

**Why Surfers Should be Fed: The Liberal Case for an Unconditional Basic Income**



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PHILIPPE VAN PARIJS

## Why Surfers Should Be Fed: The Liberal Case for an Unconditional Basic Income

The social problem of the future we considered to be, how to unite the greatest individual liberty of action, with a common ownership of the raw materials of the globe, and an equal participation of all in the benefits of combined labour.

John Stuart Mill, *Autobiography*

In 1971, Hawaii established a one-year residency requirement for welfare entitlement. This measure was directed against so-called welfare hippies, who had been arriving in considerable numbers to take advantage of the beaches and of a comparatively generous assistance law. As Hawaii senator Wadsworth Yee eloquently put it: "There must be no parasites in paradise."<sup>1</sup> Senator Yee's confidence in his attitude would have been further boosted had he been able to read one of John Rawls's most recent articles. For what Rawls suggests is that one should add leisure time to his well-known list of social primary goods, precisely in order to be able to handle this sort of situation in a manner Senator Yee would have found congenial. The extra leisure enjoyed by those unwilling to work "would be stipulated as equivalent to the index of primary goods of the least advantaged. So those who surf all day off Malibu must find a way to support themselves and would not be entitled to public funds."<sup>2</sup>

What I want to argue in this article is that Senator Yee was unfair to

Earlier versions of this article were presented at the Universities of Louvain-la-Neuve and Leuven in March 1989, and at the University of Wisconsin, the University of Chicago, Harvard University, and Columbia University in April 1990. I am grateful to the Editors of *Philosophy & Public Affairs*, Ian Carter, and Peter Hammond for particularly useful and perceptive comments, and to my hosts and many members of my audiences for a wide variety of stimulating reactions. Among them, I owe a debt of a special sort to John Rawls. The origin of this article can be traced to a breakfast conversation we had in Paris in 1987 in which Malibu surfers kept cropping up. Although my central argument takes exception to the view he then expressed and to some fragments of his writings, the extent to which I, along with so many others, am indebted to his thought should be obvious throughout.

1. The story is told by Daniel P. Moynihan, *The Politics of a Guaranteed Income: The Nixon Administration and the Family Assistance Plan* (New York: Random House, 1973), pp. 32–34.

2. John Rawls, "The Priority of Right and Ideas of the Good," *Philosophy & Public Affairs* 17, no. 4 (Fall 1988): 257 n. 7.

the welfare hippies, and that John Rawls is being unfair to the Malibu surfers. More precisely, I shall argue that a defensible *liberal* theory of justice, that is, one that is truly committed to an equal concern for all and to nondiscrimination among conceptions of the good life, does justify, under appropriate factual conditions, a substantial *unconditional basic income*.<sup>3</sup> An unconditional basic income, or, as I shall usually call it, a *basic income*, is a grant paid to every citizen, irrespective of his or her occupational situation and marital status, and irrespective of his or her work performance or availability for work. It is, in other words, an individual guaranteed minimum income without either a means test or a (willingness to) work condition. It is the absence of the latter condition that has aroused most ethical controversy, and it is, therefore, unconditionality in this sense that will be the focus of attention throughout this article.

If it had no relevance beyond a handful of welfare hippies and Malibu surfers, establishing the claim I have just made would hardly be worth the trouble. But the idea of introducing a completely unconditional income to replace some of the existing welfare provisions is an old idea that has been gaining ground since about the mid-1980s both among academics and among social and political organizations in a number of European countries.<sup>4</sup> The arguments have been, to mention just a few, that a basic income would help poor people out of the unemployment trap, that its introduction would redistribute income quite massively from men to women, that it would improve the quality of the worst jobs, that it would support farmers' incomes without distorting agricultural prices,

3. I should warn straight away that I do not believe these factual conditions to hold on a world scale, and hence that the relevance of this claim is contingent on the assumption that it makes sense to discuss issues of justice at the level of a particular country or set of countries (though not on the far stronger assumptions that international justice makes no sense or imposes no constraints on the pursuit of intranational justice).

4. The country in which the public debate has been going on for the longest, and the only one in which basic income has become a genuine political issue, is the Netherlands. But even in the United Kingdom, for example, the idea is not just defended by prominent intellectuals such as Anthony Atkinson, Samuel Brittan, Ralph Dahrendorf, or James Meade. Both the Green party and, more recently, the Liberal party have made it a central component of the social policies they advocate. In the United States, for reasons which I shall here make no attempt to explain, this sort of debate is now undoubtedly far less lively—even though the United States is the only country, to my knowledge, in part of which a genuine (though very low) unconditional basic income does exist (see J. Patrick O'Brien and Dennis O. Olson, "The Alaska Permanent Fund and Dividend Distribution Program," *Public Finance Quarterly* 18 [1990]: 139–56).

and that it would enhance the flexibility of the labor market.<sup>5</sup> But one recurring objection—indeed, for many, *the* decisive objection—has been that granting an unconditional income would be unfair. To quote Jon Elster, such a proposal “completely lacks the potential for being . . . wedded to a conception of justice. . . . It goes against a widely accepted notion of justice: it is unfair for able-bodied people to live off the labour of others.”<sup>6</sup>

If this challenge cannot be met, it is quite possible that the said proposal would never gain sufficient support even if people came to recognize that its durable implementation was not only perfectly feasible, but would even increase economic efficiency. For they may be willing to forgo efficiency gains in order to preserve what they perceive as a just or less unjust distribution. It is this challenge—which is also, in another guise, Senator Yee’s and John Rawls’s—that my argument claims to meet.

## I. THE “RAWLSIAN” CASE FOR BASIC INCOME

For the sake of this argument, I shall simply take it for granted that a defensible liberal conception of social justice, as characterized, needs to be *real-libertarian*, that is, must *maximin*—possibly subject to some constraints—people’s *real freedom*, that is, the means they require for the pursuit of their conception of the good life, whatever that is. By “maximin” I mean that a strong priority is being given to the real freedom of those with the least amount of real freedom. This characterization is meant to be broad enough not to exclude the lexicographic variant of the maximin (or leximin), indeed, to accommodate a formula that would allow for significant increases in the real freedom of some of the better-off at the cost of a negligible decrease in the real freedom of the

5. For recent overviews of the main arguments, see Tony Walter, *Basic Income: Freedom from Poverty, Freedom to Work* (London and New York: Marion Boyars, 1989); and Philippe Van Parijs, ed., *Arguing for Basic Income* (London and New York: Verso, forthcoming). Other recent books in English include James E. Meade, *Agathotopia: The Economics of Partnership* (Aberdeen: Aberdeen University Press, 1989); Hermione Parker, *Instead of the Dole* (London: Routledge, 1989); and Samuel Brittan and Steven Webb, *Beyond the Welfare State: An Examination of Basic Incomes in a Market Economy* (Aberdeen: Aberdeen University Press, 1990).

6. Jon Elster, “Comment on van der Veen and Van Parijs,” *Theory and Society* 15 (1986): 709–22, esp. pp. 709, 719. See also Jon Elster, *Solomonic Judgements* (Cambridge: Cambridge University Press, 1989), pp. 215–16.

worst-off. But it does rule out a wide range of more egalitarian and more aggregative embodiments of the liberal notion of equal concern. The characterization of "real freedom," on the other hand, is meant to leave open, at this stage, interpretations in terms of primary goods (qua background conditions and all-purpose means), capabilities, resources, opportunities, access to advantage, endowments, and so on. What it does rule out is welfarist accounts of the distribendum a liberal should select. My claim is that the most sensible formulation of the real-libertarian conception of justice thus defined justifies, under appropriate factual conditions, the granting of a substantive unconditional income.

