

Four pieces on Basic Income

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154. A basic income

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For democracy and capitalism to survive, in addition to a change of perspective on equality and solidarity, discussed in the preceding items in this blog, a corresponding system change of the economy is needed, in the distribution of work, income and wealth. For that I recommend the introduction of a basic income (BI).¹

A BI is a free, fixed subsistence income for everyone above a certain age. I propose something like this: 1000 euros per month in a developed country such as the Netherlands. On additional income there is a tax, at a flat rate of 20 to 30 %, except for very high levels of profit income for which a rate would apply of 50 to 60%. I claim that the step to a BI is inevitable, sooner or later. Here are my arguments.

Work has been shrinking for a long time, as a result of increasing productivity (reduced cost per unit of production), mostly due to technology and innovation. First in agriculture and then in industry. Until recently it was thought that employment would be maintained in services, where productivity growth was supposed to be small.

However, innovation, especially in information and communication technology, such as the internet, have increased productivity and reduced employment in a whole range of services, especially those involved in the processing of information, such as administration and communication, e.g. in banking, insurance, booking, publishing, media, parts of entertainment, surveillance, security, retailing and physical distribution, etc.

This has produced a polarization of work and income, between highly paid professional and managerial jobs and low-paid, unskilled work, such as cleaning, serving (cafes and restaurants), call centres, harvesting, parts of construction, and parts of care. Especially the middle classes have suffered from this, which contributes to widespread discontent.

A next wave is that of robots, replacing labour in harvesting, driving (automated cars, trucks and airplanes), cleaning, forms of care and nursing, which will eliminate much of the work indicated above.

We should be happy about this reduction of dirty, exhausting, dangerous and boring work. We are in fact unhappy because it threatens employment and income. How much work will be left, how much employment, and what source of income? The BI offers a solution.

Forms of work that will remain are: all forms of culture, entertainment, teaching, forms of care that entail human interaction, social activities (community work, help of elderly and

¹ In several publications, I argued for a BI in the 1980's. It was not politically viable at the time. And I am afraid it still isn't, but I think the time is becoming ripe for it.

handicapped), day care for children, etc. Ironically, those activities of the future are the ones that are currently curtailed to reduce government spending.

How would a basic income help? One major benefit of it is that it eliminates the 'poverty trap'. Currently, receivers of social benefits (for unemployment, rent, health insurance,...) lose their benefits when they enter employment. It is as if on wage income they pay 100% tax. This keeps them locked into poverty. With a BI they would pay tax on additional income, but only 20-30%.

This gives an incentive to perform the social and cultural services that remain to be done, and do it at a low wage, on top of basic income, which makes those services more affordable. There would no longer need to be a minimum wage.

In addition to that, there would be an incentive for enterprising people to voluntarily leave traditional jobs to become self-employed, since they can fall back on the minimum of the BI when the enterprise fails. Also, the BI would sustain them through the difficult period of developing and introducing innovations, under an uncertainty that discourages suppliers of capital.

I suggest that an impulse of enterprising self-employment is good for the economy, society and culture. Also, it makes room for people who have no aptitude or drive for self-employment, want jobs but can't get them.

From what would a basic income be paid? A number of existing social benefits could be abolished. It would be financed from tax on wage incomes above the BI, and on a high tax on profit income from capital. An immediate objection would be that this would drive investment abroad, thus eliminating that tax base. But wait. The robots to be used are location bound, in harvesting, cleaning, transportation, care, etc. To earn profit from them one would have to pay the local taxes on them. Robots do not earn an income for work but pay for it. They are the slaves of the future.

Finally an ideological argument. Entrepreneurs and firms claim that they are the ones who add value and deserve the reward for it. But what they add value to is the fruit of many generations of genius, sweat, blood and tears. Why should they have an exclusive claim on its fruits? The BI is to be seen as the fruit (called 'social dividend' in the literature) of that common heritage, with equal rights to all.

The advent of robots makes the time ripe for a BI.

226. A basis for independence

published 15-11-2015

An old debate on basic income is being revived, in Europe. In item 154 of this blog I discussed the arguments and uncertainties involved, and I will not repeat them here. The arguments are both social and economic. Here I want to add a 'deeper', philosophical argument.

