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# Does She Exploit or Doesn't She?

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## Chapter 9

# Does She Exploit or Doesn't She?

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Several authors have voiced the “exploitation objection” to the unconditional basic income guarantee, arguing that all those who wish to share in the social product have an obligation to contribute to it (Gauthier 1986; White 1997, 1999, 2000; Phelps 2001). Some of these authors aim their criticism directly at Van Parijs’s (1995) case for unconditional basic income; others argue more broadly against all unconditional transfers, against Rawls’s (1971) difference principle, or against Dworkin’s (1981b) resource auction.<sup>1</sup> Williams (1999) argues against basic income on resource-egalitarian grounds. These authors present a distinct challenge to the basic income guarantee from those arguing against all transfers because they come from a pro-redistributional perspective, but argue only against the unconditionality of transfers in the form of the basic income guarantee. Gijs van Donselaar (1997) is an important representative of this exploitation objection because his criticism is thorough and specific.

Van Donselaar (1997) derives the following definition of exploitation or parasitism from Gauthier’s (1986) principle of not taking advantage: A exploits B if A is better off and B worse off than either of them would have been if the other did not exist or if the two had nothing to do with each other. He uses this “Donselaarian exploitation” and a closely related principle called the “abuse of rights” to argue that Van Parijs’s (1991; 1992; 1995) use of a Dworkin-style resource auction (Dworkin 1981a; 1981b) as a basis for an unconditional basic income allows exploitation. He concludes that redistribution of property should be conditional on the responsibility to work, for all those who are able (i.e., that there should be no basic income guarantee).

Part 1 of this chapter explains van Donselaar’s argument in which he concludes that, although people may believe that other principles override this concern, “a principled choice for or against parasitism cannot be avoided” (p. 13<sup>2</sup>). Part 2 argues that van Donselaar’s conclusion, that a basic income is exploitive, relies on holding recipients responsible for the level of scarcity in the world. Part 3 argues that van Donselaar’s conclusions come from treating work rents inconsistently with other rents. Part 4 argues that a principled choice for or against parasitism cannot be made, because parasitism cannot be clearly identified or eliminated. In a large number of plausible cases, the existence or nonexistence of exploitation is unknowable; importantly, it is not certain that work makes a person innocent of

exploitation or that living off basic income makes a person guilty. Therefore there is no necessary connection between van Donselaar's principles and the responsibility to work.

### **1. Donselaarian Exploitation and Abuse of Rights**

Van Donselaar (p. 3) offers the following definition of exploitation or parasitism: In virtue of a property rights relationship, A exploits B if A is better off and B worse off than either of them would have been if the other did not exist or if they had nothing to do with each other.<sup>3</sup> Although this definition is derived from Gauthier (1986), let's call it "Donselaarian exploitation" because he seems to be the first to define it this specific way and the first to employ it to such an extent.

Van Donselaar defines the "abuse of rights" as receiving an income from an asset above one's independent interest in it. An "independent interest" is an interest in an asset *other* than the desire to resell it. He uses an example to illustrate this point (p. 1–5). A farmer diverts the stream running through his property solely to get his neighbor to pay him to return the stream to its natural flow. According to van Donselaar this transaction would have been acceptable if the farmer had some private reason to divert the stream such as to create a pond or irrigate his field, but if he does it solely to get his neighbor to pay him to stop, he abuses his water rights. The abuse of rights condemns Dworkin's (1981a; 1981b) clamshell auction, because it allows the equality of resources even for those who have no use for those resources. But also, van Donselaar is well aware that it also condemns private property, as we know it. As he puts it, "there can be no fixed rights to property," if the abuse of rights is to be avoided. People have the right to work with assets (or to compensation if they are for any reason unable to work with the assets that they want to work with) but they do not have a right to income from assets they have no desire to work with.

Abuse of rights comes in two forms: *usurpation* and *usury*. Usurpation is the sale of an asset (or a right) in which one has no independent interest (p. 143). Usury is the sale of an asset in which one has an independent interest for more than the amount of the independent interest (p. 144). In economic terms, the sale price of an asset or a right must be strictly limited to the seller's reservation price—just enough to make her indifferent to the trade. Any gain from it is said to be usurious.

