



**WHAT IS  
WRONG  
WITH  
FREE  
MONEY?**

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# What is wrong with free money?

Proposals for a Universal Basic Income or Citizen Income and variants thereof enjoy sympathy from different camps: from conservatives like Richard Nixon<sup>1</sup>, from libertarians who consider themselves disciples of the free market<sup>2</sup>, from liberals like Martin Wolf<sup>3</sup>, from social democrats like Paul Krugman<sup>4</sup> and from people who consider themselves Marxists<sup>5</sup>.

However, what each of these proponents actually mean and want with a Universal Basic Income is wildly divergent. Centrally, the Marxists want an end to the “compulsion to work”, liberals and libertarians rather want to provide “incentives to work”.

Yet, despite these differing and at times opposing aims, these proposals share more than just a name: they share wrong premises about the capitalist mode of production and the state which watches over it.

In the following we want to first critique these shared wrong premises about productivity, the welfare state and the budget. Then, we draw out the contradiction of some left-wing supporters who, on the one hand, insist on unity with libertarian, liberal and social democratic Universal Basic Income proposals in order to acquire a whiff of seriousness and, on the other hand, continuously deny this unity.

## 1. Productivity

The point of departure of most, if not all, agitation for a Universal Basic Income is that productivity gains produce poverty.<sup>6</sup> Since this production of poverty is taken as much a self-evident fact as the continued rise in productivity in the future, new policies are needed, so goes the argument, to deal with these *effects* of technical progress. It is this starting point, though, – productivity gains producing poverty – which should give pause.

Taking a step back, gains in productivity mean that more stuff can be produced in the same time. If two chairs can be produced in the same time as it took to produce one chair before, the productivity of making chairs increased.<sup>7</sup> More generally, increasing the productivity of labour means that it takes less effort to produce the same material wealth aka. stuff.

This means, we either have to work less to produce the same amount or we can produce more of the stuff we want to consume. A society which produces more productively has *more*: measured either in material wealth to consume or in free time. Hence, it is not self-evident that increases in productivity produce poverty. Yet, in this society they do.

## Productivity for profit

In this society, it is capitalist companies who are increasing productivity and it is no secret that these companies produce to make a profit. The profit is whatever they make on the

market in excess of what they paid for means of production (machines, buildings, raw materials, tools) and workers.

They try to maximise profit. If a company manages to produce cheaper than its competitors then it can sell its commodities for the same price with lower expenses which translates to increased profits. To produce at a lower cost they could, for example, buy their raw materials more cheaply, e.g. by exploiting price fluctuations. Or, they might manage to get more work out of their workers for the same wage. Or they may increase productivity, i.e. they change the way their products are produced such that their cost price per unit drops.

To see how, let us consider an example. Assume a widget company normally has £50,000 invested in raw materials, tools, buildings and machines and £10,000 in wages for 10 workers. Also, let's say it produces 5,000 widgets with these means of production and workers, so that each widget costs the company £12 to make. Furthermore, say each widget sells at £15, i.e. each widget realises a profit of £3. The overall price fetched on the market for all widgets is £75,000. The profit is £15,000 (after subtracting the advance of £60,000 from the overall price fetched).

Now assume, our company is the first to find a new, more productive way of producing widgets. Less work is needed to produce a widget. Assume, so much less that our company can now produce 6,000 widgets with 7 workers in the same time, costing them only £7,000 in wages. On the other hand, increases in productivity have a tendency to require increased outlay in means of production. For example, more productive machines tend to (initially) cost more than their predecessors. Say, our company now has to invest £53,000 in machines, raw materials and so on. Each widget costs the company now £10 instead of £12. Our company could now either continue to sell its widgets for £15 a unit, which would mean a profit of  $(£15 \times 6,000 - £53,000 - £7,000) = £30,000$ . Or, our company could decide to lower the price of its widgets to make sure it sells all 6,000 of them, say to £13. Then it would make £18,000 in profit, which is still more than before. On the other hand, in the latter case, assume the new machine would cost so much to push the overall investment in means of production up to £56,000. Then our company would not make more profit than before –  $(£13 \cdot 6,000 - £56,000 - £7,000) = £15,000$  – and hence would have no reason to change how it produces widgets.

A first thing to note is that companies employ labour saving technologies, i.e. increase productivity, to increase their profit. The standard by which such technologies are judged is not whether they save labour, but whether they save on costs per unit. Companies will not always opt for the most productive technology. They opt, if they can, for the cheapest per unit technology. The question for a company is not if a technology is more productive than another, but whether it allows producing more cheaply than another. If a sweatshop achieves lower costs than a modern factory, then sweatshops are the adequate technological level of production for that capitalist branch of industry.

This is also why the “conventional wisdom” (Krugman in footnote 6) that in the past machines replaced low skilled labour but left high skilled jobs alone is wrong. Since the “industrial revolution” machines were also means to replace high skilled jobs with low skilled jobs if that allowed companies to save costs such as higher wages for specialists.<sup>8</sup>

However, regardless of why companies increase productivity, such increases still mean that less work is needed to produce the same material wealth. Going back to our initial point, one might be forgiven for thinking that if all the required work is done, we would all get to relax and enjoy life. But as observed by Universal Basic Income supporters, this is not the case. That people are out of work does not mean that all useful things are readily available to them, that there simply is nothing left to do, that everybody is provided for and that people get to enjoy their free time. Instead, those out of work are condemned to idle poverty.

