

London Assembly Economy Committee – 2 March 2021**Transcript of Agenda Item 7 – Referred Motion and Universal Basic Income**

Léonie Cooper AM (Chair): We are now going to have a question-and-answer session on Universal Basic Income (UBI), which is going to inform the Committee's consideration of the motion that was referred from the full Assembly.

I would now like to particularly welcome our panel of guests. We have Simon Duffy, who is the Director of the Centre for Welfare Reform. We also have Alfie Stirling, who is the Director of Research and Chief Economist at the New Economics Foundation.

We are going to be led in the questioning mainly by Assembly Member Caroline Russell but, if other Members want to come in and ask additional questions, I have asked if you can indicate to me in the usual fashion.

Caroline Russell AM: Thank you, Chair, and welcome to Simon and Alfie. As Assembly Member Cooper just described, these questions are picking up on the work the Committee has been doing to consider a motion that was put to the main Assembly and referred to this Committee because the Assembly felt it needed more information before being able to come to a view. The motion was to ask the Mayor to carry out a trial of UBI or to help a trial of UBI to happen in London. That is the context we are working in here.

My first question is to both of you. What would different levels of UBI achieve and do you have a sense of what the optimum level for a UBI should be? Perhaps if we start with Simon. Are you aware of thinking about what different levels of UBI could achieve and do you have a view on what the best level would be?

Simon Duffy (Director, Centre for Welfare Reform): Yes. I suppose it is important to say here, though, when people talk about UBI, there are competing conceptions of the levels. Roughly speaking, you might distinguish people who advocate, at least as a way of beginning a movement towards UBI, what is called a partial UBI, which can be set at almost any level. In a sense, what a partial UBI is partial of is a full UBI. For me, that is the goal. For a full UBI, again, what it would be set at would be subject to all the normal democratic pressures.

A good model and one that I and Caroline Richardson have proposed in a paper called *Basic Income Plus* is to use the Joseph Rowntree Foundation (JRF) minimum income standards. If you see the purpose of UBI as to eliminate poverty - 37% of children in London are in poverty - and if you were actually wanting to solve that problem, then you set the UBI level at the level that eliminates real poverty. Those standards have been set and there is a process for that. Again, all of this is stuff you can interrogate and debate.

It would certainly mean you would have to have a significant improvement in redistribution and so it is not without consequences. There is no doubt about that, but it would bring enormous benefits. Instead of having 144 people die on the streets of London, as last winter, we would have nobody die because people would have sufficient income. You would not have the crime levels you have and you would not have the social and family breakdown problems you have because you would be eliminating poverty and all the impacts of that. That has a price, for sure.

Caroline Russell AM: When you say that it has a price, that is --

Simon Duffy (Director, Centre for Welfare Reform): Increased taxes, in my view. Again, there is a debate about it, but if you look at it, London has a per capita gross domestic product (GDP) of £45,500 per year. It is an incredibly wealthy place. It is equivalent to the super oil-rich state of Brunei in terms of its per capita GDP.

Why do we have the social and economic problems we have? A failed system of redistribution is the only explanation and so we need to tackle that. That means increasing the incomes of the poorest and there is a strong argument to say that UBI is the best approach to that, partially because it is universal and it lifts everybody. In my view, there is no way of solving that just with some small incremental or imaginative taxes. Green taxes, of course, need to be in the economy, but that is for a different reason. If we are really going to solve the problems of maldistribution, we have to both increase incomes and increase taxes.

Caroline Russell AM: Yes. Alfie, would you like to come in on this point? Do you have views on different levels and do you have views on what the right level might be?

Alfie Stirling (Director of Research and Chief Economist, New Economics Foundation): Sure. Stepping back a little bit, it is important to set the parameters for this exercise. If we are trying to assess the efficacy of the UBI or indeed the efficacy of any particular level, we have to be clear on two things. One: what is the objective of that policy or what is the problem we are trying to solve? Two: how does that level of UBI or that specification for UBI compare to other options to solve those same problems? Those are the two things we need to be clear about in setting a level or talking about design.

