

1 A Hayekian Case for Free Markets and a Basic Income

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Introduction

For better or for worse, there are now a substantial number of Americans who know the name of Friedrich Hayek only because his most popular book, *The Road to Serfdom*, was recommended by FOX News personality Glenn Beck as a prescient warning about the dangerous trajectory of the Obama Administration. Most of those people, I suspect, would be quite chagrined to discover that, consistently and throughout his entire career, Hayek defended the rather socialist-sounding idea of an “equal minimum income for all.”¹

There is certainly something of a paradox here. Hayek, one of the best-known free-market libertarians of the twentieth century, was also a defender of what many regard as the apotheosis of the welfare state—a basic income guarantee. And Hayek himself was little help in resolving this paradox. Although his support for a basic income guarantee was consistent throughout his career, Hayek never really provided much detail about *why* he supported it. Many readers were thus left with the forgivable impression that Hayek’s support was a kind of fluke—an idiosyncrasy that reflects either (if you’re sympathetic to libertarianism) a failure to think through the full logical commitments of his individualistic premises, or (if you’re not) a trace of compassion and humanity that his libertarian ideology failed to fully extinguish.

The thesis of this chapter is that Hayek’s support of a basic income guarantee was *not* a fluke. Or rather, since I wish to put the emphasis on positive political philosophy rather than Hayekian exegesis, that it need not be a fluke for those of us who draw inspiration from Hayek’s ideas. What I shall argue is that a commitment to both the libertarian ideals of free markets and limited government, *and* to the idea of a basic income guarantee, *both* flow naturally from Hayek’s fundamental commitment to individual liberty, understood as the absence of coercion.²

This thesis, I hope, will be of interest to more than just Hayekians. The Hayekian case for free markets and a basic income, as I understand it, is rooted in Hayek’s distinctive understanding of the nature of freedom, and

how that freedom operates in a market economy. That understanding of freedom, I will argue, has much in common with the neo-republican conception advanced by theorists such as Philip Pettit.³ And it is superior to the standard, rights-based account of freedom adopted by libertarians such as Robert Nozick and Murray Rothbard.⁴ Thus, one goal of this chapter is to convince non-Hayekian libertarians to adjust their understanding of freedom. This, I believe, will go a long way toward undermining a major source of resistance among libertarians to the idea of a basic income guarantee.

But I also think that non-libertarian republicans have something to learn from Hayek. Republicans in general, and Pettit in particular, have been adept at identifying sources of domination within the private sphere, and in suggesting various ways in which government can act so as to reduce the potential for domination. Where they have fallen short, I think, is in recognizing the ways in which market competition can itself serve as a powerful check against domination, and the ways in which even well-intentioned government policies can both reinforce existing and give rise to new forms of domination.⁵ A second goal of this chapter is thus to convince those already attracted to the republican idea of liberty to adopt a more Hayekian understanding of the role markets and governments play in advancing or retarding freedom, and thus, I think, move in a more libertarian direction on questions of public policy.

This chapter is divided into four sections. In the first, I examine more closely Hayek's account of freedom and coercion, especially as developed in *The Constitution of Liberty*. In the second, I show how that account supports the libertarian position of free markets and limited government. In the third, I show how it supports a basic income guarantee. I conclude with the question of whether a guaranteed minimum income ought, as Hayek seems to have believed, to be contingent upon a willingness to work.

Hayek's Account of Freedom and Coercion

Early in *The Constitution of Liberty*, Hayek defines freedom as the absence of coercion.⁶ In doing so, Hayek appears, at least to the casual reader, to be following the standard libertarian line. If freedom can be infringed only by coercion, then lack of power or lack of wealth would not appear to render an individual unfree.⁷ Taxes and regulations imposed by the government, in contrast, *do* seem coercive and thus *do* seem to constitute an infringement of freedom on this view.

A close reading reveals, however, that Hayek's understanding of freedom diverges from that of the standard libertarian in terms of both its underling theory and its practical implications. In terms of theory, standard libertarians such as Rothbard and Nozick understand coercion as a moralized term that makes essential reference to the idea of individual rights. Libertarians believe, roughly, that *A* coerces *B* if and only if *A*

proposes to violate *B*'s *rights* unless *B* complies with *A*'s demands.⁸ Since governments do not have the right to seize an individual's justly held wealth without her consent, its threat to fine or imprison individuals who do not pay their taxes is viewed by libertarians as coercive. Taxation is theft.

