage to gather workers by responding more sensitively to both their intrinsic and extrinsic motivations. Whether they succeed in doing so determines the financing and thus the sustainability of a substantial basic income.

The task people perform after introducing a basic income, furthermore, affects their behavioral preferences (Bowles' effect IV). A highly de-commodifying transfer at a subsistence level would obviously offer a wider range of personal activities that individuals could pursue beyond being employed. While some might choose to live off the transfer and pursue more private activities, others may still lead a regular working life. Between these two extremes of behaviors, however, there would be various feasible choices of occupations individuals can devote their time to. Each of these options involves specific tasks and demand particular behavioral patterns. The preferences generated by these different tasks may obviously be more diverse than if labor remains the dominant activity of adult life. Accordingly, under the institution of a substantial basic income, there would be no reinforcement of employment-related preferences anymore as in our existing welfare system. Rather, people's preferences would be shaped differently depended on the tasks they would choose to perform in life.

After all, the diversified preferences and associated tasks people perform in their lives after introducing a basic income may give rise to the evolution more shades of reciprocity held by society. In fact, anthropologic research reveals a great variety in practices of economic exchanges within pre-capitalistic societies, apart from the strong notions of reciprocity emphasized by todays' welfare states (see Polanyi 1944, pp. 45-58 [Malinowski 1922]; Parry 1986). Since the institution of basic income embodies a norm of generalized reciprocity, the evolution of more "altruistic" norms of exchange might be enhanced (Bowles' effect III). According to Parry (1986), the practice of the "pure gift" (described by generalized reciprocity) "is most likely to develop in highly differentiated societies with an advanced division of labour" (p. 467). Whether this logic applies to large-scale institutionalized redistribution of a basic income by the welfare state must be further investigated.

Finally, the institution of a basic income may alter preferences that are passed onto future generations (Bowles' effect V). Since work would essentially become voluntary, the systemic economic pressure to foster employment-related preferences in school would be reduced. Since the motivation to work would not primarily be determined by extrinsic rewards but rather its intrinsic value to individuals, different attitudes may become relevant. This includes that individuals do autonomously choose what tasks they perform in life, without being obligated to work to provide for their subsistence.

Indeed, John Maynard Keynes (1930, p. 4) predicted, “if the economic problem is solved, mankind will be deprived of its traditional purpose”. As a consequence, people must readjust their “habits and instincts” in order to avoid a “nervous breakdown” (p. 4). Having a basic income in place would perhaps enable schooling institutions to encourage the intrinsic dispositions of their students. Obedience and conformity as predominant traits cultivated in schools (see Bowles/Gintis 1976), may be replaced by creativity and independence. Finally, if adults could decide more freely which tasks they wanted to pursue in their lives, there may be a greater variety of behaviors transmitted from parent to child.

Sustainability and Implementation

The sustainability of a basic income obviously relies on the existence of sufficient taxable economic activities (Van Parijs 1995, p. 38). Whether behaviors under the institution of a basic income scheme generate enough economic output that can be taxed to finance such a welfare system is therefore essential. If labor preferences, on the other hand, were to stop dominating individual behaviors, tax revenues may fall short of the amounts required to finance a substantial basic income. The observation that an unconditional basic income institutionalizes a social norm of *generalized reciprocity* together with a pronounced individualism, but actually requires mutual reciprocal behavior by means of taxable economic activities, poses a severe problem to the sustainability of the scheme. Indeed, the most abstract conception of reciprocity that is embodied by the institution of an unconditional basic income, does not demand returning something exclusively in terms of economically valuable activities that would help to finance such a welfare scheme.

The sustainability of a basic income therefore crucially depends on the amount of work carried out despite the un-conditionality of the transfer. Since the justification of “real freedom for all”, however, expresses no obligation of economically productive behavior, the normative reasoning by Van Parijs (1995) may run into difficulties regarding its actual implementation.

This problem is especially apparent when considering the formative effect of institutions on human behavior as emphasized in this analysis. To dissolve this conflict, individuals must feel more obligated to return their basic income by means of activities generating tax revenues, despite the formal un-conditionality of the transfer. This possibility may be enhanced by additional policy measures, which frame a basic income as a welfare system that depends on the social contribution of all involved, and would therefore appeal to a more pronounced norm of reciprocity.

