

Parallel session on "The economic costs and benefits of UBI"

# What we still need to know about UBI: the financing question and the long-term impacts of unconditional cash

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would need to pay both for their own **basic income** and for much of the **basic income** of the ...

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#### [LIVRO] Arguing for **basic income**

[P Van Parijs](#) - 1992 - modernmoneynetwork.org

... of what will be called here, in accordance with prevailing English usage, a **basic income**. A

**basic income** is an income unconditionally paid to all on an individual basis, without means ...

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#### [LIVRO] The case for universal **basic income**

[L Haagh](#) - 2019 - books.google.com

... appeal in conditions of rising inequality, **basic income** may itself be both less likely ... for **basic**

**income** in the foreground: the universal welfare state needs **basic income** – but **basic income** ...

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#### **Basic income**

[S Birnbaum](#) - Oxford research encyclopedia of politics, 2016 - oxfordre.com

... While these authors disagree as to whether we should aim for **basic income** that covers basic needs or is the highest sustainable amount, they all regard the **basic income** as part of a ...

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#### A republican right to **basic income**?

[P Pettit](#) - **Basic income** studies, 2008 - degruyter.com

... giving each a **basic income**. But, that would not mean that people would enjoy **basic income**

as a ... A plausible liberal argument for a right to a **basic income** must offer a liberal reason – ...

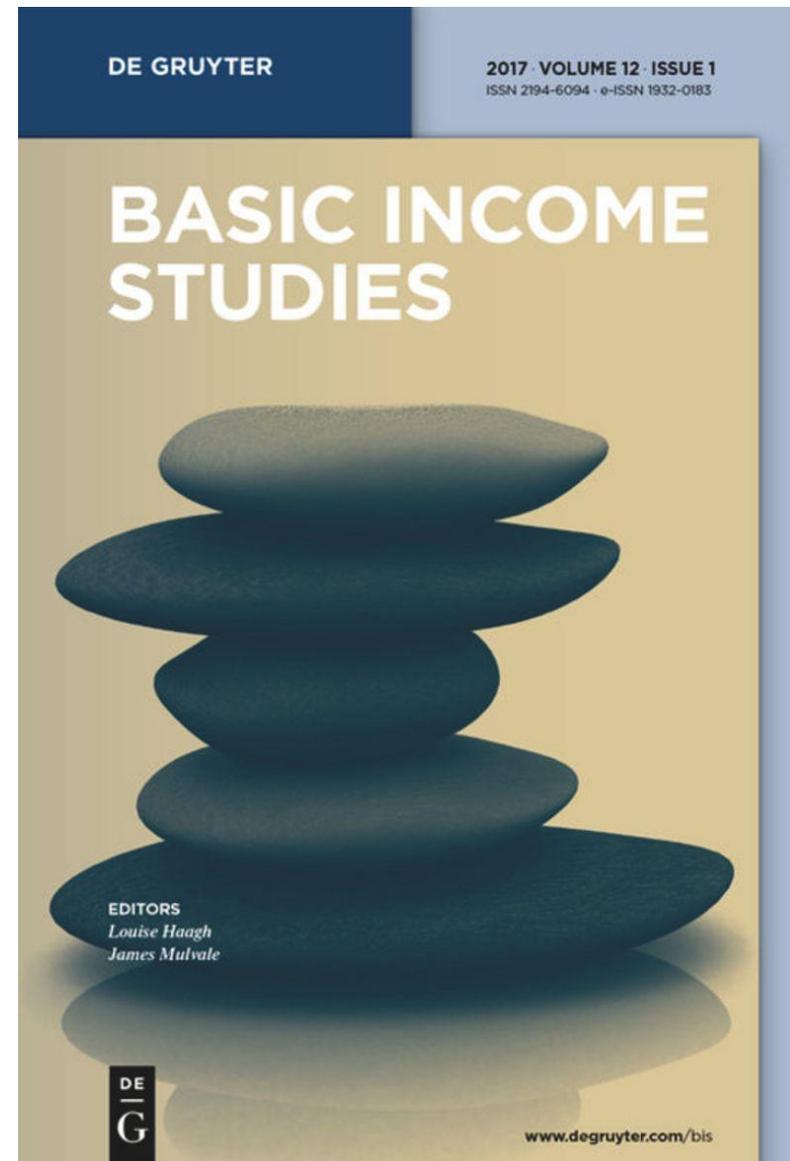
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#### [LIVRO] **Basic income**: And how we can make it happen

[G Standing](#) - 2017 - books.google.com

... We need to start by defining what is meant by a **basic income**. Although there are a number of variants, which will be discussed in due course, a **basic income** can be defined as a ...

