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Basic Income between Economic Growth and Degrowth*

Abstract – *It is striking that some propose basic income as a means to promote economic growth while others propose it as a means to facilitate economic degrowth. The same instrument is suggested with diametrically opposed intentions. However, this conflict is rarely discussed. The present paper takes a closer look at how basic income is associated with economic (de)growth. For this purpose, the central arguments on the relationship between basic income and economic growth are reviewed. It is found that the actual effect of basic income on economic growth is likely to depend on various details and circumstances of the implementation. While there are plausible scenarios where basic income could contribute to economic growth, it might also increase the feasibility of degrowth. Although basic income itself will probably not lead to degrowth, it facilitates other policy measures appropriate for degrowth. Thus, basic income extends the scope for decision-making not only on the individual but also on the societal level. It opens up the opportunity for society to choose whatever economic path might be optimal for it – be it growth or degrowth.*

* This discussion paper is part of the author's MSc thesis *"Basic Income between Economic Growth and Degrowth. Positions within the Popular Initiative in Switzerland"*. In the MSc thesis (which will be finished in autumn 2014) problem-centred interviews are analysed in order to determine which positions regarding economic growth are represented in the popular initiative and in how far they are subject of the discussion. The following pages contain a literature review that was done preliminary to the interviews.

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1 Introduction

During past decades the rising concern with environmental issues has led to a fierce debate about economic growth. In this light, it is of great interest how basic income will affect economic growth. This question is answered inconsistently in the literature on basic income. It is striking that some propose basic income as a means to stimulate economic growth (e.g. Milner 1920) while others propose it as a means to facilitate economic degrowth (e.g. Fitzpatrick et al. 1999). The same instrument is suggested with diametrically opposed intentions. Basic income seems to be attractive from the viewpoints of conflicting paradigms. At the same time, basic income remains a controversial issue within the different paradigms – in particular, there are many advocates of economic growth who fear that basic income will hamper growth (e.g. Siebert 2007). Table 1 summarises the four main positions in this debate which depend on the attitude towards growth and the supposed effect of basic income on growth.

Quite some discussion is taking place about basic income in regard to economic (de)growth – usually *within* either paradigm. However, this discussion is not systematic and comprehensive in a sense that takes into account the support of basic income by conflicting paradigms in regard to economic growth. This paper takes a closer look at how basic income is associated with economic growth and degrowth. For this purpose, the central arguments on the relationship between basic income and economic growth are reviewed. Since it would go beyond the scope of this paper to give a review on the whole literature, the paper aims to give an overview on the crucial lines of argument.

In the last part of this introduction a definition of basic income is provided. Then, in chapter 2, the main attitudes towards economic growth are displayed in more detail. In chapter 3, basic income is discussed from the perspective of growth advocates. There, it is taken for granted that economic growth is a good thing. Hence, basic income is only acceptable if there are reasonable grounds to believe that it will foster growth. In chapter 4 – where the story about basic income is told from a degrowth perspective – the opposite is the case. Growth is considered bad. Therefore, basic income is only accepted if it is believed to facilitate what will be defined as degrowth. Chapter 5 concludes which effect of basic income on economic growth is more plausible and what this means for both advocates of growth and degrowth.

		Attitude towards Growth	
		pro	contra
Supposed Effect of Basic Income on Economic Growth	negative	“basic income hampers growth” → contra basic income	“basic income facilitates degrowth” → pro basic income
	positive	“basic income facilitates growth” → pro basic income	“basic income hampers degrowth” → contra basic income

Table 1: Attitude towards basic income depending on attitude towards growth and supposed effect of basic income

1.1 What is Basic Income?

The term basic income is understood here as an *unconditional* income granted to all members of a political community “on an individual basis, without means test or work requirement” (Basic Income Earth Network n.d.). Similar proposals have been made under various terms like state bonus, national or social dividend, citizen's income or wage etc. Especially the absence of means testing and work requirement differentiates basic income from other systems of social security.

Van Parijs (1995) justifies basic income from what he calls a real-libertarian view. This political philosophy is expressed in the statement that "a free society is one in which people's opportunities are being leximinned[1] *subject to* the protection of their formal freedom, that is, in respect of a structure of rights that incorporates self-ownership" (ibid, 27). Such a society provides *real-freedom-for-all.* In order to institutionalize this conception of freedom, Van Parijs suggests the introduction of *the highest sustainable basic income*. In contrast to some other definitions, this one does not include that basic income should satisfy basic needs. Nevertheless, the level of basic income is of great importance – not only due to ethical considerations but also when it comes to the relationship between basic income and growth. This aspect will be discussed in connection with the issue of bargaining power in chapter 3.1.

The criterion of lexiographic maximin could be interpreted as being biased towards economic growth. It is usually assumed that growth extends the scope for improving the situation of the worst-off. However, as the following section will show, also the opposite could be true if one takes the view of a different paradigm.