As many critics of libertarianism (and some friends!) have argued, the logical implication of this theory of freedom (combined with the libertarian's underlying theory of rights rooted in self-ownership) would seem to be anarchism. Even a minimal state devoted solely to the protection of individuals' negative rights would still require coercive taxation to finance its activities. But if all taxation is a violation of individual rights, then freedom and even the smallest of governments are necessarily incompatible.⁹

Hayek rejects the idea that freedom and coercion should be understood in terms of abstract natural rights. Instead, Hayek holds that freedom consists of being able to live one's life "according to [one's] own decisions and plans, in contrast to . . . one who was irrevocably subject to the will of another."¹⁰ Coercion, in contrast, consists of a state in which "one man's actions are made to serve another man's will, not for his own but for the other's purpose."¹¹

According to Hayek, "coercion implies both the threat of inflicting harm and the intention to bring about certain conduct" by means of that threat.¹² The harm that is threatened will often take the form of physical violence, but Hayek notes that threats of brute force are not the only means by which coercion can be exercised.¹³ One can also coerce by effectively withholding a resource or service that is crucial to the existence of another individual or the preservation of that he or she most values.¹⁴ The owner of the only source of water in the middle of a desert, for instance, can wield coercive power through his ability to withhold that resource from others.¹⁵ Even a "morose husband, a nagging wife, or a hysterical mother" might be said to exercise "coercion of a particularly oppressive kind," though in these cases any attempt to correct the coercion by means of government action would lead to "even greater coercion" and would thus be unacceptable in a liberal society.¹⁶

On this understanding of freedom, the activities of government *can* be coercive but need not be so. An absolute monarchy in which subjects live and property were subject to the whim of the king would clearly be a situation rife with coercion, on Hayek's view. But, crucially, Hayek believed that a government consisting of general rules applied equally and impartially to all would *not* be coercive.¹⁷ Such rules would, of course, restrict what individuals could do. But insofar as they are general and applied equally to all, they do not render any individual subject to the will of any other individual. They are, in Hayek's words, like "laws of nature"—stable facts of social existence around which individuals can learn to navigate and plan their lives. They do not place some citizens in



a position of subordination, and they do not elevate others to a position of dominance.¹⁸

This view of freedom is not without its problems—some of which were pointed out by early libertarian critics of Hayek such as Ronald Hamowy.¹⁹ But one advantage it seems to have over traditional libertarian theories is its focus on the actual character of social relationships. For libertarians, freedom is understood in terms of abstract rights, which are themselves understood in a historical sense.²⁰ And thus, for the libertarian, we can never tell simply by looking at the character of a social relationship whether it is a state of freedom or unfreedom. A man is being dragged, fighting, into a car by stronger men armed with guns. Is his freedom being infringed? That depends. Is he a criminal who is being justly arrested by the police (or, if you prefer, by the Dominant Protection Agency)? Then, despite all appearances to the contrary, the answer is no—his freedom, that is, his rights, are not being infringed. A soldier is told when to eat, when to sleep, what to wear, and who to kill by his superiors, on threat of severe punishment for disobedience. Is he free? The libertarian's answer is, Not if he signed up for it. For the libertarian, it seems that there is no set of social arrangements so oppressive, no amount of being bossed around by others that is incompatible with freedom, so long as that situation *arose* in the right way. Whatever arises from a just situation by just steps, is itself just. And whatever arises from a free situation by freedom-respecting steps, is itself free.

Theodore Burczak has argued that the same is true of Hayek's account since, according to Burczak, Hayek makes the presence or absence of coercion in a proposal depend on how the conditions in which that proposal was made came about.²¹ But this, I think, is a mistaken interpretation of Hayek's position. For Hayek, it doesn't matter *how* the wanderers in the desert became dependent on the monopolist. What matters is what the monopolist *does* with that power. If he threatens to withhold resources unless the others do as he wishes, he acts coercively. If he shares the water with them freely, he does not.

How is the monopolist's position different from other forms of conditional transactions in the marketplace? Note that it is not the mere presence of monopoly in the background, because for Hayek, that makes the proposal coercive. Someone who wishes to be painted by a particular artist but must pay a very high fee to do so is not coerced. Hayek's explanation for this is that the painter's service, unlike the water in the desert, is something one can easily do without.²² But as his later response to Hamowy makes clear, this is only part of the explanation. The deeper explanation is that, for Hayek, you do not have a *right* to the painter's services, whereas you do have a right to life-saving water in the case of an emergency.²³ Hayek admits that he lacks a full account of *why* we have such a right in the desert case, but presumably the fact that the water is vital to our survival is one part of the story, and the fact that the situation

is such where the normal mechanisms of supply and demand are insufficient to produce desirable outcomes is another.

With this clarification, Hayek's account of coercion, and his analysis of the several cases he provides, appear to form a plausible and coherent whole. The key issue, for Hayek, is whether a proposal increases or decreases one's options, *relative to a baseline in which one's moral and legal rights are respected*. An offer of an unpleasant job from an employer is (generally) not coercive because it simply adds one option to whatever options one already has, and one does not generally have a *right* to work, or a paycheck, from any particular person. A gunman's threat of "your money or your life" is coercive because it *removes* options—specifically the option to keep both your money and your life—to which you are entitled and which you had before the gunman showed up. And finally, the desert monopolist's proposal to withhold water unless you do as he says is coercive because you have a *right* to a share of the water, but his threat to withhold it is essentially akin to the gunman's threat to take your life unless you hand over your wallet.

