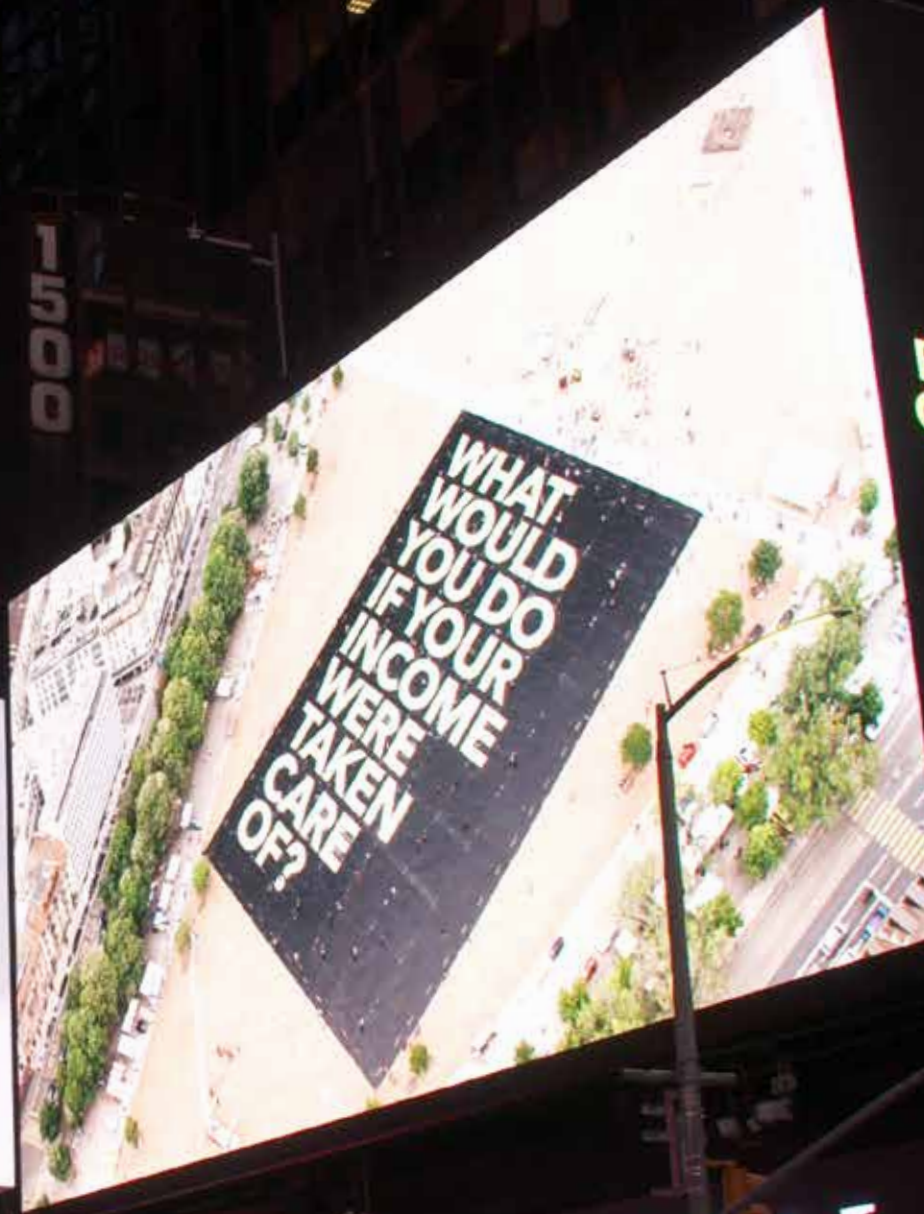


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Basic income: not a panacea but a step towards a **new social contract**

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The debate on universal basic income is raising hopes of renewed action on inequality - but it's only one part of the answer

Discussions about the current and future risks of technological disruptions and ensuing labour market insecurities have brought the idea of a universal basic income (UBI) to everyone's lips.

