

Seoul Basic Income International Conference 2010

“Sustainable Utopia and Basic Income in a Global Era”

Programme

10:30-10:40 Welcome Remark

Kim Se-Kyoon (Seoul National University)

10:40-12:00 Session 1 - Migration Basic Income Alternative

Chair: Kang Nae-Hui / Joongang University

Speakers:

Philippe Van Parijs / Basic Income, Globalization and Migration

Ronald Blaschke / Basic Income versus Basic Protection

12:00-13:00 Lunch

13:00-14:30 Session 2 - City and Basic Income in this Globalized Age

Chair: Baek Won-Dam / SungKongHoe University

Speakers:

Yamamori Toru / Missing Women: The Forgotten Struggles of Single Mothers for Basic Income

Choi Gwang-Eun / Beyond Disability Pension, Into Basic Income

Kwack No-Wan / Glocal Agora and Basic Income

14:30-14:40 Break

14:40-16:00 Session 3 - Basic Income and Industrial Policy

Chair: Jang Sang-Hwan / Gyeongsang National University

Speakers:

Neantro Saavedra-Rivano / Investment in Human Capital and Financial Markets

Ahn Hyun-Hyo / Basic Income and 'High Road' Industrial Policy

16:00-16:10 Break

16:10-17:30 Session 4 - Universal Welfare Paradigm and Economic

Superiority of Basic Income

Chair: Seo You-Seok (Howon University)

Speakers:

Baek Seung-Ho / Basic income and Income Redistribution

Kang Nam-Hoon / Economic Impacts of Basic Income

17:30-18:30 General Discussion

Chair: Kim Su-Haeng (SungKongHoe University)

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Basic Income, Globalization and Migration

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University of Louvain, Chaire Hoover d'éthique économique et sociale

How (un)desirable is an unconditional basic income? How (un)feasible is it? Most of the discussion on these issues has been conducted in 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 hardly less 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 XXIst century, in the era of globalization, in an era in which capital and goods, people and ideas are said to cross 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. It does so for two distinct reasons, one that is primarily economic, the other specifically political.¹⁾

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 concerns the tax base required to fund a basic income and all other social transfers. The trans-national mobility of capital already presents a threat, at least in combination

1) See Howard (2006) for a discussion of this issue in a broadly similar spirit, with a focus on the first dimension of the challenge.

with the trans-national 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 workers are hardly mobile trans-nationally. But as soon as the trans-national mobility of human capital ceases to be marginal, genuine redistribution from people with a high labor income becomes problematic too.

To the extent that the welfare state conforms strictly to an insurance logic, it escapes such pressure. It involves no genuine or ex-ante redistribution. The contributions paid out of the wages are then simply the counterpart of earnings-related old-age pensions, short-term unemployment benefits and other forms of risk compensation. But most aspects of existing welfare states do involve ex ante redistribution, typically when pensions or benefits funded by proportional or progressive contributions are not allowed to fall below some floor or to rise above some ceiling. And this is of course transparently the case when the welfare state involves a general minimum income guarantee. 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, are beginning to seriously consider the possibility of moving to countries in which their skills could command a higher post-tax-and-transfer return. Whether or not they actually move, the fear that they might 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, and thereby to reduce the level of genuine redistribution. Assuming it 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 were 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 was observed in the case 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.²⁾ 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. 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 trans-national migration (actual or merely potential) can be expected to worsen the prospects of a significant unconditional basic income, indeed even the prospects of maintaining the levels and the degrees of unconditionality of existing schemes. There is, however, a second, 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.³⁾ Firstly, the degree of heterogeneity affects the extent to which the net contributors to the transfer

2) See Peterson & Rom (1990), Peterson (1995) and Borjas (1999) for discussions of this phenomenon in the case of the United States.

3) See the essays collected in Van Parijs ed. (2003)

system identify with (those they perceive as) its net beneficiaries, i.e. the extent to which they regard them as “their own people”, to whom they owe solidarity. Resentment towards distinct ethnic groups is particularly to be feared when unconditional benefits are perceived as being taken advantage of more than proportionally by some of them. 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 category that can expect to gain from generous redistributive schemes. Such obstacles make it more difficult for all net beneficiaries to coordinate, organize and struggle together. The end result, which can claim some empirical support⁴⁾, is that institutionalized redistribution tends to be less generous in more heterogeneous societies than in more homogeneous ones. If globalization means a constant flow of migrants, therefore, 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 this twofold challenge posed by trans-national migration, is there no better option than to mourn the epoch of tight borders or to dream of a world freed of massive international inequalities and of the irresistible migration pressures they feed? Far from it. True, we must honestly recognize that generous solidarity is easier to imagine and implement in a closed homogeneous society cosily protected by robust borders against both opportunistic migration and ethnic heterogeneity. But having done that, they must actively explore and advocate three possible responses to the challenge we face. Along the way they will discover that, far from worsening them, some aspects of this challenge actually improve the prospects of transfer systems of the basic income type.

4) See e.g. Alesina & al. 2003, Desmet & al. 2005.

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, 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, the way in which and the extent to which social solidarity will cover it. If it is ever to come into being, it will need to take the form of very simple benefits 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. But 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, but so far with little apparent success, for a universal basic income that would be truly universal. One of the first and most fervent among them was the Dutch artist Pieter Kooistra (1922-1998). The foundation he created under the name “UNO inkomen voor alle mensen” (A UN income for all people) aims 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. In a more scholarly mode, the political philosopher Thomas Pogge (Yale University) has been arguing for a “global resources dividend”, to be funded out of a tax on the use or sale of the natural resources of the earth (see Pogge 1994, 1995, 2002: ch.8). The underlying idea is that the populations of the countries that happen to house 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. Pogge is noncommittal about the best way of achieving this objective and acknowledges that “something like a Global Basic Income may well be part of the best plan” (Pogge 2006). A firmer commitment is to be found in the work of the Canadian economist Myron Frankman (Mc Gill University), who argues for the feasibility of a “planet-wide citizen’s income” funded by a worldwide progressive income tax (see Frankman 2002, 2004). And many others have come to the same simple proposal of a universal basic income, whether 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, most prominently the Tobin tax on international financial transactions.

By far the most promising line of thought along these lines, however, is rooted at the core of the climate change debate (see e.g. Busilacchi 2009). A growing consensus has emerged that the atmosphere of the earth has only a limited capacity to digest carbon emissions without hosting 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 only be forthcoming with the appropriate speed and zeal if all parties involved can view this collective action 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, more plausible interpretation, a fair deal is one that allocates the cost of the remedial action to be taken to the various parties in proportion to the extent to which their consumption and production are contributing to the harm to be remedied.

The most plausible interpretation, however, is neither in terms of cooperative 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 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? 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 emission rights that amount in the aggregate, for a given period, to this threshold. The uniform equilibrium price 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 including mobility and housing habits. Thirdly, distribute the (huge) revenues from such 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 — and not as an increasing function of current levels of carbon emission as in most of the tradable quota schemes discussed or implemented so far.

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, owing to some governments and administrators misreporting the relevant data and above trying 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. In countries with a developed guaranteed pension system, the scheme could 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 would have to be designed but, as the exemplary case of South Africa’s guaranteed old-age pension demonstrates, 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.⁵⁾

Focusing, at least initially, the worldwide basic income on the elderly would have further advantages. By contributing to security in old age, it would foster the transition to lower birth rates in those countries in which that transition has not yet happened: the insurance motive for having children is structurally weakened. Further, by making the aggregate benefit dependent on the number of people who reach an advanced age, it provides governments of poorer countries with incentives to improve public health, education and other factors that contribute to longer life expectancy. And by being initially strongly biased in favor of the richer countries in which life expectancy is far higher, it increases the probability of being accepted while paving 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 calculation shows (see Table 1), one has to be careful about the selection of the cut off age. If the proceeds of a carbon tax are shared in proportion to total population, the US and the EU are big net contributors, China is moderate net contributor, and Africa is a big

5) See e.g. Case & Deaton 1998.

beneficiary. If the proceeds are shared in proportion to the population over 65, the net contributions of the US and China are reduced, but the EU's net contribution is turned into a net benefit, and Africa's net benefit into a net contribution. By the time the world is ready for a scheme of this sort, African life expectancy might have caught up sufficiently. If not, age 65 is not the right criterion.

Table 1
Shares of world population and carbon emissions

	US	EU	CN	A	KOR
Share of world carbon emissions	20.0	13.7	21.5	3.6	1.6
Share of world population	4.7	7.4	19.7	14.8	0.7
Share of world population 65+	7.6	16.3	20.9	0.4	1.0

Sources: www.wolframalpha.com + Wikipedia "List of countries by carbon dioxide emissions" (January 2010)

A Euro-dividend?

There are, of course, good reasons to believe that we lack the political structures and administrative capacity to implement anything like a worldwide basic income at the world level in the foreseeable future, whether or not it is age-restricted, whether it is funded by a carbon tax or through some other means. Hence the importance — both for its own sake and as a prelude to worldwide schemes — of considering moves in this direction on a scale that is smaller, yet still large enough to incorporate many countries and thereby to counter the pressure of tax and social competition that hinders the capacity of each of them to carry out generous redistribution. One might

imagine something of this sort emerging in the context of NAFTA or Mercosur.⁶⁾ Because of the unprecedented process of supra-national institution-building which has gradually given it its present shape, the most prominent example of a relevant intermediate entity is the European Union.

As the single European market strengthens its grip on the margin of freedom of the member state's distributive policies, the call for a more social Europe is getting more vigorous — and is related to part of the public opinion's hostility to the present “neo-liberal” state of the European institutions. A more social Europe can mean more ambitious labor standards, or more investment in poor regions for the sake of social cohesion, or the adoption of targets for the employment of the less skilled. And in these various dimensions, it is already well on its way. As national transfer systems are coming under pressure, however, a more social Europe can also and arguably must mean a direct involvement of the EU in inter-personal transfers. This should not amount to trying to erect an EU-wide mega-welfare state. The refinements of health care and education systems are best left to the member-states or their components. Moreover, as mentioned earlier, the threat to social insurance systems in the strict sense — as distinct from genuinely redistributive systems — is sufficiently mild not to justify the development of EU-wide systems, even though increased trans-national worker mobility may foster convergence across member states. 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) 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 funds devoted to income support in the European

6) Howard (2007) makes a plea for a basic income at the level of NAFTA.

Union highly desirable. They suggest paying about 100 dollars per month to each European citizen whose income is below one third of the average income in the European Union, i.e. below about 450 dollars 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 could be characterize as an inequality trap at the country level. To understand its nature, consider two countries with the an identical average income. However the scheme is funded, the one in which incomes are more unequally distributed will tend to have a higher proportion of its population below the chosen threshold and hence to benefit more from it (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 to determine whether some citizen's income falls below the threshold. What should be included in this income — homegrown food, home ownership, the earnings of one's co-habiting partner, etc. — or excluded from it — work-related expenses, alimonies, expenses for one's minor children, etc. — and how intrusively income tests can or must be conducted are notoriously tricky issues which are unlikely to find workable solutions on a supranational level.

An apparently more radical proposal is therefore arguably far more realistic.⁷⁾ It consists in introducing a basic income throughout the EU at a level that could vary according to the average cost of living in each of the member states. This Euro-dividend could, for example, amount to 100 dollars net per month in the countries with the highest cost of living and be lower in others. With time, an upward convergence would gradually take

7) See Van Parijs & Vanderborght (2001).

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 gets rid in one swoop of 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 that fall below the chosen threshold.

Like a worldwide basic income, such a Euro-dividend would need to be introduced gradually. But the category with which it makes most sense to start is unlikely to be again the older citizens. Some have argued that one should start with farmers. By far the largest item in the budget of the European Union is the so-called 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.⁸⁾ 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. ⁹⁾ Confining the payment to a particular age group may therefore again be the best option if one is to move gradually to a universal basic income. However, the European Union sees itself as having to address insufficient

8) 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 a whole chapter in Gantelet & Maréchal (1992).

9) To give an order of magnitude: The agricultural policy is costing about 50 billion EUR (46.7% of the total EU budget in 2006), i.e an average of about 5000 EUR annually (or 500 USD monthly) per full-time farmer. Source: Wikipedia “Budget of the European Union”, 2006 figures (consulted January 2010).

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. It is therefore not surprising an EU-wide universal child benefit should have been proposed as the next step towards a genuine Euro-dividend?¹⁰⁾

Whether reaching the whole population or restricted to children, a Euro-dividend needs to be funded. How? One could think of reassigning the agricultural expenditure and the so-called structural funds. But part of this expenditure arguably serves a valuable non-redistributive purpose, and even if the bulk of the corresponding revenues could be reallocated to the funding of a Euro-dividend for all European citizens, the level of the latter would have a hard time exceeding EUR 10 per month.¹¹⁾

A more plausible alternative that has been explored is a tax on the use of fossil energy.¹²⁾ Long before climate change became a major concern, such a tax could be justified by the need to slow down the depletion of a valuable natural resource out of fairness to future generations and by 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, and the recommended level of tax may well exceed the competitive value of the volume of emission permits that derive

10) See e.g. Atkinson (1993).

11) The agricultural expenditures of EUR 50 billion would amount to about EUR 100 per capita annually. This could reach EUR 160 if the 32 billion of structural funds could be added. (Source: Wikipedia "Budget of the European Union", 2006 figures, consulted January 2010). If restricted to children up to 15, the amounts would be about EUR 650 and EUR 1070 per annum, respectively.

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

from global climate considerations, as discussed above in connection with the idea of a global basic income.¹³⁾

It is of course a necessary feature of a basic income funded in this way that it 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 massively the case across regions of the world, but less so across member states of the European Union. Nor is it problematic if differences are essentially determined by the extent to which the various countries adopt effective energy-saving strategies: 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 feature, in particular how cold its climate happens to be. One might 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. But 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 transnational 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, the definition of taxable personal income is extremely sensitive politically. What expenses can be deducted from earnings? How does the composition of the household affect the amount of personal income that

13) For example, by extrapolating some earlier estimates (Genet & Van Parijs 1992), one can expect a tax corresponding to reasonable assessments of the negative externalities associated with the use of fossil energy to yield a monthly revenue of slightly above EUR 100 per capita at the European level.

is taxable? How are home ownership and mortgages being taken into account? And so on. Personal income taxes, like means-tested benefits, therefore, are likely to remain a national or even sub-national prerogative.

At the European level, there is, however, a far more straightforward alternative: the Value Added Tax, an indirect tax 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.¹⁴⁾ Whether in developed or in less developed countries, the main advantage claimed for VAT over the income tax at the national level is that it has a broader tax bases that extends more widely beyond wages and that it turns out to be, if anything, less regressive than actual income tax schemes, adulterated as they are by exemptions, discounts, loopholes and sheer evasion. This argument is also relevant at the European level. But at that 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, VAT is already used for the funding of part of the EU budget, and the fixing of rates by each member state is strongly constrained by EU legislation. 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.¹⁵⁾

14) For example by Roland Duchâtelet (1992, 1998) for Belgium and by Pieter Leroux (2006) for South Africa.

15) As came up in the US debate on “fair tax” proposal, a very modest basic income — the Republican presidential candidate Mike Huckabee’s “prebate”, for example — 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 already poor without being taxed are not made ever poorer by the tax. Suppose, for example, that the poverty threshold is fixed at 600 dollars per person per month and that the rate of VAT is 20%. 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

When funded in this way, a Euro-dividend, just as any other supra-national basic income, would operate a systematic redistribution of wealth from the richer to the poorer parts of the territory concerned, from the metropolitan to the rural areas. It would thereby help stabilize the population and avoid some of the undesirable externalities of migration. Whether funded in this or in any other way, a Euro-dividend would create no perverse incentives on the individual or national level. Nor would 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, it would help strengthen them and stabilize their diversity.

National basic incomes in a global economy?

The Euro-dividend was discussed here as a not too fanciful example of how a basic income could 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. But compared to these schemes, it suffers from a major disadvantage, namely that 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 political institutions and a plurality of distinct public opinions and public debates separated by the use of distinct languages.

As regards a politically sustainable generous basic income, therefore, we may 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 an example of a regional basic income, we now turn to the third possible response to our initial challenge. Admittedly, greater

dollars x 20/100 = 120 dollars per month.

homogeneity comes at the cost of greater vulnerability to “opportunistic” behavior by both net contributors and net beneficiaries. Such vulnerability to social and tax competition is reduced when the geographically more limited scheme can operate against the background of a geographically broader redistributive system. When firms and people are mobile, a country may wish to reduce its degree of redistribution in order to attract or keep taxpayers and businesses or in order to dissuade social benefit claimants. But if, owing to the existence of some supranational redistributive scheme, the former contribute and the latter benefit to some extent whether in or out of the country, reducing the degree of intra-national redistribution is a less compelling option. However, as long as trans-national redistribution across relevant countries is weak or inexistent, generous national redistribution will remain highly vulnerable in a world characterized by high and increasing trans-national mobility.

How can this vulnerability be reduced? Firstly, by maintaining or strengthening linguistic obstacles to migration. If the language spoken in each country is different from the language spoken in any other and difficult to learn by non-natives, generous solidarity would be sustainable in all of them even in the absence of any administrative obstacle to migration: both potential beneficiaries and current contributors would balk at the prospect of heavy investment in language learning. These linguistic obstacles tend to shrink, however. As regards the migration of potential beneficiaries, the linguistic obstacles are being eroded by the growth of diasporas that retain their original language and therefore 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 to settle abroad, domestically and professionally, especially of course but not only in the English-speaking parts of the world. Nonetheless, as long as they exist,

these linguistic differences and the associated 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.¹⁶⁾

Can one think of any other protection against the race to the bottom? Certainly. Administrative obstacles to the entry of “undesirable” beneficiaries are easier to imagine, and indeed 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 (1526), recommended that each municipality should look after its own poor and deal as follows with those coming from elsewhere: give them “a modest viaticum” and, unless they are coming from a region at war, send them back home. Two and a half centuries later, Adam Smith (1776: ch.10) refers an English rule that stipulates an “undisturbed residence” of forty days is required before a poor person can become of the “own poor” for whom each parish has to provide. And when Governor Cristovam Buarque introduced a guaranteed minimum for families in the Federal District of Brasilia in the mid-1990s, a residence period of ten years was imposed before newcomers from other parts of Brazil could claim the benefits.

Obstacles of this kind may be struck down on grounds of discrimination among citizens of the same country, as was the case for the first version of the Alaska dividend scheme, which differentiated the amount to which a resident was entitled according to the length of residence in the state. It is because this first version was declared in breach of the principle of equality between all US citizens, that the final version of the dividend took the form of a straight universal basic income.¹⁷⁾ Even at the supra-national level of the European Union, the ban on discrimination between EU citizens make it tricky to protect member state systems in this way, which is of course, along

16) See Van Parijs (2009) and Van Parijs (forthcoming, chapter 4).

17) See e.g. (see Hammond 1994)

with free movement across the borders of welfare states, part of what feeds the pressure in favor of EU-wide schemes.

