

# ***Rethinking Income and Money***

## **The Macroeconomics of Basic Income and Sovereign Money**

The Cambridge Trust for New Thinking in Economics

8 March 2023

1

**Geoff Crocker**

Editor ['The Case for Basic Income'](#)

Author ['Basic Income and Sovereign Money – the alternative to economic crisis and austerity policy'](#)

Partner ['The Economics of Basic Income' research project, IPR, University of Bath](#)

Partner ['Basic Income Conversation'](#)

## Calling for

# An Integrated Theory of **Technology**, Employment, Income and Money



### A call to incorporate technology into economic theory

- invents a myriad of products and services for consumption
- radically alters the capital/labour production function
  - thus affects employment and labour income
    - its productivity delivers prosperity
  - information flows optimise transactions

Nathan Rosenberg 1992 *'Technology and the Wealth of Nations'*  
Giovanni Dosi 1988 *'Technical Change and Economic Theory'*

## Dysfunctionality in the present economic paradigm

### ► inadequate **income**

- in-work poverty
- low pay
- inequality

Full employment  
failing to deliver  
adequate income

### ► excessive **debt**

- crisis
- austerity

### ► ecological damage

Needs

- radical re-think
- economic system re-engineering.

### EXPLANATORY HYPOTHESIS

- Technology is reducing aggregate labour income and accumulating debt

### POLICY TARGET

- Get income to people
- Get debt out of the system

### POLICY INSTRUMENT

- Basic income
- Debt-free sovereign money (aka direct monetary funding of government spend)

