A Universal Basic Income for New Zealand

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1 Introduction

1.1 The rapidly changing social and technological environment will have a profound impact on New Zealand over the coming decades. Economic advancement could see unprecedented economic growth as well as increasing job, employment and income insecurity. It may be possible for New Zealanders to live far more prosperously than now, but whether that ends up being the case depends largely on how the growth is distributed. It is possible this process will mean a top 1% that lives a life of luxury and a 99% that lives from pay-cheque to pay-cheque. However, such an outcome is anything but predetermined. The social and technological changes our society will undergo will not necessarily dictate how the next few decades will pan out if we have strong economic and political institutions.

1.2 The idea of a Universal Basic Income (UBI) has been getting attention recently - due in part to plans by Switzerland to hold a referendum in 2016 to decide on possible implementation of such a programme, the Dutch city of Utrecht commencing a pilot programme to study the effects of a UBI, and the Finnish government considering the adoption of a comprehensive UBI. A UBI involves the government making a cash grant, large enough to meet basic needs of living, to every member of society, regardless of their wealth, work status, or other sources of income.

1.3 A Universal Basic Income (UBI) has the potential to make a big difference to the future of work with the security it provides. If set at the right rate, it could result in large numbers of people not working in traditional jobs, and could change the way we view domestic housework. It is therefore no surprise that there is a strong network of academics and campaigners who support the idea of a UBI.

1.4 This paper investigates a UBI in the New Zealand context. The paper begins by exploring the potential benefits of a UBI, the leading criticisms of it, case studies, and how a UBI might be implemented in New Zealand. Overall, the analysis aims to clarify arguments and lay out options, rather than to provide detailed proposals for the policy.

The views expressed in this document are not necessarily Labour Party policy.
2. The Potential Benefits of a UBI

2.1 One benefit of a UBI is increased security for recipients. Increased security helps people to be free to lead flourishing lives and maximize their human potential. The argument is a straightforward one: individuals in work, full-time or part-time, and recipients of welfare benefits are often in an insecure position. Welfare benefits may not be sufficient or have onerous requirements, and wages may be too low. This insecurity can breed personal shame, stress, mental health problems, friction with friends and family, and dependence on lenders. A UBI, by guaranteeing a minimum income, should remove much of this insecurity and the accompanying harms. New Zealanders would have more time to devote to creative work and their family, rather than worrying about keeping a roof over their heads. It is important to note that this heightened security will benefit the financially privileged and the financially underprivileged alike, though it is likely to be the less privileged who will feel the effects more acutely. Whether this benefit is fully realized depends on the rate of a UBI. A UBI of $3,000 per year, for example, will allow some security, but may leave people still feeling insecure and needing to top up this payment through other work.

2.2 One of the benefits from increased security could be increased entrepreneurship. A UBI would provide guaranteed support for entrepreneurs seeking to start their own business during the start-up phase. The knowledge that, regardless of the success of the business, one’s livelihood will be ensured greatly reduces the amount of personal financial risk involved with starting up a business. In addition, the fact that entrepreneurs’ basic needs are taken care of by the UBI increases the chances that the business will survive the initial start-up years. Any profits made by the business, rather than having to be extracted to fund the entrepreneur’s livelihood, is freed up for reinvestment in the business; providing it with additional capital to grow.

2.3 It is likely that current economic trends will lead people to shifting in and out of paid work more often. A UBI also has the potential to improve the focus on lifelong learning and opportunities for training and up-skilling. To ensure people are prepared for changes to existing sectors and or transition to other, thriving sectors, education is key. A UBI could provide an adequate income for individuals who invest in their future through studying, effectively reducing or removing student debt as disincentive for training and up-skilling. New Zealanders would be encouraged and given more opportunity to realise career and educational aspirations at any stage of life.

2.4 A UBI could help compensate those who miss out as a result of economic changes. The number of people working part-time or in short term contracts is increasing in response to lower job security and an increasingly ‘flexible’ business atmosphere dominating the job market. Income support should take into account that people move in and out of work more frequently and often work across a ‘portfolio’ of jobs for different periods of time. A UBI would be one way to ensure people’s livelihoods as insecure job markets force them into less than full-time employment as well as benefitting existing seasonal or insecure workers. A UBI could represent a form of compromise between flexibility and security, meaning that the benefits of increasing economic growth
are shared by all New Zealanders rather than merely being accumulated within a small but affluent minority within our society. It is also likely to affect the power imbalance between employers and employees by reducing the consequences of job loss which could have a beneficial impact on workplace relations. High levels of inequality have been shown to curb economic growth.\(^1\) A UBI could be used as a mechanism to reduce inequality to a more socially, and economically, accepted level.