2 Attitudes towards Growth

To understand the discourse about basic income in regard to economic growth it is necessary to take a brief look at the controversy about growth itself. Basically, the protagonists can be divided into advocates of growth on the one hand and critics of growth (or advocates of degrowth) on the other hand. The former accept what will in this text be called the paradigm of growth, the latter accept the paradigm of degrowth. Of course, the classification into advocates of growth and degrowth is simplifying. The discourse about economic growth has a long history and is very diverse. Nevertheless, this simple classification should be sufficient for the purpose of this paper and allows interesting insights into the debate. So why is growth such a controversial issue?

1 lexiographic maximin

Economic growth, usually measured as the annual percent change of gross domestic product (GDP), is favored by many economists as a main policy objective. Growth is seen as the solution to major problems of society. First, it is associated with demographic transition, thereby addressing overpopulation. Second, it is seen as a convenient solution to the problem of poverty. A comprehensive discussion of these two issues is given by Perman (2003, chap. 2). Third, following Okun's law, growth is the answer to technological unemployment. These three considerations constitute a strong moral foundation for the growth paradigm (Daly 1999, 14).

Despite that, criticism of economic growth gained significance during the second half of the 20th century. An increasing number of scientific publications questioned the possibility of continual economic growth. The most prominent example is probably *Limits to Growth* by Meadows' et al. (1972). The book concludes that "if the present growth trends in world population, industrialization, pollution, food production and resource depletion continue unchanged, the limits to growth on this planet will be reached sometime within the next hunderd years. The most probable result will be a rather sudden and uncontrollable decline in both population and industrial capacity" (ibid., 23). The publication contributed largely to raising awareness of sustainability issues. At the same time the book was criticised by many economists for not paying respect to the market mechanism. According to them prices are sufficient signals in case of scarcities to change patterns of resource use. The political task is only to assure properly functioning markets. This reflects an optimistic view of technology, assuming highly substitutable environmental resources and services (Perman 2003, 47).

No matter whether continual growth is possible, one can ask whether it is desirable. Even though the terminology suggests that *economic* growth is in fact economic[2], there is no a priori reason why it could not be uneconomic. Analogous to any microeconomic activity the marginal cost of GDP could be larger than its marginal benefits. This kind of reasoning is not usually applied in macroeconomic analysis, but the possibility of an aggregate activity

2 in the sense of economic efficiency

(economic growth) being uneconomic is perfectly consistent with economic theory (Daly 1999, 3–4).

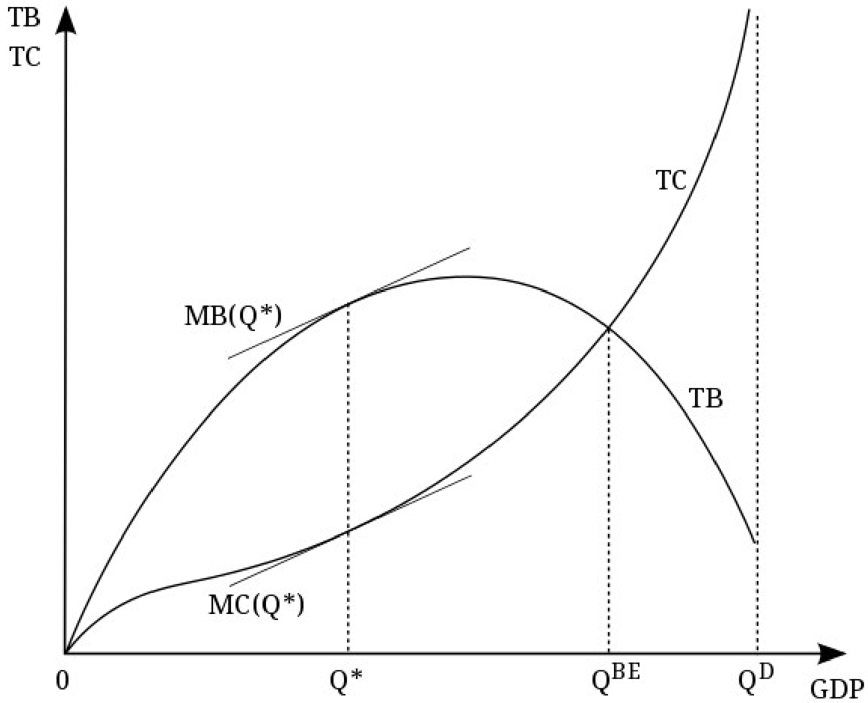

Figure 1: Total costs and benefits of GDP, adapted from Daly (1991, 28)

