

# Growing Interest: Universal Basic Income

How automation will create a consumption deficiency and ultimately force governments to adapt

Written by actrons, Q4 2016

## **We are at a turning point, and there is no way of escaping it.**

Although Bernie Sanders' campaign didn't end with him elected president, or even being officially selected as the Democratic candidate, his crusade did leave a lasting burn with the socio, political and economic climate of the United States, which will likely have a far reaching impact on the governmental engagements to come. This is brought to us at a time of unfolding consequences, the intersection of climate change, resource overshoot, war, poverty and wealth inequality, soaring global debt, a political apathy as well as mirroring advancements in automation and technological progress.

While the solution to all of this, being a much more deep rooted and systemic form of a socioeconomic nightmare, would rely on a shift entirely away from market economics and its attached incentive structure, such basal changes can only be accompanied by the slow synthesis and generational alignment of the overall values and zeitgeist of society.

In this spirit, the direct and acute issue to be tackled today, which manner of resolution we choose will almost certainly pave the bedrock for future changes to come, is the displacement of labor by applied automation, in what could be dubbed 'technological unemployment'.

While historical sector shifts, owing to the ephemeralization of technology, with the consequence of applied automation invariably displacing labor, have always been accompanied by the retention of the workforce by the proceeding economic sector, nothing has the potential to be as grandiose and systemically terminal as the one to come.

The lingering solution, after having been proclaimed by economists for decades, has reached a point of dire application. A wealth redistribution, where some see capitalism evolving to its next higher phase, others see a clear indication of its way out, a solution called Universal Basic Income.

## **The Situation: Skating on thin ice**

Currently most western industrialized nations are experiencing a number of long term developments unfold, as wealth inequality rises, public health plummets, while labor displacement through automation acts as a secondary fuel source toward the deconstruction of society, its potential has only unveiled the tip of the iceberg. To avoid ill-informed biases and flesh out various properties of this social decay, individual aspects need to be clarified in detail.

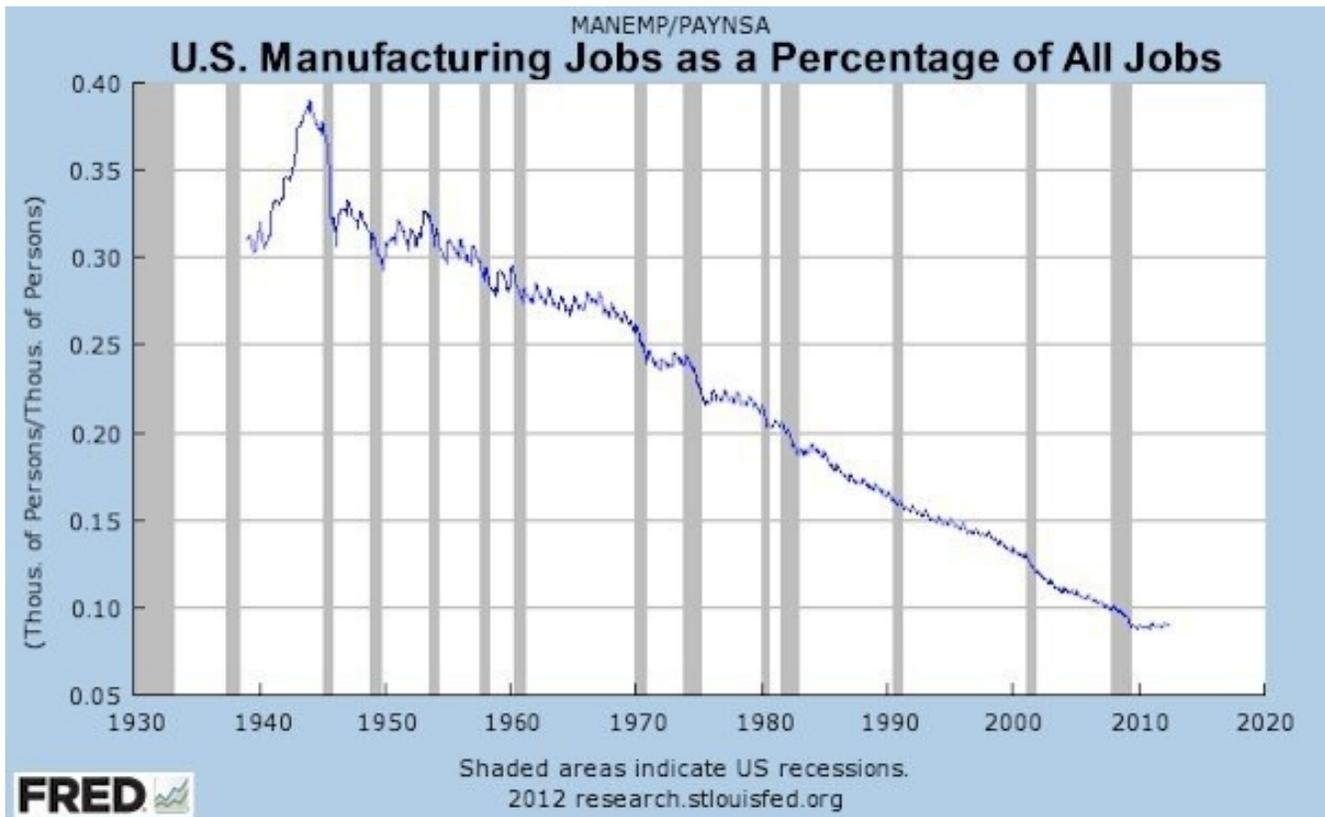
## The Potential Of Automation Is No Controversy

