

# Basic Income and the Legitimization Crisis of Neoliberalism

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## Abstract

This article conceptualizes recent momentum for basic income in the context of the legitimization crisis of neoliberalism and the dissolution of the ‘progressive neoliberal’ governing bloc that secured its hegemony for more than two decades. Through an assessment of the ideas of Friedrich Hayek and Milton Friedman, it argues that basic income is one of the few policy solutions in the mainstream discourse that improves social welfare and income security, while also remaining consistent with neoliberalism’s inner logic. Accordingly, it holds the potential to temporarily stabilize neoliberalism’s political crisis by offering a consensus issue around which a new centrist coalition could emerge. Although much of the basic income literature has focused on grassroots coalitions and synergies between left and right, it has largely overlooked the emergence of the historical forces that have pushed it onto the mainstream policy agenda.

**Keywords:** Basic Income; Neoliberalism; Hegemony; Welfare State; Legitimization

## Introduction

Over the course of the last decade, there has been a considerable increase in the attention paid by the policy and academic communities to the idea of basic income. After having been largely forgotten as a policy approach for several decades, basic income has returned to the mainstream policy discourse, evidenced by a series of pilot projects conducted around the world towards the end of 2010s. Basic income has come into even sharper focus during the COVID-19 pandemic, as governments have responded to the public health crisis by providing residents with unconditional cash payments. This has led to calls on both the left and the right to make these programmes permanent (Goldberg, 2020).

What, however, can account for the rise of interest in basic income around the world in recent years? Explanations have ranged from an increase in digitized and automated technology, which has made human labour increasingly superfluous (Pulkka, 2017), increased demands for flexible forms of labour in an increasingly precarious employment market (Birnbbaum and De Wispelaere, 2020), the need for a more ethical political economy that grants the individual more freedom and holds the potential to improve their well-being

(Widerquist *et al.*, 2016), and its administrative efficiency (De Wispelaere and Stirton, 2011). Little work has been done, however, to conceptualize the increase in interest in basic income as a political variable in a historical context. Put differently, the critical question is what can account for the rupture that has placed basic income on the policy agenda around the world after decades as a fringe issue?

This article makes the case that the rise in interest in basic income can be explained, at least in part, by the hegemonic crisis of the form of consensual neoliberalism that reigned from the 1990s until the mid-2010s. This coalition, which Fraser (2019) has called “progressive neoliberalism”, brought together a progressive politics of recognition for historically marginalized communities with an aspirational, competitive ethic that embraced the inevitability of capitalist markets and the need for the state to respond to them through policy interventions aimed at increasing private sector investment. The impact of the 2008 financial crisis was to shatter neoliberalism’s ideological coherence, undermining the notion that a neoliberal social policy could deliver prosperity for the majority. This did not destroy neoliberalism as such, but it weakened it severely, and broke apart the centrist governing bloc that consolidated its authority for more than two decades (Davies, 2016).

The article applies the essential tenets of Marxist state theory, which holds that the primary role of government is to fortify and extend the interests of the capitalist class, to the realm of social policy. I use Gramsci’s notion of hegemony and Poulantzas’s idea of the relative autonomy of the state to make the case that the legitimization problem of neoliberalism has revealed itself as a *political crisis* of the centrist, progressive coalition that helped to make neoliberal ideology publicly acceptable. These developments have led to an “unstable interregnum” period in which the balance of political forces has become destabilized, leading to opportunities for new governing coalitions to form (Fraser, 2019, 29). In most countries, however, neoliberalism has remained dominant, as it “continues to run on autopilot, as a default option with no positive legitimacy that persists simply because there appears to be no viable alternative” (Kostko, 2020, 461).

Given that the capitalist state, according to Poulantzas, is continually in pursuit of a political equilibrium in support of the hegemonic order, governments are predisposed to search out new policy solutions and governing blocs that can consolidate its authority; to build a new political consensus out of the ashes of the old (Martin, 2008). Under these circumstances, there are three foreseeable solutions to the present political crisis of neoliberalism. First, it is possible that the intensification of neoliberalism’s contradictions will lead to the emergence of a progressive coalition on the left that seeks an alternative to neoliberalism. While this is a plausible outcome in the long-run, over the short and medium-terms, this option appears unlikely as there exists no meaningful hegemonic alternative to neoliberalism (Fraser, 2019). As a result, neoliberal public

policy has been continued in most countries in the years after the financial crisis, demonstrating something of a “zombie” quality, maintaining its authority even as its popular legitimacy has weakened (Peck, 2010, 104).

