

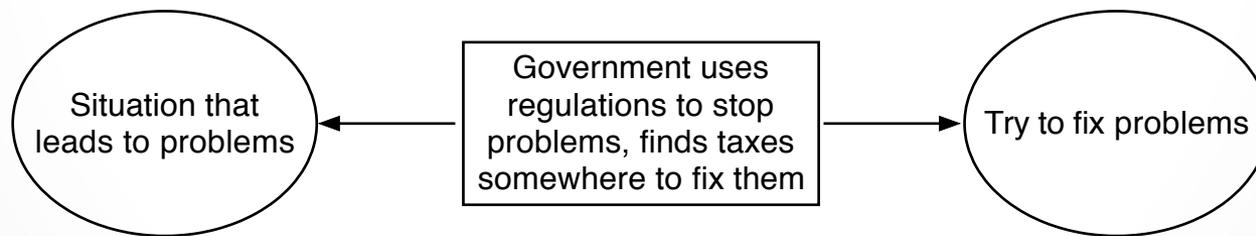
# The 50% solution

## A Pigovian approach to paying for a basic income

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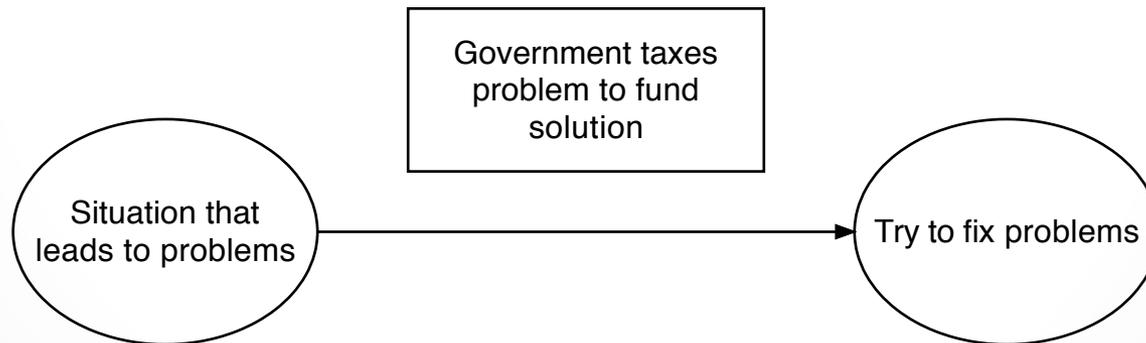
# Traditional approach

- When something causes problems, government steps in with regulations, and raises taxes from somewhere to repair the damage. There is no connection between the problem and the taxes.
- This is a highly bureaucratic and often inefficient solution.



# Systems approach

- Taxes are both an incentive to reduce the problem and funding to fix it.
- If the disincentive works, both the problem and the need to fix it decrease over time.



# Examples

- Nicholas Pigou: Taxing pollution to pay for cleaning it up
- Sin taxes, if they were to be renamed “health taxes” and dedicated to health care
- Carbon taxes to pay for environmental damage
  - Paul Hawken, 1993. *The Ecology of Commerce*

# Ways to pay for a BI

- Print more money
  - It's not the amount of money in the system that matters, but how well it circulates
- Economic rents (e.g. oil, mining revenues)
  - Acts as an incentive to continue depleting the environment. Income from this source is not sustainable and may dry up gradually or disappear quickly with environmental collapse.
- Income taxes
  - Taxing income, and only income, makes for a tight feedback loop, so that income inequality pays for income redistribution

# Why use income taxes?

- Absolute poverty is a problem, both for people who are poor and also for the economy.
- But so is relative poverty, so redistributing income is as important as ending absolute poverty.
  - Kate Pickett and Richard G. Wilkinson, 2009. *The Spirit Level*
- However, there's nothing bad about earning money, or investing it, or saving it, because while some of it is luck, some of it is hard work.
- There's a need for balance between keeping what you earn and sharing your luck with society.