At the level of the EU taken 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, this sort of administrative obstacle is of course perfectly possible, and indeed massively used. Which is not to say that they are easy to implement: illegal immigration and subsequent regularization with equal rights to social protection must be regarded as facts of life. Moreover, such obstacles give rise to 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 no doubt 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. When tackling it as well as possible, one must bear in mind that the ultimate aim of global distributive justice is not best served by a policy of open and non-discriminatory borders that would end up undermining existing institutionalized solidarity.

The latter does not only protection against the immigration of net beneficiaries, but also against the emigration of net contributors. And as regards the latter, administrative obstacles are of precious little help. Is there anything else at our disposal? Perhaps some “territorial patriotism” (as opposed to an ethnic one), i.e. some sort of attachment to a place, some sort of allegiance or fidelity to the political community it houses 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.¹⁸⁾ Of course this attitude lay tend to be harder to sustain as the

18) See Steiner (2002) for a critique of this “solidaristic patriotism”, and Van Parijs (2002: 209-212) for a response.

community becomes both less distinctive (externally) and more heterogeneous (internally) as a result of globalization and migration. But when combined with the preservation of language borders and administrative buffers against the immigration of potential net beneficiaries, there is no reason to believe that such “patriotism of place” would not suffice to preventing a comparatively generous single-country basic income from falling prey to the race to the bottom.

What about the second aspect of the challenge of migration: 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 but worse than more vigorous or 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 creating a vicious circle of exclusion, it is worth considering the option of connecting the right to benefits to the duty to attend language courses, for example. 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.

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. And wherever sufficient leeway has been kept at the national level, there is also still ample room — as argued here — and many good reasons — as argued elsewhere¹⁹⁾ — to reform existing welfare states so that they incorporate at their very core a universal and unconditional individual basic income.

19) See Vanderborght & Van Parijs (2005).

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Basic Income versus Minimum Income Guarantee

Ronald Blaschke

Ladies and gentlemen,
Friends of the basic income,

I would like to share with you today a number of thoughts on the subject of a “basic income” versus a “minimum income guarantee”. I will begin by defining the two terms, setting out what they have in common and what separates them. Then I will examine the fundamental criticisms of a minimum income guarantee. Finally, I will address the advantages of a basic income (UBI strong) compared to a minimum income guarantee.

1. Minimum income guarantee and basic income: common features and differences

a) Common features

Minimum income guarantees and basic income have a number of features in common:

-They are both tax-funded, monetary transfers from the community to people. These transfer payments are not dependent on the recipient having made social-security contributions prior to receiving them, as is, for example, the case in traditional social insurance systems.

-Both also differ from traditional social insurance systems in

terms of the amount transferred, or fundamental entitlement, which is the same for all recipients. By contrast, the level of individual transfer payments from social insurance funds (for example, pensions from general pension insurance or unemployment benefit from unemployment insurance) depend on the amount and duration of the social security contributions made by the recipient for that specific form of insurance (pension, unemployment).

In other words, minimum income guarantees and basic income are monetary transfers which move away from the quid pro quo-based logic of the traditional insurance principle, which is still predominant in some European countries with a conservative welfare regime¹⁾ (Germany and Austria, for example). Given that, in traditional forms of social insurance, social security contributions are levied on an individual's income from paid employment, it is possible to describe both minimum income guarantees and basic income as a weak decoupling of transfer payments from paid employment. Entitlement to a transfer payment and its level are independent of previous paid employment and the level of previous income from paid employment.

Another feature which minimum income guarantees and basic income can have in common is the amount transferred: specifically, when a minimum income guarantee and a basic income are intended to be high enough to secure the recipient's livelihood and ability to participate in society.

From now on, when I refer to minimum income guarantees or basic

1) Cf. the typology of European welfare regimes in Gøsta Esping-Anderson: *The three worlds of welfare capitalism*. Princeton 1990.

income, I am only referring to regular transfer payments, not one-off monetary transfers.

b) Differences between a minimum income guarantee and a basic income

Before I go on, I should note that the distinctions I make relate to minimum income guarantees and basic income in their purest forms. Systems which are a hybrid of the two are also possible.

Minimum income guarantees, firstly, involve payments made only to those in need. This means that a genuine entitlement only exists when people can submit proof that they are in need (poverty; lack of or inadequate income). Means testing is carried out before the payment is made. A bureaucracy responsible for administering the payments examines applicants' monetary and non-monetary income and assets. Secondly, the needy are generally not entitled to the transfer payment as individuals; instead it is the family or household of the person concerned which is considered. Consequently, the means testing applies to the entire family or household of the person in need. Thirdly, minimum income guarantees are usually conditional on the recipient's willingness to take on paid employment and/or can only be received if the recipient performs a service in return (by performing work, carrying out and providing evidence of certain activities, or what is referred to as 'participating in overcoming need', etc).

Minimum income guarantees are welfare benefits. They developed in Europe from welfare measures to support the poor.

I would like to make two introductory comments regarding the definition of basic income:

1. I use the term ‘basic income’, or BI, as a synonym of ‘unconditional basic income’, or UBI.
2. The definition provided here is based on the definition and statutes of Netzwerk Grundeinkommen, the German Basic Income Network (a member of the Basic Income Earth Network – BIEN).

Basic income is a transfer payment which, firstly, is not means-tested; secondly, is individually guaranteed; and thirdly is paid to an individual by the community without an obligation for the individual to engage in wage and salary employment (strong decoupling from paid employment) or perform another service in return – and, fourthly, is an amount which secures the individual’s livelihood and enables them to participate in society (UBI strong²⁾). For Germany, this fourth criterion would be met by a net basic income of 800 to 1000 euros per month (plus free health insurance for those with no additional sources of income). This fourth criterion regarding the level of the basic income – which is based on the German poverty threshold as defined by EU standards – goes beyond BIEN’s consensus on basic income. For Netzwerk Grundeinkommen, the fourth criterion is the result of the painful experience of supposed ‘reforms’ in Germany which sought – and achieved – a deterioration in the social situation of many groups in society. Netzwerk Grundeinkommen therefore explicitly incorporated in its statutes, in addition to the fourth criterion relating to a basic income, the following passage: “A basic income aims to contribute to eradicating poverty and social want, to increasing personal freedoms and to making lasting a improvement to each individual’s opportunities for development and the social and cultural situation of the community.”³⁾ This seeks to draw a clear line between the

2) According to this definition, a basic income = unconditional basic income (UBI); a basic income which is sufficient to secure an individual’s livelihood and allow them to participate in society =UBI strong.

idea of a basic income and its misuse for political projects to cut social services. It should also be noted, regarding the fourth criterion, that a basic-income-style transfer which does not secure livelihoods and the ability to participate in society⁴⁾ in fact runs counter to several guiding principles of a basic income: a low basic income, also known as a “partial basic income”, firstly forces individuals to engage in paid employment in order to survive and to avoid exclusion from society. Or, secondly, it means a continued dependence on bureaucratic transfer systems to top up the low basic-income-style payment in cases of proven need. In addition, thirdly, it prevents the positive effects of a basic income: those who receive a partial basic income are neither in a position to say no to poor employment conditions, nor to say yes, without concern for material considerations, to participation in the shaping of employment conditions. This is also the case regarding partnerships and interpersonal relationships. Infringing the fourth criterion of a basic income means, in reality, a situation of economic need which prevents the individual gain in freedom offered by a basic income.

Going beyond these four criteria for a basic income, there is a fifth which merits discussion: if the term “unconditional” is taken seriously, a basic income should be strictly universal in nature. This means it is unacceptable to restrict entitlement to the basic income to citizens or persons of a specific nationality. If a basic income is unconditional, no conditions can be placed on entitlement to the payments – including membership of a specific group of people. This is also prohibited by the basic income’s human rights aspect. The sole condition is membership of the human race. This fifth criterion in defining the concept of a basic income is also enshrined in the statutes of Netzwerk Grundeinkommen: “Netzwerk Grundeinkommen brings together

3) Cf. <http://www.grundeinkommen.de/ueber-uns> (German only).

4) This refers to a partial basic income (PBI).

individuals, organisations and initiatives with the aim of introducing an unconditional basic income for all people.”⁵⁾ Discussions about the introduction of a basic income at global and national or regional level are on the rise. Discussions about various means of implementing a basic income as a global social right are also taking place in Germany. By contrast, neo-fascist groups in Germany are also trying to abuse the idea of basic income for their own ends: their slogan of “a basic income for Germans” is a perversion of the humanist, democratic and human rights principles of the concept of a basic income, and must be combated.

A strong definition of basic income (UBI strong) thus has five components: the basic income is a transfer payment guaranteed to all individuals without means testing and without an obligation to engage in paid employment or perform another service in return, in an amount which secures their livelihood and ability to participate in society.

In general, a distinction can be made between two different forms of basic income:

A ‘social dividend’ (or genuine basic income) is paid in full before any tax assessment takes place. The same amount is in principle paid to all, although differences may exist between different age groups. By contrast, in the case of a ‘negative income tax’ (non-genuine basic income), the amount to which individuals are entitled – which is the same for everyone – is used to offset their tax liability prior to payment. In other words, the basic income is only paid after the tax liability has been offset. The amount of basic income actually paid can therefore range from zero to the full amount. In other words, in the case of the negative income tax, a de facto form of means testing is carried out by the tax office, in the form of tax offsetting. From

5) Cf. <http://www.grundeinkommen.de/ueber-uns> (German only).

both a socio-psychological and administrative perspective, the negative income tax is the less effective of the two forms of basic income, because the amount actually paid out is unequal, depending on individuals' tax liabilities. The principle of equal entitlement for all is obscured by the process of using the basic income to offset tax liabilities. In addition, variations in income must be taken into account by recalculating tax liabilities and the level of basic income. This bureaucracy can only be prevented if the average tax liability from the previous year is used to calculate the amount of basic income paid out to each individual, meaning that a flat-rate basic income is calculated until the next tax assessment. This, however, makes the negative income tax very similar to a social dividend. The social dividend, on the other hand, has the disadvantage that initially a large amount of money must be raised to finance the payment to everyone in society, which only subsequently will be refinanced via tax revenue.

I would like to make one more comment regarding the negative income tax: it is also used in several countries (for example, the United States and the UK) to top up the income of specific groups – for example families and people with low income from paid employment – via tax credits. This form of fiscal support, at taxpayers' expense, for companies which pay low wages is rightly criticised by many. In addition, there are transfer systems in the form of a negative income tax where, instead of the individual's tax liability being assessed, a tax unit is assessed (for example, a married couple might be assessed jointly). It is evident that certain forms of income tax do not meet several of the criteria to be considered a basic income.

2. Fundamental criticisms of minimum income guarantees

Fundamental criticisms of minimum income guarantees can be made on three levels:

a) Bureaucracy:

Conditional, means-tested transfer payment systems generally require a high level of bureaucratic control and review.

b) Impact on society and related problems (dependency-charity relationship, social division, tyranny of the majority, low wages/“combi-wages”⁶⁾, a focus on the market instead of people’s needs, a failure to combat poverty)

1. Conditional, means-tested transfer payment systems result in relationships of dependency and charity within society. Recipients are made dependent on the charity of taxpayers, who transfer a portion of their income to the poor and needy.

2. Minimum income guarantees produce an institutional division of society into the haves and the have-nots. This encourages debates in terms of ‘envy’ and ‘freeloaders’. These in turn frequently lead to further cuts in social services.

3. The dependency-charity relationship is exacerbated by the fact that the have-nots are outnumbered by the haves. This can consolidate tyrannies of the majority (in the form of purely quantitative majorities).

4. Further problems exist, however: the level of the minimum income guarantee has to be below the level of minimum or collectively agreed wages; otherwise, many people in paid employment and their families or household members would be included in the discriminatory and stigmatising

6) “Combi-wages” are defined as a combination of low wages supplemented by state benefits, for example in the form of social transfer payments.

system of the minimum income guarantee. The minimum income guarantee would then function as a comprehensive “combi-wage”, using taxpayers’ money to subsidise companies which pay low wages.

5. If this “combi-wage” trap is to be avoided, the minimum income guarantee cannot be set by focusing on what people genuinely need to secure their livelihoods and participate in society (needs-oriented), but will in fact be set at a level below the highest possible minimum or collectively agreed wage (market-oriented; unemployment trap).

6. If, however, it is politically impossible to achieve wages which secure livelihoods and the ability to participate in society, this means that the level of the minimum income guarantee must also be below the level required to secure livelihoods and the ability to participate in society. This would be a clear violation of the human right to social security and participation in society.

c) Violation of human rights⁷⁾

1. Minimum income guarantees always impose discriminatory and stigmatising conditions, rules, checks and scrutiny on those in need. This is an important reason why minimum income guarantees are not taken up by some of those in need, despite a legal entitlement. In Germany, we call this phenomenon “hidden poverty”. Thirty per cent of those in Germany who are able to work and are eligible for benefits under the minimum income

7) From a development policy perspective, the Human Rights Director of the FoodFirst Information & Action Network (FIAN), Rolf Künemann, has written a publication expressing criticism on human-rights grounds of means-tested and conditional transfer systems. Cf. Rolf Künemann: Basic food income – option or obligation? 2005; <http://www.fian.org/resources/documents/others/basic-food-income-2013-option-orobligation/pdf>.

guarantee do not claim them. As a result, due to the structure of the transfer payment system – for institutional reasons, in other words – the human right to social security and participation in society is not respected.

2. Minimum income guarantees that involve an obligation to work violate the human right to “work which he freely chooses or accepts”⁸⁾ and the prohibition against forcing people to carry out work, for example by threatening them with penalties (prohibition of forced labour).⁹⁾ Work which someone is forced to carry out to avoid the penalty of social benefits being cut or even withdrawn entirely is not freely chosen or voluntary.

3. Social transfer payments which are withheld from the needy in whole or in part due to non-fulfilment of any kind of legally enshrined condition (for example willingness to work or accept a job, or other conditions) violate, as in the case of hidden poverty, the human right to social security and participation in society.

3. The advantages of the basic income (UBI strong) compared to minimum income guarantees

Compared to these criticisms and problems of a minimum income guarantee, the basic income has the following advantages, which counter the

8) International Covenant on Economic, Social and Cultural Rights, Article 6, 1 (1966): “The States Parties to the present Covenant recognize the right to work, which includes the right of everyone to the opportunity to gain his living by work which he freely chooses or accepts ...”

9) International Covenant on Civil and Political Rights, Article 8, 3 (1966): “No one shall be required to perform forced or compulsory labour.” Forced Labour Convention (Convention 29, 1930), International Labour Organization, Article 2, 1: “For the purposes of this Convention the term forced or compulsory labour shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.”

criticisms and largely eliminate the problems:

Regarding point a): Basic incomes abolish all socio-administrative bureaucracy for securing people's livelihoods and ability to participate in society in monetary terms.

Regarding point b): People's poverty and need is just one justification for a basic income. But it does eliminate poverty in a radical way while respecting human rights. However, the basic income is also justified by other human-rights concerns (freedom, human dignity, prohibition of forced labour) and by each individual's entitlement to share in our natural resources and cultural heritage. Taken together, this decisively weakens the dependency-charity relationship. As each individual is entitled to the basic income, the risk of a social divide is countered and a tyranny of the majority prevented. As other sources of income can be earned in addition to the basic income, the problems resulting from the market orientation of minimum income guarantees and their "combi-wage" traps are largely eliminated. In combination with minimum and collectively agreed wages, basic incomes effectively prevent unwanted "combi-wage" effects.

Regarding point c): A basic income radically eliminates hidden poverty and income poverty in general. The right to work which has been freely chosen is largely achieved (most effectively when instruments to redistribute paid employment are implemented alongside the basic income). People can no longer be forced to work due to economic need and social exclusion resulting from the total or partial withdrawal of social benefits.

Ladies and gentlemen, in closing I would like to emphasise again that the advantages of the basic income compared to minimum income guarantees

exist only if the basic income is available to all at a level which genuinely secures individuals' livelihoods and ability to participate in society (fourth criterion relating to basic income, UBI strong). Partial basic incomes (low, basic-income-style transfer payments, PBI) are unable to eliminate the fundamental problems of minimum income guarantees!

Thank you.

Grundeinkommen (Basic Income) versus Grundsicherung

Ronald Blaschke | Die Linke

Sehr geehrte Damen und Herren,
liebe Freundinnen und Freunde des Grundeinkommens,

im Folgenden möchte ich einige Gedanken zum Thema Grundeinkommen versus Grundsicherung vortragen. Zuerst werde ich beide Begriffe definieren. Gemeinsamkeiten und Unterschiede werden dargestellt. Danach sollen grundsätzliche Kritiken an der Grundsicherung dargelegt werden. Begründet werden sollen drittens die Vorzüge eines Grundeinkommens (UBI strong) gegenüber der Grundsicherung.

1. Gemeinsamkeiten und Unterschiede von Grundsicherung und Grundeinkommen

a) Gemeinsamkeiten

Grundsicherungen (oder auch Mindestsicherungen) und Grundeinkommen haben Gemeinsamkeiten:

- Sie sind beide steuerfinanzierte und monetäre Transfers eines Gemeinwesens an Menschen. Diese Transfers sind nicht abhängig von Sozialabgaben, die durch die Transferbezieher vor dem Transferanspruch erbracht werden müssen, so wie es zum Beispiel bei den traditionellen Sozialversicherungssystemen der Fall ist.
- Beide unterscheiden sich auch bezüglich ihrer Höhe von traditionellen Sozialversicherungssystemen: Die Höhe des Transfers bzw. des grundsätzlichen Transferanspruches ist für alle Transferbeziehenden gleich

hoch. Die individuelle Höhe der Transfers der Sozialversicherungen (zum Beispiel die Rente aus einer allgemeinen Rentenversicherung oder das Arbeitslosengeld aus einer Arbeitslosenversicherung) sind dagegen abhängig von der Höhe und Dauer der durch den jeweiligen Transferbezieher zuvor geleisteten Sozialabgaben für den entsprechenden Versicherungsbereich (Rente, Erwerbslosigkeit).

Grundsicherungen und Grundeinkommen sind also monetäre Transfers, die diese Äquivalenzlogiken des traditionellen Versicherungsprinzips aufgeben, wie sie in einigen Ländern Europas mit einem konservativen Wohlfahrtsregime noch vorherrschend sind (zum Beispiel in Deutschland, Österreich). Insofern traditionelle Sozialversicherungen die Sozialabgaben auf die individuellen Einkommen aus Erwerbsarbeit erheben, kann sowohl bei Grundsicherungen als auch bei Grundeinkommen von einer **schwachen** Entkopplung des Transfers von Erwerbsarbeit gesprochen werden. Denn der Anspruch auf einen Transfer bzw. dessen Höhe ist **unabhängig** von einer **vorher** geleisteten Erwerbsarbeit bzw. der Höhe des **vorherigen** Erwerbseinkommens.

