

Will South Korea Be the First Country to Introduce Universal Basic Income?

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Abstract

South Korea could become the first country in the world to implement a nation-wide universal basic income (UBI) program. Lee Jae-myung, the ruling liberal Democratic Party's presidential candidate has pledged to introduce a UBI as well as categorical basic incomes for youth and rural residents. In particular, Lee's proposal to finance a UBI with taxes on land holdings and carbon emissions has provoked political controversies. This article introduces Lee's plan for introducing basic income schemes and financing strategies, outlines the political and socioeconomic background and significance of introducing such programs, and discusses the prospects for implementation.

“It is impossible to predict in which country basic income will be introduced first. That country will need to be able to count on an efficient cooperation between thinkers, activists, tinkerers and courageous and intelligent politicians. Will that be Korea?” (Van Parijs and Vanderborght, 2018: 8)

Introduction

Basic income is “a regular cash income paid to all, on an individual basis, without means test or work requirement” (van Parijs and Vanderborght, 2017: 1). It is often called a ‘universal basic income’ or an ‘unconditional basic income.’ The idea of basic income has been discussed for a long time since Thomas More’s Utopia (1516) and Thomas Paine’s Agrarian Justice (1795) proposed it. While some forms of basic income have been implemented in some parts of the world like Alaska at the sub-national level, and some pilot programs and experiments have been tried in some countries, no country has ever introduced a universal basic income (UBI) for the whole population. Now, South Korea is on the verge of becoming the first country in the world to implement a UBI scheme for its entire population of 52 million.

Lee Jae-myung, the ruling liberal Democratic Party's Presidential candidate, who has pledged to introduce a UBI scheme, is in a dead heat in the polls ahead of election, scheduled on March 9. Lee plans to hand out a UBI of 1 million won (\$840) to every resident annually. In addition to the UBI, he has pledged to deliver 1 million won to 19- to 29-year-olds and up to 1 million won to rural residents annually. He indicates that other categorical basic income programs for children, the elderly, and the disabled will be added. He proposes to finance his basic income programs with land holding tax, carbon tax, and reform of budget and tax expenditures. His electoral platform of a UBI and categorical basic incomes is quite convincing because he has a record of implementing basic income schemes, albeit in small scales, while serving as mayor of Seongnam-si and governor of Gyeonggi-do, the most populous province in the country with 13.5 million residents.

What has made many Koreans to support a candidate whose signature policy is UBI? What are the political prospects of UBI, considering the political landscape and electoral prospects of the presidential election in March and local elections in June? What does the introduction of UBI mean for the national economy and social security system? What debates are taking place among scholars and policy experts? This article intends to address these questions, mainly for foreign audience.

We will first describe Lee's plans for the implementation of basic income programs, including his financing strategies. The next section will provide political background of implementing the pilot basic income programs during his tenure as mayor and governor, and introduce the positions of the major political parties and politicians about basic income and negative income tax, which is considered a cousin of basic income. Then we will discuss socioeconomic background and the problems of social protection system in the country that have caused growing interest in basic income among scholars and politicians. We will also briefly introduce main debates surrounding basic income. In the concluding section, we will discuss the prospects of its implementation during the five-year term of the next presidency and beyond.

Lee Jae-myung's Plans for Basic Income Programs

Lee Jae-myung is well known for his pilot basic programs such as 'youth basic income' he implemented as mayor of Seongnam-si and governor of Gyeonggi-do, as well as emergency relief basic income and basic income for farmers and rural residents as governor of Gyeonggi-do.

Upon announcing his candidacy for the ruling Democratic Party's primary election, he laid out his plans to introduce basic income programs if elected president (Lee, 2021). South Korea has a presidential system, with a five-year single term presidency.

He used to state his long-term goal for UBI as a monthly stipend of 500 thousand won (about \$420), or an annual sum of 6 million won (about \$5,000), for everyone in the country. He stressed the need to prepare for jobless society that the fourth industrial revolution would bring about and argued that UBI could be an effective economic policy, not just social policy, to boost consumer demand and thereby spur economic growth. On July 22, 2021, he announced that he would start with modest levels of basic income for the youth and for the entire population. Specifically, he declared that his administration would distribute 250 thousand won (\$210) once to every resident in 2023, and at least four times the same amount (1 million won, or \$840) per year by the end of his term as president. He also stated that the UBI would be given in the form of perishable local currency, which should be consumed within a limited time in one's localities, to spur people's consumption in small businesses in local areas.

