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The Case for a Basic Income

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The COVID-19 pandemic has brought into sharp relief the irretrievable breakdown of the post-war income distribution system in the West that essentially ties income and benefits to employment. The past four decades have seen income, wealth, and power flowing increasingly to rentiers—owners of physical, financial, and so-called intellectual property—while the ranks of the global precariat swell, consigning workers to unstable jobs, low and erratic incomes, and insecure lives. But the pandemic may prove the undoing of that system, as paying people to stay home—indeed, to *not* do paid work—has become essential to survival.

As long as income depends on jobs, workers will feel a need to return to unsafe conditions. And as long as economic power remains concentrated at the top, companies will have every incentive to make workers come back. Even if we manage to weather the current pandemic, our system lacks the resilience to be ready for the next one—let alone other crises.

The glimmer of hope amidst the tragedy is that the economic recession triggered by the pandemic is a potentially transformative crisis. Many on the left were puzzled by the reversion to the neoliberal status quo following the 2007/2008 financial crash. However, a hegemonic paradigm will only be displaced if it cannot answer the questions that preoccupy people and if an alternative paradigm is ready. For too long, that second condition has been missing.

Fortunately, an alternative economic vision has been emerging, and a basic income system is an essential component of it. A basic income is not a panacea, merely a necessary pillar of the reimagining of work and economic security in our crisis-ridden world. As resolutely against old-style “laborist” social democracy as against neoliberal capitalism, it will foster greater freedom

while helping us tackle the worsening crises of inequality, climate change, and authoritarian populism.

A Right to Economic Security

Basic income is a centuries-old idea with roots in ideas of social justice. As Thomas Paine, an early advocate, said in his 1795 pamphlet *Agrarian Justice*, “It is not charity, but a right, not bounty but justice that I am pleading for.”

A basic income system would aim to assure basic economic security to all, independent of employment, by providing every legal resident of a country with an equal monthly sum of money, without conditions, as an economic right.¹ Such *unconditionality* is what distinguishes a basic income from other welfare programs. A modest basic income would be paid to individuals as individuals, regardless of household arrangements, work status, or prior contributions. Importantly, it would be guaranteed to all regardless of other income, thus bypassing the stigmatizing and exclusionary means-testing intrinsic to many welfare programs.

Although some conservative basic income advocates view it as a substitute for existing public programs, they are a distinct minority. Most advocates see it as a complement to robust universal public services like education, health care, and other social supports. There would, moreover, need to be automatic supplements for the disabled and elderly coping with extra living costs and constraints on earnings.

A basic income is also a recognition of our collective social and ecological inheritance, the true source of wealth. Indeed, the wealth and income of all of us are due far more to the efforts and achievements of past generations than to what we do ourselves. But we do not know whose ancestors contributed more to our wealth. If society allows for private inheritance of private wealth, then we should allow for social inheritance in the form of a social dividend or basic income.

Similarly, a basic income would be partial compensation for loss of the commons, which belong to all of us equally, but which have been appropriated by privileged elites and corporations to generate private wealth. In this context, the commons are not just land, waterways, forests,

parks, and natural resources, but also the social amenities, public services, and body of ideas and knowledge we inherit as a society. We all deserve a share of the wealth these commons produce.

A Guarantor of Freedom

The postwar job-based income distribution system involved a tradeoff between economic security and freedom. Job-based income and benefits lead to dependence on an employer. Accessing means-tested benefits from a welfare state requires going through administrative hoops. Moreover, such welfare programs are often specifically conditioned on having or looking for employment, even if that means accepting a low-paying job.

A basic income stands against such strictures. Unlike other social policies, basic income would enhance three types of freedom: *libertarian freedom*, *liberal freedom*, and *republican freedom*.

The first—*libertarian freedom*—refers to the freedom from constraints. Modern policymakers impose paternalistic controls on what “the poor” must or must not do, on pain of worse impoverishment. As a right with no conditions attached, basic income leaves people free to spend their money as they wish, prioritizing what is most important to them. A basic income would strengthen the capacity to say *no* to abusive or exploitative relationships and yes to forms of paid and unpaid work that might otherwise be out of reach. People would be able to accept more fulfilling jobs that they may have rejected due to economic considerations or to spend more time caring for their loved ones, neighbors, and community. Nobody should need reminding in these pandemic times that there is a care deficit.

It would also foster *liberal freedom*, the freedom to be moral, described by the philosopher T.H. Green as the ability to decide and do what you think is right.² You cannot be moral if you must do as you are told or “steered” to do by a paternalistic government or other authority. Unpaid community work is not a virtuous moral choice of activity if you are required to do it to receive welfare benefits or as a punishment. A basic income would reduce these hurdles to moral action.

