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## **Are Basic Capital Versus Basic Income Debates Too Narrow?**

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*Abstract*

*Basic income and basic capital are two common ideas for redesigning distribution. Basic income provides people with a regular income from government. Basic capital provides people with a lump-sum grant. An important part of scholarly debate concentrates on the merits of basic income versus basic capital. This paper claims that these debates are too narrow. First, current debates overlook the way that a chief inspiration for both ideas, Thomas Paine, wanted basic capital and basic income to be complements not substitutes. Second, it is more instructive to compare basic capital or basic income with a wider set of alternatives than with each other. Widening the debates would benefit the discussion of a basic capital or basic income.*

**Keywords: Basic Income, Basic Capital, Paine, Universal Basic Services**

## **Introduction**

‘Real utopias’ have been a subject of scholarly debate for over 25 years. Basic capital and basic income are two common ideas for redesigning distribution (Ackerman, Alstott and Van Parijs 2005; White 2015; Olin Wright 2015). Basic capital provides citizens with a lump-sum grant, typically at the age of majority. For example, Ackerman and Alstott (1999) propose that all US citizens should receive a \$80,000 stake when they are 21 years old. Basic income guarantees citizens a regular flow of income payments. There are many different versions of basic capital and basic income. An important part of the real utopias literature compares the merits of basic capital versus basic income for advancing equality (Cunliffe and Errygers 2003; Ackerman and Alstott 2004; Ackerman, Alstott and Van Parijs 2005; White 2011; 2015; Olin Wright 2004; 2015). For example, Ackerman, Alstott and Van Parijs (2005) edit a collection that compares the merits of basic income and stakeholder grants as alternative cornerstones for egalitarian capitalism (see also special issue of *Politics & Society* 2004). More recently, White (2015) claims that basic capital is preferable to basic income as it has greater potential to transform a person’s life. Olin Wright (2015) counters that basic income is superior to basic capital because it has greater potential to transform the capitalist system.

This paper claims that although basic capital versus basic income yields useful insights, it would be better now for debates to widen out to consider how basic capital and basic income may be seen as complements as well as comparing these policies with a wider set of policy alternatives such as universal basic services. This paper is organised as follows. The first section sketches out Paine’s ideas for a capital grant and considers why he proposes both types of policy. The second section outlines modern debates about basic capital and basic income. The third part outlines reasons why it is important to widen current debates and points to recent proposals for combining universal basic income with universal basic services.

The fourth section considers some of the tensions that exist between universal basic income and universal basic services.

This paper suggests that these basic capital versus basic income debates are too narrow in at least two ways. First, the basic capital versus basic income debates restrict the way that the original author of these ideas saw these policies. Thomas Paine [1797] (1987) is usually cited as the parent of the basic capital idea. In his pamphlet *Agrarian Justice*, Paine proposed both a capital grant at age 21 as well as a regular income after 50 years of age. Thus, Paine wanted both a basic capital and basic income. Jackson (2012) also suggests that Paine supported wider social rights such as funding for universal education and benefits for children of poor families. He writes that the: ‘tendency to read Paine as an exponent of universal capital grants excludes from the discussion the various proposals that he advocated that would now be classified under the heading of the welfare state’ (Jackson 2012, 47).

Constraints placed on public spending may be one possible reason for comparing the merits of a basic capital and basic income. The opportunity cost of a policy refers to the alternatives that are foregone when money is spent on a specific policy. Egalitarians might therefore be interested in which of basic capital or basic income might better serve real freedom for all (Van Parijs 1997). Although this provides an important reason for the basic capital versus basic income debates, there is also a danger that this overlooks the way that that Paine wanted these ideas to be complements and not substitutes. Uncovering why he wanted both policies might yield insights for the overall package of egalitarian reforms.

Second, even if comparing different policies is still thought to be worthwhile, these debates only focus on a small set of alternatives. Under certain conditions, a basic capital and basic

income can be converted into each other. People might be able to use their regular stream of income payments to borrow a single larger lump-sum. Conversely, people might be able to use a lump-sum to buy an annuity that provides a guaranteed stream of income payments. To give an idea of the sort of income stream one might expect from a capital grant, the UK government's free and impartial advice service Pension Wise estimates that a person with a £100,000 pension pot and retiring at age 66 years old in 2018 could expect to receive an annual taxable income of £4,200 (see <https://www.pensionwise.gov.uk/en/guaranteed-income>). With appropriate access to financial goods and services, basic income and basic capital could belong to the same continuum of policies (Fitzpatrick 2011; White 2011). Indeed, White (2011) proposes a hybrid policy that combines parts of a basic capital and basic income. However, a common critique of basic income is that equality is better served by using public money on other policies such as more spending on public services (Bergmann 2004; Percy 2017). It may be better for supporters of basic capital or basic income to devote more attention to comparing their proposals with a wider set of ideas than focus on more local disputes between basic income and basic capital.