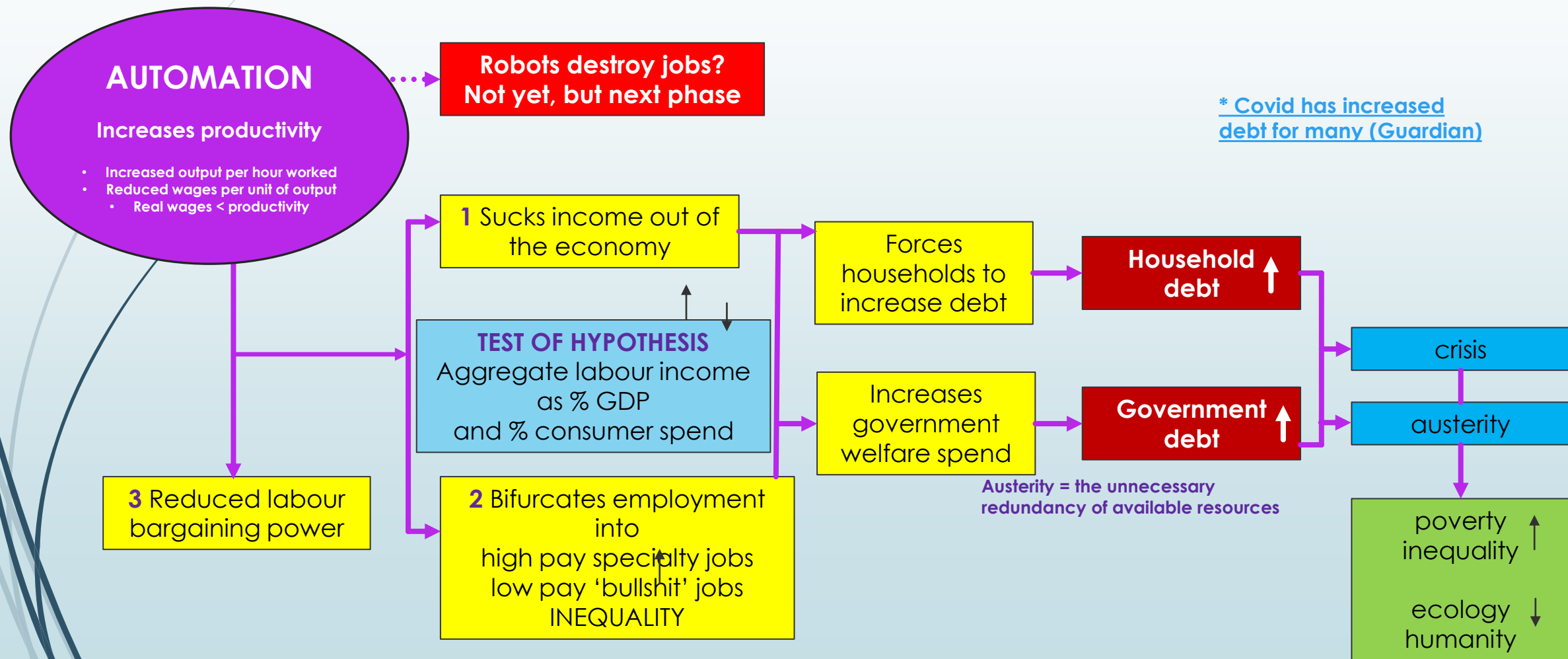
## A thought experiment

- ▶ plug machine into earth for total GDP, ie no wages
- ▶ distribute output via annual voucher issue
- ▶ 100% GDP = basic income
- ▶ 100% GDP = sovereign money, debt free like coinage

### Nuanced argument

- ▶ UBI and debt-free sovereign money structurally necessary in high-tech economies

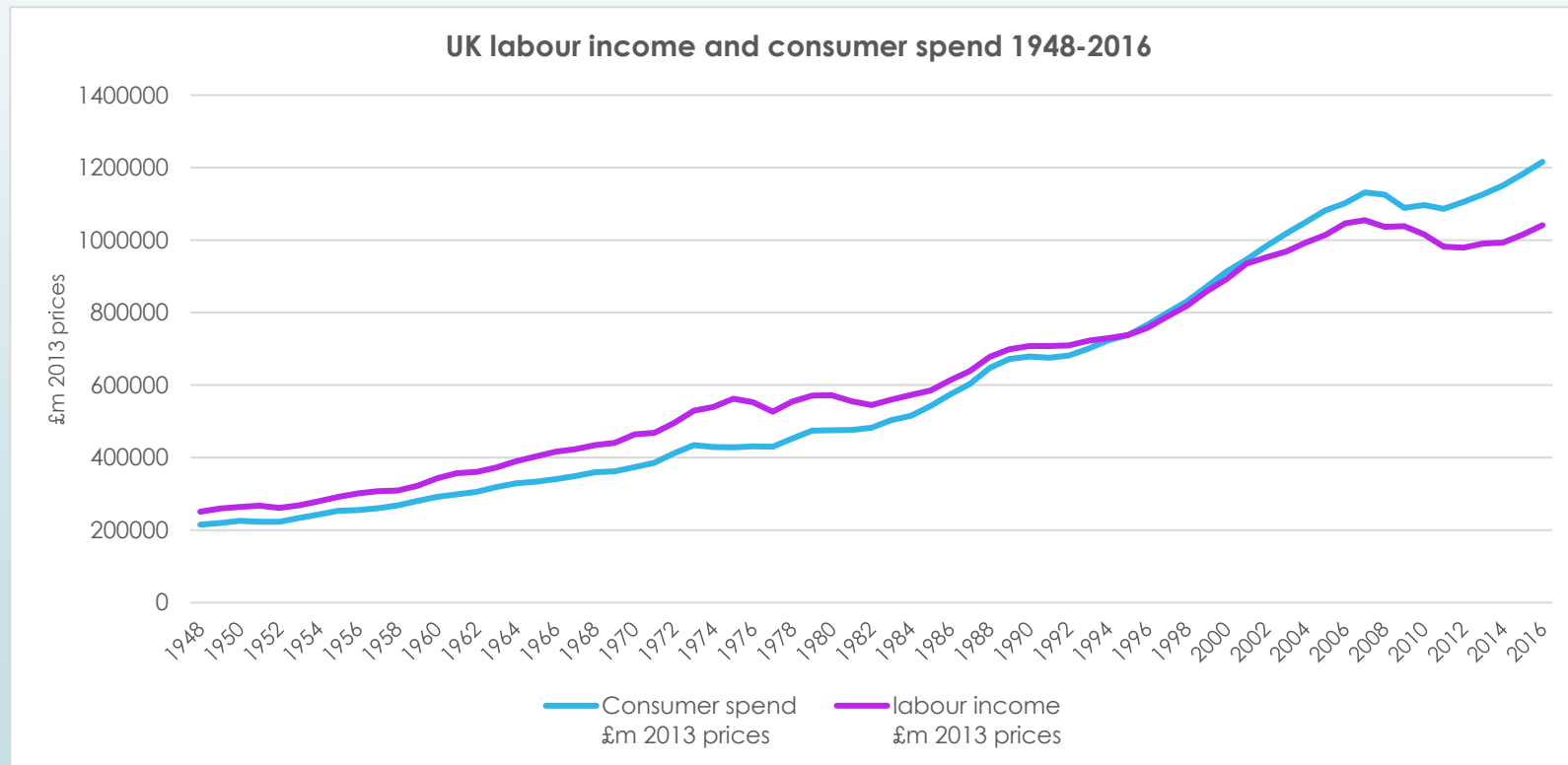
## Hypothesis : Technology sucks income out of the economy creating debt instead of UBI and DFSM



