

BASIC INCOME – UTOPIA OR REALITY?

The idea for a basic income guarantee, ensuring a dignified life for all the members of society, has been in the focus of attention of many public figures, scholars and politicians since the 16th century.

Almost 500 years ago the humanitarian Thomas More in his famous work *Utopia* (1516) depicts a perfect state with no private ownership, money and equal rights for all through the eyes of the protagonist – a traveller. In the 17th century the prominent French theoretician of the Enlightenment, Montesquieu, promotes the theory that the state is liable to ensure to all its citizens sustenance and a standard of living that is not detrimental to their health.

The ideal for just redistribution and unconditional basic income is further developed in the 18th and 19th centuries by Thomas Paine, Charles Fourier, Karl Marx, among others. In the 60s of the 20th century famous scholars from the USA such as John Galbraith, Milton Friedman and Robert Theobald resume the debate on the basic income resulting in a series of experiments aiming at establishing the effect of one modified basic income in the form of negative income tax.

The experiments do not cease and after the USA similar attempts follow in Brazil, Namibia, India, the Netherlands and recently – in Canada and Finland. In 1976 an explicit text in the Constitution of Alaska, although with a more specific purpose, sets up the *Alaska Permanent Fund*¹ - a state corporation which accrues a minimum of 25% of the revenues of the transit oil pipeline network. The objective is to balance the ‘future generations fund’ and every Alaskan permanent resident receives an annual lump-sum (dividend). Its amount is not significant (in 2015 it was \$2072) and not sufficient to cover the cost of living but, in this case, the principles of universality and absoluteness that are being applied are of greater importance.

All these ideas which have evolved over the centuries have reached the present synthesized argument of the proponents of the Swiss referendum from June this year – ‘the unconditional basic income ensues from the common fundamental democratic right – the right to live’. The results of the referendum have been announced – the UBI received the support of only 23% of the population in Switzerland and 77% were against. There are varied explanations of these results, including both extremes – ranging from ‘this is only the start of the breakthrough

¹ <http://www.apfc.org/home/Content/home/index.cfm>

of the basic income’ to ‘the sense and rationalism of the Swiss dealt a devastating blow on populism’.

However, today we have to find an answer to a far more complex question related to digitalization, the future of work and the social model in Europe – what are the possible solutions to the question of the anticipated technological unemployment?

The ongoing technological progress in all spheres of our life changed and will continue to change fundamentally the way we work and live. The so called fourth industrial revolution caused and aroused numerous and ever fast-growing innovations in a number of spheres. Despite the rapid pace of day-to-day changes, the laws of nature remain the same: everything new is at the expense of something old, everything brings with itself advantages and disadvantages. The novelties make our daily lives easier, they raise labour productivity significantly but at the same time as a result this leads to loss of jobs.

The discrepancies in the income growth as a result of digitalization of the economy raises alarming questions for the future of aggregate demand and economic growth which have a decisive impact on social cohesion and costs of government programmes.

The technical innovations of the 1st, 2nd and 3rd Industrial Revolutions stimulated social innovations. For example, the operation of the assembly line led to the creation of the social state with its respective benefit and insurance systems (for unemployment, occupational accidents, medical care, pension system) or for participation in governance. In the same way, the fourth industrial revolution should lead to the emergence of much needed various social innovations.

Social innovations are targeted, the new configurations of social practices for solving problems and responding to specific needs, makes them valuable and usable. At the same time the benefits are both for the worker and the employer: new concepts for qualification, social care, healthcare, intermodal transport systems, working time models balancing labour and family life, etc. emerge.

Most probably there would be significant changes in social security and the model of the social state itself will change, as presently perceived by united Europe. For example, Robert Reich² predicts a revolution in labour protection by eliminating a number of standards and norms such as minimum wage, labour safety and

² Robert Reich: Why The Sharing Economy Is Harming Workers – And What Can Be Done, 30.11.2015
<https://www.socialeurope.eu/author/robert-reich/>

healthcare regulations, paid leave, sick leave compensation, overtime. In order to restore some level of security, he believes that it is necessary to make a transition from unemployment insurance to income insurance. For example, if the monthly labour income drops below 50% of the average monthly income received from all the various types of employment over the last 5 years, then automatically the person shall receive half of the difference up to the limit of the average previous income for a period of 1 year.

