

IEA Current Controversies No.74

UNIVERSAL BASIC INCOME

Is it a good idea?

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December 2019



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About the author

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Summary

- The idea of a Universal Basic Income (UBI) is currently the subject of much interest and discussion in the UK, with support and opposition from several parts of the political spectrum.
- Although currently modish this is actually an idea that has been around for a long time and was first formulated over two centuries ago. There have been several times when it has attracted attention over that timespan, and these bouts of interest typically coincide with a specific and recurring combination of circumstances.
- The current wave of interest began about three to four years ago, in the aftermath of austerity, and is now coming to a peak with serious prospects for some kind of UBI being adopted as the official policy of more than one political party.
- Interestingly, the idea has support from both left and right but also attracts hostility and criticism from both sides, with some of the most trenchant criticism coming from the left.
- In discussing the idea of a UBI it is very important to be clear as to what it is that we are talking about, as several similar but ultimately different kinds of proposal are often grouped under the same umbrella term.
- A survey of the proposals currently put forward in the UK, and of the responses to them, reveals both a mixture of motives behind the advocacy of such schemes and the serious problems, both practical and principled, that they pose.
- On the left, such suggestions are frequently contrasted with a rival kind of proposal, that of Universal Basic Services (UBS), which is in many ways a revival of a much older tradition of socialist thought, but there is no such clear alternative on offer from the free-market side.

A topic of interest

Currently the idea of a Universal Basic Income (UBI) is attracting a lot of attention in the UK. The Green Party has made a proposal for a UBI one of the central proposals of its platform, while the Shadow Chancellor John McDonnell has indicated that he is supportive of the idea and prepared to argue for its becoming official Labour policy, to some degree at least.¹ In Scotland several local authorities are taking part in an experiment to try out the idea at a local level.² Meanwhile it has also attracted support from the RSA, so this interest is not confined to the radical left.³ At the same time the idea has also attracted fierce criticism from the Institute for Public Policy Research and the New Economics Foundation (despite the latter proposing a measure that some have described as a form of UBI). The IPPR's Head of Research, Tom Kibasi, has emerged as a particularly fierce critic of the idea, describing it as being about 'the euthanasia of the working class'.⁴ The actual proposals put forward by several organisations have also received sharp criticism from the free-market side although interestingly this has typically been pragmatic and concerned with issues such as cost rather than the bigger questions of principle raised by left-wing opponents. There is no doubt though that the idea is fashionable and commanding increasing support.

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- 1 Labour Party considering universal basic income policy, shadow chancellor John McDonnell says. *Independent*, 17 February 2016 (<https://www.independent.co.uk/news/business/news/universal-basic-income-policy-under-consideration-by-uk-labour-party-shadow-chancellor-john-a6878856.html>).
 - 2 Could a £2,400 basic income eradicate extreme poverty in Scotland? BBC News, 9 May 2019 (<https://www.bbc.co.uk/news/uk-scotland-48207818>).
 - 3 Royal Society for the encouragement of Arts, Manufactures and Commerce. See, for example: Basic Income (<https://www.thersa.org/action-and-research/rsa-projects/economy-enterprise-manufacturing-folder/basic-income#>).
 - 4 Universal basic income is attempt to 'euthanise the working class as a concept'. *The Herald*, 17 August 2018 (<https://www.heraldsotland.com/news/16437958-universal-basic-income-is-attempt-to-euthanise-the-working-class-as-a-concept/>).

What *is* a UBI?

What is its history as an idea?

What though is a UBI? This is a very important question to ask, because the discussion is often marred by confusion between UBI and related but distinct ideas such as that of a negative income tax, famously advocated by Milton Friedman and also by Lady Juliet Rhys-Williams (who actually coined the term). A UBI is a regular payment made to all adult resident citizens of a political community, regardless of income or other qualifying factors (so unconditional), which is typically low level - it may be a top up or it may be enough for a subsistence income (as we shall see this is the cause of considerable argument) - and which is paid in cash rather than as a dedicated voucher or instrument such as food stamps that can only be used for a specified purpose (so the use made of it is left up to the recipient). It should be distinguished from the wider category of a guaranteed minimum income, which is a system that ensures nobody's income falls below a specified level. A UBI is a specific kind of guaranteed minimum income and is different from other varieties, such as a negative income tax, or the capital lump sum transfers advocated by Charles Murray among others (Murray 2006). Clarifying definitions in this way is important because it enables us to identify the proposals that should be put under this heading because of essential features that they have. It also reveals the ambiguities of the definition itself, in particular the question of what counts as 'income' and 'basic'. One important matter is that of whether the UBI replaces all existing welfare benefits and transfers or simply supplements them (while maybe replacing some). This is an important point of variation but is not an essential feature of the idea.