Eine weitere Gemeinsamkeit von Grundsicherungen und Grundeinkommen kann in der angestrebten Höhe des Transfers liegen: nämlich dann, wenn Grundsicherungen als auch Grundeinkommen so hoch sein sollen, dass sie die Existenz (livelihood) und die gesellschaftliche Teilhabe (participate in society) des Transferbeziehers absichern.

Im Folgenden werde ich unter die Begriffe Grundsicherung und Grundeinkommen lediglich regelmäßig gezahlte Transfers subsumieren. Einmalige monetäre Transfers fallen somit aus der Betrachtung heraus.

b) Unterschiede zwischen Grundsicherung und Grundeinkommen

Vorbemerkung: Die hier gemachten Unterscheidungen sind idealtypisch. Mischformen von Grundsicherung und Grundeinkommen sind möglich.

Grundsicherungen (auch Mindestsicherungen) werden erstens lediglich an Bedürftige ausgezahlt. Das heißt, eine tatsächliche Anspruchsberechtigung besteht erst dann, wenn die betreffenden Personen einen Nachweis ihrer Bedürftigkeit (Armut, keine oder geringe Einkommen) erbringen können. Es erfolgt vor der Auszahlung des Transfers eine Bedürftigkeitsprüfung (means test). Monetäre und auch nichtmonetäre Einkommen und Vermögen der betreffenden Personen werden bei Antragstellung auf den Transfer durch eine Sozialadministration überprüft. Zweitens sind in der Regel die Bedürftigen nicht als Individuum Anspruchsberechtigte auf die Transferleistung, sondern die Familie oder der Haushalt der betreffenden Person. Das heißt, die Bedürftigkeitsprüfung erstreckt sich auf die ganze Familie oder den Haushalt des Bedürftigen.

Drittens sind Grundsicherungen in der Regel von der Bereitschaft zur Annahme einer Erwerbsarbeit durch den Grundsicherungsbeziehenden abhängig und/oder nur gegen eine Gegenleistung (in Form von Arbeitseinsatz, von Ableistung und Nachweis bestimmter Tätigkeiten oder von einer sogenannten Mitwirkung bei der Überwindung der Bedürftigkeit usw.) erhältlich.

Grundsicherungen sind Fürsorgeleistungen. Sie sind in Europa entstanden aus der Armenfürsorge.

Zwei Vorbemerkungen für die Definition des Grundeinkommens:

1. Diesen Begriff Grundeinkommen (Basic Income, BI) verwende ich

synonym für den Begriff bedingungsloses Grundeinkommen (Unconditional Basic Income, UBI).

2. Die hier gegebene Definition des Grundeinkommens orientiert sich an der Definition und den Statuten des Netzwerkes Grundeinkommen Deutschland (Mitglied des Basic Income Earth Networks – BIEN) .

Das Grundeinkommen ist ein Transfer, der erstens ohne eine Bedürftigkeitsprüfung, zweitens individuell garantiert und drittens ohne einen Zwang zur Erwerbs- und Lohnarbeit (starke Entkopplung von Erwerbsarbeit) oder zu einer anderen Gegenleistung an das Individuum von einem Gemeinwesen gezahlt wird – und zwar viertens in einer Höhe, die die Existenz und gesellschaftliche Teilhabe des Individuums ermöglicht (UBI strong).Für Deutschland wäre diese Bestimmung mit einer Höhe des Grundeinkommens von 800 bis 1.000 Euro Netto monatlich (plus einer kostenfreien Krankenversicherung, wenn keine weiteren Einkommen bestehen) erfüllt. Die vierte Bestimmung bezüglich der Höhe des Grundeinkommens, die sich an der Armutsgrenze für Deutschland gemäß EU-Standard orientiert, ist eine, die über den Konsens von BIEN bezüglich eines Basic Income hinaus geht. Für das Netzwerk Grundeinkommen ergibt sich diese vierte Bestimmung aus der leidvollen Erfahrung von sogenannten Reformen in Deutschland, die die Verschlechterung der sozialen Situation großer Bevölkerungsgruppen zum Ziel hatten und auch bewirkten. Deswegen hat das Netzwerk Grundeinkommen Deutschland in seine Statuten neben der vierten Bestimmung zum Grundeinkommen ausdrücklich auch folgende Formulierung aufgenommen: "Das Grundeinkommen soll dazu beitragen, Armut und soziale Notlagen zu beseitigen, den individuellen Freiheitsspielraum zu vergrößern sowie die Entwicklungs-chancen jedes Einzelnen und die soziale und kulturelle Situation im Gemein-wesen nachhaltig zu verbessern." Damit soll sich auch von einem Missbrauch der Grundeinkommensidee für politische

Sozialabbau-Projekte abgegrenzt werden.

Darüber hinaus ist zur vierten Bestimmung des Grundeinkommens zu bemerken, dass ein grundeinkommensähnlicher Transfer, welcher nicht die Existenz und die gesellschaftliche Teilhabe sichert, faktisch im Gegensatz zu einigen Leitideen des Grundeinkommens steht: Ein niedriges Grundeinkommen, auch partielles Grundeinkommen genannt, erzwingt erstens per Existenznot und gesellschaftlicher Ausgrenzung Erwerbsarbeit. Oder es bedeutet zweitens eine weiterhin bestehende Abhängigkeit von bürokratischen Transfersystemen, die den niedrigen grundeinkommensähnlichen Transfer bei nachgewiesener Bedürftigkeit aufstocken. Außerdem werden drittens positive Wirkungen des Grundeinkommens verhindert: Wer ein partielles Grundeinkommen erhält ist weder in der Lage, zu schlechten Erwerbsarbeitsbedingungen Nein noch zur partizipativen Gestaltung der Erwerbsarbeitsbedingungen materiell unangefochten Ja zu sagen. Dies gilt auch hinsichtlich partnerschaftlicher und zwischenmenschlicher Verhältnisse. Eine Verletzung der vierten Bestimmung des Grundeinkommens bedeutet faktisch eine ökonomische Not, die den individuellen Freiheitsgewinn durch ein Grundeinkommen verhindert.

Über die vier Bestimmungen des Grundeinkommens hinaus ist eine fünfte zu diskutieren: Wird der Begriff "bedingungslos" ernst genommen, müssen Grundeinkommen einen strikten universellen Charakter haben. Das heißt, eine Einschränkung des Grundeinkommensanspruches auf den Staatsbürger oder auf Menschen einer bestimmten Nationalität verbietet sich. Ein bedingungsloses Grundeinkommen kann keine Bedingungen für den Transferanspruch setzen – auch nicht hinsichtlich der Zugehörigkeit zu einer bestimmten Menschengruppe. Dies verbietet auch der Menschenrechtscharakter des Grundeinkommens. Einzige Bedingung ist die Zugehörigkeit zur Menschengattung. Diese fünfte Bestimmung des Begriffes Grundeinkommens ist ebenfalls in den Statuten des deu

tschen Netzwerkes Grundeinkommen verankert: "Das Netzwerk Grundeinkommen ist ein Zusammenschluss von Einzel—personen, Organisatio—nen und Initiativen mit dem Ziel, ein bedingungs—loses Grundeinkommen für alle Menschen einzuführen." Die Diskussionen über die Einführung eines Grundeinkommens in globaler und nationaler bzw. regionaler Perspektive sind im Aufschwung. Diskussionen über verschiedene Umsetzungsmöglichkeiten des Grundeinkommens als ein Globales Soziales Recht werden auch in Deutschland geführt. Im Gegensatz dazu versuchen auch neofaschistische Gruppierungen in Deutschland die Grundeinkommensidee für ihre Zwecke zu missbrauchen: Deren Parole "Grundeinkommen für Deutsche" ist eine zu bekämpfende Perversion des humanistischen, demokratischen und menschenrechtlichen Grundeinkommensgedankens.

In seiner starken Bestimmung des Grundeinkommens (UBI strong) ergeben sich also fünf Bestandteile: Das Grundeinkommen ist ein Transfer, der *ohne eine Bedürftigkeitsprüfung und ohne einen Zwang zur Erwerbsarbeit oder zu anderen Gegenleistungen allen Menschen in Existenz und gesellschaftliche Teilhabe sichernder Höhe individuell garantiert ist.*

Grundsätzlich können zwei Formen des Grundeinkommens unterschieden werden:

Die Sozialdividende (echtes Grundeinkommen) wird allen vor jeglicher steuerlicher Veranlagung in voller Höhe ausgezahlt. Der Transfer ist für alle gleich hoch. Eventuell bestehen Unterschiede bezüglich bestimmter Altersgruppen.

Dagegen wird bei der Negativen Einkommensteuer (unechtes Grundeinkommen) der für alle gleich hohe Transferanspruch vor der Auszahlung mit der Steuerschuld verrechnet. Das Grundeinkommen kommt somit erst nach dieser Verrechnung zur Auszahlung. Das tatsächlich

ausgezählte Grundeinkommen kann daher von Null bis zur vollen Höhe betragen. Faktisch wird bei der Negativen Einkommensteuer durch das Finanzamt eine Art Bedürftigkeitsprüfung in Form der steuerlichen Verrechnung vorgenommen. Sozialpsychologisch und administrativ gesehen ist die Negative Einkommensteuer die schlechtere Variante des Grundeinkommens. Denn die tatsächlich ausgezahlte Höhe ist je nach individueller Steuerschuld ungleich. Der allen Menschen gleichermaßen gegebene Anspruch verschwindet hinter der Verrechnung mit der Steuerschuld. Außerdem müssen Einkommensschwankungen durch Neuberechnungen der Steuerschuld und des Grundeinkommensbetrages berücksichtigt werden. Dieser bürokratische Aufwand kann nur dadurch verhindert werden, dass zur Berechnung des tatsächlich ausgezahlten individuellen Grundeinkommensbetrages die vorjährige durchschnittliche Steuerschuld berücksichtigt wird und somit eine entsprechende Grundeinkommenspauschale bis zur nächsten Steuerveranlagung berechnet wird. Dadurch nähert sich die Negative Einkommensteuer allerdings der Sozialdividende an. Die Sozialdividende dagegen hat den Nachteil, dass zunächst ein hoher gesamtgesellschaftlicher Auszahlungsbetrag aufzubringen ist, der erst in Folge steuerlicher Einnahmen refinanziert wird.

Zum Abschluss dieses Kapitels noch eine Bemerkung zur Negativen Einkommensteuer: Diese wird in mehreren Ländern (zum Beispiel in den USA und Großbritannien) auch genutzt, um für spezifische Personengruppen, zum Beispiel für Familien und Personen mit niedrigen Erwerbseinkommen, die Einkommen durch steuerliche Zuschüsse zu erhöhen. Diese Form der steuerlichen Förderung von Unternehmen mit Niedriglöhnen zu Lasten der Steuerzahler wird zu Recht von vielen kritisiert. Außerdem gibt es Transfersysteme in Form einer Negativen Einkommensteuer, in denen nicht das Individuum steuerlich veranlagt wird, sondern eine Steuergemeinschaft

(zum Beispiel eine gemeinsame Veranlagung mit dem Ehepartner). Es ist ersichtlich, dass bestimmte Einkommensteuern mehrere Bestimmungen des Grundeinkommens nicht erfüllen.

2. Grundsätzliche Kritik an Grundsicherungen

Die grundsätzliche Kritik an Grundsicherungen kann auf drei Ebenen geführt werden:

a) Bürokratie

Transfersysteme, die an Bedingungen und Bedürftigkeitsprüfungen gebunden sind, erfordern grundsätzlich ein hohes Maß an bürokratischem Kontroll- und Prüfungsaufwand.

b) Gesellschaftliche Wirkung und Probleme (Abhängigkeits- und Gnadverhältnis, Spaltung der Gesellschaft, schlechte Demokratie, Niedriglohn/Kombilohn, Markt- statt Bedarfsorientierung, keine Armutsbekämpfung)

1. Transfersysteme, die an Bedingungen und Bedürftigkeitsprüfungen gebunden sind, erscheinen als gesellschaftliche Abhängigkeits- und Gnadverhältnisse. Die Steuerzahler erweisen den Transferbeziehern eine Gnade, insofern sie von ihrem Einkommen einen Teil den Armen und Bedürftigen abtreten.

2. Die Gesellschaft wird durch Grundsicherungen institutionell in Nichtbedürftige und Bedürftige gespalten. Neid- und Sozialschmarotzerdebatten werden befördert. Diese wiederum führen häufig zu weiterem Sozialabbau.

3. Das Abhängigkeits- und Gnadverhältnis wird auch durch die

quantitative Unterlegenheit der Bedürftigen gegenüber den Nichtbedürftigen befestigt. Schlechte Demokratien (quantitative Mehrheiten) werden verfestigt.

4. Es bestehen aber weitere Probleme: Die Höhe der Grundsicherung muss unterhalb der Höhe von Mindest- bzw. Tariflöhnen liegen, ansonsten werden viele Erwerbspersonen und deren Familien- bzw. Haushaltmitglieder in das diskriminierende und stigmatisierende Grundsicherungssystem einbezogen. Die Grundsicherung wirkt dann auch als flächendeckender Kombilohn und subventioniert mit den Geldern der Steuerzahler Unternehmen mit Niedriglöhnen (Kombilöhne).

5. Wenn die Kombilohnfalle umgangen werden soll, hat das zur Folge, dass die Höhe der Grundsicherungen nicht am tatsächlichen Bedarf der Menschen zur Sicherung der Existenz und gesellschaftlichen Teilhabe orientiert ist (Bedarfsorientierung), sondern faktisch an einem Niveau unterhalb des höchstmöglichen Mindest- bzw. Tariflohnes (Marktorientierung, Lohnabstand).

6. Sind nun aber politisch keine existenz- und teilhabesichernden Löhne durchsetzbar (Niedriglöhne), bedeutet dies wiederum, dass die Höhe der Grundsicherung unterhalb des Niveaus der Sicherung von Existenz und gesellschaftlicher Teilhabe liegen muss. Das wäre ein klarer Verstoß gegen das Menschenrecht auf soziale Sicherheit und gesellschaftliche Teilhabe.

c) Verletzung der Menschenrechte

1. Grundsicherungen sind immer mit diskriminierenden und stigmatisierenden Auflagen, Regeln, Überprüfungen und Kontrollen gegenüber den Bedürftigen verbunden. Dies ist ein wichtiger Grund dafür, dass Grundsicherungen von einem Teil der Bedürftigen, die einen rechtlichen Anspruch hätten, nicht in Anspruch genommen werden. In Deutschland nennen wir dieses Phänomen verdeckte Armut. 30 Prozent der erwerbsfähigen Anspruchsberechtigten in Deutschland realisieren ihren Anspruch auf

Grundsicherungsleistungen nicht. Damit wird aufgrund der Ausgestaltung des Transfersystems, also aus institutionellen Gründen, das Menschenrecht auf soziale Sicherheit und gesellschaftliche Teilhabe nicht garantiert.

2. Grundsicherungen, die mit einem Zwang zur Arbeit einhergehen, verletzen das menschenrechtliche Gebot des Rechts auf eine "frei gewählte oder angenommene Arbeit" und das Verbot der Erzwingung von Arbeit, zum Beispiel durch Androhung einer Strafe (Verbot von Zwangsarbeit). Arbeit, die unter Strafandrohungen in Form der Kürzung oder sogar des gänzlichen Wegfalls der Sozialleistung erzwungen wird, ist keine frei gewählte, keine freiwillige.

3. Soziale Transfers, die bei Nichterfüllung einer wie auch immer gesetzlich festgelegten Bedingung (zum Beispiel Arbeitsbereitschaft oder -aufnahme bzw. andere Auflagen) teilweise oder gänzlich den Bedürftigen vorenthalten werden, verletzen, wie im Falle der verdeckten Armut, das Menschenrecht auf soziale Sicherheit und gesellschaftliche Teilhabe.

Die Vorteile des Grundeinkommens (UBI strong) gegenüber Grundsicherungen

Gegenüber den genannten Kritiken und Problemen einer Grundsicherung hat das Grundeinkommen folgende Vorteile, die den Kritiken begegnen und die Probleme weitgehend beseitigen:

zu a) Grundeinkommen schaffen jegliche sozialadministrative Bürokratie bezüglich der monetären Sicherung der Existenz und gesellschaftlichen Teilhabe ab.

zu b) Das Grundeinkommen begründet sich nur teilweise aus der Armut und Bedürftigkeit von Menschen. Aber das Grundeinkommen beseitigt Armut radikal und menschenrechtskonform. Das Grundeinkommen begründet sich

aber auch aus anderen menschenrechtlichen Erwägungen (Freiheit, Menschenwürde, Verbot Zwangsarbeit) und aus der Anteilsberechtigung eines jeden Menschen an den natürlichen Ressourcen und am kulturellen Erbe. Diese Begründungszusammenhänge schwächen normativ entscheidend das Abhängigkeits- und Gnadenverhältnis. Da jede und jeder Anspruch auf das Grundeinkommen hat, wird einer Spaltung der Gesellschaft entgegengewirkt und einer schlechten Demokratie vorgebeugt. Da andere Einkommen additiv zum Grundeinkommen erworben werden können, sind auch die Probleme, die aus der Marktorientierung und der Kombilohnfalle der Grundsicherungen resultieren, weitgehend eliminiert. Grundeinkommen in Verbindung mit Mindest- und Tariflöhnen verhindern grundsätzlich ungewollte Kombilohneffekte.

zu c) Verdeckte Armut und Einkommensarmut generell wird durch ein Grundeinkommen radikal beseitigt. Das Recht auf eine frei gewählte Arbeit wird weitgehend realisiert (am wirkungsvollsten dann, wenn Instrumente der Umverteilung von Erwerbsarbeit zum Grundeinkommen hinzukommen). Arbeit kann nicht mehr aufgrund ökonomischer Not und sozialer Ausgrenzung durch den teilweisen oder gänzlichen Entzug von Sozialleistungen erzwungen werden.

Meine Damen und Herren, zum Abschluss sei noch einmal betont: Die Vorteile eines Grundeinkommens gegenüber Grundsicherungen bestehen nur, wenn tatsächlich ein Grundeinkommen in einer die Existenz (livelihood) und die gesellschaftliche Teilhabe (participate in society) sichernder Höhe für die Menschen verfügbar ist (vierte Bestimmung des Grundeinkommens, UBI strong). Partielle Grundeinkommen (niedrige, grundeinkommensähnliche Transfers, PBI) können die grundsätzlichen Probleme von Grundsicherungen nicht beseitigen!

Ich bedanke mich für Ihre Aufmerksamkeit!

Missing Women: The Forgotten Struggles of Single Mothers for Basic Income

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translated : Brian Small** and Toru Yamamori

“Why did we demand guaranteed basic income? Because it’s good for people”.

(Margaret, an ex-member of the Birmingham Claimants Union, as a single mother claimant during 1970’s)

“There was a part of reason we went to minimum guaranteed income demand, because half of the activists in claimants unions are single parents.....We lost in terms of achieving the Guaranteed Minimum Income demand. ...But it is happening”

(Julia, one of founders of the Birmingham Claimants Union, later in East London Claimants Union, as a single mother claimants)

There were social movements that demanded basic income or guaranteed income in and around 1970. In the U.K. and the U.S. These were mainly single mothers’ movements. In Italy, it was mainly the militant feminist movement (Yamamori [2009]).

