Many people are now talking about the creation of an Unconditional (or Universal) Basic Income (UBI), that is paid to every citizen (perhaps above a certain age) as a way to improve equity and to maintain demand. This conversation has been spurred by impending job losses, and the shift to lower paid personal service jobs, flowing from outsourcing and automation.

There are many arguments for and against.

This paper argues for a UBI, with a difference. It suggests that we can use the market to fix the rate of the UBI, and also pay for it without taking money from anyone else, incurring debt, or sparking massive inflation. It also addresses the major objections raised against other forms of UBI.

Before we can have a meaningful discussion about a **Market-driven Unconditional Basic Income (MUBI)**, we need to have a common understanding of the ways in which money is now created and destroyed, and its role in the economy.

All money is created out of thin air and spent into the economy by the people who receive it.

Excluding Quantitative Easing (QE), new money is created every day by banks (and other ‘deposit taking institutions’) as they make loans.

Bank lending differs from private lending. If I lend you money I no longer have it to spend. If my bank lends, I still have my deposit. The money for any loan is not taken from my account, *it is newly created*. It is as simple as making two entries in the books of the bank: debit loan amount in the name of the borrower (which sets the amount to be repaid) and credit the same amount in the same name as a deposit (for the borrower to draw down). If this explanation seems at odds with how you understand the process, please refer to the Bank of England paper: ‘[Money Creation in the Modern Economy](https://www.google.com.au/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwj56Pf-v8TXAhWGQpQKHY5TDMYQFggqMAE&url=http%3A%2F%2Fwww.bankofengland.co.uk%2Fpublications%2FDocuments%2Fquarterlybulletin%2F2014%2Fqb14q1prereleasemoneycreation.pdf&usg=AOvVaw2B-OfUy-U-lDj9kKILFgFN)’.

The borrowers spend the *new money* into the economy. This may be to buy a house, or a car, or for travel, or consumer goods or services. The *extra money* drives *extra demand* which drives *extra production*.

Each borrower works/invests to earn income, using it to repay the loan. All repayments are written back into thin air, as the entries in the books of the bank are reversed.

In essence, money is created and destroyed by ‘the stroke of a pen’ (or press of a key).

The role of the bank is to ensure the new money is repaid, at which point the borrower and society will be square. The borrower will have put back in (via work and/or investment) what they took out when they spent the proceeds of the loan.

This system works well, while banks are prudent in their lending. Unfortunately, under the current system, when loans go bad, depositors stand to lose some or all of their money. Or the banks are rescued, socialising losses and creating ‘moral hazard’.

In the case of QE, money was created by Central Banks, also ‘out of thin air’, by making entries in their books to buy securities in the market, driving up asset prices. The sellers used the proceeds to buy other securities and property, further driving up asset values.

The Central Banks can withdraw the QE money by selling the securities back into the market, or simply waiting for them to mature. The repaid money is written back into thin air, as the entries in the books of the Central Bank are reversed.

QE helped to stabilise the financial system following the GFC. It has also resulted in a huge uplift in monetary wealth for those who have held securities, with little change in the underlying capacity of the economy to produce goods and services. It’s been great for Wall Street, but done little for Main street.

To help Main street, in addition to understanding how money is created and destroyed, we also need to understand its role in the economy.

For the economy to grow, the *new money must be used to buy goods or services, or to create new assets*. As QE has shown, spending on existing assets does little more than drive up asset prices.

Importantly too, *the amount of new loans must exceed the amount of repayments*, otherwise, the economy will contract due to a lack of money to represent demand (as happened in the Great Depression and the GFC in many countries). It means that if businesses are not borrowing, consumers must, and if neither are borrowing, the government must, or some combination, to keep the extra money flowing.

In the absence of extra money, there is no way to signal extra demand. No business will invest in extra production without the expectation of extra demand which requires people to have the extra money to pay for it.

It means that, in our modern economy, *money comes before all else*.

This is not a defence of Wall Street. Nor is it a defence of the many malpractices uncovered within the financial sector across many decades.

It simply recognises the fact that without money, you cannot signal your needs. Making you invisible to the market. If you are invisible, it can never respond, no matter how ‘efficient’ it is. Even if your needs as a ‘homeless person’ are plainly recognised by any casual observer, still the market is powerless to help… if you have no money to express them.

