

# S I D

## Society for International Development Chapter Bonn

In cooperation with The European Association of Development Research and Training Institutes (EADI) and the City of Bonn

Minutes of the 105<sup>th</sup> Expert Talk on Development Policy on 1 July 2014 on

the lecture about the book **“A Precariat Charter: From Denizens to Citizens”**

Lecture by the author Guy Standing, Professor of Development Studies, School of Oriental and Africa Studies (SOAS) at the University of London

### Lecture

The speaker stresses that the book presented had originated from the enormous feedback on one of his previous books “The Precariat – The New Dangerous Class”<sup>1</sup>. The high interest in media and by many readers was mainly connected to the importance of the subject, rather than the claimed prophecy that one could take from the book of an upcoming social crisis that effectively happened with the England riots of August 2011. The book presented was developed owing to the need of an approach for non-economist, thereby establishing a new charter for the precariat.

The author set the charter for the precariat in comparison to older charters (e.g. the *Magna Charta*), however recognizing the present labour situation. In addition, the author wanted to update the ideas of “The Great Transformation”<sup>2</sup>. Mr. Standing states that it is the first time in human history, that mankind globally faces a rolling back and systematic denial of rights, *de facto* and *de jure* (referring to the five types of rights: cultural, political, economic, social, civil).

The speaker argues that since the arising of neo-liberalism in the 1980s, there was a change from the embedded phase of capitalism to a dis-embedded phase, meaning that liberalization, commodification, privatization and competitiveness came up. That model of neo-liberalism systematically dismantled the social solidarity. Mr. Standing debated that about 20 years ago, politicians and economists concluded ‘a Faustian bargain’, promising a continued high lifestyle with high consumption against increased market flexibility and dismantling of social security. However, that approach resulted in a decline of real wages connected with a decrease of non-wage benefits. At the same time debt increased, which ended up in the financial crisis in 2008. Mr. Standing explained that typically wages increase with increasing productivity. However, the present situation shows a decrease of real wages, while

---

<sup>1</sup> Standing, G. (2011): The Precariat: The New Dangerous Class. Bloomsbury Publishing, ISBN-13: 978-1849663526, p. 198.

<sup>2</sup> Polanyi, K. (1944): The Great Transformation: Economic and political origins of our time. Rinehart, New York.

productivity still increases. The author describes it as a global phenomenon (as seen in e.g. Poland, China and USA), which may be explained by the aphorism: 'The jaws of the snake opens'. In conclusion, the author states that the precariat faces declining wages connected with a globalized class fragmentation (stressing that Marx' definition of *class* may be misleading in that case).

Mr. Standing differentiates between the terms proletariat, precariat and underclass. The term underclass describes homeless or drug addicted citizens, basically excluded from society. The proletariat is provided with relatively high wages and social security and labour time is organized in fixed blocks of working periods, leisure time and work places. The precariat faces globally unstable labour (e.g. part time, interns or crowd labour) and unstable living (less or no social security). It is further defined by an increased labour export regime and labour circulation (people moving globally succeeding working opportunities) as well as fading of fixed working periods. That results in a loss of occupational identity, of a sense of security and periods of real leisure. The speaker points out that the proportion of the proletariat declines with a simultaneous increase of the precariat.

Mr. Standing further defines the precariat by features unique in mankind's labour history: (1) the level of education is higher than the level of labour (well educated people work in low-level labour); (2) there is a distinctive relation of distribution (people rely entirely on money wages with no extra non-monetary benefits, which eventually increases the living debt). Thereby, the increased living debt became a tool of exploitation, since people have no capacity of settlement; (3) the precariat has distinctive relations to the state (systematic abolishment of civil rights without a chance to contest against). In addition, each subgroup of the precariat is played against another, since the reduction of civil rights never affects all subgroups as a whole; (4) modern constant surveillance machinery forms a begging society of supplicants and a panoptical society with a distinctive consciousness of relative 'depravation'. Those unique features eventually result in a sense of anxiety, anomy, alienation and anger (so-called 4 A's).

Mr. Standing identifies three new groups within the precariat: (1) the far-right listeners (high insecurity strengthens the far-right political parties), (2) the minor groups (feeling of having no home, increase of fundamentalist groups) and (3) the well-educated (high educational debt, no prospect of a career, lack of future).

The speaker points out principles of counteraction for a "Global Transformation" to take place (with respect to "The Great Transformation"): (1) the new emerging groups have to start the new forward march, led by their aspirations and insecurities; (2) the need of new forms of collected action (since labour unions and left-wing parties are no longer advocates of the precariat); and (3) the involvement of three types of struggles:

1. The struggle for recognition, identity (awareness of belonging to the precariat, and use it)
2. The struggle for representation
3. The struggle for redistribution of key assets by
  - a. Basic security (by the introduction of unconditional basic income)
  - b. Control of time (fixed leisure periods)
  - c. Quality of space (access to common goods, counteract erosion of commons)

- d. De-commodify education
- e. Access to financial knowledge
- f. Redistribution of capital (by unconditional basic income and democratic wealth funds)

Mr. Standing ends his lecture with the example of the city of Middlesbrough, UK, where the former proletariat (steel manufactory) changed to precariat, while the descendants of company owners still benefit from previous profits. The speaker believes that the unconditional basic income in such case would be the fair share for previously gained profits, and an instrument of social justice.

