

Free Money for All

Basic Income is easily one of the most ambitious ideas of this century. The first evidence of this idea can be found in Thomas Moore's Utopia - written 500 years ago! - but even now, the definition of basic income in itself is disputed. For the purpose of this article, basic income will be defined as:

"An unconditional, non-taxable payment made to an individual by the state".

The key characteristics of basic income are that it is periodic, unconditional and universal. Generally, in public forums we see people looking towards basic income as an unaffordable tool to reduce poverty and improve mental and physical wellbeing. But what if there was more to it than this? What if basic income could also improve things like dignity and efficiency of labour, all while incentivizing entrepreneurship and innovation? There are questions that are commonly debated, but what about the ones that aren't? In this article, we will try and answer some of the commonly unanswered questions.

"We should explore ideas like universal basic income to make sure everyone has a cushion to try new ideas" - Mark Zuckerberg

ARE WE MAKING THE GOVERNMENT MORE POWERFUL BY IMPLEMENTING A BASIC INCOME?

If we look at basic income as a replacement for the current welfare system, we would not just be plugging the leaks in the current government expenditure but changing the direction of the flow itself. This would mean that on one side, government bureaucracy and corruption would reduce greatly - but on the other, also concentrate the government's powers. This power could then be used for undesirable things such as vote bank politics. However, one of the main arguments against basic income is that the government lacks control over how individuals choose to spend their income.

WOULD WE STILL CHOOSE TO WORK IF WE WERE PAID A BASIC INCOME?

One of the common arguments against a basic income is that it would make people lazy and more dependent on the government. But what if this income provided by the government would only be enough for one's sustenance? We would then still have the incentive to work, in order to actively better our living situation. But not have to worry about where our next meal would come from. This would improve things like the dignity of labour, encourage entrepreneurship and even help people upskill themselves by returning to education. The fact that is a universal payment makes sure that people from all backgrounds have access to this income. This would actively work towards counter the negative effects that the current welfare system would create. It is argued that the current welfare system creates a type of welfare/poverty trap that actively incentivizes individuals to remain poor. That is, if they started to earn more than a certain amount, they would lose their welfare benefits and they might be better off within the welfare system than outside.

An interesting thing to note here is that individuals would now have the choice to work in sectors they want to work in, not just because they have to work in order to earn a living. People would work in areas where their interests lie, increasing things like labour productivity. They would work because they want to and not because they have to.

IS THIS EVEN AFFORDABLE?

There is no denying that this is an expensive policy. But to determine how much it would cost, we would have to first figure out whether we want this policy to be enacted as a combination with the current welfare system, or as a replacement for it. Some economists claim that calculating the cost of this scheme by using basic Mathematics, that is total population over the age of 18 times the monthly handout would paint an inaccurate picture.

WHY IS THIS RELEVANT IN TODAY'S WORLD?

1. The rise of machines!

A study conducted by the University of Oxford estimated that around 20 million jobs would be lost to automation by 2030. Automation heavily affects the middle class of the economy when compared to the lower or higher class. These jobs largely consist of factory workers. Factories usually have an established production line, making it easier for us to replace these jobs with machines. Another interesting case starts to build in this situation. For example, transcription jobs. Transcription works on converting speech to text, which is very interesting in this case as for years companies have used them as data samples to build their transcription software to become more and more accurate. Now, this same software is being used to replace them. Without even considering the ethical aspect of this, we see that there is a problem with the awareness of workers. Every machine we use today keeps getting better and better every day with our help all in the hopes of one day replacing us. Business tycoons like Elon Musk and Richard Branson believe that one of the possible solutions for this inevitable state could be basic income.

2. The COVID-19 pandemic:

The COVID-19 pandemic brings with it an increase in unemployment and an increase in the need to automate in order to increase efficiency and sustain power. Companies suffered largely due to a lack of demand, hence a reduction in profits which led to a further increase in unemployment. In this scenario we see that a basic income will not only help the recently unemployed by giving them some sustaining power but also aid in stimulating demand, easing the current Economic slowdown. A study conducted by the Roosevelt Institute showed that a monthly handout of 1000\$ would permanently grow the American economy by 12%.

I believe that basic income will be implemented by many countries in the near future. What we need to understand is that minimum basic income is not a one size fits all policy. It needs to be crafted uniquely, to meet the specific requirements of each country. We can imagine this process to be similar to making a sub at Subway, where we choose different ingredients based on our requirements, but it still remains a sub! Different countries need different types of basic income. I personally find the idea of minimum basic income the best, wherein the normal residents receive a monthly handout sufficient enough to pay for a part of their basic necessities and would act as a replacement to the current welfare system. Some of the other options are:

1. A Negative Income Tax, proposed by Milton Friedman.
2. A repayable zero-interest loan was proposed by Amitabh Kant, Chairman of India's largest Think Tank.
3. A Basic Income that is sufficient enough to replace all other forms of income.

For funding, we can choose from an increase in income tax, a new wealth tax, a value-added tax, or maybe even a carbon tax.

I believe that basic income as a policy will be implemented sometime, by some countries, in the near future.

Rashab Pradeep Jain, 20th December, 2020