

The Social, Economical and Political Impact of UBI

J a e H o n g L i m

The world has been changing at an accelerated rate recently. The last couple of centuries have seen more technological progress than the entire previous history of mankind. That is a couple of centuries beating out hundreds of thousands if not millions of years. The benefits hardly need mentioning. We have all enjoyed them and they speak for themselves. We can speak to individuals on the opposite end of the globe and receive immediate replies. For more intimate contact we can travel to meet them in under 24 hours. Kindles hold thousands of volumes and google can be used to answer almost all questions mankind has an answer for. Nowadays learning is less constrained by our ability to acquire information than it is by our ability to understand and retain it. Tasks that used to be daunting are now convenient almost beyond the level that we should care for them to improve. Up until recent decades, the trajectory of these developments has been viewed almost entirely positively. Perhaps certain weapons or environmental disasters have given us pause, but, by and large, the net result has been positive and we have recognized little reason to expect anything else. There is a looming danger, however, and, similar to technology, its effects have been arriving at an accelerated pace. Doing nothing, we may find ourselves surprised when it arrives in full force. The surprises will not be the pleasant ones we have enjoyed the last couple of centuries, but nightmares. Apathy will be our death, so it behooves us now to reflect on this danger and take serious actions to prepare for it.

Technology has been making things too convenient. Convenient to the point of rendering human effort unnecessary. Most immediately this has resulted in a boom in productivity. Fewer people, less time and less money are required to accomplish tasks, leading to less restrictions on task completion and hence more tasks getting completed. This sounds great, but pay attention to the words “fewer people”. People that were one day needed are now no longer needed. Similarly, as progress continues, people who are today needed will one day be unneeded. Today's essentials will be tomorrow's redundants. Today's skilled will be tomorrow's unskilled. Today's industrious will be tomorrow's “shiftless”. One could argue that this problem could easily be remedied by people simply learning new skills, but consider this. In previous generations a 12 years old could help sow the fields with minimal supervision. In previous generations people were able to go to work at a younger age. This is a large reason why they married younger also. Nowadays it takes longer to develop the skills to become productive enough to support a family. Technological development

has placed demands on people to spend not only more effort but more time at learning new skills. Presently, in a developed country you can get a college degree and a reasonable job in your early twenties, but these degrees are becoming increasingly less valuable. Even STEM degrees are not guaranteed as there remains stiff competition when starting out. Is it possible that in the future job training will need to last until 25, 30 or longer. Perhaps there will come a day when only geniuses need apply. Perhaps this sounds far fetched, but bear in mind that progress is accelerating. Today's years may become tomorrow's days. What can be done in 10, 15, 20, 50 years may very well be unimaginable today. Also bear in mind that we have only discussed the developed world. The situation in the developing world poses a much more immediate threat.

A report put out by Oxford Martin School and Citi this year predicted dire consequences for employment in the near future. By far the worst prospects were for the developing world. The report predicts that the majority of jobs in developing countries are at risk of being automated. Numbers given include 85% for Ethiopia, 77% for China and 69% for India. For individuals living and working at subsistence levels, is it reasonable to expect them to simply retool? Can we really expect the massive populations of India and China to all develop computer skills? Even if they did, will the world be able to employ over a billion programmers? More likely most of these people will simply become redundant to their economies. Those with the means to employ technology will become more and more wealthy while those forced to compete with technology will become more and more poor until they are entirely left out. Developing countries may, indeed, be getting wealthier, but at the expense of their most vulnerable citizens. This will be income inequality on a grand scale, and to see the dangers inherent in that one need look no further than Colombia.