A recent volume of the Basic Income Studies features the debate: “Should Feminists Endorse Basic Income” (The Basic Income Studies vol.3 issue3). This topic has been argued in the basic income literature for more than a decade. What is mysterious is that there is no mention of the feminist or

women's movements that actually made demands for BI in the past.

I have two aims for this paper. First and foremost to depict the movement in the U.K. that has been almost forgotten in the academic world, to save their voices from collective oblivion. And Secondly to explore why the single mothers' voices have been ignored by Basic Income academics.

This will be done not only retrospectively (though surely rescuing the forgotten voices of single mothers is worth doing in and of itself). There are two reasons to believe this history will serve well to support arguments for BI. One reason can be found in the context of today's Basic Income movement in Japan. After the publication of my *Beginning Basic Income* (Yamamori 2009), several feminist organizations in Japan (single mothers' organization, women's trade unions, care workers' organizations, a feminist education collective etc.) began showing interest in BI by inviting me to their organizations and then started organizing their own workshops on the subject. On the other hand the book also receives criticism in the vein that it "includes information about feminist movements though BI has nothing related feminism." Learning about movements in the past can be empowering for the single mothers of today that have begun to seek a Basic Income. Connecting the mothers with other groups supporting the implementation of a Basic Income could be important for movement building.

The second reason can be found in a more universal, theoretical context. If there are reasons for ignoring the contributions of single mothers, BI proponents should be clear on those reasons rather than just ignoring them. If there was a flaw in the reasoning that animated past movements, understanding that flaw should help refine current arguments in favor of Basic Income. Furthermore, single mothers raising their voices for a Basic Income is not limited to Japan, there is movement in Canada and a few other areas as well. Constructive criticism among these movement and BI researchers should be a positive force for the promotion of BI.

1. Single parents claimants activism in the U.K.¹⁾

In England, starting around 1968 there was a social movement that kept up its demands for a Basic Income for almost 20 years. It was the Claimants Union movement. It's said that the Claimants Union took shape in Birmingham during the time span of a year starting from the winter of 1968. After that Claimants Union sprung up in London and throughout the rest of England. They say that, by the end of 1969, over all of England there were almost 30 Claimants Unions. In March of 1970 the Claimants Unions of Birmingham, Brighton, East London, North London, West London and North Staffordshire gathered in Birmingham to form the National Federation of Claimants Unions. At the peak in the 1970's there were over 100 Claimants Unions.

Here "claimants" refers to the people who claim various social benefits and services; pensioners, the disabled, the sick, social assistance recipients, single parents, students, the unemployed, etc. While these people were not perceived as having common interests before, claimants unions sought to make their common interests explicit by recognizing a common enemy; i.e., the department of social security, and then pressing the same demand; i.e.,

1) This section is written based mainly on a series of interviews with former members of claimants unions. The first interview was held March 2002 at Newton Abbot with former members of Newton Abbot CU, with great help from Bill Jordan, former secretary of Newton Abbot CU. Then the interviews with members of Edinburgh Claimants and former members of South Shields CU were held in August, 2003. From 2004-2007, I interviewed some of those same people again along with other people who were involved in the claimants movements at Merseyside and East Anglia, . From 2007 to 2009 with the help of Roger Clipsham, one of the founders of the Birmingham CU, a series of interviews with former members of Birmingham CU, East London CU, and New Castle upon Tyne CU were held at various places. I am really grateful to Annette, Bill, Jack, Julia, Pat, Margaret, Mike, Lyn, Roger, Rosemary, and those people whose name could not be spelled out here.

Basic Income.

They insisted that their banner should be changed from “a fair day’s pay for a fair day’s work” to “abolition of the wage system (The National Federation of Claimants Unions, p.5)”. They problematized unpaid work based on sexual division of labour and the work ethic combined with wage labour. This work ethic was imposed not only by the welfare authorities, but also by “poverty industries” such as charity organizations and other voluntary groups.

Smash the cohabitation rule!

One of the central figures in the forming of Birmingham's Claimants Union, a woman, stated “I didn't exist because I was a married woman.” Since she was married to a man living in a different city, she wasn't able to receive welfare benefits, so she demanded measures that would provide an Independent Income to women. Fliers from that period demand a “Right to an Adequate Income,” and a “Welfare State Controlled by the People Who Use It.”

The Welfare office applied regulations called “Co-habitation Rules” upon single mother welfare recipients. Benefits would be cut off if the recipient lived with, or even had regular sexual relations with, a man. To enforce these rules women were subject to surveillance by social workers and inspectors hired by welfare agencies, even teachers and postal workers were involved. The women referred to them all as “sex spies” or “snoopers.” They women protested this spying in three ways. They appealed to unions so that members would not comply with the snooping. They also photographed the snoopers and put the photos up to be seen in the community. Finally, they demanded an unconditional income for individuals. This demand was refined to become what we know today as Basic Income, I will discuss this process later.

It wasn't only singly mothers that struggled against the discriminatory

practices of Welfare Agencies. Discretion was a problem for all welfare recipients and an area of struggle, a concrete example was taking cases to the Appeals tribunal. Some cases won by recipients were taken up by the media. Later the activism led to the establishment of welfare rights shops in several localities.

The National Federation of Claimants Unions, formed in 1970, was simply a network, the organization consciously avoided intruding upon the autonomy of member unions. This desire for autonomy was a rejection of any structure that might be similar to those seen in welfare agencies and existing movement groups. Responsibility for the production and editing of pamphlets, leaflets and the "Claimants Unite!" newsletter rotated among the unions. The single mothers called themselves "unsupported mothers" and two of the pamphlets they took the lead in producing were titled "Unsupported Mother's Handbook"(1974) and "Women and Social Security"(1977, 1987).

At the first meeting of the National Federation of Claimants Unions in March of 1970, they decided on the following for demands in their "Claimants Charter."

- 1. The right for an adequate income without means test for all people.**
- 2. A welfare state²⁾ in which all necessities are provided free and which is managed and controlled directly by the people.**
- 3. No secrets and the right to full information.**
- 4. No distinction between so-called "deserving" and**

2) Later "revolutionary" middle class people intervened and changed the word "welfare state" to "socialist society".

“undeserving”.

(National Federation of Claimants Unions (1972) Claimants Handbook for Strikers, 3rd edition)

The first demand is for a Basic Income, and it was also repeated as the first demand among 13 demands specific to pensioners; “a free welfare society, with a guaranteed adequate income per individual as a right (The National Federation of Claimants Unions, p.37)”. The women started calling BI a “Guaranteed Minimum Income” by 1972. In the spring of 1972 the national federation demanded a guaranteed minimum income in a nation-wide campaign. It's clear from the explanation here that the women's guaranteed income is the same as the basic income we are discussing today.

Under a Guaranteed Minimum Income Scheme each member of society would automatically receive a non means tested weekly income. This income would be at the same level for every person, and it would be paid to the employed, the unemployed and the non employed alike, Social Security civil servants would no longer have the power to deny or reduce this benefit. It would be payable to each individual person regardless of employment record, marital status, household composition, insurance record, sexual relationship, or any other value judgement. (National Federation of Claimants Unions (published sometime between 1975-1977) Claimants Unite!: Claimants Newspaper no.15,)

The women thought that a BI-like system would free them from the humiliation of their dealings with welfare officers and “sex spies.” It's easy

to see the context in which the BI characteristics of unconditionality and the individual basis for payments were developed in their guaranteed income proposal.

The child allowance(benefit?), that became common in Western European countries along with the U.K., was highly regarded by the CU women. There are no means tests or sexual surveillance for the child allowance, the women saw it as a kind of BI for children and conceived of Basic Income as a massive enlargement of the program.

The CU women's rejection of surveillance led them to demands for BI and not wages for housework. The “Lotta Femminile di Padova” (later “Lotta Femminista”) in Italy settled on “wages for housework” as a radical demand resulting from a rejection of wage labor, This demand turned into a form of BI proposal in actuality. However as the slogan caught on the movement was interpreted as affirming a division of labor between the sexes, resulting in a debate as to the necessity for a surveillance of housework. The claimant's union thought this demand would bring about a new means test, and raised the following three points in favor of a basic income rather than “wages for housework.”

- (1) Oppression through surveillance.
- (2) Affirmation of the discriminatory sexual division of labor.
- (3) The term 'wage' itself affirms wage slavery.

The CU's understanding of labor can be seen in their criticism of other movements at the time. The mainstream labor movement approached the problem of unemployment with a 'right to work' campaign. The Claimants Union included not only the unemployed but also the disabled and the sick and others who were unable to work. They criticized the 'right to work'

campaign as not addressing their problems, and that the 'work' in the campaign was limited to wage labor completely missing the problem of unpaid housework. One of the mothers' pamphlets features a satirical drawing of a woman overwhelmed with housework and children while men are out demonstrating for the "right to work."

The second demand in the Claimants Charter's called for free provision of housing and daily necessities in addition to a Basic Income. Just as the demand for a basic income was an extension of struggles over the legal and bureaucratic problems with social assistance, the demand for free housing and daily essentials was an extension of actual struggles over public housing rents.

Identity as Claimants

What kind of organizations were the claimants unions that raised these demands? These unions placed the greatest importance on the principle of starting with issues arising from debates among members. This was because the welfare agencies denied the recipients need to assert themselves. They emphasized not having specialists come in for 'casework' during the unions' weekly meetings attended by all members. Their main activities consisted of protesting harassment on the part of welfare agencies and opposing unfair dismissals of welfare applications. In contrast with past movements, their goal was not "employment" but a life with dignity as "claimants." One policy to fulfill this goal of human dignity was the basic income proposal.

Impoverished, living at the edge of survival, as the claimants union members were made local activism difficult enough but national-level activities presented tremendous difficulties. One member of the Birmingham union that I interviewed told me that they had to reach distant meetings by hitchhiking – a particularly dangerous form of transportation for single mothers.

The fact that the collective identity of the “claimants” wasn’t apparent, but was pursued by the claimants unions, can be seen in their publications from the time. For example, at the beginning of their handbook for pensioners, they emphasized that their usage of “we / our” meant not only pensioners but all claimants). (The National Federation of Claimants Unions, the year of publication unidentified) They also stressed that their usage of “we” was meant to highlight the fact that all the claimants should unite in solidarity against a common enemy – the welfare agencies.

In Birmingham they demanded BI from the start of the movement. Apparently this was also true of other unions in areas like London that had many intellectual members also. In these areas members included college graduates and dropouts. It was in these areas that single mothers arrived at the Basic Income proposal through unease with, and ultimately rejection of, mainstream labor union activists' 'right to work' campaign and sole goal of gaining employment.

I would like to introduce an episode from a claimants union from small town without a university. In Newton Abbot, south west of England, a claimant union was formed around 1971 and lasted for about 4 years. This union seems to be different from typical claimants unions in three ways. First, in terms of size; around 400 people joined this union at the peak of movement. It was therefore quite big compared to the average size of claimants unions. Second, in terms of class composition, it did not include any middle class people except the secretary, partly because there wasn’t a university there. Third, the following two things were severely criticized by other claimants unions at the national federation meetings: growing vegetables in an allotment (others insisted that claimants should not do any kind of work) and having a voluntary secretary who was not a claimant (others felt that they should not include anyone who was not a claimant).

At one of the weekly meetings in the early stage of this union, some

members who knew that other claimants unions had demanded a Basic Income, decided to discuss Basic Income in the meeting. They weren't sure that what other members would think about this, and expected that there might be some objections. But during the meeting there weren't any objections and people really supported the proposal. The secretary later told me that it was nice surprise and was ashamed that he had ever doubted the demand's ability to gain popular support. Some ex-claimants said that members shared the same belief that we should not be deprived of a humane life because of unemployment, disease and/or disability.

However, usually these people demand a decent job or a decent allowance for his or her own category. Why could they reach the common demand of Basic Income? We can see two reasons for this; the one is an objective condition, and the other is about subjectivity. First, all of them were forced to be in the common situation of being excluded from wage labour. At the same time, the possibility of accessing wage labour varied among members. Because of having both this commonality and difference, they reached the universal demand of Basic Income, instead of aiming for full employment like typical movements of the unemployed or the trade union's struggle on their behalf, and instead of only aiming for particular benefits for specific people. For them, the class divide was not (only) between capitalists and workers, but (also) between capitalists/workers and claimants. In the same way the discourse that workers should become entrepreneurs is simply wrong (though this rhetoric became more prevalent when neoliberalism came to dominate, the discourse that claimants should become workers is wrong (though this is still a prevailing belief among the left leftist). However, generally speaking objective material conditions are not enough to form a collective class identity. This is my second point; in this case, through communal activities, like allotment or protest, they were able to respect the different situations among various members and to share the common identity/subjectivity they

shared as claimants at the same time.

The common interest and shared subjectivity in this case wasn't a long-lasting one, though. As relatively young members who were short term unemployed returned to employment, the Newton Abbot Claimants Union lost most of its active members. It ended around 1975.

Several claimants unions were able to maintain continuity in membership and remain active into the late 1980's. These unions continued to encompass mainly the activities of single mothers. Many of the unions died out in the 1980's, or were reconstituted with a new membership, but eventually the overall number of claimants unions decreased. As well as can be remembered BI was the comprehensive demand of the claimants movement until at least 1987. Although the demand for a Basic Income vanished, a few groups that are still active today, and occasional newly formed claimants groups. A few unions from that time managed to transform themselves into welfare advocacy groups in their communities. Some of the women participants started an NPO to support victims of domestic violence, others have been won local elections, many former members remain active in a variety of areas.

(2) Why has Single mothers' demand for BI been ignored in Academic Feminism and BI circles?

The basic income demand by claimants unions is well reported by Bill Jordan, for example in Jordan 1973. He was a voluntary secretary of Newton Abbot Claimants Union. He became one of the vocal advocates of BI in the U.K. and also took a significant part in the launching of the national network that advocated BI, the Basic Income Research Group (now called Citizens Income Trust.)

However, except from Bill Jordan's personal trajectory, the fact that claimants voices came from the bottom up through the claimants unions to form a basic income demand seems to have been collectively forgotten. And even in Jordan's descriptions, the single parents' dominance in three areas, firstly in the number of participating members, secondly in the number of activists, and thirdly in theorizing the guaranteed basic income demand is not clear. It might be partially because the Newton Abbot Claimants Union was unusual among the Claimants Unions in that it had a large number of young male unemployed youth in its membership.

The huge tide of the feminist movement entered the academic world more than 3 decades ago, and academic arguments for BI have also been expanding for the last 2 decades. Now we have an academic journal exclusively for basic income, and there are fairly strong feminist concerns. For example, as mentioned at the beginning of this paper, the recent volume of the Basic Income Studies focused on the debate: "Should Feminists Endorse Basic Income" (The Basic Income Studies vol.3 issue3).

So it is a mystery to me why the demand for BI from single mothers has been ignored. There might be good reasons to ignore them. For example, we can list the following, is it Hypothesis 1) Because their demand wasn't basic income. Hypothesis 2) Because they simply borrowed the idea from academic arguments at that time. Hypothesis 3) Because their logic was wrong in terms of feminist concerns. Hypothesis 4) Because their logic was wrong in terms of the BI cause. Let's look at each hypothesis in turn.

Hypothesis 1)

Because their demand wasn't basic income?

Yes, it was basic income. But there could be a reason for this misunderstanding. We can find similar demands in a lot of places throughout

the world. Notably two cases: one is the “welfare rights movements” in the United States, and the other is the “wages for housework” movements which started in Italy then spread to Western Europe and North America, and later also to many third world countries.

In the U.S., “The National Welfare Rights Organization (NWRO)” was an organization similar to the claimants unions in the U.K.³⁾ Surely there were differences such as: NWRO was almost 10 times bigger in terms of numbers in the heyday of their activism, and they had vocal and visible leaders including Jorge Wily, Jonnie Tillmon, while CUs deliberately avoided creating a leader, preferring anonymity. The similarities are more striking than the above differences. Both movements functioned well for mutual “consciousness raising” and “empowerment” among the claimants. The majority of the members were single parents in both movements. They fought collectively for what they were entitled to at the time. And they fought collectively for what they were not yet entitled to: guaranteed income.

The thing is: the notion of guaranteed income at that time was not as refined as the concept that we are discussing today. Phillipe van Parijs and Robert van der Veen distinguished two types of guaranteed income: a genuine guaranteed income and a make-up guaranteed income (van Parijs and van der Veen (1986)). The former is the one we now call basic income. The latter is rather an equivalent of Speenhamland system where payments only cover the gap between their wage and the level of guaranteed income. NWRO’s idea of guaranteed income did not exclude this latter type of guaranteed income, and also did not exclude the negative income tax. The “wages for housework” movements’ attitude toward BI is not singular. In Italy they demanded guaranteed income, and again, the same as NWRO in the U.S., the concept was vague. In the U.K. they were against guaranteed income

3) Recently the NWRO has been well documented as black women’s history. See Kornbluh (2007) and Nadasen (2005) .

because it was not a payment for housework.

So if you see these three movements as being identical, you might conclude that their demands were not BI. However, as I described in the former section, the demand by single mothers in CU WERE a basic income which was exactly the same as the basic income we academics are widely discussing now.

Hypothesis 2)

Because they simply borrowed the idea from academic arguments at that time?

No. As several interviewees including some of the Birmingham CU founders explained to me, the attitude against humiliation was common among claimants who gathered in the CU. The struggle began as they fought against the means test and household based payment. The guaranteed minimum income was the logical result of their struggle. The concept of universal payment came from the existence of the Child Benefit, and this progression is apparent in several of their newsletters and handbooks.

Surely there was a prominent figure among contemporary academics: James E. Meade. While NFCU called for a nation-wide campaign for a guaranteed minimum income in 1972, Meade wrote of a “social dividend” in his “Poverty in the welfare state” in the Oxford Economic Paper (OEP). Some of the CU members may have read the OEP, but there are two reasons to believe the CU campaign arose independently and not as a result of Meade's influence. The terminology itself is different and Meade was opposed to workers' strikes and demands for wages in this paper. Although the CU had

some ideological conflicts with trade unionists over the “right to work” and a “guaranteed minimum income,” for the most part the CU and local trade unions had a good relationship. Actually CU came out of the culture of trade unionism. People who gathered at the CU wanted to have their own union. So it was hard to imagine that people in the CU were able to sympathize with Meade.

Hypothesis 3)

Because their logic was wrong in terms of the feminist cause?

Whether it was wrong or not depends on how the feminist cause is defined. Indeed there have been tensions between feminists who later achieved academic or political success and single mothers who demanded a basic income.

Women’s claimant activists in the CU frequently participated the women’s liberation conferences. They proposed a motion to demand a guaranteed basic income at the 1977 national women’s liberation conference. Mainstream feminists including Patricia Hewitt (now Labour MP) voted against the motion.

