Reciprocity and the Guaranteed Income

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If a man will not work, he shall not eat.
—Paul, Second Thessalonians, chapter 3, verse 10

He who does not work, will not eat.
—Captain John Smith, Jamestown, Virginia, 1608

He who does not work, neither shall he eat.
—Article 18 of the Soviet Constitution, 1918

A craftsman... has a work to do from which if he were forced to abstain life would not be worth living, but we do not say that a rich man has any such job to do.
—Socrates, as quoted in Plato's Republic

This paper questions what could be the oldest principle in U.S. politics: "(s)he who does not work will not eat." In 1608, twelve years before the pilgrims arrived at Plymouth Rock, Captain John Smith established this principle for the first successful English-speaking settlement in what is now the United States.\(^1\) Captain Smith's principle has been endorsed by sources as diverse as the New Testament and the Soviet Constitution.\(^2\) Why take issue with such a widely held principle? Because as it is applied in modern industrial economies in which work is defined as employment,\(^3\) this principle conflicts with the principle of reciprocity (also known as "neutrality" or "equality before the law"). The principle of reciprocity states that government policy should not favor one group over another.\(^4\) To be consistent with reciprocity, this "work-or-starve" principle must be applied to...
all citizens. If the rules of a nation force some individuals to choose between work and starvation, a society must force all individuals to face that choice. However, in most modern industrial societies, those who own a sufficient amount of land, natural resource rights, capital, and government bonds are exempt from the fear that they will not eat if they do not work, but those who do not possess such assets do face that fear.¹

A guaranteed income eliminates this violation of reciprocity by unconditionally ensuring that no one's income falls below the subsistence level. Unconditionally refers particularly to the absence of any work requirement.⁶ Under such a system, citizens work and participate in the economy by choice. The term guaranteed income is a generic term for any one of a number of plans, including the citizen's income, the basic income, the negative income tax, and the social dividend. Proposals differ as to how the benefits are paid, how they are financed, whether they are to replace or exist alongside a pension system, how allowances are to be made for dependents, and other details. But all of these proposals share one crucial characteristic: they unconditionally guarantee that no one's income falls below the poverty level. For the intentions of this paper, all of these plans can be considered equivalent and are used interchangeably.

The specifics of how a guaranteed income would work or the differences between them are not the subjects of this paper.⁷ In simplest terms, under a guaranteed income system, a person who makes no private income, regardless of the reason, receives a fixed amount in the form of a cash transfer. As a person makes a small private income, some versions would reduce the transfer, and other versions would tax the additional earnings. In either case, a person with low private income will be a net recipient and will have a higher after-tax/after-transfer income than someone with no private income. As a person makes more private income, beyond some point, either the transfer is reduced to zero or the taxes become larger than the transfer, and that person becomes a net taxpayer. But for any two people, the one with the higher private income will always have the higher after-tax/after-transfer income. Thus, a guaranteed income preserves the incentive to earn more while ensuring that no one is completely destitute.

Stuart White and other critics of an unconditional guaranteed income argue that it violates the reciprocity principle. White bases his criticism on Philippe Van Parijs's justification of a basic income presented in his book, Real Freedom for All: What (if Anything) Can Justify Capitalism?⁸ Van Parijs argues that the basic income is necessary to maximize what he calls "real freedom," the freedom to do whatever one might want to do. In other words, all people should have the maximum opportunity to pursue their own conception of the good life. He contends that existence of "brute luck" and "external assets" justifies redistribution in the form of an unconditional guaranteed income. Brute luck is the result of risks one is compelled to take, such as an imperfectly fair labor market that people are forced to enter to obtain the means of survival. If people willingly play a game of chance,
they have no legitimate reason to ask for a redress if they do not win, but if they are compelled to play a game of chance, they may have a legitimate reason to challenge the outcome. External assets include forms of wealth that no one (or no living person) produced, such as land, natural resources, and inherited wealth. It has long been recognized that the owner of a significant amount of assets can derive a permanent income from it without expending any personal effort either in the production or management of these assets. Van Parijs argues that all individuals are entitled to an unconditional income equal to the value of a per capita share of the total value of external assets because the return on these assets does not represent a reward for any individual’s productive contribution but is a claim on the productive contribution of these assets themselves.

