

This is a repository copy of *Full Employment, Unconditional Basic Income, and the Keynesian Critique of Rentier Capitalism*.

White Rose Research Online URL for this paper:

<https://eprints.whiterose.ac.uk/id/eprint/167461/>

Version: Accepted Version

Article:

Thomas, Alan Price orcid.org/0000-0002-8053-7195 (2020) Full Employment, Unconditional Basic Income, and the Keynesian Critique of Rentier Capitalism. Basic Income Studies. 20190015. ISSN: 1932-0183

<https://doi.org/10.1515/bis-2019-0015>

Reuse

Items deposited in White Rose Research Online are protected by copyright, with all rights reserved unless indicated otherwise. They may be downloaded and/or printed for private study, or other acts as permitted by national copyright laws. The publisher or other rights holders may allow further reproduction and re-use of the full text version. This is indicated by the licence information on the White Rose Research Online record for the item.

Takedown

If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing eprints@whiterose.ac.uk including the URL of the record and the reason for the withdrawal request.

**Full Employment, Unconditional Basic Income
and the Keynesian Critique of Rentier Capitalism**

Alan Thomas

University of York

ap.thomas@york.ac.uk

This paper assesses the role that an unconditional basic income proposal (henceforth “UBI”) could play in an alternative economic system to capitalism. It is argued that the core UBI proposal could not play this role; only another proposal, that the state should act as employer of last resort (henceforth “SELR”) could do so in the context of broader institutional and policy change.¹ It is further argued that a UBI proposal is, in a sense to be explained, a form of political

¹ Reference to *the* core UBI proposal means I should immediately explain, and defend, my restricted focus here on Van Parijs’s early *Real Freedom for All* and not his later arguments summarised in *Basic Income* co-authored with Yannick Vanderborght. [Van Parijs & Vanderborght, 2017] Briefly, the former book offers a *distinctive* argument for a UBI grounded on a certain conception of unearned rents – grounded in turn on a certain distinctive conception of productive activity. By contrast, in the later book, its policy prescriptions differ little from Barbara Bergmann’s “universal basic services” or UBS proposal. [Bergmann, 2004] Both Bergmann [2004] and Van Parijs & Vanderborght [2017] are defences of orthodox welfare state capitalism. I do not, therefore, survey the extensive literature on a UBI in which multiple variations on the basic idea have been proposed, but where Van Parijs’s distinctive and original early motivation has been obscured. In any case, *Real Freedom for All* is one of the most influential works of political philosophy of the last thirty years and justifies separate consideration.

quietism that leaves in place the most fundamental – and problematic – aspects of capitalism. It is also self-stultifying given its inflationary macro-economic effect.

This paper is written from a certain perspective: that of Rawls’s attempt to develop a realistically utopian alternative to capitalism. [Rawls, 1971/1999; 2001; Thomas, 2017, 2020b] Rawls meant something specific by this: he defined a capitalist society as one in which a minority of citizens have monopoly control over the means of production. This monopoly control allows them to dictate the terms on which others work and, hence, whether other citizens work at all.²

Rawls endorsed two non-capitalist alternatives: he concluded that we face a disjunctive choice between a property-owning democracy or liberal market socialism.³ [Rawls, 2001; Thomas, 2017, 2020a] Each of these social systems is picked out functionally: each abolishes the monopoly control of the means of production by a minority of citizens. Each does so, either by making every citizen

² The answer to his initial question of whether capitalism can be justified is “of course not – but it can be”. [Van Parijs, 1995, p. 226] An “optimal capitalism” is more likely to deliver the goal of real freedom than even an optimised socialism. [Van Parijs, 1995, chapter 6]

³ Importantly for Rawls he believed that this was a *legislative* choice that each society should make in the light of its own history and traditions in its democratic assembly. He did not believe that it was up to philosophy to solve “the property question”. For disagreement with him on that point see Edmundson [2017] and Thomas [2020a].

a capitalist, or by making the citizenry as a whole the monopolistic owners of capital who then lease it out to worker co-operatives for a fee.⁴

I will show in this paper how this anti-capitalism both explains, and justifies, why Rawls opted for the policy of the state as employer as last resort as opposed to any form of UBI policy. His asset focused egalitarianism requires that we look beyond income streams to the underlying relations of power and control in an economy that Rawls connects to the ownership of capital.⁵

⁴ I think these options ought to be viewed as two different solutions to the principal-agent problem. There are several variations of the liberal market socialist family of views: I mention here, as representative, only David Schweickart's view. A notable aspect of his proposal is its commitment to the state as employer of last resort. [Schweickart, 2011, pp. 75–6] Van Parijs endorses one of them, Peter Jay's proposal, which is – as Van Parijs notes – not intended to be an “alternative” to capitalism. [Van Parijs, 1995, pp. 209-10; Jay, 1980; Thomas, 2017, pp. 240–41]

⁵ While being sensitive to this distinction between the ownership and the control of capital. As Bill Edmundson puts it: “Rawls conceived the entrepreneurial or control aspects of ownership as inhering not in capital assets, but in the acquired skills and ‘natural assets’ exercised in marshalling and managing capital assets ... To say a doctor has a basic right to own a stethoscope is to obscure what is important, namely, the excellence that a competent doctor manifests in skilfully making use of a stethoscope and other tools of the trade. A right to have a stethoscope in this sense is an aspect of the basic right to occupational choice which parties in the original position already recognize as a basic liberty. The right to profit from the sale or lease of medical instruments is another matter. In this sense of ownership ‘ownership is not a productive activity’ as Cambridge economist Joan Robinson put it ... Rawls coined the term ‘pure ownership’ ... to capture the idea.” [Edmundson, 2017, p.47] Interpolated references are to Robinson [1942, p. 18] and Rawls [2007] p. 35.

In one sense, this conclusion is not surprising: the sub-title of Van Parijs's *Real Freedom for All* is "what (if anything) can justify capitalism"? [Van Parijs, 1995] His proposal for an unconditional basic income is intended to explain how we answer that question. Real freedom is better justified in an "optimised" capitalism as opposed to an optimised socialism because it maximises an unconditional basic income that is the essence of real freedom for all. [Van Parijs, 1995, chapter 6] Rawls, however, is not interested in justifying capitalism, but in developing a realistically utopian private property system that is an alternative to it. [Rawls, 2001]

Re-contextualising the dispute between Rawls and Van Parijs in this way allows one to avoid the alternative diagnosis that it is based on an equivocation between different conceptions of the concept of reciprocity.⁶ It also explains why

⁶ On this diagnosis the risk is that the Rawls/Van Parijs dispute simply becomes a matter of crossed purposes. The classic Rawlsian objection to a Van Parijs' style UBI is that it is exploitative as it allows some citizens to take more than their fair share of the good of leisure from citizens as a whole. This claim of unfairness is grounded on a specific conception of reciprocity that Stuart White describes: "Each person is entitled to a share of the economic benefits of social cooperation conferring equal opportunity (or real freedom) in return for the performance of an equal handicap-weighted quantum of contributive activity." [White, 1997, p. 318, quoted also in Thomas, 2017, p. 30] For White, this need not take the form of paid work for all citizens; however, this is an appropriate conception of reciprocity for those able to work. There have been various responses to White's conception of reciprocity such as Widerquist [1999]. This paper tries to take a step back from this dispute and place it in a more fundamental context: capitalism versus anti-capitalism. (I am grateful to Mike Howard for reminding me that, in his most recent comment on this issue in Van Parijs [2003], Van Parijs states that Rawls

there is such a difference in implementation between two views that share the same fundamental aims: to de-commodify labour, and to do so by introducing a universalist policy – either a universal unconditional basic income, or a universal right to fair access to capital combined with SELR.⁷

This paper pursues a variation of Rawls’s method in *Justice as Fairness* where he presents the very idea of choosing a social system. [Rawls, 2001] Rawls is using Weber’s method of ideal types and this paper follows the same methodology. There is one important difference: my focus here is on a single, important, policy choice between UBI or SELR. Further, I argue that it ought to be made in Rawls’s way, namely, comparing and contrasting welfare state capitalism with Rawls’s two anti-capitalist social systems, liberal market socialism and a property-owning democracy. In my view, it is only in the context of this broader choice of a social system that the narrower question of UBI versus SELR can be decided. This explains why I focus on ideal typical versions of a welfare state capitalism that incorporate a UBI and the alternatives that do not.

ought to endorse a UBI only in certain contingent circumstances that lack universal applicability.)

⁷ In Van Parijs [1995], the book that is my focus here, there is no explicit statement that he seeks to de-commodify labour. But functionally that is clearly the role played in his argument by Lockean self-ownership: in a society of free people, as opposed to one of slaves, each owns him or her self. [Van Parijs, 1995, p.3, §1, §8] For the sense in which SELR is “de-commodifying” of labour see Hockett [2019] and Thomas [2020b]

The plan of this paper is as follows: section one sets out the two rival proposals. Section two contextualises the SELR proposal in the work of Rawls and Hyman Minsky and in the context of a broader Keynesian/Kaleckian critique of rentier capitalism. Section three argues that Van Parijs's version of a UBI is politically quietistic as it leaves a dominating capitalist class in place while masking the effects of only one aspect of their social power. Section four argues that Van Parijs's version of a UBI is unstable, in Rawls's sense, in that a social system that incorporated it would not be able to achieve its egalitarian aims without self-stultification. Section five sets out why the alternative SELR policy is to be preferred. Section six turns to a poorly supported lemma in the argument for SELR: in Minsky's version of the proposal it is supported via the claim that if the state is the employer of last resort, then the pay of the worst off will rise at a greater rate than those of the socio-economic class immediately above them in the wage structure. That assumption is defended with further arguments developed by James K. Galbraith. [Galbraith, 1998/2000] The paper concludes in section seven with potential convergence between Van Parijs's version of "Left Rawlsianism" and the version defended here.

1 The Two Proposals

One of the problems with the recent literature on a UBI proposal is that Van Parijs's original and rigorous account has given rise to an extensive literature in

which this originality has been obscured. Examining his original proposal promises distinctiveness from amidst the plethora of current versions of a UBI.

Equally important for my purposes is what this proposal is *not*: it is not the restricted thesis that we can avoid bureaucratic waste by making benefits unconditional; nor the proposal to consolidate various different kinds of welfare benefit into a single streamlined policy; nor the proposal for a small-scale, geographically limited pilot UBI scheme; nor is it the universal benefits system of a Scandinavian welfare state extended to all benefits in kind as well as cash. [Bergmann, 2004] It is these *incrementalist* or *local* forms of a UBI that attracts eirenic support from both Left and Right – for example forming part of George McGovern’s 1972 campaign for the US presidency.⁸ These versions of a UBI will not be discussed in this paper.⁹

⁸ In another Quixotic recent development, it is one of the reasons why, faced with unemployment generated by automation, the very rentier capitalism driving the political will to automate also thinks of a UBI as some sort of utopian remedy for mass unemployment – one form of our dominant “philanthrocapitalism”. By contrast, Minsky’s critique of our inherited form of rentier capitalism not only demonstrates that, through financialization, it is inherently unstable: it also has built in incentives to automation and the replacement of labour by capital. [Minsky, 1986/2008] Financialized capitalism incentivises investment in long-term capital projects and the employer automating her factory pays tax on the purchase of the machines once – at the time of purchase. By contrast, the employer pays an on-going payroll tax per employee as part of the state’s automatic “tax and transfer” schemes.

