**[Pull-quotes]** “Basic income is not a radical alternative”

“Motivation is a product of many factors”

**[Running head]** Welfare

**[Title]** Public purse

**[Standfirst]** We should consider basic income a democratic right rather than a solution to unemployment

by Louise Haagh

**[Do you have a Titter handle that we could include here?]**

**[Body copy]** The idea behind basic income initiatives is to promise every citizen a regular, unconditional cash payment of equal size, on a permanent basis. This is an old idea that has gained new traction in western countries, with governments from Finland to Holland conducting pilot studies in order to put the challenge of implementation to the test.

While yet to be adopted by a national government, and with many detractors, the principle of basic income has enjoyed support across the ideological spectrum. At the same time, the proposal has largely been met with scepticism among established social and political actors. One reason for this is a perception that a transition to basic income necessarily entails a systemic break with the contemporary welfare state in favour of a much simplified libertarian model of welfare. I argued in *Policy & Politics* (2011, 39:1) against a conventional view of basic income as being in conflict with established welfare states and with social democracy. In place of this, I suggest basic income can be viewed as part of a re-democratised welfare state. In this sense, it is not a radical alternative, but a natural extension of an established tradition.

The post-war democratisation of welfare in Europe brought unconditional access to education and healthcare. The guarantee of basic security this afforded, along with the equal standing implied in the political franchise, can be argued to have created a basis for a guarantee of basic subsistence as a foundation of the market economy. Post-war welfarists did not anticipate the need to add a universal income floor, but that does not mean they would have welcomed the behaviour conditionalities that prevail currently. The social participation entailed in the war effort had weakened the divisive discourses of earlier anti-poverty policy linked with the distinction between the deserving and undeserving poor.

Providing a basic unconditional floor of security in income and housing can be viewed as a matter of good institutional design. There are many reasons why this idea has not been taken up in practice. Post-war welfarists did not foresee the precarity of the labour and housing markets that exists today. But added to this are misconceptions of a more general type. Among them is an undifferentiated view of what income represents. The mistake involved is that income – as distinct from services – must ordinarily and predominantly be earned from formal labour. In an economy heavily dependent on income and with no other means of subsistence, tying access to basic security wholly to labour is tantamount to subjecting individuals to a servile status in their relation to others and vis-à-vis the state.

Another overdrawn area of popular concern about basic income relates to macroeconomic policy. People forget that Milton Friedman – father of Monetarism and the movement to control the money supply and minimise inflation – was also an advocate of a form of basic income guarantee: the negative income tax. Rather than view a basic income as a source of disruption, it is more plausible to regard the institution as a potential economic stabiliser and, as such, a tool supportive of national development policy and occupational life.

**The motivation factor**

A very familiar concern about basic income is the notion it will demotivate work. This too is ill-conceived. Motivation is a product of many factors. The authoritative evidence suggests that when people withdraw wholly or partly from the labour market they do so for rational reasons; for example, because of prohibitive costs of childcare or travel, or because of poor conditions at work. Building an unconditional, basic tier into the post-war welfare state could have prevented many of the problems we are familiar with today in the form of administrative costs, punitive controls and motivational bias linked with the phenomenon known as the poverty trap. This is the situation of a person who judges it is better for her to remain on income support than lose access to this entitlement – albeit temporarily or in part – when taking on paid employment. In fact, the notion of the poverty trap is somewhat narrow in that it focuses attention on the immediate monetary aspect of work motivation. Current benefit systems do contain straightforward monetary disincentives to take on paid employment, including high rates of effective taxation on additional earnings. The institutional problem, however, is more general.

The principal difficulty lies in the attempt to control behaviour directly as a condition for obtaining support. Behavioural policies have become more complex in ways that overly micromanage individuals’ lives. Out-of-work conditionalities have been complemented with in-work conditionalities. An implication is a person may be asked to change a job she enjoys because it offers one or two hours’ worth of additional income less than the level that qualifies for a certain class of income supplement. This is evidently an administrative intervention too far. The problem here is not the existence of income supplements, but the way they are attached to controlling persons’ choices.