What happens on Wall Street should be largely irrelevant to the real world. It is a game of dice (increasingly driven by algorithms), where players swap numbers on computers. These numbers mean a lot to the players, but *mostly* have very little impact on the real world.

It may be argued that this trading provides better price discovery of the underlying asset value, as well as providing liquidity. And that may be true, though it seems the algorithms are increasingly focussed on the short term.

What really matters is the performance of the companies delivering our real goods and services. And they need customers with money to spend. The trillions of dollars circulating in the finance world are of zero benefit to them.

We can happily let the players play… *as long as we can ensure their losses are not passed onto the rest of us*. Unfortunately, up to now, the problem has been that all winnings have been privatised, while major losses have been socialised. Creating ‘moral hazard’. This problem has not yet been solved, but is about to be.

Blockchain offers the opportunity to issue ‘Central Bank Money’ directly to all citizens; see [here](https://beyondoverton.wordpress.com/2017/11/06/bitcoin-is-not-the-future-of-money/) and [here](https://www.bis.org/publ/qtrpdf/r_qt1709f.htm?lipi=urn%3Ali%3Apage%3Ad_flagship3_pulse_read%3Bnm2iUnsYRZy%2BpVa6cR3lwg%3D%3D). In this case, the banks would simply manage the ‘nodes’ in the payment network, while making new loans on behalf of the Central Bank, earning simlar returns as now, but as ‘agent’, rather than as principle. The system will work as now, but depositors would no longer be at risk for bad loans. The banks themselves would have to cover their losses. And, like any business, go bankrupt if they lose their capital due to defaults… without anyone losing their deposit or having to call in good loans to meet withdrawals. But that’s a separate topic.

Unfortunately, few economic models recognise these facts, which is part of the reason why we are in such a mess! You can’t manage what you don’t understand.

Understanding that (apart from QE) all money is created as debt, and that the net increase in debt *for productive/consumer/government purposes* drives the economy, raises the question: is there another way to introduce new money into the economy without debt, that meets our objectives for a fair and efficient allocation of resources?

To answer, I’d like to take a closer look at what we mean by ‘money’.

Money is just information.

In the ideal, it represents the amount of value you help to create when you work and/or invest.

If I do work for you, or provide you with a good or service, you give me money as a ‘record’ of the real value that I have provided to you.

The token used to record the value is irrelevant. It could be a coin, a piece of paper (banknote), or an electronic entry in a bank account. What matters is the ‘amount of value’ that is recorded. It is also important that this record cannot be counterfeited and that it maintains its ‘real value’ (what it can buy) over time.

Then, regardless of when you choose to spend, the record allows you to take out the same amount of value that you have contributed, as and when you spend it. Not more or less.

*While the principle is that you get to take out what you put in* (this includes paying tax for the common goods and services we all ‘consume’ as members of society); in general, technology is actually delivering more for the same money over time. This is no bad thing.

Money is central to the operation of markets. It allows each person to have a say in what they want produced to meet their needs, without any central authority required to allocate resources. Each seller must decide ‘what to produce’ and ‘how much’ in order to meet demand at a price that makes a profit. Their profit represents the value added by them in organizing the money, materials, people, technology and processes to create and deliver the goods or services you want, when and where you want them, at the quality you require, and for the price you are prepared to pay.

This works very efficiently… with a few exceptions. For example, where there are externalities that cannot be priced directly by buyers and sellers (such as pollution from a factory in a location other than where the sale takes place), or there is an imbalance in knowledge or power between buyers and sellers (say the seller offers goods that have an undisclosed flaw that cannot be reasonably detected by a buyer, or the seller is in a monopoly position).

These exceptions require a legislative framework to set the rules within which buyers and sellers must operate to (as far as possible) price all externalities and/or mitigate anti-social behaviour.

There is one exception that only money can solve. That is, to participate in the market you need money.

Traditionally, we get money by working, investing and borrowing.

However, over 50% of the population has no direct access to income: the young, old and incapacitated, and their unpaid carers, as well as those who lack the skills and/or knowledge the market needs.

The last category is about to explode as automation sweeps through every sector of the economy.