Second, neoliberalism could mutate to take on increasingly authoritarian forms, enforcing policies through state coercion despite their rejection by large segments of society. The vacuum created by the collapse of progressive neoliberalism in recent years has led to the emergence of right-wing authoritarian-style movements around the world that have mobilized neoliberal ideology about competition and individualism in support of a politics of cultural grievance (Davies, 2016). Far from abandoning neoliberalism, however, once in power these movements have commonly continued neoliberal policies, insulating them from democratic control by placing them in an authoritarian shell, while advancing a regressive politics of race and inclusion (Fraser, 2019).

Third, the most likely outcome, the centrist coalition that largely functioned to stabilize the neoliberal order throughout the 1990s and 2000s could reconstitute itself in a different form to revitalize its legitimacy. Since the dominant class interests under capitalism remain committed to a neoliberal social policy that privileges the interests of the owners of private enterprise, the critical question becomes what kind of concessions are necessary for the non-dominant groups to legitimize this kind of social policy? Given that the present crisis is due to the failure of neoliberal policy solutions such as free trade, privatization, and deregulation to provide the material conditions necessary to make people feel as though the system operates for their benefit, any workable solution is likely to require a redistributive component (Davies, 2016). The popularity of COVID-19 emergency income support programmes and the willingness of governments to engage in public spending has further raised the prospect that this period of transition will result in a more generous politics of redistribution for the 2020s, even if this is to occur within a neoliberalized policy environment (Watkins, 2021).

From a neo-Marxist perspective, an outcome that extends and reconsolidates the hegemony of a market-based politics, even within a more redistributive shell, is far from ideal. However, in the absence of a counterhegemonic alternative on the left, the reconstitution of a centrist governing bloc around a more redistributive neoliberalism may function as a counterweight to the right-wing authoritarianism that has emerged to fill the hegemonic gap. In addition to its potential to decommodify labour, basic income may be a preferable interim alternative to the rise of a nativist right-wing authoritarianism that weaponizes the contradictions of the present moment for its electoral advantage.

I claim that one explanation for the rise in interest in basic income in recent years, and a reason to be optimistic about its long-term prospects, is that it is among a limited menu of options available to policymakers that can legitimize the existing hegemonic order *internal to the neoliberal theoretical paradigm*.

That is, basic income, given its logical consistency with the foundational principles of neoliberalism, is uniquely positioned to consolidate its hegemony during this political interregnum, since it provides the prospect for a new redistributive politics around which the centrist coalition that stabilized neoliberalism for more than two decades could regenerate itself.

To illustrate this point, I offer an assessment of two of neoliberalism's foundational thinkers Friedrich Hayek and Milton Friedman, both of whom helped to create the prevailing neoliberal view that the welfare state and collectivism are the chief problem with modern society, as well as the idea that a guaranteed income could help to resolve some of these issues. A basic income would function as a non-coercive programme that gives recipients the freedom to choose how to spend the money they receive, while also reducing the role of the administrative state, and strengthening the market mechanism by ensuring individuals have sufficient resources to make rational transactions on the market that reflect their interests (Zwolinski, 2019).

It would do so in a way that sidesteps the bureaucratic coercion of the welfare state, while at the same time addressing the legitimization crisis of neoliberalism by improving material conditions for those who have been unable to acquire sufficient employment through the marketplace. Although Marxist categories of analysis are commonly rejected or overlooked by the classical liberal tradition, they offer scholars of all ideological persuasions an explanation internal to the historical trajectory of capitalist relations as to why an idea once on the fringes of the neoliberal intellectual paradigm has suddenly been pushed onto the policy mainstream. That is, a Marxist analysis allows for a critical account of the contemporary contradictions of the market that seminal neoliberal thinkers such as Hayek and Friedman *themselves* recognized required external state intervention through a guaranteed income to overcome.

While much of the basic income literature has focused on coalition and consensus building between the left and the right, it is arguable that the historical wind blowing in basic income's favour is the most compelling factor working towards its eventual implementation. Basic income may be having its moment in the sun precisely because it responds better than other policy solutions to neoliberalism's internal contradictions during this unique historical conjuncture and offers the potential for a reconstitution of the progressive, centrist bloc that stabilized neoliberalism for more than two decades around a new redistributive social policy.