The premise of this kind of poverty is that it became *easier* to produce material wealth. Hence, a lack of it cannot account for this poverty. Indeed, in a capitalist society there is a juxtaposition of wealth and poverty. If you can pay for it, you can fly to space, if you cannot pay for it, you struggle with basic needs.

People go to work for a wage, in order to satisfy their needs and wants, to suspend their separation from the wealth of society. Unemployed people, in turn, are poor because when they lose their job they are separated from their source of revenue and thus their access to social wealth. However, whether they can find another source of revenue, i.e. another job, does not depend on their needs. It depends solely on another company finding use for them in order to make profit. While workers go to work for their *own* benefit, i.e. to have a wage to spend on what they need, this is not the reason they are employed, contrary to what some supporters of a Universal Basic Income might believe when they denounce the *failure* of the capitalist mode of production to provide employment.<sup>9</sup>

It is not productivity increases or technology as such that produce the effects to which proposals for a Universal Basic Income react. It is rather productivity gains as a *means* for increasing profit that do so. However, this distinction does not exist for most proponents of a Universal Basic Income. As a consequence, they treat the problems they identify with productivity gains as simply *given* instead of *made*. To them, technology just happens to produce poverty, whereas it is the pursuit of profit by capitalist companies which produces this effect, not technology. Even those supporters who use the word “capitalism” critically in their writings engage with this peculiar mode of production as a self-evident object whose law are merely encountered; just like their fellow reformers.<sup>10</sup> They speak of capitalism, but they might as well not, as the distinction of whether poverty is produced or given makes no difference to their practice. For them, it is something to be dealt with, not criticised.<sup>11</sup>

## **Work for Profit**

But not even those who still have a job reap the benefits of technological developments. Rather, the norm is that those who remain employed are confronted with demands to work longer and more intensely with their wage under threat. Technological development under the rule of profit produces a juxtaposition of unemployment for some and long hours for others.

This is firstly because increasing productivity is only one technique to maximise profit in the permanent competition of companies for it. Lowering wages or pressing more work out of workers for the same wages are also tools applied for that purpose. Secondly, because the poverty of unemployed people – made redundant by new technology – forces them to compete for jobs with those still in employment, labour saving technologies increase competition amongst workers for the remaining jobs, allowing companies to lower wages.

Thirdly, those employed have to work harder because labour saving technologies under the rule of profit produce a motivation on the part of the company to get more work out of the remaining workers. More productive technologies offer a relative advantage as long as they are not in general use. A company which produces more cheaply than the competition can sell its products for its target price because its competitors cannot undercut it. But if the competition is catching up, this advantage is gone. Other companies produce more cheaply and can lower the price to (re-)capture market share or to even get in on that extra bit of profit by still being ahead of the slower rest of the competition. Our more productive company's profits fall again. Maybe another company finds an even cheaper way of producing, pushing our company out of the market. This creates reasons to make those workers remaining work longer: produce and sell as many commodities before the competition catches up.

Fourthly, all those companies which did not yet introduce new machinery to increase productivity notice that their competitors undercut them with lower prices. They, too, must sell for a lower price to stay in the market. This lowers their profit which they can try to recover by suppressing the wages of their workers, thus saving costs. They are helped in their endeavour by the fact that their competitors just made many workers unemployed, as explained above, who are now looking for employment.

The lower the advance on the wage and the higher the efficiency of the workers, the higher the profit, i.e. the higher the difference between advance and return. The premise of wage labour, i.e. employment in a capitalist firm, is the separation of those employed from the products they produce which belong to the company. All that workers get on average is a wage to pay for what they need to get by, so that they are dependent on employment again the next day, week, month, year. The premise of profit making is the poverty of workers. While many people believe that the wage is somehow founded in the performance of an individual worker (this is only a necessary condition), the opposite is

true: precisely the legal and economic *separation* of a worker's product or output and her wage allows a company to prosper. She is separated from the results of her labour, because she sold her labour time and all she produced in that time belongs to the buyer.<sup>12</sup>

On that matter, Universal Basic Income reformers hold that now technology produces a problem: the wage fails as a mechanism to distribute society's pie.<sup>13</sup> They think the purpose of the wage is that workers can *participate* adequately in the wealth of society which they produce under the command of capital. They think of the wage as a sort of reward for contributing to the production of social wealth and notice that it does not currently live up to this ideal.<sup>14</sup> To them technological developments put the wage as a model of distribution into disarray which prompts them to seek alternative ways of distributing social wealth. But, as argued above, the wage is not a reward or remuneration but the lever to make workers come to work for the purpose of profit of a company.<sup>15</sup> This lever is as high and low as companies can get away with in the universal competition of workers for jobs.<sup>16</sup> Put differently, a small part of the wealth produced by workers is paid to workers in the form of wages. This way, they can sustain themselves as producers of a surplus from which they are excluded. In their agitation, proponents for a Universal Basic Income turn the wage into its opposite: the economic function of the wage seems to be not exclusion from social wealth and poverty, but is posited as participation and wealth.