# Solution

- Taxes are never higher than 50%, no matter what.
- No taxes on inheritances or gifts (because that would essentially be taxing people's ability to save their money and share it with loved ones)
- Everyone gets a BI, set at 50% of median income, plus a top-up of 1/3 of the BI for seniors, disabled people, and for each child in the family.
- Everyone pays a flat 50% tax on personal taxable income, with no deductions
  - A flat tax rate is fairer to those who earn intermittently.
- Business pays a flat 50% tax after legitimate deductions.
- Also tax employee benefits, since they also contribute to relative poverty.
  - Guy Standing, 2011. *The Precariat*

# Cost of a BI

Based on a median income of \$36,000

50% of median income:	532.7 Bn
Top up for seniors:	37.2 Bn
Top up for disabled:	36.0 Bn
Top up for children:	42.7 Bn

(top ups are 500/month = 6k/year)

Total: 648.6 Bn

This is slightly less than 1/3 of the GDP, in line with estimates for other countries



# Paying for it

Cost of BI	(648.6) Bn
• 50% tax on personal income:	538.2 Bn
• 50% corporate tax:	175.4 Bn
• 50% employee benefits:	???
• Current personal taxes:	(199.1 Bn)
• Current corporate taxes	(63.5 Bn)
• Savings from current programs:	110.2 Bn
• Total	(87.4 Bn)

