

# Paying for a Basic Income: a 'virtuous' problem

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# Today

- Briefly review/add to UBI justifications
- Paying a great challenge
- Only way to pay is to address other tax problems
  - > ‘virtuous’ problem – can only do the right thing in one area by doing the right thing in others
- Illustrate with a national example – Australia
- And suggest an approach to a ‘global basic income’

# My route to UBI

- Effective Marginal Tax Rates (EMTRs)
  - In 1989 concerns at both ends of rate scale
  - Demand for lowering of rates on high incomes
    - from 49% to 39%
  - But higher EMTRs on low income earners – up to 125% because of taper + tax
- Obvious answer?
  - recognize/address both
  - Pay pension to all + Flat rate from 1<sup>st</sup> dollar
    - 39% demanded then
    - 32 > 30 > 25%? Benchmarks now

# Justification

- Philosophically elegant
  - Needs based payment as citizens
  - Contribution based on benefits derived from economic engagement
  - Modern instantiation of St Simon 'from each according to their abilities to each according to their means
- Political ju-jitsu
  - use their arguments > common ground or hypocrisy
- Efficiency
  - tax deducted at source > less avoidance
  - No need for demeaning welfare bureaucracy
  - Recycles profits of AI etc to those who will spend them

# Moral Hazard? 'No worries'

Frames argument about willingness to work

- Lowest paid have highest EMTRs
- Biggest cut (60+% > c32%)
- Greatest incentive to work or work more
  - Highest paid get least reduction 37% > 32%
- Lower incentive to work more
  - Plus wealth effect

Not required to conduct experiments on reduction of tax on higher income earners.

It is not our ideology that is on the line here

If wrong, could introduce work tests – for rich too

# Not cheap

- Some seek to alarm with gross figures
- Nett costs not too bad but still large
- Recognize arguments that UBI will save money and reduce health costs
- But – politically important to plan to balance
  - if costless savings > UBI+, health+, Sov wealth fund, infrastructure, or reduce debt
- 1990 estimate 23.5bn AUD (c18bn USD)
- We have not finished calculations but most models 5-10% of economy = 80-160bn

# 'One good policy deserves another'

- Levelling investment playing field by removing biases & favouritism in tax shelters
  - Each country has its own tax rorts
  - Australia actually taxes internationally competitive goods and services the most > benchmark
  - Have to deal with all tax shelters
    - Otherwise \$ flow to remaining
    - Need to get investors to focus on return (whether single or triple bottom line) not minimising tax
- Getting companies/wealthy to pay their taxes

# Ending Fiscal Favouritism

- Superannuation and other benefits to wealthy retirees (50bn)
- Property investment
  - Family home – no CGT (44b) or imputed rent
  - Rental properties – negative gearing (5.5b)
  - Other investments – 50% CGT (10b+)
- Fuel oil rebate for mining, agriculture (3b)
- Generally against consumption tax but remove exemptions on food, finance, (private) health/education (20b after compensation)



# Other taxes

- Variable rate royalties
- Betterment tax – on profits of rezoning etc
- Capital Transfer Tax (20-30bn)
- Carbon Added Tax (CAT) – like a VAT
  - added at each stage of production
  - Imposed on imports, rebated on exports
  - As it rises, VAT reduces
  - Shifts tax from all consumption to high carbon goods and services

# Tax Avoidance/Evasion

- Built in to above
  - Deduction at source
  - CGT same rate
- Social License to operate includes paying tax!
  - Ethics > membership test for business associations?
- BEPS – transparency, standards
- Reconsider locus of income for Intellectual property & Interest
- Figuratively ‘declare war’ on tax havens!
- Moving from bi- to multi-lateral tax treaties
- Global taxation of companies

# Gradualism

- In most things I am a gradualist. But
  - UBI should be sufficient and tax flat for most
  - Have to deal with all generally avail shelters
- But some staging, starting with
  - UBI starts with current categorical distinction between unemployed and pensioners
  - Flat tax = current MTR for most (32%) but highest income earners stay on 46%
  - Close as many shelters as possible, enabling
- Stage 2 – Raise UBI to pension for all and
  - All rates  $> 30\%$  (current coy rate)  $> 25\%$

# Global Basic Income

- Why should socio-economic rights vary depending on state you live in
- Suggested GBI/GMI 10 years ago
- Funded by some or all of:
  - Carbon Added Tax
  - Increasingly uncollectable taxes (coy, death)
  - Income from outside sov states eco zones
  - Tobin taxes and other global strategic taxes
- Paid to individuals, not states
- Make a huge difference to least well off