

*IS BASIC INCOME GOOD?*

*by*

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*Areas of Agreement: The Need for Expanded Public Services of the Welfare State*

There is a growing movement in Spain and other parts of Europe that calls for the establishment of a citizen's salary that would enable every citizen or legal resident to live well, independent of participation in the labor force. According to this proposal, being a citizen or resident of Spain would entitle everyone to receive from the public purse a salary or income that would allow them to live well and keep them out of poverty. This proposal has given rise to heated debate, in which even people of identical political persuasion are strongly divided. But, before discussing the merits and demerits of this proposal, let me go over the points on which I believe we can reach broad agreement, before dissecting the possible points of disagreement.

Let's start, then, with the areas of agreement, and I have to assume that all progressive forces in Spain (regardless of their political tradition) will agree that the state (defined as the various layers of government: central, regional, and local) should finance public schools, health and medical care, child care centers, home care services, social housing, prevention of social exclusion, programs for integrating immigrants, vocational training, higher

education, and other services that are the main components of the public services of the welfare state. These services – as has been extensively documented – are underdeveloped and underfinanced in Spain. I have to assume, therefore, that there is a broad agreement among all progressive forces in Spain that the state (at all levels of government) should expand its funding for all these public services, so that they at least reach the level of funding in those EU countries at the same level of economic development as Spain. Some may even push for increasing public expenditures to reach the EU-15 average, and still others may call for reaching the Swedish average. Whatever the goal, we need to dramatically increase public expenditures to improve our public services.

I assume that no progressive force in Spain proposes funding these services through a “voucher” system – that is, a contribution from the state to every citizen or resident to enable him or her to buy services in the private market. I am not excluding, of course, the possibility of establishing state subsidies and fiscal advantages for specific individuals and groups, but these subsidies and fiscal advantages would be complimentary to, and would not substitute for, the public provision of such services. I further believe that all progressive forces in Spain can agree that most of the funding of these public services should be paid for publicly, with taxes or public fees, without

excluding the possibility of requiring some types of co-payment and users' fees for some services. Public funding does not exclude the possibility of providing services through private institutions, although I suspect most Spanish progressive forces prefer public over private institutions. It is a well-established principle among progressive forces that such services should be provided to all citizens and residents as a right of citizenship or residency, making this a universal right – that is, services are provided to everyone and are not conditional on the resources or means of any citizen, as are means-tested public assistance programs. *I assume, therefore, that up to this point, we are very much in agreement.*

We have to be aware, however, that the universalization of public social services requires a marked increase of public social expenditures in Spain, an increase of at least 7 or 8 percentage points of the GNP if we want to reach the EU-15 average. This increase is urgent and much needed. We cannot tolerate, for example, the situation in which a Spanish citizen, when visiting a primary care doctor, spends only three minutes, on average, on that visit. We should also agree that the growth of public funds needed to approach the EU-15 average for public social expenditures should be among the top priorities of progressive forces, if not the top priority. I believe there is an urgent need to mobilize all forms of pressure to force all levels of

government to increase their public funding toward EU levels, not only monetarily, but socially as well. Needless to say, we have to recognize that this fight is going to be a very tough one. The 30% of the population with higher incomes – who have an enormous influence in political, cultural, and intellectual circles – will oppose this move, because they are the ones who pay proportionally higher taxes (which will be needed to increase public funding) and use fewer public services. But the working class and other sectors of the popular classes will support a call for higher public social expenditures, because they are the ones who will benefit most from the improved public services.

### *The Need to Also Increase Public Social Transfers*

Let's now move on and look at the public social transfers such as pensions, unemployment insurance, family assistance, and other programs. The majority of these transfers are funds paid by the state to individuals, according to certain criteria. Each program defines the criteria for "need," the beneficiaries, and the nature and level of each benefit. These funds go to pensioners, unemployed workers, mothers, fathers, children, or whichever group has been defined as beneficiaries for that program. These individually targeted funds (most beneficiaries receive a public check) respond to

specific needs and appear in the public policy arena in response to a societal awareness that a particular group has specific needs and vulnerabilities that need to be taken care of. Here again, these public transfers in Spain are very low indeed. Pensions, family assistance, and public housing are among the lowest in the EU-15. And only a very small percentage of the unemployed received public unemployment insurance. I believe we could easily agree that we need to increase public funds by another 4 or 5 percentage points of GNP to approach the EU-15 average for social transfers. Adding these funds to those needed to cover the deficit in funding of public services, we find that the overall social deficit in Spain (public services plus social transfers) is no less than >11 or 13 percentage points of GNP. A lot of money! But it is urgently needed. The quality of life of our people (and especially the popular classes) requires that we support a popular mobilization to pressure the Spanish state to move toward the level of public social funding of the EU-15, as a top priority in our political mobilization. Spain's level of economic development is 90% of the EU-15 average, but public social expenditures per capita are only 62% of the EU-15 average. We cannot continue with this dramatic social underdevelopment in Spain, underdevelopment that is rooted – as I have shown elsewhere (*The social underdevelopment of Spain: causes*

*and consequences*, Anagrama, 2006 [in Spanish]) – in the enormous power historically held, and still held, by conservative forces in Spain.

### *The Different Basic Income Proposals*

Now that we have defined some areas of agreement, let's see whether we agree or disagree on basic income (BI). First, let's define what we mean by BI, because there are many interpretations of what BI policies are.

