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Basic Income and Paternalism

Presented to:
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Universal Basic Income: New Avenues in Social Welfare Policy
University of Tampere
(December 2016)
Abstract:
Basic Income is often presented as a potential radical shift in the usage of paternalism in social policies. The dissatisfying results and high cost of maintenance of current welfare state policies have enhanced the appeal of the Basic Income in many governments. As a Basic Income would entail a newfound governmental trust in citizens on their social and spending behaviour, the more paternalistic aspects of social policies would have to be revised. Therefore, when analyzing the implementation or outcomes of a Basic Income scheme, it is important to conceptualize its effect on the changing nature of paternalism by incorporating in our analyses: concepts, analytical tools and previous empirical evidences of the outcomes of a Basic Income scheme. In our essay, we will provide the reader with a deeper perspective on different conceptions and degrees of paternalism and their subsequent use in the context of a Basic Income. At first, we will discuss the term of paternalism itself and we will provide an analytical tool to categorize the degree towards which a Basic Income could be either paternalistic or un-paternalistic. Secondly, we will describe the differences between in-kind benefits and cash transfers and the way cash transfers promotes trust in individuals and families to make the choices that will be the most beneficial for them. Finally, we will provide empirical evidences of the outcomes of conditional and unconditional cash transfers in Basic Income tests and policies that have been done in developing countries and argue that the freedom provided by an unconditional cash transfers might promote entrepreneurial risks and create the conditions for escaping the poverty cycle.

Introduction:
Current welfare states are widely based on paternalistic social policies. The dissatisfaction towards the results of these policies and their high cost of maintenance due to bureaucratization and monitoring have enhanced the appeal of the Basic Income in many governments. The Basic Income is often presented as
a radical shift in the usage of paternalism in social policies as it would entail a newfound governmental trust in the citizens on their social and spending behavior. However, such a change would be so radically different from the current ideology of paternalism that it most certainly will have to be implemented gradually and analyzed on its effectiveness before being labelled as a superior way towards the betterment of social conditions. Therefore, the ideological debates and empirical evidences on the outcomes of Basic Income will be a part of future testing and implementation of the Basic Income. It is thus important to comprehend where specific Basic Income proposals situates themselves in this tableau.

This shift from a utopic idea of the Universal Basic Income to its plethora of possible developments necessitate that we find ways to distinguish and singularize each of them. In our essay, we will provide the reader with a deeper perspective on different conceptions and degrees of paternalism and their subsequent usage in the context of a Basic Income. At first, we will discuss the term of paternalism itself and we will provide an analytical tool to categorize the degree towards which a Basic Income could be either paternalistic or un-paternalistic. Secondly, we will describe the differences between in-kind benefits and cash transfers and the way cash transfers promotes trust in individuals and families to make the choices that will be the most beneficial for them. Finally, we will provide empirical evidences on experiences of conditional and unconditional cash transfers in Basic Income tests that have been done in developing countries and argue that the freedom provided by an unconditional cash transfers might promote entrepreneurial risks and create the conditions for escaping the poverty cycle.

**Definition of Paternalism:**

Paternalism in the field of social policy can be defined as a government’s aim to override certain individual preferences, by restricting a person’s freedom to choose for himself, to prevent self-harm. Even though this constriction of freedom of choice seems to clash with the conception that liberals have of freedom as an intrinsic value, paternalistic social policies have been a common characteristic of the western world welfare states. Western governments have often found socially beneficial to enforce or abolish behaviors that are deemed socially and individually productive or counterproductive. As examples of paternalism, motorcyclists are obliged to wear helmets while riding or smokers are obliged to pay taxes to buy this product that affect their health (Thomas 2010: 1). This regulation of behaviors
affects society as a whole, since motorcyclists or smokers will be less harmed and the cost to the health care system would be lessened. Thus, it is crucial to analyze the role and degree of paternalism in any Basic Income scheme as it will necessarily influence the behavior of individuals and the outcomes of their choices. To complete this task, it is important to use analytical tools that will specify the degree of paternalistic policies as to bring to light the intentions behind them.