In addition to the UBI, he pledged to distribute youth basic income of 1 million won in four installments of 250 thousand won to 19- to 29-year-olds starting in 2023. Combining the universal basic income of 1 million won per year and youth basic income of 1 million won per year, the youth will receive a total of 22 million won for eleven years. Mr. Lee stressed that the basic incomes would allow the youth more 'real freedom' and enable them to spend more time for education and training to enhance their human capital. He also indicated that he would announce his plans for categorical basic incomes for farmers and rural residents, the elderly, children, the disabled, and artists later.

To finance his basic income programs, Mr. Lee stated his intention to increase taxes and save budgets. He declared that he would introduce a new tax on land holdings and carbon emissions, both of which were urgently needed "corrective taxes" according to him. He argued that land value tax would discourage real estate speculation and stabilize the price of land and housing, while skyrocketing housing prices under the current Moon Jae-in administration were the major source of public discontent. He also emphasized that it would not be a choice but a must to introduce carbon tax as the most effective and efficient tool to reduce carbon emissions. He suggested that the value of land dividends and carbon dividends will more than compensate the tax burden for 90 percent of households.

The land value tax could raise revenue of 30 trillion won (\$25 billion), and carbon tax 20 trillion won (\$16.8 billion) per year by the end of his presidential term. All the revenue from the land value tax and

substantial part of the carbon tax revenue would be used to finance the UBI program. He also proposed to save budgets by reforming budget expenditures (25 trillion won) and tax expenditures (25 trillion won). Together about 90 trillion won (30 trillion + 20 trillion/2 + 25 trillion + 25 trillion) per year, or about 4.5% of GDP, could finance a UBI (51.8 million persons * 1 million won = 51.8 trillion won), youth basic income (6.3 million persons * 1 million won = 6.3 trillion won) and other categorical basic incomes. Lee plans to install a presidential commission for basic income once he is inaugurated as president. The commission will design basic income schemes in detail and hold public deliberations and discussions to reach public consensus. He has also indicated that additional earmarked taxes for financing higher levels of basic income could be introduced if political consensus were made based on people's experience of the efficacy of basic income, which might not happen during his presidential term.

Lee easily won the Democratic Party's presidential primary, defeating two former prime ministers, although he had not had any position in national politics before. As the Democratic Party's official candidate for President, he has been releasing his plans for categorical basic incomes for children, rural residents, and artists. The universal monthly child benefits of 100,000 won (\$84), currently provided to up to seven-year-olds, would be extended up to 18-year-olds by the end of his presidential term. The rural residents as well as farmers would receive up to 1 million won per year. There would be 1 million won of annual basic income for artists and 1.2 million won of yearly benefits for those between 60 and 65 years old who have retired but do not receive public pension yet. He also announced that there would be no reduction in the amount of basic pension for the elderly couples, while couple rate is currently 80 percent of single rate each.

The Political Background

Lee Jae-myung was born in 1964 in Andong, North Gyeongsang Province. After graduating from elementary school, he worked at factories in Seongnam, Gyeonggi Province. He suffered industrial accidents, and the injured arm was twisted. He received a middle school diploma and a high school diploma through self-study and was accepted into Chung-Ang University and studied law. After building his early career as a human rights lawyer, he entered the politics. He earned his political reputation during his tenure as mayor of Seongnam (2010-2018). As mayor of Seongnam, he gained recognition for advancing Seongnam's social welfare programs, including the introduction of free school uniforms, free post-natal care and 'youth basic income'.

When Mayor Lee began to implement a youth basic income program in January 2016, few Koreans were aware of the concept of basic income. All the 24-year-old residents of Seongnam were given 1 million won in four installments in the form of perishable local currency. Although it was just a one-year program for the 24-year-olds, the program became popular not only among the youth but particularly among the local small businesses run by their owners. Since the use of the local currency was restricted to the small businesses in the city within a limited time period, they saw increased sales revenue due to the youth basic income. While the standard definition of basic income includes the "cash" element, the quasi-cash is different from voucher, which typically restricts its use to specific goods or services.

