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## **THE RELEVANCE AND DILEMMAS SURROUNDING UNCONDITIONAL BASIC INCOME UNDER CAPITALISM**

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### **Abstract:**

This paper examines whether the concept of Unconditional Basic Income (UBI) can be realized within the frame of capitalism. It describes the essence of the UBI concept and scrutinizes its possible beneficial social effects. The study presents the evolution of the UBI concept, dating back to the dawn of capitalism. Afterwards, it contrasts the effect of UBI on wage labor with aspects of capital accumulation, thus shedding light on the contradiction that exists between them. It deduces why and how UBI might become unsustainable, in cases where it is implemented within the framework of a profit-oriented and property-based society. Finally, it makes an assessment of the obstacles to the introduction of UBI within capitalism, and the opportunity to restructure society, deep-rooted in the UBI concept.

**Keywords:** capitalism, competitiveness, freedom, inequality, labor, profit, unconditional basic income

## INTRODUCTION

In order to fully comprehend something (an object, concept or phenomenon) we need to carry out systematic research. First of all, we have to examine the *object itself*, second, its *relation* to other things, then, expanding the examination in time, its *history and evolution*, until we find its genesis. Being equipped with the results, as well as our additional knowledge about the world, we can make an attempt to catch the *theoretical* essence of the examined object. If all of these are successfully accomplished, we may then gain a reliable basis for establishing our position to the object and to determine its future utility. This paper will attempt to follow this method when appraising Unconditional Basic Income (UBI).

## WHAT IS UNCONDITIONAL BASIC INCOME?

According to our interpretation, Unconditional Basic Income means that each and every resident of a country, region or town, regardless of their financial background, from the beginning to the end of their life, without any special inquiry or eligibility investigation, *automatically, on a monthly basis and uniformly* receives *such an amount* of money from the state (or local government, European Union) that provides him or her with the means *to live a dignified life within the given society* from a financial, intellectual and political point of view (a “decent standard of living, which meets society’s social and cultural standards in the country concerned”<sup>1</sup>). The sum of UBI would change at most on the basis of age (e.g. 50 per cent would be due to children under, let us say, 16 years of age). As UBI is independent from the financial background of persons, it would not be suspended in case of employment or other income earning activity. The introduction of UBI would substitute current social transfers with a single more generous transfer and, at the same time, it would not violate other welfare systems financed by the state, such as education or health services. Moreover, it would partly relieve these stretched services on the one hand, and make them more productive on the other. We will return to some of the consequences of this later.

There are some other definitions for basic income – for example, one definition provides a regular income that is not enough to achieve a dignified life within a society. However, it would be more appropriate to specify such a benefit as Guaranteed Minimum Income (GMI). According to another concept, only a part of the society, for example, members of the population at working age are entitled to a given amount of guaranteed income. Furthermore, such a regular, state-provided income that has certain conditions is often – incorrectly – defined as UBI as well: typically it matches to the income level of an individual or a family (this is rounded up to a given sum) or it can also be bound to the willingness to work.

In what follows, we are going to adhere to the UBI interpretation which has been specified first: *unconditional, universal and sufficient for a dignified life*. We are following such method partly because an adequate analysis of the broader interpretations would certainly exceed the length available in the frame of this study. But principally, because from the viewpoint of economic development in the present day – on the basis of the advanced technologies, actual and potential output of products and services in the world – UBI could be introduced. At least, its introduction is possible in the most developed countries, but, in case of a global redistribution of incomes and production technologies, it would also be possible globally as well. It means that the issue of UBI is very timely. Furthermore, in the 21st century, the sense of UBI idea, its progressive or even revolutionary nature, are provided on

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<sup>1</sup> Unconditional Basic Income Europe. <http://basicincome-europe.org/unconditional-basic-income/>

the assumption that *it would liberate work from its character of coercion*. On these grounds, systems of social protection which are more generous compared to present-day practices, but offering less than UBI, seem to be outdated from an economic, social and historical point of view, no matter how congenial they may seem. This is absolutely the case in developed countries, but also Europe as a whole, as well as globally, on the basis of worldwide economic actual and potential output. It would not be worth examining anything less than the first step made towards implementing *general human emancipation* contrary to different cosmeticizing attempts aimed at sustaining the existing system.

## THE POSSIBLE SOCIAL EFFECTS OF UNCONDITIONAL BASIC INCOME

The list of the pros and cons concerning UBI and its possible effects is quite long; in what follows, we are going to touch upon only the most important arguments.

The most relevant effect of the introduction of income that would guarantee a dignified life and which a person could not be deprived of is that *no one would be coerced into wage labor*. Everybody would take on such a job and for such a wage as would be chosen at his or her own volition. In most cases it would moderate the salary expectations of laborers since they would no longer have to live on their wage and, at the same time, it would be also restricted from below, especially concerning dirty, hard, dangerous or boring and underpaid work. Capital and society as a whole would be motivated to pay more for the worst types of work, to either mechanize them or to carry them out voluntarily (e.g. to keep the dustcarts clean in residential areas) if necessary. All in all, wage workers could influence wage developments to a much higher degree, thus affecting the structure of production and its technical level, as well.

Unconditional Basic Income *would also improve the quality of labor* because people could identify themselves with freely chosen work much more easily, and would carry it out more thoroughly. They would also be able to express some critical or innovative ideas more easily if they were not afraid of the disapproval or jealousy of their colleagues and bosses. Managers would be more open and cooperative with their subordinates if they could not keep them in check, regarding the deprivation of work that provides living. This would also involve *the overall strengthening of democracy*.

To continue, UBI would result in the *widening* of the scope and quality of products and services that have a significant positive impact on the population's quality of life but do not belong to Gross Domestic Product. At the same time, UBI would overshadow the activities which are currently marketable but fulfill only some induced needs. All activities such as childcare, sporting activities, community management, preparing food at home, repairing mechanical breakdowns, self-development, public education and thousands of other useful practices would become available at a higher level and quality, if the livelihood, security and free time of the population were to increase. In the absence of adequate free time, all of these services would have to be bought, which reduces personal income. Alternatively, they would be carried out negligently, or would not be completed at all (for example, development of body and mind), which can lead to serious wasting of time and resources concerning the health care system, education, maintaining public order, etc.

The same applies to the significant income disparities induced by poverty as well as to those forms of behavior which are harmful for society, are against the law or destructive for the individual. These, and the handling of their consequences, are a great expense to an entire society's financial, spiritual strength and labor resources. Through reducing income

differences and poverty, UBI could spare a great part of these expenses. Time and money saved up by such method could be utilized in an alternative way. This would also mean that the introduction of UBI would change the structure of GDP: the production and consumption of certain sectors and activities would decrease, while others' would increase. Of course, it may occur that a sector's output would rise while its inputs would fall, (resulting in lowering efficiency), or vice versa. Gross Domestic Product can increase or decrease, as well – making GDP completely inadequate as a measure of social welfare.<sup>2</sup>

The objections concerning UBI essentially derive from certain forms of behavior and ways of thinking which originate from waged labor, thereby conforming to existing patterns. For example, there is an argument that no one would work if Unconditional Basic Income were introduced. First of all, we would need to remind ourselves that the employment rate – including all those who carried out at least one hour of paid work during the week before being questioned – does not even achieve 70 per cent within the 20-64 year age group in the general EU27 nowadays. It is less than 60 per cent within the age group of 15-74 and the unemployment rate has multiplied since the 1960s. Consequently, there are many people today who have no work or, to be more precise, wage labor, therefore, they have to live without a regularly paid, secure and acceptable job. Globally, nearly half of the employed (1.5 billion people) have to deal with unstable work that usually provides low wages (sole trading workers and contributing family workers) and are therefore in the most “vulnerable” employment.

