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Malcolm Torry

Some Lessons from the Recent UK Debate about Universal Basic Income¹

EVENTS

Rather than attempt to relate the whole of the recent history of the UBI debate in Britain – impossible in a short article – I shall concentrate on a series of events from which I shall draw some lessons that might have broader relevance.

The Importance of Microsimulation Research⁴

In March 2014, at its Spring Conference, the UK's Green Party voted to include a UBI in its manifesto for the forthcoming General Election. The details had not been published, but what was known was that the Party intended a UBI of £72 per week for every adult (less for children and young people, and more for elderly people), and that it intended to pay for it by abolishing means-tested benefits and income tax personal allowances.

This scheme might have been similar to the Citizen Basic Income Trust's illustrative scheme that the House of Commons Work and Pensions Select Committee published as evidence in 2007, and that the Trust subsequently published in 2007 and updated in 2013. There was no problem with affording this scheme, as the abolition of personal tax allowances, the abolition of means-tested benefits, and the restriction of pension contribution tax relief to the basic rate of income tax, would have saved enough money to pay for the whole of the UK population's UBIs, but there was a problem. For some low-income households their UBIs would have more than replaced the value of their lost personal tax allowances, but they would not have replaced the whole of their abolished in-work means-tested benefits. Because the UBIs would never be withdrawn, additional earnings would have produced more additional disposable income than additional earnings could produce in the context of means-tested benefits, so households suffering small losses at the point of implementation of a UBI would have been able to make them up quite easily by earning a little more. This, however, was clearly not a total solution, so more work was required.

In 2012 I used the Euromod microsimulation software maintained by the Institute for Social and Economic Research at the University of Essex to quantify the losses that low-income households would have experienced; and during the summer of 2014 we studied a number of schemes similar to our illustrative scheme, and found that we could reduce the losses, but not eliminate them. So the search began for alternative methods of implementation: and work that I carried out using Euromod during the autumn of 2014 showed that a revenue neutral UBI scheme would not impose losses on low income households at the point of implementation if means-

A GROWING DEBATE

Nearly thirty-five years ago, following a brief period of parliamentary interest in Universal Basic Income (UBI), a heterogeneous group of people gathered to discuss how we might promote debate on UBI (often called a Citizen's Income, or a Citizen's Basic Income): an unconditional and non-withdrawable income for every individual. The group became the Basic Income Research Group, and then the Citizen's Income Trust, and now the Citizen's Basic Income Trust: and although the name has changed, the purpose has remained the same: to promote debate on the desirability and feasibility of a UBI. For over thirty years the organisation has published the *Citizen's Income Newsletter*, maintained a library and a website, held meetings and conferences, and responded to requests for information. For most of that period, interest among policymakers, academics and the general public, was fairly limited, but around 2014 the debate started to take off. Articles in the press have multiplied, think-tanks have researched UBI and published reports, policymakers and academics have engaged with the issue and public interest is rising.²

The extent of an idea's influence is difficult to gauge, and the contribution that any particular factor has made to that influence is even more difficult to evaluate. The most likely explanation for the increasing depth and extent of the debate in Britain is that a variety of factors have reinforced each other: debate and activities in other countries (such as the pilot projects in Namibia and India, the current experiment in Finland, and the Swiss referendum); the Citizen's Basic Income Trust's history of meetings, conferences, publications, and conversations with groups and individuals; and the availability of books about the subject.³

¹ The author writes here in a personal capacity, and the views expressed are not necessarily those of the Citizen's Basic Income Trust or of the Basic Income Earth Network (BIEN).

² <http://citizensincome.org/news/a-new-european-survey-reveals-significant-public-support-for-citizens-basic-income/>.

³ At a seminar at the London School of Economics in November 2017 Professor David Piachaud credited this author's books with having had an influence on the debate in Britain, and it is possible that the appearance of the first book-length general introduction since 1990 – *Money for Everyone* (2013) – did have a limited effect. What is certainly true is that the now considerable body of literature in English has increased both the extent and the intelligence of the debate in Britain.

⁴ See Torry (2015a).



