

Published as “[Riflessioni sul Referendum svizzero sul reddito di base](#)”, *Quaderni per il Reddito (QR4)*, *Diritti sociali e reddito garantito pilastri per un'Europa 2.0*, July 2016, pp.110-114.

Reflections on the Swiss Referendum on Basic Income

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On June 5, 2016 a referendum was held in Switzerland on whether an amendment should be made to the Swiss Constitution committing future governments to moving towards a basic income for every citizen. The text for the referendum did not state what amount should be provided. That was the correct approach. It was understood that the amount should be decided democratically and separately, as with the way it should be achieved.

The tragedy was that a few promoters of the idea said it should be set at 2,500 SF a month for each adult, with a more modest amount for each child. That may have been an *aspiration* but should not have been what the referendum was about. It was quite unrealistic in the short-term. Swiss voters should have been asked solely to consider the principle of guaranteeing all resident citizens with basic security, as a badge of being Swiss.

It was no surprise, in the circumstances, in which all the main political parties and the government were hostile, that the referendum was lost. Just over 23% of the electorate voted for the basic income. Most seemed to think it was about whether or not everybody should receive 2,500 SF per month. All the German-speaking rural cantons voted heavily against the idea. Despite the misleading impression given by anti-BI adverts and spokespeople, it was remarkable that in Geneva over 35% voted in favour, and in central Zurich 54% did so.

In the week following the referendum, an opinion poll found that nearly two-thirds of Swiss adults thought the referendum was the ‘start of a conversation’ about introducing a basic income in Switzerland. Two other points of longer-term significance are, first, that without doubt the whole population were much better informed about what it would mean and what implications had to be considered than at the outset of the campaign, and second, that people across the world had been engaged, with media stories in all continents. Thousands more people joined BIEN and national networks, led by Basic Income Canada, which during the campaign gained over 7,500 members.

In the aftermath, it may be worthwhile emphasising why a basic income is desirable, whether it be in Switzerland, Italy or anywhere else.

There are five justifications for a basic income. Not all apply in Switzerland now, but may do so in the future. As such, it would be sensible to prepare by establishing the principle of basic income security. Bear in mind that we are talking about a base, an anchor, from which everybody could work to improve their standard of living. When asked in an opinion poll whether a basic income would lead to doing less work, or stopping economic activity, 98% of

Swiss said it would not lead to them doing less. That is credible, since the human condition is to want to improve the standard of living of ourselves, our children and our community.

The debate leading up to the referendum has advanced understanding of a basic income. It would mean that everybody should receive a modest amount at regular intervals, presumably monthly, paid individually, without behavioural conditions other than to obey the law, and being a usual resident of Switzerland. It would be paid regardless of work status, marital status, gender or age, although a smaller amount would be paid to children.

It would be paid to everybody, although it could be ‘clawed back’ from the wealthy through a slightly higher tax rate. Supplements could be paid to those with special needs, like disability, based on extra costs of living. And it would be a floor of a multi-tier social protection system, allowing for social as well as private insurance schemes that one might wish to take out.

What are the justifications for moving towards a basic income? The first argument, which this author has always found the most compelling, is that a basic income for everybody in society is a matter of *social justice*. Before considering the following, ask yourself whether you accept individual inheritance. This is allowed, and in effect gives some people ‘something for nothing’, in that those lucky enough to inherit property or other wealth have done no work to obtain it.

So, if you accept personal inheritance, consider the following proposition. The wealth and income of all of us as individuals are much more to do with the efforts and achievement of our ancestors than with anything we do ourselves. Even Bill Gates made only a pebble of a contribution to a Gibraltar of technological wizardry done by numerous people before him.

As we do not know whose ancestors contributed to our collective wealth, it would be fair if we all received a *social dividend* on that wealth, in the form of a small basic income, which could be built up over time through the establishment of a wealth fund in which part of the proceeds of natural resources and high technology were deposited by way of taxation. The social dividend argument can be traced back to various thinkers, including Thomas Paine. However, it has greater authenticity and urgency today, given the growing inequalities of wealth that are linked to what French economist Thomas Piketty has called “patrimonial capitalism”, i.e., that inequality is due more and more to private inheritance.