## Empirical evidence UK

### – labour income declines consistently vs consumer expenditure 1948-2016

- supports hypothesis that automation is sucking income out of the economy
- delinking of productivity and real wage



Source : UK ONS (note that ONS define 'Labour income'=wages + self-employed income) with thanks to David Matthewson and other staff at ONS for valuable help in defining and interpreting UK income data streams

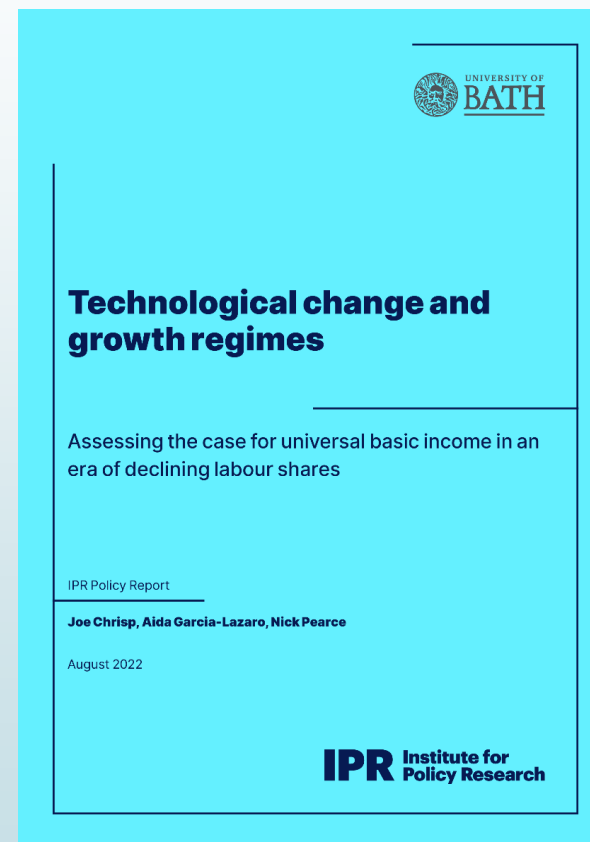
## Research evidence

### - technology does reduce labour share in the UK economy

Institute for Policy Research

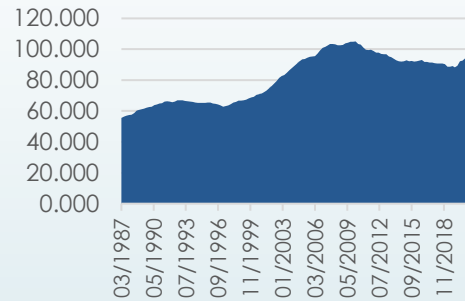
University of Bath, UK

- ▶ multi-country econometric study demonstrates that **technology reduces labour share in economy**, creating need for basic income
- ▶ simulations of productivity, basic income, and debt-free sovereign money scenarios using stock-flow consistent model
- ▶ [www.bath.ac.uk/announcements/new-report-assesses-the-case-for-universal-basic-income-ubi-in-response-to-technological-change](http://www.bath.ac.uk/announcements/new-report-assesses-the-case-for-universal-basic-income-ubi-in-response-to-technological-change)