Figure 1 shows total benefits (TB) and total costs (TC) of GDP as a function of GDP. The TB curve exhibits diminishing marginal benefits (MB). This represents individuals who rationally satisfy their urgent needs first. The TC curve has the property of increasing marginal costs (MC) since the most productive (known and accessible) factors of production are used first. MC incorporate the increasing marginal sacrifices in terms of depletion, pollution and working conditions. At a GDP level of Q^D these costs become infinite, representing some worst case scenario of ecological disaster. Further growth would simply not be *possible*. To determine whether growth is *desirable* we need to consider the net benefit of GDP, the vertical distance between the two curves (TB minus TC). This net benefit is positive for GDP levels between 0 and Q^{BE}, which corresponds to a kind of break-even point. At Q^{BE} the TB are exactly offset by TC. However it would be uneconomic to grow that far. From Q* on every additional unit of GDP costs more than it benefits. The net benefit of

GDP is maximized at a GDP level of Q* where MB equal MC. Between 0 and Q* growth in GDP is economic, further growth is uneconomic. Q* represents the optimal scale of the economy where growth should cease (Daly 1991, 28–29).

Of course, this is not the end of the story. The above analysis is prone to criticism due to its static nature. Technical progress might shift the TC curve. Similarly, changes in the preference structure might shift the TB curve. As a result, Q* could move continuously to the right, mandating further growth. Whether this turns out to be the case depends on two factors. First, it is crucial how the curves shift apart. For Q* to move it is necessary that the relative slopes of the curves change. Second, there could be limits to how far the curves can be shifted. Especially shifting the TC curve might be limited due to the laws of thermodynamics and the fragility of ecosystems (ibid., 29). Like considerations about the possibility of continual growth the question of its desirability also amounts to a discussion about technological possibilities. This discussion is often lead under the term *decoupling* – asking in how far GDP growth can be decoupled from rising resource use and emissions (Jackson 2009, 48–57).

Daly (1998, 6) suggests that the controversy about economic growth embodies what Schumpeter (1954) called *preanalytic visions* – which might also be referred to as paradigms. This is also reflected by the fact that there are two distinct schools of economic thought that deal with the environment. Environmental economics on the one hand is the mainstream (neoclassical) economic analysis of the subject. It is optimistic of the substitutability of environmental resources and services as well as of decoupling. As Simon (1996) concludes "the ultimate resource is people – skilled, spirited, and hopeful people who will exert their wills and imaginations for their own benefit (...)". Therefore environmental economists are also optimistic of continual growth (Perman 2003, 4–10). This vision is in this text called paradigm of growth. Ecological economics on the other hand is the heterodox approach to the same field of research. It emphasise that the economy is a subsystem of the larger ecosystem and is sceptical of the substitutability of environmental resources and services. Therefore ecological economists are critical of economic growth. Instead, they call for a steady-state economy[3] – “an economy with constant stocks of people and artifacts, maintained at some desired, sufficient levels by low rates of maintenance 'throughput', that is, by lowest feasible flows of matter and energy (...)“ (Daly 1991, 17). Some even advocate degrowth, assuming that our economy is already beyond its optimal scale (right of Q* in Figure 1) (Research & Degrowth n.d.). This vision is here referred to as paradigm of degrowth. For simplicity reasons, the term degrowth is in this paper used for any economic system that is deliberately designed not to grow. This includes the steady state-economy in Daly's (1991) sense.

3 Basic Income according to the Growth Paradigm

This chapter deals with basic income in the light of the growth paradigm as portrayed in the chapter 2. If one accepts this paradigm – as it is currently done in the mainstream economic discourse – it is of paramount importance that any major social reform has a positive impact on economic growth. Therefore, under the current political conditions the feasibility of basic income depends largely on the availability of economic efficiency arguments. As Van Parijs (1992a) points out, it is not necessary, to show that a basic income is optimal for growth. It is sufficient to show that it has “a positive impact on both the situation of the worst off ('justice') and the national product ('efficiency')” (ibid., 26). For the bigger part of this text, the justice aspects are left aside. Instead the focus is on efficiency, in terms of the extent to which a basic income contributes to economic growth.

Economic efficiency arguments of that kind have a long tradition in the history of the basic income discourse. After the first world war the idea was discussed in the United Kingdom under the name of “state bonus”. Back then, Milner (1920) published “Higher production by a bonus on national output: A proposal for a minimum income for all varying with national productivity” which became the first known book, entirely devoted to basic income. The book covers many arguments that were important in the subsequent debate, including that the state bonus can be justified for efficiency reasons. One efficiency argument often

3 Not to be confused with the steady state in neoclassical growth models, where the term refers the state when investment equals depreciation – which allows for economic growth.

mentioned in the debate during the following decades is that a basic income would stimulate aggregate demand. This kind of reasoning is used by Douglas (1920) and Duboin (1932) as well as some early Keynesians in the tradition of the social dividend, such as Robinson (1937), Mead (1938), Lerner (1944) and Cole (1944). However, this argument is valid for conditional redistribution as well. Therefore it does not constitute an advantage of basic income compared to a means-tested minimum income system (Van Parijs 1992a, 25).