To this aim, we will use Tony Fitzpatrick conception of paternalism as an analytic dichotomy between hard/soft and strong/weak paternalism. In short, soft and hard paternalism are contrasted by their view of people as naturally rational or irrational. Soft paternalism presents information to the agents in helping him to make its own mind. In contrast, hard paternalism does not automatically trust the rationality of the person. It seeks for objective reasons for a persons to act against its own good. Secondly, weak and strong paternalism are concerned with the way social policy resources are used to achieve one person’s aim. Weak paternalism is only concerned with means to achieve the ends. It will mostly presents facts, but will not act on if the persons knowingly decides to take actions that contradicts the presented facts. In contrast, strong paternalism is also concerned with the ends and will prevent a person’s action if the ends is deemed irrational. These concepts usually works in pairs and policies are often soft and weak or hard and strong on varying degrees (Fitzpatrick 2011: 88). To implement a Universal Basic Income, Fitzpatrick argues that softer and weaker forms of paternalism facilitate the process. His understanding lies behind the notion that Basic Income detach income from wage labor and thus diminish the conditionality of social benefits from work requirements. The whole ideology behind basic income is to provide some freedom to the recipients in their choices, be it monetary or employment related. If conditionality would be omnipresent in the implementation of a Basic Income, the scheme would be closer to the current workfare policies and would not act sufficiently in reducing the poverty trap, which is one of the main aim of the Basic Income.

Further school of paternalism includes social paternalism, libertarian paternalism and moral paternalism. Social paternalism, which seeks to balance the responsibility of the state towards the community with their responsibility to enable individuals preferences by improving the quality and quantity of options offered to people, so that they can find their own versions of what’s good for them. In the form of a Basic Income, this could mean that people could to invest, and risk to stake blow, only part of their
income based on a “rational amount” that does not endanger their life or on specified purposes as education or business investments (Fitzpatrick 2011: 95). Then, libertarian paternalism is about providing the best options at least costs, which means influencing people with the use of “nudges” towards certain choices while not forcing them to do so. This can be exemplified with an opt-out policy in organ donation, which means that people are registered automatically as organ donors, but can still opt-out of it (Thaler 2009). This form of paternalism is both “too directly paternalistic and too libertarian” (Fitzpatrick 2011: 91). It gives people information and directives on their own responsibility on their spending while not providing a sufficient safety net in case of stakeblowing. Finally, the moral paternalism is about conditionality, respecting norms and social conduct. Its aim is to shape more forcefully the behavior of individuals. An unconditional basic income would be possible in the first two options, while the moral paternalism would see it as irresponsible. The Basic Income budget would be very low since public funds would still be needed in monitoring people social and spending behaviors, which would constrain the amount of money available (Fitzpatrick 2011: 91).
The Matter of Cash vs In-Kind and Basic Income:

Social welfare can be given as in-kind benefit or as cash transfer. Both are used globally as means to give social assistance to the needy. In-kind benefits are usually given in form of food aid, vouchers or food stamps. These benefits differ from cash transfers in sense that the individual doesn’t receive any money but commodities and food to alleviate poverty. The individual does not have means to decide what kinds of commodities would be needed—the state makes the decision on behalf of the individual. This also contributes to the stigma that is associated with these kinds of anti-poverty programs. By being in need of assistance the individual is seen incapable to decide how to alleviate his own situation with poverty. Paternalistic subsidies are based on a presumption of knowing what people want and need, and

(Fitzpatrick 2011: 92) * Note that there is an error in the graph and conditional/unconditional should be inversed
they are limited to a narrow range of goods (Standing 2015: 25). This obstructs the perception of poor people as an independent actor—instead the state makes the decision about necessities. With only giving goods and not the supposed monetary value of goods, the individual is deprived of the freedom to make choices about necessary commodities that he/she needs to alleviate scarcity. Delivery of subsidized goods such as food aid also increases administrative costs as Standing (2015) points out.