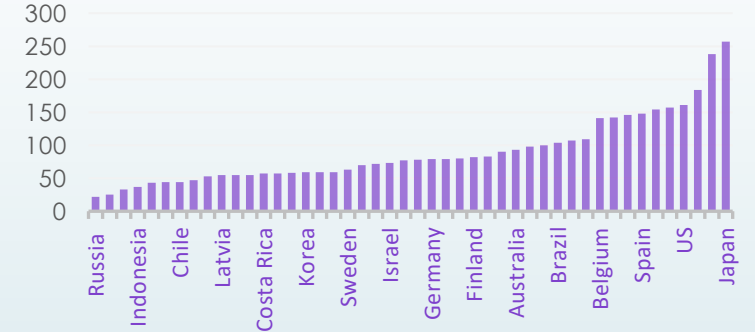
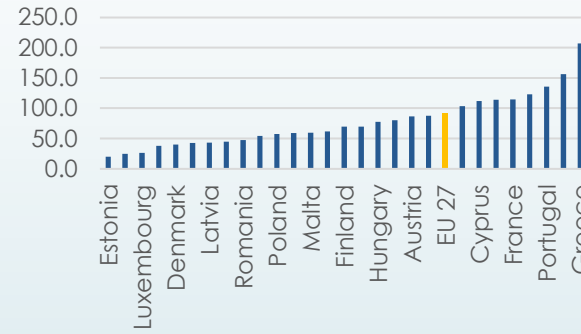


# Empirical evidence – all economies awash with debt

UK Household debt % GDP  
1987-2021

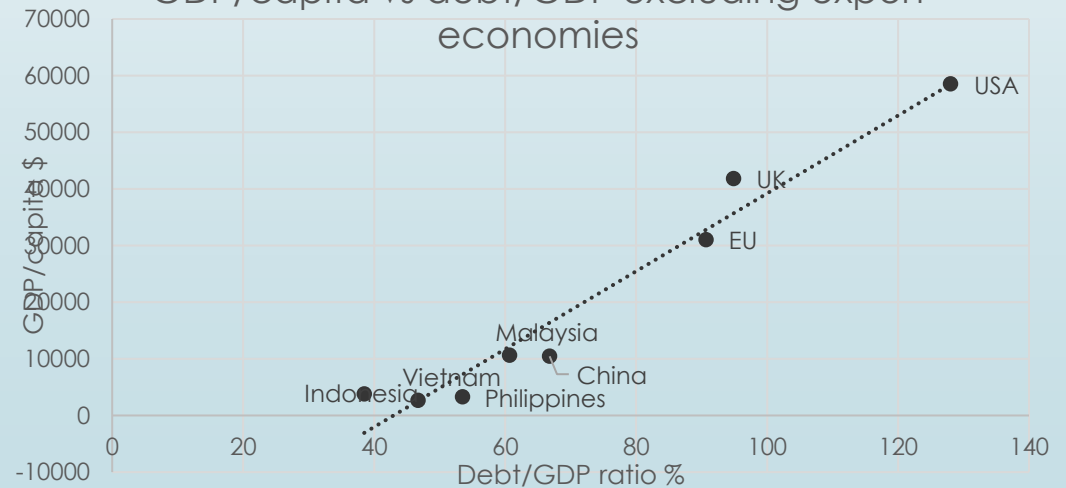


EU national debt % GDP



**but low income economies denied debt!**

GDP/capita vs debt/GDP excluding export economies





## The debt delusion



## The Money - funding basic income

- ▶ UBI either
  - ▶ too small to be meaningful
  - ▶ too large to be affordable
  
- ▶ Funding options

see  
*'The Case for  
Basic Income'*  
at  
[www.ubi.org](http://www.ubi.org)

| Funding option                                      | Comment  |
|---|--|
| Revenue neutral = higher tax/replace other benefits | = unconditionality = less intrusion? = less poverty?           |
| Wealth tax  | Difficult to tax range of assets continuously                  |
| Land tax  | Most profitable FANG companies use little land                 |
| Eco-tax   | Eco-tax should self cancel, reduce pollution not raise revenue |
| Sovereign fund investment                           | Requires one of above over time                                |
| Sovereign money creation                            | A heterodox paradigm change                                    |

