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Basic Income and the Labor Contract*

To Jürgen Habermas, June 18, 2009

Abstract: The paper starts by exploring the negative contingencies that are associated with the core institution of capitalist societies, the labour contract: unemployment, poverty, and denial of autonomy. It argues that these are the three conditions that basic income schemes can help prevent. Next, the three major normative arguments are discussed that are raised by opponents of basic income proposals: the idle should not be rewarded, the prosperous don't need it, and there are so many things waiting to be done in the world. After demonstrating that proponents of basic income stand in no way empty-handed when facing these objections, a third part considers basic income in functional terms: would its introduction help to resolve problems of social and economic order that are unlikely to be resolved in more conventional ways?

0. Introduction

In current German and European debates on long term changes in labor markets, demographics and social policies, the reform project of a basic income and proposals for economic rights of *citizens* (rather than rights of *workers* or rights of the *poor*) have come to the fore. National as well as international networks (most prominently BIEN[1]) provide the setting for vivid debates and policy proposals, as well as research agendas, involving participants' various backgrounds: public intellectuals, representatives of political parties, academics, union activists, faith-based activists and officials of international organizations.

Basic income is a radical political program aimed at implementing social justice.[2] Transforming this programmatic idea into practical public policy of social reform, however, depends largely upon addressing concerns about fiscal

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[1] The acronym BIEN refers to the Basic Income Earth Network. For further information see http://www.basicincome.org.

[2] Throughout this paper and as is common in the lively international discussion, basic income refers to a tax-financed and individualized form of monetary transfer that is not bound to any conditions (except permanent residency status), and which is disbursed on a regular basis or capitalized and then made available as start capital. This aid should correspond at least temporarily to a level that assures a secure subsistence that avoids poverty.

preconditions and consequences involved in such a reform, as well as the (hard-to determine yet arguably significant) consequences its realization would have upon labor and capital markets.[3] Basic income has an important role to play in that process in that it is expected to assist advanced (as well as less advanced) capitalist societies in coming to terms with their conflicts, structural problems and inequalities in a pronounced liberal (or even 'left-libertarian', i.e., committed to the principle of *equal real freedom* of individuals) manner and within the scope of a novel system of economic rights of citizenship.[4] In all these debates, there is ample space for disagreement and arrangements of gradualist approaches: Should a basic income cover the needs of subsistence or be just as high as 'feasible'? Should it apply to all citizens or (at least initially) be targeted to those most threatened by poverty or those performing caring and parental activities? Should it be permanent for all recipients from childhood to old age or should it start with a time account of, say, ten years per life (Offe 1997; White 2003b)? Should it be strictly liberated from any notion of exchanging some useful activity for income or should it, again at least initially, be tied to some form of active participation of recipients? Should the access to and level of income be tied to currently prevailing labor market situations or should it be made independent of those?

In this article I discuss issues that regularly take center stage in the basic income debate, as well as in the larger debate that focuses on the justification and effectiveness of German and European labor market reforms. Both the legislation that followed from the Agenda 2010, announced by Chancellor Schröder in March 2003, and the EU's Lisbon agenda of 2000 aim at the restoration of a condition of 'full' employment by the year 2010. These and similar policy initiatives to be found in many OECD countries in the first decade of the century have in common that they focus on the supply side of the labor market by stimulating skills and skill acquisition, of removing subjective as well as objective barriers to labor market participation, and decreasing both wage costs and non-wage costs of labor, such as social insurance contributions. The highly ambitious full employment goal of the Lisbon agenda is largely dictated, among others, by the consideration that it is only a 'fully' employed economy that can generate the fiscal resources needed for financing an acceptable level of old age income for the growing proportion of elderly citizens. The two debates are linked by the opposite positions the protagonists take on the issue of whether or not *full* employment at politically acceptable levels of wages and social security benefits is in fact within the reach of what public policies and macroeconomic steering can accomplish or not. If the stated policy objective of full employment is in fact realistic, policy makers are right (or at least consistent) in rejecting any proposal that is designed to expand economic rights of citizenship, as job creation and promoting labor market integration figures as the paramount priority—a priority which is to be pursued through lowering the cost of labor and increasing incentives for all kinds of gainful activities. Note, however, that economic growth is the only conceivable engine that can pull the train towards full employment.

[3] See the debate in the journal *Theory and Society* vol. 15 (1986, no. 5) centred around Van der Veen/Van Parijs.

[4] The left-libertarian case for basic income is outlined and defended in Van Parijs 1995.

Moreover, such growth must be assessed under a *positive* as well as *normative* perspective: Is growth likely to occur, and if so in which sectors? Will it be sufficient? And are the ecological, psychological, social, cultural, political costs of employment-inducing growth worth bearing? If, on the other hand, the said objective of full employment is deemed either entirely unrealistic, or realistic only under normatively unacceptable conditions (such as forced labor, or a work force largely consisting of 'working poor', or a further expansion of mindless and irresponsible consumerism), or realistic only under institutional changes that are themselves unrealistic (such as a radical path departure from Bismarckian principles of contributory pay-as-you-go funding of social security), then the idea of an approximation to fully 'de-conditionalized' subsistence level transfers based upon the principle of citizenship rights alone can well gain considerable moral and political plausibility. Many things are obviously at issue here, including the important procedural issue of who must carry the burden of proof in this controversy.

First of all, let us try to clarify what the 'full' in 'full employment' may refer to. In a modern Western economy with a given resident population, there are, at any point in time, ten categories of persons who are legally licensed (or coerced) to *refrain* from market-remunerated activities, be it in employment or self-employment. These categories are easily enumerated:

1. those who are too young to work;
2. those who are too old to perform (employed) labor;
3. those who are legally denied access to employment (e.g., illegal migrants, asylum seekers, illegal workers);
4. those who are (full time) involved in higher or continuing education, net of gainful activities performed;
5. those who are involved in parenting (very) young children;
6. those performing military service (where mandatory service has not yet been abolished);
7. those serving sentences in penal institutions;
8. those with a medically certified permanent disability or temporary illness;
9. those 'voluntarily' (including: due to discouragement) refraining from gainful activities, living on inherited wealth or the income of a family household; and
10. those who are registered unemployed job-seekers, live on insurance benefits or social assistance and do not belong to any of the previous categories.

In a first approximation, full employment might be defined as a condition when the total of the resident population minus the sum of ((1) to (9)) is gainfully active *and* when category (10) is empty (except for 'frictional' unemployment). However, whether or not a person belongs to any one (and which) of these categories is the outcome of a complex mix of legislated policies, factual circumstances, and decisions of individuals responding to values and incentives. For instance, policy makers can decide to increase the gainfully active portion of the resident population by extending the age threshold of (2); they can try to reduce the category (10) population by transferring some of its members into categories (4) or even (6) or (7); they can lower the threshold regulating access to (8); they can manipulate incentives to stay in category (10); they can liberalize or make stricter the legal thresholds defining category (3); and so on. All of these policy decisions are typically intensely contested. Moreover, labor market regimes are known to differ, be it in space or time, as to their definition of (1), (2), and (8). Changing factual circumstances—think of an epidemic spread of an illness (8), changes in the birth rate (with consequences for (1) and (5)) or life expectancy (2), a traffic accident (8) or turns in the business cycle (9)—may significantly alter the category a person finds herself in from one point in time to the next and the size of the respective category. Furthermore, individuals can self-select, in response to values and incentives, their membership in categories (5), (4), (3), or (9). Needless to say, these categories, or institutional spaces in which people can spend their lives, differ greatly according to their desirability, with categories (3), (7), (8), (10) belonging to the individually and collectively least desirable ones, while (4), (5) and (9) are widely looked upon with lesser aversion.

What this brief and schematic review is intended to remind us of is the vast extent to which labor markets are embedded in and shaped by *policies and institutions* that regulate the supply of labor that is available for employment or self-employment, as well as by *decisions by individuals* who respond to opportunities, incentives, and values. Hence we can speak of full employment (or its absence) only relative to the institutional structure that 'sorts' people into these categories, and the cultural values that play a role in the 'self-sorting' of people. Both these parameters, however, are wide open to change—be it change by design, be it due to unanticipated evolutionary alteration. How many people are employed and whether or not demand for labor matches supply is entirely contingent on the availability, size, and attractiveness of institutional spaces that are available for workers outside of gainful activities. In theory, for instance, the level of unemployment could immediately be reduced to zero if an institutional space for the unemployed were to be created in category (4); a vastly expanded educational system would simply re-label the unemployed as 'students'; but such a move may well be at variance with the values, life plans, and interests of the unemployed, and hence with the operational prerequisites of educational institutions. The term 'full employment' is thus virtually meaningless unless we contextualize it by looking at the institutional as well as cultural parameters that determine the phenomenon in question. More specifically, the size of the supply of labor that is to be 'fully' employed is neither 'natural' nor determined by 'rational' considerations, be it at the individual or collective level; it is a mere artifact of the two bundles of parameters just mentioned—institutions and preferences—and the institutional patterns that govern the setup of our ten categories.

