



The Daily Dish

Finland Pulls the Plug on Free Money

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Eakinomics: Finland Pulls the Plug on Free Money

The New York Times [reports](#) “Finland has been testing the proposition that the best way to lift economic fortunes may be the simplest: Hand out money without rules or restrictions on how people use it.... Now, the experiment is ending. The Finnish government has opted not to continue financing it past this year, a reflection of public discomfort with the idea of dispensing government largess free of requirements that its recipients seek work.”

At one level, it is easy to dismiss this as the Finnish simply coming to their senses. But the idea of a universal basic income (UBI) has been increasingly debated in recent years, and the idea has roots on both the conservative and progressive sides of the aisle. It is significant that the first full-scale implementation has been scrubbed as unworkable (pun intended). What went wrong?

To begin, the Finnish government had seemingly bizarre expectations. “The government hoped that basic income would send more people into the job market to revive a weak economy.” This is a large-scale version of hoping that providing Obamacare health subsidies independent of work would raise labor force participation. Neither outcome was ever in the cards. Indeed, the relevant question is probably how much the UBI benefits end up deterring work.

A related hope is the idea that a more generous social safety net will force employers to raise wages as the way to “lure” workers into the labor market. (It is the United States that has gotten this issue backward, with some arguing that the safety net subsidizes large employers. [Wrong](#).) It might be true that a UBI will force employers to raise wages. But to what avail? After all, it is possible to simply raise wages through a higher minimum wage, or payroll taxes, or a dozen other methods. None of those will make things better.

But the biggest miscalculation behind the UBI is failing to connect the source of the funds with their use. UBI is simply OPM — Other People’s Money. If people want to work hard and support others, they can do that without a UBI program. Private charity is alive and well. But the notion that some will follow the rules, work hard, save, and succeed while others play online games at their expense simply did not fly. Recall, the U.S. Tea Party movement was formed in reaction to a similar proposal to use taxpayer money to bail out underwater mortgages.

Work is the foundation of economic success. Work is also a valuable source of esteem and experience. It turns out that it is also viewed as the fair way to get large-scale taxpayer support.