

Committee: Economic and Finance

Question of: Universal Basic Income

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Introduction:

To understand the importance of universal basic income we must first understand what it is and how it came to the forefront of modern economic thinking. In order to do so, we must define what universal basic income is, how it was thought of, and what to keep in mind while researching and, most importantly, understanding this topic, which may seem simple at first, but digs deep into how human brains work and how welfare functions.

The definition of Universal Basic Income(UBI) is “a periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement”. This means that any program or policy that can be considered universal basic income must meet these 5 requirements:

Periodic: this means that it is paid at regular intervals, not as one off grant.

Cash payment: It is paid in an appropriate medium of exchange, those who receive it have to decide what they spend it on. It is not dedicated to specific issues.

Individual: it is paid on an individual basis and not, for instance, to households.

Unconditional: it is paid without a requirement to work or to demonstrate willingness to work.

Universal: it is paid to everyone, without means test. A means test is an examination into the financial state of a person in order to determine eligibility for public assistance.

The Issue:

The establishment of an universal basic income is not such a new idea. The first mention of a similar scheme came up during the beginning of the 16th Century, in Thomas Moore’s Utopia. In a discussion with an English Archbishop, the traveller Raphael Nonsenso, argues that a scheme of a minimum income guaranteed by the government to all the members of a particular community would be much more effective in fighting thievery than by hanging thieves. In Moore’s words: “No penalty on earth will stop people from stealing, if it is their only way of getting food. It would be far more to

the point to provide everyone with some means of livelihood". Moore's fellow humanist and friend Johannes Ludovicus Vives who is credited with being the first to work out a scheme on how it could work.

Later on, in the 1960s, Milton Friedman, a man who would later on win the Nobel Prize for Economics and advise the famous Reagan-Thatcher duo, endorsed the idea of basic income because, in his expert opinion, it would be more efficient than the welfare bureaucracy at alleviating the problems of low-income households. We must take into consideration that the political figures Friedman and his colleagues advised seldom accepted said policies.

Still, this is not necessarily an idea that will, as some doubters say, never be implemented. In fact, a bill proposed by US President Richard Nixon in the 70s to implement a modest universal basic income passed the House of Representatives. It was not until it got to the senate when more progressive senators said that they wanted a larger UBI and rejected it so they proposed a larger bill that was defeated, and it was never heard of again.

It was not until very recently, with the rise of the tech start-up culture and the advent of robot automation, that universal basic income has become a policy supported by the many people.

One of the main reasons why to implement the universal basic income is because in the future most of the jobs will be carried out by robots instead of humans. With technological improvements machines will work more, whilst being paid less. So many people would neither have a job, nor enough money. Therefore, with UBI people would have at least some income to live off.

How would the UBI be distributed?

Most universal basic income proposals suggest purchasing power be distributed at scheduled intervals- a week, a month, or even a year. However, existing proposals suggest a lump sum payment, after reaching 18 years of age.

How much should be given?

As much as it takes. Average proposals hover around \$10,000 annually, although the exact amount varies widely from country to country. For example, in Switzerland they are considering a UBI of \$2,600 per month, while Kenya is testing a pilot of \$1,000 each year.

What are the benefits of UBI?

One of the most substantial benefits would be that it reduces poverty and income inequality, along with improving health. Also, UBI guarantees income for non-working parents and caregivers, thus empowering important unpaid roles, especially for women. Moreover, with a UBI of \$4200 per person annually, the poverty rate, as per current definition, will reduce 1.42%. The expenditure of \$4200 per person under UBI would be same as the money spent on all welfare schemes as of now-days. Another benefit would be financial inclusion: since all individuals will use their bank account to access the money, the inclusion of un-banked people into the banking sector will lead to financial inclusion. The UBI would also contribute to women's empowerment: India's women below the poverty line suffer more than men. An income in their bank account will ensure that they have a greater say in family affairs and get better nutrition. Finally, psychological benefits would be produced: UBI will unburden the poor from task of finding work for daily survival and help them to improve socio economic indicators like health, literacy and education.

What are the disadvantages?

Many economists think that the UBI would disincentivize productivity and work. Moreover, some countries may not be able to fund the UBI. Others doubt about its necessity. The establishment of the UBI would require taxes. Currently, the money spent on all centrally sponsored schemes comes up to 5.2% of the GDP. However, the cost of UBI will be higher than the amount and also, it will increase annually due to inflation. Finding the optimum level of UBI will be a major challenge. Citizens would have to pay more taxes. Finally, it has ethical problems, because even without working, people would still be paid, whilst there would be people working and receiving the same amount of money.

Key Events

Event/Date	Explanation
October 2017	The IMF, Gives a cautious welcome to the universal income. And also top economist endorse the universal income.
2017 17th BIEN Congress	2017 congress discussed the different aspects of the politics of a basic income under the general theme Implementing a Basic Income.
2016	The world's first universal basic income referendum was made. An it was rejected with a 76.9 percent majority
2013	A petition was made in Europe for the implementation of the universal basic income
2008	An official petition of Universal Basic Income started in Germany
1982 The Alaska Permanent Fund	Alaska has been implementing its own basic income since 1982

Previous Attempts to Solve the Issue

There have not been many attempts to solve this issue. But the universal basic income has been tested in some countries to find if this would improve lives and help eradicating poverty.

Universal basic income in Finland

Finland has been giving 2,000 of its citizens a universal basic income for five months, and some are already seeing the benefits, reporting decreased stress, greater incentives to find work and more time to pursue business ideas. They were given €560 every month.

Universal basic income in the Netherlands

They are thinking about testing the universal basic income in some towns to see its benefits or disadvantages. Now they are trying to make a basic scheme to know how much they would pay, who could fund it...

Universal basic income in Kenya

Is the biggest and longest UBI pilot. An American charity launched a 12-year-long experiment in Kenya involving 6,000 people and \$30 million to test the potential success of basic income. By the year, 2030, researchers will have tonnes of data on how basic income has affected thousands.

Universal basic income in Canada

Provincial government of Ontario had already announced its plans to test a type of unconditional income guarantee; at the time of this writing, it is currently enrolling participants in three areas of the province who will receive an income guarantee for up to three years.

Universal Basic Income in Spain

In Barcelona's B-MINCOME experiment is exploring several potential solutions to address poverty and social exclusion. The experiment is being conducted in Besòs area, the city's poorest region, and, as in the above experiments, the target population consists of low-income individuals and households.

Y Combinator's plans for a United States UBI experiment

In January 2016, Silicon Valley entrepreneur Sam Altman (president of the start-up incubator Y Combinator) announced his intention to fund a test of basic income in the United States. Like many tech entrepreneurs, Altman cited concerns about job loss due to automation in explaining his interest in basic income: "I'm fairly confident that at some point in the future, as technology continues to eliminate traditional jobs and massive new wealth gets created, we're going to see some version of this at a national scale." The experiment is now the main project of the non-profit arm of Altman's company, YC Research.

Possible Solutions

- All countries could perform a basic income pilot, as well as conduct experiment to see how the UBI would affect society.
- Find a way of funding the Universal Basic Income.
- The attendance of the UN Secretary General to next year's "World Economic Forum" to address this topic directly.
- Find a way to avoid people quitting their jobs in spite of having the universal basic income.
- Make educational programs showing how they could spend the universal basic income.
- Holding a UN conference each year to discuss social and economic results of UBI.

- Nations should come together, not as enemies, but to dialogue and interact all matters related to this issue.

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