Van Parijs concedes that taxing land, natural resources, and inheritance will not provide enough revenue to support a basic income that would be sufficient to achieve real freedom for all. However, using an argument economists know as the “efficiency-wage theory,” Van Parijs defines some jobs as a form of external assets. The efficiency-wage theory supposes that it is often profitable for firms to pay higher-than-market clearing wages to encourage loyalty and maximum effort from their employees, but this requires that not everyone who is willing and able to do a particular job is able to find one. Therefore, Van Parijs concludes that a job can be considered a type of external asset, and labor income can therefore be taxed to support a guaranteed income.

Stuart White uses the jobs-as-assets argument as the basis for his “exploitation objection” to an unconditional guaranteed income. White acknowledges that an unconditional guaranteed income supported by taxes on assets like natural resources and past wealth accumulation is reasonably invulnerable to the exploitation objection, but he claims that such assets cannot support an adequate guaranteed income. He concedes that to some extent, jobs can be considered external assets, but there is an important difference between job assets and other assets: one cannot receive any return on a job asset without work or at least some social cooperation. White, therefore, concludes that a basic income should be made conditional on what he calls baseline reciprocity: an income maintenance plan that redistributes the product of social cooperation should be conditional on some form of cooperation on the part of the recipient (i.e., a work requirement). As he puts it, “An unconditional basic income would allow non-working citizens to free-ride on the efforts of, and so exploit, working citizens.”

This paper makes the case that an unconditional income is consistent with and required for reciprocity. Part 1 demonstrates that a guaranteed income is, in fact, a necessary requirement for reciprocity in a modern industrial society. Part 2 considers in detail White’s exploitation objection and demonstrates that an unconditional guaranteed income is consistent with reciprocity. Part 3 summarizes and concludes the discussion.
This section demonstrates that an unconditional guaranteed income is needed to reverse a violation of reciprocity that exists in modern market economies. In the absence of a modern society (in which land and natural resources are enclosed), people are free to work only for themselves. People are free to build their own homes and hunt, farm, or gather their own food, and they are free to cooperate with others who face the same choices. This may be work in a sense, but it is not work as defined as employment or labor. Working for oneself in nonmarket activity is considered leisure by the economic definition. In that sense, people in a society without privatized land and natural resources spend all of their days at leisure. They may be in a struggle for subsistence, but they are not forced to work for others.

In a modern industrial society without an unconditional guaranteed income, a person who does not own a significant amount of external assets must work for others to survive. All the land and natural resources are privately owned, and one must work for the owners of these resources in order to earn the money to buy the things she needs to survive. Most people can earn much more working for others than they could possibly produce alone. For many people, probably the vast majority, the development of a market economy with privatized resources has been an enormous benefit that has allowed consumption well above subsistence; for the poorest people, however, this change has left them still struggling to survive. Their right to work solely for themselves was taken away generations ago, and they will be destitute if they are unwilling or unable to work for others. When work becomes synonymous with working for others, the idea that "(s)he who does not work, will not eat" is not a fact of nature but a consequence of how we organize our society.

The introduction of the work or starve principle is not necessarily a violation of reciprocity as long as it applies to everyone. However, some citizens of the United States know that even if they do not work, they will still eat. They are the owners of significant amounts of external assets, owners of capital and government bonds (which may or may not be external assets), and people, such as the disabled, who qualify for categorical transfers. The principle of reciprocity is violated when the principle of "(s)he who does not work, will not eat" is applied to some people but not others. One function of a guaranteed income is to eliminate this violation. A guaranteed income is compensation for giving up the right to work only for oneself, a right that would be available if society had not privatized natural resources.

Robert Nozick argues that private appropriation of land and natural resources is justifiable under criteria advanced by John Locke. According to Locke, a person obtains the right to appropriate these assets by mixing her labor with it,11 but there must be "as much and as good left for others in common." Today few—if any—external assets are left for others to appropriate. Nozick argues that in modern
society, property rights to land are justifiable so long as no one is made worse off because of the appropriation, but he defines two ways in which being made worse off can be interpreted. The weaker interpretation is that those without assets should be able to live at least as well as they could have had no one appropriated any land. The more stringent interpretation is that those without assets should be compensated both for how well off they could have been had no one appropriated land and for the lost opportunities to appropriate land themselves.\(^\text{12}\)

If the compensation proviso is to be followed, the least-advantaged people in an industrial society would have to be better off than they could possibly be in a society without appropriation of assets. Nozick argues that the opportunities for employment and entrepreneurship that capitalism provides more than outweigh the potential loss so that no actual compensation is necessary.\(^\text{13}\) This may be true for the many, but it is hard to make the case that it is true for everyone.

