

»» Unconditional basic income: an instrument for reducing inequality?

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In discussions regarding the growing inequality in many developing countries, an idea that is mainly known from socio-political discussions in a number of industrialised countries is gaining increasing importance: introducing a universal and unconditional basic income. The essential idea is for all citizens, regardless of their individual incomes, to receive a uniform basic amount from the state every month that is sufficient to meet their basic needs. As a result, all other social benefits financed by the state, such as unemployment or child benefits, would be cut, at least in most of the models discussed. This kind of basic income would be largely financed by eliminating the costs for what are, in some cases, highly complex social benefits (including the associated administrative expenses).

Arguments in favour of a universal basic income

Arguments presented by proponents of an unconditional basic income include:

Reduced opportunities to abuse the system: Unconditional basic income transfers are a very simple and transparent transfer system that drastically reduces the opportunities for abuse in comparison to the other systems commonly in place at present.

Individual opportunities for self-fulfilment: Introducing a basic income also reduces the stigmatisation of benefit claimants. At the same time, proponents argue that it creates a more egalitarian society and opens up opportunities for individual self-fulfilment.

Forward-looking: Proponents of a basic income argue that technological development in the working world will result in technical solutions increasingly substituting manual labour. This means that a small group of high earners would

stand opposite a growing number of unemployed people. An unconditional basic income would provide the necessary social re-balancing.

Key criticisms of the proposal

The arguments put forward by critics of the UBI include the following:

Inability to finance: Opponents of the model argue that belief in the equal distribution of a basic income is just wishful thinking that could never become a reality. They argue that the system cannot be funded in practice.

Risk of moral hazard: A universal basic income would also reduce the material incentive to work, and therefore lead to a fall in employment. This would paralyse the driving forces of the market economy, which is based on individual performance and improvement above all.

Benefiting higher earners: Introducing a basic income would result in the loss of other social benefits, at least in most of the models being discussed. Previous claimants of these benefits would then have to finance them themselves. Critics therefore argue that higher earners above all would benefit from the introduction of a basic income.

Introducing a basic income in developing countries?

To date there is very little evidence supporting the assumptions in practice. Calculations of the costs of introducing a basic income in the US show that an annual transfer of USD 10,000 to all US citizens would eat up almost all of the country's tax revenues for the year – which would presumably cause the introduction of a basic income to fail simply on account of the excessive costs involved.

However, the benefits in terms of efficiency could be higher in developing countries. The existing social security systems to support those in need in these countries are often particularly prone to abuse, as it is often particularly difficult and costly to check claimants' entitlement when many work in the informal sector or as microentrepreneurs and where there is almost no formalised data on income. Again, there are no empirical analyses to support this assessment.

However, initial results from pilot projects involving universal social transfers to poor households in rural Kenya already indicate that payments are generally spent on improved medical care and education (and not on consumer goods such as cigarettes or alcohol), and that positive overall effects on the target group's well-being can be demonstrated.

Expanding targeted cash transfers measures to support those in need

Nevertheless, the blanket introduction of an unconditional basic income in developing countries seems barely realistic in practice. Politicians are particularly wary of political resistance from the better-off, who fear losing out because they would have to pay more in taxes to finance the system.

It would be more realistic to expand unconditional or conditional, targeted cash transfers exclusively to groups in need. Unlike to the transfer of unconditional basic income, there are already very positive experiences and evaluations regarding this instrument. ■