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## Basic income: a radical idea enters the mainstream

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### Executive summary

- A universal basic income (UBI) is a payment made to all adult individuals that allows people to meet their basic needs. It is made without any work or activity tests.
- The idea of a universal basic income (UBI) is not new but until recently had been pushed to the fringes of policy debate.
- UBI has returned to the policy agenda as the result of concerns about technological change. Some commentators argue that new technology will permanently reduce the demand for labour leading to job losses, stagnant incomes and worsening inequality.
- There are a number of different UBI models. These range from more modest schemes designed to simplify the existing social security system all the way to utopian plans to transform society. This paper illustrates the range by discussing a few of the many proposals made over the past century.
- There are a number of common objections to UBI proposals. These include scepticism about the idea technological change will lead to widespread job destruction, concern about the high cost of a UBI, concern about the likely impact of a UBI on the economy, and concern that a UBI will undermine social solidarity and support for the social contract.
- Even if there little prospect of a UBI being introduced in the near future, debating UBI proposals helps draw out and clarify the differences in values and vision that shape social and economic policy.

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## Introduction

A universal basic income (UBI) is a payment made to all adult individuals that allows people to meet their basic needs. It is made without any work or activity tests.<sup>1</sup>

The idea of a basic income is not new but in recent decades it has been pushed to the fringes of policy debate. Since it fell off the agenda in the late 1970s, UBI and similar schemes have been the domain of a small network of social and environmental activists, policy analysts and academics.

However, in the last few years things have changed. Debates over basic income proposals have moved from the fringe to mainstream newspapers like the *Wall Street Journal* and *The Economist* and high-profile research organisations like the Brookings Institution, the American Enterprise Institute and McKinsey Global Institute. In Australia, the Productivity Commission recently included a discussion of basic income in a report on digital disruption.<sup>2</sup>

The recent interest in basic income policy has generated more than just talk. Governments are planning trials of basic income proposals in Finland, the Netherlands and Canada. The non-profit research arm of Silicon Valley firm Y Combinator is funding a trial in Oakland California.<sup>3</sup>

Basic income has moved into the mainstream of public debate as a reaction to two trends. First, the global financial crisis led to a deep and prolonged recession in many developed countries. The recession caused job losses and unemployment as well as slowing the growth in incomes for those in work.

Second, influential commentators are warning that the rapid development of new digital technologies may permanently depress the demand for labour.<sup>4</sup> In the past this trend has mostly affected less skilled workers, and policy analysts responded by calling for greater investment in education and training. But now some commentators are arguing that technology is also destroying higher-skilled, better-paid jobs.<sup>5</sup>

Supporters of basic income schemes argue that the new wave of technological change may permanently sever the link between economic growth and job growth. On this view, it will no longer be possible for governments to deal with unemployment, insecure work and stagnant incomes by reforming the economy to promote growth or skilling up the workforce to meet the demands of the new economy.

The elegance and simplicity of universal basic income and similar schemes appeals to many policy analysts. In theory these schemes remove the policy traps and perverse incentives created by the current tangle of income support programs with their overlapping means tests and complex eligibility criteria. The recent surge in concern about the future of work has created an opportunity to get the idea back on the agenda.

Despite the enthusiasm of some policy analysts and social reformers, few policymakers regard a basic income as a realistic option. The first problem is the enormous cost of basic income schemes. Many policymakers also worry about the effect on work incentives and the broader economy. And, even if they personally find the idea attractive, some worry that voters will resent the idea of paying higher taxes to support able-bodied citizens who choose not to work.

1. A work test is a requirement that an income support recipient must look for work and accept it if is offered. An activity test is broader. It is a requirement that a recipient must also participate in programs such as job search and training courses, work experience placements and so on.
2. G Ip, '[Revival of universal basic income proposal ignores needs of labor force](#)', *The Wall Street Journal*, 13 July 2016, accessed 9 November 2016; *The Economist*, '[Sighing for paradise to come: arguments for a state stipend payable to all citizens are being heard more widely](#)', *The Economist*, 2 June 2016, accessed 9 November 2016; '[Sighing for paradise to come: arguments for a state stipend payable to all citizens are being heard more widely](#)'; R Reeves, '[Time to take basic income seriously](#)', Brookings Institution, 23 February 2016, accessed 9 November 2016; C Murray, '[A guaranteed income for every American](#)', American Enterprise Institute, 3 June 2016, accessed 9 November 2016; McKinsey Global Institute, *Poorer than their parents? Flat or falling incomes in advanced economies*, McKinsey & Company, July 2016, p. 21; Productivity Commission, *Digital disruption: what do governments need to do?*, Productivity Commission Research Paper, Canberra, June 2016, p. 79, accessed 9 November 2016.
3. D Matthews, '[Some residents of Oakland are about to get a basic income](#)', *Vox*, 1 June 2016, accessed 9 November 2016; J Sadowski, '[Why Silicon Valley is embracing universal basic income](#)', *The Guardian*, 22 June 2016, accessed 9 November 2016.
4. D Rotman, '[How technology is destroying jobs](#)', *MIT Technology Review*, 12 June 2013, accessed 9 November 2016.
5. Australian Broadcasting Commission (ABC), '[Martin Ford: Robots could make entire industries redundant, warns Silicon Valley entrepreneur](#)', *The World Today*, ABC website, 3 September 2015, accessed 9 November 2016.

## What is a basic income?

A universal basic income (UBI) is a payment made to all individuals without any means test or activity test.<sup>6</sup> Proposals for UBI schemes go by a variety of names including citizens' income and basic income guarantee (BIG).<sup>7</sup>

UBI schemes are closely related to guaranteed income and negative income tax (NIT) schemes (these are explained below). The major difference between a UBI and these schemes is means testing. As explained below, this may be a less clear-cut distinction than it seems because it is possible to design UBI and NIT schemes that have the same impact on disposable income.

### Key features of UBI schemes

Most UBI proposals share three features:

- *universal*—it is paid automatically to all individuals (or all adult individuals) without a means test
- *unconditional*—it is paid without conditions (for example, job search requirements) and
- *adequate*—it is set at a high enough level to protect citizens against poverty.<sup>8</sup>

These are explained in more detail below.

### Universal

A UBI would be paid to all adult citizens regardless of need. It would be paid at the same rate to people with paid jobs and people without jobs; to single and partnered people; to people with disabilities and people without. It would be paid at the same rate regardless of a person's income or assets or the income and assets of other people in their household.

These features make the UBI different to social assistance payments. In most countries, social assistance is means tested and targeted towards particular categories of people in need. For example, in Australia pensions are targeted towards the aged and people with disabilities with other payments available to people who are studying, unemployed, caring for young children and so on.

The lack of means testing makes the UBI different to guaranteed income and negative income tax (NIT) schemes. Both guaranteed income and NIT schemes restrict payments to those with low incomes while a UBI is paid to everyone. However, in practice, the difference between a UBI and a scheme like a NIT can be less clear than it appears. This is because an individual's disposable income depends not just on transfer payments but on transfer payments plus taxes. As economist Milton Friedman explained:

A basic or citizen's income is not an alternative to a negative income tax. It is simply another way to introduce a negative income tax if it is accompanied with a positive income tax with no exemption. A basic income of a thousand units with a 20 percent rate on earned income is equivalent to a negative income tax with an exemption of five thousand units and a 20 percent rate below and above five thousand units.<sup>9</sup>

As Samuel Hammond of the Niskanen Center writes, a universal transfer program like a basic income 'cannot be analysed outside of the tax system that pays for it'.<sup>10</sup> While everyone would receive a basic income, not everyone would end up better off after the tax changes needed to finance it.

### Unconditional

A UBI would not come with any behavioural conditions. Currently, policymakers in many countries attach behavioural conditions to income support payments. They require recipients to do such things as search for

6. Productivity Commission, op cit, p. 79.

7. For a list of names see: US Basic Income Guarantee Network, '[What is the basic income guarantee](#)', US BIG Network website, accessed 9 November 2016.

8. E Olin Wright, 'Introduction', in *Redesigning Distribution: basic income and stakeholder grants as alternative cornerstones for a more egalitarian capitalism*, Verso, New York, 2006, p. xi.

9. M Friedman, 'The Suplicy-Friedman exchange', in [BIEN NewsFlash no. 3](#), May 2000, p.10, accessed 9 November 2016.

10. S Hammond, '["Universal basic income" is just a negative income tax with a leaky bucket](#)', Niskanen Center website, 9 June 2016, accessed 9 November 2016.

work; participate in training or workfare;<sup>11</sup> submit to drug tests; clear any outstanding warrants; and vaccinate their children and send them to school.<sup>12</sup>

Under a UBI scheme, all adult citizens would have a legal right to payment regardless of how they chose to live, much the same way age pensioners have a legal right to payments without any conditions attached to their behaviour.

