The universal basic income

BENEFITS, PSEUDO-PROBLEMS, AND REAL PROBLEMS

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Abstract

The universal basic income is a controversial political idea. Some common reasons for dismissing the basic income, however, are based on misconceptions and biases. A more level-headed view of the basic income reveals its tremendous potential positive impact, such as mitigating the cost of poverty. Still, the idea of the basic income has at least two important real problems: Incentivizing people in a basic income system to be as productive as possible, and actually rolling out the basic income in a world in which it does not yet exist.

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1 Introduction

The universal basic income [1, 2] is one of those things that you might have heard of peripherally, but that just seems too outlandish to really consider. You might even think that the universal basic income is some kind of joke: *Everyone* is supposed to unconditionally receive an income that covers their basic needs? No matter what you do or do not do, you are covered?

The idea of a universal basic income is so removed from our current socio-political reality that simply thinking about it requires quite some effort. Imagining how society would look like if we introduced something as alien as the universal basic income is difficult. So difficult that we might tend to simply dismiss the idea rather than try to make sense of it; our reaction to the idea of a universal basic income is almost visceral. That should give us pause, because listening to our gut is rarely the most rational course of action. Do we really have good reasons for being opposed to the universal basic income, or are we simply dismissing it with a knee-jerk reaction?

When we assess our attitude towards the universal basic income critically, we are likely to discover that some of our opposition is driven by biases and other kinds of flawed arguments. Such a biased perspective prevents us not only from assessing the benefits of the universal basic income, but also from understanding and solving the real problems of the universal basic income. Before we delve into supposed and real problems of the universal basic income, it is worth noting why the universal basic income might be beneficial at all—after all, if there were no good arguments in favor of the universal basic income, we needn't bother with it in the first place.

2 Benefits of the basic income

The basic income (I will leave «universal» out from here on in for the sake of brevity) has an intuitive appeal—receiving a bunch of money sounds like a nice thing. The potential benefits of the basic income, of course, are not based on the intuitive, simplistic desire of «free money». Introducing a basic income would have a number of systemic benefits. With a basic income, we could alleviate some pressing societal problems that we are currently dealing with and we could create incentives for sustainable entrepreneurial and pro-social behavior.

2.1 Mitigating the cost of poverty

Wealth is distributed unequally in every country. Differences in wealth are not, in and of themselves, a bad thing. Differences in wealth can become problematic

when those who have the least of it have so little that they live in poverty. Nobody wants to be poor; we all know that being poor is not desirable in any way. But what, exactly, does it mean to be poor? From a financial point of view, poverty is not an absolute, but a relative measure. There have been attempts to define extreme poverty universally. Currently, people who live on less than around 2 US Dollars a day are considered to be extremely poor. Such a threshold certainly makes sense in the global fight against extreme poverty, but it does not address intra-national relative poverty which still exists in rich countries. For example, poor people in places like Norway or Switzerland are much wealthier than the majority of the world population, but they still endure poverty relative to the rest of the population in their respective country.

Poverty is characterized by three mutually reinforcing mechanisms. *First*, being poor usually means that one is heavily dependent on other people. Poverty means that getting by involves multiple overlapping bureaucratic dependencies. In Western countries with developed social security systems, government-sponsored support involves constant administrative efforts towards multiple government agencies as well as constant direct or indirect surveillance through said agencies [3, 4].

Second, being poor is expensive [5, 6]. On the one hand, poverty often results in an accumulation of debt because in order to pay off some existing debt, one has to create other new debt. On the other hand, access to financial services and capital can be much more expensive within poverty, since financial service providers see poverty as a risk factor and hedge against it with higher fees. This drives many people to «alternative» forms of financial services, such as payday loans.

Third, poverty begets poverty, both in a vertical and a horizontal sense [7, 8, 9, 10]. When you are born into a poor family, you are much more likely to be poor in adulthood than if you are born into a middle- or upper-class family. Furthermore, when you live in areas with higher rates of poverty, you are more likely to be affected by poverty yourself (For example, because of a lack of education opportunities, financial services, job opportunities, and so forth.).