Being aware of problems related to the sustainability of more developed welfare institutions, Van Parijs (1995, p. 232) suggests that a basic income scheme must be supported by additional institutional measures which promote its' long-term stability. On the background of competitive pressure in a globalized world, Van Parijs (1995, p. 232) acknowledges the necessity of policies that foster a "solidaristic patriotism" in order to sustain more generous welfare systems. This may include organizing society as to increase the interaction of different social groups in all stages of their lives in social domains like schooling, housing or health care. Besides, a compulsory public service could connect people from diverse social backgrounds and aid in social cohesion (Van Parijs 1995, p. 231).

In another writing, Van Parijs (2003, p. 31), emphasizes the possibility to use "motivation-conscious institutional engineering" as a tool to establish a more egalitarian society. Accordingly, institutions could be designed to "foster an ethos of solidarity, of work, indeed of patriotism, not of course because of the intrinsic goodness of a life inspired by such an ethos, but because of its crucial instrumental value in the service of boosting the lifelong prospects of the incumbents of society's worst position" (Van Parijs 2003, p. 32). Institutional engineering of this kind may be justified as long as it fulfills the conditions of a free society. This could be achieved by introducing complementary institutional elements, which nurture the kinds of norms required to sustain "real freedom for all". Van Parijs and Vanderborght (2017, p. 27) agree that a social norm of social contribution is a crucial part of a sustainable basic income proposal. Moreover, Van Parijs and Vanderborght (2017) suggest that, "most people at their 'working age' stages in their lives will best contribute through some sort of paid work. A social norm – a work ethic in this sense – is consistent with a basic income, indeed contributes to its sustainability [...]" (p. 27).

Considering these aspects, the basic income proposal appears in a different light. Birnbaum (2012) has elaborated on this sentiment by pointing out the odd combination of an unconditional basic income with a work ethos as suggested by Van Parijs. For Birnbaum (2012), a social norm that enforces more working activities, actually opposes the liberal idea of "real freedom for all". He suggests that evoking a strong work ethos along with a basic income scheme "may largely neutralize the liberal gains of unconditional cash transfers" (Birnbaum 2012, p. 152).

Van Parijs and Vanderborght (2017), in turn, view that a basic income nevertheless expands the opportunities for how this social norm can be realized individually (p. 27). Accordingly, a basic income must be understood as "a firm floor that is provided to all is not there for us to lie on and indulge ourselves, but for us to stand on and do things that make sense to us as well as to others" (Van Parijs/Vanderborght 2017, p. 214). Although implying reciprocal behavior in terms of paid work by recipients would crucially contribute to the financing of a basic income scheme, it inevitably constrains an individual's "real freedom" as defined by Van Parijs (1995).

A more explicit way to enhance the sustainability of a basic income may be to mildly depart from its strict un-conditionality condition. Atkinson (1996) proposed that a basic income could be conditional on some broad notion of social contribution. It would thus only be paid to those who actively participate in socially or economically valuable activities. As criteria for what would qualify in such a transfer, Atkinson (1996) lists "working as an employee or self-employed, absent from work on grounds of sickness or injury, unable to work on grounds of disability and unemployed but available for work, it would also include people engaging in approved forms of education or training, caring for young, elderly or disabled dependants or undertaking approved forms of voluntary work, etc." (p. 68). According to Atkinson (1996) such a "participation income" is favorable primarily on political grounds, as it would enhance the general acceptance of such a scheme in society. A basic income, conditional on some definition of social contribution, may be costly to administer and, would also constrain an individual's "real-freedom envisioned by Van Parijs (1995). Nevertheless, a so-called *participation income* might be favorable on strategic grounds since it expresses a more explicit norm of reciprocity required to sustain a minimum income scheme.

Social norms neither change overnight, nor can institutions generate human behaviors at will. The relationship between institutions and preferences is a complex interactive process that spans over a long period of time, and is, moreover, exposed to external events. Sudden institutional changes, such as introducing an unconditional basic income at subsistence level, cannot be reasonably expected to be sustainable at once. By contrast, a hasty introduction of a substantial basic income may overturn the economic system and create the opposite outcomes from those originally intended. Such negative feedbacks might decrease the overall economic performance and, ultimately, reduce opportunities for everyone.

After all, “piecemeal social engineering” as coined by Karl Popper (1945, p. 138) remains the only viable way to approximate the freedom-enhancing effects of a basic income. According to Popper (1945) “the kind of experiment from which we can learn most is the alteration of one social institution at a time. For only in this way can we learn how to fit institutions into the framework of other institutions, and how to adjust them so that they work according to our intentions” (p. 143).