While new jobs will undoubtedly emerge, the speed with which the change is approaching means that many people will be pushed down the earnings curve into lower paid jobs, or no jobs, faster than new higher paid jobs are created AND faster than people can learn the required new skills and knowledge (if they can at all).

This promises major dislocation. But why should it?

Let’s think for a moment about the situation just before automation sweeps in.

Up to the 1990’s most people (in the developed world at least) were living a reasonable life that was getting better; all working to help produce our required goods and services. Earning money, and also borrowing, to spend on what they needed and wanted.

Now imagine that we automated all supply chains overnight. We still have the same capacity to produce as before… but very few earning; so very little ‘demand’. Of course, there is no less *actual* demand. People still want what they had before. The problem is they now have no money to express it. (Again, macroeconomics fails to model this ‘latent’ demand, simply because there is no way to measure it in the market).

Naturally, the owners of the automated factories will quickly scale them down to supply only the remaining few who still have an income: the higher paid workers and owners and investors in the factors of production and distribution.

The rest will have no means to signal their needs, so their needs will go unmet – *even though, if we kept the factories scaled up, we could produce as much (if not more) than before the supply chain was automated*.

All we lack to make this happen is ‘money’ in the hands of the people who have lost their incomes. Yet all money is created at the mere ‘push of a button’.

In truth, there is no lack of (latent) demand. The same people want the same as before. We still have the same resources to deliver the required goods and services, and the same capacity to create the money needed to pay for them… yet people go without, and factories work below capacity.

This is a nonsense situation.

*Automation does not reduce our capacity to produce. Often increases it. It also increases the capacity of those who have an income to consume, as efficiencies push down prices.*

*Unfortunately, it also completely eliminates the capacity to consume of all those people previously in work, who lose their income when displaced by outsourcing or automation*.

Of course, the change will not happen overnight. But it has already been happening for decades in advanced economies as first outsourcing and now automation has devalued labour. The trend is accelerating.

We need to do something.

Some suggest ‘job guarantees’ funded by government. This is also nonsense if it is simply ‘make work’. How soul destroying to have to dig holes and fill them in, just to earn money to meet your basic needs.

Yet, it seems we already have many ‘make work’ jobs. [On some estimates, only 13% of people are engaged at work](http://news.gallup.com/poll/165269/worldwide-employees-engaged-work.aspx). The rest remain disengaged because they understand their work contributes little value. They waste hours producing reports no one reads, and more and more time on social media and browsing the net. Government services also employ swathes of people who may add little value despite their best efforts because of inefficiencies in the system.

Despite these inefficiencies, production has continued to rise.

The on-going employment of people doing non-productive ‘work’ and the shift to low-paid service work hides the real productivity improvements that have been ongoing for decades. This seems like a bad thing, but perhaps not so bad. These ‘make work’ jobs provide ongoing income to spend, keeping the economy afloat and ensuring people can sustain themselves and their families.

Imagine if suddenly all ‘non-productive’ people were made redundant!

They could not transition to more productive roles, as there would be a massive fall in demand. Far from more productive jobs being created to pick up the ‘freed labour’, the economy would collapse.

Clearly, the speed of change is a major factor in the adjustment of the economy to new technologies.

Unfortunately too, much of the free time generated by improved productivity (created by outsourcing and now automation) has fallen to people who have no earned income (the ‘unemployed’), relegating them to a life of poverty, and for some mental and physical ill-health, addiction and crime.

It does not have to be this way.

*There are plenty of interesting things to do*… if we have the money to support ourselves.

*With sufficient money to live on*, people have been making up exciting and interesting things to do with their lives as more and more time is freed up. Extreme sports for example, or making instructive or entertaining YouTube videos, writing blogs, creating ‘start-ups’, making music, and much more. Not to mention having more time to care for family: our young, elderly and incapacitated. But it all takes money.

We don’t need ‘job guarantees and make work’ to generate this money. Nor for ‘make work’ to generate self-esteem.

If there is a genuine need for work in the public domain, the cost should be funded through taxation. Or, in the case of infrastructure, by borrowing and repayment out of tax over the life of the asset. (Again economics lets us down. Economists count the debt - but never the asset the debt buys - characterising debt as bad, forestalling much needed spending on infrastructure! Again, a topic for another day)

Funding common goods and services via tax provides some protection against ‘pork barrelling’ and ‘feather bedding’, though we also need more open processes (Also a topic for another day).

