



November 2020

The Danger of Good Intentions

Contribution to GTI Forum Universal Basic Income: Has the Time Come?

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What you make of a universal basic income depends on where you are. In countries without a social safety net, a UBI can mean a big step towards basic social rights. In advanced industrialized countries, welfare state provisions can be either means-tested, punitive, or enabling. Where social assistance is meager and stigmatized, recipients must jump through many hoops and face humiliating experiences. A UBI can be seen as an escape route from demeaning encounters with a controlling state. In other countries with comprehensive welfare provisions, it might not make much difference in this regard but, on the contrary, endanger and compete with middle-class pension schemes or generous housing benefits.

The close interaction of a UBI with existing welfare state provisions makes a universal perspective obsolete. Why should anyone fundamentally challenge a comprehensive welfare state? Why defend dysfunctional or non-existent social safety nets? We therefore need to become much more specific about what we are talking about.

In the context of the welfare state in Germany, which is where I am located, the UBI campaign finds increasing support in opinion polls. The most comprehensive survey data has included a question on UBI for some time now and asks the question whether respondents are in favor or against a UBI, which covers basic cost of living, is tax-financed but not taxed, and is independent of individual effort. About 50% of the respondents are either in favor or strongly in favor of the UBI.¹ Respondents are not provided with information on how the UBI will be financed and do not know which social transfer payments or public services will disappear. No respondent has a clear picture of what the trade-off is but is made to believe that they will benefit from and not pay for a UBI. Support for a UBI is higher among younger, better educated, and poorer respondents. The

European Social Survey shows similar results for other countries, with higher support in countries with smaller welfare states and lower support in Scandinavia.

On a more general level, I have three fundamental concerns regarding a universal basic income.

First is financing. A UBI can be funded through new taxes and replacing other benefits. A new tax will be levied either on consumption (CO2 taxes), financial transactions, or income (negative income tax). Given the trajectory of tax policies of the last decades and the decline of effective tax rates on corporations and the wealthy, it is highly likely that the tax burden will fall on the middle classes. The support of tech executives for a UBI does not mean that they accept taxing the rich. If paying for a UBI is levied on middle-class incomes, it will reduce the willingness to pay for the welfare state, and the welfare state will shrink.

Second is public services. A UBI is highly likely to crowd out the funding for existing universal public services. Public health care, education, care, social work, and infrastructure depend on the capacity of governments to tax and spend. If governments embrace the UBI as a universal tool for delivering new financial freedom to their citizens, it will take a large toll on governments' ability to invest in other areas. Public services will have to be trimmed to pay for the UBI, and the necessary investment in high-quality schools, hospitals, care homes, and transportation is likely to decline. The example of the Alaska Permanent Fund Dividend is already a telling example of how the politics of a promise of a UBI might play out. A promise to increase the dividend has led to electoral support for Governor Mike Dunleavy, who then had to decide on major cuts in public spending in order to deliver at least some of it in the context of lower oil revenues.² As soon as there is a direct entitlement by citizens to a basic income, the political economy will be diverted away from spending on services for the weakest to pleasing those who demand their income as a basic right.

Third is women. Guy writes that "a basic income better enables people to perform the socially necessary work of caring for children, the elderly, or sick loved ones." There is a danger that a UBI has very gendered implications. The care for children, elderly, and sick loved ones has in the past been the responsibility of women. Women have struggled to go out to work for fifty years now and fought for a more equal division of labor inside the home. A UBI will give a strong incentive for

a return to a more traditional division of labor. Combined with cuts in public services for care, this would make it harder for women to defend gender equality at home and at work.

We need to address these trade-offs head on. From my perspective, a good life is supported by government services through high-quality education, social care, health, public transportation, protection against social risks, and anti-discrimination. A UBI provides none of the services that people need in good societies but will play into a more gendered and unequal society. In contrast, it will endanger those services in exchange for a meager flat income. The UBI might have good intentions but could backfire badly.

Endnotes

1. Jule Adriaans, Stefan Liebig, and Jürgen Schupp, "Zustimmung für bedingungsloses Grundeinkommen eher bei jungen, bei besser gebildeten Menschen sowie in unteren Einkommensschichten," *DIW Wochenbericht* 15 (2019): 263-270, www.diw.de/de/diw_01.c.618749.de/wochenberichte/zustimmung_fuer_bedingungsloses_grundeinkommen_eher_bei_jungen_bei_besser_gebildeten_menschen_sowie_in_unteren_einkommensschichten.html.
2. Robyn Sundlee, "Alaska's Universal Basic Income Problem," *Vox*, September 5, 2019, www.vox.com/future-perfect/2019/9/5/20849020/alaska-permanent-fund-universal-basic-income.

About the Author



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Cite as Anke Hassel, "The Danger of Good Intentions," contribution to GTI Forum "Universal Basic Income: Has the Time Come?," *Great Transition Initiative* (November 2020), <https://greattransition.org/gti-forum/basic-income-hassel>.

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