2.5 A UBI may **reduce the stigma** faced by those who currently claim means-tested welfare benefits. Currently those receiving benefits generally apply to Work and Income New Zealand (WINZ) for financial support. The process of applying may lower a person’s self-esteem, and as Gareth Morgan and Susan Guthrie note in *The Big Kahuna: Turning Tax and Welfare in New Zealand On Its Head*, there may also be “demeaning negotiations” with WINZ officials and others.\(^2\) Even though many working New Zealanders receive financial support from the state through Working for Families and other forms of tax credits or exemptions, those receiving jobseeker benefits are often labelled “bludgers, leeches, parasites, breeders, mongrels.”\(^3\) A UBI removes this stigma, since it would replace welfare benefits and be assured to all under most models. Those receiving the UBI would benefit from a minimum standard of living, rather than receiving selectively allocated state support. Some proposals for a UBI suggest that welfare benefits are retained for individuals who need greater support, such as those with serious ongoing medical conditions; these proposals may not eliminate stigma altogether. There would be value in more empirical evidence on the extent of existing stigma, and whether the stigma would disappear through the introduction of a UBI.

2.6 A UBI could create **a more efficient tax and welfare system**. There are currently 53 different – overlapping or complementary – benefit packages available to people in different situations, not including student loans or the vast array of tax exemptions available.\(^4\) A UBI would replace most or all existing benefits. This single payment would, commentators say, be easier to implement. Further evidence is needed to back up this claim, but the argument is intuitively appealing. There is an additional efficiency claim made by the Spanish economist Daniel Raventos. Raventos says the job market would be made more efficient through the introduction of a UBI. Individuals would not go into jobs for which they are unsuited on the grounds of financial necessity, says Raventos. Thus, there would be an improved match-up of skills and employees.\(^5\) Whether labour market efficiency would be enhanced also requires more study but appears plausible in theory.

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2.7 A UBI could help **increase the amount of paid work done by those who are currently beneficiaries** (assuming that some benefits are retained). For single beneficiaries without dependent children, the benefit abatement rate when they start earning more than $80 dollars per week is 70%.\(^6\) This means that for every dollar earned over $80, 70 cents is taken from the main benefit. After secondary tax and ACC levies are accounted for, which may reach up to 22 cents in the dollar, there is very little extra gained by finding paid employment. Therefore, even if there is a demand for an individual’s skills, this does not necessarily mean there is any incentive to take that employment. Under a UBI, because employment is no bar to eligibility, the benefit does not get abated when you start earning money. This means substituting one hour of leisure for one hour of work would bring in more money than currently. By being allowed to keep a social security benefit as well as their added income, there is a real incentive for people to seek employment. In addition current stand down periods of 2 to 13 weeks when coming out of work onto a benefit would no longer apply, reducing the penalties for beneficiaries taking on temporary jobs or insecure work.

2.8 Finally, it is commonly said that a UBI would **recognise domestic housework and voluntary work as work**. Currently, individuals staying at home to do domestic work and to look after children – in an overwhelming number of cases, women – receive no remuneration for their work. Domestic activities are rarely regarded as ‘proper work’, and are seen as subordinate to employment outside of the home. This can feed into sexism, and neglect of family and private life. Parenting is the most important job many people will undertake in their lifetime, and support for raising future generations is one of the most worthy investments in New Zealand’s future. A UBI ensures that all individuals receive an income, including those who choose to stay at home to look after children or do other domestic work. The policy therefore arguably accords the same status to work in-the-home as work outside-of-the-home. The argument is understandable, but vulnerable to challenge. Taking another view, a UBI does not really improve the status of this work, since it does not mark it out for special financial recognition. It sees informal work as equivalent to paid employment, but also as equivalent to other forms of leisure. Perhaps, then, a UBI does not completely address social prejudice towards domestic labour.

2.9 These arguments help to reveal the case for a UBI. A UBI increases security which could increase entrepreneurship and improve the focus on lifelong learning. It is likely to help compensate for increasing inequality and reduce the stigma faced by individuals currently claiming welfare benefits. It also creates (at least to some extent) a more efficient tax and welfare system, may increase work done by those who are currently beneficiaries, and may improve the status of domestic labour. There could be other benefits of UBIs (such as a strengthened sense of community values or improved wellbeing) but these are the key benefits identified in our analysis.