It is notable that behind Lee's political rise with his signature policy of basic income was the role of basic income activists and scholars. In particular, the Basic Income Korea Network (BIKN) has played an important role in promoting basic income in Korea since its foundation in 2009. In July 2016, the BIKN hosted the 16th Basic Income Earth Network (BIEN) Congress in Seoul. The international event contributed significantly to increasing public awareness of basic income and the numbers of published scholarly articles as well as news articles about basic income began to increase rapidly after the BIEN Congress. Kim Jong-in, then emergency leader of the liberal opposition, Democratic Party, stated in his

parliamentary address that Koreans should pay attention to basic income experiments in foreign countries. It was the first time that a major politician mentioned basic income in Korea.

In late 2016, there were a series of mass demonstrations that called for resignation of President Park Geun-hye over a corruption scandal. Lee, then mayor of Seongnam, was among the first who called for impeachment of the president and became very popular. After the president's impeachment, he ran for nomination of presidential candidacy of the main opposition, Democratic Party. He pledged to introduce a universal basic income of 300 thousand won per year financed by land holding tax and categorical basic incomes of 1 million won per year for children, the youth, the elderly, farmers and fishermen, and the disabled that would be financed by budget savings (BIEN, 2017). Although he finished the nomination contest in the third place, it was extraordinary for a local politician to show such strong competitiveness.

Upon election and inauguration in May 2017, President Moon declared the strategy of "income-led growth" and increased the minimum wage and regularized non-regular workers in the public sector. Although the Moon administration introduced a universal child benefit of 100 thousand won (\$84) on a monthly basis for those under the age of eight, the officials of the Blue House, or the presidential office, as well as the Minister of Planning and Finance have been hostile toward basic income.

Local elections in June 2018 added momentum in the promotion of basic income in Korea. Mr. Lee was elected as governor of Gyeonggi Province, which represents a quarter of the South Korean population and surrounds the capital Seoul geographically. He soon expanded the youth basic income program for the 24-year-olds to the entire 31 municipalities of the province beyond Seongnam. According to a Gyeonggi Research Institute's study, the basic income recipients became happier, more interested in economic freedom and social inequalities, and more positive about the role of government (Yoo, 2020).

During the 2018 local elections, not only Mr. Lee but many candidates for local offices in rural areas pledged to introduce farmers' allowance, or basic income for farmers. The Local Governments Council for Basic Income was first formed with participation of 36 municipalities in April 2019, and the membership of the Council was expanded to 75 municipalities by April 2021. In addition to implementing farmers' basic income, Gyeonggi Province plans to conduct a five-year experiment of 'rural basic income' starting in March 2022. All the 3,880 residents of a village that was selected by a lottery among the qualified applicants will receive a monthly stipend of 150 thousand won (\$125) for five years with no strings attached. The impact of rural basic income on psychological wellbeing, the local economy, employment, and inequality will be studied by collecting data and comparing to that of a control group living in a similar village.

Upon the outbreak of coronavirus pandemic, there were fierce debates about the need, scope and method of emergency disaster relief payments. Lee, then governor of Gyeonggi Province, was at the forefront of advocating the urgent delivery of universal emergency basic income on an individual basis in the form of perishable local currency, as opposed to selective payments on a household basis in cash. On top of the central government's disaster relief payments given to all households in April 2020, Gyeonggi Province dispensed additional payments in perishable local currency to all residents at the individual level, minimizing the time and administrative costs accorded to targeting beneficiaries. "Although it is a small amount and only a one shot, I hope that Gyeonggi Province disaster basic subsidy will trigger a discussion on basic income at the national level and establish a new policy suitable for a new era," Governor Lee Jae-Myeong said (Lee, 2020).

When the Moon administration was still insisting on selective payments of disaster relief in March 2020, the conservative opposition, United Future Party, unexpectedly urged the government to send out cash to every household. After the UFP lost the general elections for National Assembly and the new Basic

Income Party took one legislative seat in April 2020, the UFP renamed itself People Power Party (PPP) under the emergency leadership of Kim Jong-in in September 2020. Kim, who was the first major Korean politician who spoke about basic income as a leader of the liberal Democratic Party in 2016, took an interim leadership for the rightist party in crisis and redirected the party leftward toward a centrist party. The PPP surprisingly embraced basic income in its party platform, which read, “The state should support the individual citizens to live a safe and free life with basic income to cope with the upcoming era of the Fourth Industrial Revolution.”