We are not aware of a UBI based representative survey concerning the willingness to work that precisely reflects the structure of society by age, gender, level of education, residence, etc. However, different surveys, as well as experience from pilot projects, show that the overwhelming majority of people would work as wage laborers or spend their time doing activities which are beneficial for society, including studying.<sup>3</sup> In the case of low income groups, labor supply would even increase compared to present-day tendencies. Indeed, UBI can become a cure for the consequences of unemployment and the poverty trap. The essence of the poverty trap is that welfare benefits based on certain conditions cease to exist or at best, significantly decrease when entering the labor market, while the costs of daily commuting to work (transport, clothing) claim a large proportion of the received income. If someone's work is compensated with a low wage, it means that his or her acquirable income can only slightly increase compared to welfare benefits, so it would not be worth abandoning free time and accepting employment. However, in the case of UBI, the income surplus achieved by means of wage labor has to be cumulatively *added* to the basic income. Work can considerably raise personal income (by 50, 100 or even more per cent) even if someone has a low wage. It certainly increases at a higher rate than in the case of losing benefits in order to get wage.

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<sup>2</sup> Already nowadays there are many who deny that GDP would be an appropriate indicator to measure social welfare and economic development. See the report of the Sarkozy Commission (Stiglitz, Sen and Fitoussi 2009) as well as the studies of Pickett and Wilkinson (2009), Costanza et al. (2009), De Leon and Boris (2010), Fleurbaey (2009) and Landefeld et al. (2010).

<sup>3</sup> See for example Häni-Schmidt (2013). According to a UBI based experiment carried out between 1968 and 1979 in the United States the hours worked decreased by 9 per cent mainly among mothers (Smith, 2013). The experimental GMI programs took place in Namibia between 2008 and 2009 as well as in India in 2011. In each of the cases not only the income, health and mental background of the population could improve but there was also an increase in labor supply and the participation in education. Still, the results of the Namibian program were questioned since there was no control village in the experiment (see Osterkamp, 2013). One of the most remarkable results of the Indian program is that working shifted more towards self-employment (agriculture, owning a business) than wage labor (Standing, 2013).

A further objection is that if UBI were introduced we could not expect people to perform reliably, such as regular daily commuting to work. However, unreliability is typical of a society where wage labor is present in the form of a *constraint*, especially concerning the most underpaid jobs as fulfilled by the least skilled and poor people. In addition, unreliability can be observed on the employer's part as well. Small companies can usually sustain their activity only by tax evasion (in the informal sector of the economy) and do not register and/or pay their employees. The employer and employees are not responsible for each other and obviously the work that has to be done suffers from that as well. This situation also would change with the introduction of UBI. UBI would really make the contract between employer and employee free, guarantee the right to self-determination for both parties and thus strengthen – partly spontaneously and partly under the pressure of community – such qualities as honesty or responsibility. In other words, it would make possible to treat people as adults. So UBI would significantly extend the possibilities of development, not only concerning direct production, but also socio-political relations.

The idea that UBI should be distributed to every member of society, including even those ones on high incomes, has also met with disapproval. The idea of supporting the rich is undeniably displeasing but we have to know that the public acceptance of social transfers (e.g. child benefit), which are universally applied for everyone, has always been higher than those transfers provided specifically for the needy.<sup>4</sup> Furthermore, who can predict the amount of income in the following years, or even months, of such a person who has a relatively high income now? Who knows what a person with a high salary would do if they were provided with the income security provided by UBI? It is possible that he/she would happily give up his/her job, perhaps by replacing it with another job, or another activity (such as learning, or raising his/her children). High unemployment, the spread of precarious forms of employment, and the austerity measures used to handle the crisis seem to become permanent, and make the position of laborers worse – even in Europe, which provides the best working conditions compared to the world average.<sup>5</sup> The position of many high-earners is also fragile.

Nevertheless, polarization is increasingly due to the contrast between capital owners and laborers and also occurs within the labor market.<sup>6</sup> That is the reason why there are and there will be many people for whom Unconditional Basic Income would not be necessary. They would turn it into savings, luxury products or even invest it into speculative assets. In other words, it would be utilized in a less beneficial or even harmful way from the viewpoint of social reproduction. One possible solution for this undesirable situation is that the received UBI could be transferred to a specified public bank account willingly by anyone, anytime. The money deriving from the recycled UBI could be used for common purposes. The sum and also the name of those who transfer their UBI back could be continuously available on the internet or other public forums. The well-to-do could be motivated to intensify the circulation of UBI, for example, through billboards or advertisements in mass media. So thus the branches of marketing could be intensively used for noble causes, in contrast to the generated

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<sup>4</sup> See Krémer (2014).

<sup>5</sup> The research projects of Lang–Clauwaert–Schömann (2013) support that the reforms recommended by European governments since the 2008 crisis provided an opportunity to introduce regulations which permanently worsen the situation of laborers. According to Schömann (2014) the deregulation doctrine of the European Commission is not only inconsistent with the primary and secondary legal standards of the employment within the EU but it also directly contributes to the expansion of precarious employment and impoverishes workers by means of some other reforms as well which violate the basic rights of employees that are laid down in the basic agreement of the Union.

<sup>6</sup> Eurofound (2013).

consumerism and political juggling which they serve nowadays. To achieve all these, the state would have to identify with not only the financial but also the intellectual-political aspect of UBI. The imperative raises the question of class. We will come back to that later in our study.

Some may consider that UBI would encourage women to stay at home which would negatively affect their social conditions, through the strengthening of the traditional gender division of labor. However, the contrary could be said to be true. The most decisive reason for women's (and children's) subordination is the financial dependence upon men. UBI would eliminate this dependence and offer the opportunity for women and children to leave family relations if they would like to, for whatever reason. For this, the above mentioned argument claiming that UBI would strengthen the gender division of labor may seem quite false, since it is against a financial mean which serves independence and emancipation in general – by claiming that it weakens emancipation. In any case, if such tendencies were developed, the UBI based society would certainly work out methods already widely used – for example, in Scandinavian countries nowadays which could cure these problematic processes (e.g. wide-ranging benefits in kind for child care and domestic work).<sup>7</sup> To accomplish such goals, the state's interest and increasing commitment towards social progress is strongly required.