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3. The Leading Criticisms of a UBI

3.1 Almost all individuals discussing a UBI raise the question of whether a UBI will be sufficient to maintain a reasonable standard of living for recipients. Most costed proposals for a UBI suggest that it is feasible and affordable to provide an annual UBI of around $10,000 (Gareth Morgan and Susan Guthrie's preferred proposal seems to be a UBI of around $11,000, as discussed below at 5.2). There are legitimate doubts about whether this figure is enough for an individual to live on. After all, $11,000 is a lower income than what is currently paid out as part of New Zealand Super. If the figure is too low, then the benefits of security and freedom promised by a UBI may not be realised. On the other hand, if the figure is pushed higher, taxes will have to rise, possibly to an unrealistically high figure. (Morgan's $11,000 UBI is funded through a flat tax of 30%.) There is, therefore, a real feasibility-sufficiency trade-off. It may be that a UBI has to be supplemented by other transfers to ensure that the most vulnerable groups have enough income.

3.2 A related concern is whether a UBI is unfair, because of the way in which it provides the same amount of money to vulnerable and privileged people alike. Don't people who face difficult situations, such as solo parents or people with disabilities, deserve greater transfers from the government? And should wealthy people really get a transfer, when they are unlikely to need it? The negative income tax proposal pioneered by Milton Friedman aims to address the second objection – it tapers off support as a person's wealth increases – but this is a different policy from a UBI (although it is related, as noted further below at 4.4). As for the first question, supplementary transfers could be provided to individuals or families in real need to target this perceived unfairness. In response to this dual challenge, it is also important to recognise the value of ensuring that the basic income is universal. Ensuring that the basic income is given to all entrenches the idea that there is a right to a minimum standard of living, and may be politically helpful in ensuring the middle-class is willing to pay for a UBI (since they, too, will benefit). A value judgement must be made ultimately about the fairness of this proposal. But there is at least a legitimate argument that the UBI is fair, and that any peripheral unfairness in it can be addressed through supplementary policies.

3.3 Another objection to a UBI is not so much about its values as its effects: there is a claim that the UBI will disincentivise work, and slow down economies. With individuals no longer needing to do formal work, the argument goes, people will opt not to contribute to businesses and organisations. People will be encouraged to be lazy, some say, and the economy will produce fewer goods and services, resulting in lower exports and further declining employment. There are three strong counterpoints to this. First, while it is common in political rhetoric (especially from conservative political parties) to hear about lazy individuals, it is not clear in the real world how many people really are lazy. Often those labeled ‘lazy’ are individuals who face multiple demands on their time (say, demands from work, family, and friends) and cannot manage one of

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7 A variant of this argument is made by James Belich in his discussion of universality in government services in Paradise Reforged: A History of the New Zealanders from the 1880s to the Year 2000 (Penguin, 2001).
these demands well; alternatively, ‘lazy’ people are individuals pursuing projects that society deems (sometimes unfairly) to be counter-productive, such as surfing. But – and this is the second response to the primary point – why shouldn’t society allow people to pursue projects outside of formal work, such as film-making, that they believe to be important? Thirdly, the limited evidence available on the effects of UBIs suggests that their introduction does not significantly disincentivise work. The Canadian town of Dauphin in Manitoba introduced a UBI in the 1970s. Canadian economist Wayne Simpson claimed that the disincentives for work were more marginal than economists had theorized.  

3.4 Some other harms have been hypothesized in the literature, including increased inflation and elevated population levels. However, there is little evidence substantiating these somewhat loose claims. In India, where pilot UBIs have been introduced, prices declined rather than rose following the introduction of a UBI, apparently because the UBI caused an increase in food production. As a UBI is only redistributing existing money rather than injecting new money into the economy it should only have a limited impact on inflation, if any. It also seems unlikely that a UBI would sharply alter population levels, given the existing costs of having children, although some evidence from Alaska supports this claim (see below at 4.1). A further criticism that has not appeared in the literature, but that may need to be considered further, is the view that a UBI individualises collective projects by parceling up welfare into individual packages, and undermines the sense of solidarity that is built through support for welfare programmes. The idea is that, at a time of increasing loneliness and solitude, a UBI might entrench individualism further by sanctioning individualistic pursuits and projects. At present this remains a theoretical concern, albeit one that warrants ongoing attention.

