

# Berkeley Seminar on Envisioning Real Utopias

## October 2007

### SESSION 5, OCTOBER 24

#### SOCIAL EMPOWERMENT AND THE ECONOMY

In this session we spent most of the time discussing Unconditional Basic Income (UBI) and various institutional and normative issues connected to it.

**Ofer:** I wonder whether there would be stigma associated with this since there is stigma associated with not working for pay. I am not so concerned about the possible labor supply problems – rich people work now even though they could live off of the interest from the savings and people keep working after winning the lottery. The problem of capital flight seems like a more serious objection. Service industries would have to stay where they are, and there is the argument that in Sweden there is not capital flight, but after all this was a problem in France in the early 1980s.

**Zachary:** Would there need to be regulation to prevent capital flight? Would this require comprehensive planning that contradicts market solutions? Would this have repercussions for currency – would UBI cause massive inflation?

**EOW:** This would not inherently generate inflation – the UBI is redistributive: it would not necessarily increase average real wages. Average wages could go down or up. Anything is possible – it would depend upon other things. This is redistribution mainly among earners – high earners will be net subsidizers of zero earners living off the UBI or of low earners for whom it is a wage subsidy.

**Dimitri:** All of these require a significant state regulation to maintain. Isn't this right? Is regulation part of the proposal?

Adam: This might involve less regulation because administration is so simple.

**EOW:** On capital flight: the costs might be not be any higher than taxes in existing generous welfare states. Usually the capital flight argument is framed that this is a purely economic response, not a political one – not like a capital *strike*. Capital flight implies that capitalists disinvest as strictly an individual response to threats to profits.

**Dmitri:** But doesn't UBI also result in a change in class relations as you point out. Workers will be much stronger with a UBI – doesn't this threaten class relations?

**EOW:** UBI may strengthen the labor movement because of tight labor markets, but how will this affect their strategies? Will they act in ways that drives capital away by provoking a capital strike or capital flight or would they use their power to forge a class compromise? The premise here is that the labor movement would be sufficiently strong to pass a UBI but not strong enough to overthrow capitalism, so we will have to stay in capitalism. So, what would the labor movement do? Would they push up wages to the maximum knowing this would undermine profits? So: how likely is it to both pass a UBI and then take advantage of the shift of power to squeeze capital to the point that it disinvests? The alternative is to forge a positive class compromise as in the Nordic

countries: workers agree to retrain militancy in exchange to capitalists agreement to invest.

**Dimitri:** Capitalism just doesn't sound very utopian to me. The working class agrees to save capitalism. That isn't very utopian.

**EOW:** The whole premise of the five pathways of social empowerment model is that these occur within a society in which capitalism is still dominant. We want to expand the social infrastructure of social power as much as possible. We want to figure out clever and sneaky and sometimes transparent ways of doing this, or enlarging the space within which social power operates and begins to structure economic relations, knowing that we cannot move in one step into a structure in which social power is dominant. The reasoning will be clearer when we talk about ruptural scenarios. If ruptural scenarios were plausible we would have an alternative way of going about this. But if we don't then we have to improvise: so class compromise might be the appropriate *strategy* for moving in the right direction even if class compromise is itself not a utopian form.

**Abigail:** So, what would be your vision of what would come beyond this class compromise? How does this lead to longer term change.

**EOW:** Remember UBI is only one element along one pathway. The scenario is that it expands the possibilities of innovation and experimentation in other ways of expanding social power. For example, UBI would enhance the capacity of cooperatives to survive and expand much more effectively with a UBI than in its absence. And this is how it makes possible further movement in the direction of enlarged social power. With a UBI a cooperative does not have to generate all of the income for a standard of living from the market-oriented activity of the coop. This enhances the capacity for learning, for surviving the learning curve for establishing themselves. The basic scenario is that this facilitates experimentation. I do not know what the limits of this are. They could be very severe. The countermoves by capital could be preemptive and sharp and thus UBI could be unsustainable. It is possible that a democratic egalitarian future with social empowerment of the economy is unattainable even though it would be viable, because any movement in that direction would trigger sufficient powerful counter moves and a rupture is impossible. So we could be stuck. That's the pessimistic view.