What proponents of market-liberal strategies of 'workfare' and 'activation' mean when they call for the restoration of 'full' employment is actually 'maximal' employment, as called for by a 'productivist' public philosophy of order and progress (or consumerism and economic growth). For what they advocate is in fact the demolition of as many of the 'decommodified' niches as possible in which people can spend (parts of) their life *without* becoming job-holders or job-seekers. Examples are policies to extend the retirement age (2), provide more day care in order to 'liberate' mothers for labor market participation (5), limit migration according to criteria of 'employability' (3), lower graduation ages in secondary and tertiary education (4), transform defense forces into all-professional armies (6), promote rehabilitation programs for the handicapped (8), design incomes and tax policies so as to de-incentivize the 'male breadwinner model' of family households (9), and imposing austerity measures on the unemployed in order to enhance their search behavior and work attitudes. To be sure, there can be no doubt that some of these policies (e.g., those targeting categories (5), (8), and (9)) correspond to widely shared social norms and individual values. The overall strategy, however, of maximizing employment by driving people into the labor market has its costs, too. These costs become evident, under conditions of shrinking demand for labor, in the growth of the population in category (10) as well as in stressful demands for 'mobility', 'flexibility', and the toleration of insecurity that those managing to escape from (10) must live up to.

To illustrate, and using data from German labor market developments since 1970, we can identify several trends (Strengmann-Kuhn 2008). The hours the average person spends on his or her job are declining—from 2000 hours p. a. in 1970 to less than 1500 hours in 2006. At the same time, the share of gainfully active people in the total population rose from 44 per cent in 1970 to an unprecedented 48,2 per cent in 2006, indicating a massive emigration (mostly of women) from category (9), arguably also from (4) and (5). Over the same period, the total of hours worked in the economy of (united) Germany per year declined slightly from 60 billion hours since the early nineties to 56 billion hours in 2006, indicating that the increase in labor market participation of persons was more than offset, in terms of total hours, by the steeper decrease of working hours per person. A further trend is the continuous and long term, if cyclically modified, growth of unemployment (the population of category (10)) from less than 2 per cent in 1970 to more than 10 per cent of the total labor force in 2006. The overall picture that emerges is clear: As more people join the labor force, a declining volume of overall working time is spreading over a growing number of workers, forcing a growing portion of them to content themselves (and, on average, for a growing duration of time) with a zero share in the total number of hours of gainful activity, while many others remain involuntary part-timers.

Conventionally, this situation is accounted for in terms of economic categories, such as insufficient demand for labor, level of labor costs, labor saving technical change, lagging growth rates, international competition, etc.. Yet it can also be accounted for in institutional terms, i.e. in terms concerning deficiencies of the arrangements outside the labor market and the spaces for the conduct of life these arrangements provide for. Societies of the type we are considering here may be held, in this institutional perspective, to be inadequately equipped to cope with the negative externalities of their economic dynamics. These dynamics being what they are, what is missing in our repertoire of institutional arrangements is a space where that part of the population that is being treated as 'superfluous' by the labor market can retreat and lead a reasonably autonomous life above the level of poverty. This is the normative intuition that much of the Basic Income debate draws upon. Basic income is, as it were, the introduction of a new *category (11)* - an institutionally provided space where people can spend their lives for longer or (probably) shorter periods *without* being subjected to the forces of the labor market, administrative controls, or family and conjugal dependency.

Yet basic income is certainly more than a remedial adjustment to the malfunctioning of a sluggishly growing and structurally underemployed capitalist economy. This is just the defensive side of the argument. The reverse side amounts to the claim that the partial (both in terms of persons and in terms of time) escape from the forces of the labor market is positively welfare-enhancing. The argument leading to that proposition is that discretionary time is an increasingly important ingredient of overall well-being (Goodin et al. 2008). Unremunerated activities of all kinds—ranging from family care to voluntary third sector activities—can increase individual as well as collective welfare. Conversely, many remunerated activities, while generating monetary income, can be individually exceedingly stressful and collectively (e.g., environmentally) harmful. At any rate, the monetary metric, while remaining essential as a measure of some dimensions of individual well-being, seems to fail increasingly as a suitable measure of overall well-being (in the same way as, arguably, economic growth is an inadequate measure for collective well-being).

There are, however, two complications with discretionary time as a measure of welfare, too, having to do with complementarity and accumulability. As to complementarity, the time-rich (such as the unemployed) are certainly on average not better off that the money-rich—to the contrary. The reasons are twofold: (a) money allows one to *buy* time (travelling by taxi rather than public transport), including buying the time and services of others, while (under most conditions) free time cannot easily be converted into money or into commodities that are available only through monetized purchase; and (b) an enjoyable and socially useful use of free time, as opposed to boredom and wasting time by waiting, often presupposes the availability of *some* amount of money (e.g., for a theater ticket or book to read). Time by itself is only rarely welfare enhancing. As to accumulability, there seems to be a structural advantage of money over time. Money can be accumulated through savings, while time can not: a workday that is shortened by 30 minutes does not yield a weekend that lasts two and a half hours longer. Time, as it were, has to be spent on the spot. Free time that is being provided through basic income, however, compensates for these inherent inferiorities of time *vs.* money: It provides for time in large chunks, and it provides for some amount of a money complement to spend it in satisfactory ways. (This feature of BI could even be enhanced if the tax fund out of which it is financed were to be used in part for making access to means of transportation and cultural institutions and events admission-free, as Krätke 2008 suggests.)

There are three consecutive questions that I wish to address. First, what is the guiding normative idea of a basic income? Second, which political and moral counterarguments, institutional traditions and socioeconomic interests must proponents of a basic income be ready to address and defeat? And third, what functional contribution can introducing basic income achieve in overcoming acute structural and governance problems of mature capitalist societies?

1. The Labor Contract and Its Negative Contingencies

If basic income is the answer, then what is the question? Every economic order is maintained and reproduced by its ability to find a solution to two core problems of social order and the ongoing reproduction of such order. The first can be termed the *production* problem that is resolved by institutionally regulating which categories of persons are being assigned to which productive task or function. The second is the *distribution* problem that addresses the reciprocal problem of who is entitled to which part of the total social product *after*, as it were, the work is done. Capitalist societies, at least according to their idealized self-description, represent the only known type of economic order in which both problems are solved *uno actu*, i.e., simultaneously and through the same social mechanism, namely the *market* for labor and capital. Labor contracts determine, within the legal framework of contractual freedom and organizational control of the labor process, who is to undertake which task, while simultaneously determining the remuneration employees are entitled to in return for performing the productive task assigned to them.

Now, the level of remuneration and hence the solution of the distribution problem seems to be constrained by two conditions: an *upper* limit beyond which wages cannot rise and a *lower* limit below which they cannot sustainably be allowed to fall. Starting with the latter, we might say that employees' remuneration must be *sufficient* to provide not only for the worker, but also, in a synchronic perspective, for household members who are (for whatever reason) currently not employed or self-employed. In addition and diachronically, it must[5] also be sufficient—regardless of the method of financing applied (e.g., private savings, social security, occupational welfare, fiscal extraction and redistribution)—to provide workers with a retirement income or pension that will ensure their future financial security when they no longer can, want to or are permitted to work.

The significance of this minimum threshold below which wage income cannot be allowed to fall is easy to see if we take into account the *shrinking* portion of time spent on gainful activity in proportion to the total life time, with the difference between these two measures of time having to be covered through some intertemporal redistribution of earned income. A rough estimate of this

[5] I wish to leave it open here whether this 'must' is a moral 'ought' or a functional economic imperative, implying that both apply.

difference yields something like the following results. Life expectancy is close to 80 years in the OECD world, with a still ongoing steep increase of about 3 months per year, or 6 hours per day. Eighty years makes about 700.000 hours. If we deduct a third of this amount for sleep, we get 467.000 hours of 'active' life time. If the total time spent on gainful activity is (conservatively) estimated at 40 years per life and an average of 1.000 hours per year per person (allowing for all time contingents of non-employment, unemployment, early retirement, vacations, illness, part time employmen, education, training etc.), we get an average work time/active life time ratio of 8.6 percent, which is presumably much less than the aggregated breakfast plus lunch plus dinner share in total life time. Even if we calculate gainful active hours as a proportion of the span of 50 years between age 15 and age 64, we still get a gainful activity time share of the average working age person of as little as 13.7 percent. The important thing to realize here is the fact that the entire non-gainful portion of one's life time and the needs to be met during that time, i.e., 86.3 percent or, more appropriately, the full 91.4 percent, must be covered by the income earned during the relatively tiny fraction of economically active hours of life.

This, incidentally, appears to be the implicit reference problem that the EU's Lisbon Agenda of 2000 tries to resolve by its boldly productivist (as well as evidently highly unrealistic!) proposal that member state governments should achieve a 70/60/50 employment record by the year 2010: 70 percent of all working age individuals, 60 percent of all working age women, and 50 percent of all the elderly (age 55 and over) are projected to be in some kind of gainful activity. But even if that goal were to be achieved, at most a fifth of the average adult active life time would be filled with gainful economic activities; and the need for a vast intertemporal redistribution of economic resources would clearly not decrease significantly.

