Twitter Thread by Ali Al-Salim [redacted]



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THREAD:

1/ Why UBI is #Kuwait’s best hope to survive the next 20 years.

2/ Kuwait's economy is dominated by the state which in turn generates almost all its revenues from oil. Furthermore, private sector activity today is in effect completely dependent the public sector.

3/ I posit that excessive public sector employment is the root cause of many, if not the majority of Kuwait's problems that, left unchecked, will ensure standards of living only decline from here on.

4/ The obstacle to change is Kuwait's 1961 constitution obliging the state to provide every citizen with employment. Kuwait’s high population growth has brought it to a tipping point where:

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— Public payroll increasingly crowds-out all other types of state spending, meaning state dominated/controlled sectors are starved of capital and the private sector isn't allowed to fill the gap.

6/

— Citizens are diverted from productive work and building globally competitive/sustainable enterprises, by generous and consistent state salaries and handouts.

7/

— The outsized role of the state in the economy and its increasing layers of bureaucracy have created conditions where corruption thrives.

8/ Kuwait has neither the social nor political will to freeze or cut public sector wages, and it cannot stop employing citizens due to its constitutional obligation.

9/ An elegant solution to its increasingly unsustainable socio-economic model, is to begin offering a new kind of “employment” resembling what many call Universal Basic Income (UBI).

10/ Kuwait’s UBI should be:

— Instated as a "salary" for a "job" to comply with the constitution.
— Uniform, every adult gets the same.
— Variable, a % of oil revenues is allocated.

11/ To incentivise adoption, the UBI salary can be set higher than existing state salaries. This draws citizens away from traditional unproductive and administrative jobs.

12/ As more switch to the UBI scheme, the lower the state salary per capita becomes. This creates an incentive for citizens to supplement their incomes through private employment or entrepreneurship.

13/ A smaller public sector means less scope for corruption as ministry budgets shrink. A consequence is a less toxic political climate, reducing the time spent debating corruption and wealth distribution.

14/ It also sends an important signal to citzens for the first time: that oil prices and hence state revenues, are volatile. This will incentivise a higher personal savings rate, leading to opportunities for capital formation and domestic investment.

15/ The public sector portfolio should be concentrated in areas where a state monopoly make most sense, i.e defense, police and the judiciary.

16/16 I'm generally not a proponent of #UBI, but in Kuwait's case the existing system has proven so inept at exercising restraint and encouraging productivity, that it's the only feasible solution left other than opening Pandora's box and amending the constitution.