Basic Income in a Globalized Economy

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Introduction

One of the salient premises of this book is that social investments in human capital, both for the general and marginalized populations, are necessary to foster long-term inclusion. We believe that a basic income is part of the package that policymakers should utilize in pursuit of this goal. A basic income is an income unconditionally granted to all members of a society on an individual basis, without means test or work requirement.[1] It is a form of minimum income guarantee that is unconditional in three distinct senses:

1. Individual: the right to it and its level are independent of household composition;
2. Universal: it is paid irrespective of any income from other sources, which can therefore be added to the basis it provides;
3. Free of counterpart: it is paid without requiring the performance of any work or the willingness to accept a job if offered.

That it is centred on the individual matters for several reasons: it makes a difference to intra-household relationships, it makes intrusion into living arrangements unnecessary, and it avoids any penalty for communal living. That it is universal matters because it guarantees a high rate of take up, avoids stigmatization of the beneficiaries, and prevents the income guarantee from creating an unemployment trap. And that it is free of counterpart matters because of the bargaining power it affords to the weakest in their relationship with bosses, spouses and officials. The contribution made is therefore not just to the the purchasing power, but to the quality of the various dimensions of people's lives.

Due to the combination of these features, a basic income has been advocated as the most emancipatory way of fighting unemployment without perpetuating poverty, or of fighting poverty without generating unemployment. In connection with each of the features listed above, it has also been the subject of fierce criticisms from both the right and the left. In the present context, we shall make no attempt to give a general overview of the rich discussion triggered by these criticisms.[2] Instead, we will focus on one dimension of this discussion that is gaining in importance every day. Most of the arguments about the (un)desirability and (un)feasibility of a basic income have been formulated within the framework of fairly self-contained nation-states. This may have made a lot of sense in the case of the brief British debate in the 1920s, in the case of the brief US debate in the late 1960s, perhaps even in the case of the European debates that started in the 1980s. But how could it possibly make any sense in the twenty first century, in the era of globalization, in an era in which capital and goods, people and ideas are crossing national borders as they have never done before? In this new context, are the prospects for a basic income not deeply altered? Indeed, have they not dramatically worsened?

The Challenge of Migration: Race to the Bottom and Ethnic Diversity

Of the many aspects of globalization, trans-national migration is the one that creates the most obvious threat to the sustainability of a significant unconditional basic income. The existence of such a threat is particularly disturbing for many supporters of basic income, for the joint appeal of equality and freedom, which endears basic income to them should also make them firm supporters of free migration. The real freedom to choose the way to spend one's life should encompass the freedom to choose where to spend it, and this freedom should not be restricted to those who happen to be born in the privileged part of the planet. Why is there a tension between trans-national migration and the sustainability of basic income schemes? For two reasons, one that is primarily economic, the other specifically political.[3]

The first reason has to do with the *race to the bottom* which trans-national migration, both effective and potential, is expected to trigger. The underlying mechanism has two components. One of these concerns the tax base required to fund a basic income and all other social transfers. Note, first of all, that even in the absence of any transnational migration of people, the transnational mobility of capital already presents a threat, at least in combination with the transnational mobility of products. If globalization means that capital can move freely from one country to another and be invested so as to produce goods that can in turn be exported freely from one country to another, profits will be hard to tax by any national government in a globalized economy. Significant redistribution remains possible, however, as long as the highly-skilled and hence highly paid workers are hardly mobile transnationally. But as soon as the transnational mobility of human capital ceases to be marginal, genuine redistribution from people with a high labour income becomes problematic too.

To the extent that the welfare state conforms strictly to an insurance logic, it escapes such pressure. As it involves no genuine or ex-ante redistribution, the contributions paid out of wages are simply the counterpart of entitlements to earnings-related old-age pensions, short-term unemployment benefits and other forms of risk compensation. But many aspects of conventional welfare states do involve ex ante redistribution, typically when child benefits, old age pensions, sickness pay or unemployment benefits funded by proportional or progressive contributions are not actuarially equivalent to the contributions paid, but are either fixed at the same level for everyone, not allowed to fall below some floor, or not allowed to rise above some ceiling. Ex-ante redistribution in this sense - that is, redistribution that reaches beyond the ex-post redistribution inherent in any scheme - is by no means restricted to benefits that are paid to the economically inactive. Ex-ante redistribution from the better paid and more productive workers to the less productive ones also occurs from in-work benefits such as wage subsidies or earned income tax credit. Moreover, this redistribution is blatantly present when the welfare state involves a general minimum income guarantee, whether or not it is means-tested and work-tested.[4]

It is those genuinely redistributive transfer schemes that are bound to be threatened if a significant part of the better-paid workers, the net contributors to such schemes, seriously consider the possibility of moving to countries in which their skills could command a higher post-tax-and-transfer return. Once this is thought to be happening, firms will consider settling in places where, for a given cost, they can offer a higher take-home pay. Whether or not these workers and firms actually move, the fear that they may do so will lead governments to reduce the rate of taxation on high incomes and/or to tie the benefits more closely to the contributions paid, thereby reducing the level of genuine redistribution. Assuming this process needs to be funded by taxation of some sort, an unconditional basic income is a paramount example of a genuinely redistributive scheme, and its prospects can therefore be expected to get worse as the growing mobility of net contributors triggers inter-national tax competition.

