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**Basic Income as a Public Policy to Enhance
Democracy and Global Justice**

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Abstract: In an address to a panel entitled Basic Income as a Public Policy to Enhance Democracy and Global Justice (BIEN Conference, Sao Paulo 2010), we maintain that Karl Polanyi would have supported Basic Income as a contribution to equitable economic development, social justice and social cohesion, and freedom in conditions of precarious labour markets and rapid technological change.

Keywords: Basic Income; Karl Polanyi; economic development; social cohesion; popular culture; freedom; democracy.

Basic Income as a Public Policy to Enhance Democracy and Global Justice

Karl Polanyi and Basic Income

By Kari Polanyi Levitt

I have many people to thank for my presence here today, but most especially the remarkable Senator Eduardo Suplicy. We met in Montreal two or three months ago at a gathering of Canadian and American supporters of the BIEN project. I was there to listen to my old friend, Guy Standing, speak about his recently published book. I never expected to be noticed in the crowd, but Guy insisted that I come forward and address the meeting, at this point Senator Suplicy rose to ask, would your father have supported basic income as a citizen right? He invited me to come to this conference to answer the question. I am so happy and thankful for that invitation. I am also very thankful to the organizers of the conference and to the University of Sao Paulo and its Economics Department. I was impressed on the first day of this conference to hear senior officials of the university and members of the Economics Department refer to this conference as a public forum to address important social issues, including inequalities in society. In my university, regrettably, the Economics Department is primarily concerned with techniques of statistical estimation with little concern for the substantive results. It is sad to see what has happened to economics in North American universities. So, to find that there is here an Economics faculty that is concerned with real economic and social issues, and that development is back on the agenda in Brazil, is a great joy as my area of teaching and research for more than 40 years has been Development Economics.

I have come to rise to the challenge of Eduardo. When he asked me, in Montreal, what would my father, Karl Polanyi, have thought about basic income, I had no answer. He never addressed the subject and, perhaps, he had never heard of it. This sent me back to re-reading many of my father's writings with a view to answering the question. I also had in mind the relevance *The Great Transformation* might have for us today in light of the most serious economic recession since the Great Depression. To break into the question of Basic Income, I think it useful to attempt a brief summary of the social philosophy of Karl Polanyi.

We have heard a number of references to Amartya Sen's work and his definition of development as freedom to exercise choice by the enhancement of the capabilities of individuals. It is difficult to disagree with personal development as the aim of social development. Sen's approach derives from classical liberalism in the best sense of the word, whereas my father's social philosophy was grounded in what he called the reality of society. By this he meant that humans are by nature social animals and, as such, we do not and cannot live outside society. Any notion of individual freedom has thus to be conceived of in terms of our relationship to society. My father was a socialist but he insisted on the importance of maintaining personal freedom and person liberty in society, as is clear from the last chapter of *The Great Transformation*, "Freedom in a Complex Society".

My father was a passionate person. He strongly believed that intellectuals have a social responsibility. In early articles and speeches in Hungary, he took upon himself and his generation, Our Generation as he called it, the moral responsibility of the disaster of 1914 and the ravages of the Great War. For him, freedom was inseparable from responsibility. I believe his critique of market society was grounded in an aversion to the commercialization of daily life and, more generally, the impersonalization of social relations. In his view, any form of socialism would have to ensure the responsibility of people for their communities, their societies, and their democracies. For these reasons he distrusted the idea of a centrally planned economy, with its inherent concentration of political power. In 1920s Vienna he engaged the advocate of liberalism, Ludwig Von Mises, in a debate on the feasibility of a socialist economy in the pages of the most important social science journal in the German-speaking world. He outlined a functionalist associational model of a socialist economy, where the interests of individuals as workers, consumers, and citizens could be reconciled by organized negotiation between constituent representatives. There are evident similarities with the guild socialism of GDH Cole and the Austro-Marxism of Otto Bauer.