The matter is made worse because global capitalism has seen a sharp increase in economic returns to asset holdings, including intellectual property. This reflects changes in regulations, not increases in personal brilliance or hard work.² A social dividend would help to correct for an injustice.

A second argument for a basic income stems from the emergence of the global *precarariat*. This group is defined elsewhere. The essential points are that global capitalism requires all countries to create flexible labour markets, and because of that millions of people are being expected to accept lives of unstable labour, involving a lot of work for which they are not remunerated, and are finding that they have to rely on low money wages that are not rising and that are

increasingly volatile and unpredictable. This puts a lot of people constantly on the edge of unsustainable debt.

In effect, the old income distribution system has broken down. It is not the fault of those pushed into the precariat. The economic system is pushing more people into it. So, having a basic income would at least provide ordinary citizens with basic security. Those in the precariat, as well as those fearing falling into it and those who have fallen into the under-class, would at least know they would have the means to survive in extremis.

This leads to two other rationales for a basic income. Despite the world being wealthier than at any time in history, and despite that being true in Switzerland, we are confronted by an epidemic of insecurity and stress that is threatening people's mental and physical health, inducing rising morbidity and even falling life expectancy in some surprising places. A basic income would help reduce the stress modern societies are generating.

The second derivative rationale is political. Economic insecurity and inequality are generating a situation in which neo-fascist populists are appealing to primordial fear, particularly playing to the atavistic part of the precariat.³ Almost everywhere, far right politicians are gaining ground and alarming the political mainstream. There is growing realisation that something must be done to reverse the trend. Donald Trump is a warning, as are right-wing leaders in Hungary, Poland and Austria. Unless a new income distribution system is constructed in which basic income is an element, the trend to authoritarian populism will grow.

A fifth justification is that a basic income would revive *republican freedom*, the view that freedom means being able to avoid domination by authority figures. For example, a woman is not free if she has to ask a husband for permission to do something, even if in practice the man gives such permission. She is only free if she has the resources and right to say 'no' to direction without fear of retribution. Freedom also means having control over one's time, being in a position to allocate time to self-chosen forms of work and labour. A basic income would allow everybody to choose more easily between forms of work that are not just boring or onerous jobs.

A sixth rationale consists of *instrumental economic reasons*. A universal basic income would boost aggregate demand for goods and services and thus stimulate economic growth in a sustainable way. It would do so better than by conventional monetary policy, which operates by lowering interest rates in financial markets, because with a basic income there would be fewer leakages. In other words, giving the ordinary citizens money would enable them to spend on local goods and services that would boost local communities, rather than lead to luxury imports and speculative investment in foreign financial markets. It would not be inflationary since it would increase the supply of local goods and services.

Another economic reason is that a basic income would increase the incentive to take low-wage jobs, contrary to what prejudiced critics claim. This is because at present, in Switzerland and everywhere else, social assistance is based on what is called *means testing*. In other words, someone can only obtain state benefits if they prove they are poor. If they cease to be poor, they lose benefits. This means that if they increase their income slightly by taking a low wage

job, they would lose their benefits. This means they face what is called a *poverty trap*, meaning they would face a marginal tax rate of 80% or more. Would any sensible person take a low-wage job in such circumstances, especially as they could be expected to have extra costs, from commuting and so on. A basic income would overcome the poverty trap and actually increase the incentive to labour.

In sum, a basic income would have a series of positive effects. The objections of affordability, something-for-nothing, labour supply and inflation can be met with ease. On June 5, the Swiss have a great chance to set a wonderful example through its unique system of direct democracy to assert a principle of justice by voting ‘yes’ in the referendum.

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² G. Standing, *The Corruption of Capitalism: Why Rentiers Thrive and Work Does Not Pay*. London: Biteback, 2016.

³ G. Standing, *A Precariat Charter: From Denizens to Citizens*. London and New York: Bloomsbury, 2015.