

# Degrowth with basic income – the radical combination

Basic income and degrowth are both ideas with a great critical potential. They force us to reflect on our views of people and society, on our visions and values. Many of the “truths” related to the industrial society are suddenly watered down and even reversed as soon as we start to take the two concepts seriously. Even if there are moderate versions of both degrowth and basic income that may be integrated into the prevailing ideology, they threaten to undermine the fundamental vision of “the age of high mass consumption”.<sup>1</sup> If the two concepts were connected into a consistent political agenda they could herald a new epoch transforming our work, lives and morals.

But how compatible are basic income and degrowth? What kind of basic income and which meaning of degrowth would fit a warranted political vision? Can an introduction of a basic income counter the strong drives behind the present growthmania?

As a start I portray the concepts of growth and degrowth. Then I take a look at some views concerning the relationship between basic income and growth. After a presentation of the drivers behind economic growth I try to assess whether a basic income could work as a restraining factor on the growth imperative. As a conclusion I give some thoughts on the kind of basic income that could be part of a radical transformation towards degrowth.

## Growth and degrowth

What is the meaning of growth and degrowth? Economic growth, measured by GDP, reflects the market value of all produced goods and services. GDP also mirrors the monetary income of a country, although international income transfers distort the connection between the market value of domestic production and domestic incomes. Incomes are used for consumption or savings. Savings are efforts to increase wealth in monetary terms. If invested in a profitable way they promote further economic growth. It is of importance to understand that GDP is a monetary measure, originally designed to measure fluctuations in the market economy. It does not – and I think should not – include all kinds of goods and services, since many of them are not produced for or sold on a market, and could actually lose their value if

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<sup>1</sup> This term was used by W.W. Rostow in his renowned book *The Stages of Economic Growth*, Cambridge University Press 1960.

they were commodified. (E.g. if I had to pay you in order to get your appreciation of my contribution, I could no longer enjoy it.)

The problem of growth does not lie in the way it is measured, but in the religious devotion that it has acquired. Although our production, incomes and consumption already exceed several – both local and global ecological limits – even the richest countries look for faster economic growth in order to solve their problems. Although we continue to stimulate growth by almost any means, the costs that these efforts imply are seldom taken into account. Even if growth has become “uneconomic” – its marginal costs exceeding its marginal benefits – it is still a dominating goal locally, nationally and globally.<sup>2</sup>

Degrowth literally means economic contraction. However, it should rather be seen as a radical critique of the cult of development and economic growth. The aim is to liberate us from the current economic system that depends on continuous growth. Degrowth, post-growth, downscaling and steady state are all ideas and movements that strive to tackle the myriad of social and environmental problems by envisaging a future that does not depend on economic growth.

A common view among those favoring degrowth is that “green” technologies are not a reliable solution. Due to the rebound effect (also called Jevons paradox) new resource saving technologies do not reduce extraction, if they increase incomes and consumption. More efficient uses may even lead to a faster exploitation of natural resources. Jevons paradox arose from the experience of how the use of coal multiplied as the efficiency of coal-using machinery improved. What is needed is a defiance of a dominant thinking centered on labour productivity, consumerism and competitiveness.<sup>3</sup>

### **Basic income a promoter of growth or degrowth?**

Proponents of a basic income (BI) differ as to the reasons why a more or less unconditional regular income should be introduced. For some it is a question of rationalizing the existent social security system, of reducing poverty and unemployment traps, and of removing the stigma and paper work related to means tested benefits. For most supporters the main motivation is to increase our personal freedom to choose how to live, work and care for others. Quite often, however, it is argued that BI should be seen as a means towards an ecologically and socially sustainable society. In the second international conference on

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2 Herman Daly: Opportunity Cost of Growth, 2010, <http://steadystate.org/opportunity-cost-of-growth/>

3 For more information on the idea and movement concerned with degrowth, look at Research & Degrowth, (R&D) <http://degrowth.org/>

“economic degrowth for ecological sustainability and social equity” in Barcelona 2010, a special workshop was dedicated to basic income and income ceilings; the declaration from the conference mentions BI as one way to promote degrowth.<sup>4</sup>