The best-known instance of such a conception is provided by John Rawls's Difference Principle in its original formulation, that is, the requirement that socioeconomic advantages (income and wealth, powers and prerogatives, the social bases of self-respect) should be maximinned, that is, distributed in such a way that the least advantaged end up with at least as many such advantages as the least advantaged would end up with under any alternative arrangement. What sort of transfer policy does this principle justify? As long as no precise index of socioeconomic advantages is being put forward, no rigorous derivation is possible. But a quick look at Rawls's list of types of socioeconomic advantages arguably establishes a strong presumption in favor of a basic income.<sup>7</sup> Let us note straight away that this could *not* be the case if all the Difference Principle required were the maximinning of income. For it is possible—indeed, it is most likely—that if the aim were just to durably maximize the lowest incomes, some sort of conditional transfer system would, in many circumstances, perform better than an unconditional basic income. Rawls, however, also mentions wealth, and the receiving of wealth can be interpreted as differing from the receiving of an income by virtue of its unconditional nature, of the lack of any counterpart in the form of (labor or capital) services. Further, Rawls mentions the powers and prerogatives

7. Such a "Rawlsian" justification of basic income is spelled out in the final section of Philippe Van Parijs, "Rawls face aux libertariens," in *Individu et justice sociale*, ed. C. Audard, J. P. Dupuy, and R. Sève (Paris: Seuil, 1991), pp. 193–218. That the introduction of an unconditional basic income is justified by Rawls's Difference Principle is also (approvingly) claimed, for example, by Samuel Brittan (*A Restatement of Economic Liberalism* [London: Macmillan, 1988], p. 301): "The case for [basic income] is increased manifold by the practical need to find a way of reestablishing a fully functioning labour market with a market-clearing rate of pay, on a humane base which will improve the position of Rawls's 'least advantaged representative person' rather than driving him or her to the wall."

attached to social positions, and there is no doubt that an unconditional income confers upon the weakest more bargaining power in their dealings with both potential employers and the state, and hence a greater potential for availing themselves of powers and prerogatives, than a transfer contingent upon the beneficiary's availability for work and the satisfaction of a means test. Finally, Rawls mentions the social bases of self-respect, and there is again little doubt that a transfer system that is not targeted at those who have shown themselves "inadequate" and involves less administrative control over its beneficiaries is far less likely to stigmatize them, humiliate them, make them ashamed of themselves, or undermine their self-respect.

Thus, what I here take to be Rawls's version of the real-libertarian position and in particular his Difference Principle appear to recommend—subject to the respect of fundamental liberties and of fair equality of opportunity—that one should introduce a wealth-distributing, power-conferring, self-respect-preserving unconditional basic income, indeed, that one should introduce such an income at the highest sustainable level. For the Difference Principle is a maximin criterion, and the level of the basic income determines the bundle of socioeconomic advantages available to the worst-off, to those who have nothing but that basic income. If this argument were sound, we would not need to go any further. But the argument so far is not just a bit loose, because of the lack of a precise index of primary goods. It is fundamentally flawed, because a liberally indefensible bias has crept into the interpretation of real freedom provided by the Difference Principle.

## II. THE CRAZY-LAZY CHALLENGE

To understand the nature of this bias, consider Crazy and Lazy, two identically talented but rather differently disposed characters. Crazy is keen to earn a high income and works a lot for that purpose. Lazy is far less excited by the prospect of a high income and has decided to take it easy. With the basic income at the highest feasible level, as our interpretation of the "Rawlsian" criterion recommends, Crazy is rather miserable, because her net income falls far short of the income she would like to have. Lazy, however, is blissful. When added to the small income he earns, the grant he receives is more than sufficient to cover what he regards as his material needs. Does not the high grant justified by the

"Rawlsian" criterion illegitimately discriminate against Crazy in favor of Lazy? Should one not, from a real-libertarian point of view, lower the grant to the point at which Crazy (who would pay less in tax) would be no less happy, no less successful in the pursuit of her conception of the good life, than Lazy (who would then be receiving a smaller grant)?

Underlying this phrasing of the objection, however, is the supposition that it is welfare, not some index of real freedom, that needs to be maximized. But this is emphatically rejected by those committed to some form of real-libertarianism, usually on the ground that it would involve discrimination in favor of those with more expensive tastes.<sup>8</sup> The less happy Crazy is with the money she earns—which is already quite a bit more than what Lazy gets—the more money she should be allowed to have according to the criterion implicit in the objection. But if one assumes, as real-libertarians insist one must, that people can be held responsible for their tastes, letting Crazy get a higher income because she is less happy than others is illegitimate. It amounts to giving her more means than others have for the pursuit of her conception of the good life, *whatever this may be*, even though it does not make her better equipped for the pursuit of her conception of the good life *as it is* than others are for the pursuit of *their* conceptions of the good life. From a real-libertarian standpoint, Crazy can be left with more income than Lazy only if it helps increase the level of the grant, but not, as would here be the case, at the expense of a decrease in that level, and hence a worsening of the fate of the least advantaged. So far, the "Rawlsian" criterion is vindicated.

Yet it cannot survive the challenge presented by Crazy and Lazy. For Crazy's complaint can be backed in a very different and far more effective way.<sup>9</sup> Instead of saying, "Given my aims in life, I am less happy than

8. See, e.g., Ronald Dworkin, "What Is Equality? Part 1: Equality of Welfare," *Philosophy & Public Affairs* 10, no. 3 [Summer 1981]: 185–246, sec. 8; and John Rawls, "Social Unity and Primary Goods," in *Utilitarianism and Beyond*, ed. Amartya Sen and Bernard Williams (Cambridge: Cambridge University Press, 1982), pp. 159–86, sec. 4, for typical critiques of welfarism on this ground.

9. The substance of the following important objection has been formulated by Hillel Steiner ("Comment on van der Veen and Van Parijs's Reply" [Department of Government, University of Manchester, 1986]), and G. A. Cohen ("Comments on the Universal Grant Proposal" [All Souls College, Oxford, 1987]), in a way that made it inescapable. Both raise the objection in connection with Robert J. van der Veen and Philippe Van Parijs's ("Universal Grants versus Socialism: Reply to Six Critics," *Theory and Society* 15 [1986]: 726–27) handling of Elster's ("Comment," p. 719) main ethical charge (already referred to) that

you are under this maximum feasible basic income and the implied tax rate, and I should therefore receive more," Crazy can say, "You and I have identical talents. So why on Earth do we need a basic income at all?" Lazy cannot reply that in the absence of a grant he would be totally unable to indulge in the kind of life he enjoys, or that he would then be far less happy than Crazy would be, or that he would be even less happy than Crazy is with the grant at its maximum level. He cannot give any of these replies because they are all vulnerable to the very same "expensive tastes" objection that smashed the first formulation of Crazy's plight. Further, he cannot usefully point out that it is up to Crazy to adopt the same easygoing lifestyle as himself and hence that she cannot claim to be treated unfairly at any level of the grant.<sup>10</sup> For under the assumption of equal talents, Crazy can use exactly the same argument to defend a zero, indeed a negative, level of the grant. Nor can he insist that what matters is sovereignty over one's time, that is, the real freedom to work and not to work associated with one's basic income, rather than the real freedom to consume and accumulate associated with one's potential income. For he would then need to rely on perfectionistic premises fundamentally alien to a real-libertarian approach. So, does it turn out that between the maximum feasible level of the grant and no grant at all, the real-libertarian approach is unable to select a nonarbitrary "neutral" point which would not discriminate against either Crazy or Lazy?<sup>11</sup> No, it does not. But the selection that needs to be made, as we

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"most workers would, correctly in [his] opinion, see the proposal as a recipe for exploitation of the industrious by the lazy."

10. If there is only one Crazy, this is of course not true, as Crazy's work would no longer finance the grant. But if there are many Crazies, this holds for any one of the latter taken individually.

11. This range may be somewhat narrowed by arguing that, just as it may not be in Lazy's interest to tax income at 100 percent (the maximum sustainable tax yield is reached at a lower rate), it may not be in Crazy's interest to tax income at 0 percent (her highest sustainable net income corresponds to a higher rate). This may be due to the fact that Lazies, when deprived of any significant right to income, will develop a strong propensity to acquire their means of subsistence by theft, and that the cost of effectively enforcing Crazy's property rights over her legitimate belongings will accordingly swell significantly. More interestingly, even in the case of perfect compliance, this could also be due, for example, to a "tragedy of the commons" phenomenon: externalities of production make it possible that Lazies induced to work hard by the absence of taxation will end up with a smaller income than if they—all of them, not each of them separately—had been induced to work less by a positive tax rate and grant. See John E. Roemer, "A Public Ownership Resolution of the Tragedy of the Commons," *Social Philosophy and Policy* 6 (1989): 74–92, for a relevant formal discussion.



shall discover shortly, will take us away from what the "Rawlsian" criterion demands.

