

The Ecological Eurodividend – a Step towards Basic Income in Europe

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In the public debate of the last three decades a basic income has mainly been justified as a means to fight poverty, as an anti-bureaucracy measure for a liberal welfare state, as an incentive for economic creativity, as a enabling and empowering environment for political participation, an instrument to free labour, and as an answer to digitalization. Only in the last few years new arguments stressing the relationship between basic income and the large socio-ecological transition we are facing were brought forward. Similarly, the discussion about financing a basic income only recently started to revolve around ecological aspects. Many models rely on a value added tax, income tax, capital or inheritance tax, but it is not often heard that a basic income should be financed by eco taxes..

In this article I will argue that a basic income - if financed to a large degree by eco taxes - is a very important tool for successfully performing the socio-ecological transition. I will conclude by outlining two initial steps in this direction: The Ecological Eurodividend and the European Transition Income.

Some ecologists and degrowth proponents are afraid of an anti-ecological effect of basic income: With the enlarged mass purchasing power, especially of the less wealthy, additional environmentally damaging things could be bought and produced and, of course, this is a plausible scenario. The overall effect of a basic income on the perceptions of what constitutes a “Good Life” cannot be predicted. If, however, with the introduction of a basic income we would strongly increase eco-taxes (and would thus create revenues from activities polluting the environment) we would avoid such harmful effects and support the ecological transition. I suggest to call a basic income financed in this ecological way an “Ecological Basic Income”^{1 2}.

But isn't financing a basic income through an increase of eco-taxes unjust for the poor? Those with low income, don't they suffer most under higher costs for energy, transport and other basic living expenditures? The exact opposite is the case: those with higher income consume more resources.³ This is why someone with a high

¹ First published in: Ecological Basic Income: An Entry is Possible. A Contribution to the BIEN Congress Munich 2012 http://www.bien2012.de/sites/default/files/paper_212_en.pdf

² More detailed in: Schachtschneider, U. 2014: Freiheit, Gleichheit, Gelassenheit. Mit dem ökologischen Grundeinkommen aus der Wachstumsfalle. München.

³ Compare e.g.: Ivanova et al. 2017: Mapping the carbon footprint of EU regions, Environmental Research Letters 12 [https://iopscience.iop.org/article/10.1088/1748-9326/aa6da9, (13.09.2020)]

income - on average - pays higher taxes, while he or she receives the same basic income as anybody else and is a “net-contributor”. Those with lower income and those with many children are the beneficiaries as they - on average - pay lower (eco) taxes and obtain basic income for each child separately. It is the same as with other types of taxes on income, heritage, wealth, or capital paid back as basic income: The wealthiest third or fourth will be the net-contributors. Basic income would not be financed by the middle class as some critics say.

The redistribution of all revenues obtained through an eco-tax paid (in other words an “Ecological Basic Income”) may lead us out of the dilemma of economic instruments used for environmental policies without social compensation: if the CO₂ price is too small, it will not impact the consumer choices; if its too high, the sharp rise in basic goods and services become socially unacceptable. The yellow vest movement as a reaction towards the increase of CO₂ taxes in France demonstrated this relationship very dramatically. In the case of the Ecological Basic Income the opposite holds true: the higher the eco-tax rate, the larger the redistribution impact also reaching those with a low- or middle income.

But some critics might argue that if an increased eco-tax effectively reduces usage of natural resources, it will undermine the funds available for Basic Income? That is true, but for this “problem”, there is a simple solution. If the desired behavioral change is achieved (overall consumption of natural resources decreases), the overall amount of revenue provided by eco-taxes could be stabilized by adjusting the tax rate accordingly. And this is exactly what environmental scientists propose⁴: increase eco-taxes step by step, so that there is a constant incentive for technological and cultural progress directed to further decrease of resource usage. It is important for both industry and individuals to know how prices of resources develop in the long term, so that they can develop alternatives. In the far future we might reach a balance with an acceptable degree of resource extraction, which - at the same time - continuously generates enough funding for basic income.