At this time, he was earning what he called an honest living as a journalist. I don't have time to tell family anecdotes but his mother, my grandmother, had definite ideas as to the profession of each of her children. My father was to be a lawyer, my uncle Michael was to be a doctor, and the

oldest brother, Adolph, was to follow in the footsteps of the father as an engineer and entrepreneur. However Adolph would have none of it, and at a very early age traveled about as far as anybody could at that time—all the way to Japan. He later moved to Italy, where eventually he fell afoul of Mussolini and emigrated to Sao Paulo, where he lived for many years and died in the city. I thought I should share this with you; a small family connection to Sao Paulo. To resume, my father, who articed in the chambers of his prosperous uncle, decided to become what another family member described as a “drop-out” from the bourgeois world which he was intended to inhabit. I think he was a superb journalist. I have read all of the articles he wrote for the *Der Oesterreichische Volkswirt*, the leading financial economic weekly of German-speaking Europe at the time, modeled on the London-based *Economist*. He was senior editor of international affairs. With the accession of Hitler to office in 1933, the shadow of fascism crept over Austria. The owner and publisher of the journal regretfully decided he could no longer keep a prominent socialist like Polanyi on his editorial board. My father was advised to find a job in England. Within a few years, he found employment as a lecturer for the Workers’ Educational Association, the adult education extension of Oxford University. The subjects he was required to treat were contemporary international relations, with which he was of course familiar, and English social and economic history, which was entirely new to him. The lectures he prepared for evening classes held in the public libraries of provincial towns in Kent and Sussex became the skeleton of the argument of *The Great Transformation*.

Like Marx before him, he found the origins of industrial capitalism in England—specifically in the thirty years from 1815 to 1845, when the legislative and supportive infrastructure for markets in labour and land were instituted. The free market for money was of course older, dating to the abolition of laws prohibiting usury—considered as sinful by Christian doctrine. Together, the markets for labour, land and money had the effect of disembedding the economy from society. The economy assumed a life of its own and society was reconfigured to serve the requirements of the economy. This was a very strange and historically unprecedented state of affairs, which however released enormous energy of economic growth.

My father's intellectual ancestry, I suggest, runs from Karl Marx to Max Weber to Ferdinand Tönnies and to two students of primitive economies (now called economic anthropology): Turnwald of Germany and Malinowski of Vienna. I mention this in connection with basic income because not at any time in human history, recorded or unrecorded, do we find that individuals or individual families were permitted to fall into destitution or suffer starvation, other than when the community as a whole fell on hard times. In primitive societies, failing harvests could bring severe shortage of food, but individual families could never be without the basic necessities of life while the rest of the community was provided for. The idea that fear of hunger and love of gain were the motivating drivers of economic life is historically very recent—as recent as the early 19th century. For these reasons alone, without taking the story any further, I can say that a share in the social product as a citizen right would have won Karl Polanyi's support, both as a means of decommodifying access to economic livelihood and on grounds of moral justice.

I suggest there are three distinct reasons why my father would have supported the basic income principle: one is economic, one is social, and, not least important, one is political. The economic arguments are well known and have many times been repeated. You do not need to be a Keynesian to understand that people in need receiving a basic income will spend it on consumption goods, thus creating market opportunities for producers. Furthermore, the accelerating rate of technological innovation requires ever less labour input to industrial activity, from mining and manufacturing to transportation and commerce. And this is true on a global scale. In these conditions, it is no longer reasonable to consider earnings from wage employment to be the only—or even the principal—entitlement to the social product. In light of the increasingly precarious nature of the labour market, a basic income provides a platform from which people can organize economic activities with some relief from the debilitating stress of making ends meet.

The social argument is one of justice. Where there is a perception of social injustice there will be problems of social cohesion. In these conditions, the state will be ineffective in negotiating conflicting claims on the social product. Such a society lacks the capacity to advance in terms of

economic development. It is now recognized that societies that are more egalitarian and that are less riddled by inequities and injustices, have been more successful in achieving economic growth and development. Speaking as an economist, I believe that mobilization for effective economic development ultimately rests on the degree of social cohesion and the perception of social justice, releasing the energies generated by the hope and belief of the people that their sacrifices and efforts will result in a fair and equitable share of the social product.