Using the concepts of exploitation and abuse of rights, van Donselaar demonstrates that one of the examples Van Parijs (1995) uses to support basic income is both exploitive and abusive. Van Parijs uses the story of Crazy and Lazy to illustrate how one person could trade her right to resources for the product of another person's labor without exploiting him. In this example, Crazy and Lazy<sup>4</sup> are the only two inhabitants on an island, and both have equal claim to its land. Lazy prefers to work as little as he needs for subsistence, using less than half of the land. Crazy prefers to work as much as possible and wants to use all of the available land to produce enough crops to live in luxury. The two strike a deal, in which Crazy farms all of the land and gives Lazy enough crops so that he can

subsist without working at all. Van Parijs judges this transaction to be exploitation free in terms of several different definitions of exploitation, but he does not consider Donselaarian exploitation. It is not necessary here to consider other definitions of exploitation, except to note that the primary reason Van Parijs judges the outcome to be exploitation free is because Lazy and Crazy are both better off than they would be if each owned half the land and without exchange.

Van Donselaar finds this trade to be exploitative relative to how well off each would be if the other did not exist. Crazy would be (materially) better off alone, because she could work the entire island without sharing anything with Lazy. Lazy, however, would be worse off alone, because he would have to work to produce his own subsistence. This is Donselaarian exploitation: Lazy is better off and Crazy is worse off than either of them would have been had the other not existed. This is also Donselaarian abuse of rights: Lazy sells land that he has no independent interest in. According to van Donselaar, Lazy has no legitimate claim to ask for compensation for land he has no desire to work with. Thus, he should work with the land he wants and leave the rest to Crazy. From this he concludes that there should be a social obligation to work, and if assets are to be distributed in a Dworkinian auction, the proceeds from that auction should go only to those who demonstrate a willingness to work with those assets.

Van Donselaar views property as something that only has value in the production process. People equally deserve access to property they want to work with but they deserve no access to property simply to resell it. He, therefore, advocates distributing property according to an individual's interest in working with it, which he calls the X-distribution or the Q-distribution in the multiperson case (chapter 4). This policy amounts to seizing all economic rents (unearned income), distributing them to all people in proportion to how much they work. This distribution is meant to be against a background, in which, if possible, all people have equal access to jobs, and if not possible, people are compensated for the lack of access to jobs. Compensation is paid if and only if an individual demonstrates a willingness to work (chapter 5). It is only the willingness to work that matters, and therefore, the disabled are entitled to a share of rents even if it technically makes them parasites. Only those who can, but refuse to, work are denied a share of rents in van Donselaar's system.

## **2. The Level of Scarcity**

This section demonstrates that it is not van Donselaar's definition of exploitation, but his point of comparison that allows him to draw different conclusions on the exploitive nature of basic income in the Crazy-Lazy example. Without using this point of comparison, van Donselaar would be unable to get the result that Lazy exploits Crazy; but using this point of comparison, he is forced to condemn mutually beneficial trades that do not involve the abuse of rights.

Van Donselaar's definition of exploitation allows the suspected victim to compare her situation either with how well off she would have been if the other did

not exist or with how well off she would have been if the two had nothing to do with each other. He does not attempt to determine how these points of comparison differ, and in his analysis he employs only the comparison of “if the other did not exist.” He seems to assume these two points of comparison are the same, but they can only be equivalent in a world of superabundance, in which all people have more of all resources than they want. In a world of scarcity, the two points of comparison are very different; a person who exists, but with whom you do not interact, takes up resources that you would be able to use if she did not exist.

It is hard to say whether “having nothing to do with each other” is truly definable in a world of scarcity, because any division of scarce resources requires some kind of interaction unless the parties are separated by a natural barrier. Therefore, the standard of “having nothing to do with each other,” introduces uncertainty into what constitutes the proper basis for comparison: Should outcomes be compared to a position in which resources are distributed equally to everyone, or only to those who are willing to work with them, or to those who will take best care of them, or to those with first-come-first-served claims, or to people with claims from some other principle for the assignment of property rights?