At any rate, and as far as the *minimum* threshold of wages is concerned, wages must be sufficient to allow for an acceptable coverage of needs that must be covered during the economically active segments of the life course as well as, and more significantly in quantitative terms, during the 'inactive' time segments.

But, to be sure, there is also a functionally defined *maximum* threshold of wage rates. That is to say, wages are 'too high' if they induce employers to reduce their demand for labor, be it through the use of labor saving technical and organizational strategies, be it through relocating the place of production to less labor-costly regions of the globe. As a consequence, the remuneration should not be so high that total employment costs stifle the demand for labor within a given context of exit options of employers. The parameters of this income range between the minimum and the maximum threshold are not easily identified in empirical terms. It is not even certain that such an intermediate range between the minimum and the maximum limits *actually exists*, or that, in case it does, it will be of a durable nature. For what cannot be axiomatically excluded is the somewhat nightmarish condition where the minimum income required to meet employees' and the inactive population's needs may well lie *above* the maximum level of employment costs that are harmless in terms of levels of employment.

To summarize, if actual employment costs exceed the labor cost maximum, the consequence is either outsourcing (in an open economy) or increased use of labor-saving technologies (in an innovation-intensive economy); if remuneration falls below the minimum required to meet the needs of employees and their dependents, the financing of social security systems is rendered precarious and must increasingly be complemented by tax revenues. The ongoing labor market and sociopolitical problems in a country like Germany seem to suggest that *both* difficulties can appear simultaneously. Gross pay levels and costs of employing labor are then 'too high' because they induce further reductions of levels of employment, given the rich institutionally guaranteed availability of exit and innovation options that employers enjoy in an 'open' economy. But pay levels are, at the same time, 'too low' to cover employees' household and social security costs under current labor market and demographic conditions. Both problems interact in ways such that the solution for one side of the problem will obviously diminish the chances of a solution for the other. What in neo-classical economics textbooks is often called a 'market-clearing equilibrium wage rate' is insufficient to cover the income needs of employees, their families and pensioners, i.e., of those who do 'not yet' work as well as those who 'no longer' work.[6]

Solving production and distribution problems simultaneously through labor contracts has, to be sure, enormous evolutionary advantages. Contract-based labor relations are not fixed as in the status order of traditional societies, but can be terminated by at least one of the two parties involved (and usually by both) according to the shifting demand for and supply of labor. Contracts provide for a *contingent*[7] coupling of actors on the supply and demand side of the market, with this contingency being the source of collectively beneficial productivity increases. This contingency-based solution to the dual problems of production and distribution is the great evolutionary accomplishment of capitalist market societies. Yet it also has its disadvantages, including, most importantly, the uneven distribution of the risks of poverty, unemployment and loss of autonomy.

Poverty, which includes income poverty but also social marginalization and the chronic disorganization of the conduct of life, affects those who, due to a lack of a minimum level personal productivity (also known as *employability*), are unable to find durable access to gainful employment or self-employed forms of activity, which can be due to 'educational poverty.' Note that to the extent the labor market has properties of a buyers' market, demand side actors gain definitional power over what 'employability' means in operational terms: the more people are looking for jobs, the more demanding employers can be in hiring. Poverty also affects the working poor who, due to insufficient individual productivity, quantitative effects of 'excessive' supply, or their lack of capacity to organize collectively, are unable to attain salaries that can ensure a secure subsistence. (Involuntary) *unemployment* especially affects those who, beyond short periods of seasonal or search unemployment, are not in a position to find

[6] It may also be insufficient, incidentally, to maintain the level of effective demand that is required for the prevention of a depressive downward spiral.

[7] In philosophical terminology dating back to Aristotle, events are 'contingent' if they are neither impossible nor necessary.

and enter into contractual employment, in spite of the fact that the law defines them as ‘able-bodied’ according to age or physical and psychological conditions. Unemployment often implies an inability to cover living expenses through independent means and thus dependency upon various kinds of unemployment benefits and welfare transfers.

Loss of *autonomy*—that is, the curtailment of the freedom to choose one’s own way of life according to a life plan that corresponds to a sense of personal identity and is articulated within the constraints of prevailing social and legal norms—is not only an immediate repercussion of poverty and unemployment. It can also be the consequence of administrative measures and programs grounded in the logic of workfare that are intended, through the threat of negative sanctions, to ‘activate’ the unemployed and integrate them into an employment relationship (Hasenfeld et al. 2004; Handler 2004; Handler/Hasenfeld 2006). One can speak of autonomy in a meaningful way only if actors do in fact have *options* the use of which allows them to consider themselves masters of their own fate and of meaningful choices and purposes, not simply as a ball in other agents’ economic or administrative games.[8] Losses of autonomy are, to be sure, no necessary consequences of administrative intervention into the conduct of the unemployed, but they are often perceived and criticized as such. Such perceived violations of autonomy occur when the protection and recognition of vocational skills, wages levels, jobs and place of residence and family ties is denied in the name of ‘flexibility’ and the long-term unemployed are coerced, under the threat of severe cuts of benefits, to accept jobs of *any* nature, anywhere and at any wage.

A central attribute of my autonomy is doubtlessly my right to stay in my chosen place of residence and to perform a job that I can appreciate as ‘suiting’ me, my talents and tastes. The slogan ‘freedom instead of full employment’ that is used by some protagonists of basic income in Germany[9] focuses on the impact of various administrative measures of economically coercive labor market integration and the violation of standards of dignity and recognition of those targeted by such measures. This impact will be the greater the more the labor market agency is under pressure to succeed with its integration efforts. The slogan of market-liberal party politics that ‘any job is better than no job’ leaves no doubt that the individual right to autonomous choice (such as the elementary right to say ‘no’ to a job offer) is subordinate to the objective of job creation and maximization of employment. At any rate, what needs to be kept in mind in any debate over labor market and social policy reforms is that such policies are not just about (re)distributing monetary resources and thus meeting recognized *needs*; they are as well about granting or denying *autonomy*, as they can affect autonomy both through the process of administrative control (which can, e.g., be stigmatizing) and through the deficiency of income (Standing 2002).

It is well known that a job that an employee must perform under material coercion of an administration can not only violate the *employee’s* sense of dignity, but also the economic interests of the *employer*, not to mention the interests

[8] This argument is prominent in the so-called republican justification of basic income (Casassas, 2007; Pettit, 2007; Raventós, 2007).

[9] See, for instance, Sascha Liebermann at www.FreiheitStattVollbeschaeftigung.de.

of fellow workers and competitors for jobs who can lose their jobs because of the unemployed being prompted by labor market agencies to take 'any' job. Given the negative motivational effect of administrative and material coercion, there is little demand on the part of employers for workers who are coerced into employment through the threat of strong negative sanctions. The refusal of German asparagus farmers to hire German long-term unemployed workers, instead of the 'reliable' and 'motivated' Polish temporary migrant workers who have done this kind of hard physical work before, to harvest the annual crop illustrates that administratively coerced workers tend to be underproductive. Their low productivity is due to their unwillingness to perform the job and the lack of identification with a given task. And neither can such deficiencies be healed through increasing the supervision or making sanctions more severe, which only leads to additional costs to be spent on supervisory staff and further undermines the workers' work effort. To be sure, one cannot categorically deny that such administrative disciplining of an unemployed labor force *may* lead to some form of 'activation', which in future retrospect might be appreciated as a gain in people's occupational and personal lives, in spite of the fact that such gain has been brought about in paternalistic ways. However, in view of the current quantitative and qualitative characteristics of the demand for labor, this would be merely a happy coincidence and not the intended and consistently achieved outcome of workfare programs.

Despite variations in their institutional structures, the history of OECD welfare states reveals a common development in their *institutional differentiation* of organizations and programs concerned with poverty, unemployment, and loss of autonomy, respectively. Institutions operating and often also financed through local government are typically responsible for the problems related to poverty at the *local* level. Their task is to sort the impoverished population according to social administrative categories (the 'truly' poor versus the pretending poor, the able-bodied versus the disabled, the local versus the foreign poor, etc.), to continuously monitor them and disburse the benefits and services to which they are legally entitled. The unemployment problem is embedded in an entirely different set of institutional structures: Public economic and employment policies are conducted here by various agencies of the *central* and *regional* state(s) as well as local agencies of the labor market administration. These organizations provide clients who have *become* unemployed (after being previously employed for a relevant length of time) with consulting services, job placement, the transfer of benefits, job-creation schemes, vocational retraining, continuing education, wage and employment subsidies, etc., with their clients' reintegration into jobs as the main objective. Finally, the issue of autonomy and dignity in the workplace is again organized within a separate institutional domain. Here we find a long tradition of employment-related legislative activities as well as specialized courts implementing labor law reflected in, among other things, the legal standards regulating the physical and social protection of employees and the creation of employees' rights of representation and co-determination (such as the *Betriebsverfassungsgesetz,* or Works Council Act, in Germany).

