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Universal Basic Income and the 2020 Election. Redistribution by Taxing the Rich

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UBI promoter Andrew Yang may be the first candidate for president running under a major party banner to advocate it, but he is certainly not the first in history.

The idea of UBI has been around at least since Thomas More included it in his 16th century *Utopia* and Thomas Paine, the author of Revolutionary War tract *Common Sense,* wrote of it as a bedrock ideal of social justice.

In our own era, UBI was mentioned favorably by conservative economist Milton Friedman and civil rights champion Dr. Martin Luther King, Jr. It also drew the attention of President Richard Nixon. and morphed into today's Earned Income Credit.

But Andrew Yang is faced with the same question as every other economic reformer, which is how are we going to pay for it? The answer is always the same: income redistribution through taxing the rich. But no matter how much that might appeal to our sense of fairness, it has never worked.

The problem is that the income redistribution argument always assumes a well-cooked and scrumptious pie—the economy—that can readily be divided however we like. So it's just a matter of which socioeconomic class has the power to decide. But the big scrumptious pie analogy itself has rarely been challenged.

The fact is that in a world of competing nation states, one country's prosperity has always been at the expense of others. Competition among nations for a favorable balance of trade led to World Wars I and II, when Germany began to outpace Great Britain. Today the American empire that came out of these wars feverishly tries to maintain its dominance by control of the world's financial system through enforcing the role of the dollar as the international reserve currency and the basis of oil trading.

Meanwhile, the U.S. sovereign debt continues to skyrocket. Not to mention domestic household and business debt, including student loan debt, at levels that collectively can never be repaid. National income, including the income of the very rich, is far less than the long-term liabilities, always payable with interest.

So again, where is the money going to come from for UBI or any other social program that can resolve the ongoing collapse not only of workers' income but of the entire American middle class?

What we have steadfastly refused to face during the modern era is that no capitalist economy has ever succeeded in providing sufficient income through paid employment to support its population. Private enterprise has one goal: maximize income and minimize expenses, including labor costs. Thus the people who work for the private sector will never have enough money to buy what they produce. Class war is a given. Also, the race to maximize production results in long-term waste of resources, even perhaps global warming.

The U.S. did not emerge from the Great Depression until it first became the "arsenal of democracy" for Great Britain and France, then built its own war machine to fight in Europe and the Pacific. But Germany also had to use military rearmament as the convenient tool to regain its own prosperity after the devastation of World War I. Both sides unabashedly used war as a means to support their domestic economies.

Does this sound familiar? In the U.S. today, our own private sector is woefully inadequate to assure prosperity, especially with so many jobs outsourced abroad. So to compensate, we have maintained a huge military-industrial complex that from an economic standpoint is nothing but corporate welfare on a massive scale. Throw in government employment at the federal, state, and local levels, along with all the economic activity in the manufacturing and service sectors that feed directly off the spending power of public employees, and the myth of unabashed capitalism vanishes.

Boom times come only when the government spends. And since taxation totally fails to support such a system, government debt constantly grows. Always trying to keep one step ahead of economic collapse is a privately-owned and managed financial system, headed by the Federal Reserve, with its own army of employees kept busy shuffling numbers.

Then as every possible job is taken over by automation, which is the ultimate cost-cutting measure, consumer purchasing power falls even further, and disaster looms. This is the situation Andrew Yang is trying to address.

But it was figured out in the 1920s by a Scottish engineer name C.H. Douglas. In a series of books, Douglas explained the structural elements that ensure a perpetual gap between a nation's income and its GDP. The main cause of the gap is savings, particularly retained earnings by businesses that need to invest for the future. Economist John Maynard Keynes saw the same thing. Keynes's solution was government deficit spending, which helped bring us to where we are today.

But Douglas saw the gap between income and production as a positive, an indicator of a nation's economic prosperity. So he proposed that an amount equivalent to the gap be issued to the public as an annual National Dividend. The system he proposed was called Social Credit. Douglas's ideas are alive today among researchers in Great Britain and elsewhere. If applied worldwide the disastrous standoff among nations and blocs for supremacy and survival would change rapidly because the tensions created by unjust and untenable monetary structures would find relief other than through war and conquest.

I learned of Douglas's ideas when I worked in the Carter White House in 1979-80 and immediately saw their applicability. Much later, I retired from the government in 2007, after spending the last 20 years with the U.S. Treasury Department. I wrote a book entitled *We Hold These Truths: The Hope of Monetary Reform,* where I traced the history of the debt-based monetary system and explained how Douglas's Social Credit would solve the underlying problems. I also have spoken on the subject at the Public Banking Institute and other venues.

I believe Social Credit, aka UBI, would do the job, if implemented as a dividend and not through taxation. I hope Andrew Yang is listening.

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