### III. RAWLS REVISED: LEISURE AS A PRIMARY GOOD

A first track well worth exploring is the one Rawls himself suggested in reply to an objection closely related to our Crazy-Lazy challenge, presented to him by Richard Musgrave.<sup>12</sup> Musgrave's own proposal is that one should hold onto a welfarist approach: lump-sum taxation must be used to equalize (or maximin) "goods and leisure potentials," understood as "potential welfare." This proposal is unambiguously rejected by Rawls.<sup>13</sup> The appropriate response, in his view, consists rather in a major alteration of his Difference Principle along lines he there hardly sketches, but has since elaborated somewhat in the passage from which the quote about Malibu surfers was taken. This alteration consists in adding leisure to the list of socioeconomic advantages governed by the Difference Principle. More specifically, "twenty-four hours less a standard working day might be included in the index as leisure. Those who are unwilling to work would have a standard working day of extra leisure, and this extra leisure itself would be stipulated as equivalent to the index of primary goods of the least advantaged."<sup>14</sup>

Let us apply Rawls's new formula to our problem of determining the legitimate level of basic income in the Crazy-Lazy example. Suppose Crazy's working time ( $n$  hours) defines standard working time, while  $w$  represents the corresponding post-tax wage,  $m$  ( $< n$ ) the number of hours worked by Lazy, and  $g$  the level of the grant given to all. Crazy's index

12. Here is Musgrave's formulation of Crazy's plight: "Implementation of maximin thus leads to a redistributive system that, among individuals with equal earnings ability, favors those with a high preference for leisure. It is to the advantage of recluses, saints, and (nonconsulting) scholars who earn but little and hence will not have to contribute greatly to redistribution" (Richard A. Musgrave, "Maximin, Uncertainty, and the Leisure Trade-off," *Quarterly Journal of Economics* 88 [1974]: 632).

13. See Musgrave, "Maximin," esp. pp. 630, 632; and John Rawls, "Reply to Alexander and Musgrave," *Quarterly Journal of Economics* 88 (1974): 654-55. A variant of Musgrave's "potential welfare" approach has now been developed by Richard Arneson under the heading of "equal opportunity for welfare" (see Richard J. Arneson, "Equality and Equal Opportunity for Welfare," *Philosophical Studies* 56 [1989]: 77-93, and "Liberalism, Distributive Subjectivism, and Equal Opportunity for Welfare," *Philosophy & Public Affairs* 19, no. 2 [Spring 1990]: 158-94).

14. Rawls, "The Priority of Right," p. 257. See also Rawls, "Reply," p. 654.

of primary goods is then given simply by her total income ( $w + g$ ). Lazy's index, under Rawls's expanded account, is given by his total income ( $(m/n) \cdot w + g$ ) plus the value of his leisure when assessed by reference to "the index of primary goods of the least advantaged [full-time worker]," that is, the proportion of total time Lazy takes as leisure multiplied by Crazy's index,  $((n - m)/n) \cdot (w + g)$ . For maximin to be satisfied, it is necessary that Lazy's index not exceed Crazy's index, that is (after simplifications), that

$$w + ((n - m)/n) \cdot g \leq w.$$

Since Crazy works more than Lazy ( $n > m$ ), it is obvious that this condition can be satisfied only if there is no basic income ( $g = 0$ ).<sup>15</sup>

This proposal has the advantage of getting rid of the (pro-Lazy) bias generated by the standard Difference Principle's privileged treatment of income (at the expense of leisure), while avoiding the "expensive tastes" difficulties intrinsic to a welfarist strategy (à la Musgrave). But it has, in my view, a fatal defect. Let us start from a situation in which the Difference Principle (leisure included) is satisfied, and assume some exogenous change (say, the random discovery of another reserve of natural resources) which makes it possible to redistribute more to the least advantaged. What form should this redistribution take? Leaving incentive issues aside for a moment, the consistent implementation of Rawls's pro-

15. Once we drop the (Crazy-Lazy) assumption of identical talents, this conclusion remains valid, but a new consequence emerges: maximin will require a differentiation of the rate of taxation depending on how much people work. In the absence of such differentiation, the highly skilled who work short hours (or, equivalently, I presume, do an easy job) may enjoy a level of primary goods that far exceeds, owing to a higher hourly wage, that of unskilled people with a higher total income. The (expanded) Difference Principle is bound to demand that at least part of this excess be taxed away. (If Clever earns by working one hour half of what Dumb earns in a full eight-hour day, part of Clever's income must be redistributed to Dumb, despite Clever's income being half of Dumb's, because Clever's index of primary goods,  $(1/8) \cdot w$ —obtained by adding her income,  $(1/2) \cdot w$ , to the value of her leisure assessed by reference to the income of the least advantaged full-time worker,  $(7/8) \cdot w$ —is quite a bit larger than Dumb's, simply given by his wage  $w$ , since he is assumed to have no leisure.) The simplest implementation of the underlying criterion consists in taxing income at a proportional rate and distributing the yield as a subsidy proportional to the number of hours worked (which amounts to a progressive tax on hourly wages). Full equality of primary goods indexes will then be reached only when the tax rate is 100 percent and all income is distributed in the form of proportional work subsidies. The solution to the Crazy-Lazy problem is just a particular application of this criterion: given that there is only one rate of pay, the criterion simply demands that the pretax distribution of income be left untouched.

posal requires that the funds thus becoming available be used as a subsidy that is proportional to the number of hours worked. For if the subsidy were more than proportional, the primary goods index of full-time workers would grow faster than that of part-time workers. And if it were less than proportional, the index of part-time workers would grow faster than that of full-time workers. What would be wrong with such a proportional subsidy?

One old objection to distribution in proportion to work is that it conflicts with efficiency in the weak sense of Pareto-optimality, by providing *excessive* incentives to work. It is, for example, precisely after being confronted with a similar objection by Abba Lerner that Oskar Lange, in his famous discussion of market socialism, required the "social dividend" on publicly owned capital to be distributed among citizens as a basic income, irrespective of their work effort, rather than, as he initially proposed, as a function of their competitive wages.<sup>16</sup> This objection, however, need not worry Rawls unduly. To start with, Pareto-suboptimality in welfare terms—the fact that everyone's utility could be increased—does not entail that everyone's index of primary goods could be increased, and only the latter would create a problem for a real-libertarian position. Further, if it were the case that distributing part of the available funds irrespective of work performance would increase even the income of full-time workers—for example, because of a "tragedy of the commons" effect—maximin considerations would allow Rawls to depart from strict proportionality.<sup>17</sup>

Far more serious are the tricky conceptual difficulties unavoidably raised by any approach that gives a key role to the notions of work and leisure. What shall we count as work? (Cleaning one's clients' shoes, cleaning one's children's shoes, cleaning one's own shoes?) How should hours of work be made comparable? (Should one hour of effort-intensive work be equivalent to one hour of relaxed work, one hour of dangerous work to one hour of safe work, one hour of useless work to one hour of useful work, one hour of pathetically inefficient work to one hour of

16. See Abba Lerner, "A Note on Socialist Economics," *Review of Economic Studies* 4 (1936): 72–76; and Oskar Lange, "Mr. Lerner's Note on Socialist Economics," *Review of Economic Studies* 5 (1937): 143–44. See also K. Suzumura, "Equity and Incentives: Homan's Theory of Distributive Justice Reconsidered" (Institute of Economic Research, Hitotsubashi University, Japan, 1987) for a more general formal analysis.

17. See note 11 above.

highly productive work?) And if, besides actual work, involuntary leisure is also recognized as giving rise to some legitimate claim, what is the appropriate metric? (Could, for example, a strong or permanent desire to work a little be deemed equivalent to a mild or intermittent willingness to work a lot?) Although some believe these difficulties to provide an overwhelming pragmatic case for an unconditional income support system, there is no need for me to press them here.<sup>18</sup>

For there is another objection which is, in my view, decisive and challenges the very consistency of Rawls's proposal with a liberal perspective. His proposal involves a liberally unjustifiable bias against some of those who are, using Rawls's own standards, among the least advantaged. For simplicity's sake, just consider the extreme case. The primary goods index of those who do not work at all and have no income is set equal, we have seen, to that of the least advantaged full-time workers. If we were to put Rawls's proposal into practice, this index would go up as a result of the exogenous change. But, clearly, this improvement in the measured condition of this fraction of the least advantaged is purely fictional. It hides a stagnation of their situation in absolute terms and a worsening of their relative position, and simply reflects the fact that their leisure is postulated to be equivalent, at any particular time, to the income enjoyed at that same time by the least advantaged full-time workers. Why could this subcategory of the least advantaged not claim a real share in the exogenously generated benefit, instead of being treated to a sheer semantic trick? What the proposal (and, beyond it, the whole idea of including leisure among the primary goods) amounts to is a prescription to distribute among the sole workers, and in proportion to their working time (somehow measured), the whole of the production surplus—that is, whatever is left of the product after taking away what is needed to feed and motivate the workers—whatever the sources of this surplus. No such proposal could possibly be justified by a nondiscriminatory concern with the real freedom of the least advantaged. From a

18. See David Purdy's ("Work, Ethics and Social Policy: A Moral Tale" [paper presented at the Third International Conference on Basic Income, Florence, September 1990], sec. 3) witty presentation of a case for basic income founded in part on the endless contestability of any solution to these difficulties, in part on the impossibility of designing, at a reasonable cost (in terms of both resources and liberties), a scheme that would significantly improve the fit between income and a normatively meaningful notion of work. See also Robert Goodin, "Toward a Minimally Presumptuous Social Policy," in *Arguing for Basic Income*, ed. Van Parijs.

pro-Lazy bias, we have swung all the way to a pro-Crazy bias, which could be vindicated only on perfectionistic premises.

