

Basic income as a way of tackling poverty

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In 1986, in Louvain-la-Neuve, a group of European researchers and activists founded the Basic Income European Network (BIEN), which aimed to explore and promote the idea of a universal basic income. In

2004, at its Congress in Barcelona, the network became a global organisation and was renamed the Basic Income Earth Network (www.basicincome.org). It publishes a regular newsletter and inspired the foundation of the academic review "Basic income studies" (www.bepress.com/bis/). Its next congress will be held in São Paulo in July 2010 and will be opened by Brazilian President Lula.

The debates which take place during the congresses and in the above-mentioned publications, as well as the sustained public debates of recent years on the topic in Spain (www.redrentabasca.org) and Germany (www.grundeinkommen.de) in particular, show that there are still plenty of unresolved questions around the basic income concept. Some people consider it to be too radical, while others feel it is not ambitious enough as a tool to combat economic and social exclusion. However, it is clear that in any discussion about how to combat poverty, in Europe and beyond, basic income is an idea which cannot be ignored. The upcoming launch of the European Year for Combating Poverty should provide an opportunity to explore this in greater depth.

A long-established idea

The idea of allocating, unconditionally, to each citizen a share of the wealth of the community is by no means new. First devised at the end of the 18th century and formulated independently during the 19th century by a handful of more or less Utopian thinkers, it was the subject of public debate in various places during the 20th century. Initially, advocates of basic income presented it as a form of compensation for the appropriation of the land by a small minority. Thus, in Brussels in 1848, the socialist Joseph Charlier published his "Solution to the social problem" in which he asserts the right of each individual to a "territorial dividend" corresponding to the value per head of national territorial and natural resources. Subsequently, the argument became more generalised: our economies produce wealth collectively but it is very unequally distributed. One convenient way of organising the redistribution of

this wealth is to grant each individual a basic share of resources to enable them to pursue freely their notion of a fulfilling life.

Over time, the idea has been championed by American democrats, Canadian liberals, Dutch socialists, Catalan nationalists and many others. Today, both in Europe and in North America, it is the Green Parties which are the most consistent proponents of the idea. However, supporters can be found among those of all political persuasions. Moreover, the arguments have gradually become more pragmatic: the aim is now to modify social welfare systems to enable them the better to tackle unemployment and poverty simultaneously.

More ambitious than a minimum income scheme

The majority of European countries have introduced systems of social assistance which enable, in principle at least, those who have few or no resources to receive a minimum income. It is to be hoped that in the coming years remaining Member States, such as Italy, will follow this example and finally establish a similar safety net.

However, basic income is rather more ambitious than minimum income, though there are certainly similarities. As in the case of conventional minimum income schemes, it is a cash payment, in principle funded through taxation and paid on a regular basis. Nevertheless, there are three crucial differences. First, basic income is paid on a strictly individual basis, while minimum income schemes take account of the other members of the household. Secondly, it is granted on a universal basis, i.e. without any means testing. Both rich and poor are eligible, irrespective of their income level. Finally, it is allocated without requiring anything of the recipient in return, whether it be availability to work or the obligation to indicate willingness to work.

This threefold unconditionality is not completely revolutionary. A number of countries already have universal systems of family benefits, basic pensions and healthcare. Nevertheless, there is still something puzzling about basic income - would it not make more sense, if the aim is to tackle the pressing issue of poverty head-on, to target expenditure towards those who really need it?

More effective in tackling poverty

It would make no sense to pay a benefit to everyone if this simply meant increasing everyone's disposable income. However, the aim of introducing a basic income is not to improve significantly the situation of the wealthiest citizens and, indeed, it would not have this effect. Just like any other redistribution programme, the benefit must be financed in one way or another. Most versions of the concept involve a restructuring of existing systems of welfare payments and taxation. In concrete terms, this means on the one hand ceasing or reducing some social welfare payments for the

1 For more information, see: Vanderborght, Yannick & Van Parijs, Philippe. *L'Allocation universelle*. Paris: La Découverte, 2005. (German edition: Campus, 2005; Portuguese: Civilização brasileira, 2006; Spanish: Paidós, 2006; Italian: EGEA, 2006; extended English edition: Harvard University Press, in preparation); Vanderborght, Yannick & Van Parijs, Philippe. 'From Euro-Stipendium to Euro-Dividend', *Journal of European social policy*, 11 (2001), 342-346; Van Parijs, Philippe. 'Bottom-up Social Europe', keynote address at the conference 'The EU's evolving social policy', Helsinki, November 2006. www.uclouvain.be/cps/ucl/doc/etes/documents/DOCH_165_PVP.pdf.

