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DIVIDEND, BIRTH-GRANT OR STIPENDIUM? A REPLY

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The critiques by Philippe Van Parijs and Yannick Vanderborght (VP&V) and Matsaganis of our proposal to introduce a Euro-Stipendium to all citizens and denizens of the European Union living in extreme poverty are welcome. They contribute significantly to our intention of opening a debate with regard to the prospects for enlarging social citizenship within the EU. We share some of the concerns raised and accept some of the 'modest suggestions' they have offered; which is not to say that we agree with all the criticisms they advance.

Let us start with the by now familiar argument that nothing except a basic income provision for everyone – a Euro-Dividend (ED) in the words of VP&V rather than our Euro-Stipendium (ES) – would offer a satisfactory solution. We do agree that the ES could eventually be turned into an ED – or, to call it by its true name, into an (embryonic and very

modest) unconditional basic income for everyone living within the European Union (Genet and Van Parijs, 1992; cf. Van Parijs 1995; 1997; 2000). However, given the non-democratic character of EU politics and the non-state nature of the EU polity, there is simply no realistic chance of getting such a policy accepted in the near future (Schmitter, 1997). This is a perfect illustration of the French proverb that *le meilleur est l'enemi du mieux*. By holding out for the best possible solution, one obviates the possibility of introducing a marginal but significant improvement.¹ Insisting right from the start on a universal ED misjudges the present state of the EU in two ways. It overestimates its ability to serve as a 'cross-border transfer machinery' (VP&V) and it underestimates the time and other political resources that would be needed to convince a sufficient number of policymakers and their constituencies of the superiority of an ED.²

This is not to say that such efforts are doomed forever to be unsuccessful. Our argument is rather that the pressure generated by impending enlargement, the cap on the expansion of 'own resources' and on member contributions and, most recently, the catastrophic consequences of encouraging intensive corporate agriculture have opened an unprecedented window of opportunity. But this window is only large enough for modest and incremental policy changes to stand any chance of entering. If there were basic income schemes already running successfully in several member states, now might be the right tactical moment to press for their Europeanization. Given that this is not the case, we argue that it is more realistic to push for innovation where there exists already a manifest and bold commitment, i.e. to eradicate 'extreme poverty' throughout the EU.

VP&V make four arguments for improving our original ES design. The first two concern the crude nature of the cut-off point at which extremely poor persons either do or do not qualify for the ES. The third deals with an ethically questionable 're-distribution effect' among the poor of different countries. The last one (which is shared by Matsaganis) focuses on the incentive that the ES gives to member states to reduce their own national efforts at fighting poverty.

The cut-off point

VP&V point out that if the ES were to be applied in the way we envisage, some households may fail to qualify from one year to another, either because their disposable income slightly increases or because – due to EU enlargement – the threshold of less than a third of average disposable income would diminish and they would find themselves suddenly and unexpectedly above this level.

Certainly, these are very disturbing potential effects. They would have to be addressed and we think that VP&V offer some excellent suggestions. Our primary concern was rather

to insist upon two other contentious, but prior issues: first, that an ES of about €1,000 per annum for all individuals living in 'extreme poverty' within the EU15 can be financed at no additional cost simply by redistributing already available financial resources used for existing programmes; and, second, that such a scheme would even be viable in an enlarged EU of 22 or 27 members. In order to get across our point quantitatively, it was necessary to use a simple and transparent calculation of sums. Once the member states – present and future – agree in principle that such a redistributive scheme is both normatively desirable and financially feasible, we would be delighted to accept VP&V's suggestions for minimizing insecurity by replacing the crude cut-off point with a phasing-out mechanism, and for basing the eligibility conditions on an average of the EU's per capita income over a longer period.

Redistributing among the poor?

A third – and closely interconnected – objection of VP&V concerns our proposal to establish a common and unique threshold for eligibility defined exclusively by reference to the average income for the entire EU. For us, this feature of the ES was absolutely essential since it expressly recognizes and embodies the equality and solidarity of European social citizenship. Another possibility would have been to define 'extremely poor' purely on the basis of national instead of EU average incomes. This seems to be what they would prefer. The obvious problem with our suggestion is that, if a 'poor' country joins the club, a sizeable segment of the poor in the older member states would have to 'pay' (indirectly) for the newcomers. Because of the lower eligibility threshold generated by the entry of poorer countries with many more persons in extreme poverty, those previously eligible in the richer 15 member states would find themselves stripped of their entitlement to the ES.

However, one of the main reasons we proposed a *Euro-Stipendium* was precisely its potential to shift resources gradually (and, hopefully, consensually) towards the new member states – and, to do so in much more efficient and justifiable fashion than by merely continuing the existing CAP or Structural Funds. Only by basing it on a Europe-wide calculus would the ES have the desired effect of encouraging medium-term convergence towards a ‘Social Europe’. The ED proposal of VP&V would do much less to correct for these very sizeable differences in initial endowment, and would in any case only provide a very modest level of benefits to the entire population of the EU, including giving a rather large aggregate sum of Euros to upper and middle-class persons, who are quite likely to discount heavily the value of such a marginal ‘benefit’. For most recipients, we suspect, the net contribution to their sense of European citizenship would be negligible.

We do share their concern about the probability that the ES would ‘disinherit’ some proportion of those living in extreme poverty in Western Europe, and we recognize that this raises issues of fairness and political viability. Therefore, we welcome their suggestion to connect the ES level of eligibility to an ‘index of European prosperity’ that would not be directly and suddenly affected by enlargement but would still guarantee a degree of ‘social convergence’ over the longer run. It would seem sensible that poor people in relatively rich countries should remain temporarily eligible, even when they have more than a third of the EU average income at their disposal. Again, however, we are reluctant to endorse any policy that could be used by national governments to deflect attention from their obligation to ensure a decent level of living for their citizens.