Last but not least, the financial outcome is the most doubted aspect of UBI. Different calculations and the solutions they provide (e.g. the mean of financing is progressive income tax, property tax, VAT, etc.) suggest that the accomplishment of UBI is not impossible even with the present-day fiscal framework, although in some cases instead of *sufficient* only the *minimum* income is taken into consideration.<sup>8</sup> However, financial viability can be calculated with some difficulties because

- a) as we have already mentioned, the introduction of UBI would lead to the change of the value and structure of GDP, life quality as well as the decrease of costs concerning social problems, and
- b) by increasing the effective demand UBI would urge production, i.e. it would have a multiplier effect primarily due to the sectors which aim at satisfying the consumption of people.

In the following we are going to examine UBI as a concept that should be realized in the frames of capitalism, in order to throw light on the contradiction between the feasibility of UBI on the grounds of the high level of development of global production forces and the principles of profit generation.

## **THE PAST – THE HISTORY OF UNCONDITIONAL BASIC INCOME**

In order to reveal the origin of the UBI concept, we continue our discussion with a retrospective investigation of historical events in reverse chronology.

Let's begin with a recent event that does not aim at Unconditional Basic Income but is still quite relevant from the point of view of our topic. On the 18<sup>th</sup> May 2014, in one of the world's richest countries, Switzerland, the overwhelming majority of voters in a referendum rejected the introduction of a minimum monthly wage of 4000 CHF, an amount that cannot be

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<sup>7</sup> For further details see Elgarte (2010).

<sup>8</sup> See e.g. LÉT (2014), Häni-Schmidt (2013). According to US orientated calculations in case of the abolition of tax incentives and benefits it would not be necessary to increase taxes in order to introduce unconditional basic income. See Missetics (2010).

considered high in the light of local taxes and prices. The proposal was presented by the labor unions and was strongly opposed by business circles as well as the government on the grounds that the official minimum wage would lead to unemployment.<sup>9</sup> The idea was vehemently disputed, particularly by smaller companies and farmers arguing that they would be blocked out of the market.<sup>10</sup>

In April 2014 the European Economic and Social Committee<sup>11</sup> organized a conference on UBI where, Philippe Van Parijs, Belgian Professor of Philosophy, a well-known advocate of UBI, made a presentation and also proposed to introduce a pan-European guaranteed minimum income (GMI) of 200 EUR per month. If the Union provided it for its citizens, such problems as (deep) income poverty could be eliminated, it would also have a positive effect on some other forms of social exclusion and on economic growth. To achieve this, redistribution of incomes would be required among social groups.<sup>12</sup>

In January 2014 the collection of signatures concerning Unconditional Basic Income, organized by a European civil initiative,<sup>13</sup> ended unsuccessfully, since it could not manage to collect the 1 million signatures needed in order to request new EU legislation on the topic. It means that Europeans were either unaware of the initiative or refused to place an obligation upon the European Commission to examine the proposal and to organize a public hearing in the European Parliament. The organizers of the initiative could hardly gather 295 000 signatures, which comprises only 0.07 per cent of the residents eligible to vote within the 28-Member European Union. The highest rate of the voters (0.56 %) as a percentage of the population was registered in Bulgaria, currently the poorest country of the EU. The number of Bulgarian signatures was almost the same as in Germany that has an 11 times bigger population. 14 514 (0.15 per cent) of people added their names to the initiative in Hungary, thus achieving the seventh place among the EU Member States.<sup>14</sup>

The main reason of the initiative's failure can be, first of all, the fact that the concept of UBI was essentially unknown. It is quite unbelievable that only such a small number of people would have voted in favor of eliminating the several forms of insecurity in which

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<sup>9</sup> Bosley (2014).

<sup>10</sup> BBC (2014).

<sup>11</sup> The European Economic and Social Committee is a consultative body of the EU which has advisory and initiative power towards the European Council and European Parliament. It is intended to represent the voice of the European civil society. Organizations of employers as well as employees are also represented in the Committee.

<sup>12</sup> The most recent data of Eurostat in January 2015 refer to 2012. According to them the average monthly spending of the state within the EU28 in 2011 was 390 Euros per capita on purchasing power parity regarding social transfers (family allowances, social welfares, unemployment, sickness benefits, etc.), 92% (358 EUR/month/per capita) of these costs had not been previously means-tested. Residents of those countries which became members after 2004 as well as southern Member States' and also the United Kingdom's and Ireland's residents received transfers below the average. There were only 7 Members which received less than 200 Euros per month (Eurostat, Statistics by theme, Social protection, Expenditure, Tables by functions, aggregated benefits and grouped schemes – in PPS per head [spr\_exp\_ppsh]). All in all, the idea of Van Parijs could be truly realized on condition that it is based on redistribution of incomes within the EU.

<sup>13</sup> The institution of the European Citizens' Initiative (ECI) was established by the Lisbon Treaty that was created in 2007 and came into force on 1<sup>st</sup> of December 2009. The ECI "allows citizens to request new EU legislation once a million signatures from a significant number of member states have been collected asking the European Commission to do so" (EurActive <http://www.euractiv.com/future-eu/european-citizens-initiative-links dossier-502067>). The Lisbon Treaty aimed at making the Union more democratic, solidarity-based and also urging its more efficient functioning.

<sup>14</sup> ECI-UBI (s. a).

the majority of the population lives due to present-day employment conditions such as unemployment, overwork, intensive work, part-time work, fixed-term employment contracts, small businesses, low wages, youth unemployment, precarious forms of employment and zero-hours contracts, etc.

In summer 2013, the President of Cyprus declared to introduce a guaranteed minimum income (GMI) starting from June 2014. According to the government, it does not require additional expenditures from the state, has to be distributed on a needs-only basis and is related to the willingness to work. So it is definitely not Unconditional Basic Income.<sup>15</sup>

Previously, the necessary number of signatures had been collected in Switzerland at the end of 2013 which were required for the government to hold a referendum on a popular initiative (in a few years) about introducing the monthly UBI of 2500 francs. But we have to be precise again, that it is rather a GMI than an UBI since first, it would only be extended to the adult population. Second, it is less than the two-thirds of the minimum wage proposed by the labor unions and is less than a half of the Swiss median income. In the light of the above mentioned Swiss referendum of 18<sup>th</sup> May 2014 that resulted in opposing the introduction of minimum income, it is quite certain that Swiss residents are not going to vote for it in the future.

The European Citizens' Initiative regarding minimum income was started in January 2013. Not much earlier, in December 2012, the European Commission created the so called Youth Guarantee Programme that is supposed to mitigate the problem of high youth unemployment by 6 billion Euros between the period of 2014 and 2020.

The "Europe 2020" strategic program launched in 2010 set an objective of creating a fast growing, sustainable and *socially inclusive* Europe. 2010 was declared<sup>16</sup> the European Year for Combating Poverty and Social Exclusion, set up with the purpose of bringing these issues to the attention of public opinion (civil society) and politics (local governments) as well as to prompt solutions for poverty alleviation.

