

Dr. Johannes M. Hanel, Goethestr. 23, D-99817 Eisenach  
0049-3691-708262; [hanelq@gmail.com](mailto:hanelq@gmail.com); Germany

## Conditions for Unconditional Basic Income

### Contribution to the BIEN Congress in Brazil in 2010

Under what conditions can Unconditional Basic Income (UBI) be beneficial for individuals and society? Some opponents point out that these conditions are not carefully spelled out. Others reject UBI because it does not create a new 'paradise'. Both these objections are obviously true: There is no scientific way to state all the conditions under which UBI can be beneficial nor can any institutional change bring 'paradise' to earth or move people into a heavenly paradise. It is the nature of the new that it is risky.

In spite of all the things UBI is not or cannot do, it can be a step toward a juster society and a more dignified life of individuals. This depends mainly on these economic, political, and cultural or individual aspects:

- a) How high is UBI and how is it financed?
- b) How is it introduced and administered (conditioned)?
- c) Can people employ their freedom responsibly, e.g. by finding useful work?

### **A) Financing an Adequate Basic Income**

How high should the Unconditional Basic Income be? How should it be financed? In order to focus on the second question, let us 'neutralize' the first.

In societies where no one starves and freezes to death, there is some kind of basic income. It is conditioned by the generosity of people such as family and friends, or by the rules of institutions such as churches or the welfare state.

Most nations account more or less accurately for their welfare expenditures.<sup>1</sup> What governments or social security institutions hand out can be accounted for fairly accurately. On the other side, what the conditions cost is harder to quantify. How many people cannot unfold their personality and hence work below their potential because they fell into the poverty or unemployment trap? How many crimes are due to the conditions of welfare allowances, including fraud, alcoholism, tax evasion, black labor or illicit employment?

Moreover, even in states with scores of welfare benefits, some people fall through the social security net. Over time, this 'net' has become more like a chaos which even experts such as lawyers and policy makers have a hard time in sorting out. The conditions have become so sophisticated that they increasingly stifle real help.

The cost of conditional welfare measures also includes fear on all sides: the poor fear the poverty trap, the rich fear exploitation by the system, and the institutions fear both sides: being cheated by tax evaders and false pretenders. By how much such fears foil the wealth of nations is hard to quantify. It is clear, however, that hardly anybody is really happy with the way the welfare states function.

In order to 'neutralize' the debate on how high the UBI should be, let us start from the available figures in one country. In Germany, total welfare spending amounted to some €740 billion in 2009. There were around 81 million people eligible for basic income. This amounts to 8700€ per person per year (pppy). Hence there is enough money in the

---

1 See Fishback (2010) on the intricacies of comparing who spends more on social welfare.

welfare pot already to pay 10000 € for each adult and 6500 € for each child per year. From these amounts we have to deduce money to pay for a health insurance: around €2500 pppy. This leaves each adult with around 600€ per month or 150 per week and each child with around €333 a month or €80 a week. (Werner and Goehler (2010) discuss higher figures.)

These amounts can be enough to prevent people from starving and freezing. For singles, or lone parents households this is the breadline. Whoever shares apartments, cars, washing machines etc. can also modestly participate in cultural, social, or political life. A uniform Unconditional Basic Income will not only tend to increase the size of households, but will also tend to level the differences in rents between regions etc.

This brings up the question as to how inclusive the Unconditional Basic Income is. The economic side of this general problem is involuntary unemployment. To be gainfully employed is both important for monetary and social reasons. Let us therefore examine how Unconditional Basic Income and all other government expenditure can be financed to reduce this kind of vicious idleness.

## **B) Taxes, Democracy, and Basic Income**

For analytical reasons it is helpful to distinguish three kinds of income sources: direct taxes, indirect taxes, and borrowing (deficit spending).

