

# The "emancipation of Switzerland" or an "attack on the welfare state"? The debate over a basic income

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## The “emancipation of Switzerland” or an “attack on the welfare state”? The debate over a basic income

The popular initiative for an unconditional basic income (UBI) calls for everyone to receive a sum of 2,500 Swiss francs a month from the cradle to the grave with no conditions attached. This issue has thrown the traditional political fronts into confusion.

By Jürg Müller



“Would you work if your income was provided anyway?” There is no easy answer.

A celebration is to be held in Berne on 4 October 2013 – its organisers are inviting people to witness an “historic event”. They then plan to submit the 100,000-plus signatures supporting their popular initiative for an unconditional basic income to the Federal Chancellery. This issue is not just topical in Switzerland as signatures are also currently being collected in the EU for an EU citizens’ initiative (not comparable with popular initiatives in Switzerland). This is entitled: “Unconditional Basic Income (UBI) – Exploring a pathway towards emancipatory welfare conditions in the EU.”

It is a highly unusual situation that signatures are being collected for the same issue in both Switzerland and the EU. It remains to be seen whether this will really turn out to be an historic moment. Switzerland would in any event become the first country to introduce this finance transfer model. However, the concept is nothing new.

### Controversy over financing

The basic income concept is straightforward. Every person would receive a fixed

basic sum of money irrespective of whether they are in employment or not and regardless of their financial situation. This would be without a service in return and it would not be subject to means testing. The different models provide for different solutions in relation to the financing and with regard to special social situations. However, the basic income should guarantee a minimum subsistence level. The organisers of the Swiss initiative have specified an amount of 2,500 Swiss francs a month for every adult, while children and young people up to the age of 18 would receive a quarter of the basic income, 625 Swiss francs.

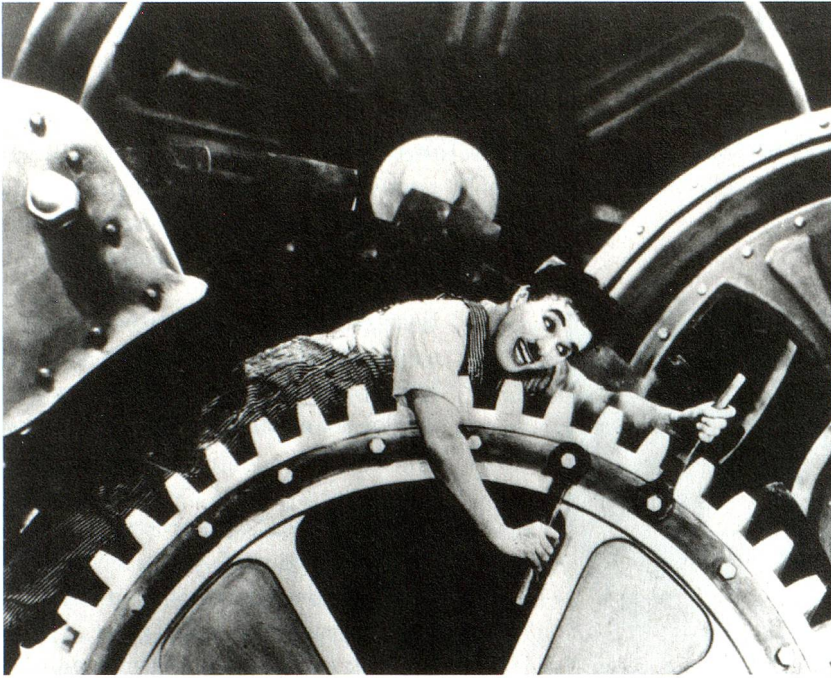
The text of the initiative does not say anything about how it would be financed. However, accompanying documentation does include some reflection on this. Firstly, salaries would be reduced by the basic income amount. Someone earning 6,000 Swiss francs a month would receive just 3,500 from their employer and 2,500 would go into the basic income fund. The basic income would also replace some welfare benefits. How the remainder is to be

financed remains a contentious issue, even among the advocates of the UBI. Would it mean a massive hike in VAT? Or the introduction of a wealth or financial transaction tax?

### “Broad coalition” of supporters

If the basic principle were ever to be enshrined in the federal constitution, its actual implementation would prove a Herculean task and indeed an almost impossible undertaking. This issue nevertheless has the potential to throw the traditional political fronts into confusion, and it is this that makes the debate on the UBI an exciting political project. Supporters can be found on the left, in the centre and on the right of the political spectrum. But the most vehement opponents also come from different camps. The dividing line does not simply run between political blocks but right through parties and factions. It is not a party or a lobby group that is behind the popular initiative but rather a loose confederation of like-minded people from different camps and with a diverse range of interests. The most high-profile advocate on the initiative committee is Oswald Sigg, a member of the Swiss Social Democratic Party (SP) and former Vice-Chancellor and Federal Council speaker. The list of proponents also includes one or two economists from the University of St. Gallen and the Federal Institute of Technology.

