

BASIC INCOME CAPITALISM*

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Slipping back ever more deeply into laissez-faire capitalism, reaching desperately for the Swedish model, clinging defensively to the welfare state: is there any other future worth contemplating for advanced capitalist countries, now that whatever of genuine socialism was still left on the list of political possibilities, has been decisively squeezed out by what happened in Eastern Europe? Along with a growing number of people in Western Europe, I believe that there is, and, moreover, that this further possible future is more desirable than the three I have just mentioned. *Basic income capitalism* is the expression I shall use to describe this further possibility. It refers to a socio-economic regime in which the bulk of the means of production is privately owned, while each citizen receives, aside from any income she may derive from participation in the labour or capital markets or may owe to some specific status, a substantial unconditional income.

The introduction of such an unconditional income is to be viewed, not as the dismantling, but as the culmination of the welfare state, prepared by welfare state achievements in the same way as the abolition of slavery or the introduction of universal suffrage had been prepared, and made possible, by earlier partial conquests. Awareness of the limitations of the protection afforded by associations for mutual aid, next by compulsory social insurance for all waged workers, finally by a conditional form of guaranteed minimum income, has gradually prepared the minds for this radical step, and has helped build the forces required to bring it about.

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At the same time, the introduction of an unconditional income can be viewed as a strategy for pursuing whatever was and remains appealing in the old emancipatory ideal associated with the communist movement, without requiring for this purpose anything like a socialist mode of production. From this point of view, socialism, understood as the public ownership of the means of production, is a sheer instrument that should, and has been, tried in order to better promote the achievement of the ideal of a truly free society. Such a society is one in which every person has access to the "realm of freedom", thanks to the way in which the benefits of material progress are shared among all. It is one, more specifically, in which the amount of necessary labour has been so reduced and/or its attractiveness so enhanced that the life options of its members need no longer be constrained by the obligation to earn a living, as a substantial share of the social product can now be distributed unconditionally to each of them. What socialist experiments, conducted under a variety of circumstances and in a significant number of variants, have decisively shown, is definitely not, in this light, that the aim they pursued is not worth pursuing, but at most that socialism constitutes a seriously defective instrument for pursuing it. Consequently, for those who hold this view, the spectacular collapse of socialist regimes gives no grounds for despair. But it constitutes a powerful reminder that it is high time to concentrate on shaping, first mentally, next institutionally, the best instrument we have: basic income capitalism.ⁱ

These two viewpoints, I hasten to add, are just two of the many angles from which people have recently been discussing the idea of a basic income. I shall make no attempt, in this article, to provide a comprehensive survey of the arguments that have been used in support of the introduction of a basic income or against it. Nor shall I try to explain why I believe this proposal to constitute a genuine political possibility, at least in contemporary Western Europe.ⁱⁱ In the next three sections, I shall concentrate instead on what I believe to be the most robust ethical case for a basic income. "Ethical" in the sense that it rests on an explicit normative conception. "More robust", in the sense that I believe the normative principles from which the conclusion is being derived to be less objectionable, *and* the derivation itself more compelling, than would be the case with any alternative. I shall, moreover, have to confine myself to presenting little more than the intuition behind this argument, which I spell out more fully elsewhere.ⁱⁱⁱ In the last

ⁱ This conception of basic income as a "capitalist road to communism" is developed and discussed in van der Veen & Van Parijs (1986) and the *Theory and Society* symposium around it. The justification of basic income capitalism presented below is closely related to, though distinct from, the one stemming from such a conception. In the introduction to Van Parijs ed. (1992), I indicate what makes this conception less adequate than the "real-libertarian" approach to be described shortly.

ⁱⁱ I do so, to some extent, in Van Parijs (1987, 1990a and 1992).

ⁱⁱⁱ In a book in progress provisionally entitled *Real Freedom for All. What (if anything) can justify capitalism?*. See also Van Parijs (1990b) and Van Parijs (1991).

three sections, I shall indicate where this argument, if successful, takes the old discussion of capitalism versus socialism.

1. Real freedom for all

What is a just society? It is nothing, I propose, but a *free society*, understood as a society whose members are *all as really* free as possible. More precisely, it is a society that satisfies the following three conditions:

- (i) There is some well enforced structure of rights (security condition).
- (ii) This structure is such that each person owns herself (self ownership condition).
- (iii) This structure is such that each person has the greatest possible opportunity to do whatever she might want to do (leximin opportunity condition).

In a fuller exposition, each of these three conditions would require a great deal of clarification. Let me just spell out somewhat the third one, which will matter most for our purposes. In a free society, so the third condition asserts, the person with least opportunities has opportunities that are no smaller than those enjoyed by the person with least opportunities under any other feasible arrangement; in case there exists another feasible arrangement that is just as good for the person with least opportunities, then the next person up the scale in a free society must have opportunities no smaller than the second person up the scale of opportunities under this arrangement; and so on. This leximin (or "lexicographic maximin") formulation is no doubt better than either a purely aggregative formula (for example in terms of the opportunities of society's average member) or a more egalitarian formula (for example in terms of maximum equal opportunities) to express the idea that the members of a (maximally) free society are *all as free as possible*.