On the first of those, in terms of the problem, one way of thinking about this is with the traditional 'iron triangle' of social security reform where you have three competing objectives. One is to eliminate poverty or at least reduce it significantly, as Simon was referring to. Another one is to support work. A third is to do so in a cost-effective way. Think about that third one as comparing to other options, if you like.

For the first two of those objectives - supporting work and eliminating poverty - universal payments are very effective. Number one, reducing poverty, they reach everyone. If you have some sort of auto-enrolment system with no means testing, they are very good at reaching people. Whether or not they are adequate depends on the level. I will come back to that in a minute. In terms of supporting work, universal payments are very effective again because you do not have a cliff-edge as people move into work, lose their benefit payments and have a financial incentive not to work.

The issue, if you like, or part of the trade-off with that triangle is the cost-effectiveness and how that measures up against other solutions. To give a flavour of that, if we were to set a UBI at the level that Simon was talking about, the minimum income standard set by the JRF, it would probably cost around half of annual GDP. If we were then going to do that on top of what the Government already does, we would be talking about expanding the size of the stake to maybe about two thirds or three quarters of GDP. That may or may not be the right answer. Clearly, it has political trade-offs and implications.

Also, crucially, it raises the question: is that the best way? Could we achieve the same outcomes with a smaller tax reform? In the end, the problem you have with a UBI like that is you risk having a massive carthorse of tax reform, raising three quarters of the economy from tax, for what is actually quite a modest welfare reform insofar as it is just raising the level for those most in poverty, which could be achieved through other means.

Coming back then to the question particularly about levels, for me, we have to think about this in terms of the cost benefit with respect to other options. It is really clear that introducing a universal payment into our system has huge benefits, but as we increase the level of it, the marginal cost benefit effectiveness of it

depreciates. As you lift it higher and higher, it becomes less and less attractive vis-à-vis other options like means-tested benefits or perhaps having universal services.

For me, we have to be practical and pragmatic and political about this. For me, the best level for a universal payment, whether you call it a UBI or something else, a universal plank that we bring into the system and have other policies laid on top, would probably be something equal to what we currently receive from the personal allowance of income tax. That is about £50 a week if you are a basic rate taxpayer. I believe that because, at that point, you can switch the personal allowance of income tax into a positive cash payment, which would be highly redistributed because those at the top would receive less and those at the bottom would receive a payment they would not otherwise receive. It also would not be raising money from taxes that could pay for pretty much anything else. It is very hard to imagine that we would get rid of the personal allowance of income tax to pay for services and so the opportunity cost is extremely low. For me, I would say about £50 a week would be a really good place to start bringing in a universal payment.

However, the objective would not be to eventually raise that to eliminate all poverty. The objective would be to then layer on top of that means-tested payments and expanded public service provision as well in order to address specific different problems you are trying to solve.

Caroline Russell AM: Does that mean, though, that you would lose the benefits of simplicity? If you then have to do the means testing for benefits on top of that, does that mean you lose the gains of the simplicity of the system?

Alfie Stirling (Director of Research and Chief Economist, New Economics Foundation): Actually, I would argue not. If you want to raise the UBI to the minimum income standard, as Simon suggested, the minimum income standard is not a single level. It is conditioned on the nature and composition of a family. Families have different numbers of children, different disabilities and different housing costs depending on where in the country they are. If you genuinely want to eliminate poverty in the way Simon described, you would still have to tailor your payment in some way to what is needed for families to not fall below the minimum income standard. If you go for a really pure UBI, which is to pay somebody's minimum income standard, it will then mean somebody else has not been receiving it. If you paid it to everyone who perhaps did not have a disability, you may then still need to bring in disability costs on top. If you paid it for housing costs in the North East, you would then need to bring in additional costs for London. If you paid it for a London family with ten children, it would be so incredibly expensive that it might be more than the whole of GDP if you gave everyone that amount. We cannot get away from that. There will always be that complexity in the system because people's lives and families are complex.

