

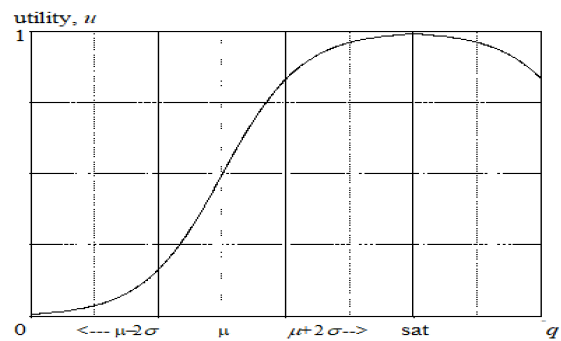
Adequacy, poverty benchmarks and a maximum
feasible level of BI
by
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CBID OPEN FORUM

Problem 1

- What do we mean by 'adequacy'?

An individual's utility function:



KEY
 u utility
 q consumption
 μ subsistence consumption
sat satiation consumption

FIGURE 1 LEANING-S-SHAPED U-FN

Adequacy

- Axes of utility function: utility on vertical; consumption on horizontal.
- Adequacy could mean the point between deprivation and sufficiency.
- This is represented by the point of inflection between the increasing marginal utility of deprivation and the diminishing marginal utility of sufficiency on the individual's utility function indicating the adequacy level of consumption,.

Problem 2

- This subsistence level is likely to vary according to gender, age, etc,
- If the aim of a BI scheme were to be to meet the adequacy level of everyone in a given jurisdiction, then this objective is known as ‘Welfarism’
- The implementation of ‘Welfarism’ would require complex micro-management.

Problem 3

- It has been found that affluent people have a higher subsistence level than poorer people (Hagenaars, 1986)
- Should affluent people receive a greater BI than poorer people?

Problem 4

- Does an 'adequate BI' mean that it is required to fulfill everyone's adequacy level on its own, without other benefits contributing to it?
- In other words, would an 'adequate BI' be expected to replace all other cash benefits, including disability benefits, life-event benefits, voluntary national Insurance benefits, and retained social assistance benefits (to enable 'no detriment')?

Problem 5

- Could every country afford an ‘adequate BI’?
- In some of the poorest countries, a subsistence endowment might be higher than its GDP per capita.
- That means that there is no way that such poor countries could aspire to an ‘adequate BI’, until a world BI were implemented.

The OECD poverty benchmark

- The OECD provides a method of allocating **a fair share** of a jurisdiction's resources to prevent poverty, avoiding the need to define 'adequacy':
- '60% of median equivalized **household** disposable (net) (net) income for a **couple**'.
- Alternative benchmarks could be adopted, such as 'a given % of **mean** gross income for **each person**', or 'a given % of GDP per head for each person'.

Is there a maximum feasible level of BI?

- To take the UK as an example:
- Even if cash benefits were to be financed via taxes on all sources of income, and public welfare services and infrastructure are financed out of indirect taxes, so that they are not competing for the same resources, **taxes on income should not exceed 50%**,
- (sailors say ‘one hand for the ship and one hand for oneself’).

Is there a maximum feasible level of BI?

- Retaining even a **small personal allowance** of tax-free income requires finance.
- Even with a maximum feasible BI, it is likely that other cash benefits may have to be retained to achieve '**no detriment**'.
- There are some benefits for which **a BI is not a good substitute** (a welfare fund for emergencies, such as fire or flood).
- These extra costs could take up another 10% of incomes.
- Thus, in the UK, a maximum feasible BI could use 40% of total personal incomes from all sources.

Is there a maximum feasible level of BI?

- In the UK, the total of personal incomes accounts for about 75% of GDP.
- Thus, 40% of mean income per head represents **30% GDP per head BHC** (Before Housing Costs have been deducted) for a maximum BI,
- **(or 32% for After Housing Costs have been deducted).**
- The maximum would have to be introduced in stages, otherwise it could upset an economy, and other supporting policies would also have to be introduced, eg sensible housing and good-health-maintenance policies.

Example: Maximum feasible BI based on latest (2022) data for 2024-25, UK

| | GDP | | OECD |
|-------------------------|----------|---------|-----------------------|
| | Annual. | Weekly. | Weekly (singleton) |
| • Before Housing costs. | £11,090. | £212. | £227. |
| • After Housing costs. | £887. | £170. | £174. |

CONCLUSION

- ‘Adequacy’ is difficult to define and is very subjective, varying for different groups of people.
- Some countries would not have sufficient resources to distribute an ‘adequate BI’.
- A poverty benchmark guarantees a fair share of a jurisdiction’s resources for members of its population.
- A BI could not replace all current cash benefits without detriment.
- There are natural constraints on the maximum that a Jurisdiction could raise for distributing as a BI together with its other essential cash benefits, and its public welfare services.

THANK YOU

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