## 2.Capitalist state

Demands for a Universal Basic Income are addressed to the state: the state is asked to react to an undesired economic development. This is apt, as the proponents of a Universal Basic Income relate to socially produced poverty the same way a capitalist state presents its relation to the economy. In its laws the democratic capitalist state *reacts* to the capitalist economy, which it treats as an a priori fact. A democratic capitalist state regards the economic roles of its subjects as something given. It does not decree who engages in which production process or assigns roles in the capitalist economy. Instead, its law merely defines that citizens have particular rights and duties if they happen to be in the situation of being workers, bosses, landlords, tenants, lawyers, bankers and so on. To the state these figures are given and they do their thing anyway. The proponents of a Universal Basic Income accept this relationship between capitalist state and capital as given and ask the capitalist state to react to a new economic development whose reasons are of no concern to them. However, technological development for profit and the separation of workers from the wealth of society is not prior to the capitalist state but is premised on it.

## Private property

Through the capitalist state's maintenance of the principle of private property, it ensures that people must earn money. For most people this means they must work for a company to earn a wage. For most people the wage is the extent of their access to social wealth and they must hence seek it. It is the institution of private property which enforces that unemployed people are excluded from the wealth of society, which is produced with increasing productivity. Without the capitalist state's guarantee of private property, without coppers, courts and prisons, we would not be having this conversation about the relationship between technology and poverty.<sup>17</sup>

## Research and development

But the guarantee of private property does not suffice for a modern capitalist economy. It asks for a lot more. For example, technological developments do not come about spontaneously but rely on a little bit of help from the capitalist state.

Firstly, they require research and development which are expensive and have an uncertain outcome. The capitalist state facilitates this research by educating parts of its population to perform it. It educates its population in the relevant sciences, so that companies can find the staff of their research and development departments on the job market.<sup>18</sup> The capitalist state also conducts fundamental research itself in its universities and laboratories, paid for by its grants. It funds scientists engaged in basic research in mathematics, physics, chemistry, biology, labour process organisation, IT and so on whose results can be exploited by any firm for its individual pursuit of profit.<sup>19</sup>

Secondly, it is a long way from a scientific discovery to its successful exploitation in the interest of profit. When a technology is not profitable (yet) but deemed beneficial to the national economy, the capitalist state helps it along its way by either organising its roll-out itself (train track networks, roads, telephone networks) or by subsidising the relevant industries (solar energy, nuclear power).

Without these interventions technological development under the rule of capital would have taken a lot slower pace. Demands for a Universal Basic Income react to effects of technological developments, developments that were helped on their way by the capitalist state. The capitalist state, to which the supporters of a Universal Basic Income turn, does not encounter the capitalist mode of production, it maintains and furthers it.

## Social security

However, for those who seek to deal with poverty, appealing to the capitalist state is not wrong. After all, the capitalist state *does* maintain the working class. By paying in and out of work benefits the capitalist state recognises that the economy it watches over does not provide for those who produce the profits. Yet, it is not some socialist sentiment which

explains the welfare state but harsh necessity. Left to its own devices, capital would eat workers and the earth, in a word, it would eat what it needs to exist and thus itself.<sup>20</sup>

Capital in its drive for profit permanently makes workers redundant. It finds new ways of producing without some of its workers. Yet, it also sometimes needs more workers, for example, when new labour intensive branches of industry develop. Also, the economy goes through boom and bust, or some branch of industry prospers while another falters. Capital wants to find workers readily available whenever it needs them and to throw them out whenever it does not. Only if unemployed people are not left to starve, they are still available if or whenever their services are requested. What might present itself as reacting to and dealing with the effects of the capitalist economy is in fact a contribution to its maintenance.

This creates a bit of a pickle: the capitalist mode of production depends on the compulsion to work. Workers produce the products companies turn into profits. If workers are simply and comfortably provided for without them needing to work for some company, they would have no objective reason to show up to work. On the other hand, when unemployed workers are not provided for, they are not available to capital when needed. They must be maintained but this undermines their need to work for a capitalist company. The result of these opposing interests – maintenance when out of work, but without making workers free from the compulsion to work – is a social security system which maintains poverty below even normal working class poverty levels. In addition, the permanent compulsion by the job centre to be looking for work is meant to make life on the dole so miserable as to not present a real alternative to wage labour, i.e. to producing profits for capitalist companies.

These two opposing interests in the maintenance of the working class produces the jungle of rules and regulations governing the various social security schemes. In its rules and regulations the capitalist state recognises that its society produces poverty which undermines the reproduction of the working class. It wants its working class to have a place to live (housing benefits), to raise children (child benefits), to seek work (job seekers allowance) and so on. It wants to make sure that (only) these particular results are attained with its benefits. It wants to maintain just the right level of poverty which allows those subjected to it to do what it considers necessary but nothing else. Hence, when social security law becomes more and more complicated, this is a consequence of what social security law aims to achieve, not an expression of a bureaucracy out of control. Proposals of a Universal Basic Income on the basis of curbing unnecessary bureaucracy miss the point of why these bureaucracies exist in the first place: to maintain useful poverty.<sup>21</sup>

The poverty and stress under the thumb of the job centre is a consequence of the purpose of social security – maintaining a useful working class. This does not mean there is no range of possibilities of how life on the dole might look like, but hopes of the social state ending poverty mistake it for something which it is not. It maintains it as a service to

capital so that it can find the workers it needs even after it has discarded them.

Proposals for a Universal Basic Income do not ask what the capitalist state actually does and why. They do not ask what purposes are realised by maintaining the poverty of the working class in this way. These proposals instead posit their own image of how they would prefer the world to be and suggest policies which ought to get us there.<sup>22</sup> When left-wing supporters of a Universal Basic Income see Universal Credit in the UK or social security changes in Cyprus as a first step towards realising their aims – except, of course, “details” like conditionality, compulsion to work and the amount of money actually paid out – they are ignorant as to why the capitalist state attaches conditionality and compulsion to work to its benefits, and why these benefits are so low.

