

**Goetz W. Werner**

### **What benefits will an unconditional basic income bring?**

What previous generations in our country could only dream of has now become a reality: never before has it been possible to provide the population with such a good supply of goods and services. Overall, we produce more than we can consume, although not everyone has a sufficient share of the cake. Comparatively speaking, we are living in a paradise-like situation, but we have not yet learned how to handle it properly. First of all, the close linkage between work and income, which has been one of the factors that have brought about high unemployment, will have to be reviewed. Both are apparently connected with one another in the traditional concept of work as gainful employment. In fact, this concept is an outdated social convention that can be reconsidered. We have on the one hand our *income*, which is needed to satisfy our needs through consumption, and on the other hand our *work*, through which we become involved in society in order to produce products and services for others. However, the prerequisite for a possible new approach is a fundamental change in our awareness of our relationship with society and the ability to overcome traditional thinking patterns.

### **A basic income is affordable – and people would nevertheless carry on working**

Two easily comprehensible but at the same time unfounded reservations are voiced against the unconditional basic income that is under consideration and being called for here: it will set off a wave of laziness among those who receive it and it is unaffordable.

However, a basic income is not meant to be a way of making people “rich without doing anything”. On the contrary, its purpose is actually to enable work to be done. A basic income in the form proposed initially lowers the opportunity costs of a self-determined activity because a smaller proportion of the income than in the past is made up of remuneration for “dependent employment”. In this way, individuals would have more time for their family as well as increased freedom and financial security, which used to be guaranteed by a wage income and are extremely important, for example when couples are starting a family. A basic income would also provide individuals with more scope for many different types of voluntary work and for their socio-political involvement in community tasks, as well as for the development of entrepreneurial activities aimed at bringing an entrepreneurial idea to fruition and finding supporters to implement it.

What about socially necessary work that no one wants to do? One answer to this question would be that these jobs might have to be very well paid, so there would be a greater incentive to rationalise them. If we have succeeded up to now in using machines and new methods to replace jobs for which the use of human labour has become too “expensive”, then why should we not manage to do so in the future too? We will have to find replacements for jobs in which people no longer see any sense as far as fulfilling their self-determined life is concerned. Moreover, a basic income would initially only be paid to registered citizens. The community of the Federal Republic of Germany cannot be required to ensure a basic income for individuals outside it. Citizens of other states would, after all, have better prospects of finding jobs in these occupations, for example harvesting fruit and vegetables.

On careful examination, the first objection – affordability – proves to be unfounded, even though this initially seems surprising to some people. In order to fund a basic income, fundamental changes have to be made to the tax system. Our present method of taxing incomes or profits, which is essentially based on nominal (money) income, has its origins in a period when the majority of human beings were still living in a self-sufficient subsistence economy. In such a society and economy the state has to tax its citizens' income at source. Today, however, as our economic system has become increasingly clearly one in which people work for one another and is characterised by a considerable degree of interaction and transaction, with individuals now consuming little or none of what they produce (ie, working almost exclusively for others), this system is no longer in keeping with the times. This is shown by the fact that our tax revenue is tending to be based more and more on the taxation of consumption. After all, where is the money going to come from when income, as an abstract concept, is becoming less and less suitable as a broad basis for assessing taxes and when budget revenues are declining? The tax system could be restructured and based on consumption by gradually reducing income taxes and simultaneously raising consumption taxes, the main type of which is value added tax.

The unaffordability argument can be principally refuted by pointing out that all the money necessary for the payment of a basic income is already flowing through the system. If the increased consumption tax revenues were not to flow directly into the general state budget in Germany but were also to be used for funding an unconditional basic income, then present income receipts – wages and salaries as well as state transfer payments – could be reduced by the same (per capita) amount.

The *substitutive effect* of the basic income under consideration would mainly result in two developments. Firstly, wage costs, which are passed on by companies to their customers on the basis of existing market conditions, could decline. This means that net prices would also tend to go down to the same extent, with gross prices remaining more or less constant following an increase in consumption taxes. Since lower wages and salaries would be replaced by a basic income, purchasing power would remain the same. Secondly, the state would also be able to lower the current transfer payments it makes to its citizens in the form of pensions, child benefit or the salaries of its civil and public servants and politicians. This would ease the burden on the public purse. The movement towards a consumption tax is thus nothing for us to be afraid of but, rather, only a consequence of our society's outstanding economic development, which is accompanied by growing transaction volumes. The aim is to restructure the system of levying taxes on an income-neutral basis. At the same time, corporate taxes could also be lowered and ultimately abolished. This would appear to be all the more desirable as any corporate taxation is in the end passed on to customers by way of higher (net) prices.

A further consequence of the overall productivity gains to be expected is the funding of a basic income, which will also have to be implemented in stages.

### **Growing productivity facilitates and necessitates the introduction of an unconditional basic income**

What are the alternatives? Do we want to return to the period of lower productivity? Strange as it may seem, this is precisely what is being proposed by those who call for low-paid jobs, for people to accept reasonable work offers (reasonable for whom?, one might ask) and the creation

of a low-wage sector. The call for companies not to be so penny-pinching<sup>1</sup> is also tantamount to demanding an increase in the number of jobs at the expense of productivity.

