

# NEW ECONOMICS FOUNDATION



ANNA COOTE  
PRINCIPAL FELLOW

*NEF's Principal Fellow Anna Coote writes for International Politics and Society on the challenges posed by Universal Basic Income and why there are better ways to address poverty and inequality.*

When an idea stirs the popular imagination, pundits and politicians find it hard to resist. Never mind if there is no evidence to support it. Never mind if closer scrutiny suggests putting it into practice will be counterproductive or plain impossible.

What matters is the platform it provides for its champions, the energy it generates, the votes it wins. Brexit is one example. Donald Trump's Mexican wall is another. And I would add a third: universal basic income (UBI) – the idea that every citizen receives a weekly or monthly lump sum from the government, whether they're in work or not.

## UBI'S BILLIONAIRE BACKERS

The case against UBI is building rapidly. But so is the clamour to try it out in states and cities around the world. That the latter seems immune to the former is alarming. And the fact that it's promoted by radicals at both ends of the political spectrum should ring alarm bells.

As Daniel Zamora argues, this is an idea 'whose time has come' not because it is good or practicable, but because it is a creature of the moment.

'As politics move to the right and social movements go on the defensive, UBI gains ground... not as an alternative to neoliberalism, but a capitulation to it,' he says.

We have to assume, as do almost all of its protagonists, that a basic income could only be implemented in very small amounts. The most generous UBI scheme envisaged by the UK campaign group, Compass falls well below the poverty line.

This means a range of additional benefits would need to be paid to people unable to work – wiping out the much-vaunted promise that UBI ‘simplifies’ the social security system and removes the stigma of claiming.

In fact, all it offers is a small rise in the floor above which conditional benefits are required. And even at that level, we would need massive tax hikes to pay for it. In a nutshell, ‘an affordable UBI would be inadequate and an adequate UBI would be unaffordable.’

Why bother to construct what UK economist Ian Gough calls a ‘powerful new tax engine to pull along a tiny cart’? Whose interests are really at stake here?

## EMPTY PROMISES

UBI is an individualistic, monetary intervention that undermines social solidarity and fails to tackle the underlying causes of poverty, unemployment and inequality.

These are systemic problems that need to be addressed by people getting together and building shared control over local economic development, wage bargaining and decisions about national investment in industry and infrastructure, not by governments giving individuals small amounts of money.

Leftist advocates of UBI Nick Srnicek and Alex Williams claim that it ‘overturns the asymmetry of power that currently exists between labour and capital’ by partially de-commodifying labour and loosening the coercive aspects of paid employment.

But here’s the catch: it will only happen, they say, if UBI ‘provides a sufficient amount of income to live on’. As we have seen, this not remotely possible. If UBI isn’t generous enough to let you refuse work, it can only suppress wages and support a multiplication of lousy jobs (that you still can’t refuse).

## WAVING GOODBYE TO WELFARE

The idea of giving money to individuals sits comfortably with the neoliberal claim that services are better when markets provide and customers choose. Indeed, where UBI has been piloted in countries without free public services, it is often used to buy such essentials as education and healthcare.

One of the most dangerous aspects of this ‘radical’ idea is that it can help to dismantle welfare states – both by supporting the ideology of privatisation and monetisation, and by draining huge amounts of money from the public purse.

But collectively provided public services, available to all according to need, give far better value for money than commercialised services; they are more likely to be inclusive and egalitarian, and to encourage solidarity. They represent a very substantial virtual income that is also highly redistributive. According to the charity Oxfam, this ‘social wage’ reduces income inequality by 20 per cent.

## CRADLE TO GRAVE

Far more compelling than UBI is ‘UBS’, or the idea of ‘universal basic services’ currently being developed by economists at London University’s Global Prosperity Institute. Their goal is ‘public services that enable every citizen to live a larger life’ by ensuring access to security, opportunity and participation. This means reaching beyond education and health services, to provide transport, access to information, shelter and food ‘all of which are generally considered to be essential to full participation in a modern, developed economy.’