### **Adequate**

Under most proposals, a UBI would be paid at a high enough level so that an individual could meet their basic needs without additional income. However, this adequacy is not an essential feature of a UBI. Some proposals envisage a scheme where universal basic income payments are topped up by targeted income support payments and social services.

### ***How would a basic income scheme work?***

The impact of a UBI depends on how the payment itself is designed and also on the design of the broader policy environment in which it is embedded. In most proposals, a UBI would be part of a package of changes. These include changes to existing welfare payments and services and to the tax system.

### **What payments and programs would a UBI replace?**

In most proposals, the UBI would replace existing income support payments for single parents, people with disabilities, students, the unemployed, low-paid workers and the aged. It might also replace (or partly replace) services such as welfare-to-work programs.

Some proposals go much further. For example, American libertarian thinker Charles Murray has proposed a UBI package that eliminates scores of government payments and programs, including income support for single parents; child care for income support recipients; homeless assistance grants; and the Earned Income Tax Credit. Murray's list includes far more than programs that assist people on low incomes: it also includes support for agriculture, grants in-aid for airports, spending on clean coal technology, and subsidies for railways.<sup>13</sup>

### **Who should receive the basic income?**

To say that a UBI would be paid to 'all' is only loosely true. In most proposals, eligibility has some restrictions. For example, in Murray's proposal the UBI would include adult citizens (21 and over) but exclude incarcerated criminals and residents who are not citizens. In contrast, a proposal by Matt Bruenig at the American think tank Demos would extend the UBI to children as well as adults.<sup>14</sup>

Murray's proposal also eliminates payments designed to help low-income parents meet the costs of raising children and funding for childcare. Every adult would receive the same amount whether or not they are supporting children. This aspect of the scheme is designed to discourage women from raising children independently. Murray also argues that it would also discourage men from fathering children they do not intend to support because it would make it easier for mothers to get them to pay child support. Murray writes:

Police do not need to track him down or try to find him on a day when he has cash on hand. All they need is a court order to tap the bank account. Even teenage fathers who are not yet getting the grant need not escape. Just write the child-support law so that their obligation accumulates until they turn twenty-one. The state pays the child support until then, at which time his cash grant is tapped not only for the continuing child support but to pay back the money already spent.<sup>15</sup>

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11. In a workfare scheme, the government requires income support recipients to perform work in return for benefits. Australia's work for the dole program was created as a workfare scheme.
  12. In Australia these conditions are often referred to as 'mutual obligations'. For a brief analysis of the various forms these conditions can take see: Catholic Social Services Australia (CSSA), [The obligation is mutual: discussion paper on mutual obligation](#), October 2007, pp. 12–13, accessed 9 November 2016.
  13. C Murray, [In our hands: a plan to replace the welfare state](#), American Enterprise Institute, Washington DC, 2006, pp. 130–139, accessed 9 November 2016.
  14. M Bruenig, ['A universal basic income approach'](#), *Policyshop*, Demos website, 15 September 2015, accessed 9 November 2016.
  15. C Murray, op cit, p. 63.

## Payment rates

In many proposals the UBI would be enough for an individual to live on without experiencing poverty. For example, a recent proposal put to a referendum in Switzerland sought to amend the constitution to state: 'The basic income shall enable the whole population to live in human dignity and participate in public life'.<sup>16</sup>

Some UBI advocates have argued for a UBI set at a much lower rate and for allowing low-income recipients to access targeted benefits. Advocates usually suggest this as a way to transition gradually to a more adequate payment. For example, Belgian philosopher Philippe Van Parijs writes:

... advocates of a universal minimum income could, in the short term, settle for a "partial" (less-than-subsistence) but strictly individual UBI, initially pitched at, say, half the current guaranteed minimum income for a single person. In US terms, that would be about \$250 per month, or \$3,000 a year. For households whose net earnings are insufficient to reach the socially defined subsistence level, this unconditional and individual floor would be supplemented by means-tested benefits, differentiated according to household size and subjected, as they are now, to some work requirements.<sup>17</sup>

Matt Bruenig supports an approach where the UBI works alongside existing programs. He argues that a UBI should not replace all other income support payments. Instead the UBI and targeted payments for disability, unemployment and childbirth would be designed to work together.<sup>18</sup>

Bruenig also suggests that UBI payments should vary by age. He proposes small payments for children. Young adults (18–24) would start out on a relatively high payment. This would provide them with support while they were in education, training or entry level jobs. But after 24, the payment would steadily decrease until the person reaches 64. At 65 the payment would increase. The elderly would receive the highest level of payment. Bruenig explains:

I do this because we know earnings increase over the lifecycle, and so this would help smooth that out and reduce inequality. I also think it might help to encourage labor mobility somewhat more than paying an equal amount across all ages.<sup>19</sup>

## Funding a UBI

It is not possible to create a UBI without substantial changes to existing government programs or to the tax system. The effect of the UBI depends on the entire package. As Samuel Hammond writes:

Taxes and transfers are two sides of the same coin. You might as well call taxes negative transfers, so to propose a lump sum transfer like UBI without an explicit discussion of how it's financed only tells half the story.<sup>20</sup>

There are two major sources of funds for a UBI: savings from cuts to other programs and increases in taxation. Libertarians like Charles Murray and Matt Zwolinski propose using a UBI as a replacement for the welfare state. They argue most or all of the funding could come from abolishing existing programs.<sup>21</sup> *The Economist* estimates the United States could pay each person \$6,300 a year if it cashed out all non-health transfer payments (the figure is \$6,100 for Australia).<sup>22</sup> However, *The Economist* suggests that it is unlikely any political leader would be prepared to deny the full range of existing benefits that go to groups such as age pensioners.

Basic income advocates who want to combine a UBI with existing programs have suggested a number of ways to increase tax revenue. For example, in *Challenge* magazine, Luke Whittington (a member of the NSW Labor Left) suggests 'a broad based progressive land tax' and taxes on multinational corporations.<sup>23</sup> American writer Scott Santens makes a number of suggestions including a carbon tax, a financial transaction tax and a new top income-

16. 'Federal initiative', Swiss campaign for the Universal Basic Income website, accessed 9 November 2016.

17. P Van Parijs, 'A basic income for all', *Boston Review*, 1 October 2000, accessed 9 November 2016.

18. M Bruenig, op.cit.

19. Ibid.

20. S Hammond, op. cit.

21. C Murray op. cit.; M Zwolinski, 'The pragmatic libertarian case for a basic income guarantee', *Cato Unbound*, 4 August 2014, accessed 9 November 2016.

22. 'Universal basic income in the OECD', *The Economist*, 3 June 2016, accessed 9 November 2016.

23. L Whittington, 'Universal basic income', *Challenge*, 18 July 2016, accessed 9 November 2016.

tax bracket.<sup>24</sup> Matt Bruenig and Elizabeth Stoker Bruenig suggest cuts to tax expenditures that benefit high-income earners and cuts to the defence budget.<sup>25</sup>

Most proposals for funding a UBI rely on back-of-the-envelope calculations rather than detailed costings. Advocates are usually trying to show that it is possible to pay for a UBI while leaving the details for later. Some—like Sam Altman (president of startup accelerating firm Y Combinator)—suggest that that the funding problem will be much easier to solve in the future:

... technological improvements should generate an abundance of resources. Although basic income seems fiscally challenging today, in a world where technology replaces existing jobs and basic income becomes necessary, technological improvements should generate an abundance of resources and the cost of living should fall dramatically.<sup>26</sup>

Critics are sceptical about whether there is any practical way to fund a UBI set at a level people could live on. For example, Canadian economist Kevin Milligan says: 'UBI gets all this attention and popularity, but I haven't seen one model that's even on the planet of financial feasibility. These things are utopian'.<sup>27</sup>

## Basic income is not a new idea

The idea of a UBI is not new. Detailed proposals were being discussed well before modern income support systems were created in Australia, the United Kingdom or the United States. These proposals took a number of forms. Some were designed as part of the social security system. They were promoted as a simple and effective way to protect individuals and families against risks such as unemployment, sickness and disability. These include Dennis Milner's State Bonus scheme and Milton Friedman's negative income tax.

Other schemes were promoted as a response to job destruction due to technological change. They were designed to enable citizens to pursue worthwhile lives outside the labour market. Robert Theobald's proposal was designed for a future with far fewer jobs. In Australia, the Labor Party's Barry Jones promoted similar ideas.

The third group of schemes are part broader of projects of social transformation. These schemes are openly utopian and envisage a society where people's relationships with each other are no longer dominated by the market. Philippe Van Parijs' proposal is of this type.<sup>28</sup>

These schemes are discussed in detail below.

