

Taking Basic Income Seriously

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BC Basic Income Panel

- Formed in August 2018 as part of the agreement between the BC NDP and Green Parties
- Mandate to investigate whether to make a Basic Income (BI) the main pillar of transfer policy in BC or, alternatively, to consider other policy reforms that embody the principles underlying BI
- Commissioned over 40 research projects involving over 40 researchers across Canada and internationally
- First stage report was submitted in August, 2020 with the final report due in December, 2020

Necessary Considerations

- We are not yet able to talk about our conclusions and recommendations
- While a BI is often promoted for its simplicity, we have come to appreciate the complexity of introducing a BI
- Taking a BI seriously means addressing those complexities
- In this talk, I will set out some of the key questions that need to be addressed in deciding on whether a BI is the right tool

Defining Basic Income

- A Basic Income is an income with three defining features:
 - ① Universal
 - ② Unconditional (and permanent)
 - ③ Individual

Defining the Goal

- Main question for BC Panel: Would a Basic Income move us toward a more just society
- Would it allow us to move toward everyone being "treated as a dignified being whose worth is equal to that of others"?
- Would it provide the basis for everyone to "have a lively sense of their own worth as moral persons and to be able to realize their highest order interests and advance their ends with self confidence."
- Would it help in creating a feeling of a meaningful life, including social connection, a feeling of autonomy, and effectiveness?

Question 1: What is the Immediate Objective?

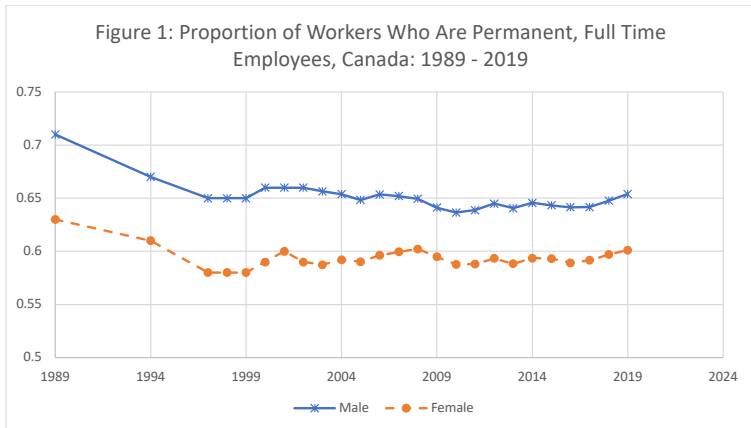
- 1 Reducing the rate and depth of poverty, and breaking the intergenerational transmission of poverty
- 2 Reforming the economy and the labour market in the face of perceived disruptions due to technological change (AI, etc.)
- 3 simplifying the transfer system to make it more accessible, more effective and more respectful of those who need support

Question 1: What is the Immediate Objective?

The end of (good) work is not imminent in Canada

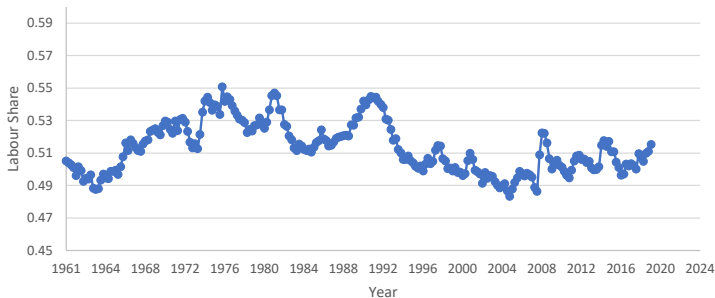
- In the last 15 years: real wages for lower educated workers have increased, labour share has increased, inequality has decreased, the employment rate has been flat, and the share of workers in full year/full time work has been stable
- There is considerable precarious work. Unionisation has declined and fissured work seems to have increased. But these are long term not recent trends
- Is a basic income the right tool for these deeper issues in the labour market?

