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BETWEEN BASIC INCOME AND MINIMUM INCOME. A MODEST PROPOSAL

ABSTRACT. *The goal of the paper is to argue for a hybridization between two measures of income support: basic income and minimum income. The reason is that both measures have desirable and undesirable aspects from the point of view of social justice and efficiency. Hybridization could then neutralize the negative effects of each while ensuring the respective benefits. The potentialities of hybridization appear wholly undervalued both in public discussion and in the academic literature.*

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1. Introduction

Basic income and minimum income are typically considered alternative income support measures. That these are different policies is indisputable. The point is that both of them have desirable and undesirable aspects from the point of view of social justice and efficiency. Given this reality, it seems useful to investigate the possibility of a hybridization aiming at neutralizing the negative effects of each while ensuring the respective benefits. The goal of this article is to present a proposal that goes precisely in this direction. The potentialities of hybridization appear wholly undervalued both in public discussion and in the academic literature.

The article is divided in three parts. The first and second present the respective desirable and undesirable aspects of basic income and minimum income, while the

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third is dedicated to the proposal.

First, a few brief words on what basic income and minimum income mean. Basic income is a transfer, financed from general taxation and disbursed, at regular intervals, on an individual basis, to the rich and to the poor, to those who work and to those who do not work. In other words, basic income does not require means testing and does not impose any obligation to work. Minimum income is also a transfer, financed from general taxation and disbursed, at regular intervals. Unlike basic income, however, it is a transfer of last resort, addressed to those whose resources are below a given poverty line: the objective is the fight against poverty (regardless of how this can be defined). The beneficiaries, chosen through means testing, are typically families. Otherwise, the risk is that an individual without his own resources can be considered poor, and, as such, eligible for help, while living in a rich family.

Today, all existing minimum income schemes have added willingness to work as a requisite for accessing transfers. The reason is the disincentive to work that would be inherent in the rate of 100% typical of guaranteed minimum income. In this last perspective, every extra euro earned implies a euro less transfer until cessation once the poverty line has been reached, thus giving rise to unemployment traps. Of course, to avoid such pitfalls, the rate could be lowered, thus leaving part of the transfer in the hands of those who work: but this would simply replace the unemployment traps with poverty traps. When the threshold is reached, the transfer would be lost.

Work-related conditionality, in turn, can be specified in very different forms ranging from the most punitive measures of workfare, that is, the obligation of unpaid work as a counterpart of transfers, to measures based on “the taking in charge”, thanks, for example, to the offer of employment services in association with relatively less stringent obligations (for example, the right to transfer is lost only after declining more than one work offer considered adequate). In the words of Sarah Marchal and Natascha van Mechelen,¹ the spectrum of work-related conditionality goes from the most “demanding” measures to those most “enabling”. Moreover, conditionality could be extended to social services considered crucial for overall inclusion. Beneficiaries of minimum income should, for example, commit to sending their children to school and/or participating in health prevention programs.

¹ S. MARCHAL - N. VAN MECHELEN, *A New Kid in Town? Active Inclusion Elements in European Minimum Income Schemes November*, in *Social Policy & Administration*, 51, 1, 2015, pp. 171-194.

2. Desirable and undesirable aspects of basic income

One of the main ambitions of basic income is to favor freedom. Thanks to its unconditional nature, basic income favors freedom from others. It allows one to say no to family members, on whom one would otherwise depend, whether they are parents, in the case of children, or husbands/partners in the case of women. It allows one to say no to employers who impose unfair working conditions as well as to job offers from organized crime. It also avoids dependence on public administrators who, in the perspective of minimum income, would be responsible for carrying out means testing and specifying conditionality. For these reasons, basic income, in addition to guaranteeing income, would also promote more equal social relations.

To be favored, however, it would not be just freedom from. It would also be freedom to. Having an unconditional income gives everyone a basis of security, whatever the conditions in which one is and whatever the life project one wishes to undertake. Furthermore, basic income allows one to keep “portfolios” of different activities, whether they are pursued for money or not (as in the caring of family members and/or in community work), while favoring, among other things, transitions both between jobs and between work and training. These contributions appear particularly attractive in a situation, like the current one, of increasingly unstable families and occupations.