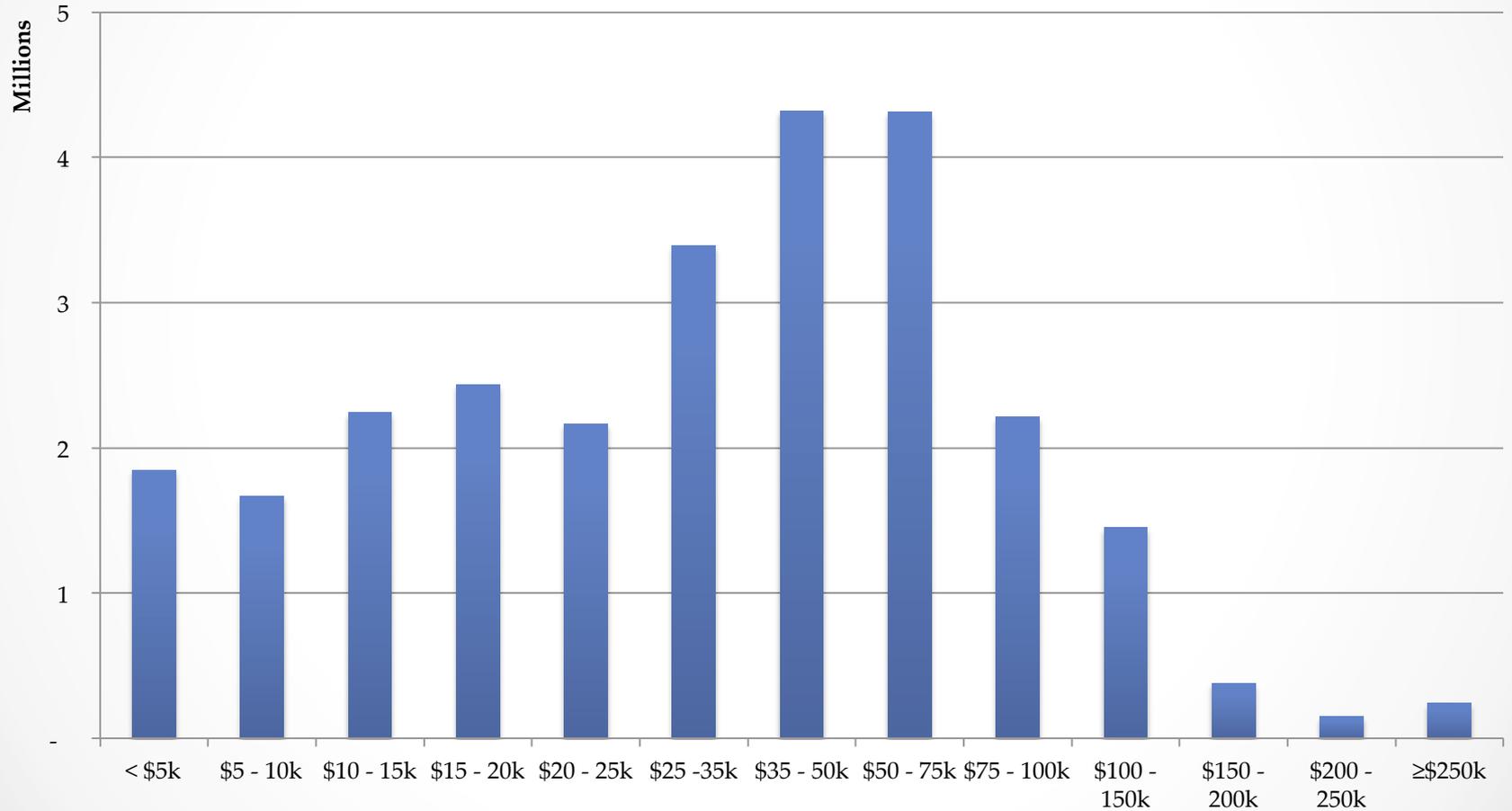


# The economy is complex

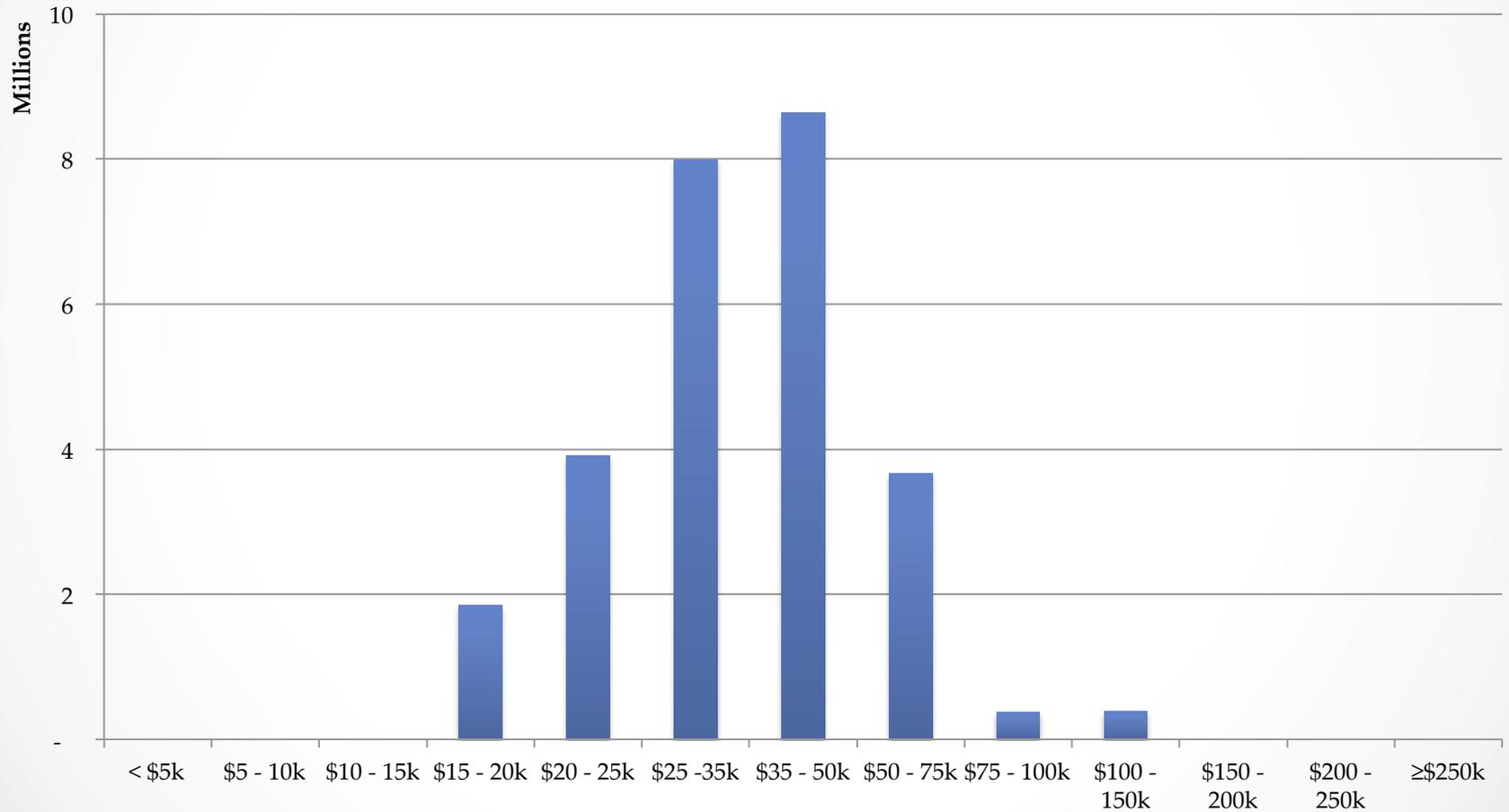
- Any BI would have to be phased in gradually. As it is phased in it would shift the economy:
  - Savings in police/justice and health care costs (some sooner than others)
  - Economic growth from increased spending of lower earners
  - People leaving the job market or creating their own jobs
- It's impossible to closely predict what the economy/ budget will look like once a BI has been phased in. Therefore it's more important to design it right than to balance the budget up front.