#### IV. DWORKIN: THE ENVY-FREE ALLOCATION OF EXTERNAL WEALTH

It thus emerges that Rawls's revised Difference Principle does not provide what we are looking for. It does not enable the real-libertarian approach to select a nonarbitrary "neutral" point which would not discriminate against either Crazy or Lazy. Should we give up? This would be premature. Ronald Dworkin's notion of equality of (external) resources provides us with exactly what we need.<sup>19</sup> Let us see how, by returning once again to Lazy and Crazy.

In order to generate the level of income she wants to reach, it is safe to assume and crucial to notice, Crazy needs certain resources external to her talents, say a plot of land. Endowing (identically talented) Crazy and Lazy with equal plots of land certainly constitutes one nondiscriminatory allocation of real freedom between them. But if this endowment is not tradable, if they are both stuck with it, this allocation cannot be optimal from a real-libertarian standpoint. For it will not give either Crazy or Lazy the highest attainable level of real freedom. Crazy may be desperate to use more than her plot of land, while Lazy would not mind being deprived of some or even all of his in exchange for part of what Crazy would produce with it. This directly yields the following suggestion. There is a nonarbitrary and generally positive legitimate level of basic income that is determined by the per capita value of society's external resources and must be entirely financed by those who appropriate these resources. If Lazy gives up the whole of his plot of land, he is entitled to an unconditional grant at a level that corresponds to the value of that plot. Crazy, on the other hand, can be viewed as receiving this same grant, but as owing twice its amount because of appropriating both Lazy's share of land and her own. Thus, in our society of Crazies and La-

19. And nothing else, I believe, could. James Sterba (*The Demands of Justice* [Notre Dame, Ind.: University of Notre Dame Press, 1980], pp. 43-46, 120-21) is struggling with the same problem when trying to settle the conflict between "Hard Toilers" and "Free Riders." He ends up justifying an unconditional basic income at a level just sufficient to meet the normal costs of living in society. But his (original position-type) argument leaves this conclusion poorly protected both against the challenge that some work could be demanded as a counterpart and against the claim that, in a sufficiently affluent society, the basic income could legitimately be higher than this bare minimum.

zies, the legitimate level of basic income is just the endogenously determined value of their equal tradable right to land.<sup>20</sup>

Two points need immediate clarification: what counts as external resources, and how is their value to be determined? Our Crazy-Lazy story may suggest that the external resources whose value a real-libertarian should endeavor to distribute in maximin fashion coincide with natural resources. But this is not the case. What is relevant from a real-libertarian standpoint in this situation, in which internal resources are assumed to be equally distributed, is of course the whole set of external means that affect people's capacity to pursue their conceptions of the good life, irrespective of whether they are natural or produced. External resources, in other words, include whatever usable external objects in the broadest sense (both factories and technologies, for example) individuals are given access to. They coincide with the external wealth with which people are endowed.<sup>21</sup> An equal distribution of their value therefore amounts to taxing the value of all gifts and bequests at 100 percent and distributing the proceeds in the form of a uniform basic income.<sup>22</sup> But as the

20. Or, within the framework of Dworkin's parable, it is the expression, in income terms, of the value of the equal amount of clamshells each immigrant receives in order to bid for the resources found on the island. See Ronald Dworkin, "What Is Equality? Part 2: Equality of Resources," *Philosophy & Public Affairs* 10, no. 4 (Fall 1981): 283-345, esp. pp. 283-90. See also Hal Varian, "Dworkin on Equality of Resources," *Economics and Philosophy* 1 (1985): 110-25; Larry Alexander and Maimon Schwarzschild, "Liberalism, Neutrality, and Equality of Welfare vs. Equality of Resources," *Philosophy & Public Affairs* 16, no. 1 (Winter 1987): 85-110; and G. A. Cohen, "On the Currency of Egalitarian Justice," *Ethics* 99 (1989): 906-44, for useful critical discussions of Dworkin's approach. As this article abstracts from handicaps and other differences in internal resources, I am here leaving completely aside Dworkin's treatment of internal resources (and the challenge it presents to my conclusion). It is discussed at length in Philippe Van Parijs, "Equal Endowments as Undominated Diversity," *Alternatives to Welfarism*, special issue of *Recherches économiques de Louvain* 56 (1990): 327-56.

21. In the particular context of our Crazy-Lazy situation, therefore, whereas Rawls's strategy consisted of modifying the list of socioeconomic advantages by adding leisure to wealth and income, Dworkin's strategy consists of dropping income and leaving only wealth.

22. An early version of this type of justification can be found, not altogether consistently with his main rationale (in terms of common land ownership), in Thomas Paine, "Agrarian Justice" (1796), in *The Life and Major Writings of Thomas Paine*, ed. P. F. Foner (Secaucus, N.J.: Citadel Press, 1974), p. 620: "Land, as before said, is the free gift of the Creator in common to the human race. Personal property is the effect of society [Paine's emphasis]; and it is as impossible for an individual to acquire personal property without the aid of society, as it is for him to make land originally. . . . All accumulation, therefore, of personal property, beyond what a man's hands produce, is derived to him by living in society, and

total amount that gets saved, invested, or preserved may be negatively affected by high rates of taxation, 100 percent is unlikely to be the choice that maximizes the tax yield or the level of the grant. If one is concerned with people's maximin real freedom, the optimal choice is the one that maximizes the yield of *this* tax. The difference between the Dworkinian criterion we are thus led to and our initial "Rawlsian" criterion, which we saw could not withstand the Crazy-Lazy challenge, is precisely the restriction on the tax base: subtracting from Crazy's income more than the value of the external resources she has inherited or received, as the "Rawlsian" criterion allows, would amount to giving her fewer external resources than Lazy, and is therefore something the Dworkinian criterion rules out.

The second point to be clarified is how the value of the external resources is to be assessed. Consider again our example. Crazy is interested in acquiring Lazy's plot, but not at any price. Lazy is not opposed to giving up his plot, but again, not at any price. Between the highest price Crazy is willing to pay for it (which may conceivably come close to

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he owes on every principle of justice, of gratitude, and of civilization, a part of that accumulation back again to society from whence the whole came." A similar rationale was developed, in the nineteenth century, by various socialist writers (François Huet, César De Paepe, Edward Bellamy). But its most articulate exponent was probably George D. H. Cole, who advocated that incomes "be distributed partly as rewards for work, and partly as direct payments from the State to every citizen as 'social dividends'—a recognition of each citizen's claim as a consumer to share the common heritage of productive power" (George D. H. Cole, *Principles of Economic Planning* [London: Macmillan, 1935], p. 235). "Current productive power," he argued, "is, in effect, a joint result of current effort and of the social heritage of inventiveness and skill incorporated in the stage of advancement and education reached in the arts of production; and it has always appeared to me only right that all the citizens should share in the yield of this common heritage, and that only the balance of the product after this allocation should be distributed in the form of rewards for, and incentives to, current service in production" (George D. H. Cole, *Money: Its Present and Future* [London: Cassel and Co., 1944], p. 144). See Walter Van Trier, *Who Framed Social Dividend? A Tale of the Unexpected* (Universitaire Faculteiten Sint Ignatius Antwerpen, SESO, report no. 89/230, 1990), for a presentation of this "social dividend" tradition. Another variant of the same rationale is very much present in some recent eastern European thinking. It is, for example, at the core of Hungarian economist Tibor Liska's proposal that every citizen at birth be given their share of the "social inheritance," only the interest on which they can use in their lifetime: "All the historically accumulated material, spiritual, etc. wealth, belongs to each and every citizen; hence, it should be publicly and proportionally divided—under mutually acceptable rules and conditions—among all members of our society" (Tibor Liska, "The Reform of Property Relations: A Proposal for Entrepreneurial Socialism Based on Personal-Social Property Relations" [paper presented at the Third International Conference on Basic Income, Florence, September 1990], p. 4).