The European Year for Combating Poverty and Social Exclusion was enhanced by a decision of 2008. Despite the fact that in the previous years, that built on a credit based extensive economic growth, the number and rate of the poor has slightly narrowed, the EU was not – and could not have been – satisfied. In 2008 116 million poor people lived in Europe (23.7 per cent of the population) and the social welfare system managed to raise only 36 million of them above the poverty line. There were 80.5 million people (16.4 per cent), who have to face some form of poverty or social exclusion in 2008. That is the reason why the Commission announced the afore-mentioned "European Year" focusing on combating poverty – right after the bankruptcy of the Lehman Brothers' had been announced but still before the effects of the crisis could have been experienced..

The European citizens' initiative concerning UBI indeed fits with the profile of scopes and values declared by the leaders of the EU. In particular, because the poverty that had been rightfully considered too high even before the crisis has further increased in recent years. In 2009 the number of those struggling with poverty or social exclusion was still decreasing but in the next few years since then it has risen. In 2013 it approximated 121.6 million people (24.5 per cent) within the EU27 and 122.9 million including Croatia. The social welfare system could effectively help only half of the recently impoverished people,

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<sup>15</sup> Evripidou (2013).

<sup>16</sup> EP-EC (2008).



so in 2013 the number of people at risk of poverty after social transfers was still 83.4 million<sup>17</sup>, representing 16.6 per cent of the total population<sup>18</sup>.

The concept of UBI has been a marginal topic, but it has been kept on agenda in the left-liberal social sciences since the 1990s. The internationally most renowned expert in UBI is Philippe Van Parijs, who has devoted several books<sup>19</sup> and articles to the idea of UBI. His work has been supported by the establishment of the Basic Income European Network (BIEN)<sup>20</sup> in 1986 – the professor was also engaged in founding this network – which, since then, has become an international movement and provided a structure for the efforts made towards UBI.

In 1982 an unconditional yearly income scheme was introduced in the State of Alaska (US) on the basis of oil related incomes of the state<sup>21</sup>. However, it does not provide a dignified life for residents and is not even exempt from wage labor constraint: its per capita amount depends on the fluctuation of oil related incomes. At the beginning it was 1000 USD per year, later it showed a significant decrease; it exceeded 2000 dollars for 2008 but was less than 1000 USD a year in 2012 and 2013.<sup>22</sup>

A debate has developed concerning the issue of UBI from 1975 in the Netherlands, from 1985 in Belgium and with the participation of Friedman, Tobin and Galbraith in the United States in the 1960s and 1970s. As a result, some detailed proposals were developed but the introduction of unconditional basic income failed since it was heavily opposed by the most of the governments and legislators.<sup>23</sup> Nevertheless, this all was not in vain because the fuss made over UBI fostered the development of the social welfare systems.

The above mentioned concepts of “basic income” were either very remote from our interpretation of the UBI already at their inception, or they have moved away from that in the course of debates. The two most critical questions in this field are the *amount* and – even probably more – the *unconditional* character of UBI. The general rejection shown

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<sup>17</sup> The monthly amount of 200 Euros which would be redistributed for them according to the proposal of Van Parijs would require the 1.5% of the EU28’s total GDP or in other words, the 4 per cent of gross profit (to be more precise, “gross operating surplus and mixed incomes” which contain the income of the self-employed as well but of course, their share is obviously not that significant). If the incomes of the poor were supplemented only to achieve this level, a much smaller amount would be required that could be raised by increasing the tax rate of profits by 1.5-2 percentage points.

<sup>18</sup> People at risk of poverty after social transfers: persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). Eurostat, Statistics by theme, Income and living conditions, People at risk of poverty or social exclusion by age and sex [ilc\_peps01] and People at risk of poverty after social transfers Code: t2020\_52.

<sup>19</sup> The first book of Parijs was published in 1995 – its title truly reflects the essence of unconditional basic income by itself: „Real Freedom for All: What (if anything) can justify capitalism?”

<sup>20</sup> In 2004 BIEN changed its name to Basic Income Earth Network because at that time basic income organizations had been already established in North America (the United States and Canada), Argentina and Australia as well.

<sup>21</sup> State of Alaska, s.a.

<sup>22</sup> In the United Arab Emirates which are also quite rich in oil, the state or to be more precise, the sheik distributes money in a much generous way upon requests, however, it has nothing to do with UBI. The tradition of requests/donations originates from the tribal Bedouin era: the sheik purchases the loyalty of his subdues by donations. Only residents of the Emirates, representing only the one-fifth of the total population (3% in Dubai), can participate in such transfers. The rest are considered as relatively underpaid immigrant workers who have only a temporary residence permit (Brown, 2007). See also UAEinteract (s.a.) and The National (2014).

<sup>23</sup> For further details see BIEN (s.a.) and Vanderborgh (2004).

towards unconditionality becomes really instructive when assessing the feasibility of UBI within the frame of capitalism to which we return later.

A further critical issue that has to be examined in the historical background of the UBI concept, the period between the 1960s and 1980s, is that these decades coincided with *the existence of Eastern European social systems which aimed at creating an alternative society that would outperform capitalism*. In these systems, the requirement to perform waged labor did not disappear. However, these systems offered an extensive social policy. They also offered an institutional network based on the interests – unfortunately only the short-term ones – of laborers, providing, for example, possibilities to work, free education and health care system, increasing number of state owned flat constructions, generous support of culture and sport. These created a society which could no longer be characterized by a constant feeling of livelihood insecurity. These conditions could only be achieved or even surpassed in the capitalist “West” in the absence of “people’s governments” by introducing UBI. Unconditional Basic Income conceals *the communist principle of “satisfying everyone’s needs”*, which made the introduction of UBI counterproductive in capitalist states being *economically* already prepared for taking this step. Because, while capitalist countries could effectively “compete” with the poorer Eastern European countries’ existing social “welfare” by means of gradual development of their social security systems, *UBI would had managed to implement what had not even been scheduled in the Eastern European states practicing the demonstrative effects of social welfare*.

The interwar period (1918-1939) could be characterized as the process of the development of a new form of capitalism – namely, the global capitalism driven by capital being concentrated in large multinational companies. However, in this time, this effort could not fully succeed because of the Second World War and the subsequent extension of the “socialist” world. Global capitalism could triumph only after the collapse of the Eastern European socialist bloc. Of course, Unconditional Basic Income and even guaranteed minimum income could not get into the political spotlight during this interwar period of capitalist expansion, even in the most developed countries. However, the social effects of the Great Depression of 1929-33 inspired Keynes to develop his theory based on the redistribution of incomes by the state.<sup>24</sup>

The antecedents of Keynesian economic policy derive from England, from the intellectuals of Oxford and London working closely with the Labor Party. These took the form of unconditionally gained “state bonus”, “social credit”, “national or social dividend” after WW2 and at the beginning of the 1920s as an idea of B. Russell, D. Milner and C.H. Douglas. These ideas have been vividly discussed among intellectuals in the following decades in Great Britain.<sup>25</sup> The most important experience of this era is that the revealing of the system’s failures, as well as the desire to evade them from time to time, uncorks the bottle of historical experiences. In these situations thoughts escape and can enrich those minds preoccupied with socio-economic dilemmas. However, these new thoughts will be quickly squeezed back into the bottle when a solution appears that is more beneficial for the beneficiaries of the existing social order. In this case, the interwar period debate began with the unconditionality proposal, with Russell. Continuing with the moral and economic

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<sup>24</sup> The main work of Keynes (“The General Theory of Employment, Interest and Money”) was published in 1936 which determined the economic policies of developed capitalist states and developing countries up to the 1970s.

