Funding the Future

Why this is the time for a universal basic income

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This article by me on Universal Basic Incime was in the i online yesterday:

Being paid to do nothing is an idea that appeals to many, and sounds too good to be true. But that is exactly what the payment of a basic income, which is now attracting attention in many countries including the UK, involves.

Of course, it is a little more complicated than that. This issue is all about how to make the benefits system work when we have a rapidly changing economy, an ageing population, and a tax system that interacts so badly with benefits that some people earning no more than £15,000 a year can pay tax at up to 80 per cent on each additional pound they earn in this country.

The proposals for a basic income vary. The latest is from Howard Reed and Stewart Lansley, working for the Compass think tank, and it is apparently being considered seriously by John McDonnell, the Labour Party Shadow Chancellor. This proposal suggests that every person in the UK should, without exception and whatever their other income, be paid a sum by the government each week. If they were a child this would be £49 a week. It would then be £51 until the age of 25, £61 until retirement and then be £41 for pensioners, over and above their state pension payment.

Simplification

There would, of course, be a cost. The annual tax personal allowance of £11,000 a year would disappear. Every penny we earn would then be taxed and tax rates would also rise: the Compass authors suggest a basic rate of 23 per cent and not 20 per cent as now. That said it's very easy to see how many households on lower incomes would be much better off as a result of this arrangement. A couple who both work with two children might, for example, pay £5,060 of extra tax but get a basic income of £11,440 in exchange.

So why do it? There are many reasons. First, a lot (bit not all) of state benefits would roll over into the basic income and that would simplify the

whole benefits system, saving a great deal.

Second, work would always pay, but the tax rate when taking work and losing benefits would fall to a much more acceptable level, which would end the poverty trap that still ensnares far too many people in the current system.

Child poverty

Third, because it is universal many who will not claim benefits will get the support they need. This will relieve poverty, especially for children, which is vital.

Fourth, because it is universal it should enjoy widespread support.

Fifth, it will provide real cash flow support for those wanting to start a business, and so will boost the economy.

And sixth, the fact that this cash will be available to anyone will help lure those who now work in the unrecorded cash economy into the tax and benefits system, so increasing the tax take.

But best of all, the suggestion is cost neutral, fair, cheap to administer and will always mean work pays fairly. Those are goals all political parties say they share. That is why a basic income should appeal to everyone.