

Book Review

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Andy Stern (Author) Lee Kravitz (Contributor): Raising the Floor: How a Universal Basic Income Can Renew Our Economy and Rebuild the American Dream

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Andy Stern (Author) Lee Kravitz (Contributor): *Raising the Floor: How a Universal Basic Income Can Renew Our Economy and Rebuild the American Dream*. PublicAffairs, New York, 2016

There are not many basic income related books written by somebody who has long worked for trade unions. Andy Stern, the former president of the Service Employees International Union (SEIU), is an exception. In 2010, after stepping down his presidency, he posed himself a question: how to reconstitute the American dream of a secured and future oriented citizen. This is the topic of his book *Raising the Floor: How a Universal Basic Income Can Renew Our Economy and Rebuild the American Dream* (PublicAffairs, 2016).

I tip my hat to Andy Stern. In countries with higher union density rates, books like this are close to impossible. In Finland, for example, union leaders still argue against legislative solutions to issues like decent wages. For them, the only way ahead is collective bargaining, even when employers have no interest to bargain. And when it comes to the lowest bargained wage levels, it is their privilege to evaluate if they are decent.

Andy Stern takes a more general position. His book is about national position building, based on literature, committee discussions and personal experiences. It is also about unintended outcomes of the long-term development from labour intensive production towards more and more digitally controlled technologies with less and less jobs, especially good jobs, that are a prerequisite for the middle class way of living.

In the US, according to Stern, the middle class is slowly withering because the institutions behind it are withering. What institutions are we talking about?

First, there is a decline of college, the engine of the American dream and the national ethos of the United States. Stern writes about college graduates who cannot find permanent jobs with decent wages. Without a steady source of income, they face difficulties in paying back their loans, and they finally have to return to their parents, who, in the first place, invested huge amounts of money to their children's education.

Second, there is a decline in collective bargaining. Union density and bargaining coverage have come down, as well as wages, and not only for blue collar work. The fruits of productivity go to very few. Without a fundamental change in the system, somewhere around 2030 there will be nothing left of the American dream but a division between those who benefit from the existing rules, and those who do not.

Third, there is the possibility of increasing technological unemployment. The 2013 Oxford study concluded that 47 percent of jobs in the US are at risk of being eliminated due to software, robotics, and machines learning artificial intelligence. In 2030, the share will almost certainly be higher, because of technological innovations replacing intellectual work like writing, researching, diagnosing, teaching, and investing.

When it comes to new tasks generated by these technologies, the net outcome is negative. Stern's position is that this time the economic history does not repeat itself. The evidence comes from Erik Brynjolfsson and Andrew McAfee, authors of *Race Against the Machine Age*, and many other US-oriented researchers, as summarized in the book.

The outcome of all this are two de-couplings: the disconnection of productivity from wages and from jobs. Though the productivity increases, wages and the number of jobs do not (p. 30). In the US, these de-couplings started to function in the 1990s, and they have accelerated since the latest crisis with finance-led capitalism starting in 2008. This conclusion appears very similar to that of the degrowth thinkers who advocate downscaling of production. Stern, however, advocates rearrangements restoring economic growth. Is degrowth excluded because of the American middle class and its commitment to economic growth?

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Stern admits that there are many ways to mitigate the development: by upgrading the EITC, a refundable tax credit for low- to moderate-income working individuals and couples, by investments to infrastructure, by bolstering trade unions, by raising the minimum wage, and by shortening the working weeks. However, these policies cannot undo the above-mentioned de-couplings and restore the steady-state economic development as it has been in the US history.

The difficulty is to see the inflection point now. We might see it perhaps in 20 years from now, but then it is too late. In the meantime, the outcome of retaining status quo of today will lead to the opposite of what we wish to happen: there will be less ground for common good. When it comes to prominent and influential companies of today, their success breeds complacency, complacency breeds failure, and finally only paranoid survive. And when it comes to national economies, our leaders will be walking us toward the edge of the cliff with a blindfold over our eyes. This is the main message of the book.

Something novel is needed, something that takes full use of the digital economy, reinvigorates the economy, and reinstates the playground for the American middle class. For Stern it is Universal Basic Income, UBI, a twenty-first-century solution to a twenty-first-century problem. For Stern, UBI is an alternative to the current status quo, where people work longer, harder and more productively than ever in the recent history, with no increase in wages.

So, how to motivate the American middle class?

Stern starts by depicting congruence between UBI and the American Declaration of Independence and its foundational principle that all men are created equal, with certain unalienable rights such as life, liberty and pursuit of happiness. UBI's foundational principle states that every human being should have at least the basic means to choose the life they want for themselves and their families.

Thus, in the US, the idea of UBI, in some form, has been around for hundreds of years. But the passage of time has brought up some diversity too. Conservatives see UBI as a way of eliminating the costly and inefficient welfare programs. Libertarians view UBI as a way to encourage greater individuality and personal choice. Trade unionists see UBI as a gamechanger in collective bargaining, since it provides labour with opportunity to leave the table.

People could also leave crappy jobs, start a new career, bargain for fewer hours and more training, take time off with their family, or search a new line of work. Such a gamechanger could be welcomed for many reasons. But, what would be the reaction from the employers' side? Would employers leave the table permanently, at least in branch level collective bargaining? Would we end up having only local bargaining?

Stern summarizes that many issues still exist. He also admits that UBI is not needed by everyone. Young people with rich parents already have Parental Basic Income, PBI. They also have friends and connections giving these kids a foot up in the job markets. But Stern concludes that more and more people from left to right see it as a way of creating a floor that keeps people out of poverty.

And, finally, there is the economic argument. Macroeconomists speak about "multiplier effect". The more money you put in consumption, the higher is the multiplier effect on the entire economy. According to Stern, UBI, depending on its design, would increase the multiplier effect. But, certainly, this would happen only by transferring money from high incomes to low and middle incomes, that is, from savings to consumption. Thus, if those who favour savings over consumption had the power to design UBI, the multiplier effect would probably decrease. In the US, this is a likely outcome. In order to avoid this outcome, we should be able to build a new social contract of a consumption oriented UBI.

Is this kind of a new social contract possible in the US? Perhaps not very likely. A new social contract like UBI is an enormous effort to smaller countries with higher sense of consensus. Thus, for the US, it must be more than an enormous effort. But should such a social contract rise on the US national agenda, the line of discussion about the need of UBI would universally change. This possibility makes Stern's book very interesting.