As if this was not bad enough, the race-to-the-bottom mechanism has a second component on the recipient side. Globalization involves not only increasing migration of the high earners, but also of the low earners and potential benefit claimants. In this context, countries with more generous benefit systems – in terms of levels and/or conditions – will operate as "welfare magnets." As suggested by the observation of inter-state migration in the United States, differences in generosity may have less impact by persuading some people to leave their country in order to move to another than by determining the destination of those who have decided to migrate.[5] This will again put pressure on any scheme that involves significant genuine redistribution, whether it takes the form of cash transfers, subsidized health care, subsidized education or wage subsidies of the sort discussed elsewhere in this book. In order to stem the selective migration of likely net beneficiaries, countries with generous schemes will be under pressure to make them less generous. Downward social competition will thus join hands with downward tax competition.

This economically motivated race to the bottom is one mechanism through which transnational migration (actual or merely potential) can be expected to worsen the prospects of the introduction of a significant unconditional basic income, or indeed even the prospects of maintaining the levels and the degrees of unconditionality of existing schemes. There is, however, a second and specifically political mechanism through which actual (unlike merely potential) migration makes genuine redistribution shakier. Immigration tends to make populations more heterogeneous in racial, religious and linguistic terms, and this ethnic heterogeneity tends to weaken the political sustainability of a generous redistributive system through two distinct mechanisms.[6] Firstly, the degree of heterogeneity affects the extent to which the net contributors to the transfer system identify with (those whom they perceive as) its net beneficiaries, i.e. the extent to which they regard them as "their own people" to whom they owe solidarity. In particular, when genuinely redistributive schemes are perceived to disproportionately benefit some ethnic groups, the resentment of those who fund them will tend to block the expansion of such schemes and even to jeopardize their viability. Secondly, institutionalized solidarity can also be expected to be weaker in a heterogeneous society because ethnic differences erect obstacles to smooth communication and mutual trust between the various components of the categories that can expect to gain from generous redistributive schemes. Such obstacles make it more difficult for net beneficiaries to coordinate, organize and struggle together.[7] As a result of the conjunction of these two mechanisms, one can expect institutionalized redistribution to be less generous in more heterogeneous societies than in more homogeneous ones, as seems to be confirmed by empirical evidence. [8] If globalization means a constant flow of migrants, then it is not even necessary to appeal to a competitive race-to-the-bottom to diagnose gloomy prospects for a significant unconditional basic income in a globalized context. Growing ethnic diversity provides sufficient ground for pessimism.

Faced with the seriousness of this twofold challenge posed by transnational migration, one may wonder whether all that is left for us to do is mourning the epoch of tight borders, or perhaps dreaming of a world freed of massive international inequalities and of the irresistible migration pressures they feed? There are, however, more promising options. True, we must honestly recognize that generous solidarity is easier to imagine and implement in a closed homogeneous society that is cosily protected by robust borders against both opportunistic migration and ethnic heterogeneity. However, having done that, we can and must actively explore and advocate three possible responses to the challenge we face. Along the way we shall discover that some aspects of this challenge do not worsen but improve the prospects of transfer systems of the basic income type.

A Global Basic Income?

A first response that can be given to the first aspect of the challenge – the race to the bottom – is obvious enough. If nations are no longer able to perform their redistributive function because of their immersion in a global market, then let us globalize redistribution. Globalized redistribution can of course hardly be expected to take the form of a complex, subtly structured welfare state that stipulates precisely what qualifies as a relevant need and the conditions under which social solidarity will cover it fully, partly or not at all. If it is ever to come into being, it will need to take the crude form of very simple benefits that are funded in a very simple way. Cultural heterogeneity being maximal at the world level, we cannot expect a sufficient consensus to arise on anything very detailed. Still, should this heterogeneity not also make us doubt that we shall ever get anything on that scale?

This skepticism is not shared by a number of people who have been arguing, sometimes with great persistence, for a universal basic income that would be truly universal. For example, the political philosopher Thomas Pogge from Yale University has been calling for a "global resources dividend" to be funded out of a tax on the use or sale of the natural resources of the earth (Pogge, 1994; 1995; 2002: ch.8). The underlying idea is that the populations of the countries that happen to shelter these resources have no sound ethical claim to the exclusive appropriation of their value and that part of this value must enable the poor of the world to satisfy their basic needs. While noncommittal about the best way of achieving this objective, Pogge (2005) acknowledges that "something like a Global Basic Income may well be part of the best plan." Many others have come, often more explicitly, to a simple proposal of a universal basic income that is usually inspired by the generous desire to substantially alleviate world poverty with a simple tool at a reasonable expense for the rich of the planet, and/or by the need to make good use of the (supposedly) large revenues generated by taxes that may have a rationale of their own - typically the Tobin tax on international financial transactions.[9]

By far the most promising family of proposals along these lines, however, is rooted at the core of the climate change debate (see e.g. Busilacchi, 2009). A consensus has gradually formed around the claim that the atmosphere of the earth has only a limited capacity to digest carbon emissions without triggering climatic phenomena that are most likely to be very damaging for significant and particularly vulnerable parts of the human population. As the causes of these phenomena are essentially of a global nature, global action is required and will be forthcoming with the appropriate speed and zeal only if all parties involved can view this collective action as a fair deal. But what counts as a fair deal? According to one interpretation, a fair deal means that those who are to benefit from the collective action — through the prevention of climate-related disasters such as floods or desertification — should contribute to its cost in proportion to the expected benefits. According to a second less obnoxious interpretation, a fair deal is one that allocates the cost of the remedial action to be taken in proportion to the extent to which the consumption and production of each party to the deal contributed and is contributing to the harm to be remedied.