- (a) If a government issues bonds, the rich receive interest payments and the middle class have to pay for them. Consequently, in the long run, budget deficits make the rich richer and the poor poorer. Even as long as interest payments are less than borrowing, the rate of consumption will go down and hence unemployment rates will go up because the rich interest receivers spend a smaller part of their income on labor produced economic goods than the poor on average.
- (b) Direct taxes have a similar effect on the labor market. By raising the price of labor, they induce automatization or labor saving technical change (cf. Hicks and Hanel 2008). Because income and corporate taxes are not deduced when goods cross borders, they distort international trade and globalization. These taxes tend to override real advantages of business localization, which are natural resources and human skills.
- (c) The more a government relies on indirect or value added taxes (VAT), the less it interferes with the economic process. Such taxes are the same for imported and homemade products. They apply equally to machine and handmade commodities and services. If there is an imbalance on the so-called labor market, the VAT can be adjusted accordingly, making machine made (machino-factured) or human made (manu-factured) goods and services dearer or less expensive.<sup>2</sup>

Social insurance contributions (SIC) are usually levied like direct taxes. They could, however, also be defined as a percentage of total turnover. Even if a VAT for Unconditional Basic Income amounts to an average of 50% of all sales and transactions, this would not affect the price level if most direct taxes and SIC are not factored into prices anymore.

Changing taxation and basic income will be all the more beneficial, the more people participate in these reforms. It will take quite a while before a majority of voters will understand why basic income is partially a payback of VAT and why it will reduce unemployment. The same is true for Unconditional Basic Income: Why is means testing so difficult in our age of

---

<sup>2</sup> For the past 60 years, the accountant B. Hardorp (e.g. 2007) has published extensively on the theory of VAT or expenditure taxes.

varying incomes and household sizes? Why is work requirement so inefficient in the age of self-determination?<sup>3</sup>

Direct democracy or referendums are suited to introduce basic income because then it cannot be misunderstood as a bribe or reward bestowed on the common people by the ruling class. If we find a majority of voters within a society for a sterling basic income law, then Unconditional Basic Income is a human right we grant us mutually. The same is true for taxes suited to globalization. As referendums in Switzerland show, people are not opposed to higher taxes if they can see their benefits.

## **C) The Effects of Basic Income on Freedom and Responsibility**

Whether the new basic income will cost as much as what all social benefits cost today or become more or less depends on its economic effects. If people work more efficiently once they can rely on Unconditional Basic Income, it can also rise in absolute and even relative terms. Whether it rises proportionally to GNP or more or less will be a political decision. How individuals make this decision will depend on their education, the resulting social knowledge and empathy.

Crucial for the economic effects of basic income is whether an increasing number of individuals reflect on their motivation for work and the meaning of life. Clearly, the division of labor implies that we produce for others and rely on others for the products we need. This specialization makes the economy effective and separates labor and income. There is no way to measure how much each worker contributed to a carrot, cable, or a car.

More than 100 years ago, Rudolf Steiner (1905-6) introduced a new notion of 'earning'. For globalization he formulated his 'fundamental social law':

The well-being of a community working together will be greater, the less the individual claims the proceeds of his work for himself, i.e. the more of these proceeds he hands over to his fellow-workers, the more his own needs are satisfied, not out of his own work but out of the work done by others. Every arrangement in a community that is contrary to this law will inevitably engender distress and want somewhere. [...] The important point here is that working for other people and obtaining a certain income should be two completely separate things.<sup>4</sup>

Elsewhere, Steiner explains: "What matters here is that the concept of work should not be related to the concept of income in an arbitrary way, as it so often is today. A person receives an income not just for eating and drinking, or for otherwise satisfying his physical or spiritual needs, but because he works for other people."<sup>5</sup> Taking these two statements together it seems that a citizens' income on the level of the minimum subsistence level (MSL) and the usual varying compensations for work goes along with Steiner's social threefolding. Only a basic income can be unconditional; income above this level will enable and reward work for others. This higher income cannot depend on physical labor, but only on the degree to which we can satisfy the needs of others (see Hanel 2010).

Once we are neither forced to work nor forced to stay out of work, we can become aware of our dignity and what responsibilities toward humanity and earth it implies. When young we are responsible for unfolding our talents. Using them later often involves capital which cannot accrue from a basic income. Consequently, basic income does not solve the problem of how the best able deal with capital instead of those who inherited it. Of course, that the heirs are also the ablest cannot be excluded. But a good allocation of capital requires other measures than inheritance or basic income.

3 Already in 1984 Schmidt argues in favor of the emancipation from 'wrong work'.

4 Cf. Steiner 1905-6; Usher analyzed this social law in his 1993 essay.

5 Both translations are taken from <http://www.threefolding.org/essays/2007-04-100.html>

Basic income is part of the income aspect of a liberal society based on human rights. It is not an end in itself but a means to realize the autonomous development of responsible persons. Unconditional Basic Income as a Material Condition of Freedom (Raventos 2007) is an opportunity, just as other freedoms, like that of religion, speech and assembly. There probably will be people who do not use the freedom embedded in basic income, or even misuse it. However, all other human rights can also be unused or misused.

