BASIC INCOME AND HUMAN ACTIVITY: THREE PUZZLES

Yannick Vanderborght
Introduction

A bit more than ten years ago, I started working on basic income and its cognates. Before 1999, I confess, I only had a vague idea of what this proposal entailed, even if I knew that in my country its main advocate was a philosopher called Van Parijs... I recall that I had some negative feelings about it, in particular because of its unconditional character. In my view, such an individual payment, disconnected from any requirement, was potentially destructive for the “sense of community” which is, I considered, at the core of any democratic experience. At the time, I was probably some sort of communitarian, or perhaps a republican, even if I was not fully aware of it.

This is what I told to Philippe Van Parijs some day at the end of 1998, when I had an opportunity to get a research grant in his Research Centre at Louvain University. We had a good conversation, and for some reason he decided to give me a chance. Needless to say, after a few days he had convinced me – not to endorse the idea, but at least to give it a careful and balanced look. Gradually, I became aware of the extraordinary complexity of this seemingly simple proposal. And I started to see good reasons not only to study basic income in a systematic way – from my position as a research fellow in political science – but also to support it. I completed my PhD, published a few papers on the topic, and became an active member of the Executive Committee of the Basic Income Earth Network (BIEN).

Even if I did not do any first-hand research on basic income recently, I keep thinking about this idea, debating it, and arguing in its favour. And yet, ten years after I remain puzzled by many of its core features. Since I was asked by the organizers of the 9th Conference of Red Renta Basica to talk about “basic income and human activity,” in what follows I decided to briefly focus on three puzzles that are, somehow, connected to that topic. The first one is, I think, the most challenging.¹

¹What follows is a summary of a talk to be given at the 9th Conference Conference of the Spanish Basic Income Network – Red Renta Basica, 19th-21st of November 2009, Bilbao. The main purpose is to foster discussion with the audience. Comments are most welcome at yannick.vanderborght@uclouvain.be
A waste of human capital?

In 1995, two prominent Dutch economists published a short piece on basic income in one of Netherlands oldest economic journals, *Economische Statistische Berichten*. At the time, their country was in the middle of a heated discussion on the issue, as two ministers had stated in newspaper interviews that a basic income and a negative income tax were serious alternatives, to be investigated in detail by the new government. The two authors, Lans Bovenberg and Rick van der Ploeg, were quite sceptical about the ministers’ arguments. Even if they seemed to understand why basic income could be seen as attractive, in particular because it could possibly contribute to solve the problem of poverty traps, they also stressed some important drawbacks to be expected from the implementation of such a scheme in the Netherlands. Their most important point can be briefly summarized as follows. If young people benefit from an unconditional basic income at the age of 18, they will have no financial incentives to train, study, and improve their skills and education. They will opt for undemanding activities, low-productivity jobs, and will not invest additional time in schooling. Hence, according to Bovenberg and van der Ploeg, “these developments threaten the most important capital good in a knowledge-intensive society: the human capital and the work discipline of future generations”.

This argument is, I think, quite challenging. In fact, I reconsidered it once again recently, as I was completing a research report on the young unemployed in Belgium. One of the core problems at the source of youth unemployment is that a significant proportion of the individuals aged between 18 and 25 have very low qualifications. For various reasons, they left school without having completed their degrees, and did not train further as they grew older. As a result, they now have very few opportunities on the labour market, as low-skilled jobs have become scarce. In the interviews we made in the framework of this project, some of them were very clear about the fact that they had left school because they perfectly knew that, whatever happened, they would get the right to an unemployment benefit or a minimum income. Furthermore, many of them admitted getting additional income by combining these benefits with gains from underground activities. And yet, as they see themselves stuck deep in the unemployment trap, a vast majority regret the options they took at young age. Hence the puzzle: how can we, in a basic income society, avoid such a waste in human capital?

One easy reply might consist in arguing that this is in no way different from the situation of older members of the active population. A basic income gives them, too, the real freedom to do “whatever they might want to do”. In this liberal (or real-libertarian) framework, there is no ground for contention of any given lifestyle, provided it has been freely chosen. But what is a “free choice” at very young age, especially as one has never been in touch with the labour market, unable to anticipate any of the negative and long-lasting consequences of the options one takes? Can we really compare the situation of the teenager who decides not to train, because he knows that he will soon benefit from a basic income, with the situation of the older worker who decides not to keep his job because he considers it too demanding, unattractive, or boring? Is some mild form of paternalism not justified for the young? In other words, Bovenberg and van der Ploeg might be right after all...

