

Research and education in the Basic Income debate

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Early history

- Thomas More, Thomas Paine, and Thomas Spence, were all British.
- 1918, State Bonus League: Education about a state bonus, carefully costed.
- 1940: Eleanor Rathbone, *The Case for Family Allowances: Research on wage additions for children.*
- 1941: The Beveridge Committee; 1942, the Beveridge report: unconditional Family Allowances, contributory National Insurance benefits, means-tested National Assistance: all carefully costed.
- 1943, Lady Rhys Williams, *Something to look forward to: a non-means-tested but work-tested income.* A response to Beveridge, based on his research.

The current wave of interest in Basic Income

- 1982, Brandon Rhys Williams: submission to a parliamentary committee. Costings by Hermione ('Mimi') Parker.
- 1984: The Basic Income Research Group (now the Citizen's Basic Income Trust)
- Books contained detailed costings: Hermione Parker in 1988 (with Andrew Dilnot and Holly Sutherland), 1989, 1994 and 1995; Samuel Brittan and Steven Webb in 1990.

Careful argument, clarity of definition

Rational debate requires clarity of definition.

A Basic Income is an unconditional income for every individual

(A Basic Income is sometimes called a Citizen's Basic Income (CBI), a Citizen's Income (CI), or a Universal Basic Income (UBI))

The amount paid to the individual is not affected by

- Income
- Wealth
- Household structure
- Employment status
- Etc.

Basic Income and Basic Income schemes

The idea

A **Basic Income** is an unconditional income paid to every individual.

The details

A **Basic Income scheme** is a Basic Income, with specified levels for each age group, and with the funding mechanism specified, and with such other details as frequency of payment also described.

Basic Income and Basic Income schemes

Basic Income always has the same definition.

There is an infinity of different Basic Income *schemes*.

Arguments for or against a particular Basic Income scheme are not necessarily arguments for or against Basic Income, nor are they necessarily arguments for or against different Basic Income schemes.

Basic Income: Always the same effects

- Secure layer of income
- Social cohesion
- Absence of stigma
- Simple to administer
- Does not contribute to marginal withdrawal rates
- Does not interfere with employment market decisions
- Does not interfere with relationship decisions

Different Basic Income *schemes* can have very different effects

- One scheme might increase inequality, whereas another might reduce it
- One scheme might increase poverty, whereas another might reduce it
- One scheme might impose losses on low income households at the point of implementation, whereas another might not
- One scheme might require very high income tax rates, whereas another might not
- One scheme might require additional funding from elsewhere, whereas another might not
- One scheme might increase employment, whereas another might not
- One scheme might be politically feasible, whereas another might not

Distinguishing between Basic Income and everything else

The following have similarities to Basic Income, but they are not Basic Incomes:

- Negative Income Tax
- Tax Credits
- Minimum Income Guarantee
- Participation Income

Basic Income and Minimum Income Guarantee

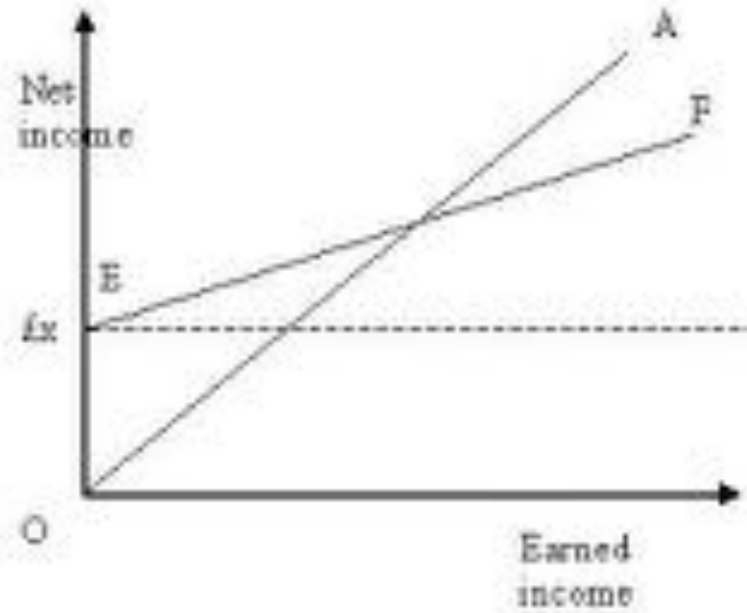
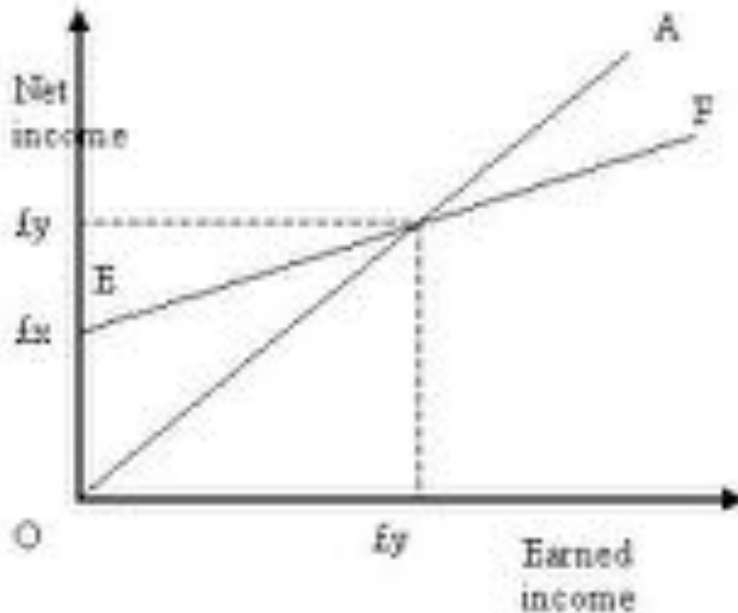
A Basic Income is an unconditional income for each individual.