In 1996, Juan Pablo Ordóñez wrote a paper detailing the phenomenon in Colombia known as “social cleansing”. This was (and still is) the practice of executing members of the underclass deemed to be “disposable” and a “stain” on the community. Targets include petty criminals, drug users, homeless children and other indigents. This is a practice that is arguably supported by the state. At a minimum, tacit approval and overt disapproval are expressed. Police officers participate in these killings both as members of paramilitary groups and in the capacity of police officers. Colombia's recent economic improvements have done little to resolve this. In truth, by increasing the relative wealth of the rich and decreasing the relative value of the poor, economic growth has created a level of callousness towards the less well off. As Ordóñez described it, “Not only do many sectors of the Colombian population not consider the elimination of this group a loss to society, but in fact people are confident that eliminating them benefits society.” The truth is that they are correct. Society, as a whole, derives no concrete value from those who cannot participate in the economy. Always bear in mind that if you fall behind you will not, of your own merits, have practical grounds to claim that your life must be spared. Your only defense will be the goodwill of others.

So, what can we expect of the future? It is impossible to give specifics, but the previous words should give an idea of the general trends. To paint a picture, nevertheless, imagine a future with artificially intelligent robots replacing humans in virtually every job imaginable. Will it be a wondrous, golden future of leisure and prosperity for all? Or will it be a dystopia straight from the pages of science fiction, comparable to the impoverished world depicted in the 2013 film *Elysium*? Judging by the state of today's world, the future only holds increased inequality and stratification, and technological advances are likely to benefit smaller and smaller groups of wealthier and wealthier people. In such a world most people will be desperately poor, and most of the world will be an industrial wasteland sucked dry of resources. At the top, the rich will be richer than ever, their

wealth and power simply incomparable to even the nauseating extents it reaches today. The robots that replace the people will never rebel against their masters, and so the rich can use them to provide the most lavish, luxurious lives imaginable for themselves and their families. Everyone else will be left to rot, similarly to how homeless people live today. Most will be utterly dependent on the charity of the rich, begging simply to survive. And if anyone of them should choose to rise up? Ultra-intelligent drones will bomb them in a massively upgraded fashion compared to how they operate against Al-Qaeda today. These drones will be autonomous, hunting down and killing without the need for control or input from their masters – only command. The elite will be able to unleash mass surveillance on society in a way that George Orwell could never have dreamed of – the question “who will watch the watchers” is irrelevant when you’re dealing with robots that are built to obey. Is this the kind of future you desire? While the details of this scenario are invented, the mechanisms that lead to it are not. There is a power disparity developing in the world. Wealth disparity is power disparity. The further it develops, the more we will depend on the benevolence of the powerful to survive. We can see in Colombia that benevolence is far from guaranteed. Do you wish to bet on that? Much easier and more reliable would be to nip this problem in the bud.

In order to stave off this dystopian nightmare of a future that the relentless advance of technology promises one solution could be a Universal Basic Income (UBI). Before I explain how a UBI could save us, let me explain what it actually is. As the name might suggest, a universal basic income is essentially a cash grant given in all citizens on a regular basis. It is Universal because all citizens receive it, without the need for any kind of qualification such as means testing, and without the need to take on work as soon as it can be found. Rich or poor, every person would receive the universal basic income on top of whatever else they earn. It is basic because the amount is enough to cover the basic costs of living, and provide basic financial security to every person within society. No longer will anyone have to worry about survival, about how to put food on the table. With UBI, the existential stress brought on by poverty and precarious employment is completely eliminated. Finally, it is an income. Like I said before, it is a cash grant given by the government. The reason why it is a cash grant is so that people can spend it on whatever they want. It goes to all citizens, so needs will naturally differ. That’s why a cash grant is best, it can be spent on literally anything that the person wants. If it was given in the form of say, food stamps, then it would be useless in buying anything other than food. This isn’t some kind of planned economy. People are given the money and then spend it as they see fit, on what they see fit. So how does UBI differ from conventional welfare? Well, UBI eliminates all of the welfare related bureaucracy for a start. Just think of the millions of dollars that are spent on administering the welfare system in America each and every year. Think of the inevitable waste, fraud and excess expenditure. All of these problems related to the endless layers of bureaucracy are completely eliminated with UBI. There is also no need to go through any kind of stigma to pay it. There is no shame in receiving something that everyone else gets too, and there won’t be any welfare bureaucrats breathing down your neck, looking for any excuse to cut your payments. Welfare programs are deliberately made to be cumbersome and benefits difficult to claim, in order to discourage people from doing so and saving the government money. This of course results in many needy people being unable to get the help they should be entitled to, and the effects of such chronic poverty are felt throughout the rest of the economy, from crime and punishment to healthcare and education – fortunes could be saved by making sure each and every person has what they need to survive.