## State Revenue

A fair amount of writing about a Universal Basic Income is spent on answering the anticipated question “can we afford it”. The answer by supporters of a Universal Basic Income is a resounding “yes” backed by alternative budget plans. This way, demands for a Universal Basic Income present themselves as realistic.<sup>23</sup> So realistic that they find nothing strange about an economy where providing people with what they need is a burden to the economy instead of its aim. The proponents are aware of the state's worries about the budget and would not propose a reform without suggesting how to finance it: firstly through changes to taxation and secondly through reallocations of parts of the state's budget.

The state collects taxes. It rules by participating in the economic success of its subjects. In the case of the social state this means that the state reacts to the poverty of workers by expropriating part of their wage through taxation and mandatory insurance to pay for hard times. Additionally, the state also demands that employers pay for the continued availability of an able and subservient working class through taxation and mandatory insurance contributions. Any penny expropriated from a firm, though, is a penny which is not profit, which is the declared purpose of every business and the premise of taxation. The contradiction of taxation is that it *restricts* citizens in their economic activity in order to *support* the economic activity of its citizens. The availability of poor people as a means for profit is in the interest of capitalist companies. Yet, the money spent on maintaining them is still a deduction from profit. This creates another pickle for the state: it collects taxes because there is much to do for a capitalist state, but it also wants to reduce taxes to allow its national economy to prosper. All supporters of a Universal Basic Income appreciate this. They are sufficiently realistic to know that the provision for poor people in this society is premised on the success of capitalist enterprises in making profits. Their proposed unconditional provision for poor people is made rather conditional. That is, they appreciate that taxation to alleviate poverty should not threaten the endeavour which produces the poverty in the first place.<sup>24</sup>

The state vets every expenditure in its budget for its usefulness to the national interest. It asks of every expenditure – benefits, the NHS, environmental protection, Trident and prisons – if they are really necessary for the national interest. Not only in themselves but also in comparison with each other. Is this or that expenditure more or less useful for the might of the capitalist state and the functioning of its capitalist society? Every expenditure only counts insofar as it is expected to be useful to the national interest, more useful even than other equally appealing expenses also competing for a chunk of the budget. In the case of the social state this means that the needs of poor people have to pass this test. The question is not only whether maintaining the working class is a necessity and if paying benefits is too much of a burden for the budget, but also if paying this or that benefit is more or less useful for the might of the state compared to a bit of the NHS, higher education grants, more prison staff, a new weapon system and so on. This, too, is appreciated by proposals for a Universal Basic Income. Their unconditional provision for poor people is also made conditional on the national interest and the adequate allocation of funds for it. Their realism is demonstrated by alternative budget proposals which would enable the state to finance a Universal Basic Income without undermining other expenditures deemed necessary for its might.<sup>25</sup>

### 3.Unity

Under the name “Universal Basic Income” contradictory purposes are pursued. The mutually contradictory purposes find expression in different answers to the question of how much it ought to be. This quantitative question expresses qualitatively rather different purposes.

For *conservative* or *libertarian* proponents, a Universal Basic Income is an interesting policy idea which would trim down the welfare state. If a Universal Basic Income is low enough to merely cover necessities then it would essentially amount to a restructuring of social security which gives up the bureaucracy needed for determining what a claimant needs and/or deserves in the eyes of the capitalist state. That is, it would express that the state – compared to its current welfare regime – had less of an interest in those particular problems facing its poor population that it currently recognises. Such a reform, if it truly replaced all other social security programmes, would express a new standpoint of state: here, the Universal Basic Income is a means to maintain poverty which is indifferent to the particular ways in which this poverty undermines the ability of the state's subjects to function as its means.<sup>26</sup>

For *social-democratic* proponents a Universal Basic Income ought to be enough to make individual life choices about employment while still being low enough to maintain the compulsion to work in general. To them widespread life off wage labour and on a Universal Basic Income is not desirable but it perhaps ought to be enough to allow people

to take a while off work without fearing immediate destitution. Their purpose is similar to that of the conservatives, except that they consider as valid opting out of work in order to care for a relative or in order to contribute to society through the voluntary sector.<sup>27</sup>

For *post-autonomist* Marxist supporters a Universal Basic Income promises freedom from work.<sup>28</sup> For them a Universal Basic Income ought to be enough to not have to worry about material needs. Not just enough money to get by, but enough money to deal with everything life throws at you: the washing machine breaks, moving to a different place, raising children, an accident, taking care of someone, needing a new car, Apple releasing a new Macbook with a quantum processor eventually obsoleting your kit, etc.<sup>29</sup> In this left-wing vision of a Universal Basic Income it would be sufficient to never have to work for a capitalist employer again. They want people to be able to opt out of work for a company.

Given these radically different purposes, there is no actual unity amongst the proponents of a Universal Basic Income. It hence makes no sense to be in favour of “*the* Universal Basis Income”. What is called “Universal Basic Income” means radically different things depending on who proposes it and why.

Yet, it is important especially for left-wing supporters of a Universal Basic Income to posit unity. If only a few post-autonomist Marxists demanded a Universal Basic Income the demand would be as “realistic” as a call for a revolution. If, on the other hand, they can point to bourgeois economists like Krugman or Wolf, to a conservative US president like Nixon even, their project gets a veneer of seriousness and realism. By referring to the ink being spilt on a Universal Basic Income in the Economist and the FT these radical critics of society can point out how practical their suggestions are.