3.5 A common criticism of payments like a UBI is that recipients will merely mismanage their benefits; spending it on alcohol, drugs, gambling, and other ‘irrational’ pastimes. While it is reasonable for taxpayers, who are ultimately paying for these benefits to seek accountability for how funds are used, this has not been proven to be a substantial issue. A recent World Bank Working Paper showed that beneficiaries do not in fact have a tendency to mismanage benefits when they receive it directly, without any strings attached. Their research found, albeit in the context of evaluating transfers more broadly, that “almost without exception, studies find either no significant impact or a significant negative impact of transfers on temptation goods” such as alcohol or tobacco. The lack of issues of abuse with New Zealand’s universal superannuation suggests this is unlikely to be a major concern. In fact, it is even possible that encouraging individuals to manage a monetary grant may improve general management of money amongst the population; another option is introducing the UBI alongside financial literacy programmes to ensure that money is managed well.

3.6 In sum, a UBI may prove to be insufficient alone as a source of income – but whether it is adequate turns on the particular design of a scheme. Fairness concerns about a UBI can be allayed, and there is limited evidence that a UBI would disincentivise work or cause other speculative harms. It is unlikely there will be any significant increase in inflation, population levels, or benefit misuse as a result. What is needed is more evidence about the consequences of introducing a UBI. Very few UBIs have been applied in practice and this results in an unsatisfactory evidence base. We turn to the evidence available next.

4. Case Studies: Where Has a Universal Basic Income Been Applied and What Have the Results Been?

4.1 The Alaskan Permanent Fund Dividend is an annual payment from the Alaska Permanent Fund, which is a deposit of financial wealth set up in 1982 after major oil discoveries in 1968. The payment goes to all children in Alaska as well as adults. It is a guaranteed payment regardless of wealth, work, or family status, and so fits formally within the definition of a UBI – but the payment is not sizeable and varies every year, because it draws from the revenues of the Alaska Permanent Fund. Some do not consider it a basic income because the dividend is so small. At its lowest point, the dividend was $628 in 1984 (in 2010 terms), and at its high point the dividend was $2,533 in 2000.\footnote{Goldsmith, Scott, “The Economic and Social Impacts of the Permanent Fund Dividend on Alaska” in: Widerquist, Karl, and Michael W. Howard (eds). Alaska’s Permanent Fund Dividend: Examining Its Suitability As A Model (Palgrave, 2012) at p. 50.} The dividend has generally trended upwards and by 2010 was $1281 or about 3% of average per capita income in Alaska.\footnote{Ibid.} Work done by Goldsmith suggests that the dividend generates 7,000 more jobs and has increased the population by 12,000 (in a general population of just over 700,000), though Goldsmith suggests that there have not been major birth rate effects.\footnote{Ibid., at pp. 54–55.} There was no evidence in the early years of the programme that people dropped out of work because of the dividend; nor was there evidence of “magnet” migration, where people might have been drawn to migrate to Alaska because of the dividend.\footnote{Ibid., at p. 55.} Goldsmith notes that public spending in place of the individual dividend would have resulted in a different pattern of benefits, but suggests that results from the Permanent Fund have been largely positive.\footnote{Ibid., at p. 57.} It should be noted that Alaska is not unique in terms of its natural resource wealth, and claims that Alaska can only pay this form of a UBI because of its idiosyncratic oil discoveries are misguided.

4.2 In India, there have been local experiments with providing a basic income, funded by UNICEF since 2011. Eight villages in Madhya Pradesh were charged with giving a monthly payment to every man, woman, and child. The payment was initially 200 rupees for each adult and 100 rupees for each child (just over NZD $4 and NZD $2), paid to the mother or guardian; the payments were then increased to 300 rupees and 150 rupees (about $6.40 and $3.20 in New Zealand...
terms). The money was paid in cash at first and then into bank accounts. No conditions were imposed on these transfers. Rigorous randomized control trials (RCTs) were used comparing results in these villages with other villages where no basic income was paid. The trial was overseen by Professor Guy Standing, a known supporter of the basic income concept, and the effects have been expressed thus far in slightly anecdotal terms. Nevertheless some consequences were clear: improvements in nutrition, better school attendance, more (not less) work, and greater small-scale investments. The developing world context may be distinguishable from New Zealand conditions but the evidence is still useful in adding to a thin existing knowledge base.