A full characterization of this ideal of a free society would require, in addition, a specification of the standards by which conflicts between the three conditions should be settled. Giving some thought to these conflicts will help perceiving more concretely what each of the conditions asserts. If one is to prevent most effectively the violation of rights, for example, one may have to severely restrict the self ownership of some persons - for example by arresting those suspected of having violated some rights, by imprisoning or even executing the convicted - and/or to restrict more mildly the freedom of all - for example, by limiting freedom of association in order to forestall the formation of terrorist gangs or by imposing conscription in order to ward off external threats. In other cases, such as compulsory vaccination against infectious diseases or the obligation to help a person in danger when the risk to oneself is small, there is a direct conflict between self ownership and the protection or expansion of opportunity sets. In other cases again, the conflict between self ownership and leximin opportunity is less direct and contingent upon specific empirical assumptions. Suppose, for example, that in the absence of a legal obligation to vote, the proportion of comparatively poor people who vote is considerably less than if there were

such an obligation. Political platforms would then tend to display less concern for the opportunities of the worst off, and the outcome of the political process would systematically diverge from what the leximinning of opportunities would require.

As they have only little bearing on the argument of this paper - mostly concerned with the opportunity dimension of freedom -, I shall not discuss the complex issues raised by such conflicts. As a rough guideline, let me just state that a free society should give a priority to the security condition over self ownership, and to the latter over leximin opportunity. But this priority need not amount to a rigid lexicographic priority. In other words, mild disturbances of law and order can be tolerated if getting rid of them would require major restrictions of self ownership or major departures from leximin opportunity.^{iv} And mild restrictions of self ownership can be incorporated into the institutional framework of a free society, if a good case can be made to the effect that a significant improvement would result in terms of leximin opportunity.^v Nonetheless, for the sake of simplicity, I shall summarize the three conditions and the priority relations among them by stating that they amount to requiring the leximinning of people's opportunities *subject to* the protection of their *formal freedom*, i.e. the respect of a structure of rights that incorporates self ownership. This, in turn, I shall further abbreviate by saying that a free society, as characterized by the three conditions and their articulation, is one that *leximins real freedom*. And I shall call *real-libertarian* the position that consists in asserting that a just society is a free society in this sense.

Where can this real libertarianism be located on the map of existing theories of justice? If the right/left axis is to be defined by the degree to which a position caters for the interests of the least advantaged, it is hard to think of a position that could unquestionably be located to the left of real libertarianism. Yet, the latter falls far short of plain egalitarianism, for three distinct reasons. Firstly, it imposes formal freedom as a constraint on any substantive equalization. Secondly, it focuses on opportunities, on feasible sets, rather than on the outcomes of people's choices among the options open to them, as measured for example by the welfare levels they actually reach. Finally, by opting for a leximin criterion, it does not demand that the least advantaged should be given a worst deal for the sake of more equality. Real libertarianism is not satisfied as long as any member of society can point to another (formal-freedom-respecting) possible

^{iv} Thugs and thieves are terrible for freedom, not least of the most vulnerable. But a police state or abysmal poverty are not prices worth paying in order to get rid of every one of them.

^v What would count as a mild restriction might be characterized, for example, as one to which everyone would agree when looking as an intelligent and sober adult at all the relevant facts (this may apply to the paternalistic restrictions), or as one to which everyone would agree if it could be part of an enforceable insurance contract (this may apply to compulsory vaccination and help). But the example of compulsory voting shows that I am willing to go beyond this.

arrangement in which she would have greater opportunities, while no one would have opportunities as bad as hers currently are. This indicates in which sense any remaining inequality must be justifiable, on a real-libertarian view, to those who feel they are getting a worse deal. But however justifiable in this sense, undeserved inequalities of opportunities will remain.

Each of these three features describes a major departure from unqualified egalitarianism (as well as from unqualified utilitarianism). Their conjunction also points to a close family resemblance between real libertarianism and the positions defended by left liberals and justice-minded radicals.^{vi} It further shares with these positions (as well as with standard libertarianism and modern utilitarianism) a general postulate of neutrality, i.e. the demand that what counts as a just society should not be determined on the basis of a particular conception of the good life. Along with these positions, real libertarianism can therefore be presented as a meaningful way of articulating the importance we ascribe to liberty, equality and efficiency. Liberty comes in through this neutrality postulate, through the constraint of self ownership and through a concern, not directly with people's happiness itself, but with the means required to pursue it. Equality and efficiency are combined in the selection of a leximin criterion. Though the latter cannot be correctly described - as it sometimes is - as the most egalitarian criterion compatible with efficiency, it does constitute, among all criteria compatible with efficiency, the one that is most heavily biased in favour of the victims of whatever inequalities are allowed to subsist. Thus, "real freedom for all" can make at least a prima facie plausible claim, along with the other positions which share these features, to capturing the importance we intuitively attach, not just to freedom, but also to equality and efficiency. Whether one can sustain this general claim, as well as the more specific claim that real libertarianism should be preferred to the other members of the family, can only be assessed by spelling out and assessing its institutional implications.