It is possible to argue for a BI as a means of improving capitalist growth. Those who, like Milton Friedman, support a negative income tax (NIT), believe that such a rationalization of our too complicated welfare system would reduce bureaucracy, improve incentives, and even save tax money. Thus, they hope, it would stimulate markets and economic growth.<sup>5</sup> Also those who, like Philippe Van Parijs, see a maximum sustainable BI as the road to “real freedom for all” are almost of necessity interested in a BI that is compatible with economic growth. In an article devoted to competing justifications of BI Van Parijs suggested that “a crucial – if not *the* crucial – argument for basic income must be that (up to some level, at any rate) basic income is growth-friendly”<sup>6</sup>

However, a most frequent argument against BI is that it would twist the incentives from paid work towards leisure and thereby hamper economic growth. Should degrowth-promoters use this line of reasoning in favor of a BI? I think not. It is easy to imagine a tax-benefit system along BI-lines that would reduce paid work and GDP, but would it be socially and economically sustainable? And if economically and socially sustainable – i.e. if there are enough workaholics to support a high enough BI – would it be compatible with the global ecological limits? The challenge is not to use BI as a means to hamper growth, but to work out a combination of instruments – including a BI – that would liberate us from the imperative to grow.

Depending on the main arguments for a BI, we get quite different versions of what it should look like, and how other benefits and institutions should be reformed.

### **The current growth syndrome**

The current growth syndrome is supported by three strong and interlinked mechanisms: 1) profit-driven capitalism that links employment to incessant accumulation, 2) status-driven

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**4** Degrowth Declaration Barcelona 2010. [www.degrowth.org/Barcelona-2010-Declaration.119.0.html](http://www.degrowth.org/Barcelona-2010-Declaration.119.0.html) In *The Heretical Political Discourse* (2008) Erik Christensen insisted that a global ecological argument should form the overall frame for all basic income considerations.

<sup>5</sup>Milton Friedman’s views on how a NIT could alleviate poverty and make the economy more efficient are presented in chapter xii in *Capitalism and Freedom*, University of Chicago Press 1962.

<sup>6</sup>Phillipe Van Parijs: *Competing Justifications of Basic Income*. In Phillippe Van Parijs: *Arguing for Basic Income*, Verso 1992, p. 28

consumerism involving an endless drive for novelty, and 3) international rivalry, trade and finance. I have illustrated these drivers below. They feed on each other, and by interfering with one of them it will be somewhat easier to cope with the other two.<sup>7</sup>

Capitalism is characterized by the drive to accumulate capital, to invest money in order to receive more money in the future: Marx's  $M - C - M'$ . Since it also bent on increasing labour productivity, without reducing labour time, it needs constant growth in order not to increase unemployment: Okun's law.

Positional competition between individuals – a concept introduced by Fred Hirsh<sup>8</sup> – and status-driven consumerism are deep-rooted socially and psychologically. Modern capitalism, no longer directed towards satisfying fundamental needs, thrives on and encourages individualist conspicuous consumption and the drive for novelty that, according to Tim Jackson stands in the centre of the growth syndrome.<sup>9</sup>

International rivalry, the positional competition between states, is also a formidable engine for growth. This rivalry is intensified by the need to get hold of scarce natural resources and by the deterioration of the environment. Only if you are rich and strong enough will you be able to secure a steady stream of those necessities – as well as luxuries – that you want to import from other countries.<sup>10</sup>

To what extent can a basic income curb the strength of these mechanisms or break the interconnection between them? What kind of basic income would best tie in with degrowth?

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<sup>7</sup> These three mechanisms are described in chapter 9 in Ralf Eriksson and Jan Otto Andersson: *Elements of Ecological Economics*, Routledge 2010.

<sup>8</sup> Fred Hirsch: *Social Limits to Growth*, Routledge 1995 (1977)

<sup>9</sup> Tim Jackson: *Prosperity without Growth. Economics for a Finite Planet*, Earthscan 2010.