In spite of all this differentiation of institutional sites in which these various categories of clients are being processed, there are also similarities in the mode of operation of these domains. First, they all operate with the authoritative ascription of recognized needs, legal obligations and rights to statutorily specified categories of persons. These ascriptions and standardizations of need—who counts as 'poor'? what are 'acceptable' working conditions? who is eligible for benefits and in what amount and for what duration? etc.—are in turn highly sensitive to changing economic and political contexts and are under constant pressure of legislative revisions and the threat of reversals. Second, all of these social and labor market policies are implemented through costly administrative apparatuses and the transaction costs caused by them in applying and implementing relevant standards, procedures, and criteria. These agencies typically combine principles of bureaucratic public administration with elements of self-governance through corporatist bodies. And third, the system of collective rights categorizes, cares for, manages, controls, treats, supervises, integrates, takes care of, and thereby often stigmatizes clients through sanctions and reduces them to the passive status of sheltered, paternalistically regulated objects. This treatment is often euphemistically referred to as 'activation', while in the reality of people on the receiving side of such activation it often contributes to the experience of passivity and the authoritative denial of meaningful choice.

The transaction costs of the welfare state include both the direct costs of regulatory and supervisory bodies and regulatory agencies as well as the indirect and less easily measured costs of such transformation of people that are being served into passive and dependent clients. It is both of these categories of 'costs' that would arguably be avoided to a large extent with the introduction of a subsistence-level basic income. Countless bureaucratic agencies and procedures would obviously become superfluous and pointless if every citizen were granted a legal claim to a regular, unconditional, individualized and tax-financed basic income.[10] It would also decrease the need for official inspection to determine whether or not persons are 'really' poor, employable, entitled to benefits according to their family status and household composition, or if their autonomy or dignity has been infringed upon.

At the same time, citizens would be increasingly activated (as opposed to being 'clientelized') to make use of their rights to freedom of action and of decision, and in this sense would be activated to discard the status of clients and to take on, instead, the responsibility of being 'masters' of their own life plans and conduct of life. Each person would then have to decide which additional financial needs should be covered by engaging in further employment, which activities competing for his or her time should be given priority in which period of life, and which job with its associated working conditions is deemed suitable or acceptable, and which not. As a consequence, the quintessence of all freedoms—the freedom to say 'no'—would be asserted on the labor market, even if, importantly, material incentives are by no means abolished to earn an income above the sub-

[10] For that reason alone, liberal critics of welfare state bureaucracy and its wasteful administration of services and transfers should readily be converted into advocates of basic income (Offe 2005).

sistence level through all kinds of gainful and intrinsically acceptable activities. And with a sufficient demand for labor, satisfactory working conditions and an adequate income, citizens would also have the genuine autonomy to say 'yes'.

A basic income as an economic fall-back position accorded by economic rights of citizenship would not only eliminate the problems of poverty and unemployment; it would also have a sweeping indirect effect on what used to be called in the 1970s the "humanization of work" (Ondrack/Timperley 1982). Workers would be put in a position to reject jobs with poor wages and degrading conditions. Such jobs could no longer be filled under basic income conditions. As a consequence, every job an employer seeks to fill will have to be a reasonably 'good' job, which the worker can quit without the risk of poverty should this not turn out to be the case. This effect of making work intrinsically more attractive will arguably even *increase* labor supply—rather than motivating retreat into tax-financed 'idleness', as is often alleged by the critics (Mead 1986; 1997).

2. Basic Income Arguments from Justice and Objections from Their Critics

Every normative theory of social and political justice—and such a theory is behind the idea of the basic income—first needs a theory about itself: What are the arguments by which and the constituencies to whom the normative theory is likely to make sense? This second-order theory answers the question of which social powers and cultural norms, which causes and interests support the implementation of the normative project or, contrariwise, diminish its chances of success. It is a matter of exploring the discourse landscape, the configuration of interests, traditions, and arguments in which any proposed theory of justice and reform is necessarily embedded. The second-order theory of basic income must come to terms with the question why the proposal to introduce citizenship rights to individual income is in fact so widely opposed.

Before we enter into a discussion of some of the pros and cons, let us briefly consider economic citizenship rights. A moment's reflection shows that even in the most market-liberal political economy that we are able to imagine, the legal order on which the proper operation of markets is known to be crucially dependent (Williamson 1985) is guaranteed and implemented by institutions (such as the police and the court system) that absorb, together with public transportation, communication, education and some other elements of physical and organizational infrastructure, a substantial amount of state revenues. From the presence of such non-market (and non-marketable) prerequisites of markets it follows that individual citizens are under the duty to pay taxes on their property, income or purchases, which are needed, in the absence of state-owned and state-operated productive facilities, to fund those prerequisites.[11] Since any duty (at least nominally) implies a right applying to those who fulfill the duty, paying taxes implies economic rights and rightful claims on the part of citizens.

[11] For a compelling argument along these lines, see Holmes/Sunstein 1999.

To be sure, in the case of taxes this is not a subjectively enforceable right, but a right that is assured to the tax payer by the legal order in general and the rule-of-law principle in specific. This principle guarantees that tax revenues are being spent in ways that are procedurally correct and that can be challenged in courts should such correctness come in doubt, with the ultimate legitimation of such spending being that it serves some notion of the public interest. What is new and controversial in basic income proposals is therefore *not* the idea of economic rights as such—after all, the taxpayer has a right to get something (though nothing in particular) 'in return', rather than seeing the taxes ending up in the private pockets of rulers—but the subsidiary idea that such rights are *redeemed* in the form not just of *collectively* available *in-kind* goods (e.g., roads) and services (e.g., courts), but partly also in the form of an individual receipt of cash that (unlike, e.g., food stamps) can freely be spent on whatever recipients decide to spend it on (Standing 2008).

There are three serious objections that proponents of basic income must be able to deal with in persuasive ways. First, the objection that there is no reason and justifiable claim to reward those who—in contrast to job-holders, the self-employed and unemployed job-seekers—'voluntarily' refrain from participating as suppliers in labor and other markets. Allegedly, they do not *deserve* the transfer. Second, the reciprocal argument that large categories of wage earners do not *need* the transfer, as their level of income allows them to cover their needs through the market income they earn. Third, there is, from a systemic perspective often found with the Old Left, the objection that a unconditional basic income scheme would involve huge opportunity costs: As there are so many obvious and urgent things to be done in the world, nobody should be permitted to withdraw into tax-supported idleness, rather than contribute his or her productive efforts in ways that will become available once (and as long as) full employment policies succeed.

The increasingly common first objection to the basic income proposal—often voiced in a resentful tone—arises from a prevailing idea of distributive justice that is equally anchored in Christian (primarily Protestant), market-liberal and socialist traditions of the work ethic. At the core of this work ethic stands the idea that working for the market should not just be driven by the useful consequences of such work (i.e., increments of income and wealth); it should also be driven by a moral cause or calling that would lead people to continue working even after they are rich enough to cover all of their needs. From this principled understanding of a moral duty to work for markets, it follows that any scheme that would allow people to 'eat' without 'working' would amount to a moral scandal, as such a scheme would function as a standing, seductive, and morally disorienting invitation to neglect and positively betray one's 'calling', as Max Weber famously argued. Persistent material need (and, corresponding to it, the imperative of economic growth) are thus seen as vehicles of moral rectitude. It is easy to see how Protestant Christianity and working class militancy converge on the 'productivist' moralization of work.

According to this notion of justice, every individual is responsible for providing for his or her own necessities of life through either gainful employment or any other type of useful work.[12] Conversely, whoever does not work (or is unwilling to work) should not eat, the positive version of which would be the meritocratic maxim that a person's salary should be based upon the amount and (market-determined) usefulness of the service rendered. Basic income impinges not only upon the basic norms of this work ethic but also upon both its derivatives. On the one hand, with a basic income in place, adults capable of working would be released from the material necessity and, in the absence of this vehicle, the alleged moral calling to work, as they would be allowed to draw income at the cost of the taxpayer. Although modest, these benefits are an unconditional income and would be paid without there being any rendering of services in return. On the other hand, the willingness of the proverbially hard-working, tax-paying majority, who actually pays for this unconditional income, to engage in productive efforts would decline, with grave consequences for overall prosperity. Taken together, these two undesirable effects might positively destroy the moral foundations of collective well-being.

There are two empirical arguments that need to be considered in this context. One is that solidarity (or the readiness of income earners to pay taxes for the benefit of those who live on their basic income alone) is in fact strongly contingent on reciprocity. Solidarity, in other words, depends upon the (able-bodied) beneficiaries being perceived as people who (are willing to) do something useful 'in return'. If this perception is missing, solidarity becomes excessively demanding in moral terms and politically precarious as a consequence. The other empirical generalization is that surveys on 'happiness' seem to suggest that the absence of opportunities to make oneself useful correlates strongly with a strong feeling of unhappiness. Fortunately enough, and as far as the moral economy of the basic income is concerned, these arguments seem to cancel each other out as objections against basic income. For if the net-contributing tax-payers are sufficiently (made) aware of the unhappiness of the idle and their (presumable) aversion to unhappiness, then the reciprocity condition is likely to be seen as being satisfactorily fulfilled.