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Trust, Basic Income
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tested benefits were left in place and households' UBI were taken into account as income when their means-tested benefits were calculated. The 2012 and 2014 results were published together in an Institute for Social and Economic Research working paper (Torry 2014), and were republished in the Citizen's Income Newsletter.

The trouble for the Green Party started with a television interview with Natalie Bennett, the party's leader, during which she was unable to explain the detail of the party's UBI policy. *The Guardian's* political editor, Patrick Wintour, then consulted the Citizen's Basic Income Trust's website, telephoned me for a discussion, and wrote an article claiming that the Trust had said that the Green Party's UBI scheme would impose losses on low income families. We had not said that – in fact, we had never commented on the Green Party's scheme, except to note that they intended to develop one for their manifesto. However, by highlighting the similarities between our illustrative scheme and what the Green Party had said to date about theirs, Wintour had drawn his own perfectly correct conclusion and had published it as if it was ours. What he did not emphasise, which he might have done, was that we had proved that it is perfectly possible to implement a genuine UBI without imposing losses on low income households if means-tested benefits are retained and households' UBI are taken into account when their means-tested benefits are calculated.

What this incident showed was that the current state of the UBI debate requires high-quality research if objections are to be answered; and that in order to prove that UBI is feasible it is essential to publish illustrative schemes that cannot be criticised on the grounds of financial infeasibility. The constraints that I now impose on my research are therefore as follows: illustrative schemes should be strictly revenue neutral (that is, they should be paid for by rearranging current benefits and income tax systems, and should not require additional public expenditure); income tax rates should rise by no more than 3 percent; no low income households should suffer significant losses in disposable income at the point of implementation; no households should suffer unsustainable losses at the point of implementation; and both poverty and inequality should be reduced by the scheme. Of course, it would be nice to be able to propose new forms of taxation that would enable a higher level of UBI to be paid and means-tested benefits to be abolished: but in the short to medium term it is essential to publish illustrative schemes that are immediately feasible, and not ones that would rely on public revenue not currently available.

A corollary of these requirements is that microsimulation is the only adequate research method for evaluating illustrative UBI schemes.

Microsimulation employs a computer programme into which a country's tax and benefits systems is coded, and through which financial data obtained from a substantial proportion of the country's population is run (in Britain, the Family Resources Survey sample is 0.1 percent of the population). A UBI can be written into the programme, and existing taxes and benefits can be changed, meaning that the programme can compare a variety of UBI schemes to the current tax and benefits scheme. Importantly, this is the only research method that enables us to leave means-tested benefits in place and discover how many households would be taken off them by their UBIs; and it is the only method that can tell us how household disposable incomes would change at the point of implementation of a UBI scheme. Research using the Euromod microsimulation programme continues.⁵

What to Publish, and How⁶

On Wednesday 14 September 2016, Members of Parliament debated UBI. The debate was fair and well-informed, with two exceptions: a Member of Parliament suggested that the Citizen's Basic Income Trust had said that an income tax rate of 48 percent would be required; and another suggested that the Trust had said that a UBI scheme would generate considerable losses for low-income families. Both of these statements related to one of three schemes researched in Torry (2015b). The paper recognised that one particular scheme would be infeasible, and that a similar scheme would be infeasible too, as it would also have generated considerable losses for low-income households. However, another scheme outlined in that working paper would have required only a small increase in income tax rates, would not have generated unsustainable losses in household disposable income, and would have generated almost no losses among low-income households.

Subsequent to the parliamentary debate, the trustees of the Citizen's Basic Income Trust decided that the Trust would no longer publish research results on infeasible illustrative UBI schemes. This is clearly far from desirable in terms of the academic integrity of the Trust's research output, but it is difficult to see what else can be done if Members of Parliament are intent on quoting results related to infeasible schemes as if they applied to any and every illustrative scheme, and if they are going to choose not to quote research results related to feasible schemes.

Soon after the parliamentary debate, on 12 January 2017, the House of Commons Work and Pensions Committee held an evidence session on

⁵ For the most recent microsimulation research, see Torry (2018a).