In the name of realism these radical supporters of a Universal Basic Income want to end capitalism while presupposing its continued existence. If people are free from any compulsion to work for a capitalist company, this would destroy the capitalist mode of production. This, after all, relies on the workers to produce the products which are turned into profits. It also relies on the exclusion of workers from these products so that they can become profits. However, at the same time, the same supporters also ask the same capitalist firms to produce the profits to pay for freedom from them in the form of a Universal Basic Income. They want both: the continued existence – for now – of a capitalist mode of production where the reproduction of each and everyone is subjugated to profit and the end of this subjugation by providing everyone with what they need. They want companies to make profits, which relies on and produces the poverty of workers, while at the same time ending mass poverty. They want to maintain the exclusion from social wealth through the institution of private property *and* end this exclusion by giving everyone enough money. Whilst realism tells these supporters to make the provision of poor people conditional on the success of capitalist firms, it does not make them shy away from these paradoxes.

By insisting on unity with their opponents these anti-capitalist supporters aim to demonstrate that they are not ivory-tower, dreamy intellectuals but serious, realistic proponents of policy. However, now they are confronted with a problem: what Krugman, Wolf and Nixon want is not at all what they want. Mainstream supporters of a Universal Basic Income want to maintain the poverty that capitalism produces, the radical left wishes to end it. Hence, in a second step, the posited unity must be denied.<sup>30</sup> Radical writers distance themselves from their mainstream counterparts and urge each other to caution. They insist that their successful opponents want what they want so their project is not just blue sky dreaming, but their successful opponents also do not want what they want, so they have to be careful. They want the same as Richard Nixon, Martin Wolf and Paul Krugman which is why their proposals are serious *and* they do not want what Nixon, Wolf and Krugman want which is why their proposals are radical.

The radical supporters of a Universal Basic Income notice this contradiction. For them, it is the start of a debate on how to “strategically” deal with this situation; how to keep a radical profile while campaigning for this reform. However, by the time they “problematise” that their realistic policy suggestion also finds support from their opponents (but whose support makes it realistic in the first place) it is too late. They have already accepted that this society can be for those subjected to it, when they encounter that it is in fact not: when it gets easier to produce stuff, more poverty is the result.

The problem with a demand for a Universal Basic Income is not that it is not going *far* enough or that it is not radical *enough*.<sup>31</sup> This criticism presupposes a unity of purpose and accuses this reformist demand of being *limited* in its seriousness of pursuing it. But if people put forward demand A – a Universal Basis Income – instead of demand B – the end of the capitalist mode of production, say – they have their reasons. To hit its mark a critique must take seriously that the proponents of a Universal Basic Income take the capitalist relation of technology and poverty as a self-evident starting point, that they claim the wage is a reward, that they consider the capitalist state as a neutral arbitrator encountering the capitalist economy as an a priori fact, that they share the state's worry about its economy and its budget, and that they believe the welfare state to be a means to end poverty. These wide-spread but incorrect verdicts lie behind the appeal of demands for a Universal Basic Income and that is why everything is wrong with free money.

## Appendix: Giving poor people money means inflation

A common criticism levelled against proposals for a Universal Basic Income is that giving poor people money to cover their needs would necessarily lead to inflation. Since all that money in the hands of poor people would produce an increase in effective demand, landlords and supermarkets could ramp up prices in response, leading to overall inflation. Indeed, in a first step the arrival of lots of money in the hands of poor people would likely increase demand for the goods affordable on a Universal Basic Income. In response, merchants, producers of mass consumption commodities and landlords could increase prices. As a result, their profits would rise. This makes these branches of industry more appealing to other capitalists. Producing, say, milk would promise higher profits for the same investment than, say, producing sports cars.<sup>32</sup> Hence, other capitalists would switch industries from, say, luxury production, to producing commodities within reach for those on a Universal Basic Income. As a consequence, supply of those commodities would increase, suppressing prices again. Whether this, in turn, would reduce supply in other branches of industry leading to rising prices there, depends on how a Universal Basic Income would be financed. Assume the funds for paying for a Universal Basic Income came from taxation as proposed by most proponents: the capitalist state takes money away from some citizens and gives part of it to others. In this case, whatever additional effective demand will come from poor people, it was expropriated from others who will now lack it. While effective demand for, say, milk increases, it decreases for, say, sports cars or big machines. In this case, all these proposals of a Universal Basic Income attempt to do is to redistribute wealth. This produces hiccups in the reproduction of the capitalist economy but does not necessarily lead to inflation. It is a different situation, though, if the money for a Universal Basic Income were raised through sovereign debt. If the state takes on debt for such a capitalistically unproductive venture as providing for its population then inflation is not unlikely. This is, however, a question of sovereign debt, its money-like qualities and the unproductive nature of state spending; not a question of a Universal Basic Income.