In their introductory text to the basic income debate Vanderborght and Van Parijs (2005) have discussed to what extent this core of distributive standards in a modern capitalist society is justified, and hence must be incorporated into a corresponding version of basic income entitlements and its mode of financing, and to what extent these standards can and must be repudiated on normative grounds. Concerning arguments that can be mustered against the standards of the work ethic, there are three important considerations. A pragmatic one is, in a nutshell, that the undeserved gift of income enjoyed by 'idle lazybones' can be justified not only because it cuts administrative expenses and their specific kind of loss of freedom that results from being ordered to accept some kind of work, but also because the alleged scandal of a (strictly individualized and

[12] This excludes only those who are exempted from employment due to one of the (only) six legitimate excuses for non-participation in contractual labor and self-employment: retirement, physical or mental illness or disability, having the legal status of a child or minor, being a parent of a young child, mandatory military service, and being a prison inmate. A (decreasingly legitimate) further excuse is the status of a 'housewife' or 'homemaker', at least in the absence of a linkage to parenthood.

universal allocation of) *income without work* is just the mirror image of the quite commonplace 'scandal' of *work without income* performed by those who supply undeniably useful (though not *market*-valued) activities such as care work and voluntary services of all sorts. Thus the 'positive' injustice from which non-working recipients would benefit is partly offset by an abolition of the 'negative' injustice from which many non-receiving 'workers' suffer today.[13]

More important is the principle—anchored not only in the left-liberal tradition of Thomas Paine and John Stuart Mill but also in less rigid versions of Christian theology—that the earth belongs to *all* its inhabitants and, as a consequence, people can claim a right to a fair share of that collective endowment, irrespective of their income or job status. As originally argued by Paine, "there is a set of transfers to which one is entitled neither by virtue of one's contributions nor one's neediness, but simply by virtue of one's membership in the relevant community" (Van Parijs, 2001b, 123). A contemporary example is the transfer of payments out of the Alaska Permanent Fund, which is financed mainly out of oil drilling revenues that all citizens of the US State of Alaska receive as their share in the collective endowment of that region (and perhaps in compensation of their readiness to withstand its inclement climate conditions). This arrangement suggests that taxes on soil and natural resources are a plausible way to finance a basic income; in addition, that is, to the massive economic and other costs that are to be saved by the abolition of unemployment and poverty, for separate expenditures for these social categories would no longer be called for in a society that has established economic citizenship rights to an adequate basic income.

The antimeritocratic derivative of the argument from collective endowments and a right to fair shares may well amount to a demolition of the economists' adage that 'there is no such thing as a free lunch'. The counter-argument must make reference to collectively favorable background conditions that allow productive agents—*Leistungsträger*, in a popular neo-liberal German manner of speaking—to 'earn' an income through what only *appears* to be an effort of individual labor and is actually obtained through no merit or accomplishment of their own. As we know from John Locke's theory of property (Locke [1689]1988), legitimate property rights result from the axiom of self-ownership plus the process of 'mixing' one's labor power with (originally unowned, we must assume) matter. Yet the *terms* of such mixing, i.e., both the level of productivity and the institutional framework in which production is embedded, are clearly collectively inherited background conditions rather than individually earned. These background conditions (of which some productive agents are able to make successful, and some to make less successful, use that is yet undeserved in either case) consist of, e.g., the infrastructure left to us by past generations, and to a large extent also the knowledge, technological achievements or civilizing moral and legal systems that the contemporary generation may claim as a free and public good.[14] The same

[13] A campaign of British feminists in the 1980s used a slogan to undermine the mindless categorization of mothers into 'working' mothers and 'non-working' mothers. The slogan was simply: "All mothers are working!"

[14] Herbert Simon (2001, 36) estimated that "about 90 percent of income in wealthy societies

observation applies in relation to the synchronic (as opposed to the just mentioned diachronic) case of the payoffs of cooperation. The organized cooperation effect of agents through division of labor leads to productivity gains that cannot be ascribed to any single individual—much like a repository of fossil fuels. This source of productivity, too, represents a set of (non-natural) resources and as such, an *undeserved gift* subject to a universal claim of distribution and compensation in much the same way as claims to natural resources (among those the physical and intellectual endowments of persons won in a 'natural lottery'[15]); this claim requires the lucky ones to compensate their less advantaged fellow citizens to a certain extent while clearly leaving intact the market incentives that are needed to sustain productive efforts. It is consequently a moral paradox that precisely those who benefit most from these undeserved gifts take pleasure in asking others who do not to please refrain from asking for a 'free lunch'.

The normative grounding of an unconditional basic income becomes most challenging when one attempts to address the question which ('useful') activities can or should be undertaken by those who, for lack of a suitable employment opportunity, must—or decide to—live off their basic income or in any case remain outside the sphere of employment or self-employment. The libertarian answer is that it should be a 'freely chosen' activity, with the (supposedly) tiny minority of those who choose no useful activity at all should—the single-minded proverbial 'surfers on the beach'[16]—should be allowed to do so for the sake of preventing the rise and associated costs of bureaucratic surveillance. This answer obviously does not fully appreciate the issue in that it fails to consider the restrictions imposed by modern societies on the *range* of choices among which a 'freely chosen' activity can be selected. We might say that dominant institutions and values have decimated options of making oneself useful and feeling appreciated *other* than through gainful kinds of activities. Apart from work in terms of family care, voluntary work in the nonprofit sector and various types of 'personal' work (including the work of acquiring skills and knowledge through training and education), there are no institutional patterns in modern 'work centered' societies that would allow people to both integrate socially and to perform as independent and distinctive individuals to the same extent as those who occupy the status of employed labor, at least its better and more desirable forms. Arguably, modern societies are institutionally impoverished as social esteem and material life chances are largely determined through people's job status. Hence, there is the need to combine the debate on implementing any version of the basic income model with a debate concerning the creation or revival of institutional opportunities to participate in useful activities that are not premised upon contractual labor or market-oriented self-employment.

Compared to this thorny problem of widening the range of choice and appropriate incentives for recognition-conferring activities outside the labor market,

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like those of the United States or northwestern Europe" is due to background conditions "owned jointly by members of the whole society".

[15] For a radical argument along these lines, see Steiner 1992.

[16] John Rawls (1993) denounces the possibility of allowing surfers a free ride within the cooperative order of a just society; but see Van Parijs (2003) for a robust argument why Rawls is incoherent in his treatment of the surfer.

another apparent inconsistency is less problematic. While *all* citizens are supposed to be equally entitled to a basic income, the majority of them obviously do *not need* it, as they already receive an income from employment that is sufficient or at least well above the poverty level. Proponents of this objection ask why we should endow people who do not need them with a claim to transfers. One method to neutralize this effect would be to raise the taxes on medium and high incomes so that those receiving the basic income would automatically pay it back with their tax money—a solution which in turn invites the objection of 'churning', or senseless transfers between accounts. Michael Opielka (2005) has proposed a more straightforward solution which, however, is at odds with the strongly universalist impetus of an *unconditional* basic income and rather follows the logic of a social insurance institution: Anyone is entitled at the beginning of each fiscal year to a subsistence-level basic income transfer. She or he will apply for this transfer if it is anticipated that market income will be insufficient to cover needs. This transfer thus serves as a personal security net, or a floor below which disposable income cannot fall. It is based upon the bet a person makes on his or her earning prospects. If, however, it turns out at the end of a fiscal year that the claimant has been overly pessimistic and his or her actual income has in fact exceeded a defined threshold (of, say, three times the basic income), all or part of the transfer claimed must be paid back with interest. Given such an incentive structure, the basic income would be largely claimed by those who need it to prevent unemployment or falling into poverty, while the incentives to accept available employment would remain fully effective.

A final objection, as mentioned above, is an argument from opportunity costs. Isn't it a waste of tax money to subsidize the (potential) idleness of people who could well perform productive functions? Clearly, a human nature argument that postulates a natural propensity of humans to be usefully active is not quite good enough as a response to this objection. On the other hand, in mature economies of the OECD world, the market for contractual labor is evidently not capable of absorbing the total of labor supply in a durable fashion—*if*, that is, such absorption were to take place on the basis of 'acceptable' wages and conditions. Under these constraints, the *demand* for labor, be it in the private or public sector, is simply not sufficient, whatever the *need* for it may be. These are, no doubt, contested assumptions. On the meta level, they evoke the question which side of the argument should carry the burden of theoretical and practical proof, and by when. Yet alternatives to market labor are not easy to come by, *if*, again, forced labor is to be excluded as an option on normative grounds.