⁹ And, as John Roemer noted in his notably critical account of Van Parijs’ original “capitalist road to communism”, their success or failure has *no bearing at all* on the prospects for the latter’s wider proposal. [Roemer, 1986, p. 715]

Van Parijs's proposal is, then, distinctive in its ambition; its form, namely, unconditional cash payments that cannot be "capitalized"; not payment "in kind"; and its ground, namely, unearned rents inherent in every less than technically perfect employment market (in addition to taxes on gifts and bequests).¹⁰ It also uses an original method: his first step is to treat jobs as analogous to external assets so that he can apply Bill Vickrey's Georgist method of a land tax auction to them. Citizens are assigned "individual tradeable rights" in jobs-as-assets. [Van Parijs, 1995, p.99, pp. 108–9; Vickrey, 1961] Van Parijs's crucial second step is to argue that: "[F]or jobs to count as assets, they must be in short supply" [Van Parijs, 1995, p. 90] To the rejoinder "why are you taking the shortage of jobs as a fact of life?", he responds that all policies to boost employment:

[A]mount to using scarce resources in a discriminatory way, with a bias to those with a preference for being employed. [Van Parijs, 1995, pp. 91, p. 98, chapter 4, section 4.4 *passim*]

That explains why:

[A]dopting a policy that focuses on the involuntarily unemployed amounts to awarding a privilege to people with an expensive taste for a scarce asset. Those who, *for whatever reason*, give up their share of that asset and thereby leave more of it for others, should not therefore be deprived of a fair share of its value. [Van Parijs, 1995, p. 109, *emphasis added*]

¹⁰ To maintain the distinctiveness of an UBI as opposed to universal access to capital, Van Parijs is explicit that the recipient cannot go to a bank and use her future guaranteed income stream to raise capital on "mildly paternalistic" grounds. [Van Parijs, 1995, pp. 45–47] I discuss this in Thomas, [2017], p. 207. I am grateful to a referee for this journal for reminding that Van Parijs has, on occasion, contemplated a UBI as payable "in kind" from his very first formulation of the proposal. [Van Parijs, 1995, p. 31, section 2.4] That remains distinct from capitalisation.

If Van Parijs is the clearest proponent of what an UBI would have to be, it is also under-appreciated how closely his radical proposal is tied to the specific assumptions of his left libertarianism – a point I owe to Michael Schefczyk. [Schefczyk, 2013; Thomas, 2017, pp. 195–8] It is this left libertarianism, with its Lockean conception of rights, that grounds the claim that a person is entitled to compensation, funded by the quasi-rents of an imperfect labour market, if he or she has given up her primordial right – held against society as a whole – for a job. [Schefczyk, 2013] This argument also involves Van Parijs’s signature claim that state policies for full employment are incompatible with liberal neutrality as a preference for being employed is an “expensive taste”.¹¹

Let me turn to the second policy I will be comparing to a UBI: what is the policy of the state acting as employer of last resort? Rawls came to adopt this commitment as part of his defense of justice as reciprocal fairness. His “worst

¹¹ Van Parijs argues that real freedom is choice preserving in a non-discriminatory way: anyone can choose to work, or not, with the voluntarily unemployed able to employ themselves at any time at the UBI rate. [Van Parijs, 1995, p. 213] Technically, of course, under a jobs guarantee the same is also true: a person can either work for the state at the minimum wage rate or choose not to work and receive the decent civic minimum. The issue is whether the latter policy is ultimately grounded on a non-neutral ethical perfectionism and I would argue that it is not. I think Schefczyk also demonstrates that Van Parijs’s argument that Rawls’s opposition to a UBI depends on an ethicised view of work that is inconsistent with liberal neutrality is incorrect. I discuss this further in Thomas, [2017], p. 196 drawing on the important arguments of Torisky [1993] p. 295.

off' class are "working members of society" doing meaningful work. [Freeman, 2013, p. 22] They are expected to be "doing their full share" and able to "manage their own affairs". [Rawls, 2001, p. 131] Rawls simply asserts, without much argument, that justice as fairness is committed both to full employment and this goal is to be secured by the state. [Rawls, 1993, p. lvii, 2001] The aim of this paper is to deepen the rationale for this proposal and, in particular, to relate it to a broader project of the de-commodification of labour. [Ellerman, 1992; Hockett, 2019; Thomas, 2020b] In the next section I will start to develop this argument by explaining what I take to be the decisive choice point between SELR and a UBI, namely, that only the latter forms part of a decisive break with capitalism.

2 *Rawls, Minsky and the Critique of Welfare State Capitalism*

If Rawls seeks an alternative to capitalism then, *eo ipso*, he seeks an alternative to welfare state capitalism. I have noted that Van Parijs's UBI forms part of a re-engineered welfare state capitalism; Rawls, by contrast, sought a decisive break with it. [Rawls, 2001]

Several of Rawls's critics have argued that he gives a misguided "free pass" to a property-owning democracy and liberal market socialism but is unreasonably harsh towards the prospects of a suitably reformed and ambitious welfare state capitalism. [O'Neill, 2012; Schemmel, 2015; Vallier, 2015] This is not the place to engage with those arguments fully, but just as I think it is helpful to view Rawls's account of a property-owning democracy by relating his

conception of it to the mid-twentieth century economist James Meade, so I think is helpful more generally to contextualise justice as fairness in mid-century Keynesianism as a whole. [Meade, 1993] For reasons of scope I will focus here on one of these neo-Keynesians, Hyman Minsky, because of the closeness of his views to Rawls's and the influence of Minsky's critique of UBI in the form with which he was familiar – the so-called “negative income tax”.¹² [Minsky, 2013]

A prominent objection to Rawls's asset focused egalitarianism in his later work is that is an unrealistic political ideal that has never been tried. However, it can be argued on Rawls's behalf that there are historical instances of asset focused egalitarianism although more commonly in the history of the USA than in other countries.¹³ [Hockett, forthcoming] Secondly, our political context has been

¹² Unlike in the case of James Meade, I am not claiming any direct intellectual influence from Minsky to Rawls. They were near contemporaries: Rawls (1921–2002) and Minsky (1919–1996). In my view they independently developed overlapping responses to the same circumstances from the same neo-Keynesian set of ideas.

¹³ One of the many insights of Robert Hockett's *Republic of Owners* is to ask *why* we would want to give citizens capital? One answer is: to given them collateral for credit. To which Hockett points out that we can achieve the same goal, for specific classes of asset, not solely by giving citizens assets, but also by extending state insurance underwriting for specific markets. In the USA, the Federal government has used this complementary form of asset-focused egalitarianism to secure social goals such as access to education and housing. This places Hockett in the Hamiltonian tradition of an American egalitarianism that tends to favour monetary policy as the way to realise its aims as opposed to “tax and transfer”. This is for the range of reasons explored by both Monica Prasad and Sarah L. Quinn. [Prasad, 2012; Quinn, 2019] Those who want to assimilate Rawls to welfare state capitalism rarely ask the question

profoundly shaped by asset-focused *inegalitarianism*. The Reagan/Thatcher revolution implemented a range of policies that were focused on assets but intended to have inegalitarian results – from the sale of social housing to private citizens (without replacement), to the political protection of the rentier class, a wave of privatisations of hitherto state-owned industries, to our more recent post-Crisis policy of quantitative easing.¹⁴

This observation leads directly to the key point that Keynes sought to “euthanize” the rentier class. [Keynes, 1936, pp. 375–6] One objection to a property-owning democracy is that it is simply one guise of the Reagan/Thatcher attempt to make workers “think like the bosses” by drawing the aspiring upper end of the working class into the bourgeoisie (reflecting the origin of one strand of this ideal in socially conservative thought). It is a paradigm of “petit rentier” capitalism. Yet this misinterpretation ignores the universality of Rawls’s proposal: either every citizen holds capital, or we do as a collectivity (as in liberal market socialism). This is not, then, the piecemeal extension of capital holding to a wider – but not universal – class of citizen-rentiers.

of whether the American “welfare state” is historically distinctive in this way, that is, not focused on “tax and transfer”.

¹⁴ QE – central bank purchase of a wide range of assets on the open market – is intended to be egalitarian via a wealth effect, but on a trickle-down basis. For QE proposals that are explicitly more egalitarian see Hockett [2019b] and Coppola [2019] where every citizen banks directly with their central bank and receives “helicopter money” via such an account. See also Hockett & James [forthcoming].

Both Neo-Keynesians, and Rawls, are operating with a general diagnosis of the flaws of a rentier capitalism in which capital is held by a restricted class of citizens whose political motivation is to *make capital scarce*. Proponents of the ideal of a just welfare state view the state as playing the role of an honest broker between competing social interests and underwriting a social compact that aligns them. Rawls and Minsky believe that any such alliance must prove to be unstable over time. Our actual welfare state capitalisms are forms of rentier capitalism and that which is distinctive of them is that the state plays the role of *dishonest* broker between competing social interests. It has been captured by, and protects the core interests of, the rentier-investment class.¹⁵

Drawing on the work of Michael Kalecki, Minsky argued that the state has various distinctive capacities. [Kalecki, 1971; Minsky, 1988/2008] If it is monetarily sovereign, then it is the monopoly supplier of money, permitting private money creation in return for a “seignorage fee”.¹⁶ [Minsky, 1988/2008;

¹⁵ Centrally via the fiction that the state is a corporate person amongst other corporate persons, whose socio-economic goals are hostage to being able to raise revenue from wealthy capitalists who demand fiscal rectitude from the state so that it represents a good “investment”. This is, in essence, Przeworski & Wallerstein’s famous “structural constraint”. [Przeworski & Wallerstein, 1988]

¹⁶ Not every state is monetarily sovereign in this sense. Some have voluntarily surrendered this sovereignty, for example, by temporarily pegging its currency to the US dollar. Others have voluntarily surrendered this sovereignty indefinitely such as members of the Eurozone who are currency users but not currency issuers (the ECB is the issuer). See Mitchell & Fazi [2017] pp. 180–187.

Hockett & Omarova, 2017] Via a central bank, it is the lender of last resort, and continually intervenes in the economy to control the interest rate (by buying and selling Treasury bonds to inject liquidity) and can intervene decisively in a financial crisis by re-valuing toxic assets as if they *were* money.¹⁷

Minsky was prepared to concede of the welfare state capitalism of his time that its automatic tax and transfer systems had succeeded in avoiding 1930s style depressions.¹⁸ The state achieved this by putting a floor under consumption via its automatic buffering mechanisms of contra-cyclical transfer. In doing so it puts a floor under prices and hence aggregate corporate profits. This is partially taxed back via corporate taxation – this is why Minsky memorably calls corporations “tax farmers”.¹⁹ The state also, via a central bank, puts a floor under asset prices:

¹⁷ In open market operations, “the Fed” buys and sells Treasury instruments from/to its member banks, other financial firms, and the general public: “The Fed buys to put money into the economy and thereby drive interest rates downward. Or it sells to draw money out of the economy and thereby drive interest rates upward.” [Hockett, 2019a, p. 118].

¹⁸ Yet it is crucial to his critique that it has done so by accident. (“The Rooseveltian program of reforms was pre-Keynesian”. [Minsky, 1986/2008, p. 328]) A further contingency is that WWII saw an expansion of the state’s public debts which, post-War, had a stabilising function. The economics – and the economists – that claimed to have underpinned the success of these inclusive decades were, for Minsky, like the proverbial stopped clock that is right twice daily. The inadequacy of the underlying theory and policies explains why, for Minsky, this settlement collapsed in the 1970s. [Minsky, 1988/2008] Joan Robinson held the same view. [Robinson, 1976]

¹⁹ As I have noted, those more friendly to welfare state capitalism than Rawls think of it as grounded on a social settlement brokered by the state. You might reasonably think of “tax farming” as another expression of this social compact, broadly conceived: we grant private

lender of last resort interventions and other “circuit breakers” prevent disastrous rapid asset deflation. But the overall effect of all these policies, for Minsky, is an inflationary bias in the macro-economy.

In a central bank bailout failing assets, valued at zero, are suddenly revalued as if they were money.²⁰ Continual transfers take money from those who directly produce consumer goods (non-state employed workers), and who tend to consume proportionately less of their income, and transfer that money to those who do not directly produce consumer goods, and who tend to consume proportionately more of their income.²¹ In both cases, increased money pursues

firms significant concessions, protections and autonomy in return for which we tax back some of their profits for the state. Minsky thinks this is misguided across several dimensions. First, the Keynesian state has already underwritten prices at the macro-level by having the capacity to go into deficit. Given that the whole corporate sector enjoys this down-side guarantee it does not need any further guarantees. Firms, on Minsky’s reckoning, simply pass their corporate tax bill on to prices – another inflationary pressure. Tax farming incentivises financialisation, because issuing equity can be offset against corporate tax liability – as can various executive perks. Financialisation encourages monopoly – bankers want their clients to be price makers, not price takers. Minsky’s radical solution is to abolish corporate (and payroll) taxes. Our own historical perspective gives us a new take on Minsky’s critique: some very profitable companies, whose success is parasitic upon public investments, are adept at trans-national corporate tax evasion. See the many examples in Mazzucato [2013] in fields such as technology and pharmaceuticals.