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Adapted from Stanford Basic Income Lab Map  
Available at: <https://basicincome.stanford.edu/experiments-map/>

However...

Both data and theory have proven in general  
**insufficient for policy actors to decide** to move ahead  
and implement or strongly endorse the idea of  
Unconditional Basic Income

## Outline

1. Explore why this is so – is it that we don't know enough about a UBI?
2. The moral and empirical debate on basic income: what are we standing up for, and what do we know of its impacts?
3. The bottleneck: the financing question
4. Final notes: the moral and empirical debate is not so divided

## What do we discuss in the normative debate on UBI? (I)

- UBI enhance 'real freedom' (Van Parijs & Vanderborght, 2018)
- UBI to make the welfare system more efficient
- UBI to reduce stigmatization and misuse of arbitrary power (Eleveld, 2018; 2020)

## What do we discuss in the normative debate on UBI? (II)

- UBI to decommmodify work and promote a (fair) ecological transition (Pinto, 2020; Paul, 2021)
- UBI promoting and/or rewarding free riding as non cooperative behavior (White, 2003)



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## What do we know from experiments? (I)

- Rich although context specific Information
- Redundant effects (Laín, 2019)
  - Improvement in stress and anxiety levels
  - Nutrition improvement
  - Health and education improvements
  - Labor intensity reduced (small and scattered evidence)



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## What do we know from experiments? (II)

- Less stigma (conditional on design ? See Calnitsky, 2016)
- Impacts on institutional trust (not enough data) and community impacts (qualitative data from experiments in Global South)

## Despite the evidence, we have gaps, namely on the ‘finance question’

*“Financing is front-and-centre in any talk on sustained UBI.”*

*“These [financial considerations when it comes to funding a UBI] become even more pressing when public buy-in and political acceptability are factored in. Think, for instance, how profoundly the politics around the policy would change depending on how distributive a given UBI scheme is and whether it is financed by re-directing existing funds (e.g., from pensions) or by tapping into new revenue streams, leaving the current entitlements untouched”*

(Crowley and Sevcic, 2016)



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## Questions on the financing model

- Gross and Net cost
- Defining the grant level
- Funding sources
- Scope
- With out without taxation

## Side note: some models

	UBI in vacuum		Revenue neutral	
	Model 1: ballpark estimate		Model 2: Optimize the system	
<b>Country</b>	USA		Canada	
<b>Grant level</b>	12.000 USD for an individual 6.000USD for children (annually)		20.000 USD per adult, adjusted for family size	
<b>Universal</b>	Yes – but redistributive		No	
<b>Unconditional</b>	Yes		Yes	
<b>Marginal Tax Rate</b>	50% market income		30% based on family net income	
<b>Cost</b>	539 billion USD (net cost)		Revenue Neutral	
<b>Funding sources</b>	N/A		Replacing existing Tax Credits (federal an provincial level)	
<b>Impact on Poverty</b>	Poverty Rate Reduction from 13,5% to 0%. Lifts 43,1 million people (including 14.5 million children) out of poverty		Poverty rate falling by 73% to only 3.2%	
<b>Impact on Inequality</b>	N/A		Decrease of almost 17% in Gini Coefficient Earnings of those in the top half of the net family income fall roughly 10% Earnings of those in the bottom two deciles gain by 167% and 74%, respectively	

## Side note: some models

	UBI is unaffordable	
	Model 3: UBI is unaffordable or unrealistic	Model 4: Job Guarantee is better
<b>Country</b>	Several (within OECD)	USA
<b>Grant level</b>	GMI – Below Poverty line Or Set at the Poverty Line	500 USD for people under 18 years of age; 9.359 USD for persons between 19-64 of age, 8.628 USD for those 65 years of age and above
<b>Universal</b>	Yes – not sustainable  Propose:  .Mild eligibility criteria; .Payments Cap during lifetime; .Implemented by population groups	NO: NIT model
<b>Unconditional</b>	Maybe	Yes
<b>Marginal Tax Rate</b>	N/A	25,6%
<b>Cost</b>	Depends in context	1.09 trillion USD (NIT)
<b>Funding sources</b>	Mostly income tax	N/A
<b>Impact on Poverty</b>	Might increase earning of middle class or lower income groups with little take up of benefits. Might reduce benefits of those who have extensive coverage e.g., people with disability, unemployed	N/A
<b>Impact on Inequality</b>	N/A	N/A

