

# Basic Income and the Welfare State

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# Institutions & Preferences

- Institutions embody **norms** and possess the capacity to influence human behavior
  - ➔ *Endogenous Preferences* (Bowles 1998)
- Basic income (BI) and the Welfare State are such institutions
  - ➔ Specific reference = Austrian Welfare State and its various systems of social policy

# Endogenous Preferences (Bowles 1998)

- Five Effects of institutions on preferences:
  - I. Framing and situational construal
  - II. Intrinsic and extrinsic motivations
  - III. Effects on the evolution of norms
  - IV. Task performance effects
  - V. Effects on the process of cultural transmission
- ➔ I compare the BI and the Austrian Welfare on these grounds with a general focus on work relations

# Welfare States

- social policy as a necessary precondition for a sustainable market economy (Polanyi 1943)
  - achieve different degrees of ***de-commodification*** of labor within the market economy (Esping-Andersen 1990)
  - accomplish economic exchanges between unknown members of a society (**reciprocity**)
  - “stabilize and standardize social relationships, and resolve the problems of accountability and trust which are an inherent feature of mass societies” (Mau 2004)
- ➔ **Welfare states as arrangements of institutionalized norms**

# A Classification of Reciprocities

## (Sahlins/Arneson/Goodin) [Mau 2004]

- *Balanced reciprocity*: exclusively two-way exchanges, **equal returns** in future, formalized
- *Risk reciprocity*: collective **risk sharing**, pool individuals under one insurance scheme, no equivalent returns
- *Obligating reciprocity*: generosity is combined with **explicit expectations** about recipients' behavior
- *Generalized reciprocity*: most subliminal form of reciprocal exchanges, “**societal solidarity contract**”, vague notion of expected returns, “pure gift”

# Austrian Welfare Systems and Institutionalized Norms

Welfare systems in Austria	Examples	Eligibility criteria	Institutionalized Norms
Social insurance	Statutory pensions, health and work accident insurance	Individual (former) employment activity	Balanced reciprocity (pensions), Risk reciprocity (health) <i>* Solidarity</i>
Unemployment insurance	Unemployment benefits, unemployment assistance and active labor market policies	Individual former employment activity + willingness to work	Balanced reciprocity + Obligating reciprocity
Universal systems	Family allowance and tax credit for children, childcare allowance, long-term care system	All residents qualify irrespective their activities	Extended social rights or generalized reciprocity
Means-tested benefits	Conditional minimum income scheme, housing assistance, student grants	Neediness + willingness to work	Obligating reciprocity <i>* Subsidiarity</i>

Social protection for civil servants	Own civil service law and pension system	Employment status	Special social rights: generalized, balanced and risk reciprocity
Social compensation system	Cash-income support for victims of war, military service or crime	Private status	Risk reciprocity
Protection under labor law	Work regulations: working hours minimum pay, leaves, sickness, anti-discrimination	Employment status	Special social rights or generalized reciprocity
Occupational pension schemes	Defined pension funds, direct defined pension programs	Employment status	Balanced Reciprocity
Social services	Counseling, child- and family-related services, housing or employment schemes	Neediness	Basic-needs generosity  <i>* Paternalism</i>

## 5 Effects on Preferences

- I. Work is framed as an obligation or duty; causes of unemployment or poverty as a result of individual failings (Peck 2003), work as single „currency“ of fair reciprocity (Goodin 2002)
- II. High esteem of obtaining a job & stigma of being unemployed motivates people to work (apart from money)



# 5 Effects on Preferences

III. Reinforces evolution of a norm of 'obligating reciprocity'

IV. Dominant role of employment (tasks) fosters work-related preferences

V. Schools produce work-related traits stabilizing the socio-economic system, (Bowles & Gintis 1976): obedience and conformity

# Institutionalized Norm of an Unconditional Basic Income

- Basic income as a new “social contract” (Van Parijs 1991, p. 129) establishing a social right  
→ **generalized reciprocity**
- + individualism (*Real Freedom For All 1995*)
- presupposes a confidence that recipients will, sooner or later, do their part for the socio-economic system and in ways not defined

# Effects on Labor Market Preferences

- Size of basic income decisive for its decommodifying capacity (+ what remains to be acquired privately [Panitch 2011])
  - BI below the poverty threshold would essentially keep current work incentive structures active
- ➔ basic income at subsistence level would decommodify labor & have vast effects on labor market preferences**

## 5 Effects of a Basic Income on Work-related Preferences

- I. Frames work as voluntarily chosen activity (Widerquist 1998)
- I. fundamental role of monetary incentives in generating labor supply is undermined, employers must appeal more to the intrinsic motivation to gather workers

## 5 Effects of a Basic Income on Work-related Preferences

IV. More tasks individuals can devote their time to apart from paid work, generating more diversified preferences

III. Diversity may foster evolution of more vague notions of reciprocity held by society

➔ generalized reciprocity?

# 5 Effects of a Basic Income on Work-related Preferences

V. systemic economic pressure to foster employment-related preferences already in school would be reduced

Schools must rather encourage intrinsic dispositions

➔ obedience and conformity [Bowles/Gintis 1976] may be replaced by creativity and independence in order to avoid “nervous breakdown” (Keynes 1930)

greater variety of behaviors parents transmit to their children than if work takes up most time of their days

# Sustainability

- sustainability of a basic income relies on sufficient taxable economic activities
- ➔ **Problem:** basic income invokes generalized reciprocal behavior (and individualism), but actually requires obligating behaviors that generate tax revenues

# Incremental implementation

- first install a universal income at modest level  
preserving current incentive structures: *partial income*
- incrementally redesign welfare state more universally  
as to imitate the vast de-commodifying effects of a  
basic income
- Along the way required social norms may be reinforced
- ➔ **Basic income needs complementary and supporting  
public institutions fostering a norm of social  
contribution and solidarity**
- technology may create taxable funds without human  
engagement



# Key Literature

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