Poverty is a «sticky», path-dependent phenomenon that is not easy to get rid of. But poverty is not only bad for the poor—it is bad for all of society, both in a moral as well as a simple economic sense. Poverty is a strong predictor of crime [11, 12], disease [13], and overall wasted human capital. Eliminating poverty is a top priority for any modern society, simply because eliminating poverty is a highly effective way of reducing both immediate suffering as well as the negative economic impacts of poverty. The basic income has the potential for being a highly effective intervention for eliminating poverty [14].

2.2 Absorbing disruptions of the labor market

We are currently undergoing a great digital change: Digitization and digital automation are changing all aspects of our lives, and mostly for the better. In a very trivial way, the fact that you are able to read this text right now is proof of that: Creating and distributing information has become as simple and as efficient as never before. The digitization of society is, of course, also affecting the labor market. We can do many things more efficiently and more effectively thanks to digitization, and we can do many things that we could not do before thanks to digitization. For example, electronic spreadsheets such as Microsoft Excel are a ubiquitous tool today, but that was not always the case. When electronic spreadsheets were first introduced, they created a silent revolution in productivity and efficiency [15].

The current wave of digitization in the economy is creating many positive innovations, but it is also a strong disruptive force with negative consequences for many people. For example, the emergence of innovative «gig» companies and services such as Uber, Airbnb, TaskRabbit, Amazon Mechanical Turk and many more is generating tremendous wealth, but very little of it goes to the «giggers» doing the actual work [16, 17]. Perhaps the major challenge with regards to digitization is the looming automation revolution: Many people face the prospect of being replaced by software because software is becoming better and better at performing tasks that, traditionally, only humans were able to perform. A major driver of this is the progress in artificial intelligence that makes it possible to automate ever more routinized jobs, both in the domain of manual labor as well as in the domain of analytic labor—just because you have a university degree and you do work that demands analytic skills does not mean that you cannot be replaced by software [18, 19].

Thankfully, the automation revolution will almost certainly not change the world overnight, because technological innovation tends to follow a pattern of diffusion, not immediate revolution [20]. This gives us time to devise measures that maximize the positive impact of automation and minimize its negative impact. The basic income is precisely one such measure [21]. More specifically, the basic income can be helpful in two ways. First, and obviously, the basic income would help all people who are negatively affected by automation. People who lose their jobs due to automation, for example, would not face an immediate material existential crisis because they no longer have any income. Second, the basic income could smoothen and accelerate the transition into a stable era of automation. When all policy stakeholders know that the disruptions of automation do not have catastrophic consequences for the losers of digitization, they are very likely to be less prone to categorically oppose automation altogether.

3 Flawed arguments against the basic income

The basic income is not a precise policy proposal, but rather a practical philosophical concept. This means that there is no single agreed upon specification for how a basic income would be fleshed out in the real world [22, 23]. Since there is, as of yet, no detailed implementation plan for the basic income, having a discussion about the details of such an implementation are of limited usefulness.

The current debate on the basic income is more of a higher-order debate about principles of ethics as well as of practicability. Within this higher-order debate, some of the more prominent arguments against the basic income are severely flawed. I call these arguments «pseudo-problems» of the basic income. In the proceeding subsections, I address some of them.

3.1 Pseudo problem #1: We don't have it now

The single most prominent flawed argument against, or assessment of the basic income is the notion that we should not have a basic income in the future because we do not have it now. Such an argument is hardly an argument at all, but rather an amalgamate of the *status quo* bias [24, 25] and the fallacy of the appeal to tradition.

Simply because something is a departure from the *status quo* does not make it bad or undesirable in any way. Indeed, our history is full of social norms and political principles that we gradually moved away from. For example, there was a time not too long ago when only men were allowed to vote in elections. Introducing universal suffrage was, once, a radical departure from the status quo, but today, only irrational minority groups, such as religious extremists, contend that allowing women to participate in political life is bad.