This raises the question why it is the very unconditional nature of a basic income that is supposed to foster economic growth. Only if it can be answered satisfyingly, the preference for a basic income over means-tested minimum income systems is justified. But this is far from being obvious. Actually, many economists think that the opposite is true. For them, the unconditionality of a basic income is a major disadvantage in regard to economic growth. According to Van Parijs (1992b) there are two main lines of argument in favour of and two against this attitude. On the one hand a significant basic income could hamper growth because it raises the bargaining power of the labour force. Additionally, an increased tax yield might be required in order to finance it. On the other hand basic income could foster growth by making our economy more flexible and less conflict-ridden.

3.1 Bargaining Power

It is often stated that a basic income would be a major disincentive to hold down a job. Siebert (2007), for example, expects a destruction of the working morale. Once income security does no longer depend on having a job people might decide to escape from the wage relation. Whether many people would actually use this opportunity remains a controversial issue. In any case, a significant basic income means an increased bargaining power. It opens up *real-freedom-for-all* which includes “the real freedom to say no to market interaction” (Sturn and Dujmovits 2000, 199) – even on the labour market. This bargaining power can be used to demand higher wages and better working conditions in return for taking a jobs. This might be especially true for unalluring jobs. The reduced labour supply and the accompanying rise in wages lead to a decrease in GDP. For some economic sectors the opposite might be true. More people might decide to take popular but low-paid jobs. However, this could also apply to work outside the labour market. For example, an increasing number of people might engage in gardening or creative activities – maybe without the intention of selling anything on the market. Again, this would have a negative impact on the GDP. Things get even worse if effects on the rate of return on capital are considered which could drop dramatically. Some economists, like Siebert (2007), fear that this would lead to a major capital flight. Consequently, they regard it as likely that the overall effect of a basic income on growth is negative.

From an ethical point of view, the increased bargaining power is often considered an important argument in favour of basic income. It is crucial for real-libertarianism (Van Parijs 1995). What is discussed in this section under the term of bargaining power is closely connected to an individuals freedom "to do whatever she might want to do" (ibid., 25). Real-libertarianism has no moral preference between different conceptions of the good life. Basic income – as the institutionalisation of this political philosophy – is therefore not biased in favour of those who choose to work. However desirable this ethical case may be for some, for others it is an excess of freedom. Some opponents of basic income, like Flassbeck et al. (2012), point out that basic income offers opportunities that would lead to economic collapse if they are used by many people.

Of course, all these considerations about bargaining power depend heavily on the level of basic income. If people receive an unconditional income below subsistence level, they do no longer have the power to say no to wage labour. In this case there is no reason why the supply for labour would decline. Butterwegge (2007, 30) argues that the result would be a wage top-up scheme that leads to an increase of low-paid jobs. Wages may even decrease and labour supply may rise as new parts of the workforce enter the labour market. This applies to those who's marginal productivity was below some minimum wage before. It follows that the effect on the rate of return on capital as well as the effect on economic growth could be positive in this scenario. However, for those interested in the distributive justice and freedom aspects of the reform, a basic income below subsistence level becomes stale or even unacceptable (Groot 2004, 117). In addition, regardless of the effect on bargaining power, basic income might hamper economic growth due to an increased tax burden.

3.2 Taxes

Basic income is often accused of being unacceptably costly for tax payers. Hauser (2006), who compares various systems of minimum income for the case of Germany, considers this a major disadvantage of basic income. Many people who are not entitled to any benefits under a means-tested minimum income system would be granted a transfer. Therefore, if a basic income is set at the same level as its means-tested equivalent it is bound to be more costly. As a consequence the tax yield has to be raised or other government expenditures need to be cut.

There is some room for the latter strategy since basic income substitutes some means-tested transfers like unemployment benefits or pensions. These transfers could simply be relabelled. Also, various tax exemptions and rebates become dispensable. As a consequence, the administrative effort and cost are significantly reduced. Since a large proportion of this cost is caused by checking the eligibility for benefits, less conditionality of the benefits means lower cost (Van Parijs 1992b, 230). This is also what Friedman (1962) had in mind with his negative income tax proposal. What he suggests is a radical simplification of the welfare state compared to the patchwork of existing transfers. By reducing state intervention it is a step towards his ideal of a capitalist society. So, is there even hope for reduced tax burden?

Like bargaining power, the effect on taxes depends heavily on the level of basic income. For a basic income at or above subsistence level a higher tax yield seams unavoidable. The increase of marginal tax rates could result in a reduction of GDP. Therefore also the tax base decreases. Additionally, the decline in labour supply – as discussed in the previous subsection – puts further downward pressure on GDP. Following the reduction of the tax base, even higher tax rates are necessary in order to fund the basic income. Hence, there is the danger of a downward spiral (Groot 2004, 116).