**Dimitri:** but we're optimistic, that small forms of change would cumulatively lead to something else. It would be good to have a clearer sense of how these proposals move us in a particular direction. How do these innovations move us towards real social empowerment?

**EOW:** I am using basic income in a different way here than in most discussions, emphasizing its contribution to social empowerment, not just justice. Some of these examples will reappear in the discussions of transformation, especially interstitial transformations, since there we will see how these figure as *strategies* not as *designs* – which is what we are doing here.

**Zachary:** If we now have a compass, how do we evaluate how far we have gone? How do we evaluate these various schemes against each other?

**Abigail:** Or how do we judge how these schemas move us along the compass points, how they are waystations along the way. There is a bit of a disconnect between this

discussions and the earlier exposition. Are these examples the utopias or just a way of getting there? Need to talk about these as steps.

**EOW:** I am not sure how to do what you are asking, although this would be good. I see this more as a menu than a hierarchy of forms, and I don't really have any underlying metric for comparing them exactly. I don't see how to make this a more ordered analysis as elements of an architecture.

**Abigail:** I still would like to see these as *steps* – understand more the way they constitute stages in a sequence that moves in a direction.

**Adam:** this is a menu of things that are desirable relative to the status quo. Now the problems are posed in terms of viability -- need to discuss more the desirability issues. Need perhaps to talk more about the ways in which they have downsides also.

**EOW:** I think it would be good to talk about the desirability of these proposals both in terms of the normative foundations of social justice ideas from chapter 1 and the social empowerment theme of chapter 5. Expanding the space of social power is both instrumental for the goal of egalitarian flourishing. Socialism is instrumental: capitalism is a structure of power relations that generates harms; the recipe for a solution is transforming those power relations. Historically the strategy has been highly statist, but we know that this has generated its own pathologies, so we now are looking for a society-centered approach to reconfiguring power. So I should say something about how these proposals impact on that issue.

Any other thoughts?

**Abigail:** You make a brief point about the effect of UBI on the “wages for housework” issue. I didn't see how this would work since the UBI goes to everyone. The effects of UBI on work would not lead to valuing housework for its importance. How would this increase the valuation of housework?

**EOW:** That is a very good point. The 1970s discussion of wages for housework was seen as a solution to two issues: 1) reduce the dependency on men, and 2) lead to the public recognition of the value and importance of housework. So, UBI would affect the first of these goals but not really have any necessary effects on the second. It would not symbolically signal the value of housework. Still, it is interesting that there are places where feminists have been in support of UBI because of its connection to providing financial support for housework.

**Question:** Have unions recognized the ways in which UBI is a kind of permanent strike fund for workers?

**EOW:** The labor movement has in most places been pretty hostile to UBI, seeing it more as a form of exploitation of hardworking people by lazy parasites. The labor movement is much more behind full employment policies than cash distributions of this sort. This is probably the major reason why UBI has not made more headway in Europe – the labor movement being cool to the idea.

**Zachary:** What would happen to undesirable jobs – like an exterminator, or janitor? Would wages skyrocket or would everyone just do it themselves?

**EOW:** In countries with a high minimum wage certain jobs just don't exist. You do not have domestic cleaners in Sweden, for example. The high minimum wage makes these expensive. So certain jobs just don't get done since no one wants to do them at an affordable wage. This is not a bad thing. But it is not so clear what happens to the wage structure with a UBI. People may want to do the lousy work for more limited time even for relatively low rates because they want the discretionary income. What we know is that the standard of living associated with those bad jobs would go up because of UBI.

**Adam:** would this lead to an increase of part time work?

**EOW:** In principle if you had a generous UBI you probably would deregulate a lot of labor market rules. You wouldn't need a minimum wage, for example. The rationale for blocking a low wage sector would disappear if you had a generous BI. Certain kinds of interesting work would have declining wages. In any case it is very hard to figure out what the dynamic effects would be.

One other thing here: UBI is a massive subsidy for activism and this is one of the main ways it would push forward social power around all sorts of issue – gender, workplace, etc.