Freedom and the Market

Hayek's theory of freedom is in many respects similar to the neo-republican theory advanced most famously by Philip Pettit.²⁴ Like Pettit, Hayek takes something like the idea of *dominance* to be central to the understanding of freedom, where dominance is understood as being subject to the arbitrary will of another person, and freedom being understood as the absence (or the minimization) of dominance. The question I wish to take up in this section is—how well does a republican view of freedom such as this square with Hayek's embrace of the free market?

Contemporary critics of republicanism, such as Geoffrey Brennan and Loren Lomasky, argue that the view is "profoundly anti-market." I think this view is mistaken, but it is buttressed by the way in which advocates of republicanism such as Philip Pettit and Richard Dagger talk about markets.²⁵ At best, contemporary republicans take a stance of "complacency" toward markets, tolerating but hardly celebrating them. At worst, republicans are deeply skeptical of markets and view them as a troubling source of domination and unfreedom.

Both Pettit and his critics have a point. But in neither case is that point as strong as it is taken to be. The republican theory of freedom is not *inherently* hostile to markets, and markets are not *inherently* inhospitable to republican freedom.

Indeed, a Hayekian perspective on markets suggests that we can say quite a bit more than this. Markets are not only not inherently inhospitable to republican freedom; they are, in fact, often one of the most effective guarantors of that freedom.

The essence of market competition is the existence of alternatives, and the right to say "no" to proposals that fail to serve one's interests at least

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as well as one of those alternatives. In a competitive labor market, an employer who tries to force her employee to do something she doesn't want to do is constrained by that employee's ability to quit and find a job elsewhere.²⁶ Taking that exit option is not always easy, but in many cases it is sufficient to protect the freedom of all that the option *exists* and that *some* people take it. I almost never compare prices on toothpaste among the various stores at which I shop. But *some* people apparently do, and that is enough to keep the price competitively low for everyone.

The more competitive a market is, the more prices and other terms of agreements are regulated by the impersonal forces of supply and demand, and the less any particular market agent is able to impose his or her particular will on her partner in exchange. Of course, everything in the market has a price, and that price combined with budgetary restraints implies that no one will be "free" to do everything they might wish. But market competition does help to ensure that one's choices will not be determined by the particular will of other market agents. It limits the ability of market agents to *manipulate* your circumstances so that the thing they want you to do becomes your least painful option. Such non-manipulability is an important element of freedom on Pettit's view, and on Hayek's as well.

It is largely because Hayek views competition as such an effective check on coercion that he views government power with suspicion. For government is, after all, the only institution within society to claim and generally possess an effective monopoly on the use of force. And this monopoly on force is often used to establish and maintain *other* monopolies, such as on roads, on the delivery of regular mail, on the creation and enforcement of criminal law, and so on. Because individuals who value these services have nowhere else to go, they are often left with no practical alternative to complying with the government's demands. Indeed, this might very well be the essential difference between government and other organizations within society—most organizations can do nothing more than make proposals to which you are free to say "no"; government, in contrast, does not make proposals—it makes demands.

Insofar as those demands take the form of general rules equally applicable to all, Hayek suggests, the coercive nature of government might be kept to an acceptable level. But as legal rules become more numerous and complex, as ordinary individuals become unable to know in advance what actions are permitted and which are prohibited, as law enforcement becomes practically unable to enforce all the rules that they could, in theory, enforce; the extent of individual discretion increases and so too does the possibility of coercion. When that with which individuals have to comply is no longer "the law" but some bureaucrat behind a desk, or some officer behind a badge, with the practically unchecked power to apply the law in whatever way he or she sees fit, then individuals are no longer fully free.²⁷

If, then, we follow Hayek in understanding freedom as the absence of coercion, and coercion as the state of being subject to the arbitrary

will of another, his libertarian attitude toward both the market and the state make sense. Competition in the market means that individuals can say “no” to proposals that do not advance their interests, and thereby encourages firms to make offers that *people do*. Because individuals are not dependent on any particular buyer or seller, no one is in a position to force them to accept terms that they do not like. In contrast, the lack of competition in government means that individuals will often have no choice but to accept proposals that are not in their interest. Competition protects choice and limits coercion; monopoly inhibits choice and makes coercion more likely. And government is the ultimate monopolist.

Of course, the Hayekian argument in favor of markets that I have just presented applies only to *competitive* markets. And this is a standard that we cannot simply *assume* all markets to meet. No real-world market lives up to the economist’s standard of perfect competition with its full information, infinite buyers and sellers, and zero transaction costs. And some real-world markets fall short of even a more forgiving standard of competitiveness. Some markets have significant natural barriers to entry; others have barriers that have been artificially created by government policy. Some markets deal in highly differentiated products for which there are few substitutes; some are plagued by limited and asymmetric information.