The most plausible interpretation, however, is neither in terms of co-operative justice (how should the cost of producing a public good be shared among those who benefit from it?) nor in terms of reparative justice (how should the costs that make up a public harm be shared among those who cause it?) but in terms of distributive justice: how is the value of scarce resources to be distributed among those entitled to them? More specifically, the carbon-absorbing capacity of the atmosphere is a natural resource to which all human beings have an equal claim. The best way of characterizing "climate justice" therefore consists in three steps. Firstly, determine, albeit approximately, the threshold which global carbon emissions should not exceed without creating serious damage. Secondly, sell to the highest bidders the emission rights that amount in the aggregate, for a given period, to this threshold. The uniform equilibrium price that is determined through an auction of this type will trickle into the prices of all goods worldwide in proportion to their direct and indirect carbon content and accordingly affect consumption and production patterns in the broadest sense to include, for example, traveling and housing habits. Thirdly, distribute the (huge) revenues from such an auction equally to all those with an equal right to make use of the "digestion power" of the atmosphere, i.e. to all members of mankind — rather than as an increasing function of current levels of carbon emission as in most of the tradable quota schemes that have been discussed or implemented so far.[10]

If this is what a fair deal requires, a worldwide basic income is still not quite around the corner, but it is no longer a pipedream. No doubt, some implementation problems need to be solved. Distributing the proceeds to governments in proportion to their own estimates of the size of their population may look like a promising step forward, but it can be expected to trigger a backlash if some governments and administrators misreport the relevant data and try to seize much of the proceeds before they reach the population. More promising is a transnational scheme that involves a guarantee of reaching individuals, not just governments. To make it more manageable, one might think of restricting it initially to individuals above sixty or sixty five years old. In countries with a developed guaranteed pension system, the scheme can then take the form of a modest "global" component in the benefit paid by the government to each elderly citizen. In countries with no such system, a new administrative machinery will have to be designed but, as the exemplary case of South Africa suggests,[1] the fact that transfers are concentrated on a subset of the population – and can therefore be higher per capita than if spread more thinly among people of all ages – means that delivery, security and monitoring costs can remain a fraction of the benefit paid out.[11]

Restricting the worldwide basic income, at least initially, to the elderly will have further advantages. By contributing to security in old age, it will arguably foster the transition to lower birth rates in those countries in which that transition has not yet happened, as the insurance motive for having children will be structurally weakened. Further, by making the aggregate benefit dependent on the number of people who reach an advanced age, this strategy will provide governments of poorer countries with incentives to improve public health, education and other factors that contribute to longer life expectancy. Furthermore, by being initially strongly biased in favour of richer countries in which life expectancy is far higher, it will increase its probability of being accepted while it paves the way for a smooth increase of transfers from richer to poorer countries as the ratios of old to young gradually converge.

However, as a quick and rough calculation with easily accessible date suffices to show, one has to be careful about the selection of the cut-off age (see Table 1). If the proceeds of a carbon

[1] See Rebecca Surrender's chapter in this volume.

tax are shared in proportion to total population, the US, China and the EU will be big net contributors, and Africa a big beneficiary. If instead the proceeds are shared in proportion to the population over sixty-five, Africa's net benefit will shrink dramatically, while the net contribution of China will be reduced slightly, that of the US reduced greatly, and that of the EU turned into a net benefit. For the time being, at any rate, sixty-five would not be a defensible cut-off age.

Table 1. Shares of world population and carbon emissions

	US	EU	CN	AF
Share of world carbon emissions	16.9	11.8	26.8	3.5
Share of world population	4.6	7.5	19.4	14.6
Share of world population (65+)	8.3	17.6	20.3	6.4

Sources: US Energy Information Administration (www.eia.gov/cfapps/ipdbproject, estimates for 2010, consulted 5 June 2013, own calculations) and United Nations, World Population Prospects: The 2010 Revision, estimates for 2010), consulted 5 June 2013, own calculations).

A Euro-Dividend?

There are good reasons to believe that we currently lack the political structures and administrative capacity to implement anything like a worldwide basic income in the foreseeable future, whether or not it is age-specific, and whether it is funded by a carbon tax or through some other means. This highlights the importance – both for their own sake and as preludes to worldwide schemes – of considering moves in this direction on a scale that is smaller and yet large enough to still incorporate many countries and thereby counter the pressure of tax and social competition that hinders the capacity of each of them to carry out generous redistribution. One may imagine something of this sort emerging in the context of NAFTA or Mercosur.[12] However, because of the unprecedented process of supra-national institution-building which has gradually given it its present shape, and because of the nature of the problems it now faces, the most interesting case is provided by the European Union.

Long before the current economic and political crisis, the single European market has been strengthening its grip on the margin of freedom that is enjoyed by its member state's' distributive policies. This has helped feed the public opinion's hostility toward the "neo-liberal" orientation of European integration and provoked an urgent call for more "social Europe." A more social Europe can mean more ambitious labour standards, more investment in poor regions for the sake of social cohesion, or the adoption of targets for the employment of the less skilled. In these various dimensions, the EU is already well on its way. As national transfer systems are coming under pressure, however, a more social Europe can and arguably must mean a direct involvement of the EU in inter-personal transfers.