Since then some prominent politicians affiliated with the PPP proposed different versions of a negative income tax (NIT), although there was no consensus about basic income and NIT within the party. Oh Se-hoon, mayor of Seoul, proposed a “Safety Income”, a household-based NIT scheme. He plans to conduct a randomized controlled experiment to evaluate the effect of the scheme in Seoul. Yoo Seung-Min, who finished third in the party’s race for presidential candidacy in November 2021, proposed a “Fair Income”, an individual-based NIT scheme. However, Yoon Seok-youl, the presidential candidate of the PPP has not only attacked Lee Jae-myung’s UBI proposal as a nonsense but showed no interest in NIT.

The criticism against Lee’s basic income policy came from within his own Democratic Party as well as from the opposition PPP. During the primaries, other presidential contenders argued that Lee’s low-level universal basic income would not be of much help to people and that it would be better to provide larger benefits to selected people in need. They also attacked Lee’s proposed land value tax, carbon tax, and reduction of tax expenditures, arguing that they would increase people’s tax burden. For some time in November and December 2021, public support for Lee’s candidacy as well as his basic income package waned. When the opposition’s attacks on the land value tax forced him to be on the defensive side, he said that he would not introduce the tax and the land rent dividend if a majority of the population would object. But he added that he was confident that he would be able to persuade the public, based on his experience of public deliberations. He noted that the support for basic income increased from the initial 50 per cent to 79 per cent of the participants after two rounds of deliberations in Gyeonggi Province. Basic Income Party’s presidential candidate, Oh Joon-ho, has proposed to introduce a monthly UBI of 650 thousand won (\$540), which will replace public assistance for the poor.

The Socioeconomic Background

Korea is a star performer in the economic history in modern times. It successfully transformed the economy within one generation from one of the poorest countries that used to receive humanitarian and development assistances from other countries to one of the high-income countries that provide development aid to other countries. Such a rapid social and economic transformation resulted in many positive economic outcomes.

However, as Korea’s growth model has left many behind, Korea pays high costs of the rapid growth and industrialization. Korea faces severe challenges with growing inequality in income and assets across the population. The gap between the rich and the poor was wider in South Korea than in almost any other OECD member countries in 2019, except for the US. Korea posted the second-highest poverty rate, defined as the percentage of people whose income is less than half the median income, among the 35 economies analyzed (OECD 2020).

Young people are particularly discontent with growing inequality and a lack of opportunities. The youth could be the first generation that would not be as rich as their parents’ generation, which causes intergenerational tension. It would take a child born into a low-income family about five generations (or up to 150 years) to reach the average income level in Korea (OECD, 2018). Growing concerns about inequality and resentment are reflected in popular culture such as soap operas and movies like Squid Game and Parasite. Korea is a partly a victim of its own success.

The COVID 19 pandemic worsened inequality as labor markets were disrupted by job losses and the enforced shutdown of businesses. Dualism in Korean labor market caused a high segmentation between regular and non-regular workers even before the pandemic outbreak. A significant portion of the labor force works as non-regular workers at relatively low wages with limited protection from social insurance, which leads to inequality in income (OECD 2020). Such non-regular workers, mostly the youth and the vulnerable, were already going through difficult times even before the pandemic outbreak, as the rapid technological changes and digitalization compound the disparities of Korean labor markets. COVID 19 increased the unemployment disproportionately for non-regular workers. Such uneven labor market impact of the pandemic further increases economic disparities in Korea.