In cases where competition is substantially lacking, significant opportunity for coercion may exist. In times or sectors of high unemployment, for example, a manager can use his discretionary power to compel workers to “voluntarily” work overtime, or to keep quiet about their political opinions, or to put up with harassing behavior and so on, on threat of being fired and plunged into unemployment. Hayek recognizes the possibility of such coercion, but views it as a relatively rare phenomenon in a market economy:

There are, undeniably, occasions when the condition of employment creates opportunity for true coercion. In periods of acute unemployment the threat of dismissal may be used to enforce actions other than those originally contracted for. And in conditions such as those in a mining town the manager may well exercise an entirely arbitrary and capricious tyranny over a man to whom he has taken a dislike. But such conditions, though not impossible, would, at the worst, be rare exceptions in a prosperous competitive society.

(Hayek 2013: 204)

Not every threat of termination will count as coercive on Hayek’s view, or indeed on any defensible view of the matter. Whether the threat of termination is coercive will depend, at least in part, on how bad the consequences of termination would be for the employee. For instance, the threat of termination will not qualify as coercive if the employee has

other acceptably good opportunities for employment. Nor, I believe, would it qualify as coercion for Hayek if the consequences of *unemployment* are not that bad—perhaps because the employee has a significant amount of savings to fall back on. Recall Hayek’s example of the person who would very much like his portrait painted by a famous artist.²⁸ The artist’s monopoly on his own services and his demand for a high price in exchange for them does not suffice to render his offer coercive, for Hayek. And the reason he does not act coercively is that the services he offers are ones that potential customers can easily do without. Similarly, an employer—even an employer who enjoys a degree of monopsony power—will not act coercively if her offer of employment is one which her potential employee can easily do without. I will return to this point in the next section.

Before turning to that section, I wish to raise one more issue regarding the relationship between market competition and coercion. At its best, market competition works to ensure that people’s wages and other terms of employment are regulated by the impersonal forces of supply and demand, and not by the whim of any particular employer (or employee). But even in this best case, market competition ensures only that people are paid the fair market value of their labor. It does not ensure that people are paid *adequately* for their labor, at least if we understand “adequate” in some independent sense, such as what would be sufficient to maintain an acceptable standard of living. People whose productivity is very low, for instance, might still receive an inadequate wage under conditions of perfect competition. What, then, should we say about this category of persons, which might include those with a severe disability, or the very elderly? Does the market subject such persons to coercion?

That some persons in a competitive market are able only to earn a wage that is less than adequate for meeting their basic needs does not appear to be *itself* coercive. In cases such as these, wages are low because the productivity of labor is low, and because employers would lose money if they were to pay a wage that was higher. It cannot be said that employers are paying low wages in order to manipulate their employees’ options, to bend them to their will, or to take special advantage of them. They are not threatening harm; they are, rather, offering a benefit that will improve the situation of workers, though perhaps not as much as those workers would like.

Even still, although less-than-adequate wages might not *themselves* be coercive, those who are dependent on them are certainly *vulnerable* to coercion from other sources. To be poor is to lack options, and when all of a person’s small number of options are extremely bad, it is easy to imagine how an unscrupulous person or firm might exploit that vulnerability for her own advantage. A starving man can be made to act in accordance with your bidding by the “offer” of a loaf of bread, at least if yours is the only offer on the table. To be dependent on your survival on

the will of another, and to be compelled to act in accordance with *his* will rather than your own, is, for Hayek, the essence of unfreedom.

The question remains, however, of how we should *respond* to that unfreedom. Legally prohibiting coercive proposals is one option, and in some cases it will be the most appropriate. When we ban threats of physical violence, we eliminate coercion and thereby expand (or at least preserve) the range of options of the potential victims of such threats. But what about the kinds of proposals involved in offering bad jobs to desperately poor people? Should we prohibit sweatshop labor? Notice that if we did so, the result would not necessarily be that the poor would be in a better position with respect to the range of options available to them. People work at sweatshops because they are the least bad option on the table. Taking that option away, without doing anything else to replace it, make those individuals worse off, not better.²⁹

What individuals in circumstances like these need is an *expansion* of options, not a reduction. In this case, the minimization of coercion requires not prohibitions, but the provision of opportunities.

It is to the provision of those opportunities that we now turn.

Freedom and the Basic Income

The first step of a Hayekian argument for a basic income is to note that some redistribution is necessary in order to protect people from coercion. Lack of wealth, as we have noted, renders people vulnerable to coercion by others. An employee in a tight labor market must do what his boss tells him or else risk destitution. A wife who is dependent on her husband's paycheck may have to put up with abusive behavior simply in order to keep a roof over her head. In these cases and in many more, a person is unable to escape serious and pervasive interference by others because they lack the financial resources to stand on their own. Providing that person with money gives them options; it gives them the effective ability to say "no"; it gives them freedom.³⁰

True, this freedom is achieved by state redistribution. And an opposition to state redistribution is thought to be central to the libertarian ideology. But we should note that the basic idea here is not so obviously different from other forms of policy that libertarians already accept. Leaving the anarchists to the side, most libertarians accept that the provision of police protection is a legitimate function of the state, necessary for the protection of individual rights. But police protection is not provided on a fee-for-service basis. It is funded out of general tax revenues, and then distributed to all persons on the basis of need. If, then, the libertarian can comfortably endorse the redistributive financing of *services* in order to protect individuals against coercion, why can she not also endorse the redistribution of *cash* for the same end? In both cases, the goal is to use coercion to limit coercion—to *minimize* the degree of coercion in society as a whole.