This option is no longer an idle dream. It is one that cannot but prop to the mind of anyone who tries to think seriously about why the Eurozone has been driven so quickly into an acute crisis by divergence in the competitiveness of member states that are no longer able to devalue their separate currencies, while the fifty Unites States, each similarly disabled, seem to cope happily with their single currency despite divergences in competitiveness that can be no less dramatic than among European countries. As pointed out by Paul Krugman, Joseph Stiglitz and many others, the fundamental reason for this difference has to do with the operation, in the US, of two powerful stabilizers largely absent in the Eurozone: a high level of inter-state migration and a bulky redistributive tax-and-transfer system that operates overwhelmingly at the federal level. Because linguistic hurdles will keep making inter-country migration far less frequent and costlier in the EU than in the US, the EU will have to rely even more than the US on trans-national transfers. Such transfers can automatically buffer any divergence without an endless sequence of crisis meetings between governors or prime ministers, and thereby prevent ailing member states from being caught in a hopeless spiral of higher social transfer liabilities and lower tax revenues.

How can the EU, or at least its Eurozone component, enter the highly sensitive business of inter-personal redistribution? There is no way in which one can expect it to develop, akin to the USA, a complex system involving federal income taxation, old age pensions, health care insurance, earnings tax credit, food stamps and assistance to needy families. There will never be such an EU-wide (or even Eurozone-wide) mega-welfare state. Nor is there a need to supra-nationalize social insurance systems in the strict sense – as distinct from genuinely redistributive schemes – as the pressure on them is sufficiently mild not to justify the development of an EU-wide system. The most pressing need concerns the strictly redistributive aspects of the transfer system, in particular minimal income protection.

To address this need, Philippe Schmitter and Michael Bauer (2001) have proposed the gradual introduction of an EU-wide *Eurostipendium* targeting the poorest European citizens. In their eyes, the many difficulties generated by the management of the EU's common agricultural policy and regional aid make a reallocation of part of the funds devoted to these programmes highly desirable. They suggest paying about 80 euros per month to each European citizen whose income is below one third of the average income in the European Union, i.e. below about 440 euros per month (EU15 in 2001).

This kind of scheme suffers from two obvious structural defects. Firstly, it involves a poverty trap at the individual level: citizens who earn just below one third of the average European income will receive a benefit of about 100 dollars, while those who earn slightly more will receive nothing and thereby end up worse off than some of those earning less. Secondly, it involves what can be characterized as an inequality trap at the country level. To understand the nature of this trap, consider two countries with an identical average income. The one in which incomes are more unequally distributed will have a higher proportion of its population below the chosen threshold. However the scheme is funded, the country with a more unequal distribution will benefit more from the proposed scheme (or contribute less to it) than the one with the more equal distribution. In addition, the implementation of such a scheme requires a homogeneous definition of the personal income to be taken into account for the sake of assessing whether some houselhold falls below the threshold. What can be included in this income – home-grown food, home ownership, the earnings of one's co-habiting partner, etc. – or excluded from it – work-related expenses, alimonies, financial burden of dependent children, etc. – and how intrusively income tests can or must be conducted are notoriously sensitive issues which are unlikely to find workable solutions at a supranational level.

An apparently more radical proposal is therefore far more realistic.[13] It consists in introducing a genuine unconditional basic income throughout the EU (or at least the Eurozone) at a level that can vary according to the average cost of living in each of the member states. This

Euro-dividend can, for example, amount to 200 dollars net per month in countries with the highest cost of living and be lower in others. With time, an upward convergence will gradually take place as the levels of prices and incomes converge. Such a scheme has the advantage of requiring no means test, and hence no homogeneous definition and monitoring of relevant income. Moreover, it abolishes in one swoop both structural defects of Schmitter and Bauer's euro-stipendium. There is no risk for poor households to suffer a decrease in their net incomes as their earnings increase since the latter are simply added to the Euro-dividend. Nor, is there a risk for countries to be punished for adopting policies that reduce inequality and poverty (with a given average income) since the level of transnational transfer is not determined by the number of people who fall below the chosen threshold.

Like a worldwide basic income, such a Euro-dividend may need to be introduced in steps. Some have argued that one should start with farmers. By far the largest item in the budget of the European Union is the Common Agricultural Policy, which accounts for nearly half of the EU's expenditures. A shift from subsidizing the price of agricultural products to supporting the income of farmers has been advocated for a long time – and partly implemented – in order to avoid wasteful overproduction and unfair disparities.[14] The trouble for the sustainability of a systematic formula of this sort is that the category of "farmer" can easily become fuzzy, especially when a sizeable reward is attached to belonging to it. [15] Confining the payment to a particular age group may therefore be the best option if one is to move gradually to a universal basic income. Which age group? The European Union sees itself as having to address insufficient rather than excessive birth rates. Consequently, child benefits are a more attractive candidate than old-age pensions. Moreover, the fight against child poverty is regularly asserted as a top priority by all member states. An EU-wide universal child benefit may therefore constitute the best first step towards a genuine Euro-dividend.[16]