The third reason why my father would support a basic income relates to his concern about freedom in a technologically advanced society, as expressed in the last chapter of *The Great Transformation*. In the 1950s, while teaching at Columbia and commuting between New York and Canada, he became increasingly preoccupied with the trend towards uniformity, conformity, and what he called “averagism”, manifested in reluctance to dissent from prevailing opinions. This was the United States in the 1950s, and he suggested that a highly advanced technological society had within it the seeds of totalitarianism. I remind you that he wrote this before the role of the media had become so evident, before the total corporate control of the media had become so powerful, and certainly before what we witnessed in the United States after September 11 2001, when the cost of dissent from official views became prohibitive.

My father believed that the protection of liberty required the institutionalization of non-conformity. He saw this as a virtue of English classical liberalism. But these liberties were available only to the privileged upper classes benefiting from the rentier incomes of the late 19th and early 20th centuries. Incidentally most of this came from Britain’s colonial possessions and extensive overseas investments. This was the era of the Belle Époque in England and France, in Vienna and more generally in Western Europe. It produced great cultural achievements, but it was confined to limited sectors of the population. My father was familiar with classical Greek literature, and particularly admired Aristotle, whom he credited with the discovery of the economy as a distinct sphere of social life. But Greek democracy was dependent on the work of slaves. In bourgeois society, of which my father’s family were beneficiaries, cultural expression was effectively limited to a privileged elite.

Polanyi believed that creativity was a basic human attribute and need, the capacity to exercise creativity must embrace all of its people. In his view a popular culture was the collective wisdom, knowledge, tradition, and common sense of ordinary people. This had nothing to do with pop culture, rather that different societies would create different democracies rooted in the collective pool of their unique popular culture. This is developed in an unpublished essay on “Jean-Jacques Rousseau: Is Freedom Possible?” written some time in the 1950s. This fascinating essay treats the classical issues of liberty and equality in the era of the Enlightenment. He finds in the writings of Rousseau support for his contention that the ultimate foundation of government must rest on the reservoir of wisdom, knowledge, tradition, and common sense of the people that is the popular culture. In a note penned a few days before his death, he wrote: “The heart of the feudal nation was privilege; the heart of the bourgeois nation was property; the heart of the socialist nation is the people, where collective existence is the enjoyment of a community of culture. I myself never lived in such a society.” This is the context in which he would have supported basic income as a citizen right for the political and cultural objectives of non-conformity and dissent. A guaranteed subsistence income could enable musicians, artists, and writers to express the dreams of their society, political activists to challenge prevailing doctrines and ideologies, and people who aspire to advance economically to gather the resources required to do so.

As suggested earlier, I offer a few comments on the relevance of *The Great Transformation* to our times. First of all, the great transformation he spoke of was that from the 19th century liberal order, which collapsed in 1914, to measures taken by nations to protect economic livelihood, whether by national fascisms, Soviet social planning, or the New Deal in the United States. In continental Europe, conflicts between industrialists and parliaments dominated by socialist majorities brought the democratic political process to a virtual standstill. In a paper entitled “Economy and Democracy,” written in 1932, he noted the conflicting interests of the economy, represented by industrial capitalists, and the people, represented in parliamentary majorities. Where the interests of industrialists predominated over socialist majorities in parliaments the result was the suspension of democracy and the introduction of fascism; where the conflict was resolved in favour of political and also economic democracy the result would be socialism.