⁶ <http://citizensincome.org/news/members-of-parliament-debate-citizens-income/>.

UBI.⁷ A notice had been circulated inviting researchers and other interested parties to apply to attend and give evidence. Three researchers who had undertaken microsimulation research on illustrative UBI schemes applied to attend, but none of us were invited. A researcher who had published illustrative schemes that would require infeasibly high tax rate rises, and who employed a research method that could not determine household losses for illustrative schemes that retained mean-tested benefits, nor discover how many households would no longer receive means-tested benefits, had not applied to attend, but was invited. It was no surprise that when the committee's report was published, the Chair of the committee, Frank Field MP, said this: a universal Citizen's Income would either require unthinkable tax rises or fail to deliver its objectives of simplification and a guaranteed standard of living. There are problems in the welfare system, but Citizen's Income is not the solution to them. Rather it is a distraction from finding workable solutions.⁸

Nobody had been present who could point out that at least one revenue neutral illustrative UBI scheme was available that would take a significant number of households off means-tested benefits, and thus provide them with a far simpler system; that would maintain standards of living, particularly for low income households; and that would require only a 3-percent rise in income tax rates.

It is difficult to know what can be done about parliamentary enquiries that choose to ignore relevant evidence. The only response available is to disseminate relevant evidence as widely as possible.

UBI and UBI Illustrative Schemes⁹

Some recent exchanges in online and print journals have revealed the importance of clear definitions and clear distinctions. On 23 November 2017, the website *Social Europe* published an article¹⁰ by Bo Rothstein entitled 'UBI: A Bad Idea for the Welfare State'. It set out from a definition of 'Unconditional Universal Basic Income' (UUBI) as 'every citizen will be entitled to a basic income that frees them from the necessity of having a paid job'; and it added the details that the level of UBI would be £800 per month, and that 'all means-tested programs for those who cannot support themselves through paid work can be abolished'.

The definition of UBI offered by BIEN (the Basic Income Earth Network) is this: 'a basic income is a periodic cash payment unconditionally delivered

to all on an individual basis, without means-test or work requirement';¹¹ while the UK's Citizen's Basic Income Trust defines it as: 'an unconditional and non-withdrawable income paid to every individual'.¹² The consensus – and, after all, consensus is what definitions are all about – is that a UBI is an unconditional income paid to every individual. The definition implies neither a particular amount, nor that means-tested benefits would be abolished, and it does not imply that the UBI would free people from paid employment.

The illustrative UBI scheme proposed by Rothstein would be financially infeasible, and it would, as he suggests, endanger the reciprocity on which our society is based. Rather than incentivising employment and self-employment by lowering marginal deduction rates (the rates at which additional earnings are reduced by income tax, national insurance contributions, and the withdrawal of means-tested benefits), the very large UBIs would generate disincentivising effects that would overwhelm the incentivising effect of reduced marginal deduction rates. Neither of these problems would result from the kind of illustrative UBI scheme already discussed in this article – see also Torry (2018a).

Distinctions matter. A UBI is always an unconditional income paid to every individual, without a means test and without a work test. A UBI scheme specifies the rate at which the UBI would be paid for each age group, and the funding mechanism. There are many possible UBI schemes. As Rothstein correctly suggests, his chosen scheme would have many disadvantages. As I have shown, an alternative scheme would exhibit none of those disadvantages, and would offer many additional advantages.

The increasingly mainstream UBI debate is important. It is therefore vital that the debate should be rational. Rationality requires attention to definitions and details, and particular to the distinctions between UBI and UBI schemes.

UBI and Minimum Income Guarantee¹³

In the final edition of *Renewal* for 2017, Frederick Pitts, Lorena Lombardozi and Neil Warner (Pitts *et al.* 2017) suggest that the experience of the Speenhamland reforms of 1795 were 'an experiment in a kind of basic income'. They were not. These reforms represented a Minimum Income Guarantee. The supplements paid out guaranteed a net income and were definitely not a 'Basic Income'. This difference really matters. A Minimum Income Guarantee is constituted by a minimum income level below which a household's income is not allowed to fall, and the payment made is designed to bring a

⁷ <http://citizensincome.org/news/new-royal-society-of-arts-podcast-and-a-report-from-the-work-and-pensions-committee/>.