There are basically four remaining institutional approaches that have been suggested. The alternative that comes closest to market labor are solutions which follow models of negative income tax (NIT) or earned income tax credit (EITC). Next in line is the option of licensing parallel currencies ('green dollars', 'time dollars') for use in a voucher-driven barter economy (Offe/Heinze 1992). A third alternative is the idea of a 'participation income' as suggested by Anthony Atkinson (1996); this solution is based upon a version of basic income with some measure of conditionality (in the form of non-market useful activities) attached to it.[17] In this family of proposals also falls the idea of a capitalized basic income that is transferred to every person at the beginning of his or her adulthood as a 'start capital' at birth (Ackerman/Alstott 1999; Grözinger et al. 2006).[18] Finally, there is the institutional option of creating mandatory, and at any rate state-subsidized forms of civilian community services and similar project-focused activities in the 'third' (not-for-profit) sector in a more or less close analogy to the military draft; these would mostly be designed to absorb labor power of young people (Gorz 1988; Dagger 2002; White 2003a). Many of the cases that belong to this category are designed to combine useful activities with the acquisition of valued work experience and skills. Needless to say, the institutional viability, quantitative effect, and fiscal feasibility of any of these 'para-market' settings for the performance of useful activities remain uncertain and should be further explored.

Among these reformist ideas, the proposal of a basic capital that is to be granted to every member of a 'stakeholder society' (Ackerman/Alstott 1999) deserves special attention as it is more than just a capitalized version of basic income. For it addresses a problem that is not, or not to an equal extent, dealt with by the other proposals, including basic income. This problem relates to the grossly unfulfilled justice norm of equality of *opportunity*. Equality of *rights* remains a clearly deficient version of social justice given that people's differential endowment with material resources allows them to make differential use of those rights. Also, gender or ethnic identities can stand in the way of equal access to rights, rendering the latter merely nominal. The justice norm of equality of rights stipulates not more than the *negative* duty of courts, lawmakers or employers to refrain from engaging in discriminatory political or legal acts (including private contracts). In contrast, equalization of opportunities calls for the *positive* moral and political duty to intervene whenever the equal access to equal rights is empirically distorted by morally irrelevant factors such as class, family background, gender, or ethnicity (Roemer 1998). This activist reading of what the justice norm of *equality of opportunity* requires thus covers a middle ground between the mere *equality of rights* requirements of non-discrimination and the *equality of outcomes* demand that is hardly feasible (and, even if it were, hardly desirable in light of the methods that would be required for its implementation). Compared to the idea of basic capital, the proposal of a basic income may well be criticized for being deficient in that it just widens choices and enhances autonomy while failing to address the problem of creating equal opportunities.

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[17] Yet the criteria of eligible activities that count as 'participation' will always be contested and, given the transaction costs of enforcing them, will (and should) be expanded to virtually 'everything', i.e., unconditionality (Goodin, 2001; but see De Wispelaere/Stirton 2007, for a contrary view).

[18] As put into effect by the British Child Trust Fund that began to operate in 2005 (Nissan/Le Grand 2000). See Dowding et al. 2003 and Ackerman et al. 2004 for recent discussions of the comparative advantages of basic income and basic capital schemes.

3. An Excursus on Paine and Friedman

Normative arguments for the basic income proposal have often vacillated between moral *philosophy* (aiming to establish the intelligible validity of rights, claims, and duties), on the one hand, and moral *psychology* which explores the behavioral inclinations of categories of people to comply with rules of distributional justice in specific situations. Thomas Paine ([1797]1995) and Milton Friedman (1962), who was for a short time advocating a distributional design of a 'negative income tax' present both instructive examples of this vacillation which I briefly wish to review.

Poverty, Paine starts along Lockean lines, is neither God-made nor has it prevailed 'in the natural state'. It emerges from 'civilization'. The principle of justice he postulates is: the condition of every person born under conditions of civilization "ought no to be worse of than if he had been born before that period" (398) presumably as nobody can be held responsible for his time of birth. Hence the earth, even in the state of civilization, is "the *common property of the human race*" (398, emphasis in orig.) as it was before civilization, regardless of the 'improvement made by civilization', as such improvement cannot possibly be separated, and separately owned, from the land itself on which it has been made. Nobody should be allowed to be poor just because having been born into the state of civilization. "I care not how affluent some may be, provided that none be miserable in consequence of it." (405) Hence the principle of justice: "Every proprietor [...] of cultivated land owes to the community a *ground-rent*", as "every man, as an inhabitant of the earth, is a joint proprietor." As land is turned into private property and has owners, and as some are excluded from ownership, the latter are entitled to an "indemnification for that loss"—a "compensation in part for the loss of his or her natural inheritance by the introduction of [...] landed property" (400). This compensation is "a right and not a charity". Paine now proposes that "the payments be made to every person, rich or poor [in order to] prevent invidious distinctions". (He thereby enters into the consideration of the second normative issue I discussed above: Why should the well-to-do also receive a basic income?) In passing, he speculates that the non-needy will be moved by the pride of unselfishness: "Who does not chuse to receive it, can throw it into the common fund." (401) This motivation might be strengthened by bestowing glory upon the unselfish: "It is proposed that an honorary register be kept in each canton of the names of the persons thus suspending that right [to their ground-rent]." (412) As to the first of our questions (why should the well-to-do be willing to share their income with those unable or unwilling to care for themselves?), Paine offers another psychological argument, this time of a cost-benefit type: "The sight of the misery [...] [is] a greater drawback upon the felicity of affluence than the proposed 10 per cent [property tax funding the transfer]." (406) Poverty stinks, and the rich will be willing to pay for getting rid of the smell. The author then tries another psychological approach. Property owners are likely to feel guilty for benefiting from arrangements that have "unjustly obtained the name of civilization" (407); hence they will support the author's proposal in order to get rid of that unpleasant feeling. Finally, he assures the reader that the plan will eliminate the owners' reasons for fearing the "general mass" and its "antipathies" (410). Summarizing his psychological arguments for the proposed principle of justice, Paine offers a candid statement on how reformist policies work: "The success of any proposed plan [...] must finally depend on the numbers *interested* in supporting it, *united* with the *justice of its principles*." (407; emphasis added) But what if the two do not 'unite'? The author leaves us with an inconclusive claim that they might.

The structure of Friedman's argument for a negative income tax (NIT) is similarly twisted. He first observes that "payment in accordance with product" is an instrumental norm compliance with which secures allocative efficiency. But it is also a "key institution" that "must be accepted as absolute, not simply as instrumental" (166–7). This key institution, however, tends to leave some people poor. As to the relief of poverty, he notes the collective action problem that "all of us might be willing to contribute to the relief of poverty, *provided* that everyone else did" (191; emphasis in orig.). Rather than targeted programs that focus upon categories of people and categories of need, he suggests a program "designed to help people as people, not as members of particular occupational groups or [...] industries" because such targeting would distort markets. Universalist poverty prevention without distortion can be accomplished, according to Friedman, by a negative income tax which "would set a floor below which no man's net income could fall". But the author sees one "political" problem: The proposed system of poor relief is one "under which taxes are imposed on some to pay subsidies to others. And presumably, these others have a vote." (194) This latter fact can constitute a slippery slope—a problem to which the author "see[s] no solution": the hazard is that the system "will be converted into one under which a majority [of the less well-to-do] imposes taxes for its own benefit on an unwilling minority". In other words, the franchise allows the poor to take unfair advantage of (i.e., exploit) the rich. The only solution the author can think of (or rather hope for, encouraged by the British example) is to "rely on the self-restraint and good will of the electorate" (194). Here, what we are offered is even less than the speculation that interest and principle might eventually converge (as in Paine's discussion); it is the mere hope that voters will practice "good will", whatever that may depend upon.

4. Basic Income Arguments from a Functional Perspective

It would be wrong, however, to assume that the controversy concerning an unconditional basic income is solely determined by conflicts about normative *ideas* concerning political rights and social justice. One must also consider the easily understood role of sociopolitical *interests* in the rejection of basic income models. Thus, employers' associations consider "the unconditional basic income as a dangerous concept. We do not want a decoupling of labor and income but rather the opposite. We need to strengthen the link between income and performance. Whoever does not accept just and reasonable work simply must be content with less", as a spokesperson of the German employers' association declared (*Stuttgarter Zeitung*, July 5, 2005). Similarly and more interestingly, most trade union officials and activists assess basic income negatively, in large part because trade unions lose some of their responsibility for the autonomous determination of *employees'* income through collective bargaining (Vanderborght 2006). As individual income is partly transformed from a reward for work into a right of citizenship, trade unions are bound to lose parts of their competency, jurisdiction, and probably constituency. Their organizational and corporate interest in defending their domains is often glossed over with the warning that introducing basic income would relieve employers from their (anyway entirely fictitious) 'responsibility for job creation'. Until now, there have only been a few open-minded voices among Germany's political parties, especially since the German Greens, in contrast to their French, Dutch and Austrian friends, have largely dropped the subject. The widely shared main objection of parties and unions is based on the view that the proponents of basic income schemes are overly pessimistic in that they assume (in ways that imply an embarrassment for parties and trade unions) that the issues of unemployment and poverty can no longer be resolved by the conventional 'productivist' strategies of promoting economic growth and by 'activating' workers into the labor market. This productivist optimism, however, is a perspective that is not easy to support in view of a fair and unbiased evaluation of facts and prospects of labor market developments in advanced economies.

