

Chasing illusions

3 May 2017 By [Edward Hadas](#)

The universal basic income is back in fashion, for several reasons. All of them are bad.

The idea of guaranteeing every citizen a minimum monthly level of cash first became popular in the 1960s in the United States. The goals then were to simplify the welfare system, encourage more people to take paid jobs and to be a bit more generous to the poor. It all came to nothing.

The newest argument for UBI is a little different. The promise of giving everyone regular monthly cash is supposed to be an easy way to help the millions of people whose jobs are threatened by robots. The case is weak.

For one thing, it's far from certain that widespread automation will lead to mass unemployment. Drudge jobs have been declining for more than a century, but new positions in caring and service professions have taken their place. That pattern could continue.

But even if robots do throw millions out of work, UBI is a socially pernicious attempt at a solution. Money-for-nothing is no substitute for work-for-pay. The right response to a shortage of jobs is to remove obstacles to creating more paid positions. The menu of labour-helping structural reforms is well known: changes to the tax system, better education and subsidies for job creation. A good case can be made for more equal wages: higher at the bottom and lower at the top.

A more deceptive argument for UBI comes from anti-government conservatives, including billionaire Elon Musk and political scientist Charles Murray. They imagine a bonfire of welfare regulations: no more state experts deciding who is sufficiently meritorious or wretched to qualify for a particular programme. No new schemes to counter new varieties of social dysfunction. Instead, just give everyone some money.

Life is not so simple, though. To start, the money problem is too big. A crushingly high tax burden would be required to pay for an income generous enough to duplicate the basic benefits of modern welfare states – even the skimpy U.S. variety.

In the somewhat more generous United Kingdom, economist John Kay calculates that all tax rates would have to rise by 20 percentage points to finance a UBI equivalent to 40 percent of median earnings. Even if voters could be persuaded to accept this huge increase, the basic income would still be well below 55 percent of median pay – the level the UK government's Low Pay Commission calculated as a “national living wage”. The idea looks even less plausible when the likely response of employers and workers to the new mix of taxes and benefits is added in.

In other words, an affordable UBI cannot be truly universal. The only way to come close is to integrate it with other welfare schemes. Besides, no UBI plan can provide for the extra expenses incurred by the ill, the disabled, the unemployed and the vulnerable. They need their own benefits, each with detailed rules for eligibility.

Finland's government understands that UBI can only work as one part of a complex system. It is trying out a programme on a small group of people, but they will still have access to most of the panoply of state welfare schemes. A study by three researchers at Finland's Social Insurance Institution sets out very modest expectations. The programme will not have much effect on income inequality or the final income levels of recipients. It will mainly make life easier for those "whose income package is composed of different income-tested basic security benefits".

One reason that the pure UBI approach doesn't work financially is that it doesn't work psychologically. Human needs and desires vary too much. There is also a moral problem. People are not angels. It is impossible to design a simple system which fully isolates everyone from the economic pain of unemployment without also encouraging lazy people to give up work.

Conservatives tend to counter that families, friends and private charities should do more. That, though, requires a cultural revolution. The government-loving elite may have designed today's big government welfare systems, but they are a response to popular demands. There is no politically acceptable alternative, especially when the portion of the population in need of comprehensive support is rising.

The welfare challenge is likely to increase, because of what can be called social poverty – the inability to hold down jobs, to keep families together and to resist self-destructive behaviour. These problems have been spreading for decades, with the United States in the lead and Europe slowly catching up.

Ironically, one of the original proposers of UBI, the American sociologist and senator Daniel Patrick Moynihan, was also one of the first establishment figures to point out the alarming anti-social trend. But he did not have a solution then, and no one has one now. The best anyone has come up with is more intensive welfare programmes, which inevitably come with cumbersome bureaucracies and hyper-detailed rules. UBI certainly won't help. These are problems which no amount of money can solve, no matter how simply or carefully it is allocated.