Gaming by national authorities

Both VP&V and Matsaganis worry a great deal about ‘moral hazard’. No one would

deny that any social policy will provide an opportunity for ‘gaming’ – whether by governments, individuals or firms. Neo-liberals, of course, routinely invoke such a danger as an argument for doing nothing, except to let imperfect markets and unscrupulous firms produce a different level and distribution of moral hazards! VP&V do not go so far; Matsaganis, however, seems far too sanguine about the absence of moral hazard in existing EU agricultural and structural policies.

We quite explicitly mention the likelihood of ‘opportunism’ but we are much less concerned about the magnitude of the problem it poses and are confident that it should be possible to put together the right mix of ‘carrots and sticks’ to get the national politicians and administrators to implement the scheme fairly and correctly. What our critics fail to acknowledge is that the *Euro-Stipendium* would be firmly embedded in an existing set of institutions as part of the *acquis communautaire*. This means that any ‘opportunistic’ responses by a member state would be monitored by the Commission, other member states, innumerable social movements and interest associations, and even individual EU citizens. Any of these agents would have an incentive to denounce infractions before the European Court of Justice – and its jurisprudence has been quite clear in defending the supremacy and direct effect of EU law. Moreover, there is good reason to assume that the European Parliament would assume a supervisory role with regard to issues involving additionality. It has shown a marked propensity for increasing its political clout by denouncing infractions of EU directives – for example, in the context of previous EU initiatives to fight poverty and increase citizens’ rights (Bauer, 2000; European Parliament, European Commission, and Council, 2000).

VP&V’s suggestion of a co-payment obligation by member states in the financing of the ES might be a good idea. As far as the EU15 is concerned, this should not be problematic because the Structural Funds and CAP already require national co-financing. Redirecting EU

resources from structural and agricultural policies towards the ES would release national resources for just such an effort – unless, of course, those governments were to choose to subsidize farmers and regions out of their own national funds. If not, the monies saved could even be used to ease the cut-off problem discussed above.

Matsaganis's Birth-Grant (BG) proposal to give a lump sum of about €5,000 to all newborn babies in the Union has the advantage that it is 'simple' and 'easy to administer'. However, this is gained at the expense of 'social and political efficiency' since relatively rich parents in the old as well as in the new member states (also) benefit. We accept that there are good and particular reasons to target children in the fight against poverty, but if the children are not poor and their parents can afford to pay for their maintenance, what are the grounds for asking EU15 middle-class citizens (who in general have low reproduction rates) to finance such a policy? Furthermore, what happens if reproduction rates in Eastern Europe keep on declining? They could, if one believes the predictions of demographers, soon undercut those in Western Europe. A BG would then redistribute resources 'westward' and thus have the opposite effect of our original intention. Moreover, the ES would be paid to all individuals in poor households (including dependents), resulting in a substantial level of child support – and one that would come in regularly and not just at the moment of birth.

In sum, making the ES successful is – as we see it – a matter of the right mix of incentives as well as rules. In this context, all four 'modest suggestions' of VP&V are without doubt valuable improvements of our proposal and we gratefully acknowledge them. Why we still prefer our Stipendium to the Dividend or the Birth-Grant should be clear from the above. Can Matsaganis absolve his BG from the 'peril of moral hazard' on the part of member states that he claims the ES will inevitably face? Do VP&V really think that, in the context of intensified struggle over

national contributions to the EU budget, member states would adopt an ED whose 'gross cost would necessarily be substantially higher than that of a means-tested ES'? Even more far-fetched in our opinion is the proposal by VP&V that these countries should establish a common energy tax to finance an eventual ED – especially in the context of increasing international competitiveness and energy costs.

We do concur with our three critics that it is time 'to offer a tangible expression of the material benefit' that the EU brings to its citizens. Precisely because of the 'unprecedented challenges' the EU is now facing and will face increasingly in the future, we prefer a modest and focused effort to compensate those citizens and denizens in extreme poverty – regardless of where they live and how long their country has been a member of the club. Moreover, the cost of this policy can be controlled relatively easily and there is no manifest need to make major changes in EU finances to pay for it. We could not agree more with Van Parijs that 'while a defensible long-term vision is important, precise proposals for modest, immediately beneficial and politically feasible steps are not less essential' (Van Parijs, 2000: 15). A universal ED may well constitute such a long-term vision and a generous subsidy for each newborn child may well be worth trying in the medium term, but we remain convinced that the Euro-Stipendium could be just the sort of innovative measure that is 'modest, immediately beneficial and feasible'. Such a policy would give to the EU for the first time in its history a warrant to enter into a direct and rewarding exchange with a substantial proportion of its citizens, and would do so in a manner that redistributes resources efficiently and effectively to individuals in manifest need and to countries that are about to enter the process of regional integration with a substantial handicap. As an expression of social citizenship, it would be far more European than the alternatives proposed by our three critics.

Notes

- 1 Which is not to concede that the basic income supplement is itself without problems – problems that would only be compounded in a polity on the scale of the EU and with its quite limited capacity for expressing solidarity across such a heterogeneous population. See White, 1997; Krebs, 2000; Michel, 2000; Sturn and Dujmovits, 2000.
- 2 An example of how difficult, painstaking and time consuming it may be to win over the citizenry is ironically given by one of our critics in a report over the Belgium 'Vivant' initiative (Vanderborght, 2000).

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