Any normative theory, in addition to responding to normative challenges, must be able to demonstrate that it suits the functional contexts, structural problems and challenges of the society for which its policy recommendations are intended. It must not just be morally right and/or compatible with individuals' calculus of their interest; it must also be practically affordable and demonstrably collectively beneficial in its consequences. Political innovations need to be supplemented not only by arguments from fairness, but also need to be compatible with given situations and current problems; they need to be not only well-intentioned, but also sufficiently intelligent as a design for public policy. Concerning its problem-solving capacity the proposal of a basic income fares decidedly well in this respect.

The problem of the German economy in the first decade of the 21st century is clearly not a problem of production but one of distribution: as both individual and social security incomes are institutionally linked to gainful employment, unemployment—a high and persistent excess supply of labor force in the labor market—leads to the question of how those persons unable to access jobs can be supplied with an adequate income that, in turn, would enable them to perform adequately as consumers on the demand side of markets for goods and services. Proponents of the basic income have a clear answer to exactly that question: a tax-financed, economic right of citizenship to a (we have to admit: *at most*) subsistence-level income. Market-liberals have quite a different answer. They expect a 'correct' (i.e., investment-friendly) fiscal, monetary, and economic policy (I), to entail more growth (G), the latter then leading to more employment (E), and more employment to finally solve the problem of distribution (D), i.e., the fair sharing by the entire population in the overall social product and the prevention of poverty and exclusion.

Yet the hegemony of this market-liberal theory is by no means a consequence of being true or correct. Rather, it has become and remained a prevalent doctrine due to the fact that it successfully escaped the *scrutiny* of its truth. Against the evidence of its falsehood, its proponents can always defend themselves (provided political elites are sufficiently indoctrinated). The theory survives only because politics has spared it from having to undergo serious testing or of delivering proof of its assumptions. The deceptive argument here is as follows: If the 'essentially' correct theory (I) $\Rightarrow$ (G) $\Rightarrow$ (E) $\Rightarrow$ (D) is not confirmed in practice, this must be so because the independent variable (I) did not reach a sufficiently high value. The practical consequence of this conclusion is a pathological learning process which results in trying out an even more investment-friendly fiscal and monetary policy with even more rigorous cutbacks in social and labor market policies.

This learning process is to be called 'pathological' because it involves a systematic disregard of a number of well-known facts. Concerning the link between economic growth and employment, a (in itself somewhat ambitious) growth rate of about two percent is needed in order to keep the level of registered unemployment from further *increasing*, and only beyond that threshold will the demand for labor expand. The total fiscal costs of unemployment alone—loss of revenues plus statutory expenditures—in Germany add up to an annual amount of more than € 80 billion according to the current statistics of the IAB, the research institute of the German labor market agency. Note that this total does not include costs for the accompanying detrimental economic effects of unemployment, namely the loss of income for the unemployed and the accompanying negative effects on overall levels of demand in markets for goods and services; neither does it include the income loss resulting from the corresponding growth of types of employment in which paying social security contributions is (illegally) avoided and which, through this competitive advantage, can outcompete regular employment escaping the standard liability of social security contribution payments. This huge burden on state budgets also operates as a brake on overall growth, as it hinders federal, state, and local authorities to create jobs through investment in infrastructure. Furthermore, in microeconomic terms, the growth of industrial and service sector companies does not consistently lead to *more* employment. Rather, layoffs achieved through technical, organizational change and change of location are generously rewarded by investors in the stock market. Rather than growth leading to employment, increments of unemployment due to layoffs can and often do as well lead to growth.

A typical response when the belief in (I) $\Rightarrow$ (G) $\Rightarrow$ (E) is challenged by the facts is to turn the problem into an issue of morality: if actual outcomes deviate from expected results, it must be due to some unethical and reproachable misconduct on the part of the agents involved. In the moralizing spirit of much of the current critique of capitalism, the entrepreneurs are criticized for their alleged lack of a sense of social (or even 'national') responsibility when they fail to create domestic jobs. Apart from the fact that policy makers who lament moral deficiencies of certain categories of citizens make fools of themselves and their claim to exercise a meaningful capacity for political control, i.e. being able to sanction and correct 'unethical' behavior, this type of reasoning also calls upon employers and investors to fulfill obligations that they never had any reason to recognize in the first place. For it is undoubtedly neither an inherent organizational objective nor a statutory duty of business enterprises to provide (more) employment. Rather, employment is a possible (if by no means automatic) side effect of these companies' success in delivering on their quite different *raison d'être*, which is the perfectly legitimate goal of maintaining and increasing their profitability.

Concerning the belief in (E) $\Rightarrow$ (D), i.e., the possibility of continuously solving distributional problems through the labor market and earned income, the question of the labor absorption potential of an economy such as that of Germany must be addressed. The issues involved in estimating this absorption capacity (under the constraints of 'acceptable' real wages and benefits) are well-known. 'Mature' economies have, among others, the following features: they are highly capital-intensive; as 'knowledge based' economies, they have typically demanding human-capital requirements; wage determination takes place largely through collective bargaining; capital and other markets are liberalized; and labor-saving technical change is extensively utilized (not least in the form of substituting waged labor by unpaid 'self service' and other forms of internet-facilitated client labor). Are such economies at all in a position to create a (domestic) demand for labor in the often-invoked service sector that would be required to offset the current losses in employment in the primary and secondary sectors? (In the introduction of this essay, I have argued that the answer to this question depends upon the institutional configuration that conditions the actual supply of labor.) Are international division of labor and global terms of competition ready to foster (and if so, for how long) the creation of a stable balance between losses of domestic employment and export-driven employment gains? Are the labor markets of mature economies able to absorb a further increasing supply of (female, migrant) labor force entrants in the medium term at wage rates that enable the currently active generation to finance both the raising of the next as well as the support of the retired generations? In a nutshell, the question is whether a 'full-employment equilibrium' in a society whose order is built around the labor contract and which has demolished or discriminated against many extra-market forms of existence is still a credible option. And if it turns out to be a feasible option, the next and even more serious, namely political and moral question is whether it is worth paying the (e.g., environmental) price for making use of that option.

Skeptical answers to these questions are not only permissible; they positively suggest themselves. The German experience over roughly 30 years of a gradual relative decrease of the demand for labor within 'standard' employment relations (i.e., *Normalarbeitsverhältnisse* with full-time skilled jobs, protected by collective agreements and social rights) embedded in stable firms has caused a deficit of jobs that must be estimated at up to 7 million, out of a labor market of 40 million which includes 'discouraged' workers, 'gray' and illegal labor markets, and those in a variety of administrative measures of training and 'activating' prospective employees. Pointing out that both Anglo-Saxon and Scandinavian economies do better in absorbing labor into employment hardly amounts to a valid counter-argument as there are important limitations in terms of transplanting basic institutional frameworks and geographic and economic advantages. They can, that is, at best stimulate some cross-national learning processes. From a prudential point of view of public policy it therefore appears advisable to modify the institutions of production and distribution in such a way that (1) a high deficit of employment opportunities is turned into a tolerable (i.e., a non-marginalizing, non-exclusionary, non-impoverishing, politically non-disruptive) condition without (2) violating at the same time the right (and incentives) of citizens to seek and enter into gainful activities, nor interfering with (3) a general interest in realizing continuous productivity increases.

A basic income at the subsistence level fulfils, due to its incentive and steering effects, all three of these requirements just postulated. To be sure, it does not lead to 'full' employment, although the willingness of persons to enter into employment may in fact be enhanced by the availability of an economically acceptable exit option that a basic income provides.[19] At any rate, a universalist basic income makes unemployment individually and collectively tolerable and thereby diminishes the productivist pressure that public policy makers otherwise face to create jobs through investment-friendly fiscal, monetary, and infrastructural policies. It uncouples problems of distribution from problems of employment as they are caused by a persistent underutilization of the overall societal labor potential—an underutilization which is due to the fact that it is only the form of *contractual* labor that is deemed worthy of being considered (and hence remunerated) as *useful activity*. It also makes counterproductive practices of an administrative 'activation' (i.e., the coercive integration of labor into the market by means of negative administrative and economic sanctions) largely superfluous and rather 'activates' people in the sense of creating space for doubtlessly 'useful' (though not marketed) voluntary activities in the family, the community, civil society organizations, and educational systems. At the same time, incentives to enter into labor contracts remain fully intact for either side of the labor market—for suppliers of labor, because of the higher income, relative to a basic income, that can be earned through paid employment; and for employers on the demand-side of the labor market because the wage and non-wage costs of labor are reduced by the amount of the basic income that any worker would be entitled to as a citizen. Moreover, labor productivity is likely to increase because of the substantially 'voluntary', economically uncoerced nature of workers' participation in contractual employment, and also because moral and legal constraints against making the fullest possible use of labor-saving technical and organizational change would be largely rendered pointless.

