

Foreword

The ethical claim to grant all members of society an unconditional basic income has a long-standing tradition. It can be traced back to the works of Thomas Paine (1737–1809) and John Stuart Mill (1806–1873). In the twentieth century, this idea has been developed further to the model of a negative income tax by Lady Rhys-Williams. In economics, scholars with diverse ideological backgrounds such as Jan Tinbergen, James Tobin, Milton Friedman, and James Buchanan have argued in favor of an unconditional basic income scheme.

However, putting these ideas into practice faces two challenges. The first is that these reforms either violate economic or distributive objectives. Proposals that safeguard a subsistence minimum to all households (e.g. social-dividend-type models) entail drastically increasing tax rates, while poverty gap-type models violate the imperative of the welfare state. Secondly, the impacts of radical reforms of the social security scheme on labor supply are still unclear. However, these effects are crucial for the economic and ethical evaluation of any reform proposal. Therefore, a comprehensive analysis requires an estimation of the labor supply effects that are to be expected. Up to now, such a comprehensive evaluation of a basic income scheme was not available. The monograph by Maximilian Sommer fills this gap and offers a profound and detailed analysis of a basic income scheme that is both feasible and compatible with fundamental value judgments.

The monograph enriches the discussion on unconditional basic income schemes in several aspects. The first paragraphs cover the theoretical foundation and the normative issues of the proposal. Using van Parijs concept of real freedom as a starting point, competing theories of distributive justice are discussed. The main part of this book consists of an empirical model that includes all complexities of the German welfare system and that makes it possible to simulate the allocative and distributive impact of an unconditional basic income scheme. The analytical innovation of the proposal at hand is that the author distinguishes between two competing concepts of poverty: the physical and the sociocultural subsistence minimum. The unconditional basic income safeguards the physical subsistence level, whereas the sociocultural subsistence minimum is being guaranteed by the established welfare system.

His results show that the analyzed basic income scheme would reduce poverty rates and the intensity of poverty significantly, especially for families with many children. The same is true for income inequality. Thus, the reform proposal realizes economic and distributive objectives simultaneously.

The monograph by Maximilian Sommer provides a most valuable contribution to a long-lasting political question. It broaches the issue of ethical, econometric, and sociopolitical challenges of basic income proposals on an exceptionally high theoretical and empirical level. His work combines different disciplines in an exemplary manner and is thus an outstanding example of interdisciplinary work. Furthermore, it displays a new and cutting-edge view on the issue of an unconditional basic income in advanced welfare states.

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Effects on Labor Supply, Poverty, and Income Inequality

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