For example, a person with no home and no job prospects in Manhattan in the year 2000 is not even allowed to build a shanty or a fire, and some resort to eating out of garbage cans. A person with no home and no job prospects in Manhattan in 1500 could build a cabin, gather firewood, and fish in the Hudson River. In some areas, such as Hawaii, preindustrial residents were relatively free from toil as well as employment and could relax on the beach and surf all day if that's what they chose to do. Compensation, according to the weak interpretation, could be used to justify a subsistence-level guaranteed income without a work requirement, so that all individuals remain free to decide how to use their time. Compensation, according to the stringent interpretation, would require the "highest sustainable" guaranteed income. If a guaranteed income is considered to be compensation to those who would not otherwise benefit from the privatization of land, it is owed by all those who benefit from the current property relationship to all those who may not benefit.

The debate between White and Van Parijs about whether an unconditional guaranteed income is consistent with reciprocity largely revolves around what qualifies as an external asset and whether taxing external assets can raise enough revenue to support an adequate basic income. However, this debate ignores one important fundamental point: the very existence of external assets is sufficient to justify an unconditional guaranteed income on the grounds of reciprocity, regardless of the revenue that can be generated by taxing external assets alone. The relevant level for the basic income is not the amount that can be raised by taxing external assets but the amount that an individual should be compensated for lost access to unappropriated assets.

The owners of outside assets generate income partially or entirely because these goods are scarce and not everyone can own them. Therefore, it is not accurate to talk about market "distribution" and government "redistribution" of income because all market distribution of income depends on the prior assignment of land and natural resource ownership rights by the government. Only after
the land and natural resource rights have been defined and initially assigned by
governments (distribution) can market exchange begin (redistribution). The
income that an owner derives from an outside asset is just as much government
redistribution of income as if the government taxed workers and gave the money
to landlords. 14 The way we have chosen to define property rights has resulted in a
situation in which one group has to work to survive and another does not and
results in a violation of the principle of reciprocity.

White's argument assumes there are only two groups in the economy—"work-
ers" and "recipients"—implicitly grouping external asset owners with workers. If
groups are defined by the choices they have available to them, however, both
workers and recipients belong to one group and external asset owners to another
group. These are the group definitions that will be used in this paper.

One could argue that workers can save their money and buy into the group of
external asset owners. In a completely fair labor market, this would be possible for
any one worker who has the ability, perseverance, and luck, but it is not true for all
workers. One worker can buy external assets, but only by first working and then
convincing the owners of external assets to part with them voluntarily. If all work-
ers simultaneously set this as their goal and all have sufficient ability and perse-
verance, they will bid down the returns to labor and bid up the price of external
assets. Their collective action would benefit those who already own external
assets and hurt workers on average. Although some workers may be able to buy
into the group of external asset owners, it would be impossible for all workers to
do so, and therefore one cannot simply choose to be a worker or an external asset
owner.

Without a guaranteed income, workers face the choice, "(s)he who does not
work, will not eat," while owners of external assets do not face such a choice.
Work is voluntary for external asset owners and mandatory for workers. This vio-
lation of reciprocity is a consequence of how a society decides to define rights to
external assets. The position of workers is not envy-free relative to external asset
owners because, given the choice, rational workers would rather derive income
from external assets, even if they intend to work.