Their technical analysis finds that access to services can be financed through fairly modest adjustments to the tax system; they will meet needs more directly for those on lowest incomes and will ‘always deliver greater value for the same expenditure as a cash distribution’. The reforms will ‘deliver value across the economy, stimulating new activity and increasing the size of the “pie”.’

Many left-wing supporters of UBI claim they also want to defend public services. However, they pay no attention to how these services can be strengthened or improved, and ignore the very obvious danger of robbing Peter to pay Paul. As the UBI fan base grows, it is capturing political energy that is urgently needed for more serious causes.

### DECEPTIVE SIMPLICITY

There are viable alternatives that have far stronger claims – in philosophical, economic and political terms – to address the challenges of poverty and inequality.

For example, it is worth building a campaign for a minimum income guarantee combined with more generous child benefits and a system of credits for carers based on the principles of time banking, so that time spent on caring for others earns a reciprocal contribution to one’s pension or care costs later in life. And we desperately need a strong defence of essential public services that are sorely threatened by austerity measures. But the snake oil of a deceptively simple idea is charming the public gaze in another direction.

Implemented in any remotely viable form, UBI will do nothing to help workers gain more control through collective bargaining – the ability to negotiate their salary and working conditions. It will do nothing to encourage employers to pay a decent living wage or narrow the gap between the top and bottom of the workplace hierarchy. It will do nothing to alter power relations between labour and capital.

A ‘no-strings-attached’ pay-out will not eliminate poverty or insecurity. It will only harm the hard-won social democratic tradition of public services available to all according to need. It will not, in fact, disturb a hair on the head of modern capitalism.

No wonder it is popular with the moguls of Silicon Valley. In their world, where automation is the name of the game, they think their interests are best served by a docile population who cannot hold their bosses’ feet to the fire but may have just enough money to keep on shopping.

What could be more attractive than a government prepared to spend more public money to subsidise low wages and dwindling supply of precarious jobs?

# ARE UNIVERSAL PUBLIC SERVICES THE ANSWER TO EUROPE'S WIDENING INEQUALITIES?

ANNA COOTE

*This article was originally published on Brave New Europe*

Economic inequalities are intolerably high across Europe. How to narrow the gap? A new study suggests that it is time to think afresh about the redistributive effects of public services.

Public services are a strong vehicle for redistribution. According to Oxfam, they provide the poorest people with the equivalent of 76% of their post-tax income. Now a team of economists at London University's Global Prosperity Institute is building the case for a collection of 'free public services that enable every citizen to live a larger life by ensuring access to safety, opportunity and participation'.

Their broad objective, as co-author Jonathan Portes explains, is to extend public provision of services, so that all individuals can enjoy a sufficient standard of living at 'significantly less direct financial cost'. They argue that the minimum package should reach well beyond education and health services, to provide transport, access to information, shelter and food 'all of which are generally considered to be essential to full participation in a modern, developed economy.'

Their technical analysis considers the costs and distributional effects, finding that the services can be financed through fairly modest adjustments to the tax system; they will meet needs more directly for those on lowest incomes and will 'always deliver greater value for the same expenditure as a cash distribution'. The reforms will also 'deliver value across the economy, stimulating new activity and increasing the size of the "pie".'

Portes and his co-authors Howard Reed and Adam Percy concede that their analysis is based on broad-brush assumptions and more work must be done to build the case. The proposal is best described as a thought experiment. But it is not just radical and provocative. It is absolutely pertinent to major policy dilemmas that currently beset every country in Europe.

Earlier this year, presenting its latest figures, the OECD set out reasons why we should worry about intractable and rising income and wealth inequalities. The higher the levels of economic inequality, the higher the social barriers between groups; the harder it gets for individuals to trust other people whom they see as having unfair advantages. Inequalities give rise to disagreements over how to share and finance public goods, and these can break social ties and weaken social cohesion. Broken trust, says the OECD, can lead to intolerance and discrimination. And there is growing concern across European countries and more globally over the links between economic inequality and political instability.