### ***The State Bonus scheme—Dennis Milner***

As the First World War was coming to an end in 1918 social reformer and Quaker, Dennis Milner began promoting his State Bonus scheme. Together with his wife Mabel and colleague Bertram Pickard, Milner argued that the British Government should provide every individual with a 'State Bonus'—an unconditional weekly allowance.

Milner argued that existing social arrangements were under increasing pressure. Researchers like Charles Booth and Joseph Rowntree had documented the extent of poverty and deprivation in England, and socialist thinkers like Karl Marx, Edward Bellamy, and the Fabians had outlined plans for radical change:

... the cumulative effect of so many tendencies all in one direction with pomp and wealth ever before the eyes of the poor (particularly since the advent of motors), has resulted in a wave of unrest stopping further increases in productivity, and threatening worse things.<sup>29</sup>

Like Milner, Pickard argued that, without reform, class conflict and industrial unrest would get worse. But rather than argue for the immediate nationalisation of industry or the overthrow of parliamentary democracy, he pushed for a 'reasonable revolution' within the boundaries of the existing democratic and market-based

24. S Santens, '[Why Should we support the idea of universal basic income?](#)', *Huffington Post*, 25 June 2016, accessed 9 November 2016.

25. M Bruenig and E Stoker, '[How to cut the poverty rate in half \(it's easy\)](#)', *The Atlantic*, 29 October 2013, accessed 9 November 2016.

26. S Altman, '[Moving forward on basic income](#)', Y Combinator Posthaven, blog, 1 June 2016, accessed 9 November 2016.

27. O Goldhill, '[We talked to five experts about what it would take to actually institute Universal Basic Income](#)', Quartz website, 6 February 2016, accessed 9 November 2016.

28. These are only a few of the schemes proposed. For more information about the history of UBI see: [Basic Income Earth Network \(BIEN\), History of basic income](#), BIEN website, accessed 9 November 2016.

29. D Milner, *Higher production by a bonus on national output: a proposal for a minimum income for all varying with national productivity*, Allen and Unwin, London, 1920, p. 111, accessed 9 November 2016.

system.<sup>30</sup> Both Milner and Pickard saw the State Bonus as a middle way between ineffective reforms such as the minimum wage and the revolution that had taken place in Russia.<sup>31</sup>

The Milners proposed an allowance ‘which would be just sufficient to maintain life and liberty if all else failed’.<sup>32</sup> The allowance would be universal and unconditional. It would be paid to all British subjects living in Britain permanently with mothers receiving payments on behalf of children. There would be no work test.<sup>33</sup> The Milners argued that pushing people into work by threatening them with starvation only led to inefficient workers.<sup>34</sup>

The Milners argued that the bonus should be funded by contributions from wages, salaries and other income. The intention was not to redistribute money between the classes but to provide individuals with security against destitution.<sup>35</sup>

Milner argued that the State Bonus was a better way to maintain security than minimum wages. Under his scheme, wages would be left to the market:

... it is an axiom assumed throughout this treatise that, so long as the country continues to believe in competitive industry It should be the business of those engaged in every industry to settle their own terms, unhampered by interference from the State. This is not possible now, because the State holds itself responsible (on behalf of the community) for the maintenance of a decent standard of living through wages. It is therefore claimed that if this is a true function of the community, then the community should take over this maintenance qua maintenance and not attempt to foist on employers the responsibility of paying ‘human’ wages irrespective of the earning capacity of the recipients.<sup>36</sup>

Milner formed a ‘State Bonus League’ and tried to persuade the British Labour Party to adopt his proposal.<sup>37</sup> But according to Canadian academic John Finlay, the idea ‘was so out of touch with contemporary Labour thinking that it could be shuffled away with little trouble’.<sup>38</sup>

### ***Guaranteed income—Robert Theobald***

In the early 1960s, American futurist Robert Theobald predicted that computers would become increasingly fast and powerful. With computers and other technology increasingly able to take over routine tasks, workers would find themselves displaced by machines. Both blue-collar and middle-income white-collar workers would be affected. In a 1967 interview, Theobald argued that:

... we must face up to the fact that we cannot afford to preserve our present socioeconomic system, which requires every man to be able to find a job at a time when the computer can take over toil, can take over all the structured tasks, that is the tasks for which the decision-making rules can be set out in advance. And therefore we have to break the present link between jobs and income. The necessary first step in this direction is a guaranteed income.<sup>39</sup>

Theobald argued that free market institutions were no longer be able to generate enough jobs for everyone who needed an income. In an effort to drive up production and create jobs, governments responded by interfering in the market (for example, through schemes directed at farmers).<sup>40</sup> But according to Theobald, this led to ‘a whirling dervish economy dependent on compulsive consumption’.<sup>41</sup>

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30. B Pickard, [A reasonable revolution: being a discussion of the state bonus scheme—a proposal for a national minimum income](#), Allen and Unwin, 1919, accessed 9 November 2016.

31. Milner, op. cit., pp. 126–27.

32. E M Milner and D Milner, [Scheme for a state bonus: a rational method of solving the social problem](#), North of England Newspaper Co Ltd, Priestgate, Darlington, 1918, p. 7, accessed 9 November 2016.

33. D Milner, op cit, p. 27–29.

34. E M Milner and D Milner, op cit, p. 14.

35. E M Milner and D Milner, op.cit., p. 8.

36. D Milner, op. cit., pp. 14–15.

37. J Tomlinson, ‘Australian basic income: efficiency and equity’, in J Mays, G Marston and J Tomlinson, eds, *Basic income in Australia and New Zealand: perspectives from the neoliberal frontier*, Palgrave MacMillan, Houndmills, 2016, p. 61.

38. J Finlay, *Social credit: the English origins*, McGill-Queen’s University Press, Montreal, 1972, p. 39.

39. R Theobald, ‘Interview with Robert Theobald’, *Perspecta*, 11, 1967,-11–19.

40. R Theobald in: [Nation’s Manpower Revolution: hearings before the United States Senate Committee on Labor and Public Welfare, Subcommittee on Employment and Manpower, Eighty-Eighth Congress, first session](#), United States Congress, US GPO, Washington 1963–64, p.141, accessed 9 November 2016.

41. *Ibid.*, p. 136.



According to Theobald, '[t]he only method of preserving both freemen and free markets is to recognize the need to divorce the productive function from the distributive function'.<sup>42</sup> He argued that a guaranteed income would increase individual freedom by allowing individuals to pursue careers in areas such as arts and crafts where markets would not sustain enough paid employment. And by providing support to people outside the market, governments would no longer need to manipulate the market to artificially drive up production.<sup>43</sup>

As well as removing the need for market intervention through interest rate, tax and tariff manipulations, the guaranteed income would replace welfare programs such as unemployment insurance, housing subsidies and food stamps.<sup>44</sup>

### **Negative income tax—Milton Friedman**

In 1962 economist Milton Friedman proposed a negative income tax (NIT) as simpler way to protect individuals against poverty:

We now have an exemption of \$600 per person under the federal income tax (plus a minimum 10 per cent flat deduction). If an individual receives \$100 taxable income, ie, an income of \$100 in excess of the exemption and deductions, he pays a tax. Under the proposal, if his taxable income minus \$100, ie, \$100 less than the exemption plus deductions, he would pay a negative tax, ie, receive a subsidy. If the rate of subsidy were, say, 50 per cent, he would receive \$50. If he had no income at all, and for simplicity, no deductions, and the rate were constant, he would receive \$300.<sup>45</sup>

For an individual with no income, the NIT is like an income support payment. As with most income support payments, the amount the person receives reduces as they earn additional income. At a certain level of income they reach the break-even point and pay nothing, after that point they start paying tax. The NIT integrates the income support system into the tax system.

Friedman argued that the NIT should replace current welfare programs—both cash payments and services. He argued that the scheme would have a number of advantages over current arrangements:

1. It would help the poor in the most direct way possible.
2. It would treat them as responsible individuals, not as incompetent wards of the state.
3. It would give them an incentive to help themselves.
4. It would cost less than present programs yet help the poor more.
5. It would eliminate almost entirely the cumbrous welfare bureaucracy running the present programs.
6. It could not be used as a political slush fund, as so many current programs—notably in the 'war on poverty'—can be and have been used.<sup>46</sup>

The NIT was an example of what Daniel Moynihan called the 'income strategy'.<sup>47</sup> According to Moynihan, the dominant approach among American liberals during the 1960s was a 'services strategy'. Instead of giving cash to people on low incomes and allowing them to decide how to spend it, the services strategy channelled money into services such as education and training. As Moynihan put it:

With astonishing consistency, middle-class professionals—whatever their racial or ethnic backgrounds—when asked to devise ways of improving the condition of lower-class groups would come up with schemes of which the first effect would be to improve the condition of the middle-class professionals, and the second effect might or might not be that of improving the condition of the poor.<sup>48</sup>

Friedman was adamant that a NIT should replace existing welfare payments and services and was critical of schemes proposed during the 1970s that added NIT-like payments to the existing system. He suggested that part of the problem was resistance from people who had a vested interest in keeping the existing programs. By the

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42. Ibid.