### **Paine and Agrarian Justice**

Paine set out his basic capital and basic income ideas within his pamphlet *Agrarian Justice*. As the title of this pamphlet makes clear, he grounds his proposals in a theory of natural justice. He writes that: 'It is not charity but a right, not bounty but justice, that I am pleading for' (Paine [1797] 1987, 482). Paine is centrally concerned with the ownership of the earth in its natural state and the rise of private property. He argues that the earth in the natural state – which comprises earth, air and water – is the common property of all. However, the earth in

its natural state only offers a very basic standard of living. He argues that humans have cultivated the earth to create civilised society. He says that the cultivation of the earth has brought many benefits: ‘the natural state is without those advantages which flow from agriculture, arts, science and manufactures’ (Paine [1797] 1987, 475).

Paine says that private property has been the main motor for cultivation. However, private property has meant dispossessing some people of their natural inheritance of the common property of the earth. He says that the growth of civilisation has also produced poverty but that no person should be worse off under civilisation than they would be on earth in its natural state. To ensure that everyone has a right to their natural inheritance, he proposes that a person should receive a £15 grant when they are 21 and £10 each year once they are 50. The £15 grant seems a straightforward example of a basic capital. Although Paine wrote before modern pension systems developed, his £10 annual income after 50 is akin to a pension. This point will be returned to below, when this paper associates these ideas with different stages of a person’s life. This paper suggests though that pensions can be viewed as a type of basic income. Paine’s £10 annual income after 50 is provided to each person as a right and so is universal. Paine does not impose any conditions on the receipt of this income, such as having made previous contributions to the state exchequer or giving up work after 50. Thus, this is an unconditional regular income, and as such overlaps with basic income.

Paine does not outline why he supports a capital grant at 21 and a regular income after 50 years old. However, accumulation of private property is arguably the central theme of his pamphlet. He writes that:

Separate an individual from society, and give him an island or a continent to possess, and he cannot acquire personal property. He cannot be rich. So inseparably are the

means connected with the end, and in all cases, that where the former does not exist the latter cannot be obtained. All accumulation, therefore, of personal property, beyond what a man's own hands produce, is derived to him by living in society; and he owes on every principle of justice, of gratitude, and of civilisation, a part of that accumulation back again to society from whence the whole came (Paine [1797] 1987, 485).

Paine makes the timing of these proposals a specific part of his plan. He supports paying a capital grant when a person is young and a regular income once a person is much older. One might link the timing of these proposals with the process of accumulation of wealth over a person's life. Within orthodox economics, a life cycle hypothesis claims that people try to smooth consumption over their lifetime. People save into a pension during their working life so they can enjoy an income in retirement (Attansio, Banks and Wakefield 2005; Crawford, Disney, and Emmerson 2012). One possibility is that Paine links a capital grant with accumulation that would allow a young person to acquire more wealth. Once people are older, accumulation becomes less important and so Paine is more interested in providing people with a safety net that would protect them against poverty. Basic capital and basic income are different kinds of policy that are aimed at securing different goals and are best seen as complements and not substitutes.

Following Jackson (2012), this point might be pushed further by considering other ideas within Paine's writings. For example, in probably his most famous work, *The Rights of Man*, Paine invokes an idea of social rights. Rather than being tied to a single basic capital idea, Paine endorsed a wide package of reforms to support liberty and equality.

## **Basic capital versus basic income**

Paine's [1797] (1987) capital grant idea has inspired much of the modern literature on this proposal (Ackerman and Alstott 1999; Jackson 2012; White 2015). Supporters of a basic income and basic capital both agree that people need material resources to be fully independent. People need resources to be able to pursue their personal goals or life-plans. Lack of resources mean that the opportunities that are available to them would be purely formal. Therefore, material resources are needed to provide real freedom for all (Van Parijs 1997; Ackerman and Alstott 1999; White 2003).