<sup>10</sup> See Jan Otto Andersson: *International Trade in a Full and Unequal World*, in Alf Hornborg & Andrew K. Jorgensen (eds.): *International Trade and Environmental Justice: Toward a Global Political Ecology*, Nova Science Pub Inc, 2010

## Restraining profit driven capitalism

The prize-winning essay *A Capitalist Road to Communism* written by Robert van der Veen and Phillippe Van Parijs (1986) sees the introduction of a decent “universal grant” as a means of transforming capitalism in the direction of communism in Marx’s original sense of the term. In communism the share of total income distributed according to needs would be high and most work would be motivated by its intrinsic value and not by money rewards. The authors argued that a universal grant covering the fundamental needs would push up the wage rate for unattractive work and reduce the wages for work that is rewarding as such. The taxes necessary to finance a decent BI would cushion capital accumulation and growth. The authors took care not to advise a BI in order to reduce growth, but concluded that *if* there was a political will to change the distribution pattern rather than increasing output, capitalist societies could smoothly move towards communism.<sup>11</sup>

In rich capitalist societies growth is no longer seen as means to reduce poverty, but since the supply of jobs depends on the rate of GDP-growth economic policy is geared towards stimulating growth. It is the long term unemployed that suffer from poverty and social exclusion. Schemes to reduce overall working time and share jobs in an orderly way have been difficult to implement, and the only feasible solution therefore seems to be more growth. This strong link between employment and growth (the so called Okun’s law in macroeconomics) could certainly be lessened by the introduction of a BI that would help people to choose their working time, to downshift and to have the courage to become self-employed.

Practically nothing has been said or studied of the consequences of a BI on the banking, insurance and pension sectors. Depending on how the BI is constructed and financed the effects on these institutions, central to today’s capitalism, could be important. Structured in a way that downplays the profit motive and encourages long term investments in social and environmental capital, a BI could alleviate the pressures emanating from the capitalist financial sector.

A BI can also be seen as a direct investment in social capital. It would encourage activities in the social voluntary economy, the so called “third sector”. Since degrowth advocates do emphasize the importance of investments in social and ecological capital there is a close link between the two proposals.

## Curbing status-driven consumerism

The most obvious effects of a BI on the growth drivers relate to consumerism. By making income distribution more equal and by improving income safety the need to show your worth through what you consume would be eased. People would also be able to express

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<sup>11</sup> Robert J. van der Veen and Philippe Van Parijs (2006) "A Capitalist Road to Communism," *Basic Income Studies*: Vol. 1 : Iss. 1, Article 6. The article was originally published in *Theory and Society* 15 (5), 1986, pp. 635–655.

their identities through different activities and professional reputation, rather than through their jobs and incomes.

With a BI new ways of living would pop up and spread. It is difficult to predict how they would look like and how they would be received by the “normalized” majority. A good guess, however, is that these new life styles would be less directed towards mass consumption and more consciously ecological.

To “keep up with the Joneses” – to try to emulate the life styles of at least the middle class – would probably not have the same force as in our present consumerist societies. Those who still choose expensive life styles would lose some of the admiration and envy that they compel today. In a society where the commodification of labour has become less prominent, it will be possible to value people’s social activities and personalities more.

If the change also could influence the drive for novelty is an open question. There will certainly continue to be a lot of experiments and innovations, but if capitalism can be contained the effect on daily life would be less expensive and heavy-handed.

To hold back the most expensive forms of positional competition is a most demanding task for the promoters of degrowth. The introduction of a BI could help to find ways to alleviate the distributional struggles and counter the private and social costs that stems from a too fierce positional competition. The removal of positional goods from the commercial sector and the reduction of the financial returns from the top jobs could change attitudes towards careers and education in a more degrowth-fitting direction.

### **Moderating international rivalry**

Until now basic income has been treated as a national project. A BI has been suggested for the whole EU-area, but its implementation on an international scale has been seen as quite utopian. However, it is fascinating to ponder the international consequences of national BI-schemes. And why should we not envisage some kind of global basic income, financed by global taxes?

Basic income can hopefully be linked to an effort to weaken the urge to grow due to international competition. I see two ways, of which the first is only indirect and the second rather utopian.

The first way would work through the possible effects of a BI on democracy. A guaranteed right to a basic individual income strengthens the position of subdued groups vis-à-vis national and local elites. It would also reduce clientelism and corruption. In countries where social assistance is means tested and coupled to family, religion or clan, it is often misused to consolidate traditional loyalties and therefore tends to undermine democratic institutions. By improving democracy and human rights nationally a BI could in addition reduce international tensions, militarism and economic rivalry.