With all of that in mind, let us go back to the dystopian future we are facing, and let us explore how UBI can solve the problems addressed. As I previously discussed we are on the brink of a new ‘digital revolution’ that eliminates jobs instead of creating them in the way industrial revolutions of the past

did. An inevitable effect of this will be massive unemployment, on a scale previously unforeseen. Imagine the societal strain of 90% unemployment. That could be what we are facing in our lifetime. The unrest generated would result in conflict that tears society apart, and if the rich have the robots on their side the rest of us won't stand a chance. In order to address such a situation, a UBI could be introduced. Although it seems unrealistic at the moment, when increasing automation leads to the whole of society being propped up solely by robots, money no longer becomes a consideration. We are reaching a stage of unprecedented productivity and efficiency, and we could most certainly use it to raise the living standards of the entire population instead of enrich a select few and leaving the rest in the dust. A UBI is the only realistic way of addressing the problems inherent within the prospect of jobs being replaced by robots. If people were guaranteed a basic income, enough to survive, then they could spend the rest of their time on whatever they might want. Artists, writers, musicians and all sorts of creative people and endeavours would thrive. Since the stress of survival will be removed, people can focus on living life the way they want, spending more time with family and friends or on pursuing their passions and dreams. The politics and economics of UBI coupled with the technology and ingenuity of robotics and artificial intelligence represent the possibility of a truly transformative change to human society. Finally, we have the ability to create a utopia for all, instead of having to live in a dystopian future. Our dreams can become a reality, the power is within our hands. UBI is the only thing that can save us from the robots of the rich.

So, all of that is UBI in theory, and it appears very well tailored to adapting to a technologically advanced world. But how does UBI work in the real world? What have been the results of this idea being put into practice? The tests have been limited, but the results are largely promising. Following are a few of the case studies.

From early 2008 to December 2009, a program sponsored by German aid workers was conducted in Namibia in the village of Otjivero. This was a village that held a 70% unemployment rate and a population of children of whom 42% were malnourished. The program consisted of granting each individual a grant of 100 Namibian Dollars a month. For families the grant to the family would be 100 Namibian dollars for each member including minor children. The results were spectacular. Within the 2 year time frame of the trial, the school attendance rate increased by 92%, malnourished dropped from 42% to 10%, crimes such as theft and poaching experienced decline and those infected with aids began responding to treatment more effectively. Many of the villagers also started businesses, something which would have been impossible earlier. Now for a town existing largely in absolute poverty, such results are hardly surprising. At the village's level of destitution, it should be intuitively obvious that a basic income scheme would contribute to worthy, if not necessary, endeavours. What should be more compelling, however, is the cost of the program. According to a report submitted by the aid workers, such a program could be instituted throughout Namibia, as a whole, by taxing just 3% of the country's gross domestic product.