If by BI we mean that all citizens and residents get an individual check from the state that enables them to live comfortably, independent of their labor situation, then we will likely find some disagreements – based not only on people's political and social values but also on their different perceptions of the viability of this proposal. Let's look for a moment at this last concern. Multiplying the level of comfortable income (meaning non-poverty minimum income) by the number of citizens and residents in Spain, we reach an amount equivalent to 12% of GNP. The question that needs to be answered is: Is this 12% of GNP needed to provide BI *as well as* or *instead* of the 11% or 13% of GNP needed to eliminate our social deficit? If it is *instead of*, we would have to consider what services or transfers should be eliminated. I doubt that this policy would be politically feasible. If it is *as well as*, rather than *instead of*, then the overall increase in the fiscal burden

of the state would be 23% or 25% of GNP, an increase that seems completely unreal.

It might be said that not all citizens and residents would need to receive such an amount, since most already have a level of income above BI. In this formulation, BI is interpreted not as a salary for every citizen, but rather as a guarantee from the state that not a single citizen or resident will get less than a decent income, or BI. But let's be clear that this interpretation of BI policy is different from the citizen's income policy that many are proposing. In this new interpretation, BI is a guaranteed income to which everyone is entitled. But that means an individual would have to prove to the state that he or she does not have the means to live a decent life. So we are means-testing the benefit (i.e., BI). This it is not a universal program, but rather a means-tested type of program. Let me clarify right away that I am not against this, but let's call it what it is: this is a means-tested program and, as such, has the same problems associated with all types of means-tested programs, including unpopularity among the working class. This explains why, to be acceptable to both the working class and the middle classes, the income to be given to the beneficiary, and the income that the beneficiary must have to be eligible, would have to be very low. This is why the BI programs that exist in Spain, such as in the Basque country (governed by



Christian Democrats), have been effective only in eliminating absolute poverty: they have not done much to reduce relative poverty.

These programs, approved under the name of BI, have actually been social assistance types of programs aimed primarily at preventing poverty and social exclusion, which is an important objective per se but is insufficiently addressed by BI types of programs. Anti-poverty and anti-exclusion programs, to be successful, cannot be limited to income-maintenance programs. They require a whole array of transfers and public services (such as child care services, vocational training, transport, social housing, for example, for single mothers) besides income. There is plenty of evidence that the best anti-poverty programs are not means-tested programs. The evidence on this from the United States is overwhelming.

### *Basic Income Policies and/or Full-Employment Policies*

What we need is full-employment policies (based on good jobs), in which those who cannot work because of age, disability, sickness, and so forth, can receive, not a BI, but a good income that enables them to sustain not just a minimum decent standard of living but rather the standard of living they were accustomed to before being unable to work. These full-employment

policies should also provide services to help women, young people, and older people to participate in the labor force.

Let me finish by noting that I don't find credible the argument that globalization has made full-employment policies impossible. Sweden – which is a country I know well (I used to live in Sweden, am married to a Swede, and have family members in Sweden) and have acted as consultant to its government – is one of the most globalized parts of the world (ratio of imports plus exports to GNP is the highest in the OECD) and has had full employment for many years. As for another argument against full employment – that technological progress may produce a future without jobs – I find this equally incredible. Look around and you will see the enormous work that needs to be done, such as taking care of our people. The public services of the welfare state are goldmines for employment.

Finally, I am concerned that all the energy being committed to getting BI implemented is distracting progressive forces from pushing for the major changes needed in our societies, such as the social convergence of Spain with the EU-15. And there is another reason I am concerned about making BI a central issue of our mobilizations. How can we mobilize the citizens of Barcelona, whose average visiting time with a doctor at their public health center is just three minutes, with the message that everyone needs a basic

salary? They most likely already have an income above BI and will not be mobilized by a call for BI. They would mobilize, however, if we called for an increase in public funding that enabled them to have a doctor's visit of, say, 10 minutes! It has also been said that BI will increase the power of the working class in their bargaining with employers, and that it will have a similar effect to an increase in the minimum wage – everyone will benefit. That is indeed the case for an increase in the minimum wage, which explains why the working class strongly supports this. But the experience in Spain is that BI can divide and thus weaken the working class. Workers object to people choosing not to work and getting paid through working people's taxes. BI is seen as unfair, which is not the perception about increasing the minimum wage. We have to recognize this politically: BI is not a mobilizing project among large constituencies of the left, even though the major trade union federations in Europe and Spain have supported it.

In terms of priorities for the left in Spain, I don't see BI as a top priority. I favor it, since anything that might reduce poverty is good. But, I repeat, the Spanish experience shows that the effect of BI on reducing relative poverty is minimal. As for BI being the way to build communism – as one of its main proponents, my friend Philippe Van Parijs, has claimed, presenting it as “the capitalist transition to communism” – I can only say that

at this time I cannot think so far ahead. In Spain, the social needs are so pressing, and our people are hurting so much (a member of the top income decile lives ten years longer than a member of the unskilled sector of the working class), that I believe BI is too small a step to solve these problems. Looking so far ahead (as does Van Parijs) sometimes means losing your ability to see the present. I therefore invite you to make a trade-off. Be more ambitious now, even at the cost of maybe being less ambitious for the future. Build on the social democratic tradition that is still so underdeveloped in Spain, before you call for a much-too-distant paradise.

Thank you.