average income in our two-person society) and the lowest price Lazy is willing to accept for it (which may conceivably come close to zero), there may, however, exist an extremely wide range of possible settlements. Which of these is picked out as expressing the "genuine value" of the land is of paramount importance, since it determines whether nearly the whole social product or practically nothing is up for maximin redistribution. It determines, in other words, whether in practice the Dworkinian criterion will be nearly indistinguishable from the "Rawlsian" criterion, or whether it will reduce the grant to a sheer trickle. Suppose there are many Crazies and many Lazies who attempt to make the best possible separate deals with one another, under the guidance of an auctioneer who keeps them fully informed about all offers made. Could not the (uniform) terms on which a plot of land will tend to be exchanged under such circumstances—its competitive equilibrium price—provide a meaningful notion of value? This is indeed what Dworkin assumes in his auction scenario. But how can it be justified?<sup>23</sup>

Dworkin himself implicitly makes two suggestions. One is that whether or not equality of resources is realized must depend on how much other people care for the goods each appropriates, on how precious they are to them, or on their *opportunity cost*.<sup>24</sup> What this implies, however, is only that Lazies should not get more in exchange for the land they give up than the Crazies' reservation price (i.e., the price beyond which the Crazies consider the land is not worth bothering with), and that the Crazies should not give less for the land they acquire than the Lazies' reservation price (i.e., the price below which the Lazies consider they are better off keeping the land). This is guaranteed when land is assessed at its competitive value (here equal to the Crazies' reservation price). But competitive values are not alone in meeting this demand. In the possibly very broad range that lies between the Lazies' and the Crazies' reservation prices, picking the competitive equilibrium price remains unjustified.

Dworkin's second suggestion is that the chosen allocation must satisfy

23. I here leave aside the (relevant but comparatively less important) problems that arise from the possible nonexistence, nonuniqueness, and instability of competitive equilibrium values.

24. Dworkin lays great emphasis on the key role of opportunity costs as the metric of equality in his most recent writings. See especially Ronald Dworkin, "What Is Equality? Part 3: The Place of Liberty," *Iowa Law Review* 73 (1988): 1-54, secs. 1A, 1F, 4B, and 8, and "Liberal Community," *California Law Review* 77 (1989): 479-504, sec. 2.



a non-envy test: Lazy must not prefer Crazy's bundle of resources to his own, nor must Crazy prefer Lazy's bundle of resources to her own.<sup>25</sup> Again, this is certainly satisfied by the competitive equilibrium that emerges from the voluntary trading of initially identical shares, but not uniquely so. As long as Crazy pays more for Lazy's land than Lazy's reservation price, and less than her own reservation price, neither Lazy nor Crazy envies the other's bundle. Thus, although both suggestions point to a condition that is necessarily satisfied by competitive equilibrium, neither of them manages to single out competitive equilibrium as *the* adequate way of valuing resources. To my knowledge, Dworkin makes no other suggestion as to how this choice might be justified, and the characterization of the legitimate, "nondiscriminating" level of the grant, which seemed to be made possible by his approach, is therefore left without foundations.

Thanks to a theorem of the so-called theory of fairness, there is a way out of this difficulty. Although it is generally the case that there are many allocations that are not competitive equilibria and yet are envy-free, this is not so in a large economy with tastes that are so widely scattered that they tend to form a continuum (very unlike the polarization assumed above along the Lazy-Crazy divide). In the extreme case in which there is a continuum of (smooth) preferences, it can be shown that only a competitive equilibrium allocation (with identically endowed traders at the start) can both be efficient (Pareto-optimal) and satisfy the non-envy test.<sup>26</sup> To the extent that the real world resembles sufficiently this continuous world rather than the polarized Lazy-Crazy one, our problem is solved. For even if we do not want to *define* equality of resources by envy-freedom, we no doubt want to make the absence of envy a necessary condition for equality of external resources, or of the external means peo-

25. Whereas in his initial article, satisfaction of the non-envy test seemed to constitute one property that can be shown to be met by the outcome of the auction procedure by which equality is defined ("What Is Equality? Part 2," pp. 285-87), his more recent writings ("What Is Equality? Part 3," sec. 3A) seem to view it as providing the very definition of equality: "Roughly, [equality of resources] stipulates that an ideal egalitarian distribution is one that satisfies an appropriately complex version of the 'envy' test: no one will envy the property assigned to or controlled by any other person."

26. See Hal Varian, "Two Problems in the Theory of Fairness," *Journal of Public Economics* 5 (1976): 249-60; and the generalization by Paul Champsaur and Guy Laroque, "Fair Allocations in Large Economies," *Journal of Economic Theory* 25 (1981): 269-82. The relevance of this theorem in the present context is pointed out by Varian, "Dworkin on Equality," pp. 113-14.

ple are given access to in order to pursue their conception of the good life, whatever it is. If this is the case, and if we do not want the allocation to be inefficient, that is, to be such that one could improve on it by giving someone more of what he or she wants to have without giving anyone else any less, then it makes a lot of sense to require all external resources to be valued in terms of competitive equilibrium prices. It is only if prices settle at levels that allow perfect information markets to clear that a basic income, financed out of all gifts and bequests, can claim to provide equal real freedom to all. And it is only then that a basic income pitched at the highest sustainable level that can be financed out of gifts and bequests can claim to provide maximin real freedom.

#### V. CAN BASIC INCOME BE BOOSTED? INHERITED TECHNOLOGY

Would such a basic income be high? The total value of what gets officially bequeathed or donated in societies such as ours can be estimated at about 10 to 15 percent of national income.<sup>27</sup> And the maximum sustainable basic income that can be financed on this basis will most probably fall far short of a per capita share of this value, owing to the adverse impact of taxation on the propensity to save, conserve, and so on.<sup>28</sup> Is there any way of expanding the legitimate tax base?

First, one might want to point out that the figures mentioned take no account of a very large number of small gifts (from pints in the pub to Mother's Day presents). But it would no doubt be silly to try to seize such gifts in order to finance a higher basic income, basically because the administrative cost of monitoring them would be prohibitive.<sup>29</sup> More signif-

27. In Belgium, for example, the personal wealth of households is estimated at about five times the level of GNP. See Peter Praet and Jef Vuchelen, "Le patrimoine des particuliers en Belgique," in *Accumulation et répartition des patrimoines*, ed. D. Kessler, A. Masson, and D. Strauss-Kahn (Paris: Economica, 1982), p. 136. The authors give data for 1960-1976. With a life expectancy of about seventy-five and a higher concentration of wealth in the older cohorts, this yields the sort of figure quoted in the main text.

28. To get an idea of how universally far from 100 percent taxation tax systems have remained, just compare to the previous figure the observation that the total yield from inheritance and gift taxation is about 0.3 percent of GNP in Belgium, and that the total yield from these transfer taxes and annual wealth taxes is in no OECD country higher than in Norway, where it corresponds to 0.5 percent of GNP. See Cedric T. Sandford, "International Trends in the Taxation of Capital," in *Accumulation et répartition des patrimoines*, ed. D. Kessler, A. Masson, and D. Strauss-Kahn (Paris: Economica, 1982), p. 205, on the basis of 1975 figures.

29. Thinking of these small gifts makes the following objection (raised by Erik Schok-

icant private gifts, skillfully hidden in order to evade taxation, are no doubt also ignored, but it is unlikely that the net gain from closer control would be very significant.

Second, one might suggest that the value of some publicly owned goods be added to the value of privately owned resources. This does not make sense in the case of goods that are genuinely available to all (say, sunlight or breathable air) and therefore constitute a universal grant in kind which it would be pointless to monetarize. But what about public parks stuck in the middle of exclusive residential areas, for example? Here again, I do not believe that there is much room for raising the legitimate tax base, both because we must check to what extent the receivers are not also the givers (as they are if, for example, the park amenities, if not the land on which they rest, are paid for by a local tax) and because most, if not all, of the value of such a public good may be incorporated in the increased value of the surrounding land and buildings, whose value is already up for redistribution.

There is, however, a third possibility, which deserves more thorough discussion. From rudimentary cooking recipes to sophisticated industrial software, it is obvious enough that much of our material standard of living, much of our wealth, can be ascribed to our technology.<sup>30</sup> If we could

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kaert) particularly powerful. Does the whole idea of taxing gifts at a 100 percent rate not conflict with the real-libertarian concern with neutrality as between life plans? Does it not amount to discriminating in favor of the selfish person, whose desire to consume all his income is left unhindered, whereas the altruist's intentions are thwarted by confiscatory rates of tax on whatever he gives? Admittedly, the real freedom to lead an altruistic sort of life is reduced by a 100 percent taxation of gifts. But the *minimum* real freedom to lead such a life—which is what matters from a maximin perspective—is not. Or at least it is not as long as the minimum income everyone enjoys does not exceed the subsistence level. If it does, an amount corresponding to the positive difference should be exempted from gift taxes, in order to guarantee that those with the fewest resources could use them as much as possible (i.e., consistently with their subsistence) in an altruistic as well as in a selfish way.