The notion of a basic income paid to all citizens was first formulated by Thomas Paine, in *Agrarian Justice*, back in 1797. Since then the idea, and the wider idea of a guaranteed minimum income have continued to

attract attention, both as theory and practice. However, this has not been continuous: instead the ideas have resurfaced at regular intervals, with one recent study identifying five such occasions (Sloman 2013). If we look at the times when schemes for a minimum income guarantee have been discussed it is clear that they have common features, whether these are the end of the eighteenth century, the 1930s, the 1980s or today. They are all periods of rapid economic change brought about by technological and organisational innovation and in particular times of profound readjustment in the pattern and actual nature of employment brought about by those innovations. These are therefore moments of anxiety about the prospects for people being able to gain an income and support themselves. They are also, finally, periods when there is a widespread perception (usually well-founded) that the existing system of welfare and poor relief is not working and requires radical restructuring. Ideas such as that of a UBI become popular as a way of dealing with the problems with a single, apparently simple measure, a measure moreover that holds the key (or so its advocates believe) to a radical reshaping of social relations in general.

Why people are interested

We can see all of these conditions at present. There is a widespread perception that the economy is in the process of being radically transformed by automation and the impact of artificial intelligence. There is general agreement that this will see the disappearance of many currently existing jobs and types of employment. Many (and most economists) suspect that this will prove to be like previous episodes of technological change and so, even though many jobs will disappear, they will be replaced by an even larger number of new jobs (although by definition we cannot yet know what they will be). Even if that is true, we are looking at significant disruption to patterns of employment and the transition costs will be considerable, with a major question being that of how to handle the change and in particular how to help the short-term victims of the process. Some though believe that this time it really will be different and that AI in particular will remove the need for human labour in large parts of the economy. The result will be to severely stress or even break the connection between work and income. If we do arrive at a position where there are no paid employment opportunities for a very large part of the population or even the majority then the question of how the welfare system reacts becomes a pressing one, and we need to think about how that part of the population is going to survive or have any kind of income and under what terms.

This intensifies an existing concern about the UK labour market and labour force. Over the period since the financial crisis and before the UK economy has come to have a number of features that distinguish it from its geographical neighbours. One of these is very high levels of employment and correspondingly low unemployment. The downside of this is that many of those employed are engaged in low productivity work, often part time. Consequently, they are low paid. Since the 1970s and particularly since 1997 the response has been to top up these low wages with cash transfers

of various kinds. This however has produced a welfare system that everyone recognises to be dysfunctional and deeply problematic for all involved. Because the income supplements are (almost always) means tested the system creates very powerful employment and productivity traps by confronting recipients with effective marginal tax rates of 80 per cent or more (according to the government's own estimates) on additional or new earnings (because of benefit withdrawal). This creates in turn a problem of chronic welfare dependency. Moreover, the nature of the benefits makes their administration extremely complex and also intrusive, because of the many qualifying requirements. This makes the whole system difficult to navigate for claimants and frequently punitive. It is also prone to bureaucratic clumsiness and delays, which can have disastrous results for the actual recipients. Because the taxation system is now almost completely individualised while the benefits system is household based, the two interact in confusing and often damaging ways. Faced with this, the Coalition government after 2010 moved to radically simplify the system and improve work incentives with the introduction of Universal Credit. This however has had a rocky introduction and the consensus is that it has not resolved the problems and may have made them worse, despite having wide based support initially.