2. Maximum basic income

What, then, is the best institutional expression of the ideal captured by the slogan "Real freedom for all", as explicated by the conjunction of conditions (i)-(iii)? One is really free, as opposed to just formally free, to the extent that one possesses the "means", not just the "right", to do whatever one might want to do. But how is this to be understood in concrete terms? When arguing against this "real" conception of freedom, Hayek and Buchanan are more specific: abandoning their own ("formal") definition of freedom, they claim, one is bound to slip into equating the

^{vi} Rawls (1971) remains the fullest formulation of such a position and is explicit about each of these three features. Dworkin (1981, 1990), Sen (1985, 1990a), Arneson (1989, 1990) and Cohen (1989, 1990) are less explicit but clearly belong to the same family.

latter with wealth or the budget set.^{vii} This prompts the suggestion that the ideal of real freedom for all requires us to leximin people's incomes, subject of course to respecting everyone's formal freedom. Somewhat more concretely, but less exactly, our ideal would require us to raise the lowest incomes as much as is compatible with a ban on forced labour.^{viii}

But let us be very careful here. The real freedom we need to be concerned with is not just the real freedom to choose among alternative bundles of consumption goods. It is the real freedom to lead one's life as one pleases. Obviously, this does not deprive income, or the budget set, of its importance. But it makes it crucially important that the income should be given unconditionally, no strings attached, without any constraint on the conduct of the person concerned, without any restriction, in particular, to those who make themselves available for paid work. Hence the following, far more radical suggestion. If we are at all serious about pursuing real freedom for all - and if we are willing to abstract for the moment from both dynamic considerations and interpersonal differences in abilities -, what we have to go for is the highest *unconditional* income for all consistent with security and self ownership.

As it happens, this suggestion converges with a proposal for social policy reform that has recently been gaining ground in a number of European countries.^{ix} Most of these countries introduced some form of minimum guaranteed income at some point since World War II. A minimum guaranteed income scheme differs from a social insurance scheme to the extent that its beneficiaries need not have contributed to the scheme out of their past earnings in order to benefit from it. But the form of guaranteed income that has been introduced in those countries typically remains conditional in the following respects. (1) To be entitled to the benefit, the

^{vii} See e.g. Hayek (1960: 12-3, 17,137), Buchanan (1985: 9-10), Buchanan & Lomasky (1985: 17 fn8).

^{viii} Less exactly, not only because leximin is not quite the same as maximin, but also because forced labour is only one way, though plausibly the principal way, in which formal freedom could be violated in order to boost the lowest incomes.

^{ix} Miller ed. (1988), Walter (1989), Jordan (1989), Parker (1989), Meade (1989), Van Trier ed. (1990), Brittan & Webb (1990) and Van Parijs ed. (1992) are some recent books in English presenting this proposal. In other European languages, see in particular the special issues of *La Revue Nouvelle* (Brussels, 1985), *Prokla* (Berlin, 1985), *Komma* (Antwerp, 1985), *Beleid en Maatschappij* (Amsterdam, 1986), *Bulletin du MAUSS* (Paris, 1987), *Zona Abierta* (Madrid, 1988), *Inchiesta* (Bologna, 1989), *Politica ed Economia* (Rome, 1989), *Kurswechsel* (Vienna, 1991) and *Transversales* (Paris, 1991); the collections edited by Schmid (1984), Opielka & Vobruba (1985), Negro (1988, 1989) and Bresson & Guitton (1991); the books by Büchele & Wohlgenannt (1985), Bresson & Guilhaume (1986), Stroeken (1986), Dekkers & Nooteboom (1988), Wohlgenannt & Büchele (1990) and Roebroek & Hogeboom (1990). The *Bulletin* of the Basic Income Research Group (102 Pepys Road, London SE14 6SG) and the *Newsletter* of the Basic Income European Network (21 Bosduifstraat, 2018 Antwerpen, Belgium) keep track of relevant events and publications throughout Europe and beyond.

beneficiary must be *willing to accept a suitable job*, or a suitable training, if offered. (2) She must pass a *means test*, in the sense that she is only entitled to the benefit if there are good grounds to believe that she does not dispose over sufficient income from other sources. (3) Whether she is allowed to a benefit and how high the latter is depends on *who she lives with*, for example on whether she lives on her own, with a person who has a job, with an unemployed person, etc. And finally (4) whether she is allowed to a benefit and how high the latter is depends on *where she lives*, for example in a metropolitan area, in a provincial town or in the countryside. Proposals for what has been variously called a state bonus, a national or social dividend, a citizen's income or wage, a demogrant, a basic income, a universal grant, etc., have typically been proposals for a form of guaranteed minimum income that is instead *unconditional* in all four of these respects.^X

Because it is the expression that is now most widely used, in English at any rate, I shall use the term "basic income" to refer to such a scheme. A *basic income*, in other words, is an income that (1) is not restricted to the work-prone, (2) is made available *ex ante*, (3) is given irrespective of the household situation and (4) does not vary with the place of residence. The choice of the expression is meant to convey the idea that, because of its unconditional nature, we here have something on which a person can safely count, on which a life can firmly rest, and to which any other income, whether in cash or in kind, from work or savings, from the market or the State, can legitimately be added. On the other hand, there is nothing in the definition of basic income, as it is here understood, that connects it to some notion of "basic needs". A basic income, as defined, can fall short of or exceed what is regarded as necessary to a decent existence.