This is not an attack on the common good. There is much valuable work to be done in the common interest, but such work should not be seen as a ‘job guarantee’… it is just what needs doing. It could be anything from building a bridge to beautifying a street. We can argue about ‘what needs doing’; but once agreed, we can levy the tax to pay for the work that will provide some people (but not all) with needed income.

The problem remains that there is at least 50% of the population without direct income (and growing). As well, there is a large and growing section of the population in work who earn so little they are still below the ‘poverty line’.

Without money, these people cannot signal their needs, so the market cannot respond.

This is bad for them… and bad for business which misses out on the additional turnover.

The only ways that people ‘outside the production process’ currently receive a share of the income generated within the economy is via:

* families (increasingly fraught due to family breakdown)
* charity (very uncertain and subject to moral questions of who should get how much),
* tax (a bit more certain but still subject to the judgment of politicians and bureaucrats about who gets what) and…
* crime (a rational response to exclusion, to take what you can get).

Many advocate heavily taxing the rich, including death duties, wealth taxes and land taxes, to provide for the poor, and more government services.

Unfortunately, this just causes push-back, or it just causes the rich to move ‘official residence’ to less onerous jurisdictions, or to outright ‘tax dodging’, or pushes up the cost of land, making it even less affordable. Even if some rich are forced to sell up some of their holdings, it never leads to lasting change. The rich always get rich, even if they start poor. It is the nature of the market to reward those who best meet our collective needs, assuming we can minimise corruption and fraud.

You may say that the children of the rich don’t deserve their inherited wealth, because they have not earned it. Yet, taking away the wealth to give to the poor still means giving it to people who have not earned it.

Not everyone can be rich. But everyone can have a reasonable living… without taking money from anyone, or going into debt.

Most of the wealth of the rich is tied up in their businesses that serve our collective well-being. Taxation cannot improve the operation of these businesses. If shares have to be sold to pay tax, they can only be sold to another rich person. And all this does is change the controlling mind. The money and shares simply swap hands. As for personal assets (homes, cars, planes, artwork, fine clothes, jewellery, etc), no tax can change them into anything else. If they have to be sold to pay tax, only another rich person can buy them, once again simply changing the controlling mind without improving the productive capacity of the economy.

But, you say, the money raised can be used by the government to produce goods and services that benefit us all, or for redistribution.

This is true. *But we don’t need to tax the rich more than we tax anyone else to get the money we need*.

In fact, we don’t need to tax anyone, or go into debt to pay for the MUBI. In a moment, we’ll look at how this can be done without causing inflation.

Apart from their businesses, the rich also hold securities and bank accounts that are just numbers. While the money does not move, it is irrelevant to our economic well-being.

*Only when it is spent does money change the allocation of resources*.

If the rich spend their money on and in their businesses, it is to our benefit - as we enjoy the fruits of their production.

If it is spent on securities, it is irrelevant to the real economy. Collectively, the rich already own the factors of production. All they are doing is pushing up the price without changing the underlying value of their businesses. It is an illusion.

If their money is spent on goods and services for their own enjoyment, we could argue that others may benefit more. Yet, the impact would be minor.

Despite the huge amounts of money paid, the amount of steel and concrete and fibre and food and other resources that the rich consume for their personal enjoyment is a tiny proportion of the resources we *collectively consume*. Take the recent sale and purchase of a ‘Leonardo da Vinci’ painting for around half a billion dollars. One moment one person had a number in a bank account and another had some canvas with paint on it. After the sale, each had what the other had before the sale. Zero impact on anyone else.

Again, you may say that this money could be better spent on ‘the poor’, but we don’t need it to help the poor.

*The poor are not poor because the rich have too much money. They are poor because they don’t have enough*.

It is equally clear that most people work to support themselves and the broader community. Unlike earlier times, in modern economies relatively few work to support the rich.

Our collective consumption includes the factories and distribution centres and other resources used in providing our transport, power, water and telecoms networks, office buildings, shopping and entertainment complexes, schools and hospitals, homes, as well as the food, clothes and cars and devices we use, not to mention the ‘services’ we enjoy, including films and sports, and everything else we consume en masse.