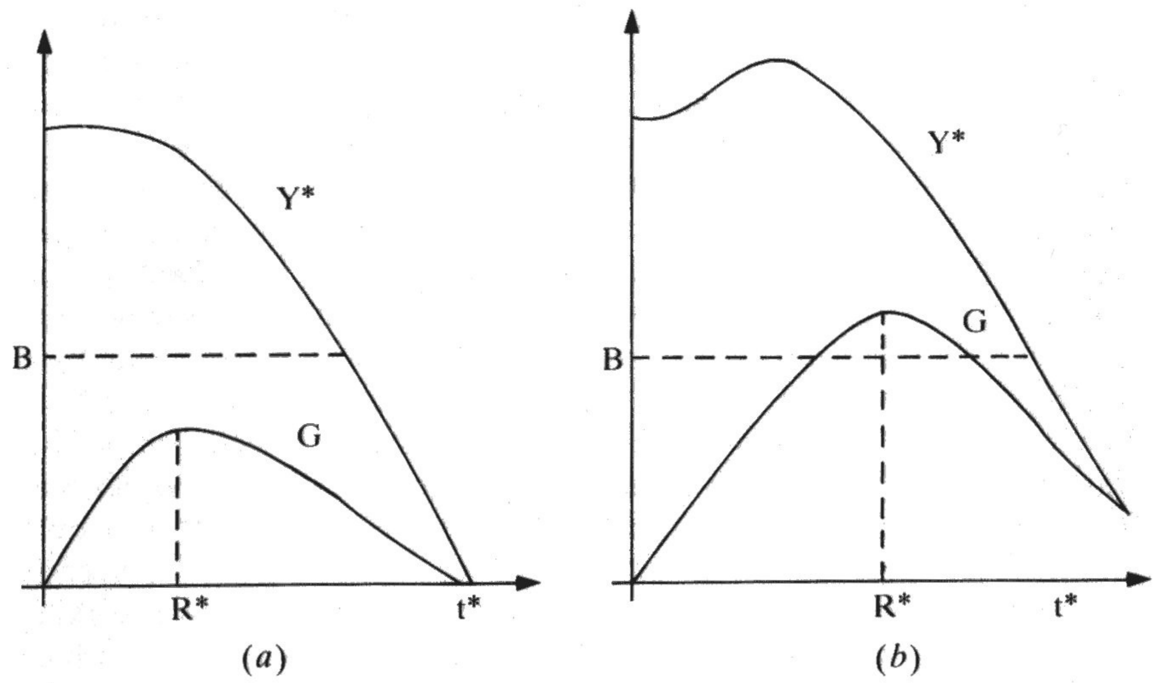

Figure 2: The simple economics of basic income; (a) pessimistic; (b) optimistic (Van Parijs 1992b, 231)

Van Parijs (1992b) illustrates this discussion with the aid of Figure 2 that outlines the relationship between social policy and the economy. The horizontal axis represents the share of basic income in average disposable income (t*). The vertical axis represents the corresponding expected level of average disposable income (Y*) as well as the corresponding expected level of basic income (G = t*.Y*). Note that the G-curve is a variant of the famous Laffer curve. According to the latter's terminology, t* is said to lie in the normal range when its increase results in a rising G (left of R*). Conversely, t* is said to lie in the prohibitive range when its increase reduces G (right if R*). B corresponds to the subsistence level – the income necessary to cover an individual's basic needs. R* is the value of t* at which the expected basic income is maximized. It lies right of the maximum of the Y* curve per definition. The shape of the Y* curve depends on assumptions about the economic value of social policy. For a positive slope the economically valuable factors[4] overweight the

4 For example the reduction of criminality or of industrial disputes and strikes. Further economically valuable factors for the case of basic income are presented in the following two subsections.

economically damaging ones (as outlined above) in terms of marginal analysis. For a negative slope the opposite is the case.

Figure 2(a) displays a pessimistic scenario. It is assumed that a means-tested minimum income at the level of B is replaced by a basic income. A small basic income (low level of t*) hardly affects Y*. The labour force does not have the power to escape the wage relation and the grants are mainly financed by reducing existing transfers and tax allowances. At higher levels of t* the average disposable income decreases due to the rise in taxes but also due to the increased bargaining power. This also affects the G-curve. Even at the maximum level of G (where t* has a value of R*) the expected level of basic income is below the subsistence level B.

This leads to what Groot (2004, 117) calls the impossibility theorem. According to that "a basic income is either too low to be socially accepted or too high to be economically feasible" (ibid.). It expresses the wide-spread belief that basic income is an utopian idea.

3.3 Flexibility

So far it seems that basic income hampers economic growth. Ostensibly, the unconditionality is a major disadvantage when comparing this social reform with means-tested minimum income systems. Should advocates of growth reject basic income? If this were the end of the story, yes – "(...) just as Schumpeter could have agreed with all that has been said about the static inefficiency of monopoly capitalism. But just as Schumpeter argued that this was no more than petty accountancy, relative to the massive dynamic efficiency of the creative destruction associated with monopolistic firms, contemporary economic advocates of basic income argue similarly that quibbling about marginal tax rates is of little significance in the face of basic income's massive contribution to making our economy more dynamic, less cripplingly rigid, less stiflingly conflictual than it would otherwise be" (Van Parijs 1992b, 232).