Of course, it is important to note the *limits* of the redistribution that can be justified on Hayekian grounds. The point of redistribution, on this view, is to protect individuals from coercion. And that is a fairly limited goal. It is much more limited, for instance, than the goal of securing *equality* among citizens, or of eliminating the effects of brute luck. A system of redistribution aimed at eliminating coercion will not have the aim of reducing suffering as such, but only a certain sort of suffering caused by the subjection of one individual to the will of another. Freedom from coercion is not the only thing that matters to individuals, of course. But the Hayekian view is that it is the only thing that can legitimately be *demand*ed of others, as a matter of justice to be coercively enforced by the state.

Once we have established the necessity of some redistribution on Hayekian grounds, the second step is to determine what *form* that redistribution should take. My claim in this essay is that a Hayekian approach justifies a basic income—a cash transfer that is made equally available to all citizens. So why *this* form of redistribution rather than something else?

Once again, Hayek himself has relatively little to say on this matter. In laying out his position, Hayek writes:

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 a wholly legitimate protection against a risk common to all, but a necessary part of the Great Society in which the individual no longer has specific claims on the members of the particular small group into which he was born. A system which aims at tempting large numbers to leave the relative security which the membership in the small group has given 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 1979: 55)

Hayek goes on to distinguish the assurance of a minimum income from the kind of “social justice” he famously criticized. There is a difference, Hayek argued, between a society that “accepts the duty of preventing destitution and of providing a minimum level of welfare” and one which seeks to “determine the ‘just’ position of everybody and allocates to each what it thinks he deserves.”³¹ Insofar as the latter task involves ensuring that “particular people get particular things, it requires a kind of discrimination between, and an unequal treatment of, different people which is irreconcilable with a free society.”³²

One of the themes of *The Constitution of Liberty* is the importance of laws consisting of general rules, equally applicable to all. And this

might be thought to justify a *universal* basic income as opposed to some more targeted or means-tested form of transfer.³³ But Hayek himself was insistent that means-testing was essential to any justifiable system of state redistribution.³⁴ And anyway, I am skeptical that the ideas of “generality” and “equality” can really do much work here. A rule that says that *everyone* who makes less than \$12,000 a year gets some help but anyone who makes more doesn’t is general in the same way as a rule that says that *all* women over the age of 40 are entitled to annual mammogram, but women under that age (and men!) are not. In both cases, distinctions are made on the basis of relevant differences between persons. People are treated unequally in a sense, but this inequality of treatment seems quite compatible with whatever kind of equality we think ultimately matters in political life.

For this reason, I don’t think the sort of basic income justified on Hayekian grounds is incompatible with means-testing—either on the front-end or the back-end. That is, either we redistribute only to those who truly need the help or we give money to everyone but take it back in the form of taxes from those who don’t really need it.³⁵

The point at which means-testing becomes problematic from a Hayekian perspective—though this is a point that Hayek himself seems never really to have considered—is the point at which the system of redistribution *itself* becomes a means by which some individuals are subject to the arbitrary will of others. To the extent that individuals must satisfy multiple bureaucrats with largely discretionary power that they really *deserve* the money, that they’re trying hard to get a job and that they’re not just lazy or on drugs or trying to game the system, to this extent individuals are put in a servile position where their ability to satisfy their needs depends on the permission of others who hold a monopoly power over the resources they require. A simple, relatively universal and automatic system of redistribution minimizes discretionary control, and thus frees individuals from this limiting and demeaning process.

Moreover, a system of *cash* transfers gives individuals the freedom to decide for *themselves* what they need, whether that is paying the rent, buying groceries, or saving for future consumption. A system of in-kind transfers, in contrast, puts those decisions in the hands of government, where they are at least as likely to be determined by the pleadings of powerful special interests as they are by genuine considerations of recipients’ basic needs. One of the most powerful and consistent themes in all of Hayek’s work is his insistence that government planners often lack “knowledge of the particular circumstances of time and place” that would be necessary to carry out their plans effectively.³⁶ For Hayek, that limitation was an important part of the case for decentralized (i.e., free market) economic planning. But insofar as cash grants decentralize decision-making regarding the most effective use of resources to those who are most familiar with the particularities of their own circumstances,

the limitation of knowledge would seem to furnish a powerful argument for cash versus in-kind transfers as well.

Two elements in Hayek's thought—his belief in freedom as a condition of not being subject to the arbitrary will of another, and his well-known skepticism regarding the degree of particular knowledge available to government planners—push in favor of something very close to a universal basic income. But before we conclude our discussion, there is one more element to consider—Hayek's persistent insistence that social welfare payments be limited to those who are genuinely unable to support themselves through work.