More generally, the fallacy of the “economics 101: supply & demand” argument is that it pretends that supply and demand would determine prices but that prices would not determine supply and demand. It posits supply as a fixed magnitude in a society where production is directed by the pursuit of profit: production goes where the ratio of return to advance is highest.<sup>33</sup>

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## Notes

1 “But probably the most significant of these events, and their decade long culmination, occurred in August 1969 when Richard Nixon called for the creation of a Family Assistance Plan only eight months after his election. Nixon's plan would have guaranteed all families with children a minimum of \$500 per adult and \$300 per child or, as already noted, an extremely inadequate \$1,600 for a two parent family of four. In its efforts to include the working poor, Nixon's proposed FAP was a form of guaranteed income although, as we have

seen, a modified and specific version: it was a negative income tax.” (Lynn Chancer. “Benefiting From Pragmatic Vision, Part I: The Case for Guaranteed Income in Principle” in Stanley Aronowitz and Jonathan Cutler (Ed.) “Post-Work: Wages of Cybernation”, Routledge, 1998)

2 [Matt Zwolinski. “The Libertarian Case for a Basic Income”](#)

3 [Martin Wolf. “Enslave the robots and free the poor”](#)

4 [Paul Krugman. “Sympathy for the Luddites”](#)

5 e.g. Kathi Weeks, “The Problem with Work”, Duke University Press, 2011

6 Three examples from three different political tendencies:

“Until recently, the conventional wisdom about the effects of technology on workers was, in a way, comforting. Clearly, many workers weren’t sharing fully — or, in many cases, at all — in the benefits of rising productivity; instead, the bulk of the gains were going to a minority of the work force. But this, the story went, was because modern technology was raising the demand for highly educated workers while reducing the demand for less educated workers. And the solution was more education. [...] Today, however, a much darker picture of the effects of technology on labor is emerging. In this picture, highly educated workers are as likely as less educated workers to find themselves displaced and devalued, and pushing for more education may create as many problems as it solves.” ([Paul Krugman. “Sympathy for the Luddites”](#))

“The argument that a rise in potential productivity would make us permanently worse off is ingenious. More plausible, to me at least, are other possibilities: there could be a large adjustment shock as workers are laid off; the market wages of unskilled people might fall far below a socially acceptable minimum; and, combined with other new technologies, robots might make the distribution of income far more unequal than it is already.” ([Martin Wolf. “Enslave the robots and free the poor”](#))

“Clearly, the economic environment of the 1990s is one of fast-paced technological changes producing massive insecurities amidst job displacement and job destruction. Whether one draws on documentation provided by The New York Times in depicting The Downsizing of America, or by Stanley Aronowitz and William DiFazio in The Jobless Future, or by William Julius Wilson in his account of neighborhood transformations in When Jobs Disappear, secure full-time jobs have been evaporating. Moreover, for the majority of people who find re-employment among the large numbers of new positions also recently created, benefits and pay are frequently lower than in the jobs held before. Compounding this loss of jobs are also much-heralded processes whereby capital shifts around the globe with greater fluidity than ever before; even in the United States, sociologists have long been noting that types and locations of new jobs are not coinciding with how and where they are most needed.” (Lynn Chancer. “Benefiting From Pragmatic Vision, Part I: The Case for Guaranteed Income in Principle”)

7 In this example, we are assuming that the intensity of labour did not change.

8 cf. Karl Marx. “Chapter 15: Machinery and Large-Scale Industry” in “Capital”.

[9](#) If the wage suffices is another question entirely as highlighted by, for example, precarious employment relations such as zero-hour contracts. These “changing employment relations” are sometimes given as another reason for implementing a Universal Basic Income. Some reformers deem the current welfare system unfit to deal with the newly successful demands of employers to have workers available whenever their profits need them, regardless of whether this enables these workers to pay their bills. A Universal Basic Income is then a way to facilitate this demand of capitalist companies against their workers.

[10](#) For example, Kathi Weeks contrasts economic necessities with social conventions and argues that work in this society was structured by the latter not the former. She hence fails to recognise that these economic necessities themselves are social: “Work is, thus, not just an economic practice. Indeed, that every individual is required to work, that most are expected to work for wages or be supported by someone who does, is a social convention and disciplinary apparatus rather than an economic necessity. That every individual must not only do some work but more often a lifetime of work, that individuals must not only work but become workers, is not necessary to the production of social wealth.” (The Problem with Work, p. 7)

[11](#) “It cannot be overemphasized that a huge benefit of guaranteed income at present involves its explicitly anticipating, rather than denying, tendencies toward job displacement and economic uncertainty that are blatant by-products of a globalizing capitalism at the end of the twentieth century. Without some kind of better insurance in place than unemployment benefits that rapidly run out and are not universally available in any event, huge numbers of people in the United States continue to have reason to worry that layoffs may not quickly result – or result at all – in new jobs that offer adequate benefits and a livable income.” (Lynn Chancer. “The Case for Guaranteed Income in Principle” in “Post Work” by Stanley Aronowitz and Jonathan Cutler, 1997)

[12](#) Companies sometimes pay wages per piece or bonuses to motivate their employees. However, this should not be confused with an objective relation between money made and money spent on wages. For bonuses to make economic sense, they must be lower than any “output” they stimulate. Even if a company offers an employee, say, 8% of the money she brings in somehow connected to her activity, this money first of all is the property of the company which it then can choose to pay as part of the wage to motivate the worker. That 8% is paid because of the company's calculation that it will be beneficial. There is no objective, direct connection between the performance of the worker and even her bonus, in the sense that the former is the economic reason for the latter.