Economists and technologists regard it as a possible way to sustain the middle classes and their purchasing power in the wake of automatisisation. Freelancers and entrepreneurs see UBI as the support structure for the age of precarious work, the sharing economy and online platforms.

For venture capitalists and billionaires, UBI represents a safeguard against the birth of a new, potentially revolutionary 'unworking class', and a way to sustain the capitalist economy. In May, Facebook's founder Mark Zuckerberg called UBI the "new social contract for our generation".

It is important to bear in mind that poverty, unemployment and inequality are not risks looming in the future, with artificial intelligence, 3D-printing and Manufacturing 4.0 that may rupture labour markets. They are current pressing problems in practically all corners of the world, affecting the daily lives of the majority of world's population. That is the case in many European Union countries as well.



The global enthusiasm around UBI must be viewed as a sign of the failures in current social protection systems

Given the fact that UBI is not a well-defined formula for a revolutionary innovation in social security, but rather a collection of old and new ideas and justifications for universal social protection, the global enthusiasm around UBI must be viewed as a sign of the failures in current social protection systems. Discussions on UBI demonstrate a genuine interest in finding new solutions, not only to emerging problems but also to current ones.

The most promising aspect of UBI is the attention given to minimum standards of income protection. Decent income protection is a necessity that should be engraved in minimum social standards in the EU – even in the absence of UBI. But an EU-level UBI as a supplement to national social programmes could be

an instrument to implement a non-means-tested benefit in member countries, providing minimum protection for every EU citizen in the most vulnerable situations. UBI could then become a part of a new social contract for Europe.

The debate about UBI is taking place on a global platform, suggesting that UBI might become a future discourse for a broad range of social reforms around the world. UBI's fundamental idea – decent income protection without means-testing – is simple enough to carry universal salience. If the policy debate around UBI is combined with successful experiment outcomes, UBI may have the potential to converge social protection systems across countries.

Like all new innovations, UBI comes with pitfalls. The biggest danger in promoting UBI as an all-encompassing policy idea is aptly expressed by Israeli historian Yuval Noah Harari. According to Harari UBI is, on closer inspection, neither universal nor basic. Most often UBI is suggested as a national or even local programme for income support. But if technological disruptions kill jobs, they take their heaviest toll in low and middle-income countries. A national or local UBI scheme in the United States or any European country would offer no comfort in Vietnam or South Africa, for example.

In terms of bare minimum, the adequate level of UBI is determined by the degree to which it would guarantee the financial means for the daily 2,500 calorie intake needed for survival. A higher level of UBI would

also buy clothes and shelter. There are ongoing and planned basic income experiments in Finland, Kenya, the Netherlands, Ontario, Scotland, Uganda and the United States. In all of these, benefits do not go beyond the absolute poverty threshold. But poverty is a relative concept. People are poor if they cannot fully participate in the societies in which they live. This notion applies not only to affluent societies in Europe and in the US, but also to low and middle-income countries.

All UBI experiments seek to answer a straightforward question. Do people who receive UBI dedicate their lives to leisure or does UBI unleash their potential for active participation in society? The first outcome would be frightening.

Of course, we may design a UBI scheme that would only support purchasing power among non-active members of the society. However, that would offer a grim picture of a future society where only the most competitive individuals would engage in innovation and production, while all the rest would remain passive recipients of a subsidy the main aim of which is to retain a certain level of consumption and prevent unrest. In this scenario UBI would be nothing more than a handout for the poor. In addition, this type of UBI would run against the EU's key target for social protection: to guarantee the inclusion of every EU citizen.



We need to expand UBI discourse from monetary transfers to a larger set of welfare state policies

Let's assume one of the ongoing experiments – for example, the randomised control trial in Finland – would show that UBI means increased employment and leads to higher incomes (an outcome I expect). Even here looms a trap. It would be too easy to interpret such an outcome as proof of UBI as a panacea against poverty. Obviously, this result would encourage us to believe that UBI made the difference in turning passive individuals into workers and entrepreneurs and that the model as such could be emulated to other countries. But it would be a serious mistake to attribute the outcome to UBI alone.