Lastly, such a scheme would advance *republican freedom*, freedom from actual and potential domination by unaccountable authority. A woman, for instance, may lack such freedom if she can only do things with the approval of a husband or father, even if they usually “allow” her to do what

she wishes. Basic income experiments in the US found that in some cases women who had their own basic income were able to leave abusive relationships.³ Mahatma Gandhi captured the essence of republican freedom by saying freedom means being able to look others in the face and not having to give in to their will.

Moving from Crisis to Sustainable Prosperity

A basic income system is not only a tool for responding to the pandemic in the short term. It can also help us tackle longer-term crises of poverty and inequality, climate change, and the rise of authoritarian populism.

The most obvious benefit of a basic income is poverty reduction. Targeted, means-tested schemes exclude many poor people, sometimes deliberately so, and the inevitable poverty traps—when benefits are withdrawn as income rises—simply serve to keep people in poverty. Job guarantee and subsidy schemes are difficult and expensive to administer, distort the labor market, and come perilously close to workfare. Vouchers, as alternatives to cash, are paternalistic schemes that presume what people need rather than allowing them to decide for themselves (thus food stamps in the US allow mothers to buy food but not diapers).

A basic income scheme underwritten by taxation on the rich would reduce economic inequality. As an equal payment to every individual, regardless of household, income or employment status, it would also help promote gender and racial equity. This would help equalize power relations within households, relieving financial dependence on a household “head.”

A basic income system would also have macroeconomic advantages. By increasing the purchasing power of low-income households, who have a higher propensity to spend than more affluent ones, it would boost spending on local goods and services, creating more jobs and further raising incomes.⁴ Moreover, the security afforded by a basic income would encourage entrepreneurship, since people could take more risks knowing they had something to fall back on if their venture failed. Finally, the delinking of jobs from economic security reduces the perceived threat posed by automation. Rather than fearing the disruption or displacement of millions of jobs, we can share the wealth that mechanized productivity provides.

A basic income system could be an important part of effective plans to mitigate climate change. Carbon taxes and other eco-taxes are essential to reduce emissions but by themselves are regressive and unpopular. The solution? Recycle the tax revenue generated as a basic income. More broadly, a basic income would encourage a transition to an ecological society by giving people the freedom to shift from resource-depleting (and often boring and demeaning) jobs to resource-preserving care, craft, and community work. Likewise, funding a basic income system with a taxation scheme that discourages resource depletion and checks luxury consumption would further reduce environmental stress.

Tackling climate change and inequality has become more difficult with the spread of an authoritarian populism that combines xenophobia, misogyny, and climate change denial. Fear and insecurity have fueled the surge in neo-fascist populism around the globe. A basic income would counter this dangerous tendency because having economic security fosters altruism, empathy, and tolerance.⁵ By freeing time for community and political engagement, it could also help to weaken the appeal of all forms of populism.

The Objections to a Basic Income

The case for a basic income is formidable and multidimensional. Yet, the proposal has generated vocal opposition, including on the left. Opponents typically focus on cost, universality, or negative side effects. But do these arguments hold up?

The cost of a basic income, critics say, is simply too high. The usual way of making this argument is to set a level of, say, 50-60% of median income, multiply this by the size of the population, and compare this total cost with current welfare spending. These back-of-the-envelope calculations are highly misleading. First, they do not account for administrative savings from removal of means-testing and behavior monitoring. Second, they assume the current pattern of taxation and spending, apart from welfare, remains unchanged, including vast sums now spent by most industrialized countries on subsidies and tax breaks for rich households and corporations. Third, they ignore the dynamic and feedback effects of a basic income: removing disincentives to take low-paid jobs and encouraging entrepreneurship would boost economic activity and tax revenues; conversely, improvements in health and well-being, and a shift from paid jobs to care work, would reduce public spending on health and social services.

During the pandemic, governments have demonstrated a willingness to spend on an extraordinary scale, so the issue is less one of affordability than of political will. However, the best way to finance a basic income in the long term would be to build a Commons Capital Fund from new and redirected sources of revenue, including revenue from eco-taxes and levies on unearned wealth and incursions into the commons. As its value grew, the fund would pay out a rising amount in basic income (or common dividends).⁶

Other critics take issue with the universality of a basic income. A basic income, such critics note, would provide “something for nothing” to the undeserving and thereby promote laziness. To the contrary, it is the poverty trap built into means-tested welfare that acts as a disincentive to take low-paid employment, requiring the threat of sanctions to force people into jobs. Real-world basic income experiments have shown that universality is not a disincentive to work.⁷ Moreover, conservative critics of a basic income tend to have no problem with inherited private wealth or capital gains—“something for nothing,” indeed.

But the universality critique of basic income does not just come from conservatives. Laborist social democrats argue that each person *should* contribute socially necessary labor time. However, pushing people into low-paid or unpaid jobs depresses wages. And what about all of the socially necessary labor that is *unpaid*? A basic income better enables people to perform the socially necessary work of caring for children, the elderly, or sick loved ones. The costs of screening out a tiny proportion of potential malingerers happy to live on a meager stipend would far exceed the savings.