Whether it reaches the whole population or restricts itself to children, a Euro-dividend needs to be funded. How? One can think of reassigning the agricultural expenditure and the so-called structural funds. However, part of this expenditure arguably serves a valuable non-redistributive purpose, and even if the bulk of the corresponding revenues can be reallocated to the funding of a Euro-dividend for all European citizens, the level of the latter will have a hard time exceeding EUR 10 per month.[17]

A more plausible alternative that has been explored is a tax on the use of fossil energy.[18] The proposal of such a tax predates the emergence of climate change as a major concern, and targets both the need to slow down the depletion of valuable natural resources out of fairness to future generations and the need to internalize the negative externalities closely associated with the use of fossil energy, such as atmospheric and acoustic pollution, traffic jams and the cluttering of public spaces. The case for a tax of this sort is of course further strengthened by the growing consensus regarding the greenhouse effects of the use of fossil energy. The metric of the tax base may vary somewhat depending on whether depletion, direct negative externalities or carbon emissions provide the rationale, but the recommended level of tax should exceed significantly the competitive value of the volume of emission permits that derive from global climate considerations, as has been discussed above in connection with the idea of a global basic income.

It is of course a necessary feature that a basic income that is funded in this way should be redistributing from countries with a high consumption of fossil energy to countries with a low consumption. This is not problematic if differences in energy consumption are essentially determined by differences in wealth — which is generally the case across regions of the world, but less so across member states of the European Union. It is also not problematic if differences are essentially determined by the extent to which the various countries adopt effective energy-saving strategies, as this is how appropriate incentives are supposed to work. However, a country's level of energy consumption is also affected by some of its natural features, in particular how cold its climate happens to be. One may want to argue that the populations of colder countries have to pay the fair price of their choice of remaining in an environment where living is costlier – just as the true cost of living in a sprawling suburban habitat needs to be borne by those who opt for it rather than for a more concentrated urban life. However, those populations may understandably feel that it would be unfair to make them pay a heavy price for wanting to live where their ancestors did and oppose staunch resistance to using a high energy tax for the purposes of trans-national redistribution.

Should one then go for personal income taxation as the main source of funding of a Euro-dividend? Just as the income to be taken into account for means-tested benefits is extremely sensitive politically, so is the definition of taxable personal income. What expenses can be deducted from earnings? How does the composition of the household affect the amount of personal income that is taxable? How are home ownership and mortgages being taken into account? The questions go on. Personal income taxes, like means-tested benefits, therefore, are likely to remain a national prerogative.

At the European level, however, there is a far more straightforward alternative: the Value Added Tax, an indirect tax that is paid by the consumer in proportion to the value added to the product purchased at every stage in its production. This tax has also been proposed at the national level as the most appropriate way of financing a basic income in various countries.[20] Whether in developed or in less developed countries, the main advantages that are claimed for the VAT over the income tax at the national level are that its tax base reaches far beyond beyond labour income and that it turns out to be, if anything, less regressive than actual income tax schemes, adulterated as these tend to be by exemptions, discounts, the separate taxation of capital income, loopholes and sheer evasion. This argument is also relevant at the European level. However, at the European level, VAT funding has further advantages over income tax funding. Unlike the definition of personal income, the definition of value added for tax purposes is already homogenized at EU level; the VAT is now used to fund part of the EU budget, and the fixing of rates by each member state is strongly constrained by EU legislation. To give an order of magnitude: a VAT of about 20% would be needed to pay for an EU-wide uniform Euro-dividend of 200 euros per month to all 500 million inhabitants of the EU. The Value Added Tax, possibly supplemented by a modest EU-level energy tax, is therefore by far the most promising avenue for funding a significant Euro-dividend, and by extension any other significant supra-national basic income.[21]

Whether it is funded in this or practically any other way, a Euro-dividend, just as any other supra-national basic income, will operate a systematic redistribution of wealth from the richer to the poorer parts of the territory concerned, and from the metropolitan to the rural areas. It will thereby help stabilize the population and avoid some of the undesirable externalities of migration. At the same time, it will buffer automatically, without needing ad hoc decisions, any asymmetric shock or productivity divergence affecting the various member states of the Eurozone. Unlike other conceivable supra-national schemes, it will not create perverse incentives at the individual or national level. Nor will it disrupt, homogenize or undermine current national welfare systems. Quite to the contrary, by fitting a modest yet firm base under the existing, more finely calibrated national redistribution institutions, a Euro-dividend will help strengthen them and stabilize their diversity.

National Basic Incomes in a Global Economy?

The Euro-dividend has been discussed here as a not too fanciful example of how a basic income can be implemented at a level that is higher than that of individual nation-states, while still falling far short of the world scale. The advantage it possesses over country-level redistributive schemes is that it is less vulnerable to tax and social competition and hence, can be said to address the first of the two challenges that stem from globalization. However, compared to these less global schemes, it has the disadvantage of faring worse as regards the second challenge: it operates at a level that involves a larger and above all more heterogeneous population, with a weaker common identity, a weaker sense of belonging to the same political community, a weaker set of common political institutions, and a plurality of distinct public opinions and public debates separated by the use of distinct languages.