In different ways, Nietzsche, Heidegger, Foucault, Derrida, Lacan, and Onfray strove to liberate the individual from the hold of social systems. Unleashing will to power, Nietzsche proposed. Getting away from 'das Man', Heidegger said. 'Creating one's life as a work of art', Foucault proposed. Sculpt yourself, Onfray proposed. Deconstructing the established order, Derrida said. Stepping out into 'jouissance' of reality outside the symbolic order, Lacan urged.

In the preceding item I offered entrepreneurship as an opening for rebellion, in creative destruction, as an element of capitalism. But there are limitations to this. I mentioned that corporate capitalism tries to muscle out genuine entrepreneurship. But also, not all people have the guts and the stomach for it. And is the breathless momentum of creative destruction to be maintained continually? Is there no need for stability next or in addition to change? I will later dedicate a series of items to that question.

A basic income provides a basis for independence and personal agency. It is an unconditional cash benefit for all people above a certain age, regardless of further income or capital. It frees recipients of social benefits from the 'poverty trap': the fact that any additional earned income is taxed for 100% (surrendering the benefit when finding work). The scheme may seem off the wall to many readers, and unrealistically expensive, requiring an unacceptable rise of taxes. That is not necessarily the case, but I will not argue that here (see item 154).

In the present context the point is that a basic income strengthens the power of a worker with respect to his/her employer, since in case of injustice or mistreatment he/she can exit and fall back on the basic income. It improves the worker's bargaining position by offering a basis for independence.

One might argue that this is a double-edged sword, since it also makes it easier for employers to fire employees, easing the qualms about sending someone into unemployment. But there seem to be few such qualms anyway, and presently unemployment benefits already take away any qualms that may be there.

Basic income also facilitates entrepreneurship as an escape, since it provides the funds to tide over the difficult period of setting up an enterprise, without income from work, and difficulties in obtaining funds from banks or investors before one has developed a demonstrably viable prototype of a new product or service.

It enables exit as an artist, or to provide unpaid or low-paid social support that is no longer offered in public health.

Another economic point that I did not mention before is the following. After digitalization of music, books and film, it has become hard for their makers to appropriate the returns from them as income. As more activities become digital, this phenomenon will spread. To maintain the production of such things the makers need another source of income. Basic income may become inevitable for that reason as well.

To deepen the philosophical argument, I go back here to the tension between ethics and justice discussed in item 224. A basic income yields more scope for a Levinassian ethic of dedication to

the humanity, the ‘face’ of the other, with less pressure for exploitation and rivalry, while it is also an item of justice, in its universal application to all, as an unconditional benefit.

As an element of justice it has also been justified as a ‘social dividend’, a return on the various forms of capital that have accumulated, as a shared heritage, over many generations, at the cost of much blood and toil. Think of the rule of law, democracy, culture, science, technology, and physical infrastructure of roads, railways, etc. Entrepreneurs pride themselves on their achievements as if those were entirely their own, while in fact they have built their success on leveraging this joint heritage from which others also deserve a return.

470. Corona will lead to a basic income published 11-4-2020

I predict that the Corona crisis will lead to a Basic Income (BI).

To recall: a BI is unconditional, accorded to every citizen of a certain nationality above a certain age, say 18, regardless of work or property. Immigrants receive it after a certain time. It has been discussed in earlier items of this blog (items 154, 226)..

It has been experimented with in a number of countries, and was introduced in Iran (2011) and the Spanish government announced its intention to introduce it ‘as soon as possible’.

The arguments in favour of a BI are as follows;

1. 1. It eliminates the ‘poverty trap’ for people who receive a benefit and lose it when they start to earn an income, leaving no incentive to do that.
2. 2. It can be seen as a ‘social dividend’ on what past generations have produced, yielding economic, social and cultural infrastructures that yield benefits that business builds on and profits from and that should but should yield benefits not only to them.
3. It saves much on measures that are in place to support the poor, old or ill, and on the costs to administrate them.
4. It will reduce current inequality of income and wealth which is socially destructive and has even been shown to be economically harmful. Currently, a number of high incomes are undeserved rents from monopolies, market entry barriers, tax evasion, and inheritance.
5. 4. It lowers the threshold for entry into self-employment and independent entrepreneurship, since one can fall back on the BI, to reduce risk and survive especially in the early years a venture, when the novelty aimed at is not yet available as collateral for a loan.
6. It shifts negotiation power from employer to employee, to improve labour conditions and reduce risks of unemployment, because he can fall back on the BI.
7. It provides more basis for volunteer social services, in caring for the elderly and the sick, or community services, as in sports clubs. This also contributes to public savings that helps to finance the BI.
8. It allows for a ‘flat tax’, without progression, up to a high level of income