Evelyn Forget (2013, 3) divides cash transfers into two kinds: conditional cash transfers, in which recipients receive cash only if their behaviour meets certain stated requirements, and unconditional cash transfers in which the payout, in the spirit of basic income, does not depend on individual behaviour. Experiments with cash transfers and basic income have demonstrated that people who receive those transfers tend to behave in ways that improve their well-being. (Forget 2013: 3) Opposed to in-kind benefits, cash gives some independence to the receiver: as to decide how the individual needs are met. Still there is a big difference in emancipatory effects—it matters if the transfer is conditional. Conditional cash transfers have become increasingly popular strategy in poverty reducing programs. In these programs, money is provided to households that meet certain specific conditions. By using incentives, the people are directed to act in certain ways that are desirable (Forget 2013: 3). It is the policy makers and programme planners who decide on which kind of behaviour the individuals are supposed to perform. A lot of it has to do with the general conception of poverty. Poverty is associated with behaviours that are harmful to individuals and families. With incentivizing desired behaviour we are amplifying the conception of poor people as irresponsible and not able to decide what is in their best interest. As Forget (2013, 4) states, the solution lies less in creating incentives that reward behaviour consistent with desired development goals than in making resources available to individual households so that they can make decisions consistent with their own priorities. This approach is based on a trust that individuals and families (acknowledging the different interests that sometimes exist within the family) know better than the programme designer what kind of behaviour is in their best interest.

As an experiment in the Zomba region of Malawi demonstrated, conditional cash transfers seem to elicit desired behaviour that is the condition but is less effective to elicit other desired outcomes (Forget 2013: 4). This is a major downside in conditional cash transfers. People may work towards the incentive but doing so, closing out many other ways to improve their well-being. So should we just trust people that
they make best decisions for their well-being? A programme in Kenya demonstrated that people didn’t use their money irresponsibly even if they received unconditional cash benefits. Families were not incentivized to drink less or use more money into health care, but they still chose to do so (Forget 2013: 4). Unconditional cash transfers give families the freedom to use their money as they will and also the freedom to decide what are the ways to improve their situation. As Forget brings up, from a policy perspective, costs of unconditional cash transfer schemes such as basic income will exceed income support schemes with behavioural conditions attached (Forget 2013: 8). At the end, it all comes down to the matter of trust of individuals and families rationality. If you trust families more than you trust programme designers to choose desirable outcomes, then cash with no strings attached is to be preferred (Forget 2013: 8).

Still it is good to bear in mind that results with unconditional cash transfers from Kenya or Malawi can’t be directly generalized into modern welfare states such as Finland. The implication of basic income and the effects that follow greatly depend on geographical, structural and institutional context. But people who experience poverty also experience risks and unexpected events in their life despite their geographical location. Also globalization, technological advancement and the redistribution of jobs causes more and more risks and uncertainty about the future in Western countries. Especially people with low-wage jobs have to deal with more insecurity in their lives and also cope with unexpected life events with fewer resources.

Behaviours of recipients in a conditional or unconditional basic income:

Social benefits are usually conditional. Conditionality means that the beneficiary needs to behave in a certain pre-specified way in order to get the benefit. Behind conditionalism lies the premise that policy makers know what is best for people and that it is necessary to persuade people to behave responsibly (Standing 2011: 27). Paternalism believes that there must be incentives and penalties to steer people to behave rationally. Universalism instead means that the entire population is entitled to a benefit regardless of one’s behaviour. Barrientos (2011) though questions whether universal basic income could be universal, because all social assistance programmes require registration.
People who sense a scarcity of money are prone to suffer from a “scarcity mindset” (Mani, Mullainathan, Shafir, & Zhao, 2013; Mullainathan & Shafir, 2013). This shapes behaviour and attitudes in welfare-reducing ways. Insecurity shortens people’s planning horizons and narrows perspectives, lowers a person’s IQ, constrains cognitive resources and produces chronic anxiety (Standing 2015, 197). Thus people who are poor are less likely to take initiatives or entrepreneurial risks. UBI is thought to be a solution to this insecurity that conditional social security systems produce.

Bolsa Família is a popular conditional cash transfer scheme in Brazil backed by the World Bank in 2003-2013 where over 50 million people received regular transfers. Bolsa Família reduced poverty, had positive effect on child nutrition, school attendance and performance, on women’s economic situation and on macroeconomic recovery from the financial crisis (Standing 2011: 29). There was also 40% decrease in infant mortality in ten years and reduction in inequality and in gender inequality (Rainer 2015). There have been different findings regarding the effects of unconditional benefits on behaviour. According to Baird et al (2009) unconditional cash transfer in Malawi did not make any difference to behaviour, but according to Rainer (2015) school attendance was higher among the children whose mothers got the conditional benefit than those whose mothers got the unconditional benefit. According to Larsen et al (2015) basic income generally made people act rationally in Madhya Pradesh, India. Researchers don’t explain what ‘generally’ means and they don’t give any examples of negative behaviours.