Basic income would increase the flexibility of the economy both on the individual and on the societal level. For individuals various kinds of adjustment are facilitated since their income does no longer depend on a paid job or on conditional benefits. This enables people to concentrate on activities that do not (immediately) yield an income at or above subsistence level. For example, it becomes easier to change jobs. People have more freedom to invest time and effort when searching for an appropriate job. This promotes the match between supply and demand on heterogeneous labour markets. The result is a more efficient allocation of resources. Furthermore, people can participate in education and training more easily. This fosters the development of human capital. Last but not least, it becomes less risky to launch new businesses. Thus, basic income creates an innovation-friendly environment and "(...) an entrepreneurial spirit would be encourages throughout society" (ibid.). Currently, the multitudinous specialized schemes aimed at facilitating these adjustments are more conditional, hence limiting the scope of possible adjustments. Often they are highly complex and opaque. Basic income allows for more flexibility in respect to matter and duration of adjustments. These effects on the individual level would be reinforced by effects on the societal level. Some of the current labour market restrictions like minimum wage legislation become dispensable. As soon as income security is ensured by a basic income they lose importance. Consequently, we could better meet the requirements of our modern, highly specialized economies. It becomes possible to adapt to fast technical progress without ignoring the interests of the working class (ibid.).

3.4 Conflicts

Another (however less developed and more speculative) line of argument for growth-friendly effects stresses the role that basic income could play in easing costly conflicts that occur in modern economies. First, negative externalities (especially in the form of environmental impact) constitute conflictual problems of collective action[5]. Second, an increasing share of overall production is made up by information goods, raising the issue of excludability. Both conflicts in question arise from challenges regarding the institution of property rights. In the first case they often do not exist and are hard to define, in the second case they are hard to enforce. As a consequence markets often fail in their function of social coordination. These

5 For a definition of problems of collective action see Holzinger (2003).

conflicts could be eased by reducing what is at stake in the market game. This is what basic income achieves. It increases the part of peoples welfare that depends on society's overall productivity rather than on individual contribution (Van Parijs 1992b, 232–233).

If these considerations are right, the effect of basic income on economic growth could be positive. The negative impact of higher tax rates could be overshadowed by the advantages of increased economic flexibility and eased conflicts. If these growth-friendly effects increase the tax base enough to generate the required tax yield, it might not even be necessary to raise tax rates. Similarly, the negative impact on the rate of return on capital due to workers' increased bargaining power might be negligible in comparison to the effects just outlined. A possible representation of this optimistic scenario is shown in Figure 2(b). Now the expected level of average disposable income (Y*) has a different curve shape. The slope is still negative for high levels of t*, but it rises in the first part, representing the growth fostering effects of basic income. The highest possible level of basic income, G(R*), is now clearly above subsistence level (ibid., 233).

4 Basic Income according to the Degrowth Paradigm

Let us now consider basic income from a degrowth perspective. Per definition, an advocate of degrowth does not accept the condition that social reforms must foster growth in order to be politically feasible. This very condition for political feasibility is being challenged. Once the desirability of economic growth is no longer taken for granted many practical constraints for social reforms are lifted. At the same time, new constraints come into effect.

As it was mentioned in the introduction, growth is often seen as a convenient solution to major problems of society. Therefore any proposal for an economy that does not rely on growth has to address the problems of overpopulation, poverty and unemployment. This poses some institutional challenges. According to (Kallis 2011, 876) “proposals on 'how to degrow' are still fragmented and diverse, including a wide range of ideas ranging from radical 'exit from the economy' alternatives (...) to more reformist institutional and policy changes at the State level (...)”. In any case it is crucial that prosperity is sustained. What advocates of degrowth call for is not a recession, but a controlled downscaling of the economy while maintaining economic and social stability. Nevertheless, it remains a controversial question whether lasting prosperity is possible without economic growth (Jackson 2009). It will now be discussed, what basic income can contribute in this respect.