The low level of social spending and weak redistribution system further create a vicious circle for increasing inequality in Korea. The Korean welfare state is still immature, as it was established in a short period of time. Korean government's social spending, which accounted for only 3.1 percent of GDP in 1990, quadrupled to 12.2 percent in 2019. However, it is still among the lowest in the OECD area and only half of the OECD average, which is above 20 percent of GDP (data sources: OECD Social Expenditure, 2020). It is not just the low level of social spending but its composition that makes Korea's redistribution of income among the lowest in OECD. Social insurance accounts for about two thirds of social expenditures in Korea, but the majority of non-regular workers are excluded from social insurance such as employment insurance and public pension. Dualism in the Korean labor market not only increases income inequality but also produces dualism in social protection (You, 2020). Korea's tax and transfer systems on income distribution and poverty is among the weakest. Among OECD countries, the lowest birthrate, highest suicide rate, highest elderly poverty rate, and high inequality are all indicators of the South Korean welfare state's poor performance (Kim, 2021).

Meanwhile, Korea has managed macroeconomic situation well with sound fiscal space and relatively low rates of inflation. Despite the several disaster cash reliefs ppayments after the COVID 19 outbreak, the government spent much less for economic recovery related to the pandemic partially due to smaller confirmed cases of COVID 19 compared to other countries. Korea's moderate fiscal spending after the pandemic outbreak was more due to the frugal policy reflected in the small amount of disaster reliefs. Between 400 thousand won (\$333) and 1 million won (\$840) was delivered to each household depending on the household size in the spring of 2020, and 250 thousand won (\$210) to each individual except for the top 12 percent of population in terms of income and wealth in the fall of 2021. These payments were small compared to thousands of dollars given to most Americans as disaster relief payments. The Korean government was also very stingy in providing compensation to small businesses for their losses due to government-mandated shutdown or reduced business hours. As a result, Korea has been keeping its debt to GDP ratio under 50% and inflation level of 1.6% (according to IMF DataMapper, Oct 2021). Unexpectedly, in 2021, the government had excess tax revenue of around 60 trillion won (\$50 billion, about 3 percent of GDP) than previously expected as the economy has extended its growth momentum. Also, increased housing tax revenue, due to the surge in real estate prices, contributed to the excess revenue.

The above-mentioned social and economic factors Korea faces today seem to be aligned with the reasons why Korea needs to introduce UBI, which could serve as an enhanced social security system. Growing inequality and lack of opportunities for the youth were further accelerated through the economic crisis caused by the pandemic. The still low level of social spending despite the relatively sound fiscal situation further justifies the case for such programs.

Policy Debates around the UBI

Since Lee proposed to introduce the UBI, there have been heated debates on introducing such programs in Korea. Similarly, there have been active debates on the emergency disaster cash reliefs that South Korean government provided several times after the pandemic occurred. The two debates have many things in common, as the cash reliefs are seen as a pilot of UBI.

Considering the still on-going debates and potential concern raised about introducing the nation-wide UBI, Lee proposes to start the UBI with a small amount in the beginning, and gradually increase the amount by bolstering taxes on land holding and carbon emissions. Also, he plans to provide the UBI for targeted population, such as the youth and the elderly, and for farmers in the rural areas with declining population, as pilot programs. Here we summarize major policy debates and controversies raised around introducing UBI in Korea.

Universal vs. targeted?

Debate continues about whether benefits should be offered to all citizens or targeted toward specific citizens who are in need of support. Critics question why the government should provide cash to the rich, such as the CEO of Samsung when more is needed to help those in need, including the unemployed and the growing elderly population.

However, as we have observed throughout the implementation of disaster cash reliefs, targeting those who are in need is costly to administer and practically impossible. When the government decided to provide 250 thousand won (\$210) to the bottom 88 percent of population, both the criteria of selection and its administration exposed many problems and created public discontent. Because UBI targets the entire population, it can significantly reduce administrative cost and avoid blind spots.

Meanwhile, Korea's relatively advanced government system and digital technology adoption could reduce the cost and inefficiency around targeting. Some economists argue that Korea should target its population in need while developing countries with limited capacity had better to provide a UBI (Banerjee and Duflo, 2019). For instance, the Nobel laureate, Prof. Banerjee, in an interview with *Korea Times*, mentions that he wouldn't support UBI in Korea as a long-term social program, although he thinks it's a smart emergency response. Banerjee suggests that as Korea has good public records, Korea can quickly identify those who are in economic pain at any point of time and channel help to them (*The Korea Times*, 2022-01-06).