Moreover, some skeptics argue, if our goal is to redistribute money away from the rich, why should we be cutting checks to them? The simple reason is that it is far more efficient to provide a universal basic income and tax it back from the wealthy than to “target” recipients via means tests. Such a system could easily be designed so that those with above median incomes receive no net benefit. And, in the US and UK at least, there is a strong case for increasing both income and asset taxes on the wealthy who have benefited from hefty tax cuts in recent years.

Other critics of a basic income allege negative economic side-effects, such as lower wages or inflation. While a basic income could encourage some employers to offer lower wages, the security it affords would strengthen a worker's bargaining position. It would not rise or fall if wages changed, whereas means-tested benefits and tax credits rise as wages fall, reducing the incentive to push for higher wages. Basic income also would encourage workers to back unions and other collective bodies in bargaining for higher wages, because the greater security would make them less fearful of retribution.

Inflation, other critics argue, would negate any economic benefits as companies raise prices in response to greater aggregate demand. Such fears are unwarranted because additional demand for basic goods and services is likely to increase supply as well. To take one example, basic income pilots in India saw increases in supply of basic goods and prices fall because assured demand created economies of scale and more investment. Similarly, a basic income in poor US neighborhoods that are so-called "food deserts" would stimulate investment in local shops and supermarkets.

Our Opportunity

The pandemic has highlighted the deficiencies of the current economic system and produced a surge of interest in basic income. Opinion polls show widespread public support. The UN Secretary General and the Pope are among leading figures who have come out in support of a basic income. A window of opportunity has opened for wise governments to advance a progressive transition from rentier capitalism to a more just, ethical, and ecological economy. Basic income can be an essential part of that transition, anchoring a new income distribution system for a vision of the good society in the twenty-first century.

Endnotes

1. For the foreseeable future, basic income would have to be set at a national level, and, for pragmatic political reasons, recent or undocumented migrants would likely not be covered. This is not to suggest that those groups should receive no financial assistance, but that such assistance should be provided by other schemes.
2. See T. H. Green, "Lectures on the Principles of Political Obligation" [1879-80] in Paul Harris and John Morrow, editors, *T. H. Green: Lectures on the Principles of Political Obligation and Other Writings* (Cambridge, UK: Cambridge University Press, 1986), 18.
3. Karl Widerquist, "The Basic Income Guarantee Experiments of the 1970s: A Quick Summary of Results," *Basic Income News*, December 3, 2017, <https://basicincome.org/news/2017/12/basic-income-guarantee-experiments-1970s-quick-summary-results/>.
4. This multiplier effect has already been demonstrated by a large-scale basic income experiment in Kenya. See Dylan Matthews, "A Charity Dropped a Massive Stimulus Package on Rural Kenya – and Transformed the Economy," *Vox*, November 25, 2019, <https://www.vox.com/future-perfect/2019/11/25/20973151/givedirectly-basic-income-kenya-stimulus>; full paper at <https://www.givedirectly.org/wp-content/uploads/2019/11/General-Equilibrium-Effects-of-Cash-Transfers.pdf>.
5. Norman Frohlich and Joe Oppenheimer, *Choosing Justice: An Experimental Approach to Ethical Theory* (Berkeley: University of California Press, 1992).
6. There are now about sixty sovereign wealth funds, though only the Alaska Permanent Fund pays a dividend directly to residents.
7. Finland's basic income experiment found that removing the condition that the unemployed had to search for jobs made no difference to employment. In fact, recipients had slightly more days in employment than the control group. See "Results of Finland's Basic Income Experiment: Small Employment Effect, Better Perceived Economic Security and Mental Wellbeing," *KELA*, May 6, 2020, https://www.kela.fi/web/en/news-archive/-/asset_publisher/IN08GY2nlrZo/content/results-of-the-basic-income-experiment-small-employment-effects-better-perceived-economic-security-and-mental-wellbeing. The pilot in Ontario, Canada, induced a substantial increase in voluntary work. See Mohammad Ferdosi, Tom McDowell, Wayne Lewchuk, and Stephanie Ross, *Southern Ontario's Basic Income Experience* (Hamilton, ON: Hamilton Round Table for Poverty Reduction, McMaster University, and Hamilton Community Foundation, 2020), 55, <https://labourstudies.mcmaster.ca/documents/southern-ontarios-basic-income-experience.pdf>. Pilots in developing countries indicated increases in work as poor people were enabled to invest in income-generating activities and cope with work-related costs such as transport and childcare. See Guy Standing, *Basic Income: And How We Can Make It Happen* (London: Penguin, 2017), chapter 10 [published in the USA as *Basic Income: A Guide for the Open-Minded* (New Haven, CT: Yale University Press, 2017)].

About the Author



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