Caroline Russell AM: Yes. Simon, did I see you looking like you wanted to come in in response?

Simon Duffy (Director, Centre for Welfare Reform): As we are both advocating for UBI, I am not sure I am going to spend too much time arguing with Alfie about some of his claims, which I disagree with.

Caroline Russell AM: In that case, I will move on to our next question, which Alfie touched on. Can you talk us through some of the alternative models that are proposed, such as Universal Basic Services, and how those models differ from a UBI? Also point out any of the similarities.

Simon Duffy (Director, Centre for Welfare Reform): I suppose one of the interesting features of our time - and again, this is something that the London Assembly and the Mayor will need to think about - is that social security reforms have been driven in a particular direction for some time, which has resulted in the misery machine that is Universal Credit, a system which is empirically proven to damage mental health and has led to

increased suicides. This is public policy. Its logic is depressing and misery-making and more and more people have been caught up in the system.

The question really for policymakers and for London is: what is the alternative? Are we simply going to carry on with that system or try to add a little bit more money, as people are currently campaigning for, to the basic payment or are we going to look at something very different? A UBI is one alternative, which says that we need to secure people's basic economic situation as a human right. Universal Basic Services says that we do not need to do that in terms of income; we could do it in terms of some delivery of goods.

There are not many other alternatives. There are things like a Jobs Guarantee, but they do not really solve the problem of social security in a very clear way. That is a very speculative and uncertain policy. Our choices seem to be strangely narrowing in the public policy field at the moment.

I will let Alfie defend Universal Basic Services. I am on record for thinking that while in some respects we have some great universal basic services I do not want to change like the National Health Service (NHS) and I would love to see some free transport in my city of Sheffield at a local level, I do not understand how we are going to have universal basic services for food, for clothes, for children's toys. I do not understand why we would want to take away choice. I do not understand how we nationalise the services. To me, some of that is a bit mysterious. People are so poor in this country and the money they have is spent on feeding themselves. People are suffering malnutrition. We do not give people enough. What are we going to replace that with, some kind of state-sponsored foodbank? That seems like a terrible policy to me.

Caroline Russell AM: Alfie, do you want to come in and talk a bit more about Universal Basic Services?

Alfie Stirling (Director of Research and Chief Economist, New Economics Foundation): Yes, of course. First, to add to Simon's comments on Universal Credit because it is important here to compare it to our current system, the really big problem with Universal Credit - if you think back to that triangle I talked about of supporting work, affordability and reducing poverty - is that fundamentally a means-tested system is a very bad way to try to support work. If it is means-tested, the benefits get withdrawn as you move into work. Yet Universal Credit is a highly means-tested system. In fact, in the United Kingdom (UK) we have moved from having about 30% of our benefits as universal after the [Second World] War to having about 80% or 90% means tested. Universal Credit is the main plank in that and yet it is claiming it is trying to achieve work incentives. That is why we have these perverse outcomes. In the end, we pay so little that it forces people into work because of poverty or because of sanctions or because of a delay in the payment. It is really suboptimal. Even on its own terms, it is a deeply flawed concept. All the empirical problems we have seen are well noted on top of that as well.

I would agree with Simon entirely. I would not advocate that we replace our cash redistribution system with collectivised services. We need to have a blended system. On a case-by-case issue, we want to think about what the best policy is for solving this problem. When it comes to, for example, food, as Simon talked about, we absolutely want to be having choice, discretion and agency. I would not envisage a national food programme where families could not choose or exercise their consumer agency. We would want to have cash transfers for that. I completely agree with Simon.

However, for something like childcare, there are huge benefits, just like it is preferable to fund healthcare through collectivised service provision because of the cost-effectiveness and the institutional buy-in and the trust in those institutions becomes long-lasting, to doing something similar with perhaps a national childcare service. It is case-by-case but it is not either-or.