A Minimum Income Guarantee is a level of disposable income below which a household is not allowed to fall.

- The amount of money that a government will need to pay to the household will therefore depend on the household's income from other sources (earnings, pensions, interest on savings, other benefits, and so on) and on the composition of the household.

Basic Income and Minimum Income Guarantee could not be more different.

Negative Income Tax and Basic Income



Negative Income Tax and Basic Income

The same:

The relationship between earned income and net income is the same in both cases

Differences:

- NIT payments vary with income, BI payments do not
- NIT administration is complicated, BI administration is simple

Rational debate

If the Basic Income debate is to be rational, we need

- Agreement about definitions, and consistent use of them
- Clarity about the differences between Basic Income, Negative Income Tax, and Minimum Income Guarantee
- Understanding of the difference between the idea, Basic Income, and Basic Income schemes
- Careful logic
- High quality research

Research required

The feasibility tests that a Basic Income scheme would have to pass determine the research that needs to be done. The tests are as follows:

- Financial (net cost; household losses)
- Administrative
- Psychological
- Behavioural
- Political
- Policy process

Pilot projects provide useful research results and are educationally useful.

Three research methods for financial analysis

- National accounts (and census data)
- Microsimulation
- Typical household method

First method: National accounts and census data

- Census data can tell us the total cost of Basic Incomes;
- National accounts can tell us how much money would be available from making changes to Income Tax allowances and rates;
- National accounts can tell us how much money would be available from abolishing means-tested benefits.
- Research in 2014 showed that without substantial additional revenue, abolishing means-tested benefits at the point of implementation of a Basic Income would make a lot of poor households even poorer.
- So a method was required that would enable us to evaluate Basic Income schemes that retain and recalculate means-tested benefits rather than abolish them.

Second method: Microsimulation

- The programme – for instance, EUROMOD – models tax and benefits systems.
- Financial data from a large sample of the population is fed into the programme, which delivers information on individual and household disposable incomes, numbers of households on different benefits, poverty and inequality indices, etc..
- New benefits can be added to the programme, and existing taxes and benefits can be changed.
- The programme is then run again to deliver a second set of information on individual and household disposable incomes, etc.
- The two sets of information can then be compared.

Two approaches to microsimulating illustrative Basic Income schemes

1. A variety of different schemes (- different amounts of Basic Income, different changes to existing taxes and benefits, etc.) are microsimulated to discover their effects: net cost, changes to poverty and inequality indices, net losses at the point of implementation, etc..
2. A set of criteria can be set, and a large number of different schemes can be tested to see if any of them fit the criteria.

