



Elon Musk Says the Government Will Have to Pay Citizens a Salary. This Company Is Testing That Theory

An experiment taking place in Kenya could drive a big conversation in the U.S. about how to deal with a future that includes fewer jobs for people.

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Much has been said about the possible impact of automation: A Forrester study estimates that 6 percent of jobs will be replaced by robots within four years; others say half the world's jobs will be gone by 2035.

One potential idea for counteracting a future that involves massive job losses is universal basic income, a government-provided monthly or yearly stipend given to each citizen. GiveDirectly, a non-profit company that gives donations directly to impoverished people in the form of cash, is currently running an experiment in Kenya that could provide answers as to just how feasible this is.

"It's been called radical and extreme," said GiveDirectly co-founder Michael Faye at a South by Southwest panel on Friday, "but it's a strikingly simple and obvious idea."

In October, GiveDirectly began a long-term experiment in which it provides money to every resident of several poor villages in Kenya. The company will begin a series of two-year trials later this year. Faye hopes the studies will answer questions like how people actually spend their money and what the broader implications are on the surrounding areas, as well as finer details like whether smaller monthly payments or one up-front lump sum work best.

Silicon Valley will be watching closely. As job loss due to automation becomes more of a foregone conclusion, pressure is likely to build on the tech industry to help usher in policies that will address it.

Elon Musk, who promised that all of Tesla's new vehicles will be capable of driving fully autonomously sometime this year, admitted recently that he thinks universal basic income will be necessary. Eliminating driving roles alone would wipe out 2 million jobs in the U.S., increasing unemployment by 6 percent.

Some countries, including Finland and Canada, have already approved pilot tests of universal basic income, and the issue is being widely debated in the Netherlands and Scotland.

Though it might seem like a leftist idea, universal income has some traits that make it attractive to the right. Michael Tanner, senior fellow at libertarian think tank The Cato Institute who shared the stage with Faye on Friday, said the U.S. government has nearly 100 programs for combating poverty. Consolidating those could eliminate layers of bureaucracy and, conceivably, make the redistribution of wealth more efficient. Richard Nixon tried unsuccessfully to pass a form of basic income during his presidency, and economist and free market proponent Milton Friedman advocated the idea in his 1962 book "Capitalism and Freedom."

Gathering support for such a policy is one thing; implementing and funding it are different tasks entirely. Tanner points out that paying every American \$12,000 per year, the U.S. poverty line for an individual, would cost the government nearly \$4 trillion--which is a little more than the U.S.'s entire annual federal budget.

Then there's the common criticism that welfare programs tend to receive: They discourage people from working. U.S. welfare systems, Tanner says, tend to pull a person's benefits all at once as soon as they get a job--so much so that a person on welfare who gets a job will only see an increase of about five cents for every new dollar they earn from that job. A universal basic income system would be unconditional, which he says would encourage innovation and entrepreneurship, since people who otherwise wouldn't be able to take financial risks would have the freedom to do so.

Faye hopes GiveDirectly's study both drives more conversation and provides answers about the system. "There's never been a long-term universal basic income study before," Faye says. "There will be some universal truths from this that are true across markets."

Faye co-founded GiveDirectly in 2008 after earning his PhD in business economics from Harvard. The company received a donation from Instagram co-founder Mike Krieger, and Facebook co-founder Dustin Moskovitz donated \$25 million in 2015.