Proportion in Full Time - Full Year Jobs



Canada Labour Share

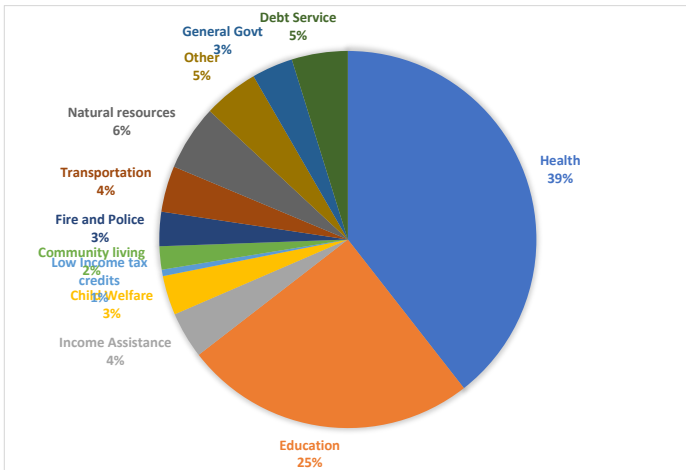
Figure 8: Canada: Unadjusted Labour Share
1961Q1 - 2020Q1



Question 2: How Will it be Financed?

- This is often treated as a separate question but it should be treated as an integral part of any proposal for two reasons:
 - ① To the extent it is paid for through personal income taxes, we create incentive changes throughout the tax structure (not just from the direct transfer and tax back rates associated with the BI)
 - ② Proponents often argue for savings through the BI replacing other systems and reducing costs such as health care and criminal justice. So the effects of a BI cannot be untied from its financial impacts.

BC Budget Expenditures 2019-20



Basic Income Variants

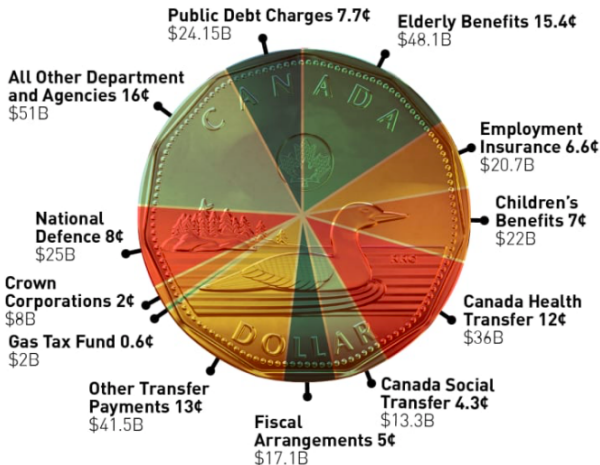
Cost Estimates:

- \$5,000 Demogrant: **\$14.5 b**
- \$5,000 NIT (15% tax back rate): **\$4.1 b**
- \$5,000 NIT (30% tax back rate): **\$2.4 b**

- \$18,000 Demogrant: **\$52 b**
- \$18,000 NIT (15% tax back rate): **\$34.7 b**
- \$18,000 NIT (30% tax back rate): **\$23.1 b**

- Total BC Budget 2019-20: **\$58.2 b**

WHERE YOUR TAX DOLLAR GOES 2016-17



Question 3: How Will it be Integrated with other Systems?

- A simple flat payment will not be sufficient for the disabled, the vulnerable drug-addicted population, or youth ageing out of care
- In all these cases, other supports are needed. We need to build a better platform to support a basic income.

Question 4: How Will it be Implemented in a Responsive and Comprehensive Way?

- Green, Gutierrez, Milligan and Snowberg(2020): using Census, tax and death records, approximately 7% of people have tax forms but do not file taxes. Another 3% are not present at all in the tax records. Similar to Robson and Schwartz(2020) - 12% do not file taxes.
- How to make it responsive to immediate needs (e.g., women escaping abusive relationships)? Would seem to require substantial adjustments to the tax system, e.g., real time reporting of income.

Question 5: What is the Nature of the Society We Want to Create?

