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Universal basic income as a new social contract for the age of AI

As AI and automation displace jobs, a new social contract is needed to make sure technological progress and human welfare advance together, not at each other's expense. Universal basic income represents a promising avenue. Gisella Ponce Bertello and Teresa Almeida analyse the history of UBI and write that its successful implementation depends on sustainable funding, investment in education and attention to social and psychological aspects, not only economic and labour market outcomes.

The fast advance in AI and automation technologies has made their impact on employment a central concern for policy makers, business leaders and scholars. Whether current estimates overstate or underestimate automation's impact on jobs, it is worth considering how societies could adapt to a future in which technology is replacing human workers.

Universal basic income (UBI) is often discussed as a possible solution and can potentially become a new social contract. A guaranteed income for all could address AI and automation's most pressing challenges: wage inequality, job insecurity and widespread job losses.

UBI has a successful track record. According to the Stanford Basic Income Lab, more than **160 UBI tests** or pilots have been conducted over the past four decades. The Lab's **umbrella review** of existing UBI literature indicates that such programmes generally yield positive effects in terms of alleviating poverty and improving health and education outcomes, though the evidence regarding impacts on employment is less clear.

More recently, the International Public Policy Observatory estimates that **over 38 UBI pilots** have taken place across Europe, North America and Asia since 2015. While the evidence is still limited, these studies suggest positive effects on employment outcomes and individual wellbeing. Notably, most experiments reviewed in these studies are not truly unconditional and universal. Rather,

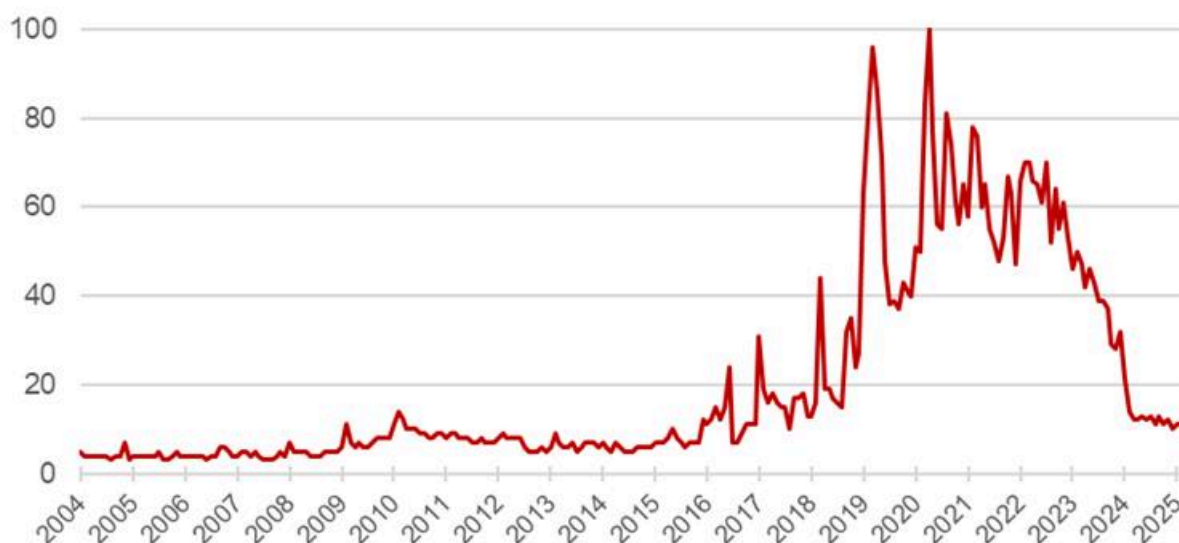
they're targeted or means-tested, that is, beneficiaries must prove their eligibility for government assistance.

The evolution of UBI

The premise of a universal basic income is straightforward. All citizens receive it periodically, irrespective of income, employment status or other factors.

UBI started to garner a lot of attention around 2016, with COVID-19 once again reigniting interest, as illustrated by the trend of web searches shown in the figure below. However, this is merely the latest wave of support for UBI, a concept with a **long history**. In fact, early versions of a UBI-type idea can be traced back to ancient Athens, with more modern articulations emerging in the late 18th century through thinkers like Thomas Spence and Thomas Paine. Joseph Charlier, a Belgian utopian socialist author, further shaped the idea in 1848, proposing the socialisation of rent, with proceeds redistributed as a universal income.