There are four ways society could rectify this violation of reciprocity. First, a
society could seize all private holdings of external assets or tax away all the
returns so that asset owners would have to work. This objective would be difficult
to achieve while still allowing the market economy to operate with all of its ben-
fits. 15 Second, society could grant those who won't or can't participate in the labor
market a plot of land on which they could maintain themselves. Great Britain seri-
ously considered such a proposal in the early nineteenth century, and the United
States once had such a plan in the form of the Homestead Act. Today, this type of
plan would not be feasible because it is too expensive to obtain enough land, and it
is unrealistic to expect the modern urban poor to adapt to subsistence farming. 16 In
a productive, industrialized society, it is less expensive for society to provide
people money to buy food, shelter, and clothing than it is to provide them with land and natural resources to produce these things for themselves. Third, society could impose conditionality on the ownership of external assets in the form of a work requirement. For example, all people who own enough external assets to live on could be required to spend forty hours a week in a community service job. This would apply a work-or-starve principle to all citizens and would not violate the principle of self-ownership because anyone could get out of this requirement simply by relinquishing ownership of external assets. However, this solution would probably strike most people as rather draconian. Fourth, a society could relieve workers from having to choose between work and starvation by introducing some form of unconditional guaranteed income. If it is impractical to impose the work-or-starve principle on owners of external assets, reciprocity demands this principle not be imposed on anyone.

The level of basic income does not need to be based on the returns to external assets in a modern industrial society. Instead, it can be based on what an individual gives up to be part of an industrialized society: subsistence without employment. If the privatization of resources does not produce a return that allows the least advantaged person to be better off in that situation than in a society without privatized assets, it is not Pareto-superior and exploits those who would be better off in such a society. It should be noted that as long as external assets are privately held, a guaranteed income does not make society completely consistent with reciprocity. The guaranteed income removes the inconsistent application of the work-or-starve principle, and it is reciprocal in the sense that all people are free to choose whether or not to participate in the economic system. It cannot make the economic system completely fair, only voluntary. External asset owners will still live much better if they choose not to work than others will whether or not they choose to work.

Of course, many owners of significant amounts of external assets do work, but they are not forced to work by fear of starvation. The fact that so many assets owners work is evidence that it is not necessary to threaten people with starvation to give them an adequate incentive to work. The contribution to social product of those who own and manage resources is very large, and any plan to make their behavior conform to the reciprocity principle should be designed to leave the benefits of the market system in place.

Some authors define providing resources for others to use productively as a form of work or social cooperation, even if it involves no effort on the part of the resource owner. To address this, a distinction must be made between managing resources and owning them. By almost anyone’s definition, someone who actively makes decisions about how resources are to be used is working. However, people who own large amounts of external assets can hire someone else to manage their assets and do nothing except receive payment. If work is defined so broadly that an absentee landlord is considered cooperating simply by allowing others to
use the natural resources she controls, then a transfer recipient can also be considered cooperating because her claim to have all land and natural resource rights divided equally has been taken away. Thus, the rationale for a work requirement disappears.

PART 2

Part 1 demonstrates that an economy with privatized external assets but without an unconditional guaranteed income violates reciprocity. However, a guaranteed income would be an insufficient solution if it creates another violation of reciprocity. Therefore, it is necessary to address White's critique in detail.

White argues that even if the external asset justification of an unconditional guaranteed income stands, a guaranteed income exploits workers because at least some revenue will have to come from taxing workers, and some revenue will be transferred to people who do not work. Four propositions must be true for this conclusion to hold. First, taxation of external assets alone does not produce enough revenue to support an adequate unconditional guaranteed income, so that at least some portion of the taxes must come from workers. Second, in the absence of baseline reciprocity, workers are entitled to the full value of their efforts. Third, wages in a market system without redistributive taxation directly reflect the full value of a worker's efforts. Fourth, after-tax wages in an economy with an unconditional guaranteed income are less than they would be in its absence.

One can criticize White's conclusion that a guaranteed income exploits workers by challenging any of the four premises or by arguing that the existence of a basic income confers other benefits on workers that justifies taxing them. For example, one could challenge the first proposition that a guaranteed income cannot be financed solely by taxation of external assets. Michael Hudson estimates that in 1995, $2 trillion of the $5.9 trillion U.S. national income was made directly or indirectly from real estate, including rent, capital gains due to land appreciation, interest on loans for the purchase of land, and imputed rent to firms and households that both own and use land. Block and Monza estimate that the net cost of a negative income tax plan would be only $70 billion. Comparing Hudson's estimate of the revenue available to Block and Monza's estimate of the costs raises doubts about the claim that an adequate guaranteed income requires taxation of work.