### **The Hegemony of Neoliberalism**

This article takes a broad interpretation of neoliberalism, defining it as a political philosophy that views the state's primary role as the extension of market-based forms of governance over all aspects of human life (Bruff, 2019). It reflects a new

stage of capitalism, which rejects the ‘grand bargain’ between capital and labour that characterized the Keynesian welfare state era, reasserting the accumulation of capital and the transfer of wealth and power towards private enterprise as the primary ends of state activity. Neoliberalism reoriented the state’s role towards privileging the interests of private enterprise to “strengthen their hegemony”, and to develop institutional structures that would fortify a market-based political order (Duménil and Levy, 2011).

Over the course of the last several decades, the neoliberal project has succeeded in establishing itself as culturally and politically hegemonic. Gramsci claimed that hegemony is the process through which a dominant class embeds its authority by making its power appear as natural. Hegemony occurs when members of a ruling bloc become conscious of their common interests and seek to extend their worldview upon subordinate classes in society. Every society has its “religious moment”, which occurs when the dominant group has established “complete hegemony”, and its ideas come to appear as though they were self-evident truths (Gramsci, 1971, 697). However, over the long-term, cultural, and political hegemonies become decadent and are subject to disintegration when they are challenged by other ruling blocs or when contradictions internal to a social formation begin to reveal themselves (Gramsci, 1971).

Poulantzas argued that the capitalist state’s primary responsibility is to serve as a “structuring factor” in society, mediating competing class interests by selecting those priorities most consistent with the preservation of social equilibrium “under the dominance of the hegemonic fraction” (Poulantzas as quoted by Martin, 2008, 107). Although the state retains a “relative autonomy” to select policy priorities among competing groups, it is structurally predisposed to privilege the long-term hegemonic interests of the dominant class (Poulantzas as quoted by Martin, 2008, 90).

At times, this autonomy may require the state making concessions to the subordinate classes, which are opposed to the immediate interests of the elite class, but that serve their long-term hegemonic objectives. This can explain why the state might have an interest in using a redistributive policy like a basic income as an instrument to preserve and maintain the authority of the dominant class. While much of the basic income literature has focused on the cultivation of grassroots coalitions, the Poulantzian perspective raises the possibility that a basic income policy will emerge from a consensus of elite interests determined to consolidate neoliberalism’s dominance over the long-term.

Fraser (2019) has claimed that neoliberalism achieved broad appeal during the first decades of its ascendancy by fusing a social politics of progressiveness with a political economy that privileged the owners of capital. Given its emphasis on an economic policy that privileges the interests of the few at the expense of the many, neoliberalism needed to be “repackaged, given a broader appeal, and

linked to other noneconomic aspirations for emancipation” to make its ideas generally acceptable (Fraser, 2019, 13). This “progressive-neoliberal bloc” brought together an “exploitative, plutocratic economic program with a liberal-meritocratic politics of recognition” (Fraser, 2019, 12). The mainstream left thus largely abandoned talk of the mixed economy, class antagonisms, or collective interests, and turned its focus instead upon the cultivation of a society in which “equality meant meritocracy” mediated through the mechanism of market competition (Fraser, 2019, 13).

Giddens has argued that the rise of what he has called the “Third Way” on the left marked the moment at which neoliberalism achieved complete hegemony. It brought about the “demise of socialism as a theory of economic management”, and the rise of competitive market rationalism as the prevalent hegemonic paradigm (Giddens, 1998, 29). This new approach acknowledged the consequences of the market, but at the same time recognized that “protectionism is neither sensible nor desirable”, and that the state must adjust to the realities brought about by an age of international economic competition (Giddens, 1998, 37). It accepted that there are no longer meaningful alternatives to neoliberal capitalism, reducing political discourse to conversations about “how far, and in what ways, capitalism should be governed and regulated” (Giddens, 1998, 29). The Third Way approach was the dominant form of politics through the 1990s and most of the 2000s, insulating neoliberalism’s most unequal and unpopular policies from popular resistance and providing it with an ideological rationale.

### **The Legitimization Crisis of Neoliberalism**

Recent years, however, have witnessed the erosion of neoliberalism’s popular legitimacy as a distributional approach with the capacity to deliver prosperity for the majority. Although many observers viewed this distributional crisis as a terminal problem for neoliberalism, the years that followed witnessed “something like a redoubling of its intensity and reach” as governments, after having bailed out the financial institutions that caused the crisis, then turned to even more public sector austerity to address the sovereign debt crisis it created (Peck, 2013, 132). In the decade after the financial crisis neoliberalism “has not gone away, but neither does it remain what it was” (Peck, 2013, 133).