If you are thinking about on a case-by-case the different options you have, you have universal payments like Simon was describing and I talked about one element of it. You have means-tested payment, which is another alternative to addressing some of these problems. You have collectivised service provision. Of course, what you also have is the combination of all three and that is certainly what I would propose. On different issues, find a blended system where you are trying to optimise for each different problem based on the best policy option.

Shaun Bailey AM (Deputy Chairman): This is a very interesting conversation. I would just like to pose a few things that I would like you to answer.

Firstly, your estimation seems to have no nodding towards the human condition. I have been a youth worker for over 20 years. I know some people who would absolutely fly if you gave them a lump sum to deal with every week. I know some people who would buy lots of drugs. Where is the care in this? Where is the care for the person? How do you get past just universally giving people money?

Also, would this just drive prices up for basic goods when we know that people could just buy them because the money is there? Would it drive prices up?

I am also a little bit concerned about the work incentive. All of my personal experience has shown me that work is much more than income. It is where people learn things. It is where people make decent networks. Most people who are in long-term relationships probably met the other person at or through work. Anything that damages the work incentive makes me worry.

Much of this conversation has two things that we need to cover as well. There seems to be no agreement on what UBI is. You cannot ask a government or a population to advocate for a policy when there is no defined version of that. This blending of all the different types looks like it will just circle back to roughly what we have now: a very complicated, maybe slightly underfunded system.

All of these things are buzzing around in my head and it does not feel like the UBI has any answer to them. It is a great thing to try to build a system that will lift people out of poverty, but I do not sense any of the human condition in this and, of course, this is before we even get to the cost. I know I am rambling a bit, but there are so many loose ends in this debate that it would be very hard to ask to run a trial anywhere. That is of course what we are focused on - whether we should run a trial - because right now I do not believe anybody could tell me what the parameters of that trial would be.

Léonie Cooper AM (Chair): Shall we bring in Simon first followed by Alfie to answer the various points that Assembly Member Shaun Bailey has just made?

Simon Duffy (Director, Centre for Welfare Reform): Yes, sure. There are a lot of points. I am not quite sure I can deal with every one of your points.

Shaun Bailey AM (Deputy Chairman): I am sorry, Simon. I apologise.

Caroline Russell AM: There is another set of questions looking at the parameters of a trial.

Léonie Cooper AM (Chair): Yes. Keep away from the parameters of the trial but answer the other points about whether or not giving people money would be a good thing, whether they would spend it on drugs, whether it would drive up prices and those sorts of areas rather than the trial parameters, if you can avoid that,

and also the one about putting together the different systems. We can have some more answers on that because we were already covering that a bit.

Simon Duffy (Director, Centre for Welfare Reform): Yes, sure. I suppose the general point here is that you can say, "We do not know what it is and so we cannot test it", but of course defining it is the job of politicians. For policymakers here to be in competition with each other is pretty usual, Shaun, I would think. It is surprising if you want exact consensus from all policymakers. That is quite rare.

Shaun Bailey AM (Deputy Chairman): We want some consensus.

Simon Duffy (Director, Centre for Welfare Reform): UBI as a concept has been around for 50 years. I have certainly thought about it for the last 30 years and worked on it in different ways. It is contested. You are right. In the end, it will only be sorted out what model we implement and a sense that that model itself will be dynamic because it will be part of any democratic system that delivers it. It is a little bit of an unfair critique to say that it is not absolutely clear what it is.

There have been a lot of pilots about it and those pilots have touched on many of the issues that you have described and the impact it is, for instance, not encouraging people to take up drugs but encouraging work. The impact has been to strengthen family life and to increase people's participation in education. We are not lacking in empirical data on the many benefits of UBI.

It did strike me when you made the point about drugs. It is an extraordinary claim, really. If it is a claim that some people might spend excess money on drugs, then that is a really strong argument for progressive taxation. The big drug users in the City of London and the people spending most of the money are not the poor. They are the well-off. It is the City traders and their cocaine habits. Where is the love for them? Perhaps if you increased your taxes on them, they would have less money to spend on drugs.