The second way is to use global taxes to finance globally distributed unconditional grants. This would, however, require the rudiments of global democratic government. The need to use global taxes in order to restrict overuse of natural resources and pollution is evident, but taxes on necessities, such as food, water, and energy will hurt poor people even more than those well-off, who can afford higher prices on necessities. By distributing the proceeds through universal grants the ethical case for global green taxes would become even stronger. A small monthly BI could make wonders in localities where people now live close to absolute poverty.<sup>12</sup> Such schemes could be a step towards more genuine international solidarity and promote degrowth in the rich parts of the world.

### Concluding thoughts

Most basic income propositions are likely to fit a post-growth society. However, if pushed too high a BI would not be economically sustainable without constant pressures to make total income grow. If set too low, and abolishing existing benefits, it would not lead to any decommodification of labour. On the contrary it could increase the supply of job seekers.

If basic income is linked to degrowth its design should be considered carefully. The level must be high enough to allow people to reduce their dependence on paid work and social security linked to their previous earnings. It should not be set so high that it can be financed only by a persistent effort to raise total income. If an economically and ecologically sustainable unconditional grant would be too low to affect people's choices as desired, we should not shun the possibility that a decent BI could be linked to some kind compulsory service. This was acknowledged when a BI was first popularized in Scandinavia as a "citizen's wage" (medborgarlön) through the path breaking book *Revolt from the Center*.<sup>13</sup> It can also be linked to Tony Atkinson's "participation income".<sup>14</sup>

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12 A very interesting experiment on the village level has been made in Namibia, and similar experiments are now starting in India. Guy Standing: "Two pilot schemes in India", *Basic income news*, August 1, 2011 [binews.org/2011/08/opinion-two-pilot-schemes-in-india/](http://binews.org/2011/08/opinion-two-pilot-schemes-in-india/)

13 After putting forward "a citizen's wage for every member of the population", the authors considered the possible necessity of a compulsory "national service".

Any job in the community which nobody find particularly attractive but which needs to be done is dealt with through a form of national service, or in special cases through higher hourly wages.

Niels I Meyer, Helveg Petersen and Villy Sorensen: *Revolt from the Center*, Marion Boyars, London and Boston 1981, p.118 (Danish original 1978)

14A. B. Atkinson: *The Case for a Participation Income*, *The Political Quarterly*, Volume 67, Issue 1, pages 67–70, January 1996

Green taxes that would slow down consumption and population growth can partly finance a BI. However, it would be good to avoid the temptation to pay for the BI by taxing exhaustible natural resources. It is e.g. shortsighted to use oil income to finance transfers as is being done in Alaska and many oil-exporting countries. Today's BI should not be paid at the expense of future generations.

A BI should also be linked to other reforms that are compatible with degrowth. In order to enhance unpaid activities that develop social and ecological capital, and strengthen national and international solidarity, ordinary working hours should be reduced. The buildup of the social voluntary sector would be considerably easier following the introduction of a BI, but even then it should be supported by the public sector, as also by the possible use of compulsory civil services.

Whether a BI could influence capitalist rivalry and accumulation, and the constant urge to increase labour productivity, is not so obvious. It would be necessary to initiate controls on the international movements of goods, capital and labour. The global political trilemma discussed by Dani Rodrik would have to be tackled if we seriously want to achieve basic income and degrowth. According to Rodrik we cannot combine nation states, democracy and deep economic integration; one of them must give way for the other two.<sup>15</sup> Strong democracies – either national or transnational – are necessary to regulate international trade, capital flows and migration.

It is probable that a decent basic income cannot be introduced nationally in a globalised economy. A condition is a relatively strong democratic state that can regulate the flows of capital, commodities and people. If we cannot achieve democracy on a continental or global level, we have to link basic income schemes to existing states. Therefore BI is an important link in any efforts to strengthen democracy and the preconditions for degrowth.

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**15** Dani Rodrik: *The Globalization Paradox. Why Global Markets, States, and Democracy Can't Coexist*, Oxford University Press 2011.