4.3 There have been a further collection of pilot programmes implementing a basic income in Canada and Namibia about which evidence is limited. From 1974 to 1979, a ‘Mincome’ (minimum income) was applied in Dauphin and Winnipeg. Dauphin had a population of 10,000 people at the time, while Winnipeg had a population of about 450,000. Information is patchy, but it seems that the minimum income may only have been guaranteed to a portion of the population – so on some approaches the programme may not have fitted the definition of a UBI. The Mincome pilot recorded a 1% reduction of annual hours worked for men, 3% for married women, and 5% for unmarried women. In particular, women were more likely to delay returning to the workforce after child-birth, while adolescents and young adults were more likely to finish high-school and attend tertiary education rather than leaving early to get a job. The data suggested an improvement in the physical and mental health of participants with an 8.5% reduction in hospitalization of those participating. The divorce rate of participants also increased by more than 50%, however. Namibia’s pilot involved monthly payments of 100 Namibian dollars (around $11NZD) to all 1000–1200 residents of Otjivero, except those receiving a pension. The project was launched in 2008 but stuttered because of a lack of funding and ended in 2012. There were reports of improved nutrition and school attendance, but data was not made publicly available and the initiative has been criticised.

4.4 Between 1968 and 1978, four income maintenance experiments were conducted in the United States; in New Jersey (NJIME); in Seattle (SIME) and Denver (DIME); in rural areas in North Carolina and Iowa (RIME); and in Gary, Indiana (GIME). While the system tested here was a Negative Income Tax rather than a UBI, many of the basic tenets of the system are similar in that a minimum level of income is guaranteed by the government, leading to, arguably, similar effects.

19 Ibid.
21 Hum and Simpson. “A Guaranteed Annual Income?”
on society and on individual choice. The most important of the differences between the schemes being that under this system, the more one earns the less one receives in the form of welfare pay-outs while benefits are not abated at all under a UBI. This has the consequence that, in the American pilot programmes, participants were suspected to have underreported the hours they worked, and thus their earnings, in order to receive increased benefits.\(^{23}\) The impacts found were:

- Men reduced their working hours by an average of 7\%, and women by 17\% (although this may have been over-estimated). This was mainly a reduction in hours worked rather than people quitting their jobs.
- The marital breakup rate rose between 17\% and 31\% among participants. (It is difficult to assess whether the breakup rate increased excessively, or reached the level it ought to have been at by allowing people to escape relationships that should have ended.)
- Expenditure rose moderately with the increased income from the welfare benefits but the pattern of these expenditures did not change i.e. no increased purchasing of alcohol, cigarettes, or drugs.
- Participants received their payments regardless of their location, and were subsequently 50\% more likely to move home.
- The reduction in hours worked by young people was offset almost entirely by increased school and tertiary education attendance although there was no discernible impact on academic performance.\(^{24}\)

4.5 The Dutch city of Utrecht is set to conduct a UBI pilot programme later this year in order to judge its effects upon society. The Netherlands has the highest rate of part-time employment in the European Union, and appears to have accepted that high levels of full-time employment are neither conducive to citizens’ health and happiness nor likely to be attainable in the changing work environment over the coming decades. While the UBI’s impact on work incentives is therefore an important aspect of the experiment, it is not the primary area of study. Rather, city officials as well as researchers will seek to determine whether people, when they no longer have to worry about earning enough to survive, will dedicate more time to volunteer work, education, artistic endeavors, and other forms of self- and community improvement, or whether they will revel in their new-found idleness. Meanwhile, people who are beneficiaries of the current welfare system, as well as people who are in traditional employment, will be monitored as control groups. This pilot should be monitored as a method of future-proofing the labour market, particularly if the proposal of implementing a UBI is taken further in New Zealand.\(^{25}\)