Applying the piecemeal method to the proposal of an unconditional basic income is however not as straightforward. Still, a universal cash transfer could be first installed at a modest or even low level in order to preserve current work incentive structures. Importantly, such a “partial income” might be framed as to imply a subtle obligation on the side of its recipients. Since framing effects, however, hardly translate into the framework of incremental change (see Sturn 2015), the initial reasoning supporting a basic income may be decisive for its future prospects. A basic income framed by “real freedom for all” by Van Parijs (1995), on the other hand, embodies an excessive degree of individualism that fails to express necessary reciprocal demands such a welfare scheme relies on. As a consequence, a basic income scheme may perform better if it includes a broader definition of social contribution described by generalized reciprocity, or as Henderson (2017, p. 6) calls it “a deep form of social reciprocity”.

This doesn’t imply rejecting the whole normative justification of a basic income as an instrument for a more free society by Van Parijs (1995). In fact, compensation for unequal endowments of commonly owned external assets is an important rationale for a basic income. Moreover, the emphasis on intergenerational justice is a crucial argument supporting broader distributive measures. The normative foundation of a basic income may, on the other hand, become more powerful if it includes the complexities of the real world that cannot be traced down to individuals alone. Accordingly, a basic income proposal may yield better results if it departs from a strongly individualistic view of society.

Correspondingly, the incremental way to a functioning basic income scheme, may involve temporarily imposing weak conditions on some broad notion of social contribution. These terms may then gradually be relaxed while monitoring the effects on the financial sustainability of the scheme. Suitably, these developments would go along with a reduction in administrative costs associated with a participation income (Van Parijs/Vanderborght 2017, pp. 213-215).

Still, if “real freedom” is what society aims for, existing welfare institutions should be gradually redesigned in order to imitate the vast de-commodifying effects of a substantial unconditional basic income. This may be achieved by expanding the scope of existing services more universally to all groups of society. Additionally, benefits could be made less conditional on paid work alone, and also include other ways of social contribution. In this regard, social norms might be reinforced that would eventually help to sustain an unconditional basic income. Ideally, this may give rise to a new type of “solidaristic individualism” (see Rothstein 1998, p. 199) that values those contributing to society in other ways than paid work.

Finally, technology can crucially contribute to the financing of a basic income by automatizing production and thus creating taxable funds that don’t arise primarily from human engagement. Since automation aims at reducing of labor input in production, this process concerns all individuals who must work for a living. A tax on automation of production and its gains may therefore provide a legitimate source to contribute to an (presumably low) unconditional basic income for everyone. The public support in favor of such a scheme may, in the short term, be more realistic than a substantial basic income financed through general tax revenues. A universal transfer linked to automation may be able to lay a first foundation for further developments of a more substantial basic income scheme.

7. Basic Income and the Welfare State

The existing welfare systems in many countries today are major social achievements. Welfare states have evolved over time in different ways in response to social challenges arising from the dynamism inherent in the economic system (see Polanyi 1944, p. 87). The build-up of fundamental securities provided by health and pension insurance, labor legislation and other kinds of public services can be attributed to social movements in the past that managed to unite different groups and classes for a common cause (Esping-Andersen 1990, pp. 16-18). Moreover, the development of welfare systems reveals a human propensity to share resources with others for mutual benefit, which in the long run promotes social cohesion. The extent of burden sharing carried out by more developed welfare states, on the other hand, couldn't be explained if self-interest were the primary human motivation (see Bowles/Gintis 2000). Accordingly, this analysis once more shows that reciprocity appears to be a crucial social norm accounting for the evolution and stability of different welfare systems today.

Welfare states institutionalize specific social norms on an abstract level, which assists the public support of redistribution between increasingly independent individuals that characterize modern societies (Mau 2004a, p. 54). Welfare systems are crucial institutions that protect peoples' freedom from pressures related to the economic conditions. Since these necessities are subject to dynamic changes, welfare states must adapt to these new circumstances in order to guarantee their services also for future generations. By embodying normative content, institutions effectively make demands on the people governed by them. Accordingly, this analysis of the welfare state has emphasized the formative power of institutions on human behavior (see Bowles 1998). In order to investigate the behavioral effects of welfare institutions in more detail, the Austrian welfare state has been used as a specific reference.

Indeed, existing welfare systems in Austria institutionalize different shades of reciprocity norms, ranging from very explicit forms to more abstract notions of mutual exchange. The broad classification of the Austrian welfare state, provided in this paper, displays that existing welfare systems embody social norms of *balanced*, *risk*, *obligating* as well as *generalized reciprocity* (see Mau 2004b, p. 37) together with a *basic needs generosity* (Bowles/Gintis 2000).