Peck (2010) maintained that the imagery of a zombie might be the best way to conceptualize neoliberalism’s resiliency despite these challenges to its hegemony. Although it has become “jaded and discredited”, the neoliberal project continues to “lurch haphazardly onward” remaking the world in its image (Peck, 2010, 109). Neoliberalism today can be understood as “dead but dominant” as it has entered this zombie phase (*ibid.*). Although its “brain has apparently long since ceased functioning”, nevertheless its “limbs are still moving, and

many of the defensive reflexes seem to be working too” (ibid). Callison and Manfredi (2020) claim that neoliberalism’s revival can be captured by the metaphor of a mutant. The idea of “mutant neoliberalism” seeks to understand the sustainability of neoliberalism as a reflection of its capacity to take on different historical forms in different places at different times (Callison and Manfredi, 2020, 1).

Critically, the weakening of neoliberalism’s authority has also led to a popular rejection of the progressive-neoliberal political bloc that served as the “best possible political shell” for neoliberalism during its first decades (Jessop, 2019, 360). It is the dissolution of the consensus-based neoliberalism and the centrist political coalition that sanitized and rationalized neoliberal policies that has transformed this legitimization problem into a political crisis.

The “hegemonic unravelling” of progressive neoliberalism resulted in a political vacuum that has increasingly been filled by reactionary and nativist right-wing varieties of populism (Fraser, 2019, 38). Given the importance of competition to the neoliberal worldview, its legitimacy was not threatened by inequality itself, but by the destruction of the myth that unregulated financial markets, globalization, and governance by economic policy experts could provide prosperity for the greater part of society (Davies, 2016).

The right has capitalized on the “vulnerability of the ‘losers’” in the marketplace to opportunistically exploit declining conditions by appealing to the desperation of those who have “grown tired of feeling unfairly disadvantaged and losing out to undeserving ‘others’” (Boffo *et al.*, 2019, 262). This has been enabled by the collapse of a shared sense of identity and collectivist, working class institutions designed to mobilize class forces, allowing the right-wing to make the case that real experiences of material suffering, and anger at the dysfunctionality of the political system, is attributable to marginalized and racialized social classes who are “taking what is rightly ours” (ibid).

Bruff (2014) argues that neoliberalism’s crisis has transformed into what he refers to as “authoritarian neoliberalism” (113). As the contradictions of neoliberal hegemony have begun to reveal themselves, its policies are “less able to garner the consent or even the reluctant acquiescence necessary for more “normal” modes of governance, requiring an increasingly centralized political and disciplinary apparatus (ibid).

Hendrikse (2018) has described this most recent phase in which neoliberalism no longer seeks consensual rule, governing instead by circumventing democratic counterforces, as “neo-illiberalism” (169). This period has been witnessed “illiberal mutation” of state institutions, in which neoliberalism’s authority has been fortified through “brazen attacks on constitutional checks, balances, and rights across vast neoliberalized landscapes” (ibid). This process has witnessed the blending of illiberal approaches to constitutionalism within

the context of neoliberal market-based economics, resulting in “variegated neo-illiberalization across space” (Hendrikse, 2018, 170).

The consolidation of an authoritarian form of neoliberalism, however, is far from an inevitability as a long-term political project. It is equally as likely that neoliberalism, which has proven extraordinarily malleable and capable of transforming itself to meet changing historical and environmental circumstances, will mutate to expand its legitimization function, responding to demands for improved material conditions through the establishment of a more redistributive shell within a competitive, neoliberal framework. Given that the neoliberal tradition’s *raison d’être* was to oppose the principle of the welfare state, the options for a realistic consensus policy approach to emerge are limited. The sections to follow discuss the potential for basic income to fill this role.

### **The Basic Income Solution and the Decommodification of Labour**

Van Parijs (2004) defined a basic income as “an income paid by a political community to all its members on an individual basis, without means test or work requirement” (4). Most recent literature has emphasized the universal variant of basic income, which stipulates regular payments should be made to all residents of a society regardless of how much they earn. The majority of the contemporary basic income pilots and the schemes that have been proposed thus far are more consistent with the expression “basic income guarantee”, which is a generic term for the family of guaranteed income proposals that are means-tested (Widerquist, 2013, xv). Given that these terms are often applied interchangeably, this article uses the term *basic income* to refer to the various guaranteed income schemes and proposals that have existed since the late 1960s.

Basic income began to receive mainstream attention after the financial crisis due to a combination of high unemployment and inequality as well as dissatisfaction with the neoliberal welfare state model (Widerquist, 2019). Decades of austerity had also weakened welfare state institutions and reformed them so that their requirements were often punitive and geared towards employment activation. This resulted in a “diminished capacity of states to promote social welfare via established policy strategies” (Dahms, 2015, 115).

