

Almaz Zelleke, “Provocations Toward Utopia: Democracy, Transparency, and Sustainability in the Basic Income Society,” Remarks at the Berggruen Workshop on Conceptualizing Justice in Comparative Perspective, February 2, 2018, Edmond J. Safra Center for Ethics, Harvard University

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I should say at the outset that I am skeptical of Utopias. To the extent that they imply an end, rather than a set of rules and institutions through which individuals can negotiate and help shape a shared vision of a good society, I’m anti-utopian. On the other hand, to the extent that the search for Utopia implies the elusiveness of even the most basic rules and institutions that support a just society, then I suppose I am one. In our current political moment, it feels utopian, in that latter sense, to believe in any reasoned, respectful, and honest dialogue about how we might nudge our society in the direction of more just and inclusive background institutions. All the more reason to engage in conversations like this one.

The utopian vision I’d like to sketch out today involves three core values: democracy, transparency, and sustainability, and three core institutions that support them: an unconditional basic income, an integrated tax and budget process; and an alternative measure of economic well-being that I will provisionally call Net National Wealth, or NNW. These three institutions in turn help us to enact three forms of justice: distributive justice, justice as reciprocity, and intergenerational justice. Let me take each in turn.

Democracy, a Basic Income, and Distributive Justice: Advocates of a basic income--and I include myself here--envision a society in which absolute poverty is

eliminated and productive and rewarding work is defined and shaped collaboratively by members of society, not by large corporations or the government alone. In a society with a basic income, anyone who wants more than the minimum it provides will need to perform paid work of some kind, but the basic income will give them resources to negotiate that work in ways that are now out of reach for many individuals.

- A basic income can provide what Erik Olin Wright calls “a kind of unconditional and inexhaustible strike fund,” which provides workers with leverage to negotiate better wages and working conditions.¹ This point should not be exaggerated when thinking of basic income amounts that would be feasible in the near term. My own proposal for a feasible initial basic income for the US of about \$6,000 for every adult and child² provides only a modest amount of strike leverage given current inequalities of income and wealth. The higher the basic income--*if* financed in a way that reduces inequalities of wealth and income--the more leverage against employers it provides.
- A basic income can reduce the opportunity cost involved in pursuing education and vocational training, but again we should not exaggerate the effect of a modest basic income given the high cost of education in the US.

¹ Erik Olin Wright, “Basic Income as a Socialist Project,” *Basic Income Studies*, 1:1 (June 2006).

² Almaz Zelleke, “Targeting Benefit Levels to Individuals or Families?” *Basic Income Studies*, 2:1 (June 2007), article 7.

- However, even a modest basic income makes foregoing unappealing, but better paid work and pursuing instead more rewarding, but lower paid work feasible.
- Even a modest basic income--if it goes to children as well as adults--makes undertaking unpaid care work possible without completely foregoing economic security.
- Finally, and perhaps most relevant to our topic today, even a modest basic income can give everyone a capital allotment that serves as a kind of “economic vote” through which they can help shape their local economies, by providing resources to
 - Start a venture of their own;
 - Invest in the ventures of others that share their goals and values;
 - Or support through their consumption choices businesses that align with their values. If in our roles as consumers we have only enough money to get by we have no choice but to shop on price. A basic income that increases income above subsistence gives all consumers the privileges that affluent consumers enjoy, to buy organic, local, fair trade, or sustainable products that cost more than their mass produced alternatives, and in so doing to take back some of the economic power we now delegate to large corporations.

Again, I don't want to overstate the power of a modest basic income anymore than we would, today, overstate the power of universal suffrage. Democracy can, if we get the institutions that enact it right, share political power more broadly than any alternative system yet designed. A more democratic economy does the same--it doesn't equalize economic power, but it shares economic power more broadly than the system we currently have in the US and, I'd argue, the feasible alternatives of democratic socialism or state capitalism.

A basic income that contributes to a more democratic economy must be financed in ways that reduce inequalities of wealth and income. Proposals for funding basic income through resource taxes on carbon, fossil fuels, or land, while fulfilling other worthy goals, are not as redistributive as a basic income financed through progressive taxes on income, wealth, inheritances, and estates. For basic income to enact distributive justice, it must be implemented in ways that reduce inequality, rather than reducing economic insecurity alone.

Framing basic income in the context of an argument for a more democratic economy also illustrates why the basic income has to be individual, not household based. Just as we would not expect or require *political* preference to be uniform within families, we should not expect or require *economic* preferences to be uniform within families. In fact, one of the strongest arguments for a basic income is the redistribution of voice and agency *within* families and, generally, from men to women.

Transparency, an Integrated Tax and Budget System, and Justice as Reciprocity:
I've been doing some research on the history of taxation in the US and was charmed to

find that the first tax law passed by the US Congress in 1789 took just four pages to specify a range of tariffs on the import of goods from buttons to wool. The current tax code and associated regulations are so long and complicated and change so frequently it's impossible to get an accurate word or page count--at the very least it's thousands of pages long--and more than half of taxpayers seek the help of professional tax preparers to calculate their taxes. Our tax code is so complicated that it's fair to say that we now--or, more accurately, once again--have taxation without representation, because it's almost impossible for voters or even our elected representatives to fully comprehend the distributive implications of a tax code so complex.