For the major part of these welfare systems, the individual employment status and record are the principle criteria deciding about the size and eligibility for most benefits. Correspondingly, the Austrian welfare state puts a strong emphasis on working activities by recipients. As a result, these employment-related provisions frame remunerated work as the principal human activity responsible for fair reciprocal exchanges in a welfare state society (Goodin 2002, pp. 587-88).

The structures of our welfare institutions imply specific human behaviors. In fact, following a stable employment relationship appears to be the predominant behavior most existing welfare systems aim to promote. Workers obtaining a regular employment relationship enjoy a wide range of legal rights, regulated working hours, family leaves, holidays and other benefits. On the other hand similar entitlements do not exist for people working on a more precarious basis, including freelancers and the self-employed. Since such work conditions are spreading in a more diversified economy, welfare states risk excluding a growing group of society. In this regard, fundamental labor legislations appear as a *special social right* that is enjoyed by a diminishing group of traditionally employed workers and employees.

As a consequence of the changing employment relationships characterizing our modern economies, the moral foundation of our traditional welfare systems is undermined. If more and more people feel excluded from existing welfare benefits, while others consider themselves as net-contributors of a costly system, the presence of more generous welfare provisions may lose its legitimacy. These effects are only reinforced by international tax competition in a globalized world (see Tornquist 2015).

Throughout history, welfare state developments have been most successful when they equally benefited the middle class along with economically disadvantaged groups (Esping Andersen 1990, pp. 31-32). Accordingly, progressive welfare reforms may only be successful if they appeal to a variety of social groups. This paper investigated one particular proposal that possess this feature, namely the idea of an unconditional basic income being universally distributed to all members of a welfare state community. In fact, people from a wide range of ideological backgrounds, political parties and organizations already support the proposal of a basic income (see Van Parijs/Vanderborght 2017, pp. 171-215). The public discourse about the introduction of a basic income has therefore reached a new level.

The introduction of a basic income would constitute a major institutional change within our economies. The effects of such a policy cannot be answered sufficiently by empirical analysis. Whether a basic income is viable over the long term crucially depends on how this institution affects social norms prevailing in our existing welfare states and how these translate into human behavior. In order to address this question, this analysis has drawn on an institutionalist approach that treats human preferences as endogenous and effectively influenced by the institutional environment (see Bowles 1998).

What appears decisive for how preferences alter after introducing a basic income is on what normative rationale such a proposal relies on. The norms expressed by the justification of a basic income therefore have important effects on human behavior. This analysis has revisited the most ambitious normative justification of an unconditional basic income by Philippe Van Parijs (1995), arguing that a basic income must be understood as a final condition of achieving "real freedom for all" in a market economy. Correspondingly, individuals are only free if they possess, in addition to crucial formal rights, the actual means to realize their conceptions of a "good life". The justification of a basic income distributed to all individuals, regardless of their activities in life, arises primarily from the common ownership of "external assets". Apart from natural factors, these external assets may include all resources that may be decisive for peoples' subjective goals in life (Van Parijs 1995, p. 101). Since these external assets are distributed very unequally among people in a society, all individuals have a claim over them. A basic income financed by taxing external assets, on the other hand, would compensate for the unequal opportunities that shape our societies.

This analysis recognizes that the original reasoning by Van Parijs (1995) does not appeal to the norm of reciprocity governing most existing welfare systems. Rather, the present analysis acknowledges that, *Real Freedom for All* by Van Parijs (1995) contains a pronounced individualism that does not account much for existing complexities and interdependencies that characterize our world (see Sturn/Dujmovits 2000). Conversely, when adopting a more collaborative notion of capitalist production along with a broader definition of reciprocal behavior that includes unremunerated work (see Henderson 2017), a basic income scheme may institutionalize a social norm of *generalized reciprocity*.

The way a basic income is framed crucially affects recipients' behaviors, and is therefore essential in determining the sustainability of this welfare scheme. A minimum income paid in cash necessarily relies on sufficient tax revenues stemming from economic activities by individuals. The way a basic income affects work-related preferences, therefore, remains the major challenge to the proposal.