With regard to a politically sustainable generous basic income, we may therefore have to keep pitching our hopes at the level of national or even sub-national entities. After the exploration of a global basic income and of the Euro-dividend as examples of a regional basic income, we therefore need to turn to the third possible response to our initial challenge. Admittedly, greater homogeneity comes at the cost of greater vulnerability to "opportunistic" behaviour by both net contributors and net beneficiaries. Such vulnerability to social and tax competition will be reduced if the geographically more limited schemes can operate against the background of a geographically broader redistributive system, such as an EU-wide Euro-dividend. When firms and people are transnationally mobile, countries tend to reduce the degree of redistribution in order to attract or keep taxpayers and businesses, or in order to dissuade social benefit claimants. However, if owing to the existence of some supranational redistributive scheme, the former contribute to some extent and the latter benefit to some extent whether in or out of the country concerned, then reducing the degree of intra-national redistribution will be a less compelling option, and the drive to engage in a race to the bottom will be weakened. However, as long as transnational redistribution across relevant countries is weak or inexistent, generous national redistribution will remain highly vulnerable in a world that is characterized by high and increasing trans-national mobility.

How can this vulnerability be reduced? Firstly, it can be reduced by maintaining or strengthening linguistic and cultural obstacles to migration. If the language that is spoken in each country is different from the language spoken in any other and difficult to learn by non-native speakers, and if the associated cultures are distinctive and hard to integrate into, then generous solidarity will be sustainable in all the cultures, even in the absence of any administrative obstacle to migration. That is, both potential beneficiaries and current contributors will balk at the prospect of heavy investment in language learning and cultural adjustment. These linguistic obstacles tend to shrink, however. Firstly, the migration of potential beneficiaries is being eroded by the growth of diasporas that retain their original language and hence provide micro-environments into which newcomers can smoothly integrate. At the same time, the linguistic obstacles to the migration of potential contributors are being eroded by the spreading of English as a lingua franca, which makes it less burdensome, both domestically and professionally, to settle abroad, especially but not only in the English-speaking parts of the world. Nonetheless, as long as they exist, these linguistic differences and the associated cultural differences will remain a major brake on transnational migration, and there are good – though by no means obvious – grounds for wanting at least some of them to persist.[22]

Can one think of any other forms of protection against the race to the bottom? Definitely - but they are of an altogether different nature, depending on whether one is concerned with “undesirable entries” or with “undesirable exits”. Administrative obstacles to the entry of potential beneficiaries have been advocated and used to protect small-scale redistributive schemes ever since they existed. Thus, in the very first treatise on social assistance, Johannes Ludovicus Vives (1526) recommended that each municipality should look only after its own poor. Regarding those coming from elsewhere, they should be given “a modest viaticum” and, unless they are coming from a region at war, be sent back home. Two and a half centuries later, Adam Smith (1776: ch.10) referred to a milder version of this protective strategy: an English rule to the effect that an “undisturbed residence” of forty days is required before poor people can belong to the “own poor” for whom each parish has to provide. Similarly, the guaranteed minimum income scheme for families introduced in the mid-1990s by Governor Cristovam Buarque in the Federal District of Brasilia imposed a residence period of ten years before newcomers from other parts of Brazil could claim the benefits. And Brazil's 2004 "citizenship income law” restricts entitlement, among non-Brazilians, to people who have been living in Brazil for at least five years.

There are two problems with protective strategies of this sort. One is that the restriction may be struck down on grounds of discrimination. This can be discrimination between citizens of the same country when the basic income is introduced at a sub-national level. For example, the first version of the Alaska dividend scheme (to which we shall return shortly) differentiated the amount to which a resident was entitled according to the length of residence in the state. The US Supreme Court decided that such differentiation was inconsistent with the principle of equality between all US citizens. This is why the final version of the dividend has taken the form of a straight universal basic income.[23] Even with a basic income introduced at national level, the discriminatory character of the residence requirement may be a problem if national legislation is constrained by supra-national rules, as is the case, in particular, in the European Union.

If the basic income is introduced in the EU as a whole, however, or at the level of the US, or indeed of any sovereign state not incorporated into a wider entity that imposes non-discrimination among all its members, residence requirements will in principle be conceivable, and indeed they are routinely used to protect existing conditional minimum income guarantees. However, a universal basic income will face a second difficulty which arises irrespective of the scale at which the scheme is being introduced. The difference with benefits that target the economically inactive is that a basic income – just as a negative income tax – also benefits workers. The minimum residence requirement would typically mean that, even though all workers are taxed from the first dollar that is earned at a high rate that is required to fund a basic income for all long-term residents, those who do not satisfy the residence requirement will not receive the basic income (or uniform tax credit) to which all other workers are entitled. If this is administered in the form of a refundable tax credit, it will have the bizarre consequence that the take-home pay of workers will differ significantly depending on how long they have been residing in the relevant entity. Moreover, no matter how this basic income is administered, it will involve a major distortion at the lower end of the labour market with some who are able to turn down lousy jobs thanks to their entitlement to an unconditional basic income and others who are forced to pick them up in the absence of this fall-back option.