A literature has emerged that compares the merits of basic capital versus basic income. These debates are varied and it is not possible here to summarise them in a simple way. However, one important theme concentrates on the relative contribution of basic capital or basic income to individual freedom. The basic income versus basic capital debates do not tend to explore the extent that these different ideas are complements rather than substitutes. The role of accumulation and decumulation provides one reason why basic capital and basic income might be complements, although other possible reasons for this exist as well. The discussion of basic capital and basic income as complements might highlight the way that a general goal of real freedom for all might be broken down into more specific goals. Different policies may be more appropriate for particular goals and achieving equality may require a wide tool-kit of policies than a single policy lever. t.

## **Universal basic services**



One defence of basic capital versus basic income debates is that it is important to assess which policy is best placed to achieve particular objectives given that resources are finite. The above has suggested that these different policies may have different objectives and so such a comparison is not straightforward. However, even if this reply is rejected and it is still deemed worthwhile to compare different policies, then this paper suggests that the current debates are unnecessarily narrow.

The resemblance between basic capital and basic income is accepted by the strongest supporters of either policy. For example, Ackerman and Alstott (1999) say that basic income belongs to the same family as their stakeholder grant. If the aim is to compare different policies, then it may be more instructive to compare either basic capital or basic income with a wider set of policies.

Widening debates is important for at least two reasons. First, this would address a criticism that basic income ideas are distracting progressives from pursuing other more important goals (Bergmann 2004; Gough 2016). Gough (2016) writes that:

The underlying belief or dream is that basic income will provide a mobilising theme to bring about radical change ... Similar proposals have been made every few years for the last 50 years and they have got nowhere ... I fear that this latest plan will drain the energies of the left in social policy and will divert attention from so many other worthwhile policy alternatives: the living wage, boosting trade unionism, free childcare, radical changes in housing policy, policies to reduce working time to limit turbo-consumption, green investment and so on.

There are some signs that such debates are starting to occur. For example, White (2011) compares a basic capital with an alternative of providing students with subsidies for higher

education tuition fees. Although this broadens the debate, this could be extended much further. Gough (2016) provides examples of other alternatives that might also be considered.

Second, going beyond basic income versus basic capital would arguably provide more credible models of basic income. Haagh (2011) argues that arguments for a basic income tend to treat this as a standalone policy and do not pay enough attention to the other institutions or policies that are required alongside a basic income. She claims that:

Both social democracy and the basic income reform entail commitments to advance individuals' control of time through decommodification. The basic income does this more fully in respect to the rights to (a basic) independent income, but social democracy adds to this through ways that participation in production is made less market dependent and unreliable than the case in liberal states. Therefore, seeing the basic income as in conjunction with social democracy is preferable to seeing basic income as a standalone institution (Haagh 2011, 49).

Haagh (2011) argues that both social democracy and basic income try to enhance the control that a person has over time. She says that control over time recognises the importance of the choices that people make over employment, leisure and care over the life cycle: 'the developmental conception of time leads us to focus on the human life cycle, which is important for control over time properly to be considered an aspect of freedom' (Haagh 2011, 43). The stress on the life cycle here differs from the life cycle hypothesis within orthodox economics as it is not interested only in decisions about saving and spending over a lifetime. The life cycle approach also echoes Paine's [1797] (1987) approach as it pays attention to the distribution of resources at different stages of a person's life.

Haagh (2011) highlights the importance of embedding basic income within a wider institutional context. Research into this issue is still at a fairly early stage. A recent example of this approach are calls for progressives to embrace universal basic services. The name universal basic services allude directly to universal basic income and refers to collectively funded public services that are free at the point of use. A Social Prosperity Network based at University College London has set out proposals for such services and claims that: ‘Universal Basic Services (UBS) and Universal Basic Income (UBI) are complimentary [sic] components of a sustainable future for social welfare’ (Percy 2017, 13). The Social Prosperity Network (2017) says that seven public services are at the core of universal basic services, namely health care, education, legal and democracy, shelter, food, transport and information. Some of the services may already be universal and provided free at the point of delivery in a number of countries. For example, state education through primary or secondary education may be universal and free for pupils. This means that the model of universal basic services may build on and extend an existing set of public services. Other proposed services are more novel. For example, information services would provide free basic phone and internet access to all citizens.

The Social Prosperity Network suggests that the public services will enhance safety, opportunity and participation. Safety will help guarantee a minimum standard of living. Opportunity will expand the range of choices that are available to people. Participation allows people to take advantage of these opportunities and take an active role in society. For example, internet access will enhance both opportunity and participation.