However, proponents of UBI argue that targeted benefits often reduce work incentives and keep the recipients poor rather than helping them to escape out of poverty. It creates suspicion and stigma (Standing, 2017; Van Parijs and Vanderborght, 2017). Also, targeting is not as accurate as those economists like Banerjee think even in developed countries such as the US and Korea (Campbell, 2014). Negative income tax (NIT) has been proposed by many economists on the right (such as Milton Friedman) and on the left (such as James Tobin) to reduce work disincentives of the traditional welfare programs and better provide targeted benefits to all those in need. It is notable that there exists a UBI scheme that can have the same redistributive effect as any version of NIT (Kang, 2019). Prof. Mankiw at Harvard University illustrates such an example. Suppose that an NIT, or means-tested benefit of \$1,000 per month, or \$12,000 per year, is given to those with zero income, and is reduced by 20 percent of earned income until it reaches \$60,000 per year, and that the NIT is financed by a progressive income tax that taxes 20 percent of all annual income above \$60,000. Also suppose that a UBI of \$1000 per month for every person is financed by a 20% flat tax on all income. If we look at the net payment-taxes less transfers- everyone is exactly the same under both programs. Once we recognize the equivalence of NIT and UBI, the latter is preferable to the former because "universal benefits and flat taxes are easier to administer than means-tested benefits and progressive taxes" (Mankiw, 2021). Lee Jae-myung

defended his UBI policy citing Mankiw and other economists, but an article at conservative Chosunilbo argued that Lee had distorted Mankiw's argument while he had in fact not endorsed UBI (Jeong, 2022).

UBI has not been tested elsewhere.

Critics of UBI have questioned the wisdom of implementing a UBI in Korea first time in the world while the effects of UBI are largely unknown. Finland's recent experiment of basic income was only a small scale and provided mixed results. So far, no country has had a large scale UBI provided to the entire population periodically. While prior studies conducted by Gyeonggi Research Institute suggest positive effects of basic income for youth, there is still limited evidence on the effects of basic income and no evidence on the UBI implemented at a large scale. Then, why do we run such an expensive experiment on Korean citizens before knowing the effects thoroughly first?

The limited evidence of the UBI effects also raises concerns about the unintended consequences of UBI. Critics warn that UBI could reduce workers' willingness to work. Also, employers might pay employees less because they know they will be subsidized by the government. Critics argue that we may not need UBI after all. While technological advancements, such as automation and robotization, will lead to job losses, they will also create new jobs in new sectors. So, it is too early to introduce UBI when we do not know the final labor market effects from the so-called fourth industrial revolution.

Proponents of UBI, however, argue that a low level of UBI will not reduce but increase work incentives because people will rely less on means-tested social assistance that imposes high marginal tax rates on the benefit recipients. Lee's proposed UBI at such a low level will not create work disincentives, because its income effect on work disincentives will be negligible if there is any. They note that UBI will not allow employers to pay employees less unlike EITC, because the former does not depend on earned income as EITC does. In fact, UBI will likely enhance workers' bargaining power. There will be positive macroeconomic effects as well, as UBI will boost consumer demand, which will result in more demand for labor and higher economic growth. They also argue that the fourth industrial revolution will certainly increase dualism in the labor market, producing the precariat, or precarious workers, in a large scale, which the existing social security system is ill suited to protect. Hence, we need to start a UBI at a low level to prepare to cope with the adverse effects of the fourth industrial revolution.

Is it financially feasible?

Critics of UBI have noted that it is very expensive to introduce a UBI. Even if Lee would introduce a UBI of only 1 million won (\$840) to every Korean annually, it would cost Korea over 50 trillion won (\$42 billion) yearly, or about a twelfth of government budget, which could be a significant burden on fiscal situation. Moreover, once introduced, it would be politically difficult to stop disbursing the UBI irrespective of fiscal situation in the future.

Critics also noted that maintaining just the existing social welfare programs would bring the level of Korea's social spending close to that of advanced welfare states in Europe by 2060 because of the rapidly aging population. They argue that introduction of UBI will require drastic cut of existing programs, which will make the vulnerable population worse off. Also, the challenges of financing the UBI brings another criticism that Lee's proposed amount of UBI is too small to be of significant help to those in need.