**Jorge:** I want to discuss the noncitizen problem with basic income. How do you deal with non citizens or nonlegal residents? UBI would therefore have an unintended consequence of a much deeper dualist segmentation of the society. This is predictable. Is a UBI a good idea under these conditions?

**EOW:** I do think it would be a good idea even if it did produce dualism in the present. Ideally of course UBI should be truly universal – meaning global. There are proposals for an earth grant based on the idea that all of the natural resources and land in the world should be seen as collectively owned by all people: private ownership of nature is unjustified. The natural resources are distributed unevenly around the world by chance, and there is no moral claim that anyone has to any piece of the earth. Therefore we should distribute the economic “rents” generated by natural resources to everyone on a per capita basis equally. This would be a significant amount to the poor of the third world. That is the universalistic UBI principle.

Well, that would be the ideal, but it is pretty utopian to imagine it happening. In the absence of that I think open borders is the philosophically justified view of migration and immigration, but this runs up against the practical constraints of the “absorption” capacity of given communities. An unlimited immigration would shatter the necessary solidarities and reciprocities and mutual trust and understanding needed for sustainable egalitarianism. A UBI with unconstrained immigration would almost certainly self-destruct because of the erosion of the political foundations for the egalitarianism of the program. Any system of sustainable egalitarianism would have to have citizenship rules and this guarantees that there will be illegal migrants since people will violate the rule since borders are porous. If you allow illegal residents to get all of the rights of legal residents then they are in effect legal. This is a contradiction that will have to be dealt with.

**Dimitri:** But this argument takes absorption capacity as a constant – this can be increased by actions. We take for granted that we have to limit immigration rate.

Abigail: I also think that the idea you need to have mutual respect, etc. argument ignores your previous argument that a egalitarian democratic order you make people more universalistic.

EOW: so the question is how malleable these cultural forms are and how quickly they can change under egalitarian processes. I think that egalitarian democracy will have the tendency to enlarge universalism and stretch time horizons, but that this is a tendency and will take time and will be unevenly distributed. Also immigrants will not fully be part of this and their identities will not be formed under these processes, so they may be less interested in absorption/integration. It may be possible to expand the rate of absorption, but there will still be a problem and so limits will have to be imposed so then there will be non-recipients.

Kate: we shouldn't use the term "illegal" about people: a person isn't illegal.

Ofer: It seems possible that a lot of the conflicts around immigration come from scarcity and competition and fear that immigrants are a threat for jobs. This is a major part of the fuel for this problem of fear of outsiders. If you remove that the fear would be reduced. Anyway, I thought you would make a different point about the carrying capacity being economic. This would be a pure economic question about how many people could be sustained by UBI if unlimited immigration occurred.

Adam: this is a major issue in Europe – the sustainability of the welfare state.

EOW: there is another scenario which would go like this: Anyone can come but for ten years you cannot get the BI. This will create a sharp dualism, but the dualism is within a system that enables them to move to the citizen status and receive the UBI. The length of time in the non-0UBI labor market would depend upon the carrying capacity, the absorption capacity, and the rate at which people live off the UBI. The structure is designed entirely on the basis of the pragmatic constraints. The dualism is not itself just, but people move through the structure.

Zachary: Doesn't this just mean the third world come to the US to do our shit work to support us?

EOW: So, presumably if there was a generous UBI and a policy that people could come but would have to wait before moving to that status, that could lead to so many people coming that the system would be unstable and would unravel. If so, then a more restrictive form would be the limit of possibility. I think UBI would still be a good thing even under those conditions. I think UBI would have progressive and dynamic consequences even then, even if had exclusionary elements.

Lina: It seems to me that you have to consider the economic basis of the countries. A lot of countries cannot afford a basic income system.

EOW: It might seem that way at first glance, but the level of BI needed to have basic needs met in poor countries is also low. This is why the prospects for BI are better in Brazil and South Africa than most places. The proposed BIs are very low, but it could still make a very big difference in people's lives.

Lina: But where do the funds come from?

**EOW:** from the productivity of the country and from redistribution from the very rich elite. The top 10% earn enough for this.