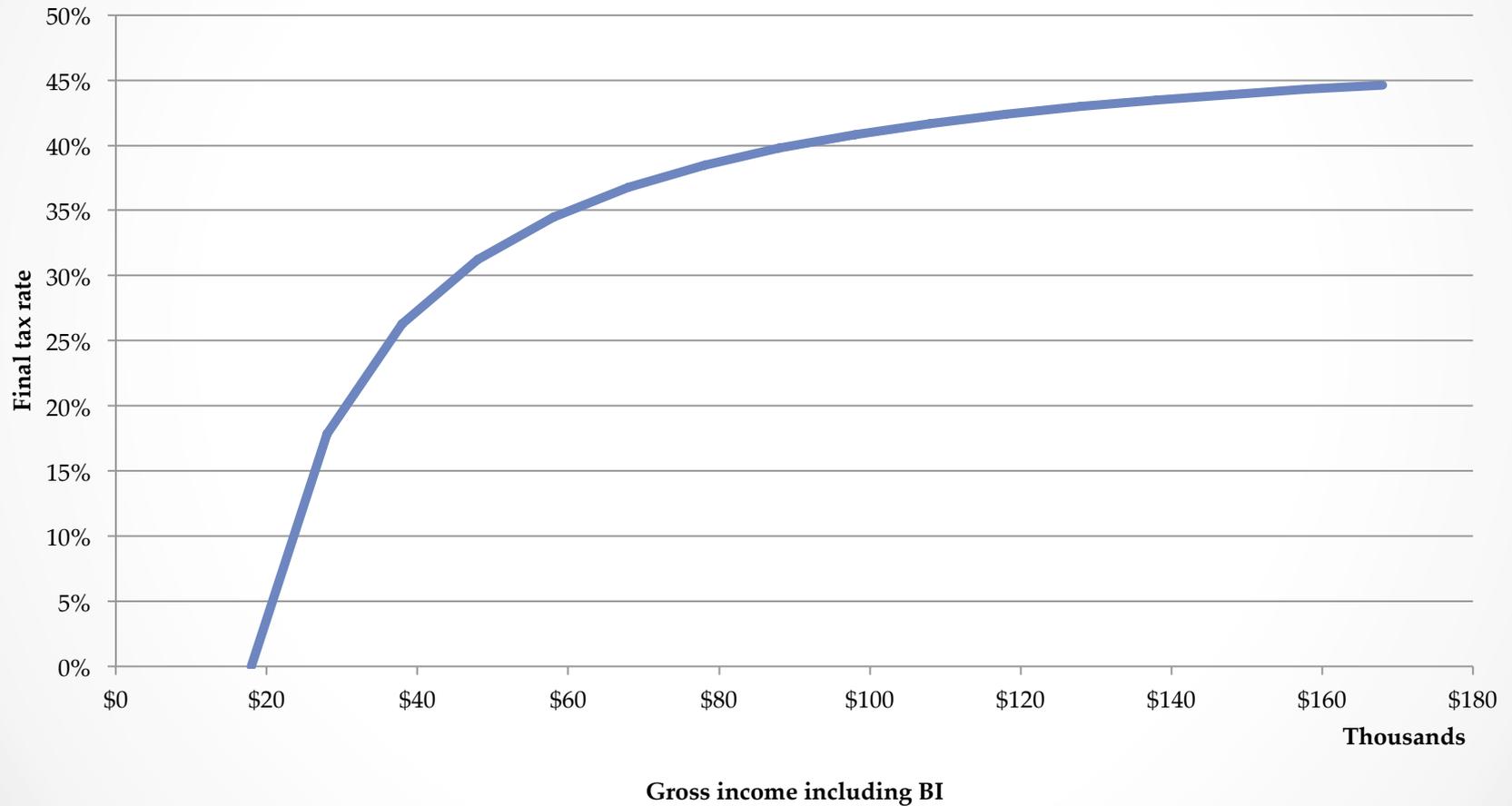
# Net income now



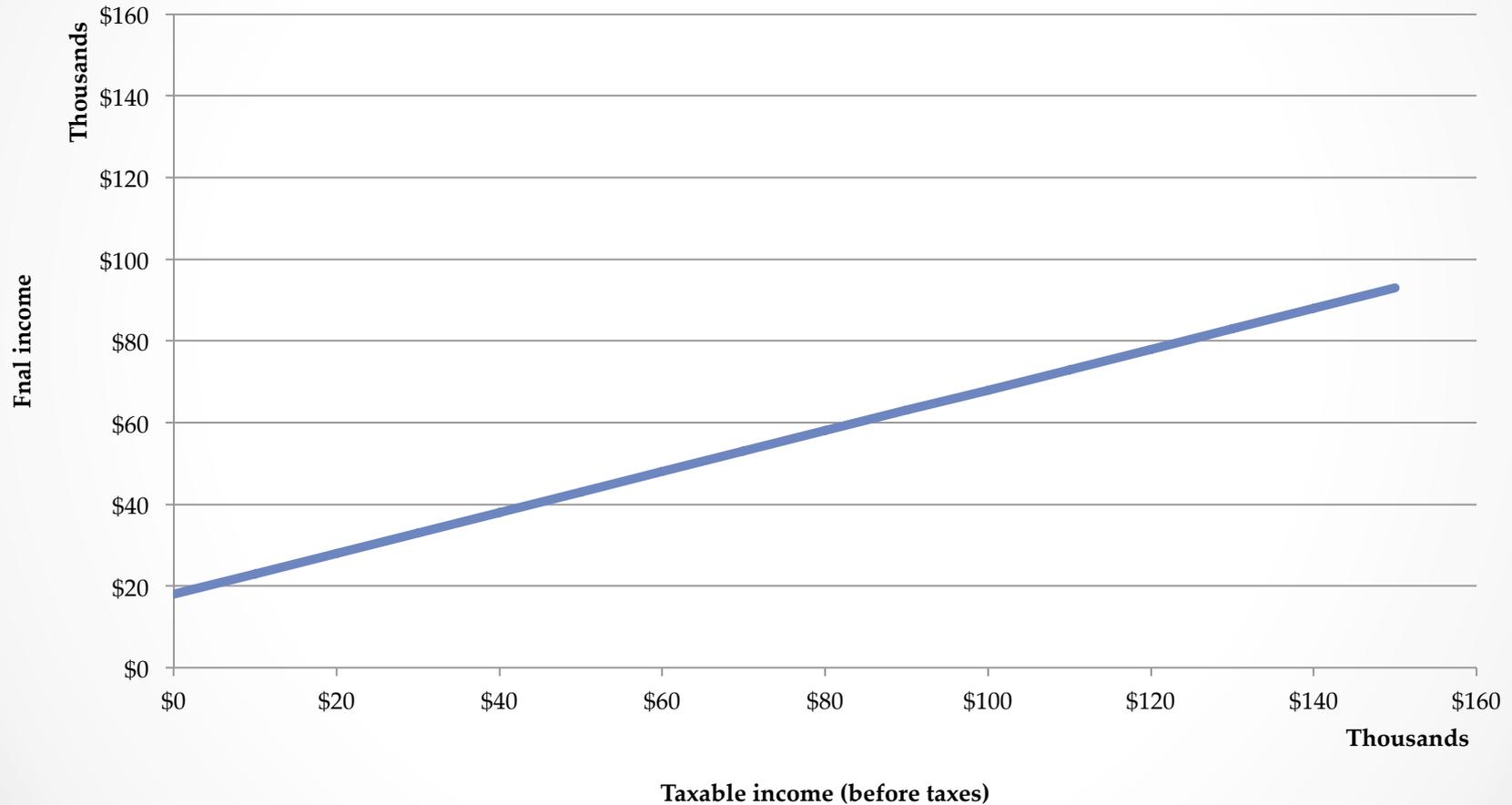
# Net income with BI



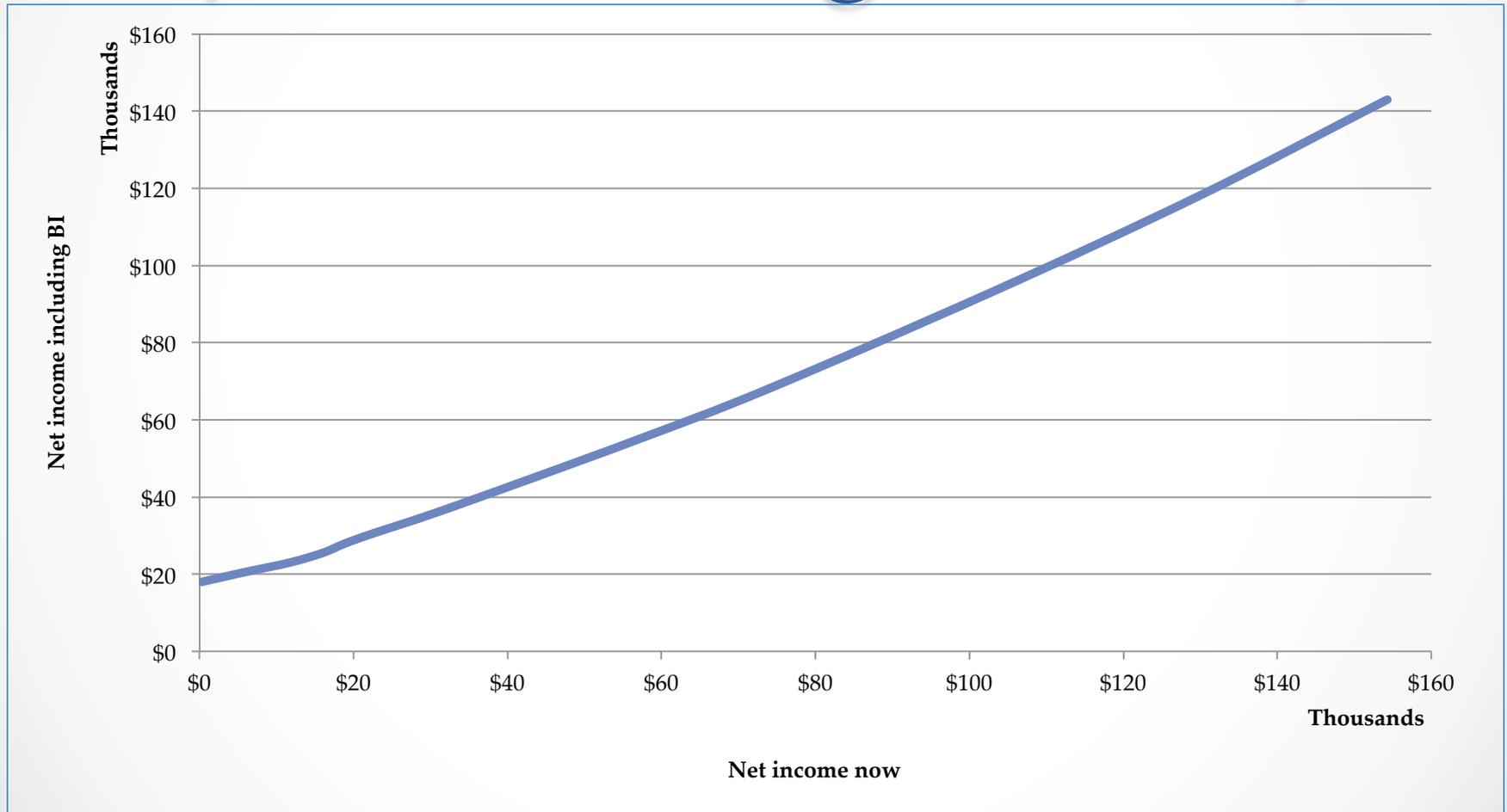
# Personal tax rate including BI



# Gross vs net income with a BI



# Net income now vs with a BI (not including benefits)



# Phasing it in

- Tax increases should be incremental, 1-2% per year, to give people time to adjust.
- In the meantime, make sure current piecemeal programs are not increased to the point it's unaffordable to make them universal.
- During the phase-in period, RRSPs and other deferred tax plans are taxed at a lower rate, then at 50% once BI is fully implemented.
- Phase out other social programs, including subsidized housing.
- Maintain employment centres, and supports for people who need supported housing etc.



# The future

- BI indexed to median income, so goes up or down with median income
- Job of the future is probably permaculture agriculture, which will take pressure off housing in large urban areas and also increase the market for small businesses in smaller centres
- Who is considered disabled and who is not will probably change.
- With a larger proportion of the population producing their own food, median income may go down. An indexed BI will also go down. Access to land may become an issue, as it is now in developing countries.
- No need for business subsidies to protect jobs: Unsuccessful businesses can be weeded out by the free market, which rewards those who know what they're doing instead of taxing them to support those who don't.