Léonie Cooper AM (Chair): OK. I do not want to go too far down the drugs route. The same arguments have also been made about people should receive vouchers for food rather than receiving money for food because they might go and spend it on - I do not know - chips and cigarettes. The argument is not specifically about drugs.

Simon Duffy (Director, Centre for Welfare Reform): That is the key thing, with respect. What the UK has become is an increasingly mean-spirited society. What we have seen is a decline in respect for people on low incomes and a concomitant decline in the value of the basic benefits, Shaun. That is empirical. Now, the poorest 10% of people in the UK receive after tax about £40 to £50 per person. There is a reason why they get less than what --

Shaun Bailey AM (Deputy Chairman): Per week?

Simon Duffy (Director, Centre for Welfare Reform): It is to do with the political choices that we make and it is to do with the way in which the political system has been able to effectively stigmatise those people as somehow unworthy. That is why we increasingly move away from cash and economic security and move to increased sanctions and conditionality and even talk of vouchers. It is all interconnected.

What we really need to do - and this is about politics, not economics - is we really need to move towards a universal approach that says every citizen is entitled to economic security and every citizen is worthy of respect. That is where the love is, Shaun. It is the message of the system that starts to enable a different approach. Of course, the money on its own will not do away with the need for a good family life, better

education, good social work and all the other things, but money makes a difference because the way the money is delivered sends a powerful message about what kind of society we are. We could be headed into some very dark places.

Shaun Bailey AM (Deputy Chairman): I --

Léonie Cooper AM (Chair): No, Shaun, do not forget we have six more questions to get through. We have someone else who wants to come in. Alfie, I am going to have to ask you and Simon to be slightly briefer now. Otherwise, we are not even going to get through our questions. Siân [Berry AM] has asked if she can come in as well. Alfie, could you briefly add anything to what Simon has just said, unless you agree with him, obviously?

Alfie Stirling (Director of Research and Chief Economist, New Economics Foundation): I have three quick answers to Shaun's questions. On drugs, this is not a relevant point to UBI in particular because it is relevant for any welfare system where you are giving people in poverty cash. It has nothing to do with whether the payment is universal. It is down to how we are trying to address poverty. Indeed, as Simon said, no one is proposing that we completely get rid of public health, drug rehabilitation services. Those things are all crucial. I do not see that as being a particularly relevant point, to be honest, to the merits of UBI versus other systems.

On work incentives, it is the opposite to what Shaun suggested. Universal payments are very good for work incentives precisely because the money is not taken away when people move into work. If you have a means-tested system, the money is removed, which creates a negative financial incentive to work. UBI is extremely strong - this is recognised across trials and across academia and is policymaking consensus as a principle - and is very good at work incentives.

On inflation, this is a common macroeconomic misconception. If we are going to raise taxes to pay for this redistribution, then it will not be inflationary because effectively what you are doing is you are moving consumption from those who can afford to have a bit less through taxes on income or wealth to those who do not have enough consumption because they are in poverty. Overall, the inflationary effects get managed by that redistribution effect.

Shaun Bailey AM (Deputy Chairman): OK. That is a clear answer. Let us be clear. I never suggested any of those things. I asked if that is the trouble. Remember I have been a youth worker and a drug worker and I have concerns about people giving --

Léonie Cooper AM (Chair): Shaun, we have 20 minutes and four more questions. Sorry. We really do need to move on because Siân wants to come in and then we have four more questions we have not even got to yet in this section.

Can I bring in Assembly Member Siân Berry?

Siân Berry AM: Thank you very much, Chair, for letting me ask a couple of questions. I wanted to ask a couple of things to get some clarity on this idea of the levels we set.