# Side note: some models

	Affordable UBI		
	Model 2: proposal for CA	Model 6: a redistributive UBI	Model 7: UBI as a toolkit for economic policy
<b>Country</b>	Canada	United Kingdom	Spain
<b>Grant level</b>	18.300USD for individuals (~1.500 USD/month) and 25.900 USD for couples (~2.150 USD/month).	UBI for adults of 7,706 GBP per person per year, which equals the poverty line for two adults living together (15,413 GBP), but below the poverty line for one individual living alone (£10,327)	8.815 euros per year. Follow the OECD household modified-scale, where first adult counts 1x, additional adults count 0,5, and children below 14 count 0,3.
<b>Universal</b>	Yes – but redistributive	Yes – but redistributive	Yes –not considered for income tax
<b>Unconditional</b>	Yes	Yes	Yes
<b>Marginal Tax Rate</b>	50% per dollar of employment income (pensions, payments to children or seniors are exempt)	50% income tax of net beneficiaries integrated into UK's tax and benefit system	No
<b>Cost</b>	51 billion USD (net cost)	67 billion GBD per year (net cost)	273.760,05 million euros (gross cost)
<b>Funding sources</b>	.Reduce tax credits; .Contributions from the financial sector; .Fewer tax breaks for large companies; .Fewer subsidies for the wealthiest.	.Marginal tax and income tax .Substituting predefined cash transfers	Reform of the income tax – flat tax for all income, and a compensation proviso for the 20% poorest households Wealth tax of 2%
<b>Impact on Poverty</b>	Lift 1.6 million families out of poverty	Decrease of 16% to 4% in the percentage of UK families with incomes below the current official poverty line. Income poverty among children and the elderly would disappear	0,54% of households at risk of poverty and 0,15% experiencing severe poverty (reduction from 19,28% and 8,46%, respectively)
<b>Impact on Inequality</b>	Make life more affordable for 7.4 million Canadians including millions of people who work	70% of households would, to different degrees, become net beneficiaries of the UBI scheme, assuming a uniform distribution of household sizes across the income spectrum	14,78% redistributive effect, compared to 3,8% of the status quo. 15point reduction in the GINI coefficient, from 0,3836 to 0,2359.



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## The problem with the finance question

“Decisions about a UBI should come in conjunction with decisions about its financing, **as alternative financing options can have quite different macroeconomic, fiscal, and distributional effects that could reinforce or offset those of the UBI.**”

Those effects would reflect a range of economic, demographic, social, and institutional factors that will likely prove highly country specific”

(Ter-Minassian, 2020)



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## **Beyond the finance question – UBI is not implemented in a vacuum**

- UBI's “interplay” with the rest of the policy space – benefit systems, social agendas: what are the trade-offs? What should we be considering and why?
- Second-order effects: community impacts, equilibrium effects, among others



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## What to do?

- 1) Continue the normative debates – and expand them beyond academia (awareness on the policy is oftentimes still not a given).

Also discuss the alternatives, and engage with policy agendas (care work; precariousness; pension systems; gender justice)



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## What to do?

### 2) Experiment with a UBI

Experiments should continue to be promoted – both local, wide-scale and micro-simulation studies. Focus on understanding UBI's interplay with existing welfare safety nets.

Mix-methods to increase the scope and quality of the data collected, and avoid biases (Widerquist, 2018)



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## What to do?

3) Use the empirical evidence to expand the normative debate (i.e., if people work less, is that bad?)

*Think, for instance, how profoundly the politics around the policy would change depending on how distributive a given UBI scheme is and whether it is financed by re-directing existing funds (e.g., from pensions) or by tapping into new revenue streams, leaving the current entitlements untouched” (Crowley and Sevciuc, 2016)*

Obrigada!  
Thank You!

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