For these reasons, basic income could also be conceived as a concrete expression of the *ius existantiae* – the right to live in a free and dignified way. Moreover, the fact that it is given to all would better reflect the universalism of fundamental rights.² Interesting, in this regard, are the observations by Giuseppe Bronzini on some experiences of medieval free cities and the Paris Commune, which highlight that “whenever the democratic and participatory dimension becomes more intense, the problem of a social minimum due to all has been put forward.”³

Basic income would also outperform those that Philippe van Parijs and Yannick Vanderborgh⁴ define as its “cousins”. Unlike the career’s allowance, it favors fairness

2 See L. FERRAJOLI, *Manifesto per l’uguaglianza*, Bari, 2018.

3 G. BRONZINI, *Il diritto a un reddito di base*, Firenze, 2017. The quotation is from p. 29 and the translation is mine.

4 P. VAN PARIJS – Y. VANDERBORGH, *Basic Income. A Radical Proposal for a Free Society and a Sane Economy*, Cambridge, 2017.

in the division between productive and reproductive work: it is accessible to those who engage in care responsibilities, but it is also for those who decide to work on the market. Unlike the uniform and generalized reduction of working time, it allows freedom in choosing working hours. Still, it avoids the risks of “forced labor” and overall violation of the work aspirations of the unemployed, present in the perspective of the State as an employer of last resort. Unlike the negative income tax, it does not require any balancing between the transfers received and the money earned, thus avoiding the risk of having to give back the money received if the yearly income exceeds the threshold entitling to the transfer.⁵ Unlike the universal citizens’ stake, an amount of wealth provided *una tantum*, it is delivered continuously through time. This diminishes the risk of remaining with no help, in case the stake is wasted.

But wouldn’t basic income violate, at least one freedom, that of those who strive more on the market? Wouldn’t these strivers be taxed for those who do not work? The answer is negative in so far as basic income represents the sharing among all of common resources, which are today appropriated privately (and unfairly) by some. More precisely, the idea, for the defenders of basic income, is that the value added produced on the market cannot be wholly ascribed to the effort of the single producer. On the contrary, it depends on a messy set of random factors with respect to which no one can claim a private property right.

Just think of the role of market supply and demand and of the plurality of factors that allow productivity to flourish, from the material and social infrastructure inherited from the past to the natural abilities we have and the overall rents accumulated over time by a process of private appropriation of natural resources.⁶ Do we deserve, for example, an increase in our market remuneration simply because the demand for what we offer increases (maybe for an exogenous shock somewhere in the world) or because we are lucky enough to live in a territory well endowed with

5 The negative income tax is a transfer delivered through the tax system. The right to access the benefit in a given year is based on the income declared in the previous year (or expected at the start of the new year). If, at the end of the period, the income actually earned is bigger, the negative income tax received in excess should be given back to the Treasury (and vice versa, if it is smaller, one has to wait the whole year to get the integration).

6 On the omnipresence of luck in the market, see also F. VON HAYEK, *Law, Legislation and Liberty. The Mirage of Social Justice*, Chicago, 1978.

social and material capital? The share of value added independent of the effort of the individual has the nature of rent or, in the words of van Parijs of “gifts”.⁷ As no one deserves the private gifts he receives, taxing someone with more gifts does not take away something we deserve.

Alternatively, basic income could be conceived as counterpart of the contribution that we all give today to the economy by putting our personal data in the network, for which, however, we receive nothing. If so, basic income would reflect an intentional rather than a random contribution, as in the perspective of common resources. Nevertheless, not only is this justification wholly compatible with that in terms of common resources, but in both cases basic income would remedy inequities afflicting market distribution. In other words, basic income, rather than being a classic *ex post* redistributive measure, would intervene *ex ante*, ensuring a fairer distribution of market incomes.

Against these favorable aspects, basic income has, however, some critical points. I do not refer so much to those most often advanced in public debate, which rely on the concept of parasitism, according to which the idlers would enjoy, with impunity, an income unjustly taken from those who work, as the Malibu surfers depicted by Rawls. In this regard, What I have written above regarding common resources applies. If basic income represents our share of common resources, nothing would be unfairly taken away from others. On the contrary, the parasite, today, would be those who appropriates our common resources. Furthermore, as with the gifts we privately receive, that we can freely use, we should be free to do what we want with the collective gifts dispensed through basic income.

Neither do I refer to other objections such as that basic income would undervalue the importance of social services or of work, reducing the role of Welfare State to that of merely ensuring a minimal monetary compensation, and/or would violate progressivity as well as disregard needs heterogeneity, by giving the same amount to all. Certainly, many Silicon Valley entrepreneurs and other libertarian defenders of basic income see the latter as a substitute for the other policies of the welfare state. However,

7 See P. VAN PARIJS, *Real Freedom for All*, Oxford, 1995 and P. VAN PARIJS, *Egalitarian Justice, Left Libertarianism and the Market*, in I. CARTER – S. DE WIJZE – M. KRAMER, *The Anatomy of Justice. Themes from the Political Philosophy of Hillel Steiner*, London, 2014, pp.145-162.

this does not negate the fact that basic income can be combined with social services and employment policies. At the same time, the rich, certainly, would receive basic income, but, having had more gifts, they would also contribute more to the financing of the measure (more precisely, all the subjects with income less than the average are net beneficiaries, while those with higher incomes pay more compared to what they receive). The overall effect is, then, progressive. One important implication is that basic income, although not typically invoked for fighting poverty, could favor this end, thanks to this distributive effect. Unlike what could occur with minimum income as we will see, money would also be ensured free of any hole in the roofing.