Countless studies and reports of automation's knock on the door have been realized: It's potential is as frightening as it is invigorating to the society as we know it today.

Conservative estimates currently range between 50-75 percent of all jobs in the U.S. being susceptible to immediate displacement, if automation were applied overnight. And this number, as well as automation's rapid deployment, will only increase as these technologies become cheaper and easier to maintain. Ref [2]

Autonomous transport, programmable service kiosks, contour crafting and automated construction, the list stretches through almost every field imaginable, with accounting and bookkeeping currently being exceptionally susceptible to its cloud based counterparts.

In every event the automation reality presents firms with cheaper, more productive and less liable solutions, offering a clear incentive to deploy automation wherever possible, as not doing so would represent a competitive disadvantage.



This graph, based on data from the Federal Reserve Bank of St. Louis, indicates the historical decrease of the incentive to employ human beings within the industrial sector. While there are regional and short term justifications for labor outsourcing, this argument is irrelevant, as nearly all nations are undergoing the same readjustment: The shift from human employment to automation.

China, the world's leading manufacturer, is on a crusade to transform its related sector to be represented among the world's top ten most automated by 2020 Ref [3], laying off millions of workers in the process Ref [4]. Just recently Foxconn, a leading Chinese manufacturer, primarily responsible for the production of the majority of Apple's hardware, announced it would be laying off nearly 60,000 workers in response to its immediate deployment of more economically efficient machines. Ref [5]

While it is safe to assume massive displacement within the industrial sector to come, there is no reason to believe that the service sector will not end up with the same fate. In fact, it appears that the beginning of its demise has simply not yet been fully realized by many.

Programmable and intelligent robotics have been made available to us through the use of computers. By means of their rapid price reduction and exponential evolution, they have enabled us to automate many tasks traditionally reserved for human beings.

Whether it's McDonalds deploying automated kiosks and displacing thousands of positions Ref [6], all while still investing heavily in further automation concepts to replace key seats in its chain, automated transport reaching its height of potential, with German car manufacturer Opel claiming that "*the automobile as we know it will change more in the next 5 years, than it has since its inception*", service sector jobs are massively at risk of a large scale layoffs. Ref [2]

## **The Jobs Are Not Coming Back**

As previously eluded to, past large scale labor displacements have all occurred under a period of relatively slow technological advancement. This allotted the time necessary for the uprooted workforce to re-engage and re-train, evidently making a comparably smooth sector shift possible. Ref [1]

However, as accelerated improvements in mechanization, and with eventual addition of information based labor by means of the programmable computer, took hold, more and more automation, deployable at an ever increasing pace, has indicated its potential of being able to overtake the time necessary for a human being to re-train from a prior displaced position. Because of its fast evolution, the human's role will have already been filled by a machine once the human completes training.

## **Consumption Deficiency**

Unfortunately the leading prospects, the possibility that automation might cause a terminal slowdown of economic growth, through a loss of consumption due to high rates of unemployment, are categorically dismissed by many economists today. With the reduction in price, due to increased output efficiency, so they say, it will be possible to bypass any stalling of consumption, as the reduced cost of goods, offered by automation, will make them affordable to everyone. This view represents a self serving bias, and ignores the most basic functions of the market system.

The market requires uninterrupted consumption. Specifically a constant and increasing rate of exchange between the most basic economic agents: The employee, the employer and the consumer. If this consumption is allowed to drastically slow, a debilitating loss of economic growth will ensue, forcing the entire system to its knees.

# The Forceful Patch: Wealth Redistribution

As stated above, with automation applied to our current system, high levels of unemployment will eventually create an unsustainable drop in consumption, as a result of the shortage of money in circulation, invariably collapsing global economies.

This will have severe destructive ramifications for public health in the affected regions, plunging large portions of the population into extreme poverty.

The only logical solution, not involving an over night switch away from market economics, is a wealth reallocation, in the form of a universal basic income.