\(^{25}\) Luckerson, Victor. "This Dutch City Plans to Give Residents a Universal ‘Basic Income.’" *Time.* 26/02/2015, available online at: [http://time.com/3938210/dutch-basic-income/](http://time.com/3938210/dutch-basic-income/)
4.6 It is worth noting, in a discussion of proposed experiments, that Brazil has passed legislation supporting a basic income, but has not funded the policy.\textsuperscript{26} Switzerland will have a referendum in 2016 about instituting a basic income, though this proposal has been criticised by the government.\textsuperscript{27} As work on this paper was completed, a pilot project was publicised in Germany, funded by Berlin entrepreneur Michael Bohmeyer and involving just 26 individuals.\textsuperscript{28} Leading Irish opposition party, Fianna Fáil (generally considered a centre-right party, albeit within Ireland’s unusual political landscape), announced that a basic income policy would be included in its election manifesto.\textsuperscript{29} In news that received the most international attention, the centre-right government in Finland announced a UBI pilot project, scheduled to start in 2017. The government is still considering different models, including a full basic income (possibly 800 Euros a month), a partial basic income, or a negative income tax.\textsuperscript{30}

4.7 There is an urgent need for more data on basic income trials. Where a UBI has been piloted, payments have been small compared to academic and campaign proposals, and the geographical contexts are arguably distinct from New Zealand. Nonetheless these case studies show to some extent that a UBI is feasible and that it can produce positive effects.

5. Four Implementation Options for New Zealand

5.1 The UBI could be applied in New Zealand in several ways. It is helpful to assess each option against criteria of \textit{principled fairness} and \textit{political feasibility}.

5.2 First, a UBI for New Zealand could adopt one of Gareth Morgan and Susan Guthrie’s models. The model they appear to prefer involves abolishing New Zealand’s progressive income tax, replacing it with a flat tax of 30% on all incomes; retaining GST at its current level; abolishing all existing welfare transfers, except for KiwiSaver and child support payments; paying a UBI of $11,000 annually to every adult aged 21 and above; and funding a youth UBI of $8,500 for those aged 18 to 20.\textsuperscript{31} Attractions of this model include that it has been \textit{reliably costed}, and that it provides a UBI at a rate that exceeds a trivial payment. However, $11,000 may \textbf{not be sufficient} for disadvantaged members of the New Zealand community, especially in the absence of other transfers. A

\textsuperscript{28} \textit{Los Angeles Times}. “If You Were Paid $1,100 a Month, Would You Amount to Anything?” 27 December 2015, available online at http://www.latimes.com/world/europe/la-fg-germany-basic-income-20151227-story.html.
UBI, by definition, paints with a relatively broad brush in providing this minimum standard, but different people have different needs; single parents, the elderly, disabled persons, and those with injuries or illnesses, for example, are more vulnerable than the able-bodied and are likely to require more support. Moreover, a flat tax at 30% violates a principle of fairness: the idea that those able to contribute to government coffers ought to pay slightly more in order to fund collective projects. The model would involve raising the percentage of tax paid by most individuals currently on low incomes, and slightly reducing the level of tax paid by the wealthy. Paying a lower UBI to those between 18 and 20 may also unfairly discriminate on the basis of age.

5.3 An alternative proposal would be to retain New Zealand’s progressive income tax system and GST; abolish existing welfare transfers but allow for supplementary transfers for disadvantaged groups; and pay a UBI of $11,000 to all adults over the age of 18. For the government to afford a UBI at this rate, including to all those between the ages of 18 and 20, there may need to be some changes to taxation policy to mobilise revenue. The top tax rate could be increased or further revenue might be gathered from other forms of taxation. This proposal would better satisfy precepts of fairness, by retaining progressivity in tax and rejecting any lower youth UBI. It would ensure some continuity with the tax system under the status quo. But more costing would have to be done to finalise the details of the revenue required. As well, doubts would remain about the adequacy of an $11,000 UBI.

5.4 A further option would be to use this ‘progressive model’ – but to pilot it first in a small centre in New Zealand, in order to test the benefits and harms of introducing a UBI. Within a town, existing welfare transfers could be abolished, and a UBI could be paid of $11,000. It may be that the government could afford this pilot without altering the tax system; if tax changes were needed, the same proposals in 5.3 could be introduced. Infrastructure has been set up to measure policy interventions as part of the New Zealand Social Sector Trials, and thus one of the towns in these trials could be the location of the pilot, perhaps with the consent of local government: one of Ranui, Kaikohe, Kawerau, Porirua, Gisborne, Whakatane, Rotorua, Waitomo, Waikato District, South Taranaki District, South Waikato, or Taumarunui. It would be optimal to trial the UBI for at least three years to allow for time lags in benefits and harms. A pilot model would allow the policy to be evaluated at lower cost than a full national roll-out, and could reveal New Zealand-specific arguments for and against a UBI. Risks of a pilot are that local resentment might be fostered by changes to the tax and welfare system, and results might be skewed because of the special circumstances of one of the towns used in the Social Sector Trials.