Should There Be a Work Requirement?

It is often claimed that one of the defining elements that distinguishes a basic income guarantee from other forms of public assistance is *unconditionality*.³⁷ That description involves something of an overstatement. Almost all basic income schemes involve *some* conditions on who receives money—in some cases, it is restricted to citizens, in other cases, it is restricted to those above a certain age. But the truth behind the overstatement is that basic income schemes involve far *fewer* conditions than most other forms of public assistance. In particular, basic income schemes are almost always not conditional on recipients *working*, or willingness to work.

I have argued in this chapter that the Hayekian commitment to freedom as non-domination supports his call for provision of a minimum income for all. But that argument leaves open the question of whether that provision should come with strings attached. Should individuals be required to work, or at least be willing to work, in order to be eligible for a basic income?

Hayek apparently thought so. In *Law, Legislation, and Liberty*, Hayek wrote that

The problem here is chiefly the fate of those who for various reasons cannot make their living in the market, such as the sick, the old, the physically or mentally defective, the widows and orphans—that is 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.³⁸

In other words, the point of government transfer payments is to provide for those who are *unable* to provide for themselves. What about those who are able, but unwilling? On this question, Hayek is clear:

I do not question any individual's right voluntarily to withdraw from civilisation. But what "entitlements" do such persons have? Are we

to subsidise their hermitages? There cannot be any entitlement to be exempted from the rules on which civilisation rests. We may be able to assist the weak and disabled, the very young and old, but only if the sane and adult submit to the impersonal discipline which gives us means to do so.³⁹

As an example of the sort of “impersonal discipline” he had in mind, Hayek elsewhere suggested that “some voluntary service on military lines might well be the best form to provide the certainty of an opportunity for work and a minimum income for all.”⁴⁰

In these passages, Hayek appears to be at least tacitly endorsing a principle of reciprocity, a principle that has been employed by many critics of a basic income such as Stuart White.⁴¹ According to this principle, those who seek to benefit from the productive activities of society have a moral obligation to make some reciprocal contribution to society. There is no right to “free ride” on the productive activities of others, at least when one is capable of making a productive contribution oneself. It is, therefore, the argument continues, proper for governments to condition benefits on work, or willingness to work, as a means of discouraging free riding and ensuring that the reciprocity condition is met.

The reciprocity principle is a powerful one, and enjoys a great deal of both popular and philosophical support. It is possible, however, to defend a basic income without challenging that principle. For instance, even if it is true that individuals who benefit from the productive activities of society have an obligation to make *some* contribution in return, it is far from clear that that reciprocal contribution must necessarily take the form of paid labor. Artists, parents, and caregivers, for instance, all make (or are capable of making) an important contribution to society, but none of them is engaged in the sort of “work” that would qualify them for benefits under something like the Earned Income Tax Credit.⁴²

Furthermore, even if the reciprocity principle is true, presumably some accommodation will have to be made for those who genuinely *cannot* make a reciprocal contribution. Those who are physically or mentally unable to work, for instance, presumably should not be excluded from receiving benefits in the way that someone is able but unwilling to work would. So even if the principle of reciprocity excludes *some* non-workers from receiving benefits, it should not be interpreted so as to exclude them all.

So far, the responses I have presented to the reciprocity principle are perfectly general. They are the kinds of responses that many defenders of a basic income have made before. But, interestingly, these responses actually become more powerful when combined with insights from Hayek’s own thought. That is to say, the most powerful response to Hayek’s objection to an unconditional basic income comes from Hayek himself.

In his discussions of the virtues of a market economy, and in particular his discussion of the role of a freely functioning price system within a

market economy, Hayek repeatedly emphasizes the significance of the dispersed nature of knowledge. It is because knowledge of the particular circumstances of time and place is radically dispersed among all the individual members of an economy that central planning by a socialist state is bound to fail.⁴³ Such a state simply cannot know everything it would need to know in order to utilize resources efficiently. A market economy coordinates knowledge through means of price signals that indicate to buyers and sellers the relative supply of and demand for the various resources they use. But the price system works precisely because it economizes on knowledge. Buyers in the market will almost certainly not know all the reasons *why* a particular good they want has become more expensive; they only know *that* it has become so, and that they must, therefore, give up more of what they want in order to obtain it or do without.

In essence, Hayek's point is that government agents (or anybody else charged with making decisions about large, complex systems) are inevitably going to face a serious problem in obtaining knowledge of all the particular circumstances that would be relevant to determining how to effectively allocate resources. But this point has important implications for the two responses to the reciprocity argument just discussed. With respect to the first, suppose we grant that (i) reciprocity requires those who benefit from society's productive activities make some reciprocal contribution to society, and (ii) some kinds of activity other than paid labor can satisfy this reciprocity condition. We now face the challenge: *Which* kinds of activities are to count as satisfying the requirement, and which aren't? If Suzanne isn't working because she's trying to write the next great American novel, does that count? Does it count only if the novel has a reasonable prospect of success? If James isn't working because he's staying at home raising a child, does that count? What if he doesn't put much effort into being a father, neglecting his kids and watching television all day while they languish in the house unattended?