30. In several of G.D.H. Cole's formulations of the case for a social dividend, for example, more emphasis is laid on inherited technology than on inherited capital. See, e.g., Cole (*Money*, p. 306): "I regard it, too, as a necessary recognition of the essentially social character of production, which depends not only on the current efforts of the individual producers, but also on the accumulated *stores of knowledge* which are the common birthright of us all" (*italics mine*). And the same ethical intuition is still very much present in many recent writings. Typical examples are provided by Marie-Louise Duboin, "Guaranteed Income as an Inheritance," in *Proceedings of the First International Conference on Basic Income*, ed. A. G. Miller (Antwerp: BIEN; London: BIRG, 1988), pp. 134-45; and Victor Oubridge, "Basic Income and Industrial Development: An Employer's Viewpoint," BIRG

add the value of all inherited technology to the value of all inherited capital, would the amount available for financing the basic income not be greatly increased? To the extent that technologies are protected by patents, and hence privately appropriated, they do not raise any specific problem: their value can and must be assessed in exactly the same way as that of material goods, and their transfer has already been subjected to the yield-maximizing taxation discussed earlier. But this applies only to fairly recent innovations. Many of the technologies we use are incorporated in an age-old wisdom that has become common knowledge (making fire, using the wheel) or are available at a cost that may well approximate the competitive value of the medium that carries their description (say, an engineering handbook) but that is, no doubt, negligible relative to what would be the competitive value of the technology itself, if it were privately appropriated. But precisely because these technologies are, as such, freely available, are they not part of a basic income in kind, along with the air we breathe or the streets we use? It would then be pointless to embark on the arduous task of estimating their (counterfactual) competitive value, since they are already given equally to all.

To clarify this issue, it is helpful to return to our world of Crazies and Lazies. We concluded earlier that if the Crazies appropriated all of the land, a nondiscriminatory concern with real freedom required Lazies to be given a per capita share of the competitive value of the land, even if the Crazies did all the work. Suppose now that the Crazies do not need any land to do their work, but only an inherited, freely available technology. Might it not be said that here, unlike in the case of land-using production, the Crazies do not owe the Lazies any part of the product, because the Lazies do not "give up" their share of technology as they did with their share of land? The technology is just as available to the Lazies after the Crazies have started using it as before. Why should the Crazies have to pay anything to the Lazies just because only they have bothered to pick up what everyone is equally free, though unequally keen, to pick up?

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*Bulletin 11* (1990): 28–30, esp. p. 28: "No one person, I suggest, has the right to more of the benefits of public knowledge than another. Yet, having no market price, the value of knowledge is ignored by the market system and all the benefits of its contribution diverted in consequence to those who own the marketable resources—in proportion to the market prices of their contributions. It is only through taxation that an equitable proportion of those incomes can be recovered for redistribution to the rest of the community."

This rhetorical question is misleading. For remember that what justified the payment in the case of land was not *compensation* for the loss of some opportunity. Some Lazies—indeed all Lazies—may not mind at all giving up their share of land (their reservation price may be zero), and yet they remain entitled to a share of what the Crazies produce, as long as the competitive price is strictly positive. What justified the payment was a concern to equalize the resources each has for pursuing his conception of the good life, where resources are evaluated by their opportunity cost, that is, by how precious (at least some) others find them. Of course, the fewer people interested in a resource (here, the inherited technology) and the less keen they are to acquire it, the lower its value: in the extreme case, if only one person was interested in it, and if therefore there was no scarcity, the value of the resource would be zero. But the fact that some people (here, the Lazies) show no interest in that resource does not imply that it should count for nothing in the relevant resource accounting, nor that taxing those who derive benefit from it is illegitimate. One may then consider proceeding by letting the auctioneer sell each technique to the highest bidder, or rather, since the use of techniques, unlike that of machinery or land, is not exclusive, by selling it (at a uniform price) to as many bidders as will maximize his income. There may be cases in which the technique is so universally useful that everyone will buy it—which is distributionally equivalent, in our scenario, to making it freely available to all. But in most cases, only some people—typically, the Crazies—will bother to pay the price that is being asked, and an unambiguous increase in the legitimate level of the grant would seem to result.

Unfortunately, this interpretation of the auction cannot be sustained. For what the auction should reveal, as just recalled, is the opportunity cost of appropriating what is on offer. And precisely because of the non-exclusive nature of technology, this opportunity cost is zero. It is of course true that the production of techniques involves an opportunity cost. It mobilizes time and material resources for the sake of research and development. But the technology under consideration here is inherited, along with natural resources and physical capital. Hence, even if it is legitimate that its value, measured by its opportunity cost, should be added to the tax base out of which the basic incomes can be financed, this is of precious little help. Since this value is zero, the liberally justi-

fiable level of the basic income gains nothing whatsoever from the inclusion of inherited technology in the common pool.

This sobering conclusion must be qualified, though. For there is an important indirect way in which technologies affect what is available for unconditional distribution. Even in a world of equal talents, legally unprotected technologies are not equally available to all. Many technologies can be used only by those who possess the amount and the type of physical capital on which they can be used. Whenever there is such a restriction, the technologies enhance the competitive value of the material goods that confer upon their possessors the ability to use them. And the maximin of external resources, as construed in the previous section, automatically takes this into account. The basic point remains unshaken: no independent valuation of technology can help us beyond the basic income level justified by virtue of the argument of the previous section.

## VI. EQUAL RESOURCES IN A NON-WALRASIAN WORLD

This sounds like very bad news, especially if one bears in mind that we have assumed away any inequality in talents or internal resources, and that any sensible real-libertarian treatment of such inequality is bound to further reduce (if not exhaust altogether) the amount that is legitimately available for universal redistribution.<sup>31</sup> Is it not obviously the case, in the light of our reasoning so far, that the level of basic income that can be justified from a real-libertarian standpoint is so low that it is hardly worth talking about? No, it is not. My claim is that under contemporary conditions, a very substantial basic income is warranted from such a standpoint. This conclusion can only be reached, however, if it is realized that a crucial category of resources has been completely overlooked so far.

31. See Philippe Van Parijs, "Equal Endowments," which attempts to characterize an adequate real-libertarian handling of handicaps and inequalities of talents and suggests that in an affluent society this would leave a significant potential for universal redistribution. See also Amartya Sen's comment ("Welfare, Freedom and Social Choice: A Reply," *Alternatives to Welfarism*, special issue of *Recherches économiques de Louvain* 56 [1990]: 451-86, sec. 3). In a less affluent society, or indeed if the world as a whole were taken as the relevant framework, the criterion there proposed does not warrant such optimism, and the legitimate level of basic income may then be driven down to zero.

To see this, let us stick to a situation in which all people are identically talented, and suppose that the value of all bequeathed and donated wealth has been distributed as a real-libertarian wants it to be. In a society of independent producers, there is indeed nothing, or hardly anything, to add. First, it may no doubt be the case that some people will use this wealth, whether for consumption or production purposes, in a way that improves or worsens the situation of others through mechanisms that involve neither exchange nor gift, that is, by generating positive or negative externalities (say, beautiful trees and dirty smoke). In this society as in any other, some (unavoidably imperfect) shadow pricing of externalities will be required if equality of resources is to be approached. If Jon and Ben are identically endowed, except for the fact that Jon has a splendid view of Ben's garden, while Ben has to put up with Jon's smoke, equality of resources will require that some appropriate correction be made for Ben's benefit.

Second, it may also be the case, in such a society, that owing to some stroke of luck, one producer will manage to benefit, on the market, from some particularly favorable deal. This benefit must then be treated on a par with an unexpected inheritance, and accordingly added to the tax base. But to the (possibly small) extent that such benefits are genuine strokes of luck, they tend to cancel each other out and require no special correction. If instead they are the reflection of superior talent, they have to be dealt with on a par with other differences in talent (an issue ignored in this article).

But let us now shift from this society of independent producers to a society in which production is mostly organized through the employment relation. In such a *job society*, it may be the case that received material wealth is distributed in maximin fashion and that talents are identical, while some people have a job and others (who would like to have one) do not. If this is only a temporary situation, which briefly affects people between jobs or as they first arrive onto the labor market, there is again not much for a real-libertarian to worry about, as it does not significantly affect the distribution of real freedom. And this is indeed the attitude that is encouraged by the "Walrasian" assumption that the labor market, like any other market, tends to clear, that in the absence of institutional constraints (such as a minimum wage), anyone who wants a job and is qualified for it will get one at the standard rate for a given type of skill.