I know that we know that there is about a third of people in London living in poverty. This was before the coronavirus crisis. I wondered if either of the guests had any idea about the relative costs of simply closing the poverty gap in London compared with the costs of a UBI that brings you up to that level with some of it recovered via tax reform from higher earners. Are these the same numbers? I think they are not. Part of a UBI is that people who are lower earners also do receive additional money that is not recovered through tax and

that there are potential benefits for that. I know this is leaking into Shaun's question about what people will spend the money on, but there is additional money given to people who are above the poverty line and so the goal is not simply eliminating poverty. I wondered if there were clues from other trials in other countries about what people do in those lower income bands with that money. Does it help to close wider equality gaps? There is some evidence that people in extreme poverty who receive micropayments, for example, often spend that on education. I am wondering what evidence there is of what people in different countries are spending additional money on when they do not need it simply to ward off poverty. Is this culturally based? Does it seem to be different in different counties? Would that increase the call or the need for a trial in this country to see what, for example, Londoners do if they are slightly relieved of financial pressure?

Léonie Cooper AM (Chair): Who was that to, Simon or Alfie or both?

Siân Berry AM: Either of the guests. I am particularly interested in the costs of closing the poverty gap alone in London, if anyone has any figures for that, and then some idea of what the wider redistributive effects within the quintiles either side of the top and the bottom might be.

Léonie Cooper AM (Chair): OK. Let us start with Alfie this time.

Alfie Stirling (Director of Research and Chief Economist, New Economics Foundation): Sure, yes. On that first question, if I have understood it, are you asking about the conceptual exercise where we said, "For everyone who is below the poverty line, how much would it cost to just give those people enough to get to that line?" Is that the question or is it how much would it cost to give everyone the amount that those people need?

Siân Berry AM: Yes, it is the question of cost-effectiveness that you raised, effectively, Alfie. It is the difference. If you could magically target everybody without having a complex system of means testing and applications, what would just the raw cost of that be compared with the cost of a well-designed UBI scheme that seeks to recover the cost from higher earners but will give money to people who need it, although that is not a phrase I would use?

Alfie Stirling (Director of Research and Chief Economist, New Economics Foundation): The answer is that I do not know exactly off the top of my head. I do not think that work has been done for London. It may have been done in the past for the UK. As you get closer and closer to the poverty line, it gets more and more expensive to do it through a UBI rather than as a targeted measure because you are paying the whole population every pound of that extra pound to get to that poorest person's gap, if you like.

Normally it is a factor of about ten or so, when we look at the UK as a whole, how much more expensive it was to do it through a targeted measure to get to the minimum income standard versus paying everyone. It was about a factor of ten difference and so ten times more to do it through a UBI rather than a targeted payment. It would be interesting to see.

Siân Berry AM: Does that work if a third of people are in poverty?

Alfie Stirling (Director of Research and Chief Economist, New Economics Foundation): Not everyone is below that number by the same amount and so everyone's gap is different. If you want to close everyone's gap, it is the gap of the person in most severe poverty.

Siân Berry AM: That is the gross number, though, but the net number where you recover it in taxes, how far down does that recovery go? With your model that is giving people just the personal allowance in tax, presumably it is recovered straight away off everybody who goes above that. Is that right?

Alfie Stirling (Director of Research and Chief Economist, New Economics Foundation): Yes, that is right. That would be recovered through income tax one for one. If you wanted to have a cost-neutral outcome, you would have to raise all of that additional money through tax. It would be billions at the country level.

The only other thing I wanted to add on that question was that the poverty line itself can be a tricky thing to set because relative poverty is a moving target. It is 60% of median equivalised income. As you think about incomes, the poverty line moves as well. You can try to rectify that by taking a year and taking poverty in that year and then raising everyone. You can do what Simon was suggesting before, which is to have a minimum income standard. There we think that about 75% minimum income standard would basically eliminate poverty. The next 25% is about getting to a socially acceptable standard of living. That is just to clarify on that point.

Léonie Cooper AM (Chair): OK, folks. We have 15 minutes left in this section. We have several questions left to cover and the idea also was that Members might want to have up to five minutes to make a speech. I do not think we can have both. For me, it is more important to continue with the questioning. If everyone is happy to forego their five minutes for speeches, which we mostly had when we had a very good longer session on this last time, I am going to move on to Murad at this point.