²⁰ Such asset revaluations are not unusual because financial crises are, globally, common. [Galbraith, 2014, p. 4] Nor are they limited in scale: the US state issued swap lines in 2019 that effectively backstopped global capitalism with a cost running into trillions of dollars in addition to its direct interventions into the US economy. [Tooze, 2019]

²¹ This claim is “*ceteris paribus*”: those who work for the state or who deliver services to it also do not count as directly producing goods for consumption: this is the basis for Minsky’s belief

the same quantum of produced goods; lender of last resort interventions are periodic, automatic transfers are not.

The monetarist then proposes high structural unemployment as a “corrective” for this inflationary bias. Minsky profoundly disagrees: following Kalecki he views it as a political choice to put a state-imposed floor under prices, profits, and assets, but not employment.²² [Kalecki, 1943] His Keynesian ideal solves this equation differently: how does a full employment, mass consumption, society control inflation?²³ [Minsky, 1975; 1988/2008]

that the state sector ought to be no larger than is required to compensate for deficiencies in private investment in a contra-cyclical way (assuming full employment). [Minsky, 1986/2008, pp. 3330–333] See also Fazi and Mitchell [2017], p. 196.

²² Gourevitch and Stanczyk also draw on Kalecki to make the same point. [Gourevitch & Stanczyk, 2018] Kalecki’s point is that the Keynesian ideal would make profits even higher for the rentier-investor class, even if workers received a higher share of the productive surplus – but the cost in terms of loss of political power is viewed by this class as reason to reject full employment. Van Parijs discusses this structural “profits squeeze” view and it is one of the main motivations for his radical “optimising” of capitalism as a response to it. [Van Parijs, 1995, pp. 208–10] But see section 7, below, for a discussion of whether his views of globalisation undercut this response.

²³ For the sake of completeness, I will mention one attempt to use one part of Minsky’s ideas – his view of endogenous money – to undercut another part, namely, his critique of UBI. As Fazi and Mitchell note, orthodox proponents of a USI want it to be “fiscally neutral”. [Fazi & Mitchell, 2017, p. 227] Yet Minsky is one of the intellectual progenitors of modern monetary theory. Does that not make the whole question of the “affordability” of a UBI moot? The state, as monopoly supplier of money, can *create* as much money as it needs – with a keystroke – at its central bank. Unfortunately, matters are not so simple. Proponents of MMT such as Stephanie Kelton, Pavlina Tcherneva and James Galbraith are right that such large scale “keystroke” public investment would not be inflationary in our own economies. But that is

Minsky is one of the originators of modern monetary (or money) theory: while there is typically an institutional division between monetary and fiscal policy in a monetarily sovereign state the two are essentially connected. Monetary policy introduces liquidity to the macro-economy by controlling the rental price of money (the interest rate). It does so, by convention, using the antiquated system of buying and selling Treasury bonds on the open market in so-called “open market operations”.²⁴ [Hockett, 2019a] Fiscal policy also constrains the money supply by extinguishing money via taxation. But fiscal policy is not the state raising revenue, and Treasury bond sales are not a form of “borrowing” from wealthy capitalists (in a way that would respect the structural constraint).²⁵ Taxes

because other macro conditions do not hold, notably, full employment. Under Minsky’s idealised Keynesianism, injecting too much “keystroke” money into the economy would be inflationary and proponents of MMT do not deny it. For balanced discussions see Wray [2015] chapter 9; Galbraith [2019].

²⁴ It is, therefore, a major change – at least from the point of view of public understanding of monetary policy – that so-called “open market operations” are being supplanted, in the case of the USA, by the Federal Reserve paying “interest on reserve” deposits held overnight by member banks at the Fed. [Hockett & James, unpublished ms., p. 58] “IOR”, as it is known, is a different solution to the technical problem described by Bill Mitchell in Fazi & Mitchell [2017], p. 189.

²⁵ A monetarily sovereign state can, of course, decide to create a “safe haven” asset for its citizens (and when interest rates on Treasury bonds go below zero citizens have to pay a fee for such safety). And it would be naïve to ignore the crucial role that US dollar denominated Treasury debt plays in international political economy and America’s role in the global economy. But such bonds are not issued because a state, that can simply create money, needs to borrow it to finance its social goals. Proponents of MMT think the “structural constraint” is

and Treasury bond sales/purchases, on this conception, function solely as macro-economic stabilisers and the monetarily sovereign state simply issues currency to realise its goals. [Lerner, 1943; Wray, 2012; Fazi & Mitchell, 2017, chapter 8]

Minsky accepts Kalecki's diagnosis that it is the rentier class, engaged in a struggle with entrepreneurs over the division of the surplus, who do not want the state to put a floor under employment because that would politically strengthen the working class in the distributional struggle. [Kalecki, 1943] But the implication of this is that unemployment is only a "cure" for a wholly avoidable, self-inflicted, disease of inflation willingly accepted by one form of capitalism – that driven solely by the class interests of the rentier.

Minsky's critique of a UBI is emerging: if introduced it would exacerbate a general inflationary tendency in tax and transfer egalitarianism while adding *further* incentives for labour market withdrawal – that I will detail below – that make the policy self-stultifying.²⁶ By self-stultification I mean, simply, that its normative goal and its means are at odds with each other: the means frustrate the end. But this specific critique is embedded in a more general critique of the politics of rentier capitalism as that is played out through the evolution of a welfare state capitalist society. That a UBI proposal fails to undermine the

literally false, although some monetarily sovereign states choose to impose a version on themselves in a form of "self-binding". [Fazi & Mitchell, 2017, pp. 188–9]

²⁶ For a more recent re-formulation of Minsky's argument see Fazi & Mitchell [2017] pp. 229–30.

structural conditions of power in such societies is the basis of a wider charge that Van Parijs's proposal is politically quietistic – an argument that I will now detail.

3 *Van Parijs's Proposal as a form of Political Quietism*

Given the connection I have established between Rawls's anti-capitalism and Minsky's interpretation of Keynes (and Kalecki) I am now in a position to explain why I take Van Parijs's UBI to be politically quietistic.

First, and I think most damagingly, the core argument of *Real Freedom for All* thinks involuntary unemployment is probably inescapable.²⁷ [Van Parijs, 1995, chapter 4] Once he has exhausted his "Georgist" intuitions about the taxation of gifts and bequests, which Van Parijs concedes would raise a very small amount of GDP to fund a nugatory UBI, he moves on to rents in the labour market. [Van Parijs, 1995, p. 102, §4.4] However, his conception of that market is the neo-classical, Walrasian, one where rents to be taxed away exist only if jobs are scarce. The crucial passage is this:

In a non-Walrasian economy ... people's endowment is not exhaustively described by their wealth ... and their skill: the holding of a job constitutes a third type of asset In the case of scarce land, we gave each member of

²⁷ There are technical solutions to full employment, but Van Parijs thinks that in fact optimal capitalism will have persistent involuntary unemployment, "intrinsic to capitalism", of which it can only be said that optimal socialism does no better at solving it. [Van Parijs, 1995, p. 212] Clearly, the Keynes/Kalecki tradition does not share this scepticism. Responding to Van Parijs [1991] Fazi and Mitchell argue that "there is no recognition that mass unemployment is the result of a deficiency of total spending in the economy largely the result of defective macroeconomic policy". [Fazi & Mitchell, 2017, p. 227]

the society concerned a tradable entitlement to an equal share of that land, and the endowment-equalizing level of the basic income was given by the per capita competitive value of the available land. Similarly, in the case of scarce jobs, let us give each member of the society concerned a tradable entitlement to an equal share of those jobs. The endowment-equalizing level of the (additional) basic income will then similarly be given by the per capita competitive value of the available jobs. If involuntary employment is high, the corresponding basic income will be high. *If all unemployment is voluntary, no additional basic income is justified by this procedure.* [Van Parijs, 1995, p. 108, emphasis added]

This is a clear statement of the dependence of the UBI proposal (above a nugatory level) on the assumptions of rentier capitalism; it also explains why the proposal forms part of a politics of redress.²⁸

Second, it is true that Van Parijs' version of a UBI removes the exclusive power that monopoly control over the means of production gives capitalists to dictate the terms on which others labour for income.²⁹ But that, I will argue, is not enough. The rentier class has other destabilizing forms of political and economic power that a UBI proposal leaves untouched.

²⁸ For example, "In a situation of persistent massive unemployment, there is no doubt that the sum total of these rents would greatly swell the amount available for financing the grant". [Van Parijs, 1995, p. 108] Van Parijs offers two hypotheses of the source of rent: the insider-outsider hypothesis and the efficient wage hypothesis as explanations of involuntary unemployment. The former simply attaches rent to an employee occupying a role derived from the costs of firing them and hiring a replacement; in the latter, a component of the explanation is that "workers shirk less if the cost to them of losing their job is higher". [Van Parijs, 1995, p. 107]. But see the previous footnote.

²⁹ He notes its connection to "the revolt against proletarian subjection to the wage relationship, and hence to the capitalists' rule". [Van Parijs, 1995, p. 33]

Specifically, the rentier class dictates the terms of positional competition, the level of private versus public debt, and the interest rate – because it *makes* capital scarce via its political action. [Keynes, 1936; Minsky, 2013] In the face of any enhancement to the political strength of the working class, the rentier class threatens capital flight or capital strike. As we will see, while sensitive to this issue Van Parijs thinks that in our globalised world we cannot effectively address it. [Van Parijs, 1995, pp. 228–230] His version of a UBI does not eliminate this structural source of domination in the power of the rentier-investor class, rather it ameliorates one of its effects.

It is analogous to the “masking” of a disposition: the wine glass you have just dropped would have shattered, were it not in the packing material in which it was just delivered. Its dispositional property – fragility – has been masked by a counter-disposition of pressure from a soft packaging material that absorbs the impact from your kitchen floor. But the disposition remains in place. By analogy, the problem with Van Parijs’s politics of redress is that while it masks one effect of dominating power of a distinct capitalist class it leaves others in place. It is a reasonable hypothesis that a society with a dominating rentier-investor class is exposed to other ill effects, in addition to dictating the terms on which others labour.

For example, the structure of rentier capitalism forces the non-rentier to seek to emulate the positional advantages of the rentier class via what Veblen calls “pecuniary emulation”. [Veblen, 1899/2009; Hirsch, 1976; Frank, 2007]

This is exacerbated when the goods of social mobility (healthcare, education, housing) are sucked into the domain of the positional.³⁰ [Drennan, 2015] Positional spending now becomes what Fred Hirsch calls a “defensive necessity”; but under conditions of (self-perpetuating) inequality this pecuniary emulation is paid for by private consumer debt whose interest rate is set by the rentier class.³¹ [Hirsch, 1976] From either a Keynesian or an MMT perspective the results are wholly predictable: financial instability, crisis, and an exacerbation of inequality that makes this entire process self-perpetuating.³²

It also leads to that which Minsky calls “demand pull” inflation – another macro-level inflationary pressure. It is Robert H. Frank who emphasizes that we

³⁰ As Minsky points out, the form of corporate socialism represented by the US healthcare industry causes extensive collateral economic damage. As Dean Baker has noted, given that health insurance is provided via private employers in the USA it becomes another expensive poll or head tax that discourages employment as opposed to squeezing more hours from existing workers. [Baker, 2016, p. 35] It is also passed through to prices.

³¹ One response to this argument might be that we ought to restrict the social power of the wealthy by taking many goods off the market and insisting that they take the form of public goods. But while Van Parijs does contemplate part of an “in kind” UBI being public goods, he thinks the class of such goods will be very narrow: “essential ingredient[s] of the means made available to every member of society in pursuit of her conception of the good life”. [Van Parijs, 1995, p. 44] (The argument does not even extend to healthcare without further considerations. [p.45])

³² For the Keynesian perspective see Galbraith [1998/2000] or Palley [2012, 2013]. For an MMT diagnosis see Fazi & Mitchell, 2017, pp. 197–8. Van Parijs gives an (optimistic) account of this version of the “under-consumption” critique of capitalism in his [1995] pp. 204–6.

are not dealing here with the “politics of envy”. Either you borrow too much to live in a school that guarantees a better quality of education for your children, or you do not, but your motive is not the unethical, or morally shallow, one of envy. [Frank, 2007]

This is not the claim that the rentier class innocently goes about its business while acting negligently towards other classes: it serves its class interests actually to drive down the cost of labour and to increase the cost of borrowed capital. [Temin, 2017] I conclude that the serious problem for the UBI proposal is that removing the capacity of those who control capital to dictate the terms on which others labour – by giving citizens an income independent of labour via a UBI – only goes a partial way to addressing the political problem of the rentier class.