## 4 Reasons why Basic Income needs Debt-Free Sovereign Money

- **The only way to deliver adequate basic income at affordable cost**
  - Breaks the challenge that UBI either too small to be meaningful or too large to be affordable
- **Consistent argument for debt-free sovereign money as for basic income**
  - ie thought experiment of totally automated economy
- **Pilot of UBI + DFSM has been delivered in Covid economy**
  - UK furlough scheme paid £24K to 3m people , cost = £69bn
  - BoE bought £875bn of government debt = debt-free sovereign money
- **Gets income to people AND debt out of the economy**

see  
*'The Case for  
Basic Income'*  
at  
[www.ubi.org](http://www.ubi.org)

## Research evidence

- basic income funded by debt-free sovereign money generates a stable equilibrium

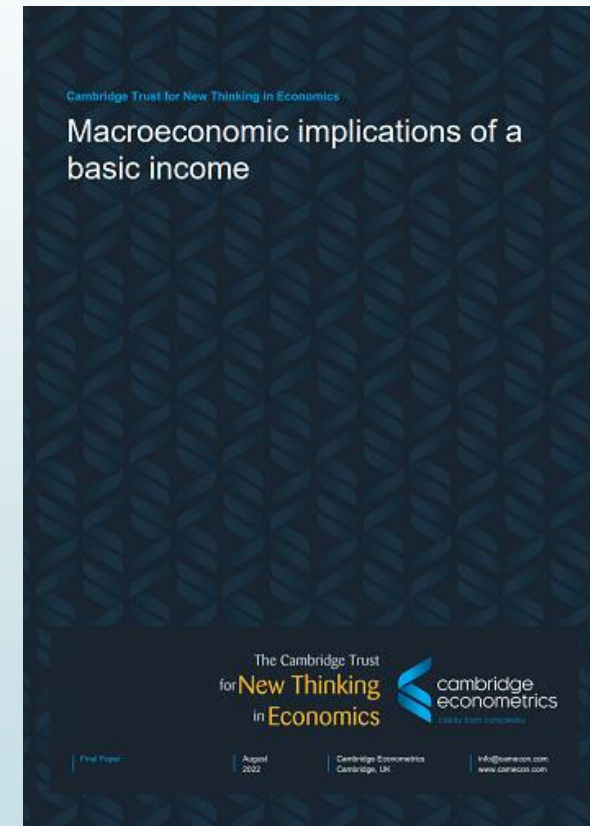
### Cambridge Econometrics

#### Multi-sectoral model of the UK economy

- ▶ demonstrates stable macroeconomic equilibrium with UBI + DFSM, ie no hyperinflation or devaluation collapse
- ▶ models macroeconomic UBI/DFSM implications of microsimulation UBI schemes
- ▶ simulates future sectoral productivity assumptions vs aggregate labour income driving UBI and DFSM
- ▶ [www.camecon.com/what/our-work/the-macroeconomics-of-basic-income/](http://www.camecon.com/what/our-work/the-macroeconomics-of-basic-income/)

#### Cambridge University team

- ▶ stock flow consistent model with explicit financial centre to run the same analysis, reporting Q1 2023