[13](#) “I’ve noted before that the nature of rising inequality in America changed around 2000. Until then, it was all about worker versus worker; the distribution of income between labor and capital — between wages and profits, if you like — had been stable for decades. Since then, however, labor’s share of the pie has fallen sharply. As it turns out, this is not a uniquely American phenomenon. A new report from the International Labor Organization points out that the same thing has been happening in many other countries, which is what you’d expect to see if global technological trends were turning against workers.” ([Paul Krugman. “Sympathy for the Luddites”](#))

14 Kathi Weeks is a radical critic of the wage system and she even criticises the “Wages for Housework” campaign for aiming to expand it to housework. However, she shares the idea that the wage is a mechanism for social distribution which rewards contributions with those she criticises. Her criticism is that these rewards are arbitrary, agreeing with the false notion that the wage is a reward.

“... the demand for basic income offers both a critique and a constructive response. As a reform, basic income could help address several key problems of the post-Fordist US political economy that renders its wage system unable to function adequately as a mechanism of social distribution. These include the increasingly inadequate quantity and quality of waged labor manifest in high levels of unemployment, underemployment, and temporary and contingent employment, as well as the problem noted in chapter I of measuring individual contributions to increasingly collective and immaterial labor processes. The demand for basic income poses a critique but also provides a remedy: reducing our dependence on work.” (Kathi Weeks, “The Problem with Work”, p.143)

“Second, rewarding more forms of work with wages would do more to preserve than to challenge the integrity of the wage system. A possible reply is that by drawing attention to the arbitrariness with which contributions to social production are and are not rewarded with wages, the demand for wages for housework carries the potential to demystify the wage system.” (Kathi Weeks, “The Problem with Work”, p.149)

15 The pressure of productivity gains on wages is observed by the authors of the BasicIncome subreddit FAQ at <https://www.reddit.com/r/basicincome/wiki/index> when they write: “Capital - equipment and machinery that helps to produce things - is now creating a greater share of output compared to labour - human workers. This allows business owners, who own the capital, to pay workers the same or less while more is produced, so they make more profit for themselves. We are already seeing that output per worker is increasing, while workers' wages are not.” Equipment and machinery does not produce any “share” of the output whatsoever, the hammer does not produce a “share” of the nail in the wall, it is the means which we use to drive it in. Saying that a certain product is, say, 40% produced by labour and 60% by equipment is like saying bread is 30% dough and 70% taste, i.e. equating two qualitative different things. This fallacy is then used to justify why workers are excluded from the wealth they produced by claiming that capital produced a greater “share”. What allows capital to suppress wages is the increased competition of workers for jobs because they were made redundant by capital not some distributive justice which somehow allocates to each a “share” according to how much they put in.

16 Because capital tends to “save” labour faster than it develops a new need for workers, competition of companies for workers is far less intense.

17 We are keeping the discussion of private property rather short here but we have written about private property before. For example, see “Private Property, Exclusion and the State” available at <http://antinational.org/en/private-property-exclusion-and-state>, the first part of “Free Property - On Social Criticism in the Form of a Software Licence” available at <https://gegen-kapital-und-nation.org/en/copyleft> or the part on freedom in “Liberté, Égalité

and such matters” available at <http://antinational.org/en/freedom-and-equality>.

18 When companies develop new technology, they have no interest in sharing this advantage with their competitors. They want to exploit their technological advantage for themselves. On the one hand, the capitalist state appreciates this interest and grants these companies an exclusive right of disposal over the application of scientific discoveries through its patent law. On the other hand, the capitalist state has an interest in the success of its whole national economy and wants all companies to be able to exploit technological advances. It hence attaches an expiry date to patents. It also organises fundamental research which is available to all competitors as described in the main text.

19 A lot of basic research is both expensive and not immediately exploitable, i.e. its “time to market” might be counted in decades if there is such an expected time frame at all. Hence, engaging in such kinds of research is not interesting for most individual capitals.

20 Most environmental regulation is a testament to the nastiness the capitalist state expects from its economy – not without reason. That there needs to be a law that bans dumping toxic waste into the river speaks volumes about the capitalist mode of production. That a lot of environmental regulation specifies a limit value up to which point it is legal to expose your surroundings to poisonous substances speaks volumes about the state which watches over it.

21 “A lot of government workers are required to ensure that welfare recipients are not claiming their benefits fraudulently, and to administer the complicated system of welfare payments and tax credits. [...] A basic income would hugely simplify the welfare system by replacing most of these bureaucracies, which would reduce its administrative cost significantly.” (BasicIncome subreddit FAQ

<https://www.reddit.com/r/basicincome/wiki/index>)

22 “If the picture I’ve drawn is at all right, the only way we could have anything resembling a middle-class society — a society in which ordinary citizens have a reasonable assurance of maintaining a decent life as long as they work hard and play by the rules — would be by having a strong social safety net, one that guarantees not just health care but a minimum income, too.” (Paul Krugman, “Sympathy for the Luddites”)

23 “But if people are to take the idea of guaranteed income seriously, we must also return to pragmatic questions of cost. Let us assume that the intentionally multi-dimensional argument I have been making in favor of guaranteed income has been to some extent persuasive. Still, a question that will need to be addressed relates to funding. From where would money come to fund such a proposal?” (Lynn Chancer, “The Case for Guaranteed Income in Principle”)

24 “The cost of this would be recovered through a more progressive income tax system. We recognise that with the public finances in their present state this is not the time to introduce such a scheme.” ([Green Party General Election Manifesto 2010](#))