Philosophical Arguments in Favour of a Basic Income (Van Parijs):

- Goal is to maximize the 'real freedom' of the least well-off, where 'real freedom' is defined as 'the means they require for the pursuit of their conception of the good life, whatever that is.'
- Conceives of there being a set of rents in society (related to land, resources, and luck in finding good jobs), with each of us having an equal claim on those
- A Basic Income (a universal, unconditional and individual payment) is the embodiment of this right of residency that is given out in a way that emphasizes freedom to choose and pursue your conception of the good life. This is why it is a cash payment.

Philosophical Arguments Against a Basic Income (Anderson)

1) Simple liberty of this type is not what we owe each other: 'it favors distributing income over direct in-kind provision of ... particular goods, such as health care or education. The preference for income rather than in-kind transfers reflects the commitment of real libertarianism to promoting freedom, conceived as a generic good; the real libertarian urges that we provide people with the resources they need to achieve their aims, whatever those aims are. Thus it gives no special priority to freedom from disease over the freedom to idle: freedom is freedom. As an account of what we owe to one another, that seems misguided.'

Philosophical Arguments Against a Basic Income (Anderson)

‘What we owe are not the means to generic freedom but the social conditions of the particular, concrete freedoms that are instrumental to life in relations of equality with others. We owe each other the rights, institutions, social norms, public goods, and private resources that people need to avoid oppression (social exclusion, violence, exploitation, and so forth) and to exercise the capabilities necessary for functioning as equal citizens in a democratic state. From a social point of view, then, we should grant higher priority to securing certain goods, such as education, over others, such as surfing opportunities, even if some individuals prefer surfing to schooling. A maximal UBI risks overproviding optional freedoms at a substantial sacrifice large enough to compromise social equality to the particular freedoms we owe one another.’

Philosophical Arguments Against a Basic Income (Anderson)

- ‘Third, in granting a Basic Income that is not conditioned on the willingness of the able to work, the UBI promotes freedom without responsibility, and thereby both offends and undermines the ideal of social obligation that undergirds the welfare state.’
- There is also a question of whether we want to use policy to actively build community versus giving people financial resources and hoping that, in part, they will use those resource to build community

Philosophical Arguments Against a Basic Income (Anderson)

- The first critique and the last point raise the alternative of emphasizing basic services rather than basic income

Philosophical Arguments Against a Basic Income (Anderson)

- The third critique embodies a fundamental difference in how we view the nature of the exercise on which we are embarked together:
 - One in which transfers are a right of citizenship (residency)
 - One built on a notion of mutual insurance where those who are able in essence pay into the scheme through taxes so that others can draw out
- Anderson's argument is that if a Basic Income causes some who are able to contribute to go surfing instead then the compact is broken, with dire consequences
- As she states, this is partly an empirical question: would a basic income, as some critics charge, lead to reductions in productive work?

Philosophical Arguments Against a Basic Income (Anderson)

- It also raises important questions about the need for insurance. Supporters of a Basic Income often argue that it will act as a type of insurance, picking up those who lose jobs to technological change. But, at least in the demogrant form, it seems more like requiring people to self-insure

CERB is not a Basic Income

- Conditional on earnings of at least \$5,000 in 2019, lost job due to Covid, and did not quit job
- No discussion of financing
- Ad hoc integration with other programmes
- It is a one-time emergency payment related to this pandemic
- There may be lessons we can learn from it about implementation but it will not tell us whether or how an ongoing BI will work (e.g., would a BI enable workers to leave bad jobs or negotiate better wages?)

- A Basic Income is not a simple policy
- Understanding whether it is the best approach requires specifying what objective we are trying to attain with it, how it will be financed, how it will interact with other systems (or, what other supports are needed for it to be an effective policy), and how to make it comprehensive and responsive
- Making a Basic Income the centre piece of policy implies choosing a particular form for society with heavy emphasis on individualism and choice
- The CERB is not a Basic Income and, so, our experience with it likely provides limited information on these questions