Van Parijs, who accepts that an adequate guaranteed income requires taxation of labor income, challenges the connection between White's premises and his conclusion. He argues that even though some workers may be materially worse off with a basic income than without it, a basic income confers benefits on these workers that justify taxing them. One benefit is that it gives workers a greater choice. Workers have the option to sit out of the labor market, even if they choose not to exercise that option. Another benefit is income insurance. People buy private insurance against risks like automobile accidents, theft, fire, injury, and
illness even though they hope the need never arises. The government can insure against income loss in the form of a guaranteed income. Everyone would benefit from the peace of mind that income insurance would bring them, even though not everyone would need it.

If one concedes that some workers will be materially worse off if an unconditional basic income exists, it does not necessarily follow that reciprocity has been violated. The guaranteed income meets Foley’s condition for equity: it is envy-free. Society would offer citizens two choices: do not work and receive a small unconditional income, or work and receive a higher income. Reciprocity exists in the sense that all people are equal before the law; the same rules apply to everyone.

According to White, “To willingly enjoy such cooperative benefits without being willing to make such a reciprocal contribution is to claim access to these benefits on what are necessarily advantaged terms.” In fact, most of those who live solely on the guaranteed income would be the least advantaged people in society. Because workers would have the option to stop working, we can conclude that if they do work, then they must find it preferable to not working. Recipients of a guaranteed income would not be taking advantage of a privilege that is unavailable to everyone else. Therefore, the position of a worker relative to a recipient is envy-free.

The same cannot be said for a recipient relative to a worker. Perhaps the recipient wants a job but can’t find one or can’t find one that pays above poverty wages, is not intelligent enough to hold a good job, has a sick relative to take care of, or is the victim of discrimination. There are any number of reasons why a jobless person living solely off a guaranteed income might be willing—but unable—to trade places with someone who works. Therefore, it is unclear that a nonworker’s position is envy-free relative to a worker’s position.

If one defines exploitation as one person taking advantage of privileges that are unavailable to another, one cannot say that the person who lives solely off a basic income exploits anyone. Therefore, based on the principle of reciprocity alone, a guaranteed income does not exploit workers to the benefit of nonworkers. In a capitalist system with a guaranteed income, work is purely voluntary, and one who accepts a job therefore accepts its terms.

Another problem with the exploitation objection is the assumption that workers’ after-tax incomes will be lower with a guaranteed income than without one. It may seem obvious that a worker’s after-tax income will be reduced if a worker pays taxes and a recipient receives a transfer derived from those taxes. However, people who opt not to work also do something that benefits workers: they reduce job competition, which drives up wages. It is not certain which effect will be greater, the taxation or the reduced job competition. The following example demonstrates that for low-wage workers, the effect of reduced competition is likely to be greater than the effect of an increased tax burden.
Assume there are two groups: owners of external assets who do most of the employing and workers. Assume there is no redistribution of income and a completely unregulated market, so that all workers must either work or not eat. Workers are effectively forced to accept a job, which means there is a large supply of labor, which in turn means there are lower wages, longer work hours, and poorer working conditions. Karl Marx described this as “exploitation,” the same word White uses to describe recipients of unconditional transfers. Almost a century earlier and without using the word exploitation, Adam Smith recognized that workers would be paid less if they were desperate for jobs:

It is not . . . difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into compliance with their terms. . . . In all such disputes the masters can hold out much longer. A landlord, a farmer, a master manufacturer, or merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long-run the workman may be as necessary to his master as his master is to him, but the necessity is not so immediate.

Both Karl Marx and Adam Smith believed that worker desperation could create a situation in which workers would be paid less than they deserve or less than they are worth. However, both authors wrote before the inception of formal neoclassical supply-and-demand theory. In a supply-and-demand model, if workers become desperate for work, the supply of labor will increase along a given demand curve, driving down both wages and the marginal product of labor. Workers will still be paid in proportion to what they produce, but that would be true at any wage. Whether workers are paid less than their marginal product because they are desperate for work or whether their desperation for work drives down their marginal product to meet their wages is inconsequential for the argument here. In either case, if workers become desperate for employment, employers benefit because the cost of labor falls, and workers suffer because their real incomes decrease. There is nothing in the laws of supply and demand to ensure that the equilibrium wage will provide an above-poverty income. Regardless of whether workers are paid their marginal product, they are paid less if they must work to eat than they would be paid otherwise.