**Lina:** but they don't want to let this happen.

**EOW:** But this is a political problem, not an economic one. We must distinguish two reasons why something isn't possible – one is that the political power of the dominant group is too great and they will block the change and the other is that it would not work economically, that there is no sufficient resources.

**Zachary:** But how does this then differ from a ruptural situation. Why would these not entail a ruptural transformation?

**EOW:** UBI is feasible in societies that have already created a patchwork generous welfare state of many targeted programs. In those societies UBI is a simplification and would not really require a structural rupture. This still might be a kind of rupture – eliminate some programs and introduce new ones. This is an institutional rupture but not a systemic rupture: a rupture in a particular institution but not in the system of power. That kind of partial rupture may certainly be necessary and possible. The problem comes with systemic ruptures.

**Zachary:** Wouldn't a UBI require a rupture in the US?

**EOW:** The US came within a few votes of getting something much like UBI in the early 1970s when the negative income tax almost passed. Milton Freidman supported this and convinced Nixon to try to pass it, and it almost did. It failed in part because liberals opposed it since it would be a cut in welfare payments to poor women. In retrospect it would have been a good thing. It avoids poverty traps and would have a natural tendency to expand over time. It would have almost certainly have been better for poor people by the 1990s.

**Roi:** Why isn't a negative income tax really just a state subsidy to low wages?

**EOW:** this is a concern. This is true also for a low UBI. If the UBI is a below-subsistence level then it can be a subsidy to employers enabling them to offer lower wages. This is what Polanyi thought about the Speenhamland system of bread distribution among poor workers. He thought this just lead to lower wages, but Fred Block has shown that the standard of living of the poor in fact went up because of the distribution. Polanyi based his views on the anti-Speenhamland propaganda.

**Question:** I think it would be good to explore the global impact of these proposals more systematically, These should be brought up in the designs themselves.

**EOW:** I think these are especially relevant to the social capitalism and social economy examples, perhaps because these do not so much involve the state. Global exchange for example involves direct relations between northern consumer and southern producers. The coffee roaster in Madison *Just Coffee* works directly with coffee coops in Guatemala for this purpose. These efforts do not involve the state and directly form organs of social empowerment across borders that impact the third world, if only marginally. The question then is what is the potential for this? We can see these as examples that challenge the concentrations of economic power of capitalism. They do not challenge the market but rather the concentrated role of capitalist power in shaping the market. What is

the potential for this to expand in ways that could become a significant part of the way people live their lives economically. Is this doomed to be on the fringes? And also: even apart from dynamic, how can these even be reproduced over time – or do they have a life cycle where they require so much energy and commitment that they soon die out?

**comment:** The state could be a big help for this – helping to coordinate, support, etc.

**EOW:** It may be that if you could get state support this would help – subsidies for infrastructure or regulation to expand the space, etc. If you could get that then perhaps it would help in ramping things up. And this would be a question of the political balance of forces. Frequently in these kinds of things, when state support is achieved it imposes side conditions which in the end can destroy the project. This is a problem: the desire for state support is strong and it seems like a good thing, but the strings attached can be devastating.

**Comment:** Is this true for the social economy in general?

**EOW:** this is one of the things the left has often feared and one of the reasons that Marxists have insisted that you need a different *kind* of state in order for it to serve the interests of the working class. The idea is that the *capitalist* state cannot be used for anticapitalist purposes because of the nature of the power relations inscribed in the state itself imposes such bias that it will always destroy progressive projects. I think that there are examples where the state is more benign than that. There is always a risk. The state is a contradictory structure, not a monolithic one, and therefore it is contingent the extent to which it can be used to support social empowerment. When this is possible, this is the symbiotic strategy of transformation. This is typically most possible when social forces – unions, social movements – are themselves very powerful and can design the collaboration in a ore positive manner.

**Ofer:** How does the state undercut such processes? Is it unintended consequences, or what?

**EOW:** I am sure much of this is unintended consequences. Red tape – to prevent corruption – for example, adds costs. Another thing that happens is that when the state provides protection for movements, they rely on the state rather than on their capacity to mobilize, so they become more like administrative actors and less dialogic. They end up thus lettering their base atrophy and become more like administrative arms of the state. There are traps and this can be very tricky to navigate.