Gauthier (1986) is also unclear on this point.<sup>5</sup> He discusses two possible initial situations: a noncooperative but noncoercive initial situation, and a coercive initial situation. Each situation corresponds to a given level of utility for both parties, but he does not discuss how to determine the levels of utility in these situations. Are the utility levels in the noncooperative but noncoercive initial situation determined by scarcity? If so, how can a noncoercive, noncooperative interaction bring about a distribution of scarce assets? This point is not comfortably ignored in a world of scarcity where there can be many different ethical standards by which one could define a noncooperative, noncoercive situation. Therefore, either the initial situation must be one without scarcity or Gauthier must be employing some tacit ethical standard to it.

Of the many possible ways to define “having nothing to do with each other,” I will focus on the one that seems to be the most simple and straightforward: the equal distribution of untradable assets (i.e., assets that are not allowed to be traded once distributed), or what van Donselaar and many others have called the no-envy distribution. The comparison of the outcome of interaction between Crazy and Lazy to “if the other did not exist,” involves the effects of two changes: Labor has become more abundant, and resources (land in this case) have become scarcer. But regarding the comparison of the outcome of interaction to the no-envy distribution, labor becomes more abundant but the per-person level of resource scarcity remains unchanged. That is, the difference between the two points of comparison is the level of resource scarcity caused by the size of the population.

The harm that van Donselaar attributes to *exploitation* is attributable to this increase in scarcity. To see this, return to the Crazy-Lazy example. Suppose there are two consumption goods called “leisure” and “yams” and two resources called “labor time” (lost leisure) and “land”. The island has four identical units of land. Both people are equally skilled, and to produce one yam they must give up one unit of leisure and use one unit of land. One yam is the minimum requirement for

subsistence. Lazy works just enough to reach subsistence, and after that always prefers to consume leisure rather than yams. Crazy always prefers consuming yams to leisure.

The comparison point for “if the other did not exist” is what each would do on the island alone with access to the *entire* island. Without Lazy, Crazy works all four units of land, enjoys no leisure, and consumes four yams. Without Crazy, Lazy enjoys three units of leisure, works one unit of land, and consumes one yam.

The comparison point for “if the two had nothing to do with each other” is what each would do with access to *half* of the island. Crazy works two units of land, enjoys two units of leisure, and consumes two yams. She is clearly worse off than if she has access to the entire island because although she now enjoys two units of leisure, by assumption she always prefers more yams to more leisure. Lazy, however, is in the same position as before. He enjoys three units of leisure and one yam. The increased scarcity caused by the increase in population hurts Crazy, but it does not hurt Lazy. Only Crazy is harmed because only Crazy has a use for more land than half the land. But it is hard to say that the decrease in Crazy’s welfare is caused by Lazy’s action or by anything but the increase in scarcity that results from having a larger population.

The example cited by Van Parijs has Lazy and Crazy starting from an equal distribution of property and making a deal in which Crazy works all the land, paying Lazy one yam as rent. Therefore, Crazy consumes three yams and enjoys no leisure, while Lazy consumes one yam and four units of leisure. Comparing this outcome to “if the other had not existed,” van Donselaar finds this outcome to be a clear case of Donselaarian exploitation. Lazy is better off (consumes the same amount of yams and enjoys more leisure) than he would have been if Crazy did not exist, and Crazy is worse off (consumes fewer yams and enjoys the same amount of leisure) than she would have been if Lazy did not exist. But comparing this outcome to “if they had nothing to do with each other” gives a different result. Lazy is better off (consumes the same amount of yams and enjoys more leisure), and Crazy is also better off: She consumes an additional yam (three instead of two) at the expense of two units of leisure; but we’ve assumed that she prefers even a small amount of yams to additional leisure. And we know that, starting from an equal distribution of resources, she would not have made this trade if it did not make her better off. Therefore, if “having nothing to do with each other” is defined as splitting natural resources equally without any trade, this trade is not exploitive even in the Donselaarian sense; and it cannot be exploitive as long as trades begin with an equal distribution of resources and all trade is voluntary.

To get the result that Lazy exploits Crazy, van Donselaar has to use “if the other did not exist” as his point of comparison. Because the difference between the two points of comparison is the level of scarcity, he can only get his exploitation result by holding Lazy responsible for the level of scarcity his existence creates. Van Donselaar could respond that Lazy must be taking advantage of the level of scarcity; if the increased scarcity makes him better off at Crazy’s expense surely something is wrong. But this statement is also a misattribution. It is not the increased scarcity of land that makes Lazy better off, but the increased abundance

of labor. A change in price that makes land more expensive and labor cheaper will benefit those who sell land and buy labor, and will hurt those who buy land and sell labor; but it doesn't require any exploitation to make it happen.