If this first objection is convincing, then a further argument follows on from it. If the rentier class encourages positional competition, then that in turn has a knock-on effect on the idea of the “sufficient” level of an UBI. The problem is this: one of the difficult questions about a UBI is its actual amount and what counts as sufficient standard for a person’s wellbeing.

Consider Adam Smith’s criterion that sufficient provision allows the representative worst-off person to appear in public without shame.³³ Does a high level of competition for positional goods increase the material cost of meeting

³³ Again, Frank’s point is that it is not up to any individual to determine that level. [Frank, 2007]

this criterion? I would argue that it does. This ties in, directly, to the question of whether or not Van Parijs' view is realistically utopian: how much will the amount paid actually be, relative to any given society? He says, as is well-known, that the actual amount to be paid out is to be "as high as it can be". We simply do not know, then, what its economic effects are going to be as we do not know its level in advance.

The less serious issue here is the practical paradox that we do not know the effect of a UBI on incentives to work, relative to the different cultures of capitalism, and the social norms of different societies until after we have implemented it. Only at that point can we determine how it interacts with these other social norms. But it must be introduced at some level or other; it seems we cannot know which one without information we can only obtain were the correct figure already known in advance.³⁴ However, these seem to me less serious problems than the tension between the fact that Van Parijs's proposal leaves a rentier class intact that fans the flames of positional competition and the fact that Van Parijs caps the total amount of resource available for a UBI by grounding it on unearned rents (both Georgist rents and labour market rents).

We can draw a summative conclusion from the previous arguments: there is a dilemma for Van Parijs's view that arises from the grounds on which a UBI

³⁴ A corollary of this problem is that we do not know what the effects of a UBI will be on our other egalitarian aims. [Kenworthy, 2014; Gourevitch & Stanczyk, 2018, section 3] As a predistributionist I am less persuaded by this argument.

is funded. He has pioneered looking for a source of unearned rents in the economy to fund a UBI. We can imagine extending this search in certain ways, for example, a shifting technological frontier might create new forms of land, such as the auctioning off of broadband licenses. Until a new technology was invented that needed those frequencies, that asset was not a source of rents. Georgists takes the whole category of land (as a factor of production) to be a candidate to be placed under social ownership. [Kerr, 2017; Posner & Weyl, 2018] As it is always exogenous to the productive process and cannot be “improved”, land is a source of pure rent.³⁵ [Mill, 1848]

My objection to all of these proposals, both the Georgist proposal and Van Parijs’ extension of it, is that if a UBI can only be grounded on unearned pure rents, then that places a finite cap on our egalitarian ambitions.³⁶ When Van Parijs says a UBI ought to be as high as it can be, he is not being explicit that there is a hard constraint on that number, namely, the total value of exogenously given land or other sources of pure economic rent (including labour market rents).

This now supports a dilemmatic argument: I have claimed that introducing a UBI does not “euthanise the rentier” as Keynes sought to do. The social power

³⁵ Rent, as opposed to quasi-rent, because unlike the bases of the latter land does not “wear out” so it does not incur amortization costs. Georgism is based on the underlying value of land, not its value after “development”, so in that sense its value is always exogenously given.

³⁶ To be clear: I have no objection at all to Georgist land taxation as that is a central part of the property-owning democracy tradition. I object solely to the assimilation of employment rents to this category via Van Parijs’ conception of “jobs as scarce assets”.

of the wealthy is masked in one respect but tolerated in another. The rentier class will still dictate the terms of positional competition and exert its political power to determine the interest rate paid by those forced to finance their pecuniary emulation through credit. The salient point here is that positional competition makes the Smith ideal of sufficiency – of appearance in public without shame – a moving target. And this target total inexorably moves upwards.³⁷

Therefore, if a UBI is tied to this sufficientarian ideal, then it will have to be uncapped; yet grounding it on unearned rents caps it. Only a UBI combined with the euthanasia of the rentier class can avoid this outcome; but there is nothing in the UBI proposal, taken alone, that corresponds to Keynes's goal of dismantling the rentier class's political power to make capital scarce.³⁸

³⁷ There is one obvious response to this argument: at the very least, it is a “tu quoque” response – property-owning democrats are in favour of sovereign wealth funds. Are they not paradigms of unearned rents on land that are, *prima facie*, socially owned and whose dividends ought to be paid out to all citizens? Three responses: there is a random, lottery like element to whether a nation-state has such natural resources. Secondly, these resources are a paradigm of unsustainable, non-renewable, capital – until the proceeds of their sale are invested in other capital stocks that are productive. Thirdly, the negative externalities of such funds are being carried by the global community, not necessarily the nation-states that benefited from their sale absent global “Pigouvian” taxes. For all these reasons, then, I think these are special cases – certainly to be distinguished from Meade's plan for a societal unit trust in all stocks, or the Meidner plan for moving corporate stock gradually under the control of organised labour. Gourevitch and Stanczyk also make the point that, contingently, the stock of capital required is not enough to fund a UBI in the USA. [Gourevitch & Stanczyk, 2018, section 3]

³⁸ To be precise, Van Parijs thinks that the best case scenario is enhanced democratic control of the economy that would pay the price of a general resource levelling down as the talented

These cumulative objections to a UBI work together: by leaving the structural domination of the economy by the rentier-investor class in place, a UBI leaves what counts as a sufficient level of funding hostage to its political power. A putatively “sufficient” UBI will have to be revised continually upwards. On the other hand, there is a hard cap on the total amount of unearned rent to be extracted from the Georgist conception of land or even from “jobs as assets”. There is a mis-match between the continual pressure to revise a UBI ever higher in response to positional pressure, and the hard cap on its total funding given that this must consist entirely in the total sum of unearned rents.

It is, of course, open to Van Parijs to object that his view can naturally be extended to the assets of the rentier class: these assets are only given value by being kept scarce via a high interest rate. But expropriating the assets of the rentier class differs from expropriating the “windfall” rents from broadband licenses, or the Georgist treatment of land, or the rents inherent in a labour market. This asset holding depends on the propensity of individuals to save, or to consume: it is dependent on individual voluntary decision, not the rents inherent in productive activity per se. I will return to this point in the final section of this paper where it is crucial to the convergence between Van Parijs’s egalitarian ambitions and those of the Rawlsian. Once he has re-located his target as

flee the country (given that formal freedom includes the right to migrate). It seems, then, that under the assumptions he makes about globalisation a higher UBI involves a negotiated compromise with the power of the rentier-investor class. [Van Parijs, 1995, pp. 225–226]

productive assets Van Parijs becomes a (fully fledged) property-owning democrat.

This strategic, macro-economic quietism can be accompanied by a tactical quietism over political agency. Alex Gourevitch and Lucas Stanczyk's concern over the political agency required for an UBI initially overlooks the point that its source is in unearned rents. [Gourevitch & Stanczyk, 2018] But their argument is that, to realise our egalitarian goals, proponents of an UBI *will* have to sequester the assets of the rentier class – not simply labour market or land rents. They are implicitly recognizing that Van Parijs's hard cap on our egalitarian ambitions is not enough. So their argument complements mine when they argue that an UBI proposal undercuts the very agency of radical change – organized labour – that is the sole plausible agent of such radical social change that could build a social coalition strong enough to seize some proportion of the assets of the wealthy. [Gourevitch & Stanczyk, 2018]

I am in full agreement with them that a UBI will not strengthen, but weaken, the power of organized labour. Employers will, under a UBI regime, have a free hand to drive down labour's share of GDP – notably through automation. It is one thing for employers to be faced with the counter-vailing pressure of a trade union, that has the ultimate sanction of the withdrawal of labour, and another to be faced with political pressure from an organized union

of the unemployed recipients of a UBI for whom that threat is unavailable.³⁹ Gourevitch and Stanczyk's argument is dilemmatic: either proponents of a UBI ignore the need for the social agents that would be powerful enough to bring it about, or they simply assume that social power exists, in which case a UBI is redundant.

4 *UBI is Self-Stultifying*

There is a specific, macro-economic concern about Van Parijs's UBI that Minsky explicitly discusses – under his usual description of it as a “negative income tax”.⁴⁰ His concern is that this policy is self-stultifying because of its effect on inflation: the purchasing power of the worst off is boosted, only then to be

³⁹ As Gourevitch and Stanczyk put it, with a UBI in place, employers will be constrained in their actions only by democratically legislated law – so the economy will *already* have been democratised.

⁴⁰ I am grateful to an anonymous reviewer for this journal for pressing me to clarify the differences between a negative income tax and a UBI. He or she is quite right: we cannot know Minsky's attitude to a UBI without interpretation as he does not discuss it. (Rawls, too, discusses negative income taxes. See also Van Parijs [1995], pp. 36–38) So I have to extrapolate the core feature that a UBI and NIT *unconditionally* transfers resource from the productive, with a lower marginal propensity to consume, to the non-productive, with a higher marginal propensity to consume. Furthermore, it does so at a level that valorises leisure. This functional core is shared by both proposals. One point that is in favour of taking inflation seriously as a problem for Van Parijs is his insistence that the market prices of endowments are an objective marker of their value (“leximin people's purchasing power”). [Van Parijs, 1995, p. 32, p. 33, pp. 51–54]

undermined. I think, in Rawlsian terms, we can describe it as one aspect of a conception of justice proving to be unstable – unable to reproduce itself over time.

I have already described Minsky's general argument that tax and transfer schemes, absent an independent commitment to full employment, are of their nature inflationary. Those who produce are taxed and that income is moved to those who do not produce goods or services for consumption. This latter group spend a higher proportion of the transferred resources than those from whom it is transferred. Minsky believed that this inherently inflationary transfer was exacerbated by a UBI via its impact on labour market participation rates.

It is true that some people who are currently involuntarily unemployed would, if in receipt of an UBI, be drawn on to the labour market, namely, those currently caught up in benefits traps. But Minsky's concern is that a significant number of those currently on the labour market will withdraw from it. As Minsky notes, many of the currently poor cannot attach much value to leisure as leisure activities are themselves costly. Not only would a person currently in poverty be even more poor if they reduced their market participation, the leisure would be inadequate compensation given their lack of resources that would allow them to enjoy it. Under a UBI, however, the incentive to introduce more leisure into the economy is accompanied with a financial incentive to make use of it. Those conditions together are likely to produce substantial exit from the labour market.

It follows that, at the macro-level, on the one hand, spending power is transferred to those more likely to make use of it. This is an attractive and

deliberate upshot of a UBI. However, another macro-effect will be that fewer people will participate in the labour market, so that wages will have to be increased by employers to “bid up” the value of labour. Only this increased remuneration will attract those who could otherwise live on an UBI. As a result, employers will increase wages and push that cost through to prices. Minsky argued that the resulting inflationary increase will largely cancel out the value of a UBI to the worst off, making the policy (from a Rawlsian perspective) self-stultifying. Even those drawn on to the labour market by being freed from benefits traps will see their gains eroded by price inflation.

One response that proponents of an UBI can make is that its introduction will coincide with an increase in productivity on the part of those who do elect to work. Thus, the additional wages required to incentivize labour market participation will be compensated for by this productivity increase. My objection to this proposal is that it is, unfortunately, working in this argument as a *deus ex machina*. Empirically, the elusive goal of enhanced productivity seems to bear no relation to wage rates. [Galbraith, 1998/2000, p.29] We would normally look to investment funded innovations to improve productivity, but that is another social goal crowded out by the funding of a UBI.

Another version of this argument put forward by proponents of a UBI is that automation will supply the necessary concomitant increase in productivity. Unfortunately, since one of the primary motivations for an UBI is a loss of jobs through automation this particular “*deus ex machina*” argument – where the god

is the machine – seems to be offering (once again) only a cure for a disease of which it is itself the cause. It is a presupposition of this discussion that current capital holders have a completely free hand to replace workers with automation as they choose – even if the result is greatly increased inequality and concurrent social costs.

Once again, my objection is to the quietism of the UBI proposal: a UBI popularizes demand by shifting resources towards those more likely to consume and away from “excessive” savings. But unlike the SELR proposal, it fails to balance this out by investing in the productive capacity of individuals and firms. There is nothing in a UBI proposal that can guarantee a productivity increase to cancel out the inflationary losses that it will cause.