One of worries by mainstream feminists was that a basic income would help enforce the sexual division of labour and those feminists prioritized equality in the labour market. However, neither the CU movement in the U.K. nor the “wages for housework” campaigns in both the U.K. and Italy were like the “movements by housewives” as they are sometimes depicted in feminist academic literature (ex. Bono and Kemp 1991)

Both the CU movement and the “wages for housework” campaigns tried to undermine the sexual division of labour. The CU movement in the U.K. also demanded equal pay among the sexes. Some people in these movements saw

the demand for a guaranteed income as the key to equal pay because with a guaranteed income people could refuse jobs when the wages were unjust.

So if there was difference between mainstream feminism and the CU members, the differences were not over a common cause, but over strategy.

If feminism is about liberating all women, feminists who are against BI need to explain how women who cannot work in the labour market can be liberated without a Basic Income. In this vein, the spirit of women in the CUs is well resurrected (represented??) in “the Pictou Statement: Feminists Call for a Guaranteed Income”. This is a statement by the Canadian feminists, Lee Lakeman, Angela Miles and Linda Christiansen-Ruffman.

The bottom line is: Any argument that the demand for a Basic Income is mistaken because it is bad for the feminist cause must first examine “really existing” feminist demands for BI before the criticism has merit.

Hypothesis 4)

Because their logic was wrong in terms of the BI cause?

People in the CU didn't adopt the logic that a guaranteed minimum income should be paid because women are doing caring and housework. People in the “wages for housework” movement and people in the NWRO did adopt such a logic. The latter might conflict with current academic analysis meant to justify a Basic Income.

I would not go farther this type of possible reason, but again if someone would think demand for BI is wrong in terms of BI cause, s/he should interrogate “really existed/existing” demand for BI and then criticized it.

I will not delve further into the possible reasons for ignoring, or disappearing, single mothers' demands for a Basic Income. But again, any arguments against resurrecting their demands in service of today's Basic Income movement must first interrogate the demands that actually existed

before the criticism has any merit.

The spirit of “Nothing about us, without us” (a memorable slogan from disability movements) urges us to learn from “really existing” feminist movements for a basic income. In Japan, the resurrection of the buried history of the single mothers' struggle in the U.K. 3 decades ago is providing inspiration to the current struggle by single mothers.

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Beyond Disability Pension, Into Basic Income

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1. The reality of disability welfare

The ratio of the incomes of non-disabled and disabled households in South Korea is just 13.6 percent. This means that when a non-disabled household earns an income of one million won, a disabled household earns only 136,000. On the other hand, the average OECD member has a ratio of 41 percent. Compared to the average, the ratio of Korea's total national budget versus the disability budget looks even more pitiful. While the average of OECD members' disability budget is 2.5 percent out of the total national budget, Korea's does not exceed 0.28 percent. The percentage of receipt of disability benefits¹⁾ and the percentage of the GDP used for disability benefits remains in the lowest ranks as well. In addition, in Korea, the participation of disabled persons in economic activities is only at 40 percent, and such is the reality where recipients of the National Basic Livelihood Security among disabled persons make up 19.1 percent of the total disabled population, six times that of the total recipients of National Basic Livelihood Security out of the total population, 3.2 percent.

And while the non-membership of average citizens in National Pension is at 20 percent, disabled persons' non-membership far exceeds 60 percent. In December of 2007, there were only 72,258 recipients of the legal disability pension by the National Pension Act, which was 3.2 percent of the total National Pension recipients. This disability pension is paid according to each

1) Collective term for disability pension, allowances, etc.

of the disability degrees 1 through 6. If we look at the average monthly pension amount of a disability pension recipient in 2007, the pension for disability degree 1 was 406,004 won, less than the minimum living cost of a one-person household, 435,921 won. But the reality is that even this number is in a decreasing trend, following the lowering of pension amounts. And according to the Ministry of Health and Welfare's study of disability conditions in 2005, only 2.7 percent of all disabled persons receive the legal disability pension stipulated in the National Pension Act, and only 9.5 percent if including all of public pensions. In addition, as many as 73 percent of all disabled people are excluded from public pensions completely.²⁾

<Table 1> Average monthly additional expenses according to disability type
(in thousand won)

Musculo-skeletal	Encephalopathic	Visual	Auditory	Speech	Intellectual	Autistic	Mental
128	213	57	245	140	207	354	65
Kidney	Heart	Respiratory	Liver	Cranio-facial	Colon/urinary	Epileptic	All
334	189	193	871	306	126	87	159

Meanwhile, unlike for the non-disabled, there are additional expenses required for disabled people to live. "Additional expenses" refers to expenses required for regular medical and occupational rehabilitation treatments, maintenance for assistive equipment such as wheelchairs, and others. Ministry for Health, Welfare and Family Affairs study of disability conditions in 2008 showed a disabled person's average additional expenses to reach approximately 159,000 won (208,000 won for a severely disabled person and 137,000 for a minorly disabled person) as can be seen in Table 1. Of course, this number varies greatly according to the type of disability. The average monthly

2) U, Juhyeong. 2009. "Study on Korea's introduction of disability pension law." *Rehabilitation Welfare*. Vol. 13, no. 1, p. 137-138.

additional expenses of a person with liver disabilities were highest at 871,000 won, and that of persons with visual disabilities were lowest at 57,000 won.

But are Korea's disabled people getting properly supplied these expenses? Not at all, even when disabled persons 18 or older who are recipients of National Basic Livelihood Security or who are in the near poverty class are receiving a maximum of 130,000 won a month in disability allowance and those younger than 18 are receiving a maximum of 200,000 won in allowance for disabled children. The extensive blind spots of National Basic Livelihood Security Act itself aside, the current Welfare of Disabled Persons Act states that the disability allowance has the objective of supplementing income³⁾ and that only the allowance for disabled children and the guardian allowance have the objective of supplying additional expenses.⁴⁾ Therefore as of 2009, theoretically there is no official system for the suppletion of additional expenses for disabled people 18 and older.

There are several disabled welfare systems outside of that, though they mostly consist of facility policies, various tax benefits, and public fee discounts. However, out of all the welfare systems dealing with the most important phase of a disabled person's lifetime, the childhood, and aside from

3) Welfare of Disabled Persons Act

Article 49 (Disability Allowances)

(1) The State and local governments may provide disability allowance to make up for the lack of income of disabled persons taking into account disability degree and economic level.

4) Welfare of Disabled Persons Act

Article 50 (Allowance for Disabled Children and Guardian Allowance)

(1) The State and local governments may supply disabled children with allowance for disabled children to make up for the additional expenses due to the disability, taking into account the economic stand of living of the guardian and the degree of disability of disabled children.

(2) The State and local governments may supply a guardian taking care of disabled persons with guardian allowance to make up for the additional expenses due to the disability, taking into account his/her economic stand of living and degree of disability of disabled persons.

the allowance for disabled children and the guardian allowance, there is one worth mentioning: the Rehabilitation Treatment Voucher Services. This is not provided to all disabled children, but only to those in households whose income is less than or equal to 100 percent of the national average household income. Problems of the various current voucher services will not be discussed here in particular, but it is necessary to address that service recipients are restricted by their income levels when rehabilitation treatment services should be a universal right for all disabled children to enjoy.

Meanwhile, while the monthly average income of a household with a disabled child is only 68 percent of that of an urban working household, additional expenses due to disability of children younger than 10 are more than 2.5 times higher than the average of that of the total disabled population. Households with disabled children as such have smaller income compared to other households because of their economic hardship from being unable to participate in economic activities in order to take care of the children, and at the same time they have significantly larger expenses due to the various additional expenses occurring in different areas. Thus it is almost impossible for the parents of disabled children to prepare for the later years. In fact, Ministry of Health and Welfare's study of disability conditions in 2005 showed that the percentage of parents completely unable to prepare for a disabled child's later years is 95.7 percent for children younger than 10 and 93.9% for children in between 10 and 19 years of age.

In November, wishing to resolve this problem to some degree, National Assembly Member Unam Kim proposed the Disabled Children's Special Protection Pension Insurance Bill. This was in fact an election pledge of President Lee Myung-bak. In any case, to prepare a plan for a disabled child's life after the parents' aging or death is the object of this bill. If the

guardian of a disabled child makes monthly insurance payments of a certain amount while living, the government supports 50 percent or more, depending on the policyholder's financial situation, and allows the child to receive the pension when the parent loses the ability to provide for him or her. Securing a living for disabled children is indeed the most urgent among policies for disabled people's income supplementation, but even with the government's support, the occurrence of blind spots is inevitable in a contributive social insurance because if the parent of a disabled child has a regular, stable income this policy is sure to help, but there is no solution in particular when that is not the case.

2. Why disability pension?

Let's go back to the problem of income supplementation for disabled people in general. There are three main types to this. One that is included in the existing social insurance, one in the form of public assistance, and one that in the form of universal social allowance are the three types. National Pension Act's disability pension is representative of the inclusion in social insurance, and for public assistance, there are areas covered in the National Basic Livelihood Security by disability allowance, allowance for disabled children, guardian allowance. Lastly, as for the method with no obligation to contribute and no evaluation process, there is no such system in Korea as of yet.

But this disability pension of National Pension Act only benefits those who turn disabled in their service term. Non-members of National Pension or those who turn disabled before the National Pension membership age of 18 are not recipients of the pension. And disabled persons who are members of a public pension system are only 37.5 percent of the estimated total disabled population, and as seen above, the number of disabled people receiving

disability pension of National Pension Act is only 72,000, approximately 3 percent of all registered disabled people 18 and older. Also, the current disability allowance system is limited, provided only to National Basic Livelihood Security recipients or the near poverty class. These disability allowance are said to supplement income and not to supply additional expenses due to disability, but it is a well-known fact that the allowances are far from any realistic income supplementation measures. Thus, as of today, disabled people are receiving the benefits of social insurance and public funds only very limitedly, and because there is no way to secure a basic living for the majority of disabled people with just these methods alone, the debate about a disability pension in the form of a no-contribution pension was initiated officially.

No-contribution pension, in the form of aforementioned income supplementation, can then be classified into the public assistance method where pensions are paid after income evaluation and the social allowance method where pensions are provided to anyone with certain qualifications and without income evaluation. And there are examples of these methods being carried out; in Canada, all elderly are first provided pensions in the social allowance method, and then low-income elderly are supplemented on top of that with pensions by public assistance.⁵⁾

As of 2009, the only OECD members without a no-contribution pension for disabled people are South Korea and Austria. However, in Austria's case, because the existing public assistance system applies a much higher income standard for recipients with no working ability, such as disabled people or the elderly, an effect similar to running a no-contribution disability pension is

5) U, Juhyeong. 2009. "Study on Korea's introduction of disability pension law." *Rehabilitation Welfare*. Vol. 13, no. 1, p. 137-138.

rendered. Therefore Korea is in fact the only country without a no-contribution disability pension.

Meanwhile, Japan implemented a no-contribution disability pension system in 1985. Japan has two different disability pension amounts, Class One and Class Two. Class Two receives 67,000 yen (880,000 won), and Class One receives 25% more—slightly over 80,000 yen—under the premise that caretakers are needed. Japan's disability pension has no concept of additional expenses.⁶⁾ And most OECD members implemented no-contribution disability pension when the average income of citizens was between \$13,000 and \$15,000, when Korea has just now made the decision to implement, with an average income of \$20,000. Though, of course, when you look at the inside of it, it's embarrassing to even call it a no-contribution disability pension.

3. The government's severe disability pension

The official name of the bill that the government proposed to legislate in late October of 2009 is Severe Disability Pension Bill. The government bill limits pension recipients to legal degree 1, degree 2, and some people with overlapping disabilities of degree 3 stipulated in the Welfare of Disabled Persons Act. Their income levels have to be below the enforced accepted level as well. According to the government's statistics at the end of 2008, about 320,000 out of all registered disabled people, who make up 14 percent of the total of 2,240,000, receive pensions, making it that 1.4 out of 10 disabled people receive benefits. The Basic Elderly Pension that the government likes to compare it to pays to 70 percent of all elderly 65 years of age and above, and compared to this, the subjects of the government bill

6) Cowalk News. December 24, 2009. "Disabled persons should be present in the process of policymaking - Interview with Upper House member Horimoto Gazusi of the Democratic Party." <http://www.cowalknews.co.kr/news/articleView.html?idxno=8871>.

are ridiculously few. Even the proposal of Member of National Assembly Seok-yong Yun of the Grand National Party in September is targeted towards 650,000 people (29% of registered people with disabilities), half of which the government bill does not cover.

And, according to the government bill, pension recipients get deducted up to 130,000 won for National Basic Livelihood Security recipients and the near poverty class and 30,000 won for people with minor disabilities from their original disability allowance. In the case of severely disabled people, in turn for the monthly pension of 151,000 won (91,000 in basic benefits and 60,000 in additional benefits),⁷⁾ they do not get the disability allowance of 130,000 won that they were receiving originally. The issues with the actual amounts aside, it can be said that this is indeed a perfect example of a policy of trickery. On the other hand, the bills of Assembly Members Seok-yong Yun of the Grand National Party and Eunsu Park of the Democratic Party state to leave the original disability allowance in place while the recipients receive their disability pension.

It can't be ignored that when they can no longer receive their original disability allowance, some pension recipients' income may actually decrease. For example, disabled people in Ulsan who are receiving 130,000 won in disability allowance receive 180,000 won in total, adding in the 50,000 won that the city of Ulsan pays separately. However if the disability pension is implemented and one only receives 151,000 won and not the original disability allowance, his or her income rather decreases 30,000 won. The Minister of Health, Welfare, and Family Affairs has said in 2009 during the Parliamentary Inspection, "Additional disability allowance paid by local governments may still be paid after implementation of the pension," but no one can guarantee that.

7) The government's Severe Disability Pension Act defines basic benefits and additional benefits as the following:

Article 5 (The Types and Content of Severe Disability Pension) The types and content of Severe Disability Pension are stipulated as each of the following sections.

- (1) Basic benefits: Benefits provided to supplement income decreased by loss or decrease in working ability. (2) Additional benefits: Benefits provided to supply all or part of additional expenses due to disability.

Of course, for right now it is preferable for pension recipients to just receive the current disability allowance since the government's paying amount and bar are so low. But at least the disability allowance as stated in the Welfare of Disabled Persons Act must be changed to supply additional expenses, and it needs to be made firm that the disability pension's purpose is to supplement income, not to supply additional expenses. Currently the disability allowance's purpose is indicated as income supplementation and so is that of the basic amounts of the government bill. This way, the purposes overlap, and there is an article in the bill prohibiting overlapping allowance for pension recipients. Therefore in order to continue the disability allowance system, its purpose needs to have a clear difference from the purpose stated for the disability pension.

Of course it's not impossible to consolidate income supplementation and additional expenses suppletion into one disability pension in formality if the part that actually applies to income supplementation constitutes the basic benefits and the part that actually applies to additional expenses suppletion constitutes the additional benefits, and provided that it is not a backward step of the current system. The current government bill does consist of basic and additional benefits, but a basic benefits of 91,000 won and an additional benefits of maximum 60,000 won only result from fitting into budgetary logic, and is irrelevant to a consolidation like this.

Also a big problem in the government bill is that "a person whose parent's direct blood relative's and his or her spouse's income, assets, and living situation is above that of the standards determined by executive orders is excluded from the right to receive," meaning that there is some kind of criterion applying to the obligor of the family. Thus as with National Basic Livelihood Security, when the supporter of the family has a regular income,

pensions are not paid. A severely disabled household with no income becomes irrelevant to the disability pension benefits because of this criterion. The government worked out the basic amount talking about equality with the Basic Elderly Pension, but for real equality, at least the criterion pertaining to the obligor needs to disappear, just like with the Basic Elderly Pension.

<Table 2> Current disability wage and Government's Severe Disability Pension comparison

(in thousand won)

Recipient		Current disability wage	Government's Severe Disability Pension	Notes
Person with severe disabilities	National Basic Livelihood Security recipient	130	151 (Basic wage 91; additional wage 60)	Severe disability benefit recipients convert to severe disability pension recipients in July 2010
	Near poverty class	120	141 (Basic wage 91; additional wage 50)	
	Next-to-near poverty class	None	91 (Basic wage 91; additional wage none)	
Person with minor disabilities	Recipient	30	None	Current disability wage is maintained
	Near poverty class	30	None	Current disability wage is maintained
2010 budget		309.7 mil. won → 210.8 mil. won (cut 107.9 mil. won)	151.9 mil. won drawn up	

Lastly we look at funding methods. The government bill is chooses the method of a joint payment from both the State and local government funds. But this method can be difficult for the local government to handle when

later the number of pension recipients or pension amounts increase. Plus when taxes are decreasing for the rich in reality and the domino effect is causing local governments' welfare funds to get further cuts, the government bill itself won't easily prove to last very long in this manner. When implementing a pan-national service like the disability pension, it is right for the state coffers to take on all responsibility for funding.

In conclusion, the government bill is a bill that satisfies none of the very least qualifications of a non-contribution pension: the extension of universality, income supplementation, and the resolve of blind spots. However, it is the perfect bill to deceive disabled people and be made into an international mockery.

4. Disability pension proposals by disabled people's groups

Broadly speaking, there were two main disability pension proposals from disabled people's groups. The proposal of the Joint Measures Committee for the Legislation of Disability Pension (Committee proposal) in 2002 and the proposal of Joint Activists for the Legislation of Disability Pension (Activists' proposal) in 2008 are the two.

The Committee proposal was a combination of pension in the form of social allowances (basic benefits) and public funds (livelihood benefits). The proposal was to provide all of disabled people with the basic benefits and disabled people 18 years or older who belong in a low-income household with livelihood benefits. At the time of 2002, the benefits were structured so that the basic benefits would be 150,000 won and the living benefits would be 350,000 won, and it stood on the position of supporting the abolition of disability allowance. The proposal's choice of action to introduce a social allowance method of pension was indeed a major step forward, but the fault

can be pointed out where it failed to prepare a solution for the problem with supplying additional expenses when it supported the abolition of disability allowance.

The Activists' proposal was a proposal to position the existing disability allowance to supply additional expenses and initiate the disability pension for income supplementation. The recipients had to be registered disabled people 18 years and older, and had to have the accepted income level of the lower 70 percent or lower. Accordingly, the number of recipients of this benefit would be approximately 1,360,000. This makes up about 60 percent of the total disabled population. Pension amount was set to be about a quarter of the monthly minimum wage, 250,000 won, but there haven't been enough serious discussions about the reasoning behind that.⁸⁾ And in the case of a disabled couple in which both persons receive the pension, it was accepted that their pension be decreased 20 percent each. Also people with minor disabilities were to receive an amount structured to be less than 50 percent that of severely disabled people, or 125,000 won, but there hasn't been enough reasoning to support this number.