"I am now convinced that the simplest approach will prove to be the most effective. The solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income." – Martin Luther King Jr. 1967

Universal income has been proposed as a guaranteed, tax-free monthly sum of social security, payed out unconditionally to any citizen within it's economic establishment. It could be defined similar to the German Hartz concept, where an *existential minimum* is supplied to the unemployed population, in order to both increase the county's public health as well as provide a platform for the effected population to recover and reintegrate into the workforce. Guaranteed income would be an extension of this concept, as it would remove the condition of being unemployed to receive the payout. Furthermore, regardless of one's social class, the income would qualify.

Under increased technological unemployment, this would not only enable the displaced population to survive, effectively establishing and maintaining a higher bar of public health, but would also provide the incentive for it's integration by increasing public spending power, and fueling consumption, ultimately allowing the economy to withstand high levels of unemployment.

"There's a pretty good chance we end up with a universal basic income... I'm not sure what else one would do." – Elon Musk 2016

It has been heralded as neither a left or right policy, resulting from it's natural consequence of the automation reality, an inevitable objective compulsion for integration will be seen from any party hoping to continue to function within monetary economics.

## Increased Interest

**Q: Do you support a Universal Basic Income for all US residents and why?**

"If the goal is that in America everybody should have at least a modest standard of living— with healthcare, with educational opportunity, the answer is absolutely yes."

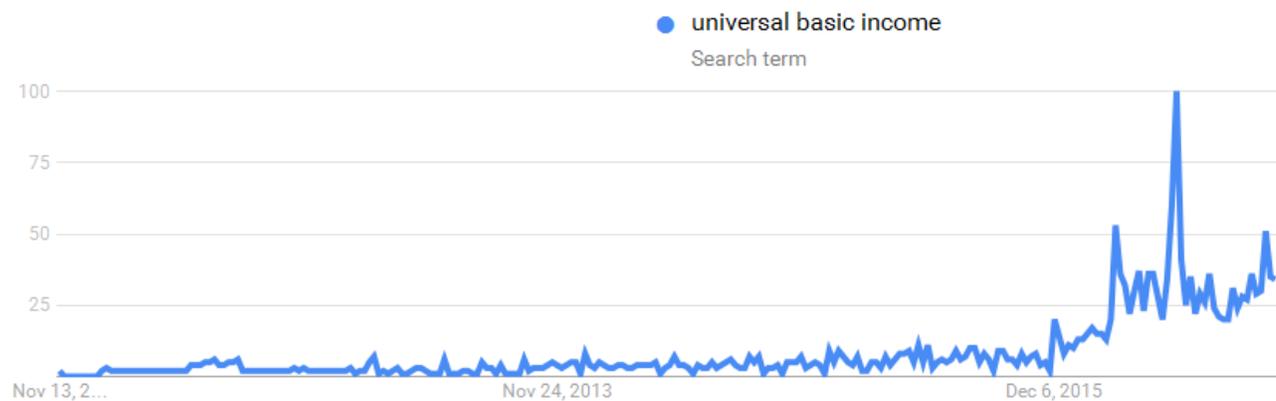
– Bernie Sanders 2014

As mainstream society gradually begins to notice the systemic effects of large-scale automation deployment slip in, misaligned education resulting in a lack of understanding of basic economics, has created a detached categorical association on the topic, with the threat of acute unemployment resulting in the general rejection towards it's utilization. This is of course at a time, where the prospect of

automation technically being able provide for a global abundance, bringing into question economic policies and establishments, is on the horizon. While scholars on this topic have been warning world leaders and the public for decades, both a serious interest in, nor the immediate economic demand for a larger scale movement, have ever occurred.

However, recent political developments, combined with the transmission of modern social media, have spawned an increased enthusiasm in the proposition of such a wealth relocation.

Interest over time ?



A seeming flood of content relating to the subject is continually being released, with high profile personas publicly supporting the idea, fueling the self generating pattern.

Support for the idea is originating from all fields of media including art, following the trend of anti-establishment interest, vividly embodied by the political campaigns of both Bernie Sanders and Donald Trump.

Whether critical mass has been, or is yet to be reached, is up for debate, but a clear sign of steadily increasing interest is verifiable and is an indication of change to come.

However, as the eco-genocidal effects of our current existence on planet Earth progress in their magnitude, climate change, resource overshoot, pollution and their related effect on the decrease of the food supply take hold, our species will be forced to confront the foundational structural flaw the plagues our civilization, and come to question the largest untouchable religion in human history: The faith in a monetary market system. Yet within the prospect of a relatively flattened and stable public health ecology, which provides for the educational and cranial development required, a universal basic income is the bare minimum construct within our economics, needed to fuel such a massive endeavour.

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