

# The Case Against a Basic Income

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A universal basic income would shore up the market. We need ideas that shrink it.

Fast-food workers in St Paul, MN on strike for a higher minimum wage and better benefits, April 14, 2016. Fibonacci Blue / Flickr

In her campaign memoir What Happened, Hillary Clinton wrote that the idea of a universal basic income (UBI) for all Americans “fascinated” her. Reflecting on her wholly uninspiring campaign, she explained that she wanted to include it in her platform but “couldn’t make the numbers work,” so she dropped the idea.

She had planned to call it “Alaska for America,” referring to the Alaska Permanent Fund. Established in 1982, that program gives each of the state’s citizens an annual dividend from oil revenues. The idea gained popularity in the mid-sixties, and Nixon almost implemented it nationwide. American researchers conducted large-scale experiments in New Jersey, and a Canadian study took place in Winnipeg during the mid-seventies. At the time, the proposal produced heated debates in continental Europe and North America, but the decades that followed led to a slow but steady decline in support. The conservative preference for the “workfare” and “activation” policies that characterized welfare reform in the nineties — led by a different Clinton — turned basic income into a utopian fantasy.

But as interest in UBI from one of the planet’s most powerful political figures attests, the last ten years have given new life to the idea. Indeed, it’s now on the agenda of many movements and governments. For Philippe Van Parijs and Yannick Vanderborght, two of UBI’s leading proponents, “the conjunction of growing inequality, a new wave of automation, and a more acute awareness of the ecological limits to growth has made it the object of unprecedented interest throughout the world.”

Finland’s right-wing government is testing the idea, replacing part of its unemployment benefits system with a basic income distributed to all Finnish citizens. In Canada, the government of Ontario has been conducting a large-scale experiment since the summer of 2017. The Netherlands has the most developed UBI program experiment in Europe. Several municipalities are testing the program’s effects on its beneficiaries. And in France, the unfortunate socialist candidate for president, Benoît Hamon, made basic income his key measure.

Political parties across the globe are now openly discussing the idea of distributing an unconditional income to every citizen. Each side of the political spectrum points to different supposed benefits: the Right praises UBI for getting rid of outdated state bureaucracies; the

Left for eradicating poverty.

Appearing at once “liberal” and “social,” basic income, according to a popular view, divides those who still think about class and the industrial revolution in old-fashioned terms from those who recognize that the “knowledge economy” has profoundly transformed our economy and society. For this latter group, full employment is utopian, stable work is an outdated demand, and the old institutions of wage labor — social security, unions, and so on — are obsolete, brakes on progress and individual freedom. For radical left “accelerationist” theorists Nick Srnicek and Alex Williams, basic income constitutes a “post-capitalist” exit path, while the self-described “entrepreneur” Peter Barnes, whose bestseller *With Liberty and Dividends For All* inspired Hillary Clinton, sees it as a way to create a “better-balanced capitalism — we would call it everyone-gets-a-share capitalism.”

The studies, experiments, and debates are multiplying, making UBI once again an idea “whose time has come.”

Paradoxically, then, UBI seems to be a crisis demand, brandished in moments of social retreat and austerity. As politics moves to the right and social movements go on the defensive, UBI gains ground. The more social gains seem unreachable, the more UBI makes sense. It’s what botanists would call a “bioindicator”: it indexes neoliberalism’s progress. Support for basic incomes proliferates where neoliberal reforms have been the most devastating.

In this sense, UBI isn’t an alternative to neoliberalism, but an ideological capitulation to it. In fact, the most viable forms of basic income would universalize precarious labor and extend the sphere of the market — just as the gurus of Silicon Valley hope.

## The Impossibility of a Left Basic Income

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The question of UBI’s economic viability, though basically technical, is vital for determining its political character. That’s because UBI’s effects depend on the amount distributed and the conditions of its implementation.

Nick Srnicek and Alex Williams, in their accelerationist manifesto, *Inventing the Future*, write that “the real significance of UBI lies in the way it overturns the asymmetry of power that currently exists between labour and capital.” Its establishment would allow workers to have “the option to choose whether to take a job or not.... A UBI therefore unbinds the coercive aspects of wage labour, partially decommodifies labour, and thus transforms the political relationship between labour and capital.”

But to do this, the authors insist, it “must provide a sufficient amount of income to live on.” If the payment isn’t high enough to let people to refuse work, UBI might push wages down and create more “bullshit jobs.”

Despite the key importance of size and implementation, the countless texts dedicated to establishing a UBI — including Srnicek and Williams’s work — rarely discuss the policy’s concrete details. Many of basic income’s benefits would only arrive if it provided a generous monthly amount, meaning that a moderate or low-amount version could have potentially negative effects.