<sup>25</sup> For more details see BIEN (s.a.) and Van Parijs (2000).

explanation (Milner) and the rediscovering of Rousseau, it inevitably arrived at the conclusion that *the productivity of a given period is the result of production from the past and accumulated knowledge*. So each and every citizen is entitled to have a share in this collective heritage.<sup>26</sup> All this, however, has remained a dead letter since large capitalist groups were preoccupied by the prevention of social revolutions and the division of the world among themselves, resulting in fascism, whilst UBI-type ideas sank into oblivion.

The Second World War was preceded by a period when each country's capitalist groups required a greater share in the profit producing world markets. Germany set itself on the path of capitalism slower than the British, more carefully than the French and dragging along its feudal heritage. However, earlier, in the last third of the 19<sup>th</sup> century, this *Prussian way of development* could even precede the British model of capitalism in a way: the laws of Bismarck referring to sickness, accident, disability and old age insurance laid down the bases of the welfare state in the 1880s. In this decade, and for quite some time, British capitalists benefited from the advantages of the system based around the gold standard. Britain started to create the social security system only in 1905 – a system, however, which remained pretty unstable until the 1950s. Bismarck's welfare laws were obviously inspired by the threat of the Paris Commune in 1871. The Bismarckian social legislation and the relative underdevelopment of its British counterpart explain why the UBI idea was so interesting in Britain while neglected in Germany later, in the 1920s. To draw the most important lesson of this era, we can state that *in case of the existence of institutional systems that are capable of maintaining the "peace of work" (like in Germany) there is less, while in lack of such institutions (as in Britain) there is more place for initiatives attempting to decrease the inequalities of capitalism*.

The 19<sup>th</sup> century was an era in which feudalism was definitively surpassed, with the formation of national markets and nation states. With capitalism becoming general and consolidated, it became possible to describe its main principles and characteristics: a portrayal realized by Marx and Engels in the second part of the century. On the basis of their exhaustive analysis it became obvious that the primary source of income inequalities was the *expropriation of surplus labor* based on the private property of means of production. This, however, is quite difficult to understand for millions of people, among them a number of benevolent intellectuals, who have been socialized on the heritage of private property's centuries. For example, the American Henry George interpreted the natural resources of the Earth as common goods and published a book in 1879, in which he proposed to introduce a land tax that would indirectly contribute to the decrease or even elimination of other taxes, or would make the state able to pay a basic income for its residents. Nevertheless, even George did not question the landowners' right of disposal over the whole result of the work carried out by others on the land.<sup>27</sup>

The first one and a half decades of the 19th century was marked by the Napoleonic Wars that stemmed from the greed of the young French elite, but also disseminated modern institutions of capitalism. In this period, far too little emphasis was put upon the social

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<sup>26</sup> „All the citizens should share in the yield of this common heritage” - G. D. H. Cole originally published in 1944, quoted by BIEN (s.a.).

<sup>27</sup> Marx (1881) even noted that George had not understood the meaning of surplus value and reminded that “in the United States, where, relatively, that is in comparison with civilised Europe, the land was accessible to the great mass of the people and to a certain degree (again relatively) still is, capitalist economy and the corresponding enslavement of the working class have developed more rapidly and shamelessly than in any other country!”

welfare of people, in spite of the fact that the era in which a long series of these wars were born, was a revolutionary period driven by the desire for human emancipation.

1789 is the classical milestone of the beginning of capitalism as such: the year of the Great French Revolution and the American Constitution following the American War of Independence. Thomas Paine got closely connected with both of the above mentioned events and in his book entitled *Rights of Man*, published in 1792, outlined the features of a comprehensive social welfare system, with a publicly financed *unconditional* minimum income being provided for children, vulnerable elderly, disabled and widowed people at the heart of it. With this, we have arrived at the point that is the genesis of both our present social order and the idea of Unconditional Basic Income.

The French Revolution, as any other revolution, could not have been accomplished if the oppressed people (the Third Estate that included also the new capitalist elite) had not united themselves for an ecstatic historical moment. The French Revolution concerned the elimination of the surplus generating system that had been monopolized by the privileges of the ruling feudal noble class, the replacement of the ruling class by another one and the realization of free productive activity of the bourgeoisie. However, the mottos of the revolution elaborated by the young, ambitious bourgeoisie propagated *universal human values*. The trio of “Liberty, Equality, Fraternity” expressed a demand for the unconditional decrease of social inequalities. Of course, it had been valid *as long as the ruling class did not gain power* and consolidate its reign. Thereafter, there was no further need for the oppressed, nor the mottos used to mobilize them. Therefore, there was certainly no need for the idea of *unconditional* support of the needy. *The idea of unconditional basic income, like the slogan “Liberty, Equality, Fraternity”, has been rooted in the institutional birth of capitalism but was never taken seriously by the emerging capitalist class, and was only used by that class for the purposes of propaganda.*

The essence of our historical review has been provided by revealing of this relationship.

## **THE PRESENT – THEORETICAL BASIS**

On the basis of the previous chapter we can establish that the roots of the UBI concept date back to capitalism as an institutionalized social system. Since then, the idea of Unconditional Basic Income has appeared in all the developed countries of the world and has had a stimulating effect on social security systems. Nevertheless, unconditional income that could provide a dignified life for people, has not yet been introduced anywhere. In this field the following questions arise:

1. Why UBI has not yet been introduced anywhere?
2. Does the development of welfare states progress towards UBI?
3. Can UBI be introduced in a country or in a group of countries, in the era of globalization?
4. If UBI were yet to be introduced somewhere, what would guarantee that it would not be abolished later?

These questions cannot be handled separately. In order to answer them we have to leave the shallow description of facts and phenomena behind. A *theoretical* clarification is indispensable in case of discussing the introduction of UBI, i.e. when we examine the compatibility of UBI and capitalism. The identification of what is to be done – that should be

the duty of science – is possible on the basis of the experiences of steps that were already taken, i.e. on the basis of the past and present or, in summary, on the basis of the historical social practice. This means that *good practice can only be based on a solid theoretical basis which rests on the right interpretation of practice.*

Our starting point is that UBI would be provided by the government that is the executive authority of the state and our states are capitalist. So thus we have to define the main principles of a capitalist state.