Proponents of UBI argue that targeted programs based on means-testing are not as cheap in the long run as they look in the short run. Since targeted programs keep the recipients poor by incentivizing them to not work or work in the informal sector and to hide their income and assets, they tend to become more expensive and ineffective over time. Also, UBI is not as expensive as it looks at first. In the Mankiw's examples of UBI and NIT, the budget for UBI is much larger than that for NIT. If we consider

the net benefits and net taxes only from the UBI program, however, the total size of the UBI is the same as that of the NIT. Since UBI does not reward poverty and encourages people to get out of poverty through earning more, it can spur economic growth. UBI also increases aggregate demand, employment and production, and tax revenue. Lee, in an interview with *The Korea Times*, defines the role of UBI is beyond the redistribution as it also helps creating consumer demand and assisting the economic virtuous cycle as well as alleviating social and economic polarization (*The Korea Times*, 12-31-2021). Proponents also argue that Korea's social protection system that excludes many working poor and only weakly protect some of the luckily selected population should be transformed (You, 2020). A partial UBI at the level of ten to fifteen percent of per capita GDP, as opposed to full UBI at the level of twenty-five percent of GDP, combined with income-and-contributions-proportional universal income insurance that protect against sickness, unemployment and old age, may constitute an ideal social protection system, according to some advocates of UBI in Korea (You, Kang and Lee, 2021).

It is also notable that the small amount of emergency reliefs, which was roughly equivalent to Lee's proposed UBI of 1 million won per year to everyone, that were given to all households in the spring of 2020 and to 88 percent of population on an individual basis in the fall of 2021 had significant redistributive effect. The results of household survey released by the Statistics Korea showed that income distribution had improved when the universal or near-universal relief funds were disbursed and worsened when only selective reliefs were given. This is because the small amount of relief funds represented 13.5 percent of household income and 39.1 percent of household market income for the bottom fifth, while they were negligible for rich households (You, 2021). It also suggests that targeting is not as accurate as commonly perceived.

Why a land a value tax and carbon tax to finance a UBI?

Lee's basic income policy is based on the idea that common wealth such as land, natural resources, and the environment should be shared by all members of society. Also, he wants to use basic income as a way of overcoming the possible political resistance to the introduction of "corrective taxes" that are necessary to enhance economic efficiency and equity. In both senses, land value tax and carbon tax are ideal tools for financing universal basic income. Land dividend from the revenue of land value tax is a way of sharing part of the land rents. Carbon dividend from the revenue of carbon tax is a way of compensating the harm imposed on people by carbon emitters. On the other hand, land value tax and carbon tax could serve the public interest by correcting for market failures.

The land value tax is widely considered an efficient tax that could discourage real estate speculation, lower the price of land, and facilitate the efficient use of land (Dye and England, 2009; George, 1879; Mirlees et al., 2012). While creating a new tax would face political resistance, distributing the revenue from the tax to every Korean would be an effective strategy of overcoming political resistance since the majority of Korean families would benefit financially by receiving more in 'land rent dividend', or 'land basic income', than they pay in land value tax. It is not new for Lee to propose a land value tax. He pledged to introduce a land value tax and use the revenue to finance a UBI when he unsuccessfully ran for Democratic Party's presidential primary in 2017.

Similarly, carbon tax is widely recognized as the most effective and efficient tool to reduce carbon emissions (Bertelsen and Rorke, 2021). But the tax would increase the price of any good or service that uses carbon, and without 'carbon dividend', or 'carbon basic income', there would be a political backlash. By giving everyone a 'rebate', however, it would encourage people to cut back on their carbon usage and a majority of Korean families would have a net financial gain. A bipartisan group of prominent economists called for carbon tax and carbon dividend to the US government (Economists' statement, 2019).

However, Lee's plan to finance a UBI mainly with land value tax and carbon tax faced severe attacks from the conservative media as well as from his major opponent, Yoon Seok-youl of the PPP. Yoon criticized that Lee's proposed land value tax, a tax on unrealized capital gains, would amount to unconstitutional infringement of private property rights. Yoon also questioned the desirability of introducing carbon tax as well as the Moon administration's recently announced enhanced 2030 target for greenhouse gas emission reduction. Realizing that withdrawing from the Korean government's commitment to reduce greenhouse gas emissions would not be a viable option, however, his criticism of Lee's financing strategy of UBI focused on land value tax.