This is where our real wealth lies.

Use of these resources is far more important than ownership. And most are used by the people who work to produce them.

Some may argue that a great deal of wealth is in the hands of people who own their own home and that escalation in home prices (eg in UK and Australia) has left many people without the ability to own a home. True, but it makes no difference how high the price of existing homes go if there is already someone occupying them. If the existing owners need to sell, if there are no buyers, prices will fall.

It may mean that more people are forced to rent, but they still have a home. And over time, homes will pass from one generation to the next, providing on-going ownership, just a bit later in life.

What matters is the price of undeveloped land for new homes. Part of the problem in some countries is that re-zoning for residential use provides a windfall for the land owner that drives up the price of new houses. Most of this windfall ought to be treated as a community benefit and go to pay all the government and service charges (for power and water, etc) relating to the subdivision that currently add a substantial cost to the price of a new lot. This would make new homes much more attractive to both buyers and developers. Where there is a need, land could also be resumed for residential purposes, paying a bonus over the price of the land before re-zoning. But retaining most of the uplift in value for the community..

Without the rich, who would pay the fine craftsmen and artisans who create luxury cars, boats and homes, as well as fine clothes and jewellery, etc.? More importantly, it could cause the price of many goods to increase, as the high profit margins on luxury goods help to keep the cost down on standard items made by the same manufacturers! The fewer luxury goods sold, the more the price of standard goods would need to rise to provide a reasonable return on capital.

The greatest danger is when the rich spend money to influence the body politic to the detriment of the general population, and their own long term interests. We need to keep money and corporations out of politics (but that is a whole other lunchbox of cockroaches).

All that we should require of the rich is the same that we should require of everyone: that they share the same % of their income to pay for common goods and services - when they come to spend it.

Given automation provides us with the same (or better) capacity to produce, it is in our common interests (for the sake of social cohesion) to ensure people can continue to have at least their basic needs met, even as automation takes away their earning capacity (money).

However, we don’t want to take away anyone’s incentive to work while there is valuable work to be done. Nor do we want to change the people in control of our businesses that have proven capable of marshalling the required resources to meet our needs most efficiently.

This is where the MUBI comes in.

The MUBI offers another market based means of providing a base income for everyone, that *injects new money into the economy*.

It is not based on theory, but on practice.

The Central Bank has two mandates: to keep inflation and unemployment low.

In keeping with these, to start, the Central Bank could issue (say) $10 per week of *new money* to every citizen (with the money for children under 18 going to their guardian, who could not charge for their services). The Bank would then observe the effect on the economy. If there was no noticeable change after several months, the amount could be increased to (say) $20. This process could be repeated until inflation started to move above the targeted range.

The money created by the Central Bank is not a debt by or to anyone. It is just a book entry. As such, it does not need to be repaid. The only reason we require other debt to be repaid is because it gives the borrower a unique right to consume resources they have not earned. When the MUBI is paid to everyone, this problem does not arise. No one is given a special advantage. All are benefited equally.

It is important to start low, as whatever money is paid, it must be guaranteed that it will not be reduced in future. If people know they can always rely on the MUBI, they will change their lives accordingly. Otherwise, they won’t.

In the first instance, the extra money could be spent by some on frivolous or harmful things (like drugs and drink and gambling), but most people will use it to buy the goods and services they really need. Again, we don’t have to theorise. We can test it and see what actually happens; [with pilots already under way in a number of countries](https://futurism.com/images/universal-basic-income-ubi-pilot-programs-around-the-world/).

The new money will draw in idle resources, and then increased capacity, as profitability grows. Only as the economy reaches its limit would we expect inflation to kick in. Against this, on-going automation will continue to drive down prices, as will global competition.

Again, we don’t need theory to tell us what is going on. The Central Bank only needs to observe what is happening in the market and make adjustments accordingly… just like it does with interest rates, but much better targeted to actual consumer spending.

The worst that could happen is we start to get a bit of inflation, while the extra money makes a real difference to the lives of people at the bottom.