43. Ibid., p. 134.

44. Ibid., p. 138.

45. M Friedman, *Capitalism and freedom*, University of Chicago Press, Chicago, 2002, p. 192.

46. M Friedman, *There's no such thing as a free lunch: essays on public policy*, Open Court, LaSalle, 1975, p. 200.

47. D Moynihan, *The politics of a guaranteed income: the Nixon administration and the Family Assistance Plan*, Vintage Books, New York, 1973, p. 55.

48. D Moynihan, op cit , p. 54.

end of the 1970s, Friedman described his proposal as ‘a fine dream’ that had ‘no chance whatsoever of being enacted at present’.<sup>49</sup>

### ***The ‘capitalist road to communism’—Philippe Van Parijs***

Some UBI proposals are unashamedly utopian. For example, Robert van der Veen and Philippe Van Parijs envisage a UBI as part of a much broader project of social transformation that ends with full communism and the abolition of alienated wage labour.<sup>50</sup> In a 1986 paper, van der Veen and Van Parijs proposed that a basic income could be a step along ‘a capitalist road to communism.’ According to van Parijs and van der Veen, communism:

... is defined by the distribution principle “From each according to his abilities, to each according to his needs” - which implies at least that the social product is distributed in such a way (1) that everyone's basic needs are adequately met, and (2) that each individual's share is entirely independent of his or her (freely provided) labor contribution.<sup>51</sup>

Full communism is achieved when people’s contribution to production has no influence at all over the distribution. In this kind of society people freely choose the kind of work they do based on how intrinsically rewarding it is, rather than on how much it pays. In this way alienation is overcome.

According to this view, a UBI helps move society towards full communism by pushing up the price of intrinsically unrewarding work while making it possible for people to take low-paid work that they find rewarding. As American writer Peter Frase explains:

If you extrapolate this trend forward, you reach a situation where all wage labor is gradually eliminated. Undesirable work is fully automated, as employers feel increasing pressure to automate because labor is no longer too cheap. Meanwhile, the wage for desirable work eventually falls to zero, because people are both willing to do it for free, and able to do so due to the existence of a basic income to supply their essential needs.

... The long-run trajectory, therefore, is one in which people come to depend less and less on the basic income, because the things they want and need do not have to be purchased for money. Some things can be produced costlessly and automatically, as 3-D printing and digital copying technologies evolve into something like Star Trek’s replicator. Other things have become the product of voluntary cooperative activity, rather than waged work. It therefore comes to pass that the tax base for the basic income is undermined—but rather than a crisis, as in the hands of basic income critics, this becomes the path to utopia.<sup>52</sup>

### ***Guaranteed income schemes—Australia***

In Australia, the debate over UBI and NIT schemes paralleled that in other English-speaking countries.

In the 1920s, Milner’s State Bonus proposal was discussed in the Australian press and raised by a Labor backbencher, William Maloney, in the Australian Parliament.<sup>53</sup> Then, during the 1940s broadcaster Lloyd Thomas, advocated an ambitious basic income scheme. However his proposal attracted little attention outside of Western Australia.

As academic John Tomlinson notes, the 1970s were a high point for guaranteed income proposals with the Whitlam Labor Government seriously considering schemes designed to simplify the income support system and integrate it with the tax system.<sup>54</sup>

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49. M Friedman and R Friedman, *Free to choose*, Penguin Books, Ringwood, 1980, p. 155.

50. According to Karl Marx, non-alienated labour is an expression of the worker’s desires and plans. The worker begins with purpose in mind and reshapes the raw materials of nature to achieve it. For Marx purposeful work and use and development of skill makes work satisfying. However, under capitalism the worker’s labour is separated from his or her purpose. Work is a means to earn a wage in order to pay for the necessities of life. For a fuller explanation of alienation see: [Encyclopedia of Marxism](#), Marxist Internet Archive, accessed 9 November 2016.

51. R. van der Veen and P van Parijs, ‘A capitalist road to communism’, *Theory and Society*, 15(5), 1986, p. 636.

52. P Frase, ‘[Curious utopias](#)’, *Jacobin*, 14 May 2013, accessed 9 November 2016.

53. Sunday Times, ‘[More schemes to improve the wage-earners’ lot: seeking new Incentives— Priestman plan explained. The Milner bonus idea](#)’, *Sunday Times*, 13 March 1921, p.5, accessed 9 November 2016; W Maloney, ‘[Second reading speech: Income Tax Assessment Bill](#)’ House of Representatives, *Debates*, 9 October 1922, accessed 9 November 2016.

54. J Tomlinson, ‘Chapter VI, guaranteed income in Australia’, [Income maintenance in Australia: the income guarantee alternative](#), Thesis submitted to the School of Social Inquiry, Murdoch University, 1989, accessed 9 November 2016.

In the late 1970s and early 1980s, a few Labor Party thinkers such as Barry Jones advocated for a guaranteed income scheme as a response to job destruction due to technological change. However, the Hawke Labor Government did not pursue the idea after it won office in 1983.

### **Basic income for social security—Lloyd Thomas**

In 1942 Lloyd Thomas, a prominent Western Australian radio commentator, published a pamphlet arguing for an unconditional basic income. This was before Australia had set up a comprehensive income support system.

Before the end of the Second World War, the Australian Government provided pensions for the aged and people with disabilities. However there were no national schemes for groups such as the unemployed or widows. Thomas' scheme was designed to replace the existing pensions and expand support to all adult Australians without a means test:

The plan for a basic income is simply this: That the Government pay to every adult citizen a weekly basic income of 25/- per week. This should be paid as an inalienable right and withheld only in the case of imprisonment for more than seven days, or whilst the citizen is incarcerated in a government institution—hospital, inebriate home or mental hospital.

The payment of this basic income should continue from the date of attaining the 21<sup>st</sup> birthday until death, and regardless of the position, wealth or property of the recipient, subject to the provision that if there was evidence that the income so paid was being dissipated—such as by convictions for drunkenness—a magistrate should be empowered to order that it be paid in kind instead of in cash.<sup>55</sup>

Under the scheme, married women would receive the basic income as individuals. He proposed that the basic income would replace existing pensions but not child endowment and argued that it would eliminate the need for public and private charities.<sup>56</sup>

The proposal attracted attention within Western Australia, but was not picked up by any political party.<sup>57</sup> One member of the Western Australian Legislative Assembly, Charles North, raised the proposal in parliament and called for an enquiry.<sup>58</sup> But according to Thomas, nothing further happened.<sup>59</sup>

### **Guaranteed income proposals in the 1970s**

Basic income schemes were back on the agenda in Australia in the early 1970s. This was in response to a public debate on poverty that began in the United States during the 1960s. Ahead of an election in late 1972, the McMahon Coalition Government had reluctantly commissioned an inquiry into poverty.<sup>60</sup> The inquiry was chaired by researcher Ronald Henderson.

Early in 1973 Bill Hayden, the Minister for Social Security in the newly elected Whitlam Government, announced:

The New Labour [sic] Government hopes to completely scrap the present confusing system of pension and Social Security benefits and replace it with a more simply administered and easily understood system of guaranteed income.<sup>61</sup>

According to Hayden, the existing system was unnecessarily complicated: there were conflicting means tests for different payments, anomalies and 'a perplexing range of benefits which have developed in a spasmodic way'.<sup>62</sup>

The Whitlam Government was faced with a number of proposals for a guaranteed income scheme based around the NIT idea. They were focussed on replacing the existing income support system with a much simpler system

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55. L Thomas, *Basic income for social security*, Organisation for Reconstruction Publication, Perth, 1942, pp. 7–8.

56. *Ibid.*, pp. 33–39.

57. A search of newspapers on the National Library of Australia's [Trove database](#) shows that media coverage of the idea was restricted to Western Australia, accessed 9 November 2016.

58. C North, '[Motion—basic income for adults](#)', Western Australia, Legislative Council, *Debates*, 9 September 1942, pp. 469–475, accessed 9 November 2016.

59. L Thomas, *This thing called freedom: a message to the inheritors of to-morrow's world*, ES Wigg and Son, Perth, 1944, p. 41, accessed 9 November 2016.

60. As the *Canberra Times* reported in 1972, Prime Minister McMahon had not wanted to hold an inquiry but later changed his mind. See: '[PM orders inquiry on poverty](#)', *The Canberra Times*, 16 August 1972, p. 1, accessed 9 November 2016.

