

What if the state provided everyone with a basic income? (By Simon Copland, on *BBC Future*)

This month Finland is embarking on a radical economic experiment. Its government is giving 2,000 people free money for two years, guaranteeing them a minimum income. The participants – selected at random from people receiving welfare – will each get 560 euros (\$600) a month and they will continue to receive the money even if they get a job.

The Finnish trial is the largest of a number of experiments looking at what happens when you give every citizen a guaranteed income – a policy known as universal basic income. “We hope that basic income will give these people a sense of financial security and the opportunity to plan ahead for their lives,” says Marjukka Turunen at Kela, Finland’s social insurance agency, which is running the trial.

It’s a simple proposal, but a radical one. Some dislike the idea of governments handing out money indiscriminately. Others worry that guaranteed incomes could make it hard to find people willing to do necessary but unpopular jobs. Yet the policy is gaining support around the world, from Silicon Valley to India. In the wake of the global financial crisis of 2008, many now see a universal basic income as the best way to reform struggling welfare systems, and to deal with the overwhelming economic challenges most countries are facing.

Basic income is enjoying a comeback, but the idea has been around for some time. US President Richard Nixon ran a successful trial in the late 1960s, for example. For Nixon, it was an efficient way to reform social welfare. A full rollout of the policy was only put on hold after a right-wing backlash. Influential 20th Century economists Milton Friedman and Friedrich Hayek both thought that some form of guaranteed income was the best way for governments to alleviate poverty. In his book *Law, Legislation and Liberty*, Hayek presented it as a way to give everyone economic freedom: “The assurance of a certain minimum income for everyone, or a sort of floor below which nobody need fall even when he is unable to provide for himself, appears not only to be wholly legitimate protection against a risk common to all, but a necessary part of the Great Society in which the individual no longer has specific claims on the members of the particular small group into which he was born.”

With social welfare coming under increasing financial and political pressure, some see basic income as an obvious solution. Providing a basic income can actually be cheaper than existing welfare systems, mainly because a uniform payment provided to all is cheaper to implement and monitor. Yet many have returned to the idea today because they see a basic income as a way to buffer ¹people from a global economy in flux. The shockwaves of the 2008 financial crisis still linger. But there are also growing fears about the threats posed by

¹ To buffer someone from something = to protect

automation, as robotics and artificial intelligence move into workplaces. A basic income could create the space for people to rethink their relationship to the changing world of work.

“We are hoping that these people will start looking for part-time jobs or start their own businesses,” says Turunen. There is some evidence that this could happen. In 1968, Nixon requested a trial in which 8,500 people were given a basic income of around \$1,600 a year for a family of four (equivalent to \$10,000/£8,070 today). The free money had little impact on the working hours of participants, with those who did reduce the amount of time they worked engaging in other socially valuable ventures instead.

According to Dutch historian Rutger Bregman, an advocate of basic income and author of the book *Utopia for Realists*, the trial had a major impact on those who took part. “One mother earned a degree in psychology and got a job as a researcher,” he says. “Another woman took acting classes while her husband began composing music.” The woman told the researchers that she and her husband had become self-sufficient artists. Nixon’s experiment also found that young people tended to spend more time in education when they were not working. Canada ran a similar trial in the 1970s, giving 30% of the people in the small town of Dauphin, Manitoba, \$15,000 each. A 2011 analysis of the trial by Evelyn Forget, an economist at the University of Manitoba, found that high-school completion rates increased and hospitalisation rates dropped by 8.5%. Employment rates amongst adults did not change at all.

Despite their apparent success, a shift in the political climate in both the US and Canada meant neither of the trials were ever expanded. Could things be different four decades on? Ontario in Canada, Oakland in California and Utrecht in the Netherlands are three places about to join Finland in setting up new trials. Two local authorities in Scotland have also announced plans to run experiments in Glasgow and Fife. Politicians across Europe – including Jeremy Corbyn, the leader of the UK’s Labour Party – have spoken up in favour of the idea.

Would it make a difference? Around five million people receive welfare benefits in the UK. In 2015, the country’s welfare budget was £258 billion (\$320bn). If that was divided equally between the UK’s roughly 50 million adults, each person would receive £5,160 (\$6,400) a year. That’s a lot less than the £13,124 (\$16,280) someone could earn in full-time work on the minimum wage set by the UK government. Many would argue for a universal basic income that is higher than that amount. It’s also less than some people receive in existing benefits – which most systems of basic income would replace. For example, in the UK a person over the age of 25 who is unemployed could receive up to £3,800 (\$4,714) a year in jobseekers allowance and an average of £4,992 (\$6,192) in housing benefits. Still, a recent survey found that 64% of people in Europe – and 62% of people in the UK – would vote for basic income given the chance.

Not everyone likes the idea, however. A referendum in Switzerland last year rejected a proposal to give 2,500 Swiss francs (\$2,418) a month to every adult and a quarter of that

amount to children. Those who opposed the plan argued that it would be unaffordable and would encourage people to drop out of work, especially those with low-paid manual jobs. Who would choose to be a cleaner or a rubbish collector if they did not have to? But those in favour of basic income say it could force society to reassess the value of such roles and the rewards offered to those who do them. Indeed, a guaranteed income – even a supplementary one – could challenge the idea that people are only valuable members of society if they work.

Modern society revolves heavily around work. Our jobs are an essential part of our identity. Unpaid productive work such as volunteering, housework and caring for dependents is undervalued, however. Godfrey Moase, activist and assistant general branch secretary at the National Union of Workers in Melbourne, Australia, has argued that a basic income would turn our relationship with work on its head. “Imagine the creativity, innovation and enterprise that would be unleashed if every citizen were guaranteed a living,” he wrote in the Guardian in 2013. “Social enterprises, cooperatives and small businesses could be started without participants worrying where the next pay cheque would come from.” Some claim it could even improve formal employment. If workers feel more free to seek out jobs that suit them rather than simply take what they can get, they can demand better pay and better conditions.

It’s not all good news, however. Critics such as Dmytri Kleiner, author of *The Telekommunist Manifesto*, argue that the policy could drive up inflation because it gives people more money to spend. There are also concerns about whether short-term trials can really reveal the sort of social changes that may occur if basic income were actually introduced over the long term. Participants in a trial may use their time to study or retrain because they know they will need to look for work again once the trial ends. And limiting participants to those who are receiving welfare does not tell us anything about what might happen if a basic income was given to everybody. We will only know if a guaranteed income would challenge existing ideas about work if it is applied universally. At the same time, the Finnish trial has also been criticised for not being bold enough. The 560 euros given to participants each month will not go far in a country like Finland, where the cost of living is high.

Despite all of this, many eyes on both sides of the debate will be on Finland – and the other trials to follow – to see how big a difference a little free money can make. Work as we know it could be on its way out.