It is well-known that the two penultimate chapters of *The Great Transformation* were written in haste and left for colleagues to edit from notes. My father was impatient to return to England in 1943, when it was clear that Hitler, Nazism and Germany had been defeated at Stalingrad, the turning point of the war. He wished to engage in discussions of the post-war world. His optimism was reflected in the penultimate chapter, where he wrote that labour, land, and money would no longer be commodities, countries would be free to adopt suitable domestic economic regimes, and the price of necessities and staple foods would be fixed and protected from market forces. In an essay entitled “Universal Capitalism or Regional Economic Planning” (1945) he expressed the opinion that only the United States believed in universal capitalism and that the laissez-faire market capitalism of the 19th century was now history. This is not what happened, although the introduction of the welfare state, an increased role for government in economic and social advancement, and the achievement of full employment represented a significant and successful compromise of the conflicting interests of capital and labour.

The Great Transformation has enjoyed a steady readership since its publication in 1944, but it was not until the end of the 20th century that it emerged as a truly transformative critique of a predatory capitalism which is destroying the natural and social environment that sustains life on earth. The conflict of capitalism and democracy, noted by Polanyi in the Interwar period, has now assumed new and global dimensions. In the past thirty years, capital has succeeded in rolling back the gains of the welfare state in North America, and shifted the burden of taxation from the rich to the rest. The gains of productivity increases have accrued to upper-income earners while impoverishing the lower quintiles in the United States and Canada, where median real wages and salaries have not increased. Since liberating capital from all regulation and control, the concentration of financial wealth cannot be meaningfully be described in numbers anymore, and has actually increased in the fallout of the financial crisis of 2008. Even the most power governments are now hostage to the dictates of financial capital.

My father wrote a remarkable essay called “The Mechanism of the World Economic Crisis” (1933). He maintained that the ultimate source of the breakdown of the world economic order

from 1931-1933 was not the stock exchange mania or the crash of Wall Street in 1929, or even the end of pound sterling gold convertibility in 1931, but the attempt by Britain, France, and the United States to restore the pre-1914 liberal economic order in conditions where empires of Kaisers, Kings, Tsars and Sultans had come crashing down in a political earthquake. The human and social costs of the war were irreconcilable with the punishing reparations demanded from Germany and the structural adjustments required of weaker impoverished countries of continental Europe by the victorious western creditors.

This invites us to view the financial crisis of 2008 somewhat similarly in light of the shifting power relations since the late-1970s. In the western heartlands of capitalism a malaise of stagflation and declining returns on domestic investment triggered a neo-liberal regime change, while East Asian economies initiated high-growth policies of industrialization. The shift of the growing points of the world economy from North and West to South and East, first discernable in the early 1990s, is now an inescapable fact of changing global power relations. While the European Union and the United States are still the largest markets, in purchasing power terms, real production in the Global South is now surpassing that of the Global North. There is an unwinding of the traditional dependence of the rest of the world on export markets in Europe and North America, which has characterized the world economy since the middle of the 19th century.

It is the countries that were more closely integrated into the financial structure and trade relations of the capitalist centres that have been hit the hardest by the recent crisis—principally in the eastern and Mediterranean peripheries of Europe and the southern peripheries of the United States. The crisis is far from resolved: the Eurozone is in question as is the United States' ability to reflate an economy of indebted households and businesses while a fractured political system thwarts government intervention. The financial crisis has demonstrated that it is those countries that have resisted excessive liberalization, maintained control over banks and capital accounts, and channeled their investment into their domestic economies that were best able to withstand the shock of this major financial crisis.

Finally, I must say that I was happy to hear on the first day of this conference from our Brazilian colleagues that economic and social development is back on the agenda. The country's achievement in increasing industrial capacity while reducing poverty by massive expenditure on social and physical infrastructure is impressive. It shows that it is indeed possible to combine strong economic growth with equitable social policy. But the ultimate wealth of a society cannot be counted in money, Adam Smith was quite right about that: the wealth of a nation is the skill and effort of its people. Development is a creative social process and its central nervous system, the matrix which nourishes it, is located in the cultural sphere. Development is ultimately not a matter of money or physical capital, or foreign exchange, but of the capacity of a society to tap the root of popular creativity, to free up and empower people to exercise their intelligence and collective wisdom. Thank you.