The way current welfare discourse and policy construes the problem of employment in terms of individual responsibility is very problematic. A survey I carried out on people’s sources of affiliation with work in *World Development* (2011, 39: 3) showed occupational motives to be central among a range of other sources of economic security. Formal work tends to be valued for the sense of long-term affiliation, skill structure and recognition involved. In the survey, longer education, more stable employment and the presence of external sources of economic security all contributed to raise the chances that persons would value work for itself alongside or over immediate wage incentives. The study looked at effects of security on persons with different levels of income, not just the poor. Welfare systems that, by offering a form of coherence between key sources of economic security, are able to generate economic stability, are more effective, as I have shown in *Polity* (2012, 44:4). Therefore, at stake is not whether public services should entail administrative interventions, but to what end these should perform. One can envisage more support in place of checks. It is this thought that has motivated municipalities in countries like Denmark and France to experiment with giving income support on an unconditional basis alongside reorientating administrative resources towards facilitating citizens’ employment on a voluntary basis.

Ultimately, the problem at issue is what in economics is known as the principal-agent problem, which essentially is about the inability to scrutinise other people’s true intentions and thoughts. It is very difficult to read and control a person’s motivation through diktat, and of course, it is generally considered an offence to liberal values of autonomy to attempt to do so. When employment is precarious the problem gets worse. Much more conducive is to create institutional incentives that act more in the background to cultivate developmental and contributory motivations that persons intrinsically have. My research in *Policy & Politics* shows that the ratio of investment in training relative to administration is much higher in welfare states that have high levels of public spending on education at all levels. An implication is that states spending more on administration relative to education have weakened institutional incentives in favour of mechanisms of direct control.

Punitive behaviour models, which link eligibility for welfare payments to very particular conditions, such as the number of job applications made, are also broadly unjust. We really have no way of determining exactly in what measure a person is responsible for her unemployment or the level of wages she is able to command. It is politically unjust that people who can cushion unemployment because of inheritance or family support are exempt from behavioural checks, while the least fortunate are subject to scrutiny. Yet it is not only the poor, but all groups facing unemployment that suffer injustice when they have to exhaust their savings before they are eligible for basic security. In this regard, middle earners who have paid high rates of tax and other social contributions can also argue they are being treated unjustly within the means-tested system.

Post-war welfarists were highly conscious of the socially cohesive effects of the combination of contributory systems and universal security. Unconditional basic income need not entail abandoning the existence of contributory tiers within the welfare system, as some have suggested. Basic income can be viewed instead as a central tool in rebuilding social trust in the justice and efficacy of the public sector. It is a contributory source to the establishment of other forms of risk pooling and saving whilst creating a practical basis for senses of affiliation to common welfare.

One concern about government-led basic income experiments is that they focus on the poor and unemployed and the problem of their relatively short-term behaviour. Basic income advocates need to think carefully about how far, and on what terms, they want to stake their case on these studies and methods. The Finnish government, which initiated a two-year practical experiment in January 2017, has already expressed concern that results may be unreliable because subjects of experiments are contaminated by knowing they are in a trial. The government institution in charge of the experiment has even issued a warning that people in the experiments should not be approached lest the results will be biased.

**The way ahead**

As observed above, post-war welfarists assumed security was both a natural and positive motivational driver. They were wrong to assume that labour market institutions would conform to it. To me, this means they got the basics right, but the instruments needed were left to drift. In failing to guarantee basic security, and then gradually abandoning development policy over the 1970s and 1980s, the political establishment let go of the tools required. Abandonment of regulatory instruments to stabilise housing costs and access, and reduced investment in occupational planning in favour of privatisation of care services, are decisions that have shown to be ill-judged over time. The historical experience of welfare states with more high-skill lines of regular employment suggests development policy involving social partners is needed and takes a long time to build.

In summary, it is time to correct the basic mistake of the post-war welfare model in omitting basic subsistence as an unconditional right. However, we should attempt to resurrect what post-war welfarists did get right: a broad concern for the institutional underpinning of the development challenges that we face today.