As a more socially just alternative to economic instruments of environmental policy, the left often demands stronger regulatory policy going beyond setting limits for production processes and individual products. Namely, politics should simply ban environmentally harmful, unnecessary consumption. First and foremost, products attributable to advanced degrees of luxury, such as SUVs, strawberries in winter, short trips to the Caribbean etc., are the first targets. But in general, all ecologically questionable consumption, from “unnecessary” car journeys to coloured toilet paper,

Ivanova, D. / Wood, R. 2020: The unequal distribution of household carbon foot-prints in Europe and its link to sustainability. In: Global sustainability 3, e18, 1-12

⁴ Compare e.g.: Edenhofer et al 2019: Optionen für eine CO₂-Preisreform MCC-PIK-Expertise für den Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, 70-75. (German only)

should be banned for everyone. This might be fair in terms of distribution, because it would affect everyone equally, and it might also be ecologically appropriate, but it restricts individual freedom too strongly. Politics cannot prescribe which vehicles may be used on which occasions, which furniture may be placed in which flats with how many children, which food one may eat in what quantity, etc. All this - and much more - would have to be defined pursuing an extreme path of regulatory policy to reduce society's carbon footprint. The question is from which perspective can a specific lifestyle be prohibited, allowed or even supported? Through which societal decision process should such an endeavor be realized while respecting democratic values?

An Ecological Basic Income preserves the acceptance of a wide variety of lifestyles that can be lived within the framework of ecological-monetary restrictions as described above. Certain types of goods and services become more expensive and thus less attractive, but they can still be carried out individually or in moderation. The redistributive effect of the basic income ensures that this individual freedom is not limited to the wealthy but, on the contrary, serves all parts of society.

An Ecological Basic Income could thus lead out of the impasse of both economic and regulatory environmental policy through its redistributive and libertarian nature.

Social backbone for the socio-ecological transition

But beyond the way of financing a basic income generally would make the socio-ecological transition more socially acceptable, because it gives the individual more opportunities to realize their ideas of a good life and good labour.

Firstly, a basic income reduces the coercion to undertake ecologically problematic economic activities, because it gives everybody more financial security. How many products known for a long time to be ecologically or socially damaging or socially disputable are accepted, if not stipulated? For people to embrace an ecological transition of the economy including a fundamental change of workplace and careers, they need a mindset of "change without fear". While mostly Green New Deal conceptions try to address such fears with the prospect of new (green) jobs, the concept of basic income consists of a guarantee of social security—a social security independent of economic growth!

Secondly, a basic income could also transform even deeper structures of contemporary growth economics and society, especially with regard to a productivist mode of production (i.e. the idea and practice that more is better, can also be referred to as "green productivism") and consumerism. Consumption aimed at compensating for hard, undesirable, often alienated work might decline. The satisfaction at work might rise, because people will rather take part in activities and working relationships which give them a sense of purpose and usefulness. Compensatory consumption may in effect be reduced.

Thirdly, basic income makes society more equal. Equality both as an economic reality and as a social feeling is not only important for the acceptance of environmental policies. More equality will also reduce status consumption (i.e. those parts of consumption made only in order to claim a certain social status). The more evenly wealth is distributed in society, the smaller the need might be to show your neighbours what you can afford.

In sum we can say that an Ecological Basic Income promises to provide a friendly environment for both technical (efficiency, closed production circles) and non-technical (sufficiency, cultural change) ways to fight the ecological crisis. As a core of a redistributive, libertarian, and anti-productivist Green New Deal (that deserves this name) it might result in a qualitatively improved welfare state but also an increase in environmental action by the state. The structural problems of labour as well as the structural problems of depletion of natural resources would be answered by a reform concept which follows the “basic idea of equal liberties” (Claus Offe).