⁸ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2015/citizens-income-report-published-16-17/>.

⁹ <https://www.socialeurope.eu/universal-basic-income-definitions-details>.

¹⁰ <https://www.socialeurope.eu/ubi-bad-idea-welfare-state>.

¹¹ <https://basicincome.org/>.

¹² <http://citizensincome.org/>.

¹³ See also Torry (2018b).

household's net income up to the specified level. The modern equivalents in Britain are Working Tax Credits and so-called Universal Credit. In Speenhamland, the supplement paid out was designed to fill the gap between the worker's earnings and a specified minimum income that was related to family size and the price of bread. The supplement was a means-tested benefit.

A UBI is entirely different. It is an equal payment to every individual of the same age. The difference is clear. The Speenhamland payments fell if earnings rose, and rose if earnings fell. A Basic Income remains the same whatever the individual's earnings. This means that the effects would be different. The Speenhamland supplement functioned as a dynamic subsidy. It rose if wages fell, so employers who cut wages knew that the supplement would make up for the wage cut. A UBI would be a static subsidy: that is, it would not rise if wages fell, so both employers and employees would know that if wages fell then employees' families would be worse off. Both collective bargaining and the National Living Wage would be even more important than they are now, and the effort to maintain them would intensify.

Another difference relates to employment incentive. With a Minimum Income Guarantee, there can be little financial advantage to seeking increased wages, a better-paying job, or additional skills. Increased wages would mean a lower supplement. But because a UBI would never change, anyone currently on means-tested benefits whose UBI enabled them to come off them would immediately experience increased incentives to seek higher wages or additional skills. An increase in wages would no longer result in a loss of benefits, so an increase in earned income would result in a far greater increase in net income.

As Pitts *et al.* (2017) suggest, there are criticisms to be made of the Speenhamland approach. But those criticisms would not apply to a UBI. A UBI would never compromise 'the bargaining power of labour', and so would not contribute to "falling or stagnating wages and deteriorating employment prospects" (Pitts *et al.* 2019, 151). Indeed, by providing a secure financial platform on which individuals and households could build, a UBI would increase workers' ability to start their own businesses, to turn down badly-paid jobs, and to argue for wage increases.

It is worth reiterating that rational debate requires careful definition and attention to detail. A UBI is an unconditional and non-withdrawable income paid to each individual. The Speenhamland supplements constituted a Minimum Income Guarantee. That is not the same thing. What the current debate requires is not erroneous comparisons, but detailed definitions, careful distinctions, high-quality research, and flawless logic.

CONCLUSION

The lessons to be drawn from this brief list of events during the recent UK debate about UBI might be as follows:

- Microsimulation research on illustrative UBI schemes is essential.
- It is crucial to publish illustrative UBI schemes that are cost-neutral, that do not impose any significant losses on low income households; that impose no unsustainable losses on any households, that do not increase tax rates by more than politically feasible amounts, and that reduce both poverty and inequality.
- If policymakers choose to quote research results on infeasible illustrative UBI schemes as if those results applied to any and every illustrative scheme, and if they choose not to quote research results related to feasible schemes, then a decision might have to be taken to only publish results related to immediately feasible illustrative schemes.
- If important evidence is ignored, then wide dissemination of relevant research results is the only response available.
- It is essential to distinguish between UBI as an unconditional income for every individual, and illustrative UBI schemes that specify funding mechanisms and the levels at which UBIs will be paid. Objections to a particular UBI scheme are not necessarily objections to UBI.
- It is essential to distinguish between UBI and other very different mechanisms, such as a Minimum Income Guarantee.

Needless to say, a further lesson to be learnt is that the UBI debate is different in every country, that the debates in other countries will have lessons to contribute to the debate in Britain, and that the UK debate might have lessons to contribute to debate elsewhere. Projects such as the one that gave rise to this article are essential to this process.

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