Heterogeneity of needs would, instead, remain disregarded. Also this objection, however, would not be decisive: it could be tackled by adding to a basic income a scheme of differentiated monetary supplements based on needs.

Some disincentives to work will also remain. Yet, on the one side, basic income only induces the disincentives linked to the income effect: being richer, one is less willing to work. Unlike what happens with the minimum income, it would not produce substitution effects, the transfer being available irrespective of whether one works and has money or not. On another side, “cute rules”,⁸ such as those endowing everyone with a basic income, could encourage social cooperation. If so, the guarantee of an income could stimulate the propensity to work and to take risks, thus, acting as a tonic, to paraphrase John Stuart Mill. On still another side, if work were really an opportunity, people would also work in the presence of an income. How many of us work, even if not driven by the need to earn an income or, anyway, far beyond that necessity? Perhaps, if individuals do not work, it is because there isn’t work and, even when there is, it often has few characteristics of opportunity and/or is rendered inaccessible by barriers of various kinds. Do not underestimate, then, the plurality of ways to activate oneself. In addition to those available on the labor market, there are care activities, voluntary action for the community, and participation in the management of common goods.

The real problems concern the cost of the measure. Even though we should

8 The reference is here to the logic of “*tit for tat*” explored by R. AXELROD, *The Evolution of Cooperation*, New York, 1984.

avoid double counting (today many subjects receive monetary transfers and enjoy tax breaks that would be replaced by basic income) and take into account the lower administrative cost of basic income (unlike minimum income, basic income does not require means testing or other forms of conditionality), giving to everyone is expensive. The cost is all the more worrisome the more one does not want to renounce the other policies above mentioned, from in-kind transfers to employment policies and to monetary supplements to deal with the heterogeneity of needs. The risk is, therefore, that of having to settle for a very low basic income, for many insufficient to a dignified life, and, maybe, even to renounce other important social welfare interventions. In any case, many of today's transfers and tax breaks are difficult to replace in so far as justified for reasons that have nothing to do with income support. For example, neither contributory pensions or allowances for dependent workers can be replaced by basic income, the former representing deferred earnings and the latter having to do both with the principle of qualitative discrimination in personal income taxation and with the fact that employees, unlike the self-employed, cannot deduct the expenses incurred in income production.

3. Desirable and undesirable aspects of minimum income

Minimum income counters precisely these limits of basic income. Being circumscribed to the poor, it has a lower financial cost. This would allow better protection of the disadvantaged and, at the same time, easier integration with other social policies.

The contribution is not, however, without costs. First, there are the costs of selectivity. On the one side selectivity implies an unavoidable arbitrariness in the selection of those entitled to the transfer as there is no poverty line that can unequivocally distinguish the poor from the non-poor. The reason derives from the unavailability of equivalence scales capable of taking full account of the heterogeneity of needs. One can hypothesize, for example, a threshold of 1000 euros: well, nothing assures that those who have 1001 euros are actually in better economic conditions than those who have 999 euros and therefore have the right to a transfer. Similar considerations apply to the choice of resources to be included in the means test: for example, in the presence of an allowance for the first house, which values to choose? Very small changes in the equivalence scales and in the resources included in means testing may involve significant

changes in the number of beneficiaries, creating an inevitable risk of war among the disadvantaged.

On another, side selectivity is also intrinsically divisive and the means testing on which it is based entails risks of interference in individual lives, paternalism and overall violation of the equality of consideration and respect. Means testing involves, then, administrative costs and requires time to be administered. In the meantime, the poor could remain without income. The latter risk appears particularly accentuated today, given the frequency of exits from, and re-entry into, the labor market. Selective transfers, then, are typically provided to “representatives” of the family, in the underestimation of possible inequities in the infra-family distribution of resources.