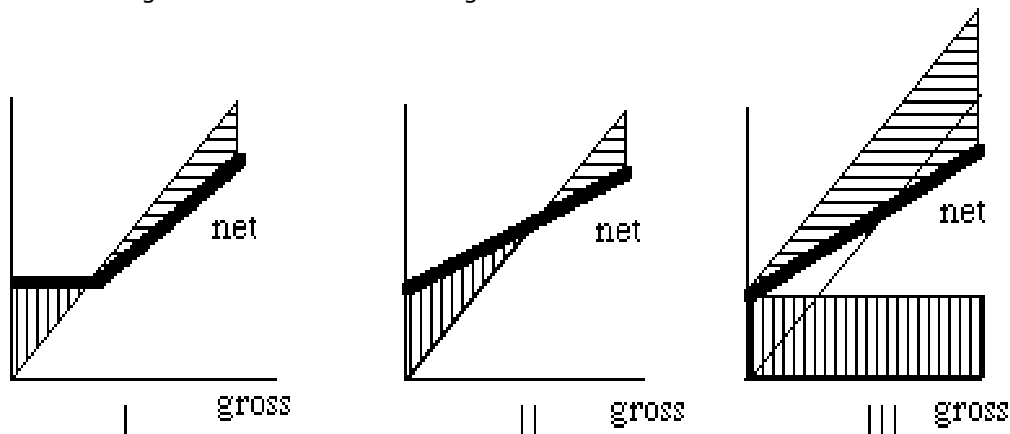
In this light, it seems possible to rephrase the radical suggestion made earlier by stating simply that what a real libertarian should endorse is the formal-freedom-respecting institutional framework that yields the highest basic income. Before being able to assert this with any confidence, however, it is important to check whether a concern with real freedom for all can justify not just the first sense in which a basic income is unconditional - the absence of a (willingness to) work test, which is the only unconditionality explicitly discussed so far -, but also the other three. What is involved in (2) is the choice between an (*ex ante*) basic income and an (*ex post*) negative income tax scheme. At first sight, both approaches may seem equivalent, from a real libertarian standpoint, since exactly the same distributions of post-tax-and-transfer income can in principle be achieved with a means test and without, with a negative income tax and a basic

^X On the other hand, advocates of such an unconditional scheme typically want to keep additional social insurance or disability compensation schemes that remain conditional in some or all of these senses. Indeed, many of them want to maintain (at least as long as the unconditional income remains rather low) a complementary minimum income scheme that remains conditional in some or all of these senses.

income scheme.^{xī} Yet, the absence of a means test does make a difference in the pursuit of leximin real freedom, for three distinct reasons.^{xii}

Firstly, it is obvious enough, given the time lag unavoidably involved in any income assessment for tax purposes, that a negative income tax scheme can only hope to compete with a basic income scheme in terms of

^{xī} The relation between typical basic income and negative income tax proposals can be read from the comparison of diagrams I to III below. Both differ from the most common, "make up" type of guaranteed minimum income (I) by making post-tax-and-transfer income (on the vertical axis) a monotonously increasing function of pre-tax-and-transfer income (on the horizontal axis). But, for a given level of guarantee and assuming proportional taxation, a negative income tax scheme (II) achieves the same end result (in a sense to be qualified shortly) as a basic income scheme (III) by only giving to some people the *net* transfer due to them and only taking from the others the *net* taxes owed by them, instead of giving them all the same gross transfer and including all income from other sources in the tax base.



^{xii} Note that the question of whether the minimum income is guaranteed ex ante or ex post is orthogonal with respect to the question of whether or not the scheme involves an unemployment trap, *understood as* a strongly dissuasive effective rate of taxation on low earnings (as distinct from the dissuasive effect linked to the uncertainty involved in shifting from one income status to another, an often overlooked but very significant aspect of the unemployment trap). As linear negative income tax schemes illustrate, a means test does not entail a higher rate of taxation (or of "clawback") in the lower ranges of the income distribution. And as (rather unusual) basic income proposals show, it is perfectly conceivable to have an ex ante payment of the minimum income to all, together with a 100% tax rate on all other incomes below some threshold (see Salverda 1984 for a discussion of such a scheme). If we are concerned with the real freedom to work as well as the freedom not to work, should one not exclude this possibility in the very definition of basic income? For one could not plausibly say, it seems, that the real freedom of the least free is being maximized if the basic income is being maximized with a tax schedule that amounts to confiscating low earnings. Yet, this is what we would have to say. For factual reasons, it is unlikely that the relevant maximizing exercise will select such a tax schedule. But concern with the real freedom to work does not force us to define the maximizing exercise so as to rule it out a priori. For the real freedom to take a low-paid job which one wants to take, say, because of the training or experience it provides or because of the value one attaches to working per se, is unambiguously increased as the level of the unconditional income goes up, even if this is at the cost of loxer net earnings from the job. Indeed, the higher the unconditional income, the more one acquires the real freedom to take, be it for a short period, jobs which pay a negative wage. Consequently, for basic income to adequately reflect the freedom to work as well as the freedom not to work, no such restriction needs to be made about the way it is funded.

leximin real freedom if it is supplemented by a system of advances that will at least give people the real freedom not to starve while waiting for the tax administration to calculate their entitlement. But sheer ignorance or confusion is bound to prevent some people from getting access to advances they could have claimed. The unavoidably higher rate of take up therefore associated with a basic income scheme is an advantage that matters supremely when prior importance is being given (as it is under our leximin formulation) to the real freedom of the least really free. Secondly, the fact that, in the case of a negative income tax, the relevant feature of the budget set takes the form of a contingent promise of corrective transfers rather than of a sum of money on which one can fully bank simply because it is tangibly there, is bound to hamper the confidence needed to actually make use of the options contained in the (abstractly identical) budget set. Finally, in an era of computerized transfer payments and pay-as-you-earn tax collection, *and* assuming that there is no need for control on some other grounds (to check work-process or household situation, for example), the administrative costs involved in the advance scheme that must be coupled to a negative income tax system make the latter more expensive to run for a given level of income guarantee, and hence absorb resources that could otherwise be used to swell the latter. Even on its own, this would suffice to justify the choice for (2), i.e. for the universal over the means-tested variant of an otherwise unconditional income.^{xiii}