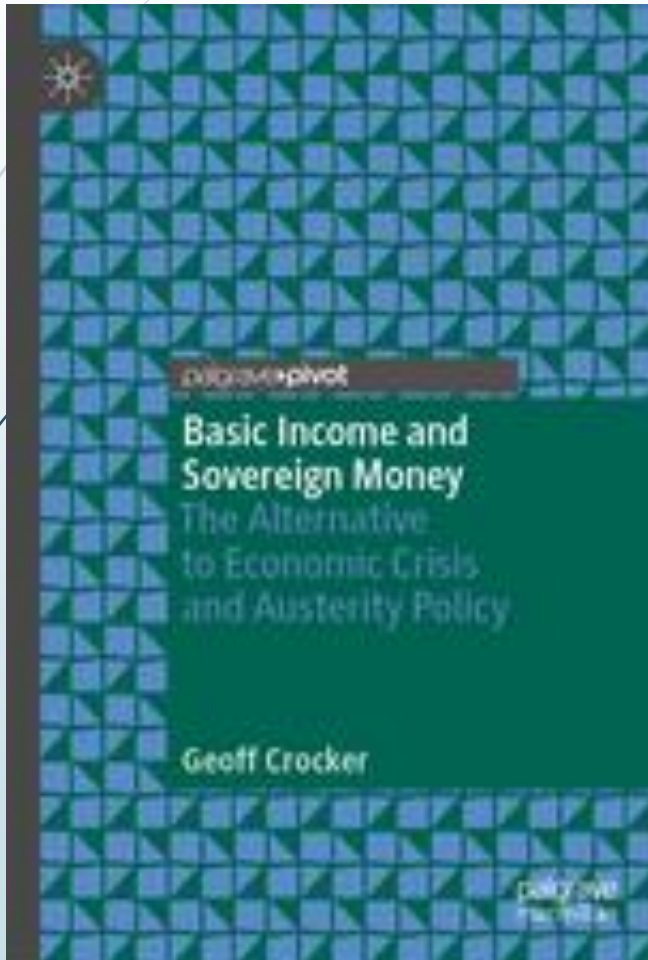


## The case for basic income

- ▶ **Social justice**
  - ▶ addressing inequality, precarity
  - ▶ sharing inherited infrastructure and technology
- ▶ **Best welfare system**
  - ▶ less intrusive, lower cost, higher uptake than means-tested benefits
  - ▶ no unemployment and poverty traps (UBI ≠ work disincentive)
- ▶ **Ecology**
  - ▶ breaking link between income and more output, resource depletion, and pollution
- ▶ **Human flourishing**
  - ▶ enabling choice of lifestyle
- ▶ **Macroeconomic - demand and debt**
  - ▶ getting income to people, as automation reduces aggregate labour income
  - ▶ getting debt out of the system, avoiding crisis and austerity
  - ▶ policy and philosophy to become less work-centric

see  
**'The Case for  
Basic Income'**  
at  
[www.ubi.org](http://www.ubi.org)

## Basic income and sovereign money - the alternative to economic crisis and austerity policy



"This is a radical, thought-provoking book, which brings together debates that are often kept separate about basic income and 'sovereign money'. You might not agree with all of it, but it makes big arguments and does so with constructive intent: that of proposing alternative ways of organising our economy and welfare states."

**Nick Pearce, Director of The Institute for Policy Research, University of Bath, UK**

"Though I have criticized modern money theory (MMT) for being too facile regarding the consequences of money financed deficits, I welcome this book's advocacy of a universal basic income. MMT proponents have focused on the problem of employment. Geoff Crocker wants to shift the focus to basic income, and I believe he is right. We are in an era of transition. Employment was the fundamental problem of the 20th century. Income distribution will be the fundamental problem of the 21st century. We must begin transitioning the policy discourse now. In coming decades we will need both employment and basic income policy. It is good to have MMT advocates on board."

**Thomas Palley, independent economist, Washington, DC, USA**

"Geoff Crocker's book is a very stimulating and provoking contribution to the discussion of how to define, identify, and finance basic income. It addresses very clearly the societal issue of a monetary basic income funding which will excite the discussion beside well --known tax proposals, and establishes the discussion on integrating basic income directly into crisis prevention and crisis solution."

**Bernhard Neumärker, Götz Werner Professor of Economic Policy & Constitutional Economic Theory and Head of Freiburg Institute for Basic Income Studies (FRIBIS) at the University of Freiburg**