To understand the foundations of the capitalist state it is essential to understand the *iron law*<sup>28</sup> of competitiveness. By capital, we mean the private ownership of such means of production that enable the employment of wage labor. Competitiveness is the precondition of the reproduction of capital with sufficient profit. Reproduction of capital with sufficient profit allows new investments with the purpose of either increasing production on the same technological level or upgrading technology – investments, which are the preconditions of preserving competitiveness. New investments result in the accumulation of capital. Accumulation of capital is the essence of capitalism. Market competition, competitiveness, reproduction of capital with sufficient profit, accumulation of capital – are different approaches to the same thing, namely capitalism. So the *iron law* impacts upon all these factors. Profit is the right of capital and is a part of the value added, as created by employees (wage labor) in the process of production. Whether a capitalist wants it or not, in the long run, profit has to be increased within the value added as well as relative to the invested capital<sup>29</sup>. To increase the share of profit in value added, the share of labor compensation has to decrease. If a capitalist does not succeed in doing that, those competitors who manage to do so, will be able to push him or her out of the market, by means of their better/cheaper products. The basis of competition is the *isolation* of producers, their individual “company” form, so that each and every unit of production is “self-interested”: the root of the selfishness is the private property of means of production. It is the competition based on the isolation of properties that presses capital to reinvest profit, to accumulate capital and by these, to achieve growth.<sup>30</sup> The way and key to growth – the iron law of capitalism – is *the downward pressure on wage share in value added*, additionally accompanied by either increasing, decreasing or stagnating amount of wages. (It is the share of wages that counts, not their absolute level).

Of course, one could imagine a world in which no company undertakes development, thus not threatening other companies’ activities, and does not even start any innovation – a world where market structures show no signs of changes at all – but it would not be capitalism. The essence of capitalism and the basis of its historical merit (the revolutionary development of means of production) is just competition based on the freedom for selfish profiteering.

Now let’s examine the state.

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<sup>28</sup> For a more detailed description of the iron law of capitalism see Artner (2014).

<sup>29</sup> That striving to increase the rate of profit to the invested capital by the individual capitals leads to the tendency of profit rate to fall is another question with which we do not deal now. For tendency of profit rate see Kliman (2011).

<sup>30</sup> We note that the demand of “non-growth” in the frames of *capitalism* (see e.g. Kerschner 2010, Martínez-Alier 2009, Martínez-Alier et al. 2010) seems naive and misleading. Although it is indisputable that nowadays, on global level, we need the structure and quality based development of production instead of growth but within a system that is built on the private property of means of production and hence competition non-growth is impossible *because of the essential characteristics of the system of accumulation of capital itself.*

In capitalism the state is an institution that serves the maintenance of a system of capital; its functioning is directly and indirectly determined by the interests of capital. The latter means sufficient profit, capital accumulation and growth. An appropriate rate of profit is that which covers – above the (luxurious) consumption of capitalists – all the costs that are required to remain competitive: investments directed towards the enlargement of production capacity and upgrading technology, research and development, market research, advertising, etc. The frameworks needed for such activities have to be apparently provided by the state. In the era of globalization the barriers constraining the free movement of capital and labor have been removed and the regulatory role of states concerning domestic and foreign capital has been unified and also limited. However, the redistribution of centralized incomes is still in the hands of the state. So the state could introduce UBI if it can collect enough money. And it should be certainly possible, if we take into consideration the GDP per capita of the developed part of the world and even the world average as well.

Yet the question is not that simple. As we have already emphasized, in a capitalist society capital has to share the value added (GDP) with labor. That is why the contrast is antagonistic between capital and waged labor: if one's share increases, the other one's has to decrease. The relation of these shares is independent of the magnitude of GDP. The state also plays a role in this sharing process as a mediator and regulator, up to the limits of its revenues – mainly taxes, allowances and duties collected from producers and laborers. Let's take a look at the process of such sharing.

The share of GDP allocated to the compensation of employees (referred to henceforth as wage share) has had a tendency to decrease from the 1970s in developed countries. In Central and Eastern Europe this process took place as a consequence of a transition to capitalism. The trend is more variable in the developing world, as in those countries where industrialization is in progress and hence more and more people are being integrated into the system of wage labor, the wages may tend to rise and so the wage share as well. The long term historical trend is, however, manifested in the core countries where the system of capital is most developed. On the other hand, the share of profit within GDP has tended to increase. So the rate of profit to wages (the “exploitation rate” of Marx) tends to increase as well. Resnick and Wolff (2003) found that in the last 130 years in the US the rate of exploitation has been rising – which is another expression of the fall of wage share in the value added. Some countries or groups of countries for different reasons can provide a growing wage share and a decreasing profit share during certain periods of production cycles (for example during the decades of the development of “welfare states” in the core countries until the 1970s or in case of extensive development in peripheral countries or in the first years of a crisis when the decline of wages follows the decline of production and profits with some time-lag). However, statistical data clearly prove that since capitalism has become increasingly global and the capital can function by its nature essentially unrestrictedly, wage share tends to fall. Since the end of the 1970s in the OECD countries the (adjusted) wages share has decreased by close to ten percentage point and although the group of the developing countries is more heterogeneous in this respect as well, wage share, on average, has also declined there.<sup>31</sup>

The *iron law* of competitiveness (in a single word: capitalism) explains the tendencies of wage share to fall and the rate of exploitation to grow. Competitiveness, indicating the sufficient profitability of capital, is determined by revenues compared to costs, within which

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<sup>31</sup> Stockhammer (2013, vi, 1, 3). See also Annual macro-economic database (Ameco) online, 7.6 Adjusted wage share [http://ec.europa.eu/economy\\_finance/ameco/user/serie/SelectSerie.cfm](http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm).

the cost of labor is significant due to its amount and relation to other cost factors. That is why unit labor cost (ULC) is always in the centre of each OECD, EU or nation state document presenting the exemplary or desirable directions of economic policies. The “Euro Plus Pact” accepted by the then members of the Eurozone in 2011 and signed by six other EU Member States regarding the necessary steps which should be taken to achieve competitiveness and convergence, stating under the title chapter “Foster competitiveness” that “[t]o assess whether wages are evolving in line with productivity, unit labor costs (ULC) will be monitored over a period of time, by comparing with developments in other euro area countries and in the main comparable trading partners. For each country, ULCs will be assessed for the economy as a whole and for each major sector (manufacturing; services; as well as tradable and non-tradable sectors). *Large and sustained increases may lead to the erosion of competitiveness.* ... Each country will be responsible for the specific policy actions it chooses to foster competitiveness, but the following reforms will be given particular attention: ... measures to ensure costs developments in line with productivity, such as: review the wage setting arrangements, ... ensure that wages settlements in the public sector support the competitiveness efforts in the private sector (bearing in mind the important signaling effect of public sector wages).”<sup>32</sup> To put it frankly: *ULC should not increase (it would be the best if it decreased) compared to competitors and consequently, government policies should be subordinated to it.* In short, governments are totally aware of what reproduction of capital requires, since economic power stands behind any kind of political power. If, by accident, a government was not aware of this fact itself, capital would inform it through the necessary channels and lobby groups.<sup>33</sup>

Governments have contributed to the decline of ULC by *decreasing* tax and social security “burdens” on labor, paid by both employers and employees. According to the online data published by Eurostat in EU27, on average the share to GDP of social security contributions received by the state decreased from 15.2 in 1995 to 13.3 in 2007. Due to the crisis of 2008 the trend has broken: in 2013 the social contributions to the state increased to 14 per cent. It is, however, still lower than in 1995<sup>34</sup>.