Criteria for an illustrative Basic Income scheme

- Revenue neutral (zero net cost)
- Income Tax rates to rise by no more than 3%
- All poverty indices must be reduced
- The Gini coefficient must be reduced
- No significant losses at the point of implementation for low income households
- Only manageable losses for any households
- Fewer people on means-tested benefits

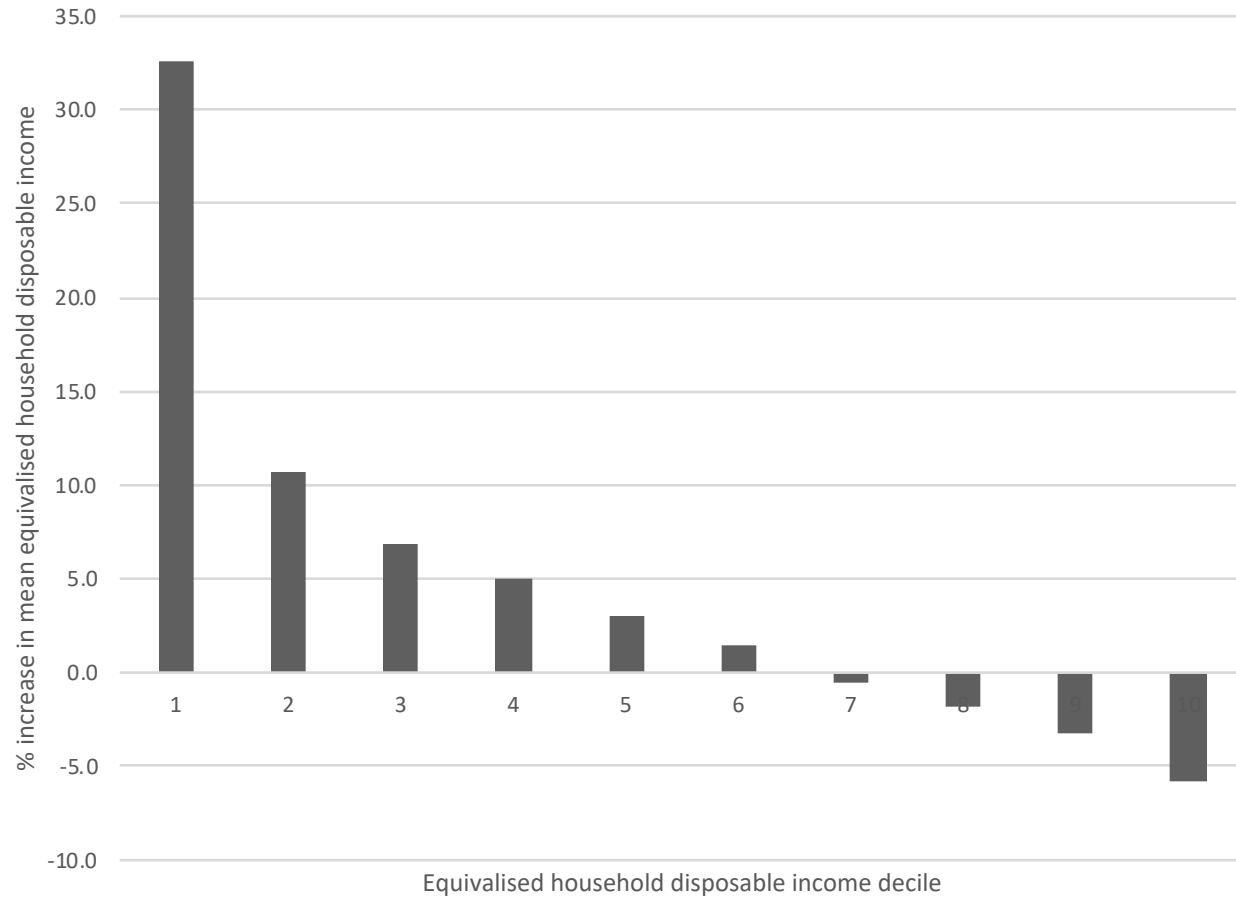
(Not a requirement that means-tested benefits should be abolished; and the levels of Basic Income are not prechosen)

Basic Income levels, tax rates, numbers of losses over various limits for all households and lower quintile, and total net cost of scheme	
Citizen's Pension per week (existing state pensions remain in payment)	£40
Working age adult Basic Income per week	£65
Young adult Basic Income per week	£50
Education age Basic Income per week	£40
(Child Benefit is increased by £20 per week)	[£20]
Income Tax rate increase required for strict revenue neutrality	3%
Income Tax, basic rate (on £0 – 46,350)	23%
Income Tax, higher rate (on £46,350 – 150,000)	43%
Income Tax, top rate (on £150,000 –)	48%
Proportion of households in the lowest original income quintile experiencing losses of over 15% at the point of implementation	1.23%
Proportion of households in the lowest original income quintile experiencing losses of over 10% at the point of implementation	1.77%
Proportion of households in the lowest original income quintile experiencing losses of over 5% at the point of implementation	3.71%
Proportion of all households experiencing losses of over 15% at the point of implementation	0.41%
Proportion of all households experiencing losses of over 10% at the point of implementation	1.74%
Proportion of all households experiencing losses of over 5% at the point of implementation (losses over 6%: 7.11%)	12.54%
Net cost of scheme	£1.41bn p.a.