Siân Berry AM: If anyone wants to touch on my second question in the answers to further questions --

Léonie Cooper AM (Chair): In the answer, yes. I was going to say, if you can wrap up anything that has not been covered in answering Siân. Thank you, Siân, for allowing me to move on.

Murad, if you ask the very next question, the one afterwards in some ways we have covered. Anyway, I will leave it to you.

Murad Qureshi AM: In some ways, I think we have had the speeches already, but I will come straight to my question which I have been assigned. To both Simon and Alfie, how should a UBI be paid for and what are the different options to do that?

Simon Duffy (Director, Centre for Welfare Reform): Again, the literature is full of alternative forms of taxation but, as I argued earlier, we should be honest and say that it needs to come out of progressive taxation. The current UK tax system is very unprogressive. The poorest 10% pay the most of their income, nearly 50% of their income, in tax and the remaining nine deciles pay about 30% of their income in tax. There is no increase in real taxation on income as you go from the second decile to the tenth decile, extraordinarily.

That touches on part of Siân's question as well. It is actually quite complicated to talk about UBI without reference to tax because, really, this is not a question of gross costs. Talking about gross costs is meaningless. What is really important is the question of redistribution and net costs. Currently we spend £200 billion on benefits, of which £185 billion comes straight back in taxes and so we only redistribute in real terms £15 billion or 5% of the spend. It is a crazily efficient system.

The logic of a UBI, if you fund it out of progressive taxation, is basically to redistribute resources around the mean income. It is important that you understand that this is the mean income, not the median income. It is not just people in the middle from the poorest 50% who get better off. Actually, about 80% of Londoners will

be better off. The people who pay for the system if you implement it are the 20% with incomes above the mean income. That is the critical economic and political thing you need to understand. It is not just that you are pulling people out of poverty. It is that you will lift everybody up.

In fact, like the NHS, even the rich - who, in a sense, will be paying for this - will lose. Their net income will go down. Somewhere about 15% to 20% of the population's net income will decline to fund it. However, we live in such an unequal society that that is about where the balance lies. Even they will get a UBI --

Léonie Cooper AM (Chair): Simon, I do not like to cut you off but, again, I do need you to be snappier in your answers.

Simon Duffy (Director, Centre for Welfare Reform): Sorry.

Léonie Cooper AM (Chair): Yes, we do have only 10 minutes left now. Alfie, is there anything you want to add?

Murad Qureshi AM: OK. Simon is arguing for progressive taxation. Alfie, how do you suggest we pay for it? Are there different options?

Alfie Stirling (Director of Research and Chief Economist, New Economics Foundation): Yes. Shaun's [Bailey AM] question was really helpful in this respect. If the end goal is to manage inflation, if you are distributing cash and inflation goes up, it is almost like an effective tax. It will just erode the value of that money because the mechanisms of the economy will adjust naturally but not by design. It will have all sorts of perverse effects. We want to avoid paying for this through higher inflation.

We therefore have two options. One is to raise taxes, as I said, to reduce that consumption in other parts of the economy to manage inflation that way. The other way is to make use of all the spare capacity that we currently have in the economy. People who are currently unemployed are getting back into work if we are using technology more efficiently. These things will also stop additional spending being inflationary because, rather than just inflating the value of money, it is actually creating real value.

It is a combination, for me, of using that spare capacity in the economy and supporting people who want to work back into work - we have high unemployment and we have low pay at the moment and so improving productivity and reducing unemployment - and progressive taxation, as Simon discussed.

Murad Qureshi AM: OK. Thank you, Alfie. Personally, when I signed up to UBI, I thought there was an opportunity to do it not in a fiscal way but in a monetary way. One area of policy that we very rarely get engaged with politically as politicians and what-have-you is the Bank of England and what happens in monetary policy. For example, in the two stints I have been a London Assembly Member, some of the biggest expansion --

Léonie Cooper AM (Chair): Murad, I did say we are very short on time.