Forms of basic income have long been viewed as a possible consensus issue between left-wing and right-wing factions. The unconditionality of many basic income schemes contains an element of freedom that appeals to free market libertarians, while its redistributive potential has considerable support on the left among those who seek alternatives to the conditionality and austerity of neoliberalized welfare state social programmes. De Wispelaere (2017) speculated that the rise in interest in basic income may be a consequence of the fact that “austerity’s chickens (have) come home to roost” (3).



Reflecting a view that has become increasingly common, Lenczewska and Schwartz (2020) suggest that basic income could function as a solution to rising levels of political polarization. They claim that a basic income could serve as “an overlapping consensus” between disparate groups, providing an issue around which a coalition of interests could form without “having to face the challenge of reaching agreement over fundamental values” (Lenczewska and Schwartz, 2020, 15). Conversely, Crisp and Martinelli (2019) claim that while basic income could serve as a consensus issue, divergences in values between left and right would make the realization of a basic income policy coalition difficult within a single scheme.

Basic income’s potential to decommodify labour has been advanced by scholars on both the left and the right as one of its primary attributes. Writing from a libertarian perspective, Van Parijs (1995) claimed that for individuals to be *truly* free they must have the capacity to behave according to their own free will, separate from external constraints. By providing an income floor, basic income offers “real freedom for all” by ensuring those who receive it have a sufficient income to make their own choices about how to live, rather than being coerced into decisions due to a lack of resources (Van Parijs, 1995, 4).

Unlike legal freedom, which merely provides the conditions to be free under the law, “real freedom” involves the right to “do what one might want to, but also a matter of having the means for doing it” (Van Parijs, 1995, 4). In a similar vein, Widerquist (2013) has claimed that freedom should be conceived of as “the power to say no”, to employment and circumstances that are not in keeping with their own choices, but rather the circumstances necessary for survival in a capitalist economy (53). A basic income affords such opportunities by limiting the coercion individuals are subjected to in the marketplace, empowering them to leave employment that is not consistent with their free will without having to risk impoverishment.

The republican tradition, which promotes the absence of “dominating control” by any individual over the life of another for arbitrary reasons, has also conceived of the decommodification of labour as a significant benefit of a basic income policy (Pettit, 2007, 4). Since the distribution of property and wealth under capitalism tends towards “inegalitarian extremes”, it follows that the establishment of an income floor “may be necessary to regulate against the effects of those extremes on people’s overall enjoyment of freedom” (Pettit, 2006, 147).

Similarly, Pateman (2004) argued that an income guarantee is an essential element of democratic citizenship, helping to “break the long-standing link between income and employment” by making participation in society less contingent upon one’s income level and the authority structures that are commonly associated with a lack of economic resources (91). The “freedom not to be employed”, through the establishment of an income floor, could grant

individuals “self-autonomy” as well as the ability to “engage in collective democratic institutions” (Pateman, 2004, 91).

The Marxist school has also advanced the decommodifying potential of a basic income. Howard (2005) claimed that while arguments for state neutrality may not appeal to Marxists *per se*, basic income’s guarantee of a wage floor is consistent with socialist principles and should be combined with other policy strategies to reduce inequality. In addition to supplementing labour markets, a basic income could also strengthen the bargaining power of labour by giving workers the capacity to leave their jobs. Wright (2006) argued that a generous basic income has the potential to “contribute, in the long run, to strengthening the power of labour vis-à-vis capital” (8). This power emboldens the capacity of workers as a collective force, functioning as a kind of emergency strike fund for those who wish to advocate for higher pay or better working conditions (Wright, 2004). By giving workers the opportunity to walk away from their jobs, basic income holds the potential to shift the balance of class forces, while at the same time reducing inequality and poverty.

The advantage of basic income from a political perspective is that it has intellectual support across the political spectrum for its decommodifying impacts. This is not so much an endorsement of its capacity for coalition-building, which is dependent upon social and political forces internal to domestic political institutions, and can vary between communities and countries, but rather a reflection of basic income’s potential as a systemic counterweight to the contradictions created by decades of fiscal retrenchment. Basic income helps to resolve some of neoliberalism’s redistributive issues, at the same time as improving the capacity of individuals to behave as actors in the free market.

