

# FINANCING A BASIC INCOME FOR ALL

When I speak to people about a basic income, I find it is easily accepted as a desirable objective.

A basic income for all is seen as socially beneficial by an overwhelming majority. The basic human dignity and economic safety net it confers, the social equity it offers, the goodwill and compassion it implies and would deliver, and the good sense of dispensing income when the economy's greatest difficulty is in selling our abundance of production, not in producing more of it, all recommend supporting it.

All this is most compelling.

And yet Governments are resisting us, and so too are a majority of people judging by the referenda held in such places as Switzerland who rejected it.

So what is the problem where most accept its desirability from a social perspective, but reject doing it? The answer to this is in the difficult question "So who will pay for it, and how can they do it?"

Remember that this question must be answered in a quickly changing economy, in which technology is advancing at a rapid pace, and displacing human employment. This makes a basic income both urgent, and fraught with perplexing difficulties.

The Smithsonian Institute, a highly respected entity, says that 35 million American jobs will disappear in the next twenty years. The Institute for Advanced Economic Thinking, though with much less standing, says that by 2060 almost all jobs will disappear.

In my country, Australia, the two overwhelmingly dominant supermarket chains have now committed to fully automating both wholesaling and retailing. They have acquired British technology equal to doing it, and committed billions to vast new infrastructure, to firstly eliminating employment from storage and wholesaling, and subsequently closing their supermarkets as internet shopping progressively predominates. Together with automated large scale agriculture, and driverless delivery, the estimate is that five million jobs will be eliminated in 15 years. The first such labour less warehouse is currently being commissioned, and is expected to be fully operative in late 2020.

Mine is a small country. To 24 million people losing 5 million jobs is cataclysmic.

Artificial intelligence is now on the very cusp of breaking into the economy in earth changing ways. We have to think this through now.

Some hold that this will create as many other jobs. Alas, there is no point in this change if as many will be needed by the supermarkets to administer the new system, as was the case in the old. Their reason for doing it is self-evident.

When 95% were in permanent employment with 5% unemployed, financing basic income with taxation was doable. Nineteen people supporting one via taxation was possible and indeed done. We might think of it rising to 15% and 25% perhaps, and examine these scenarios, but let's cut to the chase.

Please allow me to use an exaggerated example to outline the principle here. If we can conceive of 50% unemployment with production unimpaired, all is totally different. Every employed person is going to have to contribute one basic income to another to make it work.

Why? Under present orthodox perceptions, only two options to finance the basic income are acknowledged. It can either be financed by taxation, or by debt. Of course if it is being done by debt, OK, but this means that this debt will have to be paid from taxes at some future time, and with an increase in the form of interest.

This inevitably translates into paying all of it now via taxation, or alternately paying only some of it now by taxation, and the balance at a future time via increased taxation. Take the pain now, or delay and exacerbate it until later.

Of course, once taxation takes so heavy an attrition upon the employed's incomes, there are only two options. Either increase the payments for employment, or decrease the net wages of the employed radically. This latter makes little sense when production is abundant, and is continually being increased through our inheritance of advanced technology.

Both approaches are interminable. If wages increase to allow the unemployed to be adequately funded from the employed, the incentive to eliminate employment is exacerbated. Technology will be incentivised to eliminate yet more employment.

Alternately if the incomes are reduced by the extraction of a charge for paying basic incomes, it will mean more than friction. Furthermore, if there is an insufficiency of total incomes to purchase total consumer production, redistribution will not end this insufficiency, just share it. But is there such an insufficiency of purchasing power?

When science meets a new phenomenon, be it a subatomic particle, radiation, an element or whatever, how does science respond? With measurement! It measures mass, velocity, wave length, colour and every other observable property. The idea is that if you can measure it, it must exist. Pluto was proven to exist before it was found because its gravitational pull on other bodies had been measured.

So what is a National Dividend?

All dividends are a distribution of profits. Corporate profits are distributed as corporate dividends every day in the business world. But are Nations profitable?

A few Australians set out to measure this. Because US statistics are more comprehensively available, it was decided to measure national profitability here. A Profit and Loss Account for the United States was done privately in Australia for the year 2014. Using US Federal Reserve

economic data (FRED), US Bureau of Economic Assessment statistics, and some private research the profitability of the United States was affirmed.

The news is wonderful, even magnificent.

It showed that while \$12.5 trillion of consumer goods were both produced and sold, the total aggregate income of all persons was only \$10.1 trillion. This sum of consumer production over and above the total incomes paid to induce it, amounted to \$2.4 trillion in total, and to \$7,500 per person, or to \$30,000 per American family of four.

Incredibly, production of just consumer goods was way above incomes paid by \$7,500 per person.

The excess of consumer production over consumer incomes was financed by the United States' total indebtedness increasing in 2014 by \$2.3 trillion. Because America is profitable each year, it has to increase its debt each year to finance the consumption of that part of its consumer production which its incomes will not buy. Failing this, the Nation would go into recession and eventually into economic depression.

This debt was supplied by the Reserve Bank in association with Private Banks, creating new and additional money and distributing it as debt owing to themselves. This is a regular occurrence every year.