4.1 The Right to be Lazy

The most straightforward approach to combining degrowth and basic income would be to set the latter at a level that is high enough to stop economic growth. What is threatening from the perspective of the growth paradigm could be useful from a degrowth perspective. The effects due to worker's improved bargaining power and higher tax rates could be used deliberately to break the growth process. Many advocates of degrowth belief that “we work too much” (Mylondo 2012, 1). Accordingly, it is most welcome that people opt out of the labour market. Basic income could be used as an incentive for people to work less, promoting *the right to be lazy.* The higher the level of basic income, the fewer people engage in paid work, the smaller is their contribution to GDP (Fitzpatrick 2013, 264). It is apparent from Figure 2 that – even in a (growth) optimistic scenario – when the share of basic income in average disposable income reaches very high levels, the latter goes down. Theoretically this share (t*) could be raised to hundred percent. However, there is a clear limit to how far the level of basic income (G) can be raised. As soon as the share of basic income in average disposable income goes beyond point R* the level of basic income declines. Together with the level of basic income the incentive to reduce working time declines. According to Fitzpatrick (2013, 264–265), people would be increasingly encouraged to re-enter the labour market, thereby stimulating economic growth again. This motivates the assumption that there is an optimal level of basic income in terms of slowing down economic growth. “There are obviously important questions as to what level of income this optimal basic income would imply. If it were still a relatively modest level then no great market exodus would occur and GDP growth would not slow down to any great extent after all (...)” (ibid., 265). Thus it is far from obvious, whether this straightforward approach to dampen economic growth would work.

Even if it would work, the outlined approach is prone to criticism – "(...) a basic income would constitute an extremely crude, unsophisticated way of braking the growth process for ecological purposes" (Van Parijs 1992a, 27). It would be more cost-effective to tax pollution and resource depletion[6] than to "tax output indiscriminately (as most schemes would) and distribute the proceeds in an ecologically insensitive way. To rescue the argument, one would need to show that it is paid work as such that needs to be discouraged, because of some externality intrinsically associated with it (...)" (ibid.). Of course, basic income could be financed from environmental taxation or natural resource rents. However, in doing so the level of basic income depends on activities that are harmful to the environment (Andersson 2010). In Addition, the fact remains that the grant is distributed in an ecologically insensitive way. Hence, basic income does not seem to be suitable for stopping economic growth directly. Therefore the following two subsections deal with more indirect contributions of basic income to degrowth.

4.2 Economic Stability

The stability of our current market economies depends heavily upon growth. The system is not very resilient. If growth slows down for any reason, unemployment rises. This reduces purchasing power. As a consequence, the reduced aggregate demand hampers growth even more. In addition, the government struggles with maintaining public spending, re-stimulating demand and servicing its debts. The feedback mechanisms that accelerate growth in times of expansion aggravate the decline during a recession. Serious economic turbulences lead to impoverishment of the masses and can even result in humanitarian loss, expressed in a reduction of life expectancy (Jackson 2009, 46–47). The relationship between economic growth and unemployment is also outlined in Okun's law. Technical progress leads to a constant increase in labour productivity. Therefore a given output can be produced with less and less input of labour. In order to keep the demand for labour constant, more and more output has to be produced (ibid, 47).

6 in order to reduce these activities – and in doing so also economic growth could be slowed down

“In order to break this unholy link between growth and security, a basic income is needed. The introduction of a generous basic income would challenge the prevalent productivist and consumerist hegemony” (Andersson 2010, 2). In any case, a degrowth economy requires a reduction of working hours (Jackson 2009, 80). Basic income might not be the only possibility to achieve this target. However, for the sake of social stability, any scheme to reduce average working hours has to ensure income security. This demand could definitely be fulfilled by a basic income. In this sense, basic income is an appropriate means for decoupling economic stability and income security from economic growth.

Ensuring economic stability is a crucial – if not the crucial – requirement for the political feasibility of degrowth. Prosperity needs to be sustained. Like it was stated in the introduction of this chapter, degrowth must not be the same thing as a recession. It is supposed to be a controlled and socially stable downscaling of the economy.

4.3 Income Distribution

Basic income has also been suggested as an institution for income distribution in an economy without growth. Daly (1991, 53–56) argues that distribution is a major institutional challenge for his proposal of a steady-state economy. Without a distributist institution his other reform suggestions would lose their moral basis. Daly calls for two other institutions that both rely on the market mechanism. He intends to regulate births and resource depletion with the help of transferable licences or quotas. This allows to politically set both the stocks of population and man-made capital at a sustainable level while leaving the allocation over to the market. However, as precondition for extending the market to these vital areas it must be ensured that exchanges on these markets happen between relative equals so that they can be mutually beneficial. As a consequence, Daly puts forward a minimum and a maximum limit to income as well as a maximum limit to wealth. A minimum limit to wealth is not applicable since wealth can easily be spent and it is not feasible to replace every individual's wealth every time it has been spent. “The minimum income would be sufficient. But maximum limits on both wealth and income are necessary, since wealth and income are largely interchangeable and since, beyond some point, the concentration of wealth becomes inconsistent with both a market economy and political democracy" (Daly 1991, 54).

While the idea of setting minimum income levels sounds familiar to any advocate of basic income, the proposal of limiting maximum income and wealth might be irritating for some. This could be owed to the fact that in a growing economy there is no immediate need for upper limits. In the growth paradigm the situation of the poor can be improved without making anyone worse-off (Perman 2003, 44). This kind of Pareto improvement is not possible in the degrowth paradigm. Because the aggregate level of income (and wealth) is limited, growing income (or wealth) of any individual means a declining income (or wealth) for other individuals. This motivates the different approach to distribution including maximum limits.