If, as in many instances of current social policy, this is accompanied by the *de facto* patronising treatment of citizens through “administrative procedures” and the system “does not in every case allow individuals freely to choose their occupation and the things they consume, this is a violation of basic human rights and, as experience teaches us, ultimately harms the social strata for whose protection the artificial measures were intended”<sup>2</sup>. In view of the absurdity of many make-work schemes, with which even the most senseless jobs are justified by reference to the ability of those involved to “practise their skills and prepare themselves for real work”, who could have any doubt at all that the citizens are being led by the nose and that we are at the same time experiencing a reversion to lower productivity?

The discussion of the issue of an unconditional basic income can also show whether a state, in spite of assertions to the contrary, has an authoritarian self-conception or whether it is serious when it calls for the citizen’s freedom and self-responsibility. The state should enable its citizens to work to achieve these two goals and it should do so *inter alia* through an efficient economic system. The alternatives currently under discussion appear to boil down to tying the citizens more and more to the welfare state’s apron strings at a time when the economy is becoming increasingly productive instead of granting them the freedom of a civil society by providing a basic income – ie, instead of making a free social order a reality.

Freedom always means the freedom for one to determine how to manage one’s own time. With the reduction in the amount of paid work involving employees following orders, this may also mean granting time for self-determined activities. This is all the more likely to be the case as, in an economic system geared to the efficient handling of resources – including that extremely scarce resource time – companies are quite rightly dispensing to an ever greater extent with the use of human labour. This requires a change in awareness. There also needs to be an awareness of the historically unique nature and extent of the economic development of the past two centuries. It becomes clear at this juncture that an unconditional basic income is the crucial element when it comes to answering some of the questions posed by a capitalist economy lauded as a market economy that maximises wealth, even though it is becoming more and more obvious that the system in its current form is actually reducing the prosperity of ever larger sections of the population.

### **Possible impact of a basic income on the economy**

We need goods and services solely for human beings, and we need human beings to produce them. However, for what purpose are they needed and by what methods is this purpose achieved? The answer to this question seems immediately obvious, but we still have to recognise what this means for the organisation of our lives and for an economy characterised by rising productivity. People are required less and less for their physical work to produce the goods and services they need, but the demands on their intellect at work and in society are rising. In short, people are

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<sup>1</sup> Thielemann, Ulrich: “Mit stumpferem Bleistift rechnen” (interview), in *SüddeutscheZeitung*, No. 10/11/12, April 2004, p. 27.

<sup>2</sup> Erhard, Ludwig: “Grundentscheidung für die Soziale Marktwirtschaft”, in Stützel, W., et al. (ed.), *Grundtexte zur sozialen Marktwirtschaft*, Stuttgart 1981, p. 40.

becoming increasingly replaceable in the production process but not as consumers. We are prevented from recognising this by the way we understand our “outdated funding methods”<sup>3</sup>, because we are still limiting the possibility of acquiring an income to gainful employment, of which there is less and less available. As this, like the tax system, originates from earlier times when there was an insufficient supply of goods, there is an urgent need to make an adjustment, especially with regard to our awareness. That seems to be obvious.

What impact would a basic income, the effect of which would be to bring about this adjustment, have on the private enterprise sector? As a result of the restructuring of its tax system, Germany would become a “tax and investment haven”. Falling net prices (see above) would benefit exports, and low unit wage costs would make Germany attractive as a business location. In addition, employment market regulations, such as the law relating to collective bargaining and to protection against wrongful dismissal, would become superfluous and, accordingly, flexible working arrangements would be possible on the basis of individual agreements.

People’s worries about the future and their need to save and make provision for eventualities would be reduced, thus making more money for consumption available. The consequence would be a boost to self-organisation and self-responsibility (freedom). Moreover, people would seek employment that they regard as meaningful, and the work they do would meet their own aspirations to a greater extent and accordingly become relevant to them and, ultimately, more efficient. There would be an additional potential for people to undertake paid cultural, educational and maintenance work (which would directly benefit their fellow human beings) and a tremendous impetus would be given to science and research and to entrepreneurial initiatives.

As has been shown, an unconditional basic income has the potential *to overcome the apparent contradiction of high incomes, rising productivity and low wages*. Moreover, it would “turn the catchword ‘freedom’ into a reality”<sup>4</sup>. The future of democracy is dependent on free citizens, and a society and a state that take this freedom seriously and for which freedom is not only the assignment of responsibility to the citizen cannot ignore the possibilities that would be opened up by an unconditional basic income – and they can do so even less in an economic system that links time to money as much as our own does. Especially today, our high productivity means that the opportunities to bring about this freedom are greater than ever. Let us seize them with both hands!

Werner, Goetz W.: “Was bringt ein bedingungsloses Grundeinkommen”, in: Suchy, Bernhard (Ed.): Was jetzt zu tun ist, Berlin 2005, pp. 41-49.

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<sup>3</sup> Hardorp, Benediktus: “Wir müssen unsere sozialen Einrichtungen neu justieren”, in *Das Goetheanum*, No. 28 2005, p. 3.

<sup>4</sup> Fromm, Erich: “Psychologische Aspekte eines garantierten Einkommens für alle”, in Erich Fromm, Gesamtausgabe in zwölf Bänden, Band V, Munich 1999, p. 31