### **Tensions between universal basic services and universal basic income**

Percy (2017) presents universal basic income and universal basic services as complements that could form a joint programme for reform. However, it is also important to acknowledge that tensions exist between these different agendas and that research ought to explore how

these tensions might be resolved. One source of tension are the different ideas that underpin these different agendas. Collectivist ideas are a defining theme of universal basic services and, more widely, the welfare state (Bergmann 2004; 2008; Haagh 2011; Portes 2017). Haagh (2011) records that the welfare state embodies an idea of social insurance that guarantees collective support for each citizen if faced by a specific hardship, such as unemployment. Solidarity between citizens underpins the role of social insurance in protecting each citizen. Haagh (2011) writes that: ‘Social insurance and its twin idea, solidarity, represent more encompassing egalitarian principles than equal shares, of which the basic income – like citizens’ pensions or child grants – is a typical case’ (Haagh 2011, 45).

Basic income is much more individualist in nature than universal basic services. This does not mean that collectivist ideas are entirely absent in a universal basic income as, for example, this involves the collective funding of income to each citizen. Nevertheless, individualism is much more prominent within a universal basic income than universal basic services. One sign of this is the way that the basic income idea has won support from advocates of free markets in ways that universal basic services do not (Friedman 1962; Lehto 2018). For example, Milton Friedman’s (1962) negative income tax proposal is a version of a basic income that resonates with some neoliberals. Similarly, a recent pamphlet published by the London based free market think-tank the Adam Smith Institute backs a universal basic income (Lehto 2018).

These tensions may be deepened if the model of universal basic services is extended. The Social Prosperity Network’s (2017) model of universal basic services involves seven public services. But, this model might be extended in various ways. For example, their approach does not call for universal and free childcare. Bergmann (2004; 2008) claims that the

provision of free childcare highlights the varying impacts of a basic income and the welfare state on gender inequality. She says that whereas a universal basic income expands the opportunities for leisure, free childcare increases the options for paid employment. Bergmann (2004) continues that greater employment opportunities are likely to be more important for reducing gender inequality than a basic income:

Many if not most employers have come to see women as likely to be continuous labor force participants, not inevitably destined to leave the workforce, and therefore as people worth training, worth putting into jobs leading to promotion, worth considering for promotion. This kind of progress would be reversed if a higher proportion of women withdrew from the labour force when their first child was born. For this reason, the full-blown implementation of Basic Income schemes in the near future should not appeal to those for whom gender equality is an important goal (Bergmann 2004, 116).

The argument about gender inequality highlights a wider point about relative importance of implementing universal basic services or a universal basic income. A universal basic income enhances the control that people have over leisure and so concentrates on an agency concept of freedom. However, universal basic services underpin a broader concept of equality and freedom (Bergmann 2004; 2008; Haagh 2011; Reed and Percy 2017). These arguments provide a case for implementing universal basic services before the introduction of a universal basic income. Bergmann writes that:

The fully developed welfare state deserves priority over Basic Income because it accomplishes what Basic Income does not: it guarantees that certain specific human needs will be met ... When this has been accomplished, then will be the time to consider starting to phase in Basic Income (Bergmann 2004, 117).

Although universal basic services might command a greater priority than universal basic income, it is also important to acknowledge trade-offs that may affect the sequence of reforms. For example, providing universal basic services are likely to be much more expensive than providing a universal basic income. Reed and Percy (2017) estimate that current spending on four universal basic services in the UK (health, education, transport and housing) represents 41% of total government spending and total government spending is about 41% of Gross Domestic Product. Percy (2017) records that the extra spending that would be needed in the UK to provide the full set of universal basic services would amount to about £42.16 billion. Reed and Percy (2017) estimate that a tax free basic income payment of £20 a week would yield an annual cost of £10 billion. De Henau (2017) says that providing free and universal childcare in the UK would cost between £33 billion and £55 billion. It might be easier politically to implement a cheaper basic income option than more costly universal basic services. Such trade-offs are likely to be an important part of further discussion of ways of combining basic income and universal basic services.

## **Conclusion**

Basic capital versus basic income has been an important topic of debate. Although these debates yield useful insights for efforts to create an egalitarian capitalism, this paper suggests that these discussions are too narrow. It claims that the debates overlook the way that Thomas Paine wanted both ideas to be complements. Exploring why Paine wanted these ideas to be complements points to the importance of the life cycle when designing policies for distribution. Basic income versus basic capital are also too parochial and would benefit from engaging with a wider set of alternatives. For example, embedding basic income more clearly alongside social democracy may develop more robust models of basic income. The task then

is to examine ways that debates may be widened rather than drilling down into basic capital versus basic income still further.

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