



IPSE



Crossed views

Universal Basic Income



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1

Because of the health, social and economic crisis, the establishment of a universal income has once again gained greater attention. While different experiments with universal income have already emerged, the variations from one country or from one political situation to another sometimes suggest very different philosophies and outcomes. Can you enlighten us on the points of similarity and divergence and the approaches which underlie them on the social level in particular? What are the main economic and social results?

► **Timothée Duverger** : This first refers to the question of social experiments, which are increasingly used by public action. This approach takes advantage of the renewal of the methods of experimental economics, acknowledged by the 2019 Bank of Sweden Prize in Economics awarded to Esther Duflo, Abhijit Banerjee and Michael Kremer for their work on global poverty alleviation.

There have been two cycles of social experimentation. The first was led by the public authorities in 1960s-1970s on population samples to measure the impact of economic and social reforms. Several experiments of what was then known as a negative tax took place in the 1970s in the United States and Canada.

The aporias of these experiments, such as their high costs or their difficult reproducibility on a large scale, are at the origin of a second cycle which multiplies social experiments further in order to validate economic theories than to respond to a political demand, even if most are supported by government entities, NGOs or charities. This new cycle extends to the countries of the South (Namibia, India, Kenya ...) and also diversifies the project leaders, who are no longer just States (Finland) but can be NGOs or local authorities (Netherlands, Scotland, Spain, France...).

As recently demonstrated by the evaluation of the Finnish experiment, carried out between 2017 and 2019 and involving 2,000 unemployed persons, these experiments result in an improvement in the well-being of benefit recipients but are on the whole neutral on the return to work. The universal income can therefore be considered as the leverage of a post-growth society, which decouples welfare improvement from GDP growth. But the objectives pursued by the experiments are more varied. From local authorities who are developing their social action policies, like the basic income experiment project by 19 French departments, to the billionaires of Silicon Valley who test social devices offering alternatives to State interventionism, both in the United States and in the countries of the South, there is a world of difference.

► **Esteban Tinoco** : Universal Basic Income (UBI) has gained notorious momentum in the past few years mostly because it has been seen as a tool for tackling different social problems for a variety of stakeholders that have different objectives. UBI has been identified as a potential tool to assist in poverty reduction, to alleviate job insecurity due to automation, to streamline state's services, or to assist governments to face out subsidies. Because of this, UBI has found support from politicians on the left and right side of the aisle, liberals and conservatives, union leaders and tech entrepreneurs.

For example, on the left side of the political spectrum, UBI can be seen as a tool to reduce poverty and protect workers, by assisting people who's skills have been rendered obsolete by automation, or people that have been hurt by the flexibilization of work (most notably with the spread of the gig economy). On the right side of the political spectrum, the implementation of UBI is seen as a potential tool to reduce the size of the state, by rolling back on inefficient provision of social services, such as unemployment benefits, food stamps, etc.

Furthermore, because of the possibility to address various policy objectives, UBI pilots have been implemented in a variety of countries and cities around the world. Nevertheless, these pilot projects have been limited in scope, in duration, and conditionality, thus making them difficult to compare with each other and to draw conclusive evidence that could support a full-fledged UBI at a national level. Because of these limitations, there is currently not enough conclusive data available to show the economic and social results on these programs.

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There are some recent studies carried out by the [World Bank](#) and the [OECD](#), for example, that try to assess the effects of UBI in different countries and under different circumstances, such as the effect of a budget-neutral program, or the effect of phasing out all or some other social protection schemes in various countries. These studies show some mixed results, highlighting the importance for countries to choose the proper UBI parameters depending on their specific objectives, local conditions and needs.

2

The question of universal income raises many controversial points, for example: that it cannot be financed at the level of a country; that it is likely to encourage the definitive exit from the world of work for populations already facing difficulties; or the unfairness for benefits to be indiscriminately attributed to categories of the population where few to none are affected by poverty, among others. What do you think of these reviews? How can we finance UBI in already deficit economies?

► **Timothée Duverger** : The success of the UBI in the international debate depends on the emergence of a post-industrial society, which is reflected both in changes in employment (technological unemployment, development of service activities ...) and in the evolution of social models (primacy of financing by tax on contributions, matters of simplification...).

This raises the problem of the relationship to work, the redistributive effects and the financing of the system in a society where what Robert Castel called "the state of growth", both economic growth and growth of the welfare state, is at the end of the line. The UBI is the sign of a still unfinished change in the social policy framework, that is why it leaves no one indifferent.