Besides labor costs, other taxes and contributions have to be paid from the value added. These deductions decrease net profit. Because of this, since the 1980s, reduction of taxes levied on capital gains, wealth and inheritance has been on the agenda. Between 1980 and 2007 corporate (profit) tax fell from 45% to 25% in the EU. Afterwards, it has diminished by only 1 percentage point, maybe providing the impression that the tax competition between states, being so beneficial for capital owners, has somehow been stabilized. This is, however, a sham, since tax competition is going on in the form of determining tax bases or offering liberal rules that allow “lawful” tax evasion. For example, there is a 25 per cent corporation tax rate in the Netherlands, being slightly higher than the EU average. The Dutch tax legislation is, however, selective about how it defines taxable profit. This helps many firms to

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<sup>32</sup> EPP (2011, 16), underlining added.

<sup>33</sup> For further details about the link between economic and political power, the link between the American and European industrialists and politics and the lobbying activity of corporations see Carroll, Fennema and Heemskerk (2010) and Artner (2014).

<sup>34</sup> Eurostat Statistics by theme, Annual government finance statistics, Government revenue, expenditure and main aggregates [gov\_a\_main].

enjoy a much lower effective tax rate, sometimes even less than one per cent. Transnational corporations can avoid substantial taxes by “round tripping” its incomes through tax havens.<sup>35</sup>

The redistribution of GDP to the benefit of profits, and at the expense of wages, as well as the decrease in the overall tax burden on profits, are the concomitants of the same process, namely the accumulation of capital. Capital owners aim at increasing their share within newly created value, and for reasons of competition, cannot act differently. UBI would certainly hinder this attempt, as UBI, as we defined it (unconditional, universal and sufficient for a dignified life, a decent standard of living, which meets society’s social and cultural standards in the country concerned), would increase by the percentage of the growth of GDP per head, meaning that UBI would seize a standard proportion of the GDP. By implication, the share of working class from the GDP could not be decreased below a limit. Our conclusion at this point of analysis is that *the idea of UBI contradicts the iron law of capitalism*.

All of these factors weigh especially heavily in the age of globalization, according to the following arguments.

A capitalist system can function appropriately when the unit costs of production (costs per production value) such as, for example, taxes, wages and the costs of inputs (energy, suppliers) are decreasing. The companies can enable this by means of their political influence and also by the global circulation of their activity, by settling where unit costs are lower. Governments compete for capital investments – the more underdeveloped a country is, the more severely they have to compete. The development of the economy, the increase in employment and the accompanying increase in wages are expected to be accomplished by locally realized capital investments. It is also true that the same process leads to the – at least relative – decline of employment and wages. Firstly, globally: if transnational companies employ more and more cheaper labor in the peripheries than in the core the global wage share will fall. Secondly, locally in the longer run: economic expansion means an integration of increasing number of people from peripheral countries into the system of wage labor and also means the intensification of the competition between capitals in their market. The intensifying competition forces capitals to force down wage share in the given peripheral country, either by increasing productivity, or relocating production to lower waged countries where the process recurs. The result of this global resettling is the fall of wage share, illustrated also by movements in “wage elasticity”. These indicators show by how many per cent average wages grows if GDP per capita grows by one per cent. The ILO (2009) estimated wage data for 83 countries, representing about 70 per cent of the world’s population, and found that on average wage elasticity decreased from 0.80 per cent during 1995-2000 to 0.72 in the period of 2001-2007.<sup>36</sup>

It is important to underline that even if a unit of capital employs laborers and also pays wages and taxes at a decreasing rate, the *absolute value* of employment, wage and tax revenues may increase in case of extending production, for example, by attracting more capital to the country. The absolute and relative quantities can move differently. Considering proportions and absolute values is a typical strategy of capitalist companies. The increase of the profit *rate* (profit per invested capital) of a company can be replaced with the increase of profit *amount*, by means of expanding production – at least for a while, until its competitors increase their

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<sup>35</sup> Take for example the so called “Double Irish Dutch sandwich”. It means that „the Irish-registered entity cuts its taxable profit by paying a Dutch affiliate, which pays a subsidiary in a tax haven. Using a Dutch affiliate means withholding taxes don’t have to be paid.” (CNBC, 2013).

<sup>36</sup> ILO (2009, 14-16).



own profit rate (i.e. reduce their unit cost significantly) that allow them to invest, innovate and/or reduce prices, with which they can threaten the company's market share and thus constrain it to increase its own profit rate too.

The end of the process is always the *decline of the wage share* since it is the condition of an increase in the rate of profit. It will also lead to the decrease of labor share to GDP including – as the evaporation of welfare state since the 1970s, and the austerity policies of the last years in Europe have shown – the weakening of state redistribution to the benefit of workers, because the latter can ultimately happen at the expense of capital.

It is not an easy task to decrease the absolute level of wages or even their share. Employees expect an increase of their wages in the course of the development of production and wages are usually subject to debate between the employers and employees. People expect the development of the social security systems as well, while unpaid or underpaid overtime or the increase of work intensity – that are the means of increasing profit – are not welcomed by workers. In such a situation, work constraint and unemployment are natural allies of capital: as wage labor is the only source of living for laborers they may accept the deterioration of their position in order to retain their jobs. The threat of being unemployed is an “argument without sound” on the side of capital being unable to function without the decrease of wage share. Unconditional Basic Income would deprive capital of this indisputable argument.

## **THE FUTURE – THE POSSIBILITY OF INTRODUCING UNCONDITIONAL BASIC INCOME**

In the light of the above we examine what would happen if a government (or a group of countries) were to introduce UBI in the frame of capitalism.

As the UBI would ensure a minimum of the dignified life only and would not be enough for extra consumption above that level, with the introduction of UBI, the ambition to carry out paid work would not disappear. (In fact, some evidence from experimental studies suggests that UBI might have positive effects on labor supply.) Having UBI, people may even accept lower wages for their jobs than without UBI. Even so, with UBI, the threat of being unemployed would be largely neutered. People would have a more advantageous bargaining power when undertaking paid work that would curb the attempt of capital to push wages down, especially in the case of the worst paid, hardest and/or most unexciting jobs.

UBI would limit the redistribution of GDP in favor of capital owners from below. If the state attempted to compensate capital by curbing social security expenditure (education, health care) or reducing taxes levied on capital, the UBI concept would immediately fail. The amount of UBI would not be enough to acquire the previously mentioned social welfare services from the market, while financing residents to live in dignity. In the case of corporate tax reductions the revenues of state would decrease and so the financial viability of UBI might be questioned.

The introduction of UBI and the elimination of labor market vulnerability would enhance citizens' self-consciousness and free time would be also extended, which might be spent on studying and dealing with community affairs. All these positive changes would imbue democratic institutions with more substantive content. Profit-oriented media as well as political propaganda might be more efficiently counterbalanced by a society that invests in self-development and self-organization, so the manipulation of masses would become much more difficult.