But suppose now that we are in a *non-Walrasian economy*, that is, that for some reason, the labor market does not tend to clear. This may be because of obstacles to perfect competition, such as minimum wage legislation or union monopolies. But it may also be due to mechanisms that are consistent with perfect competition, such as those highlighted by the so-called insider-outsider and efficiency-wage theories of involuntary unemployment. Both sets of theories generate the conclusion that even in a competitive context, firms will pay their employees higher wages than those they could get away with by hiring equally skilled unemployed workers. According to the insider-outsider approach, even in the absence of collective organization, workers can durably claim a wage that significantly exceeds the market-clearing level because of the bargaining power they derive from the existence of hiring, training, and firing costs. According to the efficiency-wage approach, it is in the firm's interest to pay its workers more than the market-clearing wage because of a positive causal link between wages and labor productivity. In most variants, this rests on the assumption that workers shirk less if the cost to them of losing their job is higher. In other variants, it rests on the alternative assumption that workers will be motivated to perform better by the feeling that their employer is paying them more than would have been strictly necessary.<sup>32</sup> Thus, if any variant of either of these two approaches is correct, even a perfectly competitive economy would be non-Walrasian in the sense indicated.

Suppose further that in the context of such an economy, wealth has been distributed in impeccably equal fashion. It is then obviously impossible to say that the employed and the (identically skilled) unemployed enjoy equal access to the means required for the pursuit of their conception of the good life. In a non-Walrasian economy, in other words, peo-

32. See Assar Lindbeck and Dennis J. Snower, "Explanations of Unemployment," *Oxford Review of Economic Policy* 1 (1985): 34-59; and George A. Akerlof and Janet L. Yellen, Introduction to *Efficiency Wage Models of the Labor Market* (Cambridge and New York: Cambridge University Press, 1986), pp. 1-22, for useful surveys of microeconomic equilibrium unemployment theories in general, and efficiency-wage theories in particular, respectively. It is this sort of theory that I shall primarily have in mind in the remainder of this article. Insider-outsider and efficiency-wage models have the great advantage, in the present context, of contradicting the common claim that the resource inequality this section is concerned with would go away if, as those who make this claim usually recommend, the labor market were left to take care of itself.



ple's endowment is not exhaustively described by their wealth (in the usual sense) and their skills: the holding of a job constitutes a third type of resource.<sup>33</sup> How can equality of resources be conceived in this modified context? One obvious suggestion is to proceed in exactly the same way as with external wealth. In the case of scarce land, we gave each member of the society concerned a tradable entitlement to an equal share of that land, and the resource-equalizing level of the basic income was given by the per capita competitive value of the available land (see Section IV above). Similarly, in the case of scarce jobs, let us give each member of the society concerned a tradable entitlement to an equal share of those jobs.<sup>34</sup> The resource-equalizing level of the (additional) basic income will then similarly be given by the per capita competitive value of the available jobs. If involuntary unemployment is high, the corresponding basic income will be high. If all unemployment is voluntary, no additional basic income is justified by this procedure.

If this is indeed the correct procedure, room is made for a sizable increase in the level of basic income that is warranted on real-libertarian grounds. For it amounts to sharing among all the *employment rents* otherwise monopolized by those in employment. These rents are given by the difference between the income (and other advantages) the employed derive from their jobs, and the (lower) income they would need to get if the market were to clear. In a situation of persistent massive unemployment, there is no doubt that the sum total of these rents would greatly swell the amount available for financing the grant.<sup>35</sup> And it is then no longer ludicrous to suggest that the nondiscriminatory concern with people's access to the means for the pursuit of their conceptions of the good life, the maximin of real freedom, should demand that people be given an adequate basic income. Not, of course, under any circumstance, but *inter alia* under those circumstances—affluent societies with high rates of unemployment—in which a popular demand for basic

33. I develop elsewhere ("A Revolution in Class Theory," *Politics and Society* 15 [1987]: 453–82) the relevance of such job assets for a theory of social classes.

34. Such a job voucher system is suggested, independently of Dworkin's auction-based notion of equal resources, in two stimulating articles by Bert Hamminga ("Opstaan voor iemand misstaat niemand," *Maandschrift Economie* 47 [1983]: 395–410, and "Arbeid en moraal in de spiegel van een utopie," in *Aftellen tot 2000*, ed. W. Goddijn [Tilburg: Tilburg University Press, 1988], pp. 4–25).

35. For relevant data about the empirical size of employment rents, see Juliet B. Schor and Samuel Bowles, "Employment Rents and the Incidence of Strikes," *Review of Economics and Statistics* 69 (1987): 584–92.

income has been taking shape, under the pressure of a deep feeling of injustice. I say *inter alia* because, as soon as there are several types of jobs, the existence of employment rents no longer needs to be coextensive with involuntary unemployment: there may be huge employment rents even if everyone has a job, because many people with lousy jobs may be willing and able to do other existing jobs far more attractive (financially or intrinsically) than theirs at the going wage. What is crucial to my argument is the existence of large employment rents, as manifested by the presence of envy over job endowments, and not the fact that many people are without a job at all. The conclusion, therefore, fully applies to affluent countries, such as the United States, in which the rate of unemployment is comparatively low, just as much as to western Europe.

In practice, of course, it is impossible to organize an auction for each type of job in order to assess the rent associated with it, and capture as much of it as is worth capturing for the sake of maximizing the tax yield. The cruder method that simply consists in taxing jobs as a function of their wages is thus a handy second-best. The right of exit—the absence of involuntary *employment*—will guarantee that no job has a negative rent associated with it. And powerful mechanisms—collective bargaining, several variants of the efficiency-wage mechanism—will make sure that some rents keep reappearing, whatever the tax rate. Some people will of course lose out in the process: part of the rent they initially appropriated will be eroded or even disappear altogether as a result of their losing their job. But this is all right, as far as maximin real freedom is concerned, as long as the tax yield is being increased, and hence also the absolute share of the worst-off in the sum total of employment rents. We thus end up with a far higher basic income than seemed possible under the Dworkinian criterion. Indeed, for all practical purposes, we cannot be that far from what would follow from our initial “Rawlsian” criterion, which simply demanded that the absolute level of the basic income be maximized, without any restriction on the tax base.

## VII. THE JUST WAY OF TACKLING UNEMPLOYMENT

There are no doubt hundreds of conceivable objections to this conclusion, some of which might prove decisive. Let me mention just four of them which I find either interesting or serious or both.

Consider, first, the following anomaly. Jobs constitute assets whose value is to be shared because some people are involuntarily unemployed. If there were no such people, those who choose not to work, the voluntarily unemployed, would receive no basic income in addition to their share of external resources of the standard kind. By using employment rents to swell the basic income, does one not provide unnecessary benefits to people who are already "happy" with the present situation? Should one not instead restrict the benefits of rent sharing to the involuntarily unemployed, for example by making additional benefits conditional upon availability for work or by trying to redistribute the rent through policies of wage subsidies or statutory working time reduction? No, one should not—at least as long as one wishes to stick to the liberal ban on discrimination between conceptions of the good life.<sup>36</sup> For adopting a policy that focuses on the involuntarily unemployed amounts to awarding a privilege to people with an expensive taste for a scarce resource. Those who, for whatever reason (whether to look after an elderly relative or to get engrossed in action painting), give up their share of that resource and thereby leave more of it for others should not therefore be deprived of a fair share of the value of the resource.<sup>37</sup> What holds for scarce land holds just as much for scarce jobs.

But what, second, if one can get rid of (more than "frictional") involuntary unemployment, not through a (discriminatory) policy of wage subsidies or job sharing, but through macroeconomic expansion, through the substitution of a share economy for a wage economy, or, perhaps, through the abolition of any transfer that is not warranted by the maximin of external resources in the standard sense? If this can be done—and is not the lower rate of unemployment in the United States good evidence that it can?—why should one not do it, and be justified in doing so by the very concern with the distribution of job assets? Remem-

36. In the case of statutory working time reduction, the problem is not just the discrimination it shares with the other policies just mentioned. The large costs in both freedom and efficiency that flow from what can be construed as the untradability of the "equal right to work" are two additional reasons why statutory work sharing cannot plausibly claim to maximin real freedom.