**Q:** Do you know any influential group or political party in power, which would join the idea of unconditional basic income?

**A:** Mr. Standing refers to a pilot project in India, where 11,000 people received basic income. After presenting the results to politicians, some were in favour of adapting the system. In Brazil, former president Lula da Silva introduced a similar system of basic income in the 1990s, the Bolsa Família, having the only condition of sending the children to school. The speaker states, that Mr. da Silva had told, that he was re-elected owing to the introduction of the system. In Spain, political parties tend to shift to be in favour for basic income. The speaker believes that there is a time of a political change concerning that issue.

**Q:** What are the drivers of the trends to precariat?

**A:** The author refers to the drivers of the changes to precariat in his book, and emphasizes that the poverty traps have to be overcome (e.g. the mini-jobs in Germany), which good be achieved with unconditional basic income.

**Q:** Could you explain the analysis of Thomas Piketty?<sup>3</sup>

**A:** The author criticizes Piketty for the idea that it is the accumulated patrimonial capital (by heritage) is the major problem of today. However, huge amounts of capital were accumulated by self-made people during the last 30 years. This was achieved mainly by rental income (e.g. intellectual property, possession of patents, brands). Piketty's approach does not capture the growing proportion of rental income. In addition, Piketty's solutions (e.g. global wealth tax, high marginal taxation) are a classic social democratic response of the 20<sup>th</sup> century, and have no chance.

**Q:** Is the official German (development) policy interested in unconditional basic income?

**A:** The speaker wishes, that the German development agency would spread the idea of pilot studies dealing with basic income. Concerning the pilot study in India, there are two films available on youtube.com<sup>4</sup>. Mr. Standing points out, that Ms. Sonia Gandhi wanted to copy the idea in India. The pilot project was established as a randomized control trial, with one group receiving basic income and a control group without basic income. Data on nutrition, schooling and women status among others were collected. Here the author wants to focus only on the variable: weight of children. Typically, children weight is normally distributed on a global scale. At the beginning of the study in the pilot area, the curve skewed to the left, for the girls' subgroup even more, indicating malnutrition. After 12 months of receiving basic income, the curve was normally distributed. Girls performed even better; since each child received the same amount of basic income (girls received same treatment than boys).

**Q:** What make you believe, that the phenomenon of evolving precariat does not only affect one generation and last longer?

---

<sup>3</sup> Piketty, T.: Capital in the Twenty-first Century, Harvard University Press, 2014, ISBN-10: 067443000X, p. 685.

<sup>4</sup> <https://www.youtube.com/watch?v=zZEdMVEnr8Y>

**A:** The speaker promises that it will affect more generations, since the increase of precariat is a global issue involving all different kind of groups, and capitalism desires unstable labour situations. It is rather a structural problem than a problem of generations.

**Q:** Does basic income not only includes financial liquidity? Does the same amount of financial support not keep the situation in relative terms similar to all members of the precariat? Is the finance of basic income not utopian?

**A:** The speaker states that it is about altering a system of distribution. Real wages won't rise by much, and more and more people will belong to the working poor. They cannot retain their standard of living, which will lead to increasing debts. There is a need of financial security *ex ante*, because the old Bismarck idea of financial compensation in cases of mishap is no longer effective. The speaker finds it odd, that there are subsidies for the middle-class or co-operations, but apparently no money to afford basic income. There are several ways of funding. One possibility of finance would be an additional capital wealth fund (e.g. in Norway), where everybody pays money in, which is invested, and the dividends are distributed among all. Patents (e.g. copy rights) are responsible for the increasing share of private income (by rental income), and is out of proportion. There are several ways of funding, but the money could come from those patents.

**Q:** Should basic income for the introduction in society (e.g. Germany) be as high as Hartz IV (German subsidy system; ALG II) or below?

**A:** The speaker believes, that the total amount depend on political issues, and is therefore difficult to answer. In the pilot project it was 30% of subsistence, which is approximately the same for the Bolsa Familia. Most important would be to establish the principle of unconditional basic income.

**Q:** In the pilot project in India, the control group did not receive any money. However, in reality, there is always some kind of subsidy system. Does it not bias the data using a control group without money, and should a control group with the common subsidy system be included?

**A:** Mr. Standing stresses that there is no perfect methodology available. The speaker agrees that there must be a control group. In the mentioned pilot project, the control group still received the governmental scheme (e.g. the public distribution system of food). People receiving basic income tended to use less the public distribution system, owing to financial liquidity. The biggest criticism of basic income is that people tend to waste the money. However, in the pilot study people started to invest the money wisely. They also had the possibility to pool the money.