5.5 If complete replacement of the New Zealand’s welfare state was the main aim of a UBI, then a UBI would have to be more generous. Removing targeted welfare without lowering some people’s incomes requires accommodating the highest common denominator (i.e. the highest benefit rate). This would consequently require a UBI of more than $22,000 per annum – or the equivalent of the highest superannuation bracket (albeit that the argument is often made that this, too, is insufficient). While this proposal would maximize a UBI’s benefits, it would be much more difficult to implement than the other proposals due to higher costs.
as well as the significant political hurdles associated with government generosity. In order to afford this option's substantial cost the government would likely need to bring in substantial new tax measures. The Victoria University Tax Working Group has produced a comprehensive report regarding potential changes to New Zealand’s tax system which, while not designed for this proposal, lays out some of the opportunities for change to the tax system.\footnote{Victoria University of Wellington Tax Working Group. A Tax System for New Zealand’s Future. January 2010, available online at: \url{http://www.victoria.ac.nz/sacl/centres-and-institutes/cagtr/pdf/tax-report-website.pdf}.

5.6 With all models, basic questions about eligibility (especially age and residency requirements) will need to be addressed. Age can have a dramatic influence on the costs and outcomes of the scheme. It is also very unlikely that New Zealand adopting a UBI will pass unnoticed to the rest of the world, potentially making New Zealand attractive for immigration (although Alaska’s experience suggests that a UBI may not have major effects on migration patterns). While the influx of foreign nationals in New Zealand can be effectively controlled by the rules around immigrants and refugees currently in place, a discussion should still be had about whether the UBI will apply to New Zealand residents as well as citizens, or whether citizenship and residency laws should be adjusted at all.

5.7 The Morgan and Guthrie model may prove too unfair and disruptive to pursue further while the more generous model is likely unaffordable. But the progressive model, and the notion of a pilot, both hold out significant promise. Piloting a UBI in a small town centre may be a cautious, but sensible way, to begin to assess the viability of a UBI for New Zealand.

6. Conclusion: The Universal Basic Income and the Future of Progressive Politics

6.1 A Universal Basic Income is one of the more imaginative ideas gaining traction in progressive political circles in our time. As parties on the Right and Left consider how to construct new pillars of the welfare state (alongside defending the old pillars of housing, health, and education), a Universal Basic Income holds out great promise as a policy that could be a foundation of ‘Fourth Way’ social democracy, which moves beyond old debates about capitalism and socialism and leaves the Third Way behind.\footnote{We are indebted to Ronan Harrington for this phrase.}

6.2 Despite this promise, there is a need for some caution. A Universal Basic Income, if implemented, could involve scrapping traditional welfare protections. As has been discussed above, it could also individualise collective projects and weaken community ties in our already individualistic age. It should be recognized, too, that a Universal Basic Income is not a complete solution to problems of income inequality.

6.3 This policy deserves to be debated. Economists and philosophers could be approached for further discussion: Professor Guy Standing, Gareth Morgan, and Philippe Van Parijs are figures that are continually referred to in the literature and who could be usefully consulted. It may be that in New Zealand, following
these discussions, a pilot programme could provide a useful first step towards a more fully-fledged UBI in the future.
Appendix A: Other Programmes

For the sake of brevity, this paper has only written in relative detail about programmes in OECD nations, as their outcomes are more likely to be relevant to New Zealand than those of programmes in developing states. More information on UBI as well as other unconditional cash transfer programmes not covered here can be found at the following sites:

- Brazil (Quatinga Velho)
- Brazil (Bolsa Familia)
  [www.uncsd2012.org/content/documents/399BOLSA%20FAMILIA%20EM%20IGLES%20maio%202012_FINAL.pdf](http://www.uncsd2012.org/content/documents/399BOLSA%20FAMILIA%20EM%20IGLES%20maio%202012_FINAL.pdf)
- Democratic Republic of Congo
- India (Madhya Pradesh Pilots)
- Iran
- Liberia (Bomi County)
- Namibia (BIG Pilot Project)
  [www.bignam.org/Publications/BIG_Assessment_report_08b.pdf](http://www.bignam.org/Publications/BIG_Assessment_report_08b.pdf)
- Uganda (WINGS)