Guy Standing, a pioneer of basic income in the United Kingdom, currently defends the low-amount version. To advance his proposal, he points to the think tank Compass, which produced several micro-simulations to assess the effects and feasibility of the measure in the UK context. Compass's study shows the risks of any basic income scheme that tries to replace existing means-tested benefits: such a “full scheme” would, in its simplest version, give every adult \$392 (£292) each month while existing means-tested programs would be abolished. The results would be catastrophic: child poverty would increase by 10 percent, poverty among pensioners by 4 percent, and poverty among the working population by 3 percent.

Compass also analyzed a “modified scheme,” with a monthly basic income of £284 (\$380) for working-age adults (and smaller payments for others) that would stand alongside, rather than replace, most existing social programs. But it would also count as income when calculating recipients' eligibility for those programs, as well as for tax purposes; this “add-on” structure makes the measure less expensive than it would otherwise be, since a large part of the cost is included in existing social spending. But that also dampens the total boost to the net income of the poor. Nevertheless, the total cost of this version — the amount of new taxes that would be needed — is £170 billion or 6.5 percent of the UK's GDP. This is the version now promoted by Standing.

Despite the fiscal effort that would go into implementing the new system — 6.5 percent of GDP, or nearly twice the share of GDP that the US currently spends on its military — the results are rather disappointing. Child poverty shrinks from 16 to 9 percent, but for working-age people it decreases less than 2 points (13.9 to 12 percent), and among pensioners it declines only 1 point (14.9 to 14.1 percent). The considerable sum of money mobilized has only a modest effect on poverty and doesn't specifically benefit those who need it most. As economist Ian Gough writes, the idea looks like “a powerful new tax engine” that “pull[s] along a tiny cart.”

This fact is even more striking when we consider that the cost of eradicating poverty in any developed country is around 1 percent of GDP. An individual unemployment benefit set at the poverty line (around \$1,200 a month) and granted to all jobless individuals regardless of their place in the family structure would not only pull everyone out of poverty but also end workfare, challenge the normative dimensions of family structures, and fundamentally alter the labor market. All this, for somewhere between six to thirty-five times less money than a universal basic income.

The same criticism applies to the moderate version from Philippe Van Parijs, one of the founders of the Basic Income Earth Network (BIEN), which has promoted UBI since the mid-1980s. Van Parijs calls for a “base” income of €600 (\$710), which, like Standing's version, is not fully added to existing social benefits. This program would cost a bit over 6 percent of GDP in a country like Belgium, with an already high level of social spending and benefits — for a system that fails to increase the meager incomes of the vast majority of people dependent on social services. This is a remarkable fact about a measure so often described as “revolutionary” — a fact made explicit in the Finnish trial: it cites its “primary goal” as being to “promote employment” by incentivizing people “to accept low-paying and low-productivity jobs.”

Of course, we could plead for a more generous version, closer to anticapitalist or accelerationist proposals, like that of French economist Yann Moulier-Boutang. His UBI proposal amounts to €1,100 (\$1,302) a month for each citizen and would be added to existing benefits.

In France, it would cost €871 billion, or 35 percent of GDP. When the French socialist party's think tank, Fondation Jean Jaurès, studied the budget impact of a €1000 monthly UBI, it estimated that it would cost as much as all current social spending — pensions, unemployment, social assistance, and so on — plus the budgets for either national education or health care. Suffice it to say, this version is unlikely to see the light of day.

Moulier-Boutang himself acknowledged this, writing that although “a detailed balance sheet must still be drawn up,” “one thing is certain: the current income tax system can only fund a small partial application of this measure.” To solve this problem, Moulier-Boutang suggests replacing the current taxation system (including progressive income tax) with a 5 percent tax on financial transactions — a “fiscal revolution” that would “reduce the budget deficit” while “keeping the current level of social spending and adding a UBI of 871 billion euros.”

The author's rather fantastic calculations sound tempting, but a financial transaction tax could never collect such a large sum. The volume of financial transactions is vast — currently ten times GDP — but that's precisely because they're *not* taxed at 5 percent. Since financial transactions are typically carried out to achieve profit arbitrages as small as a few tenths of a percent, they would simply cease if we set up Moulier-Boutang's proposed tax. By way of comparison, the “Tobin tax,” the only financial transaction tax being seriously considered today, is generally envisioned at between 0.05 percent and 0.2 percent at most — one hundred times smaller than Moulier-Boutang's proposal — yet it's specifically designed to *reduce* speculation (and thus transactions).