Daly (1991) mentions the possibility to realize minimum incomes by means of a negative income tax, though he does not go into detail of the implementation. However, it seems save to claim that basic income would meet the distributional requirements of a degrowth economy in respect to minimum limits. At the same time basic income would not be sufficient due to the considerations about maximum limits.

4.4 Consumption

We will now come back to a concern that has already been expressed in subsection 4.1 – basic income is distributed in an ecologically insensitive way. Therefore it remains an open question whether the way it is spent by people is compatible with degrowth. Does basic income reinforce consumerism or does it promote sustainable consumption strategies?

The issue of consumption is the main reason, why some advocates of degrowth reject basic income. They fear that it will increase consumption. Indeed, basic income redistributes money from the rich to the poor, who save a smaller portion of their income and therefore spend more money on consumption. This effect hampers degrowth (Mylondo 2012, 3). The growth paradigm counterpart of this argument was already raised in chapter 3 where it was stated that basic income could stimulate aggregate demand and therefore boosts economic growth. It was rejected for being too unspecific since it does not constitute an advantage of basic income compared to any other minimum income system. This is true in the growth paradigm. Similarly, it is true in the degrowth paradigm that the consumption increasing effect does not constitute a disadvantage of basic income compared to any other minimum income system. The increase in demand is caused by redistribution and not by the unconditional nature of basic income. Therefore it is not a proper argument against basic income. No more should it be – form a degrowth perspective – an argument against redistribution, considering what has been said in the previous subsection.

A different concern regards the question whether basic income can contribute to breaking the social logic of consumerism. Consumption goods play a huge symbolic role in our life by defining our social status. Hirsch (1977) emphasises the role of what he calls "positional goods". In rich societies where satisfying the basic biological needs is not a main concern, absolute levels of consumption loose importance. At the same time it is increasingly important how large an individual's consumption is relative to that of others. The satisfaction of owning a car depends on its relative size compared to the neighbours' cars. This kind of logic leads to a status competition that fuels economic growth. To dismantle this damaging social logic we need to find "sources of identity, creativity and meaning that lie outside the realm of the market" (Jackson 2009, 10).

There is hope that basic income could ease the dynamic of status competition. It becomes easier to be creative or find non-market sources of identity and meaning. Boulanger (2010) concludes that basic income facilitates decommodification. "Decommodification of consumption consists in substituting non-commercial goods and services for commercial ones" (ibid., 6). It is the contrary process to commodification which is the tendency to design an increasing number of things in a way that is suited for selling them. Alternative modes of provision at the family or community level might be promoted. An increasing number of goods and services might be exchanged via cooperatives as well as so-called local exchange and trade systems. These community-based modes of provision have the advantage that satisfaction is not only gained through mere consumption but also through social interaction.

Furthermore, they operate more locally and more time-intensive which fits perfectly into a degrowth economy.

5 Conclusion

Basic income is proposed (and rejected) with very different – sometimes even diametrically opposed – intentions. Both advocates of economic growth and degrowth raise plausible arguments to defend their support for basic income.

How basic income will actually affect economic growth is likely to depend on various circumstances of the implementation. If it is, for example, implemented in a country without an established welfare system, basic income might indeed raise aggregate demand and therefore foster growth. This effect is unlikely to occur if basic income replaces a means-tested minimum income system. Also details of the actual implementation like the level of the payment and accompanying institutions are likely to determine to effect on economic growth. Therefore the intention with which basic income is implemented is of great interest (how do we *want* basic income to affect economic growth?). This normative question will be addressed in the empirical part of the author's MSc thesis *"Basic Income between Economic Growth and Degrowth. Positions within the Popular Initiative in Switzerland"*.

There are plausible scenarios where basic income could contribute to economic growth. In this case, possible growth decelerating effects due to higher tax rates and higher bargaining power of the workforce would be predominated by the increase in flexibility of the economy and the reduction of costly conflicts. Should advocates of degrowth therefore dismiss basic income from their policy agenda? I think, there are good reasons why they should not. Although – up to a certain level – basic income itself does probably not lead to degrowth, it facilitates degrowth indirectly. Basic income paves the way for other policy measures appropriate for degrowth (such as depletion quotas). These policies are only politically feasible if they don't lead to an economic collapse and impoverishment of the masses. This is exactly what a basic income could achieve – economic stability and income security in an economy without growth. While basic income might not be a sufficient condition for degrowth, it might well be a necessary condition.

Thus, basic income extends the scope for decision-making not only on the individual but also on the societal level. It opens up new ways. Figuratively speaking, what a basic income achieves for the individual – realize real-freedom-for-all (to do whatever one might want to do) – it also achieves for the economy as a whole: It opens up the opportunity for society to choose whatever economic path might be optimal for it – be it growth or degrowth.

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