Tax codes, while not often the subject of eager scholarly examination by political theorists, are critical repositories of a society's values and priorities.³ "Without taxes," as Thomas Piketty notes, "society has no common destiny, and collective action is impossible."⁴ Here, I want to focus in on the way our federal tax system obscures the distribution of resources to different groups in society and impedes the enactment of justice as reciprocity, which I define as oversight of policies enacted in our name in return for the benefits and protections we receive as citizens of a democracy.

One reason for the tax code's complexity is the shift in government spending from appropriations made through the budget process to tax expenditures in the form of deductions and credits against taxes owed. Because our congressional rules require appropriations to be authorized by one committee in both the House and Senate, and

³ I first learned this not from a political theorist, but from an economist, the late Joseph A. Pechman, with whom I worked at the Brookings Institution in the 1980s.

⁴ Thomas Piketty, *Capitalism in the Twenty-first Century* (Harvard University Press, 2014), p. 439.

then funded by another committee in each chamber, they are harder to pass than tax expenditures, which require approval by only one committee in each chamber and thus have half as many veto points.⁵ Because most tax credits are not required to be costed out or to have funds appropriated to make up the foregone revenue, the very real benefits they represent to those who get them are obscured. Distributionally, spending through the tax code disproportionately benefits those with high incomes and large tax bills, while spending through the budget process targets low-income populations. This greater visibility of spending programs together with their low-status beneficiaries often makes them targets of congressional budget cutting, while the obscurity of tax expenditures together with their affluent beneficiaries provides protection for them, often for decades after their original rationale has ceased to make any sense.⁶ The overall obscurity of our spending commitments, along with the imbalance in the visibility of programs for different classes of beneficiaries, impedes our oversight responsibilities as citizens.

What would the kind of budgetary transparency I'm after look like? It would look a lot like our Social Security system--which is funded by dedicated taxes, subject to rigorous reporting requirements about future outlays and predicted shortfalls for a period of 75 years, and sends out annual reports to future beneficiaries about the benefits they

⁵ Christopher Howard, *The Hidden Welfare State: Tax Expenditures and Social Policy in the United States* (Princeton University Press, 1997), p. 180.

⁶ One example is the housing mortgage interest tax deduction, a vestige from the early 20th century, when interest on business debt was deductible, and roughly one-third of households were farm households, with little separation between home and business. Howard, *Hidden Welfare State*, pp. 53-54. For additional examples, see Bruce Bartlett, *The Benefit and the Burden: Tax Reform--Why We Need It and What It Will Take* (Simon and Schuster, 2012), chap. 11

can expect. Because of this mandated transparency, Congress and citizens in general are informed about the trade-offs involved in determining benefit levels available to current and future beneficiaries--raising the payroll tax rate, lowering the retirement age for full or partial benefits, excluding certain categories of beneficiaries, expanding the categories of workers covered by the payroll tax, and increasing the proportion of high earners' income subject to the tax. Adjustments to these elements of the Social Security system have been made repeatedly over the course of its 80-year history, and the transparency of the system is one of the reasons it retains such broad-based support among the public despite repeated attacks.

Canada had, for a time, a system in which all expenditures--appropriated spending or tax expenditures--were grouped into ten "envelopes" with overall spending limits for each to be divided among spending and tax credits.⁷ Bundling all of our housing subsidies into one envelope, for example, would show that we spend 3 times as much on subsidizing housing through tax credits--which disproportionately benefit the affluent--as we do through spending programs--which disproportionately benefit those with low incomes. This kind of transparency would make it easier to identify and advocate to change such imbalances.

The Social Security system has another feature of transparency that should be replicated by other social protection programs: it is not means-tested, but it is partially taxable for those who have high incomes in retirement from other sources. It's no more

⁷ Howard, *Hidden Welfare State*, p. 180. This system was implemented in 1979 and abandoned in 1989. *The Canadian Encyclopedia*, available online, at <https://www.thecanadianencyclopedia.ca/en/article/budgetary-process/>

difficult for Social Security beneficiaries to predict their tax burdens than it is for anyone with income from more than one source.⁸

Budget planning is critical to governance--self-governance and democratic governance--and we can't take responsibility for our personal or political budgets without transparency about revenues and expenses. Without such transparency, we can't reciprocate for the benefits of democracy by taking responsibility for the policies we collectively enact through our representatives. For these reasons--the predictability that supports informed decisions about our own lives and provides a continuous base of economic security, and the transparency that allows us to make informed, democratic decisions about the allocation of our collective resources--basic income must be universal, rather than means-tested--or rather means-tested *ex post*, like Social Security, rather than *ex ante*, like most income support programs. It should be budgetable for both individuals and the nation, with costs and benefits visible to all.

Sustainability, Net National Wealth, and Intergenerational Justice: Our current measures of prosperity are inadequate from (at least) three perspectives: a sustainability perspective, a care perspective, and a human capital development perspective. Each of these perspectives is essential to designing societies that maximize our current and future prosperity. It's critical that we develop a broader measure of prosperity to assess where we are now and provide the impetus necessary to push for policies that will improve where we will be in the future.