A UBI as a solution to problems – and an agent of transformation

Faced with all of this, people are willing to consider fundamental change to the welfare system, including options such as a UBI. In some ways working towards some kind of unconditional guaranteed minimum income is a continuation or intensification of the kind of policy followed since the 1970s, and builds on the policy of Universal Credit, the main difference being that the elements of means testing and other requirements (such as seeking employment) are removed. For some authors a UBI is much more than this, however. People such as Rutger Bregman and Paul Mason see it as a central element in a radical transformation of the entire economic system, towards what Mason calls 'Post-Capitalism' and Bregman frankly describes as utopia (Bregman 2018; Mason 2016). The key element for these thinkers is to embrace the supposed effects of automation and see them as an opportunity to sever the connection between work and income for all, potentially, and change the nature of the economic system. From this perspective UBI is about much more than simply dealing with the social challenges of automation or reforming a dysfunctional welfare system: it is about changing life in general.

Given this, it is not surprising that just as in the 1930s and 1980s detailed UBI proposals are making an appearance. In the last two years there have been four major proposals. The RSA has published both a proposal for a capital grant scheme (related to a UBI but not the same thing) as well as arguing for the principle of moving to a UBI as the answer to the challenges set out above (Painter and Thoungh 2015). The Progressive Economy Forum has brought out a detailed proposal for both a scheme and a way to launch trials, written by Professor Guy Standing, a long time advocate

of UBI (Standing 2019). This particular proposal has attracted interest from the Labour Party and in particular the Shadow Chancellor John McDonnell, to whom it was directed. Another organisation that has become strongly associated with proposals for a UBI is the Labour pressure group Compass, which has brought out several pieces and one fully worked out proposal authored by Stewart Lansley and Howard Reed (Lansley and Reed 2019). Meanwhile the Green Party has made a worked out proposal a central part of their manifesto for the General Election (Green Party 2019). The New Economics Foundation (NEF) has also proposed a welfare reform that can be categorised as a move to a basic income, although paradoxically the NEF and several figures associated with it are among the harshest critics of the idea of a UBI in general (Stirling and Arnold 2019). The Fabian Society has also produced its own suggestions as part of a wider review of welfare provision (Harrop 2016) and the Centre for Welfare Reform has also made suggestions, located in a wider consideration of the nature and purposes of the welfare system (Duffy and O'Brien 2019).

At the same time as all of these intellectual developments there is increasing interest from politicians. John McDonnell has indicated his personal interest in and support for the idea on several occasions and several other Labour MPs have openly supported or advocated the idea. As already mentioned, the Green Party is strongly in favour of a radical version of a UBI and its sole MP, Caroline Lucas, is perhaps its most prominent advocate in Parliament. There are also supporters of the idea on a more personal basis in the Liberal Democrat and Conservative parties. The Early Day Motion put down in Parliament in the name of Caroline Lucas in 2016 spells out very clearly the combination of concerns described above as demanding political movement towards at least consideration of a UBI:⁵

That this House notes the growing crisis of low pay and precarity in a labour market increasingly characterised by casualised forms of employment, such as zero-hours contracts that offer little in the way of pay, predictable hours or long-term security; further notes the evident inability of our bureaucratic and costly social security system, with its dependence on means-testing and often arbitrary sanctions, to provide an adequate income floor; believes that a universal basic income, an unconditional, non-withdrawable income paid to everyone has the potential to offer genuine social security

5 Basic Income, EDM #974, tabled 19 January 2016 (<https://edm.parliament.uk/early-day-motion/48765/basic-income>).

to all while boosting entrepreneurialism and the creation of small businesses; welcomes the ongoing exploration of the concept of such a basic income by the think tank Compass, the Royal Society of the Arts, the Citizen's Income Trust and others; further welcomes the planned practical experiments in Finland, the Netherlands and Canada; and calls on the Government to fund and commission further research into the possibilities offered by the various basic income models, their feasibility, their potential to guarantee additional help for those who need it most and how the complex economic and social challenges of introducing a basic income might be met.