The Ecological Eurodividend

In 2013 Philipp van Parijs proposed a Eurodividend (van Parijs, 2013)⁵ in which € 200 would be paid out by the EU to every EU citizen on a monthly basis. Each EU member state would further be free to expand the program to a full basic income. The proposal of the Eurodividend is based on two main insights:

Firstly: One of the main principles of the EU is the free movement of goods and services, but also the freedom of labor, movement and residence for persons. In this light the hypothetical introduction of a basic income in one country, but not others may lead to social tension between member states.

Secondly: Europe may solve its integration problem only when it will develop its own social pillar alongside its common monetary and economic policies. Most existing models of Basic Income suggest financing it by tapping into public budgets and interfering with public social systems. To introduce a new social security system would - in every country - be a very big step: The current national social welfare systems with their historically grown structures of giving and taking would be changed suddenly into completely new ones. Understandably, politicians and citizens hesitate to fully support such a paradigm change even if they - in principle - perhaps support the idea of UBI as key to an emancipatory and less bureaucratic welfare state. This is true on the national level, but is an even bigger problem if we want to change the social welfare system on the level of the European Union altogether. The architectures of social welfare systems are very different between member states and even small harmonization steps are difficult as national interests, needs and political situations vary both geographically and across time.

⁵ Van Parijs, P. 2012: No Eurozone without Eurodividend

https://ethics.harvard.edu/files/center-for-ethics/files/2012.no_eurozone_without_eurodividend.pdf

Van Parijs' proposal is to finance the Eurodividend by an EU-wide value added tax (VAT) of 19%⁶. Even if member states could lower their national VAT to account for the Eurodividend of € 200 alleviating their national social system⁷ and are free to fund their Eurodividend contribution through different means, very large obstacles remain⁸.

Instead, financing a(n EU-wide partial) basic income through taxes on the use of natural resources is not only a so far neglected revenue for social purposes, but also directly addresses the most pressing issue of our time: climate change. Taxed natural resources might include, but are not limited to: CO₂, water pollution with nitrates, sealing of land, fishing, extraction of minerals and metals. There are two main ways of implementing a price on CO₂ consumption: direct taxation and CO₂-certificates (for which a European Emissions Trading Scheme (EU ETS) already exists). Both on a political and scientific level it is much debated which of these two options (and its many variants) yields better results regarding a decrease in CO₂ emissions. But this discussion is beyond the scope of this article. However, it is, of course, important that the price of CO₂ emissions is so high that it is tangible and thus actually reduces CO₂ emissions.

However, under the assumption that it is politically more easy to use a current institution for political change the EU ETS could be used. Under the assumption, that a reform of this already introduced mechanism (no more free allocations, all sectors matched including heating and mobility, an ambitious yearly reduction of the cap) results in a price of 100 €/tonne of CO₂ and a 40% reduction of overall EU CO₂ emissions the revenue will amount to € 270 billion. An Ecological Eurodividend of about € 500 per year or € 42 per month could be paid out for each European - one fifth of the € 200 Eurodividend proposed by van Parijs. Of course other taxations of problematic use of resources have to be added, it's only a first step.

The European Transition Income

A basic income in general and a Eurodividend in particular cannot only be financed by taxes on natural resources but also by taxing inheritance, wealth or capital transactions pertaining to the EU. But in a hypothetical scenario of an immediate introduction of a monthly € 200 Eurodividend for every EU citizen, this constitutes a large financial and also ideological step, which will likely meet a lot of political resistance. Therefore, I would like to present a proposal for a preliminary form of a European Basic Income: the European Transition Income (ETI) which is likely to meet less resistance.

⁶ Van Parijs, P. & Vanderborght, Y. 2017. Basic Income: A Radical Proposal for a Free Society and a Sane Economy. Cambridge: Harvard University Press, pp. 230-241

⁷ But that would mean that the Eurodividend is no anti-poverty measure: The overall sum of benefits would be the same, even if they partly would change from means tested ones to unconditionality.