Public discontent about the comprehensive real-estate tax made it very difficult for Lee to sell his land value tax and land dividend scheme. Large increases in both housing prices and rates for comprehensive real-estate tax, especially on owners of two-or-more houses during the current Moon administration, created strong resistance against discussion of raising any real estate holding taxes. Although land value tax is a levy on the value of land without regard to buildings, personal property and other improvements, Lee failed to make people understand the distinction between his proposed land value tax and the existing comprehensive real estate tax that taxed housing more heavily than land. Opinion polls showed that most people did not buy his argument that a majority of the population would be net beneficiaries from the land dividend scheme but supported Yoon's plan to reduce taxes by integrating property tax and comprehensive real estate tax.

In such context, Lee had to retreat that he would not introduce a universal basic income as well as land value tax if the majority of population would not consent. He is now proposing to implement a UBI of 250 thousand won to 1 million won only after having public deliberations organized by a Presidential Commission on Basic Income and obtaining public approval, while categorical basic incomes and allowances will not be subject to such constraints.

Conclusion

Lee's pledges to introduce categorical basic incomes for youth, children, rural residents, and even artists have not faced strong criticisms. In fact, there have been strong grassroots demand for rural basic income. Lee had planned to introduce farmer's basic income and conduct some pilot programs of rural basic income, but changed his plan and formally announced his plan to introduce an annual basic income of up to 1 million won to every resident in rural areas, not just the farmers, on January 25, 2022. The rural population is about 10 million, about five times the number of farmers, and one fifth of the South Korean population.

However, his plan to implement a universal basic income of 1 million won for every Korean has faced strong objection not only from the conservative PPP and its presidential candidate, Yoon Seok-youl, but also from within his own party and many liberal scholars. Public opinion on basic income has turned out to be not very favorable, either. A recently released survey results show that 43 percent of respondents were favorable, but 49 percent unfavorable. In particular, only 33 percent of those in their twenties supported basic income even though they would be the main beneficiaries of Lee's basic income plan. Some earlier surveys showed even smaller support for UBI. While it seemed that a majority of Koreans were in favor of basic income according to many opinion polls conducted before the Democratic presidential primary, attacks from both the opposition parties and from within the ruling party toward Lee's basic income proposal seem to have made taxation issue more salient.

It is hard to discuss the prospects of implementing a UBI in Korea at the moment. It will largely depend on the outcome of the presidential election in March. Lee's electoral victory would clearly make the probability of implementing his UBI and categorical basic income schemes high. Then, some categorical basic incomes for youth and rural residents would be certainly implemented. In particular, local

elections in June will add momentum for rural basic income. However, there will certainly be a fierce battle surrounding the enactment of land value tax and perhaps surrounding the enactment of carbon tax as well. Even if land value tax is not introduced, however, that does not necessarily mean the cancellation of UBI. Carbon tax may be easier to enact, considering the urgent need for the legislation to meet Korea's commitment to carbon neutrality and 2030 emission reduction target. In addition, there is substantial room to save budget expenditures considering that Korea's ratio of public social expenditures to government revenue is very low at around 40 percent, compared to the OECD average of 60 percent (You, 2020).

Another possibility is to conduct large-scale experiments of UBI and NIT at both the individual level and community level, which may pave the way for introduction of a UBI or an NIT by the following administration that will be inaugurated in 2027. This is a quite probable scenario considering that Oh Se-hoon, mayor of Seoul affiliated with the PPP, is planning to conduct a randomized controlled trial of his NIT scheme in Seoul and that there is a growing interest in NIT and policy experiment among scholars as well. Although Oh has to rerun for mayoral election in June, there is budget for the experiment that is supposed to begin in July this year.

If Yoon is elected as President, the probability of introducing a UBI during his term is practically nil, but public demand for UBI as well as categorical basic incomes may not decline. In addition to Oh's likely experiment of NIT, Yoon's minority government may have to agree to conduct an experiment of UBI considering that the Democratic Party will control the National Assembly until the spring of 2024. Local elections in June will very likely lead some municipalities in rural areas to introduce rural basic income, albeit at a low level. Whatever the presidential election outcome may be in March, the coming years in Korea will likely see vibrant political discourses about UBI and NIT.

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