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Financing Basic Income
A Dual Income Proposal
Second Edition

Edited by
Richard Pereira

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Exploring the Basic Income Guarantee

Series Editor

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Basic income is one of the most innovative, powerful, straightforward, and controversial proposals for addressing poverty and growing inequalities. A Basic Income Guarantee (BIG) is designed to be an unconditional, government-insured guarantee that all citizens will have enough income to meet their basic needs. The concept of basic, or guaranteed, income is a form of social provision and this series examines the arguments for and against it from an interdisciplinary perspective with special focus on the economic and social factors. By systematically connecting abstract philosophical debates over competing principles of BIG to the empirical analysis of concrete policy proposals, this series contributes to the fields of economics, politics, social policy, and philosophy and establishes a theoretical framework for interdisciplinary research. It will bring together international and national scholars and activists to provide a comparative look at the main efforts to date to pass unconditional BIG legislation across regions of the globe and will identify commonalities and differences across countries drawing lessons for advancing social policies in general and BIG policies in particular.

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For Marcus & Simon

PREFACE

Work on this book began in late 2014, when the series editor for Palgrave Macmillan's *Exploring the Basic Income Guarantee* invited me to write a book on the question of financing a basic income. The book would fill a significant gap in the literature he suggested and would be an important contribution to scholarship on this issue.

So began the journey of finding authors to help tackle this complex issue. There was substantial enthusiasm for the subject, however it was viewed as a daunting task by many or their academic and professional lives were just too occupied to take on this subject they deemed very worthy. What is presented within these pages is the effort and analyses of international authors and scholars with experience on the subject of public finance and public program assessment on three different continents. Case studies from North America, Europe and Australasia are included in these chapters with applicable insights for various countries within these regions.

In the two year period during which this book was being written and edited, we have seen the pursuit of policies of austerity deepen worldwide, while simultaneously the issue of tax evasion and avoidance through offshore tax-havens has continually gained more exposure in the popular press. In the United States the growing gap between rich and poor was a central feature of a very long presidential campaign, particularly before the Democratic Party finalized its choice of candidate for the White House. In some countries sovereign wealth funds (SWFs) have continued to amass

wealth for public goods, while other countries have allowed the value of public and natural resources to be squandered. It is clear that there is vast wealth in societies throughout the world, but that it increasingly is consolidated in fewer hands, fewer large multinational corporations and in offshore tax havens that are an affront to the proper functioning of society and management of its public finances. This is the broader international context in which this book has been written. The specific details concern financing basic income, and more precisely a *decent* basic income.

Costly bureaucracies in modern societies do not deliver income security in the way they were originally intended to, and often overlap and contradict each other. Can we not find a way to re-orient this wasteful system so that resources are better channelled to ensure universal income security? For a long time the proposed solution has been a basic income, or guaranteed annual income.

Mississauga, Canada
November 2016

Richard Pereira

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So long as there is one man who seeks employment and cannot obtain it the hours of labour are too long.

—Samuel Gompers

Everyone can enjoy a life of luxurious leisure if the machine-produced wealth is shared, or most people can end up miserably poor if the machine-owners successfully lobby against wealth redistribution. So far, the trend seems to be toward the second option, with technology driving ever-increasing inequality.

—Stephen Hawking

The right to free speech and free expression... is hedged around with a variety of subtly inhibiting factors, many of them economic. A very large proportion of Canadians are afraid of being outspoken because of the fear—a real one—of losing their jobs... The truth is that an army of people are working in jobs which are not really of their own choosing and which can only be described as degrading. None of these people can be said to be free in the proper sense of that overworked and mangled word. ... Until there is a basic economic floor beneath them, these people cannot begin to participate in the whole range of what we mean when we talk glibly about a free society.

—Pierre Berton

In 483/2 BC, the ancient Athenians struck an unusually rich silver vein in Southern Attica. One proposal for the disposal of the revenue from the windfall was to distribute it equally among the thirty thousand citizens, thought to be a common practice at the time.

—George Tridimas

PROLOGUE TO THE SECOND EDITION

Between 2018 and February 2020, an intensive campaign for a national guaranteed income was carried out in the United States. The Freedom Dividend advocated by Andrew Yang in his bid for the presidency of the United States called for a \$1,000 monthly payment to each American citizen 18 years of age and older. A specific financing proposal was put forth, of which the focal point was a new VAT (value added, or sales tax).

A new chapter in this second edition of the book proposes an alternative source of financing to the VAT for the Freedom Dividend model. Instead of an often labelled “regressive” sales tax or broadly applied VAT, a more progressively structured land value assessment and levy is considered for both the Canadian and American cases as one option to finance a national universal payment to citizens. The LVT (land value tax) is an American idea with a long heritage dating back to economist and politician Henry George, and in some senses further back to Thomas Paine, which has not been given very much attention in recent decades.