For similar reasons, the willingness to consume would diminish as people could probably find satisfaction and wellbeing in other activities than consumption of market goods. This would also restrict the possibilities of mass manipulation that is partly done through consumption and the spur for consumption.<sup>37</sup>

Non-market activities (e.g. social services provided as a favor or in barter, domestic work and “do-it-yourself” for the satisfaction of personal needs) may expand, whilst wage labor supply may decrease in a way that – taking the methods of measuring GDP into consideration – may have a negative effect on GDP growth.

According to the iron law of capitalism, all these processes would urge capital to look for some more advantageous areas to invest in: it would result in capital outflow. Naturally, the larger companies would be the first to leave their current country or region since they are the least attached to a certain area (such as multinational companies). As a result, domestic production would be increasingly overtaken by smaller producers whose capital is less competitive in global scale and which are more susceptible to tax evasion and undeclared work. So the state’s tax revenues and even the GDP would certainly start decreasing which would damage the financial viability and/or the sum of UBI. Furthermore, the less competitive smaller capital would be threatened by cheaper imports (originating from more potent capitalists as well as those countries which do not introduce UBI), so the state should provide some support for domestic capital. The only solution for the above-mentioned issue would be the redistribution of newly created value within the given economy for the benefit of capital. Therefore, the UBI concept would quite quickly contradict the sustainability of capitalist economic system and vice versa. Ultimately, Unconditional Basic Income would be abolished or reduced in a way that would have almost the same effect. The other solution would stab the capitalist system in the heart: abandoning the accumulation of capital for the sake of UBI would paralyze profit oriented production and abolish the viability of private property based economy.

From the viewpoint of reproduction of capital the likely increasing migration into the country that introduces UBI could solve the problem by offering enough cheap labor and allowing a further decrease of wage share to GDP. In this case, however, the GDP would be increasingly produced by those who do not receive UBI. This, besides the general problems that migration usually raises, would result an exploitation of one segment of laborers (non-owners of capital) by the other. This is by far not within the goal of the UBI and would discredit it. The extension of UBI to the immigrants, if it is financially viable, would eliminate this contradiction but would reproduce the situation described in the five points above. An obvious solution for all of the problems surrounding the introduction of UBI in one country or in a group of countries would be the introduction of UBI all over the world. Let’s just not take into account that such a significant problem as this would require a complete rearranging of worldwide redistribution of incomes (directing incomes from the developed countries towards the developing ones). Let us examine only the possible effects of a “global UBI” on the globalized competitive economy of private capital.

It is not necessary to reveal new things. Profit constraint, as well as the cyclicity of capitalist economies, would certainly not disappear. Moreover, crises would become even more frequent since the possibilities of pressing wage rates down would diminish in case of a

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<sup>37</sup> Szalai (2010, 35) states that stimulating consumption has become a mean of practising power in welfare states: “manipulation based on arousing desires for consumption” belongs to the more sophisticated techniques of power.

globally introduced UBI, because the increase of work intensification as well as the lengthening of working days would be spontaneously opposed by the people now living in the security provided by UBI. It means that capitalists would increasingly depend upon the enhancement of productivity in order to lower ULC. Those companies that innovate and increase their productivity first, can realize extra profit – but as the innovation spreads, their advantage disappears and higher productivity becomes general. Higher productivity means that less live labor is needed per unit of production and relative to the invested capital. With the decreasing live labor the value added decreases as well relative to the invested capital. The resulting fall of profit rate should be counterbalanced by lowering wage share in value added. However, in case of an existing UBI system, this compensation is increasingly limited. Thus the fall in the profit rate, and also the depreciation of capital, would accelerate. Crises emerging in such conditions could only be handled by connecting capital into a life support machine by using state revenues and austerity policies. It would require the abandoning of the UBI concept. The other alternative would be the collectivization of means of production being forced currently into the strait jacket of capital: for example, if a sugar factory is closed for financial reasons, those people who need the sugar itself – and not the profit gained from its production – will have to produce it.

### **THE DESTINY OF THE UBI CONCEPT**

The sustainability of UBI requires a radical change in the structure of society, even in the case of its introduction at a global level. Production should be driven by needs instead of costs and economics should be based on the relation between the amount of available labor force and the precisely defined necessities of the society. In order to realize it, the state has to be controlled by society to a larger extent, meaning its class content has to be changed.

On the basis of our explanations we can make an attempt to answer our previously presented questions.

1. Unconditional Basic Income – as we define it – could not have been introduced yet because it is contrary to the essence of capital.
2. That is the reason why the development of capitalist welfare states is progressing in the opposite direction compared to UBI (the welfare state is in the process of deconstruction).
3. The chance of introducing UBI to a capitalist state or even to a group of capitalist countries is as low as the one that French aristocracy had renounced its privileges in favor of equal tax treatment (that could have prolonged their own state).<sup>38</sup>
4. Nothing can guarantee that after the introduction of UBI – e.g. after the first significant economic downturn – the actual government would not abolish or decrease it (which would have quite the same outcome). Conversely, such event could be inevitable in the case of maintaining a capitalist economic system. It could only be prevented if the state got under the direct control of the society, which requires fundamental changes in the structure of ownership as well.

Does it mean that we have to give up the concept of Unconditional Basic Income? Not at all, since UBI would guarantee everyone to have a share in the commonly produced incomes and to take part in the process of social reproduction of his or her free will and

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<sup>38</sup> See Soboul (1977) for further details about the “revolt” of the aristocracy which took the protection of their privileges to extremes.

ability. By guaranteeing both an unconditional minimum of dignified life and the possibility of doing wage labor, the UBI system includes the elements of both *needs based* and *labor based* distribution. This mixture meets the requirements of a *transition period* from capitalism towards a better society. Since UBI focuses on the redistribution of incomes, it could be the first step towards building a better society. Nevertheless, we have to be aware – as we have already tried to prove in this paper – that such a redistribution of incomes between capital and labor collides with the most essential feature of capital – namely, the effort directed towards the appropriation of socially produced incomes by the private owners of means of production.

In the frames of this brief historical review we have attempted to outline that the wish for overall social welfare was present at the formation of capitalism, and what is more, the birth of institutionalized capitalism itself was possible by the mobilization of *masses of people driven by the wish of social emancipation*. Their disappointment, emerging during the Thermidorian Reaction, sank into oblivion due to the oppression of capitalist system, and later – especially during the first few decades following WW2 and in those states at the top of global capitalism's hierarchy – the improvement of the standard of living and the development of welfare state. However, developments in the last two and a half decades after the failure of the system offering an alternative to capitalism (occurring during the 200<sup>th</sup> anniversary of the Great French Revolution) provided a somewhat different kind of experience for millions of people.

In our era, the idea of Unconditional Basic Income is well-founded on the basis of the abundance of already produced and producible goods and represents social progress. For this, it is worth fostering its understanding and to propose or even demand its implementation in several social forums. Nevertheless, we should also be aware of the objective forces which strongly oppose this concept in the frame of capitalism.

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