In most cases, the MUBI will be spent almost as soon as it is received. This money will flow through the economy (as all spending does), increasing turnover. As now, most of the benefit from this extra turnover will accrue to higher paid workers and business owners and investors. So, while the MUBI starts off equal, it will soon accumulate in fewer hands. This accumulated money leads to ‘secondary demand’, which drives the production of more higher priced goods, services and assets.

The gradual increase in the MUBI will have two main effects on the labour market. First it will turn the latent demand into actual demand, generating demand for extra labour to deliver extra output. Secondly, at some point, the extra MUBI will cause some people (who may have other income or lower needs) to drop out of work, or cut back their hours, freeing up jobs for those who want or need them. In both cases, the effect will be to reduce ‘forced’ unemployment.

Even so, we could get the situation where people are still looking for work (because the MUBI is insufficient to meet their needs), but there is no more work available and inflation starts to kick in. At this point, the Central Bank will have reached its inflation limit, but not met its unemployment target.

Ultimately, we may have to make a call about what constitutes a fair minimum MUBI. This will change over time, as our capacity to produce more with less continues to grow.

There would be no necessity to pry into anyone’s actual circumstances. It should be possible to make an ongoing assessment of what is a fair minimum standard of living that provides ‘self-respect’ (given the capacity of society to produce), and raise the MUBI over time to that level.

If this ‘floor’ is above the rate at which the labour market is in balance, it may push demand beyond the capacity of the economy, pushing up wages and prices. (Remembering that with the MUBI, wages would only need to cover the marginal cost to attract new workers… not cover their whole cost of living).

The resulting inflation could be countered by imposing a flat % ‘money tax’ on all consumer spending (effectively a GST), with all money raised via the tax being written off to damp demand.

A flat % tax will impact everyone proportionally, including damping ‘secondary’ demand across all sectors. That is, those who accrue the most benefit from the MUBI (the higher paid workers, owners and investors) will pay more in absolute tax, but only to the extent they earn more from the MUBI after it is spent into the economy.

The usual pattern of taxation and redistribution requires the money to be earned first, then taxed and then redistributed.

In the case of the MUBI, the money is distributed, then earned (as people spend their MUBI on goods and services), and then taxed. The extra earnings occur only because the extra money is first injected into the economy via the MUBI, so it is only fair that everyone pay the same proportion in tax on the extra earnings that the MUBI generates in order to mitigate any resulting inflation.

This raises the whole issue of taxation. Given income ultimately equals expenditure; to avoid distorting resource allocation, we should not tax the creation process. Instead, we should tax consumption.

If income is not spent, it just means you have added value and not consumed it. Requiring someone to pay tax on what they have created and not consumed hardly seems fair!

Ideally, all tax should be collected as a flat % rate on expenditure… like a GST but applying to all spending (with rebates on the resale of assets and goods and services sold for final consumption).

By taxing expenditure at a flat % rate, everyone is forced to share the same % of the value they help to add (through work and investment) to pay for common goods and services.

It means tax would cease to be a factor in decision-making (as business would pay no net tax, and all consumption would attract the same tax regardless of the goods or services acquired). This would be easy to implement via the banking system, especially in conjunction with a new eCurrency. If everyone had their incomes paid gross into their nominated bank account, we could easily ensure tax was paid as the money was withdrawn, whether to spend locally, or for imports, or to spend overseas. Again, a topic for another day.

The combination of a flat amount MUBI and flat % tax on all spending would have a net ‘progressive’ effect, even though everyone received the same amount of MUBI and paid the same marginal rate of tax on every dollar earned and spent.

Importantly, the combination of a MUBI and a flat % tax on spending will not change the relative position of people in society. It just lifts the floor.

As with the MUBI, the Central Bank will have to make gradual adjustments in the ‘money’ tax to try and keep inflation and employment in the target ranges. Inevitably, it will miss the targets. But better to have some temporary extra inflation than have tens of millions unemployed without the means to signal their latent demand.

The MUBI is targeted to deliver a basic income (that increases over time in keeping with the capacity of society to produce more with less) within a balanced labour market, and with low inflation.

All the MUBI does is put a floor under each person, and the economy. It does not limit the upside. If you want anything more, you have to contribute extra value (through work and/or investment), which you can take back out - as you spend your income.