The alternative to the residence requirement is of course the more radical option that has been recommended by Vives to 16th century municipalities: the denial of entry to those likely to be net beneficiaries of the basic income scheme. For sub-national schemes or national schemes for member states of the European Union, this is even more difficult to conceive than discriminatory access to social benefits because of free movement within the boundaries of the entity of which one is a citizen being regarded as a fundamental right. For unconstrained states and for the EU as a whole, however, this is the standard strategy in place. It faces neither of the two difficulties that plague the residence requirement. However, it is weakened by the unavoidability of illegal immigration and subsequent regularization. Moreover, it crudely exposes the cruel dilemma between sustainable generosity towards the weakest among one's own citizens and generous hospitality to anyone who wishes to come in. This dilemma is the most painful challenge for the Left throughout the more developed world. It is inescapable in a deeply unequal world and holds for any form of genuine – i.e. not merely insurance-based – redistribution, but most blatantly for a universal basic income. The ultimate aim is global distributive justice. But the safest way to approach it is not to let existing redistributive systems be destroyed by open and non-discriminatory borders. Comparatively generous institutionalized solidarity needs protection against unsustainable immigration by likely beneficiaries. Its survival and its spreading are needed on the way to its globalization.

To ensure the survival of generous redistribution, protection is required not only against "undesirable entries", the immigration of likely beneficiaries, but also against "undesirable exits", the emigration of actual contributors. Regarding the latter, administrative protection of the sort that has been discussed in connection with the former – residence requirements and filtering at the borders – are of precious little help. Is there anything else at our disposal? Only something of an altogether different kind: some territorial, non-ethnic patriotism, i.e. some sort of attachment to a place, of allegiance or loyalty to the political community it hosts and the solidarity it achieves, that makes high-earners wish to live, work, contribute there, rather than shop around for the highest return to their human capital.[24] Of course this attitude may tend to be harder to sustain as the community becomes both less distinctive (externally) and more heterogeneous (internally) as a result of globalization and migration. When it is combined with the preservation of language borders and administrative buffers against the immigration of potential net beneficiaries, it may nevertheless suffice in many cases to prevent a comparatively generous single-country basic income from falling prey to a race to the bottom, the first aspect of the challenge presented by migration..

What about the second aspect: the growing heterogeneity that increasingly characterizes most countries in the world, despite linguistic and administrative hurdles? When the immigrant population accounts for a significant proportion of the population, its adequate integration into the host society is important in order for generous solidarity to be sustainable, both politically – by avoiding the erosion of feelings of solidarity embracing the whole population – and financially – by avoiding the swelling and perpetuation, from one generation to the next one, of vast pockets of people who are difficult to incorporate into the productive system. Is the very unconditionality of a basic income not a major disadvantage in this context, precisely because it does nothing to foster a quick integration of ethnic minorities through work?

It is important to note, firstly, that although a basic income would do worse in this respect, than more coercive workfare-type policies, it would do better than means-tested schemes that create dependency traps. Secondly, especially when inadequate competence in the language of the host country and the associated hardening of residential and educational ghettos risk create a vicious circle of exclusion, it is worth considering the option of connecting the right to benefits to the duty to attend suitable language courses which the government would have the responsibility to provide. Thirdly, the need to preserve or create a sense of national identity in the face of ethnic heterogeneity may require and justify not only an inclusive national rhetoric that values cultural diversity, but also specific policies such as an intelligently designed compulsory civil service or other ways of spreading across all ethnic groups a common ethos of contribution to the common good.

This sequence of considerations is indispensable to indicate why and under what conditions basic income proposals can keep making realistic sense at the national level even in the era of globalization. Yet, the best proof of a possibility remains a reality. Before concluding, it is therefore worth first returning to the only case of a genuine basic income that has been introduced at a sub-national level and is still alive and healthy after thirty years, namely Alaska's dividend, already mentioned above. For three decennia, the Alaska Permanent Fund has been collecting part of Alaska's oil revenues, investing them in stocks worldwide and paying out once a year to all Alaskan residents a uniform dividend at a level that is indexed to the performance of the Permanent fund in the previous five years. In 2011, the amount of nearly 1200 dollars and has been paid to nearly 650.000 people.[25]

More surprising is the second case of a universal basic income actually implemented, this time and for the first time in history at the national level, in a country which would not have a priori seemed an obvious candidate for such an experiment. In January 2010, the Iranian parliament approved by a narrow majority the so-called "targeted subsidy law," which combines three measures. Firstly, it scraps a large and economically perverse implicit subsidy to oil consumption by both Iranian households and firms. It does so by bringing the comparatively very low domestic price of oil gradually in line with the international price. Secondly, it uses 20 to 30 percent of the new revenues to directly subsidize producers that are hit by the price increase. Thirdly, it uses the bulk of the revenues to compensate for the impact of the general price increase on the standard of living of the population by introducing a monthly cash subsidy for over 70 million Iranian citizens. This cash payment was intended to reach 20 dollars per person per month at the beginning and to gradually rise to 60 dollars per person per month. The rich, who consume directly and indirectly more oil than average, would not be fully compensated for the price increase, but the poor would automatically be more than compensated. The first phase of the law has been in effect since October 2010. It amounts to granting a small but genuine equal basic income to every citizen, with two major qualifications: (1) the payment for all members of each household is made to its official head, i.e. mostly to men; (2) non-Iranian residents mostly Iraqian and Afghan refugees - are not entitled to the grant.[27] Despite these shortcomings — and the unexpected difficulties the scheme faced, not least because of the economic sanctions —, the Iranian model may provide inspiration for other countries. Wherever one is seeking a "sustainable new deal" that combines ecological and social concerns, whether or not the country is resource-rich, making resource consumption more expensive and distributing the corresponding additional revenues equally to all is an obvious option to consider.[28]

Conclusion

In order to move forward under current circumstances, one can and must tread several paths simultaneously. Every opportunity must be seized to move towards something that starts resembling a worldwide basic income, most promisingly in the context of groping for a fair deal on global warming. Every opportunity must be seized to move towards something that starts resembling a supra-national, though still geographically limited, basic income, most promisingly at the level of the European Union. Finally, wherever sufficient leeway has been kept at the national level, there is also ample room, as argued here, and many good reasons as argued elsewhere,[29] to reform existing welfare states so that they can incorporate at their very core a universal and unconditional individual basic income.

