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Features

The pros and cons of universal basic income

The events of recent years have renewed calls by some economists and politicians across the world for UBI schemes. Here's a guide to what this might mean, as well as some book recommendations to dig even deeper.



Image: Ryan MacEachern/Penguin

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Major social and economic changes brought about by the pandemic renewed discussions around – and calls for – a universal basic income. In the UK, the government introduced a furlough scheme during the first pandemic; companies forced to close because of coronavirus restrictions could get the government to cover 80% of the pay for employees, instead of laying people off.

Scottish Liberal Democrat politician Christine Jardine told [CNN](#) she was not a fan of Universal Basic Income, but the pandemic “has meant that we've seen the suggestion of a universal basic income in a completely different light”.

Some countries have trialled UBI already. [Iran ran a scheme in 2010](#) giving citizens transfers of 29% of the median income each month. Poverty and inequality were reduced, and there was no sign of large amounts of people leaving the labour market. In fact, people used it to invest in their businesses, encouraging the growth of small enterprises. And in Canada, a [UBI trial in Manitoba](#) in the 1970s showed a modest reduction in workers, along with fewer hospitalisations and mental health diagnoses.

If you want to know more about universal basic income, here's our guide to the pros and cons, and the authors and books you can turn to for guidance.

What are the benefits of Universal Basic Income?

Ending poverty

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Advocates for UBI say that it could help bring everyone's income above the poverty line. Annie Lowrey, author of *Give People Money*, said in an interview with Vox: "We have just tons of experimental data from the US, from other countries, from Iran, from all around the world that shows that if you give people money, it reduces poverty. Just really straightforward."

Discouraging low wages

UBI would give employees enough security to have bargaining power, say fans. Lowrey has said: "Why take a crummy job for 7.25 an hour when you have a guaranteed 1,000 dollars a month to fall back on?"

Redistributing wealth

The economic growth of high-income countries is making the rich richer, but having very little effect on the working classes. Economist Thomas Piketty has spoken about the idea of an "inheritance for all".

Talking to the London School of Economics in 2020, he said: "If you look at today's situation, the average wealth in France or Britain is about 200,000 euros per adult and the median wealth will be closer to 100,000 euros per adult, but

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50% owns virtually nothing. Around 5% of total wealth is owned by the bottom 50%, which means that they have on average, one tenth of the average wealth – about 20,000 euros instead of 200,000 euros. They own very little and this is true within all age groups. It's not that the young are poor and are about to become rich. Some of them are about to become rich, but on average, the concentration of wealth is just as large within each age group."

A universal basic income could help to balance this inequality.

Fighting technological unemployment

With advanced technology taking over more and more blue and white collar jobs, proponents of UBI say it would act as a sort of security net for the millions of people who will be left jobless by the tech revolution. Research for the Federal Reserve Bank of New York showed that the longer you are unemployed, the longer it takes to find employment. If the jobless had a small source of income to help them back on their feet, they could find new jobs and start contributing to the economy sooner.

Helping victims of domestic violence

Those who suffer domestic abuse, mainly women, become trapped in violent situations because they don't have the means to leave them, research by Women's Aid shows. UBI would make leaving an abusive partner easier from a financial point of view, at least. Writing in The Independent, Amelia Womack, deputy leader of The Green Party, which is in favour of UBI, said: "By giving everyone financial independence, UBI would ensure no woman is ever dependent on her partner to meet her basic needs. And for those in abusive relationships, one of the barriers against leaving would be removed."

Supporting unpaid care workers

Those with ill or differently abled relatives are often forced to quit their jobs to care for them full-time. UBI would allow care-workers to support themselves

encouraging care work within the home and relieving pressure on public services that provide care to the sick and elderly.

Eliminating the need for social security

There exist countless governmental organisations responsible for helping those in poverty, handing out unemployment benefits, food stamps, subsidised housing, etc. UBI would cut a country's spending by eliminating these organisations.

Think of it like Monopoly

Most people intuitively think that jobs lead to financial wealth, but the reality is that having money actually leads to jobs. Without the privilege of wealth, it is more difficult to build a life that makes landing a job easier. In order to get a job, you need to have a house with a shower, a set of appropriate interview clothes and the funds to cover the cost of transport and food during the working day. If you want to contribute to the economy on an even greater scale and start your own business, you'll need even more money. In the game Monopoly, everyone starts off with a little bit of money - without it, the game wouldn't work and no one would be able to become rich or successful. UBI is like Monopoly - everyone starts off with a little bit of money, and uses it to fuel a thriving economy.

Successful implementation of UBI would mean improvements in food security, stress, mental health, physical health, housing, education, and employment.

What are the possible disadvantages of Universal Basic Income?

Inequity

Universal basic income would be just that: universal. That means that everyone, regardless of how poor, or rich, they were would get the same amount of money. Political columnist Stephen Bush wrote in 2020 that he was more open to the case for UBI, but added: "Most of the time, when we talk about a universal

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going to people “who don’t need it”, we’re talking about sufficiently small numbers that it doesn’t really matter either way...

"To give higher earners an extra £960 a month, however, would hand them serious financial firepower to entrench their advantages, whether in saving to buy property, paying for private education, or any number of other socio-economic advantages."

Cost

The cost of implementing UBI could be huge. In the United States it's estimated to be about \$3.9 trillion per year, and in the UK some estimates have put the cost of reworking the tax and benefits system at £28 billion. The idea is that UBI would take pressure off health services and make social security institutions redundant, but these are nevertheless enormous numbers for a government to budget for.

Motivation to work

One concern is that UBI would incite millions of workers to stop working. If people aren’t working, there is less taxable income. However, people may choose to stop working for reasons that benefit society as a whole, such as getting a better education or caring for a relative in need.

Philosophical counterarguments

Is money a birthright? Capitalist countries are built on the ideological foundation that money is something we earn - UBI would completely change this. Some believe that community service should be a requirement for receiving UBI.

Further reading on UBI and economics

Give People Money
ANNIE LOWREY

Basic Income
GUY STANDING

Chronicles
THOMAS PIKETTY

Good Economics for Hard Times
ABHIJIT V. BANERJEE, ESTHER DUFLO

Annie Lowrey

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Give People Money

Annie Lowrey

Shortlisted for the 2018 *Financial Times* and McKinsey Business Book of the Year Award!

Surely just giving people money couldn't work. *Or could it?*

Imagine if every month the government deposited £1000 in your bank account, with no strings attached and nothing expected in return. It sounds crazy, but Universal Basic Income (UBI) has become one of the most influential policy ideas of our time, backed by thinkers on both the left and the right. The founder of Facebook, Obama's chief economist, governments from Canada to Finland are all seriously debating some form of UBI.

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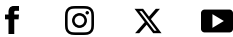
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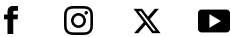
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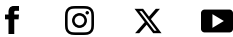
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