And the Activists' proposal let National Basic Livelihood Security recipients receive 70 percent of the disability pension, which is also a result of a degree of compromise rather than adequate reasoning. If the current National Basic Livelihood Security policy really secured sufficient basic livelihood as is aimed by basic income, there wouldn't be a need for an overlapping income

8) In relation to this, Dong-eui University's professor Dongcheol Yu stated his opinion that "Taking OECD's households equivalence scale into account, the basic disability pension should be at least about 630,000 won for one person." Citing the result of Mistry of Health, Welfare and Family Affairs' study of disability conditions in 2008, he was developing the argument that since the minimum cost of living for a disabled household of three people is 1,379,000 won, it is appropriate to pay a wage of 630,000 won per person. (RI Korea, Basic Disability Pension, Issues and Their Solutions. Welfare News, December 2, 2009.) http://www.welfarenews.net/news/news_view.html?bcode=21268

supplementation measures nor would there be a need for complicated structure or compromise like this one. But in a situation where that's not the case, to stop the system from getting more complicated seems like a difficult task.

In addition, the Activists' proposal proposes to make the current disability allowance, allowance for disabled children, and others into a single disability allowance system, but when this happens, it needs to be made clear that the disability allowance has the purpose of supplying additional expenses, as stated above. Not only that, in the long run, in order to carry out the principle of satisfaction according to need, the disability allowance system needs to improve in the direction of taking into account the differences between the types of disability rather than paying uniform amounts according to the degree of disability. Ultimately, provided that all possibilities of the occurrence of additional expenses are cut off in the objective of anti-marketing and anti-merchandising of welfare services that the government really should be comprehensively responsible for, the change in thinking that the disability allowance system gets abolished can be considered as well. To cut off all possibilities of the occurrence of additional expenses here means to provide without qualification all welfare services that disabled people need.

In conclusion, even though the Activists' proposal does contain the limitation that it is only counting registered people with disabilities as its recipients, in that it establishes the accepted income level as its standard and not the narrow degrees of disability, it is indeed a step forward compared to the government bill. However, when the accepted income level is the standard, it causes an essential limitation that is the necessity of asset assessment. This is because it accommodates selective welfare to a certain degree. And in any case, asset assessment is an essential characteristic of the

public assistance method and is far from the method of social allowance. Meanwhile, the age limitation of 18 and the adoption of minimum wage as the standard for pension in the name of labor income supplementation shows that it isn't much free from the existing labor paradigm.

As previously mentioned, it is clear that the Activists' proposal, which Assembly Member Eunsu Park's bill was based on, is far better than the government bill. However, there are many ambiguities that can be found on many sides of the proposal, and in regards to its appropriateness, there are many points that are not easy to agree upon. When a demand based on principle is made, subsequent negotiations can alter the result, but shouldn't we avoid making proposals that stay low from the start in consideration of realism and negotiations? My thought is that fighting on after first stating demands that are just in principle and based on the reality of disabled people would be the righter thing to do.

5. The problems of disability pensions based on disability



registration

<Picture 1> Design for the new disability welfare card

The recent Pyeongtaek University Social Science Research Center's evaluation of the diagnosis of severe disability allowance recipients showed that out of 41,888 people who got diagnosed with a disability between 2007 and 2008, 13,762, or 32.85 percent, got misdiagnosed. Because there is no proper evaluation process after the doctor's diagnosis, numerous misdiagnoses occur. Without resolving the problems of the current determination system, many problems are bound to occur in the disability pension that is based on the very same system.

However, is it enough to just solve these problems with strengthened evaluations? It is not so. The disability registration system implemented in Korea in 1988 is a system where literally people with damages in the body or mind prove the state of their body to the government and receive a welfare card. The core of this system is the categorizing of disabled people. The current Welfare of Disabled Persons Act divides disability into 15 types and then to degrees 1 through 6 for each type. Is it right to divide and even assign degrees to a human being who should be one independent entity as a whole? In Korea, disabled people don't exist socially, but are born the moment they are registered in the government. Disability registration systems such as this exist only in South Korea and Japan.⁹⁾

In the early 20th Century, Nazi Germany thoroughly regulated the reproduction of disabled people with the goal to preserve superior genes. When a disabled child was born, he or she had to be registered with the government. These registered disabled people were then degraded into

9) In the United Kingdom's case, if the disability is above a certain level and permanently affects everyday living, it is possible to register with the local government's social services department. However this registration deals mostly with public fee discounts and benefits, not with disability-related wage, employment, and nursing, and is not mandatory.

subjects for supervision for the health of the State. This is the first example of a disability registration system in history. The Nazis even castrated some of these registered disabled people for the reason that they could bear children with defects, and later committed genocide against the disabled people for the reason that they ate away at the health of the society. The massacred disabled people alone were counted at over 200,000.

Not only is the history of the disability registration system a problem, there are countless harmful consequences in real life as well. First there is the problem with disabled population estimation. Korea's occurrence of disabilities is known to be less than 5 percent of the total population, which is way too small compared to the OECD average of 14 percent. That is because unlike the other countries where disability is comprehensively defined, only disabled people who are registered through strict qualifications are counted towards the statistics in Korea.

In addition, a disability registration system produces uniform and restrictive disability welfare policies. The major part of Korea's disability welfare policies is facility policies and discount policies, and almost half of the disability welfare budget gets spent on the maintenance and administration of those various facilities. In order to use the facilities or get discount benefits one only needs a disability welfare card, without any diagnoses for needs. The government only maintains this system because it's easier to manage, and the majority of disabled people are already accustomed to this system.

Meanwhile, the fact that the disability registration system shows a stigmatizing effect is a very important one to point out. In Korea, the moment a human being medically proves that he or she has a disability and registers with the government, he or she is classified to a certain type and

receives a numeric grade innate to him- or herself. And from this moment on he or she becomes a mandatory subject of the government's or society's help. Thus a disability welfare card becomes a social stigma.

Recently the government is allegedly debating measures to improve this disability registration system, but the debates don't go far from partial system improvements such as installing a disability determination committee to reduce arbitrariness in determining disabilities. The movement to abolish the disability registration system itself and fundamentally change the disability welfare system towards the direction of providing custom welfare services according to the disabled people's needs needs to begin.

And in this process, it is appropriate to convert the disability pension system based on the disability registration system into a basic income system. Even if its recipients, coverage, and benefits levels increase, in the current system it is only possible to provide pensions to only registered people with disabilities. In order to overcome this limitation, disabled people need to more actively demand security of basic income. That is because there is no other way to actually and without blind spots cover all of disabled people in terms of income supplementation other than the basic income system. And with this change, the welfare services that the disabled people need will move on from one feeding petty allowances into a custom welfare system where the government takes comprehensive responsibility.

6. Beyond disability pension, into basic income

Disability studies theorist Paul Abberley emphasizes the necessity for a new labor paradigm and basic income in considering the issue of disabled people and labor. He argues that the basic income system where all members of society are guaranteed a basic living with no connection to the individual's

labor, instead of being guaranteed citizenship based on labor, will provide a far more apt environment for disabled people's complete integration into society.

He is also of the opinion that a system where you “give according to your abilities and receive according to your needs”¹⁰⁾ is not exactly a liberating place for all disabled people because integrating all people with damaged bodies into the field of labor is not only inappropriate but also impossible, and ultimately social exclusion will be inevitable. In conclusion the alternative that he proposes is a sort of double tactic. That is, encourage labor in people who want labor and are able to meaningfully participate, and universally stabilize non-laboring lives for people who are unable to work, including people with damaged bodies.¹¹⁾

The basic income system is based upon the premise of fundamental changes in the labor paradigm and the welfare paradigm. Disabled people are

10) Mentioned in Marx's Critique of the Gotha Program, it was written to be communism's lowest or first level of principle. On this level, the law of exchange between labor and the according distribution by value still exists. Of course before talking about “distribution according to labor,” “funds for those unable to work, etc., in short, for what is included under so-called official poor relief today” (Marx, Karl. 1995. Anthology of the Works of Karl Marx and Friedrich Engels Volume IV. Translated by Inho Choi and others. Bakjongcheol* Publishing Company. Page 375.) are first excluded. Nevertheless, the theory of labor-centered distribution and a labor-centered society's principle governs, and when “the narrow horizon of bourgeois right [is not] crossed in its entirety,” (Marx, Karl. 1995. Anthology of the Works of Karl Marx and Friedrich Engels Volume IV. Translated by Inho Choi and others. Bakjongcheol* Publishing Company. Page 377.) it's inevitable that a social exclusion gets reproduced in another form. On this level, people without ability to work are still considered exceptions and subject to relief. Meanwhile, in this light, (realistic) socialism can be seen to have uniformly shared the modern meaning of labor with capitalism, and have sometimes shown to force the ethics of modern labor through the idolization of labor. Soviet Taylorism and the Stakhanovite Movement are the most representative examples of this trait.

11) Kim, Dohyeon. 2009. Reading Together About Disability Studies. GreenBee. Pages 172-179.

the group that suffers most from the existing labor and welfare paradigms. And in the current paradigm, even though there might be ways to partially improve their inferior social situations, there is no way to reform fundamentally. Because of this, disabled people can be the active center of the basic income campaign. Of course this is only a possibility as of yet. In order to realize this, there will need to be numerous processes and efforts. To make the first step with the debate about the current disability pension, that is this essay's biggest goal.

Disability welfare's ultimate goal is not the determination of the degree of disability, which not only is arbitrary but also infringes on human rights, and the selective and distributive welfare benefits that follow; it is the enjoyment of universal welfare service by stage of life by any disabled person according to their needs, as their right. And in this process, while the principle is to combine the existing welfare services of cash payments including various pensions into basic income, any unnecessarily or inappropriately marketed welfare services are reorganized according to the principle of receipt according to needs and move on in the direction of anti-marketing and anti-merchandising.

Keeping the realization of these fundamental alternatives in mind, a total makeover of the current disability allowance system to be centered around additional expenses could also be considered as a transition plan. In other words, instead of uniformly paying according to the degree of disability with the single knowledge of the disabled population's average monthly additional expenses, we can realize this into a system provided by disability type, considering that there are big differences in the monthly average additional expenses between types of disability. However, this is only a step forward in that it takes more of disabled people's needs into account, compared to the

previous system. The fundamental alternative would be to guarantee sufficient living for all citizens through basic income and then guarantee suppletion of additional expenses due to disability for disabled people in a more rational method, and further abolish the disability registration system and the disability allowance system under the premise that the government takes comprehensive responsibility for all welfare services necessary due to disability.

The disabled are citizens all the same and should enjoy all citizens' basic rights such as basic income and basic welfare. Also, (additional) disability welfare must be clearly established for respect towards the difference from the non-disabled. And by setting the combination of basic income, basic welfare, and additional welfare as their goal and taking the big steps together, the movements of disabled people will advance higher. This is an opportunity for it to step beyond the level of movement for self—a division's movement—and stand on the cutting edge of the movement for our society's universal freedom as well.

Abstract

Glocal Agora and Basic Income

No-Wan Kwack

Mitchell concretizes the concepts ‘social space’ and ‘the right to the city’ of Henri Lefebvre and the concept ‘spatiotemporal utopianism’ of Harvey with the struggle to make public spaces spaces of justice. He focused on a more open, more just, more egalitarian society and urban public spaces, especially for the excluded homeless people in urban spaces.

But the concept ‘public spaces’ is too unclear to understand open common spaces where everybody freely and equally may enjoy these spaces, because ‘the public’ includes the meaning of the administrative disposition by specific political communities or their representatives with a specific sovereignty hence the possibility of privatization of public spaces for a specific individual or group. Therefore, it is needed that open and sustainable utopian common spaces are to conceptualize with another terminology. In doing so, it is needed to take the more dimensional overlapping character of multiple social spaces of global space, regional space, nation-state, and local spaces into account. In this sense, social spaces are always glocal spaces, although a social space of local community may more local than global. Therefore, glocally open egalitarian spaces to everybody can be conceptualized as ‘glocal agora’ namely glocally communal space.

‘Glocal agora’ is inspired from the ancient greek agora, but different from greek agora in three points: ‘Glocal agora’ is open to everybody, includes also the non-material spaces like open egalitarian cyber communities and economic

means for the 'real freedom for all'(Van Parijs) side by side the political and the cultural dimensions.

This economic means for real egalitarian freedom and opportunities for everybody is unconditional basic income for all as communistic goods distributed 'according to everybody's needs'(Marx) which are composed of cash and kind. Unconditional basic income for all may extend to global community, regional communities, nation-state, and local communities, accordingly may be overlapping communistic goods in these spaces. In this sense, this overlapping basic income may be conceptualized as 'glocal basic income'.

But for the emancipation and solidarity of the most people including the greatest part of labor class, glocal basic income, global and local alike, needs to be financed if possible rather by additional taxes on the capitalistic unearned income like personal interest-dividend-rent and income through the capitalistic speculation on the financial and immobile properties than by a tax on 'employment rent' of Van Parijs or 'all sources of income' including labor income of Kipping and Blaschke. Then, glocal basic income may be better connected with the labor emancipation and the strategy for the transition to a new communism of 21st century in which all the income may be composed of 'labor income + a communistic basic income'.

This glocal basic income may take different forms according to the dimensions of communities. In a global community, it take the form of rather cash than kind, although it does not exclude the possibility of kind like globally livable climate and so on.

On the contrary, it may take in a local community the form of rather

kind like parks, areas in which one can walk unthreatened by car traffic, school meals, and care service for children and the handicapped than cash. In this sense, basic income can be a part of the left-wing radical movement also in urban and local communities side by side the struggle for glocal agora like the participatory and direct democracy in local communities.

Key words: production of space, glocal agora, public space, communal space, basic income, glocal basic income.

Investment in Human Capital and Financial Markets

Neantro Saavedra-Rivano¹

1. Introduction

This paper presents a general framework to analyze the use of financial tools for the sake of human capital development. The basic idea presented is that of financing investment in human capital through the issue of securities that would be backed by the future stream of income of the beneficiaries. Such scheme is to be coordinated and supervised by the central government and, in principle, open to private and even international investors. The paper discusses the advantages of the proposed scheme as well as many of its practical implications. The main advantages derive from the equality of opportunity that it would imply, and from its promise to unlock the full economic potential of nations. Both are especially interesting propositions for developing countries. The paper also discusses the relationship between this proposal and other initiatives and trends such as the *guaranteed basic income* initiative and *conditional cash transfers* (CCT).

2. Investment in Human Capital

It has been some fifty years since the notion of human capital was rediscovered through the seminal writings of Theodore Schultz and the empirical and theoretical work of Gary Becker². Researchers dealing with the Economics of

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² See, for instance, Schultz (1961) and Becker (1964)

Education, Labor Economics, and the emerging economic theories of the family and the household swiftly adopted the concept. In the late 1970s the concept of a heterogeneous and malleable human capital became central to the development of endogenous growth theory. The need for empirical validation of these theories provided, in turn, added impetus to statistical research on the measurement of human capital stocks, their international comparability, and on the rates of return to investment on human capital.

Albeit human capital is by now a well-established and respectable concept in Economics, there is a multiplicity of meanings associated with it. Most precise definitions are consistent with the view that human capital is a form of capital and that, as such, it is used for the sake of production. Differences exist, though, in the breadth of the concept. Business Economics adopts perhaps the narrowest definition, emphasizing on-the-job training and those skills that are useful in the context of the firm. In Labor Economics human capital is often defined as the accumulated stock of education of the individual or of society and, indeed, most measures of human capital stocks and of rates of return on investment on human capital correspond to this view. The broadest approach comes from Development Economics. It encompasses the knowledge and skills helping the generation of utility from the perspectives of the individual and of social collectives, including in particular the enterprise. A good example of such a definition is that adopted by the Organization for Economic Co-operation and Development (OECD), namely that "human capital is defined as the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being"³. In what follows we will follow this definition as being the best adapted to our purpose.

Ever since the 1961 AEA Presidential Address by Theodore Schultz⁴, investment in human capital has been acknowledged as one of the most important economic activities. As he pointed out, many spending items that are commonly considered to be consumption expenditures are indeed investment (in human

³ Organization for Economic Co-operation and Development (2007)

⁴ Schultz (1961)

capital) expenditures. National accounts have not yet caught up to this insight and, undoubtedly, this has to do with the ambiguity surrounding the concept of human capital. The individual, his family, society, and the enterprise that eventually employs him or her, they all have their own notions about what constitutes human capital and, accordingly, what is investment in human capital. To be consistent with the broad definition of human capital that we have adopted, investment in human capital for a given individual will be deemed to comprise the entire sum of expenditures needed to nurture him or her from birth to working age. This is indeed the cost needed to incorporate a human being into the labor market. Further expenditures taking place later in life, associated with retraining, continuous education, on-the-job training, and other similar expenditures, might be added as well, although these will not be relevant to the discussion in this paper.

Who invests in human capital? In the current state of organization of society, parents are responsible and ultimately accountable for raising their offspring, and they generally take charge of the largest share of investment in their human capital. The burden to parents involves material resources as well as, very importantly in the case of mothers, valuable time. In traditional societies a *quid pro quo* to these inter-generational transfers is provided by the care that is expected by aging parents from their children. Modern societies are largely abandoning this practice and one might speculate that this evolution partly explains the decrease in births that has been recently observed⁵. Individuals themselves will also invest in their human capital, especially whenever they become independent early in life. A third category of investors corresponds to governments, whose investment is generally channeled through the provision of education, health, and other social services. Although it might be argued that it is taxpayers who ultimately bear the burden of these investments and that a democratic system ensures investment decisions are taken in accordance with their desires, it is clear that these investment decisions follow a different kind of rationality and that they respond to societal preferences rather than to those of individuals or families. The fourth category of investors corresponds to

⁵ This is of course the well-known "Caldwell hypothesis", see for instance Caldwell (2005)

enterprises. In this latter case their motivation is naturally to increase the productivity of their workers, provided that there are reasonable expectations about their capacity to capture (a share of) the returns to their investment. Finally, a fifth category of investors is composed of private financial institution. These investors, whose contribution at present time is rather insignificant, see investment in human capital as one of many alternative investment opportunities.

We might also ask who gains from this investment on human capital. It clearly is not always the investor, especially in the case of families, although hard to measure non-monetary returns seem to encourage the continuation of this type of investment. In the case of the government it can be reasonably argued that they receive a substantial share of the return to (and principal of) their investment, and the same is largely true for the individuals, employers, and those financial institutions investing in human capital. As we can see, investment by families differs from that of other categories of investors in that it constitutes to a larger extent a grant.

3. *Securitization of Human Capital*

Let us present now the basic idea of this paper. In a nutshell this consists in securitizing the human capital of each individual so as to finance all expenses leading to his or her upbringing from birth to adulthood. The first step in this direction is the creation for each individual, at the moment of birth, of a personal account. In the *ideal* model of the scheme (see next section) all expenses related to the new individual, say from age 0 to age 23, automatically generate liabilities to the account and assets for the provider of goods or services. The individual must later repay the accumulated debt over a sub-period of his/her working life. Many provisos apply to this scheme, as it will be seen later. For the moment, though, some important features that are central to the proposed scheme need to be underlined. In the first place, the envisioned system is universal (within a country). Second, although mainly private financial institutions would carry out

trading in the securities that the scheme is bound to generate, the entire system needs to be overseen by the state in order to ensure its soundness.

