

Basic income is an opiate for the masses, not a sustainable solution

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If a group of undiluted communists and capitalists were to join forces and concoct a recipe for a Utopian society, they might produce a socio-economic system anchored by a basic, or guaranteed, annual income.

The communists would love it because it would insulate the poor and unemployed from grinding, miserable poverty. Presumably, the basic income would be set high enough to allow individuals and families to feed themselves and pay for education and rudimentary housing. No more freezing in the gutter because the owners of capital – the bosses – replaced you with a robot or simply fired you to reduce expenses and boost shareholder returns.

The capitalists would love it for more or less the same reasons. They could fire with abandon, knowing that the basic income would shelter the newly unemployed. Even better, they could withdraw their support for public health and public education. With taxpayer-supported basic income in place, they would feel little incentive to fund the elements of the working welfare state.

No wonder the idea of basic income has at least some appeal to the left and the right, the poor and the wealthy – your first clue that the notion is both unworkable and unhealthy for society. If everyone likes it, it's too good to be true.

Basic-income pilot programs are popping up in various spots of the planet, including Finland, Kenya, the Netherlands, Oakland, Calif., and now Ontario. Some governments have a budding form of basic income. The Alaska Permanent Fund, financed by oil revenues, pays an annual dividend to residents that has ranged from \$1,000 to \$2,000 (U.S.) a year in recent years.

In Ontario, about 4,000 residents in three cities – Hamilton, Thunder Bay and Lindsay – will be selected as potential basic income recipients over three years as soon as the summer. A portion of them will make the cut – the precise number is not known. A single person will get up to about \$17,000 a year; a couple about \$24,000. The participants will be allowed to work during the experiment, but their basic income would fall by 50 cents for every dollar they earn from working.

Ontario's plan is not groundbreaking. The basic-income concept has been around since Thomas More's *Utopia* was published in the early 16th century. It was proposed by Thomas Paine, one of the founding fathers of the United States, in his pamphlet *Agrarian Justice* and tested in the 20th century in a few unlikely spots, including the town of Dauphin, Man., near Winnipeg, in the mid-1970s. (The Dauphin experiment's results are only now being studied, after the recent discovery of nearly 2,000 boxes of printed data that had been abandoned for decades.)

Martin Luther King Jr. extolled the virtues of basic income, as did Milton Friedman, the American economist and high-priest of regulation-lite capitalism who was adored by Ronald Reagan and Maggie Thatcher. The champion of the Ontario project is Liberal Premier Kathleen Wynne, who was inspired by former Conservative senator Hugh Segal, a great promoter of the idea since the 1970s.

Basic income does have some appeal. It would streamline bureaucracy if it were to replace the tangle of means-tested welfare and support programs. In theory, it would boost economic demand and give individuals and families the option to hold out or train for high-paying jobs

instead of being forced into menial jobs to put food on the table. It just might trigger the development of a young entrepreneurial class. Its chief selling point (at least according to some of its proponents) is protecting the working class from the rise of the machines and their potential to destroy millions of jobs, from factory workers to truck drivers.

But the problems overwhelm the advantages. Unless basic income schemes were capped, the costs could be obscene, even when factoring in the savings from the programs, such as unemployment insurance, that could be eliminated (capping basic income would be pointless since the whole idea is to make it universal). Since paying people to do nothing would obviously encourage more people to do nothing, the costs could explode.

Last June, a Swiss referendum overwhelmingly rejected a basic income proposal, in good part because voters were spooked by the potential costs. In 2013, a commission of the German parliament reached the same conclusion, and also warned that a basic income would trigger a vast increase in immigration.

But let's forget about the costs for a moment. A basic income is not the morally correct socio-economic strategy. The morally correct strategy is building an economy that generates inclusive growth rather than overall economic growth. The latter mostly benefits the wealthy.

In recent decades, the neo-liberal agenda largely endorsed by the West has embraced open markets, deregulation, privatization, shareholder value and globalization. The agenda has created enormous amounts of wealth but not for everyone. Vast numbers of losers have also been created. A basic income would allow the neo-liberal agenda to remain intact. Job destruction could happen more easily. There would be less incentive for governments and the privileged to build a balanced economy that shrinks that wealth divide.

The rise of populist politicians, from Donald Trump in the United States to Marine Le Pen in France, partly reflects the desires of millions of voters for a more inclusive economy. A basic income would reduce the incentive to make a fairer economy and society. It is an opiate for the masses, combining the worst elements of communism and capitalism.