Ideally, in time, we could afford to remove all minimum wage requirements, as the MUBI would provide the minimum. This will mean that business only has to pay the marginal amount required to attract additional workers, not their full ‘living wage’.

On the other hand, there may need to be some regulation to facilitate work sharing *amongst all those who have the skills required to do the job* - at no extra cost to employers. The employer would benefit from having back-up if any person could not do their hours. It would be up to the team to ensure the work got done, and if you didn’t want to do your hours, to arrange for another member to take over. This removes employee concerns about always being on-call, even though they are not paid (which is now the case for many jobs), as well as concerns about taking time-off when needed.

As the MUBI increases in line with the capacity of society to do more with less, people may also come to value their time more than additional spending, reducing the demand for goods and services and work. This will be no bad thing as the supply chain becomes more automated.

This arrangement is not necessary to start. It may be required if and when the amount of available work declines significantly. For the relatively few jobs then remaining, it is possible there will be many equally capable and well qualified people. In the absence of mandated sharing, who gets all the work may be a matter of ‘who you know, and not what you know’, resulting a few winners and a lot of losers – impacting social cohesion. This possibility needs further study.

As well, we will need to consider the possibility of paying people to learn. *Also using newly created money to fund the payments*. This need is driven by the exponential increase in information.

In future, the economy may exist in two parts: one part that creates ‘educated people’ (the ‘learning economy’), the other which requires ‘educated people’ to apply their new knowledge in the production of new goods and services, as well as in research (the ‘applied economy’).

With the right processes in place, people can spend their lives constantly shifting back and forth between the two economies: being paid to learn new knowledge for a new project and then paid to apply their knowledge in the project, and then paid again to update their knowledge for the next project, all without loss of income. All performance based, as with any job.

We already pay many people (professors and tutors and others who work in ‘education institutions’) to create ‘educated people’. But we don’t pay the one person who does all the work to turn information into knowledge: the student. The student is both the ‘sole worker’ and the ‘product’. Everyone else simply supplies information and resources.

Learning is some of the hardest work we do! Yet we ask students to fund their own ‘learning work’. No other worker has to pay to do their job. Like all workers, students should be paid for their ‘learning work’ as they do it. This ‘learning’ income should be set in the market, as people compete for learning jobs. This income should provide enough to live on and pay for the resources they consume. This would put the student in control of the ‘education services’ they consume, as with any buyer who chooses between suppliers.

It is also important that everyone learns ‘civics’, so they understand how society works (or is supposed to work).

A separate proposal looks at how this could be achieved using new low cost on-line (VR and AR) methods, also using market mechanisms to ensure students are paid market rates to learn what the market needs and perform to the standards required, while paying their own way for the resources they consume.

Ultimately, cash (not wealth) is what matters… and only as it is spent.

Giving more cash to the rich in the form of a MUBI is irrelevant. They will hardly notice the extra in their bank account. *It will make no difference to their spending and hence no difference to the economy*. But they will have it just the same, so they cannot complain that some people are getting a MUBI and others not. Importantly, it also means there is no need to check on individual circumstances.

Putting cash into the hands of the general population is a different matter. They can use it to signal what they want the market to produce to meet their needs. The cash provides the signal. The market responds to meet the new demand in the most efficient manner. That’s what markets do.

Everyone wins. The poor get more of their needs met, and the rich grow their businesses.

It’s that simple.

There are many arguments against a UBI which are either unfounded (based on the evidence), or which the MUBI should satisfy. They include:

* *People need work to keep them occupied, to give them self-esteem. A job guarantee is better.*  
    
  It’s true that most people need to be doing something. However, there are many better things people can do than work in ‘made up’ jobs. *But, to do most things in a modern society we need some money*. Even caring for family requires an income.

It is not surprising people just ‘laze about’, watching TV or playing computer games, or taking drugs, if they have no money to do anything else and their whole environment is run down.

[The evidence suggests most people will happily look for ways to create active and fulfilling lives that add value to the community](https://www.theguardian.com/society/2017/feb/19/basic-income-finland-low-wages-fewer-jobs) - if they are not worried about where they are going to live, or where their next meal is coming from; and if we remove the constant need to justify their existence by ‘proving they are actively seeking work’.