No existing economy can pay for a generous basic income without defunding everything else. We would either have to settle for the minimalist version — whose effects would be highly suspect — or we'd have to eliminate all other social expenditures, in effect creating Milton Friedman's paradise. Faced with these facts, we should question UBI's rationality; as Luke Martinelli put it: “an affordable UBI is inadequate, and an adequate UBI is unaffordable.”

Until we profoundly transform our economies, we can't implement a measure that would cost more than 35 percent of GDP in economies where the state already spends around 50 percent of GDP. The power relations needed to establish this level of UBI would constitute an exit from capitalism, pure and simple, rendering depictions of UBI as a “means” of social transformation nonsense. Indeed, many defenses of basic income can be classified as what Raymond Geuss called “nonrealist political philosophy”: ideas formulated in complete abstraction from the existing world and real people, completely “disjoined from real politics” — like to the Rawlsian model of justice that serves as an important inspiration to figures like Philippe Van Parijs.

If UBI does take shape, current power relations will favor those who have economic power and want to profit by weakening the existing system of social protection and labor market regulations. Who will decide the monthly amount and who will dictate its terms and

condition? Who do today's power relations favor? Certainly not the worker.

## The Crisis of Work?

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When asked about work, Philippe Van Parijs likes to quote the physician Jan Pieter Kuiper, who launched the debate on basic income in the Netherlands in the 1970s: “Among my patients there are guys who are sick because they work too much, and guys who are sick because they are unable to find work.” This contradiction runs through the history of capitalism, and it motivates Van Parijs and many of his followers.

UBI would create a society in which “those who work too much ... work less, in order to avoid burnout, breathe a little, retrain for new work, or care for their loved ones, and the jobs thus freed up could then be taken by others.” That is, it doesn't aim at “working less, so all can work,” as the workers' movement traditionally did, but letting everyone choose how much to work at any given moment. Proponents present it as a way to achieve a more harmonious distribution of work. That objective may seem sensible, but it raises several questions. Most important, it risks amplifying employers' current race to the bottom.

Today's labor market is highly stratified: some people enjoy access to good jobs while others, subject to harsh competition, can only find precarious and unstable work. A low or moderate UBI — too low to let people refuse job offers — could relegate the least qualified people to more intensely precarious situations. As Luke Martinelli puts it:

The lack of an exit option for such workers, and their weak bargaining position with respect to employers, means that basic income could end up exacerbating poor pay and conditions if other workers were willing to reduce their wage demands as a result of the unconditional payment.

Martinelli highlights “the danger that basic income ‘would aggravate the problem of low pay and subsidize inefficient employers,’ leading to a proliferation of ‘lousy’ jobs.” In this scenario, those with good jobs will continue to lead fulfilling lives, now supplemented by universal income, while others will have to combine their UBI with one or more “lousy” jobs, with little gain in income. The proposal makes no attempt to help those without a job today get one tomorrow or improve the job they have. Indeed, everything suggests that the opposite will happen: the UBI will function like a war machine for lowering wages and spreading precarious work.

This aspect of basic income isn't new: it explains why the neoliberal economist George Stigler originally proposed a UBI, in the form of a negative income tax. In contrast to Keynes, who downplayed the role of wage levels in his explanation of unemployment, Stigler's famous 1946 paper “The Economics of Minimum Wage Legislation” argued that the minimum wage reduced employment. He called on the government to abolish such regulations so that workers could accept wages that don't exceed the market price.

Stigler's negative income tax, which would supplement incomes up to a certain point, would allow workers to accept low-wage jobs while still living above the poverty line. In effect, the system guarantees a minimum income without affecting the wage price. As Friedman wrote

in 1956, the program, “while operating through the market, [does] not distort the market or impede its functioning,” as Keynesian programs do.

Today, one still commonly sees UBI advocates resort to neoclassical platitudes about employment. We can only be astonished, for example, at the dubious claims made by Van Parijs and Vanderborg in their recent book *Basic Income: A Radical Proposal for a Free Society and a Sane Economy*, such as: “where the level of remuneration is and remains firmly protected by minimum wage legislation, collective bargaining, and generous employment insurance, the result tends to be massive losses of jobs.”

We shouldn’t be starting from the premise that too-high wages generate unemployment by disrupting the economy’s optimal equilibrium: that’s precisely the idea we should fiercely challenge. Indeed, recent studies seriously undermine these claims. Contrary to neoclassical predictions, countries that tax work the most have the highest employment rates because income taxes fund social services, which promote labor market participation, especially for women.

## Who Works?

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Still, imagine that it was mathematically possible to establish a UBI high enough that none of us would have to work. Suppose we could have this generous basic income and still have a strong welfare state. Certainly it would be a game changer. Yet even this utopia rests on two problematic assumptions work.