For the definition of basic income to square perfectly with a real-libertarian perspective, it must include, finally, the requirement that the right to it and its level should be insensitive to household situation and place of residence. This is so in part because of the controls, indeed the invasion of people's privacy, which would be mandated if such circumstances were deemed relevant. The more fundamental reason, however, is that there is no positive reason for differentiation consistent with a real libertarian standpoint. It may of course be the case that what one needs when living alone far exceeds what one needs when living in a commune, or that what one needs when living in the capital city far exceeds what one needs when living in a remote hamlet. But from a real-libertarian standpoint, this is irrelevant. For what a real libertarian is concerned to leximin is not the real freedom to get what one happens to want, or what one needs in order to maintain one's way of life, but it is the real freedom to do what one might want to do. It is therefore enough to assume - innocuously enough - that someone living in a commune *might* wish to live alone, or that dwellers of the countryside *might* want to settle in the city, for a uniform, undiscriminating basic income to be the obvious choice.

^{xiii} Only under the assumption (made above) that no control is needed for other reasons (e.g. to check willingness to work). If such control is needed (and it may be, even on real-libertarian grounds: see below), the administrative-cost argument may go the other way, and this *may* be sufficient to justify a means-tested form of guaranteed minimum income.

3. Undominated diversity, sustainability: two crucial constraints

Leximinning real freedom, it thus emerges, does require us to introduce a basic income, as defined by unconditionalities (1) to (4) above, and to pitch it at the highest level consistent with the protection of formal freedom.^{XIV} There are, however, two further important constraints to which this maximization needs to be subjected. One needs to be introduced as soon as we lift the assumption that people's capacities, or internal resources, are identical. For, surely, two people can have very unequal opportunity sets, and hence very unequal levels of real freedom, despite their having an identical basic income, if one of them can physically and mentally do everything the other can do and far more. In general, therefore, real freedom will not be leximinned if all one does is give everyone a basic income at the highest possible level. The best way of handling this important complication consists, in my view, in imposing a constraint of *undominated endowment diversity*: specific lump-sum transfers must be made - and the level of the basic income correspondingly reduced - up to the point where nobody's comprehensive endowment (consisting of her internal resources and these lump sum transfers) is found worse than somebody else's by everyone in the society concerned.

This is not the place to justify this criterion by indicating what I believe to be its decisive advantages over competing proposals.^{XV} Let me just point to one important implication of this constraint. Presumably, if someone's comprehensive endowment does not enable her to have access to what is required for her to survive, this endowment will unanimously be considered inferior to that of anyone, or nearly anyone who does manage to earn a decent living. As long as this type of dominance exists, specific transfers to the less able will have to be increased at the expense of the universal basic income (unless of course the latter is sufficient to live on), up to the point where everyone will be able to have access to an income that covers at least bare necessities. In a poor society, this may well mean driving the basic income down to zero - indeed, driving it into negative figures (in the form of a lump-sum tax) if this were not preempted by the constraint of self-ownership. And if, aside from obvious handicaps, the most effective way of identifying those whose endowments do not enable them to earn a living, is by restricting transfers to those who give evidence that they are unable to find an adequate job, then it is right, even from a real-libertarian perspective, that the minimum guaranteed income scheme should be conditional, in the sense of involving a willingness-to-work requirement. There are no doubt many countries in today's world that are in this

^{XIV} I am here leaving aside altogether what I regard as the most serious objection to this claim, namely the objection that the highest possible basic income involves a bias in favour of the freedom to enjoy free time at the expense of the freedom to consume. I discuss thoroughly this objection, there labelled the "Crazy-Lazy challenge", in Van Parijs (1991).

^{XV} See Van Parijs (1990b) and, for critical discussions of this approach, Sen (1990b: section 3.1) and Arneson (1991: section V).

situation. For any society thus situated, real libertarianism does *not* recommend the introduction of a basic income, because the highest (even the only) level of basic income that could be introduced in those countries, consistent with both formal freedom and undominated diversity, is zero. It is only in those societies which have got rid of starvation, or clearly could get rid of it, without violating self ownership, that a basic income is worth talking about.

The final constraint that needs to be introduced is *sustainability*. So far, I have loosely talked about the highest possible level of basic income and made no reference to dynamic considerations. But for the sake of real freedom for all, it is obviously very important that this level should be sustainable from one year to the next, and from one generation to the next. This requires, first of all, that one should pay attention to incentives. In terms of our criterion, it would serve no purpose, for example, to select a level and type of taxation that would make it possible to finance a lavish basic income in the current period, if even average income falls below this level in the next period, when labour supply (remember the constraint of formal freedom) and capital supply (at least in a capitalist society) will have adjusted to the tax structure. This suggests that one should choose the type of taxation that can durably generate the highest yield, and that its rate should be pitched at a level corresponding to the peak of the associated "Laffer curve", i.e. to the highest yield that can be durably generated using this form of taxation - bearing in mind, of course, that part of this yield must be used so as to take care of formal freedom and undominated diversity.