The arguments against are:

- a. It is morally wrong to give and receive an income without earning it with employment or entrepreneurship
- b. It will discourage people to work

c. It cannot be financed; taxes would rise too much, further discouraging work

Arguments for my prediction are as follows:

1. Evidence from experiments and actual introduction shows that people receiving a BI will not work less, and sometimes even more. When they do work less, it is often for more schooling, with a reduction of child labour, and a prolongation of study (as shown in an experiment in India).
2. It is used also for investment, such as a sewing machine for making clothes and for bringing them to market, fishing nets, a fishing boat, a well (in experiments in Africa and India).
3. There are other bases for finance than higher tax on personal income, such as tax on the use of robots. The usual argument against tax on capital is that it will drive its use abroad. But the tax would be on the use of robots, in services such as transport, delivery, health care, care and company for the elderly, cleaning. That does not apply here, since the tax is on the use of robots locally.
4. It is, I grant, uncertain how much employment robots will destroy, given that in the past new technology has also created new jobs. However, previous inventions did not concern the production of the goods embodying those inventions. Lightbulbs did not produce lightbulbs, and steam machines did not produce steam machines, while robots will produce robots. So I expect that this time it will be different and there will be a large net increase in unemployment, necessitating a BI. The use of robots will accelerate after and during Corona, because they are not infectious, in activities that require interaction, such as health care, other personal care such as hair dressing, nail clipping, foot care, massage, and delivery, provision of company for the elderly. They will have to be cleaned against infection, perhaps by specialist cleaners.
5. The ideological obstacle to the 'free handout' of a BI erodes with the financial support now given as a handout to the unemployed and stagnating businesses, as a result of the crisis.

477. Calculating Basic Income

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This is the last of a series on Basic Income. They are collected in a bundle that you can download from my website www.bartnootboom.nl It now contains four items.

People are apprehensive about Basic Income (BI). Isn't it too expensive? Would not tax become too high, and would that not discourage work too much? In view of this justified concern, a realistic calculation needs to be made.

How much would be saved on social securities that can be abolished, and on the bureaucracy of administrating them? And on closing the current loopholes that enable tax evasion? How much extra could we levy tax on capital, without chasing away business and its employment too much? Earlier I proposed a tax on the use of robots for services, which could not dodge to another country. How much extra could we tax high incomes, and what would that yield?

For how much could we use a tax on CO2 emission and other pollution, and a tax on flights?

Some things would be difficult to calculate, for example how many people will stop working. The experiments that have been done in a variety of countries show that such idleness hardly

takes place: people use the BI for enterprise, like striking a well, buying a boat or nets for fishing, a sewing machine for making and selling clothes. But that was in developing countries. What will happen elsewhere? Many economists think work is a pain and people will avoid it when not needed for an income, but especially in developed countries work also has intrinsic value, for social reasons and for making sense in life.

How much will be earned in taxes by new entrepreneurship? If people use it for caring for the sick or indigent, how much will that save on public spending? And from people working who are now caught in the 'poverty trap' of social security, whereby they have to surrender their benefit when earning money?

In previous debates some people were afraid that a BI would set back feminist emancipation as a 'kitchen subsidy' that would keep women from taking jobs. How true is that?

These things are new and not incorporated in the data that econometricians use in their calculations. A bureau (CPB) has done calculations in the Netherlands, but left out the intangibles. But those mostly have a positive effect, though unknown how much, and leaving them out is tantamount to saying that their effect is zero. A possibility then is to make optimistic and pessimistic scenario's and see how outcomes move between extremes.

In the Netherlands the green party and the social liberals (D66) are now letting two bureaus do calculations and assessments: one bureau for economic (CPB) and one for behavioral research (SCP). I hope they will manage to include the less tangible effects.