It is questionable whether trade can be considered voluntary if one party is desperate for survival and the other is not. For example, suppose Donald Trump falls off a pier. He asks me to throw him a rope. I respond, “How much?” We negotiate and decide that he will sign over to me ownership of all of his assets. If he values his life more than his money, this is a Pareto-improving transaction. I get my lawyer . . . we write up a contract . . . Trump signs . . . I throw him a rope . . . Trump lives. He pays me his entire fortune, which is equal to the marginal product of my labor as valued by the utility he receives by living the rest of his life. I have been paid my marginal product, but does this in any normative sense imply that I have
been paid what I deserve? Any court in the United States would invalidate this contract because it was signed under duress.

Suppose, instead, that the manner in which a society has defined property rights causes members of one group constantly to face a state of duress. Workers must work or starve, while their employers do not experience this same duress. As in the above example on the pier, one person benefits from someone else's desperation even if the law of supply and demand holds, and an individual's pay reflects his (marginal) contribution to output. Trade is not truly voluntary if one side of the transaction is desperate and the other side is not, and the rates of return will be lower for the former than they will be for the latter.

Of course, not every supply-and-demand situation is imbalanced. If there is sufficient competition among employers, wages may not necessarily be unacceptably low. But how can we tell what is "unacceptably low" unless we allow workers the option to refuse to work? The current equilibrium situation is such that 10 percent of adults who work full-time year-round have incomes below the poverty line, and 8 percent of adults who work have incomes less than 50 percent above the poverty line. There does not appear to be enough demand for labor to create a market in which workers can command decent living standards.

The U.S. government recognizes the existence of this problem and has responded with minimum wage laws, labor regulations, public housing, rent control, and food stamps, in addition to many other programs—all designed to ensure that workers receive adequate wages, working conditions, housing, and food. These programs are necessary because workers do not have the right to refuse unacceptable employment, but they are inadequate in that all of them together have failed to eliminate poverty, even among full-time workers.

An adequate unconditional guaranteed income would solve this labor market problem. It would give all workers the ability to decline unacceptable employment, forcing employers to increase wages as a way of making employment more attractive. Whether the labor market is modeled using supply and demand, a bargaining game, or a monopsony, a decrease in workers' desperation for employment would allow them to command higher wages and better working conditions. Certainly workers who are net recipients would have higher after-tax/after-transfer wages. It is also possible that some workers who are net contributors to the program would have higher after-tax incomes because, although taxes will take a bigger portion of their income, their gross income will be higher due to increased wages. Therefore, one cannot say with certainty that even a net taxpayer's income would be harmed by a guaranteed income.

It is not a simple case of comparing a society without a guaranteed income that is perfectly consistent with the reciprocity principle to an exploitative guaranteed income scheme. White's conclusion—"An unconditional basic income would allow non-working citizens to free-ride on the efforts of, and so exploit, working citizens"—must be viewed in light of the possibility that the absence of an
unconditional basic income allows owners of external assets to exploit working citizens. If nonworking citizens allow workers to command higher wages by decreasing the supply of labor, it is hard to conclude that nonworkers exploit workers.

If the labor market effects are taken into account, the notion that harsh welfare reforms are a form of "tough love" does not hold up. Jason L. Saving asserts that reducing transfer payments will actually help most of the poor by forcing them into the labor market and freeing them from dependence on government transfer payments. However, such reforms would increase the supply of labor and drive down wages. With wages already below poverty level, these reforms are likely to increase the poverty of low-wage workers without eliminating poverty among former welfare recipients. These results are beginning to surface in studies of welfare reform. The more the welfare system is reformed to force every worker to accept any job that is available, the less able are workers to command salaries that provide a decent living.