On still another side, selectivity favors non-work far more than basic income, due to the substitution effects and related traps. Certainly, as anticipated with respect to basic income, people often do not work because of lack of opportunities rather than for a choice to put leisure before work. Consider, for example, the subjects at the center of studies that would prove “*dependency*”: single mothers. Do not single mothers suffer from some obstacle to employability? Similar considerations apply to people with low education penalized by the violation of the right to equal opportunities. In any case, there is much evidence on the willingness to work for many poor people if only they were assured of the certainty of an income if they lose their jobs. This notwithstanding, selectivity, by entailing the cessation of the benefit once one reaches the threshold, also entails a structure of incentives favoring false positives, individuals who could work and escape poverty, but find it more convenient to rely on the transfer.⁹

Finally, selectivity could weaken the propensity to redistribute. The reference here is to the so-called paradox of Walter Korpi and Joakim Palme,¹⁰ according to which selective transfers, as they are circumscribed to a sub-group of subjects, would not be able to generate high levels of funding. If it were, the alleged redistributive superiority of minimum income would disappear. Given a fixed budget, it is certainly indisputable

9 For a good summary of the empirical evidence on these data, see H. IMMERVOLL – S. JENKINS – S. KÖNIGS, *Are Recipients of Social Assistance “Benefit Dependent”? Concepts, Measurement and Results for Selected Countries*, IZA Discussion Paper No. 8786, 2015.

10 W. KORPI – J. PALME, *The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality, and Poverty in the Western Countries*, in *American Sociological Review*, 63, 5, 1998, pp. 661-687.

that minimum income has a greater redistributive effect compared to a measure that requires the distribution of resources among all. If you have 1000 euros, it is one thing to distribute it only to the poor and it is another to share it among all the citizens. The dimensions of the budget, however, are important. The risk is that selective transfers, benefiting a sub-set of subjects, and, moreover, of subjects with little voice, acquire less resources than the universal ones which can, instead, rely on broader support and which do not create a divide between “us” and “them”.¹¹

Second, administrative costs and risks of arbitrariness, paternalism, interference with individual choices and overall questioning of equality of consideration and respect are accentuated by the activation processes and by the use of sanctions. These risks become all the more aggravated the more you move towards a “demanding” perspective. They also exist, however, in an “enabling” perspective. Just think of the practice of “taking in charge” the measure at the heart of the Italian minimum scheme. Such a measure is grounded on a pact between public administrators, who have the responsibility to offer the services needed to support employment, and beneficiaries of the minimum income, who have the responsibility to activate themselves and eventually to exit from poverty. Despite the reference to the pact, which alludes to the symmetry between the contractors (as in the contractual tradition), the relationship is between a party (the administrators of the program) which can provide sanctions and intervene in the behavior of others, and another that must comply in order not to lose the income necessary to live.

A further effect of feeling treated as a second-class citizen and, therefore, like an object of stigma, is the onset of false negatives: poor people who do not demand

11 The paradox has lately been challenged by L. KENWORTHY, *Progress for the Poor*, Oxford, 2011 and I. MARX – L. SALANAUSKAITĖ – G. VERBIST, *The Paradox of Redistribution Revisited: And That It May Rest in Peace?*, Bonn, IZA Discussion Papers No. 7414, 2013, who have confined its validity to a particular time (it wouldn't occur after the 90s) and to a restricted set of countries. A. MCKNIGHT, *A fresh look at an old question: is pro-poor targeting of cash transfers more effective than universal systems at reducing inequality and poverty?*, London, 2015 and O. JACQUES – A. NOËL, *The case for welfare state universalism, or the lasting relevance of the paradox of redistribution*, in *Journal of European Social Policy*, 28, 1, 2018, pp.70-85, have, instead, confirmed its validity. In any case, the new countries contributing to challenging the paradox include Italy, qualified as universal only in so far as lacking selective measures. But, the lack of selectivity does not make a welfare system universal (on the contrary, as in the case of Italy, one can be lacking on both grounds). Furthermore, the countries having the highest redistributive impact are those characterized by a strong dose of selectivity within universal transfers as in the perspective of “targeting within universalism”. For a summary of the advantages of universal transfers, see E. GRANAGLIA, *Farewell to Universalism? Some Introductory Remarks*, in *Politiche Sociali*, 3, 2016, pp. 391-402.

the transfers while having the right to it. Of course, non-access can derive from other factors in addition to the stigma, primarily, from lack of information. Stigma, however, counts. In this regard, it is worth recalling that in many European countries the phenomenon of false negatives has reached almost half of the potential beneficiaries of minimum income schemes.¹²

These overall limits led Antony Atkinson,¹³ among others, and many decades before Juliet Rhys Williams,¹⁴ to defend a basic income as a second-best solution for the purpose itself of fighting poverty.