Even this formulation is not quite correct, however, since what is relevant is the *per capita* level of basic income, which is not just affected by the total yield but also by the number of people around. Hence, we also need to take demographic effects into account. If an increase in the basic income leads to population expansion, the highest sustainable tax yield will only manage to finance a declining basic income. A real libertarian, arguably, need not be committed to a basic income that is invariant with age, and it may therefore be possible to fine-tune the implementation of our criterion of sustainable basic income maximization (without restricting the formal freedom to procreate), by making the level of the basic income a function of age. In some societies at least, giving a comparatively higher basic income in the form of a universal pension and a comparatively lower one in the form of universal child benefits should reduce significantly, indeed may even offset completely or reverse, any positive effect a basic income may otherwise have on population growth.

How high this highest sustainable level can be expected to be is of course most likely to be affected by other institutional features. For example, a society which takes no precaution to slow down the depletion of its natural resources may find itself unable to maintain its productive capacity through time without a higher rate of accumulation than would otherwise be the case, and would therefore be unable to sustainably afford

as high a basic income as would be the case had it taken adequate conservation measures. Also, how high a basic income a society can sustainably afford is likely to be significantly affected by whether the bulk of the means of production is privately or publicly owned. Let us define capitalism and socialism as self-ownership-respecting regimes (unlike slavery or what could be called collectivism) in which the bulk of the means of production is privately, resp. publicly owned. For a real libertarian, the choice between them (unlike the choice for either of them against slavery and collectivism) hinges on the purely empirical question of whether some feasible form of one or the other can safely be expected to yield the highest sustainable basic income consistent with both formal freedom and undominated diversity. This is the question to which I now turn.

4. Basic income capitalism or basic income socialism ?

Note, first of all, that whatever the exact answer turns out to be, it looks bound to be some form of "mixed economy". This is not just because the mode of income distribution necessarily involves two central components - the transfers required by the constraint of undominated diversity and the maximum basic income - that pull it far away both from the mode of distribution that is naturally associated with capitalism - "To each according to her (market-determined) marginal product" - and from that most commonly associated with socialism - "To each according to her (somehow assessed) labour".

One should also expect the real libertarians' favourite to be some form of "mixed economy" because it is a priori most unlikely that the basic-income maximizing regime will involve either the *full* private ownership or the *full* public ownership of *all* means productions. While retaining the "essentially" public ownership of the "bulk" of the means of production, the optimal form of socialism may, for example, allow for the development of small individual and cooperative private firms, or give such decision-making or residual-earning powers to the managers or work force of publicly owned firms that the sort of public ownership over the means of production that prevails in the public sector cannot be said to be full. Symmetrically, while retaining the "essentially" private ownership of the "bulk" of the means of production, the optimal form of capitalism may, for example, involve public ownership of waterways, banks or nuclear power stations, and it may subject private firms to regulations that amount to weakening considerably the extent to which they can be said to own their means of production. Taxation of both profits and wages, measures aimed at containing environmental externalities and the recognition of the right to strike provide familiar illustrations. But the optimal form of capitalism could also contain less familiar restrictions on the private ownership of capital, such as the constraint that only the firm's workers can own vote-conferring shares in the firm's capital - as in Peter Jay's (1979) "cooperative economy" for example - or the constraint that workers need to be paid at least in part in the form of fixed percentage shares in the firm's profits, rather than in the

form of wages fixed in absolute terms - as in Martin Weitzman's (1984) "share economy".

These remarks point to the possibility that, as between capitalism and socialism, there may be no clear winner in the real-libertarian contest. For as we move away from the cases in which either all the means of production are fully private or they are all fully public, we may soon be entering a gray area in which one can no longer uncontroversially assert that the "bulk" of the means of production is "essentially" privately, resp. publicly, owned. However, that the optimal regime should lie in this gray area is, at this stage at any rate, just a possibility. There may, after all, be knock-down arguments in favour of either private or public ownership of the means of production that will force real libertarians to steer clear of the gray area and tell them beyond any doubt on which side of it they should keep. Such arguments, if they exist, can only be of a factual nature, and therefore escape a philosopher's competence. Yet, they are so central to the question addressed by this paper that I cannot really afford to skip dealing with them. In the remaining pages, I shall therefore express and explain, however schematically, the convictions I have reached about these crucial factual matters, in the light of some casual observation of empirical facts and some less casual screening of theoretical claims.

5. Productive potential versus popular sovereignty

As the size of the highest affordable basic income massively depends on a society's productive potential, the obvious place to start is the efficiency discussion. But I shall not spend much time on it here. Though it may be hard to remember now, there used to be a time when there was a strong presumption in favour of socialism, as far as efficiency was concerned. Advocates of capitalism had to work hard if they wanted to reverse this presumption, and often retreated instead into arguing that a lesser efficiency was a price worth paying for the sake of other values.^{xvi} Needless to say, there is today a very strong presumption in the opposite direction. Thanks above all to its superior ability to handle shortages and to the competitive pressure to innovate, existing capitalism, taken as a whole, has proved able to expand its productive potential far faster than existing socialism.^{xvii} This is at any rate what today's common wisdom says. And it must be recognized that the traditional battery of arguments in support of socialism's superior rationality - which appeal, for example, to crisis tendencies induced by the "anarchy of production", by "overaccumulation", by "underconsumption" or by the "squeeze of profits by wages", to a

^{xvi} A typical example is Wallich (1960).