This “broad coalition of basic income supporters” consists of neo-liberals, progressive thinkers and people on the left of the political spectrum, writes Heiner Flassbeck, who until the end of last year was a Director at UNCTAD (United Nations Conference on Trade and Development), in his book “Irrweg Grundeinkommen” (Basic Income – the Wrong Approach). He says all those supporting the initiative share the hope of resolving the problems with simple mechanisms. Elements on the right of politics are seeking to permanently put an end to the funda-



What is the value of work?

mental debate on distribution issues through a basic income that would obviously be as low as possible. Those on the left are hoping “to successfully combat poverty and, at the same time, provide an effective solution to the ecology issue and the question as to the ‘real value’ of life”. As far as Flassbeck is concerned, these are all delusions.

Those behind the popular initiative consider the UBI to be nothing less than the “emancipation of Switzerland”. This is also the title of the pamphlet on the initiative. This focuses heavily on liberation from constraints and the release of creativity. It explains that while all people want to work they also seek a sense of purpose and fulfilment in this. Few would in any case be satisfied with a subsistence level of income. However, this raises the question of who would still do all the poorly paid, hard jobs that nobody wants. Ulrich Beck, one of the most well-known German sociologists, provided the German “Tagesspiegel” newspaper with a disarming answer: “These jobs would become very expensive because they have to be done and because it would no longer be possible to fob people off with a pittance.”

#### Fundamental social issues

Oswald Sigg believes the proposal deals with fundamental issues. The UBI initiative raises “in the first place questions about work, income, wealth, poverty, an

egoistic or fair society and a caring or capitalist society”. He also points out that 50% of hours worked are unpaid – housework, work on behalf of the family, social work, and political and cultural work. This trend is increasing because advancements in productivity are resulting in job cuts. At the same time “our highly developed welfare system has a remarkable number of hidden cases”. “Many people living in poverty go without state welfare support.” Around 60% of those who are in need and are entitled to welfare benefits do not even contact the social security authorities, Sigg argues. The reason for this, he says, is that every applicant is subjected “to general suspicion fuelled by politicians. They are distrusted”. Sigg firmly believes that the system of social harmonisation does not work. This alone underlines how necessary the UBI is.

#### Streamlining the state

The neo-liberal proponents of the basic income are pursuing a different approach. Their priority is not social considerations but instead the streamlining of the state. Thomas Straubhaar, a neo-liberal Swiss anti-statist and Director of the Hamburg Institute of International Economics, wants the UBI to replace existing social insurance systems and to help merge government transfer payments. The former UBS chief economist Klaus W. Wellershoff takes the same line. In an interview, he de-

scribes the current social insurance system as “ridiculously complicated and unsustainable” and even labels it “undemocratic” in its complexity. He considers that “transparency is the key factor with regard to basic income”.

#### The left and business community less enthusiastic

The UBI would raise a question mark over paid work as the model for business and society. That represents an affront to the traditional left as well as the business community. The economist Rudolf H. Strahm, a former SP National Councillor and price supervisor, sees the UBI as a “fundamental, targeted attack on the welfare state”. This is because a uniform monthly payment of 2,500 Swiss francs could never replace the tailored social insurance schemes for poverty, disability and hardship, etc. The personal responsibility of young people for their own existence and future would also be undermined. A permanent state subsidy would “stifle motivation and dynamism” and provide a “social incentive for people to adopt a “can’t be bothered” attitude causing them to miss out on opportunities in life”.

The former SP National Councillor and trade unionist André Daguét also warns against the UBI initiative. The conservative-dominated Parliament would attempt to achieve welfare cuts through the actual structuring of the basic income by introducing the lowest possible basic income and abolishing the remaining social insurance schemes. This would result in the weak in society “being definitively marginalised and the lowest wages being forced down”, writes Daguét in the SP party publication “links”.

The business federation Economiesuisse has also analysed the initiative and published a comprehensive study of it in October 2012. Its verdict is damning: the UBI is an “expensive utopia that jeopardises prosperity” and which is “likely to have a major impact on Switzerland’s economic performance and competitiveness”. Economiesuisse also draws the conclusion that the savings in the welfare system, provided no benefit cuts are made, could be significantly less than one might expect at first glance. This is because numerous transfer payments far exceed the planned basic income.