

# Perspectives on Universal Basic Income

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Transparency (the first-ever global rating of the financial transparency of major think tanks) has repeatedly awarded Bruegel five stars on five stars for transparency and it appraises much its openness in the sector of financing and governance.

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Moreover, the 2016 Global Go To Think Tank Report, published by the University of Pennsylvania, ranked this think tank as:

- #1 for best idea an new paradigm (worldwide)
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- #2 top international economic think tank (worldwide)
- #2 in the best managed think tank (worldwide).

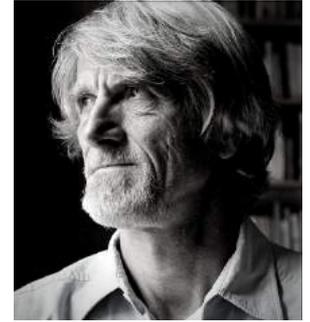
Among its members, there are EU Member State governments, international corporations and institutions.

For all of these reasons, we are glad to participate in its events and share with you the discussions.

## Introduction

The Universal Basic Income, known also with the acronym UBI, was defined by Philippe Van Parijs as “income paid by a political community to all its members on an individual basis, without means test or work requirements”.

This means that any adult individual (excluding retirees) will receive a cash payment, whose amount will depend on each country’s public budget plan, welfare system costs and purchasing power parity. This income will be free from taxation and regardless of work status or other income.



Professor Philippe Van Parijs,  
Political philosopher and political economist,  
Université Catholique de Louvain



For a long time UBI was discussed and analysed around the world by economists and sociologists, but the doubts arisen about its implementation difficulties halted its experimentation at a large scale. What should be taken into account, are not only issues related to - of course - economic and monetary fields, but also to the social, ethical and philosophical sphere. And it is the UBI kaleidoscopic nature itself, that creates the current debate.

## Arguments in favour of basic income

The supporters of the UBI argue that it is so appealing, because of different reasons. Here, we try to summarise them in 10 points:

### 1 ***UBI idea is simple and transparent.***

The concept is clear and easily understandable, because everyone receive the same amount in cash and there are no selection criteria, for example based on age, gender or place of residence. It is "Universal", in fact, it only requires the citizenship.



### 2 ***It will replace costly and complex social welfare systems.***

It will downsize bureaucracy, as it is one of the simplest models, and will lessen administrative costs.

### 3 ***It will reduce frauds.***

It is a naturally linked to the previous point. No one will need to commit frauds to obtain the basic income, because it is guaranteed automatically by the

Government. In addition to this, it will disincentive the "black labour market".

### 4 ***It will redesign our concept of work.***

Thanks to a guaranteed fixed income, people will not be pushed to accept the first job opportunity, maybe under-qualified or under-paid, but they will have the chance to choose what they really like. In this way, it will increase individual freedom.

### 5 ***It will create better working conditions.***

UBI will drive to better working conditions, as employees will be in a position of strength and will not be forced to submit to any contracts, having the safety net represented by the Basic Income.

**6** *It will raise the number of jobs.*

People will reduce their working hours, as they could afford to work less (in time) and consequently receive lower wages, because they can rely on the UBI. In this way, jobs that previously were done by one person, now will need more workforce to be carried out: UBI will reduce unemployment rate.

**7** *It will impact in our social life.*

Another consequence of the previous point is that people will have more time to dedicate to leisure activities or to other things that they find meaningful.

**8** *It will lead to more equality.*

In fact, the wealth produced by the society will be distributed equally among its citizens, eliminating poverty traps and (social) inequalities.

**9** *It will reach all the citizens.*

Thanks to its simplicity, especially related to the fact that it is not a “means-tested” scheme, it will not exclude people, even those who have not the knowledge or the qualification to understand it and to know how to apply for it.



**10** *It is better than “Quantitative Easing”.*

From a monetary point of view, according to Joze Mencinger, the UBI is much better than QE as a way to reduce the social effect of the economic crisis and increase aggregate demand.



Which are the cons of the topic? We try to explain you the most significant, in 10 points:

**1 UBI is expensive.**

In fact, even if its cost has not been quantified yet, there is no doubt it will be high. Governments are working to resolve this puzzle and find out the best way to finance this system.

**2 It will rebuild the welfare programme.**

The required funds to implement it will come from only two roads: higher taxes or lower social welfare benefits. Both hypothesis will be very unpopular. Anyway, it will lead to a reorganization of the taxation, social insurance and pension systems.

**3 It will raise the inflation rate.**

Increasing taxes or VAT will be translated into higher consumer prices. The natural result will not be an improvement in the people banking account, especially for those, who are already struggling and those, who will not receive the UBI (e.g. retirees).

**4 It will encourage the shadow economy.**

Higher taxes will give incentive for tax avoidance and evasion.

**5 It will attract undesired immigration.**

It is easily understandable how countries offering a Basic Income will be more desirable by people, who want to move.

**6 It will reduce the willingness to work.**

People receiving the UBI will have no incentives to find a job, as they will count in this amount of cash in any case. This is socially corrosive: people should be paid for working and not for not working.

**7** *It will reduce the unskilled jobs.*

As people will be freer to choose the job they like, who will do the “dirty job”? No one.

**8** *It will lower the investment in education.*

People will find it less attractive to achieve a high qualification, because they will be happy to do a mediocre job and base their life on the UBI.

**9** *It will raise ethical debates.*

For example, should criminals receive the UBI? Will there be any exemptions? And what would/should these be?

**10** *It will spread the dissent even among anti-poverty advocates.*

In fact, if the UBI replaces or reduces the existing social allowances, they will have a critical stance towards it.



# The Finnish experiment



Olli Kangas presented the “Basic income experiment in Finland”.

Finland has become the first country in Europe to pay its unemployed citizens an unconditional monthly sum, thanks to this experiment.

In Finland, the income security is guaranteed to everyone and the present social security system is the result of decades of development works. Its bases were laid down in a very different world from ours, for this reason a new social security model will be tried.

The Basic Income experiment was launched on 1st January 2017. The aim is to determine wheatear the social security system can be simplified and provide a stronger incentive for finding employment.

At present finding a job does not necessarily increase the income of an unemployed person because earnings are lower than social benefits.

2.000 random participants were chosen for the experiment from an amount of unemployed persons between the age of 25 - 58. Kela has notified the participants of their selection and individual citizens are not eligible to the UBI outside this experimental group.

During the experiment, the participants receive a basic monthly income of 560 euro. Social benefits exceeding 560 euro will be paid out as previously, by Kela, nobody will lose. This amount is tax free benefit and will not be reduce by any other income the participant may have. Therefore, if the participant finds a job during the experiment, he/she will get both the salary and basic income.



Olli Kangas, Professor, PhD, Director of Governmental Relations Kela, Social Institution of Finland





It is easy, isn't it?

During the planning period, Kela had to deal with several and complex problems, related to:

- Which models are the most suitable for the experiment
  - What is the level of the monthly payment
  - How to combine BI with income-related benefits and other basic benefits
- What are the strengths and weaknesses of different models in the context of the EU legislation and the Finnish Constitution
- Inclusion or exclusion of non-citizens
- Tax treatment of different models
- Give recommendations on the experiment

The experiment will run for two years and the employment situation of the participant will be monitored throughout the experiment, which will examine the question:

*Could basic income increase employment and simplify the social security system?*

After 6 months from the launch of the experiment, Kela defines it already as a success.

For the final outcome, we have to wait until 2019.