⁸ For further discussion of funding options on EU level, their advantages and problems see: Denuit, Francois: The European Universal Basic Income: A Clarification of the Debate. In: GEF (ed) 2019: European Green Perspectives on Basic Income

The ETI targets all 240 mio. EU residents between 25 and 64 and allows each of them to receive 60% of the monthly median income in the respective member state (e.g. in Germany € 1160, in Poland € 299) for a duration of 3 years and importantly without any form of means-testing. “Transition” may relate to the socio-ecological transition, a “Corona-transition” to overcome the pandemic, or to other individual “transitions”, such as a change of one’s job and or just one’s life perspective.

The EU would be paying a basic layer of € 200 as Eurodividend. The member states would need to fill it up to a “full” basic income. Two payment modalities are thinkable. 1) The EU is transferring a yearly/monthly subsidy to the member states which equals € 200 monthly for each applicant of this state. 2) The EU is transferring € 200 monthly directly to each applicant. With a proof of the EU payment the beneficiaries would have the right to ask for the rest in their member state.

Assuming that 20% of the 241 Mio EU adults would take the advantage of the ETI at any given point in time there would be a need to fund 116 bn/year. This amount is less than half of the reformed ETS revenue of 270 bn. In this way there would be enough revenue left to finance climate protection and mitigation in the member states (as it is already recommended in the current EU ETS directive).

There are also two main options for the implementation of the ETI: Member states can join voluntarily to the system or they have to introduce the principle within a certain timeline, adapted to their own structure of social transfers (following an EU directive). Especially for poor countries the system is attractive, because their net payment for co-financing this European social subsidy for the socio-ecological transition is relatively low. But wealthier countries would also benefit from EU support when they are ready to give everybody three years in life the “basic-income-like” payment I am suggesting here in the form of ETI.

There will be no direct state spending. Only their citizens pay due to their ecological behaviour: The wealthier people would contribute more to the EU ETS revenue. When combined with the payment of the same amount of basic income this will also have a redistribution effect within Europe.⁹ In this way the European Transition Income would be part of the just transition as part of the European Green Deal, which has not yet received the public attention it deserves: It helps during a phase of re-orientation regarding life and job decisions, which will be especially important as soon as CO₂-intensive branches are forced to transform their business model. A European Transition Income may give security within the green transition for everybody. In parallel it would be a very big basic income pilot project, even if at the beginning only some member states joined the project.

⁹ Schachtschneider, U. 2021 : Ecological Euro Dividend: Ein Schritt zum Grundeinkommen in Europa. In: Lüdemann, Neumärker, Schachtschneider (Hrsg. , forthcoming): Grundeinkommen braucht Europa – Europa braucht Grundeinkommen!

Many questions regarding legal aspects, administrative feasibility, the entitlement of specific age groups etc. remain. As a first step it might be an option to take away the universality of the purest form of the Eurodividend and only target people in a certain range of the income distribution. For some such low-income targeting might betray the whole idea of basic income, but when fighting for radical reform we need to look for concrete and feasible ways to our utopia, otherwise they remain pure visions.

As it is unlikely that national governments and the EU will decide by themselves to take the route to a Eurodividend, political support from outside the parliaments will be necessary to realize it. There are three civil society movements which have so far fought their own battles without much interaction. If they join forces for this social-ecological reform the Eurodividend constitutes, they might develop more pressure than the individual forces are added up. First, the basic income movement has an attractive social-libertarian agenda. But the full and immediate implementation of a basic income that deserves the name is associated with such big changes on political, economic and social levels that it cannot be found on tomorrow's agenda. Instead, the basic income movement pursues small, but concrete and feasible steps towards its larger vision of a utopia with income for all. Second, the environmental movement has fortunately gained enormous traction over the last years, but faces limits of social acceptability of bans and prohibitions. For example, the French president Emanuel Macron has clearly demonstrated in 2018 and 2019 how the introduction of taxes on natural resources (here a carbon tax) without adequate social compensation, may lead to justified social unrest (here the yellow vest movement). And third, the young post-national pro-European movement is currently still suffering from a lack of substantial ideas for a more social and ecological Europe. If these three movements, the basic income movement, the climate movement, and the post-national pro-European movement would join forces, they are likely to achieve more of their own and of their commons goals.