Consequently, the only thing that speaks against the Unconditional Basic Income is that it is tedious to introduce. How can we encourage each other to strive for UBI without having one? Maybe it feels like exercising the right to freedom of speech in a totalitarian country. The BIEN-conferences are in the social 'samizdat' or underground. That is why those who believe in constantly altering the conditions for survival in contemporary societies pretend to ignore basic income proponents.

Analyzing and proposing an Unconditional Basic Income is all the more rewarding, the less we want it for ourselves and the more we want it for others. Maybe even some of us will have less once they are retired when basic income is introduced. Thereby we could demonstrate that our responsibility is not only an attitude but a string of deeds.

## D) References

- Butterwegge, Christoph (2007) „Grundeinkommen und Soziale Gerechtigkeit“ pp. 25-30 in *Aus Politik und Zeitgeschichte (APuZ)*, issue 51-52/2007, 17 December 2007
- Clark, Charles M.A., Healy, John (1997) *Pathways to a Basic Income*. Published by the Justice Commission CORI, April 1997; 87pp.
- Fishback, Price (2010) „Who Spends More on Social Welfare: the United States or Sweden?“ in *Freakonomics, the Hidden Side of Everything*. May 25.
- Hanel, Johannes (2008) „Basic Income and Social Justice“, contribution to the *Basic Income Earth Network Conference in Dublin*, published on [www.basicincomeireland.com](http://www.basicincomeireland.com)
- 2008a. *ASSESSING INDUCED TECHNOLOGY. Sombart's Understanding of Technical Change in the History of Economics*. Göttingen: Cuvillier; 384pp. € 28,80.—(Dissertation at the University of Maastricht)
- 2010 “Developing Society According to Man's Development” in *The State as Utopia*, edited by Jürgen Backhaus. Berlin etc. : Springer, in publication
- Hardorp, Benediktus (2007) „Ausgaben- statt Einkommenssteuer! Der Weg der Finanzierung“ in Mackay 2007, pp. 57-72
- Mackay, Paul/Rösch, Ulrich (2007) *Grundeinkommen für jeden Menschen. Eine Herausforderung für Europa?* Mit einem Gleitwort von Paul Mackay und Beiträgen von Benediktus Hardorp, Götz E. Rehn, Ulrich Rösch, Matthias Spielkamp, Götz W. Werner. Dornach(Schweiz) : Verlag am Goetheanum; 96 pp. 14€ (Von den Vortragenden redigierte Beiträge vom *Zukunftskongress zu Michaeli* 29.9.-1.10.2006 am Goetheanum.)
- Lord, Clive (2003) *A Citizens' Income; a foundation for a sustainable world*. Charlbury : John Carpenter Publishing; 153pp. 8,99 GBP
- Opielka, Michael (2007) „Grundeinkommen und Sozialreform“ pp. 2-10 in *ApuZ* (cf. Butterwegge)
- Raventos, Daniel (2007) *Basic Income. The Material Conditions of Freedom*. London, Ann Arbor/Mi: Pluto Press; 230pp.
- Rehn, Götz E. (2007) „Gesellschaft neu denken: über die Neugestaltung von Wirtschafts- und Kulturleben“ pp. 73-85 in Mackay 2007.
- Schmidt, Thomas (1984, ed.) *Befreiung von falscher Arbeit. Thesen zum garantierten Mindesteinkommen*. Berlin : Klaus Wagenbach; 143pp.
- Steiner, Rudolf (1905-06) *Geisteswissenschaft und soziale Frage* (1st edition: *Theosophie und soziale Frage*, later: *Anthroposophie und soziale Frage*), Dornach: Rudolf Steiner Verlag, 1989; 48pp. (from GA 34)
- Usher, Stephen E. (1993) “The Fundamental Social Law”, *The Threefold Review*, Summer/Fall 1993(Issue No. 9)
- Werner, Götz & Goehler, Adrienne (2010) *1.000 Euro für jeden: Freiheit. Gleichheit. Grundeinkommen*. Düsseldorf : Econ-Verlag, in publication