So, the Namibia experiment was one example of basic income being implemented in a developing country. The results were predictably positive, but what would be the effect in a developed country? Would a basic income given to citizens of a wealthy nation fare as well, or would these individuals opt to work less and waste the money on frivolous or inappropriate items, such as televisions or drugs. As it happens, there have been some tests on that and the results do not appear to confirm those fears. During the 1960's and 1970's a number of trials were conducted in the United States of the reverse income tax. A review of the data revealed that work participation decreased only moderately, with the bulk of drop outs consisting of women, which makes sense given many of these women were probably wives and mothers working to supplement their husbands' incomes and were

now afforded more opportunity to be with their children. The figures, on average, were 17% for women and 7% for men, though it has been suggested that these are high estimates given that this particular study involved a means tested approach and individuals were likely underreporting their incomes. Although the welfare cliff was largely absent, there was still a mechanism of diminishing returns. Given a UBI, it would be reasonable to suspect that both the reported and the actual diminishment in welfare participation would be substantially less. Regarding the extra income being wasted, while it was reported that consumption rose accordingly the pattern of the consumption remained the same, meaning that those items that were purchased most earlier were still primary and few if any additional purchase types (frivolous or otherwise) were introduced.

In an unrelated program, some surprising benefits of basic income were revealed. A Cherokee tribe, following the construction of a casino on their reservation, elected to contribute a portion of the profits to every member of the tribe unconditionally. The contributions amounted to \$4000 annually per person. A group of researchers took advantage of the opportunity to study the effects of this program, and the results were compelling. The researchers applied psychological tests to the children of the tribe in the years before the casino was built and then during the years afterwards and they noticed a remarked increase in the traits of conscientiousness and agreeableness. Also noticed was that the parents of these children tended to reduce their alcohol consumption. The latter observation goes counter to the popular wisdom that alcohol problems are exacerbated by the introduction of free money.

With all of that said, opposition to UBI remains. Those who oppose UBI generally give one of the following three objects:

- The low income UBI recipients would waste the money.
- UBI would provide a disincentive to work.
- UBI would be too expensive to fund.

Regarding the first concern, there is absolutely no connection between "wasting money" and being poor. There is a fundamental logical fallacy in that statement. As a matter of fact, it is wealthier people who waste their money because they have so much. They don't need it, which is why they spend all of their money on luxury items like designer clothes, sports cars and mansions. Poor people on the other hand use the money they have to provide themselves with the basic necessities required to survive – things like food, shelter, healthcare and education. It's quite clear that it is in fact the rich who waste their money, and not the poor.

The second and third questions arise from the mindset which has been instilled in people by the current welfare system. Take the idea that it would be a disincentive to work for example. There is a very real reason why the current welfare system is such a disincentive, but a UBI would transform the situation.

"The welfare trap (or unemployment trap or poverty trap in British English) theory asserts that taxation and welfare systems can jointly contribute to keep people on social insurance because the withdrawal of means tested benefits that comes with entering low-paid work causes there to be no significant increase in total income. An individual sees that the opportunity cost of returning to work is too great for too little a financial return, and this can create a perverse incentive to not work." - Wikipedia.

A Universal Basic Income is different from welfare. In fact, UBI would completely eliminate the

poverty trap. Why? Well one reason is that non-cash benefits like food stamps are particularly prone to creating welfare traps, since they are often tangible goods and services that have value which isn't easily transferrable (you can't pay rent with food stamps, etc.). Cash, on the other hand, can be spent on anything, and as it's a basic income it will eliminate the welfare cliffs that cause people to choose to stay on welfare instead of working. At the bottom end of the scale all of the money earned by working would be on top of the UBI. By replacing the onerous bureaucracy of current antipoverty programs and eliminating welfare cliffs, a UBI would go a long way to improving the lives of the poor while removing the perverse incentive not to work present in the current welfare system.

It must be stressed that a basic income is just that: basic. The vast majority of people would continue to work to earn extra money, as well as to enjoy the social aspect of working. There would be no mass unemployment, as people could work on more or less whatever they wanted, without the need to worry about money.

Universal Basic Income has the following characteristics that distinguish it from welfare:

-UBI is SIMPLE: it would remove the dead weight that is the inefficient welfare bureaucracy we currently have. Everyone, every single person, is entitled to the exact same amount from the state. No need for complex calculations or means testing. The only real task would be determining exactly how much a 'basic income' is. That could be easily accomplished by a committee tasked with it.