Reductions in numbers claiming means-tested benefits or within striking distance of coming off them	The existing scheme in 2018	The Basic Income scheme	% reduction
Percentage of households claiming any means-tested benefits	32.86%	30.45%	7.35%
Percentage of households claiming more than £100 per month in means-tested benefits	28.98%	24.31%	16.11%
Percentage of households claiming more than £200 per month in means-tested benefits	26.23%	20.67%	21.20%
Reductions in total costs and average values of claims for means-tested benefits	Reduction in total cost	Reduction in average value of claim	
All means-tested benefits	30.60%	22.00%	

Inequality and poverty indices	The current tax and benefits scheme in 2018	The Basic Income scheme	Percentage change in the indices
Inequality			
Disposable income Gini coefficient	0.3087	0.2756	10.73%
Poverty headcount rates			
Total population in poverty	0.16	0.11	29.57%
Children in poverty	0.18	0.11	42.08%
Working age adults in poverty	0.15	0.11	28.17%
Economically active working age adults in poverty	0.06	0.04	37.48%
Elderly people in poverty	0.14	0.12	14.80%

% increase in mean equivalised household disposable income by equivalised household disposable income decile



'Typical households' research

Microsimulation can calculate the effects of a change to the benefits and tax system for an entire population.

It is also possible to calculate the effects of a change for a particular kind of household.

The following example shows the effects of the 2018 version of the Basic Income tested above for a couple with one earner (earning £20,000 p.a.), two children, and rent of £120 p.w..

- The first table shows the current position. (There are two columns, because the household might be on the old Tax Credits, or on the new Universal Credit).
- The second table shows their position once the Basic Income has been introduced and their means-tested benefits have been recalculated.

Typical households research is useful for educational purposes

Today's system, 2017/18 weekly figures	Tax Credits	Universal Credit
Gross Earnings / Net Profit	384.62	384.62
Net Earnings – after Income Tax and N.I.	324.61	324.61
Child Tax Credit (No Working Tax Credit)	102.25	
Housing Benefit	21.78	
Council Tax Reduction		3.30
Child Benefit	34.40	34.40
Universal Credit		175.31
Weekly Income	£483.04	£537.61

Basic Income, 2017/18 weekly figures	Tax Credits	Universal Credit
Gross Earnings / Net Profit	384.62	384.62
Net Earnings – after Income Tax and N.I.	268.84	268.84
Basic Income	126.00	126.00
Child Tax Credit (No Working Tax Credit)	34.19	
(No Housing Benefit or Council Tax Reduction)		
Child Benefit	74.40	74.40
Universal Credit		77.95
Weekly Income	£503.43	£547.19

Warnings 1: The Green Party General Election manifesto in 2015

The idea in a nutshell is this. Scrap most of the existing benefits apart from disability benefits and Housing Benefit. Abolish the income tax personal allowance. Then pay every woman, man and child legally resident in the UK a guaranteed, non-means-tested income, sufficient to cover basic needs – a Basic Income. For those who earn, the Basic Income compensates for the loss of the personal allowance.

- The problem: Research was available to show that either a lot of additional money would have to be found to pay for it, or lots poorer households would end up a lot poorer.
- Lesson: Take notice of the best available research.

Warnings 2: A Westminster Hall debate

Ronnie Cowan MP: In the words of Malcolm Torry, the director of the Citizen's Income Trust: 'Technology lying idle, human creativity frustrated, wealth flowing from poor to rich, and finite resources uncontrollably exploited ...we are still waiting for the next new key concept. A Citizen's Income might be just what is required.'

Julian Knight MP: I congratulate the hon. Gentleman on securing this debate. He mentions the EUROMOD report by Mr Torry, and I wonder whether he saw the part of the report in which it is stated that, in order to support a universal basic income, the basic rate of income tax would have to rise to 48 pence in the pound. Can he say how on earth that is supportable in a modern economy?