[19] The argument here is that the provisions of exit options will *stimulate*—rather than diminish—entry decisions. Similar functional arguments have been used by proponents of a liberalization of divorce law, of the 'Bologna process' of the EU (supposedly increasing participation in tertiary education by institutionalizing the BA degree in Continental universities as an intermediate certificate, rather than exposing those who do not make it all the way to a MA to the stigma of being 'drop outs' and 'failures'), or the liberalization of statutory rigidities of job tenure.

If we consider, in conclusion, some of the ongoing reforms and innovations in the field of labor market and social policy of the OECD world, many of them can even be seen as (unacknowledged and at best half-hearted) steps towards an unconditional basic income. Levels of disposable income of households are increasingly, and arguably so as a secular trend, not just determined by the quantitative and qualitative supply of labor, the demand for labor, and the institutionally determined distribution of bargaining power of individual and collective actors on either side of the labor market. They are increasingly determined by *political* decisions which address households as households of *citizens* and according to their market income, family, health, gender, and age status. In the German economy, the share of wage income in the total income of households has been continuously declining, while not only the share of income from capital is increasing, but similarly also the share of income in the form of *net transfers* (defined as benefits and transfers minus taxes and social security contributions). State policies, in other words, are no longer confined to providing for *collective* consumption (such as public education and public transport); in addition, they do provide for growing shares of individual disposable income, and evidently irreversibly so. When we calculate in proportions of the population instead of proportions of total household incomes, the same trend emerges: In 1980, 69,6 percent of the German working age (18–64) population lived from gainful activities; this figure was down to 63.7 percent in 2006. Even more dramatically, 13.9 percent of the working age population lived on social security and other transfers in 1980, a figure that rose to 25.7 percent in 2006.[20] Current efforts and policy trends to uncouple pension and health insurance benefits from earnings and instead finance (parts of) benefits through tax revenues point in the same direction of solving distribution problems through *political discretion* rather than leaving them to the dynamics of *markets*. The target group of these and similar reform initiatives is evidently no longer framed as the *employed* and their collective status rights as parties to a labor contract, but as *citizens* with their legally defined rights and duties.

The statutory fiscal (as opposed to voluntary contractual) mode of interpersonal and intertemporal distribution seems currently to be on its way to eventually including not only non-wage costs, but part of wages themselves. A case in point is the current revival of the idea of a negative income tax (NIT) as well as increasingly popular demands for the introduction of minimum wages. Here, the idea is that those parts of the labor force which suffer from low productivity or supply-side-induced wage depression will be employed (if they find employment at all) only at 'adequate' wage rates. In the case of NIT, *disposable* income is uncoupled from *earned* income, and the effective income becomes a matter of an openly political decision. At any rate, the game of income determination is now being played not just between the agents on the supply and demand sides of the labor market but, in addition, legislative and budgetary decision makers.

[20] Data have been compiled by *Institut der deutschen Wirtschaft*, a research institute sponsored by German employers' associations. See http://www.iwkoeln.de/Informationen/AllgemeineInfodienste/iwd/Archiv/2008/1Quartal/Nr11/tabid/2211/ItemID/21986/language/de-DE/language/de-DE/Default.aspx

To be sure, all such political interventions into the labor market and wage determination, including the complex arrangements of the Hartz IV and Agenda 2010 labor market reforms in Germany, differ widely from anything coming close to an unconditional basic income. For rather than leaving it to citizens and their responsible and autonomous decision whether or not they perform contractual labor and, if so, in what portion of their time, these policies and reforms are motivated by the conventional view that state-manipulated positive and negative incentives are needed in order to generate a *maximum* of employment. Towards that conventional view of social order as maximal labor market participation, non-wage cost of labor must be alleviated, the price of labor must be uncoupled from the workers' actual income, workers must be deprived of protective status rights in order to make them respond in a more 'flexible' and 'mobile' manner to market contingencies, and unemployment benefits must be redesigned, both concerning their level and the duration of entitlements, so as to bring to bear strong negative incentives on suppliers of labor. Whether and to what extent these state sponsored supply-side employment policies will yield an overall labor market condition that could be termed 'full employment' and that at the same time meets 'acceptable' standards of distributive justice and social integration is an empirical question the answer to which we will know in the near future as the target year of both the Lisbon agenda and Gerhard Schröder's Agenda 2010 comes close. Should the answer be a negative one, the emergent logic of an openly *political* determination of issues of distribution would be available for more far-reaching solutions, such as the gradual 'de-conditionalization' of citizens' entitlement to transfers of tax-financed income.

Moreover, if basic income as a right of citizenship were to be introduced, the making of public policies would be able to free itself from the overpowering force of the employment imperative. This imperative consists in the evaluative frame according to which whatever policy (e.g., in the areas of transportation, energy, environment, family, research, development aid, tax etc.) enhances contractual employment is desirable, whereas policies that can be blamed to have the potential for 'destroying jobs' are subject, for that reason, to a virtually automatic ban. That is the condition that Charles Lindblom (1982) has described, many years ago, as public policy being 'imprisoned' by markets and which is also central to recent writings on 'post-democracy' (Crouch 2004; Bluehdorn 2007). Shifting and overcoming the narrow criterion of job creation and preservation of jobs would be an opportunity for policy makers to liberate not just parts of the labor supply, but themselves from 'prison' of the market.

Any approximation to the normative ideal of a tax-financed, unconditional, citizenship-based, and subsistence level basic income is highly unlikely to come as a 'big bang' (as some of the less realistic enthusiasts of basic income sometimes imply), but in a gradualist manner that extrapolates currently observable trends towards numerous legislative alterations and supplements of incomes earned in labor markets. Six gradients of approximation can be envisaged on the 'output' side of basic income, i.e., the statutory allocation of claims, with the 'input' side, i.e., the financial basis of basic income, offering an even greater variety of policy choices, the simplest and most radical of which is a proposal to disburse every

US citizen \$10,000 per year (with \$3,000 thereof being earmarked for health insurance) and to finance this redistribution out of a source summarily referred to as 'Programs to be eliminated' (Murray 2006, 130–9).

As to the six gradients on the output, or entitlement-conferring, side, these are the ones I have in mind:

1. There is a 'generosity scale', which would be suitable for a gradual upward movement: The grant would initially be fixed well below subsistence and pushed upwards in a stepwise manner (Van Parijs 1995; 2001a).

2. There is a 'conditionality scale', which first applies a *quid pro quo* logic that is subsequently diluted (Goodin 2001).

3. There is a 'targeting scale' which begins with a narrow targeting of entitlements to certain income, ethnic and family categories (such as income grants awarded to poor minority parents in compensation for the opportunity costs of their children attending school rather than contributing to household income through waged work[21]), with a gradual approximation to universalist standards of citizenship being a built-in dynamic driven by a 'me too' logic.

4. There is a 'time scale', which comes in a chronometrical and a chronological dimension. As to the latter, we might think of an initial age limit (say, 30 years) which must be passed in order for a citizen to become eligible; such a limit can be quite persuasively be argued for in terms of combating youth marginalization and discouragement from labor market participation and skill acquisition. As to the chronometrical dimension, the right to draw basic income may initially be limited to a 'time account' of, say, 10 years per life to be drawn at any age in units of at least 6 months (Offe 1997, 81–108; White 2003b).

5. There is a dimension of 'counter-cyclicality', meaning that as long as the labor market is reasonably balanced, the level of basic income can and should be very moderate, with the transfer per capita (automatically) increasing whenever chances to find a job deteriorate at the macro level.

6. Finally, there is another time dimension which refers to the acquisition of citizenship status. Given the fact that any normatively reasonably consistent discourse on the foundations of basic income needs to deal with the thorny issue of why basic income should be restricted to 'citizenship' as the criterion of claims and 'the political community' as underwriter of the respective transfer grant (*cf.* Freeman 2008), and further given the fact that in advanced societies citizenship status is increasingly an *acquired* status (rather than a status people are 'born with'), the question must be addressed: From when on are 'new' citizens entitled to basic income. The respective threshold may be put very high at the beginning (say, 15 years of residence) and then gradually lowered.

[21] An example of such a policy would be the Bolsa Familia in Brazil (Suplicy 2005; 2007)

These dimensions of approximation can of course be mixed and combined in several ways. While practical experience will lead to contested moves in one or the other direction of these scales, a great deal of experimentation and revisions will certainly be called for in the process.

5. Conclusion

Throughout this essay, I have argued with the German and, more generally, the Continental European situation of labor market developments in mind, as well as with the political debates concerning these development. Given these conditions and prospects, the case for introducing a basic income along its many conceivable gradualist pathways can be based not just on the justice arguments that I have reviewed, but even more cogently on functional arguments concerning the issues and pathologies that the introduction of a basic income can cope with more effectively than currently adopted policies and public philosophies. In the final analysis, basic income is pointless in functional terms (however valid its normative underpinnings may still be held to be) if conventional policies of pursuing the goals of 'full' employment and equitable distribution can actually deliver on their promises; but the converse is also true.

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