The effect of an unconditional guaranteed income on wages leads to the answer to a common question of any such plan—what if everyone does it? Critics of the guaranteed income have argued that if no one has to work, no one will work. Everyone will choose to live off the guaranteed income, and there will be no output to purchase. Supporters of an unconditional guaranteed income usually respond by arguing that it is not characteristic of human nature for everyone to choose not to work, or that an unconditional income has more work incentives than does the current categorical transfer system. These are good arguments, but they overlook the fact that the market has a self-correcting mechanism to prevent everyone from dropping their jobs to collect an unconditional income.

Although an unconditional guaranteed income would be granted to all people, it would not be granted to all factors of production. Of the three factors of production—land, labor, and capital—only labor would have a guaranteed income. Even if a real estate owner is happy to live solely off of a guaranteed income, the owner still wants a return on that real estate and therefore will require labor. If people leave the labor market, owners of external assets and capital will have a strong incentive to increase wages to entice workers back into the labor market. This will raise the living standards of workers relative to nonworkers, which in turn will increase the number of people who choose to work. The postulated problem that people will not work if they do not have to is, in fact, self-correcting.

The higher one goes in the wage spectrum, the less likely it is that after-tax wages will be higher with a guaranteed income than without one, and in that case, White's exploitation objection may hold true for at least some workers. However, because the distribution of income is skewed so that the majority of people have incomes closer to the lower end of the spectrum, it is quite possible that a substantial portion of workers will see their after-tax income rise if an unconditional guaranteed income is introduced. High-wage workers and entrepreneurs whose
incomes do not come largely from external assets will likely see their after-tax incomes fall, but it is no longer a case of taxing all workers to help all nonworkers, as White implies. Many of the people who would benefit from the guaranteed income will be low-income workers, and many of the people who would pay the taxes will be people who are otherwise in a position to exploit workers.

If there is a component of exploitation in a guaranteed income, it is that a portion of the redistributed income comes from high-income workers, and a portion of it goes to people who do not work. It is by no means certain, however, that this will be a large portion of the redistribution or that there will be more exploitation with an unconditional guaranteed income than without one. The workers who will be net contributors to a guaranteed income system will be higher paid workers who have more options available to them than those who benefit from the system, and they will have an exit option—the guaranteed income—if they do not like the result. In the absence of a guaranteed income, the lowest paid workers have the fewest options available to them and are invariably exploited. On balance, which is better? While high-wage workers may be exploited in a guaranteed income system by White's criteria (i.e., some of their income is redistributed to nonworkers), they are not exploited in the sense that they lack options available to recipients.

With an unconditional guaranteed income, people with high earned income will at least be rewarded according to Van Parijs's weak effort principle: if higher private income reflects greater effort and a greater contribution, people who make greater contributions will still earn a greater income than people who make lesser contributions, although not as much as they would have if there were no guaranteed income. If wages do not perfectly reflect contributions, then the guaranteed income allows people to opt out if they don't think they are being fairly compensated. People with high earned income are also those most likely to obtain some of their income from outside assets and are among those who benefit from the way we have chosen to organize society. If one rationale for a guaranteed income is to compensate people who do not benefit from living in a society with privatized land and natural resources, it is justified that compensation come from those who benefit from this method of organization and not merely from the owners of outside assets.

One possible solution for the negative effects for higher paid workers would be to shift taxes toward a wealth or property tax (taxing assets people accumulate rather than their earned income). But it is difficult to define and separate "earned" and "unearned" income. For example, John buys a piece of land and improves it. He resells it, realizing a capital gain. Mary buys a piece of land and does nothing to improve it, but Congress builds a highway near it. She resells the land, also realizing a capital gain. John gained from his own effort, and Mary gained from government expenditure, but both of these people are treated the same by the current tax system. Efforts to switch taxation toward speculation and appropriation rather than production could help, but because perfection is impossible, a redistributive
A guaranteed income is not the only possible solution to labor market exploitation. White proposes a conditional basic income that is tied to a work requirement. Oren M. Levin-Waldman recognizes that our society holds workers to an obligation to work and suggests holding employers to a “reciprocal” obligation to pay adequate wages. Either a conditional or an unconditional guaranteed income can achieve that goal, but there are at least four reasons to believe that a guaranteed income is preferable.