Van Donselaar's point of comparison is also questionable because it condemns Pareto-improving exchanges of labor—the kind that he desires to promote. We don't need usurpation or usury to get Donselaarian exploitation using the “if the other did not exist” point of comparison. Suppose, starting from the no-envy distribution, Crazy and Lazy make the following agreement: “I'll scratch your back, if you scratch mine.” Both of them equally enjoy this transaction, but Crazy does not enjoy it enough to compensate her for the scarcity that Lazy's existence creates. Because Lazy starts off no worse off than he would have been by himself, this trade clearly makes him better off than he would have been if Crazy did not exist. Crazy, simply because of her greater desire for land, begins worse off than she would have been if Lazy did not exist. Even though this trade is mutually beneficial in equal amounts to both parties, as long as she doesn't enjoy it as much as she would enjoy two more units of land, she is the victim of Donselaarian exploitation using the “if the other did not exist” point of comparison. Lazy hasn't done anything that seems wrong (no usury, usurpation, fraud, theft, or coercion), but he is an exploiter. Van Donselaar's point of comparison makes mutually beneficial trades exploitive unless the benefits are so great to make up for the scarcity that each individual's existence creates.

Van Donselaar might respond that this exploitation does not result from a property rights relation. But he is unclear about what he means by a property rights relation, and the ownership of property is integral to the exploitation result. The exploitation could be cured by taking away enough of Lazy's land so that after the exchange with Crazy, he is no better off than if Crazy did not exist, but it is hard to see what Lazy has done to justify this punishment.

Note that using van Donselaar's preferred method for distributing resources (the X or the Q distributions, which give resources to those who want to work with them most) would not solve this problem. Even if Crazy started with three units of land and Lazy only one, Crazy would begin worse off than he would have been if Lazy did not exist, and thus any mutually beneficial trade risks leaving Crazy worse off and Lazy better off than either of them would have been if the other did not exist. Van Donselaar argues that his Q distribution does not cause Lazy to bear the burden of scarcity because it keeps him indifferent to where he would be if he were alone. It is true that this distribution (though not the X distribution) does not cause Lazy to bear *the burden of scarcity*, but van Donselaar's definition of exploitation (using the nonexistence point of comparison) causes Lazy to bear *the responsibility for scarcity*.

### **3. Abuse of Rights, the Promotion of Work, and the Market Mechanism**

Van Donselaar attempts to derive the responsibility to work without explicitly claiming that work is part of the best conception of the good life and should be

promoted over other activities. Instead he attempts to derive this responsibility from principles such as “independent interests”, “the abuse of rights,” and “usury.” But a nearly Calvinist veneration of work runs throughout *The Benefit of Another's Pains*. People who trade their labor for other goods are allowed to benefit themselves as much as they can by that trade. But people who trade assets or rights to jobs or anything else but their labor are entitled to receive only their reservation price (the amount that will make them indifferent to the trade), and they are labeled “usurpers” or “usurers” if they accept more. Why should this be different? Why not force workers to accept only their reservation price, and call any additional income “usury?”

All trades are made because of the gains from trade. People buy things because they believe they will be better off with the thing than with the cash. People sell things because they believe they will be better off with the cash (to buy other things) than with the thing. Van Donselaar believes the gains from trades belong only to people who trade their labor, and to benefit from the sale of anything else is to be a usurer. Certainly labor should be encouraged by making sure that laborers benefit from trades, but is there any reason (other than the veneration of work) that people who sell their labor should be entitled to *all* of the gains from trade and those who sell their right to labor or any other asset should gain *nothing* by trading?

The attempt to combine ensured efficiency with prohibitions on usury leaves individuals without control over the resources they need to sustain their lives. For example, imagine a subsistence farmer. A company or a cooperative wants to use the farmer's land to build a factory, which is far more productive than subsistence farming. If resources were tradable, the economy could reach efficiency while leaving the farmer to decide whether to give the land up for a factory. The Q distribution ensures that the factory must have the land. The prohibition of *usury* ensures the subsistence farmer gains nothing from the seizure of her land except the offer of a job in the factory. Under van Donselaar's system, the farmer cannot decide whether or not to sell, or the price at which to sell. She must sell—and for no more than enough to leave her no better off than she would have been holding onto her land as a subsistence farmer. If the farmer believes she should not give up her land unless she shares in the benefits the factory will create, she is labeled a *usurer*. No one, in van Donselaar's system, has the right to say, “this is my land to use as I want, and you cannot use it for your purposes unless I agree to it.”