The status quo bias is probably one of the most detrimental biases in our political life in general. We spend a lot of time and energy assessing whether some policy proposal departs too strongly from the *status quo* to be acceptable, but we often fail to question whether the *status quo* is desirable in the first place.

3.2 Pseudo problem #2: Who will pay for the basic income?

The basic income is a form of monetary (re-)distribution. Therefore, asking how it should be paid is not irrational in and of itself—the basic income has to be paid *somehow*, after all. However, the question is fallacious if it is premised on the belief that the basic income simply represents a huge increase in public spending. It does not.

If we think about the basic income as spending *in addition* to all current social security spending, we are committing a base rate error. The level of social security

spending would not simply be raised with a basic income. The goal of the basic income is, instead, to *replace* many forms of social security spending. Currently, most democratic countries have a fragmented and complicated system of social security spending. The basic income could drastically simplify those systems by doing away with many, possibly even most of its bureaucratic layers.

Exact calculations of the costs of the basic income are contingent on a number of factors and are therefore not easy to specify in a universal manner. However, some calculations that we do have so far [26, 27] suggest that a basic income could be implemented simply by means of replacing existing public social security spending, without introducing any additional public spending.

3.3 Pseudo problem #3: The basic income means «big government»

The basic income has to be a public, government-run social security program. This might give us pause: Do we want the government to assume an even bigger role in our lives?

The philosophical debate over the proper size, scope, and role of government is centuries old. In the context of the basic income, however, we do not really have to engage in this philosophical debate all that much: The basic income does not have to make government bigger or more present in our daily lives. There are at least two reasons for that. First, as I argue in the above section about the costs of the basic income, the basic income does not mean a net increase in public social security spending. Second, and perhaps more importantly: The basic income has the potential to drastically simplify the public social security bureaucracy. The basic income would do away with many individual government agencies that currently take care of specific forms of social security spending. The result of this not only that we would end up with fewer separate government agencies. A single basic income agency could perform its job with greater efficiency than the current system of fragmented government agencies.

The basic income would not have to make government bigger. On the contrary: The basic income is an opportunity to shrink government.

3.4 Pseudo problem #4: The basic income is not meritocratic

In our everyday lives, the notion of fairness as *meritocracy* a strongly ingrained narrative. Those who are willing to work hard are rewarded with financial and other kinds of success. Those who are unable to do so with no fault of their own are not left on their own, but we collectively help them. But those who are able but unwilling to work hard are simply rewarded accordingly—they do not receive riches of any kind. The basic income is not compatible with our intuitive idea of

meritocratic fairness. The basic income is *unconditional*: Everyone receives the basic income, regardless of their behavior. Does that mean that the basic income is unfair?

Even though we might, intuitively, believe that the basic income violates meritocracy, that is not necessarily the case. The basic idea of fairness as meritocracy is that those who are willing to work hard are rewarded accordingly. There is no reason why this principle could not hold with a basic income, because those who are willing to work hard can *still* be rewarded for doing so. The only difference is that everyone starts from a universal baseline, the basic income, rather than arbitrary baselines such as family wealth. In that sense, the basic income does not violate meritocracy, but it can actually promote it. If we all start from a universal baseline, the meritocratic race becomes fairer, not less fair.

A second crucial aspect of meritocracy that we need to keep in mind is that our intuitive notion of meritocracy has little to do with the reality of wealth and success in society [7, 28, 29]. The question of how successful a person is in their pursuits and ambitions has only partly to do with how hard they are willing to work. For example, social mobility is strongly path-dependent. Imagine two people who are equally talented and equally hard-working. Person A is born into a wealthy family, and person B is born into a poor family. The probability that person A will stay wealthy throughout their life is much higher than the probability that person B will achieve the level of wealth person A started out with. If we glorify meritocracy in the status quo, we are glorifying a myth. The basic income would not erode meritocracy, but actually make our system more meritocratic: With a basic income, we would create meaningful equality of opportunity.

4 Real problems of the basic income

Some of the most likely reasons why we might be opposed to the basic income are, as argued above, either misguided or outright fallacious. That does not mean, however, that the basic income is without fundamental problems. There are at least two of them: The *incentivization problem* and the *roll out problem*.