25 Here is an example from before the “War on Terror” proposing a transition to a “post-capitalist” future while maintaining American military supremacy: “For instance, one source of possible funding exists in the form of reductions in military spending. Some analysts

estimate that close to 50% of the current military budget of \$265 billion could be reduced since much of that budget was predicated upon Cold War assumptions rendered obsolete upon the demise of the Soviet Union. If so, then the military budget alone could provide a large proportion of the funding needed to start a basic income maintenance program. But even if we assume that the 50% military budget cut is too extreme, a still significant portion seems now unnecessary and to be inflated (military expenditures were 50% of the fiscal 1998 discretionary budget in the United States). According to the Cato Institute Handbook, the military budget could be sensibly reduced from \$243 to \$154 billion, a savings of \$89 billion which might become part of the funding needed to start a basic income maintenance program. The Center for Defense Information publishes *The Defense Monitor*, which noted in its April/May 1996 issue that "The United States can safely and sensibly reduce its annual budget to about \$200 billion and continue to maintain the strongest military forces in the world." (Lynn Chancer. "The Case for Guaranteed Income in Principle" in "Post Work" by Stanley Aronowitz and Jonathan Cutler, 1997)

26 This standpoint is not completely alien to the British state. The benefit cap – no household can receive more than £500 per week – expresses the same standpoint: this sum must suffice. It must suffice even if the state itself declares it does not: the benefit cap prevents the payment of a sum of money larger than £500 which is calculated by applying the state's own standard of what money is necessary and what is not. The part of the population which is subject to the benefit cap is not what the state is interested in maintaining at the previous standard any more.

27 The Green Party considers £72 per week (+ housing benefits) sufficient to cover basic needs and describes the goals of its Citizen's Income proposal as: "The Citizens' Income will eliminate the unemployment and poverty traps, as well as acting as a safety net to enable people to choose their own types and patterns of work (...). The Citizens' Income scheme will thus enable the welfare state to develop towards a welfare community, engaging people in personally satisfying and socially useful work." (The Green Party Policy Site, Economy, <http://policy.greenparty.org.uk/ec.html#EC730>)

28 On the one hand, Kathi Weeks wants a Universal Basic Income to allow people to refuse work. On the other hand, she presumes that most people would still want to work, implying that she really means "basic", i.e. poverty, when she speaks of a Universal Basic Income as "substantial rupture with the current terms of the work society": "To be relevant to the politics of work refusal, as was the demand for wages for housework, the income provided should be large enough to ensure that waged work would be less a necessity than a choice (see McKay 2001, 99). An income sufficient to meet basic needs would make it possible either to refuse waged work entirely, or, for the majority who would probably want the supplementary wage, to provide a better position from which to negotiate more favorable terms of employment. If the income were merely a small addition to wages, it would risk supporting precarious employment and rationalizing the present wage system. At a level adequate to live on as a basic livable income it would represent a more substantial rupture with the current terms of the work society." (Kathi Weeks, "The Problem with Work", p.138)

[29](#) We are spelling out this more or less silly list to highlight what it would mean to be truly free from material worries in a society where all material wealth is in private hands. It is not true, as claimed by some left-wing supporters of a Universal Basic Income, that the median wage would achieve this goal. It is not like people on a median wage have no serious material worries. The currently enforced level of median poverty is a poor standard for freedom from material worries.

[30](#) “The very fact that Milton Friedman and Erich Fromm shared a common belief in guaranteed income – while on most other political, social and intellectual issues they would certainly have been prone to disagree – should also be taken as a cautionary reason for pause. For, as I also wish at last to emphasize, guaranteed income is not a panacea for all social problems facing Americans into the 21st century. Should the idea be viewed narrowly and in isolation, the proposal can be perversely privatizing: it would end up according with, rather than challenge, the strongly individualistic propensities which have tended far too characteristically to abandon people to their own devices.” (Lynn Chancer. “The Case for Guaranteed Income in Principle”.)

[31](#) Most of the time proposals for a Universal Basic Income are confronted with the opposite charge to which the authors of the BasicIncome subreddit FAQ respond correctly: “Isn't this communism? Definitely not. Have another look at the list of supporters, for one thing – I doubt Milton Friedman and F. A. Hayek would support something that could be accurately described as communism! Let's look more closely at the definition of communism from Wikipedia. This states that 'Communism (from Latin communis – common, universal) is a revolutionary socialist movement to create a classless, moneyless and stateless social order structured upon common ownership of the means of production'. Basic income is not revolutionary (in that it doesn't need a revolution to happen), does not require the eradication of classes, does not require the eradication of the state, and doesn't require common ownership of the means of production. It is in no way communist.” (BasicIncome subreddit FAQ <https://www.reddit.com/r/basicincome/wiki/index>)

[32](#) There are some things of which production cannot be easily increased such as real estate in inner London. If more people have the means and the interest to rent a particular kind of property there prices for those kinds of properties would go up. This could simply mean a shift in what kind of housing is offered in inner London, e.g. maybe some four room apartments would be split into one room apartments since those would now be within reach of Universal Basic Income recipients. That is, here too supply is not simply “fixed”. For on how land prices are formed see Gentrification - the Economy of the Land and the Role of Politics available at <http://antinational.org/en/gentrification-economy-land-and-role-politics>.

[33](#) If prices determine supply and demand and supply and demand determine prices we arrived at a circular explanation of price, i.e. not an explanation. Indeed, to explain what determines prices a first question would be what a price actually expresses. What is this quality of a commodity that is expressed in the price of it. What does it mean to say a commodity is “worth” this or that much. This question is the starting point of Karl Marx's Capital which we would recommend to anyone.



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