This problem with the Q distribution even runs afoul of van Donselaar's own examples. He imagines an area of neighboring gardens. Some want to convert the gardens into a football field; others object. Van Donselaar concludes that the objectors should have their way as long as those who want to convert the land do not make a desirable offer, and he draws an analogy between home gardening and working part-time (p. 181). But this conclusion to this example conflicts with the conclusions of his Q distribution, which ensure that if the football field is more productive (in terms of sales), the land must be converted. The Q distribution concludes that those who lose their garden must not gain from this conversion unless they are willing to work on the football field. They can work part-time on the

football field, but they cannot continue to garden; and any attempt to gain simply from giving up their gardens is usury. Presumably, van Donselaar would put some mechanism in place to protect recreational assets from being seized by people who want to use them as inputs in the production process, but his prohibition against usury makes it impossible to use the market mechanism to determine the balance between personal and industrial uses of resources. Something is very wrong with the Q distribution if its conclusions conflict with its author's intuitions.

The abuse of rights (or buying low and selling high) is the lynchpin of capitalism. A categorical ban on it would end all fixed property rights (as van Donselaar readily admits). There would be no private ownership of land, stocks, bonds, natural resources, or almost any other private asset. Suppose you buy a new car and you have *no use* for your old one anymore. You no longer have any independent interest in that car. Therefore you can't sell it without abusing your right to it. You could have sold it when you still wanted it, but only for the remaining use-value it had to you. It might be easy to make people think you still wanted a car you sold, but if you don't want to be a rights abuser, you must give the car away. Thus, the elimination of the abuse of rights and Donselaarian exploitation would require an enormous restructuring of the economy, if not the elimination of the market entirely.

To maintain efficiency in van Donselaar's economy, tradable private property would have to be replaced by a system in which the government auctioned off such rights to the highest bidder, which in a perfect market, would ensure that resources were employed in their highest use-value. Van Donselaar then would distribute the proceeds or rents to workers in proportion to their willingness to work.<sup>6</sup> By doing so, he would put people in a situation in which no one had a claim to any resources unless they participated in this system that uses all of its resources in their highest market-valued use. Van Donselaar's "right and responsibility to work" is a strangely commerce-promoting version of socialism. Alternatively, an egalitarian distribution of resources (according people universal rights to property), ensures efficiency by allowing individuals to sell those rights to the highest bidder for their highest market-valued use. But it also allows them to keep their resources out of the market system and use them for whatever goals they believe are worthwhile instead. Such a system leaves it up to individuals to decide whether and at what price it is worth trading their rights to assets—just as it allows a worker to decide at what price to sell her labor for other assets.

#### **4. Unknowable Information**

Van Donselaar's argument against basic income relies on the belief that people who live on basic income and do not work are necessarily abusing rights and exploiting others, and the belief that those who work are necessarily contributing to others. But these conjectures are uncertain, and very likely their truth value is unknowable in many cases. His two points of comparison (if the other did not exist or if the two had nothing to do with each other) both hang tenuously on the

subjunctive: One would be unable to judge the existence of exploitation without knowing what would have happened if things had not happened as they actually have happened. But we don't always know this information; and in many cases, we can't know it.

For example, what would 1,000 lazy surfers do if everyone else dropped off the face of the Earth tomorrow? Maybe they would live a barbarous life that was nasty, brutish, and short. Or maybe they would build an idyllic beach society: surf all day, pick fruit in the evening, and live much more happily than they would in an industrialized society even with a basic income. What would 1,000 lazy surfers do if they were forced by a social obligation to work? Would they all become Silicon Valley millionaires or would they get poorly paying, low-status jobs that make them miserable for the benefit of their bosses and customers? I do not know the answers to these questions. Therefore, how can I tell whether a surfer with a basic income is exploiting someone, or whether he is being appropriately compensated for the exploitation he would face in its absence and for the life he was denied through the appropriation of resources by others? I do not know the answer to this question, and I cannot know without rerunning the history of the Earth under controlled experimental conditions. If I do not know the surfer is guilty of something, what right do I have to force her to do anything? The accused exploiter would not even know if she was guilty. Does she exploit or doesn't she? Only her deity knows for sure.