### **Hayek, Friedman, and the Problem of the Welfare State**

Neoliberalism emerged as a coherent school of thought from the ashes of the politics of the Great Depression and the Second World War. It developed as a reaction to what its original thinkers believed to be a crisis of liberalism, which had given rise to the modern welfare state and bureaucratic central planning. Neoliberals claimed that those who subscribe to rational design make a “factual error” about how knowledge is generated (Hayek, 1988, 7). Human beings are unable to assess “all the data which enter into the social order”, meaning that any attempt at rational design ultimately resulted in the imposition of the wills of some persons over others (Hayek, 1973, 15).

The organization of life according to conscious design conceived of humans as having “an independently existing mind substance which stands outside the cosmos of nature” (Hayek, 1982, vol. I, 17). This led to the development of the false consciousness that some individuals had the knowledge and aptitude to plan the lives of others. In contrast, Hayek (1982) believed forms of social

and political organization “arose through the discovery that men can live together in peace and mutually benefitting each other without agreeing on the particular aims which they severally pursue” (vol. II, 109).

The neoliberal orthodoxy, then, was a movement that emerged in response to the state expansionism of the mid-twentieth century as a plea to roll back the welfare state and other coercive mechanisms, allowing competition in the free market and the price mechanism to condition policy. Hayek believed that “modern economics”, in which sovereign individuals engage in millions of independent transactions each day, could explain “how such an extended order could come into being” (Hayek, 1988, 14). Market relations establish “agreement on common ends which in turn are mostly non-economic” (Hayek, 1982, vol. II, 112). He turned to metaphor to explain the importance of competition, suggesting it was like an “experimentation in science, first and foremost a study in procedure” (Hayek, 1982, vol. III, 68). The market functions as an information gathering process by way of the price mechanism, bringing together the wills of individuals behaving according to their rational self-interest.

Friedman (1993) subscribed to a similar view, arguing that the issue with modern liberalism was its willingness to provide by way of coercion “substantial benefits to the few while imposing small costs on the many” (4). He believed that the state could only do harm by coercing individuals to conform to the decisions of a representative body, such as parliament or congress.

Although the state held the capacity to allow individuals “to accomplish jointly what we would find it more difficult or expensive to accomplish severally”, such uses of power were “fraught with danger”, since they granted the state the capacity to make decisions on behalf of the entire community without their consent and serve as an imposition upon individual freedom (Friedman, 2002, 2).

The market offers a more just forum for democratic dialogue than representative institutions because individuals are free to make decisions without coercion (Biebricher, 2019). It offers a far more reliable source of human wants, needs, and desires than lawmakers who think they can understand the experiences of others. The government lacked either the knowledge or the ability to predict individual action. Friedman (2002) acknowledged that it was possible for the state to intervene to improve people’s lives, but in so doing it “would replace progress by stagnation, it would substitute uniform mediocrity for the variety essential for that experimentation which can bring tomorrow’s laggards above today’s mean” (4). Without the welfare state, many of those who presently depend upon social programmes “would have become self-reliant individuals instead of wards of the state” (Friedman and Friedman, 1990, 119). The welfare state also undermined the incentive to work, leading to “a permanent class of poor people living on welfare” (Friedman, 1967, 239).

Government intervention in the economy was also far less efficient than leaving decisions to market outcomes. The problem is not that bureaucrats

are intrinsically corrupt or ineffective, but rather that they belong to a system that promotes rent seeking by self-interested political action groups. Representative democracy is prone to overspending, since politicians are incentivized to allocate resources to the special interests that fuel their election efforts. Politicians are thus “led by an invisible hand” to serve private special interests by the organizational structure of contemporary political institutions (Friedman and Friedman, 1990, 6).

### **Guaranteed Income as an Alternative to the Welfare State**

Although neoliberals believe that market relations should function as a blueprint for government action, they understand that free competition also results in unavoidable contradictions that can only be overcome through some element of state intervention. One of the most serious and recurrent problems created by the market was its tendency to exclude certain community members from participation through their inability to sell their labour on the market. Under these circumstances, provisions may be made to improve general well-being, so long as doing so does not lead to an expansion of the state’s role.

Guaranteed income offered a plausible method of supplementing income, while sidestepping the coercive welfare state (Zwolinski, 2019). Hayek contended that a “flat income for all who cannot earn more in the market” could be adopted as a means of ensuring individuals who are unable to provide for themselves do not fall below basic levels of subsistence (Hayek, vol. III, 150). There existed:

no reason why in a free society government should not assure to all protection against severe deprivation in the form of an assured minimum income, or a floor below which no one need to descend (Hayek, 1982, vol. II, 87).