Westminster Hall debate (continued)

Damian Hind MP, the Minister for Employment: UBI would create too many losers among the poorest families and dramatically increase the number of children living in poverty – a point confirmed through modelling even by the Citizen's Income Trust.

The problem: Members of Parliament quoting published Basic Income schemes that had been shown and stated not to be feasible, and not quoting schemes shown to be feasible.

The lesson learned: Not to publish infeasible Basic Income schemes. This is unfortunate. Good scientific practice requires negative results to be published: but should we do that if the research is going to be abused?

Warnings 3: A Work and Pensions Committee oral hearing 2017

Peter Alcock: Either you have a very high level of basic income, in which case you are going to have to have massively increased levels of taxation ... or you do it on the revenue neutral basis ..., but if you do it on a revenue neutral basis you do not solve any of the problems because you need to retain all of the means testing and all of the other elements of the benefit system that currently may or may not be causing problems. The problem is you don't solve them like this. It is either too expensive or it isn't worth having.

Work and Pensions Committee hearing (continued)

The problem: As none of the three UK experts on microsimulation of Basic Income schemes had been invited, even though they had applied for invitations, there was nobody present who could show how many people a feasible Basic Income scheme would take off means-tested benefits.

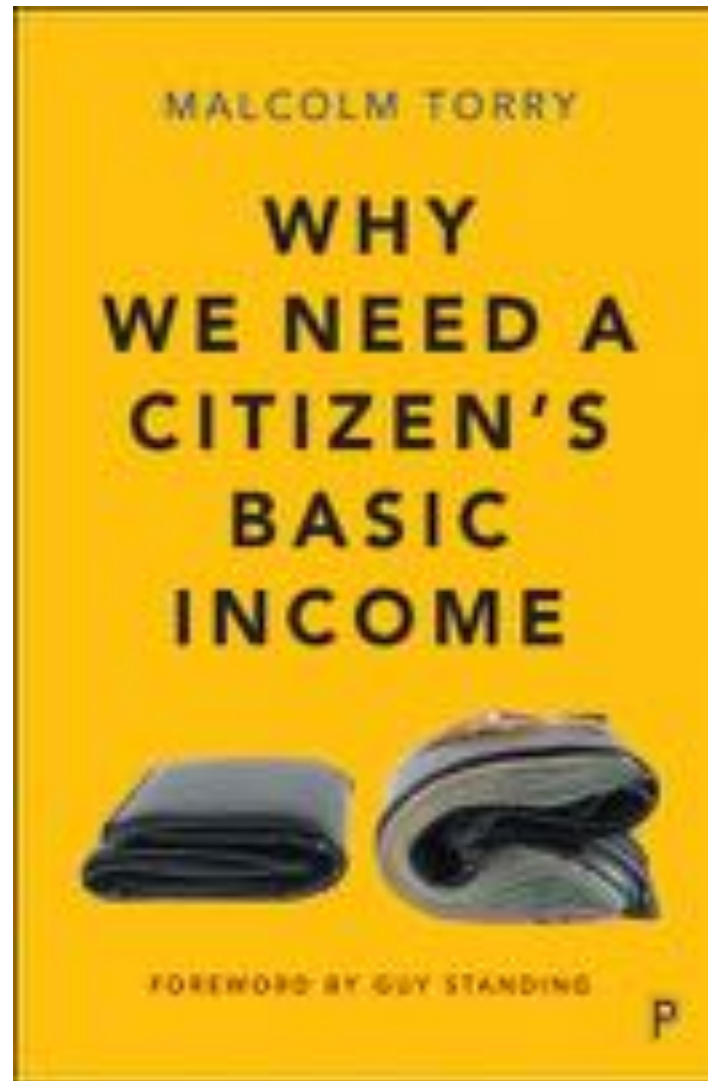
Lesson learned: Keep on publishing high quality research, even if it's ignored. Peter Alcock later wrote an article advocating a small Basic Income.

Further research

Several different kinds of research are required in every country:

- Microsimulation research to discover feasible Basic Income schemes;
- Typical household research for educational purposes.
- Pilot projects (for employment effects)
- Opinion surveys

Why we need a Citizen's Basic Income (Policy Press, 2018): a second edition of *Money for Everyone: Why we need a Citizen's Income* (Policy Press, 2013)



The Palgrave International Handbook of Basic Income (Palgrave Macmillan, October)