^{xvii} And even faster, one might wish to add, than socialism as here defined would have done. For, surely, the scrapping of "anti-parasite laws", free occupational choice, the right of exit and other correlates of self-ownership would arguably have further impaired the growth potential of existing public-ownership societies.

systematically suboptimal choice of techniques, to the permanence of a "reserve army", or to the *faux frais* of capitalist production -, however formidable it may have sounded one or more decades ago, cannot now hope to shake this common wisdom to any significant extent. The most that advocates of socialism can hope to do, it seems, is argue persuasively that there is a feasible form of socialism whose economic institutions sufficiently resemble those of capitalism for the presumed handicap of socialism in handling shortages and fostering innovation to be significantly reduced.^{xviii} Turning the handicap into a reliable advantage, however, seems to me to lie far beyond the reach of such theoretical arguments.

Suppose, then, that some feasible variant of capitalism can be safely expected to have a productive potential superior to what any feasible form of socialism could achieve. It does *not* follow that the highest level of basic income that can be sustained under capitalism (subject of course to our constraints of formal freedom and undominated diversity) is greater than the highest sustainable level under socialism. Why not? One possible reason, which I shall leave aside here, is that either or both of our constraints (formal freedom and undominated diversity) might be satisfiable at a significantly lower cost under socialism than under capitalism. Formal freedom, for example, would be cheaper to protect under socialism (other things being equal) if less police were needed to protect society's means of production when they are publicly owned than when they are privately owned. And undominated diversity might be easier to achieve under socialism if a weaker pressure to consume created less need for targeted transfers to those with a low earning power.

The more important reason relates to the theme of *popular sovereignty*. Let us say that the latter obtains, by definition, if "the options open to a collectivity are constrained only by conditions [such as limited material resources] independent of anyone's will"^{xiX}. Popular sovereignty is therefore threatened, in particular, by its individual members' discretion in using resources at their disposal. Paradigmatic illustrations are provided by socialist Chili, to the extent that Allende's experiment came to an end as a result of the truck owners' strike; by socialist France, to the extent that the Mauroy government's expansionary policies (in 1981) collapsed as a result of the French citizens' propensity to spend their increased purchasing power on foreign goods; or by the constraints on egalitarian wage policies that stem from the fact that the skilled workers trained at great expense in a comparatively egalitarian country may choose to emigrate to less egalitarian countries, where their skills command higher net wages.

But arguably the main threat to popular sovereignty under capitalist conditions, and uncontroversially the one that is most relevant to the choice

^{xviii} This I take to be the essence of the approach illustrated by Roland (1989) or Roemer (1990).

^{xiX} Following Przeworski & Wallerstein's (1986) definition.

between capitalism and socialism, is the one that is rooted directly in the private ownership of the means of production. Whether or not it is concentrated in few hands, whether or not those who own it are driven by purely selfish motives, private capital tends to move where profitability is highest. Now, even if the basic income were not financed at all out of capital income but entirely out of wages, so the argument goes, the effect on profits is bound to be negative. For by taxing wages and - above all - by giving everyone a substantial unconditional income and thus strengthening the bargaining power of each individual worker, one forces capitalists to pay higher pre-tax wages and/or to provide more attractive working conditions. As a result, capitalists will invest less or invest elsewhere, and because innovation is closely tied to investment, technical progress will also suffer in the country concerned. Hence, the highest sustainable level of basic income will be lower than what would otherwise be the case - quite possibly less than what would be possible under socialism, despite the latter's admittedly inferior productive potential. For under socialism, society as a whole controls the allocation of the surplus and if it decides to introduce a substantial basic income, it will not defeat its own decision by using capital in a way that makes such a grant unsustainable. Hence, even if one takes it for granted that socialism's productive potential is inferior to capitalism's - i.e. the maximum output achievable under capitalism (at a sufficiently low level of basic income) is greater than the maximum output achievable under socialism -, it may still be able to finance a higher basic income than capitalism, thanks to its greater ability to use its productive potential in this sort of way.^{XX} This provides, I believe, the strongest real-libertarian case against capitalism and therefore, for those committed to real libertarianism or neighbouring positions, the strongest available defence of socialism.

6. Moral progress and the profitability constraint

It may be objected that even this strongest available defence is pretty weak if, as is argued by contemporary economic advocates of a basic income, the introduction of an unconditional income in the context of advanced capitalist societies would not depress but boost profitability. Quibbling about marginal tax rates, they argue, is of little significance, in regard to the massive contribution a basic income would make to rendering our economy more dynamic, less cripplingly rigid, less stiflingly conflict-ridden than it currently is, or would otherwise be.^{XXi} If, and as long as, arguments of this sort can actually be sustained, the introduction of a basic

^{XX} One version of this argument is at the core of Wright's (1986) and Roland's (1988) critiques of the feasibility of basic income capitalism, and another can be constructed from Sam Bowles's (1990) illuminating formal analysis.

^{XXi} The last section of Van Parijs (1990a) provides a rational reconstruction of arguments of this kind, as illustrated, for example, by Standing (1986, 1989), Nooteboom (1986) or Meade (1989: section III).

income and the rise of its level do not constitute a liability but an asset in terms of international competitiveness.

