



OAK INVESTMENT MANAGEMENT GROUP



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Basic Universal Income

Basic Universal Income is mooted by some as a panacea to all troubles with the welfare state model. It is however an abhorrent instrument that should have no place in any society. It is as erroneous a model as anything from the socialist experiments of the twentieth century. Not only does it have technical consequences (inflationary pressure, crowding out of the lower end of the economy) but also ethical ones (de-incentivisation, breaking the bond between effort and reward).

Of course, many believe that people with out-of-work benefits in the welfare state itself already break the connection between effort and reward – but ultimately it is an acknowledgement by the state of a peculiar situation in which people find themselves. Others will defend the move on a utilitarian basis the cost of administering the welfare state is enormous – but that is an indictment of the state not of the welfare it provides. Others still, contend that the technological transformation of the world necessitates this first step on its way of the state transforming the working class into a state-sponsored leisure class – but this last claim would be risible if it was not so dangerous.

Basic Universal Income would result in inflation of the worst type. It would change elasticities of pricing of basic commodities such as food and utilities. These industries would discover that they have higher pricing power and would work remorselessly to take advantage. Arguably leaving the poorest in society worse off. Additionally, any introduction of basic universal income would strangle any innovation and need to compete of the most vibrant and central part of the economy: the smallest part. If large effective markets are only made from smaller interlocking ones – then this would kill the economy from its knees. It is not surprising that countries that have advocated and experimented with this system as their economies already punitively punishes smaller, agile and dynamic businesses in favour of large conglomerates. It is no surprise that individuals who are apostles of this vision also from larger entities. This is ‘big thinking’ that kills the smallest by positioning to ‘protect’ them.

A basic incentive is destroyed with basic universal income. Throwing a ‘protective’ blanket over society – means not working for your daily bread on an individual basis but we also become less inter-dependent, less concerned, less interested in others on a social basis. So, although Universal Basic Income might sound like some Platonic ideal it is a road to moral, ethical (and actual) bankruptcy.

With the working through society of automation we need entrepreneurial thinking more than ever. This process is not dependant on the next cosseted company executive making a ten-billion-dollar decision, but on individuals making their next ten-dollar decision. Therefore, this is no time to weaken the monetary signal itself, or to nationalise the lower end of the economy. The reality of Basic Universal Income is a total nightmare – let us hope it stays a *utopia*.