Such an income should be provided to “all people suffering from adverse conditions which may affect anyone and against which most individuals cannot alone make adequate provision but in which a society that has reached a certain level of wealth can afford to provide for all” (Hayek, 1982, vol. III, 54). This includes “the sick, the old, the physically or mentally defective, the widows and orphans” (Hayek, 1982, vol. III, 54).

This did not mean that Hayek believed that individuals should be given a “free ride”, however (Zwolinski, 2019, 19). Those who were able-bodied, and capable of finding employment within the market of their own volition, should not be provided with an income to live off the labour of the productive. For this reason, Hayek believed it plausible to include conditionalities, such as work requirements, for able-bodied individuals to exchange for income benefits (Zwolinski, 2019).

Hayek offered three justifications for the establishment of a guaranteed minimum income. First, it may be established on either moral grounds or on the view that it is in the best interests of the community as a whole to ensure that individuals who are unable to earn a living for themselves in the market have “insurance against extreme misfortune” (Hayek, 1982, vol. II, 87). Second, Hayek recognized a more pragmatic objective in maintaining income security for everyone. He understood that if too many people were unable to sustain themselves using the free market, this could result in popular insurrection. Hayek claimed that a system that requires individuals to leave the security of membership for a system that left them destitute:

would probably soon produce great discontent and violent reaction when those who have first enjoyed its benefits find themselves without help when, through no fault of their own, their capacity to earn a living ceases (Hayek, 1982, vol. III, 55).

The provision of a guaranteed minimum income, then, was not merely a moral imperative, but also a necessary element of legitimizing the authority of competitive market-based order.

Third, providing individuals with additional income support enhanced their ability to partake as actors in the marketplace by minimizing the risk that they would be subject to coercive influences due to a lack of resources. Hayek believed that in the absence of such competition more opportunities for coercion would exist, and the competitive mechanism would not function as it was designed to. Basic income gives low-income individuals the ability to say “no” to circumstances that “do not advance their interests”, allowing for a more accurate representation of individual choice and behaviour through the market (Zwolinski, 2019, 13).

Similarly, Friedman advanced the notion of a negative income tax, which is a form of basic income that provides cash grants that are later clawed back through taxation for those who receive more than they need. Under a negative income tax, supports would “set a floor below which no man’s net income” could fall (Friedman, 2002, 192).

A basic income scheme would have the distinct benefit of enhancing the freedom of the poor, allowing them more capacity to partake in the market and be less susceptible to state forms of coercion. Additionally, he believed a guaranteed income would be less prone to rent-seeking, less coercive, and more efficient than government programmes. Friedman (1967) claimed a basic income scheme would:

be vastly superior to our present guaranteed annual income. It would cost much less, give more help to the truly poor, avoid interference with personal freedom, preserve some incentives to work, and drastically reduce the present bureaucracy (Friedman, 1967, 239).

Such a programme “would do more efficiently and humanely what our present welfare system does so inefficiently and inhumanely”, by allowing individuals the right to determine what to do with the money they receive from the government without having to meet conditionality requirements (Friedman and Friedman, 1990, 120). It would set a universal wage floor for individuals “regardless of the reasons for their need”, while eliminating the “demoralizing situation under which some people – the bureaucrats administering the programs – run other people’s lives” (Friedman and Friedman, 1990, 120-123).

Like Hayek, the only condition Friedman placed upon his income subsidy programme is that it should under no circumstances interfere with or distort the functioning of the market. The scheme “would fit directly into our current income tax system and could be administered along with it”, and if enacted would serve as “a substitute for the present rag bag of measures directed at the same end” (Friedman, 2002, 192-3). Furthermore, “the total administrative burden would surely be reduced”, since such a subsidy would require less bureaucracy than welfare state programmes (Friedman, 2002, 193).

### Conclusion

Contrary to popular belief, neoliberalism’s foundational thinkers were generally not opposed to helping people in need of income support; indeed, they believed there were both moral and practical imperatives for the state to do so. However, the *raison d’être* of their entire theoretical project was to oppose modern forms of liberal democracy, which they claimed had been irreparably corrupted by the diseases of rationalism and collectivism. This theoretical commitment to opposing the welfare state and government coercion limits the practical options available to resolve neoliberalism’s legitimization crisis internal to its logical structure. A guaranteed, or basic income, however, could soften some of the impacts of the market’s contradictions, while at the same time stabilizing the hegemonic order.