-UBI creates SOCIAL COHESION: a payment received by all equalizes and unifies a society. There is no shame or stigma associated with UBI, as it is not optional, and universal. There will be no more attacking people on benefits as leeches or parasites, as everyone will be in the same boat.

-UBI increases the STATE POWER. More money passes through government, increasing the State's strength against the privates, but for it wouldn't affect most of taxpayers, as money is out one pocket and back in the other.

When it comes to cost, the solution is simple. The current welfare system can be replaced, and UBI introduced. For any other shortfalls here's what could happen: Taxes for large corporations are raised. Quantitative easing is channeled into UBI instead of the financial sector. Banks won't receive any more bailouts unless they are completely nationalised. Finally, taxes could be introduced to tax the wealth of multi-millionaires and billionaires. Taken together, these measures would leave us with more than enough money to bankroll a UBI.

The introduction of a UBI would have massive implications.

Considering the economic effects, the job market would have to become much more competitive, since people would no longer feel compelled to work long hours for low pay. The elite, of course, would suffer from this. They base their business model on the ruthless exploitation of ordinary workers. With a UBI, that would no longer be possible. It would also be far easier to start your own business, and people could work for the joy they get out of their job and not have to worry about money. The increase in competitiveness would challenge the oligarchies and monopolies. Small to medium sized companies would really feel the benefit. An increase in competition within the market equates to a decrease in the wealth and income of the oligarchs. In other words, normal people would have greater ability to compete for goods and services in the marketplace due to an increase in their relative wealth compared to the elites. When this happens, the elite would have to spend

more money to compete. This would decrease their power to influence society using the market.

The effect on politics would be similarly dramatic. Financial security and increased economic freedom and opportunities will translate into increased political awareness and participation. People will have the time and money to take an interest in politics and get involved in activism and campaigning. This would challenge the propaganda and rhetoric of the elite. People would be better equipped to see through their lies.

This could be the beginning of a new political paradigm shift as we know it. UBI is the first stair for a global revolution: it is an indirect blow which would likely maim the elites, and set the stage for their downfall. An inheritance tax would pull the rich down, whereas a UBI would raise the people up. Both of them have the same effect in the end – increasing the power of Main Street, whilst decreasing the power of Wall Street. If we are going to change things through reform rather than revolution, ensuring that people have the time and money to become politically aware and politically active is essential. A UBI would deliver that.

It has wide ranging support on both the left and the right of the political spectrum. Milton Friedman is an example of a prominent figure on the right who was an advocate. The Right often sees basic income, in the form of the reverse income tax, as a way to cut down ‘big government’ and empower market forces whilst the Left sees it as a fair principle that will improve life for all.

Although there have been many experiments which verify the positive effects of a UBI, no country has yet implement it on a large scale. However, it is something of a hot topic in Europe right now. Switzerland’s citizens will soon vote on a referendum to give each working-age adult a basic income of \$2,800 (2,500 francs) per month. The city of Utrecht in the Netherlands is conducting an experiment on UBI, and Finland will officially begin two years of large scale experimentation with UBI in 2017.

In conclusion, UBI manages to attack the elite from every angle, and provide large benefits to the ordinary people of the world. Here is a summary of the points made:

- 1) It will deal with the issues raised by the ‘digital revolution’.
- 2) It will be the first reform to take us from Huxley's Dystopia to Campanella's Utopia.
- 3) It will be the first stair to true freedom.
- 4) It will be the 21st century declaration of war against the elite.

Are we going to miss this opportunity? Will we let this slip out of from our hands, or will we take this opportunity to push forward and claim our freedom? We’ve been waging war against poverty for decades, and yet we have failed to eradicate it, even in the wealthiest countries in the world. Poverty is not an incurable condition. It can be directly eradicated by a universal basic income.