4.1 The incentivization problem: How do we make the basic income as effective as possible?

If we were to introduce the basic income, we might have an effective solution to problems such as poverty and meritocracy. But do we know how people would behave when their existential needs are covered by the basic income? More specifically: Can we make sure that people who receive the basic income would

still try to contribute productively to society? After all, if every recipient of the basic income decided to pursue purely hedonic goals, that would be a very bad outcome.

Of course, if we introduced a basic income, not all people would stop productive work and engage in purely hedonic activities—this is a truism that verges on the trivial. From our own day-to-day experience, we all know that not creating and not achieving anything is not our primary goal in life. We do not just study and work because that is what society dictates. We do so because we have ambitions, ideals, and hopes. The basic income could actually boost people's motivation for achievement and our search for meaning by covering our basic needs: When basic needs are taken care of, we have the capacity to strive for higher goals [30].

Still, the question remains whether the goals that a society with a basic income collectively strives for are goals that benefit society in as effective a manner as possible. For example, if a majority of citizens decided to devote their lives to the arts, that would be a kind of culturally enriching trajectory for society. However, that could also mean that other goals for society do not receive as much attention as they should be. For example, the basic income could, in principle, be a very effective measure for increasing work on existential risk mitigation [31], which is one of the most important goals of humankind. But there is no *a priori* guarantee that the basic income would really achieve this goal.

In order for the basic income to be as effective as possible, we need to create an incentivization system that «nudges» people towards certain problems. This would have to happen without force and coercion, because forcing people to do some things rather than others would defeat the purpose of the basic income.

4.2 The roll out problem: Can any one country introduce the basic income unilaterally?

Imagine that some country decided to introduce the basic income. All the administrative and legal work is done and the basic income is ready for its first real-world implementation. There would still be one big procedural problem left [32]: Which people, exactly, should receive the basic income in that country? More specifically, there are three categories of problems:

- Status of immigrants.
- Status of citizens vs. non-citizens.
- Status of expatriates.

The first category of problems has to do with migration to the basic income country. If a single country decided to introduce the basic income, that would create an obvious incentive for immigration, not least from poorer countries. However, if that country unconditionally accepted all immigrants and granted them a basic income, the strain on the basic income might become too great. Therefore, the country would probably have to introduce or maintain some discriminatory rules regarding immigration and the basic income. For example, the basic income could be managed on a seniority basis, whereby recent immigrants receive only a portion of the basic income.

The second class of problems has to do with the legal distinction between citizens and non-citizens in the basic income country. It is quite likely that the introduction of a basic income would trigger a tribalist ingroup bias [33] in the basic income country. Some political actors would probably try to restrict the basic income to citizens (or even to «natives») and to exclude foreigners living in the country from the basic income. That, of course, would be a purely nativist design of the basic income, and, as such, irrational. In most democratic countries, the provision of social security services is not categorically limited to citizens, and there is no rational reason for introducing such a demarcation with the basic income.

The third class of problems has to do with citizens of the basic income country who live abroad. Presumably, citizens of the basic income country who live abroad would also like to receive the basic income. Even though such a sentiment is understandable, the basic income would probably have to be implemented in according to a *ius soli* principle: Living on the country's soil is the entitlement for the basic income, not being a citizen from the country.

5 If we designed society from scratch, what would it look like?

Societies always change, and often for the better. Change, however, is something that comes with some degree of uncertainty: We do not know with certainty how things will play out, which is why we tend to be risk-averse and avoid change.

The basic income would be a big change to how society works, and, consequently, the basic income comes with considerable uncertainty. Should we, from a normative point of view, proceed with the basic income, despite the uncertainty it comes with? Maybe that is not the correct question to ask. The question that really matters is another one: If we were to design the principles for a completely new democratic society, what would those principles look like? Would we replicate our current society, or would we change some things for the better? I believe

that we would want to change things for the better. If that is what we want to do in theory, that is what we should aspire to do in reality as well.

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