Our proposed scheme is based upon three principal tenets, namely, a comprehensive interpretation of the meaning of human capital, a reliance on the use of modern financial instruments and markets, and the assignment to central government of a coordinating and supervisory role. About the first, and as explained before, we adhere to the broadest definition of human capital, not limited to the expenses associated with the obviously marketable skills and abilities acquired through vocational education, but instead covering the total expenses required to take an individual from birth to the labor market. This is, of course, an ideal definition, from which we might occasionally deviate for practical purposes. But the point to be stressed is that the comprehensive definition of human capital is a better reference than the limited definition comprising only investment in vocational education. The second tenet relies on the notion of “securitization”, which means that investment in human capital would result in the issuance of *negotiable* claims on the future stream of earnings of its beneficiaries. These claims would be bundled into financial products of convenient sizes and maturities, which we will call “human capital” securities, or *HC securities*, and become one of the main staples of the financial system. The third tenet is provided by role assigned to the central government, playing the key functions of coordination and supervision of the entire scheme. The case for a government role is strengthened by the obvious need to build public trust in the scheme and by the requirement of universality that is central to its social purpose. Important tasks executed by the central government, through a specially designated entity, would include the *anonymization* of HC securities (with the consequent socialization of their associated risk), and the enforcement of payments of interest and principal by their beneficiaries.

In the context of the discussion at the end of the previous section, the proposed scheme has as the obvious effect of eliminating most if not the entire burden of investment (grants) by families. Although at an operational level the financial markets manage this investment, in the end it will of course be the public who

will undertake this investment. One implication is that the investors are now set to receive the return (and principal) on their investment.

4. *Implementation*

Let us restate the main components of the scheme hereby proposed. First, all expenses associated with raising an individual (from birth to working age) are eligible to be financed through the issue of (named) securities. Second, a government entity specially created to this purpose, oversees this processes and ultimately channels anonymous securities to a limited number of (primary) financial institutions. Third, primary financial institutions bundle these securities into *HC securities* of suitable denominations to be traded in secondary financial markets. Fourth, as beneficiaries of this investment reach working age they initiate repayment on their debt; the government entity has roles both in the collection of these repayments as well as a clearinghouse for the original named securities. It is important to stress that this is an *ideal* version of the scheme, namely one where human capital is given its broadest definition. As with any ideal model its main value will be to serve as a motivation and a reference to more realistic models that, in our context, will consider investing in particular components of human capital.

We proceed now to offer a concise description of an implementation of the *ideal* model of the scheme in a sequence of actions that follows the lifecycle of a new generation. It should become clear from this description that putting in practice such a complex scheme needs to take into account the particular characteristics of each social, cultural and political context. The present description ignores such considerations, as well as potential practical problems that are bound to appear at the time of the implementation. These elements need, of course, to be included into any comprehensive practical proposal. Such detailed description, beyond the scope of this paper, should also make explicit the set of policy instruments being used and the range of variation in the values they can take. These are needed in order to design implementations of the scheme that respond

to: the particular social or cultural characteristics of each society; the economic constraints resulting of its level of development; the need of flexibility in setting the length of time required for the complete adoption of the scheme.

- i. The main institution necessary to the implementation is the *Central Registry and Repository (CRR for short)*, an agency charged with keeping records of all relevant transactions and with the regulation of the secondary market for assets originating from these transactions.
- ii. Starting from initial time, each newborn is automatically endowed with an *Individual Capital Account (ICA)* and becomes entitled to charge all expenses related to his/her upbringing to that account. Limitations on the use of the account will include, most importantly, the *limit age* (say, for the sake of argument, 23 years⁶) and a *spending profile*. The former establishes the age beyond which expenses can no longer be charged to the ICA. The latter is a time path of estimated costs normally required for the upbringing of an individual that will set quantitative limits to the use of the account through time.
- iii. Providers or sellers of goods or services will be registered at the CRR and properly certified.
- iv. Each purchase of a good or service by an ICA holder will give rise to a triangular transaction between the ICA holder, the provider of the good or service, and the CRR. This transaction, much as a credit card transaction, will credit the provider (with the amount of the transaction) and will create an asset (for the CRR) and a liability (for the ICA holder) of equal value.
- v. The CRR will conduct at this stage a process of *anonymization* whereby anonymous securities, backed by the named securities, are issued and sold to primary financial institutions. As a result of this

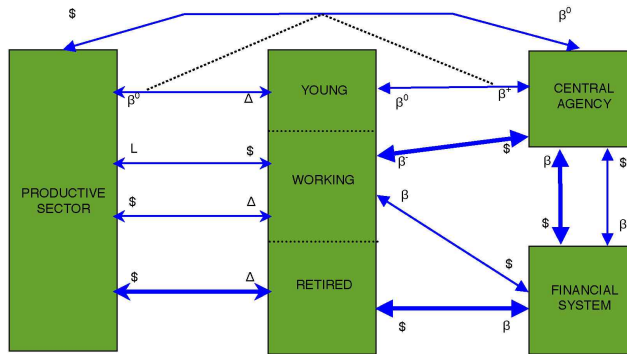
⁶ The choice of limit age has clearly quantitative implications for the volume of debt that will be generated. It has also less obvious albeit very important qualitative implications. For instance, a much lower limit, say 15 years of age, would be compatible with a quite different system, whereby individuals completing basic education (of about 9 years of duration) might be inducted into particular economic sectors or industries which would then fund their further training or education. The specific merits of alternative systems and their adequacy to particular socio-economic contexts need to be discussed.

- process the named securities become assets for the CRR and the anonymous securities its liabilities (to the financial institutions, who will keep them as assets).⁷
- vi. The primary financial institutions will then proceed to package the now homogeneous securities into financial products of suitable size and maturity that will be offered to the financial markets. We will call these securities *HC securities*.
 - vii. Although interest rates on HC securities would most likely have to be initially set by the regulator, the markets will ultimately determine them.
 - viii. Once individuals reach the limit age they must initiate repayment of the accumulated debt plus interest. The simplest way of estimating a *repayment profile* (that is, a time path indicating how repayments will take place) is by looking at the expenses that, under the old system, individuals would have to nurture their own children. As the latter expenses no longer apply, individuals born after the scheme has been established would face similar lifetime expenses than those incurred by their grandparents and older ancestors (but larger than those of their parents, who would benefit from a once in a time bonus).
 - ix. Repayment will be automatically deducted from earnings or income and collected by the CRR. The CRR uses, in turn, these sums to buy HC securities in the financial markets, so that both assets and liabilities in its balance sheet are reduced by the same amount.

Figure 1 in the next page illustrates these and other flows associated with the scheme. The population is broken down into its three functional groups or cohorts: young, working adults and retired. The other boxes represent the productive sector, the financial sector and the central agency (CRR). Earnings of the working population, consisting in this simplified model entirely of wage

⁷ At this preliminary stage it is best to leave undefined the precise nature of the securities to be created. They will be most likely similar to government securities and as such not backed explicitly by specific assets. While government securities are backed by future streams of government income (including taxes) the new securities being discussed would be backed by the future stream of income generated by the population. Their risk would be even smaller than that of government securities.

Figure 1: Flows associated with the creation and circulation of human capital (HC) securities



- Δ Goods and services
- L Labor
- $\$$ Money
- β (anonymous) HC securities
- β^0 (named) HC purchasing power titles
- β^1 Accrual of (named) HC securities
- β Redemption of (named) HC securities

Although all flows take place at all times, flows represented by thin lines are associated with a given cycle and those by thick lines correspond to the next cycle (of the same generation)

Dotted lines connect flows tied to each other

income, are spent in one of three ways: their own consumption, repayment of their own debt to the CRR, and purchase of HC securities issued as a result of the consumption of the young (investment in human capital). The consumption of retired people is financed by the proceedings of the sale of the HC securities they had purchased while of working age. The diagram also shows the transactions between the CRR and the financial system, both the creation of HC securities and their redemption, and the triangular transactions associated with purchases of goods and services by the young.

Several interesting sub-diagrams or circuits deserve special notice. The first is the circuit of flows between the productive sector, the young population and the CRR that correspond to the triangular transactions previously mentioned. A second circuit is that between the productive sector, the working population, and the financial sector (including the CRR), comprising the flows associated with the financing of the consumption of the young. This circuit highlights the fact that the working-age population finances *collectively* the (human capital) expenditures of the young. This feature of the proposed scheme is in stark contrast with the characteristics of the existing system whereby the funding of those expenditures takes place at the level of the family unit. The collective nature of this financing is, however, not imposed by the state but rather the result of rational saving decisions taken at the level of the individuals or families. While these two circuits are synchronous, relating different contemporaneous cohorts, the next two noteworthy circuits are inter-temporal and involve single cohorts through their lifecycle. The first of them represents the acquisition of debt by the young and their later redemption while working, thus comprising flows between the people at those two moments in their lives and the CRR. And the last involves the purchase of HC securities by working adults and their sale for the sake of consumption after reaching retirement age, thus comprising flows between the population and the financial system. In terms of the mathematical model that this diagram suggests, and which will not be developed here, these circuits correspond to some of its equations.

5. *Advantages of Securitization*

The most obvious advantage of the proposed scheme and also one of its primary justifications is its promise to bring about equality of opportunities for all newly born individuals. Milton Friedman had already noted this effect in relation to his proposal⁸ to have the central government take equity stakes in individuals through the financing of their vocational education. It should be easy to appreciate, however, that a scheme limited to higher education will afford equality of opportunities only to those individuals who have reached a level of social development preparing them for access to such institutions. The current scheme, relying on the broader definition of human capital, has the potential to extend equality of opportunities to all newborn individuals. This distinction is especially important in the case of developing countries where, typically, only individuals born in the middle and higher classes will be well prepared when reaching the age of vocational education. In the case of least developed countries or regions within a country, realizing equality of opportunities at birth may well signify the difference between life and death. A related benefit of the scheme is the effect it is bound to have on the distribution of wealth and income. This effect would be less immediate than that on the equality of opportunities but, clearly, income and wealth disparities would be progressively reduced.

A second powerful advantage of the proposal is that it enables a country to realize its full economic potential. As it has been realized by development economists, particularly through the experience of East Asian countries during the latter part of the past century, human capital is the most important component of the wealth of nations.⁹ A scheme with the capacity to unleash the full potential of human capital is poised to become an essential element of development policies everywhere. In addition, as noted and thoroughly developed in the recent writings of James Heckman,¹⁰ investment in human capital at earlier ages is significantly more cost effective than at later periods of life. This is of course an additional and powerful argument in favor of the

⁸ Friedman (1955), p. 143

⁹ See, for instance, the World Bank (1993) report on The East Asian Miracle

¹⁰ Representative works include Heckman (2006), and Cunha and Heckman (2007)

adoption of a broad definition of human capital and of the universal application of this proposal.

To the extent that HC securities might be traded internationally, the scheme can open the way for the participation of international financial markets in development aid while creating a new role, as intermediaries and guarantors, for multilateral development agencies. This internationalization of the scheme is of particular interest for those countries whose financial systems are little developed. It also points towards its use in designing innovative and integrated programs of international development assistance that would channel funds directly to beneficiaries.

There is another potential effect of a quite different nature. This has to do with demographics and can be understood by an examination of the factors behind fertility. Some of these factors are economic, others of a social, cultural, even religious nature. We will not attempt to offer here a thorough explanation of this complex subject. It is undeniable however that, among the many factors having an adverse effect on the fertility rate, the purely economic factor remains a powerful one. Thus, by removing the purely financial constraints on families to have children, the scheme has the potential to reverse the demographic trends that negatively affect an increasing number of countries.

6. *Relationship to other existing schemes*

It is interesting to note that there have been some recent trends having the effect of transferring to governments the investment by families in the human capital of their children. The first trend relevant to this inquiry is the increased use of *family policies* by governments to promote child development, gender equality, income stability, and balanced population growth. Although these objectives do not explicitly include human capital development, the end result is that family policies effectively increase the share of state and local governments in total investment in human capital. In some instances this happens through the

substitution of investment by families, in others it leads to investment that would have not taken place otherwise. European countries, particularly France and most Scandinavian countries, have led the way in the expansion of family policies during recent decades¹¹. *Education policies* have had a similar impact in reducing the burden upon families of the investment in the human capital of their offspring. In some cases, as it may happen with educational loans, that burden is shifted to the individuals who are benefitting from them. In other cases the burden is (partially) shifted from families to central or local governments. As it was the case with family policies, part of the investment (in education) will be “new” investment, and will thus result in an increase in total investment in human capital. A third interesting trend is a relatively recent set of innovative social programs that channel resources from governments to families through a combination of education and family policies. A prime example is the “Bolsa Familia” program that has been implemented during the last ten years by the Government of Brazil. This program makes cash payments to poor families (or rather to mothers) on the condition that children will regularly attend school and submit to health tests. Mexico’s “Oportunidades” program is another similar and successful example that has existed for several years. These are examples of *conditional cash transfer* (CCT) programs, a new trend in human capital investment¹². All these three trends contribute to the increase in total investment in human capital and with a shift of the shares in total investment away from families and (mostly) towards governments.

The proposal for a *guaranteed basic income* must also be counted among initiatives with a potential impact on human capital development. Similarly to the previously noted trends they are based on transfers rather than, as is the case with the proposal in this paper, on markets. In real-life situations both types of instruments will need to complement each other. This is particularly true for countries with large income disparities. Transfers have a clear limitation as a tool to solve critical social issues in such a context. Likewise financial tools as the one being proposed here need to be complemented by transfers, at least

¹¹ See Organization for Economic Co-operation and Development (2007:2) and Damon (2005)

¹² The World Bank (2009) has analyzed extensively CCTs, in particular their effect on human capital investment.

during the transition period. An example will help to clarify this point. This has to do with the application of the scheme to children living in poor households. It is easy to imagine the awkwardness and flawed character of a situation when children have the ability to automatically fund all of their basic needs and their parents live in poverty. The tensions generated by this scenario have the potential of rendering ultimately unsustainable the scheme, at least for poor families. A possible way of dealing with this situation, during the transitional period, would be the combination of the scheme with conditional cash transfer programs addressed to families and associated with observance of the scheme. Another alternative would be to combine the scheme with an implementation of the guaranteed basic income proposal.

7. *Practical Issues and Implications*

This is clearly a scheme of such magnitude that it will have a massive and profound impact in all spheres of social life. As such it is bound to raise a host of issues, some of which we discuss briefly in what follows. These issues can be categorized as being either of a systemic, economic, political, or social nature.

As for systemic issues, the most important have to do with size and complexity. The universality of the scheme, one of its essential characteristics, implies that its management will require the processing of huge amounts of data whose integrity needs to be protected throughout the lifetimes of individuals. The generation of claims by individuals, that of corresponding credits by the providers of goods and services to them, the recording of these transactions by the designated government entity, and so on up to the withholding of debt service payments from workers earnings and to the settling of their debts, all of these operations need to be handled by large information systems functioning smoothly, in a coordinated manner, and without fault. These requirements are not trivial although similarly massive systems have been successfully handled in other contexts. In that sense, they are not beyond the current state of the art. Related systemic issues have to do with the need to control which individual expenses

are entitled to the generation of claims, and with the prevention of fraudulent use.

Among the economic issues, two are of the highest importance, and they have to do with macroeconomic adjustment to and with the financial implications of the scheme. It is easy to see that full implementation of this scheme would give rise to a large spike in demand for goods and services that were previously inaccessible to poor segments of the population. No economic system would be able to quickly adjust to such a surge in demand that would require, in addition to an accommodation of the provision of goods and of the facilities needed to raise their production, the availability of personnel able to offer specialized services in health and education among others. In addition, and perversely, the less developed the country the higher the potential surge in demand that would be observed. This is an issue that, though not fatal to the scheme, evidences the need for careful adjustment of the scheme to the particular situation of each country, a theme that will be also raised in the following section. The second economic issue is the impact that the generation of claims by individuals and, in consequence, of HC securities has on the financial system. Assuming that the scheme is implemented in its most complete form, the accumulated stock of HC securities may reach an amount equivalent to between four and five times the gross domestic product of the country. These are quite large, although not unmanageable, amounts. They would, however, have an important effect on financial markets and investment in HC securities might crowd out other less sound forms of investment. Once again, there is here good reason to examine ways in which the scheme could be shaped to suit particular national situations.

There are other important issues that deserve notice, although we will only touch briefly on them. First, implementation of such a system deepens the bond between the individual and society to an extent that might be considered extreme by some. Whereas in the current social system individuals have at most a moral debt towards their parents for having provided to their needs during early age, in the proposed system individuals would instead have an actual debt and the associated legal obligation to service and repay it. Such a new situation

would require the adaptation of social institutions and attitudes as well as the creation of additional government institutions. A second related issue is the ethical objection that some might have towards the perceived bond on individual freedom that the system implies. Although it would be hard to associate this system with slavery, given that eventually everybody would be an investor as well as a debtor, the fact is that it would become more difficult for anybody to break away from the social system. The third issue that needs to be mentioned has to do with intra-family relations. At least in Western societies, the decay of the family as an institution is a well-recognized and often lamented fact. The transfer of the economic costs of the upbringing of an individual from the parents to the individual proper has a clear potential for a further weakening of parental authority. These are all difficult issues for which it would be presumptuous to claim proper answers at this moment. We could perhaps say that society has been evolving through the ages and that, whenever faced with choices that combine higher welfare with deeper forms of social organization and control, it has generally adopted them.

Many of the difficult issues just reviewed are related to the magnitude of the scheme. However, it is conceivable and even advisable to examine downsized versions of the full or *ideal* scheme. In what follows we will discuss some of the main axes along which this scheme can be re-dimensioned and adjusted as well as the resulting parameters for its implementation. These axes are related to the population covered, the age of coverage, the services coverage, and the depth of coverage.

On *population coverage*, the ideal model assumes universal coverage. It is possible, however, to envisage coverage initially limited to disadvantaged sectors of the population. Such limited coverage would still go a long way towards fulfilling the main objectives of the scheme and, at any rate, would leave open the possibility to progressively extend coverage to larger sectors of the population. The *age of the covered population* can also be adjusted so as to facilitate the implementation of the scheme. Both the goal of the equalization of opportunities and the previously mentioned Heckman argument on an inverse relationship

between returns to human capital investment and age of beneficiaries, advise towards beginning coverage from birth. In the other hand, the choice of an upper limit age of coverage is related to the degree of economic development of the country and to its educational system. *Covered services* must initially include basic services such as health and education, although even within these some scaling may take place. Finally, the *depth of coverage* refers to the percentage of expenditures that is to be financed by HC securities. While the ideal scheme corresponds to a 100 percent depth of coverage, practical considerations may impose the choice of lower rates and the definition of depth schedules according to income levels. For all axes being considered coverage can be extended gradually through time.