37. As this clearly brings out, it is by no means assumed that jobs are "primary goods," in the sense that they are required for the realization of whatever conception of the good one may have. Jobs, or their value, must be redistributed, because they constitute, or give access to, part of the social wealth or resources which a real-libertarian wants to distribute in maximin fashion.

ber, first of all, that if people are forced to find just any job, whatever the work conditions and pay, in order to survive, and actually find one, it does not follow that there are no employment rents in the relevant sense. To repeat, such rents exist whenever some people would like to do someone else's job at the going wage and are qualified for it (or are not qualified for it, but would be willing to do the job at a correspondingly lower wage). It is only if the market were absolutely fluid, indeed, if there were no such things as jobs left, but only independent providers of services in a competitive market, that employment rents would vanish altogether. Mass unemployment is not essential. It only makes employment rents particularly visible.<sup>38</sup>

In the second place, suppose that there are no employment rents or, if you prefer, that employment rents are appropriated by the employer instead of the employee. Then, other things being equal—assuming away, in particular, any negative effect on labor productivity or the stability of effective demand—the value of society's capital would be substantially increased, and so would, therefore, people's per capita share of external resources in the standard sense and the maximum level of basic income that can be financed using these resources. This suggests an alternative way of looking at employment rents. The latter can be viewed largely as a way in which workers manage to tap—whether because of capitalist self-interest or owing to their own individual or collective power—part of the value of society's productive potential, that is, of its accumulated material means of production, of its production technology, and also of its economic and social organizational know-how.<sup>39</sup> This explains why the taxation of inherited capital and technology could only lead to a disappointingly low level of basic income (Section V), and how the taxation of current wages can be a way of capturing part of what has been left to us by previous generations.

38. Incidentally, this strongly contributes to justifying a basic income in a socialist (or mixed) job economy in which the right to a job is guaranteed. Throughout this article, I have focused on the implications of the various ethical positions in the context of a capitalist economy, leaving aside (and open) the question whether they justify one system over the other.

39. I take (perhaps overgenerously) these various dimensions to be subsumed under the "benefits of combined labor," in which Mill believes that all should participate in a way consistent with "the greatest individual liberty of action." See the passage quoted in the epigraph to this article (John Stuart Mill, *Autobiography* [Oxford: Oxford University Press, 1969], p. 138).

### VIII. THE RIGHT TO WORK AND THE RELEVANCE OF ECONOMIC ARGUMENTS

A third and frequent objection is that the basic income strategy amounts to a sellout. By responding with a substantial basic income to the monopolization of employment, does one not give up the equal right to work and settle for an equal right to income, by no means a perfect substitute? Paid work offers opportunities for social contacts, satisfying activities, social recognition, and social power which pay without work does not supply. Surely, access to these must be a component of the real freedom one is concerned to maximin, and is totally ignored by the approach adopted here. This objection raises an important issue, but is nonetheless unfounded. First of all, the nonpecuniary aspects of a job are fully taken into account by the hypothetical auction sketched above (Section VI): if people find having a job very important for any of the other reasons just mentioned, this will accordingly swell the value of aggregate job assets, and hence raise the level of the basic income. Next, the higher the level of one's unconditional income, the higher not only one's consumption power, but also one's ability to get access to jobs with the desirable nonpecuniary features mentioned above. For the higher the grant, the easier it is to create one's own job by becoming self-employed, to work part time, or to accept a lower wage *in order to* get a job that has a nonpecuniary feature (including training opportunities that improve pecuniary prospects for the future) to which one attaches particular importance.<sup>40</sup> One could of course imagine a policy that would make it possible to cater even better to this dimension of real freedom, by making sure that anyone wanting a job with adequate pecuniary and nonpecuniary features would have access to one. But this would again amount to redistributing employment rents in a discriminatory fashion, as was the case with straight wage subsidies. It would amount to giving a liberally unjustified privilege to those who have a stronger preference for waged labor.

Finally, it may be objected that the taxing of employment rents is an operation that runs very quickly into the limits imposed by maximin considerations. This is clear enough when firms volunteer to hand out em-

40. Nonetheless, unlike what is assumed to happen in Hamminga's ("Opstaan") abstract scenario, there will be involuntary unemployment left in the option that is to be preferred from a real-libertarian standpoint, because maximin considerations will prevent the equal distribution of all employment rents, i.e., the selling of job vouchers at their full competitive price.

ployment rents in order to elicit more productive work from their employees. But it also applies to cases in which rents are appropriated as the result of tough individual or collective bargaining. For would those workers who managed to reap such rents in the first place not react to any attempt to redistribute them by successfully bargaining for a compensatory wage increase? Only a permanent statutory income policy could prevent this, and such a policy would throw overboard all the efficiency advantages of a responsive labor market.

How far short of full equalization a maximin criterion will make us stop is an empirical matter, which I shall make no attempt to tackle adequately. I shall restrict myself to making two general points which I believe to be of central importance to this issue. First of all, it is important to bring in at this juncture the various efficiency arguments that have been made in favor of a basic income, compared to existing transfer systems in developed welfare states of the western European kind.<sup>41</sup> Whether the introduction of a basic income in *this* context would involve any significant increase in relevant marginal tax rates and, if so, whether this would have a noticeable impact on the supply of labor and capital are issues that have been frequently discussed. But according to those who advocate basic income on economic grounds, these are issues of secondary importance compared, in particular, with the significant contribution an unconditional basic income could make, as part of a new "social contract," to a functioning of the labor market far better suited to current technological conditions. If they are right, this contribution would allow the redistribution of employment rents as a basic income to go a long way before reaching the yield-maximizing point.<sup>42</sup> The second

41. See Philippe Van Parijs, "The Second Marriage of Justice and Efficiency," *Journal of Social Policy* 19 (1990): 1-25, esp. pp. 16-25, for a survey of these arguments.

42. Note, incidentally, that taxing the nonrent element in wages (which matches the irksomeness of the job or the process of skill acquisition) is bound to run far more quickly against the limits imposed by maximin considerations than taxing the rent element. It follows that unqualified grant maximization (as according to the simple "Rawlsian" criterion of Section I) may in actual fact warrant a grant level that is hardly higher than grant maximization restricted to resources, as soon as the third category of resource is brought in. The remaining discrepancy is further narrowed if one takes into account the analogue of efficiency-wage theory on the credit market: "efficiency interest theory." See, e.g., Joseph Stiglitz, "The Causes and Consequences of the Dependence of Quality on Price," *Journal of Economic Literature* 25 (1987): 1-48; and Samuel Bowles and Herbert Gintis, "Contested Exchange: Political Economy and Modern Economic Theory," *American Economic Review* 78 (1988): 145-50.

point I want to stress relates more specifically to the redistribution of employment rents appropriated or protected by collective bargaining. There is little doubt that resolute collective resistance by organized workers could defeat, through a strategy of retaliatory moves, any attempt to substantially redistribute the assets they control. But the resoluteness and hence the chances of success of this resistance are crucially affected, in a democratic society, by whether or not the organizations involved can make a plausible public claim to the effect that their demands are fair demands, that what they are asking for is no more than what is owed them by virtue of their work. This is one reason why the sort of inquiry to which this paper has attempted to contribute is of far more than sheerly speculative interest.

## IX. CONCLUSION

Let me now return, by way of conclusion, to the welfare hippies and Malibu surfers with whom I started. Does justice require that they be fed? Somewhat more accurately, does liberal justice entitle them—no questions asked, no strings attached—to an income sufficient for them to feed themselves? If my argument is correct, it certainly does, at least in a society that is affluent enough to durably afford an unconditional income at that level.<sup>43</sup> For if liberal justice consists, as I have taken for granted it does, in maximinizing the real freedom to pursue the realization of one's conception of the good life, those who take an unfair share of society's resources are not those who opt for such a low-production, low-consumption lifestyle. They are people like myself and most of my readers, who, thanks to the attractive job they were given, appropriate a huge employment rent.

Thus, it is just, *contra* John Rawls and Senator Yee, that Malibu surfers be fed, even though they will no doubt have to do their bit of productive work if they want to buy fancy surfboards or live in Malibu mansions. Moreover, *contra* Elster, feeding them does not go against the widely held view that it is "unfair for able-bodied people to live off the labor of others." For this is a serious misdescription of what Malibu surfers are doing if all they live off is their share, or less than their share, of

43. And subject to a qualification relating to the treatment of handicaps and other inequalities of talents. See again Van Parijs, "Equal Endowments."

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rents which would otherwise be monopolized by those who hold a rich society's productive jobs.

As often happens, the conclusions reached for the hard cases really matter only because of the a fortiori claims they warrant. While futile if it had no implication beyond Malibu surfers and their likes, the argument of this article, if correct, derives its practical importance from its direct relevance to the fate of an affluent society's unskilled workers, its excluded youth, its dependent housewives, its double-shift parents, its long-term unemployed. By challenging their resignation, by providing their revolt with intellectual backing, by immunizing their demands against a number of misguided or ill-intentioned objections, it may effectively help them to successfully stake their legitimate claims.