Similarly, we do not know whether people who produce products are Donselaarian exploiters. For example, consider the advertising industry. In some cases advertising communicates useful information that benefits producers and consumers, and it represents a genuine contribution to society. But under some conditions advertising can be a zero-sum game that benefits advertisers at the expense of producers and consumers. To see how such exploitation is possible, assume there are two brands of soap. Assume, not knowing anything about either one, customers randomly select between the two. If one is advertised and the other is not, customers tend to select the one that is advertised. If both are advertised, customers go back to random selection. In cases in which these assumptions hold, competition forces both of the soap producers to buy advertising, driving up firms' costs and consumers' prices. Under such conditions advertisers are better off and consumers and producers are worse off than they would have been if they other did not exist (or if they had nothing to do with each other). Should we ban all advertising because in *some* cases it might be exploitative? Does it make any more sense to ban basic income because *some* recipients might be exploiters?

Similarly, exploitation can result from normal market interaction. Assume Joe would be a highly paid manager if Arnie did not exist. But Arnie is a better manager than Joe and outcompetes him for the management job. Joe then becomes a low-paid janitor and cleans Arnie's office, doing a better job than the next-best janitor would have done if Joe did not exist. Therefore, Arnie exploits Joe: He is better off and Joe is worse off than either of them would have been if the other did not exist.

If working does not prove that a person is innocent of exploitation, and if living off a basic income without working does not prove that a person is guilty of exploitation, Van Donselaar's connection between exploitation and the responsibility to work does not hold. In fact, by putting individuals in the position in which they have to fulfill conditions that benefit others before they can be as well off as they would be on their own, his conditions can actually cause the kind of exploitation they are designed to cure (see Widerquist 1999; 2001).

A similar informational problem exists with the abuse of rights. Imagine someone buys stocks, bonds, or commodity futures at a low price and sells them at a high price. She is clearly abusing her rights. The only motive for a speculator to buy financial assets is the hope that someone else will buy them again at a higher price. Speculators argue that their work provides an important service to the market by helping it reach an equilibrium price and by assuming risks that manufacturers are better off not carrying themselves. Critics argue that speculators simply skim off some of the profit for themselves. Others argue that some speculative markets are beneficial on balance and others are not. The abuse of rights might be exploitive or it might be beneficial. The information to know for sure is not always available.

In short, the information we need to draw definitive policy conclusions from van Donselaar's principles is simply unknowable, and his connection between them and the responsibility to work is not valid.

## 5. Conclusion

This chapter has made three rebuttals to van Donselaar's argument against the basic income guarantee. First, his definition of exploitation only succeeds in judging unconditional income recipients as exploiters by blaming them for the level of scarcity their existence creates. Second, he argues that those who sell a right to a job should receive only their reservation price or they are *usurers*, but those who sell their labor for a job are entitled to more than their reservation price without being labeled *usurers*. Third, the information needed to tell whether workers or basic income recipients are Donselaarian exploiters is often unknowable and not necessarily related to whether one works. Therefore the link between his principles and the responsibility to work cannot be established.

## Notes

<sup>1</sup> Although neither Rawls nor Dworkin endorses unconditional basic income (UBI), Van Parijs uses Rawls's difference principle and Dworkin's resource egalitarianism in his case for a basic income guarantee.

<sup>2</sup> Where not otherwise specified page numbers refer to van Donselaar 1997.

<sup>3</sup> The exact wording is, "A parasitic (property rights) relation exists between two persons A and B if in virtue of that relation A is worse off than she would have been had B not

existed or if she would have had nothing to do with him, while B is better off than he would have been without A, or having nothing to do with her—or vice versa.”

- <sup>4</sup> Assume that Crazy is female and that Lazy is male. The gender of the participants is not important for the issues discussed here, but being able to use two different personal pronouns (he and she) will add clarity.
- <sup>5</sup> Chapter VII, especially section 5.2.
- <sup>6</sup> If everyone is able both to work and to find work, proceeds would be distributed in proportion to their work.

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