8. *Concluding Remarks*

There is no denying that this is an ambitious proposal whose implementation, even in a downsized version, is bound to present many obstacles. Some of these are of a technical or logistical nature and, in principle, could be managed. Others are related to the natural difficulty to accept radical ideas and to legitimate ideological differences about the organization of society and the role of government. The huge advantages that the proposed scheme promises for human development, especially in developing nations, amply justifies, in our view, confronting these otherwise substantial and non-trivial difficulties.

The proposal needs also to be seen in the context of the evolving ideological environment of adjustment to the current economic crisis and its aftermath. In the first place, there is a growing realization that the true wealth of any nation, developed or developing, lies in its people and in its capacity to innovate. Nations compare to each other not by their natural resources endowments nor by the amount of foreign reserves in their vaults but instead by the knowledge and skills embedded in their people. In the second place, there is much disappointment with a financial system that has grown on weak foundations. As the financial system is rebuilt the proposed HC securities may appear as an

attractive new type of asset, one that is backed by the safest of all investments, our people.

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Abstract

**Basic Income and High-Road Industrial Policy:
For sustainable welfare in neo-liberal era**

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Basic Income has many different aspects such as philosophical/political or economic factors. Economic aspects have problems to be solved. One problem is how to get the funds necessary to pay Basic Income, which is related to macro economic fiscal policies, such as tax policies and social welfare expenditures. But the other side of basic income has not been much examined: the economic consequences of basic income. This article tries to understand the economic consequences of Basic Income, which enables us to think of Basic Income as a sustainable policy.

In this research, I think the concrete historical and institutional configurations should be included and stressed. Therefore this article begins with present and local features.. The Korean economy since the 1997 financial crisis has been transformed much: from 'authoritarian and developmental capitalism' led by ex-general Park, Jeong-Hee to 'neo-liberal capitalism' under the hegemonic bloc of Chaebol-state-foreign capital. The result of this transformation is the deepening polarization of the economy and stagnated growth.

These two features of neo-liberalism in Korea since 1997 urge activists and intellectuals to think of an alternative industrial policy which is different from the neo-liberal regime (1997~). However, this alternative should also be different from the traditional interventionalist-but-authoritarian regime

(1961~1979). The alternative industrial policy should support the relevant growth and avoid the low-income based growth as well. The previous regime of Park, Jeong-Hee has been based on the low-wages of the labor class as a whole. On the other hand, neo-liberalism separates the labor class into two categories: a protected/organized one and an unprotected/underemployed one. The first may enjoy a relatively high-wage rate, but it is based on the others' low-wages, which can not continue owing to the extreme polarization of the economy.

Therefore the alternative idea of industrial policy should combine high-wages and high-productivity, which can be called a "high-road industrial policy". But the problem of a high-road policy is that it necessarily results in a high unemployment rate. The high rate of unemployment may come from rigid economic institutions we can find in European governments rather than in Anglo-Saxon type governments. On the other hand, authentic neo-liberal economic policies adopted in the U.S. and U.K. caused economic polarization, which in fact means a low-road industrial policy led by parasitic financial capital. Both cases have deepened the problem of neo-liberalism: a new type of immiseration from either high unemployment or serious polarization. In order to avoid the problems stemming from a high rate of unemployment (in the case of Europe) or a heavy portion of underemployment (in the case of the U.S and U.K.), high-road policies should have supportive complementary measures. In this respect, Basic Income can contribute to lessen the economic problems from neo-liberalism by improving the worsened income distribution.

Basic Income itself has long been discussed in prominent research. Even though some research pursues full employment, the goal seems to be incompatible with neo-liberal capitalism nowadays. Even though famous Keynesians like Meade, J. E. dreamed of a world with full employment, it

can be regarded as a utopian dream in this neo-liberal capitalism. On the other hand, Basic Income can be a sustainable alternative. Basic Income can support both the unemployed and the underemployed without any discrimination because it does not demand any mean-test or work-test. Therefore Basic Income is more suitable nowadays than in Keynesian times when Keynesian economists dreamed of full employment.

The economic effects of Basic Income have gained strong attention. Discussions are mainly about Basic Income's influence on economic incentives. This article wants to develop further economic results and future vision. The first causal relation is between Basic Income and market wages determined in the labor market. Will Basic Income finally increase the market wage or decrease it? In this article I argue that Basic Income will increase the market wage because Basic Income will be the cause of decreasing labor supply in lower wage labor markets. The second causal relation is between Basic Income and productivity. Here I argue Basic Income will increase labor productivity because it does not prohibit the wage difference except for Basic Income itself. In this sense this article assumes partial Basic Income rather than full Basic Income. This assumption is supported by other outstanding literature on sustainable Basic Income.

Finally I examine the economic consequences of Basic Income in this capitalism. The final goal of a Basic Income policy is to pursue an alternative economic system different from the capitalist accumulation system. But before that, Basic Income has to find its supporters inside capitalism. In order to do that, we need to suggest the sustainability of Basic Income in a capitalist macro economy. I check the two tracks which can guarantee the sustainability of Basic Income in capitalism.

The first route is labor incentives: Basic Income will let some laborers with

lower income take life-long education to enhance their work skills. This will increase their labor productivity and naturally their market wage. With higher wages, laborers can pay more taxes necessary for the Basic Income plan.

The second route is capital incentives. Using the idea of labor-capital partnership developed by Meade, I argue such partnerships are suitable in SMEs (small and medium size enterprises) nowadays. A Labor-capital partnership which looks like the modern ESOPs (Employee Stock Ownership Plans) can provide more productivity and incentives for both workers and capitalists. If this partnership guarantees the success of small businesses, this success also can be a pool of necessary funds for Basic Income.

The sustainability of Basic Income itself will be the best and fastest way to escape from the all-competition world, that is, capitalism.

Contents

1. Preface
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 - 2) Economic consequences of Basic Income
5. Summary and conclusion

Abstract

Basic Income and Income Redistribution

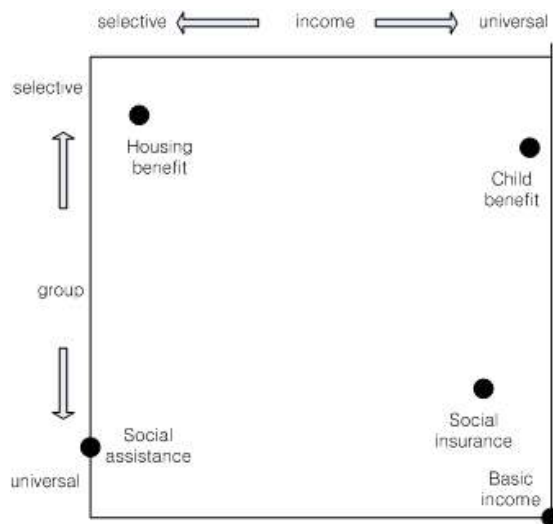
Baek Seungho | Catholic University of Korea

□ Research objective

- An analysis on the effects of a basic income on poverty and income redistribution in Korea.

□ Why basic income is needed?

- Transformation of capital accumulation mechanism
 - Transformation of capital accumulation mechanism and strategy from KWNS(Keynesian welfare National State) to SWPR(Schumpeterian Workfare Postnational Regime)(Jessop, 2002) --> Old social security systems based on social insurance cannot have effectively responded to emerging new social risks. --> Alternative welfare system is needed to respond to the risks emerging from global influences.
- Paradox of redistribution(Korpi & Palme, 1998).
 - Selective welfare programs based on means-test have done little to alleviate poverty(Burtless, 1994). On the other hand, universal welfare programs have been highly effective in reducing poverty.
 - Entitlement to basic income is based on citizenship rather than income.



source: Berg(2004)

<Figure 1> Classifying Welfare Programs According to Two Types of Universality

- Universal welfare program covers the entire population with either flat-rate benefit or earnings-related social insurance, it crowds out less egalitarian institutions such as market insurance(Korpi & Palme, 1998).

- Universal welfare programs receive considerably more support among citizens than do means-tested programs(Kangas, 1995; Svallfors, 1996).

- Therefore, universal welfare model makes it possible to increase the size of redistributive budgets and is more redistributive than selective welfare model(Korpi & Palme, 1998; Skocpol, 1990).

Research questions

- Will universal basic income reduce poverty?
- Will universal basic income reduce income inequality?

Research method

- data

- Korea Welfare Panel Study(KOWEPS)
- Korea Institute for health and Social Affairs(KIHASA) and Seoul National University(SNU) organized 'Korea Welfare Panel Consortium' and made a survey in close cooperation. 2006 1'st wave 『KOWEPS』 has over 7,000 households, which is the biggest sample size out of domestic panel surveys. This is the only panel survey which covers up to JEJU by region and farmers and fisheries by household type. The questionnaires of 『KOWEPS』 provide rich contents covering household characteristic, household economic status, economic activity of household members, the supply-demand situation and the supply-demand need of social welfare systems etc(KOWEPS, 2008).

- scale

- gross income = wage and salary income + gross self-employment income + property income +(private, public) transfer income

- gross income_BI = gross income - public pension - social assistance cash benefit + basic income

- poverty index 1: Headcount ratio

$$P_0 = \frac{1}{N} \sum_{i=1}^N I(y_i < z)$$

N : population, y_i : gross income, z : poverty line

I(.) : if true, 1(poverty), if not true, 0(non-poverty)

- poverty index 2: poverty gap ratio

poverty gap $G_i = (z - y_i) \cdot I(y_i < z) : I(y_i < z) = 0$

poverty gap ratio $P_1 = \frac{1}{N} \sum_{i=1}^N \frac{G_i}{z}$

- income inequality index 1: Gini index

$$G = \frac{1}{2n^2\mu} \sum_{i=1}^n \sum_{j=1}^n |y_i - y_j|$$

n: population, μ : mean income, y_i , y_j : income of household 'i', 'j'

- income inequality index 2: income decile distribution

- research procedure(cf. Garfinkel, Huang & Naidich(2006))
 - step1. select representative population database : KOWEPS
 - step2. calculate the value of the current system(Posttransfer and Posttax Income) from Pretransfer and Pretax Income
 - step3. eliminate the current system(public pension and social assistance benefit)
 - step4. simulate the basic income plan
 - step5. compare the effects of redistribution between current system and basic income plan.

□ Basic income plan(강남훈, 광노완, 이수봉(2009))

Basic income plan	benefit(yearly, 10 thousands KRW)
Standard Plan	child(under 19) KRW 400 adult1(under 39) KRW 400 adult2(under 54) KRW 600 adult3(under 64) KRW 800 elder(under 65) KRW 900
Children Plus Plan	child(under 19) KRW 600 adult1(under 39) KRW 400 adult2(under 54) KRW 400 adult3(under 64) KRW 600 elder(under 65) KRW 900
Adult Plus Plan	child(under 19) KRW 200 adult1(under 39) KRW 500 adult2(under 54) KRW 700 adult3(under 64) KRW 800 elder(under 65) KRW 900

Basic income effect on poverty reduction

		market income	gross income	basic income plan		
				standard	child plus	adult plus
all	headcount ratio(% ¹)	24.72	20.58	8.07	8.58	8.12
	reduction rate(%p) ²)		16.75	60.79	58.31	60.54
	poverty gap ratio(%)	12.69	7.71	1.62	1.9	1.65
	reduction rate(%p)		39.24	78.99	75.36	78.60
child	headcount ratio(%)	11.98	9.39	3.43	2.55	4.43
	reduction rate(%p)		21.62	63.47	72.84	52.82
	poverty gap ratio(%)	5.94	3.67	1.05	0.89	1.38
	reduction rate(%p)		38.22	71.39	75.75	62.40
woman	headcount ratio(%)	51.02	45.49	26.73	27.63	26.54
	reduction rate(%p)		10.84	41.24	39.26	41.66
	poverty gap ratio(%)	26.37	17.11	4.44	4.98	4.57
	reduction rate(%p)		35.12	74.05	70.89	73.29
elderly	headcount ratio(%)	62.42	53.19	17.82	17.52	17.72
	reduction rate(%p)		14.79	66.50	67.06	66.69
	poverty gap ratio(%)	32.41	20.07	2.55	2.5	2.62
	reduction rate(%p)		38.07	87.29	87.54	86.95
regular worker	headcount ratio(%)	3.14	2.86	0.76	0.79	0.81
	reduction rate(%p)		8.92	73.43	72.38	71.68
	poverty gap ratio(%)	1.03	0.86	0.15	0.15	0.18
	reduction rate(%p)		16.5	82.56	82.56	79.07
non- regular worker	headcount ratio(%)	19.03	16.71	3.58	4.51	3.93
	reduction rate(%p)		12.19	78.58	73.01	76.48
	poverty gap ratio(%)	7.65	5.74	0.99	1.15	1.06
	reduction rate(%p)		24.97	82.75	79.97	81.53

□ Basic income effect on income inequality reduction

		market income	gross income	basic income plan		
				standard	child plus	adult plus
all	Gini index	0.43	0.39	0.28	0.28	0.28
	reduction rate(%p) ³⁾		9.30	28.21	28.21	28.21
	income decile ratio(%)	11.2	6.9	3.45	3.52	3.51
	reduction rate(%p)		38.39	50.00	48.99	49.13
child	Gini index	0.35	0.34	0.25	0.24	0.26
	reduction rate(%p)		2.86	26.47	29.41	23.53
	income decile ratio(%)	5.45	4.5	2.83	2.72	2.92
	reduction rate(%p)		17.43	37.11	39.56	35.11
woman	Gini index	0.48	0.4	0.27	0.27	0.28
	reduction rate(%p)		16.67	32.50	32.50	30.00
	income decile ratio(%)	17.51	6.2	3.25	3.29	3.35
	reduction rate(%p)		64.59	47.58	46.94	45.97
elderly	Gini index	0.47	0.39	0.24	0.24	0.24
	reduction rate(%p)		17.02	38.46	38.46	38.46
	income decile ratio(%)	15.24	5.58	2.78	2.78	2.8
	reduction rate(%p)		63.39	50.18	50.18	49.82
regular worker	Gini index	0.29	0.28	0.22	0.21	0.22
	reduction rate(%p)		3.45	21.43	25.00	21.43
	income decile ratio(%)	3.75	3.58	2.58	2.51	2.70
	reduction rate(%p)		4.53	27.93	29.89	24.58
non- regular worker	Gini index	0.41	0.39	0.27	0.28	0.28
	reduction rate(%p)		4.88	30.77	28.21	28.21
	income decile ratio(%)	6.72	5.47	2.94	3.01	3.00
	reduction rate(%p)		18.60	46.25	44.97	45.16

1) relative poverty threshold: 50% of median income

2) calculated as follows

$$PRD_{BI} = \frac{P_{\text{현행}} - P_{BI}}{P_{\text{현행}}} \times 100,$$

PRD_{BI} : basic income effect on poverty reduction,

$P_{\text{현행}}$: headcount ratio of current system, P_{BI} : poverty rate of basic income plan

3) calculated as follows

□ conclusion

- Compared with current system, basic income plan proposed by 강남훈·곽노완·이수봉(2009) is estimated to reduce the poverty rate by 40% - 90% point.
- Compared with current system, basic income plan is estimated to reduce income inequality by 30% - 50% point.

$$IERE_{BI} = \frac{IE_{\text{현행}} - IE_{BI}}{IE_{\text{현행}}} \times 100$$

$IERE_{BI}$: basic income effect on income inequality

$IE_{\text{현행}}$: gini index of current system, IE_{BI} : gini index of basic income plan

Abstract

Economic Impacts of Basic Income

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This paper examines some economic impacts of basic income. The followings are some of the impacts examined in this paper from the theoretical point of view.

1. Basic Income Multiplier

As everyone knows, the basic income policy has Keynesian multiplier effect, because it means an income transfer from people with low propensity to consume to people with high propensity to consume. We can measure the magnitude of the basic income multiplier as follows.

c_1 (c_2) marginal propensity to consume of people with high(low) income

c overall marginal propensity to consume

m marginal propensity to import

ΔT size of basic income

$1/d * \Delta T$ net transfer of income due to basic income

Net increase in consumption due to basic income is expressed as follows.

$$(c_2 - c_1)(1 + (c - m) + (c - m)^2 \dots) \left(\frac{1}{d} \Delta T\right) = (c_2 - c_1) \left(\frac{1}{1 - c + m}\right) \left(\frac{1}{d} \Delta T\right)$$

We can define basic income multiplier as $(c_2 - c_1) \left(\frac{1}{1 - c + m}\right)$. In the case of Korea, it has a value of about 0.75.

2. Distribution effects among social classes

Table 1 shows the changes in per capita income due to basic income, when there is no administration cost for welfare management. We assume that there are 10 employed persons with income \$200, and 1 unemployed. If we want to give \$100 to the unemployed, we need to collect \$100 total from the 10 employed workers, and then give \$100 to the unemployed (traditional welfare). If we want to give \$100 to every member as basic income, we need to collect \$1,100 total from the 10 employed workers, and then distribute \$100 each to the 11 persons. We can see that there is no difference in the final result between the traditional welfare and the basic income system.

<Table 1> changes in per capita income (excluding administration cost)

	number of people	no welfare	traditional welfare	basic income
employed	10	200	190	190
unemployed	1	0	100	100
income difference per person (employed - unemployed)		200	90	90

In Table 2, we assume that administration cost for managing the traditional welfare system is \$20. For the basic income system, such administration cost is not necessary because there is no need for means test. From table 2, we can find that the basic income system is better than traditional welfare system for the employed. And if we compare income differences between the two systems, we can conclude that labor incentive is also stronger under the basic income system than under the traditional welfare system.

<Table 2> change in per capita income(including administration cost)

	number of people	no welfare	traditional welfare	basic income
employed	10	200	188	190
unemployed	1	0	100	100
administration cost		0	20	0
income difference per person (employed-unemployed)		200	88	90

Finally, let us assume that there are 3 people with unearned income \$2,000 each, 10 regular workers with income \$400 each, 10 irregular workers with income \$200 each and 5 unemployed people with no income. From table 3, we can find out the following results.

First, everyone except the unearned-income class becomes better-off under the basic income system, while everyone except unemployed class becomes worse-off under the traditional welfare system.

Second, income difference between unemployed and irregular worker under the basic income system is almost 1.7 times greater than that under the traditional welfare system.

<Table 3> change in per capita income(with unearned income class)

	number of people	no welfare	traditional welfare	basic income
unearned income	3	2,000	1,916.67	1,633.33
regular worker	10	400	383.33	406.67
irregular worker	10	200	191.67	253.33
unemployed	5	0	100	100
income difference (irregular worker unemployed)		200	91.67	153.33
total	28	12,000	12,000	12,000

Compared to the traditional welfare policy, the main beneficiary of the basic income policy is the middle class.(regular and irregular workers) Even the regular workers become better-off under the basic income system.

3. Modern capitalism and basic income

Modern capitalism is the result of combination of IT revolution and neo-liberalism. It has increased not only exploitation of workers but also expropriation of general people. It has increased unemployment, and turned regular workers into irregular workers. It has increased unearned income of very few. As a result, the social class structure has become so much like Table 3.

This is the reason why basic income can be a powerful means to overcome the harmful tendencies of modern capitalism or neo-liberalism.