The fragmenting of the progressive neoliberal hegemonic bloc in the mid-2010s has created a moment of instability and transition that also provides opportunities for new ruling coalitions to form. Although the vacuum in this political crisis has been filled in some countries by the rise of an ‘illiberal’ form of right-wing authoritarianism, the case made in this article is that basic income is uniquely positioned as a policy around which a progressive neoliberal bloc based upon a redistributive, competitive logic could coalesce. As a policy issue that was advanced by seminal neoliberal thinkers, basic income holds the potential to raise living standards and well-being without deviating from most of the essential assumptions of the neoliberal orthodoxy.

Although classical liberal arguments for basic income have largely ignored Marxist analytical categories, this article has made the case that Hayek and

Friedman's advocacy for basic income emerged from a recognition that the intensification of certain contradictions of the marketplace render external economic redistribution through the establishment of a wage floor necessary. A critical understanding of the historical contradictions that have brought about neoliberalism's legitimization crisis, then, can help to explain why basic income, given its ability to address some of these specific issues, while at the same time securing and extending free market relations, has emerged as a popular policy response to rising inequality in recent years. It also holds the potential to bolster classical liberal accounts for a guaranteed income by demonstrating a practical benefit to fending off the forces of illiberalism, while preserving an order devoted to competitive market principles in an increasingly unstable political climate (Preiss, 2015).

Since the state's primary objective, from a Poulantzian perspective, is to re-establish equilibrium to consolidate the authority of the hegemonic system, it is probable that governments will continue to seek solutions to the present crisis by searching for new ruling coalitions to legitimize the neoliberal order. Although there are other policy approaches, such as the trend towards social impact bonds, that could arguably fulfill a redistributive function within a market-based framework, there are few policies that offer the potential to improve income security in a non-coercive manner. This paper claims that basic income may provide the 'best possible shell' for a revitalized progressive neoliberalism for the 2020s, offering stability to the existing order, and counterbalancing the consolidation of a right-wing authoritarian governing bloc.

As Chrisp and Martinelli (2019) have noted, there are considerable practical challenges for basic income as a consensus issue, given that there exist significant differences between left and right factions about what such a scheme should look like. To satisfy the conditions necessary to stabilize the hegemonic order, any guaranteed income programme would have to meet two minimum conditions. First, it would have to be sufficiently generous, reliable, and accessible to resolve neoliberalism's distribution problem by raising the income floor and providing additional security. If it is insufficiently funded, or not widely available to those who need it, it is unlikely to provide the income security necessary to meaningfully reduce discontent with material conditions under neoliberalism. Second, its conditions must be designed so that, in keeping with the essential logic advanced by the neoliberals themselves, the guaranteed income programme is non-coercive and does not interfere with market relations (Preiss, 2015).

From the neo-Marxist perspective, the reconstitution of the centrist, neoliberal governing bloc (that generated the legitimization crisis of neoliberalism in the first place) paints a bleak outlook for the future. A basic income developed by and for a neoliberal environment, Clarke (2020) argues, is likely to bear the hallmarks of its "strategic imperatives" to promote an agenda that places primary emphasis on market competition and the profit margins of private capital

(n.p). This could lead to the development of a ‘neoliberalized’ guaranteed income scheme that seeks to replace, rather than supplement, existing welfare supports. This would raise the possibility of the implementation of a permanent basic income scheme, which could lead to what Jäger and Zamora (2021) have termed “welfare without the welfare state” (n.p).

Such concerns are well-founded. In the late 1960s, Friedman (1967) noted that one of the benefits of a guaranteed income scheme is that it weakened the foundations of the welfare state by making individuals less reliant upon it. He suggested that if the left-wing were to embrace such a programme, it “will find that it has bought a Trojan Horse”, since it will provide citizens with “reasoned alternatives to present programs that will permit a gradual withdrawal from them” (Friedman, 1967, 241).

It is possible, and perhaps likely, that the establishment of a more redistributive neoliberalism based upon guaranteed income transfers would lead to the continued erosion of welfare state programmes and protections. However, as this article has claimed, in the absence of an organized, counterhegemonic movement on the left, the most likely outcome to neoliberalism’s unravelling hegemony is for it to undergo yet another mutation, transforming itself while remaining dominant.

While it may be the case that there can be “no social policy detour” around the economic contradictions at the heart of the neoliberal policy paradigm, neoliberalism has proven adept at reconstituting itself to accommodate variegated and complex environments, making short-term concessions to ensure the consolidation of its hegemony (Clarke, 2020, n.p.). Basic income is uniquely positioned as a policy approach that corresponds sufficiently to both the political demands of the present moment, and to the essential logic of the neoliberal intellectual tradition, to temporarily stabilize the political order, while at the same time addressing the problem of rising inequality.

### Competing interests

The author declares none.

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