The real point of contrast is between the self-stultifying way in which an UBI leads to inflation that negates most of its good effects for the worst off, and a Rawlsian proposal widely to disperse capital, to ensure fair access to it, and to aim at reasonable equity in its distribution. You can either take SELR to be a policy contained already in this general description – if you include human capital as capital – or as complementary to it. [Thomas, 2017, p. 403, fn. 41, 2020b]

The final issue to be addressed is the comparative one: if this paper claims that the policy of SELR achieves our egalitarian goals in a stable way, while an UBI does not, what guarantees that the former policy is not inflationary in the same way? Minsky believes that the transition from slack to tight full employment will be inflationary for a time, but:

The high wage worker and other affluent citizens have been subsidized, by way of low product prices, by the poor... tight full employment ... will lead to cost-push inflation. [Minsky, 2013a, p. 10]

But once tight full employment is in place “this source of inflationary pressure will cease”; but only if we take “countermeasures”. [Minsky, *ibid*] This is why Minsky favours a relative incomes policy: with SELR in place, the hitherto worst off will stop cross-subsidising the affluent through their poverty. Yet their comparative wage increases *will* produce inflation in the cost of that which they produce; so in other parts of the economy productivity gains will have to *not* be matched by wage gains on the part of the comparatively affluent. Minsky thinks that will not be hard to do given that comparatively higher wages are extensively the product of rent seeking niches guaranteed to certain firms and sectors.

Here, once again, Kalecki’s diagnosis is crucial: in a tight labour market with a greatly strengthened bargaining power for labour, it is the more skilled who will do better than other workers in extracting rents from employers. This was why Kalecki thought the rentier-investor class would not permit this loss of managerial control. But with full employment, does the sympathiser with Minsky and Rawls, such as myself, accept this rent extraction with equanimity? Is this not the very point – the blackmail of all of us by the talented – that led Jerry Cohen to claim that Rawls’s difference principle was a flawed compromise with human selfishness by permitting such special incentive demands? [Cohen, 2008] This is the point to issue the reminder that, in a property-owning democracy, rent-

seeking based on special incentives has been eliminated. [Smith, 1998; Thomas, 2017, p.90]

But why is a SELR non-inflationary when a UBI is? For the reason given by Bill Mitchell:

[T]he JG [job guarantee] wage rate is set at the minimum wage level The government thus purchases labour ‘off the bottom’ of the non-governmental wage distribution ... By maintaining a buffer stock of employment, the JG operates according to what economists term a ‘fixed price/floating quantity’ rule Given that the JG hires at a fixed price in exchange for hours of work and *does not compete with private sector wages*, employment redistributions between the private sector and the buffer stock can always be achieved to stabilise any wage inflation in the non-JG sector. [Fazi & Mitchell, 2017, p. 231, emphasis added]

This argument is crucial, because proponents of a UBI share the same normative goals as those who advance a combination of Rawlsian reciprocity and SELR: a “trickle up” effect on pay. [Calnitsky, 2017] But a UBI cannot achieve this result if it cancels itself out: if the means undercut the desired end.

5 *The Rawls/Minsky Alternative: SELR*

I have argued that the UBI proposal is both politically quietistic and unstable (self-stultifying). By contrast, I would argue that the proposal to make the state of employer of last resort (SELR) focuses our attention on where it should be focused: on the worst off, who are in work (or in some other way meeting a Rawlsian economic reciprocity condition).

It focuses on the relative wage structure, the actual wage rate for those in employment (as opposed to the broader measure of income inequality) and the overall distribution of fair access to capital and a fair distribution of capital. It makes a macro-economic case for Rawlsian justice as fair reciprocity that harmonizes with its philosophical justification.⁴¹ [Hockett, 2019a, 2019b] We already know that Rawlsian justice as fairness explicitly requires meaningful work and full employment. [Rawls, 1993, p. lvii; Rawls, 2001; Thomas, 2017, p. 403, fn. 31] Minsky argued on both economic and normative grounds for SELR. In this section I will set out Minsky's critique of a UBI in the form in which he was familiar with it: the so-called "negative income tax" also discussed by Rawls. [Minsky, 2013]

Minsky regarded a UBI – in the guise of a negative income tax – as an admission of defeat: "an admission of an inability to make the production process respond to social goals". [Minsky, 2013b, p.30] He also objected to traditional approaches to welfare which accepted unemployment as regrettably inevitable, for which the answer was re-training.

⁴¹ The rhetorical strategy of Hockett [2019a] is to ask why, if the Federal Reserve Bank has a dual mandate to target both the rate of inflation and the level of unemployment, it engages in so-called "open market operations" to control the interest rate to target inflation, but does not control the price of labour in any way. (Hockett calls the interest rate the rental charge for money and also notes that the prices of certain key commodities are also, de facto, hedged by the state.) This is in spite of the fact that labour is a more extensive factor in economic activity than assets.

He argues that, in a dynamic economy, up-skilling the unemployed for jobs that they do not currently have and may not have in the future (because the jobs may not exist) is the wrong approach. Don't fit the citizen to the job; fit the job to the citizen with the skill set that they actually have.⁴² As James K. Galbraith has also pointed out, this focus on education and re-training in the absence of a commitment to full employment simply re-distributes unemployment and, in the process, devalues the skills premium.⁴³ [Galbraith, 1998/2000] The result is that people are over-qualified for the jobs that they actually do.

Minsky argues that an approach that targets poverty, caused by unemployment, either by upskilling workers or focusing on their motivations (the latter, for example, via "workfare") does not fit a nut to a bolt; it fits a nut to some

⁴² Rapidly evolving economies produce workers whose skills profile does not match current jobs; even if aggregate demand and supply match in practice, the skills mis-match will still produce unemployment.

⁴³ "It is one thing for a program to hold out, subsidize, and support new chances for individuals to compete on the educational and career ladders. It is something different to promise that the ladder itself will become shorter and wider as a result of an increase in the numbers crowding their way up the rungs. It is something entirely different to suppose that each new entrant and and reentrant in the educational sweepstakes will enjoy a chance of success equally high as those who have already entered and won. It is something entirely different, bold and ingenious, to promise that we can return to the middle-class solidarity of three decades ago, entirely by diffusing knowledge through the population and by allowing free labor markets to work." [Galbraith, 1998/2000, p.7]

future bolt that may or may not exist.⁴⁴ Even if the envisaged future jobs do come into existence “this approach”, Minsky observed “can spread poverty more fairly”, but that is not to eliminate it. [Minsky, 2013a, p. 1] The currently poor are enabled to compete between themselves for the limited stock of jobs available. Furthermore, whether or not these jobs come into existence is left in the hands of private capitalists – the rentier class, once more.

For Minsky, such re-training can only come later after full employment has been reached:

Once tight full employment is achieved, the second step is to generate programs to upgrade workers. I am afraid that in the poverty campaign we have taken the second step without the first, and perhaps this is analogous to the great error-producing sin of infielders – throwing the ball before you have it. [Minsky, 2013a, p. 25]

For this envisaged “tight full employment” of 2.5% he assumed that the state would have to play the role of employer of last resort as it had in the New Deal. [Minsky, 2013g, pp. 159–160] Under such a scheme, the state will employ anyone able and willing to work at minimum wage rates.⁴⁵

There is a need for permanent instruments of policy which generate an infinitely elastic demand for work that is useful. The desirable

⁴⁴ Minsky focuses, rhetorically, on pre-school education as a form of early years intervention: its full effects take twenty years. [Minsky, 2013a, p.20] His underlying point is that, in a dynamic economy, re-training is always “too late”.

⁴⁵ “This would be a wage support law It would replace the minimum wage law; for, if work is available to all at the minimum wage, no labor will be available to private employers at a wage lower than this minimum”. [Minsky, 2013a, p. 21]

situation is that at every moment in time the number of unfilled jobs is greater than the number of unemployed. This can only be guaranteed if the government acts as an employer who has a vast amount of projects that need to be done and is willing and able to pay to get those jobs done. [Minsky, 2013g]

There is a direct connection between Minsky's work on financial instability and crises and his work on employment or, as he would frame it, poverty.⁴⁶ Minsky was reacting to the privatized Keynesianism of the post-WW2 US recovery whose stimulation of private investment took several forms including investment tax credits and government contracts with profitable rents "built in" for some industries and not others during the Cold War. [Wray, 2013, p. xv]

Minsky diagnosed why these policies would exacerbate inequality across several dimensions: they favoured the rentier class over the worker, thereby empowering conspicuous consumption; the state guaranteed rents of post-WWII USA were in high skill industries, thus producing a wage premium on skills; at the macro-level, investment growth driven by private debt was merely storing up trouble. The combination of weak social security and increasing private debt drives a system prone to instability. [Minsky, 1986/2008]

Given that labour is, as Minsky puts it, "heterogeneous and viscous", as opposed to its theoretical representation by economists as "homogenous and liquid", then if a class of worker becomes unemployed because of structural change, incentivizing the "right kind" of employer via tax cuts is both ineffective

⁴⁶ "The War on Poverty tried to change the poor, not the economy." [Minsky, 2013e, p. 116]

and too slow. [Minsky, 2013a, p. 13, p. 14] By contrast, the state can absorb those workers quickly by changing the pattern of its own spending. [Minsky, 2013a, p.19] Above all, there is no time delay as the state takes workers, and their existing skill set, as they are.

A key economic argument for Minsky's proposal is that, under tight full employment as he defines it, the wages of the low paid would rise faster than the wages of the comparatively highly paid – a point to which I will return in the next section as it is a key lemma in his argument for which the support was (at the time) weak.⁴⁷ [Minsky, 2013a, p. 3, 2013b, p.27] This is key to his overall aim of increasing overall consumption by increasing the spending power of the currently worst off. He also accepted that there would have to be wage restraint on the part of better off workers; the state would need a *relative* incomes policy.⁴⁸ [Minsky, 2013a, p. 18]

At the macro-level, SELR means that a major cause of financial instability is reduced while the state withdraws from the business of incentivizing capital investment through tax breaks for existing capital holders. Overall, capital's share of income would be decreased while GNP as a whole will rise – far more, Minsky

⁴⁷ “Tight full employment by setting off market processes which tend to raise low wages faster than higher wages will in time greatly diminish the poverty due to low income from jobs” [Minsky, 2013a, p. 3]

⁴⁸ Whereas I have noted that, under a property-owning democracy, rent extraction by the talented will have been eliminated – a point where Rawls can usefully complement Minsky.

predicts, than by the amount one could simply redistribute to end poverty by a transfer scheme.⁴⁹ [Minsky, 2013a, p. 6]

At the micro-level, SELR means that there is no poverty from joblessness, per se, jobs are tailored to workers and not vice versa, labour market participation rates will go up, including part-time workers being incentivized to become full time. [Minsky, 2013b, p. 27, 2013c, p. 63] Increased labour market participation, plus the income sharing role of the family, will see whole families break out of poverty traps – “there is no better cure for poverty than family income, especially family income earned on a job”. [Minsky, 2013a, p. 3] Minsky also makes the psychologically insightful point that on an appropriate measure of well-being – not the deracinated version of the neo-classical economist – simply having a job contributes to a person’s well-being. [Minsky, 2013c, p. 44]

Overall, then, SELR has multiple benefits: it helps to stabilize the economy as a whole – compared to the privatized Keynesian alternative with its debt driven cycle of crises and “recovery” – while improving the position of the worst off as meaningful work will be available for anyone who wants it. Prosperity “trickles up” by placing a floor under the wage structure. It simply follows through on the logic that if the state puts a floor under prices and assets it must do so for employment, too.

Are people free not to work? Of course, and part of Rawls's conception of justice as reciprocal fairness is the payment of a decent civic minimum.⁵⁰ But that is not a UBI as it is grounded on people's material needs. Proponents of an UBI do not think its level ought to be set merely to cover a person's basic needs. [Van Parijs, 1995, p. 35] So it is a gross misunderstanding to interpret a jobs guarantee as the return of the Victorian workhouse. The payment of a decent civic minimum means that any citizen is free not to work if she so chooses.