61. B Hayden, '[Guaranteed income for all Australians](#)', media release, 5 March 1973, accessed 9 November 2016.

62. *Ibid.*

where payments were based on need. One proposal came from a think tank within the bureaucracy, the Priorities Review Staff (PRS), while another came from the Henderson poverty inquiry.<sup>63</sup>

While these proposals had a strong focus on reducing financial disincentives to work, they did not include a discussion of work or activity tests. The PRS report argued that ‘freedom to choose between various life styles could reduce the sense of despair felt by many poor people’.<sup>64</sup> This aspect of the schemes attracted criticism from the authors of the Government’s review of taxation—The Asprey Review. Their report argued that ‘such schemes seem likely to have consequences for incentives to work and save which make it impossible to consider them seriously’.<sup>65</sup>

The Government struggled to decide on a model for the new scheme. In May 1975, Hayden told a seminar on guaranteed minimum income that ‘to be frank we have not yet found a simple solution that satisfactorily improves on schemes that currently exist’.<sup>66</sup>

### The Labor Party’s New Technology Task Force

After losing office in November 1975, the Labor Party grappled with the issue of technological change and its impact on employment.<sup>67</sup> In 1979 the party’s national conference set up a taskforce to look at the issue.<sup>68</sup>

The taskforce argued that new technology would enable society to produce more with less. Output and consumption would rise, but the demand for labour would fall, particularly for less skilled workers. The taskforce’s report argued that this was not necessarily a bad thing:

... we should abandon the masochistic doctrine of work for work’s sake. There is nothing inherently life-enhancing in performing boring and exhausting work year after year unless you actively prefer to do so.

... We ought to welcome loosening, if not breaking the chains that bind people to work.<sup>69</sup>

The report acknowledged that there may be a growth in jobs in areas such as child care, aged care and hospitality but observed that these tended to be unskilled, part-time and held by women. The report referred to this as ‘servile’ employment and noted that it tended to be non-unionised.<sup>70</sup>

The taskforce argued that governments should respond to technological change by supporting people to take up options outside the formal labour market:

A courageous policy on technological change and employment, taking an optimistic long view would include the following elements:

1. Initiating a national debate into the relevance of the traditional ‘work ethic’.
2. Redefining ‘work’ (to include domestic work, study, ‘Do it yourself’, and adding their imputed value to the national accounts).
3. Introducing Guaranteed Income (along lines of the Henderson Report).
4. Introducing a National Superannuation Scheme (but more generous than the Hancock Report) and provide for maximum benefits after a 35 year working lifetime, which might reduce thereafter. (This would be a psychological

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63. Priorities Review Staff, *Possibilities for social welfare in Australia*, AGPS, Canberra, 1975; Australia. Commission of Inquiry into Poverty, *Poverty in Australia: first main report*, AGPS, Canberra, 1975, pp. 70–87.

64. Priorities Review Staff, *op. cit.*, p. 28.

65. Commonwealth Taxation Review Committee, Full report, (Asprey Review), Australian Government Publishing Service (AGPS), Canberra, 1975.

66. B Hayden, ‘The social objectives and principles of a guaranteed minimum income scheme, *Seminar on Guaranteed Minimum Income: proceedings of a seminar held by the Australian Council of Social Service*, ACOS, Sydney, 1975.

67. Australian Labor Party, [Australian Labor Party 33rd Biennial Conference held at Adelaide](#), transcript, 16 July 1979, accessed 9 November 2016.

68. Australian Labor Party, [Australian Labor Party platform, constitution and rules as approved by the 33rd national conference Adelaide 1979](#), ALP National Secretariat, Barton ACT, 1979, pp. 120–21, accessed 9 November 2016.

69. Australian Labor Party, [Australian Labor Party New Technology Task Force: report and policy recommendation](#), December 1981, p. 40, accessed 9 November 2016.

70. *Ibid.*, p. 49.

inducement to leaving work early: in any case people who stayed on at work would aggregate more than early retirees).<sup>71</sup>

In his book *Sleepers, wake!*, Labor's Barry Jones argued that 'the most human way to handle labour-force problems would be to assist those who want to get out of work to do so without trauma, and to provide income support, while encouraging those who want to get into work to do so'.<sup>72</sup> Jones advocated moving to a guaranteed minimum income scheme. However he noted that once Labor was returned to office in 1983, it did not pursue the idea.<sup>73</sup>

## Why is basic income back on the agenda?

There is no one rationale for moving to a UBI. For some environmentalists, a UBI is part of a transition to a low-carbon, steady state economy where 'population growth, technological change and economic growth are all reduced to a more sustainable level'.<sup>74</sup> For libertarians like Charles Murray, a UBI is part of a plan to permanently reduce the scope of government by abolishing the welfare state.<sup>75</sup> And for radical thinkers like Van Parijs, it is a step along a path that ultimately leads to utopia.<sup>76</sup>

Much of the interest in negative income tax and minimum income guarantee schemes during the 1970s was focused on the benefits of simplifying the income support system. For example, the Whitlam Government's Priorities Review Staff (PRS) argued for a minimum income guarantee with a proportional tax. According to the PRS such a scheme would ensure that people received assistance based on need (rather than membership of a particular category).<sup>77</sup>

While these and other reasons help explain why advocates have continued to push to get UBI on the public agenda, they do not explain why journalists and policy analysts have recently started to devote more attention to the idea.

Much of the recent surge in interest in UBI is a response to concerns about job losses as a result of technological change. Among some thinkers this has led to a loss of confidence in the labour market's ability to provide enough secure, well-paid jobs to protect everyone from poverty. There is also a fear that the benefits of economic growth no longer flow to the community as a whole but rather are going almost exclusively to those at the top of the income distribution.

Some commentators worry that job losses and stagnant wages could undermine support for free trade and free markets. They propose a UBI—not just as a way of dealing with poverty—but as a way of protecting free market institutions and global free trade. By providing vulnerable individuals with support outside the market, they hope to head off populist policies such as support for domestic manufacturing through tariffs and subsidies.

### ***The labour market as the primary guarantor of welfare***

In most developed countries, the welfare system is designed around the labour market. The ideal is that every working age household will be supported primarily by income from paid work. Policymakers accept that issues such as disability, sickness, single parenthood and unemployment mean that the ideal will never be fully realised, but regard these as problems to be managed rather than reasons to abandon the ideal.

Policymakers who embrace this ideal will attempt to solve problems such as poverty and social exclusion by moving jobless individuals into the labour market rather than by expanding the income support system. So from this perspective, the first problem is creating jobs through economic growth and the second is to ensure everyone is able to participate in employment.

Regardless of whether the economy is growing or is in recession, one of the central debates has been over how to move disadvantaged individuals into jobs. The question has been whether increasingly demanding job search

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71. Ibid., p. 36.

72. B Jones, *Sleepers, wake! Technology & the future of work*, Oxford University Press, Melbourne, 1990, p. 143.

73. Ibid, p. 204.

74. G Marston, '[Unconditional basic income and transitioning to a low-carbon society](#)', The Power to Persuade, blog, 16 September 2015, accessed, 9 November 2016.

75. C Murray, *In our hands: a plan to replace the welfare state*, American Enterprise Institute, Washington DC, 2006, accessed, 9 November 2016.

76. R van der Veen and P Van Parijs, op. cit.

77. Priorities Review Staff, op.cit.

requirements and tougher income support penalties are enough, or whether individuals need better access to education, training, case management and childcare.<sup>78</sup>

The framework assumes that most working-age individuals will be able to find full-time, full-year work. While some individuals may combine part-time or intermittent work with income support, the expectation is that reliance on income support payments will be temporary. Payments for non-disabled adults are designed to support people through temporary spells of joblessness, not to redistribute lifetime income from people with high earning ability to people with low earning ability.

Governments have also made employers part of the broader system of welfare by legislating for benefits such as minimum wages. According to Australian public policy academic Francis Castles:

Although not conventionally categorised in such a way, the margin between what employers would pay workers exclusively on the basis of market considerations and what they are constrained to pay them as a consequence of prescriptions by the state (in Australia, through arbitrated wage awards) may be regarded as an occupational welfare benefit.<sup>79</sup>

In most developed countries, labour is not just another commodity with prices governed by supply and demand. Because employment is meant to be the primary guarantor of welfare, governments have regulated the relationship to make it more welfare-like. Employers may be obliged to provide workers with sick and holiday leave; and to contribute to insurance that protects workers against injury, disability, and unemployment.<sup>80</sup>

### ***The impact of technological change***

If the existing welfare system depends on near full employment to function, what happens if labour markets no longer provide enough jobs for everyone?