poorest people (although never exceeding the rate of the basic income) and on the other hand ending tax exemptions (or reduced tax rates) from which the richest benefit more than the poorest. Depending on the amount of the basic income, a more or less significant tax increase would be imposed. Whether this increase is progressive or proportional, it is, of course, above all the wealthiest people who would contribute.

Thus a benefit which is paid to wealthy and poor alike does not result in the wealthy profiting more from it. The question may be asked as to why it would be better for the poor. In this regard, it is useful to compare countries which have a universalist tradition (chiefly the Scandinavian countries) with those which traditionally favour a targeted approach (such as the United Kingdom, Ireland and the United States). All the indicators show that the former have greater success in reducing poverty and inequality than the latter. Several arguments are generally put forward to explain this apparent paradox.

First, the potential beneficiaries of targeted social welfare payment programmes tend not to be aware of them. They get lost in a mire of institutions, regulations and classifications. Secondly, the very nature of targeted programmes means that the beneficiaries must be assessed, sometimes in a manner which is intrusive and humiliating, to ascertain that they fulfil the conditions. Finally, targeted programmes are very poor at ensuring the continuity of support. In the event of a change in circumstances the social welfare payments are partially or completely stopped, something which is unlikely to encourage the recipients to take risks in order to re-enter the labour market. By avoiding these three obstacles which are inherent in welfare payments targeted at the most disadvantaged, the regular payment of an unconditional benefit contributes to assuring their economic security.

A liberating version of the active welfare State

It is undeniable that economic security is enhanced, now as in the past, through access to paid work. Within the framework of the EU Open Method of Coordination, the European institutions have made active inclusion of people excluded from the labour market the cornerstone of their efforts to tackle poverty. Going beyond guidelines which, by definition, are rather vague and non-binding, this objective is worth pursuing actively. But why should such an unconditional measure be defended in this context? Does not basic income in fact seek to eradicate exclusion while actually making people passive recipients of benefits?

Far from it. Basic income is not an alternative to full employment; rather, it is a strategy for achieving it. The traditional systems of

benefits, like all the targeted programmes referred to above, tend to result in a real poverty trap by penalising people who succeed in finding low-paid work. The gains are sometimes more than cancelled out by the corresponding reduction or total withdrawal of the benefit. In contrast, in the case of the basic income system, access to work, even work which is poorly paid, not very productive or part-time, increases the individual's net income compared with their position if they were not working, since the basic income continues to be paid.

Contrary to appearances, basic income is thus an essential element in any active inclusion policy. However, while a rigorous activation strategy involves a forced return to work, the basic income approach offers an entirely different perspective. The fact that nothing is required of the recipient in return equips the weakest

in society with negotiating power, allowing them to refuse soul-destroying jobs which do not provide them with training or with any prospects for the future. Although the universality of the scheme may act as a subsidy for unprofitable employment (in an immediate economic sense), its unconditionality prevents it from functioning as a subsidy for degrading work.

A Euro dividend?

It is doubtful whether basic income will be introduced anywhere by a sudden change to the system of social welfare payments. But it is by no means illusory to hope that the underlying idea and arguments for a basic income will not only strengthen resistance to the short-sighted tendency to make our national redistribution schemes more targeted, but will also inspire reforms which substitute universality for selectivity.

It is even possible to imagine that, as the growing powerlessness of nation states compels us to think about and establish a system of inter-individual redistribution on the scale of the European Union, the basic income concept will suggest itself as a solution. In other words, a Euro dividend might initially take the form of universal family benefits financed at the EU level and distributed at different levels, depending on the cost of living in each Member State. Simultaneously supporting and partially replacing the regional, agricultural, social and demographic policies of the European Union, this Euro dividend would also serve as the precursor to an eventual in-depth renewal of the European social model.

In any event, the basic income route cannot be ignored by anyone who sees in the fight against poverty not a form of charity for the poor but an essential requirement of an ideal of justice which gives equality and freedom the place they deserve.

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