It might as easily have been supplied by a National Credit Authority with court-like powers, both calculating the National Dividend, and empowered to distribute it to all persons in equal measure and without discrimination. It would be distributed as a dividend, that is, debt free and without any interest or fees charged.

This finances a large measure of Basic Income without taxing anyone, or increasing the Nation's indebtedness.

All Banks would be restrained from funding consumption as debt, to the extent that it has now been funded by the National Dividend. No more money is being created here. The same amount as is normal would be created, though in a different way. This avoids double funding consumption and creating *demand inflation*, and being created without any need for repayment or interest, there is no *cost-push inflation* either.

The Banks would continue to finance production as they do now, and with minimal regulation.

Any inadequacy of the National Dividend would be supplemented with social security funded by taxation in the normal way. While this appeals to most, it may displease some vested interests.

No other persons who would be disadvantaged have been identified.

Probably the worst option for funding the National Dividend, would be via the use of debt which was beyond our ability to repay it. This would reduce both government and people to such a state of impoverishment, that we may return to a mediaeval state of serfdom.

I am sometimes challenged about Nations being profitable. I say Nations are profitable, but this is never publicised or acknowledged. How long have nations been profitable?

The first nation that I am sure was profitable, was Egypt at the time of the building of the pyramid of Giza. Done in twenty years, it needed a multi-ton stone to be quarried, shaped, transported and placed in the structure in less than every 3 minutes, for 24 hours, for 20 years.

In an economy without internal combustion engines or steel tools, and of small populations this is truly amazing.

If there were not a surplus of food, shelter and clothing, how were the workers supported in their labours? The profit was there, but appropriated by the political and religious leadership of the day to serve undemocratic objects.

It is not so very different today. The profit is there as the Profit and Loss Account for the USA in 2014 previously quoted, has shown. The money to claim it is created by our banking system in the form of debt payable to themselves, however the people who actually get access to the national profit, are those who will accept this debt.

The National Dividend is there, but is only distributed as debt, and it goes only to those prepared to accept increased indebtedness.

So what am I telling you?

1. Artificial intelligence and massive displacement of human employment is imminent.
2. Consumer incomes are already only 80% of what is needed to purchase all consumer production. US consumer's incomes in 2014 of \$10.1 trillion could not buy the \$12.5 trillion of consumer production sold.
3. To illustrate the point dramatically, if unemployment reaches 50%, either wages must double to preserve the ability of the employed to pay the tax for Basic Income, or incomes must halve to share the burden.. Doubling wages incentivizes the technological displacement of employment, and leaving them at present levels brings massive poverty beyond even that of the Great Depression.

What actually happens will no doubt be some of both, and it will become critical way before unemployment reaches anything like 50%, of course.

4. As unemployment grows, national profitability also grows by reason of the wages savings. A company which produces \$1,000,000 of product with 6 employees, is more profitable if it can do this with 3 employees. National profitability has similar dynamics.
5. The difficulty arises from our current inability to access this profitability other than by increasing debt.
6. Money is currently created wholly electronically. The sums of quantitative easing were not provided by taking money from anybody's account. It was all costlessly created by the banking system. Its eventual repayment will not of course, be costless.
7. A National Profit, once measured, is incontestable. Once Nations undertake the simple task of doing comprehensive accounts to the standards of the prototypes given in the link below, the truth will be self-evident.

8. A special National Credit Authority with Court like powers might easily calculate the size of the national profit, and direct the Reserve Banks to provide the credit for its distribution as a National Dividend. As this is costlessly done, it can be provided with neither interest nor redemption charges.

9. As a basic income in a society with increasing displacement of human employment, cannot be paid with either taxation or tax repayable debt, a national dividend will prove to be the last option standing.

10. Achieving a basic income is inextricably bound up with the need for Nations to do comprehensive books as do all corporations, and with funding consumer distribution with debt free credit in the form of a National Dividend.

### **Frequently Asked Questions.**

*Is it possible that a National Dividend could of itself, provide a full basic income?*

The answer is yes and there are several reasons for this.

1. The people who did the prototype Profit and Loss Account for the United States were intent in proving that such a profit existed. This would be prejudiced if any exaggeration of it was made, so they always, where doubt existed with a statistic, chose the one which most diminished the National Dividend. Purpose collated statistics will remove this doubt, and elevate the national profit above the \$7,500 per person.

2. Rising unemployment in the productive process due to technology, will cause these savings in wages and salaries to increase national profitability.

3. Using an exaggerated example for its simplicity, if technological displacement causes 50% unemployment, the employed could be taxed to an extent equal to the National Dividend before they would lose anything from its predistribution. This would double the \$7,500 to \$15,000.

4. Society will probably decide to disperse a lesser amount for minors to their parents and guardians. Without recommending any specifics here, if those under 5 years old received 25% and those 5 to 14 years 50%, that would increase the dividend for adults further, and together with an increase due to greater accuracy of calculation, a full and sufficient Basic Income may well be attained.

The recommended National Account Prototypes are at

<http://www.socialcredit.com.au/uploads/NationalAccountsPrototype.pdf>

Video discussions of a National Dividend are at <https://youtu.be/qCaWN3grPyw> (39 minutes done in 2018), and at <https://youtu.be/H79b6ZgQv10> done in January 2019.