The proposals

When we look at the specific proposals two things become apparent: the variety of suggestions being made, in terms of cost and generosity, and the difficulties this variety reveals in terms of actually implementing a UBI. The Compass proposal looks at the prospects for a sweeping reform that replaces all existing benefits with a UBI but concludes that this is too difficult. Instead it suggests the phasing in of a more limited scheme that would scrap Child Benefit and the State Pension while keeping all other benefits including, crucially, the means tested income supplements. Their scheme would pay a UBI to all adult resident citizens of £60 per week with this rising to £175 for those over sixty-five. There would be a payment of £40 per week for all children under the age of 18. The Green Party by contrast goes for a higher payment of £89 per week for all adults, which replaces all existing benefits, so their suggestion is far more radical and sweeping. The NEF proposes scrapping the personal tax allowance and replacing it with a universal weekly payment of £48 (this would also reduce the threshold for higher rate tax from £50,000 to £37,500). The Progressive Economy Forum's proposal also suggests a payment of £48 per week, paid for by scrapping 1,156 tax reliefs. This again would not involve the replacement of existing benefits, although the author, Guy Standing, explicitly states that this should be seen as a pilot that could be subsequently extended (he has set out at greater length how this could be done in an earlier book length publication (Standing 2015)). The RSA, which has the most worked out scheme with the most detailed costings, proposes a UBI of £71 per week rising to £142.70 at sixty-five with additional payments for children, varied by age and the number of children. This involves abolishing most existing benefits with Housing Benefit the main survivor, and abolishing the personal tax allowance and a range of other tax reliefs.

Problems and challenges

Several things are apparent from reading these proposals and this tells us something about the current state of the discussion. The first and most obvious is that all of these proposals are very expensive, as much as a cost of £76 billion per annum even after savings in the Green Party case. The response is that the existing system is already hugely expensive and yet ineffectual by a number of criteria and also that the sums are relatively small when expressed as a share of GDP and can be partly offset by the abolition of tax reliefs and scrapping of existing benefits. However, this reveals one of the basic challenges faced by any UBI proposal. If the UBI is set at a low level to reduce its costs then it is too low to live on and does not address the problems that are used as the basis for advocating it. On the other hand, if it is set at a level that means one can live on it, even if frugally, then the cost becomes unsupportable: not only would it involve the abolition of all tax allowances and rises in taxation for all incomes, the share of spending taken by the UBI would tend to crowd out other kinds of public spending because of the political impossibility of reducing it.

Another point follows from this, which most of the actual proposals reveal (apart from that of the RSA). If the UBI is set at an affordable level to reduce its cost then it becomes essentially a universal supplement to existing benefits (most of which would be kept); in particular means tested income supplements would survive. This means that introducing such a limited UBI would not resolve or even address the problems of complexity, intrusion, and incentives created by the existing system. Since these problems are one of the main reasons for advocating a UBI this makes the whole change much less radical, just a matter of adding another (very expensive) element to the existing system. A UBI is only going to do the things claimed for it by its advocates if it is done in a radical way, with the income set at a high level and used to replace all of the existing benefits. Only this will bring the benefits of simplification, improvement of incentives,

and enhanced personal autonomy that the reform is intended to produce. However, this would be a major upheaval and would require a major reform of the tax system, including the abolition of many allowances and reliefs and radical simplification of the system. This is worth doing anyway and desirable in itself but combined with the changes to the benefits system would create many winners and losers (often on an unexpected basis) and all that would add to the political challenges.

What this shows is the fundamental problem of combining pragmatic reform of the existing system with the kind of profound and extensive social change advocated by people such as Paul Mason. He and others see the introduction of a UBI as a step towards that transformation but they may well be making the classic error of putting the cart before the horse. A true and extensive UBI can probably only be introduced in the event that the kind of economic change they envisage has already taken place. This though poses the recurring question of whether the welfare system is designed to manage and resolve the problems that the existing social and economic system creates or to actually bring about social change - this is a challenge to people of all persuasions.

Principled objections

Criticisms of particular proposals on the grounds of cost and practicality or political acceptability are essentially pragmatic. Some objections though are more principled - they are rejections of the very idea of a UBI (or indeed other kinds of guaranteed minimum income). Revealingly most of these have come from the left rather than the right. The New Economics Foundation and the Institute for Public Policy Research have both made trenchant criticisms of the basic principles of a UBI.