In our introductory book on basic income, Philippe Van Parijs and I designed a solution to this challenge which is probably not fully convincing. We suggest the implementation of a participation income for the young aged between 18 and 25. “Where minors are concerned, basic income easily takes the form of a right to free education and to family allowance.”

---


ances coupled with school attendance. In the case of young adults, it would imply a lighter and more flexible conditionality, under the form of a benefit conditional upon some recognized training activities. This proposal, we argue, derives from our concern to reassure people like Bovenberg and van der Ploeg who, rightly in our view, "fear that many of young adults will be satisfied by a modest but comfortable situation, contenting themselves with shared accommodation and casual work that has a special status or is undeclared – only to discover later on that in order to raise a family decently they should have made the effort to get more training".6

Why is this not fully convincing? Essentially because the implementation of a participation income has been shown to be close to a true administrative nightmare, with a low level of performance in terms of combining economic security with a commitment to some sort of activity requirement.7 But even if we acknowledge the fact that such a proposal would only be a second- or even third-best, what is the alternative? I have no clear answer at this stage, but I strongly believe that preserving and improving human capital is of paramount importance, not only for the sake of fair equality of opportunity – which is an important goal in itself – but also for instrumental reasons: it constitutes a necessary condition for a stable financing of the highest sustainable basic income.

Basic income against unions?

The second puzzle stems, once again, from my interest in the Dutch debate. During the second half of the 1980s, the Voedingsbond FNV (Union of Food Workers) – an important group of affiliated workers within the Netherlands’ main union confederation FNV – was one of the most prominent proponents of a basisinkomen, i.e. a basic income. It published plenty of leaflets and documents arguing in favour of the idea, and organized regular workshops in order to enlighten its own members. In many ways, this was a unique position within western democracies. In neighbour countries, such as Belgium, France or Germany, trade unions were strongly opposing basic income, for various reasons. As I tried to understand this peculiarity of the Dutch Union movement, following the work done by Rik van Berkel and his colleagues,8 I realized that the Union of Food Workers was indeed quite atypical. A significant proportion of its members were unemployed, and most of these unemployed members were women. In other words, it was not representative of the average union member, who generally opposes basic income as being too abstract and poorly connected to her/his own preoccupations. It is therefore no surprise that since the early 1990s, despite the praiseworthy attempts made by individual leaders, no single Dutch union officially supports basic income.

Elsewhere I have focused on some of the reasons that might account for the ambivalent feelings of unions towards basic income.9 One of them lies in the fact that such a reform might, at least under certain conditions, impose a disproportionate burden on the shoulders of workers, since it would require from “insiders” that they pay for an unconditional grant which would mainly benefit “outsiders”. This is not a minor problem, but can probably be solved by tinkering at the way of financing basic income, for instance through an adjusted VAT or higher taxes on corporate profit, rather than through an increase in social contributions. Leaving this issue aside, perhaps the most important critique for my purpose here is that the implementation of a basic income might directly threaten the existence of a union movement in one important way. By providing individual workers with a true, reliable, and unconditional exit option, it would no doubt foster workers’ individual bargaining power. It would be much easier, in other words, for one given worker to negotiate directly on her/his own working conditions, including the level of his/her wages. Hence the second puzzle: what if, as a result, such a

---

6 VANDERBORGH, Yannick & VAN PARIJS, Philippe (2005) L’allocation universelle, Paris: La Découverte. This is an excerpt from the forthcoming expanded version in English (translation by Sue Black).
basic income would weaken the role played by unions as collective actors?

One possible reply consists in arguing that in a basic income society, in which by definition individual real freedom is guaranteed, unions would not be needed. Needless to say, I am very skeptical about this counter-argument. Organized labour is a crucial component of a well-functioning welfare state. Depending on the concrete institutions in place, unions play a major role in the management of social policies in most industrialized countries. More fundamentally, the example of the United States shows perfectly well how union rollback can have catastrophic effects in the field of income inequalities. Since the 1970s, when the offensive against American unions began, inequalities have been raising rapidly in the USA, with spectacular gains for the top 10%.10 “Unions were once an important factor limiting inequality”, Paul Krugman argues, “both because of their direct effect in raising their members’ wages and because the union pattern of wage settlements – which consistently raised the wages of less-well-paid workers more – was, in the fifties and sixties, reflected in the labour market as a whole. The decline of the unions has removed that moderating influence”.