In 2013, Oxford University researchers, Carl Frey and Michael Osborne, estimated that around 47 per cent of US employment was at high risk of computerisation.<sup>81</sup> An Australian study published by the Committee for Economic Development of Australia (CEDA) found a similar result—around 40 per cent of jobs in Australia are at high risk of being computerised or automated in the next 10 to 15 years.<sup>82</sup>

Many experts are sceptical about the idea that technological change will result in mass job losses. They have responded to these findings in two ways. First they have disputed the size of the effect, pointing out that other studies have come up with much smaller numbers.<sup>83</sup> And second they have pointed out that while technological change has destroyed jobs in the past, new jobs have emerged to take their place.<sup>84</sup>

However, a number of influential commentators argue that the latest round of technological change will be different. They argue that technological change will have three effects. It will result in a shift:

- *from full employment to mass joblessness*—automation will destroy entire occupations and result in a permanent increase in unemployment and underemployment
- *from high pay to low pay*—new jobs will emerge but they will pay less than the jobs they replace

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78. There is a longstanding debate between those who argue for tough job-search requirements and rapid placement into employment (the 'work first' or 'labour force attachment' approach) and those who argue that low skilled jobseekers should first receive education and training to better prepare them for work (the 'human capital development' approach). See: P Davidson, 'Did 'Work first' work? The role of employment assistance programs in reducing long-term unemployment in Australia (1990-2008)', *Australian Bulletin of Labour*, 37(1), 2011.

79. F Castles, '[The wage earners welfare state revisited: refurbishing the established model of Australian social protection, 1983–93](#)', *Australian Journal of Social Issues*, 29(2), 1994, p.128, accessed 9 November 2016.

80. Researcher Giuliano Bonoli notes that in countries like Italy, France and Germany, 'strict employment protection laws were used as functional equivalents to income replacement programs to provide economic security to wage earners'. G Bonoli, '[Time matters: postindustrialization, new social risks, and welfare state adaptation in advanced industrial democracies](#)', *Comparative Political Studies*, 40(5), 2007, p. 504, accessed 14 November 2016.

81. C Frey and M Osborne, '[The future of employment: how susceptible are jobs to computerisation?](#)', paper presented to the Machines and Employment workshop, Oxford Martin School, University of Oxford, 17 September 2013, accessed 9 November 2016.

82. H Durrant-Whyte, L McCalman, S O'Callaghan, A Reid, and D Steinberg, 'The impact of computerisation and automation on future employment', in [Australia's future workforce?](#). Committee for Economic Development of Australia (CEDA), June 2015, pp. 56–64, accessed 9 November 2016.

83. For example, M Arntz, T Gregory and U Zierahn, '[The risk of automation for jobs in OECD countries: a comparative analysis](#)', Organisation for Economic Co-operation and Development (OECD), 14 May 2016, accessed 9 November 2016.

84. For example, J Furman, '[Is this time different? The opportunities and challenges of artificial intelligence](#)', remarks at *AI Now: The Social and Economic Implications of Artificial Intelligence Technologies in the Near Term*, New York University, 7 July 2016, accessed 9 November 2016.

- *from secure work to insecure work*—instead of creating new full-time permanent jobs with benefits like sick pay, holiday pay and protection from unfair dismissal, the new ‘gig economy’ will turn many employees into freelancers and independent contractors.<sup>85</sup>

Some UBI advocates see these changes as an opportunity rather than a threat. They argue that by increasing productivity, technological change will lead to an age of abundance where ‘growing the pie’ is no longer the central problem and a UBI is easily affordable. For the techno-optimists the major problems will be those John Maynard Keynes raised in his 1930 essay, ‘Economic possibilities for our grandchildren’—how to adapt our morals and mindset to a life of abundant leisure.<sup>86</sup>

### The ‘end of work’

Futurists have long predicted that automation will eliminate the need for human labour in many industries and destroy jobs.<sup>87</sup> But now, in response to rapid new developments in information technology, these kinds of predictions are becoming increasingly common. Commentators, like futurist Martin Ford (author of *Rise of the robots: technology and the threat of a jobless future*) and former union leader Andy Stern (author of *Raising the floor: how a universal basic income can renew our economy and rebuild the American dream*), have attracted media attention with claims that technological change really could bring an end to full employment this time.<sup>88</sup>

Writing in the *Atlantic*, journalist Derek Thompson acknowledges that these kinds of claims have been made before but argues that recent trends, such as the decline in prime-age male employment, mean we should take the prospect of the ‘end of work’ seriously. He writes:

What does the ‘end of work’ mean, exactly? It does not mean the imminence of total unemployment, nor is the United States remotely likely to face, say, 30 or 50 percent unemployment within the next decade. Rather, technology could exert a slow but continual downward pressure on the value and availability of work—that is, on wages and on the share of prime-age workers with full-time jobs. Eventually, by degrees, that could create a new normal, where the expectation that work will be a central feature of adult life dissipates for a significant portion of society.<sup>89</sup>

Ford argues that it is not just low-skilled jobs that will be displaced by automation; he maintains that new technologies, such as those associated with big data and predictive analytics, threaten to eliminate high-skill white-collar jobs as well. Ford envisages a future where a team of knowledge workers now collecting and analysing data for multiple levels of management will be replaced by ‘a single manager and a powerful algorithm’.<sup>90</sup>

Basic income is one response to the idea that the labour market can no longer function as the primary guarantor of welfare. As Australian writer Tim Dunlop writes:

In a world where technology is likely to drive either job losses, or at the very least, a rise in precarious employment, the idea that people should have to rely on having a job in order to participate in society in a decent way is an increasingly obscene idea. To maintain our current work ethic—one that equates having a job with human decency and moral rectitude—is not only anachronistic but cruel.<sup>91</sup>

In countries like Australia, the US and the UK, income support systems are designed around the assumption that the only people of working age who need to remain on income support long term are those with severe disabilities. If everyone is capable of achieving independence through paid work, then it follows that long-term dependence is a choice. This assumption justifies policies that are designed to deter people from claiming and remaining on income support. American political scientist Lawrence Mead has been more explicit about the rationale for deterrence than most commentators. After arguing that work is readily available, he suggests that:

85. Examples of ‘gig economy’ work include hiring through platform websites such as Uber, Freelancer and Airtasker. See Productivity Commission, op. cit., pp. 76–80.

86. JM Keynes, ‘Economic possibilities for our grandchildren’, in Robert Skidelsky, ed, *The essential Keynes*, Penguin, London, 2015, pp. 75–86.

87. For example, see, L Pauling et al, *The triple revolution*, The Ad Hoc Committee on the Triple Revolution, Santa Barbara, 1964, accessed 9 November 2016.

88. M Ford, *The rise of the robots: technology and the threat of a jobless future*, Basic Books, 2015; A Stern, *Raising the floor: how a universal basic income can renew our economy and rebuild the American dream*, Public Affairs, New York, 2016.

89. D Thompson, ‘A world without work’, *The Atlantic*, July/August 2015, accessed 9 November 2016.

90. M Ford, op. cit., pp. 94–95.

91. T Dunlop, *Why the future is workless*, Newsouth, Sydney, 2016, p. 197.

Society must give up at least some of its fear of ‘blaming the victims’ if it is to help them more effectively. In part the choice it faces is whether to stigmatize the least cooperative of the disadvantaged in order to integrate the rest.<sup>92</sup>

If jobs are no longer freely available and many working age people have no choice but to rely on income support, then harsh, stigmatising policies may be seen as unfairly punitive.

### Rising inequality

US President Obama’s Chief Economist, Jason Furman, is sceptical of claims that technology will lead to mass joblessness. However he is concerned that it could lead to further increases in inequality:

My worry is not that this time could be different when it comes to AI [artificial intelligence], but that this time could be the same as what we have experienced over the past several decades. The traditional argument that we do not need to worry about the robots taking our jobs still leaves us with the worry that the only reason we will still have our jobs is because we are willing to do them for lower wages.<sup>93</sup>

Furman argues that technological change is disproportionately affecting less-skilled workers. His solution is to improve education and training and strengthen the existing welfare system. But UBI advocates like Andy Stern are not convinced these policies will do enough to solve the problem:

... if I’m right about the continuing dearth of jobs, we won’t be able to stop income inequality by simply tinkering with existing policies. We’ll need a bold, alternative solution like UBI.<sup>94</sup>

Richard Reeves at the Brookings Institution agrees. He argues that policies aimed at improving the way the labour market works may no longer be enough:

The labor market continues to work pretty well as an economic institution, matching labor to capital, for production. But it is no longer working so well as a social institution for distribution. Structural changes in the economy, in particular skills-biased technological change, mean that the wages of less-productive workers are dropping. At the same time, the share of national income going to labor rather than capital is dropping.

This decoupling of the economic and social functions of the labor market poses a stark policy challenge. Well-intentioned attempts to improve the social performance of the labor market—through higher minimum wages, profit-sharing schemes, training and education—may not be enough; a series of sticking leaky band-aids over a growing gaping wound.

