

DAWN

A basic income — welfare for the digital age

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When Andy Stern wanted someone to transcribe an interview he had recorded for a book, he posted the job details on upwork.com. He was pleased to receive almost instant replies from US freelancers as well as those from as far away as the Philippines and Sri Lanka. But whereas US freelancers pitched between \$12.50 to \$25 an hour, those elsewhere offered \$3 to \$7.50.

For the former president of the Service Employees International Union, it was a bittersweet revelation. How could 53m freelance workers in the US ever hope to maintain their living standards when technology had created such a transparent global marketplace?

That experience only hardened Mr Stern in his conviction that developed countries have radically to reform their welfare states to adapt to the technological upheavals of the 21st century.

“We built a whole social infrastructure based on the concept of a job, and that concept does not work anymore,” he writes in his book *Raising The Floor*, to be published this year.

Instead, Mr Stern argues powerfully for the US government to provide a universal basic income (UBI) of \$1,000 a month to every citizen. Such a guaranteed income, he says, could prove a smarter way of tackling poverty than the \$1tn spent each year by 126 federal, state, and local anti-poverty programmes. It would also boost demand in the economy, give people more flexibility to retrain, look after children or elderly parents, start businesses and revive the promise of the American dream.

Such a proposal will strike many readers as mad. But in a world in which investors are paying some governments for the privilege of lending them money, it is no longer clear where the boundaries of economic sanity lie. Besides, the concept of rich societies giving poor citizens enough money so they are no longer poor does not strike everyone as insane.

Supporters of basic income have a long — and frustrated — history, dating back to the 18th century radical Thomas Paine. The movement burst into life in the US in the 1960s, when liberals, such as John Kenneth Galbraith and Martin Luther King, emerged as vocal champions. Some conservative thinkers too saw it as a means of providing greater choice. Milton Friedman backed a variant of UBI: a negative income tax in which top-up cash payments would be made to those below the poverty line.

In 1969 President Richard Nixon drew up a Family Assistance Plan, offering families with no earned income a conditional income supplement of about \$1,600 a year (\$10,320 in 2014 money). The proposal passed the House of Representatives but died in the Senate.

However, the workability — and popularity — of basic income has been shown in Alaska. Since 1982 the state has paid a basic income to every Alaskan, funded by oil revenues. Alaska has one of the lowest poverty and inequality rates in the US.

The UBI movement is gathering momentum elsewhere. Switzerland is holding a referendum on basic income this year. The Canadian and Finnish governments are experimenting too. The Dutch city of Utrecht has launched a pilot project to test its viability.

In the UK, the RSA recently published a report modelling the costs of a basic income of £3,692 for all citizens aged between 25 and 65, with additional payments for children and pensioners. By cutting overlapping welfare payments and ensuring distributional fairness, the RSA calculated it would cost an additional 1pc of gross domestic product but would bring many benefits.

Anthony Painter, one of the authors, argues that linking income to voter registration would reinforce social solidarity. “It is a very powerful tool of citizenship,” he says.

Enthusiasm for UBI has spread among Silicon Valley entrepreneurs, who say we now have the computational skills to model such social programmes. Although UBI is simple in theory, there are complex trade-offs between its impact and affordability, as the Cato Institute has highlighted. Sam Altman, president of Y Combinator, a start-up incubator, is funding a research project.

Mr Stern believes the US economy is reaching a ‘Vietnam moment’. It was only when the children of the middle classes were drafted that public opinion swung decisively against the war.

Globalisation has destroyed many blue-collar jobs but technological change is now threatening the professions. “The middle class is no longer immune,” he says.

That makes it an opportune moment for a full debate about the practicalities and costs of basic income. It is an old idea whose time may finally have come.