Figure 1. Universal basic income interest over time



Source: **Google Trends**. Note: Figure plots worldwide interest in “universal basic income” based on web searches. Values represent search interest relative to the highest point on the chart.

UBI has experienced several waves of interest throughout history – from the “social dividend” **debate** in the mid-20th century in the UK, to the **1960s movements** in the US led by feminists and civil rights leaders. Following the 2008 financial crisis, renewed interest emerged, particularly in Europe, with countries like Germany, Spain, Switzerland and Austria exploring different UBI proposals. For example, the **Catalan Parliament** approved an UBI pilot in 2017, targeting individuals receiving economic benefits and lower pensions. The pilot aimed to guarantee a minimum income while offering complementary services (such as training and employment support) to empower individuals to live with dignity and maintain autonomy.

The affordability question

A key issue in implementing an UBI is funding. A significant concern is that it could be **economically unsustainable**, given the fiscal costs necessary and how it can impact work incentives. For instance Haynes and Rothstein (2019) estimate that a UBI sufficient to meet basic needs would cost twice the amount of all existing transfer programmes in the US. Additionally, critics highlight the **“progressive” argument** that a flat payment cannot address the complex array of needs and individual circumstances that current benefits systems are designed to cover. Replacing existing targeted policies with a UBI could, in some cases be **regressive**.

Lessons from past experiments show that UBI programmes vary significantly in implementation, requiring careful consideration of both social and fiscal policy environments. To address the limitations of a flat payment, many recent UBI proposals now include a **system of benefits** alongside payments, acknowledging that some people require additional support based on their circumstances

Given the revenue required, it would be difficult to imagine funding an UBI without relying on or changing the current tax structures. Personal income taxes are one of the most obvious **funding mechanisms** for UBI. Ghatak and Jaravel (2020) demonstrated that while it is possible to finance UBI through income taxes, funding cannot rely solely on increased taxation of top earners. This means that with tax rates increasing across the board, concern arises that it might deter labour supply, as the incentive for individuals to work changes.

Other funding mechanisms, such as consumption or value-added taxes (VAT) have also been explored. Luduvic (2021) modelled the US economy to examine what would happen if UBI replaced its current welfare system. He found that a budget-neutral UBI could be funded with a modest 1.5 per cent increase in consumption tax. However, a more substantial UBI (\$1,000 dollars monthly) would require a much larger 19.3 per cent rise in consumption taxes but would deliver stronger welfare gains compared to the smaller UBI. Despite these differences, both UBI approaches reduced inequality in disposable income and improved overall welfare compared to the existing system.

Alternative funding **proposals** focus on land value taxation and taxes on the use of public resources for private gain. Land value tax, which targets the value of land, disregarding its buildings or property investments, has been advocated for by scholars and activists as a **funding source** for UBI. Since the supply of land is fixed, taxing it is considered **economically efficient** and more equitable than taxing labour or capital. Proposals in countries including **South Korea, New Zealand** and **Canada** have explored directing part of a new land value tax toward a UBI.

UBI and a robot tax

In 2017, prior to the current AI boom, Bill Gates proposed taxing robots. His **suggestion** was that companies replacing human workers with automation should pay taxes on those robots, at levels comparable to the people they displace. While Gates did not explicitly tie this robot tax to a UBI, the conceptual link has sparked interest

A major concern with automation is that it will **concentrate wealth** among a small elite who own these technologies, leaving everyone else dramatically worse off. The idea of robot taxation is appealing therefore as a revenue source where automation's economic benefits help support those most affected by its implementation. Moreover, if, as Gates argued, it moderates the pace of automation, it could support funding for education and training so that those displaced can re-enter the workforce.

A new social contract

The automation revolution demands a new social contract where technological progress and human welfare advance together rather than at each other's expense. Universal basic income represents a promising avenue, but its successful implementation depends on three critical factors.

First, funding must be sustainable and aligned with the changing nature of the economy. The robot tax concept offers an elegant solution by creating a direct financial link between automation and social support. Second, implementation must be evidence-based. While many UBI pilots have been conducted worldwide, they have been relatively small and have yet to tackle issues such as the high costs necessary to implement a large-scale idea like a national UBI. Future pilots should also examine psychological and social outcomes, alongside the economic and labour market effect of a UBI.

Finally, UBI should be one component of a comprehensive response to automation.

Education **systems**, training and other aspects of society also need to evolve to ensure a fair transition.

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