The point is not that these questions are unanswerable. Clever moral philosophers might very well be able to come up with a theory regarding precisely what counts as a reciprocal contribution, and what does not. The point is that *even if we had such a theory*, putting it into practice would require far more knowledge than governments can ever safely be assumed to possess. How could they know whether James is being a good father or a poor one? What sort of intrusive powers would we have to grant it in order for it to even *begin* to make that determination?

The same form of argument can be applied to strengthen the second response as well. If *some* people are exempt from the reciprocity condition because they are genuinely unable to make a reciprocal contribution, then government must have some means of determining who is unable to work, and who is simply unwilling. This determination will be made considerably more difficult by the fact that those who are merely unwilling will have a strong incentive to deceive government agents into believing

they are unable, so as not to lose whatever benefits they might otherwise be entitled to. Here, again, making the correct decision will require considerable knowledge of the particular details of individuals' lives—knowledge that it will not be easy for government to come by, even if we were willing to grant them the considerable intrusive powers they would need in order to make the attempt.

Therefore, even if reciprocity is a valid moral principle, it does immediately not follow that governments should seek to apply it by conditioning benefits on some form of reciprocal contribution. The problem isn't the principle. The problem is that governments simply don't know enough to apply the principle correctly.

But, one might ask, why not try? Even if governments sometimes get it wrong, it might still be better to *approximate* reciprocity than to give up on the principle altogether. This response has some intuitive plausibility. But we cannot necessarily assume that *trying* to implement reciprocity will be better than not trying at all. Trying to implement reciprocity will result in a greater number of type 1 errors—a denial of benefits to those who are genuinely entitled to them. Not trying will result in a greater number of type 2 errors—conferral of benefits on those who are not entitled to them. Whether trying or not trying is better depends, in part, on the relative seriousness of these two distinct types of error.

The question of their relative seriousness is, of course, hard to resolve definitively, depending as it does on the relative weighting one assigns to a range of different moral considerations. Still, there are again resources within Hayek's own thought for concluding that we should be more concerned to avoid errors of type 1 than those of type 2. Errors of type 1 involve denying benefits to those who are entitled to them. And that, in turn, means that those individuals will be subjected to potentially severe and unjustifiable coercion in the marketplace. They will be forced to take demeaning jobs, or perhaps be (coercively) denied access to the basic necessities of life altogether. Errors of type 2, in contrast, mean that some people will get benefits who are not entitled to them, and that, eventually, taxes will, therefore, need to be somewhat higher than they would otherwise be in order to pay for those additional benefits. Hayek rightfully views taxation as coercive, so this consequence is not without moral import. Even still, there is a significant difference between the *degree* of coercion involved in increased taxes, and that involved in being destitute in a market economy. For this reason, someone like Hayek, who sets it as his goal to *minimize* the incidence of coercion, should be inclined to take type 1 errors much more seriously than those of type 2.

Conclusion

If we define a universal basic income as one that involves transfers that are both *unconditional* and in the form of *cash*, then Hayek did not

endorse a universal basic income.⁴⁴ On the issue of whether transfers should be cash or in-kind, Hayek seems never to have addressed the issue one way or the other at all. But on the issue of unconditionality, Hayek clearly insisted that an individual's entitlement to an "equal minimum income" should be contingent upon a demonstrated inability to support herself through productive labor.

However, the question of what policies Hayek actually *endorsed* is different from that of what policies his principles *commit* him to. This chapter has argued that Hayek's broadly republican account of freedom, combined with his commitment to using the powers of the state to minimize coercion, and his deep skepticism of government's ability to acquire the knowledge necessary to make fine-grained decisions in a complex system, all strongly push in favor of a universal basic income. This case for the basic income is not Hayek's, but it is distinctively Hayekian.

I have not had much to say in this chapter about the *form* that a Hayekian basic income would take. My task here has been to articulate the Hayekian principles that justify a basic income, not to work out the precise details of what the value of that basic income ought to be, whether it ought to be distributed to individuals or families, whether it ought to be administered through the tax system or by some other means, and so on. These are all tremendously important questions.⁴⁵ And the Hayekian principles I have suggested here do suggest the general shape that some of the answers to them will take.

For instance, a Hayekian basic income will be aimed at providing a *minimum* income sufficient to provide people with some recourse against coercion. This will almost certainly be less sizable than the sort of basic income defended by Van Parijs, which has as its goal the ideal of *maximizing* the sustainable real freedom of the least well-off.⁴⁶ And in order to provide an effective check against domestic coercion, the income should probably be paid to individuals, rather than to heads-of-household as it might be if administered in the form of a negative income tax. Beyond these and other similar broad specifications though, Hayekian principles no doubt leave a wide range of optionality in the design of a basic income. *Some* form of minimum income is necessary to protect individuals against coercion, but the precise details of the system can, on good Hayekian grounds, vary with the particular circumstances of time and place in which it is considered for implementation.