This is why the idea of a universal basic income (UBI) is capturing the imagination and attention of policy intellectuals, across the globe and across the political spectrum. If the labor market is no longer going to cut it in terms of distribution, it might be time for more radical solutions.<sup>95</sup>

### Insecurity and the new ‘gig economy’

As well as increasing joblessness and slowing wages growth, reduced demand for labour could also encourage businesses to look for cheaper, and more flexible ways to buy work. One option is the new ‘gig economy’. Digital technology has enabled new kinds of outsourcing through platforms such as Uber, Freelancer and Airtasker where workers are hired on a task-by-task basis. Workers who depend on this gig economy not only have to deal with financial insecurity, but also the lack of workplace entitlements such as paid leave, minimum wages and protection from unfair dismissal.<sup>96</sup>

Researchers have noted that income support systems designed around permanent employment may not do a good job at protecting workers in the new gig economy. In a recent research paper on digital disruption, the Productivity Commission notes:

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92. L Mead, *Beyond entitlement: the social obligations of citizenship*, The Free Press, New York, 1986, p. 247.

93. J Furman, op. cit. p. 5.

94. A Stern, op. cit., p. 48.

95. R Reeves, ‘[Time to take Basic Income seriously](#)’, Brookings Institution website, 23 February 2016, accessed 9 November 2016.

96. Productivity Commission, op. cit., p 78.



The nature of the Australian social welfare system, with access to unemployment benefits and Medicare, helps to mitigate the impact on workers of short-term and periodic employment. But there are still rigidities in the system, reflecting its design for a labour market where workers were usually in full-time, or permanent part-time, employment. The means testing of income support can result in high effective marginal tax rates, and while aiming to assist in smoothing income, payment adjustments can occur with a lag, and the problem of needing to seek return of overpayments could be exacerbated. These features of the income support system could reduce the incentives to seek work opportunities that deliver a highly variable income. Changes to the social safety net may be needed to manage the outcomes of intermittent employment, and to allow people to access what employment they can through the 'gig' economy. Some countries are trialling a universal basic income as part of their income support system.<sup>97</sup>

Because UBI payments are unaffected by changes in income, supporters argue that a UBI avoids creating poverty traps.<sup>98</sup>

According to researchers Max Harris and Sebastiaan Bierema, a 'UBI could represent a form of compromise between flexibility and security'. In a paper for the New Zealand Labour Party's Future of Work Commission, they argue that a UBI could help compensate those who rely on flexible forms of work such as part-time jobs and short term contracts.<sup>99</sup>

### The political threat to free trade

A number of commentators have argued that disruptive technological change will have political as well as economic consequences. They warn that if the benefits of automation flow predominantly to the economic elite, those left behind may turn against free trade and immigration.

A recent paper from the McKinsey Global Institute argues that flat and falling incomes in many developed countries could undermine support for free trade and immigration. The authors warn that:

... failure to correct flat or falling incomes could lead to a rise in the number of people who see flat or falling incomes as a persistent problem and lose faith in tenets of the global economic architecture. Our survey found that those who were not advancing and not hopeful about the future were more likely than those who were advancing to support nationalist sentiment, including opposition to the European Union, as reflected in the June 2016 UK referendum, or, in France, support for the anti-immigrant National Front party.<sup>100</sup>

Some thinkers argue that a UBI could shore up support for free market institutions by giving all citizens a share of the benefits of technological change. In an article for the *National Interest*, Lee Drutman and Yascha Mounk write:

A concern about the long-term consequences of extreme inequality has also persuaded some libertarians, like scholars Matt Zwolinski and Charles Murray, to defend redistribution. They worry that populist anger at widespread immiseration may eventually lead to widespread demands for the state to take an ever more active role in the economy—or even to capitalism collapsing altogether. They therefore favor forms of redistribution that would limit the expansion of the state and soften popular pressure for the state to rein in capitalism. Harkening back to Milton Friedman's negative income tax or even Thomas Paine's citizen dividend, they champion a universal basic income. The best course of action, they argue, is to transfer money to the poor in a way that minimizes state involvement in the economy, and then let them figure out how to spend it.<sup>101</sup>

This may or may not be an entirely fair summary of Zwolinski's and Murray's views, but it is a coherent argument for a UBI from a libertarian point of view. Zwolinski argues that governments should deal with poverty through a UBI rather than by intervening in the market.<sup>102</sup> One of the attractions of a UBI for supporters of free

97. Productivity Commission, op. cit., p. 78.

98. For example: M Ford, op. cit., pp. 261–62.

99. M Harris and S Bierema, [A universal basic income for New Zealand](#), Future of Work Commission, 19 March 2016, p. 2, accessed 9 November 2016.

100. R Dobbs, A Madgavkar, J Manyika, J Woetzel, J Bughin, E Labaye, and P Kashyap, [Poorer than their parents? Flat or falling incomes in advanced economies](#), McKinsey Global Institute, July 2016, p. 36, accessed 9 November 2016.

101. L Drutman and Y Mounk, 'Will robots kill democracy?', *The National Interest*, July/August 2016, p. 28.

102. M Zwolinski, [The minimum wage is a bad tool for fighting poverty](#), Bleeding Heart Libertarians, blog, 4 April 2016, accessed 9 November 2016.

markets is that it could be part of a trade-off where the employment relationship becomes more market-like. Employers would no longer need to offer the kinds of workplace entitlements they do now. In a post titled ‘A neoliberal case for a basic income, or something like it’, Sam Bowman of the Adam Smith Institute argues that policies like minimum wages are ‘pernicious’ and that it would be better to boost the incomes of low-wage workers through cash transfers.<sup>103</sup>

## Arguments against a basic income

While there is increasing interest in UBI proposals, these proposals do not have widespread support within the policy community. Many are sceptical of the idea that technological change will result in widespread job destruction. This undermines one of the key arguments in favour of a UBI.

Critics also argue that the high cost of a UBI would force governments to raise taxes to unacceptably high levels or to cut spending on programs that currently support vulnerable groups such as carers, people with disabilities, and the elderly.

Critics also doubt whether a UBI would be economically or politically sustainable.

### ***Technological change will not result in widespread job destruction***

Much of the surge in interest in UBI is a response to concerns about job losses from technological change. However, many economists are sceptical of the idea that developed nations are heading towards a jobless future.

In a recent paper for the Organisation for Economic Co-operation and Development (OECD), Melanie Arntz, Terry Gregory and Ulrich Zierahn, argue that studies showing that a high proportion of current jobs are at risk of automation suffer from methodological problems. Where Oxford researchers Frey and Osborne estimate that around 47 per cent of US employment is at high risk of computerisation, Arntz, Gregory and Zierahn estimate the actual proportion is 9 per cent.<sup>104</sup>

In a paper titled ‘Why are there still so many jobs? The history and future of workplace automation’, economist David Autor argues that a significant number of middle-skill jobs will persist into the future. These jobs will resist automation because they combine routine technical tasks with non-routine tasks that rely on the kinds of things people do well and machines do comparatively poorly—interpersonal communication, adaptability and problem solving. For Autor:

... the issue is not that middle-class workers are doomed by automation and technology, but instead that human capital investment must be at the heart of any long-term strategy for producing skills that are complemented by rather than substituted for by technological change.<sup>105</sup>

This is much the same conclusion Arntz, Gregory and Zierahn reach. They argue that the negative impact of technological change is likely to fall hardest on less educated workers.

Jason Furman argues that UBI addresses the wrong problem. Rather than eliminating jobs, technology will change the skills that available jobs require. The answer is not to permanently support less educated citizens outside the labour market but to invest in education, training and other assistance so that everyone is able to take advantage of the new opportunities.<sup>106</sup>

## Cost

With so many different proposed designs, it is difficult to put a cost on a UBI. However, it is clear that a UBI set at a high enough level to protect individuals against poverty would be hugely expensive. Peter Whiteford of the Australian National University’s Crawford School of Public Policy estimates that a UBI set at the level of the age pension and paid to all 18 million Australian adults would cost around \$360 billion a year. He says that relying on income taxes to fund the payment would push the top personal tax rate to 70 or 80 per cent.<sup>107</sup>

103. S Bowman, ‘[A neoliberal case for a basic income, or something like it](#)’, Adam Smith Institute, blog, 18 April 2016, accessed 9 November 2016.

104. M Arntz, T Gregory and U Zierahn, op. cit.

105. D Autor, ‘[Why are there still so many jobs? The history and future of workplace automation](#)’, *The Journal of Economic Perspectives*, 29(3), p. 27, accessed 9 November 2016.