There has also been an experiment in Namibia in 2008-2009 on unconditional universal cash transfer, where equal amount of money was given to man, women and children. During this experiment school attendance increased and villagers set up an advisory committee on how to use cash transfers wisely. Standing also argued that the experiment engendered a spirit of social solidarity when all paid for public services such as school enrolment, which made it possible for these services to exist (Standing 2011: 35-36).

The most significant experiment on unconditional income was in India, Madhya Pradesh. The results were positive: households paid off debts and weren’t in need to take more credit, economic freedom was enhanced when people weren’t forced to work for their moneylenders or forced to take out loans for everyday living. People were more likely to take out loans for investments such as livestock, seeds and
fertilizers. Basic income thus acted as an insurance for the entrepreneurial risk and a shift from wage labour to own-account work was detected during the trial. Those who had received unconditional income were also more likely to have savings. Women’s labour participation rose 16% during the pilots and gender equality increased (Larsen et al 2015).

One of the most central UBI critiques is that it induces laziness and dependency. It was deduced from Madhya Pradesh experiments that people acted rationally in terms of economic behaviour and own utility maximization. For example, the use of tobacco or alcohol did not increase among those who received unconditional basic income and people also had more nutritious and balanced diets during the trial. Up to 26% of the families with children working, reported that children stopped working or started working at own-account farm work (Larsen et al 2015: 42).

It is important to reflect the importance of the context the studies were applied in. The context of Madhya Pradesh is very different from for example Finnish society. The Indian system is based on targeting (identifying those in need of treatment) and selectivity (identifying those ‘deserving’ of the treatment) and according to Standing (2011) has failed due to these mechanisms. India might be an extreme example of the failure of selectivity and targeting. Also, the living standards in India, Brazil and in Namibia to start with are lower and thus the improvements that can be engendered through cash transfers are significant. The psychological effects can be universal but the ones such as improved sanitation and access to drinking water remain as contextual benefits. UBI though can serve as emancipatory and empowering by providing economic freedom and independence.

What is the difference between unconditional and conditional cash transfers? The described positive effects are more extensive and there are more positive effects with the unconditional trial, but the effects on reducing poverty and inequality regarding unconditional and conditional transfers were equal.

**Conclusion:**

Currently, those western governments who want to test the Basic Income, such as Finland and Canada, are planning on doing their tests with a low-level of Basic Income. This means that these governments may wish to implement a moderate or partial basic income in the future. This would bring to the
forefront the discussion about the role and degree of paternalism of such a Basic Income scheme. As we have seen in our essay, experiments on unconditional cash transfers have proven to be successful in demonstrating that people can spend their money in a rational way as to gain benefit from their investment. However, the experiments that have taken place were in poor countries and the comparison with western countries can induce false conclusion.

Depending on the amount of benefits given to the recipients, people could either obtain more freedom to take entrepreneurial risks and benefit from it or simply not receive enough money and still be trapped in this “scarcity mindset”. The results from experiments on both conditional and unconditional basic income seems to point in the direction that both of them would alleviate people from poverty. However, the benefit level of those experiments were rather high in comparison with the proposed amount in Finland, when we compare the cost of living. Western world countries also have a lot more in-kind benefit infrastructure and would most probably act more gradually if they were to implement a basic income. So, western countries seems to be moving forward a mix of welfare in-kind benefits and a low-level basic income, would this combination provide the same benefit as those that were found in developing countries? The question here is which of the “scarcity mindset” or the rationality proven from those experiments would prevail in a western world country if paternalism still played an important role in limiting that freedom to make monetary choices?

The jury is still out on this topic, as there has not been a wider scale experiment on that question. It will be important to remember the role of paternalism in the results that will be produce by the basic income tests in western world countries.
References: