



## Yanis Varoufakis: Basic Income is a Necessity

*Note: The transcription might not be 100% accurate.*

**Yanis Varoufakis:** Let me put my timer on so I don't overdo it. Well ladies and gentlemen, organizers, thank you so much for the warm welcome. It's wonderful to be here because basic income is a necessity. I'm going to actually argue that this is not a question of whether we like it or not, it will be a major part of any attempt to civilize capitalism as capitalism is going through a spasm caused by its own generation of technologies that undermine itself. To put it simply, in the 20th century we had the stabilization and civilization of capitalism through the rise of social democracy. The New Deal in the United States and the social-democratic social market developments in Europe. Unfortunately, this Social Democratic New Deal paradigm is finished and it cannot be revived. I shall make some comments on this but first let us remind ourselves what the social Democratic New Deal tradition is all about. It's about two things, firstly redistribution of income within wage-labor. A kind of insurance for the working class. The working class ensuring the working class. Take for instance the National Insurance contribution scheme in Britain after the Second World War, unemployment insurance in the United States, working wage laborers effectively providing insurance payments to those out of a job. Same with health provision, pensions, those working today providing for the pensions of those who have stopped working. So, insurance and redistribution within the working class, to put it very bluntly. The second dimension, of course, is redistribution between capital and labor, between the rents and labor. This takes the form of minimum wages that are negotiated by the state. It's also a process of collective bargaining usually triangular, involving trades unions, employers and the state and of course taxation, transfers through the taxation system. Now, this social democratic tradition – I made a very big statement a moment ago, didn't I? – is dead in the water and it is dead in the water or dying in the water for two reasons. For reasons that have to do with two earthquakes that have hit our societies on both sides of the Atlantic.

One is the process of financialization which created a huge wedge between capital and labor. It created a new form of capital, financialized capital, that essentially depleted the energy of both labor and industrial capital. And this inexorable financialization drive had its comeuppance in 2008. And ever since, you remember after 1991 socialism died with the collapse of the Soviet Union and then after 2008 capitalism died, we have a new regime now, I call it bankruptocracy. It's ruled by the bankrupt banks. The more bankrupt the bank the greatest its capacity to mobilize and usurp economic rents and economic value from the rest of society, including industrial capital and labor. And the problem with bankruptocracy, the fact that for six years now we have a cynical massive

transfer of wealth, of income, of value from production towards the financialized financial sector that remains insolvent in reality despite this cynical transfer. The problem with this is that has created two things, firstly, deflationary forces, ask anyone working in the Central Bank of Switzerland today or in the Bundesbank or in the European Central Bank or the bank of Japan or the Bank of England or the Fed. They can't sleep at night because of the fact that about half of the global economy now is languishing in negative interest rate debt. And this is a reflection of the collapse of the Social Democratic New Deal bargain, social contract if you want, of the 20th century. And that collapse happened in 2008. The world after 2008 cannot be understood any more in terms that made sense before 2008, just like the world after 1929 could not be made sense of in terms that makes sense in the gold exchange standard era prior to 1929. The second reason...so with the deflationary process, we have now that the first plank off the social democratic tradition is dead in the water because the working class can no longer insure itself. Its stagnant wages, the fact that youngsters are caught up in a dual labor market and they find it very difficult – and I'm not talking about Switzerland, of course now, but I'm talking about the rest of the developed world, Switzerland is successful only because it's only one of them and nobody else can be like Switzerland, but that's another discussion we can have it later if you want – the fact remains that the first plank, the insurance amongst wage laborers, is simply not possible because wages have stagnated to such an extent that it is impossible for the working class to insure itself. And the second plank, the redistribution between capital and labor, is becoming increasingly impossible for two reasons. First, the politics that have become quite toxic, just look at what's happening in the negotiations between Greece and the troika, within the European Union at the moment.

In the United States where you've got a Congress vetoing the White House and the White House vetoing the Congress this redistribution between capital and labor that was part and parcel of the New Deal and social democracy required political governance. Europe and the United States are ungovernable, as we speak, utterly and completely ungovernable. So that's the first earthquake. The second earthquake has to do with- this is nothing new I'm sure it has been discussed already today, I caught glimpses of this discussion, let me put it very bluntly in science fiction terms- the rise of the machines. Artificial intelligence will consume very, very soon, it's already doing it, all the repetitive routine work, all algorithmic work is going to be replaced especially the moment machines pass the Turing test and it is impossible for you and I to understand when we speak to somebody on the phone whether we're speaking to a machine or to human person. Once we have that, we are going to have a massive displacement effect, which for the first time in human history, in capitalist history, is going to overwhelm the creation effect. More job destruction than job creation. Because remember that the bankruptocracy that I have referred to came at the tail end of a 30-year period of replacement of manufacturing jobs in the developing world with low-wage repetitive work. Employment rates, for instance in Britain, since the previous speaker comes from Britain, employment rates are quite high in Britain and they're quite high in the United States but the bulk of those jobs that were created to replace the jobs that were lost after 2008, after 1975 and 1983, low-wage routine jobs, the ones that will be culled immediately the moment artificial intelligence overcomes the Turing test.

And we are facing a major issue there. And to link it with what I was saying before, this displacement is going to reinforce the deflationary processes that keep our central bankers awake at night because it will eliminate a significant measure of aggregate demand, it will create an even greater level of income inequality and primarily disparity between savings and investment. And this disparity between savings and investment will force the price of money, the rate of interest even below the current low low levels. So, this is why I'm saying that basic income is going to be an essential part, a necessary part of any attempt to stabilize society and to civilize it. I don't need to define basic income. Let me just say that the struggle we are going to have to carry hearts and minds will be an ethical one and an ethical one that doesn't simply spring out of opposition from the haves but also from a position from the have-nots. From Social Democrats, from leftists, from those

whose own sense of dignity responds against naturally the idea of something for nothing. This is why it's important to couch basic income as what it is. It is the idea that, and allow me to narrate it in broad terms, we are going to overturn the current narrative on life under capitalism. The current narrative, the dominant paradigm is what? That we have private production of wealth which is then appropriated by the state for social purposes. In reality, our wealth production is collective, it is social and it is only then privately appropriated. Unless we make this shift in the narrative we're not going to be able to succeed to convince even those who will benefit from basic income that it is worthwhile struggling for it.

Take an iPhone and pick it, open it. What do you find in it? You find a variety of technologies. Each one of them was created by some government grant. None of them were produced by Apple, none of them were produced by Google, none of them were produced by Facebook. They were all produced by some government grant. [This is what I'm saying about...] This why I am referring to the collective production of wealth which is then privately appropriated. If you start thinking of it that way then it's very easy to start thinking of basic income as a dividend, a dividend that goes to the collective that was responsible for collectively producing the wealth and the gadgets and the product and the markets because this false separation, illusory separation between the market and the state needs to be dissolved. There would have been no markets if there were no states. There would have been no capitalism if there was not a state. There would be no Apple, no Google if there was no state. And similarly, there would be no state if there were no private entrepreneurs, there would be no state if there were no private firms. We need to dissolve this false division. And we have to attack the narrative head on. Basic income is about giving money to the undeserving. It is about giving money to the rich. It is about giving money to the surfers, the beach bunnies, the ones that we dislike, the ones that we would not like to be our children and if they were our children we would be scolding them.

So, we must not be sidetracked by simply talking about good people getting money that they deserve. We should talk about undeserving people that get money courtesy of the fact that they are members of a society that is collectively producing wealth. And then, on top of this, we need to add the narrative of stabilization. Think about it. In Europe today, in the United States today basic income would really help central bankers go to sleep at night. It will be counter-deflationary. It will be a unique defense against the slow-burning recessionary impact of 2008. Now there are decent arguments against basic income that we must not avoid. Somebody may say to you, "But the rich do not need a basic income." Well sure, but they don't need to have the first 10,000 Swiss francs that they make being tax-exempt either and nobody's worried about that. Surely, we hear being said, it's better to target the money that society has on those who are deserving. Well yes, but you have to think of the other side of the story, too. To separate the deserving from the undeserving you need a bureaucracy whose purpose is to do that. That bureaucracy tends to replicate itself. Bureaucrats love to reproduce themselves and to reproduce their power over society and to do so by creating a stigma attached to those whom they consider to be undeserving. It is very similar to psychiatry. The moment you introduce psychiatry – remember Michel Foucault and the story about the madhouse – you create a narrative of reason and unreason, you create a power structure, the person who has the certificate to be the psychiatrist decides who is sane and who has the right to be a free citizen.

The other argument which I think is also one that needs to be confronted is that people should have a right to a job, not a right to basic income and that we should be promoting work not sloth. Well, I think that there are two points here that need to be made. But firstly, nothing stops us as a society from censuring those who are idle. Why should we have them starve? I know that if my kids were idle, I would be censuring them. But I will not be throwing them out of the house. Secondly and more importantly the right to turn down a job is essential for a well-functioning labor market and for a civilized society. And to have the right, the genuine right to turn down a job you must have an alternative, an outside option, because desperate people will accept to do desperate things. I heard

somebody here today earlier talking about a cleaner whose job is not respected, whose name is not known. I have a story to tell you about that. I've worked in a number of universities and I remember in the old days we had cleaners that worked for the University and they were like my boss in the department. You know, they would come into my office and they would know about my family, they would know about my wife, they would know about me. They would tell me off, they would say "it's eight o'clock at night, go to your wife, what are you doing?" And they had a sense of belonging to an institution and being institutionally important. And then what happened? We subcontracted all the labor to firms that hire by night, people that are faceless, who are turned over all the time, who are paid less, who are not institutionally connected to the place, whether this is the university, the National Gallery in London and so on and so forth. But why did this process spin out of control? It did because the cleaners had no outside option. No right to say no to the subcontracted contract.

Now, just so that we do not face only the negative arguments, let me just before I conclude and we open this up to discussion, let me mention what I think are essential aspects from a social perspective not just from a macroeconomic perspective. It is important to state the macroeconomic case for basic income, for stabilizing the financial markets, investment, overall aggregate demand. But there are others at the level of the micro and the sociological. Social democracy put forward the idea of a social safety net, remember that? Well, we need to counter this. Nets are very good for catching you when you're falling but when you're caught in them it's sometimes very difficult to get out of them. It's sometimes very easy to be trapped. Think of basic income as a foundation, not a net. A floor on which to stand solidly and to be able to reach for the sky. Exploitation- libertarian economist's, political economists, political theorists, politicians who claim that liberty is their driving force, define liberty in a negative sense. In the sense of the absence of constraints. Of volunteerism. If you've said yes to some contract that contract must by definition be a free contract. Therefore, it must be some act of free will. Well, it's not. The Mafia loves to give us options that we can't refuse. To make us offers we can't refuse. The fact that we say yes to them doesn't mean that they were chosen freely. The fact that the Greek government accepted the terms last summer of the troika does not mean that it was a voluntary transaction. To have a free contract, to have a contract that is signed by both sides, representing and exuding the freedom of both sides, each side must have a capacity to say no. I said that before, I'm saying this once more, in a sense, freedom in action requires a basic income. Finally, again beyond the macroeconomic, a basic income will allow for creating work to replace the kind of routine algorithmic work which is anyway being displaced by artificial intelligence. So if we want to ameliorate for the ill effects of capitalism undermining itself through producing gadgets that itself cannot survive, then we need to create a system whereby society stakes a claim to the returns to aggregate capital and this claim becomes an income stream that goes to everyone.

I don't see why my children and your children have a right to a trust fund. Why Paris Hilton has a right to a trust fund when nobody else does or very few people do. Think of basic income as a trust fund for all of our children to be financed by dividends from our aggregate capital which was after all created collectively. Thank you.

**Host:** We're going to take a few questions for Professor Varoufakis. So, got one there. I see one up here. Yep. (points to audience member)

**Question:** You've mentioned three reasons, the technology, the banks and also the politics. Do you think it is an unfortunate coincidence or is it related?

**YV:** Look, I always take a holistic approach, an organic approach. Of course, they're related. The reason why we've had the financialization drive of the nineteen-eighties, nineties and two-thousands, which led us to where we are today, has a lot to do with technological change. And this

technological change, now, with 3d printers and machines that can replace human intelligence at the level of the service sector is going to be a vicious feedback effect, with the effects of the combustion of financial capital. So the answer is they are utterly interwoven, interconnected and interrelated.

**Host:** One right here.

**Q:** Thank you. Yes, thank you very much for your talk I appreciate it. I would like to be a little bit more radical and this is my question. You say that a reason for the existence of a basic income and a conditional basic income is a fact that basic income, in any case, in the context of a capitalistic valorization of today, comes from a collective labor that is organized by state and then all the investment in everything, technologies come from the relationship between public property and private property we can say. My radicalism says that I think that the new technological transformation changes structurally the way of valorization and production of wealth. That means that, in a very slogan way, we can say that life itself is put to labor and is put to value.

**YV:** Can you repeat the last sentence?

**Q:** The life...

**YV:** Yes

**Q:** ...is put into labor and into value. There is an exploitation of life and a sort of subsection of lives that goes beyond that classical subsection between real former subsection in Marxian terms, it is a new way for labor organization, labor valorization. So, I think that maybe the cultural shift that we need to do is to consider basic income as a sort of remuneration of productive life. Not only as part of social security and so on. So I think that it is something that goes beyond the fact that there is a quality of work, something more. I think that is very useful to stress about this topic just to give confidence to the idea to the cultural idea of basic income. What do think about that?

