

Book Review

“Better welfare, better markets?” A review of *“Basic Income and the Free Market: Austrian Economics and the Potential for Efficient Redistribution”* (ed. Guinevere Liberty Nell, 2013, Palgrave MacMillan: Printed in USA)

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“The assurance of a certain minimum income for everyone, or a sort of floor below which nobody need fall even when he is unable to provide for himself, appears not only to be wholly legitimate protection against a risk common to all, but a necessary part of the Great Society ...”
– Friedrich Hayek, quoted on p. 119

Basic Income Guarantee (BIG) has its share of proponents both on the left and on the right (and, of course, in the middle). Some of its most notable proponents include economists and political philosophers of the classical liberal and social liberal traditions, such as Thomas Paine and Milton Friedman. Even Friedrich Hayek – the favorite of Thatcherites – can be seen as supporting something like a BIG, as this book argues.

The classical liberal philosophy is not the same as unbridled laissez-faire libertarianism. In fact, classical liberalism combines market-friendly welfare policies with certain government programs that maximize human liberty while minimizing state coercion and intrusion. They are skeptical of the policing power of bureaucracies, whose reach into the private life of citizens they consequently wish to minimize. Liberal thinkers have also generally been in support, although with caution, of a limited number of welfare measures – from state-funded schools to a BIG.

Socialists, on the other hand, approach basic income from the perspective of countering the dominating influence of the markets, emphasizing the redistribution of wealth and the rectification of economic inequalities.

Recently, the power of the left-leaning narrative has dominated the landscape of BIG activism, and alienated many right-wing and centrist supporters of the idea.

Considering this fact, a book that attempt to defend *both* economic freedom *and* BIG, is very timely. “Basic Income and the Free Market: Austrian Economics and the Potential for Efficient Redistribution” (Palgrave MacMillan: 2013), makes for a powerful anti-state, pro-BIG appeal. It consists of a selection of essays, generally in support of BIG, but also including many critical and skeptical

perspectives. The result is a balanced dose of views. And although there are contributions that derive from non-Austrian and left-of-center viewpoints, the focus is firmly on the free market.

Austrianism is an oddball school of economics, since many of its ideas are still considered extremely fringe and extreme. Nonetheless, or precisely because of that, an Austrian perspective on BIG might be influential in libertarian and right-wing circles, especially in the United States. A broad left-right compromise might be the only way to achieve lasting, democratic BIG reform in welfare state-implementing, market-oriented Western countries. It is paramount that people who are not convinced of the expansive social justice aims of the left are welcomed into the BIG camp.

Historically, the BIG alliance, dispersed as it is, is an unlikely alliance of reformists, and it should continue to be that in the future. This is not only a personal wish: it is also a battle plan.

1 Austrian school: anti-BIG, pro-BIG?

The book approaches liberalism from the perspective of the Austrian school of economics. A neoclassical/Chicago approach would have been the easier road, since many non-Austrian liberal economists – such as Milton Friedman and James Buchanan – have explicitly advocated for BIG or NIT.

Most Austrians have, in fact, been conspicuously silent, or negative, on the BIG question. Strong arguments against the welfare state, and redistribution in general, have been put forward most notably by Ludwig von Mises (Hayek's mentor) and Murray Rothbard (Mises's student). In challenging them, the book resituates Austrianism in the wider context of classical liberalism and neoclassical economics.

Although the book comprises multiple authors, with different slants and perspectives – including a few helpfully critical and skeptical essays – the central thesis, as laid down in the introduction, is that “a nonintrusive redistribution like the BIG might actually represent an improvement upon pure laissez-faire.” (p. 3) This is just to say that free markets might need a bit of state intervention (within very definite limits) to work optimally.

The editor of the book, Guinevere Liberty Nell, in her own contribution, proposes reconciliation, *not only* between different strands of liberalism (from Vienna to Chicago) but also between free market liberal and market socialist thinkers. Unfortunately, the market socialist connection, while interesting, feels underdeveloped. The central argument of the book is toward building a *unified classical liberal BIG synthesis*.

2 The classical liberal synthesis – from Vienna to Chicago

The classical liberal paradigm has always argued for strong economic freedom combined with limits on government power. But it has also been always open-minded about using government programs to improve the society. These principles, if applied to today's society, are *simultaneously* a criticism of “really-existing” welfare state ideology – with its lack of economic freedom and its reliance on the expansive bureaucracy – but also an opportunity for reforming welfare states toward more freedom-based alternatives. There is a utopian potential in classical liberalism.

One of the most fascinating essays proposes precisely such a utopian experiment. Michael Strong and Zachary Caseres, in their article “BIG in free cities” (pp. 201–220), make the case for the implementation of a BIG in a liberal city state or an economic free zone. The liberal city would be founded upon the principles of free movement and free association, and cities could compete with each other on who has the best social safety net for workers, consumers and citizens.

It makes sense to avoid the problem of how to reform existing (and often sluggish) welfare states setting up a history-free BIG utopia in some fast-developing third-world economy. Freely experimenting with alternative social systems, and letting them compete with each other, is part of the liberal dream. A new liberal city may set up the BIG as part of its social contract, as a condition of citizenship. Citizens would be free to vote with their feet and leave the city. Under such a liberal scheme, participating in the BIG would be voluntary.

In an era of increasing centralization, where top-down experiments are the norm, such bottom-up experiments might seem utopian. However, in the world of budding market economies, such opportunities abound in all parts of the world. Experiments with liberal economic “free zones” – outside the reach of stiff, innovation-stifling welfare states and tax collectors – might prove crucial.

We need big and small experiments, all around the world, whether in the direction of socialist utopia or a libertarian paradise: *anything* to overcome the stone-cold silence of institutional resistance.

3 What's next for a liberal BIG?

Books like “Basic Income and the Free Market” can be very useful if they manage to convince Austrians and other right-of-center forces of the importance of BIG. Liberal philosophy is not going away, so it needs to be reinterpreted as a

friend of BIG. Turning, say, the Republican Party in the United States, or the Conservative Party in the U.K. into a staunch defender of the BIG, would mark a great victory.

Today, large parts of the BIG movement favor a strong and expansive welfare state. Too often free market capitalism (and especially so-called neoliberalism) are seen as the great enemy that seeks to undermine the European welfare state. But this does not have to be the case.

Austrian economists should recognize that their analysis does not establish that zero intervention is best; a nonintrusive redistribution like the BIG might actually represent an improvement upon pure laissez-faire. [...] Meanwhile, market socialists and other heterodox economic schools, as well as left-wing thinkers, should recognize the insights of the Austrian school, such as the importance of free exchange and evolutionary spontaneous order. (p. 3)

Both sides can learn from each other in dreaming about the utopian society. BIG is a solution that can be accepted, on market-based arguments, by right-of-center liberals (and indeed, conservatives). This does not mean that anti-market rhetoric should be banned from the BIG discourse; it only means that pro-market rhetoric is an equally important part of the debate.

By bridging liberalism and socialism, we can create a pragmatic alliance, both unlikely and incredibly powerful, to fight and defeat the forces of intellectual laziness and the oppression of citizens.