

UNIVERSAL THINKING?



CHRISTOPHER SNOWDON on two very different interpretations of **Universal Basic Income**

When writing about the Universal Basic Income (UBI) it is almost obligatory to point out that the idea has been supported by free market economists such as Milton Friedman as well as economists on the left.

The devil is the detail, however, and there are big differences between the "socialist" and "libertarian" conceptions of a basic income.

In Friedman's version, which is technically a negative income tax, the UBI would replace all other state benefits and remove the need for the government to provide or subsidise some public services.

Universal coverage of healthcare and education would be achieved, not by the government running schools and hospitals, but by everybody having sufficient income to pay school fees and buy health insurance.

The aim is to make the welfare system more efficient and allow individuals greater

choice in how they procure essential services.

The leftwing version is rather different. When socialists propose a basic income, they see it as a supplement to existing cash benefits and to benefits in kind, such as the NHS. This makes it much more expensive. It is difficult to see how it could be affordable without the government taxing and redistributing a very large proportion of the nation's income.

It has been suggested that a UBI could be paid for by abolishing tax reliefs, which are worth over £400 billion a year. This implies a clampdown on tax avoidance. Strictly speaking, that is what it is, but not the kind that squeezes billionaires.

UK tax reliefs include more than £30 billion 'lost' to VAT exemptions on food, books, water, domestic fuel, children's clothing, wheelchairs and disability scooters. The personal income tax allowance

loses the Treasury a further £107 billion a year. Another £57 billion is lost thanks to the government's reluctance to levy National Insurance on incomes below £166 a week.

These loopholes exist for a reason and removing them would be unpopular. Governments are rarely eager to exempt people from tax.

When they do, it is because they are trying to protect the poor (e.g. VAT exemptions for food), or incentivise saving (e.g. pension tax relief), or because it would be silly to do otherwise (e.g. exempting cabin crew from air passenger duty).

'Abolishing tax relief' is just another way of saying 'raising taxes', but let us say that the government abolishes every tax relief and raises an extra £400 billion a year.

This would increase public spending by nearly 50 per cent and yet would still only provide enough money to offer a UBI of £6,150 per person (or £7,600 per adult). This is well

below the poverty line and for some people below the point at which means-tested benefits could be withdrawn.

Meagre though it is, my hypothetical UBI is generous compared to some of those that have been seriously proposed.

In 2015, the Green Party proposed a basic income of £4,160. Earlier this year, the New Economics Foundation called for a "weekly national allowance" of £2,500 a year. These amounts are too small to give people a decent standard of living and would put another hole in the leaky bucket of Britain's welfare system.

To provide a universal basic income that is enough to live on, governments would have to spend a vast amount of GDP, albeit mostly in the form of cash transfers.

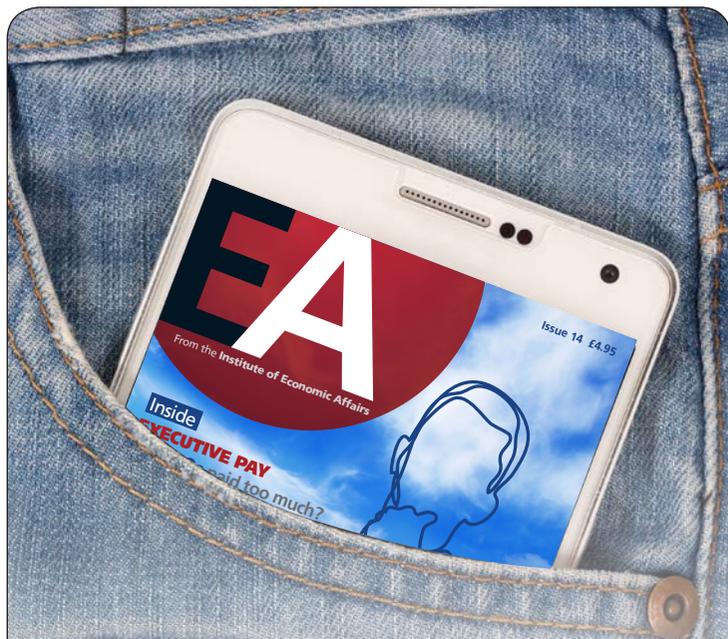
Although I am not convinced by the arguments for such a radical change – including the idea that robots are going to take our jobs – it is at least theoretically possible.

But the idea is only worth considering if it is accompanied by the abolition of all other welfare payments, housing benefit, state-run education and state-run healthcare which, between them, make up over £500 billion of public spending.

This, too, might not be popular, but the halfway house proposed by some groups is the worst of both worlds. They are not really advocating a universal basic income, merely another universal benefit which the government will pay out and then claw back●

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