**YV:** I don't see why we disagree. I don't see why we disagree.

**Q:** I don't disagree. I am saying to talk about basic income as a sort of remuneration.

**YV:** Okay, that's fine.

**Q:** I mean contrary to wage.

**YV:** The way I prefer to say it is that it gives us an opportunity to reconsider the notion that wealth is privately produced and collectively appropriated when the reality is exactly the opposite. And now with the internet, for instance, take Google, take Huffington Post, take all the value creation by users, the complete breakdown of the distinction between consumer and worker. So all these corporations have huge input from their own customers. Their customers are producing value and then they're being turned into fodder which is being sold to advertisers for value to return, exchange value, to be returned directly to these corporations and exclusively those corporations. Especially given these corporations are paying hardly any tax. So basic income is a very simple way of ensuring that those who produce the value get a larger share of it. So I agree with you.

**Host:** We'll take one right there.

**Q:** Yes, thank you very much. I have a question that has kind of been bothering me all day concerning what you called the second earthquake or the rise of the machines. What about those

jobs that are not being displaced by a technological development but kind of evolving parallel to it? Like, let's say, digital sweatshops on the Philippines or click working. So I feel like that is some kind of myth that digital technological innovation is going to replace everything. But isn't there also a job sector, a new job sector evolving where humans are doing rather machine like work? To train algorithms, to click, to do Facebook censorship that actually requires human work.

**YV:** You're quite right. But every technological innovation displaces jobs and creates jobs. What we're facing now is the first time in, the first moment in history, where the jobs that are about to be displaced are far more numerous to the ones which are being created and the ones which are being created are much much lower level jobs and more badly remunerated than the ones that are being destroyed. So yes, you're right.

**Host:** Ok, one right here. And then one right there.

**Q:** Hi. Good afternoon, Yanis.

**YV:** Hi, Andrew good to see you.

**Q:** Good to see you.

**YV:** We haven't seen each other for ages.

**Q:** The question I've got, Yanis, is tangential to universal basic income but on your experience in government. What do you think the role of the state should be in the transition to the age of automation and the digital economy and how the state tries to re-orientate the skills agenda? At present, we have in many countries in Europe, apprenticeships and skills agenda, which actually embed the structural weaknesses. So how do you think the state can perform a role in preparing the labor force for the age of automation?

**YV:** That's a great question. I don't think I have an answer to this, Andrew. We certainly need the state to guide the process of, not so much human capital formation, but the formation of the body of difficult knowledge which is necessary. You see, the problem is that we have an educational system and an apprenticeship system that creates human capital of a lowbrow variety. Both in universities and in apprenticeships we are dumbing down our educational system. We are creating incentives for students to study that which they are not good at and which, by the time they graduate, will be irrelevant anyway. For instance, by ensuring that they leave universities with a great amount of debt, we are pushing them at the age of 18-19 to make choices as to what they study on the basis of their own conception of what is lucrative. Which, firstly, doesn't prove to be lucrative and secondly, which forces them to do things that they're not good at. And therefore, depletes the overall effect of education for society. Regarding apprenticeships, I think that... look in Britain today even a fantastic apprenticeship system is not going to work because the level of investment is so low. So what jobs will these apprentices get?

To say that, you know, the supply side story, that if you create a good apprenticeship, good industry is going to move to Britain. Is a bit pie-in-the-sky material. The level of investment is very low and it's not just in Britain. I am appalled by the statistic of recent that in Germany, the most successful European state economy, we have the highest level of savings in the history of Germany and the lowest level of investment since 1945. So, unless you have, together, an aggregate investment policy and educational settings and training settings that are in sync with investment you're going to fail as a society.

**Host:** I saw a last question. I saw a hand right there.

**Q:** Thank you very much Yanis for a really interesting talk. I want to sort of push you a little bit further, maybe, just get some more reflection because I completely agree that being able to say no to a job is a requirement but I also think the next step needs to be some kind of system that helps people figure out what they want to walk towards, right, what is it you want to self-actualize at? And I was wondering, do you have any ideas, if we introduce a basic income, what other systems should the state introduced in order to help people figure out in that process.

**YV:** I don't agree with you on this, you know. I mean I'm not ... don't confuse me for a statist. I don't want the state to tell me what, you know, I should be aspiring to. I don't want the state to tell my daughter what she should become when she grows up. Indeed, I have very little time for all these professional orientation schemes whether they are state or private, you know, especially when they go and take fifteen-year-olds at school and they give them these silly surveys and they tell them, you will become an engineer, you will be a hairdresser and you're going to be a musician. This is all... you know, I have a very deep belief in the capacity of human minds to work things out for themselves, if they don't have to live in terror. That is the main thing.

**Host:** And with that let's please give Yanis a warm thank you.