Those suffering mental illness and addiction will be no worse off than if they have to rely on welfare, and may be better off if much of the pressure of just trying to survive is removed. There is now solid evidence that [drug addiction is caused by the inhumane circumstances people face in trying to survive in a market economy without money or family support](https://www.huffingtonpost.com/johann-hari/the-real-cause-of-addicti_b_6506936.html), as much or more so than it is a biological/chemical problem.

The evidence suggests that a lack of money destroys self-esteem, while *sufficient* money alone can increase self-esteem, where it is not given as ‘charity’ or ‘welfare’, but as a common entitlement.  
  
Regardless, by starting the MUBI from a low base, it will be possible to test all theories in practice.

* *Giving people money will make them lazy and will result in anti-social behaviour: look at the shiftless ‘unemployed’ who just hang around causing trouble. By removing the financial incentive to work, the state is encouraging idleness.*

True that welfare based on income encourages ‘forced idleness’, as any attempt to gain low paid work can result in a net loss of income, after travel costs and the fall in welfare is taken into account.

The MUBI avoids this ‘poverty trap’, as every person is free to earn as much or as little as they like, or are capable of, without loss of the MUBI.

MUBI puts a floor under poverty, not a ceiling on initiative.  
  
As for the genuinely lazy, they only get the minimum. A lazy person on the MUBI will be less likely to resort to crime (it takes effort) and though they put little in, they will also take little out. As they get the same base as everyone else, we cannot complain if they are happy to live on it - *and there is no other work for them* - which is the case in a balanced labour market.

* *It will cause inflation, as businesses and asset owners push up prices to absorb the extra money*

This will be a problem once full capacity is reached, though this limit is constantly being pushed out as technology improves and we adopt the principles of a ‘circular economy’. Until then, any rise in demand will, in most cases, encourage more production.

Of course, in some cases such as inner city housing, the supply cannot be easily increased. If there is more money to express demand, it is possible that landlords just put up the rent rather than spending to increase the amount and quality of accommodation. If this happens, we may have to put in place other measures to enforce additions and improvements. Landlords can hardly complain about the additional cost, where it is funded out the money generated from the MUBI.

The community would be creating the money to fund the MUBI. As such, it has every right to counter unfair practices that seek to accumulate the proceeds without regard for the common good.

We may also need to look at how to encourage the development of new businesses in poorly served areas as the additional money flows in.

* *Printing the money will devalue the currency*  
  There is no evidence for this in a well-functioning economy. Trillions of dollars/yen/euros have been created across many economies over the last decade without devaluing the currencies. Indeed, the US currency has strengthened following QE. Devaluation is related to the relative demand for the goods and services produced by each economy, as well as relative interest rates, and the level of debt, amongst other things.
* *A decision to enact a UBI would not magically abolish the welfare system, resulting in extra ‘cost’. On the other hand, it could be used as an excuse to dismantle the welfare state leaving many people in limbo*  
  As the MUBI is funded from newly created money, there is no extra cost. Nor is there any need to alter existing welfare arrangements, as these are income based. By including the MUBI in a person’s income, as the MUBI is raised, so other benefits will decline. The person on welfare will still be better off as they can go on earning more from work than they lose in welfare, while keeping the MUBI.

Ultimately, as the MUBI increases and prices decline (through automation, and as the shift to renewable energy lowers the cost of embedded energy) most income based welfare can be phased out, except for disability support that requires additional services. But there is no need to make changes until demand for welfare is eliminated through the increase in the MUBI.

* *The cost is too great. Taxes must be raised or debt increased or both to ‘pay’ for it.*

The MUBI is not paid for out of taxes or debt. It is funded out of the increasing capacity of society to produce more with less. It is simply new money created to permit everyone to signal some of their unmet needs (latent demand), which the increasingly automated supply chain is capable of producing, and will produce, as people spend their money.

This new money will quickly flow through the economy, boosting turnover, wages and profits. Government too will benefit from the additional tax (however it is collected) on the additional income.

No-one would benefit from the ‘money tax’, as that would be written off. Its sole purpose would be to damp demand to keep inflation in check.

* *The biggest fear is that the MUBI could lead to unconstrained consumption, stripping the planet bare.*

This requires us to move to a ‘use-based circular economy’, which is already starting to emerge. But that’s also a topic for another day.