Although the existence of such a "marriage between justice and efficiency" is, or would be, of great practical significance for someone committed to real-libertarianism in an advanced capitalist society, it does not do away with the pro-socialist argument. For as basic income increases, it is bound to reach a point as from which any attempt to further raise it would depress profitability, and may thereby trigger off a steady and damaging decrease in domestic investment. This is where the pro-socialist argument comes into its own. For a socialist country is not similarly constrained by the profitability criterion. This does not mean that it could freely distribute its national income irrespective of market constraints. In the case of (formal-freedom respecting) socialism too, possible choices are constrained by some "Laffer curve": the highest relative share distributed in a market-insensitive way will not yield the highest absolute amount. But because a socialist society is not submitted to the profitability criterion, the absolute amount available for non-market redistribution is not likely to fall as steeply as under capitalism once it has become a significant proportion of national income. Consequently, even granted that socialism has a significantly lower productive potential - i.e. that it is unable to generate as high an average income as capitalism can at some sufficiently low level of basic income -, it is at least conceivable that socialism, thanks to a better collective control over society's surplus, may be able to sustainably raise the basic income above the highest level at which capitalism could sustain it, and thereby to outperform it on real-libertarian standards.^{xxii}

Is this theoretical possibility any likely to materialize? There are reasons for doubting it. First of all, one might want to point out that a capitalist country could impose significant restrictions on capital movement, in order to prevent capital flight, whether economically or politically motivated. There would be a price to pay in terms of efficiency, as capital movement plays an important role for an efficient allocation of resources. But it may be worth paying if the country is thereby enabled to sustainably fund a larger basic income. In practice, however, it is hard to see how this could give much leeway. For in a democratic country (which, for factual reasons, a basic income country needs to be), the debates that unavoidably

^{xxii} As in this paper I adopt individual societies, rather than the world community, as the realm to which the real-libertarian standpoint is being applied, I shall leave aside the following, otherwise most relevant, objection to the argument just stated. By preventing capital from going to places where workers are less well protected than they would be with a basic income - as one can do better under socialism than under capitalism -, is one not preventing it from moving, among others, to the poorest countries in which, however indirectly, it would help raise the options of the worst off, or at least of some people who are less well off than the worst off in countries whose citizens enjoy a basic income? The very argument that would make socialism superior as far as the pursuit of intra-national leximin real freedom is concerned, would make it worse in terms of international leximin real freedom. See Barry & Goodin eds. (1992) for a thorough discussion of the problematic relationship between the demands of justice and (restrictions on) transnational mobility.

precede the introduction of tough measures directed against capital outflow seem bound to trigger sufficiently significant preemptive moves (to an extent that will of course vary as a function, e.g., patriotic feelings, financial instruments, territory size and conjunctural prospects abroad) that in order to recall at least some of the capital thus lost, it will have to offer levels of profitability in excess (due to a risk premium) of what was previously needed to retain it. The profitability constraint, therefore, seems unescapable in a capitalist country.

But is it not too in a socialist country? To start with, it is clear at once that the argument just presented, if correct, applies a fortiori to any capitalist country that contemplates moving even further, *for this sort of reason*, into the gray area that separates capitalism from socialism. But what about a country that is already socialist? If its productive potential is low, due to a small capital stock and backward technology, is not its sustainable-basic-income-maximizing strategy bound to be one of attracting foreign investment and advanced technology by providing attractive profit prospects? Very far from indulging in a basic income that exceeds the demands of profitability, it would have to submit to the latter constraint even more dutifully than a capitalist country exclusively concerned to retain domestic capital. Hence, it seems that only an affluent socialist country could and should neglect to some extent the profitability constraint and take advantage of the greater popular sovereignty conferred by public ownership in order to raise basic income above what is warranted by the pursuit of maximum profits. And there is, to my knowledge, no such country around.

Thus, though not altogether absent, the challenge that could be mounted against basic income capitalism from a real-libertarian point of view does not represent a serious threat. For the advocates of basic income capitalism, however, there is something worrying about the considerations that have been appealed to in order to defuse the challenge. Increased capital and skilled labour mobility across political boundaries makes it increasingly costly (in foregone GNP) to take measures that do not boost as much as possible the net return on capital and the net advantages for the holders of highly valued skills (with each of these parties benefitting indirectly from any advantage conceded to the other). The room of manoeuvre has not vanished altogether, and its size is greater, for example, when political unrest abroad or patriotic feelings at home reduce the outward mobility of both capital and skills, or when ethnic and cultural heterogeneity (or hostility) makes it less attractive for people to move. But there is little doubt that it has shrunk substantially over the last two decades.^{xxiii}

So, the prospects for basic income capitalism - and more generally, for making any moral progress as measured by libertarian standards, instead of

^{xxiii} See e.g. Mickey Kaus's (1990: 20) argument that much of the dramatic rise of wage inequality in the US in the last twenty years is due to the pressure of increased mobility.

scoring ever worse as our species is whirled into the next millennium by anonymous forces totally insensitive to the imperatives of justice - hinge on three main possibilities. One is a (highly specific pattern of) world-wide revival of nationalism that would inhibit the movement of both capital and skilled labour to such an extent that countries would be under less pressure to constantly mind their competitiveness. Another consists in introducing the required transfer schemes on such a scale - which cannot be far less than a world scale - that international competitiveness is no longer a relevant concern.^{xxiv} The third one is the "marriage of justice and efficiency": if, and as long as, a basic income does not hinder but boosts a country's average profitability, factor mobility is no problem, indeed it is a help. As the first two possibilities, to say the least, are rather remote (and, moreover, rather scary, each in its own way), it is on the validity of the empirical conjecture that makes up the third possibility, and on the widespread belief in that validity, that we have to bank, if the advanced capitalist countries - or any other - are to experience in our lifetimes any significant further progress towards "real freedom for all".

^{xxiv} Adler-Karlsson (1990) argues (mainly on the grounds of factor mobility) that this is the only realistic possibility, but that it would require, as a quid pro quo, an effective limitation of population growth in Third World countries.

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