To become an active member of a society one needs more than monetary compensation: one needs affordable high-quality education, access to healthcare, active labour market policies and adequate social capital (or social trust). Having enough money to get by is not the final test for UBI but the realisation of social citizenship. As a member of the Nordic welfare state family, Finland offers ample opportunities for those on the edges of labour markets. UBI may help people to more fully realise these opportunities, but positive labour market outcomes may not be achieved in other contexts.

UBI touches upon three core targets of the United Nations Agenda 2030 Sustainable Development Goals – namely no poverty, reduced inequality, and decent work and economic growth. Indirectly, it may also address other goals, such as zero hunger, good health and wellbeing, quality education, gender equality, and peace, justice and strong institutions. But UBI

alone falls short of attaining any of these goals.

If we want to take Agenda 2030 goals seriously and if we want to create a new, full social contract for Europe, we need to expand UBI discourse from monetary transfers to a larger set of welfare state policies. That calls for action in a wide range of public

COMMENTARY

The EU may not be a bastion for a new social contract

Dr Louise Haagh, Chair of the Basic Income Earth Network

The case that Heikki Hiilamo makes for a new social contract in Europe is similar in key ways to arguments I have made on how basic income is compatible with social democracy, in the sense that UBI is a form of democratisation of institutions, and an element of the democratic state (Haagh, 2017, 'Basic Income should be Seen as a Democratic Right – not a Solution to Unemployment' in Royal Society of Arts Journal, 4, March).

The question is in what sort of context the relation between basic income and other rights should be set out.

As Hiilamo notes, we do not need to look to the future to find a case for UBI. There is plenty of evidence of malfunction of current systems, which makes its own case for UBI. I have gone further and asked how new – in terms of

the universal welfare state – the idea of unconditional income security really is. In many ways the case for basic income is a case for a return to the period of the post-war welfare state when – in Nordic cases like Denmark – welfare services were broadly viewed as constitutive, and conditionalities on income support were weakly enforced (Louise Haagh, 2017, 'Basic Income as a Pivoting Reform', Nature – Human Behaviour, Article 0125, June).

Hiilamo's piece skirts over two important considerations. First, welfare, employment and income support systems are different across Europe. In many ways, the consequences of 'varieties of capitalism' are growing more marked, not less. Countries with historically more democratic institutions of economic governance are today more resilient in promoting

policies from education and healthcare to taxation and labour laws. We need, beyond existing commitments, EU minimum social standards in these areas.

Guaranteeing the absolute minimum in terms of money for every individual would be a major step for social progress but it would simply not be enough to move our societies onto a socially sustainable path. We need to start talking about universal basic income as an irreplaceable but not a standalone part of a broader universal and progressive social security programme, both in Europe and globally. ○

human development, and in allowing cooperative institutions to prevail in the face of casualisation of labour created by the global competition economy (a point I will discuss further in a forthcoming special issue of the International Journal of Public Policy focusing on public ownership).

I have less faith than Hiilamo that the European Union will be a bastion for a new social contract. This is a worthwhile aspiration. However, the premise of cooperation in terms of trade and free movement has increasingly become the lowest common denominator in terms of regulation, and an austerity model that keeps many countries from pursuing human development-sensitive adjustment.

Another consideration in this context is the relation between basic income and opportunities and rights to education, public care, welfare and stable and protected employment. There are real problems in thinking that these matters can be set out within a regional market framework in the form of background

'rights', and even more so in tying such a framework with participation conditions. Human development policy generates its own incentives. The conundrum of ensuring 'participation' through conditionalities has arisen through the failure of development policy. The pursuit of participation 'conditions' on basic support and welfare services is a red herring, a form of short-term reaction to the more complex problem of institutionally constructing stable opportunities in society. Introducing conditionalities within the access to basic security makes security precarious – a contradiction in terms.

An extended version of this commentary, including citations, is available at europesworld.org. For a comprehensive list of Dr Haagh's publications on this topic please see louisehaagh1.wordpress.com/publications/