6 *Is Minsky's Lemma Sound?*

For all that has been argued to this point, there is a damaging flaw in Minsky's argument for SELR as an alternative to a UBI. One assumption of his discussion is that if the state places a floor under the wage structure then the result will "trickle up": we will see the wages of the worst off rise more rapidly than the wages of those immediately above them.⁵¹ However, Minsky's belief in this

⁵⁰ I speculate that the payment of this minimum could be a baseline part, but not the whole, of the direct payment of money to each citizens by the state via a personal account with the central bank in a "Citizens' Quantitative Easing" program. I say part, and not the whole, as this amount must be continuously available whereas in Hockett and James's proposed "people's QE" withdrawals from these accounts can be temporarily suspended in the interests of macro-economic stability (while continuing to earn interest). [Hockett & James, forthcoming]

⁵¹ This is key to his overall (Keynesian) vision of "a preference for a low investment, high consumption, full-employment economy with a favorable disposition towards organizations that are small, thus minimizing bureaucracy". [Minsky, 1986/2008, p. 329] (Minsky includes the bureaucrats of private households – firms – in his critique.)

effect seems restricted to the econometric data in one paper, namely, Anderson [1964]. Can more recent work offer a more robust defense of Minsky's lemma?

I think it can as this is the central thesis of James Kenneth Galbraith's *Created Unequal*. [Galbraith, 1998/2000] Key here is the phrase "the wage structure" which underlies the origin of income inequality.⁵² Galbraith's highest level explanation of the evolution of the wage structure is that the American state has been negligent and withdrawn from its responsibilities in macroeconomic management. By allowing one goal only – inflation targeting – to influence its policies, it has tolerated the building up of a "buffer stock" of the unemployed to keep inflation low – just as its monetarist advisers insisted must happen as their response to Kalecki's dilemma.

For Galbraith, a great deal follows from this misplaced emphasis: most notably, exactly the same cycle of mutually reinforcing inequality and instability against which Minsky cautioned. The US economy has, over the last fifty years, experienced repeated boom and bust recessions, with each recovery being weaker, and taking longer to become established, than the one before it.

Galbraith combines this high-level explanation with a theory of the determination of the wage structure in which a perfectly competitive model of the labor market is abandoned. Following Schumpeter, Galbraith takes investment

⁵² Galbraith's point is that there are many intermediating variables between the wage structure and income inequality, such as family structures, participation rates, variation in the age cohort of workers and so on. But the structure itself is invariant and prior to these variables.

by firms in research and development with the aim of seeking a monopoly, however fleeting, to be the essence of the dynamic efficiency of capitalism. [Galbraith, 1998/2000]

Given that a degree of monopoly is inevitable, it is a good thing that he welcomes it as potentially stabilizing in a stable macroeconomic context set by the state. But, given the state's abdication of its responsibility, the interaction of instability and private monopoly has been disastrous for the structure of American wages. Under conditions of macroeconomic instability, it is the most vulnerable, most poorly paid and precarious, workers who do the least well.

The price setting power of a monopoly is a zero sum exercise of market power: greater price setting power for one firm means diminished power (and profit) for at least one other firm. For the monopolist there is a rent component to profit; Galbraith's hypothesis is that the extent to which firms have to share their monopoly rents with key employees varies firm by firm and sector by sector. A prominent technology company, for example, will see its senior management forced to share its niche rents with its top software talent to retain them. The same may be true of its "non-production" talent like its marketing department. This is not true for the office cleaners who are, in all likelihood, outsourced to an agency.

This latter phenomenon is what David Weil famously called the creation of a "fissured workplace": the large, "superstar" corporation outsources those functions for which it does not need to share its rents with key employees to a plethora of smaller firms, in direct competition with each other, that in turn drive

down wages and non-financial benefits (and skirt the boundaries of legality in labour law).⁵³ Supply chains are moved offshore, where working conditions are pay may be even worse. [Weil, 2014] This fissuring of the workplace is the direct effect of removing political support from under the wage structure, in combination with the ideology at the level of the firm that their corporate goal is maximizing shareholder value.

The other dimension to this issue is that of “precariousness”. If your lens on the labor market is the traditional competitive markets assumption, then the “spot contract” is desirable for the highly skilled professional with whom a firm is forced to share rent, such as a top flight mathematician selling her services as a rocket scientist to work on derivatives pricing for an investment bank. Here, precariousness is compensated for by the scale of the remuneration and the belief in efficient markets incentivizes that worker to seek the spot price for her services. Working on a consultancy basis may be more lucrative than being an employee of the bank; the loss of the benefits of being a permanent employee on the payroll may be compensated for by higher pay.

By contrast, the spot contract is of no help to those with no bargaining power; on the contrary, it exploits their vulnerability. The person who cleans the office in which the derivatives expert works is not in a comparable situation to

⁵³ This re-states Galbraith’s insight that monopoly is zero sum, so our corporate landscape is split between rent-extracting monopolistic firms enjoying superhigh returns, and an extensive penumbra of firms where margins are very tight, pay stagnant, and employment precarious.

that of the expert. In the Schumpeter/Galbraith framework, the competitive labour market assumption loses its force, and the relevant fact is that precariousness is a way of using the “industrial reserve army” of the unemployed to keep wages low by replacing the unionized worker with the day worker and the employee with a succession of “contingent” workers. One dimension of income inequality is radical income fluctuation as workers with no bargaining power move in and out of work. Once again, it is a political choice to allow working conditions to deteriorate in this way: the fragmentation of employment is thus both organizational and temporal, fissured and precarious.

For Galbraith, the primary form that inequality takes is distributed across sectors and firms in this way: this is not a story about superstar employees, but superstar firms. [Furman & Orszag, 2018] They may very well have achieved this status through state incentivization by the creation of rent-seeking niches, or they may seek to perpetuate their historically prior adVantage via lobbying. [Galbraith, 2009] Either way, Galbraith agrees with Minsky that investment has been channeled to the wrong parts of the US economy.⁵⁴

For the very worst off who are in work, their vulnerability is such that their employers are under no pressure to share any rents with them. Predominantly in

⁵⁴ In Marianna Mazzucato’s version of the argument public investment has been parasitically exploited by private firms who leverage publicly accessible patents into products that generate profits for them that they do *not* return to the public by paying fair corporate taxes. [Mazzucato, 2013] The technology and pharmaceutical industries play a prominent role in this narrative.

services, or in service roles in other sectors, absent a policy of SELR the level of their wages is politically determined by the value of the minimum wage and the extent to which they are unionized. Their bargaining power, viewed through the lens of the fully competitive assumption, is individually negligible. Viewed through Galbraith's Smith-Schumpeter lens we reach the same conclusion: only political will stops the pay of the worst off dropping to near subsistence. Yet, as Minsky develops the argument, the political price that the rentier class demands for putting in place the automatic entitlements of a welfare state is inequality as a whole, and structural unemployment as one aspect of it.

Galbraith concludes that under the political conditions prevailing in the USA from 1970 – 1998 the wage structure was allowed to erode from the bottom up. The state's macroeconomic negligence tolerated an unstable environment in which firms have had little choice to but shed their most vulnerable workers in a downturn. Firms themselves have adopted the goal of maximizing shareholder value to justify making employments either temporary, contracted out, or offshored (where the latter is applicable). The state's political negligence has seen a sustained assault on unionization, an insufficient minimum wage but, above all, a refusal to put a floor under employment.

Galbraith thereby supports Minsky's claim that changed macroeconomic policies will see the wages of the worst off rise more quickly than the wages of those immediately above them in the wage hierarchy. [Minsky, 2013b, p. 27] Wages have not been allowed, under the constraints of human decency, to be

driven down to subsistence, but the underpinnings of the wage structure are political – a matter of public policy – and in that sense not market *determined* at all.

The condition of tight full employment where employers would aim to employ more workers than they currently do would lift the worse off into a situation where their collective bargaining power would be substantially increased as a category. Furthermore, this is across all industrial sectors and firms without regard for their degree of unionization.⁵⁵ In my view, Galbraith’s analysis substantiates why Minsky’s lemma is true and, furthermore, why this is a “trickle up” theory for addressing income inequality of interest to the Rawlsian, particularly given the elimination of (special incentive grounded) rents. [Tcherneva, 2011]

If Galbraith is right, then we also have a point of connection not only with Minsky, but also Van Parijs’s focus on unearned rents. The state, acting as dishonest broker, has handed out lucrative rental niches to sectors and firms and then, under a dysfunctional “tax farming arrangement”, simply failed to tax back the resultant profit. In other sectors rents are minimal, profit margins low, and the

⁵⁵ “The cohesiveness of relative wages and the importance of key trade union contracts in setting a pattern for wage increases depend upon the overall tightness in the labor market. In particular, wage gains in industries with weak trade unions – such as textiles – or with essentially no trade unions – such as retail trade – will keep up with or even improve on the bargains struck in highly organized industries such as steel and automobiles only if the labor market is tight”. [Minsky, 2013a, p. 7]

salient politics is that of the minimum wage. All parties are agreed, then, that these unfair rents ought to be taxed away. Only under a property-owning democracy, or liberal market socialism, will we have the collective assurance that such rents will have been eliminated.

7 *Two Routes to the Same Mountain Summit?*

It would be a mistake to put artificial distance between the approach defended in this paper and that of Van Parijs: both are versions of “Left Rawlsianism”. [Van Parijs, 1995, p. 297, fn. 75] When Karl Polanyi famously remarked that labour, land and money were “fictitious commodities”, one interpretation of that remark is that it is classical political economy that theorises in the light of a fiction, namely, that these are “factors of production” alongside other factors of production. [Polanyi, 1944] But they are not: as Polanyi slightly obscurely puts it, these factors are not “produced for the market”. I think the most helpful way to conceptualise the deep similarity between Rawls and Van Parijs is to see them both as theorizing the de-commodification of land, labour and money. They develop two strategies for implementing Polanyi’s insight even if they go about this project in different ways.⁵⁶

⁵⁶ Van Parijs tries to widen the scope of our Georgist intuitions about land to jobs as assets; at a crucial moment in his argument Rawls seems to do the same. Accepting the difference principle is to accept the endogenously given stock of human talents as if it were a pooled commodity exogenously given – in other words, just like land. [Rawls, 2001, §21 et seq] But the key phrase here is “as if”: it is not literally true that individual talents are common assets.

Yet these paths converge: Van Parijs makes a compelling case that a property-owning democracy plus a jobs guarantee is on a par with his own proposal even given his own assumptions. Given that I reject two of those key assumptions – that justice does not require full employment, and that full employment is incompatible with liberal neutrality – I think we have a case for moving beyond the UBI proposal.

I believe that my identification of the fundamental disagreement is correct: Rawls seeks an alternative to capitalism while Van Parijs defends an “optimised” capitalism.⁵⁷ This disagreement is sharpened when it comes to full employment. The latter’s view that a preference for a job is grounded on ethical “perfectionism” is, yet again, crucial. [Van Paris, 1995, p.98] If his critique is that a neutralist liberal cannot endorse such a controversial ethical principle, then Van

My aim in this paper is to argue that a Rawlsian approach does not de-commodify labour via this analogy with land; we de-commodify it via an analogy with money. The monetarily sovereign state ought to be the monopoly supplier of both money and labour and, in so doing, de-commodify the latter. [Hockett, 2019; Thomas, 2020b]

⁵⁷ Van Parijs’s list includes: a corporatist state that manages a “grand bargain” between organised capital and organised labour where both sides exercise restraint in the distribution of the productive surplus; anti-trust and anti-monopoly legislation; a sphere of petty production where, above a certain size, all firms are worker owned but still receive external investment; an investment class willing to assume business risk with no control (as part of the preceding scheme); Weitzman’s scheme in which wages are a vector of a fixed sum plus a share of a firm’s profits; widely distributed share ownership as in Meade’s property-owning democracy. This is all outlined in the culminating chapter six of *Real Freedom for All* and its justification of an “optimized capitalism”.

Parijs must be committed to the consistent alternative. In his neutralist liberalism it is of no concern to the state how many people are employed as opposed to being recipients a UBI. Yet it also seems to be true that a UBI funded by the rents inherent in scarce job assets requires some people to be employed. Furthermore, the scarcer the jobs, the higher the rents, and the higher the funds available for a UBI. Forcing the labour market to clear is, once again, discriminatory. [Van Parijs, 1995, p. 112] Yet the overriding criterion for any socio-economic distribution is basic income *maximisation*.