Social insurance can no longer be so tightly bound to labour relations as it has been so far. Rights and social security should be more and more oriented towards the resident's status. According to Francine Mestrum³, in order to adapt social support mechanisms and programmes to the needs of the 21st century, the division between social insurance and social support shall be overcome and the dichotomy between reproductive and productive labour shall disappear. The sources of financing shall be diversified. Here the civil principle of acquiring social services related rights shall be applied. The sources of financing shall be all available and not only labour incomes which would be more and more difficult to collect. Already there are indications for such problems – with the implementation of the 3D printer there are difficulties to establish the value added or the profit along the chain of price formation.

In this sense, it seems that it is much better to adjust the proposal for unconditional basic income (UBI). However, at the same time this still experimental model is subject to strong criticism, including on behalf of the social democratic and trade union circles in Europe, mostly due to the argument that it additionally contributes to the devaluation of labour and because there is no reasonable explanation of the fact that the UBI will be received by everyone alike, including the rich who don't really need it.

The unconditional basic income – is this a farfetched from reality utopia or a close to practice model for the future? These are the counterarguments presented in a sharply escalated dispute in the German Social Democratic Party⁴, as well as on the Social Europe website.

According to some observers, there are many arguments in favour of the UBI – it stimulates freedom instead of compulsion, solidarity instead of protectionism,

³ Francine Mestrum: Why Basic Income Can Never Be A Progressive Solution, 14.04.2016

<https://www.socialeurope.eu/author/francine-mestrum/>

⁴ Neue Gesellschaft. Frankfurter Hefte 1/2 2016, pp. 25-63

initiative instead of obedience. It is not a reform and it only needs a simple juridical adjustment of the social state and it is an ideal which makes us reconsider how we want to live and work together in the future. I.e., the introduction of UBI does not cost a great deal of money but it requires trust. According to Philip Kovce⁵, the Social Democratic Party in Germany itself buried the message which emerged 100 years ago – ‘to support the workers in their fight against capitalists to win over more freedoms’. The commitment to instruments that lead to forced hired labour is a cynical behaviour on behalf of the Social Democratic Party, concludes Kovce.

However, according to others this is not a new idea but it has existed for centuries. The ideological roots can be traced back to the 19th century anarchism and partly to the liberal-economic and radical-market concepts. Furthermore, Julian Nida-Ruemelin⁶ brings out the argument that economists, close to the employers’ circles what to put an end to the social state as we know it today, once and for all, and for which they do not care much by trying to replace it with a simple system financed without taxes. A main shortcoming of this system is the inefficient use of public resources. There is the enormous risk that the social inequalities existing today, will be deepened.

There is also the alternative proposal made by Henning Meyer⁷ - the solution is in guarantying employment in social welfare activities. According to the upholders of this idea this does not mean forced labour or necessarily direct employment by the state. People can be employed, if they want or need to be, by different institutions, financed by the state. This would allow them to maintain and develop their knowledge and skills. The main elements of social market economy are preserved, i.e. the ‘welfare state’ does not dominate. And last but not least, according to them this would be an additional instrument to conduct public policies.

If the state is liable for guarantying employment it has to be oriented mainly to spheres that are otherwise undermined but in the future would enjoy greater significance and importance. Taking into consideration the ageing European societies it is easy to identify these spheres – healthcare, care of children and the elderly, support for the disadvantaged, individual and family social services, and

⁵ Neue Gesellschaft. Frankfurter Hefte 1/2 2016, p. 56

⁶ Neue Gesellschaft. Frankfurter Hefte 1/2 2016, p. 55

⁷ Henning Meyer: Five Reasons Why A Basic Income Won't Solve Technological Unemployment. 04.02.2016
<https://www.socialeurope.eu/author/henning-meyer/>

other unprobed so far employment niches. This is only one of the sectors where the real value added of labour can overflow into the creation of social capital.

Where will the money come from and is there a reasonable limit to the UBI?

This is a question constantly raised by both supporters and opponents of the redistributive ‘utopias’. The foremost have developed the ‘Euro-dividend’ payment scheme as a way to introduce a guaranteed minimum income (GMI) and the unconditional basic income (UBI) by proposing a radical restructuring of the taxation model and the entire redistributive system in the EU. This should be done precisely by the union because it has to guarantee the payment of the Euro-dividend in its capacity of a political organization. The concrete sources to finance this additional expense are also named: this would be the value added tax; the tax on financial transactions (after its introduction); the ‘luxury’ tax; the ‘harmful emissions’ tax, etc. There would be additional economies realized from the sharp cut in administration engaged with the social support system - the necessity to check the financial status of the families shall no longer be required as the new income shall be universal⁸.