The remainder of Yang’s Freedom Dividend proposal contains financing elements very similar to those proposed in this book’s first edition: selective programme redundancy (“Welfare Overlap” in Yang’s proposal), the economic multiplier effect of the basic income (“Economic Growth”), reduced poverty expenses and public costs, a carbon fee and dividend, and financial transaction tax round out the six financing components of the Freedom Dividend. It is submitted here in this second edition

of the book that a serious consideration of the economic rents available from land (land rent) and other resource rents (natural and social resource rent) offers a far more politically feasible path to a universal citizens' dividend, which better meets the objectives of distributive justice than implementation of a new VAT or sales tax.

An additional new chapter in this book focuses on financing an unconditional basic income in Portugal. This new case study provides a useful template and exercise in considering the myriad financing sources available to guarantee an income for all in a resource-constrained economy. Compared to the economic power and resource wealth (natural,¹ mineral, land, financial, technological-scientific) of Canada, the United States, Australia or Switzerland, a nation such as Portugal can achieve a guaranteed income for all its citizens sufficient to eliminate poverty and live in dignity.

The foregone economic rent of land, natural resources and social common wealth represent a potent source of untapped finance and future savings available for a) basic income/citizens' dividend and b) sovereign wealth funds (SWFs) which can share the wealth intergenerationally, while investing sustainably in the country currently without incurring debt. Norway, Alaska, Singapore and other nations and jurisdictions offer leading examples of SWFs that invest locally and internationally and provide public goods for current and future generations. These wealth accumulation and distribution instruments are underutilized or non-existent in the countries that make up the focus of this book, particularly at the national or federal level of government.

These new comparative case studies build upon the first edition of this book. Additional supporting material on international SWFs and other models to capture economic rent (or windfall profits) for the benefit of citizens is presented. This deepens support for my thesis in the first edition that two forms of guaranteed or basic income can be financed and provided to citizens. The first is a guaranteed livable income (GLI) sufficient to eliminate poverty and its exorbitant financial and social costs, eliminating the need for food banks and charity, replacing many wasteful and bureaucratic programmes that are not fit for purpose. The second is a universal dividend that derives from our common wealth, natural and

¹ oil and gas, forestry, fresh water and hydro-electric, etc.

social common assets, which we inherited from nature, from our ancestors or from public investments meant to benefit all people and not private corporations and rent-seeking individuals disproportionately.

This dual basic income or guaranteed income model can become an exercise in reclaiming citizenship. It can bring citizens together to assess the value of our common wealth and our common heritage (successive technological and scientific advances, cultural and architectural legacies of enduring value, infrastructure like rail networks and public utilities) while committing to distribute the benefits of these common inheritances in a just manner, leaving *as good or better* for future generations.

COVID-19: CRISIS AS (LOST) OPPORTUNITY

The Coronavirus COVID-19 (SARS-CoV-2) pandemic emanating from Wuhan, China, in early 2020 has been the other catalyst for basic income discussion and advocacy internationally, following the campaign for the Freedom Dividend. The slow response by the WHO (World Health Organization) and lack of transparency about the virus from the Chinese government has caused severe economic and social damage that could have been mitigated by a basic income, had it been in place prior to 2020.

Governments at all levels scrambled to cobble together new income security programmes to address the required lockdowns resulting from the spread of COVID-19, leading to massive overspending of public funds, which could have been much better targeted to a universal minimum income guarantee. As economist Miles Corak has indicated, large-scale wage subsidy programmes in response to COVID-19 were a “huge failure”, while direct income (cash) supports were “terribly successful”. He and political scientist Jennifer Robson show that wage subsidies “dramatically over-insured” businesses, and that a business “subsidy nominally directed to worker payroll can be shifted to other purposes”.²

A long-term universal guaranteed income could have been had for a fraction of the cost of other COVID-19 programme spending, while eliminating the staggering annual cost of poverty that represents an

² The Canadian Press, “Pandemic benefits were too generous with businesses, stringent with workers: experts.” *Ottawa Business Journal*. Aug 8, 2022; Miles Corak, “The Canada Emergency Wage Subsidy as an employer-based response to the pandemic: First steps, missteps, and next steps.” Department of Economics, City University of New York, Oct 2021, p. 14, 18:

unnecessary drain on public finances. Compare the \$2,000 per month in direct cash transfers given to Canadians as part of CERB (Canada Emergency Response Benefit), with the cost of business payroll subsidies in the form of CEWS (Canada Emergency Wage Subsidy) at “a fiscal cost of \$25,000 or more for each person-month” of employment support.³ These have been labelled deadweight losses and a waste of public monies in the literature (Corak 2021), and there are many other COVID-19 programmes that could be considered as such. This excess business support and subsidies were often diverted to other purposes by businesses that did not need these funds, including paying out dividends to shareholders and other benefits for investors.

The rent-seeking by big business groups is reminiscent of the supports and bailouts financed by taxpayers to banks, financial companies and the big automakers during the Global Financial Crisis (GFC) that unofficially began with the bankruptcy of Lehman Brothers on 15 September 2008.