It is worth bearing in mind this disconnection when reading Van Parijs's explanations of technical solutions to unemployment in an optimised capitalism: were the state actively to pursue any of these policies it would be acting in an illiberal way. Deepening the puzzle here is the active role he gives the state in underpinning a corporatist settlement between capital and labour: it is, to use my metaphor, an "honest broker" between competing societal interests. If the state gets its policies right, we will have stable full employment, but this could only ever be an accidental side effect of state action – or it would be discriminatory against those who want to be voluntarily unemployed.

However, there are significant points of convergence between the two views I have discussed here. Van Parijs endorses contra-cyclical demand management of a "Keynesian" type. [Van Paris, 1995, p.204] He also thinks that the effects of business cycle fluctuations on employment will be further dampened if some of a citizen's income is derived from a share in profit-per-firm

as opposed to income from employment.⁵⁸ [Van Paris, 1995, p. 205; Weitzman, 1984] Crucially, he also endorses Meade's version of a property-owning democracy, singling out for approval Meade's hybrid combination of an income derived from a share of wealth with the payment of an unconditional basic income. [Van Paris, 1995, p.295, fn 75]

But this is misleading: this is not the perspective where one begins from the ideal of full employment as an essential way in which we collectively de-commodify labour and, holding that commitment fixed, "solve" for price stability. [Hockett, 2019] From Van Parijs's perspective, classic economic theory can allow that involuntary unemployment is remediable by the state's "second best" public option – as, Van Parijs dismissively remarks, "at sufficiently low wages".⁵⁹ [Van Paris, 1995, p. 193] That situation, from his perspective, is not an

⁵⁸ In his subtle discussion he actually distinguishes two ways of addressing unemployment caused by under-consumption: Keynesian demand management ought, in his view, to be combined with Martin Weitzman's proposal for a share economy in which workers' remuneration is a combination of a fixed wage with a share in that firm's profits. Unemployment generated by the Kaleckian profit squeeze – the "excessive" power of workers – has to be addressed by worker self-restraint in a corporatist social bargain, supplemented by Peter Jay style worker co-operatives where workers own firms but still raise external capital from investors. (This involves, to my mind not very plausibly, another aspect of "corporatism" whereby investors choose to bear risk with no control rights at all.)

⁵⁹ The argument of Hockett [2019] and Thomas [2020] is that the public option is not a second grade fallback position but, as that which de-commodifies labour, functions as the legitimization of the private employment market. As Hockett puts it "the whole point of the OLMO, ELR, JG regime is not only to assure remunerative work for all who might seek it, but also to use this *public* option in the realm of work to change *private* options in the realm of work". [Hockett,

“envy free” distribution because “many jobs are bound to be envied, in a socialist society too, by people who are deprived of access to them”. [Van Parijs, 1995, p.193] So job rents will persist. And that circles back to his key argument that a preference for being employed is a controversial ethical principle. [Van Parijs, 1995, pp. 109–113, p. 193]

Yet, because Van Parijs’s version of a property-owning is a hybrid, he has not taken into account that the distributions of job assets in a property-owning democracy will have eliminated special incentives payable to the talented.⁶⁰ [Smith, 1998, p. 225; Thomas, 2017, p. 162] So the talented will not be able, as Kalecki feared, to bid up their wages under full employment and make their enviable jobs even more enviable because even better paid.⁶¹ This is important,

2019, p. 121] This priority in justification is obscured by the macro-economic role of the JG, namely, “a buffer stock of paid jobs that expands (declines) when private sector activity declines (expands)”. [Fazi & Mitchell, 2017, p. 231]

⁶⁰ By a “hybrid” here I mean a combination of a welfare state capitalism that has replaced conditional transfers with an unconditional UBI, plus the asset-based focus of a property-owning democracy. In my own [2017] by contrast I defend a “non-hybrid” fully predistributive version of a property-owning democracy that reflects Rawls’s decisive break with welfare state capitalism.

⁶¹ Skills feature importantly in Van Parijs’s individuation of job “types” that is one source of his job rents. This is not the place for what would have to be a lengthy excursus on whether the distribution of job assets in a property-owning democracy would be “envy free” in Van Parijs’s sense. Envy does feature in Rawls’s discussion: one argument for the difference principle is that it regulates an entire socio-economic regime in a way that would eliminate reasonable envy on the part of the worst off. [Rawls, 1971/1999, p. 468, p.534] It is important that the difference principle is a “macro-principle” to be used “for ranking social forms viewed as closed systems”

because Van Parijs takes the Kalecki argument that unemployment is a political choice driven by the rentier-investor class seriously. It calls for the most extensive optimisation of his preferred form of reformed capitalism.

Given the thoroughness of his treatment, it is perhaps unsurprising that Van Parijs explains how, in fact, his own view would strongly converge with Rawls's view (and my own) if we dropped the claim that a preference for a job was a form of ethical perfectionism. If, instead, we put in place policies that actually eliminated involuntary unemployment he thinks it probable that the elimination of job rents would be balanced by a worker's higher return on her productive investments.

Under full employment there would be, as Van Parijs admits, "no employment rents to be collected". [Van Parijs, 1995, p. 112] In this scenario, an unconditional basic income will depend solely on an extension of a Georgist approach to land taxes to all our unearned, inherited, stock of capital. That is, for Van Parijs, *prima facie* a disappointing result. However, he *also* notes that an extension of a property-owning democracy that gave all citizens fair access to productive capital, including that invested in productive firms of all kinds, would see returns on those investments boosted under full employment:

and not for the specific allotment of roles within that system (such as job types). [Rawls, 1971/1999, p. 229; Thomas, 2017, p.84] I think it is enough for present purposes to note that "envy freedom" is not a fundamental regulative principle for distribution for Rawls as it is for Van Parijs.

[T]his fall in wages would result in higher returns on physical and financial assets, and hence in a significant increase in the value of society's capital. As a consequence, people's per capita share of external assets *in the standard sense* would be greater, and the maximum level of basic income that could be financed by taxing those assets could therefore be expected to be significantly higher than it is with wages as they stand. [Van Parijs, 1995, p. 112, emphasis added]

Rawls thinks that to move beyond capitalism we need to transition either to liberal market socialism or to a property-owning democracy because both are non-capitalist (in his proprietary sense). I have argued that actually only one of these options uniquely realises justice. [Thomas, 2017] Van Parijs is committed to a limited property-owning democracy anyway as one – essential – way in which he “optimises” capitalism.⁶²

So it transpires that a more comprehensive property-owning democracy, plus full employment, would go a long way towards meeting Van Parijs's egalitarian goals *without* his claim that jobs are assets in which everyone must have an equal tradeable share, the voluntarily and involuntarily unemployed alike. There is a way of dropping Van Parijs's least plausible claim, but still producing significant convergence between the two parties to this dispute. Full employment boosts the values of productive assets “in the standard sense”. Combine this with the other components of Van Parijs's “optimised capitalism”

⁶² Van Parijs at one point treats a UBI as functionally equivalent to the assets held in a property-owning democracy and, in fact, being even more conducive to enterprise as the entrepreneur always has a UBI to fall back on until her “active” property yields a return. [Van Parijs, 1995, p. 42]

and I would argue that we would be moving beyond capitalism to a non-capitalist alternative. [Thomas, 2017, 2020b] What we have not done is vindicate a UBI, as opposed to a decent civic minimum plus returns on the citizen's fair share of productive capital.

I think has a bearing on the vexed question of how to transition from actually existing capitalism either to a property-owning democracy with full employment, or to Van Parijs's alternative. This question of political agency has to be addressed in tandem with Van Parijs's fatalism about globalisation in his 1995 book. [Van Paris, 1995, pp.224–6] Reflecting the influence of Susan Strange, his view was that no sovereign nation-state any longer has the domestic capacity to implement re-distributive policies owing to the pressures of trans-national capitalism.⁶³ His optimal socialism is forced to trade off democratic control of the economy with a resource "levelling down" that will prove to be unstable. We can *putatively* meet Kalecki's point about the threat of capital flight or capital strike by enhancing popular sovereignty. This would express itself in the "political community's ability to steer the use of its resources according to its democratically determined will". Yet this is ultimately to no avail given his view of globalisation:

⁶³ See, for example, Strange [1997] of which Fazi and Mitchell note "no book epitomises this new consensus better" – that is, the consensus that "the sovereignty of nation-states has been progressively eroded by globalisation, and has today been essentially nullified". [Fazi & Mitchell, 2017, pp. 110–111] Van Parijs notes Strange's influence at [1995] p.296, fn. 64.

The ownership of the means of production by the political community protects a socialist society against its redistributive policies being thwarted by the private capital owners' decisions to stop investing or invest abroad. [Van Paris, 1995, p.189]

So this reassertion of democratic sovereignty will be undermined by the forces of globalisation as the nation-state's talented workers will migrate for more reward in other cultures of capitalism, hence capitalism ultimately wins once again – at least, in its trans-national variant.

In my view, this simply takes us back to the Gourevitch and Stanczyk point about political agency: if we had sufficient democratic agency to bring about a UBI, then would not need it. And Van Parijs' corrosive scepticism about any democratic agency in a nation-state, given his conception of globalisation, only exacerbates that problem.⁶⁴

Domestically, his technical solution to the Kaleckian “profit squeeze” critique is a stable form of social corporatism where the state plays the role of an honest broker between competing social interests. Both workers and the private investment class restrain *themselves*. It is crucial to this solution that neither side ask “too much”: workers must moderate the share of the productive surplus that their bargaining power would otherwise give them while the rentier-investor class

⁶⁴ This is not the place for consideration of the wider issue. It is consistent for Van Parijs to seek to democratise trans-national structures to create the domestic “space” for egalitarian policy; however, this puts the progressive in the – to my mind unnecessary – position of fighting on all fronts at once. For countervailing considerations against this globalisation narrative see Fazi & Mitchell [2017] chapter 5.

must continue to invest while relinquishing any role in managerial control (for example, via their voting rights or their ability to appoint and dismiss directors). Given that option, the rentier-investor class must also be persuaded to continue to invest domestically and not overseas – notwithstanding Van Parijs’s assertion that they will not. It is true that the historical record shows that globalisation offers no reassurance on either point.⁶⁵

The crux, once again, is that Van Parijs thinks that a basic income maximising capitalism, suitably optimised, can be legitimised *because* it is fair. [Van Parijs, 1995, p. 208] Yet, it seems to me, Van Parijs’s liberal state is trapped into inconsistency. It could take policy measures to bring about full employment, but only by being discriminatory; it is committed to maximising a basic income, a goal that is best secured by making jobs scarce. Is it thereby advancing the aim of fairness? That would seem to be precisely the point at issue. Given Van Parijs’s concession that a fully implemented property-owning democracy with a jobs

⁶⁵ One way to confirm Kalecki’s diagnosis is that one response to “excessive” worker power would be an even stronger backlash against organised labour from organised capital in the form of deliberately caused recessions, the offshoring of manufacturing where unionisation was strong, anti-union legislation and other measures to break the power of labour. If you choose to call this co-option of the state to drive income and wealth upwards “neo-liberalism” then, as Monica Prasad points out, the neo-liberal revolution was strongest in those countries – the UK and the USA – where organised labour was at its strongest prior to the backlash. A political coalition was mobilised against workers in those countries who were perceived to be “asking for too much”. [Prasad, 2006] That a certain conception of globalisation has been imposed to reinforce this process of strengthening the power of trans-national capital against domestic labour, see Fazi & Mitchell [2017].

guarantee would approximate to his egalitarian aims in any case, I suggest that the balance of reasons tells against his version of “real freedom for all”. However, only a minor change in strategy would see him move away from a UBI within an optimised capitalism to a decisive break with capitalism in the form of a property-owning democracy that includes a jobs guarantee.⁶⁶

List of Works Cited

Anderson, W. H. L. [1964] ‘Trickling Down: The Relationship between Economic Growth and the Extent of Poverty among American Families’, *Quarterly Journal of Economics*, vol. 78, no. 4, pp. 511–24.

Baker, Dean [2016] *Rigged: How Globalization and the Rules of the Modern Economy Were Structured to Make the Rich Richer*, Center for Economic Policy Research.

Bergmann, Barbara [2004] ‘A Swedish-Style Welfare State or Basic Income: Which Should Have Priority?’, *Politics & Society*, vol. 32. No. 1, pp. 107–118.