If governments fear political instability, they must address the burgeoning problem of inequality. Three main strategies are usually proposed: grow the economy, boost employment and provide income support. These are often linked, but they have failed to narrow the gap – either separately or together. The argument that a 'rising tide lifts all boats' is thoroughly discredited, not least by the OECD figures. Automation and stagnant earnings undermine the potential for employment to deliver decent living standards for all. Income support is neither

sufficient for recipients nor popular with taxpayers and is increasingly seen to stigmatise the poor while scarcely denting income inequalities.

Partly because of these failings, the idea of a ‘universal basic income’ has caught the imagination of many, across the political spectrum. But, as I have argued elsewhere, this is a chimera: it is unachievable at any meaningful level in practical and political terms. It will do little to narrow the income gap. And it is hard to imagine how giving small amounts of money to all individuals will help to rebuild trust or social cohesion within or between social groups.

Public services hold out more promise. But they have had a bumpy ride in recent decades. Their standing in public esteem is paradoxical. Free health and education services are highly popular and fiercely defended. At the same time they are often criticised for insufficient reach or quality, while most governments shrink from raising taxes to improve them. Neo-liberal narratives about ‘scroungers’, ‘welfare dependency’ and the ‘nanny state’ have chipped away at the post-war consensus in favour of services that are available to all who need them, regardless of ability to pay. Austerity budgets have drastically reduced public funds. There is a trend towards targeting more services on the poorest and neediest, creating a shabby safety net out of the remnants of a universal welfare state.

As quality declines and inequalities widen, public services could be even more vulnerable to political attack. But, as Portes et al argue, the climate of opinion may now be shifting. In the UK’s general election in June this year, a surprising proportion of voters favoured abolishing student tuition fees and few showed much appetite for scrapping free school meals. A move towards more and better public services – rather than redistributing through targeted cash payments – “might be more in tune with the public mood than at any time in recent years.”

Suppose, then, that everyone had decent, affordable housing, secure access to food, free local public transport and a mobile phone with home internet and a TV licence – in addition to existing public services. For the UK, we are told, this would cost the equivalent of 2.3% of GDP. It could be revenue neutral if personal tax allowances were reduced to £4,300 per annum (down from the current level of £11,500). And the authors claim that the overall effect would be progressive, with the services representing a ‘social wage’ worth £126 a week to every individual who made use of all of them. There could also be positive knock-on effects, as transport and information services would enable more of those who are currently ‘left behind’ to seek out jobs.

The authors claim their proposals offer “an affordable path forward for modern economies struggling for balance” between changing technologies and demographics, and the need to maintain cohesion and solidarity.

The most powerful aspects of the argument are probably not the cost calculations for particular services (which are in any case quite speculative) but the implied political potential of supporting and expanding the social wage.

First, the case is convincingly made that services are a more effective and efficient redistributive tool than cash transfers, including universal basic income.

Secondly, services embody the means to build solidarity, both because the social wage can narrow the gap between rich and poor, and because – more often than not – they bring people together. Services revolve around everyday relationships in people’s homes and neighbourhoods. More obviously than income support, they manifest the collective ideal: people

pooling resources and helping each other to stay well and cope with risks they cannot manage alone.

Thirdly, fostering this collective approach can stimulate creative innovation—urgently needed—about how services are provided and who controls them. A public service can be universally accessible and either free or affordable for everyone who needs it, without being owned and controlled by the local or national state, or managed by professionals who see people as ‘problems’ to be solved by the application of expertise. It is possible to envisage a range of provider models, including co-operatives, mutuals and time banks, where services are co-produced by the people who use them, working with professionals on equal terms. This way, the role of the state is not to provide services, but to broker and facilitate relationships, to support new forms of ownership and control, to set standards, ensure equal access and distribute public funds.

It is this shift towards local control and democratisation that will help to turn the tide away from targeting and privatisation, to reclaim the collective ideal and to build public support for more and better universal public services.