There is no single solution to this puzzle, since what can be done will mainly depend on concrete labour market institutions. But in the light of this short discussion, it seems clear – at least if one thinks that widening income inequalities are problematic – that basic income needs to be defended in the framework of a broader package including union-friendly strategies, designed to compensate for its detrimental effect on collective bargaining. Among the options to be discussed, one can think of a robust minimum wage legislation imposing (at least) sector-level bargaining over wages. One could also imagine the implementation of financial incentives – such as tax deductions – in order to foster union membership. Along with a basic income, such measures might then provide labour with a real power to oppose capital, whenever necessary.

Empirical studies about the sense of justice show that in Western countries people are strongly attached to the idea of desert. In their perception, income inequalities are accepted as legitimate if they have something to do with achievement, hard work, and personal effort. In sum, for most of us – at least intuitively – a just society must be meritocratic, and just institutions should reward individuals according to their choices, i.e. neutralizing the consequences of unchosen circumstances (or bad luck). “As a rule”, Adam Swift and his colleagues conclude, “there is fairly widespread enthusiasm for the principle of reward in proportion to contribution or achievement, be it effort expended, responsibility assumed, or skills acquired. Here we might note the high levels of support, in all nations, for the proposition that people who work hard are deserving of additional income.”11 In a review of the sociological literature on the topic, David Miller came to very similar findings: “The evidence surveyed throughout this article highlights popular attachment to desert as a major criterion for income distribution and suggests that a distribution based on this criterion is potentially more stable than one that aims to raise the position of the worst-off group regardless of considerations of desert and need.”12

The key word in the previous excerpt is “stable”. Of course, public opinion might be headed in the wrong direction. For instance, one could discuss the extent to which the propensity to “work hard” and make a lot of efforts is, or is not, genetically determined. Or whether it is a matter of educational background. In any case, the fact that it is seen as a matter of “choice” should certainly be seriously questioned. But this is not the point I want to make. If a vast majority – in fact, in several countries one can speak of an overwhelming majority – of our fellow citizens think in terms of “desert” and “reward according to effort”, can basic income supporters ignore their concerns about the very idea of giving a benefit "regardless of

---

considerations of desert and need”? Hence my last puzzle: if we want basic income to be robust and resilient, i.e. **stable**, how should we deal with the fact that – in the light of empirical data – its social acceptability looks so weak?

It is obvious that the social acceptability – or “sociological feasibility”, as it were – has direct effects on the political feasibility of a given reform, be it only for pure electoral reasons. If basic income is to be, some day, transformed into a concrete programme, it means that there is still some work to be done regarding this huge challenge. One key element of a coherent strategy designed to take up this challenge might consist in stressing the fact that it remains very difficult, in practice, to draw a clear line between “choices” and “circumstances”. Even if people think that choices should be rewarded, to what extent are our fellow citizens ready to accept the unavoidable intrusive policies required to disentangle – in a minimal way – choices and circumstances?

But a more promising strategy should perhaps focus on the idea that a true meritocratic society obviously requires some sort of equality of opportunity. In this perspective, basic income supporters would stress the fact such a society should necessarily provide everyone with the means to make **real choices** at different life stages. To put it very briefly, this would require ex-ante redistribution under the form of a regular cash payment, in order to guarantee a minimal form of luck egalitarianism. Classic welfare policies, i.e. ex-post redistribution, would then be justified on the ground that they correct inequalities arising from negative circumstances, and that they compensate individuals for the unforeseen consequences of past choices. In this scenario, nothing opposes the combination of these ex-post policies with social activation measures or even workfare-style programmes aimed at reasserting the importance of the choice-circumstance distinction. Provided, of course, that the ex-ante programme, i.e. an unconditional and universal cash grant, is not affected. Ironically, basic income could then been promoted as a necessary, even if not sufficient, component of any “active welfare state” based on the most widespread and socially acceptable notion of justice, that of justice as merit.

This is probably not the most elegant way to solve the last puzzle, I must admit. In fact, there are good reasons to consider desert as a very poor criterion of distributive justice. But since it is at the core of mainstream social beliefs, can we keep ignoring it?

**Conclusion**

There are, of course, some connections to be made between the three puzzles. For instance, the idea that equality of opportunity requires some ex-ante redistribution in order to allow for real choices might conflict with the mild paternalism which was presented as a solution for the first puzzle. My modest purpose, in this short contribution, has been to launch a discussion on some interesting aspects of “basic income and human activity”. In fact, I am quite confident that basic income advocates will show up with more convincing answers to the various questions I raised...

Thanks in advance!

---

*I am fully aware of the fact that there is an abundant literature on basic income and reciprocity, and that it deals with some important aspects of this last puzzle. But this literature is mainly concerned with an ethical discussion of these aspects.*