Lastly, minimum income is an eminently redistributive measure, which implies an underestimation of the pre-distributive reasons for a fairer distribution of the common resources produced in the markets.

4. The case for hybridization

Given the coexistence of this set of desirable and undesirable aspects, a road to explore, and which is still largely unexplored, is that of the hybridization between basic income and minimum income. This would ensure, as much as possible, the positives aspects of both measures, while minimizing the negative ones. In this perspective, the first step could be to introduce a universal/quasi-universal child allowance. The automatic and universal/quasi-universal specification of the allowance would avoid many limits of selectivity: from the risks of arbitrariness, interference and overall violation of equality of consideration and respect and, with them, wars among the poor, to those of weakening the political sustainability of redistribution. At the same time, it would greatly contribute to poverty reduction, the number of dependent children being one of the primary causes of poverty. In Italy, the risk of poverty increases over the average

12 EMIN, *Toward Adequate and Accessible Minimum Income Schemes in Europe. Analysis of Minimum Income Schemes and Roadmaps in 30 Countries Participating in the EMIN Project. Synthesis Report*, European Union, Bruxelles, 2015.

13 A. ATKINSON, *Inequality. What can be done?*, Cambridge, 2015.

14 J. RHYS WILLIAMS, *Something to Look Forward to: A Suggestion for a New Social Contract*, London, 1943.

already after the first child.¹⁵

Minimum income would, then, intervene only in a residual way to cover the holes that may still exist to the detriment of families with children and to support the poor without children. Limiting the role of minimum income would, however, also limit its problems. In this regard, as already indicated,¹⁶ the empirical evidence is very robust in showing the advantages, in terms of redistributive impact, of “targeting within universalism”, namely using selective transfers against poverty within universal/quasi-universal policies.

Minimum income could then itself be designed to incorporate some elements of basic income. For example, in addition to being available to all adults who live alone (today, many countries place constraints in terms of age), minimum income could, as occurs in Sweden, contemplate that adult children who do not study, but still live in their family of origin, are considered as separate households in themselves. This means both that, if poor, even these young people could receive the transfer and that their incomes would not contribute to family income. The overall result is greater individualization, exactly in the direction of basic income. In this perspective, the abolition or, in any case, the downsizing of the equivalence scales could also be carried out: the assumption would be that, due to the greater fragility of family relationships, one should not assume the pooling of resources. Furthermore, even in the presence of equivalence scales, the transfer could be shared between the two components, rather than going to a representative of the couple. Finally, one could think of a double level of transfers: an unconditional level, independent of work-related conditionality, and an additional one, associated with the obligation to work.¹⁷

Do these contaminations not lend themselves, however, to risks of *ad hoc* com-

15 Italy lacks a comprehensive system of child support, this latter being available only to those who have enough money to pay taxes and thus enjoy children allowances or who are employees and thus enjoy the categorical transfers available to them. The poor can only have some help for children up to three years (and the help is very limited). On this, see E. GRANAGLIA, *Social Policies between Old and New Inequality*, in A. SCIALÀ, *Italian Fiscal Policy Review*, Roma, 2015.

16 See footnote 11.

17 For an interesting proposal in this direction, see C. SIRUGUE, *Repenser les minimum sociaux. Vers une couverture socle commune*.

binations reflecting the subjective preferences of those who support them?¹⁸ Given the budgetary constraints, Van Parijs and Vanderborgh¹⁹, for example, consider it very difficult to ensure a decent level of basic income today. Yet, rather than embracing compromises such as those outlined here, they defend a basic income of reduced amount, starting with a value around 15% of the GDP per capita of individual countries to arrive over time to 25%.

The drawback is that granting a basic income of this amount remains costly and leaves the poor very far from the poverty threshold. In Italy, for example, the relative poverty threshold is 812 euros, while the absolute one, for an individual between 18 and 59 years old, oscillates between 554.03 and 817.56 euros, depending on where one lives. Fifteen percent of the GDP is around 260 euros per month. At the same time, the Italian welfare system presents a plurality of shortcomings (from the increasing difficulties to access the National Health Services to the lack of kindergartens in many Regions and to the overall deficiencies in long-term care), which would be even more difficult to tackle if we had to finance a basic income.

If this approach were indeed undertaken, seeking solutions, like the one here presented, that can protect against poverty while trying to limit the many problems that affect selective measures, seems desirable on the basis of social justice and efficiency.

18 I am grateful to Nicola Riva for having brought my attention on this question.

19 P. VAN PARIJS – Y. VANDERBORGH, *Basic Income. A Radical Proposal for a Free Society and a Sane Economy*, 2017.