First, a conditional guaranteed income holds only workers and not external asset owners to the obligation to work and falls short of reciprocity. Second, overhead costs of a conditional guaranteed income are much greater than overhead costs of the unconditional version, so it is not clear that workers will be better off under the conditional version. While conditional guaranteed income workers produce something of value, taxes pay not only for the guaranteed wage but also for materials, supervisors, and the buildings in which these new government employees work. Third, if a conditional guaranteed income is too low, the government is essentially in the position to exploit workers. Fourth, if efficiency wage unemployment exists in the private sector, there will be people in conditional basic income jobs who are able to work at better paying, private sector jobs but are unable to find them. These workers will envy private sector workers but be forced to accept less attractive jobs. Recipients of a conditional basic income may find this unfair, but the program gives them no exit option if they find the labor market unfair. Only the guaranteed income allows workers the choice of accepting or rejecting employment, without the fear that “(s)he who does not work, will not eat.”

PART 3: CONCLUSION

This paper demonstrates that an unconditional guaranteed income is essential to reciprocity because it addresses the problem that, in the current system, some—but not all—people must work or starve. An unconditional guaranteed income applies the same rules to everyone, thereby conforming to reciprocity. It increases wages, possibly even the wages of net contributors to the tax and transfer system, by improving their labor market position. An unconditional guaranteed income makes trade truly voluntary because it ensures that neither side of a transaction will trade out of fear of starvation, homelessness, or poverty. If every person starts out with at least an assurance of subsistence, trade between any two people can be considered voluntary in the sense that it is free from duress.

Thus, a capitalist economy with an unconditional guaranteed income is not vulnerable to the exploitation criticism, whether it is Marx’s capitalists or White’s recipients who do the exploiting. An unconditional guaranteed income can—in Van Parijs’s words—“justify capitalism, if anything can.”

2. Ibid.

3. Perhaps work is more clearly defined as time spent making money to emphasize that it includes self-employment.

4. Here this paper holds "government policy" responsible for the social structure it makes possible, but one could as easily define reciprocity to state that society should not favor one group over another.

5. Few actually starve in the United States, but many face poverty and homelessness, which are sufficient to cause the reciprocity problems discussed in this paper.

6. Some conditional plans require work in the sense of employment. Others define work more broadly to include some valued nonmarket activity such as raising children or searching for work. An unconditional plan, rather than defining work more broadly, drops the work requirement altogether.


8. Van Parijs, Real Freedom for All.


10. Work includes time spent taking care of someone else's children but not time spent raising one's own children, growing food for others but not growing one's own food, and so on.

11. Although it is not the subject of this paper, the criterion that mixing one's labor with a resource gives one a property right to it is questionable. Another criterion may be that a person obtains a property to an outside asset by paying others to give up their right to hold that asset in common. This, however, is not so different from the necessary compensation that is generated by the proviso that no one else is made worse off by appropriation.


13. Ibid.

14. In most cases, the government assigned property rights many years if not generations ago, and most people obtain ownership of external assets by purchasing them, but no one can purchase a natural resource unless a government has previously defined that resource as someone's private property and the terms of that ownership. Capital gains on these outside assets that do not result from improvements to them can be attributed to the asset itself, whether the ownership was obtained by work, inheritance, luck, or appropriation.

15. This is the only solution that could bring complete reciprocity, but it may not be worth doing so if it hurts incentives so much that the least advantaged are worse off than they would be under another system.

16. To ensure that no one is worse off in this society than anyone could be in a society without appropriated land and natural resources, allowing the opportunity for subsistence farming would not be enough. Recipients would have to be given land on which they could
live with a minimum of toil, such as a stretch of tropical beach. This would make such a proposal even more prohibitively expensive.


20. Van Parijs, Real Freedom for All.


22. Ownership of outside assets does not conform to equality before the law because in any generation, it favors those with preexisting ownership rights.

23. White, "Liberal Equality."


28. Of course, there would need to be considerable discussion of how to define "adequate." Even if the criteria are as simple as food, shelter, and clothing, there are likely to be disagreements on what level of quality could be considered adequate.

29. Similarly, after-tax income of net contributors will be lower relative to their marginal product, but their marginal product is higher than it would be without a guaranteed income.

30. White, "Liberal Equality."


34. Van Parijs, Real Freedom for All.

35. Levin-Waldman, "Reconceiving Liberalism."