Regarding the amount of the necessary resources, according to rough estimations if the EU decides to introduce the GMI system, approximately Euro 350 bln. per year shall be needed; the same amount would be needed for launching the UBI scheme. Again according to rough estimates, the amount needed for Bulgaria would be BGN 8 bln. per year.

This is an overwhelming amount for the European budget, even for the rich states – the opponents of the income redistribution would most probably complain. But how much of the taxpayers’ money was spent without attaining a consistent effect for saving the ill-managed banks and EU Member States – would be the counter argument of the supporters of the Euro-dividend. And they would be correct in asking because the EU alone poured more than Euro 1.5 trillion into the black holes of the financial system.

As a matter of fact, lately the critics of the GMI/UBI concept have changed their tactics. Up until the crisis when the supremacy of the neo-liberal doctrine was absolute, they raised the familiar slogan: *public spending economies are the alpha and the omega of a healthy economy!* However, today the focus is on the word of

⁸ Krastjo Petkov: European Dividend – Illusion Or Reality, 02.05.2014
<http://epicenter.bg/article/archive/42440/11/33>

warning that any unearned income of the “*something-for-nothing*” type will generate sloth (although experiments in Brazil and India show otherwise).

Yet the question remains – can this mechanism function equally well (with a stimulating effect) in developing and developed economies?

Do not the Northern welfare states have efficient systems for social transfers, universal care and guaranteed public services in order to maintain a high standard of living? Or are the schemes and measures for active policies at the labour market in Denmark (known as the flexicurity model) which generously safeguard the transitions of the workers by high replacement-rate benefits not effective? “Seen in that light, universal basic income is not so much an idea whose time has come as a fad which will pass for lack of public traction” – Robin Wilson⁹.

The arguments of Vicente Navarro¹⁰ have similar meaning. According to him, the universal basic income (UBI) not only does not provide a solution for reducing poverty but a similar approach would aggravate even further the inequalities in societies with exceedingly high concentration of capital and property in a relatively small group of people. It would be much better to apply a combination of fiscal and redistributive policies as well as labour market interventions aiming at increasing the share of total labour income at the expense of capital. According to him, it is not by accident that the UBI meets with considerable support among the liberal-minded economists, and furthermore right-wing governments or ruling conservative-liberal coalitions are the initiators of such experiments (for example, Finland).

According to the participants in the conference held on April 12th, 2014 in Brussels, hosted by the European Economic and Social Committee, the two innovations GMI-UBI possess a clear and proven economic rationality. They were described as ‘social-economic stabilizers’ at the Brussels’ forum: first, due to the growing demand (which in turn creates revival of the business sector); second, due to the heightened interest of the beneficiaries of guaranteed income towards education, social interaction, internet use and other engines of progress. Hence the conclusion – GMI is required as soon as possible in order to reduce the time for overcoming the crisis, especially in the developing economies.

⁹ Robin Wilson: Universal Basic Income: A Disarmingly Simple Idea – And Fad, 09.06.2016 <https://www.socialeurope.eu/author/robin-wilson/>

¹⁰ Vicente Navarro: Why The Universal Basic Income Is Not The Best Public Intervention To Reduce Poverty or Income Inequality, 24.05.2016 <https://www.socialeurope.eu/author/vicente-navarro/>

According to Philippe Van Parijs¹¹ however, the steps for the introduction of the UBI in the following years shall be modest and careful and undertaken after conducting a wide public debate and according to him the individual amount of the UBI shall not exceed 15-20% of the GDP per capita (in the case with the referendum in Switzerland the proposed amount of individual basic income of SFr 2500 or 38% of the GDP per capita was according to Van Parijs a ‘politically irresponsible decision’).

In conclusion, it is clear that the debate ‘for’ and ‘against’ the UBI enjoys arguments in a rather wide range of the political spectrum. They form a natural part of the present social-economic environment. And even if today we possess numerous better and more reliable mechanisms to fight the ‘precariat’, for regulating the labour market, poverty and social inequalities, will they still be into force in the near future when the limited job opportunities will lead to fundamentally different positioning of the social forces. Actually, if the UBI does not require a great deal of money, then it would only be a redistributive mechanism. However, it would create contradictions between at least two general types of people – the employed and the unemployed and in such a paradigm the trade unions shall have either a radically changed role or diminishing functions.

¹¹ Philippe Van Parijs: The Worldwide March To basic Income: Thank You Switzerland!, 07.06.2016
<https://www.socialeurope.eu/author/philippe-van-parijs/>