At this point, it should be clarified what exactly the universal basic income is. In their latest book ("[Basic Income: A Radical Proposal for a Free Society and a Sane Economy](#)", 2019), Philippe Van Parijs and Yannick Vanderborght define it as follows: "*Basic income consists of a regular income paid in cash to every individual member of a society, irrespective of income from other sources and with no strings attached*". It is at the same time individual, unconditional and universal. This definition, however, is only an ideal type, to be adapted to existing institutional arrangements. Universal income takes different forms depending on the social systems in which it is anchored.

The adjustment between these three pillars, as well as the fixed amount, determine the effects of the universal income. The employment level will only drop significantly if unconditionality is combined with an amount sufficient to live worthily. Universal income will only be anti-redistributive if it is not backed by income tax. Contrary to popular belief, universal income is fundable. An evidence of this are the financing models of the UBI that are based on income tax and whose real cost (corresponding to redistributive effects) is absorbable, or the recurring debates during economic crises on the use of helicopter money in stimulus plans.

► **Esteban Tinoco** : It is important to consider these and other critiques regarding UBI before implementing a full-fledged program. As with any public policy, it is always necessary to test it and analyse the results; to adapt it as much as possible to local realities. And this is probably the reason why UBI has started as pilot projects that try to reflect as much as possible how a UBI would work, in order to see the results on the ground.

Indeed, one of the main critiques has been the high costs that such a program would represent for governments and the unsustainability of a nationwide program. The governments' priority should be focused on securing sustainable sources of funding.

One argument for financing a UBI has come from the idea that such a program would allow governments to consolidate some of the existing welfare programs that are already in place, or phase out inefficient subsidies. Governments can thus pool existing resources towards this efficient and straightforward program that does not require eligibility assessments, nor monitoring people's behavior or changing employment conditions.

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However, caution should be raised on this approach, as it is important for governments to carry out cost-benefit analyses on the implementation of such programs vis-a-vis existing social programs. Governments could choose UBI to replace certain programs, or choose to provide UBI in addition to existing schemes, or make UBI a choice-based program, where citizens choose to forgo some programs and get UBI instead. Evidently, the type of model chosen is going to have different funding implications, scope, design, delivery method, etc.

Another argument for funding a UBI has been to tax the very industries and sectors that are making UBI necessary in the first place. Take automation, for example. As automation spreads in a greater number of sectors of the economy, many jobs and skills are becoming obsolete, which is one of the main arguments for implementing UBI. Following this argument, companies and industries that embrace automation are able to lower their costs of production and increase their productivity and profits. Thus, governments could increase taxes on these more productive industries to fund the implementation of a UBI. A similar argument has been made for companies in the gig economy, as they externalize the cost of providing benefits and compensations for its independent contractors.

3 Universal income is one of the major themes for considering the new contours of social protection in the 21st century. Is there a risk of making it a tool for “cheap social protection”? How can it be implemented with enough support so that it does not result in creating additional inequalities?

► **Timothée Duverger** : Depending on the approach, universal income can be seen as a Trojan horse for the dismantling of welfare states. This is the case for one of its variants, the negative tax, whose proposition appeared during World War II, in opposition to both the Beveridgian system in the United Kingdom and the New Deal in the United States.

The author of reference is the monetarist Milton Friedman, who makes it one of the dimensions of his social project in “Capitalism and Freedom”, 1962. Influenced by the utilitarianism of John Stuart Mill, the neoliberalism of Friedrich Hayek and the constitutional thinking of the Founding Fathers in favour of limited government, Friedman imagines a free society which is based on two postulates: “On the one hand, «freedom» in economic arrangements is itself a component of freedom broadly understood, so «economic freedom» is an end in itself to a believer in freedom. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom”. He therefore proceeds to the methodical critique of all State interventions accused of disturbing the market balance: price controls, customs barriers, subsidies and, of course, social security (starting with pensions). Solidarity is seen as an “extravagance” or even an “internal threat” in synergy with an “external threat” represented by the USSR.

The negative tax is therefore intended, in its spirit, to replace the welfare state by instituting the guarantee of a minimum standard of living to fight against poverty but the amount of which remains to be defined according to the level of consent to tax a particular corporation. The negative tax would thus replace all existing aid and would be means-tested, this monetary assistance making it possible to respect the free choice of consumers (compared to food aid), to preserve the market balance, to strengthen the incentive to work. Linked to the tax system, the negative tax immediately raises the issue of socio-professional support, that the tax administrations paying it will not be able to provide.