106. J Furman, op. cit.

107. P Hartcher, ‘[A basic income isn't the answer to jobs panic](#)’, *Sydney Morning Herald*, 7 June 2016, p. 16, accessed 9 November 2016. Current spending on social security and welfare is far lower than \$360 billion a year. Budget papers estimate spending social security and welfare at

In the US, Robert Greenstein, President of the Center on Budget and Policy Priorities, argues that a UBI could not be funded entirely by tax increases. This ‘would require the American people to accept a level of taxation that vastly exceeds anything in US history’.<sup>108</sup> According to Greenstein, the US Government is already facing large increases in future spending on healthcare and support for the elderly that are likely to put pressure on the budget and taxes. The situation is similar in Australia, with spending on aged care and the National Disability Insurance (NDIS) projected to rise significantly over time.<sup>109</sup>

Relying heavily on cuts to existing welfare services to fund a UBI would shift much of the burden onto people who are elderly, or who have disabilities, or caring responsibilities. UBI advocates argue that cash payments would promote freedom by giving everyone the means to live the kind of life they value. However, as philosopher Elizabeth Anderson writes:

... in providing equal levels of income to all, the UBI does not adjust for the fact that, due to variations in internal traits, social roles, and other circumstances, some people are better able to convert income to freedoms than others. Disabled people typically require more resources to achieve equivalent freedoms—to move around, to get access to information, and so forth—than those who are not disabled. People who engage in unpaid dependent care work also require more resources to achieve equivalent freedoms to those who do not take care of dependents. (For example, to be free to participate in the realm of paid labor, they need access to alternative sources of care for their dependents while they work.) The UBI therefore best serves the interests of healthy adults who care for no one beside themselves.<sup>110</sup>

Anderson’s comments also point towards another criticism of the UBI: opportunity cost. If there was an economically and politically feasible way to raise enough revenue to fund a UBI, would it be the best use of these resources? If government had access to billions of dollars of extra funding, it could be spent on prevention and early intervention programs for disadvantaged children; on better services for people with disabilities; or on improving access to higher education.

### **Economic sustainability**

Critics worry that a UBI would significantly reduce economic output by encouraging individuals to withdraw from the labour market. This would not only reduce living standards but make a UBI more difficult to sustain over the long term.<sup>111</sup>

In the lead up to the recent Swiss basic income referendum, the Swiss government argued that a basic income would weaken the economy by encouraging low-income earners to drop out of the workforce.<sup>112</sup> In Australian modelling of a basic income/flat tax proposal, Rosanna Scutella also reported that the high tax rate needed to fund a basic income would also have an effect on labour supply by middle to high-income earners.<sup>113</sup>

### **Political sustainability**

Some critics also worry about the political sustainability of a UBI. For example, philosopher Elizabeth Anderson argues that the welfare state depends on an implicit social contract. The UBI’s lack of reciprocity would weaken people’s commitment to social obligation and, in turn, weaken commitment to the welfare state. In particular, the perception that many people were enjoying a life of idleness at government expense could undermine willingness to work and pay taxes:

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\$158.6 billion in 2016–17. The social security and welfare category is broader than just income support. It also includes aged care and the National Disability Insurance Scheme (NDIS). See M Klapdor and D Arthur, ‘[Welfare—what does it cost?](#)’, *Briefing Book: key issues for the 45<sup>th</sup> Parliament*, Parliamentary Library, Canberra, 2016, accessed 9 November 2016.

108. R Greenstein, ‘[Universal basic income may sound attractive but, if it occurred, would likelier increase poverty than reduce it](#)’, Center on Budget and Policy Priorities website, 31 May 2016 accessed 9 November 2016.

109. Parliamentary Budget Office (PBO), [2015–16 Budget: medium-term projections](#), report no. 02/2015, Commonwealth of Australia, 2015 accessed 9 November 2016.

110. E Anderson, ‘[Optional freedoms](#)’, *Boston Review*, 1 October 2000, accessed 9 November 2016.

111. For some UBI supporters, reducing economic activity is an advantage rather than a problem. For example, Australian academic Greg Marston argues that a UBI could assist in the transition to a low-growth, low-carbon economy and help protect the world’s population from damaging climate change: G Marston, ‘[Unconditional basic income](#)’, *Arena*, October–November 2015, accessed 9 November 2016.

112. J Gesley, ‘[Switzerland: voters reject unconditional basic income](#)’, *Global Legal Monitor*, 6 June 2016, accessed 9 November 2016; S Koltrowitz and M Depetris, ‘[Swiss reject free income plan after worker versus robot debate](#)’, *Reuters International*, swissinfo website, 5 June 2016, accessed 9 November 2016.

113. R Scutella, ‘[Moves to a basic income-flat tax system in Australia: implications for the distribution of income and supply of labour](#)’, Working paper, Melbourne Institute, University of Melbourne, 5/04, April 2004, accessed 9 November 2016.

... in granting a Basic Income that is not conditioned on the willingness of the able to work, the UBI promotes freedom without responsibility, and thereby both offends and undermines the ideal of social obligation that undergirds the welfare state. A UBI would not only inspire a segment of the able population—largely young, healthy, unattached adults—to abjure work for a life of idle fun. It would also depress the willingness to produce and pay taxes of those who resent having to support them.<sup>114</sup>

Survey research shows that while the majority of Australians support the income support system they also want work obligations to be stronger rather than weaker for those who are able to work.<sup>115</sup> Attitudes would have to shift drastically for an unconditional basic income to win support from a majority of Australians.

## Concluding comments

Demonstrators dressed as robots danced through the streets of Zurich as part of the referendum campaign for a UBI in Switzerland.<sup>116</sup> But instead of representing a threat to workers' livelihood, the smiling robots symbolised an opportunity: freedom from the need to work. While some UBI advocates fear that automation will destroy jobs, others hope that this will happen. Recent controversies about technological change driving increases in inequality, creating widespread joblessness and sparking social unrest have reawakened utopian social movements that look forward to a post-work future.

In the lead up to the Swiss referendum, researchers at gfs.bern (a private research institute) commented:

The unconditional basic income reflects the desire for self-expression outside the confines of a performance-oriented society. This desire is rooted in the post-materialistic values which are typical for affluent societies which have high expectations of each individual. Current fundamental attitudes are very different—the key priority is to safeguard economic strength—and will undoubtedly thwart the popular initiative's ambitions.

In short—this popular initiative for an unconditional basic income is a minority issue with a certain degree of potential for support which can be expected to be clearly rejected by voters.<sup>117</sup>

Two of the most radical advocates of the post-work approach are Nick Srnicek and Alex Williams. In their book, *Inventing the future: postcapitalism and a world without work*, they call for 'full automation' as a way to reduce the need for labour without reducing economic output.<sup>118</sup> Srnicek and Williams want to accelerate automation by pushing up wages. They envisage a world where hours of work are reduced and individuals receive support through a combination of a UBI and the welfare state.<sup>119</sup>

Visions of a post-work future mark a return to the ideas of earlier thinkers like Keynes. However Srnicek and Williams recognise that there is a very different vision for a UBI among some libertarians. Libertarians like Charles Murray draw on the ideas of economically liberal economists like Milton Friedman. In the early 1960s Friedman proposed introducing a negative income tax as a way to deal with poverty while sweeping away most of the welfare state along with subsidies to groups such as farmers.<sup>120</sup>

Friedman's ideas helped shape many of the anti-poverty proposals of the 1960s and 70s. However by the 1980s the debate had shifted away from poverty and towards problems like welfare dependency.<sup>121</sup> Interest in the negative income tax waned.

A package of reforms that helped usher in a utopian post-work future would be very different from a package of reforms designed to abolish the welfare state. Free market advocacy for a UBI is part of reform program that

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114. E Anderson, op. cit.

115. T Schofield and P Butterworth, '[Patterns of welfare attitudes in the Australian population](#)', *PLoS ONE*, 10(11), 2015, accessed 9 November 2016.

116. I Foulkes, '[Switzerland basic income: Landmark vote looms](#)', *BBC News*, 4 June 2016, accessed 14 November 2016.


117. gfs.bern, '[The unconditional basic income. A analysis of the coming votation in Switzerland](#)', gfs.bern website, 2016, accessed 9 November 2016.

118. N Srnicek and A Williams, *Inventing the future: postcapitalism and a world without work*, Verso, London, 2015.

119. *Ibid.*, p. 119.

120. M Friedman, *Capitalism and freedom*, 14th edn, University of Chicago Press, Chicago, 2002, pp. 190–195.

121. D Arthur, '[Why can't we have a simple welfare system?](#)', *Australian Review of Public Affairs*, September 2014, accessed 9 November 2016.



includes reducing government intervention in the market and reducing the size of the state. It involves reducing government regulation of workplace relations and making the employment relationship more market-like.<sup>122</sup>

While commentators often remark that UBI has support from both the left and the right, there is no single reform package based around a UBI that has such broad support. The current debate is more about vision and values than about concrete policy.

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122. Australian writer Tim Dunlop makes a similar point. He argues that claims about left–right bipartisanship are problematic because ‘the goals of proponents of each are diametrically opposed, with supporters of the NIT aiming to diminish the role of government while supporters of the UBI, at least in the short-term, are looking to enhance it’: T Dunlop, *op. cit.*, p. 154.

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