⁸ Compare this predictability with that of the Earned Income Tax Credit, the value of which depends on annual earnings of low-wage workers, whose earnings are often highly volatile from month to month and year to year, and the government's verification of claims of custodial parenthood, which is often unclear for children whose parents live apart and may both wish to claim the credit.

As exemplified in the recent State of the Union speech, we judge our collective prosperity by measures that are at best flawed, and at worst counterproductive: GDP and the value of the stock market. Growth in gross domestic product (GDP) (or gross national income (GNI)) gives us one set of economic measures--the expansion in our economy as a result of population growth and productivity increases--but tells us nothing about how that expansion is shared; growth in the value of the stock market tells us how fast the portfolios of the top 50% among us who own stock are growing, but nothing about the wages of the workers who help to generate that shareholder value. Neither growth rates nor stock valuations tell us anything about whether society's vulnerable members receive care, or whether we are preserving scarce resources for the future, or how much we are investing in the development of human capital.

Overall growth rates are, or have at least been in the past, a reasonable proxy for increases in standards of living, so I don't want to abandon them completely. (I find calls for "no-growth" or "degrowth" by some basic income advocates misguided and tone-deaf: those who struggle to achieve economic security are not going to be won over by calls for economic stagnation.) We need instead to redefine growth to include measures that capture a broader, and more common sense understanding of prosperity--the kind that leads people to say "I may not be rich, but at least I have my health;" or "money can't buy you love;" or even my current favorite, seen on an embroidered pillow in a storefront on the Upper East Side of Manhattan: "money isn't everything, but it sure keeps the kids in touch."

We need to give weight to measures of human well-being, including:

- Literacy and years of schooling, and measures that assess the quality of our schooling
- Longevity, infant and maternal mortality, incidence of chronic illness, and other health indicators; and
- The distribution of leisure time and time for care, community, and affiliative work

We need as well to incorporate measures of environmental well-being, including:

- Changes in our stocks of clean air, clean water, arable land, and biodiversity
- Energy efficiency and use of clean energy
- Miles of mass transit and bike lanes, and resilience of infrastructure to climate change.

We need every report of aggregate growth rates and stock market increases to be paired with data on:

- Rates of poverty, inequality, food insecurity, and incarceration
- The level of debt we leave to subsequent generations; and
- The distribution of different kinds of work and service among different groups.

Imagine a State of the Union address that reported on our Net National Wealth,⁹ as measured by an aggregate of all these factors, instead of one so narrowly focused on a measure that tells us so little and hides so much. Our Net National Wealth report would provide critical information about how our policies are working, where investments are needed, and which challenges we can put behind us as we face new ones that emerge. It would provide us with data to evaluate the effects of the basic income, and to inform our work as citizens responsible for the state of the society we control.

⁹ I owe the genesis of this idea to an article by Partha Dasgupta: "Measuring the Wealth of Nations," *Annual Review of Resource Economics*, 6 (2014), pp. 17-31, although my definition of national wealth differs from his, and to the work of feminist economists such as Nancy Folbre, who have for decades highlighted the absence of unpaid care work from measures of economic activity.

The Net National Wealth report would support intergenerational justice by demonstrating over time the returns to investments in our children, and by making us account for the balance sheet (broadly defined) that we leave to them and to future generations.¹⁰ Taking a broad and intergenerational view of prosperity makes it clear that the basic income must go to children as well as adults, to invest in their human capital development at the point of greatest return. The Net National Wealth report would also help to answer the question of how big the basic income can and should be by providing data on measures of equality, inequality, and mean and median wealth.

Conclusion: Is a society with basic income and robust institutions to promote democracy, transparency, and sustainability Utopia in the ways we've learned to think about that elusive place? Hardly. Income inequality remains, but those at the bottom of the income scale have their basic needs met without having to submit to the discipline of wage-labor or social assistance programs. Gender inequality remains, but women receive, on balance, a redistribution of income from higher earning men whether they work or not. Children go to school with full stomachs and warm clothes, and have more of a chance to use their education to improve their lot in life. Most importantly, we are no longer divided into groups vying for a bigger share of a complex and opaque set of entitlements and discretionary programs, but a unified force with the political clout to defend and expand the basic income. Individuals freed from the constraints of poverty help shape the contours of the economy through their inalienable and renewable

¹⁰ Returning to issue of tax and spending transparency, note that unfunded tax expenditures impose budget constraints on future generations. "In a sense, legislation enacted as long ago as 1935 or 1954 set appropriations for 1985 or 1989. Once an exclusion or deduction was granted for an activity, its cost would often expand with private spending on the related activity." C. Eugene Steuerle, *Contemporary U.S. Tax Policy*, 2nd ed. (Urban Institute Press, 2008), p. 95.

economic “votes,” as they do in the political sphere. My Utopia is not an end, but a beginning; a set of institutions that lead to not the absence of conflict or change, but to conditions that enable us all to participate in the work of building and remaking our society every day. Like political democracy, it’s not perfect, but it’s better than the alternatives.