First, it assumes that unemployed people don’t want to work or would be just as happy to receive a generous monthly check. But what if that’s wrong? The notion that we should reduce the demand for jobs rather than fight for full employment fails to consider that many people *do* want to work. As Seth Ackerman has argued, it assumes that the despair expressed by unemployed people amounts to false consciousness, a problem that can be mitigated by propaganda campaigns promoting non-work.

This is a faulty explanation of what’s at stake with the question of work. There’s something deeper at play: work is more than a means for earning money. That’s not just due to “pro-work ideology,” but also to the objective conditions of a society based on a large-scale division of labor in which everyone contributes individually to collective production. This system generates a certain income distribution as well as a certain distribution of work. People are obviously worried about income inequality, but aren’t they also worried about job inequality? As Ackerman writes, “so long as social reproduction requires alienated work, there will always be this social demand for the *equal* liability of all to work, and an uneasy consciousness of it among those who could work but who, for whatever reason, don’t.”

That’s why a universal job guarantee and a reduction in work hours still represent the most important objectives for any left politics. Collectively reducing work time is politically and socially preferable to creating a socially segmented pool of unemployed workers, a situation that would have serious consequences for the employed. It’s not hard to imagine how this situation could foster divisions within the working class — as it already has over the last several decades.

Second, such a “utopian” UBI raises questions about *how* the distribution of work — that is, the division of labor — would be determined in a society where we could choose not to work. Under capitalism, the division of labor is set in a brutal fashion, relegating large sectors of the population to jobs that are difficult and badly paid, but often of great value to society. A “utopian” UBI, by contrast, simply assumes that in a society liberated from the work imperative, the spontaneous aggregation of individual desires would yield a division of labor conducive to a properly functioning society; that the desires of individuals newly freed to choose what they wish to do would spontaneously yield a perfectly functional division of labor. But this expectation is assumed rather than demonstrated.

If we want to envision a society where the division of labor is no longer determined through compulsion, then we will have to rethink work itself. And a rethinking of work will only point in an emancipatory direction if work is made more meaningful and attractive. In a society where the nature of work is profoundly unequal — not only in its *distribution* but also in its *content* — transforming it becomes fundamental.

## Cash or Decommodification?

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Beyond arguments of feasibility or the effects on the labor market, we need to ask a more fundamental question: is distributing €1,100 to the whole population the best use of 35 percent of GDP? Isn't the best way to fight against capitalism to limit the sphere in which it operates? Establishing a base income, by contrast, merely allows everyone to participate in the market.

Our current economic crisis goes beyond the problem of income inequality. While inequality garners the most attention, it's a secondary feature of capitalism. One of capitalism's most remarkable achievements (but also one of its most violent) is that it made market exchange the nearly exclusive means to acquire the goods necessary for our own reproduction. In doing so, it turned money into almost the only valid medium of exchange and it made the majority of the population dependent on capital, enforcing a fundamentally asymmetric power relation between the boss and the worker. This profoundly unequal relationship not only subordinates people within the sphere of labor, but outside it as well, through the powerful influence economic power exerts on politics, ideology, and culture.

By the end of the nineteenth century, leftists understood this problem perfectly well. The welfare state tried to limit the areas in which the market and economic power could operate. If industrialization had made only owners full citizens with real rights, then social security and unemployment insurance established what Robert Castel called “social property,” marking “the emergence of a new function of the state, of a new form of rights, and a new conception of property.” As the British sociologist T. H. Marshall explained, equality isn't possible “without restricting the freedom of competitive markets,” without opening socialized spaces free from market imperatives. In other words, for the Left, the economic *effects* of extending the market (as well as the political and cultural effects) were never divorced from a questioning of the *logic* of the market itself.

Though this perspective has suffered enormous setbacks since the early 1970s, it still offers a vision radically different from our current neoliberal consensus. The ultimate aim is

not to make competition more “fair,” less “discriminatory,” or less “normative.” Instead, it seeks to curtail the space in which competition exists. In this sense, freedom doesn’t signify the ability to access the market, but rather the ability to reduce the space in which it operates.

Hillary Clinton was right to say that she underestimated the power of “big ideas.” But that doesn’t mean UBI is the big idea we need. We should reconnect with the postwar period’s emancipatory heritage. The institutions workers established after World War II did more than stabilize or buffer capitalism. They constituted, in embryonic form, the elements of a truly democratic and egalitarian society, where the market would not have the central place it now occupies. And if the recent successes of Bernie Sanders and Jeremy Corbyn are anything to go by, the door may now be open to a rebirth of socialist politics.

Utopia is not beyond our reach — it’s closer than we think.