This neoliberal framework clearly gives us a glimpse of the risks that universal income can carry in certain of its versions. It therefore seems important to me to specify immediately, on the one hand that it should not replace but complement welfare states, especially to secure people whose increasingly irregular or singular labour paths prevent them from entering into existing systems and, on the other hand, that this right to income, without consideration or sanction possible, must be coupled with a right to socio-professional support, as individuals must be able to develop their capabilities to fully exercise their right to exist.

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► **Esteban Tinoco** : The idea of a “cheap social protection” I believe comes from the comments expressed by Piketty (2016) that a basic income in reality expresses a concept of social justice on the cheap”, in reference that a basic income would not necessarily solve society’s multiple problems, such as poverty, inequality, opportunity, access to quality education, etc In this regard, it is true, governments cannot hope that a UBI would be the panacea for all social problems in their countries This is why it is very important to have a clear and realistic objective for UBI, and to continue to implement policies that are better equipped to deal with other issues

However, it is evident that given the dramatic and even disruptive changes in the labour market and that the economy is facing and will continue to face, some social schemes might encounter difficulties in adapting to these new market realities, new workers’ needs, etc In this regard, it is important for governments to be constantly thinking and testing new and innovative ways to protect their citizens, to provide them with the social guarantees necessary to succeed in a fundamentally different economy in the future.

Furthermore, in its general concept the UBI sounds like a simple and straightforward policy. However, once countries start considering the details for a successful implementation, the policy becomes more complicated and challenging to implement; which is why it is so important for these various pilot projects to take place and for governments to keep experimenting with it.

4

Do you think Europe should seize it? Under what conditions and under what terms?

► **Timothée Duverger** : Europe could have taken it up in 2012 when activists from the Basic Income European Network (BIEN) mobilized the right of citizens’ initiative to defend the basic income proposal, collecting nearly 285,000 signatures. Insufficient then, but significant.

The main difficulty for action at European level is that social policies are the responsibility of the States. But that does not mean that Europe should be discarded. On the contrary! After the health crisis, which demonstrated the lack of European solidarity, Europe must more than ever forge links with its citizens.

There are at least two ways to do this. First, Europe can provide a recovery plan that distributes cash directly to individuals. This is the principle of helicopter money. However, it has the downside that it is to be paid indiscriminately and not to ask the question of consumption, in particular from the ecological point of view. One solution could consist in paying it in the form of social securities, the beneficiaries and purposes of which can be pre-defined.

Then, by means of instruments such as the Charter for European Social Rights or the ESF, Europe can have a leverage effect by promoting the adoption of an UBI by the States or by providing engineering support, such as financing experiments.

Be that as it may, if Europe no longer wants to appear as a distant technocratic or liberal project, it has the utmost interest in taking a position on the subject.

► **Esteban Tinoco** : It would definitely be an interesting and challenging prospect for Europe since all European countries are facing the issues mentioned before. It would also completely align with the European pillar of social rights initiatives, and would contribute to social and labour market harmonization. Yet, I think it is still too early to implement a European or nation-wide UBI scheme. First, because previous steps are needed. Before considering this type of program, basic actions should be implemented, such as the establishment of a standardized fair minimum wage among all European countries. Then, more data and examples would be needed to assess the benefits and costs of the scheme before implementing it at the European level. At this point, Europe could support local initiatives and finance the evaluation of these schemes before considering a European initiative. Nonetheless, it is very important for Europe to continue to develop pilot projects to test different versions of a UBI, as Finland has done, and maybe from there to start to gradually moving towards expanding the successful version.

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Unfortunately, until now there have only been small and short-lived pilot projects around the world, and many of these pilots were not entirely UBI, as some were not really universal, and all have been only temporary, and with only a few having a national scope. Thus, it is important to think about a gradual method of implementation, starting small as a way to test certain parameters, and from there scale up gradually until becoming a full UBI. As with any social policy, the most important aspect for the successful implementation of a UBI is the proper identification of the policy's objective, which as explained in the previous questions, could vary greatly depending on the country, the context, etc. Having a clear objective will directly influence the scope and design of the program.

Furthermore, countries need to compare and analyze the UBI versus the performance of existing social schemes, to make sure that there is going to be an overall improvement of services for people. Considering Europe's generally good social services provisions, the implementation of any UBI would have to be assessed vis-a-vis the current programs, in order to decide whether to replace some or all schemes, or instead, to add the UBI to the mix.