Notes

1. (Hayek 2013: 427)
2. A similar coercion-based argument for a basic income has recently been advanced by Åsbjørn Melkevik. See (Melkevik 2017).
3. (Pettit 2006b)
4. (Nozick 1974; Rothbard 1982, 1973)
5. A notable recent exception is Robert Taylor. See (Taylor 2013, 2017).

6. (Hayek 2013: 57–58)
7. Though see (Cohen 2011) for a critique.
8. For critical discussion of the use of moralized concepts of freedom and coercion by libertarians, see (Cohen 1995; Weinberg 1997; Zimmerman 2002)
9. This was Rothbard's view (Rothbard 1973: Chapter 3), which Nozick famously went to great (though not entirely persuasive) lengths to reject in part 1 of (Nozick 1974).
10. (Hayek 2013: 59)
11. (Hayek 2013: 199)
12. (Hayek 2013: 200)
13. (Hayek 2013: 202)
14. (Hayek 2013: 203)
15. (Hayek 2013: 203)
16. (Hayek 2013: 205)
17. Hayek is actually somewhat unclear on whether such general rules are not coercive at all, or whether they are simply not the *kind* of coercion that we ought to worry about. In support of the former interpretation, Hayek writes that “in so far as the rules providing for coercion are not aimed at me personally but are so framed as to apply equally to all people in similar circumstances, they are not different from any of the natural obstacles that affect my plans” (Hayek 2013: 210). In support of the latter, however, Hayek repeatedly emphasizes that “to prevent people from coercing each other is to coerce them. This means that coercion can only be reduced or made less harmful but not entirely eliminated” (Hayek 1967).
18. (Hayek 2013: 221)
19. (Hamowy 1961)
20. Robert Nozick famously defends a historical account of distributive justice, but insofar as his view of freedom is moralized, such that a situation will count as unfree only if it involves a violation of individual rights, his account of freedom thereby takes on a historical character as well. See (Nozick 1974: Chapter 7).
21. (Burczak 2013: 51)
22. (Hayek 2013: 203)
23. (Hayek 1967)
24. (Pettit 1997)
25. See, for example, (Pettit 2006a).
26. “The individual provider of employment cannot normally exercise coercion, any more than can the supplier of a particular commodity or service. So long as he can remove only one opportunity among many to earn a living, so long as he can do no more than cease to pay certain people who cannot hope to earn as much elsewhere as they had done under him, he cannot coerce, though he may cause pain” (Hayek 2013: 203–204).
27. Considerations such as these partially explain Hayek's deep concern for the rule of law. See (Hayek 2013: part 2).
28. (Hayek 2013: 203)
29. I have discussed this issue in detail elsewhere. See (Zwolinski 2007; Powell and Zwolinski 2011).
30. This form of argument is fairly common among republicans. See, for instance, (Pettit 2007; Casassas 2007; Lovett 2009).
31. (Hayek 2013: 410)
32. (Hayek 2013: 376)
33. James Buchanan, however, appears to have endorsed this sort of argument. See (Buchanan 1997).
34. “The assurance of an equal minimum for all in distress presupposes that this minimum is provided only on proof of need and that nothing which is not

- paid for by personal contribution is given without such proof. The wholly irrational objection to a “means test” for services which are supposed to be based on need has again and again led to the absurd demand that all should be assisted irrespective of need, in order that those who really need help should not feel inferior. It has produced a situation in which generally an attempt is made to assist the needy and at the same time allow them to feel that what they get is the product of their own effort or merit” (Hayek 2013: 427).
35. The fiscal equivalence of these two approaches, and thus the fiscal equivalence between a truly unconditional basic income and a Friedman-style negative income tax, can be demonstrated mathematically. See, for a recent example, (Fleischer and Hemel forthcoming).
 36. This skepticism received its most famous expression in (Hayek 1945).
 37. See (Van Parijs and Vanderborght 2017).
 38. (Hayek 1979: 54–55)
 39. (Hayek and Bartley III 1988: 153)
 40. (Hayek 2007: 152)
 41. (White 1997, 2006)
 42. Building on this idea, one might argue that it is societies *without* a basic income that violate reciprocity, insofar as socially useful labor outside the sphere of paid employment do not receive just remuneration. For a development of this argument, along with an extended discussion of the relationship between reciprocity and the basic income, see (Widerquist 1999).
 43. See (Hayek 1937, 1945, 1978; Hayek and Bartley III 1988).
 44. I take these defining elements from (Van Parijs and Vanderborght 2017: chapter 1), which also specifies that any basic income must be an *individual* entitlement.
 45. For a discussion of how and why these questions matter, see (Fleischer and Hemel forthcoming).
 46. (Van Parijs 1995)

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