Murad Qureshi AM: Yes, I will make the point and it will be very short because it has not been touched on. That is why I am raising it.

There has been quantitative easing and we have had stacks of money floating around but it has not actually got to these areas we are talking about. I am sure that one-off payments as they are doing in [the United

States of] America -- would you believe it? That is the only thing I agree with [former President] Mr Trump on, but it should have been \$2,000 rather than \$1,400. It seems to me a much easier way of doing it.

Léonie Cooper AM (Chair): OK. Let us move on. OK. Thank you. Caroline [Russell AM], we are going to come back to you, then, for the final couple of questions because the issue about whether the UBI should exist alongside targeted benefits has already been covered off by both of our guests. I can see our next guest has just arrived, which gives the absolute elbow to what I am saying about moving on. Sorry.

Caroline Russell AM: Yes. I am going to amalgamate the last two questions and I am going to go to Alfie briefly first and then go to Simon.

First of all, what should a UBI trial be measuring and trying to understand? Are there any good options for piloting UBI? Is there anything you want to draw to our attention? We are going to have to be brief and so I will go to Alfie briefly first and then to Simon.

Alfie Stirling (Director of Research and Chief Economist, New Economics Foundation): Yes. The problem with trials is you cannot test whatever you are trying to do to fund it because that would involve tax reforms and that would be far too complicated. On the monetary policy side, as Murad talked about, which exactly is the point I was making about inflation, the way in which we use up our capacity is doing quantitative easing or borrowing. That is very hard to test and trial. You are testing the welfare side of things.

The things that would be really interesting, which vary from country to country and from city to city, are the things you have been talking about: understanding the work incentives and understanding what people spend that money on. They are two really interesting empirical exercises that it would be important to understand.

Outwith that, the level is then really interesting. I would suggest testing different levels. That has not been done enough. Trials have tended to test a single level and that means we have to then compare levels across different countries, whereas in a single city or a single country testing multiple levels could be very beneficial.

Caroline Russell AM: That is great and admirably brief. Simon, do you want to have a go at that? What are we trying to understand and actually test? Are there any good options for piloting that you want to bring to our attention?

Simon Duffy (Director, Centre for Welfare Reform): Yes. The key issue is about how citizens behave, in a sense. Actually, the concept of work is itself a little bit contentious here. One of the things we have seen as some benefits have changed is people being unable to contribute to their communities in the way that makes most sense and we have defined work too narrowly. That has been very damaging.

Yes, I am mindful of my chastisements and so I am just going to propose that if you could do only one thing, a really interesting and very affordable reform you could try out is to treat the Employment Support Allowance (ESA), which is income security for disabled people, as a form of UBI. Strip out the sanctions; strip out the means testing. It would not cost more because it is a very identifiable group. See what people do differently when you stop treating them like children.

Caroline Russell AM: Thank you.

Léonie Cooper AM (Chair): OK. That is great. Can I see if there are any other Assembly Members who want to put a final point of any description to either of our guests? They have now been so brief that we

probably have about a minute and then we need to move into the deliberation of the motion. Siân, did you want to come back in at all?

Siân Berry AM: Yes.

Léonie Cooper AM (Chair): Quickly, yes.

Siân Berry AM: In 10 or 20 seconds, a lot of the questions that are being asked in this meeting are exactly the kinds of things we would want to know more about. We need to know how Londoners react to this kind of reform. There is the possibility to test it on Londoners and see what we get. That is what the motion asks for. The motion does not ask us to implement it across London. It asks for some trials. We are all really interested to know the answer to this now and that is why you ought to pass the motion at the end of this meeting.

Léonie Cooper AM (Chair): OK. I am going to assume, then, that there are no further contributions. Going, going, gone. In that case, I would like to thank both Simon [Duffy] and Alfie [Stirling] for their contributions to today's meeting.