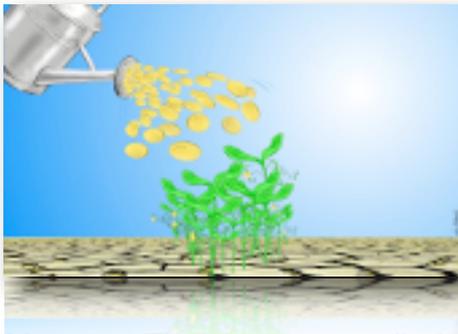


Utopian thinking: the easy way to eradicate poverty

Keeping people poor is a political choice we can no longer afford, with so much human potential wasted. We need a universal basic income



'It's an incredibly simple idea: universal basic income – a monthly allowance of enough to pay for your basic needs: food, shelter, education.' Illustration: Nicola Jennings

Why do poor people make so many bad decisions? It's a harsh question, but look at the data: poor people borrow more, save less, smoke more, exercise less, drink more and eat less healthily.

Why?

Margaret Thatcher once called poverty a "personality defect". Though not many would go quite so far, the view that there's something wrong with poor people is not exceptional. To be honest, it was how I thought for a long time. It was only a few years ago that I discovered that everything I thought I knew about poverty was wrong.

It all started when I accidentally stumbled on a paper by a few American psychologists. They had travelled 8,000 miles, to India, to carry out an experiment with sugar cane farmers. These farmers collect about 60% of their annual income all at once, right after the harvest. This means they are relatively poor one part of the year and rich the other. The researchers asked the farmers to do an IQ test before and after the harvest. What they discovered blew my mind. The farmers scored much worse on the tests before the harvest. The effects of living in poverty, it turns out, correspond to losing 14 points of IQ. That's comparable to losing a night's sleep, or the effects of alcoholism.



Indian sugar cane farmers scored much worse on IQ tests before the harvest than after. Photograph: Ajay Verma/REUTERS

A few months later I discussed the theory with Eldar Shafir, a professor of behavioural science and public policy at Princeton University and one of the authors of this study. The reason, put simply: it's the context, stupid. **People behave differently when they perceive a thing to be scarce.** What that thing is doesn't much matter; whether it's time, money or food, it all contributes to a

"scarcity mentality". This narrows your focus to your immediate deficiency. The long-term perspective goes out of the window.

Poor people aren't making dumb decisions because they are dumb, but because they're living in a context in which anyone would make dumb decisions.

Suddenly the reason so many of our anti-poverty programmes don't work becomes clear. Investments in education, for example, are often completely useless. A recent analysis of 201 studies on the effectiveness of money management training came to the conclusion that it makes almost no difference at all. Poor people might come out wiser, but it's not enough. As Shafir said:

"It's like teaching someone to swim and then throwing them in a stormy sea."

So what can be done? Modern economists have a few solutions. We could make the paperwork easier, or send people a text message to remind them of their bills. These "nudges" are hugely popular with modern politicians, because they cost next to nothing. They are a symbol of this era, in which we so often treat the symptoms but ignore the causes.

I asked Shafir:

"Why keep tinkering around the edges rather than just handing out more resources?"

"You mean just hand out more money? Sure, that would be great," he said. "But given the evident limitations ... the brand of leftwing politics you have in Amsterdam doesn't even exist in the States."

But is this really an old-fashioned, leftist idea? I remembered reading about an old plan, something that has been proposed by some of history's leading thinkers. Thomas More hinted at it in *Utopia*, more than 500 years ago. And its proponents have spanned the spectrum from the left to the right, from the civil rights campaigner Martin Luther King to the economist Milton Friedman.

It's an incredibly simple idea: *universal basic income* – a monthly allowance of enough to pay for your basic needs: food, shelter, education. And it's completely unconditional: not a favour, but a right.

But could it really be that simple? In the three years that followed, I read all I could find about basic income. I researched dozens of experiments that have been conducted across the globe. And it didn't take long before I stumbled upon the story of a town that had done it, had eradicated poverty – after which nearly everyone forgot about it.



Everybody in Dauphin was guaranteed a basic income ensuring that no one fell below the poverty line. Photograph: Barrett & MacKay/Getty Images/All Canada Photos

income.

This story starts in Winnipeg, Canada. Imagine a warehouse attic where nearly 2,000 boxes lie gathering dust. They are filled with data – graphs, tables, interviews – about one of the most fascinating social experiments ever conducted. Evelyn Forget, an economics professor at the University of Manitoba, first heard about the records in 2009. Stepping into the attic, she could hardly believe her eyes. It was a treasure trove of information on basic

The experiment had started in Dauphin, a town north-west of Winnipeg, in 1974. Everybody was guaranteed a basic income ensuring that no one fell below the poverty line. And for four years, all went well. But then a conservative government was voted into power. The new Canadian cabinet saw little point in the expensive experiment. So when it became clear there was no money left for an analysis of the results, the researchers decided to pack their files away. In 2,000 boxes.

When Forget found them, 30 years later, no one knew what, if anything, the experiment had demonstrated. For three years she subjected the data to all manner of statistical analysis. And no matter what she tried, the results were the same every time. **The experiment – the longest and best of its kind – had been a resounding success.**

Forget discovered that the people in Dauphin had not only become richer, but also smarter and healthier. The school performance of children improved substantially. The hospitalisation rate decreased by as much as 8.5%. Domestic violence was also down, as were mental health complaints. And people didn't quit their jobs – the only ones who worked a little less were new mothers and students, who stayed in school longer.

The great thing about money is that people can use it to buy things they need, instead of things experts think they need

So here's what I've learned. When it comes to poverty, we should stop pretending to know better than poor people. The great thing about money is that people can use it to buy things they need instead of things self-appointed experts think they need. Imagine how many brilliant would-be entrepreneurs, scientists and writers are now withering away in scarcity. Imagine how much energy and talent we would unleash if we got rid of poverty once and for all.

While it won't solve all the world's ills – and ideas such as a rent cap and more social housing are necessary in places where housing is scarce – a basic income would work like venture capital for the people. We can't afford not to do it – poverty is hugely expensive. The costs of child poverty in the **US are estimated at \$500bn (£410bn) each year**, in terms of higher healthcare spending, less education and more crime. It's an incredible waste of potential. **It would cost just \$175bn**, a quarter of the country's current military budget, to do what Dauphin did long ago: eradicate poverty.

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That should be our goal. The time for small thoughts and little nudges is past. The time has come for new, radical ideas. If this sounds utopian to you, then remember that every milestone of civilisation – the end of slavery, democracy, equal rights for men and women – was once a utopian fantasy too.

We've got the research, we've got the evidence, and we've got the means. Now, 500 years after Thomas More first wrote about basic income, we need to update our worldview. Poverty is not a lack of character. **Poverty** is a lack of cash.

Translated from the original Dutch by Elizabeth Manton

Rutger Bregman is the author of **Utopia for Realists: And how we can get there**