⁶⁶ I am grateful to the editor of this journal, Mike Howard, and to its referees for their kindness and patience with successive versions of this paper. I am also grateful to Kathryn Brown for her comments. The work of Robert Hockett continues to be an important influence on my own. Each of them has substantially improved the final result. I am grateful to the Independent Social Research Foundation for its funding of the research for this paper.

Calnitsky, David [2017] ‘Debating Basic Income’, *Catalyst*, vol. 1, issue 3.

URL: <https://catalyst-journal.com/vol1/no3/debating-basic-income>

Clayre, Alexander [1980] *The Political Economy of Cooperation and Participation*, Oxford University Press.

Cohen, G. A. [2008] *Rescuing Justice and Equality*, Harvard University Press.

Coppola, Frances [2019] *The Case for People’s Quantitative Easing*, Polity Press.

Drennan, Matthew [2016] *Income Inequality: Why It Matters and Why Most Economists Didn’t Notice*, Yale University Press.

Edmundson, William A. [2017] *John Rawls: Reticent Socialist*, Cambridge University Press.

Fazi, Thomas & Mitchell, William [2017] *Reclaiming the State: A Progressive Vision of Sovereignty for a Post-Neoliberal World*, Pluto Press.

Frank, Robert H. [2007] *Falling Behind: How Rising Inequality Harms the Middle Class*, California University Press.

Freeman, Samuel [2013] ‘Property-Owning Democracy and the Difference Principle’, *Analyse & Kritik*, vol. 35, no. 1, pp. 9–36.

Furman & Orszag [2018] ‘A Firm-Level Perspective on the Role of Rents in the Rise of Inequality’, in Guzman, Martin [2019] pp. 19–47.

Galbraith, James K. [1998/2000] *Created Unequal: the Crisis in American Pay*, A Century Foundation Book.

Galbraith, James K. [2008] *The Predator State*, The Free Press.

Galbraith, James K. [2019] ‘Modern Monetary Realism’, *Project Syndicate*, March 15.

URL: <https://www.project-syndicate.org/commentary/modern-monetary-theory-opponents-misunderstanding-by-james-k--galbraith-2019>

Gourevitch, Alex & Stanczyk, Lucas [2018] ‘The Basic Income Illusion’, vol. 1, issue 4.

URL: <https://catalyst-journal.com/vol1/no4/the-basic-income-illusion>

Guzman, Martin (ed) [2018] *Toward a Just Society: Joseph Stiglitz and Twenty-First Century Economics*, Princeton University Press.

Hacker, Jacob S [2006] *The Great Risk Shift*, Oxford University Press.

Hirsch, Fred [1976] *Social Limits to Growth*, A Century Fund Book.

Hockett, Robert & Omarova, Saule [2017] ‘The Finance Franchise’, *Cornell Law Review* vol. 102, pp. 1143–1218.

Hockett, Robert [2019a] ‘Open Labor Market Operations’, *Challenge*, vol. 62, no. 2, pp. 113–127.

Hockett, Robert [2019b] ‘Money’s Past is Fintech’s Future: Wildcat Crypto, the Digital Dollar, and Citizens’ Central Banking’, *Stanford Journal of Blockchain Law and Banking*.

URL: <https://stanford-jblp.pubpub.org/pub/wildcat-crypto-fintech-future>

Hockett, Robert [forthcoming] *A Society of Owners*, Yale University Press.

Hockett, Robert & James, Aaron [forthcoming] *Money from Nothing: Or Why We Should Learn to Stop Worrying About Debt and Love the Federal Reserve*, unpublished ms.

Jay, Peter [1980] ‘The Workers Co-operative Economy’ in Clayre (ed) [1980] pp. 9–45.

Kalecki, Michael [1943] ‘Political Aspects of Full Employment’, *Political Quarterly*, vol. 14, no. 4, pp. 322–31.

Kalecki, Michael [1971] *Selected Essays on the Dynamics of the Capitalist Economy 1933–1970*, Cambridge University Press.

Kenworthy, Lane [2014] *Social Democratic America*, Oxford University Press.

Kerr, Gavin [2017] *The Property Owning Democracy: Freedom and Capitalism in the Twenty-First Century*, Routledge.

Keynes, John Maynard [1936/1964] *The General Theory of Employment, Interest and Money*, Harcourt, Inc.

Lerner, Abba [1943] ‘Functional Finance and the Federal Debt’, *Social Research*, vol. 10, no. 1, pp. 38–51.

Mandle, Jon & Roberts-Cady, Sarah [2020] *John Rawls: Debating the Major Questions*, Oxford University Press.

Mazzucato, Mariana [2014] *The Entrepreneurial State: Debunking Public versus Private Sector Myths*, revised edition, Anthem Press.

Meade, James [1993] *Liberty, Equality and Efficiency*, Macmillan.

Mill, John Stuart [1848/2008] *Principles of Political Economy and Chapters on Socialism*, ed. Jonathan Riley, Oxford World's Classics.

Minsky, Hyman [1975] *Keynes*, Columbia University Press.

Minsky, Hyman [1983] 'Institutional Roots of American Inflation', in Nathan Schumaker and Edward Marcus, (eds) *Inflation Through the Ages: Economic, Social, Psychological and Historical Aspects* Columbia University Press, pp. 265–277.

Minsky, Hyman [1986/2008] *Stabilizing an Unstable Economy*, McGraw Hill.

Minsky, Hyman [2013] *Ending Poverty: Jobs not Welfare*, Levy Economics Institute.

Minsky, Hyman [2013a] 'The Role of Employment Policy' in Minsky [2013] pp. 1–26.

Minsky, Hyman [2013b] 'Effects of Shifts of Aggregate Demand upon Income Distribution' in Minsky [2013] pp. 27–41.

Minsky, Hyman [2013c] 'Policy and Poverty' in Minsky [2013] pp. 43–80.

Minsky, Hyman [2013d] 'The Macroeconomic Effects of a Negative Income Tax' in Minsky [2013] pp. 81–102.

Minsky, Hyman [2013e] 'Where the American Economy – and Economists – Went Wrong' in Minsky [2013] pp. 103–124.

Minsky, Hyman [2013f] 'The Poverty of Economic Policy' in Minsky [2013] pp. 125–146.

Minsky, Hyman [2013g] ‘Full Employment and Economic Growth as an Objective of Economic Policy: Some Thoughts on the Limits of Capitalism’, in Minsky [2013] pp. 157–181.

O’Neil, Martin [2012] ‘Free and Fair Markets without Capitalism: Political Values, Principles of Justice, and Property-Owning Democracy’ in O’Neill & Williamson [2012], pp. 75–100.

O’Neil, Martin & Williamson, Thad [2012] *Property-Owning Democracy: Rawls and Beyond*, Wiley-Blackwell.

Palley, Thomas [2012] *From Financial Crisis to Stagnation: the Destruction of Shared Prosperity and the Role of Economics*, Cambridge University Press.

Palley, Thomas [2013] *Financialization: the Economics of Capital Finance Domination*, Palgrave-Macmillan.

Polanyi, Karl [1944] *The Great Transformation*, Farrar & Rinehart.

Prasad, Monica [2006] *The Politics of Free Markets: the Rise of Neoliberal Economic Policies in Britain, France, Germany and the United States*, University of Chicago Press.

Prasad, Monica [2012] *The Land of Too Much: American Abundance and the Paradox of Poverty*, Harvard University Press.

Przeworski, Adam & Wallerstein, Michael [1988] ‘Structural Dependence of the State on Capital’, *American Political Science Review*, vol. 82, no. 1, pp. 11–29.

Posner, Eric A. & Weyl, E. Glen [2018] *Radical Markets: Uprooting Capitalism and Democracy for a Just Society*, Princeton University Press.

Quinn, Sarah L. [2019] *American Bonds: How Credit Markets Shaped a Nation*, Princeton University Press.

Rawls, John [1971/1999] *A Theory of Justice*, Harvard University Press.

Rawls, John [1993] *Political Liberalism*, Columbia University Press.

Rawls, John [2001] *Justice as Fairness: a Re-statement*, Belknap Press.

Rawls, John [2007] *Lectures on the History of Political Philosophy*, Harvard University Press.

Robinson, Joan [1942] *An Essay on Marxian Economics*, Macmillan.

Robinson, Joan [1976] 'The Age of Growth', *Challenge*, vol. 19, no. 2, pp. 4–9.

Roemer, John [1986] 'Comment on Van der Veen and Van Parijs', *Theory and Society*, vol. 15, no. 5, pp. 709–721.

Rosen, Sherwin [1981] 'The Economics of Superstars', *American Economic Review*, vol. 71, no. 5, pp. 845–858.

Schefczyk, Michael [2013] 'Background Justice Over Time: Property-Owning Democracy versus a Realistically Utopian Welfare State', *Analyse & Kritik*, vol. 35, no. 1, pp. 193–212.

Schemmel, Christian [2015] 'How (Not) to Criticise the Welfare State', *Journal of Applied Philosophy*, vol. 32, no. 4, pp. 393–409.

Schumpeter, Joseph [1942/1994] *Capitalism, Socialism and Democracy*, Routledge.

Schweickart, David [2011] *After Capitalism*, second edition, Rowman & Littlefield.

Smith, Paul ‘Incentives and Justice: G. A. Cohen’s Egalitarian Critique of Rawls’, *Social Theory and Practice*, vol. 24, no. 2, pp.205–235.

Strange, Susan [1997] *The Retreat of the State: the Diffusion of Power in the World Economy*, Cambridge University Press.

Tcherneva, Pavlina [2011] ‘Fiscal Policy Effectiveness: Lessons from the Great Recession’, Levy Economics Institute, working paper number 649.

Temin, Peter [2017] *The Vanishing Middle Class: Prejudice and Power in a Dual Economy*, M. I. T. Press.

Thomas, Alan [2017] *Republic of Equals: Predistribution and Property-Owning Democracy*, Oxford University Press.

Thomas, Alan [2020a] ‘Rawls on Economic Liberty and the Choice of “Social Systems of Co-operation”’ in Mandle & Roberts-Cady [2020], pp. --

Thomas, Alan [2020b] ‘Market Socialism: Macro-, Meso- and Micro-Perspectives’, seminar paper, University of Frankfurt, February 21.

Tooze, Adam [2018] *Crashed: How a Decade of Financial Crises Changed the World*, Viking Books.

Torisky, E. V. Jr [1993] ‘Van Parijs, Rawls and Unconditional Basic Income’, *Analysis*, vol. 53, no. 4, pp. 289–297.

Vallier, Kevin [2015] ‘A Moral and Economic Critique of the New Property-owning Democrats: On behalf of a Rawlsian Welfare State’, *Philosophical Studies*, vol, 172, no. 2, pp.283-304.

Van der Veen, R. J. & Van Parijs, P [1986] ‘A Capitalist Road to Communism’, *Theory & Practice*, vol. 15, no.5, pp.635–655.

Van Parijs, P [1995] *Real Freedom for All: What, if Anything, Can Justify Capitalism?* Oxford University Press.

Van Parijs, P [2003] ‘Difference Principles’ in *the Cambridge Companion to Rawls*, edited by Samuel Freeman, Cambridge University Press, pp. 200–240.

Van Parijs, P, and Vanderborght, Y [2017] *Basic Income: A Radical Proposal for a Free Society and a Sane Economy*, Harvard University Press.

Veblen, Thorstein [1899/2009], *The Theory of the Leisure Class*, Oxford World’s Classics.

Vickrey, William [1961] ‘Counterspeculation, Auctions and Competitive Sealed Tenders’, *The Journal of Finance*, vol. 16, issue 1, pp. 8–37.

Weil, David [2014] *The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done to Improve It*, Harvard University Press.

Weitzman, Martin [1986] *The Share Economy: Conquering Stagflation*, Harvard University Press.

White, Stuart [1997] ‘Liberal Equality, Exploitation, and the Case for an Unconditional Basic Income’, *Political Studies*, vol. 45, no. 2, pp. 312–326.

Widerquist, Karl [1999] ‘Reciprocity and the Guaranteed Income’, *Politics & Society*, vol. 23, no. 3, pp. 387–402.

Wray, L. Randall [2012] *Modern Money Theory*, Palgrave.

Wray, L. Randall [2015] *Why Minsky Matters: an Introduction to the Work of a Maverick Economist*, Princeton University Press.