Notes

[1] This is the definition adopted by the Basic Income Earth Network (BIEN). See: www.basicincome.org.
[2] See e.g. Vanderborght & Van Parijs (2005), Van Parijs (2006), Caputo ed. (2012), Widerquist & al. ed. (2013), for general overviews; Van Parijs (1995), Van Donselaar (2009) and Birnbaum (2012) for extensive discussions of the ethical justification of the idea; and Standing (2011) for a demonstration of its contemporary relevance.
[3] See Howard (2006) for a discussion of this issue in a broadly similar spirit, with a focus on the first dimension of the challenge.
[4] This distinction between sheer ex-post or insurance-based redistribution and ex-ante or genuine redistribution is orthogonal to the distinction between transfer schemes that involve ex-ante payments, i.e. payments that are made without any prior control of the beneficiaries' incomes, and schemes that operate through ex-post payments, i.e. payments made selectively in the light of information about the beneficiaries' income over a given period. As it tends to be administered, a negative income tax scheme is ex-ante in the first sense and ex-post in the latter, while a private pension scheme is merely ex-post in the first sense and ex-ante in the second sense.
[5] See, for example, Peterson & Rom (1990), Peterson (1995) and Borjas (1999) for discussions of this phenomenon in the case of the United States.
[6] See the essays collected in Van Parijs ed. (2003)
[7] For this sort of reason, Marx and Engels were hostile to the immigration of Irishmen into the industrial towns of the North of England (see Brown 1992).
[8] See e.g. Alesina & al. 2003, Desmet & al. 2005.
[9] Thus, the Dutch artist Pieter Kooistra (1922-1998) set up a foundation under the name "UNO inkomen voor alle mensen" (A UN income for all people) in order to propagate his proposal of a small unconditional income for each human to be funded by issuing an ad hoc currency that cannot be hoarded (Kooistra 1983, 1994). In a more scholarly mode, the Canadian economist Myron Frankman (McGill University), argued for the feasibility of a "planet-wide citizen's income" funded by a worldwide progressive income tax (see Frankman 2002, 2004).
[10] See e.g. Glaeser (2011: 221) for a recent plea along these lines.
[11] See e.g. Case & Deaton 1998.
[12] Howard (2007) makes a plea for a basic income at the level of NAFTA.
[13] See Van Parijs & Vanderborght (2001).
[14] This was already part of a plea for an EU-wide basic income by the British conservative member of the European Parliament Brandon Rhys-Williams in 1975. See also Lavagne & Naud (1992).

15 To give an order of magnitude: The agricultural policy is costing about 58 billion EUR (43% of the total EU budget in 2011), i.e. an average of about 4150 EUR annually per full-time farmer. Source: European Commission (consulted May 2013).

16 As proposed, for example, by Atkinson (1993).

17 The agricultural expenditures of EUR 58 billion would amount to about EUR 115 per capita annually. If restricted to children below 15, the amount would be about EUR 740 per capita annually. (Source: Eurostat & European Commission, consulted May 2013).

18 See e.g. see Genet & Van Parijs (1992), Davidson (1995).

20 For example by Roland Duchatelet (1992) for Belgium, by Pieter Leroux (2006) for South Africa and by Götz Werner (2007) for Germany. Even in the US, the idea of a VAT-funded basic income came up in the debate on the "fair tax", for example in connection with the "prebate" advocated by Mike Huckabee, a candidate at the 2008 Republican presidential primary. A very modest universal basic income is a natural correlate of any value added tax or consumption tax levied for whatever purpose. It provides the exact analogue to exempting the slices of income below the poverty threshold from direct taxation: it guarantees that those who are already poor without being taxed are not made even poorer by the tax. Suppose, for example, that the rate of VAT is 20% and that the poverty threshold is fixed at 600 dollars per person per month, taking the impact of the tax on prices into account. To guarantee that no poor person is a net contributor, the basic income needs to be fixed at a level at least equal to the poverty threshold multiplied by the rate of VAT, in this example 600 dollars x 20/100 = 120 dollars per month.

21 For further discussion of this proposal, see Van Parijs (2012).

22 See Van Parijs (2011, chapter 5).

23 See e.g. Hammond (1994).

24 See Steiner (2003) for a critique of this "solidaristic patriotism", and Van Parijs (2003: 209-212) for a response.

25 See Howard & Widerquist eds. (2012)

27 See esp. Tabatabai (2011). The government announced in January 2012 that, in the second phase of the programme, it intends to increase the amount of the uniform grant to most households, while inviting the 14% wealthiest households to waive their entitlement to the grant on a voluntary basis.

28 In 2011, the Mongolian government also indicated that it would use part of the proceeds of its mineral resources to fund a regular basic income to its whole population: see http://binews.org/2011/09/mongolia-government-takes-steps-toward-implementing-an-alaskan-style-big/.

29 See, for example, Van Parijs (2006) and, at greater length, Vanderborght & Van Parijs (2005).

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