BUILDING UPON A FOUNDATION

“We have a Basic Income for children, the Canada Child Benefit, and we have a Basic Income for the elderly, the Guaranteed Income Supplement.”⁴ The Guaranteed Income Supplement (GIS) is a federal programme built onto the Old Age Security (OAS) universal pension. Further, at the provincial level of government, one encounters the Guaranteed Annual Income System (GAINS), providing payments on top of the OAS pension and the Guaranteed Income Supplement payments you may receive from the federal government. “Together, the total maximum benefits from OAS, GIS and GAINS is the guaranteed income level” as

³ Corak, “The Canada Emergency Wage Subsidy as an employer-based response to the pandemic: First steps, missteps, and next steps.”, p. 14-18; Michael Smart, “Boos for CEWS.” *Finances of the Nation*, Sept 20, 2020. Also see “Large Corporate Groups that Received CEWS Payments” by Michael Smart and Nick Mahoney, Dec 29, 2020: <https://financesofthenation.ca/2020/12/29/large-corporate-groups-that-received-caws-payments-in-2020/> (Accessed Nov 11, 2022).

⁴ Corak, “What will COVID Mean for the Future of Fiscal and Social Policy?” *Economics for public policy*, *milesorak.com*. June 6, 2022

stated on the Government of Ontario website—“The Province guarantees that eligible Ontario seniors will have at least this minimum level of income.”⁵

The concept of basic income using the language of guaranteed income, guaranteed annual income and similar terms has a long history in Canada (and the United States), particularly regarding the implementation of public policy and programmes for seniors. More recently, this has become true for children also with the Canada Child Benefit. Many countries have similar programmes. What is lacking is a sufficient, decent basic income for the remainder of the population. A strong foundation exists, as well as the institutional knowledge to distribute guaranteed annual incomes to citizens. And in the case of GAINS the guaranteed income level is updated every three months to reflect inflation.⁶

The need for a guaranteed income for adults 18-65 years of age increases with each passing day and decade, each pandemic and global financial crisis, each supply-chain breakdown and offshoring, downsizing and displacement of jobs. The invasion of Ukraine by Russia, following—and simultaneous with—the COVID-19 pandemic, compounds these mounting crises and has introduced inflation as an aggressive new force eroding the quality of life globally. Those 18-65 have had to take on additional care duties for elders and as homeschool teachers, because of COVID-19 and the atrocious conditions in seniors’ homes even in the wealthiest countries.

The essential work of reclaiming and rebuilding citizenship, and creating new public goods such as the dual basic income proposed in this book, can ensure a resilient society that is able to provide the highest level of care, respect and dignity for our elders, as well as the lacking attention for children in an age dominated by corrosive screen time and (anti-)social media platforms controlled by big tech firms. We can also better absorb the next shock, whatever it may be. As some nations, jurisdictions and sovereign wealth funds daily accumulate vast wealth for their citizens, most others forego these economic rents and windfall profits.

Finally, two additional appendixes are included in this edition, each speaking to innovative yet almost lost to history models for capturing

⁵ “Ontario Guaranteed Annual Income System payments for seniors” Government of Ontario: <https://www.ontario.ca/page/guaranteed-annual-income-system-payments-seniors> (Accessed Nov 15, 2022)

⁶ Ibid.

public wealth for citizens. An overview of NAPO's (National Anti-Poverty Organization) original plan for a GAI (Guaranteed Annual Income) in 1972 and the case of Petro-Canada as an analogue to Norway's Statoil (now Equinor ASA) and its world-leading SWF are each considered in a new dedicated appendix. The new content included in this edition provides more empirical evidence, historical precedents and current working examples of public finance in action internationally.

Both a guaranteed livable income and a universal citizens' dividend are available to us, and future generations, by applying the best practices available to this public policy work.

November 2022

Richard Pereira

CONTENTS

1	Introduction: Financing Approaches to Basic Income	1
	Richard Pereira	
Part I Foundations for a Basic Income Guarantee (BIG)		
2	The Cost of Universal Basic Income: Public Savings and Programme Redundancy Exceed Cost	9
	Richard Pereira	
3	Unconditional Basic Income in Portugal: How Can We Afford It?	47
	Richard Pereira	
Part II Cost Feasibility of Basic Income in Europe		
4	Financing Basic Income in Switzerland, and an Overview of the 2016 Referendum Debates	67
	Albert Jörimann	
Part III Building Up BIG		
5	Total Economic Rents in Australia as a Source for Basic Income	95
	Gary Flomenhoft	

6 Universal Basic Income and Land Value: A Canadian Assessment, with Implications for America	119
Richard Pereira	
7 Conclusion	139
Richard Pereira	
Appendix 1	147
Appendix 2	149
Appendix 3	153
Appendix 4	157
Index	161