This analysis argues that a basic income falling short of the amount needed for subsistence would effectively preserve current incentives to work. Accordingly, a "partial income" would neither cause a major change in economic activities, nor would it much enhance people's opportunities. An unconditional basic income exceeding the subsistence level, on the other hand, would have vast effects on work preferences. If a basic income would guarantee for individuals' basic needs, pursuing paid work would actually become a voluntary chosen activity. As a consequence, the motivational structure characterizing current employment relationships would be affected. Foremost, a substantial basic income would undermine the fundamental role of monetary incentives in generating labor supply. Having a subsistence guarantee in place, employers must increasingly appeal more to the intrinsic motivation attracting workers. Jobs that are intrinsically more rewarding may, on the other hand, compensate for the lack of extrinsic rewards attached to them. A substantial basic income would therefore crucially restructure the workings of existing labor markets.

Moreover, a basic income that substantially expands individual opportunities would allow for more diverse human preferences. In contrast to existing welfare systems, the institution of a substantial unconditional basic income would not reinforce employment preferences. The different tasks people could perform in their lives apart from regular employment may generate a greater variety of attitudes to prevail in society. Still, the desirability of a basic income is ultimately determined by its sustainability. In other words, the funding of substantial basic income scheme relies on sufficient taxable economic activities. The norms embodied by an unconditional basic income, however, appear to express no explicit expectation towards recipients to contribute economically. The observation that an unconditional basic income scheme institutionalizes a social norm of *generalized reciprocity*, while requiring reciprocal behavior by means of taxable economic activities for its funding, poses a severe problem to the sustainability of the scheme.

Due to these difficulties, this analysis regards "piecemeal social engineering" (Popper 1945, p. 138) as the only viable way of introducing a basic income in the long term. A sudden implementation of a substantial basic income, on the other hand, may lead to unintended consequences causing an economic crisis. Whereas welfare states could start by installing a basic income at a low level that preserves current work incentives.

Since institutional frames can hardly be changed incrementally (see also Sturn 2015), the initial normative reasoning supporting a basic income will be decisive regarding its future prospects.

In order for a basic income to ever be sustainable, our welfare states would have to consciously be redesigned. In fact, an unconditional basic income requires additional institutional elements fostering solidarity among all groups of society. In order to finance such a comprehensive welfare scheme as a basic income, norms of social contribution must be structurally reinforced. Nonetheless, these measures must respect individual rights (see Van Parijs 1995, p. 232). Promoting a work-ethos along with a basic income may conflict with the individual freedom-enhancing effects envisioned by many basic income enthusiasts. By broadening the definition of socially valuable work, which would include unremunerated work conducted in the private sphere, these seemingly opposing ideas could be reconciled (see Birnbaum 2012, p. 153; Henderson 2017).

Without a commonly shared norm of social contribution and solidarity, an unconditional basic income will remain financially unsustainable. A basic income scheme will thus only be successful if it is embedded in an institutional setting combining individual freedom with a sense of social responsibility. A basic income alone cannot achieve this. Welfare states, on the other hand, have been built on principles of solidarity and social exchange. As long as liberalism and notions of social contribution aren't reconciled, our societies will do better expanding existing welfare state provisions more universally to all, rather than giving in to a system which promotes an excessive individualism. By gradually reforming existing welfare states in order to include people from diverse social groups and occupations, and offering them qualitative public services, there is a chance that such reforms may anticipate the desired effects of a basic income before it becomes a viable way. This implies that countries must pay attention to their own historical paths when choosing a suitable way to build a more egalitarian and free society.

This analysis concludes that an unconditional basic income cannot be viewed as a single alternative to more complex welfare states existing today. A basic income is not either a general solution to all problems related to technological change. In order for a basic income to ever unfold positively, it must be embedded in a web of public institutions that jointly address the principles of liberty, equality, and solidarity.

Epilogue

This analysis describes that an unconditional basic income and existing welfare states are very different regarding their institutionalized norms and behavioral effects. Nonetheless, a basic income scheme will not be sustainable without being consciously embedded into the welfare state. In order to unfold its liberating potential, a basic income, indeed, requires complementary welfare institutions fostering a more pronounced social norm of reciprocity. The normative reasoning by which a basic income is framed, moreover, appears decisive regarding its potential effects. Unfortunately, the most ambitious justification of a basic income by Van Parijs (1995), reviewed in this paper, misses combining individual freedom with notions of social contribution in one normative theory. Funding a substantial basic income scheme, however, requires preferences that include both of these attitudes. As indicated, this may be achieved by institutionally redefining work and reciprocity more broadly and thus account for interdependencies and complexities that characterize our societies. Empirical research could help to answer under which conditions people are motivated by *generalized reciprocity*. These insights could enrich the piecemeal introduction of an unconditional basic income with practical information.

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