Tom Kibasi of the IPPR and Anna Coote at the NEF are the most prominent of these critics (see, for example, Cruddas and Kibasi 2016; Coote and Yazici 2019). The fundamental criticism is that a UBI is an individualist measure rather than a collectivist one. That is, it is a measure that emphasises personal choice and individual life plans rather than shared participation in a collective enterprise and common good. Moreover, the critics argue, it does not (contra Paul Mason) threaten or challenge the fundamental principles of the capitalist form of political economy. Instead, it actually emphasises them and is designed to make a market economy work more efficiently. This is indeed the view of many of its advocates, as can be seen in the case made by the RSA's authors and also the view taken by the Centre for Welfare Reform. In ideological terms, critics such as Coote and Kibasi argue that UBI is essentially a liberal idea rather than a socialist one, and many of their interlocutors would actually agree. (This can also be seen in their responses in turn to the rival concept that people such as Kibasi and Coote advocate).

The other principled objection to UBI from the left is to do with different views of the place and importance of work in human life, and the effect that a UBI would have on this. The argument is that a UBI cuts the connection between work and income and systematically downgrades the

importance of work. Many of the more radical advocates of UBI accept this charge but see it as one of the desirable results of a switch to a UBI. For Paul Mason, for example, one of the main points of a UBI is that as well as providing an income for those for whom paid work is no longer available it will also provide the opportunity for everyone to work at things they really care about (which are currently hobbies) and explore a range of activities. This kind of thinking is often explicitly drawn from the writings of the younger Marx and his envisioning of a future of unalienated labour and the effective abolition of the division of labour. Tom Kibasi argues that this is firstly unrealistic and utopian as many people will chose not to do creative things but simply to become couch potatoes and watch daytime television, with catastrophic moral and social consequences. Politically, he and others argue, this would lead to intense resentment from those still working and call the whole system into disrepute. More fundamentally, he and Coote both argue that disciplined and structured work is essential for a fulfilled and meaningful life for most people and that if labour under capitalism is alienated the solution is to change the structure of social relations. Kibasi connects this criticism with the first by arguing that a UBI is an attack on the very idea of a working class. This kind of principled objection is also the one made by most critics of UBI on the right (along with ones about cost). It is for example the main argument made by the former Conservative MP Nick Boles in a forthcoming work attacking the whole idea of a UBI.

The socialist alternative – Universal Basic Services

Left wing critics of this kind put forward an alternative policy proposal for resolving the challenges of the existing system. One is the idea of a State Job Guarantee (often combined with Modern Monetary Theory). The main alternative however is the notion of Universal Basic Services (UBS). This involves the state providing a whole range of essential services and goods either free of charge or at nominal cost and so providing the means for a minimum standard of living for all as a right. (This is actually an unknowing revival of the old idea of a 'national minimum' advocated by the early Fabians, particularly Sidney Webb). The suggested kinds of products and services supplied in this way vary, but common ones are shelter, healthcare, food, water, energy, education, and information (i.e. the internet and other communications). The left wing and liberal advocates of a UBI, such as Compass, reject this forcefully as being paternalistic, potentially coercive and antithetical to individual liberty, and confused in terms of the detail.

What this does do is highlight the nature of the divisions that proposals for a UBI bring to light. As well as the obvious one between the conventional economic left and right (supporters of either greater state involvement in economic matters or greater reliance on markets) there is also a division between collectivists and individualists, producing four broad categories: collectivist (or conservative) free marketeers, individualist free marketeers, collectivist socialists and what we may call individualist or liberal socialists. Currently liberal socialists lean strongly towards a UBI kind of welfare system, while collectivist socialists lean towards a UBS model. On the free-market side many of the individualist or liberal free marketeers also lean towards some kind of UBI or other kind of guaranteed minimum income. A revival of national based social insurance on the Singapore model would seem the best fit for more collectivist free marketeers.

Meanwhile the classical liberal model, of a minimal state safety net plus extensive voluntary action and mutual aid, is seldom raised.

What is needed?

It is of course possible to combine some kind of UBI with a different welfare system and several of the proposals already made do just that. Some authors argue that the way forward is to combine elements of Universal Basic Services with Universal Basic Income. The Labour party appears to be moving in this direction as its current economic proposals do exactly that. Right now most of the argument about this is fought out on the political left; the right and centre have been slow to respond. The state of the contemporary labour market and welfare system mean however that this argument is not going to fade away quickly and it is very likely that some kind of compromise or combination of the different ideas for reform will become popular. In that context there is a pressing need for those who are sceptical of both UBI and UBS to come up with not only criticisms and objections but their own ideas for reform, however radical.

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